



FINANCIAL STATUS 2016

**Report on the financial position of the Company
since the Annual General Meeting,
pursuant to Article 3, paragraph 13b and
Article 4, paragraph 12b of the Articles of Association**

and

OPERATIONS, FINANCIAL AND INVESTMENT PLAN 2017

**Proposed budget for the coming fiscal year for approval,
pursuant to Article 3, paragraph 13c; Article 4, paragraph 12c,
and Article 9, paragraphs 1-4 of the Articles of Association**

Table of Contents

1. Summary	4
1.1 Fiscal status since the Annual General Meeting and the trends for 2016	4
1.2 Operations, Financial and Investment Plan 2017	5
2. The following shall be laid before SEV's Extraordinary General Meeting on 27 November 2016	6
2.1 For discussion and review	6
2.2 For approval.....	6
3. Introduction	7
3.1 Interest-bearing debt compared to EBITDA	7
3.2 Key Figures and Financial Ratios for 2008-2019	8
4. Financial position since the Annual General Meeting and the trends for 2016	10
4.1 Electricity sales and production.....	12
4.2 Revenue 2016	14
4.3 Operational expenses	15
4.3.1 Oil expenses.....	15
4.3.2 Goods and services	18
4.3.3 Wage expense.....	18
4.3.4 Depreciation of fixed assets.....	19
4.3.5 Interest and valuation adjustments of share capital	19
4.4 Investment, financing and liquidity	19
5. Operations, Financial and Investment Budget 2017	22
5.0 Attest of the independent accountant	22
5.1 Profitability and setting the price of electricity	23
5.1.1 Overview of the efforts to improve profitability over the past few years.....	23
5.2 Electricity sales and production.....	27
5.3 Wind energy purchase from Sp/F Vindrøkt and SEV subsidiaries	29
5.4 Total revenue.....	29
5.5 Operational expenses.....	30
5.5.1 Hedging strategy for oil, currency and interest	30



5.5.2 Strategy for insuring against oil price and currency risks	31
5.5.3 Strategy for insuring against interest rate risk	32
5.5.4 Oil expenses	32
5.5.5 Goods and services	34
5.5.5.1 Production activities	34
5.5.5.2 Grid-related activities	34
5.5.5.3 Administration	35
5.5.6 Wage expense.....	36
5.5.7 Depreciation	38
5.5.8 Interest and return on equity	39
5.6 Investment.....	39
5.7 Loan facilities	44
5.8 Liquidity	45
6. Sustainable budgets 2016-2026	47
7. Overview of SEV's fiscal economy for the period 2008-2026.....	48
8. Independent subsidiary corporations to operate the windfarms	55
8.1 Neshaga	56
8.2 Húshaga	58
9. Financial Statistics and Tables	60



1. Summary

Pursuant to the Articles of Association of the Company, SEV shall submit a report on the fiscal status of the Company for 2016, as well as the Operations, Financial and Investment Budget for 2017. The 2017 Operations, Financial and Investment Budget is structured as a consolidated corporate concern budget, wherein the daughter companies are consolidated (integrated) within the parent company budget and the internal transfer pricing transactions, current accounting, etc. are excluded.

1.1. Fiscal status since the Annual General Meeting and the trends for 2016

The Company anticipates an operational profit in 2016 of DKK 105.8 million, compared to a budgeted result of DKK 72.5 million, or an increase of DKK 33.3 million. Although the final figures may very well differ, it is forecast that the profit will not be less than DKK 90 million.

This positive result is derived from, among other factors, increased kWh sales, lower oil costs and lower costs overall.

The fact that the Company sold more (kWhs) to its customers means that production was somewhat greater than the previous year. Oil costs were lower than budgeted by DKK 30.6 million, stemming in the main from lower oil prices. The costs for goods and services were also lower than projected by DKK 12.3 million, while wage expense was DKK 3.9 million lower. Depreciation was higher than budgeted by DKK 2.4 million, and interest expenses were higher than budgeted by DKK 5.9 million. Included in interest expenses are DKK 8.3 million establishment fee regarding new long-term financing.

Production from renewable energy resources in 2016 was projected to be 54.3%, compared to 60.1% in 2015, or a decrease of 5.8%. When the Húshaga windfarm battery system comes online, it is anticipated that more production will be derived from wind power and the amount of green energy will increase. The distribution among the various energy resources is forecast to be 45.7% from oil, 37.0% from hydropower and 17.3% from wind. According to current planning, the production of electricity from renewable resources will increase in the future, but this is a challenge when overall total production also increases at the same time. Moreover, the weather also impacts the renewable portion of electricity production.

Investment in 2016 is forecast to be DKK 250.7 million, compared to a budgeted DKK 377.4 million. This lower investment is distributed over several areas. The budget called for a loan facility of upwards of DKK 1,000 million, but when actual investment proved lower than budgeted it proved unnecessary to tap the entire budgeted loan facility. On the other hand, if the gross liabilities of the Company are to be financed in December 2016, this will require a loan facility of some DKK 1,000 million, even though the gross liabilities of the Company currently stand at DKK



830 million. An additional DKK 170 million will be needed for investment in the near future. Liquidity is calculated to be DKK 343.5 million at year-end, thus the Company has a good liquidity base. Moreover, the Company has access to a line of credit from financial institutions of around DKK 670 million for near-term investment and liquidity.

The Extraordinary General Meeting held on 19 June 2015 approved and granted the Board of Directors the authority to structure the Neshaga and Húsahaga wind farms as two, 100%-owned subsidiary companies, whereby the wind farms are transferred in such a way that the operations of the wind farms are conducted under two, independent companies of which SEV is the only shareholder. Work is underway to prepare for the formation of these two companies as at 1 January 2016. It is intended that these companies will be established by year-end 2016.

The Board and Management are satisfied with the fiscal status of the Company to date in 2016, and the forecast result for 2016 and the fiscal status of the Company at year-end 2016.

1.2. Operations, Financial and Investment Plan 2017

It is envisioned that SEV will reduce the price of electricity for its customers in 2017 by DKK 0.05 per kWh, which is expected to yield a result of DKK 67.5 million. It is critical for the Company to build up a good economic foundation to have the capacity to undertake the planned investments over the coming four years. Included in these projected investments are the expansion of the power plant at Sund, wind farms, several new coupling stations, and the enlargement of the electricity grid, including a cable to Suðuroy.

It is projected that electricity sales will increase swiftly by 2.5% and as a consequence also production.

The costs of goods and services are budgeted to DKK 65.1 million, which is higher than forecasted costs for 2016, but lower than budgeted costs for 2016. Wage expense will increase consistent with normal wage adjustments, plus it is anticipated that several additional employees will be hired. Wage expense is budgeted to be DKK 67.2 million, which is lower than forecasted costs in 2016.

Depreciation is budgeted at DKK 113.2 million, compared to a projected DKK 103.5 million for 2016. The reason for this increase in depreciation expense is the investment the Company intends to undertake. Net interest expense is budgeted at DKK 37.1 million, which is lower than the forecasted cost for 2016. The reason for an increase in the net interest expense is the increase in long-term debt.

Investment for DKK 728.1 million is planned. In addition, there are plans to execute additional loan facilities of some DKK 320 million against current drawing rights. Long-term debt is anticipated to be DKK 1,320 million at year-end 2017.

At present, work is underway to obtain long-term financing for the Company that would also cover the extension of the Sund power plant. This work is expected to be completed in December 2016. A loan facility for DKK 1,670 million should be arranged, of which the greatest portion will be long-term debt and another as drawing rights, which will be accessed as each expansion phase of the Sund power plant is initiated during the period 2016-2021. The new financing for DKK 1,670 million will be used to finance the existing gross debt of DKK 830 million, investment in the near future and liquidity.

Liquidity at year-end 2017 is calculated to be DKK 124.1 million. In addition, the Company has access to drawing rights of some DKK 350 million. Thus, the Company has adequate liquidity.

The Board of Directors and Management are satisfied with the budgeted result for 2017 and the anticipated financial position of the Company at year-end 2017.

2. The following shall be laid before SEV's Extraordinary General Meeting on 25 November 2016:

2.1 For discussion and review:

- Fiscal trends since the Annual General Meeting and the financial status for 2016, pursuant to § 3, paragraph 13b and § 4, paragraph 12b of the Articles of Association.

2.2 For approval:

- Operations, Financial and Investment Budget for 2017, pursuant to § 3, paragraph 13c and § 4, paragraph 12c and § 9, paragraphs 1-4. 4, hereunder:
 1. That the kWh price for all customer groups be decreased by DKK 0.05 per kWh, relative to the current pricing schedules.
 2. That the fixed base rate and connection fees remain unchanged, consistent with the current pricing schedules.
 3. That the compensation for the Board Chairman be set at DKK 12,612 per month, Vice Chairman DKK 9,459 per month, and individual board members DKK 6,306 per month. In addition, for each meeting a board member participates in on behalf of SEV, the board member shall receive a meeting allowance corresponding to the allowance granted in the civil servants wage agreement. Associated costs for travel, etc. shall be repaid to the respective board member.

4. That if a board member of SEV sits on other boards of the Company, e.g., subsidiaries of the Company or the buildings committee, or the like, said work shall be compensated based on the extent of the work involved. However, there shall be no additional compensation for work on the board of the wind farm subsidiaries.
5. That investment be a total of DKK 728.1 million, hereunder:
 - That the Company's board itself can determine how the long-term expansion of the grid over the coming four years shall be organized, hereunder the timeframe, the priority of construction, tenders, etc. for a total cost of DKK 408.2 million over the time period 2017-2020.
 - That the Company's board itself can determine how, as part of the grid investment above, the construction of the new coupling stations and the updating of existing stations shall be organized over the next four years, hereunder the timeframe, priority of construction, tenders in connection with the construction, etc. for an overall cost of DKK 252.2 million over period 2017-2020, or DKK 285.9 when 2016 is included as well.
 - That the construction of the new workshop and administration building for DKK 80 million be postponed until 2022, and instead that the renovation and upgrading of the current administration building be undertaken over a two-year period, for which DKK 18.1 million is budgeted for 2017 and DKK 5.9 million in 2018.
6. That SEV can initiate in 2017 a two-year trial for the sale of electricity for electric vehicles and heat pumps based on a discounted pricing structure, and that the Board in this connection be granted the authority to stipulate the details of how this discount pricing structure shall be organized, hereunder to set the price per kWh, the fixed base rate and connection fee, and other relevant conditions.

3. Introduction

The plan is to undertake a general price restructuring during 2017 by lowering the price of each kWh by DKK 0.05. In addition, SEV intends to implement a trial project encompassing the sale of electricity for electric vehicles and heat pumps based on a discounted pricing structure.

For 2016, the result is expected to be a profit of DKK 105.8 million, while the result for 2017 is projected to be a profit of DKK 67.5 million following the price reduction.

During the period 2008-2012, SEV had accumulated a total deficit of nearly DKK 100 million, at which point the decision was taken to amend its accounting principles and practices in 2012. The Board and Management adopted the goal of reversing this unhealthy trend and in 2013 SEV realized an operational profit of some DKK 11.9 million. This trend continued through 2014 and



2015, during which the operational profit was DKK 57.8 million and DKK 103.1 million, respectively.

In the main, the Company set out the goal that beginning in 2015 the operational result shall be sufficient to meet the requirements for adequate self-financing for the investments that, as budgeted, lie ahead. The goal of SEV is to ensure that the budgeted investment is financed via satisfactory equity capital in combination with outside financing. This can be achieved by SEV continuing to have a satisfactory operational profit, because this approach is deemed to be the only method by which self-financing can become a reality.

The Board and Management of the Company believes that, given the forecast result for 2016 and the projected result for 2017, the Company's fiscal requirements will be sufficiently realized for both its operational needs and the self-financing required for the planned infrastructure investment, assuming current trends continue.

3.1 Interest-bearing debt compared to EBITDA

The companies to which SEV could be compared in 2015 had debt to EBITDA¹ ratios as shown in the Table below.

DONG	NGF Nature Energy	SEV	Nukissiorfiit	Landsvirkjun	Orkuveita	Average
1.7x	6.7x	2.8x	5.5x	6.2x	6.4x	5.8 x

In the main, it is believed that it is not good for an ordinary company to maintain a debt to EBITDA ratio higher than 3. However, it is quite normal that this number is higher.

Because SEV is a corporate entity that operates somewhat differently than the usual company, the requirement to maintain a ratio of 3 could prove to be overly burdensome. Therefore, SEV has set the long-term goal that the debt to EBITDA ratio shall never be greater than a factor of 6.

At present, the Company is able to achieve this ratio and the debt to EBITDA ratio in 2016 lies at 2.6. This ratio will increase to 5.5 in 2017, peaking at 5.8 in 2019, and subsequently falling to 3.5 in 2026.

3.2 Key Figures and Financial Ratios for 2008-2019

In order to show the financial position of SEV, the Table below shows the key figures and financial ratios for the period from 2008 to 2015, wherein the figures are verified, and for the period from 2016 to 2019, wherein the values are Forecast (F), Budgeted (B) or Projected (P).

The Table shows a steady increase in net turnover, which, in the main, results from the price increases during the period up to 2014, as well as the sale of kWh has increased from 2012.

¹ Earnings before interests, tax, depreciation and amortization.



DKK million	2008	2009	2010	2011	2012	2013	2014	2015	2016F	2017E	2018F	2019F
Net sales	275	277	278	316	356	384	411	422	421	419	426	451
EBITDA	36	78	15	36	76	104	156	221	248	218	223	226
Net profit	-16	15	-46	-39	-12	12	58	103	106	68	61	40
Investments	92	80	93	96	148	155	275	232	251	728	251	224
Cash	24	37	42	57	87	67	132	222	343	124	148	147
Total assets	499	1,151	1,201	1,287	1,411	1,475	1,742	1,960	2,236	2,616	2,777	2,867
Equity	341	967	922	885	870	882	940	1,042	1,149	1,216	1,278	1,317
Total liabilities	105	187	293	382	519	575	783	898	1,068	1,381	1,481	1,531
Return on equity	-4.6	2.3	-4.9	-4.4	-1.4	1.4	6.3	10.4	10.1	5.7	4.9	3.1
EBITDA to debt ratio	2.9	1.9	12.0	7.4	4.9	4.3	3.6	2.8	2.6	5.5	5.7	5.8
Equity ratio	68.3	82.5	74.8	68.6	61.7	59.8	54.0	53.2	51.4	46.5	46.0	45.9
Full-time employees	-	-	175	166	157	159	160	161	163	172	172	172

The Table below shows the kWh sales of the Company derived from the various customer groups from 2005 to 2015 (data verified), and 2016-2019, wherein the amounts are either Forecast (F), Budgeted (B), or Projected (P).

	Farming, fish farming, fish processing and raw materials	Manufacturing, production and construction	Commerce, restaurant and hotels	Transport, postal and communication	Finance, insurance and other services	Public and private services, churches	Street-lights	Private homes, apartments, summer- and boathouses	Total
2005	15.8	51.1	19.1	18.7	3.8	32.0	6.1	74.9	221.6
2006	19.3	53.8	21.0	21.8	3.9	34.1	5.6	75.6	234.9
2007	22.1	54.7	21.7	23.3	4.0	35.2	6.8	77.6	245.4
2008	23.1	53.8	22.9	25.1	4.2	36.2	7.0	81.5	253.9
2009	25.8	52.0	22.6	24.4	4.5	35.6	6.7	80.5	251.9
2010	25.9	48.9	22.5	28.7	4.2	36.5	6.8	81.3	255.0
2011	26.4	44.5	22.4	31.8	4.2	36.8	7.3	81.4	254.8
2012	29.4	52.5	21.6	34.7	3.9	36.6	6.9	75.7	261.4
2013	29.2	69.3	22.7	25.1	4.0	37.7	7.4	78.9	274.4
2014	31.1	76.1	24.7	25.7	4.0	37.3	7.0	78.0	283.8
2015	36.6	76.5	23.1	24.9	3.9	37.9	7.1	78.0	288.1
2016F	38.1	78.8	23.3	25.0	4.0	39.1	7.2	80.4	295.8
2017B	41.9	79.6	23.5	25.2	4.0	39.9	7.3	82.0	303.4
2018P	48.2	80.3	24.0	25.7	4.1	40.7	7.5	83.6	314.1
2019P	62.6	82.0	24.5	26.2	4.2	41.5	7.6	85.3	333.9

As the Table above shows, the share capital of SEV in 2009 has increased considerably because of changes to the depreciation period of the Company's tangible fixed assets. Cash-flow was minimal during the period 2008-2012, compared to investment, thus it was necessary to increase the price of electricity and increase the level of financing for operations and infrastructure investment.

SEV increased the price of electricity by DKK 0.15 per kWh on 1 January 2011, and on 1 January 2012 increased the price by DKK 0.10 per kWh with the approval of the Electricity Production

Commission. At the same time, the Electricity Production Commission and SEV acknowledged that the high oil prices and the need for expansion and renovation of both SEV's production facilities and the grid meant that it would be necessary to increase the price of electricity again on 1 January 2013.

On 1 January 2013, SEV increased the price by DKK 0.05 per kWh for all consumers, plus DKK 0.06 per kWh for consumers under the special fee schedule that have a rate of consumption greater than 30,000 kWh (previously, 20,000 kWh) – so-called “industrial customers”. In addition, SEV received approval from the Electricity Production Commission to increase the price for its industrial customers DKK 0.05 per kWh as of 1 January 2014. The price per kWh without VAT thus became DKK 1.15 for this particular customer group. There were no pricing adjustments relative to the kWh price in 2015 and 2016. On the other hand, as noted previously, the intent is that the price per kWh shall be reduced by DKK 0.05 in 2017.

SEV considers high oil prices to be extremely critical for the Company. The price of oil declined significantly over the last few years and remains at a low level currently, compared to just two years ago. However, the price of oil is on its way up again now that OPEC has agreed upon production quotas. SEV continually strives to undertake initiatives designed to reduce oil-related expenses. Moreover, SEV is equally focused on other efforts to bring the cost of electricity production down.

These goals are advanced, among other efforts, by the expansion of the Eiði hydropower plant, the wind farms at Neshaga and Húsahaga. These three initiatives alone have resulted in the oil consumption of SEV being reduced by around 14,000 tonnes, and, all things considered, ultimately will contribute to a more stable Faroese economy overall, as well as considerably reduce the country's CO₂ emissions by some 30,000 tonnes annually.

Thus, through these initiatives each and every consumer of electricity, as well as the country as a whole, will benefit, not only in terms of reduced oil consumption, but also relative to the natural environment.

Given that such a large part of SEV's electricity production is derived from wind power, the resultant challenges are significant. These challenges necessitated the installation of a battery system to realize as much energy production from the wind as possible. Over the last few months, the battery system underwent testing and formally entered into service on 28 September 2016.

From page 53 onwards, a number of various financial charts and detailed analyses for different business areas are provided.

4. Financial position since the Annual General Meeting and the trends for 2016

Pursuant to the Articles of Association of SEV – § 3, paragraph 13b and § 4, paragraph 12b – the Board of Directors shall submit to an Extraordinary General Meeting in the autumn of each year a report on the Company's fiscal position and the economic trends since the last Annual General



Meeting. Below, in addition to a discussion of the overall economic trends experienced since the last Annual General Meeting, is an analysis of the anticipated activity for the remainder of the year, culminating in a forecast of the expected result for 2016.

Below outlines the operational data according to SEV's bookkeeping records for the period January – September 2016; the result for 2016 is forecast. Also shown are deviations from the 2016 budget and predicted forecasts.

The account entries are complete and up-to-date, but have not been audited. Moreover, the numbers relevant to revenue should be viewed with the understanding that the eventual annual settlement for a small number of SEV's customers is not available until sometime in December when the physical reading of the electricity meters is completed and the calculations booked. Also, accounting adjustments are probable.

The Table below shows verified operational data for 2011-2015, and verified and forecast data for 2016 in DKK million.

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Budget 2016	Actual 30 Sep 2016	Projection 2016	Difference Budget and Projection
Net sales	316.4	355.8	384.6	410.6	422.0	425.2	300.3	421.1	-4.1
Oil expenses	142.6	166.0	167.9	141.5	86.2	77.7	37.3	48.1	29.6
Materials and services	74.9	53.5	54.1	49.8	49.9	68.8	38.6	56.5	12.3
Wages	62.6	60.2	58.7	63.6	64.3	72.4	49.9	68.5	3.9
Total expenses	280.1	279.7	280.7	254.9	200.5	218.9	125.8	173.1	45.8
EBITDA	36.3	76.0	103.9	155.6	221.5	206.3	174.5	248.0	41.7
Depreciation	61.1	67.8	70.0	77.2	93.6	101.1	75.7	103.5	-2.4
Result before interest	-24.8	8.3	33.9	78.4	127.9	105.2	98.8	144.5	39.3
Net interest and value adjustments	14.5	20.5	22.0	20.6	25.3	32.8	21.6	38.7	-5.9
Result before tax	-39.3	-12.3	11.9	57.8	103.1	72.5	77.2	105.8	33.3

The annual result for 2016 is forecast to be an operational profit of some DKK 105.8 million. Forecasts by their very nature embrace some doubt, but in this case SEV truly expects that its profit will not be less than DKK 90 million. Originally, the Company budgeted a result in 2016 of DKK 72.5 million, thus SEV has experienced much greater success than originally envisioned. One of the reasons for this is the precipitous decline in oil prices and reduced goods and services expense.

The forecast predicts a net turnover of DKK 421.1 million, which is DKK 4.1 million lower than budgeted, of which DKK 1.5 million stems from lower kWh sales, while DKK 4.2 million reflects lower connection fees than anticipated. Other income is DKK 1.6 million higher than budgeted.



Mild weather in the spring and summer impacted the renewable portion of electricity production such that said portion was less than the previous year, when the weather was quite favourable to SEV. Oil expenses, including gas oil and lubricating oil is DKK 30.5 million lower than budgeted, and the principal reason for this is the declining price of oil, however, SEV is expected to use 2,456 tonnes more of heavy oil than budgeted, which will have the opposite effect on total oil expenses.

Purchases of heavy oil in 2016 are hedged; additionally, the Company has purchased dollar futures contracts to pay for the oil. The intent of these actions was to enable the Company to hold to its budgeted oil costs as much as practicable, but, given the fall in oil prices since the budget was drafted, the consequent hedging was done at a much lower cost than originally planned.

Goods and services are forecast to be DKK 56.5 million, which is DKK 12.3 million less than budgeted, and wages are forecast at DKK 68.5 million, which is DKK 3.9 million less.

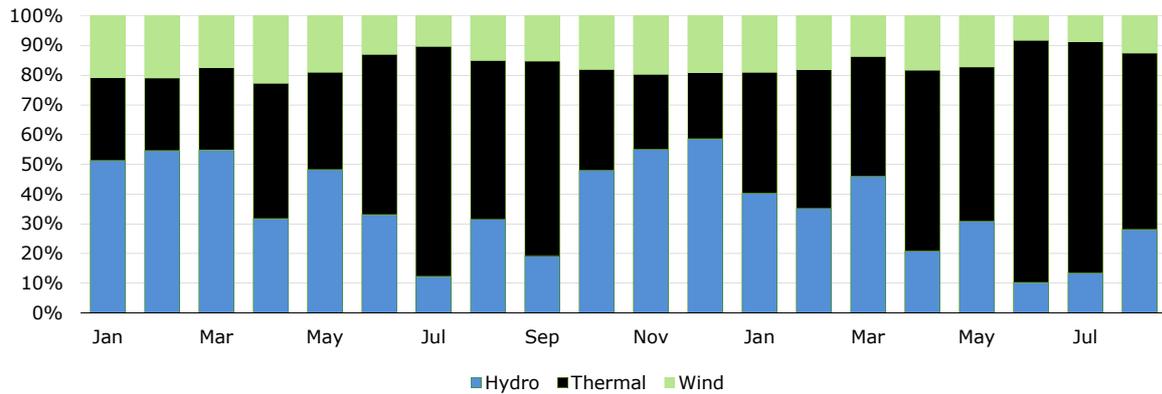
Depreciation is forecast at DKK 103.5 million, which is DKK 2.4 million higher than budgeted, and interest expense is DKK 38.7 million, which is DKK 5.9 million higher than budgeted. The reason that interest expenses are higher than budgeted is because the carried debt was refinanced this year and the related loan origination fees are booked under interest expense.

4.1 Electricity sales and production

The weather changes from year to year and consequently the production of electricity from hydropower and wind fluctuates up and down. Electricity production to date can be analyzed by GWh, as depicted in the table below. From the beginning of the year through July of 2015, more rain and wind was recorded than normal, while parts of August and September experienced less than normal, when compared to 2016.

	Jan-Sep 2016	%	Jan-Sep 2015	Change in %	Oct 2015 to Sep 2016	%	Oct 2014 to Sep 2015	Change in %
Wind	35.5	15.5	39.1	-9.1	52.2	16.4	56.4	-7.4
Hydro	71.8	31.3	85.5	-16.0	119.4	37.6	126.4	-5.5
Thermal	122.3	53.2	101.5	20.5	146.3	46.0	128.3	14.0
Total	229.6	100.0	226.1	1.6	318.0	100.0	311.1	2.2

When comparing the data for the period October 2015 to September 2016 to the previous period, one can see that production increased by 2.2%. To date in 2016, production increased by 1.6%.



As the Table above shows, electricity production from wind and hydropower is less than the previous period, and especially reflects that there was less rain in the first months of 2016, compared to the same period in 2015. The same is true for electricity production from wind. In the main, the weather was very mild during the spring and summer months. For these reasons, thermal electricity production increased.

The Table below shows the booked sales to the Company's customers, grid loss and own-use, and total production in GWh over the last seven years. Included are the forecast results for 2016.

	2009	2010	2011	2012	2013	2014	2015	Budget 2016	Projection 2016
Customer sales GWhs	251.9	255.0	254.8	261.4	274.4	283.8	288.1	296.6	295.8
Grid loss and own use GWhs	23.6	25.3	19.0	30.1	18.1	21.6	26.3	21.6	23.4
Total production GWhs	275.5	280.3	273.8	291.6	292.5	305.4	314.4	318.2	319.2
From thermal	168.1	199.3	166.8	181.0	180.1	150.2	125.5	139.3	146.0
From hydro	92.4	67.4	92.5	99.8	90.6	120.7	133.1	122.0	118.0
From wind	15.0	13.6	14.5	10.8	21.8	34.5	55.8	56.9	55.3
Green total	107.9	81.0	107.0	110.6	112.4	155.2	188.9	178.9	173.3
% change in production		1.2	0.0	2.6	5.0	3.4	1.5	1.7	1.6

For 2016, electricity production was budgeted at 318.2 GWh. Production is forecast to be 319.2 GWh or 1.0 GWh more. Electricity production from renewable energy resources was budgeted at 178.9 GWh (56.2% from green energy resources), but this production is now forecast to be 173.3

GWh, or 5.6 GWh less. The thermal power plants were expected to produce 139.3 GWh, but now production is forecast to be 146.0 GWh, or 6.7 GWh more.

This means that the electric power produced from green energy is forecast to be 54.3%, while thermal power is forecast to be 45.7%. Thus, SEV is less green in 2016 than in 2015, when green energy production was 60.1%.

4.2 Revenue 2016

There are three factors that influence SEV's gross revenue: 1) change in the price of electricity, 2) change in electricity consumption, and 3) shifts by a customer from one pricing group to another. The Table below shows SEV's net revenue over the past few years in DKK million and forecast numbers for 2016.

Net sales in DKK million	2009	2010	2011	2012	2013	2014	2015	Budget 2016	Projection 2016
KWh	260.3	261.8	296.5	335.0	362.4	379.2	385.0	397.1	395.6
Fixed fee	16.4	16.1	16.5	16.4	16.6	16.5	16.4	16.7	16.7
Connection fee	2.1	1.6	1.3	2.3	6.9	14.7	16.2	12.7	8.6
Service fees etc.	1.1	1.3	5.0	4.7	1.3	2.7	6.7	1.4	3.0
Total income	279.9	280.8	319.3	358.4	387.2	413.1	424.4	428.0	423.8
Purchase wind power	-2.7	-2.6	-2.8	-2.5	-2.6	-2.5	-2.4	-2.7	-2.7
Net sales	277.2	278.3	316.4	355.8	384.6	410.6	422.0	425.3	421.1

As the Table above shows, the revenue of the Company has steadily grown beginning in 2009 and continued through 2015. This growth not only stems from an increase in kWh consumption, but also reflects the increases in the price of electricity levied on several occasions over the past few years with the intent to off-set the rising price of oil purchased by the Company for energy production.

It is difficult to estimate more exactly, given that the growth in revenue is also conditioned on which customer grouping experiences the greatest growth. SEV's growth in sales varies, based on the sales distribution among the various customer groups. Certain individual customer groups have experienced a growth in consumption, especially within the fish farming, the fishing industry and fish processing industrial group, as well as SEV's ordinary retail customers.

It is not possible for SEV to obtain a more detailed overview of the trends in a particular customer group until the final tally is made at year-end. When all of the new wireless meters come online, this problem will be resolved and it is anticipated that some 5,000 wireless meters (of 25,000) will be incorporated into the new system deployed by SEV. At present, only a very small portion of



SEV's overall sales are derived from customers whose meters are read once a year and from which an individual customer's total consumption is calculated. Such meter reading, in the main, is conducted in December of each year. At the same, one must reconcile SEV's own-use and the consequent grid loss of electricity. Grid loss in 2016 is calculated to be 23.4 GWh. Over the last five years, grid loss has been on average some 23 GWh, but the actual number has fluctuated year-on-year.

The booked revenue from kWh sales of DKK 282.0 million up to 30 September 2016 cannot directly be used to forecast revenue for a full year, because a small portion of the annual booked income is derived from customers whose final accounting is made subsequent to the reading of their meters at year-end. Moreover, certain disparities can occur in the calculation of the monthly installment payments and revenue in general that are not adjusted evenly from month to month.

However, based on the increase in electricity production and an estimation of electricity consumption, the booked revenue to date and the booked connection fees, it is forecast that revenue will be DKK 423.8 million, which is DKK 4.2 million less than the revenue projected for the 2016 budget. Net revenue for 2016 will be DKK 421.1 million, compared to the budgeted DKK 425.3 million. These forecasts are based on the wireless meter readings and the registered production numbers to date of SEV.

4.3 Operational expenses

The operational expenses of the Company are oil costs, goods and services, wages, depreciation and interest. These costs are discussed in more detail below.

4.3.1 Oil expenses

SEV has hedged its purchases of oil for 2016, consistent with its price hedging strategy. In addition, the Company has purchased dollar futures contracts at stipulated settlement rates to avoid the risk of dollar currency fluctuations, as generally oil purchases are settled in dollars. In this regard, SEV has determined that such a strategy is important to facilitate holding to the planned operations, financial and investment budget; moreover, price hedging is important relative to loan facility negotiations. Confer the more detailed analysis in section 5.5.1.

Through this strategy, SEV has tried to protect itself against possible swings in the price of oil and the dollar exchange rate for the purchase of oil. On the other hand, the Company cannot protect itself from fluctuations in oil consumption. It is extremely important to limit the swings in this particular expense category, because these costs represent a major portion of the total costs of the Company.

These costs are directly linked to the price adjustments in the home market, as well as changes in the consumption of electricity and the fluctuations in production of electric power from wind and hydropower. The oil price paid by SEV is linked to the commodity market price index for oil

and the US dollar exchange rate. On the other hand, the price of oil on the spot market when the oil is purchased can either be higher or lower than the stipulated hedged price. This means that SEV either receives funds from the insurer underwriting the hedge agreement or must pay the insurer relative to the market price at the time of purchase. It is commonly understood that when the price of oil goes up the cost of a dollar goes down and vice-versa.

At the beginning of 2014, the price of oil had fallen to USD 584.00 per tonne only to rise again to USD 630.00 per tonne of heavy oil in March 2014. Most believed that the price of oil would fall by mid-year, but this did not occur and instead the price again rose to USD 633.70 per tonne of heavy oil. SEV hedged its oil purchases for 2014 in December of 2013 effective in January 2014 and in June 2014.

The price of oil remained high, but in July the price began to fall, reaching USD 553.70 per tonne of heavy oil by September 2014. By the end of 2014, the price was USD 321.10 per tonne of heavy oil. Below is an overview of SEV's hedging during 2014 for the purchase of oil per tonne of heavy oil in DKK:

	DKK/tonne	Difference
Budget price October 2013 for purchases in 2014	3,647	
Hedged price December 2013 and June 2014	3,659	-12
Calculated market price for 2014	3,505	-154

At the beginning of 2015, the price of oil again cascaded to USD 244.10 per tonne only to subsequently rise to USD 296.60 per tonne of heavy oil by March 2015. The price of oil continued to rise until May 2015 when it reached USD 339.80 per tonne of heavy oil. The price then fell to USD 214.80 per tonne of heavy oil at the end of September 2015. Consequently, the price of oil fell to USD 210.00 per tonne of heavy oil in early October 2015. By the end of 2015, the price for a tonne of heavy oil was USD 154.00.

Below is an overview of SEV's hedging during 2015 for the purchase of oil per tonne of heavy oil in DKK:

	DKK/tonne	Difference
Budget price October 2014 for purchases in 2015	3,504	
Hedged price June 2014 and February 2015	2,639	-865
Calculated market price for 2015	2,125	-514

The year 2016 began with the price of oil falling to USD 122.90 per tonne and then subsequently growing to USD 158.00 per tonne of heavy oil by March 2016. The price continued to increase until by September 2016 it had grown to USD 251.50 per tonne of heavy oil. The OPEC oil cartel has agreed to cut the production of oil and this has stimulated an increase in the price of oil.

The oil purchases of SEV for 2016 are hedged and SEV purchased futures contracts for the dollar. This was done in January 2016 and renewed in June 2016. The price hedging in January 2016 was

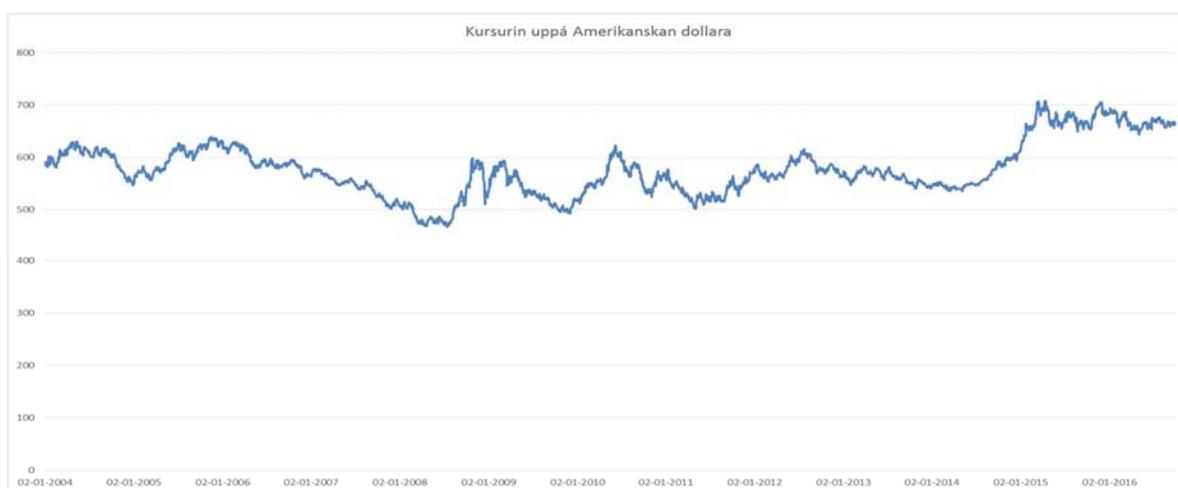
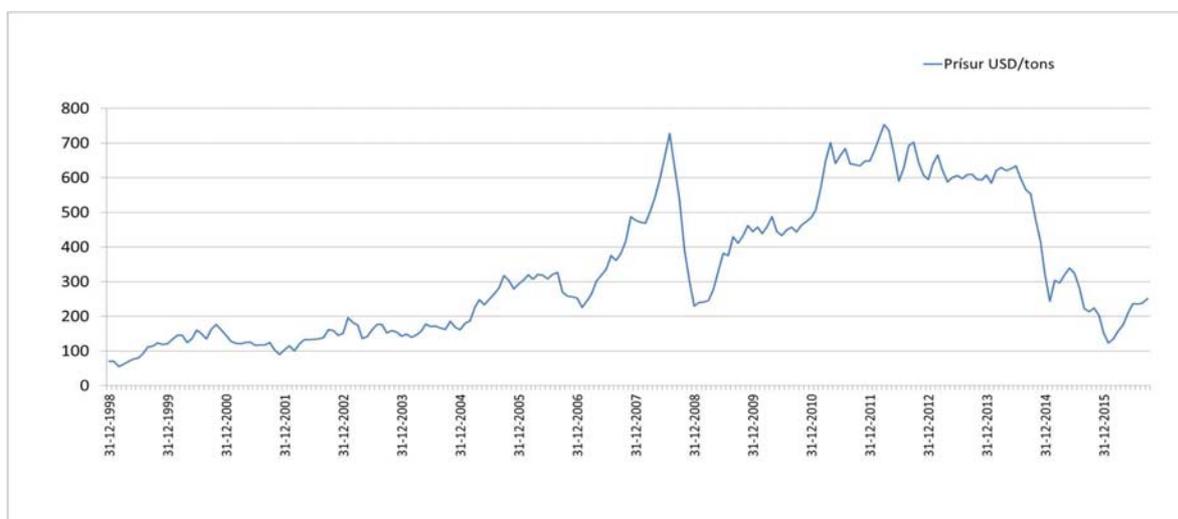


done well under the budgeted cost for 2016. To fix the cost of oil lower than the amount budgeted means that the anticipated result, compared to the budget, will be better by some DKK 30.5 million.

Below is an overview of SEV's hedging during 2016 for the purchase of oil per tonne of heavy oil in DKK:

	DKK/tonne	Munur
Budget price October 2015 for purchases in 2016	2,265	
Hedged price January 2016	1,290	-975
Calculated market price for 2016	1,416	+126

The Tables below show the trends in the price of oil and the USD exchange rate over the last few years. The first Table shows the cost in USD per tonne of heavy oil and the following Table shows the fluctuations in the USD exchange rate from 2004 to date.





For 2016, the price of oil – including lubricating and gas oil – was originally budgeted at DKK 2,548 per tonne. When considering heavy oil alone, the price per tonne originally budgeted in 2016 was DKK 2,265 per tonne.

The price per tonne of heavy oil – excluding lubricating and gas oil – used in production is forecast for 2016 to be DKK 1,416 or DKK 1,132 per tonne lower than budgeted. The thermal power plants were budgeted to use 28,969 tonnes of heavy oil, but the 2016 forecast for oil consumption by the thermal power plants is 31,425 tonnes. This is 2,456 tonnes more than budgeted. This yields an increased cost of DKK 3.5 million.

The thermal power plants were originally budgeted to use 840 tonnes of gas oil, and the forecast for 2016 indicates that the thermal power plants will indeed use around the budgeted 840 tonnes. The thermal power plants were expected to use 240 tonnes of lubricating oil, and the forecast for 2016 reveals that the thermal power plants will use around 240 tonnes. The consumption of gas oil and lubricating oil is thus as budgeted.

The net total oil cost for 2016 including lubricating and gas oil is forecast to be DKK 48.0 million, compared to the budgeted DKK 78.6 million, corresponding to a savings of DKK 30.5 million.

4.3.2 Goods and services

Total cost for goods and services was budgeted at DKK 68.8 million, but this is forecast to be DKK 56.5 million, or DKK 12.3 million less. This decrease in goods and services can be further broken down such that the production plants used DKK 4.6 million less, the grid DKK 3.8 million less, and administration used DKK 3.9 million less than originally budgeted.

SEV continues to focus on a tight management of the resources of the Company, where each and every department carefully scrutinizes how funds are allocated. This reduction partially stems from undertakings that were amended or postponed to be carried out in 2017. In addition, changes were made to various projects.

All of this was done to ensure that the goal of a satisfactory result for 2016 is achieved.

4.3.3 Wage expense

The total cost for wages was budgeted at DKK 72.4 million, while the forecast indicates a cost of DKK 68.5 million – corresponding to an reduced spend of around DKK 3.9 million. This reduction breaks down thusly: DKK 2.4 million increase in production operations; DKK 7.9 million reduction in grid-related activities; and administrative spend was DKK 1.6 million more.

The lower wage expense for grid-related activities stems especially from the fact that the grid budget does not incorporate the wage expense for work associated with infrastructure investments that is carried out by SEV employees relative to said investments. In addition, the

budgeted employee expansion within grid activities was not implemented at the beginning of 2016, but rather around the middle of the year. Wage expense for administration is DKK 1.6 million more than budgeted, including the adjustments regarding increased wage agreement pension payments of DKK 2.0 million. These adjustments aside, wage expense was DKK 0.4 million less than budgeted.

4.3.4 Depreciation of fixed assets

Depreciation of fixed assets was budgeted at DKK 101.1 million, but the forecast is now DKK 103.5 million, or DKK 2.4 million more than budgeted. Depreciation is based on existing assets, as well as the net acquisition of assets in 2016.

The reason that depreciation is more than budgeted in 2016 derives from the fact that more assets were shifted from “Work in progress” to “Assets subject to depreciation” than originally budgeted. Investment for 2016 is DKK 250.7 million, which is DKK 126.7 million less than the DKK 377.4 million originally budgeted.

4.3.5 Interest and valuation adjustments of share capital

Net interest costs and the adjustments to the share capital were originally budgeted at a total of DKK 32.8 million. The forecasted amount equals DKK 38.7 million, corresponding to an increase of DKK 5.9 million, even though the total loan facilities of the Company in 2016 were neither as large as budgeted, nor were they executed as quickly as budgeted because of the Company’s excellent liquidity.

The reason for the increase in interest expense is that the loan origination fees of DKK 8.3 for the new loan facilities are booked as an interest expense and were not included in the original budget.

4.4 Investment, financing and liquidity

According to the 2016 budget, total investments were estimated to be DKK 377.4 million. Now that the end of the year is soon upon us, investment for 2016 is forecast to be DKK 250.7 million, which is DKK 126.7 million less than budgeted, and this is spread over several areas. It should be noted that reprioritization has been carried out within current parameters in several areas and departments.

The Table below shows investment distributed by production, grid-activities and administration.

Investments DKK million	Projection 2016	Budget 2016	Difference
Fossá	0.6	2.3	1.7
Heyga	0.2	0.4	0.2
Mýru	3.4	2.7	-0.7
Eiði	1.6	1.8	0.2
Botnur	0.5	2.0	-0.3
Vágur	34.1	18.2	-15.9
Trongisvágur	1.2	3.7	2.5
Sund	104.1	142.8	38.7
Strond	3.6	4.6	1.0
Small production plants	4.5	5.5	0.7
Wind mills	0.0	0.5	0.5
Total production plants	153.8	184.3	30.5
Grid, coupling stations, buildings etc.	87.6	159.6	72.0
Administration	9.4	33.5	24.1
Total grid activities	97.0	193.1	96.1
Total investments	250.7	377.4	126.7

The investment in the Vágs power plant for 2016 is DKK 15.9 million higher than budgeted, based on the exceptional accruals over the year of the related investments. Investment for this project during 2015 was estimated to be DKK 81.7 million, but because of delays in the construction work the eventual investment for 2015 equalled only DKK 67.3 million, thus the forecasted investment for 2016 is higher than budgeted. In total, investment for the M4 turbine at the Vágs power plant equals some DKK 100 million. The facility was officially transferred and went operational on 1 September 2016, only a few months behind schedule.

Relative to the Sund power plant, the investment is considerably lower than budgeted equalling DKK 38.7 million, of which the Site 3 investment is DKK 13 million less and the new, day-use oil storage tank building is DKK 31.6 million less.

Regarding the grid and coupling stations, there is a lower net investment of some DKK 72.0 million. Work equalling some DKK 50.4 million for coupling stations is postponed to 2017 and 2018. The distribution stations required DKK 0.6 million less investment. The operations division booked less investment of DKK 18.1 million, and the investment in the Schneider control system for DKK 9 million is postponed to 2017, as well as an investment of some DKK 2 million in the 60 kV transfer grid was not made.

Administration anticipates a lower level of investment equalling DKK 24.1 million because the construction of the new administration building for DKK 10 million budgeted for 2016 will not get underway until 2022 and the management buffer set aside for investment purposes of some DKK 10 million was not tapped. In addition, certain small budgeted investments were either not made or were postponed.



In June 2015, the Company entered into loan facilities totaling DKK 1,100 million, of which the Company has accessed DKK 830 million. Considerable work was undertaken by the Company to refinance existing debt and to secure new financing for forthcoming investments and ongoing liquidity. The 2016 budget called for an increased loan facility of some DKK 170 million, plus the refinancing of the current debt of the Company totaling DKK 830 million. In addition, the Company has DKK 670 million available in drawing rights, for a total of DKK 1,670 million.

It is intended that the amount of DKK 1,000 million will be obtained via the US Private Placement (USPP) market and that local Faroese and Danish bank financing would yield DKK 670 million. As of this writing, SEV is approaching the USPP market for financing and has received assurances from both Faroese and foreign financial institutions that financing for DKK 670 million will be available. It is anticipated that loan facilities equalling DKK 1,670 million will be executed by SEV in December 2016.

Because SEV did not undertake all the budgeted investment, it was not necessary to increase, as budgeted, the amount of loan facilities in 2016, but SEV intends to receive DKK 1,000 million from the USPP to cover the refinancing of the current DKK 830 million debt obligation. The residual DKK 170 million shall be invested during the coming year, especially in the Sund power plant. Thus, gross debt obligations at year-end 2016 are forecast to be DKK 1,000 million and the Company has access to drawing rights with the financial institutions equal to DKK 670 million for purposes of investment and liquidity.

Liquidity at year-end is calculated to be DKK 343.5 million, such that with cash-on-hand, including the line of credit and drawing rights equalling DKK 670 million, there will be a total of DKK 1,013.5 million available in the coming year for investment and liquidity purposes.



5. Operations, Financial and Investment Budget 2017

5.0 Attestation of the independent accountant

TO THE SHAREHOLDERS OF ELFELAGIÐ SEV

Pursuant to agreement, we have reviewed the budget of Elfelagið SEV for the period 1 January to 31 December 2017, which includes the budget for operations, liquidity and financing, as well as the relevant accounting principles, terms and conditions underlying the budget and other data. The budget is the subject of section 5 of this document.

The Board of Directors and Management have responsibility for the budget and stipulating the accounting principles, terms and conditions underpinning the budget set forth in pages 23-59. Our responsibility is to provide an opinion regarding the budget, based on our review.

Review

We have reviewed the budget consistent with international standards governing how future financial data should be reviewed, as well as the provisions of the Faroese auditing law and regulations. These require that we plan and perform the review to obtain reasonable assurance that 1) there is adequate and suitable basis for the accounting principles, terms and conditions underpinning the budget, 2) the budget is free from material misstatement, and 3) the budget is set up consistent with the ascribed to principles, terms and conditions.

We have therefore reviewed the budget to determine if the accounting principles, terms and conditions ascribed to by management are documented, well-grounded and complete. We have investigated the budget to determine if it is structured consistent with the stipulated conditions and if the numbers are consistent and logical.

It is our belief that the review undertaken provides a satisfactory basis for our opinion.

Opinion

Based on a review of the evidentiary documentation supporting the stipulated accounting principles, terms and conditions, we did not discover any circumstances that would give rise to the belief that the ascribed principles, terms and conditions are not a valid foundation upon which to base the budget. Furthermore, it is our opinion that the stipulated principles, terms and conditions are the basis underpinning the budget, which in turn is set up in accordance with the Faroese annual accounting laws and regulations.

It is probable that the final results will differ from the budget, because anticipated events often do not occur as planned. The differences can be significant.

Tórshavn, 4 November 2016

P/F Januar

State Authorized Public Accounting Firm
Hans Laksá, State-authorized Auditor

The discussion below analyzes the fundamentals supporting the revenue assumptions for the 2017 budget.

5.1 Profitability and setting the price of electricity

	Actual 2011	Actual 2012	Actual 2013	Actual 2014	Actual 2015	Projection 2016	Budget 2017
Net sales	316.4	355.8	384.6	410.6	422.0	421.1	419.2
Oil expenses	142.6	166.0	167.9	141.5	86.2	48.1	69.0
Materials and services	74.9	53.5	54.1	49.8	49.9	56.5	65.1
Wages	62.6	60.2	58.7	63.6	64.3	68.5	67.2
Total expenses	280.1	279.7	280.7	254.9	200.5	173.1	201.7
EBITDA	36.3	76.0	103.9	155.6	221.5	248.0	217.9
Depreciation	61.1	67.8	70.0	77.2	93.6	103.5	113.2
Result before interest	-24.8	8.3	33.9	78.4	127.9	144.5	104.7
Net interest expenses and value adjustments	14.5	20.5	22.0	20.6	25.3	38.7	37.1
Result before tax	-39.3	-12.3	11.9	57.8	103.1	105.8	67.5
Total investments	96	148	155	275	232	251	728
Total assets	1,287	1,411	1,475	1,742	1,960	2,236	2,616
Cash	57	87	67	132	222	343	124
Equity	885	870	882	940	1,042	1,149	1,216
Total liabilities	382	519	575	783	898	1,068	1,381
NIBD/EBITDA	7.4	4.9	4.3	3.6	2.8	2.6	5.5

The 2017 result is budgeted to be a profit of DKK 67.5 million, of which the EBITDA to net debt ratio is 5.5, which equates to a return on equity of 5.7%. SEV intends to amend the price of electricity in 2017 through a reduction of DKK 0.05 per kWh. The fixed base rate and other charges shall remain unchanged.

Over the coming five years, it will be necessary to achieve a superlative profit such that the Company's operations can self-finance a significant portion of the investment that lies ahead. Moreover, the strengthening of operational revenue should be at such a level that the Company is able to continually meet its liabilities, even though revenue might weaken.

In order to achieve this goal, SEV, in addition to estimating the need to balance pricing, diligently studied its total operations and undertook evaluations of the costs and investment anticipated for the coming year. Confer section 6 regarding the ongoing projected budgets for 2017-2025.

5.1.1 Overview of the efforts to improve profitability over the past few years

SEV submitted a proposed 2012 operations, financial and investment budget to the shareholders on 5 December 2011, along with a proposal to increase the price of electricity by DKK 0.25 per kWh for 2012. The Electricity Production Commission granted permission for the Company to



increase the price of electricity by DKK 0.15 per kWh, thereafter SEV submitted a new proposed 2012 budget to the shareholders on 18 December 2011, wherein the price increase was stipulated at DKK 0.15 per kWh. The Board of Directors also called for savings of some DKK 5 million over and above the proposed budget.

At the Annual General Meeting held on 19 December 2011, the shareholders approved an increase to the price of electricity of DKK 0.10 per kWh instead of the suggested DKK 0.15 per kWh and SEV proceeded to again update the 2012 budget effective 19 December 2011 consistent with the wishes of the shareholders. Moreover, the Board directed SEV management to source income and/or devise savings amounting to DKK 5 million, such that revenue coupled with the realized savings would equal DKK 10 million for 2012.

After implementing these initiatives consistent with the 2012 budget, SEV realized a deficit of DKK 6.3 million, instead of the originally budgeted deficit of DKK 16.3 million. SEV submitted its budget for 2013 before an Extraordinary General Meeting on 30 November 2012. In this connection, it was again observed that SEV continued to be plagued by deficits that in the long-term would be unsustainable. Therefore, it was deemed necessary to implement strong measures, including the setting of a satisfactory kWh price.

SEV subsequently invested considerable time and effort in the analysis of the price schedule to determine that each individual price level was appropriate. In addition, SEV carried out a detailed cost-benefit analysis for each category of customer and for each specific customer and it was determined that the pricing structure for certain commercial customers, those in the so-called "industrial group", was inadequate.

In 2013 and 2014, the special price schedule was amended such that the customers that consumed more than 20,000 kWh would pay DKK 0.11 per kWh more in 2013. This was DKK 0.06 per kWh more than other customers had to pay under the new price increases. In 2014, the price was again increased for this customer group by DKK 0.05 per kWh, while no price increase was levied on other customers. The fixed base rate for this industrial group was also raised by 600 DKK, while at the same time, the lowest level at which customers in this special price schedule could get the lowest price would be raised by 10,000 kWh from 20,000 kWh to 30,000 kWh.

The Table below gives an overview of the result per kWh for customers in the industrial group that have an energy consumption rate of 30,000 kWh, comparing revenue versus oil consumption. The figures for 2016 are forecasted, while the figures for 2017 represent the budgeted amounts.

DKK/kWh	2011	2012	2013	2014	2015	F2016	B2017
Sales price to industry	0.89	0.99	1.10	1.15	1.15	1.15	1.10
Oil expenses for each sold kWh produced by oil, incl. own use and grid loss	0.92	1.02	0.99	1.01	0.75	0.36	0.41
Result	-0.03	-0.03	0.11	0.14	0.40	0.79	0.61

As the Table above shows, the cost of each kWh produced from oil in 2012 was DKK 1.02. However, a customer in this group paid only DKK 0.99 per kWh (excluding VAT), meaning that SEV ran a deficit before other costs of DKK 0.03 per kWh, a deficit other customers covered. Thus, through all the initiatives referenced above and the decline in oil prices during the period 2014-2016, SEV has been able to achieve profitability in this customer group, from running a deficit of DKK 0.03 per kWh in 2012 to an anticipated surplus (before other costs) of DKK 0.61 per kWh in 2017.

When total costs are considered, the resulting picture is as shown below. The numbers represent average costs and average sales price per kWh sold.

	2008	2009	2010	2011	2012	2013	2014	2015	F2016	B2017
Income	1.07	1.11	1.10	1.25	1.37	1.41	1.46	1.47	1.43	1.39
Expenses	1.13	1.05	1.28	1.40	1.42	1.37	1.25	1.11	1.07	1.17
Result	-0.06	0.06	-0.18	-0.15	-0.05	0.04	0.21	0.37	0.36	0.22

For 2017, the budgeted production cost of each kWh is DKK 1.16, while each kWh on average will be sold for DKK 1.38, which means that SEV will earn a surplus of DKK 0.22 for each kWh sold. Here again, this is a demonstration that SEV has been able to achieve profitability in its operations, going from having a deficit in 2010 of DKK 0.18 per kWh to having a surplus of DKK 0.22 per kWh in 2017. SEV considers the budgeted expenses and investment planned for 2017 are necessary to ensure a secure and high-quality production of electricity.

The Price Schedule as at 1 January 2017 is shown in the Table below.

Annual use kWh	Fixed fee	2010 price per kWh excl./incl. VAT	2011 price per kWh excl./incl. VAT	2012 price per kWh excl./incl. VAT	2013 price per kWh excl./incl. VAT	2014 price per kWh excl./incl. VAT	2015 price per kWh excl./incl. VAT	2016 price per kWh excl./incl. VAT	2017 price per kWh excl./incl. VAT
0-10.000	480	1.21/1.51	1.36/1.70	1.46/1.83	1.51/1.89	1.51/1.89	1.51/1.89	1.51/1.89	1.46/1.83
10.000-100.000	1,280	1.13/1.41	1.28/1.60	1.38/1.73	1.43/1.79	1.43/1.79	1.43/1.79	1.43/1.79	1.38/1.73
>100.000	5,280	1.09/1.36	1.24/1.55	1.34/1.68	1.39/1.74	1.39/1.74	1.39/1.74	1.39/1.74	1.34/1.68



The Special Price Schedule is applicable for industrial facilities, aquaculture, agriculture, fishing industry, and certain IT services – in this report referenced as the “industrial group” or “industrial customers”. The Special Price Schedule is as shown below.

Árlig nýtsla í kWt ¹⁾	Fixed fee	2010 price per kWh excl. VAT	2011 price per kWh excl. VAT	2012 price per kWh excl. VAT	2013 price per kWh excl. VAT	2014 price per kWh excl. VAT	2015 price per kWh excl. VAT	2016 price per kWh excl. VAT	2017 price per kWh excl. VAT
0-10,000	480	1.21	1.36	1.46	1.51	1.51	1.51	1.51	1.46
10,000-30,000	1,280	1.13	1.28	1.38	1.43	1.43	1.43	1.43	1.38
> 30,000	9,680	0.74	0.89	0.99	1.10	1.15	1.15	1.15	1.10

1) Annual usage kWh 10,000-20,000 and greater than 20,000 through 2014. Fixed fee for customers > 30,000 increases by DKK 600 in 2015 – until 2014, the fee was DKK 9,080.

An ordinary household customer with a usage of around 8,000 kWh annually pays a base rate of DKK 480 plus DKK 1.46 per kWh, which corresponds to DKK 11,680, for a total of DKK 12,160. In addition, VAT of 25% must be added, corresponding to DKK 3,040, which means that a private household will pay some DKK 15,200 annually or DKK 1,267 per month. If the annual usage were 6,000 kWh, the private customer would pay DKK 11,550 per year, or DKK 963 per month.



5.2 Electricity sales and production

The Table below shows the growth in electricity consumption.

Ár	Sales GWh	Increase in GWh	Increase in %
2007	256.8	15.2	6.3
2008	258.9	2.1	0.8
2009	252.0	-6.9	-2.7
2010	255.0	3.0	1.2
2011	254.8	-0.2	-0.1
2012	261.4	6.6	2.6
2013	274.4	13.0	5.0
2014	283.8	9.4	3.4
2015	288.1	4.3	1.5
2016 Projection	295.8	7.7	2.7
2017 Budget	303.4	7.6	2.6

The Table above shows an increase in average electricity consumption of 2.6% for 2017, compared to 2.7% in 2016. These increases reflect growth in several customer groups with varying individual amounts of growth, as well as decreases in other groups. Confer the Table above on page 9 of the report.

Industrial customers experienced an accelerated growth in their production, resulting in increased electricity usage. SEV's private customers overall are using more and more electrical equipment, such as heat pumps, flat screen TVs, and computers per individual customer. On the other hand, these particular customers are more and more conscious of ways to conserve electricity, e.g., using LED bulbs, which are much more energy efficient than regular light bulbs. In addition, SEV's private customers are now purchasing electrical equipment that is designed to use less energy than older equipment. SEV believes that its private customers will use 2% more electricity in 2017. Other customer groups are expected to use between 0.5 and 2.0% more electricity. However, it is anticipated that there will be a major increase in electricity consumption among SEV's fish farming customers and it is projected that there will be an increase of upwards of 10% within the industrial group "agriculture, fish farming, fishing industry and raw materials industry".



The Table below shows the evolution of electricity production in GWh from 2009-2015 (verified data). The data for 2016 is forecast (F) and the data for 2017 is budgeted (B).

Production GWh	2009	2010	2011	2012	2013	2014	2015	F2016	B2017
Total	275.5	280.3	273.8	291.6	292.5	305.4	314.4	319.2	326.8
Thermal	168.1	199.3	166.8	181.0	180.1	150.2	125.5	146.0	152.9
Hydro	92.4	67.4	92.5	99.8	90.6	120.7	133.1	118.0	118.0
Wind	15.0	13.6	14.5	10.8	21.8	34.5	55.8	55.3	55.9
Oil-based	168.1	199.3	166.8	181.0	180.1	150.2	125.5	146.0	152.9
Green	107.4	81.0	107.0	110.6	112.4	155.2	188.9	173.3	173.9

Production %	2009	2010	2011	2012	2013	2014	2015	F2016	B2017
Thermal	61.1	71.1	60.9	62.1	61.6	49.2	39.9	45.7	46.8
Hydro	33.5	24.1	33.8	34.2	31.0	39.5	42.3	37.0	36.1
Wind	5.4	4.9	5.3	3.7	7.4	11.3	17.8	17.3	17.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Oil-based	61.1	71.0	60.9	62.1	61.6	49.2	39.9	45.7	46.8
Green	38.9	29.0	39.1	37.9	38.4	50.8	60.1	54.3	53.2

Production from renewable energy resources is estimated to be 173.9 GWh in 2017, corresponding to 53.2% of total production. Thermal production for 2017 is budgeted to be 152.9 GWh, equalling 46.8% of total production.



5.3 Wind energy purchase from Sp/f Vindrøkt and SEV subsidiaries

Pursuant to a purchase agreement² with Sp/F Vindrøkt based in Vestmanna, SEV purchases around 6.7 million kWh of electricity produced from wind energy for 0.40 DKK per kWh. This corresponds to an expense of DKK 2.7 million, which is reflected in the 2017 budget.

In addition, SEV intends to purchase wind energy from the two subsidiaries that will operate the wind farms at Neshaga and Húsahaga. SEV intends to purchase 16.0 GWh from the Neshaga subsidiary, corresponding to a purchase of DKK 6.6 million, or DKK 0.41 per kWh.

It is anticipated that in 2017 SEV will pay around DKK 0.326 per kWh for 41.4 GWh from the Húsahaga wind farm, corresponding to a total cost of some DKK 13.5 million. It is further anticipated that the entire guaranteed purchase of wind power will not be realized in 2017. This eventuality is incorporated into production projections. Thus, energy purchases are projected to be DKK 23.2 million in 2017. Energy purchases from the Húsahaga and Neshaga wind farms are not incorporated into the financial budget because at present the 2017 budget reflects a consolidated concern budget.

5.4 Total revenue

Customer segment, DKK million	Projected sales 2016	Projected fixed fees 2016	Total projected	Budgeted sales 2017	Budgeted fixed fees 2017	Total budget	Difference
Farming, fish farming, fish processing and raw materials	44.6	1.0	45.6	47.0	1.0	48.0	2.4
Manufacturing, production and construction	93.4	1.6	95.0	90.3	1.6	91.9	-3.1
Commerce, restaurant and hotels	32.8	0.8	32.6	31.9	0.8	32.7	-0.1
Transport, postal and communication	33.2	0.6	33.8	32.1	0.6	32.8	-1.0
Finance, insurance and other services	5.4	0.1	5.5	5.2	0.1	5.4	-0.1
Public and private services, churches	55.4	1.5	56.9	54.5	1.5	56.1	-0.8
Streetlights	10.3	0.4	10.7	10.2	0.4	10.5	-0.2
Private homes, apartments, summer- and boathouses	120.5	10.6	131.0	118.8	10.6	129.4	-1.6
Total	395.6	16.7	412.2	390.0	16.7	406.7	-5.5

² The agreement terminated on 1 September 2013 and as yet the agreement has not been renewed.



The Table above shows that the Company will experience a decrease in revenue in 2017 of DKK 5.5 million from kWh sales, corresponding to a total revenue from kWh sales of DKK 390.0 million. The fixed base rate payment remains unchanged and will yield a revenue stream of DKK 16.7 million.

In addition, the Company will derive revenue from its connection fees and other services amounting to DKK 15.2 million, thus yielding a total annual revenue of DKK 421.9 million, compared to the forecast revenue of DKK 423.8 million for 2016. This means that SEV will earn DKK 1.9 million less in revenue than forecast for 2016.

5.5 Operational expenses

Generally, expenses encompass oil costs, purchase of wind energy, operational costs, depreciation and interest. The past two or three years have shown that the forecast costs are much lower than budgeted for the same year. The reason for this is that the budget includes a buffer against unexpected maintenance and damage. On the other hand, much work is focused on ensuring that costs are not greater than necessary, even though the budgeted amount is in effect higher.

Operational costs of the Company are normally divided between wages for employees and purchased goods and services. These two groupings are again subdivided between grid-related activities, production and administration. Administrative expenses in the main relate to grid activities, but often there are joint expenses a portion of which is ascribed to production.

5.5.1 Hedging strategy for oil, currency and interest

Especially over the last two years, SEV has undertaken major investment in its production facilities and the grid, and SEV intends to continue making such investments, e.g., the expansion of the Sund power plant that is anticipated to cost between DKK 700 – 800 million. Based on all the investment either undertaken or planned by SEV, it is apparent that SEV to a certain extent is a project-based company and thus of necessity thinks long-term and builds its budgets accordingly. This means that it is critical to remain abreast of key costs, such as oil futures, currency exchange and interest rates.

The potential for SEV to cover partially or completely any increases in costs by adjusting the price of electricity or other fees is limited, and thus the possibility of experiencing a deficit or an unsatisfactory operational result is quite probable in any given time period. The pricing levels are in the end a decision of the shareholders of SEV and thus there is a political overlay. Pricing is also subject to the final approval of the Electricity Production Commission. At the same time, the financing of increased operational costs through loan liquidity is only a short-term solution and limits the potential for budgeted investment when extra financing is used instead to cover increased costs.



As part of SEV's loan applications, the various financial institutions look closely at the key financial figures of the Company for the most critical areas and the requirements set by these institutions regarding these key data are rigorous and fixed. To obtain competitive financing, it is thus absolutely essential for SEV to meet or exceed the requirements of the financial institutions to insure against the most crucial risks relative to cost increases and SEV as well considers this to be a prudent business practice. When SEV ventures out into the loan market to obtain financing, SEV is compared to other similar companies and thus must compete against these other companies to gain the attention and interest of the financial institutions and in the end obtain the best financing possible.

At the same time, SEV is an interesting customer to which to provide financing, and, according to SEV's financial advisors, is considered an "investment grade" customer. This designation affords SEV the opportunity to gain favourable financing on many levels. However, if SEV is to maintain this investment grade "rating", it is critical to maintain consistent operations that yield a satisfactory surplus such that SEV's key financial figures are equal to or better than the companies with which it competes for financing.

Therefore, SEV, together with SEB, which is SEV's advisor in the area of financing and hedging, designed a hedging strategy for oil, currency and interest. This hedging strategy is incorporated into the loan agreements that SEV has executed and will execute in the future. At the same time, in collaboration with its advisors at the insurance broker Sp/f Íti (formerly Willis Føroyar), SEV has worked diligently to cover its insurance risks.

One factor impacting the investment budgets over the course of the next several years is that the current oil and currency hedging strategy was enhanced in 2015 to cover an additional four years. At the time this report was drafted, the price of oil was low, comparable to oil prices seen one or two years ago, however, it would now appear that prices are rising again. To enter into such price hedging for a longer time period is an advantage for SEV, now that the price of oil is lower than in previous years.

However, current price levels are not decisive relative to SEV's hedging, which is deliberately undertaken to ensure profitable and consistent operations.

5.5.2 Strategy for insuring against oil price and currency risks

As referenced above, SEV has taken affirmative steps to minimize its oil price and currency risks for the periods below.

	Year 1	Year 2	Year 3	Year 4	Year 5
Oil price hedge	80%	60%	40%	20%	20%



This means that insurance coverage is taken out in year one for a specific fiscal year. In year two, this insurance coverage is increased to extend coverage for a total of five years. This framework secures a step-wise underwriting of insurance at a level that extends insurance coverage at a cost-averaged price level over the relevant time period. SEV itself selects the type of insurance framework that is most advantageous to SEV to insure against fluctuations in the price of oil, e.g., fixed-price, top-price, top-bottom price, etc.

At the same time, as insurance coverage is put into place relative to the price of oil, SEV also enters into dollar futures contracts to insure against currency fluctuation risks on the dollar market.

5.5.3 Strategy for insuring against interest rate risk

Pursuant to agreements with its loan providers, SEV has secured some 75% of its debt at a fixed rate of interest at terms longer than 12 months. The fixed rate repayment periods range from five to eight years. This was done in such a manner that SEV could arrange for the coverage of its interest rate risk for between 50-75% of its total debt at any particular time. The debt held by the Company could be linked to either an agreed upon fixed rate of interest or a variable rate, which could be covered by a derivative agreement allowing for changes from a variable interest rate to a fixed rate, known as interest rate swaps.

This strategy requires that the debt with fixed interest shall be maintained at such a level that if the fixed rate portion of the debt falls under 50% or over 75% of total debt an adjustment is made consistent with the interest rate swap agreements. This means that some interest rate swaps could expire, e.g., to avoid having a portion of the debt larger than 75% protected against interest rate fluctuations. In turn, this means that the value of the interest rate swap will increase. A positive value lowers the financial needs of the Company, while a negative value increases SEV's financial requirements. The net balance of the interest rate swaps shall be booked under Company equity. SEV continually strives to balance its interest rate swaps over time, wherein the goal is to have on average a fixed rate of interest stipulated for terms between five and eight years. This period will most likely lengthen in accordance with the new long-term financing, and the strategy will be amended accordingly.

5.5.4 Oil expenses

Over the past several years, SEV has had very significant expenses related to the purchase of oil and the 2016 budget estimated a cost of DKK 2,548 per tonne of oil³. Since then, the price of oil has declined, but the USD is stronger, and thus the 2017 budget is based on an oil price per tonne of heavy oil, including lubricating and gas oil, of DKK 2,006, which is DKK 542 less per tonne.

³ Including lubricating oil and gas oil.



The forecast for 2016 anticipates a price per tonne of heavy oil, including lubricating and gas oil, of DKK 1,458, which is DKK 1,090 less per tonne than originally budgeted.

The Table below shows heavy oil consumption in tonnes for 2008-2015. Also shown is the amount budgeted for 2016, the consumption forecast for 2016, and the amount budgeted for 2017.

	2008	2009	2010	2011	2012	2013	2014	2015	2016 Budget	2016 Projection	2017 Budget
Tonnes	33,683	34,554	39,748	33,961	36,746	36,893	30,880	25,738	28,969	31,425	32,875

SEV expects to use 32,875 tonnes of heavy oil in 2017, compared to a forecast of 31,425 tonnes in 2016 or 1,450 tonnes more, mainly because production is expected to increase by 2.4%. Gas oil and lubricating oil is in addition. Oil storage at year-end is harmonized to DKK 9.6 million.

The oil expense forecast for 2016 is estimated to be DKK 48.0 million, and the oil expenditure for 2017 is budgeted to be DKK 69.0 million, which is DKK 21.0 million higher. The reason that the cost of oil is DKK 21.0 million greater is a consequence of higher oil prices in 2017 by some DKK 266 per tonne of heavy oil. In addition, the oil storage at year-end 2016 is price harmonized due to the increased value of the stored oil at year-end.

With regard to that portion of SEV's oil purchases not governed by its hedging strategy, SEV relies on the average oil price projected in the Forward Curve for the spot price of heavy oil as at 12 October 2016, which on average is USD 278 for 2017. Moreover, the dollar exchange rate was stipulated at DKK 6.67 (DKK 667.00). In addition to these costs is added the payment to the oil provider, import duties and other fees. This forms the basis for oil expenses in the budget.

Oil-related expenses for 2017 are budgeted to be DKK 69.0 million, which equals some 19% (22% in 2016) of estimated expenses relative to wind energy purchases, other costs, depreciation and interest for 2017. Naturally, if the trend in oil prices or the exchange rate for the dollar differs substantially from the value estimated for the budget, such fluctuations will have a major impact on the operational result.

In order to ensure that the cost of oil does not adversely impact the budget, SEV has elected to hedge the cost of oil, as well as entering into USD futures contracts. This is done consistent with the hedging strategy of the Company.

SEV's price hedging strategy was instituted to help ensure that the Company could hold true to its budget over the coming years. The goal of hedging the Company's budgeted oil purchases, or at least a portion thereof, is to minimize the impact of future price swings in the US dollar-dominated price of oil relative to the planned consumption / purchase of oil, as well as affording the flexibility to adjust operations in the event of a significant increase in the price of oil.

5.5.5 Goods and services

The total budgeted cost for goods and services for 2017 is estimated to be DKK 65.1 million, compared to a budgeted amount in 2016 of DKK 68.8 million, which equates to a reduction of DKK 3.7 million. This savings is thus distributed: production, DKK 0.4 million more; grid-activities, DKK 3.1 million less; administration, DKK 1 million less.

The forecasted cost for goods and services for 2016 is DKK 56.5 million, compared to a budgeted DKK 68.8 million, corresponding to a reduction of DKK 12.3 million.

5.5.5.1 Production activities

The Table below shows the cost trend for goods and services for production activities over the past several years in DKK million. The figures for the years 2007-2015 have been verified and are accurate.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Budget	2016 Projection	2017 Budget
55,610	53,125	32,089	31,778	43,251	27,628	24,069	21,139	21,280	27,270	22,648	27,657

The Table above shows that the budgeted costs for production activities for 2017 are at the same level as the previous year. The cost for 2017 is budgeted to be DKK 27.7 million, compared to DKK 27.3 million budgeted for 2016.

Forecast expenses for 2016 are estimated to be DKK 22.6 million, which is a considerable decrease compared to the budgeted amount for 2016 of DKK 27.3 million, or DKK 4.7 million less. The goal of the Company is to hold down expenses, but it must undertake the necessary maintenance to ensure secure operations.

5.5.5.2 Grid-related activities

The Table below shows the cost trend for goods and services for grid-related activities over the past several years in DKK million. The figures for years 2007-2015 have been verified and are accurate.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Budget	2016 Projection	2017 Budget
33,223	40,502	16,577	18,471	15,099	19,999	15,425	11,870	11,815	15,517	11,704	12,388

The Table above for grid-related activities shows that costs for years 2007 through 2013 were at a considerably higher level than forecast for 2016 and budgeted for 2017.



Expenses for goods and services for grid-related activities are estimated to be DKK 12.4 million for 2017, compared to DKK 15.5 million for 2016. This reflects an increase of DKK 3.1 million. The forecast cost for 2016 is estimated to be DKK 11.7 million, compared to the budgeted amount of DKK 15.5 million, or DKK 3.8 million lower. The grid division has also worked hard to hold down expenses to ensure a satisfactory result in 2016.

5.5.5.3 Administration

The Table below shows the cost trend for goods and services for administration over the past several years in DKK million. The figures for the years 2007-2015 have been verified and are accurate.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Budget	2016 Projection	2017 Budget
12,380	15,748	12,685	15,036	16,516	11,860	14,577	16,824	16,840	26,055	22,190	25,055

The Table above shows costs for administration, including the cost for research studies, consultancy work and the write-off of creditor debt, etc. Historically, these costs have generally ranged from DKK 12.4 million up to DKK 16.8 million.

Expenses for 2017 are budgeted to be DKK 25.1 million, which is DKK 1 million higher than 2016. At present, administrative costs are at a high level because of several projects, such as development training for management and staff, research into a variety of issues, as well as executing the necessary bank financing. These costs are not deemed recurring expenses.

Of special note are the costs related to research and advisory consultancy services that are estimated to be around DKK 11.2 million. For 2017, the plan is to continue work on several projects, as well as new projects that may present themselves. These include, to name but a sample: the study on "Pumped to Storage", system services, research into a new pricing structure, support of PhD students, a wind project on Suđuroy, legal and accounting work, communications services, revision and drafting of new customer service terms and conditions, and customer satisfaction surveys.

Bank charges and the costs related to processing accounts receivable via the payment system are estimated to be DKK 1.9 million.

Additional administrative costs, among others, include insurance for DKK 1.5 million; telephone and advertising, DKK 1.2 million; cleaning, DKK 0.4 million; Municipal Employers Association, DKK 0.4 million; bad debt of some DKK 1.0 million; building maintenance, DKK 1.0 million; Electricity Production Commission, DKK 2.0 million; office-related expenses, DKK 1.1 million. The cost for computer and related equipment is estimated to be DKK 2.5 million.



Leadership development will continue in 2017, and in this regard DKK 0.8 million is set aside for the continued development of the Company's management team, as well as other employee costs related to development, such as courses, schooling and travel, which is estimated to be DKK 2.0 million.

The budgeted amount was DKK 26.1 million, but this has been forecast to be DKK 22.2 million, or DKK 3.9 million less.

5.5.6 Wage expense

Table below shows the trend in total wage expenses over the past few years in DKK million. The figures for years 2007-2015 have been verified and are accurate.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Budget	2016 Projection	2017 Budget
53,051	57,168	62,307	65,061	62,576	60,187	58,706	63,644	64,338	72,372	68,486	67,158

Total wage expense in 2017 is budgeted to be DKK 67.2 million, compared to a budgeted DKK 72.4 million for 2016. The budget for 2016 did not take into consideration that a part of the wage expense would be related to infrastructure investment, because, as it turned out, SEV assumed responsibility for a portion of the work on the various investments.

This was taken into account for the 2017 budget wherein DKK 6 million was set aside relative to infrastructure investment. Thus, total wage expenses for the Company in 2017 is DKK 73.2 million, compared to DKK 72.4 million in 2016.

The forecast for 2016 is DKK 68.1 million, compared to DKK 67.2 million in 2017 in which consideration was made for capitalisation of wages.

The Table below shows total wage expense for SEV for the past several years. Also shown are the adjustments to employee pensions governed by public civil service pension agreements and the capitalisation of wage expenses.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Budget	2016 Proj- ection	2017 Budget
Expensed wages	53,051	57,168	62,307	65,061	62,576	60,187	58,706	63,644	64,338	72,372	68,486	67,158
Adjustment pensions	0	0	0	0	699	-2,070	1,875	-1,139	671	0	-2,000	0
Wages incl. adjustment	53,051	57,168	62,307	65,061	63,275	58,117	60,581	62,505	65,009	72,372	66,486	67,158
Capitalized wages	2,153	1,979	2,458	1,192	1,372	4,391	3,665	4,990	6,083	0	6,069	6,000
Total wages	55,204	59,147	64,765	66,253	64,647	62,508	64,246	67,495	71,092	72,372	72,555	73,158
No. of full-time equivalent employees						157	159	160	161		163	172

SEV complies with the general wage agreements for the various union work groups relevant to SEV. An increase in the number of employees in certain specific areas is anticipated for 2017, as well as an increase in wages as a result of future wage negotiations by the various unions.

The Table below shows total wage expense subdivided into production, grid-related activities and administration for the past several years. The figures for 2007-2015 have been verified and are accurate.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 Budget	2016 Project ion	2017 Budget
Production	24,684	23,937	32,878	31,103	32,135	28,327	30,652	30,881	32,022	30,556	32,959	28,998
Grid	16,507	18,615	19,326	23,915	20,420	19,999	19,453	19,876	21,109	29,946	22,086	25,584
Admin	11,860	14,616	10,073	10,043	10,021	11,860	8,601	12,887	11,205	11,869	13,441	12,576
Total	53,051	57,168	62,277	65,061	62,576	62,187	58,705	63,644	64,338	72,372	68,486	67,158

The Table above shows that wage expenses have grown from 2007 through and including 2010 and then subsequently declined until 2014, growing again in 2015 and 2016.

The Company has employed a number of additional people to meet the manpower needs required of the many and diverse projects that the Company is engaged in at present.

Wage expenses for production activities since 2009 through 2017 (budgeted) have been around 30 million DKK.

Wage expenses for grid-related activities have been increasing and it is forecast that more people will be employed in this area in 2016 in order to meet the demands of the many projects that lie ahead.

From 2009 through 2012, wage expenses for administration remained fairly constant. The forecast cost for 2016 and the budgeted cost for 2016 are lower, compared to that budgeted in 2015, because of an increase in the distribution of wage expenses to production of DKK 1.2 million. In addition, the budget for 2016 also incorporates a cost-averaging relative to SEV's public civil service pension obligation of DKK 1.2 million, based on a lower rate of interest. Thus, taking into account both of these costs reductions, the overall wage expense for administration is somewhat lower than the previous year.



In connection with the compensation paid to the Board of Directors, it should be noted that the Board Chairman will receive a fixed compensation of DKK 12,612 per month; the Vice Chairman, DKK 9,459; general board members DKK 6,306 per month.

In addition, the board members receive a meeting compensation that corresponds to the rate stipulated in the civil servants wage agreement. This compensation is between DKK 552 and DKK 1,656 per meeting, depending on the length of the meeting.

Board members are reimbursed their travel expenses as well.

In the event that board members sit on other governing boards of SEV, e.g. subsidiary companies of SEV or the buildings committee or the like, they shall receive extra compensation, depending on the scope of work involved.

Total compensation paid to the Board of Directors for 2016 is forecast to be DKK 1.0 million. Generally, the Board has a regular meeting once a month, plus extra board meetings, meetings with the municipalities, and other meetings with government authorities. For 2017, board compensation and related costs are budgeted at DKK 1.1 million. In addition are reimbursements for travel expenses.

5.5.7 Depreciation

Depreciation is budgeted at DKK 113.2 million for 2017, compared to a forecast DKK 103.5 million for 2016, and is based on current fixed assets and anticipated acquisition and disposal of assets. This reflects an increase of DKK 9.7 million, compared to that forecast for 2016.

The distribution of depreciation from year to year can change somewhat, depending on when the asset was taken into use. This reflects a balancing between actual acquisitions and works in progress. However, the Company's depreciation expense will grow over the course of the next few years, because major infrastructure investments will be realized and booked and this will, in turn, increase the depreciation expense.

The budgeted depreciation for 2017 and onward is based in the main on the depreciation principles stipulated by the Electricity Production Commission. In the budget, production-related assets are, on average, depreciated over 35 years and buildings over 50 years. Investment in the grid is depreciated on average over 35 years, while investment in operating equipment is depreciated on average over five years. Investment designed to extend the lifespan of an asset is depreciated over the extended useful life of the asset.



5.5.8 Interest and return on equity

There is no adjustment for a capital infusion into the subsidiaries budgeted for 2017, because the 2017 budget remains a consolidated concern budget. Estimated interest expense is based on current loan facility agreements and budgeted new loans.

For 2017, net interest expense is budgeted to be DKK 37.1 million. Net interest expense for 2016 is forecast to be DKK 38.7 million. Included in this amount are the loan origination fees of DKK 8.2 million for the new loan facilities executed by the Company for DKK 1,670 million. These loan facilities will be used to refinance current debt, budgeted investment and liquidity. An interest rate increase of 3% is anticipated, given the higher costs associated with fixed interest rates. This cost has yet to be finalized.

Increased interest expense over the past few years stems from an increase in the loan facilities taken out by SEV for investment and operations. In 2008, interest expense was DKK 3.5 million, consistent with long-term debt of DKK 105.8 million held at year-end 2008. At year-end 2016, the gross long-term debt is forecast to be DKK 1,000 million. For 2017, an increase in loan facilities of DKK 320 million is budgeted. The gross long-term debt at year-end 2017 is, therefore, budgeted to be DKK 1,320 million.

The interest expense for liquidity is set at DKK 0.0 million.

5.6 Investment

Investment for 2017 is budgeted to be DKK 728.1 million. The Table below also shows the audited amounts for 2012 through 2015, as well as the forecast (F) and budgeted (B) amounts for 2016 and budgeted for 2017. The investment for 2017 will be distributed as shown on the Table below.

Investment DKK million	2017B	2016F	2016B	2015	2014	2013	2012
Fossá	4.8	0.6	2.3	4.3	16.2	10.1	2.5
Heyga	0.2	0.2	0.4	0.1	0.5	13.1	3.3
Mýru	3.7	3.4	2.7	5.5	0.9	1.1	1.9
Eiði	3.2	1.6	1.8	2.4	6.5	47.8	50.9
Botnur	1.7	0.5	2.0	0.6	0.3	0.4	0.1
Vágur	12.1	34.1	18.2	68.0	15.4	2.3	1.7
Trongisvágur	1.0	1.2	3.7	0.0	0.4	0.7	1.8
Sund	470.3	104.1	142.8	41.2	36.9	8.3	7.8
Strond	9.0	3.6	4.6	0.5	4.8	3.0	1.3
Smaller plants	4.0	4.6	5.5	1.1	0.4	4.2	0.1
Wind mills	50.5	0.0	0.5	-2.0	0.4	16.5	48.1
Total production	560.4	153.8	184.3	121.7	178.8	107.4	119.5
Grid, coupling stations, buildings, etc.	140.7	87.6	159.6	95.8	89.0	43.5	30.3
Administration	27.0	9.4	33.5	14.6	7.4	4.1	4.0
Total grid activity	167.7	97.0	193.1	110.4	96.4	47.6	34.3
Total investments	728.1	250.7	377.4	232.1	275.2	155.0	153.8
Budgeted/projected		377.4		407.5	375.9	286.7	188.3
Investment slack		-126.7		-175.4	-100.7	-131.7	-34.5

Exterior and interior renovation and upgrades were carried out at the Fossá power plant. This work began in 2013. Furthermore, a new cooling water filter for Fossá 2 was installed in 2016. The roadway into Fossdal will be asphalted in 2017 for DKK 1.0 million. In addition, an emergency electricity system will be installed for DKK 1.0 million and the sluice gate should be upgraded and repaired for DKK 2.0 million. Certain small investments will also be undertaken in 2016 for DKK 0.75 million. The total investment in the Fossá power plant ensures that the power plant will be like new.

The Heyga power plant was upgraded during the period 2012-2013 for a considerable sum, thus no special investment was required for 2016, only that required to cover the minimal investment in spare parts for the regulator and pumps. In 2017, it is budgeted to reinforce the hillside above the roadway into Heygadal, which is estimated to cost some DKK 0.2 million. The total investment in the Heyga power plant ensures that the power plant will be like new.

Efforts underway to extend the useful life of the Mýra power plant by sand blasting and painting the associated water pipes and to shift out the ventilation valves and sluice gate continued through 2016. During 2016, to date some DKK 2.1 million has been expended and it is estimated that a total of DKK 3.4 million will be spent for this project. In 2017, the roadway down to the Mýra power station will be asphalted for DKK 1.1 million. Further, the sluice channels, the sluice gate house and the power cables to the sluice gate house will cost an additional DKK 2.45 million. In addition, a water level meter will be installed for DKK 0.1 million. After the 2015-2017 infrastructure investments, the Mýra power plant will be like new.



The Eiði power plant with its associated tunnels is now finished and fully operational. The new turbines at the Eiði power plant entered into service in the summer of 2012; the upgrading of Turbines 1 and 2 was carried out in 2012 and 2013 as well. Thus, the power plant has a brand-new turbine as well as two upgraded turbines that meet today's standards. The 2016 investment in the Eiði power plant, equalling a total of DKK 0.8 million, stemmed from the installation of an emergency pumping unit plus other small ancillary work. For 2017, it is projected that some additional small investments will be undertaken for DKK 3.2 million, the largest of which will be the installation of a new tarpaulin for the operational tunnel (DKK 1.2 million) and the asphaltting of the road down to the western side of the northern dam (DKK 0.65 million). The power plant today is essentially a brand-new facility.

Interior renovation of the Botni power plant facility was carried out for DKK 0.2 million in 2016, while maintenance of the sluice channels was undertaken for DKK 0.1 million. Altogether, a total of DKK 0.5 million was expensed for work at the facility during 2016. In 2017, the sluice channels will be further upgraded for DKK 0.2 million and the facility itself will be further upgraded for DKK 0.5 million. In addition, other small renovations will be undertaken on the ventilation system of the waste water, the turbine housing, piping and the PLC will be upgraded. These investments will total DKK 1.65 million for 2017.

The Vágs power plant was expanded to include an additional motor, and the facility itself was enhanced to include several workrooms. The total investment envisioned is DKK 100 million over two years, of which DKK 87.0 million is designated to the production accounts. Of this amount, some DKK 25.0 – 30.0 million is set aside for the new motor. Grid-related investment is estimated at DKK 13 million. Work got underway in 2014 and continued through 2015 and 2016. In 2016, the forecast predicts a total of DKK 30 million will be expended on the Vágs power plant. In 2017, ancillary work is planned to be undertaken for a total of DKK 6.0 million relative to an upgrade of the control system, transformers and high tension lines. Further investment in the power plant infrastructure will be carried out, including removal and reinstallation of the foundation of the oil storage tank farm for DKK 0.3 million, the potential repair of the M3 motor for DKK 1.0 million, as well as other small investments for a total of DKK 4.25 million.

In 2014, two new transformers were installed at the Trongisvágs power plant and the interior of the plant was renovated. An additional DKK 0.3 million was invested in the facility in 2015. In 2016, work got underway to remove the old motor and get the facility ready for a new coupling station. For 2017, DKK 1.0 million is set aside to remove the old motor and to further ready the facility for the new coupling station. Once completed, the facility at Trongisvágs will in future be considered an asset of the grid division.

The total investment in the Sund power plant is forecast to be DKK 104.1 million in 2016 and DKK 470.3 million in 2017. The expansion of the Sund power plant was approved at the Extraordinary General Meeting held on 30 September 2016. Of the total investment of DKK 800 million that is projected, DKK 68 million was expended in 2016, with DKK 385 million budgeted for 2017, DKK



112 million in 2018 and DKK 135 million in 2019, when it is anticipated that the expansion will be completed.

Construction of a new oil storage tank yard and a new day tank facility is underway. The total cost of this initiative, including the tank yard, the building, oil storage tanks and related technical equipment and electrical work, is estimated to be DKK 133.9 million.

A new electric boiler will be purchased in 2017 for DKK 7.5 million. It is planned that an agreement will be executed with Fjarhitafelagið (the Tórshavn district heating company) for partial access to the electrical boiler. Other investment envisioned for 2017 is the installation of a new cooling system for the M4 motor for DKK 5.2 million, other renovation and upgrading for DKK 5.5 million and other small investments for DKK 3.1 million.

The work on updating the power plant at Strond will continue in 2016 and 2017. The investment in the facility for 2016 is forecast to be DKK 3.6 million. The investment at Strond for 2017 encompasses the upgrading of the hydroturbines and the control system for DKK 5.0 million, plus other investments totaling DKK 4.0 million.

Investment in the battery station and stabilization infrastructure at Húsahaga is forecast at DKK 8.5 million in 2016 and DKK 8.3 million in 2017. The battery system is a comprehensive system that will enable SEV to transfer as much as possible of its wind-generated power directly into the grid.

In 2017, it is proposed that a tender for the erection of a wind turbine on Suðuroy will be issued and in this connection some DKK 50 million is set aside, thus ensuring that SEV can participate in such a tender offer.

Major investments in the grid, coupling stations, and buildings, etc. were undertaken in 2016 and will continue in the years ahead. The work on the grid is especially relevant in order to strengthen the grid to receive more wind power, and the expansion of the Sund power plant was necessary to incorporate "Site 3". New coupling stations linked to the Húsahaga wind farm were completed. The cost of these is some DKK 60.4 million altogether, of which DKK 45 million was expensed in 2014 and DKK 14.9 million in 2015. An expense of DKK 0.6 million is forecast for 2016.

The new coupling station in Runavík was completed this year for a total cost of DKK 36.3 million. To date, the investment for 2016 is DKK 17.2 million, and it is forecast that the project will cost DKK 18 million by year-end. For 2017, an additional DKK 0.25 million is budgeted for this coupling station.

Construction of the coupling station in Eiði is underway. For 2016, some DKK 8 million was forecast to be invested and in 2017 an additional DKK 27 million is budgeted to complete the coupling station in 2017.

The total investment for the distribution grid for 2016 is forecast to be DKK 38.8 million, which includes the following major investments: DKK 5.8 million for the 10kV cable between Strond and Hvannasund, DDK 4.0 million for the 10kV cable between Hvannasund and Viðareiði, and the transfer station at Inni á Døllum, Viðareiði costing some DKK 2.0 million.



The total investment for the distribution grid in 2017 is budgeted to be DKK 39.1 million, to wit: North Islands grid, DKK 8.0 million; Eysturoy, DKK 6.2 million; Vágoy grid, DKK 0.5 million; Mid-Streymoy, DKK 0.5 million; southern Streymoy, DKK 5.5 million; Sandoy, DKK 0.5 million; Suðuroy, DKK 2.0 million. In addition to these, some DKK 12.1 million is budgeted for the expansion of the 10 kV, 20 kV and the 60 kV grid. Vehicles shall be purchased in 2017 as well for DKK 3.0 million.

The installation department will invest some DKK 7.1 million in wireless electric meters, etc.; charging stations for electric vehicles were set up and the investment in 2016 for this amounted to DKK 2.0 million. For 2017, an investment of DKK 1.0 million is budgeted toward these charging stations.

A new control system for the electricity grid is under development in association with specialist companies. This work is underway and is estimated at present to cost around DKK 9.5 million, of which DKK 1.5 million was set aside in 2016 and DKK 8.0 million for 2017.

It is anticipated that SEV will undertake to construct six new coupling stations for DKK 285.9 million beginning in 2016 and extending over the next four years. In addition, the coupling station at Húsahaga and in Runavík are complete. In this regard, SEV is hopeful that it can negotiate a satisfactory price with the various construction companies and equipment suppliers.

Some DKK 33.6 million is forecast for coupling stations for 2016. A combined purchasing agreement for the coupling stations, which was anticipated in the 2015 budget, has not been executed, mainly because the pace of the construction to date was unusually swift. At present it is difficult to predict the success of such a purchasing structure, because of the current situation in which there are a number of time-sensitive projects underway in response to the large demand for electricity from SEV's customers.

DKK 0.6 million is budgeted for the coupling station at Húsahaga. A total of DKK 37.0 million was budgeted for the new coupling station at Runavík, of which DKK 18.0 million was budgeted for 2016, and another DKK 0.25 million for 2017. In addition, a new coupling station is budgeted for Innan Eið for a total of DKK 35 million, of which DKK 8.0 million is forecast for 2016, and DKK 27.0 million for 2017.

The total investment in coupling stations in 2014 was budgeted at DKK 275 million and in 2015 it was DKK 266.9 million. The revised budget for 2016 and onward is as shown below.

DKK million	2016F	2017B	2018	2019	2020	Total
Húsahagi	0.6	0.0	0.0	0.0	0.0	0.6
Vestmanna	0.2	3.0	30.0	10.0	0.0	43.2
Sund, støð 3	2.0	15.0	35.0	10.0	0.0	62.0
Sund, upgrade	0.6	0.6	2.0	15.0	20.0	38.2
Varðagøta	0.2	2.2	15.0	15.0	8.0	40.4
Runavík	18.0	0.3	0.0	0.0	0.0	18.3
Innan Eið	8.0	27.0	0.0	0.0	0.0	35.0
Tvøroyri	0.0	1.0	2.0	2.0	0.0	5.0
Klaksvík	0.1	0.0	0.0	0.0	0.0	0.1
Skálabotnur	0.0	0.1	0.2	0.0	0.0	0.3
Strond	1.8	25.0	8.0	0.0	0.0	34.8
Havnardalur	2.2	5.6	0.0	0.0	0.0	7.8
Aðrar	0.0	0.2	0.0	0.0	0.0	0.2
Total	33.7	80.0	92.2	52.0	28.0	285.9

After conducting a comprehensive cost-benefit analysis on the expansion and updating of the current headquarters building on Landavegur to accommodate a workshop and administrative offices, the conclusion was that it was more economical to construct a new workshop / administrative building rather than attempt to expand and update the existing structure on Landavegur. The new building would house both the activities currently carried out at the Tórshavn station and at the administrative headquarters on Landavegur.

In addition, the plan was to sell the Tórshavn station and the Landavegur building, and in this connection the funds derived from the sale would be applied towards the investment in the new building.

This was not to be. SEV decided to postpone this construction, which is now incorporated into the budget for 2022 at a cost of DKK 50 million and in 2023 at DKK 30 million.

A sum of DKK 8.9 million is set aside in the 2017 budget for the purchase of furnishings, computer equipment and programming, emergency back-up electrical systems, etc.

Thus, total investment for 2017 is estimated to be DKK 728.1 million. However, it should be noted that the cost estimates for the various projects described above are provisional, and each individual cost estimate will be reviewed in more detail going forward.

5.7 Loan facilities

At present, the Company is working to reorganize and refinance its total gross debt, which amounts to DKK 830 million, plus drawing rights of DKK 270 million, altogether DKK 1,100 million, and to finance the planned investment that lies ahead. This also encompasses Company liquidity.



Together, the total amount of refinancing and new financing equals DKK 1,670 million, of which DKK 830 million is designed to refinance current debt, while the rest is set aside to finance budgeted infrastructure investment and liquidity. The new financing of some DKK 1,000 million will be obtained via the US Private Placement (USPP) market, while DKK 670 million will be derived from bank financing from Faroese and Danish financial institutions.

Moreover, the plan now is that SEV would provide its wind farm subsidiaries a loan through either an intercompany account or a subordinate loan to finance the purchase of the wind turbines from SEV. Moreover, this loan would finance daily operations of the subsidiaries.

SEV has hedged the interest rate on 73% of its gross debt of some DKK 830 million and this initiative was in line with the Company's interest rate hedging strategy.

5.8 Liquidity

The Table below shows the Company's liquidity key figures, based on the detailed register maintained by the Company.

DKK million	Budget 2016	Projection 2016	Budget 2017
Cash flow from operations	191.8	248.0	217.9
Change in working capital	-131.2	-7.0	8.0
Cash flow from operating activities	60.6	241.0	225.9
Investments and WIP	-271.7	-250.7	-728.1
New lending	270.0	170.0	320.0
Refinancing	830.0	830.0	0.0
Existing loans paid up	-830.0	-830.0	0.0
Net interest expenses	-28.4	-38.7	-37.1
Loan repayments	0	-0.0	0
Total change in cash flow	30.5	121.6	-219.4
Cash at beginning of year	162.3	221.9	343.5
Cash at end of year	192.8	343.5	124.1

The Company is keenly focused on always maintaining a solid and secure liquidity base. The goal is to maintain a security margin or cushion of DKK 100.0 million in available cash, in addition to drawing rights with the various financial institutions. At present, SEV has a revolving line of credit (drawing rights) equalling DKK 270 million. When the new financing is finally in place, SEV at year-end 2016 will carry a gross debt of DKK 1,000 million and drawing rights of DKK 670 million and liquidity of DKK 343.5 million.



The cash flow from the Company's subscribers has been reorganized from January 2013. Now, electricity subscribers pay monthly, rather than in 10 instalments as before. For the vast majority of its customers, SEV generates an invoice based on the data from the wireless meters installed at each customer's site. This means that the invoice for electricity consumption for one month is sent out the following month with a due date of ten days.

Once the majority of SEV's customers are part of this pay-as-you-go system, there is no doubt that they will become even more aware of their own energy consumption. Any efforts to reduce their use of electricity will be readily apparent the following month in their electricity bill.

6. Sustainable budgets 2016-2026

In the years ahead, it is deemed especially prudent that the financial budgets be sustainable, now that the Company plans to undertake the major project of expanding the Sund power plant for between DKK 700 – 800 million, while at the same time investing in other areas as well. It is critical that the Company take on debt to carry out these projects.

One of the fundamental conditions that the Company has adopted in order to maintain and foster sustainable financial budgets and which has been demonstrated in its stress-tests as well is that net liabilities versus Company results before depreciation and interest (NIBD/EBITDA) must never be greater than a factor of six during the period 2016-2025. The requirement is determinant regarding if or how much a suggested change in pricing could be.

Based on the above prudent conditions, SEV is of the opinion that, given the situation today with increased kWh sales, low oil prices and low interest rates, and a greater portion of production derived from wind and hydropower, it will not be necessary to amend the price of electricity SEV charges its customers to achieve its goal that the result before depreciation and interest (NIBD/EBITDA) be no more than six times greater during the time period 2016-2026.

On the other hand, if there is a decline in kWh sales, or oil prices again go up, without question it will be necessary to initiate a change to the price of electricity to ensure that the Company can continue to carry out the planned expansion of the Sund power plant and other investment, while at the same time ensuring that the result before depreciation and interest (NIBD/EBITDA) does not become greater than a factor of six during the time period 2016-2026.

To determine the sustainability of the financial budgets, stress tests were conducted to evaluate the effect on the Company's key figures of various conditions underpinning the budgets. The stress tests carried out are shown in the Table below.

Stress test, ceteris paribus	Price change in 2017
50% reduction in sold kWh to fish farming segment	+0.10 DKK/kWh
50% reduction in sold kWh to pelagic segment	+0.06 DKK/kWh
Oil price increase USD 300 per tonne heavy fuel oil	+0.17 DKK/kWh
General level of interest rates increases by 4% points	+0.13 DKK/kWh
Sold kWh decrease by 1% across all segments each year 2017-2025	+0.17 DKK/kWh

The risks that the price of oil will rise in the coming years and that interest rates will rise are to a certain degree covered by SEV having locked in the price of oil for its budgeted oil purchases over the long term, as well as the interest on its loans is fixed for a period of at least 5-8 years.



7. Overview of SEV's fiscal economy for the period 2008-2026

The discussion below provides an update to the section in the report sent to the municipalities in connection with the Extraordinary General Meeting held on 30 September 2016.

SEV has undertaken significant investments over the last few years and intends to further undertake major investments in the years ahead. Charts 1 – 4 below shows the trend in the Company's investments. Further, the investments are compared to net revenue.

Chart 1 – Verified investment in DKK million – 2008 - 2015



Chart 2 – Projected investment in DKK million – 2016 - 2026



Charts 1 and 2 above show the trend in verified and projected investments over a long period of time. The projected investments over the next five years are significant, therefore it is critical for SEV to have a strong fiscal economy.

Chart 3 below, which provides a detailed description of a particular investment, shows that the expansion of the Sund power plant is the largest individual investment in the years ahead. At the

same time, considerable investment is projected in the various production units that will produce electricity from “green” energy resources.

Investment in the grid will focus on the coupling stations, the grid itself and undersea cables. The envisioned new administrative and workshop building is postponed until 2022-2023.

Chart 3 – Projected total investment 2016-2026

DKK million	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Sund and other oil-fuelled plants	144	487	112	135				50	50	50	100
Wind mills		50			24	100					
Hydro	10	23									
Tidal/photovoltaic				4	50	50					
Pumped storage and/or hydro					10	30	80	30			
Grid	97	168	139	85	58	30	198	80	30	30	30
Total	251	728	251	224	142	210	278	160	80	80	130

Chart 4 – Projected investment in the grid 2016-2026

DKK million	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Coupling stations	33.6	80.1	92.2	52.0	28.0		18.0	20.0			
Grid and sub-sea cable	38.8	39.1	34.1	26.0	26.0	26.0	126.0	26.0	26.0	26.0	26.0
Digital meters	6.4	7.1	4.1	4.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Battery storage	7.0	2.3									
New control systems and other engineering	1.8	12.1									
Administration	9.4	27.0	9.0	3.1	3.1	3.1	53.1	33.1	3.1	3.1	3.1
Total	97.0	167.7	139.4	85.2	58.1	30.1	198.1	80.1	30.1	30.1	30.1



Chart 5 shows the verified net revenue of the Company from 2008 to 2015, and Chart 6 shows the projected net revenue over the period 2016 – 2026.

The growth in revenue over the last few years stems from price increases and greater sales of kWh. The price hikes experienced by ordinary private customers amounted to DKK 0.15 per kWh in 2011, DKK 0.10 per kWh in 2012 and DKK 0.05 per kWh in 2013. For the so-called “industrial customers” engaged in the production of goods for export, the price of electricity increased DKK 0.06 per kWh and DKK 0.05 per kWh in addition to the general price hikes in 2013 and 2014, respectively. The sale of electricity during the period 2008-2011 equalled some 255 GWh annually and grew to 261 GWh in 2012 and 274 GWh in 2013 and 284 GWh in 2014. In 2015, sales equalled 288 GWh. Thus, it is apparent that there was net revenue growth and it is critical to maintain good net revenue during the years ahead.

Chart 5 – Net revenue in DKK million and percentage growth year to year



Chart 6 – Net revenue in DKK million and percentage growth year to year



Chart 7 – EBITDA and EBITDA margin compared to net revenue 2008-2017

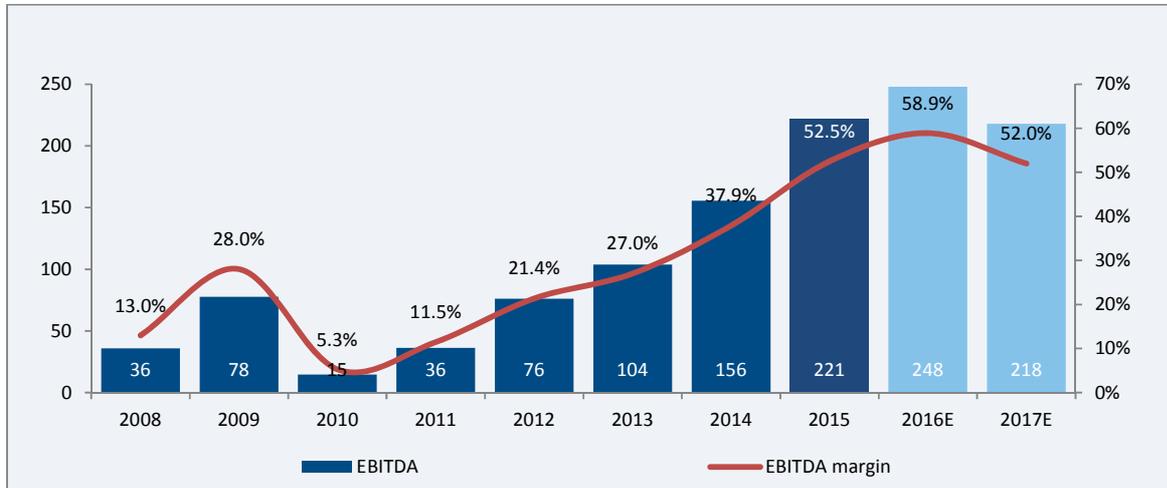


Chart 7 shows the trend in EBITDA and EBITDA margin compared to net revenue over the last few years. Early on, these figures were low, but over time they strengthened considerably such that in recent years EBITDA was DKK 221 million against net revenue of DKK 422 million, or 52.5% in 2015. This high level is projected to continue in the years ahead, as depicted in Chart 8.

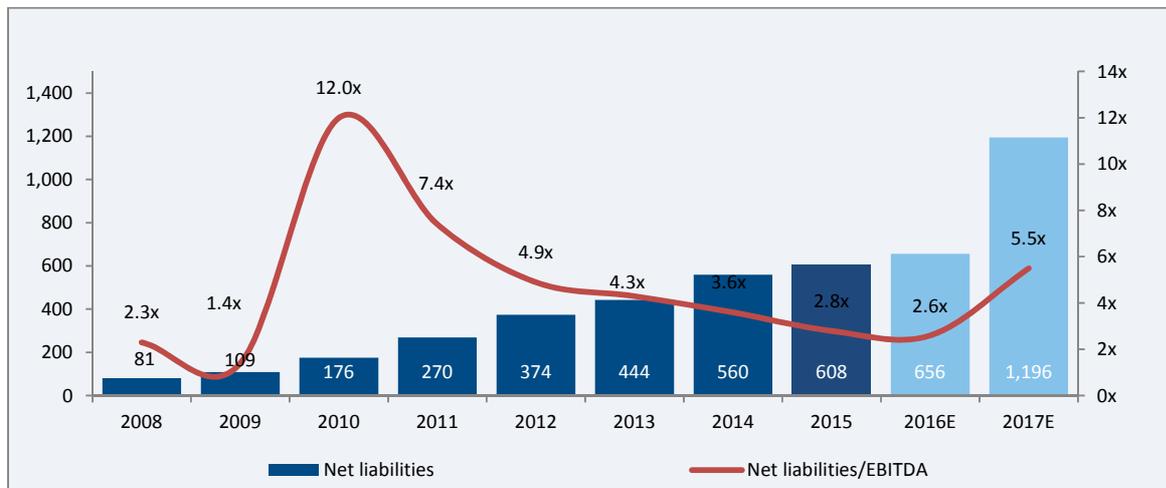
Chart 8 – EBITDA and EBITDA margin compared to net revenue 2016-2026





One of the most significant key figure ratios is net liabilities compared to EBITDA. SEV does not wish this ratio to be greater than a factor of 6. In the current loan facilities with the various financial institutions, this ratio can rise to a factor of 9, but SEV believes that this is too high and will therefore strive to ensure that it rises no higher than a factor of 6. Because the financial institutions have permitted a factor of 9, this affords SEV a certain secure margin within which to operate. Chart 9 below shows the trend over the last few years of net liabilities compared to EBITDA in DKK million.

Chart 9 – Net liabilities compared to EBITDA 2008-2017



As Chart 9 shows, net liabilities compared to EBITDA in 2010 was at an especially high level, but subsequently declined to a factor of 2.8 in 2015, which is well within the margin of tolerance (factor of 6) adopted by SEV.



Chart 10 – Net liabilities compared to EBITDA 2016-2026

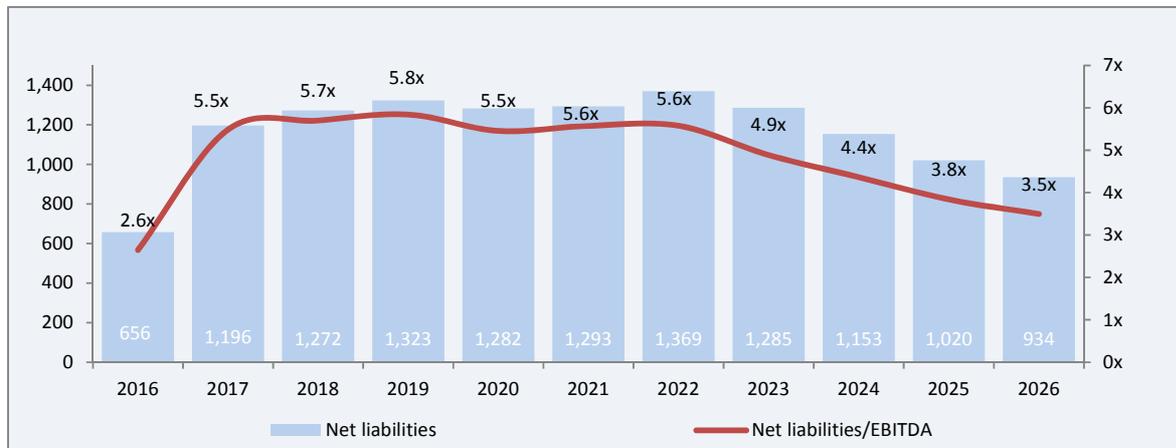


Chart 10 projects that net liabilities compared to EBITDA during the period 2016 – 2026 will remain within the acceptable factor of 6 margin. This trend in net liabilities compared to EBITDA is consistent with the current pricing schedule compared to total expenses and investments wherein SEV stipulates the price of electricity annually in connection with the Operations, Financial and Investment Budget. The combined budget is discussed with and reviewed by the relevant government authorities, e.g., ORKA (representing the Earth and Energy Directorate [Jarðfeingi]) pursuant to current legislation.

In connection with the Operations, Financial, and Investment Budget for 2017, the Company is considering, as otherwise noted, to recommend a price reduction of DKK 0.05 per kWh. In order to hold itself within the adopted factor of 6 margin, it was necessary to amend the operations and investment budgets.

SEV's Operations, Financial, and Investment Budget for 2017 shall be reviewed by management, the Board of Directors and the shareholders during October and November 2016, when a final decision will be taken on the budget as a whole, including a possible price change.



Chart 11 – Assets and equity in DKK million and solidity (asset/equity ratio) in percent 2008-2017



Throughout all the referenced years, SEV has maintained good solidity (owner equity compared to total assets) and in 2015 this equalled 53.2%.

Chart 12 – Assets and equity in DKK million and solidity (asset/equity ratio) in percent 2016-2026



As Chart 12 shows, the goal of SEV is to continue to maintain strong solidity in the years ahead.

Wind farm subsidiaries of SEV

8. Independent subsidiary corporations to operate the windfarms

The intent is to establish two independent subsidiary companies to own and operate the wind farms at Neshaga and Húsahaga, respectively. This is consistent with the approval granted at the Extraordinary General Meeting held on 19 June 2015, to wit:

- 1) the proposal from the Board of Directors seeking permission and the authority for the Board to transfer the five wind turbines at Neshaga (including that which to date is associated with them) to a corporation or limited liability company that is a 100%-owned subsidiary of SEV, and to initiate and execute all the multiple matters in this connection;
- 2) the proposal from the Board of Directors seeking permission and the authority for the Board to transfer the thirteen wind turbines at Húsahaga (including that which to date is associated with them) to a corporation or limited liability company that is a 100%-owned subsidiary of SEV, and to initiate and execute all the multiple matters in this connection.

Further, the Board of Directors was again granted said authority at the Extraordinary General Meeting held on 27 November 2015.

Work on these matters has been ongoing for some time together with the owners of the Company and the relevant government authorities, and it is anticipated that the undertaking will be concluded at year's end 2016 with effect from 1 January 2016, dependent upon SEV receiving final approval from the government authorities.

8.1 Neshaga

The wind farm at Neshaga was completed and went operational in November 2012. Thus, the wind farm has produced electricity for SEV's customers for four years and the trials have been good. SEV has excluded the operations of the Neshaga wind farm from the budgets for 2017 onward. Thus, the budget of SEV going forward represents a consolidated concern budget in which the parent company and subsidiaries are combined.

The assumption is to transfer into an independent limited liability company the wind farm at Neshaga, which encompasses the five ENERCON wind turbines, representing a total investment made in 2012 of DKK 49.1 million, and that which to date is associated with the operation of the wind turbines, e.g., business agreements with third parties, liabilities, inventory, cash-on-hand and other assets. The subsidiary company will be established through a share equity investment of DKK 7 million and possible other securitization – all from SEV

The budget is based upon the cautious assumption that a subsidiary company will be established to own and operate the wind farm. Even though the requirement of the governmental authorities was to place only three of the wind turbines into the subsidiary, SEV deems that it would be more fiscally prudent if all five wind turbines were placed in the subsidiary company.

Thus, the end result of this endeavour will be that the five wind turbines will be sold to a subsidiary company of SEV for a cost price of DKK 49.1 million, depreciated by around DKK 9.8 million for the period 2012-2015, such that the price will be around DKK 39.3 million. The final valuation shall be undertaken by professional assessors.

It is anticipated that the new subsidiary will be financed by an intercompany account with SEV of some DKK 32.7 million, coupled with the DKK 7.0 million invested by SEV in the new subsidiary as equity capital or possible other securitization or subordinate loan, such that the subsidiary will have the necessary funds to purchase the wind turbines and the other assets and liabilities, in addition to maintaining suitable liquidity.

The 2017 budget anticipates that financing will be secured from SEV via an intercompany account or subordinate loan securitization. Moreover, because the new company will be responsible for the operation of the wind turbines, it will be necessary to create a budget to guide the operation of the wind farm in a suitable manner.

For 2017, SEV has budgeted to purchase electricity production from its subsidiary equal to 16 GWh per year for around DKK 0.41 per kWh, pursuant to a special price agreement that shall be

approved by the governmental authorities. This corresponds to an electric energy purchase of around DKK 6.6 million.

Below is the operational budget of the new subsidiary shown in key figures in tDKK.

DKK 1,000	2016F	2017B	2018	2019
Sales	6,759	6,826	6,895	6,964
Operations	1,969	1,988	2,008	2,028
Depreciation and interest	4,322	4,245	4,165	4,083
Net profit	384	487	592	699

Below is the financial position of the new subsidiary in key figures in tDKK.

DKK 1,000	2016F	2017B	2018	2019
Total assets	40,598	38,535	36,501	34,495
Cash	4,569	5,781	7,022	8,292
Debt to SEV beginning of year	35,129	32,654	30,105	27,479
Debt to SEV end of year	32,654	30,105	27,479	24,774



8.2 Húshaga

SEV has devoted much time and energy to installing 13 wind turbines at Húshaga and envisions ultimately to transfer the wind farm into an independent subsidiary corporation after SEV has ensured itself that the project was finally ready to hand over to a subsidiary. This project cost DKK 104.5 million.

In reality, this means that SEV has taken responsibility for all the various agreements relative to the wind farm, including the purchase agreement for the wind turbines from ENERCON, as well as the contracts for the roadwork and the foundation infrastructure. This project is now completed and was officially handed over to SEV on 2 October 2014.

The 13 wind turbines and the associated assets, hereunder agreements with third parties relative to the operations of the company, liabilities, inventory, cash-on-hand and other assets, are expected to be sold to a new subsidiary of SEV at cost for around DKK 95.4 million as at 1 January 2016.

As planned, the new subsidiary will be financed for around DKK 79.7 million via an intercompany account with SEV, combined with DKK 20.0 million invested by SEV as equity capital or other possible subordinate securitization, such that the subsidiary will have the necessary funds to purchase the wind turbines and the other assets and liabilities, plus maintain adequate liquidity.

Moreover, because the new company will be responsible for the operation of the wind turbines, it will be necessary for the subsidiary to create a budget to guide the operation of wind farm in a suitable manner.

Below is the operational budget of the new subsidiary shown in key figures in tDKK.

DKK 1,000	2016F	2017B	2018	2019
Sales	13,345	13,479	13,614	13,750
Operations	4,544	4,589	4,635	4,682
Depreciation and interest	9,225	9,069	8,907	8,741
Net profit	-424	-179	71	327

Below is the financial position of the new subsidiary in key figures in tDKK.

DKK 1,000	2016F	2017B	2018	2019
Total assets	93,179	87,742	82,398	77,147
Cash	4,659	6,063	7,560	9,150
Debt to SEV beginning of year	79,715	74,611	69,353	63,938
Debt to SEV end of year	74,611	69,353	63,938	58,361

For 2016, the plan was that SEV would purchase annually some 41.4 GWh of electricity from the Húshaga subsidiary for DKK 0.326 per kWh, pending approval by the governmental authorities of a special pricing agreement. This equates to an electricity purchase of DKK 13.3 million.



SEV agreed to purchase 41.4 GWh from the wind farm subsidiary, even though SEV may not be able to fully utilize this capacity. However, beginning in 2017 and beyond, it is anticipated that nearly all the wind capacity could be utilized, and, moreover, the wind turbines could all generate electricity directly into SEV's grid.

That said, the installation of the wind turbines would place major demands on SEV's grid operations. Therefore, at the same time the wind turbines were erected, major investment was made in the grid infrastructure, which impacted greatly overall costs.

The total investment for these combined projects was some DKK 180 million, including the coupling stations at Húshaga and the battery system. These investments should be depreciated between 15 and 35 years; annual depreciation will increase correspondingly, but the investment, in the end, will have a positive impact on SEV operations.

Tórshavn, 4 November 2016

Elfelagið SEV

Financial Statistics and Tables

Page 61 following

- **Operations**
- **Adjustments**
- **Liquidity**
- **Investments**
- **Tables**

Rakstur / Operations	2016		2016		2016		2017	2018	2019
	Ætlan / Budget	Ætlan / Budget	Ætlan / Budget	Staðfest og Framroknað / Actual and projected	Ætlan / Budget	Ætlan / Budget	Ætlan og framskriving / Budget and projections	Framskriving/pr ojections	
									3/4 ár / year
	íalt / total	íalt / total	3/4 ár / year	4 ársf. Q4	íalt / total	íalt / total	íalt / total	Ár / year	
Inntøkur / Revenue									
kWh-gjald / kWh charges	397,084,566	397,084,566	282,022,723	113,548,795	395,571,518	390,038,645	403,047,206	426,244,573	
Fast gjald / Fixed charges	16,691,600	16,691,600	12,329,847	4,320,713	16,650,560	16,650,560	16,650,560	16,650,560	
Íbinding / Connection fees	12,740,000	12,740,000	4,867,179	3,686,655	8,553,834	14,184,100	8,000,000	10,000,000	
Annað / Other charges	1,447,865	1,447,865	2,650,070	350,000	3,000,070	1,000,000	1,000,000	1,000,000	
Keyp av vindorku / Purchase of wind power	-23,245,260	-2,692,470	-1,612,897	-1,072,515	-2,685,412	-2,685,412	-2,685,412	-2,685,412	
Nettougsetningur / Net Turnover	404,718,771	425,271,561	300,256,922	120,833,649	421,090,571	419,187,893	426,012,354	451,209,721	
Oljuútreiðslur til egna nýtslu / Cost of oil used in production	78,567,804	78,567,804	37,285,111	10,764,609	48,049,720	69,020,162	76,774,847	97,480,382	
Inntøkur frá sölum av olju til triðjamann / Revenue from oil sold to third parties	852,135	852,135	0	0	0	0	0	0	
Tilfar og tænastrætur / Materials and services	62,841,752	68,842,262	38,614,460	17,927,870	56,542,330	65,100,140	58,296,124	58,962,418	
Framleiðsluvirkir	21,269,500	27,270,010	16,193,330	6,454,408	22,647,738	27,657,109	25,458,680	25,713,267	
Netvirksemi uttan fyrising	15,517,252	15,517,252	8,778,361	2,926,120	11,704,482	12,388,031	12,540,393	12,677,230	
Fyrising	26,055,000	26,055,000	13,642,769	8,547,342	22,190,111	25,055,000	20,297,050	20,571,921	
Bruttovinningur / Gross profit	264,161,350	278,713,630	224,357,351	92,141,170	316,498,520	285,067,591	290,941,383	294,766,921	
Starvsfólkaútreiðslur - Salaries and wages	72,371,678	72,371,678	49,864,196	18,621,399	68,485,595	67,157,937	67,829,517	68,348,155	
Framleiðsluvirkir	30,556,501	30,556,501	24,719,608	8,239,869	32,959,478	28,997,913	29,287,892	29,580,771	
Netvirksemi uttan lönir hjá fyrising	29,945,793	29,945,793	16,564,149	5,521,383	22,085,532	25,584,384	25,840,228	26,098,631	
Fyrising	11,869,384	11,869,384	8,580,439	4,860,146	13,440,585	12,575,640	12,701,397	12,668,753	
Úrslit áðrenn av- og niðurskrivingar / Profit before depreciation, amortization and impairment	191,789,672	206,341,952	174,493,154	73,519,771	248,012,925	217,909,654	223,111,867	226,418,766	
Avskrivningar / Depreciation, amortization and impairment	90,906,528	101,093,146	75,700,656	27,817,834	103,518,490	113,229,873	119,624,856	143,018,085	
Úrslit áðrenn figgjarpostar og skatt / Profit before financials and tax	100,883,144	105,248,806	98,792,498	45,701,937	144,494,435	104,679,781	103,487,011	83,400,682	
Virðisjavnan av kapitalþortum / Subsidiary fair value adjustments	934,090	0	0	0	0	0	0	0	
Rentuútreiðslur / Interest expenses	33,263,500	33,263,500	21,574,903	17,107,415	38,682,318	37,137,500	42,187,500	43,812,500	
Rentuinntøkur / Interest revenue	3,912,913	500,000	0	0	0	0	0	0	
Úrslit áðrenn skatt / Profit before tax	72,466,647	72,485,306	77,217,595	28,594,522	105,812,118	67,542,281	61,299,511	39,588,182	
Skattur / tax	0	0	0	0	0	0	0	0	
Úrslit eftir skatt / Profit after tax	72,466,647	72,485,306	77,217,595	28,594,522	105,812,118	67,542,281	61,299,511	39,588,182	

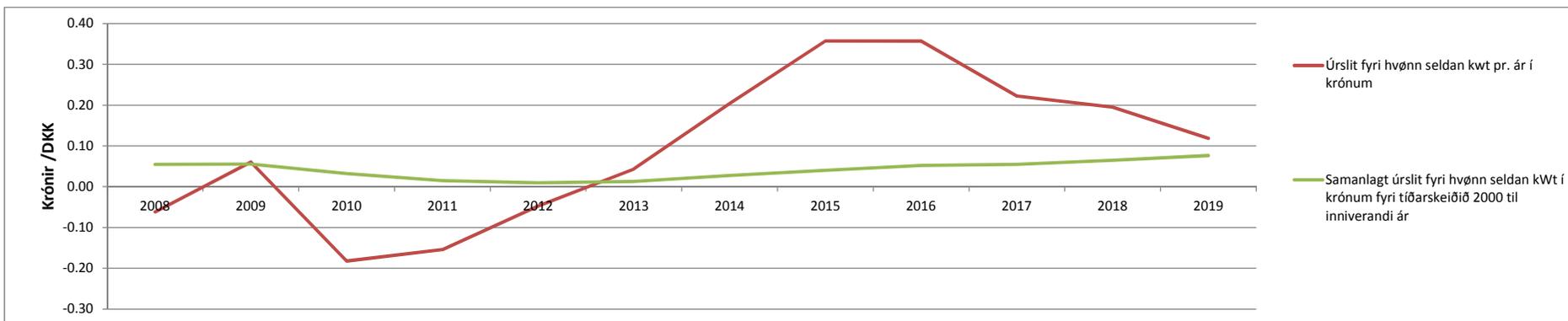
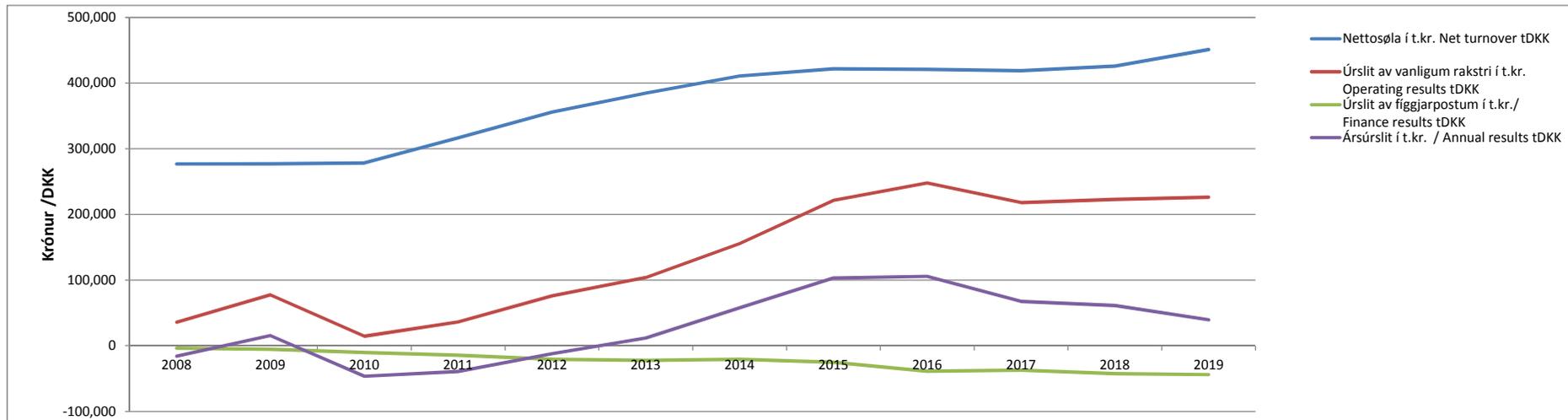
JAVNI / PR. 31. DESEMBER / BALANCE PR. 31. DECEMBER	2012	2013	2014	2015	2016	2017	2018	2019
AKTIV / ASSETS	Íalt							
Fastar ognir og avskrivningar / Fixed assets and depreciation, amortization and impairment								
Útvegnavirði við ársbyrjan / Acquisition value beginning-of-year	2,239,262,078	2,385,452,238	2,581,385,794	2,806,425,950	2,956,350,005	3,247,240,388	3,491,633,125	3,680,640,987
Tilgongd / additions	146,529,211	195,933,556	218,404,641	149,924,055	290,890,383	244,392,737	189,007,862	872,163,000
Frágongd / disposals	0	0	-	0	0	-	-	-
Útvegnavirði við ársenda / Acquisition value year-end	2,385,791,289	2,581,385,794	2,799,790,435	2,956,350,005	3,247,240,388	3,491,633,125	3,680,640,987	4,552,803,987
Avskrivningar við ársbyrjan / Depreciation, amortization and impairment beginning-of-year	1,239,213,105	1,306,650,082	1,376,687,168	1,460,519,716	1,554,106,275	1,657,624,765	1,770,854,638	1,890,479,494
Avskrivningar í árinum / Depreciation, amortisation and impairment over the year	67,776,029	70,037,086	77,197,032	93,586,559	103,518,490	113,229,873	119,624,856	143,018,085
Avskrivningar við ársenda / Depricitation, amortization and impairment year-end	1,306,989,134	1,376,687,168	1,453,884,200	1,554,106,275	1,657,624,765	1,770,854,638	1,890,479,494	2,033,497,579
Fastar ognir við ársenda / Fixed assets year-end	1,078,802,155	1,204,698,626	1,345,906,235	1,402,243,730	1,589,615,623	1,720,778,487	1,790,161,493	2,519,306,408
Ílþguarbeiði í gerð / Investment works in progress	126,410,900	85,486,142	142,275,019	224,431,198	184,271,815	668,023,080	730,423,080	82,423,080
Materiel stöðioign / Tangible fixed assets	1,205,213,055	1,290,184,768	1,488,181,254	1,626,674,928	1,773,887,438	2,388,801,567	2,520,584,573	2,601,729,488
Kapitalpartar í dótturfelögum / Investments in subsidiaries	0	0	-	-	-	-	-	-
Kapitalpartar í assosieraðum virkjum / Investments in associates	2,850,000	2,850,000	2,850,000	2,850,000	2,850,000	2,850,000	2,850,000	2,850,000
Figgjarlig stöðisogn / Financial Assets	2,850,000							
STÖÐISOGN TILSAMANS / Total Assets	1,208,063,055	1,293,034,768	1,491,031,254	1,629,524,928	1,776,737,438	2,391,651,567	2,523,434,573	2,604,579,488
Olja á goymslu - Oil nventory	34,231,695	41,335,857	19,772,904	11,744,354	20,554,843	12,828,532	18,251,566	27,735,289
Tilfar á goymslu - Materials inventory	12,404,184	14,470,185	26,731,277	15,293,017	15,293,017	15,714,369	15,714,369	15,714,369
Arbeiði í gerð fyri fremmanda rokning / paid for work in progress	0	0	0	0	0	0	0	0
Goyslur tilsamans / Total Inventory	46,635,879	55,806,042	46,504,181	27,037,371	35,847,860	28,542,901	33,965,935	43,449,658
Vøru- og tænastrúðing (Elskuldarar) / Eletricity debtors	43,489,996	53,644,032	68,804,189	77,533,673	67,781,534	60,000,000	60,000,000	60,000,000
Skuldarar aðrir / Other debtors	-163,942	0	0	0	3,330,631	3,330,631	3,330,631	3,330,631
Millumrokning við net / Settlement grid	0	0	0	0	0	0	0	0
Millumrokning við dótturfelög/ Settlement with subsidiary company's	0	0	0	0	0	0	0	0
Önnur áögn / Other receivables	14,154,777	6,130,183	4,239,375	4,387,430	8,530,000	8,530,000	8,530,000	8,530,000
Tíðavmarkingar /Prepayments and accrued income	11,436,273	0	0	0	0	0	0	0
Skuldarar tilsamans / Total Receivables	68,917,104	59,774,215	73,043,564	81,921,103	79,642,165	71,860,631	71,860,631	71,860,631
Lánsbrøv / Obligations	0	0	0	0	0	0	0	0
Virðisbrøv tilsamans / Total shares	0							
Tøkur peningur / Cash and cash equivalents	87,384,093	66,592,930	131,459,476	221,889,276	343,516,093	124,116,776	148,210,246	147,169,790
ÖGN Í UMFERÐ TILSAMANS /TOTAL CURRENT ASSETS	202,937,076	182,173,187	251,007,221	330,847,750	459,006,118	224,520,308	254,036,813	262,480,079
AKTIV TILSAMANS / TOTAL ASSETS	1,411,000,131	1,475,207,955	1,742,038,475	1,960,372,678	2,235,743,556	2,616,171,875	2,777,471,386	2,867,059,567

JAVNI PR. 31. DESEMBER / BALANSE PR. 31 DECEMBER	2012	2013	2014	2015	2016	2017	2018	2019
PASSIV / LIABILITIES	Íalt							
Innskot / Deposits	4,139,875	4,139,875	4,139,875	4,139,875	4,139,875	4,139,875	4,139,875	4,139,875
Kapítalkonto / Capital account	878,355,072	866,085,120	877,951,026	935,713,841	1,038,780,670	1,144,592,787	1,212,135,068	1,273,434,579
Úrslit / Results	-12,269,953	11,865,906	57,762,816	103,066,828	105,812,118	67,542,281	61,299,511	39,588,182
Eginogn tilsamans / Total Equity	870,224,994	882,090,901	939,853,717	1,042,920,545	1,148,732,662	1,216,274,943	1,277,574,454	1,317,162,636
Avsetingar til eftirløn og líknandi skyldur / Provisions for pensions and equivalent liabilities	20,101,759	18,227,175	19,366,050	18,845,044	18,845,044	18,845,044	18,845,044	18,845,044
Avsetingar til útsettan skatt / Provisions for deferred tax	0	0	0	0	0	0	0	0
Aðrar avsetingar / Other Provisions	1,830,033	47,607	0	0	0	0	0	0
Avsetingar tilsamans / Total Provisions	21,931,792	18,274,782	19,366,050	18,845,044	18,845,044	18,845,044	18,845,044	18,845,044
Skuld til peningastovnar / Bank borrowings	218,694,261	477,899,068	683,991,517	830,000,000	1,000,000,000	1,320,000,000	1,420,000,000	1,470,000,000
Langfreistað skuld til samans / Total long-term debt	218,694,261	477,899,068	683,991,517	830,000,000	1,000,000,000	1,320,000,000	1,420,000,000	1,470,000,000
Stuttfreistaður partur av langfreistaðari skuld / Current portion of long-term debt	242,889,126	32,355,033	7,419,867	0	0	0	0	0
Skuld til peningastovnar / Bank borrowings	1,495,476	1,685,268	1,571,685	1,589,119	1,589,119	1,589,119	1,589,119	1,589,119
Móttikin frammanundangjöld frá kundum (El-oggnarar) / Prepayment received from electricity debtors	20,940,563	20,622,618	21,282,389	19,481,196	19,481,196	19,481,196	19,481,196	19,481,196
Vøru- og tænauskuld (aðrir oggnarar) / Trade creditors	31,168,735	28,081,118	51,091,835	32,110,734	32,110,734	24,996,772	24,996,772	24,996,772
Millumrokning framleiðsla / Balance production	0	0	0	0	0	0	0	0
Partafelagsskattur / Corporate tax	0	0	0	0	0	0	0	0
Önnur skuld / Other debt	2,735,184	14,199,166	17,461,415	15,426,039	14,984,800	14,984,800	14,984,800	14,984,800
Tíðaravmarkingar / Prepayments	920,000	0	0	0	0	0	0	0
Stuttfreistað skuld tilsamans / Total short-term debt	300,149,084	96,943,203	98,827,191	68,607,088	68,165,849	61,051,887	61,051,887	61,051,887
SKULD TILSAMANS / TOTAL DEBTS	518,843,345	574,842,271	782,818,708	898,607,088	1,068,165,849	1,381,051,887	1,481,051,887	1,531,051,887
PASSIV TILSAMANS / TOTAL LIABILITIES	1,411,000,131	1,475,207,955	1,742,038,475	1,960,372,678	2,235,743,556	2,616,171,875	2,777,471,386	2,867,059,567

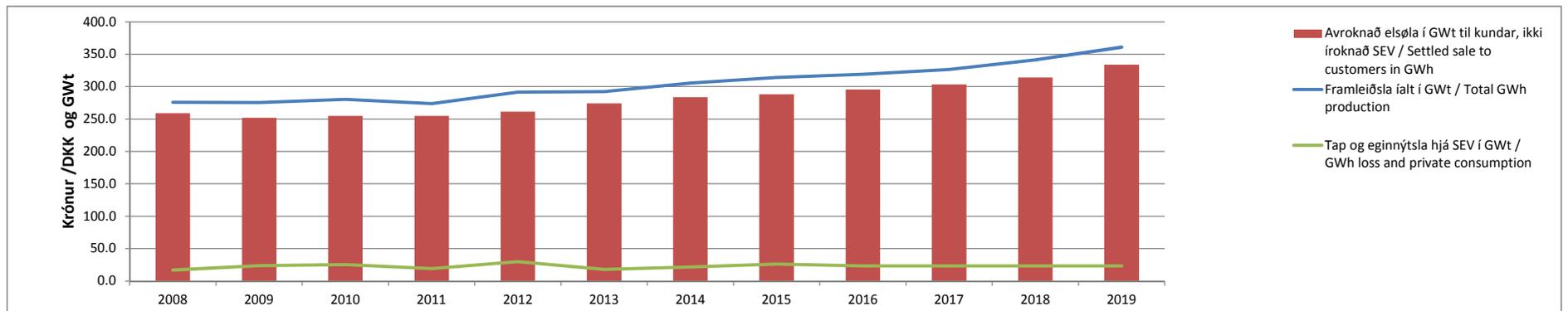
GJALDFØRISYVIRLIT / CASH FLOW STATEMENT	2013 íalt	2014 íalt	2015 íalt	2016 íalt	2017 íalt	2018 íalt	2019 íalt
Rakstur / Operations							
Nettougsetningur / Net turnover	384,625,911	410,551,073	421,952,498	421,090,571	419,187,893	426,012,354	451,209,721
Streyngjald / kWh charges	362,430,420	379,210,190	385,049,525	395,571,518	390,038,645	403,047,206	426,244,573
Fast gjald / Fixed charges	16,600,240	16,477,262	16,428,281	16,650,560	16,650,560	16,650,560	16,650,560
Íbindingargjald / Connection fees	6,947,748	14,656,473	16,175,093	8,553,834	14,184,100	8,000,000	10,000,000
Ómaksgjöld v.m. / Other charges	1,269,361	2,745,236	6,701,155	3,000,070	1,000,000	1,000,000	1,000,000
Keyp av vindorku / Purchase of wind power	-2,621,858	-2,538,088	-2,401,556	-2,685,412	-2,685,412	-2,685,412	-2,685,412
Broytiligur kostnaður / Variable costs							
Oljukostnaður / Cost of Oil	167,934,451	141,500,467	86,195,931	48,049,720	69,020,162	76,774,847	97,480,382
- Tilfar og tænastr / Materials and services	54,071,491	49,833,608	49,935,709	56,542,330	65,100,140	58,296,124	58,962,418
Framleiðsluvirkir / Power plants	24,068,583	21,139,376	21,280,390	22,647,738	27,657,109	25,458,680	25,713,267
Netvirksemi uttan fyrirsiting / Grid less administration	15,425,724	11,870,060	11,815,439	11,704,482	12,388,031	12,540,393	12,677,230
Fyrirsiting / Administration	14,577,184	16,824,172	16,839,880	22,190,111	25,055,000	20,297,050	20,571,921
Bruttovinningur / Gross Profits	162,619,969	219,216,998	285,820,857	316,498,520	285,067,591	290,941,383	294,766,921
- Lønárútreiðslur / Wages and salaries	58,705,952	63,644,385	64,337,566	68,485,595	67,157,937	67,829,517	68,348,155
Framleiðsluvirkir / Power plants	30,652,203	30,880,621	32,021,973	32,959,478	28,997,913	29,287,892	29,580,771
Netvirksemi uttan fyrirsiting / Grid less administration	19,452,583	19,876,442	21,109,783	22,085,532	25,584,384	25,840,228	26,098,631
Fyrirsiting / Administration	8,601,166	12,887,322	11,205,810	13,440,585	12,575,640	12,701,397	12,668,753
Gjaldförisbroyting frá vanligum raksturi / Changes in cash flow from traditional operations	103,914,017	155,572,613	221,483,291	248,012,925	217,909,654	223,111,867	226,418,766
Broytingar í goymslu, skuldaram og ognarum v.m. / Changes in inventory, debtors and creditors etc.	3,454,142	24,056,513	-12,749,404	-6,972,790	7,972,531	-5,423,035	-9,483,723
+/- broyting í vörugoymslu / changes in inventory	-9,170,163	9,301,910	19,466,811	-8,810,489	7,304,959	-5,423,035	-9,483,723
+/- broyting í skuldaram / changes in debtors	9,142,889	-13,269,349	-8,877,540	2,278,938	7,781,534	0	0
+/- broyting í avsetingum/skyldum / changes in provisions	-4,930,967	1,091,268	521,006	0	0	0	0
+/- broyting ognarum/changes in creditors	0	11,510,717	-18,981,101	0	0	0	0
+/- broyting ognarum/stuttfreistað skuld/changes in creditors and short-term debt	8,412,383	15,421,967	-4,878,580	-441,239	-7,113,962	0	0
Gjaldförisbidrag frá rakstur / Cash generated from operating activities	107,368,159	179,629,126	208,733,887	241,040,135	225,882,185	217,688,832	216,935,044
+/- Ílögur/Investments:	-155,008,798	-275,193,518	-232,080,234	-250,731,000	-728,144,002	-251,407,862	-224,163,000
Netvirksemi / Grid	-167,607,585	-183,000,921	-106,285,602	-114,917,383	-129,259,898	-98,907,862	-168,163,000
Framleiðsluvirksemi / Production	-28,325,971	-35,403,720	-43,638,453	-175,973,000	-115,132,839	-90,100,000	-704,000,000
Broyting í arbeiði í gerð / Changes to work in progress	40,924,758	-56,788,877	-82,156,179	40,159,383	-483,751,265	-62,400,000	648,000,000
Fíggarligar inngjaldingar og útgjaldingar / Net cash flow from financing activities							
+/- broyting í langfreistaðari skuld / changes to long-term debt	48,860,501	181,043,701	138,606,050	170,000,000	320,000,000	100,000,000	50,000,000
Nýggj lántøka - New borrowings	74,189,788	210,720,191	158,020,121	170,000,000	320,000,000	100,000,000	50,000,000
Lántøka til umlegging av verandi skuld til langfreistað / Conversion of existing debt into long-term debt	0	0	0	830,000,000	0	0	0
Avdráttir uppá skuld / Repayment of borrowings	-19,502,135	-29,676,490	-19,431,505	-830,000,000	0	0	0
Afturrindan av skuld í sambandi við sølu av vindmyllulund/Repayment of borrowing regarding sale of wind turbine park	0	0	0	0	0	0	0
Javnan av trekki frá íløgufígging / Balancing withdrawals from investment financing	-5,827,152	0	17,434	0	0	0	0
+/- Kapitalinntøkur og rentukostnaður og provisión netto / Net proceeds from investements and interest expenses and provisions	-22,011,024	-20,612,763	-25,033,968	-38,682,318	-37,137,500	-42,187,500	-43,812,500
Kapitalpartar / Subsidiaries	0	0	0	0	0	0	0
Rentuinntøkur / Interest revenue	343,206	567,484	204,064	0	0	0	0
Rentuútreiðslur / Interest expenses	-22,354,230	-21,180,247	-25,033,968	-38,682,318	-37,137,500	-42,187,500	-43,812,500
Gjaldförisbroyting íalt/ Total net cash flow	-20,791,162	64,866,546	90,429,799	121,626,817	-219,399,317	24,093,470	-1,040,456
Tøkur peningur primo / Cash and Cash equivalents beginning -of-year	87,384,092	66,592,930	131,459,476	221,889,276	343,516,093	124,116,776	148,210,246
Tøkur peningur ultimo áðrenn rakstrarkreditt / Cash and cash equivalents year-end before bank overdraft	66,592,930	131,459,476	221,889,276	343,516,093	124,116,776	148,210,246	147,169,790
+ Rakstrarkredittur frá peningastovnum / Allowed bank overdraft	65,000,000	130,981,568	268,600,000	670,000,000	350,000,000	250,000,000	200,000,000
+ Loyvt trot uppá kassakredit / allowed overdraft	50,000,000	0	0	0	0	0	0
Tøkur peningur ultimo eftir rakstrarkreditt / Cash and cash equivalents at the end of year after bank overdraft	181,592,930	262,441,044	490,489,276	1,013,516,093	474,116,776	398,210,246	347,169,790

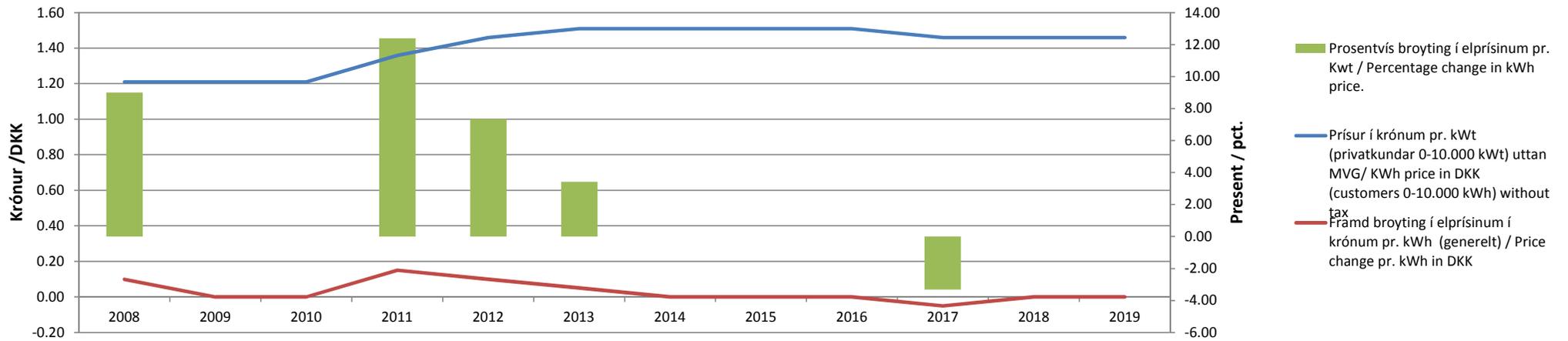
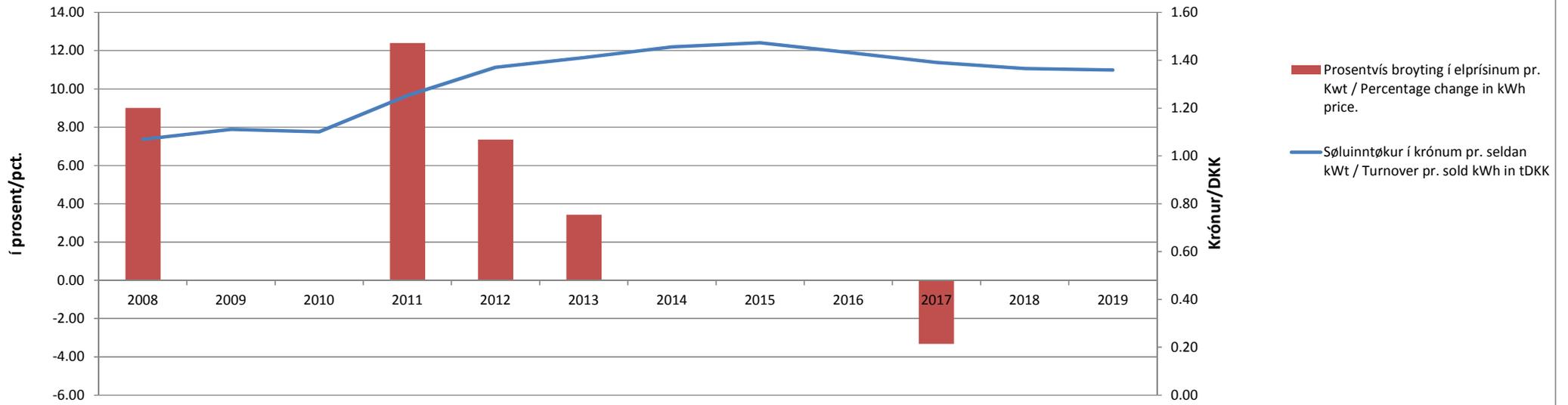
Íløgur og útgreiningar harav í t.kr.	Íalt	Íalt	Íalt	Íalt
Maskindeild (110)	0	200	0	0
Fossaverkið - (deild 120)	640	4,750	0	0
Heygaverkið - (deild 130)	150	200	0	0
Mýruverkið - (deild 140)	3,413	3,650	0	0
Eiðisverkið - (deild 150)	1,550	3,279	0	0
Verkið í Botni - (deild 160)	500	1,650	0	0
Vágsverkið - (deild 170)	34,050	12,050	0	0
Verkið í Trongisvági - (deild 180)	1,200	1,000	0	0
Sundsverkið - (deild 190)	104,120	470,297	112,000	135,000
Skopun - (deild 210)	0	100	0	0
Strond - (deild 220)	3,550	9,030	0	0
Smáverk felags - (deild 290)	0	400	0	0
Vindorka - (deild 230, 231, 232 og 240)	50	50,450	0	0
Mobilaggregat - (deild 291)	0	0	0	0
Fugloy - (deild 292)	750	232	0	0
Svínoy - (deild 293)	0	20	0	0
Mykines - (deild 294)	400	367	0	0
Hestur - (deild 295)	1,500	1,615	0	0
Koltur - (deild 296)	0	165	0	0
Nólsoy - (deild 297)	250	15	0	0
Skúvoy - (deild 298)	350	647	0	0
Dímun - (deild 299)	1,300	315	0	0
Sjóvarfalsorka	0	0	0	4,000
Pumped storage	0	0	0	0
Víkarvatn - (deild 200)	0	0	0	0
Annað innan framleiðslu	0	0	0	0
Framleiðsluvirkir íalt	153,773	560,433	112,000	139,000
Netvirkir uttan fyrisiting	87,558	140,689	130,363	82,063
Koblingsstøðir	0	33,550	80,100	92,200
Býtisvirkir	38,765	39,100	34,100	26,000
Innlegging	6,393	7,089	4,063	4,063
Verkfrøði	8,850	14,400	0	0
Fyrisiting	9,400	27,022	9,045	3,100
Netvirksemi íalt	96,958	167,711	139,408	85,163
ÍALT	250,731	728,144	251,408	224,163

Rakstrarrokskapur / Income Statement	Staðfest rokskapartöl / Actual accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projection	Framskrifað / Projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Nettosøla í t.kr. Net turnover tDKK	276,860	277,200	278,263	316,393	355,787	384,626	410,551	421,952	421,091	419,188	426,012	451,210
Úrslit av vanligum rakstri í t.kr. Operating results tDKK	35,917	77,688	14,638	36,310	76,041	103,914	155,573	221,483	248,013	217,910	223,112	226,419
Úrslit av figgjarpostum í t.kr./ Finance results tDKK	-3,533	-5,210	-10,139	-14,454	-20,535	-22,011	-20,613	-24,830	-38,682	-37,138	-42,188	-43,813
Ársúrslit í t.kr. / Annual results tDKK	-15,973	15,353	-46,422	-39,257	-12,270	11,866	57,763	103,067	105,812	67,542	61,300	39,588
Yvirskotsstig (í prosent) / Operating Profit Margin (%)	12.97	28.03	5.26	11.48	21.37	27.02	37.89	52.49	58.90	51.98	52.37	50.18
Úrslit fyri hvønn seldan kw t pr. ár í krónum	-0.06	0.06	-0.18	-0.15	-0.05	0.04	0.20	0.36	0.36	0.22	0.20	0.12
Samanlagt úrslit fyri hvønn seldan kWt í krónum fyri tíðarskeiðið 2006 til inniverandi ár	0.02	0.03	-0.01	-0.04	-0.04	-0.03	-0.00	0.02	0.00	0.06	0.07	0.08
Samanlagt úrslit fyri hvønn seldan kWt í krónum fyri tíðarskeiðið 2000 til inniverandi ár	0.05	0.06	0.03	0.02	0.01	0.01	0.03	0.04	0.05	0.05	0.06	0.08

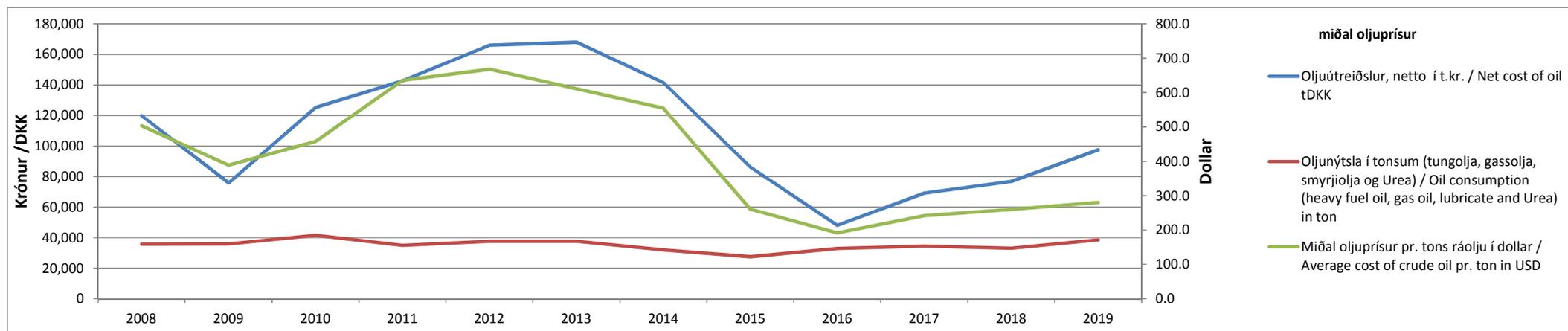


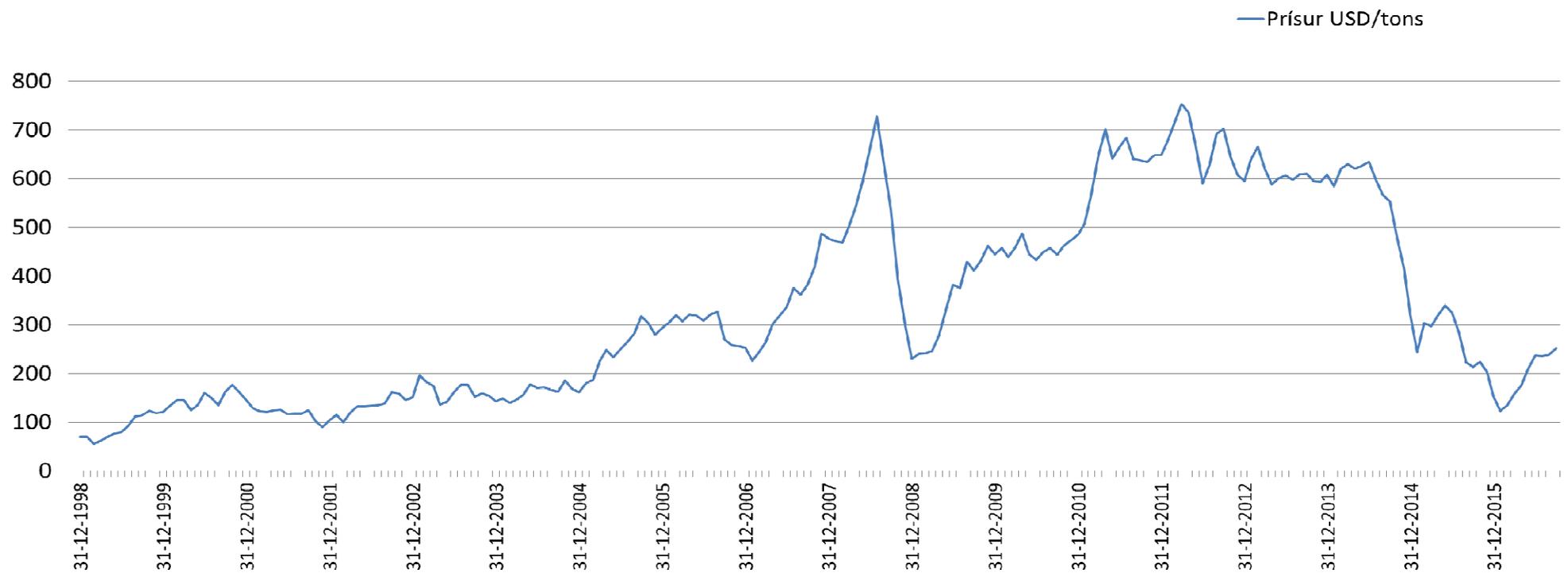
Framleiðsla / Production	Staðfest roknsparkertöl / Actual accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projection	Framskrifað / projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Framleiðsla av GWt við vindorku / GWh production utilising wind power	13.0	15.0	13.6	14.5	10.8	21.8	34.5	55.8	55.3	55.9	73.1	78.4
Framleiðsla av GWt við vatnorku / GWh production utilising hydro power	95.9	92.4	67.4	92.5	99.8	90.6	120.7	133.1	118.0	118.0	118.0	118.0
Framleiðsla av GWt við sjóarfall og pumped to storage/GWh production utilising tidal and pumped to storage	0.0	0.0	0.0	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Framleiðsla av GWt við termiskari orku / GWh production utilising thermal power	167.0	168.1	199.4	166.8	181.0	180.1	150.2	125.5	146.0	152.9	150.1	164.6
Framleiðsla íalt í GWt / Total GWh production	275.8	275.5	280.4	273.8	291.6	292.5	305.4	314.4	319.2	326.8	341.2	361.0
Framleiðsla í GWt sundurgreinað soleiðis / Break down of GWh production												
Avroknað elsøla í GWt til kundar, ikki íroknað SEV / Settled sale to customers in GWh	258.9	252.0	255.0	254.8	261.4	274.4	283.8	288.1	295.8	303.4	314.1	333.9
Eginnýtsla hjá SEV í GWt / Private consumption in GWh	5.6	6.7	7.1	6.7	6.9	7.1	6.9	7.0	7.0	7.0	7.0	7.0
Tap í GWt / GWh loss	11.4	16.8	18.3	12.3	23.1	11.0	14.7	14.6	16.4	16.4	16.4	16.4
Tap og eginnýtsla hjá SEV í GWt / GWh loss and private consumption	16.9	23.5	25.4	19.0	30.0	18.1	21.6	26.3	23.4	23.4	23.4	23.4
Tap og eginnýtsla hjá SEV í % av framleiðslu / GWh loss and private consumption as a percentage of total production	6.1	8.5	9.1	6.9	10.3	6.2	7.1	8.4	7.3	7.2	6.9	6.5
Prosentvísur vøkstur í sølu av GWt til kundar/Percentage change in sale to customers in GWh	0.9	-2.7	1.2	-0.1	2.6	5.0	3.4	1.5	4.2	2.5	3.5	6.3
Prísur í krónum pr. kWt (privatkundar 0-10.000 kWt) uttan MVG/ KWh price in DKK (customers 0-10.000 kWh) without tax	1.21	1.21	1.21	1.36	1.46	1.51	1.51	1.51	1.51	1.46	1.46	1.46
Framd broyting í elprísnum í krónum pr. kWh (generelt) / Price change pr. kWh in DKK	0.10	0.00	0.00	0.15	0.10	0.05	0.00	0.00	0.00	-0.05	0.00	0.00
Prosentvís broyting í elprísnum pr. Kwt / Percentage change in kWh price.	9.01	0.00	0.00	12.40	7.35	3.42	0.00	0.00	0.00	-3.31	0.00	0.00





Oljuútreiðslur og keyp av streym / Oil Expenses and purchase of electricity	Staðfest roknskapartöl / Actual accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budgeted	Meting og framskriving / Estimation and projection	Framskrivað / projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Oljuútreiðslur, netto í t.kr. / Net cost of oil tDKK	119,923	75,853	125,258	142,640	166,018	167,934	141,500	86,196	48,050	69,020	76,775	97,480
Oljunýtsla í tonsum (tungolja, gassolja, smyrjioleja og Urea) / Oil consumption (heavy fuel oil, gas oil, lubricate and Urea) in ton	35,679	35,813	41,478	34,983	37,510	37,540	31,979	27,488	32,955	34,405	33,041	38,501
Kostnaður pr. tons olju í krónum inkl. gass- og smyrjuolju / Cost of oil pr. ton incl. gas- and lubricating oil in DKK	3,361	2,118	3,020	4,077	4,426	4,473	4,425	3,136	1,458	2,006	2,324	2,532
Tungoljunýtsla í tonsum / Heavy fuel Oil consumption in ton	33,683	34,554	39,748	33,961	36,746	36,893	30,880	25,738	31,425	32,875	31,511	32,921
Kostnaður pr. tons tungolja / Cost of heavy fuel oil pr. ton				3,769	4,291	3,726	3,506	2,460	1,416	1,705	2,025	2,198
Miðal oljuprísur pr. tons ráolju í dollar / Average cost of crude oil pr. ton in USD	503.8	388.5	457.7	635.3	667.7	611.0	554.1	260.7	191.3	241.6	259.4	279.6
Keyp av streymi í t.kr/ Purchase of electricity in DKK	2,185	2,670	2,553	2,804	2,524	2,622	2,538	2,402	2,685	2,685	2,685	2,685





Rakstrarinntøkur og útreiðslur fyri SEV pr. kWh / Revenue and expenses pr. kWh	Staðfest roknskapartøl / Actual Accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budgeted	Meting og framskriving / Estimation and projection	Framskrivað / projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Inntøkur í t.kr. / Revenue in tDKK	276,860	279,870	280,816	319,197	358,311	387,248	413,089	424,354	423,776	421,873	428,698	453,895
Framleiðsluvirkir (íroknað bygningar) í t.kr. / Power Budgets (buildings incl.) in tDKK	53,125	64,967	62,881	75,386	55,956	54,721	52,020	53,302	55,607	56,655	54,747	55,294
Netvirksemið í t.kr. / Grid in tDKK	40,503	35,903	42,386	35,520	32,277	34,878	31,747	32,925	33,790	37,972	38,381	38,776
Fyrisiting íroknað tryggingar, tap av skuldalum, eftirlønir og arbeiðsm. gjøld í t.kr. / Administration incl. insurance, loss on unpaid debt and pensions in tDKK	25,207	22,788	25,079	26,537	25,495	23,178	29,711	28,046	35,631	37,631	32,998	33,241
Rakstrarútreiðslur íalt í t.kr. / Total operational expenses in tDKK	118,835	123,658	130,346	137,443	113,728	112,777	113,478	114,273	125,028	132,258	126,126	127,311
Oljuútreiðslur, netto í t.kr. / Net cost of oil in tDKK	119,924	75,853	125,258	142,640	166,018	167,934	141,500	86,196	48,050	69,020	76,775	97,480
Orkukeypp / Purchase of power	2,185	2,670	2,553	2,804	2,524	2,622	2,538	2,402	2,685	2,685	2,685	2,685
Avskrivningar í t.kr. / Depreciation in tDKK	48,357	57,125	58,943	61,113	67,776	70,037	77,197	93,587	103,518	113,230	119,625	143,018
Fíggarpostar netto í t.kr. (í 2010: íroknað niðurskriving av partabrøv í Sewave 2,1 mió.kr.) / Net financials in tDKK (in 2010 an amortization of shares in Sewave for DKK 2,1 mio is included).	3,533	5,210	10,139	14,454	20,535	22,011	20,613	24,830	38,682	37,138	42,188	43,813
Kostnaður íalt í t.kr. / Total cost in tDKK	292,834	264,516	327,239	358,454	370,581	375,381	355,326	321,288	317,964	354,331	367,398	414,307
Ársúrslit í t.kr. / Annual Results in tDKK	-15,974	15,354	-46,423	-39,257	-12,270	11,867	57,763	103,066	105,812	67,542	61,300	39,588
Inntøka í mió.kr./Income in DKK million	276.9	279.9	280.8	319.3	358.4	387.2	413.1	424.4	423.8	421.9	428.7	453.9
KWt-gjald í mió.kr. / kWh charges in DKK million.	255.9	260.3	261.8	296.5	335.0	362.4	379.2	379.2	395.6	390.0	403.0	426.2
Onnur inntøka í mió.kr./base-rate, connection fee and service fee in mióDKK	21.0	19.6	19.0	22.8	23.4	24.8	33.9	45.2	28.2	31.8	25.7	27.7
Miðalprisur í krónum pr. seldan kWh/ Average unit price in DKK pr. kWh sold	0.99	1.03	1.03	1.16	1.28	1.32	1.34	1.32	1.34	1.29	1.28	1.28
Onnur inntøka pr. kWh/base-rate, connection fee and service fee per kWh	0.08	0.08	0.07	0.09	0.09	0.09	0.12	0.16	0.10	0.10	0.08	0.08
Søluinntøkur í krónum pr. seldan kWh / Turnover pr. sold kWh in tDKK	1.07	1.11	1.10	1.25	1.37	1.41	1.46	1.47	1.43	1.39	1.36	1.36
Prosentvís broyting í elprisinum pr. kWh												
Søluinntøkur í krónum pr. seldan kWh / Turnover pr. sold kWh in tDKK	1.07	1.11	1.10	1.25	1.37	1.41	1.46	1.47	1.43	1.39	1.36	1.36
Kostnaður í krónum pr. seldan kWh / Cost pr. kWh sold in DKK	1.13	1.05	1.28	1.41	1.42	1.37	1.25	1.11	1.07	1.17	1.17	1.24
Úrslit fyri seldan kWh / Profit/loss pr. sold kWh	-0.06	0.06	-0.18	-0.15	-0.05	0.04	0.20	0.37	0.36	0.22	0.20	0.12
Kostnaður í krónum pr. seldan kWh sundurgreinaður í framleiðslu og net / Cost pr. kWh sold in DKK specified in cost for production and grid												
Framleiðslukostnaður pr. framleiddan kWh / production cost pr. produced kWh	0.78	0.71	0.89	1.03	1.07	1.03	0.90	0.74	0.62	0.71	0.73	0.81
Netkostnaður pr. seldan kWh / Grid expenses pr. kWh sold	0.35	0.34	0.39	0.37	0.35	0.34	0.35	0.37	0.45	0.46	0.44	0.43
Kostnaður í krónum pr. seldan kWh / Cost pr. kWh sold in DKK	1.13	1.05	1.28	1.41	1.42	1.37	1.25	1.11	1.07	1.17	1.17	1.24

Sundurgreinaður framleiðslukostnaður 1) / Production expenses broken down	Staðfest roknskapartöl / Actual Accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and pjojections	Framskrivað / Projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Olja / Oil	119,924	75,853	125,258	142,640	166,018	167,934	141,500	86,196	48,050	69,020	76,775	97,480
Keyp av vindorku/purchase of wind power	2,185	2,670	2,553	2,804	2,524	2,622	2,538	2,402	2,685	2,685	2,685	2,685
Tilfar og lönir / Materials, wages and salaries	53,125	64,967	62,881	75,386	55,956	54,721	52,020	53,302	55,607	56,655	54,747	55,294
Avskringingar / Depreciation	22,471	30,716	31,306	31,539	41,833	42,306	47,366	59,230	64,270	67,624	70,198	87,741
Rentur / Interest	3,533	5,210	4,710	10,810	13,592	14,050	11,773	11,221	13,307	19,101	24,651	26,526
Framleiðslukostnaður íalt / Total production cost	201,238	179,416	226,708	263,179	279,923	281,633	255,197	212,351	183,919	215,086	229,056	269,727
Framleiddir kWt í GWT / Produced kWt in GWh	275.8	275.5	280.4	273.8	291.6	292.5	305.4	314.4	319.2	326.8	341.2	361.0
Framleiðslukostnaður pr. framleiddan kWt / production cost pr. produced Kwh	0.73	0.65	0.81	0.96	0.96	0.96	0.84	0.68	0.58	0.66	0.67	0.75
Harav oljukostnaður / Oil cost pr. produced Kwh	0.43	0.28	0.45	0.52	0.57	0.57	0.46	0.27	0.15	0.21	0.23	0.27
harav vindorkukeyp/purchase of wind power	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Harav tilfar og lönir / Materials and wages and salaries portion	0.20	0.25	0.22	0.28	0.19	0.19	0.17	0.17	0.17	0.17	0.16	0.15
Harav avskringingar / Depreciation pr. produced Kwh	0.08	0.11	0.11	0.12	0.14	0.14	0.16	0.19	0.20	0.21	0.21	0.24
Harav rentur / Interest portion	0.01	0.02	0.02	0.04	0.05	0.05	0.04	0.04	0.04	0.06	0.07	0.07
Seldir kWt í GWT / KWh sold in GWT units	258.9	252.0	255.0	254.8	261.4	274.4	283.8	288.1	295.8	303.4	314.1	333.9
Framleiðslukostnaður pr. seldan kWt / Production cost pr. kWh sold	0.78	0.71	0.89	1.03	1.07	1.03	0.90	0.74	0.62	0.71	0.73	0.81
Harav oljukostnaður / Oil cost pr. kWh sold	0.46	0.30	0.49	0.56	0.64	0.61	0.50	0.30	0.16	0.23	0.24	0.29
harav vindorkukeyp/purchase of wind power	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Harav annar kostnaður / Other costs pr. produced Kwh	0.21	0.26	0.25	0.30	0.21	0.20	0.18	0.19	0.19	0.19	0.17	0.17
Harav avskringingar / Depreciation pr. produced Kwh	0.09	0.12	0.12	0.12	0.16	0.15	0.17	0.21	0.22	0.22	0.22	0.26
Harav rentur / Interest pr. produced Kwh	0.01	0.02	0.02	0.04	0.05	0.05	0.04	0.04	0.04	0.06	0.08	0.08

1) Hædd ekki tikið fyrri fordeiling av kostnaði fyrri nettav og eginnytslu hjá SEV millum framleiðslu og net, men tikið í mun til seldan kWt.

Sundurgreinaður netkostnaður 1) / Grid expenses broken down	Staðfest roknskapartöl / Actual Accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projection	Framskrifað / projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Tilfar og lönir / Materials and salaries	65,710	58,691	67,465	62,057	57,772	58,057	61,458	60,971	69,421	75,603	71,379	72,017
Avskringingar uppá net / Grid depreciation	25,886	26,409	27,637	29,574	25,943	27,732	29,831	34,356	39,248	45,606	49,426	55,277
Rentur / Interest og/and subsidiary fair	0	0	5,429	3,644	6,944	7,961	8,840	13,609	25,376	18,037	17,537	17,287
Netkostnaður íalt / Total Grid expenses	91,596	85,100	100,531	95,275	90,659	93,750	100,129	108,937	134,045	139,245	138,342	144,580
Seldir kWt í GWT / Sold kWt in GWT	258.9	252.0	255.0	254.8	261.4	274.4	283.8	288.1	295.8	303.4	314.1	333.9
Netkostnaður pr. seldan kWt / Grid expenses pr. kWh sold	0.35	0.34	0.39	0.37	0.35	0.34	0.35	0.37	0.45	0.46	0.44	0.43
Harav netkostnaður / grid expenses pr. kWh sold	0.16	0.14	0.18	0.15	0.12	0.13	0.11	0.11	0.11	0.13	0.12	0.12
Harav fyrising / administration expenses pr. kWh sold	0.10	0.09	0.10	0.10	0.10	0.08	0.10	0.10	0.12	0.12	0.11	0.10
Harav avskringingar / depreciation pr. kWh sold	0.10	0.10	0.11	0.12	0.10	0.10	0.11	0.12	0.13	0.15	0.16	0.17
Harav rentur / Interest expenses pr. kWh sold	0.00	0.00	0.02	0.01	0.03	0.03	0.03	0.05	0.09	0.06	0.06	0.05

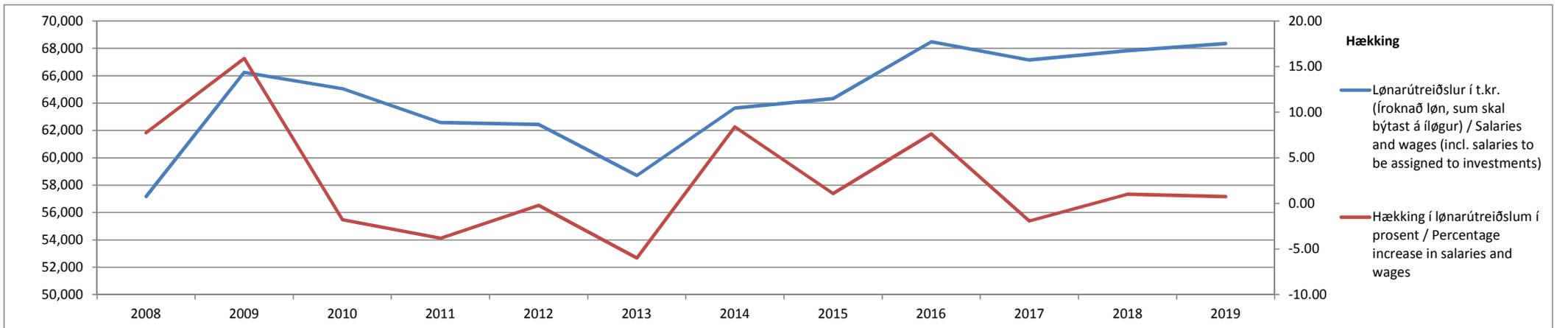
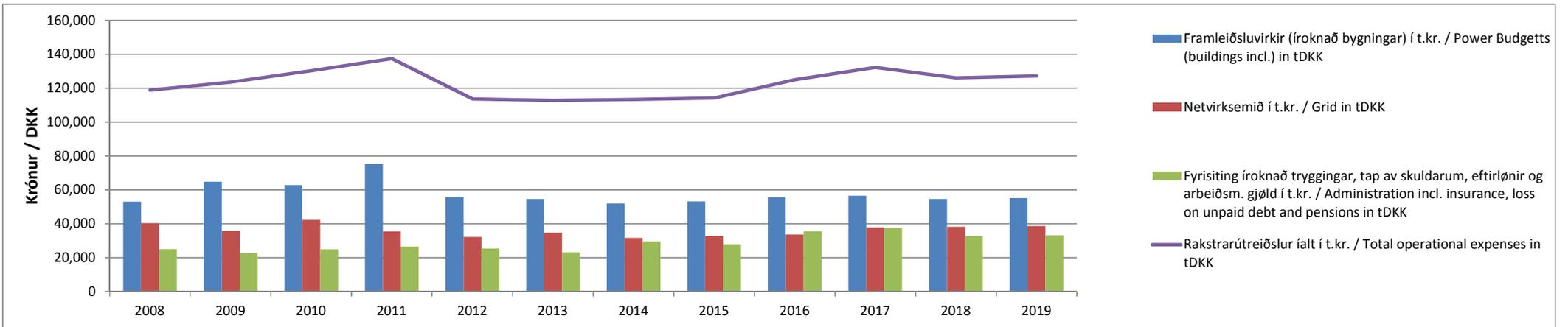
1) Hædd ekki tikið fyrri fordeiling av kostnaði fyrri nettá og eginnýtslu hjá SEV millum framleiðslu og net, men tikið í mun til seldan kWt

Sundurgreinaður oljukostnaður / Oil expenses broken down	Staðfest roknskapartöl / Actual Accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projection	Framskrifað / projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Kostnaður íalt í t.kr. / Total cost tDKK	292,834	264,516	327,239	358,454	370,581	375,381	355,326	321,288	317,964	354,331	367,398	414,307
Oljukostnaður netto, íalt í t.kr. / Net oil cost in total in tDKK	119,924	75,853	125,258	142,640	166,018	167,934	141,500	86,196	48,050	69,020	76,775	97,480
Kostnaður íalt í t.kr. uttan olju / Total costs excl. cost of oil in tDKK	172,910	188,663	201,981	215,814	204,563	207,447	213,826	235,092	269,914	285,311	290,623	316,827
Olja í prosent av kostnaðinum / Oil portion of total cost (%)	40.95	28.68	38.28	39.79	44.80	44.74	39.82	26.83	15.11	19.48	20.90	23.53
Oljukostnaður pr. framleiddan kWt við olju / Oil cost pr. kWh produced using oil	0.72	0.45	0.63	0.86	0.92	0.93	0.94	0.69	0.33	0.45	0.51	0.59
Oljukostnaður pr. seldan kWt framleiddur við olju (íroknað eginnytsla og nettap) / Oil cost pr. sold kWh produced using oil (net loss and private consumption incl.)	0.77	0.49	0.69	0.92	1.02	0.99	1.01	0.75	0.36	0.49	0.55	0.63
Sølukostnaður pr. kWt í ídnaðarbólkinum > 20.000 kWt / Cost pr. kWh sold to industry >20.000 kWh	0.74	0.74	0.74	0.89	0.99	1.10	1.15	1.15	1.15	1.10	1.10	1.10
Úrslit í mun til oljuútreiðslunar / Result in comparison to oil expenses	-0.03	0.25	0.05	-0.03	-0.03	0.11	0.14	0.40	0.79	0.61	0.55	0.47
Sølukostnaður pr. kWt í bólkinum < 10.000 kWt / Cost pr. kWh sold to customers < 10.000 kWh	1.21	1.21	1.21	1.36	1.46	1.51	1.51	1.51	1.51	1.51	1.51	1.51
Úrslit í mun til oljuútreiðslunar / Result in comparison to oil expenses	0.44	0.72	0.52	0.44	0.44	0.52	0.50	0.76	1.15	1.02	0.96	0.88

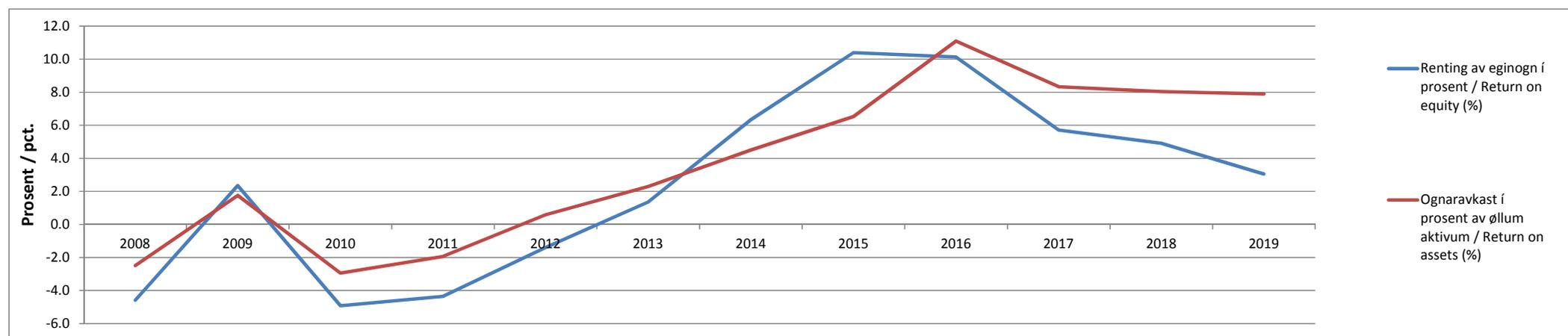
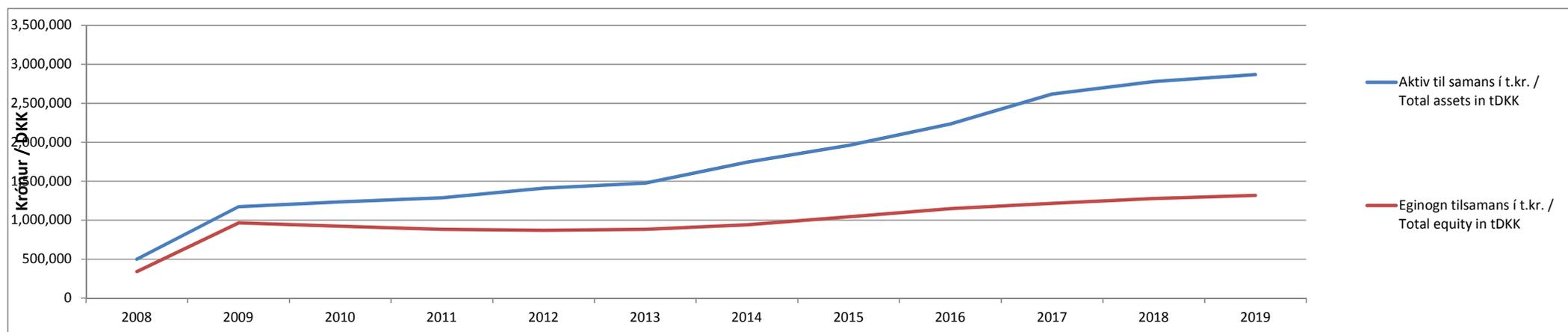
Sundurgreinaður fyrisingarkostnaður / Administration costs broken down	Staðfest roknskapartöl / Actual Accounts									Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimated and projection	Framskrifað / Projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Fyrisingarkostnaður sundurgreinaður í hövuðsbólkar í mio.kr. / Administration costs broken down into main groups in DKK million	25.2	22.8	25.1	26.5	25.5	23.2	29.7	28.0	35.6	37.6	33.0	33.2	
Lønir leiðsla og umsiting íroknað avlesing / Management salary and administration incl. meter readings.)	8.2	9.5	9.5	9.3	9.9	11.2	12.4	14.9	16.6	14.9	15.1	15.1	
Lønir umboðsnevnd, stýri, aðalfundur og nevnd / Salaries for the general meeting and board	1.3	0.6	0.5	0.8	0.8	1.0	1.0	1.2	14.5	15.6	15.6	15.7	
Tænastumannaeftirlønir og arbeiðsmarknaðargjöld / Pensions and other fees	2.6	2.2	1.8	1.5	1.5	1.5	1.5	1.5	0.9	1.2	1.2	1.2	
Fordeiling til framleiðslu og net (varislig meting við stöði í 2009 og 2010) / Distribution between production and grid (estimation based on 2009 and 2010)				-2.0	-2.0	-2.0	-2.0	-3.2	-3.1	-3.2	-3.3	-3.3	
Lønir (inkl. eftirlønir og arbeiðsmarknaðargjöld sum áður partvist var undir tilfar) / Wages and salaries (incl. pensions and other costs previously booked as material expenses)	12.0	12.3	11.8	10.0	10.2	11.7	12.9	14.4	28.9	28.4	28.6	28.8	
Elveitingareftirlit - Supervision	1.0	1.7	2.0	1.6	2.0	1.7	1.7	1.9	1.8	2.0	2.0	2.0	
Kanningar og ráðgeving / Studies and consultancy	3.3	0.0	-0.5	8.0	2.5	1.9	5.0	2.5	2.0	0.0	0.1	-2.9	
Lýsingar og telefon, konsulent, prent, porto (og kunningartækni fram til 2002) / Advertising and telephone expenses, consultancy, print and postage (and IT until 2002)	1.7	1.0	1.3	i/a	1.2	0.9	1.3	1.0	1.0	0.1	0.1	0.1	
Kunningartækni / IT	2.2	2.0	2.7	1.8	1.3	0.9	1.8	2.8	1.6	0.6	0.6	0.6	
Bankakostnaður, ómaksgjöld / Bank charges and other charges	1.3	1.1	0.9	1.7	1.5	0.7	0.7	1.1	1.9	1.8	1.8	3.0	
Tryggingar / Insurance	0.6	1.0	1.3	i/a	0.4	1.1	2.3	1.8	2.0	1.2	1.2	1.2	
Tap uppá skuldarar / Loss on unpaid debt	0.5	0.6	1.8	1.6	0.0	1.2	0.9	0.3	1.1	11.2	10.3	10.4	
Tap av skuldarum uppá dótturfelög/tilknýtt felög / Loss on unpaid debt from subsidiaries and associates	0.0	0.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Viðlíkahald av bygningum / Maintenance of buildings	0.0	0.0	0.0	0.0	2.1	0.9	1.0	1.1	1.0	2.6	2.6	2.6	
Skrivstovuhald, aðrar fyrisingarútreiðslur, ferðaútr. og starvsfólkakostnaður v.m. / Other administration and employee costs etc.	2.2	5.3	2.8	1.8	2.6	5.3	2.1	4.3	7.0	-10.2	-14.1	-12.5	
Tilfar og tænastr íalt / Total materials and services	12.8	12.7	15.0	16.5	13.6	14.6	16.8	16.8	19.4	9.2	4.4	4.5	

Lönarútreiðslur í t.kr. (Íroknað lön, sum skal bítast á ílögur) / Salaries and wages (incl. salaries to be assigned to investments)	57,168	66,252	65,061	62,576	62,438	58,706	63,644	64,338	68,486	67,158	67,830	68,348
Hækking í lönarútreiðslum í prosent / Percentage increase in salaries and wages	7.76	15.89	-1.80	-3.82	-0.22	-5.98	8.41	1.09	7.61	-1.94	1.00	0.76
Ársverk/Average number og employees					157	159	160	161	163	172	172	172
Miðtöl av starvsfólki *) / Employees with SEV as main source of income	148	153	146	138	133	127	128	134	133	138	138	138

*) Talan er um tal av starvsfólki, sum hava sína hövuðsinntøku frá SEV fram til 2010. Hereftir ársverk í miðal. Felagið hevur nógv fleiri starvsfólk knýtt at sær, so ikki ber til at rokna eina miðalløn burtúrur talinum / Before 2010:

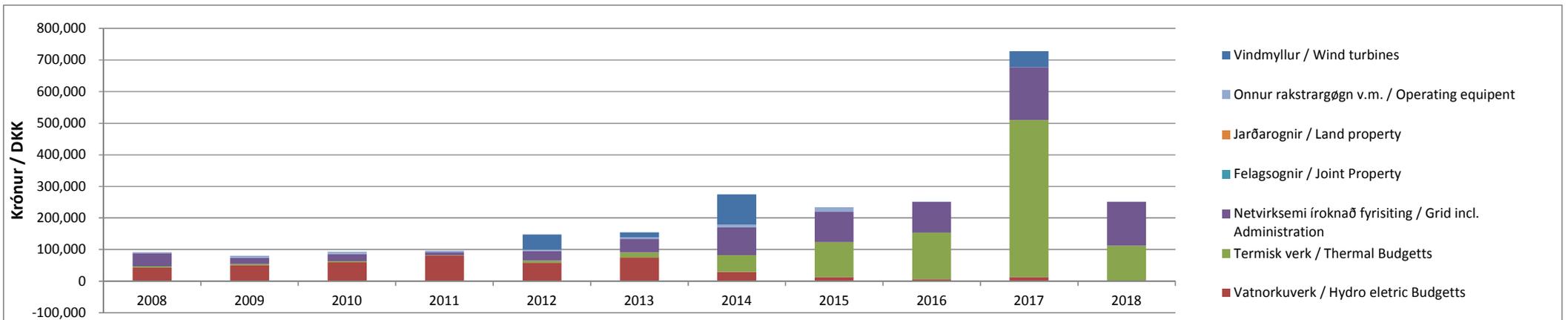
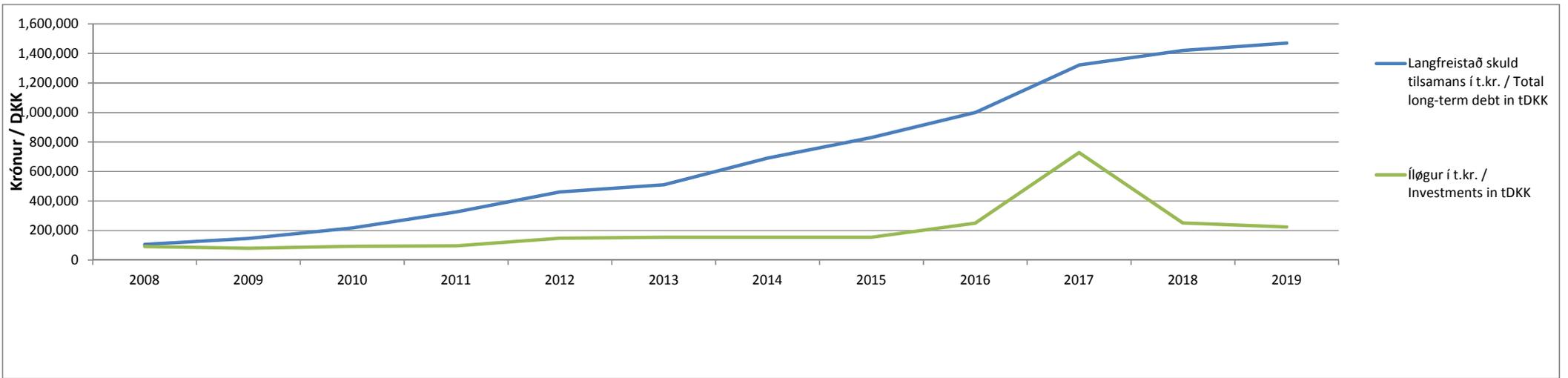


Figgjarstøða / Balance Sheet	Staðfest roknskapartöl / Actual Accounts									Staðfest og ætlað / Actual and Budgeted	Ætlan / Actual	Meting og framskriving / Estimation and projection	Framskrivað / Projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Aktiv til samans í t.kr. / Total assets in tDKK	499,291	1,172,285	1,233,175	1,286,519	1,411,000	1,475,208	1,742,038	1,960,373	2,235,744	2,616,172	2,777,471	2,867,060	
Eginogn tilsamans í t.kr. / Total equity in tDKK	341,152	966,824	921,752	882,495	870,225	882,091	939,854	1,042,921	1,148,733	1,216,275	1,277,574	1,317,163	
Soliditetur í prosent / Equity/Asset ratio (%)	68.3	82.5	74.7	68.6	61.7	59.8	54.0	53.2	51.4	46.5	46.0	45.9	
Renting av eginogn í prosent / Return on equity (%)	-4.6	2.3	-4.9	-4.4	-1.4	1.4	6.3	10.4	10.1	5.7	4.9	3.1	
Ognaravkast í prosent av øllum aktivum / Return on assets (%)	-2.49	1.75	-2.94	-1.93	0.59	2.30	4.50	6.52	11.1	8.3	8.0	7.9	



Ílögur og langfreistað skuld - Investments and long-term debt	Staðfest roknskapartöl - Actual Accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budgeted	Meting og framskriving / Estimation and projection	Framskrifað / Projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Úrslit frá vanligum rakstri/EBITDA	35,917	77,688	14,638	36,310	76,041	103,914	155,573	221,483	248,013	217,910	223,112	226,419
Langfreistað skuld tilsamans í t.kr. / Total long-term debt in tDKK	105,797	145,955	217,980	326,594	461,583	510,254	691,411	830,000	1,000,000	1,320,000	1,420,000	1,470,000
Gjaldfðri/Closing cash on hand	24,307	36,772	42,143	56,887	87,384	66,593	131,459	221,889	343,516	124,117	148,210	147,170
Netto langfreistað skuld tilsamans í t.kr./net total long-term debt in tDKK	81,490	109,183	175,837	269,707	374,199	443,661	559,952	608,111	656,484	1,195,883	1,271,790	1,322,830
Netto langfreistað skuld í mun til EBITDA, ferðir/net total long-term debt in tDKK in comparison to EBITDA, times	2.3	1.4	12.0	7.4	4.9	4.3	3.6	2.8	2.6	5.5	5.7	5.8
Stuttfreistað skuld tilsamans	52,342	40,775	74,713	83,450	57,260	64,588	91,408	91,408	68,166	61,052	61,052	61,052
Stutt- og langfreistað skuld tilsamans/short and long term debt in total	158,140	186,730	292,692	382,457	518,843	574,842	782,819	782,819	1,068,166	1,381,052	1,481,052	1,531,052
Netto samlað skuld í mun til EBITDA, ferðir / Total net debt in comparison to EBITDA, times	3.7	1.9	17.1	9.0	5.7	4.9	4.2	2.5	2.9	5.8	6.0	6.1
Eginpeningspartur í %/equity-asset ratio (solvency)	68.3	82.5	74.7	68.6	61.7	59.8	54.0	53.2	51.4	46.5	46.0	45.9
Skuld í mun til eiginögn í prosent / Debt as a portion of Equity	31.0	15.1	23.6	37.0	53.0	57.8	73.6	79.6	87.1	114.91	116.75	115.06
Kostnaður í % av langfreistað skuld og trekningsrættum/cost of long-term debt and committed lines in pct.	5.9	4.5	4.8	5.5	5.4	4.6	3.5	3.3	2.8	2.2	2.5	2.6
Broyting í langfreistaðari skuld í t.kr.	-18,018	40,158	72,025	108,614	134,989	48,671	181,157	138,589	308,589	320,000	100,000	50,000
Ílögur í t.kr. / Investments in tDKK	91,778	80,262	93,464	96,093	147,858	155,009	155,009	155,009	250,731	728,144	251,408	224,163
Munur millum broyting í langfreistaðari skuld og ílögur í t.kr. / Difference between change in long-term debt and investments in t.DKK	109,796	40,104	21,439	-12,521	12,869	106,338	-26,148	16,420	-57,858	408,144	151,408	174,163

Ílöguslag í 1.000 kr. / Investments in tDKK	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Vatnorkuverk / Hydro electric Budgetts	42,578	51,406	61,236	82,293	58,700	75,400	29,400	13,400	6,253	13,529	0	0
Termisk verk / Thermal Budgetts	5,000	3,100	2,700	800	6,858	15,500	53,400	110,300	147,470	496,454	112,000	135,000
Vindmyllur / Wind turbines	0	0	0	0	48,000	16,500	96,100	-2,000	50	50,450	0	0
Netvirksemi íroknað fyrirsiting / Grid incl. Administration	41,100	19,600	21,700	9,100	30,300	43,500	88,100	95,900	96,958	167,711	139,408	85,163
Sjóvarfalsorka/Tidal				0	0	0	0	0	0	0	0	4,000
Pumped to storage				0	0	0	0	0	0	0	0	0
Felagsognir / Joint Property	0	0	0	0	0	0	0	0	0	0	0	0
Jarðarögnir / Land property	0	0	0	0	0	0	0	0	0	0	0	0
Önnur rakstrargögn v.m. / Operating equipent	3,100	6,156	7,828	3,900	4,000	4,109	8,200	14,500	0	0	0	0
Íalt	91,778	80,262	93,464	96,093	147,858	155,009	275,200	232,100	250,731	728,144	251,408	224,163



Gjaldfæri / Liquidity	Staðfest roknskapartöl Actual Accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budgeted	Meting og framskriving / Estimation and projection	Framskrifað / Projections
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Gjaldfærisbreyting frá vanligum rakstri í t.kr. / Changes in liquidity from general operations tDKK	34,497	52,570	26,810	2,221	41,871	85,357	159,016	183,904	248,013	217,910	223,112	226,419
Onnur gjaldfærisbreyting í t.kr. / Other changes in liquidity	-10,190	-15,798	15,333	54,666	45,513	-18,764	-27,557	37,985	95,503	-93,793	-74,902	-79,249
Gjaldfæri við ársenda í t.kr. / Liquidity year-end	24,307	36,772	42,143	56,887	87,384	66,593	131,459	221,889	343,516	124,117	148,210	147,170
Breyting í gjaldfæri í krónum í mun til undanfarna ár í t.kr. / Changes in liquidity DKK compared to previous years.	-75,299	12,465	5,371	14,744	30,497	-20,791	64,866	90,430	212,057	-219,399	24,093	-1,040
Avdráttur úttan afturrindan av lán við sølu/ Loan Repayment (not incl. termination of loan)	18,018	18,000	17,945	18,972	19,361	25,329	29,563	19,432	-830,000	0	0	0
Rentukostnaður/cost of finance	6,777	5,682	8,699	14,959	21,298	22,354	21,180	25,034	38,682	37,138	42,188	43,813
Rentuinntøkur/interest income	3,244	472	686	505	763	343	567	204	0	0	0	0
Kapitalkostnaður/cost of finance	3,533	5,210	10,139	14,454	20,535	22,011	20,613	24,830	38,682	37,138	42,188	43,813
Sjálvfinansiering til at figgja breytingar í goymslu, skuldaram og ognarum umframt íløgur eftir rindan av avdráttum / Self financed investments after loan repayment	12,946	29,360	-1,274	-31,205	1,975	38,017	108,840	139,642	1,039,331	180,772	180,924	182,606
Íløgur/investments	91,778	80,262	93,464	96,093	147,858	155,009	275,200	232,100	250,731	728,144	251,408	224,163
Eginfigging av ílögum í pst./selffinancing of investment	14.1	36.6	-1.4	-32.5	1.3	24.5	39.5	60.2	414.5	24.8	72.0	81.5

