ANNUAL REPORT 2021

Botnur hydro plant 100 years

www.sev.fo

Annual Report and Annual Accounts 2021

Table of Contents

Management Report

The board of directors and the management have today presented the annual report of Elfelagið SEV and the group for the financial year 1 January to 31 December 2021.

The annual report has been presented in accordance with the Faroese Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively as on 31 December 2021 and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2021.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

Tórshavn, 4 April 2022

Management

Hákun Djurhuus
Managing Director, CEO

Financial Management

Bogi Bendtsen
Director of Administration, CFO

Board

Kári Johansen
Chairman

Haraldur S. Hammer
Vice Chairman

Niclas Hentze

Oddmar á Lakjuni

Poul Klementsen

Sonni L. Petersen

Sune Jacobsen

The independent auditor's report

TO THE OWNERS OF ELFELAGIÐ SEV

OPINION

We have audited the consolidated annual accounts and the annual accounts of Elfelagið SEV for the financial year 1 January to 31 December 2021, which comprise accounting policies used, profit and loss account, balance sheet and notes, consolidated and for the company, respectively, and cash flow statement for the company. The consolidated annual accounts and the annual accounts are prepared in accordance with the Faroese Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2021 and of the results of the company's operations, consolidated and for the company respectively and of the company's cash flows for the financial year 1 January to 31 December 2021 in accordance with the Faroese Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in the Faroe Islands, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

THE MANAGEMENT'S RESPONSIBILITIES FOR THE CONSOLIDATED ANNUAL ACCOUNTS AND THE ANNUAL ACCOUNTS

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the Faroese Financial Statements Act.

The management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group's and the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED ANNUAL ACCOUNTS AND THE ANNUAL ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

STATEMENT ON THE MANAGEMENT'S REVIEW

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Faroese Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated annual accounts or the annual accounts and that it has been prepared in accordance with the requirements of the Faroese Financial Statement Acts. We did not find any material misstatement in the management's review.

Tórshavn, 4 April 2022

P/F JANUAR

State Authorised Public Accountants

Hans Laksá
State Auth. Auditor

Key Figures and Financial Ratios

Amounts in 1,000 DKK	2021	2020	2019	2018	2017
Income Statement					
Net sales	580,036	550,432	508,788	427,460	432,277
EBITDA	250,511	242,796	226,211	197,097	226,255
Result before financial items	88,503	101,379	112,612	81,960	123,513
Financial items	-34,225	-40,167	-37,040	-34,634	-32,948
Annual result	**44,231**	**49,809**	**62,379**	**38,084**	**88,974**
Balance Sheet					
Total assets	3,230,068	3,207,960	2,918,099	2,722,020	2,447,178
Cash-on-hand	144,182	223,854	125,123	190,785	247,993
Equity	1,475,022	1,371,553	1,344,822	1,207,723	1,196,397
Long-term debt	**1,592,724**	**1,638,143**	**1,446,277**	**1,341,582**	**1,133,188**
Financial ratios *)					
Return on equity	3.11%	3.67%	4.40%	3.20%	7.60%
Return on assets	2.75%	3.31%	4.00%	3.20%	5.20%
Net debt/EBITDA	5.9	6.2	6.1	6.2	4.2
Asset turnover	0.18	0.17	0.17	0.16	0.18
Equity ratio	**45.67%**	**42.75%**	**46.10%**	**44.40%**	**48.90%**

*) The financial ratios are calculated in accordance with The Danish Finance Society (Den Danske Finansanalytikerforenings), *Recommendations and Financial Ratios 2010*.

CALCULATION OF FINANCIAL RATIOS

The financial ratios are calculated as follows:

Return on equity $= \dfrac{\text{Annual result x 100}}{\text{Average equity}}$

Return on assets $= \dfrac{\text{Result of ordinary operations x 100}}{\text{Average assets}}$

Net debt/EBITDA $= \dfrac{\text{Net liabilities (liabilities – cash-on-hand)}}{\text{EBITDA}}$

Asset turnover $= \dfrac{\text{Net sales}}{\text{Total assets}}$

Equity ratio $= \dfrac{\text{Equity at year-end x 100}}{\text{Total assets}}$

2021 in brief

RESULT AFTER TAX

44.2 MM

MILLION DKK

Management is not satisfied with the result. The budgetted result was DKK51 million.

INVESTMENTS

210 MM

MILLION DKK

Majority of investments made in the grid division

AVAILABLE CASH

564 MM

MILLION DKK

The aim is to refinance part of the Company's debt in May 2022.

INCREASE NET SALES

5.4 %

PERCENT

EQUITY RATIO

45.7 %

PERCENT

INCREASE GWH SOLD

4.6 %

PERCENT

NET DEBT TO EBITDA RATIO

5.9

TIMES

Ratio between net debt and EBITDA.

GREEN ENERGY

38.1 %

PERCENT

The proportion of green energy is less than in the previous year.

Management Review

MISSION OBJECTIVE OF SEV
Elfelagið SEV is an inter-municipal cooperative electricity utility company. The mission of the Company is to generate electric power and distribute it to residents in the participating municipalities.

COMMERCIAL PRINCIPLES
Pursuant to § 3, paragraph 1 of the Electricity Production Act, municipalities may participate in electricity production activities pursuant to § 1, paragraph 1 without regard to the stipulations set forth in § 50, paragraph 1 of the Municipal Administration Act. In connection with the partial liberalization of the electricity production sector, municipalities are granted the authority to operate electricity production on a commercial basis.

According to SEV's Articles of Association, the Company is to carry out its mission consistent with economically sound commercial principles with due regard for the natural environment. Pursuant to the Electricity Production Act, the grid operations of SEV shall be financially self-sufficient such that the revenue earned is sufficient to cover the cost of operations and any planned necessary investment. The operations permit granted to SEV for each individual production facility states that the accounts shall indicate whether each production facility operates at a profit or loss.

THE MUNICIPALITIES IN THE FAROE ISLANDS OWN SEV
All the municipalities in the Faroe Islands are participating members of SEV. Prior to the end of 2008, the members covered both the debt of the Company and possible operations deficits. As of 1 January 2009, the municipalities cover only the debt of the Company relative to its employees.

INDEPENDENT SUBSIDIARIES
With effect as at 1 January 2016, SEV established independent subsidiaries to manage the windfarms at, respectively, Neshagi, Porkeri, and Húsahagi. The Consolidated Group Accounts of SEV indicate that the purchase of wind power will continue to increase, while at the same time the cost of supplies and wages, depreciation and interest will decline. The results of the subsidiaries are incorporated into the consolidated accounts via the capital equity portion. The total result of SEV's Consolidated Group Accounts is not impacted by this. This report covers the total operations of the Company during the period 1 January 2021 – 31 December 2021.

FINANCIAL STATUS RELATIVE TO 2021 BUDGET

THE RESULT FOR 2021 IS DKK 54 MILLION.
The final result before taxes was DKK 54.3 million, compared to a budgeted DKK 61.7 million. The result after taxes was calculated to be DKK 44.2 million, compared to a budgeted DKK 50.6 million. Management is not satisfied with this result.

NET REVENUE DKK 32 MILLION HIGHER THAN BUDGETED
The COVID-19 coronavirus pandemic continued to assault the country during 2021 and significantly impacted the operations of the Company, especially relative to the income trend throughout the year. This is the underlying reason for the operational expenses. The Company's income is greater than budgeted and this greater income is derived in the main from greater sales of electricity and higher connection fees than budgeted. The fixed fee income is consistent with the budget.

KWh sales have set a record at 387.6 GWh and net sales were DKK 580 million. This represents an increase in electricity sales of 4.6%. Over the last several years, a major advance in sales has occurred among customers in the fishing industry and the aquaculture industry and 2021 also saw a major increase in sales to both of these customer groups. This was anticipated and incorporated into the budget. Moreover, there was significant growth in the public services sector, which also was anticipated and factored into the budget. That growth was experienced in the customer group encompassing hotels and restaurants was not unexpected, because the COVID-19 pandemic did not have as great an impact on this sector in 2021 as occurred in 2020. The confirmed growth in sales to the private customers of the Company, including sales related to the "green" meters, was not as great as budgeted.

OIL EXPENSES DKK 49 MILLION HIGHER THAN BUDGETED
Good weather in spring and summer, in addition to major growth in electricity demand, resulted in SEV using 4,500 tonnes more heavy oil than budgeted, plus nearly 1,400 tonnes more gasoil was used in production than budgeted. In addition, the value of the oil in storage, pursuant to accounting regulations, was adjusted to reflect the current market value at any given time. The financial budget does not include such value adjustments.

GOODS AND SERVICES EXPENSES AS BUDGETED
These costs are related to production, the grid, and administration and remained consistent with the budgeted amounts. Relative to production, especially the Sund Power Plant and the Vágs Power Plant, posted significant costs.

OPERATIONAL WAGE EXPENSES DKK 3 MILLION HIGHER THAN BUDGETED
In the financial budget, total wage expenses were budgeted to be DKK 80.7 million. Total wage expenses equalled DKK 89 million, of which operations accounted for DKK 83.3 million and investment accounted for DKK 6 million. In the operational budget, operational wages were forecast to be DKK 80.7 million, such that operational wages were booked at DKK 2.6 million more than budgeted. The production section especially had a greater booked cost than budgeted; this also applied to the Grid section as well. In the main, the reason for this is increased production overall and production from multiple power sources, as well as increased maintenance work on the grid in 2021. In addition, is an adjustment of DKK -0.7 million on employee pensions liability. This is adjusted to reflect trends in market interest costs and the average lifespan of former employees, and other trends. The Grid section had a lower operational wage expense than budgeted.

Table 1
PROFIT & LOSS ACCOUNT IN DKK MILLION

	2021	2020	Change DKK MM
Net sales	580.0	550.4	29.6
Oil expenses	183.7	164.5	19.1
Materials and services	62.5	59.9	2.6
Wages	83.3	83.2	0.1
Total expenses	**329.5**	**307.6**	**21.9**
EBITDA	**250.5**	**242.8**	**7.7**
Depreciation	162.0	141.4	20.6
Result before financial items	**88.5**	**101.4**	**-12.9**
Net interest expenses	34.2	40.2	-5.9
Result before tax	**54.3**	**61.2**	**-6.9**
Tax	10.0	11.4	-1.4
Annual result	**44.2**	**49.8**	**-5.6**

EBITDA DKK 20 MILLION LOWER THAN BUDGETED
The higher revenue of the Company resulted in that the calculation of EBITDA was not as normally expected, which the higher costs for oil and wages would have indicated. Although EBITDA was not as budgeted and the Company did not carry out all the planned investment, the net debt compared to EBITDA was a factor of 5.9, compared to a budgeted factor of 6.0. Thus, the trends for the key figures are somewhat better than originally budgeted, but more in line with the cautions necessitated by the COVID-19 pandemic.

INVESTMENT DKK 93 MILLION LOWER; DEPRECIATION DKK 4 MILLION HIGHER THAN BUDGETED
The budget stipulated an investment of DKK 307 million, but finally amounted to DKK 210 million or DKK 97 million less than budgeted. The investment especially of some DKK 50 million in the Eiði windfarm was not undertaken. The investment in production was budgeted at DKK 128 million, while in the end this investment was only DKK 64 million, or DKK 64 million less. The investment in the grid was budgeted at DKK 180 million, which in the end was DKK 132 million or DKK 48 million less. Investment in administration was budgeted at DKK 18 million, which in the end was DKK 13 million, or some DKK 5 million less.

Several projects were completed earlier than budgeted and thus these projects were transferred to the depreciation accounts, resulting in the depreciation amount being greater than budgeted. SEV anticipates advancing the construction of the Eiði windfarm this year and next and this project is expected to be completed in 2023.

INTEREST EXPENSES DKK 16 MILLION LESS THAN BUDGETED
Interest expense was much less than budgeted and the principal reason for this is that the cost for refinancing of the debt of the Company was included in the budget, but the refinancing was postponed until 2022. The Company, therefore, only extended long-term bank financing until November 2022.

ACCOUNTING TRENDS COMPARED TO 2021 PROJECTIONS

NOTICE TO OWNERS
Pursuant to § 3, paragraph 13b and § 4, paragraph 12b of the Company's Articles of Association, at the Extraordinary General Meeting in the Autumn of each year, the Company shall review the financial status of the Company since the Annual General Meeting, which in this case was held on 23 April 2021. Further review was conducted at the Extraordinary General Meeting held on 26 November 2021. For more detailed information, please refer to the report presented at the meeting entitled Financial Status 2021 available on the Company's website, www.sev.fo. The information presented is based on actual numbers as at the end of September plus projections and the budget for the remainder of the year.

FINANCIAL STATUS 2021

RESULT BEFORE TAXES FOR 2021 IS DKK 54 MILLION
The Company did not increase the price of electricity for its customers in 2021. The operational result before taxes for the year is DKK 54.3 million, which is somewhat lower than the previous year. The reason that the result was somewhat lower than the previous year reflects a higher net sales, which is based on higher sales of electricity, as well as increased connection fees, but much higher costs for oil. In addition, depreciation costs were much higher than the previous year, while interest costs and the financial adjustments were lower than the previous year.

NET SALES DKK 30 MILLION HIGHER
Total net sales increased by DKK 29.6 million and income from the sale of electricity increased by DKK 23.2 million, while income from connection fees increased by DKK 12.3 million, compared to the previous year. The fixed fees were similar to the previous year. Net sales are now approaching one-half billion kroner. The sale of electricity grew by some 4.4%.

The increase in revenue from the sale of electricity stems from the higher sales of electricity of some 17 GWh, where the increase in sales to especially the fishing industry and the fish farming industry was great. A more detailed discussion of net sales can be found in Note 1 in the Consolidated Group Accounts. Moreover, please refer to the Management Report on the Grid accounts where the sales of kWh to the various customer groups is discussed in detail.

Table 2
RESULT FOR EACH KWH SOLD IN DKK

	2021	2020	Change DKK	Change %
Average income each kWh sold	1.52	1.50	0.03	1.8
Average expense each kWh sold	1.41	1.36	0.05	3.5
Result for each kWh sold	**0.11**	**0.13**	**-0.02**	**-15.1**

Table 3
NET SALES, DKK MILLION

	2021	2020	Change DKK	Change %
kWh sales	546.0	522.8	23.2	4.4
Subscription fee	18.0	18.0	-0.1	-0.5
Connection fee	23.5	11.2	12.3	109.8
Service fee, etc.	2.8	2.2	0.6	26.9
Income	**590.2**	**554.2**	**36.0**	**6.5**
Purchase wind and biogas	-10.2	-3.8	-6.4	167.8
Net sales	**580.0**	**550.4**	**29.6**	**5.4**

Table 4
MATERIALS AND SERVICES, DKK MILLION

	2021	2020	Broyting mió. kr.	Broyting %
Production	29.3	26.1	3.2	12.1
Grid	14.6	12.3	2.2	18.2
Administration	18.7	21.5	-2.8	-13.0
Total expenses	**62.5**	**59.9**	**2.6**	**4.4**

OIL EXPENSES DKK 19 MILLION HIGHER
The Company approximately the same volume of heavy oil in production than the previous year. On the other hand, the Company used considerably less gasoil than the previous year. Altogether, the greater consumption of oil resulted in higher oil costs compared to the previous year of some DKK 19 million. The reason for this was the good weather in the Spring and Summer and the greater demand for electricity that occurred throughout the year. Please refer to the Management Report on the Production accounts.

Table 5
WAGES, DKK MILLION

	2021	2020	Broyting mió. kr.	Broyting %
Production	36.8	39.9	-3.1	-7.8
Grid	30.0	26.1	3.9	15.1
Administration	16.5	17.2	-0.7	-4.0
Adjustment to pension benefits	-0.7	0.6	-1.3	
Total wages	**83.3**	**83.2**	**0.1**	**0.2**

Table 6
INVESTMENTS, DKK MILLION

	2021	2020
Production	64.1	152.9
Grid	132.4	152.5
Administration	13.4	25.7
Total investments	**209.9**	**331.1**

Table 7
INVESTMENTS, DKK MILLION

	2021	2020
Investment booked as work-in-progress	180.5	315.5
Investment booked directly as transition	29.4	15.6
Investments at year-end	**209.9**	**331.1**

GOODS AND SERVICES EXPENSES INCREASED BY SOME DKK 2 MILLION
Total costs increased by DKK 2.6 million, compared to the previous year. Production experienced an increase in costs of some DKK 3.2 million, while the Grid section experienced an increase in its costs by some DKK 2.2 million. The cost situation for the Grid section has been low over the last three years and it was not unexpected that costs would increase.

Administration experienced a decrease in costs of DKK 2.8 million. The costs for research and advisory services are higher while the costs for administrative expenses and the loss relative to debtors is lower. Please refer to the detailed discussion found in Note 3 of the Consolidated Group Accounts.

OPERATIONAL WAGE EXPENSES AT THE SAME LEVEL AS THE PREVIOUS YEAR
Operational wage expenses grew by DKK 0.1 million. Total wages equalled DKK 89 million, of which DKK 6 million are related to investment. The previous year wage expenses equalled 90.1 million, of which DKK 7.0 million was related to investment, such that DKK 83.2 million was booked to operations in 2020.

Wage expenses for production facilities declined by DKK 3.1 million, based on less activity overall. The costs for the Grid section grew by DKK 3.9 million and this too is a result of considerably more activity throughout the country. Wages expenses for administration declined by DKK 0.7 million, where DKK 0.7 million was adjustment of the employee pensions liability and the wage debt for overtime, vacation, etc. Wage expenses follow the employment agreements that are in effect for the various work areas. Please refer to the detailed discussion found in Note 4 of the Consolidated Group Accounts.

EBITDA DKK 8 MILLION HIGHER
The result before depreciation, interest and taxes is DKK 7.7 million higher than the previous year. Net debt during the same period decreased by DKK 29 million, such that net debt to EBITDA is now a factor of 5.9, compared to 6.2 in the previous year. The internal corporate limit is set at a factor of 6.0,

while financial loan institutions permit companies to carry a net debt to EBITDA factor of up to 9.0. Thus, the Company is well within the requirement stipulated by the loan institutions and the internal mark established by the Company.

DEPRECIATION DKK 21 MILLION HIGHER
Depreciation is the next largest line-item expense in the accounts after oil expenses. The reason that this expense has increased over the past few years stems from the investment undertaken by the Company these last few years. The depreciation basis has, among other things, increased because of the addition of the new Station 3 at the Sund Power Plant and the significant investment in the grid undertaken by the Company. For a more detailed discussion of this cost, please refer to Note 8 in the Consolidated Group Accounts.

INTEREST EXPENSES DECREASE BY DKK 6 MILLION
Total gross debt has a fixed rate of interest, based on loan facilities with a fixed rate, as well as the fact that a part of the debt is covered by interest rate hedging agreements. Interest expense encompasses unrealized costs and market exchange losses and gains on foreign currency exchanges. These costs are governed by interest rate hedging agreements and currency exchange tools that the Company utilizes to cover the risk in this area. For a more detailed discussion of this cost, please refer to Note 6 in the Consolidated Group Accounts.

INVESTMENTS EQUALLED DKK 210 MILLION
Over the past year, the Company has made significant investment in both the grid and its production facilities, as well as in administration, equalling DKK 210 million. During the previous year, investment was also considerable at DKK 331 million.

The investment placed can be subdivided into production, grid, and administration, as Table 6 shows.

Tables 7 – 9 show the trend in investment, work-in-progress, and additions to fixed assets.

Please refer to the Grid and Production Accounts for further detailed information about investment in 2021.

Table 8
WORK-IN-PROGRESS, DKK MILLION

	2021	2020
Opening balance	274.1	829.5
Investment booked to work-in-progress	180.5	315.5
Work transferred to fixed assets	-244.6	-870.9
Closing balance	**210.0**	**274.1**
Changes to work-in-progress	-64.1	-555.3

Talva 9
TRANSFER TO FIXED ASSETS, DKK MILLION

	2021	2020
Work transferred to fixed assets	244.6	870.9
Investments booked directly to fixed assets	29.4	15.6
Transfers at year-end	**274.0**	**886.4**

LIQUIDITY IS GOOD
At the Extraordinary General Meeting in November 2020, the Company received permission to lengthen existing bank financing by up to one year, such that this financing shall be refinanced no later than November 2022. At the Extraordinary General Meeting in November 2021, the Company was again given the authority to refinance existing debt and the drawing rights of the Company and to undertake new financing. The intent is that this work will be completed by May 2022.

Company operational liquidity was DKK 190 million, compared to DKK 219 million the previous year. Thus, self-financing for investment and instalment payments was positive. The loan facilities from finance institutions that the Company undertook in December 2016 and November 2019 stipulated that no instalments shall be paid, but that the debt shall be repaid in full when the loan period is fulfilled. The Company's cash-on-hand at year-end is DKK 144 million, compared to DKK 224 million the previous year. In addition, the unused drawing rights and credit lines in the banking institutions equal a total of DKK 420 million.

Thus, the cash-on-hand, credit lines and unused drawing rights equal DKK 564 million, compared to DKK 527 million the previous year. The largest portion of the unused drawing rights shall be used to finance investment in the coming years. The remainder shall be used to ensure liquidity. It is critical to maintain stable liquidity for daily operations of the Company, as well as it is deemed important to have sufficient liquidity available, given the uncertainty of the financial markets around the world as well as the uncertainty arising from the COVID-19 pandemic around the world.

PROSPECTS FOR OPERATIONAL YEAR 2022
No pricing changes are planned for 2022. The Company anticipates an operational profit in 2022 of around DKK 65.0 million before taxes. After taxes, the result is expected to be DKK 53.3 million.

As of this writing, war has erupted between Russia and Ukraine and all the Western world have instituted a variety of sanctions against Russia, including the Faroe Islands. The export from the Faroe Islands to Russia is around DKK 2.5 billion, especially relative to the sale of salmon, herring, mackerel and blue whiting. Several companies have indicated that they will give up selling fish to Russia and thus they must find other markets to which to sell their fish. It is believed that they will be able to do this, but this no doubt will take some time and will impact the value of their export and the question is how this might impact the demand for electricity in the production of fish products. In the first instance, it is believed that the companies will demand the same level of electricity for their production needs required for other markets.

Electricity sales are expected to increase in 2022 by around 4.8% and thus production will also increase. Net revenue is expected to be DKK 588.2 million.

Oil expenses are at a high level at DKK 159.7 million, which, however, is lower than the costs seen in 2021. SEV expects to use some 42,840 tonnes of heavy oil in 2022, compared to 51,436 tonnes in 2021, which was lower than the previous year. In addition, comes gasoil and lubricating oil. The reason for this lower level of expense is that the Company anticipates an average production year from hydropower, plus it is expected that electricity production from wind will increase in 2022.

Expenses related to goods and services are expected to be some DKK 61.7 million, which is somewhat lower than the 2021 expense. Wage expenses will increase through normal wage increases, unique reorganization of personnel, and new employees expected to be placed in newly created positions. The budget outlines an operational cost for wages of DKK 83.7 million, which is equivalent to the costs experienced in 2021.

Depreciation is budgeted at DKK 158.4 million, compared to DKK 162.0 million in 2021. The reason behind the overall increase in depreciation is the investment undertaken by the Company. Especially during the last few years, considerable and significant investment was made in production and the grid.

Net interest expenses are budgeted at DKK 59.6 million, which is higher than the costs in 2021. The increased interest expense reflects the increase in loan facilities for investment purposes undertaken by the Company, and the cost of refinancing of current debt and drawing rights.

The costs associated with the refinancing of bank loan facilities and the undertaking of new debt are included in the financial costs for 2022. There is no set aside for the valuation adjustments relative to the financial tools that may be used.

It is anticipated that investment will be placed for DKK 381.4 million. Moreover, it is calculated that there will be an increase in loan facilities of DKK 190.0 million from current and new drawing rights. Long-term debt is expected to be DKK 1,788 million by year-end 2022.

Cash-on-hand is expected to be DKK 132.6 million at year-end 2022 plus access to drawing rights for some DKK 1,279 million from the various banking institutions, or in total DKK 1,411 million. This money shall be used to repay debt in 2023 of some DKK 336 million for investment in the coming years to ensure the liquidity of the Company. Thus, the liquidity of the Company is good, and the Company will be able to pay off all its debt.

It is budgeted that the financial key figures for net debt to EBITDA will be a factor of 6.0 and the equity capital basis will be 43.3%. More information about what SEV intends to do in this area can be found in the Operational, Financial and Investment Budget Plan for 2022 available at www.sev.fo.

EVENTS AFTER THE CLOSING OF THE ACCOUNTS
From the closing date of the financial statements to date, nothing has occurred that would impact the assessment of the annual accounts of the Company.

Risk Management

SPECIAL RISKS
The risks facing the Company can be subdivided into the following categories:

MARKET RISKS
Over the last four years especially, SEV has undertaken significant investment in its production facilities and the grid, and SEV shall continue to make major investments in infrastructure, e.g., the pump-to-storage plant in Vestmanna for around DKK 1 billion. Given all the investment that SEV has undertaken and will embrace in the future, it could be said that, to a certain degree, SEV is a project-based company, which necessitates a long-term view and the adoption of a budget that reflects this long-term vision. This means, consequently, that it is advisable to understand and be sensitive of critical cost factors, such as the cost of oil, currency exchange costs and interest costs.

The potential for SEV to cover increased costs through adjusting the price of electricity or other fees, either partially or wholly, is limited and the possibility of running a deficit or realizing an unsatisfactory operational result is only acceptable for a limited time. Pricing levels, in the end, is a subject for the owners of SEV and thus has a political dimension, and is also subject to the approval of the Electricity Production Commission, while the financing of increased costs via the liquidity gained from loan facilities is only feasible over very short time periods, and limits the potential for planned investment in infrastructure when increases in financing is used to cover increased costs.

In connection with the loan facilities taken out by SEV, the various financial institutions reviewed SEV's key financial indicators for the most critical business areas; the requirements relative to these figures are quite specific and not negotiable. In order to obtain competitive financing, it is necessary for SEV to meet the specific requirements stipulated by the financial institutions and consistent with what SEV itself considers financially prudent to address the most critical risks relative to increasing costs. SEV is an interesting customer to provide financing to, and, according to SEV's consultants, it can be considered an "investment grade" client. This affords SEV the possibility to secure excellent financing by any number of measures. In order for SEV to maintain this "ratings level", it is necessary to remain commercially viable with sufficient profit such that the key accounting figures are on a par with those of the companies against which SEV must compete for financing.

SEV, in conjunction with SEB, which is SEV's financial and hedging consultant, has developed a risk hedging strategy against oil, currency exchange and interest rate fluctuations. The hedging strategy is a part of the loan facility agreements that the Company undertook in December 2016

INTEREST RATE RISKS
SEV has evolved a strategy to secure a fixed rate of interest for up to 100% of its debt with a repayment period longer than 12 months. At the same time, the average repayment period for debt associated with a fixed rate of interest shall be between five and ten years. This will be done in such a manner so that SEV can achieve coverage of its interest rate risk within a range of 80% to 100% of total debt at any given time. The debt can either carry an agreed-upon fixed rate of interest, or a floating variable rate of interest that is governed by an interest rate swap agreement.

This hedging strategy or methodology requires that the fixed-rate debt shall be continually monitored such that when the fixed-rate portion of SEV's total debt falls below 80% or increases to over 100%, then the interest rate swap agreements should be activated. Consequently, this review might necessitate that certain interest rate swap agreements should be terminated to ensure, for example, that the percentage of fixed-rate interest loans does not exceed 100% of the total loans held by SEV. As a result of such a course of action, the value of the interest rate swap agreements will grow. A positive value decreases the financial needs of SEV, while a negative value increases the financial needs. SEV, in the main, books the positive value of the interest rate swap agreements with the assets of the Company. SEV strives to maintain a positive balance of its interest rate swap agreements over time, wherein the goal is to have an average fixed-rate interest term of between 5 and 10 years.

In connection with SEV's new loan facilities, SEV secured a fixed rate of interest on all of its gross debt as at year-end 2016 of DKK 1,042 million from a bond issue with an average repayment period of around 9.3 years. In addition, in December 2016, the Company executed interest rate swap agreements for the debt that would be assumed when and if the Company has need for bank financing as each new infrastructure investment is undertaken. This is consistent with the strategy to secure against interest rate risk. Thus, an increase in interest rates will, generally, not have an impact on the majority of the interest-bearing debt carried by SEV for the next eight years.

OIL PRICE AND EXCHANGE RATE RISKS

One consequence of the investment budget for the coming years is that the current hedging strategy for oil and currency exchange has been expanded to cover an additional four years beyond the current year. This is the same time period during which the loan facilities of the Company are expected to increase by some DKK 600 million to around DKK 1,600 million.

SEV has covered its oil price risk consistent with the benchmarks below:

Year 1	Year 2	Year 3	Year 4	Year 5
80%	60%	40%	20%	20%

This benchmarking strategy is designed such that the hedging coverage is undertaken the initial year for a specific operational year. In year two, the respective hedging coverage is increased to cover a period of five years. This template ensures a step-wise creation of secure hedging at a level that ensures an average pricing position during those various years. SEV has covered the risk with a fixed price hedge.

At the same time as the hedging coverage for oil is executed, the dollars that are to be used for the respective oil purchase are also purchased as at a specific settlement date to cover the dollar exchange risk.

In the event of an increase in the price of oil and an increase in the dollar exchange rate, such risk hedging will have a dampening effect on expenses and the operational result will be more stable.

LIQUIDITY RISK

SEV has established the protocol that before any specific project is undertaken the necessary financing must be in place for the project. This ensures that financing is always available for a specific project.

In addition, the Company shall always have at least DKK 100 million available in the bank, if the necessity should arise. In connection with the operation of the Company, this DKK 100 million is available to cover any exigencies for a period of 3-6 months in the event that the Company does not have any income. Moreover, SEV considers it desirable to have access to a line of credit that would support the liquidity of the Company, if necessary.

MARKET RISK	CREDIT & COUNTER-PARTY RISK	OPERATIONAL RISK	STRATEGIC AND OTHER RISKS
Interest rate	Receivables	Security of supply	The strategic risks are related to how the company organizes its operations, the political environment, image, etc.
Oil price	Bank deposits	IT	New disruptive technologies
Exchange rate	Bonds	Error in internal procedures	Projects
Liquidity	Insurance	Human error	Knowledge and development
		Health, safety, and environment	

CREDIT AND COUNTER-PARTY RISKS

ACCOUNTS RECEIVABLE FROM CUSTOMERS

The Company carefully and continually monitors its customer accounts receivable. The Company has in place specific procedures for the follow-up on delinquent outstanding accounts. If an invoice is not paid by the deadline, the customer is sent a reminder and if again the customer does not pay by the stipulated due date, then a third reminder is sent and the electricity to the customer is cut-off. This procedure limits the risk relative to the Company's customers, however, the Company can be at risk from an individual large customer.

Available liquidity of the Company can be placed in bonds or loaned to banks.

CASH-ON-HAND IN BANKS

The Company continually takes steps to diversify its cash among several banks that are financially strong as to minimize the inherent risk.

BONDS

One possibility relative to maintaining cash-on-hand is to purchase Danish treasury bonds or mortgage-backed bonds. In order to limit currency rate risk in this connection, only short-term bonds are considered.

INSURANCE

In association with its insurance advisor, Sp/f Íti v/ Ali Celebi (previously, Willis Føroyar), SEV actively works to cover its insurance risk, such that no individual damage claim or combination of damage claims would impact the overall operational result by more than DKK 10 million.

OPERATIONAL RISKS

It is quite clear that it is impossible to avoid all operational risks, but these risks can be minimized to an acceptable level through appropriate initiatives, procedures and oversight prescribed by the Board and Management.

PRODUCTION SECURITY

The purpose of the Electricity Production Act is, among other factors, to ensure that the provision of electricity throughout the Faroe Islands takes into consideration production stability, the economy of the country and the environment. The price of electricity shall not be higher than necessary to address these factors, as well as the other services/ obligations that the Company has toward its customers. SEV shall always maintain a secure and effective operation that meets the stipulated goal of production stability and security. The Company thus continually strives to enhance its production stability and the quality of its electric power production.

At the same time, in connection with production stability, it is necessary to address the consequences of storms and other events. In this context, SEV, over many years, has worked to bury electric cables so that the danger of a negative impact in this area is minimized.

IT AND IN-HOUSE PROCEDURES

Risk reduction efforts within SEV reflects the IT security policy and guidelines, etc., in effect, which extend to procedures, oversight, and the division of functions and functionality. Also, SEV continues to facilitate the education and development of its staff in this regard.

HEALTH AND SAFETY

The Company takes health and safety very seriously. The Company endorses a zero-tolerance policy, meaning that the goal is that no one shall suffer a work-related injury, nor shall there be any injury that results from other activity other than the work of the Company. In this connection, the Company has instituted the requisite policy and procedures.

ENVIRONMENT

SEV uses heavy oil and gas oil in the production of electricity and the Company uses several dangerous chemicals for cleaning, etc. of the motors. The Company again takes the protection of the environment very seriously and the regulations and requirements in this area are always diligently followed. The entire Company adheres to ISO 14001, and the Company has installed advanced exhaust cleaning systems for the newest motors at Vágur and at Station 3 at Sund. Furthermore, all the Company's oil storage tanks are surrounded by containment barriers.

STRATEGIC RISKS

In the main, the strategic risks of the Company are linked to how the Company organizes its activities, the political environment, and the competence of its employees, etc. Strategic risk can be reduced through the application of an effective project plan. Work is underway to realize the plan to increase that part of production that is based on renewable energy resources, such as hydro-power, wind and tidal energy. This plan also extends to the new control system from Schneider Electric and the smart-grid solution. To continually ensure that the Company benefits from new ideas and new inspiration, the Company emphasizes candour, openness and honesty throughout its entire operations and dealings with others.

NEW, DISRUPTIVE TECHNOLOGY

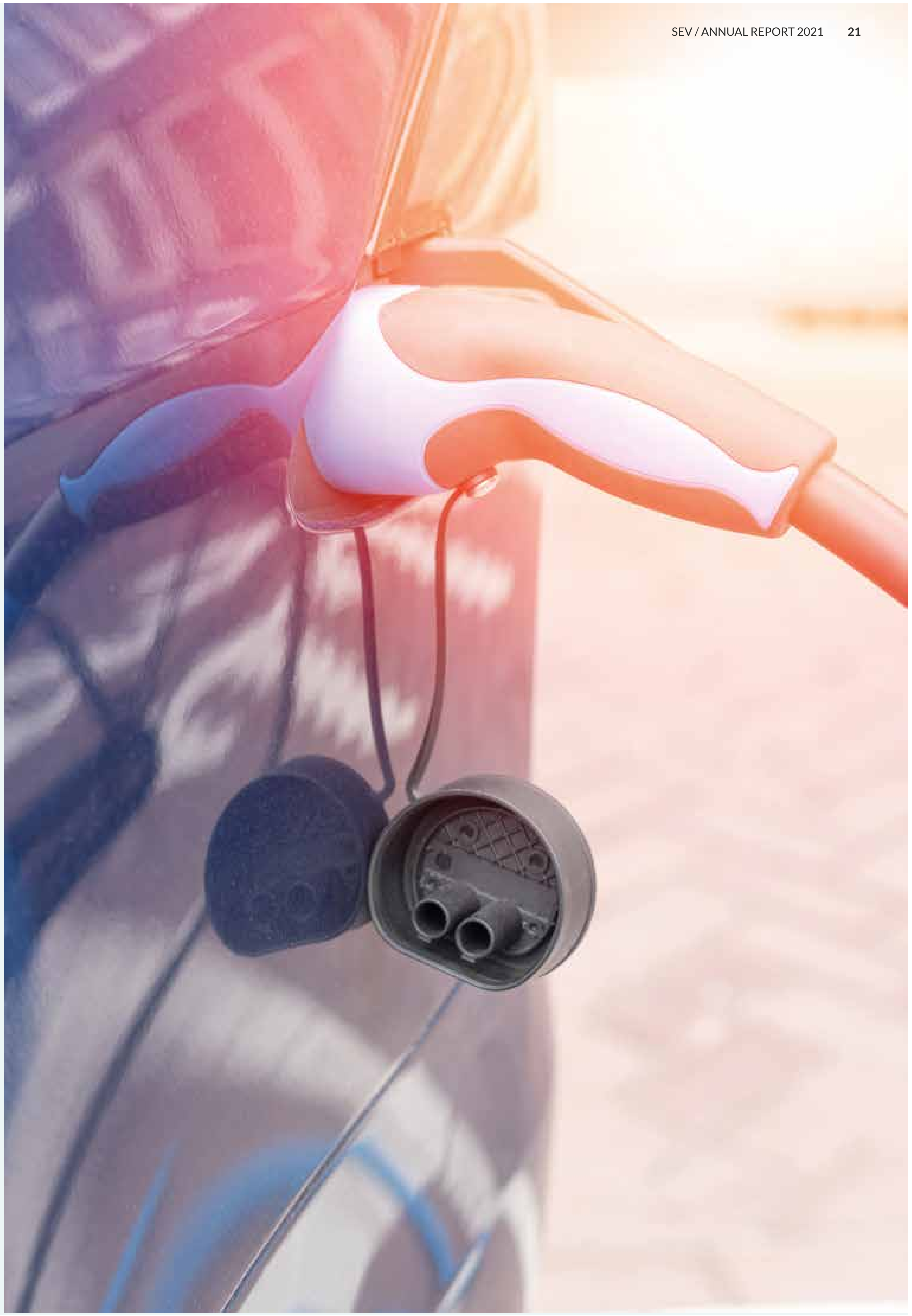
New, disruptive technology is continually evolving and impacting the world around us. Thus, SEV strives to follow and adapt the potential inherent in this evolving, disruptive technology.

PROJECTS

SEV is continually developing and upgrading its production capacity and the grid. In this connection, many projects have been undertaken. Thus, in this regard, it is necessary to closely monitor these projects and for major projects oversight committees are established along with the appointment of a project leader for each individual projec.

PROFESSIONAL KNOWLEDGE AND DEVELOPMENT

The training and development of staff is the key to development of the Company and to limit strategic risk. The Company strives to ensure that the requisite knowledge and experience is in place in every area of the Company to the level deemed necessary and as a consequence the Company arranges for suitable training of staff. In addition, SEV arranges for continual leadership training to enhance and support their work for SEV.



Accounting Principles

The Annual Accounts for the Elfelagið SEV group are prepared in accordance with the provisions of the Faroese Financial Statements Act for large Class C corporations.

The Annual Accounts apply the same accounting principles as the previous year and are presented in Danish kroner.

Amounts in the Income Statement, Balance Sheet, Notes, etc. are rounded to whole thousands. As each number is rounded individually, rounding differences may occur between the numbers presented and the sum of the underlying numbers.

Where a Table in the financial statement shows numbers in DKK rounded to whole thousand or million, and the Table shows differences between periods, either in DKK or percent, the comparisons are calculated on the basis of the underlying numbers and then rounded off. As a result of this, small differences can occur between the rounded numbers shown in the Table and the calculated comparisons.

BASIS FOR RECOGNITION AND VALUATIONS
In the Income Statement, income is recognised as earned. The same pertains to value adjustments of financial assets and liabilities. Included in the Income Statement are all expenses, including depreciation, amortisation, provisions, and impairment losses derived of changes in the financial estimates of the amounts that otherwise have been recognised in the operational accounts.

Assets are recognised in the Balance Sheet when future economic benefits are likely to flow to the Company and the value of such assets can be measured reliably.

Liabilities are recognised in the Balance Sheet when they are reasonably likely to occur and can be measured reliably.

On recognition and valuation, due regard is given to foreseeable loss and risks arising before the time at which the Annual Report is presented, and relate to circumstances present as at the end of the fiscal year.

TRANSLATION OF FOREIGN CURRENCY
Foreign currency transactions are translated using the rate of exchange applicable as at the date of transaction. Realised and unrealised translation gains and losses are recognised in the Income Statement under financial items.

Receivables, liabilities and other financial booking in foreign currencies that are not translated as at the end of the fiscal year are translated using the exchange rates applicable as at the end of the fiscal year. The difference between the exchange rate as at the end of the fiscal year and the exchange rate current as at the date of the transaction are recognised in the Income Statement under financial items.

THE GROUP ACCOUNTS
The Group accounts comprise the parent company Elfelagið SEV and related companies where Elfelagið SEV directly or indirectly owns more than 50% of the voting rights, or by other means has controlling influence. Companies, where the Group owns between 20 and 50% of the voting rights and has substantial, but not controlling influence, are deemed associated companies, see the Group overview.

Through consolidation, all income and expenses, shareholdings, internal assets and liabilities, and dividends are eliminated. Realiased and unrealised gains and losses from transaction between the consolidated companies are also eliminated.

Equity in subsidiary companies is adjusted by the proportionate share of the market value of the net assets and liabilities of the subsidiary companies on the acquisition date.

INCOME STATEMENT

NET SALES
Net sales are recognised in the Income Statement, provided that delivery has been effected and the risk has passed to the buyer by the end of the fiscal year and income is reliably pending and is expected to be received. Net sales exclude VAT, fees and rebates in connection with sales.

CONSUMPTION OF GOODS AND SERVICES
Consumption of goods and services includes costs for the purchase of raw materials and consumables less rebates and changes in inventory during the year.

OTHER EXTERNAL EXPENSES
This item comprises external costs related to the purchase of oil, supplies and other services, as well as other administrative costs.

SYSTEM SERVICES AND DISTRIBUTION OF INCOME
The cost of electricity production can be divided into actual production cost, and the cost of system services. System services include the planning and control of available generating power, spinning reserve, reactive reserve, regulating power and regulating frequency. The cost for the system services is an estimated share of the total operating cost of the Sund and Vágur power plants.

The cost for system services elsewhere in the country is based on the cost of operating the smaller power plants. Their operating cost for materials and wages are reimbursed as system services cost, the remaining cost as production cost. The Strond power plant is reimbursed for the materials and wages related to the thermal production as system services cost, and the remaining cost as production cost.

The income of the smaller power plants is equal to their total cost, and in addition they receive as income a percentage of their equity at the beginning of the year. This percentage is based on the yield of long-term bonds and the cost of maintaining assets.

GRID CONTROL
The cost of planning and controlling the grid in the main area comprises the materials and services costs, wage costs, and depreciation on the Control Room at the Company HQ in Tórshavn.The cost of controlling the grid on Suðuroy is based on the wage costs at the Vágur power plant.

DISTRIBUTION OF INCOME
According to the Electricity Production Act, the grid activities shall be self-supporting such that the income earned is sufficient to pay for operations and planned necessary investment.

For the Grid Division, this means that it shall derive an income that corresponds to the expenses that the grid department has such that the Grid Division can pay for its operations as well as derive sufficient income to pay for the planned necessary investment in the grid. The income set aside for necessary investment shall reflect the requirement for self-financing.

SEV has determined that self-financing of 25% is satisfactory and this decision is reflected in SEV's annual accounts and the accounts of both the Production and Grid Divisions.

The stipulated amount of self-financing is based on the anticipated investment for both production and the grid over a period of five years, which is the current year and the next four years. The self-financing for the current year is calculated thusly: cash-flow from operations less cost of interest and repayment of principle compared to the requirement for 25% self-financing of annual average investment over the next five years.

For the Grid Division, this means that the annual result will be adjusted such that the profit corresponds to the expenses of the grid plus the self-financing of 25% of the annual average investment in the grid over the next five years. If the total result for the SEV Group is greater than the result for the Grid Division, the remainder of the result will be transferred to the Production Division.

EMPLOYEE EXPENSES
Employee expenses encompass wages plus vacation pay and pension benefits including other social benefits. Any compensation received from the government is deducted from employee expenses.

DEPRECIATION AND WRITE-OFFS
The depreciation and amortisation of intangible and tangible fixed assets are based on an asset's forecasted useful life.

FINANCIALS
Financials include interest receivable and interest payable, realised and unrealised capital gains and

losses on financial assets and debt. Financial revenue and expense are booked at value for the relevant accounting year.

Dividends from equity investments in Associated Companies are recognised as revenues in the accounting year in which they are approved.

Interest expense and other loan costs to finance production of intangible and tangible fixed assets and are related to the production period are not included in the forecasted useful life of the asset.

RESULTS FROM EQUITY IN SUBSIDIARIES
After full elimination of intercompany profit, the equity investment in the group enterprise is recognised in the profit and loss account at a proportional share of the group enterprise's results after tax.

BALANCE SHEET

TANGIBLE ASSETS
Tangible assets are valued at acquisition cost less accumulated depreciation and write-offs. Land is not depreciated.

The depreciation basis includes the acquisition value less the expected residual value at the end of the asset's prescribed useful life.

Acquisition value includes the purchase price and costs directly accruing from the time of acquisition to the time when the asset is ready for use.

Depreciation is based on an asset's forecasted useful life and the residual value of the asset:

	Useful life years	Residual value
Production and distribution plant	10-50	0 %
Buildings	50	0 %
Production equipment, furnishings	3-5	0 %

Equipment with an expected useful life under one year is expensed in the year of acquisition.

Regarding own production assets the acquisition value includes the cost of supplies / consumables, parts, suppliers, direct wage expense and indirect production costs.

DEPRECIATION OF FIXED ASSETS
Every year the carrying amount of tangible fixed assets is appraised to obtain an indication of whether they have lost value or have been impaired. This is done in addition to general depreciation write-offs.

When a loss in value is indicated, impairment tests are carried out on each individual asset and each asset category. Assets with impaired value are written down to the recoverable amount, if this amount is lower than the carrying amount.

The recoverable amount is either the net realisable or sale value or the capital value. Capital value is calculated as the current value of the expected net revenues accruing from using an asset or asset group.

EQUITY IN SUBSIDIARIES
Equity in subsidiaries is recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

To the extent the equity exceeds the cost, the net revaluation of equity in subsidiaries are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from the subsidiary that is expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in the subsidiaries.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

CAPITAL INVESTMENT IN ASSOCIATED COMPANIES
Investment in Associated Companies is recognised in the balance sheet at acquisition value. If the net realisable value is lower than the acquisition value, it is depreciated to the lower value.

INVENTORY
Inventory is measured at cost price according to FIFO principles. If the net realisable value of the inventory is lower than the acquisition value, it is depreciated to the lower value.

The acquisition value of goods for sale, including raw materials and consumables, is measured as the purchase price plus freight expenses.

The acquisition value of finished goods and goods-in-production is measured as acquisition value of the raw materials, consumables, direct labour costs and indirect production costs. Indirect production costs include indirect supplies and wages, plus maintenance and depreciation of machinery, buildings and equipment used in production. In addition, the booked costs include costs to manage and administer production, plus R&D costs relative to the goods.

RECEIVABLES
Receivables are valued at amortised acquisition cost, which generally corresponds to nominal value. To guard against possible loss, receivables are written-down to net realised value.

PREPAYMENTS
Prepayments that are included under assets include express costs attributable to the coming fiscal year.

CASH-ON-HAND
Cash-on-hand includes cash-on-hand and short-term (under 3 months) securities that could be readily converted to cash and where there is an insignificant risk for changes in valuation.

CURRENT AND DEFERRED TAXES
Current tax, payable and receivable, is recognised in the Balance Sheet as the tax computed on the basis of the taxable income for the year, adjusted for tax paid on account the previous year. Current tax payable and receivable tax are recognised based on the set off permitted by law and the booked amounts generally calculated at net or current.

Deferred tax is calculated on the basis of all temporary differences between the carrying amount and the tax base of assets and liabilities. This is recognised in the Balance Sheet based on intended use of the asset or how the debt is intended to be repaid.

Deferred tax assets, including tax deficits carried forward, are recognised at the anticipated realisable value, either by adjusting the tax on future income or by off-setting deferred tax within the same legal tax entity. Possible deferred net receivable tax is recognised at net realised value.

Deferred tax is valued consistent with the tax regulations and tax rates then applicable as at the end of the fiscal year.

Adjustments to deferred tax resulting from changes to tax rate are incorporated into the operational accounts.

OTHER PROVISIONS
Provisions include anticipated costs for guarantees, loss from work-in-progress, adjustments, etc. Provisions are recognised when the Company has a legal or material debt based on an event that had occurred and it is probable that the debt will be paid by utilising the financial assets of the Company.

Provisions are valued at net realised value or to current value when it is expected that the debt shall be paid in the distant future.

DERIVATIVE FINANCIAL INSTRUMENTS
The Company holds derivative financial instruments to hedge its foreign currency, fuel price exposures, and interest rate risk.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as describedbelow. The Company holds no trading derivatives.

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hegded item is less than 12 months.

CASH FLOW HEDGES
Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly inequity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in equity is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

LIABILITIES
Relative to loan facilities, financial debt is recognised at realised or acquisition value, corresponding to the received amount less transaction fees. Subsequently, financial debt is recognised at the amortised realised value, which corresponds to capitalised value plus effective interest such that the difference between the received amount and the nominal value is recognised in the operational accounts over the period of the loan facility.

Debt to financial institutions is valued at amortised realised value, which corresponds to the residual debt for a cash loan. Regarding the value of bonds, the amortised realised value is calculated as the cash value on the date the bond was issued, adjusted by the booked depreciation during the installment period of the effective rate of interest at the time of contracting such debt.

Other debt is also measured at the amortised realised value, which usually corresponds to the nominal value.

PREPAYMENTS
Prepayments recognised under debt include payments attributable to the subsequent accounting year.

CASH FLOW STATEMENT
The Cash Flow Statement is prepared using the indirect method and shows cash flows from operations, investing and financing activities, changes in liquidity and cash-on-hand at the beginning and at the end of the year.

Cash flows from operating activities are adjusted for non-cash operating items, changes in working capital and tax paid.

Cash flows from investments comprise the acquisition and disposal of intangible, tangible and financial assets, adjusted for changes in accounts receivable and any liabilities on said items.

Cash flows from financing comprise financing from shareholders, dividends paid to shareholders, the initiation and subsequent repayment of long-term liabilities, in addition to withdrawals from credit facilities.

The financial ratios are calculated as follows:

Return on equity	$\frac{\text{Annual result x 100}}{\text{Average equity}}$
Return on assets	$\frac{\text{Result of ordinary operations x 100}}{\text{Average assets}}$
Net debt/EBITDA	$\frac{\text{Net liabilities (liabilities – cash-on-hand)}}{\text{EBITDA}}$
Asset turnover	$\frac{\text{Net sales}}{\text{Total assets}}$
Equity ratio	$\frac{\text{Equity at year-end x 100}}{\text{Total assets}}$

Cash-on-hand at the beginning and end of the year comprises both cash and bank deposits.

KEY FIGURES
The Key Figures are calculated consistent with The Danish Finance Society (Den Danske Finansanalytikerforenings), *Recommendations and Financial Ratios 2010*.

Income Statement 1 January – 31 December

Amounts in 1,000 DKK		GROUP		PARENT	
Note		**2021**	**2020**	**2021**	**2020**
1	Net sales	580,036	550,432	558,351	534,187
2	Oil expenses	-183,669	-164,546	-183,669	-164,546
3, 5	Materials and services	-62,545	-59,922	-55,595	-53,939
	Gross proceeds	**333,821**	**325,963**	**319,087**	**315,702**
4	Wages	-83,310	-83,167	-83,221	-83,074
	EBITDA	**250,511**	**242,796**	**235,866**	**232,628**
	Depreciation	-162,009	-141,418	-148,175	-131,050
	Result before finacial items	**88,503**	**101,379**	**87,691**	**101,577**
6, 9	Result from subsidiary companies	0	0	1,470	-1,557
6	Financial expenses	-34,225	-40,167	-34,479	-38,433
	Result before tax	**54,277**	**61,212**	**54,683**	**61,587**
7	Tax on annual result	-10,046	-11,403	-10,452	-11,779
	Annual result	**44,231**	**49,809**	**44,231**	**49,809**
	Proposed distribution of result				
	Results carried forward	44,231	49,809	44,231	49,809
	Total distribution	**44,231**	**49,809**	**44,231**	**49,809**

Balance Sheet 31 December

ASSETS in 1,000 DKK		GROUP		PARENT	
Note		2021	2020	2021	2020
	Tangible fixed assets				
8	Power plants	1,601,818	1,610,655	1,458,332	1,524,708
8	Distribution stations	896,076	790,530	896,076	790,530
8	Buildings and land	88,747	84,247	88,747	84,247
8	Operating equipment	50,747	39,938	50,747	39,938
8	Investment work-in-progress	210,013	274,141	207,224	200,071
	Total tangible fixed assets	**2,847,401**	**2,799,510**	**2,701,126**	**2,639,494**
9	Investment in subsidiary companies	0	0	25,931	30,250
10	Investment in associated company	2,750	2,750	2,750	2,750
11	Loans to subsidiary companies	0	0	60,998	69,809
12	Derivatives	49,729	14,989	49,279	14,989
	Total financial assets	**52,479**	**17,739**	**138,959**	**117,798**
	Total fixed assets	**2,899,880**	**2,817,250**	**2,840,085**	**2,757,292**
	Current assets				
	Oil inventory	23,389	20,045	23,389	20,045
	Materials inventory	25,399	17,087	25,399	17,087
	Total inventory	**48,788**	**37,133**	**48,788**	**37,133**
13	Goods and services receivables	122,979	109,222	122,002	109,222
	Inter-company account	0	0	60,210	58,405
	Prepayments	14,239	20,503	9,239	16,538
	Total recievables	**137,218**	**129,724**	**191,450**	**184,164**
	Cash-on-hand	144,182	223,854	144,182	223,854
	Total current assets	**330,188**	**390,711**	**384,421**	**445,150**
	Total assets	3,230,068	3,207,960	3,224,506	3,202,443

Balance Sheet 31 December

LIABILITIES in 1,000 DKK		GROUP		PARENT	
Note		2021	2020	2021	2020
	Equity				
14	Deposits	4,140	4,140	4,140	4,140
	Hedge reserve	13,808	-44,317	13,808	-42,170
	Reserve for net revaluation as per the equity method	0	0	0	1,250
	Results carried forward	1,457,074	1,411,730	1,457,074	1,408,333
	Total equity	**1,475,022**	**1,371,553**	**1,475,022**	**1,371,553**
	Provisions				
	Provisions for pensions and equivalent liabilities	19,406	20,155	19,406	20,155
7	Deferred tax	29,445	3,480	30,217	2,734
	Total provisions	**48,850**	**23,635**	**49,623**	**22,890**
	Liabilities				
15	Long-term debt	1,592,724	1,638,143	1,592,724	1,638,143
	Total long-term debt	**1,592,724**	**1,638,143**	**1,592,724**	**1,638,143**
15	Current portion of long-term debt	982	870	982	870
	Bank debt	649	0	649	0
	Prepayments received from customers	175	1,239	175	1,239
	Trade creditors	45,780	47,415	40,793	47,415
	Inter-company account	0	0	0	0
12	Derivatives	32,839	93,167	32,839	91,020
	Other creditors	33,046	31,938	31,699	29,313
	Total short-term debt	**113,471**	**174,629**	**107,137**	**169,857**
	Total debt	**1,706,195**	**1,812,772**	**1,699,861**	**1,808,000**
	Total liabilities	**3,230,068**	**3,207,960**	**3,224,506**	**3,202,443**
16	**Mortgages and other obligations**				
17	**Contingencies**				

Cash Flow Statement

		GROUP	GROUP
Note	**Amounts in 1,000 DKK**	**2021**	**2020**
	Annual result	**44,231**	**49,809**
18	Adjustments	206,280	192,988
	Changes in working capital:		
	Inventories	-11,656	2,140
	Receivables	-7,196	-10,722
	Trade creditors	-1,635	13,174
	Other operating debt	-1,002	6,151
	Operating cash flows before financials	**229,022**	**253,540**
	Interest expenses paid and equivalent expenses	-39,028	-34,128
	Cash flows from operations	**189,994**	**219,411**
	Purchase of tangible fixed assets	-274,027	-886,431
	Changes to work-in-progress	64,128	555,342
	Cash flow from investments	**-209,899**	**-331,089**
	Loan facilities	-60,527	210,415
	Bank overdraft withdrawals	760	-7
	Cash flow from financing	**-59,767**	**210,408**
	Total cash flow during the year	**-79,672**	**98,731**
	Opening cash-on-hand	223,854	125,123
	Closing cash-on-hand	**144,182**	**223,854**
	Lines of credit	420,000	302,758
	Total	**564,182**	**526,612**

Annual Report &
Annual Accounts 2021

Notes

Notes 1–3

1. NET SALES	GROUP		PARENT	
Amounts in 1,000 DKK	**2021**	**2020**	**2021**	**2020**
kWh charges etc.	546,036	522,833	546,036	522,833
Fixed charges	17,956	18,039	17,956	18,039
Connection fees	23,472	11,187	23,472	11,187
Other charges, reminders and other sales	2,763	2,178	1,707	1,328
Purchase of wind power etc.	-10,191	-3,805	-30,820	-19,199
Total	**580,036**	**550,432**	**558,351**	**534,187**

2. OIL EXPENSES	GROUP		PARENT	
Amounts in 1,000 DKK	**2021**	**2020**	**2021**	**2020**
Gas oil	17,011	5,117	17,011	5,117
Heavy fuel oil	155,255	149,710	155,255	149,710
Lubricating oil	11,403	9,720	11,403	9,720
Total	**183,669**	**164,546**	**183,669**	**164,546**

3. MATERIALS AND SERVICES	GROUP		PARENT	
Amounts in 1,000 DKK	**2021**	**2020**	**2021**	**2020**
Cables and lines	4,101	3,561	4,101	3,561
Dams, pipelines and tunnels	167	219	114	219
Tanks and environmental	656	710	656	710
Engines	12,214	10,125	7,525	5,289
Electric and technical	785	663	784	663
Buildings and land	3,438	2,541	2,934	2,295
General meeting and Board	257	294	257	294
Studies and consultancy	6,119	4,839	5,607	4,778
IT	8,732	8,699	8,664	8,699
Management and office expenses	1,265	2,922	1,095	2,922
Loss on unpaid debt	344	1,237	344	1,237
Other operating expenses	3,334	1,669	2,897	1,666
Other administrative expenses	21,134	22,445	20,617	21,608
Total	**62,545**	**59,922**	**55,595**	**53,939**

Notes 4–7

4. EMPLOYEE EXPENSES	GROUP		PARENT	
Amounts in 1,000 DKK	**2021**	**2020**	**2021**	**2020**
Wages	71,009	71,255	70,933	71,163
Pensions	8,737	8,362	8,727	8,362
Contributions	3,565	3,550	3,561	3,550
Total	**83,310**	**83,167**	**83,221**	**83,074**
Included in employee expenses are:				
Management and Board of Directors	2,258	2,147	2,258	2,147
Total	**2,258**	**2,147**	**2,258**	**2,147**
Full-time equivalent employees	156	160	156	160
Average number of employees	**171**	**174**	**171**	**174**

5. AUDITOR'S REMUNERATION	GROUP		PARENT	
Amounts in 1,000 DKK	**2021**	**2020**	**2021**	**2020**
Auditing	461	414	372	352
Other certification	133	132	104	106
Other services and advisory	183	75	183	75
Total	**777**	**621**	**658**	**533**

6. FINANCIAL ITEMS	GROUP		PARENT	
Amounts in 1,000 DKK	**2021**	**2020**	**2021**	**2020**
Result from subsidiary companies	0	0	1,849	1,557
Interest on loans	37,412	35,820	34,347	34,089
Establishment fees, commissions	2,464	3,311	2,464	3,311
Unrealised exchange rate gains or losses	15,108	-19,644	15,108	-19,644
Unrealised adjustments on derivatives	-22,862	21,636	-22,862	21,636
Other interest expenses	2,104	-955	2,103	-957
Total	**34,225**	**40,167**	**33,009**	**39,990**

7. TAXES ON ANNUAL RESULT	GROUP		PARENT	
Amounts in 1,000 DKK	**2021**	**2020**	**2021**	**2020**
Adjustment of deferred tax	-10,046	-11,403	-10,452	-11,779
Tax during the year according to profit and loss account	**-10,046**	**-11,403**	**-10,452**	**-11,779**
	0	0	0	0
Provision deferred tax opening balance 1 January	-3,480	-2,540	-2,734	-1,419
Adjustment to prior years	1,113	0	0	0
Adjustment of deferred tax from profit and loss account	-10,046	-11,403	-10,452	-11,779
Adjustment of deferred tax in equity due to derivatives	-17,031	10,463	-17,031	10,463
Provision deferred tax closing balance 31 December	**-29,445**	**-3,480**	**-30,217**	**-2,735**

Note 8

8. TANGIBLE FIXED ASSETS, GROUP

Amounts in 1,000 DKK	Production	Grid	Buildings	Equipment	Total 2021	2020
Acquisition value opening balance	2,883,477	1,381,826	123,993	219,245	4,608,542	3,759,178
Adjustment to opening balance	-21,112	0	0	0	-21,112	0
Additions during the year	94,695	144,903	7,574	26,854	274,027	888,164
Disposals during the year	-4,070	0	0	-1,353	-5,423	-1,732
Acquisition value closing balance	**2,952,990**	**1,526,729**	**131,567**	**244,746**	**4,856,033**	**4,645,609**
Depreciation opening balance	-1,272,822	-591,296	-39,746	-179,308	-2,083,172	-1,978,821
Adjustment to opening balance	21,112	0	0	0	21,112	0
Depreciation for the year	-103,601	-39,288	-3,074	-16,045	-162,009	-143,150
Transferred during the year	68	-68	0	0	0	0
Depreciation reversed on disposals	4,070	0	0	1,353	5,423	1,732
Depreciation closing balance	**-1,351,173**	**-630,653**	**-42,820**	**-194,000**	**-2,218,645**	**-2,120,239**
Book value year-end	**1,601,818**	**896,076**	**88,747**	**50,747**	**2,637,388**	**2,525,370**
Book value year-end 2020	1,610,655	790,530	84,247	39,938	2,525,370	
Work-in-progress						
Opening balance	124,165	142,917	352	6,707	274,141	829,483
Investment booked to work-in-progress	31,370	110,554	21,289	17,241	180,453	315,511
Transferred during the year	18,919	-18,919	0	0	0	0
Completed work transferred to depreciation	-91,979	-137,596	-614	-14,391	-244,581	-870,853
Closing balance	**63,556**	**115,875**	**21,027**	**9,556**	**210,013**	**274,141**
Closing balance year-end 2020	124,165	142,917	352	6,707	274,141	
Fixed assets year-end	**1,538,262**	**1,011,951**	**109,774**	**60,303**	**2,847,401**	**2,799,510**
Fixed assets year-end 2020	1,734,820	933,447	84,599	46,644	2,799,510	

Note 8

8. TANGIBLE FIXED ASSETS, PARENT

Amounts in 1,000 DKK	Production	Grid	Buildings	Equipment	Total 2021	2020
Acquisition value opening balance	2,745,779	1,381,826	123,993	219,245	4,470,843	3,621,479
Adjustment to opening balance	-21,112	0	0	0	-21,112	0
Additions during the year	23,322	144,903	7,574	26,854	202,654	888,164
Disposals during the year	-4,070	0	0	-1,353	-5,423	-1,732
Acquisition value closing balance	**2,743,919**	**1,526,729**	**131,567**	**244,746**	**4,646,961**	**4,507,910**
Depreciation opening balance	-1,221,070	-591,296	-39,746	-179,308	-2,031,420	-1,937,437
Adjustment to opening balance	21,112	0	0	0	21,112	0
Depreciation for the year	-89,767	-39,288	-3,074	-16,045	-148,175	-132,783
Transferred during the year	68	-68	0	0	0	0
Depreciation reversed on disposals	4,070	0	0	1,353	5,423	1,732
Depreciation closing balance	**-1,285,587**	**-630,653**	**-42,820**	**-194,000**	**-2,153,059**	**-2,068,487**
Book value year-end	**1,458,332**	**896,076**	**88,747**	**50,747**	**2,493,902**	**2,439,423**
Book value year-end 2020	1,524,708	790,530	84,247	39,938	2,439,423	
Work-in-progress						
Opening balance	50,095	142,917	352	6,707	200,071	825,442
Investment booked to work-in-progress	31,278	110,554	21,289	17,241	180,361	245,482
Transferred during the year	18,919	-18,919	0	0	0	0
Completed work transferred to depreciation	-20,606	-137,596	-614	-14,391	-173,208	-870,853
Closing balance	**60,767**	**115,875**	**21,027**	**9,556**	**207,224**	**200,071**
Closing balance year-end 2020	50,095	142,917	352	6,707	200,071	
Fixed assets year-end	**1,397,565**	**1,011,951**	**109,774**	**60,303**	**2,701,126**	**2,639,494**
Fixed assets year-end 2020	1,574,804	933,447	84,599	46,644	2,639,494	

Notes 9–11

9. INVESTMENTS IN SUBSIDIARY COMPANIES

Amounts in 1,000 DKK	31.12.21	31.12.20
Acquisition value opening balance	29,000	29,000
Acquisition value closing balance	**29,000**	**29,000**
Subsidiary companies' result opening balance	1,250	4,954
Result from subsidiary companies	-1,849	-1,557
Adjustment derivatives	2,597	-2,147
Subsidiary companies' result closing balance	-3,069	1,250
Carrying amount year-end	**25,931**	**30,250**

SUBSIDIARY COMPANIES:

Amounts in 1,000 DKK	Share	Equity	Annual result	Recognized value
P/F Vindfelagið í Húsahaga	100%	14,317	-1,483	14,317
P/F Vindfelagið í Neshaga	100%	11,614	-366	11,614

10. INVESTMENT IN ASSOCIATED COMPANY

Amounts in 1,000 DKK	31.12.21	31.12.20
Carrying amount opening balance	2.750	2.750
Carrying amount closing balance	**2.750**	**2.750**

ASSOCIATED COMPANY:

Amounts in 1,000 DKK	Share	Equity	Annual result	Recognized value
P/F Fjarhitafelagið, Tórshavn	50%	60.999	-1.949	2.750

The financial statement of P/F Fjarhitafelagið for the financial year 2021 is not available - the figures shown are for 2020.

11. LOANS TO SUBSIDIARY COMPANIES

Amounts in 1,000 DKK	Duration	Loan amount	Balance 31.12.21	Repayment next year	Balance in 5 years
P/F Vindfelagið í Húsahaga	12 ár	75,000	46,136	6,164	13,915
P/F Vindfelagið í Neshaga	10 ár	28,175	14,862	2,843	0
Total		**103,175**	**60,998**	**9,007**	**13,915**

Notes 12–14

12. DERIVATIVES, GROUP

Amounts in 1,000 DKK	Assets 31.12.21	Liabilities 31.12.21	Total 31.12.21	31.12.20
Oil-price hedge	40,438	0	40,438	-17,318
Currency hedge	3,948	-6,203	-2,255	-35,879
Interest rate hedge	5,343	-26,636	-21,293	-24,981
Total	**49,729**	**-32,839**	**16,889**	**-78,178**

Derivatives are used to fix interest rates and exchange rates on loans, as well as the price and the exchange rate used for oil purchases. The values shown are the differences between market value on the balance sheet date compared to the future value of the instruments.

13. GOODS AND SERVICES DEBTORS

Amounts in 1,000 DKK	31.12.21	31.12.20
Goods and services debtors	122,335	110,044
Other debtors	4,240	2,515
Receivables write-down	-3,596	-3,338
Total	**122,979**	**109,222**

14. EQUITY, GROUP

Amounts in 1,000 DKK	Deposit	Derivatives reserve	Result carried over	Total
Equity statement 01.01.20 - 31.12.20				
Opening balance 01.01.20	4,140	-21,240	1,361,922	1,344,822
Adjustment to derivatives	0	-33,541	0	-33,541
Deferred tax	0	10,463	0	10,463
Annual result	**0**	**0**	**49,809**	**49,809**
Closing balance 31.12.20	**4,140**	**-44,317**	**1,411,730**	**1,371,553**
Equity statement 01.01.21 - 31.12.21				
Opening balance 01.01.21	4,140	-44,317	1,411,730	1,371,553
Adjustment to prior years' result	0	0	1,113	1,113
Adjustment to derivatives	0	75,157	0	75,157
Deferred tax	0	-17,031	0	-17,031
Annual result	**0**	**0**	**44,231**	**44,231**
Closing balance 31.12.21	**4,140**	**13,808**	**1,457,074**	**1,475,022**

Notes 14–17

14. EQUITY, PARENT

Amounts in 1,000 DKK	Deposit	Derivatives reserve	Inner value adjustment reserve	Result carried over	Total
Equity statement 01.01.20 - 31.12.20					
Opening balance 01.01.20	4,140	-21,240	4,954	1,356,968	1,344,822
Adjustment to derivatives	0	-31,394	-2,147	0	-33,541
Deferred tax	0	10,463	0	0	10,463
Result from subsidiary companies	0	0	-1,557	1,557	0
Annual result	**0**	**0**	**0**	**49,809**	**49,809**
Closing balance 31.12.20	**4,140**	**-42,170**	**1,250**	**1,408,333**	**1,371,553**
Equity statement 01.01.21 - 31.12.21					
Opening balance 01.01.21	4,140	-42,170	1,250	1,408,333	1,371,553
Adjustment to prior years' result	0	0	-5,066	6,179	1,113
Adjustment to derivatives	0	72,560	2,597	0	75,157
Deferred tax	0	-17,031	0	0	-17,031
Result from subsidiary companies	0	0	-1,849	1,849	0
Transfer adjustment reserve to result carried over	0	0	3,069	-3,069	0
Annual result	**0**	**0**	**0**	**44,231**	**44,231**
Closing balance 31.12.21	**4,140**	**13,358**	**0**	**1,457,524**	**1,475,022**

15. LONG-TERM DEBT

Amounts in 1,000 DKK	Interest due	Repayments next year	Outstanding debt after 5 years	Total debt 31.12.21	Total debt 31.12.20
Debt to financial institutions	982	0	1,592,724	1,592,724	1,638,143
Total	**982**	**0**	**1,592,724**	**1,592,724**	**1,638,143**

No repayment next year, and existing loan agreements have an average maturity of 5.3 years.

16. MORTGAGES AND OTHER OBLIGATIONS 31.12.21

As security for import duty credit, a guarantee of DKK 1.4 million has been issued to TAKS, and as security for credit cards, the company is liable for guarantees of DKK 3.7 million. A payment guarantee for purchase of motors of DKK 5.1 million has been issued. Total obligations DKK 10.2 million.

17. CONTINGENCIES

The group has a contingency of DKK 3.8 million for 2022 due to operations and rental agreements of subsidiary companies.

Notes 18–19

18. ADJUSTMENTS

Amounts in 1,000 DKK	2021	2020
Interest expensed and equivalent expenses	41,980	38,175
Unrealised interest expenses	-7,754	1,992
Depreciation	162,009	141,418
Tax	10,046	11,403
Total	**206,280**	**192,988**

19. EQUITY DISTRIBUTION

Amounts in 1,000 DKK	Municipal contribution	Equity 2021	Equity % 2021	Equity 2020
Eiðis	78.6	21,594.5	1.5	19,904
Eysturkommuna	146.5	61,823.8	4.2	57,157
Fámjins	23.1	2,329.4	0.2	2,220
Fuglafjarðar	136.3	44,120.7	3.0	40,609
Fugloyar	17.5	1,041.4	0.1	1058,469
Hovs	22.9	2,740.4	0.2	2,504
Húsavíkar	25.1	2,987.1	0.2	2,866
Hvalbiar	103.6	18,580.0	1.3	17,323
Hvannasunds	36.4	11,427.5	0.8	10,765
Klaksvíkar	537.8	148,229.2	10.1	138,040
Kunoyar	12.6	4,028.4	0.3	3,640
Kvívíkar	59.1	16,442.5	1.1	16,187
Nes / Runavíkar	332.1	156,614.8	10.6	145,088
Porkeris	51.0	8,714.5	0.6	8,235
Sands	72.3	14,469.4	1.0	13,889
Sjóvar	92.9	31,268.2	2.1	28,708
Skálavíkar	30.8	3,781.8	0.3	3,743
Skopunar	71.0	12,468.9	0.8	11,772
Skúvoyar	17.9	1,123.6	0.1	1,110
Sørvágs	127.5	9,783.3	0.7	9,036
Sumbiar	81.4	50,040.0	3.4	46,831
Sunda	177.4	34,200.4	2.3	31,496
Tórshavnar	1.092.5	623,253.0	42.4	577,537
Tvøroyrar	255.3	48,532.8	3.3	45,153
Vága kommuna	169.6	59,220.4	4.0	55,247
Vágs	218.4	37,845.2	2.6	35,910
Vestmanna	125.3	34,447.0	2.3	32,245
Viðareiðis	25.3	9,701.1	0.7	9,139
Tilsamans	**4.139.9**	**1,470,809.2**	**100.0**	**1,367,413**

Annual Report &
Annual Accounts 2021

Group Activity by Division

Group / Profit & Loss

Production and Grid

PROFIT & LOSS	2021			2020		
Amounts in 1,000 DKK	**Production**	**Grid**	**Total**	**Production**	**Grid**	**Total**
Revenues	**408,450**	**171,586**	**580,036**	**358,659**	**191,773**	**550,432**
Oil expenses	-183,669	0	-183,669	-164,377	-169	-164,546
Materials and services	-29,275	-33,270	-62,545	-26,104	-33,818	-59,922
Wages	-36,769	-46,541	-83,310	-39,866	-43,301	-83,167
Result of ordinary operations	**158,736**	**91,775**	**250,511**	**128,312**	**114,484**	**242,796**
Depreciation	-104,278	-57,731	-162,009	-92,284	-49,133	-141,418
Result before financial items	**54,459**	**34,044**	**88,503**	**36,027**	**65,351**	**101,379**
Net financial items	-19,903	-14,322	-34,225	-18,434	-21,733	-40,167
Result before tax	**34,555**	**19,722**	**54,277**	**17,593**	**43,618**	**61,212**
Tax	405	-10,452	-10,046	376	-11,779	-11,403
Annual result	**34,960**	**9,271**	**44,231**	**17,969**	**31,839**	**49,809**

Parent / Profit & Loss

Production and Grid

PROFIT & LOSS	2021			2020		
Amounts in 1,000 DKK	**Production**	**Grid**	**Total**	**Production**	**Grid**	**Total**
Revenues	**386,765**	**171,586**	**558,351**	**342,415**	**191,773**	**534,187**
Oil expenses	-183,669	0	-183,669	-164,377	-169	-164,546
Materials and services	-22,325	-33,270	-55,595	-20,121	-33,818	-53,939
Wages	-36,680	-46,541	-83,221	-39,773	-43,301	-83,074
Result of ordinary operations	**144,091**	**91,775**	**235,866**	**118,143**	**114,484**	**232,628**
Depreciation	-90,444	-57,731	-148,175	-81,917	-49,133	-131,050
Result before financial items	**53,647**	**34,044**	**87,691**	**36,226**	**65,351**	**101,577**
Net financial items	-16,837	-16,171	-33,009	-16,700	-23,290	-39,990
Result before tax	**36,810**	**17,873**	**54,683**	**19,526**	**42,061**	**61,587**
Tax	0	-10,452	-10,452	0	-11,779	-11,779
Annual result	**36,810**	**7,421**	**44,231**	**19,526**	**30,283**	**49,809**

Group / Assets

Production and Grid

ASSETS		2021			2020	
Amounts in 1,000 DKK	Production	Grid	Total	Production	Grid	Total
Real estate, power plants, etc.	1,607,478	1,029,910	2,637,388	1,616,386	908,984	2,525,370
Investment work-in-progress	77,842	132,171	210,013	109,161	164,980	274,141
Fixed assets	**1,685,320**	**1,162,081**	**2,847,401**	**1,725,546**	**1,073,964**	**2,799,510**
Share equity	0	2,750	2,750	0	2,750	2,750
Derivatives	450	49,279	49,729	0	14,989	14,989
Financial fixed assets	**450**	**52,029**	**52,479**	**0**	**17,739**	**17,739**
Total fixed assets	**1,685,770**	**1,214,110**	**2,899,880**	**1,725,546**	**1,091,704**	**2,817,250**
Oil inventory	23,389	0	23,389	20,045	0	20,045
Materials inventory	0	25,399	25,399	0	17,087	17,087
Total inventory	**23,389**	**25,399**	**48,788**	**20,045**	**17,087**	**37,133**
Electricity debtors	1,052	121,927	122,979	0	109,222	109,222
Other debtors/tax asset	1,686	0	1,686	249	0	249
Inter-company account	84,873	173,890	258,763	5,135	194,159	199,294
Other receivables/accruals	2,722	11,517	14,239	4,238	18,306	22,544
Total receivables	**90,334**	**307,334**	**397,668**	**9,622**	**321,686**	**331,308**
Cash-on-hand	0	144,182	144,182	0	223,854	223,854
Total current assets	**113,723**	**476,915**	**590,638**	**29,667**	**562,627**	**592,295**
Total assets	**1,799,493**	**1,691,025**	**3,490,518**	**1,755,214**	**1,654,331**	**3,409,544**

Included in Inter-company account Grid is share capital DKK 29 million in subsidiary companies, as well as their total result from inception in 2016 of DKK -3,069 thousand.

Parent / Assets

Production and Grid

ASSETS		2021			2020	
Amounts in 1,000 DKK	Production	Grid	Total	Production	Grid	Total
Real estate, power plants, etc.	1,463,992	1,029,910	2,493,902	1,530,439	908,984	2,439,423
Investment work-in-progress	75,053	132,171	207,224	35,091	164,980	200,071
Fixed assets	**1,539,046**	**1,162,081**	**2,701,126**	**1,565,530**	**1,073,964**	**2,639,494**
Share equity subsidiary companies	0	25,931	25,931	0	30,250	30,250
Share equity associated company	0	2,750	2,750	0	2,750	2,750
Loans to subsidiary companies	0	60,998	60,998	0	69,809	69,809
Derivatives	0	49,279	49,279	0	14,989	14,989
Financial fixed assets	**0**	**138,959**	**138,959**	**0**	**117,798**	**117,798**
Total fixed assets	**1,539,046**	**1,301,039**	**2,840,085**	**1,565,530**	**1,191,762**	**2,757,292**
Oil inventory	23,389	0	23,389	20,045	0	20,045
Materials inventory	0	25,399	25,399	0	17,087	17,087
Total inventory	**23,389**	**25,399**	**48,788**	**20,045**	**17,087**	**37,133**
Electricity debtors	75	121,927	122,002	0	109,222	109,222
Inter-company account	83,436	61,648	145,084	0	163,909	163,909
Other receivables/accruals	-2,279	11,517	9,239	273	16,264	16,538
Total receivables	**81,232**	**195,092**	**276,324**	**273**	**289,395**	**289,668**
Cash-on-hand	0	144,182	144,182	0	223,854	223,854
Total current assets	**104,621**	**364,673**	**469,294**	**20,318**	**530,336**	**550,654**
Total assets	**1,643,667**	**1,665,712**	**3,309,379**	**1,585,849**	**1,722,098**	**3,307,947**

Group / Liabilities
Production and Grid

LIABILITIES		2021			2020	
Amounts in 1,000 DKK	**Production**	**Grid**	**Total**	**Production**	**Grid**	**Total**
Deposit	29,000	4,140	33,140	29,000	4,140	33,140
Capital account	841,798	629,084	1,470,882	809,307	558,106	1,367,413
Total equity	**870,798**	**633,224**	**1,504,022**	**838,307**	**562,246**	**1,400,553**
Pensions	0	19,406	19,406	0	20,155	20,155
Deferrec tax	914	30,217	31,131	994	2,734	3,729
Total provisions	**914**	**49,623**	**50,537**	**994**	**22,890**	**23,884**
Long-term debt	**827,932**	**755,785**	**1,583,717**	**724,439**	**904,893**	**1,629,333**
Current portion of long-term debt	9,007	982	9,988	8,811	870	9,681
Bank loans	0	649	649	0	0	0
Prepayments	0	175	175	0	1,239	1,239
Inter-company account	61,648	168,116	229,763	169,044	1,250	199,294
Other creditors/accruals	9,561	23,485	33,046	11,471	22,508	33,979
Trade creditors	19,632	26,148	45,780	0	47,415	47,415
Derivatives	0	32,839	32,839	2,147	91,020	93,167
Total debt	**927,781**	**1,008,178**	**1,935,959**	**915,912**	**1,069,196**	**2,014,108**
Total liabilities	**1,799,493**	**1,691,025**	**3,490,518**	**1,755,214**	**1,654,331**	**3,409,544**

Included in Inter-company account Grid is share capital DKK 29 million in subsidiary companies, as well as their total result from inception in 2016 of DKK -3,069 thousand.

Parent / Liabilities
Production and Grid

LIABILITIES		2021			2020	
Amounts in 1,000 DKK	**Production**	**Grid**	**Total**	**Production**	**Grid**	**Total**
Deposit	0	4,140	4,140	0	4,140	4,140
Capital account	844,867	626,015	1,470,882	808,057	559,356	1,367,413
Total equity	**844,867**	**630,155**	**1,475,022**	**808,057**	**563,496**	**1,371,553**
Pensions	0	19,406	19,406	0	20,155	20,155
Deferrec tax	0	30,217	30,217	0	2,734	2,734
Total provisions	**0**	**49,623**	**49,623**	**0**	**22,890**	**22,890**
Long-term debt	**775,941**	**816,783**	**1,592,724**	**663,441**	**974,702**	**1,638,143**
Current portion of long-term debt	0	982	982	0	870	870
Bank loans	0	649	649	0	0	0
Prepayments	0	175	175	0	1,239	1,239
Inter-company account	0	84,873	84,873	105,504	0	105,504
Other creditors/accruals	8,215	23,485	31,699	8,846	20,467	29,313
Trade creditors	14,644	26,148	40,793	0	47,415	47,415
Derivatives	0	32,839	32,839	0	91,020	91,020
Total debt	**798,800**	**985,934**	**1,784,734**	**777,792**	**1,135,713**	**1,913,504**
Total liabilities	**1,643,667**	**1,665,712**	**3,309,379**	**1,585,849**	**1,722,098**	**3,307,947**

Group / Profit & Loss

Production and Grid by departments

DISTRIBUTION OF REVENUE

Amounts in 1,000 DKK	Production	Grid	Total 2021	2020
Sales	-159	590,385	590,226	554,236
Own production and purchased electricity	388,244	-398,434	-10,191	-3,805
Grid responsibility and grid management	20,365	-20,365	0	0
Total revenue	**408,450**	**171,586**	**580,036**	**550,432**

PRODUCTION	Thermal	Hydro	Wind	Total 2021	2020
Revenue	330,784	56,132	21,534	408,450	358,659
Oil expenses	-180,394	-3,276	0	-183,669	-164,377
Material and services	-17,204	-5,064	-7,007	-29,275	-26,104
Wages	-30,523	-6,099	-147	-36,769	-39,866
Depreciation	-11,700	-5,137	-3,066	-19,903	-92,284
Interest	-61,660	-28,725	-13,893	-104,278	-18,434
Tax	0	0	405	405	376
Production result	**29,303**	**7,832**	**-2,175**	**34,960**	**17,969**

GRID	Grid excl. Management	Management	Total 2021	2020
Revenue	-1,187	172,772	171,586	191,773
Oil expenses	0	0	0	-169
Material and services	-14,554	-18,716	-33,270	-33,818
Wages	-30,044	-16,497	-46,541	-43,301
Depreciation	-49,351	-8,380	-57,731	-49,133
Interest	46	-14,368	-14,322	-21,733
Tax	0	-10,452	-10,452	-11,779
Grid result	**-95,090**	**104,361**	**9,271**	**31,839**

Parent / Profit & Loss

Production and Grid by departments

DISTRIBUTION OF REVENUE

Amounts in 1,000 DKK	Production	Grid	Total 2021	2020
Sales	-1,215	590,385	589,171	553,386
Own production and purchased electricity	367,615	-398,434	-30,820	-19,199
Grid responsibility and grid management	20,365	-20,365	0	0
Total revenue	**386,765**	**171,586**	**558,351**	**534,187**

PRODUCTION	Thermal	Hydro	Wind	Total 2021	2020
Revenue	330,784	56,132	-151	386,765	342,415
Oil expenses	-180,394	-3,276	0	-183,669	-164,377
Material and services	-17,201	-5,064	-60	-22,325	-20,121
Wages	-30,523	-6,099	-58	-36,680	-39,773
Depreciation	-61,660	-28,725	-60	-90,444	-81,917
Interest	-11,700	-5,137	0	-16,837	-16,700
Production result	**29,307**	**7,832**	**-328**	**36,810**	**19,526**

GRID	Grid excl. Management	Management	Total 2021	2020
Revenue	-1,187	172,772	171,586	191,773
Oil expenses	0	0	0	-169
Material and services	-14,554	-18,716	-33,270	-33,818
Wages	-30,044	-16,497	-46,541	-43,301
Depreciation	-49,351	-8,380	-57,731	-49,133
Interest	46	-16,217	-16,171	-23,290
Tax	0	-10,452	-10,452	-11,779
Grid result	**-95,090**	**102,511**	**7,421**	**30,283**

SEV
Landavegur 92
Postbox 319
FO-110 Tórshavn

+298 34 68 00
www.sev.fo
sev@sev.fo

Fiscal year: 01.01-31.12
Business Tax Registration No.: 331538