An aerial photograph showing a winding asphalt road along a steep, grassy cliffside. The road curves towards the left, with a few small vehicles visible. To the right of the road is a deep, calm fjord with blue water. In the background, snow-capped mountains rise under a sky with scattered white clouds.

SEV continues to set
new and ambitious
goals on behalf of the
Faroese society



Elfelagið SEV Production Accounts 2019





Management Report

The Board of Directors and Management hereby submit SEV's Production Annual Report and Accounts for fiscal year 1 January - 31 December 2019. The Production Accounts are also a part of the Group's Annual Report.

The Report is drawn up pursuant to the Faroese Financial Statements Act.

It is our opinion that the accounting methods used are suitable and that the Accounts give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2019 and the

result of operations and cash flow for fiscal year 1 January - 31 December 2019.

It also our opinion that the Management Review constitutes a true and fair report on the matters included in it.

The Annual Report is submitted to the Annual General Meeting with a recommendation for approval.

Tórshavn, 3 April 2020

Management

Hákun Djurhuus
Managing Director, CEO

Financial Management

Bogi Bendtsen
Director of Administration, CFO

Board

John Zachariassen
Chairman

Hans Jákup Johannesen
Vice Chairman

Marin Katrína Frýdal

Jónsvein Hovgaard

Sune Jacobsen

Vinjard Tungá

Kristian Eli Zachariasen

Independent Auditor's Report

TO THE MANAGEMENT OF ELFELAGIÐ SEV

OPINION

We have audited the production accounts of Elfelagið SEV for the financial year 1 January - 31 December 2019, which comprise Income Statement, Statement of Financial Position, cash flow statement, and notes. The amounts in the production accounts are part of the annual accounts for Elfelagið SEV for the financial year 1 January – 31 December 2019, which we have audited.

In our opinion, the production accounts for Elfelagið SEV for the financial year 1 January - 31 December 2019 in all material aspects are prepared in accordance with the accounting principles described in the production accounts.

BASIS OF OPINION

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Faroe Islands. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the production 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 Faroe Islands, and we have fulfilled our additional 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.

EMPHASIS OF MATTER IN THE PRODUCTION ACCOUNTS – ACCOUNTING PRINCIPLES

We draw the attention to the introduction in this statement of which it appears that the production accounts are prepared in accordance with the accounting principles described in the production accounts.

This has not affected our opinion on the production accounts.

THE MANAGEMENT'S RESPONSIBILITIES FOR THE PRODUCTION ACCOUNTS

The management is responsible for the preparation of production accounts in accordance with the accounting principles described in the production accounts. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of production accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE PRODUCTION ACCOUNTS

Our objectives are to obtain reasonable assurance about whether the production 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 on aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of these production 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the grid 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 overriding of internal control.

- Obtain an understanding of the internal controls 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 company's internal controls.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

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.

Tórshavn, 3 April 2020

P/F JANUAR

State Authorised Public Accountants

Hans Laksá
State Auth. Auditor

Jógvan Amonsson
State Auth. Auditor

Key Figures

Amounts in 1,000 DKK	2019	2018	2017	2016	2015
Income Statement					
Net sales	328,266	259,063	279,101	265,526	234,920
EBITDA	118,514	94,486	135,653	152,882	95,673
Result before financial items	49,344	20,265	67,830	93,722	36,443
Financial items	-16,476	-9,340	-9,488	-12,116	-11,221
Annual result	32,718	10,650	57,784	81,466	25,222
Balance Sheet					
Total assets	1,696,153	1,565,760	1,347,941	1,137,999	1,049,924
Equity	817,531	789,767	779,117	678,482	699,806
Long-term debt	733,250	437,369	358,941	358,941	349,676

Management Review

MISSION OBJECTIVE OF SEV

Elfelagið SEV is an inter-municipal cooperative electricity utility company. The purpose of the Company is to generate electric power and distribute it to its customers in the participating member municipalities. According to the Articles of Association, the Company shall carry out its purpose consistent with economically sound commercial principles with due regard for the natural environment.

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. This accounting report for the production activities of SEV is a part of the consolidated accounts of SEV. This Management Review discusses SEV's production activities for the period 1 January 2019 to 31 December 2019.

DISTRIBUTION OF OPERATIONAL PROFIT

In 2011, SEV undertook to generate independent accounts for the Production Division and the Grid Division. In this regard, the Company determined to calculate earnings for the Production Division in the same manner as demanded for wind power tenders. Thus, this calculation of earnings affords an accurate picture of production operations, compared to the requirement for a profit and an adequate return on assets of the Production Division.

For the Production Division, this means that it shall always cover all of its costs, including its portion of the costs related to management of the grid and SEV's universal service obligation. In addition, the Production Division shall derive a profit corresponding to around 5% of opening balance equity.

Calculated profit for 2019 was DKK 38.0 million, corresponding to 5.0% of the Production Division's opening balance equity. SEV believes this is a reasonable profit at present, compared to inflation and other investment possibilities. The total result for the Production Division was DKK 32.7 million, which reflects the requirement for self-financing.

According to the Electricity Production Act, Grid

activities shall be financially self-sufficient, such that revenue is sufficient to cover operations, as well as planned necessary investment in infrastructure. For the Grid Division, this means that it shall have a revenue that covers grid-related operational expenses, as well as planned infrastructure investment. Revenue for necessary investment is based on an expectation of self-financing. In the event that investment related to Vision 2030 shall be carried out before other planned investment, it may be necessary to increase the demand for self-financing up to 25%.

When infrastructure investment is needed, a portion of the investment required shall be self-funded, thus negating that the entire investment be financed by a loan facility. SEV has determined that self-financing of some 25% is sufficient and the Production and Grid accounts for 2016-2019 reflect this expectation. The level of self-financing required is based on the budgeted investments in the Production and Grid Divisions.

The level shall be viewed in the context of budgeted investment for a rolling 5-year period. SEV's 2020 budget projects investment for 2019-2023 for the Production Division to be DKK 1,506 million, equalling on average some DKK 301 million annually. The self-financing projected for 2019 is budgeted to be DKK 75 million.

For the Grid Division, projected investment is set at DKK 753 million, of which self-financing equals DKK 38 million for 2019. It is advisable that self-financing is of a sufficient amount and this can be realized only from an operational profit.

Self-financing for each respective year shall be calculated thusly: operational cash flow less interest and instalment repayment costs compared to the requirement of 25% self-financing of the annual average investment over the next five years.

For the Grid Division, this means that the annual result shall be adjusted such that the profit is equal to the expenses incurred by the Grid Division plus a self-financing requirement of 25% of the annual average investment in the grid over the next five years.

Figure 1: Electricity production for the entire country 1954 - 2019

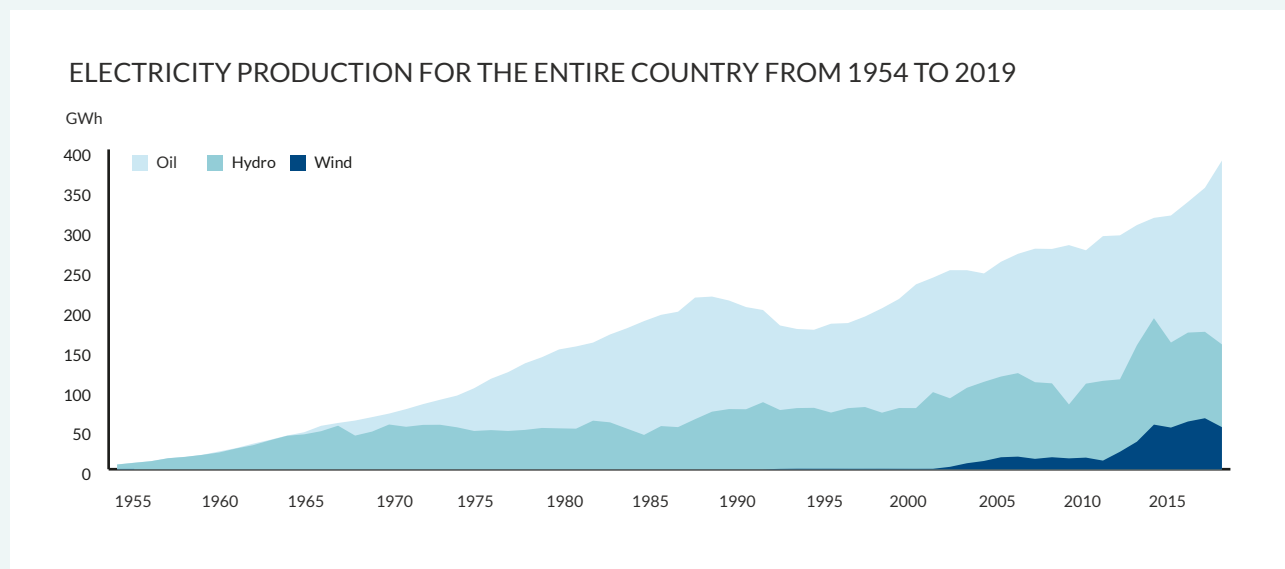


Figure 2: Total monthly electricity production 1988 - 2019

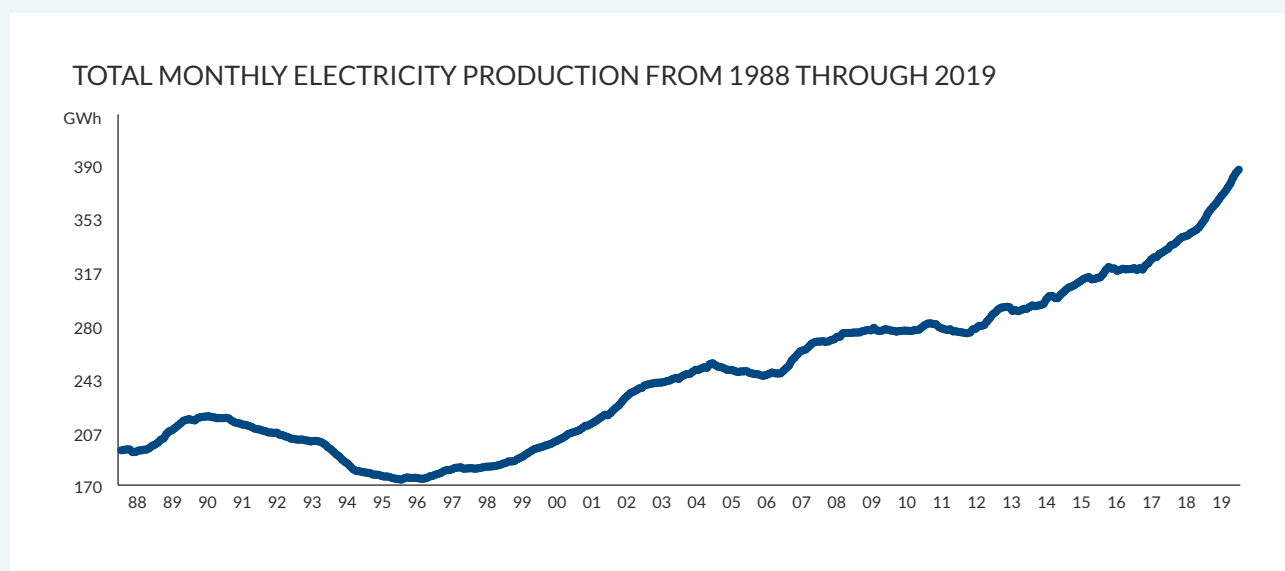
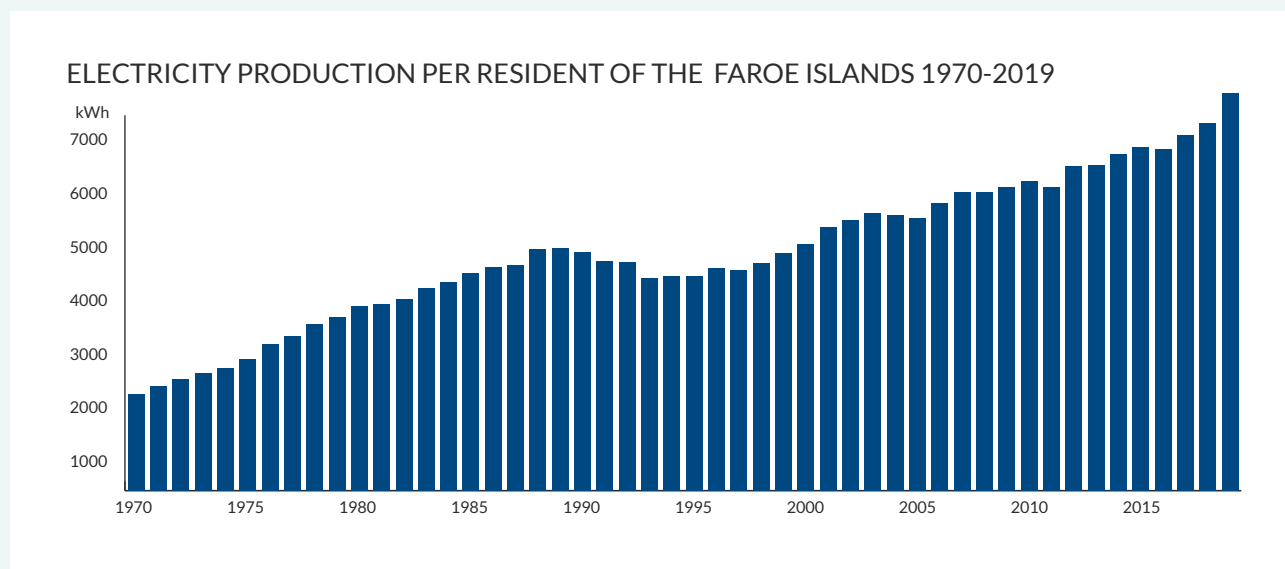


Figure 3: Electricity production per resident of the Faroe Islands 1970 - 2019



Distribution of profit between the Production Division and the Grid Division in previous years was based on an allocation to the Production Division that ensured that all costs were covered, including costs for its respective portion of grid administration and the grid's universal service obligation plus a 5% return on opening balance equity.

Going forward, it will be necessary to increase the revenue of the Production Division relative to the Grid Division such that said revenue corresponds to the increased debt burden borne by the Production Division stemming from the anticipated expansion of the production power plants.

If SEV's total consolidated result was larger than the calculated allotment for the Production Division, the remainder was transferred to the Grid Division. In 2016, this allocation was revised so that the Grid Division is now allotted an adjusted result and not the Production Division.

BUSINESS ACTIVITY OVERVIEW AND FINANCIAL STATUS

MAJOR GROWTH IN ELECTRICITY PRODUCTION

Production measured in GWh for 2019 was 386 GWh, compared to 352 GWh in 2018, or an increase of 34 GWh, corresponding to a production

growth in 2019 of 9.7%, much more than in 2018, but green electricity production declined from 48.8% in 2018 down to 40.4% in 2019. Given these numbers, it can be seen that the need for additional windfarms is urgent.

Electricity production from renewable energy sources declined from 172 GWh in 2018 down to 156 GWh in 2019. This represents a decline of 9.2% in green production over one year. At the same time, demand for electric power increased by 9.7% -- 352 GWh in 2018 to 386 GWh in 2019. Both in 2018 and 2017, the demand for electricity increased by 5.3% relative to the previous year, when green electricity production both years was around 50%.

In 2019, 52.6 GWh was derived from wind energy, and 103.5 GWh came from hydro-power. The remainder – 230 GWh – was generated by the oil-fired thermal power plants. This equates to 60% of total electricity production in 2019 of 386 GWh, the highest production of electricity ever.

The reason for the decline in the green numbers, among other things, can be found in the reality that 2019 was the driest year for the past five years. Plus, there was much less wind last year. Nevertheless, green energy production in the central region of the country was over 80% on 17.2 days last year and on 5.9 days electricity production in the central region was 100% green.

The numbers show clearly the need for more wind turbines. If an 18 MW windfarm had been operational all of 2019, a cautious estimate would suggest that green electricity production would have been around 53%, even though demand for electric power increased by 9.7%. Windpower of 18 MW equates to one and half oil tankers, or, in other words, a savings of DKK 30-40 million in oil costs.

In the central region of the country, production increased by 8.6%, and on Suðuroy, production increased by 22%. The highest power load registered in the central region was 62.4 MW in 2019 and 59.9 MW in 2018, while in Suðuroy the power load increased from 8.3 MW in 2018 to 8.9 MW in 2019.

Table 1
SALES IN GWH

	2018	2019	Change 18-19 GWh	Change 18-19 %
Settled sales to customers, GWh	320.5	350.4	29.9	9.3
Grid loss and own use, GWh	31.5	35.7	4.2	13.3
Total annual production, GWh	352.0	386.1	34.1	9.7
Of which thermal	180.1	230.0	49.8	27.7
<i>Thermal %</i>	51.2	59.6		
Of which hydro	108.1	103.5	-4.6	-4.2
<i>Hydro %</i>	30.7	26.8		
Of which wind	63.8	52.6	-11.2	-17.5
<i>Wind %</i>	18.1	13.6		
Total green energy production	171.9	156.1	-15.7	-9.2
Green energy %	48.8	40.4		

Figure 4: Geographical division of electricity production 2019

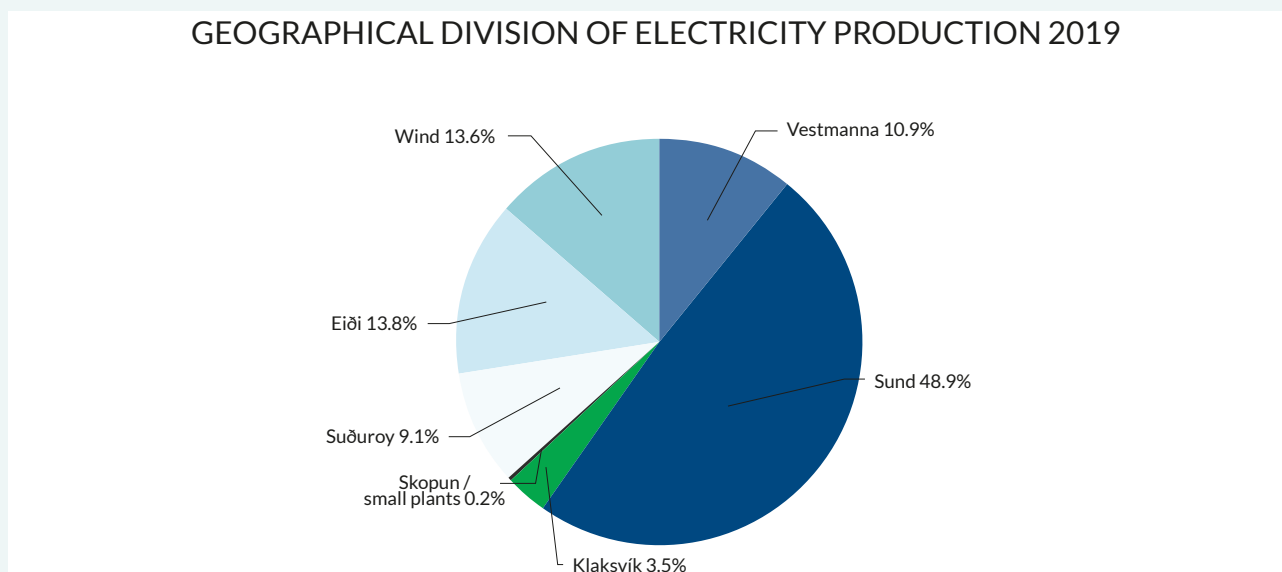


Figure 5: Electricity production by hydro power plants 2019

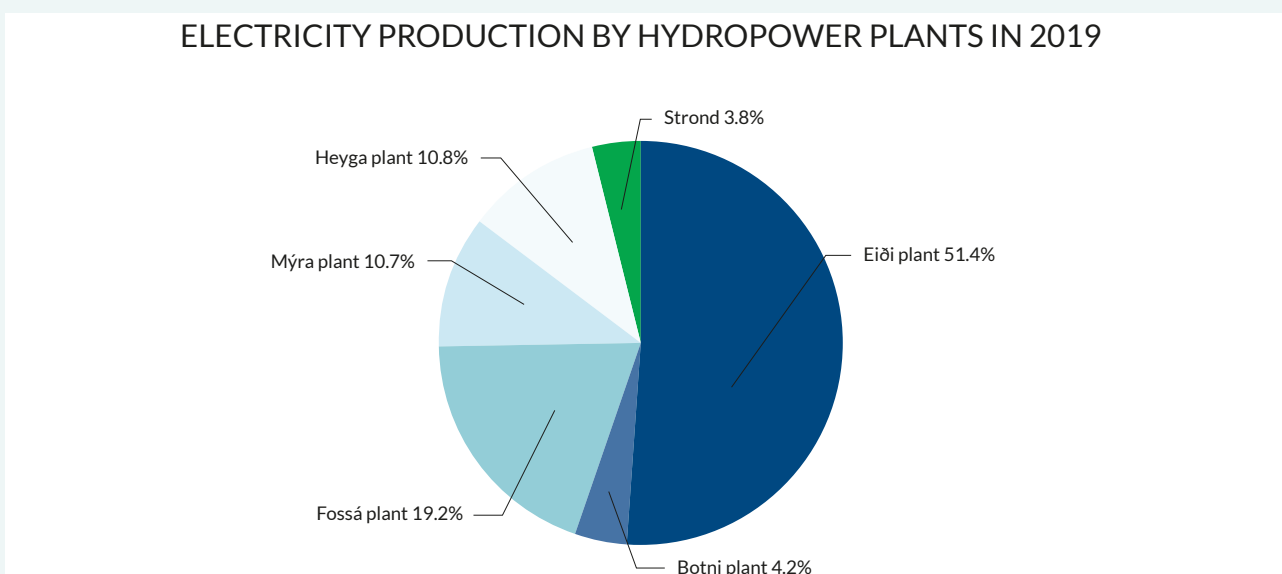
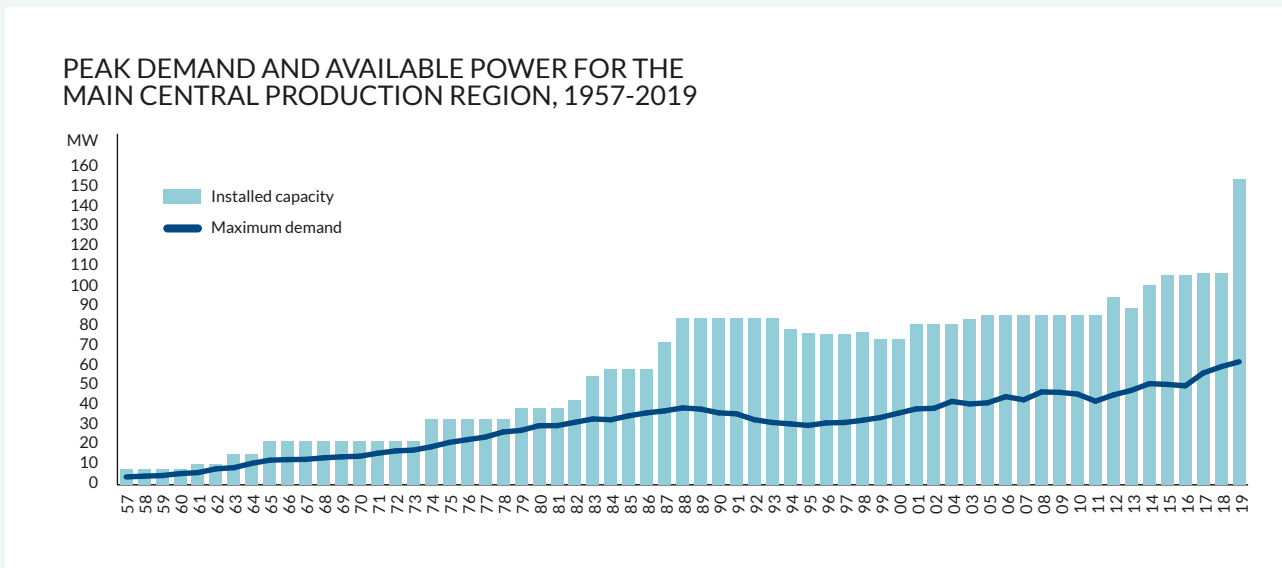


Figure 6: Peak demand and available power for the main central region 1957 - 2019



For many, many years, electricity production has fluctuated, as shown in Figure 1 which represents electricity production for the entire country from 1954 to 2019.

As the Figure shows, there has been a steady growth in electricity production since 1954 up to the financial crisis in the 1990s, when electricity production began to decline based on declining consumption. Not until 1996 did electricity production begin to grow again, culminating in a new record of 386 GWh in 2019.

As can also be seen, hydro-power electricity production increased significantly by the end of the 1980s, following the opening of the new Eiði hydro-power plant. Hydro-power generation again increased from 2002 through 2007 because of the Eiði 3 power plant, and subsequently has remained quite stable. During 2010 and 2011, a complete overhaul was carried out on the turbines and penstocks at the Fossá and Heyga power plants. Turbine 1 at the Eiði power plant was overhauled in 2012 and Turbine 2 was upgraded in 2013. This reconditioning is reflected in the production figures shown in the graph above, because production fell off during 2010 and 2011. It can also be seen that in 2010 and 2013 it rained very little compared to other years. During the month of June 2012, SEV inaugurated the new Turbine 3 at the Eiði hydro-power plant, which together with Eiði 2 South increased hydro-power electricity production by some 14 GWh annually. The tunnel project was completed at year-end 2013.

In November 2012, the windfarm at Neshagi came online, and on 9 October 2014 the new windfarm at Húsahagi also came online. Figure 2 shows the monthly electricity production from 1987 to and including December 2018. As seen, production declined in 2011, while production grew steadily during the twelve months of 2012 only to decline and then again grow somewhat in 2013; growth continued in 2014 through 2018. In 2018 (and also in 2017), growth was 5.3%.

Figure 3 shows electricity production in the Faroe Islands per resident from 1970 to 2019.

The Figure shows the same pattern as in Figure 1

and 2, which show the total electricity production for the entire country.

SEV has production facilities around the country, divided up into various production sources, i.e. thermal, hydro-power and wind.

Figure 4 shows the geographical distribution of SEV's production in 2019. As Figure 4 shows, the largest amount of electricity is produced by the Sund thermal power plant, while the next largest is produced by the hydro-power plant at Eiði, which in 2019 was 53.2 GWh. Total hydroelectric production equalled 103.5 GWh, while production at the Sund thermal power plant equalled 188.9 GWh.

Figure 5 shows the relative production of the hydro-power plants in 2019. As Figure 5 shows, the largest hydroelectric plant is located at Eiði; next is the Fossá hydro-power plant in Vestmanna.

SEV is bound by a universal service obligation. This means that SEV shall always have sufficient power available to meet the demand for electricity. Figure 6 shows the amount of available reserve power versus peak demand for the central region of the country from 1957 through 2019.

The Figure shows the amount of available reserve power maintained by SEV, compared to peak electricity consumption. The reason SEV has such a large amount of available reserve power is that a large portion of electricity production is derived from unstable energy resources. Thus, it is necessary to ensure that alternative energy supplies are available.

The increase in available reserve power in 2012 is the result of the new turbine at the Eiði hydro-power plant and the windfarm at Neshagi. The decline in 2013 of 5.3 MW reflects the fact that the M3 motor at the Sund thermal power plant was off-line. The increase in 2014 and 2015 reflects the installation of two new motors at the Sund plant to replace the M3 motor generating some 4.8 MW, plus the windfarm at Húsahagi producing some 11.7 MW. In 2016, the new motor at the Vágs thermal power plant came online, adding 4.0 MW. In 2017 and 2018, there was no increase in available reserve power, but in 2019 SEV purchased a

Figure 7: Electricity demand over a 24-hour period, Wednesday, 2 October 2019 in the main region

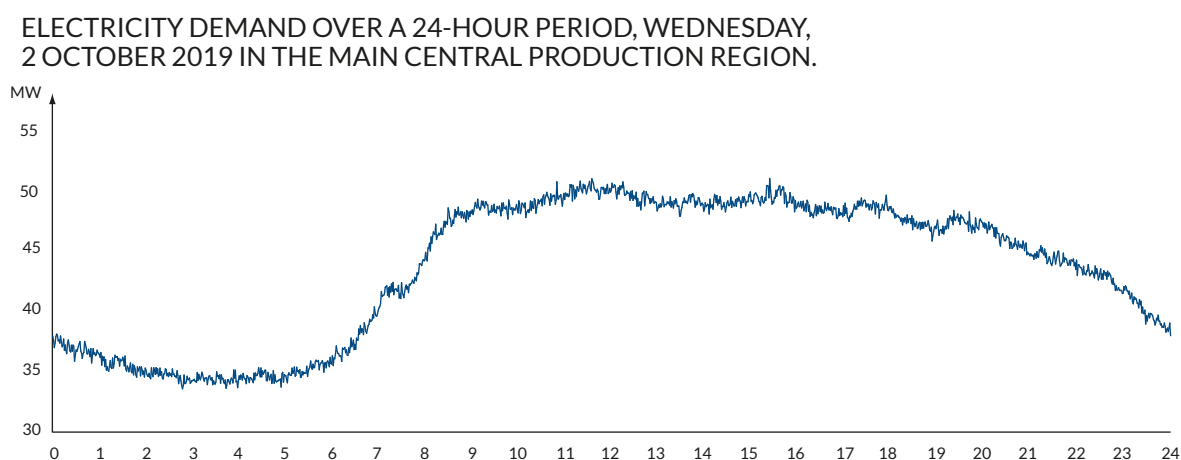
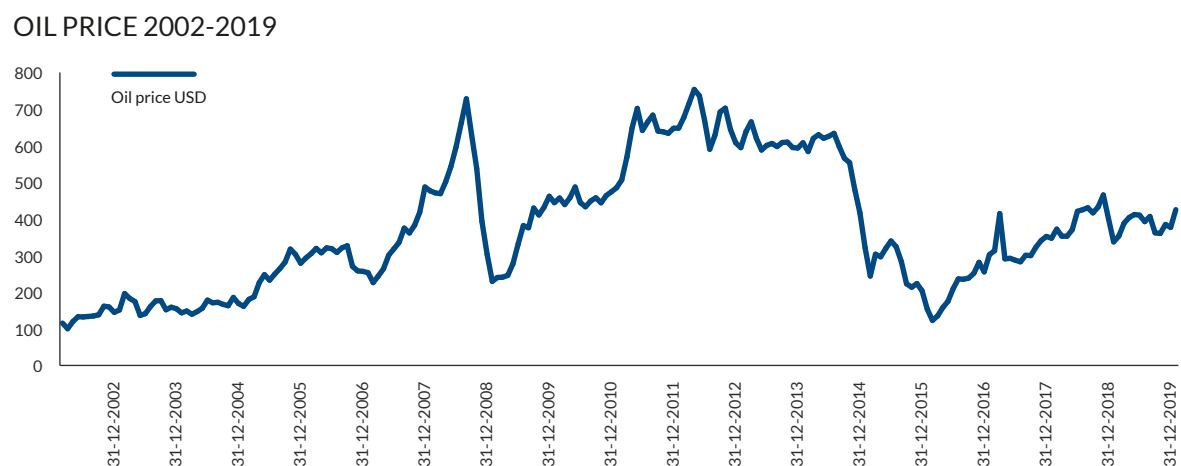


Figure 8: DKK/USD exchange rate 2004 - 2019



Figure 9: USD oil price per tonne heavy fuel oil 2002 - 2019



reserve containerized motor with a total power of 8.0 MW. In addition, the new Station 3 at the Sund power plant was completed and trial runs of the motor were initiated in November 2019. This represents an increase of available power of some 38 MW.

Figure 7 shows demand over a 24-hour period on Wednesday, 2 October 2019 in the central region. Thus, the Figure shows 24-hour demand on a normal day in 2019. As can be seen, demand is rather even from 9:00 in the morning to 20:00 in the evening. Over the last several years, average 24-hour demand has in the main remained unchanged.

To meet the demand for electricity power, SEV has a diversified source of power that encompasses oil-fired thermal motors, hydro-power turbines and

or 57.1% and the Vágs thermal power plant generated DKK 38.7 million or 11.8%.

Thus, the two largest oil-fired thermal production plants generated an income of nearly DKK 226.3 million in 2019, corresponding to 68.9% of total Production Division income. The operational result for the Production Division in 2019 yielded a surplus of some DKK 32.7 million, compared to DKK 10.7 million in 2018, taking into consideration the requirement for self-financing.

TOTAL EXPENSES

Total expenses in 2019 were DKK 295.5 million. Expenses encompass oil purchases, operating expenses, depreciation, finance costs and taxes. Operational expenses are generally subdivided into wages for employees, and materials and services. For the production plants, oil expense is by far the greater part of total expenditures.

OIL EXPENSES

Grounded in the operational strategy that the Company had adopted to strive to hold to the approved budget, the Company hedged its heavy oil purchase for 2019, which resulted in a cost lower than originally budgeted. A more detailed analysis of SEV's long-term risk management strategy is available in the Group's Consolidated Annual Accounts found at www.sev.fo.

The oil price that SEV shall pay is dependent upon price quotes on the oil market and the USD currency exchange. The trend for the dollar in 2019 is shown in Figure 11.

Table 3 shows an overview of oil consumption and oil expenses for 2018 and 2019, distributed among heavy oil, gas oil, lubricating oil, etc.

The Figure shows a greater expense in 2019 compared to the previous year of some DKK 38 million. In 2019, SEV consumed 8,250 tonnes more of heavy oil and this increased consumption equalled DKK 24 million compared to the previous year. The usage of gas oil increased considerably compared to the previous year. This is a result of the supply obligation of SEV and resulted in an increase of DKK 14 million over the previous year.

Table 2
OIL CONSUMPTION, TONNES

	2018	2019	Change tonnes	Change %
Heavy fuel oil	35,976	44,226	8,250	22.9
Gas oil	1,607	4,374	2,767	172.2
Total	37,583	48,600	11,017	29.3

wind turbines. In addition, a solar array was set up in Sumba, which is part of a research project. Soon, tidal current turbines will be set out in Vestmanna Sound, which are also part of a research project.

TOTAL REVENUE

Total income for the Production Division in 2019 was DKK 328.3 million. Of this income, the Sund thermal power plant generated DKK 187.6 million,

Table 3
OIL EXPENSE, DKK MILLION

	2018	2019	Change DKK MM	Change %
Heavy fuel oil	85.8	109.6	23.8	27.8
Gas oil	12.4	26.3	13.9	112.1
Lubricating oil, urea	7.4	7.8	0.4	5.4
Total	105.5	143.7	38.1	36.1

Figure 10: Oil consumption in tonnes 1990 - 2019

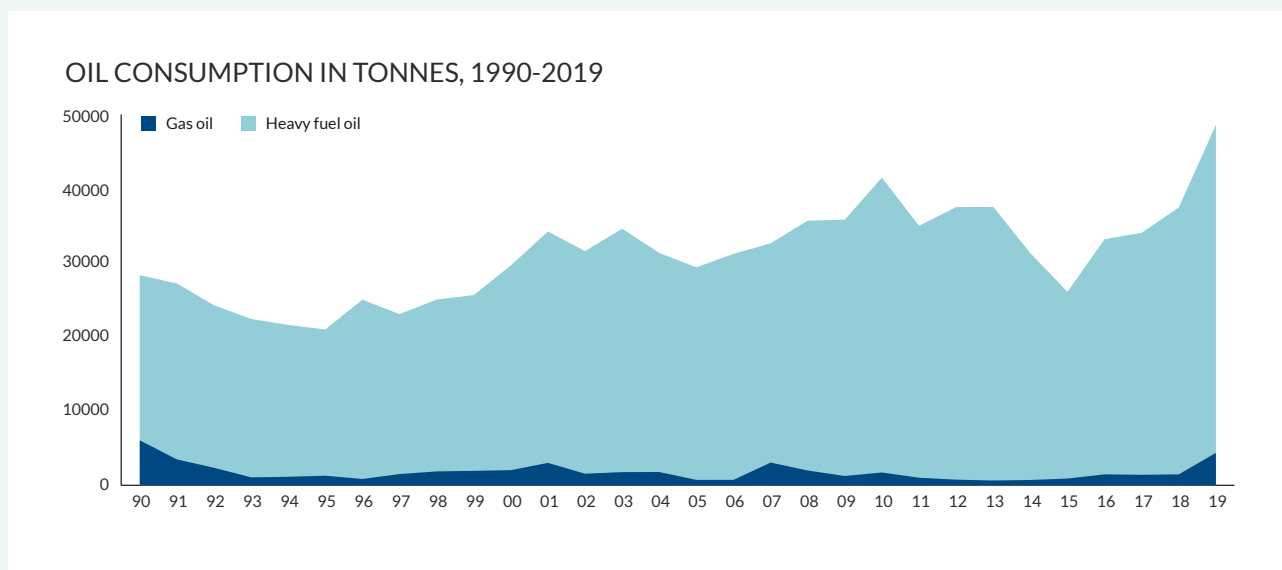
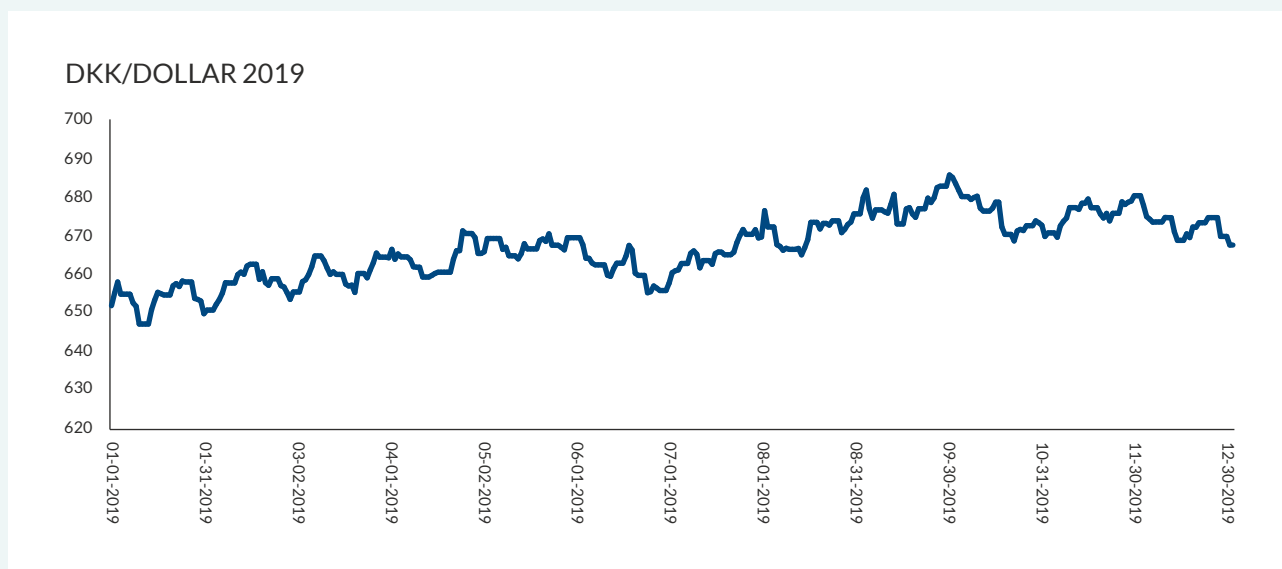


Figure 11: DKK/USD exchange rate 2019



The average cost for each tonne of heavy oil was DKK 2,478 in 2019, compared to DKK 2,384 per tonne in 2018. Thus, in 2019 heavy oil cost an additional DKK 94.00 per tonne, compared to 2018.

The average cost for each litre of gas oil was DKK 6.06 in 2019, compared to DKK 5.61 in 2018. Thus, the cost is DKK 0.45 higher than in 2018.

Figure 9 shows the trend in oil prices from 2002 to the end of 2019.

The price of oil has increased throughout 2019. At the beginning of the year, the average price was USD 353 for every tonne of heavy oil, while at the end of the year the price was USD 425. The average price for 2019 was USD 390.

For the Production Division, oil expenses equate to 49% of total costs and depreciation for 2019. Therefore, the trend in oil prices and the exchange rate of the US dollar has a major impact on the operational result.

Figure 10 shows an overview of oil consumption relative to the production of electricity from 1990 to 2019, distributed between gas oil and heavy fuel oil.

MATERIALS AND SERVICES

In 2019, power plant expenses for materials and services equalled DKK 27.6 million, compared to DKK 22.4 million in 2018. This equates to an increase in consumption of DKK 5.2 million.

In 2019, expenses for materials and services at the Sund thermal power plant amounted to DKK 12.0 million, compared to DKK 9.5 million in 2018, or 43.5% of total expenses for materials and services in 2019. The Vágs thermal power plant contributed DKK 3.1 million toward total expenses in 2019, compared to DKK 2.1 million in 2018. This equates to 11.3% of total costs.

For further details on costs for the last several years, please refer to the Group's Consolidated Annual Accounts found at www.sev.fo.

GRID CONTROL AND SYSTEM SERVICES

The total expenses incurred by the power plants reflect not only the cost of electricity production, but also a portion of the costs related to controlling the grid and system services.

System services include the planning and control of available generating power, spinning reserve, reactive reserve, regulating power and regulating frequency.

Total expenses can be subdivided into the expenses for planning and control of available generating power, spinning reserve, reactive reserve, regulating power and regulating frequency. The electricity production plants sell their power production to the Grid Division. This payment by the Grid Division includes the price of electricity and the system services attributed to the respective production plants.

EXPENSES RELATED TO MANAGING THE POWER GRID

The Suðuroy electricity grid is managed at the production plant in Vágur, while management of the power grid for the central region of the country takes place at the Fossá power plant in Vestmanna.

The total expense for the management of the power grid at the Fossá power plant of DKK 2.3 million is calculated thusly: total employee expense at the Fossá power plant (DKK 3.0 million for a normal operational year) minus employee expenses related to the operation of the power plant itself per operational year (DKK 0.7 million). The cost to operate the power plant itself is deemed to be the same as the cost to run the Mýra and Heyga power

plants combined, which corresponds to DKK 0.7 million for a normal operational year. The same cost for managing the power grid at the Fossá power plant is used as the basis for the cost of managing the power grid on Suðuroy, corresponding to DKK 2.3 million.

EXPENSES RELATED TO SYSTEM SERVICES

The expenses related to providing the system services are estimated to be 5% of total operational expenses, including depreciation for the Sund and Vágs power plants, which equals DKK 9.5 million and DKK 1.6 million, respectively. This reflects a "best estimate" calculation.

The cost of the system services relative to the grid is, additionally, based on SEV's operational cost for its smaller power plants around the country that are deemed to be auxiliary power plants or reserve power. The smaller plants receive a reimbursement for employee expenses and supplies relative to operations in return for a supply guarantee. The remaining costs are recovered via a purchase of production for resale agreement. The Strond power plant receives reimbursement for its operational related employee expenses and supplies relative to the thermal production of electricity in return for a supply guarantee. The remaining costs are recovered via a purchase of production for resale agreement.

TOTAL EXPENSES RELATED TO SEV'S GRID CONTROL AND SYSTEM SERVICES

The total cost for managing the country-wide power grid is DKK 4.6 million. The cost for system services at the Sund and Vágs thermal power plants is stipulated at DKK 11.1 million. The cost of system services from the other power plants is DKK 5.1 million. The total cost grid control and system services is DKK 20.8 million.

WAGE EXPENSES

Employee wage expenses relative to the Production Division were DKK 38.5 million in 2019, compared to DKK 36.7 million in 2018, equating to an increase of DKK 1.8 million.

In 2019, the Sund power plant had DKK 20.8 million, or 54.0%, of total employee expenses. The Vágs power plant had DKK 5.9 million, or 15.4%.

Employee expense for the Fossá power plant was DKK 5.0 million in 2019, corresponding to 13.0%. The reason for the increased employee expense for both the Fossá and Vágs power plants relative to production is based on the management and control of the power grid in the main region and on Suðuroy. The Grid Division reimburses these expenses to the production units, as explained above.

In conclusion, one can see that the employee expense at the thermal power plants accounts for the vast majority of this total expense. The hydro-power facilities and the windfarms only account for DKK 7.7 million or 20.0% of the total employee expense, of which only a part is the cost of managing the grid.

FINANCIAL EXPENSES

Interest expense was DKK 16.5 million in 2019, compared to DKK 9.3 million in 2018.

DEPRECIATION

Depreciation for 2019 was DKK 69.2 million, compared to DKK 74.2 million in 2018, which is DKK 5.1 million lower.

The reason for the lower depreciation in 2019 is especially related to the Sund Power Plant, where a considerable investment from the 1980s was finally fully depreciated in 2018 and thus is not included in the depreciation basis for 2019.

INVESTMENTS

Investment in fixed assets was DKK 207.3 million in 2019, compared to DKK 282.2 million in 2018, as Table 5 shows.

The largest investments in production may be subdivided thus, as Table 6 shows.

Tables 7 and 9 show the investment trends, work-in-progress and assets directly booked as a fixed asset (depreciation basis).

Asset transfers from work-in-progress and assets directly booked as a fixed asset (depreciation basis) amounted to DKK 32.9 million in 2019, compared to DKK 131.0 million in 2018. Consult the Work-in-progress accounts and Note 7 in the Consolidated Annual Accounts.

Table 4
DEPRECIATION, DKK MILLION

	2018	2019	Change DKK MM	Change %
Sund	23,3	17,9	-5,4	-23,1
Vágur	8,5	8,9	0,3	4,1
Fossá	4,6	4,8	0,3	6,1
Heyga	2,1	2,2	0,0	1,7
Mýru	1,5	1,7	0,2	16,9
Eiði	19,8	19,9	0,1	0,4
Verkið í Botni	0,6	0,6	0,1	11,8
Verkið á Strond	1,5	1,6	0,1	5,7
Wind farms	10,4	10,4	0,0	0,0
Smaller plant	1,9	1,1	-0,8	-42,2
Total	74,2	69,2	-5,1	-6,8

Table 5
INVESTMENT BY PLANT, DKK MILLION

	2018	2019	Change DKK MM	Change %
Sund	255.3	193.1	-62.3	-24.4
Vágur	6.7	4.4	-2.3	-34.5
Fossá	0.4	0.7	0.3	61.2
Heyga	0.1	0.8	0.7	959.7
Mýru	1.8	0.4	-1.5	-80.5
Eiði	2.6	0.3	-2.3	-88.8
Verkið í Botni	4.7	0.8	-3.9	-82.7
Verkið á Strond	5.4	1.7	-3.7	-68.8
Wind farms	2.8	3.7	0.9	31.2
Smaller plant	2.3	1.5	-0.7	-32.6
Total	282.2	207.3	-74.9	-26.5

Table 6
LARGEST INVESTMENTS 2019, DKK MILLION

	2019
Sund, Station 3	170.3
Sund, auxillary power	15.2
Wind power, main area	2.0
Wind power, Porkeri	1.7
Vágur, new bottom fuel tank HF01	1.7
Tilsaman	190.9

Table 7
INVESTMENTS, DKK MILLION

	2018	2019
Investment booked as work-in-progress	277.3	204.9
Investment booked directly as transition	4.9	2.4
Investments at year-end	282.2	207.3

Table 8
WORK-IN-PROGRESS, DKK MILLION

	2018	2019
Opening balance	363.0	514.2
Investment booked to work-in-progress	277.3	204.9
Work transferred to fixed assets	-126.2	-30.5
Closing balance	514.2	688.6
Changes to work-in-progress	151.2	174.4

Table 9
TRANSFER TO FIXED ASSETS, DKK MILLION

	2018	2019
Work transferred to fixed assets	126.2	30.5
Investments booked directly to fixed assets	4.9	2.4
Transfers at year-end	131.0	32.9

Table 10
LARGEST TRANSFERS TO FIXED ASSETS, DKK MILLION

	2019
Sund, auxillary power	15.3
Fossá, sluice gate	2.6
Sund, engines M4/M5	2.4
Vágur, new bottom fuel tank HF01	2.4
Tarmac on road in Fonsdal	1.3
Tilsaman	23.9

The largest Production Division investments transferred to work-in-progress are shown in Table 10.

For a more detailed discussion regarding investment, refer to the Consolidated Annual Accounts at www.sev.fo.

LIQUIDITY

Liquidity has not been divided between the Production Division and the Grid Division. SEV utilizes an internal transfer pricing mechanism to balance the accounts of the two divisions. Thus, the liquidity of the production units is set to DKK 0.00 million, while all the activities of the power plants are financed by payments from the Grid Division, thereby securing the necessary liquidity. The same is applicable to the windfarm companies that are also financed by the Grid Division.

At year-end 2019, SEV's total liquidity was DKK 125 million, against DKK 191 million in 2018. In addition, there are the unused drawing rights and line of credit provided by the credit loan facilities of financial institutions which equalled DKK 565 million, or a total of DKK 690 million.

Most of the available drawing rights shall finance investments in the coming years. It is deemed necessary to have sufficient liquidity to cover daily operations of the Company. Additionally, it is considered advisable to maintain adequate liquidity, given the instability of the global financial markets.

The goal is to maintain sufficient liquidity so that SEV is always able to pay cash for an oil purchase or to cover the cost of any damage at the power plants or to the grid. Furthermore, it is deemed necessary to have sufficient liquidity to cover daily operations of the power plants and the grid. Further details on the Company's liquidity are available in the Group's Consolidated Annual Accounts available on the Company's website, www.sev.fo.

SPECIAL RISKS

Please confer the Group's Consolidated Annual Report and Accounts for a detailed discussion of risk assessment and management, available at www.sev.fo.

PROSPECTS FOR OPERATIONS IN 2020

Based on the budget for 2020, the result before taxes is projected to be around DKK 32.0 million. This result, in and of itself, is not considered satisfactory by management, given that the net debt to EBITDA for the SEV consortium does not fall within the stipulated factor of 6.0. However, considering the concrete steps undertaken by the Company and those that are planned, management is, on the whole, satisfied with the financial status and the fiscal prospects of the Company.

Operating expenditure is budgeted at DKK 60 million in 2020, compared to DKK 66.1 million in 2019, corresponding to a lower expenditure of DKK 6.1 million.

Oil expenditure is budgeted at DKK 160 million in 2020, compared to DKK 143.7 million in 2019, which is DKK 16.3 million higher. The Company's long-term risk management strategy is to hedge the oil purchase price for the year at no higher than the budgeted price.

The Company hedged the purchase of oil for 2020 via agreements executed in 2016, 2017, 2018, 2019 and 2020. It is anticipated that the oil costs for 2020 will be somewhat higher than projected in the budget because the price levels stipulated in the hedging agreements were somewhat higher than projected in the budget. Moreover, market value adjustments on oil inventories will also affect the expense in 2020.

Depreciation is budgeted at DKK 94 million in 2020 versus DKK 69.2 million in 2019. Interest expenditure is expected to increase due to an increase in debt for financing the investments in the Sund thermal power plant. Interest expenditure is expected to be higher in 2020 than in 2019.

Given a satisfactory projected surplus in 2020, the production operations share will provide sufficient self-financing for investments. It is critical for production operations to provide its share of financing for future investments in existing power plants and new investments in renewable energy sources.

More information for 2020 can be found in the

Operational, Financial and Investment Budget Plan for 2020 available at www.sev.fo.

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 Production Accounts are prepared in the same manner as the Group Accounts, albeit without the consolidation and elimination of internal postings in the income statement and balance sheet. This is done in order to give the reader the best possible insight into all the production activity of the SEV group. 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.

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 is based on the total wage cost of the Fossá plant, less the wages required for the normal operation of the plant. The same method is used on Suðuroy, although there the basis are the wages on 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 plant	10-50 ár	0 %
Buildings	50 ár	0 %
Production equipment, furnishings	3-5 ár	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 at 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 described below. 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 hedged 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 of 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 instalment 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.

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.

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

Income Statement 1 January – 31 December

Amounts in 1,000 DKK

Note	2019	2018
1 Net sales	328,266	259,063
2 Oil expenses	-143,665	-105,522
3 Materials and services	-27,590	-22,356
Gross proceeds	157,011	131,185
4 Wages	-38,497	-36,700
Depreciation, amortization and impairment of fixed assets	-69,170	-74,221
EBITDA	49,344	20,265
5 Financial items	-16,476	-9,340
Result before tax	32,869	10,925
6 Tax on annual result	-150	-274
Annual result	32,718	10,650
Proposed distribution of result:		
Result carried forward	32,718	10,650
Total distribution	32,718	10,650

Balance Sheet 31 December

ASSETS in 1,000 DKK

Note	2019	2018
Tangible fixed assets		
7, 14 Power plants	970,365	1,006,299
7 Buildings and land	4,486	4,617
7 Operating equipment	1,466	1,680
7 Investment work-in-progress	688,642	514,204
Total tangible fixed assets	1,664,960	1,526,799
Total fixed assets	1,664,960	1,526,799
Current assets		
Oil inventory	17,403	24,184
Total inventory	17,403	24,184
Goods and services receivables	0	296
Inter-company account Grid	10,576	8,604
6 Tax asset	126	134
Prepayments and accruals	3,089	5,743
Total receivables	13,790	14,778
Total current assets	31,193	38,961
Total assets	1,696,153	1,565,760

Balance Sheet 31 December

LIABILITIES in 1,000 DKK

Note		2019	2018
	Equity		
8	Equity subsidiary companies	29,000	29,000
	Result carried forward	788,531	750,117
	Total equity	817,531	779,117
	Provisions		
6	Deferred tax	1,247	704
	Total provisions	1,247	704
	Debt		
9	Long-term debt	733,250	445,800
	Total long-term debt	733,250	445,800
9	Current portion of long-term debt	8,619	8,248
	Inter-company account Grid	129,392	110,665
	Other liabilities	6,114	3,407
	Total short-term debt	144,125	122,320
	Total debt	877,375	568,120
	Total liabilities	1,696,153	1,347,941
10	Production result by plant		
11	Overview of production units		
12	Mortgages and other liabilities		

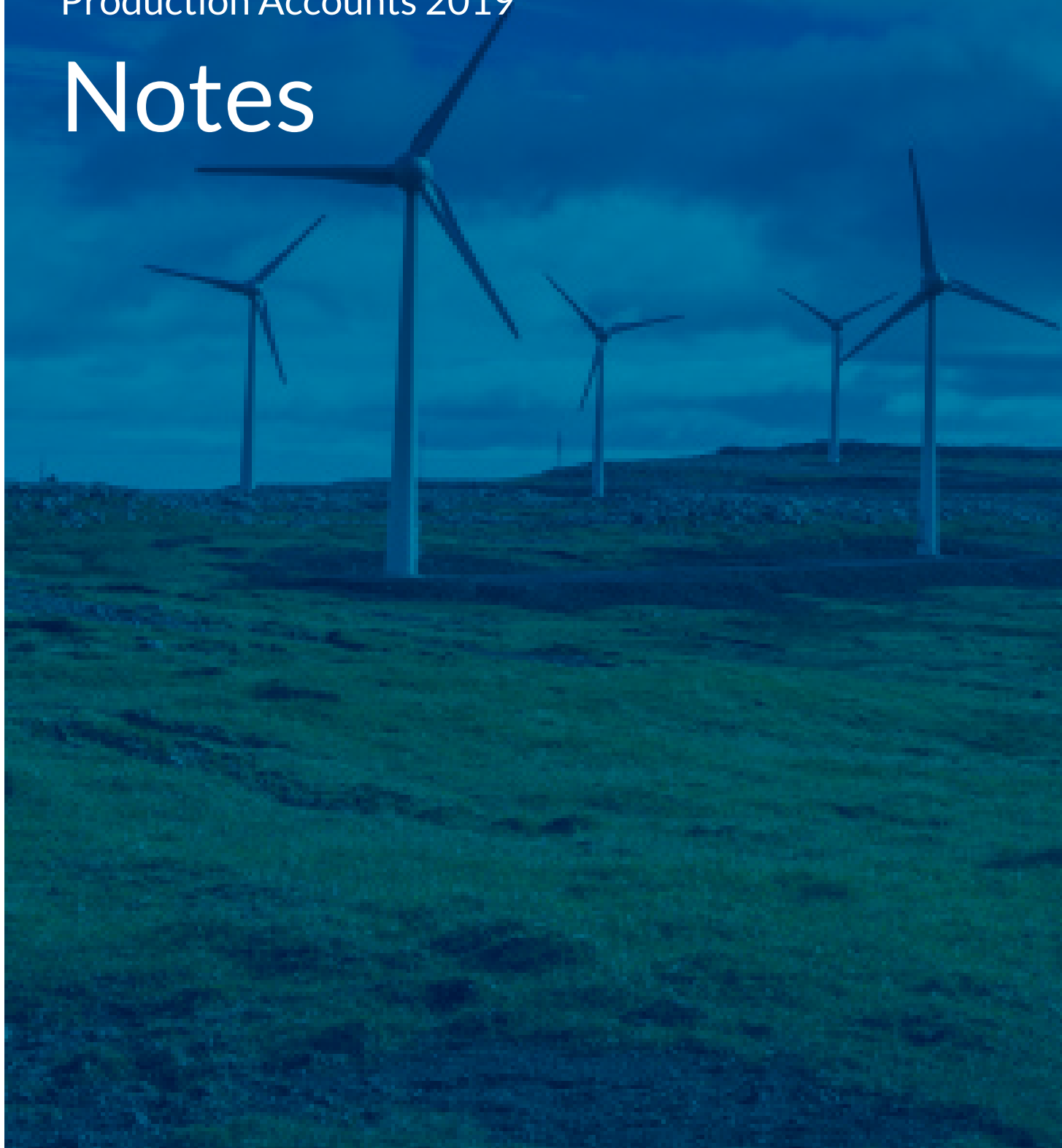
Cash Flow Statement

Note	Amounts in 1,000 DKK	2019	2018
	Annual result	32,718	10,650
16	Adjustments	85,796	83,835
	Changes in working capital:		
	Inventories	6,781	-7,513
	Receivables	2,951	-424
	Inter-company account Grid	102,810	216,816
	Other liabilities	1,182	-3,582
	Operating cash flow before financial items	232,238	299,782
	Interest paid and similar expenses	-16,476	-9,340
	Cash flow from operations	215,762	290,442
	Investment in tangible fixed assets	-30,515	-131,007
	Changes to work-in-progress	-176,815	-151,188
	Cash flow from investments	-207,330	-282,195
	Repayments of long-term debt	-8,431	-8,248
	Cash flow from financing	-8,431	-8,248
	Total cash flow during the year	0	0
	Opening cash-on-hand	0	0
	Closing cash-on-hand	0	0



Production Accounts 2019

Notes





Notes 1–3

1. NET SALES

Amounts in 1,000 DKK	2019	2018
Own production	307,456	239,723
System services	20,781	18,836
Other sales	29	504
Total	328,266	259,063

2. OIL EXPENSES

Amounts in 1,000 DKK	2019	2018
Gas oil	26,330	12,416
Heavy fuel oil	109,585	85,754
Lubricating oils, urea	7,749	7,352
Tilsamans	143,665	105,522

3. MATERIALS AND SERVICES

Amounts in 1,000 DKK	2019	2018
Lines	14	42
Dams, pipelines and tunnels	70	22
Tanks and environmental	107	247
Motors	10,480	8,832
Electric and technical	413	386
Buildings and land	745	696
General Meeting and Board	239	383
Studies and consultancy	5,913	4,259
IT	857	689
Management and office expenses	570	678
Other operating expenses	686	395
Other administrative expenses	7,497	5,727
Total	27,590	22,356

Notes 4–6

4. EMPLOYEE EXPENSES

Amounts in 1,000 DKK	2019	2018
Wages	33,983	32,582
Pensions	3,188	2,927
Contributions	1,327	1,191
Total	38,497	36,700
Employees with SEV as main source of personal income	63	57
Average number of employees	77	66

5. FINANCIAL EXPENSES

Amounts in 1,000 DKK	2019	2018
Interest, loans and bank debt, etc.	16,476	9,340
Total	16,476	9,340

6. TAXES ON ANNUAL RESULT

Amounts in 1,000 DKK	2019	2018
Deferred tax	142	401
Tax asset	9	-127
Total	150	274

Note 7

7. TANGIBLE FIXED ASSETS

Amounts in 1,000 DKK	Production	Grid	Buildings	Equipment	Total 2019	2018
Acquisition value, opening balance	2,145,402	44	5,086	7,643	2,158,175	2,033,165
Additions during the year	32,477	0	0	415	32,892	138,187
Transferred to Grid	0	0	0	0	0	-5,997
Disposals during the year	0	0	0	0	0	-7,180
Acquisition value year-end	2,177,879	44	5,086	8,058	2,191,067	2,158,175
Depreciation opening balance	-1,139,289	142	-469	-5,963	-1,145,580	-1,073,354
Depreciation for the year	-68,409	-1	-131	-629	-69,170	-81,402
Depreciation transferred to Grid	0	0	0	0	0	1,995
Depreciation reversed on disposals	0	0	0	0	0	7,180
Depreciation closing balance	-1,207,698	140	-600	-6,592	-1,214,749	-1,145,580
Book value year-end	970,181	185	4,486	1,466	976,318	1,012,595
Book value year-end 2018	1,006,113	186	4,617	1,680	1,012,595	
Work-in-progress						
Opening balance	513,686	7	511	0	514,204	363,016
Investment booked to work-in-progress	204,876	7	30	0	204,913	277,343
Completed work transferred to depreciation	-30,475	0	0	0	-30,475	-126,155
Closing balance	688,087	14	541	0	688,642	514,204
Closing balance year-end 2018	513,686	7	511	0	514,204	
Fixed assets year-end	1,658,268	199	5,027	1,466	1,664,960	1,526,799
Fixed assets year-end 2018	1,519,799	193	5,128	1,680	1,526,799	

Notes 8–10

8. EQUITY

Amounts in 1,000 DKK	Share capital	Result carried forward	Total
Equity statement 01.01.18 - 31.12.18			
Opening balance 01.01.18	29,000	750,117	779,117
Annual result	0	10,650	10,650
Closing balance 31.12.18	29,000	760,767	789,767
Equity statement 01.01.19 - 31.12.19			
Opening balance 01.01.19	29,000	760,767	789,767
Annual result	0	32,718	32,718
Closing balance 31.12.19	29,000	793,485	822,485

9. DEBT

Amounts in 1,000 DKK	Repayments next year	Outstanding debt after 5 years	Total debt 31.12.19	Total debt 31.12.18
Debt to financial institutions	0	663,441	663,441	358,941
Debt to parent company	8,619	42,784	78,428	86,859
Total	8,619	706,225	741,869	445,800

On long-term debt to financial institutions, there is no repayment due next year and the current loan agreement is due and payable on average in 6.3 years. On debt due to the parent company SEV, the repayments due next year are calculated on the basis of annuity loans starting in 2016 repayable over 10 and 12 years, respectively.

10. PRODUCTION RESULT BY PLANT

Amounts in 1,000 DKK	Revenue	Oil	Materials	Wages	Depreciation	Interest	Taxes	Total
Sund power plant	187,580	-113,288	-12,011	-20,773	-17,931	-7,657	0	15,920
Vágur power plant	38,710	-15,675	-3,126	-5,916	-8,890	-1,787	0	3,316
Fossá power plant	13,061	0	-999	-5,001	-4,848	0	0	2,213
Heyga power plant	4,054	-13	-336	-251	-2,169	0	0	1,285
Mýra power plant	3,647	0	-445	-249	-1,713	0	0	1,240
Eiði power plant	35,032	0	-2,122	-1,964	-19,855	-5,137	0	5,953
Botnur power plant	1,605	0	-344	-96	-623	0	0	543
Strond power plant	19,752	-12,300	-1,485	-2,760	-1,604	0	0	1,603
Wind power	19,537	0	-6,353	-93	-10,423	-1,894	-150	624
Small power plants	5,288	-2,390	-368	-1,394	-1,112	0	0	23
Production result	328,266	-143,665	-27,590	-38,497	-69,170	-16,476	-150	32,718

Note 11

11. POWER PLANT OVERVIEW AS AT 31 DECEMBER 2019

Location	Unit	MW	Unit type	Manufacturer	Powered by	Year	Age	Hours	Hours 2019
Botnur	T1	1.0	Pelton hydro turbine	Voith	Hydro	1965	55	205,403	2,974
Botnur	T2	2.0	Francis hydro turbine	Voith	Hydro	1966	54	163,471	2,976
Eiðis	T1	7.0	Francis hydro turbine	Voith	Hydro	1987	33	115,225	2,831
Eiðis	T2	7.0	Francis hydro turbine	Voith	Hydro	1987	33	116,577	3,658
Eiðis	T3	7.7	Francis hydro turbine	Voith	Hydro	2012	8	45,619	5,821
Húsahagi *	V1-V13	11.7	Windmill (pitch reg.)	Enercon	Wind	2014	6	524,960	96,577
Neshagi *	V1-V5	0.9	Windmill (pitch reg.)	Enercon	Wind	2012	8	272,254	35,217
Neshagi	V6	0.15	Windmill (fixed pitch)	Nordtank	Wind	1993	27	131,000	5100
Skopun	M1-M3	1.83	4-T	Mercedes and Deutz	Gas oil	1984	36		
Smaller plant		1.7	4-T	Deutz, Mercedes, Perkins	Gas oil				
Strond	M3	3.6	4-T 12 M 453 K	Krupp Mak	Gas oil	1982	38	50,693	1238
Strond	T1	1.4	Francis hydro turbine	Sulzer Hydro	Wind	1998	22	71,878	5,231
Sund	M1	7.85	4-T 9M43C	Caterpillar/MaK	Heavy fuel oil	2001	19	76,795	6,838
Sund	M2	7.85	4-T 9M43C	Caterpillar/MaK	Heavy fuel oil	2004	16	71,400	6,165
Sund	M3A	2.4		MTU	Gas oil	2015	5	4,279	2227
Sund	M3B	2.4		MTU	Gas oil	2015	5	4,167	2190
Sund	M4	12.4	2-T 12 L55 GSCA	B&W Götaverken	Heavy fuel oil	1983	37	196,725	7,389
Sund	M5	12.4	2-T 12 L55 GSCA	B&W Götaverken	Heavy fuel oil	1988	32	173,030	6,182
Sund	B4-C2	8.8	KTA50G3	Cummins Diesel	Gas oil	2019	1	2,301	2,301
Vág	M1	2.7	4-T 9 M 453	Krupp Mak	Heavy fuel oil	1983	37	122,119	1,037
Vág	M2	2.7	4-T 9 M 453	Krupp Mak	Heavy fuel oil	1983	37	122,056	367
Vág	M3	4.2	4-T 9M32C	Caterpillar/MaK	Heavy fuel oil	2004	16	93,745	5,787
Vág	M4	4.0	4-T 9L32	Wartsila	Heavy fuel oil	2016	4	19,640	4,862
Strond	M4-M6	3.0	4- T C1250 D2R	Cummins Diesel	Gas oil	2014	6	8,911	7,609
Vestmanna	Fossá 1	2.1	Pelton hydro turbine	Maier	Hydro	1953	67	229,506	2,038
Vestmanna	Fossá 2	4.2	Francis hydro turbine	Voith	Hydro	1956	64	365,582	6,033
Vestmanna	Heygav. 1	4.9	Francis hydro turbine	Voith	Hydro	1963	57	243,263	4,264
Vestmanna	Mýruv. 1	2.4	Francis hydro turbine	Voith	Hydro	1961	59	394,277	7,187

* See the annual reports for P/F Vindfelagið í Húsahaga and P/F Vindfelagið í Neshaga for a breakdown of production hours by unit.

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12. MORTGAGES AND OTHER OBLIGATIONS

Please refer to the Elfelagið SEV Group Annual Accounts for information relative to mortgages, legal proceedings and other liabilities.

13. ADJUSTMENTS

Amounts in 1,000 DKK	2019	2018
Depreciation	69,170	74,221
Interest expense and similar expenses	16,476	9,340
Taxes	150	274
Total	85,796	83,835

14. BOOK VALUE OF PRODUCTION PLANT

Amounts in 1,000 DKK	2019	2018
Fossá	29,587	29,597
Heyga	19,972	21,476
Mýru	15,879	16,976
Eiði	458,998	478,646
Botnur	7,539	8,130
Vágur	129,933	134,062
Tvøroyri	68	68
Sund	189,629	187,181
Skopun	41	45
Strond	14,997	15,629
Wind farms	96,609	107,032
Smaller plant	172	144
Mobile generation sets	566	755
Fugloy	1,710	1,765
Svínoy	84	19
Mykines	719	874
Hestur	2,338	2,441
Koltur	311	324
Nólsoy	8	9
Skúvoy	666	613
Dímun	354	328
Power plants according to the Production Accounts	970,181	1,006,113
Grid equipment, etc. installed within power plants	0	136
Power plants according to the Group Accounts	970,181	1,006,249



SEV

Landavegur 92
Postbox 319
FO-110 Tórshavn

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

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