

Grid Accounts 2017



# Wind and solar the highest priority for green energy strategy



**Annual Report 2017**

Annual General Meeting 24 April 2018

Cover photo: Alan Brockie

Layout, printing, binding: Føroyaprent

A large, stylized graphic of a human eye is positioned in the upper left quadrant of the page. The eye is rendered in a dark blue color, with the iris and pupil area being a slightly lighter shade of blue. The eye is looking towards the right side of the page. The background of the entire page is a solid, medium blue color.

# **Grid Accounts 2017**



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# Electricity Company SEV (Elfelagið SEV) Grid Accounts 2017

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## The Company

Elfelagið SEV  
Administration:  
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FO-110 Tórshavn  
Telephone: +298 346800  
Website: [www.sev.fo](http://www.sev.fo)  
Email: [sev@sev.fo](mailto:sev@sev.fo)  
Registered office: Vestmanna  
Accounting year: 01,01-31,12  
Business Registration No.: 331538

## Board

John Zachariassen, Chairman of the Board  
Hans Jákup Johannesen, Vice Chairman of the Board  
Marin Katrina Frýdal, Member of the Board  
Jónsvein Hovgaard, Member of the Board  
Sune Jacobsen, Member of the Board  
Vinjard Tungá, Member of the Board  
Kristian Eli Zachariasen, Member of the Board

## Management

Hákun Djurhuus, Managing Director, CEO  
Bogi Bendtsen, Director of Administration, CFO  
Jón Nielsen, Director of Distribution, CTO  
Heri Mortensen, Director of Production, COO

## Auditor

JANUAR State Authorized Public Accountants P/F

# Management Report

The Board of Directors and Management hereby submit SEV's Annual Report and Accounts for fiscal year 1 January - 31 December 2017.

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 2017 and the result of operations for fiscal year 1 January - 31 December 2017.

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, 6. April 2018

## Management

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*Hákun Djurhuus*  
Managing Director, CEO

## Financial Management

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*Bogi Bendtsen*  
Director of Administration, CFO

## Board

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*John Zachariassen*  
Chairman

---

*Hans Jákup Johannesen*  
Vice Chairman

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*Marin Katrina Frýdal*

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*Jónsvein Hovgaard*

---

*Sune Jacobsen*

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*Vinjard Tungá*

---

*Kristian Eli Zachariassen*

# Independent Auditor's Report

The Grid Accounts have been prepared as a supplement to the Consolidated Group Annual Report and Accounts of Elfelagið SEV.

We have completed the audit of the Annual Accounts of Elfelagið SEV and it did not result in any qualifications or request for additional information. Please refer to the Consolidated Group Annual Report and Accounts of Elfelagið SEV for the complete auditor's report.

Tórshavn, 6 April 2018

## **P/F Januar**

State-authorized Public Accountants P/F

Hans Laksá  
Stat. auth. auditor

Jógvan Amonsson  
Stat. auth. auditor



## Key Figures and Financial Ratios

| Figures in tDKK   | 2017          | 2016          | 2015          | 2014          | 2013           |
|---|---------------|---------------|---------------|---------------|----------------|
| <b>Income statement</b>                                 |               |               |               |               |                |
| Net Sales   | 434,900       | 421,436       | 417,605       | 411,888       | 386,045        |
| Result before depreciation, amortization and impairment | 90,602        | 90,739        | 125,810       | 70,502        | 19,789         |
| EBIT  | 55,684        | 56,661        | 91,454        | 40,671        | -7,943         |
| Financial items, net                                    | -21,348       | -35,106       | -13,609       | -8,840        | -7,961         |
| <b>Annual results</b>                                   | <b>33,302</b> | <b>12,351</b> | <b>77,844</b> | <b>31,831</b> | <b>-15,904</b> |
| <b>Balance sheet</b>                                    |               |               |               |               |                |
| Total assets  | 1,337,184     | 1,295,072     | 999,388       | 789,369       | 609,783        |
| Equity  | 449,456       | 449,734       | 432,052       | 352,356       | 320,525        |
| <b>Financial ratios*)</b>                               |               |               |               |               |                |
| Return on equity  | 7,4%          | 2,7%          | 19,8%         | 9,5 %         | -4,8 %         |
| Assets turnover   | 0,33          | 0,33          | 0,42          | 0,52          | 0,63           |
| Equity/assets ratio                                     | 33,6%         | 34,7%         | 43,2%         | 44,6 %        | 52,6 %         |

\*) Financial ratios are calculated in accordance with the recommendations of the Danish Society of Financial Analysts, *Recommendations and Financial Ratios 2011*.

# Management Review

## Main Activities

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 municipalities. According to the Articles of Association, the Company is to carry out its purpose consistent with economically sound commercial principles with due regard for the environment.

The accounts for the power grid activities of SEV are a part of the consolidated accounts of SEV. The report encompasses SEV's power grid activities, including administration, for the period 1 January 2017 to 31 December 2017.

## Upgrading and Refurbishment

The work to update the 10, 20, and 60 kV grid continues. The work was done in close cooperation with the relevant government authorities, the municipalities, the Faroese Public Works Department, and Faroese Telecom.

During 2017 the company erected several new 10 og 20 kV transformer stations in different regions around the country. SEV is also in the process of building 3 new 60 kV coupling stations. Innan Eið (við Varmakeldu), á Strond og one is build at Sund in connection with the Sund power plant expansion.

## Maintenance

Again in 2017, a good deal of maintenance work was carried out on the grid to ensure a stable supply of power to the customer.

Figure 1 shows how the number of faults has decreased over time. The figure shows that the number of faults has declined from 1989 through 2017. Systematic maintenance work, combined with the continued upgrading of the grid, is the reason that SEV today has fewer faults than ever before in the electricity system.

The 17 faults registered in 2017 are not all the type of faults that impact every customer simultaneously. Two faults were so extensive that everyone was impacted on Suðuroy.

Some faults impact only a very limited number of customers such as a cable disruption in a certain section of town, or a high voltage fuse that blows at a transformer station.

## Faults in the high-tension grid in 2017

In the 2017, there were 17 faults in the high-voltage system. Figure 2 shows what type of faults occurred and where they were located.

## Financial Overview

### Revenue

There are three factors that impact SEV's main revenue stream: changes in electricity prices, changes in overall electricity consumption, and shifts between the various customer price groups.

Power grid income is derived from the sale of electricity to commercial, retail and public sector customers, including the municipalities. Further, income is derived from fixed base-rate payments, connection fees and other service fees from certain customers.

On 1 January 2011, SEV increased the price of electricity by DKK 0.15 per kWh, following the approval of the Faroese Electricity Production Commission. At the same time, both the Commission and SEV understood that, given the high price of oil and the need for the expansion and upgrading of both the grid and the production facilities, higher prices in the future would be necessary. Therefore, as of 1 January 2012, SEV increased its prices by DKK 0.10 per kWh, and again on 1 January 2013 by DKK 0.05 per kWh for its private retail customers, and DKK 0.11 per kWh for its industrial commercial customers, which are subject to a special pricing tariff for industrial companies, including fish farming, agriculture, the fishing industry and certain IT service providers with an annual usage above 20,000 kWh, this has since been increased to 30,000 kWh.

In addition, SEV increased the connection fee as of 1 January 2013 to ensure profitability within this activity area. This fee had not been indexed for many years and consequently the operational result within this area remained out of balance. With the increase, harmonization was achieved in the activity area.

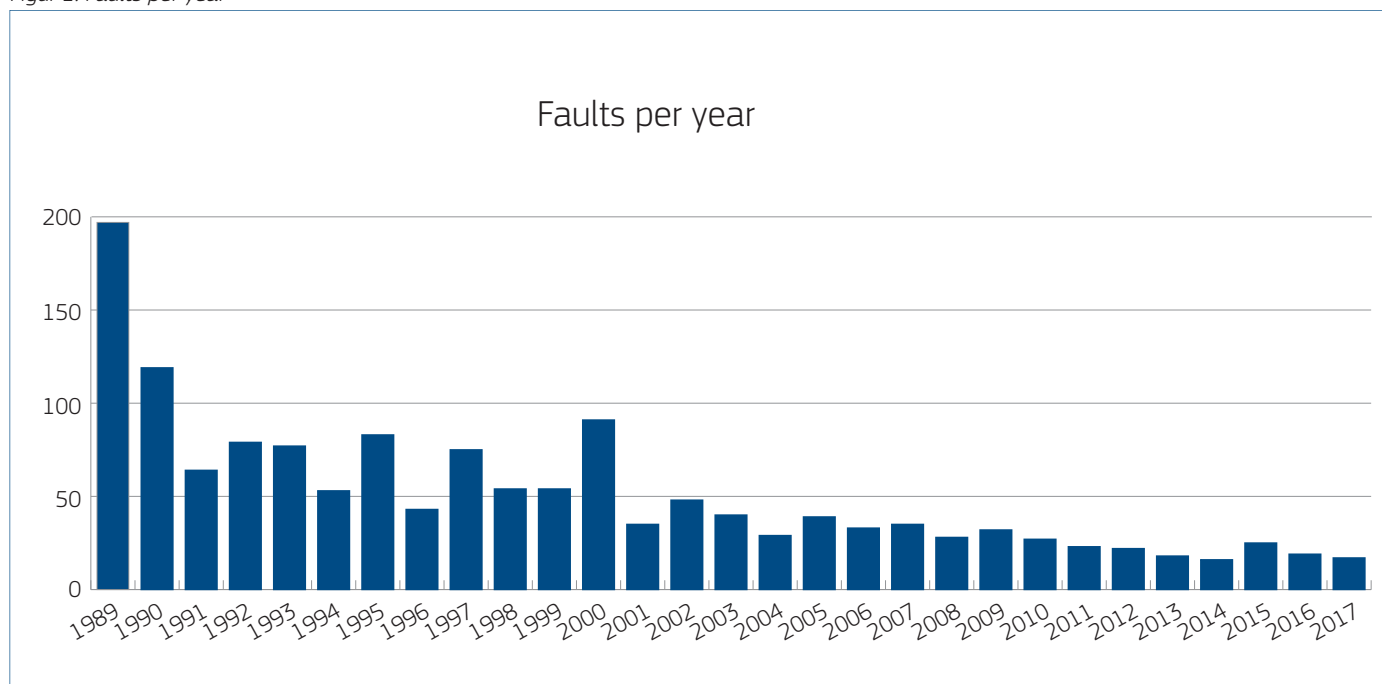
The tariff for industrial customers was again increased by DKK 0.05 in January 2014. Increasing the price for certain customers as opposed to others is part of a strategy to enhance profitability within the various customer groups.

No amendments to the price schedule were undertaken in 2015 and 2016.

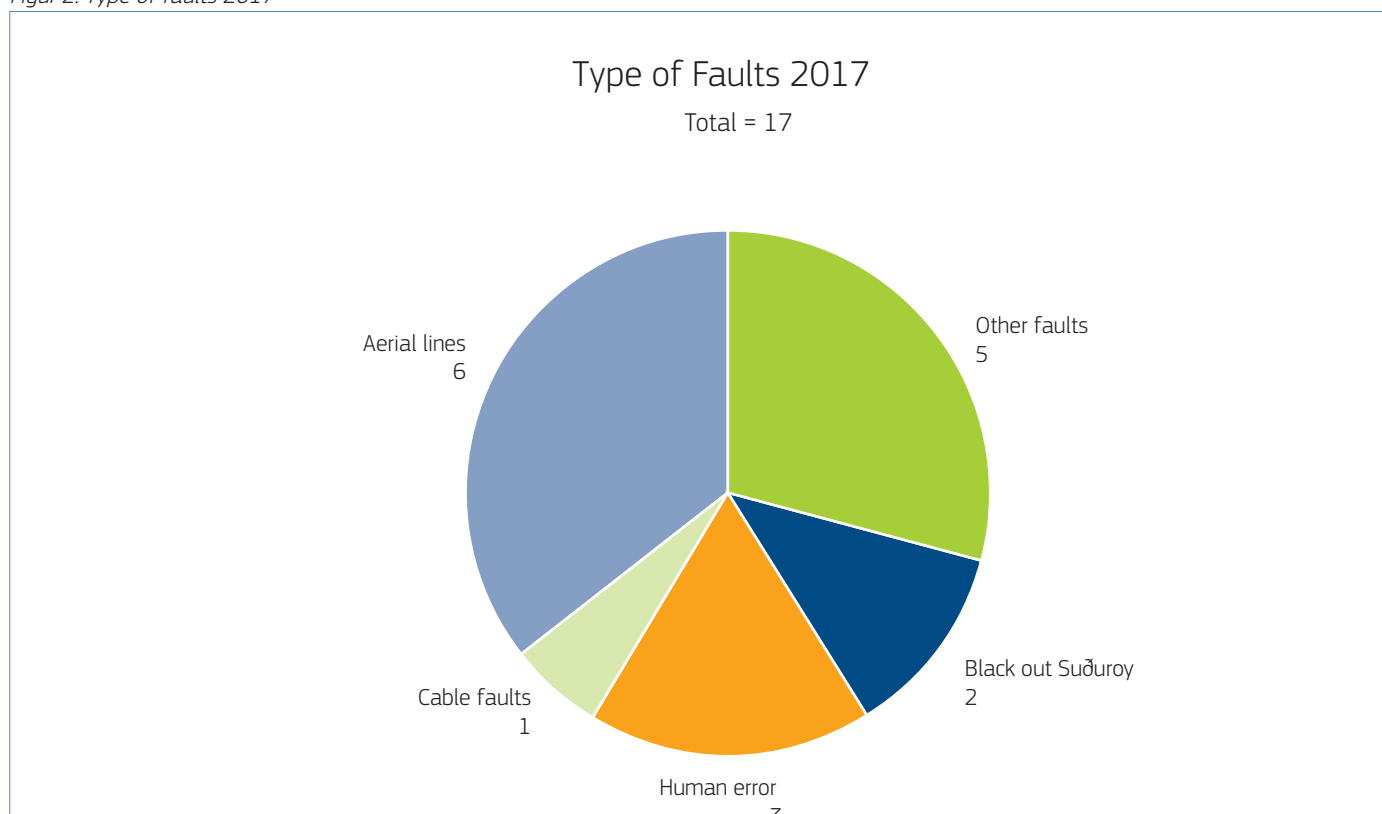
The Extraordinary General Meeting of 25 November 2016 approved a proposal from SEV's Board of Directors to reduce the price of electricity by DKK 0.05 per kWh effective 1 January 2017, even though considerable expansion lies ahead for the Company. The price reduction is effective for all customer tariff groups and is based on the exceptional financial position of the Company.

Beginning with fiscal year 2011, SEV began to maintain separate financial accounts for production and power grid activities. In this regard, SEV calculates production unit profit by using the same method as prescribed in the tender rounds for wind power. The

Figur 1: Faults per year



Figur 2: Type of faults 2017



inclusion of profit is to provide a truer picture of the operations of the production unit, compared to the WACC of the Company and the asset appreciation of the production unit. Consequently, 2011 was the first time that profit from production activities was compared to power grid activities.

Production revenue shall cover all its expenses, including its respective costs for grid administration and security. Moreover, production shall achieve a WACC profit of around 4-5% of beginning-of-year equity.

Profit for 2017 was calculated to be DKK 34.5 million, compared to DKK 30.5 million in 2016, equating to around 5.0% of Production beginning-of-year equity. A profit of 4-5% is considered a reasonable result (WACC) at present, compared to inflation and other investment alternatives.

Total result of the Grid Division was DKK 33.3 million in 2017 compared to DKK 12.4 million in 2016 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 and planned necessary investment in infrastructure.

For the Grid Department, this means that it can have a revenue that covers Grid-related expenses as well as planned infrastructure investment. Revenue for necessary investment is based on an expectation of own-financing.

When infrastructure investment is needed, a portion of the investment required shall be self-funded, thus negating that the entire investment is financed by a loan facility. SEV has determined that self-financing of some 25% is sufficient and the Production and Grid accounts for 2016 and 2017 reflect this expectation

The decision regarding self-financing is based on the budgeted investment for both Production and Grid for a 5 year period. SEV's budget for 2017 projects investment from 2017-2021 for Production to be DKK 1,288 million, equalling some DKK 258 million annually, of which a 25% self-financing would be DKK 64.

| Table 1. Customer Segments in GWh | Agriculture, aquaculture, fisheries and other commodities | Manufacturing, production and construction | Retail, catering and lodging | Transport, postal and telecom services | Finance, insurance and other business services | Public and private services, churches, congregations, ect. | Street lighting | Residential housing, apartments, holiday homes and boathouses | Total settlement | Change in % by year |
|-----------------------------------|---|--|------------------------------|--|--|--|-----------------|---|------------------|---------------------|
| 2007                              | 22.1  | 54.7                                       | 21.7                         | 23.3                                   | 4.0  | 35.2   | 6.8             | 77.6  | 234.9            |                     |
| 2008                              | 23.1  | 53.8                                       | 22.9                         | 25.1                                   | 4.2  | 36.2   | 7.0             | 81.5  | 245.4            | 4.5                 |
| 2009                              | 25.8  | 52.0                                       | 22.6                         | 24.4                                   | 4.5  | 35.6   | 6.7             | 80.5  | 253.9            | 3.5                 |
| 2010                              | 25.9  | 48.9                                       | 22.5                         | 28.7                                   | 4.2  | 36.5   | 6.8             | 81.3  | 251.9            | -0.8                |
| 2011                              | 26.4  | 44.5                                       | 22.4                         | 31.8                                   | 4.2  | 36.8   | 7.3             | 81.4  | 255.0            | 1.2                 |
| 2012                              | 29.4  | 52.5                                       | 21.6                         | 34.7                                   | 3.9  | 36.6   | 6.9             | 75.7  | 254.8            | -0.1                |
| 2013                              | 29.2  | 69.3                                       | 22.7                         | 25.1                                   | 4.0  | 37.7   | 7.4             | 78.9  | 261.4            | 2.6                 |
| 2014                              | 31.1  | 76.1                                       | 24.7                         | 25.7                                   | 4.0  | 37.3   | 7.0             | 78.0  | 274.4            | 5.0                 |
| 2015                              | 36.6  | 76.5                                       | 23.1                         | 24.9                                   | 3.9  | 37.9   | 7.1             | 78.0  | 283.8            | 3.4                 |
| 2016                              | 37.9  | 73.9                                       | 24.4                         | 25.6                                   | 3.9  | 40.5   | 7.0             | 78.1  | 291.4            | 2.7                 |
| <b>2017</b>                       | <b>42.1</b>   | <b>85.5</b>                                | <b>24.4</b>                  | <b>24.3</b>                            | <b>3.6</b>                                     | <b>41.5</b>  | <b>6.7</b>      | <b>78.2</b>   | <b>306.5</b>     | <b>5.2</b>          |
| Change 2016 - 2017 in GWh         | 4.2   | 11.6                                       | 0.0                          | -1.3                                   | -0.3   | 1.0  | -0.3            | 0.2   | 15.1             |                     |
| Change 2016 - 2017 in per cent    | 11.0  | 15.7                                       | 0.0                          | -5.0                                   | -7.8   | 2.5  | -4.6            | 0.2   | 5.2              |                     |

For the Grid, investment is envisioned to be DKK 661 million of which self-financing would be DKK 39 million. It is advisable that self-financing should be at such a level that it can be derived from operational profit.

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

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

Distribution of profit between Production and the Grid in previous years was based on an allocation to Production that ensured that all costs were covered, including costs for its respective portion of grid administration and security plus a 4-5% return on beginning-of-year equity. If SEV's total consolidated result was larger than this calculated allotment, the remainder was transferred to the Grid Department. This is now changed so that the Grid Department is allotted an adjusted result and not the Production Department.

The operational result for the Grid Department in 2017 was a profit of DKK 33.3 million, compared to a profit in 2016 of DKK 12.4 million. Total consolidated revenue for the Company in 2017 was DKK 434.9 million compared to DKK 422.7 mió. kr. í 2016 equating to an increase of DKK 12.2 million. or 2.9%. Revenue from electricity and fixed-fee charges were to DKK 409.8 million in 2017 compared to DKK 409,3 million in 2016. This corresponds to a growth of DKK 0.5 million. Electricity sales include an adjustment to a single customer of DKK 4.8 million charged too much in previous years. Taking into account the DKK 4.8 million adjustment the revenue experienced a small increase despite the price reduction in 2017. Revenue from fixed fees, connection fees and other income are DKK 44.2 million, where the connection fees stand out in 2017 with DKK 27.4 million

Table 1 shows settled electricity sales in GWh to SEV's various customer segments.

Please refer to the various detailed financial analyses regarding sales in SEV's consolidated Group accounts, available at [www.sev.fo](http://www.sev.fo).

For the last several years the revenue has increased almost

| Table 2. Private consumption per island | Total kWh per island 2017 | Total kWh per island 2016 | Total kWh per island 2015 | Number of consumers 2017 | Number of consumers 2016 | Number of consumers 2015 | Average consumption per consumer 2017 | Average consumption per consumer 2016 | Average consumption per consumer 2015 |
|---|---------------------------|---------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Borðoy                                  | 7,959,312                 | 7,952,990                 | 8,148,458                 | 1,970                    | 1,967                    | 1,964                    | 4,040                                 | 4,043                                 | 4,149                                 |
| Eysturoy                                | 17,300,523                | 17,305,600                | 17,334,738                | 4,214                    | 4,182                    | 4,170                    | 4,105                                 | 4,138                                 | 4,157                                 |
| Fugloy                                  | 44,208                    | 36,396                    | 37,613                    | 13                       | 13                       | 13                       | 3,401                                 | 2,800                                 | 2,893                                 |
| Hestur                                  | 48,943                    | 49,926                    | 48,849                    | 27                       | 27                       | 27                       | 1,813                                 | 1,849                                 | 1,809                                 |
| Kalsoy                                  | 172,852                   | 188,169                   | 189,468                   | 80                       | 80                       | 80                       | 2,161                                 | 2,352                                 | 2,368                                 |
| Køltur                                  | 8,717                     | 8,826                     | 0                         | 2                        | 2                        | 0                        | 4,359                                 | 4,413                                 | 0                                     |
| Kunoy                                   | 267,653                   | 247,867                   | 228,412                   | 64                       | 64                       | 64                       | 4,182                                 | 3,873                                 | 3,569                                 |
| Mykines                                 | 70,296                    | 58,766                    | 56,721                    | 41                       | 41                       | 41                       | 1,715                                 | 1,433                                 | 1,383                                 |
| Nólsoy                                  | 400,336                   | 402,733                   | 395,806                   | 133                      | 132                      | 132                      | 3,010                                 | 3,051                                 | 2,999                                 |
| Sandoy                                  | 2,106,306                 | 2,117,425                 | 2,100,316                 | 656                      | 657                      | 657                      | 3,211                                 | 3,223                                 | 3,197                                 |
| Skúvoy                                  | 80,402                    | 82,773                    | 85,383                    | 40                       | 40                       | 40                       | 2,010                                 | 2,069                                 | 2,135                                 |
| Streymoy                                | 35,828,288                | 35,702,344                | 35,682,249                | 9,141                    | 9,073                    | 9,025                    | 3,920                                 | 3,935                                 | 3,954                                 |
| Suðuroy                                 | 6,946,503                 | 7,139,616                 | 7,122,397                 | 2,152                    | 2,152                    | 2,157                    | 3,228                                 | 3,318                                 | 3,302                                 |
| Svínoy                                  | 39,899                    | 43,135                    | 41,722                    | 22                       | 22                       | 23                       | 1,814                                 | 1,961                                 | 1,814                                 |
| Vágoy                                   | 5,352,731                 | 5,257,579                 | 5,283,800                 | 1,320                    | 1,313                    | 1,309                    | 4,055                                 | 4,004                                 | 4,037                                 |
| Viðoy                                   | 915,992                   | 913,658                   | 908,537                   | 216                      | 216                      | 216                      | 4,241                                 | 4,230                                 | 4,206                                 |
| <b>Total</b>                            | <b>77,542,962</b>         | <b>77,507,803</b>         | <b>77,664,469</b>         | <b>20,091</b>            | <b>19,981</b>            | <b>19,918</b>            | <b>3,860</b>                          | <b>3,879</b>                          | <b>3,899</b>                          |

without exception due to increased electricity consumption. The annual change in electricity consumption is shown in Table 1.

As Table 1 shows electricity sales are increasing for agriculture, fish farming, fishing industry, and raw materials industry and especially for manufacturing, production and construction. The increase in consumption by these customer segments are due to the positive development in fish farming and the pelagic industry in the past years leading to large building projects which in turn are increasing the demand for electricity. On the other hand a decline can be seen in transport, postal and telecom services and finance, insurance and other business services and street lighting. The municipalities across the country are replacing current street lights with energy saving lights and this is reflected in the declining demand for electricity. Electricity sales to public and private services etc. and to residential houses etc. has grown somewhat, however the increase in consumption by residential homes is less than anticipated.

In addition, there is a distinct trend to replace old, uneconomical electrical appliances for newer, more economical appliances that use less electricity. Also, regular light bulbs are being replaced with low-power bulbs or LED bulbs, which use significantly less power than older light bulbs.

Table 2 shows the electricity consumption of private retail consumers distributed among the islands.

According to Table 2, the consumers on Koltur have the highest consumption, while consumers on Streymoy have an average consumption of 3.920 kWh. The average usage for all islands is 3.860 kWh. Small areas like Fugloy, Hestur and Mykines have rather few consumers, and many homes stand empty part of the year. This influences the average individual consumption rates for these areas.

Please refer to the various detailed financial analyses regarding sales in SEV's consolidated Group accounts, available at [www.sev.fo](http://www.sev.fo).

## Expenses

Expenses in 2017 were DKK 400.6 million, of which 281.7 related to purchasing electricity, grid responsibility and administration, compared to DKK 400.9 million in 2016, of which DKK 266.7 million related to purchase of electricity etc.

### Expenses related to SEV's universal service obligation

Total expenses for the power grid division include the cost to produce electricity and the cost of transporting that electricity throughout the country to each and all.

Total grid expenses can be subdivided into the expenses for controlling the power grid, the cost of ensuring the stable delivery of electricity, rolling power, power reserve, and other costs related to SEV's universal service obligation. The electricity production plants sell their power to the grid division. This payment to the grid division includes the price of electricity and a portion of the universal service obligation attributed to the production plants.

### Expenses related to controlling the power grid

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

The cost of some DKK 2.3 million to manage the power grid from the Fossá power plant is calculated, thus: total employee expenses 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 regular operational year. The 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.

### The expenses related to SEV's universal service obligation, rolling power and power reserve

The expenses related to SEV's power supply guarantee, rolling power and its power reserve are estimated to be 5.0% of total operational expenses, including depreciation, for the Sund and Vágs power plants, which equals DKK 5.6 million and DKK 1.6 million, respectively. This reflects a "best estimate" calculation.

The cost of the universal service obligation is otherwise based on SEV's operational cost for its smaller power plants around the country that are deemed to be extra power plants or power reserves. 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 electricity power plant at Strond receives reimbursement for 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.

### Summary of Expenses related to SEV's universal service obligation

The total cost for managing the country-wide power grid is DKK 4.6 million. The cost for ensuring the power supply, rolling power and power reserves at the Sund and Vágs power plants is DKK 7.3 million. The cost to guarantee supply, etc. from the other power

plants is DKK 4.9 million, corresponding to an estimated total cost for ensuring a stable power supply, rolling and reserve power, plus the management of the power grid equalling DKK 16.8 million.

### Employee Expenses

There are a number of union groups within the Company, and SEV follows the public wage agreements that are in effect for the different union groups.

In 2017, total employee expenses were DKK 33.5 million, against DKK 32.7 million in 2016, including administration, corresponding to an increase of DKK 0.8 million.

Employee expenses for power grid activities in 2017 were DKK 21.0 million, against DKK 20.7 million in 2016, representing an increase of DKK 0.3 million, or 1.4% higher. In 2017, employee expenses for administration were DKK 12.4 million, against DKK 12.0 million in 2016, corresponding to a decrease of DKK 0.4 million or 3.3 %. Adjustments in made to pension reserves have been included in these figures.

Harmonization of pension reserves aside, employee expenses in 2017 were DKK 13.8 million, compared to DKK 12.2 million for 2016, which is DKK 1.6 million higher than the previous year.

### Supplies and Services

In 2017 total expenses for supplies and services were DKK 28.9 million, compared to DKK 31.1 million in 2016, and thus are DKK 2.2 million lower in 2017 than in 2016.

### Power Grid Activities

In 2017, expenses for supplies and services related to power grid activities were DKK 10.4 million, compared to DKK 12.4 million in 2016, corresponding to a decrease of DKK 2.0 million, based on consumption by SEV's operational division. .

### Administration

Expenses for goods and services for 2017 were DKK 18.5 million,

compared to DKK 18.6 million in 2016, which reflects a decrease of DKK 0.1 million in 2017 over that in 2016.

Please refer to the various detailed financial analyses regarding expenses for goods and services in SEV's consolidated Group accounts, available at [www.sev fo](http://www.sev fo).

### Financial Expenses

Interest expense was DKK 23.4 million in 2017, compared to DKK 35.1 million in 2016, corresponding to lower financial expense of DKK 11.7 million. This includes a profit of DKK million 2.1 from subsidiary companies.

Currently, the Company is carrying gross debt of DKK 1,133 million, with a fixed rate of interest secured by the issued bonds and the interest rate swap agreement now in place. More information regarding these expenses can be found in SEV's consolidated Group accounts, available at [www.sev fo](http://www.sev fo).

### Depreciation

In 2017, depreciation was DKK 34.9 million, against DKK 34.1 million in 2016, of which DKK 30.8 million derives from power grid activities and DKK 4.1 million from administration.

When the budget is being developed for the following year, estimates are made as to which investments will be concluded during that particular year and thus become operational and then in turn booked as assets subject to depreciation.

### Investment

Investment in tangible fixed assets was DKK 120.7 million in 2017, compared to DKK 97.8 million in 2016, as shown in Table 3.

Adjustments from work-in-progress and directly booked to fixed assets (adjustments to fixed assets – depreciation basis) was DKK 47.1 million in 2017, compared to DKK 111.2 million in 2016. Also, please refer to the “work-in-progress” account and Note 7 in the annual accounts.

| Table 3. Investment in DKK million               | Investment budget<br>2017 | Adjustments to<br>investment budget<br>2017 | Budget after<br>adjustments | Investment<br>according to<br>annual accounts<br>2017 | Difference between<br>annual accounts and<br>adjusted budget |
|--|---------------------------|---|-----------------------------|---|--|
|  | 1                         | 2   | 3=1+2                       | 4   | 5=3-4  |
| Coupling stations and power grid etc.            | 140.7                     | 2.0   | 142.7                       | 110.0   | 32.7   |
| Administration building, tools, and IT equipment | 27.0                      | -1.4  | 25.6                        | 10.0  | 15.6   |
| <b>Total</b>                                     | <b>167.7</b>              | <b>0.6</b>                                  | <b>168.3</b>                | <b>120.0</b>  | <b>48.3</b>  |

| Table 4. Total Investment             | 2017         | 2016        |
|---------------------------------------|--------------|-------------|
| Investment booked to work-in-progress | 107.5        | 86.5        |
| Investment booked to work-in-progress | 13.2         | 11.3        |
| <b>Investment at year-end</b>         | <b>120.7</b> | <b>97.8</b> |

| Table 5. Work-in-progress                      | 2017  | 2016  |
|--|-------|-------|
| Opening balance                                | 79.4  | 92.7  |
| Investment booked to work-in-progress          | 107.5 | 86.5  |
| Work transferred to depreciation as transition | -31.8 | -99.9 |
| Closing balance                                | 155.1 | 79.4  |
| Changes to work-in-progress                    | 75.7  | -13.0 |

| Table 6. Transition to fixed assets            | 2017        | 2016         |
|--|-------------|--------------|
| Work transferred to depreciation as transition | 31.8        | 99.9         |
| Investment booked directly to fixed assets     | 15.4        | 11.3         |
| <b>Transition as at year-end</b>               | <b>47.1</b> | <b>111.2</b> |

SEV has invested heavily in the Grid, coupling stations, buildings and other elements related to the Grid in recent years including 2017 as well as further investments have been scheduled in the near future. The Grid, in particular, has been upgraded and will continue to be improved to allow SEV to accommodate more wind energy and to supply the electricity, the customers demand.

The new coupling station in Runavik has been completed and the coupling station Innan Eið is nearly finished and is anticipated to start operating in March 2018. The old power plant in Trongisvági has been closed down and the motor removed and the plant will be replaced by a new coupling station. The work on the new coupling station is expected to be completed in 2018. A new coupling station, station 3, is also being built in connection with the expansion at the the Sund power plant, and it expected to be completed at the end of 2018. It is also anticipated that the coupling station at Strond will commence operations in 2018, which is important in order to supply the in demand electricity in the area.

The new operating system is also being advanced together with the suppliers. The process started in 2017 and is anticipated to be completed in 2018. The new operating system will make in

possible to monitor the Grid in a more efficient way than it is possible today.

Please refer to the various detailed financial analyses regarding investments in SEV's consolidated Group accounts, available at [www.sev.fo](http://www.sev.fo).

## Liquidity

Liquidity has not been divided between production and the grid; a transfer pricing current account between the divisions has been utilized. Thus, the liquidity of the production division is set to DKK 0.00 million, while all the activities of the power plants are financed by payment from the power grid division, thereby securing the necessary liquidity. The same is applicable to the wind farm companies, who are also financed by payments from the grid division.

The liquidity of SEV at year-end was DKK 248.0 million, compared to DKK 335.5 million in 2016. In addition, the unused drawing rights provided under the line of credit with the financial institutions are available, totalling DKK 520.0 million.

Thus, cash-on-hand and the credit facilities equalled DKK 768.0 million in 2017, compared to DKK 961.5 million in 2016. The unused drawing rights will mainly be used to finance up-coming investments.

Sufficient liquidity is essential in order to cover the Company's daily operations. Additionally, it is considered advisable to maintain adequate liquidity, given the instability of the global financial markets.

The purpose of maintaining adequate liquidity is to ensure that SEV always has sufficient funds to pay for the purchase of oil and the costs associated with an accident at one of the production plants or in the grid. Furthermore, it is deemed necessary to have sufficient liquidity to cover daily operations of the power plants and the grid. Additionally, it is considered advisable to maintain adequate liquidity, given the instability of the global financial markets. Further details on the Company's liquidity are available in the Consolidated Group Annual Accounts available on the Company's website, [www.sev.fo](http://www.sev.fo).

## Special risks

The risks of the Company can be divided into the different groups shown on the next page

More information relating to the company's special risks can be found in SEV's Consolidated Group Annual Accounts available at [www.sev.fo](http://www.sev.fo).



| Market risk   | Credit and counter-party risk | Operational risk                | Strategic and other risk  |
|---------------|-------------------------------|---------------------------------|---|
| Interest rate | Receivables                   | Veitingartrygd                  | The strategic risks are related to how the company organizes its operations, the political environment, image, etc. |
| Oil price     | Bank deposits                 | IT                              |   |
| Exchange rate | Bonds                         | Error in internal procedures    |   |
| Liquidity     | Insurance                     | Human error                     |   |
|               |                               | Health, safety, and environment | Projects  |
|               |                               |                                 | Level of knowledge and development  |

### Prospects for 2018

Based on the proposed budget for 2018, the result before taxes will be a profit of approximately DKK 42.2 million. It is anticipated that the profit will be lower than before, based on the adjustments to be made stemming from the newly-adopted accounting principles governing the distribution of the profit to the Grid Division and the incorporation of the requirement for self-financing of 25%. This is a satisfactory result, even though the result going forward must provide a sufficient profit.

It will be necessary to undertake viable and sustainable initiatives relative to operations, including the setting of a suitable kWh price. Therefore, the Company has expended considerable effort to review the tariff structures to determine if the various individual prices are appropriate and correct. Originally, budget calculations were made using an average increase in the consumption of electrical power of 6.7% for 2018, compared to an actual usage increase of 5.2 % in 2017. The increase derives from growth within several customer groups, each with different rates of growth. Thus, it is anticipated that there will be an increase in kWh sales.

Based on 2016 sales, and partially on sales for 2017, the budget forecasts sales in 2018 of 321.8 GWh, or DKK 402.8 million. The fixed base-rate payment will essentially remain unchanged at DKK 17.0 million. In addition, income from connection fees, etc. will be DKK 19.0 million. Thus, the budget forecasts a total combined income of DKK 438.8 million for 2018, against DKK 434.9 million in 2017. This corresponds to an increase in income for the Company of DKK 3.9 million, compared to 2017.

SEV has established two independent subsidiaries to manage the wind farms at Neshagi and Húsahagi, respectively. This means that the purchase of wind power has increased, while at the same time costs for material and wages, depreciation and interest has

decreased. The result from the subsidiaries will be incorporated into the Group's annual accounts under capital assets. The total result for SEV, thus, will not be impacted.

In 2018, operational costs are expected to be DKK 69.1 million, against DKK 61.8 million in 2017, corresponding to a cost increase of DKK 7.3 million, or 11.9%. Depreciation is budgeted to be DKK 46.3 million, and net interest expense is expected to be DKK 12.6 million. The increased interest expense in recent years derives from increased debt to finance especially operations and, partly, capital investments.

The estimated profit in 2018 is deemed satisfactory to cover the operations of the grid along with sufficient self-financing. It is critical to have a satisfactory result, including adequate self-financing of future investment, from operations that shall be used to finance the coming investment in coupling stations, ongoing maintenance of the current grid infrastructure, as well as investment in development of the grid to accommodate more and more electricity from renewable energy resources and to distribute this electricity further to the Company's customers.

More information for 2018 can be found in the Operational, Financial and Investment Budget Plan for 2018 available at [www.sev.fo](http://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.

# Accounting Principles

## General

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

The Grid accounts were compiled in a manner similar to the accounts of a consolidated concern, without, however, any harmonization of internal postings for operations and adjustments. This was done to provide the reader with as much information as possible on all the various production activities of the entire SEV Concern. Otherwise, the annual accounts were compiled consistent with the same accounting principles as the previous year and are stated in DKK.

Amounts in the Income Statement, Balance Sheet, Notes, etc. are rounded to whole numbers, and comparative figures from the previous year 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 valuation adjustments of financial assets and liabilities. Included in the Income Statement are all expenses, including depreciation, amortisation, provisions, and impairment losses derived from 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.

Relative to 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.

### Operational Distribution – Production and Grid

For each production plant, revenue is calculated as: total expenses of the plant, plus a production profit on the plant's individual assets. A production profit is based on the forecast return on long-term mortgage bonds and the asset valuation of a production plant.

Total power plant expenses accrue from the cost of producing electricity, plus grid responsibility costs. These costs can be subdivided into the cost for management / control of the electricity grid, the cost of guaranteeing supply, spinning reserve, supplemental reserve and other costs related to grid responsibility.

The cost for managing / controlling the grid in the main central region is calculated: Total wage expense for the Fossá power plant minus the wage expense for ordinary operation of the power

plant. The cost of managing / controlling the grid in Suðuroy is the same as the cost of managing the grid in the main region.

The cost of guaranteeing supply, spinning reserve and supplemental reserve is estimated as a part of total operating expenses, including depreciation, for the Sund power plant and Vágs power plant. This is a fixed cost estimate.

Other costs related to grid responsibility are based on the expenses of all the small power plants scattered around the country. Operating expenses for wages and supplies are reimbursed to the small plants as compensation for the supply guarantee; remaining costs are their own production. Strond power plant receives a guarantee of supply reimbursement for the operating expenses of wages and supplies used in thermal production. Remaining expenses accrue from their own production.

According to the Electricity Production Act, the activities of the grid 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 concern 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-downs

The depreciation and amortisation of intangible and tangible fixed assets are based on an asset's projected 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 that are related to the production period are not included in the projected 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-downs. 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 projected useful life and the residual value of the asset:

|   | <i>Useful life</i>   | <i>Residual value</i> |
|---|----------------------|-----------------------|
| <i>Distribution plants</i>                  | <i>10 - 50 years</i> | <i>0%</i>             |
| <i>Buildings</i>                            | <i>50 years</i>      | <i>0%</i>             |
| <i>Production equipment and furnishings</i> | <i>3-5 years</i>     | <i>0%</i>             |

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

### 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-downs.

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.

## FINANCIAL ASSETS

### 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 the 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 the 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 realised 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 applicable as at the end of the fiscal year.

Adjustments to deferred tax resulting from changes to the 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.

### Key Figures

The Key Figures are calculated consistent with The Danish Finance Society [Den Danske Finansanalytikerforenings], *Recommendations and Financial Ratios 2010*.

The Key Figures and ratios shown in the overview are calculated thus:

|                    |   |
|--------------------|---|
| Return on equity   | $\frac{\text{Result}}{\text{Average equity} \times 100}$        |
| Asset turnover     | $\frac{\text{Net sales}}{\text{Total assets}}$                  |
| Equity/asset ratio | $\frac{\text{Equity year-end} \times 100}{\text{Total assets}}$ |

# Income Statement 1 January – 31 December

|   | Note | 2017<br>DKK        | 2016<br>t. DKK |
|---|------|--------------------|----------------|
| <b>Net turnover</b>   | 1    | <b>434,900,228</b> | <b>421,436</b> |
| Electricity purchased   |      | -262,077,691       | -244,928       |
| Wind power purchased  |      | -2,844,307         | -2,394         |
| Grid responsibility and management                              |      | -16,802,676        | -19,370        |
| Cost of oil   | 2    | -233,178           | -221           |
| Supplies and services   | 3    | -28,856,096        | -31,061        |
| <b>Gross earnings</b>   |      | <b>124,086,280</b> | <b>123,461</b> |
| Wages   | 4    | -33,484,135        | -32,722        |
| <b>Result before depreciation and amortisation</b>              |      | <b>90,602,145</b>  | <b>90,739</b>  |
| Depreciation and amortisation of fixed assets                   |      | -34,918,623        | -34,078        |
| <b>Result before financials</b>                                 |      | <b>55,683,522</b>  | <b>56,661</b>  |
| Financial expenses  | 5    | -21,348,286        | -35,106        |
| <b>Result before tax</b>  |      | <b>34,335,236</b>  | <b>21,555</b>  |
| Tax on annual result  | 6    | -1,033,118         | -9,204         |
| <b>Annual result</b>  |      | <b>33,302,118</b>  | <b>12,351</b>  |
| <b>Proposed distribution of results:</b>                        |      |                    |                |
| Result brought forward  |      | 31,190,345         | 11,287         |
| Tiltaksgrunnur fyri nettouppskrivning eftir innanvirðisháttinum |      | 2,111,773          | 1,063          |
| <b>Available</b>  |      | <b>33,302,118</b>  | <b>12,351</b>  |

# Balance Sheet 31 December

| ASSETS  | Note  | 31.12.17<br>DKK      | 31.12.16<br>t. DKK |
|---|-------|----------------------|--------------------|
| Distribution grid                                 | 7, 18 | 506,444,458          | 501,646            |
| Buidlings and land                                | 7     | 34,196,331           | 34,993             |
| Operating equipment                               | 7     | 42,309,253           | 36,253             |
| Investment work-in-progress                       | 7     | 155,089,481          | 79,363             |
| <b>Total tangible fixed assets</b>                |       | <b>738,039,524</b>   | <b>652,255</b>     |
| Investment in Associated and Subsidiary Companies | 8     | 34,925,159           | 32,813             |
| Loans to subsidiary companies                     | 9     | 95,106,812           | 103,175            |
| Derivatives                                       | 10    | 20,532,250           | 50,658             |
| <b>Total financial assets</b>                     |       | <b>150,564,221</b>   | <b>186,646</b>     |
| <b>Total fixed assets</b>                         |       | <b>888,603,744</b>   | <b>838,901</b>     |
| Inventory   |       | 18,955,624           | 20,307             |
| <b>Total inventory</b>                            |       | <b>18,955,624</b>    | <b>20,307</b>      |
| Goods and services debtors                        | 11    | 75,887,591           | 93,663             |
| Inter-company account                             |       | 102,462,783          | 0                  |
| Other debtors                                     |       | 0                    | 0                  |
| Prepayments                                       |       | 3,282,104            | 6,702              |
| <b>Total receivables</b>                          |       | <b>181,632,478</b>   | <b>100,365</b>     |
| <b>Cash-on-hand</b>                               |       | <b>247,992,531</b>   | <b>335,498</b>     |
| <b>Total current assets</b>                       |       | <b>448,580,633</b>   | <b>456,170</b>     |
| <b>Total assets</b>                               |       | <b>1,337,184,377</b> | <b>1,295,072</b>   |

# Balance Sheet 31 December

| LIABILITIES  | Note | 31.12.17<br>DKK      | 31.12.16<br>t. DKK |
|--|------|----------------------|--------------------|
| Deposits   | 12   | 4,139,875            | 4,140              |
| Hedge reserve                                      | 12   | -28,251,267          | 5,329              |
| Grunnur til uppskriving eftir innaravirðishátti    | 12   | 3,175,158            | 1,063              |
| Results carried forward                            | 12   | 470,392,181          | 439,206            |
| <b>TOTAL EQUITY</b>                                |      | <b>449,455,946</b>   | <b>449,734</b>     |
| Provisions for pensions and equivalent liabilities |      | 17,089,212           | 18,451             |
| Other provisions                                   |      | 11,406,904           | 10,374             |
| <b>Total provisions</b>                            |      | <b>28,496,116</b>    | <b>28,824</b>      |
| Long-term debt                                     | 13   | 773,377,261          | 683,175            |
| <b>Total long-term debt</b>                        |      | <b>773,377,261</b>   | <b>683,175</b>     |
| Current portion of long-term debt                  | 13   | 869,797              | 923                |
| Bank debt  |      | 0                    | 28                 |
| Prepayment received from customers                 |      | 0                    | 5,217              |
| Trade creditors                                    |      | 22,240,425           | 34,719             |
| Inter-company account                              |      | 0                    | 42,990             |
| Derivatives  | 10   | 56,739,457           | 33,998             |
| Other creditors                                    |      | 6,005,376            | 15,464             |
| <b>Total short-term debt</b>                       |      | <b>85,855,055</b>    | <b>133,338</b>     |
| <b>Total debt</b>                                  |      | <b>859,232,316</b>   | <b>816,513</b>     |
| <b>Total liabilities</b>                           |      | <b>1,337,184,377</b> | <b>1,295,072</b>   |
| Grid result by area                                | 14   |                      |                    |
| Grid overview                                      | 15   |                      |                    |
| Mortgages and other liabilities                    | 16   |                      |                    |



# Cash Flow Statement

|   | Nota | 2017<br>DKK         | 2016<br>t. DKK  |
|---|------|---------------------|-----------------|
| <b>Annual result</b>                          |      | <b>33,302,118</b>   | <b>12,351</b>   |
| Adjustments                                   | 17   | 41,415,027          | 78,388          |
| Changes in working capital:                   |      |                     |                 |
| Inventory                                     |      | 1,351,459           | -5,014          |
| Receivables                                   |      | 47,596,205          | -67,040         |
| Trade creditors                               |      | -12,478,215         | 2,608           |
| Inter-company accounts – Production           |      | -145,452,393        | 131,929         |
| Other operating debt                          |      | 10,429,400          | 27,931          |
| Derivatives                                   |      | -33,580,201         | -3,676          |
| <b>Operations cash flow before financials</b> |      | <b>-57,416,600</b>  | <b>177,477</b>  |
| Interest expense paid and equivalent expenses |      | -23,460,059         | -36,110         |
| Adjustment to prior years                     |      | 0                   | 0               |
| <b>Cash flow from operations</b>              |      | <b>-80,876,659</b>  | <b>141,367</b>  |
| Purchase of tangible fixed assets             |      | -44,976,216         | -111,171        |
| Changes to work-in-progress                   |      | -75,726,691         | 13,334          |
| Changes to financial fixed assets             |      | -                   | -28,960         |
| <b>Cash flow from investment</b>              |      | <b>-120,702,907</b> | <b>-126,797</b> |
| Net loan facilities                           |      | 106,000,000         | 580,000         |
| Interest accrual                              |      | -53,335             | 923             |
| Repayments of long-term debt                  |      | 8,068,188           | -480,324        |
| Increased draw on credit facility             |      | 58,919              | -1,561          |
| <b>Cash flow from financing</b>               |      | <b>114,073,773</b>  | <b>99,039</b>   |
| <b>Total cash flow during the year</b>        |      | <b>-87,505,794</b>  | <b>113,609</b>  |
| Opening cash-on-hand                          |      | 335,498,325         | 221,889         |
| <b>Closing cash-on-hand</b>                   |      | <b>247,992,531</b>  | <b>335,498</b>  |

# Notes

| <b>1. NET TURNOVER</b>                          | <b>2017 DKK</b>    | <b>2016 t. DKK</b> |
|---|--------------------|--------------------|
| kWh charges etc.                                | 393,085,991        | 392,684            |
| Fixed charges                                   | 16,805,843         | 16,586             |
| Connection fees                                 | 27,426,328         | 8,045              |
| Other charges, past due charges and other sales | -2,417,935         | 4,121              |
| <b>Total</b>                                    | <b>434,900,228</b> | <b>421,436</b>     |

| <b>2. COST OF OIL</b> |                |            |
|-----------------------|----------------|------------|
| Gas oil               | 233,178        | 221        |
| <b>Total</b>          | <b>233,178</b> | <b>221</b> |

| <b>3. SUPPLIES AND SERVICES</b> |                   |               |
|---------------------------------|-------------------|---------------|
| Aerial lines                    | 2,578,045         | 3,810         |
| Dam, pipelines and tunnels      | 0                 | 0             |
| Tanks and environment           | 2,160             | 4             |
| Motors                          | 0                 | 0             |
| Electric and technical          | 68,723            | 246           |
| Buildings and land              | 1,210,398         | 1,327         |
| Annual Meeting and Board        | 232,812           | 293           |
| Studies and consultancy         | 6,001,037         | 4,205         |
| IT                              | 4,190,689         | 3,647         |
| Management and office expenses  | 1,860,053         | 2,383         |
| Loss on receivables             | 230,538           | -144          |
| Other operating expenses        | 267,224           | 358           |
| Other administrative expenses   | 12,214,418        | 14,932        |
| <b>Total</b>                    | <b>28,856,096</b> | <b>31,061</b> |

| <b>4. EMPLOYEE EXPENSES</b> | <b>2017 DKK</b>   | <b>2016 t. DKK</b> |
|-----------------------------|-------------------|--------------------|
| Wages                       | 27,383,801        | 26,663             |
| Pensions                    | 4,500,639         | 4,518              |
| Contributions               | 1,599,695         | 1,542              |
| <b>Total</b>                | <b>33,484,135</b> | <b>32,722</b>      |

|  |     |    |
|--|-----|----|
| Employees with SEV as main source of personal income | 86  | 82 |
| Average number of employees                          | 103 | 99 |

| 5. FINANCIAL EXPENSES                     | 2017 DKK          | 2016 t. DKK   |
|---|-------------------|---------------|
| Interest income                           | 0                 | -20           |
| Result from subsidiary companies          | -2,111,773        | -1,063        |
| Adjustment financial fixed assets         | 0                 | 60            |
| Interest, loans and bank loans etc,       | 15,381,391        | 14,024        |
| Establishment fees, commissions           | 3,537,837         | 10,535        |
| Unrealised exchange rate gains and losses | -12,702,908       | -2,437        |
| Unrealised adjustments on derivatives     | 17,092,132        | 13,871        |
| Other interest expenses                   | 151,608           | 137           |
| <b>Total</b>                              | <b>21,348,286</b> | <b>35,106</b> |

| 6. TAXES ON ANNUAL RESULT  |                  |              |
|----------------------------|------------------|--------------|
| Corporate tax              | 0                | 0            |
| Adjustment of deferred tax | 1,033,118        | 9,204        |
| <b>Total</b>               | <b>1,033,118</b> | <b>9,204</b> |

| 7. TANGIBLE FIXED ASSETS                                   | Amounts in DKK       |                   |                    |                      |                      |
|--|----------------------|-------------------|--------------------|----------------------|----------------------|
|  | Distribution grid    | Buildings         | Equipment          | Total 2017           | 2016                 |
| Acquisition value, opening balance                         | 970,900,384          | 67,041,142        | 176,763,808        | 1,214,705,334        | 1,103,534,436        |
| Additions during the year                                  | 30,031,124           | 429,016           | 16,665,351         | 47,125,491           | 111,170,898          |
| Disposals during the year                                  |                      |                   | -2,149,275         | -2,149,275           |                      |
| <b>Acquisition value year-end</b>                          | <b>1,000,931,508</b> | <b>67,470,158</b> | <b>191,279,884</b> | <b>1,259,681,550</b> | <b>1,214,705,334</b> |
| Depreciation, amortization and impairment, opening balance | -469,254,328         | -32,047,671       | -140,510,885       | -641,812,884         | -607,735,166         |
| Depreciation, amortization and impairment during the year  | -25,232,721          | -1,226,156        | -10,609,021        | -37,067,898          | -34,077,718          |
| Depreciation reversed on disposals                         |                      |                   | 2,149,275          | 2,149,275            |                      |
| Depreciation closing balance                               | -494,487,049         | -33,273,827       | -148,970,631       | -676,731,507         | -641,812,884         |
| <b>Carrying amount year-end</b>                            | <b>506,444,458</b>   | <b>34,196,331</b> | <b>42,309,253</b>  | <b>582,950,043</b>   | <b>572,892,450</b>   |
| <i>Carrying amount year-end 2016</i>                       | <i>501,646,056</i>   | <i>34,993,471</i> | <i>36,252,923</i>  | <i>572,892,450</i>   |                      |
| Work-in-progress opening balance                           | 70,027,749           | 4,361,872         | 4,973,168          | 79,362,790           | 92,696,352           |
| Investment booked to work-in-progress                      | 100,375,583          | 6,534,925         | 568,261            | 107,478,769          | 86,532,023           |
| Completed work transferred to depreciation                 | -27,546,509          | -429,016          | -3,776,552         | -31,752,077          | -99,865,585          |
| <b>Closing balance</b>                                     | <b>142,856,823</b>   | <b>10,467,781</b> | <b>1,764,877</b>   | <b>155,089,481</b>   | <b>79,362,790</b>    |
| <i>Balance at year-end 2016</i>                            | <i>70,027,749</i>    | <i>4,361,872</i>  | <i>4,973,168</i>   | <i>79,362,789</i>    |                      |
| <b>Fixed assets at year-end</b>                            | <b>649,301,281</b>   | <b>44,664,113</b> | <b>44,074,130</b>  | <b>738,039,524</b>   | <b>652,255,240</b>   |
| <i>Fixed assets at year-end 2016</i>                       | <i>571,673,804</i>   | <i>39,355,344</i> | <i>41,226,092</i>  | <i>652,255,240</i>   |                      |

|   | 31.12.17          | 31.12.16      |
|---|-------------------|---------------|
| 8. INVESTMENTS IN ASSOCIATED AND SUBSIDIARY COMPANIES | DKK               | t. DKK        |
| Acquisition value opening balance                     | 31,750,000        | 2,750         |
| Addition equity P/F Vindfelagið í Húshaga             |                   | 22,000        |
| Addition equity P/F Vindfelagið í Neshaga             |                   | 7,000         |
| <b>Acquisition value closing balance</b>              | <b>31,750,000</b> | <b>31,750</b> |
| Adjustments opening balance                           | 1,063,385         | 0             |
| Result from subsidiary companies                      | 2,111,773         | 1,063         |
| Adjustments closing balance                           | 3,175,158         | 1,063         |
| <b>Carrying amount year-end</b>                       | <b>34,925,159</b> | <b>32,813</b> |

Associated and subsidiary companies

| Name and registered office          | Share | Equity     | Annual result | Recognized value |
|-------------------------------------|-------|------------|---------------|------------------|
| P/F Fjarhitafelagið, Tórshavn       | 50%   | 60,758,235 | 1,149,428     | 2,750,000        |
| P/F Vindfelagið í Húshaga, Tórshavn | 100%  | 21,967,894 | 449,723       | 21,967,894       |
| P/F Vindfelagið í Neshaga, Tórshavn | 100%  | 10,207,264 | 1,662,050     | 10,207,264       |

The financial statement for P/F Fjarhitafelagið for the year 2017 is not available. The numbers shown are from 2016.

|   | Duration | Loan amount        | Balance<br>31.12.17 | Repayments<br>next year | Balance in 5<br>years |
|---|----------|--------------------|---------------------|-------------------------|-----------------------|
| <b>9. LOANS TO SUBSIDIARY COMPANIES</b> |          |                    |                     |                         |                       |
| P/F Vindfelagið í Húshaga               | 12 ár    | 75,000,000         | 69,478,537          | 5,644,336               | 46,136,301            |
| P/F Vindfelagið í Neshaga               | 10 ár    | 28,175,000         | 25,628,275          | 2,603,400               | 14,861,876            |
| <b>Total</b>                            |          | <b>103,175,000</b> | <b>95,106,812</b>   | <b>8,247,736</b>        | <b>60,998,177</b>     |

|                        | Assets            | Liabilities        | Total              | 31.12.16      |
|------------------------|-------------------|--------------------|--------------------|---------------|
| <b>10. DERIVATIVES</b> |                   |                    |                    |               |
|                        | <b>31,12,17</b>   | <b>31,12,17</b>    | <b>31,12,17</b>    | <b>t. DKK</b> |
| Oil-price hedge        | 20,532,250        |                    | 20,532,250         | 26,604        |
| Currency hedge         |                   | -27,115,107        | -27,115,107        | 24,053        |
| Interest rate hedge    |                   | -29,624,350        | -29,624,350        | -33,998       |
| <b>Total</b>           | <b>20,532,250</b> | <b>-56,739,457</b> | <b>-36,207,207</b> | <b>16,660</b> |

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.

|                               | 31.12.17          | 31.12.16      |
|-------------------------------|-------------------|---------------|
| 11. GOODS AND SERVICE DEBTORS | DKK               | t. DKK        |
| Goods and service debtors     | 78,373,005        | 90,782        |
| Other debtors                 | 723,586           | 6,090         |
| Receivables write-down        | -3,209,000        | -3,209        |
| <b>Total</b>                  | <b>75,887,591</b> | <b>93,663</b> |

## 12. EQUITY

| Amounts in DKK                       | Deposit          | Derivatives reserve | Inner value adjustment reserve | Result carried over | Total              |
|--------------------------------------|------------------|---------------------|--------------------------------|---------------------|--------------------|
| Equity statement 01.01.16 - 31.12.16 |                  |                     |                                |                     |                    |
| Balance 01.01.16                     | 4,139,875        | -9,005,200          | 0                              | 427,914,517         | 423,039,192        |
| Change in adjustment to derivatives  | 0                | 14,334,133          | 0                              | 0                   | 14,334,133         |
| Result from subsidiary companies     | 0                | 0                   | 1,063,385                      | -1,063,385          | 0                  |
| Annual result                        | 0                | 0                   | 0                              | 12,350,704          | 12,350,704         |
| <b>Balance 31.12.16</b>              | <b>4,139,875</b> | <b>5,328,933</b>    | <b>1,063,385</b>               | <b>439,201,836</b>  | <b>449,734,029</b> |

## Equity statement 01.01.17 - 31.12.17

|                                     |                  |                    |                  |                    |                    |
|-------------------------------------|------------------|--------------------|------------------|--------------------|--------------------|
| Balance 01.01.16                    | 4,139,875        | 5,328,933          | 1,063,385        | 439,201,836        | 449,734,029        |
| Change in adjustment to derivatives | 0                | -33,580,200        | 0                | 0                  | -33,580,200        |
| Result from subsidiary companies    | 0                | 0                  | 2,111,773        | -2,111,773         | 0                  |
| Annual result                       | 0                | 0                  | 0                | 33,302,118         | 33,302,118         |
| <b>Balance 31.12.17</b>             | <b>4,139,875</b> | <b>-28,251,267</b> | <b>3,175,158</b> | <b>470,392,181</b> | <b>449,455,946</b> |

## 13. DEBT

|                                | <i>Repayment in the first year DKK</i> | <i>Outstanding debt after 5 years DKK</i> | <i>Total debt 31 Dec. 2017 DKK</i> | <i>Total debt 31 Dec. 2016 t. DKK</i> |
|--------------------------------|--|---|------------------------------------|---------------------------------------|
| Debt to financial institutions | 0                                      | 667,377,261                               | 773,377,261                        | 683,175                               |
| <b>Total</b>                   | <b>0</b>                               | <b>667,377,261</b>                        | <b>773,377,261</b>                 | <b>683,175</b>                        |

There are no repayments in the next financial year, and the average maturity date is 8.3 years.

## 14. GRID RESULTS BY AREA

|                                    | Revenues           | Oil             | Supplies           | Wages              | Depreciation       | Interest           | Taxes             | Total              |
|------------------------------------|--------------------|-----------------|--------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| Coupling stations                  | 2                  | -23,553         | -1,002,381         | -927,378           | -5,355,797         | -5,814             | 0                 | -7,314,921         |
| Distribution grid                  | 396,720            | -166,843        | -5,830,791         | -11,917,158        | -21,484,517        | -79                | 0                 | -39,002,667        |
| Installations                      | 27,271,391         | 0               | -2,127,295         | -4,526,387         | -2,672,495         | 0                  | 0                 | 17,945,213         |
| Engineering                        | 81,826             | 0               | -957,054           | -1,654,607         | -882,008           | 0                  | 0                 | -3,411,842         |
| Technical                          | 152,000            | 0               | -485,930           | -2,014,390         | -436,820           | 0                  | 0                 | -2,785,140         |
| <b>Grid without administration</b> | <b>27,901,938</b>  | <b>-190,395</b> | <b>-10,403,450</b> | <b>-21,039,920</b> | <b>-30,831,636</b> | <b>-5,893</b>      | <b>0</b>          | <b>-34,569,356</b> |
| Administration                     | 125,273,615        | -42,782         | -18,452,646        | -12,444,215        | -4,086,987         | -21,342,393        | -1,033,118        | 67,871,474         |
| <b>Grid results</b>                | <b>153,175,553</b> | <b>-233,178</b> | <b>-28,856,096</b> | <b>-33,484,135</b> | <b>-34,918,623</b> | <b>-21,348,286</b> | <b>-1,033,118</b> | <b>33,302,118</b>  |

15. GRID ASSETS

|                                    | Fugloy    | Svínoy    | Víðoy      | Borðoy       | Kunoy     | Kalsoy     | Eysturoy     | Streymoy      | Vágoy        | Mykines   | Nólsoy     | Koltur   | Hesoy     | Sandoy     | Sikúvoy   | Stóra Dímun | Suðuroy      | Total         |             |
|------------------------------------|-----------|-----------|------------|--------------|-----------|------------|--------------|---------------|--------------|-----------|------------|----------|-----------|------------|-----------|-------------|--------------|---------------|-------------|
| <i>TRANSMISSION STATIONS</i>       |           |           |            |              |           |            |              |               |              |           |            |          |           |            |           |             |              |               |             |
| 6kV Transformer substations        | 1         |           |            | 1            |           |            |              |               |              |           |            |          |           |            |           |             |              | 2             | stk.        |
| 10kV Transformer substations       |           | 1         | 8          | 37           | 4         | 8          |              | 84            |              |           | 1          |          |           | 17         |           |             | 63           | 223           | stk.        |
| 20kV Transformer substations       |           |           |            | 2            |           |            | 129          | 94            | 35           |           |            |          | 1         |            |           |             |              | 261           | stk.        |
| 60kV Transformer substations       |           |           |            | 1            |           |            | 3            | 5             |              |           |            |          |           |            |           |             |              | 9             | stk.        |
| <b>Total per area</b>              | <b>1</b>  | <b>1</b>  | <b>8</b>   | <b>41</b>    | <b>4</b>  | <b>8</b>   | <b>132</b>   | <b>183</b>    | <b>35</b>    |           | <b>1</b>   |          | <b>1</b>  | <b>17</b>  |           |             | <b>63</b>    | <b>495</b>    | <b>stk.</b> |
| <i>TRANSFORMERS</i>                |           |           |            |              |           |            |              |               |              |           |            |          |           |            |           |             |              |               |             |
| 6kV Transformers                   | 2         |           |            | 2            |           |            |              |               |              |           |            |          |           |            |           |             |              | 4             | stk.        |
| 10kV Transformers                  |           | 1         | 12         | 46           | 4         | 8          |              | 99            |              |           | 1          |          |           | 18         |           |             | 80           | 269           | stk.        |
| 20kV Transformers                  |           |           |            | 4            |           |            | 170          | 122           | 51           |           |            |          | 1         | 3          |           |             | 4            | 355           | stk.        |
| 60kV Transformers                  |           |           |            | 1            |           |            | 6            | 14            |              |           |            |          |           |            |           |             |              | 21            | stk.        |
| <b>Total per area</b>              | <b>2</b>  | <b>1</b>  | <b>12</b>  | <b>53</b>    | <b>4</b>  | <b>8</b>   | <b>176</b>   | <b>235</b>    | <b>51</b>    |           | <b>1</b>   |          | <b>1</b>  | <b>21</b>  |           |             | <b>84</b>    | <b>649</b>    | <b>stk.</b> |
| <i>CABLE DISTRIBUTION CABINETS</i> |           |           |            |              |           |            |              |               |              |           |            |          |           |            |           |             |              |               |             |
| 0,4kV Cable cabinets               | 15        | 25        | 86         | 516          | 31        | 34         | 1613         | 2369          | 531          | 7         | 38         |          | 10        | 224        | 11        | 1           | 892          | 6,403         | stk.        |
| <i>AERIAL LINES AND CABLES</i>     |           |           |            |              |           |            |              |               |              |           |            |          |           |            |           |             |              |               |             |
| 60kV Aerial lines                  |           |           |            | 1,05         |           |            | 37,98        | 43,20         |              |           |            |          |           |            |           |             |              | 82,23         | km          |
| 60kV Cables                        |           |           |            | 2,80         |           |            | 23,40        | 23,20         |              |           |            |          |           |            |           |             |              | 49,40         | km          |
| 20kV Aerial lines                  |           |           |            |              |           |            | 32,45        | 46,91         | 3,54         |           |            |          |           |            |           |             | 9,58         | 92,48         | km          |
| 20kV Cables                        |           |           |            | 11,57        |           |            | 233,94       | 166,53        | 50,56        |           |            |          | 0,56      | 0,64       |           |             | 9,62         | 473,42        | km          |
| 10kV Aerial lines                  |           | 3,08      | 9,51       | 11,02        | 5,42      | 0,43       |              | 1,10          |              |           |            |          |           | 4,45       |           |             | 29,44        | 64,45         | km          |
| 10kV Cables                        |           | 0,55      | 21,30      | 44,44        | 6,43      | 17,81      |              | 97,53         |              | 1,47      |            |          |           | 39,10      |           |             | 77,56        | 306,19        | km          |
| 6kV Aerial lines                   | 2,19      |           |            | 6,24         |           |            |              |               |              |           |            |          |           |            |           |             |              | 8,43          | km          |
| 6kV Cables                         | 0,18      |           |            | 0,04         |           |            |              |               |              |           |            |          |           |            |           |             |              | 0,22          | km          |
| 0,4kV Aerial lines                 |           |           |            |              |           |            |              | 0,00          |              |           |            |          |           |            |           |             |              | 0,00          | km          |
| 0,4kV Cables                       | 1,10      | 4,22      | 11,72      | 63,42        | 3,44      | 3,76       | 209,17       | 305,54        | 62,80        | 0,55      | 3,38       | 0,38     | 0,90      | 29,24      | 0,88      | 0,14        | 106,61       | 807,25        | km          |
| <i>METERS</i>                      |           |           |            |              |           |            |              |               |              |           |            |          |           |            |           |             |              |               |             |
| Wireless kWh meters                | 62        | 79        | 281        | 2,543        | 87        | 127        | 5,510        | 10,948        | 1,641        | 55        | 180        | 4        | 42        | 823        | 54        | 5           | 2,917        | 25,358        | stk.        |
| Non-wireless kWh meters            | 0         | 0         | 1          | 10           | 0         | 0          | 5            | 40            | 2            | 0         | 0          | 0        | 0         | 3          | 0         | 0           | 9            | 70            | stk.        |
| <b>Total kWh meters / area</b>     | <b>62</b> | <b>79</b> | <b>282</b> | <b>2,553</b> | <b>87</b> | <b>127</b> | <b>5,515</b> | <b>10,988</b> | <b>1,643</b> | <b>55</b> | <b>180</b> | <b>4</b> | <b>42</b> | <b>826</b> | <b>54</b> | <b>5</b>    | <b>2,926</b> | <b>25,428</b> | <b>stk.</b> |
| Growth 2017                        | 1         | 0         | 1          | 2            | 0         | 1          | 44           | 69            | 19           | 1         | 0          | 0        | 0         | 1          | 0         | 0           | -7           | 132           | stk.        |

## 16. MORTGAGES AND OTHER OBLIGATIONS

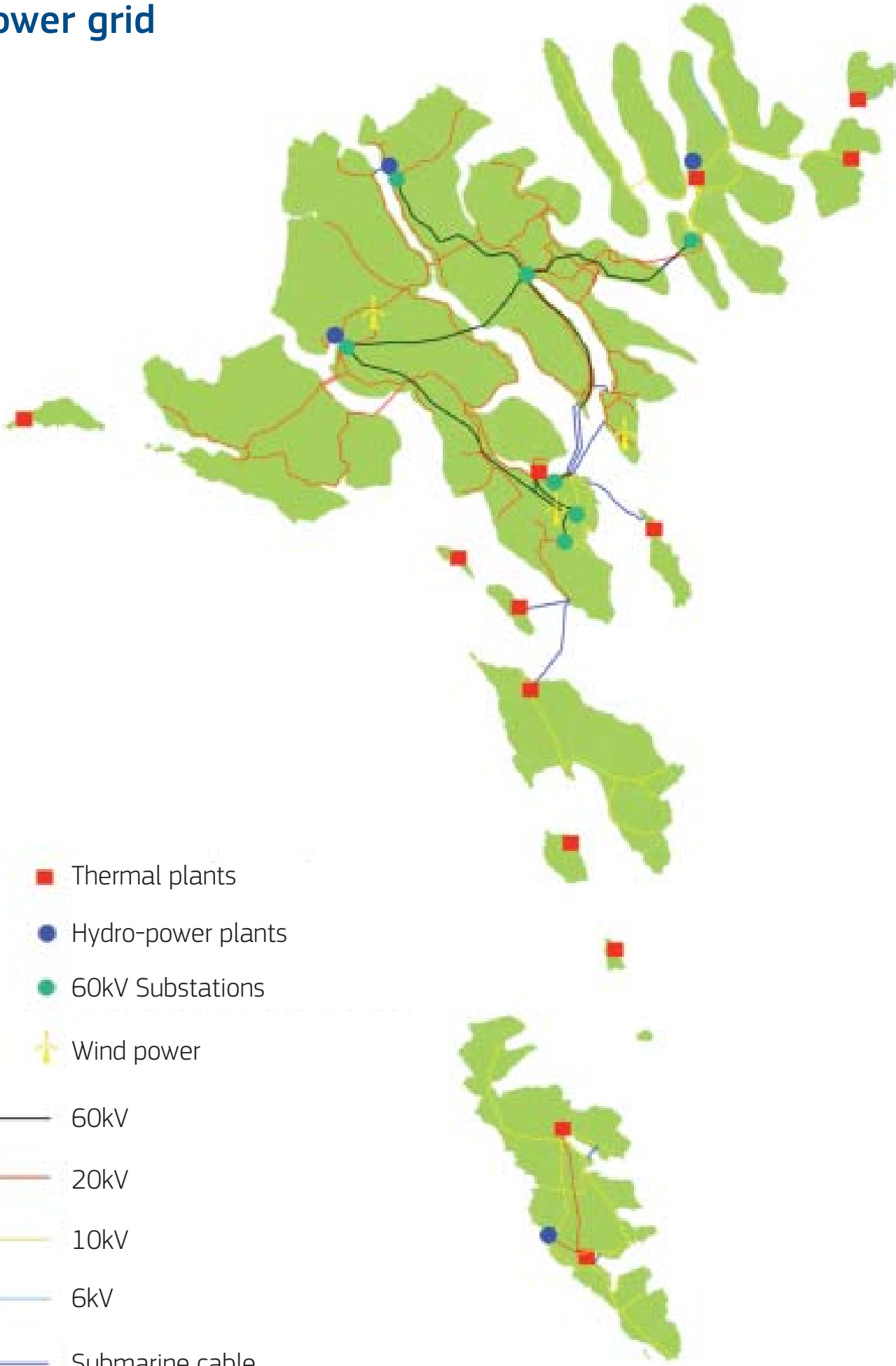
Please refer to the Elfelagið SEV Consolidated Group Annual Accounts for information relative to mortgages and other liabilities

|   | 2017              | 2016          |
|---|-------------------|---------------|
|   | DKK               | t. DKK        |
| <b>17. ADJUSTMENTS</b>                                  |                   |               |
| Result from subsidiary companies                        | -2,111,773        | -1,063        |
| Interest income and equivalent income                   | 0                 | -20           |
| Adjustment financial fixed assets                       | 0                 | 60            |
| Interest expenses and equivalent expenses               | 19,070,835        | 22,259        |
| Unrealized interest expenses                            | 4,389,224         | 13,871        |
| Depreciation  | 34,918,623        | 34,078        |
| Kursregulering lán í USD, broyting frá primo til ultimo | -15,885,000       | 0             |
| Tax   | 1,033,118         | 9,204         |
| <b>Total</b>  | <b>41,415,027</b> | <b>78,388</b> |

## 18. SPECIFICATION OF FIXED ASSETS INCLUDED IN DISTRIBUTION GRID

|                   |                    |                |
|-------------------|--------------------|----------------|
| Coupling stations | 141,489,503        | 138,916        |
| Distribution grid | 364,954,955        | 362,730        |
| <b>Total</b>      | <b>506,444,458</b> | <b>501,646</b> |

# Power grid



■ Thermal plants

● Hydro-power plants

● 60kV Substations

✚ Wind power

— 60kV

— 20kV

— 10kV

— 6kV

— Submarine cable



