sev

Production Accounts 2025

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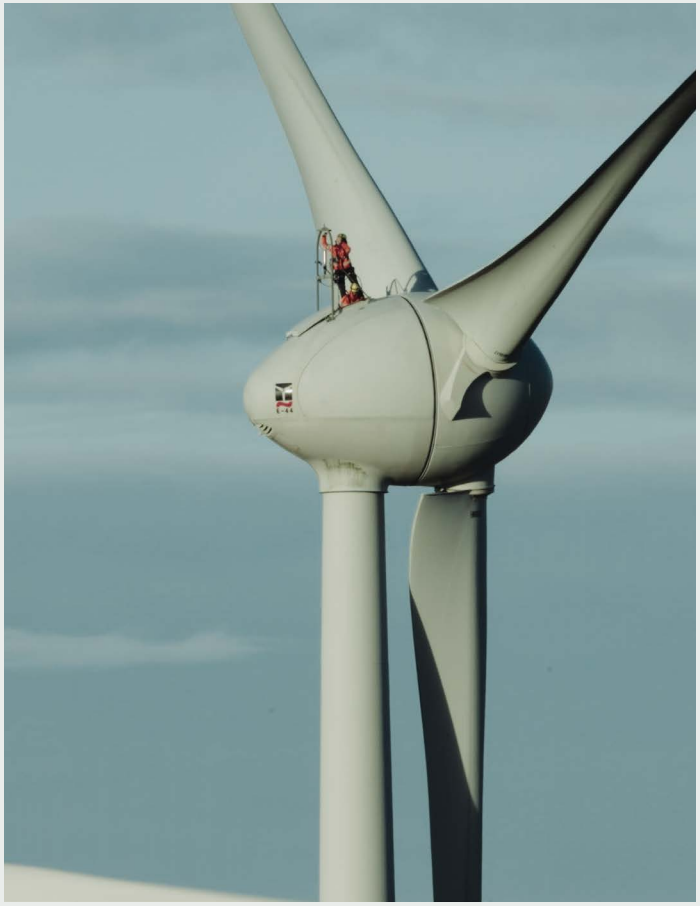

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Sev
Landavegur 92
Postbox 319
FO-110 Tórshavn

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

Financial calendar: 01.01-31.12
Business Tax Registration No.: 331538

Management Report

The Board of Directors and Management hereby submit Sev's Production Annual Report and Accounts for fiscal year 1 January - 31 December 2025. The Production Accounts are also a part of the Group's Annual Report.

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

It is our opinion that the accounting methods used are suitable and that the Accounts give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2025 and the result of operations and cash flow for fiscal year 1 January - 31 December 2025.

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, 27 March 2026

Management

Hákun Djurhuus
Managing Director, CEO

Financial Management

Bogi Bendtsen
Director of Administration, CFO

Board

Haraldur S. Hammer
Chairman

Sylvia Thomsen
Deputy Chair

Arni Teindal

Hans Kári Hansen

Heðin Mortensen

Tórbjørn Jacobsen

Winnie Kjærbo

Independent Auditor's Report

To the management of Elfelagið Sev

Opinion
We have audited the production accounts of Elfelagið Sev for the financial year 1 January - 31 December 2025, which comprise Income Statement, Statement of Financial Position, cash flow statement, and notes. The amounts in the production accounts are part of the annual accounts for Elfelagið Sev for the financial year 1 January – 31 December 2025, which we have audited.

In our opinion, the production accounts for Elfelagið Sev for the financial year 1 January - 31 December 2025 in all material aspects are prepared in accordance with the accounting principles described in the production accounts.

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

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

This has not affected our opinion on the production accounts.

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

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

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

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

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

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

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

Tórshavn, 27 March 2026

P/F JANUAR
State Authorised Public Accountants

Hans Laksá
State Auth. Auditor

Key Figures 2021-2025

Amounts in 1,000 DKK	2025	2024	2023	2022	2021
Income Statement					
Net sales	491,316	458,622	441,220	433,768	408,450
EBITDA	142,984	163,071	145,025	134,362	158,736
Result before financial items	10,782	40,222	38,000	25,030	54,459
Financial items	-25,616	-24,839	-25,065	-14,705	-19,903
Annual result	**-17,517**	**17,264**	**14,205**	**9,673**	**34,960**
Balance Sheet					
Total assets	1,946,770	1,836,043	1,849,837	1,898,199	1,714,619
Equity	918,627	935,982	920,492	890,940	870,798
Long-term debt	**631,329**	**886,443**	**899,019**	**818,725**	**827,932**

Management Review

Management Review

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

The operations permit granted to Sev for each individual production facility states that the accounts shall indicate whether each production facility operates at a profit or loss. This accounting report for the production activities of Sev is a part of the consolidated accounts of Sev. This Management Review discusses Sev's production activities for the period 1 January to 31 December 2025.

Distribution of operational profit
The operational costs of the Production Division must be covered in full, including its portion of the costs related to the universal service obligation. In addition, the Production Division aims to generate a profit corresponding to around 5% of opening balance equity.

The forecast profit required in 2025 is DKK 45.8 million, compared to DKK 45.3 million in 2024.

The total result for the Production Division was a loss of DKK 17.5 million. The low figure owes to the adjustment of the annual result for the Grid Division, which was adjusted so that profit equalled the expenses incurred by the Grid Division, plus own financing of up to 25% of the average annual investment over the next five years for the Grid Division. For a more detailed discussion of the relevant procedures and practices to distribute operational profit between the Production Division and the Grid Division, please refer to Note 1.

Business activity overview and financial status
Electricity production in 2025 totalled 506.2 GWh, which is a new record. The old record was set the previous year, when total electricity production amounted to 480.4 GWh. Production was divided into 51% renewables and 49% thermal power. Overall there was a 25.8 GWh rise in production, equivalent to 5.4%.

The significant rise in electricity demand is particularly evident in the central region with a 6.3% rise, while consumption in Suðuroy fell by 5.9%.

Production in outlying islands remains steady. Over the last decade production in outlying islands has remained around 0.6 GWh. The outlying islands are: Mykines, Fugloy, Skúvoy, Stóra Dímun and Koltur.

In the central region electricity production was over 80% sustainable for a total of 68.5 days. In Suðuroy electricity

> " In the central region electricity production was over 80% sustainable for a total of 68.5 days. In Suðuroy electricity production was 100% sustainable for a total of 66.5 days "

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Electricity generated from sustainable sources totalled 256.0 GWh in 2025, compared to 271.9 GWh in 2024, equivalent to a drop of 15.9 GWh, or 5.8%. In 2025 a total of 147.5 GWh were wind power, 102.4 GWh hydro power and 250.2 GWh were generated by thermal plants. This is equivalent to 49.4% of electricity production in 2025, compared to 43.4% in 2024. Over the last two decades electricity production has more than doubled. In 2000 production stood at 213 GWh, while 506 GWh were generated in 2025. In 2010 production was 280 GWh.

The Sund plant remains the biggest producer. In 2025 it generated 231 GWh, 46%, which is the second highest figure on record. It was only in 2021 that production was slightly higher at 235 GWh. Ten years ago, in 2015, Sund 'only' produced 94 GWh. However, 2015 was an exceptionally good year for sustainable energy, which represented 60% of total electricity production that year.

Reductions in wind and solar

Wind power, which now represents 30% of total electricity production came in slightly under 2024, which was a record year. Production in 2025 was 147 GWh compared to 153 GWh in 2024.

P/F Flatnahagi and Sp/f Vindrøkt II remained at the same production levels as in 2024, while the Húsahagi wind farm, which is a subsidiary of Sev, performed poorly owing to faults and only generated 7 GWh, compared to 17 GWh in 2024. Its best year was 2018 with 40 GWh.

On the other hand, the Neshagi turbines have been repaired and performed reasonably well with 10 GWh in 2025, compared to 3 GWh in 2024. Overall, this means that had the Húsahagi wind farm performed as expected, 2025 would have been a record year for wind generation. Work is underway to find a model for repairing the Húsahagi turbines. Porkeri had a good year with 15 GWh generated from wind, in line with previous years.

Hydro power usually fluctuates between 100-130 GWh annually, depending on rains. In 2025 production was 102.4 GWh, meaning 20% of total production. This is below average. Over the course of 2024 and 2025, extensive updates have been carried out at the hydro power plants Botnur in Suðuroy and Mýra in Vestmanna.

The Botnur plant has been modernised with new turbines, while at the Mýra plant the turbine has completely overhauled. This is the first time such large-scale refurbishment has been undertaken on the turbine since its installation in 1961. The plant was also equipped with new electricity and hydraulic systems in 2024. The 64-year-old turbine can, with this overhaul, be expected to generate electricity for many more years to come.

These refurbishments have meant that both power plants have been out of operation for long periods. Botnur for 1½ year and the Mýra plant for ½ year. This has, of course, caused a loss of production, in this case estimated at 4.5 GWh for Botnur (in 2025) and 6.5 GWh for Mýra in July-November 2025. A fault at Strond also lead to loss of production estimated at 1 GWh, meaning a total tally of 12 GWh in lost hydro power production, of which 11 GWh were caused by time off line for required updates. Now, however, these plants are ready for operation for many years to come, potentially a full 60 years.

The other hydro power plants were refurbished over the period 2010-2015. The Eiði, Fossá and Heyga plants performed well in 2025, ranging from average to above average.

Solar power gains

Solar power is progressing, in addition to Sev's solar plants, other private actors have installed solar plants. The Sumba plant generated 184,000 kWh, which is 5%

more than in 2024, while other Sev solar plants at Landavegurin and Strond reached 23,442 kWh in 2025.

Solar plants installed by private companies and households generated a total of 387,553 kWh, and private solar plants have now overtaken Sev's production. In total, roughly 595,000 kWh were produced from solar energy in the Faroe Islands in 2025, equivalent to a saving of 120 tonnes of oil. There are, at present, approximately 50 large and small solar plants contributing to Sev's grid in the Faroe Islands.

Battery systems

The battery system at Sund came online in December 2023, and it increased the yield from wind energy production. The new sub-station and battery station in Sandur is expected to enter operation by year end 2026, while the expansion of the Sund battery station is expected to be completed around the same time. These two new stations, with a battery capacity of roughly 30 MW will considerably increase harnessed wind power yield, while also reinforce grid stability.

Table 1

Sales in GWh

	2025	2024	Change GWh	Change %
Settled sales to customers	460,1	435,5	24,5	5,6
Grid loss	32,2	29,0	3,2	11,1
Own consumption	13,9	15,9	-1,9	-12,1
Total production	**506,2**	**480,4**	**25,8**	**5,4**
Of which thermal	250,2	208,6	41,7	20,0
Thermal %	*49,4*	*43,4*		
Of which hydro	102,4	111,1	-8,7	-7,8
Hydro %	*20,2*	*23,1*		
Of which wind	147,5	153,5	-6,0	-3,9
Wind %	*29,1*	*31,9*		
Of which BTS*	6,1	7,3	-1,2	-17,0
% BTS	*1,2*	*1,5*		
Total green energy production	**256,0**	**271,9**	**-15,9**	**-5,8**
Green energy %	*50,6*	*56,6*		

* BTS = Biogas, tidal, and solar

Electricity demand

The maximum recorded load in the central region was 80 MW in 2025 compared to 77.5 MW in 2024, while the maximum recorded load in Suðuroy in 2025 was 8.6 MW compared to 8.3 MW in 2024.

Over the years, electricity production has fluctuated, as indicated in Figure 1, which provides an overview of electricity production for the entire country from 1954 to 2025.

As the Figure shows, there was steady growth in electricity production from 1954 to the financial crisis in the 1990s, when electricity production declined in response to lower demand. It was not until 1996 that electricity production rose again. In 2025 it reached a new record of 506 GWh.

The chart also shows a sharp rise in hydro power generation in the late 1980s because of the new Eiði 3 power plant. Hydro power production rose again from 2002 to 2007 because of the Eiði 3 power plant, and remained steady since. In 2010 and in 2011 extensive overhauls were carried out on the turbines and pipes at the Fossá power plant and at the Heyga power plant, as well as turbine 1 at the Eiði power plant, which was updated in 2012, while turbine 2 was updated in 2013. These overhauls are reflected in production levels in the chart, because production declined in 2010 and 2011. Moreover, it should be noted that in 2010 and 2013 it rained very little, compared to other years. In June 2012

the new turbine 3 at the Eiði power plant came online, and together with Eiði 2 south increased hydro power generation by around 14 GWh annually. The tunnel project was completed at the end of 2013.

In November of 2012, the wind farm in Neshagi entered into operation and on 9 October 2014 the new wind farm in Húsahagi came into production. The wind farm in Porkerishagi began to supply the grid in November 2020, and was formally turned over to Sev on 11 February 2021. The chart also shows that wind power generation rose considerably in 2022, when the Vindrøkt II wind farm at Gellingarklettur began to deliver electricity to the grid in the month of July. The following year P/F Flatnahagi started to deliver electricity to the Sev grid from its wind farm.

Figure 2 shows monthly electricity production from 1988 through December 2025. As shown, production declined in 2011, while it grew steadily over the twelve months of 2012 only to decline and then rally somewhat in 2013; growth continued apace from 2014 through 2025. In 2025 growth was 5.4%.

Figure 3 shows electricity production in the Faroe Islands per inhabitant from 1970 to 2025. The chart paints the same picture as Figures 1 and 2 of the total electricity production for the whole country.

The Company has production facilities around the country, generating electricity from various sources such as thermal, hydro power, wind energy, and solar power. Moreover, the Company utilises biogas from the Förka

Figure 1

Electricity production for the entire country from 1954 to 2025

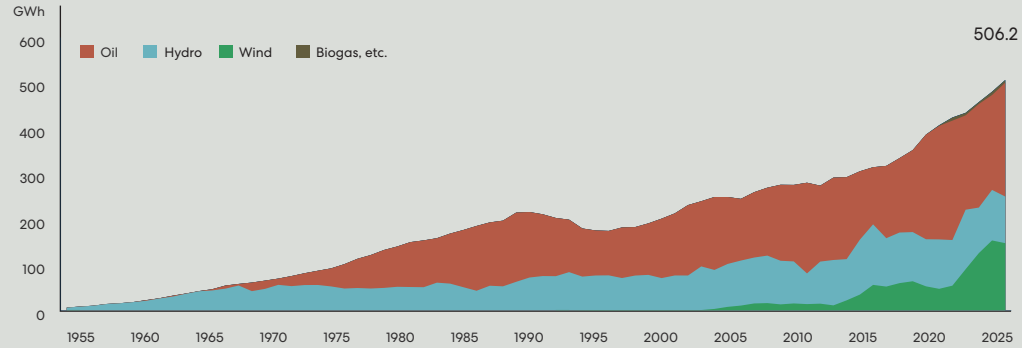


Figure 2

Total monthly electricity production from 1988 through 2025

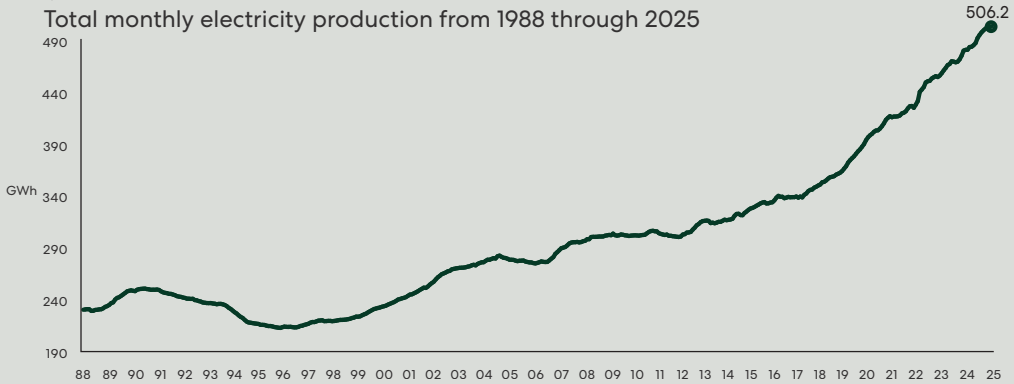


Figure 3

Electricity production per inhabitant of the Faroe Islands 1970-2025

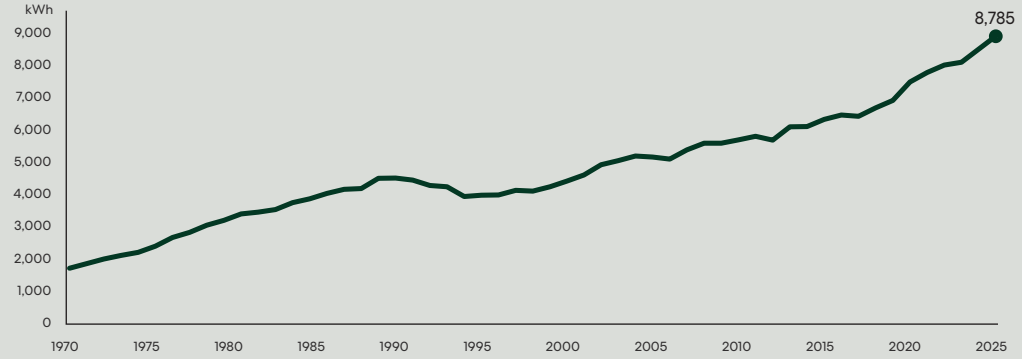


Figure 4

Geographical division of electricity production 2025

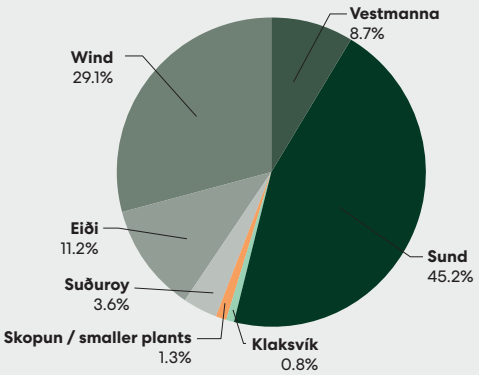
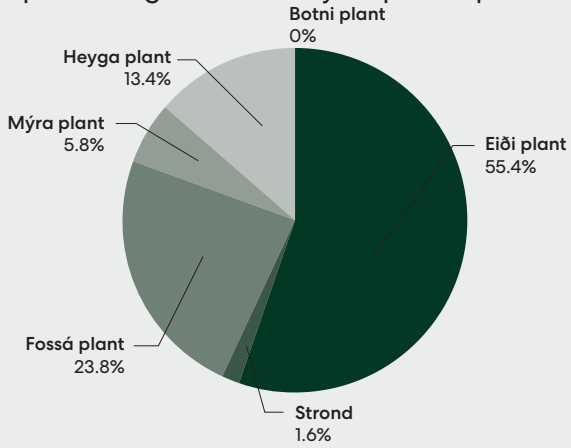
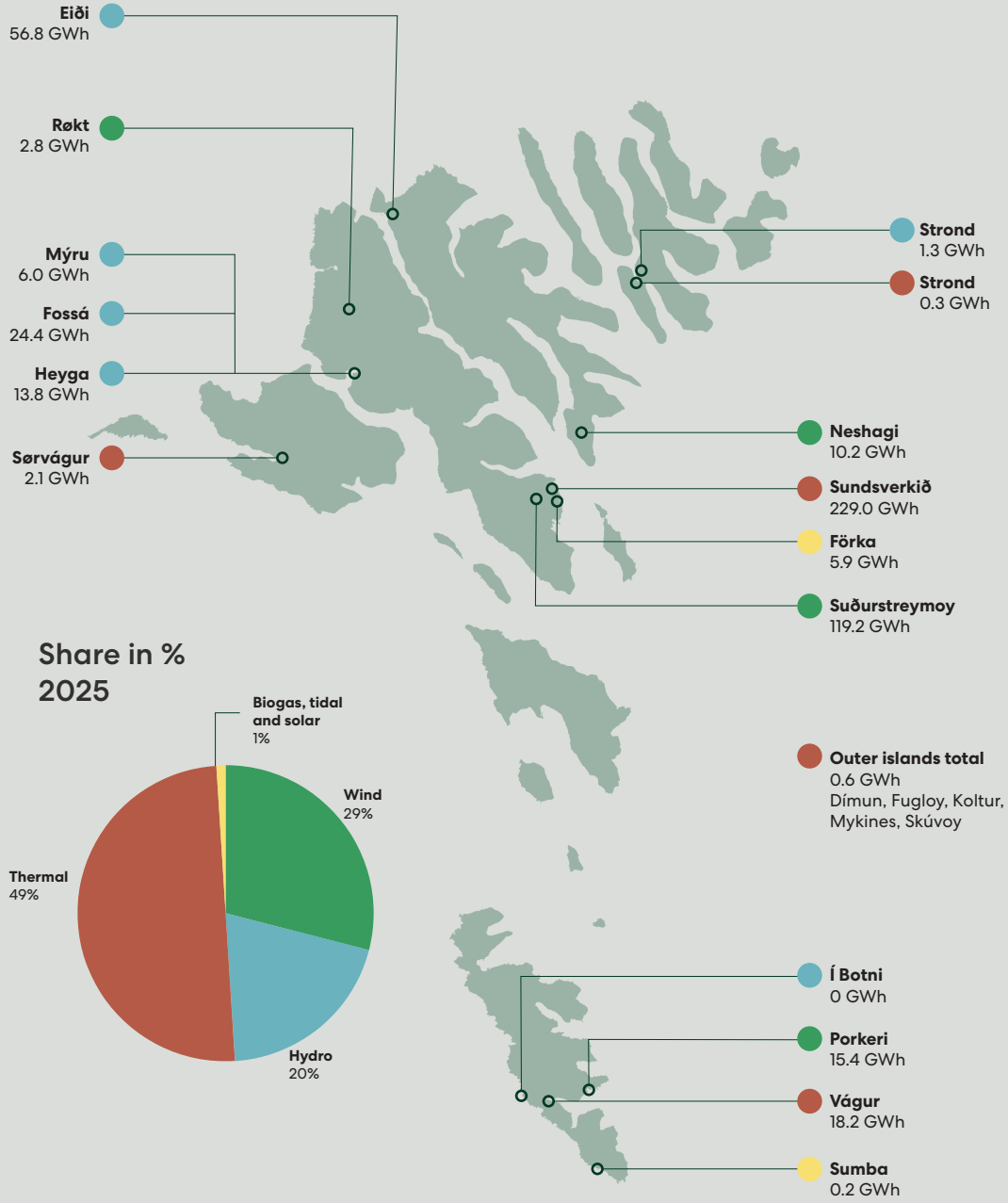


Figure 5

Electricity production by hydropower plants in 2025 as a percentage of entire hydropower production





plant and the Vindrøkt II and Flatnahagi wind farms.

Figure 4 shows electricity production divided by area in 2025. As the chart shows, the largest share of production occurs at the Sund plant with 229 GWh, while the second largest share is generated from wind at Gellingarklettur with 74.1 GWh, while hydro power comes in third at the Eiði power plant, which generated 56.8 GWh.

Figure 5 shows production divided by hydro power plants in 2025. The chart shows that Eiði is the largest hydro power plant, followed by the Fossá plant in Vestmanna.

Sev is bound by a universal service obligation. This means that Sev must always have sufficient power available to meet the demand for electricity. Figure 6 shows the amount of available backup capacity versus peak demand for the central region from 1957 through 2025.

Figure 6 shows how much backup capacity Sev has in proportion to peak demand. Sev has a high volume of backup capacity because considerable portions of electricity production are generated from intermittent energy resources. The Company must therefore have adequate and robust backup capacity.

The increase in available backup generating capacity in 2012 was a result of the new turbines at the Eiði hydro power plant and the Neshagi wind farm. The decline in 2013 of 5.3 MW reflects the fact that the M3 motor at the Sund thermal plant was off line. The increase in 2014 and 2015 reflects the installation of two new motors at the

Figure 6

Peak demand for the main production region and total installed capacity, 1957-2025

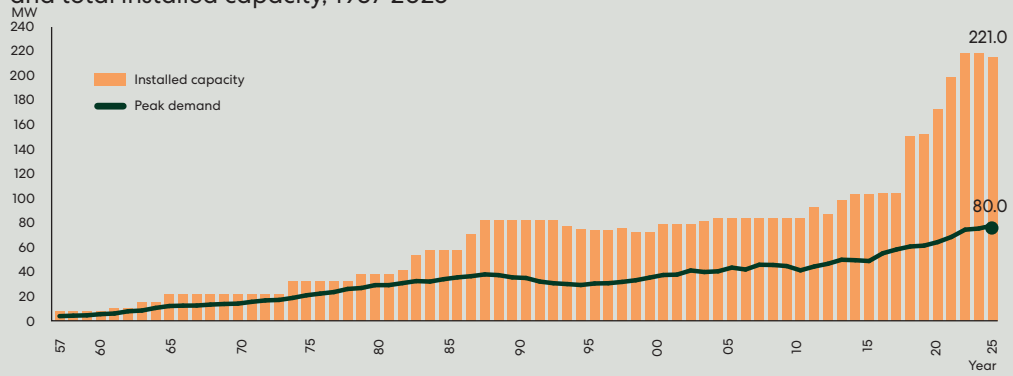


Figure 7

Electricity demand over a 24-hour period, Wednesday, 1 October 2025 in the main central production region.

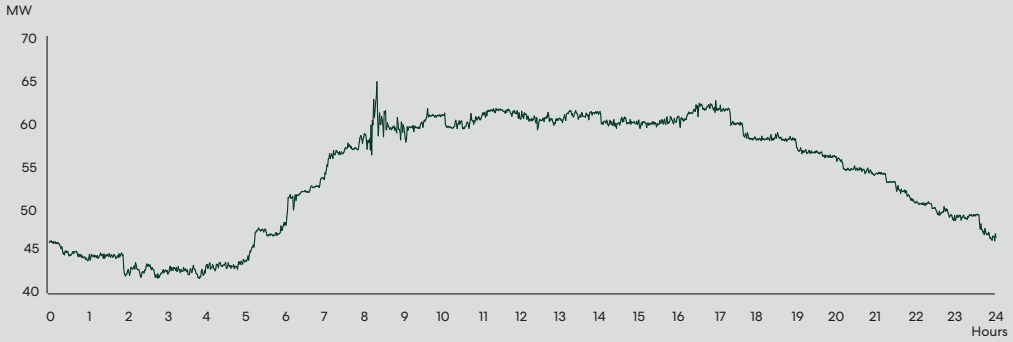
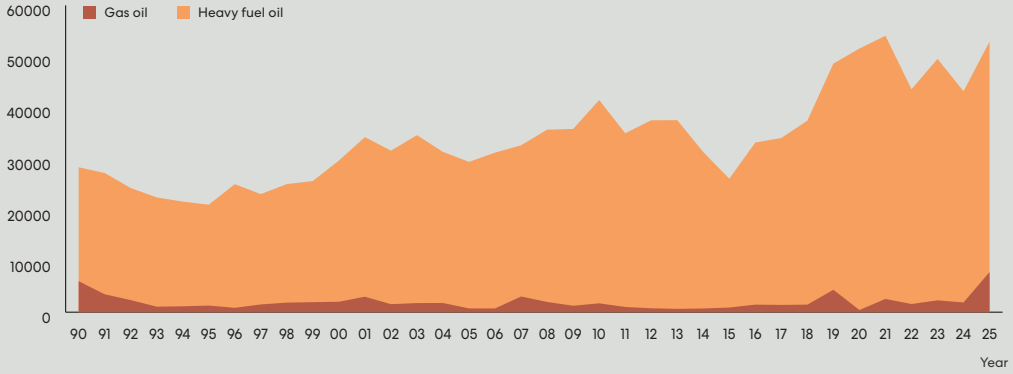


Figure 8

Oil consumption in tonnes, 1990-2025



Sund plant to replace the M3 motor generating some 4.8 MW, plus the wind farm at Húsahagi producing some 11.7 MW. In 2016, the new motor at the Vágur thermal plant came online, adding 4.0 MW. In 2017 and 2018, there was no increase in available backup capacity, but in 2019 Sev purchased backup generators with a total power of 8.0 MW.

Station 3 at the Sund plant, which was formally taken over on 31 March 2020, is well equipped and of a high technical standard. It provides constant base load electricity to Faroese society. The significance of the Sund power plant to Faroese society is comparable to the critical infrastructure provided by cable connections between the countries on the continent. The expanded Sund power plant provides a secure foundation, while Sev continues its green expansion to harness renewable and sustainable energy resources.

Station 3, which is now part of the Sund plant, houses four new generators with a total capacity of 37 MW. Together with the older section of the Sund plant – Stations 1 and 2 with a capacity of 45 MW – the Sund plant has a total capacity of 82 MW.

For the sake of comparison, electricity demand in the central region on a typical day averages 55-60 MW, and the highest demand for electricity ever registered was 80 MW, which was at 17:24 on 19 November 2025.

Considerable attention is focused on security and cleanliness at Station 3; the plant has a pollution control system that removes the harmful compound NOx from emitted smoke. Considerable generator noise reduction and mitigation measures are also in place. And great care has been taken to ensure the best possible conditions for plant operation and maintenance.

Figure 7 shows the load on Wednesday 1 October 2025 in the central region. The Figure shows the daily power load on an ordinary day in 2025. The Figure shows that the load is fairly even from 9:00 in the morning to 20:00 hours in the evening. For most of the last few years, the daily power load has, in the main, remained unchanged. In order to meet the demand for electric power, Sev has a highly diverse 'generator park', comprised of oil-fired generators, hydro power turbines, and wind turbines. In addition, Sev has a solar power facility located in Sumba, which is part of a research project, and tidal turbines installed in Vestmanna Sound, which are also part of a research project. Furthermore, P/F Flatnahagi and Sp/f Vindrøkt II have built wind farms of 18 and 25 MW, respectively.

Table 2

Oil consumption, tonnes

	2025	2024	Change tonnes	Change %
Heavy fuel oil	45.069	41.288	3.782	9,2
Gas oil	7.846	1.901	5.945	312,7
Total	**52.915**	**43.189**	**9.726**	**22,5**

Table 3

Oil expense, DKK million

	2025	2024	Change DKK MM	Change %
Heavy fuel oil	199,3	189,6	9,7	5,1
Gas oil	54,3	17,2	37,1	215,5
Lubricants, urea	10,8	8,7	2,1	24,8
Total	**264,4**	**215,5**	**49,0**	**22,7**

Total income

Total income for the Production Division in 2025 was DKK 491.3 million, compared to DKK 458.6 million in 2024. Of this income, the Sund thermal plant generated DKK 367.5 million in 2025 and DKK 327.0 million in 2024, or

> " In total, roughly 595,000 kWh were produced from solar energy in the Faroe Islands in 2025, equivalent to a saving of 120 tonnes of oil "

Table 4

Depreciation, DKK million

	2025	2024	Change DKK MM	Change %
Sund	48.9	60.5	-11.6	-19.2
Vágur	10.6	10.4	0.2	2.2
Fossá	2.3	2.2	0.2	7.1
Heyga	1.6	1.3	0.3	23.0
Mýru	1.9	1.6	0.3	18.2
Eiði	19.3	19.2	0.1	0.4
Botnur	0.6	5.5	-4.9	-89.2
Strond	1.9	1.8	0.1	4.3
Wind farms	42.7	18.6	24.1	129.2
Smaller plant	2.4	1.8	0.7	37.2
Total	**132.2**	**122.8**	**9.4**	**7.6**

respectively 74.8% and 71.3%. The Vágur thermal plant generated power to the tune of DKK 50.8 million in 2025 and DKK 38.4 million in 2024, or 10.3% and 8.4%, respectively.

This means that the two largest oil-fired thermal production plants generated an income of nearly DKK 418.3 million in 2025, compared to DKK 365.3 million in 2024, equivalent to respectively 85.1% and 79.7% of total Production Division income. The operational result for the Production Division in 2025 was a loss of DKK 17.5 million, compared to DKK a profit of DKK 17.3 million 2024.

Total expenses

Total expenses in 2025 were DKK 508.8 compared to DKK 441.4 million in 2024. Expenses include oil purchases, operating expenses, depreciation, finance costs and taxes. Operational expenses are generally subdivided into wages for employees, and materials and services. For the thermal production plants, oil expenses is the greatest share of total expenditures by far. In 2025 oil expenses totalled DKK 264.4 million, compared to DKK 215.5 million in 2024, which represents 52.0% of total expenses, compared to 48.8% in 2024.

Oil expenses

Based on the operational strategy that the Company has adopted to stay on the approved budget, the Company hedged its heavy fuel oil purchases for 2025. A more detailed overview of Sev's long-term risk management strategy is available in the Group's Consolidated Accounts available at www.sev.fo.

The oil price Sev pays is determined by price quotes on the oil market and the USD/DKK exchange rate.

As Table 3 reveals, costs were DKK 49 million higher than the previous year. In 2025, Sev consumed 3,782 tonnes more heavy oil, and the cost of heavy oil was DKK 9.7 million higher than the previous year. The consumption of gas oil increased considerably compared to the

previous year totalling 5,945 tonnes, while the cost of gas oil rose by DKK 37.1 million. The Company also used lubricating oil and urea for a total of DKK 10.8 million, which is DKK 2.1 million more than the previous year.

The considerable increase in gas oil consumption for production, as compared to heavy fuel oil, owes, in particular, to the pilot project at Vágur plant and Sund plant production, and also mobile generation units on the grid.

The Vágur plant launched a trial of using gas oil instead of heavy oil for electricity production. This is because it is more difficult to adjust production patterns with generators to accommodate green production from wind turbines with battery stations and synchronous condensers, when using heavy fuel oil rather than gas oil. This trial is expected to continue until next summer, when a conclusion will be drafted.

Table 5

Investment by plant, DKK million

	2025	2024	Change DKK MM	Change %
Sund	45.8	58.6	-12.8	-21.9
Vágur	3.0	3.7	-0.7	-17.9
Fossá	1.0	2.2	-1.1	-51.7
Heyga	5.2	23.8	-18.6	-78.0
Mýru	3.7	5.5	-1.9	-33.7
Mýru II	1.3	11.2	-9.9	-88.6
Eiði	1.0	0.2	0.7	322.1
Botnur	17.8	12.3	5.5	45.2
Strond	9.0	2.1	6.9	331.5
Wind farms	-0.1	12.7	-12.7	-100.4
Smaller plant	5.0	4.9	0.2	3.8
Total	**92.8**	**137.1**	**-44.3**	**-32.3**

The Sund plant also consumed considerably more gas oil than usual. Several factors account for this, including still fair weather conditions that made it necessary to use all available generators for production, including the ones running on gas oil. It was also necessary to use gas oil in production in order to save heavy fuel oil in storage, and gas oil had to be used for production in conjunction with the inspection of the large oil tank last spring.

Given the considerable increase in electricity demand in recent years, Sev has chosen to connect container generators to the grid in order to meet demand and secure satisfactory grid stability at all times. These container generators produce electricity from gas oil.

The average cost for each tonne of heavy fuel oil was DKK 4,423 in 2025, compared to DKK 4,592 in 2024. This represents a decrease of DKK 170 per tonne in 2025 compared to 2024, this owes to lower oil prices.

The average cost for each litre of gas oil used was DKK DKK 6.92 in 2025 compared to DKK 9.06 in 2024, a drop of DKK 2.13 on 2024. The price remains high. This owes to the inclusion of the transport costs by ship and helicopter to the small power plants located in the outlying islands in the cost of gas oil, while the purchase price for gas oil has decreased somewhat.

For the Production Division, oil expenses amounted to 52% of all costs and depreciation in 2025. This means that the price of oil has a major impact on operational results and is dependent on the international oil pricing trend and the USD/DKK exchange rate.

Figure 8 shows an overview of oil consumed for the production of electricity from 1990 through 2025, subdivided into gas oil and heavy fuel oil.

Goods and services
In 2025 production plant expenses for goods and services Totalled DKK 35 million compared to DKK 34.1 million in 2024, an increase of DKK 0.9 million.

In 2025 expenses for materials and services at the Sund thermal plant amounted to DKK 18.5 million compared to DKK 14.5 million in 2024, or 52.8% of total expenses for materials and services in 2025. The Vágur thermal power plant accounted for DKK 3.9 million of total expenses in 2025, compared to DKK 2.8 million in 2024. This corresponds to 11.2% of total costs.

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

Expenses related to grid management and Sev's ancillary services
The total expenses incurred by the power plants reflect not only the cost of electricity production, but also cost related to grid management and Sev's ancillary services.

These expenses can be subdivided into the expenses for managing the available power reserve, spinning reserve, reactive power, voltage and frequency regulation and management. The electricity production plants sell their electricity production to the Grid Division. This payment from the Grid Division factors in the price of electricity as well as a portion of the ancillary services attributed to the production plants.

The Company has revised the costs associated with grid

Table 6

Largest investments 2025, DKK million

	2025
Sund, refurbishment of staff facilities	24.4
Botnur, turbine 1 & 2	17.3
Sund, electrical kettle	7.0
Strond, new mobile generator set	7.0
Heyga, new generator	3.9
Total	**59.6**

Table 7

Investments, DKK million

	2025	2024
Investment booked as work-in-progress	89.9	136.9
Investment booked directly as transition	2.9	0.2
Investment booked directly as transition	**92.8**	**137.1**

Table 8

Work-in-progress, DKK million

	2025	2024
Opening balance	185.1	141.1
Investment booked to work-in-progress	86.5	136.9
Write-down on work-in-progress	3.4	-7.5
Work transferred to fixed assets	-42.0	-85.4
Closing balance	**233.0**	**185.1**
Changes to work-in-progress	47.8	44.0

management and the ancillary services. The result is that these costs are higher than the costs the Company has ordinarily included in the budget in recent years. As of 2023 the Company is including these costs following a new formula.

Costs associated with grid management
Grid management on Suðuroy takes place at the Vágur power plant, while grid management in the central region occurs at the central region control room.

The cost of controlling the grid in the central region totals DKK 11.5 million and is calculated as the total cost of material, wages and deprecations for the control room in the central region. The cost of controlling the power grid in Suðuroy is DKK 2.3 million. These calculations yield a total cost of grid management of DKK 13.8 million.

Costs associated with ancillary services
In collaboration with the consultancy firm Deloitte in Denmark, in 2021 Sev created a model that determines the cost of ancillary services. The analysis was based on 2019 and 2020 figures. The conclusion was that the cost of ancillary services was around DKK 0.26 per sold kWh. This cost, however, will vary depending on the level of total cost and kWh sold. Based on the model devised with Deloitte, the cost of ancillary services in 2025 was determined to be DKK 0.36 per sold kWh, in 2024 it was calculated as DKK 0.38 per kWh sold. Meaning that this cost level has remained unchanged.

Total costs for grid management and ancillary services
The cost of ancillary services from the thermal and hydro

Table 9

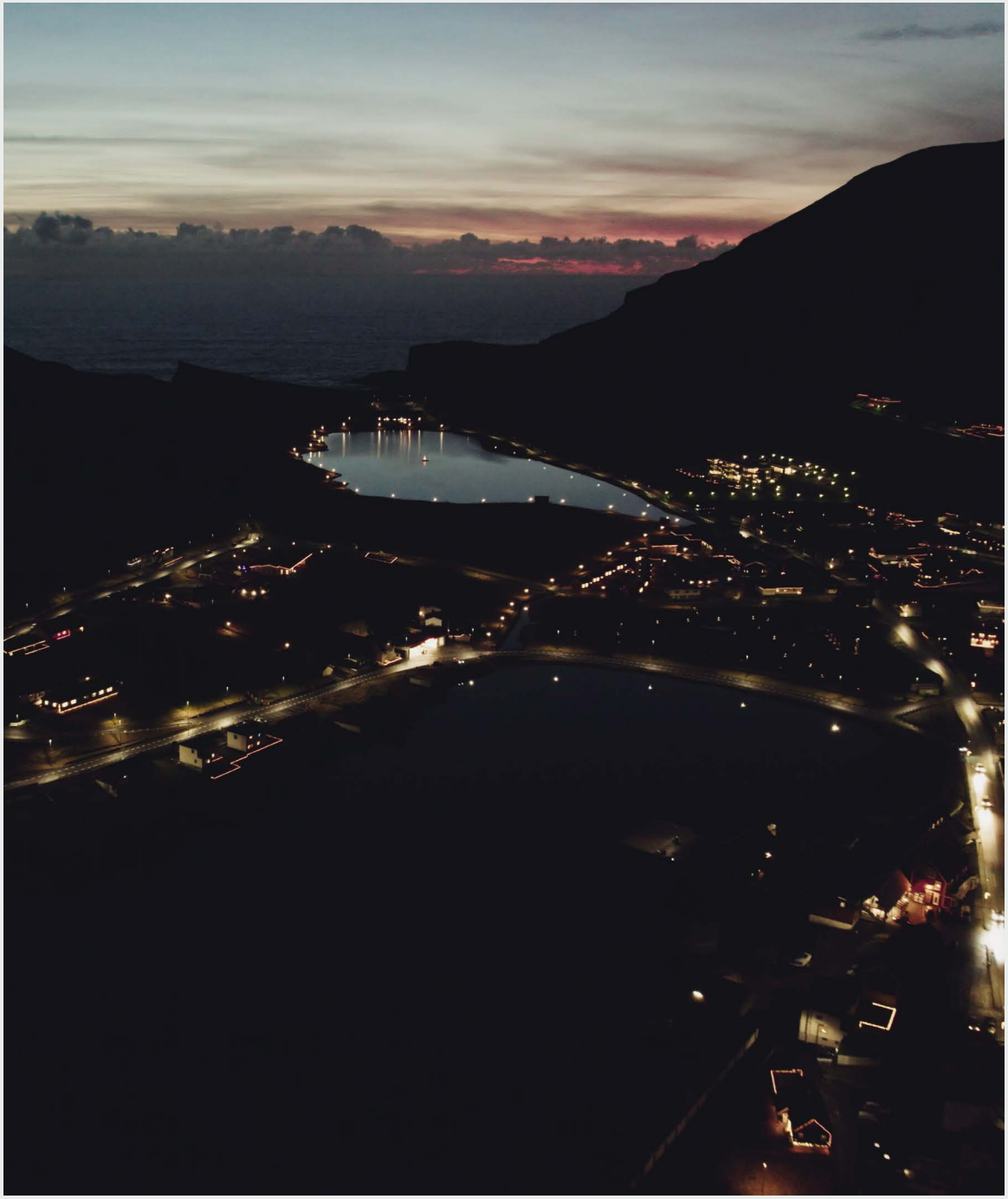
Transfer to fixed assets, DKK million

	2025	2024
Work transferred to fixed assets	42.0	85.4
Investments booked directly to fixed assets	2.9	0.2
Transfers at year-end	**44.9**	**85.6**

Table 10

Largest transfers to fixed assets, DKK million

	2025
Heyga, new sluice gate	10.3
Sund, 18,000 hour service on engines in Station 3	9.2
Mykines, upgrade plant	7.2
Mýra, retrofit turbine (65 years, approx. 4,500,000 hours)	3.0
Sund, service on Tank 3	2.7
Total	**32.4**



power plants is DKK 136.7 million, and from the smaller plant the cost is DKK 6.2 million, for a total of DKK 142.9 million cost for ancillary services from production. In addition to this, the cost of grid managament is DKK 13.8 million, and the cost of stabilising the grid is DKK 8.2 million.

The total cost for grid management and ancillary services is DKK 164.9 million compared to DKK 164.7 million in 2024.

Wage expenses

Wage expenses for the production facilities were DKK 48.9 million in 2025, compared to DKK 46.0 million in 2024, which equates to an increase of DKK 3.0 million

A breakdown of total wage costs in 2025 shows that the Sund plant accounted for DKK 34.4 DKK compared to 31.4 million in 2024, or respectively 70.3% and 68.2%. In 2025, the Vágur plant accounted for DKK 7.2 million compared to DKK 7.3 million in 2024, corresponding to respectively 14.7% and 16.0%. The reason for the higher level of employee expense for the Vágur plant relative to production is the grid management of the power system on Suðuroy. The Grid Division reimburses these expenses to the Vágur plant, as explained above.

Overall, the largest share of wage expenses are incurred by the thermal plants. Hydro power and wind plant only represent DKK 5.8 million, meaning 11.8% of total wage costs.

Financial costs
Financial expenses amounted to DKK 25.6 million in 2025, compared to DKK 24.8 million in 2024.

Depreciation
Depreciation for 2025 was DKK 132.2 million compared to DKK 122.8 million in 2024, which is DKK 9.4 million higher. The Sund power plant, which was depreciated by DKK 48.9 million, has the largest share of depreciation. In 2024 a write-down of DKK 7.5 on the project to construct a new oil storage tank at Sund was included in depreciation, however, the loss was lower than expected and DKK 3.4 million will be adjusted upwards in 2025. The wind turbines held by P/F Vindfelagið í Húsahaga have been written down by DKK 28.3 million, as they are not in production owing to damages. The value entered in the books is no longer deemed in existence and is therefore written off. Rising depreciation, which is the second highest expense post after oil costs, reflects the multiple investments made.

Investments
Investment in material fixed assets amounted to DKK 92.8 million in 2025 compared to DKK 137.1 million in 2024, as Table 5 shows.

The major investments in the Production Division are shown in Table 6. Tables 7 through 9 show the trend in investment, work-in-progress, and additions to fixed assets.

Additions from work-in-progress and direct acquisition to fixed assets (the depreciation basis) was DKK DKK

42.0 million in 2025 and DKK 85.6 million in 2024. For further information refer to work-in-progress and Note 7 in the Annual Accounts.

The major investments undertaken by the Production Division, which were added to the basis, are shown in Table 10.

For further information refer to the detailed discussion on investments in the Consolidated Group Accounts available at www.sev.fo.

Liquidity
Liquidity is not separated into production and grid; a transfer pricing current account is used between the divisions. All power plant operations are financed by payment from the power Grid Division, thereby securing the necessary liquidity. The same is applicable to the wind farm subsidiaries, which are also financed by the Grid Division.

Sev's cash-on-hand at year end was DKK 244.1 million, compared to DKK 375.7 million in 2024.

In addition, the Company has unused drawing rights and lines of credit with financial institutions equalling DKK 850.0 million available for liquidity and investments. Cash-on-hand, the credit facilities, and the unused drawing rights equalled DKK 1,094.1 million in 2025, compared to DKK 1,225.7 million in 2024.

Maintaining robust liquidity is essential for the Company's daily operations and, given the uncertainties in global financial markets, it is prudent to maintain substantial liquidity.

The purpose of maintaining sufficient liquidity is to ensure that Sev always has sufficient funds to pay cash for purchase of oil and the costs associated with an incident damaging a production plants or the grid. Further details on the Company's liquidity are available in the Consolidated Annual Accounts available on the Company's website, www.sev.fo.

Risk assessment
More details on the Company's overall risk assessments are available in the Consolidated Annual Accounts available on the website www.sev.fo.

Outlook for the 2026 operating year
The result before taxes for 2026 is a budgeted profit of around DKK 22.7 million, based on the 2026 budget and an assessment of the distribution of results in relation to share equity requirements.

The management is satisfied with the forecast 2026 result, though it is, perhaps, on the lower side considering the significant expansion in the pipeline. The management and board are, however, satisfied with the end-of-year 2026 forecast financial position.

The operational expenses are forecast at DKK 82.9 million in 2026 compared to DKK 83.9 million in 2025, a slight decrease on the previous year.
Oil expenses in the 2026 budget are estimated to total DKK 275.0 million compared to DKK 264.5 million in 2025, which is a year-on-year rise. There are two main drivers behind this rise. A slightly higher oil consumption forecast compared to 2025 coupled with the environmental levy on the heavy fuel oil Sev uses in electricity production. Allowance has also been made for use of gas oil. All these factors lead to higher oil costs for Sev.

The Company has a long-term plan to hedge its oil purchases annually in line with the oil usage forecasts in each annual budget. The Company has hedged its oil purchases for 2026 under agreements entered into last year. The Company has also factored in market value adjustments of its oil inventory in the budget for 2026.

Geopolitical uncertainties are impacting on the oil market. Although hedging is in place for the 2026 heavy fuel oil purchase, it is possible that the rising or high oil price can affect the total oil cost, and thereby results, in a negative direction, if Sev must by more oil than budgeted. It is not expected that the sales price for electricity will be affected by this.

Depreciation is budgeted at DKK 120.9 million in 2026, compared to DKK 135.6 million in 2025. Included in depreciation for 2025 is a write-down on the wind turbines at Húsahagi of DKK 28.3 million.

The subsidiary company P/F Vindfelagið í Húsahaga is considering whether the best option is to quickly erect new wind turbines, rather than repairing the existing wind turbines.

If the subsidiary company is not allowed to repair the

existing wind turbines or to erect new wind turbines, the company is likely to be wound up and to decommission and clean the area; this is the reason for the write-down. A decommissioning will entail costs, the level of which are currently not known. The reader is referred to the annual accounts of P/F Vindfelagið í Húsahaga for more information.

The project to build a new Sund storage tank was written down in 2024 by DKK 7.5 million. A portion of this amount, DKK 3.4 million has been reversed, because the actual loss was lower than expected.

Financial costs are expected to rise in line with the debt taken out to fund investment. Financial costs are expected to be higher in 2026 than 2025. For the year 2026 finance costs are forecast to total DKK 35.8 million. In 2025 the cost was DKK 23.9 million, however, this cost also factors in adjustments of financial instruments.

With an estimated 2026 result of DKK 22 million, the Production Division is not contributing sufficient self-financing for investments. It is critical for production operations to contribute sufficient financing for future investments in existing power plants and renewables.

In recent years, Sev has distributed revenues between grid and production operations pursuant to the principle that grid operations should be self-sustaining. Amendments introduced in 2024 to the Electricity Production Act have meant that the Company will have to review its method of income distribution. Sev will work with the Electricity Production Commission in 2026 to seek an agreement on how to design the income distribution calculations for the production units, which have now become subject to the principle of self-sufficiency.

Further details regarding 2026 can be found in the Operations, Financial and Investment Budget for 2026 available at www.sev.fo.

Events after close of accounts
From the day before the closing date of the financial statements to date, nothing has occurred that would impact the assessment of the annual accounts.

sev

Production Accounts 2025

www.sev.fo

Accounting Principles

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

The Production Accounts are prepared in the same manner as the Group Accounts, albeit without the consolidation and elimination of internal postings in the income statement and balance sheet. This is done in order to give the reader the best possible insight into all the production activity of the Sev group. The Annual Accounts apply the same accounting principles as the previous year and are presented in Danish kroner.

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

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

Basis for recognition and valuations

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

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

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

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

Translation of foreign currency

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

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

Income Statement

Net Sales

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

Consumption of Goods and Services

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

Other External Expenses

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

Ancillary services

The cost of electricity production can be divided into actual production cost, and the cost of ancillary services. Ancillary services include the planning and control of available generating power, spinning reserve, reactive reserve, regulating power and regulating frequency.

The income of the smaller power plants is equal to their total cost, and in addition they receive as income a percentage of their equity at the beginning of the year.

Grid control

The cost of planning and controlling the grid in the main area comprises the total operating the cost of the control room at Landavegur, Tórshavn. The cost of planning and controlling the grid on Suðuroy is based on wages at the Vágur power plant.

Distribution of income

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

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

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

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

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

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

Employee Expenses

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

Depreciation and Write-offs

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

Financials

Financials include interest receivable and interest payable, realised and unrealised capital gains and losses on financial assets and debt. Financial revenue and expense are booked at value for the relevant accounting year.

Dividends from equity investments in Associated

Companies are recognised as revenues in the accounting year in which they are approved.

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

Balance Sheet

Tangible Assets

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

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

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

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

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

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

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

Depreciation of Fixed Assets

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

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

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

Equity in subsidiaries

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

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

revaluation reserves. The reserves are adjusted by other equity movements in the subsidiaries.

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

Capital Investment in Associated Companies

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

Inventory

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

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

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

Receivables

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

Prepayments

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

Cash-on-hand

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

Current and Deferred Taxes

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

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

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

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

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

Other Provisions

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

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

Derivative Financial Instruments

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

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes

therein are accounted for as described below. The Company holds no trading derivatives.

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

Cash Flow Hedges

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

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

Liabilities

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

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

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

Cash Flow Statement

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

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

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

Cash flows from financing comprise financing from shareholders, dividends paid to shareholders, the initiation and subsequent repayment of long-term liabilities, in addition to withdrawals from credit facilities. Cash-on-hand at the beginning and end of the year comprises both cash and bank deposits.

Income Statement

1 January – 31 December

Amounts in 1,000 DKK

Note		2025	2024
1	Net sales	491,316	458,622
2	Oil expenses	-264,424	-215,481
3	Materials and services	-34,973	-34,095
	Gross proceeds	209,046	187,274
4	Wages	-48,934	-45,975
	Depreciation, amortization and impairment of fixed assets	-132,203	-122,849
	EBITDA	10,782	40,222
5	Financial items	-25,616	-24,839
	Result before tax	-14,835	15,383
6	Tax on annual result	-2,682	1,881
	Annual result	**-17,517**	**17,264**
	Proposed distribution of result:		
	Result carried forward	-17,517	17,264
	Total distribution	**-17,517**	**17,264**

Balance Sheet, Assets

31 December

Assets in 1,000 DKK

Nota		2025	2024
	Tangible fixed assets		
7, 14	Power plants	1,333,521	1,424,606
	Buildings and land	4,333	3,991
	Operating equipment	4,260	3,127
	Investment work-in-progress	232,978	185,137
	Total tangible fixed assets	**1,575,092**	**1,616,860**
	Derivatives	6,654	6,492
	Total financial fixed assets	6,654	6,492
	Total fixed assets	**1,581,745**	**1,623,352**
	Current assets		
	Oil inventory	47,571	49,025
	Total inventory	**47,571**	**49,025**
6	Goods and services receivables	5,914	3,922
	Inter-company account Grid	310,830	161,872
	Tax asset	588	3,271
	Prepayments and accruals	0	-5,399
	Total receivables	317,332	163,665
	Cash-on-hand	122	0
	Total current assets	365,025	212,690
	Total assets	**1,946,770**	**1,836,043**

Balance Sheet, Liabilities

31 December

Liabilities in 1,000 DKK

Note		2025	2024
	Equity		
8	Equity subsidiary companies	0	0
	Hedge reserve	6,654	6,492
	Result carried forward	864,973	882,490
	Total equity	**871,627**	**888,982**
	Provisions		
6	Deferred tax	0	0
	Total provisions	**0**	**0**
	Debt		
9	Long-term debt	631,329	886,443
	Total long-term debt	**631,329**	**886,443**
9	Current portion of long-term debt	255,103	12,576
	Creditors	107,696	26,511
	Other liabilities	81,016	21,530
	Total short-term debt	443,815	60,617
	Total debt	1,075,143	947,060
	Total liabilities	**1,946,770**	**1,836,043**
10	Production result by plant		
11	Overview of production units		
12	Mortgages and other obligations		

Cash Flow Statement

Note	Amounts in 1,000 DKK	2025	2024
	Annual result	-17,517	17,264
13	Adjustments	160,501	145,808
	Changes in working capital:		
	Inventories	1,454	-6,026
	Receivables	29,453	5,512
	Creditors	79,812	-36,499
	Inter-company account Grid	-148,958	28,261
	Other liabilities	24,014	20,190
	Operating cash flow before financial items	128,760	174,510
	Interest paid and similar expenses	-25,616	-24,839
	Cash flow from operations	103,144	149,671
	Investment in tangible fixed assets	-42,593	-93,343
	Changes to work-in-progress	-47,842	-44,011
	Cash flow from investments	-90,434	-137,355
	Repayments of long-term debt	-12,588	-12,316
	Cash flow from financing	-12,588	-12,316
	Total cash flow during the year	122	0
	Opening cash-on-hand	0	0
	Closing cash-on-hand	**122**	**0**

Notes

Production Accounts 2025

Note 1

Since 2011, Sev has published independent accounts for the Production Division and the Grid Division. In this regard, the Company determined to calculate earnings for the Production Division in the same manner as demanded for wind power tenders. Thus, this calculation of earnings affords an accurate picture of production operations, compared to the requirement for a profit and an adequate return on assets of the Production Division. For the Production Division, this means that it shall always cover all of its costs, including its portion of the costs related to management of the grid and Sev's universal service obligation. In addition, the Production Division shall derive a profit corresponding to around 5% of opening balance equity.

Calculated profit for 2025 was DKK 45.8 million compared to DKK 45.3 million in 2024, corresponding to 5.0% of the Production Division's opening balance equity. Sev believes this is a reasonable profit at present, compared to inflation and other investment possibilities. The total result for the Production Division was a loss of DKK 17.5 million.

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

1. Net sales

Amounts in 1,000 DKK	2025	2024
Own production	360,572	316,655
Own consumption	-15,443	-15,824
Grid control	2,300	2,300
Ancillary services	142,927	152,790
Other sales	960	2,701
Total	**491,316**	**458,622**

When infrastructure investment is needed, a portion of the investment required shall be self-funded, thus negating that the entire investment be financed by a loan facility. Sev has determined that self-financing of some 25% is sufficient and the Production and Grid accounts for 2016-2024 reflect this expectation. The level of self-financing required is based on the budgeted investments in the Production and Grid Divisions. Hitherto, the Company has maintained a high equity ratio, but in step with decreasing equity ratios, the requirement is for increasing self-financing from 25% to 40%, which is the internal target for long-term equity ratio. The equity ratio required by loan agreements is 35%.

The level shall be viewed in the context of budgeted investment for a rolling 5-year period. Sev's 2025 budget projects investment for 2025-2029 for the Production Division to be DKK 1,960 million, equalling on average some DKK 392 million annually. The self-financing projected for 2025 is budgeted to be DKK 98 million. For the Grid Division, projected investment is set at DKK 1,543 million, of which self-financing equals DKK 77 million for 2025. It is advisable that self-financing is of a sufficient amount and this can be realized only from an operational profit.

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

For the Grid Division, this means that the annual result shall be adjusted such that the profit is equal to the expenses incurred by the Grid Division plus a self-financing requirement of 25% of the annual average investment in the grid over the next five years. Distribution of profit between the Production Division and the Grid Division in previous years was based on an allocation to the Production Division that ensured that all costs were covered, including costs for its respective portion of grid administration and the grid's universal service obligation plus a 5% return on opening balance equity.

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

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

Notes 2-4

2. Oil expenses

Amounts in 1,000 DKK	2025	2024
Gas oil	54,304	17,226
Heavy fuel oil	199,323	189,604
Lubricating oils, urea	10,797	8,652
Total	**264,424**	**215,481**

3. Materials and services

Amounts in 1,000 DKK	2025	2024
Dams, pipelines and tunnels	287	120
Tanks and environmental	330	445
Motors	13,488	14,912
Electric and technical	294	339
Buildings and land	2,070	2,292
General Meeting and Board	259	87
Studies and consultancy	1,950	788
IT	4,198	4,222
Management and office expenses	1,139	1,009
Other operating expenses	2,614	1,508
Other administrative expenses	8,344	8,372
Total	**34,973**	**34,095**

4. Employee expenses

Amounts in 1,000 DKK	2025	2024
Wages	43,086	40,360
Pensions	4,169	3,910
Contributions	1,679	1,705
Total	**48,934**	**45,975**
Full-time equivalent	**68**	**68**

Notes 5-6

5. Financial expenses

Amounts in 1,000 DKK	2025	2024
Interest, loans and bank debt, etc.	25,616	24,839
Total	**25,616**	**24,839**

6. Taxes on annual result

Amounts in 1,000 DKK	2025	2024
Tax for the year according to P&L	**2,682**	**1,881**
Tax asset P/F Vindfelagið í Húsahaga 1 January	2,747	2,061
Change in tax asset during the year	-2,747	686
Tax asset P/F Vindfelagið í Húsahaga 31 December	**0**	**2,747**
Deferred tax liability P/F Vindfelagið í Neshaga og Porkeri 1 January	0	-671
Change in tax liability during the year	-65	1,194
Deferred tax liability P/F Vindfelagið í Neshaga og Porkeri 31 December	**0**	**0**
Tax asset P/F Vindfelagið í Neshaga og Porkeri 31 December	**588**	**523**

Note 7

7. Tangible fixed assets

Amounts in 1,000 DKK	Production	Grid	Buildings	Equipment	Total 2025	2024
Acquisition value, opening balance	3,104,568	36	5,275	9,857	3,119,736	3,034,119
Additions during the year	42,948	0	495	2,550	45,993	85,843
Disposals during the year	0	0	0	-1,053	-1,053	-226
Acquisition value year-end	**3,147,516**	**36**	**5,770**	**11,353**	**3,164,675**	**3,119,736**
Depreciation opening balance	-1,679,982	-17	-1,284	-6,730	-1,688,012	-1,572,889
Depreciation for the year	-134,031	-1	-153	-1,417	-135,603	-115,349
Reversal on disposals for the year	0	0	0	1,053	1,053	226
Depreciation closing balance	**-1,814,013**	**-18**	**-1,437**	**-7,094**	**-1,822,562**	**-1,688,012**
Book value year-end	**1,333,503**	**19**	**4,333**	**4,260**	**1,342,113**	**1,431,723**
Book value year-end 2024	1,424,586	20	3,991	3,127	1,431,723	
Work-in-progress						
Opening balance	177,829	0	4,731	2,577	185,137	141,126
Investment during the year	84,609	0	0	1,866	86,475	136,950
Write-down on work-in-progress	3,400	0	0	0	3,400	-7,500
Transferred to depreciation	-41,538	0	-495	0	-42,033	-85,439
Closing balance	**224,300**	**0**	**4,235**	**4,443**	**232,978**	**185,137**
Closing balance year-end 2024	177,829	0	4,731	2,577	185,137	
Fixed assets year-end	**1,557,802**	**19**	**8,568**	**8,703**	**1,575,092**	**1,616,860**
Fixed assets year-end 2024	1,602,415	20	8,721	5,705	1,616,860	

Notes 8-9

8. Equity

Amounts in 1,000 DKK	Share capital	Hedge reserve	Result carried forward	Total
Equity statement 01.01.24 - 31.12.24				
Opening balance 01.01.24	0	8,265	865,227	873,492
Adjustment derivatives	0	-1,773	0	-1,773
Annual result	0	0	17,264	17,264
Closing balance 31.12.24	**0**	**6,492**	**882,490**	**888,982**
Equity statement 01.01.25 - 31.12.25				
Opening balance 01.01.25	0	6,492	882,490	888,982
Adjustment derivatives	0	161	0	161
Annual result	0	0	-17,517	-17,517
Closing balance 31.12.25	**0**	**6,654**	**864,973**	**871,627**

9. Liabilities

Amounts in 1,000 DKK	Repayments next year	Outstanding debt after 5 years	Total debt 31.12.25	Total debt 31.12.24
Debt to financial institutions	242,259	242,258	823,941	823,941
Subsidiaries' debt to parent company	12,845	156,575	62,491	75,078
Total	**255,103**	**398,833**	**886,432**	**899,019**

The average maturity of the loans from 2016 is 1.4 years. The average maturity of the loans from 2022 is 4.8 years. The average maturity of the whole loan portfolio is 4.3 years.

On subsidiary debt due to the parent company Sev, the repayments due next year are calculated on the basis of annuity loans starting in 2016 repayable over 10 and 12 years, respectively, and as a serial loan starting in 2021 repayable over 18 years.

Note 10

10. Production result by plant

Amounts in 1,000 DKK	Revenue	Oil	Materials	Wages	Depreciation	Interest	Taxes	Total
Sund power plant	367,547	-230,708	-18,474	-34,412	-48,856	-14,701	0	20,394
Vágur power plant	50,775	-25,357	-3,912	-7,206	-10,591	-2,212	0	1,496
Fossá power plant	6,726	-10	-1,049	-1,159	-1,825	0	0	2,683
Heyga power plant	3,784	-15	-615	-613	-1,649	-76	0	816
Mýra power plant	3,590	-31	-900	-257	-1,884	-44	0	474
Eiði power plant	37,252	-11	-2,465	-3,324	-19,252	-6,392	0	5,808
Botnur power plant	-3,435	0	-162	0	-597	-14	0	-4,209
Strond power plant	7,054	-5,713	-358	-153	-1,921	-15	0	-1,106
Wind power	14,878	0	-6,056	-267	-42,705	-2,179	-2,682	-39,012
Small power plants	3,144	-2,578	-982	-1,542	-2,922	18	0	-4,862
Production result	**491,316**	**-264,424**	**-34,973**	**-48,934**	**-132,203**	**-25,616**	**-2,682**	**-17,517**

Note 11

11. Power plant overview as at 31 December 2025

Location	Unit	MW	Unit type	Manufacturer	Powered by	Year	Age	Total hours	Hours 2025
Botnur	T1	1	Pelton hydro turbine	Voith	Hydro	1965	61	217,763	0
Botnur	T2	2	Francis hydro turbine	Voith	Hydro	1966	60	178,696	0
Eiði	T1	7	Francis hydro turbine	Voith	Hydro	1987	39	136,099	3,051
Eiði	T2	7	Francis hydro turbine	Voith	Hydro	1987	39	142,240	4,542
Eiði	T3	7.7	Francis hydro turbine	Voith	Hydro	2012	14	83,740	7,379
Húsahagi *	V1-V13	11.7	Windmill (pitch reg.)	Enercon	Wind	2014	12	965,033	26,470
Neshagi *	V1-V5	4.5	Windmill (pitch reg.)	Enercon	Wind	2012	5	242,887	46,449
Porkeri *	V1-V7	6.3	Windmill (pitch reg.)	Enercon	Wind	2021	5	242,887	46,449
Skopun	M1-M3	1.83	4-T	Mercedes and Deutz	Gas oil	1984	42	0	0
Smaller plant		1.7	4-T	Deutz, Mercedes, Perkins	Gas oil		0	0	0
Strond	M3	3.6	4-T 12 M 453 K	Krupp Mak	Gas oil	1982	44	51,675	33
Strond	T1	1.4	Francis hydro turbine	Sulzer Hydro	Hydro	1998	28	88,490	2,188
Sund	M1	7.85	4-T 9M43C	Caterpillar/MaK	Heavy oil	2001	25	88,857	2,322
Sund	M2	7.85	4-T 9M43C	Caterpillar/MaK	Heavy oil	2004	22	81,746	2,850
Sund	M3A	2.4		MTU	Gas oil	2015	11	4,650	55
Sund	M3B	2.4		MTU	Gas oil	2015	11	4,523	55
Sund	M4	12.4	2-T 12 L55 GSCA	B&W Götaverken	Heavy oil	1983	43	210,044	2,929
Sund	M5	12.4	2-T 12 L55 GSCA	B&W Götaverken	Heavy oil	1988	38	192,385	3,180
Sund	M6	9.25	9L 51/60	MAN	Heavy oil	2020	6	27,751	5,892
Sund	M7	9.25	9L 51/60	MAN	Heavy oil	2020	6	25,991	6,489
Sund	M8	9.25	9L 51/60	MAN	Heavy oil	2020	6	27,824	6,278
Sund	M9	9.25	9L 51/60	MAN	Heavy oil	2020	6	28,152	5,868
Sund	B4-C2	8.8	KTA50G3	Cummins Diesel	Gas oil	2019	7	3,809	0

Note 11, continued

Location	Unit	MW	Unit type	Manufacturer	Powered by	Year	Age	Total hours	Hours 2025
Vág	M1	2.7	4-T 9 M 453	Krupp Mak	Heavy oil	1983	43	128,738	1,173
Vág	M2	2.7	4-T 9 M 453	Krupp Mak	Heavy oil	1983	43	128,684	1,734
Vág	M3	4.2	4-T 9M32C	Caterpillar/MaK	Heavy oil	2004	22	115,454	2,984
Vág	M4	4	4-T 9L32	Wartsila	Heavy oil	2016	10	41,942	2,543
Sumba	G1	0.261	Solar panel	Solar Polaris	Solar	2019	7	347	0
Strond	M4-M6	3	4- T C1250 D2R	Cummins Diesel	Gas oil	2014	12	46,212	7,157
Vestmanna	Fossá 1	2.1	Pelton hydro turbine	Maier	Hydro	1953	73	252,924	3,482
Vestmanna	Fossá 2	4.2	Francis hydro turbine	Voith	Hydro	1956	70	402,919	6,914
Vestmanna	Heygav. 1	4.9	Francis hydro turbine	Voith	Hydro	1963	63	268,466	4,682
Vestmanna	Mýruv. 1	2.4	Francis hydro turbine	Voith	Hydro	1961	65	427,804	2,539

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

Notes 12-13

12. Mortgages and other obligations

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

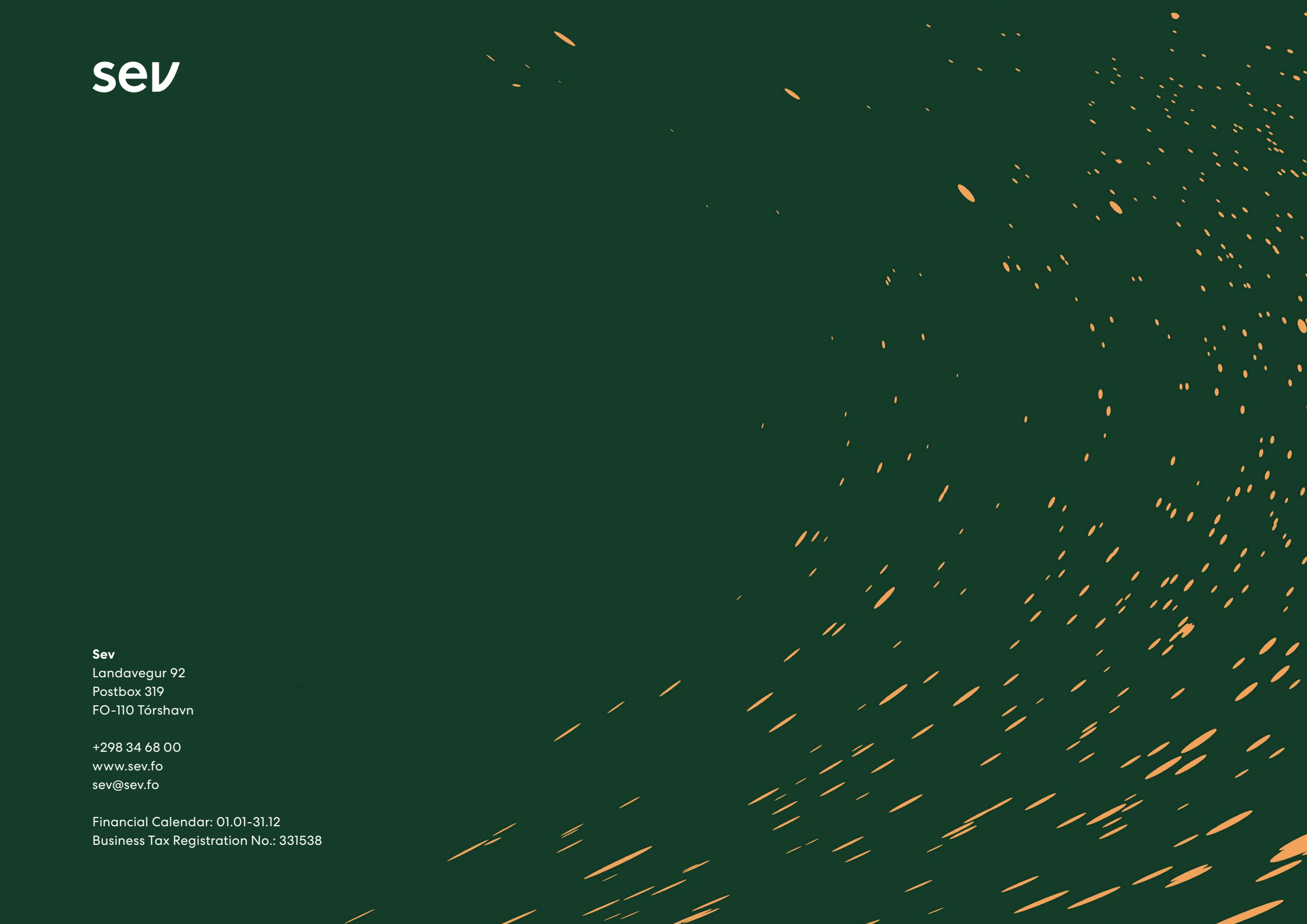
13. Adjustments

Amounts in 1,000 DKK	2025	2024
Depreciation	132,203	122,849
Interest expense and similar expenses	25,616	24,839
Taxes	2,682	-1,881
Total	**160,501**	**145,808**

Note 14

14. Book value of production plant

Amounts in 1,000 DKK	2025	2024
Production admin	1,579	2,618
Fossá	20,463	21,788
Heyga	46,819	37,088
Mýru	16,051	14,631
Eiði	345,683	364,323
Botnur	8,807	9,404
Vágur	96,967	104,542
Sund	692,325	729,894
Skopun	21	24
Strond	18,237	18,268
Wind farms	75,797	117,589
Smaller plant	427	482
Mobile generation sets	0	0
Fugloy	2,329	2,438
Svínoy	106	117
Mykines	10,303	2,546
Hestur	1,811	1,914
Koltur	1,397	835
Nólsoy	53	56
Skúvoy	2,003	2,172
Dímun	937	995
Total	**1,342,113**	**1,431,723**



Sev
Landavegur 92
Postbox 319
FO-110 Tórshavn

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

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