

sev

Annual Report 2023

www.sev.fo

*Pioneering technologies
secure higher yield
from wind power*

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Management Report

The board of directors and the management have today presented the annual report of Elfelagið Sev and the group for the financial year 1 January to 31 December 2023.

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

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively as on 31 December 2023 and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2023.

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

Tórshavn, 3 Apríl 2024

Management

Hákun Djurhuus
Managing Director, CEO

Financial Management

Bogi Bendtsen
Director of Administration, CFO

Board

Kári Johansen
Chairman

Haraldur S. Hammer
Vice Chairman

Oddmar á Lakjuni

Niclas Hentze

Poul Klementsén

Sonni L. Petersen

Sune Jacobsen

The independent auditor's report

To the owners of Eifelagið Sev

Opinion

We have audited the consolidated annual accounts and the annual accounts of Eifelagið Sev for the financial year 1 January to 31 December 2023, which comprise accounting policies used, profit and loss account, e sheet and notes, consolidated and for the company, respectively, and cash flow statement for the company. The consolidated annual accounts and the annual accounts are prepared in accordance with the Faroese Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2023 and of the results of the company's operations, consolidated and for the company respectively and of the company's cash flows for the financial year 1 January to 31 December 2023 in accordance with the Faroese Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international

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

The management's responsibilities for the consolidated annual accounts and the annual accounts

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

The management is also responsible for such internal control as the management determines is necessary to enable the preparation of consolidated annual accounts

and annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands will always

detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

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

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies

used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or

the business activities within the group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on the management's review

The management is responsible for the management's review.

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

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

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

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

Tórshavn, 4 April 2024

P/F JANUAR

State Authorised Public Accountants

Hans Laksá

State Auth. Auditor

Key Figures and Financial Ratios

2019-2023

Amounts in 1,000 DKK	2023	2022	2021	2020	2019
Income Statement					
Net sales	715,990	587,065	590,226	554,236	511,126
EBITDA	285,737	188,236	250,511	242,796	226,211
Result before financial items	113,719	17,518	88,503	101,379	112,612
Financial items	-48,954	2,553	-34,225	-40,167	-37,040
Annual result	53,139	16,667	44,231	49,809	62,379
Balance Sheet					
Total assets	3,514,611	3,634,698	3,230,068	3,207,960	2,918,099
Cash-on-hand	181,252	367,271	144,182	223,854	125,123
Equity	1,521,763	1,507,296	1,475,022	1,371,553	1,344,822
Long-term debt	1,798,273	1,613,530	1,592,724	1,638,143	1,446,277
Financial ratios *)					
Return on equity	3.51%	1.12%	3.11%	3.67%	4.40%
Return on assets	3.18%	0.51%	2.75%	3.31%	4.00%
Net debt/EBITDA	5.8	8.6	5.9	6.2	6.1
Asset turnover	0.20	0.16	0.18	0.17	0.17
Equity ratio	43.30%	41.47%	45.67%	42.75%	46.10%

*) Lyklatölíni eru útroknað í samsvari við Den Danske Finansanalytikerforenings „Anbefalinger & Nøgletal 2010“.

Management Review

An aerial photograph of a wind farm. The turbines are dark and stand on a dark, hilly landscape. In the background, there is a body of water and a range of mountains under a cloudy sky. The overall tone is dark and atmospheric.

Management Review

Mission objective of Sev

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

Commercial principles

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

According to Sev's Articles of Association, the Company is to carry out its mission consistent with economically sound commercial principles with due regard for the natural environment. Pursuant to the Electricity Production Act, the grid operations of Sev shall be financially self-sufficient such that the revenue earned is sufficient to cover the cost of operations and any planned necessary investment. The operations permit



granted to Sev for each individual production facility states that the accounts shall indicate whether each production facility operates at a profit or loss.

The municipalities in the Faroe Islands own Sev

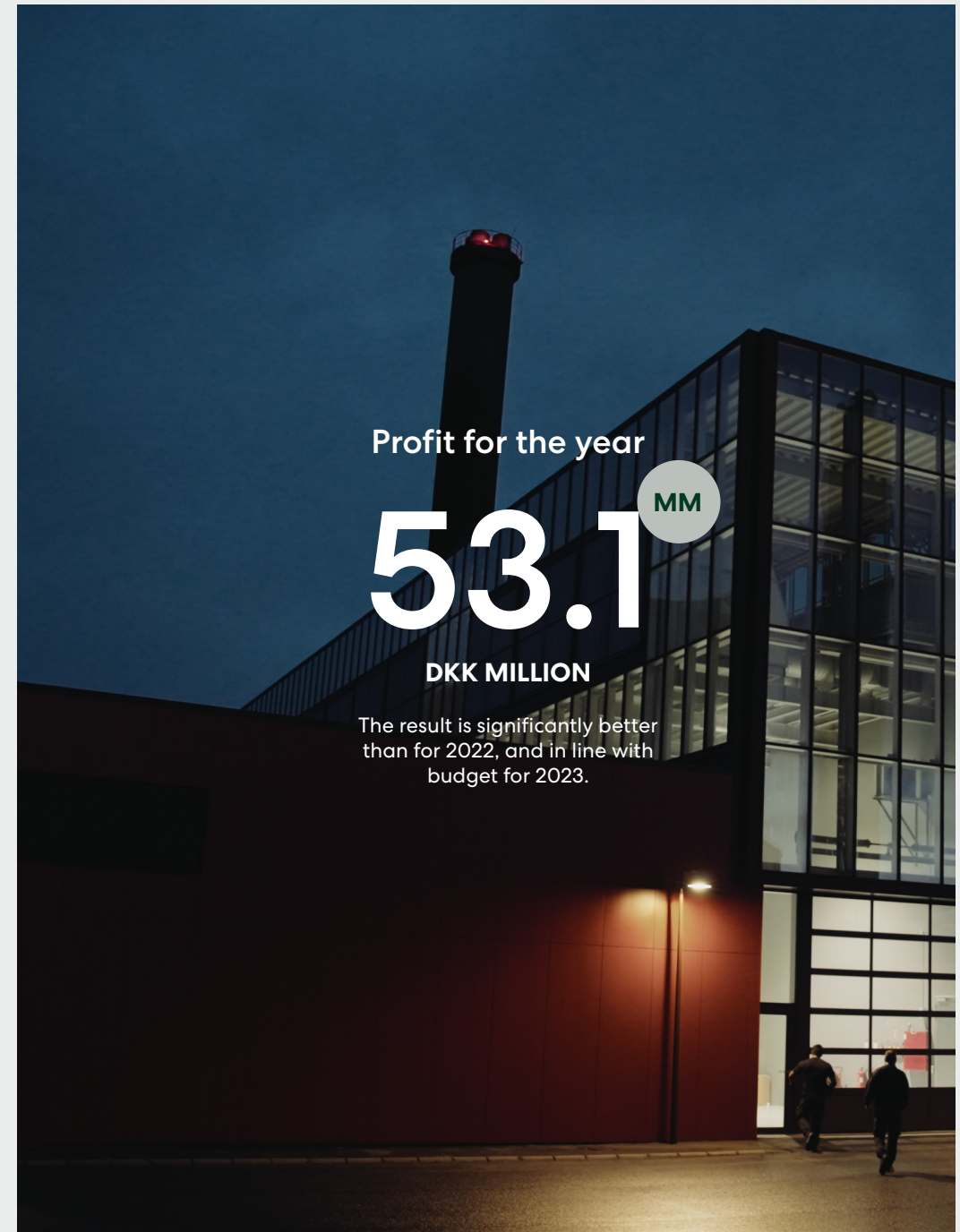
All the municipalities in the Faroe Islands are participating members of Sev. Prior to the end of 2008, the members covered both the debt of the Company and possible operations deficits. As of 1 January 2009, the municipalities cover only the debt of the Company relative to its employees.

Independent subsidiaries

With effect as of 1 January 2016, Sev established independent subsidiaries to manage the wind farms at, respectively, Neshagi, Porkeri, and Húsahagi. The Group Accounts of Sev indicate that the purchase of wind power will continue to increase, while at the same time the cost of supplies and wages, depreciation and interest will decline. The results of the subsidiaries are incorporated into the consolidated accounts via the capital equity portion. The total result of Sev's Group Accounts is not impacted by this. This report covers the total operations of the Company during the period 1 January 2023 – 31 December 2023.

Financial status relative to 2023 budget

The war in Europe and the long-term impact of the Corona pandemic continues to impact conditions under which Sev operates in such a manner that goods and services are more expensive and the delivery time has increased. The foreign prices for electricity, gas and oil continue higher. This, along with the energy needed in



“ Production from sustainable energy sources was higher than ever in 2023, but less than expected”

many places around the world, has meant price increases around the world and to meet this negative trend, the international banks increased interest rates considerably the last two years, but the trend now is that the price increases have stopped and prices are on their way down. This means that the national banks will set their interest rates lower and this will also impact the cost of operating Sev in the right direction.

This reality impacts the high cost of oil and other costs such that it was necessary to increase the price of electricity in 2023 and with this the revenue of the Company increased. Moreover, in addition to the price increase, Sev has sold more electricity than budgeted.

The result for 2023 is DKK 53.1 million

The final result before taxes was DKK 64.8 million,

compared to a budgeted DKK 64.2 million. The result after taxes was calculated to be DKK 53.1 million, compared to a budgeted DKK 52.6 million. The result, as mentioned above, was impacted by the situation in Europe and otherwise around the world, and is deemed to be satisfactory and as intended.

Sales DKK 25.4 million higher than budget

For 2023, the budget anticipated an increase of sales to customers of the Company of 2.0%, especially in the industrial sector of fish farming and the production of fish products. Also, it was anticipated there would be an increase in electricity consumption of ordinary private customers, but this proved to be somewhat lower.

KWh sales set a record at 415.6 GWh, and this is 20.0 GWh or 5.1% higher than the budgeted 395.6 GWh. This increase is significant within the fish farming industry, the public customers and the private customers.

Over the last several years, a major advance in sales has occurred among customers in the aquaculture industry and this advance continued through 2023, but a decline has been seen in the production customers. Moreover, growth was seen in the public service sector and to private customers, including sales via green meters. Sales to other customer groups is consistent with previous years and as budgeted.

Because kWh sales were higher than budgeted, the income of the Company is also higher than budgeted. Revenue from connection fees and fixed fees are in the main higher than budgeted, while revenue from fees and

other income was lower than budgeted. Income from service fees and other income is lower than budgeted.

Revenue from sales is DKK 716.0 million, compared to a budgeted DKK 690.6 million, or DKK 25.4 million higher, corresponding to 3.7%.

Energy purchase cost DKK 10.2 million less than budget

The wind farm of P/F Flatnahaga and that of Sp/f Vindrøkt II have generated power into the grid of Sev all year long and the production from wind has increased considerably, however, the purchase of energy is lower than budgeted. It should be noted as well that the biogas power plant generated less electricity than expected and thus altogether resulted in a lower energy purchase than budgeted. Please refer to Note 2 in the Company financial reports for details on the purchase of energy from other producers.

Oil costs DKK 36.6 million higher than budget

Sev has used 15,606 tonnes more heavy oil than expected, and this is a result of the fact that the production of electricity from wind was lower than budgeted and Sev sold less kWh than budgeted. Also Sev used 516 tonnes more of gasoil than expected. The reason is especially because Sev provided power in connection with the work on the "Norður um Fjall" tunnel and the stabilization of the grid in the northern region. Thus, the total oil costs are DKK 36.6 million higher than expected, which is shown in Table 2.

Even though Sev has hedged the purchase price of oil, it has not been possible to escape the unstable situation in

Investments
210 MM
 DKK MILLION

Investments in production 30%
 and 70% in grid

the oil market and thus Sev experienced a higher cost for oil than anticipated. This is applicable for all the types of oil used by Sev. The higher cost for oil compared to the budget is delineated below in Table 2.

Electricity production from green energy sources was higher in 2023 than ever, but, however, lower than expected. The reason for this, among others, is that the wind turbines of Neshaga wind company were rocked by faults and did not produce. Moreover, the battery system at Sund did not become operational until December 2023. Thus, total wind energy production was lower than it has been and lower than predicted.

It was budgeted that the total electricity production would be 432.7 GWh, of which green electricity production would be 293.3 GWh, corresponding to green energy production of 67.8%. Thus, in summary, the total electricity production in 2023 was 457.6 GWh, which is 24.9 GWh more than budgeted. Thus, electricity production from green energy was 63.3 GWh lower than budgeted. The thermal power plants produced 227.6 GWh versus the budgeted 139.4 GWh and this means overall that electricity production from green energy was 50.3% and thermal energy was 49.7%.

Goods and services expenses are DKK 13.8 million higher than budget

These costs are related to production, the grid, and administration. The power plants have consumed DKK 8.0 million more than budgeted and the grid sector DKK 5.2 million more. Administration consumed DKK 0.6 million more than budgeted. The reason for these major

increases is related to the maintenance of the thermal motors and the wind turbines, the increased prices for goods and services and the expanded activities of the Company.

Operational wage expenses are on budget

Total wage expenses are DKK 103.1 million, of which operations incurred DKK 95.3 million and investment operations incurred DKK 7.8 million. The budget anticipated an operational expense of DKK 92.8 million, such that operations experienced DKK 2.5 million more than budgeted. The production group experienced a greater operational consumption than budgeted and the same was experienced by the grid group. The reason for this, in the main, was increased costs, increased production and production from several production facilities, as well as more maintenance was carried out on the grid during 2023.

EBITDA DKK 17.3 million lower than budget

The higher revenue of the Company was not sufficient to meet especially the higher oil costs and higher costs for goods and services and this resulted in the EBITDA numbers were not as high as budgeted. Because the EBITDA was not as budgeted, and the Company did not carry out all of its planned investments, the net debt compared to EBITDA was 5.8, compared to the budgeted 6.0. Thus, the result in the key figures is satisfactory and better than budgeted.

Investment DKK 135 million lower; depreciation DKK 6.4 million lower than budget

The budget stipulated an investment of DKK 344.9

million, but finally amounted to DKK 209.9 million or DKK 135.0 million less than budgeted. The investments, especially in the electricity power plants at Botni, Sund, the pumping stations and Loninar at Landaveg, and others, were lower than budgeted. Investment in production was budgeted at DKK 156.2 million, while in the end it was only DKK 62.6 million or DKK 93.6 million less. Investment in the grid was budgeted at DKK 155.9 million, but was only DKK 139.4 million, or DKK 16.5

million less. Investment in administration was budgeted at DKK 32.9 million, but in the end was DKK 7.9 million or DKK 25.0 million less.

Less work was completed than expected in 2023 and this meant that this work that these projects were transferred to the depreciation basis and thus the depreciation amount was higher than budgeted.

Table 1

2023 Profit & loss and budget, DKK million

	Profit & Loss	Budget	Difference
Sales	716.0	690.6	25.4
Purchase of electricity	-41.1	-51.3	10.2
Oil expenses	-217.2	-180.6	-36.6
Materials and services	-76.7	-62.9	-13.8
Wages	-95.3	-92.8	-2.5
Total expenses	-430.3	-387.6	-42.7
EBITDA	285.7	303.0	-17.3
Depreciation	-172.0	-178.4	6.4
Result before financial items	113.7	124.6	-10.9
Net interest expenses	-49.0	-60.4	11.4
Result before tax	64.8	64.2	0.6
Tax	-11.6	-11.6	0.0
Annual result	53.1	52.6	0.5

“ Total sales increased by 128.9 million, equal to a 22.0% increase”

Interest expenses DKK 11.4 million less than budget

Interest expense was DKK 49.0 million and this was lower than budgeted. Included in the expense is the market value adjustment of the financial instruments that this year have had a major impact on operations, because the adjustment is significant corresponding to an income of DKK 11.3 million. The interest cost and the cost of provisions was DKK 60.3 million, compared to a budgeted amount of DKK 60.4 million, or a lower expenditure of DKK 0.1 million.

ACCOUNTING TRENDS COMPARED TO 2023

Notice to owners

Pursuant to § 3, paragraph 13b and § 4, paragraph 12b of the Company's Articles of Association, at the

Extraordinary General Meeting in the Autumn of each year, the Company shall review the financial status of the Company since the Annual General Meeting, which in this case was held on 21 April 2023. Further review was conducted at the Extraordinary General Meeting held on 8 December 2023. For more detailed information, please refer to the report presented at the meeting entitled Financial Status 2023 available on the Company's website, www.sev.fo. The information presented is based on actual numbers as at the end of September plus projections and the budget for the remainder of the year.

Table 2

Increased cost relative to budget, DKK million

Commission/fees to vendors	0.3
Market value adjustment of stock	-2.1
Effect of lower oil consumption	-28.0
Increased cost of heavy fuel oil	62.8
Gas oil	6.0
Lubricating oils and urea	-2.3
Total	36.6

FINANCIAL STATUS 2023

Result before taxes for 2023 was DKK 64.8 million

The Company increased the price of electricity for its customers in 2023 by between DKK 0.18 and DKK 0.28 per kWh. Moreover, there were increases and decreases in the fixed fee. These changes in the revenue basis were done based on the increasing level of costs, especially the costs for oil and goods and services.

The operational profit before taxes for the year was DKK

64.8 million, which is higher than the previous year. The result was higher than the previous year because of higher sales of electricity and more income as a result of the price increases. Oil costs and the costs for goods and services continue at a high level. Operational wages are higher than the previous year, because the adjustment of the pension fund impacts the operational wages in a negative way compared to the previous year. Moreover, depreciation was also higher than last year.

Interest costs and market value adjustment of derivatives were special the previous year when the Company had significant income on market value adjustment on derivatives due to higher interest rates, favourable exchange rates and the price of oil. These impacted the interest costs and the market value adjustment on derivatives in a favorable way the previous year. This year on the other hand, the focus is on the costs of these factors, even though there is some income due to market value adjustments. In Note 7 can be found a discussion of this.

Income DKK 128.9 million higher

Total sales increased by DKK 128.9 million, corresponding to an increase of 22%. Income from the sale of electricity was DKK 126.4 million, while the income from connection fees declined by DKK 0.5 million, compared to the previous year. Income from fixed fees is DKK 21.7 million, an increase of DKK 3.5 million.

The increase in income from the sale of electricity shows higher electricity sales of 20 GWh, which shows the increase in sales to especially the fish farming industry and private customers. A more detailed discussion of the

Table 3

Profit & loss account in DKK million

	2023	2022	Change
Net sales	716.0	587.1	128.9
Purchase of electricity	41.1	17.3	23.8
Oil expenses	217.2	224.5	-7.3
Materials and services	76.7	74.0	2.7
Wages	95.3	83.1	12.2
Total expenses	430.3	398.8	31.4
EBITDA	285.7	188.2	97.5
Depreciation	172.0	170.7	1.3
Result before financial items	113.7	17.5	96.2
Net interest expenses	49.0	-2.6	51.5
Result before tax	64.8	20.1	44.7
Tax	11.6	3.4	8.2
Annual result	53.1	16.7	36.5

Table 4

Result for each kWh sold in DKK

	2023	2022	Change	Change %
Average income each kWh sold	1.72	1.49	0.24	16.0
Average expense each kWh sold	1.59	1.44	0.15	10.5
Result for each kWh sold	0.13	0.04	0.09	203.2

net sales is found in Note 1 in the Group Accounting Report. Moreover, please refer to the management report of the grid division, where the sales of kWh to the individual customer groups is outlined.

Oil costs DKK 7.3 million lower

The Company used 2,889 tonnes more of heavy oil in production than the previous year. Moreover, the Company used 720 tonnes more of gasoil than the previous year. On the other hand, the cost of heavy oil and gasoil that the Company used was lower than the previous year and given this the total costs were lower while the consumption was greater. Please refer to the management discussion in the Production Report.

Goods and services expenses increased by DKK 2.7 million

Total costs increased by DKK 2.7 million compared to the previous year. Production experienced an increased cost of some DKK 0.3 million and the Grid Division saw its cost increase by DKK 2.4 million. The cost level for the grid has been low over the last several years and it was not unexpected that it would increase. Administration lowered its costs by DKK 0.6 million.

The costs especially for engines increased by DKK 3.7 million and the basis for this increased cost was the Company's maintenance of the motors and wind turbines.

Uncertain times have resulted in considerable increase in IT and security, because the Company oversees a critical infrastructure in the country and this plays a role in the

Table 5

Net sales, DKK million

	2023	2022	Change	Change %
kWh sales	679.8	553.4	126.4	22.8
Subscription fee	21.7	18.2	3.5	19.3
Connection fee	15.6	16.0	-0.5	-2.9
Service fee, etc.	-1.1	-0.6	-0.6	105.7
Gross sales	716.0	587.1	128.9	22.0
Purchase of wind and biogas energy	-41.1	-17.3	-23.8	137.7
Net sales	674.9	569.8	105.1	18.5

Table 6

Materials and services, DKK million

	2023	2022	Change	Change %
Production	36.8	36.5	0.3	0.8
Grid	18.1	15.6	2.4	15.6
Administration	21.8	21.9	-0.1	-0.3
Total	76.7	74.0	2.7	3.6

Table 7

Wages, DKK million

	2023	2022	Change	Change %
Production	42.6	38.6	4.0	10.4
Grid	35.0	32.3	2.7	8.4
Administration	17.7	12.2	5.5	45.6
Adjustment to pensions obligation	0.1	-7.6	7.7	
Total	95.3	83.1	12.2	14.7

“ EBITDA is 95.7 million higher than the previous year”

increased costs in the IT area. This cost is expected to increase in the coming years.

Please refer to Note 4 in the Company's accounting report for a more detailed discussion of these costs.

Operational wages increased by DKK 12.2 million

Total wage expenses increased by DKK 12.2 million in Operations, such that Operations experienced a cost of DKK 95.3 million in 2023 compared to DKK 83.1 million in 2022. Total wages is DKK 103.1 million, of which DKK 7.8 million is related to investment. In 2022, the wage expense was DKK 99.2 million, of which DKK 8.5 million was investment related. In 2022, the adjustment of the pensions obligation was an income of DKK 7.6 million, while the cost for 2023 is DKK 0.1 million. If the pensions obligation is disregarded, total wage expenses for 2023 are DKK 103.1 million compared to DKK 99.2 million in 2022, which is an increase of DKK 3.9 million.

Table 8

Investments, DKK million

	2023	2022
Production	62.6	69.2
Grid	139.4	160.6
Administration	7.9	11.2
Total	209.9	241.0

Table 9

Investments, DKK million

	2023	2022
Investment booked as work-in-progress	213.7	219.2
Investment booked directly as transition	-3.7	21.8
Investments at year-end	209.9	241.0

Table 10

Work-in-progress, DKK million

	2023	2022
Opening balance	296.7	210.0
Investment booked to work-in-progress	213.7	219.2
Work transferred to fixed assets	-249.0	-132.5
Closing balance	261.4	296.7
Changes to work-in-progress	-35.3	86.7

The wage expense for the Production Division increased by DKK 4.0 million, based on more activity. The cost for the Grid Division grew by DKK 2.7 million, here again this is related to more activity around the entire country. The wage expense for Administration grew by DKK 5.5 million based on the adjustment of the pensions obligation. More people were employed. Also overtime payments were made to the employees.

The wage expense is consistent with the various agreements that are in place for the various labor areas. Please refer to Note 5 in the Group Report for further details.

EBITDA DKK 95.7 million higher

The result before depreciation, interest and taxes is DKK 95.7 million higher than the previous year. The reason for this is as noted above mostly due to higher electricity pricing, and higher kWh sales compared to high costs of oil and higher costs for goods and services and higher operational wage costs.

During the same time period net debt increased by DKK 55.8 million to DKK 1,664 million, such that the net debt compared to EBITDA is a factor of 5.8, compared to 8.6 the previous year. The in-house factor is set at 6.0, while the providers of loans allow the Company to have a debt to EBITDA factor of 9.0. Thus, the Company remains within the stipulated factor of the loan providers and the in-house factor of the Company,

Depreciation DKK 1.3 million higher

Depreciation is the next largest line-item expense in the

Table 11

Transfer to fixed assets, DKK million

	2023	2022
Work transferred to fixed assets	249.0	132.5
Investments booked directly to fixed assets	-3.7	21.8
Transfers at year-end	245.3	154.3

Liquidity

1,031^{MM}

DKK MILLION

DKK 1,217 million in 2022

“ Electricity sales are expected to increase by 4.5% in 2024, as will production”

accounts after oil expenses, the next largest expense amount in the accounts. The reason that this expense has increased over the past few years stems from the investment undertaken by the Company these last few years. The depreciation basis has, among other things, increased because of the addition of the new Station 3 at the Sund Power Plant and the significant investment in the grid undertaken by the Company. For a more detailed discussion of this cost, please refer to Note 9 in the Consolidated Group Accounts.

Interest expenses increased by DKK 51.5 million

Total gross debt has a fixed rate of interest, based on loan facilities with a fixed rate, as well as the fact that a part of the bank debt is covered by interest rate hedging agreements. Financial expenses encompasses interest

costs, unrealized costs and market exchange losses and gains on foreign currency exchanges. These costs are governed by interest rate hedging agreements and currency exchange tools that the Company utilizes to cover the risk in this area.

The reason that the cost swings so much for both years is to the trends in the international finance markets and in this connection the financial instruments are used to even out the swings in the market.

Please refer to Note 7 for a more detailed discussion of costs.

Investments equalled DKK 209.9 million

Over the past year, the Company has made significant investment in both the grid and its production facilities, as well as in administration, equalling DKK 209.9 million. During the previous year, investment was also considerable at DKK 241.0 million.

The investment placed can be subdivided into production, grid, and administration, as Table 8 shows.

Tables 9 - 11 show the trend in investment, work-in-progress, and additions to fixed assets.

Please refer to the grid and production accounts for further detailed information about investment in 2023.

Investment in the pumping station project in Vestmanna in 2023 is a new project requiring official approval and project management. Sev anticipates formal review on

permission from the government officials will be made in 2023 and that Sev will receive offers from contractors for the project. Given these factors it is difficult to know the final costs of this project before making a final decision on the project. For further discussion on the project, please refer to the report from the Board in the annual report that can be found at www.sev.fo.

In addition to the completed investment, Sev increased its ownership portion in P/F Vindfelag at Neshaga by DKK 3 million at a share value of DKK 600, corresponding to a total capital infusion of DKK 18 million. This increase in share capital is in connection with the project to install seven wind turbines at Porkeri. Otherwise, the project has been funded via account transfers with Sev, but this is new financing with a long-term loan and share capital. The share capital increase and the long-term loan is detailed in the Group accounts and not in the joint accounts.

Liquidity is good

Given that Sev has good self-financing from its revenue and that in 2022 Sev refinanced its loans and drawing rights and undertook new financing, Sev liquidity is good.

Sev refinanced DKK 1,305 million in loans and drawing rights for investment and liquidity. Moreover, Sev undertook financing of DKK 900 million for investment via drawing rights and loans. In total, Sev has DKK 2,205 million in refinancing and new financing.

Of the DKK 2,205 million, DKK 1,105 million was obtained



via the US Private Placement market and of this DKK 1,105 amount, the final installment of DKK 205 million will be received in December 2023.

Further, of the DKK 2,205 million, DKK 1,100 million was obtained via bank financing. DKK 850 million was received from Betri Bank, Bank Nordik, LÍV, Skandinaviska Enskilda Banken (SEB) as drawing rights and DKK 250 million from the Nordisk Investment Bank, (NIB).

The change in liquidity of the Company from operations was DKK 158.7 million, compared to DKK 135.7 million in 2022. Thus the company self-financed investment is positive.

The Company's cash-on-hand at year-end was DKK 181.3 million, compared to DKK 367.3 million the previous year. In addition, Sev has unused drawing rights and credit lines at the banks totalling DKK 850 million for the purpose of investment and liquidity. Thus, cash-on-hand, credit and unused drawing rights equal DKK 1,030.9 million, compared to DKK 1,217.3 million last year.

In addition, Sev has available financing from NIB for DKK 250 million to use for the Pumping Station project in Vestmanna.

It is critical to maintain stable liquidity for daily operations of the Company, as well as it is deemed important to have sufficient liquidity available, given the uncertainty of the financial markets around the world.

Prospects for operational year 2024

The Company increased the price of electricity for its customers for 2024 and beyond. This is one reason why the Faroese Parliament increased the environmental fee on heavy oil in 2024 and beyond.

The Company anticipates an operational profit in 2024 of some DKK 37.7 million before taxes. After taxes, the result is expected to be DKK 30.9 million.

It is anticipated that electricity sales will increase in 2024 by 4.5%, and thus also production. Net revenue is expected to be DKK 763.4 million.

The cost of oil is expected to continue at a high level equalling DKK 218.6 million, which is however lower than the cost experienced in 2023. The Faroese Parliament has increased the environmental fee on heavy oil that Sev uses in electricity production which enters into effect in 2024 and beyond. This results in an increase in oil costs for Sev and this means that the price of electricity for 2024 will increase.

The environmental fee on heavy oil calculates to be DKK 32 million. Thus, the valuation of the oil storage impacts the NIBD to EBITDA factors to a large degree, thus it was decided to set aside DKK 12 million for market value adjustments of the oil costs in the budget in order to address this issue.

The costs for goods and services is budgeted to be DKK 68.8 million, which is lower than the costs in 2023. The costs for wages is higher because several new personnel

Investment budget 2024

539

MM

DKK MILLION



were employed in 2023, as well as the ordinary wage increases, reorganization, and the fact that several people are expected to be employed based on the increase of activities. Thus the costs for wages is budgeted to be DKK 97.3 million, which is higher than the cost in 2023.

Depreciation is budgeted at DKK 223.0 million, compared to DKK 172.0 million in 2023. The reason for this increase in depreciation basis is the investment undertaken by the Company.

Net interest expenses are budgeted at DKK 65.4 million, which is higher than the cost in 2023. There is no set aside for the valuation adjustments relative to the financial tools that may be used.

It is anticipated that investments for DKK 538.8 million will be made, plus it is calculated that the net loan availability will increase by DKK 250 million from drawing rights to be used for investment in 2024. Each loan will ensure proportionally that the expected projects will be undertaken.

It is expected that the long-term debt will be DKK 2,096 million at year-end 2024. Net debt will be DKK 1,930.2 million.

It is calculated that the Company will have cash-on-hand of DKK 165.3 million by year-end 2024, as well as access to drawing rights of DKK 850 million from the financial institutions or in total DKK 1,015.3 million. Thus, the Company has good liquidity and is positioned to meet all of its debt.

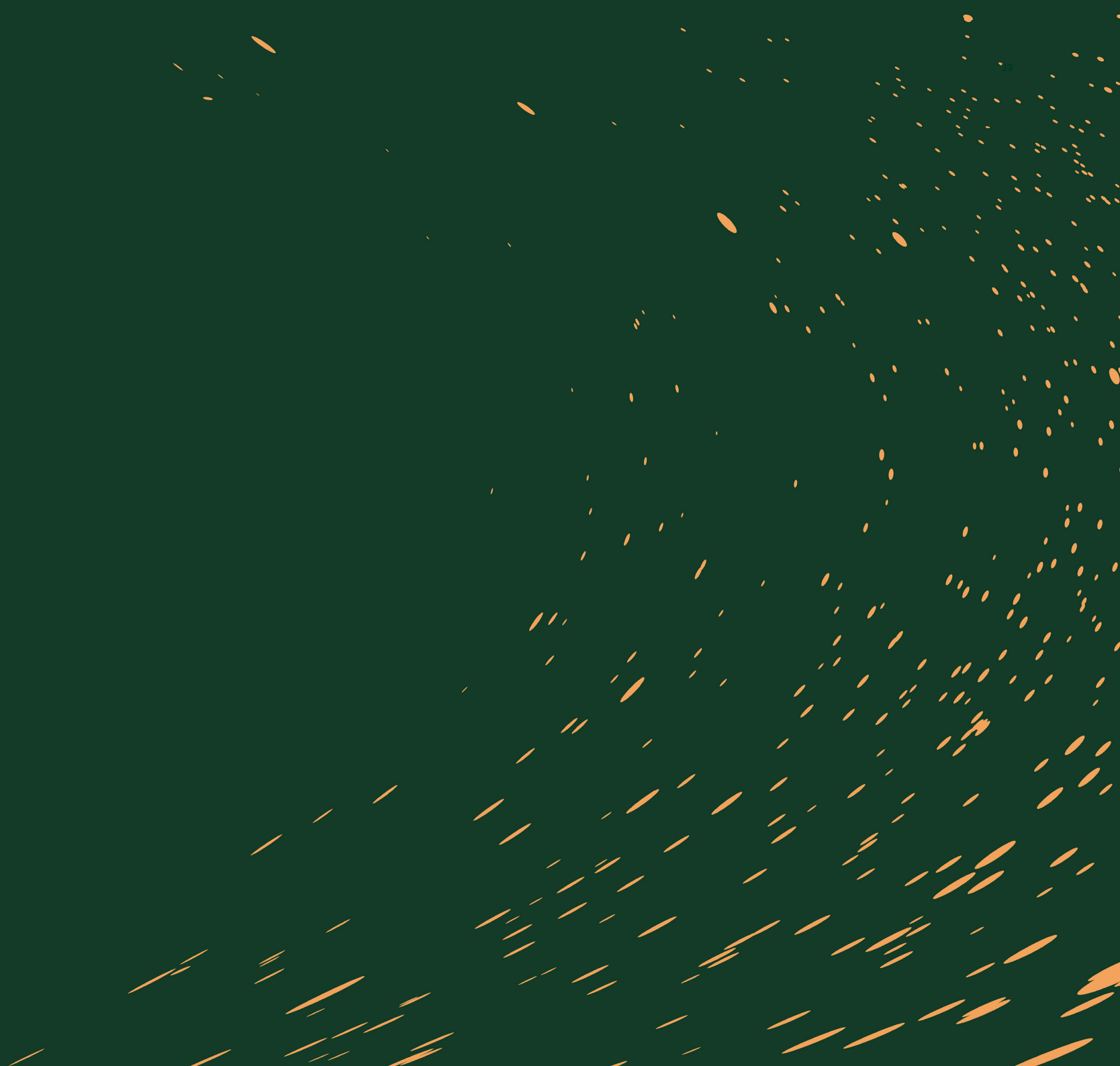
Net debt (NIBD) compared to operational revenue of the Company (EBITDA) at year-end is expected to be a factor of 5.9 and Sev's capital compared to total assets is expected to be 41.1%.

More information about what Sev intends to do in this area can be found in the Operational, Financial and Investment Budget Plan for 2024 available at www.sev.fo.

Events after the closing of the accounts

From the closing date of the financial statements to date, nothing has occurred that would impact the assessment of the annual accounts of the Company.

2023 in brief



2023 in brief

Result after tax

53.1^{MM}

Million DKK

The result is satisfactory.
The budgetted result was DKK 53 million

Investments

210^{MM}

Million DKK

Majority of investments made
in the grid division

Available cash

1.03^{BN}

Billion DKK

Sev refinanced existing debt in the
summer and at the same time secured
new financing for future investments

Increase net sales

22[%]

Percent

Equity ratio

43.3[%]

Percent

Increase GWh sold

5.1[%]

Percent

Net debt to EBITDA ratio

5.8

Times

Ratio between net debt and EBITDA

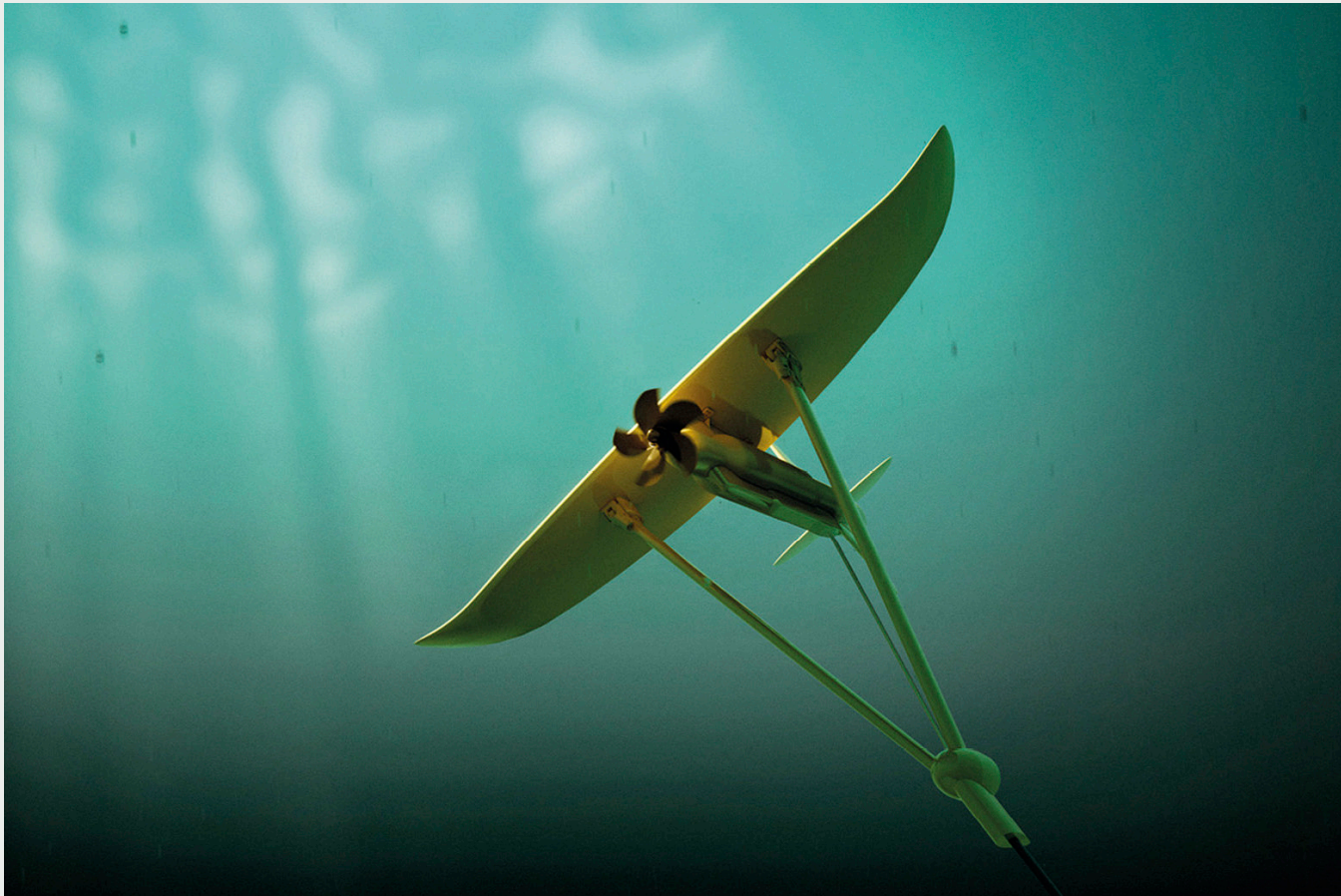
Green energy

50.3[%]

Percent

The percentage of green electricity
produced is lower than in 2022

2023 in brief



January

Minesto and Sev extend cooperation agreement on tidal energy in the Faroe Islands

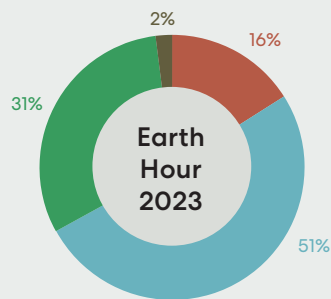
In the first month of the year, Sev and Minesto extended the scope of their cooperation agreement. The agreement sets out the responsibilities regarding the work on tidal energy in Vestmannaasund and Hestfjørður.

The extension to the agreement is regarding the cooperation on preparing and developing an area in Hestfjørður for tidal energy, and also extending the activity in Vestmanna. In addition, the parties also cooperate on establishing an entity to administrate research funds, power purchase agreement, possible public funding (such as Horizon from the EU), and other assets.

Recently, Minesto has completed the Dragon 4 area with another sea cable and technical infrastructure. The on-shore installation for the 1.2 MW Dragon 12 was completed at the same time.

The cooperation agreement is based on transparency of data between Minesto and Sev in relation to existing projects, as well as information on and description of present and future locations for projects.

Hákun Djurhuus, CEO of Sev, has this to say on the cooperation: "Minesto has shown strong commitment to the project, and the technology is developing steadily. We look forward to the deployment of more turbines and to the site survey of the Hestfjørður area."



● Hydro, 51% ● Thermal, 16%
 ● Wind, 31%
 ● Biogas, 2%

March

Earth Hour - demand decreased by 3 MW and supply was 84% sustainable

Earth Hour was held in customary fashion around the Faroe Islands in 2023. People are urged to turn off their lights, TV's, computers, etc., and rather pay attention to nature and each other. Businesses and municipalities also play their part, such as by switching off street lighting.

In order to measure the success of the event, Sev monitors whether and how electricity demand changes during the hour. In 2023 demand decreased by 3 MW, which is a bit more than the previous year. The load in the main area fell to 45 MW, but in percentage terms the load on Suðuroy decreased more than the main area, from more than 4 MW to 3.5 MW, and the production was 100% sustainable on Suðuroy during Earth Hour 2023.



March

Successful 60+ day at Sev

Sev invited current and former employees over the age of 60 and their spouses to the regular 60+ day of interesting events and talks. The 50 attendees were treated to a schedule with both serious and light-hearted topics. HR-manager Bergtóra Høgnadóttir kicked the day off with a talk on the mental preparation to the so-called work-free life. Hanus D. Joensen, MD, followed on with a talk on health issues, and Tony Dam, personal trainer, gave advise on physical exercise. A representative from LÍV gave a talk on pensions, and Stanley Samuelsen performed some of his beautiful songs in between the talks.

The attendees were pleased with the event, and an employee, for whom this was the first time taking part, says: "A fantastic day. The schedule was so well thought through that before I knew it, the day was over. The talks were all very interesting and relevant, and timed perfectly. Stanley Samuelsen's performance was moving, and it was fun to work with the personality types. All in all, this was a very well organised and delightful day."



April

Oil expenses influence 2022 result

At the AGM in April the annual accounts for 2022 were presented with a result after tax of DKK 16.7 million. This was less than budgeted and not satisfactory. The major contributing factor to the unsatisfactory result was the high cost of oil during 2022, which, were it not for Sev's hedging programme, would have been ever higher.

The effects of the high cost of oil were evident in the autumn of 2022, and because of this the decision was made to increase electricity prices from 1 January 2023.



May

International conference on energy systems

In May, an international conference on energy systems was held in the Faroe Islands. It was the German company Energynautics which organised the “7th Annual Hybrid Power Systems Workshop” in cooperation with Sev.

Conference attendees numbered around 100 foreign researchers, suppliers, and employees of energy companies from more than 20 countries in addition to around 20 Faroese attendees.

Many interesting presentations were given at the conference. Among the Faroese presenters were Helma Maria Tróndheim of Sev, Kári Mortensen of the Faroese Environment Agency, and Tórstein Balle, Ph.D. student at the University of the Faroe Islands.

The conference attendees roamed the Faroe Islands with two full-day excursions, one to Vestmanna, and one to Suðuroy. In Vestmanna, representatives of Minesto explained the research project with tidal energy in Vestmanna Sund, and in Suðuroy the attendees visited all of the Sev plant in the island. They were impressed by the battery system that stabilises and to some degree stores wind energy, and which for the 10 days preceding the visit had provided the islanders with 100% sustainable electricity.



A special moment for Robin Strunk, Lucas Reus, and Marco Alferink, when the first stop on the Suðuroy excursion was to the wind farm at Porkerishaga. They are working on their own separate research papers on the Suðuroy electricity system, but this was their first visit on site.

May

Suðuroy a special research area

The electricity system on Suðuroy is special with its synchronous condenser and a battery with a capacity equal to that of the wind farm. This has stirred interest abroad and several research projects are in the making.

On the excursion to Suðuroy were three German Ph.D. students from the universities of Bremen and Hannover, respectively, each of them working on a research paper on the electricity system on Suðuroy. This was their first opportunity to visit the site.



July

Updated brand identity

Around the national holiday, the first signs appeared that Sev was implementing a gradual transition to a new brand identity. The new brand is based on the colours that renowned Faroese artist Jack Kampmann recommended Sev to use back in the days when the hydro power plant Fossáverkið was due to be painted. Inspired by the nature surrounding us, he recommended earthy tones such as deep green, red and yellow. Since then, this colour palette has characterised all Sev buildings.

Around the millennium, a new Sev logo was introduced in bright blue colours, which has been used the last quarter of a century. With the recent update of the brand identity colours, we are bringing back the earthy tones. The dark green in the logo is already familiar, while the orange colour is a combination of the red and yellow from the



September

Danish Parliament visits Húsahaga

September saw a delegation from the Danish Parliament visiting the Faroe Islands. During the visit, they were told of Sev's green vision and the challenges facing an isolated energy system towards the goal of 100% sustainable electricity production on land by 2030.

The delegation was very interested to learn about the Faroe Islands' path towards a more sustainable future.



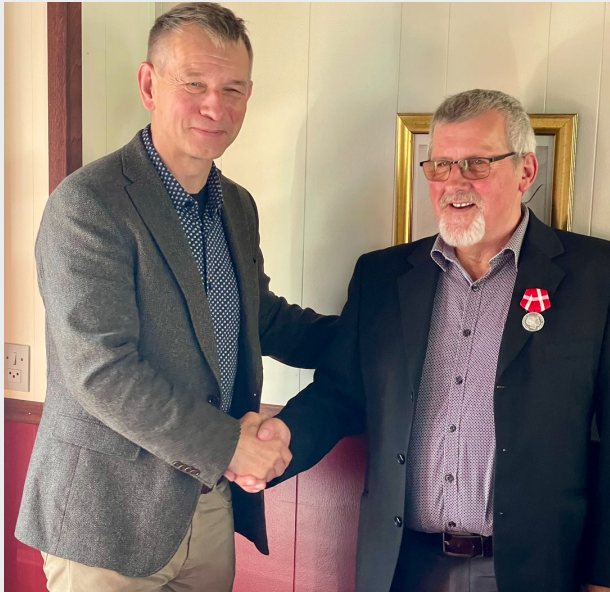
From left Hákun Djurhuus, CEO, with Bjørg á Rógvi, mayor, and Jón Kragesteen, chairman of FNU.

September

Open house in Vestmanna

'Vestmannadays' is a cultural event in Vestmanna lasting a week. On the first day, Ms Bjørg á Rógvi, mayor of Vestmanna, joined Mr Jón Kragesteen, chairman of the Faroese organization for Nature and the Environment (FNU) and Mr Hákun Djurhuus, CEO of Sev in planting a tree outside of the Fossáverkið Hydro Power plant in Vestmanna. The tree was a gift from the environmental organisation on Sev's 75th anniversary and symbolises cooperation and the joint wish for a more sustainable future.

On the roof of the substation an outdoor photo exhibition of historical photographs opened and furthermore, everyone was welcome to a tour inside the power plant, as well as the substation.



Hákun Djurhuus, CEO, pins the award on Poul's chest and thanks him for his 40 years of service.

October

Award for 40 years of service

On 2 October Poul Bech was handed the award 'Dronningens fortjenstmedalje i sølv' for his faithful service of 40 years.

Poul Bech, leading fitter, has worked all his 40 years at the grid operations department on Suðuroy, where he has played his part in maintaining and developing the grid on Suðuroy in all kinds of weather and at any hour of the day.

"Our staff thrive and choose to work for Sev for a long time, and this is cause for celebration," says Bergtóra Høgnadóttir, HR Manager at Sev. Average tenure is 13 years, and in 2023, 41 of the employees had worked for Sev for 20 years or longer.



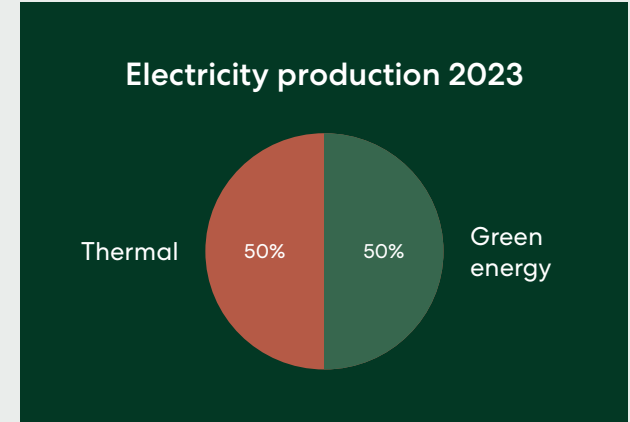
November

Line removal at Kunoyarnes

During a cold and calm period in November, the line at Kunoyarnes was removed. The site is not easily accessible, and the aid of the Atlantic Airways helicopter was required. The work went well and was quickly completed, due to the excellent effort of Sev's technicians.

Jón Nielsen, Director of Sev Grid division says: "We always strive to clean up after ourselves and leave the area as if we had not been there at all."

With the new cable serving Kunoyarnes and Bakkafrost's fish farming operation at the site, the line is no longer required and has been removed.



December

Record sustainable production in 2023

Additional wind capacity and new stabilising technology ensured that sustainable production reached record heights in 2023.

A total of 230 GWh from hydro, wind, solar, biogas, and tidal power were let onto the grid in 2023.

The increased demand for electricity meant that the proportion of sustainable energy was 50%, even though the amount was higher than ever. It is especially wind production that has increased compared to previous years, in part due to new wind capacity having been added to the system, and in part due to batteries on Suðuroy and in the main area ensuring greater yields from wind.

The battery system in the main area was only started in December, so the effects of this system will be greater in the years to come.

Electricity production on Suðuroy was 100% sustainable for a total of 128 days, and over 80% for 156 days. In the main area, production was more than 80% sustainable for 58 days, and over 95% for 4 days.



December

Battery station at Sund operational

In December, the 12 MW battery system and the synchronous compensator at Sund were inaugurated by Aksel V. Johannesen, prime minister.

Wind energy production is intermittent and this is a limiting factor in how much wind energy can be fed into the grid and yet retain stability. Two large wind farms have been built at Gellingarklettur and Flatnahaga in the main area, in addition to the existing Húсахaga wind farm. This is why stabilising technology like the battery and compensator are needed to secure as high as possible yield from wind.

The setup is similar to what Sev has trialled on Suðuroy with good results, albeit on a scale 10 times larger in the main area.



December

Fossá hydro plant in Vestmanna 70 years

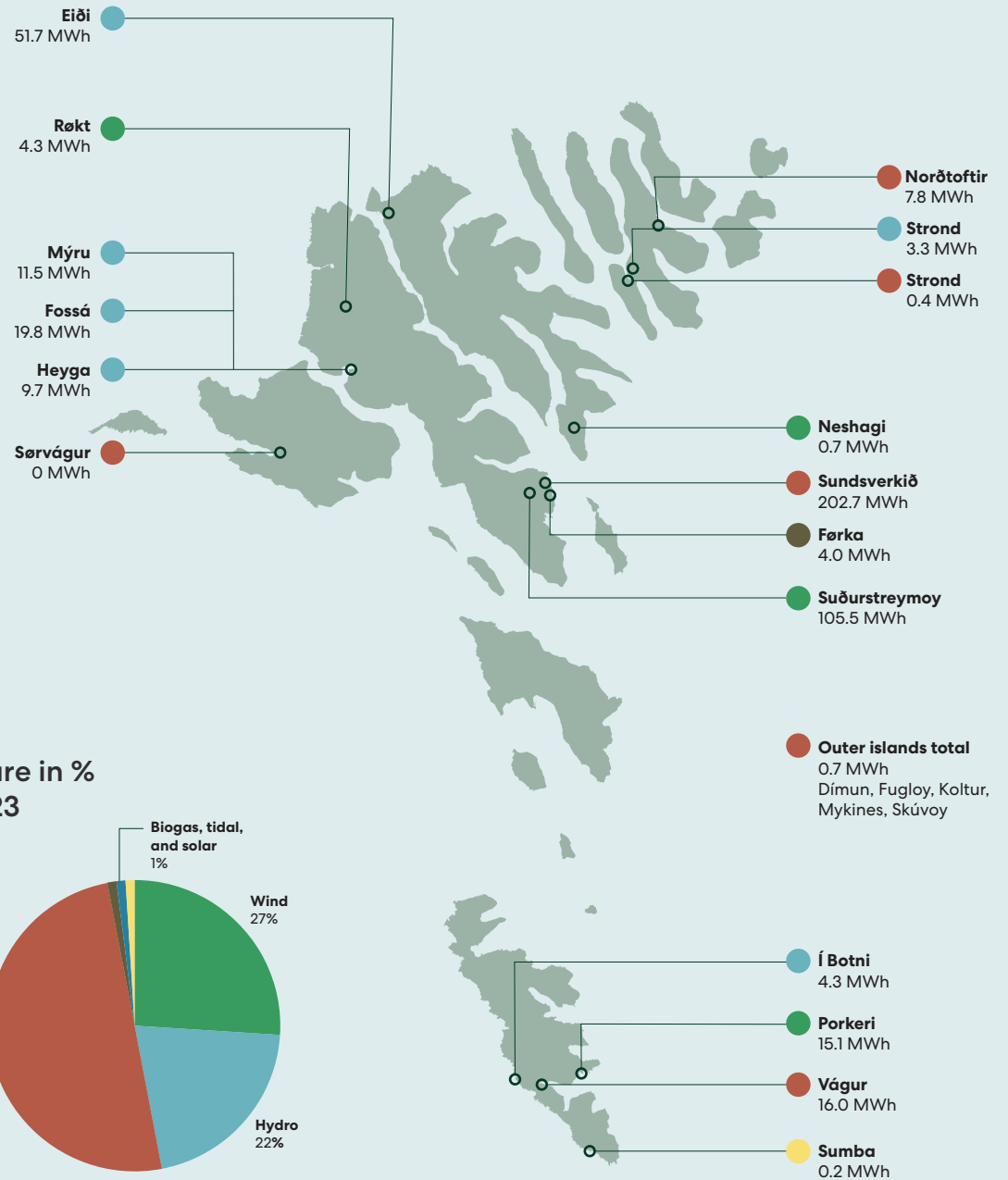
In December it was 70 years ago that the country lit up. In 1953, the Fossá hydro plant in Vestmanna started its testing phase, and subsequently Sev connected villages and towns on Streymoy and Eysturoy to the grid, as well as the island of Vágur with the line over Vestmannasund.

Production in 2023

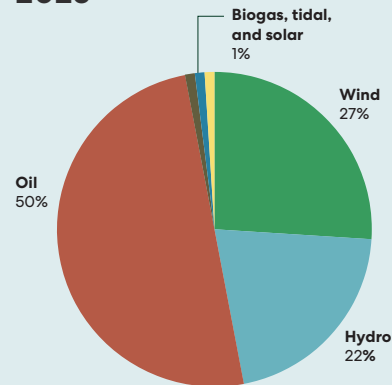
Sev has electricity producing plant spread across the Faroe Islands. The plant are hydro and thermal plants, three wind farms, one solar plant, as well as small thermal plant on the outer islands.

In an island nation like the Faroe Islands with 17 out of 18 islands inhabited, Sev as the electricity provider operates several fixed plant and maintains auxilliary production capacity to ensure a stable electricity supply.

Sev also purchases electricity from other producers utilising wind, biogas, and solar as energy sources.



Share in % 2023



Sustainability linked financing



Sustainability linked financing

In June 2022, Sev refinanced existing debt and secured new financing for investments in the years to come.

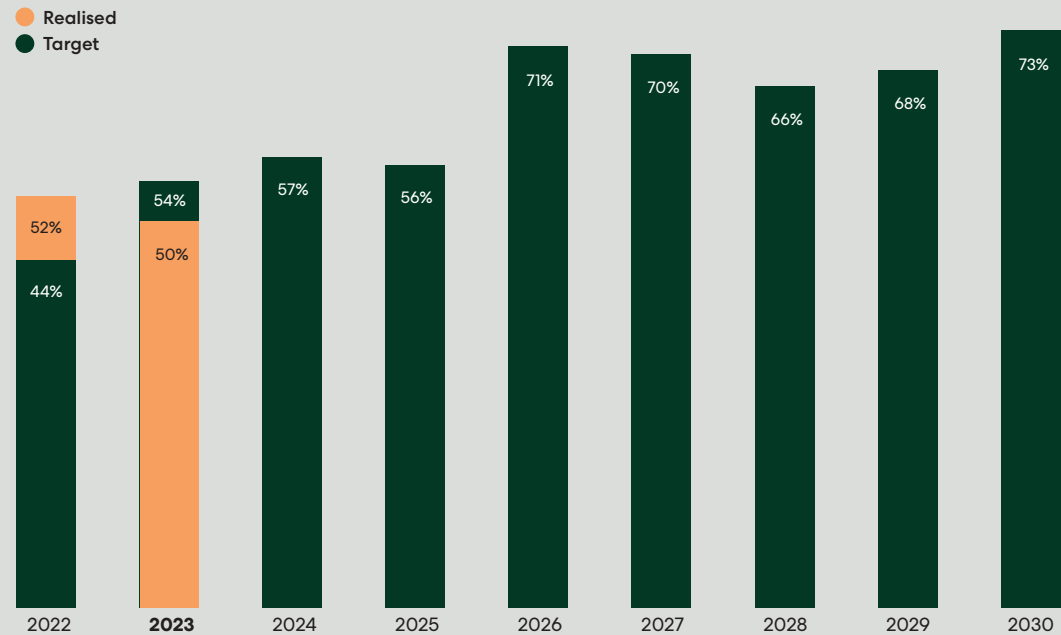
Sev has made a commitment towards its lenders to reach certain minimum targets for green energy production in the period 2022 - 2030. If the green energy production target is not reached in a financial period, Sev must pay its lenders an additional interest payment.

The green energy production ratio in a financial period means the ratio of green energy production in relation to total electricity production in a financial period, expressed as a percentage.

The figure shows the ratios of green energy production Sev has set as targets for the period 2022 - 2030. The target increases from 44% to 73% in the period shown.

As the figure shows, the target was 54% in 2023. The target was not reached, as Sev realised 50% green energy production in 2023. As a consequence, Sev paid its lenders DKK 0.7 million in additional interest in March 2024.

Sev's loan agreements have set the following targets for green energy production 2022 - 2030



Calculation of green energy production ratio

“Green Electricity Production Ratio” means, in respect of a relevant Financial Year, the ratio of the green electricity production to the total electricity production for that Financial Year expressed as a percentage (as calculated pursuant to the formula below):

$$\text{Green electricity production ratio (in \%)} = \left(\frac{\text{P wind} + \text{P hydro} + \text{P tidal, solar, pumped storage}}{\text{P total}} \right) \times 100$$

where

“P wind” means production in GWh during the financial year utilising wind power;

“P hydro” means production in GWh during the financial year utilising hydro power;

“P tidal, solar, pumped storage” means production in GWh during the financial year utilising tidal power, solar power, and pumped storage power; and

“P total” means total production in GWh during the financial year, including production utilising thermal power.

Employees 2023



Employees 2023

The work force of Sev in 2023 comprised 183 permanent employees, of which 142 were male and 41 female. The work force has increased from 174 in 2022 to 183 in 2023, as Sev has taken in apprentices in addition to new employees to handle increased work loads and requirements for new skill sets to reach to goal of 100% green energy production on land by 2030. The average length of employment of the work force is 13 years. In 2023, there were 25 middle managers, of which 6 were female.



It is a priority of Sev, that employees are satisfied in their position and are able to develop new skills. As unemployment levels are at record low, employers compete for applicants and to retain their skilled work force.

Sev's work force has changed in recent years. The retirement age is 70, and several employees have retired, while others have left for positions else where. Some employees have also changed positions within Sev.

Applicants for positions in Sev value the fact that the Company has such a great diversity in work, allowing them to change positions internally. It is not unusual for our employees to have worked for several years, may be decades, but at very different job positions.

It is also worth mentioning, that Sev is a public sector employer, which means that all vacant positions must be advertised.

Internal changes of position

In 2023, 4 employees changed position within Sev, either permanently or on a temporary basis. It is seen as a great advantage, both for the employees and Sev, that employees can transfer internally and try their hand at new challenges within the Company. It is an advantage for Sev to retain good and knowledgeable employees that know the work place, the values, the culture, and are able to improve their skills and apply them to other areas of the Company. This is undoubtedly one of the reasons why the length of employment at Sev is so high when compared to other companies.



Sickness absence

The average sickness absence of Sev’s employees was 11 days in 2023. Employees with more than two weeks’ absence or when they have been sick more than 3 times in a year, will be offered a care interview.

Employees in adapted positions

It goes without saying that Sev’s work force shall reflect society at large. This entails that people with reduced work capacity are among Sev’s employees, and within all areas of work - grid, production and administration. Five employees were in such adapted positions in 2023.

Apprentices at Sev

Sev had 3 apprentices in 2023. Sev has an obligation towards society to offer education opportunities in the Faroe Islands. Statistics show that many young people leave the country to educate themselves, and that the longer they stay abroad, the less likely they are to return.

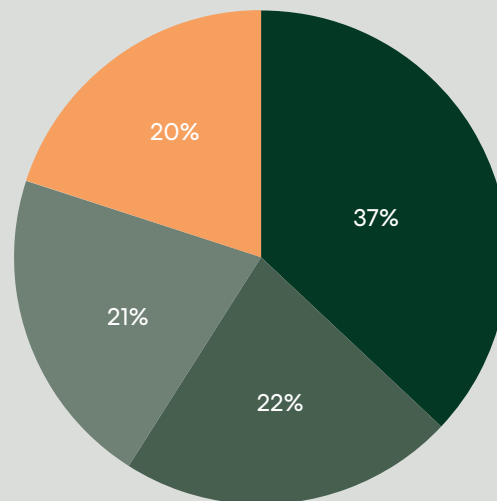
Sev’s intake of apprentices is first and foremost due to the fact that Sev believes we can offer a good learning environment to teach relevant skills. This increases the total supply of apprenticeships in the Faroe Islands, and we feel that it benefits the Company and the social dynamic among employees when there are both young and older people working. The average age of Sev’s employees is 48.5 years, and taking in apprentices contributes to lowering the average age.

Sev has, due to it being one of the larger employers in the Faroe Islands, an obligation to offer apprenticeships.

Distribution of employees

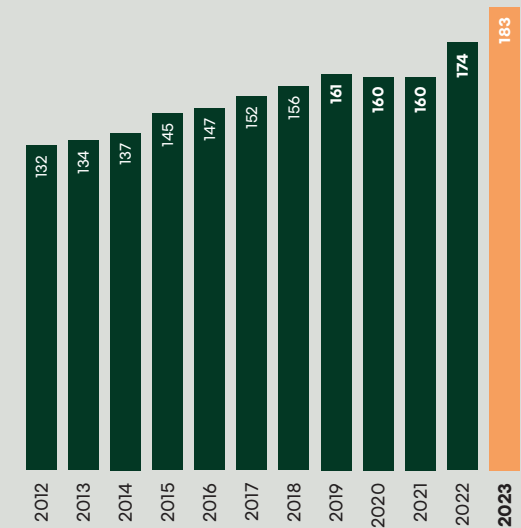
The chart shows the distribution by business unit of the 183 permanent employees at year-end 2023.

- Production
- Administration
- Distribution
- Technical/engineering



Permanent employees

The chart shows the number of permanent employees at year-end 2012 - 2023.



Gender equality

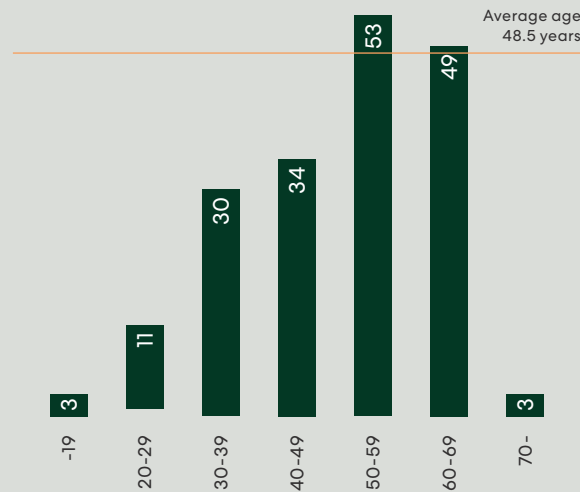
There is room for improvement with regard to gender equality. The Board of Directors and the management is all male. Of 25 middle managers, 6 are women.

The nature of Sev’s business with electricity production and distribution is typically male-dominated. Sev wishes to address the skewed gender distribution, so that every Faroese person - female and male - can identify with and look up to role models of both sexes, including at Board and senior management level.

Sev has been fortunate in taking in apprentices in recent years, as we have had and still have female apprentices as machinists, electricians, and office administrators.

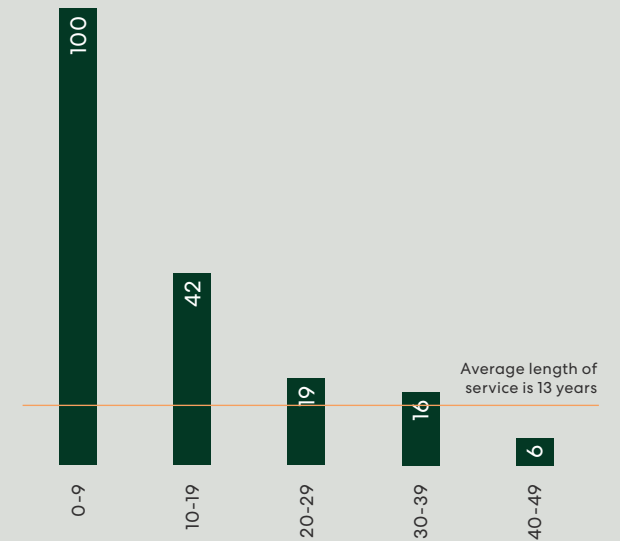
Age

The average age of employees has decreased by 1.5 years to 48.5 years compared to 2022, when the average age was 50. At year-end 2023, 52 employees were 60 years and older.



Length of service

The average length of service is 13 years. In 2023, 41 employees had been employed by Sev for 20 years or longer.



ESG Key Figures

2023

Social data

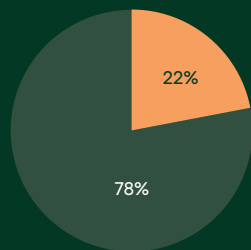
Key figure	Unit	2023	2022
Full-time work force	FTE	183	174
Employee turnover ratio	%	7	5
Sickness absence	Days per FTE	11	11
Gender pay ratio	Times	1.2	1.2
CEO pay ratio	Times	2.0	2.0

Environmental data

Key figure	Unit	100 by 2030	2023	2022
CO ₂ e, scope 1	Tons	0	151,928	139,762
Renewable energy	%	100	50	52

Gender diversity

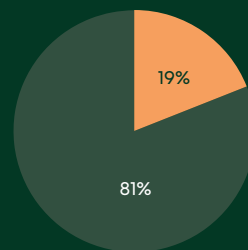
Men / Women



● Men ● Women

Gender diversity, management

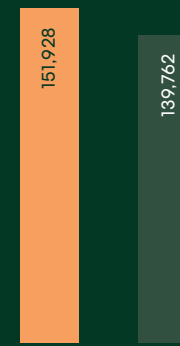
Men / Women



● Men ● Women

CO₂e, scope 1

Tons



2023

2022

Renewable energy

%



2023

2022



Health, Safety and Environmental Policy

Health, Safety and Environmental Policy

On 17 December 2008, Sev promulgated its Health, Safety and Environmental Policy, which is available to the general public via Sev's website.



Safety

Sev is an advanced company which prioritises safety and the work environment to the benefit of us all. Figure 1 shows Sev's safety system.

Safety Board

Representative Rógvi Rasmussen	Representative Robert Joensen	Work leader Otto West	Work leader Jørgin Mørkøre	HSE Manager Annika F. Berg	CEO Hákun Djurhuus	Director, Grid, Operations Manager Jón Nielsen	Director, Production Heri Mortensen	Director, Administration Bogi Bendtsen
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Safety Groups

DISTRIBUTION SOUTHERN AREA	DISTRIBUTION MAIN AREA	CENTRAL CONTROL ROOM	SUND PLANT	SUÐUROY PLANT	GREEN PLANT	INSTALLATION	ADMINISTRATION	ENGINEERING	TECHNICAL
Work leader Edvard Jacobsen	Work leader Jógván Kristoffersen	Work leader Eyðbjørn F. Petersen	Work leader Jørgin Mørkøre	Work leader Jóanes Norðberg	Work leader Sæmund Tausen	Work leader Eyðun Djurholm	Work leader Bogi Bendtsen	Work leader Høgni Hansen	Work leader Eyðun Jensen
Representative Kjartan Bech	Representative Robert Joensen	Representative Robert Sørensen	Representative Uní Mortensen	Representative Hilmar Bech	Representative Rógvi Rasmussen	Representative Anna Vang	Representative Pauli Djurholm	Representative Eiríkur Norðberg	Representative Gunnhildur Øster Bech
Distribution			Production						

Figure 1. Safety system

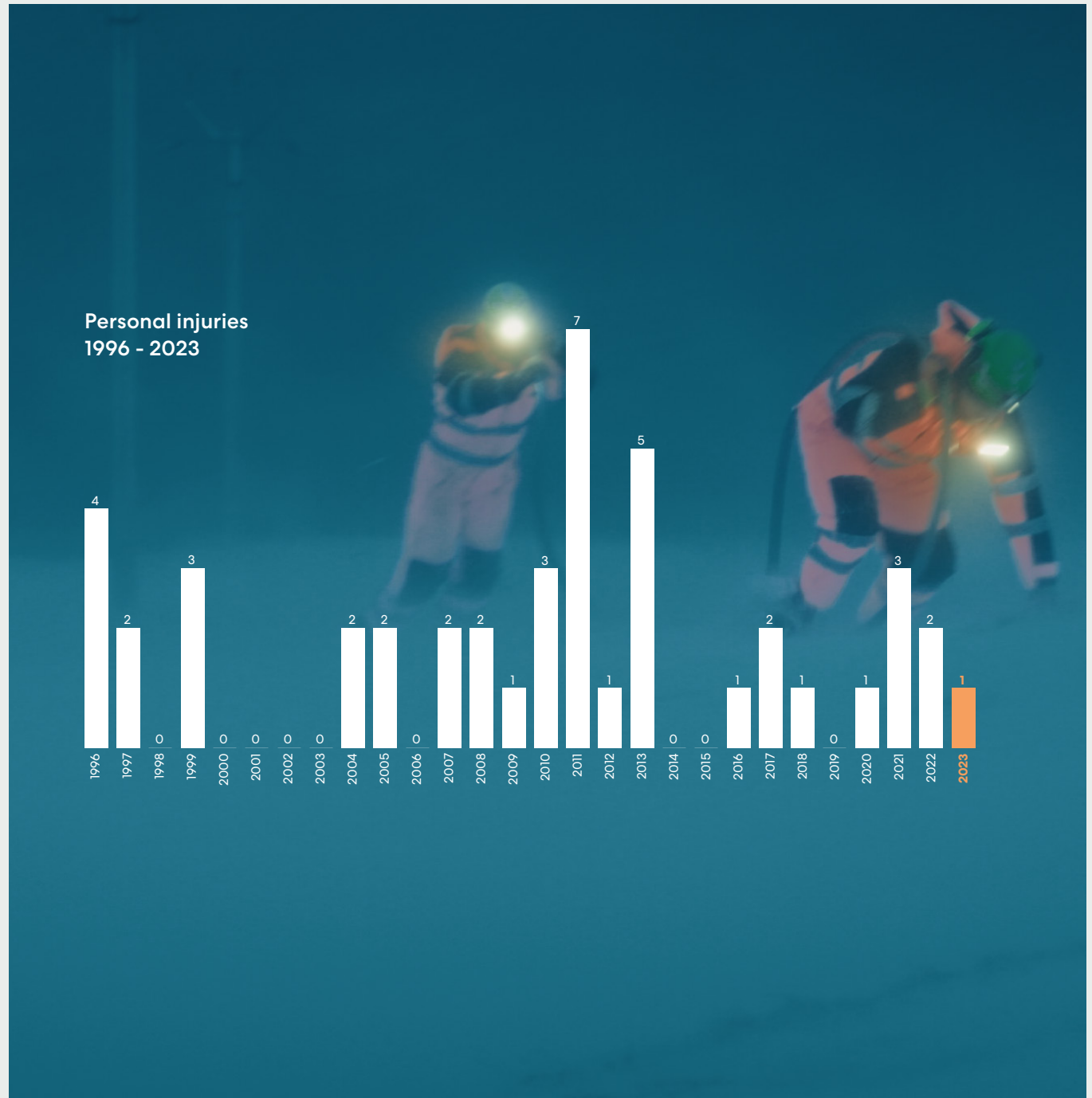
Personal injuries

Sev works systematically and conscientiously throughout the Company to avoid accidents and injuries and our goal is that no one is ever injured. However, it is difficult to avoid injuries totally.

Figure 2 shows the number of personal injuries that resulted in a worker's disability for one or more days.

In 2023, there was one instance of personal injury to report to the Occupational Safety & Health Administration.

Figure 2. Number of personal injuries that have resulted in a worker's disability for one or more days that were reported to the Occupational Safety & Health Administration.



The environment

Figure 3 portrays the principal impacts of Sev’s power production on the environment. The different energy sources and the various chemicals that facilitate the production of electricity and heat are shown on the right. At the top, the emissions into the air are shown; at the bottom are the emissions into the sea. To the left are the actual production outcomes, e.g. electricity and district heating.

Electricity is produced by thirteen power plants scattered around the country. Three of the power plants are large oil-fired facilities located at Strond, Sund and Vágur. Sev operates six hydro-power plants – Strond, Eiði, Fossá, Mýra, Heyga and Botni. In addition, there are five small power plants providing electricity on the islands of Fugloy, Mykines, Koltur, Skúvoy and Stóra Dímun.

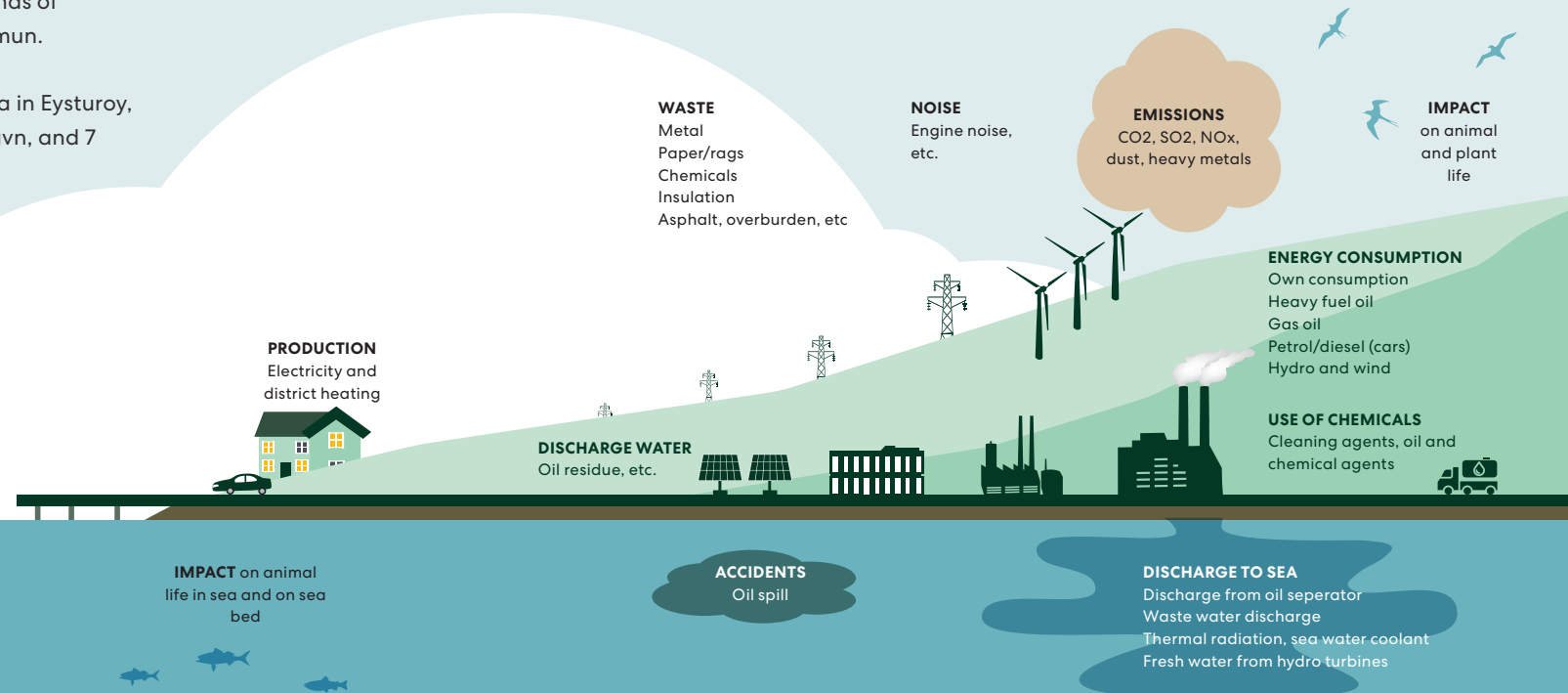
Sev also operates 5 wind turbines at Neshaga in Eysturoy, 13 wind turbines at Húsahaga outside Tórshavn, and 7 wind turbines near Porkeri on Suðuroy.

Environmental permits

Companies, facilities and equipment listed in the Annex to the Faroese Environmental Protection Act (Løgtingslóg um umhvørvisvernd, No. 134) must obtain an Environmental Permit. For Sev, permits are required for the plant at Sund and Vágur, for P/F Vindfelagið í Neshaga og Porkeri for the wind turbines at Neshaga and Porkeri, and for P/F Vindfelagið í Húsahaga for the wind turbines at Húsahaga.

Existing environmental permits	Valid from
Sund power plant	28.03.18
Wind farm at Neshaga	13.01.12
Vágur power plant	18.11.15
Wind farm at Húsahaga	16.01.13
Wind farm at Porkeri	05.05.20

Figure 3: Main environmental impacts.



Carbon dioxide emissions

One of Sev's largest environmental impacts stems from the burning of fossil fuels. The greatest portion of Sev's CO₂ emissions originates from oil-fired electricity and heat production. Figure 4 shows the specific CO₂ emissions from production of electricity in 2022. Emissions are much higher for electricity produced on the outer islands than Sev in general. The reason is that only fossil fuels are used in the production on the outer islands, where as a large proportion of production in the main area and on Suðuroy are from green sources.



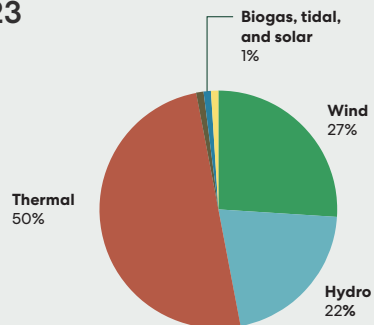
Figure 4: Specific CO₂-emissions related to production in 2023 (measured in g/kWh)

Figure 5: Shows the share in % between thermal and green energy sources, as well as total electricity production from 2008 to 2023 in MWh.

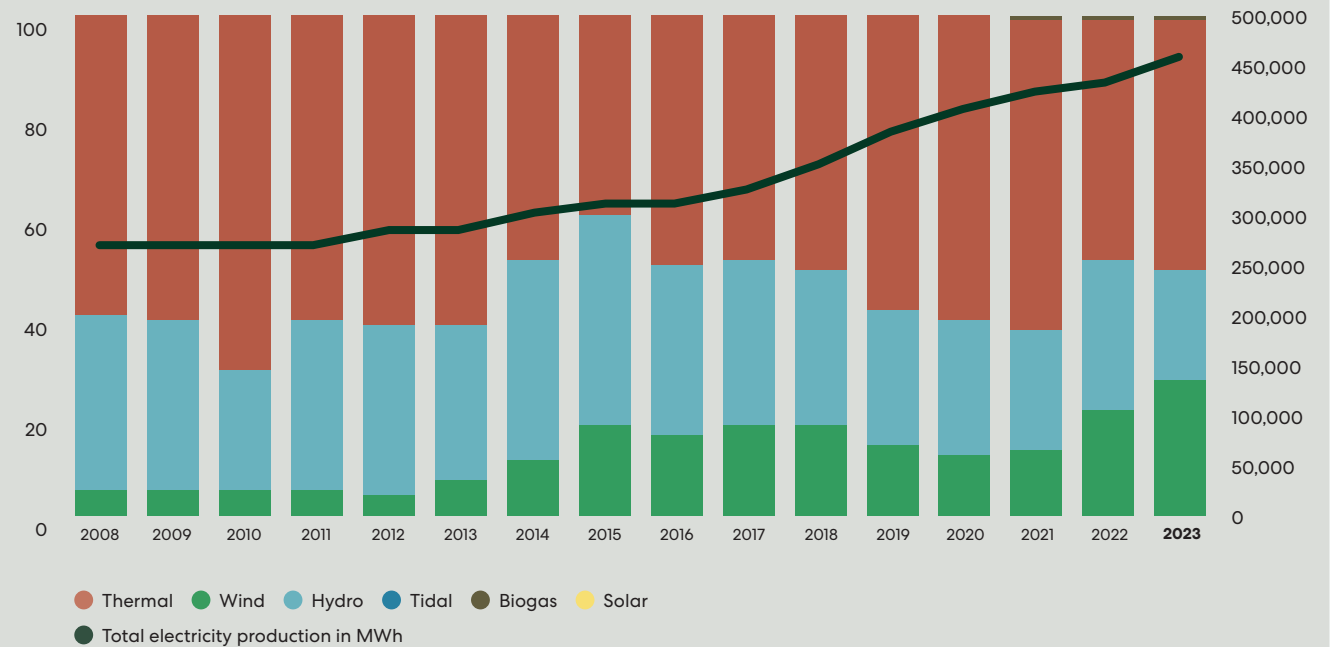
Sev's main aim is to become a 100% green energy producer by 2030. Figure 5 shows the proportion of thermal and green energy production, as well as the increase in total production from 2008 to 2023. The green energy share was 50% in 2023.

Sev has purchased several electrical vehicles the last few years with a view to reduce CO2 emissions.

**Share in %
2023**



Thermal (oil) and green (hydro, wind, solar, and biogas) energy share 2008 to 2023



Waste

Sev produces a considerable amount of waste. A large proportion of the waste is either incinerated or recycled, while some waste is sent for special processing, e.g. chemical waste

In connection with construction activity there is much soil and rock delivered for landfill. This would ordinarily be considered as a burden for the environment, but since the soil and rock is not contaminated and can be recycled, these figures are not included here. It is also difficult to collect the relevant data, as Sev employs subcontractors for this type of work.

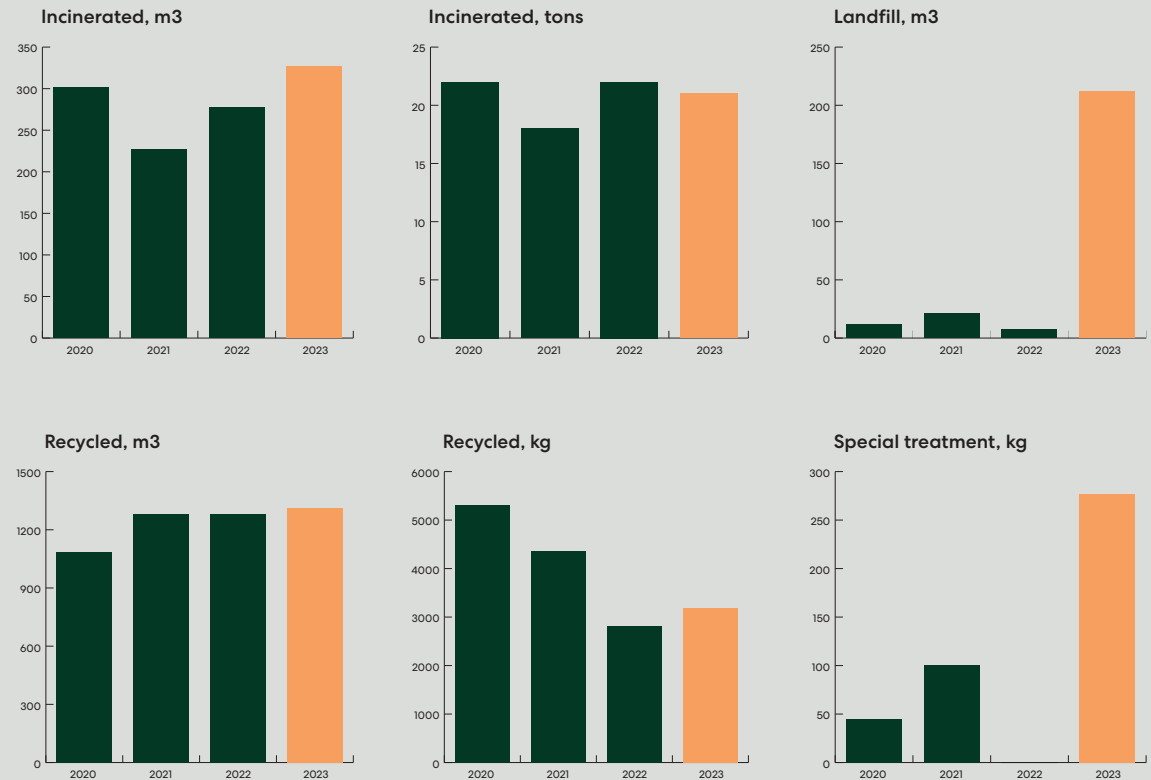


Figure 6: Various types of waste 2020 to 2023.

Figure 7 shows types of recycled waste from 2020 to 2023. The majority of the waste is waste oil delivered to IRF. Cables are also a considerable part of the waste.

As can be seen in the figure, a greater quantity of cable was recycled in 2023 compared to 2022. This is due to the on-going work of replacing lines with cables, and also due to new construction of substations.

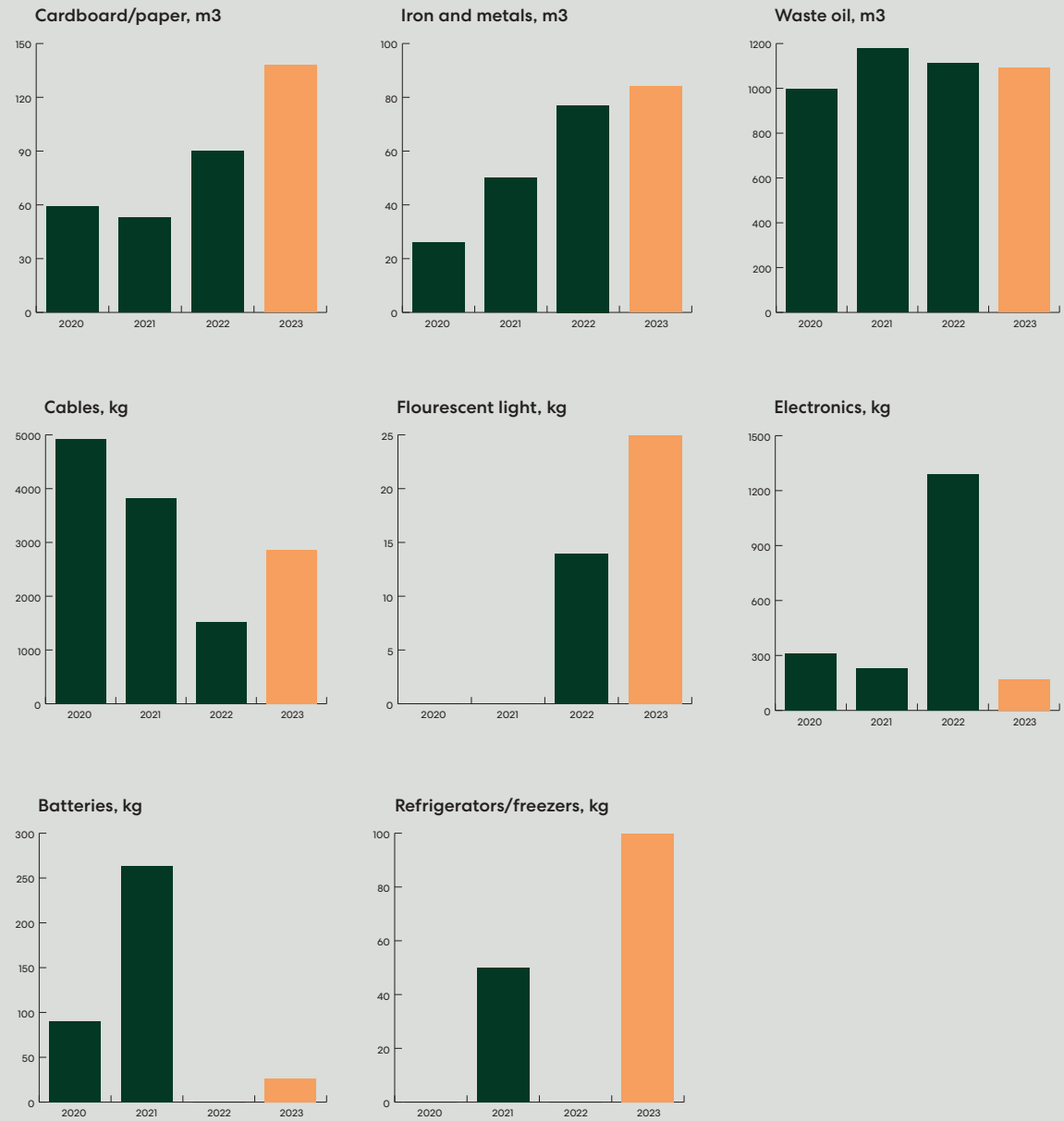


Figure 7: Types of recycled waste 2020 to 2023.

Risk Management

Risk Management

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

MARKET RISKS

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

The potential for Sev to cover increased costs through adjusting the price of electricity or other fees, either partially or wholly, is limited and the possibility of running a deficit or realizing an unsatisfactory operational result is only acceptable for a limited time. Pricing levels, in the end, is a subject for the owners of

Sev and thus has a political dimension, and is also subject to the approval of the Electricity Production Commission, while the financing of increased costs via the liquidity gained from loan facilities is only feasible over very short time periods, and limits the potential for planned investment in infrastructure when increases in financing is used to cover increased costs.

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

figures are on a par with those of the companies against which Sev must compete for financing.

Sev, in conjunction with SEB, which is Sev's financial and hedging consultant, has developed a risk hedging strategy against oil, currency exchange and interest rate fluctuations. The hedging strategy is a part of the loan facility agreements that the Company undertook in December 2016 and June 2022.

Interest rate risks

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

This hedging strategy or methodology requires that the fixed-rate debt shall be continually monitored such that when the fixed-rate portion of Sev's total debt falls below 80% or increases to over 100%, then the interest rate swap agreements should be activated.

Consequently, this review might necessitate that certain interest rate swap agreements should be terminated to ensure, for example, that the percentage of fixed-rate interest loans does not exceed 100% of the total loans held by Sev. As a result of such a course of action, the value of the interest rate swap agreements will grow. A positive value decreases the financial needs of Sev, while a negative value increases the financial needs. Sev, in the main, books the positive value of the interest rate swap agreements with the assets of the Company. Sev strives to maintain a positive balance of its interest rate swap agreements over time, wherein the goal is to have an average fixed-rate interest term of between 5 and 10 years.

In connection with Sev's new loan facilities, Sev secured a fixed rate of interest on all of its gross debt as at year-end 2023 from a bond issue. In addition, the Company executed interest rate swap agreements for the debt that would be assumed when the Company draws on its financing from NIB. This is consistent with the strategy to secure against interest rate risk. Thus, an increase in interest rates will, generally, not have an impact on the majority of the interest-bearing debt carried by Sev for the next eight years.

Oil price and exchange rate risks

One consequence of the investment budget for the

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

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

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

Sev has covered its oil price risk consistent with the benchmarks above.

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

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

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

Liquidity risk

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

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

CREDIT AND COUNTER-PARTY RISK

Accounts receivable from customers

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

Cash-on-hand in banks

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

Bonds

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

Tryggingar

In association with its insurance advisor, Sev actively works to cover its insurance risk, such that no individual damage claim or combination of damage claims would impact the overall operational result by more than DKK 10 million.

OPERATIONAL RISK

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

Production security

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

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

IT and in-house procedures

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

Health and safety

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

Environment

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

STRATEGIC RISKS

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

New, disruptive technology

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

Projects

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

Professional knowledge and development

The training and development of staff is the key to

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

sev

Annual Report and Annual Accounts 2023

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

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

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

Basis for recognition and valuations

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

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

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

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

Translation of foreign currency

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

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

The group accounts

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

see the Group overview.

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

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

INCOME STATEMENT

Net sales

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

Consumption of goods and services

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

Other external expenses

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

System services and distribution of income

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

The cost for system services elsewhere in the country is based on the cost of operating the smaller power plants.

Grid control

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

Distribution of income

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

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

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

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

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

Employee expenses

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

Depreciation and write-offs

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

Financials

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

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

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

Results from equity in subsidiaries

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

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

BALANCE SHEET

Tangible assets

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

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

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

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

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

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

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

Depreciation of fixed assets

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

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

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

Equity in subsidiaries

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

To the extent the equity exceeds the cost, the net revaluation of equity in subsidiaries are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from the subsidiary that is expected to be decided before the approval of this

annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in the subsidiaries.

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

Capital investment in associated companies

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

Inventory

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

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

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

costs relative to the goods.

Receivables

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

Prepayments

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

Cash-on-hand

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

Current and deferred taxes

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

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

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

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

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

Other provisions

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

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

Derivative financial instruments

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

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as 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 in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

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

Liabilities

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

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

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

Prepayments

Tíðaravmarkingar, sum eru innroknaðar undir skuld, umfata inngjöld sum viðvíkja inntökum komandi árinu.

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates. It is not possible to recognise the reserve with a negative amount.

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 Finansanalytikerforening), Recommendations and Financial Ratios 2010.

The financial ratios are calculated as follows:

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

Income Statement

1 January – 31 December

Amounts in 1,000 DKK		Group		Parent	
Note		2023	2022	2023	2022
1	Sales	715,990	587,065	715,068	586,182
2	Purchase of electricity	-41,076	-17,284	-58,988	-43,616
3	Oil expenses	-217,190	-224,485	-217,190	-224,485
4, 6	Materials and services	-76,692	-74,007	-67,421	-67,480
	Gross proceeds	381,032	271,290	371,469	250,602
5	Wages	-95,296	-83,054	-95,202	-83,044
	EBITDA	285,737	188,236	276,266	167,558
	Depreciation	-172,018	-170,718	-157,743	-156,409
	Result before financial items	113,719	17,518	118,523	11,148
10	Result from subsidiary companies	0	0	-5,784	2,972
7	Financial expenses	-48,954	2,553	-46,705	5,299
	Result before tax	64,764	20,072	66,034	19,419
8	Tax on annual result	-11,625	-3,404	-12,896	-2,752
	Annual result	53,139	16,667	53,139	16,667
	Proposed distribution of result				
	Results carried forward	53,139	16,667	53,139	16,667
	Total distribution	53,139	16,667	53,139	16,667

Balance Sheet, assets

31 December

ASSETS in 1,000 DKK		Group		Parent	
Note		2023	2022	2023	2022
	Tangible fixed assets				
9	Power plants	1,453,975	1,540,641	1,339,207	1,411,735
	Distribution stations	1,107,864	940,457	1,107,864	940,457
	Buildings and land	92,155	90,388	92,155	90,388
	Operating equipment	45,481	51,033	45,481	51,033
	Investment work-in-progress	261,382	296,727	249,762	290,799
	Total tangible fixed assets	2,960,857	2,919,246	2,834,469	2,784,412
10	Investment in subsidiary companies	0	0	48,935	39,372
11	Investment in associated company	17,750	17,750	17,750	17,750
12	Loans to subsidiary companies	0	0	87,394	51,991
13	Derivatives	84,345	127,548	76,080	116,630
	Total financial assets	102,095	145,298	230,159	225,743
	Total fixed assets	3,062,952	3,064,544	3,064,629	3,010,155
	Current assets				
	Oil inventory	42,999	29,426	42,999	29,426
	Materials inventory	53,057	36,721	53,057	36,721
	Total inventory	96,057	66,147	96,057	66,147
14	Goods and services receivables	164,331	125,945	163,952	125,945
	Inter-company account	0	0	0	56,494
	Prepayments	10,020	10,791	8,941	7,595
	Total receivables	174,351	136,736	172,894	190,035
	Cash-on-hand	181,252	367,271	181,252	367,271
	Total current assets	451,659	570,154	450,202	623,453
	Total assets	3,514,611	3,634,698	3,514,831	3,633,608

Balance Sheet, liabilities

31 December

LIABILITIES in 1,000 DKK		Group		Parent	
Note		2023	2022	2023	2022
	Equity				
	Deposits	4,140	4,140	4,140	4,140
	Hedge reserve	-9,257	29,415	-9,257	29,415
	Reserve for net revaluation as per the equity method	0	0	1,935	10,372
	Results carried forward	1,526,880	1,473,741	1,524,945	1,463,370
	Total equity	1,521,763	1,507,296	1,521,763	1,507,296
	Provisions				
	Provisions for pensions and equivalent liabilities	11,904	11,803	11,904	11,803
8	Deferred tax	47,450	46,574	48,840	46,694
	Total provisions	59,353	58,377	60,743	58,497
	Liabilities				
15	Long-term debt	1,798,273	1,613,530	1,798,273	1,613,530
	Total long-term debt	1,798,273	1,613,530	1,798,273	1,613,530
15	Current portion of long-term debt	3,784	338,188	3,784	338,188
	Bank debt	314	0	314	0
	Prepayments received from customers	422	408	422	408
	Trade creditors	75,645	51,116	68,183	50,366
	Inter-company account	0	0	6,585	1,586
13	Derivatives	43,113	23,944	43,113	23,944
	Other creditors	11,943	41,839	11,650	39,793
	Total short-term debt	135,222	455,495	134,051	454,285
	Total debt	1,933,495	2,069,025	1,932,325	2,067,815
	Total liabilities	3,514,611	3,634,698	3,514,831	3,633,608
16	Mortgages and other obligations				
17	Contingencies				

Equity Statement, Group

Amounts in 1,000 DKK	Deposit	Derivatives reserve	Result carried over	Total
Equity statement 01.01.22 - 31.12.22				
Opening balance 01.01.22	4,140	13,808	1,457,074	1,475,022
Adjustment to derivatives	0	29,331	0	29,331
Deferred tax	0	-13,724	0	-13,724
Annual result	0	0	16,667	16,667
Closing balance 31.12.22	4,140	29,415	1,473,741	1,507,296
Equity statement 01.01.23 - 31.12.23				
Opening balance 01.01.23	4,140	29,415	1,473,741	1,507,296
Adjustment to derivatives	0	-49,421	0	-49,421
Deferred tax	0	10,749	0	10,749
Annual result	0	0	53,139	53,139
Closing balance 31.12.23	4,140	-9,257	1,526,880	1,521,763

Equity Statement, Parent

Amounts in 1,000 DKK	Deposit	Derivatives reserve	Inner value adjustment reserve	Result carried over	Total
Equity statement 01.01.22 - 31.12.22					
Opening balance 01.01.22	4,140	13,358	0	1,457,524	1,475,022
Adjustment to prior years' result	0	450	0	-450	0
Adjustment to derivatives	0	29,331	10,469	-10,469	29,331
Deferred tax	0	-13,724	0	0	-13,724
Result from subsidiary companies	0	0	2,972	-2,972	0
Transfer adjustment reserve to result carried over	0	0	-3,069	3,069	0
Annual result	0	0	0	16,667	16,667
Closing balance 31.12.22	4,140	29,415	10,372	1,463,370	1,507,296
Equity statement 01.01.23 - 31.12.23					
Opening balance 01.01.23	4,140	29,415	10,372	1,463,370	1,507,296
Adjustment to prior years' result	0	-49,421	-2,653	2,653	-49,421
Adjustment to derivatives	0	10,749	0	0	10,749
Deferred tax	0	0	-5,784	5,784	0
Result from subsidiary companies	0	0	0	0	0
Transfer adjustment reserve to result carried over	0	0	0	53,139	53,139
Annual result	4,140	-9,257	1,935	1,524,945	1,521,763

Cash Flow Statement

	Group	Group
	2023	2022
Note Amounts in 1,000 DKK		
Annual result	53,139	16,667
18 Adjustments	232,598	171,569
Changes in working capital:		
Inventories	-29,909	-17,359
Receivables	-50,328	-494
Trade creditors	24,530	5,335
Other operating debt	-17,069	2,399
Operating cash flows before financials	212,960	178,118
Interest expenses paid and equivalent expenses	-54,247	-42,376
Cash flows from operations	158,713	135,742
Purchase of tangible fixed assets	-248,974	-155,849
Changes to work-in-progress	35,346	-86,714
Cash flow from investments	-213,629	-257,563
Loan facilities	-133,013	344,352
Bank overdraft withdrawals	1,910	558
Cash flow from financing	-131,102	344,910
Total cash flow during the year	-186,019	223,089
Opening cash-on-hand	367,271	144,182
Closing cash-on-hand	181,252	367,271
Lines of credit	850,000	850,000
Total	1,031,252	1,217,271

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Notes

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Notes 1-3

1. Net sales	Group		Parent	
	2023	2022	2023	2022
Amounts in 1,000 DKK				
kWh charges etc.	679,847	553,399	679,847	553,399
Fixed charges	21,730	18,207	21,730	18,207
Connection fees	15,556	16,015	15,556	16,015
Other charges, reminders and other sales	-1,143	-556	-2,065	-1,439
Total	715,990	587,065	715,068	586,182

2. Electricity purchase by generation type	Group		Parent	
	2023	2022	2023	2022
Amounts in 1,000 DKK				
Wind	37,465	8,691	55,377	35,023
Biogas and other sources	3,611	8,593	3,611	8,593
Total	41,076	17,284	58,988	43,616

3. Oil expenses	Group		Parent	
	2023	2022	2023	2022
Amounts in 1,000 DKK				
Gas oil	21,279	17,363	21,279	17,363
Heavy fuel oil	181,338	192,738	181,338	192,738
Lubricating oil	14,574	14,384	14,574	14,384
Total	217,190	224,485	217,190	224,485

Notes 4-5

4. Materials and services	Group		Parent	
	2023	2022	2023	2022
Amounts in 1,000 DKK				
Cables and lines	3,914	4,280	3,914	4,280
Dams, pipelines and tunnels	144	109	130	103
Tanks and environmental	522	514	522	514
Engines	17,333	13,607	9,588	8,576
Electric and technical	630	568	630	565
Buildings and land	4,451	3,859	3,969	3,551
General meeting and Board	655	1,020	655	1,020
Studies and consultancy	5,252	4,663	5,002	4,226
IT	14,216	15,873	14,216	15,865
Management and office expenses	2,082	2,125	1,939	1,954
Loss on unpaid debt	1,035	148	1,035	148
Other operating expenses	9,630	8,486	9,621	8,469
Other administrative expenses	16,828	18,755	16,200	18,208
Total	76,692	74,007	67,421	67,480

5. Employee expenses	Group		Parent	
	2023	2022	2023	2022
Amounts in 1,000 DKK				
Wages	83,229	69,226	83,229	69,216
Pensions	10,341	9,927	10,341	9,927
Contributions	4,489	3,901	4,489	3,901
Total	95,296	83,054	95,202	83,044
Included in employee expenses are:				
Management and Board of Directors	2,210	2,122	2,210	2,122
Total	2,210	2,122	2,210	2,122
Full-time equivalent employees	185	180	185	180

Notes 6-8

6. Auditor's remuneration	Group		Parent	
	2023	2022	2023	2022
Amounts in 1,000 DKK				
Auditing	545	519	435	412
Other certification	301	182	197	149
Other services and advisory	246	301	236	302
Total	1,091	1,001	867	864

7. Financial items	Group		Parent	
	2023	2022	2023	2022
Amounts in 1,000 DKK				
Interest income on loans to subsidiary companies	0	0	-4,204	-2,433
Interest on loans	56,149	48,775	58,170	48,477
Establishment fees, commissions	4,123	8,569	4,123	8,569
Unrealised exchange rate gains or losses	-9,190	12,454	-9,190	12,454
Unrealised adjustments on derivatives	945	-60,333	945	-60,333
Other interest expenses	-3,073	-12,018	-3,139	-12,032
Total	48,954	-2,553	46,705	-5,299

8. Taxes on annual result	Group		Parent	
	2023	2022	2023	2022
Amounts in 1,000 DKK				
Adjustment of deferred tax	-11,625	-3,404	-12,896	-2,752
Tax during the year according to profit and loss account	-11,625	-3,404	-12,896	-2,752
Provision deferred tax opening balance 1 January	-46,574	-29,445	-46,694	-30,217
Adjustment of deferred tax from profit and loss account	-11,625	-3,404	-12,896	-2,752
Adjustment of deferred tax in equity due to derivatives	10,749	-13,724	10,749	-13,724
Provision deferred tax closing balance 31 December	-47,450	-46,574	-48,840	-46,694

Note 9

Group

9. Tangible fixed assets

Amounts in 1,000 DKK	Production	Grid	Buildings	Equipment	Total 2023	2022
Acquisition value opening balance	3,000,493	1,613,033	136,527	260,285	5,010,339	4,856,033
Additions during the year	19,415	212,994	5,243	11,322	248,974	155,849
Disposals during the year	0	0	0	-3,706	-3,706	-1,543
Acquisition value closing balance	3,019,908	1,826,028	141,770	267,901	5,255,607	5,010,339
Depreciation opening balance	-1,459,852	-672,577	-46,139	-209,251	-2,387,820	-2,218,645
Depreciation for the year	-106,080	-45,587	-3,476	-16,875	-172,018	-170,718
Depreciation reversed on disposals	0	0	0	3,706	3,706	1,543
Depreciation closing balance	-1,565,933	-718,163	-49,615	-222,421	-2,556,132	-2,387,820
Book value year-end	1,453,975	1,107,864	92,155	45,481	2,699,475	2,622,519
Book value year-end 2022	1,540,641	940,457	90,388	51,033	2,622,519	
Work-in-progress						
Opening balance	82,922	177,930	23,163	12,712	296,727	210,013
Investment booked to work-in-progress	76,812	124,764	7,373	4,711	213,661	219,244
Completed work transferred to depreciation	-34,029	-209,158	-5,656	-164	-249,007	-132,530
Closing balance	125,706	93,536	24,881	17,259	261,382	296,727
Closing balance year-end 2022	82,922	177,930	23,163	12,712	296,727	
Fixed assets year-end	1,328,269	1,201,400	117,036	62,740	2,960,857	2,919,246
Fixed assets year-end 2022	1,457,718	1,118,387	113,551	63,745	2,919,246	

Note 9

Parent

9. Tangible fixed assets

Amounts in 1,000 DKK	Production	Grid	Buildings	Equipment	Total 2023	2022
Acquisition value opening balance	2,791,693	1,613,033	136,527	260,285	4,801,538	4,646,961
Additions during the year	19,278	212,994	5,243	11,322	248,838	156,120
Disposals during the year	0	0	0	-3,706	-3,706	-1,543
Acquisition value closing balance	2,810,971	1,826,028	141,770	267,901	5,046,670	4,801,538
Depreciation opening balance	-1,379,958	-672,577	-46,139	-209,251	-2,307,925	-2,153,059
Adjustment to opening balance	0	0	0	0	0	21,112
Depreciation for the year	-91,806	-45,587	-3,476	-16,875	-157,743	-156,409
Depreciation reversed on disposals	0	0	0	3,706	3,706	1,543
Depreciation closing balance	-1,471,764	-718,163	-49,615	-222,421	-2,461,963	-2,307,925
Book value year-end	1,339,207	1,107,864	92,155	45,481	2,584,707	2,493,613
Book value year-end 2022	1,411,735	940,457	90,388	51,033	2,493,613	
Work-in-progress						
Opening balance	76,995	177,930	23,163	12,712	290,799	207,224
Investment booked to work-in-progress	71,008	124,764	7,373	4,711	207,857	216,076
Completed work transferred to depreciation	-33,916	-209,158	-5,656	-164	-248,895	-132,501
Closing balance	114,086	93,536	24,881	17,259	249,762	290,799
Closing balance year-end 2022	76,995	177,930	23,163	12,712	290,799	
Fixed assets year-end	1,225,121	1,201,400	117,036	62,740	2,834,469	2,784,412
Fixed assets year-end 2022	1,334,740	1,118,387	113,551	63,745	2,784,412	

Notes 10-12

10. Investments in subsidiary companies

Amounts in 1,000 DKK	31.12.23	31.12.22
Acquisition value opening balance	29,000	29,000
Acquisition value closing balance	47,000	29,000
Subsidiary companies' result opening balance	10,372	-3,069
Result from subsidiary companies	-5,784	2,972
Adjustment derivatives	-2,653	10,469
Subsidiary companies' result closing balance	1,935	10,372
Carrying amount year-end	48,935	39,372

Subsidiary companies:

Amounts in 1,000 DKK	Share	Equity	Annual result	Recognised value
P/F Vindfelagið í Húshaga	100%	12,612	-1,619	12,612
P/F Vindfelagið í Neshaga og Porkeri	100%	36,323	-4,164	36,323

11. Investment in associated company

Amounts in 1,000 DKK	31.12.23	31.12.22
Carrying amount opening balance	17,750	2,750
Carrying amount closing balance	17,750	17,750

Associated company:

Amounts in 1,000 DKK	Share	Equity	Annual result	Recognised value
P/F Fjarhitafelagið, Tórshavn	50%	82,698	-5,947	17,750

The financial statement of P/F Fjarhitafelagið for the financial year 2023 is not available - the figures shown are for 2022.

12. Loans to subsidiary companies

Amounts in 1,000 DKK	Duration	Loan amount	Balance 31.12.23	Repayment next year	Balance in 5 years
P/F Vindfelagið í Húshaga	12 years	75,000	33,758	6,387	0
P/F Vindfelagið í Neshaga og Porkeri	10 years	28,175	9,136	2,962	0
P/F Vindfelagið í Neshaga og Porkeri	18 years	53,400	44,500	2,967	29,667
Total		156,575	87,394	12,316	29,667

Notes 13-14

13. Derivatives, group

Amounts in 1,000 DKK	Assets 31.12.23	Liabilities 31.12.23	Total 31.12.23	31.12.22
Oil-price hedge	4,601	0	4,601	9,216
Currency hedge	0	-20,510	-20,510	5,612
Interest rate hedge	79,744	-22,603	57,141	88,776
Total	84,345	-43,113	41,232	103,604

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

13. Derivatives, parent

Amounts in 1,000 DKK	Assets 31.12.23	Liabilities 31.12.23	Total 31.12.23	31.12.22
Oil-price hedge	4,601	0	4,601	9,216
Currency hedge	0	-20,510	-20,510	5,612
Interest rate hedge	71,479	-22,603	48,876	77,858
Total	76,080	-43,113	32,967	92,686

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.

14. Goods and services debtors

Amounts in 1,000 DKK	Group		Parent	
	31.12.23	31.12.22	31.12.23	31.12.22
Goods and services debtors	161,477	123,589	161,477	123,589
Other debtors	7,447	5,998	7,069	5,998
Receivables write-down	-4,593	-3,641	-4,593	-3,641
Total	164,331	125,945	163,952	125,945

Notes 15-18

15. Long-term debt

Amounts in 1,000 DKK	Interest due	Repayments next year	Outstanding debt after 5 years	Total debt 31.12.23	Total debt 31.12.22
Debt to financial institutions	3,784	0	1,092,157	1,798,273	1,613,530
Total	3,784	0	1,092,157	1,798,273	1,613,530

The loan agreement from 2016 has an average maturity of 2.3 years. There is no repayment in 2024 on the loan agreement from 2022, and this loan agreement has an average maturity of 8.3 years. The combined average maturity of the loan agreements is 5.1 years.

16. Mortgages and other obligations 31.12.23

As security for import duty credit, a guarantee of DKK 1.8 million has been issued to TAKS, and as security for credit cards, the company is liable for guarantees of DKK 3.5 million. Total obligations DKK 5.3 million.

17. Contingencies

The Group is bound by rental, operating and maintenance, and administration agreements of its subsidiaries totalling DKK 20.8 million, of which DKK 4.0 million are due within 1 year, and DKK 11.0 million are due later than 5 years.

18. Adjustments

Amounts in 1,000 DKK	2023	2022
Interest expenses and equivalent expenses	57,199	45,326
Unrealised interest expenses	-8,245	-47,880
Depreciation	172,018	170,718
Tax	11,625	3,404
Total	232,598	171,569

Note 19

19. Equity distribution

Amounts in 1,000 DKK	Municipal contribution	Equity 2023	Equity % 2023	Equity 2022
Eiðis	78.6	22,426	1.5	22,414
Eysturkommuna	146.5	63,882	4.2	62,808
Fámjins	23.1	2,226	0.1	2,189
Fuglafjarðar	136.3	45,435	3.0	45,077
Fugloyar	17.5	1,169	0.1	1191,332
Hovs	22.9	2,949	0.2	2,881
Húsavíkar	25.1	2,838	0.2	2,854
Hvalbiar	103.6	17,807	1.2	18,452
Hvannasunds	36.4	11,853	0.8	11,858
Klaksvíkar	537.8	152,416	10.0	150,357
Kunoyar	12.6	4,285	0.3	4,156
Kvívíkar	59.1	16,666	1.1	16,762
Nes / Runavíkar	332.1	164,575	10.8	162,049
Porkeris	51.0	8,959	0.6	9,198
Sands	72.3	14,719	1.0	14,545
Sjóvar	92.9	33,555	2.2	32,969
Skálavíkar	30.8	3,951	0.3	3,463
Skopunar	71.0	13,133	0.9	13,077
Skúvoyar	17.9	890	0.1	942
Sørvágs	127.5	34,278	2.3	9,503
Sumbiar	81.4	9,321	0.6	50,812
Sunda	177.4	50,861	3.4	34,549
Tórshavnar	1,092.5	646,670	42.6	638,803
Tvøroyrar	255.3	48,691	3.2	49,149
Vága kommuna	169.6	61,156	4.0	60,509
Vágs	218.4	38,007	2.5	37,790
Vestmanna	125.3	35,336	2.3	35,158
Viðareiðis	25.3	9,571	0.6	9,641
Total	4,139.9	1,517,623	100.0	1,503,157

Group Activity by Division

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Group Profit & loss

Production and Grid

Profit & loss Amounts in 1,000 DKK	2023			2022		
	Production	Grid	Total	Production	Grid	Total
Revenues	441,220	274,770	715,990	433,768	153,297	587,065
Purchase of electricity	0	-41,076	-41,076	0	-17,284	-17,284
Oil expenses	-217,150	-40	-217,190	-224,327	-157	-224,485
Materials and services	-36,797	-39,895	-76,692	-36,490	-37,517	-74,007
Wages	-42,248	-53,047	-95,296	-38,590	-44,464	-83,054
Result of ordinary operations	145,025	140,711	285,737	134,362	53,875	188,236
Depreciation	-107,025	-64,993	-172,018	-109,331	-61,387	-170,718
Result before financial items	38,000	75,719	113,719	25,030	-7,512	17,518
Net financial items	-25,065	-23,890	-48,954	-14,705	17,258	2,553
Result before tax	12,935	51,829	64,764	10,325	9,747	20,072
Tax	1,270	-12,896	-11,625	-652	-2,752	-3,404
Annual result	14,205	38,933	53,139	9,673	6,994	16,667

Parent Profit & loss

Production and Grid

Profit & loss Amounts in 1,000 DKK	2023			2022		
	Production	Grid	Total	Production	Grid	Total
Revenues	422,385	292,683	715,068	406,553	179,629	586,182
Purchase of electricity	0	-58,988	-58,988	0	-43,616	-43,616
Oil expenses	-217,150	-40	-217,190	-224,327	-157	-224,485
Materials and services	-27,526	-39,895	-67,421	-29,963	-37,517	-67,480
Wages	-42,155	-53,047	-95,202	-38,580	-44,464	-83,044
Result of ordinary operations	135,555	140,711	276,266	113,683	53,875	167,558
Depreciation	-92,751	-64,993	-157,743	-95,022	-61,387	-156,409
Result before financial items	42,804	75,719	118,523	18,660	-7,512	11,148
Result from subsidiaries	0	-5,784	-5,784	0	2,972	2,972
Net financial items	-22,815	-23,890	-46,705	-11,959	17,258	5,299
Result before tax	19,989	46,045	66,034	6,701	12,718	19,419
Tax	0	-12,896	-12,896	0	-2,752	-2,752
Annual result	19,989	33,150	53,139	6,701	9,966	16,667

Group Assets

Production and Grid

Assets	2023			2022		
	Production	Grid	Total	Production	Grid	Total
Amounts in 1,000 DKK						
Real estate, power plants, etc.	1,461,229	1,238,246	2,699,475	1,547,198	1,075,321	2,622,519
Investment work-in-progress	141,126	120,256	261,382	98,421	198,306	296,727
Fixed assets	1,602,355	1,358,502	2,960,857	1,645,619	1,273,627	2,919,246
Share equity	0	17,750	17,750	0	17,750	17,750
Derivatives	8,265	76,080	84,345	10,918	116,630	127,548
Financial fixed assets	8,265	93,830	102,095	10,918	134,380	145,298
Total fixed assets	1,610,620	1,452,331	3,062,952	1,656,537	1,408,007	3,064,544
Oil inventory	42,999	0	42,999	29,426	0	29,426
Materials inventory	0	53,057	53,057	0	36,721	36,721
Total inventory	42,999	53,057	96,057	29,426	36,721	66,147
Electricity debtors	2,087	162,244	164,331	0	125,945	125,945
Other debtors/tax asset	2,061	0	2,061	1,705	0	1,705
Inter-company account	190,132	0	190,132	210,005	0	210,005
Other receivables/accruals	1,936	8,084	10,020	525	10,266	10,791
Total receivables	196,217	170,328	366,545	212,236	136,211	348,447
Cash-on-hand	0	181,252	181,252	0	367,271	367,271
Total current assets	239,216	404,637	643,853	241,662	540,202	781,865
Total assets	1,849,837	1,856,968	3,706,805	1,898,199	1,948,210	3,846,409

Parent Assets

Production and Grid

Assets	2023			2022		
	Production	Grid	Total	Production	Grid	Total
Amounts in 1,000 DKK						
Real estate, power plants, etc.	1,346,462	1,238,246	2,584,707	1,418,291	1,075,321	2,493,613
Investment work-in-progress	129,506	120,256	249,762	92,493	198,306	290,799
Fixed assets	1,475,968	1,358,502	2,834,469	1,510,785	1,273,627	2,784,412
Share equity subsidiary companies	0	48,935	48,935	0	39,372	39,372
Share equity associated company	0	17,750	17,750	0	17,750	17,750
Loans to subsidiary companies	0	87,394	87,394	0	51,991	51,991
Derivatives	0	76,080	76,080	0	116,630	116,630
Financial fixed assets	0	230,159	230,159	0	225,743	225,743
Total fixed assets	1,475,968	1,588,661	3,064,629	1,510,785	1,499,370	3,010,155
Oil inventory	42,999	0	42,999	29,426	0	29,426
Materials inventory	0	53,057	53,057	0	36,721	36,721
Total inventory	42,999	53,057	96,057	29,426	36,721	66,147
Electricity debtors	1,709	162,244	163,952	0	125,945	125,945
Inter-company account	237,132	0	237,132	295,500	56,494	351,994
Other receivables/accruals	857	8,084	8,941	-2,670	10,266	7,595
Total receivables	239,698	170,328	410,026	292,829	192,705	485,535
Cash-on-hand	0	181,252	181,252	0	367,271	367,271
Total current assets	282,698	404,637	687,335	322,256	596,697	918,952
Total assets	1,758,666	1,993,298	3,751,963	1,833,040	2,096,067	3,929,108

Group Liabilities

Production and Grid

Liabilities	2023			2022		
	Production	Grid	Total	Production	Grid	Total
Amounts in 1,000 DKK						
Deposit	0	4,140	4,140	0	4,140	4,140
Capital account	873,492	644,131	1,517,623	861,940	641,217	1,503,157
Total equity	873,492	648,271	1,521,763	861,940	645,357	1,507,296
Pensions	0	11,904	11,904	0	11,803	11,803
Deferred tax	671	48,840	49,511	1,585	46,694	48,279
Total provisions	671	60,743	61,414	1,585	58,497	60,082
Long-term debt	899,019	886,938	1,785,957	818,725	785,598	1,604,323
Current portion of long-term debt	12,316	3,784	16,100	170,340	177,055	347,395
Bank loans	0	314	314	0	0	0
Prepayments	0	422	422	0	408	408
Inter-company account	0	190,132	190,132	0	210,005	210,005
Other creditors/accruals	2,910	9,033	11,943	10,084	31,755	41,839
Trade creditors	61,428	14,217	75,645	35,524	15,592	51,116
Derivatives	0	43,113	43,113	0	23,944	23,944
Total debt	975,674	1,147,954	2,123,627	1,034,674	1,244,356	2,279,030
Total liabilities	1,849,837	1,856,968	3,706,805	1,898,199	1,948,210	3,846,409

Parent Liabilities

Production and Grid

Liabilities Amounts in 1,000 DKK	2023			2022		
	Production	Grid	Total	Production	Grid	Total
Deposit	0	4,140	4,140	0	4,140	4,140
Capital account	871,557	646,067	1,517,623	851,568	651,589	1,503,157
Total equity	871,557	650,207	1,521,763	851,568	655,729	1,507,296
Pensions	0	11,904	11,904	0	11,803	11,803
Deferrec tax	0	48,840	48,840	0	46,694	46,694
Total provisions	0	60,743	60,743	0	58,497	58,497
Long-term debt	823,941	974,332	1,798,273	775,941	837,589	1,613,530
Current portion of long-term debt	0	3,784	3,784	161,133	177,055	338,188
Bank loans	0	314	314	0	0	0
Prepayments	0	422	422	0	408	408
Inter-company account	6,585	237,132	243,717	1,586	295,500	297,085
Other creditors/accruals	2,617	9,033	11,650	8,038	31,755	39,793
Trade creditors	53,966	14,217	68,183	34,775	15,592	50,366
Derivatives	0	43,113	43,113	0	23,944	23,944
Total debt	887,109	1,282,348	2,169,457	981,473	1,381,842	2,363,314
Total liabilities	1,758,666	1,993,298	3,751,963	1,833,040	2,096,067	3,929,108

Group Profit & loss

Production and Grid by departments

Distribution of revenue

Amounts in 1,000 DKK	Production	Grid	Total 2023	2022
Sales	730	715,260	715,990	587,065
Own production	312,684	-312,684	0	0
Own consumption	-15,063	15,063	0	0
Grid management	2,300	-2,300	0	0
Ancillary services	140,570	-140,570	0	0
Total revenue	441,220	274,770	715,990	587,065

	Thermal	Hydro	Wind	Total 2023	2022
Production					
Revenue	360,922	61,463	18,835	441,220	433,768
Oil expenses	-201,772	-15,378	0	-217,150	-224,327
Material and services	-20,666	-6,830	-9,301	-36,797	-36,490
Wages	-37,634	-4,521	-93	-42,248	-38,590
Depreciation	-64,921	-27,830	-14,275	-107,025	-109,331
Interest	-16,468	-6,337	-2,259	-25,065	-14,705
Tax	0	0	1,270	1,270	-652
Production result	19,461	567	-5,823	14,205	9,673

	Grid excl. Management	Management	Total 2023	2022
Grid				
Revenue	-5,297	280,067	274,770	153,297
Purchase of electricity	0	-41,076	-41,076	-17,284
Oil expenses	-4	-36	-40	-157
Material and services	-18,282	-21,613	-39,895	-37,517
Wages	-35,113	-17,935	-53,047	-44,464
Depreciation	-56,650	-8,343	-64,993	-61,387
Interest	1,085	-24,975	-23,890	17,258
Tax	0	-12,896	-12,896	-2,752
Grid result	-114,260	153,194	38,933	6,994

Parent Profit & loss

Production and Grid by departments

Distribution of revenue

Amounts in 1,000 DKK	Production	Grid	Total 2023	2022
Sales	-193	715,260	715,068	586,182
Own production	294,771	-294,771	0	0
Own consumption	-15,063	15,063	0	0
Grid management	2,300	-2,300	0	0
Ancillary services	140,570	-140,570	0	0
Total revenue	422,385	292,683	715,068	586,182

Production	Thermal	Hydro	Wind	Total 2023	2022
Revenue	360,922	61,463	0	422,385	406,553
Oil expenses	-201,772	-15,378	0	-217,150	-224,327
Material and services	-20,647	-6,830	-49	-27,526	-29,963
Wages	-37,634	-4,521	0	-42,155	-38,580
Depreciation	-64,921	-27,830	0	-92,751	-95,022
Interest	-16,470	-6,337	-8	-22,815	-11,959
Production result	19,478	567	-57	19,989	6,701

Grid	Grid excl. Management	Management	Total 2023	2022
Revenue	-5,297	297,980	292,683	179,629
Purchase of electricity	0	-58,988	-58,988	-43,616
Oil expenses	-4	-36	-40	-157
Material and services	-18,282	-21,613	-39,895	-37,517
Wages	-35,113	-17,935	-53,047	-44,464
Depreciation	-56,650	-8,343	-64,993	-61,387
Result from subsidiaries	0	-5,784	-5,784	2,972
Interest	1,085	-24,975	-23,890	17,258
Tax	0	-12,896	-12,896	-2,752
Grid result	-114,260	147,410	33,150	9,966



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