Nordic Prize Winner 2015

Production Accounts 2015

Annual Report and Annual Accounts 2015
Annual General Meeting 29 April 2016
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Production Accounts 2015

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Electricity Compagny SEV (Elfelagið SEV) Production Accounts 2015

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The Company

Elfelagið SEV
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FO-110 Tórshavn
Telephone: +298 346800
Website: www.sev.fo
Email: sev@sev.fo

Registered office: Tórshavn
Accounting year: 01.01-31.12
Business Registration No.: 331538

Board

Jákup Suni Lauritsen, Chairman of the Board
Bogi Andreasen, Vice Chairman of the Board
Karl A. Olsen, Member of the Board
Karl M. Rasmussen, Member of the Board
Steinbjørn O. Jacobsen, Member of the Board
Bødvar Hjartvarsson, Member of the Board
Frits Poulsen, Member of the Board

Management

Hákun Djurhuus, Managing Director, CEO
Bogi Bendtsen, Director of Administration, CFO
Finn Jakobsen, Director of Distribution, CTO
Anders Nedergaard-Hansen, Director of Production, COO

Auditing

JANUAR State Authorized Public Accountants P/F

Management Report

The Board of Directors and Management hereby submit SEV's Annual Report and Production Accounts for fiscal year 1 January - 31 December 2015.

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

It is our opinion that the accounting methods used are suitable and that the Accounts give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2015 and the result of operations for fiscal year 1 January - 31 December 2015.

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

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

Tórshavn, 8 april 2016

Management

Hákun Djurhuus
Managing Director, CEO

Financial Management

Bogi Bendtsen
Director of Administration, CFO

Board

Jákup Suni Lauritsen
Chairman

Bogi Andreasen
Vice Chairman

Karl A. Olsen

Karl M. Rasmussen

Steinbjørn O. Jacobsen

Bødvar Hjartvarsson

Frits Poulsen

Independent auditor's report

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

We have completed the audit of the Annual Accounts of Elfelagið SEV and it did not result in any qualifications or request for additional information. Please refer to page 52 in the Annual Report and Accounts of Elfelagið SEV for the complete auditor's report.

Tórshavn, 8 April 2016

P/F Januar
State Authorized Public Accountants P/F

Hans Laksá
State auth. auditor

Key Figures and Financial Ratios

Figures in tDKK	2015	2014	2013	2012	2011
Income statement	tDKK	tDKK	tDKK	tDKK	tDKK
Net Sales	234.920	*278.328*	*306.519*	*298.663*	*301.699*
Results before depreciation amortization and impairment	95.673	*85.070*	*84.125*	*76.959*	*84.007*
Result before financials	36.443	*37.704*	*41.820*	*35.126*	*47.178*
Financial results, net	-11.221	*-11.773*	*-14.050*	*-13.592*	*-10.810*
Annual results	**25.222**	***25.931***	***27.770***	***21.534***	***36.368***
Balance sheet					
Total assets	1.049.924	*997.612*	*887.638*	*847.741*	*746.315*
Equity	**699.806**	***587.497***	***561.566***	***533.796***	***512.262***
Financial ratios *)					
Return on equity	3.8%	*4.5%*	*5.1%*	*4.1%*	*5.7%*
Asset turnover	0.22	*0.28*	*0.35*	*0.35*	*0.40*
Equity/asset ratio	66.7%	*58.9%*	*63.3%*	*63.0%*	*68.6%*

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

Management Review

Main Activities

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

The accounts for the production activities of SEV are a part of the consolidated accounts of SEV. This Management Review discusses SEV's production activities for the period 1 January 2015 to 31 December 2015.

Business Activity Overview and Financial Status

Production and Income

Table 1 gives an overview of production over the last 6 years in GWh.

Electricity production measured in GWh for 2015 was 314.4 GWh, compared to 305.4 GWh in 2014, or an increase of some 9.0 GWh, corresponding to an increase in SEV's production in 2015 of 3.0% for the entire country. In the main central region of the country, production grew by 3.3%, and in Suðuroy production fell by 0.3%.

Production distribution among the various energy sources was 42.3% from hydropower, which is 2.8% higher than in 2014; 17.8% from wind energy, which is 6.4% more than in 2014; and finally 39.9% was produced by the thermal power plants, which is 9.3% less than in 2014.

Significant rainfall again characterised 2015; substantial rain occurred throughout the spring months and into the summer. For the summer and fall months, the amount of rainfall was deemed to be consistent with a normal year, while winter again experienced significant rain. Hydroelectric production in 2015 was 133.1 GWh, compared to 120.7 GWh in 2014, which is 12.4 GWh higher than in 2014 or 10.3% higher.

The year 2015 was a good "wind-year" with considerable wind. Electricity production from wind was 55.8 GWh, or, in other words, 17.8% of all electricity production was derived from wind energy. SEV anticipates that the production output from wind energy will increase when the new Húsahagi battery system becomes operational in March 2016.

In conclusion, the relative distribution between "green energy" and thermal energy is better than expected, wherein 39.9% is from thermal energy and 60.1% is green energy.

Over a span of many years, electricity production has fluctuated, which is evident in the bar graph on the next page showing electricity production for the entire country from 1954 to 2015.

Figure 1 shows that there was a steady increase in the production of electricity since 1954 until the economic crisis of the early 1990s, when electricity production began to decline because of lower consumption. It was not until 1996 that production began to increase again, reaching the record-setting production in 2015 of 314.4 GWh, which was 9.0 GWh greater than in 2014, which up to then had been the best year.

As can also be seen, hydropower production increased significantly at the end of the 1980s, following the opening of the new Eiði hydropower plant. Hydropower generation again increased from 2002 through 2007 because of the Eiði 3 power plant, and subsequently has remained quite stable.

During 2010 and 2011, a complete overhaul was carried out on

Table 1 Sales in GWh	2010	2011	2012	2013	2014	2015	Difference compared to 2014 (GWh)	Difference compared to 2014 (%)
Settled sales to customers in GWh	*255.0*	*254.8*	*261.4*	*274.4*	*283.8*	288.1	4.3	1.50
Net loss and own use in GWh	*25.3*	*19.0*	*30.1*	*18.1*	*21.6*	26.3	4.7	21.97
Total annual production in MWh	*280.3*	*273.8*	*291.6*	*292.5*	*305.4*	314.4	9.0	2.95
Thermal	*199.3*	*166.8*	*181.0*	*180.1*	*150.2*	125.5	-24.7	-16.42
Hydropower	*67.4*	*92.5*	*99.8*	*90.6*	*120.7*	133.1	12.4	10.26
Wind	*13.6*	*14.5*	*10.8*	*21.8*	*34.5*	55.8	21.3	61.71

Figure 1.

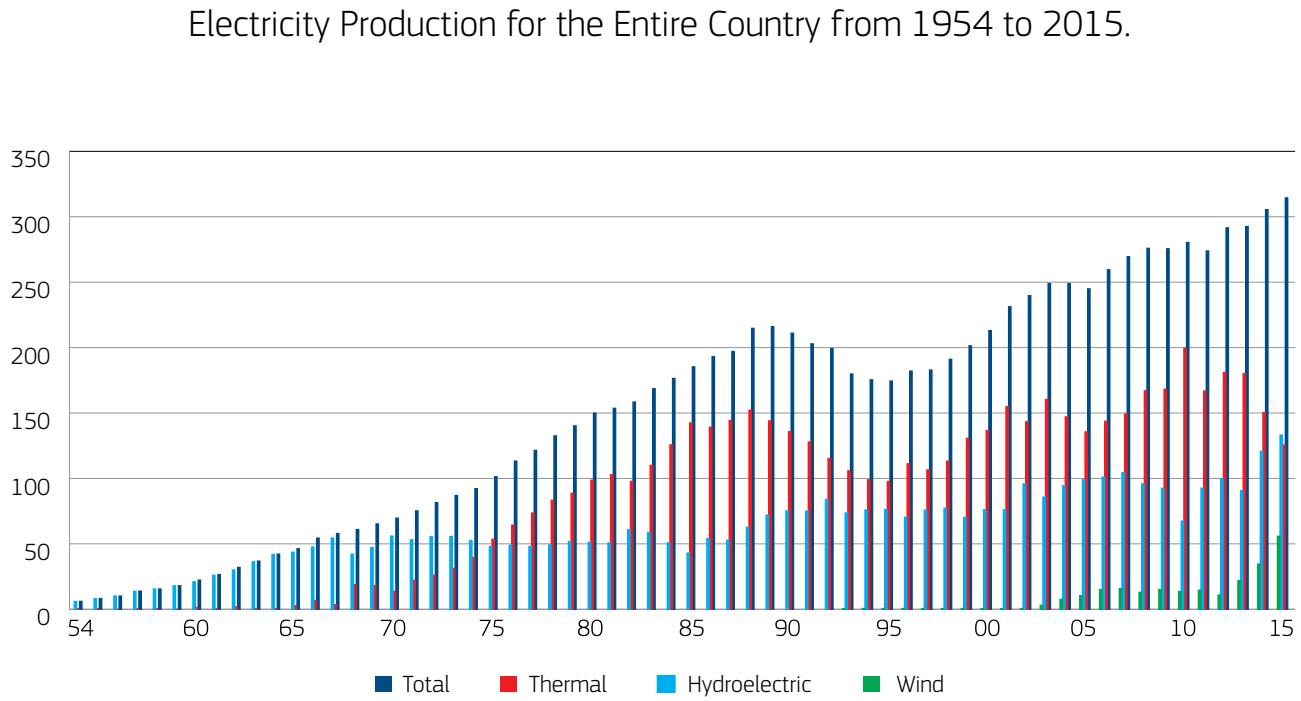


Figure 2.

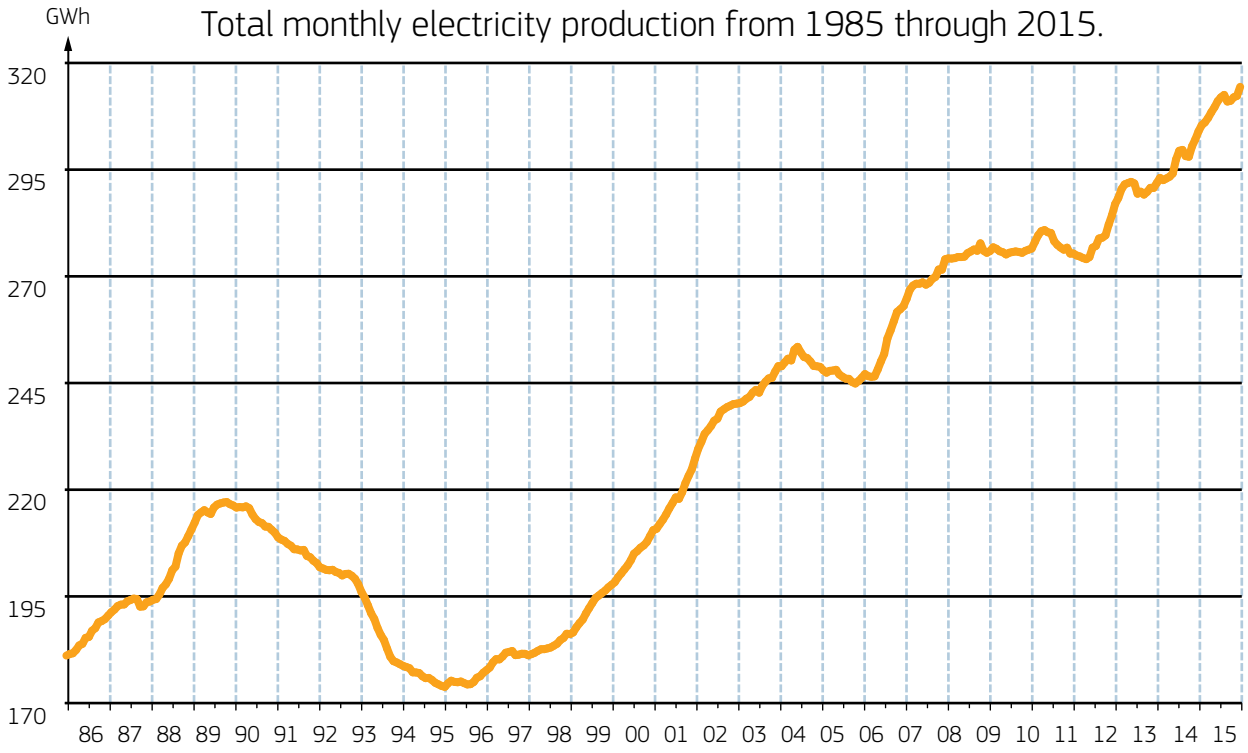
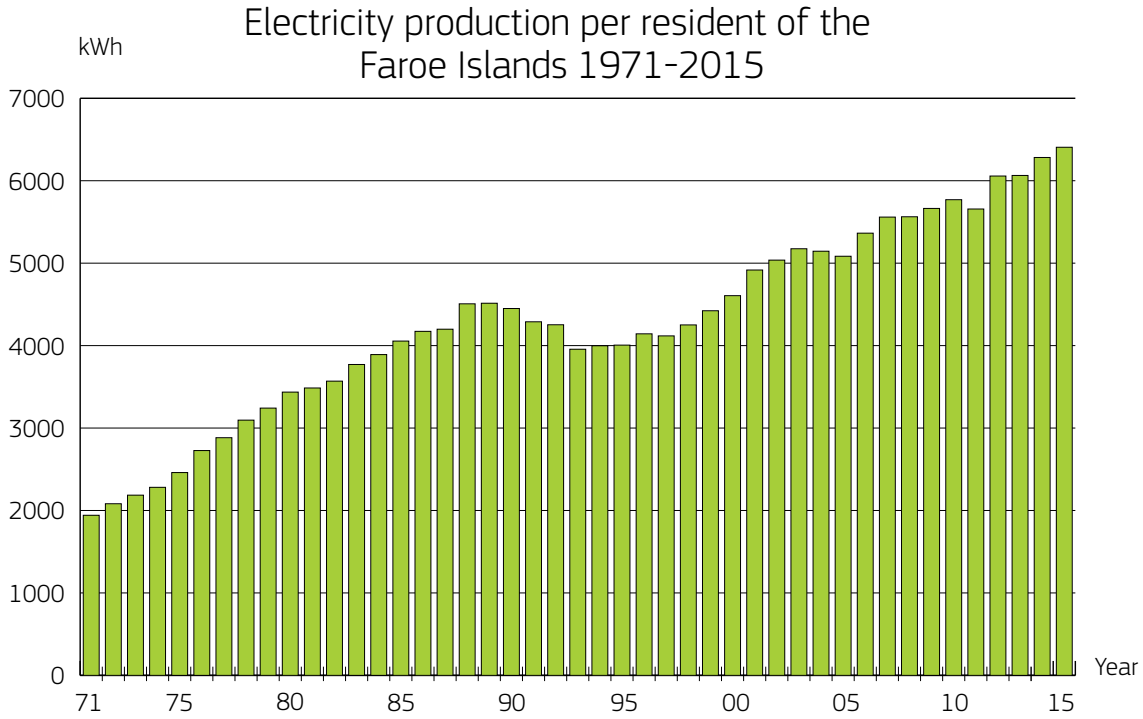


Figure 3.



the turbines and penstocks at the Fossá and Heyga power plants. Turbine 1 at the Eiði power plant was overhauled in 2012 and turbine 2 was upgraded in 2013. This reconditioning is reflected in the production figures shown in the graph on the previous page, because production fell off during 2010 and 2011. It can also be seen that in 2010 and 2013 it rained very little compared to other years.

During the month of June 2012, SEV inaugurated the new turbine 3 at the Eiði hydropower plant, which together with Eiði 2 South increased hydropower electricity production by some 14 GWh annually. The tunnel project concluded at year-end 2013.

In November 2012, the wind farm at Neshagi went online and on 9 October 2014 the new wind farm at Húsahagi also went online. SEV anticipates that these wind farms will produce considerable power and during the time they have been operational production has gone well. Further, the Company forecasts that wind energy production output will increase once the new battery system at the Húsahagi wind farm becomes operational during March 2016.

Figure 2 shows monthly electricity production from 1985 through and including December 2015. As can be seen, production declined in 2011, then steadily grew throughout the twelve months of 2012, only to decline and then grow a bit in 2013, and then continued to grow throughout 2014 and 2015.

The graph above shows electricity production in the Faroe Islands per inhabitant from 1971 to 2015.

Figure 3 shows the same pattern as Figure 2 for total electricity production for the entire country.

Throughout the country, SEV has different types of production power plants installed, ranging from thermal to hydro and wind.

Figure 4 shows the geographical distribution of SEV's production in 2015.

As Figure 4 shows, the largest portion of electricity is produced by the Sund thermal power plant, while the next largest is produced by the Eiði hydropower plant. Total hydroelectric production is equivalent to the production at the Sund power plant.

Figure 5 shows the relative production of the hydropower plants in 2015.

From the graph, it is evident that the Eiði power plant is the largest producer of hydropower, followed by the Fossá power plant in Vestmanna. The power plant at Botni produced 4.2% of total hydropower production.

SEV is bound by a universal service obligation. This means that SEV shall always have sufficient power available to meet the demand for electricity.

Figure 6 shows the amount of available power versus peak demand for the main region of the country from 1955 to 2015.

The figure shows the amount of available power maintained by SEV compared to peak demand. The reason for such a high amount of available power is that a large portion of electricity production is derived from unstable energy resources, and thus it is necessary to ensure that an alternative energy supply is available.

Figure 4.

Geographical division of electricity production 2015

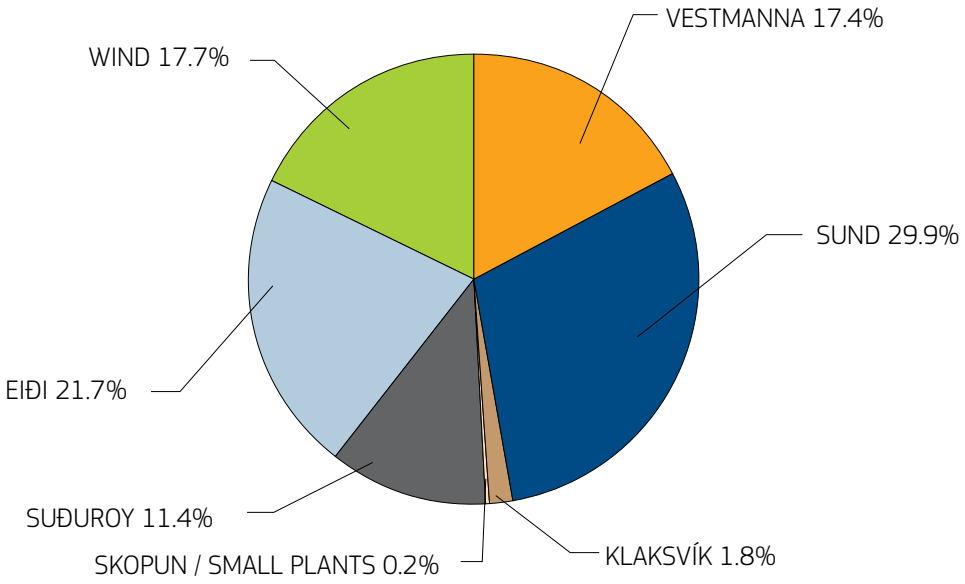


Figure 5.

Electricity production by hydropower plants in 2015 as a percentage of entire hydropower production.

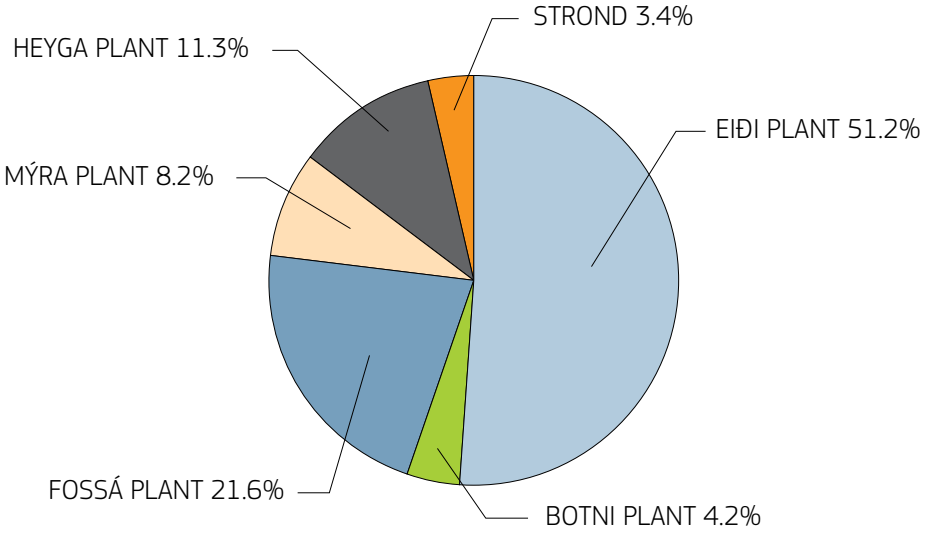
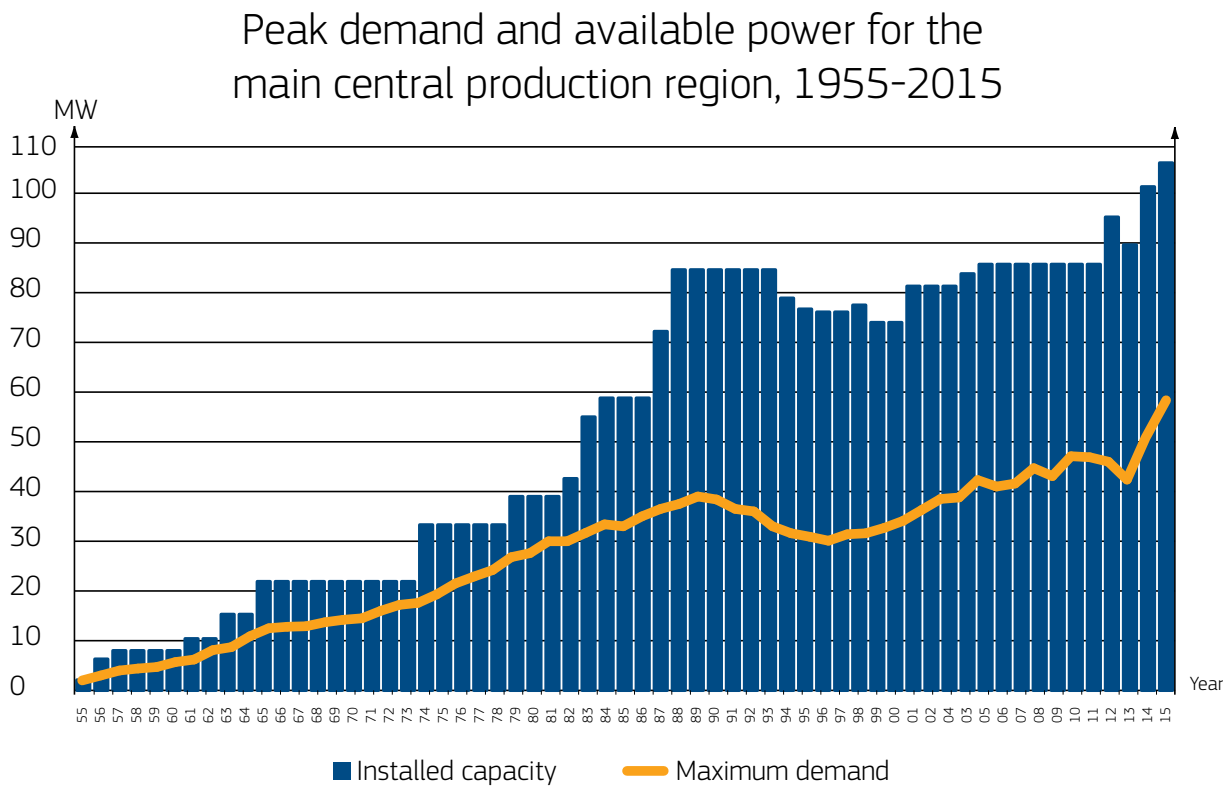


Figure 6.



The peak increase in available power in 2012 stems from the new turbine at the Eiði power plant and the wind turbines at Neshagi. The decline in 2013 of some 5.3 MW stems from the dismantling of motor 3 at the Sund thermal power plant. The increase in 2014 and 2015 reflects the installation of the two new motors at the Sund power plant that replaced the older M3 motor for a combined power of 4.8 MW, as well as the wind turbines located at the Húsahagi wind farm with a potential of some 11.7 MW.

Figure 7 shows demand over a 24-hour period on Wednesday, 7 October 2015 in the main central region.

Figure 7 shows the demand on an average day in 2015, specifically Wednesday, 7 October. As can be seen, demand is rather even from 11.00 in the morning to 19.30 in the evening. Over the last several years, average 24-hour demand has remained unchanged.

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

Revenue

Income generated by the production power plants must cover the operational cost of the plants plus a sufficient profit margin. For 2015, the surplus equalled DKK 25.2 million against DKK 25.9 million in 2014, which corresponds to 4.2% and 4.5%, respectively, of the average equity balance attributed to the production division of the SEV concern. This is deemed to be a satisfactory result based on WACC profit requirements and the valuation of the applicable production assets. Going forward, it will be necessary to increase production revenue relative to grid operations, such that the resultant income will correspond to the anticipated increased debt burden carried by the production division of SEV stemming from the expansion of the production power plants. This is necessary in order to meet the requirements stipulated by the providers of SEV's financing.

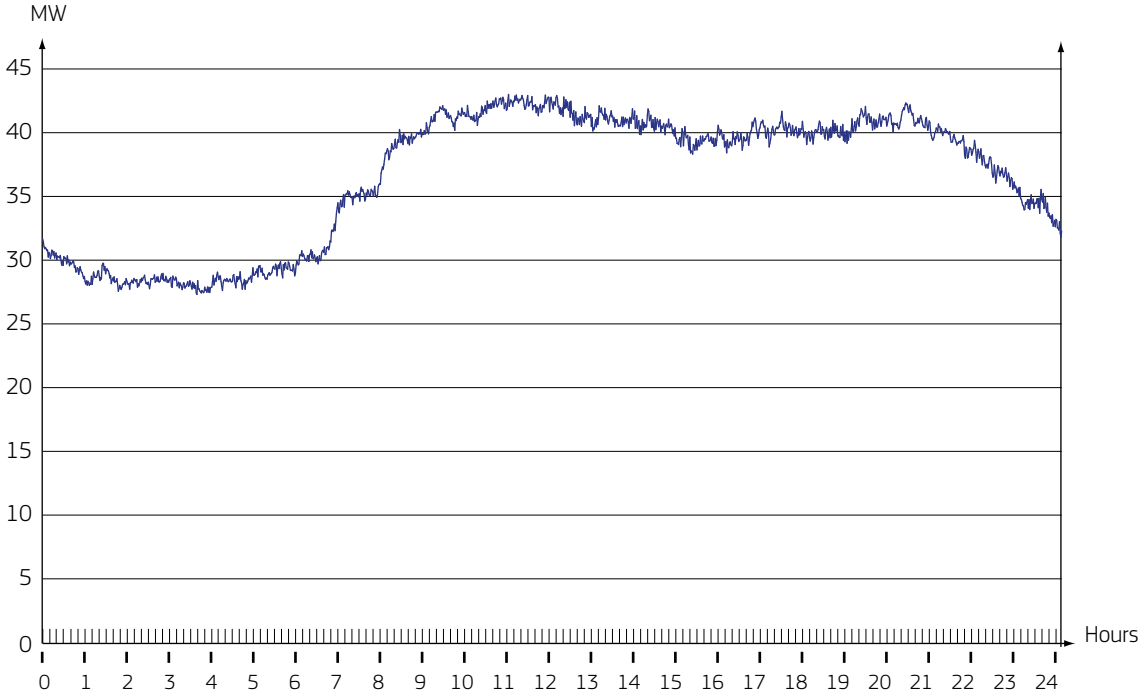
For 2015, total production income was booked at DKK 234.9 million, against DKK 278.3 million in 2014. The Sund thermal power plant generated DKK 106.9 million or 45.5% of the total earnings of the production division, and the Vágs thermal power plant DKK 39.7 million or 16.9%. The corresponding figures for 2014 were DKK 158.1 million or 56.8%, and DKK 46.1 million or 16.6%, respectively.

Thus, the two largest oil-fired thermal production power plants generated an income of DKK 146.6 million in 2015, corresponding to 62.4% of the total production income of SEV against DKK 204.2 million or 73.4% in 2014. Thus, there was a lower production of thermal power in 2015 than in 2014. In 2015, all the hydropower plants combined generated an income of DKK 63.3 million or 27.2%, against DKK 57.9 million or 20.8% in 2014.

The 2015 operational result for production was booked as a surplus

Figure 7.

Electricity demand over a 24-hour period, Wednesday, 7 October 2015 in the main central production region.



of DKK 25.2 million, against DKK 25.9 million in 2014. The total operational result before interest expense was DKK 36.4million. The interest expense of DKK 11.2 million attributed to production is almost entirely due to the loan facilities taken out for the Eiði hydropower plant expansion and the Húsahagi wind farm.

Expenses

Total expenses for 2015 were DKK 209.7 million, while total expenses for 2014 were DKK 252.4 million, corresponding to a decrease in expenses of DKK 42.7 million. Expenses are related to the purchase of oil, operational and financial costs and depreciation. A more detailed review of actual vs. budgeted expenses can be found in the Consolidated Annual Accounts available on the SEV website, www.sev.fo.

Operational costs are generally categorised into employee expenses, supplies and services. For the production power plants, oil expenses comprise a major part of overall expenses.

In 2015, oil expenses were DKK 85.9 million, compared to DKK 141.2 million in 2014. The expenses for supplies, services and employee wages in 2015 equalled DKK 53.3 million, against DKK 52.0 million in 2014. Thus, expenses in 2015 were DKK 1.3 million higher, corresponding to a gain of 2.5%. Again, during 2015 the Company made a systematic effort to keep expenses down, and this effort was deemed in the main successful.

Oil Expenses

Grounded in the operational strategy the Company adopted to hold to the approved budget, the Company hedged its heavy oil purchase for 2015, which resulted in a cost lower than originally budgeted. A more detailed analysis of SEV's risk management strategy is available in the Concern's Consolidated Annual Accounts found at www.sev.fo.

Table 2 below shows the total consumption of heavy oil in metric tonnes for 2010-2015.

Table 2. Total Consumption of Heavy Oil in Metric Tonnes 2010-2015

2010	2011	2012	2013	2014	2015	2015 Budget	2015 Forecast	Difference between budget and actual accounts 2015	Difference between forecast and actual accounts 2015	Difference between 2014 and 2015
39.748	*33.961*	*36.746*	*36.893*	*30.880*	25.738	27.781	27.570	2.043	1.832	5.142

As mentioned earlier, total production in 2015 increased by 9.0 GWh. However, production from the oil-fired thermal power plants decreased by 24.7 GWh, corresponding to 16.42%, from 150.2 GWh in 2014 to 125.5 GWh in 2015. Hydropower electricity production increased by 12.4 GWh, from 120.7 GWh to 133.1 GWh. Electricity production from wind power increased by 21.3 GWh, due to the new wind turbines at Húsahagi coming online in the autumn of 2014 and producing throughout 2015.

The price SEV has to pay for oil is linked to the international oil market and the USD exchange rate. The average price for heavy oil in 2014 was USD 554.10 per tonne. In January 2015, the price was USD 244.10 per tonne of heavy oil. The price spiked to USD 283.40 in mid-July, and then fell to USD 153.70 at the end of December. The average price for heavy oil in 2015 was USD 260.70 per tonne.

The graph above shows the monthly fluctuation in the US dollar exchange rate from early 2004 to the end of 2015.

The USD exchange rate has fluctuated considerably during the years 2012-2015. From a level of around DKK 5.60 to the dollar at the beginning of 2012, the exchange rate increased significantly to upwards of DKK 6.05 per dollar during the summer months only to fall to the same level at year-end 2012 as at the beginning of 2012. The exchange rate continued to decline throughout 2013 and into the early months of 2014, when the exchange rate in the summer of 2014 began a steady climb up to DKK 6.12 at year-end. At the beginning of 2015, the dollar exchange rate was DKK 6.19 which continued to grow until 13 April 2015 when it reached DKK 7.08 per dollar. Subsequently, the exchange rate declined to DKK 6.83 at year-end 2015. Overall, the dollar was stronger during 2015 and there is a distinct correlation between a decline in the price of oil and an increase in the dollar exchange rate.

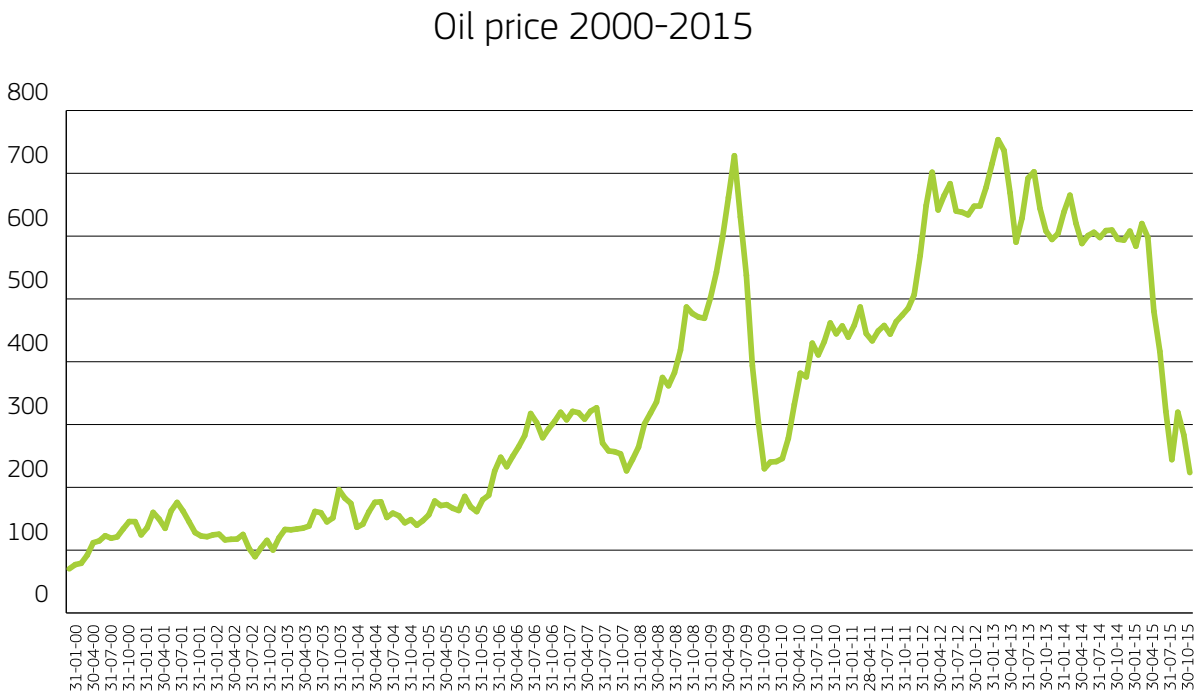
As noted above, oil expenses in 2015 were DKK 85.9 million against DKK 141.2 million in 2014. Oil expenses include not only the cost of heavy oil, but also lubricating oil and gas oil, of which heavy oil is by far the largest expense. In the financial budget for 2015, oil expenses were forecast to be DKK 109.9 million, meaning that the oil expenses were DKK 24.0 million or 21.8% lower than the budgeted amount.

The reason that the oil expenses in 2015 were lower than in 2014 is because heavy oil consumption fell by 5,142 tonnes and the price of oil also fell. The average cost of each tonne of heavy oil was DKK 2,774.00 in 2015 and DKK 3,690.00 in 2014, corresponding to a reduction in cost of some DKK 916.00 per tonne. Further, the reason for less oil consumption also stems from the production from the Eiði 2 South project and the wind farm at Húsahagi, which has been in operation since 9 October 2014.

The budgeted cost of heavy oil per tonne was DKK 3,504.00, against the actual cost of DKK 2,461.00 per tonne. In 2014, the cost was DKK 3,690.00 per tonne. The average consumption cost in 2015 was DKK 2,774.00 and in 2014 it was DKK 4,121.00 per tonne. For gas oil, the budgeted cost was DKK 7,820.00 per tonne, against an actual cost of DKK 4,771.00 or DKK 3,049.00 less per tonne than budgeted. For lubricating oil, the budget was DKK 25,000 per tonne. The actual cost was DKK 24,078.00 per tonne or DKK 922.00 less than budgeted.

In total, SEV's oil consumption for 2015 was DKK 1.2 million less than budgeted for lubricating oil, DKK 1.0 million more than

Figure 8.



budgeted for gas oil, and DKK 25.9 million less than budgeted for heavy oil, equaling a total of DKK 26.1 million less than budgeted.

By far, the largest portion of the total oil expense of the Company of some DKK 85.9 million stems from the Sund and Vágur power plants with, respectively, DKK 60.9 million and DKK 22.0 million, or collectively 96.5% of total oil consumption. The Sund power plant alone stands for 70.9%.

Figure 8 shows the trend in oil prices from 2000 to the end of 2015.

Figure 8 above shows that the price of heavy oil increased steadily from 2000 to the autumn of 2006, at which time it progressively decreased until the beginning of 2007, when the price of heavy oil was approximately USD 220 per tonne. From then until the autumn of 2008, the price of heavy oil soared until topping out at well above USD 700 per tonne. Then the financial crisis broke, and the price of heavy oil plunged to the same level as seen at the beginning of 2007, around USD 220 per tonne.

Subsequently, the price of heavy oil steadily rose and by the end of 2013, the price of heavy oil was USD 608 per tonne, which is a very high level. The price of heavy oil declined in January of 2014 to USD 584 per tonne, but subsequently rose to USD 633 in June and then fell precipitously to USD 321 per tonne in December 2014. The average price for heavy oil in January 2015 was USD 244 per tonne, and then continued to grow until May 2015 when it was USD 340 per tonne. Subsequently, the price of heavy oil began to fall until it reached USD 154 per tonne in December 2015. The average price of heavy oil during 2015 was USD 261 per tonne.

Oil expenses in 2015 for the production division corresponded to 41.0% of total expenses plus depreciation. Consequently, both the fluctuating price of oil and the USD dollar exchange rate have a major impact on the operational result of the production division, and, not least, how reality compares to the budget.

Figure 9 on the next page shows total gas oil and heavy oil consumption from 1989 to the end of 2015.

Figure 9 provides an overview from 1989 through 2015 of the gas oil and heavy oil consumption in connection with electricity production subdivided by gas oil, heavy oil and total.

Total gas oil consumption in 2015 was 3.5% of the total, compared to 2.3% in 2014. Also of significance is the fact that total oil consumption in 2015 was much lower than in 2014. This reflects the data shown in the various Tables and Figures above that indicate that thermal power electricity production was considerably lower in 2015 than in 2014.

Supplies and Services

In 2015, power plant expenses for supplies and services equalled DKK 21.3 million, against DKK 21.1 million in 2014. This equates to an increase in consumption of DKK 0.2 million. For further details on costs for the last several years, confer the Concern's Consolidated Annual Accounts at www.sev.fo.

In 2012 the Company changed its accounting procedures relative to booking extensive maintenance designed to prolong the useful life of the production assets. Previously, the Company amortised these expenses as a lump sum for the fiscal year in which the

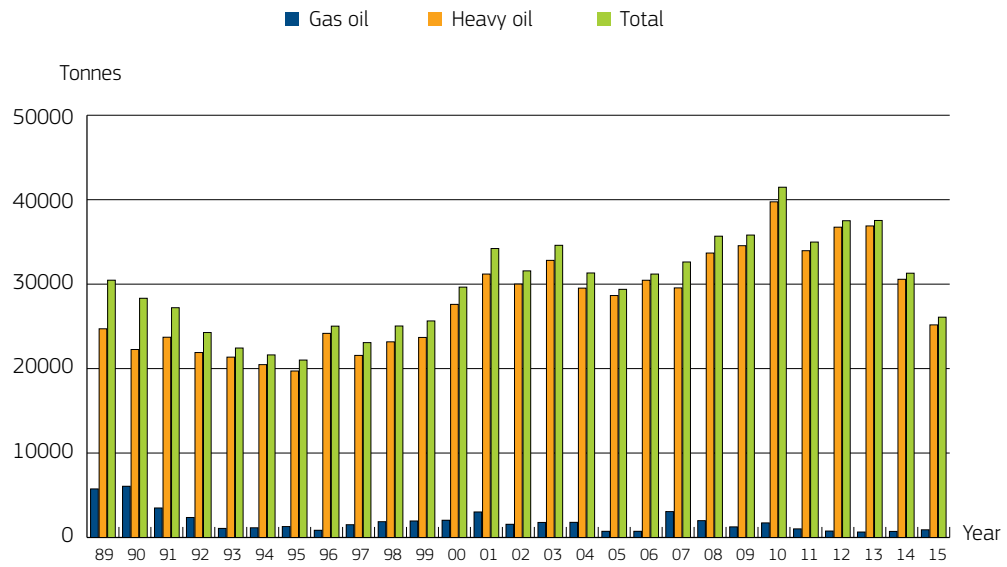


Figure 9.

maintenance took place. This particular accounting principle was re-evaluated. Now, expenses related to prolonging the useful life of production assets and associated equipment will be amortised over the commensurate number of additional useful-life years.

In 2015, expenses for supplies and services at the Sund power plant amounted to DKK 6.8. million, against DKK 11.0 million in 2014, or 32.1% of total expenses for 2015. This reflects a decrease of some DKK 4.2 million, or 38.2%. The Vágs power plant contributed DKK 2.8 million in 2015 toward total expenses, against DKK 4.2 million in 2014, corresponding to a decrease of DKK 1.4 million, or 33.3%.

Expenses related to the grid and SEV's universal service obligation

The total expenses incurred by the power plants reflect not only the cost of electricity production, but also a portion of the cost related to the universal service obligations of the Company relative to operation of the grid.

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

Expenses related to managing the power grid

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

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

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

The expenses related to providing a continuous power supply, rolling power and an available power reserve are estimated to be 5% of total operational expenses, including depreciation, for the Sund and Vágs power plants, which equals DKK 7.2 million and DKK 1.5 million, respectively. This reflects a "best estimate" calculation.

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

Summary of Expenses related to SEV's universal service obligation

The total cost for managing the country-wide power grid is DKK 4.6 million. The cost for ensuring the power supply, rolling power and available power reserves at the Sund and Vágur power plants is stipulated at DKK 8.7 million. The cost to guarantee supply, etc. from the other power plants is DKK 4.5 million, equating to an estimated total cost for ensuring a stable power supply, and rolling and reserve power, plus management of the power grid of DKK 18.0 million.

Employee Expenses

Employee expenses relative to production were DKK 32.0 million in 2015, against DKK 30.9 million in 2014, which corresponds to a higher employee expense of DKK 1.1 million, or 3.6%.

Of the total employee expense in 2015, which equalled DKK 32.0 million, DKK 15.9 million or 49.5% was attributed to the Sund power plant, while DKK 5.2 million or 16.2% was attributed to the Vágs power plant. Comparable expenses in 2014 were DKK 15.6 million or 50.5% for Sund, which is DKK 0.3 million lower than in 2015, while for the Vágs power plant it was DKK 5.5 million, corresponding to 17.8%, meaning that the employee expense for the Vágs power plant was slightly lower in 2015.

In 2015, employee expense for the Fossá power plant was DKK 4.5 million, corresponding to 14.0%, against DKK 4.3 million or 13.9% in 2014. The reason for the increased employee expense for both the Fossá and Vágs power plants relative to the budget is based on the management and control of the power grid in the main central region and on Suðuroy. The grid division reimburses these expenses to the production units, as explained above.

In conclusion, one can see that the employee expense at the thermal power plants accounts for the vast majority of this total expense. Hydropower and the wind turbines only account for DKK 9.3 million or 29.1% of the total employee expense of DKK 32.0 million, of which only a part is the cost of managing the grid.

Financial Expenses

Interest expense in 2015 was DKK 11.2 million, compared to DKK 11.8 million in 2014, of which a large portion stems from the expansion of the Eiði power plant and the wind farm at Húsahagi.

During 2015, the Company undertook to refinance its total debt and to secure financing for the investments projected for 2016. In June 2015, SEV entered into an agreement with its lenders to refinance existing debt and to acquire additional financing to meet the Company's financial needs for 2016. SEV was sensitive to the fluctuations in the global interest rate market, as the Company's debt in 2015 carried variable interest rates. At year-end 2015, SEV entered into interest rate SWAP agreements, such that the majority of the Company's debt now carries a fixed rate of interest going into 2016. Confer the Concern's Consolidated Annual Accounts available at www.sev.fo for a more detailed discussion.

Depreciation

Total depreciation for 2015 was DKK 59.2 million against DKK 47.4 million in 2014.

For 2015, the assets at the Sund power plant were depreciated by DKK 14.0 million, against DKK 11.9 million in 2014, and the Eiði hydropower plant assets were depreciated DKK 19.3 million, against DKK 19.2 million in 2014, corresponding to total asset depreciation in 2015 for both production units of DKK 33.3 million, compared to 31.1 million in 2014. The depreciation in 2015 for these two power plants of DKK 33.3 million is 56.3% of the total depreciation of DKK 59.2 million.

The Vágs power plant was depreciated by DKK 3.3 million, the new wind turbines at Húsahagi were depreciated by DKK 7.3 million for 2015, the wind turbines at Neshagi were depreciated by DKK 5.5 million, and the hydropower plant in Vestmanna was depreciated by DKK 7.5 million. Beginning in 2016, the depreciation related to the wind farms will be booked in the accounts of the respective wind farm subsidiary. This will mean that the depreciation carried by the production division will be reduced.

In general, with regard to budgeting for the following year, a determination is made as to which investments would be expected to be completed and taken into service, thus making the completed asset subject to depreciation. The difference between the actual and forecasted depreciation for 2015 was thus based on these estimates and what was actually booked, plus the total amount of investment was somewhat lower than budgeted.

Special Risks

The production division has limited risk exposure regarding sales, as only the grid division of SEV purchases the electricity production. The production division is particularly sensitive to fluctuations in the international oil market and the US dollar exchange rate as oil is purchased in US dollars. The Company has hedged its oil purchase for 2016 consistent with its strategy to cover risk. For more detailed information, refer to the Consolidated Annual Accounts available on the Company's website, www.sev.fo.

During 2014, the production division carried a short-term construction loan for the Húsahagi wind farm project and during 2015 this loan was converted to long-term loan. Thus, the production division is sensitive to fluctuations in the international interest rate market. A more detailed discussion of these risks is available in the Consolidated Annual Accounts available on the Company's website, www.sev.fo.

Investment

Investments in fixed assets for 2015 equalled DKK 121.7 million, as shown in the Table 3.

Table 3. Investment in Fixed Assets	Original budget for 2015 investment	New priorities 2015 investment	Expected according to new priorities	Investments according to 2015 Financial Accounts	Deviations according to Financial Accounts and balanced budget
	1	2	3=1+2	4	5=4-3
Fossá power plant	2.8	1.1	3.9	4.3	-0.4
Heygar power plant	0.4	0.0	0.4	0.1	0.3
Mýra power plant	13.7	-6.4	7.3	5.5	1.8
Eiði power plant	1.3	0.0	1.3	2.4	-1.1
Botni power plant	2.5	0.0	2.5	0.6	1.9
Vágur power plant	89.5	0.0	89.5	68.0	21.5
Trongisvági power plant	0.3	0.0	0.3	0.0	0.3
Sund power plant	90.1	5.5	95.6	41.2	54.4
Strond power plant	1.9	0.0	1.9	0.5	1.4
Small power plants	5.1	-0.6	4.5	1.1	3.4
Neshagi wind turbines	2.0	0.0	2.0	0	2.0
Húsahagi wind turbines	8.2	0.0	8.2	-2.0	10.2
Total investment in production units	**217.6**	**-0.4**	**217.2**	**121.7**	**95.5**

The budget for 2015 forecast an investment of DKK 217.2 million, following a re-evaluation of priorities, compared to an actual budget of DKK 217.0 million in 2014. Actual investment in 2015 was DKK 121.7 million, or DKK 175.0 million less than budgeted.

For the year 2015, it was the Vágs and Sund power plants that left their mark on the investment numbers. With respect to the Sund power plant, it was the tank farm and the day storage facility. With regard to the Vágs power plant, it was the expansion of production capacity with a new motor. The motor is expected to come online in May 2016.

In 2015, transfers from work-in-progress to being directly booked as a fixed asset (depreciation basis) amounted to DKK 43.6 million, compared to DKK 183.0 million in 2014. Confer "work-in-progress" and Note 7 in the Consolidated Annual Accounts.

For a more detailed discussion of the investments made by SEV in 2015, refer to the Consolidated Annual Accounts available at www.sev.fo.

Liquidity

Liquidity has not been divided between the production division and the power grid division. SEV has provisionally chosen to utilize a transfer pricing mechanism to balance the accounts of the two divisions. Thus, the liquidity of the production division is set to DKK 0.00 million, while all the activities of the power plants are financed by payments from the grid division, thereby securing the necessary liquidity.

At year-end 2015, SEV's total liquidity was DKK 221.9 million against DKK 131.5 million in 2014. In addition, there are the unused drawing rights provided by the credit loan facilities with the financial institutions, which equalled DKK 268.6 million.

Thus, total cash-on-hand and available credit equalled DKK 490.5 million in 2015 against DKK 262.4 million in 2014.

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

The Natural Environment

The production power plants hold a high regard for the natural environment and all legislation, directives, rules and regulations are always followed.

Professional Knowledge and Human Resource Development

The production division fully acknowledges the importance of ensuring that the appropriate knowledge, expertise and experience is in place where necessary and offers relevant continuing education and professional training for the employees. The production division continuously strives to ensure quality and to deliver a stable and secure supply of power to the country. The production division overall continues to work toward the objective of increasing the

Table 4: Total investment	2015	2014
Investment booked as work-in-progress	119.0	174.8
Directly booked as investment-in-transition	2.7	3.9
Investment at year-end	**121.7**	**178.8**

Table 5: Work-in-Progress	2015	2014
Beginning balance	53.7	57.9
Investment booked as work-in-progress	119.0	174.8
Work transferred to depreciation as in-transition	-41.0	-179.1
Balance at year-end	131.7	53.7
Changes to work-in-progress	**78.0**	**-4.2**

Table 6: Transition to fixed assets	2015	2014
Work-in-progress transferred to depreciation as in-transition	41.0	179.1
Directly booked investment as in-transition to fixed assets	2.7	3.9
In-transition at year-end	**43.6**	**183.0**

amount of power produced by renewable energy resources such as hydropower, wind, and tidal energy, as well as incorporating the new Schneider Electric control system, the Smart Grid and Power Hub solutions.

Prospects for 2016

The result after taxes for 2016 is budgeted to be at the same level as 2015, a surplus of around DKK 20-30 million. Included in the surplus is the payment toward the power grid universal service obligation and a reasonable return on investment. Total production and system services are sold to the power grid division.

In 2016, operational expenses are forecast to be DKK 51.8 million, against DKK 53.3 million in 2015, corresponding to a decrease in expenses of DKK 1.5 million, or 2.8%. Oil expenses for the 2016 budget are estimated to be DKK 78.6 million, against DKK 85.9 million in 2015. SEV's strategy is to hedge its oil purchases as much as possible at a level equivalent to that forecast in the budget. In January 2016, the Company hedged 80% of its 2016 oil purchases at a price point level lower than originally budgeted. This will result in a savings compared to budget of some DKK 18.0 million.

Depreciation in 2016 will decline to DKK 50.4 million, compared to 59.2 million in 2015. The reason for this is that the wind farms were sold to independent subsidiaries of SEV. Interest expense is expected to grow as debt increases to DKK 150.0 million, which in the main will be used to finance the investment in the new wind farm at Húsahagi, and the power plants at Vágur and Sund. Interest expense is expected to be DKK 16.1 million, against DKK 11.2 million in 2015. The increase is due to increased debt for production investment.

With an estimated surplus in 2016 of approximately DKK 20-30 million from the production division, the anticipated liquidity from operations is deemed to be somewhat low, and it might be necessary to adjust the calculated result in order to ensure satisfactory self-financing. It is critical to have sufficient self-financing from operations that will help finance upcoming investment in maintenance in the current production facilities and investment in renewable energy resources.

A more detailed analysis of 2016 can be found in the 2016 Operations, Financial and Investment Budget Plan of the Company 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.

Accounting Principles

The Annual Accounts for the Elfelagið SEV Production Division 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 numbers, and comparative figures from the previous year are rounded to whole thousands. As each number is rounded individually, rounding differences may occur between the numbers presented and the sum of the underlying numbers.

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

Basis for recognition and valuations

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

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

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

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

Translation of foreign currency

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

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

INCOME STATEMENT

Net Sales

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

Consumption of Goods and Services

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

Other External Expenses

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

Operational Distribution – Production and Grid

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

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

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

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

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

expenses of wages and supplies used in thermal production. Remaining expenses accrue from their own production.

Employee Expenses

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

Depreciation and Write-offs

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

Financials

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

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

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

BALANCE SHEET

Tangible Assets

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

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

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

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

	Useful life	*Residual value*
Production	*10 - 50 years*	*0%*
Buildings	*50 years*	*0%*
Production equipment and furnishings	*3 - 5 years*	*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.

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.

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

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

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

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

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

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

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

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

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

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

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

Return on equity	$\frac{\text{Result}}{\text{Average equity x 100}}$
Return on assets	$\frac{\text{Result of ordinary operations x 100}}{\text{Average value of operating assets}}$
Equity/asset ratio	$\frac{\text{Equity year-end x 100}}{\text{Total assets}}$

Income statement

	Notes	2015 DKK	*2014* *t. DKK*
Net turnover	1	**234.920.333**	***278.328***
Cost of oil	2	-85.944.814	*-141.238*
Supplies and services	3	-21.280.390	*-21.139*
Gross proceeds		**127.695.129**	***115.951***
Wages	4	-32.021.973	*-30.881*
Depreciation, amortization and impairment of fixed assets		-59.230.163	*-47.366*
Operational result		**36.442.993**	***37.704***
Other financial costs	5	-11.220.652	*-11.773*
Result before tax		**25.222.341**	***25.931***
Tax on annual result	6	0	*0*
Annual result		**25.222.341**	***25.931***
Proposed distribution of result			
Result carried forward		25.222.341	*25.931*
Total distribution		**25.222.341**	***25.931***

Balance Sheet

ASSETS	Notes	31.12.15 DKK	*31.12.14* *t. DKK*
Power plants	7, 14	901.916.340	*917.829*
Buildings and land	7	2.929.800	*2.611*
Operating equipment	7	1.598.319	*1.596*
Investment work-in-progress	7	131.734.846	*53.690*
Total tangible fixed assets		**1.038.179.305**	***975.726***
Total fixed assets		**1.038.179.305**	***975.726***
Oil		11.744.354	*19.773*
Total inventory		**11.744.354**	***19.773***
Other receivables		0	*1.655*
Total receivables		**0**	***1.655***
Total current assets		**11.744.354**	***21.428***
Total assets		**1.049.923.659**	***997.154***

Balance Sheet

LIABILITIES	Notes	31.12.15 DKK	*31.12.14 t. DKK*
Result carried forward	8	610.866.153	*587.497*
TOTAL EQUITY		**610.866.153**	***587.497***
Provisions for deferred tax	9	0	*0*
Total provisions		**0**	***0***
Bank debt	9	349.676.494	*248.718*
Total long-term debt		**349.676.494**	***248.718***
Current portion of long-term debt	9	0	*115.758*
Inter-company accounts - Grid		88.939.773	*44.943*
Other debt		441.239	*238*
Total short-term debt		**89.381.012**	***160.939***
TOTAL DEBT		**439.057.506**	***409.657***
TOTAL LIABILITIES		**1.049.923.659**	***997.154***

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Cash flow statement

	Notes	2015 DKK	2014 t. DKK
Annual result		**25.222.341**	***25.931***
Adjustments	13	70.450.815	59.139
Changes in working capital Inventory		8.028.550	*21.563*
Receivables		1.655.218	*298.902*
Inter-company accounts - Grid		41.837.587	*22.730*
Other debt		203.786	*-11.291*
Operating cash flow before financials		**147.398.297**	***118.372***
Interest expenses paid and similar expenses		-11.220.652	*-11.773*
Adjustments to prior years	8	305.809	*0*
Cash flow from operations		**136.483.453**	***106.599***
Purchase of tangible fixed assets		-43.638.453	*-183.001*
Changes to work-in-progress		-78.044.667	*4.256*
Cash flow from investment		**-121.683.121**	***-178.745***
Loan facilites		0	*95.627*
Repayment of long-term debt		-14.800.333	*-23.481*
Cash flow from financing		**-14.800.333**	***72.146***
Total cash flow during the year		0	*0*
Opening cash-on-hand		0	*0*
Closing cash-on-hand		**0**	***0***

Notes

1. NET TURNOVER	2015 DKK	*2014 t. DKK*
Own production	210.125.342	*257.654*
Grid responsibility	18.045.931	*19.472*
Other sales	6.749.060	*1.202*
Total	**234.920.333**	***278.328***

2. OIL EXPENSES	2015 DKK	*2014 t. DKK*
Gas oil	7.534.443	*8.158*
Heavy fuel oil	73.583.881	*127.245*
Lubricating oil	4.826.489	*5.835*
Total	**85.944.814**	***141.238***

3. SUPPLIES AND SERVICES	2015 DKK	*2014 t. DKK*
Lines	82.608	*125*
Dams, pipelines and tunnels	262.670	*288*
Tanks and environmental	274.703	*391*
Motors	8.583.977	*10.098*
Electric and technical	899.661	*1.063*
Buildings and land	610.413	*648*
General Meeting and Board	156.773	*181*
Studies and consultancy	5.182.813	*3.660*
IT	502.939	*296*
Management and office expenses	630.984	*825*
Other operating expenses	505.209	*327*
Other administrative expenses	3.587.641	*3.237*
Total	**21.280.390**	***21.139***

4. EMPLOYEE EXPENSES	2015 DKK	*2014 t. DKK*
Wages	28.551.156	*27.557*
Pensions	2.602.583	*2.486*
Additional burden	868.234	*838*
Total	**32.021.973**	***30.881***
Employees with SEV as main source of personal income	54	*52*
Average number of employees	63	*61*

5. FINANCIAL EXPENSES	**2015 DKK**	***2014 t. DKK***
Interest, loans and bank debt, etc.	11.220.652	*11.773*
Total	**11.220.652**	***11.773***

6. TAXES ON ANNUAL RESULTS	**2015 DKK**	***2014 t. DKK***
Corporate tax	*0*	*0*
Adjustment of deferred tax	*0*	*0*
Total	***0***	***0***

7. TANGIBLE FIXED ASSETS

Amount in DKK	Production plants	Distribution	Buildings	Equipment	Total 2015	2014
Acquisition value beginning-of-year	1.796.308.695	5.351.652	2.647.848	4.868.920	1.809.177.116	*1.618.197.542*
Net annual addition	42.600.270	6.683	400.580	630.920	43.638.453	*183.000.921*
Acquisition value year-end	**1.838.908.965**	**5.358.336**	**3.048.428**	**5.499.840**	**1.852.815.568**	**1.801.198.463**
Depreciation, amortization and impairment beginning-of-year	-882.913.819	-917.426	-36.591	-3.273.110	-887.140.946	*-831.796.396*
Depreciation, amortization and impairment over the year	-58.366.812	-152.904	-82.037	-628.411	-59.230.163	*-47.365.898*
Depreciation, amortization and impairment at year-end	-941.280.631	-1.070.330	-118.628	-3.901.520	-946.371.109	*-879.162.294*
Carrying amount year-end	**897.628.335**	**4.288.005**	**2.929.800**	**1.598.319**	**906.444.459**	***922.036.169***
Carrying amount year-end 2014	917.829.103		2.611.257	1.595.810	922.036.169	

Work-in-progress	Production plants	Distribution	Buildings	Equipment	Total 2015	2014
Initial balance	53.512.181	0	177.998	0	53.690.179	*57.946.417*
Investment booked to work-in-progress	118.677.872	1.555	350.641	0	119.030.068	*174.846.992*
Investments transferred from work-in-progress as completed	-40.584.820	0	-400.580	0	-40.985.400	*-179.103.230*
Balance year-end	**131.605.232**	**1.555**	**128.059**	**0**	**131.734.846**	***53.690.179***
Balance at year-end 2014	53.512.181		177.998	0	53.690.179	
Fixed assets at year-end	**1.029.233.567**	**4.289.560**	**3.057.859**	**1.598.319**	**1.038.179.305**	***975.726.348***
Fixed assets at year-end 2014	971.341.283		2.789.255	1.595.810	975.726.348	

8. EQUITY

Total in DKK	**Profit carried forward**
Equity statement 1 January 2014 – 31 December 2014	
Balance on 1 January 2014	561.565.914
Profit carried forward	25.931.344
Balance on 31 December 2014	587.497.257

Equity statement 1 January 2015 – 31 December 2015	
Balance on 31 December 2015	587.497.257
Profit carried forward	25.222.341
Adjustments to prior years	-1.853.446
Balance on 31 December 2015	610.866.153

The adjustments to prior years of DKK 1,853,446 are due to inter-company transactions regarding fixed assets being posted between production and grid.

9. DEBT

	Repayment in the first year	*Outstanding debt after 5 years*	*Total payables 31 Dec. 2015*	*Total payables 31 Dec. 2014*
Debt to financial institutions	0	0	349.676.494	*248.718*
Total	**0**	**0**	**349.676.494**	***248.718***

The company has taken up new loans of DKK 158 million in 2015. The Company long-term debt was provisionally refinanced in July of 2015 by a consortium of banks, lead by Skandinaviska Enskilda Banken, including Íleggingargrunnurin, BankNordik and Eik Banki, while SEV is working towards a final long-term settlement of its financing, expected to be completed in the summer of 2016. There are no loan repayments in the first year, and the existing loans are due for repayment within 5 years. Therefore the long-term debt will be refinanced in 2016, and new loans taken up as well to finance upcoming investments.

10. PRODUCTION RESULTS PER PLANT (DKK)

	Revenue	***Oil***	***Supplies***	***Wages***	***Depreciation***	***Interest***	***Total***
Sund power plant	106.902.524	-60.925.455	-6.822.500	-15.850.161	-13.954.143	-	9.350.265
Vágur power plant	39.718.588	-22.010.623	-2.847.413	-5.183.526	-3.274.694	-117.500	6.284.833
Fossá power plant	13.000.668	-	-1.207.503	-4.478.172	-4.399.753	-	2.915.240
Heyga power plant	4.289.544	-17.581	-386.684	-357.652	-2.109.437	-	1.418.190
Mýra power plant	2.808.838	-	-461.724	-384.627	-950.057	-	1.012.430
Eiði power plant	36.748.019	-5.908	-2.111.679	-1.789.499	-19.286.482	-7.102.763	6.451.688
Botni power plant	1.612.846	-	-387.140	-181.696	-440.930	-	603.080
Strond power plant	4.842.603	-1.354.378	-642.762	-1.425.958	-883.975	-	535.530
Wind power	19.792.928	-	-5.863.898	-715.549	-12.806.371	-4.000.389	-3.593.278
Small power plants	5.203.776	-1.630.869	-549.088	-1.655.133	-1.124.322	-	244.364
Production result	***234.920.333***	***-85.944.814***	***-21.280.390***	***-32.021.973***	***-59.230.163***	***-11.220.652***	***25.222.341***

11. POWER PLANT OVERVIEW AS AT 31 DECEMBER 2015

Location	Unit	MW	Unit type	Engine manufacturer	Powered by	Year	Age	Hours	2015
Botnur	T1	1.0	Pelton hydro turbine	Voith	Hydro	1965	50	194.267	4.694
Botnur	T2	2.0	Francis hydro turbine	Voith	Hydro	1966	49	151.514	4.644
Eiði power plant	T1	7.0	Francis hydro turbine	Voith	Hydro	1987	28	102.243	5.167
Eiði power plant	T2	7.0	Francis hydro turbine	Voith	Hydro	1987	28	98.608	7.117
Eiði power plant	T3	7.7	Francis hydro turbine	Voith	Hydro	2012	3	20.448	6.903
Húsahagi	T1	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.300	7.759
Húsahagi	T2	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.067	7.559
Húsahagi	T3	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.279	7.612
Húsahagi	T4	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.452	7.673
Húsahagi	T5	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.239	7.762
Húsahagi	T6	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	9.854	7.598
Húsahagi	T7	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.230	7.298
Húsahagi	T8	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.255	7.560
Húsahagi	T9	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.607	7.545
Húsahagi	T10	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.721	7.612
Húsahagi	T11	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	11.097	7.750
Húsahagi	T12	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	10.667	7.476
Húsahagi	T13	0.9	Windmill (pitch reg.)	ENERCON	Wind	2014	1	11.133	7.583
Neshagi	V1	0.9	Windmill (pitch reg.)	ENERCON	Wind	2012	3	23.725	8.138
Neshagi	V2	0.9	Windmill (pitch reg.)	ENERCON	Wind	2012	3	24.304	7.916
Neshagi	V3	0.9	Windmill (pitch reg.)	ENERCON	Wind	2012	3	24.546	8.009
Neshagi	V4	0.9	Windmill (pitch reg.)	ENERCON	Wind	2012	3	24.146	7.949
Neshagi	V5	0.9	Windmill (pitch reg.)	ENERCON	Wind	2012	3	24.090	8.111
Neshagi	V6	0.2	Windmill (fixed pitch)	Nordtank	Wind	1993	22	120.900	1.500
Skopun	M1 – M3	1.8	4-T	Mercedes and Deutz	Gas oil	1984		-	
Small power plant		1.7	4-T	Deutz, Mercedes, Perkins	Gas oil			-	
Strond	M2	2.3	4-T KV 12 SS	Mirrleese Blackstone	Gas oil	1965	50	78.988	38
Strond	M3	3.6	4-T 12 M 453 K	Krupp Mak	Gas oil	1982	33	46.949	437
Strond	T1	1.4	Francis hydro turbine	Sulzer Hydro	Hydro	1998	17	55.648	5.387
Sund power plant	M1	7.9	4-T 9M43C	Caterpillar/MaK	Heavy fuel oil	2001	14	57.218	3.998
Sund power plant	M2	7.9	4-T 9M43C	Caterpillar/MaK	Heavy fuel oil	2004	11	52.114	3.343
Sund power plant	M3A	2.4		MTU	Gas oil	2015	1	236	236
Sund power plant	M3B	2.4		MTU	Gas oil	2015	1	256	256
Sund power plant	M4	12.4	2-T 12 L55 GSCA	B&W Götaverken	Heavy fuel oil	1983	32	172.180	2.087
Sund power plant	M5	12.4	2-T 12 L55 GSCA	B&W Götaverken	Heavy fuel oil	1988	27	150.703	4.871
Tvøroyri	M1	2.0	4-T	Nohab	Gas oil	1973	42	81.520	-
Vágur power plant	M1	2.7	4-T 9 M 453	Krupp Mak	Heavy fuel oil	1983	32	119.451	4.208
Vágur power plant	M2	2.7	4-T 9 M 453	Krupp Mak	Heavy fuel oil	1983	32	118.445	2.516
Vágur power plant	M3	4.2	4-T 9M32C	Caterpillar/MaK	Heavy fuel oil	2004	11	75.927	7.699
Vágur aggregate	M1-M3	3.0	4- T C1250 D2R (3 containers)	Cummins Diesel	Gas oil	2014	1	1.665	478
Vestmanna	Fossá 1	2.1	Pelton hydro turbine	Maier	Hydro	1953	62	217.852	6.099
Vestmanna	Fossá 2	4.2	Francis hydro turbine	Voith	Hydro	1956	59	339.970	7.897
Vestmanna	Heygav. 1	4.9	Francis hydro turbine	Voith	Hydro	1963	52	223.265	6.257
Vestmanna	Mýruv. 1	2.4	Francis hydro turbine	Voith	Hydro	1961	54	365.678	6.612

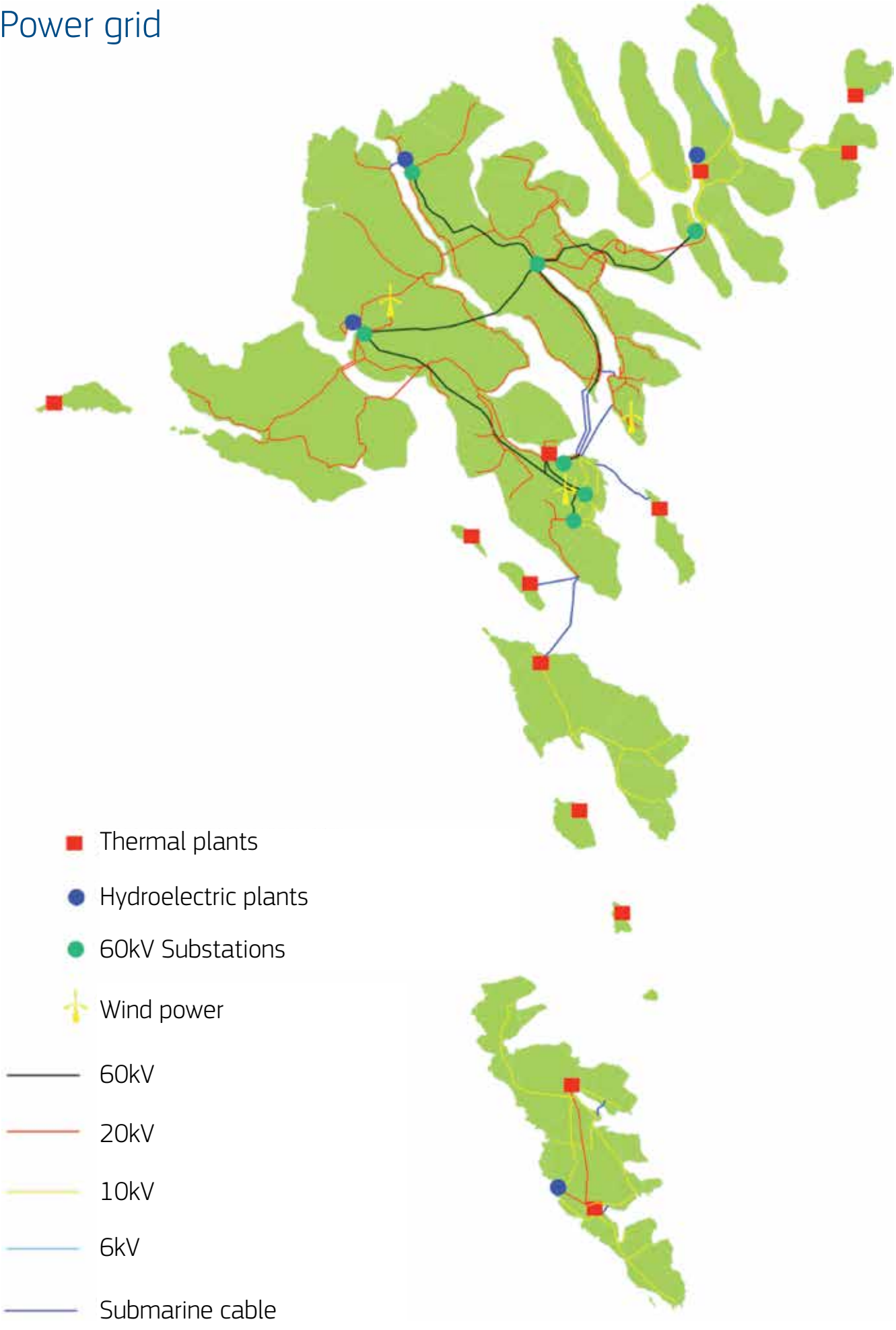
12. MORTGAGES AND OTHER OBLIGATIONS

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

	2015	*2014*
13. ADJUSTMENTS	***DKK***	***t. DKK***
Amortization	59.230.163	*47.366*
Interest expense and similar expenses	11.220.652	*11.773*
Total	**70.450.815**	***59.139***

14. Asset value of production plant	**2015**	***2014***
Fossá plant	41.224.498	*39.321*
Heyga power plant	27.341.178	*29.360*
Mýra power plant	14.567.820	*11.581*
Eiði power plant	530.309.908	*546.333*
Botni power plant	8.501.051	*8.421*
Vágur power plant	32.355.010	*34.352*
Tvøroyri plant	5.570.259	*5.992*
Sund power plant	92.361.117	*81.039*
Skopun	0	*0*
Strond plant	9.573.785	*10.270*
Wind energ technology	137.298.358	*149.320*
Fugloy	4.848	*10*
Svínoy	173.126	*230*
Mykines	1.339.856	*58*
Skúvoy	1.064.521	*1.269*
Dímun	231.006	*342*
Power plants according to Production Accounts	**901.916.340**	***917.829***
Grid equipment, etc. connected with power plants	-4.288.005	*-4.434*
Power plants according to Concern Accounts	**897.628.335**	**913.395**

Power grid


Thermal plants
Hydroelectric plants
60kV Substations
Wind power
60kV
20kV
10kV
6kV
Submarine cable

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