

**FINANCIAL STATUS 2019**

**Report on the financial position of the Company  
since the Annual General Meeting,  
pursuant to Article 3, paragraph 13b and  
Article 4, paragraph 12b of the Articles of Association**

**and**

**OPERATIONS, FINANCIAL AND INVESTMENT BUDGET 2020**

**Proposed budget for the coming fiscal year for approval,  
pursuant to Article 3, paragraph 13c; Article 4, paragraph 12c,  
and Article 9, paragraphs 1-4 of the Articles of Association**

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## 1. Summary

Pursuant to the Articles of Association of the Company, SEV shall submit a report on the fiscal status of the Company for 2019, as well as the Operations, Financial and Investment Budget for 2020. The 2020 Operations, Financial and Investment Budget is structured as a consolidated corporate concern budget, wherein the daughter companies are consolidated (integrated) within the parent company budget and the inter-company transactions, current accounting, etc. are excluded.

### 1.1. Financial position since the Annual General Meeting and the trends for 2019

The original budget was reviewed and approved at the Extraordinary General Meeting held on 30 November 2018 and the updated budget for 2019 was reviewed and approved at the Extraordinary General Meeting on 28 June 2019. The reason for the update was that SEV continued to work on advancing Vision 2030 and the anticipated investment linked to this project. In addition, budgetary conditions were impacted by outside circumstances and when several of the previous conditions that formed the original basis for the budget changed, it became necessary to make adjustments and revisions to the 2019 budget, which had been placed before the Extraordinary General Meeting in November 2018.

Changes made to the 2019 budget approved by the Extraordinary General Meeting on 30 November 2018 are presented in Annex 1 found on page 59 of this report. These changes are also available at [www.sev.fo](http://www.sev.fo) under "Amendments to Financial Status 2018 .... and Operations, Financial and Investment Budget 2019....." dated 11 June 2019.

The 2019 Financial Status is based on the Company accounts as at 30 September 2019 and economic projections for the fourth quarter to generate a combined projection of the trend in 2019.

The Company anticipates an operational profit in 2019 of DKK 58.8 million before taxes, compared to an updated budgeted result of DKK 76.5 million, or a decrease of DKK 17.7 million. After taxes, the result is expected to be DKK 47.6 million.

That the result is not as budgeted, stems first and foremost from the fact that the cost of oil is DKK 24.3 million higher than budgeted. Higher oil costs, in the main, are a result of the Company using much more gasoil and heavy oil in production than originally budgeted based on the fair weather that occurred in the spring and summer. In addition, SEV generated much more energy than the previous year and the growth in 2019 is anticipated to be around 10%.

The forecast cost for goods and services is DKK 59.8 million, which is DKK 5.1 million higher than budgeted and the costs for wages are forecast to be DKK 76.2 million, which is DKK 0.3 million higher than budgeted. Forecast depreciation costs are DKK 126.8 million, which is DKK 2.3 million higher than budgeted, and interest expenses are DKK 41.4 million, which is DKK 5.2 million higher than budgeted. The reason for costs being higher than budgeted stems from the valuation adjustments of the financial instruments, which are included in the overall financial costs.

The distribution among the various energy resources is forecast to be 58.3% from oil, 27.6% from hydropower and 14.1% from wind. Production of electricity from renewable resources in 2019 is projected to be 41.7%, compared to 48.8% in 2018, which is 7.1 percentage points lower.

The plan is that the production of electricity from renewable resources will increase in the future. This is a challenge, especially when total production steadily increases.

Investment in 2019 was forecast to be DKK 354.4 million, compared to a budgeted DKK 479.7 million. This lower investment is distributed over several areas. The intent was that the Company would draw down some DKK 320 million against the loan facility that the Company had obtained from the financial institutions, but when actual investment proved lower than budgeted and the timing of additional investment was delayed, it proved necessary to tap only some DKK 106.0 million. Cash-on-hand is forecast to be DKK 141.9 million at year-end. Moreover, the Company has access to a line of credit from financial institutions of around DKK 215 million for near-term investment and liquidity that the Company obtained in 2016.

In connection with the new wind farm tender and in order to strengthen the overall liquidity of the Company, SEV obtained access to DKK 350 million in new drawing rights for a total of DKK 565 million in drawing rights. In total, the Company has access to cash-on-hand and drawing rights of some DKK 706.8 million at year-end. Thus, the Company has a good liquidity position.

The ratio of net debt to EBITDA is forecast to be 6.0; the ratio of share equity to total assets is 43.5%. Thus, SEV has not exceeded the permitted in-house ratio for net debt to EBITDA (a factor of 6) and SEV is well within the key-figure ratios stipulated by financial institutions.

The Board of Directors and Management are not satisfied with the fiscal status of the Company to date in 2019, the forecast result for 2019 and the financial position of the Company at year-end 2019, compared to the business activity of the Company at present. Therefore, the Board and Management are taking steps to improve the operations of the Company for 2020.

### **1.2. Operations, Financial and Investment Budget for 2020.**

The leadership of SEV – the Board of Directors and Management – have stipulated an in-house mark for how large the Company's debt load can be compared to revenue. The Company's financing providers have stipulated in their terms and conditions for loans that this mark, which in financial parlance is referred to as NIBD/EBITDA, can be up to a factor of nine (9), at which point all the loan agreements are revoked. Therefore, the Board and Management deemed it prudent to stipulate that if the in-house level for this particular key figure rises to a level greater than a factor of six (6) then initiatives shall be set into motion to bring the factor back down to the approved level of six (6).

The Board and Management acknowledge and take note of these circumstances:

1. That the Company in 2020 expects to have record-breaking oil costs
2. That the necessary investment in the new Sund power plant equalling DKK 750 million will at present be continued
3. That the booming Faroese business community will result in an unusually large investment to produce sufficient electricity to meet the demand of increased business activity
4. That the investment in green energy resources will continue – investment that will in the end spare the Company from the considerable expense of purchasing oil

and that it is not reasonable to postpone any of the above referenced investments.

At the same time, the Board and Management acknowledges that if an increase in the price of electricity for 2020 should only be done to ensure that the above referenced key figure should remain below the factor of six (6) for 2020, the impact of the price increase would be so great that it would generate severe discontent throughout the country.

Therefore, the Board and Management of SEV, with regard to this specific instance in the 2020 operations, financial and investment budget, elected to put forth the goal for the key figure over a two-year period such that the key figure for 2020 would be a factor of 6.9 and a factor of 5.5 in 2021, which means that the price for electricity in 2020 will increase by DKK 0.05 per kWh for all ordinary customers, except the "industrial customers" where the price increase will be DKK 0.10 per kWh and that the price of electricity for 2021 is anticipated to increase by DKK 0.05 per kWh for all of the Company's customers.

These price increases have been reviewed by the Electricity Production Commission. The Commission also recognizes the need to increase the price of electricity in 2021, given the budget as it now stands. The situation will be reviewed in detail in the autumn of 2020, taking into consideration the then present circumstances and conditions.

The reason that the price of electricity for the industrial customers is increased DKK 0.05 per kWh more than the Company's other customers stems from the updating of the financial support afforded to these industrial customers by agreement with the Faroese Government in 1992.

The Company anticipates that this will generate an operational profit in 2020 of DKK 41.5 million before taxes. The after-tax result in 2020 is anticipated to be DKK 34.0 million.

Net revenue is expected to be DKK 543.0 million and oil expenses are at a high level, amounting to DKK 160.3 million, which is higher than the projected cost in 2019.

In 2020, electricity sales are projected to increase by 6.2%, and thus production will also increase, especially given the expected increase in sales to the fish farms and other production customers.

The cost of goods and services is projected to be DKK 58.6 million, which is higher than the forecast costs and budgeted costs for 2019. Wage expenses have increased consistent with ordinary wage increases, certain employee reorganization, as well as the expected hiring of new employees. Wage expenses are thus budgeted at DKK 80.3 million, which is higher than forecast costs in 2019.

Depreciation is budgeted at DKK 155.1 million, compared to a forecast DKK 126.8 million for 2019. The reason for this increase in depreciation expense is the investment the Company will undertake. Net interest expense is budgeted at DKK 47.2 million, which is higher than the forecast cost for 2019. The reason for the increase in net interest expense is the increase in long-term debt undertaken by the Company and the cost of refinancing current debt and drawing rights. The cost associated with undertaking new debt for investment over the coming years is not included and, in the event that such investment is undertaken in 2020, said investment will impact the ultimate result. There is no set aside for the valuation adjustments for the financial instruments.

Investment for DKK 476.8 million is planned. In addition, there are plans to execute additional loan facilities of some DKK 270.0 million against current drawing rights. Long-term debt is anticipated to be DKK 1,718 million at year-end 2020.

At year-end 2020, it is anticipated that the Company will have cash-on-hand of DKK 108.0 million plus drawing rights of some DKK 294.9 million from the financial institutions, or in total DKK 403.0 million. Thus, the Company has good liquidity.

Owner equity compared to total assets equalled 40.3% which means that SEV has fallen below the in-house requirement of 42.5% but is well within the requirement stipulated by the financial institutions which is 35% (previously 37.5%).

The Board and Management is not satisfied with the budgeted result for 2020 and that the NIBD/EBITDA key figure has fallen below the in-house target. However, taking in to account the tangible steps carried out by the Company the Board and Management are overall pleased with the company's financial and economic prospects.

## **2. The following shall be laid before SEV's Extraordinary General Meeting on 29 November 2019:**

### **2.1 For discussion and review:**

- Fiscal trends since the Annual General Meeting and the financial status for 2019, pursuant to § 3, paragraph 13b and § 4, paragraph 12 b of the Articles of Association.

### **2.2 For approval:**

- Operations, Financial and Investment Budget for 2020, pursuant to § 3, paragraph 13c and § 4, paragraph 12c and § 9, paragraphs 1-4, hereunder:
  1. That the kWh price for all customer groups be increased by DKK 0.05 per kWh, except the Company's customers in the special price schedules with a consumption greater than 30,000 kWh, generally referred to as "industrial customers", wherein the price is increased by DKK 0.10 per kWh. The prices for 2020 are as shown in the price schedules effective 1 January 2020.
  2. That the fixed base rate and connection fees remain unchanged and be as shown in the pricing schedules.
  3. That the fixed compensation for the Chairman of the Board be DKK 12,612 per month, the Vice Chairman DKK 9,459 per month, and each individual board member DKK 6,306 per month. In addition, for each meeting a board member participates in on behalf of SEV, the board member shall receive a meeting allowance corresponding to the allowance granted in the civil servants' wage agreement. Associated costs for travel, etc. shall be repaid to the respective board member.
  4. That if a board member of SEV sits on other boards of the Company, e.g., subsidiaries of the Company or the buildings committee, or the like, said work shall be compensated based on the extent of the work involved. However, there shall

be no additional compensation for work on the boards of the wind farm subsidiaries.

5. That investment in 2020 be a total of DKK 476.8 million, hereunder:

- That the Company's Board itself can determine how the long-term expansion of the grid over the period 2020-2023 shall be organized, hereunder the timeframe, priority of construction, tenders, etc. for an overall cost of DKK 809.2 million, as illustrated in the Table below. Specifically, the Extraordinary Annual Meeting shall only address the amount of investment stipulated for 2020.

Investment/Year	2020	2021	2022	2023	Total
DKK millions	176.8	159.3	178.1	295.1	809.2

- That, as part of the long-term expansion of the grid over the period 2020-2023 for an investment of DKK 809.2 million as referenced above, the Company's Board itself can determine how the construction of the new coupling stations and the updating of existing stations shall be organized over the next four years, hereunder the timeframe, priority of construction, tenders relating to the construction, etc. for an overall cost of DKK 210.2 million for the time periods as illustrated in the Table below. Specifically, the Extraordinary Annual Meeting shall only address the amount of investment stipulated for 2020.

Investment/Year	2020	2021	2022	2023	Total
DKK millions	85.0	26.0	48.6	50.6	210.2

6. That the Extraordinary General Meeting approves and grants the Board permission/authority to direct SEV to initiate the work to undertake new financing and that SEV take on new financing of up to DKK 900 million for investment and liquidity (herein including SEV subsidiaries) for the period 2021-2025, and that SEV undertake the referenced DKK 900 million investment in the timeframe 2020-2025. The Board at the same time shall be granted authority to itself determine from which financial institution or institutions said new investments shall be obtained, herein possible financing from the US Private Placement Market, other markets, bank financing or other financing. In addition, the Board shall be granted authority to itself determine the terms and conditions of said financing.

The investment in connection with the intended financing of the above-referenced DKK 900 million shall be presented to the shareholders for approval before any of the loan facilities shall be used.

The intent is for the Board to be granted permission/authority in addition to the authority granted by the Extraordinary General Meeting on 28 June 2019 wherein the Board in the period 2019-2021, pursuant to Point 4 Proposal A) was granted permission/authority to undertake new financing of up to DKK 500 million for



investment and liquidity (herein including SEV subsidiaries) and, pursuant to Point 4 Proposal B, was granted permission/authority to undertake new financing up to DKK 1,050 million for refinancing at any time of the existing debt of the Company.

7. That the Extraordinary General Meeting approve and grant the Board the permission/authority to place DKK 15 million in share capital or security in P/F Fjarhitafelagið in connection with the expansion by Fjarhitafelagið of its operations in the coming years. In addition, the Board shall be granted authority to itself determine the terms and conditions in connection with any possible placement of share capital or security in Fjarhitafelagið.
8. That in 2020 SEV may continue selling electricity to electric vehicles and heat pumps and that the Board in this connection is granted the authority to determine, in every aspect, how this sale of electricity shall be organized, hereunder, to stipulate the kWh price, the fixed rate, the connection fee and other related conditions.

### 3. Financial position since the Annual General Meeting and the trends for 2019

Pursuant to the Articles of Association of SEV – § 3, paragraph 13b and § 4, paragraph 12b – the Board of Directors shall submit to an Extraordinary General Meeting in the autumn of each year a report on the Company's fiscal position and the economic trends since the last Annual General Meeting. Below, in addition to a discussion of the overall economic trends experienced since the last Annual General Meeting, is an analysis of the anticipated activity for the remainder of the year, culminating in a forecast of the expected result for 2019.

Below is the projected result for 2019. Also shown are deviations from the 2019 budget (updated as of the Extraordinary General Meeting on 28 June 2019) and projections. The account entries for 2019 are complete and up-to-date, but have not been audited. Also, accounting adjustments are probable before the numbers are finalized.

The Table below shows verified operational data for 2014-2018, and verified and forecast data for 2019 in DKK million.

	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Concern Budget 2019	Forecast 2019	Difference between Budget and Forecast
Net turnover	410.6	422.0	420.3	432.3	427.5	488.7	508.1	+19.4
Oil expenses	141.5	86.2	50.9	84.7	105.8	120.8	145.1	-24.3
Goods & services	49.8	49.9	59.3	53.9	50.4	54.8	59.8	-5.1
Wages	63.6	64.3	66.5	67.4	74.2	75.9	76.2	-0.3
Result before depreciation & write-downs	155.6	221.5	243.6	226.3	197.1	237.2	227.0	-10.3
Depreciation	77.2	93.6	93.2	102.7	115.1	124.6	126.8	-2.3
Result before interest, etc.	78.4	127.9	150.4	123.5	82.0	112.6	100.1	-12.5
Net interest expense & value adjustments	20.6	25.3	48.3	32.9	34.6	36.2	41.4	-5.2
Result before tax	57.8	103.1	102.1	90.6	47.3	76.5	58.8	-17.7
Tax on result	0	0	9.3	1.6	9.2	13.80	11.6	+2.2
Annual result	57.8	103.1	92.8	89.0	38.1	62.7	47.6	-15.5

The annual result for 2019 is forecast to be an operational profit before taxes of some DKK 58.8 million. After taxes, it is anticipated that the result will be around DKK 47.6 million. Forecasts by their very nature embrace some doubt, but in this case SEV truly expects that its profit will not be less than DKK 45 million before tax.

Originally, the Company budgeted a 2019 result before taxes of some DKK 76.5 million, thus the Company experienced a considerably worse operational result than originally budgeted, corresponding to DKK 17.7 million before taxes.

Forecast oil expenses, including urea, gasoil and lubricating oil, is DKK 145.1 million. This is DKK 24.3 million more than budgeted. The reason for this is that the Company used considerably more gasoil and heavy oil than budgeted. In addition, much more lubricating oil was used than budgeted. Part of the hedging was stipulated at a lower price than originally budgeted, which resulted in a lower oil expense for the purchase of heavy oil and thus minimizing the cost of oil. Also, adjustments for oil storage compared to actual current values were made.

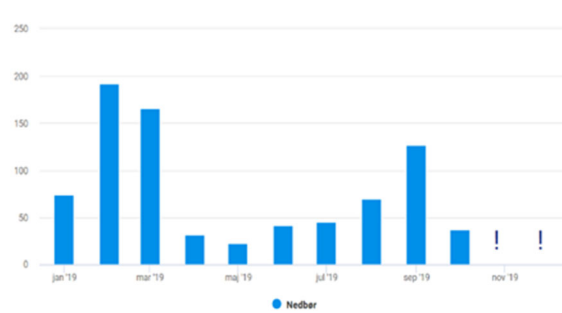
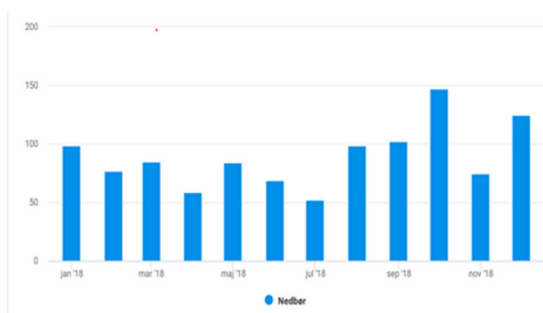
Goods and services are forecast to be DKK 59.8 million, which is DKK 5.1 million greater than budgeted. Wages are forecast at DKK 76.2 million, which is DKK 0.3 million greater than budgeted.

Depreciation is forecast at DKK 126.8 million, which is DKK 2.3 million greater than budgeted. Depreciation in the budget is based on the depreciation-year requirements stipulated by the Electricity Production Commission. The reason that the budgeted depreciation is higher than budgeted with lower investment is that several work undertakings were shifted from work-in-progress to depreciation basis than initially estimated. Thus, the depreciation basis was greater and depreciation somewhat higher than budgeted.

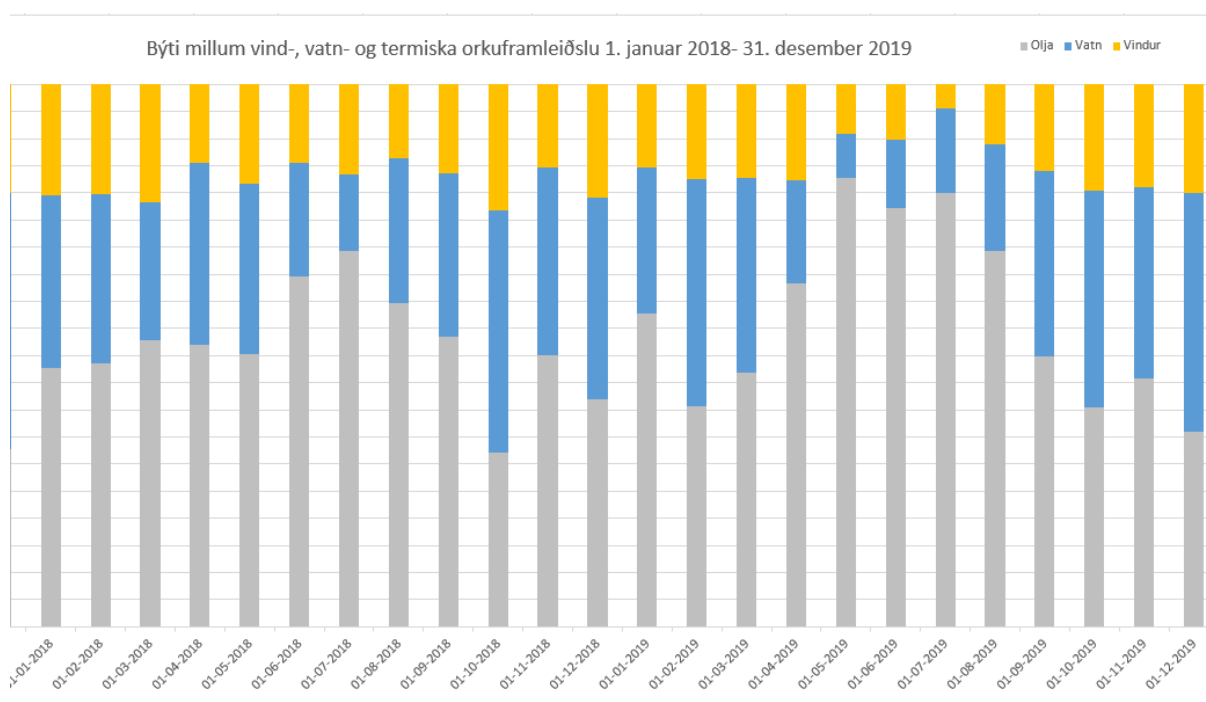
Interest expense is DKK 41.4 million, which is DKK 5.2 million greater than budgeted. The reason for this is that the valuation adjustments for the financial instruments is included in the costs. On the other hand, projections anticipate fewer loan facilities than budgeted, based on less investment than budgeted and this contributes to holding costs down.

### 3.1 Electricity sales and production

The weather changes from year to year and consequently the production of electricity from hydropower and wind fluctuates up and down.



The Tables above from DMI (Danish Meteorological Institute) shows how much rain fell in 2018 and to date in 2019. It shows that the rainfall in the first months of 2019 was much more than in 2018, but from April through September 2019 the rainfall was considerably less than in 2018. In other words, spring and summer were especially dry and thus there was almost no production of electricity from hydropower. This is also revealed in the Table below that shows the distribution of electricity production.



Distribution among wind, hydro and thermal energy production 1 Jan 2018 – 31 Dec 2019 [Oil Hydro Wind]

The Table above, wherein the first nine months of 2019 are verified and the last three months reflect an average of the last three months of the last three years, shows that hydro electricity production in the spring was less than the same time period the year before and this stems from the good weather experienced in spring and summer. In addition, one can also see that production from hydro in 2018 was not as much as normal stemming from the freezing temperatures and, if one compares the beginning of 2019 with the beginning of 2018, it is apparent that the production of electricity from hydro was somewhat better than in 2018.

In May 2018, the turbines at the Norðuri á Strond [Northern Strond] hydropower plant were upgraded. No other hydropower plants have been refurbished or upgraded and as a consequence continued to produce energy throughout the year, conditioned on the amount of rainfall that occurred. In 2019, no refurbishment or upgrading was carried out on the hydropower plants.

Electricity production from oil will most likely be the largest SEV has experienced since the Company began to produce electricity from oil.

The Table below shows SEV's electricity production to date in GWh. The Table also shows production for the last twelve months. The same period for the previous year is provided for comparison.

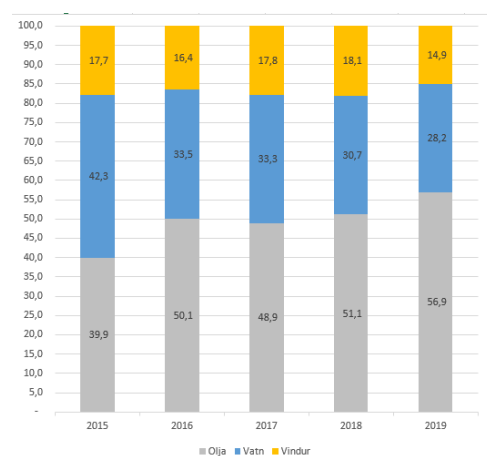
	Jan-Sep. 2019	in %	Jan-Sep. 2018	in %	Oct. 2018 to Sep. 2019	in %	Oct. 2017 to Sep. 2018	in %
Wind	37.6	13.6	44.0	16.4	57.4	15.2	62.4	18.1
Hydro	66.9	24.2	69.5	30.1	105.5	28.0	107.8	31.3
Thermal	172.1	62.2	138.5	53.5	213.5	56.8	174.5	50.6
Total	276.6	100.0	252.0	100.0	376.4	100.0	344.7	100.0

Comparing the period October 2018 to September 2019 with October 2017 to 2019 it is evident that production has increased by 31,7 GWh or 9.2%. So far in 2019 production has increased by 24.6 GWh or 9.8%.

If one notes the data for the last twelve months, production from green energy is expected to be 43.2%. Electricity production from wind and hydropower during the same period for 2018 was 49.4%, or 6.2 percentage points higher than in 2019.

If one observes the production data for the last four years, the data presents as the bar chart below shows.

[Oil Hydro Wind]



For 2019, the first nine months are actual, while the last three months are an average of the last three months of the last three years.

The bar chart shows the distribution among wind, hydropower and thermal energy production each year from 2015 to 2019.

Thus, projections indicate that production of green energy will be much lower in 2019 than in 2018 and the green energy portion will be 41-43% when the year is completed; SEV projections predict a green energy portion of 41.7%.

The Table below shows the booked sales to the Company's customers, grid loss and own-use, and total production in GWh over the last nine years. Included are the budgeted and forecast results for 2019. The figures in the concern budget are updated numbers from the 2019 budget that were reviewed at the Extraordinary General Meeting in June 2019.

Booked sales in GWh	2014	2015	2016	2017	2018	Concern Budget 2019	Projected 2019	Difference
Booked sales to customers in GWh	283.8	288.1	291.4	306.5	320.5	338.4	348.9	+10.5
Grid loss and own use in GWh	21.6	26.3	26.0	27.8	31.5	28.0	31.5	3.5
Total production in GWh per year	305.4	314.4	317.4	334.3	352.0	366.4	380.4	+14.0
Thermal	150.2	125.5	158.9	163.4	180.1	187.1	221.8	+34.7
Hydro	120.7	133.1	106.3	111.2	108.1	117.0	105.0	-12.0
Wind	34.5	55.8	52.1	59.7	63.8	62.3	53.7	-8.6
Green portion totals	155.2	188.9	158.4	170.9	171.9	179.3	158.7	-20.6
Green portion %	50.8	60.1	49.9	51.1	48.8	48.9	41.7	-7.2
Growth in electricity usage in %	3.4	1.5	1.1	5.2	4.6	7.1	8.9	+1.8

For 2019, electricity production was budgeted at 366.4 GWh. Production is forecast to be 380.4 GWh or 14.0 GWh more. Electricity production from renewable energy resources was budgeted at 179.3 GWh (47.8% from green energy resources), but this production is now forecast to be 158.7 GWh, or 20.6 GWh less. The thermal power plants were expected to produce 187.1 GWh, but now production is forecast to be 221.8 GWh, or 34.7 GWh more.

This means that the electric power produced from green energy is forecast to be 41.7%, while thermal power is forecast to be 58.3%. Thus, SEV is less green than in 2018, when green energy production was 48.8%, which was the lowest over the last five years. The reason stems from growth in electricity consumption and reduced availability of green production from hydro and wind. This corresponds also to the booked figures, based on the last twelve months, as shown above.

In 2019, an increase in customer sales of some 10.5 GWh was budgeted, especially industrial customers in fish farming and the production of fish products. Also, an increase is projected in electricity consumption of ordinary private customers.

Now the year appears to end with a decline and the projected figures indicate that the Company will generate 348.9 GWh in sales to its customers, compared to 338.4 GWh, which is 10.5 GWh greater than budgeted. The consumption of customers engaged especially in the production of fish products contributed to much of the growth, as well as increased consumption by the fish farming industry. Sales to the other customer groups is on the whole as budgeted.

Grid loss and own-use is estimated to be 31.5 GWh, of which SEV itself has estimated to use around 9.7 GWh. Thus, grid loss is projected to be 21.8 GWh, corresponding to 6.2% of sales to all customers. Over the last few years, grid loss has been around 23 GWh on average, and previously the numbers have shifted year to year. This stems in the main from fluctuations in

the reading of the electric meters up to around 2016. Now the electric meters are remotely read digitally at the end of the year and thus any fluctuations or discrepancies are avoided.

### 3.2 Revenue 2019

There are three factors that influence SEV's gross revenue: 1) changes in the price of electricity, 2) changes in electricity consumption, and 3) shifts by a customer from one pricing group to another. The Table below shows SEV's net revenue over the past few years in DKK million and forecast numbers for 2019.

Net revenue in DKK millions	2014	2015	2016	2017	2018	Concern Budget 2019	Forecast 2019	Difference
KWh fee	379.2	385.0	392.7	393.1	402.2	462.3	468.5	+6.2
Fixed fee	16.5	16.4	16.6	16.8	17.0	17.1	17.4	0.3
Connection fee	14.7	16.2	8.0	27.4	9.2	11.0	24.7	13.7
Service fees, etc.	2.7	6.7	5.3	-2.2	1.7	1.0	0.0	-1.0
Income	413.1	424.4	422.6	435.1	430.2	491.4	510.6	+19.2
Purchase of wind power	-2.5	-2.4	-2.4	-2.8	-2.7	-2.7	-2.5	0.2
Net revenue	410.6	422.0	420.3	432.3	427.5	488.7	508.1	+19.4

As the Table above shows, the revenue of the Company has steadily grown from 2014 through 2018. The Company increased the price of electricity for its "industrial customers" in 2014 by DKK 0.05 per kWh, while the price for all customers remained unchanged in 2015 and 2016. Subsequently, the price of electricity was lowered for all customer groups by DKK 0.05 per kWh in 2017 and again in 2018 by DKK 0.05 per kWh, with the exception, however, of the "industrial customers". For 2019, the price of electricity was increased by DKK 0.10 per kWh for all customers. The increased revenue of the Company, therefore, stems from an increase in kWh sales and connection fees, and, for 2019, from the price increase as well. The increase in connection fees stems in large part from the increased construction in both the private and public sectors over the past few years.

Net revenue is projected to be DKK 508.1 million, which is DKK 19.4 million more than budgeted. DKK 6.2 million stems from greater kWh sales, and the fixed-fee income is as budgeted. Connection fees are DKK 24.7 million and are DKK 13.7 million greater than budgeted, based on the fact that there were more connections than originally budgeted. Other revenue is not affected. The purchase of wind power is somewhat lower than budgeted.

It is difficult to predict more precisely the level of sales because SEV's revenue stream is conditioned on which customer group generates sales. This varies from group to group. It also varies relative to how customers' electricity consumption is distributed over the years. Generally, more electricity is consumed during the dark months of the year, especially by SEV's private customers.

### 3.3 Operational expenses

The operational expenses of the Company are oil costs, goods and services, wages, depreciation and interest. These costs are discussed in more detail below.

### 3.3.1 Oil expenses

In the original 2019 budget that was approved at the Extraordinary General Meeting held on 30 November 2018, a consumption of 39,291 tonnes of heavy oil was budgeted. The fiscal budget was updated at the Extraordinary General Meeting held on 28 June 2019 and now the budgeted consumption is 41,088 tonnes, based on increased sales of electricity power and therefore greater thermal production. The Table below comparing the cost of oil is based on the updated fiscal budget from June 2019.

Good weather in the spring and summer has impacted the “green” portion of electricity production such that it was less than the previous year. In addition, the demand for electricity is especially great at present. The Table below shows the projected cost of oil for all of 2019. The Table shows a greater total consumption of some DKK 24.3 million, of which half of the increased cost stems from gasoil.

Oil	Budgeted consumption in tonnes	Budgeted cost	Budgeted average price	Booked Consumption	Booked Costs	Booked Avg. Price	Booked more consumption	Cost excess
Gasoil	1,200	8,010	6.68	3,581	20,511	5.73	2,381	12,501
Lubricating oil / Urea	240	5,208	21.70		8,753			3,545
Heavy oil	41,088	107,561	2.62	46,575	115,821	2.49	5,487	8,260
Total	-	120,779	-	-	145,086	-		24,306

Pursuant to the adopted accounting principles of the Company regarding the valuation of the heavy oil held in storage, the oil storage inventory shall be adjusted from time to time to then current market price. This means that the value of the oil held in storage by SEV changes from month to month, consistent with the trends in the market price of heavy oil. Thus, this reflects only a booked cost, not a realized cost. As at 30 September 2019, SEV has booked an unrealized expense adjustment for the oil inventory of DKK 2.1 million. The valuation adjustment of the oil storage inventory is set in the budget as at year-end. The final numbers reflecting the adjustments will not be available until year-end.

On the other hand, SEV’s purchase price of heavy oil for 2019 will not be impacted by the unrealized adjustment of the oil storage inventory because SEV has price hedged the budgeted amount of heavy oil at a fixed price per tonne of heavy oil, while at the same time the Company has purchased US dollars at a fixed price to be used for the purchase of oil.

From the time when the 2019 budget was created during October and November 2018 up to the date of the price hedging undertaken by SEV in December 2018, the price of oil decreased, thus impacting the purchase price of oil compared to the original budget. The Table below provides an overview of the price hedging of the total oil purchases for 2019 of some 39,300 tonnes. The amount of heavy oil purchased in 2019 was more than budgeted because the consumption of oil was greater than budgeted.

Time Period	Tonnes	Amount in %	Price for oil in USD	In DKK including costs
2016 January	6,526	17	259.25	1,832
2017 November	6,474	16	319.50	2,225
2018 February	6,000	15	357.50	2,473
2018 December	20,300	52	354.00	2,611
Total	39,300	100	332.90	



The original budget from November 2018 and the updated budget of June 2019 calculated a cost of USD 470 per tonne for that part of the oil purchases that were not price hedged. Some 20,300 tonnes were price hedged in December 2018 at a cost of USD 354 per tonne, corresponding to a lower purchase price of some USD 116 per tonne. If the purchase of USD is included, then the result is a lower cost for the purchase of oil compared to the original budgeted amount of some DKK 13.1 million, which has a positive impact on the result.

Through this strategy, SEV has tried to protect itself against possible swings in the price of oil and the dollar exchange rate for the purchase of oil. On the other hand, the Company cannot protect itself from fluctuations in oil consumption. It is extremely important to limit the swings in this particular expense category, because these costs represent a major portion of the total costs of the Company. These costs are directly linked to the price adjustments in the world market, as well as changes in the consumption of electricity and the fluctuations in production of electric power from wind and hydropower. The oil price paid by SEV is linked to the commodity market price index for oil and the US dollar exchange rate.

On the other hand, the price of oil on the spot market when the oil is purchased can either be higher or lower than the stipulated hedged price. This means that SEV either receives funds from the insurer underwriting the hedge agreement or must pay the insurer relative to the market price at the time of purchase. The same holds true for the purchase of dollars at term. It is commonly understood that when the price of oil goes up the cost of a dollar goes down and vice-versa.

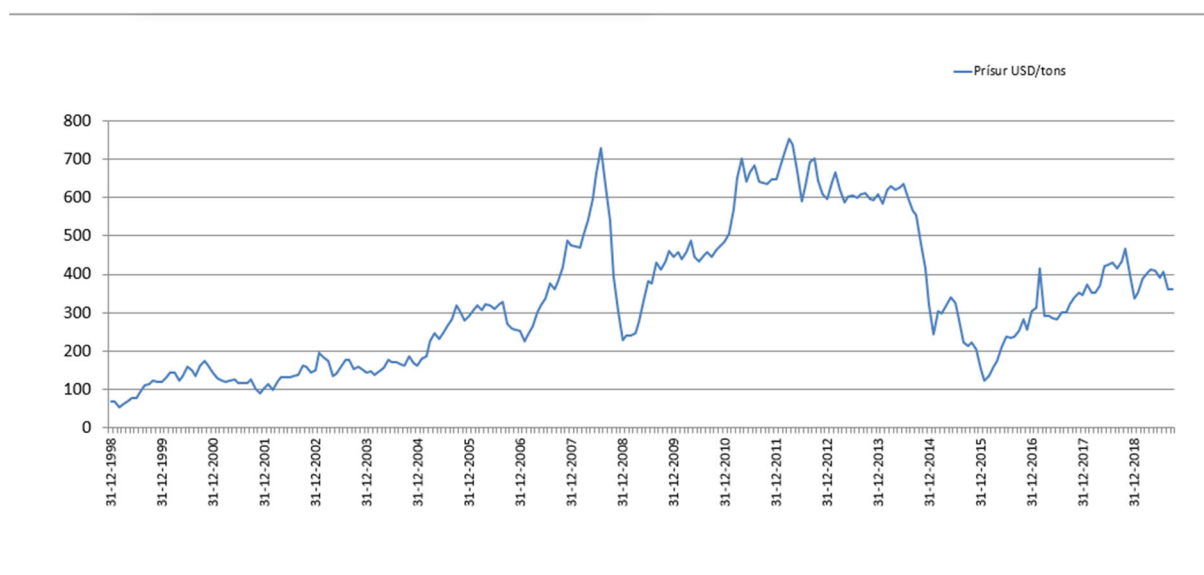
It has been necessary to produce electricity with gasoil to a greater degree than in the previous year, especially to meet the demand of electricity power and to ensure grid stability in the Northern Islands and on Suðuroy. The thermal power plants are anticipated to consume some 1,200 tonnes of gasoil, but projections for 2019 indicate the plants will consume some 3,581 tonnes or 2,381 tonnes more. Anticipated gasoil costs are projected at DKK 20.3 million at year-end, while the budgeted cost is DKK 8.0 million. This increased consumption translates to a considerable extra cost equalling some DKK 12.5 million.

The thermal power plants were budgeted to consume 41,088 of heavy oil, but projections for 2019 indicate the plants will consume 46,575 tonnes. This is 5,487 tonnes more than budgeted. The principal reason for this discrepancy is the good weather in spring and summer, which resulted in but little rainfall. The cost for the greater consumption of heavy oil is projected to be DKK 8.3 million.

Moreover, the cost of lubricating oil is greater than budgeted. The projected cost is DKK 7.8 million, while the budgeted amount was DKK 3.8 million, corresponding to an increased cost of DKK 4.0 million. On the other hand, the cost for Urea is projected to be DKK 1.0 million, which corresponds to a reduced cost of some DKK 0.4 million, compared to the budget.

The Table below shows the oil price trends over the last several years through to 30 September 2019.



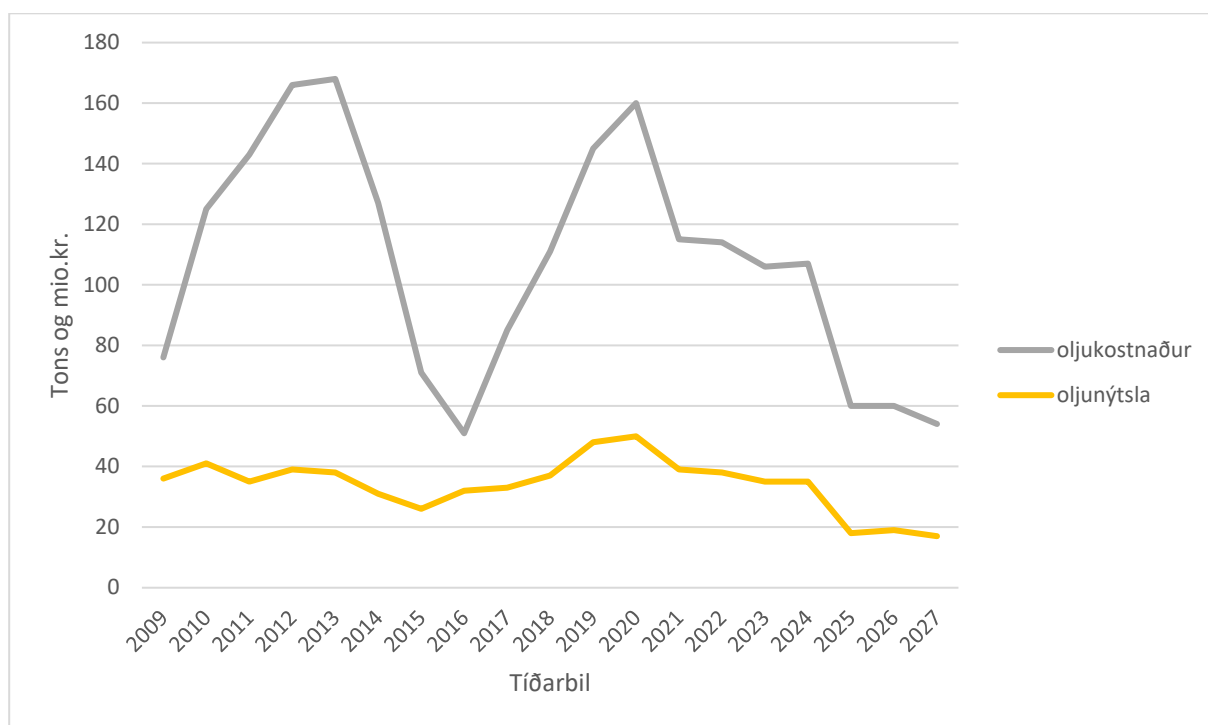


The Table below shows the trend of the USD exchange rate from January 2019 through September 2019. It can be seen that the USD exchange rate at the end of September 2019 is lower than at the beginning of the year. The average market price for oil from January through September 2019 has been USD 387 per tonne.

The USD exchange rate fell steadily from April through September and since then has risen.



The Table below shows the trends in verified oil costs and oil consumption for the period 2009-2018 and the projected and budgeted costs for the period 2019-2027.



### 3.3.2 Goods and services

Total cost for goods and services was budgeted at DKK 54.8 million, but this is projected to be DKK 59.8 million, or DKK 5.1 million more. This increase in goods and services can be further broken down such that the production plants used DKK 7.2 million more, the grid DKK 2.3 million less, and administration used DKK 0.2 million more than originally budgeted.

SEV continues to focus on a tight management of the resources of the Company, where each and every department scrutinizes how funds are allocated. This reduction partially stems from undertakings that were amended or postponed. In addition, changes were made to various projects.

### 3.3.3 Wages

The total cost for wages was budgeted at DKK 75.9 million, while the forecast indicates a cost of DKK 76.2 million – corresponding to an increased spend of around DKK 0.3 million. This increase breaks down thusly: DKK 4.0 million increase in production operations; DKK 3.8 million less in grid-related activities; and the administrative spend was DKK 0.2 million more.

The higher wage costs for production operations, in the main, stems from the maintenance work on the engines, as well as many other operational endeavours. At the same time, considerable work was connected with the receipt of the wrong oil, which ultimately had to be sent back abroad.

The lower wage expense for grid-related activities, in the main, reflects that the budgeted growth in workers in this area was not carried out, plus the grid-related wage expenses were actually somewhat over-estimated in the budget for 2019. Also, a large portion of the budgeted work was booked as investment.

Wage expense for administration is DKK 0.2 million less than budgeted, and thus is consistent with the budget.

### **3.3.4 Depreciation**

Depreciation is budgeted at DKK 124.6 million and projected to be DKK 126.8 million, which is DKK 2.3 million higher than budgeted. The reason for this is that several more investments were booked for depreciation than budgeted and this impacted the cost upwards. Moreover, fewer investments than budgeted were carried out and thus this drove the total cost of depreciation down. All in all, the cost of depreciation was somewhat higher than budgeted.

### **3.3.5 Interest and valuation adjustments of share capital**

Net interest costs budgeted at a total of DKK 36.2 million. The projected amount equals DKK 41.4 million, corresponding to an increase of DKK 5.2 million.

First and foremost, the reason for this was the inclusion of DKK 11 million in value adjustments of the financial instruments. The budget did not include these adjustments. Moreover, fewer investments were undertaken in 2019 than budgeted, which had a positive impact on the cost centre with the consequence that the need to exercise the drawing rights that SEV had in place was not as great in 2019 as budgeted. Moreover, included in the cost was the budgeted fee for financing that was undertaken in connection with the wind farm tender, as well as the financing and the normal credit line assessments needed to strengthen the liquidity of the Company.

### **3.3.6 Taxes on the annual result and deferred taxes**

The 2019 budget forecast a tax on the result of DKK 13.8 million. The projected numbers for 2019 incorporate deferred taxes corresponding to 18% of the annual result. The projected tax for 2019 is DKK 11.1 million. This tax will not be paid but is set aside and booked as a debt of the Company under reserves set aside for deferred taxes. The debt at the beginning of the year was DKK 25.1 million and, with the growth of the reserves for 2019 deferred taxes, the debt at year-end 2019 is DKK 36.1 million.

Deferred taxes have no impact on the liquidity of the Company before these taxes become due and payable. The Company anticipates that it will not have to pay taxes on the annual result in the coming years based on the fact that the Company currently has a significant tax deficit that offsets the annual tax obligation on earned revenue.

## **3.4 Investment, financing and liquidity**

According to the 2019 budget, total investments were estimated to be DKK 480 million. Now that the end of the year is soon upon us, investment for 2019 is forecast to be DKK 354.4 million, which is DKK 125.6 million less than budgeted, and this is spread over several areas representing small amounts, especially at the Sund power plant – Station 3, wind farms and the administrative headquarters, which represents a large portion of the overall amount. It should be noted that reprioritization has been carried out within current parameters in several areas and departments.

The Table below shows investment distributed by production, grid-activities and administration.

Investment in DKK millions	2019F	2019 Budget	Difference
	DKK mil.	DKK mil.	DKK mil.
Fossá power plant	1.0	1.0	0.0
Heyga power plant	0.7	3.0	-2.7
Mýra power plant	0.8	0.8	0.0
Eiði power plant	0.5	1.6	-1.1
Botni power plant	1.1	3.8	-2.7
Vágs power plant	3.5	3.9	-0.4
Trongisvági power plant	0.0	0.0	-0.0
Sund power plant	175.1	210.6	-35.5
Strond power plant	3.6	4.6	-1.0
Small power plants	5.0	8.0	-3.0
Wind turbines, etc.	11.2	91.2	-80.0
Solar energy	3.0	3.0	0.0
PTS	9.5	4.0	+5.5
<b>Total investment, Production activities</b>	<b>214.8</b>	<b>333.4</b>	<b>-118.6</b>
Coupling stations	59.2	54.4	+4.8
Grid and other related buildings, etc.	59.9	62.0	-2.1
Administration plus buildings	20.5	30.0	-9.5
<b>Total investment, Grid activities</b>	<b>139.6</b>	<b>146.3</b>	<b>-6.7</b>
<b>Total budgeted investment</b>	<b>354.4</b>	<b>479.7</b>	<b>-125.3</b>

Relative to the Sund power plant, the investment is lower than budgeted, equalling DKK 35.5 million, as there was less investment in Station 3. The work to advance construction has progressed well.

Some DKK 80 million was not expensed for wind turbines, given the budgeted expansion of the wind farm on Suðuroy did not materialize in 2019 and was postponed until 2020. At the same time, the expansion of the wind farms in the central region of the country is delayed, and it is projected that the largest part of the expansion most probably will be carried out in 2020 and into 2021.

With regard to the coupling stations, a greater investment of some DKK 4.8 million is expected, while for the grid and other investments a lower investment of some DKK 2.1 million is anticipated.

Administration anticipates a lower level of investment equalling DKK 9.5 million because the renovation of the administration building is delayed. For 2019, the budget projected an investment in the administrative building of some DKK 20.0 million and in this connection it is anticipated that only some DKK 10.0 million will be invested this year.

Because SEV did not undertake all the projected investments, it proved unnecessary to increase the loan facilities in 2019 as planned. The gross long-term debt at year-end 2019 is expected to be DKK 1,448.1 million. In connection with the erection of the wind farms and other investment as well strengthening the liquidity of the Company, SEV has undertaken temporary financing of some DKK 500 million. It is anticipated that the Company will need DKK 350 million of this temporary financing, but, however, it is not expected that the Company will draw down all of these funds. Together with the current access to the drawing rights established in 2016 of some DKK 214.9 million, the Company has access to a line of credit and drawing rights equal to some DKK 564.9 million.

Cash-on-hand at year-end is calculated to be DKK 141.9 million, such that, with cash-on-hand, including the line of credit and drawing rights equalling DKK 564.9 million, there will be a total of DKK 706.8 million available in the coming years for investment and liquidity purposes.

#### **4. Operations, Financial and Investment Budget 2020**

##### **4.0 Attest of independent auditors**

###### **TO THE SHAREHOLDERS OF ELECTRIC UTILITY ELFELAGIÐ SEV**

Pursuant to agreement, we have reviewed the budget of Elfelagið SEV for the period 1 January to 31 December 2020, which includes the budget for operations, liquidity and financing, as well as the relevant accounting principles, terms and conditions underlying the budget and other data. The budget is the subject of Section 4 of this document.

The Board of Directors and Management have responsibility for the budget and stipulating the accounting principles, terms and conditions underpinning the budget set forth in pages 22-46. Our responsibility is to provide an opinion regarding the budget, based on our review.

###### **Review**

We have reviewed the budget consistent with international standards governing how future financial data should be reviewed, as well as the provisions of the Faroese auditing law and regulations. These require that we plan and perform the review to obtain reasonable assurance that 1) there is adequate and suitable basis for the accounting principles, terms and conditions underpinning the budget, 2) the budget is free from material misstatement, and 3) the budget is set up consistent with the ascribed to accounting principles, terms and conditions.

We have therefore reviewed the budget to determine if the accounting principles, terms and conditions ascribed to by management are documented, well-grounded and complete. We have investigated the budget to determine if it is structured consistent with the stipulated conditions and if the numbers are consistent and logical.

It is our belief that the review undertaken provides a satisfactory basis for our opinion.

###### **Opinion**

Based on a review of the evidentiary documentation supporting the stipulated accounting principles, terms and conditions, we did not discover any circumstances that would give rise to the belief that the ascribed accounting principles, terms and conditions are not a valid foundation upon which to base the budget. Furthermore, it is our opinion that the stipulated accounting principles, terms and conditions are the basis underpinning the budget, which in turn is set up in accordance with the Faroese annual accounting laws and regulations.

It is probable that the final results will differ from the budget, because anticipated events often do not occur as planned. The differences can be significant.

Tórshavn, 13 November 2019.

P/F Januar, State Authorized Public Accounting Firm

Hans Laksá, State-authorized Auditor

The discussion below analyses the fundamentals supporting the revenue assumptions for the 2020 budget.

#### 4.1 Profitability and setting the price of electricity

	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Forecast 2019	Budget 2020
Net sales	410.6	422.0	420.3	420.3	427.5	508.1	543.0
Oil expenses	141.5	86.2	50.9	84.7	105.6	145.1	160.3
Goods and services	49.8	49.9	59.3	53.9	50.4	59.8	58.6
Wages	63.6	64.3	66.5	67.4	74.2	76.2	80.3
Total expenses	254.9	200.5	176.7	206.0	230.4	281.1	299.2
Result before depreciation and write-downs	155.6	221.5	243.6	226.3	197.1	227.0	259.3
Depreciation	77.2	93.6	93.2	102.7	115.1	126.8	155.1
Result before financial adjustments	78.4	127.9	150.4	123.5	82.0	100.1	88.6
Net interest expenses and value adjustments	20.6	25.3	48.3	32.9	34.6	41.4	47.2
Result before taxes	57.8	103.1	102.1	90.6	47.3	58.8	41.5
Taxes	0	0.0	9.3	1.6	9.2	11.1	7.5
Result after taxes	57.8	103.1	92.8	88.9	38.1	47.6	34.0
Total investments	275	232	242	389	436	354	477
Total assets	1,742	1,960	2,303	2,447	2,722	2,888	3,200
Cash	132	222	335	248	191	142	108
Equity	940	1,042	1,141	1,196	1,207	1,255	1,289
Total liabilities	783	898	1,134	1,222	1,473	1,580	1,850
NIBD/EBITDA	3.6	2.8	3.1	4.2	6.2	6.0	6.9

The 2020 result is budgeted to be a profit before taxes of DKK 41.5 million, of which the EBITDA to net debt ratio is 6.9, which equates to a return on equity of 2.7%. After taxes the result is DKK 34.0 million.

The price of electricity for 2020 will increase by DKK 0.05 per kWh for all of the Company's customers, except customers in the special price schedules with a consumption greater than 30,000 kWh where the price of electricity will increase by DKK 0.10 per kWh. The fixed rate fee will remain unchanged. The support granted to industrial customers was originally provided pursuant to an agreement with the Faroese Government in 1992, wherein the price of electricity was reduced by DKK 0.35 per kWh. This reduction was based on a rate of consumption that today is considerably greater. On the other hand, SEV maintained the stipulated DKK 0.35 per kWh reduction, but began to offset the support based on the amount of kWh consumed and in 2013, 2014 and 2018 and has collected DKK 0.16 per kWh such that the support offered was DKK 0.19 per kWh. The support granted in 1992, calculated on the numbers from 2018, would be DKK 0.14 per kWh which means that SEV is still granting DKK 0.05 too much in support to industrial customers. The proposed price hike of some DKK 0.05 per kWh more than all the other customers means that no greater support is afforded the industrial customers than agreed upon by the government, corresponding to DKK 0.14 kWh, given the current rate of kWh consumption.

Over the ensuing years, it will be necessary to achieve a superlative profit such that the Company's operations can self-finance a significant portion of the investment that lies ahead. Moreover, the strengthening of operational revenue should be at such a level that the Company is able to continually meet its liabilities, even though revenue might weaken.

To achieve this goal, SEV, in addition to estimating the need to balance pricing, diligently studied its total operations and undertook evaluations of the costs and investment anticipated for the coming year. Confer section 5 regarding the ongoing projected budgets for 2019-2029.

#### **4.1.1 Overview of the efforts to improve profitability over the past few years**

SEV submitted a proposed 2012 operations, financial and investment budget to the shareholders on 5 December 2011, along with a proposal to increase the price of electricity by DKK 0.25 per kWh for 2012. The Electricity Production Commission granted permission for the Company to increase the price of electricity by DKK 0.15 per kWh, thereafter SEV submitted a new proposed 2012 budget to the shareholders on 18 December 2011, wherein the price increase was stipulated at DKK 0.15 per kWh. The Board of Directors also called for savings of some DKK 5 million over and above the proposed budget.

At the Annual General Meeting held on 19 December 2011, the shareholders approved an increase to the price of electricity of DKK 0.10 per kWh instead of the suggested DKK 0.15 per kWh and SEV proceeded to again update the 2012 budget effective 19 December 2011 consistent with the wishes of the shareholders. Moreover, SEV was directed to source income and/or devise savings amounting to DKK 5 million, such that revenue coupled with the realized savings would equal DKK 10 million for 2012.

After implementing these initiatives consistent with the 2012 budget, SEV realized a deficit of DKK 6.3 million, instead of the originally budgeted deficit of DKK 16.3 million.

SEV submitted its budget for 2013 before an Extraordinary General Meeting on 30 November 2012. In this connection, it was again observed that SEV continued to be plagued by deficits that in the long-term would be unsustainable. Therefore, it was deemed necessary to implement strong measures, including the setting of a sufficient kWh price.

SEV subsequently invested considerable time and effort in the analysis of the price schedule to determine that each individual price level was appropriate. In addition, SEV carried out a detailed cost-benefit analysis for each category of customer and for each specific customer and it was determined that the pricing structure for certain commercial customers, those in the so-called "industrial group", was inadequate.

In 2013 and 2014, the special price schedule was amended such that the customers that consumed more than 20,000 kWh would pay DKK 0.11 per kWh more in 2013. This was DKK 0.06 per kWh more than other customers had to pay under the new price increases. Other customers of SEV were levied a price increase of DKK 0.05 per kWh.

In 2014, the price of electricity was again increased by DKK 0.05 per kWh for the group of customers using more than 20,000 kWh, while no price increase was levied on other customers. The fixed base rate for this industrial group was also raised by DKK 600, while at the same time, the "lowest level" at which customers in this special price schedule could get the lowest price would be raised by 10,000 kWh from 20,000 kWh to 30,000 kWh.



The kWh price and the fixed rate fees remained unchanged in 2015 and 2016. For 2017, the price of electricity was decreased by DKK 0.05 per kWh for all customers and for 2018 the price of electricity was again lowered by DKK 0.05 per kWh for all customers, except for those industrial customers that consume more than 30,000 kWh.

In 2019, SEV increased the price of electricity by DKK 0.10 per kWh for all of its customers to compensate for the income loss stemming from the price reductions in 2017 and 2018.

In 2020, the intent is to raise the price of electricity by DKK 0.05 per kWh for all customers, except those in the special price schedule with a rate of consumption greater than 30,000 kWh, generally called “industrial customers”, where the price will be increased by DKK 0.10 per kWh.

The Table below gives an overview of the result per kWh for customers in the industrial group that have an energy consumption rate of 30,000 kWh, comparing revenue versus oil costs.

The figures for 2019 are forecast, while the figures for 2020 represent the budgeted amounts.

DKK/kWh	2011	2012	2013	2014	2015	2016	2017	2018	F2019	B2020
Sales price per kWh for industrial group	0.89	0.99	1.10	1.15	1.15	1.15	1.10	1.10	1.20	1.30
Oil cost per sold kWh produced by oil including own-use and grid-loss	0.92	1.02	0.99	1.01	0.75	0.35	0.57	0.66	0.71	0.83
Result	-0.03	-0.03	0.11	0.14	0.40	0.80	0.53	0.44	0.49	0.47

As the Table above shows, the cost of each kWh produced from oil in 2012 was DKK 1.02 per kWh. However, a customer in this group paid only DKK 0.99 per kWh (excluding VAT), meaning that SEV ran a deficit before other costs of DKK 0.03 per kWh, a deficit other customers covered.

Thus, through all the initiatives referenced above and the decline in oil prices in the middle of 2014 to the beginning of 2016, when the price of oil subsequently increased, SEV has been able to improve its profitability in this customer group, from running a deficit of DKK 0.03 per kWh in 2012 to an anticipated surplus of DKK 0.47 per kWh in 2020 before other costs. When total costs are considered, the resulting picture is as shown below. The numbers represent average costs and average sales price per kWh sold.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	F2019	B2020
Income	1.07	1.11	1.10	1.25	1.37	1.41	1.46	1.47	1.45	1.42	1.34	1.46	1.48
Expenses	1.13	1.05	1.28	1.40	1.42	1.37	1.25	1.11	1.10	1.13	1.22	1.29	1.37
Result	-0.06	0.06	-0.18	-0.15	-0.05	0.04	0.21	0.37	0.35	0.29	0.12	0.17	0.11

The 2020 budget projects that each kWh, on average, will be sold for DKK 1.48. The production cost for each kWh is budgeted to be DKK 1.37, which equates to a profit of DKK 0.11 for each kWh sold.

Here again, this is a demonstration that SEV has been able to achieve better profitability in its operations, going from having a deficit in 2010 of DKK 0.18 per kWh to having a surplus of DKK 0.11 per kWh in 2020.



SEV considers the budgeted expenses and investment planned for 2020 are necessary to ensure a secure and high-quality production of electricity.

The Price Schedule as at 1 January 2020 is shown in the Table below.

Annual usage kWh	Fixed fee per year in DKK	2010 price per kWh excl. VAT	2011 price per kWh excl. VAT	2012 price per kWh excl. VAT	2013 price per kWh excl. VAT	2014 price per kWh excl. VAT	2015 price per kWh excl. VAT	2016 price per kWh excl. VAT	2017 price per kWh excl. VAT	2018 Price per kWh excl. VAT	2019 Price per kWh excl. VAT	2020 price per kWh excl. VAT
0-10.000	480	1.21/ 1.51	1.36/ 1.70	1.46/ 1.83	1.51/ 1.89	1.51/ 1.89	1.51/ 1.89	1.51/ 1.89	1.46/ 1.83	1.41/ 1.76	1.51/ 1.89	1.56/ 1.95
10.000-100.000	1,280	1.13/ 1.41	1.28/ 1.60	1.38/ 1.73	1.43/ 1.79	1.43/ 1.79	1.43/ 1.79	1.43/ 1.79	1.38/ 1.73	1.33/ 1.66	1.43/ 1.79	1.48/ 1.85
>100.000	5,280	1.09/ 1.36	1.24/ 1.55	1.34/ 1.68	1.39/ 1.74	1.39/ 1.74	1.39/ 1.74	1.39/ 1.74	1.34/ 1.68	1.29/ 1.61	1.39/ 1.74	1.44/ 1.80

The Special Price Schedule is applicable for industrial facilities, aquaculture, agriculture, fishing industry, and certain IT services – in this report referenced as the “industrial group” or “industrial customers”.

The Special Price Schedule (in DKK) is as shown below.

Annual usage in kWh <sup>1)</sup>	Annual fixed fee	2010 price per kWh excl. VAT	2011 price per kWh excl. VAT	2012 price per kWh excl. VAT	2013 price per kWh excl. VAT	2014 price per kWh excl. VAT	2015 price per kWh excl. VAT	2016 price per kWh excl. VAT	2017 price per kWh excl. VAT	2018 price per kWh excl. VAT	2019 price per kWh excl. VAT	2020 price per kWh excl. VAT
0-10,000	480	1.21	1.36	1.46	1.51	1.51	1.51	1.51	1.46	1.41	1.51	1.56
10,000-30,000	1,280	1.13	1.28	1.38	1.43	1.43	1.43	1.43	1.38	1.33	1.43	1.48
> 30,000	9,680	0.74	0.89	0.99	1.10	1.15	1.15	1.15	1.10	1.10	1.20	1.30

1) Annual usage kWh 10,000-20,000 and greater than 20,000 through 2014. Fixed fee for customers > 30,000 increased by DKK 600 in 2015 – until 2014, the fee was DKK 9,080.

With a price increase of DKK 0.05 per kWh, a household customer with an annual usage of around 6,000 kWh pays DKK 1.56 per kWh, which corresponds to DKK 9,360, plus a base rate of DKK 480, totalling DKK 9,840 annually. In addition, VAT of 25% must be added, corresponding to DKK 2,460, which means that a private household will pay some DKK 12,300 annually or DKK 1,025 per month.

The additional cost for customers with the price increase including VAT is DKK 375 per year, or DKK 31.25 more per month.

## 4.2 Electricity sales and production

The Table below shows the growth in electricity consumption.

Year	Calculated customer electricity consumption in GWh	Increase in GWh	Increase in %
2007	256.8	15.2	6.3
2008	258.9	2.1	0.8
2009	252.0	-6.9	-2.7
2010	255.0	3.0	1.2
2011	254.8	-0.2	-0.1
2012	261.4	6.6	2.6
2013	274.4	13.0	5.0
2014	283.8	9.4	3.4
2015	288.1	4.3	1.5
2016	291.4	3.4	1.2
2017	306.5	15.1	5.2
2018	320.5	14.0	4.6
2019 Forecast	348.9	28.4	8.9
2020 Budgeted	370.6	21.6	6.2

The Table above shows an increase in average electricity consumption of 6.2% on average for 2020. This increase reflects growth in several customer groups with varying individual amounts of growth, as well as decreases in other groups. Moreover, SEV is now including the impact of the shift in energy usage in the budget, which will influence sales.

It is anticipated that there will be increased energy consumption, reflecting increased growth in production by SEV's commercial customers. SEV's private customers overall are using more and more electrical equipment, such as heat pumps, electric vehicles, flat screen TVs, and computers per individual customer. On the other hand, these particular customers are more and more conscious of ways to conserve electricity, e.g., using LED bulbs, which are much more energy efficient than regular light bulbs. In addition, SEV's private customers are now purchasing electrical equipment that is designed to use less energy than older equipment.

SEV believes that its private customers will use 1% more electricity in 2020. Other customer groups are expected to use between 1% and 2% more electricity. However, it is anticipated that there will be a major increase in electricity consumption among SEV's fish farming customers and it is projected that there will be an increase of upwards of 16% within the industrial group "agriculture, fish farming, fishing industry and raw materials industry".

The Table below shows SEV sales of GWh within the various customer groups from 2005 to 2018 (booked amounts), while the data for 2019-2021 is forecast (F), budgeted (B) and projected (P).

	Agriculture, aquaculture, fishing industry, natural resources industry	Manufacturing, production and construction	Retail stores, restaurants, hotels	Transport, postal services, communications	Financial services, insurance, other business services	Public / private sector services, churches and other religious organizations, etc.	Street lighting	Homes, apts, summer homes and boat-houses	Electric vehicles and heat pumps <sup>1)</sup>	Calculated totals
2005	15.8	51.1	19.1	18.7	3.8	32.0	6.1	74.9	0	221.6
2006	19.3	53.8	21.0	21.8	3.9	34.1	5.6	75.6	0	234.9
2007	22.1	54.7	21.7	23.3	4.0	35.2	6.8	77.6	0	245.4
2008	23.1	53.8	22.9	25.1	4.2	36.2	7.0	81.5	0	253.9
2009	25.8	52.0	22.6	24.4	4.5	35.6	6.7	80.5	0	251.9
2010	25.9	48.9	22.5	28.7	4.2	36.5	6.8	81.3	0	255.0
2011	26.4	44.5	22.4	31.8	4.2	36.8	7.3	81.4	0	254.8
2012	29.4	52.5	21.6	34.7	3.9	36.6	6.9	75.7	0	261.4
2013	29.2	69.3	22.7	25.1	4.0	37.7	7.4	78.9	0	274.4
2014	31.1	76.1	24.7	25.7	4.0	37.3	7.0	78.0	0	283.8
2015	36.6	76.5	23.1	24.9	3.9	37.9	7.1	78.0	0	288.1
2016	37.9	73.9	24.4	25.6	3.9	40.5	7.0	78.1	0	291.4
2017	42.1	85.5	24.4	24.3	3.3	41.5	6.7	78.2	0	306.5
2018	56.8	82.2	24.9	24.3	3.7	42.1	6.6	79.9	0	320.5
2019F	71.0	90.4	24.9	24.7	3.8	43.8	6.5	82.8	1.0	348.9
2020B	82.4	91.3	25.4	25.2	3.9	44.2	6.5	83.6	8.0	370.6
2021P	83.2	92.2	25.9	25.7	4.0	45.1	6.5	84.4	16.0	383.1
2022P	84.1	93.1	26.5	26.2	4.1	46.0	6.6	85.3	22.4	394.2

1) Through the years, SEV has sold electricity for heat pumps, but these sales were not shown specifically in the Tables in previous years, but only from 2018 will these sales be calculated consistent with the changes in energy consumption.

The Table below shows the trend in electricity production in GWh and percentages from 2009-2018, for which the data are confirmed, while the figures for 2019 are forecast (F) and for 2020 they are budget projections (B).

Production in GWh	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	P2019	B2020
Total	275.5	280.3	273.8	291.6	292.5	305.4	314.4	317.4	334.4	352.0	380.4	404.1
Thermal	168.1	199.3	166.8	181.0	180.1	150.2	125.5	158.9	163.4	180.1	221.8	209.7
Hydro	92.4	67.4	92.5	99.8	90.6	120.7	133.1	106.3	111.2	108.1	105.0	117.0
Wind	15.0	13.6	14.5	10.8	21.8	34.5	55.8	52.1	59.7	63.8	53.7	77.2
Solar												0.2
Black energy	168.1	199.3	166.8	181.0	180.1	150.2	125.5	158.9	163.4	180.1	221.8	209.7
Green energy	107.4	81.0	107.0	110.6	112.4	155.2	188.9	158.4	170.9	171.9	158.7	194.2

Production in %	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	P2019	B2020
Thermal	61.1	71.1	60.9	62.1	61.6	49.2	39.9	50.1	48.9	51.2	58.3	51.9
Hydro	33.5	24.1	33.8	34.2	31.0	39.5	42.3	33.5	33.3	30.7	27.6	29.0
Wind	5.4	4.9	5.3	3.7	7.4	11.3	17.8	16.4	17.8	18.1	14.1	19.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Black energy	61.1	71.0	60.9	62.1	61.6	49.2	39.9	50.1	48.9	51.2	58.3	51.9
Green energy	38.9	29.0	39.1	37.9	38.4	50.8	60.1	49.9	51.1	48.8	41.7	48.1

Production from renewable energy resources is estimated to be 194.4 GWh in 2020, corresponding to 48.1% of total production. Thermal production for 2020 is budgeted to be 209.7 GWh, equalling 51.9% of total production.

### 4.3 Wind energy purchase from Sp/f Vindrøkt and SEV subsidiaries

Pursuant to a purchase agreement<sup>1</sup> with Sp/F Vindrøkt based in Vestmanna, SEV purchases around 6.7 million kWh of electricity produced from wind energy for 0.40 DKK per kWh. This corresponds to an expense of DKK 2.7 million, which is reflected in the 2020 budget.

In addition, SEV intends to purchase wind energy from the two subsidiaries that operate the wind farms at Neshagi and Húsahagi. From the Neshagi subsidiary, SEV intends to purchase 15.0 GWh, corresponding to an energy purchase of DKK 6.7 million, or DKK 0.40 per kWh for the two wind turbines at Vørðuni and DKK 0.448 per kWh (including the approved price increase of 1% per annum) for the three wind turbines on Eystnes.

It is anticipated that in 2020 SEV will pay around DKK 0.342 per kWh (including the approved price increase of 1% per annum) for 41.4 GWh from the Húsahagi wind farm, corresponding to a total cost of some DKK 14.0 million. It is further anticipated that the entire guaranteed purchase of wind power will not be realized in 2020. This eventuality is incorporated into production projections. Energy purchases from the Húsahagi and Neshagi wind farms are not incorporated into the financial budget because at present the 2020 budget reflects a consolidated concern budget.

### 4.4 Total revenue

Customer segment DKK millions	Forecast sales 2019	Forecast fixed fee 2019	Forecast total = (1)	Budgeted sales 2020	Budgeted fixed fee 2020	Budgeted total = (2)	Difference = (2-1)
Farming, fish farming, fish processing and raw materials	85.4	1.1	86.5	107.1	1.1	108.2	21.7
Manufacturing, production and construction	113.0	1.8	114.8	122.7	1.8	124.5	9.7
Commerce, restaurant and hotels	35.2	0.8	36.0	37.2	0.8	38.0	2.0
Transport, postal and communication	33.3	0.7	34.0	35.6	0.7	36.3	2.3
Finance, insurance and other commercial services	5.2	0.1	5.3	5.6	0.1	5.7	0.4
Public and private services, religious groups	62.0	1.6	63.6	64.8	1.6	66.4	2.8
Streetlights	9.4	0.4	9.6	9.7	0.4	10.1	0.5
Private homes, apartments, summer- and boathouses	124.0	10.8	134.8	129.4	10.8	140.2	5.4
New heat pumps	1.1	0.1	1.2	5.8	0.1	5.9	4.7
Electric vehicles	0	0	0	5.8	0.0	5.8	5.8
<b>Total</b>	<b>468.4</b>	<b>17.4</b>	<b>485.5</b>	<b>523.5</b>	<b>17.4</b>	<b>540.9</b>	<b>55.4</b>

<sup>1</sup> The agreement terminated on 1 September 2013 and as yet the agreement has not been renewed. However, negotiations are proceeding between S/pf Vindrøkt and SEV and the parties agreed upon the possibility to extend the agreement forward to 1 September 2019. This time-period has now run and no conclusion or agreement has been reached with S/Pf Vindrøkt. Work continues with the goal to put in place an agreement.

The Table above shows that the Company will experience an increase in revenue in 2020 of DKK 55.4 million from kWh sales and fixed-fee charges, corresponding to a total revenue from kWh sales and fixed-fees of DKK 540.9 million. Also included in the overview are revenue projections for new heat pumps and electric vehicles, which have been especially highlighted in the Table to add clarity in the budget.

In addition, the Company will derive revenue from its connection fees and other services amounting to DKK 7.0 million, thus yielding a total annual revenue of DKK 547.9 million, compared to the forecast revenue of DKK 510.2 million for 2019. This means that SEV will earn DKK 37.7 million more in revenue than projected for 2019.

#### **4.5 Operational expenses**

Expenses are subdivided among grid-related activities, production activities and administration.

Total expenses encompass oil costs, purchase of wind energy, operational costs, depreciation and interest. Operational costs of the Company are divided between goods and services and wages for employees.

Administrative expenses in the main relate to grid activities, but often there are joint expenses a portion of which is ascribed to production.

##### **4.5.1 Hedging strategy for oil, currency and interest**

Especially over the last few years, SEV has undertaken major investment in its production facilities and the grid, and SEV intends to continue making such investments.

Based on all the investment either undertaken or planned by SEV, it is apparent that SEV to a certain extent is a project-based company and thus of necessity thinks long-term and builds its budgets accordingly. This means that it is critical to remain abreast of key costs, such as oil futures, currency exchange and interest rates.

The price hedging strategy of SEV is based on the determination that it is critical for the Company to successfully hold to its budgets over the coming years. The purpose of hedging the Company's oil purchases or a portion thereof is to mitigate the swings in future oil prices in US dollars, compared to the projected purchase requirements, as well as to adjust operations if a major increase should occur.

The potential for SEV to cover any increases in costs by adjusting the price of electricity or other fees either partially or completely is limited, and thus the possibility of experiencing a deficit or an unsatisfactory operational result is only acceptable for a given time-period. Ultimately, the pricing levels are a decision of the shareholders of SEV and thus there is a political overlay. Pricing is also subject to the final approval of the Electricity Production Commission. At the same time, the financing of increased operational costs through loan liquidity is only a short-term solution and limits the potential for budgeted investment when extra financing is used instead to cover increased costs.

As part of SEV's loan applications, the various financial institutions look closely at the key financial figures of the Company for the most critical areas and the requirements set by these institutions

regarding these key data are rigorous and fixed. To obtain competitive financing, it is thus absolutely essential for SEV to meet or exceed the requirements of the financial institutions to insure against the most crucial risks relative to cost increases and SEV as well considers this to be a prudent business practice. When SEV ventures out into the loan market to obtain financing, SEV is compared to other similar companies and thus must compete against these other companies to gain the attention and interest of the financial institutions and, in the end, obtain the best financing possible.

SEV is an interesting customer to which to provide financing, and, according to SEV's financial advisors, is considered an "investment grade" customer. This designation affords SEV the opportunity to gain favourable financing on many levels.

If SEV is to maintain this investment grade "rating", it is critical to maintain consistent operations that yield a satisfactory surplus such that SEV's key financial figures are equal to the companies with which it competes for financing. Confer also the discussion of investment rating under Section 6.

Therefore, SEV, together with Skandinaviska Enskilda Banken AB (SEB), which is SEV's advisor in the area of financing and hedging, designed a hedging strategy for oil, currency and interest. This hedging strategy is incorporated into the loan agreements that SEV has executed. At the same time, in collaboration with its advisors at the insurance broker Sp/f Íti (formerly Willis Føroyar), SEV has worked diligently to cover its insurance risks.

One factor impacting the investment budgets over the course of the next several years is that the current oil and currency hedging strategy was enhanced in 2015 to cover an additional four years beyond the current year.

The price levels are not in themselves definitive relative to hedging, which is designed to ensure steady operations.

#### 4.5.2 Strategy for insuring against oil price and currency risks

As referenced above, SEV has taken affirmative steps to minimize its oil price and currency risks consistent with the terms set forth in the Table below.

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

This means that insurance coverage is taken out in year "1" for a specific fiscal year. In year "2", this insurance coverage is increased to extend coverage for a total of five years. This framework secures a stepwise underwriting of insurance at a level that extends insurance coverage at a cost-averaged price level over the relevant time-period. SEV itself selects the type of insurance framework that is most advantageous to SEV to insure against fluctuations in the price of oil, e.g., fixed-price, top-price, top-bottom price, etc.

At the same time, as insurance coverage is put into place relative to the price of oil, SEV also enters into dollar futures contracts to secure the funds for a specific time period to be used for oil purchases to insure against currency fluctuation risks on the dollar market.

### 4.5.3 Strategy for insuring against interest rate risk

Pursuant to the Company's previously discussed interest-rate policy and agreements with its loan providers, SEV has secured its current long-term debt at a fixed rate of interest at terms longer than 12 months. At the same time, the repayment period for fixed-rate interest loans is between 5 and 10 years. This was done to ensure that SEV could cover its interest-rate risk of between 80 and 100% of its debt at any particular time. The debt could carry either an agreed upon fixed-rate of interest or a variable rate of interest that would be covered by an agreement to shift from a variable rate of interest to a fixed rate of interest (known as interest-rate SWAPS)

This strategy requires that the debt with fixed interest shall be maintained at such a level that, if the fixed-rate portion of the debt falls under 80% or increases to over 100% of total debt, an adjustment is made consistent with the interest rate swap agreements, where the goal is to maintain the fixed-rate portion of total debt at 90%. This means that some interest rate swaps could expire, e.g., to avoid having a portion of the debt larger than 100% protected against interest rate fluctuations. In turn, this means that the value of the interest rate swap will increase.

A positive value lowers the financial needs of the Company, while a negative value increases SEV's financial requirements. The net balance of the interest rate swaps shall be booked under Company equity. SEV continually strives to balance its interest rate swaps over time, wherein the goal is to have on average a fixed rate of interest stipulated for terms between 5 and 10 years.

### 4.5.4 Oil expenses

Over the past several years, SEV has had very significant expenses related to the purchase of oil and the 2019 budget estimated a cost of DKK 2,818 per tonne of oil<sup>2</sup>. The forecast for 2019 calculates a price per tonne of heavy oil, including lubricating and gasoil, of DKK 2,993, which is DKK 175 more per tonne than budgeted.

The Table below shows heavy oil consumption in tonnes for 2014-2018. Also shown is the amount budgeted for 2019, the consumption forecast for 2019, and the amount budgeted for 2020.

	2014	2015	2016	2017	2018	2019 Budget	2019 Projected	2020 Budget
Tonnes	30,880	25,738	32,195	32,631	35,976	41,088	46,575	44,042

SEV expects to use 44,042 tonnes of heavy oil in 2020, compared to a forecast of 46,575 tonnes in 2019 or 2,533 tonnes less. Gasoil and lubricating oil are in addition. The reason is that the budget anticipates an average year relative to electricity production from hydropower, while at the same time electricity production from wind is expected to increase in 2020.

The oil expense forecast for 2019 is estimated to be DKK 145.1 million, and the oil expenditure for 2020 is budgeted to be DKK 160.3 million, which is much higher. Any potential adjustment

<sup>2</sup> Including lubricating oil and gasoil.



relative to the oil storage inventory at year-end 2020 is not included while an adjustment is included for 2019. The 2020 budget does not address pricing adjustments for the oil storage inventory.

The oil market is now facing the new IMO2020 standards and the introduction of the new 0.5% restriction on sulphur worldwide. SEV, as well as the shipping industry which uses heavy oil as its fuel source, is now confronting a global challenge that is very severe, especially regarding heavy oil. It has been estimated that this is the most significant challenge that the shipping industry has experienced in a very, very long time relative to fuel oil.

This will have vast consequences for the entire oil market. HSFO (high sulphur fuel oil) will be markedly cheaper because of low demand, while the demand for low-sulphur fuel oil and distillates (e.g., marine gasoil (MGO) / gasoil) will increase as a direct consequence of the new IMO2020 standard for low-sulphur content in oil. The market at present is very unsure about the real impact of the new standard in 2020 and it is difficult to evaluate these new circumstances. The fuel oil that SEV uses today is 1% low-sulphur fuel oil (LSFO).

It is anticipated that this product to some extent will be impacted by challenges brought about by the new IMO2020 standards and will be used as a blending oil for 0.5% bunker oil and it is expected that the price of maximum 1% sulphur LSFO will increase due to increased demand for this type of fuel oil. How much the price will increase in 2020 is difficult to predict at the present writing. Even now, however, we note that the price is increasing in the 4<sup>th</sup> quarter.

SEV has petitioned the environmental authorities for an exemption in 2020 to continue to use the same fuel oil that SEV has used in previous years, that is, oil with 1% sulphur content. At the same time, the 2020 budget is based on the price of oil with 1% sulphur content.

With regard to that portion of SEV's oil purchases not governed by its hedging strategy, SEV relies on the average oil price projected in the Forward Curve for the spot price of heavy oil as at 4 November 2019, which on average is USD 380 for 2020. Moreover, the dollar exchange rate was stipulated at DKK 6.59 (DKK 659.00). In addition to these costs is added the payment to the oil provider, import duties and other fees. This forms the basis for oil expenses in the budget.

Naturally, if the trend in oil prices or the exchange rate for the dollar differs substantially from the values estimated for the budget, such fluctuations will have a major impact on the operational budget. Price adjustments are incorporated.

#### **4.5.5 Goods and services**

The total budgeted cost for goods and services for 2020 is estimated to be DKK 58.6 million, compared to a budgeted amount in 2019 of DKK 54.8 million, which equates to an increase of DKK 3.8 million.

The forecast cost for goods and services for 2019 is DKK 59.8 million, compared to a budgeted DKK 54.8 million, reflecting an increase of DKK 5.1 million.

##### **4.5.5.1 Production activities**

The Table below shows the cost trend for goods and services for production activities over the past several years in DKK million. The figures for the years 2014-2018 have been verified and are accurate.



2014	2015	2016	2017	2018	2019 Budget	2019 Forecast	2020 Budget
21.139	21.280	28.210	25.046	22.356	21.550	28.726	25.728

The cost for 2020 is budgeted to be DKK 25.7 million, compared to DKK 21.6 million budgeted for 2019, which is higher than the previous year. Forecast expenses for 2019 are estimated to be DKK 28.7 million, compared to the budgeted amount for 2019 of DKK 21.6 million, or DKK 7.2 million more. A portion of this increased cost stems from the production plants at Sund and Vågs, because there were difficulties with the delivery of the wrong heavy oil, and this resulted in substantial extra work to resolve the problem.

The goal of the Company is to hold down expenses, but it must undertake the necessary maintenance to ensure secure operations. Substantial costs were related to the delivery of the wrong heavy oil last summer.

#### 4.5.5.2 Grid-related activities

The Table below shows the cost trend for goods and services for grid-related activities over the past several years in DKK million. The figures for years 2014-2018 have been verified and are accurate.

2014	2015	2016	2017	2018	2019 Budget	2019 Forecast	2020 Budget
11.870	11.815	12.439	10.403	9.927	12.000	9.710	11.642

From 2014 through 2019, the costs have been around DKK 11-12 million annually. Costs for goods and services for grid-related activities is budgeted at DKK 11.6 million for 2020, compared to DKK 12.0 million budgeted for 2019, with is DKK 0.4 million less.

The forecast cost for 2019 is estimated to be DKK 9.7 million, compared to the budgeted amount of DKK 12.0 million or DKK 2.3 million less. The grid division has also worked hard to hold down expenses to ensure a satisfactory result in 2019.

The costs associated with the inspection department of the installation division, which is a responsibility of SEV pursuant to a directive of the Electricity Production Commission and the Ministry of Industry, are estimated to be DKK 0.5 million.

#### 4.5.5.3 Administration

The Table below shows the cost trend for goods and services for administration over the past several years in DKK million. The figures for the years 2014-2018 have been verified and are accurate.

2014	2015	2016	2017	2018	2019 Budget	2018 Forecast	2020 Budget
16.824	16.840	18.622	18.452	18.108	21.205	21.393	21.265

The Table above shows costs for administration, including the cost for research studies, consultancy work and the write-off of creditor debt, etc. Expenses for 2020 are budgeted to be DKK 21.3 million, which is about the same level as in 2019.

For 2020, the intent is to continue work on a variety of projects, as well as new endeavours that may present themselves. Certain projects that can be named are R&D projects, research into ancillary power services, research into new pricing schedules, legal costs, accounting work and audits, communications, stipulation of new customer terms and conditions, and satisfaction surveys. At the same time, money is set aside to strengthen SEV's identity and the new website.

Costs related to research and advisory consultancy services are estimated to be around DKK 10.7 million. Bank charges and the costs related to processing accounts receivable via the payment system are estimated to be DKK 1.5 million.

Additional administrative costs include, among others, insurance for DKK 3.1 million; telephone and advertising, DKK 1.4 million; Municipal Employers Association, DKK 0.5 million; bad debt of some DKK 1.0 million; cleaning of the headquarters building, DKK 0.5 million; Electricity Production Commission, DKK 2.0 million; office-related expenses, DKK 1.3 million. The cost for computer and related software subscriptions/licenses is estimated to be DKK 4.7 million.

Management training shall continue in 2020 and in this regard some DKK 0.1 million is set aside for continuing education of the Company's management team; cafeteria related expenses, DKK 1.1 million; as well as other employee expenses estimated at DKK 0.8 million in connection with development training, courses, schooling and travel.

#### 4.5.6 Wage expenses

The Table below shows the trend in total wage expenses over the past several years in DKK million. The figures for years 2014-2018 have been verified and are accurate.

2014	2015	2016	2017	2018	2019 Budget	2019 Forecast	2020 Budget
63.644	64.338	66.466	67.380	74.201	75.896	76.187	80.295

Total wage expense in 2020 is budgeted to be DKK 80.3 million, compared to a budgeted DKK 75.9 million for 2019, reflecting an increase of DKK 4.4 million.

The budget for 2020 took into consideration that a part of the wage expense would be related to investment work, because SEV assumed responsibility for a portion of the work on the various investments. For 2020, DKK 8.5 million is set aside for investment work. Thus, total wage expenses for the Company in 2020 is budgeted at DKK 88.8 million, compared to a budgeted DKK 84.9 million in 2019 or DKK 3.9 million higher.

The budgeted growth stems from the increases stipulated in the wage agreements, reassignments, on-call fees, the hiring of new employees and overtime compensation.

The Table below shows total wage expense for SEV for the past several years. Also shown are the adjustments to employee pensions governed by public civil service pension agreements and the wage expenses related to investment.

	2014	2015	2016	2017	2018	2019 Budget	2019 Forecast	2020 Budget
<b>Total operational wages</b>	63.644	64.338	66.466	67.380	74.201	75.896	76.187	<b>80.295</b>
<b>Pension adjustments</b>	-1.139	671	244	1.362	288	0	0	<b>0</b>
<b>Including adjustments</b>	62.505	65.009	66.710	68.742	74.489	75.896	76.187	<b>80.295</b>
<b>Investment related</b>	4.990	6.083	8.065	6.727	7.436	9.000	9.000	<b>8.500</b>
<b>Total wages</b>	67.495	71.092	74.775	75.469	81.925	84.896	85.187	<b>88.795</b>
<b>Wage growth in %</b>	5.1	5.3	5.2	0.9	8.6	6.3	4.1	<b>4.2</b>
<b>No. of full-time equivalent employees</b>	160	161	162	167	172	176	175	<b>177</b>

- 1) The growth between the 2019 budget and 2020 is DKK 3.9 million, or 4.6%. If compared to the projections, the growth is DKK 3.6 million, or 4.2%.

SEV complies with the public wage agreements for the various union work groups relevant to SEV. An increase in the number of employees in certain specific areas is anticipated for 2020, costs related to employee reassignments, internal security system, overtime, as well as an increase in wages as a result of future wage negotiations by the various unions.

The Table below shows total operational wage expense subdivided into production, grid-related activities and administration for the past several years. The figures for 2014-2018 are realised figures.

	2014	2015	2016	2017	2018	2019 Budget	2019 Forecast	2020 Budget
<b>Production</b>	30.881	32.022	33.647	33.776	36.700	32.796	36.758	<b>34.638</b>
<b>Grid</b>	19.876	21.109	20.714	21.040	23.500	27.988	24.149	<b>29.590</b>
<b>Administration</b>	12.887	11.205	12.009	12.444	14.002	15.112	15.278	<b>16.065</b>
<b>Totals</b>	63.644	64.338	66.466	67.380	74.201	75.896	76.187	<b>80.295</b>

The Table above shows that wage expenses have grown from 2014 through and including 2018. Wages capitalized as investment work are included.

Over the last 2-3 years, the Company has employed a number of additional people in all areas to meet the manpower needs required of the many and diverse projects that the Company is engaged in at present.

Wage expenses related to inspection of electric installation, the responsibility for which SEV has taken pursuant to directives from the Electricity Production Commission/Ministry of Industry, is

budgeted at DKK 3.0 million. Together with the costs of equipment, the total cost for this task is estimated to be around DKK 3.5 million.

In connection with the compensation paid to the Board of Directors, it should be noted that the Board Chairman will receive a fixed compensation of DKK 12,612 per month; the Vice Chairman, DKK 9,459; while general board members receive DKK 6,306 per month. This is the same as the previous year.

In addition, the board members receive a meeting compensation that corresponds to the rate stipulated in the civil servants' wage agreement. This compensation is between DKK 589 and DKK 1,767 per meeting, depending on the length of the meeting.

Board members are reimbursed their travel expenses as well.

In the event that board members sit on other governing boards of SEV, e.g. subsidiary companies of SEV or the buildings committee or the like, they shall receive extra compensation, depending on the scope of work involved. However, there is no additional compensation provided for board work relative to the wind farm subsidiaries.

Total compensation paid to the Board of Directors for 2019 is forecast to be DKK 1.1 million. Generally, the Board has a regular meeting once a month, plus extra board meetings, meetings with the municipalities, annual general meetings and other meetings with shareholders, government authorities, etc. For 2020, Board compensation and related costs are budgeted at DKK 1.1 million. In addition are reimbursements for travel expenses.

#### **4.5.7 Depreciation**

Depreciation is budgeted at DKK 155.1 million for 2020, compared to a forecast DKK 126.8 million for 2019, and is based on current fixed assets and anticipated acquisition and disposal of assets. This reflects an increase of DKK 28.8 million, compared to that forecast for 2019. The reason for this growth is linked to the completion of the new Station 3 at the Sund power plant that came online and thus was taken into the depreciation account.

The distribution of depreciation from year to year can change somewhat, depending on when the asset was taken into use. This reflects a balancing between actual acquisitions and works in progress. However, the Company's depreciation expense will continue to grow over the course of the next few years, because major infrastructure investments will be undertaken and booked, and this will, in turn, increase the depreciation expense.

The budgeted depreciation for 2020 and onward is based in the main on the depreciation principles stipulated by the Electricity Production Commission. In the budget, production-related assets are, on average, depreciated over 25 years and buildings over 50 years. Investment in the grid is depreciated on average over 35 years, while investment in operating equipment is depreciated on average over five years. Investment designed to extend the lifespan of an asset is depreciated over the extended useful life of the asset.

#### **4.5.8 Interest and balancing of equity**

There is no adjustment for a capital infusion into the subsidiaries budgeted for 2020, because the budget remains a consolidated concern budget. Estimated interest expense is based on current loan facility agreements.

For 2020, net interest expense is budgeted to be DKK 47.2 million. Net interest expense for 2019 is forecast to be DKK 41.4 million. The 2020 budget and onward anticipates an interest rate equalling 2.0% and 2.6%, depending on the type of loan facility. When the current interest-rate SWAPs, which are based on a decrease of some 0.2%, are considered, the average interest rate is 2.2%. This is a fixed rate.

Increased interest expense over the past few years stems from an increase in the loan facilities taken out by SEV for investment and operations. In 2008, interest expense was DKK 3.5 million, consistent with long-term debt of DKK 105.8 million held at year-end 2008. At year-end 2019, the gross long-term debt is forecast to be DKK 1,448 million.

For 2020, an increase in loan facilities of DKK 270 million is budgeted. The gross long-term debt at year-end 2020 is, therefore, budgeted to be DKK 1,718 million.

The interest expense for liquidity is set at DKK 0.0 million, because, at present, interest is negative, i.e., it costs to have liquid funds sitting in a bank account.

#### **4.5.9 Taxes on result and deferred taxes**

The intent is to incorporate taxes on the result in the 2020 budget and onward. The 2020 budget calculates that deferred taxes will equal 18% of the annual result. This tax will not be paid but will be set aside as a debt obligation of the Company and booked under reserves as set-aside deferred taxes.

This debt at the beginning of the year was DKK 36.6 million and the set-aside will grow when the deferred taxes for 2020 are calculated such that the debt at year-end 2020 will be DKK 43.7 million. Going forward, taxes will be incorporated into the budget of the Company.

Deferred taxes do not impact the liquidity of the Company before these taxes become due and payable. The Company does not expect to have to pay tax on the annual result in the coming years based on the fact that the Company holds a sizable taxable deficit against which it can subtract its annual taxable income.

#### **4.6 Investment**

Investment for 2020 is forecast to be DKK 476.8 million. The Table below also shows the audited amounts for 2014 through 2018, as well as the forecast (F) and budgeted (B) amounts for 2019 and budgeted for 2020. The investment for 2020 will be distributed as shown on the Table below.

Investment DKK million	2020B	2019F	2019B	2018	2017	2016	2015	2014
Fossá power plant	2.2	1.0	1.0	0.4	3.4	0.6	4.3	16.2
Heyga power plant	2.0	0.7	3.0	0.1	0.4	0.2	0.1	0.5
Mýra power plant	0.7	0.8	0.8	1.8	0.7	3.5	5.5	0.9
Eiði power plant	1.3	0.5	1.6	2.6	3.0	1.5	2.4	6.5
Botni power plant	1.0	1.1	3.8	4.7	1.6	0.3	0.6	0.3
Vágs power plant	3.3	3.5	3.9	6.7	13.2	34.1	68.0	15.4
Trongisvági power plant	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.4
Sund power plant	81.4	175.1	210.6	255.3	233.5	97.4	41.2	36.9
Strond power plant	3.9	3.6	4.6	5.4	8.2	2.3	0.5	4.8
Small power plants	8.0	5.0	8.0	2.9	3.7	4.1	1.1	0.4
Wind turbines/pumping stations	135.7	11.2	91.2	2.2	0.7	-0.2	-2.0	91.5
Solar	0.0	3.0	3.0					
PTS (Energy Production Tracking System)	18.9	9.5	4.0					
<b>Total production investment</b>	<b>258.3</b>	<b>214.8</b>	<b>333.4</b>	<b>282.2</b>	<b>268.5</b>	<b>143.9</b>	<b>121.7</b>	<b>178.8</b>
Coupling stations	85.0	59.2	54.4					
Grid and other related equipment, etc.	126.6	59.9	62.0	138.6	110.0	92.4	95.8	89.0
Administration with buildings	41.7	20.5	30.0	15.1	10.0	5.4	14.6	7.4
<b>Total grid-related investment</b>	<b>218.5</b>	<b>139.6</b>	<b>146.3</b>	<b>153.7</b>	<b>120.0</b>	<b>97.8</b>	<b>110.4</b>	<b>96.4</b>
<b>Total budgeted investment</b>	<b>476.8</b>	<b>354.4</b>	<b>479.7</b>	<b>436.0</b>	<b>388.5</b>	<b>241.7</b>	<b>232.1</b>	<b>275.2</b>
Budgeted 2014-2019			479.7	554.7	728.1	377.4	407.5	375.9
Investment slack			-125.3	-118.7	-339.6	-135.7	-175.4	-100.7

The Fossá power plant was extensively upgraded over the last several years and in 2020 the upgrading of the sluice gate will be carried out for DKK 1.0. Moreover, various electrical work will be carried out for a total of DKK 0.6 million. Other investment is budgeted at DKK 0.6 million. The total investment in the Fossá power plant over the last few years ensures that the power plant will be like new.

The Heyga power plant was also upgraded over the last few years for a considerable investment and only some few small investments were undertaken in 2019. For 2020, the plan is to upgrade the sluice gate for DKK 1.0 million. Other small investments for a total of DKK 1.0 million are budgeted such that the total investment at the power plant will be DKK 2.0 million.

At the Mýra power plant various small investments were made in 2019 totalling DKK 0.8 million. Several additional small investments will be made in 2020 for DKK 0.7 million.

The Eiði power plant with its associated tunnels is finished and fully operational. The new turbines at the Eiði power plant entered into service in the summer of 2012; the upgrading of Turbines 1 and 2 was carried out in 2012 and 2013 as well. Thus, the power plant has a brand-new turbine as well as two upgraded turbines that meet today's standards. The power plant today is essentially a brand-new facility.

In 2019, only small investments were made for DKK 0.5 million. For 2020, the intent is to invest in new fire prevention fixtures for a cost of DKK 0.4 million, as well as pipe valves for DKK 0.3 million. Other small investments will be carried out for DKK 0.6 million.

A study on the feasibility of a pumping system at the Botni power plant was initiated. In 2019, some DKK 0.4 million was expensed. The feasibility study will continue in 2020 as part of the research being conducted in the central region.

Moreover, work was initiated to expand the run-off sluices to the Vatnsnes reservoir for DKK 0.5 million. It is anticipated that no investment will be made in this regard during 2020, but it is expected that work will continue in 2021. It is anticipated that other investment will equal some DKK 1.0 million in 2020.

The Vágs power plant was expanded to include an additional motor, and the facility itself was enhanced to include several workrooms. The total investment equalled some DKK 100 million. Work got underway in 2014 and continued until 2016 with the facility coming online in September 2016. In 2019, a survey was conducted of the large oil storage tank for DKK 1.6 million. At the same time, a new administrative office and meeting room was completed in the existing building for DKK 0.4 million. Maintenance on Motor 4 was carried out for DKK 0.8 million. Other small investments were made for DKK 1.1 million. In 2020, the plan is to invest DKK 3.3 million, of which the largest investment, among others, will be in a new accident prevention system for DKK 0.3 million, maintenance on Motor 3 for DKK 0.5 million, and spare parts for Motor 4 for DKK 0.5 million.

In 2014, two new transformers were installed at the Trongisvágs power plant and the interior of the plant was renovated. This work was completed in 2015. In 2016, work got underway to remove the old motor and get the facility ready for a new coupling station. This work is completed, thus, the station facility at Trongisvágs will in future be considered an asset of the grid division.

The total investment in the Sund power plant was forecast to be DKK 175.1 million in 2019 and DKK 81.4 million in 2020.

The expansion of the Sund power plant, Station 3, was finally approved at the Extraordinary General Meeting held on 30 September 2016. The expansion of the Sund power plant with the new Station 3 is proceeding well. Preliminary testing and start-up procedures were carried out in September 2019. The piping system was examined and was found sufficient to the purpose. Efforts continue to prepare for the power-up of the electrical system and to bring online the new motors. Depending on how these preparations go, it is expected to be initiated in the first half of November 2019.

The date for the coming online of the new Station 3 was some six months behind schedule. The reason for this stems from the fact that the ground preparatory work proved more difficult than projected. This resulted in that new permitting needed to be acquired. At the same time, it took time to organize the project relative to the mechanical installations and the building. Thus, the work was initiated later than projected. The work to erect the Station 3 building has gone well, as well as the coupling station which is being erected next to Station 3 to receive the electricity production of Station 3 and transfer it further into the grid.

When initially proposed, the construction time was estimated to take some 31 months from the time the preparatory groundwork began, including the preliminary testing and start-up. Given the situation now, this timeframe appears to be workable. After Station 3 comes online,



there will be trial period of three months at which point Station 3 will be turned over to SEV, sometime around April 2020.

A total of DKK 477.3 million was expensed from the beginning of the project through 2018. In 2019, an additional investment of DKK 150.4 million was forecast, such that at year-end 2019 the projected cost is DKK 627.7 million for Station 3. In 2020, DKK 63.4 million is budgeted, such that the total cost of Station 3 will be DKK 690 million, which is equal to the projected cost of the Station 3 project. In addition, comes the investment in the coupling station for Station 3 for DKK 58.9 million. Thus, an investment of DKK 750 million will be made in the new power plant. In addition, some DKK 50 million was also approved at the Extraordinary General Meeting for a total authorization of DKK 800 million.

Construction of a new oil storage tank yard and a new day tank facility has been underway since 2012. This project is now concluded, and the facilities formally entered service on 8 November 2018. SEV believes that it gained considerably from the project and that the tank yard and day-tank facility will prove very beneficial for the entire Sund power plant.

A new back-up system of some 8 MW was purchased for DKK 17 million and at present this is set up at the Sund power plant.

For 2019, the plan was to initiate several small projects at the Sund power plant for a total of DKK 7.7 million, which includes an electric boiler for DKK 8.5 million, of which DKK 1.5 million was budgeted for 2019, new piping to the well for DKK 1.0 million, storage tank inspection and relocation of piping for a total of DKK 1.0 million, disassembly of the old day tank and piping for DKK 1.0 million and DKK 1.0 million shall be used for the purchase of cylinder heads for the M4 motor.

In 2020, other investment in Station 3 is planned equalling DKK 17.0 million. This investment includes an electric boiler for DKK 7.0 million, maintenance on Motor 2 for DKK 3.0 million and other small investments totalling DKK 7.0 million

The work to update the Strond power plant continued throughout 2019 and will continue in 2020. The investment in the power plant in 2019 is expected to be DKK 3.6 million, wherein a large portion of this investment is for the upgrading of the piping to the water storage facility and work on the water storage itself. In 2020, the budget calls for several small investments totalling DKK 3.9 million. The power plant is very well maintained today.

In 2019, tenders were submitted for the erection of wind turbines on Suðuroy and with its tender, SEV won the possibility to erect seven wind turbines for 0.9 MW near Porkeri. Work on the project is underway, but several permits from the government authorities have yet to be granted and SEV has not obtained "site" approval from the provider of the wind turbines. All this means that the wind turbines at the earliest will be erected late summer or early autumn next year. In 2019, it is therefore anticipated that there will be an investment of DKK 10.3 million and DKK 70.1 million in 2020.

The Energy Authority offered two wind turbine tenders and the deadline to submit a tender for production was 1 August 2019. One tender offer was for Hoyvíkhagi or some other competitive location and the other was for Eiði. Both were for some 18 MW. SEV won the opportunity to erect wind turbines at Eiði. Work on this project is underway, but several permits from the government authorities have yet to be granted, and SEV has not obtained

“site” approval from the provider of the wind turbines. What this means is that the wind turbines at the earliest could be erected in the summer of 2021. In 2019, therefore, there was no intent to invest any large amount in the project and in 2020 it was envisioned that DKK 60 million would be invested and in 2021 an investment of DKK 90 million would be made.

The Company plans to place investment in the production of electricity from solar power. A trial installation was set up in Sumba in 2019 for DKK 3.0 million. Over the coming years, the plan is to invest further in solar power electricity production.

In connection with the pumping system on Suðuroy, DKK 5.0 million is set aside for more detailed study of the project in 2020. In addition, DKK 100 million is set aside for 2023 and DKK 100 million in 2024 for a stabilization project on Suðuroy, which is intended for a pumping system or an undersea cable from Sandoy to Suðuroy in order to link the grid in Suðuroy to the grid in the central region of the country. To this end, more detailed research will be carried out in 2020 to determine the feasibility of a stabilization project.

With regard to a pumping system for the central region of the country, some DKK 9.5 million was set aside toward research of this project in 2019 and some DKK 13.9 million in 2020. In the event that the study demonstrates that such a project in the central region of the country is technically and economically feasible, then in all probability such a project will be undertaken. This is a project that the shareholders of SEV should decide upon and to determine if there is sufficient basis upon which to take a decision. At the same time, the requisite permits will need to be obtained from the relevant government authorities.

In the budget, some DKK 610 million is set aside toward such a project beginning in 2022 and onward through 2025 when the system is projected to come online. In addition, another DKK 330 million is set aside for 2028 and 2029 equating to 165 million each year to expand the system.

Significant investment in the grid, coupling stations, buildings, etc. need to be made in 2020 and in the years to come. Especially with regard to strengthening the grid and making it ready to receive more wind energy and power from the expanded Sund power plant.

The total investment for the distribution grid for 2019 is forecast to be DKK 47.9 million, which includes DKK 6.0 million for the 60kV cables to the coupling station Norðuri á Strond. Work is underway to lay 60kV cables through the Norðoyar tunnel and the Leirvíks tunnel for a budgeted DKK 6.0 million in 2019. Furthermore, the Company is fully engaged in laying 60kV and 20kV cables in the Eysturoyar tunnel and DKK 7.0 million is set aside for the project in 2019 and DKK 8.0 million in 2020. A variety of projects to strengthen the grid on Suðuroy are currently underway, especially the laying of cables from Vági to Porkerisháls is a major project. Investment for this project for 2019 was budgeted at DKK 5.0 million and DKK 10.0 million for 2020.

The total investment for the distribution grid in 2020 is budgeted to be DKK 65.0 million and is divided thus: DKK 21.4 million for the Northern Islands grid, DKK 14.8 million for the Eysturoy grid, DKK 0.3 million for Vágoy, DKK 0.2 million for central Streymoy, DKK 5.0 million for the Southern Streymoy area, DKK 2.1 million for Sandoy, and DKK 11.0 million for Suðuroy. In addition, some DKK 3.8 million is set aside for the expansion of the 10kV, 20kV and 60kV grid. A total of DKK 3.0 million is set aside in 2020 for the purchase of vehicles and DKK 1.0

million for other equipment in 2020. Some DKK 2.0 million is also budgeted for charging stations.

In 2020, the installation department will invest some DKK 7.2 million in wireless electric meters, especially for green energy solutions.

A new control system for the electricity grid is under development in association with specialist companies. This work got underway in 2017 and continued in 2019. The project is budgeted to cost around DKK 15.0 million, of which DKK 4.0 million was expensed in 2017 and DKK 6.0 million in 2018. For 2019, DKK 5.0 million was budgeted. The system is at present undergoing trials and it is expected that it will formally come online at the end of 2019.

Moreover, there are plans to install a battery system in Porkeri in connection with the goal of erecting wind turbines. The battery system is expected to cost DKK 25.0 million, of which DKK 3.8 million is budgeted for 2020. It also planned to invest in a synchronous generator in connection with the wind farm at Porkeri and DKK 2.3 million is budgeted for this in 2020.

In addition, SEV also plans to install a battery system in the central region of the country in connection with the project to install wind turbines generating 2x18 MW of electric power. This project is anticipated to cost DKK 65.0 million, of which DKK 9.8 million is set aside for 2020. The new coupling station at Strond was completed in 2019 and the total cost for the coupling stations was DKK 40.5 million. It is anticipated that SEV will install new coupling stations at a cost of DKK 269.4 million over the course of the current year and the coming four years.

The goal is to invest DKK 59.2 million in coupling stations in 2019 and DKK 85.0 million in 2020.

The total investment in coupling stations has changed over the last few years, based on the large demand for electricity from our customers. The revised budget for 2020 and onward is as shown below.

Place/year in DKK million	2019F	2020B	2021	2022	2023	Total
Húsahagi	0.0	0.0	0.0	0.0	0.0	0.0
Vestmanna	24.0	24.5	1.0	0.0	0.0	49.5
Sund, Station 3	16.9	0.1	0.0	0.0	0.0	17.0
Sund, updating	7.5	12.0	0.0	0.0	0.0	19.5
Skarðshjalli	0.0	0.0	1.5	12.0	24.0	37.5
Varðagøta	0.3	0.0	0.0	0.0	0.0	0.3
Runavík	0.7	5.5	0.0	0.0	0.0	6.2
Innan Eið	0.0	0.0	0.0	0.0	0.0	0.0
Tvøroyri	1.0	0.1	1.5	10.0	10.0	22.6
Porkerishálsur	1.5	14.5	1.0	0.0	0.0	17.0
Klaksvík	0.0	0.3	0.0	0.0	0.0	0.3
Skálabotnur	0.0	0.0	6.0	1.0	0.0	7.0
Sandoy	0.1	1.5	15.0	24.0	0.0	40.6
Strond	1.7	0.7	0.0	0.0	3.0	5.4
Eiði	2.5	14.4	0.0	0.0	0.0	16.9
Húsareyn	3.0	11.0	0.0	0.0	0.0	14.0
Havnardalur	0.0	0.3	0.0	0.0	0.0	0.3
Skansin	0.0	0.0	0.0	1.5	12.0	13.5
Vágoy	0.0	0.0	0.0	0.0	1.5	1.5
Other	0.0	0.1	0.1	0.1	0.1	0.3
Totals	59.2	85.0	26.0	48.6	50.6	269.4

SEV has decided to postpone the construction of a new headquarters building and workshop, which is expected to cost a total of DKK 120 million. Thus, the building is not included in the 2020 budget.

On the other hand, the need for greater space at the Landavegur building is apparent and it is more economical to refurbish and add additional parking areas. The administrative headquarters on Landavegur is currently being updated and renovated. A new main entrance is designed to meet the newest entry requirements, and the exterior cladding and windows are being replaced. A new roof will also be installed. At the same time, the building will be upgraded to meet the latest fire regulations.

A new ventilation system will be installed in the building and the old furnace will be shifted out and replaced with a distance heating system and solar panels will be placed on the roof. An emergency power system will also be installed. For 2019, DKK 10.0 million was set aside, and DKK 22.0 million is set aside for 2020. In addition, the installation of a new distance heating system to replace the old furnace will cost some DKK 3.0 million and the solar panels will cost some DKK 3.0 million. The project is expected to cost some DKK 38 million.

In 2019, an investment of DKK 10.5 million was budgeted for furnishings, computer equipment and computer programming/licenses. For 2020, the amount budgeted is DKK 5.3 million. DKK 5.0 million is set aside to establish a museum displaying of old electrical equipment.

The total investment is estimated to be DKK 476.8 million. In addition, is the new stake in P/F Fjarhitafelagið of some DKK 15.0 million such that the total investment by SEV, including the

injection of security or enhanced share capital in P/F Fjarhitafelagið, equates to a total of DKK 491.8 million in 2020.

However, it should be noted that the cost estimates for the various projects described above are provisional, and each individual cost estimate will be reviewed in more detail going forward.

#### **4.7 Loan facilities and refinancing of current debt**

At year-end 2016, SEV undertook new financing that the Company has been working diligently to organize and structure. In total, the amount of new loan facilities and refinancing equalled DKK 1,670 million. DKK 830 million was used to refinance current debt, while the rest is projected to fund planned investment and liquidity. The new financing obtained by SEV was procured from the US Private Placement (USPP) market and equalled DKK 1,042 million. SEV secured DKK 626 million as bank financing from Faroese and Scandinavian financial institutions.

SEV drew down all DKK 1,042 million from USPP in 2017, as well as DKK 106 million against the Company's drawing rights of DKK 626 million in 2017. In 2018, SEV drew down DKK 200.0 million against its drawing rights and expects to draw down DKK 100 million in 2019, which will leave some DKK 214.9 million for use in 2020. The intent is to draw down the remaining DKK 214.9 million such that all the credit from 2016 will be invested in 2020.

SEV intends to take up new financing in 2019 in connection with the wind turbine tenders and other investment in 2020. This is consistent with the liquidity strategy of SEV that no project would be launched without having complete financing in place before work on the project is initiated. In connection with the Extraordinary General Meeting held on 28 June 2019, SEV received the following authority:

- 1) The Extraordinary General Meeting approved and granted the Board the permission/authority for SEV during the period 2019 through 2021 to undertake new financing up to DKK 500 million for investment purposes and liquidity (including that of the SEV subsidiaries). At the same time, the Board received the authority to itself determine from which financial institutions or institution said new financing shall be procured, including possible financing from the US Private Placement market, other markets, bank financing or other financing. In addition, the Board was granted the authority to itself determine the relevant terms and conditions governing the financing.
- 2) The Extraordinary General Meeting approved and granted the Board permission / authority during the period 2019 through 2021 to undertake new financing for up to DKK 1,050 million for purposes of refinancing at any time any and all debt held by the Company. At the same time, the Board received the authority to itself determine from which financial institutions or institution said new financing shall be procured, including possible financing from the US Private Placement market, other markets, bank financing or other financing. In addition, the Board was granted the authority to itself determine the relevant terms and conditions governing the financing.

- 3) The Extraordinary General Meeting approved and granted the Board permission / authority during the period 2019 through 2021 to negotiate (herein to approve the negotiations of Management) and enter into agreements of any and all types with SEV's current and/or new loan providers, to adopt changes at any time to current loan agreements of SEV (herein SEV subsidiaries), including relevant financial key figures such as NIBD/EBITDA and Equity-ratio, and other factors the Board deems relevant.

Financing up to DKK 500 million is intended to be used thusly: DKK 300 million for wind energy expansion and DKK 200 million, of which DKK 100 million is designed for emergencies and DKK 100 million for normal drawing rights/credit. The goal is to so organize SEV's liquidity as to have access to operational credit to minimize cash-on-hand and thus to save money.

If SEV only undertakes to install one wind farm in the central region, it is anticipated the need will be for only DKK 150 million of the said DKK 300 million of the new loan financing designed for that purpose.

Negotiations have been ongoing with SEB for temporary financing equalling some DKK 500 million, and an agreement is in place and it is anticipated that all the terms and conditions regarding the loan facility will be agreed upon during the month of November 2019 and the money made available. SEV provides its subsidiaries their loans via internal transfer pricing transactions or subsidiary loans to finance the purchase of wind turbines and the erection thereof. In addition, the daily operations of the subsidiaries are financed via internal transfer pricing transactions with SEV.

Also necessary changes to current loan agreements are required to be made with the loan provider, the Extraordinary General Meeting of June 2019 also granted the authority to address this situation.

The intent of SEV is to be granted permission by the Extraordinary General Meeting convening on 29 November 2019 to refinance existing debt and to hopefully complete this endeavour by year-end 2020.

The goal is to refinance the bank financing from 2016 that totalled DKK 626 million together with the financing for the wind farm in the central region for DKK 150 million for a total of DKK 776 million, which is expected to be expended in 2020. In addition, the line of credit for DKK 100 million that the Company secured in 2019 and which is available shall be refinanced such that the total refinancing will equal almost DKK 900 million. The available credit equalling some DKK 100 million for investment during the years 2019-2021 will more than likely not be accessed and therefore there is no need to refinance this financing, but new financing for investment during the years 2021-2025 will be secured. Notably in this regard is the investment in a pumping system for the central region equalling DKK 610 million, which is expected to come online in 2022, if the shareholders of the Company adopt this endeavour. Further in this regard is the investment in the stabilization efforts on Suđuroy and a new wind farm to mention some of the bigger investments.

The work to secure new financing should be carried out in concert with efforts to secure refinancing of the Company's current debt.

The Table below provides an overview of how great the financing needs to be to accomplish the budgeted investments scheduled for the period 2021-2025, including the pumping systems.

DKK millions	2021	2022	2023	2024	2025	Total
<b>Investment</b>	272	390	695	390	730	2,476
<b>Necessary Financing</b>	94	100	374	60	320	949

The necessary financing for 2021 was secured in 2019, so the focus now is to secure DKK 854 million in new financing that can be drawn out over the coming years through and including 2025. It is necessary to secure financing before SEV undertakes any specific investment because SEV has adopted the policy that no project will be set into motion without being fully funded beforehand.

#### 4.8 Liquidity

The Table below shows the Company's liquidity key figures, based on the detailed register maintained by the Company.

In DKK millions	Budget 2019	Verified and Forecast 2019	Budget 2020
Cash flow from general operations	237.2	227.0	243.9
Adjustments, debt, assets, financial instruments and inventory	23.6	24.5	-1.2
<b>Cash flow from operations</b>	<b>260.8</b>	<b>251.5</b>	<b>242.6</b>
Investment and work-in-progress	-479.7	-354.4	-491.8
Current year loan facilities	221.4	106.5	270.0
Capital gains, taxes, net interest expenses	-50.0	-52.5	-54.6
<b>Total Liquidity Changes</b>	<b>-47.5</b>	<b>-48.9</b>	<b>-33.8</b>
Profit at beginning of year	190.7	190.7	141.9
<b>Liquidity at year-end</b>	<b>143.3</b>	<b>141.9</b>	<b>108.0</b>
Drawing rights/Line of credit	93.5	564.9	294.9
<b>Cash at year-end including drawing rights and line of credit</b>	<b>236.8</b>	<b>706.8</b>	<b>403.0</b>

The Company is keenly focused on always maintaining a solid and secure liquidity base. The goal is to maintain a security margin or cushion of DKK 100.0 million in available cash, in addition to drawing rights with various financial institutions. In connection with the new loan facilities secured in 2019, available cash-on-hand was lower, based on the fact that the Company had secured a line of credit to strengthen the liquidity in other ways. In this manner, the Company also avoided the cost to maintain sufficient funds in a bank account, as well as minimizing concomitant risks.

Currently, SEV has a revolving line of credit (drawing rights) equalling DKK 214.9 million, based on financing from 2016 and DKK 350 million from 2019 financing. At year-end 2020, the liquidity base is projected to be DKK 108.0 million, plus the DKK 294.9 million in drawing rights, for a total of DKK 403.0 million, which is deemed adequate liquidity.



## 5. Sustainable budgets 2019-2029

In the years ahead, it is deemed especially prudent that the financial budgets be sustainable, now that the major project of expanding the Sund power plant for between DKK 700 – 800 million is nearing completion, while at the same time investing in other areas as well, including, for example, the pumping system project for the central region that the shareholders of the Company have approved. It is critical that the Company take on debt to carry out these projects.

One of the fundamental conditions that the Company has adopted in order to maintain and foster sustainable financial budgets and which has been demonstrated in its stress-tests, as well, is that net liabilities versus Company results before depreciation and interest (NIBD /EBITDA) must never be greater than a factor of six (6) during the period 2019-2029. The requirement is determinant regarding if or how much a suggested change in pricing could be.

With increased investment and increased oil prices, it will be necessary to adjust upward the price of electricity charged by the Company in order to achieve the goal of the Company that the result before depreciation and interest (NIBD/EBITDA) is never greater than a factor of six (6) in the time-period 2019-2029.

To evaluate the sustainability of the budgets, a number of stress-tests were carried out on the assumptions underlying the budgets in order to observe the impact of these on a variety of key figures. Stress-tests were carried out utilizing a price increase of DKK 0.05 per kWh for all customers of the Company, except the industrial customers in the special pricing schedules where the price of electricity was increased by DKK 0.10 per kWh in 2020. Thus, the stress-tests showed the total changes resulting from the changes in pricing.

The stress-tests carried out are outlined in the Table below.

Stress test where all else remains the same	Price change in 2020
50% reduction in kWh sales to customers in the fish farming industry	0.15/0.20 kr. pr. kWh
50% reduction in kWh sales to customers in the pelagic fishing industry	0.12/0.17 kr. pr. kWh
Oil price increases by USD 200.00 per tonne of heavy oil 2020-2022	0.15/0.20 kr. pr. kWh
General rate of interest increases by 4% points for all new debt from 2021 onward	0.07/0.12 kr. pr. kWh
KWh sales declines by -1% in all customers groupings 2020-2022, subsequently ordinary growth	0.15/0.20 kr. pr. kWh

The risk that the price of oil will rise in the coming years and that interest rates will rise are, to a certain degree, covered by SEV having locked in the price of oil for its budgeted oil purchases over the long term, as well as the interest on its loans is fixed for a period of at least 5-10 years.

In the event that there is a decline in the fish farming industry, the economics of the Company no doubt will be more greatly impacted than shown via the stress-tests, because, in the main, such a decline would have wider economic impact for the entire economy of the country. These wider impacts are not incorporated into the stress-tests, but should be duly considered in any planning.

## 6. Overview of SEV's fiscal economy for the period 2009-2029

SEV has undertaken significant investments over the last several years and intends to further undertake major investments in the years ahead, especially with regard to advancing its Vision 2030 goals and to ensure supply security. Each and every planned investment undertaken by SEV is consistent with and dependent upon the economic viability of the Company.

Over the last three years, SEV generated a satisfactory operational result with a satisfactory profit margin, but the result for 2019 is expected to not yield a satisfactory profit. Maintaining a satisfactory profit is critical if SEV shall meet the planned investment goals it has mapped out for its production facilities and the grid. In this connection, it is critical that SEV maintain a satisfactory level of self-financing, generated via its own business operations, for the required investments. Financial projections of SEV indicate, or at least suggest, that since the Electricity Production Act entered into effect, SEV has not generated sufficient funds via its business operations to cover both its operations and necessary future investment. In fact, just the opposite.

The Table below shows the price fluctuations in Danish Øre per kWh and the trend in sales over the last few years.

Øre/kWh	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020B
Ordinary customers	+10	0	0	+15	+10	+5	0	0	0	-5	-5	+10	+05
Industrial customers	+10	0	0	+15	+10	+11	+5	0	0	-5	0	+10	+10
Sales in GWh	259	252	255	255	261	274	284	288	291	307	321	349	371

From 2008-2012, SEV had a total deficit of some DKK 100 million, when the 2012 changes to the accounting procedures are considered. The Board and Management adopted the goal of eliminating such poor results and in 2013 the result revealed an operational profit of DKK 11.9 million. The Table below shows the trend in EBITDA and the annual result for the last few years.

DKK millions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020B
EBITDA	36	78	15	36	76	104	156	221	244	226	197	227	244
Annual result	-16	15	-46	-39	-12	12	58	103	93	89	38	48	34

A satisfactory economy is one of the conditions stipulated by the financial institutions to even loan SEV any funds to finance the planned investment. The financial institutions consider SEV to be a good customer to offer financing and ascribe a stand-alone credit rating (consistent with Standard & Poor ratings) of BB+ (Business risk = Strong; Financial risk = Aggressive). If the linkage to the Faroese governmental authorities (the national government and the municipalities) is taken into consideration, the credit rating jumps to A-. This credit rating (A-) is considered an "Investment Grade" rating, thus making SEV an interesting company in which to make an investment or offer financing. If only the stand-alone credit rating is considered, SEV would fall out of the "Investment Grade" rating, which means that any interest in making an investment or offering financing would, in the main, disappear.

To ensure that SEV maintains its A- credit rating, it is critical that SEV maintains excellent and consistent relationships with the Faroese Government and the Municipalities, and, at the

same time, ensures that its financial key figures, at the very least, remain at current levels. In this regard, operations and income are determinative, if all the planned investment should be undertaken and the necessary loan facilities be obtained.

If SEV shall strengthen its credit rating, its financial key figures should be strengthened considerably, and this can only be done through enhanced operational profit relative to its financial liabilities. Here the income side plays a decisive role, as well as one must be watchful of the expense side of the business.

It is considered that it is not good for an ordinary company to carry a debt load compared to EBITDA higher than a factor of three (3). However, it is normal that this figure is higher. Given that SEV is a consolidated concern that operates outside the norms for an ordinary business, the norm of a factor of three (3) may be deemed too demanding. On the other hand, SEV has set the long-term goal that its debt load compared to EBITDA shall not exceed a factor of six (6).

It is advisable that the goal of debt load to EBITDA at the most shall be a factor of six (6) and this is the goal that SEV strives to achieve.

Charts 1 through 4 on the following pages shows the investment trends of the Company. Moreover, investment is compared to net revenue.

Chart 1 – Verified investment in DKK million - 2009 to 2018, forecast for 2019 and budgeted for 2020

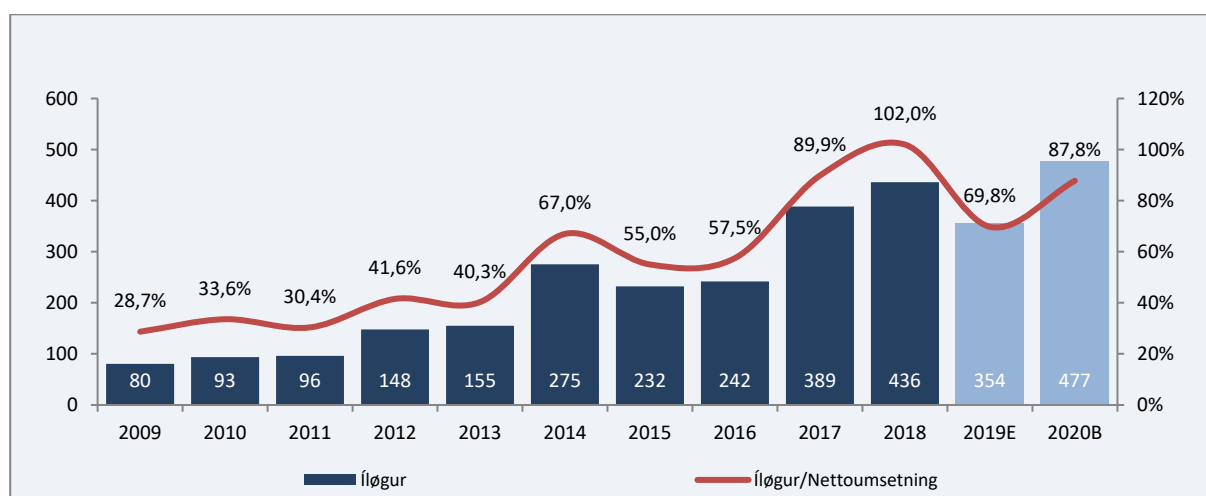
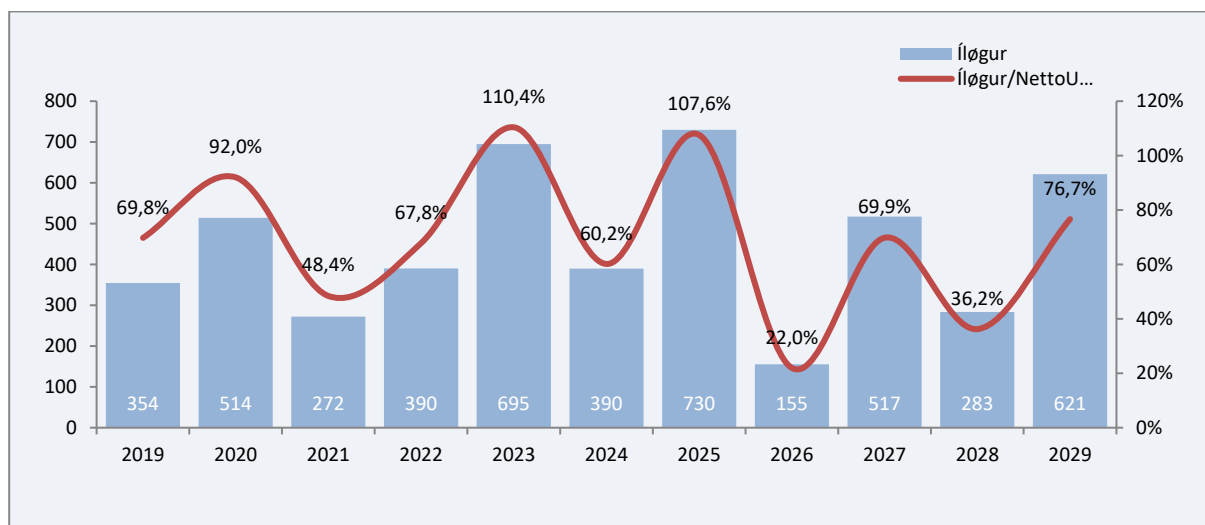


Chart 2 – Projected investment in DKK million 2019 – 2029 and investment compared to net revenue



Charts 1 and 2 above show the trend in verified and projected investment over a long time-period. The projected investments over the next five years are significant, therefore, it is critical for SEV to have a strong fiscal economy

Chart 3 below, which provides a detailed description of a particular investment, shows that the expansion of the Sund power plant is the largest individual investment in the years ahead. At the same time, considerable investment is projected in the various production units that will produce electricity from “green” energy resources.

Investment in the grid will focus especially on the coupling stations and the grid itself.

Chart 3 – Projected total investment 2019-2029

DKK millions	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Sund power plant and other thermal plants	183	94	8	28	50	0	0	0	0	0	0	364
Wind turbines	11	136	90	0	180	0	170	0	260	0	0	1.107
Hydropower plants	8	11	11	1	21	10	0	0	0	0	0	57
Solar energy	3	3	0	50	0	60	102	0	102	0	102	422
Pumped storage and/or hydropower plants	10	19	0	70	85	135	320	0	0	165	165	968
Net	140	219	162	181	298	185	138	155	155	118	94	1.845
<b>Total investment</b>	<b>354</b>	<b>477</b>	<b>271</b>	<b>330</b>	<b>634</b>	<b>390</b>	<b>730</b>	<b>155</b>	<b>517</b>	<b>283</b>	<b>611</b>	<b>4.763</b>

Grid investment (DKK mil.)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
Coupling Stations	59	85	26	49	50	45	58	47	62	35	11	<b>527</b>
Grid and sea cables	49	65	28	108	189	126	56	59	79	79	79	<b>917</b>
Digital electric meters	2	7	1	1	1	1	1	1	1	1	1	<b>18</b>
Battery systems and other equipment	3	16	104	20	55	10	20	45	10	0	0	<b>283</b>
New control panels and other related equipment	6	4	0	0	0	0	0	0	0	0	0	<b>10</b>
Administration	21	42	3	3	3	3	3	3	3	3	3	<b>190</b>
<b>Grid totals</b>	<b>140</b>	<b>219</b>	<b>162</b>	<b>181</b>	<b>298</b>	<b>185</b>	<b>138</b>	<b>155</b>	<b>155</b>	<b>118</b>	<b>94</b>	<b>1,845</b>

Chart 4 – Projected investment in the grid 2019-2029

Chart 5 shows the verified net revenue of the Company from 2010 to 2018, and Chart 6 shows the projected net revenue over the period 2019 – 2029.

The growth in revenue over the last few years stems from price increases and greater sales of kWh. Confer the Tables above on price changes and sales to customers in GWh. Thus, it is apparent that there was net revenue growth and it is critical to maintain good net revenue during the years ahead. As the Chart indicates, the impact from the energy shift is now projected into the budgets in anticipation of an increase in electric vehicles and heat pumps. Thus, SEV's revenue is projected to increase in the coming years.

Chart 5 – Net revenue in DKK million and percentage growth year-on-year 2009-2019

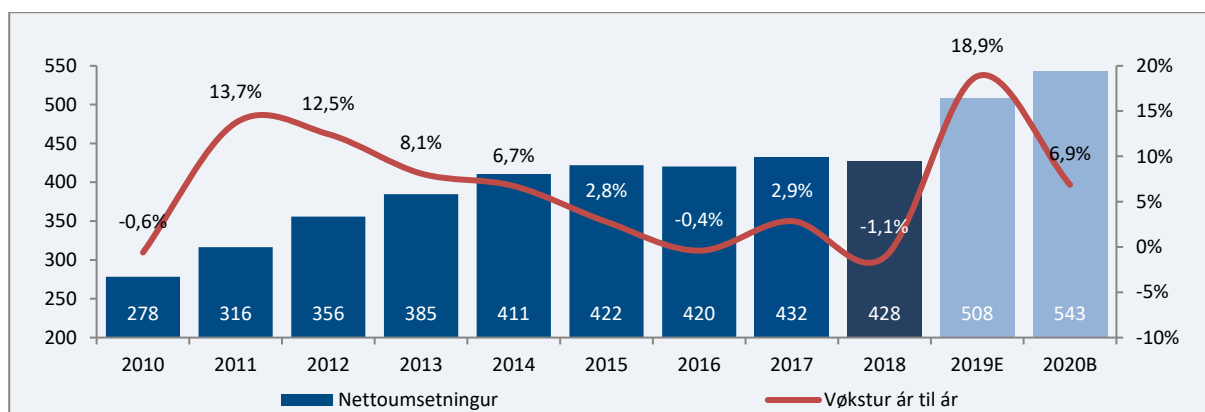
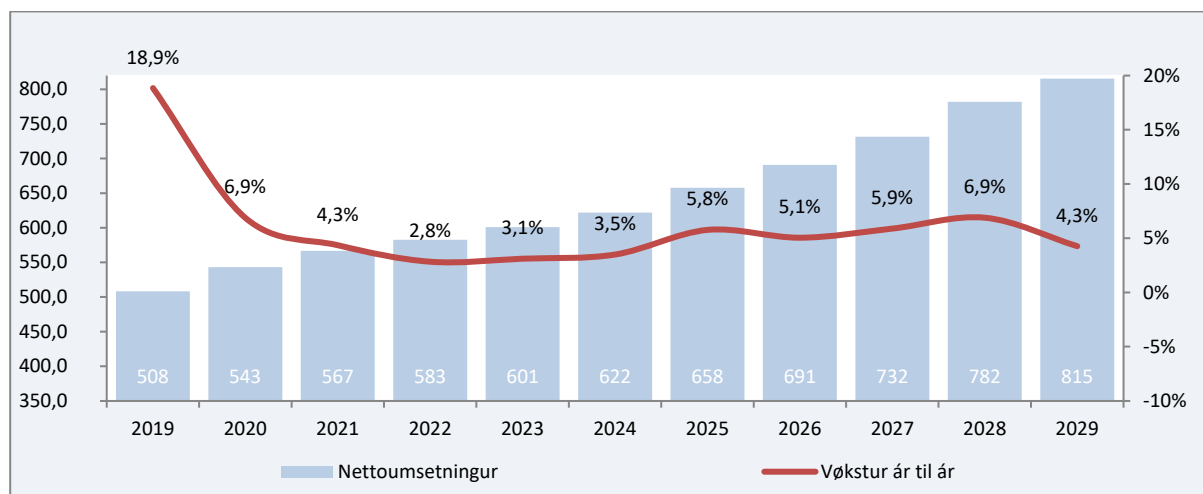


Chart 6 – Net revenue in DKK million and percentage growth year-on-year 2019-2029



The 2019 budget envisioned a price increase for all customers of DKK 0.10 per kWh. For 2020, the budget reflects a price increase of DKK 0.05 per kWh for all customers except the customers in the special pricing schedule with a consumption greater than 30,000 kWh, where the price increase will be DKK 0.10 per kWh. In 2021, the plan is a price increase of DKK 0.05 for all customers of the Company, but the possibility exists for a lessening of the price of electricity beginning in 2027 and beyond based on the anticipated trends in the economy of SEV or as debt is repaid.

Chart 7 – EBITDA and EBITDA margin compared to net revenue 2010-2020

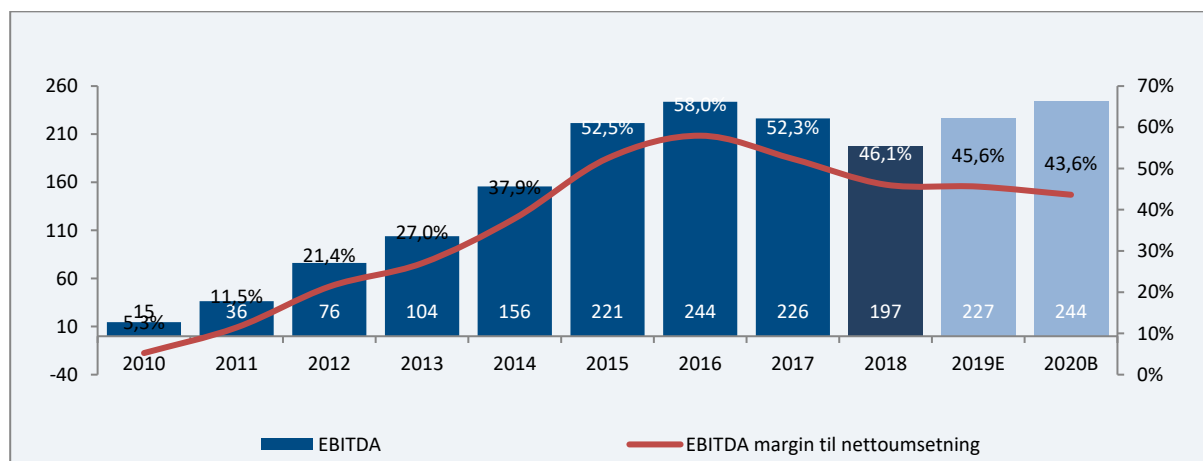
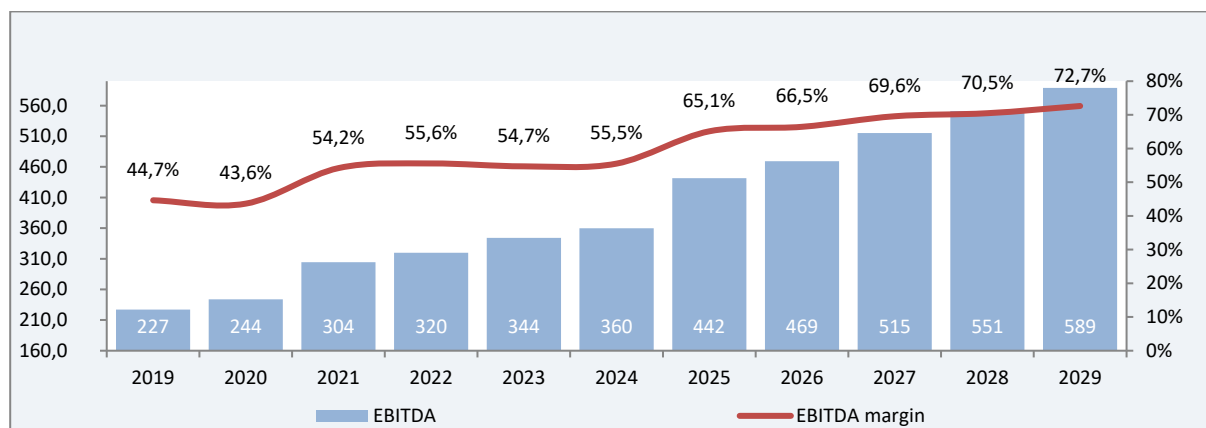


Chart 7 shows the trend in EBITDA and the EBITDA-margin compared to net revenue over the last few years. Early on, these figures were low, but over time they strengthened considerably such that in recent years EBITDA was DKK 259 million against net revenue of some DKK 543.0 million, or 43.6% in 2020. This high level is projected to continue in the years ahead, as depicted in Chart 8 below.

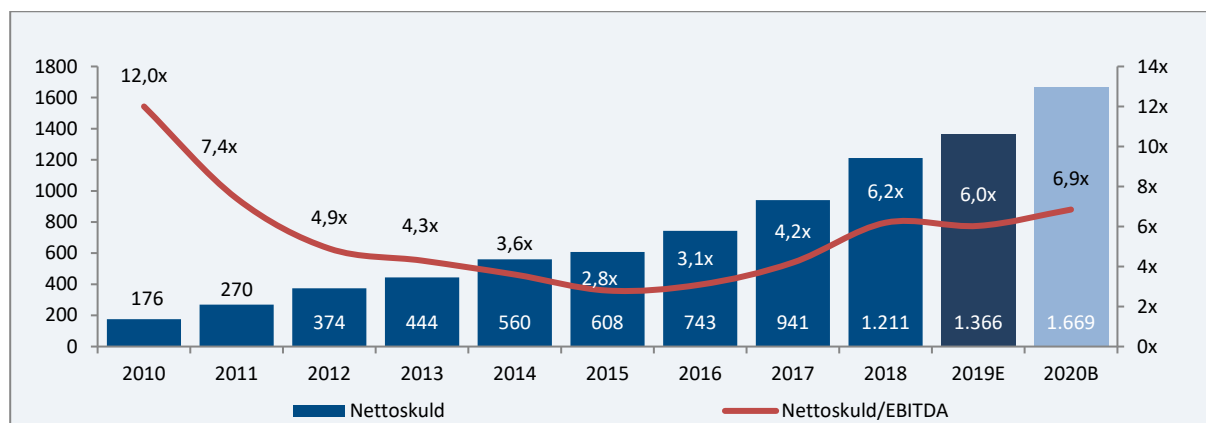
Chart 8 – EBITDA and EBITDA margin compared to net revenue 2019-2029



One of the most significant key figure ratios is net liabilities compared to EBITDA. SEV has determined that this ratio shall not be greater than a factor of six (6). In the current loan facilities with the various financial institutions, this ratio can rise to a factor of nine (9), but SEV believes that this is too high and will therefore strive to ensure that it rises no higher than a factor of six (6). Because the financial institutions have permitted a factor of nine (9), this affords SEV a certain secure margin within which to operate.

Chart 9 below shows the trend over the last few years of net liabilities in DKK millions compared to EBITDA.

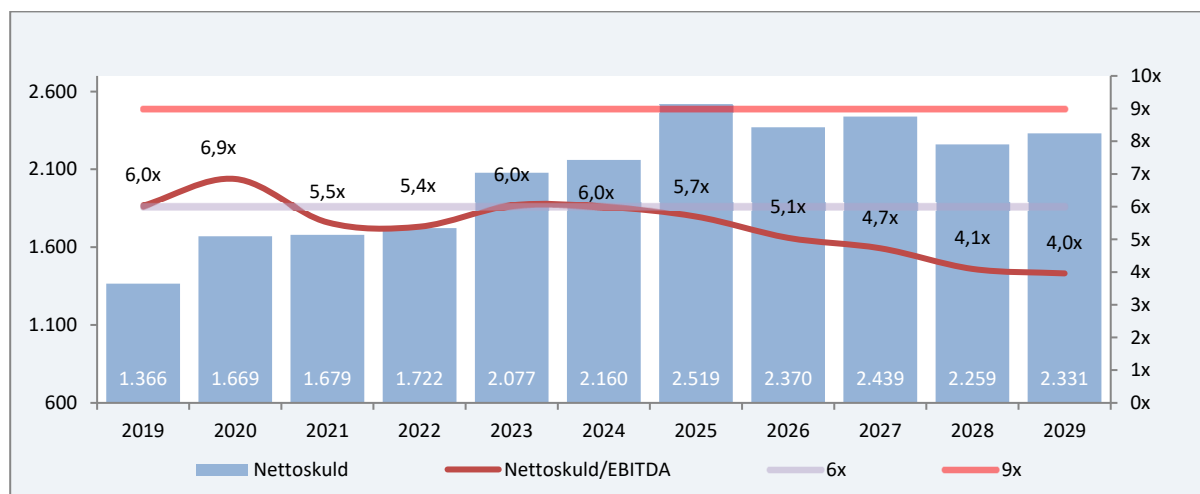
Chart 9 – Net liabilities compared to EBITDA 2010-2020



As Chart 9 shows, net liabilities compared to EBITDA in 2010 was at an especially high level, but subsequently declined to a factor of 6.2 in 2018, which is 0.2 above the margin of tolerance (factor of 6) adopted by SEV. SEV endeavours continually to hold this key figure at no greater than a factor of 6 and it is anticipated that this key figure will be a factor of 6 by year-end 2019.



Chart 10 – Net liabilities compared to EBITDA 2019-2029 <sup>1)</sup>



1) Included in net debt is financial instruments

Chart 10 projects that net liabilities compared to EBITDA in 2020 will be higher than a factor of six (6) and then will decline to under a factor of six (6) in 2021 and then will remain under the stipulated factor of six (6). The Company's financing providers have stipulated in their terms and conditions for loans that the NIBD/EBITDA may not exceed the factor of nine (9). With a factor of six (6) SEV is well within the terms and conditions stipulated by the loan providers.

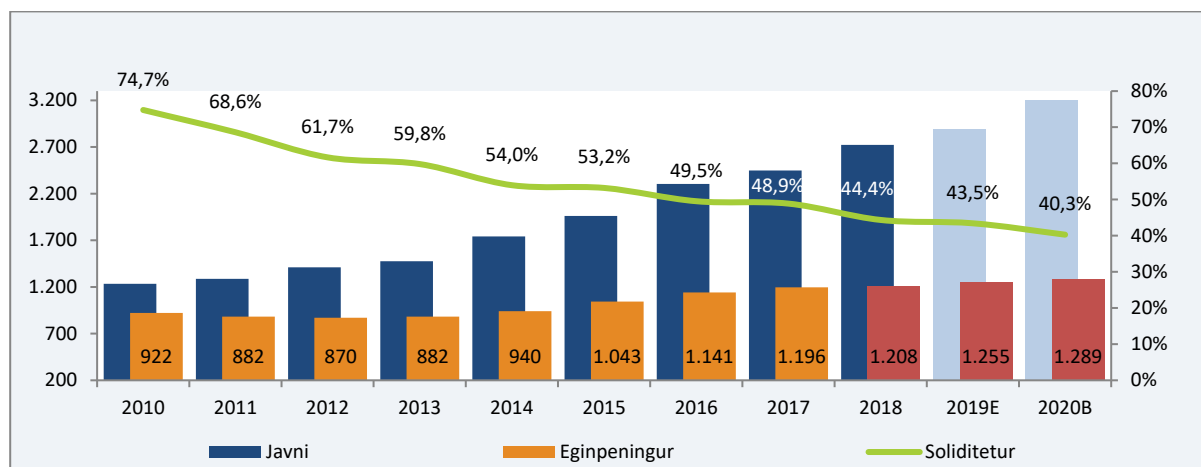
This trend in net liabilities compared to EBITDA is consistent with the current pricing schedule compared to total expenses and investments wherein SEV stipulates the price of electricity annually in connection with the Operations, Financial and Investment Budget. The combined budget is discussed with and reviewed by the relevant government authorities, e.g., ORKA (representing the Earth and Energy Directorate [*Jarðfeingi*]) pursuant to current legislation.

In connection with the Operations, Financial, and Investment Budget for 2020, the Company intends to increase the price of electricity for all customers by DKK 0.05 per kWh, except the customers in the special pricing schedule with a consumption greater than 30,000 kWh where the price will increase by DKK 0.10 per kWh. At the same time, the intent is that the price of electricity will increase for all customers by DKK 0.05 per kWh in 2021.

That the net debt compared to EBITDA in 2020 is a factor of 6.9 is not satisfactory and is not consistent with the strategy of the Company in this area. That this key figure rises to 6.9 in 2020 due to endeavours by the Company to ensure production security as well as invest in the shift to green energy. The Board and Management has duly noted the level of this particular key figure but have not accepted it and steps are underway, as referenced above, to bring this key figure down again to a factor of 6 or lower. This goal will be addressed in 2021, where the key figure is budgeted to be a factor of 5.5.

SEV's Operations, Financial, and Investment Budget for 2020 shall be reviewed by Management, the Board of Directors and the shareholders during October and November 2019, when a final decision will be taken on the budget, including the possible price changes.

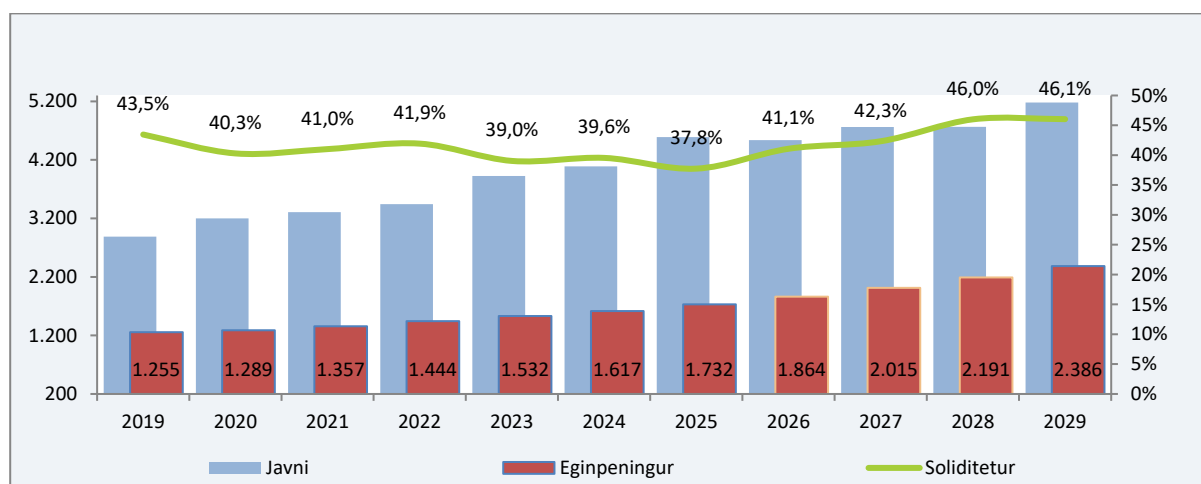
Chart 11 – Asset balance and equity in DKK million and solidity (asset/equity ratio) in percentages 2010-2020



Throughout all the referenced years, SEV has maintained good solidity (owner equity compared to total assets) and in 2018 this equalled 44.4%. The in-house requirement is 42.5%, where the requirement of the financial institutions providing financing to SEV is that owner equity versus total assets remains greater than 37.5%. In connection with the financing of the expansion of the wind farms, SEV agreed with its loan providers that its share equity, compared to total assets, can be 35%. Thus, this represents a reduction in the requirement of 2.5 percentage points.

The Company meets both of these requirements in 2019, but as the Chart below shows the owner equity portion declines below the in-house level of 42.5% in 2020 onward to and including 2027, at which point it rises to 46.0% in 2028.

Chart 12 – Assets and equity in DKK million and solidity (asset/equity ratio) in percentages 2019-2029



As Chart 12 shows, the goal of SEV is to continue to maintain strong solidity in the years ahead, but the Company will not be able to achieve the in-house goal for solidity of 42.5% during the period 2020 to 2026. In 2028, the solidity of the Company will rise to 46.0%, which is greater than the in-house goal level of 42.5%. The in-house goal for solidity shall be reviewed in connection with the activities of the Company.

### **Wind farm Subsidiaries of SEV and P/F Fjarhitafelagið**

## 7. Independent subsidiaries to operate wind farms

At year-end 2016, the wind farm subsidiaries were founded, respectively, P/F Vindfelagið í Neshagi, business registration no. 6387 and P/F Vindfelagið í Húsahagi, business registration no. 6386. These companies own and operate the wind farms at, respectively, Neshagi and Húsahagi. For more information about these wind farm companies, confer the 2016-2018 annual accounts for the wind farm companies, which are available at [www.sev.fo](http://www.sev.fo) and the 2020 budget, section 8.

### 7.1 Neshagi

The wind farm at Neshagi was completed and went operational in November 2012. Thus, the wind farm has produced electricity for SEV's customers for seven years and the trials have been good. SEV has excluded the operations of the Neshagi wind farm from the budget, thus, the budget of SEV represents a consolidated concern budget in which the parent company and subsidiaries are combined.

The budget is based upon the cautious assumption that this subsidiary company was established to own and operate the wind farm. Even though the requirement of the governmental authorities was to place only three of the wind turbines into the subsidiary, all five wind turbines were placed in the subsidiary company.

For 2020, SEV has budgeted to purchase electricity production from its subsidiary equal to 15 GWh per year for around DKK 0.431 per kWh, pursuant to a special price agreement that was approved by the governmental authorities. This corresponds to an electric energy purchase of around DKK 7.0 million.

Below are the verified key figures for 2016-2018, verified figures as at the end of September 2019, and the operational budget for 2019-2022 of the new subsidiary shown in key figures in tDKK.

tDKK	2016	2017	2018	2019B	2020B	2021	2022
Sales	6,552	6,681	6,770	6,964	7,033	7104	7,175
Operations and maintenance	717	899	913	2,176	2,198	2,220	2,242
Financial costs and depreciation	4,043	3,663	3,628	3,968	3,921	3,874	3,825
Result before taxes	1,790	2,121	2,230	819	914	1,010	1,107
Taxes on result	245	459	401	147	164	182	182
Annual result	1,545	1,662	1,828	672	749	828	908

Below is the financial position of the subsidiary in key figures in tDKK.

tDKK	2016	2017	2018	2019B	2020B	2021	2022
Total assets	36,965	36,540	36,166	31,974	30,453	28,963	27,505
Accounts receivable	2,183	5,024	5,499	7,967	9,956	11,978	12,818
Internal current account for loan	28,175	25,628	23,025	21,641	19,371	17,053	14,687

## 7.2 Húsahagi

The wind farm at Húsahagi was completed and entered into operation in October 2014. Thus, the wind farm has generated electricity to SEV's customers for five years and the trials have gone well. SEV has excluded the operations of the Húsahagi wind farm from the budget, thus, the budget of SEV represents a consolidated concern budget in which the parent company and subsidiaries are combined.

SEV decided some time ago to install 13 wind turbines at Húsahagi and to ultimately transfer the wind farm into an independent subsidiary corporation after SEV was confident that the project was finally ready to hand over to a subsidiary. This project cost DKK 104.5 million.

The 2020 budget projects that SEV will purchase some 41.4 GWh per year of the electricity production of the subsidiary for DKK 0.33 per kWh, pursuant to a special price agreement approved by the government authorities. This equates to an electricity purchase of around DKK 13.9 million.

Below is shown the verified figures for 2016-2018, verified as at 30 September 2019 and the operational budget for 2019-2022 of the subsidiary in key figures in tDKK.

tDKK	2016	2017	2018	2019B	2020B	2021	2022
Sales	14,158	13,685	12,692	13,750	13,887	14,026	14,166
Operations and maintenance	4,755	4,261	4,702	4,716	4,733	4,811	4,859
Financial costs and depreciation	9,991	8,876	8,754	8,617	8,495	8,371	8,244
Result before taxes	-587	548	-764	416	658	844	1,063
18% taxes on result	105	99	127	0	0	0	0
Annual result	-481	450	-636	416	658	844	1,063

Below is the financial position of the subsidiary in key figures in tDKK.

tDKK	2016	2017	2018	2019B	2020	2021	2022
Total assets	96,518	91,446	85,166	80,736	76,134	71,779	67,736
Accounts receivable	3,705	5,913	6,912	9,757	12,434	15,357	18,592
Internal accounts for loan	75,000	69,479	63,834	57,965	52,047	46,004	39,835

SEV agreed to purchase 41.4 GWh from the wind farm subsidiary, if the subsidiary is able to generate this amount, even though SEV may not be able to fully utilize this wind capacity. However, it is anticipated that nearly all the wind capacity can be utilized, and all the wind turbines could generate electricity directly into SEV's grid. This is facilitated by the battery system installed by SEV at the Húsahagi wind farm.

## 8. P/F Fjarhitafelagið

SEV owns one-half (50%) of P/F Fjarhitafelagið, while Tórshavn Municipality owns the other half. Thus, P/F Fjarhitafelagið is considered an “associated” company of SEV and therefore not a part of the financial budget of SEV, except that the original capital portion of the company is booked as part of the assets of SEV.

Fjarhitafelagið, as a “district heating” company, sells heat in the form of hot water to several of the communities within the municipality of Tórshavn and according to the latest annual report has some 1,254 customers, compared to 1,097 customers in 2017. Thus, 157 new customers joined the company in 2018, compared to a total of 46 in 2017.

The annual accounts of the company as at year-end 2018 show a balance sheet of DKK 161.7 million, compared to DKK 126.8 million in 2017, and a share equity in 2018 of DKK 62.5 million, compared to DKK 61.2 million in 2017. The annual result for 2018 was DKK 1.3 million, compared to DKK 0.4 million in 2017. Thus, there was a better result in 2018 compared to 2017.

Early in 2018, the new heating pipes in Gundadalur were connected into the Fjarhitafelagið system, and this paved the way for several large buildings being linked into the system. Presently, Bank Nordik, the Nab sports centre and the swimming hall are linked into the system.

The company wrote in its annual report for 2018 that it intended to continue on its green course that the owners and the Board had approved. The laying of heating pipes along Hoydalsveg over to Finsen street is now completed. Work continues to expand into the western section of the municipality and Undir Kongavarða. In addition, it is anticipated that expansion will continue at á Hálsi to link more customers into the system.

By utilizing the heat generated by the incinerator at Sandvíkahjalla and the motors of the Sund power plant that otherwise would be lost, Fjarhitafelagið is a green enterprise, which is consistent with the vision of the Faroe Islands becoming 100% green by 2030. Work is underway to considerably expand the system over the course of the next few years and the company is working towards securing financing for the investment.

It will be important for the economy of the company that the regulatory initiatives of the government designed to promote the competitiveness of heat pumps over oil furnaces do not undermine the earnings potential of Fjarhitafelagið, which already is a green heating solution.

Tórshavn, 13 November 2019

Elfelagið SEV

The Electricity Utility SEV

## 9. Annex 1

Amendments to the 2019 budget approved at the Extraordinary General Meeting held on 30 November 2018:

Operations in DKK millions	B2019 <sup>1)</sup>	F2019 <sup>1)</sup>	Changes	Comments
Net sales	482.6	488.7	6.1	Updated anticipated sales pursuant to confirmed 2018
Oil expenses	116.1	120.8	4.7	Greater sales, thus greater production from oil
Goods and services	54.8	54.8	0.0	Unchanged
Wages	75.9	75.9	0.0	Unchanged
EBITDA	235.8	237.2	1.4	
Depreciation	123.0	124.6	1.6	Less adjustments in investments
Financial costs	31.6	36.2	4.6	Anticipated higher provisioning and interest costs
Result before taxes	81.2	76.5	-4.7	
Taxes	14.6	13.8	-0.8	Adjustment of taxes compared to result
Result after taxes	66.6	62.7	-3.9	

1) B2019 is the Company's 2019 budget that was approved at the Extraordinary General Meeting held on 30 November 2018. F2019 is the updated/forecast budget.

Financial status DKK millions	B2019 <sup>1)</sup>	F2019 <sup>1)</sup>	Changes	Comments
Fixed assets	1.773.4	1.779.8	6.4	Less adjustments in investment
Work in progress	885.2	957.0	71.8	Advance payments for wind turbine projects
Financial assets	23.3	5.8	-17.5	Adjustment to 2018 accounts
Inventory	43.8	39.6	-4.2	Adjustment to 2018 accounts
Debt	80.9	95.2	14.3	Adjustment to 2018 accounts
Liquidity	198.2	143.3	-54.9	Adjustment to 2018 accounts
Total assets	3.004.8	3.020.7	15.9	
Share equity	1.303.9	1.270.4	-33.5	Adjustment to 2018 accounts, especially derivatives
Set asides	52.8	55.7	2.9	Adjustment to 2018 accounts
Long-term debt	1.563.0	1.563.0	0.0	Unchanged
Short-term debt	85.1	131.6	46.5	Adjustment to 2018 accounts
Total debt	3.004.8	3.020.7	15.9	

1) B2019 is the Company's 2019 budget that was approved at the Extraordinary General Meeting held on 30 November 2018. F2019 is the updated/forecast budget.



## **Financial Statistics and Tables**

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- **Operations**
- **Asset Adjustments**
- **Liquidity**
- **Investments**
- **Tables**

Rakstur / Operations	2019		2019		Frávik millum ætlað og staðfest/-framroknað	%	2020		2021		Franskriving/ projections
	Ætlan / Budget íalt / total	Staðfest og Framroknað / Actual and projected íalt / total	Frávik millum ætlað og staðfest/-framroknað				Ætlan / Budget íalt / total	Franskriving og Budget and projections íalt / total			
			kr								
Inntøkur / Revenue											Ar / year
kWh-gjald / kWh charges	462,280,737	468,462,763	6,182,027	1.3			523,517,344	559,898,729			576,093,539
Fast gjald / Fixed charges	17,072,880	17,430,880	358,000	2.1			17,430,880	17,480,880			17,480,880
Íbinding / Connection fees	11,000,000	24,735,369	13,735,369	124.9			6,000,000	6,000,000			6,000,000
Annað / Other charges	1,000,000	-30,502	-1,030,502	-103.1			1,000,000	1,000,000			1,000,000
Keypt av vindorku / Purchase of wind power	-2,685,412	-2,511,353	174,059	-6.5			-4,922,212	-17,746,532			-17,897,143
Nettounsetningar / Net Turnover	488,668,205	508,087,157	19,418,952	4.0			543,026,012	566,633,077			582,677,276
Oljuútreiðslur til egna nýtslu / Cost of oil used in production	120,779,773	145,086,109	-24,306,336	-20.1			160,313,126	115,121,102			114,430,200
Tilfar og tænastuveitingar / Materials and services	54,755,100	59,829,987	-5,074,886	-9.3			58,635,620	65,041,467			65,740,374
Framleiðsluvirkir	21,550,000	28,726,214	7,176,214	33.3			25,728,098	29,644,793			29,941,241
Netvirksemi uttan fyrising	12,000,000	9,710,202	-2,289,798	-19.1			11,642,000	13,816,497			13,916,204
Fyrising	21,205,100	21,393,570	188,470	0.9			21,265,522	21,580,177			21,882,929
Bruttovinningur / Gross profit	313,133,331	303,171,061	-9,962,270	-3.2			324,077,266	386,470,508			402,506,702
Starvsfólkaútreiðslur - Salaries and wages	75,896,923	76,187,184	-290,261	-0.4			80,295,209	81,999,495			82,820,621
Framleiðsluvirkir	32,796,460	36,758,651	-3,962,191	-12.1			34,638,415	35,329,565			35,687,294
Netvirksemi uttan lønir hjá fyrising	27,988,184	24,149,985	3,838,199	13.7			29,590,838	30,282,655			30,635,481
Fyrising	15,112,279	15,278,548	-166,269	-1.1			16,065,956	16,387,275			16,497,846
Úrsilt áðrenn av- og niðurskrivingar / Profit before depreciation and impairment	237,236,408	226,983,877	-10,252,531	-4.3			243,782,057	304,471,013			319,686,081
Avskrivningar / Depreciation, amortization and impairment	124,551,383	126,840,732	-2,289,349	-1.8			155,141,462	178,037,633			171,875,324
Framleiðsluvirkir	74,393,868	73,873,668	520,200	0.7			91,561,668	105,229,268			108,379,268
Bygningar og jarðarøki	1,782,056	2,158,376	-376,320	-21.1			5,376,030	8,226,030			8,226,030
Býðisvirkir	33,603,697	35,238,783	-1,635,086	-4.9			40,270,850	45,379,422			48,209,422
Rakstrargægn	14,771,762	15,569,905	-798,143	-5.4			17,932,914	19,202,914			7,060,604
Úrsilt áðrenn figgiarpostar og skatt / Profit before financials and tax	112,685,025	100,143,145	-12,541,880	-11.1			88,640,595	126,433,380			147,810,758
Virðisjavnin av kapitalþørtum / Subsidiary fair value adjustments	0	0	0	0.0			0	0			0
Rentuútreiðslur / Interest expenses	36,211,689	41,380,470	-5,168,781	-14.3			47,180,720	43,581,189			41,656,058
Rentuinntøkur / Interest revenue	0	0	0	0.0			0	0			0
Úrsilt áðrenn skatt / Profit before tax	76,473,336	58,762,675	-17,710,661	-23.2			41,459,875	82,852,191			106,154,700
Skattur / tax	13,765,200	11,142,473	2,622,727	-100.0			7,462,778	14,913,394			19,107,846
Úrsilt eftir skatt / Profit after tax	62,708,135	47,620,202	-15,087,933	-24.1			33,997,098	67,938,797			87,046,854

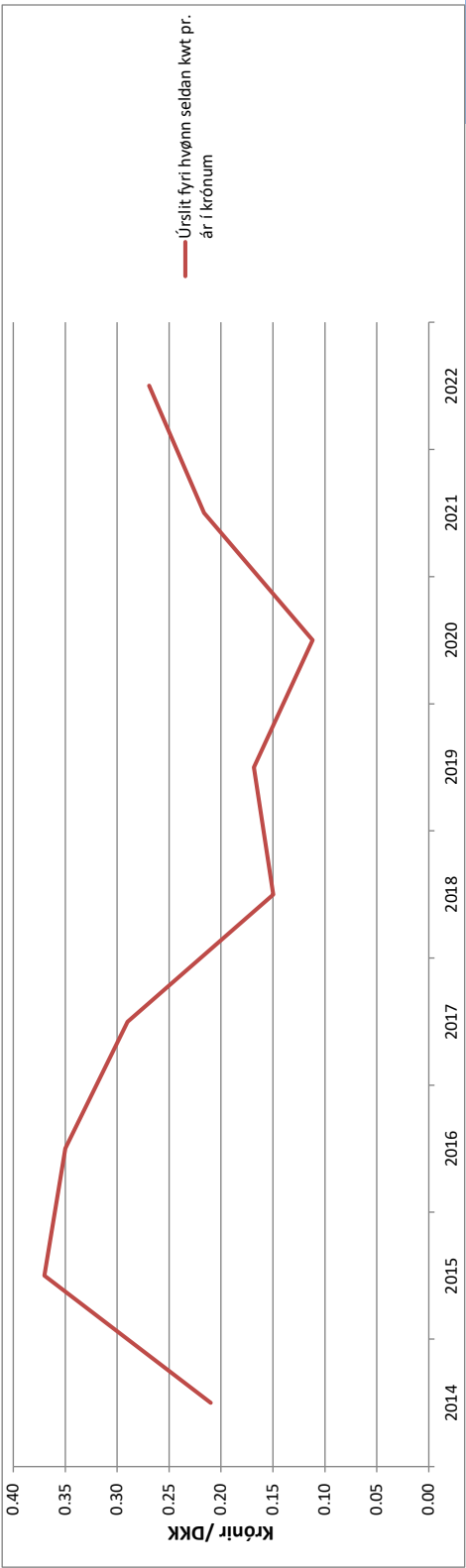
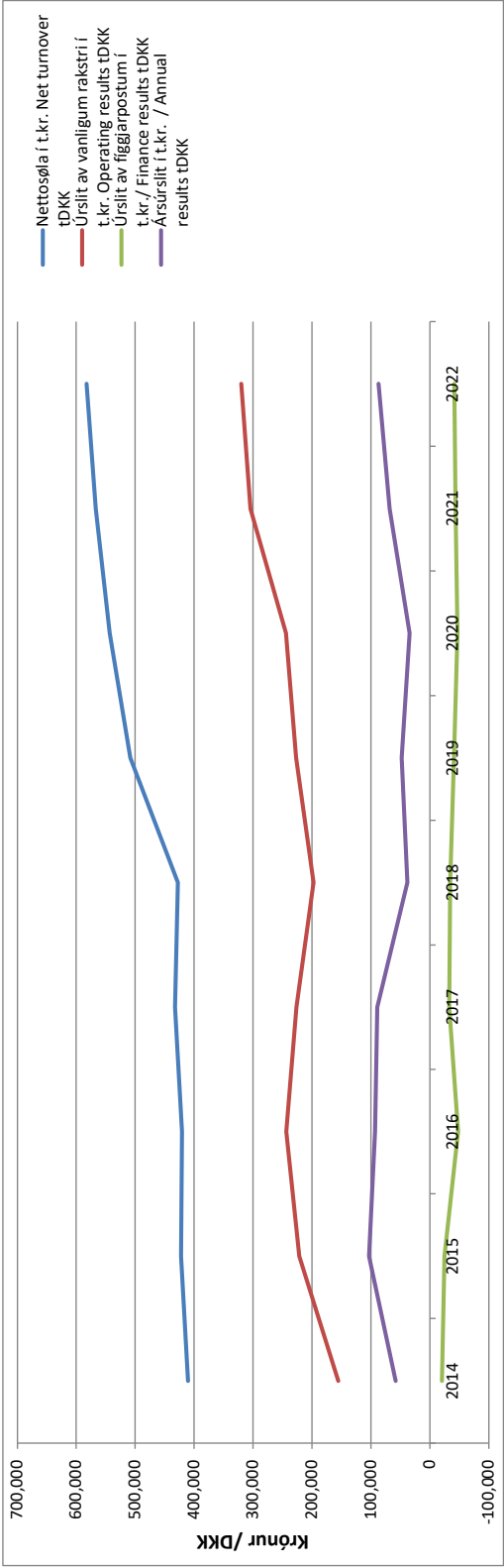
JAVNI / PR. 31. DESEMBER / BALANCE PR. 31. DECEMBER	2019	2020	2021	2022
AKTIV / ASSETS	falt	falt	falt	falt
<b>Fastar ognir og avskrivningar / Fixed assets and depreciation, amortization and impairment</b>				
Útvegnaðarvirði við ársbyrjun / Acquisition value beginning-of-year	3,564,778,152	3,851,841,866	4,991,996,897	5,316,336,897
Tilgöngd / additions	287,063,714	1,140,155,031	324,340,000	184,150,000
Frágöngd / disposals	-	-	-	-
<b>Útvegnaðarvirði við ársenda / Acquisition value year-end</b>	<b>3,851,841,866</b>	<b>4,991,996,897</b>	<b>5,316,336,897</b>	<b>5,500,486,897</b>
Avskrivningar við ársbyrjun / Depreciation, amortization and impairment beginning-of-year	1,865,222,132	1,992,062,864	2,147,204,326	2,325,241,959
Avskrivningar í árinum / Depreciation, amortisation and impairment over the year	126,840,732	155,141,462	178,037,633	171,875,324
<b>Avskrivningar við ársenda / Depreciation, amortization and impairment year-end</b>	<b>1,992,062,864</b>	<b>2,147,204,326</b>	<b>2,325,241,959</b>	<b>2,497,117,283</b>
<b>Fastar ognir við ársenda / Fixed assets year-end</b>	<b>1,859,779,002</b>	<b>2,844,792,572</b>	<b>2,991,094,938</b>	<b>3,003,369,615</b>
Ílgjugarbeiði / Í gerð / Investment works in progress	749,480,627	86,106,946	33,606,946	179,606,946
<b>Materiel stöðioðgn / Tangible fixed assets</b>	<b>2,609,259,629</b>	<b>2,930,899,518</b>	<b>3,024,701,884</b>	<b>3,182,976,561</b>
Kapítalpartar í assosíeraðum virkjum / Investments in associates	2,750,000	17,750,000	17,750,000	17,750,000
Avleidd figgjárlig amboð/derivatives	3,043,212	3,043,212	3,043,212	3,043,212
<b>Figgjárlig stöðioðgn / Financial Assets</b>	<b>5,793,212</b>	<b>20,793,212</b>	<b>20,793,212</b>	<b>20,793,212</b>
<b>STÖÐIOGN TILSAMANS / Total Assets</b>	<b>2,615,052,841</b>	<b>2,951,692,730</b>	<b>3,045,495,096</b>	<b>3,203,769,773</b>
Olja á goymslu - Oil inventory	6,741,260	22,151,286	18,342,544	5,950,632
Tilfar á goymslu - Materials inventory	19,809,583	20,230,935	20,230,935	20,230,935
<b>Goymslur tilsamans / Total Inventory</b>	<b>26,550,843</b>	<b>42,382,221</b>	<b>38,573,479</b>	<b>26,181,567</b>
Vöru- og tænaðstúðgn (Eiskuldarar) / Electricity debtors	91,620,998	97,396,602	100,095,737	103,142,725
Önnur áðgn / Other receivables	134,364	0	0	0
Tíðavarmarkingar / Prepayments and accrued income	12,827,921	0	0	0
<b>Skuldarar tilsamans / Total Receivables</b>	<b>104,583,283</b>	<b>97,396,602</b>	<b>100,095,737</b>	<b>103,142,725</b>
Lánsbrøv / Obligations	0	0	0	0
<b>Virðisbrøv tilsamans / Total shares</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Tækur peningur / Cash and cash equivalents	141,869,971	108,045,262	123,117,691	110,342,638
<b>ÖGN Í UMFERÐ TILSAMANS / TOTAL CURRENT ASSETS</b>	<b>273,004,097</b>	<b>247,824,084</b>	<b>261,786,907</b>	<b>239,666,931</b>
<b>AKTIV TILSAMANS / TOTAL ASSETS</b>	<b>2,888,056,939</b>	<b>3,199,516,813</b>	<b>3,307,282,005</b>	<b>3,443,436,704</b>

JAVNI PR. 31. DESEMBER / BALANSE PR. 31 DECEMBER					2019	2020	2021	2022
PASSIV / LIABILITIES					íalt	íalt	íalt	íalt
Innskot / Deposits					4,139,875	4,139,875	4,139,875	4,139,875
Grunnur til avleidd figgjaramboð					-53,839,512	-53,839,512	-53,839,512	-53,839,512
Grunnur til uppskriving eftir innaravirðisháttti					-	-	-	-
Kapítalkonto / Capital account					1,257,422,580	1,305,042,781	1,339,039,879	1,406,978,675
Úrslit / Results					47,620,201	33,997,098	67,938,797	87,046,854
<b>Eiginogn tilsamans / Total Equity</b>					<b>1,255,343,144</b>	<b>1,289,340,242</b>	<b>1,357,279,038</b>	<b>1,444,325,892</b>
Avsetingar til eftirløn og líknanði skyldur / Provisions for pensions and equivalent liabilities					16,800,646	16,800,646	16,800,646	16,800,646
Avsetingar til útsettan skatt / Provisions for deferred tax					36,229,220	43,691,998	58,605,392	77,713,238
Aðrar avsetingar / Other Provisions					0	0	0	0
<b>Avsetingar tilsamans / Total Provisions</b>					<b>53,029,866</b>	<b>60,492,644</b>	<b>75,406,038</b>	<b>94,513,884</b>
Skuld til peningastovnar / Bank borrowings					1,448,116,000	1,718,116,000	1,743,029,000	1,773,029,000
<b>Langfreistað skuld til samans / Total long-term debt</b>					<b>1,448,116,000</b>	<b>1,718,116,000</b>	<b>1,743,029,000</b>	<b>1,773,029,000</b>
Stuttfreistaður partur af langfreistaðari skuld / Current portion of long-term debt					869,797	869,797	869,797	869,797
Skuld til peningastovnar / Bank borrowings					6,064	6,064	6,064	6,064
Móttikin frammanundanngjöld frá kundum (El-oggnarar) / Prepayment received from electricity debtors					1,165,948	1,165,948	1,165,948	1,165,948
Vøru- og tænaðuskuld (aðrir ognarar) / Trade creditors					55,125,961	55,125,961	55,125,961	55,125,961
Millumrokning framleiðsla / Balance production					0	0	0	0
Avleidd figgjarglág amboð/derivatives					59,284,937	59,284,937	59,284,937	59,284,937
Partafelagsskattur / Corporate tax					0	0	0	0
Onnur skuld / Other debt					15,115,221	15,115,221	15,115,221	15,115,221
Tíðaravmarkingar / Prepayments					0	0	0	0
<b>Stuttfreistað skuld tilsamans / Total short-term debt</b>					<b>131,567,929</b>	<b>131,567,928</b>	<b>131,567,928</b>	<b>131,567,928</b>
<b>SKULD TILSAMANS / TOTAL DEBTS</b>					<b>1,579,683,929</b>	<b>1,849,683,928</b>	<b>1,874,596,928</b>	<b>1,904,596,928</b>
<b>PASSIV TILSAMANS / TOTAL LIABILITIES</b>					<b>2,888,056,939</b>	<b>3,199,516,813</b>	<b>3,307,282,005</b>	<b>3,443,436,704</b>

GJALDFØRISVIRLIT / CASH FLOW STATEMENT					2019	2020	2021	2022
					falt	falt	falt	
<b>Rakstur / Operations</b>								
<b>Nettousætningur / Net turnover</b>					<b>508,087,157</b>	<b>543,026,012</b>	<b>566,633,077</b>	<b>582,677,276</b>
Streymgjald / KWh charges					468,462,763	523,517,344	559,898,729	576,093,539
Fast gjald / Fixed charges					17,430,880	17,430,880	17,480,880	17,480,880
Íbindingargjald / Connection fees					24,735,369	6,000,000	6,000,000	6,000,000
Ómaksgjöld v.m. / Other charges					-30,502	1,000,000	1,000,000	1,000,000
Keyp av vindorku / Purchase of wind power					-2,511,353	-4,922,212	-17,746,532	-17,897,143
<b>Breytligur kostnaður / Variable costs</b>								
<b>- Oljukostnaður / Cost of Oil</b>					<b>145,086,109</b>	<b>160,313,126</b>	<b>115,121,102</b>	<b>114,430,200</b>
Tungolia, gassolia og smurjuolia til sundverkið / Heavy fuel oil, gas oil and lubricating oil for Sund power plant					145,086,109	160,313,126	115,121,102	114,430,200
<b>- Tilfar og tænastr / Materials and services</b>					<b>59,829,987</b>	<b>58,635,620</b>	<b>65,041,467</b>	<b>65,740,374</b>
Framleiðsluvirkir / Power plants					28,726,214	25,728,098	29,644,793	29,941,241
Netvirksemi utan fyrising / Grid less administration					9,710,202	11,642,000	13,816,497	13,916,204
Fyrising / Administration					21,393,570	21,265,522	21,580,177	21,882,929
<b>Bruttovinningur / Gross Profits</b>					<b>303,171,061</b>	<b>324,077,266</b>	<b>386,470,508</b>	<b>402,506,702</b>
<b>- Lönarútreiðslur / Wages and salaries</b>					<b>76,187,186</b>	<b>80,295,209</b>	<b>81,999,495</b>	<b>82,820,621</b>
Framleiðsluvirkir / Power plants					36,758,651	34,638,415	35,329,565	35,687,294
Netvirksemi utan fyrising / Grid less administration					24,149,985	29,590,838	30,282,655	30,635,481
Fyrising / Administration					15,278,548	16,065,956	16,387,275	16,497,846
<b>Gjaldförisbreyting frá vanligum raksturi / Changes in cash flow from traditional operations/ EBITDA</b>					<b>226,983,875</b>	<b>243,782,057</b>	<b>304,471,013</b>	<b>319,686,081</b>
Breytingar í goymslu, skuldarum og ognarum v.m. / Changes in inventory, debtors and creditors etc.					<b>24,507,584</b>	<b>-1,181,919</b>	<b>16,023,000</b>	<b>28,452,769</b>
+/- breyting í vörugömslu / changes in inventory					17,442,308	-15,831,378	3,808,741	12,391,912
+/- breyting í skuldarum / changes in debtors					-4,077,197	7,186,681	-2,699,135	-3,046,989
+/- breyting í avsetningum/skyldum / changes in provisions					11,142,473	7,462,778	14,913,394	19,107,846
<b>Gjaldförisbætur frá rakstri / Cash generated from operating activities</b>					<b>251,491,459</b>	<b>242,600,138</b>	<b>320,494,013</b>	<b>348,138,851</b>
<b>+/- liögur/Investments:</b>					<b>-354,418,001</b>	<b>-491,781,350</b>	<b>-271,840,000</b>	<b>-330,150,000</b>
Netvirksemi / Grid					-223,683,714	-252,227,946	-184,900,000	-105,150,000
Framleiðsluvirksemi / Production					-63,380,000	-887,927,085	-139,440,000	-79,000,000
Breyting í arbeiði / gerð / Changes to work in progress					-67,354,287	663,373,681	52,500,000	-146,000,000
Breyting í fjálgarligari stöðisögn / Changes in financial assets					0	-15,000,000	0	0
<b>Fíggarligar inngjaldingar og útgjaldingar / Net cash flow from financing activities</b>					<b>106,534,000</b>	<b>270,000,000</b>	<b>24,913,000</b>	<b>30,000,000</b>
<b>+/- breyting í langfreistaðari skuld / changes to long-term debt</b>					<b>106,534,000</b>	<b>270,000,000</b>	<b>24,913,000</b>	<b>30,000,000</b>
Nýggj lántøka - New borrowings					0	0	770,913,000	0
Lántøka til umlæggj av verandi skuld til langfreistað / Conversion of existing debt into long-term debt					0	0	-770,913,000	0
Avdráttir uppá skuld / Repayment of borrowings					0	0	0	0
<b>+/- Kapitalinntøkur og rentukostnaður og provisión netto / Net proceeds from investments and interest expenses and provisions</b>					<b>-52,522,943</b>	<b>-54,643,498</b>	<b>-58,494,583</b>	<b>-60,763,904</b>
Gjald av skatt/tax					-11,142,473	-7,462,778	-14,913,394	-19,107,846
Rentuútreiðslur / Interest expenses					-41,380,470	-47,180,720	-43,581,189	-41,656,058
<b>Gjaldförisbreyting íalt/ Total net cash flow</b>					<b>-48,915,485</b>	<b>-33,824,709</b>	<b>15,072,430</b>	<b>-12,775,053</b>
<b>Tøkur peningar primo / Cash and Cash equivalents beginning -of-year</b>					<b>190,785,456</b>	<b>141,869,971</b>	<b>108,045,262</b>	<b>123,117,691</b>
<b>Tøkur peningar ultimo áðrenn rakstrarkreitt / Cash and cash equivalents year-end before bank overdraft</b>					<b>141,869,971</b>	<b>108,045,262</b>	<b>123,117,691</b>	<b>110,342,638</b>
+ Rakstrarkreitt 2016 frá peningastovnum til liögur/ Allowed bank overdraft 2016 to investments					214,913,000	4,913,000	0	0
+ Rakstrarkreitt 2019 frá peningastovnum til liögur/ Allowed bank overdraft 2019 to investments					150,000,000	90,000,000	0	0
+ Rakstrarkreitt 2019 frá peningastovnum til liögur/ Allowed bank overdraft 2019 to investments					100,000,000	100,000,000	0	0
+ Rakstrarkreitt 2019 frá peningastovnum til rakstur/ Allowed bank overdraft 2019 to operations					100,000,000	100,000,000	100,000,000	110,342,638
<b>Tøkur peningar ultimo eftir rakstrarkreitt / Cash and cash equivalents at the end of year after bank overdraft</b>					<b>706,782,971</b>	<b>402,958,262</b>	<b>223,117,691</b>	<b>110,342,638</b>

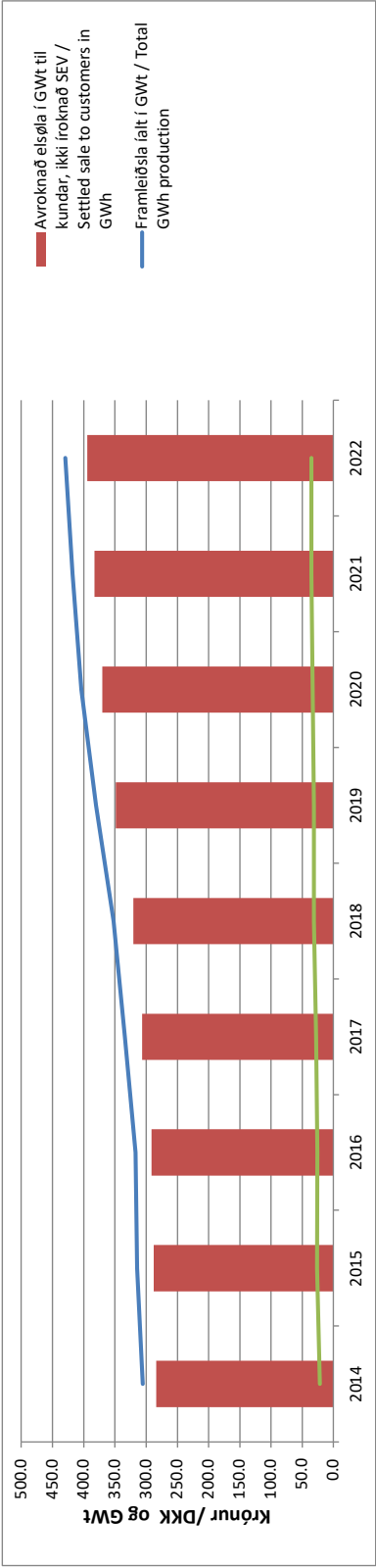
Ár	2019	2020	2021	2022
ílagur og útgreiningar harav í t.kr.	íalt	íalt	íalt	íalt
Maskindeild (110)	2,600	2,000	600	100
Fossaverkið - (deild 120)	1,000	2,200	2,500	0
Heggsverkið - (deild 130)	650	2,000	300	0
Mýruverkið - (deild 140)	750	700	0	200
Eiðisverkið - (deild 150)	505	1,250	480	300
Verkið í Botni - (deild 160)	1,065	1,000	6,500	0
Vágsverkið - (deild 170)	3,525	3,300	2,400	200
Sundsverkið - (deild 190)	175,064	81,367	1,100	22,900
Strond - (deild 220)	3,600	3,890	1,510	1,250
Vindorka - deild 235 Vindmyllur Eiði	250	0	0	0
Vindorka - deild 245 Vindmyllur Meginþingi	0	60,000	90,000	0
Vindorka - deild 255 Vindmyllur Glyvrafjall	150	2,100	0	0
Vindorka - deild 260 Vindmyllur Sandoy	150	2,100	0	0
Vindorka - deild 265 Vindmyllur Kirkjubøreyn	150	200	0	0
Vindorka - deild 270 Vindmyllur Suðuroy	10,300	71,100	0	0
Vindorka - deild 275 Vindmyllur Høgareyn	150	200	0	0
Smáverk felags - (deild 290)	1,450	2,950	3,450	3,450
Fugloy - (deild 292)	0	700	0	0
Svínoy - (deild 293)	150	250	0	0
Mykines - (deild 294)	200	600	0	0
Hestur - (deild 295)	300	300	0	0
Koltur - (deild 296)	25	500	0	0
Nólsoy - (deild 297)	0	0	600	600
Skúvoy - (deild 298)	200	650	0	0
Dimun - (deild 299)	100	0	0	0
Sólorka	3,000	0	0	50,000
Pumped storage	9,500	18,900	0	70,000
Framleiðsluvirkir íalt	214,834	258,257	109,440	149,000
Netvirkir uttan fyrisiting	119,084	176,824	159,300	178,050
Koblingsstøðir	59,234	85,000	26,050	48,550
Bytisivirkir	47,850	65,000	28,000	108,500
Innlegging	2,300	7,224	1,000	1,000
Verkføði	9,700	19,600	104,250	20,000
Fyrisiting	20,500	41,700	3,100	3,100
Netvirkssemi íalt	139,584	218,524	162,400	181,150
ÍALT	354,418	476,781	271,840	330,150

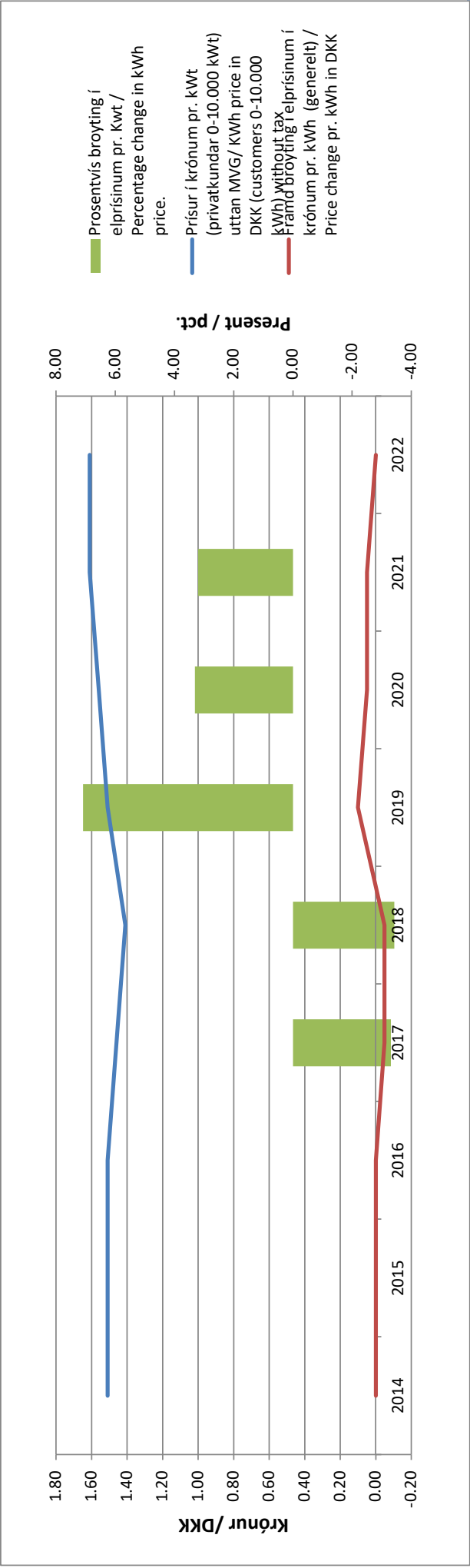
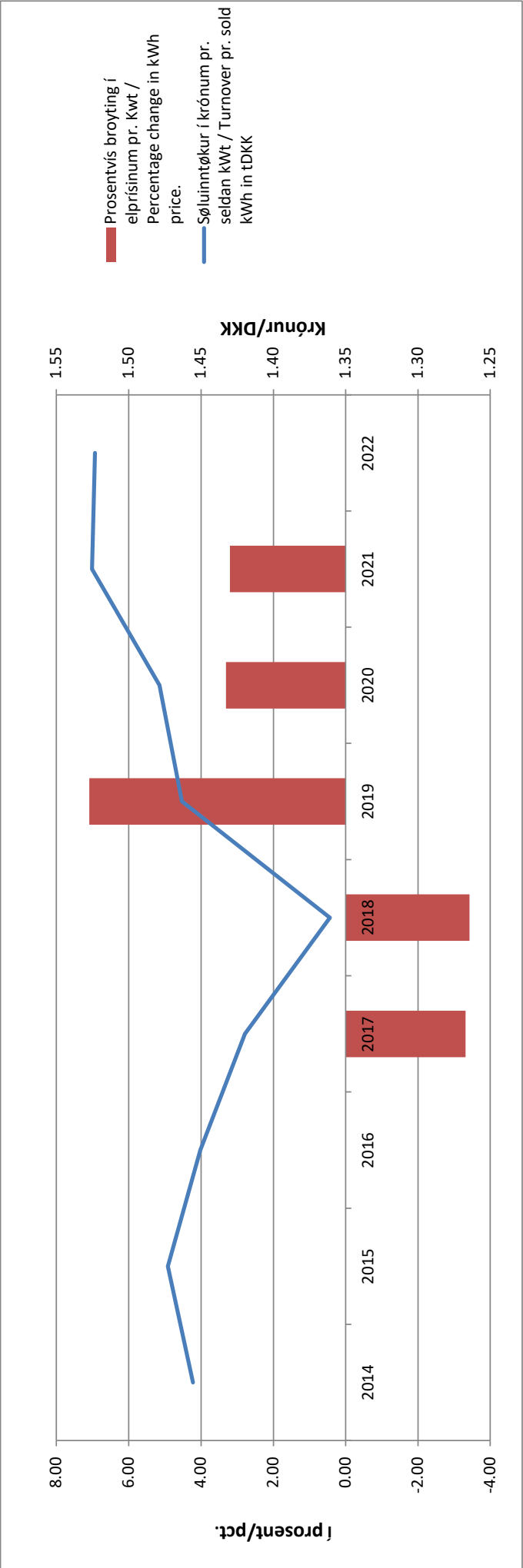
Rakstrarroknskapur / Income Statement		Staðfest roknskapartöl / Actual accounts										Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projection	Framskrifað / Projections
		2014	2015	2016	2017	2018	2019	2020	2021	2022					
Nettosøla í t.kr. Net turnover tDKK		410,551	421,952	420,270	432,277	427,460	508,087	543,026	566,633	582,677					
Úrslit av vanligum rakstri í t.kr. Operating results tDKK		155,573	221,483	243,621	226,255	197,097	226,984	243,782	304,471	319,686					
Úrslit av figgiarpostum í t.kr. / Finance results tDKK		-20,613	-24,830	-48,286	-32,948	-34,634	-41,380	-47,181	-43,581	-41,656					
Skattur		0	0	-9,343	-1,591	-9,242	-11,142	-7,463	-14,913	-19,108					
Ársúrslit í t.kr. / Annual results tDKK		57,763	103,067	92,754	88,974	38,084	47,620	33,997	67,939	87,047					
Yvirskotsstig (í prosent) / Operating Profit Margin (%)		37.89	52.49	57.97	52.34	46.11	44.67	44.89	53.73	54.87					
Úrslit fyri hvønn seldan kwt pr. ár í krónum		0.21	0.37	0.35	0.29	0.15	0.17	0.11	0.22	0.27					



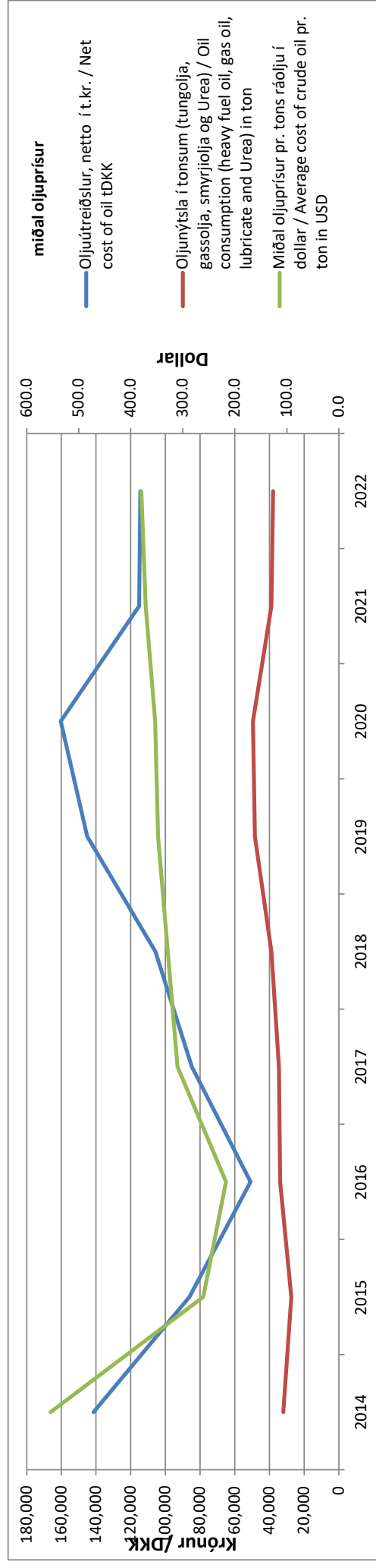


Framleiðsla / Production	Staðfest roknaskapartöl / Actual accounts							Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projection	Framskrifað / projections
	2014	2015	2016	2017	2018	2019	2020				
Framleiðsla av GWT við vindorku / GWh production utilising wind power	34.5	55.8	52.1	59.7	63.8	53.7	77.2		143.5		158.5
Framleiðsla av GWT við vatnorku / GWh production utilising hydro power	120.7	133.1	106.3	111.2	108.1	105.0	117.0		117.0		117.0
Framleiðsla av GWT við sjóarfalli, sólorka og pumpað to storage/GWh production utilising tidal, solar and pumped to storage	0.0	0.0	0.0	0.0	0.0	0.0	0.2		0.9		1.7
Framleiðsla av GWT við termiskari orku / GWh production utilising thermal power	150.2	125.5	158.9	163.4	180.1	221.8	209.7		156.7		152.1
<b>Framleiðsla íalt í GWT / Total GWh production</b>	<b>305.4</b>	<b>314.4</b>	<b>317.3</b>	<b>334.3</b>	<b>352.0</b>	<b>380.4</b>	<b>404.1</b>		<b>418.1</b>		<b>429.2</b>
<b>Framleiðsla í GWT sundurgreinað soleiðis / Break down of GWh production</b>											
Avroknað elsøla í GWT til kundan, ikki íroknað SEV / Settled sale to customers in GWh	283.8	288.1	291.4	306.5	320.5	348.9	370.6		383.1		394.2
Eginnýtsla hjá SEV í GWT / Private consumption in GWh	6.9	7.0	7.0	8.0	8.0	9.8	9.8		9.8		9.8
Tap í GWT / GWh loss	14.7	14.6	18.9	19.8	23.5	21.8	23.8		25.3		25.3
Tap og eginnýtsla hjá SEV í GWT / GWh loss and private consumption	21.6	26.3	25.9	27.8	31.5	31.5	33.5		35.0		35.0
Tap og eginnýtsla hjá SEV í % av framleiðslu / GWh loss and private consumption as a percentage of total production	7.1	8.4	8.2	8.3	8.9	8.3	8.3		8.4		8.2
Prosentvísur vøktur í sølu av GWT til kundan/Percentage change in sale to customers in GWh	3.4	1.5	1.1	5.2	4.6	8.9	6.2		3.4		2.9
Prísur í krónum pr. kWt (privatkundanar 0-10.000 kWt) uttan MVG/ kWh price in DKK (customers 0-10.000 kWh) without tax	1.51	1.51	1.51	1.46	1.41	1.51	1.56		1.61		1.61
Framd broyting í elprísinum í krónum pr. kWh (generelt) / Price change pr. kWh in DKK	0.00	0.00	0.00	-0.05	-0.05	0.10	0.05		0.05		0.00
Prosentvís broyting í elprísinum pr. Kwt / Percentage change in kWh price.	0.00	0.00	0.00	-3.31	-3.42	7.09	3.31		3.21		0.00





Oljuútreiðslur og keyp av streym / Oil Expenses and purchase of electricity	Staðfest roknskapartöl / Actual accounts									Staðfest og ætlað / Actual and Budgeted	Ætlan / Budgeted	Meting og framskriving / Estimation and projection	Framskrifað / projections
	2014	2015	2016	2017	2018	2019	2020	2021	2022				
Oljuútreiðslur, netto í t.kr. / Net cost of oil tDKK	141,500	86,196	50,911	84,741	105,771	145,086	160,313	115,121	114,430				
Oljunýtsla í tonsum (tungolja, gassolja, smyrjiofla og Urea) / Oil consumption (heavy fuel oil, gas oil, lubricate and Urea) in ton	31,979	27,488	33,912	34,590	38,838	48,471	49,562	38,841	37,884				
Kostnaður pr. tons olju í krónum inkl. gass- og smyrjiofla / Cost of oil pr. ton incl. gas- and lubricating oil in DKK	4,425	3,136	1,501	2,450	2,723	2,993	3,235	2,964	3,021				
Tungoljunýtsla í tonsum / Heavy fuel Oil consumption in ton	30,880	25,738	32,195	32,631	36,988	46,575	44,042	32,901	31,944				
Kostnaður pr. tons tungolju / Cost of heavy fuel oil pr. ton	3,506	2,859	1,139	2,123	2,330	2,588	3,092	2,673	2,731				
Miðal oljuþrúsur pr. tons ráðla í dollar / Average cost of crude oil pr. ton in USD	554.1	260.7	216.8	310.2	328.8	347.5	352.8	371.0	379.8				
Keyp av streymi í t.kr./ Purchase of electricity in DKK	2,538	2,402	2,394	2,844	2,692	2,511	4,922	17,747	17,897				



Rakstrarinntækur og útreiðslur fyrir SEV pr. kWh / Revenue and expenses pr. kWh	Staðfest roknskapartöl / Actual Accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budgeted	Meting og framskrifing / Estimation and projection	Framskrifað / projections
	2014	2015	2016	2017	2018	2019	2020	2021				
	413,089	424,354	422,664	435,121	430,152	510,599	547,948	584,380				600,574
Inntækur í t.kr. / Revenue in tDKK												
Framleiðsluvirkir (íroknað bygningar) í t.kr. / Power Budgets (buildings incl.) in tDKK	52,020	53,302	61,954	58,942	59,056	65,485	60,367	64,974				65,629
Netvirksemið í t.kr. / Grid in tDKK	31,747	32,925	33,154	31,443	33,426	33,860	41,233	44,099				44,552
Fyrirsíting íroknað tryggingar, tap av skuldarum, eftirlønir og arbeiðsm. gjöld í t.kr. / Administration incl. insurance, loss on unpaid debt and pensions in tDKK	29,711	28,046	30,632	30,897	32,110	36,672	37,331	37,967				38,381
Rakstrarútreiðslur íalt í t.kr. / Total operational expenses in tDKK	113,478	114,273	125,740	121,282	124,592	136,017	138,931	147,041				148,561
Oljuútreiðslur, netto í t.kr. / Net cost of oil in tDKK	141,500	86,196	50,911	84,741	105,771	145,086	160,313	115,121				114,430
Orkukeyp / Purchase of power	2,538	2,402	2,394	2,844	2,692	2,511	4,922	17,747				17,897
Avskrivningar í t.kr. / Depreciation in tDKK	77,197	93,587	93,238	102,742	115,136	126,841	155,141	178,038				171,875
Fíggarpostar netto í t.kr. (í 2010: íroknað niðurskrifing av partabævi í Sewave 2,1 mió.kr.) / Net financials in tDKK (in 2010 an amortization of shares in Sewave for DKK 2,1 mio is included).	20,613	24,830	48,284	32,948	34,634	41,380	47,181	43,581				41,656
Kostnaður íalt í t.kr. / Total cost in tDKK	355,326	321,288	320,567	344,557	382,826	451,836	506,488	501,527				494,420
Ársútslit í t.kr. áðrenn skatt / Annual Results in tDKK before tax	57,763	103,066	102,097	90,564	47,326	58,763	41,460	82,852				106,155
Skattur/tax	0	0	9,343	1,590	9,242	11,142	7,463	14,913				19,108
Ársútslit í t.kr. eftir skatt / Annual Results in tDKK after tax	57,763	103,066	92,754	88,974	38,084	47,620	33,997	67,939				87,047
Inntøka í mió.kr./income in DKK million	413.1	424.4	422.7	435.1	430.2	510.6	547.9	584.4				600.6
KWh-gjald í mió.kr. / kWh charges in DKK million.	379.2	385.1	392.7	393.1	402.2	468.5	523.5	559.9				576.1
Önnur inntøka í mió.kr./base-rate, connection fee and service fee in mióDKK	33.9	39.3	30.0	42.0	28.0	42.1	24.4	24.5				24.5
Miðalprísur í krónum pr. seldan kWh/ Average unit price in DKK pr. kWh sold	1.34	1.34	1.35	1.28	1.27	1.34	1.41	1.46				1.46
Önnur inntøka pr. kWh/base-rate, connection fee and service fee per kWh	0.12	0.14	0.10	0.14	0.09	0.12	0.07	0.06				0.06
Søluinntøkur í krónum pr. seldan kWh / Turnover pr. sold kWh in tDKK	1.46	1.47	1.45	1.42	1.36	1.46	1.48	1.53				1.52
Þrosentvís broyting í elprísinum pr. kWh												
Søluinntøkur í krónum pr. seldan kWh / Turnover pr. sold kWh in tDKK	1.46	1.47	1.45	1.42	1.36	1.46	1.48	1.53				1.52
Kostnaður í krónum pr. seldan kWh / Cost pr. kWh sold in DKK	1.25	1.11	1.10	1.13	1.21	1.29	1.37	1.31				1.25
Útslit fyrri seldan kWh / Profit/loss pr. sold kWh	0.21	0.37	0.35	0.29	0.15	0.17	0.11	0.22				0.27
Kostnaður í krónum pr. seldan kWh sundurgreinaður í framleiðslu og net / Cost pr. kWh sold in DKK specified in cost for production and net												
Framleiðslukostnaður pr. framleiddan kWh / production cost pr. produced kWh	0.90	0.74	0.64	0.74	0.79	0.87	0.90	0.86				0.86
Netkostnaður pr. seldan kWh / Grid expenses pr. kWh sold	0.35	0.37	0.45	0.39	0.41	0.43	0.47	0.44				0.39
Kostnaður í krónum pr. seldan kWh / Cost pr. kWh sold in DKK	1.25	1.11	1.10	1.13	1.21	1.29	1.37	1.31				1.25

Sundurgreinaður framleiðslukostnaður 1) / Production expenses broken down										Staðfest roknskapartöl / Actual Accounts					Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projections	Framskrifað / Projections
										2014	2015	2016	2017	2018	2019	2020	2021	2022
Olja / Oil										141,500	86,196	50,911	84,507	105,771	145,086	160,313	115,121	114,430
Keyf av vindorku/purchase of wind power										2,538	2,402	2,394	2,844	2,692	2,511	4,922	17,747	17,897
Tilfar og lönir / Materials, wages and salaries										52,020	53,302	61,954	58,942	59,056	65,485	60,367	64,974	65,629
Avskrivningar / Depreciation										47,366	59,230	59,230	67,823	74,221	74,831	93,751	110,319	113,519
Rentur / Interest										11,773	11,221	12,116	9,488	9,340	14,467	12,752	22,964	28,956
Framleiðslukostnaður íalt / Total production cost										255,197	212,351	186,605	223,604	251,080	302,380	332,105	331,125	340,431
Framleiddir kWt í GWT / Produced kWt in GWh										305.4	314.4	317.3	334.3	344.1	380.4	404.1	418.1	429.2
Framleiðslukostnaður pr. framleiddan kWt / production cost pr. produced Kwh										0.84	0.68	0.59	0.67	0.73	0.79	0.82	0.79	0.79
Harav oljukostnaður / Oil cost pr. produced Kwh										0.46	0.27	0.16	0.25	0.31	0.38	0.40	0.28	0.27
harav vindorkukeyp/purchase of wind power										0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.04	0.04
Harav tilfar og lönir / Materials and wages and salaries portion										0.17	0.17	0.20	0.18	0.17	0.17	0.15	0.16	0.15
Harav avskrivningar / Depreciation pr. produced Kwh										0.16	0.19	0.19	0.20	0.22	0.20	0.23	0.26	0.26
Harav rentur / Interest portion										0.04	0.04	0.04	0.03	0.03	0.04	0.03	0.05	0.07
Seldir kWt í GWT / KWh sold in GWT units										283.8	288.1	291.4	306.5	316.1	348.9	370.6	383.1	394.2
Framleiðslukostnaður pr. seldan kWt / Production cost pr. kWh sold										0.90	0.74	0.64	0.74	0.79	0.87	0.90	0.86	0.86
Harav oljukostnaður / Oil cost pr. kWh sold										0.50	0.30	0.17	0.29	0.33	0.42	0.43	0.30	0.29
harav vindorkukeyp/purchase of wind power										0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.05	0.05
Harav annar kostnaður / Other costs pr. produced Kwh										0.18	0.19	0.21	0.19	0.19	0.19	0.16	0.17	0.17
Harav avskrivningar / Depreciation pr. produced Kwh										0.17	0.21	0.20	0.22	0.23	0.21	0.25	0.29	0.29
Harav rentur / Interest pr. produced Kwh										0.04	0.04	0.04	0.03	0.03	0.04	0.03	0.06	0.07

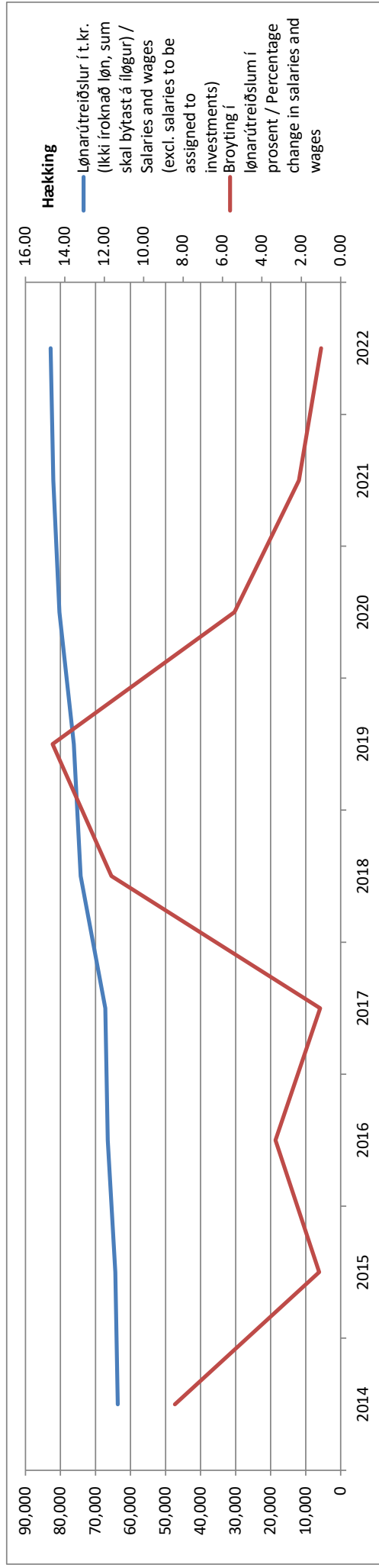
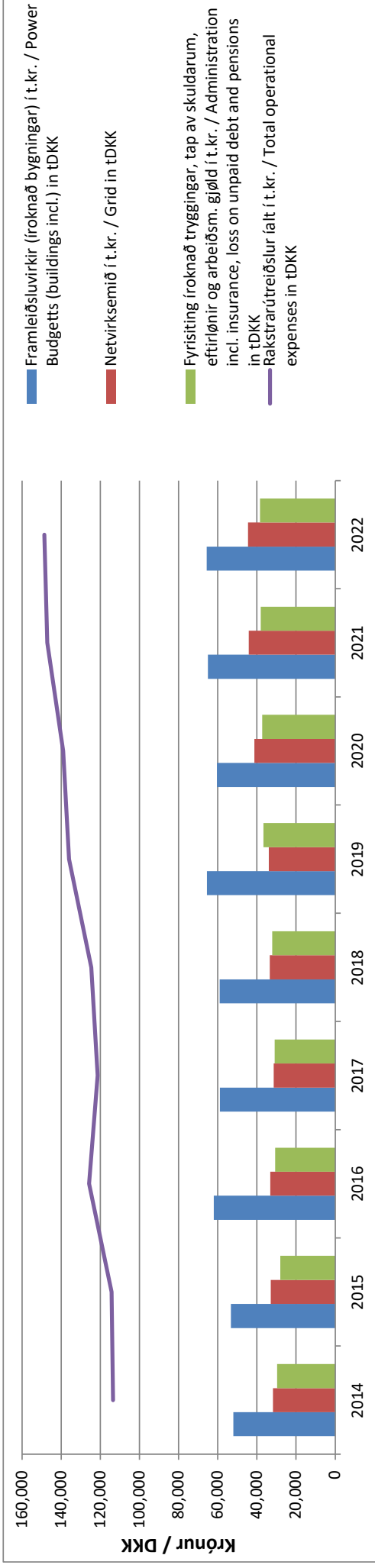
1) Hædd ekki tikið fyrir fordeiling av kostnaði fyrir nettab og eiginnýtslu hjá SEV millum framleiðslu og net, men tikið í mun til seldan kWh.

Sundurgreinaður netkostnaður 1) / Grid expenses broken down      Staðfest rokskapartöl / Actual Accounts									
	2014	2015	2016	2017	2018	Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projection	Framskrifað / projections
Tilfar og lönir / Materials and salaries	61,458	60,971	63,786	62,340	65,536	70,532	78,564	82,067	82,932
Avskrivningar uppá net / Grid depreciation	29,831	34,356	34,078	34,919	40,915	52,010	61,390	67,719	58,357
Rentur / Interest og/and subsidiary fair	8,840	13,609	35,106	21,348	24,102	26,913	34,428	20,617	12,700
Netkostnaður íalt / Total Grid expenses	100,129	108,937	132,970	118,607	130,554	149,456	174,383	170,403	153,989
Seldir kWt í GWT / Sold kWt in GWt	283.8	288.1	291.4	306.5	316.1	348.9	370.6	383.1	394.2
<b>Netkostnaður pr. seldan kWt / Grid expenses pr. kWh sold</b>	<b>0.35</b>	<b>0.37</b>	<b>0.45</b>	<b>0.39</b>	<b>0.41</b>	<b>0.43</b>	<b>0.47</b>	<b>0.44</b>	<b>0.39</b>
Harav netkostnaður / grid expenses pr. kWh sold	0.11	0.11	0.11	0.11	0.11	0.10	0.11	0.12	0.11
Harav fyrisiting / administration expenses pr. kWh sold	0.10	0.09	0.10	0.09	0.10	0.11	0.10	0.10	0.10
Harav avskrivningar / depreciation pr. kWh sold	0.11	0.12	0.12	0.11	0.13	0.15	0.17	0.18	0.15
Harav rentur / Interest expenses pr. kWh sold	0.03	0.05	0.12	0.07	0.08	0.08	0.09	0.05	0.03

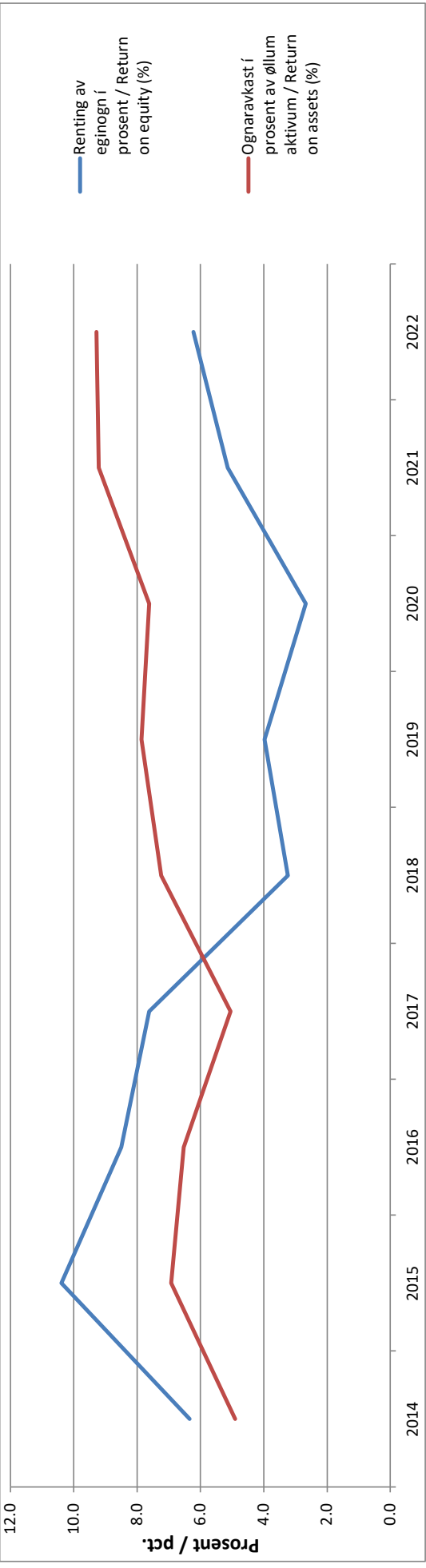
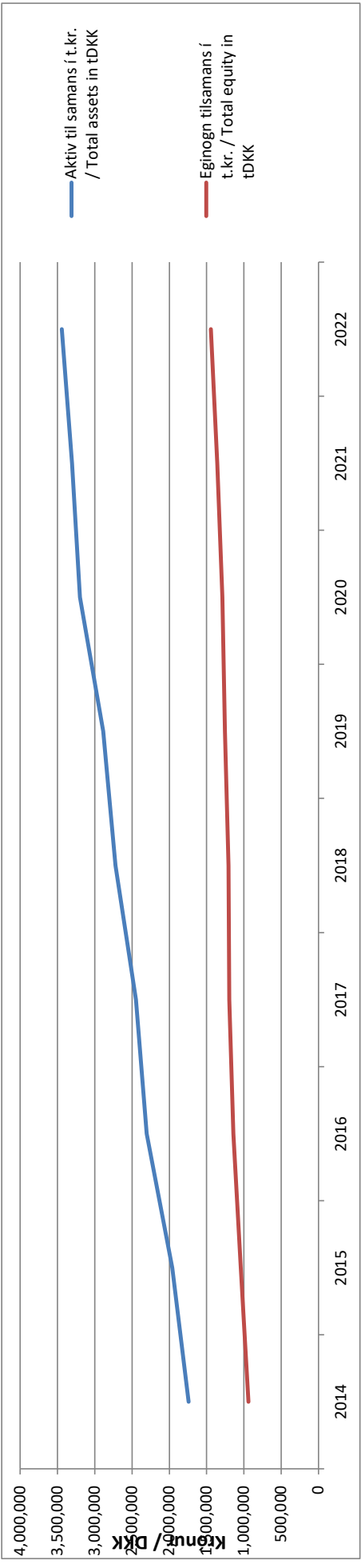
1) Hædd ekki tikið fyrir fordeiling av kostnaði fyrri nettab og egjinnýtslu hjá SEV millum framleiðslu og net, men tikið í mun til seldan kWt

Sundurgreinaður oljukostnaður / Oil expenses broken down	Staðfest roknskapartöl / Actual Accounts							Staðfest og ætlað / Actual and Budgeted	Ætlan / Budget	Meting og framskriving / Estimation and projection	Framskrifað / projections
	2014	2015	2016	2017	2018	2019	2020	2021	2022		
Kostnaður íalt í t.kr. / Total cost tDKK	355,326	321,288	320,567	344,557	382,826	451,836	506,488	501,527	494,420		
Oljukostnaður netto, íalt í t.kr. / Net oil cost in total in tDKK	141,500	86,196	50,911	84,741	105,771	145,086	160,313	115,121	114,430		
Kostnaður íalt í t.kr.uttan olju / Total costs excl. cost of oil in tDKK	213,826	235,092	269,656	259,816	277,055	306,750	346,175	386,406	379,990		
Olja í prosent av kostnaðinum / Oil portion of total cost (%)	39.82	26.83	15.88	24.59	27.63	32.11	31.65	22.95	23.14		
Oljukostnaður pr. framleiddan kWt við olju / Oil cost pr. kWh produced using oil	0.94	0.69	0.32	0.52	0.60	0.65	0.76	0.73	0.75		
Oljukostnaður pr. seldan kWt framleiddur við olju (íroknað eiginnýtsla og nettap) / Oil cost pr. sold kWh produced using oil (net loss and private consumption incl.)	1.01	0.75	0.35	0.57	0.66	0.71	0.83	0.80	0.82		
Sølukostnaður pr. kWt í ídnaðarbólkinum > 20.000 kWt / Cost pr. kWh sold to industry >20.000 kWh	1.15	1.15	1.15	1.10	1.10	1.20	1.30	1.35	1.35		
Úrslit í mun til oljuútreiðslunar / Result in comparison to oil expenses	0.14	0.40	0.80	0.53	0.44	0.49	0.47	0.55	0.53		
Sølukostnaður pr. kWt í bólkinum < 10.000 kWt / Cost pr. kWh sold to customers < 10.000 kWh	1.51	1.51	1.51	1.46	1.41	1.51	1.61	1.61	1.61		
Úrslit í mun til oljuútreiðslunar / Result in comparison to oil expenses	0.50	0.76	1.16	0.89	0.75	0.80	0.78	0.81	0.79		



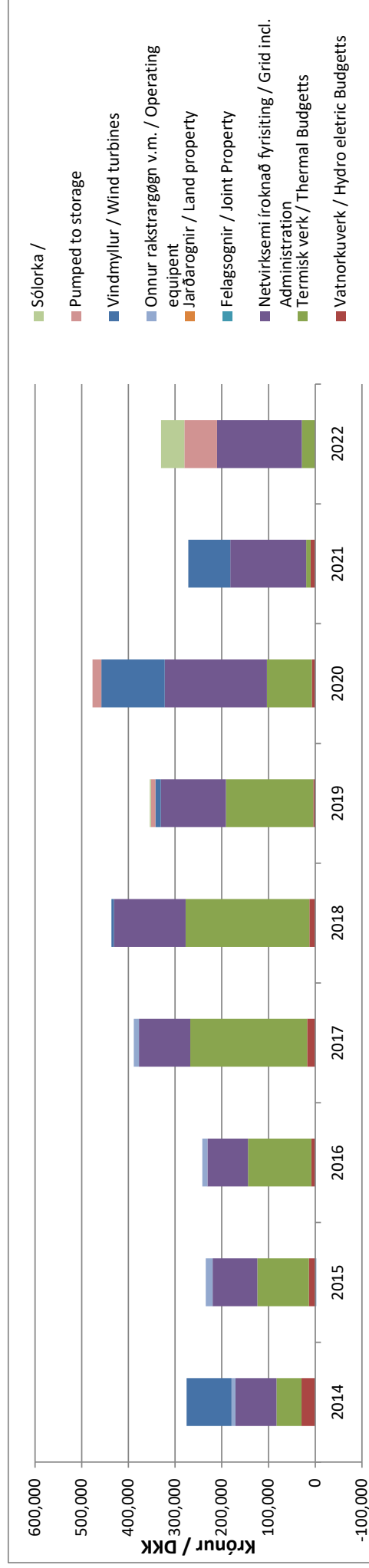
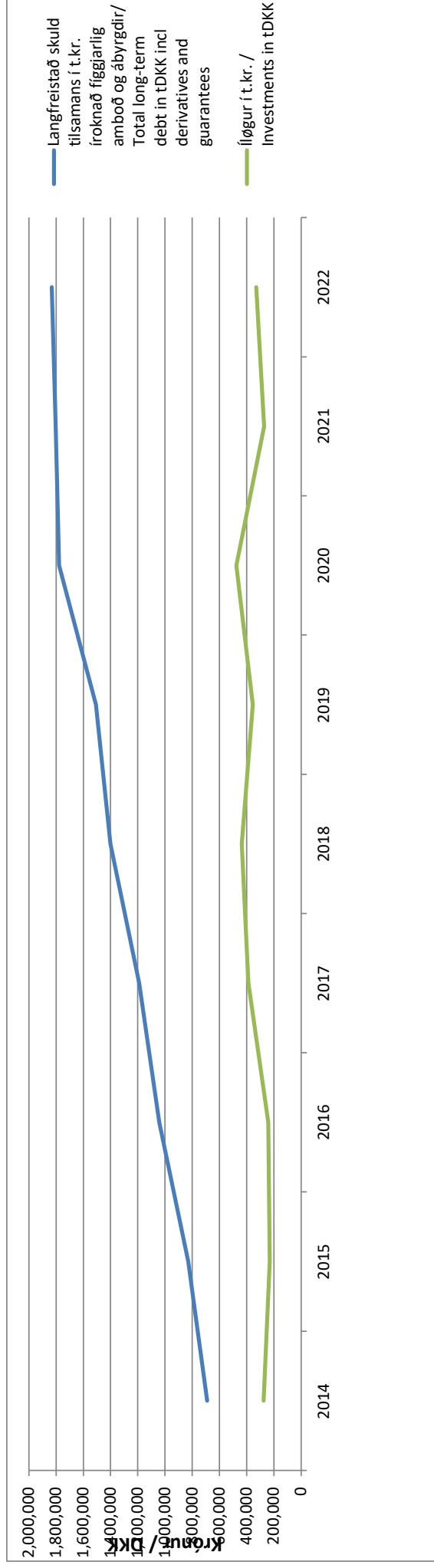


Figgiarstøða / Balance Sheet											
Staðfest roknskapartöl / Actual Accounts											
	2014	2015	2016	2017	2018	2019	Ætlan / Actual	Meting og framskriving / Estimation and projection	2021	2022	Framskrivað / Projections
Aktiv til samans í t.kr. / Total assets in tDKK	1,742,038	1,960,373	2,303,961	2,447,178	2,722,760	2,888,057	3,199,517	3,307,282	3,307,282	3,443,437	3,443,437
Eginogn tilsamans í t.kr. / Total equity in tDKK	939,854	1,042,921	1,141,003	1,196,397	1,207,723	1,255,343	1,289,340	1,357,279	1,357,279	1,444,326	1,444,326
Soliditetur í prosent / Equity/Asset ratio (%)	54.0	53.2	49.5	48.9	44.4	43.5	40.3	41.0	41.0	41.9	41.9
Renting av eginogn í prosent / Return on equity (%)	6.3	10.4	8.5	7.6	3.2	4.0	2.7	5.1	5.1	6.2	6.2
Ognaravkast í prosent av øllum aktivum / Return on assets (%)	4.9	6.9	6.5	5.0	7.2	7.9	7.6	9.2	9.2	9.3	9.3



Ílögur og langfreistað skuld - Investments and long-term debt	Staðfest roknskapartöl - Actual Accounts							Staðfest og ætlað / Actual and Budgeted	Ætlan / Budgeted	Meting og framskriving / Estimation and projection	Framskrifað / Projections
	2014	2015	2016	2017	2018	2019	2020				
Úrslit frá vanligum rakstri/EBITDA	155,573	221,483	243,621	226,255	197,097	226,984	243,782	304,471	319,686		
Langfreistað skuld tilsamans í t.kr. Íroknað figgjarlig amboð og ábyrgdir/ Total long-term debt in tDKK incl derivatives and guarantees	691,411	830,000	1,042,116	1,189,057	1,400,867	1,507,401	1,777,401	1,802,314	1,832,314		
Gjaldfæri/Closing cash on hand	131,459	221,889	335,498	247,993	190,785	141,870	108,045	123,118	110,343		
Netto langfreistað skuld tilsamans í t.kr./net total long-term debt in tDKK	559,952	608,111	706,618	941,064	1,210,081	1,365,531	1,669,356	1,679,196	1,721,971		
Figgjarlig amboð/derivatives	0	0	33,998	56,739	59,285	59,285	59,285	59,285	59,285		
ábyrgdir/garanties	0	0	3	3	9	9	9	9	3		
Netto langfreistað skuld í mun til EBITDA, ferðir/net total long-term debt in tDKK in comparison to EBITDA, times	3.6	2.8	3.1	4.2	6.2	6.0	6.9	5.5	5.4		
Stuttfreistað skuld tilsamans	91,408	77,612	91,772	91,772	89,262	131,568	131,568	131,568	131,568		
Stutt- og langfreistað skuld tilsamans/short and long term debt in total	782,819	907,612	1,133,889	1,133,889	1,490,129	1,579,684	1,849,684	1,874,597	1,904,597		
Netto samlað skuld í mun til EBITDA, ferðir / Total net debt in comparison to EBITDA, times	4.2	3.1	3.3	3.9	6.6	6.3	7.1	5.8	5.6		
Eiginingspartur í %/equity-asset ratio (solvency)	54.0	53.2	49.5	48.9	44.4	43.5	40.3	41.0	41.9		
Skuld í mun til eiginögn í prosent / Debt as a portion of Equity	73.6	79.6	91.3	99.4	116.0	120.1	137.9	132.79	126.86		
Kostnaður í % av langfreistað skuld og trekningsrættum/cost of long-term debt and committed lines in pct.	3.5	3.3	5.2	3.0	2.8	3.2	2.9	2.4	2.3		
Breyting í langfreistaðari skuld í t.kr.	181,157	138,589	212,116	146,941	211,810	106,534	270,000	24,913	30,000		
Ílögur í t.kr. / Investments in tDKK	275,200	232,100	241,700	388,500	435,952	354,418	476,781	271,840	330,150		
Munur millum breyting í langfreistaðari skuld og ílögur í t.kr. / Difference between change in long-term debt and investments in t.DKK	94,043	93,511	29,584	241,559	224,142	247,884	206,781	246,927	300,150		

Ílögslag í 1.000 kr. / Investments in tDKK	2014	2015	2016	2017	2018	2019	2020	2021	2022
Vatnorkuverk / Hydro electric Budgets	29,400	13,400	8,500	17,200	12,680	3,970	7,150	9,780	500
Termisk verk / Thermal Budgets	53,400	110,300	135,300	250,500	264,514	187,214	96,507	9,660	28,500
Vindmyllur / Wind turbines	96,100	-2,000	0	0	5,000	11,150	135,700	90,000	0
Netvirkei íroknað fyrirséing / Grid incl. Administration	88,100	95,900	86,700	109,400	153,758	139,584	218,524	162,400	181,150
Sjóvarfalsorka/Tidal	0	0	0	0	0	0	0	0	0
Pumped to storage	0	0	0	0	0	9,500	18,900	0	70,000
Sólorka /	0	0	0	0	0	3,000	0	0	50,000
Felagsögnir / Joint Property	0	0	0	0	0	0	0	0	0
Jarðarögnir / Land property	0	0	0	0	0	0	0	0	0
Önnur rakstrargögn v.m. / Operating equipent	8,200	14,500	11,200	11,400	0	0	0	0	0
<b>Íalt</b>	<b>275,200</b>	<b>232,100</b>	<b>241,700</b>	<b>388,500</b>	<b>435,952</b>	<b>354,418</b>	<b>476,781</b>	<b>271,840</b>	<b>330,150</b>



Gjaldfæri / Liquidity	Staðfest roknskapartöl - Actual Accounts								Staðfest og ætlað / Actual and Budgeted	Ætlan / Budgeted	Meting og framskrifing / Estimation and projection	Framskrifað / Projections
	2014	2015	2016	2017	2018	2019	2020	2021	2022			
Gjaldfærisbreyting frá vanligum rakstri í t.kr. / Changes in liquidity from general operations tDKK	159,016	183,904	143,821	194,928	197,097	226,984	243,782	304,471	319,686			
Önnur gjaldfærisbreyting í t.kr. / Other changes in liquidity	-27,557	37,985	191,677	53,065	-6,311	-85,114	-135,737	-181,353	-209,343			
Gjaldfæri við ársenda í t.kr. / Liquidity year-end	131,459	221,889	335,498	247,993	190,785	141,870	108,045	123,118	110,343			
Breyting í gjaldfæri í krónum í mun til undanfarna ára í t.kr. / Changes in liquidity DKK compared to previous years.	64,866	90,430	113,609	-87,505	-144,713	-48,915	-33,825	15,072	-12,775			
Avdráttur útan afturrindan av lán við sølu/ Loan Repayment (not incl. termination of loan)	29,563	19,432	0	0	0	0	0	0	0			0
Rentukostnaður/cost of finance	21,180	25,034	48,304	32,948	34,634	41,380	47,181	43,581	41,656			
Rentuinntækur/interest income	567	204	20	0	0	0	0	0	0			0
Kapitalkostnaður/cost of finance	20,613	24,830	48,284	32,948	34,634	41,380	47,181	43,581	41,656			
Sjálvfinansiering til at fígga breytingar í goymslu, skuldarum og ognarum umframt ílögur eftir rindan av avdráttum / Self financed investments after loan repayment	108,840	139,642	95,537	161,980	162,462	185,603	196,601	260,890	278,030			

