sev

Production Accounts 2024

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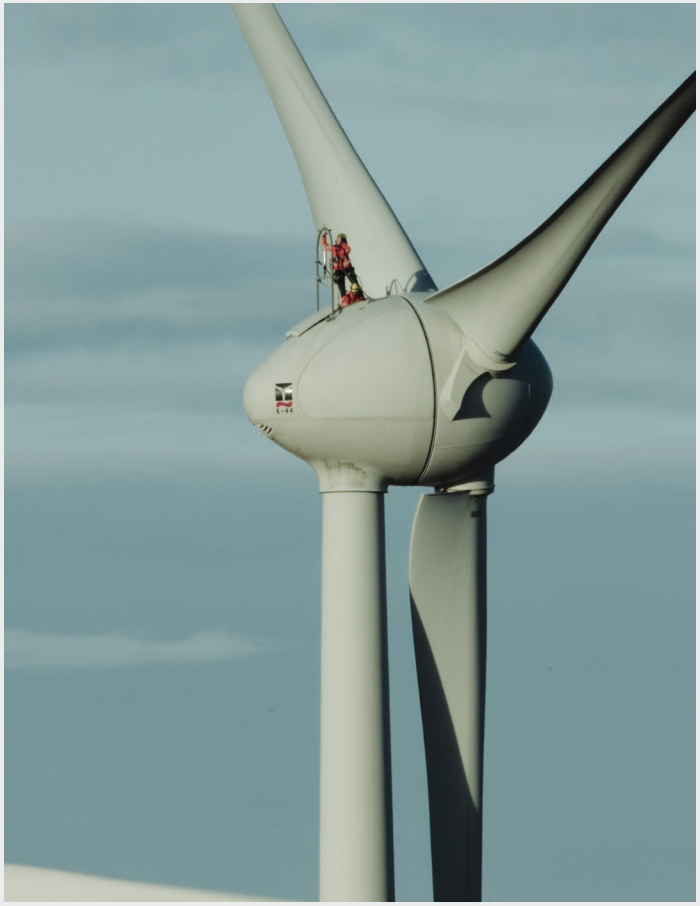

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Business Tax Registration No.: 331538

Management Report

The Board of Directors and Management hereby submit Sev's Production Annual Report and Accounts for fiscal year 1 January - 31 December 2024. The Production Accounts are also a part of the Group's Annual Report.

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

It is our opinion that the accounting methods used are suitable and that the Accounts give a true and fair view of the Company's assets, liabilities, financial position as at 31 December 2024 and the result of operations and cash flow for fiscal year 1 January - 31 December 2024.

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

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

Tórshavn, 11 April 2025

Management

Hákun Djurhuus
Managing Director, CEO

Financial Management

Bogi Bendtsen
Director of Administration, CFO

Board

Haraldur S. Hammer
Chairman

Sylvia Thomsen
Deputy Chair

Arni Teindal

Hans Kári Hansen

Heðin Mortensen

Tórbjørn Jacobsen

Winnie Kjærbo

Independent Auditor's Report

To the management of Elfelagið Sev

Opinion
We have audited the production accounts of Elfelagið Sev for the financial year 1 January - 31 December 2024, which comprise Income Statement, Statement of Financial Position, cash flow statement, and notes. The amounts in the production accounts are part of the annual accounts for Elfelagið Sev for the financial year 1 January – 31 December 2024, which we have audited.

In our opinion, the production accounts for Elfelagið Sev for the financial year 1 January - 31 December 2024 in all material aspects are prepared in accordance with the accounting principles described in the production accounts.

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

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

This has not affected our opinion on the production accounts.

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

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

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

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

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

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

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

Tórshavn, 11 April 2025

P/F JANUAR
State Authorised Public Accountants

Hans Laksá
State Auth. Auditor

Key Figures 2020-2024

Amounts in 1,000 DKK	2024	2023	2022	2021	2020
Income Statement					
Net sales	458,622	441,220	433,768	408,450	358,659
EBITDA	163,071	145,025	134,362	158,736	128,312
Result before financial items	40,222	38,000	25,030	54,459	36,027
Financial items	-24,839	-25,065	-14,705	-19,903	-18,434
Annual result	**17,264**	**14,205**	**9,673**	**34,960**	**17,969**
Balance Sheet					
Total assets	1,836,043	1,849,837	1,898,199	1,714,619	1,755,214
Equity	935,982	920,492	890,940	870,798	838,307
Long-term debt	**886,443**	**899,019**	**818,725**	**827,932**	**724,439**

Management Review

Management Review

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

The operations permit granted to Sev for each individual production facility states that the accounts shall indicate whether each production facility operates at a profit or loss. This accounting report for the production activities of Sev is a part of the consolidated accounts of Sev. This Management Review discusses Sev's production activities for the period 1 January 2024 to 31 December 2024.

Distribution of operational profit
The Production Division shall always cover all of its operational costs, including its portion of the costs related to management of the grid and the universal service obligation. In addition, the Production Division

shall derive a profit corresponding to around 5% of opening balance equity. Calculated profit for 2024 was DKK 45.3 million, compared to DKK 44.5 million for 2023.

The total result for the Production Division was DKK 17.3 million. The reason that the result for the Production Division is lower than the calculated requirement is that the annual result for the Grid Division was adjusted so that the profit equalled the expenses incurred by the Grid Division, as well as its own financing of up to 25% of the annual average investment over the next five years for the Grid Division. For a more detailed discussion of the relevant procedures and practices to distribute operational profit between the Production Division and the Grid Division, please refer to Note 1.

Business activity overview and financial status
The green share of electricity production increased by 18%, yielding a record share for the fourth consecutive year.

Total electricity production in 2024 was 480 GWh, from just under 57% sustainable energy sources, and 43% from thermal sources. The demand for electricity continues to increase, and in 2024 the increase in demand was 5%.

Last year, the sustainable electricity production reached 272 GWh, compared to 230 GWh in 2023. For the country as a whole, electricity production was 100% sustainable in just under 8 days, while on Suðuroy, production was 100% sustainable for just over 110 days.

> " Electricity production was 100% green for 8 days for the whole country. On Suðuroy, production was 100% green for 110 days"

Wind energy production performed well
Wind energy production performed especially well with a record level of production for the fourth consecutive year, yielding 153 GWh in 2024, which is close to triple the production of 54 GWh in 2021.

The share of wind energy production among the producers in 2024 was Vindrøkt II at Gellingarklettur 73 GWh, Flatnahagi at Flatnahaga 40 GWh, Røkt in Vestmanna 2.2 GWh, and Sev's subsidiaries at Húsahagi 17 GWh, at Porkeri 17.2 GWh, and at Neshagi 3.4 GWh.

Batteries make a difference
The battery system at Sund came online in December 2023, and the yield from wind energy production has increased from 53% in 2022, when the wind farm at Gellingarklettur started operating, up to 68% on average for Gellingarklettur and Flatnahagi in 2024.

Hydropower
Unusually high amounts of precipitation in August and December led to high hydropower generation in 2024, even as some of the plants were out of operation due to maintenance. The smaller Botnur and Strond plants were out for refit and repair, and the dam at Heygadalur in Vestmanna was emptied during the summer through to October to replace the sluice gate and connected penstock. Even with these plant out of operation, hydropower production was 111 GWh, of which the Eiði plant produced more than half with 61 GWh.

4,000 tons less oil used than in 2023
Thermal energy production was 208.5 GWh, a decrease of 8% compared to the previous year, or 19 GWh less. This corresponds to 4,000 tons less oil used and a decrease of 16,000 tons CO2 emission.

The green energy share in 2024 means that thermal production of 208.5 GWh in 2024 is the lowest since its peak of 262.4 GWh in 2021.

Biogas production improves
The biogas plant Förka produced 1.5% of total electricity, which may not sound like much, but production from the plant increased by 76% from 4 GWh in 2023 to 7 GWh in 2024.

Suðuroy
Electricity production on Suðuroy has been stable at the 35 GWh level since 2019. 2024 was no exception with 35 GWh with 54% sustainable and 46% thermal production.

Wind energy production on Suðuroy hit record level again in 2024 with the Porkeri site producing 17.3 GWh compared to 15 GWh in 2023.

Hydropower production on Suðuroy was down in 2024 due to the refit of the Botnur plant commencing in the spring of 2024 and is expected to complete by the fall of 2025. Production at the Botnur plant was only 1.8 GWh in 2024, compared to the annual average of 4.5-5 GWh.

Things were quiet at the Vágur thermal plant, when production was 100% sustainable for a total of 110 days, despite the closure of the Botnur hydropower plant since April 2024. This means that Suðuroy at times has been running on 100% wind generation, which is only possible because of the battery system and synchronous compensator.

It can be clearly seen that the battery technology on Suðuroy is working well and works at its best when wind energy capacity and demand are in balance. The wind energy yield is better on Suðuroy than in the main area with a 75% yield in 2024 compared to 70% in 2023. In 2022, when the battery system was operational for only a few months, the yield was 46%.

Record demand for electricity
We consume electricity like never before. We again set a record in 2024 for total Faroese electricity production. Total production in 2024 was 480.4 GWh, compared to

457.6 GWh in 2023, equalling a growth of 5.0%, compared to 5.3% last year.

Electricity production from sustainable energy resources was 271.9 GWh in 2024, compared to 230.0 GWh in 2023, corresponding to an increase of 41.9 GWh, or 18.2%. In 2024, 153.3 GWh was wind energy, and 111.1 GWh was hydropower. Thermal production was 208.6 GWh, which was 43.4% of total electricity production in 2024, compared to a 49.7% share in 2023.

Since 2000, electricity production has more than doubled. In 2000, production was 213 GWh and in 2024 it was 480 GWh. In 2010, production was 280 GWh.

In the main region of the country, production increased by 5.4% in 2024, compared to 6.4% last year. On Suðuroy, production increased by 0.7% in 2024, compared to an increase of 4.7% last year. The peak load in the central region was 77.5 MW in 2024, compared to 76.5 MW in 2023, while peak load in Suðuroy decreased from 8.8 MW in 2023 to 8.3 MW in 2024.

Table 1

Sales in GWh

	2024	2023	Change GWh	Change %
Settled sales to customers	435.5	415.6	19.9	4.8
Grid loss	29.0	28.6	0.4	1.5
Own consumption	15.9	13.4	2.5	18.4
Total production	**480.4**	**457.6**	**22.8**	**5.0**
Of which thermal	208.6	227.6	-19.0	-8.4
Thermal %	*43.4*	*49.7*		
Of which hydro	111.1	100.2	10.9	10.9
Hydro %	*23.1*	*21.9*		
Of which wind	153.5	125.6	27.9	22.2
Wind %	*31.9*	*27.4*		
Of which BTS*	7.3	4.2	3.1	72.2
% BTS	*1.5*	*0.9*		
Total green energy production	**271.9**	**230.0**	**41.9**	**18.2**
Green energy %	*56.6*	*50.3*		

* BTS = Biogas, tidal, and solar

Electricity production over the years has fluctuated, as shown in Figure 1 showing the electricity production for the entire country from 1954 to 2024.

As the Figure shows, there has been steady growth in electricity production since 1954 and onward to the financial crisis in the 1990s, when electricity production began to decline as a result of less demand. It was not until 1996 did electricity production begin to grow again only to set a new record in 2024 of 480 GWh.

Also seen is that production of electricity from hydropower increased considerably at the end of the 1980s because of the new Eiði 3 power plant that began production of electricity using hydropower. Hydropower production increased again from 2002 to 2007 because of the Eiði 3 power plant, which has remained rather steady. In 2010 and in 2011, extensive overhauling was carried out on the turbines and piping at the Fossá power plant and at the Heyga power plant, as well as turbine 1 at the Eiði power plant, which was updated in 2012, while turbine 2 was updated in 2013. These overhauls can be seen in the production Table because production declined in 2010 and 2011. Moreover, it should be noted that in 2010 and 2013 it rained very little, compared to other years. In June 2012, Sev took into use the new turbine 3 at the Eiði power plant, which together with Eiði 2 south increased production of electricity from hydropower by around 14 GWh annually. The tunnel project was completed at the end of 2013.

In November of 2012, the wind farm at Neshagi entered into operation and on 9 October 2014 the new wind farm at Húsahagi came into production. The wind farm at Porkerishagi began to supply production into the grid in November 2020, and was formally turned over to Sev on 11 February 2021. The power plant has supplied the grid with electricity throughout 2022. Also, the Table shows that production from wind energy increased considerably in 2022, when the wind farm of Vindrøkt II at Gellingarklettur began to produce electricity for the grid in the month of July.

Figure 2 shows the monthly electricity production from 1988 through December 2024. As shown, production declined in 2011, while it grew steadily over the twelve months of 2012 only to decline and then grow again a little in 2013; growth continued apace from 2014 through 2024. In 2024, growth was 5.0%.

Figure 3 shows electricity production in the Faroe Islands per inhabitant from 1970 to 2024. The Table shows the same picture as Figures 1 and 2 of the total electricity production for the entire country.

The Company has production facilities around the country, producing eletricity from various sources, i.e. thermal, hydropower, wind energy, and solar power. Moreover, the Company utilises biogas from the Förka plant and the wind farms of Vindrøkt II and Flatnahagi.

Figure 4 shows electricity production divided by area in 2024. As the Figure shows, the largest share of production occurs at the Sund power plant with 188.5

Figure 1

Electricity Production for the Entire Country from 1954 to 2024

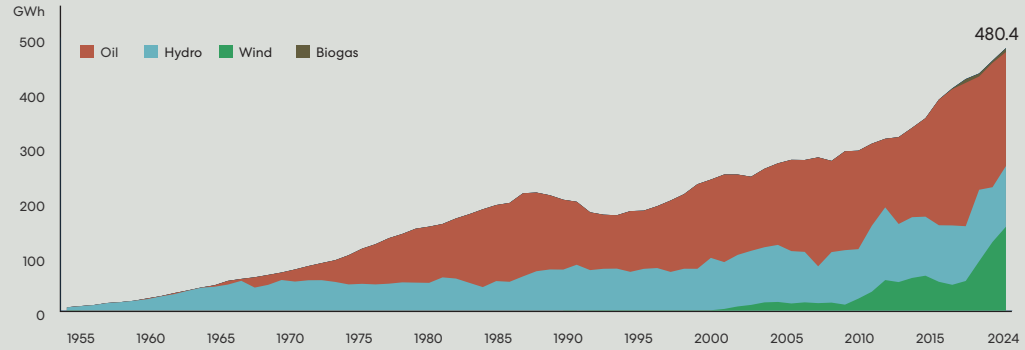


Figure 2

Total monthly electricity production from 1988 through 2024

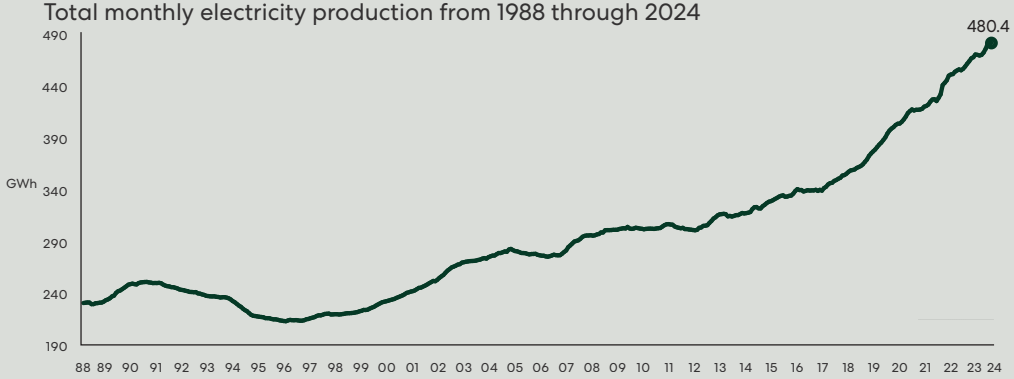


Figure 3

Electricity production per inhabitant of the Faroe Islands 1970-2024

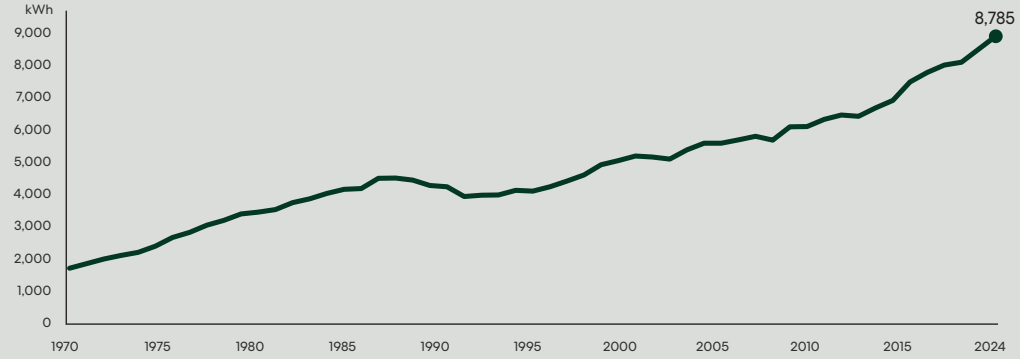


Figure 4

Geographical division of electricity production 2024

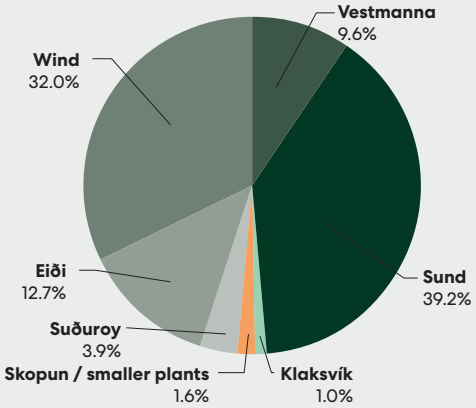
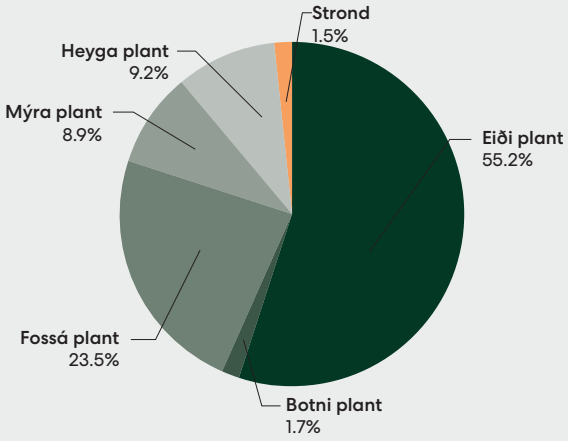
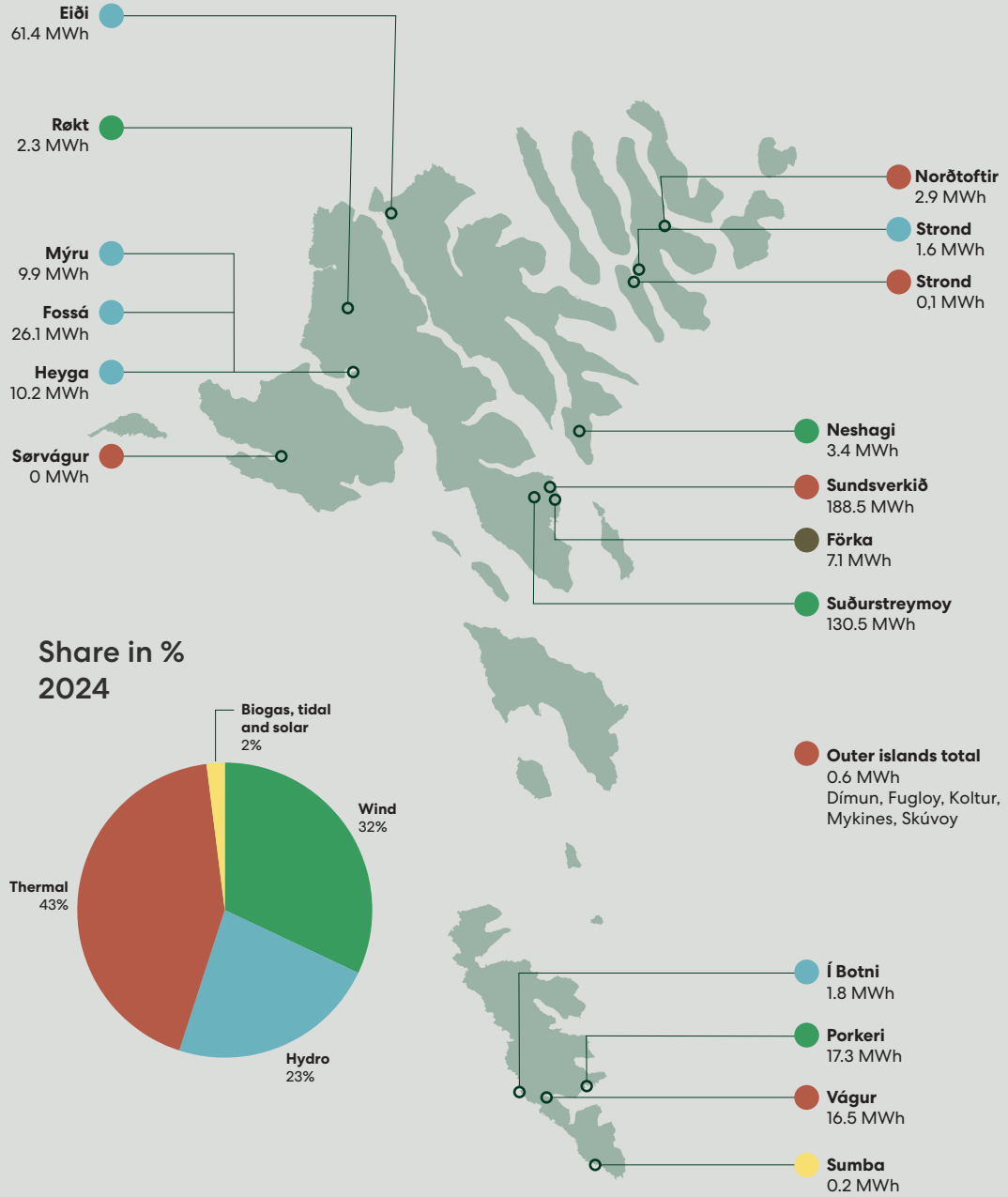


Figure 5

Electricity production by hydropower plants in 2024 as a percentage of entire hydropower production





Share in % 2024

GWh, while the next largest share is generated from wind at Gellingarklettur with 73.1 GWh, and third is from hydropower at the Eiði power plant, which generated 61.4 GWh.

Figure 5 shows production divided by hydropower plants in 2024. The Figure shows that Eiði is the largest hydropower plant, followed by the Fossá power plant in Vestmanna.

Sev is bound by a universal service obligation. This means that Sev shall always have sufficient power available to meet the demand for electricity. Figure 6 shows the amount of available backup generating capacity versus peak demand for the central region of the country from 1957 through 2024.

Figure 6 shows how much backup generating capacity Sev has compared to peak demand. The reason that Sev has so much back up capacity is because the major portion of electricity production is generated by unstable energy resources. Therefore, it is necessary to have backup capacity.

The increase in available backup generating capacity in 2012 is the result of the new turbines at the Eiði hydro-power plant and the wind farm at Neshagi. The decline in 2013 of 5.3 MW reflects the fact that the M3 motor at the Sund thermal power plant was off-line. The increase in 2014 and 2015 reflects the installation of two new motors at the Sund Power Plant to replace the M3 motor generating some 4.8 MW, plus the wind farm at Húsahagi producing some 11.7 MW. In 2016, the new

Figure 6

Peak demand for the main production region and total installed capacity, 1957-2024

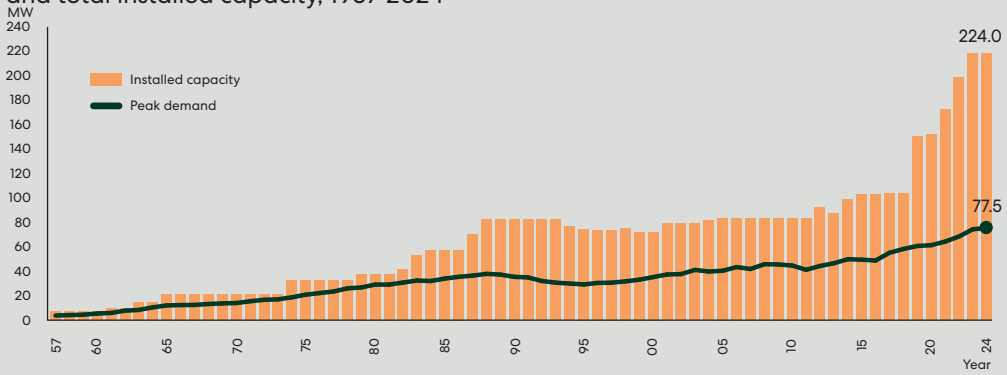


Figure 7

Electricity demand over a 24-hour period, Wednesday, 2 October 2024 in the main central production region.

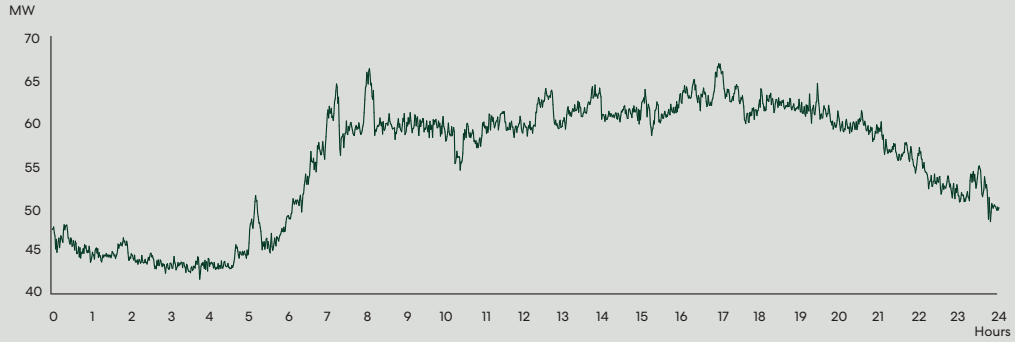
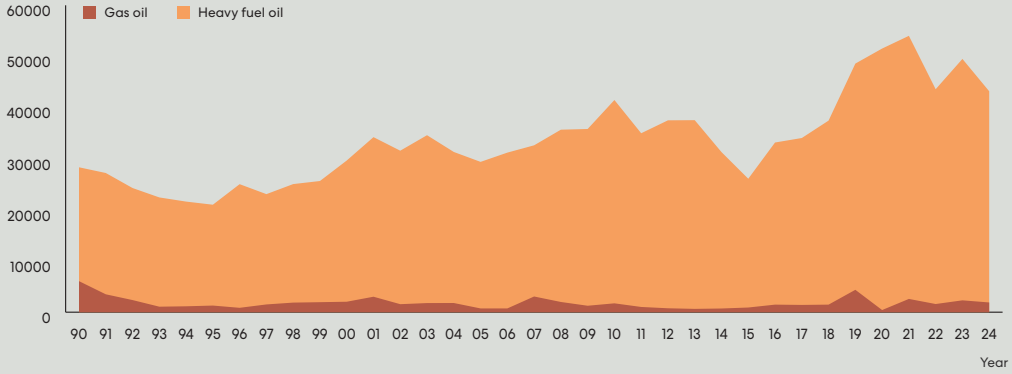


Figure 8

Oil consumption in tonnes, 1990-2024



motor at the Vágur thermal power plant came online, adding 4.0 MW. In 2017 and 2018, there was no increase in available backup capacity, but in 2019 Sev purchased backup generators with a total power of 8.0 MW.

Station 3 at the Sund power plant, which was formally taken over on 31 March 2020, is well equipped and technically is of a high standard, which provides steady electricity to the Faroese community. The Sund power plant provides the same for the Faroese community in the central region as the cable connections between countries. The expanded Sund power plant provides a secure foundation, while Sev continues with its expansion of green energy resources to take advantage of renewable and sustainable energy resources.

Station 3, which is now a functioning part of the Sund Power Plant, houses four new motors with a total capacity of 37 MW. Together with the older section of the Sund Power Plant – Station 1 and 2 with a capacity of 45 MW – the total power of the Sund Power Plant is 82 MW. For the sake of comparison, the demand for electricity in the central region of the country on a normal day lies around 50-55 MW, and the highest demand for electricity ever was registered at 77.5 MW, which was on 14 January 2024.

Considerable attention is focused on security and cleanliness at Station 3; the power plant has a pollution control system that removes the dangerous compound, NOX, from the smoke and much is done in addition to dampen the sound of the motors. Also, much is done to ensure that the power plant is operated and maintained at a very high level.

Figure 7 shows the load on Wednesday 2 October 2024 in the main region of the country. The Figure shows the daily power load on a normal day in 2024. The Figure shows that the load is fairly even from 9:00 in the morning to 20:00 hours in the evening. For most of the last few years, the daily power load has, in the main, remained unchanged.

In order to meet the demand for electric power, Sev has a highly diverse “machine park”, comprised of oil-fired motors, hydropower turbines, and wind turbines. In addition, Sev has a solar power facility located at Sumba, which is part of a research project, and tidal current turbines installed in Vestmanna Sound, which are also part of a research project. Furthermore, P/F Flatnahagi and Sp/f Vindrøkt II have built wind farms of 18 and 25 MW, respectively.

Table 2

Oil consumption, tonnes

	2024	2023	Change tonnes	Change %
Heavy fuel oil	41,288	44,881	-3,593	-8.0
Gas oil	1,901	2,316	-415	-17.9
Total	**43,189**	**47,197**	**-4,008**	**-8.5**

Table 3

Oil expense, DKK million

	2024	2023	Change DKK MM	Change %
Heavy fuel oil	189.6	181.3	8.3	4.6
Gas oil	17.2	21.2	-4.0	-19.0
Lubricants, urea	8.7	14.6	-5.9	-40.6
Total	**215.5**	**217.1**	**-1.7**	**-0.8**

Total income

Total income for the Production Division in 2024 was DKK 458.6 million, compared to DKK 441.2 million in 2023. Of this income, the Sund thermal power plant generated DKK 327.0 million in 2024 and DKK 318.1 million in 2023, or respectively 71.3% and 72.1%. The Vágur thermal

> " Yield from wind energy has increased from 53% in 2022, when the wind farm at Gellingarklettur went into operation, to 68% on average in 2024 for Gellingarklettur and Flatnahagi"

Table 4

Depreciation, DKK million

	2024	2023	Change DKK MM	Change %
Sund	60.5	53.0	7.5	14.1
Vágur	10.4	10.6	-0.2	-2.3
Fossá	2.2	3.1	-0.9	-29.5
Heyga	1.3	0.9	0.5	53.2
Mýru	1.6	1.6	0.0	0.9
Eiði	19.2	19.3	-0.2	-0.8
Botnur	5.5	0.7	4.9	746.4
Strond	1.8	2.3	-0.5	-21.1
Wind farms	18.6	14.3	4.4	30.5
Smaller plant	1.8	1.3	0.5	34.8
Total	**122.8**	**107.0**	**15.8**	**14.8**

power plant generated DKK 38.4 million in 2024 and DKK 37.3 million in 2023, or respectively 8.4% and 8.5%.

Thus, the two largest oil-fired thermal production plants generated an income of nearly DKK 365.3 million in 2024, compared to DKK 355.4 million in 2023, corresponding to respectively 79.7% and 80.5% of total Production Division income. The operational result for the Production Division in 2024 yielded a surplus of DKK 17.3 million, compared to DKK 14.2 million in 2023.

Total expenses

Total expenses in 2024 were DKK 441.4 million, compared to DKK 427.0 million in 2023. Expenses encompass oil purchases, operating expenses, depreciation, finance costs and taxes. Operational expenses are generally subdivided into wages for employees, and goods and services. For the production power plants, oil expense is by far the greater part of total expenditures. In 2024, oil expenses were DKK 215.5 million, compared to DKK 217.2 million in 2023, which represents 48.8% of total expenses in 2024, compared to 50.9% in 2023.

Oil expenses

Based on the operational strategy that the Company has adopted to strive to hold to the approved budget, the Company hedged its heavy fuel oil purchase for 2024. A more detailed analysis of Sev's long-term risk management strategy is available in the Group's Consolidated Annual Accounts found at www.sev.fo.

The oil prices that Sev pays is dependent upon price quotes on the oil market and the USD/DKK exchange rate.

As Table 3 reveals, costs were DKK 1.4 million lower than the previous year. In 2024, Sev consumed 3,593 tonnes less heavy oil, and the cost of heavy oil was DKK 8.3 million higher than the previous year. The consumption of gasoil decreased compared to the previous year by 415 tonnes, and the cost of gasoil decreased by DKK 4.0 million. The Company also used lubricating oil and urea

for a total cost of DKK 8.7 million, which is DKK 5.9 million less than the previous year.

The average cost for each tonne of heavy fuel oil was DKK 4,592 in 2024, compared to DKK 4,040 per tonne in 2023, an increase of 552 per tonne compared to 2023. The reason for the higher average cost was lower oil costs and environmental fee. On the other hand, the price of oil is at a high level.

The average cost for each litre of gasoil used was DKK 9.06 in 2024, compared to DKK 9.17 in 2023. Thus, gasoil was DKK 0.11 lower than in 2023. The price remains at a high level. The reason for this is the transport cost by ship and helicopter to the small power plants located in the outlying islands is included in the cost of gasoil, while the purchase price for gasoil has decrease somewhat.
For the Production Division, oil expenses amounted to 48% of all costs and depreciation for 2024. Thus, the price of oil has a major impact on the operational result and is dependent on the international oil pricing trend and the USD/DKK exchange rate.

Figure 8 shows an overview of oil consumption in connection with the production of electricity from 1990 through 2024, subdivided into gasoil and heavy fuel oil.

Goods and services
In 2024, power plant expenses for goods and services were DKK 34.1 million, compared to DKK 36.8 million in 2023, a decrease of DKK 2.7 million.

In 2024, expenses for goods and services at the Sund thermal power plant amounted to DKK 14.5 million, compared to DKK 16.8 million in 2023, or 42.6% of total expenses for goods and services in 2024. The Vágur thermal power plant contributed DKK 2.8 million toward total expenses in 2024, compared to DKK 3.4 million in 2023. This corresponds to 8.1% of total costs.

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

Table 5

Investment by plant, DKK million

	2024	2023	Change DKK MM	Change %
Sund	58.6	10.5	48.1	459.3
Vágur	3.7	3.0	0.6	20.6
Fossá	2.2	3.8	-1.7	-43.4
Heyga	23.8	21.0	2.9	13.8
Mýru	5.5	0.5	5.0	957.0
Mýru II	11.2	7.2	4.0	55.5
Eiði	0.2	1.0	-0.8	-76.8
Botnur	12.3	5.5	6.8	123.5
Strond	2.1	0.4	1.7	479.3
Wind farms	12.7	5.8	6.8	116.9
Smaller plant	4.9	3.9	0.9	23.8
Total	**137.1**	**62.6**	**74.5**	**118.9**

Expenses related to grid management and Sev's universal service obligation
The total expenses incurred by the power plants reflect not only the cost of electricity production, but also a portion of the cost related to grid management and the universal service obligations of the Company.

These expenses can be subdivided into the expenses for managing the available power reserve, spinning reserve, reactive power, voltage and frequency regulation and management. The electricity production plants sell their production of electric power to the Grid Division. This payment from the Grid Division includes the price of

electricity and a portion of the universal service obligation attributed to the production plants.

The Company has revised the costs associated with grid management and the universal service obligation. The result is that these costs are higher than the costs included in the budget and from 2023 the Company will include these costs based on the revision.

Costs associated with grid management
Grid management on Suðuroy takes place at the Vágur power production plant, while grid management of the main region of the country occurs at the control room located at Landavegur in Tórshavn.

The total expense for the grid management of the main region of the country is DKK 9.6 million and is calculated as the total of goods and services, wages and depreciation of the control room in the main region. The cost for grid management on Suðuroy is DKK 2.3 million. The total cost for grid management is DKK 11.9 million.

Costs associated with the universal service obligation
In collaboration with the advisory company, Deloitte, based in Denmark, Sev calculated the cost of the universal service obligation in 2021. The analysis basis was the numbers from 2019 and 2020. The conclusion was that the cost for universal service obligation was around DKK 0.26 per sold kWh. This cost will change as the costs and the amount of sold kWh changes. Based on the system developed with Deloitte, the cost of the universal service obligation for 2024 was DKK 0.35 per sold kWh, which is the same level as in 2023.

Table 6

Largest investments 2024, DKK million

	2024
Sund, new storage tank for heavy fuel oil	21.3
Mýru II, pumped storage Vestmanna	11.2
Botnur, turbines 1 & 2	11.1
Heyga, new generator	11.0
Sund, electric boiler	10.8
Total	**65.3**

Table 7

Investments, DKK million

	2024	2023
Investment booked as work-in-progress	136.9	76.7
Investment booked directly as transition	0.2	-14.1
Investment booked directly as transition	**137.1**	**62.6**

Table 8

Work-in-progress, DKK million

	2024	2023
Opening balance	141.1	98.4
Investment booked to work-in-progress	136.9	76.7
Write-down on work-in-progress	-7.5	0.0
Work transferred to fixed assets	-85.4	-34.0
Closing balance	**185.1**	**141.1**
Changes to work-in-progress	44.0	42.7

Total costs for grid management and the universal service obligation

The total cost for grid management is DKK 11.9 million. The cost for ensuring the power supply at the thermal and hydropower plants was DKK 146.5 million. The cost for the universal service obligation for the other power plants was DKK 6.3 million. The total costs for grid management and the universal service obligation after new calculations is DKK 164.7 million in 2024 and in 2023 the cost was DKK 151.8 million.

Wage expenses

Wage expenses for the production facilities were DKK 46.0 million in 2024, compared to DKK 42.2 million in 2023, which equates to an increase of DKK 3.8 million.

In 2024, the Sund Power Plant accounted for DKK 31.4 million, compared to 29.4 million in 2023, or respectively 68.2% and 69.7%. In 2024, the Vágur Power Plant accounted for DKK 7.3 million, compared to DKK 6.8 million in 2023, corresponding to respectively 16.0% and 16.1%. The reason for the higher level of employee expense for the Vágur power plant relative to production is the grid management of the power system on Suðuroy. The Grid Division reimburses these expenses to the Vágur power plant, as explained above.

In conclusion, one can see that the employee expense at the thermal power plants accounts for most of this total expense. The hydropower facilities and the wind farms account for only DKK 5.6 million or 12.3% of the total employee expense.

Table 9

Transfer to fixed assets, DKK million

	2024	2023
Work transferred to fixed assets	85.4	34.0
Investments booked directly to fixed assets	0.2	-14.1
Transfers at year-end	**85.6**	**19.9**

Table 10

Largest transfers to fixed assets, DKK million

	2024
Heyga, new sluice gate	22.1
Sund, new turbo charger M4	7.6
Botnur, pumped storage	4.9
Mýru, new control system	4.8
Fossá, replace cladding on production building	2.6
Total	**42.1**

Financial expenses
Interest expense was DKK 24.8 million in 2024, compared to DKK 25.1 million in 2023.

Depreciation
Depreciation for 2024 was DKK 122.8 million, compared to DKK 107.0 million in 2023, which is DKK 15.8 million higher. The Sund power plant, which was depreciated by DKK 60.5 million, has the largest share of depreciation. In 2024, a write-down of DKK 7.5 on the project to construct a new oil storage tank at Sund is included in depreciation. The increase in depreciation, which is the next largest expense after oil costs, is based on the many investments made.

Investment
Investment in material fixed assets was DKK 137.1 million in 2024, compared to DKK 62.6 million in 2023, as Table 5 shows.

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

Additions from work-in-progress and direct acquisition to fixed assets (the depreciation basis) was DKK 85.6 million in 2024, and DKK 19.9 million in 2023. Please note as well the work-in-progress and Note 7 in the accounts.

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

Please refer to the detailed discussion on investments in the Consolidated Concern Accounts, available at www.sev.fo.

Liquidity

Liquidity has not been divided between the Production Division and the Grid Division. Sev utilizes an internal transfer pricing mechanism to balance the accounts of the two divisions. Thus, the liquidity of the production units is set to DKK 0.00 million, while all the activities of the power plants are financed by payments from the Grid Division, thereby securing the necessary liquidity. The same is applicable to the wind farm companies that are also financed by the Grid Division.

At year-end, the Company's cash-on-hand was DKK 375.7 million, compared to DKK 181.3 million in 2023. The increase in liquidity is due to the draw down of the DKK 250 million loan from NIB in December to be used to finance investments in especially the grid in the next two years.

In addition, the Company has access to unused drawing rights and overdraft facilities of DKK 850.0 million in total. Thus, the cash-on-hand, credit and unused drawing rights equals DKK 1,225.7 million, compared to DKK 1,031.3 million in 2023.

The greatest portion of the unused drawing rights shall be used to finance investment in the coming years. It is deemed necessary to have sufficient liquidity to cover the daily operations of the Company. Additionally, it is considered advisable to maintain adequate liquidity,

given the instability of the global financial markets.

The goal is to maintain sufficient liquidity so that Sev is always able to pay cash for an oil purchase or to cover the cost of any damage at the power plants or the grid. Furthermore, it is necessary to have sufficient liquidity to cover daily operations of the power plants and the grid. Further details on the Company's liquidity are available in the Group Consolidated Annual Accounts available on the Company's website, www.sev.fo.

Special risks
Please confer the Group Consolidated Annual Accounts for a detailed discussion of risk assessment and management, available at www.sev.fo.

Prospects for operational year 2025
The result before tax in 2025 is projected to be around DKK 15 million based on the proposed budget for 2025 and after an evaluation of the distribution of the result compared to the demand for the Company's needs for funds.

The management of Sev is not with the projected result for 2025 even as it is considerably lower compared to the major investment projects that lie ahead. The Board and Management are, however, satisfied with the intended financial status at the end of 2025.

The operational expenses are estimated to be DKK 81.9 million for 2025, compared to DKK 80.1 million in 2024, or approximately at the same level.

Oil expenses in the 2025 budget are estimated to be DKK 249.7 million, compared to DKK 215.4 million for 2024, which is considerably higher than the previous year. The reasons for the budgeted increase is that fuel usage is expected to be higher than realised in 2024, and that the Faroese Government has further increased the environmental duty for the heavy oil that Sev uses in its electricity production. This means an increase in the cost of oil for Sev, but Sev will not increase prices for 2025.

The Company has a long-term plan to hedge its oil purchases for the year equal to that projected in the respective budget. The Company has hedged its oil purchases for 2025 pursuant to agreements entered into last year. The Company has also included market value adjustments of its oil inventory in the budget for 2025.

The oil markets are unstable at present because of the war between Russia and Ukraine and the insecurity otherwise that is present in the Middle East, and this impacts the cost of oil. Even though heavy fuel oil purchases in 2025 are hedged, it is anticipated that increasing or high oil prices can impact the total cost of oil and thus impact the result the wrong way.

Depreciation is budgeted at DKK 120.2 million in 2025 versus DKK 122.8 million in 2024. Included in depreciation for 2024 is a write-down on the wind turbines at Neshagi of DKK 4 million. This is in connection with the renovation carried out in 2024 to ensure continued production of electricity into the Grid of Sev. Also included in depreciation for 2024 is a write-down of DKK 7.5 million on the oil storage tank at Sund.

Interest expenditure is expected to increase due to an increase in debt for financing the investments. Interest expenditure is expected to be higher in 2025 than in 2024. For the year 2025, it is expected that interest expenses will be DKK 36.1 million. In 2024, this cost was DKK 24.8 million.

With the projected result of DKK 15 million for 2025, the production operations share will not provide sufficient self-financing for investments. It is critical for production operations to provide its share of financing for future investments in existing power plants and new investments in renewable energy sources.

Sev has allocated income between grid and production activities based on the principle that grid activities should be self-financing. Changes made to the Electricity Production Act in 2024 necessitate a review of the methodology used in the allocation. During 2025, the Electricity Production Authority and Sev will work towards a consensus on how to allocate income to electricity production units, which now are to be included in the self-financing principle.

More information for 2025 can be found in the Operational, Financial and Investment Budget Plan for 2025 available at www.sev.fo.

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

sev

Production Accounts 2024

www.sev.fo

Accounting Principles

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

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

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

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

Basis for recognition and valuations

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

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

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

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

Translation of foreign currency

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

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

Income Statement

Net Sales

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

Consumption of Goods and Services

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

Other External Expenses

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

Ancillary services

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

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

Grid control

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

Distribution of income

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

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

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

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

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

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

Employee Expenses

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

Depreciation and Write-offs

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

Financials

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

Dividends from equity investments in Associated

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

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

Balance Sheet

Tangible Assets

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

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

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

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

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

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

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

Depreciation of Fixed Assets

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

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

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

Equity in subsidiaries

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

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

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

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

Capital Investment in Associated Companies

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

Inventory

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

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

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

Receivables

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

Prepayments

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

Cash-on-hand

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

Current and Deferred Taxes

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

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

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

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

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

Other Provisions

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

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

Derivative Financial Instruments

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

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

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

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

Cash Flow Hedges

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

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

Liabilities

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

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

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

Cash Flow Statement

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

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

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

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

Income Statement

1 January – 31 December

Amounts in 1,000 DKK

Note		2024	2023
1	Net sales	458,622	441,220
2	Oil expenses	-215,481	-217,150
3	Materials and services	-34,095	-36,797
	Gross proceeds	187,274	172,951
4	Wages	-45,975	-42,248
	Depreciation, amortization and impairment of fixed assets	-122,849	-107,025
	EBITDA	40,222	38,000
5	Financial items	-24,839	-25,065
	Result before tax	15,383	12,935
6	Tax on annual result	1,881	1,270
	Annual result	**17,264**	**14,205**
	Proposed distribution of result:		
	Result carried forward	17,264	14,205
	Total distribution	**17,264**	**14,205**

Balance Sheet, Assets

31 December

Assets in 1,000 DKK

Nota		2024	2023
	Tangible fixed assets		
7, 14	Power plants	1,424,606	1,453,975
	Buildings and land	3,991	4,128
	Operating equipment	3,127	3,127
	Investment work-in-progress	185,137	141,126
	Total tangible fixed assets	**1,616,860**	**1,624,360**
	Derivatives	6,492	8,265
	Total financial fixed assets	6,492	8,265
	Total fixed assets	**1,623,352**	**1,610,620**
	Current assets		
	Oil inventory	49,025	42,999
	Total inventory	**49,025**	**42,999**
6	Goods and services receivables	3,922	2,087
	Inter-company account Grid	161,872	190,132
	Tax asset	3,271	2,061
	Prepayments and accruals	-5,399	1,936
	Total receivables	163,665	196,217
	Total current assets	212,690	239,216
	Total assets	**1,836,043**	**1,849,837**

Balance Sheet, Liabilities

31 December

Liabilities in 1,000 DKK

Note		2024	2023
	Equity		
8	Equity subsidiary companies	0	0
	Hedge reserve	6,492	8,265
	Result carried forward	882,490	865,227
	Total equity	**888,982**	**873,492**
	Provisions		
6	Deferred tax	0	671
	Total provisions	**0**	**671**
	Debt		
9	Long-term debt	886,443	899,019
	Total long-term debt	**886,443**	**899,019**
9	Current portion of long-term debt	12,576	12,316
	Creditors	26,511	61,428
	Other liabilities	21,530	2,910
	Total short-term debt	60,617	76,654
	Total debt	947,060	975,674
	Total liabilities	**1,836,043**	**1,849,837**
10	Production result by plant		
11	Overview of production units		
12	Mortgages and other obligations		

Cash Flow Statement

Note	Amounts in 1,000 DKK	2024	2023
	Annual result	17,264	14,205
13	Adjustments	145,808	130,820
	Changes in working capital:		
	Inventories	-6,026	-13,573
	Receivables	5,512	-10,934
	Creditors	-36,499	25,904
	Inter-company account Grid	28,261	1,873
	Other liabilities	20,190	262
	Operating cash flow before financial items	174,510	148,557
	Interest paid and similar expenses	-24,839	-25,065
	Cash flow from operations	149,671	123,492
	Investment in tangible fixed assets	-93,343	-21,057
	Changes to work-in-progress	-44,011	-42,704
	Cash flow from investments	-137,355	-63,762
	Repayments of long-term debt	-12,316	-77,730
	Cash flow from financing	-12,316	-59,730
	Total cash flow during the year	0	0
	Opening cash-on-hand	0	0
	Closing cash-on-hand	**0**	**0**

Notes

Production Accounts 2024

Note 1

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

Calculated profit for 2024 was DKK 45.3 million compared to DKK 44.5 million in 2023, corresponding to 5.0% of the Production Division's opening balance equity. Sev believes this is a reasonable profit at present, compared to inflation and other investment possibilities. The total result for the Production Division was DKK 17.3 million.

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

1. Net sales

Amounts in 1,000 DKK	2024	2023
Own production	316,655	312,684
Own consumption	-15,824	-15,063
Grid control	2,300	2,300
Ancillary services	152,790	140,570
Other sales	2,701	730
Total	**458,622**	**441,220**

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

The level shall be viewed in the context of budgeted investment for a rolling 5-year period. Sev's 2024 budget projects investment for 2024-2028 for the Production Division to be DKK 1,702 million, equalling on average some DKK 340 million annually. The self-financing projected for 2024 is budgeted to be DKK 85 million. For the Grid Division, projected investment is set at DKK 1,470 million, of which self-financing equals DKK 73 million for 2024. It is advisable that self-financing is of a sufficient amount and this can be realized only from an operational profit.

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

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

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

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

Notes 2-4

2. Oil expenses

Amounts in 1,000 DKK	2024	2023
Gas oil	17,226	21,249
Heavy fuel oil	189,604	181,327
Lubricating oils, urea	8,652	14,574
Total	**215,481**	**217,150**

3. Materials and services

Amounts in 1,000 DKK	2024	2023
Dams, pipelines and tunnels	120	144
Tanks and environmental	445	381
Motors	14,912	17,333
Electric and technical	339	355
Buildings and land	2,292	1,477
General Meeting and Board	87	141
Studies and consultancy	788	762
IT	4,222	4,108
Management and office expenses	1,009	935
Other operating expenses	1,508	3,051
Other administrative expenses	8,372	8,111
Total	**34,095**	**36,797**

4. Employee expenses

Amounts in 1,000 DKK	2024	2023
Wages	40,360	37,299
Pensions	3,910	3,360
Contributions	1,705	1,589
Total	**45,975**	**42,248**
Full-time equivalent	**68**	**64**

Notes 5-6

5. Financial expenses

Amounts in 1,000 DKK	2024	2023
Interest, loans and bank debt, etc.	24,839	25,065
Total	**24,839**	**25,065**

6. Taxes on annual result

Amounts in 1,000 DKK	2024	2023
Tax for the year according to P&L	**1,881**	**1,270**
Tax asset P/F Vindfelagið í Húsahaga 1 January	2,061	1,705
Change in tax asset during the year	686	356
Tax asset P/F Vindfelagið í Húsahaga 31 December	**2,747**	**2,061**
Deferred tax liability P/F Vindfelagið í Neshaga og Porkeri 1 January	-671	-1,585
Change in tax liability during the year	1,194	914
Deferred tax liability P/F Vindfelagið í Neshaga og Porkeri 31 December	**0**	**-671**
Tax asset P/F Vindfelagið í Neshaga og Porkeri 31 December	**523**	**0**

Note 7

7. Tangible fixed assets

Amounts in 1,000 DKK	Production	Grid	Buildings	Equipment	Total 2024	2023
Acquisition value, opening balance	3,019,872	36	5,275	8,936	3,034,119	3,014,187
Additions during the year	84,696	0	0	1,147	85,843	21,057
Disposals during the year	0	0	0	-226	-226	-1,126
Acquisition value year-end	**3,104,568**	**36**	**5,275**	**9,857**	**3,119,736**	**3,034,119**
Depreciation opening balance	-1,565,917	-16	-1,147	-5,809	-1,572,889	-1,466,989
Depreciation for the year	-114,065	-1	-137	-1,147	-115,349	-107,025
Reversal on disposals for the year	0	0	0	226	226	1,126
Depreciation closing balance	**-1,679,982**	**-17**	**-1,284**	**-6,730**	**-1,688,012**	**-1,572,889**
Book value year-end	**1,424,586**	**20**	**3,991**	**3,127**	**1,431,723**	**1,461,229**
Book value year-end 2023	1,453,954	21	4,128	3,127	1,461,229	
Work-in-progress						
Opening balance	133,364	0	4,731	3,031	141,126	98,421
Investment during the year	136,947	0	0	2	136,950	76,733
Write-down on work-in-progress	-7,500	0	0	0	-7,500	0
Transferred to depreciation	-84,983	0	0	-456	-85,439	-34,029
Closing balance	**177,829**	**0**	**4,731**	**2,577**	**185,137**	**141,126**
Closing balance year-end 2023	133,364	0	4,731	3,031	141,126	
Fixed assets year-end	**1,602,415**	**20**	**8,721**	**5,705**	**1,616,860**	**1,602,355**
Fixed assets year-end 2023	1,587,318	21	8,858	6,158	1,602,355	

Notes 8-9

8. Equity

Amounts in 1,000 DKK	Share capital	Hedge reserve	Result carried forward	Total
Equity statement 01.01.23 - 31.12.23				
Opening balance 01.01.23	0	10,918	851,021	861,940
Adjustment derivatives	0	-2,653	0	-2,653
Annual result	0	0	14,205	14,205
Closing balance 31.12.23	**0**	**8,265**	**865,227**	**873,492**
Equity statement 01.01.24 - 31.12.24				
Opening balance 01.01.24	0	8,265	865,227	873,492
Adjustment derivatives	0	-1,773	0	-1,773
Annual result	0	0	17,264	17,264
Closing balance 31.12.24	**0**	**6,492**	**882,490**	**888,982**

9. Liabilities

Amounts in 1,000 DKK	Repayments next year	Outstanding debt after 5 years	Total debt 31.12.24	Total debt 31.12.23
Debt to financial institutions	0	405,721	823,941	823,941
Subsidiaries' debt to parent company	12,576	23,733	75,078	87,394
Total	**12,576**	**429,454**	**899,019**	**911,335**

The average maturity of the loans from 2016 is 2.4 years. The average maturity of the loans from 2022 is 5.8 years. The average maturity of the whole loan portfolio is 5.3 years.

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

Note 10

10. Production result by plant

Amounts in 1,000 DKK	Revenue	Oil	Materials	Wages	Depreciation	Interest	Taxes	Total
Sund power plant	326,957	-185,880	-14,535	-31,353	-60,455	-13,430	0	21,303
Vágur power plant	38,378	-19,256	-2,751	-7,337	-10,366	-2,269	0	-3,601
Fossá power plant	7,483	0	-1,172	-1,196	-1,797	-1	0	3,316
Heyga power plant	2,786	-61	-817	-424	-1,340	-73	0	72
Mýra power plant	3,633	-11	-685	-400	-1,594	-45	0	899
Eiði power plant	39,824	0	-2,315	-3,449	-19,171	-6,392	0	8,497
Botnur power plant	3,647	0	-206	-68	-5,515	-10	0	-2,152
Strond power plant	10,758	-6,628	-1,897	-133	-1,843	-5	0	252
Wind power	19,879	-11	-8,992	-113	-18,632	-2,578	1,881	-8,568
Small power plants	5,277	-3,634	-725	-1,502	-2,137	-35	0	-2,755
Production result	**458,622**	**-215,481**	**-34,095**	**-45,975**	**-122,849**	**-24,839**	**1,881**	**17,264**

Note 11

11. Power plant overview as at 31 December 2024

Location	Unit	MW	Unit type	Manufacturer	Powered by	Year	Age	Total hours	Hours 2024
Botnur	T1	1	Pelton hydro turbine	Voith	Hydro	1965	59	216,772	2,430
Botnur	T2	2	Francis hydro turbine	Voith	Hydro	1966	58	177,659	2,574
Eiði	T1	7	Francis hydro turbine	Voith	Hydro	1987	37	128,486	4,149
Eiði	T2	7	Francis hydro turbine	Voith	Hydro	1987	37	131,867	4,140
Eiði	T3	7.7	Francis hydro turbine	Voith	Hydro	2012	12	68,978	5,238
Húsahagi *	V1-V13	11.7	Windmill (pitch reg.)	Enercon	Wind	2014	10	875,532	85,610
Neshagi *	V1-V5	4.5	Windmill (pitch reg.)	Enercon	Wind	2012	12	353,268	1,681
Porkeri *	V1-V7	6.3	Windmill (pitch reg.)	Enercon	Wind	2021	3	149,518	51,106
Skopun	M1-M3	1.83	4-T	Mercedes and Deutz	Gas oil	1984	40	0	0
Smaller plant		1.7	4-T	Deutz, Mercedes, Perkins	Gas oil		0	0	0
Strond	M3	3.6	4-T 12 M 453 K	Krupp Mak	Gas oil	1982	42	51,635	69
Strond	T1	1.4	Francis hydro turbine	Sulzer Hydro	Hydro	1998	26	84,994	3,463
Sund	M1	7.85	4-T 9M43C	Caterpillar/MaK	Heavy oil	2001	23	86,529	2,390
Sund	M2	7.85	4-T 9M43C	Caterpillar/MaK	Heavy oil	2004	20	79,401	1,083
Sund	M3A	2.4		MTU	Gas oil	2015	9	4,608	176
Sund	M3B	2.4		MTU	Gas oil	2015	9	4,471	172
Sund	M4	12.4	2-T 12 L55 GSCA	B&W Götaverken	Heavy oil	1983	41	208,016	3,053
Sund	M5	12.4	2-T 12 L55 GSCA	B&W Götaverken	Heavy oil	1988	36	190,975	4,385
Sund	M6	9.25	9L 51/60	MAN	Heavy oil	2020	4	23,192	7,634
Sund	M7	9.25	9L 51/60	MAN	Heavy oil	2020	4	20,946	7,298
Sund	M8	9.25	9L 51/60	MAN	Heavy oil	2020	4	20,778	3,188
Sund	M9	9.25	9L 51/60	MAN	Heavy oil	2020	4	21,615	4,079
Sund	B4-C2	8.8	KTA50G3	Cummins Diesel	Gas oil	2019	5	3,809	0

Note 11, continued

Location	Unit	MW	Unit type	Manufacturer	Powered by	Year	Age	Total hours	Hours 2024
Vág	M1	2.7	4-T 9 M 453	Krupp Mak	Heavy oil	1983	41	127,281	667
Vág	M2	2.7	4-T 9 M 453	Krupp Mak	Heavy oil	1983	41	126,231	343
Vág	M3	4.2	4-T 9M32C	Caterpillar/MaK	Heavy oil	2004	20	110,017	2,784
Vág	M4	4	4-T 9L32	Wartsila	Heavy oil	2016	8	35,945	2,769
Sumba	G1	0.261	Solar panel	Solar Polaris	Solar	2019	5	347	0
Strond	M4-M6	3	4- T C1250 D2R	Cummins Diesel	Gas oil	2014	10	33,460	14,275
Vestmanna	Fossá 1	2.1	Pelton hydro turbine	Maier	Hydro	1953	71	244,046	3,401
Vestmanna	Fossá 2	4.2	Francis hydro turbine	Voith	Hydro	1956	68	388,994	5,789
Vestmanna	Heygav. 1	4.9	Francis hydro turbine	Voith	Hydro	1963	61	260,114	3,714
Vestmanna	Mýruv. 1	2.4	Francis hydro turbine	Voith	Hydro	1961	63	420,621	6,032

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

Notes 12-13

12. Mortgages and other obligations

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

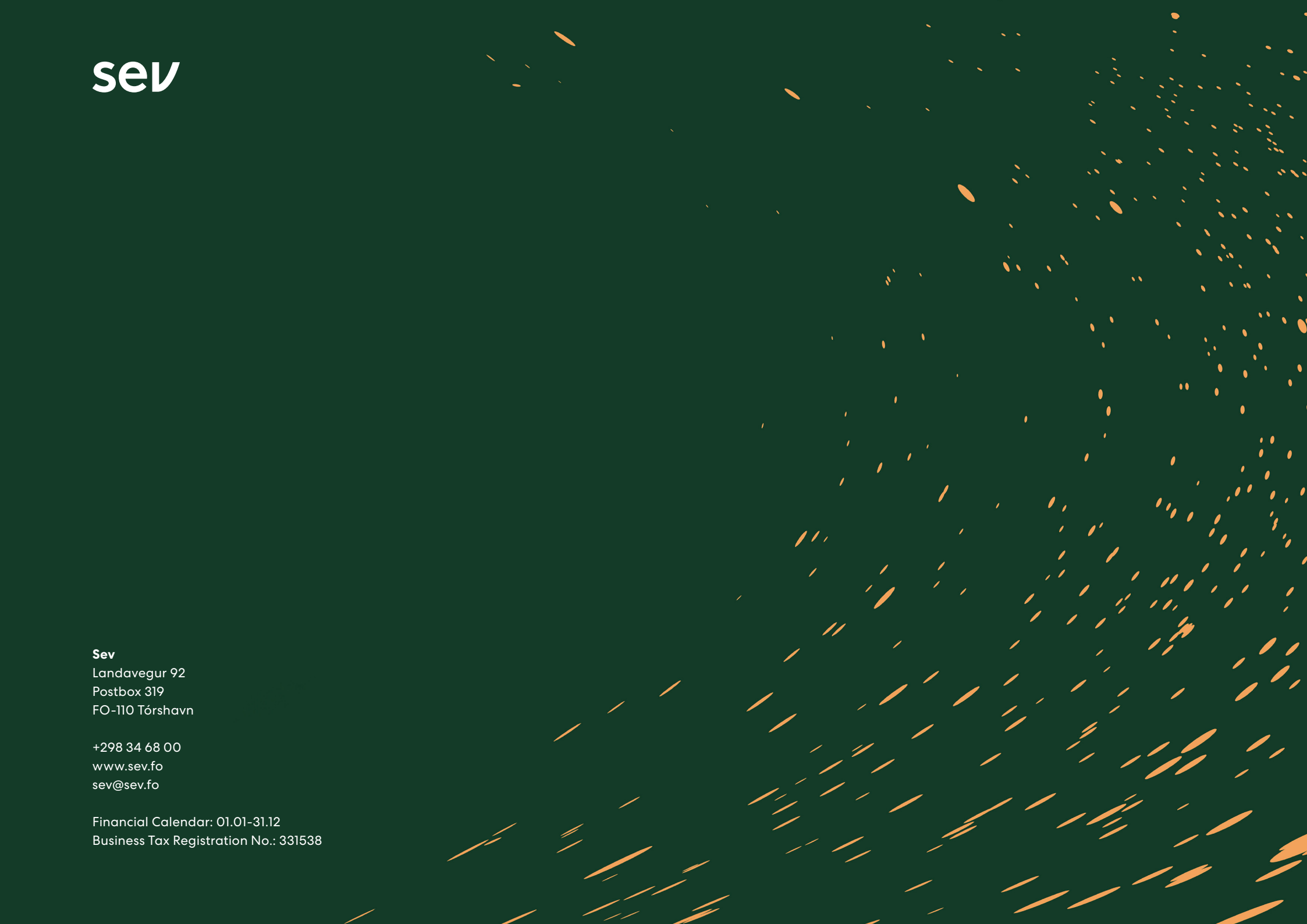
13. Adjustments

Amounts in 1,000 DKK	2024	2023
Depreciation	122,849	107,025
Interest expense and similar expenses	24,839	25,065
Taxes	-1,881	-1,270
Total	**145,808**	**130,820**

Note 14

14. Book value of production plant

Amounts in 1,000 DKK	2024	2023
Production admin	2,618	2,192
Fossá	21,788	18,328
Heyga	37,088	16,096
Mýru	14,631	11,399
Eiði	364,323	382,825
Botnur	9,404	9,701
Vágur	104,542	112,227
Sund	729,894	765,932
Skopun	24	28
Strond	18,268	18,052
Wind farms	117,589	114,768
Smaller plant	482	537
Mobile generation sets	0	0
Fugloy	2,438	1,514
Svínoy	117	128
Mykines	2,546	1,406
Hestur	1,914	2,018
Koltur	835	898
Nólsoy	56	58
Skúvoy	2,172	2,070
Dímun	995	1,053
Total	**1,431,723**	**1,461,229**



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