



**ANNUAL REPORT AND
FINANCIAL STATEMENT 2007**



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REPORT FROM THE EXECUTIVE BOARD

CHANGE IS THE HEADLINE FOR THIS YEAR'S REPORT FROM THE EXECUTIVE BOARD. IN ORGANISATIONAL TERMS, SEV HAS AMENDED ITS ARTICLES OF ASSOCIATION TO ENERGISE AND UPDATE THE COMPANY. THIS HAS BEEN FOUND NECESSARY, SINCE NEW LEGISLATION ON ELECTRICITY PROVISION HAS COME INTO FORCE, OPENING UP THE MARKET FOR COMPETITION AND OTHER CHANGES AS WELL. AT THE SAME TIME, THE TRANSITIONAL PHASE THE COMPANY IS GOING THROUGH IS ALSO A REFLECTION OF A GLOBAL TREND WHERE GREAT DEMANDS ARE PUT ON FLEXIBILITY AND THE ABILITY TO APPROACH PROBLEMS FROM A FRESH ANGLE.

CHANGE OF MANAGING DIRECTOR

Mr. Klæmint Weihe, the MD for the past 25 years, resigned his position on 1 October 2007, after a total of 28 years with SEV. This past quarter century the company has gone through significant developments both technically and financially. The board wishes to thank Klæmint for his faithful service. The reception held in his honour was a testimony to his efforts at SEV, where many guests took the opportunity to pay their respects to the former MD.

Mr. Poul Arni Jacobsen, vice chairman of the board, deputised as MD until the end of 2007. On 1 January 2008, Mr. Hákun Djurhuus was appointed new MD.

NEW ARTICLES OF ASSOCIATION

At the Representative Board meeting on 28 September 2007, new articles of association were agreed with effect from 1 January 2009. The new articles are a significant change, which will lead to SEV becoming a more flexible, more active, and more modern organisation.

The company will continue as a cooperative, but will be organised along the lines of a limited liability company. The Representative Board will be replaced by an Annual General Meeting, which in general means one meeting annually, with the possibility of calling an extraordinary AGM. At the AGM following the municipal elections, a new board will be appointed. Each autumn, an extraordinary AGM approves the budget for the next year.

At the AGM, each member municipality has one vote for every thousand inhabitants. A board member represents a certain geographic area, and each area appoints a member to the Executive Board.

The municipalities' guarantees on behalf of SEV will be a thing of the past with the new system. SEV's lenders have approved this change, in return for a pledge in SEV's assets.

EMPLOYEE MATTERS

SEV faces many challenges, and in response to this,

Oluffa undir Kletti was appointed Human Resource Manager with effect from 1 November 2007. She will help the employees in their development and in adjusting to the changed demands placed upon them by the new legislation and organisational changes.

The retirement age for public sector employees increased in 2007 from 67 to 70 years. SEV recognises the change, and has amended the company's own rules accordingly.

ACCIDENT AT FUEL OIL STORAGE TANKS IN VÁGUR

An accident occurred at one of the fuel oil storage tanks in Vágur on 6 December 2007. The clean-up operation around the tanks was completed in May 2007, and immediately after that the necessary improvements to the tanks and protective wall were made in close cooperation with the authorities.

New and stricter procedures have been incorporated in the control system. We have learnt our lessons from the accident. The storage tanks at Sund have also been checked and repaired according to the new procedures.

NEW LEGISLATION FOR ELECTRICITY PROVISION

A new era has begun with the new legislation in Parliament Act 59 from 7 June 2007 on production, transport and provision of electricity. SEV welcomes and fully supports the purpose of the legislation.

SEV has in several instances called upon the authorities to conduct bench marking tests on SEV against other similar companies, whereby it would be documented to what extent SEV complies with the purpose of the legislation.

At the beginning of 2008, Jarðfeingi (the Faroese Earth and Energy Directorate) and SEV formed a working group to make a proposal for licensing electricity production plant and transport network according to the provisions of the legislation. But circumstances have changed since then, as the new coalition government has decided to place the administration of the Act with Fjarskiftiseftirlitið (the Postal and Telecom Authority), and a new framework needs to be agreed upon.

PRICE INCREASES

The price for one kilo watt hour (kWh) was increased by DKK 0.10 on 1 January 2008, as agreed by the board on 23 November 2007. Such price changes are always subject to approval by the authorities, who in January 2008 gave their approval.

The reason for the price increase is the steady increase in fuel oil prices we have seen these past years. In 1999, SEV spent DKK 25 million on fuel oil, and in 2007 the expenditure had increased to DKK 72 million. Fuel oil is now so expensive that the company cannot avoid increasing its sales price. The estimated expenditure for 2008 is DKK 103 million.

It is therefore imperative to find solutions to make the company less reliant on fuel oil, as this is a relatively expensive form of energy, and at the same time is a significant CO₂ pollutant.

One important factor in reducing fuel oil consumption is try to moderate our customers' electricity usage, and SEV has led the way in this respect. We have continually given comprehensive energy advice to citizens, businesses, and institutions, as well offering teaching. Every 9th grade class is offered 1 day's visit at SEV to receive teaching in electricity and how to make savings in this area.

THERMAL ENERGY

The fact is that 55% of our production is generated with fuel oil. Despite our wishes to generate as much as possible by using renewable energy sources, all our activities have to take into account three main inseparable factors: duty to supply, the economy, and the environment.

In terms of the duty to supply in relation to technological development, fuel oil is the only fully reliable means of production, as it has advantages over wind and hydroelectric energy. There are times during the year without enough wind and sufficient water flowing into our reservoirs.

But our aim is to reduce the production at our thermal plants as much as possible, yet still considering the aforementioned factors. Therefore there will still be a need to expand in years to come to develop our renewable energy sources.

RENEWABLE ENERGY

In total, renewable energy sources account for 45% of production, with 39% coming from hydroelectric plant and 6% from windmills.

Compared to other European countries, only Iceland, Norway, Austria, and Switzerland have a higher proportion of renewable energy sources. The average for OECD countries in 2006 was 18%. Even though our statistics are favourable, we have set ourselves new and challenging goals for the future, whereby SEV requires a minimum of 55% of production by 2015 to come from renewable sources.

This is a short timeframe to work within, and therefore existing technologies will be employed to reach this goal, but even so, the development of new sources of energy will be included when they are found to be economically and otherwise viable. In this period up until 2015, we also have to consider increases in demand, and therefore it is necessary as soon as possible to start on a new hydroelectric expansion. In addition, the production from windmills also needs to be expanded as much as possible.

SEV wishes to be an open and transparent organisation. We will therefore inform of our expansion plans in a timely manner, so that the public can make their opinions heard. Progress inevitably includes some cost, but our task will be to reduce the impact as much as possible.

Towards the end of 2007 and into 2008, we commenced the northern part of the project at Eiði 2. This part will add 4 – 4.5 GWh, corresponding to 1.6% of total production, to our hydroelectric production. The southern part of Eiði 2 awaits approval from the Environmental Protection Committee, which at the moment is conducting an impact assessment on and status of the fauna and flora in the area, according to agreement with the Natural History Museum. The status of the fauna and flora will be part of the Environmental Protection Committee's work, and is expected to be completed by 1 May 2008.

The southern part of Eiði 2 is considerably larger than the northern part, with an expected 12 to 13 GWh annual production, corresponding to 4.6% of total production.



THE MANAGEMENT: JOHN P. DANIELSEN, DEPARTMENT MANAGER, HÁKUN DJURHUUS, MANAGING DIRECTOR & FINN JAKOBSEN, DEPARTMENT MANAGER

SEV welcomes the Faroese Parliament's debate on the Kyoto Treaty last autumn. We hope the matter is brought up again and ratified, in order for limitations and improvements in the environment can start in earnest. As a part of the international community, the Faroese people cannot ignore the impact of CO₂ emissions. SEV is at the forefront on this issue in the Faroe Islands, and the company intends to maintain its leadership. Based on

2008-levels, our aim should be to reduce CO₂ emissions by 10% while at the same time factoring in an annual production increase of 2%.

In the global market place, sustainable production is a competition factor, and it is important to show others that we in the Faroe Islands have one of the most environmentally friendly electricity productions in the world.

AS A PART OF THE INTERNATIONAL COMMUNITY, THE FAROESE PEOPLE CANNOT IGNORE THE IMPACT OF CO₂ EMISSIONS. SEV IS AT THE FOREFRONT ON THIS ISSUE IN THE FAROE ISLANDS



THE EXECUTIVE BOARD: ELI FREDERIKSEN, HANS ARNE BERTHOLDSSEN, JÓGVAN EMIL NIELSEN, BØDVAR POULSEN, REGIN OLSEN, KRISTIAN FRÍÐRIK OLSEN, LEIVUR HANSEN, POUL ARNI JACOBSEN

Since this is such an obvious – and even free – tool, we propose that all Faroese providers of goods and services use these facts in their marketing.

As much as hydroelectric production fills in the picture, we are also working on expanding our wind energy. On the behest of Jarðfeingi, the Risø research institute is studying our entire network. The studies, which are nearing

completion, will give an exact and impartial assessment of how large a part of our production can be based on wind energy. The legislation has specific provisions for tendering wind energy projects to enable competition in the area. SEV has chosen to put its name forward the same basis as other interested wind energy producers.



FIRST LEGO LEAGUE

SEV has entered into a 3-year sponsoring agreement with First Lego League, a competition between schools. The subject of the competition for 2007 was renewable energy, and the winner was the class Junior Kids from Skála, whose efforts was good enough to earn a second place for

the whole of Scandinavia. Junior Kids will therefore be representing Scandinavia at the global First Lego League to be held in Atlanta, USA, in April 2008.

COMPETITION

SEV also arranged a physics competition, where all the



country's 7th grade pupils could participate. The classes had 7 weeks to answer 7 assignments, and then every class had to submit a creative project on the state of energy at their schools in 2015. Participation was good, and the projects were presented in the Nordic House on 27 March 2008. The school at Ziskatrøð in Klaksvík won

the competition, sending the entire class on a weekend trip to Iceland.

Leivur Hansen,
Chairman of the Board

PHYSICS COMPETITION FOR 7TH GRADE SCHOOL CLASSES 2007/08

FIRST PART OF THE COMPETITION

SEV organised a competition in physics among 7th grade classes in the Faroe Islands for the school year 2007/08. The competition was divided into two: the first part lasted 7 weeks where the classes had one week to answer each question received on Monday morning. The classes received a score for each question according to the proportion of correct answers. A total of 19 classes participated in this first part of the competition, which ended on 25 February 2008.

CREATIVE PROJECT

The second part of the competition was a creative project where the 7th grade classes should estimate their school's energy status in the year 2015. The classes were free to suggest how their school – according to their own wishes – use electricity. 12 classes participated in this second part, and their results were presented in the Nordic House on 27 March 2008. The 12 classes each received a credit of 2,000 points for submitting their projects, and then a "creative" panel selected the best 5 projects for a special presentation.



PRESENTATIONS IN THE NORDIC HOUSE

THE FIVE BEST PROJECTS:

EIÐIS SKÚLI:

Homepage on the school's energy usage

SKÚLIN Á ZISKATRØÐ:

Film on how to use refuse in house construction, for instance as insulation

EYSTURSKÚLIN, 7B:

Film on their school's energy usage

VENJINGARSKÚLIN, 7B:

Powerpoint presentation with music on a model of energy systems

KOMMUNUSKÚLIN:

Complete project on the state of energy usage in their school in 2015

THE WINNERS

After the presentations and counting their scores, the final result was:

1. Skúlin á Ziskatrøð
2. Kommunuskúlin in Tórshavn
3. Venjingarskúlin in Tórshavn, 7B
4. Fuglafjarðar Skúli, 7B
5. Fuglafjarðar Skúli, 7A



THE PRIZES

The main prize was a weekend trip to Iceland for the whole class, sponsored by Atlantic Airways and NATA.

2nd prize: Bowling and pizza for the whole class

3rd prize: Cinema and pizza for the whole class

4th prize: hooded SEV-jumpers for the whole class

5th prize: SEV-sweatshirts for the whole class

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

THE REPRESENTATIVE BOARD MEETING ON 28 APRIL 2006 AUTHORISED THE EXECUTIVE BOARD TO FORM A WORKING GROUP TO WORK ON THE FUTURE ORGANISATIONAL STRUCTURE OF SEV. THE AIM OF THE WORKING GROUP WAS TO FIND OUT WHICH ORGANISATIONAL STRUCTURE IS THE BEST SUITED FOR A FLEXIBLE ORGANISATION.

The working group considered various forms, such as a limited liability company, a cooperative organisation, and a foundation, as well as looking at how IRF is organised. The work resulted in a proposed change to the articles of association, whereby the cooperative form is maintained, while organised as a limited liability company, thereby fulfilling the aim of a more flexible organisation.

The changes to the articles of association were finally agreed on the Representative Board meeting on 28 November 2007. Compared to the old articles of association, the main changes are:

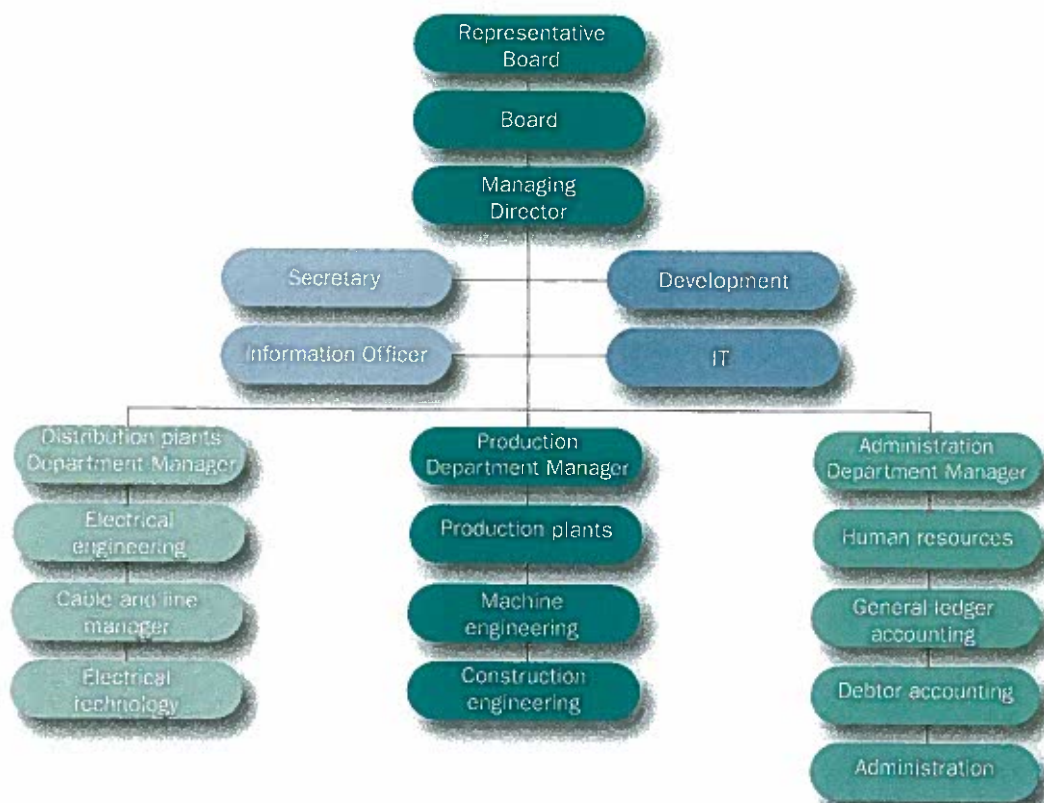
1. The Representative Board is changed to an Annual General Meeting, as in a limited liability company. Every member municipality is represented by a power of attorney, and the voting rights correspond to the number of inhabitants in the municipality, with 1 vote for every 1,000 inhabitants.

2. In future, there will be only one Annual General Meeting, held in the spring. All other meetings are considered as extraordinary.
3. The Executive Committee changes to Board. The Representative Board members for each geographic area elect one member and one deputy to the Board. This is a change to the old system, whereby all Representative Board members elected all Executive Committee members.
4. The municipalities' guarantee on behalf of SEV is deleted, though the liabilities towards employees remain.

The Government and Jarðfeingi ratified the amendments on 22 November 2007, with effect from 1 January 2009.

In connection with this, SEV shall prior to 1 January 2009 register as an organisation where the members have limited liability.

ORGANISATIONAL CHART





THE DISTRIBUTION PLANT AT MÝRU AND THE DAM IN HEYGADAL

SEV AND THE COMPETITION AUTHORITY, DISPUTE ON AUTHORISATION TO SET ELECTRICITY PRICES



AN OLD DISPUTE BETWEEN SEV AND THE FAROESE COMPETITION AUTHORITY WAS FINALLY SETTLED IN 2007.

The dispute arose in 2004, when the Competition Authority wanted to negotiate with SEV according to the provisions in the Competition Act – the purpose of the negotiations being to get SEV to lower electricity prices by DKK 0.18 for each kWh, for a total sum close to DKK 40 million, with effect from 1 January 2005.

It was SEV's opinion, that the authorisation to regulate electricity prices was with the minister responsible for SEV, not the Competition Authority.

The District Court and the Country Court have since dealt with the issue.

In April 2007 the Country Court ruled in favour of the Competition Authority to set electricity prices.

But already in June the same year the new Electricity Provision Act came into force with provisions on regulating electricity prices, among other things. The Government (Ministry for Industry) delegated the administration of the Act to Jarðfeingi, which since then has worked with SEV on necessary measures to comply with the Act.

When a new Government was elected in February 2008, the Ministry for Industry transferred the administration of the Act from Jarðfeingi to Fjarskiftiseftirlitið.

THE ELECTRICITY PROVISION ACT

THE PARLIAMENT ACT ON THE PRODUCTION, TRANSPORT AND PROVISION OF ELECTRICITY – THE SO-CALLED ELECTRICITY PROVISION ACT, WAS PASSED ON 1 JUNE 2007 AND ENACTED ON 7 JUNE 2007. THE MAIN EFFECT OF THE ACT IS THAT SEV WILL BE MORE REGULATED BY THE AUTHORITIES THAN BEFORE.

The concession granted to SEV on 5 October 1965 gives SEV permission to expand hydroelectricity until 5 October 2013. The concession contains rules on the duty to provide electricity, and monitoring. In this area, there is no significant difference between the existing concession and the new Act, which will be phased in during a changeover period up until 1 January 2009. Some parts of the Act were effective immediately, though.

The changes mean that SEV in accounting terms will be split into transport and production activity from 1 January 2009.

According to the Act, the procedure will now be that it is the Minister/Fjárfkiftiseftirlitið who evaluates and tenders new expansion. This is already the case with wind energy, but in case the hydroelectric expansion already underway, or which is related to existing plant, SEV is allowed to carry out the expansion without the evaluation or tender of the Minister/Fjárfkiftiseftirlitið.

THE EFFORT TO MAKE THE ACT WORK

In the public explanatory notes to the Act, the Ministry for Industry states that the purpose of the Act is among others:

- that the Government gets the overall responsibility for electricity
- that there will be possibility for more electricity producers, first and foremost in wind energy
- that electricity production from sustainable sources such as water, wind, and others is increased

that the price of electricity is no higher than necessary, considering the duty to provide, the environment, and other services and duties society has towards its citizens

The Ministry makes SEV's position clear in the second paragraph of the explanatory notes: "The changed wording is based on the fact that SEV is considered as an authority; and that SEV is owned by the municipalities; and that the purpose of the proposed Act shall be attained by the cooperation of governmental and municipal authorities."

SEV agrees with this point of view and emphasise that the best result will be reached through cooperation. SEV is also in agreement with that overall energy policy is the

responsibility of the Government, as well SEV is in agreement with the overall purpose of the Act, too.

The Act itself is a framework act with the Minister granted the authority to make provisions. There can be no definite assessment of the effect on SEV before the framework has been filled out, neither in terms of the daily operation, nor for the future organisation.

In order to make proposals for permits and other things according to the Act, three members each from Jarðfeingi and SEV formed a working group to:

- make proposal on production permit for the Sund plant and other motor plants
- make proposal on production permit for hydroelectricity plants
- make proposal on production permit for wind energy plants
- make proposal on permit to operate transport network
- make proposal on accounting and billing system for transport network. The system shall ensure that the network is financially self-reliant
- make proposal on the understanding and management of the term 'duty to provide' in Faroese electricity provision

The working group aimed for completing its recommendations by 1 September 2008, where the changeover period ends on 1 January 2009.

The situation around this working group is not clear at the moment, since the authority has been transferred to Fjárfkiftiseftirlitið.

DIVISION OF ACCOUNTING AREAS

The Act envisages that in time, there will be more than one producer of electricity. But is not directly said that SEV will be broken up: into one network company and one or more production companies. What is said explicitly, though, is that the accounting for the network and for the production of SEV shall be divided.

SEV's accounting is already very detailed, so it is possible to break down operations and investments to their smallest component parts. Despite the 1 January 2009 deadline, SEV is already making the necessary changes to its accounting system to comply with the legislation.

PRODUCTION PLANTS

THE SUSTAINABLE ENERGY SOURCES HAVE BEEN A SIGNIFICANT CONTRIBUTION THESE PAST YEARS. SEV ALSO AIMS FOR INCREASING ENERGY PRODUCTION FROM HYDROELECTRIC PLANTS AND WINDMILLS, WHEN FINANCIALLY AND OTHERWISE VIABLE.

CENTRAL AREA HYDROELECTRIC PRODUCTION INCREASED

In the last two years, the hydroelectric production from the central area has been on record levels and greatly influenced the costs of SEV. In 2007, SEV's hydroelectric plants produced 104.45 GWh, which is 9.5 GWh more than an average year (95 GWh). The increased production meant that SEV saved DKK 4.2 million on fuel oil in 2007.

WIND ENERGY AT MAXIMUM LEVEL

The energy produced by windmills in 2007 was 15.76 GWh, which is 5.8% of total production. Compared to a 24-hour production volume, this equals 20-25% of the demand overnight. It is felt that it is not advisable to increase electricity generated by windmills over the demands on the network with present technology, but new technology can bring new opportunities for SEV in this respect.

AREA AROUND STORAGE TANKS AT VÅGUR REBUILT

The clean-up operation is over; the tanks have been repaired. The protective wall around the tanks has been made anew, and now both the bottom and walls are from concrete.

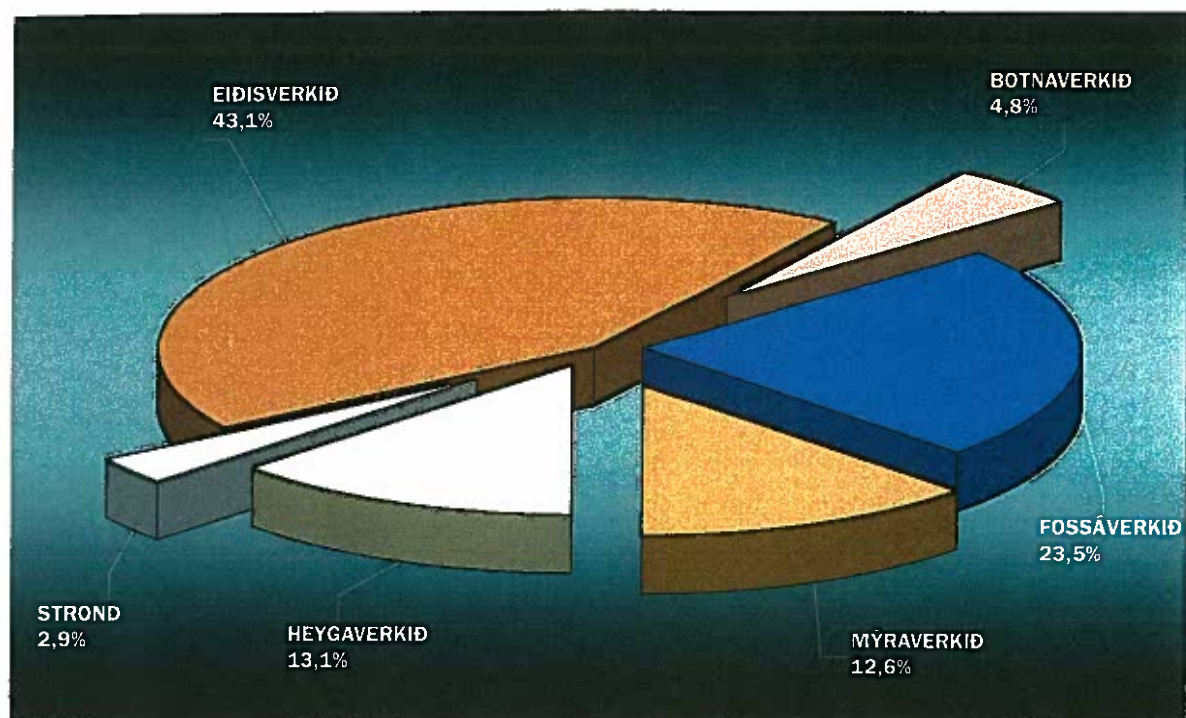
The repair work on the larger storage tank (3,000 m³) has been completed, as well as on the smaller tank (1,000m³), which has also been increased by 750m³ for a total capacity of 1,750m³.

The bottoms of both tanks have been replaced, and it is now possible to inspect the lowest metre of the tanks at all times. In addition, it has been decided that all of SEV's major storage tanks will be inspected every 5 years.

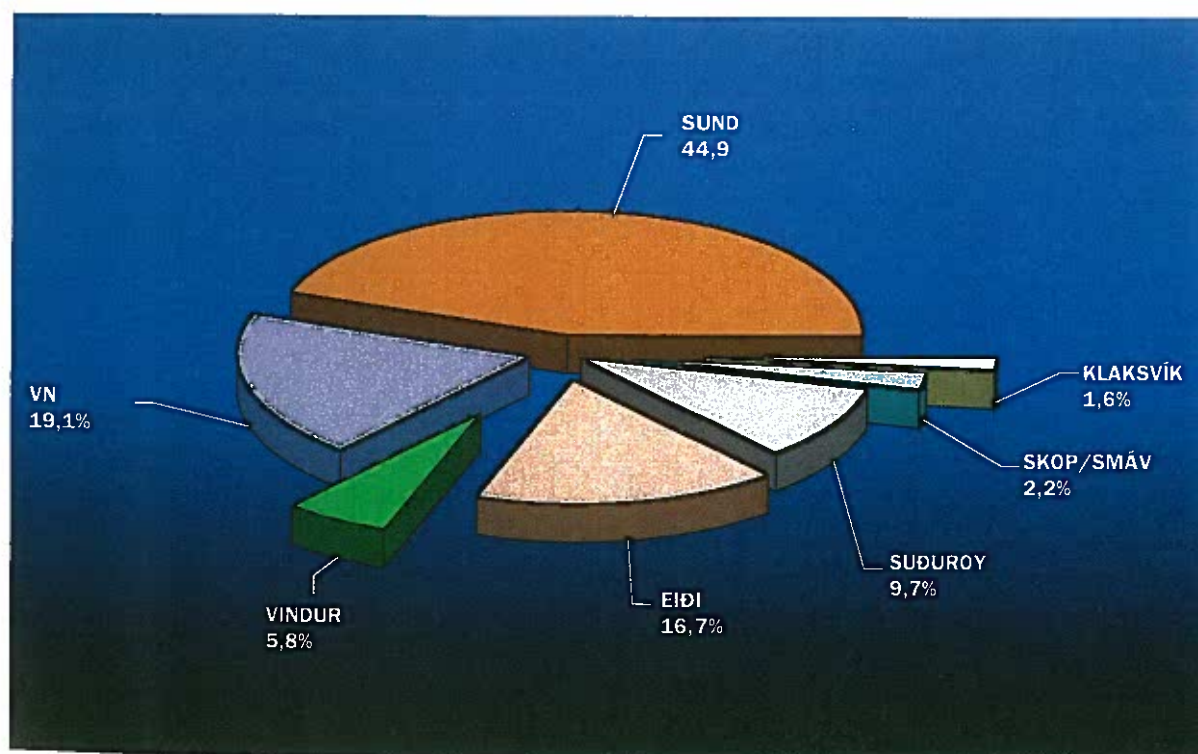
UPDATING SECTION 2 OF THE SUND PLANT

The electro technical equipment on M4 and M5 at Sund will be updated, and in connection with this, major preparation work is underway. An agreement has been signed with Burmeister & Wain Scandinavian Contractor to carry out the work during 2008 and 2009. This is the same contractor from whom SEV originally bought the two motors.

BREAKDOWN OF PRODUCTION BETWEEN HYDROELECTRIC PLANTS 2007 IN % OF TOTAL PRODUCTION



ELECTRICITY PRODUCTION 2007 BY ELECTRICITY PLANT AREAS



DISTRIBUTION STATIONS

	Fugloy	Svínoy	Víðoy	Borðoy	Kunoy	Kallsoy	Eysturoy	Streymoy	Vágoy	Mykines	Nólsoy	Koltur	Hestoy	Sandoy	Skúvoy	St. Dímun	Suburoy	Total
6kV transformers	1			2														3 pcs.
10kV transformers		2	7	32	3	6		60			1			16			49	176 pcs.
20kV transformers				2		106	70	27					1					206 pcs.
60kV transformers				1			2	4										7 pcs.
Total all areas	1	2	7	37	3	6	108	134	27	0	1	0	1	16	0	0	49	392 pcs.
6kV transformers	2			4														6 pcs.
10kV transformers		2	7	36	3	6		67			1			18			55	195 pcs.
20kV transformers				4			122	82	31				1				3	243 pcs.
60kV transformers				1			3	7										11 pcs.
Total all areas	2	2	7	45	3	6	125	156	31	0	1	0	1	18	0	0	58	455 pcs.
0.4kV cable junctions	13	19	76	464	28	28	1509	2020	492	7	38		10	210	11		749	5674 pcs.
60kV line				1			38	42										81 km
60kV cable				1,7			13,7	14,3										29,7 km
20kV line				1			83,3	77,8	14,9								12	189 km
20kV cable				5,3			129	128,2	30,7				0,6	0,7			4,6	299,3 km
10kV line		3,5	17,5	21,9	11,8	14,8		10						21,5			56,4	157,4 km
10kV cable		0,53	3,7	25,7	0,15	7,2		63,4			1,5			18,8			52,3	173,28 km
6kV line	2,25			7,2														9,45 km
6kV cable	0,09			0,07														0,153 km
0.4kV line				0,76			1,72	2,3										
0.4kV cable	1,06	3,63	11,3	53,5	2,64	3	184	266	53	0,551	3,40	3,73	0,865	29,2	0,881		1,7	6,48 km*
kWh meters, remote reading		3		46			379	527	90	1	162			1	51	2	14	1276 pcs*
kWh meters, manual reading	60	74	260	2463	77	118	4790	9867	1437	51	11	2	43	789	3	1	2855	22901 pcs
Total kWh meters	60	74	263	2509	77	118	5169	10394	1527	52	173	2	43	790	54	3	2869	24177 pcs

Does not include everything in Suburoy (such as lines on Tvøroyri)

ELECTRICITY GENERATING PLANTS

Overview of machinery as of pr. 31 December 2007

Location	Machine	MW	HP	Machine type	Producer	Powered by	Year	Age	Hours
Botnur	T1	1,00	1.360	Pelton water turbine	Voith	water	1965	42	164.624
Botnur	T2	2,00	2.719	Francis water turbine	Voith	water	1966	41	126.830
Eiðisverkið	T1	6,70	9.109	Francis water turbine	Voith	water	1987	20	69.688
Eiðisverkið	T2	6,70	9.109	Francis water turbine	Voith	water	1987	20	66.018
Neshagi	M1	0,15	204	Vindmylla (fixed pitch)	Nordtank	wind	1993	14	95.107
Neshagi 3	M2	0,66	898	wind mill	Vestas	wind	2005	2	16.964
Neshagi	M3	0,66	898	wind mill	Vestas	wind	2005	2	17.175
Neshagi	M4	0,66	898	wind mill	Vestas	wind	2005	2	16.989
Skopunarverkið	M1 – M3	1,83	2.483	4-T	Mercedes og Deutz	fuel oil	1984	23	
Smáverk ²		1,70	2.311	4-T	Deutz, Mercedes, Perkins	fuel oil			
Strond ¹	M1	0,50	680	4-T HFB7	Mirrleese Blackstone	fuel oil	1950	57	30.135
Strond	M2	2,30	3.127	4-T KV 12 SS	Mirrleese Blackstone	fuel oil	1965	42	78.366
Strond	M3	3,60	4.895	4-T 12 M 453 K	Krupp Mak	fuel oil	1982	25	42.426
Strond	T1	1,40	1.903	Francis vatnturbina	Sulzer Hydro	water	1998	9	29.834
Sundsverkið	M1	8,10	11.013	4-T 9M43C	Caterpillar/MaK	heavy fuel oil	2001	6	20.353
Sundsverkið	M2	8,10	11.013	4-T 9M43C	Caterpillar/MaK	heavy fuel oi	2004	3	15.249
Sundsverkið	M3	5,70	7.750	4-T KV16MAJOR	Mirrleese Blackstone	heavy fuel oi	1978	29	77.758
Sundsverkið	M4	12,40	16.859	2-T 12 L55 GSCA	B&W Götaverken	heavy fuel oi	1983	24	129.800
Sundsverkið	M5	12,40	16.859	2-T 12 L55 GSCA	B&W Götaverken	heavy fuel oi	1988	19	102.848
Tvöroyri	M1	2,00	2.719	4-T	Nohab	fuel oil	1973	34	81.511
Vágsverkið	M1	2,70	3.671	4-T 9 M 453	Krupp Mak	heavy fuel oi	1983	24	102.029
Vágsverkið	M2	2,70	3.671	4-T 9 M 453	Krupp Mak	heavy fuel oi	1983	24	99.973
Vágsverkið	M3	4,32	5.874	4-T 9M32C	Caterpillar/MaK	heavy fuel oi	2004	3	16.284
Vestmanna	Fossá 1	2,10	2.855	Pelton vatnturbina	Maier	water	1953	54	192.511
Vestmanna	Fossá 2	4,20	5.710	Francis vatnturbina	Voith	water	1956	51	299.221
Vestmanna	Heygav. 1	4,90	6.662	Francis vatnturbina	Voith	water	1963	44	186.339
Vestmanna	Mýruv. 1	2,40	3.263	Francis vatnturbina	Voith	water	1961	46	312.349

total capacity: 101,88 MW

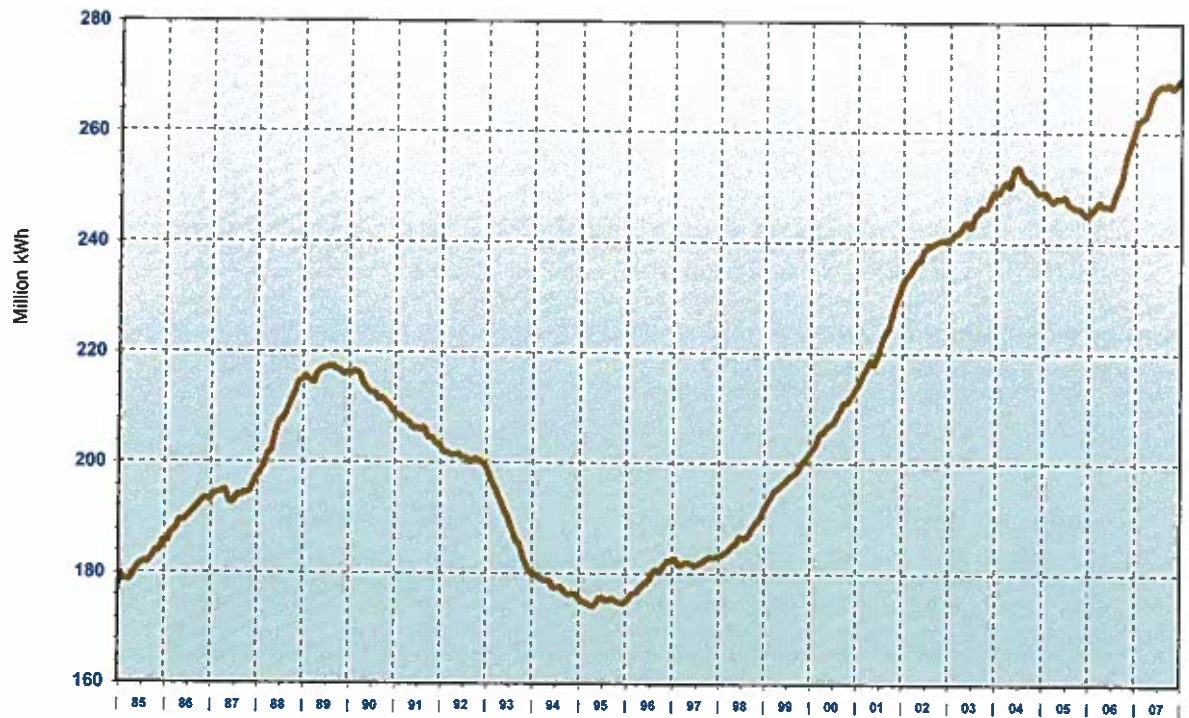
138.513 Hk

1) Only school pupils use M1 at Strond. Machine is not available for production, but remains as a memory of past times.

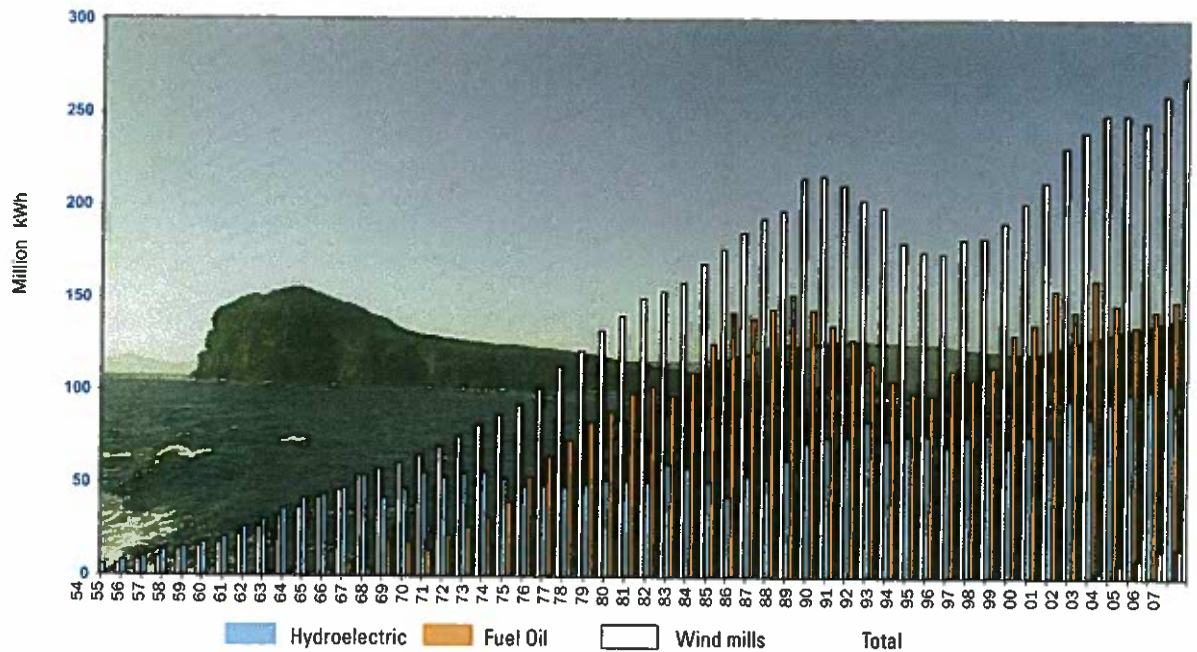
2) 20 motors in 8 smaller plants and 9 mobile power plants.

3) The hours are the same because the registration is from the counter on M3, due to problems on M2 and M4 at start-up.

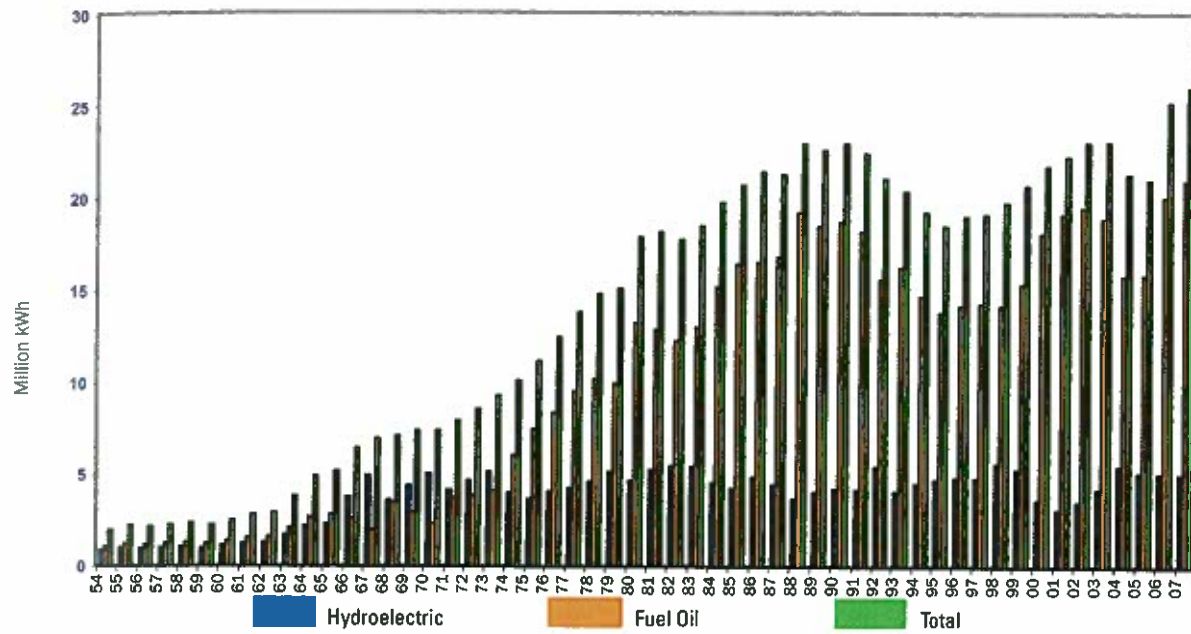
TOTAL SEV PRODUCTION BY YEAR, 1985 – 2007



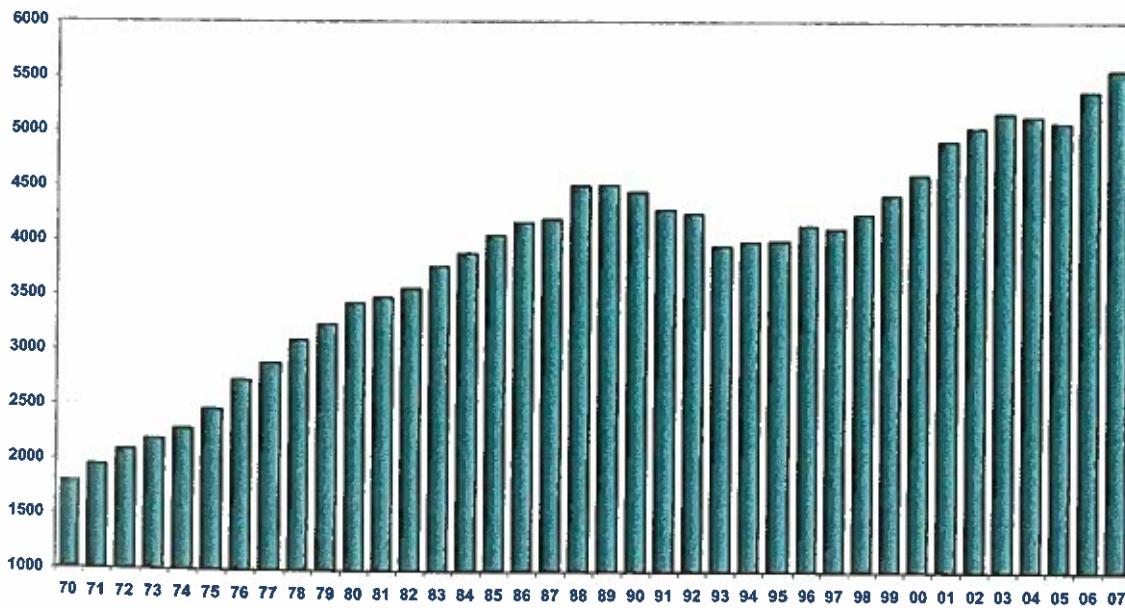
TOTAL SEV PRODUCTION 1954 – 2007



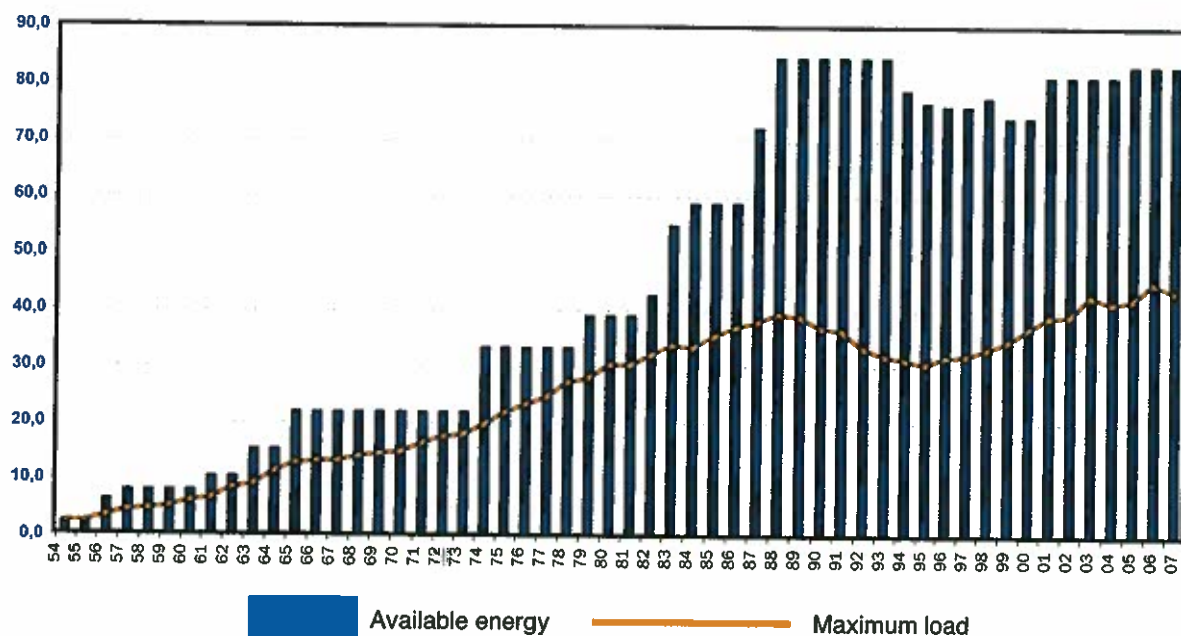
ELECTRICITY PRODUCED IN SUDUROY 1954 – 2007



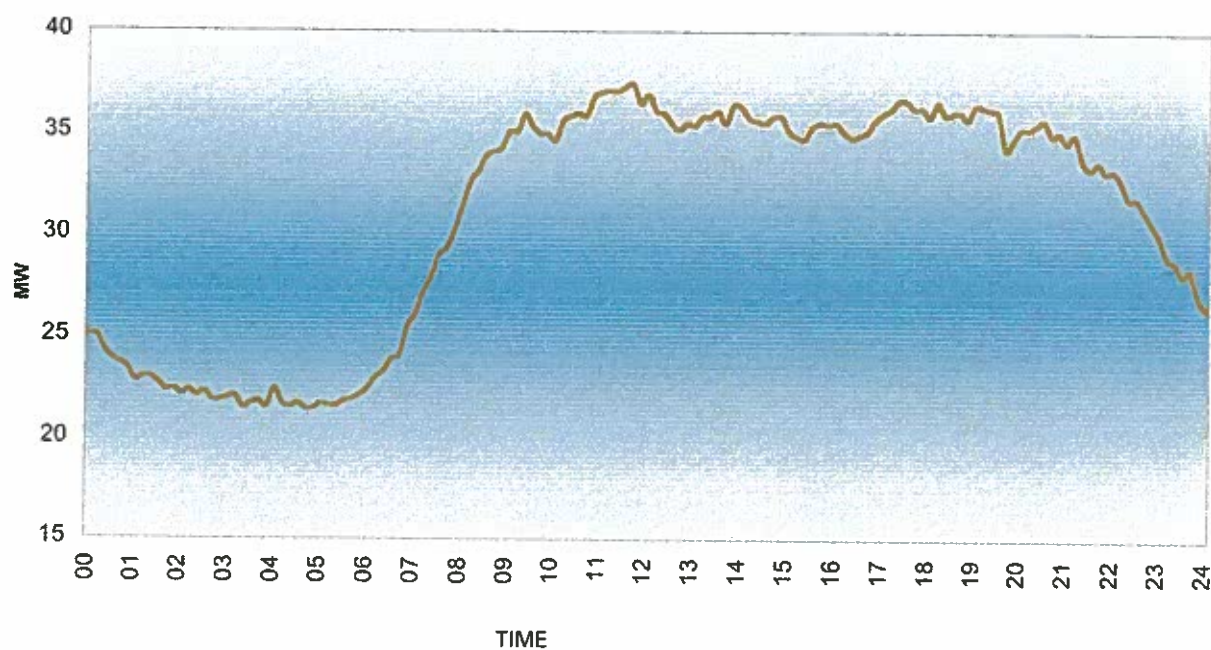
DAILY LOAD 4 OCTOBER 2007



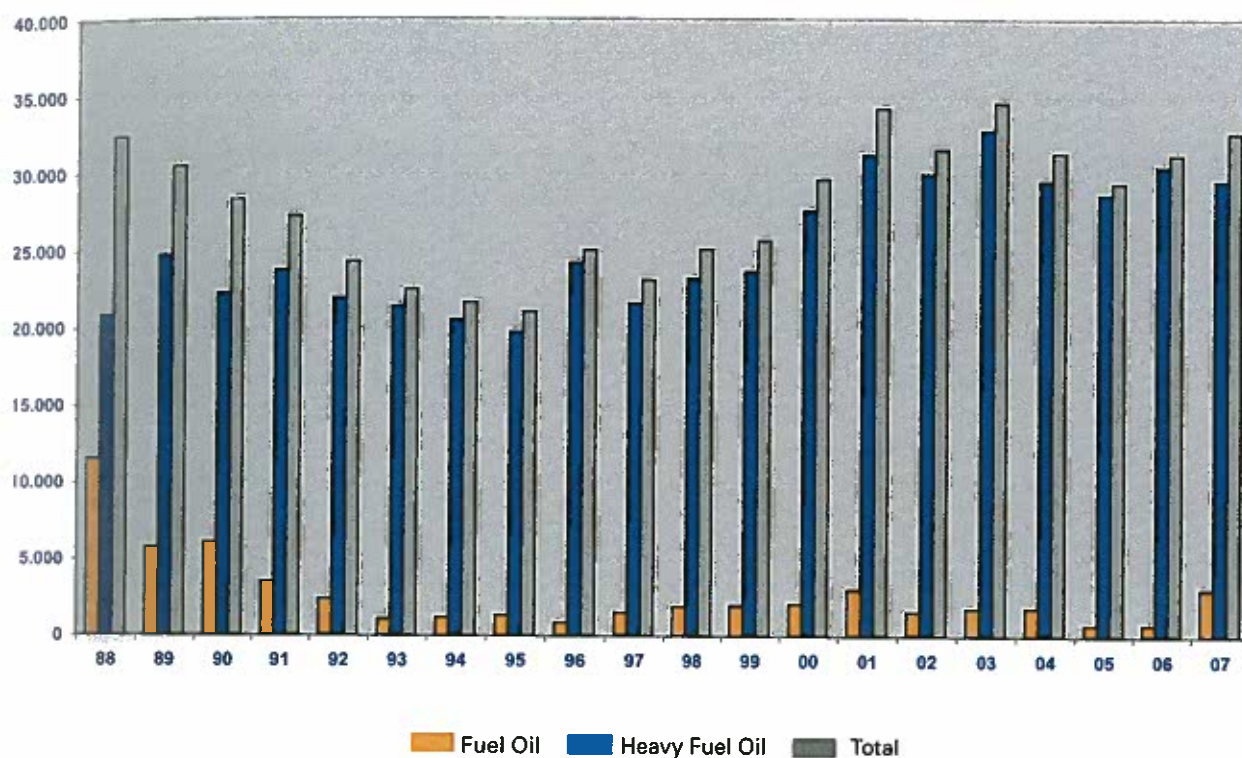
MAXIMUM LOAD AND AVAILABLE ENERGY, CENTRAL AREA 1954 – 2007



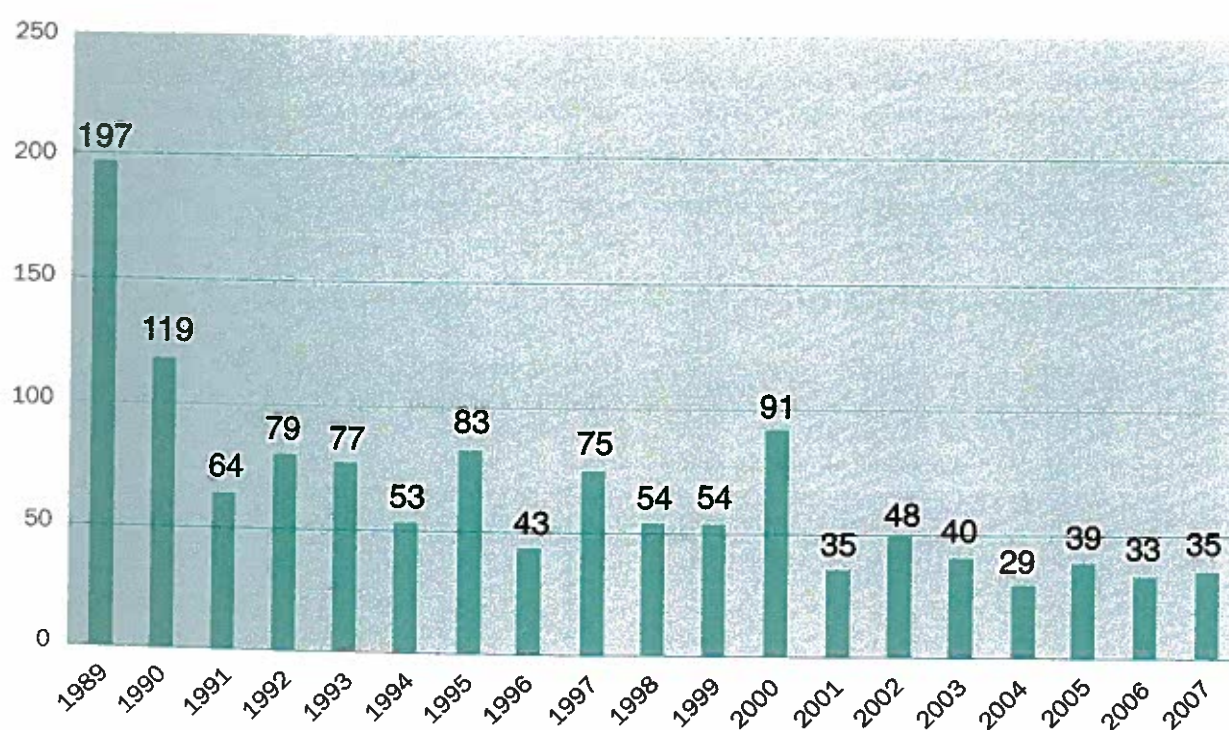
DAILY LOAD 4 OCTOBER 2007



FUEL OIL CONSUMPTION, TONS, 1988 – 2007



REGISTERED INTERRUPTS 1989 – 2007



DISTRIBUTION STATIONS

NEW COUPLING STATION IN KLAKS Vík

A new 6kV coupling station is being built at Undir Fossum in Klaksvík. The last 15 years the main electricity feed to the Northern Isles has been the 60kV line across Leirvíksfjørð via Brúnaskarð to the coupling station at Undir Fossum. The line is connected to an outdoor switch and then goes directly into a 60/10kV transformer.

The new 60kV station has a 60kV-coupling junction and 3 60kV switches. One switch is connected to the cable leading up to the line at Brúnaskarð, then over Leirvíksfjørð, terminating at Skálabotnur. The second switch is to the large 60/10kV transformer, while the third switch is in reserve.

The new equipment replaces the old 60kV equipment, which was out in the open and had become outdated. In addition, the old equipment was already used when the 10kV station was built 15 years ago. But now the large 60kV transformer is indoors, protected from the elements, giving the new transformer a better operating environment and longer operating life. With the most modern equipment available on the market, the station will improve electricity provision in the Northern Isles. The station has advanced protective relays and other technologies connected to the remote system at the Fossá plant.

A 60kV cable has also been laid from the coupling station down to Borðoyarvík, but is at the moment run at 20kV, and forms part of the 20kV connection between Skálabotn, through the sub-sea tunnel, terminating at Strond.

Selmar Nielsen Architects have designed the building; Landsbyggifelagið has had the construction engineering, while Kanjon carried out the construction. The equipment is being installed, and the 60kV station will be complete and operational before the summer holiday. The 60kV line will be transferred from the old to the new span across Leirvíksfjørð, and the old span will be taken down.

NO BLACKOUT IN THE CENTRAL AREA IN 2007

For the central area, 2007 was a first: for the first time ever, there was no blackout in a whole calendar year. There were, however, 35 interrupts, and such a level is unfortunately something we have to live with in an island country like the Faroe Islands.

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SANDOY CABLE

In 1971 the first attempt to lay a sea cable across Skopunarfjørð was made, but the cable never came into operation because it was damaged during installation. The next attempt to lay cable between Streymoy and Sandoy in 1975 was successful, and the cable provided electricity to Sandoy until 1982, when it malfunctioned. The repairs on the cable were unsuccessful, and a new cable was bought and came into operation in the summer of 1984. There was much effort put into making this cable last longer than the previous, such as weighting down the cable with lead rods to secure it to the bottom.

SEA CABLES

Sea cables have required substantial effort in 2007. In February, the sea cable between Kirkjubø and Skopun broke, and it will be replaced in 2008. During the summer of 2007, the cable vessel Nautilus Maxi laid a stretch of 6 kilometer 60kV cable across Tangafjørð. This cable is part of the 60kV connection between the Sund plant and the coupling station at Skálabotn. Since the cable vessel was already in the country, an attempt to repair the cable to Sandoy was made, but alas, also this was unsuccessful. SEV tendered for offers for a new cable.

The new cable has been placed on order with Prysmian of Italy. It is double-strength, weighs 41 kg/m, and has a total length of 9,400 metres. The copper conductors are 120mm².

SEV and the Swedish company Baltic Offshore work together on laying the cable, and it will be laid using the vessel Pleijel.

The cable itself costs DKK 19 million, while other work in this connection is estimated at DKK 22 million. If everything goes according to plan, the cable will be operational in August, once again connecting Sandoy to the central area.

When Sandoy is connected, the plant at Skopun will be shut down, but remain available as backup.



The cable vessel Nautilus Maxi



EMPLOYEES

SEV HAS AN ACTIVE EMPLOYEE POLICY WHERE MUCH EFFORT IS PUT INTO MAKING THE VARIOUS DEPARTMENTS FUNCTION WELL ON THEIR OWN, BUT ALSO AS PART OF THE WHOLE ORGANISATION. BECAUSE OF THIS, COMMUNICATION BETWEEN EMPLOYEES AND THE MANAGEMENT IS VERY IMPORTANT.

EMPLOYEE SAFETY

SEV has always been acutely aware that handling electricity equipment can pose dangers to employees, and has always ensured that employees receive the right training to avoid dangerous situations.

Especially communications between the employees working the lines on the mountains and those overseeing the work at the stations have received particular attention. The means of communicating have changed over the years. There used to be three possibilities: radiotelephone, which was not always heard; fixed line, which was often a long way away from the actual work site; and the oldest way of communication: sending messengers. Today almost everyone carries a mobile phone, with signal coverage almost everywhere.

Today's society demands a stable provision of electricity, and that faults are repaired without delay. While recognising these demands, SEV always considers as its first priority the safety of employees. SEV has rigid procedures where employees are made to take their time to protect themselves against misunderstanding and accidents, and they are constantly reminded that their primary obligation is towards themselves.

The rules in Sterkstreysreglugerðin (Heavy Current Notice) have for many years formed the legal basis for employee safety, which to some extent details requirements for training, procedures, and communication. As is the case with other developments, there is a trend in the law for requiring more and more documentation, and from October 2005, electrical safety is also included. This led to SEV developing a new safety and control system, which was completed and ready for use on 1 January 2008.

Since IT is becoming an increasingly commonplace in people's everyday lives, SEV has decided to make the system computer based. Furthermore, having the system computer based also makes it easier to update and distribute information. The willingness of employees to embrace such a system is a prerequisite for the system achieving its aims, and we hope that we now have a useful tool in our continuing work to improve safety and train our employees. The system also ensures that various issues are raised and handled, before potential accidents occur.

EMPLOYEE ISSUES

30 September 2007 was the last day at work for Klæmint Weihe, who for 25 years was the Managing Director of SEV. The Executive Board announced on 23 November, that Hákun Djurhuus would be replacing Klæmint from 1 January 2008.

On 1 November 2007, Oluffa undir Kletti started work as Human Resources Manager. Her employment is a reflection of the fact, that employee issues are an increasing part of our administration, and that SEV places great emphasis on employee issues and employee satisfaction.

An employee's organisation was established in 2006, and the purpose of the organisation is to work towards constructive communications between employees and SEV's management, and to support the Human Resource Department.

The employee's organisation has had a very active year in 2007 by, among other things, participating in both the employee days in 2007. One day was held in late April onboard Smyril, and the other was held in Skopun in December. The subject of the days was information from the management and other issues as well.

The organisation has also worked on other things, such as a new system for work wear. We would also like to mention and give credit for the social events organised during 2007.

Around 150 people are employed by SEV. More than 70 are directly involved in production, that is in the plants or related to electricity production, while just fewer than 60 are attached to the stations as linemen, supervisors, and others. Administrative staff, including management, accounting, office and others, number 20.

The average age of employees is approximately 50, and average tenure is 16 – 17 years. It is clear from this, that a great number of our employees have worked a long time with us and during that time amassed a wealth of knowledge about electricity for the benefit of our customers.



OLUFFA UNDIR KLETTI
HUMAN RESOURCES MANAGER



TRIP TO BOTN



EMPLOYEE MEETING ONBOARD SMYRIL



THE CABLE VESSEL NAUTILUS MAXI, THE 60KV SEA CABLE IS TAKEN ASHORE

SALES MWH 2004 – 2007

Customer segment	TOTAL 2004	TOTAL 2005	TOTAL 2006	TOTAL 2007	CHANGE 2006-2007
1. Agriculture, fish farming, fishing, industry	22.790	17.154	19.403	23.364	20,4
2. Production and construction	53.399	52.284	57.184	58.845	2,9
3. Retail, restaurants and hotels	19.050	19.336	20.451	22.124	8,2
4. Transportation, postal, and communications	16.467	20.155	22.518	23.144	2,8
5. Finance, insurance and other commercial services	3.576	3.806	3.984	4.075	2,3
6. Public and private services, churches and congregations	32.702	34.483	34.885	39.745	13,9
7. Street lighting	5.954	6.193	6.588	6.739	2,3
8. Private residences, apartments, summerhouses, boat houses	73.451	75.734	76.585	78.761	2,8
Total sales	227.389	229.145	241.598	256.797	6,3
SEV's own usage	5.599	5.417	5.556	5.555	0,0
Total usage	232.988	234.562	247.154	262.352	6,1
Production for the year	248.967	244.877	259.478	269.416	3,8

The difference between sales and production is due to loss during transport in lines and transformers, as well as SEV's own usage, and timing differences in reading periods.

INVESTMENTS 1995 – 2007

Investments DKK millions	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Hydroelectric plant	4,7	30,7	35,1	43,3	13,7	8,6	8,6	0,0	0,3	0,3	0,5	4,0	
Other generating plant	0,3	0,1	0,1	1,1	5,8	30,4	18,1	52,0	18,0	20,0	2,3	2,8	
Transformer stations	9,3	12,5	21,0	13,8	13,6	14,6	19,5	17,4	18,6	18,2	32,8	41,9	
Buildings	2,2	0,5	0,1	1,8	0,7	0,1	0,0	0,1	0,8	0,0	0	0,8	
Land	-	-	-	-	1,5	-4,8	0,0	0,0	0,0	0,0	0	0,0	
Other material assets	2,0	2,1	1,8	2,6	1,5	2,4	1,7	2,4	2,0	3,2	2,2	2,5	
Total	18,5	45,9	58,1	62,6	36,8	51,3	47,9	71,9	39,7	41,7	37,8	52,0	



DRUMS WITH 20 AND 60 KV SEA CABLE

FINANCIAL STATEMENT 2007

SIGNATURES

The financial statement is presented to the Representative Board for approval. The result of DKK 12,035,604 will be carried forward to next year.

Tórshavn, 11 April 2008

EXECUTIVE BOARD:

Leivur Hansen, chairman
Poul Arne Jacobsen, deputy chairman
Eli Frederiksen
Bødvar Poulsen
Jógvan Emil Nielsen
Regin Olsen
Hans Arne Bertholdsen

MANAGEMENT:

Hákon Djurhuus

CHIEF FINANCIAL OFFICER

John P. Danielsen

MANAGEMENT'S REPORT

GENERAL INFORMATION

The electricity company SEV is an inter-municipal cooperative, whose purpose is to provide electricity and distribute it to the inhabitants of the member municipalities.

All municipalities in the Faroe Islands are members of SEV. The members are liable both for the company's debt and possible losses. The company's equity is the property of the members in proportion to the number of inhabitants, and is shown at the end of each financial year.

FINANCIAL PERFORMANCE

The result for 2007 was approximately DKK 12 million, compared to DKK 16.2 million in 2006.

The result is satisfactory under the circumstances – despite being lower than in 2006 – due to unchanged sales prices and higher fuel oil prices. In addition, the budgeted result for 2007 was only DKK 0.1 million.

Almost all of SEV's income is from the sale of electricity. Sales grew by 6.3% year-on-year while production increased by 3.8%.

Sales prices remained the same, and the increase in sales was almost entirely due to greater demand.

Timing differences between the annual settlement, as well as changes in the use in the various price groups influence the comparison year-on-year between income and

production. That is why an increase in production is not always exactly the same as the sales increase.

Total expenditure before depreciation was DKK 187.6 million, on the same level as budgeted. Compared to 2006, this is an increase of just over DKK 25 million.

The increase in expenditure is partly due to general wage and price increases, but a significant part of the increase for 2007 is due to extraordinary items, that do not occur on a regular basis.

According to the budget for 2007, a special program of maintenance and investment in the plants was scheduled, for a cost of DKK 10 million. Only DKK 0.8 million of this was actually spent. Instead DKK 12.4 million were used to repair and rebuild the oil storage facility at Vágur. Following the leakage on 6 December 2006, which led to oil pollution of Vágssjørður, an investigation showed that extensive repairs on both tanks were required. Furthermore, it was necessary to rebuild the protective wall.

Expenditure on fuel oil was DKK 72.6 million compared to DKK 67.5 million the year before.

The average purchase price of fuel oil was lower in 2007, but the production from the thermal plants was 5.6 million kWh higher. In addition, the leakage at Vágur and the break on the sea cable to Sandoy meant, that a relative large proportion of production had to come from regular fuel oil. This oil type is significantly more expensive than the heavy fuel oil normally used. All combined, these factors lead to higher fuel costs.

Net financial expenditure was DKK 2.3 million compared to DKK 5.8 million the previous year. The decrease is mainly due to higher interest income on deposits and lower interest bearing debt.

Depreciation decreased from DKK 59.9 million in 2006 to 49.5 million in 2007. There were some additions made during 2007, but the first phase of the Eiði plant has now been completely depreciated, taking out DKK 15 million from the depreciation base.

INVESTMENTS

Investments in material fixed assets were DKK 52 million compared to DKK 37.8 million in 2006. This was DKK 22.5 million less than budgeted.

The major deviation from the investment budget is that the planned windmill and service buildings projects were not carried out.

OUTLOOK FOR 2008

According to the approved budget for 2008, the result before depreciation will be DKK 48.8 million. The budgeted net result is a loss of DKK 2.6 million.

The underlying projections are, among others, based on a DKK 0.1/kWh increase in sales prices and a 2% increase in sales.

The production statistics for the first quarter of 2008 indicate that the projections on the increase in sales are accurate.

The average fuel oil prices have during the second half of 2007 and during the first months of 2008 been quite high. The budget has taken this increase into account, and indications are, that the total fuel oil expenditure of DKK 103 million is realistic. To conclude this part, we estimate the realised result for 2008 to be along the lines of the budget, and this is satisfactory.

Even though the budgeted profit and loss account does not show a profit, there are no plans to loan finance the planned investments of DKK 114.9 million. Instead, cash generated out of operations and cash available, which at year-end is projected to be substantially reduced, will be used to finance investments.

The northern part of the Eiði 2 project is under construction, and the southern part will commence in the summer of 2008, if SEV receives the necessary approvals from the authorities. If this project is undertaken, it will be necessary to loan finance a part of SEV's investments in 2009.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

From the balance sheet date until today there have been no events that might materially influence the true and fair view of this financial statement.

AUDITOR'S REPORT

TO THE OWNERS OF SEV

SIGNATURE

We have audited the financial statement of SEV for the financial year 1 January – 31 December 2007. The financial statement has been prepared in accordance with existing legislation.

THE MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENT

The management is responsible for preparing a financial statement giving a true and fair view according to existing legislation. This responsibility entails, that the company at all

times maintains the necessary degree of internal control required to prepare an annual financial statement that gives a true and fair view without significant misstatements, regardless of whether the misstatements are due to fraud or error; that suitable accounting standards are employed; and that the accounting estimates made are reasonable under the circumstances.

AUDITOR'S RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with Faroese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. Our audit has not resulted in any qualification.

OPINION

In our opinion, the financial statement gives a true and fair view of the company's financial position at 31 December 2007 and of the result of its operations and its cash flow for the financial year 1 January – 31 December 2007 in accordance with the Faroese Financial Statements Act.

Tórshavn, 11 April 2008

RASMUSSEN & WEIHE

State certified auditors P/F

Hans Laksá

State certified auditor

Jóannes Olsen

Certified auditor

ACCOUNTING PRINCIPLES

Generally accepted accounting principles are applied on a basis consistent with that of the preceding year.

INCOME

Income from the sale of electricity is accrued. At year-end, the usage for the whole year is made up.

MATERIAL FIXED ASSETS

Material fixed assets are recorded at acquisition cost and depreciated with a fixed amount each period. The period of depreciation is from 3 to 20 years.

FINANCIAL FIXED ASSETS

Financial fixed assets are recorded at acquisition cost.

DEBTORS

Debtors are valued on an individual basis, and provisions are made against possible losses.

STOCK

Stock of fuel oil and materials is valued at the lower of acquisition cost or replacement cost.

FINANCIAL CURRENT ASSETS

Bonds are valued at market value.

EQUITY

SEV is an inter-municipal cooperative, where all of the Faroese municipalities are members. The equity of each individual municipality is made up at year-end according to the number of inhabitants.

PROFIT AND LOSS ACCOUNT

	Note	2007	DKK 1,000 2006
INCOME	1	249.105.539	238.355.000
Expenditure on fuel oil and purchase of electricity	2	-75.365.819	-70.208.000
Other operating expenditure	3, 4	-88.833.231	-66.204.000
Administration	3, 5	-21.111.424	-19.958.000
Result before interest and depreciation		63.795.065	81.992.000
Net interest expenditure	6	-2.293.431	-5.847.000
Result before depreciation		61.501.634	76.145.000
Depreciation	7	-49.466.030	-59.928.000
RESULT FOR THE YEAR		12.035.604	16.217.000

BALANCE SHEET 31ST DECEMBER

	Note	2007	DKK 1,000 2006
ASSETS			
Material fixed assets, electricity generating plant, etc.	7	345.605.492	324.722.000
Assets under construction		16.772.603	35.084.000
Total material fixed assets		362.378.095	359.806.000
Shares		4.975.000	4.975.000
Financial fixed assets		4.975.000	4.975.000
TOTAL MATERIAL ASSETS		367.353.095	364.781.000
Stock of fuel oil		20.118.662	18.350.000
Stock of materials		12.078.801	11.441.000
Total stock		32.197.463	29.791.000
Electricity debtors	8	29.029.270	24.845.000
Other debtors		2.680.523	2.185.000
Other current assets		8.459.071	2.903.000
Total debtors		40.168.864	29.933.000
Bonds		79.550	126.000
Total financial current assets		79.550	126.000
Cash		99.526.385	98.914.000
TOTAL CURRENT ASSETS		171.972.262	158.760.000
TOTAL ASSETS		539.325.357	523.545.000

	Note	2007	DKK 1,000 2006
LIABILITIES			
Share capital		4.139.875	4.140.000
Retained profit	9	352.984.853	340.949.000
TOTAL EQUITY	10	357.124.728	345.089.000
Long-term loans	11	123.814.641	142.745.000
Total long-term debt		123.814.641	142.745.000
Electricity creditors	12	13.001.849	12.696.000
Provision for holiday allowance		1.894.186	1.986.000
Other creditors		43.489.953	21.029.000
Total short-term debt		58.385.988	35.711.000
Total debt		182.200.629	178.456.000
TOTAL LIABILITIES		539.325.357	523.545.000
Pension liabilities	13		
Pledges	14		

CASH FLOW

	2007	DKK 1,000 2006
Result for the year	12.036	16.217
Depreciation	49.466	59.928
Cash flow from operations	61.502	76.145
Change in debtors	-10.236	-3.764
Change in short-term debt	22.676	8.116
Change in stock of fuel oil	-1.769	-4.956
Change in stock of materials	-638	-1.479
	71.535	74.062
Investments: Fixed assets under construction	-52.038	-37.785
Shares	0	-625
Loan repayments	-18.930	-21.030
Change in cash flow	567	14.622
Cash at the beginning of the year	98.914	84.200
Bonds at the beginning of the year	125	217
Available cash at the end of the year	99.606	99.039
Available cash at the end of the year:		
Cash	99.526	98.914
Bonds	80	125
	99.606	99.039

NOTES TO THE FINANCIAL STATEMENTDKK 1,000
2006

	2007	2006
1. Income		
Usage	229.626.607	218.955
Fixed fees	15.517.976	15.103
Connection fees	2.629.525	2.079
Other fees, reminders, and other sales	1.331.431	2.222
	249.105.539	238.359
2. Expenditure on fuel oil and purchase of electricity		
Generating plant at Sund	50.021.643	54.946
Generating plant at Oyrunum	13.278.933	9.918
Generating plant in Skopun	6.100.367	105
El-verkið á Strönd	1.581.163	530
Smaller generating plants and buildings	1.582.746	1.966
Purchase of electricity	2.800.967	2.743
	75.365.819	70.208
3. Wages		
Electricity generating plants, note 4	21.784.221	18.848
Distribution stations, note 4	16.507.464	16.171
Administration, note 5	6.930.248	6.660
Representative and Executive Boards, note 5	1.419.989	1.315
Assets under construction	2.152.711	1.806
To pensioners, note 5	681.464	686
Pension contributions, notes 4 and 5	3.575.221	3.271
	53.051.318	48.757

	2007	DKK 1,000 2006
4. Other operating expenditure		
Electricity generating plants	53.836.555	34.103
Buildings	1.774.054	2.629
	55.610.609	36.732
Coupling stations	809.920	682
Distribution stations	23.906.781	20.099
Installation department	3.776.058	3.796
Project management	2.190.144	2.009
Low voltage department	2.539.719	2.886
	33.222.622	29.472
	88.833.231	66.204
5. Administration		
Wages to administration including pension contributions	7.311.380	7.122
Wages to Representative and Executive Boards	1.542.548	1.315
Marketing and telephone	1.482.089	1.192
Consultancy, printing, postage, IT	1.888.422	2.206
Travelling, meetings of the Representative and Executive Boards	591.003	496
Studies and external advise	1.824.818	1.717
Bank fees, other fees	1.531.595	1.487
Other administration expenditure	1.894.045	1.627
	18.065.900	17.162
Insurance	754.867	441
Loss on debtors	144.026	221
Pensions	681.463	686
Statutory contributions	1.465.168	1.445
	21.111.424	19.955
6. Interest expenditure		
Interest on long-term loans	6.657.316	7.584
Other interest and bank fees	351.425	143
	7.008.741	7.727
Interest income	-4.715.310	-1.880
	2.293.431	5.847
7. Material fixed assets and depreciation		
	Sales and additions 2007	Depreciation 2007
Balance 1.1.07		Balance 31.12.07
Generating plant	205.242.334	2.470.078
Distribution stations	102.111.208	63.463.411
Buildings	9.972.666	795.836
Land	2.668.969	24.000
Other fixed assets	4.726.483	3.596.537
	324.721.660	70.349.862
		25.308.395
		18.959.817
		2.489.007
		0
		2.708.811
		49.466.030
		345.605.492

DKK 1,000

2007

2006

8. Electricity debtors

Due at year-end 2007:

Regular customers	204.095	1.231
Maximum customers	1.197.959	21

	1.402.054	1.252
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Not due at year-end 2007:

Regular customers	20.383.920	16.251
Maximum customers	7.743.296	7.892

	28.127.216	24.143
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Provision for losses on electricity debtors

	-500.000	550
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Total electricity debtors

	29.029.270	24.845
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9. Retained profit

Balance at the beginning of the year

	340.949.249	324.732
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Profit for the year

	12.035.604	16.217
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Balance at the end of the year

	352.984.853	340.949
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10. Breakdown of equity

	Paid in IN CAPITAL	Equity 31.12.2007	Equity 31.12.2006
Hvannasund	36.375	3.207.111	3.146
Klaksvík	502.000	36.044.980	34.860
Fugloy	17.500	317.025	314
Svínoy	18.250	353.888	371
Viðareid	25.250	2.595.180	2.418
Kunoy	12.625	1.179.627	1.120
Húsar	17.500	442.360	435
Eiði	78.625	5.138.750	5.014
Sunda	177.367	11.729.917	11.163
Funningur	25.883	567.696	535
Fuglafjørður	136.250	11.376.029	11.299
Leirvík	62.000	6.554.303	6.227
Gøta	84.500	7.910.874	7.583
Ís/Runavík	306.250	36.325.142	35.067
Sjógv	92.875	7.512.750	7.326
Kvívík	59.125	4.467.838	4.394
Vestmanna	125.250	9.046.265	8.809
Sandavágur	81.250	5.934.999	5.671
Miðvágur	88.375	8.139.427	7.818
Sørvágur	127.500	8.087.818	7.647
Sandur	72.250	4.254.030	4.208
Skopun	71.000	3.745.316	3.624
Skálavík	30.750	1.297.590	1.313
Húsavík	25.125	951.074	934
Skúvoy	17.875	442.360	407
Hvalba	103.625	5.595.856	5.464
Tvøroyri	255.250	13.233.941	12.982
Famjin	23.125	818.366	813
Hov	22.875	877.348	892
Porkeri	51.000	2.484.590	2.368
Vágur	218.375	10.461.818	10.008
Sumba	81.375	2.794.242	2.732
Tórshavn	1.092.500	143.236.218	138.127
	4.139.875	357.124.728	345.089

11. Loan repayments, interest and remaining loan balance (In DKK 1,000):

	New loans	Repayments	Interest	Balance pr. 31/12-07	Balance pr. 31/12-06
Lån	0	18.930	6.649	123.815	142.745

12. Electricity creditors DKK 13,001,849

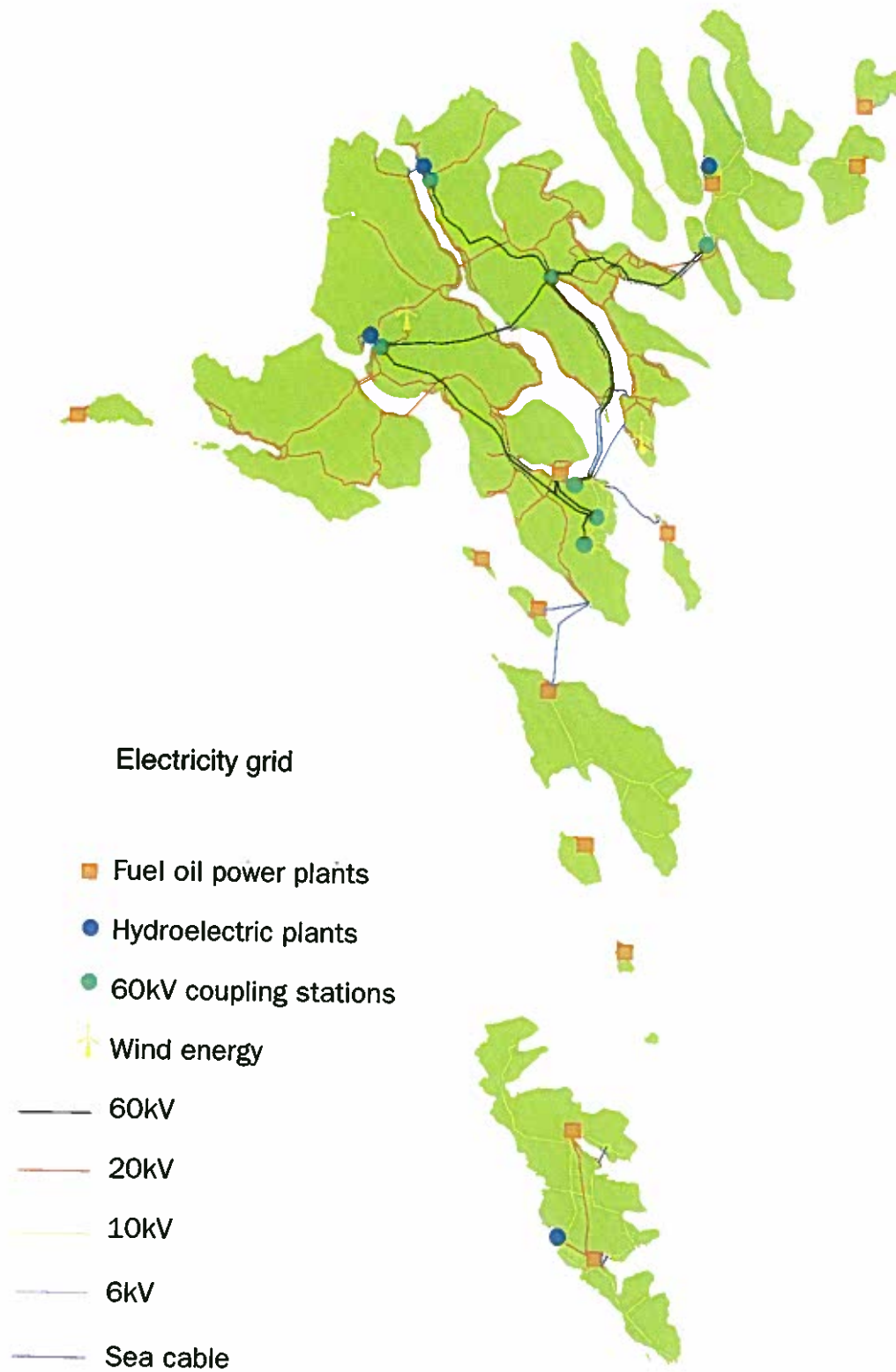
This is a liability towards customers, whose electricity usage has been less than what they have paid for.

13. Pension liabilities

In 2007, the company paid pensions to four people no longer employed by SEV, and the company furthermore has a pension liability towards two employees currently employed. These liabilities have not been provided for in the financial statement.

14. Pledges

None of the company's assets have been pledged.



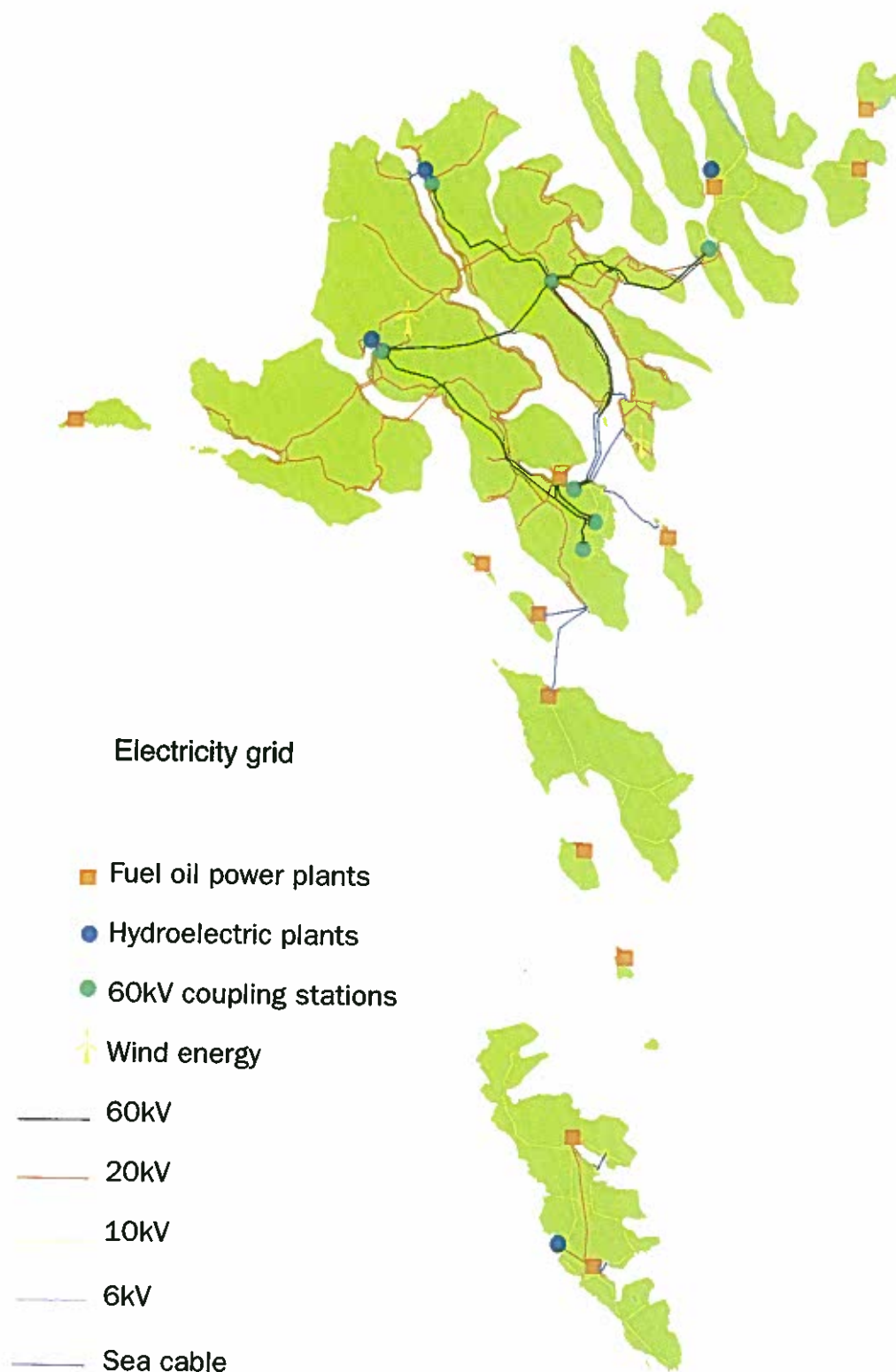


SEV
Landavogur 92
Postbox 319
FO 110 Tórshavn
Faroe Islands
Tel. 34 68 00
Fax 34 68 01
email: sev@sev.fo

SEV
Á Fitjum
Postbox 94
FO 350 Vestmanna
Faroe Islands
Tel. 34 68 00
Fax 34 68 03

SEV
Postsmoga 110
FO 700 Klaksvík
Faroe Islands
Tel. 34 68 00
Fax 34 68 05

SEV
Postsmoga 3
FO 900 Vági
Faroe Islands
Tel. 34 68 00
Fax 34 68 07





SEV
Landavegur 92
Postbox 319
FO 110 Tórshavn
Faroe Islands
Tel. 34 68 00
Fax 34 68 01
email: sev@sev.fo

SEV
Á Fitjum
Postbox 94
FO 350 Vestmanna
Faroe Islands
Tel. 34 68 00
Fax 34 68 03

SEV
Postsmoga 110
FO 700 Klaksvík
Faroe Islands
Tel. 34 68 00
Fax 34 68 05

SEV
Postsmoga 3
FO 900 Vági
Faroe Islands
Tel. 34 68 00