

sev

Annual Accounts 2023

P/F Vindfelagið í Húsahaga

Tórshavn · Reg. no. 6386

*Pioneering technologies
secure higher yield
from wind power*

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P/F Vindfelagið í Húshaga

Landavegur 92 +298 34 68 00
Postbox 319 sev@sev.fo
FO-110 Tórshavn www.sev.fo

Financial Calendar: 01.01-31.12
Business Tax Registration No.: 622672
Company Registration No.: 6386

Management Report

The Board of Directors and Management have today hereby submitted the Annual Report and Accounts of P/F Vindfelagið í Húshaga for fiscal year 1 January – 31 December 2023.

The Annual Report and Accounts 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, and financial position as of 31 December 2023 and the result of operations for fiscal year 1 January – 31 December 2023.

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

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

Tórshavn, 3 April 2024

Management

Hákun Djurhuus
Managing Director, CEO

Board

Kári Johansen
Chairman

Haraldur S. Hammer
Vice Chairman

Oddmar á Lakjuni

Niclas Hentze

Poul Klementsén

Sonni L. Petersen

Sune Jacobsen

The independent auditor's report

To the shareholders of P/F Vindfelagið í Húshaga

Opinion

We have audited the annual accounts of P/F Vindfelagið í Húshaga for the financial year 1 January to 31 December 2023, which comprise accounting policies used, profit and loss account, balance sheet, cash flow statement, and notes. The annual accounts are prepared in accordance with the Faroese Financial Statements Act.

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

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the Company in accordance with

international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in the Faroe Islands, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Faroese Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the Company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either

intends to liquidate the Company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

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

scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are

required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the Company to express an opinion on the annual accounts. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Statement on the management's review

The management is responsible for the management's review.

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

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

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

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

Tórshavn, 3 April 2024

P/F JANUAR
State Authorised Public Accountants

Hans Laksá
State Authorised Public Accountant

Key Figures

2019-2023

Amounts in 1,000 DKK	2023	2022	2021	2020	2019
Income Statement					
Net sales	10,992	13,071	11,473	11,094	11,618
EBITDA	6,342	8,143	6,587	6,664	6,564
Result before interest	-937	866	-692	-615	-715
Interest	-1,038	-971	-1,116	1,256	1,379
Annual result	-1,619	-86	-1,483	-1,535	-1,717
Balance sheet					
Total assets	46,538	55,646	65,664	69,010	68,581
Equity	12,612	14,231	14,317	15,801	17,335

Management Review



Management Review

Main activities

The activity of the Company is the production of electricity from wind power.

Business activities and financial status of the Company

Total electricity produced by wind increased by 39% in 2023 compared to 2022. The reasons for this increase are that the wind farm of Sp/f Vindrøkt II at Gellingarklettur produced the whole year, and that the vind farm of P/F Flatnahagi commenced production in early 2023.

The yield from wind was not satisfactory, however, because some of the wind turbines at the Neshagi and Húshagi farms have suffered from generator failures in 2023, and have required repairs.

The yield from Húshagi was 19.7 GWh (31.8 GWh in 2022), which is the lowest full-year yield since the wind farm went into operation in 2014. Average annual yield for the period 2015-2023 was 31.9 GWh.

Settled production was 19.7 GWh in 2023, and the Company has also received income on 9.2 GWh potential production. The Company has a claim on the wind

turbine producer due to technical unavailability corresponding to 2.9 GWh.

Total net sales were DKK 11.0 million in 2023 compared to DKK 13.1 million in 2022.

The cost for goods and services in 2023 was DKK 4.6 million, compared to DKK 4.9 million in 2022. Wages were DKK 47,000, compared to DKK 5,000 in 2022.

Depreciation was DKK 7.3 million for 2023, the same amount as in 2022.

Interest expense was DKK 1.0 million for 2023, the same amount as in 2022.

The result after tax for 2023 was DKK -1.6 million, which is considerably worse than the DKK 86,000 loss in 2022.

Special risks

The Company has undertaken initiatives to secure itself against possible risks. The Company has a power purchase agreement with its parent company Sev, which in 2023 paid DKK 0.3526 per kWh sold. The Company's

income is well established and secure.

The Company knows its operations and maintenance expenses because the Company has entered into an agreement with Enercon, the supplier of the wind turbines, to provide maintenance, spare parts, and inspection of the wind turbines for a fixed price. The Company has agreed a one-year extension to the existing maintenance agreement from the fall of 2023. The Company also has a service level agreement with Sev, which takes care of all technical and administrative issues.

The Company has entered into a long-term loan from the parent company, Sev, for which, from December 2016 and for the next 10 years, the Company will pay the same fixed interest as Sev itself has secured.

The Company has insured its assets consistent with the insurance strategy of the parent company, Sev.

Investments

The Company has made investments of DKK 45,000 during the year.

Cash flow

The Company does not maintain its own liquidity. The Company uses the liquidity of the parent company, Sev, to pay debt as it falls due and thus the Company maintains a current account with the parent company, Sev. The parent company has exceptionally good liquidity and has also secured access to operational financing over the next few years if the need arises.

The natural environment

The Company has a high regard for the natural environment and all relevant legislation, directives, rules, and regulations are always followed.

Professional knowledge and human resource development

Along with the parent company, Sev, the Company is an active developer of knowledge within the field of wind energy production in the Faroe Islands, and strives continually to enhance the quality and the amount of electricity production from wind.

Prospects for 2024

The company expects approximately the same yield in 2024 as in 2023, based on a potential production level of 30 GWh compared to 29 GWh in 2023.

A severe storm at the end of January 2024 damaged 4 of the company's wind turbines, which are in need of repairs.

The Company has a so-called EPK-agreement with the wind turbine producer Enercon. This agreement

guarantees a technical availability level of 97%, which means the repairs will be carried out by Enercon, and the Company will be reimbursed for the loss of availability.

According to the Company's budget for 2024, sales income will be in the range between DKK 10 to 11 million, and the result is budgeted as a DKK 2.6 million loss.

Events after the closing of the accounts

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

Accounting Principles

General

The Annual Accounts of P/F Vindfelagið í Húshaga are prepared in accordance with the provisions of the Faroese Financial Statements Act for class B corporations.

The Annual Accounts are presented in Danish kroner (DKK).

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.

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-downs

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.

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

Balance Sheet**Tangible Assets**

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

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

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

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

	Useful life	Residual value
Wind turbines	15	0%
Operating equipment	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-downs.

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.

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.

Accruals

Accruals shown as assets include realised costs related to future financial years.

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.

Liabilities

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

Debt to financial institutions is valued at amortised realised value, which corresponds to the residual debt for a cash loan. Regarding the value of bonds, the amortised realised value is calculated as the cash value on the date the bond was issued, adjusted by the booked depreciation during the 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	2023	2022	
1, 11	Net sales	10,992	13,071
2	Other expenditure (goods and services)	-4,603	-4,923
	Gross proceeds	6,389	8,148
3	Employee expenses	-47	-5
	Depreciation, amortization and impairment of fixed assets	-7,279	-7,277
	Result before financials	-937	866
4	Financial expenses	-1,038	-971
	Result before tax	-1,975	-105
5	Tax on annual result	356	19
	Annual result	-1,619	-86
	Proposed distribution of result		
	Result carried forward	-1,619	-86
	Total distribution	-1,619	-86

Balance Sheet, liabilities

31. desember

Liabilities in 1,000 DKK			
Note		2023	2022
	Equity		
7	Share capital	22,000	22,000
	Result carried forward	-9,388	-7,769
	Total equity	12,612	14,231
	Debt		
8	Long-term debt	27,371	33,672
	Total long-term debt	27,371	33,672
8	Current portion of long-term debt	6,387	6,301
	Creditors	1	226
	Other liabilities	166	1,216
	Total short-term debt	6,555	7,743
	Total debt	33,926	41,415
	Total liabilities	46,538	55,646
9	Overview of turbine equipment		
10	Mortgages and other obligations		

Cash Flow Statement

Note	Amounts in 1,000 DKK	2023	2022
	Annual result	-1,619	-86
11	Adjustments	7,961	8,229
	Changes in working capital:		
	Receivables	1,532	2,925
	Creditors	-225	-4,745
	Other liabilities	-1,021	960
	Operating cash flow before financial items	6,629	7,283
	Interest paid and similar expenses	-1,038	-971
	Cash flow from operations	5,591	6,312
	Investment in tangible fixed assets	0	0
	Changes to work-in-progress	-45	0
	Cash flow from investments	-45	0
	Repayments on long-term debt	-6,215	-6,164
	Inter-company account parent company	668	-148
	Cash flow from financing	-5,546	-6,312
	Total cash flow during the year	0	0
	Opening cash-on-hand	0	0
	Closing cash-on-hand	0	0

The Company does not have liquidity of its own. The Company has access to and makes use of its parent company's liquidity to pay liabilities as they come due through an inter-company account with its parent company Sev.

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Notes

Annual Report 2023

Notes 1-4

1. Net sales

Amounts in 1,000 DKK	2023	2022
Production of electricity	10,070	12,188
Repayment from producer due to insufficient availability	922	883
Total	10,992	13,071

2. Other expenses (goods and services)

Amounts in 1,000 DKK	2023	2022
Turbines	3,957	3,997
Electric and technical	0	2
Buildings and land	131	177
Studies and consultancy	171	254
Management and office expenses	89	87
Other operating expenses	8	15
Other administrative expenses	248	390
Total	4,603	4,923

3. Employee expenses

Amounts in 1,000 DKK	2023	2022
Wages	47	5
Total	47	5
Number of employees	0	0
Full-time equivalent	0	0

4. Financial expenses

Amounts in 1,000 DKK	2023	2022
Interest, loans and bank debt, etc.	1,038	971
Total	1,038	971

Notes 5-6

5. Taxes on annual result

Amounts in 1,000 DKK	2023	2022
Change in tax asset	356	19
Total	356	19

6. Tangible fixed assets

Amounts in 1,000 DKK	2023	2022
Acquisition value, opening balance	100,092	100,092
Acquisition value closing balance	100,092	100,092
Depreciation, amortization and impairment opening balance	-50,954	-43,677
Depreciation, amortization and impairment during the year	-7,279	-7,277
Depreciation, amortization and impairment closing balance	-58,233	-50,954
Book value year-end	41,859	49,138
Book value year-end 2022	49,138	
Work-in-progress		
Work-in-progress opening balance	222	222
Investment booked to work-in-progress	45	0
Completed work transferred to depreciation	0	0
Work-in-progress closing balance	267	222
Work-in-progress closing balance year-end 2022	222	
Fixed assets at year-end	42,126	49,361
Fixed assets at year-end 2022	49,361	

Notes 7-8

7. Equity

Amounts in 1,000 DKK	Share capital	Result carried forward	Total
Equity statement 01.01.22 - 31.12.22			
Opening balance 01.01.22	22,000	-7,683	14,317
Annual result	0	-86	-86
Closing balance 31.12.22	22,000	-7,769	14,231
Equity statement 01.01.23 - 31.12.23			
Opening balance 01.01.23	22,000	-7,769	14,231
Annual result	0	-1,619	-1,619
Closing balance 31.12.23	22,000	-9,388	12,612

8. Debt

Amounts in 1,000 DKK	Repayment next year	Outstanding debt after 5 years	Total debt 31.12.23	Total debt 31.12.22
Debt to parent company	6,387	0	33,758	39,973
Total	6,387	0	33,758	39,973

The outstanding debt after 5 years is calculated as an annuity loan to be paid over 12 years from 2016.

Notes 9-11

9. Overview of turbine equipment 2023

Location	Turbine	MW	Type	Supplier	Powered by	Year	Age	Total hours	Hours 2023
Húshagi	V1	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	69,224	6,785
Húshagi	V2	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	69,134	7,188
Húshagi	V3	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	69,907	7,256
Húshagi	V4	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	67,365	6,964
Húshagi	V5	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	67,964	6,382
Húshagi	V6	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	69,772	7,353
Húshagi	V7	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	63,535	6,533
Húshagi	V8	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	65,066	6,960
Húshagi	V9	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	70,254	7,559
Húshagi	V10	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	62,550	3,897
Húshagi	V11	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	65,838	5,543
Húshagi	V12	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	65,801	6,274
Húshagi	V13	0.9	Turbine (pitch reg.)	Enercon	Wind	2014	10	69,122	6,916

10. Mortgages and other liabilities as of 31.12.2022

The Company holds no mortgages nor is it subject to any court case. The Company is bound by rental, operating and maintenance, and administration agreements totalling DKK 3.7 million, of which DKK 2.9 million are due within 1 year, and DKK 0 are due after 5 years.

11. Adjustments

Amounts in 1,000 DKK	2023	2022
Depreciation	7,279	7,277
Interest expense and similar expenses	1,038	971
Taxes	-356	-19
Total	7,961	8,229



sev

P/F Vindfelagið í Húshaga

Landavegur 92
Postbox 319
FO-110 Tórshavn

+298 34 68 00
www.sev.fo
sev@sev.fo

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