



sev

Grid Accounts 2023

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*Pioneering technologies
secure higher yield
from wind power*

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Business Tax Registration No.: 331538

Management Report

The Board of Directors and Management hereby submit Sev's Grid Annual Report and Accounts for fiscal year 1 January - 31 December 2023. The Grid 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 2023 and the result of operations and cash flow for fiscal year 1 January - 31 December 2023.

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, 3 April 2024

Management

Hákun Djurhuus
Managing Director, CEO

Financial Management

Bogi Bendtsen
Director of Administration, CFO

Nevnd

Kári Johansen
Chairman

Haraldur S. Hammer
Vice Chairman

Oddmar á Lakjuni

Niclas Hentze

Poul Klementsén

Sonni L. Petersen

Sune Jacobsen

Independent Auditor's Report

To the management of Eifelagið Sev

Opinion

We have audited the grid accounts of Eifelagið Sev for the financial year 1 January - 31 December 2023, which comprise Income Statement, Statement of Financial Position, cash flow statement, and notes. The amounts in the grid accounts are part of the annual accounts for Eifelagið Sev for the financial year 1 January - 31 December 2023, which we have audited.

In our opinion, the grid accounts for Eifelagið Sev for the financial year 1 January - 31 December 2023 in all material aspects are prepared in accordance with the accounting principles described in the grid 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 grid 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 grid accounts – accounting principles

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

This has not affected our opinion on the grid accounts.

The management's responsibilities for the grid accounts

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

Auditor's responsibilities for the audit of the grid accounts

Our objectives are to obtain reasonable assurance about whether the grid 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 grid 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, 3 April 2024

P/F JANUAR
State Authorised Public Accountants

Hans Laksá
State Auth. Auditor

Key Figures

2019-2023

Amounts in 1,000 DKK	2023	2022	2021	2020	2019
Income Statement					
Net sales	715,260	587,753	590,385	572,114	530,785
EBITDA	140,711	53,875	91,775	114,484	107,697
Result before financial items	75,719	-7,512	34,044	65,351	43,291
Financial items	-23,890	17,258	-14,322	-21,733	-20,564
Annual result	33,150	9,966	7,421	30,283	30,247
Balance Sheet					
Total assets	1,993,298	2,096,067	1,665,712	1,722,098	1,458,891
Equity	650,207	655,729	630,155	563,496	556,291

Management Review

An aerial photograph of a wind farm. Several large, three-bladed wind turbines are scattered across a dark, grassy ridge. In the background, a blue sea meets a hazy, mountainous coastline under a cloudy sky. The overall tone is dramatic and industrial.

Management Review

Main activities

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

The accounts for the Grid Division of Sev are a part of the consolidated accounts of Sev. This review encompasses Sev's power grid activities, including administration, for the period 1 January 2023 through 31 December 2023.

Distribution of operational profit

The annual result for the Grid Division is adjusted such that the profit corresponds to the expenses the Grid Division has plus an amount equalling its self-financing of 25% of the annual average investment over the next five years for the Grid Division. For a more detailed discussion of the procedures and practices and the calculations of the distribution between the Production and Grid Divisions, please refer to Note 1.



The Production Division shall have all of its operational costs covered, including its portion of the costs related to the universal service obligation. In addition, the Production Division shall derive a profit corresponding to around 5% of opening balance equity.

BUSINESS ACTIVITY OVERVIEW

Upgrading and refurbishment

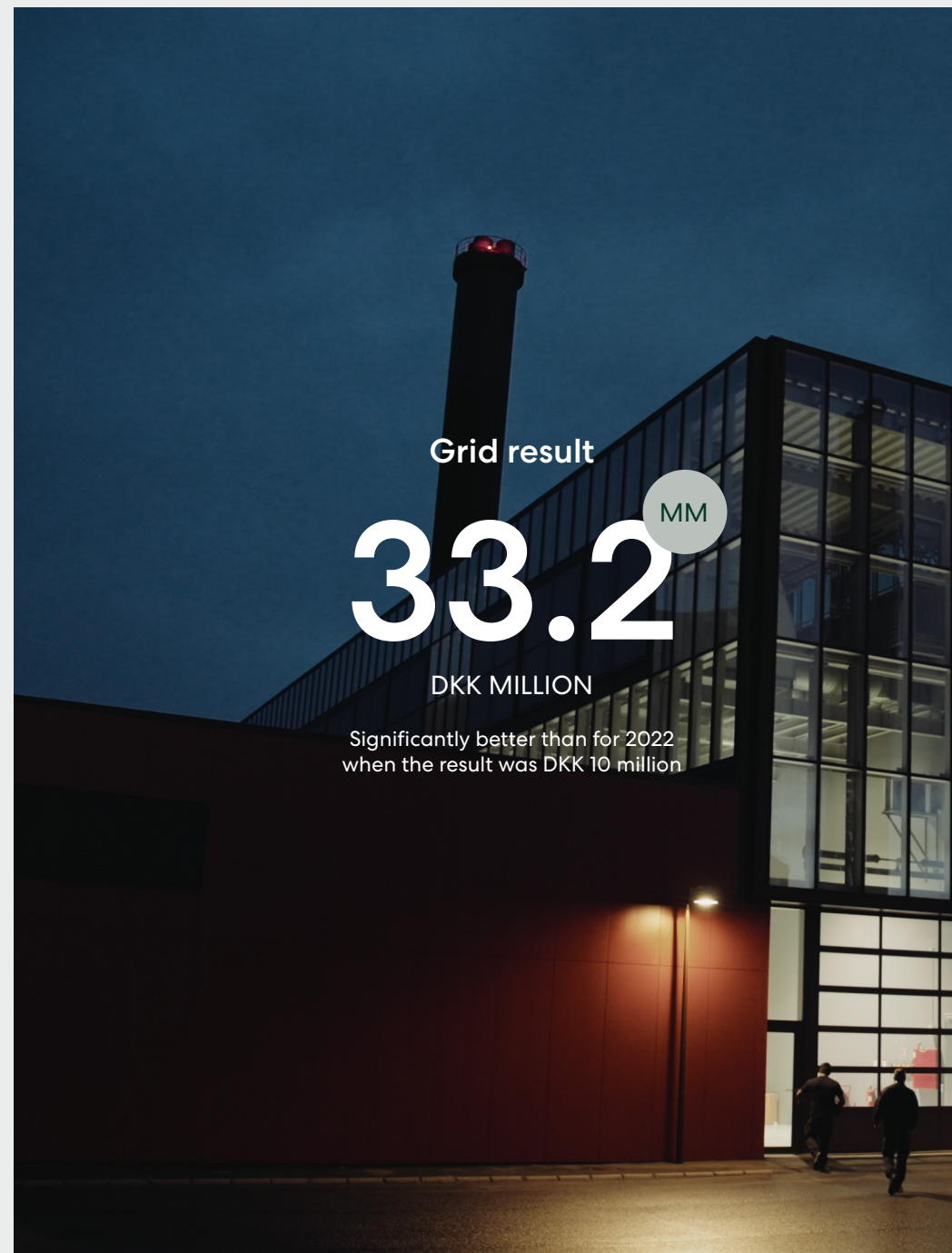
The work to update and expand the 10, 20, and 60 kV grid continues. The work is being done in close cooperation with the relevant government authorities, the municipalities, the Faroese Public Works Department (Landsverk), and Faroese Telecom (Føroya Tele).

In 2023, the Company erected several new 10 and 20 kV transformer stations around the country. A new battery station at Sund with associated synchronous compensators came online on 8 December 2023. Total cost for the project was around DKK 100 million.

Also in 2023, work on laying the 60 and 20 kV cables to Sandoy continued, as well as work on the high voltage line through the Sandoy tunnel. Work on the cable laying north of the mountains is also in progress and this work is expected to be completed this coming Spring. Moreover, work has progressed on the laying of cables along the shore to Glyvradal. Also 60 kV and 20 kV cables were laid along the northern section of the ring road in Tórshavn.

Maintenance

Again in 2023, a good deal of maintenance work was



“ In 2023, there were 11 faults on the high-voltage grid, which is an decrease over the previous year”

carried out on the grid to ensure a stable and secure supply of power to our customers.

Figure 1 provides an overview of the number of faults over the past several years. The Figure shows that the number of faults has declined from 1989 through 2023. Systematic maintenance work, combined with the continued upgrading of the grid, is the reason that Sev today has considerably fewer faults in the high-voltage electricity grid.

Faults on the high voltage grid in 2023

In 2023, there were 11 faults on the high-voltage grid, which is an decrease over the previous year. Figure 2 shows what type of fault occurred and where in the system they occurred.

Figure 1

Faults per year

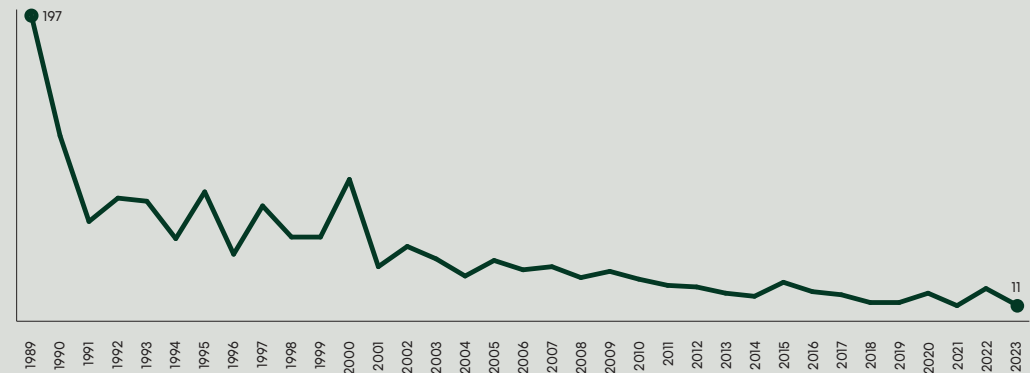
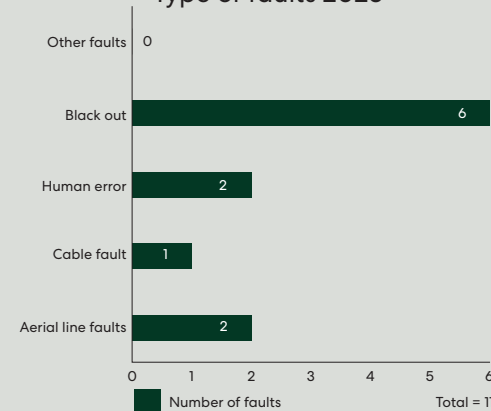


Figure 2

Type of faults 2023



Electricity sales

416

GWh

GIGAWATT HOURS

Increase of 5.6%
compared to 2022

FINANCIAL TRENDS AND OVERVIEW

Result

The total result for the Grid Division was DKK 33.2 million in 2023, and DKK 10.0 million in 2022.

Income

There are three factors that impact Sev's principal income: changes in electricity prices, changes in overall electricity consumption, and shifts between the various customer price groups from year to year.

Income of the Grid Division is derived from the sale of electricity to commercial, private and public sector customers, including the municipalities. Further, income is derived from fixed base-rate payments, connection fees and other service fees from certain customers, etc.

The Company carried out several increases in the price of electricity as of 1 January 2023, wherein the price of electricity increased between DKK 0.18 – 0.28 per kWh for the various customer groups.

Net sales

In 2023, net sales were 415.6 GWh for the customers of Sev and was a record. The growth in 2023 was 5.1%, compared to 2.0% the previous year. Thus, there has been major growth in 2023 compared to 2022, when only normal growth was experienced.

Income from kWh sales and the fixed fees in 2023 was DKK 701.6 million, compared to DKK 571.6 million the previous year, which in the main was derived from

Table 1

Customer segments in GWh

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Change 22-23 GWh	Change 22-23 %
Agriculture, aquaculture, fisheries and other commodities	31.1	36.6	37.9	42.1	56.8	70.6	83.9	89.5	94.4	106.0	11.6	12.3
Manufacturing, production and construction	76.1	76.5	73.9	85.5	82.2	95.1	96.5	101.0	101.2	98.4	-2.9	-2.8
Retail, catering and lodging	24.7	23.1	24.4	24.4	24.9	25.1	25.0	26.9	27.3	27.9	0.6	2.3
Transport, postal and telecom services	25.7	24.9	25.6	24.3	24.3	24.3	23.6	22.7	22.9	23.0	0.1	0.3
Finance, insurance and other business services	4.0	3.9	3.9	3.6	3.7	3.7	3.5	3.6	3.6	3.5	0.0	-0.9
Public and private services, churches, congregations, etc.	37.3	37.9	40.5	41.5	42.1	44.1	45.5	49.4	50.6	52.8	2.2	4.4
Street lighting	7.0	7.1	7.0	6.7	6.6	6.4	6.2	5.9	5.6	5.3	-0.3	-5.0
Residential housing, apartments, holiday homes and boathouses	78.0	78.0	78.1	78.2	79.9	81.2	86.2	88.5	89.7	98.7	9.0	10.0
Total settlement	283.9	288.0	291.4	306.3	320.5	350.4	370.4	387.6	395.3	415.6	20.3	5.1
Change in % by year	3.5	1.4	1.2	5.2	4.6	9.3	5.7	4.6	2.0	5.1		

increased sales to the aquaculture industry. Moreover, sales to public offices and private services, churches, religious groups, as well as sales to private family homes, increased. Income from connection fees was DKK 15.6 million, which is DKK 0.5 million lower than the previous year. The income from the fixed base-fee increased by DKK 3.5 million, compared to the previous year. The reason for this is that the fixed base-fee for private customers increased in 2023.

Distribution of sales by customer groups

Table 1 shows the calculated electricity sales in GWh to the Company's customers. Please refer to the various detailed financial analyses regarding sales in Sev's

Consolidated Group Accounts, available at www.sev.fo.

Growing electricity sales

For several years in a row, revenue has grown, almost without exception, from increasing consumption of electricity. Annual changes in electricity consumption are shown in Table 1.

As Table 2 for settled electricity sales shows, major increases in electricity sales have been experienced in the industrial tariff group "Agriculture, fish farming, fishing industry, and the raw materials industry". The increases seen in this group reflect the overall good market conditions over the last few years relative to fish

farming and the pelagic fisheries and the major expansion undertaken by this customer group and the concomitant growth in demand for electricity. Electricity sales to the group "Work-in-progress, Production and Construction" is lower this year compared to last year. There was an increase in electricity sales to the group, "Public and private services, churches, religious community groups" and to the group "homes, apartments, summer homes, and boathouses". One of the reasons for increased sales is the connection to "energy shift".

Altogether, sales increased by 5.1% in 2023, compared to an increase in sales in 2022 of 2.0%. On average over the

“ Altogether, sales increased by 5.1% in 2023, compared to an increase in sales in 2022 of 2.0%”

last five years, the annual growth has been 5.4%, compared to an annual average growth of some 3.2% during the previous five years. On average over the last ten years, some 335 GWh were provided to customers of the Company. From 2019 to 2023, the growth has been 65.2 GWh, corresponding to 18.6% of total sales in 2019. Thus, there has been a major growth in sales over the last years to customers of Sev.

The growth in income is derived from all customers groups based on the electricity price increase carried out in 2023 and higher kWh sales to special customers in the group “Agriculture, fish farming, fishing industry, and raw materials industry” along with “public and private services, churches, and religious community groups”, and

“homes, apartments, summer homes, and boathouses”. See Table 2 below.

The income from the connection fees for 2023 is consistent with the previous year, DKK 15.6 million compared to DKK 16.0 million in 2022. Altogether, income increased by DKK 127.5 million, corresponding to 21.7%.

Distribution of sales to private customers by island

Table 3 shows the consumption of private customers distributed by island.

Table 2

Electricity sales and fixed fee by customer segments in DKK million

	2023	2022	Change 23-22 DKK MM	Change 23-22 %
Agriculture, aquaculture, fisheries and other commodities	169.5	124.0	45.5	36.7
Manufacturing, production and construction	160.7	138.4	22.3	16.1
Retail, catering and lodging	47.6	40.6	6.9	17.1
Transport, postal and telecom services	38.6	33.1	5.5	16.4
Finance, insurance and other business services	5.9	5.1	0.8	14.7
Public and private services, churches, congregations, etc.	90.0	75.7	14.3	18.9
Street lighting	9.4	8.7	0.7	8.2
Residential housing, apartments, holiday homes and boathouses	179.8	145.9	33.9	23.2
Total settlement	701.5	571.6	129.9	22.7

As Table 3 shows, the private customers on Koltur have the highest average consumption, while the customers on Stremoy have an average consumption of some 3,341 kWh. The average consumption for all islands is 3,495 kWh in 2023, compared to 3,518 kWh in 2022. A small decline.

For more detailed discussions of the data relative to sales, please refer to the Consolidated Group Accounts of Sev, available at www.sev.fo.

Table 3

Private consumption by island

	kWh per island 2023	kWh per island 2022	kWh per island 2021	No. of customers 2023	No. of customers 2022	No. of customers 2021	Average per customer 2023	Average per customer 2022	Average per customer 2021
Borðoy	8,216,218	8,011,719	8,230,186	2,173	2,184	2,138	3,781	3,668	3,849
Eysturoy	18,711,033	18,260,568	18,681,562	4,606	4,594	4,594	4,062	3,975	4,067
Fugloy	33,638	33,138	37,467	14	15	13	2,403	2,209	2,882
Hestur	59,093	48,828	51,670	27	28	28	2,189	1,744	1,845
Kalsoy	165,358	166,233	168,980	86	89	86	1,923	1,868	1,965
Koltur	8,637	13,537	8,646	2	2	2	4,319	6,769	4,323
Kunoy	243,906	235,363	254,612	74	67	66	3,296	3,513	3,858
Mykines	61,454	62,410	69,891	42	41	42	1,463	1,522	1,664
Nólsoy	382,632	373,550	398,465	139	139	136	2,753	2,687	2,930
Sandoy	2,156,488	2,153,356	2,267,073	708	722	696	3,046	2,982	3,257
Skúvoy	79,909	81,463	102,917	41	41	40	1,949	1,987	2,573
Streymoy	36,176,025	36,243,425	37,318,717	10,827	10,578	10,489	3,341	3,426	3,558
Suðuroy	6,891,971	6,956,064	7,272,329	2,302	2,292	2,264	2,994	3,035	3,212
Svínoy	50,006	47,492	47,975	24	23	23	2,084	2,065	2,086
Vágoy	5,361,729	5,476,207	5,671,071	1,443	1,433	1,435	3,716	3,821	3,952
Viðoy	908,111	909,723	933,849	239	226	225	3,800	4,025	4,150
Total	79,506,208	79,073,076	81,515,410	22,747	22,474	22,277	3,495	3,518	3,659

EXPENSES**Expenses related to the purchase of electricity and ancillary services**

Expenses in 2023 were DKK 682.1 million, of which DKK 496.6 million were related to the purchase of electricity and ancillary services.

Managing the grid and ancillary services

The total expenses of the Company include the costs for the production of electric power and the costs related to the managing the grid and costs related to ancillary services.

Total expenses can be subdivided into the expenses for the management and control of available power,

spinning reserve, reactive power, and high-voltage and frequency management. The electricity production plants sell their power production to the Grid Division. This payment by the Grid Division includes the price of electricity and a portion of the ancillary services attributed to the production plants.

The Company has revised the costs for managing the

grid and the ancillary services. The conclusion was that this cost is higher than the costs Sev has up until now included in the budget. From 2023, the Company will include this cost pursuant to its new review.

Expenses associated with managing the grid

The Suðuroy power grid is managed at the production plant in Vágur, while management of the power grid for the central region of the country takes place in the control room located on Landavegur in Tórshavn.

The total cost of some DKK 8.9 million to manage the central power grid is calculated as follows: total cost for goods and services, wages and depreciation of the control room for the central region. The cost for managing of the electricity grid on Suðuroy is DKK 2.3 million.

Costs associated with ancillary services

In collaboration with the advisory company, Deloitte, based in Denmark, Sev calculated the cost of ancillary services in 2021. The analysis basis was the numbers from 2019 and 2020. The conclusion was that the cost for ancillary services was around DKK 0.26 per sold kWh. Based on the system developed with Deloitte, the cost for ancillary services in 2023 was calculated to be DKK 0.34 per sold kWh, which is a higher cost than in 2022, when the cost was stipulated at DKK 0.26 per sold kWh, which was based on research done in 2021.

Total expenses for managing the grid and ancillary services

The total cost for managing the country-wide power grid

is DKK 11.2 million, while the cost for ancillary services from the thermal and hydropower plants was DKK 134.6 million. The cost for the ancillary services at the other power plants is DKK 6.0 million. The total cost based on the new criteria for management of the electricity grid and ancillary services is DKK 151.8 million in 2023 and in 2022 the cost was DKK 105.2 million.

Wage expenses DKK 8.5 million higher

Sev relies on a variety of technical expertise and complies with the various public wage agreements specific to these areas of expertise. In 2023, total employee expenses were DKK 53.0 million, against DKK 44.5 million in 2022, including administration, corresponding to an increase in expense of some DKK 8.5 million.

Employee expenses for power grid activities in 2023 were DKK 33.0 million, compared to DKK 32.3 million in 2022, representing an increase of DKK 0.7 million, while employee expenses for administration were DKK 20.1 million in 2023, against DKK 12.2 million in 2022, corresponding to an increase of DKK 7.9 million. In 2022, the wages for administration were influenced by an adjustment of the pensions obligation of DKK -7.6 million for pension obligations. In, 2023, the adjustment was an expense of DKK 0.1 million. Thus, a change of some DKK 7.9 million of operational wage expense through the years is largely due to the adjustment of the pensions obligation.

Without the adjustment of the pensions obligation, employee expenses for administration in 2023 were DKK

20.0 million, compared to DKK 19.8 million for 2022, which is DKK 0.2 million greater than the previous year or essentially the same as the previous year.

Goods and services DKK 2.4 million higher

In 2023, total expenses for supplies and services were DKK 39.9 million, compared to DKK 37.5 million in 2022, and thus are DKK 2.4 million higher in 2023 than in 2022. The expenses can be subdivided into grid activities and administration.

Grid activities

In 2023, expenses for supplies and services related to power grid activities were DKK 18.6 million, compared to DKK 15.6 million in 2022, corresponding to an increase of DKK 3.0 million based on the consumption of the Production Division of the Company.

Administration

Expenses for goods and services for administration in 2023 were DKK 21.3 million, compared to DKK 21.9 million in 2022, which reflects a decrease of DKK 0.6 million.

Please refer to the various detailed financial analyses regarding expenses for goods and services in Sev's Consolidated Group Accounts, available at www.sev.fo.

Financial expenses

Interest expense is impacted by the market value adjustments of the various financial instruments of the Company.

Interest costs in 2023 were DKK 29.7 million, compared to

“ Investment in sub-stations and the grid was in total DKK 147.3 million in 2023”

an income of DKK 20.2 million in 2022, corresponding to a higher interest cost of DKK 49.9 million. See the distribution of costs in Note 6. In the same numbers are included the capital expense of DKK 5.8 million from the subsidiaries.

At present, the Company has a total long-term gross debt of DKK 1,802 million with fixed interest based on loan agreements with fixed interest rates and negotiable interest rates for bank debt. Further information about financial costs can be found in the Consolidated Group Accounts of Sev at www.sev.fo.

Depreciation

In 2023, depreciation was DKK 65.0 million, compared to DKK 61.4 million in 2022, of which DKK 56.7 million is derived from grid activities and DKK 8.3 million from administration.

Table 4

Investments, DKK million

	2023	2022
Sub-stations	63.1	79.4
Grid	76.3	81.2
Administration building, tools, and IT equipment	7.9	11.2
Total	147.3	171.9

Table 5

Investments, DKK million

	2023	2022
Investment booked as work-in-progress	136.9	152.4
Investment booked directly as transition	10.4	19.5
Investments at year-end	147.3	171.9

Table 6

Work-in-progress, DKK million

	2023	2022
Opening balance	198.3	132.2
Investment booked to work-in-progress	136.9	152.4
Work transferred to fixed assets	-215.0	-86.3
Closing balance	120.3	198.3
Changes to work-in-progress	-78.0	66.1

Investment

Investment in sub-stations and the grid was in total DKK 147.3 million in 2023, compared to DKK 171.9 million in 2022, as shown in Table 4.

Transfers from work-in-progress and directly booked to fixed assets (adjustments to fixed assets – depreciation basis) are shown in Table 7. Please refer to the work-in-progress account and Note 8 in the annual accounts.

Major investment was made in the grid, sub-stations, buildings and other items related to the grid over the past several years and in 2023, and significant investment lies ahead as well. The focus is especially on ensuring that the grid is stable and secure and shall continually be strengthened to make it possible for Sev to receive more wind energy and to provide the power that its customers demand.

Considerable investment has been carried out over the last few years relative to new sub-stations and 2023 was no exception. These stations are critical to ensure that electric energy is distributed to each and every locale in the country. Altogether, investment in the sub-stations equalled DKK 63.1 million, while investment in the grid equalled DKK 84.2 million.

The experience with the sub-stations and the battery stations and synchronous compensators at Porkeri has been very good and on Suðuroy, in the main, the experience has become “green”. This system is being carried forward in the central region of the country where the battery station and the synchronous

Table 7

Transfer to fixed assets, DKK million

	2023	2022
Work transferred to fixed assets	215.0	86.3
Investments booked directly to fixed assets	10.4	19.5
Transfers at year-end	225.3	105.7

Table 8

Largest investments in sub-stations and grid, DKK million

	2023
Synchronous compensator and battery Sund	45.4
60 and 20 kV cable Sandoy sub-sea tunnel	7.3
10 kV cable Oyggjarvegurin - Rossafjósini, Tórshavn	5.6
60 kV cable Norðasta Horn - Heimasta Horn, Tórshavn	5.2
20 kV cable tunnels Norður um Fjall	4.9
Extension Landavegur 92	3.6
Synchronous compensator Strond	3.5
60 and 20 kV cable Sund - Skarðshjalli	2.9
20 kV cable Glyvradalur	2.8
60 and 10 kV cable Norðari Ringvegur, Tórshavn	2.6
Total	83.6

“Cash-on-hand, the credit facilities, and the unused drawing rights equalled DKK 1,030.9 million in 2023”

compensator at Sund were taken into use in December 2023. This endeavor will support the goal that most of the energy from the windfarms at Hoyvíkshagi, Flatnahagi and at Húsahagi will be available.

In addition to the investment in the sub-stations, major investment is being made in cable laying, especially in connection with the upgrading of the tunnels.

Please refer to the details regarding investments in Sev's Consolidated Group Accounts, available at www.sev.fo.

Liquidity

Liquidity has not been divided between production and the grid; a transfer pricing current account between the divisions has been utilized. Thus, the liquidity of the

Production Division is set to DKK 0 million, while all the activities of the power plants are financed by payment from the power Grid Division, thereby securing the necessary liquidity. The same is applicable to the windfarm subsidiaries, which are also financed by payments from the Grid Division.

Sev's cash-on-hand at year end was DKK 180.9 million, compared to DKK 367.3 million in 2022. In addition, the Company has available unused drawing rights and lines of credit with financial institutions equalling DKK 850.0 million.

Cash-on-hand, the credit facilities, and the unused drawing rights equalled DKK 1,030.9 million in 2023, compared to DKK 1,217.3 million in 2022. The largest portion of the unused drawing rights shall be used to finance the investments planned in the coming years. It is deemed necessary to have sufficient liquidity to cover daily operations of the Company. Additionally, it is considered advisable to maintain adequate liquidity, given the instability of the global financial markets.

The purpose of maintaining appropriate liquidity is to ensure that Sev always has sufficient funds to pay for the

Table 9

Largest transfers to fixed assets, DKK million

	2023
Synchronous compensator and battery Sund	86.1
Battery system Porkerishálsur	31.1
60 and 20 kV cable Gamlarætt	20.5
60 and 20 kV cable Sund - Skarðshjalli	9.7
60 kV cable Norðasta Horn - Heimasta Horn, Tórshavn	5.2
Total	152.6



purchase of oil and the costs associated with any damage at one of the production plants or in the grid. Further details on the Company's liquidity are available in the Consolidated Annual Accounts available on the Company's website, www.sev.fo.

Risk assessment

The risks of the Company can be divided into different groups. More details on the Company's overall risk assessments are available in the Consolidated Annual Accounts available on the website www.sev.fo.

Prospects for operational year 2024

The result before taxes for 2024 is a budgeted profit of around DKK 32 million, based on the submitted budget for 2024 and after an evaluation of the distribution of the result compared to the requirements of share equity.

It is projected that the Company's private customers will realize an increase in demand of some 1% in 2023, with the exception of the "green meters" where growth is expected to be 30%. The other customer groups will experience an increase of between 3% and 6%. However, it is budgeted that there will not be an increase in demand from the customer group, "street lights".

Based on sales in 2022 and partially on sales in 2023, sales in 2024 are budgeted to be around 427.3 GWh, yielding a net revenue of DKK 763.3 million. This means an increase in sales of some DKK 47.3 compared to 2023. The main reason for this is the increase in the price of electricity to be carried out in 2024 and beyond and more sales of kWh.

Sev established independent subsidiaries to operate the windfarms at, respectively, Neshagi, Porkeri, and Húsahagi. This means that the purchase of wind energy has increased, while at the same time the cost of materials and wages, depreciation and interest has decreased. The result from the subsidiaries is incorporated into the accounts via the capital equity section. The total result of Sev is thus not affected. In addition, Sev purchases electricity from other providers.

Operational expenses are estimated to be DKK 93.2 million in 2024, compared to DKK 90.3 million in 2023, corresponding to a higher expenditure of DKK 2.9 million.

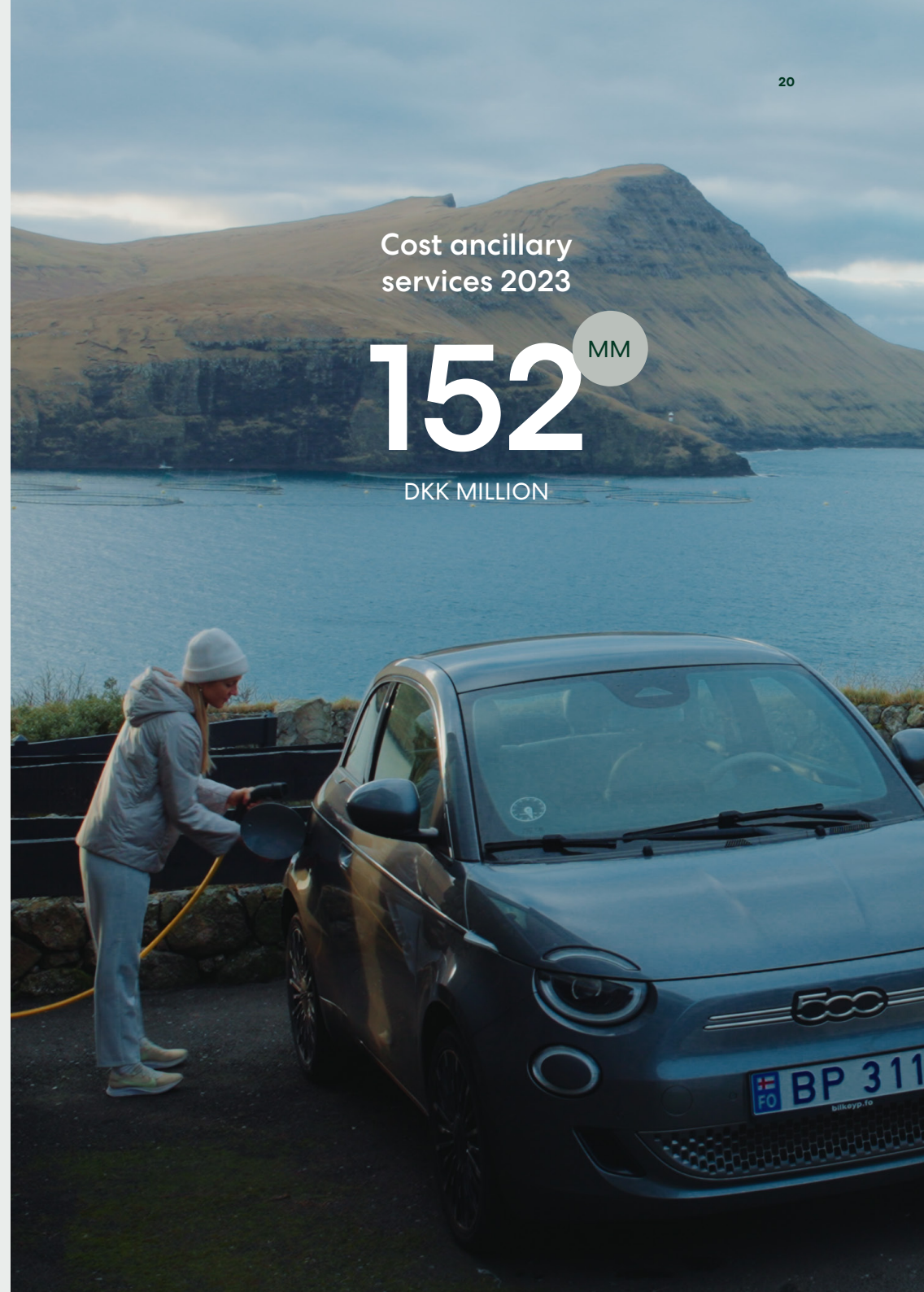
Budgeted depreciation is set at DKK 85 million and interest expense is budgeted at DKK 31.8 million. Depreciation and interest expenses reflect the increased investment undertaken by the Company and the loan facilities to finance this investment.

With an estimated profit in 2024 that, all things considered, is deemed satisfactory, the operational share for the Grid Division will provide sufficient self-financing for investment. It is critical to earn a satisfactory result and thus have sufficient self-financing from operations to help finance the upcoming investment in sub-stations and ongoing maintenance of the existing grid plus the requisite investment in enhancements of the grid that are needed to ensure that the grid is able to accept a growing amount of electricity generated by renewable power resources and distribute further this electricity to the Company's customers.

Cost ancillary
services 2023

152^{MM}

DKK MILLION



Further details regarding 2024 can be found in the Operations, Financial and Investment Budget for 2024 found on the Company's website, 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.

sev

Grid accounts 2023

www.sev.fo

Accounting principles

General

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

The Grid accounts were compiled in a manner similar to the accounts of a consolidated concern, without, however, any harmonization of internal postings for operations and adjustments. This was done to provide the reader with as much information as possible on all the various production activities of the entire Sev Concern. Otherwise, the annual accounts were compiled consistent with the same accounting principles as the previous year and are stated in DKK.

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

Where a table in the financial statement shows numbers

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

Basis for recognition and valuations

In the Income Statement, income is recognised as earned. The same pertains to valuation adjustments of financial assets and liabilities. Included in the Income Statement are all expenses, including depreciation, amortisation, provisions, and impairment losses derived from 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.

Relative to 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 Materials and Services

Consumption of materials 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. 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-downs

The depreciation and amortisation of intangible and tangible fixed assets are based on an asset's projected 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 that are related to the production period are not included in the projected useful life of the asset.

Results from equity in subsidiaries

After full elimination of intercompany profit, the equity investment in the group enterprise is recognised in the profit and loss account at a proportional share of the group enterprise's results after tax.

Balance Sheet

Tangible Assets

Tangible assets are valued at acquisition cost less accumulated depreciation and write-downs. 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 projected useful life and the residual value of the asset:

	Useful life years	Residual value
Distribution 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.

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.

Financial Assets

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 the 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 the 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 realised 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 applicable as at the end of the fiscal year. Adjustments to deferred tax resulting from changes to the 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	2023	2022	
1	Net turnover	715,260	587,753
	Electricity purchased	-312,684	-350,472
2	Wind and biogas power purchased	-41,076	-17,284
	Power sold to Production Division (own consumption)	15,063	12,779
	Grid control	-2,300	-2,300
	Ancillary services	-140,570	-94,462
3	Cost of oil	-40	-157
4	Materials and services	-39,895	-37,517
	Gross earnings	193,759	98,339
5	Wages	-53,047	-44,464
	EBITDA	140,711	53,875
	Depreciation and amortisation of fixed assets	-64,993	-61,387
	Result before financials	75,719	-7,512
9	Result from subsidiary companies	-1,580	2,972
6	Financial expenses	-28,094	17,258
	Result before tax	46,045	12,718
7	Tax on annual result	-12,896	-2,752
	Annual result	33,150	9,966
	Proposed distribution of results:		
	Result brought forward	38,933	6,994
	Reserve for net revaluation as per the equity method	-5,784	2,972
	Total distribution	33,150	9,966

Balance Sheet, Assets

31 December

Assets in 1,000 DKK			
Note		2023	2022
	Tangible fixed assets		
8, 19	Transmission and distribution grid	1,107,864	940,457
	Buildings and land	88,028	86,124
	Operating equipment	42,354	48,741
	Investment work-in-progress	120,256	198,306
	Total tangible fixed assets	1,358,502	1,273,627
9	Investment in subsidiary companies	48,935	39,372
10	Investment in associated company	17,750	17,750
11	Loans to subsidiary companies	87,394	51,991
12	Derivatives	76,080	116,630
	Total financial assets	230,159	225,743
	Total fixed assets	1,588,661	1,499,370
	Current assets		
	Inventory	53,057	36,721
	Total inventory	53,057	36,721
13	Materials and services debtors	162,244	125,945
	Inter-company account	0	56,494
	Prepayments	8,084	10,266
	Total receivables	170,328	192,705
	Cash-on-hand	181,252	367,271
	Total current assets	404,637	596,697
	Total assets	1,993,298	2,096,067

Balance Sheet, Liabilities

31 December

Liabilities in 1,000 DKK			
Note		2023	2022
	Equity		
14	Deposits	4,140	4,140
	Hedge reserve	-9,257	29,415
	Reserve for revaluation as per the equity method	1,935	10,372
	Results carried forward	653,388	611,802
	Total equity	650,207	655,729
	Provisions		
	Provisions for pensions and equivalent liabilities	11,904	11,803
	Other provisions	48,840	46,694
	Total provisions	60,743	58,497
	Debt		
15	Long-term debt	974,332	837,589
	Total long-term debt	974,332	837,589
15	Current portion of long-term debt	3,784	177,055
	Bank debt	314	0
	Prepayments received from customers	422	408
	Trade creditors	14,217	15,592
	Inter-company account	237,132	295,500
12	Derivatives	43,113	23,944
	Other creditors	9,033	31,755
	Total short-term debt	308,016	544,253
	Total debt	1,282,348	1,381,842
	Total liabilities	1,993,298	2,096,067
16	Grid result by area		
17	Mortgages and other liabilities		

Cash Flow Statement

Amounts in 1,000 DKK			
Note		2023	2022
	Annual result	33,150	9,966
18	Adjustments	107,562	43,909
	Changes in working capital:		
	Inventory	-16,336	-11,321
	Receivables	-39,633	-4,210
	Trade creditors	-1,374	-10,557
	Inter-company account – Production	-10,309	229,218
	Other operating debt	-17,091	2,344
	Operations cash flow before financials	55,967	259,348
	Interest expense paid and equivalent expenses	-23,890	17,258
	Adjustment for non-cash items in interest expense	-5,293	-44,928
	Cash flow from operations	26,784	231,679
	Purchase of tangible fixed assets	-227,917	-106,799
	Changes to work-in-progress	78,050	-66,135
	Cash flow from investment	-159,430	-201,374
	Net loan facilities	-19,880	183,219
	Interest accrual	1,910	558
	Repayments of long-term debt	-35,403	9,007
	Cash flow from financing	-53,372	192,783
	Total cash flow during the year	-186,019	223,089
	Opening cash-on-hand	367,271	144,182
	Closing cash-on-hand	181,252	367,271
	Lines of credit	850,000	850,000
	Total	1,031,252	1,217,271

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Notes

Grid Accounts 2023

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 2023 was DKK 44.5 million compared to DKK 43.5 million in 2022, 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 14.2 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	2023	2022
kWh charges etc.	679,847	553,399
Fixed charges	21,730	18,207
Connection fees	15,556	16,015
Other charges, past due charges and other sales	-1,873	132
Total	715,260	587,753

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 2016-2023 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 2023 budget projects investment for 2023-2027 for the Production Division to be DKK 1,293 million, equalling on average some DKK 259 million annually. The self-financing projected for 2023 is budgeted to be DKK 65 million. For the Grid Division, projected investment is set at DKK 898 million, of which self-financing equals DKK 45 million for 2023. 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. Electricity purchase by generation type

Amounts in 1,000 DKK	2023	2022
Wind	37,465	8,691
Biogas	3,611	8,593
Tidal	0	0
Total	41,076	17,284

3. Oil expenses

Amounts in 1,000 DKK	2023	2022
Gas oil	40	157
Total	40	157

4. Materials and services

Amounts in 1,000 DKK	2023	2022
Cables and lines	3,914	4,280
Tanks and environment	141	72
Electric and technical	275	265
Buildings and land	2,974	2,355
Annual Meeting and Board	514	398
Studies and consultancy	3,525	2,317
IT	11,878	12,153
Management and office expenses	-622	535
Loss on receivables	1,035	148
Other operating expenses	6,579	5,701
Other administrative expenses	9,682	9,292
Total	39,895	37,517

Notes 5-7

5. Employee expenses

Amounts in 1,000 DKK	2023	2022
Wages	42,361	35,512
Pensions	6,981	6,612
Contributions	2,900	2,340
Total	53,047	44,464
Full-time equivalent	121	112

6. Financial expenses

Amounts in 1,000 DKK	2023	2022
Interest income on loans to subsidiary companies	-4,204	-2,433
Interest, loans and bank loans etc,	35,273	36,677
Establishment fees, commissions	4,123	8,557
Unrealised exchange rate gains and losses	-9,190	12,454
Unrealised adjustments on derivatives	945	-60,333
Other interest expenses	-3,057	-12,180
Total	28,094	-17,258

7. Taxes on annual result

Amounts in 1,000 DKK	2023	2022
Adjustment of deferred tax	-12,896	-2,752
Tax for the year according to P&L	-12,896	-2,752
Deferred tax liability 1 January	-46,694	-30,217
Adjustment to deferred tax from P&L	-12,896	-2,752
Adjustment of deferred tax on derivatives direct in equity	10,749	-13,724
Deferred tax liability 31 December	-48,840	-46,694

Note 8

8. Tangible fixed assets

Amounts in 1,000 DKK	Grid	Buildings	Equipment	Total 2023	2022
Acquisition value, opening balance	1,613,033	131,253	251,866	1,996,152	1,890,425
Additions during the year	212,994	5,243	9,680	227,917	106,799
Disposals during the year	0	0	-2,580	-2,580	-1,072
Acquisition value year-end	1,826,028	136,496	258,965	2,221,488	1,996,152
Depreciation opening balance	-672,577	-45,129	-203,125	-920,830	-860,515
Depreciation during the year	-45,587	-3,339	-16,067	-64,993	-61,387
Depreciation reversed on disposals	0	0	2,580	2,580	1,072
Depreciation closing balance	-718,163	-48,468	-216,611	-983,243	-920,830
Book value year-end	1,107,864	88,028	42,354	1,238,246	1,075,321
Book value year-end 2022	940,457	86,124	48,741	1,075,321	
Work-in-progress					
Work-in-progress opening balance	170,272	18,433	9,601	198,306	132,171
Investment booked to work-in-progress	124,764	7,373	4,791	136,928	152,406
Completed work transferred to depreciation	-209,158	-5,656	-164	-214,978	-86,271
Closing balance	85,878	20,150	14,228	120,256	198,306
Balance at year-end 2022	170,272	18,433	9,601	198,306	
Fixed assets at year-end	1,193,742	108,178	56,582	1,358,502	1,273,627
Fixed assets at year-end 2022	1,110,729	104,556	58,342	1,273,627	

Notes 9-11

9. Investments in subsidiary companies

Amounts in 1,000 DKK		31.12.23	31.12.22
Acquisition value opening balance		29,000	29,000
Acquisition value closing balance		47,000	29,000
Subsidiary companies' result opening balance		10,372	-3,069
Result from subsidiary companies		-5,784	2,972
Adjustment derivatives in equity		-2,653	10,469
Subsidiary companies' result closing balance		1,935	10,372
Carrying amount year-end		48,935	39,372

Subsidiary companies:

Amounts in 1,000 DKK	Share	Equity	Annual result	Book value
P/F Vindfelagið í Húshaga	100%	12,612	-1,619	12,612
P/F Vindfelagið í Neshaga og Porkeri	100%	36,323	-4,164	36,323

10. Investment in associated company

Amounts in 1,000 DKK		31.12.23	31.12.22
Carrying amount start-of-year		17,750	2,750
Carrying amount year-end		17,750	17,750

Associated company:

Amounts in 1,000 DKK	Share	Equity	Annual result	Book value
P/F Fjarhitafelagið, Tórshavn	50%	82,698	-5,947	17,750

The financial statement for P/F Fjarhitafelagið for the year 2023 is not available. The numbers shown are from 2022.

11. Loans to subsidiary companies

Amounts in 1,000 DKK	Maturity	Loan amount	Balance 31.12.23	Repayment next year	Balance in 5 years
P/F Vindfelagið í Húshaga	12 ár	75,000	33,758	6,387	0
P/F Vindfelagið í Neshaga og Porkeri	10 ár	28,175	9,136	2,962	0
P/F Vindfelagið í Neshaga og Porkeri	18 ár	53,400	44,500	2,967	29,667
Total		156,575	87,394	12,316	29,667

Notes 12-13

12. Derivatives

Amounts in 1,000 DKK	Assets 31.12.23	Liabilities 31.12.23	Total 31.12.23	31.12.22
Oil-price hedge	4,601	0	4,601	9,216
Currency hedge	0	-20,510	-20,510	5,612
Interest rate hedge	71,479	-22,603	48,876	77,858
Total	76,080	-43,113	32,967	92,686

Derivatives are used to fix interest rates and exchange rates on loans, as well as the price and the exchange rate used for oil purchases. The values shown are the differences between market value on the balance sheet date compared to the future value of the instruments.

13. Materials and services debtors

Amounts in 1,000 DKK	31.12.23	31.12.22
Goods and services debtors	161,477	123,589
Other debtors	5,360	5,998
Receivables write-down	-4,593	-3,641
Total	162,244	125,945

Note 14

14. Equity

Amounts in 1,000 DKK	Deposit	Derivatives reserve	Inner value adjustment reserve	Result carried over	Total
Equity statement 01.01.22 - 31.12.22					
Balance 01.01.22	4,140	13,358	0	612,657	630,155
Adjustment to prior years' result	0	450	0	-450	0
Adjustment to derivatives	0	29,331	10,469	-10,469	29,331
Deferred tax	0	-13,724	0	0	-13,724
Result from subsidiary companies	0	0	2,972	-2,972	0
Transfer adjustment reserve to result	0	0	-3,069	3,069	0
Annual result	0	0	0	9,966	9,966
Balance 31.12.22	4,140	29,415	10,372	611,802	655,729
Equity statement 01.01.23 - 31.12.23					
Balance 01.01.23	4,140	29,415	10,372	611,802	655,729
Adjustment to derivatives	0	-49,421	-2,653	2,653	-49,421
Deferred tax	0	10,749	0	0	10,749
Result from subsidiary companies	0	0	-5,784	5,784	0
Transfer adjustment reserve to result	0	0	0	0	0
Annual result	0	0	0	33,150	33,150
Balance 31.12.23	4,140	-9,257	1,935	653,388	650,207

Notes 15-16

15. Long-term debt

Amounts in 1,000 DKK	Accrued interest	Repayments next year	Outstanding debt after 5 years	Total debt 31.12.23	Total debt 31.12.22
Debt to financial institutions	3,784	0	591,014	974,332	837,589
Total	3,784	0	591,014	974,332	837,589

The loan agreement from 2016 has an average maturity of 2.3 years. There is no repayment in 2024 on the loan agreement from 2022, and this loan agreement has an average maturity of 8.3 years. The combined average maturity of the loan agreements is 5.1 years.

16. Grid result by department

Amounts in 1,000 DKK	Revenue	Oil	Material	Wages	Depreciation	Interest	Taxes	Total
Sub-stations	-1,929	0	-1,711	-15	-18,318	-79	0	-22,052
Distribution grid	-4,484	-4	-10,816	-20,506	-30,448	-71	0	-66,329
Installations	4,273	0	-4,123	-8,648	-4,518	-5	0	-13,021
Engineering	0	0	-714	-4,163	-3,085	-5	0	-7,967
Technical	122	0	-717	-1,642	-281	0	0	-2,517
Grid without administration	-2,019	-4	-18,080	-34,974	-56,650	-160	0	-111,886
Administration	235,713	-36	-21,815	-18,074	-8,343	-29,514	-12,896	145,036
Grid result	233,694	-40	-39,895	-53,047	-64,993	-29,673	-12,896	33,150

Notes 17-19

17. Mortgages and other obligations

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

18. Adjustments

Amounts in 1,000 DKK	2023	2022
Result from subsidiary companies	5,784	-2,972
Interest expenses and equivalent expenses	29,183	27,669
Unrealised interest expenses	-5,293	-44,928
Depreciation	64,993	61,387
Tax	12,896	2,752
Total	107,562	43,909

19. Specification of fixed assets included in grid

Amounts in 1,000 DKK	2023	2022
Sub-stations	517,618	410,121
Transmission and distribution grid	590,246	530,336
Total	1,107,864	940,457



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