



EYSTUR- og  
SANDOYARTUNLAR

# Eystur- og Sandoyartunnilin

Teitur Samuelsen, CEO

April 2025

# Agenda

1. The Faroes and about the project
2. The legal framework
3. Main challenges in the project
4. Equity story
5. Explore the financial market
6. Marketing the project toward construction companies
7. Tender strategy and construction agreement
8. Status on the project today



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# The Faroe Islands in brief

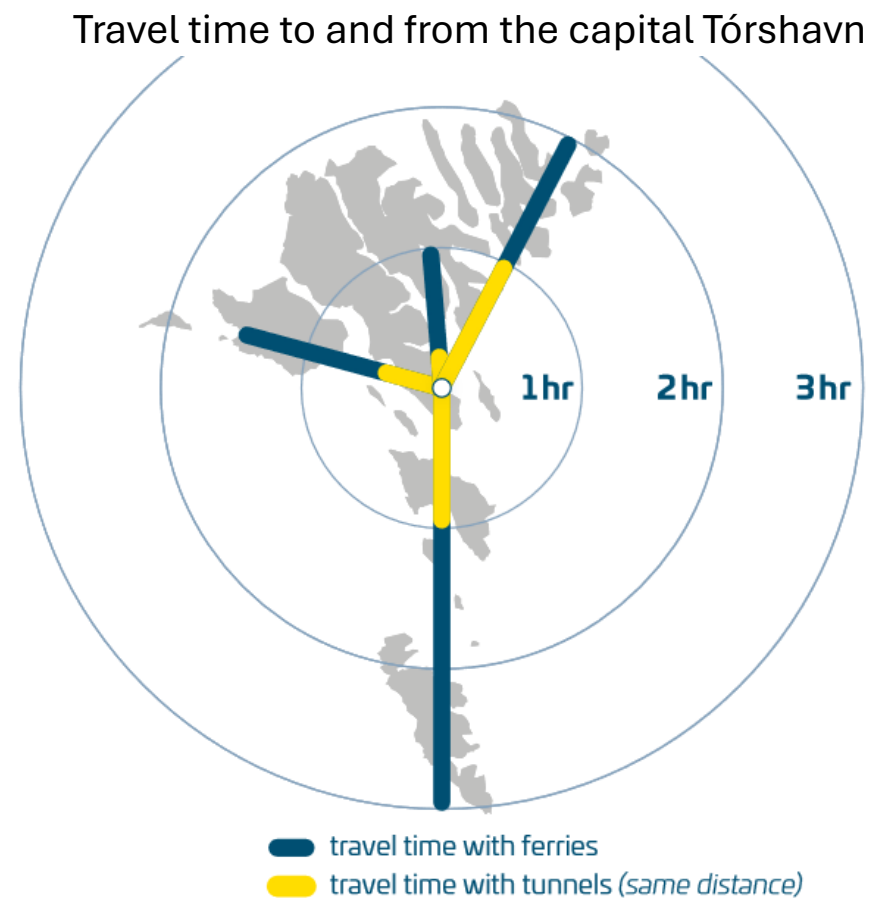
- 18 islands – 1,387 km<sup>2</sup>
- 54,000 inhabitants with our own language and culture
- Home rule – within the Kingdom of Denmark
- Not part of EU
- Main industries:
  - Fishery
  - Fish Farming
  - Offshore Service
  - Tourism
- <https://www.youtube.com/watch?v=rbueFXCsyD0>





# Infrastructure Strategy

- Significant investments the last 60 years in infrastructure
  - Roads 1.000 km. of
  - Mountain Tunnels 23
  - Bridges 3
  - Sub-sea tunnels 4

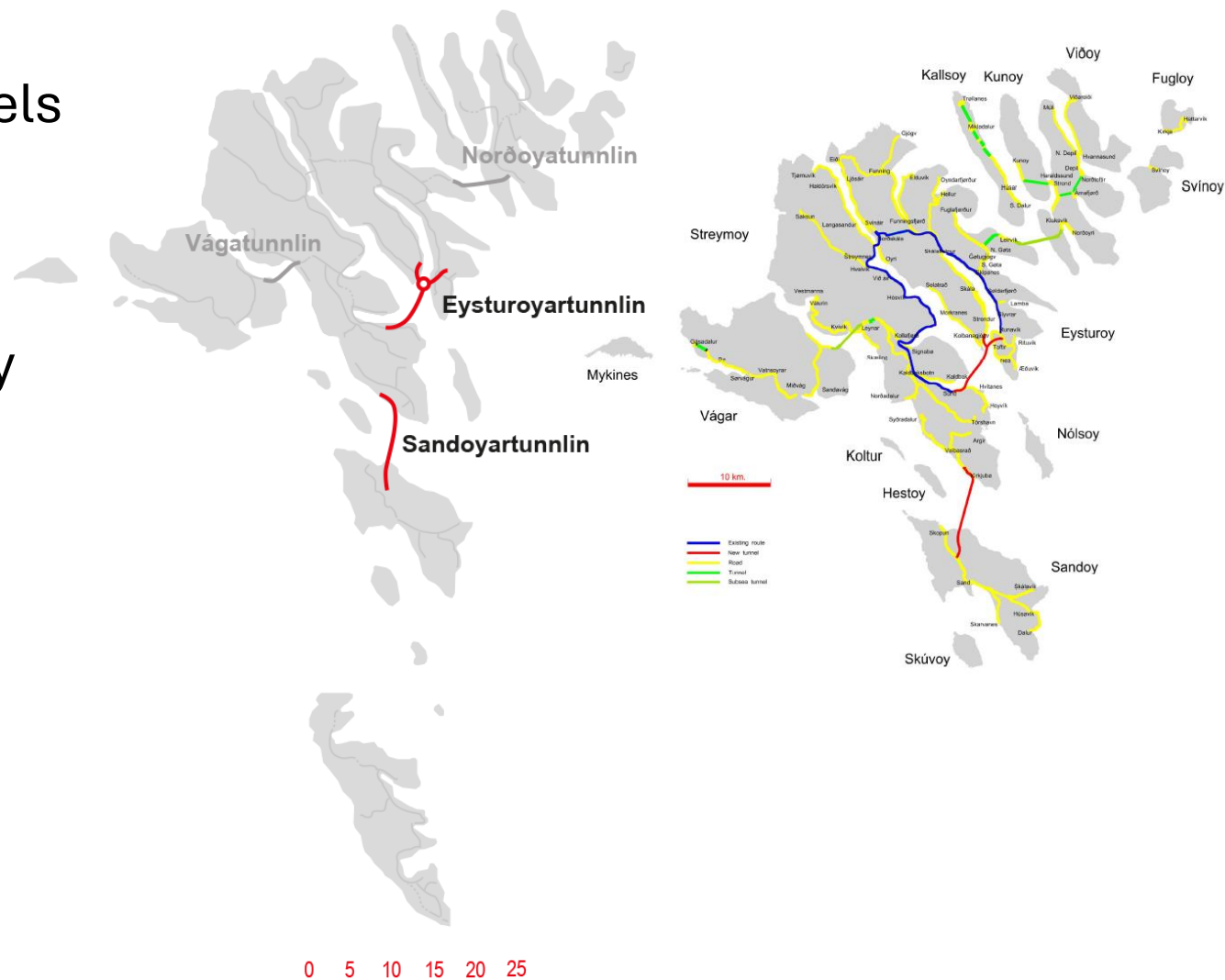




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# The Project and background

- Construction of two subsea tunnels
- Reduce the travel time to the capital Tórshavn by 50-70%
- Create an alternative, to the today weather exposed infrastructure
- Sandoyartunnin connecting the Sandoy island to the main island
- Political wish to improve the infrastructure to all regions in the Faroes



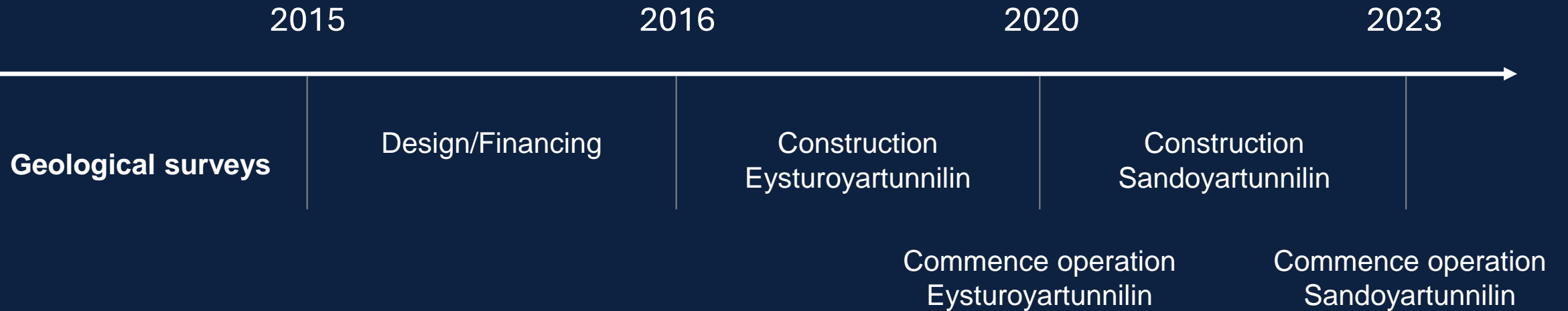


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# Sub-sea tunnels in the Faroes

	Vágar (Airport)	Nordoy	Eysturoy	Sandoy
Length (meters)	4,900	6,000	11,240	10,800
Slope (‰)	69	59	50	50
Lowest point (meters)	-105	-150	-187	-147
Lanes	2	2	2	2
Standards	Norwegian	Norwegian	Norwegian	Norwegian
Construction time	3	2.5	3-4	3-4
Vehicle per day	3,000	4,200	6,200	1,000 (350-400)
Open for traffic	2002	2006	2020	2023

# Timeline



# The Eysturoyartunnilin





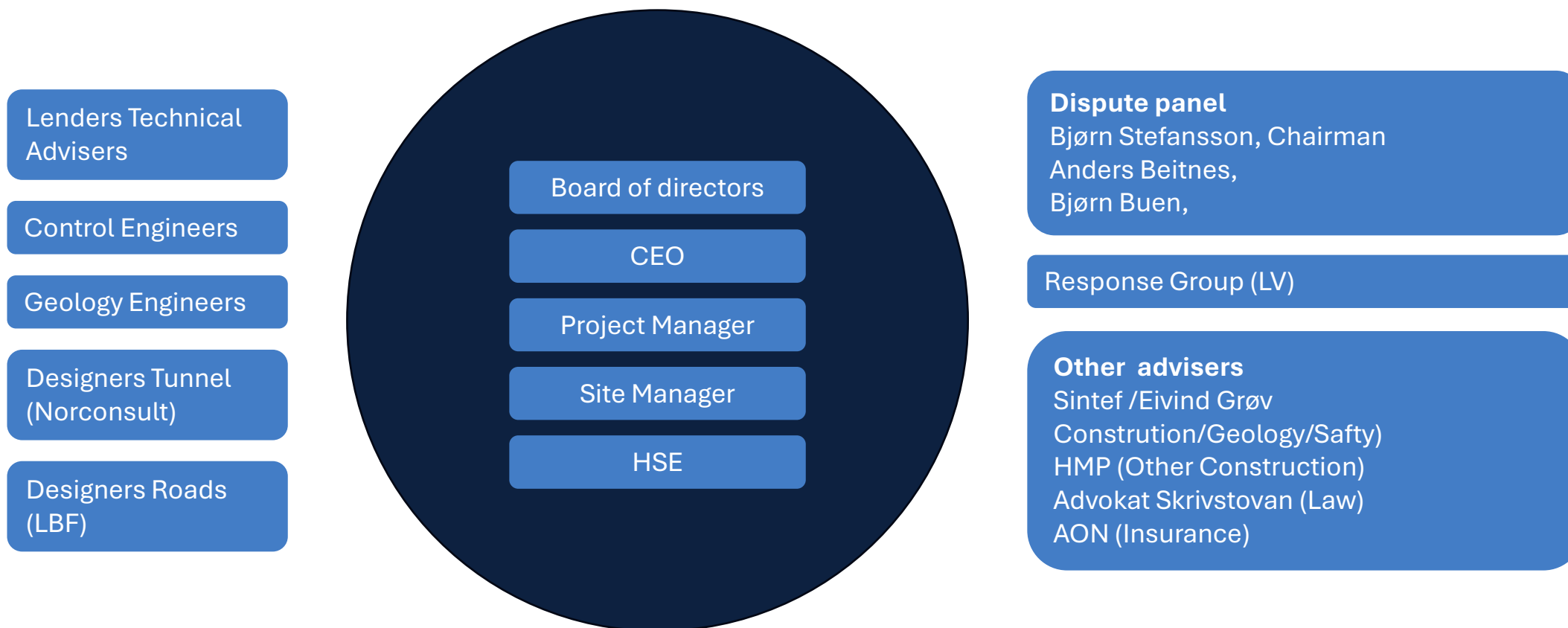
# The Sandoyartunnilin





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# The organisation of Eystur- og Sandoyartunlar P/F





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# The Company

- Governed by Parliament Law no. 30 from 14.04.2014
- 100% owned by the government in the Faroe Islands
- Established in 2014 to construct and operate two subsea tunnels
- First drill the Eysturoy tunnel and then, at the latest in 2018, start the drilling the Sandoy tunnel
- Share capital of DKK 400 millions paid in by the Faroes Government (2014-2024)
- Government guaranty of minimum traffic to finance the tunnels
- The law was approved by all parties in the Faroese parliament

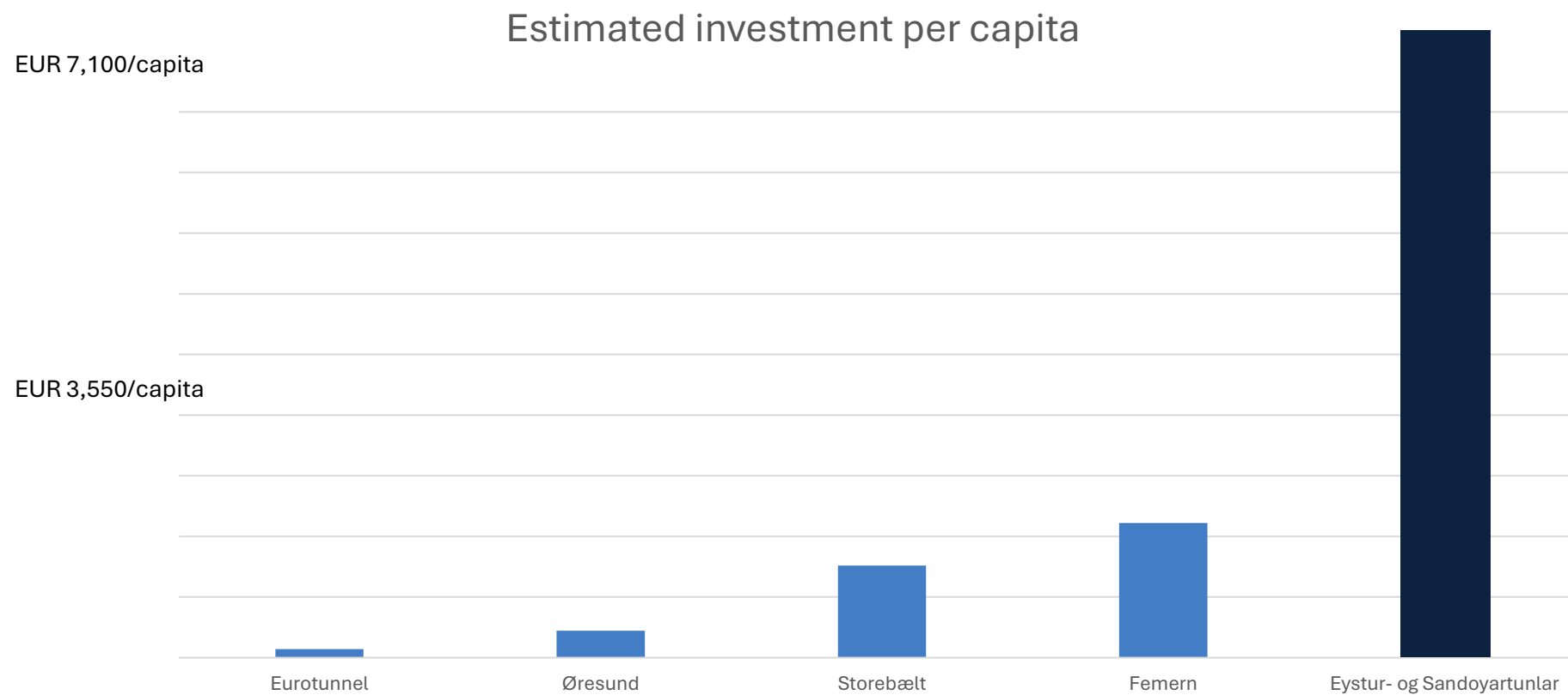
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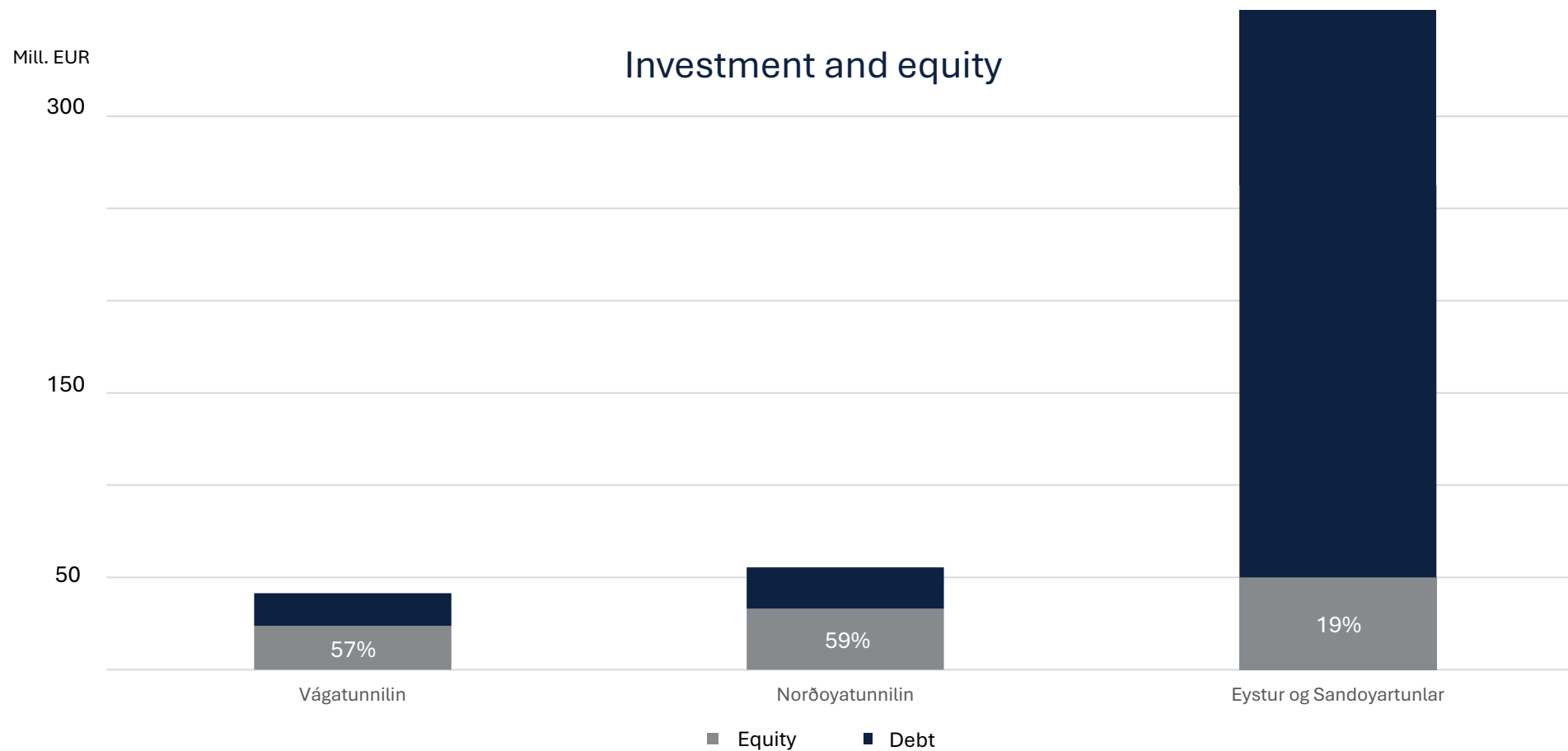
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# A big investment in a small country





# Financial gearing



\* Numbers for Vágatunnilin og Norðoyatunnilin are indexed to 2014



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# Main challenges in the project – was to reduce risk

- Big project – also internationally - in a small remote community
  - The main risk was to finance the project
- High financial gearing, high debt (18 % equity)
  - Big interest rate risk
- Long construction time approximately 7 year
  - Re-finance risk and increased interest rate risk
- Reduced number of companies capable of constructing this type of tunnels
  - Maybe 10 in Scandinavia
  - Geological risk
    - Use the experience from the other two sub-sea tunnels in the Faroe Islands





# Risk that the interest rate will increase again - construction time 6-8 years – What then?

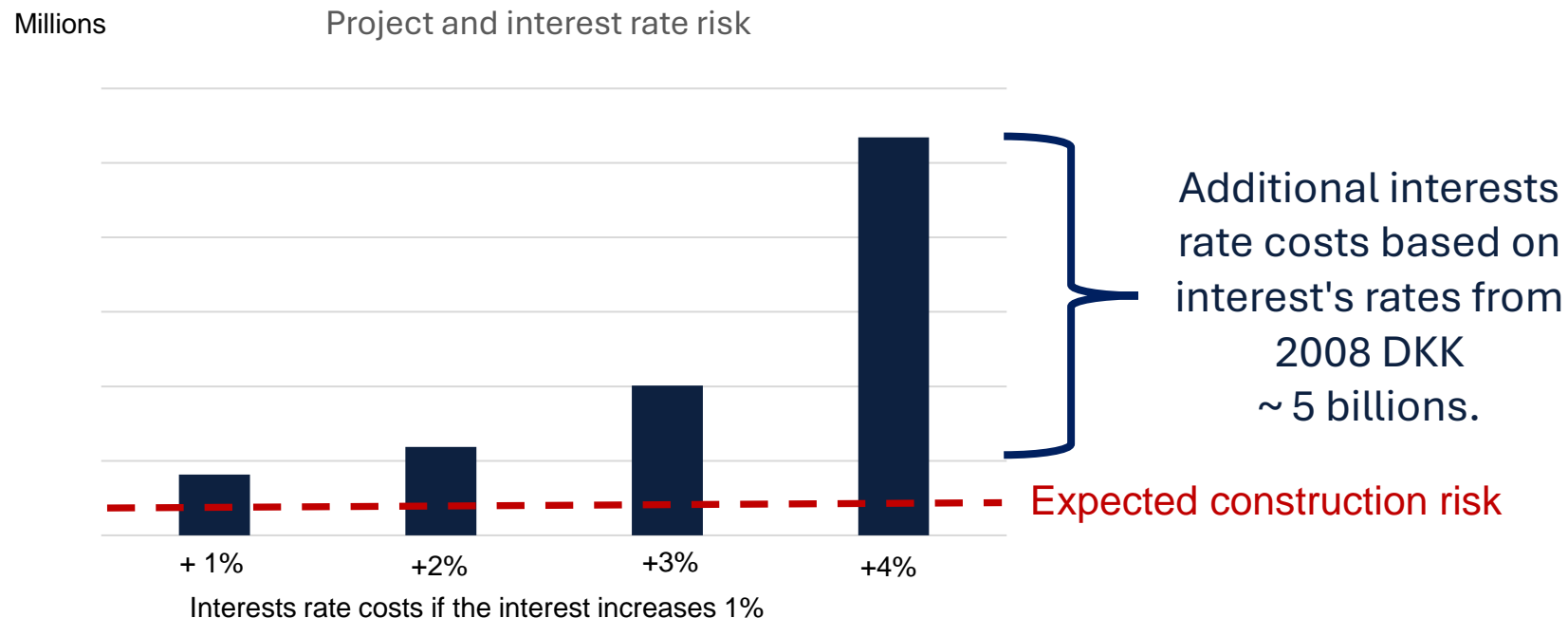


Timing of the project favourable, with regards to the interest rate



# Main risk in the project

## Construction and interest rate risk



- An increase of 1% in interest rate is a higher risk than the construction risk
- If the interest rate increases to 2008 level, the interest rate risk is about 25 times higher than the construction risk

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# The Equity story

- What is a good "Equity story"
  - It describes the investment case in a "nutshell" to the investors/lenders
  - Use it to sell the idea
- The equity story must:
  - Describe the equity story simple and easy to understand for the investors (Keep it simple)
  - High credibility
  - Describe the assumptions for the project
  - Clearly access the main risk on a reliably manner
  - How you handle the risks



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# The Equity story

- Our "Equity story" comprise among other things:
  - We have two other subsea tunnels in the Faroes
    - Built on time
    - Costs on budget
    - Geology as expected
    - Higher traffic then expected
  - Copy as much as possible from the other sub-sea tunnel projects, due to their "success"
    - Same advisers on geology with experience
    - Same geological surveys to reduce the risk
    - Same company to design the tunnels
    - Built in accordance with tested Norwegian standards
  - Lenders from the Faroes to participate
  - Connecting financing and construction planning early in the planning of the project

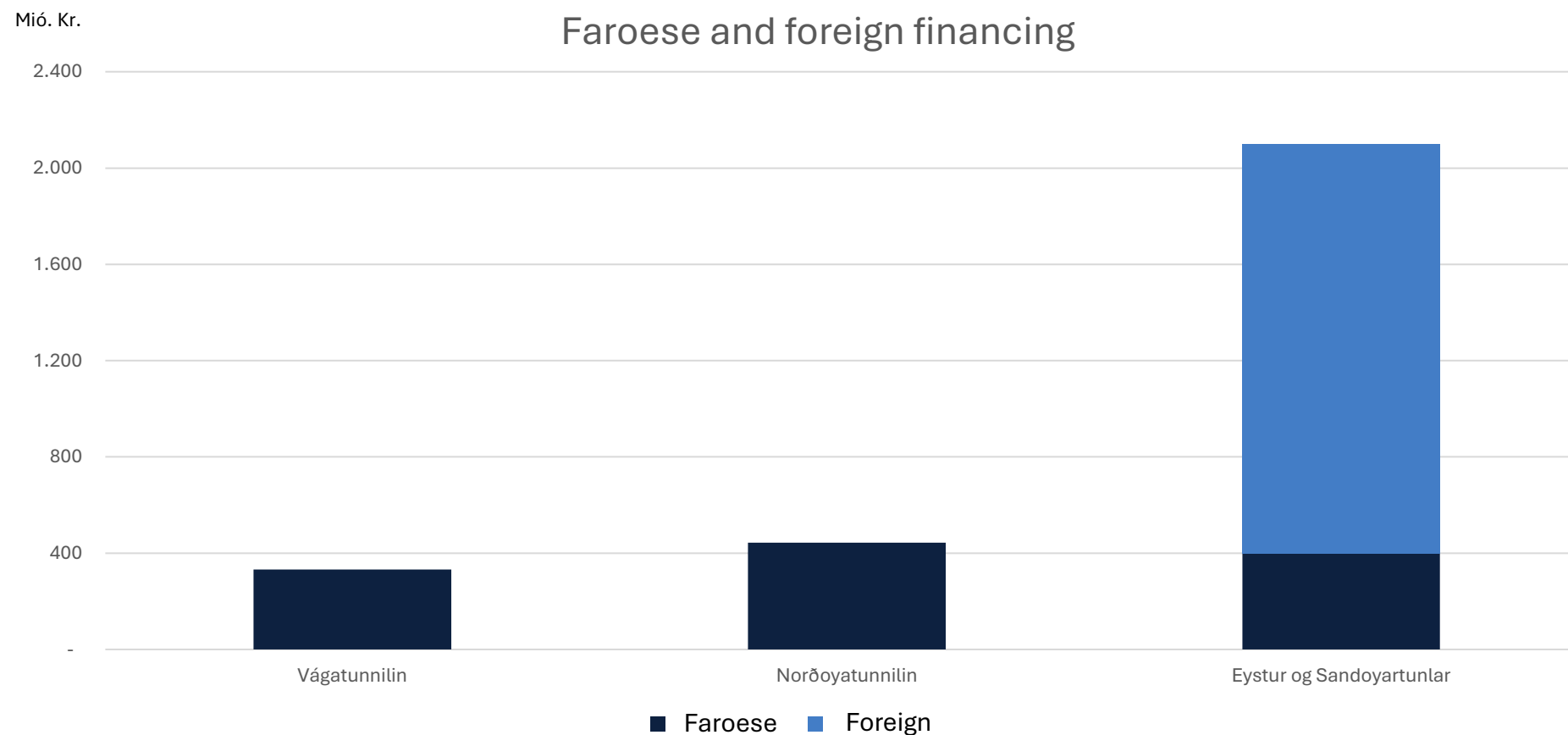
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# Foreign financing necessary



\* Numbers for Vágatunnilin and Norðoyatunnilin are indexed to 2014



# Explore the financial market

## Who too finance this kind of projects?

- Find “competent” lenders - who understand the project and secure right pricing of risk
- Reduce interests- and refinance risk
- Approach possible investors on the international financial markets
  - Not possible to finance the project in the Faroes alone
  - Explore globally
  - Geopolitical constrains
  - Very different prices on financing
  - Approached some of the worlds largest infrastructure investors/lenders
- Fully pre-funded the total project (both tunnels)
- No refinance risk – as construction time is 7-8 years
- Fixed interest rate (2.73%) until 2040, when all debt is paid back





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# Issued bond's

- EUR 360 million
- Fixed interest rate
  - 2.73% from 2016 to 2040 (fully aid back)
- Financial Governance
  - (a) The Company will not permit its liquid funds at any time to be less than DKK 50,000,000. (EUR 6.7 millions)
  - (b) The Company will not permit its Debt Service Coverage Ratio... to be less than 1.05:1.00.
  - If net income lower than anticipated in Long term Budget Government of the Faroe Island will pay the difference
- Affirmative Covenants (9.11)
  - 12 months Debt Service Payments (Eur 22.8 millions)
  - 12 months Operating Expenses (Eur 4.0 millions)
  - 12 months Insurance Payments (Eur 0,5 millions)



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# Marketing of the project towards construction companies

## Who can construct this kind of sub-sea tunnels?

- Tunnels in the Faroes are constructed in accordance with Norwegian standards
- Drill and blast in basalts (like in Iceland)
  
- Scandinavian companies most experience in this kind of projects.
  - Maby 8-10 companies have the experience and size to carry out this kind of project
  
- Other were interested but the risks estimated too high
  - Important that the Faroes is not part of EU
  
- Pre-qualified 5 companies based on 20 different requirements based on:
  - Size
  - Experience
  - Financial strength
  - Etc.

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# Tender strategy

- Bidding companies must comply with the expectation from the lenders
- Adjust normal tender process
- From unit price contract to fixe price contract
  - Fixe price for ~ 70% of the project (construction time 7-8 years)
    - In 2016 we did not know of:
      - Covid 19
      - Inflation and increased prices
      - Increase in interest rates

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# Eysturoyartunnilin

- Opened for traffic 19 December 2020
- Completed on time and on budget
- Opened 6 months earlier than originally planned
- Today the traffic is as expected



# The tunnel went viral



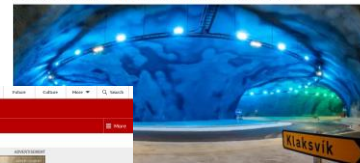
TIME 2021  
World's Greatest Places



This article is more than 1 year old

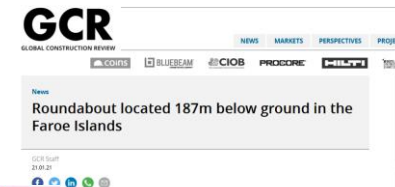
### Giant underwater 'jellyfish' roundabout becomes latest Faroe Islands tourist attraction

Already a hit on social-media, an infrastructure project linking the two largest islands is set to become a big draw for foreign visitors



### Incredible underwater roundabout set to open

The Eysturoyri tunnel network is almost 7 miles long



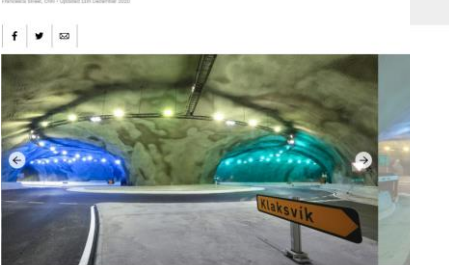
### Roundabout located 187m below ground in the Faroe Islands

Contractor NCC has completed work on a the Eysturoyri tunnel, beneath the Faroe Islands.



WHERE THE POSSIBILITIES ARE ENDLESS

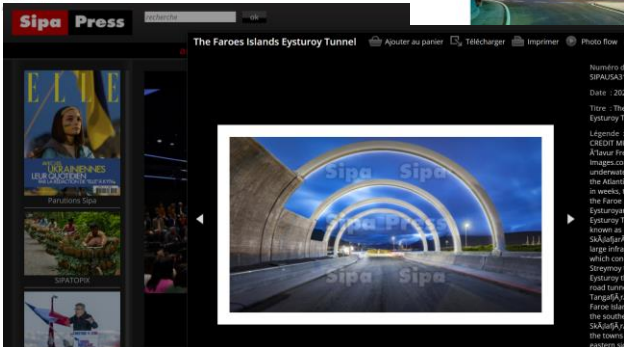
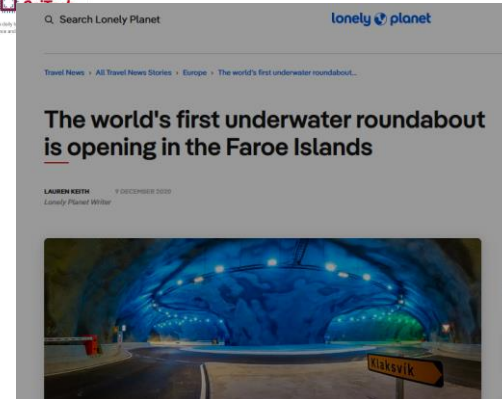
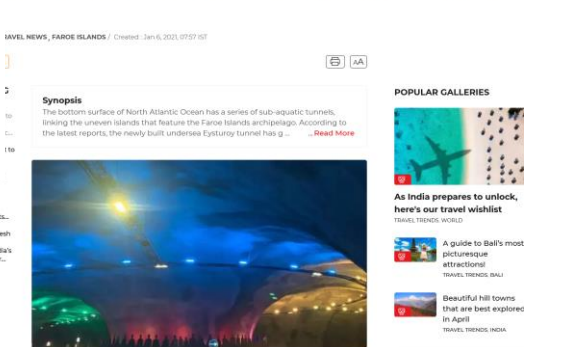
### Striking new underwater traffic circle opening in the Faroe Islands



### Faroe Islands: Inside the undersea tunnel network



### lands become home to world's first undersea traffic







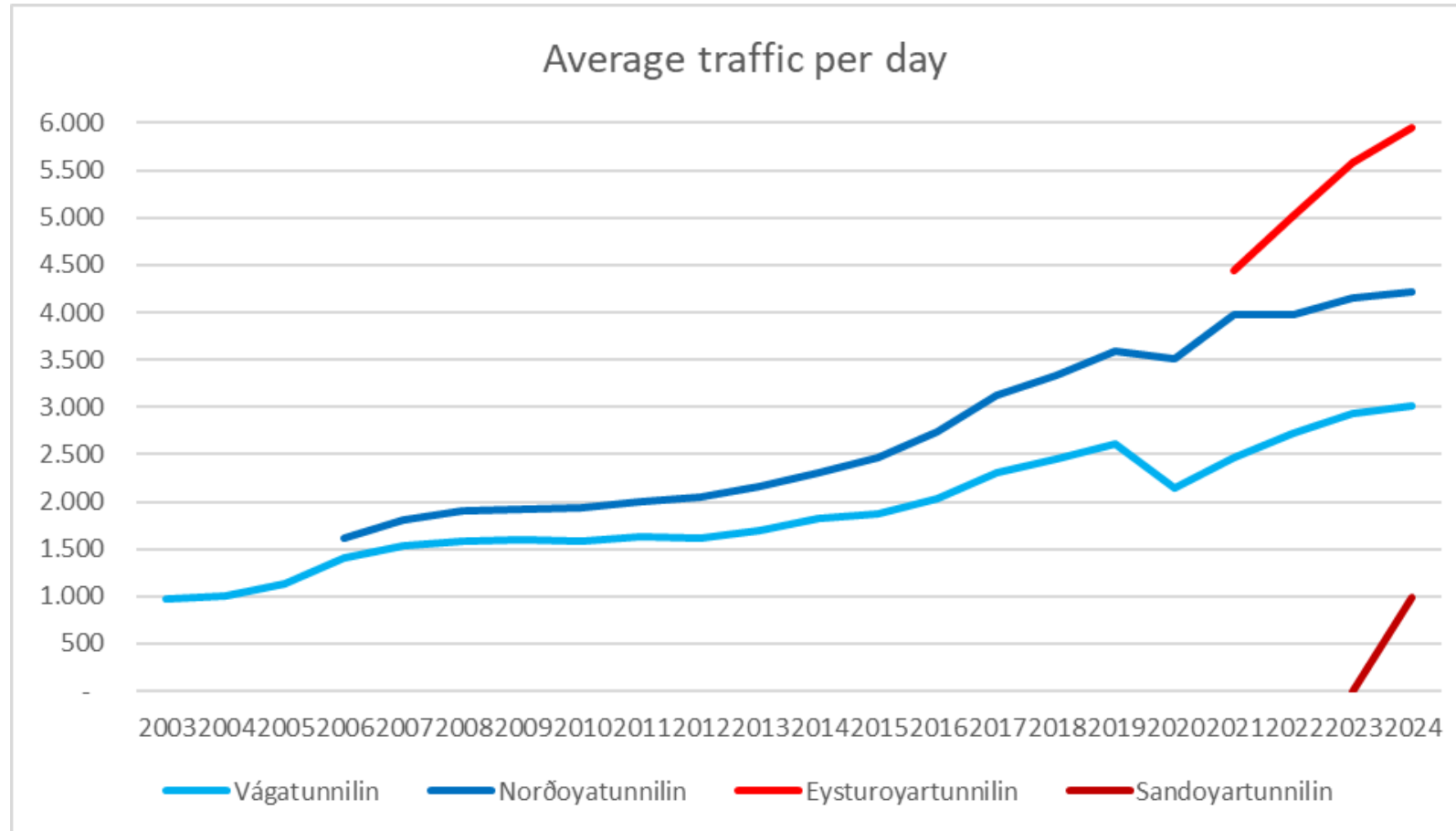
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# Sandoyartunnilin

- Opened for traffic 21 December 2023
- Traffic ~2-3x higher than expected
- Completed on time and on budget
- Paved the way for huge investments in the area



# Traffic development in the subsea tunnels



## Average increase per year:

Eysturoyartunnilin: 12,7%

Norðoyatunnilin: 9,29%

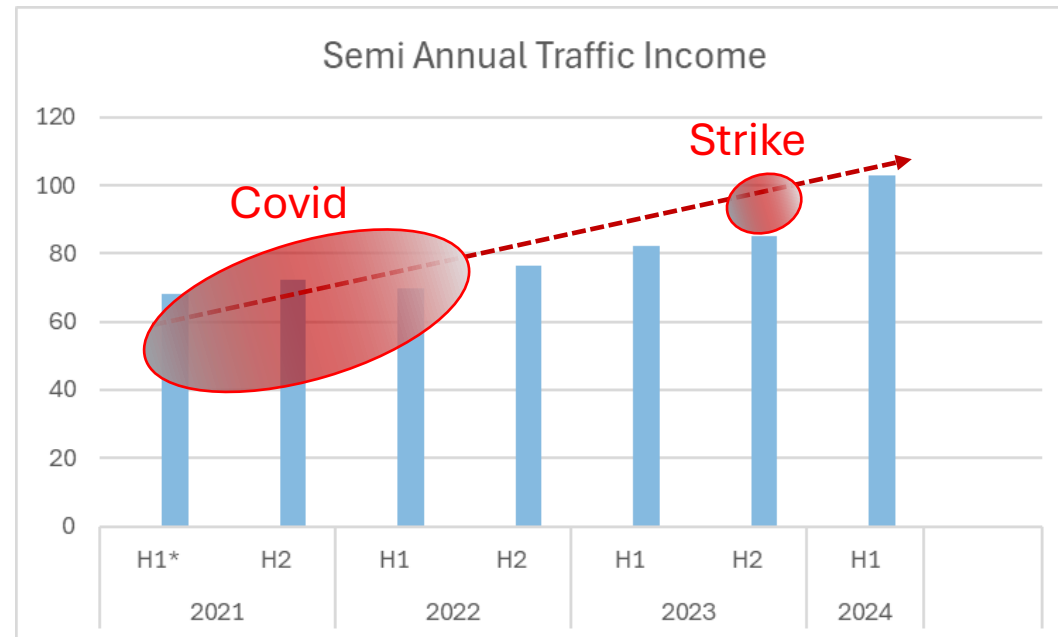
Vágatunnilin: 10.2%



# Development in the Minimum Traffic Guaranty

**In general, the Revenue is increasing every year**

- Covid interrupted 2021 and 2022
- General strike in the Faroes disturbed H1 2024
- Revenue from the Eysturoyartunnilin continues to increase
- Significant higher income from the Sandoyartunnilin then anticipated

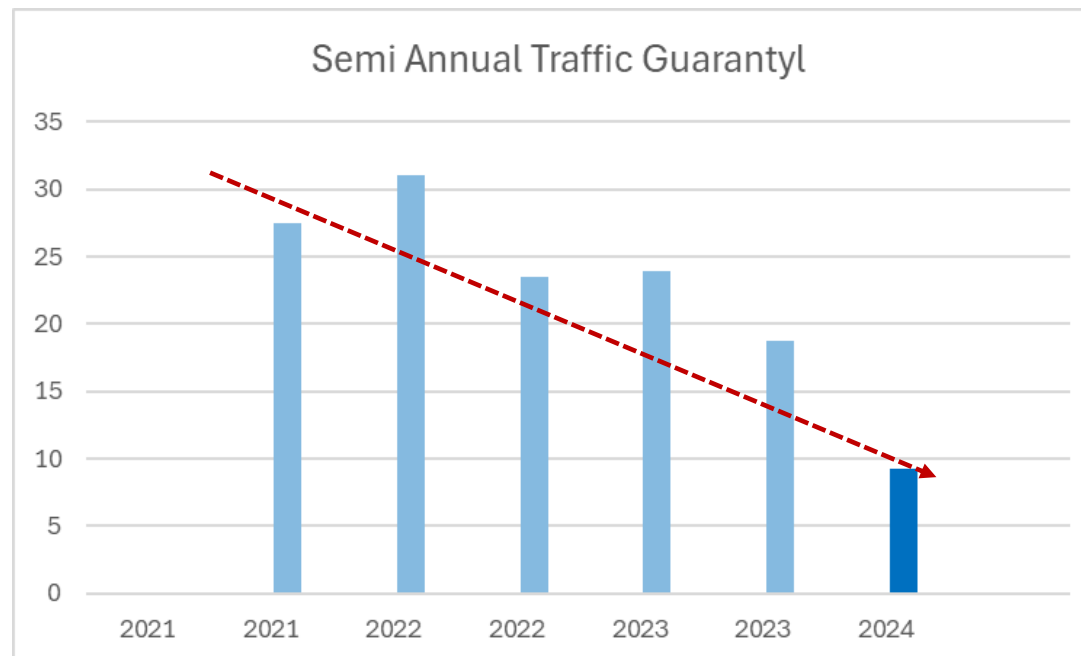




# Development in the Minimum Traffic Guaranty

**In general, the Guaranty has decreased over time**

- Covid restrictions interrupted the first years
- Traffic in Eysturoyartunnilin continues to increase
- Higher income in the Sandoyartunnilin then anticipated
- Operational costs lower the originally budgeted
- Traffic in May/June interrupted by general strike
- Guaranty will not be necessary in foreseeable future



# Thank you

[https://www.youtube.com/watch?v=\\_ruyhTgEvh0](https://www.youtube.com/watch?v=_ruyhTgEvh0)



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