

Ørsted

Annual report

2020



Our vision
**Let's create a
world that runs
entirely on
green energy**

In 2021, we were ranked the most sustainable energy company
in the world in the Corporate Knights [Global 100 Index](#)

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Overview

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Our newly-built operations hub in Vlissingen in the Dutch province of Zeeland is the base for our first offshore wind farm in the Netherlands, Borssele 1 & 2. As well as hiring staff locally where possible, we work closely with nearby schools, libraries, and museums to inspire the next generation of wind turbine technicians.

Chairman's statement

Enabling the world's green transformation

The decisions our global society takes today, and in the next few years, determine whether we pass a habitable planet on to future generations. Science recommends that we halve global carbon emissions by 2030 to have a chance of limiting the temperature rise to 1.5°C and mitigating the risk of irreversible tipping points in our global ecosystems.

In 2020, we saw progress. Many governments raised their carbon emission reduction targets and further reinforced their build-out plans for renewable energy production capacity. Several large companies also set targets for their decarbonisation and acted firmly to make their business models more sustainable. Targets and actions by both governments and corporations bode well for our planet, but to limit the increase in temperature to 1.5°C, even more decisive action is needed.

Our target is to become a fully carbon-neutral company by 2025. In 2020, we continued the build-out of our green power generation capacity both onshore and offshore. We also initiated a range of renewable hydrogen projects. Renewable hydrogen will enable sectors like cement, ammonia, heavy road transport, aviation, and shipping to transition

to fossil-free energy. Like it was for offshore wind, innovation and industrialisation in renewable hydrogen are required to bring down costs, making the new green fuels competitive.

This year, we divested our downstream retail customer and power distribution businesses, which marks another big step in the renewable energy transformation. Our vision is a world that runs entirely on green energy. Ørsted wants to partner with countries and companies, helping them to leave fossil fuels behind, and in 2020, we saw a breakthrough for comprehensive long-term green power purchase agreements.

The COVID-19 pandemic affected everybody in 2020. We are a safety-first company, and during the pandemic, our priority has been the health and well-being of our employees, their families, and the communities which we are a part of. Thanks to our careful and talented staff, Ørsted's operations have remained stable, and our development and construction projects have moved forward according to plan during the pandemic. All employees have adapted impressively to new routines and pushed through with projects, despite sudden and unforeseen obstacles. We will continue to closely follow the situation in the markets where we operate and will continue adhering

to national guidelines and regulations to help minimise the spread of the pandemic and keep our employees and partners safe.

Even in this time of significantly increased global uncertainty, Ørsted's business model has demonstrated its resilience. We were able to raise our financial guidance in March and maintained it throughout the year. EBITDA for the year amounted to DKK 18.1 billion, thereby exceeding our expectations and resulting in a ROCE of 10 %. Profit for the year amounted to DKK 16.7 billion, significantly impacted by the gain from divestment of our power distribution activities. The Board of Directors recommends paying a dividend of DKK 11.5 per share, corresponding to DKK 4.8 billion.

On behalf of the Board of Directors, I would like to thank the employees and management of Ørsted for an outstanding effort during a period of global uncertainty and for keeping us on track towards creating a world that runs entirely on green energy.

I would also like to express special thanks to former CEO Henrik Poulsen for his exemplary leadership in the past eight years during which Ørsted was transformed completely from a financially challenged, regional, fossil-based energy company to a highly profitable global leader in renewable energy.

Our company is stronger than ever and – even more important – has developed a promising platform for continued growth.

With Mads Nipper on board as our new CEO from this January, we remain as committed as ever to staying at the forefront of the global energy transformation and to offering cost-effective green energy solutions and enabling governments and companies to power the world with green energy.

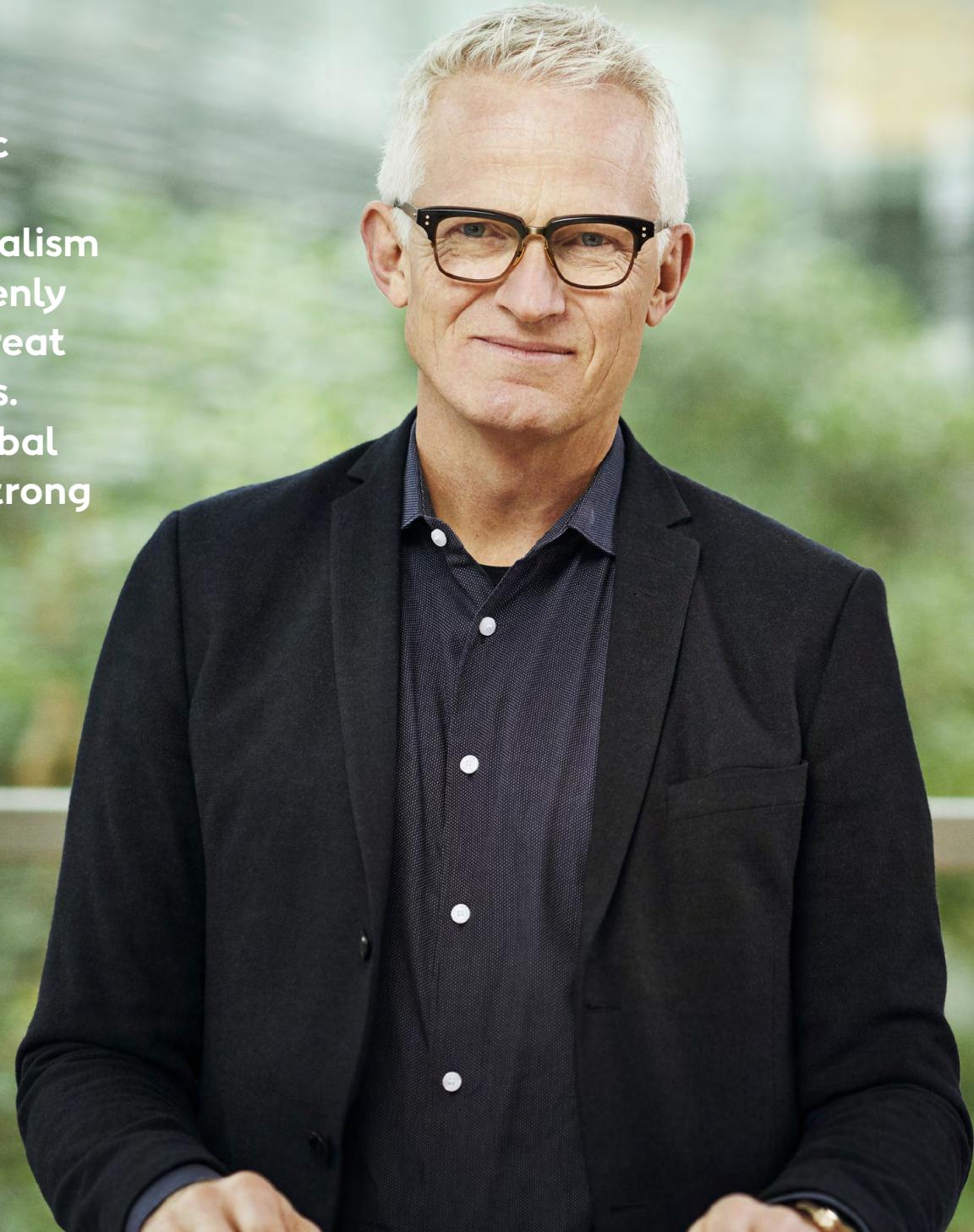



Thomas Thune Andersen
Chairman

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We are very satisfied with our strategic progress and results in 2020, and I am grateful for the support and professionalism of our customers and partners. I am keenly aware that only together, we can do great things and live up to our high ambitions. We maintain a leading position in a global high-growth market and have built a strong and financially sustainable pipeline, laying the path for future growth.

Mads Nipper
CEO



CEO's review

2020 showed very strong results, both operationally and financially. Although the world is in the midst of a global pandemic crisis, our business model has proved resilient. 2020 also showed great strategic progress.

Financial results

In 2020, our operating profit (EBITDA) amounted to DKK 18.1 billion, a 4 % increase compared to last year.

Earnings from our offshore and onshore wind farms in operation increased by 14 %. This was driven by ramp-up of green power generation from Hornsea 1, Borssele 1 & 2, Lockett, Sage Draw, Plum Creek, and Willow Creek and receipt of CfDs of another 400 MW of Hornsea 1 from April. Furthermore, we had higher wind speeds in 2020.

These positive effects were partly offset by lower earnings from trading related to hedging of our power exposures, which generated very high earnings in 2019, and adverse COVID-19 related impacts. The latter mainly manifested itself in the UK power prices due to a lower demand for electricity. This led to higher balancing tariffs (BSUoS) from National Grid and lower ROC recycle prices. Furthermore, we saw hours with negative prices in the UK from April to July.

We are on track to meet our target of an average yearly increase in EBITDA from

offshore and onshore wind farms and solar farms in operation of 20 % from 2017 to 2023.

The divestment of our Danish power distribution, residential customer, and city light businesses resulted in proceeds of DKK 20.5 billion with a gain of DKK 10.9 billion which will be deployed into our global renewable energy build-out plan.

Our green share of heat and power generation continued to increase and reached a new high of 90 %.

Return on capital employed (ROCE) was 10 % for 2020, in line with our target.

COVID-19

Since the outbreak of COVID-19, our Corporate Crisis Management Organisation (CCMO) has met regularly, focusing on the health and safety of our employees and on ensuring business continuity. During 2020, we had 146 confirmed infected colleagues and fortunately no casualties from COVID-19. We continue to do our utmost to keep our colleagues safe across our locations. Our asset base has been fully operational, and we maintained normal availability rates at our offshore and onshore

Highlights 2020

Financials

Operating profit (EBITDA) increased by 4 % to DKK 18.1 billion.

EBITDA from offshore and onshore wind farms in operation increased by 14 % to DKK 16.9 billion.

ROCE was 10 %.

Operations

Stable operations throughout the year despite the COVID-19 pandemic.

Green share of heat and power generation increased from 86 % to 90 %.

Borssele 1 & 2, our first Dutch offshore wind farm, was commissioned.

The onshore wind farms Sage Draw, Plum Creek, and Willow Creek were successfully commissioned.

Our Renescience plant in the UK was commissioned.

Business development

Signed agreements to farm-down 50 % of the offshore wind farms Greater Changhua 1 and 25 % of Ocean Wind 1.

Signed corporate power purchase agreements (CPPAs) with TSMC for our offshore wind project Greater Changhua 2b & 4 in Taiwan and with Amazon for Borkum Riffgrund 3 in Germany. The first being the largest-ever renewable energy CPPA.

We took FID on the onshore wind farm Western Trail and the Old 300 Solar Center in Texas.

We acquired and took FID on the solar project Muscle Shoals in Alabama and the onshore wind project Haystack in Nebraska.

We secured funding for three renewable hydrogen projects, one in the UK, one in Germany, and a joint project consortium in the EU. We also entered into three additional renewable hydrogen partnerships in the Netherlands, Denmark, and Germany, respectively.

We divested the Danish power distribution, residential customer, and city light businesses which resulted in a gain of DKK 10.9 billion.

The divestment of our LNG business was completed, and an agreement to divest our B2B business in the UK was signed.

wind farms and CHP plants throughout 2020. Construction of our projects largely progressed according to plan, both in Europe, Asia Pacific, and the US. The construction project most affected by COVID-19 was the offshore wind farm Hornsea 2, due to delays in the offshore topside construction at a shipyard in Singapore which was temporarily closed. However, we do not expect the delay to affect the commissioning date.

Offshore

2020 was a good year for our offshore business with many significant milestones and achievements, although with some headwind in the US.

In December, we commissioned the 752 MW Dutch wind farm Borssele 1 & 2 on schedule and within budget. The wind farm deploys 94 Siemens Gamesa 8 MW wind turbines, making it the largest-ever built in the Netherlands, and will supply renewable energy to 1 million households. During the construction of Borssele 1 & 2, we passed a significant milestone by installing Ørsted's offshore wind turbine number 1,500.

In North America, the 12 MW Coastal Virginia demonstration project, which we have constructed for Dominion Energy as an EPC contractor, was commissioned. The offshore wind farm is the first-ever to receive federal permits and be installed in US federal waters.

We are installing foundations at our 1,386 MW offshore wind project Hornsea 2 in the UK. At our 900 MW offshore wind project Greater Changhua 1 & 2a in Taiwan, we are preparing for installation of foundations which will commence in the first quarter of 2021. Both wind farms are expected to be commissioned in 2022 and will become the largest offshore wind farms in their respective regions.

In December, we signed an agreement to farm down 50 % of the 605 MW offshore wind farm Greater Changhua 1 to CDPQ, a Canadian pension fund, and Cathay PE, a Taiwanese private equity fund. The farm-down is the largest-ever renewable energy M&A

transaction in Taiwan and underpins the attractiveness of our offshore wind assets in Asia Pacific.

We selected Siemens Gamesa as preferred wind turbine supplier for our 900 MW Borkum Riffgrund 3 and 242 MW Gode Wind 3 projects. Subject to final investment decision, both projects will deploy 11 MW wind turbines with 200-metre rotors. In addition, we signed a 10-year corporate power purchase agreement (CPPA) with Amazon to buy 250 MW of the output from Borkum Riffgrund 3. This is our first offshore wind PPA with a global tech company and the largest offshore wind CPPA in Europe.

Events in 2020

April – June	July	August	September	October	November	December	
 Onshore Sage Draw, Texas, commissioned (338 MW)	 Onshore Muscle Shoals, Alabama, acquired and FID'ed (227 MW _{ac}), expected COD in 2021	 Markets & Bioenergy Divestment of Danish power distri- bution, residential customer, and city light businesses to SEAS-NVE completed	 Onshore Willow Creek, South Dakota, commissioned (103 MW)	 Onshore Haystack, Nebraska, acquired and FID'ed (298 MW), expected COD in 2021	 Onshore Old 300, Texas, FID'ed (430 MW _{ac}), expected COD in 2022	 Offshore Borssele 1 & 2, the Netherlands, commissioned (752 MW)	 Offshore CPPA with Amazon to buy the output from Borkum Riffgrund 3 (250 MW) signed
 Onshore Plum Creek, Nebraska, commissioned (230 MW)	 Offshore CPPA with Taiwan- based TSMC to offtake full generation from Greater Changhua 2b & 4 (920 MW)	 Renewable hydrogen Funding secured together with part- ners for renewable hydrogen project Westküste 100 in Germany	 Onshore Western Trail, Texas, FID'ed (367 MW), expected COD in 2021	 Markets & Bioenergy Renescience plant, the UK, commissioned	 Renewable hydrogen Agreement with bp to develop a potential large- scale renewable hydrogen project in Germany	 Offshore Farm-down of 50 % of Greater Changhua 1 to CDPQ and Cathay PE signed	 Markets & Bioenergy Divestment of our LNG business to Glencore
				 Renewable hydrogen Collaboration with Yara on developing project to replace fossil hydrogen with renewable hydrogen in ammonia production	 Markets & Bioenergy Agreement to balance 40 % of the power generated from Dogger Bank	 Offshore Agreement with PSEG signed to sell 25 % of the offshore wind development project Ocean Wind 1	 Ørsted Appeal against decision from the Danish Tax Agency on Danish taxation of two offshore wind farms in the UK



In December, we were granted consent to move into the final development phase of the offshore wind farm Hornsea 3.

In July, we signed a CPPA with Taiwan-based TSMC, the world's largest semiconductor foundry. TSMC will offtake the full generation from our 920 MW offshore wind farm Greater Changhua 2b & 4, making it the largest-ever renewable energy CPPA. The 20-year fixed-price contract period will start once the wind farm reaches commercial operation, expectedly in 2025 or 2026, subject to grid availability and Ørsted's final investment decision.

In December, we entered into an agreement with New Jersey's Public Service Enterprise Group (PSEG) to sell a 25 % ownership interest in our 1.1 GW offshore wind development project Ocean Wind 1. The project is the first large-scale offshore wind farm in New Jersey.

In March, we entered into an agreement with TEPCO to establish a joint venture company for offshore wind in Japan, with the intention of working towards a joint bid in the first Japanese auction, now expectedly this year.

In December, we were granted consent to move into the final development phase of

the offshore wind farm Hornsea 3 by the UK Secretary of State for the Department for Business, Energy & Industrial Strategy. The offshore wind farm has a potential capacity of more than 2.4 GW and is adjacent to our offshore wind farms Hornsea 1 and Hornsea 2, off the East Coast of the UK. With the consent granted, the wind farm will be able to enter the next UK auction round for a contract for difference (CfD), expectedly in 2021.

Our pipeline of US offshore development projects is moving forward, but we are still waiting for the US Bureau of Ocean Energy Management (BOEM) to decide on the preferred wind farm layout for the build-out of offshore wind for our north-eastern projects in our New England lease areas.

Furthermore, while we are still waiting for clarity concerning the federal permitting process for our projects, there are positive signs that the bottleneck will be resolved imminently. We had expected to receive the 'notices of intent' (NOIs) from BOEM for our advanced-stage development projects

following the release and public comment process regarding the Vineyard Wind Supplemental Environmental Impact Study in 2020. While that did not happen, we are starting to see some promising signs of movement. The timely issuance of the draft 'environmental impact statement' (EIS) on 4 January 2021 for our South Fork project bodes well. So does the announcement of the 'initiation of action notice' (IAN) (a prelude to NOIs issuance) for the Ocean Wind 1 project. All signs from the incoming Joe Biden Administration indicate they will support a timely, predictable permitting regime.

Revolution Wind, Ocean Wind 1, Skipjack Wind, and Sunrise Wind will likely be delayed beyond the previously expected 2023 and 2024 construction years. We have flexibility in the timeline for all four projects, and we have been able to make good progress on other project milestones in the meantime. However, until there is a clear timeline from BOEM, we cannot solidify our construction schedules.

With regards to South Fork Wind, we remain comfortable with our previously communicated timeline with COD in late 2023.

Despite the permitting delays, we remain confident that we can deliver our US project portfolio with satisfactory value creation, which is supported by the commitment to rapid clean energy deployment from the Joe Biden Administration, the US Treasury's recent announcement of a 10-year continuity safe harbour for offshore wind in addition to a new 30 % ITC level for projects starting construction in 2017-2025, which will help expand tax credit eligibility. We continue to see solid long-

term growth and value creation potential in US offshore wind.

In 2020, we made progress towards a greener future based on renewable hydrogen. We continuously pursue opportunities within industrial-scale production of renewable hydrogen, and during 2020 and early 2021, we have secured funding for three projects, one in the UK, one in Germany, and a joint consortium in the EU. We also entered into an additional three partnerships, one in Germany, one in the Netherlands, and one in Denmark.

Our most recent hydrogen partnership was agreed with British energy company bp in November and will comprise a 50 MW electrolyser plant at bp's Lingen Refinery in Germany. The plant is expected to be operational in 2024 and will replace approx. 20 % of the fuel-based hydrogen from the refinery. The project is the first stage towards a long-term ambition to build a capacity of more than 500 MW of renewable hydrogen at Lingen. This would replace the entire production of fuel-based hydrogen at the refinery.

Furthermore, we joined forces with Yara, the world's leading fertiliser company, to develop a pioneering project aiming at replacing fossil hydrogen with renewable hydrogen in the production of ammonia with the potential to abate more than 100,000 tonnes of CO₂ per year.

Onshore

In 2020, we saw strong traction in our Onshore business, underpinned by the commissioning of three new wind farms, the acquisitions of two late-stage projects, and the decision to

construct another onshore wind farm and a solar farm.

During the year, we successfully commissioned the three US onshore wind farms Sage Draw, Plum Creek, and Willow Creek, located in Texas, Nebraska, and South Dakota, respectively.

In July, we acquired the 227 MW_{ac} solar project Muscle Shoals in Alabama, US. The project is expected to be commissioned in Q3 this year and will become the largest solar energy asset in the south-eastern US. The project is eligible for 30 % ITC and has a fully contracted 20-year utility PPA. The project further diversifies the geographic footprint of our asset base by establishing a foothold in the rapidly growing south-eastern solar market.

In September, we took final investment decision on constructing the onshore wind farm Western Trail in Texas. This greenfield project has a capacity of 367 MW and is eligible for 100 % PTC when commissioned, expectedly during Q3 this year.

In October, we acquired the late-stage 298 MW onshore development project Haystack. The wind project is located very close to our onshore wind farm Plum Creek in Nebraska, also residing in the South-West Power Pool (SPP) area. With the acquisition, we further expanded our footprint into this market which will play an important part in our growth in North America and diversify our portfolio.

In November, we also took final investment decision on constructing the Old 300 Solar

Center which is a 430 MW_{ac} solar project also located in Texas with 30 % ITC eligibility. We expect Old 300 to be commissioned during Q2 2022.

In addition, we are currently constructing the combined solar (420 MW_{ac}) and storage (40 MW_{ac}) project Permian Energy Center in Texas, US. The project is progressing according to plan, and we expect Permian to be commissioned by mid-2021 with 30 % ITC eligibility.

With the completion of Sage Draw, Plum Creek, and Willow Creek and the addition of Muscle Shoals, Western Trail, Haystack, and Old 300 Solar Center, we now have 3.4 GW of combined onshore wind and solar PV in operation or under construction, and we remain very satisfied with the expansion of our onshore business.

Markets & Bioenergy

During 2020, we continued streamlining our Markets & Bioenergy business.

In August, we completed the divestment of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel). The divestment marks an important strategic milestone for Ørsted, and the proceeds will be deployed into our global renewable energy build-out plan.

In December, we completed the divestment of our LNG activities to Glencore, and in September, we signed an agreement to divest the vast majority of our UK B2B customer portfolio to Total Gas & Power. We will keep

some of our strategic long-term partners and customers to whom we deliver risk management products. We expect the transaction to close in Q1 2021.

In November, we signed a 15-year route-to-market agreement with SSE Renewables and Equinor to balance power generation from their offshore wind farm Dogger Bank in the UK. The contract is the largest balancing agreement won in a competitive tender process in the UK market. Under the agreement, Ørsted will be responsible for trading and balancing 40 % of the 960 MW generated from the first two phases of the wind farm, when completed in 2026. The agreement will add further scale to our portfolio and underlines our position as a leading green energy trading company in the UK.

In mid-October, the Renescience waste-recycling plant in Northwich, the UK, was successfully commissioned after passing the final performance test. With the commissioning of Renescience Northwich, we reached another important milestone. We will continue to monitor the plant's performance, while exploring the broader commercial potential of this recycling technology.

In March, the Copenhagen Maritime & Commercial Court decided to close the action for damages, ruling in Ørsted's favour. The action related to a claimed abuse of a dominant position on the market for wholesale of physical electricity in western Denmark from 2003 to 2006. However, the action will continue in 2021 as the claimants have decided to appeal the case to the Danish Western High Court.



Borssele 1 & 2, near Vlissingen, the Netherlands.

Other significant events

In 2018, seven bearers of the Ørsted name filed a subpoena to prevent our use of the name. In May 2019, the Copenhagen Maritime & Commercial Court ruled in favour of Ørsted. Following the ruling, the plaintiffs decided to appeal the case. In November 2020, the Danish Supreme Court also ruled in favour of Ørsted, and the case is now closed.

We are very pleased that the ruling of the Supreme Court upholds our right to use the Ørsted name. It was chosen as a tribute to Hans Christian Ørsted, one of the greatest Danish scientists of all time. He discovered electromagnetism 200 years ago and thus laid the foundation for how we produce electricity.

In December, we received an administrative decision from the Danish Tax Agency requiring Danish taxation of our British offshore wind farms Walney Extension and Hornsea 1. The claim amounted to DKK 5.1 billion, plus interest, in addition to the taxes we have already paid in Denmark. According to the decision, Ørsted is to be taxed in Denmark on the full future value of the two offshore wind farms, despite the fact that they are developed, owned, and operated by British subsidiaries of the Ørsted group and are taxed in the UK. We disagree with the decision which in our view is based on a misconception of the risks and value creation in our business model for developing, constructing, and operating offshore wind farms and have appealed it to the Danish Tax Appeals Agency. Furthermore, we have taken steps to ensure that the Danish

and UK tax authorities initiate negotiations to avoid Ørsted being subjected to double taxation, if necessary, by referring the case to an independent arbitration panel.

Employees

Our talented people remain the most important assets in Ørsted, and on behalf of the Executive Committee, I would like to take this opportunity to acknowledge and thank all our employees for the great job they have been doing throughout the year, including how they have all adapted to the new challenges in the wake of the COVID-19 pandemic.

It is very important for us to attract, develop, and retain the best talent, and we strongly believe in the value of a diverse workforce. We aspire to create an environment where everyone, whatever their personal background, can thrive, perform, and grow. Therefore, we were also pleased to see that the 2020 employee satisfaction survey, People Matter, showed a record-high satisfaction and motivation score of 78 out of 100, placing Ørsted in the top 10 % of our external benchmark.

New corporate structure

On 28 January, we announced a change to our organisational structure which will take effect from 4 February.

The change entails moving from a business unit structure to a more functional structure where the commercially focused functions from the current business units Offshore and Markets & Bioenergy will be brought together

under the leadership of Martin Neubert who will become CCO, Deputy CEO, and member of the Executive Board.

The operationally focused functions will be brought together under a new COO as Anders Lindberg has decided to take on a new position outside Ørsted. The COO will report to Mads Nipper.

As a consequence of the new corporate structure, Morten H. Buchgreitz has decided to leave the company. Both Anders and Morten have done a tremendous job during their tenure in Ørsted, and we owe them great gratitude.

Onshore will remain a separate business unit. The Onshore business differs from the rest of Ørsted when it comes to technological maturity and business model, and we believe that Onshore will be best positioned to realise its full potential as a separate business unit.

We are making these changes in our organisation to establish an even stronger customer and market focus, to further strengthen the focus on EPC and operations, and to support the scaling of our organisation as we continue our strong growth trajectory in the years to come.

Externally, we will continue to report Offshore and Onshore financials as we do today. This means that Offshore will continue to include our hydrogen activities. Bioenergy, our legacy gas activities, and Renescience will be reported in a separate segment called Bioenergy & Other.

Concluding remarks from the new CEO

We are very satisfied with our strategic progress and results in 2020, and I am grateful for the support and professionalism of our customers and partners. I am keenly aware that only together, we can do great things and live up to our high ambitions. We maintain a leading position in a global high-growth market and have built a strong and financially sustainable pipeline, laying the path for future growth.

I am proud of and humbled by the Board of Directors' trust in me to succeed Henrik Poulsen as CEO of Ørsted. Creating a world that runs entirely on green energy is a vision close to my heart. I also want to thank the Executive Committee and all Ørsted employees for a warm welcome.

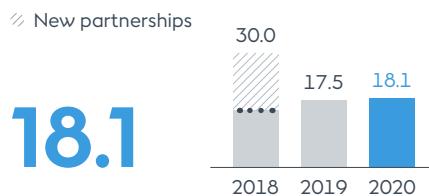
I am deeply impressed and inspired by the passion and motivation I have encountered throughout the entire company, and it makes me excited for what we can achieve. I am confident that Ørsted can stay a globally leading renewable energy producer, both offshore and onshore. I am convinced that Ørsted, as the world's most sustainable energy company, has the potential to be a global catalyst for systemic change, accelerating the green energy transition and how companies operate.

Mads Nipper
Group President and CEO

Performance highlights

Profits and returns

Operating profit (EBITDA) DKKbn



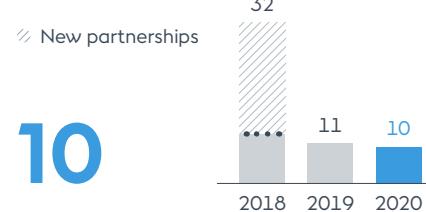
In 2020, we maintained stable operations despite the pandemic and achieved an underlying EBITDA exceeding our expectations at the beginning of the year. This was mainly driven by an increase in generation from our offshore and onshore wind farms.

Profit for the year (continuing operations) DKKbn



Profit for the year was DKK 16.7 billion. The significant increase compared to 2019 was due to the divestment of our Danish power distribution, residential customer, and city light businesses (RBC), resulting in a gain of DKK 10.9 billion.

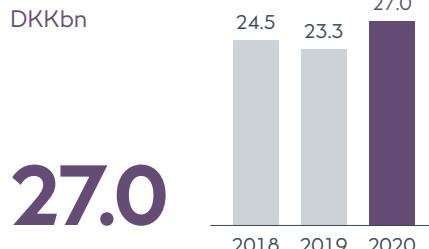
Return on capital employed (ROCE) %



ROCE was 10 % for the year, which was in line with our target of an average ROCE of approx. 10 % for the Group in the period 2019-2025. In 2018, ROCE was significantly impacted by the 50 % farm-down of Hornsea 1.

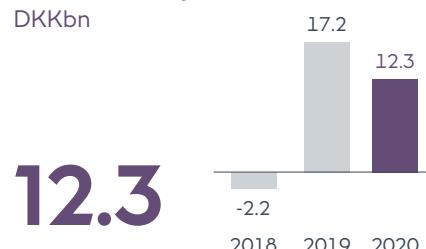
Cash flow and balance sheet

Gross investments DKKbn



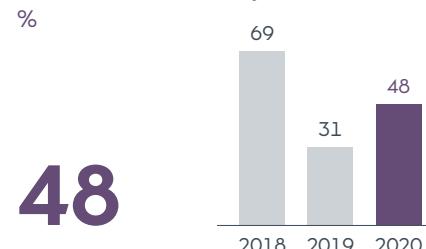
The gross investments reached DKK 27.0 billion, a record-high level, driven by an increase in our construction activity, both offshore and onshore. Gross investments are slightly below our guidance, mainly due to timing across years.

Interest-bearing net debt DKKbn



Our net debt decreased to DKK 12.3 billion, mainly due to the divestment of our Danish power distribution, residential customer, and city light businesses, resulting in proceeds of DKK 20.5 billion.

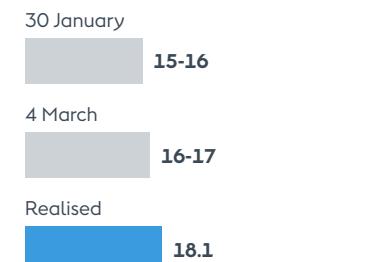
Credit metric (FFO/adjusted net debt¹) %



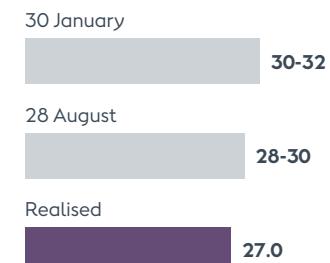
The credit metric 'funds from operations' (FFO) relative to adjusted net debt amounted to 48 % in 2020, well above our target of around 30 %.

Follow-up on outlook announced for 2020

EBITDA, excl. new partnerships, realised versus guidance, DKKbn



Investments, realised versus guidance DKKbn



In the outlook announced in our annual report for 2019, we expected EBITDA excluding new partnerships of DKK 15-16 billion and gross investments of DKK 30-32 billion for 2020.

With EBITDA excluding new partnerships of DKK 18.1 billion, we exceeded our expectations.

Gross investments amounted to DKK 27.0 billion.

¹ Interest-bearing net debt, including 50 % of hybrid capital and securities not available for use (with the exception of repo transactions), present value of lease obligations (up until 2018), and decommissioning obligations less deferred tax.

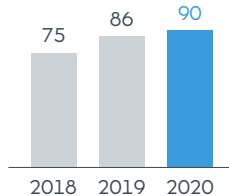
Performance highlights

Environment

Green share of generation

%

90

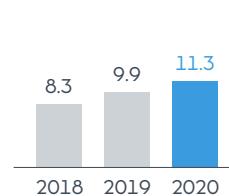


The green share of our heat and power generation continued to increase to a new high of 90 %, following continued ramp-up of our offshore and onshore wind capacity and lower heat and power generation based on fossil fuels.

Installed renewable capacity

GW

11.3

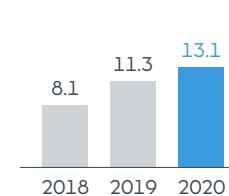


Installed green capacity increased by 14 % to 11.3 GW in 2020 due to the commissioning of the offshore wind farm Borssele 1 & 2 and the three onshore wind farms Sage Draw, Plum Creek, and Willow Creek.

Avoided emissions from green capacity

Million tonnes, CO₂e

13.1

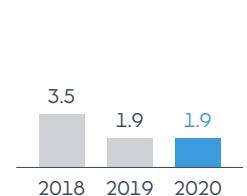


Avoided emissions from our green heat and power generation relative to fossil-fuelled generation increased by 16 %, mainly due to increased wind-based power generation.

Greenhouse gas emissions, scopes 1 and 2

Million tonnes, CO₂e

1.9



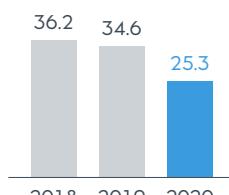
The scopes 1 and 2 greenhouse gas emissions were at the same level as in 2019 despite lower fossil-fuelled heat and power generation. This was due to an increase from ancillary services from our coal-fuelled units as we are legally obliged to deliver these services with the lowest marginal costs.

Social

Greenhouse gas emissions, scope 3

Million tonnes, CO₂e

25.3



Our scope 3 greenhouse gas emissions were reduced by 27 %, mainly due to reduced sales of natural gas.

Safety

Total recordable injury rate (TRIR)

3.6



We continue to have a strong focus on the safety and well-being of our employees. We are progressing satisfactorily towards our target of 2.9 by 2025.

Employee satisfaction

Index 1-100

78

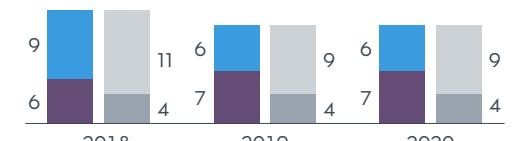


The 2020 employee satisfaction survey, People Matter, showed a record-high satisfaction and motivation score of 78.

Governance

Board of Directors and the Executive Committee

Nationality and gender diversity



We continue to have strong focus on increasing diversity at all management levels.

● Danish ● Non-Danish ● Male ● Female

Financial outlook

15 Financial outlook 2021

17 Financial estimates and policies



We made history in North America in 2020 when we built the first-ever offshore wind farm in US federal waters as EPC contractor. The two wind turbines form the offshore wind farm Coastal Virginia Wind, a pilot project located 43 miles off the coast of Virginia Beach. The experience gained here paves the way for an expansion in the offshore wind industry in the US.

Financial outlook 2021

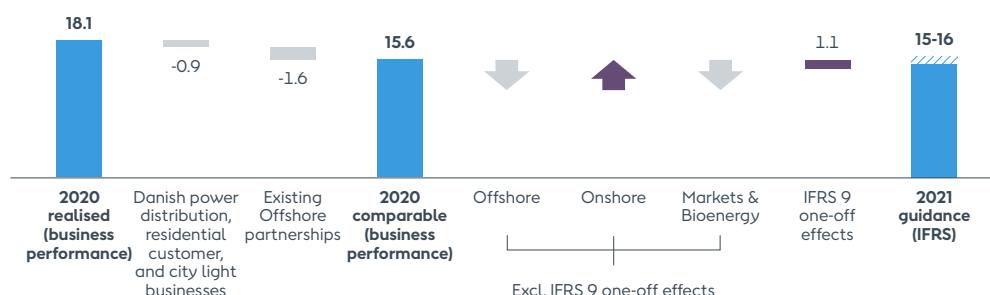
Group EBITDA guidance

As in previous years, our EBITDA guidance does not include earnings from new partnership agreements as it is difficult to predict the exact timing of potential farm-downs as well as the distribution of income between years if the partnership includes a construction agreement.

In terms of new partnerships in 2021, we expect to close the 50 % farm-down of Greater Changhua 1 following the agreement announced in December 2020. Furthermore, we plan to farm-down a 50 % share of Borssele 1 & 2 around summer. Finally, we will explore the possibility of a farm-down of our solar PV portfolio following the commissioning of Muscle Shoals in Q3. While we have not included any gains from these farm-downs in our guidance, we have assumed a derived reduction in site earnings.

EBITDA development 2020-2021

DKKbn



We had no earnings from new partnership agreements in 2020, while EBITDA from existing partnerships amounted to DKK 1.6 billion. In 2021, EBITDA from existing partnerships is expected to be close to zero.

In 2020, we divested our Danish power distribution, residential customer, and city light businesses. These contributed with DKK 0.9 billion to our EBITDA in 2020.

Operating profit (EBITDA), excluding new partnership agreements, is expected to be DKK 15-16 billion in 2021. The outlook is based on the expected development in the business units compared to 2020, as described below.

Offshore (excluding new partnership agreements) – lower

Earnings in Offshore (excluding new partnership agreements) are expected to be lower

Outlook 2021, DKKbn

	2020 realised ¹	2020 realised excl. RBC ¹²	2021 guidance ³
EBITDA	18.1	17.2	15-16
Offshore	14.8	14.8	Lower
Onshore	1.1	1.1	Higher
Markets & Bioenergy	2.1	1.2	Lower
Gross investments	27.0		32-34



Our EBITDA guidance for the Group is the prevailing guidance, whereas the directional earnings development per business unit serve as a means to support this. Higher and lower indicates the direction of the business unit's earnings relative to the results for 2020.

¹ Business performance principle.

² Excluding the Danish power distribution, residential customer, and city light businesses (RBC).

³ Excluding new partnerships, relative to 2020, excluding RBC.

than in 2020. Earnings are also expected to be lower than in 2020 adjusted for the net effect of the non-repetition of earnings from existing partnerships in 2020 (DKK 1.6 billion) and the positive effect (DKK 1.1 billion) of ceasing to report according to the business performance principle in 2021 (see page 16). We do not expect any further adverse COVID-19-related impacts on earnings relative to 2020.

The positive impact on operational earnings in 2021 driven by the last 400 MW of Hornsea 1 receiving CfDs from April and full-year effects from Borssele 1 & 2 net of the reduction in site earnings from the assumed farm-down will be more than offset by a number of adverse effects:

- In 2020, earnings from sites were positively affected by high winds speeds where the year ended at 9.7 m/s, above

a normal level of 9.3 m/s and above our expectations for 2021 of 9.3 m/s.

– TNUoS tariffs are expected to increase following the divestment of the offshore transmission assets at Walney Extension in mid-2020 and Hornsea 1, expectedly in H1 2021.

– Earnings from Horns Rev 2 will decrease as the subsidy period ended in October 2020.

– We are in the construction phase of the two large offshore wind farms Hornsea 2 and Greater Changhua 1&2a, both of which are expected to be commissioned in 2022. In 2021, we will incur OPEX on these sites as they are preparing for operations, but we do not expect any ramp-up generation.

Expensed project development costs amounted to DKK 1.7 billion in 2020. For 2021, we expect expensed project development costs to be approx. DKK 2.0 billion as a natural consequence of our continued expansion of our footprint.

Onshore – higher

Earnings from onshore wind and solar farms in operation are expected to increase from ramp-up of generation at Sage Draw, Plum Creek, and Willow Creek (commissioned during 2020) and due to expected commissioning of the new wind farms Western Trail and Haystack, and the solar farms Permian Energy Center and Muscle Shoals during 2021. The latter being net of the assumed reduction in site earnings from the possible farm-down of our solar PV portfolio.

The increased operational earnings will be partly offset by higher costs related to the strategic expansion of the business and an adverse year-on-year impact from recognition of derivatives.

Markets & Bioenergy – lower

Our directional guidance for Markets & Bioenergy for 2021 is based on earnings in 2020, excluding the divested Danish power distribution, residential customer, and city light businesses. These contributed with DKK 0.9 billion to our EBITDA in 2020.

Earnings in 'Gas Markets & Infrastructure' are expected to be lower than 2020, mainly because the positive effects from revaluation of gas at storage caused by the increasing gas prices, especially during Q4 2020, is expected to partly reverse in 2021.

Earnings from our CHP plants (including ancillary services) are expected to be in line with 2020.

Gross investments

Gross investments for 2021 are expected to amount to DKK 32-34 billion. The outlook reflects a high level of activity in Offshore (Hornsea 2, Greater Changhua 1 & 2a, and our US activities), and Onshore (Western Trail, Haystack, Permian Energy Center, and Old 300 Solar Center).

In addition to gross investments, significant funds are temporarily tied up in the construction of transmission assets for offshore wind farms in the UK and offshore wind farms for our partners. These funds are a part of our operating cash flow. At the end of 2020, funds tied up in work in progress totalled DKK 9.8 billion. During H1 2021, we expect to divest the Hornsea 1 offshore transmission asset, but we still expect to see a high level of funds tied up in work in progress in 2021 as a result of the continued construction of the transmission assets at Hornsea 2. We expect to divest the Hornsea 2 offshore transmission assets in 2023.

Ceasing the use of business performance in 2021

With the implementation of IFRS 9 in 2018, it has become significantly easier to apply IFRS hedge accounting to our commodity hedges. We have concluded that IFRS 9 can replace our business performance principle, and therefore, we will be reporting based on IFRS only from 1 January 2021. This will simplify our reporting and avoid potential conflicts with future reporting requirements for alternative performance measures.

At the end of 2020, the value of our business performance hedges deferred to a future period amounted to DKK -2.7 billion. This net loss has already been recognised in the income statement under IFRS, as we have not previously applied hedge accounting for these. Consequently, for the period 2021-2025, EBITDA (according to IFRS) will be higher with a similar amount compared to what the business performance EBITDA would have been in the same period if we had continued to report based on this principle.

For 2021, EBITDA according to IFRS is expected to be DKK 1.1 billion higher than what we would have expected if we had kept reporting according to the business performance principle. The main part of the amount is related to site EBITDA in Offshore. This effect is included in our directional guidance described above.

In the management's review, part of our interim and annual reports in 2021, we will use business performance as comparable numbers for 2020 for a better like-for-like comparison, while our consolidated financial statements will be reported after IFRS only.

Read more in notes 1.4 and 1.6 on pages 88 and 90, respectively.

Uncertainties, prices, and hedges

Our offshore wind farms are largely subject to regulated prices, implying a high degree of revenue certainty. This means that we know the price per generated MWh for most wind farms in Denmark and Germany, our first Dutch wind farm as well as the CfD wind farms in the UK. For our British ROC wind farms, we also know the subsidy per

generated MWh which we will receive in addition to the market price.

The part of our generation from offshore and onshore farms and power plants which is exposed to market prices has to a large extent been hedged for 2021. The same applies to our currency risks. The market value of financial hedging instruments relating to our operations and divestments of assets deferred for recognition in EBITDA amounted to DKK 0.1 billion at the end of 2020. This effect is included in the outlook for 2021 (see note 1.6).

The most significant uncertainty about the operating profit from existing activities in 2021 relates to the size of our power generation which depends on wind conditions, ramp-up of new wind farms, and asset availability.

Forward-looking statements

The annual report contains forward-looking statements which include projections of our short- and long-term financial performance and targets as well as our financial policies. These statements are by nature uncertain and associated with risk. Many factors may cause the actual development to differ materially from our expectations.

These factors include, but are not limited to, changes in temperature, wind conditions, wake and blockage effects, precipitation levels, the development in power, coal, carbon, gas, oil, currency, and interest rate markets, changes in legislation, regulations, or standards, the renegotiation of contracts, changes in the competitive environment in our markets, and reliability of supply. Read more about the risks in the chapter 'Risk and risk management' and in note 7.

Financial estimates and policies

Financial estimates

We remain well on track to deliver on our long-term financial targets.

For the period 2019-2025, we expect total gross investments of approx. DKK 200 billion, of which DKK 50 billion was spent in 2019 and 2020.

From 2017 to 2023, we expect an average increase in operating profit (EBITDA) from offshore and onshore wind and solar farms in operation (including O&M agreements and power purchase agreements) of 20 % annually, reaching a level of DKK 25-26 billion in 2023.

The largest share of Ørsted's operating profit (EBITDA) will be generated by long-term contract-based or regulated activities. We expect an average of around 90 % of EBITDA in the period 2019-2025 to stem from long-term contract-based or regulated activities.

Our target is an average return on capital employed (ROCE) of approx. 10 % for the Group in the 2019-2025 period.

Financial policies

The Board of Directors recommends to the annual general meeting that a dividend of DKK 11.5 per share be paid for 2020, equating an increase of 9.5 % and a total of DKK 4.8 billion.

Supported by the expected increase in cash flows from future offshore and onshore wind farms, we still intend to increase annual dividends by a high single-digit percentage compared to the previous years' dividends, covering the period up until 2025.

Our dividend policy and other expected capital allocations are subject to our commitment to our BBB+/Baa1 rating profile.

Capital Markets Day 2021

On 2 June 2021, we will host a Capital Markets Day. Together with the Executive Committee, CEO Mads Nipper will present an update to our long-term strategy and financial targets.

Financial estimates

	Target	Year
Total CAPEX spend	DKK 200 bn	2019-2025
Average return on capital employed (ROCE)	~10 %	2019-2025
Average share of EBITDA from long-term regulated and contracted activities	~90 %	2019-2025
Average yearly increase in EBITDA from offshore and onshore wind farms and solar farms in operation	~20 %	2017-2023



Read more about our key metrics, financial targets, and policies in the presentation from our Capital Markets Day in November 2018 at orsted.com/en/capital-markets-day and in our update in October 2019 on our long-term targets [here](#).



Our current rating is in accordance with the policy.

Financial policies

Rating	Min. Baa1/BBB+/BBB+ (Moody's/S&P/Fitch)
Capital structure	~30 % (FFO/adjusted net debt)
Dividend policy	Ambition to increase the dividend paid by a high single-digit rate compared to the dividends for the previous year up until 2025



Coastal Virginia Wind, off the coast of Virginia Beach, the US.



Our business

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Our East Coast Hub in Grimsby, the UK, is the world's largest offshore operations and maintenance centre. It serves our four operational wind farms in the area, along with the construction of a fifth. Aarron is based there as a wind turbine technician on Hornsea 1 Offshore Wind Farm. He is one of hundreds working in a job generated by Ørsted, whose investment here has reinvigorated the former fishing town's economy.

A catalyst for change

2020 demonstrated the vulnerability of global society.

In the past year, the world was shaken by a global pandemic with more than 80 million cases of COVID-19 and more than 1.8 million lives lost, disrupting all parts of the global economy.

In parallel with the unprecedented pandemic, 2020 ended as another record-breaking year for climate change as it became the joint hottest year on record and by far the warmest year ever recorded in Europe, while the frequency and severity of extreme weather events continued to increase. In February, the Antarctic hit 20 °C for the first time ever, and its ice cap shrank to the second-smallest ever. Record-breaking wildfires raged through Australia and the US West Coast, fuelled by longer dry seasons and extreme events like heatwaves. We saw the most active Atlantic hurricane season on record, and an unusually heavy monsoon flooding in India and in South and East Asia ruined millions of homes.

The unprecedented events of 2020 have clearly reinforced the urgency to change the way humanity treats our planet and accounts for environmental and social risks. Climate change threatens to fundamentally change the conditions for life on our planet. The importance of collective action, decision-making based on facts and guided by science, and decisive reactions are more evident than ever. And while it is of essence that the transition to a global green economy happens in balance with our natural environment and societies,

it is critical that we keep momentum. This is a moment for the world to take bold and necessary action. The need to build a more sustainable world has never been stronger.

How to stay below 1.5 °C

The science is clear: We are heading towards an increasingly vulnerable world with complex environmental, health, and economic crises if we do not act now. To meet the 1.5 °C Paris Agreement goals, humanity must at least halve global carbon emissions during the next ten years.

The first important stones have been laid to ensure the right conditions for this to happen. Wind and solar PV are today the cheapest sources of new-built generation in at least two-thirds of the world. Since 2012, the cost of electricity from offshore wind has decreased by 66 % and is now lower than electricity generated by nuclear power, coal, or natural gas. So far, 121 countries have committed to net zero emissions by 2050, along with 454 cities and almost 1,400 businesses. Through the Net-Zero Asset Owner Alliance, 33 of the world's largest investors with USD 5.1 trillion of assets under management have agreed on portfolio decarbonisation

targets to align portfolios with a 1.5 °C scenario. With the Green Deal, the EU has increased its green ambitions towards 2030, which can help drive further deployment of renewable technologies in the EU.

Still, progress is not happening remotely fast enough to reduce emissions at the necessary

pace. Although we saw global carbon emissions fall temporarily in 2020 due to COVID-19 lockdowns and the resulting slowdown of the global economy, these reductions were neither systemic nor sustainable. In fact, supply chain disruptions from COVID-19 temporarily delayed the build-out of renewable energy in the EU energy sector.

The EU is defining 'green'

Sustainable finance is a critical enabler of the green transformation of industries across the EU and globally. For the energy industry alone, the IPCC estimates a USD 2.4 trillion annual shortfall in clean energy investment through 2035 to meet the 1.5 °C Paris Agreement goal. Mobilisation and reallocation of institutional and private capital will be necessary to meet this challenge. The global economy remains far from operating at a net-zero level, and emissions are not being reduced by the required volume and pace. At the same time, countries and businesses need to prepare better for a changing climate.

The EU is preparing a taxonomy to be used as a tool to help plan and report on the transition to an economy that is consistent with the EU's

environmental objectives. Upcoming taxonomy regulation will determine when an economic activity can be considered sustainable.

In 2018, The European Commission established a technical expert group on sustainable finance which was assigned with developing recommendations on the taxonomy's technical screening criteria for the objectives of climate change mitigation and adaptation. The group's recommendations were presented to the European Commission in March 2020 and generally formed the basis for draft legislation put forward by the Commission in November 2020.

At Ørsted, we plan to align with the taxonomy after the final version is launched by the EU, expectedly in 2021.

Limiting global warming to 1.5 °C will require a structural change of the global energy system as 73 % of global greenhouse gas emissions come from the use of energy, mainly due to the burning of fossil fuels. The 1.5 °C pathway requires a significant increase in electrification, acceleration of green energy build-out, phasing out of fossil fuels, and increased energy efficiency. The share of electricity in overall energy consumption must increase from about 20 % today to at least 50 % by 2050. The projected rate of the green energy build-out must be more than doubled towards 2030, and coal-fired power generation needs to be phased-out at least three times faster than the projected rate of retirement.

By a wide margin, climate change is humanity's greatest challenge. Although renewable energy build-out has the risk of impacting land-use and biodiversity, it is critical we keep momentum. The global energy industry has the technologies and capabilities needed to undertake the transformation. Now, it is time to act. It is time to deliver on commitments, to deploy and scale technologies at hand, and to accelerate the transformation to a sustainable society.

Ørsted wants to be a catalyst for change

Our vision is a world that runs entirely on green energy. Every day, we act as a catalyst for the change needed to build a sustainable energy supply. Over the past decade, we have

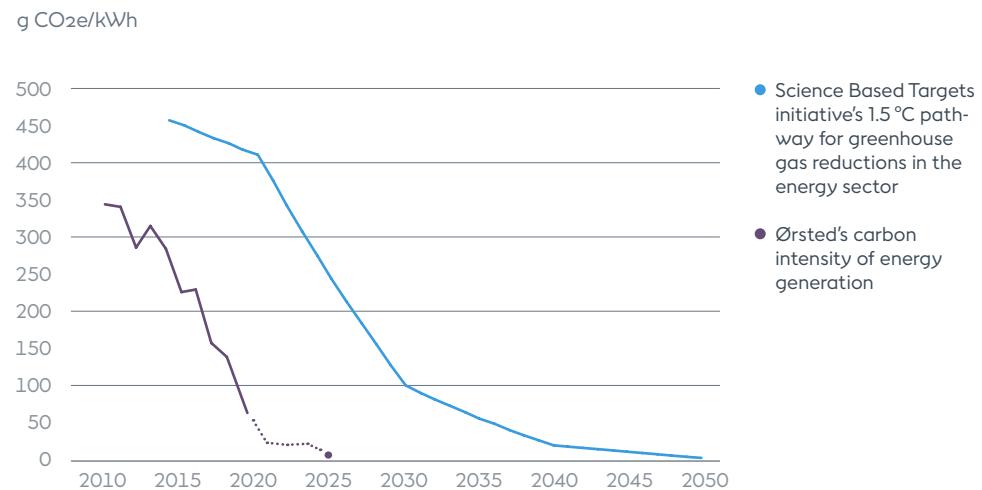
transformed our business fundamentally, from being one of the most carbon-intensive utilities in Europe to becoming a renewable energy major and one of the most sustainable companies in the world. We are committed to taking a leading role in the global green energy transformation, and we have set ambitious targets for reducing our carbon footprint.

By 2025, we aim to be a carbon-neutral company (emission scopes 1 - 2), which we plan to achieve by at least a 98 % reduction in carbon emissions from our energy generation and operations compared to 2006. The remaining less than 2 % will be either eliminated or covered by certified carbon offsets. By 2040, we aim to reach net-zero emissions across our entire value chain (scopes 1 - 3), having a midway target to reduce our scope 3 emissions by 50 % by 2032. Our carbon reduction targets are confirmed by the Science Based Targets initiative to be consistent with the reductions required by energy companies to keep global warming below 1.5 °C and are the most ambitious science-based targets in our sector.

In 2020, we made significant progress towards these targets with green energy build-out and scaling-up of new technologies, including renewable hydrogen. During the year, we added 1.4 GW of installed renewable energy capacity in onshore and offshore wind, adding up to our total of 11.3 GW. Our carbon emissions intensity

We are on track to becoming carbon-neutral already in 2025

Carbon intensity of energy generation and operations (scopes 1 and 2)



Climate-related financial disclosures

At Ørsted, we are aware of the transitional and physical impacts of climate change on the resilience of our business as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). By endorsing and aligning our practices and reporting with the TCFD recommendations over the past three years, we have crystallised our understanding and disclosure of climate-related risks and opportunities.

Our TCFD disclosure is integrated throughout the strategy, risk, and governance sections of this annual report. This year, we expanded our ESG performance report to include a one-page overview with references to our TCFD alignment: orsted.com/ESGperformance2020

Our contribution to the Sustainable Development Goals

The year 2020 reinforced the global realisation of people, businesses, and nature being interconnected and interdependent. Experiences of the past year clarified the need to deliver on the United Nations' 17 Sustainable Development Goals (SDGs) which address the key economic, social, and environmental challenges the world faces and acts as a global framework for achieving a more sustainable future.

We acknowledge that the resilience and long-term success of Ørsted's business directly depend on us supporting a global society that is in balance with the resources of our planet, protecting natural habitats and local communities as much as economic growth. To sustain our long-term value creation, we ensure that our green energy build-out is executed sustainably through a systematic and programmatic approach to sustainability. We seek to strengthen the positive impacts and to mitigate and avoid potential negative impacts derived from our core business activities and a global green transition.

With our core business, we aspire to have a transformative impact on SDG 7 on affordable and clean energy and SDG 13 on climate action. Moreover, we indirectly impact several other SDGs, especially those listed to the right.



Catalysing the green energy transformation



Addressing the sustainability impacts of the green energy transformation



We report on our SDG contributions and impacts and all our 20 sustainability programmes in our sustainability report, orsted.com/sustainability2020. A full ESG data overview and our accounting policies are available in our annual ESG performance report, orsted.com/ESGperformance2020.

Together, the two reports constitute our annual Communication on Progress to the UN Global Compact and comply with the requirements for corporate social responsibility reporting set out in section 99 a of the Danish Financial Statements Act as well as section 99 b on gender distribution and section 107 d on diversity at management levels.

(scopes 1 and 2) decreased in 2020 by 11%. However, 2020 showed an increase in Ørsted's absolute carbon emissions due to a temporary increase in our use of coal of 13% at our Danish power plants. Our service obligations in Denmark require us to provide ancillary services that help grid operators maintain a reliable electricity system. This sometimes requires the use of coal to ensure a stable supply of energy. Our commitment to end our use of coal by 2023 remains unchanged, and we are on track towards this goal. Until then, however, we may see fluctuations in coal consumption, driven by market and weather conditions.

The next frontier in our journey towards net-zero emissions in our total carbon footprint by 2040 is to gradually phase out our supply of gas from long-term gas contracts and to decarbonise our supply chain. Therefore, we allow existing long-term gas contracts to expire gradually and do not enter into new contracts. Across our supply chain, we are committed to reaching beyond our own emissions and to working with our suppliers to gradually remove carbon emissions. Thus, we encourage our strategic suppliers to: 1) disclose their emissions and set science-based targets aligned with a 1.5 °C scenario, 2) use 100 % green electricity in the manufacturing of wind turbines, foundations, cables, and substations by 2025, 3) optimise their vessel fleets and develop a roadmap towards powering vessels with renewable energy.

We launched our supply chain decarbonisation programme a year ago. During this first year, we have focused on building the foundation and management structure to drive our programme and have begun to engage with our strategic offshore wind suppliers on the decarbonisation journey ahead. The offshore wind supply chain today includes carbon intensive activities, particularly the use of energy-intensive construction materials, such as steel, aluminium, and copper, as well as fuel for offshore construction vessels. As part of our dialogue with our top strategic suppliers, including wind turbine, foundation, and cable manufacturers, we support them in building solid and uniform carbon accounting policies and data capture by utilising the CDP reporting framework. Based on this solid foundation, we will work with our suppliers over the coming years to establish emission reduction roadmaps and targets supporting our overall strategic targets.

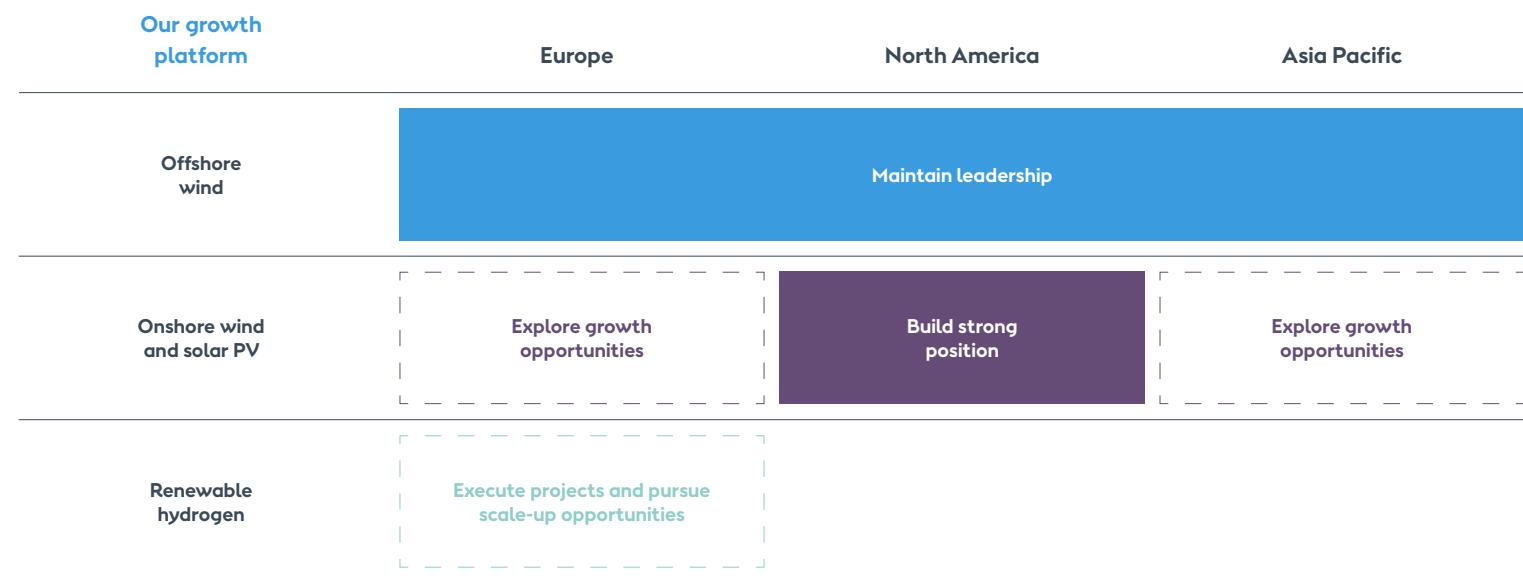
Our strategic aspiration and growth platform

Our global leadership position in offshore wind and strong North American position in onshore wind and solar photovoltaics (PV) provide a solid foundation for tapping into the significant growth opportunities in renewable energy and for realising our aspiration of becoming a global green energy major.

Ørsted develops, constructs, owns, and operates wind farms, solar farms, and energy storage facilities, and we own and operate bioenergy plants. In addition to our generation activities, Ørsted engages in partnerships and develops projects related to the production of renewable hydrogen. Finally, we bring our power and heat to market and engage in trading activities to secure offtake and provide energy solutions to our customers.

We are the largest offshore wind constructor in the world, and we are market leader in each of the four regions where we operate: the UK, Continental Europe, North America, and Asia Pacific, excluding mainland China. Our strategic ambition is to maintain a market-leading position in all regions where we operate.

Our onshore wind and solar PV business is expanding rapidly, and we are now among



the five largest US constructors in terms of new capacity additions in 2020. Our strategic ambition is to further strengthen our position in North America by building a diverse onshore wind and solar PV portfolio. In addition, we continue to monitor onshore growth opportunities in Europe and Asia Pacific.

We see increasing political support in Europe for the development of renewable hydrogen. When produced with renewable power, hydrogen offers a solution for decarbonising industries such as ammonia, steel, refining, and

heavy transport where direct electrification is difficult or impossible. However, renewable hydrogen is currently not cost-competitive with fossil-based alternatives. Significant challenges must be overcome to create and scale a hydrogen market, requiring action from both policymakers and companies.

Ørsted has established a pipeline of eight renewable hydrogen projects in Denmark, Germany, the UK, and the Netherlands. In January 2021, we took FID on our first renewable hydrogen project, marking the beginning

of a new phase in Ørsted's green transformation journey. We see growth potential in renewable hydrogen and are pursuing scale-up opportunities as we execute on our pipeline.

Our growth platform in offshore wind, onshore wind, and solar PV, and our growth potential in renewable hydrogen provide a solid foundation for realising our aspiration of becoming a global green energy major.

Our markets and strategy

Global demand for renewable energy is increasing. We are well-positioned to tap into this growth and are on track to maintain our undisputed leadership position in offshore wind as we continue to strengthen our position in onshore wind and solar PV.

Global installed renewable capacity is expected to exceed 4 TW in 2030, more than double today's capacity. Offshore wind, onshore wind, and large-scale solar PV are expected to grow towards 2030 by 19%, 11%, and 9% per year, respectively. This reflects increasing demand for electricity worldwide, ambitious government decarbonisation programmes, and the cost-competitiveness of renewable technologies – many of which still have not fully matured.

So far, renewables have proved resilient to the impacts of COVID-19 compared to other sectors, and long-term capacity forecasts have remained stable. Bloomberg New Energy Finance's (BNEF) post-COVID-19 2030 forecast for renewable capacity fell by just 1% relative to last year's forecast. In the short term, some delays to renewable energy projects are anticipated; however, growth is expected to resume in 2021 as delayed projects come online. We also see COVID-19 recovery packages adding new impetus to green transitions in some markets. Most notable is the European Commission's EUR 750 billion package which focuses on decarbonising buildings, supporting growth in renewable power, and accelerating investment into renewable hydrogen and clean transport. However, it is currently not possible to know the long-term impact of COVID-19.

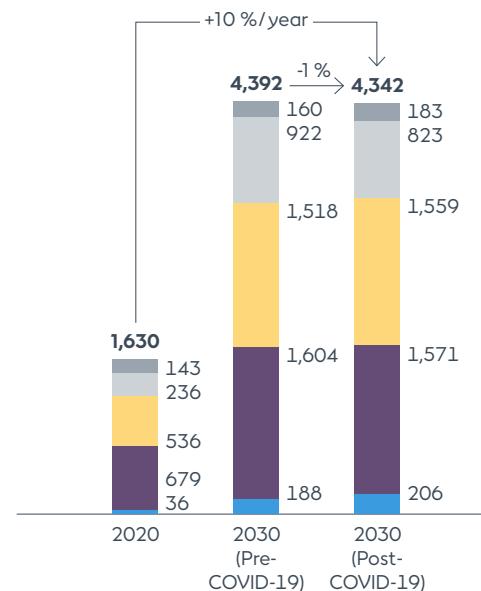
Across our markets, we are experiencing growing demand from companies for corporate power purchase agreements (CPPAs). CPPAs

Global renewable energy capacity by technology¹
GW installed

CAGR

- 19 % offshore wind
- 9 % onshore wind
- 11 % large-scale PV

- 13 % small-scale PV
- 2 % biomass



have long been an important part of doing business in onshore wind and solar PV, and in 2020, we signed over 700 MW of CPPAs with five different customers across four US projects. Ørsted is also playing a key role in developing the global CPPA market for offshore wind, with several landmark agreements in 2020. In July, Ørsted and Taiwan-based TSMC signed a 20-year contract, under which TSMC will offtake the full production of Ørsted's 920 MW offshore wind farm Greater Changhua 2b & 4, making it the world's largest renewables CPPA. In December, we signed a 10-year CPPA with Amazon who will offtake 250 MW of Borkum Riffgrund 3 Offshore Wind Farm's total capacity of 900 MW. This is Europe's largest CPPA to date.



¹ Excludes solar thermal, geothermal, marine, tidal, and others which combined account for less than 1% of capacity.

Source: BNEF New Energy Outlook 2019 for pre-COVID-19 2030 forecast and BNEF New Energy Outlook 2020 for 2020 capacity and post-COVID-19 2030 forecast for all technologies except offshore wind. Offshore wind figures from BNEF Offshore Wind Market Outlook H2 2019 for pre-COVID-19 2030 forecast and BNEF Offshore Wind Market Outlook H2 2020 for 2020 capacity and post-COVID-19 2030 forecast.

Competition within the renewables industry is intensifying due to the significant growth opportunities ahead. New competitors have entered the market, oil majors have announced significant renewable energy ambitions, and leading utilities are reshaping and expanding their renewable portfolios. We welcome the increasing involvement of new and existing players as the build-out of renewable energy must accelerate if we are to halve global emissions by 2030 in line with the Paris Agreement. We continue to see many profitable growth opportunities and remain confident that we will meet the strategic ambition set in November 2018 of installing more than 30 GW of renewable capacity by 2030.

Ørsted is organised into three business units. Offshore includes our offshore wind portfolio and our emerging renewable hydrogen business, and Onshore is responsible for our onshore wind and solar PV portfolio. Markets & Bioenergy plays an important role in supporting our generation portfolio by providing services that help offtake Ørsted's energy production and manage our risk exposure. It is also responsible for our portfolio of combined heat and power (CHP) plants which provide green heat and power as well as ancillary services to Denmark's energy system, making a significant contribution to the Danish decarbonisation efforts.

Offshore

The global offshore wind market

In 2020, global installed offshore wind capacity reached 24 GW, excluding mainland China. Significant market growth is expected towards 2030, driven by offshore wind's large technical potential (i.e. the achievable energy production given environmental, land-use, and system constraints) and rapidly declining LCoE, combined with supportive policy targets and regulatory frameworks. BNEF estimates that approx. 7 GW of offshore wind will be

built annually from 2020 to 2025, and that annual installations will almost triple to an average of 20 GW per year from 2025 to 2030 as growth in North America and Asia Pacific accelerates.

Our ambition and strategic focus in offshore wind

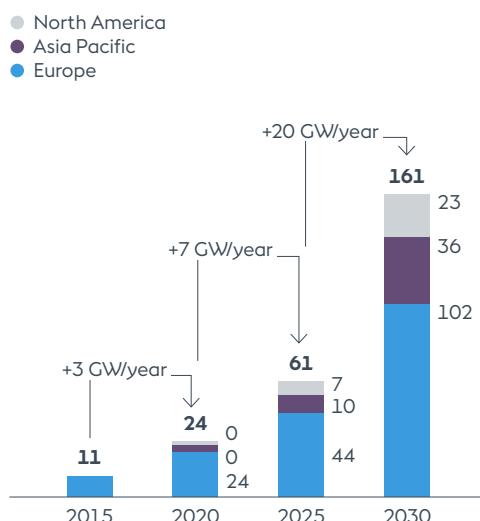
Ørsted is the world leader in offshore wind, with a market share of approx. 30 % of global capacity installed, excluding mainland China. We have played a key role in maturing the industry, and we have built more offshore wind

farms worldwide than any other company. By the end of 2020, Ørsted had 7.6 GW of capacity installed, 2.3 GW of capacity under construction, and a further 5.0 GW of capacity awarded.

Competition is intensifying as growth opportunities in offshore wind increase. This means that Ørsted cannot and should not win all the auctions and tenders in which we participate. We remain financially disciplined in our bidding and final investment decisions to make sure we build a healthy, sustainable business and, over

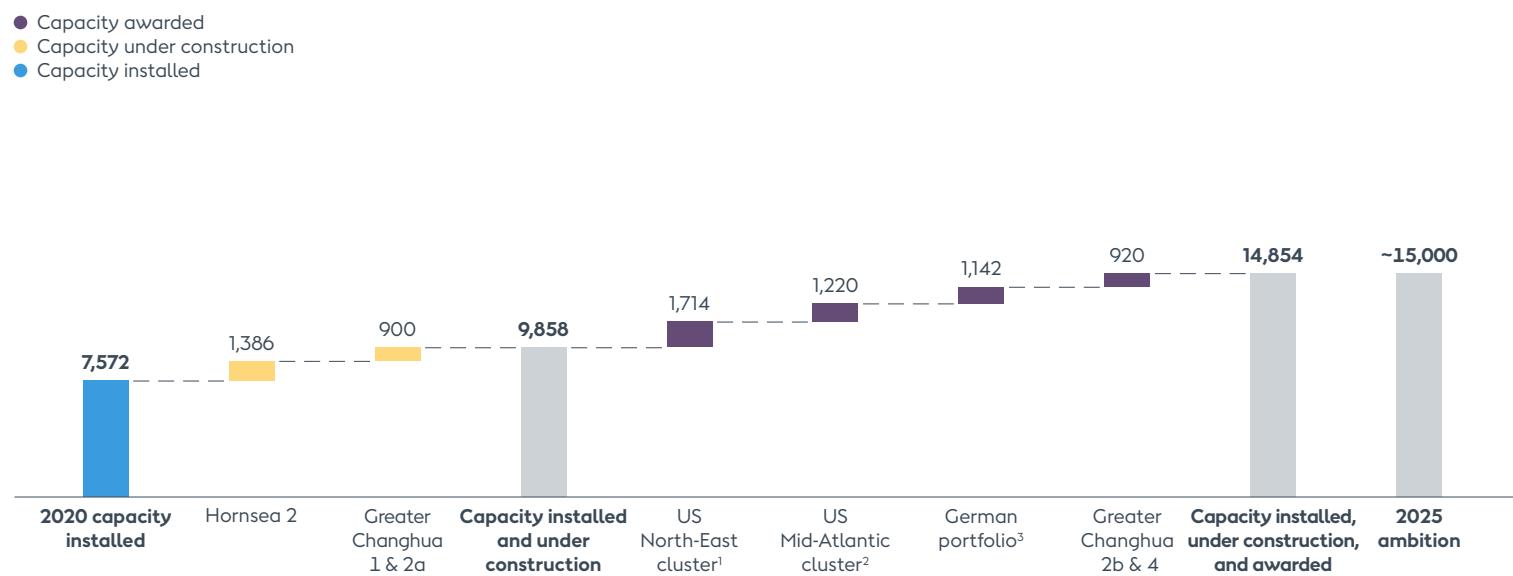
time, secure enough wins to fulfil the strategic ambition set in November 2018 of maintaining our market leadership position in offshore wind and of reaching 15 GW of installed offshore wind capacity by 2025. With our current portfolio of projects under construction and awarded, we have nearly reached this target.

Global offshore wind capacity, excl. mainland China
GW installed



Source: BNEF Offshore Wind Market Outlook H2 2020.

Offshore capacity build-out towards 2025,
MW



¹ US North-East cluster: South Fork (130 MW), Revolution Wind (704 MW), and Sunrise Wind (880 MW).

² US Mid-Atlantic cluster: Skipjack Wind (120 MW) and Ocean Wind 1 (1,100 MW).

³ German portfolio: Gode Wind 3 (242 MW) and Borkum Riffgrund 3 (900 MW).

Selected government offshore wind and renewable energy targets

Region	Total capacity GW [†]	Target	Region	Total capacity GW [†]	Target
Europe					
UK	19.7	40 GW by 2030	New York	4.4	9 GW by 2035
Germany	10.8	20 GW by 2030, 40 GW by 2040	New Jersey	1.1	7.5 GW by 2035
Netherlands	5.3	11.5 GW by 2030	Virginia	0.0	2.5 GW by 2026, 5.2 GW by 2034
Poland	n.a.	10.9 GW awarded by 2027	Massachusetts	1.6	3.2 GW by 2030
France	3.5	8.75 GW tendered by 2028	Connecticut	1.1	2 GW by 2030
Denmark	2.7	7 GW tendered by 2030	Maryland	0.1	1.6 GW by 2030
Belgium	2.3	4 GW by 2030	Rhode Island	0.4	100 % renewable energy by 2030*
Ireland	0.0	3.5 GW by 2030	California	n.a.	100 % clean power by 2045**
Baltic States	n.a.	1.7 GW tendered by 2030 ¹	Japan	0.2	10 GW by 2030, 30-45 GW by 2040
Italy	0.0	0.9 GW by 2030	Taiwan	5.7	15.5 GW by 2035 ³
Sweden	0.2	100 % renewable energy by 2040*	South Korea	0.1	12 GW by 2040



Targets are subject to change and indicate installed capacity, unless otherwise noted.

¹ Lithuania has drafted a law to tender 700 MW of offshore wind by 2023. Latvia and Estonia have signed a memorandum of understanding for a joint offshore wind tender of 1 GW to be commissioned by 2030.

² State modelling shows approx. 10 GW of offshore wind is needed to meet clean power target.

³ Taiwan has met its target of 5.5 GW commissioned by 2025. It has set a goal of adding an additional 10 GW of offshore wind capacity between 2026 and 2035.

* Clean energy target, technology not specified.

† Total capacity includes capacity in operation, under construction, and awarded capacity.

Our offshore regions and renewable hydrogen

The UK

The UK is an attractive, advanced market with sophisticated regulatory schemes supporting an efficient and competitive deployment of offshore wind. With over 10 GW in operation today, the UK is the largest offshore wind market in the world. It also has one of the most ambitious national build-out programmes and is targeting 40 GW by 2030. With a visible pipeline of over 50 GW, the region is well-positioned to achieve this target.

Ørsted is market leader in the UK with a market share of 42 % of installed capacity.

Our portfolio includes 5.8 GW of capacity installed and under construction and up to 5 GW of capacity under development in the Hornsea zone, more specifically our Hornsea 3 and 4 projects. The UK is our largest market, and we currently operate 15 offshore wind farms in British waters.

Continental Europe

Offshore wind build-out is expected to accelerate in Continental Europe, driven by the European Commission's European Green Deal and offshore renewable energy strategy. In the latter, the commission has set an objective of installing 60 GW of offshore wind by 2030 and 300 GW by 2050 within the EU 27 to meet the climate goals of the Paris Agreement.

At the country level, ambitions are also growing. Denmark, Germany, and Poland raised their renewable and offshore wind targets in 2020. BNEF estimates that European offshore wind capacity will grow from 14 GW today to 64 GW by 2030, exceeding the EU's goal.

Ørsted has a strong position in Continental Europe. We are the largest offshore wind player with a market share of 23 % of installed capacity. Our operating portfolio totals 3.1 GW, and we have been awarded 1.1 GW in Germany. We have a strong market position in all major offshore wind markets in addition to significant partnership experience and an extensive industry network across Continental Europe.

North America

US states are driving demand for offshore wind in North America, as state policymakers expand renewable energy programmes to meet decarbonisation goals. The US has less than 0.1 GW of offshore wind installed today, but is forecast to reach 7 GW by 2025 and 23 GW by 2030.

Ørsted operates Block Island, the US's first offshore wind farm, and we were the engineering, procurement, and construction lead for the pilot project Coastal Virginia Wind, the first offshore wind project in US federal waters, commissioned in October 2020. We have gained strong market traction as well as built partnerships in the emerging US market

with approx. 2.9 GW of capacity awarded and 4.5 GW of capacity under development along the East Coast.

Asia Pacific

Robust and favourable regulatory regimes position Asia Pacific as an important region for offshore wind. Asia Pacific has 0.4 GW of installed capacity today, but is expected to reach 36 GW by 2030, mostly driven by build-out in Taiwan, Japan, and South Korea. Taiwan has met its target of awarding 5.5 GW to be commissioned by 2025 and has released a draft auction guideline for the next 10 GW planned for construction between 2026 and 2035. Japan set new offshore wind targets in December 2020 and is now aiming for 10 GW

by 2030 and 30 to 45 GW by 2040. Achieving these goals would make Japan one of the largest offshore wind markets in the world. South Korea has announced it plans to build 12 GW of offshore wind to reach its aim of 20 % renewables in its energy mix by 2030 and up to 35 % by 2040.

Ørsted is well-positioned to expand in Asia Pacific. We are the number one offshore wind player, excluding mainland China, with 0.1 GW of capacity in operation, 0.9 GW of capacity under construction, and 0.9 GW of capacity awarded. We have a strong pipeline of project opportunities in Taiwan, Japan, and South Korea, supported locally through offices in Taipei, Tokyo, and Seoul.

Renewable hydrogen

In addition to offshore wind, we are pursuing opportunities in renewable hydrogen in Europe. In July, the European Commission launched the European Clean Hydrogen Alliance with the target of building 6 GW of electrolyser capacity by 2024 and up to 40 GW by 2030. The commission has an ambition of making Europe a global frontrunner within renewable hydrogen, and we expect this ambition to create additional growth opportunities for Ørsted, if policies and regulatory incentives make projects economically viable.

Our pipeline focuses on the application of renewable hydrogen in refinery processes,

ammonia production, and fuel production for trucks, buses, vessels, and planes. With the FID on the H2RES project in January, Ørsted has 2 MW of electrolyser capacity under construction. The facility will produce renewable hydrogen to be used as fuel in road transport and will provide important learnings to help turn Europe's ambitious targets into reality.

Expected offshore wind auctions and tenders in 2021¹

Award in 2021	H1 2021	H2 2021	Timing not yet announced	2021/2022
 Award in H2 2021 Maryland 2 ~400 MW	 Japanese round 1 ~1,500 MW	 UK round 4 up to 12,000 MW	 Massachusetts 3 1,600 MW	 German tender 900 MW
 Award in Q2 2021 New Jersey 2 up to 2,400 MW		 Rhode Island up to 600 MW	 Connecticut 4 ~ 1,000 MW	 French tender 4 1,000 MW
		 Maryland 3 ~ 400 MW	 Danish tender 800-1,000 MW	 Q4 2021/Q1 2022 Holland Coast West 1,520 MW
				 H2 2021/H1 2022 Taiwan auction TBA

¹ All auction and tender timelines and capacities are based on current expectations and are subject to change.

Onshore

The North American onshore wind and solar PV markets

Onshore renewable energy is the largest non-fossil energy source in the world. Onshore wind and large-scale solar PV accounted for 75% of installed renewable capacity and 77% of new capacity additions worldwide in 2020.

In North America, onshore wind is the leading renewable technology. It reached 134 GW of installed capacity by the end of 2020 and is expected to continue growing by 5% per year towards 2030. Large-scale solar PV comes in second at 57 GW and is expected to accelerate towards 2030 at an annual rate of 10%. The strong growth in solar PV is fuelled by its ability to cost-effectively replace retiring fossil-fuelled power stations across much of the western, central, and south-eastern US. In addition, companies are signing more solar CPPAs as they look to procure energy from different technologies in order to supply their operations 24/7 with clean energy.

Our ambition and strategic focus in onshore wind and solar PV

Our Onshore business gained strong traction in 2020. Ørsted is now among the five largest constructors in the US when measured by new capacity additions. Last year, we commissioned the onshore wind farms Sage Draw, Plum Creek, and Willow Creek and took final investment decisions on the onshore wind farms Western Trail and Haystack. This makes our onshore wind portfolio one of the fastest growing in the US, and we rank fourth in annual MW installed last year. Furthermore,

the acquisition of Muscle Shoals and the final investment decision on Old 300 Solar Center strengthened our North American solar PV platform. Ørsted is currently ranked second in the US in terms of large-scale solar PV under construction. Our Onshore portfolio of assets installed and under construction now totals 3.4 GW, of which 2.3 GW is onshore wind and 1.1 GW is solar PV.

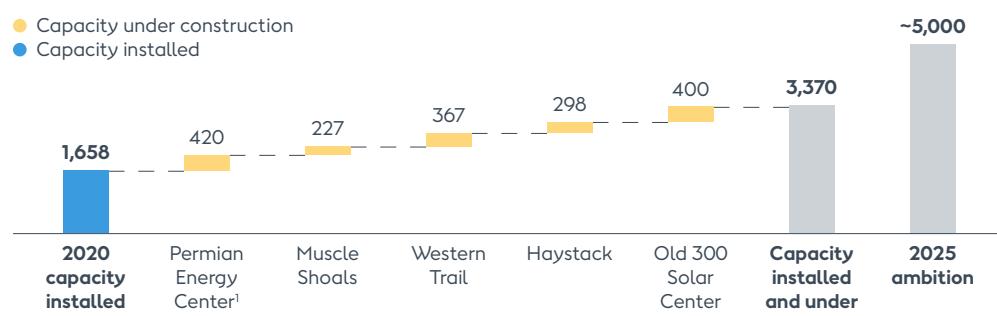
We also have 40 MW_{dc} of battery storage under construction in connection with the Permian Energy Center. We view energy storage as a complement to our renewables portfolio, and we continue to pursue storage projects that allow us to optimise our generation assets.

We are well on track to meet our target of 5 GW of installed capacity by 2025. When the Permian Energy Center comes online this year, we will have established a full-spectrum renewable portfolio in the US, spanning solar PV, onshore wind, offshore wind, and battery storage. Our strategic ambition is to build a strong North American position in onshore wind and solar PV. Onshore expansion is also part of our strategy, and we are actively seeking growth opportunities outside North America. Our initial focus is on Europe, but we continue to monitor opportunities in Asia Pacific.

Going forward, we aim to further diversify our onshore investments across markets and across our portfolio of technologies. This will allow us to offer new, global solutions to customers by taking advantage of complementary generation profiles, while reducing our risk exposure. In addition, we continue driving operational excellence,

Onshore capacity build-out towards 2025, MW

Capacity under construction
Capacity installed



¹ Permian Energy Center consists of 420 MW_{dc} solar PV capacity and 40 MW_{dc} of battery storage.

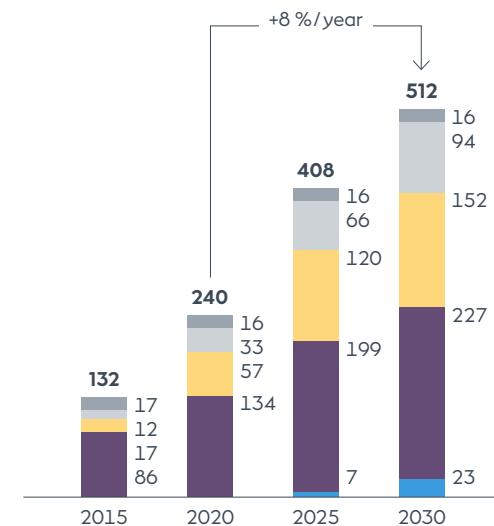
reducing LCoE, and working to secure tax equity financing for our projects in the medium term.

Long-term, we are focused on securing power purchase agreements to ensure solid economics after the phase out of the production tax credit and the investment tax credit for wind and solar PV projects, respectively. We will also continue developing the capabilities of our US-based trading unit which manages risk and protects the value of our US generation portfolio.

North American renewable capacity by technology¹ GW installed

Offshore wind
Onshore wind
Large-scale PV

Small-scale PV
Biomass



¹ North America includes the US and Canada. Excludes solar thermal, geothermal, marine, and tidal which combined account for less than 1% of capacity.

Source: BNEF New Energy Outlook 2020 for all technologies except offshore wind. Offshore wind figures from BNEF H2 2020 Offshore Wind Market Outlook.



Asnæs Power Station,
Kalundborg, Denmark.

Markets & Bioenergy

Markets & Bioenergy contributes to Ørsted's business in five ways. It provides an efficient route-to-market for commodities, including power and green certificates, for Ørsted and for third parties. Furthermore, it manages market risks for Ørsted's generation portfolio. The business unit is also responsible for operating, optimising, and decarbonising our portfolio of CHP plants and for optimising our gas portfolio. Finally, Markets & Bioenergy is responsible for the operation of our waste-recycling plant, Renescience Northwich, which was commissioned in October 2020.

The variable generation profiles of renewable assets do not always match short-term forecasts, and the difference needs to be balanced as power enters the market. Markets & Bioenergy supports Ørsted's generation activities by providing an efficient route-to-market, including balancing services, and seeks out opportunities to offer these services to third parties.

Constantly fluctuating commodity prices and changing market conditions require strong risk management capabilities to protect the value of Ørsted's generation portfolio. Markets & Bioenergy meets this challenge through the development and deployment of state-of-the-art risk monitoring and management tools for an expanding set of market risks.

Our portfolio of CHP plants continues to play a critical role in Denmark's heat and power systems and supports the green transformation by providing dispatchable power with a low carbon footprint. We have completed the planned conversions of our coal-fired units to renewable biomass and continue to source third-party certified sustainable biomass in line with Denmark's newly announced regulations. We are targeting full carbon neutrality in our CHP operations by 2025. This includes the planned closure of our last coal-fired power station in Esbjerg, Denmark, in 2023 and the implementation of offset projects for our CHP portfolio's remaining carbon footprint.

Natural gas is a fossil fuel and should be gradually phased out of the energy mix. Consequently, we neither enter into new long-term gas sourcing contracts nor prolong expiring contracts. Our focus is on maximising the value of our legacy natural gas portfolio through trading, contract negotiations, and portfolio optimisation.

Our capital allocation and funding

Our strategy is backed by a DKK 200 billion investment programme for the period 2019 to 2025 and is entirely funded by green capital.

In November 2018, we announced our strategic plan to invest DKK 200 billion from 2019 to 2025, with more than 95 % earmarked for our growth platform in offshore wind, onshore wind, and solar PV, the balance being dedicated to our Markets & Bioenergy activities. We have invested DKK 50 billion over the course of 2019 and 2020, primarily in Offshore and Onshore construction activities which total DKK 35 billion and DKK 13 billion, respectively.

We allocate capital according to the following principles in order of priority. First, we adhere to our strong commitment to our credit ratings (BBB+/Ba1). Second, we intend to increase our dividend by a high single-digit rate annually until 2025. Third, we invest in value-creating growth opportunities. Finally, potential excess capital will be returned to our shareholders in the form of additional dividends and/or share buy-backs.

The uncertainty concerning the economic impact of COVID-19 caused turbulence in financial markets in the spring of 2020. However, Ørsted's conservative approach to liquidity management allowed us to weather

the crisis, and we completed our scheduled funding activities as planned. In November, we issued 15 billion in NTD-denominated bonds. Furthermore, we completed the divestment of our Danish power distribution, residential customer, and city light businesses in August 2020, freeing up DKK 20.5 billion for investment in our growth platform.

Since 2017, all new capital has been issued in a green format in accordance with our Green Finance Framework. With this year's debt issuances, our total outstanding debt, excluding hybrids, amounted to DKK 37.1 billion, of which more than 51 % was issued in a green format.



Burbo Bank Extension,
Liverpool Bay, the UK.

Our strategic enablers

Achieving our aspiration of becoming a global green energy major requires continuously strengthening our organisation in three key areas: talent, digitalisation, and innovation.

Talent

Talent has been the cornerstone of Ørsted's transformation, and we will continue needing exceptional people with the right values as we grow our business and expand our geographical footprint. We want to be a global green energy major – powered by talent. Thus, we have a strong focus on employer branding, talent acquisition, inclusion, and well-being as well as the identification, development, and deployment of diverse talent around the world.

In 2020, we made significant progress on our talent ambition. We improved our positioning in the Universum employer branding rankings for Denmark. For example, Ørsted moved from 25th place in 2018 to seventh place in 2020 for experienced business professionals, with comparable changes in other candidate segments. We were also listed in FastCompany's Best Workplaces for Innovators for the first time – the only company with a European HQ in the top 20. As a result of such branding, and with increased focus on recruiting best-in-class, diverse talent, we hired and onboarded over 1,300 new employees around the world.

In addition, we launched our first Global Learning Week which was accessed by

thousands of employees. Usage of digital learning content in our learning management system has increased more than tenfold since 2018. We also delivered virtual learning programmes for all managers to enable them to support career development in their teams.

Finally, to ensure our culture is inclusive of diversity and supports our global growth, we surveyed all employees to understand their sense of opportunities and challenges in this area. The data gathered informs our focus on ensuring equal opportunities, cultivating psychological safety, and building inclusive virtual workplaces. Ørsted's Executive Committee has set targets for gender balance in all levels of the organisation and for the multicultural mix in our leadership team.

Digitalisation

Digitalisation is a key enabler of value creation at Ørsted. We systematically deploy a variety of digital technologies to streamline business processes to develop data-driven business cases, to drive state-of-the-art energy market and risk management, and to improve the design, construction, operations, and maintenance of our assets.

For example, Ørsted is using advanced data analytics and machine learning to achieve operations and maintenance cost reductions as well as annual energy production uplift. Calendar-based maintenance schedules are being substituted for a data-driven approach. This way, if an asset does not require physical maintenance at the scheduled time and can be inspected remotely, we avoid unnecessary costs.

We also utilise wind turbine data to continuously correct wind turbine yaw and pitch alignment. When aligned correctly into the wind, a wind turbine produces more electricity and is subject to less wear and tear over time. This increases the lifetime of the asset and reduces the lifetime maintenance cost.

Finally, we utilise algorithm-assisted power market trading in Continental Europe and the UK. Recent years have seen a significant increase in the frequency of trades and a decrease in the average tick size, leading to power trading at super-human speed. Digital capabilities enable us to create value in fast-moving commodity markets by securing good prices for the inherently long position Ørsted has within power generation.



East Coast Hub at the Port of Grimsby, Lincolnshire, the UK.



Humberside Airport,
near Grimsby, Lincolnshire,
the UK.

Innovation

Innovation is part of our DNA. The willingness to challenge the notion of what is possible and the ability to identify opportunities and to innovate our way around challenges were instrumental in our strategic transformation. These competences are also what allow us to maintain our leadership position in the rapidly growing renewables market.

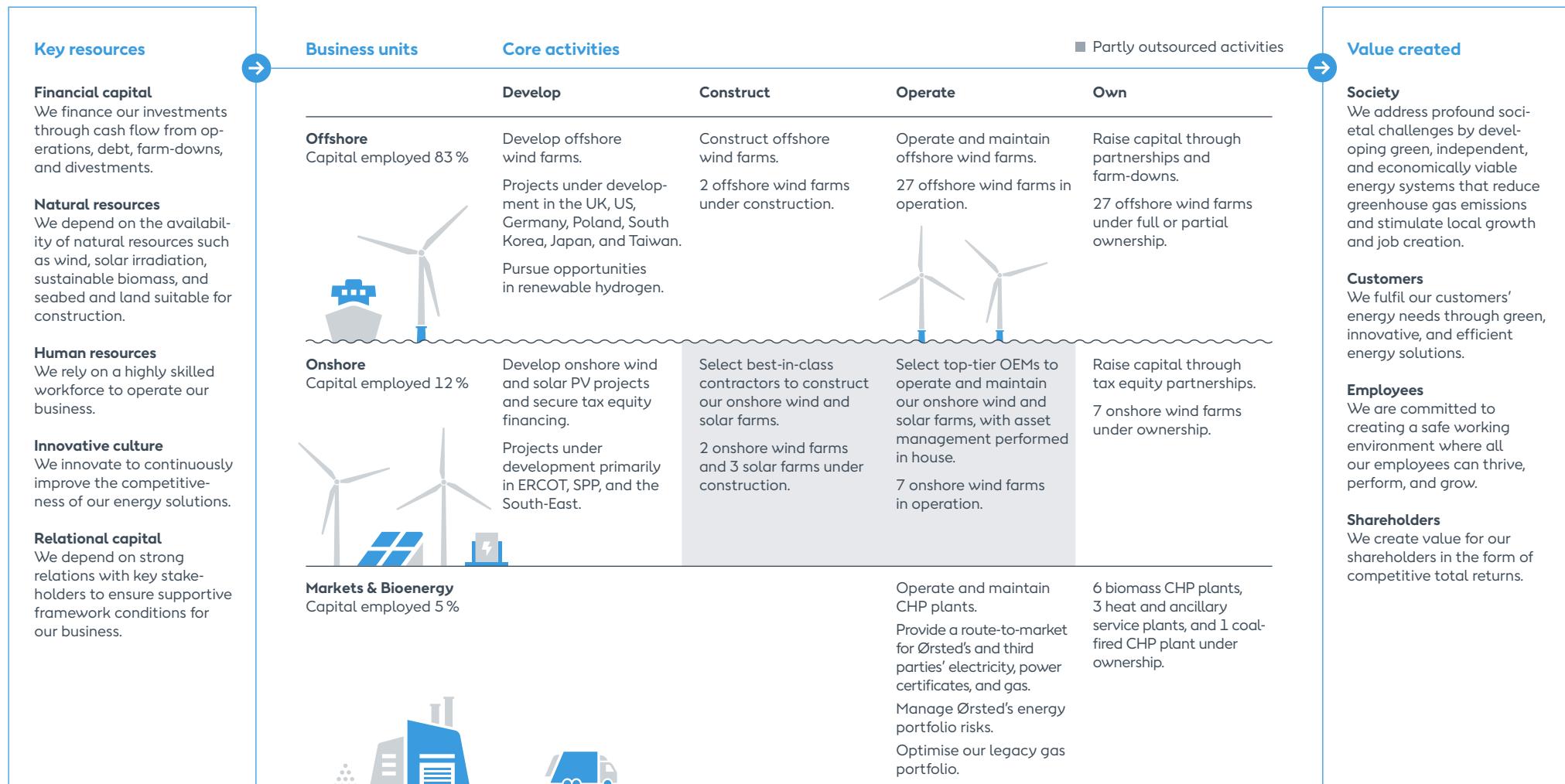
For example, we spearheaded the first commercial deployment of 66 kV array cables for an offshore asset project in 2020 at our Borssele 1 & 2 Offshore Wind Farm. Previously, 33 kV array cables were considered state-of-the-art. Ørsted challenged this idea, and we succeeded in marshalling support from our peers and supply chain for the development and implementation of the new cables, reducing losses and ensuring optimal substation design. The next step is the development of 132 kV array cables which will be needed to maximise the potential of the next generation of wind turbines with ratings of 15 MW or more.

In addition to pushing the boundaries of what is technically feasible, we are rethinking the deployment of renewable generation and transmission assets to support the green transition of Europe's energy system. The Danish parliament has decided to develop an offshore wind hub of 2 GW by 2030 off the coast of Bornholm, a Danish island in the Baltic Sea, with the potential of connecting Denmark, Poland, Sweden, and Germany

and of supporting the large-scale production of renewable hydrogen. We are engaged in ongoing dialogues with all stakeholders on how to expand the hub's potential and how to ensure timely progress. This new energy hub represents the next step in technological scale and innovation and is key to unlocking the enormous potential of offshore wind.

Finally, we continue to explore new products and technologies, focusing on the development and launch of combined technologies for Power-to-X. In 2020, we joined forces with a group of leading Danish companies, representing both suppliers and buyers of sustainable fuels, in the Green Fuels for Denmark partnership which aims to develop a ground-breaking hydrogen and e-fuels production facility with the first phase in operation as soon as 2023. When fully scaled up by 2030, the project will deliver more than 250,000 tonnes of sustainable fuel every year for buses, trucks, vessels, and planes. Production will be based on a total electrolyser capacity of 1.3 GW, which will likely make it one of the largest facilities in the world of its kind.

Our business model

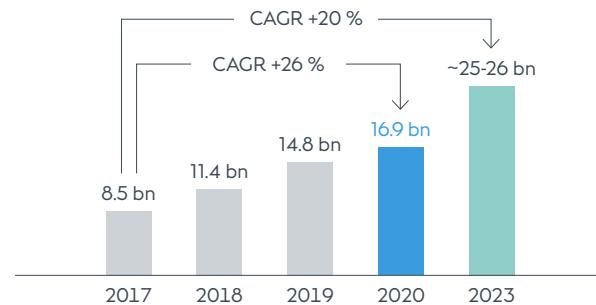


Our strategic targets

— ● Target

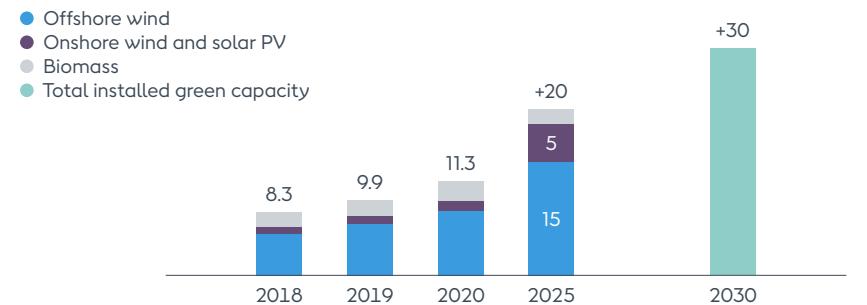
1. EBITDA from operating offshore and onshore sites, %

Our target is to increase EBITDA from our wind and solar farms in operation by an average of 20 % per year from 2017 to 2023. From 2017 to 2020, we averaged an annual growth rate of 26 % in line with our objective.



3. Installed green capacity, GW

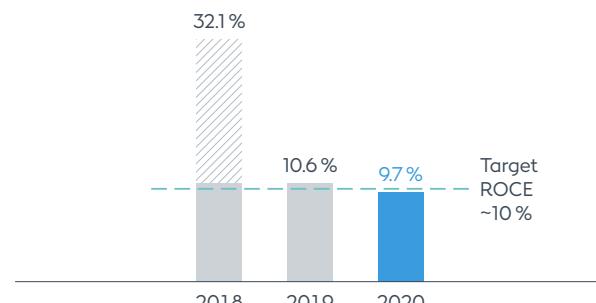
In 2018, we set an ambition to install more than 30 GW of green capacity by 2030. Of this, we aim to install 15 GW of offshore wind and 5 GW of onshore wind and solar PV by 2025. We are making good progress on our ambitions with 11.3 GW installed, 4.0 GW under construction, and 5.0 GW awarded at the end of 2020.



2. ROCE, %

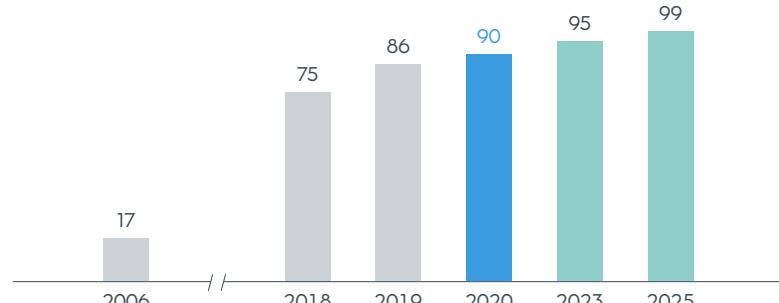
We target an average return on capital employed (ROCE) of approx. 10 % from 2019 to 2025. In 2018, ROCE was positively impacted by substantial profits from new partnership agreements, particularly divestment gains.

● Approximate ROCE excl. gains from new partnership agreements



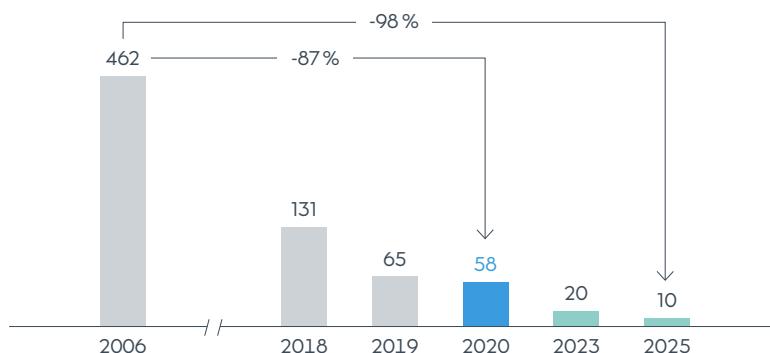
4. Green share of generation, %

In 2020, we increased the green share of generation to 90 %, up four percentage points compared to last year. We are on track to meet our objective of exceeding 95 % by 2023 and reaching 99 % by 2025.



5. Greenhouse gas emission intensity (scopes 1 and 2), g CO₂e/kWh

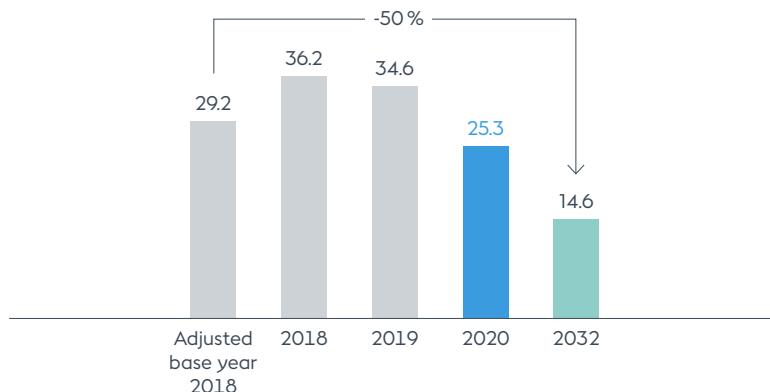
We are well on track to meet our scopes 1 and 2 greenhouse gas (GHG) emission intensity target of less than 10 g CO₂e/kWh in 2025. In addition, we aim to be carbon-neutral in 2025 and will neutralise the remaining 10 g CO₂e/kWh or less with carbon offsets. We reduced our GHG intensity to 58 g CO₂e/kWh in 2020.



¹ Scope 1 refers to the direct GHG emissions from our energy generation and operations, and scope 2 refers to the indirect GHG emissions from the energy we source for our operations.

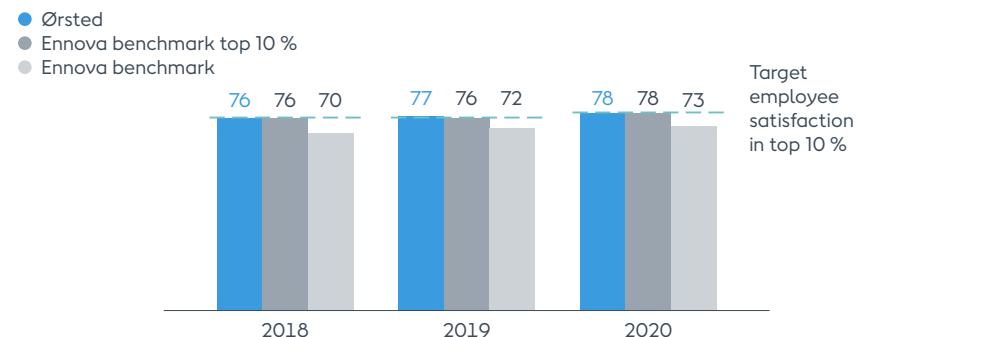
6. Greenhouse gas emissions (scope 3), million tonnes CO₂e

We aim to reduce our scope 3 emissions by 50 % between 2018 and 2032. This year, our historical figures for scope 3 emissions have been rebased due to the divestment of our LNG business. The primary source of our scope 3 emissions is indirect emissions related to wholesale buying and selling of natural gas and fossil-based power in our Markets & Bioenergy business and to the goods and services we source for the construction of our wind and solar farms.



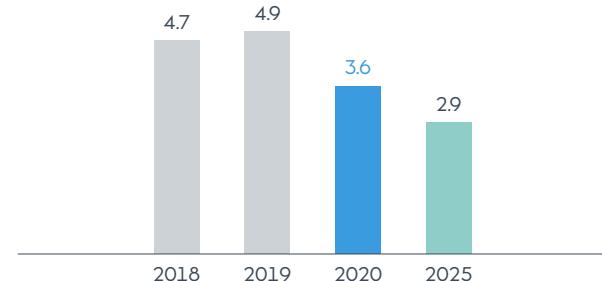
7. Employee satisfaction, index 1-100

We believe that employee satisfaction and strong results go hand in hand. Therefore, we are continuously working to improve the well-being of our employees. In 2020, we reached a record-high score of 78, placing Ørsted in the top 10 % of our external benchmark group, just as in 2018 and 2019. In 2019, we set a target to stay in the top 10 % from 2020 to 2025 and are proud to have met our goal this year.

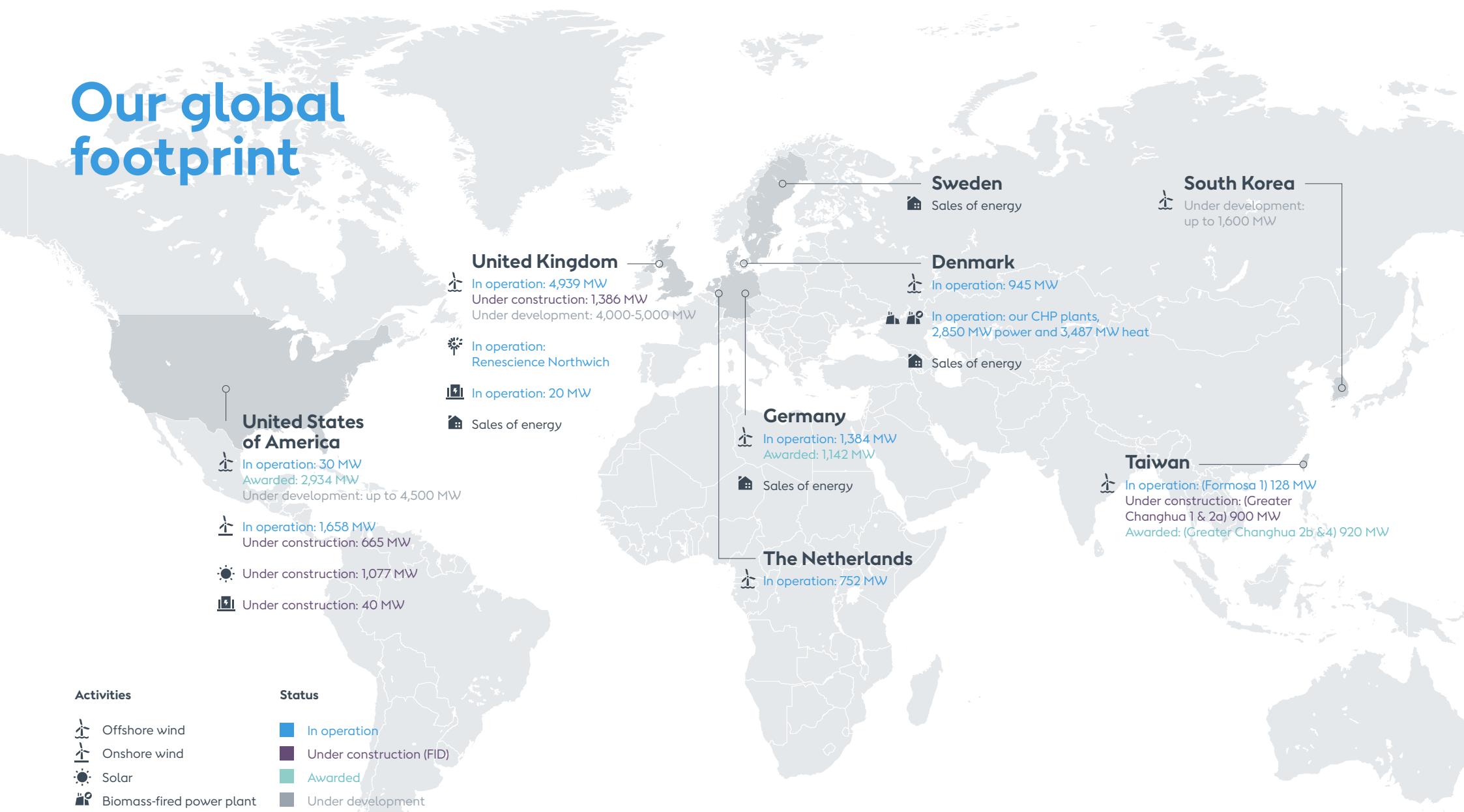


8. Safety, TRIR

Safety is high on our agenda, and we do our utmost to prevent accidents and injuries. Our target is to reduce the total recordable injury rate (TRIR) to 2.9 by 2025.



Our global footprint



Activities

- Offshore wind
- Onshore wind
- Solar
- Biomass-fired power plant
- Fossil-fuelled power plant
- Waste-recycling plant
- Storage
- Sales of energy

Status

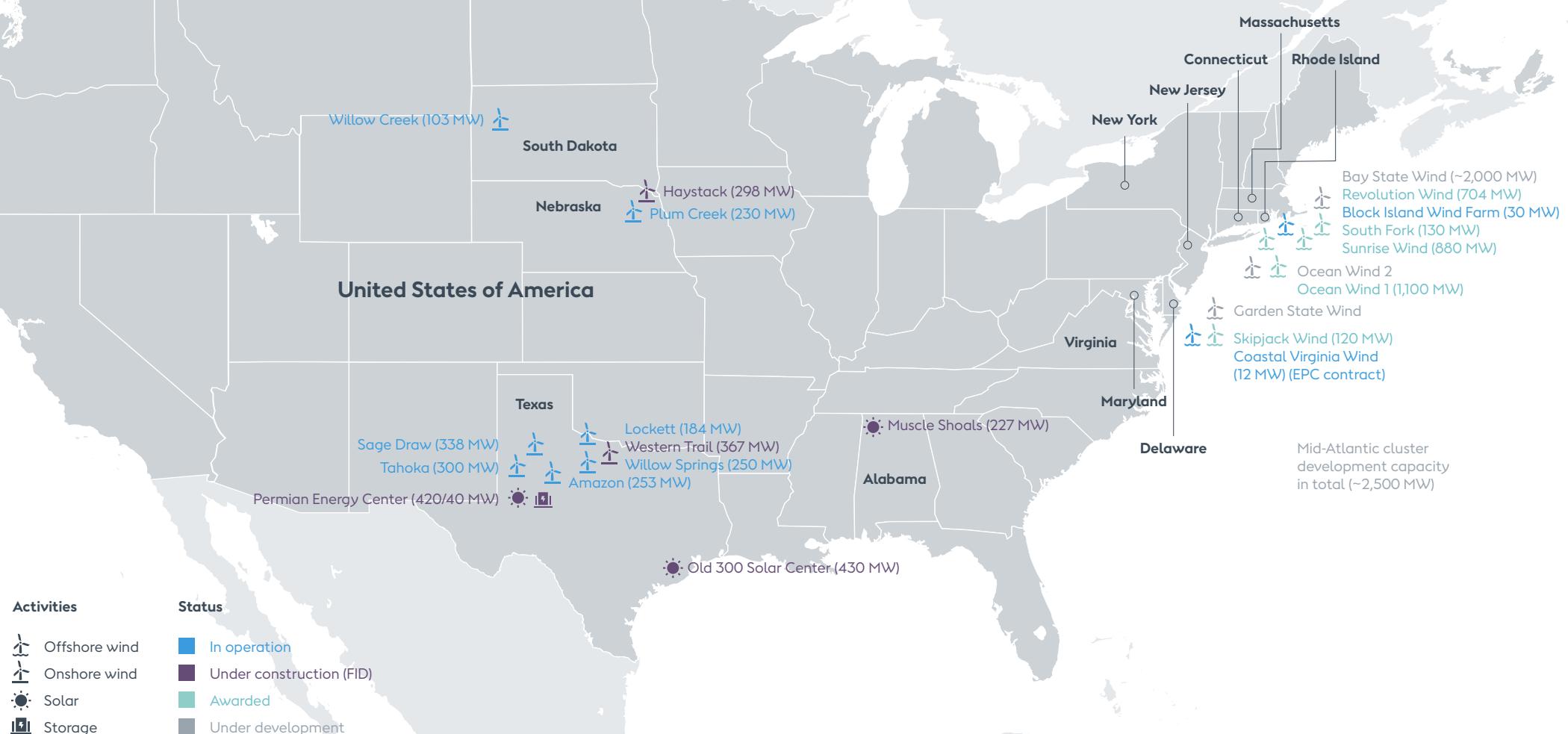
- In operation
- Under construction (FID)
- Awarded
- Under development

MW: Total gross capacity (even if Ørsted's share is < 100 %). The MW for the wind farms in operation illustrates the operational capacity. The map shows selected Ørsted assets.

Our footprint in Northern Europe



Our footprint in North America



MW: Total gross capacity (even if Ørsted's share is < 100 %). The MW for the wind farms in operation illustrates the operational capacity. The map shows selected Ørsted assets.

Results

39 Results

43 Five-year summary

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46 Quarterly summary, 2019-2020



Plum Creek, one of our new onshore wind farms, has brought more than just clean, reliable, low-cost energy to Nebraska's Wayne County. Since June, the project has been helping fund the Norfolk and Winside school districts, local emergency services, a hospital, and the community college. It will continue to do so for the lifetime of the project.

Results

Financial results

Revenue

Power generation from offshore and onshore wind increased by 35 % and totalled 20.9 TWh in 2020, mainly due to ramp-up of generation from Hornsea 1, Borssele 1 & 2, Lockett, Sage Draw, Plum Creek, and Willow Creek as well as higher wind speeds, mainly in Q1 2020. This was partly offset by periods with negative prices due to a lower demand for electricity driven by the COVID-19 pandemic, which led us to temporarily shut down generation.

Thermal power generation amounted to 4.4 TWh, a 4 % decrease compared to last year due to slightly warmer weather and less favourable market conditions for power generation, partly offset by a higher volume from ancillary services. Heat generation amounted to 6.7 TWh, down 20 % compared to last year, mainly due to a warm first quarter in 2020.

Offshore and onshore wind accounted for 83 % of our total power generation, up 6 percentage points from last year.

Revenue amounted to DKK 52.6 billion. The decrease of 22 % relative to 2019 was primarily due to limited construction works on wind farms for partners, significantly lower gas and power prices relative to last year, lower sales of gas, and lower thermal heat and power generation, partly offset by the increase in wind-based power generation.

EBITDA

Operating profit (EBITDA) totalled DKK 18.1 billion compared to DKK 17.5 billion in 2019.

Earnings from offshore and onshore wind farms in operation amounted to DKK 16.9 billion. The 14 % increase relative to 2019 was due to the above-mentioned ramp-up of new wind farms in operation, receipt of CfDs of another 400 MW of Hornsea 1 from April, and higher wind speeds. This was partly offset by adverse COVID-19 impacts of approx. DKK 400 million on especially the UK power market due to a lower demand for electricity, which led to hours with negative prices from April to July, lower ROC recycle prices, and higher balancing tariffs (BSUoS) from National Grid in 2020, and by lower earnings from trading related to hedging of our power exposures which achieved very high results in 2019.

Earnings from construction agreements for partners totalled DKK 1.6 billion compared to DKK 3.8 billion in 2019. In 2020, our earnings from construction agreements mainly related to the lowered assumptions regarding the preferred bidder's expected return requirement on the Hornsea 1 transmission asset, the construction of Coastal Virginia Wind, and minor updates regarding finalised construction projects. In 2019, earnings from construction agreements primarily concerned Hornsea 1.

EBITDA from CHP plants amounted to DKK 1.1 billion, slightly below last year.

The decrease was mainly due to lower thermal heat and power generation and lower power spreads as well as the reversal of a provision in 2019 of DKK 0.3 billion following the acquittal in the Elsam case. This was partly offset by higher earnings from sale of ancillary services in 2020.

EBITDA from our gas activities were in line with last year. Higher earnings from revaluation of our gas at storage and a positive impact from

storage hedges were offset by lower transported and sold volumes due to the shutdown of the Tyra gas field from late 2019 until 2022 as well as a provision for bad debt in our B2B business to cover the extraordinary COVID-19-related default risks among our customers.

Business performance versus IFRS, DKKm

	2020	2019
EBITDA – business performance	18,124	17,484
Adjustments	(1,526)	1,536
EBITDA – IFRS	16,598	19,020

Business performance versus IFRS

We use business performance as an alternative to the results prepared in accordance with IFRS. Business performance represents the underlying financial performance of the Group in the reporting period as results are adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. The difference between the two principles will be eliminated as the contracts expire. Apart from this, there is no difference between business performance and the IFRS results.

EBITDA in accordance with IFRS amounted to DKK 16.6 billion in 2020 against DKK 19.0 billion in 2019. In accordance with the business performance principle, EBITDA was DKK 18.1 billion and

DKK 17.5 billion, respectively. The difference between the two principles was thus DKK -1.5 billion in 2020 against DKK 1.5 billion in 2019.

In the presentation of the results according to IFRS, we have elected not to apply the provisions on hedge accounting of commodities and related currency exposures. The market value adjustments of these are continuously recognised in the income statement, which means that the IFRS results for the individual years are not comparable. IFRS results do not reflect the commercial risk hedging, according to which the business units and the Group are managed and evaluated. In the management's review, comments are made on business performance only. Read more in note 1.6 and in note 7.

EBIT

EBIT increased by 5 % to DKK 10.5 billion, primarily as a result of the higher EBITDA and no impairment losses in 2020. Depreciation increased due to more wind farms in operation. Impairment losses in 2019 were related to a write-down of our Renescience plant and our 20 MW battery storage project Carnegie Road, both in the UK.

Gain (loss) on divestment of enterprises

Gain on divestment of enterprises primarily concerned the divestment of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel). The transaction resulted in a gain of DKK 10.9 billion.

Financial income and expenses

Net financial income and expenses amounted to DKK 2.5 billion compared to DKK 1.1 billion in 2019. The increase was

mainly due to a loss on interest rate swaps in June in connection with early termination of local project financing in the US, negative effects from exchange rate adjustments due to a weakening of GBP, and capital losses on the bond portfolio due to the increasing interest rates.

Tax and tax rate

Tax on profit for the year amounted to DKK 2.1 billion, which was DKK 0.6 billion lower than in 2019. The decrease was mainly due to higher net financial expenses, partly offset by initial recognition of deferred taxes of DKK 1.1 billion related to tax equity at Sage Draw in April, Plum Creek in June, and Willow Creek in September.

The effective tax rate was 11 %, and it was significantly impacted by the non-taxable gain on the divestment of our Danish power

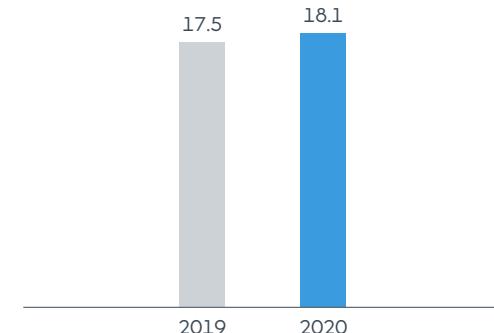
distribution, residential customer, and city light businesses mentioned above.

Profit for the year from continuing operations

Profit for the year from continuing operations totalled DKK 16.7 billion, DKK 10.6 billion higher than in 2019. The increase was primarily due to the divestment of our Danish power distribution, residential customer, and city light businesses.

EBITDA, %

- Offshore
- Onshore
- Markets & Bioenergy

**EBITDA, DKKbn**

EBITDA increased by 4 %. No new partnerships in 2019 and 2020.

Financial results, DKKm	2020	2019	%
Revenue	52,601	67,842	(22 %)
EBITDA	18,124	17,484	4 %
Depreciation	(7,588)	(6,864)	11 %
Impairment reversals (losses)	-	(568)	n.a.
Operating profit (loss) (EBIT)	10,536	10,052	5 %
Gain (loss) on divestment of enterprises	10,831	(63)	n.a.
Profit (loss) from associates and joint ventures	7	2	250 %
Net financial income and expenses	(2,524)	(1,135)	122 %
Tax	(2,123)	(2,756)	(23 %)
Tax rate	11 %	31 %	(20 %p)
Profit for the year from continuing operations	16,727	6,100	174 %
Profit for the year from discontinued operations	(11)	(56)	(80 %)
Profit (loss) for the year	16,716	6,044	177 %



In 2020, regulated and quasi-regulated activities and contracted activities accounted for 71 % and 19 % of our EBITDA, respectively, whereas market-exposed activities accounted for 10 %.

Read more about profit for the year from discontinued operations in note 3.7.

Cash flows and net debt

Cash flows from operating activities

Cash flows from operating activities totalled DKK 16.5 billion in 2020 compared to DKK 13.1 billion in 2019. The increase of DKK 3.4 billion was mainly due to lower paid taxes in Denmark, tax equity contributions from our partners in the onshore wind farms Sage Draw, Plum Creek, and Willow Creek, lower trade receivables due to lower revenue, and the divestment of the offshore transmission assets at Walney Extension. This was partly offset by 2019 being positively affected by received milestone payments related to the construction of Hornsea 1 and the divestment of the Race Bank transmission assets.

In 2020, we had a net cash outflow from work in progress of DKK 1.6 billion. This was mainly due to supplier payments related to the construction of Hornsea 1 for partners and construction of the offshore transmission asset at Hornsea 2, partly offset by the divestment of the offshore transmission assets at Walney Extension.

Investments and divestments

Gross investments amounted to DKK 27.0 billion against DKK 23.3 billion in 2019. The main investments in 2020 were:

- offshore wind farms (DKK 19.5 billion), including Borssele 1 & 2 in the Netherlands, Greater Changhua 1 & 2a in Taiwan, Hornsea 2 in the UK, and Ocean Wind 1 in the US
- onshore wind and solar farms (DKK 6.6 billion), including Permian Energy Center, Muscle Shoals, Western Trail, Sage Draw, Plum Creek, Willow Creek, and Haystack in the US

– Markets & Bioenergy (DKK 0.7 billion), mainly related to maintenance of the power distribution grid.

Cash flow from divestments in 2020 related mainly to the divestment of our Danish power distribution, residential customer, and city light businesses. The transaction resulted in proceeds of DKK 20.5 billion. Furthermore, we received minor proceeds regarding the divestment of our 10 MW Oak Solar Farm in New Jersey and our Inbicon production facilities. This was partly offset by a cash outflow in connection with the divestment of the LNG activities of DKK 1.5 billion and compensations paid under our partnership agreements.

Cash flow from divestments in 2019 related to the receipt of deferred proceeds from the farm-down of 50 % of Hornsea 1 in 2018 (DKK 1.7 billion) and to the strengthening of our strategic partnership with Eversource, as they became a 50 % partner in our activities in the New England area in February 2019 (DKK 1.4 billion).

Interest-bearing net debt

Interest-bearing net debt totalled DKK 12.3 billion at the end of 2020 against DKK 17.2 billion at the end of 2019. The DKK 4.9 billion decrease was mainly due to a positive free cash flow of DKK 8.5 billion from continuing operations and a positive cash flow from discontinued operations where we have received deferred proceeds of USD 150 million from INEOS regarding the Oil & Gas divestment in 2017. These positive cash flow effects were only partly offset by dividends and hybrid coupon payments of DKK 5.2 billion.

Cash flows and net debt, DKKm	2020	2019	%
Cash flows from operating activities	16,466	13,079	26 %
EBITDA	18,124	17,484	4 %
Change in derivatives	411	(1,040)	n.a.
Change in provisions	(772)	727	n.a.
Reversal of gain (loss) on divestment of assets	(805)	101	n.a.
Other items	(42)	86	n.a.
Interest paid and similar items, net	(1,830)	(1,049)	74 %
Paid tax	(1,118)	(4,800)	(77 %)
Change in work in progress	(1,613)	1,417	n.a.
Change in tax equity liabilities	2,958	630	370 %
Change in other working capital	1,153	(477)	n.a.
Gross investments	(26,967)	(23,305)	16 %
Divestments	19,039	3,329	472 %
Free cash flow	8,538	(6,897)	n.a.
Net debt at 1 January	17,230	(2,219)	n.a.
Free cash flow from continuing operations	(8,538)	6,897	n.a.
Free cash flow from discontinued operations	(966)	(174)	455 %
Interest-bearing receivables re Oil & Gas divestment	342	340	1 %
Dividends and hybrid coupons paid	5,239	5,016	4 %
Addition of leasing obligations	934	5,873	(84 %)
Exchange rate adjustments, etc.	(1,898)	1,497	n.a.
Net debt at 31 December	12,343	17,230	(28 %)



Gain (loss) on sale of assets is part of EBITDA, but is presented as part of the 'divestment' cash flow. The EBITDA effect is thus reversed in the specification of cash flows from operating activities.

Key ratios, DKKm, %	2020	2019	%
ROCE	9.7 %	10.6 %	(1 %p)
Adjusted net debt	26,308	30,575	(14 %)
FFO/adjusted net debt	48.3 %	31.0 %	17 %p



ROCE and FFO/adjusted net debt is specified in notes 2.1 and 6.1.

Equity and capital employed

Equity

Equity was DKK 97.3 billion at the end of the year against DKK 89.6 billion at the end of 2019.

Capital employed

Capital employed was DKK 109.7 billion at 31 December 2020 against DKK 106.8 billion at the end of 2019. The increase was mainly due to investments, partly offset by the divested capital employed regarding the Danish power distribution, residential customer, and city light businesses.

Financial ratios

Return on capital employed (ROCE)

Return on capital employed was 9.7 % in 2020 against 10.6 % in 2019. The slight decrease was mainly attributable to the higher average capital employed, only partly offset by higher EBIT.

Credit metric (FFO/adjusted net debt)

The funds from operations (FFO)/adjusted net debt credit metric was 48 % at the end of 2020 against 31 % in 2019.

ESG results

Green share of heat and power generation

The green share of heat and power generation amounted to 90 % in 2020, up 4 percentage points compared to last year. The increase mainly came from higher generation from offshore and onshore wind farms due to additional capacity and higher wind speeds. This was partly offset by an increase from ancillary services from our coal-fuelled units as we are legally obliged to deliver these services with the lowest marginal costs.

Greenhouse gas emissions

The greenhouse gas intensity from our heat and power generation and other operating activities (scopes 1 and 2) decreased to 58 g CO₂e/kWh in 2020 against 65 g CO₂e/kWh in 2019. The emissions per kWh decreased for the same reasons as mentioned above.

Greenhouse gas emissions from our supply chain and sales activities (scope 3) decreased by 27 % to 25.3 million tonnes in 2020, driven by a 28 % decrease in gas sales.

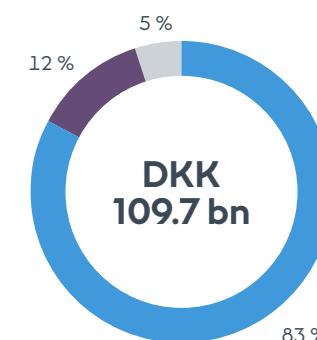
Safety

In 2020, we have had 77 total recordable injuries (TRIs), of which 58 injuries were related to our contractors' employees. This was a decrease of 29 injuries compared to 2019, equalling a 27 % reduction. The number of hours worked was 21.5 million hours, 1 % more than in 2019. Consequently, the total recordable injury rate (TRIR) over the last year decreased from 4.9 in 2019 to 3.6 in 2020.



Capital employed, %

- Offshore
- Onshore
- Markets & Bioenergy



Amazon Wind Farm,
Scurry County, Texas,
the US.

Five-year summary

Income statement (business performance), DKKm	2020	2019	2018	2017	2016
Revenue	52,601	67,842	76,946	59,504	61,201
EBITDA	18,124	17,484	30,029	22,519	19,109
Offshore	14,750	15,161	28,046	20,595	11,867
Sites, O&M, and PPAs	15,476	13,750	11,279	8,529	5,869
Construction agreements and divestment gains	1,593	3,765	18,765	13,667	7,012
Other, incl. project development	(2,319)	(2,354)	(1,998)	(1,601)	(1,014)
Onshore	1,131	786	44	-	-
Markets & Bioenergy	2,136	1,495	2,100	2,234	7,208
Other activities	107	42	(161)	(310)	34
Depreciation and amortisation	(7,588)	(6,864)	(5,978)	(5,739)	(5,232)
Impairment losses	-	(568)	603	(545)	-
Operating profit (loss) (EBIT)	10,536	10,052	24,654	16,235	13,877
Gain (loss) on divestment of enterprises	10,831	(63)	127	(139)	1,250
Net financial income and expenses	(2,524)	(1,135)	(1,278)	(1,042)	(767)
Profit (loss) before tax	18,850	8,856	23,504	15,044	14,352
Tax	(2,123)	(2,756)	(4,018)	(1,765)	(2,191)
Profit (loss) for the year from continuing operations	16,727	6,100	19,486	13,279	12,161
Profit (loss) for the year	16,716	6,044	19,496	20,199	13,213
Balance sheet					
Assets	196,719	192,860	174,575	146,521	136,489
Total equity	97,329	89,562	85,115	71,837	57,500
Shareholders in Ørsted A/S	81,376	73,082	68,488	54,791	39,106
Non-controlling interests	2,721	3,248	3,388	3,807	5,146
Hybrid capital	13,232	13,232	13,239	13,239	13,248
Interest-bearing net debt	12,343	17,230	(2,219)	(1,517)	3,461
Capital employed	109,672	106,792	82,896	70,320	60,961
Additions to property, plant, and equipment	28,442	22,440	14,436	20,022	17,750
Cash flows					
Cash flows from operating activities	16,466	13,079	10,343	1,023	11,272
Gross investments	(26,967)	(23,305)	(24,481)	(17,744)	(14,960)
Divestments	19,039	3,329	19,950	16,982	9,055
Free cash flow	8,538	(6,897)	5,812	261	5,367
Financial ratios					
Return on capital employed (ROCE) ¹ , %	9.7	10.6	32.1	25.2	24.4
FFO/adjusted net debt ² , %	48.3	31.0	69.0	50.3	64.2
Number of outstanding shares, 31 December, '000	420,068	419,985	420,045	420,155	420,155
Share price, 31 December, DKK	1,244	689	436	339	268
Market capitalisation, 31 December, DKKbn	522	290	183	142	113
Earnings per share (EPS) (BP), DKK	38.8	12.7	45.3	46.4	30.6
Dividend yield, %	0.9	1.5	2.2	2.7	2.2
Income statement (IFRS)					
Revenue	50,151	70,398	75,520	59,709	57,393
EBITDA	16,598	19,020	28,491	22,574	16,939
Profit (loss) for the year from continuing operations	15,548	7,291	18,266	13,321	10,467

Business drivers	2020	2019	2018	2017	2016
Offshore					
Decided (FID) and installed capacity ³ , offshore wind, GW	9.9	9.9	9.0	8.9	7.4
Installed capacity, offshore wind ³ , GW	7.6	6.8	5.6	3.9	3.6
Generation capacity, offshore wind ³ , GW	4.4	3.6	3.0	2.5	2.0
Wind speed ³ , m/s	9.7	9.2	9.1	9.3	8.9
Load factor ³ , %	45	42	42	44	41
Availability ³ , %	94	93	93	93	92
Power generation, TWh	15.2	12.0	10.0	8.5	6.0
Power sales, TWh	29.2	27.6	27.4	-	-
Onshore					
Decided (FID) and installed capacity ³ , onshore, GW	3.4	2.1	1.0	-	-
Installed capacity, GW	1.7	1.0	0.8	-	-
Wind speed, m/s	7.6	7.3	7.3	-	-
Load factor, %	45	45	41	-	-
Availability ³ , %	96	98	98	-	-
Power generation, TWh	5.7	3.5	0.6	-	-
Markets & Bioenergy					
Degree days ³ , number	2,432	2,399	2,526	2,705	2,715
Heat generation, TWh	6.7	8.3	8.8	9.0	9.2
Power generation, TWh	4.4	4.6	6.7	8.2	8.4
Power sales, TWh	11.6	14.7	15.3	31.7	32.9
Gas sales, TWh	90.3	125.0	131.1	129.0	143.4
People and environment					
Employees (FTE), end of year, number	6,179	6,526	6,080	5,638	5,775
Total recordable injury rate (TRIR)	3.6	4.9	4.7	6.4	6.8
Fatalities, number	0	1	0	0	0
Green share of heat and power generation, %	90	86	75	64	50
Carbon emissions, g CO ₂ e/kWh (scopes 1 & 2)	58	65	131	151	224
Carbon emissions, Mtonnes (scope 3)	25.3	34.6	36.2	n.a.	n.a.



Business performance versus IFRS

Business performance represents the underlying financial performance of the Group in the reporting period, as results are adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. Apart from this, there is no difference between business performance and IFRS results. Read more in note 1.6.

The EBITDA split between business units in the comparative years 2016-2017 has not been updated to reflect that earnings from trading related to hedging of our power exposures and power portfolio optimisation activities in relation to Offshore are presented in this business unit from 2018 (previously Markets & Bioenergy).

¹ EBIT/average capital employed.

² Net debt, including 50 % of hybrid capital, cash and securities not available for use (with the exception of repo transactions), present value of lease obligations (2016-2018), and decommissioning obligations less deferred tax.

³ See definition on page 192 and in the ESG statements.

⁴ The figures indicate values from the latest regulatory financial statements (updated in June).

Fourth quarter

Financial performance – Group

Revenue

Revenue in Q4 2020 decreased by 17 % relative to Q4 2019 and amounted to DKK 15.6 billion. The lower revenue was mainly driven by significantly lower gas volumes sold and by construction agreements due to divestment of the transmission assets at Race Bank in Q4 2019, partly offset by increase in our wind-based power generation.

EBITDA

Operating profit (EBITDA) totalled DKK 5.0 billion compared to DKK 4.6 billion in Q4 2019. The increase was mainly driven by ramp-up from new offshore and onshore wind farms in operation, which increased by 9 %, and higher wind speeds. In addition, the divested LNG activities contributed positively year on year as the provision in Q4 2019 was not repeated.

This was partly offset by lower earnings from trading related to hedging of our power exposure and power portfolio optimisation activities, which had high earnings in Q4 2019, and from our gas portfolio where the net positive effect from revaluation of our gas at storage and storage hedges was higher in Q4 2019 than Q4 2020. Furthermore, EBITDA from partnerships contributed negatively, due to minor updates regarding finalised construction projects. In addition, we had lower earnings

from the divested Danish power distribution, residential customer, and city light businesses.

We also saw adverse COVID-19 impacts on especially the UK power market due to a lower demand for electricity, which led to lower ROC recycle prices and higher balancing tariffs (BSUoS) from National Grid.

Profit from continuing operations

Profit from continuing operations increased by DKK 1.2 billion to DKK 2.2 billion. The increase was mainly due to the higher EBITDA and impairment losses in Q4 2019.

Cash flows from operating activities

Cash flows from operating activities totalled DKK 6.8 billion in Q4 2020 compared to DKK 4.8 billion in Q4 2019. The increase of DKK 1.9 billion was mainly due to lower receivables at the end of 2020 compared to 2019 and an early repayment related to our oil pipe facilities in Q4 2020.

Investments and divestments

Gross investments amounted to DKK 8.6 billion in Q4 2020. The main investments related to Hornsea 2, Greater Changhua 1 & 2a, Permian Energy Center, Muscle Shoals, Western Trail, and Haystack.

Cash flow from divestments was a cash outflow of DKK 1.5 billion and mainly related to the divestment of the LNG activities.

Financial performance, DKKm	Q4 2020	Q4 2019	%
Revenue	15,559	18,679	(17 %)
EBITDA	5,003	4,613	8 %
Operating profit (loss) (EBIT)	3,091	2,169	43 %
Profit (loss) before tax	2,343	1,515	55 %
Tax	(169)	(590)	(71 %)
Profit (loss) for the period from continuing operations	2,174	925	135 %
Profit (loss) for the period from discontinued operations	15	(29)	n.a.
Profit (loss) for the period	2,189	896	144 %
Cash flows and net debt, DKKm	Q4 2020	Q4 2019	%
Cash flows from operating activities	6,756	4,816	40 %
EBITDA	5,003	4,613	8 %
Change in derivatives	703	(352)	n.a.
Change in provisions	(288)	934	n.a.
Reversal of gain (loss) on divestment of assets	451	416	8 %
Other items	(31)	(10)	210 %
Interest expenses, net	(237)	(262)	(10 %)
Paid tax	239	57	319 %
Change in work in progress	486	236	106 %
Change in tax equity liabilities	(310)	(197)	57 %
Change in other working capital	740	(619)	n.a.
Gross investments	(8,639)	(8,816)	(2 %)
Divestments	(1,519)	402	n.a.
Free cash flow	(3,402)	(3,598)	(5 %)
Net debt, beginning of period	8,216	12,082	(32 %)
Free cash flow from continuing operations	3,402	3,598	(5 %)
Free cash flow from discontinued operations	(40)	28	n.a.
Interest-bearing receivables re Oil & Gas divestment	-	13	n.a.
Dividends and hybrid coupon paid	208	283	(27 %)
Addition to lease obligations	695	145	379 %
Exchange rate adjustments, etc.	(138)	1,081	n.a.
Net debt, end of period	12,343	17,230	(28 %)

Financial performance – business units

Offshore

Power generation increased by 23 % relative to Q4 2019. The increase was primarily due to ramp-up of generation from Hornsea 1 and Borssele 1 & 2. Wind speeds amounted to a portfolio average of 10.4 m/s which was higher than in Q4 2019, but slightly lower than normal wind speeds (10.5 m/s). Availability ended at 94 %, which was 1 percentage point higher than in Q4 2019.

Revenue from offshore wind farms in operation increased by 8 % due to the above-mentioned ramp-up from new wind farms. Revenue from power sales increased by DKK 1.2 billion due to higher power prices and higher volumes sold during the quarter.

Revenue from construction agreements was limited in Q4 2020 and mainly related to the construction of Coastal Virginia Wind. In Q4 2019, it primarily related to the divestment of the transmission assets at Race Bank.

EBITDA increased by DKK 0.1 billion relative to Q4 2019 and amounted to DKK 4.1 billion.

EBITDA from sites, O&M, and PPAs amounted to DKK 5.0 billion, up 7 % compared to Q4 2019, driven by higher generation. The increase was partly offset by adverse COVID-19 impacts and lower earnings from trading related to hedging of our UK energy exposure, which had very high earnings in Q4 2019.

EBITDA from partnerships amounted to DKK -0.1 billion in Q4 2020, mainly due

to minor updates regarding finalised construction projects.

Onshore

Power generation increased by 84 % relative to Q4 2019. The increase was primarily due to new onshore wind farms in operation (Sage Draw, Plum Creek, and Willow Creek). Wind speeds across the portfolio amounted to 8.0 m/s, which was higher than in the same period last year and a normal fourth quarter (7.7 m/s).

Revenue from wind farms in operation increased by 41 % due to the above-mentioned factors, partly offset by lower prices for the part of the portfolio not covered by PPAs and a lower positive effect from derivative run-offs related to the acquisition of LCE back in 2018.

EBITDA almost doubled to DKK 0.3 billion, primarily due to more wind farms in operation.

Markets & Bioenergy

Revenue decreased by 40 % and amounted to DKK 5.8 billion compared to Q4 2019. The decrease was mainly due to significantly lower gas and power volumes sold.

EBITDA totalled DKK 0.6 billion in Q4 2020, which was DKK 0.2 billion higher than in Q4 2019.

EBITDA from CHP plants was in line with last year and amounted to DKK 0.3 billion.

EBITDA from Gas Markets & Infrastructure decreased by DKK 0.2 billion and amounted to DKK 0.4 billion. The lower earnings were related to our gas portfolio where the net positive effect from revaluation of our gas at storage and storage hedges was higher in Q4 2019 than Q4 2020.



For more details on quarterly figures for our business units, please go to orsted.com/financial-reports

Offshore's results, DKKm	Q4 2020	Q4 2019	%
Revenue	10,799	10,913	(1 %)
Sites, O&M, and PPAs	5,891	5,437	8 %
Power sales	4,603	3,397	36 %
Construction agreements	122	2,012	(94 %)
Other	183	67	173 %
EBITDA	4,128	4,048	2 %
Sites, O&M, and PPAs	4,950	4,626	7 %
Construction agreements and divestment gains	(149)	51	n.a.
Other, incl. project development	(673)	(629)	7 %
Cash flows from operating activities	7,111	3,545	101 %
Free cash flow	1,329	(1,697)	n.a.

Onshore's results, DKKm	Q4 2020	Q4 2019	%
Revenue	173	123	41 %
EBITDA	324	165	96 %
Sites	99	73	36 %
Production tax credits and tax attributes	314	201	56 %
Other, incl. project development	(89)	(109)	(18 %)
Cash flows from operating activities	134	(160)	n.a.
Free cash flow	(2,556)	(2,822)	(9 %)

Markets & Bioenergy's results DKKm	Q4 2020	Q4 2019	%
Revenue	5,755	9,569	(40 %)
EBITDA	643	490	31 %
CHP plants	346	354	(2 %)
Gas Markets & Infrastructure	389	620	(37 %)
LNG	-	(691)	n.a.
Distribution, B2C, and city light	-	257	n.a.
Other, incl. project development	(92)	(50)	84 %
Cash flows from operating activities	(401)	(280)	43 %
Free cash flow	(2,090)	(739)	183 %

Quarterly summary, 2019-2020

Income statement (business performance), DKKm	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Business drivers	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Revenue	15,559	10,041	11,625	15,376	18,679	15,481	16,443	17,239	Offshore	Decided (FID) and installed capacity ³ , GW	9.9	9.9	9.9	9.9	9.9	9.9	9.0
EBITDA	5,003	3,360	2,956	6,805	4,613	4,116	3,625	5,130	Sites, O&M, and PPAs	Installed capacity ³ , GW	7.6	6.8	6.8	6.8	5.6	5.6	5.6
Offshore	4,128	2,629	2,361	5,632	4,048	3,223	3,572	4,318	Construction agreements and divestment gains	Generation capacity ³ , GW	4.4	4.1	3.8	3.6	3.6	3.6	3.0
Sites, O&M, and PPAs	4,950	3,012	2,578	4,936	4,626	2,612	2,552	3,960	Other, incl. project development	Wind speed ³ , m/s	10.4	8.2	8.0	12.1	10.0	8.5	8.0
Construction agreements and divestment gains	(149)	247	396	1,099	51	1,188	1,638	888	Onshore	Load factor ³ , %	53	35	32	60	50	37	51
Other, incl. project development	(673)	(630)	(613)	(403)	(629)	(577)	(618)	(530)	Markets & Bioenergy	Availability ³ , %	94	94	95	93	93	87	96
Onshore	324	308	312	187	165	308	162	151	Markets & Bioenergy	Power generation, TWh	4.8	3.2	2.6	4.6	3.9	2.8	2.2
Markets & Bioenergy	643	375	185	933	490	436	(115)	684	Other activities	Power sales, TWh	8.6	6.3	5.5	8.8	7.7	7.0	7.2
Other activities	(92)	48	98	53	(90)	149	6	(23)	Depreciation and amortisation	Decided (FID) and installed capacity ³ , GW	3.4	2.7	2.1	2.1	1.7	1.4	1.0
Depreciation and amortisation	(1,912)	(2,095)	(1,827)	(1,754)	(1,876)	(1,681)	(1,689)	(1,618)	Impairment losses	Installed capacity, onshore wind, GW	1.7	1.7	1.6	1.3	1.0	1.0	0.8
Impairment losses	-	-	-	-	(568)	-	-	-	Operating profit (loss) (EBIT)	Wind speed ³ , m/s	8.0	6.7	8.0	7.5	7.3	6.6	7.7
Operating profit (loss) (EBIT)	3,091	1,265	1,129	5,051	2,169	2,435	1,936	3,512	Gain (loss) on divestment of enterprises	Load factor ³ , %	50	36	49	44	46	39	47
Gain (loss) on divestment of enterprises	(291)	11,139	(3)	(14)	(13)	(15)	(18)	(17)	Net financial income and expenses	Availability ³ , %	95	97	96	95	98	98	97
Net financial income and expenses	(456)	(282)	(1,010)	(776)	(644)	(47)	(545)	101	Profit (loss) before tax	Power generation, TWh	1.8	1.2	1.6	1.1	1.0	0.9	0.8
Profit (loss) before tax	2,343	12,124	119	4,264	1,515	2,368	1,376	3,597	Tax	Power sales, TWh	2.6	2.4	3.0	3.6	4.1	3.3	4.0
Tax	(169)	(108)	(928)	(918)	(590)	(925)	(283)	(958)	Profit (loss) for the period from continuing operations	Degree days ³ , number	825	106	436	1,065	882	108	269
Profit (loss) for the period	2,189	12,034	(825)	3,318	896	1,477	1,075	2,596	Profit (loss) for the period from continuing operations	Heat generation, TWh	2.3	0.3	1.0	3.1	3.0	0.5	1.1
Balance sheet									Profit (loss) for the period	Power generation, TWh	1.3	0.6	0.9	1.6	1.6	0.4	0.7
Assets	196,719	194,567	193,124	193,636	192,860	194,521	185,949	182,783	Capital employed	Power sales, TWh	2.6	2.4	3.0	3.6	4.1	3.3	4.0
Total equity	97,329	96,472	85,930	89,015	89,562	87,369	86,446	85,843	Additions to property, plant, and equipment	Gas sales, TWh	20.3	23.2	20.1	26.7	36.7	30.8	31.7
Shareholders in Ørsted A/S	81,376	80,450	69,789	72,728	73,082	70,977	69,960	69,193	Cash flows	People and environment							
Non-controlling interests	2,721	2,790	2,909	3,055	3,248	3,153	3,247	3,411	Cash flows from operating activities	Employees, end of period, number	6,179	6,120	6,731	6,608	6,526	6,454	6,312
Hybrid capital	13,232	13,232	13,232	13,232	13,232	13,239	13,239	13,239	Gross investments	Total recordable injury rate (TRIR) ⁵	3.6	3.8	3.7	3.6	4.9	4.7	4.0
Interest-bearing net debt	12,343	8,216	22,272	27,084	17,230	12,082	4,980	9,111	Divestments	Fatalities, number	0	0	0	0	0	1	0
Capital employed	109,672	104,688	108,203	116,098	106,792	99,451	91,426	94,954	Free cash flow	Green share of heat and power generation, %	93	90	86	90	90	87	85
Additions to property, plant, and equipment	8,121	5,477	10,011	4,833	6,560	8,449	3,755	3,676	Cash flows from operating activities	Carbon emissions, g CO ₂ e/kWh (scopes 1 & 2)	34	83	84	53	44	62	71
Cash flows									Gross investments	Carbon emissions, Mtonnes (scope 3)	5.9	6.3	5.5	7.6	10.7	8.2	8.4
Cash flows from operating activities	6,756	1,941	8,197	(428)	4,816	871	7,510	(118)	Divestments								
Gross investments	(8,639)	(9,263)	(3,757)	(5,308)	(8,816)	(7,222)	(3,368)	(3,899)	Free cash flow								
Divestments	(1,519)	20,506	45	7	402	260	(11)	2,678	Financial ratios								
Free cash flow	(3,402)	13,184	4,485	(5,729)	(3,598)	(6,091)	4,131	(1,339)	Return on capital employed (ROCE) ^{1,5} , %	1	EBIT/average capital employed.						
Financial ratios									Net profit margin, %	2	Net debt, including 50 % of hybrid capital, cash and securities not available for use (with the exception of repo transactions), and decommissioning obligations less deferred tax.						
Return on capital employed (ROCE) ^{1,5} , %	9.7	9.4	10.8	11.0	10.6	29.3	29.3	28.2	Number of outstanding shares, end of period, '000	3	See definition on page 192 and in the ESG statements.						
FFO/Adjusted net debt ^{2,5} , %	48.3	35.6	23.1	21.3	31.0	47.4	57.5	46.2	Share price, end of period, DKK	4	The figures indicate values from the latest regulatory financial statements (updated in June).						
Number of outstanding shares, end of period, '000	420,068	420,066	420,066	419,985	419,985	419,985	419,985	420,045	Market capitalisation, end of period, DKKbn	5	Year to date.						
Share price, end of period, DKK	1,244	875	765	666	689	637	533	504	Earnings per share (EPS) (BP), DKK								
Earnings per share (EPS) (BP), DKK	522	368	321	280	290	267	224	212	Income statement (IFRS)								
EPS (BP), DKK	4.9	28.6	(2.7)	8.0	1.1	3.5	1.9	6.2	Revenue	ROCE is calculated for continuing operations.							
Income statement (IFRS)									EBITDA								
Revenue	13,195	8,762	9,962	18,232	19,815	14,543	17,277	18,763	EBITDA								
EBITDA	3,102	2,455	1,592	9,449	5,260	3,328	4,425	6,007	Profit (loss) for the period from continuing operations								
Profit (loss) for the period from continuing operations	700	11,311	(1,870)	5,407	1,429	822	1,718	3,322									



Business performance versus IFRS

Business performance represents the underlying financial performance of the Group in the reporting period, as results are adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. Apart from this, there is no difference between business performance and IFRS results. Read more in note 1.6.

¹ EBIT/average capital employed.

² Net debt, including 50 % of hybrid capital, cash and securities not available for use (with the exception of repo transactions), and decommissioning obligations less deferred tax.

³ See definition on page 192 and in the ESG statements.

⁴ The figures indicate values from the latest regulatory financial statements (updated in June).

⁵ Year to date.

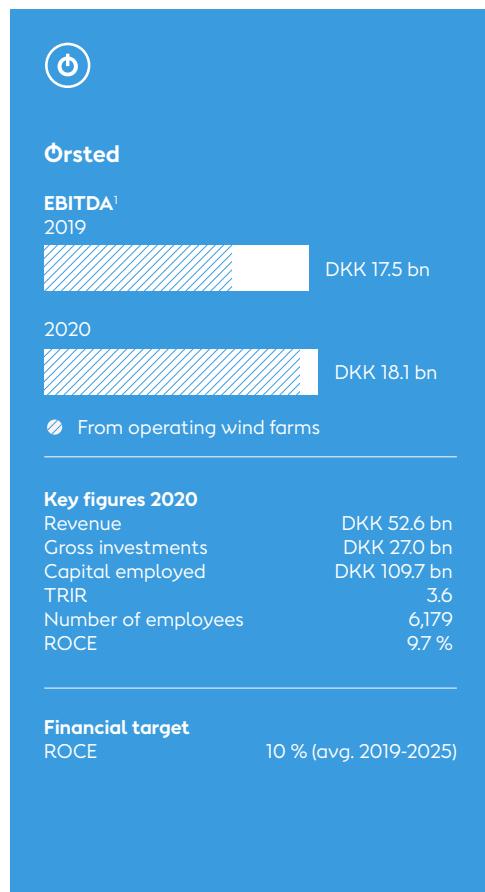
Business units

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Trading power and commodities means we can actively manage market risk for our generating assets and for contracts. For instance, our energy traders like Tom, who works in Gentofte, buy and sell energy at just the right moment to manage price fluctuations caused by, among other things, wind, snow, rain, and sun.

Our business units



¹ The sum of the business units' key figures for 2020 does not equal the consolidated key figures due to other activities and eliminations. Read more in note 2.1.



Offshore

Highlights 2020

Operations

We commissioned Borssele 1 & 2 and completed the construction of the demonstration project Coastal Virginia Wind.

We have kept availability high across our operating portfolio during the COVID-19 pandemic.

Business development

We installed our offshore wind turbine number 1,500.

We selected Siemens Gamesa Renewable Energy (SGRE) as the preferred wind turbine supplier for our offshore wind farms Borkum Riffgrund 3 and Gode Wind 3.

We entered into the world's largest renewables CPPA with Taiwan-based TSMC who will buy electricity from our offshore wind farm Greater Changhua 2b & 4.

We signed CPPAs with Nestlé UK and Amazon who will buy electricity from our offshore wind farms Race Bank and Borkum Riffgrund 3, respectively.



Walney Extension, off the coast of Cumbria, the UK.

Introduction to Offshore

Ørsted develops, constructs, owns, and operates offshore wind farms in the UK, Germany, Denmark, the Netherlands, the US, Taiwan, Japan, and South Korea.

Since we built the world's first offshore wind farm in 1991, we have been pioneers of offshore wind, and with almost 30 years of experience, we have constructed more offshore wind farms than any other company.

We are market leader in all regions where we operate, with a total installed capacity of 7.6 GW. Ørsted has 28 offshore wind farms in operation that supply carbon-free power to more than 18 million people worldwide.

Our integrated EPC organisation has a strong track record of delivering projects on time and within budget and manages multiple large-scale offshore construction projects in parallel across the globe.

We are pursuing growth opportunities in renewable hydrogen in the UK and Continental Europe.

We entered into agreements to divest 25 % of Ocean Wind 1 to Public Service Enterprise Group (PSEG) and 50 % of the project Greater Changhua 1 to CDPQ and Cathay PE.

We divested the transmission assets of our offshore wind farm Walney Extension.

We established a joint venture with TEPCO to develop projects on the eastern coast of Japan.

We have started developing a project in South Korea with a capacity of up to 1.6 GW.

In renewable hydrogen, we took FID on the H2RES project and secured funding for the OYSTER, Gigastack, and Westküste 100 projects.

We launched three new renewable hydrogen projects: Green Fuels for Denmark and our partnerships with Yara and bp.

Financial performance 2020

Power generation increased by 27 % relative to 2019, primarily due to ramp-up of generation from Hornsea 1 and Borssele 1 & 2 (in total 1.6 TWh) and higher wind speeds, mainly in Q1 2020. This was partly offset by hours with negative prices from April to July due to a lower demand for electricity driven by the COVID-19 pandemic, which led us to temporarily shut down generation.

Wind speeds were above last year and amounted to a portfolio average of 9.7 m/s, up from 9.2 m/s in 2019 and above a normal wind year (9.3 m/s), mainly due to very strong

winds in Q1 2020. Availability was 94 %, which was 1 percentage point higher than in 2019.

Revenue decreased by 14 % to DKK 34.5 billion. The decrease compared to 2019 was driven by revenue from construction agreements decreasing by DKK 9.0 billion, primarily due to high activity in 2019 related to the construction of the offshore wind farm Hornsea 1 for partners and the divestment of the offshore transmission assets at Race Bank. In 2020, revenue from construction agreements primarily related to the divestment of the offshore transmission assets at Walney Extension, construction of Coastal Virginia Wind, and the finalisation of Hornsea 1. This was partly offset by revenue from offshore wind farms in operation increasing by 17 % to DKK 19.4 billion, mainly due to higher generation.

EBITDA decreased by 3 % relative to 2019 and amounted to DKK 14.8 billion.

EBITDA from Sites, O&M, and PPAs amounted to DKK 15.5 billion in 2020. The 13 % increase was primarily due to the above-mentioned ramp-up of Hornsea 1 and Borssele 1 & 2, receipt of CfDs of another 400 MW of Hornsea 1 from April, and higher wind speeds. The increase was partly offset by adverse COVID-19 impacts on especially the UK power market due to a lower demand for electricity, which led to hours with negative prices from April to July, lower ROC recycle prices, and higher balancing tariffs (BSUoS) from National Grid in 2020. Furthermore, we saw lower earnings from trading related to hedging of our UK energy exposure, which



EBITDA from 'Sites, O&M, and PPAs' increased by 13 %.

		2020	2019	%
Business drivers				
Decided (FID) and installed capacity	GW	9.9	9.9	0 %
Installed capacity	GW	7.6	6.8	11 %
Generation capacity	GW	4.4	3.6	21 %
Wind speed	m/s	9.7	9.2	5 %
Load factor	%	45	42	3 %p
Availability	%	94	93	1 %p
Power generation	TWh	15.2	12.0	27 %
Denmark		2.2	2.2	0 %
United Kingdom		9.4	7.4	27 %
Germany		2.3	2.2	5 %
The Netherlands		1.2	-	n.a.
Other		0.1	0.2	(50 %)
Power sales	TWh	29.2	27.6	6 %
Power price, LEBA UK	GBP/MWh	36.8	43.6	(16 %)
British pounds	DKK/GBP	8.4	8.5	(1 %)
Financial performance				
Revenue	DKKm	34,533	40,216	(14 %)
Sites, O&M, and PPAs		19,427	16,602	17 %
Power sales		11,255	11,037	2 %
Construction agreements		3,371	12,386	(73 %)
Other		480	191	151 %
EBITDA	DKKm	14,750	15,161	(3 %)
Sites, O&M, and PPA		15,476	13,750	13 %
Construction agreements and divestment gains		1,593	3,765	(58 %)
Other, incl. project development		(2,319)	(2,354)	(1 %)
Depreciation	DKKm	(6,106)	(5,494)	11 %
EBIT	DKKm	8,644	9,667	(11 %)
Cash flows from operating activities	DKKm	9,985	9,283	8 %
Gross investments	DKKm	(19,525)	(15,121)	29 %
Divestments	DKKm	(149)	3,052	n.a.
Free cash flow	DKKm	(9,689)	(2,786)	248 %
Capital employed	DKKm	90,613	79,447	14 %

had very high earnings in 2019. Excluding earnings previously reported as part of Markets & Bioenergy, EBITDA from Sites, O&M, and PPAs increased by 17 %.

EBITDA from partnerships decreased by DKK 2.2 billion and amounted to DKK 1.6 billion. In 2020, our earnings from construction agreements mainly related to the lowered assumptions regarding the preferred bidder's expected return requirement on the Hornsea 1 transmission asset, the construction of Coastal Virginia Wind, and minor updates regarding finalised construction projects. In 2019, earnings from construction agreements primarily concerned Hornsea 1.

EBITDA from other activities, including project development, amounted to DKK -2.3 billion, in line with last year, and mainly related to our project development activities in the US. Total expensed project development costs amounted to DKK 1.7 billion.

Depreciation increased 11 % and amounted to DKK 6.1 billion. The increase was mainly due to completion of Hornsea 1 and Borssele 1 & 2.

Cash flow from operating activities amounted to DKK 10.0 billion, which was DKK 0.7 billion higher than in 2019. The increase was primarily due to less paid tax in 2020 relative to 2019. This was partly offset by funds tied up in work in progress in 2020 versus a release in 2019.

In 2020, we had a net cash outflow from work in progress of DKK 1.6 billion. This was mainly due to supplier payments related to

the construction of Hornsea 1 for partners and construction of the offshore transmission assets at Hornsea 2, partly offset by the divestment of the offshore transmission assets at Walney Extension.

Gross investments amounted to DKK 19.5 billion and mainly related to the construction of Borssele 1 & 2, Greater Changhua 1 & 2a, Hornsea 2, and Ocean Wind 1.

Cash flow from divestments in 2020 related to compensations paid under partnership agreements. In 2019, cash flow from divestments related to the receipt of deferred proceeds from the 50 % farm-down of Hornsea 1 in 2018 (DKK 1.7 billion) and to the strengthening of our strategic partnership with Eversource, as they became a 50 % partner in our activities in the New England area in the US in 2019 (DKK 1.4 billion).

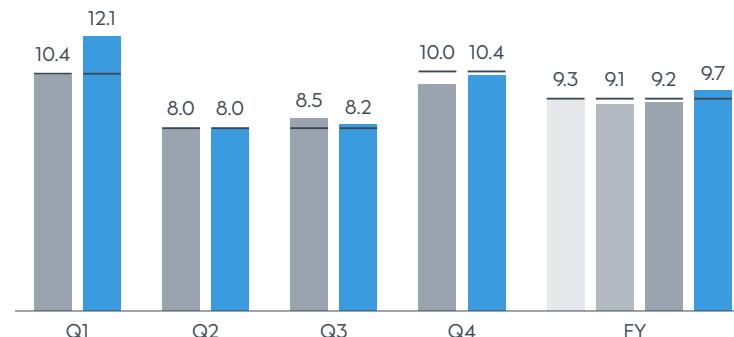
Strategic and operational performance 2020

Our Offshore business delivered a strong performance in 2020, despite the challenges presented by the COVID-19 pandemic. We commissioned our construction projects on schedule and within budget and achieved a park availability of 93.7 % across the portfolio, with Borssele 1 & 2 delivering a park availability of 97.4 % since May 2020.

In June, we reached a significant milestone with the installation of Ørsted's offshore wind turbine number 1,500. We are set to more than double our offshore wind capacity in the coming five years, and we are well on track to meet

Quarterly and annual wind speeds for our offshore wind farms, m/s

— 2017 ● 2018 ● 2019 ● 2020
— Normal wind year



The wind speeds indicate how many metres per second the wind has blown in the areas where we have offshore wind farms. The weighting is based on our generation capacity.

our strategic ambition of 15 GW of installed offshore wind capacity by 2025. With our current portfolio of projects under construction and awarded, we have nearly reached this target.

The UK

In the UK, we are building the offshore wind farm Hornsea 2, which is our construction project most affected by COVID-19. However, we do not expect this to delay commissioning, and we anticipate the project to stay within the budget set at FID. Currently, we are installing foundations and array cables, and we expect the project to be completed in the first half of 2022.

In April, we signed a 15-year CPPA with Nestlé UK who will buy 31 MW of the output of our offshore wind farm Race Bank which has a total capacity of 573 MW. This is Ørsted's largest, long-term, fixed-price CPPA in the UK.

In December, we were granted consent to move into the final development phase of the offshore wind farm Hornsea 3 by the UK Secretary of State for the Department for Business, Energy & Industrial Strategy. The offshore wind farm has a potential capacity of more than 2.4 GW and is adjacent to our offshore wind farms Hornsea 1 and Hornsea 2, off the east coast of the UK. With the consent granted, the offshore wind farm Hornsea 3 will be able to enter the next UK auction round for a contract for difference (CfD).

Finally, we divested the offshore transmission assets of Walney Extension to Diamond Transmission Partners. The transmission assets were sold for GBP 447 million 100 % basis and included the onshore substation, the export cables, and the offshore substations. In the first half of 2021, we expect to divest the transmission assets of Hornsea 1.

Continental Europe

In Continental Europe, we commissioned the offshore wind farm Borssele 1 & 2 on time and on budget. Borssele 1 & 2 is currently the largest offshore wind farm in the Netherlands and added 752 MW to our installed capacity.

In addition, we signed a 10-year CPPA with Amazon who will offtake 250 MW of Borkum Riffgrund 3 Offshore Wind Farm's total capacity of 900 MW. This was our first offshore wind CPPA with a global tech company and the largest offshore wind CPPA in Europe. Furthermore, we selected SGRE as the preferred wind turbine supplier for our projects Borkum Riffgrund 3 and Gode Wind 3. Subject to final investment decisions, which we expect by the end of 2021, assuming the necessary consents are received, the projects will deploy SGRE's 11 MW wind turbine with a 200-metre rotor.

North America

In the US, we completed construction of the 12 MW demonstration project Coastal Virginia Wind where we were contracted for EPC by Dominion Energy. The two-wind turbine offshore wind farm was the first to be federally permitted for installation in US waters.

In the north-eastern US, Ørsted and our partners Eversource and the State of Connecticut reached a final agreement on a harbour development plan for State Pier in New London that will transform the pier into a world-class offshore wind centre.

In December, we signed an agreement with PSEG which acquired 25 % of the offshore wind farm Ocean Wind 1.

Our offshore wind development pipeline in the US is progressing, but we are still waiting for the US Bureau of Ocean Energy Management (BOEM) to decide on key aspects related to the permitting process. As a result, the construction start dates for Revolution Wind, Ocean Wind 1, Skipjack Wind, and Sunrise Wind will likely be delayed beyond the expected 2023 or 2024. We have schedule flexibility in all four projects and have been able to make good progress on other project milestones in the meantime. However, until there is a clear timeline from BOEM, we cannot modify the projects' construction schedules. For our project South Fork Wind, we do not expect changes to the timeline or COD, currently scheduled for late 2023.

Despite these permitting delays, we remain confident that we can deliver our US project portfolio with satisfactory returns. This is reinforced by the commitment of the incoming Joe Biden Administration to rapid clean energy deployment as well as the US Treasury's recent announcement of a ten-year continuity safe harbour for offshore wind in addition to a new five-year, 30 % investment tax credit.

Asia Pacific

Our construction activities at the offshore wind farm Greater Changhua 1 & 2a are moving forward as planned. Currently, we are preparing for the installation of foundations which will commence in the first quarter of 2021, and we expect commissioning in 2022.

In December 2020, we entered into an agreement to divest 50 % of Greater Changhua 1 to Canadian pension fund Caisse de Dépôt et Placement du Québec (CDPQ) and Taiwanese

private equity fund Cathay PE. The agreement marks a milestone in successfully applying our partnership farm-down model in Asia Pacific.

In July, we signed a CPPA with Taiwan-based TSMC, the world's largest semiconductor foundry. TSMC will offtake the full production of our 920 MW offshore wind farm Greater Changhua 2b & 4, making it the largest-ever renewable energy CPPA. The 20-year fixed-price contract period will go into effect once Greater Changhua 2b & 4 reaches commercial operation, expected in 2025 or 2026, subject to grid availability and FID by Ørsted.

Furthermore, we signed a 20-year lease with the Port of Taichung and a long-term vessel contract with Ta San Shang Marine Co. Ltd for our offshore wind farms off the coast of Changhua County, enabling construction of the first Taiwan-flagged service operation vessel (SOV). The SOV will use the Port of Taichung as its base where Ørsted's O&M facilities will also be located.

We also achieved significant progress in Japan in 2020. We entered into an agreement with TEPCO to establish a joint venture company for offshore wind in Japan, with the intention of working towards a joint bid in the first Japanese auction, expectedly in the first half of 2021.

In 2020, we achieved an important milestone by deploying four floating LiDARs and securing site exclusivity off the coast of Incheon in South Korea. We have begun to collect data for the site, an area with a potential capacity of 1.6 GW of offshore wind.

Renewable hydrogen

We have made significant progress on our renewable hydrogen pipeline over the past 18 months. In 2020 alone, we secured funding for two of the projects and launched three new projects together with different consortia. Ørsted's renewable hydrogen pipeline now includes eight projects in Denmark, Germany, the UK, and the Netherlands, of which half have received funding.

In January 2021, Ørsted took FID on the demonstration project H2RES which will produce renewable hydrogen for road transport from power generated by Ørsted's two 3.6 MW offshore wind turbines at Avedøre Holme, Denmark. H2RES will have an electrolyser capacity of 2 MW and is expected to begin production in late 2021, which will make it our first renewable hydrogen project to reach operation. Also in January, the OYSTER project consortium, of which Ørsted is a member, was awarded five million euros from the European Commission's private-public partnership Fuel Cells and Hydrogen 2 Joint Undertaking (FCH2-JU) to develop a combined wind turbine and electrolyser system to produce renewable hydrogen offshore. The project is planned to run from 2021 to 2024, and we will lead the offshore deployment analysis and feasibility study and contribute to the design of the electrolyser system.

In August 2020, we secured funding for another two projects. Phase two of the Gigastack project received funds from the UK government, enabling Ørsted and our partners to conduct a front-end engineering design (FEED) study for a 100 MW electrolysis plant which will use electricity from the Hornsea 2 Offshore Wind Farm. The Westküste 100 project was



We have made significant progress on our renewable hydrogen pipeline over the past 18 months.

also granted funding by the German Federal Ministry of Economic Affairs and Energy as the first large-scale renewable hydrogen project within the Reallabor (real-world laboratory) framework. Westküste 100 is being developed by a cross-industry consortium of ten companies, including Ørsted, and seeks to decarbonise industrial processes, aviation, construction, and heating through renewable hydrogen. The first phase includes the construction of a 30 MW electrolysis plant and the development of a plan to scale the facility to 700 MW.

Last year also saw the launch of three new renewable hydrogen projects.

In May, Ørsted and a group of leading Danish companies partnered up to develop an industrial-scale facility in the Greater Copenhagen area to produce e-fuels for road, maritime, and air transport. The partnership, Green Fuels for Denmark, brings together the demand and supply side of sustainable fuels under a vision of building one of the world's

largest electrolyser and e-fuels production facilities. Ørsted is part of the Europa Seaways consortium led by DFDS, one of our partners in Green Fuels for Denmark, which aims to develop the world's first 100 % hydrogen-powered ferry for DFDS' Oslo-Copenhagen route. In November, we applied for support from the EU Innovation Fund to further progress this project.

In October, we launched a renewable hydrogen project in the Netherlands together with Yara, the world's leading fertilizer company. The project will include a 100 MW electrolysis plant, producing renewable hydrogen from electricity from Ørsted's offshore wind farms. The renewable hydrogen will replace fossil-based hydrogen in the production of ammonia at Yara's facility in Sluiskil, with the potential of displacing more than 100,000 tonnes of carbon emissions per year.

Finally, Ørsted and bp agreed in November to develop a renewable hydrogen project at bp's

Lingen Refinery in Emsland, Germany. The project includes a 50 MW electrolysis system with the aim of replacing fossil-based hydrogen at the Lingen Refinery. This is the first step towards the project's long-term ambition of building more than 500 MW of electrolyser capacity which could meet the refinery's entire hydrogen demand and provide feedstock for future e-fuel production.



Onshore

Highlights 2020

Operations

We commissioned the 338 MW onshore wind farm Sage Draw in Texas and expanded our operational footprint in the SPP with the onshore wind farms Plum Creek (230 MW) and Willow Creek (103 MW), with all three projects completed on time and within budget.

Business development

We received tax equity financing for our onshore wind farms Sage Draw, Plum Creek, and Willow Creek.

We signed 745 MW of long-term CPPAs with five different customers across four projects in both wind and solar.

We took FID on the 367 MW onshore wind project Western Trail and on the 430 MW_{ac} Old 300 Solar Center.

We acquired and took FID on the 227 MW_{ac} solar farm Muscle Shoals and on the 298 MW onshore wind farm Haystack.



Willow Creek, Butte County,
South Dakota, the US.

Introduction to Onshore

We develop, operate, and own onshore wind, solar PV, and storage projects across the southern and midwestern US, primarily in ERCOT, SPP, and the South-East.

We own and operate seven onshore wind farms with a capacity of 1.7 GW. Furthermore, we have 0.7 GW of onshore wind, 1.1 GW_{ac} of solar PV, and 40 MW_{ac} of storage under construction.

Our established execution model allows us to manage key interfaces together with top-tier suppliers and contractors to deliver flexible energy solutions in response to the dynamic needs of the diverse North American customer base.

Financial performance 2020

Power generation amounted to 5.7 TWh in 2020, which was a 64 % increase relative to 2019. The increase was due to new wind farms in operation (Sage Draw, Plum Creek, and Willow Creek) and a full year of generation from Lockett. Wind speeds amounted to a portfolio average of 7.6 m/s, up from 7.3 m/s in 2019 and slightly above a normal wind year (7.5 m/s).

Revenue amounted to DKK 0.7 billion, up 9 % from 2019 due to higher generation, partly offset by lower prices for the part of the portfolio not covered by PPAs and a lower positive effect from derivate run-offs related to the acquisition of LCE back in 2018.

EBITDA increased by 44 % and amounted to DKK 1.1 billion, driven by higher generation and related PTCs.

Cash flows from operating activities amounted to DKK 3.9 billion, which primarily comprised tax equity contributions from our partners at Sage Draw, Plum Creek, and Willow Creek. In 2019, it primarily comprised a tax equity contribution related to the onshore wind farm Lockett.

Gross investments amounted to DKK 6.6 billion in 2020 and was related to the construction of Permian Energy Center, Muscle Shoals, Western Trail, Sage Draw, Plum Creek, Willow Creek, and Haystack.

Divestments comprised the sale of Oak Solar Farm in June 2020. In 2019, it primarily comprised a sale and lease-back arrangement for land related to Permian Energy Center.

Strategic and operational performance 2020

Our Onshore business made significant progress in 2020, taking FID on four projects and commissioning three projects on schedule and within budget, despite adverse COVID-19 impacts across the industry. Operations remained stable throughout the year with high asset availability across our portfolio. A strong pipeline of onshore wind and solar PV projects is being developed and will be matured further in 2021, putting us well on track to achieve our strategic ambition of 5 GW of installed onshore wind and solar PV capacity by 2025.

Onshore wind

In April, we commissioned the 338 MW onshore wind farm Sage Draw, our fifth in Texas. With the completion of the 230 MW Plum Creek in Nebraska in June and the 103 MW Willow Creek in South Dakota in September, we expanded our footprint in the Southwest Power Pool (SPP), a market which plays an important part of our growth in North America. The commissioning of these wind farms brought our operating portfolio to a total of 1.7 GW. We have received tax equity financing for all three projects which are eligible for the full value of the Renewable Electricity Production Tax Credit (PTC).

In addition, we supplemented our development activities with the acquisition of Haystack, a 298 MW onshore wind project in Nebraska. The project is adjacent to Plum Creek and will use the same interconnection infrastructure. Haystack is expected to be commissioned in 2021 and is thus expected to be eligible for the full value of the PTC.



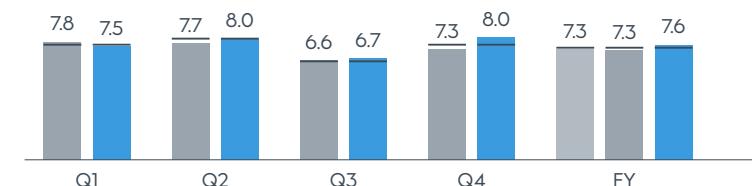
EBITDA increased by 44 %.

	2020	2019	%
Business drivers			
Decided (FID) and installed capacity, onshore wind and solar	GW	3.4	2.1
Installed capacity, onshore wind and solar	GW	1.7	1.0
Wind speed	m/s	7.6	7.3
Load factor, onshore wind	%	45	45
Availability, onshore wind	%	96	98
Power generation	TWh	5.7	3.5
US dollars	DKK/USD	6.5	6.7
	(2 %)		
Financial performance			
Revenue	DKKm	733	670
EBITDA	DKKm	1,131	786
Sites		451	466
Production tax credits and tax attributes		1,004	628
Other, including project development		(324)	(308)
Depreciation	DKKm	(482)	(351)
Impairment losses	DKKm	-	(68)
EBIT	DKKm	649	367
Cash flows from operating activities	DKKm	3,921	1,007
Gross investments	DKKm	(6,633)	(6,158)
Divestments	DKKm	114	255
Free cash flow	DKKm	(2,598)	(4,896)
Capital employed	DKKm	12,921	11,734
	10 %		

	2020	2019	%
Financial performance			
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EBITDA	DKKm	1,131	786
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Divestments	DKKm	114	255
Free cash flow	DKKm	(2,598)	(4,896)
Capital employed	DKKm	12,921	11,734
	10 %		

Quarterly and annual wind speeds for our onshore wind farms
m/s

● 2018 ● 2019 ● 2020
— Normal wind year





Our Onshore business made significant progress in 2020.

We also strengthened our asset base in the Electric Reliability Council of Texas (ERCOT) by taking FID on Western Trail, our largest onshore wind project to date. Located near our onshore wind farm Lockett, the 367 MW project is expected to reach commercial operation in 2021.

In line with our strategy, we have transferred the asset management of Willow Springs, Amazon, and Tahoka to Ørsted's asset management team. Since Lockett was completed, asset management has been performed inhouse for all new onshore wind projects and will be going forward. This improves our ability to optimise operational performance across the portfolio.

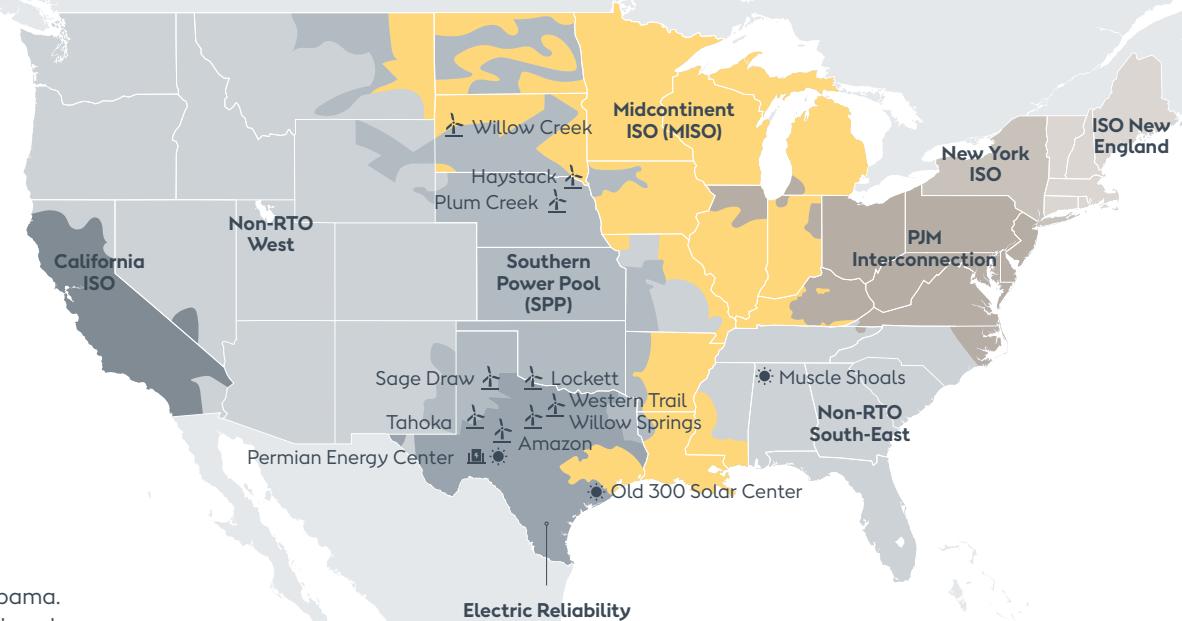
Solar PV

2020 also saw the continued expansion of our solar PV portfolio with the acquisition of and final investment decision on Muscle Shoals,

our 227 MW_{ac} solar PV project in Alabama. Muscle Shoals is fully contracted under a long-term power purchase agreement with the Tennessee Value Authority (TVA), and we have secured tax equity financing for the project. The solar farm is expected to be operational in 2021 and will thus be eligible for the full value of the Business Energy Investment Tax Credit (ITC). Muscle Shoals is our first project in the South East where we have a strong pipeline of projects under development.

In November, we took FID on the Old 300 Solar Center located near Houston, Texas. The 430 MW_{ac} project is expected to be commissioned in 2022 and will thus be eligible for the full value of the ITC.

As our strategic focus being large-scale solar farms, we divested the 10 MW_{ac} solar farm Oak Solar in June.



US competitive wholesale electricity markets

Power sector governance in the US is complex and fragmented. Approximately two thirds of the nation's electricity load are served by seven competitive wholesale markets managed by regional transmission organisations (RTOs). ERCOT and SPP are two of these seven markets. The remaining load is served by traditional wholesale electricity markets where vertically integrated utilities act as regulated monopolies and are responsible for all activities related to the generation, transmission, and distribution of electricity. The South-East is a region with this market structure.



Markets & Bioenergy

Highlights 2020

Operations

Our US trading office began commercial operations, supporting our US renewables portfolio.

We achieved our target of sourcing 100 % third-party certified sustainable biomass for our biomass-fuelled CHP plants.

We increased our provision of ancillary services vital to the stable operation of the Danish grid and, in a first for Denmark, began offering some of these services as green products.

We inaugurated the sustainable biomass-fired unit 6 of our Asnæs Power Station in August.

We began commercial operations at our Renescience plant in Northwich, UK, marking a major milestone for our development of this technology.

We contributed to Denmark's public health response to the COVID-19 outbreak by helping restart and operate our former bioethanol plant in Kalundborg for the emergency production of ethanol for disinfectants.



Asnæs Power Station,
Kalundborg, Denmark.

Introduction to Markets & Bioenergy

We serve as an efficient route-to-market for both Ørsted and third parties, by providing balancing services for renewable generation portfolios and by selling green certificates to the market. In doing so, we manage large volumes of power contracts that we optimise by leveraging the size of our combined portfolio and our origination and trading capabilities.

We spearhead market risk management for our generation assets and contracts by trading power, green certificates, and other commodities.

We provide around one quarter of Denmark's district heating and around one third of Denmark's thermal power through our CHP plants, making our CHP business a leading provider of heat, power, and ancillary services in Denmark.

We ensure efficient operations and maximise the commercial value of our legacy gas portfolio.

We manage Renescience, our patented waste-to-energy technology.

Business development

We won significant new third-party power balancing contracts with renewable assets in the UK and the Netherlands.

We entered into an agreement to resell some of the natural gas Ørsted receives under our legacy gas purchasing contracts to PGNiG Supply and Trading (PST).

We completed the divestment of our power distribution, residential, and city light businesses, our LNG activities, and our Danish energy efficiency consulting business.

We entered into an agreement to divest our UK B2B gas and power portfolios to Total Gas & Power.

Financial performance 2020

Revenue decreased by 35 % compared to 2019 and amounted to DKK 21.4 billion. The decrease was mainly driven by a significant drop in average gas and power prices relative to last year as well as lower gas and power volumes sold.

Thermal power generation amounted to 4.4 TWh, a 4 % decrease compared to last year due to slightly warmer weather and less favourable market conditions for power generation, partly offset by a higher volume from ancillary services. Heat generation amounted to 6.7 TWh, down 20 % compared to last year, mainly due to a warm first quarter in 2020.

EBITDA amounted to DKK 2.1 billion compared to DKK 1.5 billion in 2019.

EBITDA from CHP plants totalled DKK 1.1 billion in 2020, a slight decrease compared to last year. The decrease was mainly due to lower thermal heat and power generation and lower power spreads as well as the reversal of a provision in 2019 of DKK 0.3 billion following the acquittal in the Elsam case. This was partly offset by higher earnings from sale of ancillary services in 2020.

EBITDA from Gas Markets & Infrastructure amounted to DKK 0.4 billion, in line with last year. Higher earnings from revaluation of our gas at storage and a positive impact from storage hedges was offset by lower transported and sold volumes due to the shutdown of the Tyra gas field from late 2019 until 2023 as well as a provision for bad debt in our B2B business to cover the extraordinary COVID-19-related default risks among our customers.

EBITDA from LNG amounted to DKK 0 billion compared to a loss of DKK 1.0 billion in 2019. Due to the agreement to divest our LNG activities in 2019, we made provisions to offset the negative earnings until the divestment in 2020.

EBITDA from our Danish power distribution, residential customer, and city light businesses amounted to DKK 0.9 billion in 2020 versus DKK 1.3 billion in 2019. As a result of the divestment in August, earnings in 2020 only included eight months of operations.

We had no impairment losses in 2020, whereas impairment losses amounted to DKK 0.5 billion in 2019 and were related to a write-down of our Renescience plant in the UK, mainly due to delayed commissioning, increased CAPEX, and changed cost and price estimates.



EBITDA increased by 43 %.

Performance highlights

		2020	2019	%
Business drivers				
Degree days	number	2,432	2,399	1 %
Heat generation	TWh	6.7	8.3	(20 %)
Power generation	TWh	4.4	4.6	(4 %)
Gas sales	TWh	90.3	125.0	(28 %)
Power sales	TWh	11.6	14.7	(21 %)
Gas price, TTF	EUR/MWh	9.3	13.5	(31 %)
Power price, DK	EUR/MWh	26.7	39.2	(32 %)
Power price, LEBA UK	GBP/MWh	36.8	43.6	(16 %)
Green dark spread, DK	EUR/MWh	(11.2)	(2.6)	341 %
Green spark spread, DK	EUR/MWh	(1.4)	2.0	n.a.
Financial results				
Revenue	DKKm	21,420	32,816	(35 %)
EBITDA	DKKm	2,136	1,495	43 %
CHP plants		1,111	1,152	(4 %)
Gas Markets & Infrastructure		411	390	5 %
LNG		-	(957)	n.a.
Distribution, B2C, and city light		926	1,280	(28 %)
Other, incl. project development		(312)	(370)	(16 %)
Depreciation	DKKm	(796)	(798)	0 %
Impairment losses	DKKm	-	(500)	n.a.
EBIT	DKKm	1,340	197	580 %
Cash flows from operating activities	DKKm	2,855	1,218	134 %
Gross investments	DKKm	(715)	(1,898)	(62 %)
Divestments	DKKm	19,060	25	n.a.
Free cash flow	DKKm	21,200	(655)	n.a.
Capital employed	DKKm	5,229	15,789	(67 %)

Cash flow from operating activities amounted to DKK 2.9 billion in 2020. The increase of DKK 1.6 billion was mainly due to lower paid taxes (receipt of on account taxes in 2020 versus payment of taxes on account in 2019), lower trade receivables due to lower revenue, an early repayment related to our oil pipe facilities, and changes in the value of derivatives. This was partly offset by a change in the value of gas at storage.

Gross investments amounted to DKK 0.7 billion in 2020 and were mainly related to maintenance of the power distribution grid and concluding works related to the bioconversion of Asnæs Power Station up until inauguration in August.

Cash flow from divestments amounted to DKK 19.1 billion in 2020, of which the above-mentioned divestment of our Danish power distribution, residential customer, and city light businesses contributed with

We run our business on an end-to-end value chain thinking. All activities and earnings that relate to Offshore and Onshore are reported in these segments, even if the daily activities are performed on behalf of the group in Markets & Bioenergy. Therefore, earnings from trading related to hedging of our power exposures and power portfolio optimisation activities in relation to Offshore and Onshore are presented in these business units.

In 2020, EBITDA of DKK 236 million and DKK 48 million were transferred to Offshore and Onshore, respectively (DKK 725 million and DKK -18 million, respectively, in 2019).

proceeds of DKK 20.5 billion. This was partly offset by a cash outflow in connection with the divestment of the LNG activities of DKK 1.5 billion.

Strategic and operational performance 2020

In 2020, we made great strides in the development of our core activities, while continuing to streamline Markets & Bioenergy through divestments.

Provide and develop a competitive route-to-market

Having consistently reduced balancing costs over the last few years, we provide an increasingly efficient route-to-market for Ørsted's generation portfolio. In 2020, with the addition of our asset Borssele 1, we grew the portfolio of Ørsted projects under our management to 5.6 GW.

Our balancing services are also an increasingly competitive option for third-party renewable operators. We currently provide balancing services for nearly 600 MW of third-party capacity, and in 2020, we won a major contract with the Dogger Bank Wind Farm, which is currently under construction. We will provide balancing for 40 % of the volume from phases A and B of this project, amounting to 960 MW when fully completed. We also made successful balancing-service bids for onshore third-party renewable projects in the Netherlands and Denmark.

Spearhead market risk management

Our market trading activities had another strong year in 2020, stemming from the successful hedging and trading of our energy exposures. We have especially benefitted from the flexibility embedded in the contract structures of our north-western European energy portfolio which we leverage to protect and extract value for Ørsted.

As part of our digital strategy for short-term trading, we rolled out a smart bidding tool which uses a parametric algorithm to automatically trade volumes in small increments and improve the speed of our trade execution. The tool enhances our ability to capture stronger market prices in the UK, Germany, and the Netherlands.

Our Chicago-based US trading organisation began commercial operations in early 2020, managing market risk for our US portfolio. The organisation contributes to our ongoing capacity build-out in the US by providing the same risk management and route-to-market services as for our European portfolio.

Optimise and decarbonise our CHP plants

2020 was a milestone year for our biomass conversion programme. The Crown Prince of Denmark inaugurated the sustainable biomass-fired unit 6 of our Asnæs Power Station in August, marking the completion of our conversion programme and another step towards the full decarbonisation of our CHP operations in Denmark. Furthermore, we reached our target of sourcing 100 % of our biomass from third-party certified sustainable suppliers. In 2020, Denmark passed new biomass sustainability legislation that is in line with the strict

standards we already require from our biomass suppliers on replanting of trees, protection of forest biodiversity, and supply chain emissions.

In addition, we are exploring the potential of carbon capture technology at our biomass-fired CHP plants. Carbon captured from biomass combustion is biogenic and can contribute to negative emissions when stored permanently, or it can be used as a feedstock to produce carbon-neutral products.

This year saw a temporary increase in our use of coal as a proportion of our overall fuel inputs, stemming from statutory requirements as part of our provision of ancillary services to the Danish power system. Our commitment to phase out coal by 2023 remains unchanged.

By combining our dispatchable CHP capacity with our offshore wind portfolio in Denmark, we were for the first time able to offer some of our ancillary services as green products. Our offshore wind farm Horns Rev 2 was the first intermittent renewable source to qualify for providing automatic frequency restoration reserve (aFRR) services in Denmark.

Optimise our gas portfolio

With the Danish Undergrund Consortium-owned Tyra gas field in the North Sea shut down for redevelopment until June 2023, we have ensured continuous supply for our Danish and Swedish gas customers by importing piped volumes from Germany. When Tyra reopens, and as domestic biogas production increases, the dependence on imported gas to Denmark will decrease.

In October 2020, we entered into a contract with the Polish natural gas company PST to sell approx. 70 TWh of natural gas over the period from 2023 to 2028. Under the agreement, Ørsted will resell some of the natural gas received from the Danish North Sea as part of our legacy gas purchasing contracts. The agreement reduces our exposure to long-term financial risk in our gas portfolio and supports Poland's decarbonisation agenda. Poland aims to reduce the share of coal in its energy mix from 75 % today to 11-28 % by 2040 by substituting it with renewables and natural gas.

We developed and launched a first-of-its-kind trading contract for renewable hydrogen certificates in the UK. Specifically targeting the decarbonisation of the transport sector, this contract builds on our other partnerships on renewable hydrogen technology.

Commercialise Renescience

In October, we successfully completed the final performance tests and began commercial operations at our Renescience plant in Northwich, the UK. The technology has the potential to significantly increase recycling rates of unsorted household waste and reduce the volumes of waste sent to landfills or incineration. The commissioning of our Northwich plant marks a major milestone, and we continue to explore the broader commercial potential of this technology.

Deliver on divestments

In 2020, we continued streamlining Markets & Bioenergy to focus on our growth platform. At the end of July, we divested our energy efficiency consulting business to EBAS. In August, we completed the divestment of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel), and in December, we completed the divestment of our LNG business to Glencore. Finally, we signed an agreement with Total Gas & Power in September to divest our UK B2B gas and power portfolios. This transaction is expected to close in Q1 2021.



Asnæs Power Station, unit 6,
Kalundborg, Denmark.

Governance

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Taiwan has set ambitious targets for renewable energy. It is an important market for Ørsted. We reached a significant milestone in the country in 2020 when we signed the world's largest-ever renewable energy corporate power purchase agreement. The agreement, which will provide TSMC, a Taiwanese semiconductor manufacturing company, with green power for 20 years, underlines our pioneering role in the development of renewable energy in the Asia-Pacific region.

Message from the Chairman

In the Board of Directors, we firmly believe that good corporate governance and high standards of integrity are fundamental as we continue to develop Ørsted as one of the global leaders in renewable energy.

We have designed our corporate governance model to support transparency and compliance with regulation and best practice and to support business conduct and decision-making that is agile, efficient, and of high quality. Our corporate governance is supported by a company culture based on high ethical standards and clear values throughout the organisation. It is built on three pillars that are embedded throughout the organisation, from the Board to the individual employee.

First, we have designed our management structure to enable the right decision-making power in the right places throughout the organisation. Therefore, we have defined clear roles, responsibilities, and key performance indicators at all levels of the organisation. In the Board, we oversee the overall strategic decision-making in Ørsted, while the Executive Board undertakes the day-to-day management of the company through the Executive Committee. Our Management Team of approx. 20 senior executives drives the strategic execution of our business plans and promotes a common culture across the company, supported by our wider management system of more than 1,000 managers

across the company. Each employee across the company has clear targets for how to contribute, including personal development targets and success criteria that link back to our business strategy.

Second, we want to ensure the right competences to successfully drive our business forward. We spend considerable amounts of time assessing and ensuring that we have the right competences at executive and board levels and attach importance to the members having extensive knowledge and experience covering a wide range of geographies and fields of expertise. Climate action is particularly fundamental to our business strategy of deploying renewable energy, so climate-related issues are an integral part of board and executive agendas. Therefore, a key set of competences for the Board includes environment, social, and governance (ESG) as this is fundamental for Ørsted's business. For the Executive Board, we have also integrated ESG into their individual incentive schemes.

To reinforce diversity, we have equal gender representation in the Board as defined by Danish law, and throughout the organisation, we continuously work to promote diversity

through the representation of different nationalities, genders, age distribution, and mindsets.

Individual development is a key driver in helping to ensure that we have the right competences in place. That is why we have built a systematic approach to and culture of continuous development. Our approach warrants personal development, enables nuanced, constructive feedback, and enhances growth opportunities for individuals at all levels of the organisation.

Third, we want to maintain and further cultivate a company culture based on integrity. Integrity is our root and is the first of our five guiding principles. Our culture and focus on integrity are also supported by our policy on good business conduct and a set of internal controls aimed at protecting Ørsted's integrity. We have clear policies, procedures, and guidelines in place to prevent and address potential violations of our policy on good business conduct. We have an Internal Audit function and a whistle-blower scheme where internal and external stakeholders can easily and anonymously report concerns about inappropriate and illegal conduct in the company through an independent third party.

We keep our governance principles under regular review, and we promote compliance internally and with our business partners through our code of conduct and due diligence, training, and reporting of misconduct to support the highest levels of good governance and integrity.

On the following pages, you can read more about our corporate governance, and how we work with it. I look forward to continuing serving the Board in the coming year.



A handwritten signature in black ink, appearing to read "Thomas Thune Andersen".

Thomas Thune Andersen
Chairman

Corporate governance

Our overall and strategic management of the company is anchored in a board of independent non-executive directors appointed by the shareholders.

The Board of Directors appoints the Executive Board, consisting of the CEO and CFO who undertake the day-to-day management of Ørsted through the Executive Committee. None of our executives are members of the Board of Directors. A Management Team consisting of the Executive Committee and senior vice presidents drives strategic development and cultural alignment across the company.

Our governance model



Shareholders and general meeting

Ørsted is a publicly listed company with the Danish State as majority shareholder with 50.1 % ownership. The Danish State exercises its ownership interest in Ørsted in accordance with the ordinary governance set-up in Danish companies where the Board of Directors and the Executive Board are responsible for the management of the company. The Danish State exercises its interest at the general meeting, including through the appointment of professional board members. The Danish State's ownership policy is available here (only in Danish): fm.dk/udgivelser/2015/april/statens-ejerskabspolitik/.

All our shareholders may exercise their rights and vote at the general meeting through a one-share-one-vote principle. The general meeting adopts decisions, such as the election of the Board of Directors and the auditor, in accordance with the standard Danish rules. Due to our majority ownership by the Danish State, we have a bespoke quorum requirement, as proposals to amend the Articles of Association or dissolve the company require that the Danish State participates in the general meeting and supports the proposals.

Board of Directors

Each year at the annual general meeting, the shareholders elect six to eight board members. In addition, our employees may elect members corresponding to half of the board members elected by the general meeting pursuant to Danish mandatory rules. Employee elections are held every four years.

For the time being, our Board of Directors comprises nine members, six members elected by the general meeting and three members elected by the employees.

The Board of Directors is responsible for the overall management of the company. The Board of Directors lays down the company's strategy and makes decisions concerning major investments and divestments, the capital base, key policies, control and audit matters, risk management, and significant operational issues. You can see the most important tasks in 2020 on the next page.

The Board monitors and oversees progress related to Ørsted's climate change strategy, including our ambitious net-zero carbon reduction targets for scope 1-3 emissions. We routinely integrate climate change considerations when setting our strategic direction, reviewing

sustainability risks, setting performance objectives, deciding on our capital allocation, and when approving and overseeing major investments, acquisitions, and divestments.

The Board of Directors conducted its annual board evaluation in November 2020. The basis for the evaluation was a questionnaire that the individual members of the Board of Directors and Executive Committee had been asked to complete, and individual interviews conducted by an external advisor. At the evaluation, all members of the Board of Directors and the Executive Board expressed that the board is strong, aligned, well-functioning, and possesses the right competencies to govern the company. Moreover, all members found board discussions inclusive and open to the viewpoints of all members. As the company expands to new markets and technologies, there are some development areas that need to be further explored and evaluated, e.g. ensuring that the Board of Directors has the right competency coverage in the long-term and prioritizing succession as a more important part of the board agenda.

The Board of Directors has prepared an overview of the competences required on the board. The list of required competences can be found at orsted.com/competences-overview.

Important tasks managed by the Board of Directors in 2020

Investments, acquisitions, and divestments

Build out our offshore wind project portfolio after 2021, including bids into auctions and tenders in the Netherlands and US and entry into a corporate power purchase agreement with TSMC related to the Greater Changhua 2b & 4 offshore wind project in Taiwan and a virtual corporate power purchase agreement with Amazon related to the Borkum Riffgrund 3 offshore wind project in Germany.

Enter into agreement to divest 50 % of the Changhua 1 project in Taiwan to a consortium of Caisse de dépôt et placement du Québec and Cathay Private Equity.

Enter into agreement to divest 25 % of the US offshore wind project Ocean Wind 1 to PSEG.

Build out our onshore portfolio in the US, including final investment decisions on the onshore wind farm Western Trail and the solar farm Old 300 Solar Center and the acquisition of and final investment decisions on the onshore wind farm Haystack and the Muscle Shoals solar farm.

Enter into agreement to divest the majority of our B2B portfolio of natural gas and power customers in the UK.

Complete the agreements to divest our Danish power distribution, residential customer, and city light businesses and our LNG business.

Other tasks

Appoint Mads Nipper as our new CEO following Henrik Poulsen's resignation.

Assess the claim made by the Danish Tax Agency, requiring Danish taxation of our British offshore wind farms Walney Extension and Hornsea 1 in the years 2015 and 2016.

Issue green senior bonds in Taiwan to finance our green growth ambition towards 2025.

Enter into multi-year agreement to resell some of the natural gas received from the Danish part of the North Sea to PGNiG Supply & Trading.

Oversee the court case concerning the Ørsted name.

Oversee the impacts of COVID-19.

Oversee the results from the 2020 employee satisfaction survey, with a strong focus on the well-being of the employees, including discussions regarding inclusion, diversity, bullying, stress, and harassment.

Oversee and discuss the development of our consolidated environmental, social, and governance (ESG) statements.

Meeting attendance

Member of the board	Board of Directors		Audit & Risk Committee	Nomination & Remuneration Committee
	Ordinary	Extraordinary		
Thomas Thune Andersen	7/0	10/0		5/0
Lene Skole	7/0	9/1		5/0
Lynda Armstrong	7/0	10/0		5/0
Jørgen Kildahl	7/0	10/0	8/0	
Peter Korsholm	7/0	10/0	8/0	
Dieter Wemmer	7/0	10/0	8/0	
Hanne Sten Andersen ¹	5/0	7/0		
Poul Dreyer ¹	5/0	7/0		
Benny Gøbel ¹	7/0	10/0		
Ole Henriksen ¹	2/0	3/0		
Daniel Tas Sandermann ¹	2/0	3/0		



A description of the individual board members, including their other executive positions, independence, and how the individual board members contribute to the required competences can be found on pages 65-67. Their meeting attendance during 2020 can be found in the table above.

¹ Employee representative. During 2020, there have been changes in the employee representatives. As a result of this, meeting attendance varies.



Ørsted
Remuneration
report 2020



Report on corporate
governance pursuant to
Art. 107b of the Danish
Financial Statements Act



Download

[Statutory corporate governance report](#)
[Remuneration report](#)

Board of Directors

	Experience	Positions	Competences	
 Thomas Thune Andersen *1955, Denmark Chairman since 2014 Independent Joined in 2014 Re-elected in 2020 Term of office expires in 2021	Extensive international leadership experience from leading positions in A.P. Møller-Mærsk and non-executive directorships in listed and privately held companies within the energy, critical infrastructure, and other sectors.	Chairman: VKR Holding A/S, Lloyds Register Group Limited, and Lloyds Register Foundation Member: BW Group ltd, IMI plc, Green Hydrogen Systems A/S, and the Danish Committee on Corporate Governance ¹	Management <input checked="" type="checkbox"/> General <input checked="" type="checkbox"/> Safety <input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Risk <input checked="" type="checkbox"/> Project <input checked="" type="checkbox"/> Stakeholder <input checked="" type="checkbox"/> Human resources	Other <input checked="" type="checkbox"/> Energy sector <input checked="" type="checkbox"/> It, technology, and digitalisation <input checked="" type="checkbox"/> Investor and capital market relationships <input checked="" type="checkbox"/> ESG
 Lene Skole *1959, Denmark Deputy Chairman since 2015 Independent Joined in 2015 Re-elected in 2020 Term of office expires in 2021	Highly experienced in managing listed companies from her previous position as CFO of Coloplast and current position as CEO of Lundbeckfonden where she serves as a non-executive director of the portfolio companies of Lundbeckfonden.	CEO: Lundbeckfonden and Lundbeckfond Invest A/S Chairman: LFI Equity A/S Deputy Chairman: ALK-Abelló A/S, H. Lundbeck A/S and Falck A/S. Member: Tryg A/S, Tryg Forsikring A/S ²	Management <input checked="" type="checkbox"/> General <input checked="" type="checkbox"/> Safety <input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Risk <input checked="" type="checkbox"/> Project <input checked="" type="checkbox"/> Stakeholder <input checked="" type="checkbox"/> Human resources	Other Energy sector <input checked="" type="checkbox"/> It, technology, and digitalisation <input checked="" type="checkbox"/> Investor and capital market relationships <input checked="" type="checkbox"/> ESG
 Lynda Armstrong *1950, Great Britain Independent Joined in 2015 Re-elected in 2020 Term of office expires in 2021	Strong global managerial experience from more than 30 years in leading positions in Shell, including as Vice President in Shell International, and from non-executive directorships in international companies and large organisations.	Chairman: The Engineering Construction Industry Training Board (ECITB) Non-Executive Director: KAZ Minerals plc. ³	Management <input checked="" type="checkbox"/> General <input checked="" type="checkbox"/> Safety <input checked="" type="checkbox"/> Financial <input checked="" type="checkbox"/> Risk <input checked="" type="checkbox"/> Project <input checked="" type="checkbox"/> Stakeholder <input checked="" type="checkbox"/> Human resources	Other <input checked="" type="checkbox"/> Energy sector <input checked="" type="checkbox"/> It, technology, and digitalisation <input checked="" type="checkbox"/> Investor and capital market relationships <input checked="" type="checkbox"/> ESG

¹ Board committees: Remuneration Committee of Lloyds Register Group Limited, Nomination Committee of Lloyds Register Foundation, Nomination Committee and Remuneration Committee of IMI plc, and Nomination Committee of VKR Holding A/S.

² Board committees: Audit & Risk Committee of Tryg A/S and Tryg Forsikring A/S, chairman of the Audit Committee and member of the Remuneration Committee of Falck A/S, Nomination & Remuneration Committee, Audit Committee and Scientific Committee of ALK-Abelló A/S, and Nomination & Remuneration Committee and Scientific Committee of H. Lundbeck A/S.

³ Chairman of the Remuneration Committee, member of the HSE Committee, and member of the Project Assurance Committee of KAZ Minerals plc.

	Experience	Positions	Competences	
 Jørgen Kildahl *1963, Norway Independent Joined in 2018 Re-elected in 2020 Term of office expires in 2021	Strong international background in renewable energy and a profound knowledge of how the energy ecosystems work from positions as Executive Vice President of Statkraft and member of the board of management of E.ON.	Deputy Chairman: Telenor ASA. Member: Höegh LNG Holding Ltd and Alpiq AG. Other: Senior Advisor for Energy Infrastructure Partners ¹	Management ✓ General ✓ Safety ✓ Financial ✓ Risk ✓ Project ✓ Stakeholder Human resources	Other ✓ Energy sector ✓ It, technology, and digitalisation ✓ Investor and capital market relationships ✓ ESG
 Peter Korsholm *1971, Denmark Independent Joined in 2017 Re-elected in 2020 Term of office expires in 2021	Extensive M&A experience from his time as Partner and Head of EQT Partners Denmark and from private investments. Also experience with financial reporting, risk management, and capital markets from CFO position at AAK AB.	CEO: DSVM Invest A/S, DSV Miljø Group A/S, Togu ApS, and Totalleveranser Sverige AB. Chairman: Nymølle Stenindustrier A/S, GDL Transport Holding AB, Lion Danmark I ApS, and Totalleveranser Sverige AB. Member: DSVM Invest A/S, A/S United Shipping and Trading Company, and DANX Holding I ApS ²	Management ✓ General ✓ Safety ✓ Financial ✓ Risk ✓ Project ✓ Stakeholder Human resources	Other Energy sector It, technology, and digitalisation ✓ Investor and capital market relationships ✓ ESG
 Dieter Wemmer *1957, Switzerland Independent Joined in 2018 Re-elected in 2020 Term of office expires in 2021	Highly experienced in capital markets, investments, and risk management from leading positions within the finance sector. Before focusing solely on non-executive directorships, he was the CFO of Allianz.	Chairman: Marco Holding, Plc. Member: UBS Group AG and UBS AG ³	Management ✓ General ✓ Safety ✓ Financial ✓ Risk ✓ Project ✓ Stakeholder Human resources	Other Energy sector ✓ It, technology, and digitalisation ✓ Investor and capital market relationships ✓ ESG

¹ Member of the Audit & Risk Committee and the Sustainability & Compliance Committee of Telenor ASA, member of the Audit Committee of Höegh LNG Holdings Ltd, member of the Governance Committee and the Strategy Committee of Alpiq AG.

² Chairman of the Investment Committee of Zoscales Partners and Chairman of the Board of Directors of four wholly-owned subsidiaries of Lion Danmark I ApS (Lomax Group). He is also a member of the Board of Directors of three wholly-owned subsidiaries of A/S United Shipping and Trading Company, three wholly-owned subsidiaries of DANX Holding I ApS, and four wholly-owned subsidiaries of DSVM Invest A/S.

³ Chairman of the Board of Directors of one wholly-owned subsidiary of Marco Holding Plc. Member of the Audit Committee, Governance and Nomination Committee, and Compensation Committee of UBS Group AG and UBS AG.

	Experience	Positions	Competences	
 Benny Gøbel *1967, Denmark Employee representative Not independent Joined in 2011 Re-elected in 2018 Term of office expires in 2022	Benny Gøbel has worked in Ørsted since 2005.	Engineer, Markets & Bioenergy.	Management General Safety Financial Risk Project Stakeholder Human resources	Other ✓ Energy sector It, technology, and digitalisation Investor and capital market relationships ESG
 Ole Henriksen *1972, Denmark Employee representative. Not independent Joined in 2020 Term of office expires in 2022	Ole Henriksen has worked in Ørsted since 2007.	Operations Engineer, Markets & Bioenergy.	Management General Safety Financial Risk Project Stakeholder Human resources	Other ✓ Energy sector It, technology, and digitalisation Investor and capital market relationships ESG
 Daniel Tas Sandermann *1984, Denmark Employee representative Not independent Joined in 2020 Term of office expires in 2022	Daniel Tas Sandermann has worked in Ørsted since 2015.	Head of Commercial & Strategy Execution, Markets & Bioenergy	Management ✓ General Safety Financial Risk ✓ Project ✓ Stakeholder Human resources	Other ✓ Energy sector ✓ It, technology, and digitalisation Investor and capital market relationships ✓ ESG

Committees of the Board of Directors

The Board of Directors has appointed two committees from among its members: an Audit & Risk Committee and a Nomination & Remuneration Committee which assist the Board of Directors within selected areas.

Audit & Risk Committee

Dieter Wemmer (Chairman), Jørgen Kildahl, and Peter Korsholm are the members of the Audit & Risk Committee.

The committee assists the Board of Directors in overseeing the financial and ESG reporting process (including key accounting estimates and judgements), the liquidity and capital structure development, financial and business-related risks, compliance with statutory and other requirements from public authorities, internal controls as well as IT security in operational and administrative areas as well as cybersecurity.

Moreover, the committee approves the framework governing the work of the company's external and internal auditors (including limits for non-audit services), evaluates the external auditors' independence and qualifications, and monitors the company's whistle-blower scheme.

In 2020, the committee approved an update of the internal control and WACC frameworks. The committee also reviewed the financial impact of COVID-19 and the divestments of our Danish power distribution, residential customer, and city light businesses, and our LNG activities. Furthermore, it assessed the claim made by the Danish Tax Agency requiring Danish taxation of our British offshore wind farms Walney Extension and Hornsea 1, and it reviewed the progress in IT security.

Our Internal Audit function reports to the Audit & Risk Committee and is independent of our administrative management structures. Internal Audit enhances and protects the organisational value by providing risk-based and objective assurance, advice, and insight. The focus for Internal Audit is auditing and advising on our core processes, governance, risk management, control processes, and IT security.

The Chairman of the Audit & Risk Committee is responsible for managing our whistle-blower scheme. Internal Audit receives and handles any reports submitted. Our employees and other associates may report serious offences, such as cases of bribery, fraud, and other inappropriate or illegal conduct, to our whistle-blower scheme or through our management system. In 2020, four substantiated cases of inappropriate or unlawful behaviour were reported through our whistle-blower scheme. Three cases concerned violation of good business conduct policies and one case concerned violation of administrative procedures. The four cases had consequences for the individuals involved. None of the reported cases were critical to our business and caused no adjustments to our financial results. Whistle-blower cases are taken very seriously, and we continuously enhance the awareness of good business conduct, e.g. through education as well as awareness campaigns, to minimise future similar cases.

You can read more about the Audit & Risk Committee and the terms of reference for the committee at orsted.com/audit-risk-committee.

Nomination & Remuneration Committee

Thomas Thune Andersen (Chairman), Lene Skole, and Lynda Armstrong are the members of the Nomination & Remuneration Committee.

The committee assists the Board of Directors in matters regarding the composition, remuneration, and performance of the Board of Directors and the Executive Committee.

In 2020, the committee discussed, among other matters, our increasing global footprint and the impact on our pay mix. It was decided to introduce a higher level of variance within pay-mix on different markets to be more in line with local market terms.

Following the implementation of the EU Shareholder Rights Directive II in Danish legislation, the committee reviewed the remuneration policy for the Board of Directors and the Executive Board, and an updated version of the remuneration policy was subsequently approved by the annual general meeting in March 2020. The committee also spent time on the separate 2019 remuneration report covering the Board of Directors and the Executive Board as the company decided to reflect the new regulatory requirements, which apply from 2020, already in the 2019 reporting.

Additionally, the committee has reviewed changes in the peer group used for benchmarking Ørsted's relative TSR in the share-based long-term incentive programme. The changes were made to better match Ørsted's current global footprint and business mix and to address the changes in the peer group's business mix and footprint.

Finally, the committee has been engaged in the recruitment of Mads Nipper as new CEO as of 1 January 2021, following Henrik Poulsen's resignation in June 2020.

You can read more about the Nomination & Remuneration Committee and the terms of reference for the committee at orsted.com/nomination-remuneration-committee.

Executive Committee



Mads Nipper
CEO, Executive Board



Marianne Wiinholt
CFO, Executive Board



Martin Neubert
Offshore



Declan Flanagan
Onshore



**Morten
Hultberg Buchgreitz**
Markets & Bioenergy



**Henriette
Fenger Ellekrog**
CHRO



Anders Lindberg
Offshore EPC and QHSE

The seven members of the Executive Committee undertake the day-to-day management.

Mads Nipper (CEO) and Marianne Wiinholt (CFO) are members of the Executive Board of Ørsted A/S.

In addition to Mads Nipper and Marianne Wiinholt, the Executive Committee comprises the executive vice presidents (EVP) of our three business units: Martin Neubert (Offshore), Declan Flanagan (Onshore), Morten H. Buchgreitz (Markets & Bioenergy) together with the EVPs Henriette Fenger Ellekrog (Chief Human Resources Officer - CHRO) and Anders Lindberg (Offshore EPC and QHSE).

The Board of Directors has laid down guidelines for the work of the Executive Board, including the division of work between the Board of Directors and the Executive Board and the Executive Board's powers to enter into agreements on behalf of the company.

The Board of Directors regularly discusses the CEO's performance, for example by following up on developments seen in relation to our strategy and objectives.

The Chairman of the Board of Directors and the CEO also regularly discuss the cooperation between the Board of Directors and the Executive Board.

We describe the remuneration of the Executive Board in the separate remuneration report, see link on page 64. You can also find information about the members of the Executive Board to the right.

Mads Nipper
*1966, Denmark

Registered as CEO, Group President and Chief Executive Officer (CEO) since January 2021.

Education & Career
MSc in International Business,
University of Aarhus 1991

2021 –
Ørsted A/S, President and
Chief Executive Officer

2014 – 20'
Grundfos A/S, Group President and
Chief Executive Officer

1991 – 14'
Lego A/S, EVP, Chief Marketing Officer
(2011-2014). EVP, Markets & Products
(2006-2011), SVP, Global Innovation &
Marketing (2004-2006), Managing Director
and SVP, Lego Central Europe (2001-2004),
SVP, Global Segment 8+ (1999-2001), and
various manager positions (1992-1999).

Other positions
Axcel: Advisory board member. DI Dansk
Industri: Board member. Danish Crown A/S:
Deputy Chairman.

Marianne Wiinholt
*1965, Norway

Registered as CFO, Chief Financial Officer
(CFO) since October 2013.

Education & Career
MSc in Business Administration & Auditing,
Copenhagen Business School 1990, State-Authorised Public Accountant 1992.

2004 –
Ørsted A/S, EVP, Chief Financial Officer (CFO)
(2013-), SVP, CFO Customers & Markets (2013),
SVP, Group Finance (2005-2013), and VP, Group
Finance and Accounting & Tax (2004-2005).

1997 – 03'
Borealis A/S, Head of Group Finance & Auditing
(2001-2003), Head of Group Accounting & Tax
(1997-2001).

1987 – 97'
Arthur Andersen, Auditor.

Other positions
Coloplast AS: Member of the Board of
Directors and Chairman of the Audit Committee.
Hempel A/S: Member of the Board of
Directors and Chairman of the Audit Committee
(stepping down in 2021). Norsk Hydro ASA:
Member of the Board of Directors and
Chairman of the Audit Committee.

Risk and risk management

Risks are a natural and integral part of our business activities, and risk diversification is an important part of Ørsted's strategy. Our risk profile changes continuously. Our aim is to mitigate our risks and reduce them to an acceptable level through risk management.

We are exposed to several risks in connection with our business activities. In addition to operational, business, and environmental risks, we are exposed to fluctuations in interest rates, inflation, exchange rates, and commodity prices as well as credit and insurance risks. The purpose of our risk management is to identify and quantify our risks and decide how best to manage and mitigate them. We assess the extent to which individual risks are acceptable or perhaps even desirable as well as the extent to which these risks can be reduced to ensure an optimum balance between risk and return.

A large part of our earnings is generated from offshore wind, with Continental Europe and the UK being the key contributors. However, with our expansions into the US and Asia Pacific, our future earnings will be spread across more geographical regions and technologies. Therefore, political and other macroeconomic factors play an important role in our risk management. When we invest in new assets and activities or divest assets, the consolidated risks associated with our portfolio changes. Therefore, we assess the impact of a given decision on the portfolio upfront.

We work systematically with risks. All business units and selected staff functions identify and prioritise business risks. An assessment is made of the potential financial impact of individual risks, and whether they are of a short-term (0-2 years), medium-term (2-5 years), long-term (5+ years), or of recurring nature. All our risks are then consolidated and evaluated at Group level. The ultimate responsibility for all the individual risks rests with a member of the Executive Committee. As for business risks, similar processes are in place for identifying and prioritising risks related to sustainability and legal compliance.

The top five business risks identified during 2020 are shown to the right where they are illustrated based on their potential impact (post-risk mitigation) on our value and credit metrics over the next years. You can read more about these risks on the following pages.

Brexit is not in itself part of our top five business risks as we do not believe the UK leaving the EU will result in fundamental changes to the UK's energy policy. Announcements by the UK government show that the UK is committed to a clean, renewable energy future, and

offshore wind is the backbone of this green vision. As we have entered 2021 with a signed Brexit agreement, the immediate short-term risk of a sharp GBP depreciation has vanished. However, given the uncertainty surrounding the remaining negotiations, GBP weakness cannot be ruled out over the coming years.

Top 5 business risks Effect on our value and credit metric



Such a scenario could result in lower UK power prices than currently observed, but the government-introduced carbon price floor (CPF) will prevent a dramatic decline. These effects are embedded in our second-largest risk in our top five business risks, namely currencies and commodity prices.



Quantification of risks is based on a scenario where the risk occurs with 10 % probability (P90). Our Internal Audit function has examined the process for identifying and measuring the accompanying portfolio risks.

- 1 (#1 2019)
Inflation and interest rates
- 2 (part of #1 and #2 in 2019)
Currencies and commodity prices
- 3 (#5 in 2019)
Increased competition leading to price pressure
- 4 (#3 in 2019)
US offshore development and construction
- 5 (New in top 5)
Cybersecurity

The risks related to sustainability and legal compliance are assessed using different parameters. Hence, we do not show a consolidated picture of our combined risks.

We are also exposed to risks which have a very small probability of occurring, but which could potentially impact our finances and/or reputation substantially. These risks include, but are not limited to:

- fatal injuries
- 1,000-year storms, hurricanes, typhoons, or earthquakes, especially in Taiwan, which may lead to the loss of offshore and onshore wind farms
- broken pipes at the Nybro Gas Treatment Plant in Denmark which may lead to personal injury and damage to the environment
- breakdowns at power plants that may lead to personal injury and loss of assets.

After risk-reducing measures are implemented, the Executive Committee assess whether the level of each risk is appropriate, or if it is slightly or significantly higher than the desired level. If the risk level is still too high, further risk-reducing measures are initiated to the extent possible.

Climate-related risks

We address climate-related risks and opportunities as an integral part of our daily business, and we report as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). These risks and opportunities are directly linked to our green vision and strategy. We seek to exploit climate-related opportunities through our development and construction of renewable generation capacity and adjacent sustainable activities. At the same time, we seek to reduce

both our transitional and physical climate-related risks in the short, medium, and long term. We do that by, among other things:

- encouraging regulators and other public authorities to set ambitious targets for the build-out of renewable capacity and regulatory frameworks which support this
- continuously working to improve the future competitiveness of green technologies, i.e. lowering the levelised cost of electricity (LCoE)
- assessing acute and chronic weather development; especially wind speeds and patterns, but also the temperature and precipitation levels in general
- taking extreme weather conditions and other relevant factors into account when we design and construct our assets.

In that way, we seek to avoid ending up with stranded assets or assets and activities with a significantly lower value than originally expected.

When we prepare business cases for investment in new assets or activities, we take climate-related risks and opportunities into account by assessing the expected changes in the green technology mix. On this basis, we assess the expected derived impact on input and output prices of energy, including the price development of components and services to be used for the construction of these assets as part of our LCoE analysis.

A description of the most significant sustainability risks can be found in our sustainability report.

In 2019, we concluded a climate scenario analysis, assessing the resilience of our offshore business in two potential scenarios of climate change: a 1.5-2 °C and 3-4 °C temperature rise by 2100, respectively. The study was conducted through research, interviews, and workshops and concluded that our offshore business is well positioned to manage climate-related risks of both transitional and physical nature. Please refer to our CDP climate change disclosure for detailed descriptions [here](#).

Development in risks in 2020

This year, cybersecurity risks have been elevated into our top five business risks, which means that construction risks have been excluded as a top risk for Ørsted. Additionally, we have seen relative changes between the risks compared to last year's annual report. Inflation and interest rates are considered our number one risk. We have carved out currencies from inflation and interest rates and incorporated it into our second-largest risk alongside commodity prices. The change is motivated by the overlapping mitigation efforts in hedging currency and commodity price risks.

As the offshore market continues to grow and mature, an increasing number of players have entered the market of renewable energy generation. This has put pressure on prices in auctions and tenders in excess of what can be explained by the LCoE development. Therefore, the risk has been elevated to our third-largest risk.

We continue to see increased development and construction risks in our US offshore

projects compared to projects in more mature markets. In 2020, the continued delays in the permitting process from the Bureau of Energy Management (BOEM), the US federal regulator, had an adverse impact on our portfolio. The risk is our fourth-largest.

In this year's annual report, cybersecurity risks have entered our top five business risks. Major cyberattacks are becoming more frequent, and we see an increasing number of cybercriminals looking to financially harm companies. As we grow into an ever-larger global renewable energy player, the threat of cyberattacks has increased.

COVID-19

The ongoing COVID-19 pandemic has affected lives, livelihoods, and economies around the world. At Ørsted, we activated our Corporate Crisis Management Organisation (CCMO) on 12 March 2020 to closely monitor developments in the pandemic, enabling us to respond in a timely manner, thereby minimising health and safety risks and ensuring business continuity.

Despite an agile pandemic response system, we have seen adverse impacts of the pandemic, mainly related to our supply chain and the power prices in the markets where we operate. COVID-19-related lockdowns during spring and summer led to risks of delays at some of our offshore construction sites. Due to our experience and the flexibility in our timelines, we have been able to progress on some other project milestones. Therefore, we assess the probability of COVID-19-related risks materialising and causing significant negative impact on Ørsted to be low.

1 Inflation and interest rates

Description

To a large extent, our medium- to long-term earnings can be expected to follow the development in consumer and market prices, thereby protecting the real value of our assets and equity. However, fixed nominal subsidies from wind assets in Denmark, Germany, and the Netherlands and fixed-price power purchase agreements (PPAs) from assets in the US and Taiwan are exceptions to this, as are fixed nominal cash flows related to debt. We are exposed to inflation risks in these markets where an increase in inflation will adversely impact the expected real value of the revenue.

Our farm-down model of funding future wind farms through divestments is exposed to interest rate risks as wind assets are more attractive to buyers when interest rates are low compared to other financial assets with similar risk profiles.

Potential impact

Fluctuations in interest rates and inflation may adversely impact our earnings and farm-down model, thereby affecting the value of our assets.

Mitigating actions

Our inflation and interest rate exposures are managed by matching assets and liabilities in the same currency and with similar payment structures. Hence, our European fixed nominal subsidies are offset by EUR-denominated fixed-rate debt. The risks that arise from Taiwan and US onshore and offshore projects can be reduced by obtaining matching-duration fixed-rate debt denominated in the same currency as the revenue.

2 Currencies and commodity prices

Description

Our main currency exposure relates to GBP due to our substantial investments in offshore wind farms in the UK. However, our recent international expansion has increased our USD and NTD exposure.

We are primarily exposed to power price risks from the sale of our wind-based power generation in the US, the UK, and Denmark. In addition, we are exposed to risks caused by differences in local node prices and market hub prices in our Onshore business, which impact the realised revenue generation.

To a lesser extent, we are exposed to oil and gas price risks related to sourcing contracts for gas to oil-indexed prices as well as the sale of gas at fixed prices. Finally, power generation from our CHP plants entails an exposure to power prices and fuel prices. As the green transformation in Ørsted advances, the main fuel at our CHP plants is biomass. The market for biomass has less liquidity than e.g. gas and coal, adding a risk to which we are exposed.

Potential impact

Fluctuations in exchange rates and commodity prices may adversely impact our earnings.

Mitigating actions

We hedge currencies and commodity prices for up to five years, and in some cases longer, to reduce cash flow fluctuations. We hedge more of the risk in the first years and less in the later years. This is due to decreasing market liquidity and increasing uncertainty about generated volumes.

On the medium- to long-term horizon, the currency risk is managed by matching income and liabilities in the same currencies. For our USD and NTD exposures from new markets, we do not have an existing portfolio against which we can net construction payments. Therefore, we seek to hedge the price risk in the near term, while simultaneously hedging a similar, but opposite, exposure in the longer term.

As an alternative to hedging power, we seek to enter into long-term corporate power purchase agreements (CPPAs), under which we sell power from our renewable assets. CPPAs or hedges with a duration of 10-15 years are often a pre-requisite for obtaining tax equity partnerships in the US. In addition, CPPAs will be a means to mitigate merchant risk for offshore wind farms to be built without subsidies. Our awarded offshore wind farms situated off the US East Coast are guaranteed a fixed price for a period of approximately 20 years and thus, no additional merchant risk has been introduced.

3 Increased competition leading to price pressure

Description

As the offshore industry has become more mature and established, competition has increased with new market players entering. The industry is becoming more global, and diversification of developers is increasing. We expect a diversified competitive landscape going forward, including oil majors, utilities, institutional investors, and regional developers.

In offshore wind, the competitive auction and tender mechanics being implemented across the various regions and markets are also becoming more diversified. While the mature European markets increasingly look to include innovation and system integration (e.g. storage and renewable hydrogen) to play an increasingly important role in auctions and tenders, developing markets in both Europe, the US, and Asia Pacific often emphasise costs and job creation as determination criteria. For offshore wind, this necessitates a flexible approach to remain competitive across the different markets and implies the need to retain strong supplier engagement and cost standardisation.

Potential impact

There is a risk that we will not win the targeted capacity in the auctions and tenders in which we participate, or that our value creation from the projects we win ends up being lower than targeted.

Mitigating actions

We will continue to utilise portfolio-scale advantages and knowhow gained from previously executed projects to develop supply chain solutions and reduce costs and risks in order to maximise our ability to win future projects. Furthermore, early commitments and both global and regional framework agreements are being made to secure capacity.

4 US offshore development and construction

Description

Our expanding pipeline of US offshore projects entails risks in the development and construction phases caused by the relatively immature US offshore wind market, including the federal permitting process, for which we are still awaiting clarification from BOEM. Contrary to the EU markets, it is possible in the US to participate in auctions and be awarded projects where consent and/or grid connections are not yet secured. Thus, following an award, project development entails regulatory risks in obtaining key consents as well as securing grid connection(s).

Furthermore, local content requirements and the immature US offshore wind market also lead to increased construction risks in the US, such as the availability of locally manufactured components and harbour facilities.

Potential impact

To maintain project schedules, permits, consents, and approvals from federal, state-level, and local authorities must be obtained in due time. Securing sufficient grid connection capacity on time is also key. Delays within these areas can lead to project delays and/or cost overruns which may reduce the value of the projects.

Mitigating actions

We mitigate the risks by having sufficient float in our project timelines and by proactively engaging with all stakeholders. Furthermore, we secure grid connection capacity through an approach of having multiple points of interconnections available to us in due time relative to wind turbine commissioning. We fulfil part of the local content obligations by investing in harbour infrastructure, thereby also securing critical harbour capacity for staging and load-out of wind turbines.

5 Cybersecurity

Description

In recent years, several major cyberattacks have been launched against companies around the world, and we see growth in serious cyber operations in closer proximity to our business presence.

We assess cybersecurity risks by identifying: 1) protection level and possible residual exploitation scenarios for our systems and processes, 2) threat intelligence on main types of actors and characteristics for intention and capabilities, and 3) financial impact.

Correspondingly, we have a strong focus on IT security. As we possess critical energy generation capacity and own various types of intellectual property rights, we are a potential target for cyberattacks or industrial espionage.

Potential impact

Minor digital risk events, such as viruses and attempted break-ins, are everyday risks without significant impact. However, major cyberattacks or events may impact all or part of our shared infrastructure for administrative systems or industrial control systems. For the latter, the impact could range from a single asset to potentially all assets and activities in the company. Cyberattacks of a certain size can be costly if it forces us to shut down operations for a period of time.

Mitigating initiatives

Our mitigation effort towards cyberattacks is twofold. First, we continually improve our resilience against cyberattacks and other threats across Ørsted through our security programme. This is carried out through workshops across business units to assess the cyber risks. This is combined with an advanced security architecture, spanning the entire company. Second, we are participating in relevant forums across the energy sector to harvest ideas and contribute with information and experience.

Legal compliance

Description

Risks associated with legal compliance are assessed based on financial and reputational significance and probability. Our most significant risks are tax law, financial regulations, and tender law. We operate in tax regimes with different tax rules and rates, and our tax affairs span over corporate tax compliance, transfer pricing, and indirect taxes. We are subject to several financial regulations, such as REMIT, MAR, EMIR, Dodd Frank, MiFID, SFTR, and AML1. The financial regulations are relevant for a large part of our activities. Lastly, many of our purchases of goods, services, and work in the EU are subject to EU and local tender rules.

Potential impact

Failure to comply with the above-mentioned rules and regulations may result in severe legal sanctions, such as imprisonment, fines, and damage claims, but also in delays in sourcing processes and subsequent risk of delay of projects.

Mitigating initiatives

We are well under way with the implementation of a comprehensive tax control framework and mandatory compliance, including transfer pricing documentation, in line with OECD recommendations and local requirements. This is being prepared on a contemporaneous basis to mitigate our tax risks. We have implemented comprehensive policies, procedures, training, and controls for relevant parts of our business to ensure compliance with financial regulations. To ensure compliance with tender laws, our legal team carries out training courses for procurement teams in basic tender law and practical courses on how to apply the standard tender documents and works closely together with Procurement on major tenders.

Shareholder information

The Ørsted share yielded a total return of 82 % in 2020, an increase in the share price of 80 % and dividends of DKK 10.5 per share.

Price development for the Ørsted share

The Ørsted share closed 2019 at a price of DKK 689 and closed 2020 at DKK 1,244. Prices of comparable European utility companies decreased by 5 %, and the OMX C25 cap increased by 34 % in 2020. The market value of Ørsted was DKK 523 billion at the end of the year. Since the IPO in June 2016, the Ørsted share has generated an aggregate return from share price appreciation and dividends of 444 %.

Share price development in 2020

Ørsted share price compared to peers



The year's highest traded price of DKK 1,273 was on 29 December. The year's lowest traded price of DKK 574 was on 19 March.

The average daily turnover on Nasdaq Copenhagen was 516,919 shares. The trading volume increased by 16 % compared to 2019.

In connection with SEAS-NVE's (now Andel) acquisition of our Danish power distribution, residential customer, and city light businesses, Andel sold shares equivalent to 2.27 % of the shares in Ørsted in January 2020, bringing their shareholding to 5.01 %.

Share capital

Ørsted's share capital is divided into 420 million shares, enjoying the same voting and dividend rights. The company's share capital remained unchanged in 2020. At the end of 2020, the company held a total of 313 thousand treasury shares which will be used to cover incentive schemes.

Composition of shareholders

At the end of the year, the number of shareholders had increased by 67 % to 71,807, and the majority (63 %) lies with Danish owners. The figure on the next page shows the composition of our shareholders by country, specifying the three shareholders each holding more than 5 % of the share capital. Approximately 2 % of the share capital is owned by retail investors.

Annual general meeting and dividends

The annual general meeting will be held on 1 March 2021. Dividends for the year are expected to amount to DKK 11.5 per share, corresponding to DKK 4.8 billion and a yield of 0.9 % compared to the share price of DKK 1,244 at the end of 2020.

In 2020, dividends of DKK 10.5 per share were paid for the 2019 financial year, corresponding to a dividend yield of 1.5 %.

Selected company announcements in 2020

4 Mar.	Ørsted increases its full-year EBITDA guidance
25 Mar.	Ørsted provides COVID-19 update
3 Apr.	Ørsted postpones Capital Markets Day
15 June	Henrik Poulsen has resigned and steps down as CEO of Ørsted no later than 31 January 2021. The Board of Directors has initiated a process to identify Ørsted's next CEO
8 July	Ørsted and TSMC sign the world's largest renewables corporate power purchase agreement
31 Aug.	Ørsted completes the divestment of its Danish power distribution, residential customer, and city light businesses
9 Sep.	Ørsted appoints Mads Nipper the next CEO of Ørsted
4 Nov.	Ørsted successfully issues green bonds in Taiwan
1 Dec.	Ørsted appeals against decision from the Danish Tax Agency on Danish taxation of two offshore wind farms in the UK
4 Dec.	Ørsted divests 25 % of Ocean Wind 1 to PSEG
10 Dec.	Ørsted and Amazon sign Europe's largest offshore wind corporate power purchase agreement
28 Dec.	Ørsted brings in CDPQ and Cathay PE as investors in the Greater Changhua 1 Offshore Wind Farm

Financial calendar 2021

3 Feb.	Annual report 2020
1 Mar.	Annual general meeting
29 Apr.	Interim report for the first quarter of 2021
12 Aug.	Interim report for the first half-year of 2021
3 Nov.	Interim report for the first nine months of 2021

Investor relations

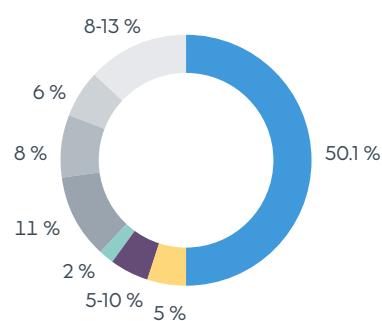
In order to achieve a fair pricing of our shares and corporate bonds, we seek to ensure a high level of openness and stability in our financial communication. In addition, our management and our Investor Relations function engage in regular dialogues with investors and analysts. The dialogues take the form of quarterly

conference calls, roadshows, conferences, capital markets days, and regular meetings with individual or groups of investors and analysts. The dialogues are subject to certain restrictions prior to the publication of our financial reporting.

The Group is covered by 30 equity analysts and 11 bond analysts. Their recommendations and consensus estimates for Ørsted's future financial performance are available at ørsted.com/en/investors. On this site, you can also download our financial reports, our remuneration report, our ESG performance report, and our sustainability report as well as investor presentations and a wide range of other data.

Shareholders at 31 December 2020, share capital and/or voting share %*

- Danish State (majority shareholder)
- Andel A.M.B.A, Denmark
- The Capital Group, United States
- Retail investors, Denmark
- North America
- United Kingdom
- Danish institutional investors
- Others



* See note 16 in the parent company financial statements.

Share information

ISIN	DK 0060094928220
Share classes	1
Nominal value	DKK 10 per share
Average daily volume	516,919
Exchange	Nasdaq OMX Copenhagen
Ticker	ORSTED
Year high	DKK 1,273 (29 Dec.)
Year low	DKK 574 (19 Mar.)
Registered share	99.6 %
Number of shares	420,381,080 shares
Number of treasury shares	312,844 shares



Formosa 1, off the coast of Miaoli County, Taiwan.

Consolidated financial statements

2020

1 January – 31 December

Income statement

1 January - 31 December

Note	DKKm	2020			2019		
		Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
2.2, 2.4	Revenue	52,601	(2,450)	50,151	67,842	2,556	70,398
2.3	Cost of sales	(26,708)	924	(25,784)	(41,816)	(1,020)	(42,836)
	Other external expenses	(5,774)	-	(5,774)	(6,091)	-	(6,091)
2.7, 2.8	Employee costs	(4,283)	-	(4,283)	(3,952)	-	(3,952)
	Share of profit (loss) in associates and joint ventures	71	-	71	(20)	-	(20)
2.6	Other operating income	2,620	-	2,620	1,781	-	1,781
2.6	Other operating expenses	(403)	-	(403)	(260)	-	(260)
	Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA)	18,124	(1,526)	16,598	17,484	1,536	19,020
3.1	Amortisation, depreciation, impairment losses on intangible assets, and property, plant, and equipment	(7,588)	-	(7,588)	(7,432)	-	(7,432)
	Operating profit (loss) (EBIT)	10,536	(1,526)	9,010	10,052	1,536	11,588
3.4	Gain (loss) on divestment of enterprises	10,831	-	10,831	(63)	-	(63)
	Share of profit (loss) in associates and joint ventures	7	-	7	2	-	2
6.5	Financial income	5,779	-	5,779	7,718	-	7,718
6.5	Financial expenses	(8,303)	-	(8,303)	(8,853)	-	(8,853)
	Profit (loss) before tax	18,850	(1,526)	17,324	8,856	1,536	10,392
5.2	Tax on profit (loss) for the year	(2,123)	347	(1,776)	(2,756)	(345)	(3,101)
	Profit (loss) for the year from continuing operations	16,727	(1,179)	15,548	6,100	1,191	7,291
3.7	Profit (loss) for the year from discontinued operations	(11)	-	(11)	(56)	-	(56)
	Profit (loss) for the year	16,716	(1,179)	15,537	6,044	1,191	7,235
	Profit (loss) for the year is attributable to:						
	Shareholders in Ørsted A/S	16,289	(1,179)	15,110	5,315	1,191	6,506
	Interests and costs, hybrid capital owners of Ørsted A/S	488		488	675		675
	Non-controlling interests	(61)		(61)	54		54
6.2	Profit (loss) per share, DKK:						
	From continuing operations	38.8		36.0	12.8		15.6
	From discontinued operations	0.0		0.0	(0.1)		(0.1)
	Total profit (loss) per share	38.8		36.0	12.7		15.5



Profit (loss) per share

Diluted profit (loss) per share corresponds to profit (loss) per share, as the dilutive effect of the share incentive programme is less than 0.1% of the share capital.

Accounting policies

Business performance

The business performance principle is our alternative performance measure. Under business performance, the market value adjustment of our energy hedges where we do not apply IFRS hedge accounting are deferred and recognised in the profit (loss) in the year in which the hedged exposure materialises. Energy hedges comprise hedging of energy and associated currency risks as well as fixed-price physical gas and power contracts. According to IFRS, the market value of energy hedges where we do not apply IFRS hedge accounting are recognised on an ongoing basis in the profit (loss) for the year. The difference between IFRS and business performance is specified in the 'Adjustments' column. Read more about the business performance principle in note 1.6 'Business performance'.

Statement of comprehensive income

1 January - 31 December

Note	DKKm	2020			2019			
		Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS	
	Profit (loss) for the year	16,716	(1,179)	15,537	6,044	1,191	7,235	
	Other comprehensive income:							
	Cash flow hedging:							
1.6, 7.2	Value adjustments for the year	(1,249)	979	(270)	1,598	(141)	1,457	
6.2	Value adjustments transferred to income statement	(246)	547	301	1,751	(1,395)	356	
	Exchange rate adjustments:							
	Exchange rate adjustments relating to net investment in foreign enterprises	(5,104)	-	(5,104)	2,722	-	2,722	
7.2	Value adjustment of net investment hedges	2,163	-	2,163	(1,907)	-	(1,907)	
6.2	Value adjustments and hedges transferred to income statement	-	-	-	-	-	-	
	Tax:							
	Tax on hedging instruments	257	(347)	(90)	(504)	345	(159)	
	Tax on exchange rate adjustments	520	-	520	(35)	-	(35)	
	Other:							
	Share of other comprehensive income from associated companies, after tax	3	-	3	(17)	-	(17)	
	Other comprehensive income	(3,656)	1,179	(2,477)	3,608	(1,191)	2,417	
	Total comprehensive income	13,060	-	13,060	9,652	-	9,652	
	Comprehensive income for the year is attributable to:							
	Shareholders in Ørsted A/S			12,744			8,729	
	Interest payments and costs, hybrid capital owners of Ørsted A/S			488			675	
	Non-controlling interests			(172)			248	
	Total comprehensive income			13,060			9,652	



Statement of comprehensive income

All items in 'Other comprehensive income' may be recycled to the income statement.

Cash flow hedging:

Value adjustments for the year for cash flow hedging according to IFRS amounting to DKK -270 million mainly consist of losses related to hedging of power partly countered by gains related to hedging of UK inflation. The loss of DKK 301 million transferred to the income statement mainly consist of early termination of interests rate swaps related to the termination of the project financing of Block Island.

Value adjustments transferred to the income statement according to the adjustment column amounting to DKK 547 million mainly consist of losses on gas hedges that are recognised in the income statement under business performance, but where the losses under IFRS were recognised in previous periods, as the gains and losses under business performance are deferred to the period to which the hedged exposure relates.

Exchange rate adjustments:

Foreign exchange losses relating to net investments in foreign enterprises amounting to DKK -5,104 million were in 2020 primarily attributable to an decrease of 6 % in the GBP exchange rate and a decrease of 9 % in the USD exchange rate. A large part of the net investments were hedged.

Balance sheet

31 December

Note	Assets, DKKm	2020	2019	Note	Equity and liabilities, DKKm	2020	2019
3.1	Intangible assets	639	672	6.2	Share capital	4,204	4,204
3.1	Land and buildings	5,574	5,177	6.2	Reserves	(1,956)	413
3.1	Production assets	86,184	76,682		Retained earnings	74,294	64,051
3.1	Fixtures and fittings, tools, and equipment	507	652		Proposed dividends	4,834	4,414
3.1	Property, plant, and equipment under construction	29,345	23,502		Equity attributable to shareholders in Ørsted A/S	81,376	73,082
	Property, plant, and equipment	121,610	106,013	6.3	Hybrid capital	13,232	13,232
	Investments in associates and joint ventures	555	497	3.8	Non-controlling interests	2,721	3,248
	Other securities and equity investments	209	217		Equity	97,329	89,562
5.3	Deferred tax	6,784	6,847	5.3	Deferred tax	2,187	3,371
4.4	Other receivables	1,925	1,713	3.2	Provisions	12,475	12,063
	Other non-current assets	9,473	9,274	8.2	Lease liabilities	4,455	4,728
	Non-current assets	131,722	115,959	6.1	Bond and bank debt	34,374	36,039
4.1	Inventories	14,739	14,031	4.2	Contract liabilities	3,650	3,762
7	Derivatives	6,109	7,740	4.5	Tax equity liabilities	6,780	4,563
4.2	Contract assets	30	739	4.6	Other payables	374	469
4.3	Trade receivables	6,732	8,140		Non-current liabilities	64,295	64,995
4.4	Other receivables	3,720	5,253	3.2	Provisions	1,388	538
	Income tax	852	346	8.2	Lease liabilities	599	604
6.4	Securities	25,173	16,552	6.1	Bond and bank debt	2,392	801
6.4	Cash	6,178	7,148	7	Derivatives	6,318	6,958
	Current assets	63,533	59,949	4.2	Contract liabilities	480	784
3.6	Assets classified as held for sale	1,464	16,952		Trade payables	9,742	10,832
	Assets	196,719	192,860	4.5	Tax equity liabilities	1,187	632
①	Assets and related liabilities held for sale			4.6	Other payables	6,082	4,247
	In August, we completed the divestment of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel).				Income tax	6,220	4,075
	At 31 December 2020, assets and related liabilities held for sale comprised our oil pipe system in Denmark.				Current liabilities	34,408	29,471
	In December, we completed the divestment of our LNG business to Glencore.				Liabilities	98,703	94,466
				3.6	Liabilities relating to assets classified as held for sale	687	8,832
					Equity and liabilities	196,719	192,860

Statement of changes in equity

1 January - 31 December

DKKm	2020							2019								
	Share capital	Reserves*	Retained earnings	Proposed dividends	Share-holders in Ørsted A/S	Hybrid capital	Non-controlling interests	Total Group	Share capital	Reserves*	Retained earnings	Proposed dividends	Share-holders in Ørsted A/S	Hybrid capital	Non-controlling interests	Total Group
Equity at 1 January	4,204	413	64,051	4,414	73,082	13,232	3,248	89,562	4,204	(1,827)	62,012	4,099	68,488	13,239	3,388	85,115
Comprehensive income for the year:																
Profit (loss) for the year	-	-	15,110	-	15,110	488	(61)	15,537	-	-	6,506	-	6,506	675	54	7,235
Other comprehensive income:																
Cash flow hedging	-	31	-	-	31	-	-	31	-	1,813	-	-	1,813	-	-	1,813
Exchange rate adjustments	-	(2,830)	-	-	(2,830)	-	(111)	(2,941)	-	621	-	-	621	-	194	815
Tax on other comprehensive income	-	430	-	-	430	-	-	430	-	(194)	-	-	(194)	-	-	(194)
Share of other comprehensive income of associated companies, after tax	-	-	3	-	3	-	-	3	-	-	(17)	-	(17)	-	-	(17)
Total comprehensive income	-	(2,369)	15,113	-	12,744	488	(172)	13,060	-	2,240	6,489	-	8,729	675	248	9,652
Coupon payments, hybrid capital	-	-	-	-	-	(488)	-	(488)	-	-	-	-	-	(556)	-	(556)
Tax, hybrid capital	-	-	-	-	-	-	-	-	-	-	-	-	-	34	-	34
Additions, hybrid capital	-	-	-	-	-	-	-	-	-	-	-	-	-	4,416	-	4,416
Disposals, hybrid capital	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,576)	-	(4,576)
Proposed dividends	-	-	(4,834)	4,834	-	-	-	-	-	-	(4,414)	4,414	-	-	-	-
Dividends paid	-	-	4	(4,414)	(4,410)	-	(361)	(4,771)	-	-	3	(4,099)	(4,096)	-	(388)	(4,484)
Purchase of treasury shares	-	-	(58)	-	(58)	-	-	(58)	-	-	(99)	-	(99)	-	-	(99)
Other changes	-	-	18	-	18	-	6	24	-	-	60	-	60	-	-	60
Equity at 31 December	4,204	(1,956)	74,294	4,834	81,376	13,232	2,721	97,329	4,204	413	64,051	4,414	73,082	13,232	3,248	89,562

* See note 6.2 'Equity' for more information about reserves.

Statement of cash flows

1 January - 31 December

Note	DKKm	2020	2019
	Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA), IFRS	16,598	19,020
1.6	Change in derivatives, business performance adjustments	1,526	(1,536)
	Change in derivatives, other adjustments	411	(1,040)
	Change in provisions	(772)	727
	Reversal of gain (loss) on divestment of assets	(805)	101
	Other items	(42)	86
4.7	Change in work in progress	(1,613)	1,417
4.7	Change in tax equity partner liabilities	2,958	630
4.7	Change in other working capital	1,153	(477)
	Interest received and similar items	3,032	4,094
	Interest paid and similar items	(4,862)	(5,143)
5.4	Income tax paid	(1,118)	(4,800)
	Cash flows from operating activities	16,466	13,079
	Purchase of intangible assets, and property, plant, and equipment	(26,957)	(22,445)
	Sale of intangible assets, and property, plant, and equipment	123	3,424
3.3	Acquisition of enterprises	-	(764)
3.4	Divestment of enterprises	18,914	(89)
	Purchase of other equity investments	(6)	(5)
	Purchase of securities	(19,862)	(20,503)
	Sale/maturity of securities	11,212	29,452
	Change in other non-current assets	15	-
	Transactions with associates and joint ventures	(19)	(88)
	Dividends received and capital reductions	18	21
	Cash flows from investing activities	(16,562)	(10,997)



Supplementary statements

Our supplementary statements of gross and net investments appear from note 3.5 'Gross and net investments' and free cash flows (FCF) from note 2.1 'Segment information'.

Note	DKKm	2020	2019
	Proceeds from raising of loans	3,406	10,174
	Instalments on loans	(2,398)	(2,043)
	Instalments on leases	(541)	(664)
	Coupon payments on hybrid capital	(488)	(556)
	Repurchase of hybrid capital	-	(4,005)
	Proceeds from issuance of hybrid capital	-	4,416
	Dividends paid to shareholders in Ørsted A/S	(4,410)	(4,096)
	Purchase of own shares	(58)	(99)
3.8	Transactions with non-controlling interests	(428)	(462)
	Net proceeds from tax equity partners	101	1
	Change in collateral related to derivatives	2,691	(1,332)
	Cash flows from financing activities	(2,125)	1,334
	Cash flows from continuing operations	(2,221)	3,416
3.7	Cash flows from discontinued operations	966	174
	Total net change in cash and cash equivalents	(1,255)	3,590
6.4	Cash and cash equivalents at 1 January	6,459	2,663
	Total net change in cash and cash equivalents	(1,255)	3,590
	Exchange rate adjustments of cash and cash equivalents	6	206
6.4	Cash and cash equivalents at 31 December	5,210	6,459

Accounting policies

'Cash flows from operating activities' are determined using the indirect method as operating profit (loss) before depreciation, amortisation, and impairment losses adjusted for changes in operating items without cash flow effect. Trade payables relating to purchases of intangible assets, and property, plant, and equipment are not recognised in change in net working capital.

'Change in work in progress' consists of elements in contract assets, contract liabilities, construction management agreements related to construction of offshore wind farms, construction of offshore transmission assets (inventory), and related trade payables.

'Change in tax equity partner liabilities' relates to cash contributions from tax equity partners and repayment hereof through production tax credits (PTCs) and

other tax attributes to tax equity partners. See also note 4.5 'Tax equity liabilities'.

'Cash flows from investing activities' comprise payments in connection with the purchase and sale of non-current assets and enterprises as well as the purchase and sale of securities that are not recognised as cash and cash equivalents.

'Cash flows from financing activities' comprise changes in the size or composition of equity and loans, including instalments on leases and net proceeds related to interest-bearing tax equity liabilities. Proceeds from raising of short-term repo loans are presented net.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction date.

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1.

Basis of reporting

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1.1 Significant changes in the current reporting period

The financial position and performance of the Ørsted Group was particularly affected by the following events and transactions during 2020.

For a detailed discussion about the Ørsted Group's performance and financial position, please refer to our management's review on pages 4 to 60.



COVID-19

COVID-19

We have analysed the impacts that COVID-19 had on our financial reporting. Our operations and financial performance remains very solid despite the COVID-19 pandemic, and we identified no significant impact on our financial reporting in 2020. We did not receive any governmental support in relation to COVID-19.



Divestments/discontinued operations

Danish power distribution, residential customers, and city light businesses

In August, we completed the divestment of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel). The divestment marks an important strategic milestone for Ørsted and completes our portfolio transformation into a global renewable energy company. The transaction resulted in proceeds of DKK 20.5 billion and a gain of DKK 10.9 billion. See note 3.4 'Divestment of enterprises'.

LNG

In December, we completed the divestment of our LNG business to Glencore, resulting in a cash outflow of DKK 1.5 billion. See note 3.4 'Divestment of enterprises'.

UK B2B gas and power portfolio

In September, we signed an agreement to divest the vast majority of our UK B2B customer portfolio to Total Gas & Power. We will keep some of our strategic long-term partners and customers to whom we deliver risk management products. We expect the transaction to close in Q1 2021.

Discontinued operations

As the remaining selling price regarding the divestment of our Oil & Gas business back in 2017 was received in 2020 from INEOS, we decided to end the reporting on discontinued operations as per 31 December 2020. Remaining provisions regarding tax indemnifications and payments related to the Fredericia stabilisation plant has been transferred to continuing operations at 31 December 2020. See note 3.7 'Discontinued operations'.



Accounting policy

Cease the use of business performance as of 1 January 2021

With the implementation of IFRS 9 in 2018, it has become significantly easier to apply IFRS hedge accounting to our commodity hedges. We have concluded that IFRS 9 can replace our business performance principle, and therefore, we will only be reporting based on IFRS from 1 January 2021. Thus, the business performance and adjustment columns will not be included in our financial reporting any more. This will simplify our reporting and avoid potential conflicts with future reporting requirements for alternative performance measures. See notes 1.4 'Implementation of new standards or changed accounting standards and interpretations' and 1.6 'Business performance' for more information.

1.2 Basis of preparation

This section provides an overall description of the accounting policies applied in our consolidated financial statements as well as the European Single Electronic Format (ESEF) reporting requirements. We provide a more detailed description of the accounting policies applied in the specific notes. Key accounting estimates and judgements and new and amended IFRS standards and interpretations are discussed in detail in notes 1.3 'Key accounting estimates and judgements' and 1.4 'Implementation of new or changed accounting standards and interpretations', respectively.

Basis of preparation

The financial statements for the period 1 January - 31 December 2020 comprise the consolidated financial statements of Ørsted A/S and its subsidiaries (the Group) as well as separate financial statements for the parent company, Ørsted A/S. See page 178 for the parent company's accounting policies.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act (Årsregnskabsloven).

The financial statements are presented in million Danish kroner (DKK), unless otherwise stated.

Measurement basis

The consolidated financial statements have been prepared on historical cost basis, except for derivatives, gas in non-Danish storage facilities, financial instruments in the trading portfolio, and carbon emission allowances in the trading portfolio which are measured at market value.

The accounting policies have been applied consistently in the financial year and for the comparative figures.

Principles for consolidation

The consolidated financial statements comprise the financial statements of Ørsted A/S (the parent company) and subsidiaries controlled by Ørsted A/S. See more in note 8.5 'Company overview'.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements which have been prepared in accordance with the Group's accounting policies.

Intra-group income, expenses, shareholdings, balances, and dividends as well as realised and unrealised gains and losses arising from intra-group transactions are eliminated on consolidation.

Unrealised gains resulting from transactions with associates and joint ventures are eliminated to the extent of our ownership interest. Unrealised losses are eliminated in the same way as unrealised gains to the extent that there has been no impairment.

Enterprises are accounted for as associates if we hold or have the ability to exercise, directly or indirectly, 20-50 % of the voting rights and do not exercise control. However, we carry out a specific assessment of our ability to exercise influence, including our ability to influence financial and operational decisions and thus our return. Enterprises that satisfy the criteria for joint control are accounted for as investments in joint ventures, unless the nature of the joint arrangement is considered a joint operation, see our key accounting judgement for 'Consolidation method for partnerships' in the next column.

Our shares in joint operations are recognised in the consolidated balance sheet through recognition of the Group's own assets, liabilities, income, and expenses. The proportionate share of realised and unrealised gains and losses arising from intra-group transactions between fully consolidated enterprises and joint operations is eliminated.

Key accounting judgement

Consolidation method for partnerships

On establishment of partnerships and in connection with any restructuring of existing partnerships, we assess whether the structure is a joint arrangement under shared control. For joint arrangements, we subsequently assess whether they are joint ventures or joint operations.

In assessing joint operations, we look at:

- the corporate form of the operation
- whether we are only entitled to the net profit (loss) or to income and expenses resulting from the operation.

In addition, the fact that the parties buy or are assigned all output, for example the power generated, will lead to the structure being considered a joint operation if we have joint control.

Foreign currency translation

For each reporting enterprise in the Group, items are determined in the currency of the primary economic environment in which the individual reporting enterprise operates (functional currency). Transactions in currencies other than the functional currency of each enterprise are accounted for as transactions in foreign currencies and translated on initial recognition at the exchange rate on the transaction date. Exchange differences arising between the exchange rate on the transaction date and on the date of payment are recognised in profit (loss) for the year as financial income or expenses.

Receivables, payables, and other monetary items in foreign currencies are translated at the exchange rates on the balance sheet date. The difference between the exchange rate on the balance sheet date and on the date at which the receivable or payable arose is recognised in profit (loss) for the year as financial income or expenses.

For foreign subsidiaries, joint operations, associates, and joint ventures, the statements of comprehensive income are translated at monthly average exchange rates insofar as these do not deviate materially from the actual exchange rates at the transaction dates. Balance sheet items are translated at the exchange rates on the balance sheet date.

All exchange differences are recognised in profit (loss) for the year, except for exchange differences arising on:

- translation of the opening equity of these entities at the exchange rates on the balance sheet date
- translation of the statements of comprehensive income of these enterprises from ‘the average-for-the-month exchange rates’ to ‘the exchange rates on the balance sheet date’
- translation of balances accounted for as part of the total net investment
- translation of the portion of loans and derivatives that has been entered into to hedge the net investment in these enterprises, and that provides an effective hedge against corresponding foreign exchange gains (losses) on the net investment in the enterprise.

The above types of exchange differences are recognised in other comprehensive income. Such exchange rate adjustments are divided between the equity of the parent company and the equity of the non-controlling interests. On full or partial divestment of the net investment, the accumulated exchange rate adjustments are recognised as follows:

- Disposal resulting in loss of control:
The accumulated exchange rate adjustments, including any associated hedges, are recognised in the profit (loss) for the year if a foreign exchange gain (loss) is realised by

the selling enterprise. Any foreign exchange gain (loss) is transferred to the item in which the gain (loss) from the disposal is recognised. The part of the foreign currency translation reserve that relates to non-controlling interests is not transferred to profit (loss) for the year.

- Disposal not resulting in loss of control:
A proportionate share of the foreign currency translation reserve is transferred from the parent company shareholders' share of equity to the minority shareholders' share of equity.

Repayment of balances that are considered part of the net investment does not constitute a partial disposal of the subsidiary.

European Single Electronic Format (ESEF)

As we are a Group with securities listed on a regulated market within the EU, we are from 2021 required to prepare our annual report using the XHTML format and to tag the primary consolidated financial statements using Inline eXtensible Business Reporting Language (iXBRL). This iXBRL format makes the annual report readable for both human and machines.

The annual report we submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with some technical files, all included in a ZIP file named ORST-2020-12-31.zip. For convenience, a PDF version of the annual report is published in line with previous years.

Key definitions:

- XHTML (eXtensible HyperText Markup Language) is a text-based markup language used to structure and mark up content such as text, images, and hyperlinks in documents that are displayed as Web pages.
- iXBRL tags (or Inline XBRL tags) are hidden meta-information embedded in the source code of an XHTML document in accordance with the Inline XBRL 1.1 specification, which enables the conversion of XHTML-formatted information into a machine-readable XBRL data record by appropriate software. iXBRL tags shall comply with the ESEF taxonomy, which is included in the ESEF Regulation and developed based on the IFRS taxonomy published by the IFRS Foundation.
- The tagging process is a process where iXBRL tags are applied to financial statement line items, etc. If a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy is created. Extensions have to be anchored to elements in the ESEF taxonomy, except for extensions which are subtotals.
- Taxonomy is an electronic dictionary of business reporting elements used to report business data. A taxonomy element is an element defined in a taxonomy that is used for the machine-readable labeling of information in an XBRL data record.

1.3 Key accounting estimates and judgements

The use of reasonable estimates and judgements is an essential part of the preparation of the consolidated financial statements.

Given the uncertainties inherent in our business activities, we make a number of estimates and judgements. The estimates and judgements are based on assumptions concerning future developments which affect our application of accounting policies and the reported amounts of our assets, liabilities, sales, costs, cash flows, and related disclosures. Actual amounts may differ from the amounts estimated and judgements made, as more detailed information becomes available.

We regularly reassess these estimates and judgements, based among other things on

historical experience, the current situation in the financial markets, and a number of other relevant factors, ie. the update in the annual estimated production.

Accounting estimates, judgements and assumptions which may entail a risk of material adjustments in subsequent years are listed in the table below.

In addition, we make judgements when we apply the accounting policies.

Reference is made to the specific notes for further information on the key accounting estimates and judgements as well as the assumptions applied.



Hornsea 1, off the Yorkshire coast, the UK.



Note	Key accounting estimates and judgements	Estimate/judgement	Impact of accounting estimates and judgements
1.2	Basis of preparation	Consolidation method for partnerships	Judgement ● ● ● ○
2.2	Revenue	Assessment of assumptions for recognition of revenue from the construction of offshore wind farms over time ¹	Judgement ● ● ○ ○
		Assumptions for the determination of the expected selling price and costs ¹	Estimate ● ● ● ○
2.6	Other operating income and expenses	Estimates for variable selling price related to divestments of offshore wind farms and offshore transmission assets	Estimate ● ● ○ ○
3.1	Intangible assets, and property, plant, and equipment	Assumptions used in value-in-use calculations for impairment testing	Estimate ● ● ● ○
3.2	Provisions	Assumptions for provisions	Estimate ● ● ● ○
5.2	Tax on profit (loss) for the year	Estimates regarding recognition of income taxes	Estimate ● ● ● ○



Impact of accounting estimates and judgements relates to objectivity and business practice.

- Very objective/market-conforming
- Objective/partially conforming
- Partially subjective/partially distinctive
- Subjective/distinctive for Ørsted

¹ Only relevant for comparatives.

1.4 Implementation of new or changed accounting standards and interpretations

We regularly assess the impact of new IFRS standards and interpretations. We implement new IFRS standards and interpretations from their mandatory effective dates at the latest.

Effective from 1 January 2020, we have implemented the following amendments to standards (IAS and IFRS) and interpretations:

- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to IFRS 3: Definition of a Business.
- Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform.

The adoption of the new and amended standards has not impacted our consolidated financial statements for 2020.

Cease the use of business performance as of 1 January 2021

With the implementation of IFRS 9 in 2018, it has become significantly easier to apply IFRS hedge accounting to our commodity hedges. We have concluded that IFRS 9 can replace our business performance principle, for which reason we only will be reporting based on IFRS from 1 January 2021. Thus, the business performance and adjustment columns will no longer be included. This will simplify our reporting and avoid potential conflicts with future reporting requirements for alternative performance measures.

Among other things, IFRS 9 has made it easier to apply hedge accounting by the removal of the 80-125 % effectiveness requirement which can be difficult to comply with at all times when we engage in proxy hedging. An example of proxy hedging is when we hedge our power exposure 4-5 years into the future with gas hedges due to illiquidity in the market for power hedges with this time horizon.

At the end of 2020, the value of our business performance hedges deferred to a future period amounted to a loss of DKK 2,685 million. This loss has already been recognised in the income statement under IFRS, as we have not previously applied hedge accounting for these. Consequently, for the period 2021-2025, EBITDA (according to IFRS) will be higher with a similar amount compared to what the business performance EBITDA would have been in the same period, if we had continued to report based on this principle. See also note 1.6.

New standards and interpretations

IASB has issued amended standards which have not yet entered into force, and which have consequently not been incorporated into the consolidated financial statements for 2020. None of these amended standards and interpretations are expected to have any significant impact on our financial statements.



Installation of the two wind turbines that form Coastal Virginia Wind, off the coast of Virginia Beach, the US.

1.5 Alternative performance measures

Performance measures are calculated in accordance with the business performance principle.

Business performance	Business performance is a supplement to our financial statements prepared in accordance with IFRS. Under the business performance principle, the value of the hedging transaction is deferred and recognised for the period in which the hedged risk materialises. Reference is made to note 1.6 'Business performance'.	Average capital employed	$\frac{\text{Capital employed beginning of year} + \text{capital employed at year-end}}{2}$
Gross investments	Gross investments reflect our total investments in assets and enterprises. It comprises cash flows from investing activities, excluding dividends received from associates, joint ventures and equity investments, purchase and sale of securities, loans to joint ventures and joint operations, and divestments of assets and enterprises. To this is added acquired debt and restricted cash in connection with acquisitions.	Return on capital employed (ROCE)	$\frac{\text{EBIT}}{\text{Average capital employed}}$
Net investments	Net investments are gross investments less divestments of assets and enterprises, the selling price for non-controlling interests, and subsequent capital injections from non-controlling interests. Furthermore, interest-bearing debt transferred in connection with a divestment is deducted.	Proposed dividend per share (DPS)	$\frac{\text{Total proposed dividend}}{\text{Number of shares at year-end}}$
Funds from operations (FFO)	Funds from operations are a supplementary statement for cash flows from operating activities determined as business performance EBITDA less the effect of gains on the divestments of assets, interest expenses (net) on interest-bearing net debt and hybrid capital (50 %) as well as interest elements of decommissioning obligations and current tax.	Dividend yield	$\frac{\text{Dividend per share (proposed)}}{\text{Share price on the last trading day of the year}}$
Adjusted interest-bearing net debt	Adjusted interest-bearing net debt is interest-bearing net debt plus 50 % of the hybrid capital, cash and securities not available for use (except for repo transactions), and the present value of decommissioning obligations less deferred tax.	Average number of shares	$\frac{1}{\text{Number of days}} \times \sum_{i=1}^n \text{X}_i$
FFO to adjusted interest-bearing net debt	FFO Adjusted interest-bearing net debt	Net working capital	Net working capital is inventories, contract assets (net), trade receivables, and other current operating assets less trade payables, other current operating liabilities, and working capital elements of tax equity balances.
Free cash flow (FCF)	Free cash flows are cash flows from operating activities less gross investments and plus divestments.	Net working capital, excluding trade payables relating to capital expenditure	Net working capital, excluding trade payables relating to purchases of intangible assets, and property, plant, and equipment.
Capital employed	Capital employed are all assets and liabilities, except for equity and interest-bearing net debt.	Other definitions	
		Profit (loss) per share	Shareholders' share of the profit (loss) for the period Average number of shares
		Diluted profit (loss) per share	Shareholders' share of the profit (loss) for the period Average number of shares, including dilutive effect of free shares

1.6 Business performance

Cease the use of business performance as of 1 January 2021

The reason for abolishing business performance is described in note 1.4 section 'Cease the use of business performance as of 1 January 2021'. Consequently as of 1 January 2021, we will apply hedge accounting to all commodity hedges and related currency hedges except for hedges related to our gas portfolio which account for approx. 14 % of our total commodity hedges. Until we are ready to apply hedge accounting to these hedges, the change in fair value will be recognised through profit or loss. We expect to implement hedge accounting to hedges in our gas portfolio during the first half of 2021.

Description of business performance

In 2011, we introduced an alternative performance measure, business performance, as a supplement to the financial statements prepared in accordance with IFRS. The business performance results reflect our internal risk management and show the results for the period under review. Under the business performance principle, the value of the hedging transaction is deferred and recognised for the period in which the hedged risk materialises. This is illustrated in the example overleaf.

Our reason for introducing the business performance principle was that:

- we could not achieve the same timing of recognition of our commercial exposure and hedging contracts in accordance with the IFRS rules, for example with respect to option premiums and certain commercial fixed-price contracts
- there was a high risk that the hedging contracts were not consistent with the IFRS hedge accounting rules, requiring us to recognise the hedging contracts at market value with value adjustments via the income statement, whereas our commercial exposure is accrued.

Recognition

In the income statement, the business performance results are shown alongside the IFRS results. The difference between the two performance measures is shown in a separate column, 'Adjustments'.

Two types of contracts are included in the business performance principle:

- Hedging contracts concerning energy and related currencies.
- Commercial contracts concerning energy recognised at market value (typically fixed-price physical gas and power contracts).

When we use hedging instruments which do not fully correspond to the underlying risk, any difference between the hedging instruments and the underlying risk is recognised immediately in the income statement. See note 7.3 'Energy trading portfolio'. The accounting treatment under business performance is otherwise identical to the accounting treatment under IFRS. Our assets, liabilities, cash flows, and equity are consequently not affected. The accounting treatment of our hedging contracts according to IFRS and business performance is summarised in the table below.

Type of hedging	IFRS	Business performance
Hedging of energy and associated currency risks as well as fixed-price physical gas and power contracts	Market value adjustments of power hedges related to Onshore are recognised in other comprehensive income. Other market value adjustment are recognised in the income statement	Market value adjustments are deferred and recognised in the period in which the exposure materialises
Hedging of: <ul style="list-style-type: none"> – proceeds from the divestment of newly constructed offshore wind farms – interest and inflation risks 	Market value adjustments are deferred and recognised in the period in which the exposure materialises	Recognition is the same as under IFRS
Hedging of currency risks associated with investments in foreign entities	Market value adjustments are recognised in other comprehensive income	Recognition is the same as under IFRS
Trading portfolio	Market value adjustments are recognised in the income statement	Recognition is the same as under IFRS



Only the recognition of the hedging of energy and associated currency risks as well as fixed-price physical gas and power contracts differs under IFRS and the business performance principle.

Expected impact on business performance

EBITDA from energy and currency hedging

At 31 December 2020, a loss of DKK 671 million would have been deferred (2019: gain of DKK 1,434 million) and affected business performance EBITDA in subsequent years if we had continued with the business performance principle. Of this, a gain of DKK 68 million is expected in EBITDA in 2021.

Power prices increased in 2020, which means that the market value of the hedges has decreased as we are selling power. The decrease in the deferred loss on currency hedging is primarily attributable to a decrease in the GBP/DKK rate causing a gain as we are selling GBP.

Expected impact on EBITDA from energy and currency hedging, DKKm

	Deferred for subsequent recognition at 31 December 2020				Deferred for subsequent recognition at 31 December 2019			
	2021	2022	After 2022	Total	2020	2021	After 2021	Total
	Power	(1,052)	(790)	(320)	(2,162)	(30)	(382)	(50)
Gas	13	23	21	57	702	53	15	770
Oil	20	(5)	(31)	(16)	48	9	(1)	56
Coal	(8)	1	-	(7)	(33)	(3)	-	(36)
Currency	(85)	(166)	(306)	(557)	(188)	(374)	(886)	(1,448)
Total business performance hedges	(1,112)	(937)	(636)	(2,685)	499	(697)	(922)	(1,120)
IFRS power hedges	65	121	24	210	46	46	929	1,021
IFRS inflation and interest hedges	(205)	-	1,209	1,004	-	-	585	585
IFRS currency hedges	64	-	-	64	(45)	-	-	(45)
Deferred gain/losses from US power purchase agreements	144	100	492	736	187	157	649	993
Total IFRS hedges and US PPAs impacting EBITDA	68	221	1,725	2,014	188	203	2,163	2,554
Total hedges, etc., impacting business performance	(1,044)	(716)	1,089	(671)	687	(494)	1,241	1,434



The table shows when the deferred value adjustments are expected to be recognised in the EBITDA. The business performance hedges does not impact the IFRS numbers as they have already been recognised under IFRS as they occurred. The IFRS EBITDA for 2021 will therefore be DKK 1,112 million higher than what the business performance EBITDA would have been. In total, business performance hedges of DKK -2,685 million will not be recognised in 2021 and after.

Explanation of the business performance principle

In year 1, we enter into a contract hedging the price risk associated with Offshore's generation of 1,000GWh in year 5 at GBP 52,000 per GWh. This ensures a total revenue of GBP 52 million. In year 5, the cost of power has decreased to GBP 45,000 per GWh, which means that the hedging contract has a positive market value of GBP 7 million (a hedged price of GBP 52,000 per GWh minus the spot price of GBP 45,000 per GWh). This means that we ensure that the total income, including the hedging transaction, is still GBP 52 million. The income of GBP 52 million consists of a gain from the hedging contract

of GBP 7 million and GBP 45 million from the sale of 1,000 GWh at a spot price of GBP 45,000 per GWh. The financial impact of the hedging transaction in years 1-5 is shown in the table. Under the business performance principle, the hedging transaction is recognised in the income statement in year 5, i.e. at the same time as the hedged contract with a positive market value of GBP 7 million. The value development is, however, recognised continuously in the income statement according to IFRS. Upon the expiry of the contract in year 5, the total effect on results over the period is the same under the IFRS and the business performance principle. Only the timing differs.

	Power price and sale of power, GBP million		Recognised in the income statement as follows			Total financial impact	
	Power price (GBP '000 per GWh)	Sale of power, GBP million	Business		IFRS	Business performance	IFRS
			Market value	performance			
Year 1	52	-	-	-	-	-	-
Year 2	50	-	2	-	2	-	2
Year 3	55	-	(3)	-	(5)	-	(5)
Year 4	46	-	6	-	9	-	9
Year 5	45	45	7	7	1	52	46
Total	45		7	7	7	52	52



Example of recognition of the market value of a hedging contract according to the business performance and IFRS principles in the income statement.

Difference between IFRS and business performance for the year

The value adjustment in respect of future periods totalled a loss of DKK 979 million (2019: DKK +141 million), and reversal of deferred gains (losses) recognised according to business performance in 2020 totalled DKK -547 million (2019: DKK 1,395 million).

Market value adjustments for the year related to hedging contracts

2020 was mainly affected by losses on the hedging of power as a result of an increase in

power prices combined with a selling position. This was partly countered by gains on currency hedges, mainly related to a decrease in the GBP/DKK rate as a result of a selling position.

Deferred gains (losses) from previous periods

In 2020, a gain of DKK 547 million was recognised in business performance EBITDA, but as the gain was recognised in IFRS EBITDA in a previous period, the gain was reversed in the 'Adjustments' column in the income statement. The gain was primarily attributable to the hedging of gas.

Specification of the difference between EBITDA according to business performance and according to IFRS, DKKm

	2020	2019
EBITDA – business performance	18,124	17,484
Business performance adjustments in respect of revenue for the year	(2,450)	2,556
Business performance adjustments in respect of cost of sales for the year	924	(1,020)
EBITDA – IFRS	16,598	19,020
Total business performance adjustments for the year comprise:		
Market value adjustments for the year of financial and physical hedging contracts relating to a future period	(979)	141
Reversal of deferred gains (losses) relating to hedging contracts from previous periods where the hedged production or trade is recognised in business performance EBITDA in this period	(547)	1,395
Total adjustments	(1,526)	1,536



Tugboat Rovan
McAllister working on
the construction of
Coastal Virginia Wind,
off the coast of
Virginia Beach, the US.



The table shows value adjustments by product. The value adjustments are recognised in IFRS EBITDA, but not in business performance EBITDA, as the value relates to future periods.



The table shows reversal of value adjustments by product. These gains (losses) are recognised in business performance EBITDA. The reversal of value adjustment was recognised in IFRS EBITDA in a previous period.

Market value adjustments for the year of financial and physical hedging contracts relating to a future period, DKKm

	2020	2019
Currency	702	(1,916)
Power (commercial and hedge)	(1,669)	1,144
Gas (commercial and hedge)	(13)	857
Oil	5	94
Coal	(4)	(38)
Total value adjustments	(979)	141

Reversal of deferred gains (losses) relating to hedging contracts from previous periods where the hedged production or trade is recognised in business performance EBITDA in this period, DKKm

	2020	2019
Currency	188	(320)
Power (commercial and hedge)	10	1,249
Gas (commercial and hedge)	(701)	327
Oil	(77)	144
Coal	33	(5)
Total deferred gains (losses) from previous periods	(547)	1,395

2. **Return on capital employed**

- 94 Return on capital employed**
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- 103 Other operating income and expenses**
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2. Return on capital employed

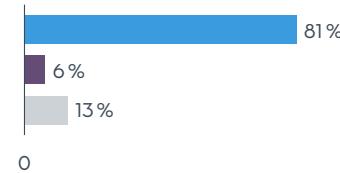
Return on capital employed (ROCE) is a key ratio showing how profitable our business activities are. Our target is an average ROCE of approx. 10 % for the Group for the 2019-2025 period.

Return on capital employed

Return on capital employed was 9.7 % in 2020 compared to 10.6 % in 2019, which was in line with our target of an average ROCE of approx. 10 % for the Group in the period 2019-2025. Reference is made to note 2.1 'Segment information'.

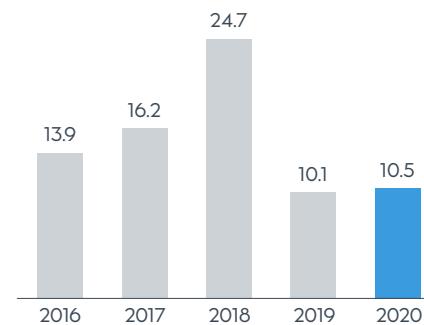
EBIT by segment
percentage of DKK 10,633 million in 2020

- Offshore
- Onshore
- Markets & Bioenergy



EBIT is stated according to the business performance principle. EBIT of DKK 10,633 million is calculated as EBIT for reportable segments.

EBIT, business performance
DKKbn



18.1 bn

EBITDA totalled DKK 18,124 million in 2020 against DKK 17,484 million in 2019.

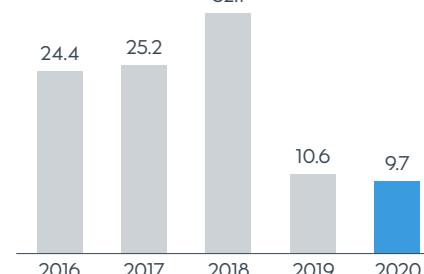
10.5 bn

Operating profit (EBIT) totalled DKK 10,536 million in 2020 against DKK 10,052 million in 2019.

9.7 %

Return on capital employed totalled 9.7 % in 2020 against 10.6 % in 2019.

Return on capital employed (ROCE)
%



2.1 Segment information

Offshore, DKKm

Revenue	34,533
EBITDA	14,750
Gross investments	19,525
Number of employees	3,078

Primary activities

Development, construction, ownership, and operation of offshore wind farms in the UK, Germany, Denmark, the Netherlands, the US, and Taiwan.

Onshore, DKKm

Revenue	733
EBITDA	1,131
Gross investments	6,633
Number of employees	140

Primary activities

Development, construction, ownership, and operation of onshore wind and solar farms in the US.

Markets & Bioenergy, DKKm

Revenue	21,420
EBITDA	2,136
Gross investments	715
Number of employees	1,009

Primary activities (excluding divested activities)

Generation of heat and power at CHP plants in Denmark, route-to-market activities for the Group and external partners, such as balancing power in the market, selling power and green certificates in the market, selling power and gas in wholesale and B2B markets, as well as optimising and hedging of Ørsted's entire energy portfolio.

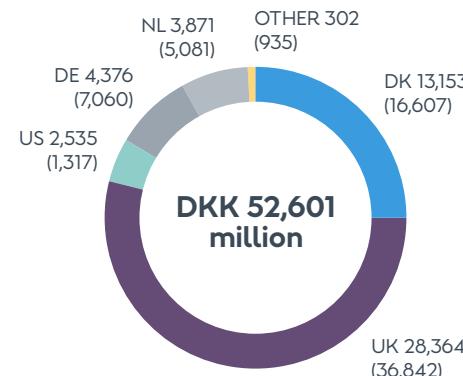
Segment structure

We run our business on an end-to-end value chain thinking. All activities and earnings that relate to Offshore and Onshore are reported in these segments, even if the daily activities are performed on behalf of the Group in Markets & Bioenergy. Therefore, revenue and earnings from trading related to hedging of our power exposures and power portfolio optimisation activities in relation to Offshore and Onshore are presented in these business units.

In 2020, EBITDA of DKK 236 million (2019: DKK 725 million) and DKK 48 million (2019: DKK -18 million) were transferred to Offshore and Onshore, respectively.

Revenue DKKm 2020¹(2019)

- Denmark (DK)
- The UK
- The US
- Germany (DE)
- The Netherlands (NL)
- Other



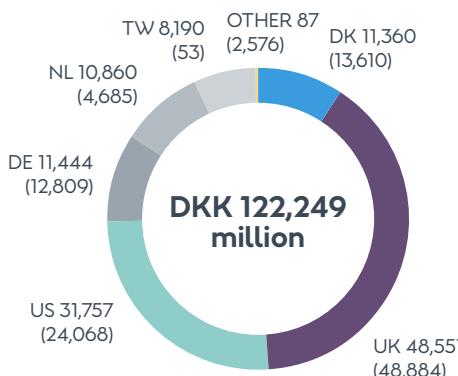
Geographical distribution of revenue as well as intangible assets, and property, plant, and equipment

Geographical revenue is broken down, as far as possible, by the customer's geographical location based on supply point.

A significant part of our sales takes place via power exchanges and gas hubs in Europe whose physical locations do not reflect the geographical locations of our customers. When breaking down these sales by geographical location, we use the physical locations of the exchange or hub since we do not know the physical location of our customers in all cases.

Intangible assets, and property, plant, and equipment, DKKm 2020 (2019)

- Denmark (DK)
- The UK
- The US
- Germany (DE)
- The Netherlands (NL)
- Taiwan (TW)
- Other



No single customer accounted for more than 10 % of our consolidated revenue in 2020. In 2019, one customer in Offshore had a revenue of DKK 10,339 million, accounting for more than 10 % of our consolidated revenue.

Non-current assets are broken down geographically, based on the physical locations of the assets.

Accounting policies

Our operating segments are consistent with our internal reporting to our chief operating decision maker, the Executive Committee.

We apply the business performance principle, as described in note 1.6 'Business performance', in connection with our internal management.

The operating segments are managed primarily on the basis of EBITDA and investments. Financial income, financial expenses, depreciation, and amortisations as well as tax are allocated to the operating segments, while we manage them at Group level.

Segment income and segment expenses are those items that, in our internal management reporting, are directly attributable to individual segments or can be indirectly allocated to individual segments on a reliable basis.



Revenue, intangible assets as well as property, plant, and equipment are presented based on the locations of our customers and assets.

¹ Revenue determined according to the business performance principle.

2020 Income statement, DKKm				Reportable segments	Other activities/ eliminations	Business performance	Adjustments	IFRS	
External revenue	29,903	743	21,733	52,379	222	52,601	(2,450)	50,151	<p>Profit (loss) and cash flows are shown only for continuing operations.</p> <p>The column 'Other activities/eliminations' primarily covers the elimination of inter-segment transactions. It also includes income and costs, assets and liabilities, investment activity, taxes, etc., handled at Group level.</p>
Intra-group revenue	4,630	(10)	(313)	4,307	(4,307) ¹	-	-	-	
Revenue	34,533	733	21,420	56,686	(4,085)	52,601	(2,450)	50,151	
Cost of sales	(14,377)	-	(16,495)	(30,872)	4,164	(26,708)	924	(25,784)	
Employee costs and other external expenses	(6,624)	(640)	(2,831)	(10,095)	38	(10,057)	-	(10,057)	
Gain (loss) on disposal of non-current assets	735	34	36	805	-	805	-	805	
Additional other operating income and expenses	412	1,004	6	1,422	(10)	1,412	-	1,412	
Share of profit (loss) in associates and joint ventures	71	-	-	71	-	71	-	71	
EBITDA	14,750	1,131	2,136	18,017	107	18,124	(1,526)	16,598	
Depreciation and amortisation	(6,106)	(482)	(796)	(7,384)	(204)	(7,588)	-	(7,588)	
Impairment losses	-	-	-	-	-	-	-	-	
Impairment losses, reversed	-	-	-	-	-	-	-	-	
Operating profit (loss) (EBIT)	8,644	649	1,340	10,633	(97)	10,536	(1,526)	9,010	
Key ratios									
Intangible assets, and property, plant, and equipment	89,257	23,325	8,234	120,816	1,433	122,249	-	122,249	
Equity investments and non-current receivables	452	-	181	633	144	777	-	777	
Net working capital, work in progress	9,775	-	-	9,775	-	9,775	-	9,775	
Net working capital, tax equity	-	(7,246)	-	(7,246)	-	(7,246)	-	(7,246)	
Net working capital, capital expenditures	(3,516)	(499)	(25)	(4,040)	-	(4,040)	-	(4,040)	
Net working capital, other items	3,251	(160)	(895)	2,196	32	2,228	-	2,228	
Derivatives, net	(941)	156	(274)	(1,059)	850	(209)	-	(209)	
Assets classified as held for sale, net	-	-	793	793	-	793	-	793	
Decommissioning obligations	(5,069)	(659)	(1,275)	(7,003)	-	(7,003)	-	(7,003)	
Other provisions	(3,826)	(102)	(1,990)	(5,918)	(942)	(6,860)	-	(6,860)	
Tax, net	485	(1,894)	456	(953)	182	(771)	-	(771)	
Other receivables and other payables, net	745	-	24	769	(790)	(21)	-	(21)	
Capital employed at 31 December	90,613	12,921	5,229	108,763	909	109,672	-	109,672	
Return on capital employed (ROCE), %							9.7		
Cash flows from operating activities	9,985	3,921	2,855	16,761	(295)	16,466	-	16,466	
Gross investments	(19,525)	(6,633)	(715)	(26,873)	(94)	(26,967)	-	(26,967)	
Divestments	(149)	114	19,060	19,025	14	19,039	-	19,039	
Free cash flow (FCF)	(9,689)	(2,598)	21,200	8,913	(375)	8,538	-	8,538	

¹ Including the elimination of other activities, the total elimination of intra-group revenue amounts to DKK -6,849 million which primarily relates to our Shared Functions services and B2B business as well as our B2C and power distribution businesses up until divestment.

				Reportable segments	Other activities/eliminations	Business performance	Adjustments	IFRS	
2019 Income statement, DKKm									
External revenue	33,801	670	33,357	67,828	14	67,842	2,556	70,398	
Intra-group revenue	6,415	-	(541)	5,874	(5,874) ¹	-	-	-	
Revenue	40,216	670	32,816	73,702	(5,860)	67,842	2,556	70,398	
Cost of sales	(18,981)	(6)	(28,493)	(47,480)	5,664	(41,816)	(1,020)	(42,836)	
Employee costs and other external expenses	(6,440)	(528)	(3,326)	(10,294)	251	(10,043)	-	(10,043)	
Gain (loss) on disposal of non-current assets	(106)	21	(11)	(96)	(5)	(101)	-	(101)	
Additional other operating income and expenses	490	629	511	1,630	(8)	1,622	-	1,622	
Share of profit (loss) in associates and joint ventures	(18)	-	(2)	(20)	-	(20)	-	(20)	
EBITDA	15,161	786	1,495	17,442	42	17,484	1,536	19,020	
Depreciation and amortisation	(5,494)	(351)	(798)	(6,643)	(221)	(6,864)	-	(6,864)	
Impairment losses	-	(68)	(500)	(568)	-	(568)	-	(568)	
Impairment losses, reversed	-	-	-	-	-	-	-	-	
Operating profit (loss) (EBIT)	9,667	367	197	10,231	(179)	10,052	1,536	11,588	
Key ratios									
Intangible assets, and property, plant, and equipment	78,483	17,616	8,743	104,842	1,843	106,685	-	106,685	
Equity investments and non-current receivables	650	-	263	913	131	1,044	-	1,044	
Net working capital, work in progress	8,756	-	-	8,756	-	8,756	-	8,756	
Net working capital, tax equity	-	(4,587)	-	(4,587)	-	(4,587)	-	(4,587)	
Net working capital, capital expenditures	(3,123)	(67)	(114)	(3,304)	-	(3,304)	-	(3,304)	
Net working capital, other items	3,441	9	(1,277)	2,173	367	2,540	-	2,540	
Derivatives, net	(961)	545	2,058	1,642	(860)	782	-	782	
Assets classified as held for sale, net	-	-	8,211	8,211	-	8,211	-	8,211	
Decommissioning obligations	(4,562)	(306)	(1,290)	(6,158)	-	(6,158)	-	(6,158)	
Other provisions	(3,878)	-	(1,836)	(5,714)	(729)	(6,443)	-	(6,443)	
Tax, net	1,065	(1,409)	951	607	(860)	(253)	-	(253)	
Other receivables and other payables, net	(424)	(67)	80	(411)	(70)	(481)	-	(481)	
Capital employed at 31 December	79,447	11,734	15,789	106,970	(178)	106,792	-	106,792	
Of which, capital employed from discontinued operations						(41)	-	(41)	
Of which, capital employed from continuing operations						106,833	-	106,833	
Return on capital employed (ROCE), %						10.6			
Cash flows from operating activities	9,283	1,007	1,218	11,508	1,571	13,079	-	13,079	
Gross investments	(15,121)	(6,158)	(1,898)	(23,177)	(128)	(23,305)	-	(23,305)	
Divestments	3,052	255	25	3,332	(3)	3,329	-	3,329	
Free cash flow (FCF)	(2,786)	(4,896)	(655)	(8,337)	1,440	(6,897)	-	(6,897)	

¹ Including the elimination of other activities, the total elimination of intra-group revenue amounts to DKK -8,425 million which primarily relates to our Shared Functions services as well as our B2B, B2C, and power distribution businesses.

2.2 Revenue

Revenue 2020, DKKm	Offshore	Onshore	Markets & Bioenergy	Other activities/eliminations	2020 Total	Offshore	Onshore	Markets & Bioenergy	Other activities/eliminations	2019 Total
Sale of gas	-	-	8,619	-	8,619	-	-	15,341	(27)	15,314
Generation of power	4,969	465	1,866	-	7,300	4,870	427	2,377	-	7,674
Sale of power	10,970	-	5,711	(4,264)	12,417	10,372	-	7,593	(5,825)	12,140
Revenue from construction of offshore wind farms and transmission assets	3,371	-	-	-	3,371	12,385	-	-	-	12,385
Generation and sale of heat and steam	-	-	2,761	-	2,761	-	-	2,887	-	2,887
Distribution and transmission	-	-	1,559	(4)	1,555	-	-	2,555	(3)	2,552
Other revenue	2,433	7	198	169	2,807	1,868	-	669	(35)	2,502
Total revenue from customers, IFRS	21,743	472	20,714	(4,099)	38,830	29,495	427	31,422	(5,890)	55,454
Government grants	12,122	28	401	-	12,551	9,934	29	505	-	10,468
Economic hedging	337	139	(617)	640	499	(492)	231	1,383	(530)	592
Miscellaneous revenue	33	75	(1,979)	142	(1,729)	621	(3)	3,189	77	3,884
Total revenue, IFRS	34,235	714	18,519	(3,317)	50,151	39,558	684	36,499	(6,343)	70,398
Adjustments, see note 1.6	298	19	2,901	(768)	2,450	658	(14)	(3,683)	483	(2,556)
Total revenue, business performance	34,533	733	21,420	(4,085)	52,601	40,216	670	32,816	(5,860)	67,842
Timing of revenue recognition from customers, IFRS										
At a point in time	12,775	472	3,999	(4,099)	13,147	12,839	427	11,099	(5,890)	18,475
Over time	8,968	-	16,715	-	25,683	16,656	-	20,323	-	36,979
Total revenue from customers, IFRS	21,743	472	20,714	(4,099)	38,830	29,495	427	31,422	(5,890)	55,454
Revenue from sale of goods and services, IFRS										
Revenue from sale of goods					46,088					65,914
Revenue from sale of services					4,063					4,484
Total revenue, IFRS	34,235	714	18,519	(3,317)	50,151	39,558	684	36,499	(6,343)	70,398



The timing of transfer of goods or services to customers is categorised as follows:

'At a point in time' mainly comprises:

- sale of gas or power in the market, e.g. North Pool, TTF, NBP
- transmission assets for offshore wind farms at farm-down.

'Over time' mainly comprises:

- construction agreements for offshore wind farms and transmission assets
- long-term contracts with customers to deliver gas, heat, or power.

Revenue for the year (business performance) decreased by 22% to DKK 52,601 million in 2020. The decrease was mainly due to significantly lower gas and power prices relative to last year, lower gas volumes sold, limited construction work on wind farms for partners, and a decrease in thermal heat generation. This was only partly offset by

the divestment of the Walney Extension transmission asset and the increase in government grants, mainly due to receipt of CfDs of another 400 MW related to Hornsea 1 from April 2020, ramp-up of generation from Hornsea 1 and Borssele 1 & 2 as well as higher wind speeds across the portfolio.

Other revenue in Offshore primarily related to operations and maintenance agreements, which increased due to ramp-up of generation from Hornsea 1 and Borssele 1 & 2 in 2020.

Unsatisfied long-term contracts with customers, DKKm	31 December	Expected to be recognised	
		Within one year	In more than one year
2020	0	0 %	0 %
2019	1,345	100 %	0 %



The transaction price allocated to the remaining performance obligation (unsatisfied or partially satisfied).

In accordance with IFRS 15, the overview does not include revenue from contracts with customers to deliver gas, heat, and power, or our operations and maintenance agreements. For these types of goods and services, we recognise the revenue that corresponds directly to the value transferred to the customer.

Unsatisfied long-term contracts

Our remaining performance obligations expected to be recognised in more than one year relate to the construction of wind farms and offshore transmission assets.

Key accounting estimate

Assumptions for the determination of the expected selling price and costs

We make estimates when determining the expected selling price of individual construction agreements. These estimates are influenced by our assessment of:

- the degree of completion of the individual offshore wind farm and offshore transmission assets
- total expected costs for the individual contract
- the value of the incentive agreements under which we may be paid a bonus for early delivery or have to pay compensation for late delivery
- the guarantee commitments undertaken
- the share of total costs associated with transmission assets which are expected to be covered upon handover, etc.

Therefore, our determination of profit and the recognition of revenue and related contract assets are subject to significant uncertainty. We believe that our estimates are the likely outcome of future events.

Key accounting judgement

Assumptions for recognition of revenue from the construction of offshore wind farms over time

We construct offshore wind farms with partners where we construct our partner's share of the wind farm. We assess each construction agreements at the time of conclusion of the agreements.

In our view, our partner assumes control of the offshore wind farm in step with construction.

This is supported by:

- the regular approval of part deliveries
- the approval or rejection of significant variations to the construction
- the partner's takeover of work from the subcontractors, both concerning risk and legal title to the wind farm on an on-going basis
- the milestone payments from the partner.

Therefore, revenue is recognised over time during the construction of the offshore wind farms.

Accounting policies

Revenue is measured based on the consideration specified in a contract with a customer (transaction price) and excludes amounts collected on behalf of third parties, i.e. VAT. We recognise revenue when we transfer control over a product or service to a customer or a partner.

If a part of the transaction price is variable, i.e. bonus payments, incentive payments for unmissed deadlines, etc., the variable consideration is recognised in revenue when it is highly probable that the revenue will not be reversed in subsequent periods.

We adjust the transaction price for the time value of money if the payments exceed twelve months.

Sales agreements are divided into individually identifiable performance obligations. If a sales agreement includes several performance obligations, the sales agreement's transaction price is allocated to each performance obligation's stand-alone selling price.

Sale of gas

Types of goods and services

Revenue from the sale of gas includes the sale of gas sourced from other producers.

Timing of satisfaction of delivery obligations and significant estimates

Revenue is recognised when control of the gas is transferred to the buyer. Transfer of control occurs either when the gas is injected into the distribution system or physically delivered to the customer.

Significant terms of payment and associated estimates and judgements

Sales contracts for a fixed amount of gas at a variable price, or where we are exclusive suppliers to the customer at a variable price, are considered one performance obligation with multiple deliveries to be satisfied over time. For such contracts, we recognise revenue in the amount up to which we have a right to invoice.

Some long-term gas sales contracts include clauses which give the right to renegotiate the fixed sales prices. Expectations for the outcomes of

renegotiations are not included in revenue before we know the outcome of the individual renegotiations.

In most cases, the consideration for the gas is due when the gas is injected into the distribution system or delivered to the customer. The delivery of gas is invoiced on a monthly basis, and the payment is due within 10-30 days.

Sale of power

Types of goods and services

Revenue from the sale of power includes the sale of power sourced from other producers.

Timing of satisfaction of delivery obligations and significant estimates

Revenue is recognised when control of the goods is transferred to the buyer. Transfer of control occurs when the actual power is delivered to the customer.

Significant terms of payment and associated estimates and judgements

Sales contracts for a fixed amount of power at a variable price, or where we are exclusive suppliers to the customer at a variable price, are considered one performance obligation with multiple deliveries to be satisfied over time. For such contracts and for long-term agreements on selling power at a fixed price, we recognise revenue in the amount up to which we have a right to invoice.

In most cases, the consideration for the power is due when the actual power is delivered to the customer. The delivery of power is invoiced on a monthly basis, and the payment is due within 10-30 days.

Generation of power

Types of goods and services

Revenue from generation of power is our sale of power produced at our own wind farms and power plant and the sale of ancillary services.

Timing of satisfaction of delivery obligations, and significant estimates

Revenue is recognised when control of the goods is transferred to the buyer. Transfer of control occurs when the actual power is delivered to the customer, which for power generated by us occurs when it is produced.

Significant terms of payment and associated estimates and judgements

Revenue from ancillary services consists of fees for having power plants on standby and/or immediately ready to increase or decrease the generation of power by an agreed amount to balance the demand and supply in the system. Ancillary services are considered one performance obligation which is fulfilled over time when the power plants are on standby and/or immediately ready to increase or decrease the generation of power.

Sales contracts for a fixed amount of power at a variable price, or where we are exclusive suppliers to the customer at a variable price, are considered one performance obligation with multiple deliveries to be satisfied over time. For such contracts and for long-term agreements on selling power at a fixed price, we recognise revenue in the amount up to which we have a right to invoice.

In most cases, the consideration for the power is due when the actual power is delivered to the customer.

Ancillary services are invoiced on a monthly basis, and consideration is payable when invoiced.

Revenue from construction of offshore wind farms

Types of goods and services

Revenue from construction of offshore wind farms includes development and construction.

The construction agreements cover the construction phase from design to delivery of an operational asset. The agreement consists of two performance obligations:

- Offshore wind farms.
- Offshore transmission assets, if applicable.

The construction agreements cover our partners' shares of the construction of the wind farm and offshore transmission assets, if applicable.

If the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost-plus margin.

Timing of satisfaction of delivery obligations, and significant estimates

We recognise revenue from the construction agreements over time, using an input method to measure progress towards complete satisfaction of the performance obligation because the customer gains control of the offshore wind farm during the construction process. The input method reflects our ongoing transfer of control to the customer. When the outcome of the performance obligation in the contract can be measured reasonably, the construction agreement is measured at the transaction price of the work performed less progress billings, based on the percentage of completion of the contract at balance sheet date and the total expected revenues from the individual contracts.

We estimate the degree of completion on the basis of an assessment of the work performed, normally calculated as the ratio between the costs incurred and the total costs expected related to the contract in question.

The transaction price is based on the total expected income from individual contracts. Estimates of revenues are based on the transaction price and the completion degree of the offshore wind farm or offshore transmission asset at the balance sheet date.

Estimates of revenues, costs, and percentage of completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision come to our knowledge.

An expected loss is recognised when it is deemed probable that the total construction costs will exceed the total revenue from the individual contracts.

Significant terms of payment and associated estimates and judgements

The consideration for the construction of an offshore wind farm consists of a fixed fee and a relatively minor variable fee, depending on when the wind farm can be put into operation.

The consideration for an offshore transmission asset is a fixed fee.

After signing the construction agreement, we carry out an assessment determining when the wind farm

is expected to be completed, and calculate the size of the variable payment on this basis. We only recognise the variable fee when it is highly probable that a subsequent reversal will not take place.

At each balance sheet date, an assessment is made of the size of the variable payment which can be included in the transaction price. Revenue is adjusted accordingly. The customer pays the fixed consideration based on a payment schedule. The payment schedule is determined and based on the expected progress of the construction and transfer of control to the customer.

If the work we have performed exceeds invoicing on account, a contract asset is recognised. If the payments exceed the work we have performed, a contract liability is recognised.

Generation and sale of heat

Timing of satisfaction of delivery obligations and significant estimates

Heat is sold under long-term heat contracts.

Revenue is recognised when control is transferred to the customer. Transfer of control occurs when the heat is physically delivered to the customer.

In connection with a biomass conversion of a CHP plant, the heat customer makes a prepayment to finance the majority of our CAPEX associated with the conversion. The prepayment is recognised as a contract liability. The contract liability is recognised as revenue in step with the transfer of heat to the customer.

Significant terms of payment and associated estimates and judgements

Payment for the sale of heat consists of fixed costs associated with operations and maintenance of a CHP plant, fuel costs for the generation of heat, and a financial return.

The delivery of heat is invoiced on a monthly basis, and the payment is due within 10-30 days.

Distribution and transmission

Timing of satisfaction of delivery obligations and significant estimates

Revenue from the distribution and transmission of gas and power is recognised when the gas or power is delivered to the buyer, or when the capacity is made available.

Significant terms of payment and associated estimates and judgements

Revenue is calculated as the amount to which we are entitled when the service is delivered to the customer and invoiced on a monthly basis, and consideration is payable when invoiced.

Other revenue

Types of goods and services

Other revenue primarily includes operations and maintenance agreements and other services.

Timing of satisfaction of delivery obligations and significant estimates

Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-priced contracts, revenue is recognised based on the actual service rendered at the end of the reporting period as a proportion of the total services to be rendered because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total labour hours expected.

Significant terms of payment and associated estimates and judgements

The consideration for operations and maintenance agreements consists of a fixed fee and a minor variable fee, e.g. bonuses or compensation for wind farm availability.

Availability bonuses will be recognised on an ongoing basis when it is highly probable that a subsequent reversal will not take place.

Fixed-price contracts are invoiced on a monthly basis, and consideration is payable when invoiced. Variable fee services are generally due after the services are rendered.

Warranty obligations

We typically have a five-year responsibility to remedy defects that exist at the relevant takeover date when we construct offshore wind farms. These types of warranties are accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Reference is made to the accounting policy on warranty provisions in note 3.2 'Provisions and contingent assets and liabilities'.

2.3 Cost of sales

Cost of sales, DKKm			Markets & Bioenergy	Other activities/eliminations	2020 total			Markets & Bioenergy	Other activities/eliminations	2019 total
Gas	-	-	6,023	-	6,023	-	-	15,342	-	15,342
Power	10,871	-	3,358	(4,089)	10,140	10,086	-	5,760	(5,828)	10,018
Biomass	-	-	2,182	-	2,182	-	-	2,519	-	2,519
Coal	-	-	559	-	559	-	-	520	-	520
Distribution and transmission costs	1,163	-	2,517	(28)	3,652	921	-	3,956	(24)	4,853
Costs for construction of offshore wind farms and transmission assets	2,340	-	-	-	2,340	7,957	-	-	-	7,957
Other cost of sales	3	-	266	619	888	17	6	2,024	(420)	1,627
Total, IFRS	14,377	-	14,905	(3,498)	25,784	18,981	6	30,121	(6,272)	42,836
Adjustments	-	-	1,590	(666)	924	-	-	(1,628)	608	(1,020)
Total, business performance	14,377	-	16,495	(4,164)	26,708	18,981	6	28,493	(5,664)	41,816

Cost of sales according to business performance decreased by 36 % to DKK 26,708 million in 2020.

The decrease was mainly due to lower gas prices relative to last year and lower gas volumes sold. Furthermore, we had limited construction work on wind farms for partners.

In 2020, 'Costs from construction of offshore wind farms and transmission assets' primarily related to Coastal Virginia Wind as well as the the divestment of the Walney Extension transmission asset.



Coastal Virginia Wind, off the coast of Virginia Beach, the US.



2.4 Government grants

Energinet, the transmission system operator in Denmark, administers subsidies for environmentally sustainable power generation, including biomass and offshore wind farms. We regard the grant for environmentally sustainable power generation as a government grant, as it is paid by the Danish state.

In the UK, we receive subsidies under the following schemes: contracts for difference (CfD) and the Renewable Obligations scheme (ROCs) for renewable energy projects. The Burbo Bank Extension, Walney Extension, and Hornsea 1 offshore wind farms are under the CfD regime, while our other UK offshore wind farms as well as our Renescience plant are under the ROC regime. We treat the payments from the ROC and CfD schemes as government grants.

Fixed feed-in tariffs from our Dutch and German wind farms are also recognised as government grants.

Government grants, DKKm

	2020	2019
Government grants recognised in profit (loss) for the year under revenue	12,551	10,468
Government grants recognised in profit (loss) for the year under other operating income	4	4
Government grants recognised in the balance sheet	(4)	(4)
Government grants recognised for the year	12,551	10,468

2.5 Research and development expenditures

Accounting policies

Government grants comprise grants for environmentally sustainable power generation, grants for the funding of development projects as well as investment grants, etc.

Government grants are recognised when there is reasonable assurance that the grants will be received.

Grants for the purchase of assets which we recognise in the balance sheet are recognised under deferred revenue and are transferred to other operating income in step with the depreciation of the assets to which the grants relate.

As grants for power generation are intended as a compensation for the price of power, we systematically recognise the grants under revenue in step with the power generation and thus the related revenue.

Expensed research and development expenditures DKKm

	Offshore	Onshore	Markets & Bioenergy	2020 total	Offshore	Onshore	Markets & Bioenergy	2019 total
Research	80	-	-	80	120	-	-	120
Development	1,719	123	13	1,855	1,815	117	8	1,940
Total	1,799	123	13	1,935	1,935	117	8	2,060

During the year, we expensed research and development costs amounting to DKK 1,935 million (2019: DKK 2,060 million).

Accounting policies

Research costs are costs incurred to analyse and optimise different aspects of offshore wind farm technology (e.g. improving offshore foundations and optimising blade stability and performance).

Research costs are recognised in the income statement as incurred.

Development costs primarily comprise salaries as well as internal and external costs which can be directly or indirectly attributed to design and development of new offshore and onshore wind farms and the Renescience Northwich plant.

Development costs are expensed until the capitalisation criteria are met.

When the capitalisation criteria are met, development costs are capitalised as 'Assets under construction'.

2.6 Other operating income and expenses

Other operating income, DKKm

	2020	2019
Gain on divestment of assets	1,017	-
Other compensation	335	478
US tax credits and tax attributes	1,004	629
Miscellaneous operating income	264	674
Total other operating income	2,620	1,781

Other operating expenses, DKKm

	2020	2019
Loss on divestment of assets	212	101
Miscellaneous operating expenses	191	159
Total other operating expenses	403	260

Other operating income

In 2020, other operating income was DKK 2,620 million, which was 47% higher than in 2019. In 2020, 'Gains on divestment of assets' mainly related to the Hornsea 1 transmission asset where we lowered our assumption regarding the preferred bidder's expected return requirement. In 2019, we had no gains related to divestment of assets.

'Other compensation' is primarily related to compensations regarding outages and curtailments, mainly from TenneT, the German grid operator.

The increase in 'US tax credits and tax attributes' income was mainly due to the commissioning of three onshore wind farms in 2020.

Other operating expenses

'Loss on divestment of assets' was primarily related to M&A transaction costs.

Accounting policies

In connection with the divestment of ownership interests in offshore wind farms, the gain is recognised on the divestment date as other operating income in the income statement.

Gains for future construction of the partner's share of the offshore wind farm are recognised over time in the income statement in step with the construction. See notes 2.2 'Revenue' and 4.2 'Contract assets and liabilities'.

The accounting policies for 'US tax credits and tax attributes' income is described in note 4.5 'Tax equity liabilities'.

Divestment of ownership interests in our offshore wind farms

When we divest an ownership interest in an offshore wind farm to a partner, we typically also enter into agreements on the future construction and operation of the offshore wind farm.

Contracts in connection with a divestment are typically agreements on:

- The sale of shares (divestment of assets) (SPA).
- The future construction of the offshore wind farm (construction agreements).
- The future operation of the offshore wind farm (O&M agreements).

Key accounting estimate

Estimates for the variable selling price related to divestments of offshore wind farms and offshore transmission assets

When we divest an ownership interest in an offshore wind farm and offshore transmission asset to a partner, we consider all terms and activities in the contracts in order to determine the transaction price.

If the consideration includes a variable amount, we estimate the consideration to which we are entitled in exchange for transferring the assets, the wind farm, and the transmission assets to our partner.

The variable considerations are estimated at contract inception based on future outcome of events, e.g.:

- the divestment price of offshore transmission asset through competitive tender process
- the impact on production from future wind farms
- the winning bid of tender revenue stream through a competitive tender process.

We consider 'the most likely amount' to provide the most appropriate estimate of the expected variable consideration.

2.7 Employee costs

Employee costs, DKKm	2020	2019
Wages, salaries, and remuneration	4,623	4,376
Share-based payment	21	57
Pensions	364	362
Other social security costs	155	146
Other employee costs	58	103
Employee costs before transfer to assets	5,221	5,044
Transfer to assets	(938)	(1,092)
Total employee costs	4,283	3,952

Employee costs

'Employee costs before transfer to assets' were 3.5% higher in 2020 compared to 2019, mainly reflecting the increase in fixed salary and slightly higher average number of employees. 'Employee costs transferred to assets' relate to investment projects which are capitalised in the balance sheet.

Pension plans and number of employees

Pension plans are defined-contribution plans that do not commit Ørsted beyond the amounts contributed.

In 2020, our average number of employees was 6,429 (2019: 6,329). The average number of employees in 2020 is impacted by the

divestment of our Danish power distribution, residential customer, and the city light businesses at the end of August 2020.

Remuneration of the Executive Committee

The remuneration of the Executive Committee is based on a fixed salary, including personal benefits, such as a company car, free telephone, etc., a variable salary, and share-based payment. The other members of the Executive Committee¹ also receive a pension.

The members of the Board of Directors are paid fixed remuneration only for their work in Ørsted. In addition, Ørsted reimburses any travel expenses.

Salaries and remuneration for the Executive Committee, and the Board of Directors, DKK '000	Executive Board		Other members of the Executive Committee ¹		Board of Directors		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Fixed salary	17,230	16,810	23,057	20,933	4,593	4,779	44,880	42,522
Short-term cash-based incentive scheme	4,831	4,561	10,328	5,419	-	-	15,159	9,980
Retention bonus, etc.	-	-	959	180	-	-	959	180
Share-based payment	(519) ³	4,046	3,910	2,626	-	-	3,391	6,672
Pension, incl. social security and benefits	469	564	3,876	5,333	-	-	4,345	5,897
Short-term retention-dependent purchase price related to the acquisition of Lincoln Clean Energy	-	-	9,810	840	-	-	9,810	840
Salary in notice period	-	-	-	11,560 ²	-	-	-	11,560
Termination payment	-	-	-	4,489 ²	-	-	-	4,489
Total	22,011	25,981	51,940	51,380	4,593	4,779	78,544	82,140



¹ Other members of the Executive Committee in 2020 are: Morten Hultberg Buchgreitz, Henriette Fenger Ellekrog, Declan Flanagan, Anders Lindberg, and Martin Neubert.

² Relates to Thomas Dalsgaard and Ole Kjems Sørensen.

³ Henrik Poulsen lost the right to the 2018, 2019, and 2020 grant upon his resignation, causing prior year costs to be reversed. This has reduced the remuneration by DKK 4.6 million.

2.8 Share-based payment

Required number of locked-up shares relative to fixed salary

CEO	75 % of fixed salary
CFO and the other members of the Executive Committee	50 % of fixed salary
Senior vice presidents	25 % of fixed salary
Vice presidents and senior directors	15 % of fixed salary



The figure shows the value of Ørsted shares in percent of the participants' fixed salary which, at the time of granting, must be locked up for the duration of the executive share programme.

the grant, this would correspond to 0-30 % or 0-40 % (0-80 % in the US) of the fixed salary on the date of grant. The final number of shares for each participant will be determined on the basis of the total shareholder return delivered by Ørsted, benchmarked against ten comparable European energy companies.

of the price of Ørsted's shares at the time of the grant and will be limited to an amount corresponding to a maximum of six months' base pay for the employee in question. At vesting, each RSU will entitle the employee to one Ørsted share free of charge. However, the total value of the shares to be received at vesting will be capped at a maximum of twelve months' base pay for the employee in question.

Market value of PSUs and key assumptions for valuation in executive share programme

	Time of granting 2020	Time of granting 2019	Time of granting 2018
Market value of 1 PSU	794	598	461
Key assumptions:			
Share price	666	504	392
Average volatility, peers	24.1 %	22.3 %	24.5 %
Volatility, Ørsted	24.6 %	20.9 %	19.7 %
Risk-free interest rate	-0.5 %	-0.4 %	-0.3 %
Expected term at time of granting	3 years	3 years	3 years

Executive share programme

The Executive Committee and a number of other senior executives participate in the share programme (approx. 100). As a condition for the granting of performance share units (PSUs), the participant must own a number of shares in Ørsted corresponding to a portion of the individual participant's annual fixed salary. The portion depends on the employee category and, for our CEO, makes up 75 % of the fixed salary; see the table above for more information. The participants in the programme must invest in Ørsted shares prior to the first granting.

If the participants fulfil the shareholding requirement at the time of granting, they will be granted a number of PSUs each year, representing a value of 15-20 % (15-40 % in the US) of the annual fixed salary on the date of granting.

The granted PSUs have a vesting period of approximately three years, after which each PSU entitles the holder, without payment, to receive a number of shares corresponding to 0-200 % of the number of PSUs granted. Assuming no share price development since

The highest rate (200 %) will be triggered if Ørsted's results, measured as the total return to shareholders, outperform those of the comparable companies. For each lower ranking, the number of shares granted will fall by 20 percentage points. If, for example, Ørsted ranks third, the participants will be entitled to 160 % of the target.

If Ørsted ranks 11 in the comparison, no shares will be granted to the participants. The right to shares is conditional upon continued employment.

Retention share programme

The target group for the share-based retention agreements will typically be employees responsible for vital, long-term projects. The use of these share-based retention agreements will be limited to 25 concurrent agreements with an individual time frame of up to five years. Members of the Executive Board (CEO and CFO) cannot be granted such retention agreements.

The number of retention share units (RSUs) to be granted will be determined on the basis

Accounting policies

The share programme is classified as an equity-based programme as the programme is settled in shares. The market value of the PSUs/RSUs and the estimated number of PSUs granted are measured at the time of granting and recognised:

- in the income statement under employee costs over the vesting period
- as an offset in the balance sheet under equity over the vesting period.

The valuation of the PSUs/RSUs and the estimate of the number of PSUs/RSUs expected to be granted are carried out as a probability simulation based on Ørsted's expected total shareholder return relative to ten comparable European energy companies. The expectations are factored into the market value and are not adjusted subsequently. The participants are compensated for any dividend payments by receiving additional PSUs/RSUs.

Maximum number of outstanding shares at 31 December, '000

Time of granting	Executive Board	Other members of the Executive Committee	Senior executives	Other employees	2020	2019	2020 in % of share capital	Market value of shares at granting DKK million	Years until expiry as of 2020
1 April 2017	-	-	-	-	-	169	-	-	-
1 April 2018	7	19	81	-	107	117	0.03 %	25	0.3
1 April 2019	5	16	69	-	90	101	0.02 %	27	1.3
1 April 2020	3	14	66	-	83	-	0.02 %	33	2.3
Share retention programme	-	-	-	20	20	21	0.00 %	5	-
Maximum number of outstanding shares at 31 December 2020	15	49	216	20	300	408	0.07 %	90	

Development in maximum number of outstanding shares, '000

	Executive Board	Other members of the Executive Committee	Senior executives	Other employees	2020	2019	2020 in % of share capital	
Maximum number of outstanding shares at 1 January	57	49	281	21	408	466	0.10 %	
Compensation for dividends paid (2018 and 2019 programmes)	-	1	2	-	3	9	0.00 %	
Exercised (2017 programme)	(24)	(15)	(131)	-	(170)	-	(0.05) %	
Exercised (2016 programme)	-	-	-	-	-	(152)	-	
Granted (2020 programme)	9	14	66	-	89	-	0.02 %	
Granted (2019 programme)	-	-	-	-	-	105	-	
Cancelled (2020 programme)	(6)	-	-	-	(6)	-	0.00 %	
Cancelled (2019 programme)	(9)	-	(1)	-	(10)	(4)	0.00 %	
Cancelled (2018 programme)	(12)	-	(1)	-	(13)	(11)	0.00 %	
Cancelled (2017 programme)	-	-	-	-	-	(8)	-	
Share retention program	-	-	-	(1)	(1)	3	0.00 %	
Maximum number of outstanding shares at 31 December	15	49	216	20	300	408	0.07 %	
(DKKm)								
Market value of share programme at the time of granting	4	15	65	5	90	89		
Maximum market value of share programme at 31 December	19	61	269	25	374	280		



The maximum market value of the share programme at 31 December is based on the assumption that the participants receive the maximum number of shares (i.e. 200 % of the granted PSUs/RSUs). This requires that Ørsted delivers the highest shareholder return, benchmarked against the ten comparable companies.

3. Capital employed

- 108 Capital employed**
- 109 Intangible assets, and property, plant, and equipment**
- 112 Provisions and contingent assets and liabilities**
- 114 Acquisition of enterprises**
- 115 Divestment of enterprises**
- 115 Gross and net investments**
- 116 Assets classified as held for sale**
- 116 Discontinued operations**
- 117 Non-controlling interests**

3. Capital employed

Our capital employed primarily relates to production assets, including assets under construction. We monitor investment projects closely, as a large part of our value is created in the development and construction phases.

Investments and divestments in 2020

Our gross investments amounted to DKK 27.0 billion in 2020, of which Offshore accounted for 73%.

Investments were primarily related to:

- offshore wind farms (DKK 19.5 billion), including Borssele 1 & 2 in the Netherlands, Greater Changhua 1 & 2a in Taiwan, Hornsea 2 in the UK, and Ocean Wind in the US.
- onshore wind and solar farms (DKK 6.6 billion), including Permian Energy Center, Muscle Shoals, Western Trail, Sage Draw, Plum Creek, Willow Creek, and Haystack in the US.
- Markets & Bioenergy (DKK 0.7 billion), mainly relating to the maintenance of the power distribution grid.

Divestments amounted to DKK 19.0 billion and were primarily related to the divestment of our Danish power distribution, residential customer, and city light businesses. The transaction resulted in proceeds of DKK 20.5 billion.

Furthermore, we received minor proceeds regarding the divestment of our 10 MW solar farm Oak Solar in New Jersey and our Inbicon production facilities. This was partly offset

Capital employed, DKKm	2020	2019
Intangible assets, and property, plant, and equipment	122,249	106,685
Equity investments and non-current receivables	777	1,044
Net working capital, work in progress	9,775	8,756
Net working capital, tax equity	(7,246)	(4,587)
Net working capital, capital expenditures	(4,040)	(3,304)
Net working capital, other items	2,228	2,540
Derivatives, net	(209)	782
Assets classified as held for sale, net	793	8,211
Decommissioning obligations	(7,003)	(6,158)
Other provisions	(6,860)	(6,443)
Tax, net	(771)	(253)
Other receivables and other payables, net	(21)	(481)
Total capital employed	109,672	106,792



The increase in capital employed was due to investments partly offset by the divested capital employed regarding our Danish power distribution, residential customer, and city light businesses.

by a cash outflow in connection with the divestment of the LNG activities of DKK 1.5 billion and compensations paid under our partnership agreements.

The most significant assets under construction at the end of 2020 were the offshore wind farms Hornsea 2, Greater Changhua 1 & 2a, and Ocean Wind and the onshore wind and solar farms Permian Energy Center, Old 300, Muscle Shoals, Western Trail, and Haystack.

109.7 bn

Capital employed totalled DKK 109,672 million on 31 December 2020 against DKK 106,792 million in 2019.

27.0 bn

Gross investments amounted to DKK 26,967 million in 2020 against DKK 23,305 million in 2019.

19.0 bn

Cash flows from divestments totalled DKK 19,039 million in 2020 against DKK 3,329 million in 2019.



Capital employed by segment is based on capital employed for reportable segments of DKK 108,763 million.

3.1 Intangible assets, and property, plant, and equipment

Intangible assets, and property, plant, and equipment DKKm	Intangible assets	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Property, plant, and equipment
Cost at 1 January 2020	3,979	6,628	116,121	1,453	24,174	148,376
Exchange rate adjustments	(6)	(241)	(4,910)	(20)	(1,436)	(6,607)
Additions	245	911	601	164	26,766	28,442
Divestment of enterprises	(54)	(283)	-	-	-	(283)
Disposals	(1,865)	(288)	(636)	(42)	-	(966)
Adjustment of decommissioning obligations	-	-	293	-	551	844
Reclassified assets	-	527	19,514	19	(20,060)	-
Reclassified to assets classified as held for sale	(75)	-	-	-	(8)	(8)
Cost at 31 December 2020	2,224	7,254	130,983	1,574	29,987	169,798
Depreciation and amortisation at 1 January 2020	(2,663)	(1,406)	(38,279)	(801)	-	(40,486)
Exchange rate adjustments	-	16	944	10	-	970
Depreciation and amortisation	(41)	(393)	(6,850)	(304)	-	(7,547)
Divestment of enterprises	54	44	-	-	-	44
Disposals	1,665	59	313	28	-	400
Reclassified to assets classified as held for sale	44	-	-	-	-	-
Depreciation and amortisation at 31 December 2020	(941)	(1,680)	(43,872)	(1,067)	-	(46,619)
Impairment losses at 1 January 2020	(644)	(45)	(1,160)	-	(672)	(1,877)
Exchange rate adjustments	-	5	-	-	30	35
Disposals	-	45	228	-	-	273
Impairment losses at 31 December 2020	(644)	-	(927)	-	(642)	(1,569)
Carrying amount at 31 December 2020	639	5,574	86,184	507	29,345	121,610

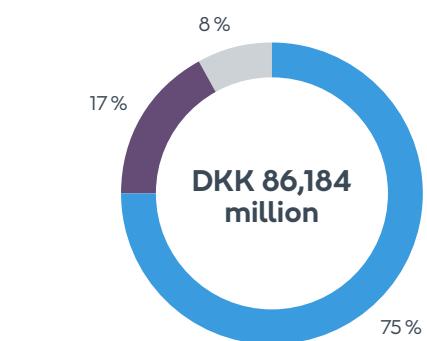
Intangible assets

Intangible assets consist of goodwill of DKK 125 million (2019: DKK 125 million), carbon emission allowances of DKK 324 million (2019: DKK 294 million), other rights

of DKK 64 million (2019: DKK 65 million), completed development projects of DKK 79 million (2019: DKK 119 million), and development projects in progress of DKK 47 million (2019: DKK 69 million).

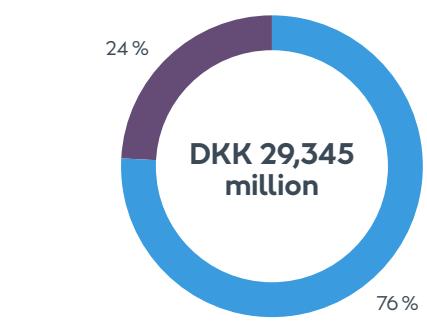
Production assets by segment, % 2020

- Offshore
- Onshore
- Markets & Bioenergy



Property, plant, and equipment under construction by segment, % 2020

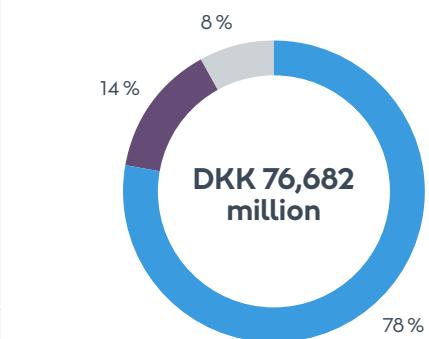
- Offshore
- Onshore



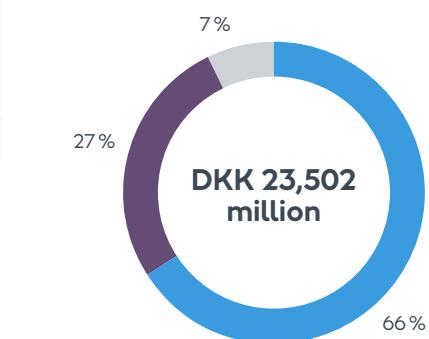
Intangible assets, and property, plant, and equipment DKKm	Intangible assets	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Property, plant, and equipment
Cost at 1 January 2019	4,164	2,082	98,823	1,185	16,605	118,695
Lease assets at 1 January 2019	-	4,165	440	460	-	5,065
Exchange rate adjustments	(33)	147	3,446	(173)	903	4,323
Addition of acquisition of enterprises	66	1	-	-	85	86
Additions	354	426	1,718	82	20,214	22,440
Disposals	(312)	(80)	(3)	(22)	(2,044)	(2,149)
Adjustment of decommissioning obligations	-	-	75	-	255	330
Reclassified assets	-	117	11,671	45	(11,833)	-
Reclassified to assets classified as held for sale	(260)	(230)	(49)	(124)	(11)	(414)
Cost at 31 December 2019	3,979	6,628	116,121	1,453	24,174	148,376
Depreciation and amortisation at 1 January 2019	(2,745)	(1,074)	(31,421)	(843)	-	(33,338)
Exchange rate adjustments	37	(1)	(765)	184	-	(582)
Depreciation and amortisation	(73)	(423)	(6,121)	(247)	-	(6,791)
Disposals	-	14	10	17	-	41
Reclassified to assets classified as held for sale	118	78	18	88	-	184
Depreciation and amortisation at 31 December 2019	(2,663)	(1,406)	(38,279)	(801)	-	(40,486)
Impairment losses at 1 January 2019	(642)	(39)	(1,092)	-	(171)	(1,302)
Exchange rate adjustments	(2)	(6)	-	-	(1)	(7)
Impairment losses and reversals	-	-	(68)	-	(500)	(568)
Impairment losses at 31 December 2019	(644)	(45)	(1,160)	-	(672)	(1,877)
Carrying amount at 31 December 2019	672	5,177	76,682	652	23,502	106,013

Production assets by segment, % 2019

- Offshore
- Onshore
- Markets & Bioenergy

**Property, plant, and equipment under construction by segment, % 2019**

- Offshore
- Onshore
- Markets & Bioenergy





CGUs in Offshore

The cash generating units (CGUs) are made up of individual offshore wind farms, each of which generates cash flows for the segment independently of each other.

Significant CGUs

Anholt, Borkum Riffgrund 1, Borkum Riffgrund 2, Borssele 1 & 2, Burbo Bank Extension, Gode Wind 1, Gode Wind 2, Greater Changhua 1 & 2a, Horns Rev 2, Hornsea 1, Hornsea 2, London Array, Ocean Wind, Race Bank, Revolution Wind, South Fork, Sunrise Wind, Westermost Rough, Walney, Walney Extension, and West of Duddon Sands.



CGUs in Onshore

The CGUs are made up of individual onshore wind and solar farms, each of which generates cash flows for the segment independently of each other.

Significant CGUs

Amazon, Haystack, Lockett, Muscle Shoals, Permian Energy Center, Plum Creek, Sage Draw, Tahoka, Western Trail, Willow Creek, and Willow Springs.



CGUs in Markets & Bioenergy

The Danish power plants constitute a single CGU, as overall production planning is for the entire Danish portfolio of CHP plants. In addition, the Renescience plant in Northwich in the UK is deemed to constitute an independent CGU.

The infrastructure assets, each of which generates cash flows for the segment independently of each other, also constitute CGUs.

Significant CGUs

Central CHP plants (including goodwill), Renescience Northwich, and the offshore gas pipelines.

Impairment losses

Impairment losses relating to goodwill

We have not impaired goodwill or other intangible assets in 2020.

Impairment losses relating to property, plant, and equipment

We have not impaired any property, plant, and equipment in 2020.

In 2019, property, plant, and equipment under construction related to the Renescience facility which was impaired by DKK 500 million.

Renescience is part of our Markets & Bioenergy segment.

The impairment losses in 2019 related to Renescience were primarily due to delays in commissioning, increases in CAPEX as we were optimising the waste conversion technology, and changes in cost and price estimates.

The recoverable amount of Renescience was measured on the basis of its value in use and was based on internal budgets and forecasts. Significant assumptions in the forecasts included the facility capacity, the waste conversion ratios, and potential revenue streams from increased recycling. The estimated cash flows were discounted with a pre-tax rate of 7.5 %.

In 2019, production assets related to the battery storage project Carnegie Road were fully impaired by DKK 68 million.

Useful lives

Buildings	20-50 years
Offshore wind farms	20-30 years
Onshore wind farms	24-30 years
Production assets, power (thermal) and district heating	20-25 years
Gas transportation system (marine pipelines)	20-40 years
Fixtures and fittings, tools, and equipment	3-10 years

Key accounting estimates

Key assumptions for value in use

CGUs are tested for impairment if there is any indication of impairment. In performing an impairment test, we assess whether the recoverable amount exceeds the net book value of a CGU. When performing value-in-use tests, we see if the CGU will be able to generate positive net cash flows sufficient to support the net book values.

Value-in-use calculations are based on expected future cash flows from financial budgets and forecasts and include a number of assumptions and estimates. These assumptions include future market conditions, market prices of power and biofuel, estimated discount rates, estimated useful lives of the projects, etc. The market prices applied are based on available forward prices for a period of up to five years and our best estimate of long-term prices for the remainder of the period.

When calculating the recoverable amount of property, plant, and equipment under construction, other material assumptions include the expected completion costs and the commissioning dates.

Accounting policies

Intangible assets

Rights are measured at cost less accumulated amortisation and impairment losses. Rights are amortised on a straight-line basis over their estimated future useful lives, which are 5-20 years.

Property, plant, and equipment

Property, plant, and equipment which is not a lease is measured at cost less accumulated depreciation and impairment losses. Cost of property, plant, and equipment is depreciated by using the straight-line method, the diminishing-balance method, or the reducing-fraction method. The diminishing-balance method and the reducing-fraction method result in decreasing depreciation over the useful life. These methods are used for some of our offshore wind farms.

Cost comprises purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and labour. Borrowing costs relating to both specific and general borrowing directly attributable to assets under construction with a lengthy construction period are recognised in cost during the construction period. Cost is increased by the present value of the estimated obligations for demolition and decommissioning of assets to the extent that the obligations are recognised as a provision.

Subsequent costs, for example in connection with replacement of parts of an item of property, plant, and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Group from the expenses incurred. Any residual value of the replaced parts is recognised in the income statement as loss on disposal of non-current assets. Other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

3.2 Provisions and contingent assets and liabilities

Decommissioning obligations

Decommissioning obligations mainly comprise estimated expenses relating to decommissioning and disposal of our offshore wind, onshore wind, and solar farms, restoration of seabeds, and the decommissioning of our CHP plants.

As developers of offshore wind, onshore wind, and solar farms, we are obliged to decommission our wind and solar farms and restore the surroundings at our own expense. When we construct offshore wind farms in cooperation with partners, they are liable for their share of the decommissioning costs. Therefore, we have only included the decommissioning obligations associated with our ownership interest in the offshore wind farms.

Decommissioning obligations increased by DKK 845 million from 2019 to 2020, primarily due to the construction of new wind farms.

Onerous contracts

Onerous contracts comprise primarily:

- two contracts for gas storage capacity in Germany amounting to DKK 699 million (2019: DKK 814 million)
- a contract for gas storage capacity in Denmark amounting to DKK 96 million (2019: DKK 164 million)

Provisions, DKKm	2020				2019			
	Decommissioning obligations	Onerous contracts	Other provisions	Total	Decommissioning obligations	Onerous contracts	Other provisions	Total
Provisions at 1 January	6,158	978	5,465	12,601	5,472	2,418	5,564	13,454
Change in accounting policy	-	-	-	-	-	(25)	-	(25)
Exchange rate adjustments	(216)	3	83	(130)	160	-	29	189
Used during the year	(6)	(215)	(640)	(861)	(3)	(380)	(636)	(1,019)
Provisions reversed during the year	-	-	(213)	(213)	-	-	(596)	(596)
Provisions made during the year	933	153	1,215	2,301	421	1,165	1,104	2,690
Change in estimates	(93)	-	-	(93)	(93)	-	-	(93)
Transferred to assets and liabilities classified as held for sale	(11)	(69)	-	(80)	(11)	(2,277)	-	(2,288)
Interest element of provisions	238	100	-	338	212	77	-	289
Total provisions	7,003	950	5,910	13,863	6,158	978	5,465	12,601
Falling due as follows:								
0-1 year	-	182	1,206	1,388	-	184	353	537
1-5 years	546	486	3,052	4,084	213	537	4,279	5,029
After 5 years	6,457	282	1,652	8,391	5,945	257	833	7,035

Other provisions

Other provisions comprise primarily:

- offshore partnership provisions, including warranty obligations, wake-effect obligations and provisions related to offshore transmission assets
- obligations in relation to the divestment of our Oil & Gas business in 2017
- obligations in respect of our own carbon emissions
- provisions for revisions of prices related to supply contracts
- other contractual obligations.

Decommissioning obligations by segment, DKKm	Offshore	Onshore	Markets & Bioenergy	Total
0-5 years	476	-	70	546
5-10 years	821	-	46	867
10-20 years	1,640	-	237	1,877
After 20 years	2,132	659	922	3,713
2020	5,069	659	1,275	7,003
2019	4,562	306	1,290	6,158



Markets &
Bioenergy

Contingent liabilities

Liability to pay compensation

In case of any environmental accidents or other types of damage caused by our gas and oil transport, the companies Ørsted Salg & Service A/S and Danish Oil Pipe A/S are liable to pay compensation according to legislation. This also applies if there is no proof of negligence (strict liability). We have taken out insurance to cover any such claims.

Secondary liability

As part of the divestment of our Oil & Gas business in 2017, we assumed a secondary liability regarding the decommissioning of offshore installations.

Litigation

We are party to a number of court cases and legal disputes. In our assessment, none of these will significantly impact Ørsted's financial position, neither individually nor collectively.

We have been party to actions relating to the Danish competition authorities' claim that the former Elsam A/S and Elsam Kraft A/S ('Elsam'), now part of Ørsted, charged excessive prices in the Danish wholesale power market in the period 1 July 2003 to 31 December 2006.

There are no longer any outstanding cases with the competition authorities claiming Elsam infringed competition law, but in connection with the former cases, some energy trading companies, some of their customers, and others have filed claims for damages which are still pending. The biggest claim was filed in 2007 before the Copenhagen Maritime & Commercial Court, amounting to approx. DKK 4.4 billion with addition of litigation interest. In a ruling from March 2020, Elsam was acquitted from the claim, but the plaintiffs have appealed the ruling, and it is now pending before the High Court of Western Denmark.

Ørsted is involved in ongoing transfer pricing disputes. For further information, we refer to section 5.1 'Approach to taxes'.

Change of control

Some of our activities are subject to consents, permits, and licences granted by public authorities. We may be faced with a claim for acceptance of any transfer, possibly with additional terms and conditions, if the Danish State holds less than 50 % of the share capital or voting rights in Ørsted A/S. Read more in note 6.1 'Interest-bearing debt'.

Key accounting estimates

Assumptions for provisions

We continually assess our provisions recognised to cover contractual obligations and claims raised against Ørsted. Timing, probabilities, amounts, etc., which have a bearing on our provisions' estimates are updated quarterly based on our expectations.

Estimates of provisions are based on our expectations of, for example:

- timing and scope of obligation
- future cost level
- legal assessment.

If deemed material, non-current provisions are discounted using either the structural risk-free interest rate or the incremental borrowing rate. The structural risk-free interest rate is used for decommissioning liabilities and onerous contracts.

The outcome of our contractual obligations and claims may depend on future events which are uncertain by nature.

Accounting policies

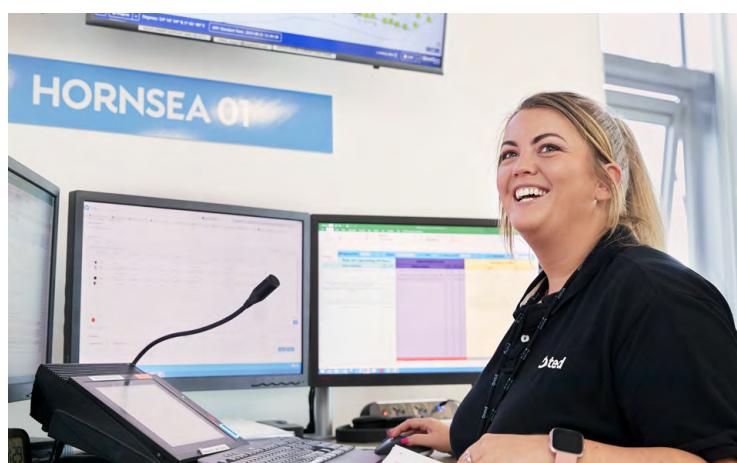
Provisions are recognised when the following criteria are fulfilled:

- We have a legal or constructive obligation as a result of an earlier event.
- The settlement of the obligation is expected to result in an outflow of resources.
- The obligation can be measured reliably.

Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning as expected at the balance sheet date. The present value of the provision and changes in estimate are recognised as part of the cost of property, plant, and equipment and depreciated together with the associated asset. The addition of interest on provisions is recognised in the income statement under financial expenses.

For onerous contracts, a provision is made when the expected income to be derived from a contract is lower than the unavoidable cost of meeting our obligations under the contract.

Provisions concerning carbon emissions are recognised when our actual emissions exceed our holding of carbon emission allowances.



Monitoring and coordinating all service vessels and helicopters in the North Sea, at the East Coast Hub, at the Port of Grimsby, Lincolnshire, the UK.

3.3 Acquisition of enterprises

We have not acquired any enterprises in 2020. In 2019, we have paid contingent considerations of DKK 616 million in total related to the acquisition of Deepwater Wind in 2018.

We also paid DKK 148 million for the acquisition of Coronel Energy's development business (Onshore) and recognised a contingent payment of DKK 50 million.

Cash flows used for acquisitions, DKKm

Fair value at time of acquisition:

	2020	2019
Property, plant, and equipment	-	86
Other assets	-	115
Other liabilities	-	(3)
Net assets acquired	-	198
Goodwill	-	-
Purchase price	-	198
Cash, available and acquired	-	-
Contingent consideration – Coronel Energy	-	(50)
Contingent consideration – Deepwater Wind	-	616
Cash flow used for acquisition of enterprises	-	764
Purchase price	-	764
Enterprise value	-	764

Accounting policies

Acquisition of enterprises are recognised using the acquisition method whereby assets and liabilities as well as contingent liabilities of the acquired enterprise are measured at fair value on the date of acquisition.

The fair value of production assets and assets under construction are normally determined using an income approach where they are valued at present value based on the expected cash flows they can generate, including any non-separable power purchase agreements, and on income, such as production tax credits.

The fair value of derivatives is determined using our normal approach for such items which is based on market prices or expectations for prices over the term of the derivatives.

The fair values of other assets and liabilities are valued using the approach we find most relevant for the individual item, which can be either a market approach, an income approach, or a cost approach.

An acquired enterprise is included in the consolidated financial statements from the date of acquisition, which is the date when we obtain control.

When an acquired enterprise has entered into a power purchase agreement classified as a derivative, the fair value of the agreement will be included in the opening balance. Post-acquisition, this fair value is recognised as an adjustment to revenue over the duration of the contract, based on the fair value calculation at the time of the acquisition.



Walney Extension, off the coast of Cumbria, the UK.

3.4 Divestment of enterprises

Selling price, DKKm	2020	2019
Payment	19,692	-
Reduction for payable tax and other receivables/payables transferred	(535)	-
Working capital adjustment	(307)	-
Selling price on divestment of enterprises	18,850	-
Transaction costs	(101)	(63)
Of which, selling price payable	165	-
Cash selling price on divestment of enterprises	18,914	(63)
Payments related to provisions for divestments in previous years	-	(26)
Total cash flows from divestment of enterprises	18,914	(89)

Gain (loss) on divestment of enterprises, DKKm	2020	2019
Selling price on divestment of enterprises	18,850	-
Net assets sold	(7,569)	-
Provisions as a result of the transactions	(349)	-
Transaction costs	(101)	(63)
Gain (loss) on divestment of enterprises	10,831	(63)

In 2020, we divested our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel). The gain on the divestment was DKK 10,900 million, and the total cash flows amounted to DKK 20,447 million. Transferred cash and cash equivalents totalled DKK 1,513 million.

Further, we divested our loss-making LNG business to Glencore. The loss on the divestment was DKK 42 million, and the cash flow was DKK -1,499 million (payment from Ørsted). No cash was transferred.

Accounting policies

We recognise income from divested enterprises in the income statement up until the date of divestment.

The date of divestment is the date on which we relinquish control of the divested enterprise.

Gains or losses on the divestment or discontinuation of subsidiaries and associates are determined as the difference between the selling price and the carrying amount of the net assets divested.

Moreover, we deduct any provisions made for obligations related to sales and purchase agreements and the fees of advisers, etc., in connection with the divestment or discontinuation of the enterprise.

3.5 Gross and net investments

Gross and net investments, DKKm	2020	2019
Cash flows from investing activities	(16,562)	(10,997)
Dividends received and capital reductions reversed	(18)	(21)
Purchase and sale of securities, reversed	8,650	(8,949)
Loans to associates and joint ventures, reversed	-	(3)
Sale of non-current assets, reversed	(19,037)	(3,335)
Gross investments	(26,967)	(23,305)
Transactions with non-controlling interests in connection with divestments	2	(6)
Sale of non-current assets	19,037	3,335
Divestments	19,039	3,329
Net investments	(7,928)	(19,976)

Gross investments totalled DKK 26,967 million in 2020, which was 16 % more than in 2019.

Gross investments in Offshore amounted to DKK 19,525 million and were primarily related to the construction of Borssele 1 & 2 in the Netherlands, Greater Changhua 1 & 2a in Taiwan, Hornsea 2 in the UK, and Ocean Wind in the US.

In Onshore, gross investments amounted to DKK 6,633 million and were primarily related to the construction of Permian Energy Center, Muscle Shoals, Western Trail, Sage Draw, Plum Creek, Willow Creek, and Haystack in the US.

In 2019, gross investments of DKK 15,121 million in Offshore related to the construction of Hornsea 1 and 2, Borssele 1 & 2, and

Changhua 1 & 2a. Gross investments of DKK 6,158 million in Onshore related to the construction of Sage Draw, Plum Creek, Lockett, Willow Creek, and Permian Energy Center.

Divestments totalled DKK 19,039 million in 2020 and related to the divestment of our Danish power distribution, residential customer, and city light businesses as well as our LNG business.

In 2019, divestments primarily related to the divestment of 50 % of certain Deepwater Wind assets and the receipt of deferred proceeds from the 50 % farm-down of Hornsea 1 in 2018.

3.6 Assets classified as held for sale

Assets classified as held for sale, DKKm	2020	2019
Intangible assets	-	226
Property, plant, and equipment	287	13,243
Deferred tax	-	589
Inventories	-	43
Trade receivables	43	736
Other receivables	1,111	2,113
Income tax	23	2
Total assets classified as held for sale	1,464	16,952
Deferred tax	178	1,315
Provisions	396	2,662
Contract liabilities	-	3,107
Trade payables	49	333
Other payables	61	970
Income tax	3	445
Total liabilities relating to assets classified as held for sale	687	8,832
Net assets classified as held for sale	777	8,120

At 31 December 2020, assets and related liabilities held for sale comprised our oil pipe system in Denmark which is an activity in Markets & Bioenergy.

Assets classified as held for sale at 31 December 2019 comprised our Danish power distribution, residential customer, and city light businesses, our oil pipe system in Denmark, and our LNG business. The power distribution, residential customer, and city light businesses as well as the LNG business were all divested in 2020. See note 3.4.

Accounting policies

Assets classified as held for sale comprise assets and liabilities, the values of which are highly probable to be recovered through a sale within 12 months rather than through continued use.

Assets and liabilities classified as held for sale are measured at the carrying amount at the time of classification as 'held for sale' or at market value less selling costs, whichever is lower. The carrying amount is measured in accordance with the Group's accounting policies. No depreciation or amortisation is effected on intangible assets, and property, plant, and equipment from the time of classification as 'held for sale'.

When we divest an offshore wind farm, the retaining interest typically represents a joint operation. Since we retain a direct interest in the underlying assets and liabilities after the disposal, the assets and liabilities disposed off are not classified as held for sale.

3.7 Discontinued operations

Profit from discontinued operations, DKKm	2020	2019
Operating profit (loss) (EBIT)	-	(7)
Gain (loss) on divestment of enterprises	45	(43)
Financial income and expenses, net	(72)	(8)
Profit (loss) before tax	(27)	(58)
Tax on profit (loss) for the year	16	2
Profit from discontinued operations	(11)	(56)
Cash flows, DKKm	2020	2019
Cash flows from operating activities	(76)	(211)
Cash flows from investing activities	1,042	385
Cash flows from financing activities	-	-
Total cash flows	966	174

Discontinued operations related to our Oil & Gas business which was sold to INEOS in 2017. As the remaining selling price was received in 2020, we ended the reporting on discontinued operations per 31 December 2020. Provisions regarding tax indemnifications and payments related to the Fredericia stabilisation plant (DKK 705 million) were transferred to continuing operations at 31 December 2020.

Financial results

Profit (loss) in 2020 amounted to DKK -11 million (2019: DKK -56 million).

Total cash flows in 2020 amounted to DKK 966 million (2019: DKK 174 million), of which DKK -76 million were from operating activities and primarily concerned payments related to the Fredericia stabilisation plant. Cash flows from investing activities amounted to DKK 1,042 million and primarily comprised the receipt of the remaining selling price receivables of DKK 1,001 million in total. DKK 342 million hereof was interest-bearing.

3.8 Non-controlling interests

Transactions with non-controlling interests, DKKm	2020	2019	Subsidiaries with significant non-controlling interests	Non-controlling interest	Registered office
Transactions with non-controlling interests					
Dividends paid to non-controlling interests	(361)	(388)			
Divestment of equity investments to non-controlling interests	(73)	(74)			
Other capital transactions with non-controlling interests	6	-			
Total transactions, see statement of cash flows	(428)	(462)			
Divestment of equity investments to non-controlling interests					
Changes in receivables relating to the acquisition and divestment of non-controlling interests	(73)	(74)			
Cash selling price, total	(73)	(74)			

DKKm	Gunfleet Sands Holding Ltd. group		Walney (UK) Offshore Windfarms Ltd.	
	2020	2019	2020	2019
Statement of comprehensive income				
Revenue	444	448	1,151	1,170
EBITDA	247	275	590	616
Profit (loss) for the year	15	60	54	104
Total comprehensive income	(90)	168	(216)	384
Profit (loss) for the year attributable to non-controlling interests	7	30	27	52
Balance sheet				
Non-current assets	1,795	2,121	4,883	5,681
Current assets	174	187	211	247
Non-current liabilities	406	423	920	982
Current liabilities	68	62	286	303
Carrying amount of non-controlling interests	746	910	1,960	2,330
Statement of cash flows				
Cash flows from operating activities	241	293	553	647
Cash flows from investing activities	-	-	1	(13)
Cash flows from financing activities	(241)	(241)	(548)	(600)
– of which, dividends paid to non-controlling interests	(119)	(119)	(242)	(268)



In the table, we provide financial information for subsidiaries with significant non-controlling interests. The amounts stated are the consolidated accounting figures of the individual enterprises or groups, determined according to our accounting policies. Amounts are stated before intra-group eliminations.

Accounting policies

Transactions with non-controlling interests are accounted for as transactions with the shareholder base.

Gains and losses on the divestment of equity investments to non-controlling interests are recognised in equity when the divestment does not result in a loss of control.

Net assets acquired are not revalued on the acquisition of non-controlling interests. Any difference between the carrying amount and the acquisition or selling price is recognised in equity.

4. Working capital

- 119 Working capital**
- 120 Inventories**
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4. Working capital

Our key working capital items consist of inventories, net contract assets, trade receivables and payables, and tax equity liabilities.

Working capital items vary with the seasonal variations in our generation and sales activities during the year.

Our net contract assets primarily relate to prepayments from heat customers in connection with bioconversions and construction of offshore wind farms for partners.

The net contract assets vary within and across years, depending on the portfolio of offshore construction assets, and when we reach certain milestones and trigger payments from our partners.

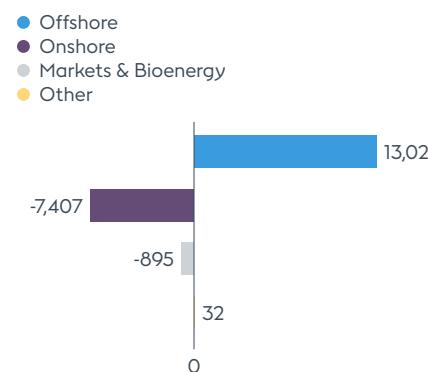
Construction of offshore transmission assets in the UK, which are recognised as inventories, will continue to tie up cash until they are divested.

Tax equity liabilities also vary within and across years. This is due to the fact that we receive cash contributions from tax equity partners at the point in time when a US wind farm enters into operation.

Trade payables relating to capital investments are not included in this section, as they are presented as part of the cash flows from investing activities.

Working capital, DKKm	2020	2019
Inventories	14,739	14,031
Contract assets, net	(4,100)	(3,807)
Trade receivables	6,732	8,140
Other receivables	3,298	3,253
Trade payables, excluding trade payables relating to capital expenditure	(5,701)	(7,529)
Tax equity liabilities	(7,246)	(4,587)
Other payables	(2,965)	(2,793)
Net working capital, excluding trade payables relating to capital expenditure at 31 December	4,757	6,709
Of which, work in progress and related trade payables	9,775	8,756
Of which, tax equity partner liabilities and other working capital	(5,018)	(2,047)

Working capital, DKKm 2020



Offshore primarily has funds tied up in inventories, construction agreements, and trade receivables. The most significant working capital item in Onshore consists of liabilities regarding tax equity contributions from our partners. Markets & Bioenergy also has a net negative working capital due to prepayments from heat customers which are only partly countered by inventories and receivables.



'Work in progress and related trade payables' consists of inventories related to transmission assets, construction agreements, and construction management agreements in connection with the construction of transmission assets and offshore wind farms for partners as well as related trade payables.

4.8 bn

Our net working capital, excluding trade payables relating to capital expenditure, amounted to DKK 4,757 million in 2020 against DKK 6,709 million in 2019.

-2.0 bn

We reduced funds tied up in working capital by DKK 1,952 million relative to 2019, of which DKK -1,019 million pertained to work in progress and related trade payables in Offshore.

4.1 Inventories

Inventories, DKKm	2020	2019
Offshore transmission assets	10,669	10,114
Biomass	446	445
Gas	1,287	1,057
Coal	242	242
Oil	96	106
Green certificates	1,546	1,717
Carbon emission allowances (purchased)	449	345
Other inventories	4	5
Total inventories	14,739	14,031
Inventories recognised as an expense in 'Cost of sales' during the year	10,616	16,871

We use biomass, coal, gas, and, to a limited extent, oil as fuel at our CHP plants. Green certificates are primarily renewable obligation certificates (ROCs) which are issued to power generators sourcing from renewable energy sources in the UK.

Gas at storage primarily relates to our gas trade activities.

Accounting policies

Offshore transmission assets are measured at cost. The costs comprise costs of materials used in construction, site labour costs, costs of renting equipment as well as indirect production costs, such as employee costs.

Gas storage in non-Danish facilities are managed on a fair value basis, and therefore the gas in these storage facilities is recognised at fair value less costs to sell. Changes in the fair value less costs to sell



Inventories measured at fair value are disclosed in note 7.7 'Fair value measurement'.

4.2 Contract assets and liabilities

Revenue from contracts with customers, DKKm	2020	2019
Revenue recognised included in contract liabilities at the beginning of the year	654	771
Revenue recognised from performance obligations satisfied in previous years	104	128
Contract balances, DKKm	2020	2019
Contract assets		
Current contract assets	30	739
Total contract assets	30	739
Contract liabilities		
Non-current contract liabilities	3,650	3,762
Current contract liabilities	480	784
Total contract liabilities	4,130	4,546



Contract assets and contract liabilities are primarily related to:

- the construction of offshore wind farms with partners, with each party usually owning 50 % of the offshore wind farm
- prepayments from heat customers.

At the end of 2020, contract assets relate to the Coastal Virginia Wind project in the US.

At the end of 2019, contract assets and liabilities regarding construction agreements relate to our partners' share of the offshore wind farm Hornsea 1 and the Coastal Virginia Wind project in the US.

Non-current contract liabilities primarily relate to prepayments from heat customers.

The table shows the amount of our revenue relating to contract liabilities carried forward (as prepayments and deferred revenue) and the amount relating to performance obligations satisfied in a prior year (e.g. renegotiations or constraints on variable considerations that are not recognised until they are highly probable).

Accounting policies

We recognise a contract asset when we perform a service or transfer goods in advance of receiving consideration, and the consideration is conditional. When the consideration is unconditional, and the goods or services are delivered, we recognise a receivable. A right to consideration is unconditional if only the passage of time is required before the payment is due. Contract assets are measured at the transaction price of the good or services which we have performed less invoicing on account. We recognise a contract liability when the invoicing on account and expected losses exceed the transaction price of the goods or services transferred to our customer.

4.3 Trade receivables

Trade receivables, DKKm	2020	2019
Trade receivables, not due	6,548	7,353
Trade receivables, 1-30 days overdue	238	445
Trade receivables, more than 30 days overdue	110	416
Trade receivables, write-down	(164)	(74)
Total trade receivables	6,732	8,140

We continuously perform credit ratings of our customers, as described in note 7.5 'Credit risks'. For customers with a general credit risk, a write-down of 0-1% is carried out on initial recognition. In 2020, write-downs of receivables and losses for the year were DKK 185 million (2019: DKK 33 million).

Accounting policies

We keep our receivables until maturity, and therefore, they are measured at amortised cost.

Write-downs are carried out from initial recognition of our receivables. The write-down is calculated as the difference between the carrying amount of the receivable and the net present value of expected future cash flows from the receivable. The discount rate used is the effective interest rate for the individual receivable or the individual portfolio.

We apply the simplified approach to the write-down of trade receivables, which permits calculating the write-down as the full loss during the entire term of the receivable.

4.4 Other receivables

Other receivables, DKKm	2020	2019
Receivables from the divestment of assets and enterprises	1,254	1,456
Receivables from the divestment of equity investments to non-controlling interests	742	717
VAT and other indirect tax receivables	725	574
Collateral provided	498	1,940
Deposits	312	411
Prepayments	556	556
Other account receivables	1,558	1,312
Other receivables	5,645	6,966
Of which, working capital	3,298	3,253
Of which, other capital employed	1,593	1,216
Of which, interest-bearing net debt	754	2,497

In 2020, 'Receivables from divestment of assets and enterprises' primarily concerned the Hornsea 1 transmission asset.

In 2019, 'Receivables from the divestment of assets and enterprises' primarily related to the divestment of our Oil & Gas business.

'Receivables from the divestment of equity investments to non-controlling interests' primarily relate to the divestment in 2011 of our ownership interests in Gunfleet Sands.

The collateral provided by the Group is receivables from banks in connection with trading of derivatives.

The short-term portion of other receivables amounted to DKK 3,720 million (2019: DKK 5,253 million).

4.5 Tax equity liabilities

Tax equity liabilities, DKKm	2020	2019
Balance at 1 January	5,195	4,173
Contribution received from tax equity partners	4,091	1,306
Tax attributes and PTCs recognised in other operating income	(956)	(622)
Cash paid to tax equity partners	(75)	(73)
Tax equity partners' contractual return	486	327
Exchange rate adjustments	(774)	84
Balance at 31 December	7,967	5,195
Of which, working capital	7,246	4,587
Of which, interest-bearing debt	721	608

In the US, we have several wind farms with tax equity partners. During 2020, we commissioned the onshore wind farms Sage Draw, Plum Creek, and Willow Creek and received tax equity contributions from our partner.

In 2019, we commissioned the onshore wind farm Lockett with a tax equity partner.

Description of tax equity partnerships

Tax equity partnerships are characterised by a tax equity partner who contributes an upfront payment as part of the initial project investment and does not have an operational role in the project. The partner receives a

contractually agreed return on the contribution. In order to 'repay' the initial contribution and the return, a disproportionate share of the production tax credits (PTCs) and other tax attributes (accelerated tax depreciation and other taxable results) are allocated to the partner during the first part of the project's lifetime. The partner also receives some cash payment-based percentages specified in the partnership agreements. Once the partner receives the agreed return, the agreement flips, and the partner is typically entitled to a minor part of the cash distributions from the project, unless we repurchase this right from them, which is highly likely.



As at 31 December 2020, we have seven onshore wind farms and one offshore wind farm in operation for which we have received tax equity contributions.

Accounting policies

When a tax equity partnership is formed, we evaluate if the company should still be fully consolidated based on our right to variable returns as well as our ability to exercise influence on financial and operational decisions impacting those returns. Due to the operational and financial nature of the projects and the influence normally given to tax equity partners in such agreements, we normally have the influence to fully consolidate companies that have tax equity partners.

The terms of the tax equity partner's contribution are evaluated to determine the accounting treatment. The contribution generally has the characteristics of a liability as the initial contribution is repaid, including an agreed return, and the partner does not share in the risks of the project in the same way as a shareholder. As such, the contribution is accounted for as a liability and measured at amortised cost. The liability is based on the expected method of repayment and is divided into:

- a net working-capital element to be repaid through PTCs and other tax attributes
- an interest-bearing debt element expected to be repaid through cash distributions.

The partner's agreed return is expensed as a financial expense and is recognised as an increase of the tax equity liability. PTCs and other tax attributes transferred to the tax equity partner are recognised as other operating income. Tax attributes allocated to the tax equity partner are deferred and recognised on a straight-line basis over the estimated contractual length of the partnership structure, while PTCs are recognised in the periods earned, similar to recognition of our own PTCs.

In addition to the above, we recognise a liability for the expected purchase price for the partner's post-flip rights to cash distributions. This liability is recognised at fair value, and adjustments are expensed as a financial item. This recognition reflects the intention and high likelihood that we will purchase the partner's post-flip rights, and they are part of the financial costs of the arrangement.

If we choose not to buy the partner's post-flip rights, the tax equity partner will be entitled to part of the company's returns in the post-flip period. At that point, the partner will share in the risks and rewards in the company as a shareholder and will be considered a non-controlling interest.

4.6 Other payables

Other payables, DKKm	2020	2019
Carbon rights	43	90
VAT and other indirect taxes payable	359	686
Salary-related items payable	867	793
Accrued interest	1,527	1,239
Collateral received	1,862	205
Purchase price, acquisition of enterprises	48	116
Other	1,750	1,587
Total other payables	6,456	4,716
Of which, working capital	2,965	2,793
Of which, other capital employed	1,601	1,367
Of which, interest-bearing net debt	1,890	556

The collateral received by the Group is cash received from banks in connection with trading of derivatives.

In 2020, the short-term portion of other payables amounted to DKK 6,082 million (2019: DKK 4,247 million).

4.7 Changes in net working capital

Change in net working capital, DKKm	2020	2019	↳
Change in inventories	(1,464)	529	Work in progress consists of elements in contract assets and liabilities, construction management agreements related to construction of offshore wind farms, construction of offshore transmission assets (inventories), and related trade payables.
Change in contract assets and liabilities	229	612	
Change in trade receivables	1,265	2,846	
Change in other receivables	897	(250)	
Change in trade payables	(1,795)	(2,371)	
Change in tax equity liabilities	2,958	630	
Change in other payables	408	(427)	
Total change in net working capital	2,498	1,569	
Of which, changes relating to work in progress	(1,613)	1,416	
Of which, changes relating to tax equity liabilities and other working capital	4,111	153	

The change in funds tied up in work in progress and related trade payables was a cash outflow of DKK -1,613 million in 2020 due to supplier payments related to the construction of offshore wind farms for partners (Hornsea 1) as well as offshore transmission assets in the UK (Hornsea 2), partly offset by the divestment of the offshore transmission asset at Walney Extension.

In 2019, the change in funds tied up in work in progress was DKK 1,416 million due to

high activity related to the construction of offshore wind farms for partners (Hornsea 1) as well as offshore transmission assets in the UK (mainly Hornsea 2), which was partly offset by the receipt of milestone payments from partners and the divestment of the Race Bank transmission asset.

The change in tax equity liabilities in 2020 were due to contributions from our tax equity partners in the onshore wind farms Sage Draw, Plum Creek, and Willow Creek.

5. Tax

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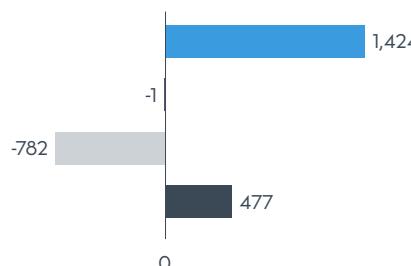
5. Tax

Tax on profit (loss) for the year

The effective tax rate was 11% for our continuing operations and was primarily affected by the largely tax-exempt divestment of the Danish power distribution, residential customer, and city light businesses as well as recognition of tax liabilities in connection with tax equity partnerships related to the onshore wind farms Sage Draw, Plum Creek, and Willow Creek.

Corporate income tax paid by segment, 2020, DKKm

- Offshore
- Onshore
- Markets & Bioenergy
- Ørsted A/S and other activities



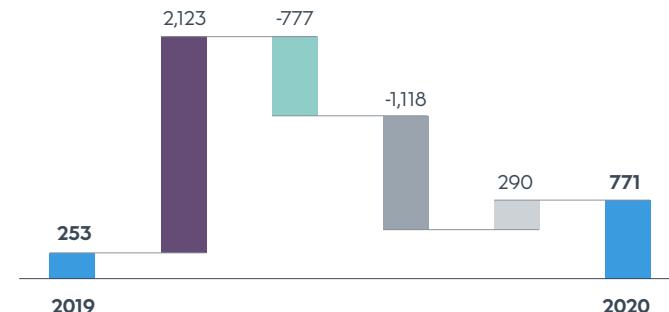
'Other adjustments' include changes in tax rates, movements in uncertain tax positions, tax concerning previous years, and other non-taxable income and non-deductible costs.

Corporate income taxes paid

We have paid DKK 1,118 million in taxes in 2020, of which DKK 412 million related to residual tax for 2019, as we had a higher portion of income related to financial instruments in 2019 than we expected at the time we paid taxes on account for 2019. We expect to have a residual tax of DKK 109 million regarding 2020, primarily due to movements in financial instruments in the last quarter of 2020.

Development in current and deferred tax asset and liabilities (tax, net), 2020, DKKm

- Tax, net liability
- Tax on profit (loss) for the year
- Tax on other comprehensive income
- Corporate taxes paid
- Other effects



Business performance

2020, DKKm	Profit (loss) before tax	Tax	Tax in %
New tax equity, deferred tax liability	-	(1,070)	n.a.
Gain (loss) on divestment of enterprises	10,831	-	0 %
Other adjustments	-	694	n.a.
Remaining Ørsted business	8,019	(1,747)	22 %
Effective tax for the year	18,850	(2,123)	11 %

1.1 bn

Corporate income tax paid by the Group in 2020 totalled DKK 1,118 million against DKK 4,800 million in 2019.

2.7 bn

Current corporate income tax in 2020 totalled DKK 2,735 million against DKK 5,605 million in 2019.

5.1 Approach to taxes

In Ørsted, we wish to provide user-friendly information about our tax positions. By drawing inspiration from the standard GRI 207: Tax, we have increased the transparency of our reporting in a standardised manner.

We believe that taxes are a core part of our corporate social responsibility. At Ørsted, we are committed to conducting our business in a way that contributes to the UN Sustainable Development Goals (SDGs). Taxes are a key contribution to the SDGs, in particular target 16.6 on the development of effective, accountable, and transparent institutions.



Amazon Wind Farm,
Scurry County,
Texas, the US.

Taxes are overseen by the Board of Directors who is accountable for the tax policy. The responsibility for tax risk management lies with the CFO and is overseen by the Audit & Risk Committee. The day-to-day tax management is handled by a centralised global tax team who is involved in all significant business developments.

We have a clear responsibility to comply with the laws in the countries where we operate. We choose to do this by aiming to comply not only with the letter of the law, but also with the underlying tax policy intent.

In December 2019, the GRI 207: Tax standard was adopted with effect for reports published after 1 January 2021. We have drawn inspiration from the standard when presenting our approach to and reporting of tax.

Management has been provided with a statement (ISRS 4400 - Agreed Upon Procedures) from our auditors on our application of GRI 207: Tax.

Tax stakeholder engagement

In line with our tax policy, we engage constructively in national and international dialogue with governments, business groups, and civil society to support the development of effective tax systems, legislation, and administration.

During 2020, our engagement consisted mainly of the following: Participation in a public hearing in the Danish Parliament on CFC taxation, participation in the Tax Dialogue Project, meetings with NGOs, submission of responses to OECD's public consultations on CbC Reporting, Pillar I, and Pillar II, participation in the tax panel meetings of the Danish Confederation of Enterprises, and participation in BIAC's workgroup on OECD's Pillar II.

The purpose of our engagement is to support the development of robust and sustainable tax legislation and practice by contributing to an informed discussion. By engaging with civil society and gathering input on, for example, how we share information, we believe we can contribute to rebuilding the public's confidence

in the corporate tax system. As an example, feedback received in the Tax Dialogue project aided our decision to update our 2020 tax reporting by drawing inspiration from the GRI 207: Tax standard.

Tax risk management and controls

Complying with tax rules can be complex as the interpretation of legislation and case law may not always be clear cut and may change over time, giving rise to tax risks. We manage our tax risks by the prevention of unnecessary disputes, which we strive to achieve through strong technical positions, clear explanations of our positions, thorough documentation, and strong compliance procedures.

We define a tax risk as any consequence relating to: the application of our tax policy, day-to-day operations, compliance, or external reporting that impacts the business in form of cash liabilities, financial statement errors or misstatements, or reputational damage.

To ensure a coordinated assessment of tax risks, Ørsted's tax function is involved in the planning and implementation as well as documentation of all significant new processes.

Our risk appetite is governed by the 'more likely than not' approach.

For more details on our approach to taxes, we refer to our tax policy which can be found here: orsted.com/taxpolicy.

Uncertain tax positions

Our tax risk management work includes taking into account uncertain tax positions, e.g. when we have taken a position where there is an uncertainty created by a comparison of the wording of the law, the expressed policy intent or lack thereof, or fluctuating or divergent application by tax authorities or judicial systems in countries where we operate.

Tax controversies

In an administrative decision, The Danish Tax Agency has concluded that Ørsted Wind Power A/S has not acted at arm's length terms and conditions when charging fees for technical services provided to two project companies for the Walney Extension and Hornsea 1 offshore wind farms in the UK during the development phase.

The decision entails an additional tax payable of DKK 5.1 billion for the income years 2015 and 2016 plus interest. We dispute the decision, and we have lodged an appeal with the Danish National Tax Tribunal and also filed an application for Mutual Agreement Procedure between the Competent Authorities of the Danish Tax Agency and Her Majesty's Revenue & Customs under both the EU Arbitration Convention and the relevant Double Tax Agreement, including the Multilateral Instrument. We have further requested a deferral of payment until the case is finally decided. Our application for Mutual Agreement Procedure under both instruments has been confirmed as admissible by the Danish and UK Competent Authorities. Our request for a deferral of payment until the case is finally decided has been accepted by the Danish Tax Agency.

We seek to avoid unnecessary disputes, but recognise that in our business, which involves large amounts, cross-border payments, and activities in highly regulated sectors, there will inevitably be a number of claims from the national tax authorities in the markets where we operate that cannot be avoided. In response to these risks, including the current controversy involving the development fees for the Walney Extension and Hornsea 1 offshore wind farms, we have made tax-related provisions in accordance with IAS 12, IAS 37, and relevant interpretations, such as IFRIC 23. The provisions have been calculated on the basis of differences in tax rates and statistical risks of suffering economic or legal double taxation.

Tax controls

Within Ørsted, the main control is our four-eye review principle. This means that all our work is reviewed by a colleague. Tax decisions in relation to matters which are subjected to approval by management are approved by the Head of Tax.

Tax planning and use of tax incentives

We only use business structures that are driven by commercial considerations, aligned with business activity. We do not use so-called secrecy jurisdictions or tax havens to avoid taxes. If we establish an entity in a low or nil-rate jurisdiction, it will be for substantive and commercial reasons. We pay tax on profits according to where value is created. In order to remain competitive, we make use of incentives and tax relief implemented by governments where we have commercial substance.

Danish CFC taxation

Denmark has proposed to introduce the CFC rules in the EU Anti-Tax Avoidance Directive. These rules have been proposed several times, most recently in November 2020, but have so far failed to secure a political majority in the Danish Parliament. It was announced in December 2020 that the latest draft bill would not be passed before the end of 2020, and that a public hearing will be conducted on the rules during 2021. We expect the revised CFC rules to enter into force during the course of 2021, but the exact timing is unknown.

The overarching purpose of the CFC rules is to prevent companies from undermining the domestic tax base by moving mobile income to low-tax jurisdictions. In such scenarios, the CFC rules will ensure that the income will still be subject to domestic taxation.

Pursuant to the EU Anti-Tax Avoidance Directive, a foreign subsidiary shall be

considered to be a CFC company if more than one-third of its income consists of CFC income. 'Other income from intangible property' is now considered CFC income, but as of yet, there is very little guidance on how to calculate such income.

The EU directive exempts subsidiaries from the CFC rules if they have real commercial activity, or if they are not situated in a low-tax jurisdiction. In the latest published draft bill, Denmark has chosen not to include any of these exceptions. Unless such exemptions are included in a revised draft bill, operational foreign subsidiaries which have been established for commercial purposes can be considered to be CFC companies regardless of whether the corporate residential tax rate is lower, higher, or the same as in Denmark. We see this as a risk and have, in public consultations, proposed that a substance exemption is included in the Danish CFC rules in order to not place Danish companies at a competitive disadvantage.



Plum Creek,
Wayne County,
Texas, the US.

5.2 Tax on profit (loss) for the year

Effective tax rate, DKKm/%	2020				2019			
	Business performance		IFRS		Business performance		IFRS	
	DKK million	%	DKK million	%	DKK million	%	DKK million	%
Tax on profit (loss) for the year can be explained as follows:								
Calculated 22 % tax on profit (loss) before tax	(4,147)	22	(3,811)	22	(1,948)	22	(2,286)	22
Adjustments of calculated tax in foreign subsidiaries in relation to 22 %	6	-	17	-	25	-	18	-
Tax effect of:								
Non-taxable income and non-deductible costs, etc., net	2,814	(15)	2,814	(16)	(540)	6	(540)	5
Unrecognised tax assets	(13)	-	(13)	-	(32)	-	(32)	-
Tax equity	(903)	5	(903)	5	(123)	1	(123)	1
Movement in uncertain tax positions	(101)	1	(101)	1	143	(1)	143	(1)
Changes in tax rates	138	(1)	138	(1)	(83)	1	(83)	1
Adjustment of tax concerning previous years	83	(1)	83	(1)	(198)	2	(198)	2
Effective tax for the year	(2,123)	11	(1,776)	10	(2,756)	31	(3,101)	30

Income tax

Tax on business performance profit (loss) was DKK 2,123 million in 2020 against DKK 2,756 million in 2019. The effective tax rate was 11 % in 2020 against 31 % in 2019.

The effective tax rate for 2020 (11 %) was primarily affected by the largely tax-exempt sale of our Danish power distribution business and related activities as well as recognition of a tax liability in connection with tax equity partnerships related to the onshore wind farms Sage Draw, Plum Creek, and Willow Creek (see more regarding tax equity partnerships in notes 4.5 'Tax equity liabilities' and 5.3 'Deferred tax').

Non-taxable income and non-deductible expenses primarily relate to the divestment of the Danish power distribution, residential customer, and city light businesses. See more in note 3.4 'Divestment of enterprises'.

The movement in uncertain tax positions is a consequence of reassessment of a calculated uncertain tax position.

The adjustment of tax concerning previous years primarily relates to a realised discount on payment for utilisation of tax losses in the UK.

The effective tax rate in 2019 was primarily affected by the sale of assets in certain wind farm projects to a partner in the US as well as the tax equity partnership related to the onshore wind farm Lockett.

Accounting policies

Tax for the year consists of current tax, changes in deferred tax, and adjustments in respect of previous years. Tax on profit (loss) for the year is recognised in the income statement. Tax relating to other items is recognised in other comprehensive income.

Liabilities in respect of uncertain tax positions are measured as follows:

- The most-likely-outcome method is applied in cases where there are only two possible outcomes.
- The weighted-average method is used in cases where there are more than two possible outcomes.

The liability is recognised under 'Income tax' or 'Deferred tax', depending on how the realisation of the tax position will affect the financial statement.

Key accounting estimate

Estimates regarding recognition of income taxes

Ørsted is subject to income taxes in all the countries where we operate. Significant judgement and estimates are required in determining the worldwide income taxes and income tax assets and liabilities, including provisions for uncertain tax positions.

In the course of conducting business around the world, tax and transfer pricing disputes with tax authorities may occur due to the complex nature of the tax rules related to the business. Judgement is applied to assess the possible outcome of such disputes. We apply the methods prescribed in IFRIC 23 'Uncertainty over Income Tax Treatments' when making provisions for uncertain tax positions, and the provisions made are based on different scenarios of possible outcomes. We consider the provisions made to be adequate. However, the actual obligation may deviate and might lead to additional tax in excess of provisions included as uncertain tax provisions depending on the result of litigations and settlements with the relevant tax authorities.

Ongoing tax disputes, primarily related to transfer pricing cases, are included as part of 'Income tax' and 'Deferred tax'. Estimates in respect of transfer pricing cases include among others whether corresponding adjustments can be obtained in the relevant jurisdictions, and, in terms of disputes regarding project companies with partners, whether compensation can be obtained from these partners. Any expected compensation from partners are included as part of 'Other receivables'.

Tax on profit (loss) for the year and other comprehensive income

In 2020, tax on IFRS profit (loss) for the year amounted to DKK 1,776 million, consisting of current tax expenses of DKK 2,735 million, changes in deferred tax of DKK 1,635 million, changes in tax rates of DKK 138 million, uncertain tax positions of DKK 101 million, hybrid capital tax of DKK 107 million, tax equity of DKK 903 million, and adjustments of tax concerning previous years of DKK 83 million.

Current tax

Current tax is the payable tax expense incurred in Ørsted on profit for the year. This differs from taxes paid as a result of payments or refunds regarding prior years and residual payments for the current year.

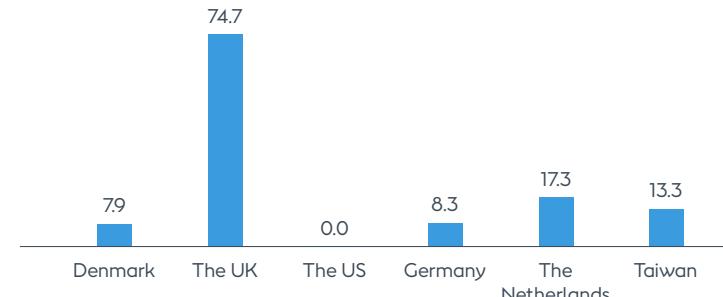
Because of the high level of investments and the subsequent deferrals of payable tax as a consequence of accelerated tax depreciation, our current tax is generally lower than the statutory corporate tax rates during construction and the initial years after first power from a wind farm. The current tax for 2020 has decreased compared to 2019 because there was no tax related to construction agreements in 2020.

	2020		2019	
	Business performance	IFRS	Business performance	IFRS
Income tax, DKKm				
Tax on profit (loss) for the year	(2,123)	(1,776)	(2,756)	(3,101)
Tax on other comprehensive income	777	430	(539)	(194)
Tax on hybrid capital	-	-	34	34
Total tax for the year	(1,346)	(1,346)	(3,261)	(3,261)
Tax on profit (loss) for the year can be broken down as follows:				
Current tax	(2,735)	(2,735)	(5,605)	(5,605)
Deferred tax	1,288	1,635	3,110	2,765
Changes in tax rates	138	138	(83)	(83)
Uncertain tax positions	(101)	(101)	143	143
Tax on hybrid capital	107	107	-	-
Tax equity	(903)	(903)	(123)	(123)
Adjustment of tax concerning previous years	83	83	(198)	(198)
Tax on profit (loss) for the year	(2,123)	(1,776)	(2,756)	(3,101)
Tax on other comprehensive income can be broken down as follows:				
Current tax	430	430	(194)	(194)
Deferred tax	347	-	(345)	-
Tax on other comprehensive income	777	430	(539)	(194)



Income tax for the year is calculated on the basis of the profit (loss) before tax from continuing operations. Tax on hybrid capital was included in current tax in 2019.

Effective current tax rate (IFRS), 2020, %



The figure shows the effective current tax rates based on business performance in the main countries where we operate. Current tax for the UK is significantly impacted by a prior year adjustment regarding reclassification between deferred tax and current tax.

5.3 Deferred tax

Development in deferred tax

In 2020, net deferred tax assets increased. The effect primarily related to the update of the Hornsea 1 transmission asset divestment assumptions, variance on long-term liabilities, and financial instruments as well as adjustments to previous years' deferred tax in the UK. The recognition of the deferred tax liability was increased because of our tax equity partnerships. In 2019, the net deferred tax assets were also impacted by Hornsea 1 since current tax on the deferred gain was triggered when construction was completed.

Deferred tax by segment

Net deferred tax in our segments primarily concerned the following:

- Offshore: a deferred tax asset is recognised related to tax loss carryforwards and internal gains on construction agreements. The deferred tax asset is partially offset by a deferred tax liability as a result of accelerated tax depreciation compared to accounting depreciation regarding property, plant, and equipment.
- Onshore: a deferred tax liability is recognised related to wind farm assets in tax equity structures.
- Markets & Bioenergy: a deferred tax liability related to financial instruments and accelerated tax depreciation on property, plant, and equipment is recognised.
- Other activities/eliminations comprised intra-group eliminations in the joint taxation across segments.

Accounting policies

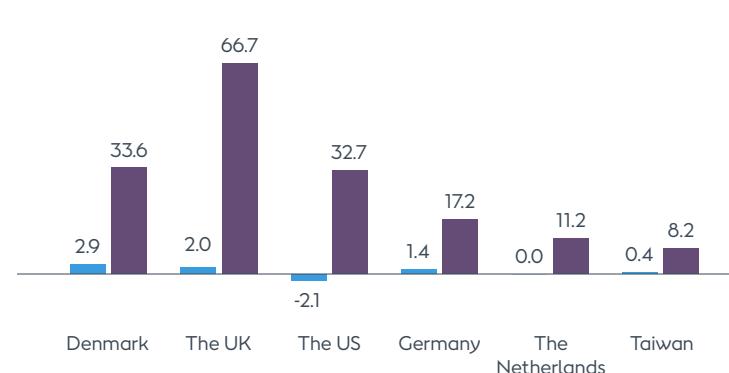
US tax equity partnerships

We have entered into several tax equity partnership agreements in the US.

The expected value of the deferred tax liability related to property, plant, and equipment at the flip date in the tax equity partnership agreement is included in our accounts when the tax equity partnership is established. The deferred tax liability from existing tax equity partnerships will be gradually reduced based on accounting depreciation after flip-date. See more regarding tax equity partnerships in note 4.5 'Tax equity liabilities'.

Net deferred tax and accumulated investments, 2020, DKKbn

● Net deferred tax balance ● Accumulated net investments



The figure shows the net deferred tax asset (+) or liability (-) on country level as well as total net accumulated investments in each country. The distribution of net investments are affected by the sale of assets constructed by Ørsted in Denmark for operations outside Denmark where Ørsted only has part ownership.

Deferred tax 2020, DKKm



	Offshore	Onshore	Markets & Bioenergy	Other activities/eliminations	Deferred tax at 31 December
Deferred tax, assets	6,250	-	529	5	6,784
Deferred tax, liabilities	238	1,923	8	18	2,187
Unrecognised tax assets	140	9	31	20	200

Deferred tax 2019, DKKm

	Offshore	Onshore	Markets & Bioenergy	Other activities/eliminations	Deferred tax at 31 December
Deferred tax, assets	6,441	-	189	217	6,847
Deferred tax, liabilities	1,611	1,422	338	-	3,371
Unrecognised tax assets	7	-	25	-	32



The table shows the reconciliation of deferred tax to the balance sheet by segment. The non-recognised deferred tax assets are not expected to give rise to any material income tax consequence in the event of dividends received.

Development in deferred tax assets and liabilities, 2020, DKKm	Deferred tax balances at 1 January, net	Deferred tax balances at 31 December, net		Assets	Liabilities
		Movements			
Intangible assets	29	18	47	-	47
Property, plant, and equipment	953	757	1,710	5,406	7,116
Other non-current assets	(73)	102	29	-	29
Current assets	5	(3)	2	-	2
Decommissioning obligations	(866)	(272)	(1,138)	1,138	-
Other non-current liabilities	(844)	182	(662)	784	122
Current liabilities	(97)	(91)	(188)	196	8
Tax loss carryforwards	(2,583)	(1,814)	(4,397)	4,397	-
Offset				(5,137)	(5,137)
Total	(3,476)	(1,121)	(4,597)	6,784	2,187

Development in deferred tax assets and liabilities, 2019, DKKm

Intangible assets	36	(7)	29	-	29
Property, plant, and equipment	3,031	(2,078)	953	5,254	6,207
Other non-current assets	405	(478)	(73)	88	15
Current assets	(25)	30	5	-	5
Decommissioning obligations	(757)	(109)	(866)	866	-
Other non-current liabilities	(1,386)	542	(844)	846	2
Current liabilities	(614)	517	(97)	105	8
Tax loss carryforwards	(1,253)	(1,330)	(2,583)	2,583	-
Offset				(2,895)	(2,895)
Total	(563)	(2,913)	(3,476)	6,847	3,371

Significant movements in deferred tax assets and liabilities

Movements for the year primarily consist of an increase in tax loss carryforwards as a result of accelerated depreciation for tax purposes, an increase in deferred tax assets regarding the Hornsea 1 transmission asset, and a prior year adjustment regarding the reclassification of losses in the UK in 2019.



For tax purposes, depreciation on fixed assets is typically accelerated compared with accounting purposes. As the accelerated depreciation is larger than our taxable profits when we make large investments, our tax loss carryforwards increase when more wind farms enter into operation. The tax loss carryforwards are either offset against deferred tax liabilities on the same wind farm or jurisdiction or offset against expected future profits from the very same wind farm or jurisdiction.

Accounting policies

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

However, deferred tax is not recognised in respect of temporary differences relating to:

- the acquisition of joint operations, including licence interests
- other items where differences arise at the time of acquisition, affecting neither the profit (loss) for the year nor the taxable income. However, this does not include differences arising in connection with company acquisitions.

Deferred tax is measured depending on how we plan to use the assets and settle the liabilities. We set off tax assets and liabilities when the tax assets can be offset against tax liabilities in the year in which the deferred tax assets are expected to be used.

Deferred tax assets are recognised at the value at which they are expected to be used. They may be offset against future earnings. This is done within a joint taxation scheme. Due to timing differences in realisation and utilisation of losses, the UK consortium relief rules are not considered to be a joint taxation. This means that tax losses resulting from accelerated tax depreciation are accounted for as tax loss carryforwards until they are used, instead of being used to offset taxable income in the same year in affiliated companies. The result is a disproportionate current tax on the overall profits. Intra-group gains and losses are eliminated. Tax losses carried forward in jurisdictions where we have a history of losses are recognised based on other convincing evidence of future profits.

Deferred tax is measured based on the tax rules and rates applying when the deferred tax becomes current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit (loss) for the year.

Deferred tax (net liability) related to the tax equity structures is recognised as tax income in the income statement when we take over the agreements. The liability recognised is the amount that we expect to take over once the contribution from the equity partner is repaid, and the tax equity structure flips.

5.4 Our tax footprint

Ørsted's tax footprint is an effect of how and where we conduct our business.

We have paid DKK 1,118 million in corporate income taxes in 2020, of which DKK 412 million related to residual tax for 2019. At the end of the year, we expect to have a residual tax of DKK 109 million regarding 2020, primarily due to movement in financial instruments in the last quarter of 2020.

Local taxes paid

We have made significant investments in offshore wind farms in the UK, Germany, the Netherlands, the US, and Taiwan, resulting in the accumulation of large tax assets in recent years. Accordingly, we have not paid significant taxes in these countries historically. This is changing as the offshore wind farms are being commissioned and generating positive taxable income, resulting currently in paid taxes in the UK and Taiwan. We expect to start paying corporate tax in the Netherlands in 2021 and in Germany in 2022.

We are also continuously investing in the US; however, we do expect to pay tax in the US in 2022-2024, due to the commercial structural set-up in the US.

A wind farm life cycle

Ørsted operates in several countries (see our global footprint in the management's review). The design of the individual tax regime in each jurisdiction impacts the tax over the life cycle of our investments and thereby the timing of when we pay tax.

A wind farm life cycle begins with the development phase. This includes opportunity screening, if applicable, bid preparation, obtaining land rights, grid connection, and permits. The latter activities are further matured if an investment decision is made, and the construction phase commences, which includes construction of the wind farm. During both phases, product, people, and property taxes are borne or collected (see our total tax contribution section).

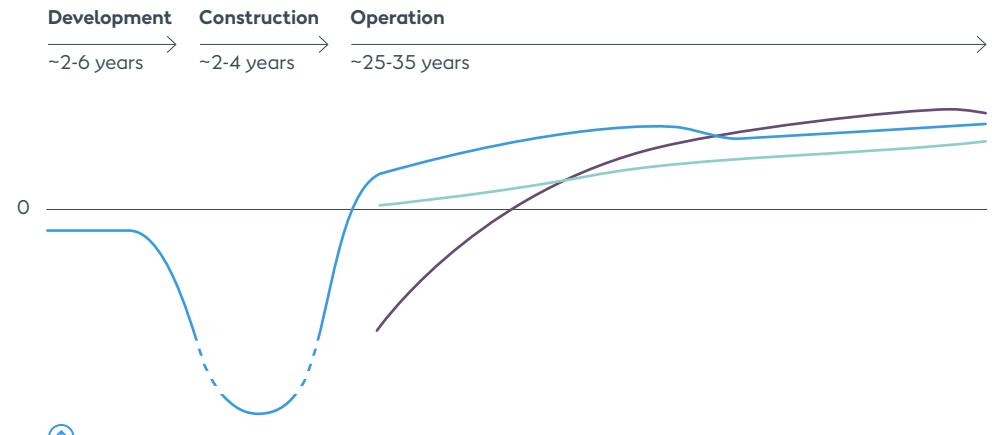
When the wind farm is commissioned and put into operation, income and positive cash flow are generated. In many cases, the effect of tax incentives results in a deferral of taxable income compared to profit before tax for accounting purposes. Conversely, once the deferral ends, the taxable income related to the wind farm will exceed the accounting profit. For this reason, the applicable corporate tax rate and cash tax paid will always differ, but accumulated over the lifetime of the wind farm, they will be identical.

Furthermore, in many of the jurisdictions where we operate, there are mandatory or voluntary tax groupings. This means that we will only pay tax on the consolidated result of

all of our activities in that country. As a result, continued significant investments in such a country may further defer the time at which we pay taxes in that country.

Project phases, wind farm life cycle example

● Profit (loss) before tax ● Taxable income ● Cash flow



Development activities result in negative cash flow in the beginning of the project life cycle. During construction, the capital employed accelerates materially. Positive income begins when the project enters operation.

Total tax contribution

According to the OECD classification, tax is a compulsory unrequited payment to general government. This means a payment paid by Ørsted to the government, including amounts paid through an agent. Tax does not result in a return of value to Ørsted for a right or asset used in the business.

Taxes borne by Ørsted are those that represent a direct cost and are reflected in the financial result. Taxes borne are charged to the profit and loss account.

Taxes collected are those which are generated by Ørsted's operations, but do not constitute a tax liability for Ørsted. Ørsted generates the commercial activity that gives rise to the taxes and then collects and administers them on behalf of the tax authorities in the countries where we operate.

Total tax contribution is highly impacted by collection of VAT, sales taxes, duties as well as profit taxes.

12.0 bn

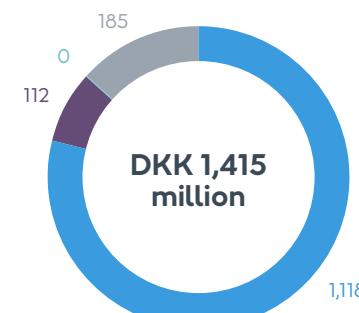
Our total tax contribution in 2020 totalled DKK 12,028 million.

Total global taxes paid in 2020

- Profit taxes These include taxes on company profits that are borne (such as corporate income tax) and collected (such as withholding tax on payments to third parties).
- People taxes Taxes on employment, both borne and collected (including income tax and social security tax payments).
- Product taxes Indirect taxes on the production and consumption of goods and services, including net VAT and sales tax, custom duties, and insurance premium tax. Net VAT in countries in a net refund position is excluded in the total tax contribution, as it is considered a repayment of tax already paid within the year.
- Property taxes Taxes on the ownership, sale, transfer, or occupancy of property.

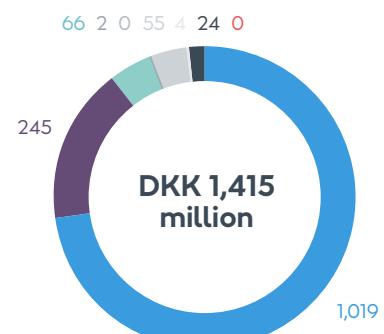
Taxes borne – by tax type, 2020, DKKm

- Profit taxes
- People taxes
- Product taxes
- Property taxes



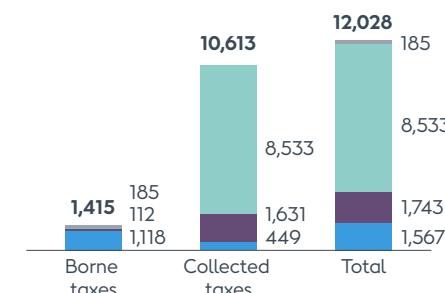
Taxes borne – by country, 2020, DKKm

- Denmark
- The UK
- The US
- Germany
- The Netherlands
- Taiwan
- Malaysia
- Poland
- Sweden



Total tax contribution, 2020, DKKm

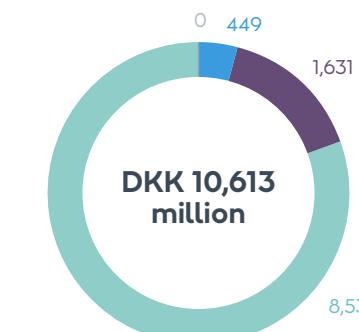
- Profit taxes
- People taxes
- Product taxes
- Property taxes



The chart shows the distribution between borne and collected taxes in 2020.

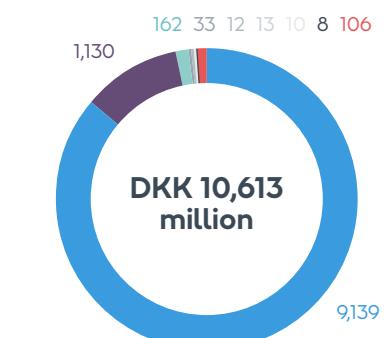
Taxes collected – by tax type, 2020, DKKm

- Profit taxes
- People taxes
- Product taxes
- Property taxes



Taxes collected – by country, 2020, DKKm

- Denmark
- The UK
- The US
- Germany
- The Netherlands
- Taiwan
- Malaysia
- Poland
- Sweden



Country-by-country reporting

In order to increase transparency, we present key figures on tax jurisdiction levels below. Ørsted's country-by-country reporting widely follows the GRI 207: Tax standard. Corporate

income tax is based on IFRS reporting standards instead of GRI methodology to ensure internal coherence throughout the annual report. The tax incentives provided on green investments defer our tax payments, resulting

in a difference between profit (loss) in the accounts and taxable income during the life cycle of a wind farm. This is applicable in most of the countries where we operate.

Country-by-country key figures – IFRS, 2020	Number of employees	Total employee remuneration ²	Revenues from third-party sales DKKm	Revenues from intra-group transactions with other tax jurisdictions, DKKm	Property, plant, and equipment, and inventory DKKm	Balance of intra-company debt DKKm	Corporate income tax paid on a cash basis, DKKm
Denmark	3,854	3,509	31,108	10,398	14,103	19,679	976
The UK	1,057	811	12,962	7,960	60,144	65,959	120
The US	314	378	2,526	2	31,702	7,540	(33)
Germany	219	176	2,968	685	11,264	17,161	2
The Netherlands	45	35	381	348	10,860	8,379	-
Taiwan	126	121	7	21	8,190	1,732	50
Malaysia	274	57	-	101	3	-	-
Poland	233	80	-	122	5	-	3
Sweden	4	2	199	-	2	-	-
Other countries ¹	53	52	-	167	76	-	-
Total	6,179	5,221	50,151	19,804	136,349	120,450	1,118

¹ Other countries include Isle of Man, Japan, Singapore, and South Korea.

² Including employee costs transferred to assets.



The table shows reporting of financial, economic, and tax-related information for each jurisdiction where we operate. This information can be compared with our total tax contribution. Our tax contributions reflect that some of our development and construction activities have been based in Denmark, and that our operations in the coming years are beginning to ramp up in markets that have been developed. Also, our presence and the corresponding tax position is affected by hedging, which is primarily handled centrally in Denmark

Current tax explanation on country level, 2020, DKKm	Profit (loss) before tax	Calculated local corporate tax on profit (loss) before tax	Non-taxable income and non-deductible costs, etc., net	Unrecognised tax assets	Deferred tax	Other adjustments	Current tax
Denmark	15,298	(3,366)	2,862	-	(588)	(123)	(1,215)
The UK	1,850	(352)	(112)	-	(973)	55	(1,382)
The US	(1,097)	247	(25)	-	(279)	57	-
The Netherlands	162	(41)	25	-	(15)	3	(28)
Germany	930	(279)	64	(7)	223	(78)	(77)
Taiwan	196	(39)	-	-	(3)	16	(26)
Malaysia	22	(4)	-	-	-	4	-
Poland	15	(3)	-	-	2	1	-
Sweden	14	(3)	-	-	-	3	-
Other countries ¹	(66)	29	-	(6)	(2)	(28)	(7)
Total	17,324	(3,811)	2,814	(13)	(1,635)	(90)	(2,735)



The table shows our profit (loss) before tax in tax jurisdictions and the journey to current tax. Current tax for the UK is significantly impacted by a prior year adjustment regarding reclassification between deferred tax and current tax (see more in accounting policies in note 5.3 'Deferred tax').

¹ Other countries include Isle of Man, Japan, Singapore, and South Korea.

6. Capital structure

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6. Capital structure

An appropriate capital structure is important to ensure we have the ability to raise new debt at attractive terms.

In 2020, we issued new green senior bonds with a total proceed of DKK 3,277 million, consisting of NTD 15 billion.

All new bonds were issued in accordance with our Green Finance Framework.

In the coming years, we expect to raise new debt to partly fund our DKK 200 billion investment programme covering the period 2019-2025.

Capital structure

To ensure the financial strength to operate in the international energy and capital markets and secure financing on attractive terms, we have defined credit rating and capital structure targets. The overarching capital structure targets are a credit rating of Baa1/BBB+ and an FFO/adjusted net debt credit metric of around 30 %.

Financing policy

The aim of our financing policy is to ensure that hedging needs and the best possible financing arrangements are taken into account, while also minimising financing costs, liquidity, and refinancing risks.

The borrowing activities are diversified among various funding sources and maturities. In addition, we have robust financial resources.

Our borrowing activities are primarily consolidated in the parent company where cash resources are available to the Group companies via an internal bank.

Cash management

One of the most significant cash management objectives is to secure sufficient and flexible financial resources in relation to our day-to-day operations, investment programme, and debt maturity profile.

Therefore, we define minimum financial resources for the coming calendar year. We maintain robust financial resources to limit the company's sensitivity to unrest in the financial markets.

48.3 %

Funds from operations (FFO) relative to adjusted interest-bearing net debt amounted to 48.3 % at 31 December 2020 against 31 % at 31 December 2019.

12.3 bn

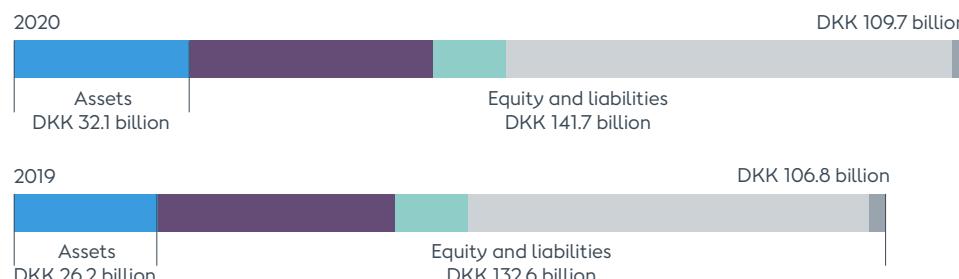
Our interest-bearing net debt totalled DKK 12,343 million at 31 December 2020 against DKK 17,230 million at 31 December 2019.

45.6 bn

Our financial resources totalled DKK 45,642 million at 31 December 2020 against DKK 38,244 million at 31 December 2019.

Equity and interest-bearing net debt, DKKbn

- Interest-bearing assets
- Interest-bearing debt
- Hybrid capital
- Equity attributable to shareholders in Ørsted A/S
- Non-controlling interests



6.1 Interest-bearing debt and FFO

Interest-bearing debt and interest-bearing assets

	DKKm	2020	2019
Interest-bearing debt:			
Bank debt		1,942	3,466
Bond debt		34,824	33,373
Total bond and bank debt		36,766	36,839
Tax equity liability (see note 4.5)		721	608
Lease liability		5,054	5,332
Other interest-bearing debt		1,906	649
Total interest-bearing debt		44,447	43,428
Interest-bearing assets:			
Securities		25,173	16,552
Cash		6,178	7,148
Other receivables		11	1,781
Receivables in connection with divestments		742	717
Total interest-bearing assets		32,104	26,198
Total interest-bearing net debt		12,343	17,230



The market value of our bond and bank debt amounted to DKK 42,485 million and DKK 1,971 million, respectively, at 31 December 2020 (2019: DKK 39,281 million and DKK 3,526 million, respectively).

The market value of our bond and bank debt exceeds the carrying amount due to the drop in interest levels since the issuance of the debt.

Changes in interest-bearing debt, DKKm

	2020	2019
Interest-bearing debt at 1 January	43,428	28,320
Lease debt at 1 January (IFRS 16)	-	5,224
Instalments on loans according to the statement of cash flows	(2,398)	(2,043)
Proceeds from raising of loans according to the statement of cash flows	3,406	10,174
Instalments on leases	(541)	(664)
Raising of lease debt, etc.	263	772
Change in other interest-bearing debt and tax equity liability	1,371	231
Hybrid bonds reclassified to interest-bearing debt	-	570
Foreign exchange adjustments and amortisation	(1,082)	844
Interest-bearing debt at 31 December	44,447	43,428



Interest-bearing debt increased by DKK 1,019 million in 2020.

Funds from operations (FFO), DKKm

	2020	2019
EBITDA – business performance	18,124	17,484
Interest expenses, net	(1,202)	(1,312)
Interest expenses, leasing	(177)	(171)
Reversal of interest expenses transferred to assets	(449)	(344)
Interest element of decommissioning obligations	(238)	(212)
50% of coupon payments on hybrid capital	(245)	(279)
Adjusted interest expenses, net	(2,311)	(2,318)
Reversal of gain (loss) on divestment of assets	(805)	101
Total current tax	(2,304)	(5,799)
Funds from operations (FFO)	12,704	9,468



FFO is calculated for continuing operations.

FFO has increased by DKK 3,236 million in 2020, mainly due to a decrease in current tax level.

Adjusted interest-bearing net debt, DKKm

	2020	2019
Total interest-bearing net debt	12,343	17,230
50% of hybrid capital	6,616	6,616
Cash and securities not available for distribution, excluding repo loans	1,485	1,437
Decommissioning obligations	7,002	6,158
Deferred tax on decommissioning obligations	(1,138)	(866)
Total adjusted interest-bearing net debt	26,308	30,575



Total adjusted interest-bearing net debt decreased by DKK 4,267 million in 2020, mainly due to the decrease in interest-bearing net debt.

Funds from operations (FFO)/adjusted interest-bearing net debt, %

	2020	2019
Funds from operations (FFO)/adjusted interest-bearing net debt	48.3 %	31.0 %

Interest-bearing net debt

Interest-bearing net debt totalled DKK 12,343 million at the end of 2020, a decrease of DKK 4,887 million relative to 2019. The decrease in interest-bearing net debt consists of a increase in interest-bearing debt of DKK 1,020 million and an increase in interest-bearing assets of DKK 5,907 million.

In November, we issued a total of NTD 15 billion (DKK 3,277 million) in new green bonds, split on 3 separate issues:

- NTD 4 billion (DKK 874 million), 0.6 % interest, maturing in November 2027.
- NTD 3 billion (DKK 655 million), 0.70 % interest, maturing in November 2030.
- NTD 8 billion (DKK 1,748 million), 0.98 % interest, maturing in November 2040.

Rating

We have a corporate credit rating of BBB+/Baa1, stable outlook, from Standard & Poor's,

Moody's, and Fitch, which is in line with our target. FFO/adjusted interest-bearing net debt was 48.3 % in 2020, in line with our target.

Loan arrangements

At 31 December 2020, we had loan obligations totalling DKK 1,642 million (2019: DKK 1,861 million) to the European Investment Bank and the Nordic Investment Bank. The loans are recognised in the balance sheet under bank debt. The loans offered by these multilateral financial institutions include loans to co-fund infrastructure and energy projects on favourable terms and with maturities exceeding those normally available in the commercial banking market. In connection with these loans, the Group may be met with demands for repayment or collateral in the event of the Danish state holding less than 50 % of the share capital or voting rights in Ørsted A/S (change of control) or for repayment in the event of Moody's or Standard & Poor's

downgrading our rating to Baa3, BBB- or below, respectively.

Credit facilities

Furthermore, we had non-cancellable credit facilities of DKK 15,758 million at 31 December 2020 (2019: DKK 15,990 million) with a number of Scandinavian, international, and local Taiwanese banks. In connection with these credit facilities, we may be met with demands for cancellation and repayment of any drawn amount in the event of shareholders other than a group consisting of the Danish state and Danish power distribution companies controlling more than 50 % of the share capital or voting rights in Ørsted A/S or in the event of the Danish state ceasing to hold at least 20 % of the share capital. Our financing agreements are not subject to any other unusual terms or conditions.

Accounting policies

Bond debt, bank debt, and other payables are recognised at inception at market value (typically proceeds received) net of transaction costs incurred. In subsequent periods, the liabilities are measured at amortised cost, so that the difference between the cost (proceeds) and the nominal value is recognised in profit (loss) for the year as interest expenses over the term of the loan, using the effective interest rate method.

Financial liabilities are classified as current, unless the Group has an unconditional right to defer settlement of the liability to at least one year after the balance sheet date.

The market value of issued bonds has been determined as the market value at 31 December (level 1 – quoted prices).

The market value of bank loans has been determined as the present value of expected future instalments and interest payments using the Group's current interest rate on loans as the discount rate (level 2 – observable inputs).

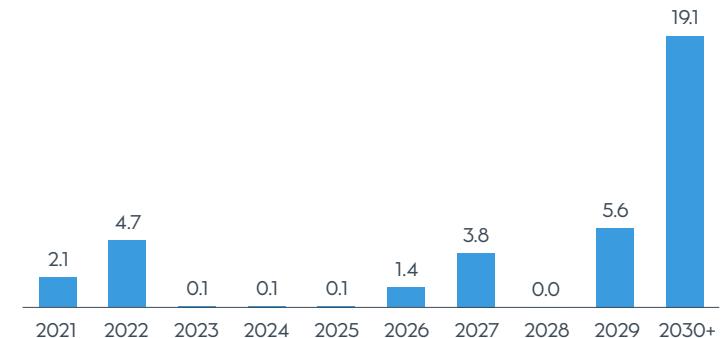
Senior bonds issued at 31 December 2020

Million Currency	Outstanding amount					
	Issued	DKK	Coupon (%)	Time of issue	Maturing	Quoted in
EUR	272	2,025	4.875	16 Dec. 2009	16 Dec. 2021	London
EUR	517	3,848	2.625	19 Sep. 2012	19 Sep. 2022	London
EUR	750	5,583	1.500	24 Nov. 2017	26 Nov. 2029	London
GBP	350	2,911	2.125	16 May 2019	17 May 2027	Luxembourg
GBP	750	6,237	4.875	12 Jan. 2012	12 Jan. 2032	London
GBP	300	2,495	2.500	16 May 2019	16 May 2033	Luxembourg
GBP	250	2,079	CPI+0.375	16 May 2019	16 May 2034	Luxembourg
GBP	500	4,158	5.750	9 Apr. 2010	9 Apr. 2040	London
NTD	8,000	1,732	1.500	19 Nov. 2019	19 Nov. 2034	Taipei
NTD	4,000	866	0.600	13 Nov. 2020	13 Nov. 2027	Taipei
NTD	3,000	650	0.700	13 Nov. 2020	13 Nov. 2030	Taipei
NTD	8,000	1,732	0.980	13 Nov. 2020	13 Nov. 2040	Taipei
NTD	4,000	866	0.920	19 Nov. 2019	19 Nov. 2026	Taipei



In addition to senior bonds, we have issued a number of hybrid bonds, see note 6.3 'Hybrid capital'.

Maturity profile of bond and bank debt , DKK billion



The majority of our debt is to be repaid in 2030 and later.

6.2 Equity

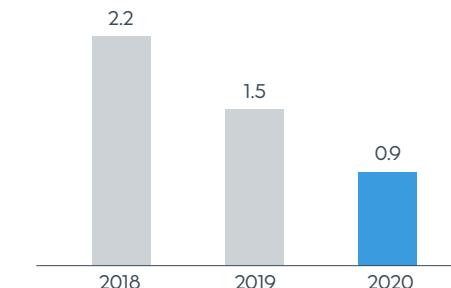
Share capital

Ørsted's share capital is DKK 4,203,810,800 (2019: 4,204 million), divided into shares of DKK 10. The share capital is unchanged from last year. No shares are subject to special rights or restrictions on voting rights. All shares are fully paid up.

Treasury shares

To secure our share programme, we acquired additional treasury shares in May 2020. The total portfolio of treasury shares consists of 312,844 shares at 31 December 2020 (2019: 395,619), corresponding to less than 0.1% of the share capital.

Dividend yield, %



The graph shows the proposed dividends in relation to the closing price for an Ørsted share on the last trading day of the year.

Dividends

The Board of Directors recommends that dividends of DKK 4,834 million (2019: DKK 4,414 million) be paid for the financial year, corresponding to DKK 11.50 per share (2019: DKK 10.50 per share). The proposed dividends correspond to a dividend yield of 0.9% (2019: 1.5%), calculated on the basis of the closing price for an Ørsted share on the last trading day of the year.

Owners in Ørsted

The Danish state is the principal shareholder with an ownership interest of 50.1%. In addition, Andel and The Capital Group Companies, Inc. have an ownership interest above 5%. See note 16 'Ownership information' in the parent company's financial statements.

	2020		2019	
	Business performance	IFRS	Business performance	IFRS
Earnings per share, DKKm				
Profit (loss) for the year from continuing operations	16,727	15,548	6,100	7,291
Interest and costs, hybrid capital owners of Ørsted A/S	(488)	(488)	(675)	(675)
Non-controlling interests	61	61	(54)	(54)
Ørsted's share of profit (loss) for the year from continuing operations	16,300	15,121	5,371	6,562
Profit (loss) for the year from discontinued operations	(11)	(11)	(56)	(56)
Ørsted's share of profit (loss) for the year from discontinued operations	(11)	(11)	(56)	(56)
('000)				
Average number of outstanding shares	420,056	420,056	420,080	420,080
Dilutive effect of share programme	300	300	408	408
Average number of outstanding shares, diluted	420,356	420,356	420,488	420,488
(DKK)				
Profit (loss) per share				
From continuing operations	38.8	36.0	12.8	15.6
From discontinued operations	0.0	0.0	(0.1)	(0.1)
Total profit (loss) per share	38.8	36.0	12.7	15.5



The table shows earnings per share distributed on continuing and discontinued operations. Diluted profit (loss) per share corresponds to profit (loss) per share, as the only dilutive effect comes from the share programme and equals 0.1% of the share capital (2019: 0.1% of the share capital).

Reserves 2020, DKKm	Foreign currency translation reserve	Hedging reserve ¹						Total reserves
		Hedging of net investments	Hedging of revenue	Hedging of divestments	Hedging of interest	Hedging of production assets		
Reserves at 1 January 2020	168	(976)	1,459	(3)	(235)	-	413	
Exchange rate adjustments	(4,993)	-	-	-	-	-	(4,993)	
Value adjustments of hedging	-	2,163	(246)	67	(110)	19	1,893	
Value adjustments transferred to:								
Revenue	-	-	69	(58)	-	-	11	
Other operating income	-	-	-	(181)	-	-	(181)	
Financial income and expenses	-	-	-	-	471	-	471	
Tax:								
Tax on hedging and currency adjustments	996	(476)	(47)	42	(81)	(4)	430	
Movement in comprehensive income for the year	(3,997)	1,687	(224)	(130)	280	15	(2,369)	
Total reserves at 31 December	(3,829)	711	1,235	(133)	45	15	(1,956)	

¹ Costs of hedging related to basis spread on currency swaps included in hedging reserve amount to DKK 55 million (2019: 94 million).

Reserves 2019, DKKm							
Reserves at 1 January 2019	(1,906)	512	(97)	(40)	(296)	-	(1,827)
Exchange rate adjustments	2,528	-	-	-	-	-	2,528
Value adjustments of hedging	-	(1,907)	1,641	(172)	(12)	-	(450)
Value adjustments transferred to:							
Revenue	-	-	49	219	-	-	268
Financial income and expenses	-	-	-	-	88	-	88
Tax:							
Tax on hedging and currency adjustments	(454)	419	(134)	(10)	(15)	-	(194)
Movement in comprehensive income for the year	2,074	(1,488)	1,556	37	61	-	2,240
Total reserves at 31 December	168	(976)	1,459	(3)	(235)	-	413



Foreign currency translation reserve

The foreign currency translation reserve comprises:

- exchange rate adjustments arising on translation of the financial statements of foreign entities with a currency that is not the Group's functional currency
- exchange rate adjustments relating to loans that form part of our net investment in such entities
- exchange rate adjustments relating to hedging transactions on our net investment in such entities.

On realisation or partial realisation of the net investment, the exchange rate adjustments are recognised in profit (loss) for the year if a foreign exchange gain (loss) is realised by the divested entity. The foreign exchange gain (loss) is transferred to the item in which the gain (loss) is recognised.

Hedging reserve

The hedging reserve covers:

- hedging of net investments in foreign operations
- cash flow hedging of currency risks, inflation risks associated with revenue, and power price risk
- cash flow hedging of interest expenses and the currency risk associated with the construction of offshore wind farms.

Deferred costs of hedging

Changes in the basic spread on currency swaps and time value of options are included in deferred costs of hedging.

Share premium reserve

Retained earnings include the share premium reserve of DKK 21,279 million (2019: 21,279 million), representing the excess of the amount of subscribed-for share capital over the nominal value of these shares in connection with capital injections.

6.3 Hybrid capital

Hybrid bonds

Type
Carrying amount
Financial classification
Notional amount
Issued
Maturing
Quoted in
First redemption date at par
Interest
Deferral of interest payment

Due in 2013

Subordinate to other creditors
DKK 5,148 million
Equity
EUR 700 million (DKK 5,210 million)
June 2013
June 3013
Luxembourg
26 June 2023
For the first ten years, the coupon is fixed at 6.25% p.a., after which it is adjusted every five years with the five-year euro swap +4.75 percentage points from 2023-2043 +5.5 percentage points after 2043
Optional

Due in 2017

Subordinate to other creditors
DKK 3,668 million
Equity
EUR 500 million (DKK 3,722 million)
November 2017
November 3017
Luxembourg
24 November 2024
Coupon for the first seven years is fixed at 2.25% p.a., after which it is adjusted every five years with the five-year euro swap +1.899 percentage points from 2024 +2.149 percentage points from 2029 +2.899 percentage points from 2044
Optional

Due in 2019

Subordinate to other creditors
DKK 4,416 million
Equity
EUR 600 million (DKK 4,466 million)
December 2019
December 3019
Luxembourg
9 December 2027
Coupon for the first eight years at 1.75% p.a., after which it is adjusted every five years with the five-year euro swap +1.952 percentage points from 2027 +2.02 percentage points from 2032 +2.952 percentage points from 2047
Optional

We have issued hybrid capital which is subordinate to our other creditors. The purpose of issuing hybrid capital is to strengthen our capital base and fund our investments. We have issued EUR hybrid bonds with a total nominal value of EUR 1,800 million, equivalent to DKK 13,398 million (2019: EUR 1,876 million, equivalent to DKK 14,019 million).

In 2020, we have redeemed the remaining outstanding EUR 76 million on our 3015 bond.

For hybrid bonds, we may defer coupon payments to bond holders and ultimately decide not to pay them at maturity. Deferred coupon payments become payable, however, if we

decide to pay dividends to our shareholders or pay coupon payments on other hybrid bonds.

As a consequence of the special terms regarding the hybrid bonds, these are classified as equity, and therefore coupon payments are recognised in equity.

Accounting policies

Hybrid capital comprises issued bonds that qualify for treatment in accordance with the rules on compound financial instruments due to the special characteristics of the bonds. The notional amount, which constitutes a liability, is recognised at present value, and equity has been increased by the difference between the net proceeds received and the present value of the discounted liability. Accordingly, any coupon payments

are accounted for as dividends, which are recognised directly in equity at the time the payment obligation arises. This is because the coupon is discretionary, and therefore any deferred coupon lapses upon maturity of the hybrid capital. Consequently, coupon payments do not have any effect on profit (loss) for the year.

The part of the hybrid capital that is accounted for as a liability is measured at amortised cost. However, as the carrying amount of this component amounted to nil on initial recognition and due to the 1,000-year term of the hybrid capital, amortisation charges will only have an impact on profit (loss) for the year towards the end of the 1,000-year term of the hybrid capital. Coupon payments are recognised in the statement of cash flows in the same way as dividend payments within financing activities.

On redemption of hybrid capital, the payment will be distributed between liability and equity, applying the same principles as used when the hybrid capital was issued. This means that the difference between the

payment on redemption and the net proceeds received on issue is recognised directly in equity, as the debt portion of the existing hybrid issues will be nil during the first part of the life of the hybrid capital.

On the date when the Board of Directors decides to exercise an option to redeem hybrid capital, the part of the hybrid capital that will be redeemed will be reclassified to loans and borrowings. The reclassification will be made at the market value of the hybrid capital at the date the decision is made. Coupon payments and exchange rate adjustments following the reclassification to loans and borrowings will be recognised in profit (loss) for the year as financial income or expenses.

6.4 Financial resources

Financial resources at 31 December 2020 amount to DKK 45,624 million (2019: DKK 38,244 million). The change in financial resources is due to an increase of DKK 8,629 million in securities, partially offset by a decrease in cash and undrawn credit facilities of DKK 1,017 million and DKK 232 million, respectively.

Cash, cash equivalents, and securities

Securities are a key element in our financial resources, and therefore investments are mainly made in liquid AAA-rated Danish mortgage bonds and to a lesser extent in other bonds. Most of the securities qualify for repo transactions with the Danish central bank, 'Danmarks Nationalbank'.

Securities not available for use comprise securities pledged as collateral for:

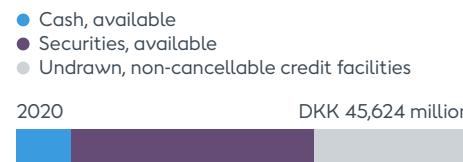
- insurance-related provisions:
DKK 393 million at 31 December 2020 (2019: DKK 397 million)
- trading in financial instruments:
DKK 356 million at 31 December 2020 (2019: DKK 360 million).

At 31 December 2020, we had received cash collateral in the amount of DKK 12 million (2019: DKK 1,439 million) concerning the positive market value of derivatives.

Cash not available for use comprises:

- collateral for insurance-related provisions:
DKK 263 million (2019: DKK 277 million)
- collateral for US power purchase agreements:
DKK 426 million (2019: DKK 132 million)
- collateral for other transactions:
DKK 47 million (2019: DKK 280 million).

Financial resources, DKK million



	2020	2019
Cash and cash equivalents, securities, DKKm		
Cash, available	5,442	6,459
Bank overdrafts that are part of the ongoing cash management	(232)	-
Total cash and cash equivalents at 31 December, cf. statement of cash flows	5,210	6,459
Cash can be specified as follows:		
Cash, available	5,442	6,459
Cash, not available for use	736	689
Total cash at 31 December, cf. balance sheet	6,178	7,148
Securities can be specified as follows:		
Securities, available	24,424	15,795
Securities, not available for use	749	757
Total securities at 31 December	25,173	16,552



The table shows our cash and securities divided into available and not available for use.

Overview of securities, DKKm

Maturities	Fixed rate	Floating rate	2020	Fixed rate	Floating rate	2019
0-2 years	1,304	3,067	4,371	929	932	1,861
2-5 years	2,010	9,738	11,748	7,309	3,400	10,709
After 5 years	5,597	3,457	9,054	3,982	-	3,982
Total carrying amount	8,911	16,262	25,173	12,220	4,332	16,552



The table shows our securities split into maturities and fixed or floating interest rates. The overview includes interest rate swaps used to manage the interest rate risk on the securities.

Maturity analysis of financial liabilities 2020, DKKm	2021	2022	2023-2024	After 2024	2020
Bank loans and issued bonds:					
- Notional amount	2,133	4,700	106	29,846	36,785
- Interest payments	1,020	920	1,639	8,083	11,662
Trade payables	9,742	-	-	-	9,742
Derivatives	5,786	1,562	997	825	9,170
Tax equity debt	48	105	153	1,102	1,408
Other payables	5,386	59	701	307	6,453
Liabilities relating to assets classified as held for sale	94	-	-	-	94
Total payment obligations	24,209	7,346	3,596	40,163	75,314

Accounting policies

Securities comprise bonds that are monitored, measured, and reported at market value on an ongoing basis in conformity with the Group's investment policy. Changes in market value are recognised in profit (loss) for the year as financial income and expenses. Purchase and sale of securities are recognised at the settlement date.

For listed securities, market value equals the market price, and for unlisted securities, market value is estimated based on generally accepted valuation methods and market data.

Divested securities where repurchase agreements (repo transactions) have been made at the time of sale are recognised in the balance sheet at the settlement date as if the securities were still held. The amount received is recognised as a liability, and the difference between the selling price and the purchase price is recognised in profit (loss) for the year over the term as interest. The return on the securities is recognised in profit (loss) for the year.

Maturity analysis of financial liabilities 2019, DKKm	2020	2021	2022-2023	After 2023	2019
Bank loans and issued bonds:					
- Notional amount	804	2,169	4,854	29,349	37,176
- Interest payments	1,076	1,056	1,819	9,089	13,040
Trade payables	10,957	-	-	-	10,957
Derivatives	5,226	1,814	1,663	495	9,198
Tax equity debt	58	51	64	1,133	1,306
Other payables	4,940	-	-	-	4,940
Liabilities relating to assets classified as held for sale	1,287	-	-	-	1,287
Total payment obligations	24,348	5,090	8,400	40,066	77,904



The Group's cash needs in respect of its financial loans and borrowings are shown in the table above. The maturity analysis was determined on 31 December.

The maturity analysis is based on undiscounted cash flows, including estimated interest payments. Interest payments are based on market conditions and interest-rate hedging entered into on 31 December.

The maturity analysis does not include hybrid capital classified as equity. At 31 December 2020, we had issued hybrid capital with a notional amount totalling DKK 13,398 million due in 2013 (DKK 5,210 million), 2017 (DKK 3,722 million), and 2019 (DKK 4,466 million), respectively.

The maturity analysis for leasing is part of note 8.2 'Leases'.

6.5 Financial income and expenses

Net financial income and expenses, DKKm

	2020	2019
Interest expenses, net	(1,202)	(1,312)
Interest expenses, leasing	(177)	(171)
Interest element of provisions, etc.	(452)	(428)
Tax equity partner's contractual return	(486)	(307)
Value adjustments of derivatives, net	(112)	(181)
Capital losses on early repayment of loans and interest rate swaps	(373)	-
Exchange rate adjustments, net	188	1,038
Value adjustments of securities, net	(12)	147
Other financial income and expenses	102	79
Net financial income and expenses	(2,524)	(1,135)



The table shows net financial income and expenses, corresponding to our internal reporting.

Exchange rate adjustments and hedging contracts entered into to hedge currency risks are presented net under the item 'Exchange rate adjustments, net'.

Accounting policies

Market value adjustments of interest rate and currency derivatives that have not been entered into for hedging purposes are presented as financial income or expenses.

The accounting policy for the tax equity partner's contractual return is described in note 4.5 'Tax equity liabilities'.

Financial income and expenses, DKKm

	2020	2019
Interest income from cash, etc.	237	65
Interest income from securities at market value	137	226
Capital gains on securities at market value	-	161
Foreign exchange gains	3,605	3,020
Value adjustments of derivatives	1,766	4,185
Other financial income	34	61
Total financial income	5,779	7,718
Interest expenses relating to loans and borrowings, etc.	(2,026)	(1,947)
Interest expenses transferred to assets	449	344
Interest expenses, leasing	(177)	(171)
Interest element of provisions	(352)	(289)
Tax equity partners' contractual returns	(486)	(307)
Capital losses on securities at market value	(12)	(24)
Foreign exchange losses	(3,623)	(2,219)
Value adjustments of derivatives	(2,012)	(4,069)
Other financial expenses	(64)	(171)
Total financial expenses	(8,303)	(8,853)
Net financial income and expenses	(2,524)	(1,135)



Exchange rate adjustments of currency hedging are recognised in revenue and cost of sales with a gain of DKK 1,059 million (2019: a loss of DKK 1,943 million).

Borrowing costs transferred to property, plant, and equipment under construction are calculated at the weighted average effective interest rate for general borrowing. This amounted to 3.3% in 2020 (2019: 4.0%). The reduction is due to new bonds being issued at a lower interest rate.

7. Risk management

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7. Risk management

Market and credit risks are a natural part of our business activities and a precondition for being able to create value. Through risk management, risks are reduced to an acceptable level.

Currency and energy exposures

Our forward-looking energy and currency exposures from production, sales, investments, and divestments are presented in the figures to the right.

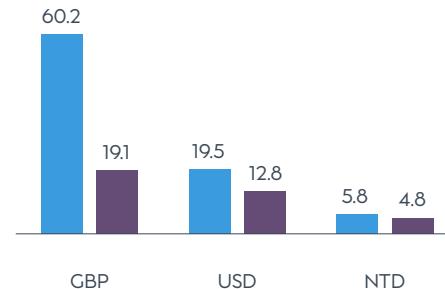
Trading portfolio

We have a limited trading portfolio, the main purpose of which is to optimise the execution of hedging contracts and gains from short-term energy price fluctuations.

The trading activities comply with the mandates approved by the Board of Directors. Read more in note 7.3 'Energy trading portfolio'.

Currency exposure, GBP and NTD 2021-2025, USD 2021-2036, DKKbn

- Before hedging
- After hedging



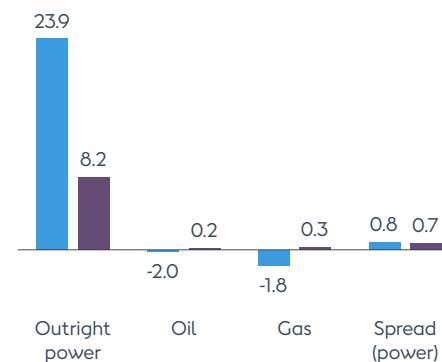
Our currency exposures are significantly reduced due to hedging.

For USD, we manage our risk as a natural time spread between front-end capital expenditures and long-end revenue between 2021-2036.

We do not deem EUR to constitute a risk, as we expect Denmark to maintain its fixed exchange-rate policy.

Energy exposure 2021-2025 DKKbn

- Before hedging
- After hedging



Our energy exposures are significantly reduced due to hedging.

Our main energy exposure is towards UK power as the UK is Ørsted's largest market.

-2.7 bn

As of 1 January 2021, we will cease to use the business performance principle and instead begin to apply IFRS hedge accounting on all commodity and related currency hedges. As of 31 December 2020, we had a loss of DKK 2,685 million on our business performance hedges deferred to a later period. This amount will not impact the IFRS number, as we have already recognised the loss under IFRS in the income statement.

+1.3 bn

The value of hedging instruments (mainly inflation, power, and currency) that will impact the IFRS EBITDA in the future amounts to a gain of DKK 1,278 million at 31 December 2020.

+0.7 bn

The deferred gains from US power purchase agreements (PPAs) amount to DKK 736 million that will be recognised as revenue over the remaining life of the PPAs.

7.1 Market risks

Market risks and market risk management

Our most significant market risks relate to:

- energy prices
- foreign exchange rates
- interest and inflation.

We manage market risks to protect Ørsted against market price volatility and ensure stable and robust financial ratios that support our growth strategy as well as protect the value of our assets.

In the short- to medium-term horizon, we primarily hedge future prices using derivatives to reduce cash flow fluctuations after tax. Minimum hedging levels are determined by the Board of Directors. In the first two years, we are almost fully hedged. The degree of hedging declines in subsequent years due to:

- reduced certainty about long-term production volumes
- increasing hedging costs in the medium to long term, both spread costs and costs of collateral
- adverse impacts from collateral, potentially tying up large amounts of capital if hedging contracts become unfavourable.

Our long-term market risk picture is determined by our strategic asset portfolio. Our power exposure is partly mitigated through long-term power purchasing agreements (PPAs), and we use debt to manage currency, interest rate, and inflation risks.

Energy price risks

Our consolidated energy exposure for the years 2021-2025 after hedging can be summarised as shown in the table.

Risk after hedging DKKbn	Effect of price change +10%	-10%
Power: 8.2 sales position	+0.8	-0.8
Gas: 0.3 sales position	+0.0	-0.0
Oil: 0.2 sales position	+0.0	-0.0
Spread: 0.7 sales position	+0.1	-0.1

Therefore, a 10 % increase in the power price in 2021-2025 will result in a gain of DKK 0.8 billion in the period, all else remaining unchanged.

Currency risks

Our consolidated currency exposure after hedging for the years 2021-2025 (USD 2021-2036) can be summarised as shown in the table.

Risk after hedging DKKbn	Effect of price change +10%	-10%
GBP: 19.1 sales position	+1.9	-1.9
NTD: 4.8 sales position	+0.5	-0.5
USD: 12.8 sales position	+1.3	-1.3

Our main currency exposure stems from offshore wind farms in the UK, but activities in the US and Taiwan have increased our USD and NTD exposures.

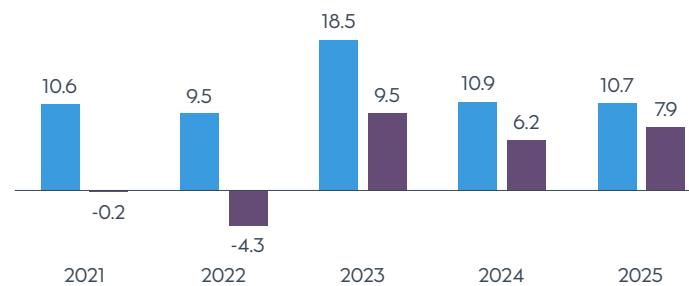
In general, highly certain cash flows in a foreign currency are hedged within the first five years.

Exchange rates related to energy prices in foreign currencies are not hedged until the energy price is hedged. Hence, the GBP exchange rate associated with power generation in the UK is not hedged until the GBP power price is hedged.

Cash flows that relate to fixed tariffs and guaranteed minimum prices from offshore wind farms in the UK deviate from the main principle. Hedging of these, less operating expenses, is based on a declining level of hedging over the five-year risk management horizon. The target is to hedge 100 % of the risk in year 1, declining by 20 percentage points each year, to 20 % in year 5.

GBP exposures, DKKbn

- Before hedging
- After hedging



Our GBP exposure amounted to DKK 19.1 billion after hedging for the years 2021-2025. This unhedged GBP exposure stems from subsidised GBP income less operational expenditures.

The GBP exchange rate for hedges impacting EBITDA in 2021 and 2022 is hedged at an average exchange rate of GBP/DKK 8.3 and 8.1, respectively.

For our USD and NTD exposures from new markets, we have limited existing portfolio against which we can net construction payments. Therefore, we seek to hedge the price risk in the near term, while simultaneously hedging a similar, but opposite, exposure in the longer term. Our EUR risk is subject to continuous assessment, but is generally not hedged, as we believe that Denmark will maintain its fixed exchange-rate policy.



The graph shows our GBP exposure before and after hedges from:

- divestments and investments
- green certificates
- hedged energy

The divestment proceeds from the Hornsea 2 transmission asset were previously expected in 2022, but are now expected in 2023. The related hedges will remain in 2022 until we know the final timing of the divestment.

Interest and inflation risk

To a certain extent, our medium- to long-term earnings can be expected to follow the development in consumer and market prices, thereby protecting the real value of our assets and equity. This is the case for earnings related to our UK wind farms.

However, we are exposed to inflation risk on projects with fixed nominal cash flows, as an increase in inflation will erode the expected real value of the revenue. This is the case for:

- fixed nominal subsidies from offshore wind assets in Denmark, Germany, the Netherlands, Taiwan, and the US
- fixed nominal power purchase agreements related to onshore wind assets in the US and offshore wind assets in Europe and Taiwan.

The close relationship between inflation and interest rates protects our equity value against changes in interest rates to some extent.

We manage interest rate and inflation risk by matching the sensitivity of our assets with the sensitivity of our debt.

The share of our debt which is fixed in nominal terms partially offsets the inflation risk. We have fixed the inflation for part of the future revenue from our UK offshore wind farms at an average retail price index (RPI) rate of 3.6% for the period 2024-2037 and an average consumer price index (CPI) rate of 2.7% for the period 2030-2032. This will create a better match with our fixed-rate UK debt.

Offshore

Earnings from power generation from offshore wind farms mainly comprise:

- fixed tariffs in Denmark, Germany, the Netherlands, the UK (CfD wind farms), the US, and Taiwan
- guaranteed minimum prices for green certificates in the UK (ROC wind farms)
- long-term power purchase agreements
- sale of power at market price from our wind farms with market price risk.

At the end of 2020, such fixed tariffs and guaranteed minimum prices cover approx. 86 % of the expected income from offshore wind farms for the period 2021-2025. The remaining price exposure concerns sales of power at market price in the UK, Denmark, and the Netherlands.

Onshore

Earnings from power generation from onshore wind farms in the US comprise tax incentives, such as PTCs or ITCs, and power. The tax incentives have a fixed value. However, there is a price risk associated with the power which is reduced by entering into power purchase agreements (PPAs). The current PPAs cover approx. 65 % of the expected generation, spanning 12-15 years from the commissioning of the wind farm. The PPAs are entered into with large corporates or financial institutions.

Markets & Bioenergy

Our combined heat and power plants consists of biomass- and fossil-fuelled plants in Denmark. Heat generation accounts for a larger share of the earnings and does not give rise to price risks, as the associated costs are covered by the heat customers. However, heat generation often entails a price risk for power, as heat and power are generated simultaneously to a large extent. The profitability

of power generation is determined by the difference between the selling price of power and the purchase price of fuel and carbon emission allowances. For our biomass-based power generation, we secure profitability by buying biomass at fixed prices and hedging the associated power generation. At the end of 2020, 36 % of the expected power generation from our power plants in 2021 was hedged. The total net risk associated with the power plants' power generation for the 2021-2025 period is DKK 0.7 billion after hedging.

Our price risks in Markets arise from the purchase and sale of power and gas. The price risks associated with the purchase and sale of gas result from differences in the indexing of sales and purchase prices. Our largest gas purchase contracts are mainly indexed to pure gas prices and thus no longer constitute a significant risk.

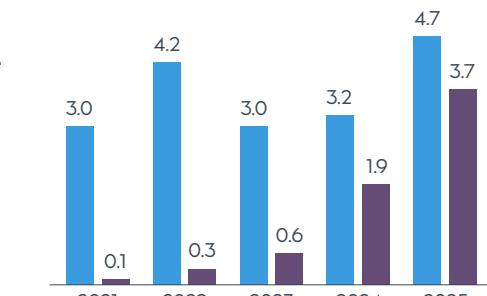
The price risks associated with power purchases and sales are given by the difference between the purchase and sales prices. The price risk relates primarily to timing differences between purchases and sales and the related hedges and is therefore considered to be limited.

Principles for estimating exposures

Exposure is calculated as the expected production (or net purchase/sale) times the forward price for the respective years. In addition, the exposure is determined on the basis of the expected exposure after renegotiations of oil-indexed gas purchase contracts.

Offshore's power price exposure, DKKbn

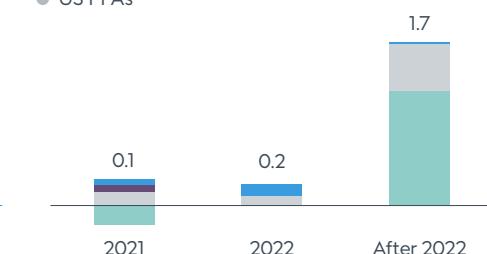
- Before hedging
- After hedging



The table shows the exposure from Offshore's generation of power before and after hedges.

Expected value for recognition in EBITDA, DKKbn

- Power
- Currency
- Inflation and interest
- US PPAs



The table shows the time of the transfer of the value of hedging contracts in business performance EBITDA for both business performance and IFRS hedges together with deferred gains from US power purchase agreements (PPAs). See note 1.6 'Business performance'.

7.2 Hedge accounting and economic hedging

Note	Overview of the Group's derivative positions, DKKm	2020		2019	
		Contractual principal amount	Market value	Contractual principal amount	Market value
Recognised with EBITDA impact					
1.6, 7.2	Economic hedging, currency	30,403	(575)	30,744	(1,509)
1.6, 7.2	Economic hedging, energy	18,740	(1,641)	19,026	617
	Hedging of cash flows, inflation	19,709	1,209	17,373	585
	Hedging of cash flows, energy	11,857	(73)	6,988	545
7.2	Hedging of cash flows, currency	-	-	243	(108)
7.3	Trading portfolio	12,995	79	9,271	1,148
	Total	93,704	(1,001)	83,645	1,278
Recognised in financial income and expenses					
7.2	Hedging of fair value, currency	26,095	(1,166)	25,825	43
7.2	Hedging of cash flows, currency, and interest	8,631	139	3,890	(130)
	Hedging of fair value, interests	10,436	(13)	-	-
	Other currency derivatives	13,089	598	8,052	504
	Other interest derivatives	6,924	(156)	4,431	(85)
	Total	65,175	(598)	42,198	332
Recognised in other line items					
7.2	Hedging of cash flows, energy, and currency (gain/loss on divestment of enterprises)	4,435	(126)	10,487	318
7.2	Hedging of fair value, currency (discontinued)	-	-	999	(50)
	Production assets	321	19	-	-
7.2	Hedging of net investments (OCI)	47,962	1,497	46,717	(1,096)
	Total	211,597	(209)	184,046	782



The table shows the Group's derivatives and commercial contracts according to the type of accounting treatment and the items affected:

- Economic hedging comprises hedging of energy-related risks and related currency risks. These hedging contracts are treated as hedge accounting in accordance with the business performance principle (see note 1.6 'Business performance' for a detailed description).
- Hedging of cash flows includes hedging of interest rates, inflation, currencies, power prices, and market risks related to the divestment of the LNG business.

Economic hedging and commercial contracts, DKKm	2020		2019	
	Contractual principal amount	Market value	Contractual principal amount	Market value
Energy				
Oil swaps	604	(13)	993	56
Gas swaps	2,012	58	3,180	770
Power swaps	9,008	(1,795)	10,523	(490)
Power options	7,111	116	4,193	317
Coal	5	(7)	137	(36)
Total	18,740	(1,641)	19,026	617
Currency				
Forward exchange contracts	30,403	(575)	30,744	(1,509)
Total	49,143	(2,216)	49,770	(892)



Economic hedging is accounted for under the business performance principle, see description above.

The market value of DKK -2,216 million (2019: DKK -892 million) will be recognised in business performance profit or loss in a future period.

Economic hedging and commercial contracts

The purpose of economic hedging is to reduce our risk from generation and sale of energy. Fluctuations in value are expected to be offset by the underlying exposure.

Accounting policies

Economic hedging and commercial contracts

Market value adjustments of financial contracts offered to customers with a view to price hedging and financial instruments that have been entered into to hedge the Group's principal operating activities are recognised as revenue or cost of sales.

Under the business performance principle, economic hedging is accounted for as effective hedging. The resulting market value adjustment is consequently deferred to the period when the hedged transaction affects results. See note 1.6 'Business performance' for further information.

The contractual principal amount has been determined as the net position per derivative type.

The contractual principal amount has been determined as the net position per derivative type.

Cash flow and fair value hedging

Our cash-flow hedges consist of inflation, power, currency, interest rate, and oil hedges. Our fair hedges consist of currency and interest rate hedges.

Ineffectiveness

Ineffectiveness of cash flow and fair value hedging totalled DKK 0 million (2019: DKK 0 million). We do not experience ineffectiveness on our cashflow or fair value

hedges as we are able to hedge the exposure with a hedge that fully match the exposure. However, ineffectiveness arise on our economic and commercial contracts where we are currently not applying IFRS hedge accounting.

Accounting policies

We primarily use hedge accounting for currency, interest, and inflation where it is possible to use hedging instruments which hedge the desired risk one-to-one. The GBP exposure, for example, is hedged using GBP forward exchange contracts, GBP swaps, or GBP loans. Thus, there are no significant sources of ineffectiveness. For currency swaps, the basic spread is accounted for according to the cost of the hedging model.

To the extent that a risk needs to be hedged, and if there is no fully effective instrument available in the market, analyses are performed of the expected effectiveness of the hedging instrument before the hedging transaction is concluded. In this case, the ratio between the hedged risk and the hedging instrument may deviate from the one-to-one principle and will be determined as the ratio which most effectively hedges the desired risk.

We recognise changes to the market value of hedging instruments that qualify for recognition as a hedge of future cash flows in other comprehensive income in the hedging reserve. On realisation of the hedged cash flow, the resulting gains or losses are transferred from equity and recognised in the same item as the hedged item. However, on hedging of proceeds from future loans, the resulting gain or loss is transferred from equity over the term of the loan.

When we conclude a hedging transaction, and each time we present financial statements thereafter, we assess whether the hedged exposure and the hedging instrument are still financially correlated. If the hedged cash flows are no longer expected to be realised, the accumulated value change is transferred to profit (loss) for the year.

Changes in the market value of derivatives that are classified as hedges of the fair value of a recognised asset or liability are recognised in profit (loss) for the year together with changes in the value of the hedged asset or liability to the extent of the hedged risk.

Cash flow hedge accounting 2020, DKKm	Contractual principal amount	Maturity analysis			Market value		Recognised in comprehensive income	Expected transfers to income statement		
		2021	2022	After 2022	Asset	Liability		2021	2022	After 2022
Revenue (US+DE power)	11,857	898	836	10,123	583	(656)	210	65	121	24
Revenue (UK inflation)	19,709	-	-	19,709 ¹	1,231	(22)	1,209	-	-	1,209
Divestments (USD)	1,098	1,098	-	-	98	(19)	29	29	-	-
Divestments (fixed interest)	3,337	-	-	3,337	-	(205)	(205)	(205)	-	-
Production assets (oil)	238	210	28	-	27	(2)	25	23	2	-
Production assets (USD)	83	77	6	-	23	(29)	(6)	(6)	-	-
Interest payments (GBP)	1,635	626	460	549	34	(42)	24	(30)	23	31
Interest payments (fixed)	6,996	-	-	6,996	147	-	33	(34)	(25)	92

2019, DKKm	2020	2021	After 2021				2020	2021	After 2021	
				2020	2021	After 2021				
Revenue (US power)	6,988	499	615	5,874	824	(279)	1,021	46	46	929
Revenue (USD)	116	115	1	-	120	(182)	(41)	(41)	-	-
Revenue (UK inflation)	17,373	-	-	17,373 ¹	585	-	585	-	-	585
Divestments (GBP)	127	127	-	-	96	(142)	(4)	(4)	-	-
Divestments (USD)	3,518	433	830	2,255	158	(37)	-	-	-	-
Divestments (oil)	3,442	556	1,013	1,873	74	(142)	-	-	-	-
Divestments (gas)	3,527	503	936	2,088	534	(269)	-	-	-	-
Interest payments (GBP)	2,310	576	664	1,070	37	(43)	43	(42)	1	84
Interest payments (fixed)	1,580	25	29	1,526	-	124	(331)	(59)	(55)	(217)

Fair value hedge accounting 2020, DKKm	Contractual principal amount	Maturity analysis			Market value		2020	2021	After 2021
		2021	2022	After 2022	Asset	Liability			
GBP (sell position)	17,359	(520)	-	17,879	93	(1,128)	-	-	-
EUR (sell position)	4,466	-	4,466	-	-	-	-	-	-
NTD (sell position)	4,270	-	-	4,270	-	(131)	-	-	-
Interest (fixed)	10,436	-	-	10,436	-	(13)	-	-	-

2019, DKKm	2020	2021	After 2021				2020	2021	After 2021
				2020	2021	After 2021			
GBP (sell position)	18,688	(273)	-	18,961	33	(8)	-	-	-
EUR (sell position)	4,483	-	-	4,483	17	-	-	-	-
NTD (sell position)	2,654	-	-	2,654	1	-	-	-	-
USD (buy position)	999	999	-	-	-	(50)	-	-	-



¹ The hedge covers inflation risks for the period 2024-2037.

As of 1 January 2019, we have started to apply IFRS cash flow hedge accounting on power purchase agreements related to our Onshore business unit.



The fair value hedges are related to hedges of loans and receivables in the balance sheet.

Hedging of net investments in foreign subsidiaries

Our foreign activities entail currency risk. We hedge this currency risk by raising loans in foreign currencies and by entering into forward exchange contracts, currency swaps and options.

On 31 December 2020, the accumulated exchange rate adjustments totalled DKK -3,869 million, divided between the exchange rate adjustment of the net investment of DKK -4,793 million and the hedging thereof of DKK 924 million.

Hedging of net investments in foreign subsidiaries, DKKm

Currency 2020	Net investment	Of which, non-controlling interests	Hedged amount in currency	Net position	Accumulated exchange rate adjustments in equity
GBP	56,826	(2,705)	(33,949)	20,172	(3,014)
EUR	24,550	-	(4,466)	20,084	(33)
USD	17,317	-	(5,277)	12,040	(899)
NTD	11,409	-	(4,270)	7,139	121
Other	232	-	-	232	(44)
Total	110,334	(2,705)	(47,962)	59,667	(3,869)
2019					
GBP	62,600	(3,292)	(35,284)	24,024	(1,165)
EUR	22,501	-	(4,483)	18,018	38
USD	15,979	-	(4,296)	11,683	139
NTD	3,061	-	(2,654)	407	(3)
Other	122	-	-	122	(66)
Total	104,263	(3,292)	(46,717)	54,254	(1,057)

Net investment hedges 2020, DKKm	Contractual principal amount	Maturity analysis			Market value	
		2021	2022	After 2022	Asset	Liability
GBP (sell position)	33,949	4,998	5,830	23,121	1,054	(89)
EUR (sell position)	4,466	-	4,466	-	-	-
USD (sell position)	5,277	(4,122)	4,807	4,593	401	-
NTD (sell position)	4,270	-	-	4,270	131	-
2019, DKKm		2020	2021	After 2021		
GBP (sell position)	35,284	2,950	3,104	29,230	149	(1,195)
EUR (sell position)	4,483	-	-	4,483	4	(21)
USD (sell position)	4,296	(1,548)	2,429	3,415	36	(68)
NTD (sell position)	2,654	-	-	2,654	-	(1)

Accounting policies

Hedging of net investments in foreign subsidiaries

Changes in the market value of derivatives and loans that are classified as net investment hedges in foreign subsidiaries or associates are recognised in the consolidated financial statements directly in equity within a separate foreign currency translation reserve.



The net position expresses the accounting exposure. If, for example, the GBP/DKK exchange rate increased by 10% on 31 December 2020, equity would have increased by DKK 2,017 million, corresponding to 10% of DKK 20,172 million.



Hornsea 1, off the Yorkshire coast, the UK.



7.3 Energy trading portfolio

Trading portfolio

The purpose of our trading portfolio is to:

- optimise hedging contracts
- contribute to increased market insight
- profit from short-term fluctuations in energy prices.

The trading portfolio consists primarily of positions in power and gas.

The trading portfolio constitutes a smaller part of our total portfolio of derivatives, and the associated risk is limited.

When an economic hedging instrument (business performance hedge) does not fully correspond to the hedged risk, any difference between the hedging contract entered into and the hedged exposure is recognised in the income statement as part of the gain (loss) from the trading portfolio.

Accounting policies

Market value adjustments of physical and financial contracts relating to energy that are entered into with the purpose of generating gains from short-term price changes are recognised as revenue.

Overview of the Group's trading portfolio, DKKm	2020		2019	
	Contractual principal amount	Market value	Contractual principal amount	Market value
Power swaps	3,225	341	3,174	725
Power options	7,208	(80)	4,155	(339)
Gas swaps and options	1,645	(24)	1,467	720
Oil swaps and options	548	(150)	141	14
Other	369	(8)	334	28
Total	12,995	79	9,271	1,148



The contractual principal amount has been determined as the net position per derivative type.

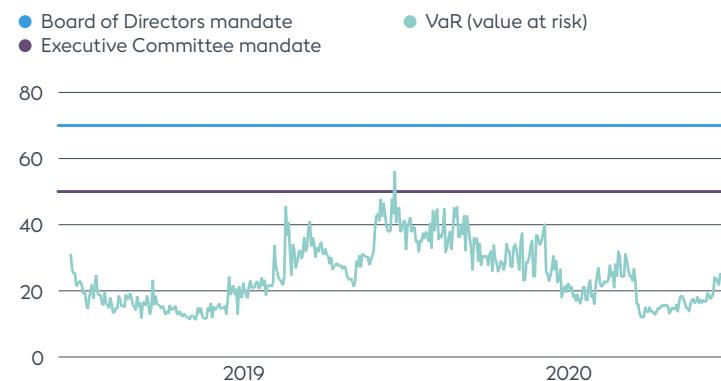
The risk associated with our options is smaller than for our swaps.

Market trading mandates	Stress limit in 2020: DKK 400 million	Maximum open positions in trading portfolio
VaR limit in 2020: DKK 70 million	Stress indicates the largest daily loss we risk sustaining with the given portfolio. Stress is based on data from 1 January 2006 to the present day.	<ul style="list-style-type: none"> – Max. 8 TWh of power – Max. 15 TWh of gas – Max. 4 million boe of oil – Max. 2 million tonnes of coal – Max. 3 million tonnes of carbon emissions



Trading activities are carried out within mandates approved by the Board of Directors. The mandates comprise a value-at-risk (VaR) mandate and a stress mandate as well as a limit for the maximum positions measured in energy units per product (power, gas, etc.).

Daily position in the trading portfolio, market trading mandates, DKKm



The graph shows the daily value-at-risk position for the period 2019-2020. VaR reached DKK 56 million on 8 January 2020, causing a passive breach of the Executive Committee mandate of DKK 50 million. This was due to increased volatility as a consequence of the Russian/Ukraine conflict and the Iranian attack on US bases on 8 January. The risk was brought back within the limit the next day.

7.4 Sensitivity analysis of financial instruments

The sensitivity analysis in the table shows the effect of market value changes, assuming a relative price change at 31 December 2020.

The effect on profit (loss) before tax comprises financial instruments that remained open at the balance sheet date, and which have an effect on profit (loss) in the current financial year. The effect is broken down by:

- trading portfolio: these contracts will affect profit
- other financial instruments, including economic hedging and commercial contracts: the market value changes of contracts allocated as economic hedges will be offset, in full or in part, by a change in the hedged risk.

Effect on equity before tax comprises financial instruments that remained open at the balance sheet date, and which are value-adjusted directly in equity.

Financial instruments include derivatives as well as receivables and payables in foreign currencies.

The illustrated sensitivities only comprise the impacts from our financial instruments.

If the hedged exposure had been included in the sensitivity analysis, the effect of a price change would have been reduced or offset entirely.

Sensitivity analysis of financial instruments DKM		31 December 2020			31 December 2019		
		Risk	Price change	Effect on profit (loss) before tax	Effect on equity before tax	Effect on profit (loss) before tax	Effect on equity before tax
				Trading portfolio	Other financial instruments ¹		Trading portfolio
Oil		10%		(273)	12	26	(423)
		-10%		273	(12)	(26)	423
Gas		10%		(218)	(57)	-	(22)
		-10%		217	57	-	22
Power		10%		247	(1,403)	(1,571)	540
		-10%		(238)	1,396	1,114	(556)
USD		10%		(112)	50	(281)	(126)
		-10%		112	(50)	281	126
GBP		10%		118	(2,948)	155	68
		-10%		(118)	2,948	(155)	(68)
NTD		10%		74	64	-	-
		-10%		(74)	(64)	-	-
EUR		1%		(31)	(89)	(82)	(26)
		-1%		31	89	82	31
Interest	100 basis points			(276)	-	1,281	(268)
Inflation	100 basis points			-	-	(2,671)	-
							(1,937)

Net investments and associated hedging of net investments in foreign subsidiaries are not included in the table, as the effect of the sum of the investment and the hedging are considered to be neutral to changes in currencies.

A 10 % increase in the currencies hedged in connection with net investments would reduce equity by DKK 4,796 million (2019: DKK 4,672 million).



¹ Other financial instruments, including derivatives classified as economic hedging, comprise derivatives entered into to hedge future financial risks. The market value changes of these contracts will be offset, in full or in part, by a change in the hedged risk. Also included are commercial contracts recognised at market value.

7.5 Credit risks

We are exposed to credit risks from our trading partners and customers. A large part of our counterparty risks concerns major international energy companies and banks. Such trading is regulated under standard agreements, such as EFET and ISDA agreements, which feature, for instance, credit rating and netting provisions. Our credit exposure is mainly concentrated on counterparties in Denmark, the UK, Germany, and the US.

We limit our credit risks by:

- systematically rating significant counterparties
- granting credit limits
- demanding that collateral be furnished, or credit insurance put in place.

The counterparties and credit limits granted are monitored on an ongoing basis. The monitoring is based on the framework established by our Board of Directors and the Executive Committee. For the most significant counterparties, an internal rating is required to determine credit limits. The rating is based on information from external credit rating agencies, publicly available information, and our own analyses.

We have not suffered losses from any single major counterparty in 2019 or 2020.

The credit risks from our financial assets primarily concern derivatives, cash, securities, and receivables. The assessment is based on the

individual counterparty's ratings with Standard & Poor's, Moody's, and Fitch. The figures do not reflect our actual credit exposure, as the positions are calculated before offsetting our debt to such counterparties.

Accounting policies

We only offset positive and negative values if we are entitled to and intend to settle several financial instruments net.

Credit quality of the Group's counterparties, DKKm	2020	2019
AAA/Aaa	21,498	9,221
AA/Aa	1,712	4,000
A/A	9,149	11,593
BBB/Baa	3,717	5,284
Non-rated	9,602	12,246
Total credit exposure	45,678	42,344



The AAA/Aaa category covers our position in Danish AAA-rated government and mortgage bonds. The non-rated category primarily consists of trade receivables from customers, such as end-users.

Offsetting of financial assets, DKKm	Derivatives	Trade receivables	2020	Derivatives	Trade receivables	2019
Financial assets	9,302	13,655	22,957	12,174	17,219	29,393
Financial liabilities, offset	(4,467)	(11,842)	(16,309)	(6,917)	(13,767)	(20,684)
Financial assets in the balance sheet	4,835	1,813	6,648	5,257	3,452	8,709
Amounts not offset in the balance sheet:						
Liabilities with offsetting rights	(1,859)	-	(1,859)	(2,044)	-	(2,044)
Collateral received	(12)	-	(12)	(1,438)	-	(1,438)
Net	2,964	1,813	4,777	1,775	3,452	5,227



The table shows our financial assets and liabilities where a share is offset and is therefore presented net. Offsetting is typically limited to specific products.

Offsetting of financial liabilities, DKKm	Derivatives	Trade payables	2020	Derivatives	Trade payables	2019
Financial liabilities	8,848	13,898	22,746	13,108	16,764	29,872
Financial assets, offset	(4,467)	(11,842)	(16,309)	(6,917)	(13,767)	(20,684)
Financial liabilities in the balance sheet	4,381	2,056	6,437	6,191	2,997	9,188
Amounts not offset in the balance sheet:						
Assets with offsetting rights	(1,859)	-	(1,859)	(2,044)	-	(2,044)
Collateral provided	(2,295)	-	(2,295)	(331)	-	(331)
Net	227	2,056	2,283	3,816	2,997	6,813

7.6 Categories of financial instruments

Financial instruments are used for various purposes. The purpose determines the category, and whether the value adjustment of the instrument should be recognised in the profit (loss) for the year or as part of the hedging reserve in equity.

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of bank loans and issued bonds where the market value is stated in note 6.1 'Interest-bearing debt'.



The table shows our financial instruments divided into categories. The categories indicate how the financial instruments are recognised in the financial statement.

Categories of financial instruments, DKKm	2020	2019
Energy and currency derivatives	2,856	5,072
Securities	25,173	16,552
Financial assets measured at fair value via the income statement	28,029	21,624
Energy derivatives	610	1,432
Interest and inflation derivatives	1,378	585
Currency derivatives	1,265	651
Derivatives (assets) used as hedging instruments	3,253	2,668
Trade receivables	6,732	8,140
Other accounts receivable	8,317	11,941
Financial assets measured at amortised cost	15,049	20,081
Energy and currency derivatives	4,538	4,397
Financial liabilities measured at fair value via the income statement	4,538	4,397
Energy derivatives	658	690
Interest and inflation derivatives	240	124
Currency derivatives	864	1,747
Derivatives (liabilities) used as hedging instruments	1,762	2,561
Bank loans and issued bonds	36,766	36,840
Trade payables	9,742	10,832
Other accounts payable	4,282	2,595
Financial liabilities measured at amortised cost	50,790	50,267



Drone delivery of tools at Borssele 1 & 2, Vlissingen, the Netherlands.

7.7 Fair value measurement

We measure our securities and derivatives at fair value. A number of our derivatives, mainly power purchase agreements, are measured based on non-observable inputs. The most significant non-observable input is the long-term US power price, due to the long duration of the contracts.

Valuation principles and key assumptions
 In order to minimise the use of subjective estimates or modifications of parameters and calculation models, it is our policy to determine fair values based on the external information that most accurately reflects the market values. We use pricing services and benchmark services to increase the data quality. Market values are determined by the Treasury & Risk Management function which reports to the CFO. The development in market values is monitored on a continuing basis and reported to the Executive Committee.

Deferred gain/losses from US power purchase agreements

The deferred gains from US PPAs consist of the market value of PPAs recognised in the opening balance when Lincoln Clean Energy was purchased in 2018. The PPAs lock the power price of the expected power in generation over a period of 13-15 years. These contracts are accounted for at fair value. Due to the long duration of these PPAs, power prices are not observable for the last part of the duration. The deferred revenue is recognised in profit or loss in the future period to which the market value relates. In 2020, we have recognised an income of DKK 184 million (2019: DKK 216 million) related to the deferred fair value of PPAs not recognised in profit or loss at initial recognition. The total amount of deferred revenue as of 31 December 2020 amounts to DKK 736 million (2019: DKK 995 million).

US power prices (ERCOT)

The US power purchase agreements give exposure to the long-term US power prices in the ERCOT region. The price is observable for the first four to six years. For the following four to six years, the power price is estimated based on observable inputs (gas prices and heat rates). For the short subsequent period, the power price is non-observable and estimated by extrapolating the power price towards the U.S. Energy Information Administration's long-term power price forecast, assuming similar seasonality as in previous periods. As only a minor part of the contract period is within the period where power prices are non-observable, we classify the contracts as based on observable input.

Significant non-observable inputs

Market values based on non-observable input comprise primarily long-term contracts on the purchase or sale of power and gas. Since there are no active markets for the long-term prices of power and gas, the market values have been determined through an estimate of the future prices. Normally, the price can be observed for a maximum of four to six years in the power market, after which an active market no longer exists.

Accounting policies

Market values based on quoted prices comprise quoted securities and derivatives that are traded in active markets. The market value of derivatives traded in an active market are often settled on a daily basis, thereby minimising the market value presented on the balance sheet.

Market values based on observable inputs comprise derivatives where valuation models with observable inputs are used to measure fair value.

All assets and liabilities measured at market value are measured on a recurring basis.

In business combinations, gain (loss) at initial recognition on derivatives whose values are based on non-observable inputs are deferred and recognised in the period to which the value relates.

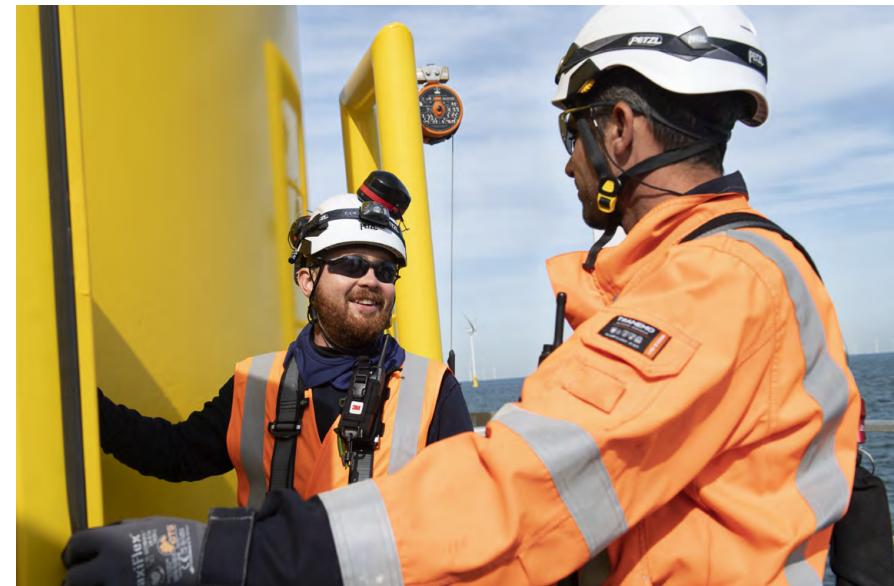
Fair value hierarchy, DKKm	Assets				Liabilities	
	Inventories	Derivatives	Other receivables	Securities	Derivatives	Other payables
2020						
Quoted prices	1,388	2,074	-	-	2,294	-
Observable input	-	3,627	-	25,173	3,534	-
Non-observable input	-	408	-	-	490	-
Total 2020	1,388	6,109	-	25,173	6,318	-
2019						
Quoted prices	959	16	-	-	21	-
Observable input	-	7,467	-	16,552	6,916	-
Non-observable input	-	257	-	-	21	-
Total 2019	959	7,740	-	16,552	6,958	-

Derivatives valued on the basis of non-observable input, DKKm	2020	2019
Market value at 1 January	236	(2,458)
Value adjustments through profit or loss	(21)	289
Value adjustments through other comprehensive income	(228)	955
Sales/redemptions	(37)	20
Purchases/issues	56	97
Transferred from quoted prices and observable input	15	-
Transferred to quoted prices and observable input	(103)	1,333
Market value at 31 December	(82)	236

Non-observable inputs per commodity price input, DKKm	2020	2019
German power prices	(228)	-
Other power prices	(21)	221
Gas prices	167	15
Total	(82)	236

①

The main non-observable input is German power prices in the period 2025-2034. The average power price for the period is estimated at EUR 54 per MWh, based on an inflation-adjusted extrapolation of the observable price. An increase or decrease in the German power prices of 10 % would impact the fair value by +/- DKK 400 million.



①

Borssele 1 & 2,
Vlissingen,
the Netherlands.

8. Other notes

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8.1 Related-party transactions

Related parties that have control over the Group comprise the Danish state, represented by the Danish Ministry of Finance.

Other related parties are the Group's associates and joint ventures, members of the Board of Directors and the Executive Board as well as other senior executives.

See note 8.5 'Company overview' for an overview of our joint ventures and associates.

Related-party transactions are made on arm's length terms. Intra-group transactions have been eliminated in the consolidated financial statements.

The remuneration and share programmes for the Executive Committee and the Board of Directors are described in notes 2.7 'Employee costs' and 2.8 'Share-based payment'.

Through a directly owned company, Peter Korsholm, board member, has had ordinary transactions with Danish Oil Pipe A/S, a wholly-owned subsidiary in the Ørsted Group.

We use the exemption set out in IAS 24.25 concerning entities in which the Danish state is a related party, and therefore transactions with government-related companies are not disclosed.

There were no other related-party transactions during the period.



East Coast Hub, at
the Port of Grimsby,
Lincolnshire, the UK.

Joint ventures, DKKm	2020	2019
Dividends received and capital reductions	6	-
Capital transactions, net	65	(118)
Sale of goods and services	-	3
Purchase of goods and services	-	(6)
Receivables	-	1
Payables	(5)	-

Associates, DKKm	2020	2019
Dividends received and capital reductions	14	-
Capital transactions, net	(45)	(46)
Sale of goods and services	11	13
Purchase of goods and services	(156)	(130)
Payables	(17)	(18)
Receivables	-	1

Board of Directors, DKKm	2020	2019
Purchase of goods and services	(21)	(107)
Payables	-	(11)

8.2 Leases

Our lease liabilities decreased by DKK 278 million relative to 31 December 2019. Additions primarily related to commenced leases of plots of land related to development and construction projects in Onshore.

Offshore's leases mainly comprise seabeds related to the offshore wind farms in the UK and US and service vessels. Onshore's leases comprise plots of land related to onshore wind farms. Markets & Bioenergy mainly lease gas storage facilities in Germany.

Leased assets recognised under 'Other activities' mainly comprise our two office premises in Gentofte and London. The premises are used by employees from all of our business units.

Seabed leases include variable lease payments which depend on the number of megawatt hours generated. However, we have typically agreed on minimum lease payments for the seabeds, and these minimum payments are included in the lease liabilities.

Expenses for the year relating to variable lease payments not included in lease liabilities amounted to DKK 411 million in 2020 (2019: DKK 311 million). Interests on lease debt expensed in profit (loss) were DKK 177 million in 2020 (2019: DKK 171 million).

Total cash outflows for leases were DKK 1,129 million in 2020 (2019: DKK 1,147 million).

We have entered into leases of DKK 368 million which are not commenced and consequently not included in our lease liabilities.

Accounting policies

Our lease liabilities are initially measured at the net present value of the in-substance fixed lease payments for the use of a lease asset. If, at inception of the lease, we are reasonably certain about exercising an option to extend a lease, we will include the lease payments in the option period when calculating the lease liability. We measure the lease asset to the value of the lease liability at initial recognition.

Our lease assets are classified alongside our owned assets of similar type under property, plant, and equipment. We depreciate our lease assets during the lease term. The depreciation method used is the straight-line method for all our lease assets, except for seabed leases where the depreciation method is aligned with the depreciation method for the related offshore wind farm. Therefore, seabed lease assets are depreciated by using either the straight-line method or the reducing-fraction method.

Contracts may contain both lease and non-lease components. We allocate the consideration in a contract to the lease and non-lease components based on their relative stand-alone prices. We account for non-lease components in accordance with the accounting policy applicable for such items. Non-lease components comprise building services and operating costs of leased vessels, etc.

Variable lease expenses are recognised in other external expenses in the period when the condition triggering those payments occurs. Interests of lease liabilities are recognised in financial expenses.

Each lease payment is separated into repayment of the lease liability and payment of interests of the lease liability. Debt repayments are classified as cash flows from financing activities, and payment of interests are classified as cash flows from operating activities.

Lease assets, DKKm	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment
Carrying amount at 1 January 2020	4,407	476	308	5,191
Exchange rate adjustments	(226)	(7)	(4)	(237)
Additions	775	-	79	854
Disposals	(133)	(234)	-	(367)
Divestment of enterprises	(239)	-	-	(239)
Depreciation	(310)	(63)	(213)	(586)
Carrying amount at 31 December 2020	4,274	172	170	4,616

Lease assets, DKKm	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment
Carrying amount at 1 January 2019	4,165	440	460	5,065
Exchange rate adjustments	131	1	5	137
Additions	535	109	5	649
Disposals	(61)	-	-	(61)
Depreciation	(363)	(74)	(162)	(599)
Carrying amount at 31 December 2019	4,407	476	308	5,191

Lease liabilities by segment 2020, DKKm	Offshore	Onshore	Markets & Bioenergy	Other activities	Total
0-1 year	299	51	86	163	599
1-3 years	583	245	113	321	1,262
3-5 years	314	156	23	320	813
5-10 years	602	409	40	581	1,632
10-15 years	477	463	28	18	986
After 15 years	360	1,549	9	-	1,918
Total (non-discounted)	2,635	2,873	299	1,403	7,210
Carrying amount at 31 December 2020	2,160	1,386	270	1,238	5,054

Lease liabilities by segment 2019, DKKm	Offshore	Onshore	Markets & Bioenergy	Other activities	Total
0-1 year	280	45	89	199	613
1-3 years	475	87	185	224	971
3-5 years	348	93	41	287	769
5-10 years	709	236	44	1,224	2,213
10-15 years	607	259	-	26	892
After 15 years	525	1,016	66	14	1,621
Total (non-discounted)	2,944	1,736	425	1,974	7,079
Carrying amount at 31 December 2019	2,432	864	368	1,668	5,332

8.3 Auditor's fees

PwC is Ørsted's auditor appointed by the annual general meeting. PwC audits the consolidated financial statements of Ørsted and our subsidiaries' financial statements in all the countries where we are represented.

It is our policy that the annual fee for non-audit services provided by our statutory auditor cannot exceed the annual fee for statutory audit services measured at Group level. The cap may be exceeded subject to approval by the Audit & Risk Committee.

Other assurance engagements primarily included reviews of ESG data, assurance services related to the issuance of bonds, and reviews of regulatory financial statements.

	2020	2019
Auditor's fees, DKKm		
Audit and audit-related fees		
Statutory audit	17	16
Other assurance engagements	2	2
Non-audit services		
Tax and VAT advice	3	2
Other services	2	4
Total fees to PwC	24	24
Fee for non-audit services in percent of statutory audit fee	39 %	47 %
PwC Denmark non-audit service ratio	56 %	n.a.

Tax and VAT advice primarily included advice in connection with tax due diligence and advice in connection with the preparation of tax returns and employee taxation.

Other services included other consultancy services from PwC, including advice in connection with accounting, GDPR, and due diligence.

Fees for services other than statutory audit supplied by PwC Denmark to Ørsted amounted to DKK 4 million (2019: DKK 6 million) and consisted of assurance services related to the issuance of bonds, reviews of regulatory financial statements, accounting and tax advice in connection with divestment of assets and enterprises, GDPR, due diligence, review of ESG data, and other general accounting and tax advice.



Effective from 1 January 2020, the non-audit services provided by the Group auditor in Denmark cannot exceed 70 %.

8.4 Contractual obligations

Our contractual obligations at 31 December 2020 mainly related to offshore wind turbines, foundations, and cables, etc., for the construction of offshore wind farms (primarily Greater Changhua 1 & 2a and Hornsea 2). We have reduced the obligations significantly relative to the last year due to the completion of Borssele 1 & 2 and progress on wind farms under construction.

The obligations in Onshore mainly related to purchases of onshore wind turbines and solar PV modules.

Lease liabilities are not part of the contractual obligations. See note 8.2 'Leases'.

Contractual obligations by segment, DKKm	Offshore	Onshore	Markets & Bioenergy	Total
0-1 year	1,761	1,689	29	3,479
1-5 years	40,311	-	40	40,351
2020	42,072	1,689	69	43,830
2019	50,815	1,327	209	52,351



Overview of contracts entered into where delivery had not taken place at 31 December 2020. The obligations are measured at nominal value.

8.5 Company overview

Segment/company/registered office	Type ¹	Ownership interest	Segment/company/registered office	Type ¹	Ownership interest
Parent company					
Ørsted A/S, Fredericia, Denmark	-	-	Choshi Offshore Wind Farm K.K., Toyko, Japan	S	100%
Offshore			CT Offshore A/S under frivillig likvidation, Fredericia, Denmark	S	100%
AB Baltic Grid, Malmö, Sweden	S	100 %	Cygnus Wind Transmission Limited, London, the UK	S	100%
Accebe B.V., 's-Gravenhage, the Netherlands	S	100 %	Deepwater Wind, LLC ² , Delaware, the US	JO	50 %
Anholt Havvindmøllepark I/S ^{2,3} , Fredericia, Denmark	JO	50 %	Deepwater Wind Block Island, LLC, Delaware, the US	S	100%
Barrow Offshore Wind Limited, London, the UK	S	100 %	Deepwater Wind Block Island Holdings, LLC ⁵ , Delaware, the US	S	100%
Bay State HoldCo LLC, Delaware, the US	JO	50 %	Deepwater Wind Block Island Transmission, LLC, Delaware, the US	S	100%
Bay State Wind LLC ² , Delaware, the US	JO	50 %	Deepwater Wind New England ² , LLC, Delaware, the US	JO	50 %
Bearsonville Investments sp. z o.o., soon Ørsted Polska OF SPV 1 sp. z o.o., Warzaw, Poland	S	100 %	Deepwater Wind New Jersey, LLC, Delaware, the US	S	100%
Blue Champion B.V., 's-Gravenhage, the Netherlands	S	100 %	Deepwater Wind New York ² , LLC, Delaware, the US	JO	50 %
Boreas B.V., 's-Gravenhage, the Netherlands	S	100 %	Deepwater Wind Operating ² , LLC, Delaware, the US	JO	50 %
Borkum Riffgrund 1 Holding A/S, Fredericia, Denmark	S	100 %	Deepwater Wind Rhode Island, LLC, Delaware, the US	S	100%
Borkum Riffgrund 1 Offshore Windpark A/S GmbH & Co. oHG, Norden, Germany	JO	50 %	DWBI Class B member, LLC, Delaware, the US	S	100%
Borkum Riffgrund 2 Holding GmbH, Hamburg, Germany	S	100 %	DWW MARI Holdings, LLC ² , Delaware, the US	JO	50 %
Borkum Riffgrund 2 Offshore Wind Farm GmbH & Co. oHG, Norden, Germany	JO	50 %	Euros B.V., 's-Gravenhage, the Netherlands	S	100%
Borkum Riffgrund 3 GmbH, Hamburg, Germany	S	100 %	Endalan Investments sp. z o.o., soon Ørsted Polska OF SPV 2 sp. z o.o., Warzaw, Poland	S	100%
Borssele Wind Farm C.V., 's-Gravenhage, the Netherlands	S	100 %	Formosa I International Investment Co., Limited, Taipei City, Taiwan	JV	35 %
Breesea Limited, London, the UK	S	100 %	Formosa I Wind Power Co. ² , Ltd, Taipei City, Taiwan	JV	35 %
BSW Holdco LLC ² , Delaware, the US	JO	50 %	Garden State Offshore Energy, LLC, Delaware, the US	JV	50 %
BSW Projectco LLC ² , Delaware, the US	JO	50 %	Gavota B.V., 's-Gravenhage, the Netherlands	S	100%
Burbo Extension Holding Ltd, London, the UK	JO	50 %	Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG, Norden, Germany	JO	50 %
Burbo Extension Ltd ² , London, the UK	JO	50 %	Gode Wind 2 Offshore Wind Farm P/S GmbH & Co. oHG, Norden, Germany	JO	50 %
Calgary Flames B.V., 's-Gravenhage, the Netherlands	S	100 %	Gode Wind 3 GmbH, Hamburg, Germany	S	100%
Celtic Array Limited ² , Berkshire, the UK	JV	50 %	Golden Melody B.V., 's-Gravenhage, the Netherlands	S	100%
Cerulea Limited, London, the UK	S	100 %	Gotland Offshore Windfarm AB, Malmö, Sweden	S	100%
Choshi Ørsted HoldCo G.K., Tokyo, Japan	S	100 %	Greater Changhua Offshore Wind Farm NW Ltd., Changhua County, Taiwan	S	100%
			Greater Changhua Offshore Wind Farm SE Ltd., Changhua County, Taiwan	S	100%

Segment/company/registered office	Type ¹	Ownership interest	Segment/company/registered office	Type ¹	Ownership interest
Greater Changhua SE Holdings Ltd, Changhua County, Taiwan	S	100 %	Orsted Borssele 1 B.V. 's-Gravenhage, the Netherlands	S	100 %
Greater Changhua Offshore Wind Farm SW Ltd, Changhua County, Taiwan	S	100 %	Orsted Borssele Holding B.V. 's-Gravenhage, the Netherlands	S	100 %
GSOE I, LLC ² , Delaware, the US	JV	50 %	Orsted Burbo (UK) Limited, London, the UK	S	100 %
Gunfleet Sands Holding Ltd, London, the UK	S	50 %	Orsted Burbo Extension Holding Ltd, London, the UK	S	100 %
Gunfleet Sands II Limited ² , London, the UK	S	50 %	Orsted Gode Wind 1 Holding GmbH, Hamburg, Germany	S	100 %
Gunfleet Sands Limited ² , London, the UK	S	50 %	Orsted Gode Wind 2 GmbH, Hamburg, Germany	S	100 %
Hocadio Investments sp. z o.o., soon Orsted Polska OF SPV 3 sp. z o.o., Warzaw, Poland	S	100 %	Orsted Greater Changhua SE Holdings Ltd, Changhua County, Taiwan	S	100 %
Horns Rev I Offshore Wind Farm ⁶	JO	40 %	Orsted Gunfleet Sands Demo (UK) Ltd, London, the UK	S	100 %
Hornsea 1 Holdings Limited, London, the UK	JO	50 %	Orsted HKN Holding B.V. 's-Gravenhage, the Netherlands	S	100 %
Hornsea 1 Limited ² , London, the UK	JO	50 %	Orsted Hornsea 1 Holdings Limited, London, the UK	S	100 %
Lincs Wind Farm (Holding) Limited, London, the UK	JO	25 %	Orsted Hornsea Project Four Limited, London, the UK	S	100 %
Lincs Wind Farm Limited ² , Aberdeen, the UK	JO	25 %	Orsted Hornsea Project Three (UK) Limited, London, the UK	S	100 %
London Array Limited, Kent, the UK	JO	25 %	Orsted InvestCo Limited, Taipei City, Taiwan	S	100 %
Merndale Investments sp. z o.o., soon Orsted Polska OF SPV 4 sp. z o.o.	S	100 %	Orsted Isle of Man (UK) Limited, Isle of Man	S	100 %
Morecambe Wind Limited, London, the UK	JO	50 %	Orsted Japan K.K., Tokyo, Japan	S	100 %
Njord Limited ² , London, the UK	S	50 %	Orsted Korea Limited, Seoul, South Korea	S	100 %
North East Offshore, LLC, Delaware, the US	JO	50 %	Orsted Lincs (UK) Ltd, London, the UK	S	100 %
Northeast Wind Energy LLC, Delaware, the US	JO	50 %	Orsted London Array II Limited, London, the UK	S	100 %
Notos B.V. 's-Gravenhage, the Netherlands	S	100 %	Orsted London Array Limited, London, the UK	S	100 %
Nysted I A/S, Fredericia, Denmark	S	86 %	Orsted North America Inc., Delaware, the US	S	100 %
Nördlicher Grund GmbH, Hamburg, Germany	S	100 %	Orsted Ocean Wind HoldCo, LLC, Delaware, the US	S	100 %
Ocean Wind LLC, Delaware, the US	S	100 %	Orsted Pipeline HoldCo G.K., Tokyo, Japan	S	100 %
Ocean Wind II, LLC, Delaware, the US	S	100 %	Orsted Pipeline ProjectCo K.K., Tokyo, Japan	S	100 %
Ocean Wind JV HoldCo, LLC, Delaware, the US	S	100 %	Orsted Polska OF Services sp. z o.o., Warzaw, Poland	S	100 %
OFTRAC Limited, London, the UK	S	100 %	Orsted Power (Gunfleet Sands) Ltd, London, the UK	S	100 %
Optimus Wind Limited, London, the UK	S	100 %	Orsted Power (Participation) Ltd, London, the UK	S	100 %
Optimus Wind Transmission Limited, London, the UK	S	100 %	Orsted Power (UK) Limited, London, the UK	S	100 %
Orsted Baltica 2 Holding sp. z o.o., Warzaw, Poland	S	100 %	Orsted Race Bank (Holding) Limited, London, the UK	S	100 %
Orsted Baltica 3 Holding sp. z o.o., Warzaw, Poland	S	100 %	Orsted Shell Flats (UK) Limited, London, the UK	S	100 %
Orsted Borkum Riffgrund I GmbH, Hamburg, Germany	S	100 %	Orsted Singapore Pte. Ltd, Singapore, Republic of Singapore	S	100 %
Orsted Borkum Riffgrund I HoldCo GmbH, Hamburg, Germany	S	100 %	Orsted Speicher R GmbH, Hamburg, Germany	S	100 %

Segment/company/registered office	Type ¹	Ownership interest	Segment/company/registered office	Type ¹	Ownership interest
Ørsted Taiwan Ltd., Taipei City, Taiwan	S	100 %	Soundmark Wind Limited, London, the UK	S	100 %
Ørsted UK III Limited, London, the UK	S	100 %	South Fork Wind, LLC ² , Delaware, the US	JO	50 %
Ørsted US East Coast Offshore Wind Holdco, LLC, Delaware, the US	S	100 %	Sunrise Wind, LLC ² , Delaware, the US	JO	50 %
Ørsted Walney Extension Holdings Limited, London, the UK	S	100 %	Tasalot Investments sp. z o.o., soon Ørsted Polska OF SPV 6 sp. z o.o., Warsaw, Poland	S	100 %
Ørsted West of Duddon Sands (UK) Limited, London, the UK	S	100 %	UMBO GmbH, Hamburg, Germany	JV	90 %
Ørsted Westermost Rough Limited, London, the UK	S	100 %	Valmarindo Investments sp. z o.o., soon Ørsted Polska OF SPV 7 sp. z o.o., Warsaw, Poland	S	100 %
Ørsted Wind Power Germany GmbH, Hamburg, Germany	S	100 %	Varinas B.V., 's-Gravenhage, the Netherlands	S	100 %
Ørsted Wind Power Netherlands B.V., 's-Gravenhage, the Netherlands	S	100 %	VI Aura Transmission Limited, London, the UK	S	100 %
Ørsted Wind Power Netherlands Holding B.V., 's-Gravenhage, the Netherlands	S	100 %	Walney (UK) Offshore Windfarms Limited, London, the UK	S	50 %
Ørsted Wind Power North America LLC, Delaware, the US	S	100 %	Walney Extension Holdings Limited, London, the UK	JO	50 %
Preparatory Office of Greater Changhua Offshore Wind Farm NE Ltd., Changhua County, Taiwan	S	100 %	Walney Extension Limited ² , London, the UK	JO	50 %
Preparatory Office of Wo Neng 1 Offshore Wind Farm Ltd.	S	100 %	West of Duddon Sands ⁵ , London, the UK	JO	50 %
Preparatory Office of Wo Neng 2 Offshore Wind Farm Ltd.	S	100 %	Westermost Rough (Holding) Limited, London, the UK	JO	50 %
Preparatory Office of Wo Neng 3 Offshore Wind Farm Ltd.	S	100 %	Westermost Rough Limited ² , London, the UK	JO	50 %
Preparatory Office of Wo Neng 4 Offshore Wind Farm Ltd.	S	100 %	Zadivo Investments sp. z o.o., soon Ørsted Polska OF SPV 8 sp. z o.o., Warsaw, Poland	S	100 %
Preparatory Office of Xu Feng 1 Offshore Wind Farm Ltd.	S	100 %	Zephyrus B.V., 's-Gravenhage, the Netherlands	S	100 %
Preparatory Office of Xu Feng 2 Offshore Wind Farm Ltd.	S	100 %	Ørsted - Anholt Offshore A/S, Fredericia, Denmark	S	100 %
Preparatory Office of Xu Feng 3 Offshore Wind Farm Ltd.	S	100 %	Ørsted Horns Rev I A/S, Fredericia, Denmark	S	100 %
Preparatory Office of Xu Feng 4 Offshore Wind Farm Ltd.	S	100 %	Ørsted Horns Rev 2 A/S, Fredericia, Denmark	S	100 %
Race Bank Wind Farm (Holding) Limited ² , London, the UK	JO	50 %	Ørsted Hydrogen Green Fuels DK A/S, Fredericia, Denmark	S	100 %
Race Bank Wind Farm Limited ² , London, the UK	JO	50 %	Ørsted Japan Holding A/S, Fredericia, Denmark	S	100 %
Revolution Wind, LLC ² , Delaware, the US	JO	50 %	Ørsted Nearshore Wind ApS, Fredericia, Denmark	S	100 %
Rhiannon Wind Farm Limited ² , Windsor, the UK	JV	50 %	Ørsted VE A/S, Fredericia, Denmark	S	100 %
Scarweather Sands Limited, Coventry, the UK	JV	50 %	Ørsted Wind A/S, Fredericia, Denmark	S	100 %
Scranford Investments sp. z o.o., soon Ørsted Polska OF SPV 5 sp. z o.o., Delaware, the US	S	100 %	Ørsted Wind Power A/S ⁴ , Fredericia, Denmark	S	100 %
Skipjack Offshore Energy, LLC, Delaware, the US	S	100 %	Ørsted Wind Power Denmark A/S, Fredericia, Denmark	S	100 %
Skåne Offshore Windfarm AB	S	100 %	Ørsted Wind Power Holding A/S, Fredericia, Denmark	S	100 %
SMart Wind Limited, London, the UK	S	100 %	Onshore		
SMRT Line, LLC ² , Delaware, the US	JO	50 %	2W Permian Solar, LLC, Delaware, the US	S	100 %
Sonningmay Wind Limited, London, the UK	S	100 %	2W Permian Class B Member, LLC, Delaware, the US	S	100 %
			2W Permian Holdco, LLC, Delaware, the US	S	100 %

Segment/company/registered office	Type ¹	Ownership interest	Segment/company/registered office	Type ¹	Ownership interest
Antelope Flats Wind, LLC, Delaware, the US	S	100 %	Jones Solar Center, LLC, Florida, the US	S	100 %
Armadillo Solar Center, LLC, Delaware, the US	S	100 %	Live Oak Solar Center, LLC, Florida, the US	S	100 %
Badger Wind, LLC, Delaware, the US	S	100 %	Lockett Windfarm Class B Member, LLC, Delaware, the US	S	100 %
Barranca Wind Energy, LLC, Delaware, the US	S	100 %	Lockett Windfarm Project Holdings, LLC ⁵ , Delaware, the US	S	100 %
Barranca Wind Energy II, LLC, Delaware, the US	S	100 %	Lockett Windfarm LLC, Delaware, the US	S	100 %
Bauer Solar, LLC, Delaware, the US	S	100 %	Lux Solar Center, LLC, Nevada, the US	S	100 %
Bedford Solar Center, LLC, Virginia, the US	S	100 %	Madden Solar Center, LLC, Georgia, the US	S	100 %
Bowen Solar Center, LLC, Mississippi, the US	S	100 %	Mastodon Solar Center, LLC, Delaware, the US	S	100 %
Cabin Point Solar Center, LLC, Virginia, the US	S	100 %	McAlpin Solar Center, LLC, Florida, the US	S	100 %
Camino Solar Center, LLC, New Mexico, the US	S	100 %	Michaux Solar Center, LLC, Virginia, the US	S	100 %
Canutillo Energy Center, LLC, Texas, the US	S	100 %	Mineola Wind, LLC, Delaware, the US	S	100 %
Casper Solar Center, LLC, Virginia, the US	S	100 %	Mockingbird Solar Center, LLC, Delaware, the US	S	100 %
Coolidge Solar Center, LLC, Arizona, the US	S	100 %	Muscle Shoals Land Holdings, LLC, Delaware, the US	S	100 %
Dermott Wind Class B Holdco, LLC, Delaware, the US	S	100 %	Muscle Shoals Solar Class B Member, LLC, Delaware, the US	S	100 %
Dermott Wind Class B Member, LLC, Delaware, the US	S	100 %	Muscle Shoals Solar Class B Parent, LLC, Delaware, the US	S	100 %
Dermott Wind, LLC ⁵ , Delaware, the US	S	100 %	Muscle Shoals Solar Seller, LLC, Delaware, the US	S	100 %
Dunbar Solar, LLC, Delaware, the US	S	100 %	Muscle Shoals Solar TE Partners, LLC, Delaware, the US	S	100 %
Emerick Wind, LLC, Delaware, the US	S	100 %	Muscle Shoals Solar, LLC, Delaware, the US	S	100 %
Eastern Trail Solar Center, LLC, Delaware, the US	S	100 %	Napoleon Wind, LLC, Delaware, the US	S	100 %
Firefly Solar Center, LLC, Delaware, the US	S	100 %	Newlands Solar, LLC, Delaware, the US	S	100 %
Frog Solar Center, LLC, Virginia, the US	S	100 %	NJ Oak Solar Finco, LLC, Delaware, the US	S	100 %
Garland Wind, LLC, Delaware, the US	S	100 %	NJ Oak Solar Holdco, LLC, Delaware, the US	S	100 %
Geranium Solar, LLC, Delaware, the US	S	100 %	Old 300 Solar Center, LLC, Delaware, the US	S	100 %
Goose Solar Center, LLC, Texas, the US	S	100 %	OONA-SP Haystack Holdings, LLC, Delaware, the US	S	100 %
Happy Hollow Solar Center, LLC, Georgia, the US	S	100 %	Orchard Solar Center, LLC, Delaware, the US	S	100 %
Haystack Owner, LLC, Delaware, the US	S	100 %	Orsted Energy Storage & Solar N.A. LLC, Delaware, the US	S	100 %
Haystack Wind Project, LLC, Delaware, the US	S	100 %	Orsted Helena Member, LLC, Delaware, the US	S	100 %
Helena Wind, LLC, Delaware, the US	S	100 %	Orsted Onshore Asset Management Services, LLC, Delaware, the US	S	100 %
Helena Wind Holdco, LLC, Delaware, the US	S	100 %	Orsted Onshore Dermott Holdings, Inc., Delaware, the US	S	100 %
Holland Solar, LLC, Delaware, the US	S	100 %	Orsted Onshore DevCo, LLC, Delaware, the US	S	100 %
Holloman Solar Center, LLC, North Carolina, the US	S	100 %	Orsted Onshore Development North America, LLC, Delaware, the US	S	100 %

Segment/company/registered office	Type ¹	Ownership interest	Segment/company/registered office	Type ¹	Ownership interest	
Ørsted Onshore Equipment Company, LLC, Delaware, the US	S	100 %	Tahoka Wind Project Holdings, LLC ⁵ , Delaware, the US	S	100 %	
Ørsted Onshore Equipment Holdings, Inc., Delaware, the US	S	100 %	Tahoka Wind, LLC, Delaware, the US	S	100 %	
Ørsted Onshore Equity Holdings, Inc., Delaware, the US	S	100 %	Thalia Wind, LLC, Delaware, the US	S	100 %	
Ørsted Onshore North America, LLC, Delaware, the US	S	100 %	Tovey Wind, LLC, Delaware, the US	S	100 %	
Ørsted Onshore North America Power, LLC, Delaware, the US	S	100 %	Waukeenah Solar Center, LLC, Florida, the US	S	100 %	
Ørsted Onshore Real Estate Holdings, LLC, Delaware, the US	S	100 %	Webb East Solar Center, LLC, Virginia, the US	S	100 %	
Ørsted Onshore WS Holdings, Inc, Delaware, the US	S	100 %	Western Trail Wind, LLC, Delaware, the US	S	100 %	
Ørsted Onshore Services, LLC, Delaware, the US	S	100 %	Westwing Storage Center, LLC, Delaware, the US	S	100 %	
Ørsted Renewables N.A. LLC, Delaware, the US	S	100 %	Willow Creek Wind Power, LLC ⁵ , Delaware, the US	S	100 %	
Palacios Wind, LLC, Delaware, the US	S	100 %	Willow Springs Class B Holdco, LLC, Delaware, the US	S	100 %	
Piccadilly Solar Energy Center, LLC, Colorado, the US	S	100 %	Willow Springs Class B Member, LLC, Delaware, the US	S	100 %	
Placid Solar, LLC, Delaware, the US	S	100 %	Willow Springs Project Holdings, LLC ⁵ , Delaware, the US	S	100 %	
Placid Solar II, LLC, Delaware, the US	S	100 %	Willow Springs Windfarm, LLC, Delaware, the US	S	100 %	
Plum Creek Wind, LLC ⁵ , Delaware, the US	S	100 %	Wilson Battery Storage LLC, Delaware, the US	S	100 %	
Plum Creek and Willow Creek Class B Member, LLC, Delaware, the US	S	100 %	Ørsted Onshore A/S, Fredericia, Denmark	S	100 %	
Plum Creek and Willow Creek Project Holdings, LLC, Delaware, the US	S	100 %	Ørsted Onshore Holding A/S ⁴ , Fredericia, Denmark	S	100 %	
Pyramid Lake Solar Center, LLC, Delaware, the US	S	100 %	Markets & Bioenergy			
Sage Draw Wind Class B Member, LLC, Delaware, the US	S	100 %	Danish Offshore Gas Systems A/S, Fredericia, Denmark	S	100 %	
Sage Draw Wind, LLC ⁵ , Delaware, the US	S	100 %	Danish Oil Pipe A/S ⁴ , Fredericia, Denmark	S	100 %	
Sage Draw Wind Project Holdings, LLC, Delaware, the US	S	100 %	DE Thermal Power Nr. 1 A/S in voluntary liquidation, Fredericia, Denmark	S	100 %	
SP Energy 1, LLC, Delaware, the US	S	100 %	Emineral A/S, Fredericia, Denmark	JV	50 %	
SP Energy DM, LLC, Delaware, the US	S	100 %	Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG, Bremen, Germany	A	33 %	
SP Energy ET, LLC, Delaware, the US	S	100 %	Etzel-Kavernenbetriebs-Verwaltungsgesellschaft mbH, Bremen, Germany	A	33 %	
SP Energy GL, LLC, Delaware, the US	S	100 %	Haderslev Kraftvarmeværk A/S in voluntary liquidation, Fredericia, Denmark	S	100 %	
SP Energy PV, LLC, Delaware, the US	S	100 %	Inbicon A/S, Fredericia, Denmark	S	100 %	
SP Energy TL, LLC, Delaware, the US	S	100 %	Maabjerg Energy Concept A/S, Fredericia, Denmark	S	70 %	
Sparta Solar, LLC, Delaware, the US	S	100 %	Orsted AB, Malmö, Sweden	S	100 %	
Staked Plains Energy, LLC, Delaware, the US	S	100 %	Orsted Customer Solutions Holding LLC, Delaware, the US	S	100 %	
Sundown Wind, LLC, Delaware, the US	S	100 %	Orsted Energy Solutions (UK) Limited, London, the UK	S	100 %	
Tahoka Wind Class B Holdco, LLC, Delaware, the US	S	100 %	Orsted ESS Mersey Limited, London, the UK	S	100 %	
Tahoka Wind Class B Member, LLC, Delaware, the US	S	100 %	Orsted Holding Ludwigsau I GmbH, Hamburg, Germany	S	100 %	

Segment/company/registered office	Type ¹	Ownership interest	Segment/company/registered office	Type ¹	Ownership interest
Ørsted Infrastructure GmbH ⁴ , Hamburg, Germany	S	100 %	Ørsted Kraftwerke Holding GmbH, Hamburg, Germany	S	100 %
Ørsted Leitung E GmbH, Hamburg, Germany	S	100 %	Ørsted Markets GmbH, Hamburg, Germany	S	100 %
Ørsted Netherlands B.V., 's-Gravenhage, the Netherlands	S	100 %	Ørsted Power Sales (UK) Limited, London, the UK	S	100 %
Ørsted Renescience Northwich Limited, London, the UK	S	100 %	Ørsted Renescience Northwich O&M Limited, London, the UK	S	100 %
Ørsted S&D (UK) Limited, London, the UK	S	100 %	Ørsted Sales (UK) Limited, London, the UK	S	100 %
Ørsted Sales GmbH, Hamburg, Germany	S	100 %	Ørsted SP (UK) Limited, London, the UK	S	100 %
Ørsted SP Holding (UK) Limited, London, the UK	S	100 %	Ørsted Speicher E GmbH, Hamburg, Germany	S	100 %
Ørsted US Trading LLC, Delaware, the US	S	100 %	Ørsted US Trading LLC, Delaware, the US	S	100 %
Pyroneer A/S, Fredericia, Denmark	S	100 %	Ørnestine A/S, Fredericia, Denmark	S	100 %
Renescience A/S, Fredericia, Denmark	S	100 %	Severn Power Funding Limited, London, the UK	S	100 %
Stigsnæs Vandindvinding I/S, Skælskør, Denmark	NC	64 %	Ørsted Bioenergy & Thermal Power A/S ⁴ , Fredericia, Denmark	S	100 %
Vejen Kraftvarmeværk A/S in voluntary liquidation, Fredericia, Denmark	S	100 %	Ørsted Commercial Commodities A/S, Fredericia, Denmark	S	100 %
Ørsted New Bio Solutions China A/S, Fredericia, Denmark	S	100 %	Ørsted New Bio Solutions Holding A/S, Fredericia, Denmark	S	100 %
Ørsted Pipelines A/S, Fredericia, Denmark	S	100 %	Ørsted Salg & Service A/S ⁴ , Fredericia, Denmark	S	100 %
Other					
EM El Holding A/S, Fredericia, Denmark	S	100 %	EnergiGruppen Jylland El A/S, Fredericia, Denmark	S	100 %
EnergiGruppen Jylland El Holding A/S, Fredericia, Denmark	S	100 %	Ørsted (UK) Limited, London, the UK	S	100 %
Ørsted Holdings N.A. Inc, Delaware, the US	S	100 %	Ørsted Services Malaysia Sdn. Bhd, Kuala Lumpur, Malaysia	S	100 %
Ørsted Venture N.A. LLC, Delaware, the US	S	100 %	Ørsted Polska Sp. z o. o., Warsaw, Poland	S	100 %
Pict Offshore Limited, Inverkeithing, the UK	A	22 %	Taiwan Ørsted Financial Services Co., Ltd, Taipai City, Taiwan	S	100 %
Ørsted EGJ A/S, Fredericia, Denmark	S	100 %	Ørsted El A/S ⁴ , Fredericia, Denmark	S	100 %
Ørsted Insurance A/S ⁴ , Fredericia, Denmark	S	100 %	Ørsted North America Holding A/S, Fredericia, Denmark	S	100 %
Ørsted Nr. 1 2014 A/S ^{3,4} , Fredericia, Denmark	S	100 %	Ørsted Nr. 1 2020 A/S ⁴ , Fredericia, Denmark	S	100 %
Ørsted Real Estate A/S ⁴ , Fredericia, Denmark	S	100 %	Ørsted Services A/S ⁴ , Fredericia, Denmark	S	100 %
Ørsted Ventures Europe A/S ⁴ , Fredericia, Denmark	S	100 %	Ørsted Wind Power TW Holding A/S, Fredericia, Denmark	S	100 %



¹ S = subsidiary

A = associate

JO = joint operation

JV = joint venture

NC = non-consolidated entity

² The company is owned through a company which is not owned 100 % by Ørsted. The disclosed ownership interest is Ørsted's ultimate ownership interest in the company.

³ The company applies the provision in section 5 or section 6 of the Danish Financial Statements Act to omit presenting a separate annual report.

⁴ Subsidiaries owned directly by Ørsted A/S.

⁵ One or more tax equity partners own an insignificant share of the company. See note 4.5 'Tax equity liabilities'. The company is fully consolidated.

⁶ Unincorporated activity which is owned jointly with partners.

Consolidated ESG statements

(additional information)

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Surrounded by centuries of history, our office in Warsaw is brand new. Ørsted colleagues here play a vital role in business services and in developing and maintaining the digital systems that keep our wind farms, trading activities, construction projects, and financial services up and running around the world.

Basis of reporting

Consolidated environmental, social, and governance (ESG) statements

In the consolidated ESG statements, we present our results, objectives, and accounting policies for the ESG data included in the management's review in this report.

Our full ESG data set can be seen in the independent publication '[ESG performance report 2020](#)'. The ESG performance report also includes additional information, such as selected ESG indicators by country and all ESG accounting policies, including a list of references for conversion factors used in calculations.

Scope and consolidation

Unless otherwise stated, ESG data is reported on the basis of the same principles as the financial statements. Thus, the consolidated ESG statements include consolidated data from the parent company, Ørsted A/S, and subsidiaries controlled by Ørsted A/S. Data from associates and joint ventures are not included.

The consolidation of safety data deviates from the above-described principles. Safety data is collected using an operational scope. This means that irrespective of our ownership share, we include 100 % of injuries and hours worked, etc., arising from all operations where Ørsted is responsible for safety, including safety related to external suppliers.

Data from acquisitions and divestments are included or excluded from the date of acquisition or divestment.

Danish Financial Statements Act, sections 99 a, 99 b, and 107 d

Pursuant to section 99 a of the Danish Financial Statements Act (Årsregnskabsloven), Ørsted is under an obligation to account for the company's CSR activities and report on business strategies and activities with regard to human rights, labour rights, anti-corruption, the environment, and the climate. By publishing our sustainability report ([ørsted.com/sustainability2020](#)), Ørsted complies with section 99 a of the Danish Financial Statements Act.

Ørsted's work for increased gender diversity at management level is reported in accordance with section 99 b of the Danish Financial Statements Act in our ESG performance report 2020 ([ørsted.com/ESGperformance2020](#)).

Reporting of diversity in accordance with section 107 d of the Danish Financial Statements Act can be seen in our sustainability report ([ørsted.com/sustainability2020](#)).

Business changes in 2020 affecting ESG data

In August 2020, we closed the divestment of the Danish power distribution, residential customer, and city light businesses.

In December 2020, we closed the divestment of the liquefied natural gas (LNG) business.

Discontinued ESG indicators in 2020

- Power distribution.

Discontinued ESG indicators in 2020 which can still be found in the full ESG performance report 2020

- LTIF (lost-time injury frequency).
- People powered.
- Jobs created.
- Nationality diversity of the Board of Directors and the Executive Committee.

Scope 3 target: update of the 2018 base year emissions

We have updated our 2018 base year for scope 3 emissions in accordance with our policy for baseline adjustments for scope 3, due to our divestment of the LNG business in 2020.



Our full ESG data set can be seen in the ESG performance report 2020 ([ørsted.com/ESGperformance2020](#)).

11.3 GW

Our installed renewable capacity increased by 14 % from 2019 to 2020. We have a target of +30 GW installed renewable capacity in 2030.

90 %

The green share of our heat and power generation increased from 86 % in 2019 to 90 % in 2020. We have a target of 99 % in 2025.

58 g CO₂e/kWh

Our greenhouse gas intensity was reduced by 11 % to 58 g CO₂e/kWh in 2020. Our target is to reach 10 g CO₂e/kWh in 2025.

100 %

We reached our target for sourced certified sustainable wooden biomass as the share of certified sustainable biomass is now 100 %.

Environment

Strategic target	Business driver	Indicator	Unit	Target	2020	2019
		Green energy share	%	99 (2025)¹	90	86
		Greenhouse gas (GHG) intensity (scopes 1 and 2)	g CO ₂ e/kWh	10 (2025)²	58	65
		Direct GHG emissions (scope 1)	Thousand tonnes CO ₂ e		1,851	1,846
		Indirect GHG emissions (scope 2), location-based	Thousand tonnes CO ₂ e		111	123
		Indirect GHG emissions (scope 2), market-based	Thousand tonnes CO ₂ e		2	4
		Indirect GHG emissions (scope 3)	Thousand tonnes CO ₂ e	25,333	34,604	
		– Category 2: Capital goods ³	Thousand tonnes CO ₂ e	657	740	
		– Category 3: Fuel- and energy-related activities ⁴	Thousand tonnes CO ₂ e	2,437	3,217	
		– Category 11: Use of sold products ⁵	Thousand tonnes CO ₂ e	21,980	30,377	
		– Other ⁶	Thousand tonnes CO ₂ e	259	270	
		Scope 3 GHG reduction from adjusted base year 2018⁷	%	50 % (2032)	13	-
		Installed renewable capacity	MW	+30 GW (2030)	11,297	9,870
		– Offshore wind power	MW	15 GW (2025)	7,572	6,820
		– Onshore wind power	MW	5 GW (2025) ⁸	1,658	987
		– Onshore solar PV power	MW		10	10
		– Biogas, power	MW		3	-
		– Thermal heat, biomass	MW		2,054	2,053
		Decided (FID) renewable capacity (not installed yet)	MW		4,028	4,129
		– Offshore wind power	MW		2,286	3,038
		– Onshore wind power	MW		665	671
		– Onshore solar PV power	MW		1,077	420
		Awarded and contracted renewable capacity	MW		4,996	4,996
		(no FID yet)	MW		4,996	4,996
		– Offshore wind power	MW			
		Sum of installed and FID renewable capacity	MW		15,325	13,999
		Sum of installed, FID, and awarded/contracted renewable capacity	MW		20,321	18,995
		Installed storage capacity	MWac		21	21

¹ Additional target is 95 % (2023).

² Additional target is 20 (2023).

³ Primary source of emission: wind farm suppliers.

⁴ Primary source of emission: regular power sales.

⁵ Primary source of emission: natural gas sales.

⁶ Remaining categories of the 15 defined scope 3 GHG categories according to the Greenhouse Gas Protocol.

⁷ We have adjusted the 2018 base year emissions after the divestement of the LNG business which accounted for 20 % in 2018.

⁸ The 5 GW target (2025) is for onshore wind and solar PV combined.



The green (renewable) share of our heat and power generation amounted to 90 % in 2020, up 4 percentage points relative to 2019. The increase was primarily due to higher generation from wind farms. Our target is 99 % green energy generation in 2025.

Our greenhouse gas intensity was reduced by 11 % for the same reasons as for the increase in the renewable energy share. We are well on track to meeting our target of a greenhouse gas emission intensity of no more than 10 g CO₂e/kWh in 2025. We will continue to investigate solutions for the remaining emissions, which could include investing in certified carbon-removal projects.

We have updated our 2018 base year scope 3 emissions in accordance with our policy for baseline adjustments for scope 3. We divested the LNG business in 2020. The LNG business accounted for 20 % of the 2018 base year scope 3 emissions. Therefore, we have reduced the scope 3 base year emissions and target emissions in 2032 by 20 %.

Our scope 3 greenhouse gas emissions were reduced by 27 % from 2019 to 2020. The main driver for this reduction was the 28 % decrease in gas sales (category 11). Our second-largest source of scope 3 emissions (category 3) was reduced by 24 % from 2019 to 2020, primarily due to reduced sale of regular power to end-customers. Our third-largest source of scope 3 emissions (category 2) includes greenhouse gas emissions from the supply chain and the installation of new assets, such as the offshore wind farm Borssele 1 & 2 and the three onshore wind farms Sage Draw, Plum Creek, and Willow Creek.

The installed renewable capacity increased by 14 % in 2020 due to the commissioning of the offshore wind farm Borssele 1 & 2 (752 MW) and the onshore wind farms Sage Draw (338 MW), Plum Creek (230 MW), and Willow Creek (184 MW).

Strategic target	Business driver	Indicator	Unit	Target	2020	2019	
		Generation, heat and power total	GWh		32,095	28,430	
	●	Power generation	GWh		25,424	20,118	
	●	– Offshore wind	GWh		15,248	11,965	
	●	– Onshore wind	GWh		5,731	3,498	
	●	– Solar PV	GWh		7	15	
	●	– Thermal	GWh		4,438	4,640	
	●	Heat generation, thermal	GWh		6,671	8,312	
		Offshore wind					
	●	Generation capacity	MW		4,379	3,627	
	●	Wind speed	m/s		9.7	9.2	
	●	Wind speed, normal wind year	m/s		9.3	9.2	
	●	Load factor	%		45	42	
	●	Availability	%		94	93	
		Onshore wind					
	●	Generation capacity	MW		1,658	987	
	●	Wind speed	m/s		7.6	7.3	
	●	Wind speed, normal wind year	m/s		7.5	7.5	
	●	Load factor	%		45	45	
	●	Availability	%		96	98	
		Thermal heat and power generation					
	●	Power generation capacity	MW		2,847	2,865	
	●	Heat generation capacity	MW		3,487	3,560	
	●	Degree days, Denmark	Number		2,432	2,399	
	●	Coal share of fuels	%	0 (2023)	29	24	
	●	Certified sustainable wooden biomass sourced	%	100 % (2020)	100	96	
	●	Green share of generation, Markets & Bioenergy	%		71	68	
		Avoided carbon emissions	Million tonnes CO₂e		13.1	11.3	
	●	– From offshore wind generation	Million tonnes CO ₂ e		8.1	7.6	
	●	– From onshore wind generation	Million tonnes CO ₂ e		3.5	2.3	
	●	– From biomass-converted generation	Million tonnes CO ₂ e		1.5	1.4	
		Sales					
	●	Gas sales	TWh		90.3	125.0	
	●	Power sales	TWh		29.2	27.6	



The increase in offshore wind capacity contributed to a 27 % increase in offshore wind-based generation in 2020. The increase was primarily due to full-year generation from Hornsea 1 (commissioned in Q4 2019), generation from Borssele 1 & 2 (commissioned in Q4 2020), and higher wind speeds.

Onshore wind-based generation increased by 64 % in 2020 relative to 2019. The increase was primarily due to additional generation from Lockett (commissioned in Q3 2019), Sage Draw (commissioned in Q1 2020), Plum Creek (commissioned in Q2 2020), and Willow Creek (commissioned in Q3 2020).

Thermal power generation was 4 % lower in 2020 compared with 2019 due to lower combined heat and power generation, partly offset by increased power generation due to ancillary services.

Thermal heat generation decreased by 20 %, primarily due to the warm weather in Q1 2020, leading to a lower demand for heat, which was partly offset by colder weather and higher heat generation in H2 2020.

The coal share of fuels in our thermal heat and power generation increased by 5 percentage points due to generation at Esbjerg and Studstrup power stations, associated with additional ancillary services. The green share of energy in Markets & Bioenergy increased by 3 percentage points in 2020, primarily due to the bioconversion of Asnæs Power Station in late 2019.

We reached our target to source all wooden biomass as certified sustainable biomass in 2020.

Due to the increase in renewable energy generation, the amount of avoided carbon emissions increased by 16 % from 2019 to 2020. In 2020, our renewable energy generation avoided the emission of 13.1 million tonnes carbon dioxide.

Social and governance

Strategic target	Business driver	Indicator	Unit	Target	2020	2019	
●		Employees					
		Total number of employees at 31 December	Number of FTEs		6,179	6,526	
		Average number of employees for the year	Number of FTEs		6,429	6,329	
●		Employee satisfaction	Scale 0-100	Top 10 % (2020) ¹	78	77	
●		Safety					
		TRIR (total recordable injury rate)	Per million working hours	2.9 (2025)	3.6	4.9	
●		Fatalities	Number		0	1	
		Board of Directors, Ørsted A/S					
		Independent board members	%		100	100	
●		Gender diversity					
		Members, female	Number		2	2	
		Members, male	Number		4	4	
		Gender with lowest representation	%		33	33	
●		Executive Committee					
		Gender diversity					
		Members, female	Number		2	2	
		Members, male	Number		5	5	
		Gender with lowest representation	%		29	29	
●		Whistle-blower cases					
		Substantiated whistle-blower cases	Number		4	3	
		– Cases transferred to the police	Number		1	0	

¹ Our target from 2020 and onward is an employee satisfaction survey result in the top 10 % compared with an external benchmark group.



The number of employees decreased by 5 % from 2019 to 2020, primarily due to the divestments of the Danish power distribution, residential customer, and city light businesses, partly offset by growth in existing and new markets.

Employee satisfaction continued to be high. With a satisfaction and motivation score of 78 in 2020, our target of being in the top 10 % compared to our external benchmark group was met.

Our total recordable injury rate (TRIR) decreased from 4.9 in 2019 to 3.6 in 2020. We registered 77 total recordable injuries (TRIs), of which 58 involved employees working for our suppliers. We continue to have a strong focus on safety. Our target is a TRIR of 2.9 or below in 2025.

Our employees and other associates may report serious offences, such as cases of bribery, fraud, and other inappropriate or illegal conduct, to our whistle-blower scheme or through our management system. In 2020, four substantiated cases of inappropriate or unlawful behaviour were reported through our whistle-blower scheme. A total of three cases concerned violation of our good business conduct policy, and one case concerned violation of administrative procedures. The four cases had consequences for the individuals involved. None of the reported cases were critical to our business or impacted our financial results.

Accounting policies – environment

Green share of heat and power generation

The green (renewable energy) share of our heat and power generation and the distribution of the generation from the individual energy sources and fuels are calculated on the basis of the energy sources used and the energy generated at the different energy plants.

Wind and solar PV-based generation is computed as the input from the individual plant (wind and solar PV), as there is only one source of power for each plant. For combined heat and power (CHP) plants, the share of the specific fuel (e.g. biomass) is calculated relative to the total fuel consumption for a given plant or unit within a given time period. The specific fuel share is then multiplied with the total heat and power generation for the specific unit in the specific period. The result is the fuel-based generation for the individual unit – for example the biomass-based generation of heat and power from the CHP unit within a given time period.

The percentage shares of the individual energy sources are calculated by dividing generation from individual energy source with the total generation.

The following energy sources and fuels are considered renewable energy: wind, solar PV, biomass, biogas, and power sourced with green certificates. The following energy sources are considered fossil energy sources: coal, natural gas, and oil.

Greenhouse gas (GHG) intensity

Greenhouse gas intensity is defined as the scope 1 and 2 (market-based) greenhouse gas emissions divided by the total heat and power generation.

Scopes 1 and 2 greenhouse gas emissions

Scope 1 and 2 emissions are calculated based on the Greenhouse Gas Protocol. Scope 1 covers all direct emissions of greenhouse gases from Ørsted. The direct carbon emissions from the combined heat and power plants are determined on the basis of the fuel quantities used in accordance with the EU ETS scheme. Carbon dioxide and other greenhouse gas emissions outside the EU ETS scheme are for the most part calculated as energy consumptions multiplied by emission factors.

Scope 2 emissions are primarily calculated as the power volumes purchased multiplied by

country-specific emission factors. Location-based emissions are calculated based on average emission factors for each country, whereas market-based emissions take account for green power purchased and assume the regular power is delivered as residual power where the green part has been taken out.

Scope 3 greenhouse gas emissions

Scope 3 greenhouse gas emissions are reported based on the Greenhouse Gas Protocol which divides the scope 3 inventory into 15 subcategories.

GHG emissions from capital goods include upstream GHG emissions from installed wind farms. We calculate the emissions based on GHG life-cycle data from one of our wind turbine suppliers. Carbon emissions are included from cradle to operation and maintenance for single wind turbines. Wind farms are included from the month where the wind farm has achieved commercial operation date (COD).

GHG emissions from fuel- and energy-related activities are calculated based on actual fuel consumption and power sales as reported in our ESG consolidation system. The fuel consumption is multiplied by emission factors to calculate the upstream GHG emissions from extraction, mining, forestry, transportation, etc., for the fuels. We include all power sales to end-customers and use separate emission factors for green sales (with certificates) and regular sales (without certificates).

GHG emissions from use of sold products are calculated based on actual sales of gas (to both end-users and wholesale) as reported in our ESG consolidation system. The total gas sale is divided into natural gas, LNG, and biogas which have specific upstream and downstream emission factors.

'Other' includes GHG emissions from:

- purchased goods and services, calculated based on spend reports from our SAP system. All spends are divided into categories where relevant emission factors are used to calculate the GHG emissions from each spend category
- upstream transportation and distribution which are included in the emission factors we use for purchases and sale and are therefore not reported separately
- waste generated in operations, calculated based on actual waste volumes multiplied with the relevant emission factors

- business travel, calculated based on mileage allowances for employee travel in own car. GHG emissions from plane travel is provided by our travel agent
- employee commuting, calculated based on estimates for distance travelled and travel type (e.g. car and train)
- downstream transportation and distribution, calculated based on actual volumes of residual products generated from our CHP plants multiplied by relevant GHG emission factors for transportation.

Installed, decided (FID), and awarded or contracted renewable energy capacity

Installed renewable capacity is calculated as the cumulative renewable gross capacity installed by Ørsted before divestments. For installed renewable thermal capacity, we use the heat capacity, as heat is the primary outcome of thermal energy generation, and as bioconversions of the combined heat and power plants are driven by heat contracts. Decided (FID) capacity is the renewable capacity for which a final investment decision (FID) has been made. The awarded renewable capacity is based on the capacities which have been awarded to Ørsted in auctions and tenders. The contracted capacity is the capacity for which Ørsted has signed a contract or power purchase agreement (PPA) concerning a new renewable energy plant. Typically, offshore wind farms are awarded, whereas onshore wind farms are contracted. We include the full capacity if more than 50 % of PPAs or offtake are secured.

Heat and power generation

Power generation from wind is calculated as sold generation. The Gunfleet Sands and Walney 1 and 2 offshore wind farms have been consolidated according to ownership interest. The other wind farms are financially consolidated.

Thermal power generation is determined as net generation sold, based on settlements from the official Danish production database. Data for generation from foreign facilities are provided by the operators. Thermal heat (including steam) generation is measured as net output sold to heat customers.

Heat and power generation capacity

Power generation capacity from offshore wind farms is included from the time when the individual wind turbine has passed a 240-hour test. For onshore wind and solar PV farms, the whole farm is included after COD. The Gunfleet Sands and Walney 1 and 2 offshore wind farms have been consolidated according

to ownership interest. Other wind farms, solar farms, and CHP plants are financially consolidated.

The thermal heat and power generation capacity is a measure of the maximum capability to generate heat and power. The capacity can change over time with plant modifications. For each CHP plant, the capacity is given for generation with the primary fuel mix. Overload is not included.

Availability

Availability is calculated as the ratio of actual production to the possible production, which is the sum of lost production and actual production in a given period. The production-based availability (PBA) is impacted by grid and wind turbine outages, which are technical production losses. PBA is not impacted by market requested shutdowns and wind farm curtailments, as this is deemed not to be reflective of site performance, but due to external factors. Total availability is determined by weighting the individual wind farm's availability against the capacity of the wind farm.

Load factor

The load factor is calculated as the ratio between actual generation over a period relative to potential generation, which is possible by continuously exploiting the maximum capacity over the same period. The load factor is commercially adjusted. Commercially adjusted means that, for Danish and German offshore wind farms, the load factor is adjusted if the offshore wind farm has been financially compensated by the transmission system operators in situations where the offshore wind farm is available for generation, but the output cannot be supplied to the grid due to maintenance or grid interruptions. Wind farms in other countries are not compensated for non-access to the grid. New wind turbines are included in the calculation of availability and load factor once they have passed a 240-hour test for offshore wind turbines and commercial operation date (COD) for onshore wind turbines.

Wind speed

Wind speeds for the areas where Ørsted's offshore and onshore wind farms are located are provided to Ørsted by an external supplier. Wind speeds are weighted on the basis of the capacity of the individual wind farms and consolidated to an Ørsted total for offshore and onshore, respectively. 'Normal wind speed' is a 20-year historical wind speed average.

Degree days

Degree days are a measure of how cold it has been and thus indicate the amount of energy needed to heat a building. The number of degree days helps to compare the heat demand for a given year with a normal year. The number of degree days expresses the difference between an average indoor temperature of 17 °C and the outside mean temperature for a given period. The need for heat increases with the number of degree days.

Coal share of fuels used for thermal heat and power generation

The coal share is calculated as the coal consumption in gigajoule (GJ) relative to the total fuel volume in gigajoule.

Certified sustainable wooden biomass sourced

Certified biomass is defined as wooden biomass, i.e. wood pellets and wood chips. Biomass is measured as sourced wooden biomass delivered to individual combined heat and power plants within the reporting period.

Certified sustainable wooden biomass sourced must be certified within at least one of the claim categories accepted by the Danish industry agreement on certified biomass. Accepted claim categories are: FSC 100 %, FSC Mix, PEFC 100 %, and SBP compliant. Certified biomass is calculated as the amount of sourced wooden biomass compared to the total amount of sourced wooden biomass delivered to individual CHP plants within the reporting period.

Green share of generation, Markets & Bioenergy

This is calculated as the green share of heat and power generation, but is only shown for the business unit Markets & Bioenergy.

Avoided carbon emissions

Avoided carbon emissions due to generation from offshore and onshore wind farms are calculated under the assumption that the generation from wind farms replace an equal quantity of power generated using fossil fuels.

The carbon emissions avoided due to conversions of combined heat and power plants and subsequent switch from fossil fuels to biomass is calculated on the basis of the energy content of the fuel used

at CHP plants. It is assumed that the use of 1 GJ of biomass fuel avoids the use of 1 GJ of fossil fuels. The upstream emissions (from production, manufacture, and transport of biomass) are included.

Sales

Sales of power and gas are calculated as physical sales to retail customers, wholesale customers, and exchanges. Sales are based on readings from Ørsted's trading systems. Internal sales to Bioenergy are not included in the statement.

Accounting policies – social**Employees**

Our reporting covers contractually employed employees in all Ørsted companies in which Ørsted holds an ownership interest of more than 50 %. Employees in associates are not included.

Employee data are recognised based on records from the Group's ordinary registration systems. The number of employees is determined as the number of employees at the end of each month converted to full-time equivalents (FTEs).

Employees who have been made redundant are recognised until the expiry of their notice period, regardless of whether they have been released from all or some of their duties during their notice period.

Employee satisfaction

Ørsted conducts a comprehensive employee satisfaction survey once a year. With a few exceptions, all Ørsted employees are invited to participate in the survey.

The following employees are not invited to participate: employees who joined the company shortly before the employee satisfaction survey, employees who resigned shortly after the employee satisfaction survey, interns, consultants, advisers, and external temporary workers who do not have an employment contract with Ørsted.

In the survey, a number of questions are asked. The answers are given on a scale from 1 to 10 and are subsequently converted to index figures on a scale from 0 to 100.

Safety

Occupational injuries are calculated according to operational scope. Data from companies wholly- or partly-owned by Ørsted, and where Ørsted is responsible for safety, is included. Occupational injuries and lost-time injuries are calculated for both our own employees and suppliers. Data from all Ørsted locations is recognised.

The total recordable injury rate (TRIR) is calculated as the number of total recordable injuries per one million hours worked. The number of hours worked is based on 1,667 working hours annually per full-time employee and monthly records of the number of employees converted into full-time employees. For suppliers, the actual number of hours worked is recognised on the basis of data provided by the supplier, access control systems at locations, or estimates.

Fatalities are the number of employees who lost their lives as a result of a work-related incident.

Accounting policies – governance**Board of Directors of Ørsted A/S**

The employee representatives on the Board of Directors are not included in the data for the Board of Directors.

Executive Committee

The Executive Committee consists of the Executive Board (our CEO and CFO) and five additional members who undertake the day-to-day management of Ørsted.

Substantiated whistle-blower cases

Ørsted's whistle-blower hotline is available for internal and external reporting of suspected cases of inappropriate or illegal behaviour. Whistle-blower cases are received and handled by the Internal Audit function which also receives similar reports through the management system and from compliance officers.

All reports are managed in accordance with the guidelines for the handling of whistle-blower reports approved by the Audit & Risk Committee, which is ultimately responsible for the whistle-blower scheme.

Only cases which are closed during the financial year, and which have been reported to the Audit & Risk Committee as fully or partially substantiated are reported in the ESG statements.

Cases transferred to the police

Cases transferred to the police are defined as the number of cases reported in accordance with the above which have been transferred to the police.

Parent company financial statements

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As we expand our operations in Taiwan's Changhua County, we have committed to establishing a USD 1.94 million trust fund to provide local suppliers with further training and qualifications. The Changhua offshore wind farms are expected to create over 12,000 direct and indirect jobs.

Income statement Balance sheet

1 January - 31 December

31 December

Note	Income statement, DKKm	2020	2019
	Revenue	359	173
2	Employee costs	(35)	(36)
	External expenses	(315)	(168)
	Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA)	9	(31)
	Amortisation, depreciation, and impairment losses on property, plant, and equipment	(117)	(146)
	Operating profit (loss) (EBIT)	(108)	(177)
	Gain on divestment of enterprises	9,110	(94)
3	Financial income	21,690	18,743
3	Financial expenses	(12,125)	(14,533)
	Profit (loss) before tax	18,567	3,939
4	Tax on profit (loss) for the year	611	(376)
5	Profit (loss) for the year	19,178	3,563

Note	Assets, DKKm	2020	2019
6	Land and buildings	894	1,352
	Property, plant, and equipment	894	1,352
7	Investments in subsidiaries	28,778	36,850
8	Receivables from subsidiaries	80,893	91,839
4	Deferred tax	-	126
	Financial assets	109,671	128,815
	Non-current assets	110,565	130,167
9	Receivables from subsidiaries	29,950	20,771
	Derivatives	4,065	4,260
	Other receivables	228	2,642
	Income tax	254	-
	Receivables	34,497	27,673
10	Securities	24,424	15,795
	Cash	1,219	947
	Current assets	25,643	44,415
	Assets	170,705	174,582

Note	Equity and liabilities, DKKm	2020	2019
	Share capital	4,204	4,204
	Reserves	43	(81)
	Retained earnings	38,152	24,350
	Proposed dividends	4,834	4,414
	Equity attributable to shareholders in Ørsted A/S	47,233	32,887
11	Hybrid capital	13,232	13,232
	Equity	60,465	46,119
4	Deferred tax	119	-
12	Other provisions	729	601
11	Lease liabilities	806	1,272
11	Bond and bank debt	28,579	31,808
	Non-current liabilities	30,233	33,681
12	Other provisions	133	82
	Lease liabilities	120	115
	Bond and bank debt	2,956	1,593
9	Derivatives	3,214	5,119
	Trade payables	55	33
	Payables to subsidiaries	70,615	85,695
	Other payables	2,914	1,084
	Income tax	-	1,061
	Current liabilities	80,007	94,782
	Liabilities	110,240	128,463
	Equity and liabilities	170,705	174,582

Statement of changes in equity

1 January - 31 December

Statement of changes in equity, DKKm	Share capital	Hedging reserve	Retained earnings	Proposed dividends	Shareholders in Ørsted A/S	Hybrid capital	Total	◀
Equity at 1 January 2020	4,204	(81)	24,350	4,414	32,887	13,232	46,119	
Profit (loss) for the year	-	-	18,690	-	18,690	488	19,178	
Dividends paid	-	-	4	(4,414)	(4,410)	-	(4,410)	
Proposed dividends	-	-	(4,834)	4,834	-	-	-	
Purchase of treasury shares	-	-	(58)	-	(58)	-	(58)	
Value adjustments of hedging instruments	-	72	-	-	72	-	72	
Value adjustments transferred to financial income and expenses	-	89	-	-	89	-	89	
Tax on changes in equity	-	(37)	-	-	(37)	-	(37)	
Coupon payments, hybrid capital	-	-	-	-	-	(488)	(488)	
Changes in equity in 2020	-	124	13,802	420	14,346	-	14,346	
Equity at 31 December 2020	4,204	43	38,152	4,834	47,233	13,232	60,465	
Equity at 1 January 2019	4,204	(296)	25,968	4,099	33,975	13,239	47,214	
Profit (loss) for the year	-	-	2,888	-	2,888	675	3,563	
Dividends paid	-	-	3	(4,099)	(4,096)	-	(4,096)	
Proposed dividends	-	-	(4,414)	4,414	-	-	-	
Purchase of treasury shares	-	-	(99)	-	(99)	-	(99)	
Value adjustments of hedging instruments	-	185	-	-	185	-	185	
Value adjustments transferred to financial income and expenses	-	90	-	-	90	-	90	
Tax on changes in equity	-	(60)	-	-	(60)	-	(60)	
Coupon payments, hybrid capital	-	-	-	-	-	(556)	(556)	
Tax on coupon payments	-	-	-	-	-	34	34	
Share-based payment	-	-	4	-	4	-	4	
Additions, hybrid capital	-	-	-	-	-	4,416	4,416	
Disposals, hybrid capital	-	-	-	-	-	(4,576)	(4,576)	
Changes in equity in 2019	-	215	(1,618)	315	(1,088)	(7)	(1,095)	
Equity at 31 December 2019	4,204	(81)	24,350	4,414	32,887	13,232	46,119	



Share capital composition and dividends are disclosed in note 6.2 to the consolidated financial statements. Information on treasury shares is available in the note.

1. Basis of reporting

Accounting policies

The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Statements Act ('Årsregnskabsloven') (reporting class D).

The Danish Financial Statements Act allows us to use certain IFRS standards to interpret the act. Previously, we have therefore implemented IFRS 15 'Revenue' and IFRS 16 'Leases'.

The accounting policies remain unchanged from the previous year.

Unless otherwise stated, the financial statements are presented in Danish kroner (DKK) rounded to the nearest million.

The parent company accounting policies are consistent with the accounting policies described for the consolidated financial statements, with the following exceptions.

Foreign currency translation

We recognise exchange rate adjustments of receivables from and payables to subsidiaries as financial income and expenses in the income statement when the balances are accounted for as part of the total net investment in foreign enterprises. Likewise, we recognise foreign exchange gains and losses on loans and derivatives in the income statement as financial income and expenses when they have been entered into to hedge the net investment in the foreign enterprises.

Revenue

Rental income comprises income from commercial leases and is recognised over the term of the lease. Income from services is recognised when delivery has taken place.

Dividends from investments

Dividends from subsidiaries and associates are recognised in the income statement for the financial year in which the dividends are approved at the annual general meeting. If the dividends exceed the total income after takeover, the dividends are recognised as a reduction of the cost of the investment under assets.

Investments

We measure our investments in subsidiaries and associates at cost. If there is any indication that the value of a company is lower than our future earnings in the company, impairment testing of the company is carried out as described in the consolidated financial statements. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the future earnings in the company (recoverable amount).

If we have a legal or constructive obligation to cover a deficit in subsidiaries and associates, we recognise a provision for this.

Tax

Ørsted A/S is taxed jointly with its Danish subsidiaries. The jointly taxed companies are

part of joint taxation with the parent company as the management company.

Subsidiaries are included in the joint taxation from the date they are consolidated in the consolidated financial statements and up to the date on which they are no longer consolidated.

Current tax for 2020 is recognised by the individual, jointly taxed companies.

Statement of cash flows

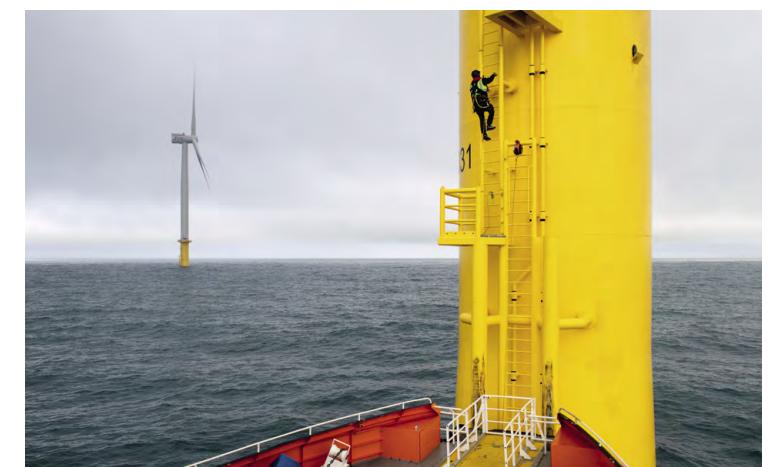
We do not prepare a separate statement of cash flows for the parent company. Reference is made to the consolidated statement of cash flows on page 81.

Key accounting estimates

In connection with the preparation of the financial statements, a number of accounting estimates have been made that affect the profit (loss) and balance sheet. Estimates are regularly reassessed by management on the basis of historical experience and other relevant factors.

Impairment test

If there is any indication that the carrying amount is lower than our future earnings in a company, we test for impairment as described in the consolidated financial statements. The future earnings of the company (recoverable amount) are calculated based on assumptions concerning significant estimates.



Formosa 1, off the coast of Miaoli County, Taiwan.

2. Employee costs

Employee costs, DKKm	2020	2019
Wages and salaries	29	27
Share-based payment	-	4
Pensions and social costs	1	-
Remuneration	5	5
Total employee costs	35	36
Salaries and remuneration of the Executive Board, DKK '000	2020	2019
Fixed salary	17,230	16,810
Cash-based incentive scheme	4,831	4,561
Share-based payment	(519)	4,046
Pension, incl. social security and benefits	469	564
Total	22,011	25,981

Notes 2.7 'Employee costs' and 2.8 'Share-based payment' to the consolidated financial statements describe the remuneration of the Executive Board and the Board of Directors as well as the share-based payment, termination, and bonus scheme for the Executive Board and details on the remuneration of the Board of Directors.

The parent company had an average of six employees in 2020 (2019: six employees). Remuneration of the Board of Directors totals DKK 4 million (2019: DKK 4 million).

3. Financial income and expenses

Financial income and expenses, DKKm	2020	2019
Interest income from cash, etc.	22	103
Interest income from subsidiaries	2,282	2,546
Interest income from securities at market value	132	221
Capital gains on securities at market value	-	166
Foreign exchange gains	2,009	2,974
Value adjustments of derivatives	5,890	8,664
Dividends received	11,332	4,068
Other financial income	23	1
Total financial income	21,690	18,743
Interest expenses relating to loans and borrowings	(1,641)	(1,625)
Interest expenses, leases	(27)	(38)
Interest expenses to subsidiaries	(28)	(8)
Impairment of investments in subsidiaries	-	(2,101)
Capital losses on securities at market value	(11)	(17)
Foreign exchange losses	(5,587)	(1,060)
Value adjustments of derivatives	(4,795)	(9,676)
Other financial expenses	(36)	(8)
Total financial expenses	(12,125)	(14,533)
Net financial income and expenses	9,565	4,210

4. Tax on profit (loss) for the year and deferred tax

Income tax, DKKm	2020	2019
Tax on profit (loss) for the year	611	(376)
Tax on changes in equity	(44)	(30)
Total tax for the year	567	(406)
Tax on profit (loss) for the year can be broken down as follows:		
Current tax	747	(704)
Adjustments to deferred tax	(239)	226
Adjustments to current tax in respect of prior years	109	105
Adjustments to deferred tax in respect of prior years	(6)	(3)
Tax on profit (loss) for the year	611	(376)

Development in deferred tax, DKKm	2020	2019
Deferred tax at 1 January	(126)	97
Adjustments for the year recognised in profit (loss) for the year	239	(226)
Adjustments to deferred tax in respect of prior years	6	3
Deferred tax at 31 December	119	(126)

Specification of deferred tax, DKKm	2020	2019
Non-current liabilities	119	126
Deferred tax, asset	-	126
Deferred tax, liability	119	-

5. Distribution of net profit

Distribution of net profit, DKKm	2020	2019
Profit (loss) for the year is attributable to:		
Shareholders in Ørsted A/S, proposed dividends for the financial year	4,834	4,414
Shareholders in Ørsted A/S, retained earnings	13,856	(1,526)
Interest payments and costs, hybrid capital owners of Ørsted A/S	488	675
Profit (loss) for the year	19,178	3,563

6. Property, plant, and equipment

We have entered into leases for office premises, primarily in Gentofte, Denmark (expiring in 2028).

We have entered into operating leases with subsidiaries for sublease of office premises.

The disposal in 2020 concerns the lease in Virum, Copenhagen. The lease was taken over

by SEAS-NVE (now Andel) on 1 September 2020 as part of the sale of our Danish power distribution, residential customer, and city light businesses.

In 2020, an amount of DKK 101 million was recognised (2019: DKK 106 million) in profit (loss) for the year in respect of rental income.

7. Investments in subsidiaries

On 31 August 2020, we divested our Danish power distribution, residential customer and city light businesses to SEAS-NVE (now Andel). The divestment resulted in a gain of DKK 9,065 million in the parent company income statement.

We have tested investments in subsidiaries for impairment by comparing the expected future

income from the individual subsidiaries with their carrying amounts.

The impairment test in 2020 did not give rise to any impairment of investments in subsidiaries.

Property, plant, and equipment: Land and buildings, DKKm	2020	2019
Cost at 1 January	1,498	-
Lease assets at 1 January	-	1,498
Disposals	(385)	-
Cost at 31 December	1,113	1,498
Depreciation and amortisation at 1 January	(146)	-
Depreciation and amortisation	(117)	(146)
Disposals	44	-
Depreciation and amortisation at 31 December	(219)	(146)
Carrying amount at 31 December	894	1,352
Value of leased assets	894	1,352

Investments in subsidiaries, DKKm	2020	2019
Cost at 1 January	40,351	41,825
Additions	2	27
Disposals	(8,074)	(1,501)
Cost at 31 December	32,279	40,351
Value adjustments at 1 January	(3,501)	(1,400)
Impairment losses	-	(2,101)
Value adjustments at 31 December	(3,501)	(3,501)
Carrying amount at 31 December	28,778	36,850



Note 8.5 of the consolidated financial statements contains a complete overview of subsidiaries, etc.

8. Receivables from subsidiaries

Non-current receivables from subsidiaries, DKKm

	2020	2019
Cost at 1 January	91,839	55,131
Additions	39,518	50,844
Disposals	(50,464)	(14,136)
Cost at 31 December	80,893	91,839

9. Derivatives

Ørsted A/S has assumed the subsidiaries' currency risks via forward exchange contracts which have subsequently been hedged in the market. Furthermore, hedging contracts have been concluded to hedge the currency risk associated with investments in subsidiaries in foreign currencies.

We have also entered into a number of interest rate swaps to manage our interest rate risk.

The company has fair value hedged loans and receivables in GBP and EUR. The value of the fair value hedge offset in the income

statement amounted to DKK -1,098 million (2019: DKK 730 million).

Derivatives at the end of December 2020 mature as follows: 2021: DKK -115 million, 2022: DKK 362 million, after 2022: DKK 604 million (2019: 2020: DKK -459 million, 2021: DKK -175 million, after 2021: DKK -225 million).

All derivatives are classified as based on observable inputs in the fair value hierarchy.



Burbo Bank Extension,
Liverpool Bay, the UK.

Overview of derivative positions DKKm	2020		2019	
	Contractual principal amount	Market value	Contractual principal amount	Market value
Interest derivatives	13,920	(10)	4,431	(85)
Currency derivatives	35,226	861	26,727	(774)
Total	49,146	851	31,158	(859)
Assets	4,065		4,260	
Equity and liabilities	(3,214)		(5,119)	



See note 7.1 to the consolidated financial statements and the management's review on pages 70-73 for more details on risk and risk management.

10. Securities

Securities are a key element in our financial resources, and therefore investments are primarily made in liquid AAA-rated Danish mortgage bonds and, to a lesser extent, in other bonds. Most of the securities qualify for

repo transactions in the Danish central bank, 'Danmarks Nationalbank'.

All securities are classified as based on observable inputs in the fair value hierarchy.

Securities, DKKm	2020	2019
Securities, available for use	24,424	15,795
Total securities	24,424	15,795

11. Loans and borrowings

On 31 December 2020, we had issued hybrid capital with a total notional amount of DKK 13,398 million (2019: DKK 14,019 million). The hybrid bonds have a 1,000-year term and expire as follows: DKK 5,210 million in 2031, DKK 3,722 million in 2017, and DKK 4,466 million in 2019, respectively.

The long-term portion of bank loans and issued bonds amounted to DKK 28,579 million at 31 December 2020 (2019: DKK 31,808 million), of which DKK 24,029 million (2019: DKK 24,938 million) fall due in more than five years.

The long-term portion of lease debt amounted to DKK 806 million at 31 December 2020 (2019: DKK 1,272 million), of which DKK 440 million (2019: DKK 749 million) fall due in more than five years.

12. Other provisions

We have made provisions for non-current liabilities totalling DKK 862 million (2019: DKK 683 million), of which DKK 133 million fall due within 1 year, DKK 577 million fall due in 1-5 years, and DKK 152 million fall due in more than 5 years.

The liabilities mainly concern the divestment of our Oil & Gas business in 2017 and the sale of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel) in 2020.

13. Contingent liabilities

Guarantees

Ørsted A/S has provided guarantees in connection with participation by subsidiaries and subsidiaries' joint operations and joint ventures in the construction and operation of offshore wind farms and natural gas installations as well as guarantees in respect of leases, energy trading activities, purchase, sale and supply agreements, decommissioning obligations, farm-downs and other M&A transactions as well as secondary liability on decommissioning of offshore installations related to the divestment of the Oil & Gas business, etc.

Ørsted A/S acts as guarantor or surety provider with primary liability for bank liabilities in certain subsidiaries, including guarantees in favour of banks and investors covering credit facilities established and bonds issued in Taiwan.

Furthermore, in support of the ratings of Ørsted Salg & Service A/S by Moody's and Ørsted Wind

Power TW Holding A/S by Taiwan Ratings, Ørsted A/S has provided general guarantees covering all obligations and liabilities undertaken in the ordinary course of business by these two entities.

Indemnities

Ørsted A/S is taxed jointly with the Danish companies in the Ørsted Group. As management company, Ørsted A/S has unlimited as well as joint and several liability together with the other jointly taxed companies for Danish income taxes and withholding taxes on dividends, interest, and royalties related to the jointly taxed companies.

Litigation

Ørsted is involved in ongoing transfer pricing disputes. For further information, we refer to section 5.1 'Approach to taxes' to the consolidated financial statements. Ørsted A/S is not a party to any litigation proceedings or legal disputes that could have an effect on the company's financial position, either individually or collectively.

14. Related-party transactions

Related parties are the Board of Directors, the Executive Board, Ørsted A/S's subsidiaries, and the Danish state.

Remuneration of the Board of Directors and the Executive Board is disclosed in notes

2.7 'Employee costs' and 2.8 'Share-based payment' in the consolidated financial statements.

Our related-party transactions are made on arm's length terms.

16. Ownership information

Ownership information 31 December 2020	Registered office	Ownership interests	Voting share
The Danish state represented by the Danish Ministry of Finance	Copenhagen K, Denmark	50.12 %	50.74 %
Andel A.M.B.A.	Svinninge, Denmark	5.01 %	5.07 %
The Capital Group Companies, Inc.	Los Angeles, the US	-	5-10% ¹

¹ Interval shown, as precise voting share is not publicly available.



The table shows the shareholders with ownership interests and voting shares of at least 5 %. The difference between ownership interests and voting shares arises when power of attorney is issued.

15. Auditor's fees

Auditor's fees, DKKm	2020	2019
Statutory audit	3	2
Total fees to PwC	3	2

Management's statement, auditor's reports, and glossary

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and the Board of Directors**
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consolidated ESG statements**
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Our commitment to sustainability goes beyond renewable energy. In the area close to our offshore wind farms Gode Wind 1 & 2 and Borkum Riffgrund 1 & 2, the local seal rescue centre, Seehundstation Norden, has been looking after orphaned seals since 1971. When deciding on local institutions in Northern Germany to support financially, Seehundstation Norden was a natural choice for us.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and adopted the annual report of Ørsted A/S for the financial year 1 January - 31 December 2020.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. The financial statements of the parent company, Ørsted A/S, have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements provide a true and fair view of the Group's and the parent company's assets, liabilities, and financial position at 31 December 2020, and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January - 31 December 2020.

In our opinion, the management's review provides a true and fair account of the development in the Group's and the parent company's operations and financial circumstances, of the results for the year, and of the overall financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty

facing the Group and the parent company. The management's review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual report for the financial year 1 January - 31 December 2020 with the name ORST-2020-12-31.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

In our opinion, the consolidated ESG statements ('Additional information') represent a reasonable, fair, and balanced representation of the Group's social responsibility and sustainability performance and are prepared in accordance with the stated accounting policies.

We recommend that the annual report be adopted at the annual general meeting.

Skærbæk, 3 February 2021

Executive Board:

Mads Nipper
Group President and CEO

Marianne Wiinholt
CFO

Board of Directors:

Thomas Thune Andersen
Chairman

Lene Skole
Deputy Chairman

Lynda Armstrong

Jørgen Kildahl

Peter Korsholm

Dieter Wemmer

Benny Gøbel*

Ole Henriksen*

Daniel Tas Sandermann*

* Employee representative

Independent auditor's reports

To the shareholders of Ørsted A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2020 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS') and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2020 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2020 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit & Risk Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of Ørsted A/S for the financial year 1 January to 31 December 2020, pp 76-167 and 185-186,

comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the notes to the consolidated financial statements, including summary of significant accounting policies.

The Parent Company Financial Statements of Ørsted A/S for the financial year 1 January to 31 December 2020, pp 175-186, the income statement, the balance sheet, the statement of changes in equity and the notes to the parent financial statements, including summary of significant accounting policies.

Collectively referred to as the 'Financial Statements'.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Ørsted A/S on 19 April 2010 for the financial year 2010 and have been reappointed annually by shareholder resolution for a total period of engagement of 11 years including the financial year 2020. We were reappointed following a tendering procedure at the General Meeting on 2 March 2020.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2020. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter**Partnership agreements**

Divestment of ownership interests in an offshore wind farm (farm-downs) to a partner in a joint operation, including calculating the divestment gains and subsequent recognition of construction agreements and assessment of consolidation method for the retained interests, are considered non-routine transactions.

As part of farm-downs, compensation mechanisms are often agreed with the partners, e.g. regarding sales price, cost of subsequent use of the offshore transmission asset constructed for the wind farm, potential wake effect compensations and warranties.

We focused on this area because farm-downs and the related matters are considered non-routine transactions and because the recognition and measurement of the divestment gain, assessment of consolidation method, subsequent construction agreements with the partners, compensation mechanisms and warranties are based on significant judgements and estimates.

On this basis, partnership agreements were a matter of most significance in our audit.

Refer to notes 1.2, 2.6, and 3.2 in the Consolidated Financial Statements.

How our audit addressed the key audit matter

During 2020, Ørsted did not perform any new farm-downs, but completed the construction agreements with partners from previous years' farm-downs and divested the offshore transmission asset related to the Walney Extension wind farm.

As part of our audit we read the sales agreements and the construction agreements and challenged the accounting treatment applied by Management, including the consolidation method.

We furthermore obtained an understanding of the compensation mechanisms and warranties agreed in farm-downs from previous years. We challenged the estimates prepared by Management for recognition and measurement of these compensation mechanisms and warranties, hereunder by assessing and testing the data, assumptions and models applied, and by evaluating the outcome of previous estimates prepared by Management.

Key audit matter**Income Taxes**

Ørsted is subject to income taxes in all the countries where they operate. Significant judgements and estimates are required in determining the income taxes, and the measurement of income tax assets and liabilities including uncertain tax positions.

Management makes significant judgements and estimates when calculating and assessing the income taxes due to the complex nature of the tax rules related to the business activities conducted in different tax jurisdictions. Furthermore, Management makes estimates, when measuring the tax assets, including when and to which extent these can be utilised in the future, and when measuring tax liabilities including assessing deferred taxes in tax equity partnerships.

Additionally, Ørsted is party in tax and transfer pricing disputes, where Management assesses the possible outcomes and consequently recognise provisions to cover for these uncertain tax positions. In 2020, Ørsted received an administrative decision from the Danish Tax Agency entailing an additional tax payable and related interests, which Management disputes and has appealed to the relevant authorities.

On this basis, income taxes were a matter of most significance in our audit.

Refer to notes 1.2, 5.2, and 5.3 in the Consolidated Financial Statements.

How our audit addressed the key audit matter

Our procedures in relation to income taxes, income tax assets and liabilities included evaluating the assumptions applied by Management in determining the recognition and measurement of income taxes and deferred taxes, including those related to tax equity partnerships, while taking into account relevant correspondence with tax authorities and external advisors. In our audit of income taxes, we involved our tax specialists.

Our procedures covered assessing Management's judgements and estimates of tax balances and carrying amounts as well as the related applied tax rates when calculating these, including the deferred tax liabilities in tax equity partnerships.

Our procedures also covered evaluating and testing Ørsted's processes for recording, assessing and continually reassessing provisions for uncertain tax positions.

In our audit of uncertain tax positions, we obtained and reviewed the correspondence with relevant tax authorities in order to consider the completeness of the tax disputes and the related provisions. When assessing the measurement of the provisions, we challenged the assumptions used, including the possibility of obtaining corresponding tax adjustments, compensations from partners and the likelihood of different outcomes. In addition, we assessed relevant opinions obtained by Management from third parties related to the tax disputes, and we evaluated the disclosures provided by Management in the consolidated financial statements.

Statement on Management's Review

Management is responsible for the Management's Review, pp 4-75.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair

view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement

and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of 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 Group's and the Parent Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
 - Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent 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 Financial Statements 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 Group or the Parent Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group 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 internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements we performed procedures to express an opinion on whether the annual report of Ørsted A/S for the financial year 1 January to 31 December 2020 with the file name ORST-2020-12-31.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment

of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Ørsted A/S for the financial year 1 January to 31 December 2020 with the file name ORST-2020-12-31.zip

is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 3 February 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Lars Baungaard

State Authorised Public Accountant
mne23331

Rasmus Friis Jørgensen

State Authorised Public Accountant
mne28705

Limited assurance report on the consolidated ESG statements

To the stakeholders of Ørsted A/S

Ørsted A/S engaged us to provide limited assurance on the data described below and set out in the consolidated environment, social, and governance statements for the period 1 January - 31 December 2020 (consolidated ESG statements) as included on pages 168-174 in the Annual Report of Ørsted A/S for 2020.

Our conclusion

Based on the procedures we performed and the evidence we obtained, nothing came to our attention that causes us not to believe that the consolidated ESG statements are free of material misstatements and are prepared, in all material respects, in accordance with the accounting policies as stated on pages 168-174.

This conclusion is to be read in the context of what we say in the remainder of our report.

What we are assuring

The scope of our work was limited to assurance over data in the consolidated ESG statements for the period 1 January - 31 December 2020 on pages 168-174.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information', and, in respect of the reported greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'. A limited assurance engagement is substantially

less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other ethical requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our work was carried out by an independent multi-disciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

Data and information need to be read and understood together with the accounting policies on pages 168-174, which management are solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure ESG information allows for different, but acceptable, measurement techniques and

can affect comparability between entities and over time. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

Work performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the data. In doing so and based on our professional judgment, we:

- conducted interviews with Group functions to assess consolidation processes, use of company-wide systems, and controls performed at Group level;
- performed an assessment of materiality and the selection of topics for the consolidated ESG statements for the period 1 January - 31 December 2020;
- conducted an analytical review of the data and trend explanations submitted by all business units for consolidation at Group level; and
- evaluated the evidence obtained.

Management's responsibilities

Management of Ørsted A/S is responsible for:

- designing, implementing and maintaining internal control over information relevant to the preparation of data in the consolidated ESG statements on pages 168-174 that are free from material misstatement, whether due to fraud or error;
- establishing objective accounting policies for preparing data;
- measuring and reporting data in the consolidated ESG statements based on the accounting policies; and

- the content of the consolidated ESG statements for the period 1 January - 31 December 2020.

Our responsibility

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the consolidated ESG statements for the period 1 January - 31 December 2020 on pages 168-174 are free from material misstatements and are prepared, in all material respects, in accordance with the accounting policies;
- forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- reporting our conclusion to the stakeholders of Ørsted A/S.

Hellerup, 3 February 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Lars Baungaard

State Authorised Public Accountant
mne23331

Rasmus Friis Jørgensen

State Authorised Public Accountant
mne28705

Glossary

Availability: Availability is calculated as the ratio of actual production to the possible production, which is the sum of lost production and actual production in a given period. The production-based availability (PBA) is impacted by grid and wind turbine outages, which are technical production losses. PBA is not impacted by market requested shutdowns and wind farm curtailments, as this is deemed not to be reflective of site performance, but due to external factors.

Avoided emissions: The amount other sources of energy would have emitted, if we had not generated energy from renewable sources.

Awarded capacity: Offshore capacity that we have been awarded in auctions and tenders, but where we have yet to sign a PPA and take final investment decision.

Biomass conversion: When a CHP plant is converted from using fossil fuels to using biomass, such as wood pellets, wood chips, and straw. After the conversion, the CHP plant will typically be able to use biomass along with the original fuel types.

Blockage effect: The blockage effect arises from the wind slowing down as it approaches the wind turbines.

BSUoS tariffs: Costs related to the day-to-day operation of the transmission system imposed on generators and suppliers.

Carbon emission allowances: Carbon emission allowances subject to the European Union Emissions Trading Scheme (EU ETS).

CfD: A contract for difference is a subsidy that guarantees the difference between the market reference price and the exercise price won.

CHP plant: A combined heat and power (CHP) plant generates both heat and power in the same process.

Commissioning/COD: When our assets are in operation, and the legal liability has been transferred from the supplier to us.

Contracted capacity: Onshore capacity where we have signed a PPA, but where we have not yet taken final investment decision.

Decided (FID) and installed capacity: Installed generation capacity plus capacity for assets where a final investment decision has been made.

Degree days: Number of degrees in absolute figures in difference between the average temperature and the official Danish indoor temperature of 17 °C.

Direct current (DC): The type of power generated by our solar panels.

EPC: Engineering, procurement, and construction. The part of our business which handles the construction and installation of assets.

FTE: Employees (full-time equivalent). The number of full-time employees during a fixed time period.

Generation capacity: Ørsted's ownership of the asset. Offshore wind turbines are included when each turbine has passed the 240-hour test. Onshore capacities are included after COD.

Green certificates: Certificate awarded to producers of environment-friendly power as a supplement to the market price of power in the given price area.

Green dark spread (GDS): Represents the contribution margin per MWh of power generated at a coal-fired CHP plant with a given efficiency. It is determined as the difference between the market price of power and the cost of the coal (including associated freight costs) and carbon emission allowances used to generate the power.

Hedging instruments: Financial and physical instruments that can be used to guarantee a specific price for the purchase or sale of, for example, commodities and currency.

Installed capacity: Installed capacity where the asset has been completed and has passed a final test.

Investment tax credits (ITCs): Federal tax credit based on qualifying renewable investment costs.

Levelised cost of electricity (LCoE): Average cost measured as present value per megawatt hour (MWh) generated power, covering costs for development and construction as well as subsequent operation and maintenance of the asset.

Load factor: The ratio between the actual power generation in a given period relative to the potential generation which is possible by continuously exploiting the maximum capacity over the same period.

Nord Pool: The Norwegian-based Nordic power exchange which facilitates power trading in Norway, Sweden, Finland, and Denmark.

Offshore transmission assets: Connect offshore generation to the onshore grid and typically include the offshore power transmission infrastructure, an onshore substation, and the electrical equipment relating to the operation of the substation.

O&M: Operations and maintenance. The part of our business that operates and maintains our assets after installation.

Partnership income: Income originating from our partners' purchase of ownership interests in the offshore wind farms. Includes both the gain in connection with the farm-down and the subsequent construction of the wind farm.

Power purchase agreement (PPA): An agreement between us and a buyer/seller to purchase/sell the power we generate which includes all commercial terms (price, delivery, volumes, etc.).

Production tax credit (PTC): Federal tax credit based on eligible power generation in the US.

ROCs: Renewable obligation certificates issued by Ofgem in the UK to operators of accredited generating stations for the eligible renewable energy they generate. Operators can trade ROCs with other parties.

Stress: Method of measuring the market trading risk of loss on a portfolio from day to day, calculated on a fair-value basis.

Tax equity: An arrangement where an investor obtains rights to federal tax credits and other tax attributes in exchange for a cash contribution.

TEC: Transmission entry capacity defines a generator's maximum contractual level of transmission access in MW.

Thermal generation: Heat and power generated through the combustion of fossil fuels, biomass, or waste.

FID: Final investment decision.

TNUoS tariffs: Costs related to the use of the transmission networks in the UK based on TEC.

TRIR: In addition to lost-time injuries, the total recordable injury rate (TRIR) also includes injuries where the injured person is able to perform restricted work the day after the accident as well as accidents where the injured person has received medical treatment.

TTF: Title transfer facility, Dutch gas hub.

TWh: Terawatt-hour. The amount of energy generated in one hour with the effect of 1TWh. 1TWh is equivalent to 1,000 GWh or 1,000,000 MWh.

Value at risk (VaR): A financial term used for measuring the loss that may occur in connection with a risk position, assuming a certain volatility, and that the position is held for a certain period of time.

Wake effect: Wake within wind farms and between neighbouring wind farms. There is a wake after each wind turbine where the wind slows down. As the wind flow continues, the wake spreads, and the wind speed recovers.

Wind speed: Shows the wind speed at Ørsted's wind farms. The wind measurements are weighted on the basis of our generation capacity and can be compared to a normal wind period.

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orsted.com

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