Ørsted Annual report 2019

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

We're ranked the most sustainable company in the world in the Corporate Knights 2020 Global 100 index

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Overview

Burbo Bank Extension is the first project in the world to use MHI-Vestas V164 8.0MW wind turbines. The number of wind turbines have been more than doubled compared to the original offshore wind farm Burbo Bank, but the power output has nearly quadrupled, now powering over 230,000 UK homes with sustainable energy each year.

Chairman's statement

Leading the green transformation

Climate change is the defining challenge of our century. By 2030, global greenhouse gas emissions need to be halved compared to current levels if we are to stay below a global temperature increase of 1.5°C above pre-industrial levels. This is the threshold set by science to limit the risk of irreversible tipping points in our global ecosystems. As energy accounts for 73% of global greenhouse gas emissions, we clearly need to change the way we power the world – and shift from fossil fuel-based to renewable energy.

At Ørsted, our vision is a world that runs entirely on green energy. Just a decade ago, our core business was based on fossil fuels, but we decided to change, and we have changed to green energy faster than any other energy company. In January 2020, we were named the most sustainable company in the world. We are proud of this recognition, and it encourages us to further intensify our efforts to deploy green energy at scale and to contribute to the profound transformation of the energy system required to keep the planet habitable. In continuation of this, we have decided to become carbon neutral in our own operations by 2025 and in our total carbon footprint by 2040.

In 2019, we achieved a global breakthrough outside Europe by initiating construction of our first large-scale offshore wind project in Taiwan, by winning two large scale projects and expanding our portfolio in the US, and by taking the decision to fully integrate Lincoln Clean Energy into Ørsted. Our deployment of renewable energy now spans markets on three continents. We bring more than 25 years of experience in renewable energy and on-time and on-budget delivery of large infrastructure projects as well as new approaches and innovative solutions that can help decarbonise societies. Recently, we have set up a hydrogen team to explore how to transform renewable power from offshore wind into hydrogen and other green fuels to be used in the chemicals industry and as green fuels in hard-to-abate sectors, such as heavy transport and logistics.

We also further strengthened our strategic profile as an upstream renewable energy company by signing an agreement to divest our power distribution, residential customer and city light businesses. Long-term, Ørsted is not the best owner of these businesses. The capital released from the divestment will be deployed in our global renewable energy build-out plan. Deep and heartfelt thanks go to all of our skilled colleagues in these businesses who have provided a good service to our customers over the years and ensured one of the highest levels of reliability of supply in the world.

Our talented people are the most important assets in Ørsted, and we will need a lot of talent world-wide, as we continue to grow our business in the years to come.

Safety is equally important for us, and we take every measure to ensure that Ørsted is a safe workplace. In May, an employee of one of our contractors died after a serious accident at the Avedøre Power Station. We have been – and still are – deeply affected by this accident.

EBITDA for the year amounted to DKK 17.5 billion and thereby exceeded our expectations and resulted in a ROCE of 10.6%. Profit for the year amounted to DKK 6.1 billion. The Board of Directors recommends paying a dividend of DKK 10.5 per share, corresponding to DKK 4.4 billion.

On behalf of the Board of Directors, I would like to thank the employees and management of Ørsted for leading the way towards a world that runs entirely on green energy. We are more committed than ever to demonstrating to all stakeholders that the urgently required energy transformation is in fact possible, and that we have the cost-effective solutions to power the world in a sustainable way.

Thomas Thune Andersen
Chairman

> **"In January 2020, we were named the most sustainable company in the world. We are proud of this recognition, and it encourages us to further intensify our efforts to deploy green energy at scale.**

CEO's review

Strong year with continued strategic progress, global expansion and very satisfactory financials.

Highlights 2019

- Operating profit (EBITDA), excluding new partnerships, increased by 17% to DKK 17.5 billion.
- EBITDA from offshore and onshore wind farms in operation increased by 30% to DKK 14.8 billion.
- ROCE was 10.6% in line with our target.
- Green share of heat and power generation increased from 75% to 86%.
- Award of the 1.1GW Ocean Wind project in New Jersey.
- Award of the 880MW offshore Sunrise Wind (JV) project in New York.
- Decision to construct our first large-scale Taiwanese offshore wind project Greater Changhua 1 & 2a.
- Hornsea 1, the world's largest offshore wind farm, was commissioned.
- Signing of a non-binding term sheet with Polska Grupa Energetyczna (PGE) regarding two large-scale offshore projects in the Baltic Sea.
- Exclusive negotiations entered into with the Public Service Enterprise Group (PSEG) regarding a joint venture agreement to acquire 25% of Ocean Wind.
- Divestment of 50% of selected offshore activities in New England to our partner Eversource Energy.
- Decision to construct the onshore wind farms Sage Draw in Texas and Plum Creek in Nebraska as well as the combined solar and storage project Permian Energy Center in Texas and acquisition of the construction-ready wind project Willow Creek in South Dakota.
- Lockett Onshore Wind Farm commissioned, ahead of schedule.
- The newly bioconverted Asnæs Power Station reached 100% green heat and power generation in December 2019.
- Agreement signed to divest our power distribution, B2C and city light businesses to the Danish energy company SEAS-NVE.
- Agreement signed to divest our LNG activities.
- Elsam competition case against the competition authorities closed in favour of Ørsted.
- Record-high satisfaction and motivation score of 77 recorded in our employee satisfaction survey, People Matter.

Financial results

In 2019, we achieved a strong operating profit (EBITDA) which exceeded our expectations at the beginning of the year.

EBITDA (excluding new partnerships) increased by 17% to DKK 17.5 billion.

Earnings from our offshore wind farms in operation increased by 22%, driven by ramp-up of green power generation from Borkum Riffgrund 2, Walney Extension and Hornsea 1. Curtailments and various operational issues had a larger than normal adverse impact on our offshore generation in 2019.

The inclusion of our onshore wind business and high earnings from our trading activities also contributed positively to our performance.

These positive effects were partly offset by higher project development costs in Offshore, an increase in provisions related to our LNG activities and a temporarily negative effect from gas at storage due to the substantial drop in gas prices during 2019. Further, in 2018, we had a positive outcome of a gas sourcing arbitration case, which was not repeated in 2019.

Return on capital employed (ROCE) was 10.6% for 2019.

Offshore

In 2019, we commissioned Hornsea 1, with the last turbines being installed in early October. The entire wind farm is now operational. Hornsea 1 is the world's largest offshore wind farm with a capacity of 1,218MW and will supply more than 1.1 million British homes with green energy. In November, we passed another milestone when we inaugurated the second phase of Taiwan's first-ever offshore wind farm Formosa 1.

In April, we took final investment decision on our 900MW Taiwanese Greater Changhua 1 & 2a project after obtaining establishment permit, approval of the supply chain plan and signing of the power purchase agreement with Taipower.

Our three offshore wind farms under construction are all progressing according to plan. Borssele 1 & 2 (752MW) in the Netherlands is expected to be completed end Q4 2020. In 2022, we expect to complete Hornsea 2 (1,386MW) in the UK and Greater Changhua 1 & 2a in Taiwan. Furthermore, the Virginia Offshore Wind project, which we will construct for Dominion Energy as an EPC contractor, is proceeding as planned.

In February, we further strengthened our strategic partnership with Eversource Energy, the leading utility in New England, when they became a 50% partner in selected activities acquired through Deepwater Wind.

These included the Revolution Wind (704MW) and South Fork (130MW) development projects and two undeveloped lease areas off the coast of New England.

In June, the New Jersey Board of Public Utilities selected Ørsted's Ocean Wind project to negotiate a 20-year offshore wind renewable energy certificate (OREC) for an offshore wind farm with a capacity of 1.1GW. The contract was subsequently signed in December. The project was developed with support from the Public Service Enterprise Group (PSEG), which also has an option to become an equity investor in the project. In October, we entered into exclusive negotiations regarding a joint venture agreement with PSEG to acquire 25% of Ocean Wind. Subject to our final investment decision, the wind farm is expected to be completed by 2024.

In July, the New York State Energy Research & Development Authority (NYSERDA) selected the Sunrise Wind project to negotiate a 25-year OREC for an offshore wind farm with a capacity of 880MW. The contract was subsequently signed in October. Sunrise Wind is a 50-50 partnership between Ørsted and Eversource, and subject to a final investment decision, the wind farm is expected to be completed by 2024.

With these awards, we have secured a US offshore wind portfolio with a total capacity of 2.9GW to be completed towards 2024. In addition, we have up to 5GW of lease rights which can be developed for future offshore wind projects in the US.

We have signed contracts with Siemens Gamesa to supply wind turbines for our offshore wind projects in Taiwan (Greater Changhua 1 & 2a) and the North-East cluster in the US (Sunrise Wind, Revolution Wind and South Fork). In addition, we have selected GE as the preferred wind turbine supplier for our US Mid-Atlantic cluster (Ocean Wind and Skipjack). These projects will pioneer the deployment of GE's Haliade-X 12MW wind turbine, continuing our track record as a first mover on new technology.

In Poland, we signed a non-binding term sheet agreement with Polska Grupa Energetyczna (PGE) regarding their sale of a 50% stake in two offshore wind projects in the Baltic Sea with a total capacity of up to 2.5GW. The projects are expected to commence construction by 2026 and 2030, respectively.

In December, we signed the world's largest offshore wind CPPA with Covestro. Earlier in the year, we signed an agreement with Northumbrian Water to procure power from Race Bank, the first of its kind in the UK. These long-term fixed price agreements represent an important step in building long-term green partnerships with corporate customers and at the same time help shape a solid risk-return profile for projects with merchant risk.

Events in 2019

February
Offshore
50% partnership with Eversource Energy in selected activities acquired through Deepwater Wind

April
Offshore
Greater Changhua 1 & 2a, Taiwan FID (900MW) Expected COD 2022

Onshore
Sage Draw, Texas FID (338MW) Expected COD Q1 2020

May
Onshore
Acquisition of solar and storage development activities of Coronal Energy, US

June
Offshore
Ocean Wind project selected as preferred bidder in New Jersey (1.1GW) Expected COD 2024

Onshore
Acquisition of Willow Creek, South Dakota (103MW) Expected COD Q4 2020

July
Offshore
Sunrise Wind project selected as preferred bidder in New York (880MW) Expected COD 2024

Onshore
Lockett, Texas COD (184MW)

August
Onshore
Plum Creek, Nebraska FID (230MW) Expected COD Q4 2020

September
Markets & Bioenergy
Agreement to divest Danish power distribution (Radius), residential customer and city light businesses to SEAS-NVE

October
Offshore
Hornsea 1 operational (1,218MW)

November
Offshore
Inauguration of Formosa 1, Taiwan (128MW)

Onshore
Permian Energy Center, Texas FID (420/40MWac) Expected COD mid-2021

December
Markets & Bioenergy
All heat and power generated from new unit at Asnæs, which runs up to 100% on sustainable biomass

Markets & Bioenergy
Agreement signed to divest our LNG activities

Onshore

Our Onshore business had a strong year with high yields from our operating assets, high peak power prices during summer in Texas, and steady progress of our construction projects.

We commissioned the onshore wind farm Lockett in Texas well ahead of schedule. The 184MW wind farm has performed as expected since commissioning.

In April, we took final investment decision on the 338MW onshore wind farm Sage Draw in Texas which is expected to go into commercial operation in Q1 2020.

In June, we acquired the 103MW construction-ready wind project Willow Creek in South Dakota. The wind farm is expected to be commissioned by Q4 2020, and it will expand our operations into the Southwest Power Pool (SPP) market, covering the central US.

In August, we took final investment decision on the 230MW wind farm Plum Creek in Nebraska, and we expect the farm to be completed by Q4 2020. Once operational, Sage Draw, Willow Creek and Plum Creek will supply up to 180,000 American homes with green energy.

In November, we took final investment decision on the Permian Energy Center in Texas. The construction of our first combined solar (420MW) and storage (40MW) project has commenced and is expected to be commissioned by mid-2021.

In addition to the decided investments, we further strengthened our Onshore business in May through the acquisition of a subsidiary of US-based Coronal Energy. The subsidiary is a nationwide solar and storage developer with a significant pipeline of projects, expanding our capability platform and exposure to new, regional markets.

Our total installed and decided onshore capacity now stands at 2GW. Our ambition is to have installed 5GW of capacity by 2025.

Finally, we decided to fully integrate Lincoln Clean Energy into Ørsted and appoint Declan Flanagan new CEO of our Onshore business and member of Ørsted's Group Executive Management. The integration was marked with a full name change to Ørsted in December.

> **"During summer, we won two auctions in the US. With these awards, we have secured a US offshore wind portfolio with a total capacity of 2.9GW to be completed towards 2024.**

Markets & Bioenergy

In June, we decided to consolidate our Customer Solutions and Bioenergy business units into one business unit, Markets & Bioenergy. The decision was taken as a natural consequence of the reduced size of the two former business units due to, among other things, the below-mentioned divestments.

In September, we signed an agreement to divest our Danish power distribution (Radius), residential customer and city light businesses to SEAS-NVE, Denmark's second largest cooperatively-owned energy company. With our global expansion in renewable energy, Ørsted is no longer the best owner of these businesses. We expect the transaction to be closed in the first half of 2020. We consider the transaction to be attractive to our shareholders and to provide a good future home for the customers and our highly skilled employees. The proceeds from the divestment will be used to continue our global investments in green energy.

To further focus our activities, we entered into an agreement to divest our LNG activities to Glencore. Furthermore, we decided to initiate a process to divest our B2B sales businesses, except for gas sales to our larger B2B customers in Denmark and Sweden which serve as an outlet for our legacy gas position.

As we run our business based on an end-to-end value chain thinking, we have decided that all activities and earnings related to Offshore and Onshore, should be reported in these segments, even if the daily activities are performed on behalf of the Group in another business unit. Thus, earnings from trading related to hedging of our power exposures and power portfolio optimisation activities, previously presented in Markets, are now included in Offshore and Onshore earnings.

From mid-December 2019, all heat and power from Asnæs Power Station have been generated from the new unit, which run up to 100% on sustainable biomass. We have now fully converted six of our seven CHP plants to run on sustainable biomass. For our last remaining coal-fired CHP plant, Esbjerg Power Station, we have not been able to find a joint solution with the heat customer for a bioconversion project. Consequently, we plan to close down operations of this plant by the end of Q1 2023.

Due to recent upgrades to our Renescience facility in Northwich in the UK, we were not able to commission the plant in 2019 as planned. However, it has been confirmed that the core enzymatic sorting process works as expected.

Our aim will be for Ørsted to reach carbon neutrality by 2025.

Radius finalised the installation of more than 1 million smart meters in 2019, an achievement completed in just three years. The smart meters allow remote reading of the power meters and give households in the area the opportunity to consume power in the most cost-efficient periods of the day.

In 2018, the Danish Western High Court acquitted Elsam (now Ørsted) from the competition authorities' claim that Elsam had abused a dominant position on the market for wholesale of physical electricity in Western Denmark from 1 January 2005 to 30 June 2006. In light of this judgement, the parties agreed in September on dismissing the competition authorities' similar claim for the period from the second half of 2003 and the whole of 2004. Consequently, the cases between Elsam and the competition authorities reached a final conclusion in favour of Ørsted. Despite this status, the claimants maintain their claims for damages and continue their legal action.

Fatal accident

In May, an employee of one of our contractors died after a serious accident at the Avedøre Power Station. We are very saddened by this. Safety is of utmost importance to us, and we have initiated several improvement tracks to ensure that an accident like this will never happen again.

Employees

The well-being of our employees is of high importance to us. The 2019 employee satisfaction survey, People Matter, showed a record high satisfaction and motivation score of 77. This global 'best-in-class' score places Ørsted in the top 10% of external benchmarks.

Thanks to Ørsted's passionate and skilled employees, we once again managed to reach many significant milestones during the year. They deserve tremendous credit for their tenacity and ability to get things done.

Concluding remarks

We are very pleased with our strategic progress and results in 2019. Ørsted maintains a leading position in the global high growth market for green energy. We are well on track to deliver on our financial targets of 20% average growth in profits from operating renewable assets for the period 2017-2023 and an average Group ROCE of 10% for the period 2019-2025.

We remain as committed as ever before to our vision of a world running entirely on green energy. We will continue to work hard to help limit global warming and its impact on biodiversity and global living conditions for current and future generations. Our aim will be for Ørsted to reach carbon neutrality by 2025.

Henrik Poulsen
CEO and President

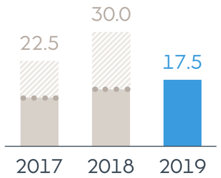
Performance highlights

Profits and returns

Operating profit (EBITDA)
DKKbn

New partnerships

17.5

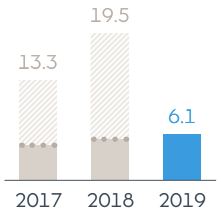


In 2019, we achieved a strong underlying EBITDA which exceeded our expectations at the beginning of the year. It was driven by an increase in generation from our off-shore and onshore wind farms and high earnings from our trading activities. The decline in total EBITDA was due to the profit from the 50% farm-down of Hornsea 1 in 2018.

Net profit (continuing operations)
DKKbn

New partnerships

6.1

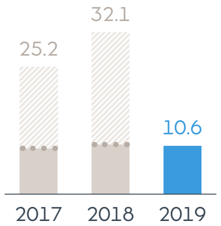


Profit for the year stood strong at DKK 6.1 billion. Net profit in 2018 and 2017 was significantly impacted by farm-down gains from new partnerships.

Return on capital employed (ROCE)
%

New partnerships

10.6

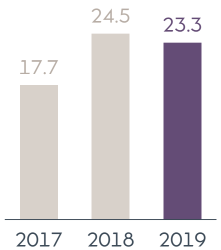


ROCE was 10.6% for the year, which was around our target of an average ROCE of approx 10% for the Group in the period 2019-2025. In 2018 and 2017, ROCE was significantly impacted by farm-downs.

Cash flow and balance sheet

Gross investments
DKKbn

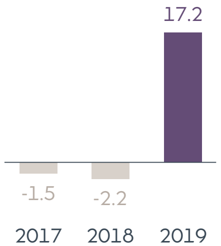
23.3



The gross investment level was high in 2019 due to a high construction activity in our project portfolio.

Interest-bearing net debt
DKKbn

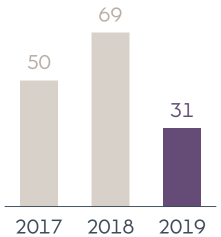
17.2



We had a net debt of DKK 17.2 billion at the end of 2019. Our debt primarily increased due to the high investment level, the addition of lease debt and the payment of dividends.

Credit metric (FFO/adjusted net debt[1])
%

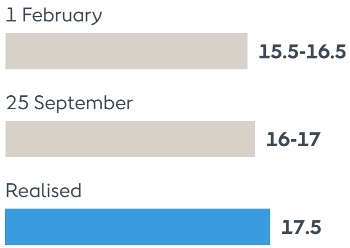
31



The credit metric 'funds from operations' (FFO) relative to adjusted net debt amounted to 31% in 2019, in line with our target of around 30%.

Follow-up on outlook announced for 2019

EBITDA, excl. new partnerships, realised vs guidance
DKKbn



Investments, realised vs guidance
DKKbn

In the outlook announced in our annual report for 2018, we expected EBITDA without new partner-ships of DKK 15.5-16.5 billion and gross investments of DKK 21-23 billion for 2019.

With EBITDA, excluding new partnerships, of DKK 17.5 billion, our expectations were exceeded.

Gross investments amounted to DKK 23.3 billion.

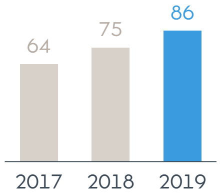
[1] Interest-bearing net debt, including 50% of hybrid capital and securities not available for use (with the exception of repo transactions), present value of lease obligations (up until 2018), and decommissioning obligations less deferred tax.

Performance highlights

Environment

Green share of generation
%

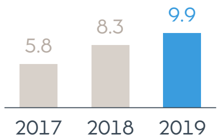
86



The green share of our heat and power generation continued to increase to a new high of 86%, following continued ramp-up of our offshore wind capacity, new onshore capacity and lower heat and power generation based on coal and gas.

Installed renewable capacity
GW

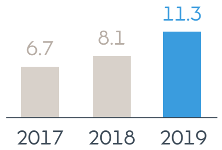
9.9



Installed green capacity increased by 19% to 9.9GW in 2019 due to the commissioning of the offshore wind farm Hornsea 1 and the onshore wind farm Lockett as well as the bioconversion of Asnæs Power Station.

Avoided emissions from green capacity
Million tonnes, CO_2e

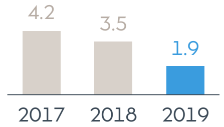
11.3



Avoided emissions from our green heat and power generation relative to fossil-fueled generation increased by 39%, mainly due to increased wind-based power generation.

Greenhouse gas emissions, scope 1 and 2
Million tonnes, CO_2e

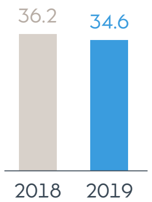
1.9



The scope 1 and 2 greenhouse gas emissions were reduced by 48% in 2019, mainly driven by a larger share of heat and power generation based on sustainable biomass instead of coal and gas.

Greenhouse gas emissions, scope 3
Million tonnes, CO_2e

34.6

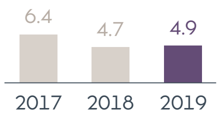


Our scope 3 greenhouse gas emissions were reduced by 4%, mainly due to reduced sales of natural gas.

Social

Safety
Total recordable injury rate (TRIR)

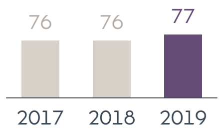
4.9



We continue to have a strong focus on the safety and well-being of our employees. However, TRIR increased slightly, driven by an unsatisfactory high number of injuries in Markets & Bioenergy.

Employee satisfaction
Scale 1-100

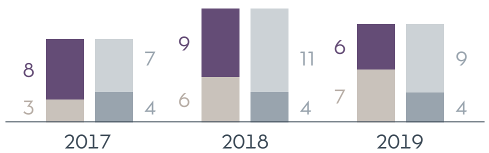
77



The 2019 employee satisfaction survey, People Matter, showed a record high satisfaction and motivation score of 77.

Governance

Board of Directors and Group Executive Management
Nationality and gender diversity



We have focus on increasing diversity at all management levels.

● Danish ● International ● Female ● Male

Financial outlook

This is Jason Kao. Jason is currently managing the development of our Greater Changhua offshore wind farms in Taiwan. With over 10 years' experience in the industry, he has a deep knowledge of the region and an open dialogue with local authorities and fishermen. Jason plays a key role in developing the Greater Changhua portfolio which will soon deliver green power to over 2.8 million Taiwanese households.

Financial outlook 2020

Group EBITDA guidance

As in previous years, our guidance only includes existing Offshore partnership agreements. We had no new partnership agreements in 2019, but EBITDA from existing partnerships amounted to DKK 3.8 billion. In 2020, EBITDA from existing partnerships is expected to be very limited.

In 2019, we signed an agreement to divest our Danish power distribution, residential customer and city light businesses. We expect the transaction to close in first half of 2020, and our EBITDA guidance includes operational earnings for the first half of 2020.

EBITDA (business performance), excluding earnings from new partnership agreements, is expected to be DKK 15-16 billion in 2020. The outlook is based on the expected development in the business units compared to 2019, as described below.

Offshore (excluding new partnership agreements) – lower

— Earnings from offshore wind farms in operation are expected to increase from ramp-up of generation at Hornsea 1 and Borsselle 1 & 2 and as another 400MW of Hornsea 1 will receive the CfD price from 31 March. Due to the extraordinarily high earnings in 2019, we expect lower earnings from trading related to hedging of our power exposure.

— As mentioned, earnings from existing partnerships is expected to go from DKK 3.8 in 2019 to a very limited amount in 2020.

— We expect lower expensed project development costs than in 2019.

Onshore – higher

— Earnings from onshore wind farms in operation are expected to increase as a result of new wind farms coming online, including Sage Draw, Plum Creek and Willow Creek, and a full year of operation from Lockett.

Markets & Bioenergy – lower

— Underlying earnings from our CHP plants (including ancillary services) are expected to be at level with 2019. The DKK 0.3 billion provision reversal from the Elsam competition case will not be repeated.

— Earnings in 'Gas Markets & Infrastructure' are expected to show a net decrease, due to a temporary shut-down from late 2019 until 2022 of the Tyra gas field owned by the Danish Underground Consortium (DUC), which will lower our earnings from both the gas portfolio and offshore gas pipelines. However, in contrast, we do not expect a repetition in 2020 of the negative effects from revaluating our gas at storage caused by the declining gas prices in 2019.

— Earnings in 'LNG' are expected to break-even in 2020. In 2019, we provided for the expected loss from the divestment to be concluded in 2020 and the expected operating loss in the period until closing.

— Earnings from power distribution, residential customer and city light businesses are only included for half a year.

Outlook 2020, DKKbn	2019 realised	2020 guidance
EBITDA (without new partnerships)	17.5	15-16
Offshore (without new partnerships)	15.2	Lower
Onshore	0.8	Higher
Markets & Bioenergy	1.5	Lower
Gross investments	23.3	30-32

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/lower indicates the direction of the business unit's earnings relative to the results for 2019.

Gross investments

Gross investments for 2020 are expected to amount to DKK 30-32 billion. The outlook reflects a high level of activity in Offshore (Borssele 1 & 2, Hornsea 2, Greater Changhua 1 & 2a and our US activities) and Onshore (Permian Energy Center, Plum Creek, Willow Creek and Sage Draw).

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 2019, funds tied up in work in progress totalled DKK 8.8 billion. During 2020, we expect to divest the Walney Extension offshore transmission asset, but we still expect to see a high level of funds tied up in work in progress in 2020 as a result of the continued construction of the transmission asset at Hornsea 2. We expect to divest the Hornsea 1 and Hornsea 2 offshore transmission assets around year-end 2020 and 2023, 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

"Our offshore wind farms are largely subject to regulated prices, implying a high degree of revenue certainty.

Hornsea 1 is now commissioned and ramp-up generation will contribute to our earnings in 2020.

farms in Denmark and Germany 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 wind farms and power plants which is exposed to market prices has to a large extent been hedged for 2020. 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 business performance EBITDA in 2020 amounted to DKK 0.7 billion at the end of 2019. This effect is included in the outlook for 2020 (see note 1.5).

The most significant uncertainty about the operating profit from existing activities in 2020 relates to the size of our power generation, which depends on the wind conditions, the 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, regulation 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

In October, we presented an update of our long-term financial targets following a comprehensive project upgrading the models and processes we use to forecast the energy production from our offshore wind farms. The project leveraged our access to extensive production data from our asset portfolio. It led us to adjust two of our long-term financial targets: unlevered life cycle IRR and lifetime load factor, both for a specific group of projects. The long-term financial targets and estimates based on the entire portfolio, rather than a group of assets, remain unchanged, including ROCE and profit growth from operating assets. See further details in our company announcement: 'Ørsted presents update on its long-term financial targets'.

For the period 2019-2025, we expect total gross investments of approx DKK 200 billion, of which DKK 23.3 billion was spent in 2019. Investments in offshore wind farms are expected to constitute 75-85% of the investment programme. Onshore investments are expected to constitute 15-20%, while our investments in Markets & Bioenergy are expected to constitute 0-5% of the investment programme.

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 still 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 10.5 per share be paid for 2019, equating an increase of 8% and a total of DKK 4.4 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.

Financial estimates	Target	Year
Total CAPEX spend	DKK 200bn	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 our update in October 2019 on our long-term targets.

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

Our current rating is in accordance with the policy.

Formosa 1 is Taiwan's first commercial scale offshore wind project.

Our business

2019 saw us significantly expand our geographic footprint in the US. Amazon Onshore Wind Farm in Texas was the largest onshore wind farm in the portfolio when we acquired LCE in 2018 – a project supporting hundreds of jobs and adding more than 1,000,000MWh of clean energy to the grid each year.

The green transformation

The world is facing a climate emergency. Climate change is happening fast and is threatening to destabilise our global ecosystems.

With the 17 UN Sustainable Development Goals (SDGs), the world's countries have agreed on the most pressing economic, social and environmental challenges that we face globally towards 2030. Climate action is a central goal, as it affects the realisation of many other SDGs where overall progress has proven to be slow or even reversed.

Science has clearly demonstrated the need to limit global warming to 1.5°C to avoid uncontrollable effects of climate change, including more floods, wildfires and droughts, decrease in biodiversity, and many other severe consequences. With the Paris Agreement, a vast majority of the world's countries agree to take global action to keep the increase in global average temperature well below 2°C and to pursue efforts to limit the increase to 1.5°C compared to pre-industrial levels. Meanwhile, the global average temperature has already increased by more than 1.1°C and is still on the rise. With current policies, temperatures are expected to reach a 1.5°C increase as soon as 2030 and 3-4°C by 2100. To turn the current development around and keep the world below a 1.5°C temperature increase, global emissions need to be halved in just ten years and reach net-zero by 2050.

Modern society was built on fossil fuels. The burning of coal, oil and gas still account for more than 80% of global energy consumption. Decoupling economic growth and carbon emissions require expanding the green energy transformation significantly and at a global scale.

However, the share of renewables meeting global energy demand has only increased around 0.25 percentage points annually over the past decade and is expected to reach just 12% in 2023. This development falls substantially short of being in line with the 1.5°C trajectory which necessitates profound near-term decarbonisation of the energy supply. The world's countries must rapidly transform global energy systems away from fossil fuels to becoming entirely based on renewable energy. It is an enormous endeavour which is necessary and, fortunately, also possible.

Through industrialisation, economies of scale and innovation across the value chain, the cost of renewable energy has dropped significantly over the past decade. Thus, the cost of offshore wind has dropped by more than 60% since 2014, and it is now cheaper to build offshore wind farms than coal- or gas-fired power plants. The same applies to solar photovoltaic (PV) and onshore wind that have followed similar developments. Renewables becoming the economic choice has been a breakthrough for the green transformation. It demonstrates that ambitious government targets to deploy green technologies help to effectively bring down the cost of green energy.

Ørsted wants to contribute to a 1.5°C future

At Ørsted, our vision is a world that runs entirely on green energy. We have become the global leader in deploying offshore wind and have activities within onshore wind, solar, storage and bioenergy. Our solutions tackle the climate challenge and help speed up the global transition from fossil-based energy to renewables, which represents our largest societal impact and contribution to the SDGs.

Over the past decade, we have undergone a major transformation. From being a traditional fossil-based energy company ten years ago, we are today ranked #1 in Corporate Knights' 2020 Global 100 most sustainable corporations in the world. We have demonstrated that a rapid transformation from fossil to renewable energy is both possible and profitable. From a green energy share of 17% in 2006, we are today at 86% and will reach 99% by 2025. Through this transformation, we have reduced our carbon intensity by 86% compared to 2006. We will continue to drive out fossil-based energy generation by phasing out coal by 2023 and expanding our renewable energy capacity across the world. We have installed 7.8GW offshore and onshore wind – enough to power more than 15 million people – and our ambition is to install more than 30GW of renewable capacity by 2030, which will be enough to power more than 55 million people.

Our contribution to the SDGs

WE SUPPORT

The 17 Sustainable Development Goals (SDGs) address the key economic, social and environmental challenges that the world faces towards 2030 as a global framework for how to achieve a more sustainable future. The goals are interconnected, and the climate challenge influences almost all the other goals.

The core business of Ørsted contributes most directly to SDG 7 on 'Clean and affordable energy' and SDG 13 on 'Climate action'. Besides these, we contribute indirectly to several other SDGs. We seek to strengthen the positive impacts and mitigate and avoid potential negative impacts that derive from our core business and a global green transition.

7 AFFORDABLE AND CLEAN ENERGY

13 CLIMATE ACTION

See the full overview of our SDG contributions and impacts in our sustainability report orsted.com/sustainability2019 and ESG performance report orsted.com/ESGperformance2019.

For our energy generation and operations (scope 1 and 2 emissions), our target is to become carbon neutral by 2025. To achieve this, we will reduce our carbon intensity to less than 10g CO_2e/kWh, which represents at least a 98% reduction compared to 2006. This target includes both generating green energy and sourcing green energy for our own energy use. We continuously work to reduce the remaining 2% of our carbon emissions and will offset any residual emissions from 2025.

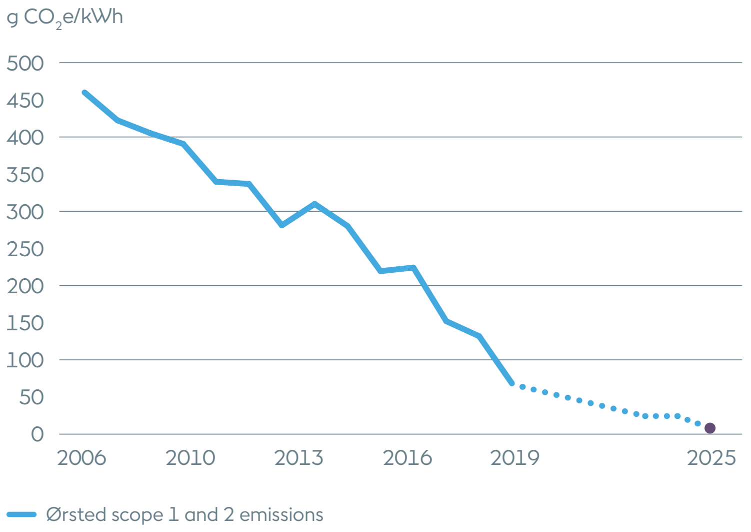
As we embark on the next phase in our decarbonisation journey, we have also set a target to reach net-zero emissions in our total carbon footprint (scope 1-3) by 2040, a decade faster than required by science. To help achieve this, we target a 50% reduction of the emissions in our energy trading and supply chain (scope 3) by 2032, compared to 2018. We will reach this target by engaging with our suppliers to reduce emissions in our supply chain and by gradually phasing out gas sales.

We have defined our carbon-reduction targets to align our full carbon footprint with what science requires from the energy sector to limit global warming to 1.5°C. The non-profit Science Based Targets initiative (SBTi) has preliminarily concluded that our new targets align with what the 1.5°C pathway requires from energy companies. The SBTi organisation will officially announce this target classification during 2020, once it has released the 1.5°C reduction pathway for energy companies. A visual showing all greenhouse gas emissions in our company and value chain, along with our complete action plan on how to address them, is available in our sustainability report at orsted.com/sustainability2019.

Ørsted has set the course for a carbon neutral future. Just like we have transformed, we want to help transform the world's energy systems away from fossil fuels towards green energy to limit average global temperature rise to 1.5°C. Reaching such a future requires a bold vision and decisive action by individuals, corporations and governments.

Carbon neutral by 2025

Energy generation and operations (scope 1-2)



By 2025, we want to be carbon neutral. This target covers all direct emissions from our activities and indirect emissions from our energy consumption (scope 1-2).

● We will eliminate the remaining emissions beyond a 98% reduction (g CO_2e/kWh) which could include offset by investing in certified carbon-removal projects.

Climate-related financial disclosures

Companies and investors also need to look at how the climate may impact their business. This includes physical factors, such as sea level rising or storms that can affect assets, and transitional factors, such as carbon prices or technology shifts that can affect business strategies. To address such risks and opportunities, it is key to adopt a science-based carbon reduction target and analyse the business' financial risks and opportunities related to climate change as recommended by the Task Force on Climate-related Financial Disclosures (TCFD).

At Ørsted, we are aware of the actual and potential impacts of climate change on the resilience of our business. By endorsing and aligning our practices and reporting with the TCFD recommendations over the past two years, we have further crystallised our understanding and disclosure of climate-related risks and opportunities. This includes improved reporting on the integration of climate-related issues into our governance mechanisms, such as the Board of Directors' competences and executive remuneration. We also conducted a climate scenario analysis in 2019, and its overall results are disclosed in the risk section of this report.

Our sustainability reporting

Read more about our decarbonisation strategy as well as our full range of sustainability programmes in our sustainability report orsted.com/sustainability2019. The report constitutes our annual Communication on Progress to the UN Global Compact and highlights our positive and negative impacts on the Sustainable Development Goals (SDGs).

A full ESG data overview with accounting policies is available in our ESG performance report orsted.com/ESGperformance2019.

With the Sustainability and the ESG reports, we comply with the requirements for corporate social responsibility reporting set out in section 99a of the Danish Financial Statements Act as well as section 99b on the gender distribution at management levels, respectively.

See and download the reports here: https://orsted.com/en/Sustainability/Our-reporting#0

Greenhouse gas emissions

Greenhouse gas emissions related to a company is typically divided into three categories according to the Greenhouse Gas GHG) Protocol:

— Direct emissions (scope 1), which cover all direct emissions from the company's operations, e.g. from the burning of coal and gas at heat and power plants.
— Indirect emissions (scope 2), which include the emissions from the generation of electricity, heat and steam purchased and consumed by a company, e.g. for heating of buildings.
— Indirect emissions (scope 3), which include the upstream emissions in the company's supply chain from production and transportation of the goods and services purchased as well as from downstream emissions in relation to the end-user's consumption of the company's products or services.

Our strategic aspiration and growth platform

The need to transform the world's energy systems from fossil fuel-based to renewable energy and our leadership position in offshore wind give us a strong platform to realise our aspiration of becoming a global, green energy major in a rapidly expanding global renewable energy market.

By 2030, global installed renewable capacity is expected to be four times higher than it is today, fuelled by the cost competitiveness of green technologies and by increasingly ambitious government plans to decarbonise energy systems in the fight against climate change.

Ørsted's renewable energy portfolio includes offshore wind, onshore wind, solar PV and storage. In offshore wind, we are the market leader, both globally and across our four regional markets: UK, Continental Europe, North America and Asia-Pacific. In onshore renewables, i.e. onshore wind, solar PV and storage, a market we entered in 2018, we have a growing position in North America that will soon span seven US states.

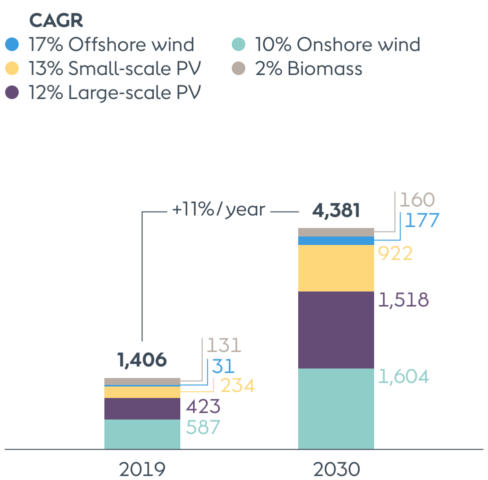
Our global leadership position in offshore wind and growing regional position in onshore renewables create a strong foundation for reaching our strategic ambition of more than 30GW of installed renewable capacity by 2030.

Our growth platform	Continental Europe and UK	North America	Asia-Pacific
Offshore wind	**Maintain leadership in offshore wind**		
Onshore wind, solar PV and storage		**Build strong North American position in onshore wind, solar PV and storage**	

However, volume is not an objective in itself. We only invest in projects that provide returns above our cost of capital.

Markets & Bioenergy plays an important role in supporting our growth platform by providing services that help offtake the Group's energy generation and manage our risk exposure. The business unit is also responsible for our portfolio of combined heat and power (CHP) plants which provide green heat, power and ancillary services to Denmark's energy system, making a significant contribution to the decarbonisation agenda. To sharpen the focus of Markets & Bioenergy, we initiated several divestment processes for non-core activities over the past year, and we have already concluded some of these.

Global renewable energy capacity by technology[1]
GW installed



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

Source: Bloomberg New Energy Finance (BNEF) New Energy Outlook 2019 for all technologies except offshore wind. Offshore wind figures from BNEF H1 2019 Offshore Wind Market Outlook.

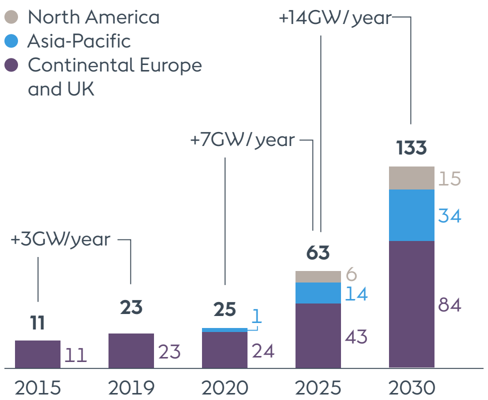
Our markets and strategy

Offshore wind

The global offshore wind market

In 2019, global installed offshore wind capacity excluding mainland China totalled 23GW. Bloomberg New Energy Finance estimates that the global offshore wind market will see the installation of approx 7GW per year between 2020 and 2025, and that annual additions will double to an average of 14GW per year by the mid to late 2020s. This represents a significant increase in comparison to the 3GW annual build-out rate in recent years. In the long term, the International Energy Agency predicts that offshore wind will become a mainstay of the world's power supply, with the technical potential to cover 1.5 times the world's current electricity demand, according to a report published in 2019.

Offshore wind capacity excl. mainland China
GW installed



Source: BNEF H1 2019 Offshore Wind Market Outlook.

Europe including the UK is by far the largest and most mature market for offshore wind. We expect to see significant growth in this region in the years to come, not least due to the ambition of the European Union to reach net-zero carbon emissions by 2050. The UK is currently the world's largest market for offshore wind. In 2019, the conservative government pledged to build 40GW by 2030, and the Crown Estate launched its first major auction for new offshore lease areas with a combined potential of up to 7GW of capacity. In mainland Europe, there has also been an increase in government build-out targets driven by the falling cost of offshore wind, decreasing availability of sites for onshore projects and an increasing sense of urgency about the decarbonisation of Europe's energy system. In 2019, France, Belgium and Poland raised their targets, while Ireland introduced a target for offshore wind for the first time, promising a strong line-up of tenders over the coming years.

North America and Asia-Pacific are new and relatively immature offshore markets in comparison to Europe. However, strong government commitments are propelling growth in these regions. In North America, the driving force of offshore wind expansion is state-level policies, which have been effective in establishing a rapid and significant build-out potential across the Eastern seaboard. In Asia-Pacific, Taiwan has been the first mover in encouraging the development of offshore wind projects, and we now see Japan and South Korea following suit as next-in-line markets.

The growing volume of offshore wind projects and the expected long-term market growth have attracted new players and increased competition in the industry. Most notably, oil majors have entered the market with ambitious build-out targets, which has made auctions and tenders more competitive, putting pressure on margins.

Our offshore ambition

Ørsted is the world leader in offshore wind, with approx 30% of the global offshore wind capacity installed and under construction outside 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 2019, we had 6.8GW of installed capacity,

Selected offshore wind targets

Region	Target	Current capacity (GW)†
Continental Europe and UK[1]		
The UK	40GW by 2030	20.2
Germany	20GW by 2030	10.8
The Netherlands	11.5GW by 2030	4.5
Poland	9.6GW by 2030	0.0
France	11GW by 2028	3.5
Denmark	5.3GW by 2030	2.7
Belgium	4GW by 2030	2.3
Ireland	3.5GW by 2030	<0.1
Italy	0.9GW by 2030	<0.1
North America[2]		
New York	9GW by 2035	1.8
New Jersey[3]	7.5GW by 2035	1.1
Massachusetts	3.2GW by 2030	1.6
Virginia	2.5GW by 2026	0.0
Connecticut	2GW by 2030	1.1
Maryland	1.6GW by 2030	0.4
Rhode Island[4]	1GW by 2020**	0.4
Asia-Pacific		
Taiwan[5]	15GW by 2035	5.7
South Korea[1]	12GW by 2030	0.1
Japan[6]	10GW by 2030***	<0.1

Sources
1 IEA Offshore Wind Outlook 2019
2 AWEA Offshore Wind Fact Sheet October 2019
3 Greentech Media
4 State of Rhode Island Office of Energy Resources
5 Offshore WIND
6 Linklaters

Notes
* Target not legally binding.
** Clean energy target, technology not specified.
*** Combined offshore and onshore target.

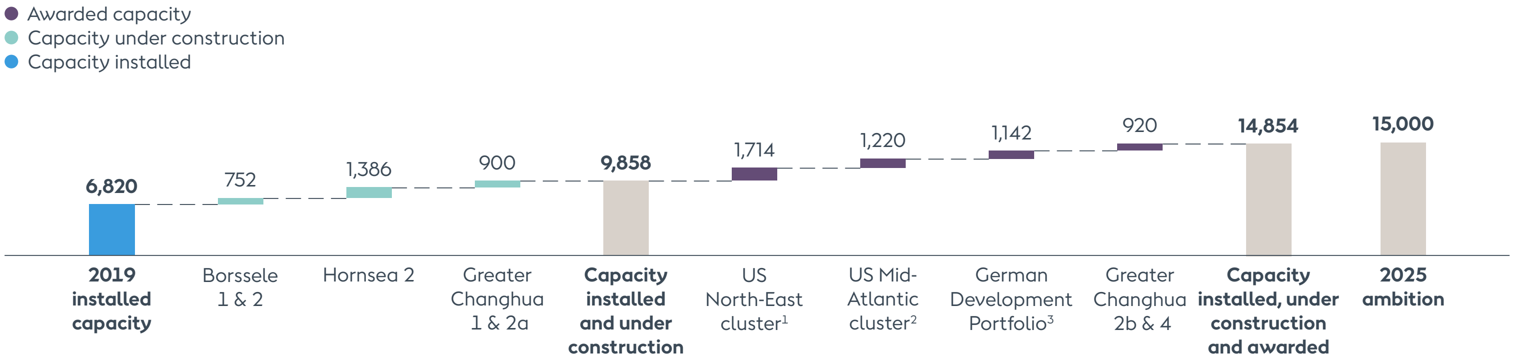
† Total capacity includes installed, under construction and awarded capacity end of 2019.

3.0GW under construction and a further 5.0GW awarded.

Ørsted's strategic ambition within offshore wind is to maintain our market leadership position and to reach 15GW of installed capacity by 2025. With our US East Coast awards of 2.9GW in 2019, we are already very close to reaching this goal, provided we take FID on all awarded projects.

Exponential growth and increasing competition in the underlying market in combination with our focus on financial discipline imply a lower win rate in competitive auctions and tenders going forward in comparison to our historical win rate of one third. Recent processes in the US (Massachusetts and Connecticut), the Netherlands and France illustrate this, where we were not awarded any capacity. However, given the rapidly expanding market, we expect to reach our build-out ambition with a lower win rate.

Offshore capacity build-out towards 2025
MW



[1] South Fork (130MW), Revolution Wind (704MW) and Sunrise Wind (880MW).
[2] Skipjack (120MW) and Ocean Wind (1,100MW).
[3] Gode Wind 3 (242MW) and Borkum Riffgrund 3 (900MW).

Our offshore strategic priorities

Several overall strategic priorities guide our offshore activities across regions. To deliver on our growth ambition, we will:

- drive operational excellence to secure best-in-class availability on operating assets, continue to deliver construction projects on time and on budget, and ensure value-creating FIDs on our awarded portfolio
- maintain leading market positions and expand our presence in the UK, Continental Europe, North America and Asia-Pacific
- continue to push for LCoE reductions through new technology adoption, supply chain development and systematic cost-out
- closely monitor market for new complimentary technologies and identify attractive opportunities for bundling offshore wind with storage and electro fuels
- maintain agility and reduce overhead through digitalisation and simplification of operations to free up funding for investment in market development initiatives.

Our offshore regions

Our offshore wind business is organised in four regions: the UK, Continental Europe, North America and Asia-Pacific. As our footprint expands, we recognise the need for a differentiated approach to our markets. Therefore, in addition to our overall strategic priorities, we have strategic focus areas in each region.

UK

We have been active in the UK since 2004, when we became a joint owner of the Barrow offshore wind farm. Today, the UK is our largest market, and we have 15 offshore wind farms in operation in British waters with a total capacity of 4.6GW, of which we own 2.3GW. In addition, we are constructing Hornsea 2, the world's largest wind farm at 1.4GW, and we have 4-5GW of seabed leases under development for the remaining part of the Hornsea zone (Hornsea projects 3 and 4).

We continue to see the UK as a key market for Ørsted, with opportunities to secure value-creating wins in auctions. Given the maturity of the market players and our operations in this region, our strategic focus is to continue to drive innovation and to leverage our market-leading EPC and O&M platforms.

Continental Europe

We have been present in Continental Europe since 1991, when we constructed the world's first offshore wind farm in Danish waters. Today, we have nine wind farms in operation and a total installed capacity of 2.4GW across Germany and Denmark. In addition, we have 0.8GW under construction in the Netherlands, and we have 1.1GW of awarded capacity in Germany.

Continental Europe is another very important market for Ørsted. We are focused on maturing our German development portfolio for FID, and we are exploring new markets, such as Poland, France and Belgium. We are also expanding our offtake platform through corporate power purchase agreements (CPPAs) to reduce merchant risk exposure and strengthen the risk-return profile of projects. Lastly, we are investigating opportunities in adjacent technologies, such as renewable hydrogen, which have the potential to decarbonise hard-to-abate sectors, such as heavy industry and transportation.

North America

We established a foothold in North America in 2016 when we secured the right to develop the Bay State Wind site off the coast of Massachusetts. In 2018, we acquired Deepwater Wind, creating the largest US offshore wind developer in terms of project pipeline. We currently operate the US' only offshore wind farm, the 30MW Block Island Wind Farm off the Rhode Island coast. We are also EPC responsible for the pilot Coastal Virginia Offshore Wind project, the first fully permitted offshore wind project in federal waters. In 2019, we won two major US auctions in New Jersey and New York. Our strong performance in recent US solicitations has resulted in a total awarded capacity of 2.9GW, and we have up to 4.5GW of seabed leases under development which we can utilise for auctions and tenders in 8 different states.

In the US, our success was enabled by an early and strong commitment to the market, a willingness to invest in local communities and the ability to deliver competitive projects in partnership with knowledgeable and experienced local players. Thus, our strategic focus is to continue building the market, while strengthening our local capabilities. We are developing our North-East and Mid-Atlantic projects with emphasis on harvesting cluster synergies, delivering projects on time and on budget, meeting local content commitments, and expanding local partnerships.

Asia-Pacific

We entered the Taiwanese market in 2017, marking our first operations in Asia-Pacific. We are the co-owner of Taiwan's first commercial-scale offshore wind farm, Formosa 1, whose second phase was inaugurated in November 2019. We have obtained site exclusivity for four offshore wind sites off the coast of Changhua County. Of these four sites, 900MW is under construction, 920MW has been awarded, with approx 600MW remaining for possible future auction rounds.

We have a strong foothold in Asia-Pacific, and our strategic focus in this region is to continue to build our organisation and capabilities to ramp up project development and execution. We will continue to work on strengthening local partnerships and supporting the build-out of local supply chains in Taiwan. We are also expanding our footprint into new markets. In Japan, we are firming up our partnership with TEPCO with a focus on the Choshi zone off the coast of Tokyo, and, we are exploring the potential for value-creating projects in South Korea.

Onshore renewables

The onshore renewables market

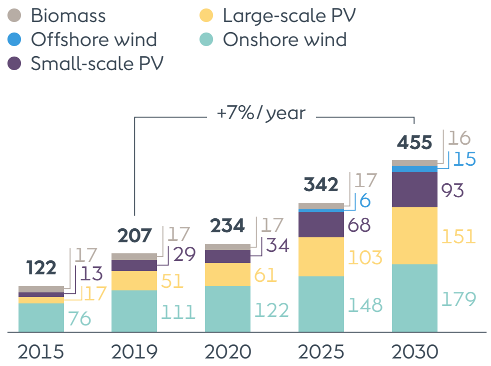
The global renewable energy mix is dominated by onshore wind and large-scale solar PV, which accounted for over 72% of installed capacity worldwide in 2019. The same is true in North America, which is the third-largest market in the world for onshore wind with approx one fifth of global installed capacity in 2019. Installed large-scale solar PV capacity in North America reached 51GW in 2019 and is forecast to grow by 10% per year towards 2030. New build-out ahead of the upcoming phase-out of tax credits and an increase in state-level clean energy targets are the main causes of an increase in expected capacity towards 2025.

Our onshore ambition

Through the acquisition of Lincoln Clean Energy (LCE) in 2018 and subsequent expansions, we have established a significant presence in North American onshore renewables, including onshore wind, large-scale solar PV and energy storage. In 2019, we completed the integration of LCE and changed the LCE name to Ørsted, thereby applying the Ørsted brand to the full spectrum of onshore and offshore renewable technologies. Our combined installed and under construction capacity makes us approx the 20th largest onshore wind and solar PV company in the US.

Our strategic ambition in North America is to build a leadership position in onshore

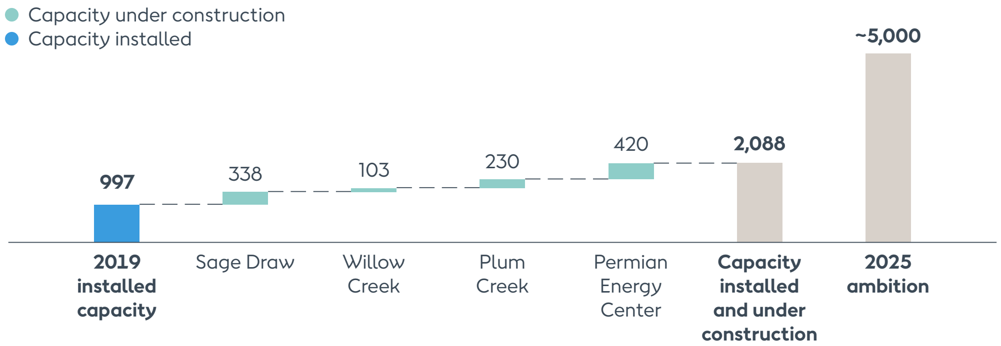
North American renewable capacity by technology[1]
GW installed



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

Source: Bloomberg New Energy Finance (BNEF) New Energy Outlook 2019 for all technologies except offshore wind. Offshore wind figures from BNEF H1 2019 Offshore Wind Market Outlook.

Onshore capacity build-out towards 2025
MW



renewables. In 2019, we had 2.1GW of onshore renewables installed and under construction in North America – 1.7GW of onshore wind, 430MW of solar PV and 40MWac of storage capacity. Since entering the US onshore market, we have doubled our operating portfolio, and it will more than double again by 2021. We have set a target of 5GW of installed capacity by 2025. While our portfolio will remain largely onshore wind dominated, we look to grow our solar PV operational capacity to approx 20-30%, enabling us to broaden our growth platform and capture the benefits of diversification.

Our onshore strategic priorities

The strategic priorities which guide our onshore activities are operational excellence, reducing LCoE and maintaining a pioneering spirit and growth mindset. We took FID on four projects in 2019 and currently have over 1GW under construction across the electricity markets ERCOT and SPP. We will continue to focus on securing attractive long-term PPAs that facilitate solid economics after the phase-out of the production tax credit and the investment tax credit for wind and solar PV projects, respectively.

Markets & Bioenergy

Our Markets & Bioenergy business has five core functions. Firstly, it provides an efficient route-to-market for Ørsted and third-parties by offering services such as power balancing and green certificates trading. Its second function is to manage market risk for our energy portfolio through commodity trading and other risk management activities. Markets & Bioenergy also manages the operations of our CHP plants. Fourthly, it is responsible for optimising our natural gas portfolio. Finally, Markets & Bioenergy is responsible for our waste recycling technology, Renescience.

As the share of renewable energy in the grid increases, there is an increasing need to balance forecasted and actual generation. Markets & Bioenergy continues to provide an efficient route-to-market for Ørsted's and third-parties' power generation through power origination, physical balancing and portfolio optimisation services.

Intensifying competition and new regulatory models in some markets mean that a larger share of project revenues will be exposed to market risk going forward. Markets & Bioenergy will continue to manage our exposure to merchant power prices through market trading and risk management.

Our portfolio of bioconverted CHP plants remains a key component in the green transition of the heat and power sector in Denmark and supports the power grid during times of low renewable generation. We continue to optimise the performance of our CHP plants, and in 2019, we completed the last planned bioconversion of our CHP plants. From mid-December, all heat and power generated at Asnæs Power Station were produced from sustainable biomass, leaving Esbjerg Power Station our last coal-fired plant, which we plan to close in early 2023.

Gas is a fossil fuel that should eventually be phased out of the energy system. However, during the transition period leading up to a 100% green energy system, gas ensures reliability of supply. We focus on optimising the value of our legacy natural gas portfolio through trading, portfolio optimisation and contract negotiations.

Our Amazon Wind Farm comprises 110 wind turbines, each over 90 meters tall, and has a capacity of 253MW.

Our capital allocation and funding

To realise our strategic aspiration, substantial investments and funding are required.

We incurred capital expenditures of DKK 23.3 billion in 2019, primarily driven by construction activities in Offshore (DKK 15.1 billion). Our plan is to invest an estimated DKK 200 billion in the period from 2019 through 2025, with more than 95% earmarked for offshore wind and onshore renewables and 0-5% dedicated to reinvestment in our Markets & Bioenergy activities. Our capital will be allocated to projects with the best risk-return profile, and we will only invest in projects which generate returns above our cost of capital.

The strategic plan is subject to our four capital allocation priorities. Firstly, we maintain our strong commitment to our credit ratings (BBB+/Baa1). Secondly, we intend to increase our annual dividends by a high single-digit percentage. Thirdly, we will invest in value-creating growth. Finally, potential excess capital will be returned to our shareholders in the form of additional dividends and/or share buy-backs.

Going forward, our investments will be fully funded by green capital, either through operating cash flow from our renewable energy projects or through new debt issued in accordance with our green finance framework. This framework was developed in 2019 in alignment with ICMA's Green Bond Principles 2018 and LMA/APLMA/LSTA's Green Loan Principles 2018 and replaces our previous Green Bonds Framework from 2017. In the 2019 framework, we have broadened our green financing instruments to include green bonds, green loans and other debt instruments to finance eligible green projects.

2019 saw several funding highlights. In May, we issued GBP 900 million (DKK ~7.8 billion) of green senior bonds in one inflation-linked (CPI) tranche and two nominal tranches, making Ørsted the first corporate issuer of CPI-linked green bonds in the UK. In June, we established a five-year NTD 25 billion (DKK ~5.5 billion) green revolving credit facility in partnership with a group of 15 banks, the majority of which were local Taiwanese banks. In November, Ørsted was the first foreign corporate entity to issue NTD denominated green bonds in Taiwan, with the issuance of NTD 12 billion (DKK ~2.7 billion). In December, we issued green hybrid capital securities of EUR 600 million (DKK ~4.5 billion) and redeemed EUR 524 million (DKK ~3.9 billion) of existing hybrid capital securities callable in 2020.

With this year's transactions, our total outstanding debt, excluding hybrids, amounted to DKK 37.2 billion, with more than 50% of this issued in a green format.

Oak solar farm in New Jersey, US is comprised of 53,200 fixed solar panels and has a capacity of 10MW.

Our strategic enablers

Achieving our ambition of becoming a global green energy major requires continuously strengthening our organisation across several dimensions. Therefore, we continue to evolve our global operating model and invest in digitalisation, talent and innovation.

Global operating model

Effective from 2020, we introduced a new global operating model in Offshore to support our international growth ambitions. The aim of the new model is to balance global scale advantages and local market proximity as well as to create a more transparent and scalable platform for our global expansion plans.

Digitalisation

Ørsted's digitalisation strategy is focused on the deployment of advanced analytics and artificial intelligence, as these capabilities represent the greatest value creation potential. We currently have six agile release trains (ART) running across the organisation.

The ART in Offshore Operations is our most advanced and is focused on maintenance optimisation and yield uplift of older wind turbines. The ART in Markets & Bioenergy and Risk facilitated the development and deployment of our US trading unit and focuses on developing automated and algorithmic trading capabilities. The ART in Offshore EPC was ramped up in late spring to help optimise the CAPEX baseline in bid processes. The remaining three ARTs are running in Offshore EPC, Markets & Bioenergy and Ørsted Group Support and focus on the automation and optimisation of business processes.

Talent

To reach our ambition of becoming a global green energy major, we have strengthened our talent strategy to address all stages of the employee life cycle and to meet the needs of our local markets. We are investing in our employer brand and are strengthening our talent acquisition efforts in all markets. Improved onboarding programmes aim at ensuring new colleagues develop faster and more effectively. We provide our employees with a healthy working environment to enhance well-being and performance and to differentiate us as an employer.

As our global footprint expands, our workforce also becomes more diverse. We are building an inclusive culture to leverage diversity and strengthen our company. We are also increasing our efforts to promote career development and internal mobility. A new simplified career model will make career opportunities more visible and accessible to support the development and retention of talent at Ørsted.

Innovation

A strong entrepreneurial drive and willingness to challenge industry notions of what is possible has been at the heart of Ørsted's successful transformation. Innovation is in our DNA, and we will continue to push frontiers to remain a leader in a dynamic and unpredictable market. This includes exploring new technologies and solutions. For example, we are investigating the potential of renewable hydrogen for direct application and conversion to renewable fuels. We have established a separate hydrogen team, anchored in our Offshore business unit, which has established a project pipeline and kicked off initial phases of several pilot projects.

We continue to be innovative in deploying our market trading capabilities to manage risk better and more economically. Furthermore, we continue to develop our corporate PPA (CPPA) business, which we expect will play a key role in addressing merchant risk.

As a frontrunner in the global green energy transition, we're investing heavily in digititalisation and innovation.

Our business model

- Inhouse activities
- Partly outsourced activities

Key Resources

Financial capital
We finance our investments through cash flows from operations, debt and divestment of ownership interests.

Energy assets
We invest in scalable, innovative green technologies and solutions.

Natural resources
We rely on natural resources, such as construction materials, biomass, as well as locations with attractive wind speeds and seabed and land conditions.

Human resources
We rely on a highly skilled workforce to operate our business.

Innovative culture
We continuously innovate our energy solutions to drive competitiveness.

Stakeholder engagement
We depend on constructive relations with our key stakeholders to ensure supportive framework conditions for our business.

Core activities	Develop	Build	Operate	Own	Market
Offshore Capital employed 74%	Develop offshore wind farms Projects under development in the UK, US, Germany and Taiwan Exploring opportunities in Japan, Poland and South Korea	Construct offshore wind farms 3 offshore wind farms under construction	Operate and maintain offshore wind farms Operator of 24 offshore wind farms	Raise capital through partnerships and farm-downs Manage profitability over asset lifetime Full owner or partly owner of 29 offshore wind farms	Activities related to offtaking our power generation and hedging our risk exposure are performed by Markets & Bioenergy, but earnings from these activities are allocated to the business unit they impact Examples include route-to-market services and trading activities
Onshore Capital employed 11%	Develop onshore wind, solar PV and storage projects and ensure tax equity Onshore wind, solar PV and storage projects under development in the ERCOT, MISO, PJM and SPP electricity markets	Select best-in-class contractors to construct our onshore assets 3 onshore wind farms, 1 solar PV farm and 1 storage facility under construction	Management of extended service agreements to operate and maintain our onshore assets Operator of 4 onshore wind farms, 1 solar PV farm and 1 storage facility	Raise capital through tax equity partnerships Manage profitability over asset lifetime Owner of 7 onshore wind farms, 2 solar PV farms and 2 storage facilities	
Markets & Bioenergy Capital employed 15%		Operate and maintain CHP plants Operator of 6 bio-converted CHP plants, 3 heat and ancillary service plants and 1 coal-fired CHP plant	Manage profitability over asset lifetime Owner of 6 bio-converted CHP plants, 3 heat and ancillary service plants and 1 coal-fired CHP plant	Provide route-to-market services for our own and third-parties' electricity, power certificates and gas Manage Ørsted's energy portfolio risks	

Value created

Society
We address profound societal challenges by developing green, independent and economically viable energy systems that reduce greenhouse gas emissions and stimulate local growth and job creation.

Customers
We fulfil our customers' energy needs through green, innovative and efficient energy solutions.

Employees
We are committed to a sustainable working life and keep a constant focus on being a great and safe place to work with motivated and satisfied employees.

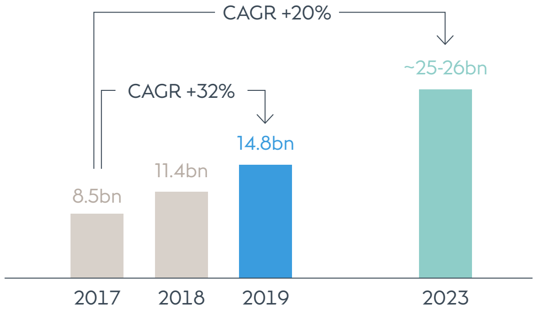
Shareholder return
We create value for our shareholders in the form of competitive total returns.

Our strategic targets

Target

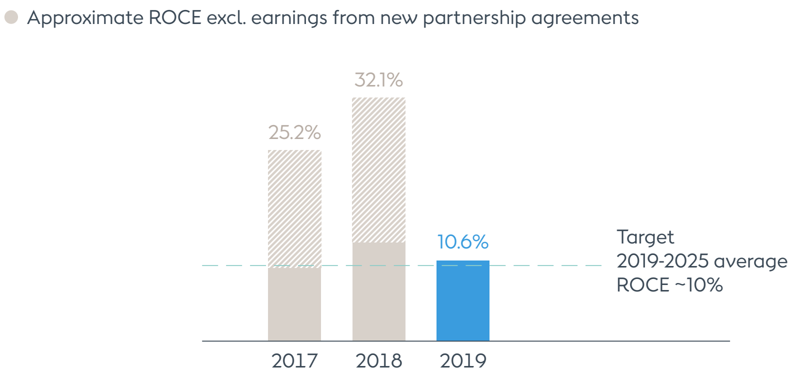
1. EBITDA from operating offshore and onshore sites, %

We have set a target 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 2019, we averaged an annual growth rate of 32% in line with our objective.



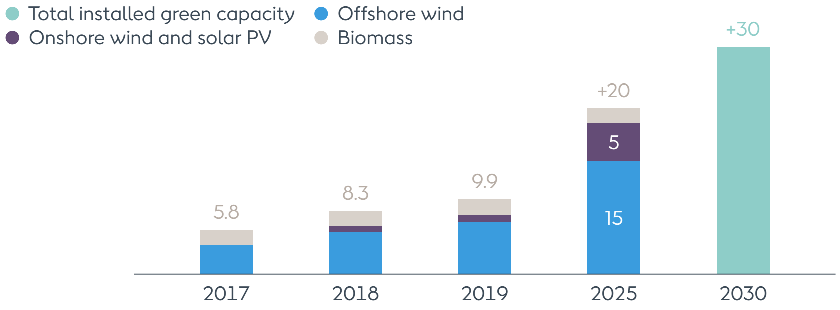
2. ROCE, %

We target an average return on capital employed (ROCE) of approx 10% from 2019 to 2025. In 2017 and 2018, ROCE was positively impacted by substantial profits from new partnership agreements, particularly divestment gains.



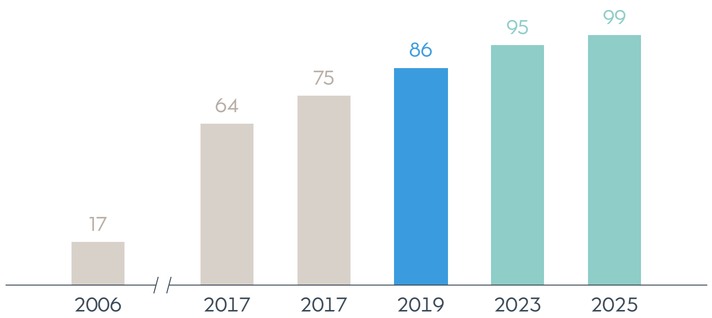
3. Installed green capacity, GW

In 2018, we set an ambition to have installed more than 30GW of green capacity by 2030. In addition, our ambition is to have installed 15GW of offshore wind and 5GW of onshore wind and solar PV capacity by 2025. We are making good progress on our ambitions with 9.9GW of green capacity installed, 4.1GW under construction and 5.0GW awarded at the end of 2019.



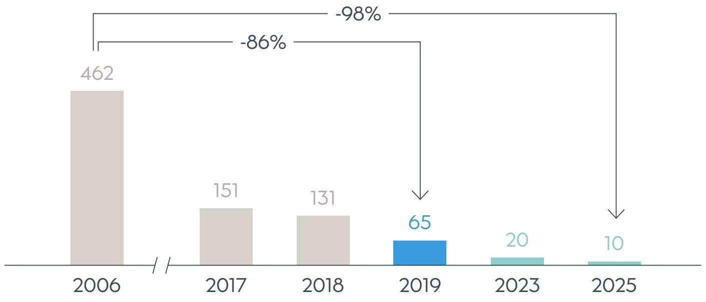
4. Green share of generation, %

In 2019, we increased the green share of generation to 86%, up 11 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 (scope 1 and 2), g CO_2e/kWh

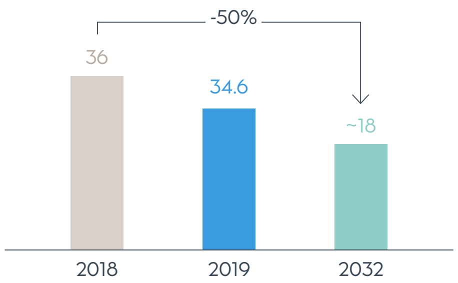
We are well on track to meet our scope 1 and 2 greenhouse gas (GHG) emission intensity target of less than 10g CO_2e/kWh in 2025[1]. Scope 1 refers to the direct GHG emissions from our energy generation and operations, and scope 2 refers to the indirect GHG emissions from the energy we source for our operations. Lower generation based on coal and gas together with our continued build-out of renewables contributed to a reduction in our GHG intensity to 65g CO_2e/kWh in 2019.



[1] In addition to the emission reduction targets, we have set a new target of being carbon neutral in 2025. We will neutralise the last 0-10 gCO_2/kWh with carbon offsets.

6. Greenhouse gas emissions (scope 3), million tonnes CO_2e

In 2019, we introduced a target for our scope 3 GHG emissions. We aim to reduce our scope 3 emissions by 50% between 2018 and 2032. The primary sources of our scope 3 emissions are indirect emissions related to the trading of natural gas and fossil-based power in our Markets business as well as to the goods and services we source for the construction of our wind and solar farms.

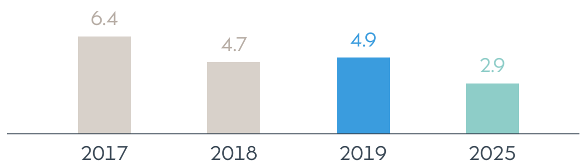


7. Employee satisfaction, scale 1-100

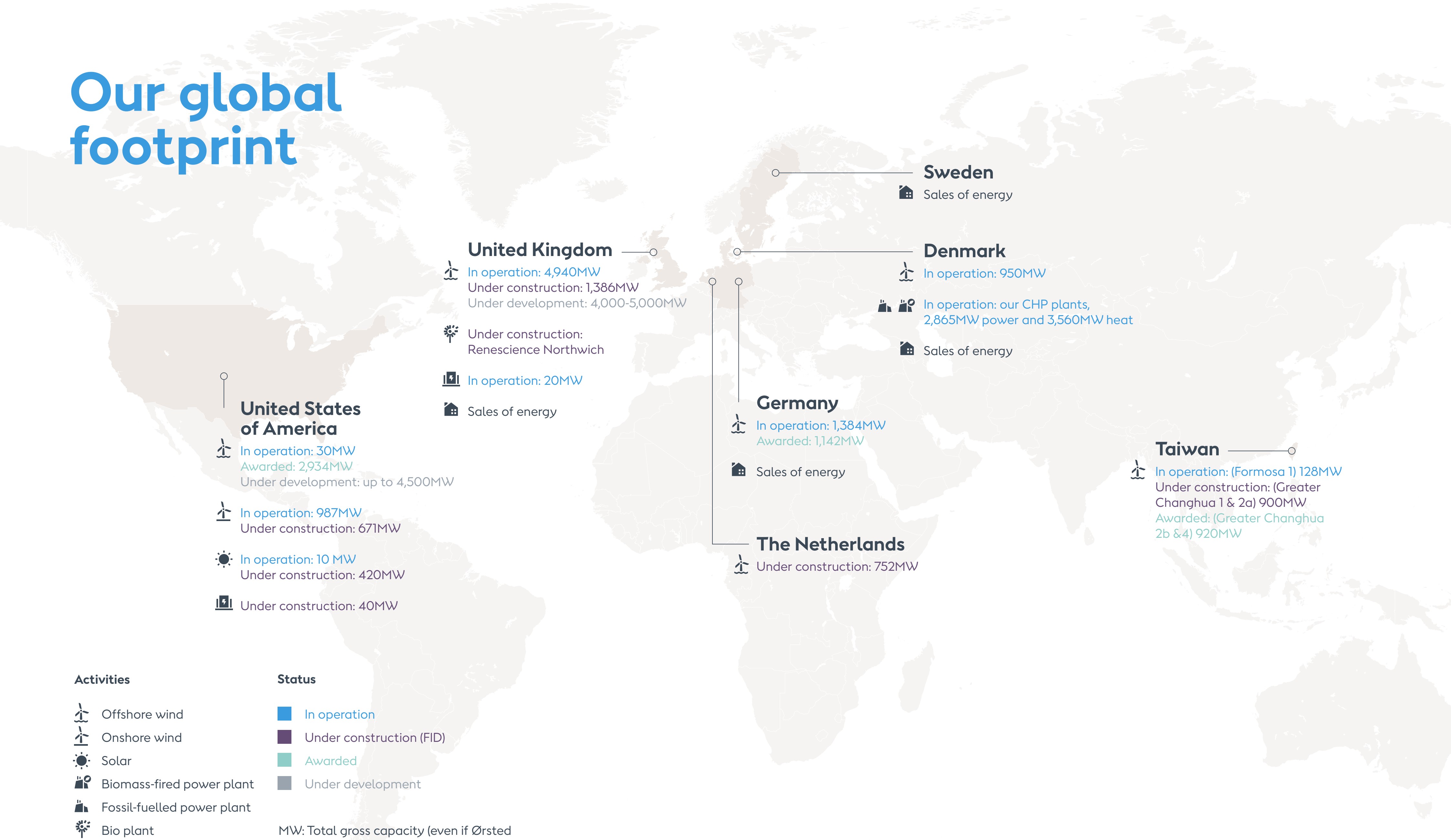
We believe that employee satisfaction and positive results go hand in hand. Therefore, we are continuously working to improve the well-being of our employees. In 2019, we reached a record high score and met our 2020 target for employee satisfaction. This score places Ørsted among the top 10% of our external benchmark group, similar to 2017 and 2018. We are proud of this and aim to stay in the top 10%.

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, which is a sharpening of our previous target of 3.3. In 2020, we target a TRIR of 4.2 or lower.



Our global footprint



Activities

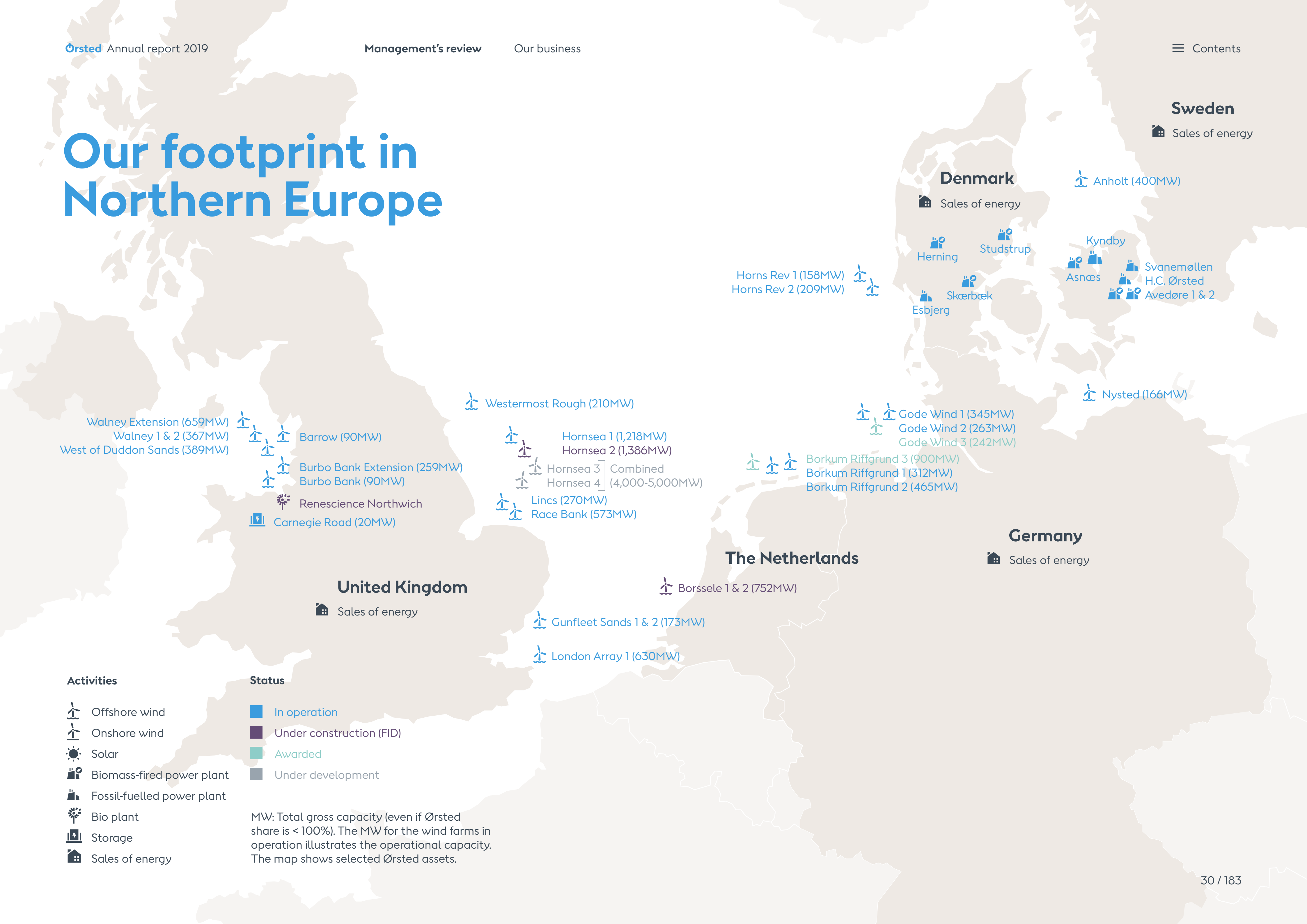
- Offshore wind
- Onshore wind
- Solar
- Biomass-fired power plant
- Fossil-fuelled power plant
- Bio plant
- Storage
- Sales of energy

Status

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

MW: Total gross capacity (even if Ørsted 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



Activities

- Offshore wind
- Onshore wind
- Solar
- Biomass-fired power plant
- Fossil-fuelled power plant
- Bio plant
- Storage
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Status

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

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

Our footprint in North America

Activities

- Offshore wind
- Onshore wind
- Solar
- Storage

Status

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

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

Results

Julie's home is powered by green energy from one of Ørsted's five Danish offshore wind farms. In 2019, 47% of Danish power came from renewable energy solutions. She made the switch to green energy this year to help protect the future of our planet for her children and the generations to come.

Results

Reporting

In June, we decided to consolidate the business units Customer Solutions and Bioenergy into a new business unit, named Markets & Bioenergy. In addition, as we run the business on an end-to-end value chain thinking, we decided that all activities and earnings that relate to Offshore and Onshore, will be 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 now presented in these business units. In 2019, EBITDA of DKK 725 million and DKK -18 million were transferred to Offshore and Onshore, respectively, and DKK 237 million was transferred to Offshore in 2018.

Financial results

Revenue

Power generation from offshore and onshore wind increased by 46% and totalled 15.5TWh in 2019, mainly due to the ramp-up of generation from Hornsea 1, Borkum Riffgrund 2 and Walney Extension and the addition of our Onshore business unit, which we acquired in Q4 2018. Curtailments and various operational issues had a larger than normal adverse impact on our offshore generation in 2019.

Thermal power generation amounted to 4.6TWh, and heat generation amounted to 8.3TWh, down 31% and 6%, respectively, compared to 2018. The decreases were mainly due to warmer weather than in 2018 and less favourable market conditions for power generation. We also generated heat without combined power generation at Asnæs Power Station most of the year. Offshore and onshore wind accounted for 77% of our total power generation, while the renewable energy share of our total heat and power generation accounted for 86% in 2019 compared to 75% in 2018.

Revenue amounted to DKK 67.8 billion. The decrease of 12% relative to 2018 was primarily due to significantly lower gas prices, lower revenue from construction of transmission assets, lower gas sales and lower thermal heat and power generation as mentioned above.

EBITDA

Operating profit (EBITDA) totalled DKK 17.5 billion compared to DKK 30.0 billion in 2018. The decrease was mainly due to the 50% farm-down of Hornsea 1 in 2018 which contributed positively with DKK 15.1 billion. Adjusted for new partnerships, EBITDA increased by 17%. This was driven by a 30% increase in earnings from offshore and onshore wind farms in operation, which was due to a full year with Onshore and ramp-up at Hornsea 1, Borkum Riffgrund 2 and Walney Extension as well as good performance from trading related to hedging of our UK

Business performance vs. IFRS

Ørsted uses 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 calculated in accordance with IFRS amounted to DKK 19.0 billion in 2019 against DKK 28.5 billion in 2018. Calculated in accordance with the business performance principle, EBITDA was DKK 17.5 billion and DKK 30.0 billion, respectively. The difference between the two principles was DKK 1.5 billion both years, but with opposite signs.

In the presentation of the results according to IFRS, Ørsted does not 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 based on the business performance principles only, unless otherwise specified. Reference is also made to note 1.5.

Business performance vs. IFRS, DKKm	2019	2018
EBITDA – business performance	**17,484**	**30,029**
Market value adjustments for the year of financial and physical hedging contracts relating to a future period	141	(1,734)
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	1,395	196
EBITDA – IFRS	**19,020**	**28,491**

energy exposures. The reversal of a provision related to the Elsam competition case also contributed positively to the higher earnings.

Earnings from our gas activities were negatively affected by the steep decline in gas prices which had a temporary adverse effect on our earnings in 2019 due to a decrease in the accounting value of our gas inventories, whereas we saw an opposite effect in 2018 due to increasing gas prices. In addition, we had a positive outcome of an arbitration case in 2018 which was not repeated in 2019. Furthermore, the agreement to divest our LNG activities had a net negative impact of DKK 0.8 billion on earnings in 2019 as the agreement entails a larger payment to the buyer than what we had provided for.

Earnings from construction agreements for partners were at a level with 2018 (excluding new partnerships). The construction agreements in 2019 primarily concerned high construction activity at Hornsea 1, whereas 2018 had high construction activity at Walney Extension and Borkum Riffgrund 2.

EBITDA in 2019 was positively affected by DKK 0.6 billion from the implementation of the new IFRS 16 accounting standard regarding leasing, compared to a continued expensing of operational lease costs. Roughly half of the impact was in Offshore.

Please see note 1.3 for further information on the implementation of IFRS 16 'Leases' and the impact on our consolidated financial statements.

Financial results, DKKm	2019	2018	%
Revenue	67,842	76,946	(12%)
EBITDA	17,484	30,029	(42%)
Depreciation	(6,864)	(5,978)	15%
Impairment reversals (losses)	(568)	603	n.a.
Operating profit (loss) (EBIT)	10,052	24,654	(59%)
Gain (loss) on divestment of enterprises	(63)	127	n.a.
Profit (loss) from associates and JVs	2	1	100%
Net financial income and expenses	(1,135)	(1,278)	(11%)
Tax	(2,756)	(4,018)	(31%)
Tax rate	31%	17%	14%p
Profit for the year from continuing operations	6,100	19,486	(69%)
Profit for the year from discontinued operations	(56)	10	n.a.
Profit (loss) for the year	6,044	19,496	(69%)

In 2019, regulated and quasi-regulated activities and contracted activities accounted for 66% and 31% of our EBITDA, respectively, whereas market exposed activities accounted for 3%.

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

EBIT

EBIT decreased by DKK 14.6 billion to DKK 10.1 billion in 2019, primarily as a result of the lower EBITDA and higher depreciation and impairment losses.

The increase in depreciation was driven by more wind farms in operation as well as the implementation of IFRS 16. In accordance with IFRS 16, our operating leases have been recognised in the balance sheet as of 1 January 2019 and are now depreciated instead of being expensed.

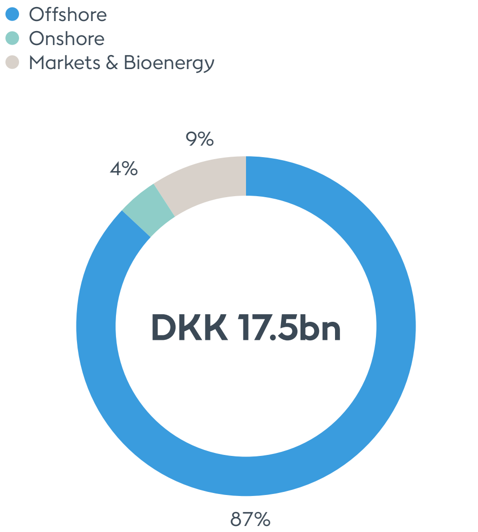
The increase in depreciation was partially offset by our Danish power distribution and residential customer businesses being classified as assets held for sale by the end of 2018 and thus not depreciated in 2019.

Impairment losses amounted to DKK 0.6 billion and related to a write-down of our 20MW battery storage Carnegie Road in the UK, mainly due to changed pricing and cost estimates, and of our Renescience plant in the UK, mainly due to delayed commissioning, increased CAPEX and changed cost and price estimates. The reversal of an impairment in 2018 related to our power distribution activities.

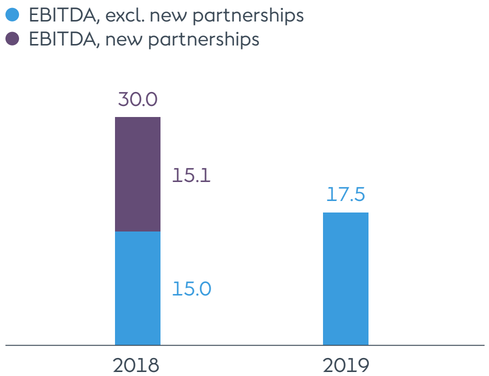
Financial income and expenses

Net financial income and expenses amounted to DKK 1.1 billion compared to DKK 1.3 billion in 2018. The decrease in net expenses was mainly due to positive effects from exchange rate adjustments. This was partly offset by interests related to tax and an increase in contractual returns to tax equity partners in

EBITDA



EBITDA, DKKbn



EBITDA, excluding new partnerships increased by 17%.

Onshore, due to a full year of consolidation and new wind farms.

Tax and tax rate

Tax on profit for the period amounted to DKK 2.8 billion, which was DKK 1.3 billion lower than in 2018. The effective tax rate was 31% and was among other things affected by the recognition of deferred taxes related to tax equity at Lockett and tax expenses related to the partial farm-down in Deepwater Wind.

Profit for the year from continuing operations

Profit for the year from continuing operations totalled DKK 6.1 billion, DKK 13.4 billion lower than in 2018. The decrease was primarily due to the lower EBIT. Profit for the year increased by DKK 0.5 billion, adjusted for the divestment of Hornsea 1 in 2018.

Cash flows and net debt

Cash flows from operating activities

Cash flows from operating activities totalled DKK 13.1 billion in 2019 compared to DKK 10.3 billion in 2018. The increase of DKK 2.7 billion was mainly due to a higher release of funds tied up in work in progress on construction agreements and higher EBITDA (excluding gains from divestments which are not recognised in cash flows from operating activities).

This was partly offset by higher paid tax in 2019 and lower contribution from tax equity funding of our onshore wind farms than in 2018.
In 2019, we had a net cash inflow from work in progress of DKK 1.4 billion, mainly due to the receipt of milestone payments related to Hornsea 1 and the divestment of the Race Bank transmission assets. This was partly offset by funds tied up related to the construction of Hornsea 1 for partners and the offshore transmission assets at Hornsea 1 and 2.

Investments and divestments

Gross investments amounted to DKK 23.3 billion against DKK 24.5 billion in 2018.
The main investments in 2019 were:
- offshore wind farms (DKK 15.1 billion), including Hornsea 1 and Hornsea 2 in the UK, Greater Changhua 1 & 2a in Taiwan and Borssele 1 & 2 in the Netherlands
- onshore wind and solar farms (DKK 6.2 billion), including Sage Draw, Plum Creek, Lockett, Willow Creek and Permian Energy Center in the US
- Markets & Bioenergy (DKK 1.9 billion), mainly the biomass conversion of Asnæs Power Station and the installation of smart meters in Radius.

Cash flow from divestments in 2019 primarily 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 the US in February (DKK 1.4 billion).

Interest-bearing net debt

Interest-bearing net debt totalled DKK 17.2 billion at the end of 2019 against net cash of DKK 2.2 billion at the end of 2018. The DKK 19.4 billion increase was mainly due to negative free cash flow of DKK 6.9 billion, total dividend payments and interests on hybrid capital of DKK 5.0 billion, and inclusion of operational

Cash flows and net debt, DKKm	2019	2018	%
Cash flows from operating activities	13,079	10,343	26%
EBITDA	17,484	30,029	(42%)
Change in derivatives	(1,040)	369	n.a.
Change in provisions	727	(278)	n.a.
Reversal of gain (loss) on divestment of assets	101	(14,995)	n.a.
Other items	86	203	(58%)
Interest paid and similar items, net	(1,049)	(700)	50%
Paid tax	(4,800)	(3,367)	43%
Change in work in progress	1,417	(2,326)	n.a.
Change in tax equity liabilities	630	1,835	(66%)
Change in other working capital	(477)	(427)	12%
Gross investments	(23,305)	(24,481)	(5%)
Divestments	3,329	19,950	(83%)
Free cash flow	(6,897)	5,812	n.a.
Net debt at 1 January	(2,219)	(1,517)	46%
Free cash flow from continuing operations	6,897	(5,812)	n.a.
Free cash flow from discontinued operations	(174)	(209)	(17%)
Interest-bearing receivables re Oil & Gas divestment	340	292	16%
Dividends and hybrid coupons paid	5,016	4,700	7%
Addition of leasing obligations	5,873	-	n.a.
Exchange rate adjustments, etc.	1,497	327	358%
Net debt at 31 December	17,230	(2,219)	n.a.

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, %	2019	2018	%
ROCE	10.6%	32.1%	(22%p)
Adjusted net debt	30,575	15,516	97%
FFO/adjusted net debt	31.0%	69.0%	(38%p)

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

lease obligations of DKK 5.9 billion in accordance with IFRS 16.

Equity and capital employed

Equity

Equity was DKK 89.6 billion at the end of the year against DKK 85.1 billion at the end of 2018.

Capital employed

Capital employed was DKK 106.8 billion at 31 December 2019 against DKK 82.9 billion at the end of 2018. The increase was mainly due to investments and the addition of operational lease assets. Approximately half of the capital employed in Markets & Bioenergy (DKK 8.2bn) relates to assets and liabilities to be divested.

Financial ratios

Return on capital employed (ROCE)

Return on capital employed was 10.6% in 2019. The decrease compared to 2018 was mainly attributable to the lower EBIT, which was significantly impacted by the farm-down of Hornsea 1 in 2018.

Credit metric (FFO/adjusted net debt)

The funds from operations (FFO)/adjusted net debt credit metric was 31% at the end of 2019 against 69% in 2018.

Non-financial results

Green share of heat and power generation

The green share of heat and power generation amounted to 86% in 2019, up 11 percentage points year on year. The increase was due to the addition of generation from onshore wind farms, higher generation from offshore wind farms and lower heat and power generation based on coal and gas. The latter was due to the warmer weather, generation of heat without combined power generation at Asnæs Power Station most of the year, and the divestment of the Dutch Enecogen power plant in 2018.

Greenhouse gas emissions

Greenhouse gas emissions (primarily carbon emissions) from our heat and power generation and other operating activities covered by scope 1 and 2 emissions in the Greenhouse Gas Protocol, decreased to 65g CO_2e/kWh in 2019 against 131g CO_2e/kWh in 2018. The emissions per kWh decreased for the same reasons as mentioned above.

Greenhouse gas emissions from our supply chain (scope 3) decreased by 4% to 34.6 million tonnes in 2019, driven by a 5% reduction in gas sales.

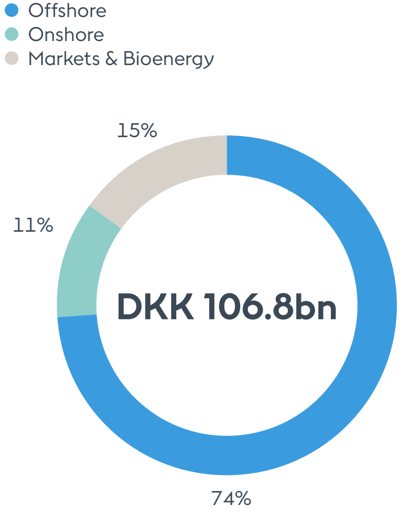
Safety

In 2019, we have had 106 total recordable injuries (TRIs), divided between 71 contractor injuries and 35 own employee injuries. This was an increase of 8 injuries in total compared to 2018 and led to an increase in the total recordable injury rate (TRIR) from 4.7 in 2018 to 4.9 in 2019.

Fatalities

An employee of one of our contractors tragically died after a serious accident at Avedøre Power Station in May.

Capital employed, %



Since mid-December 100% of Asnæs Power Station's heat and power has been generated from sustainable biomass.

Five-year summary

Income statement (business performance), DKKm	2019	2018	2017	2016	2015
Revenue	67,842	76,946	59,504	61,201	65,444
EBITDA	17,484	30,029	22,519	19,109	8,730
Offshore	15,161	28,046	20,595	11,867	6,151
Sites, O&M and PPAs	13,750	11,279	8,529	5,869	5,965
Construction agreements and other	1,411	16,767	12,066	5,998	186
Onshore	786	44	-	-	-
Markets & Bioenergy	1,495	2,100	2,234	7,208	2,456
Other activities	42	(161)	(310)	34	123
Depreciation and amortisation	(6,864)	(5,978)	(5,739)	(5,232)	(5,673)
Impairment losses	(568)	603	(545)	-	(1,184)
Operating profit (loss) (EBIT)	10,052	24,654	16,235	13,877	1,873
Gain (loss) on divestment of enterprises	(63)	127	(139)	1,250	56
Net financial income and expenses	(1,135)	(1,278)	(1,042)	(767)	(1,409)
Profit (loss) before tax	8,856	23,504	15,044	14,352	512
Tax	(2,756)	(4,018)	(1,765)	(2,191)	455
Profit (loss) for the year from continuing operations	6,100	19,486	13,279	12,161	967
Profit (loss) for the year	6,044	19,496	20,199	13,213	(12,084)
Balance sheet					
Assets	192,860	174,575	146,521	136,489	147,457
Total equity	89,562	85,115	71,837	57,500	51,736
Shareholders in Ørsted A/S	73,082	68,488	54,791	39,106	32,090
Non-controlling interests	3,248	3,388	3,807	5,146	6,398
Hybrid capital	13,232	13,239	13,239	13,248	13,248
Interest-bearing net debt	17,230	(2,219)	(1,517)	3,461	9,193
Capital employed	106,792	82,896	70,320	60,961	60,930
Additions to property, plant and equipment	22,440	14,436	20,022	17,750	19,843
Cash flows					
Cash flows from operating activities	13,079	10,343	1,023	11,272	7,521
Gross investments	(23,305)	(24,481)	(17,744)	(14,960)	(12,709)
Divestments	3,329	19,950	16,982	9,055	1,982
Free cash flow	(6,897)	5,812	261	5,367	(3,206)
Financial ratios					
Return on capital employed (ROCE)[1], %	10.6	32.1	25.2	24.4	3.6
FFO/adjusted net debt[2], %	31.0	69.0	50.3	64.2	28.8
Number of outstanding shares, 31 December, '000	419,985	420,045	420,155	420,155	417,726
Share price, 31 December, DKK	689.0	435.7	338.7	267.6	-
Market capitalisation, 31 December, DKKbn	289.6	183.0	142.3	112.5	-
Earnings per share (EPS) (BP), DKK	12.7	45.3	46.4	30.6	(30.7)
Dividend yield, %	1.5	2.2	2.7	2.2	-
Income statement (IFRS)					
Revenue	70,398	75,520	59,709	57,393	66,708
EBITDA	19,020	28,491	22,574	16,939	9,888
Profit (loss) for the year from continuing operations	7,291	18,266	13,321	10,467	1,854

Business drivers	2019	2018	2017	2016	2015
Offshore					
Decided (FID) and installed capacity[3], offshore wind, GW	9.9	9.0	8.9	7.4	5.1
Installed capacity, offshore wind[3], GW	6.8	5.6	3.9	3.6	3.0
Generation capacity, offshore wind[3], GW	3.6	3.0	2.5	2.0	1.7
Wind speed[3], m/s	9.2	9.1	9.3	8.9	9.7
Load factor[3], %	42	42	44	41	45
Availability[3], %	93	93	93	92	93
Power generation, TWh	12.0	10.0	8.5	6.0	5.8
Power sales, TWh	27.6	27.4	-	-	-
Onshore					
Decided (FID) and installed capacity[3], onshore, GW	2.1	1.0	-	-	-
Installed capacity, GW	1.0	0.8	-	-	-
Wind speed, m/s	7.3	7.3	-	-	-
Load factor, %	45	41	-	-	-
Availability[3], %	98	98	-	-	-
Power generation, TWh	3.5	0.6	-	-	-
Markets & Bioenergy					
Degree days[3], number	2,399	2,526	2,705	2,715	2,621
Heat generation, TWh	8.3	8.8	9.0	9.2	9.3
Power generation, TWh	4.6	6.7	8.2	8.4	7.1
Power sales, TWh	14.7	15.3	31.7	32.9	31.9
Gas sales, TWh	127.1	134.1	136.1	150.4	159.1
People and environment					
Employees (FTE), end of year, number	6,526	6,080	5,638	5,775	5,947
Total recordable injury rate (TRIR)	4.9	4.7	6.4	6.8	9.7
Fatalities, number	1	0	0	0	0
Green share of heat and power generation, %	86	75	64	50	49
Carbon emissions, g CO_2e/kWh	65	131	151	224	220

Business performance vs. 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 1.5.

The EBITDA split between business units in the comparative years 2015-2017 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).

However, the power sales volumes presented under Markets & Bioenergy have been restated to exclude internally sourced volumes from Offshore.

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 (2015-1018), and decommissioning obligations less deferred tax.
3 See definition on page 182 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 2019 decreased by 21% relative to Q4 2018 and amounted to DKK 18.7 billion. The lower revenue was mainly driven by construction agreements, which decreased by DKK 3.1 billion due to the partial divestment of the Hornsea 1 transmission assets as part of the 50% farm-down of Hornsea 1 in Q4 2018. In addition, revenue decreased due to lower gas and power prices. This was only partly offset by higher generation from offshore wind farms.

EBITDA

Operating profit (EBITDA) totalled DKK 4.6 billion compared to DKK 19.2 billion in Q4 2018. The decrease was driven by the 50% farm-down of Hornsea 1 in Q4 2018, which contributed DKK 15.1 billion to EBITDA. Adjusted for earnings from the new Hornsea 1 partnership in 2018, EBITDA was DKK 0.5 billion higher than in Q4 2018. The increase was driven by the above-mentioned higher generation from offshore wind farms and a positive effect from the accounting value of our gas at storages opposite to the effect for the full year, due to increasing prices in Q4 2019, whereas we saw a decrease in the accounting value of our storages due to declining prices in Q4 2018.

This was partly offset by a net negative impact of DKK 0.8 billion related to the agree-ment to divest our LNG activities.

Profit from continuing operations

Profit from continuing operations decreased by DKK 14.2 billion to DKK 0.9 billion. The decrease was mainly due to the lower EBITDA. Adjusted for the new partnership earnings in 2018 related to Hornsea 1, net profit was DKK 0.4 billion lower than in Q4 2018.

Cash flows from operating activities

Cash flows from operating activities totalled DKK 4.8 billion in Q4 2019 compared to DKK 7.6 billion in Q4 2018. The decrease of DKK 2.8 billion was mainly due to receipt of tax equity contributions related to Tahoka in Q4 2018 and more funds tied up in other working capital due to higher receivables at the end of 2019 as compared to 2018.

Gross investments

Gross investments amounted to DKK 8.8 billion in Q4 2019, of which 94% related to investments in Offshore and Onshore. The main investments related to Hornsea 2, Greater Changhua 1 & 2a, Borssele 1 & 2, Sage Draw, Plum Creek and Permian Energy Center.

Financial performance, DKKm	Q4 2019	Q4 2018	%
Revenue	18,679	23,527	(21%)
EBITDA	4,613	19,206	(76%)
EBIT	2,169	18,112	(88%)
Profit (loss) before tax	1,515	18,038	(92%)
Tax	(590)	(2,878)	(79%)
Profit (loss) for the period from continuing operations	925	15,160	(94%)
Profit (loss) for the period from discontinued operations	(29)	34	n.a.
Profit (loss) for the period	896	15,194	(94%)
Cash flows and net debt, DKKm	Q4 2019	Q4 2018	%
Cash flows from operating activites	4,816	7,565	(36%)
EBITDA	4,613	19,206	(76%)
Change in derivatives	(352)	(658)	(47%)
Change in provisions	934	(122)	n.a.
Reversal of gain (loss) on divestment of assets	416	(15,085)	n.a.
Other items	(10)	209	n.a.
Interest expenses, net	(262)	244	n.a.
Paid tax	57	(264)	n.a.
Change in work in progress	236	723	(67%)
Change in tax equity liabilities	(197)	1,835	n.a.
Change in other working capital	(619)	1,477	n.a.
Gross investments	(8,816)	(14,916)	(41%)
Divestments	402	18,749	(98%)
Free cash flow	(3,598)	11,398	n.a.
Net debt, beginning of period	12,082	8,957	35%
Free cash flow from continuing operations	3,598	(11,398)	n.a.
Free cash flow from discontinued operations	28	(337)	n.a.
Interest-bearing receivables re Oil & Gas divestment	13	316	(96%)
Dividends and hybrid coupon paid	283	238	19%
Addition to lease obligations	145	-	n.a.
Exchange rate adjustments, etc.	1,081	5	n.a.
Net debt, end of period	17,230	(2,219)	n.a.

Financial performance – business units

Offshore

Power generation increased by 21% relative to Q4 2018. The increase was primarily due to ramp-up of generation from Hornsea 1 and Borkum Riffgrund 2 (in total 0.6TWh).

Revenue from offshore wind farms in operation increased by 23% due to the above-mentioned ramp-up from new offshore wind farms. Revenue from power sales decreased by 23% due to lower power prices.

Revenue from construction agreements decreased by DKK 4.3 billion, mainly due to the partial divestment of the Hornsea 1 transmission assets as part of the 50% farm-down of Hornsea 1 in Q4 2018. In Q4 2019, revenue from construction agreements primarily related to the divestment of the transmission assets at Race Bank.

EBITDA decreased by DKK 14.8 billion to DKK 4.0 billion in Q4 2019, mainly due to the 50% farm-down of Hornsea 1 in Q4 2018.

EBITDA from sites, O&M and PPAs amounted to DKK 4.6 billion, up DKK 0.5 billion compared to Q4 2018. Higher generation and good performance from trading related to hedging of our UK energy exposures contributed positively to the higher earnings.

Onshore

Power generation increased by 81% relative to Q4 2018. The increase was primarily due to new wind farms (Tahoka and Lockett) in operation.

Revenue from wind farms in operation increased by 54% due to the above-mentioned factors.

EBITDA increased by DKK 0.1 billion and amounted to DKK 0.2 billion. The increase was primarily due to more wind farms in operation.

Markets & Bioenergy

Revenue was down 6% and amounted to DKK 9.6 billion in Q4 2019. The decrease was driven by a decrease in gas prices relative to Q4 2018, partly offset by higher sold gas volumes.

EBITDA totalled DKK 0.5 billion in Q4 2019, which was DKK 0.2 billion higher than in Q4 2018.

EBITDA from CHP plants was in line with last year and amounted to DKK 0.4 billion.

EBITDA from Gas Markets & Infrastructure increased by DKK 0.7 billion and amounted to DKK 0.6 billion. The higher earnings were related to an increase in the accounting value of our gas storages in Q4 2019 (increasing gas prices in Q4 2019), whereas there was a decrease in the accounting value of our gas storages in Q4 2018 (decreasing gas prices in Q4 2018). In addition, good performance from trading of our financial gas exposures contributed positively to the result.

EBITDA from LNG was lower due to the before-mentioned impact of DKK -0.8 billion related to the divestment of our LNG activities. This was partly offset by good performance related to optimisation of LNG deliveries and reversal of negative timing effects from previous periods.

EBITDA from our distribution, B2C and city light businesses was at the same level as Q4 2018.

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

Offshore's results, DKKm	Q4 2019	Q4 2018	%
Revenue	10,913	15,134	(28%)
Sites, O&M and PPAs	5,437	4,415	23%
Power sales	3,397	4,417	(23%)
Construction agreements	2,012	6,271	(68%)
Other	67	31	116%
EBITDA	4,048	18,847	(79%)
Sites, O&M and PPAs	4,626	4,109	13%
Construction agreements and divestment gains	51	15,413	(100%)
Other, incl. project development	(629)	(675)	(7%)
Cash flows from operating activities	3,545	4,830	(27%)
Free cash flow	(1,697)	16,511	n.a.

Onshore's results, DKKm	Q4 2019	Q4 2018	%
Revenue	123	80	54%
EBITDA	165	44	275%
Sites	73	40	83%
Production tax credits and tax attributes	201	85	136%
Other, incl. project development	(109)	(81)	35%
Cash flows from operating activities	(160)	1,868	n.a.
Free cash flow	(2,822)	(4,910)	(43%)

Markets & Bioenergy's results, DKKm	Q4 2019	Q4 2018	%
Revenue	9,569	10,199	(6%)
EBITDA	490	303	62%
CHP plants	354	365	(3%)
Gas Markets & Infrastructure	620	(36)	n.a.
LNG	(691)	(139)	397%
Distribution, B2C and city light	257	250	3%
Other, incl. project development	(50)	(137)	(64%)
Cash flows from operating activities	(280)	469	n.a.
Free cash flow	(739)	(533)	39%

Quarterly summary, 2018-2019

Income statement (business performance), DKKm	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Revenue	18,679	15,481	16,443	17,239	23,527	15,018	18,593	19,808
EBITDA	4,613	4,116	3,625	5,130	19,206	2,225	3,079	5,519
Offshore	4,048	3,223	3,572	4,318	18,847	1,987	3,159	4,053
Sites, O&M and PPAs	4,626	2,612	2,871	3,641	4,109	2,008	1,933	3,233
Construction agreements and other	(578)	611	701	677	14,738	(21)	1,226	820
Onshore	165	308	162	151	44	-	-	-
Markets & Bioenergy	490	436	(115)	684	303	259	(18)	1,556
Other activities	(90)	149	6	(23)	12	(21)	(62)	(90)
Depreciation and amortisation	(1,876)	(1,681)	(1,689)	(1,618)	(1,697)	(1,437)	(1,462)	(1,382)
Impairment losses	(568)	-	-	-	603	-	-	-
Operating profit (loss) (EBIT)	2,169	2,435	1,936	3,512	18,112	788	1,617	4,137
Gain (loss) on divestment of enterprises	(13)	(15)	(18)	(17)	(28)	181	(16)	(10)
Net financial income and expenses	(644)	(47)	(545)	101	(43)	(436)	(504)	(295)
Profit (loss) before tax	1,515	2,368	1,376	3,597	18,038	535	1,101	3,830
Tax	(590)	(925)	(283)	(958)	(2,878)	(117)	(225)	(798)
Profit (loss) for the period from continuing operations	925	1,443	1,093	2,639	15,160	418	876	3,032
Profit (loss) for the period	896	1,477	1,075	2,596	15,194	405	857	3,040
Balance sheet								
Assets	192,860	194,521	185,949	182,783	174,575	150,909	149,149	147,739
Total equity	89,562	87,369	86,446	85,843	85,115	68,701	69,744	70,823
Shareholders in Ørsted A/S	73,082	70,977	69,960	69,193	68,488	52,029	52,884	53,861
Non-controlling interests	3,248	3,153	3,247	3,411	3,388	3,433	3,621	3,723
Hybrid capital	13,232	13,239	13,239	13,239	13,239	13,239	13,239	13,239
Interest-bearing net debt	17,230	12,082	4,980	9,111	(2,219)	8,957	4,603	4,331
Capital employed	106,792	99,451	91,426	94,954	82,896	77,658	74,347	75,154
Additions to property, plant and equipment	6,560	8,449	3,755	3,676	4,575	2,942	3,137	3,782
Cash flows								
Cash flows from operating activities	4,816	871	7,510	(118)	7,565	(117)	3,293	(398)
Gross investments	(8,816)	(7,222)	(3,368)	(3,899)	(14,916)	(4,385)	(3,109)	(2,071)
Divestments	402	260	(11)	2,678	18,749	380	(14)	835
Free cash flow	(3,598)	(6,091)	4,131	(1,339)	11,398	(4,122)	170	(1,634)
Financial ratios								
Return on capital employed (ROCE)[1,5], %	10.6	29.3	29.3	28.2	32.1	23.0	23.5	26.7
FFO/Adjusted net debt[2,5], %	31.0	47.4	57.5	46.2	69.0	41.7	44.3	45.6
Number of outstanding shares, end of period, '000	419,985	419,985	419,985	420,045	420,045	420,155	420,155	420,155
Share price, end of period, DKK	689.0	636.6	532.8	504.4	435.7	436.3	386.0	392.0
Market capitalisation, end of period, DKKbn	289.6	267.4	223.8	211.7	183.0	183.3	162.3	164.7
Earnings per share (EPS) (BP), DKK	1.1	3.5	1.9	6.2	35.6	1.1	1.4	7.2
Income statement (IFRS)								
Revenue	19,815	14,543	17,277	18,763	26,165	12,798	16,859	19,698
EBITDA	5,260	3,328	4,425	6,007	20,914	567	1,725	5,285
Profit (loss) for the period from continuing operations	1,429	822	1,718	3,322	16,472	(875)	(180)	2,849

Business drivers	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Offshore								
Decided (FID) and installed capacity[3], GW	9.9	9.9	9.9	9.0	9.0	8.9	8.9	8.9
Installed capacity[3], GW	6.8	5.6	5.6	5.6	5.6	5.1	5.1	4.4
Generation capacity[3], GW	3.6	3.6	3.3	3.0	3.0	2.9	2.8	2.7
Wind speed[3], m/s	10.0	8.5	8.0	10.4	10.3	7.7	7.9	10.3
Load factor[3], %	50	37	31	51	53	32	31	55
Availability[3], %	93	93	87	96	93	92	93	94
Power generation, TWh	3.9	2.8	2.2	3.1	3.3	1.9	1.8	3.0
Power sales, TWh	7.7	7.0	5.7	7.2	7.7	5.0	5.4	9.2
Onshore								
Decided (FID) and installed capacity[3], GW	2.1	1.7	1.4	1.0	1.0			
Installed capacity, onshore wind, GW	1.0	1.0	0.8	0.8	0.8	-	-	-
Wind speed[3], m/s	7.3	6.6	7.7	7.8	7.3	-	-	-
Load factor[3], %	46	39	47	47	41	-	-	-
Availability[3], %	98	98	97	97	98	-	-	-
Power generation, TWh	1.0	0.9	0.8	0.8	0.6	-	-	-
Markets & Bioenergy								
Degree days[3], number	882	108	269	1,140	884	76	149	1,417
Heat generation, TWh	3.0	0.5	1.1	3.7	2.8	0.3	0.9	4.8
Power generation, TWh	1.6	0.4	0.7	1.9	1.8	0.7	0.9	3.3
Power sales, TWh	4.1	3.3	3.3	4.0	4.2	3.5	3.5	4.1
Gas sales, TWh	37.0	31.5	32.1	26.5	26.0	31.5	34.1	42.5
People and environment								
Employees, end of period, number	6,526	6,454	6,312	6,176	6,080	5,882	5,741	5,662
Total recordable injury rate (TRIR)[5]	4.9	4.5	4.1	4.3	4.7	5.0	6.2	6.7
Fatalities, number	0	0	1	0	0	0	0	0
Green share of heat and power generation, %	90	87	85	80	83	71	80	68
Carbon emissions, g CO_2e/kWh	44	62	71	85	87	212	123	147

Business performance vs. 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 1.5.

ROCE is calculated for continuing operations.

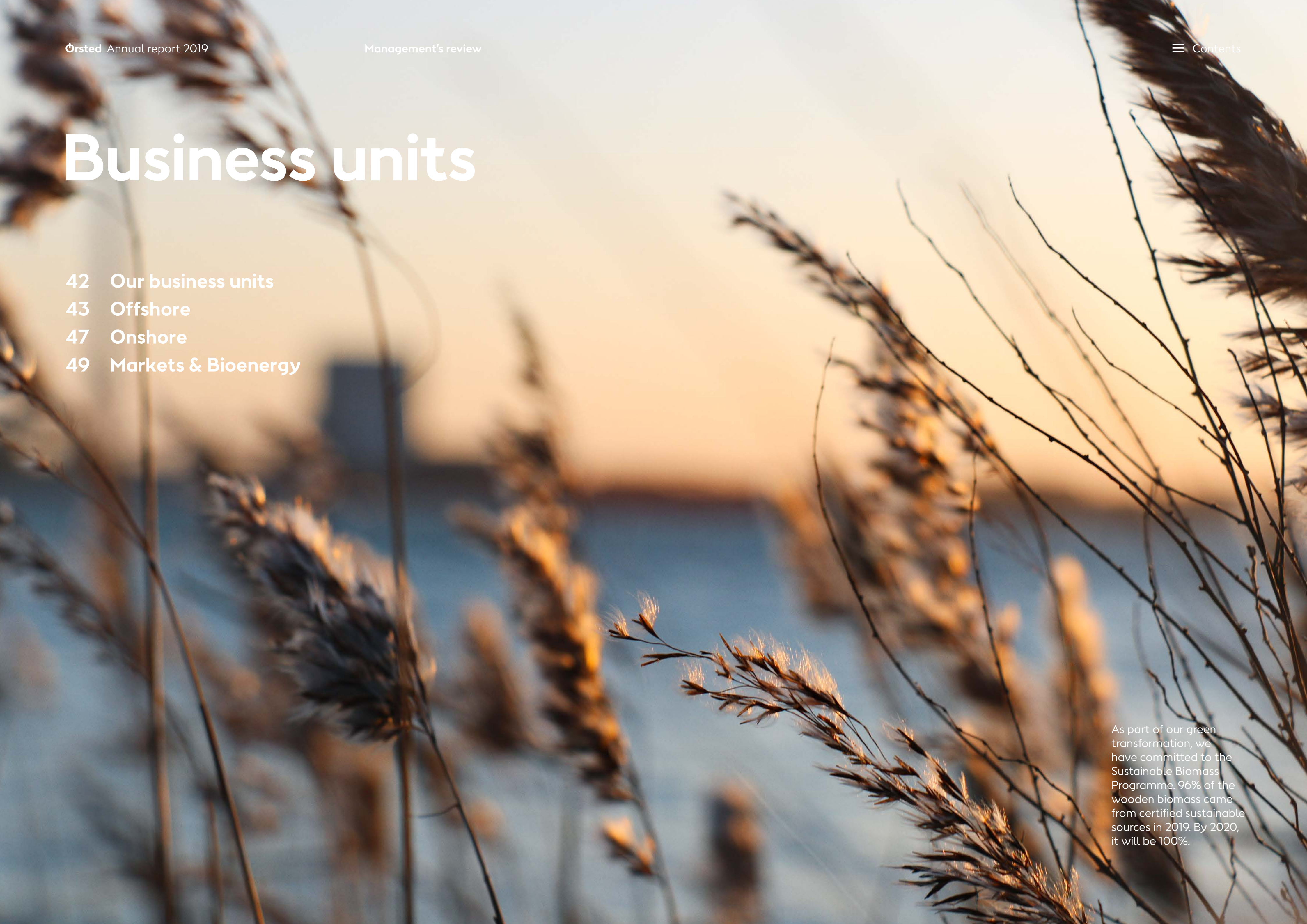
1 EBIT/average capital employed.

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 (2018), and decommissioning obligations less deferred tax.

3 See definition on page 182 and in the ESG statements.

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

5 Last 12 months.



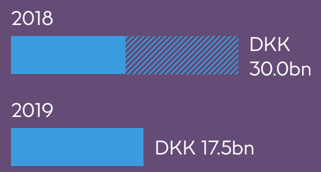
Business units

As part of our green transformation, we have committed to the Sustainable Biomass Programme. 96% of the wooden biomass came from certified sustainable sources in 2019. By 2020, it will be 100%.

Our business units

Ørsted

EBITDA 2018-2019[1]



New partnerships

Key figures 2019

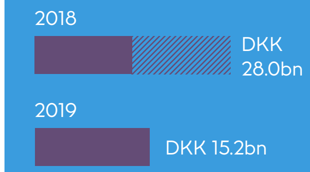
Revenue	DKK 67.8bn
Gross investments	DKK 23.3bn
Capital employed	DKK 106.8bn
TRIR	4.9
Number of employees	6,526
ROCE	10.6%

Financial target

ROCE	10% (avg. 2019-2025)

Offshore

EBITDA 2018-2019[1]



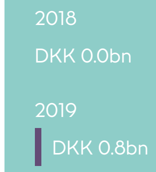
New partnerships

Key figures 2019

Revenue	DKK 40.2bn
Gross investments	DKK 15.1bn
Capital employed	DKK 79.4bn
TRIR	2.7
Number of employees	2,777

Onshore

EBITDA 2018-2019[1]



Key figures 2019

Revenue	DKK 0.7bn
Gross investments	DKK 6.2bn
Capital employed	DKK 11.7bn
TRIR	5.9
Number of employees	95

Markets & Bioenergy

EBITDA 2018-2019[1]

Key figures 2019

Revenue	DKK 32.8bn
Gross investments	DKK 1.9bn
Capital employed	DKK 15.8bn
TRIR	10.4
Number of employees	1,828

[1] The sum of the business units' key figures for 2019 does not equal the consolidated key figures due to other activities and eliminations. Read more in note 2.1.

Offshore

Highlights 2019

- We took FID on the offshore wind farm Greater Changhua 1 & 2a in Taiwan – our first large-scale offshore wind investment outside Europe.
- We were awarded the 1,100MW Ocean Wind project in New Jersey.
- We were awarded the 880MW Sunrise Wind project in New York together with our partner Eversource Energy.
- We divested 50% of the South Fork and Revolution Wind projects and two New England offshore wind lease areas to our partner Eversource Energy.
- We signed a non-binding term sheet with Polska Grupa Energetyczna (PGE) regarding two large-scale projects.
- Exclusive negotiations entred into with the Public Service Enterprise Group (PSEG) regarding a joint venture agreement to acquire 25% of Ocean Wind.
- We commissioned Hornsea 1.
- We commissioned phase 2 of Formosa 1.
- We divested the transmission assets of our offshore wind farm Race Bank.
- We selected GE Renewable Energy as the preferred wind turbine supplier for our Mid-Atlantic cluster in the US and secured a wind turbine volume of 1.7GW from Siemens Gamesa for our North-East cluster.
- We entered into one long-term CPPA in the UK and one CPPA in Germany.
- We introduced a new operating model to support our international growth ambitions.

Financial performance

Power generation increased by 20% relative to 2018, primarily due to ramp-up of generation from Hornsea 1, Borkum Riffgrund 2 and Walney Extension (in total 1.8TWh). Curtailments and various operational issues had a larger adverse impact on generation than in a normal year.

Wind speeds were slightly above last year and amounted to a portfolio average of 9.2m/s, which was in line with a normal wind year. Availability ended at 93%, which was in line with 2018.

Revenue decreased by 7% to DKK 40.2 billion. Revenue from offshore wind farms in operation increased by 19% to DKK 16.6 billion due to the above-mentioned ramp-up of Hornsea 1, Borkum Riffgrund 2 and Walney Extension. Revenue from power sales decreased by DKK 1.5 billion, primarily due to lower power prices.

Revenue from construction agreements decreased by DKK 4.2 billion, primarily due to the partial divestment of the Hornsea 1 transmission assets and the Burbo Bank Extension transmission assets in 2018. In 2019, revenue from construction agreements primarily related to Hornsea 1 and the divestment of the Race Bank transmission assets.

EBITDA decreased by 46% relative to 2018 and amounted to DKK 15.2 billion. Adjusted for

Adjusted for partnerships, EBITDA increased by 17%.

Performance highlights		2019	2018	%
Business drivers				
Decided (FID) and installed capacity	GW	9.9	9.0	10%
Installed capacity	GW	6.8	5.6	21%
Generation capacity	GW	3.6	3.0	20%
Wind speed	m/s	9.2	9.1	1%
Load factor	%	42	42	0%p
Availability	%	93	93	0%p
Power generation	TWh	12.0	10.0	20%
Denmark		2.2	2.2	1%
United Kingdom		7.4	6.1	21%
Germany		2.2	1.7	30%
Other		0.2	0.0	n.a.
Power sales	TWh	27.6	27.4	1%
Power price, LEBA UK	GBP/MWh	43.6	57.9	(25%)
British pounds	DKK/GBP	8.5	8.4	1%
Financial performance				
Revenue	DKKm	40,216	43,110	(7%)
Sites, O&M and PPAs		16,602	13,918	19%
Power sales		11,037	12,544	(12%)
Construction agreements		12,386	16,560	(25%)
Other		191	88	118%
EBITDA	DKKm	15,161	28,046	(46%)
Sites, O&M and PPA		13,750	11,279	22%
Construction agreements and divestment gains		3,765	18,765	(80%)
Other, incl. project development		(2,354)	(1,998)	18%
Depreciation	DKKm	(5,494)	(4,456)	23%
EBIT	DKKm	9,667	23,590	(59%)
Cash flows from operating activities	DKKm	9,283	6,710	38%
Gross investments	DKKm	(15,121)	(15,081)	0%
Divestments	DKKm	3,052	19,676	(84%)
Free cash flow	DKKm	(2,786)	11,305	n.a.
Capital employed	DKKm	79,447	65,474	21%

new partnerships in 2018 (Hornsea 1), EBITDA increased by 17% compared to last year.

EBITDA from Sites, O&M and PPAs amounted to DKK 13.8 billion in 2019, of which approx DKK 0.3 billion was due to the implementation of IFRS 16. The 22% increase was primarily due to the factors mentioned above. In addition, good performance from trading related to hedging of our UK energy exposures contributed positively to the increase. Excluding earnings previously reported as part of Markets & Bioenergy, EBITDA from Sites, O&M and PPAs increased by 18%.

EBITDA from partnerships decreased by DKK 15.0 billion and amounted to DKK 3.8 billion. The decrease was mainly due to the gain and subsequent construction work related to the farm-down of Hornsea 1 in 2018 (DKK 15.1 billion). In 2019, construction agreements primarily concerned Hornsea 1 and positive effects from the ongoing divestments of offshore transmission assets at Walney Extension and Race Bank.

EBITDA from other activities, including project development, amounted to DKK -2.4 billion. The increased spend relative to 2018 was mainly due to higher project development activities in the US.

Depreciation increased 23% and amounted to DKK 5.5 billion. The increase was mainly due to commissioning of new offshore wind farms in the UK and Germany as well as the implementation of IFRS 16.

Cash flow from operating activities amounted to DKK 9.3 billion, which was DKK 2.6 billion higher than in 2018. The increase was primarily due to higher EBITDA (excluding gains from divestments which are not recognised in cash flows from operating activities), less capital being tied up in work in progress due to received partner milestone payments and lower receivables. This was partly offset by higher tax payments in 2019.

Gross investments amounted to DKK 15.1 billion and mainly related to the construction of Hornsea 1 and 2, Greater Changhua 1 & 2a and Borssele 1 & 2.

Cash flow from divestments in 2019 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 February (DKK 1.4 billion).

Borkum Riffgrund 2, the North Sea, Germany, during construction in 2018.

Introduction to Offshore

— We are active in all parts of the value chain and develop, construct, own and operate offshore wind farms in the UK, Germany, Denmark, the Netherlands, the US and Taiwan.

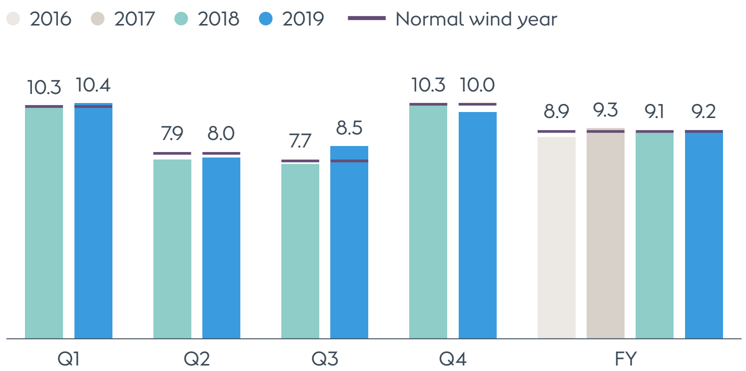
— We have been pioneers in the industry since we built the world's first offshore wind farm in 1991, and we are the market leader within global offshore wind power generation with 25+ years of experience and 24 offshore wind farms in operation.

— Worldwide, we have constructed more offshore wind farms than any other company, with a capacity of 6.8GW. They supply carbon-free power to more than 14 million people annually.

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

The wind speed indicates 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.

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



Strategic and operational performance

2019 was an eventful year with two major awards in the US, FID on Greater Changhua 1 & 2a in Taiwan and commissioning of Hornsea 1 in the UK.

UK

In 2019, we commissioned the offshore wind farm Hornsea 1 in the UK on time and within budget. Hornsea 1 is currently the world's largest offshore wind farm and contributes 1.2GW to our installed capacity.

In addition to our operational offshore wind farms, construction of the offshore wind farm Hornsea 2 is progressing according to plan. We are currently installing export cables along the onshore route, and we expect commissioning in the first half of 2022.

The application for Hornsea 3 is currently being processed, with a consent decision expected in the first half of 2020.

In February, we entered into a long-term CPPA with Northumbrian Water for our offshore wind farm Race Bank which was the first of its kind in the UK.

In October, we completed the divestment of the Race Bank transmission assets to Diamond Transmission Partners. The transmission assets were sold for GBP 472.5 million (DKK 4.2 billion) on a 100% basis and include the onshore substation, the export cables and the offshore substation. In 2020, we expect to divest the transmission assets related to Walney Extension and potentially Hornsea 1.

Continental Europe

In Continental Europe, we are currently constructing the wind farm Borssele 1 & 2 in the Netherlands, which is moving forward as planned. We are currently installing foundations and array cables, and we expect commissioning end Q4 2020.

In October, we announced that we had commenced discussions with Polska Grupa Energetyczna S.A. regarding the purchase of a 50% ownership share in two projects in the Baltic Sea with a total capacity of up to 2.5GW. The projects are expected to commence construction by 2026 and 2030, respectively.

In early December 2019, we signed a 10-year fixed price CPPA with Covestro to offtake output from 100MW of our offshore wind farm Borkum Riffgrund 3 in Germany – the largest offshore CPPA in the world to date. This agreement, in combination with the deal signed with Northumbrian Water in the UK, represents an important step in building long-term green partnerships with corporate customers that can support the risk-return profile of merchant offshore wind projects.

North America

The post-merger integration of Deepwater Wind was successfully completed in the second half of 2019. Deepwater Wind has added an attractive and geographically diverse set of projects to our portfolio.

In February, we divested 50% of the South Fork and Revolution Wind projects as well as two New England offshore wind lease areas to Eversource Energy. The divestment extended our strategic partnership with Eversource in the north-east and will enable the joint venture to harvest synergies across the different New England projects.

In February, we received approval from Rhode Island's regulators for the 400MW long-term PPA for Revolution Wind.

In June, the results of the first offshore wind auction in New Jersey were announced, and we were awarded the right to build the 1,100MW Ocean Wind offshore wind project at a price of USD 86.4 per MWh (2017 levelised) for a 20-year period. Following the award, we have entered into exclusive negotiations with Public Service Enterprise Group (PSEG) to potentially become an equity investor in the project and acquire 25% of Ocean Wind. Subject to FID, the Ocean Wind project is expected to be commissioned in 2024.

In July, the results of the first offshore wind auction in New York were announced, and together with our joint venture partner Eversource Energy, we were awarded the right to build the 880MW Sunrise Wind project. In October, Sunrise Wind signed a 25-year PPA with the New York State Energy Research & Development Authority at a price of USD 79.6 per MWh (2017 levelised). Subject to FID, the Sunrise Wind project is expected to be commissioned in 2024.

We have secured a wind turbine volume of 1.7GW from Siemens Gamesa for Sunrise Wind, Revolution Wind and South Fork, which constitute our north-east cluster. The agreement is the largest US offshore wind turbine contract to date and will allow the projects to realise economies of scale.

In September, we selected GE Renewable Energy as the preferred wind turbine supplier for our Skipjack and Ocean Wind offshore wind farms, which constitute our Mid-Atlantic cluster, marking the world's first commercial deployment of GE's Haliade-X 12MW offshore wind turbine.

In December, we entered into an export cable framework agreement with Nexans to procure up to 1,000km for our US portfolio.

In the US, we are constructing the 12MW Coastal Virginia demonstration project on behalf of our partner Dominion Energy. All components are being fabricated, and the project remains on track to begin construction in Q2 2020.

Asia-Pacific

In January 2019, our Greater Changhua 1 & 2a project obtained its establishment permit, and we signed a power purchase agreement with Taipower for a tiered feed-in tariff of NTD 6,279.5 (approx EUR 187) per MWh for the first 10 years and TWD 4,142.2 (approx EUR 123) per MWh for the subsequent 10 years. In April, Taiwan's Ministry of Economic Affairs approved our local supply chain plan, and we took FID soon after. All key supply and installation contracts have been signed, and we are on track to deliver a 2022 COD. We also initiated a structured farm-down process for 50% of the Greater Changhua 1 site, which is progressing according to plan.

In November, we commissioned phase 2 of the Formosa 1 project in Taiwan according to plan and within budget. Formosa 1 has a capacity of 128MW, of which we own 35%, and is the first commercial-scale offshore wind farm in Taiwan.

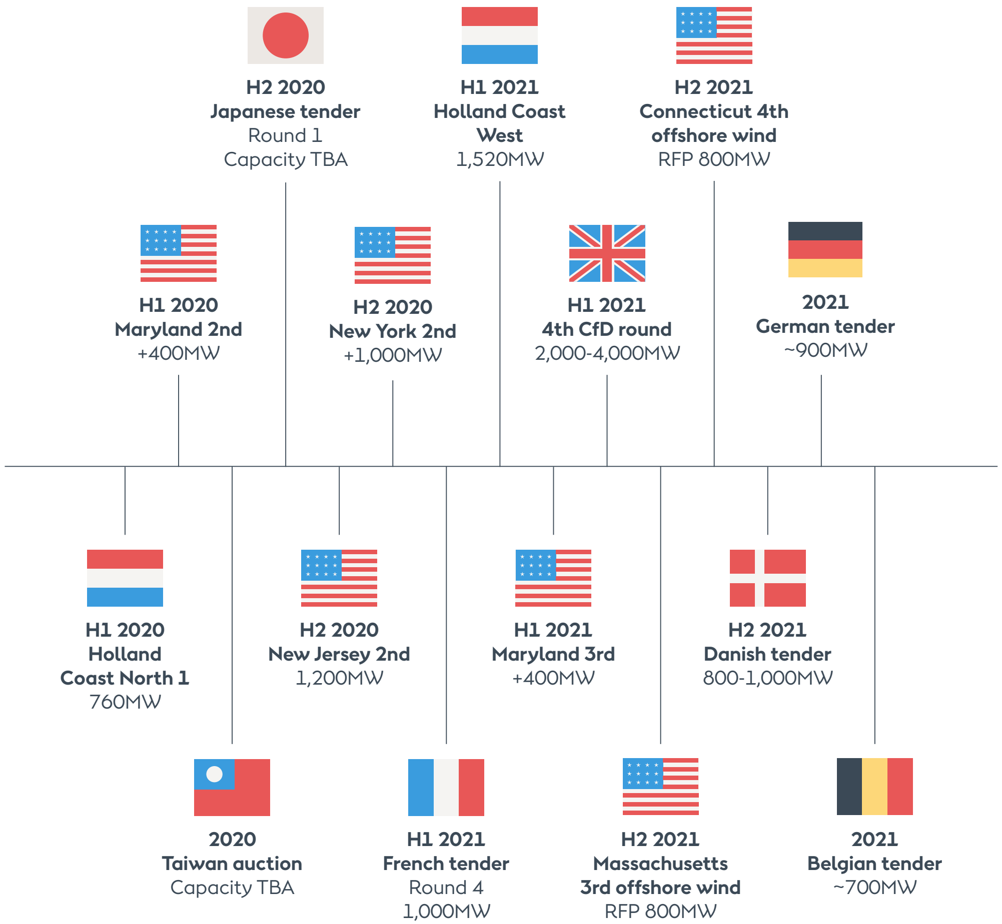
Cross-regional events

In October, we reduced production forecasts across our offshore wind portfolio as a result of new findings demonstrating the negative impact of blockage and wake effects on power generation at our offshore wind farms. New wind simulation models suggest that we have historically underestimated the impact of blockage effects. Furthermore, a newly-developed tool that benchmarks production models against actual wind turbine operating data shows that previous assumptions underestimate wake effect losses. As global offshore wind build-out accelerates, the whole industry will see higher wake effects between neighbouring wind farms.

Effective from 2020, we launched a new global operating model to support our international growth ambitions in Offshore. The new model organises our business into four regions: UK, Continental Europe, North America and Asia-Pacific. The aim of the new model is to optimise the balance between global scale advantages and local market proximity as well as to create a more transparent and scalable platform for our global expansion.

We have a strong focus on safety and are continuously working on lowering our total recordable injury rate. An example of our approach to improve safety during offshore wind operations and maintenance is the innovative 'Get Up Safe' system. This is a motion-compensated hoist solution that enables technicians to move safely between moving vessels and offshore wind turbines. Technicians will no longer have to step from a moving boat onto a ladder and then climb to reach the base of the wind turbine.

Expected offshore wind auctions and tenders in 2020 and 2021[1]



[1] Excludes offshore lease auctions. There are two confirmed lease auctions in 2020, ScotWind and UK Lease Round 4. The Bureau of Ocean Energy Management (BOEM) New York lease auction, originally scheduled for 2020, has been delayed with no new timeframe set.

Onshore

Highlights 2019

- We commissioned the onshore wind farm Lockett (184MW) within budget and ahead of schedule.
- We took FID on the Sage Draw (338MW), Willow Creek (103MW) and Plum Creek (230MW) wind farms as well as on the Permian Energy Center (420/40MW) combined solar and storage project.
- We secured tax equity funding for Lockett and tax equity commitments for Sage Draw, Plum Creek and Willow Creek.
- We acquired Coronal Energy's solar and storage development platform.
- In December, Lincoln Clean energy was rebranded as Ørsted.

Financial performance

As we acquired Lincoln Clean Energy and established the Onshore business unit on 1 October 2018, comparison figures for 2018 only include Q4.

Power generation amounted to 3.5TWh in 2019. Approximately half of the 2.9TWh increase was due to consolidation of a full year of generation from Amazon and Willow Springs. The other half was ramp-up of generation from Tahoka and Lockett that came online in December 2018 and August 2019, respectively.

Revenue amounted to DKK 0.7 billion and related to the generation from our operating wind farms.

As we established the Onshore business unit on 1 October 2018, comparison figures for 2018 only include Q4.

Performance highlights		2019	2018	%
Business drivers				
Decided (FID) and installed capacity, onshore wind and solar	MW	2,088	997	109%
Installed capacity, onshore wind and solar	MW	997	813	23%
Wind speed	m/s	7.3	7.3	0%
Load factor, onshore wind	%	45	41	4%p
Availability, onshore wind	%	98	98	0%p
Power generation	TWh	3.5	0.6	483%
Net realised price	USD/MWh	17.3	17.4	(1%)
US dollars	DKK/USD	6.7	6.5	3%
Financial performance				
Revenue	DKKm	670	80	n.a.
EBITDA	DKKm	786	44	n.a.
Sites		466	40	n.a.
Production tax credits and tax attributes		628	85	n.a.
Other, including project development		(308)	(81)	n.a.
Depreciation	DKKm	(351)	(51)	n.a.
Impairment losses	DKKm	(68)	-	n.a.
EBIT	DKKm	367	(7)	n.a.
Cash flows from operating activities	DKKm	1,007	1,868	(46%)
Gross investments	DKKm	(6,158)	(6,779)	9%
Divestments	DKKm	255	1	n.a.
Free cash flow	DKKm	(4,896)	(4,910)	0%
Capital employed	DKKm	11,734	4,779	146%.

Introduction to Onshore

- We entered into the North American onshore renewables market in 2018 with the acquisition of Lincoln Clean Energy (LCE) and currently own and operate four wind farms in Texas with a capacity of 1.0GW as well as a small solar farm in New Jersey.
- We develop onshore wind, solar PV and storage projects, through an established execution model, managing key interfaces with top tier suppliers and contractors.
- We develop projects across four North American electricity markets, ERCOT, MISO, SPP and PJM, and deliver wind, solar PV and storage solutions, which ensures flexibility, to meet the dynamic needs of the diverse North American customer base.

EBITDA amounted to DKK 0.8 billion in total. EBITDA from sites were DKK 0.5 billion, and production tax credits (PTCs) contributed with an additional DKK 0.6 billion. Project development and other costs amounted to DKK -0.3 billion.

Impairment losses amounted to DKK 0.1 billion and related to a write-down of our 20MW battery storage project Carnegie Road in the UK, mainly due to changed price and OPEX estimates.

Cash flows from operating activities amounted to DKK 1.0 billion, which primarily comprised tax equity contribution from our partner at Lockett less funds tied up in net working capital. In 2018, it primarily comprised a tax equity contribution related to Tahoka.

Gross investments amounted to DKK 6.2 billion in 2019 and related to the construction of Sage Draw, Plum Creek, Lockett, Willow Creek, Permian Energy Center and minor acquisitions. The majority of investments in 2018 was the purchase price for the acquisition of Lincoln Clean Energy.

Divestments primarily comprised a sale and lease-back arrangement for land related to Permian Energy Center.

Strategic and operational performance

We have made significant progress over the past year, building our position as a multi-state developer with a strong portfolio of projects in operation, under construction and under development. The commissioning of the Lockett onshore wind farm in July brought our operating portfolio to a total of 1GW. Furthermore, we took FID on four projects during the year, resulting in 1.1GW of wind and solar capacity currently under construction.

Over the past year, areas of the business have been systematically integrated into Ørsted to ensure an effective operating model, capitalising on the capabilities of both companies. We rebranded LCE as Ørsted in December, further strengthening our platform in North America.

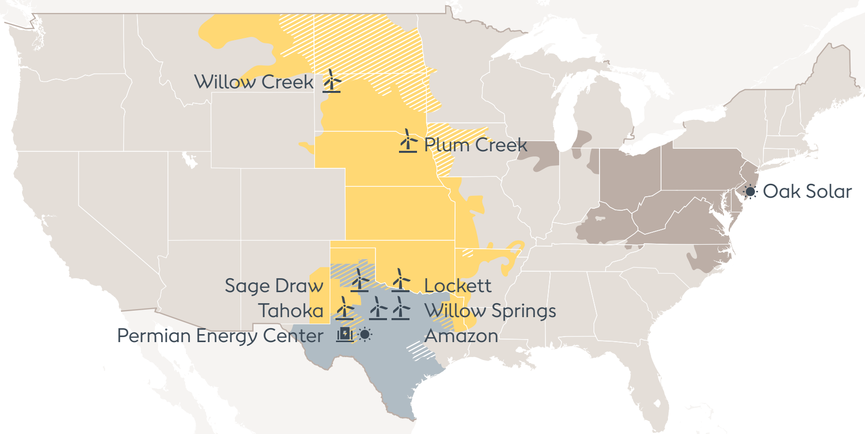
In onshore wind, we increased our presence in the ERCOT electricity market in April by taking FID on the Sage Draw wind farm. We also expanded into the SPP electricity market through the acquisition and FID of the construction-ready wind farm Willow Creek in South Dakota in June and the FID on the wind farm Plum Creek in Nebraska in August. All three wind farms are expected to be commissioned in 2020 and are thus expected to be eligible for the full value of the production tax credits (PTCs).

In addition, we secured tax equity financing commitments for Sage Draw, Plum Creek and Willow Creek from leading tax equity investors.

During 2019, we made a strategic investment in solar PV through the acquisition of Coronal Energy's solar and storage development platform and pipeline, thereby deepening our presence in the solar market and expanding our solar and storage asset portfolio.

In November, we took FID on our inaugural large-scale solar PV and storage project,

Selected US power markets



- Southwest Power Pool (SPP)
- Electric Reliability Council of Texas (ERCOT)
- PJM Interconnection

Permian Energy Center in West Texas, which we expect to commission in 2021. This adds 420MW of solar PV and 40MWac storage capacity to our portfolio and supports Ørsted's strategy of delivering clean and competitive energy solutions to the dynamic US energy market.

We currently have a strong pipeline of over 1.1GW of onshore wind and solar projects in development, which we are maturing in 2020. We have a target of 5GW of installed capacity by 2025.

The overall US power market is complex and fragmented. Approximately two thirds of the nation's load is supplied by one of seven wholesale power markets, managed by either independent system operators (ISOs) or a regional transmission organisations (RTOs). The remaining load is supplied via traditional vertically integrated utility systems. These are mainly located in the south-east and west (excluding California) of the country.

Markets & Bioenergy

Highlights 2019

- We reached 100% green heat and power generation at the newly bio-converted Asnæs Power Station in mid-December 2019.
- We signed an agreement to divest our Danish power distribution (Radius), residential customer and city light businesses to SEAS-NVE.
- We generated 68% of our total heat and power from sustainable biomass. 96% of the wooden biomass we sourced was certified sustainable. By 2020, it will be 100%.
- We established a commodity trading unit in the US.
- We concluded a 15-year agreement with the Dutch power grid company Alliander to purchase green certificates from the offshore wind farm Borssele 1.
- We commissioned the new flue gas condensation unit at Herning Power Station. The unit uses the residual heat in the flue, reducing the fuel consumption by 20%.
- We sold our stakes in the Kalundborg Bioenergi plant and two upgrading plants in Fredericia and Horsens.
- Radius finalised the installation of more than 1 million smart meters in 2019.
- We signed an agreement to divest the Stignæs Transit Harbour.
- We entered into an agreement to divest our liquified natural gas (LNG) activities.
- We reached a settlement in the Elsam competition case.

Financial performance

Revenue decreased by 18% compared to 2018 and amounted to DKK 32.8 billion. The decrease was mainly driven by an average decrease of 41% in gas prices relative to 2018. In addition, lower gas and power sales, heat and power generation and power prices contributed to the lower revenue.

Power generation was 31% lower than in 2018, driven by warmer weather and less favourable market conditions for power generation, and generation of heat without combined power generation at Asnæs Power Station most of the year. Heat generation decreased by 6% in 2019 due to warmer weather.

EBITDA amounted to DKK 1.5 billion compared to DKK 2.1 billion in 2018.

EBITDA from CHP plants increased by DKK 0.4 billion and totalled DKK 1.2 billion in 2019. The increase was primarily due to a reversal of a provision of DKK 0.3 billion following the acquittal in the Elsam competition case.

EBITDA from Gas Markets & Infrastructure decreased by 45% and amounted to DKK 0.4 billion. The decrease mainly related to our gas contracts where we received a one-off compensation following the completion of an arbitration case relating to a gas purchase contract in Q1 2018. In addition, earnings were negatively affected by the substantial drop

Performance highlights		2019	2018	%
Business drivers				
Degree days	number	2,399	2,526	(5%)
Heat generation	TWh	8.3	8.8	(6%)
Power generation	TWh	4.6	6.7	(31%)
Gas sales	TWh	127.1	134.1	(5%)
Power sales	TWh	14.7	15.3	(4%)
Gas price, TTF	EUR/MWh	13.5	22.8	(41%)
Power price, DK	EUR/MWh	39.2	45.1	(13%)
Power price, LEBA UK	GBP/MWh	43.6	57.9	(25%)
Green dark spread, DK	EUR/MWh	(2.6)	2.5	n.a.
Green spark spread, DK	EUR/MWh	2.0	(6.3)	n.a.
Financial results				
Revenue	DKKm	32,816	39,836	(18%)
EBITDA	DKKm	1,495	2,100	(29%)
CHP plants		1,152	715	61%
Gas Markets & Infrastructure		390	705	(45%)
LNG		(957)	(43)	n.a.
Distribution, B2C and city light		1,280	1,135	13%
Other, incl. project development		(370)	(412)	(10%)
Depreciation	DKKm	(798)	(1,430)	(44%)
Impairment losses	DKKm	(500)	603	n.a.
EBIT	DKKm	197	1,273	(85%)
Cash flows from operating activities	DKKm	1,218	2,874	(58%)
Gross investments	DKKm	(1,898)	(2,522)	(25%)
Divestments	DKKm	25	320	(92%)
Free cash flow	DKKm	(655)	672	n.a.
Capital employed	DKKm	15,789	13,014	21%

in gas prices during the year, which led to a decrease in the accounting value of our gas inventories, whereas increasing gas prices led to a temporary positive effect in 2018. The negative effect in 2019 will be partly offset if the gas prices increase again, or when we sell the gas, expectedly in 2020.

EBITDA from LNG decreased by DKK 0.9 billion to DKK -1.0 billion in 2019. The agreement to divest our LNG activities had a net negative impact of DKK 0.8 billion on EBITDA in 2019, as the agreement entails a larger payment than what we had provided for. In addition, earnings in 2019 were adversely impacted by time-lag on oil-indexed LNG purchase agreements.

EBITDA from Distribution, B2C and city light increased by DKK 0.1 billion to DKK 1.3 billion. The increase was mainly due to lower costs.

Depreciation decreased by 44% and amounted to DKK 0.8 billion. The decrease was mainly due to the distribution, B2C and city light businesses not being depreciated in 2019, as they are classified as assets held for sale.

Impairment losses amounted to DKK 0.5 billion in 2019 and 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. In 2018, previous impairment losses of DKK 0.6 billion regarding the power distribution grid were reversed in connection with the classification as assets held for sale at the end of the year. Cash flow from operating activities amounted to DKK 1.2 billion in 2019. The decrease of DKK 1.7 billion was mainly due to higher paid tax and higher receivables at the end of 2019 compared to 2018.

Gross investments amounted to DKK 1.9 billion in 2019 and mainly related to the instalment of new smart meters, the bioconversion of Asnæs Power Station and maintenance of the power distribution grid.

Introduction to Markets & Bioenergy

- We serve as an efficient route-to-market for both Ørsted and external partners, 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 actively manage merchant risk arising from our generation assets and contracts by trading 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 are developing proof-of-concept for innovative waste recycling solutions through Renescience, our patented enzyme technology.
- Until completion of the signed and planned divestments, we operate Denmark's largest power distribution grid and power and gas customer business.

Strategic and operational performance

2019 was a year of change where we initiated and concluded a number of divestments and merged two business units. However, we also made good progress within our core activities.

Provide route-to-market for our energy generation

During 2019, our power portfolio under management grew by 1.2GW to more than 5.5GW, as we added a long-term contract for the Hornsea 1 Offshore Wind Farm.

We also concluded a 15-year agreement with the Dutch power grid company, Alliander, who will purchase green certificates from the Borssele 1 Offshore Wind Farm in order to reduce its carbon emissions.

Furthermore, we started optimising the dispatch of Ørsted's first stand-alone, large-scale battery (20MW) in the UK ancillary services market, further diversifying and adding flexibility to our power portfolio.

Manage market risks

Within our market trading activities, we benefitted from trading of our energy exposures. In particular, we benefitted from hedging a part of our North-Western European longer-dated power exposure by rolling shorter-dated power-hedges (time spread), as well as by hedging part of our UK power exposure in the long end of the curve with gas hedges instead of power hedges (spark spread). Both of these trading strategies are commonly used to hedge our exposures due to higher liquidity and lower costs. However, in 2019, we experienced an unusual long period where the price development in the short and long end of the power curve and between the gas and power curves developed in our favour.

In October, we established a commodity trading unit in the US to reduce risk and improve the prices we receive for our power generation as well as to gain deeper insights into the market, which can be used when developing new wind and solar projects.

Operate and optimise our CHP plants

The focus of our CHP business is to operate and optimise our heat and power stations in a way that is green, safe and efficient.

In 2019, all of our biomass came from sustainable sources, mostly in the form of residues from timber production, such as sawdust, branches and thinnings, with 96% certified by third parties. We expect that 100% of our wooden biomass will be third-party certified in 2020.

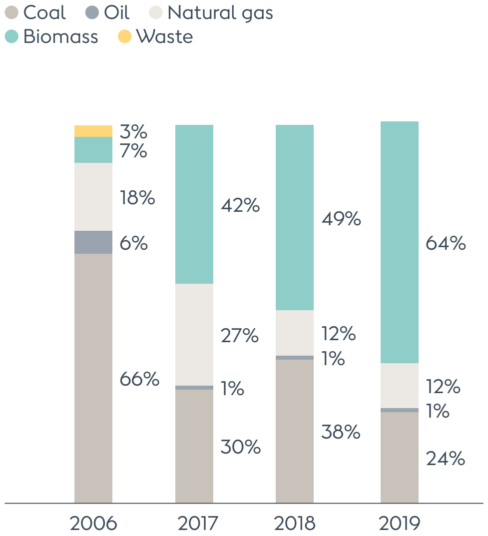
We have converted six of our seven core CHP plants, and we continue to reduce the carbon emissions from these. From 2018 to 2019, we increased the share of biomass from 49% to 64% and reduced our carbon emissions by 47%. Since mid-December, 100% of Asnæs Power Station's heat and power have been generated from sustainable biomass, completing our CHP bioconversion project. Asnæs will provide green process steam to Novo Nordisk's and Novozymes' production facilities as well as green heat to the city of Kalundborg and green power to the electricity grid.

For our last remaining coal-fired plant, Esbjerg Power Station, we have not been able to agree on a joint solution for a bioconversion project with our heat customers. Thus, we plan to close down operations of this plant in early 2023, to completely phase out coal by 2023.

To operate our green CHP plants even more efficiently, we are rolling out a comprehensive digitalisation programme at our power stations, allowing us to further optimise generation and reduce costs.

In May 2019, an employee of one of our contractors died after a serious accident at Avedøre Power Station. We are deeply affected by this incident and have been in close contact with the contractor, our employees and the relatives of the deceased to offer support and assistance. Several improvement tracks have been initiated to ensure that an accident like this will never happen again. For example, we have strengthened the permit-to-work system and tools for conducting risk assessments. Furthermore, we have expanded the dialogue between contractors and Ørsted staff to ensure alignment on procedures and improve safety measures.

Share of fuels in the thermal heat and power generation, %



The biomass conversion of Asnæs Power Station will support a continued reduction in the usage of coal in 2020.

Optimise our gas portfolio

In 2019, we benefitted from larger wholesale activity in the Danish and Swedish markets, successful management of flexible gas contracts and increased origination activity.

In September, the production facility on the Tyra platforms in the North Sea owned by the Danish Underground Consortium (DUC) was closed as part of a redevelopment project of Tyra. For Ørsted, this entailed a shutdown and depressurisation of our Tyra-Nybro gas pipeline. The platform and pipeline are expected to be recommissioned in July 2022. In the meantime, the Danish and Swedish gas markets will rely on imports from Germany.

The past year saw increased utilisation of our capacity at the Dutch LNG Gate terminal on the back of larger LNG volumes arriving in Europe. This was the result of active management and trading of LNG cargoes globally. Furthermore, we concluded a long-term sourcing contract, thereby securing future supply for the LNG terminal capacity. In December, we entered into an agreement to divest our LNG activities.

Commercialise Renescience

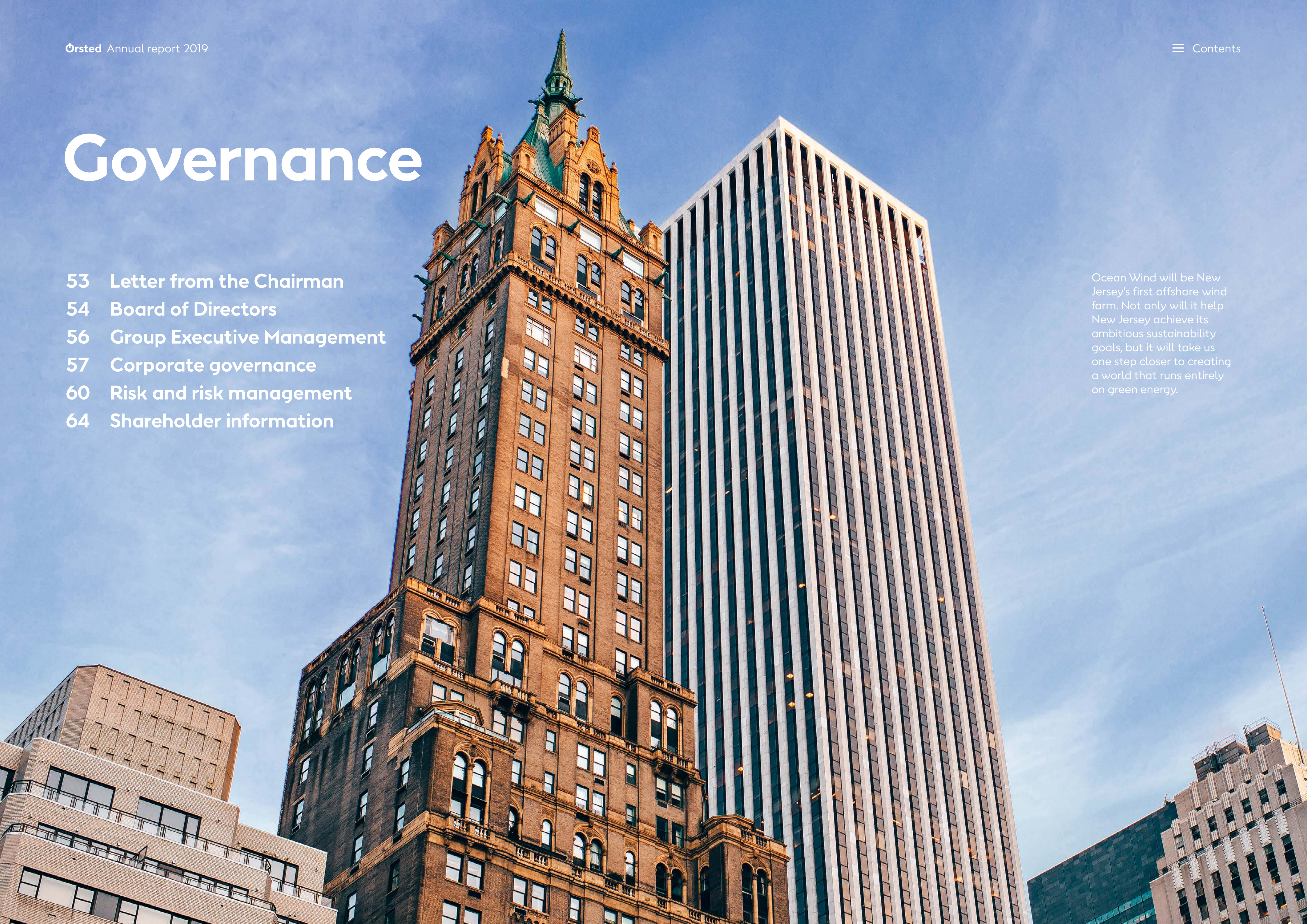
Due to recent upgrades to our Renescience facility in Northwich in the UK, we were not able to commission the plant in 2019 as planned. However, it has been confirmed that the core enzymatic sorting process works as expected. In addition, the mechanical sorting components have been improved and redundancy added to resolve the challenges arising from the sorting of non-organic solid fractions.

Divest non-core assets and activities

To sharpen our focus on our renewable growth platform, we initiated and concluded agreements on several divestments in 2019. In May, we entered into an agreement to divest the Stignæs Transit Harbour. Since the power station was closed in 2012, the site has primarily been used as a coal terminal. In June, we sold our stakes in the Kalundborg Bioenergi plant and two upgrading plants in Fredericia and Horsens. In September, we entered into an agreement to divest Radius, our Danish power distribution business, and our residential customer and city light businesses to SEAS-NVE. Finally, we entered into an agreement in December to divest our LNG activities to Glencore as a step to reduce our long-term engagement within the gas supply chain, and because further financial improvements would require additional contractual commitments.

In addition to the concluded agreements, we initiated a divestment process for our energy consulting business, our small and medium-sized enterprise (SME) business, and part of our enterprise customer portfolio. We will continue offering gas commodity contracts for our larger customers in Denmark and Sweden as an outlet for our legacy gas position, as well as external portfolio management (EPM) services for selected customers in the UK, Denmark, Sweden and Germany.

We are proud to hand over a portfolio of healthy businesses to the new Radius owners at SEAS-NVE. Together with Kamstrup, Radius finalised the installation of more than one million smart meters in 2019. The smart meters give the households in our distribution areas an overview of their power consumption and allow them to plan their electricity usage around the most cost-efficient periods of the day. Furthermore, we are pleased that the customers had a good reliability of supply with only 0.42 power outages on average in 2019.



Governance

Ocean Wind will be New Jersey's first offshore wind farm. Not only will it help New Jersey achieve its ambitious sustainability goals, but it will take us one step closer to creating a world that runs entirely on green energy.

Letter from the Chairman

The Board believes that good corporate governance is fundamental in meeting Ørsted's strategic objectives and maintaining the highest standards of integrity.

Our corporate governance model has its offspring in our Danish roots, which builds on a strong tradition for integrity and transparency. As a consequence, we have incorporated and follow all the recommendations prepared by the Danish Committee on Corporate Governance. You can find our statutory corporate governance report on orsted.com/statutory-reports.

Climate change is fundamental to our business strategy, and climate-related issues are an integral part of our board agendas. In the Board, we monitor and oversee progress related to Ørsted's strategic ambitions, including our ambitious targets for addressing climate-related issues. We seek to integrate considerations for climate protection 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.

In 2019, the Board of Directors discussed and took a number of key business decisions to take further action against climate change and to strengthen our ambition of becoming a global green energy major. The decisions covered, among other things, investments in new offshore and onshore wind and solar projects and an agreement to divest our Danish power distribution, residential customer and city light businesses as well as our LNG business.

The Board decided to update our targets for greenhouse gas emission reductions from our energy generation and other in-house operational activities (scope 1 and 2 emissions) and decided to set an ambitious target for reducing the emissions related to our value chain (scope 3 emissions). Both of these decisions will help us in becoming carbon neutral.

Furthermore, we decided to merge two of our business units, made an adjustment to our long-term financial targets and have prepared an updated remuneration policy and report according to the Shareholder Rights Directive II, which we will present at the annual general meeting in March this year. Finally, we conducted an audit tender, leading to a proposal at the general meeting to re-elect PwC as auditor from 2020.

To facilitate a more dynamic and focused dialogue at our board meetings, we have reduced the number of members from twelve to nine over the past couple of years. In 2019, we updated the split of responsibilities between the Board of Directors and the Executive Board to reflect the company's transformation in recent years and ensure that we spend our time on the right things in the Board. This included, among other things, an increase in the monetary thresholds, stating when to seek Board approval of, for example, investments and M&A projects.

In the Board, we appreciate the opportunity to meet the company's employees and key stakeholders. During the year, we visited Siemens Gamesa Renewable Energy's Danish blade and nacelle factories and the Østerild test centre for large wind turbines. We held board meetings at our offices in Gentofte, Skærbæk and Boston and also met with some of our key stakeholders during the trip to the US.

I look forward to continuing serving the Board in the coming year.

Thomas Thune Andersen
Chairman

Board of Directors

Thomas Thune Andersen

Chairman since 2014.
Born 1955.
Independent.
Joined/re-elected: 2014/2019.
Term of office expires: 2020.

Extensive global managerial experience from leading positions in A.P. Møller-Mærsk and non-executive directorships in listed and privately held companies within the energy and other sectors.

Other positions[1]
Chairman: Lloyds Register Group and Foundation
Deputy chairman: VKR Holding A/S
Member: Arcon-Sunmark A/S, BW Group ltd, IMI plc., the Danish Committee on Corporate Governance.

Lene Skole

Deputy Chairman since 2015.
Born 1959.
Independent.
Joined/re-elected: 2015/2019.
Term of office expires: 2020.

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.

Other positions[2]
CEO: Lundbeckfonden, Lundbeckfond Invest A/S
Chairman: LFI Equity A/S
Deputy chairman: ALK-Abelló A/S, H. Lundbeck A/S, Falck A/S.
Member: Tryg A/S, Tryg Forsikring A/S.

Hanne Sten Andersen

Employee representative.
Born 1960.
Not independent.
Joined/re-elected: 2007/2018.
Term of office expires: 2022.

Hanne Sten Andersen has worked in Ørsted as an HR partner in Markets & Bioenergy since 2003.

Position
Lead HR Business Partner, Markets & Bioenergy.

Lynda Armstrong

Born 1950.
Independent.
Joined/re-elected: 2015/2019.
Term of office expires: 2020.

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.

Other positions[3]
Chairman: The Engineering Construction Industry Training Board (ECITB)
Non-Executive Director: KAZ Minerals plc.

Poul Dreyer

Employee representative.
Born 1964.
Not independent.
Joined/re-elected: 2014/2018.
Term of office expires: 2022.

Poul Dreyer has worked in Ørsted as a technician in Markets & Bioenergy since 1987.

Position
Technician, Markets & Bioenergy.

[1] Board committees: Remuneration Committee of Lloyds Register Group, Nomination Committee of Lloyds Register Foundation, Nomination Committee and Remuneration Committee of IMI plc, Nomination Committee of VKR Holding A/S.
[2] Member of the Audit, Nomination & Scientific Committee of ALK-Abelló A/S, member of the Remuneration & Scientific Committee of H. Lundbeck A/S, member of the Audit & Risk Committee of Tryg A/S, member of the Remuneration Committee of Falck A/S.
[3] Chairman of the Remuneration Committee, member of the HSE Committee and member of the Project Assurance Committee of KAZ Minerals plc.

Board of Directors

Benny Gøbel

Employee representative.
Born 1967.
Not independent.
Joined/re-elected: 2011/2018.
Term of office expires: 2022.

Benny Gøbel has worked in Ørsted as an engineer in Markets & Bioenergy since 2005.

Position
Engineer, Markets & Bioenergy.

Jørgen Kildahl

Born 1963.
Independent.
Joined/re-elected: 2018/2019.
Term of office expires: 2020.

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.

Other positions[1]
Chairman: Nysäter Wind AB.
Deputy chairman: Telenor ASA.
Member: Höegh LNG Holdings Ltd and Alpiq AG.
Other: Senior Advisor, Credit Suisse Energy Infrastructure Partners.

Peter Korsholm

Born 1971.
Independent.
Joined/re-elected: 2017/2019.
Term of office expires: 2020.

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.

Other positions[2]
CEO: DSVM Invest A/S, DSV Miljø Group A/S, Day et Invest ApS, Togu ApS, Totalleveranser Sverige AB and Ejendomsselskabet Nordre Fasanvej ApS.
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, DANX Holding I ApS.

Dieter Wemmer

Born 1957.
Independent.
Joined/re-elected: 2018/2019.
Term of office expires: 2020.

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.

Other positions[3]
Member: UBS Group AG, UBS AG.

1 Member of the Audit & Risk Committee, and the Sustainability & Compliance Committee of Telenor ASA and member of the Audit Committee of Höegh LNG Holdings Ltd.
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 Member of the Audit Committee and the Compensation Committee of UBS Group AG.

Group Executive Management

Henrik Poulsen

Registered as CEO.
Chief Executive Officer (CEO) and President since August 2012.
Education: MSc in Finance and Accounting, Aarhus School of Business 1994.

Born 1967.

Career

2012-	Ørsted A/S, CEO and President.
2008-2012	TDC A/S, CEO and President.
2006-2008	Capstone/KKR, Operating Executive.
1999-2006	LEGO, EVP, Markets & Products (2005-2006), Regional Managing Director Europe and Asia (2004-2005), SVP, Global Innovation and Marketing (2002-2003), SVP, Global Segment 8+ (2000-2002) and VP, Business Development (1999-2000).
1996-1999	McKinsey & Co., Senior Engagement Manager.
1995-1996	Aarsø Nielsen & Partners, Senior Consultant.
1994-1995	Novo Nordisk A/S, Controller.

Other positions:

Kinnevik AB:	Deputy Chairman and member of the Audit Committee.
ISS A/S:	Member of the Board of Directors and Chairman of the Audit Committee.
EQT Partners:	Senior Advisor.

Marianne Wiinholt

Registered as CFO.
Chief Financial Officer (CFO) since October 2013
Education: MSc in Business Administration & Auditing, Copenhagen Business School 1990, State-Authorised Public Accountant 1992.

Born 1965.

Career

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).
1997-2003	Borealis A/S, Head of Group Finance & Auditing (2001-2003), Head of Group Accounting & Tax (1997-2001).
1987-1997	Arthur Andersen, Auditor.

Other positions:

Hempel A/S:	Member of the Board of Directors and Chairman of the Audit Committee.
Norsk Hydro ASA:	Member of the Board of Directors and Audit Committee.

Group Executive Management consists of seven members.

Anders Lindberg (Offshore), **Marianne Wiinholt** (CFO), **Henrik Poulsen** (CEO and President), **Morten Hultberg Buchgreitz** (Markets & Bioenergy), **Martin Neubert** (Offshore), **Henriette Fenger Ellekrog** (CHRO) and **Declan Flanagan** (Onshore).

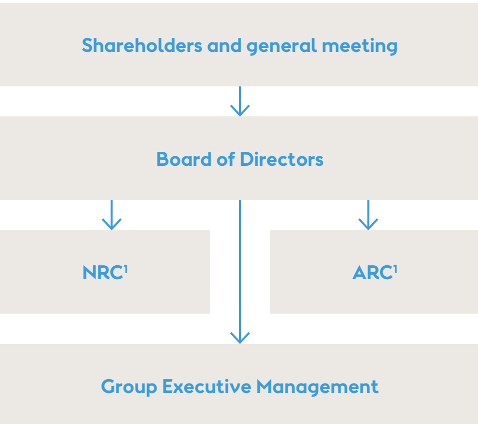
Corporate governance

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

The Board of Directors has appointed an Executive Board to handle the day-to-day management. None of our executives are members of the Board of Directors.

Our governance model is illustrated in the figure and explained below.

Our governance model



[1] NRC stands for Nomintion & Remuneration Committee and ARC stands for Audit & Risk Committee.

Shareholders and general meeting

Our shareholders exercise their rights at the general meeting. The general meeting adopts decisions, such as the appointment 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 conducted its annual board evaluation in November 2019. The basis for the evaluation was a questionnaire that the individual members of the Board of Directors and Group Executive Management had been asked to complete. The evaluation

Important tasks managed by the Board of Directors in 2019

Investments, acquisitions and divestments

- Build out our offshore wind project portfolio after 2020, including taking final investment decision on the Greater Changhua 1 & 2a offshore wind project in Taiwan, bids into auctions and tenders and entry into revenue contracts related to the awarded Ocean Wind and Sunrise Wind offshore projects in the US.
- Select GE as new wind turbine supplier for certain offshore wind projects.
- Divest 50% of certain US offshore wind projects to Eversource and take first steps to potentially divest 25% of Ocean Wind to PSEG.
- Build out our onshore wind portfolio, including final investment decisions on the Sage Draw, Willow Creek and Plum Creek projects.
- Take final investment decision on Permian Energy Center, our inaugural large-scale solar and storage project in the US, and acquire the solar and storage developer unit of Coronal Energy.
- Enter into agreement to divest our Danish power distribution, residential customer and city light businesses to SEAS-NVE.
- Enter into agreement to divest our LNG activities.
- Divest our biogas activities and enter into agreement to divest Stigsnæs Power Station and Harbour.
- Decide to divest majority of B2B activities.

Other tasks

- Update our long-term financial targets based on a downwards adjustment of our offshore wind production forecasts and certain key positive and negative developments since the Capital Markets Day in 2018.
- Update our decarbonisation strategy, including a revised target for scope 1 and 2 carbon emissions, setting a new target for reducing our supply chain emissions (scope 3) and to become carbon neutral.
- Issue green senior bonds in Europe and Taiwan to finance our green growth ambition towards 2025 and refinance hybrid capital securities.
- Start up trading activities in the US.
- Merge Bioenergy and Customer Solutions following downscaling of activities in each of the business units.
- Oversee investigation and actions taken following the fatal accident at Avedøre Power Station and in general enforce focus on HSE activities.
- Update our internal authorisation rules to reflect the company's transformation in recent years.
- Prepare the remuneration policy and report according to the Shareholder Rights Directive II.
- Oversee the court case concerning the usage of the Ørsted name.
- Perform an audit tender and re-elect PwC as auditor from 2020.

Competences

Member of the board	Energy sector	General manage-ment	Safety manage-ment	Financial manage-ment	Risk manage-ment	Project manage-ment	Stake-holder manag-ement	Human resources manage-ment	IT, technology and digitalisation	Investor and capital markets relationships	ESG
Thomas Thune Andersen	✓	✓	✓		✓	✓	✓				✓
Lene Skole		✓		✓	✓		✓	✓		✓	✓
Lynda Armstrong	✓	✓	✓		✓	✓	✓	✓			✓
Pia Gjellerup[2]											
Jørgen Kildahl	✓	✓	✓		✓	✓	✓		✓	✓	✓
Peter Korsholm		✓		✓	✓		✓			✓	✓
Benny D. Loft[2]											
Dieter Wemmer		✓		✓	✓		✓		✓	✓	✓
Hanne Sten Andersen[1]	✓	✓						✓			
Poul Dreyer[1]	✓										
Benny Gøbel[1]	✓										

[1] Employee representative
[2] Resigned in March 2019. Competences not included in above overview.

Meeting attendance

Board of Directors		Audit & Risk Committee	Nomination & Remuneration Committee
●	●		
7/0	6/0		3/0
7/0	5/1		3/0
7/0	6/0		1/0
1/0	2/0		2/0
7/0	6/0	5/0	
7/0	5/1	6/0	
1/0	2/0	1/0	
7/0	6/0	6/0	
7/0	6/0		
7/0	5/1		
7/0	5/1		

● Ordinary ● Extraordinary

The numbers indicate how many meetings in 2019 the members have attended or not attended, respectively, during the year.

was a follow-up on the assessment carried out in 2018 with external assistance which focused on board structure, board governance and team and people dynamics in the board. The evaluation showed a high degree of satisfaction among the members of the Board of Directors and Group Executive Management. During 2020, the Board of Directors will, among other things, continue its focus on organisational development, succession and diversity.

The Board of Directors has prepared an overview of the competences required on the board. In 2019, we added environmental, social and governance (ESG), to the list of required competences. The list of required competences can be found at orsted.com/competences-overview.

A description of the individual board members, including their other executive positions and independence, can be found on page 54-55. Above, you can see how the individual board members contribute to the required competences and their meeting attendance during 2019.

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 2019 on the previous page.

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.

Each year, the general meeting approves the remuneration for the members of the Board of Directors for the coming year. In the separate remuneration report available on orsted.com/remuneration2019, you can read more about the remuneration of the Board of Directors.

Audit & Risk Commitee

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 for the work of the company's external and internal auditors (including voluntary limits for non-audit services), evaluates the external auditors' independence and qualifications as well as monitors the company's whistleblower scheme.

In 2019, the committee performed an audit tender and presented its proposal to re-elect PwC as auditor from 2020 to the Board, which approved it and will present it at the general meeting in March. It also reviewed the implementation of IFRS 16 'Leases', the new reporting on scope 3 greenhouse gas emissions, changes to the reportable segments and discussed the risk framework and the implementation of a US trading floor. Furthermore, it reviewed the progress within IT security and met with the Danish Business Authority in connection with the ordinary supervision of compliance in Danish audit committees.

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 main 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 whistleblower scheme. Internal Audit receives and handles 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 whistleblower scheme or through our management system. In 2019, three substantiated cases of inappropriate or unlawful behaviour were reported through our whistleblower scheme. Two cases concerned violation of good business conduct policies, and one case concerned conflict of interest between a third-party representative and Ørsted. The cases had consequences for the individuals involved. None of the reported cases were critical to our business or impacted our financial results. Whistleblower 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 Group Executive Management.

In 2019, the committee discussed, among other matters, the implementation of the EU Shareholder Rights Directive II into Danish legislation. In this context, the remuneration policy for the Board of Directors and the Executive Board was reviewed together with the remuneration report and the terms of reference for the committee. The committee decided to pre-implement the requirement to publish the remuneration report separately from the annual report already for the 2019 report.

Additionally, the committee discussed gender pay gap reporting which is disclosed in the ESG performance report based on countries with more than 250 employees.

Finally, the committee discussed the appointment of Declan Flanagan as Executive Vice President (EVP) for Onshore (previously CEO of the subsidiary Lincoln Clean Energy) and the appointment of Morten H. Buchgreitz as EVP for the merged business unit, Markets & Bioenergy (previously EVP for Customer Solutions).

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

Executive Board and Group Executive Management

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

The Executive Board undertakes the day-to-day management through the Group Executive Management, which consists of seven members. In addition to Henrik Poulsen and Marianne Wiinholt, Group Executive Management comprises the EVPs 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 available at orsted.com/remuneration2019. You can also find information about the members of the Executive Board on page 56.

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 trough 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 exchange rates, interest rates, inflation 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 Denmark and the UK being the key contributors. However, 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 Group Executive Management. As for business risks, similar processes are in place for identifying and prioritising risks related to sustainability, cybersecurity and legal compliance.

The top five business risks identified during 2019 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.

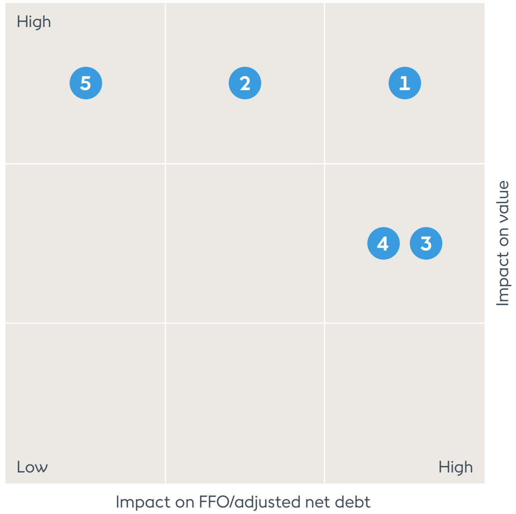
Brexit is not in itself part of our top five business risks, but is embedded in several of our risks. We do not believe the decision in the UK to leave the EU on 31 January will result in fundamental changes to the UK's energy policy. Announcements by the UK government show that the UK is committed to a clean, green energy future, and offshore wind is the backbone of this green vision. Trade and customs facilities will still function during the transition period which runs until the end of 2020, so our most significant risk regarding Brexit is a situation where no agreements are made, and the transition period is not extended. Such a scenario could result in a depreciation of the GBP on a short- to medium-term horizon and potentially long-term. This is part of the first risk in our top 5 business risks. Furthermore, 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. This is addressed in our second risk in the top 5 business risks.

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

A description of the most significant sustainability risks can be found in our sustainability report. This year, we also concluded a climate scenario analysis where we assessed the resilience of our offshore business in two potential scenarios of climate change. Read more about this in the info box on page 63. Risks related to cybersecurity and legal compliance can be found on the same page.

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:

Top 5 business risks
Effect on our value and credit metric



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 2018)
Currencies, inflation and interest rates

2 (#2 2018)
Commodity prices

3 (part of #3 in 2018)
US Offshore portfolio

4 (part of #3 in 2018)
Construction risks

5 (New in top 5)
Future competitiveness in Offshore

— 1,000-year storms, hurricanes, typhoons or earthquakes in especially 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 stations that may lead to personal injury and loss of assets.

After risk-reducing measures are implemented, Group Executive Management assess whether the level of each risk is appropriate or 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:

— influencing regulators and other public authorities towards 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 investments 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.

At this year's UN Climate Action Summit, Ørsted and 86 other major global companies (incl. Iberdrola, Acciona, Enel, IKEA, HPE and Novo Nordisk) committed to setting ambitious carbon emission reduction targets to limit global warming to 1.5°C.

Development in risks in 2019

Our increased activities in North America, including our success in two key US offshore wind auctions in 2019, significantly increase our exposure to the US market. Similarly, the final investment decision to construct the Changhua 1 & 2a Offshore Wind Farm has increased our exposure to the Taiwanese market. These developments, together with an observed fierce competition in several auctions and tenders during the year, have had an impact on the ranking of our top five business risks.

Safety is an integral part of our daily operations, including daily briefings at each site.

Our exposure to exchange rate fluctuations, primarily GBP, USD and New Taiwan dollar (NTD), has increased in 2019 due to significant investments in offshore and onshore wind in these areas. Currency and interest rate risks are deemed to be our most significant business risk, whereas commodity prices are rated our second-largest risk.

Due to our increasing pipeline of US projects, we have carved out the development and construction of our US portfolio as a new risk in 2019 – our third-largest risk. The immature market leads to higher development risks, such as regulatory risks and increased construction risks due to supply chain immaturity and local content requirements.

The risk associated with construction of our offshore (excl. US) and onshore wind farms is our fourth-largest risk.

The risk associated with the future competitiveness in Offshore has increased during the year and is now our fifth-largest risk.

A significant part of 'Regulatory risks within offshore wind' has been absorbed in our third-largest risk and has no longer a separate risk ranking. Risks associated with the operation of offshore wind farms remain a key focus area, but has moved out of our top five risks.

1 Currencies, inflation and interest rates

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.

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 is fixed nominal cash flows related to debt. We are exposed to inflation risk in these markets where an increase in inflation will adversely impact the expected real value of the revenue.

Potential impact
Fluctuations in exchange rates, interest rates and inflation may adversely impact our earnings.

Mitigating actions
Our general strategy is to hedge more of the risk in the first years and less in the latter years. In the medium- to long-term horizon, the 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 to net construction payments against. 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 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 Commodity prices

Description
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 on 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 we use at the 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 commodity prices may adversely impact our earnings.

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

As an alternative to hedging, 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 12-15 years are often a prerequisite 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 offshore wind farms situated off the US East Coast are guaranteed a fixed price for a period of approx 20 years and thus do not introduce any additional merchant risk.

3 US offshore portfolio

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 framework. In the US, contrary to the EU markets, it is possible 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).

In addition, the US tax incentive schemes imply that we must take on major financial commitments early on to qualify for tax credits. On the other hand, this also de-risks the projects. 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 erode 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 a strategy 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.

4 Construction risks

Description
Our main investments include several major offshore and onshore construction projects. Value creation from new projects heavily depends on choosing the right technical and commercial solutions, on the construction phase progressing as planned, on our suppliers living up to their obligations, on maturing the value chain in new markets, on avoiding investment budget overruns and on timely start-up of generation. A large part of our new investments are made in offshore assets, which naturally increases the risks in the construction phase. Some of these relate to site and seabed conditions, weather conditions and dependence on installation and transit vessels. Projects won in competitive auctions and tenders often include less contingency in order to stay competitive. This increases the risk in a scenario where the deadlines are not met.

Potential impact
If we fail to take any of the conditions mentioned above into account, we may experience delays and budget overruns. Delays can lead to failure to meet deadlines and possibly partial loss of subsidies, grid connection and/or project rights.

Mitigating actions
We are continuously working on standardising processes based on our vast experience from previous complex investment projects. This has led to, and will continue to lead to, industrialisation of the installation activities. In recent years, this has led to successful completion of several large investment projects, many of which have been completed ahead of schedule and below budget.

5 Future competitiveness in Offshore

Description
As the offshore industry has become a more mature and established industry, 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. Governments soliciting offshore wind have introduced auction/tender mechanisms designed to increase competition and thereby lowering costs for consumers. In some markets, we now see zero-bid tenders with projects being awarded on qualitative assessment criteria, such as procurement and supply chain capabilities. In new markets, such as the US and Taiwan, local content requirements are important assessment criteria. Further, we expect innovation and system integration (e.g. storage and renewable hydrogen) to play an increasingly important role in auctions and tenders.

Potential impact
There is a risk that we do not win capacity in the auctions and tenders we participate in, or that our value creation from the projects we win ends up being below our cost of capital.

Mitigating actions
We will remain disciplined in our bidding approach and focus on opportunities where we can create meaningful value. With this year's US awards, we have seen that strong local knowledge and deep market insights, provided partly through our acquisition of Deepwater Wind and partly through our various US partners, can give us a deeper understanding of what the 'customers' require, enabling us to optimise our bid proposition. Furthermore, we utilise portfolio scale advantages and knowhow gained from previously executed projects to develop supply chain solutions and reduce costs and risks in order to win future projects.

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 regulation and the EU General Data Protection Regulation (GDPR). 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. In relation to GDPR, we are primarily processing personal data about our Danish residential customers and our employees.

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.

Mitigating initiatives
A comprehensive tax control framework is being designed, and mandatory compliance, including transfer pricing documentation in line with OECD recommendations and local requirements, is being prepared 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 that we process personal data in compliance with GDPR, we have mapped and analysed our personal data processing and developed a Group-wide compliance programme. The compliance programme includes various organisational and technical measures as well as mandatory training of employees in risk-exposed positions.

Cybersecurity

Description
In recent years, several major cyberattacks have been launched against companies around the world, and according to the Danish Centre for Cybersecurity, the risk of cyberattacks aimed at the energy sector is high. Thus, we have a strong focus on IT security. We are responsible for critical infrastructure, and we own various types of intellectual property rights. This means that 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
We have launched a significantly resourced programme with the aim to improve resilience against cyberattacks and other threats across Ørsted. Workshops have been held across business units to assess the cyber risks. In addition, we are running cyber risk awareness campaigns throughout the organisation in order to decrease threats from phishing campaigns, etc. Furthermore, we are participating in relevant forums across the energy sector to harvest and contribute with information and experience.

Climate scenario analysis

In 2019, we assessed the resilience of our Offshore business to climate change in two scenarios: a 1.5-2°C and 3-4°C temperature rise by 2100, respectively.

Through research, interviews and a workshop, we analysed potential climate change impacts on direct operations in Offshore, which accounted for 87% of our EBITDA in 2019. Impacts were qualitatively assessed, and supply chain and other business units were not included in the assessment.

Focus was on the degree to which climate change can potentially add to existing climate-related risks summarised on page 61. Please refer to our CDP Climate Change disclosure for detailed descriptions here.

We concluded that our offshore business is well positioned to manage potential climate-related transitional and physical impacts in both scenarios.

Transitional impacts related to climate change in terms of markets, regulation, technology and reputation are primarily linked to opportunities in both scenarios, especially in scenario 1. A growing share of offshore wind is projected in both scenarios, and Offshore has strong assets, processes and stakeholder engagement in place to identify and meet growing market demand.

Physical impacts from climate change presented no material risk to Offshore. Scenario projections for wind patterns were inconclusive, as the best available science shows no clear positive or negative trend and lacks locational precision. Due to engineering safety factors integrated into wind farm design, the assets are resilient to physical climate change impacts, such as sea level rise and more extreme weather. Finally, considering the lifetime of a wind farm and the pace of technological development, any gradual climate change will be factored into the design and each business case in a timely manner.

Shareholder information

The Ørsted share yielded a total return of 61% in 2019, an increase in the share price of 58%, and dividends of DKK 9.75 per share.

Price development for the Ørsted share

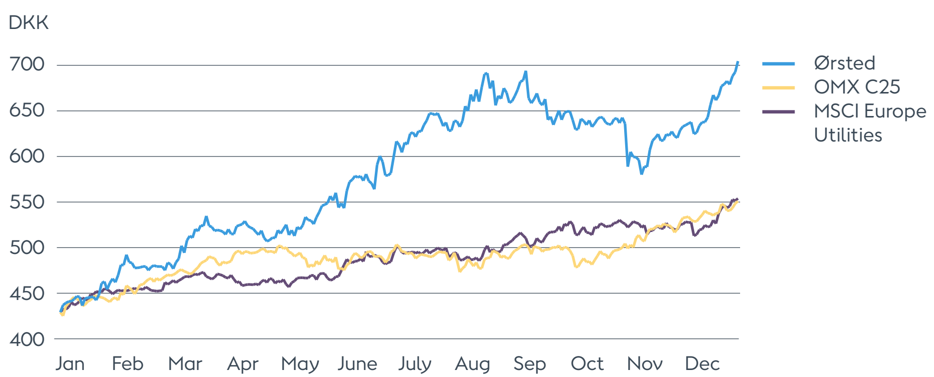
The Ørsted share started the year at a price of DKK 436 and closed the year at DKK 689. Prices of comparable European utility companies increased by 32%, and the OMX C25 cap increased by 26% in 2019. The market value of Ørsted was DKK 290 billion at the end of the year. Since the IPO in June 2016, the Ørsted share has generated an aggregate return from share price appreciation and dividends of 204%.

The year's highest traded price of DKK 691 was on 27 December. The year's lowest traded price of DKK 428 was on 2 January.

The average daily turnover on Nasdaq Copenhagen was 447,657 shares. The trading volume increased by 0.1% compared to 2018.

In connection with SEAS-NVE's acquisition of our Danish power distribution, residential customer and city light businesses, SEAS-NVE stated an intention to reduce its shareholding from 9.54% to a shareholding of approx 5% over the coming 12 months. In both November 2019 and January 2020, SEAS-NVE sold shares equivalent to 2.27% of the shares in Ørsted, bringing their shareholding to 5.01%.

Share price development in 2019
Ørsted share price compared to peers



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 2019. At the end of 2019, the company held a total of 396 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 45% to 42,911 and the majority (65%) 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 2 March 2020 in Copenhagen. Dividends for the year are expected to amount to DKK 10.5 per share, corresponding to DKK 4.4 billion and a yield of 1.5% compared to the share price of DKK 689 at the end of 2019.

In 2019, dividends of DKK 9.75 per share were paid for the 2018 financial year, corresponding to a dividend yield of 2.2%.

Selected company announcements in 2019

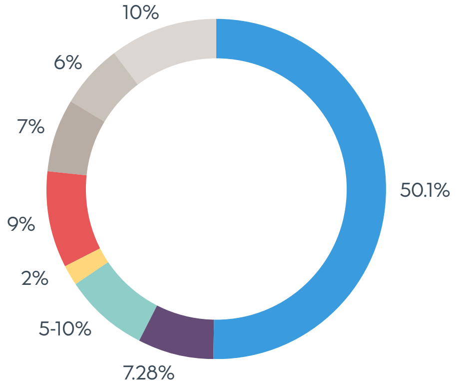
30 Jan.	Taiwan announces 2019 feed-in tariff.
8 Feb.	Ørsted divests 50% of South Fork, Revolution Wind and two New England offshore wind lease areas to Eversource.
30 Apr.	Ørsted takes final investment decision on Changhua 1 & 2a Offshore Wind Farm.
9 May	Ørsted successfully issues green bonds in UK.
21 June	Ørsted selected as preferred bidder for New Jersey's first offshore wind farm.
18 July	Ørsted selected as preferred bidder for New York offshore wind farm.
18 Sep.	Ørsted enters into an agreement to divest its Danish power distribution, residential customer and city light businesses to SEAS-NVE.
25 Sep.	Elsam is again acquitted of the competition authorities' claim of abuse. The provision is reversed.
29 Oct.	Ørsted to negotiate divestment of 25% of Ocean Wind to Public Service Enterprise Group (PSEG).
29 Oct.	Ørsted presents update on its long-term financial targets.
5 Nov.	Ørsted issues green bonds in Taiwan.
18 Dec.	Ørsted enters into an agreement to divest its LNG business.

Financial calendar 2020

30 Jan.	Annual report 2019
2 Mar.	Annual general meeting
29 Apr.	Interim report for the first quarter of 2020
12 Aug.	Interim report for the first half-year of 2020
28 Oct.	Interim report for the first nine months of 2020

Shareholders at 31 December 2019,
share capital and/or voting share %*

- Danish state (majority shareholder)
- SEAS-NVE, Denmark
- The Capital Group, the US
- Retail investors, Denmark
- Rest of Denmark
- United Kingdom
- Rest of the US
- 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	447,657
Exchange	Nasdaq OMX Copenhagen
Ticker	ORSTED
Year high	DKK 691 (27 Dec.)
Year low	DKK 428 (2 Jan.)
Registered share	99.6%
Number of shares	420,381,080 shares
Number of treasury shares	395,619 shares

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 23 equity analysts and 12 bond analysts. Their recommendations and consensus estimates for Ørsted's future financial performance are available at orsted.com/en/investors. On this site, you can also download our financial reports, our remuneration report, our ESG and our sustainability reports as well as investor presentations and a wide range of other data.

We constantly work to achieve a fair pricing of our shares and corporate bonds.

Consolidated financial statements 2019

1 January – 31 December

Income statement

1 January - 31 December

Note	DKKm	2019 Business performance	2019 Adjustments	2019 IFRS	2018 Business performance	2018 Adjustments	2018 IFRS
2.2, 2.4	Revenue	67,842	2,556	70,398	76,946	(1,426)	75,520
2.3	Cost of sales	(41,816)	(1,020)	(42,836)	(53,906)	(112)	(54,018)
	Other external expenses	(6,091)	-	(6,091)	(5,865)	-	(5,865)
2.6, 2.7	Employee costs	(3,952)	-	(3,952)	(3,126)	-	(3,126)
	Share of profit (loss) in associates and joint ventures	(20)	-	(20)	(6)	-	(6)
2.5	Other operating income	1,781	-	1,781	16,275	-	16,275
2.5	Other operating expenses	(260)	-	(260)	(289)	-	(289)
	Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)	**17,484**	**1,536**	**19,020**	**30,029**	**(1,538)**	**28,491**
3.1	Amortisation, depreciation and impairment losses on intangible assets and property, plant and equipment	(7,432)	-	(7,432)	(5,375)	-	(5,375)
	Operating profit (loss) (EBIT)	**10,052**	**1,536**	**11,588**	**24,654**	**(1,538)**	**23,116**
3.4	Gain (loss) on divestment of enterprises	(63)	-	(63)	127	-	127
	Share of profit (loss) in associates and joint ventures	2	-	2	1	-	1
6.5	Financial income	7,718	-	7,718	3,179	-	3,179
6.5	Financial expenses	(8,853)	-	(8,853)	(4,457)	-	(4,457)
	Profit (loss) before tax	**8,856**	**1,536**	**10,392**	**23,504**	**(1,538)**	**21,966**
5.2	Tax on profit (loss) for the year	(2,756)	(345)	(3,101)	(4,018)	318	(3,700)
	Profit (loss) for the year from continuing operations	**6,100**	**1,191**	**7,291**	**19,486**	**(1,220)**	**18,266**
3.7	**Profit (loss) for the year from discontinued operations**	**(56)**	**-**	**(56)**	**10**	**-**	**10**
	Profit (loss) for the year	**6,044**	**1,191**	**7,235**	**19,496**	**(1,220)**	**18,276**
	Profit (loss) for the year is attributable to:						
	Shareholders in Ørsted A/S	5,315	1,191	6,506	19,046	(1,220)	17,826
	Interests and costs, hybrid capital owners of Ørsted A/S	675		675	425		425
	Non-controlling interests	54		54	25		25
6.2	**Profit (loss) per share, DKK:**						
	From continuing operations	12.8		15.6	45.3		42.4
	From discontinued operations	(0.1)		(0.1)	0.0		0.0
	Total profit (loss) per share	**12.7**		**15.5**	**45.3**		**42.4**

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 1.5 'Business performance'.

Statement of comprehensive income

1 January - 31 December

Note	DKKm	2019 Business performance	2019 Adjustments	2019 IFRS	2018 Business performance	2018 Adjustments	2018 IFRS
	Profit (loss) for the year	**6,044**	**1,191**	**7,235**	**19,496**	**(1,220)**	**18,276**
	Other comprehensive income:						
	Cash flow hedging:						
1.5, 7.2	Value adjustments for the year	1,598	(141)	1,457	(2,841)	1,734	(1,107)
6.2	Value adjustments transferred to income statement	1,751	(1,395)	356	961	(196)	765
	Exchange rate adjustments:						
	Exchange rate adjustments relating to net investment in foreign enterprises	2,722	-	2,722	(417)	-	(417)
7.2	Value adjustment of net investment hedges	(1,907)	-	(1,907)	401	-	401
6.2	Value adjustments and hedges transferred to income statement	-	-	-	(67)	-	(67)
	Tax:						
	Tax on hedging instruments	(504)	345	(159)	380	(318)	62
	Tax on exchange rate adjustments	(35)	-	(35)	31	-	31
	Other:						
	Share of other comprehensive income of associated companies, after tax	(17)	-	(17)	(28)	-	(28)
	Other comprehensive income	**3,608**	**(1,191)**	**2,417**	**(1,580)**	**1,220**	**(360)**
	Total comprehensive income	**9,652**	**-**	**9,652**	**17,916**	**-**	**17,916**
	Comprehensive income for the year is attributable to:						
	Shareholders in Ørsted A/S			8,729			17,495
	Interest payments and costs, hybrid capital owners of Ørsted A/S			675			425
	Non-controlling interests			248			(4)
	Total comprehensive income			**9,652**			**17,916**

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 of DKK 1,457 million mainly consist of gains related to hedging of US power and UK inflation. The loss of DKK 356 million transferred to the income statement mainly consist of foreign exchange losses related to the construction of Hornsea 1.

Value adjustments transferred to the income statement according to the adjustment column of DKK -1,395 million, mainly consist of gains on power hedges that are recognised in the income statement underbusiness performance, but where the gains under IFRS was recognised in previous periods, as the gains/losses under business performance are deferred to the period to which the hedged exposure relates.

Exchange rate adjustments:
Foreign exchange gains relating to net investments in foreign enterprises of DKK 2,722 million were in 2019 primarily attributable to an increase of 6% in the GBP exchange rate. A large part of the net investments were hedged.

Balance sheet

31 December

Note	Assets, DKKm	2019	2018
3.1	**Intangible assets**	**672**	**777**
3.1	Land and buildings	5,177	969
3.1	Production assets	76,682	66,310
3.1	Fixtures and fittings, tools and equipment	652	342
3.1	Property, plant and equipment under construction	23,502	16,434
	Property, plant and equipment	**106,013**	**84,055**
	Investments in associates and joint ventures	497	457
	Receivables from associates and joint ventures	-	60
	Other securities and equity investments	217	211
5.4	Deferred tax	6,847	4,588
4.4	Other receivables	1,713	2,670
	Other non-current assets	**9,274**	**7,986**
	Non-current assets	**115,959**	**92,818**
4.1	Inventories	14,031	13,943
7	Derivatives	7,740	5,468
4.2	Contract assets	739	1,451
4.3	Trade receivables	8,140	10,741
4.4	Other receivables	5,253	4,390
	Income tax	346	1,525
6.4	Securities	16,552	25,501
6.4	Cash	7,148	3,515
	Current assets	**59,949**	**66,534**
3.6	**Assets classified as held for sale**	**16,952**	**15,223**
	Assets	**192,860**	**174,575**

Note	Equity and liabilities, DKKm	2019	2018
6.2	Share capital	4,204	4,204
6.2	Reserves	413	(1,827)
	Retained earnings	68,465	66,111
	Equity attributable to shareholders in Ørsted A/S	**73,082**	**68,488**
6.3	Hybrid capital	13,232	13,239
3.8	Non-controlling interests	3,248	3,388
	Equity	**89,562**	**85,115**
5.4	Deferred tax	3,371	4,025
3.2	Provisions	12,063	12,774
8.2	Lease liabilities	4,728	-
6.1	Bond and bank debt	36,039	25,095
4.2	Contract liabilities	3,762	3,642
4.5	Tax equity liabilities	4,563	3,728
4.6	Other payables	469	409
	Non-current liabilities	**64,995**	**49,673**
3.2	Provisions	538	680
8.2	Lease liabilities	604	-
6.1	Bond and bank debt	801	2,201
7	Derivatives	6,958	8,094
4.2	Contract liabilities	784	924
	Trade payables	10,832	13,082
4.5	Tax equity liabilities	632	445
4.6	Other payables	4,247	4,793
	Income tax	4,075	4,717
	Current liabilities	**29,471**	**34,936**
	Liabilities	**94,466**	**84,609**
3.6	**Liabilities relating to assets classified as held for sale**	**8,832**	**4,851**
	Equity and liabilities	**192,860**	**174,575**

Leases

On 1 January 2019, we implemented IFRS 16 'Leases'. We have not restated comparative figures for the 2018 financial year, as we have implemented IFRS 16 with the modified retrospective method.

In accordance with IFRS 16, we recognise our leases, except for short-term leases, in the balance sheet. Lease obligations are recognised as 'Lease liabilities', and lease assets are recognised alongside our owned assets of similar type under 'Property, plant and equipment'.

Read more about the impact in note 1.3 'Implementation of new or changed accounting standards and interpretations'.

Statement of changes in equity

1 January - 31 December

	2019								2018							
DKKm	Share capital	Reserves*	Retained earnings	Proposed dividends	Share-holders in Ørsted A/S	Hybrid capital	Non-con-trolling interests	Total Group	Share capital	Reserves*	Retained earnings	Proposed dividends	Share-holders in Ørsted A/S	Hybrid capital	Non-con-trolling interests	Total Group
Equity at 1 January	4,204	(1,827)	62,012	4,099	68,488	13,239	3,388	85,115	4,204	(1,524)	48,328	3,783	54,791	13,239	3,807	71,837
Comprehensive income for the year:																
Profit (loss) for the year	-	-	6,506	-	6,506	675	54	7,235	-	-	17,826	-	17,826	425	25	18,276
Other comprehensive income:																
Cash flow hedging	-	1,813	-	-	1,813	-	-	1,813	-	(342)	-	-	(342)	-	-	(342)
Exchange rate adjustments	-	621	-	-	621	-	194	815	-	(54)	-	-	(54)	-	(29)	(83)
Tax on other comprehensive income	-	(194)	-	-	(194)	-	-	(194)	-	93	-	-	93	-	-	93
Share of other comprehensive income of associated companies, after tax	-	-	(17)	-	(17)	-	-	(17)	-	-	(28)	-	(28)	-	-	(28)
Total comprehensive income	**-**	**2,240**	**6,489**	**-**	**8,729**	**675**	**248**	**9,652**	**-**	**(303)**	**17,798**	**-**	**17,495**	**425**	**(4)**	**17,916**
Transactions with owners:																
Coupon payments, hybrid capital	-	-	-	-	-	(556)	-	(556)	-	-	-	-	-	(545)	-	(545)
Tax, hybrid capital	-	-	-	-	-	34	-	34	-	-	-	-	-	120	-	120
Additions, hybrid capital	-	-	-	-	-	4,416	-	4,416	-	-	-	-	-	-	-	-
Disposals, hybrid capital	-	-	-	-	-	(4,576)	-	(4,576)	-	-	-	-	-	-	-	-
Proposed dividends	-	-	(4,414)	4,414	-	-	-	-	-	-	(4,099)	4,099	-	-	-	-
Dividends paid	-	-	3	(4,099)	(4,096)	-	(388)	(4,484)	-	-	2	(3,783)	(3,781)	-	(400)	(4,181)
Purchase of treasury shares	-	-	(99)	-	(99)	-	-	(99)	-	-	(48)		(48)	-	-	(48)
Other changes	-	-	60	-	60	-	-	60	-	-	31	-	31	-	(15)	16
Total transactions with owners	**-**	**-**	**(4,450)**	**315**	**(4,135)**	**(682)**	**(388)**	**(5,205)**	**-**	**-**	**(4,114)**	**316**	**(3,798)**	**(425)**	**(415)**	**(4,638)**
Equity at 31 December	**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**

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

Statement of cash flows

1 January - 31 December

Note	DKKm	2019	2018
	Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA), IFRS	19,020	28,491
1.5	Change in derivatives, business performance adjustments	(1,536)	1,538
	Change in derivatives, other adjustments	(1,040)	369
	Change in provisions	727	(278)
	Reversal of gain (loss) on divestment of assets	101	(14,995)
	Other items	86	203
4.7	Change in work in progress	1,417	(2,326)
4.7	Change in tax equity partner liabilities	630	1,835
4.7	Change in other working capital	(477)	(427)
	Interest received and similar items	4,094	6,648
	Interest paid and similar items	(5,143)	(7,348)
5.3	Income tax paid	(4,800)	(3,367)
	Cash flows from operating activities	**13,079**	**10,343**
	Purchase of intangible assets and property, plant and equipment	(22,445)	(14,655)
	Sale of intangible assets and property, plant and equipment	3,424	19,639
3.3	Acquisition of enterprises	(764)	(5,602)
3.4	Divestment of enterprises	(89)	363
	Purchase of other equity investments	(5)	(78)
	Purchase of securities	(20,503)	(40,444)
	Sale/maturation of securities	29,452	39,849
	Change in other non-current assets	-	(1)
	Transactions with associates and joint ventures	(88)	(122)
	Dividends received and capital reductions	21	25
	Cash flows from investing activities	**(10,997)**	**(1,026)**

Note	DKKm	2019	2018
	Proceeds from raising of loans	10,174	-
	Instalments on loans	(2,043)	(6,429)
	Instalments on leases	(664)	-
	Coupon payments on hybrid capital	(556)	(545)
	Repurchase of hybrid capital	(4,005)	-
	Proceeds from issuance of hybrid capital	4,416	-
	Dividends paid to shareholders in Ørsted A/S	(4,096)	(3,781)
	Purchase of own shares	(99)	(48)
3.8	Transactions with non-controlling interests	(462)	(391)
	Net proceeds from tax equity partners	1	78
	Change in collateral related to derivatives	(1,332)	422
	Cash flows from financing activities	**1,334**	**(10,694)**
	Cash flows from continuing operations	3,416	(1,377)
3.7	Cash flows from discontinued operations	174	209
	Total net change in cash and cash equivalents	**3,590**	**(1,168)**
6.4	Cash and cash equivalents at 1 January	2,663	3,891
	Total net change in cash and cash equivalents	3,590	(1,168)
	Other change in cash and cash equivalents	(17)	(27)
	Exchange rate adjustments of cash and cash equivalents	223	(33)
6.4	**Cash and cash equivalents at 31 December**	**6,459**	**2,663**

Leases
On 1 January 2019, we implemented IFRS 16 'Leases'. We have not restated comparative figures for the 2018 financial year, as we have implemented IFRS 16 with the modified retrospective method.

Read more about the impact in note 1.3 'Implementation of new or changed accounting standards and interpretations'.

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'.

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.

Notes

Consolidated financial statements

1. Basis of reporting

1.1 Basis of preparation

This section provides an overall description of the accounting policies applied in our consolidated financial statements. We provide a more detailed description of the accounting policies applied in the specific notes. Key estimates and judgements and new and amended IFRS standards and interpretations are discussed in detail in notes 1.2 'Key accounting estimates and judgements' and 1.3 'Implementation of new or changed accounting standards and interpretations', respectively.

Basis of preparation

The financial statements for the period 1 January - 31 December 2019 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 166 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 the historical cost basis, except for derivatives, 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 except for the adoption of IFRS 16 'Leases'.

We have also changed our reportable segments and have therefore restated comparative figures. See note 2.1 'Segment information'.

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 and 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 '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 judgements

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 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 in so far 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.

Block Island wind farm, Rhode Island, US.

1.2 Key accounting estimates and judgements

The use of resonable 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.

Note		Key accounting estimates and judgements	Estimate/ judgement	Impact of accounting estimates and judgements
1.1	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	Judgement	●●○○
		Assumptions for the determination of the expected selling price and expected costs	Estimate	●●●○
2.5	Other operating income	Assessment of classification of divestment	Judgement	●●○○
		Assumptions for the accounting treatment of divestment gains related to the share purchase agreements and construction agreements[1]	Estimate	●●●○
3.1	Intangible assets and property, plant and equipment	Assumptions used for value-in-use calculations when impairment testing	Estimate	●●●○
3.2	Provisions and contingent assets and liabilities	Assumptions for provisions	Estimate	●●●○
3.3	Acquisition of enterprises	Purchase price allocation in business combinations[1]	Estimate	●●●○
4.5	Tax equity liabilities	Assesment of recognition of tax equity partners	Judgement	●●●○
5.2	Tax on profit (loss) for the year	Estimates regarding recognition of income taxes	Estimate	●●○○

[1] Relevant for prior year.

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

1.3 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 2019, we have implemented the following new or changed standards (IAS and IFRS) and interpretations:
- IFRS 16 'Leases'. See separate section below.
- Annual improvements to IFRSs 2015-2017.

Besides the impact from IFRS 16, the adoption of the new and amended standards has not impacted our consolidated financial statements for 2019.

In the following section, you can read more about the impact on recognition, measurement and presentation from IFRS 16 'Leases'. The standard has a significant impact on our EBITDA, but an insignificant impact on profit (loss) for the year, profit (loss) per share and diluted profit (loss) per share. Besides classification, equity and the consolidated statement of cash flows are not affected.

Implementation of IFRS 16

On 1 January 2019, we implemented IFRS 16, 'Leases', which replaced IAS 17 and IFRIC 4.

We have implemented IFRS 16 with retrospective effect. However, we have used the relief from restating comparative figures (modified retrospective method). Therefore, the comparative figures are prepared and presented in accordance with IAS 17 and IFRIC 4.

The most important changes resulting from IFRS 16 compared to IAS 17 can be summarised as follows:

- The dual model in IAS 17 with operating and finance leases has been ceased. Under IFRS 16, all leases, except for short-term leases and 'low-value' leases, shall be recognised in the balance sheet.
- Fixed lease payments are recognised as lease liabilities and lease assets. Lease assets are depreciated and interests on lease liabilities are recognised as financial expenses (both below EBITDA). Under IAS 17, fixed lease expenses were recognised as other external expenses (above EBITDA).
- Lease debt repayments are classified as cash flows from financing activities, and payments of interest are classified as cash flows from operating activities in the statement of cash flows. Under IAS 17, all lease payments were classified as cash flows from operating activities.

As permitted when applying IFRS 16 for the first time, we have used the following practical expedients and:

- elected not to reassess whether a contract is, or contains, a lease on 1 January 2019
- applied a single discount rate to a portfolio of leases with reasonable similar characteristics (asset type, currency, and remaining lease term)
- relied on previous assessments concluding whether leases are onerous and offset a provision for an onerous lease in the lease asset
- elected to account for leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

We do not apply the recognition exemption regarding low value leases.

Our new accounting policies for leases are described in note 8.2 'Leases'.

Impact on our consolidated financial statements

On 1 January 2019, we recognised lease assets amounting to DKK 5,065 million and lease obligations amounting to DKK 5,224 million. The value of the lease assets was lower due to accrued lease payments and a provision for an onerous contract totalling DKK 159 million at 1 January 2019, which was offset against the value of the lease assets.

The most affected class of property, plant and equipment is land and buildings. This category mainly comprises our office premises in Gentofte and London as well as seabeds and plots of land relating to offshore and onshore wind farms, respectively. Lease assets classified as fixtures and fittings, tools and equipment primarily include vessels used for operations in Offshore.

Under IAS 17, our operating lease obligations at 31 December 2018 amounted to DKK 4,819 million (net present value). Compared to our recognised lease obligations at 1 January 2019 under IFRS 16, the operating lease obligations were DKK 405 million lower. The main difference is related to the average weighted incremental borrowing rate. Under IFRS 16, our average weighted rate applied is 3.0%, which is 0.5% lower than the rate applied for calculating the net present value of our operating lease obligations at 31 December 2018 in accordance with our accounting policy for key credit metrics.

Upon transition to IFRS 16, we did not have any material finance leases.

In summary, the adjustments made to the amounts recognised in the balance sheet at 1 January 2019 are illustrated in the table.

Our EBITDA for 2019 increased by DKK 634 million due to the implementation of IFRS 16, compared to a continued expensing of operational lease costs under the previous accounting policy. Depreciation of lease assets amounted to DKK 599 million, and interests on lease debt amounted to DKK 171 million for 2019 under IFRS 16. Our total cash flows for the year were not impacted by IFRS 16, but repayments of lease liabilities (DKK 664 million) are classified as cash flows from financing activities under IFRS 16 where all lease related cash flows under the previous accounting policy were classified as cash flows from operating activities.

New standards and interpretations

IASB has issued a number of amended standards which have not yet entered into force, and which have consequently not been incorporated into the consolidated financial statements for 2019.

Amazon wind farm, Texas, US.

	1 January 2019		
Extract Impact of adoption, DKKm	Previous accounting policy	Effect of change in accounting policy	New accounting policy
Assets			
Property, plant and equipment			
Land and buildings	969	4,165	5,134
Production assets	66,310	440	66,750
Fixtures and fittings, tools and equipment	342	460	802
Property, plant and equipment under construction	16,434	-	16,434
Property, plant and equipment	**84,055**	**5,065**	**89,120**
Assets	**174,575**	**5,065**	**179,640**
Equity and liabilities			
Share capital	4,204	-	4,204
Reserves	(1,827)	-	(1,827)
Retained earnings	66,111	-	66,111
Equity attributable to shareholders in Ørsted A/S	**68,488**	**-**	**68,488**
Liabilities			
Non-current liabilities			
Provisions	12,774	(25)	12,749
Lease liabilities	-	4,650	4,650
Other payables	409	(134)	275
Current liabilities			
Provisions	680	-	680
Lease liabilities	-	574	574
Equity and liabilities	**174,575**	**5,065**	**179,640**

Comparatives for the 2018 financial year are not restated, as we have applied the modified retrospective method. The effects of change in accounting policy are identical for IFRS and business performance profit (loss).

1.4 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 1.5 'Business performance'.
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.
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.
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 ownership interests in offshore wind farms, interest expenses (net) on interest-bearing net debt and hybrid capital (50%) as well as interest elements of decommissioning obligations and current tax.
Adjusted interest-bearing net debt[1]	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.
FFO to adjusted interest-bearing net debt	$\frac{\text{FFO}}{\text{Adjusted interest-bearing net debt}}$
Free cash flow (FCF)	Free cash flows are cash flows from operating activities less gross investments and plus divestments.
Capital employed	Capital employed are all assets and liabilities except for equity and interest-bearing net debt.

[1] In 2018, lease obligations were not recognised in the balance sheet and therefore not included in interest-bearing debt. The present value of lease payments (operating lease obligations calculated as if they were finance lease obligations) were, however, included in the alternative performance measure as specified in note 6.1. The change is due to implementation of IFRS 16 'Leases'. See also note 1.3.

Average capital employed	$\frac{\text{Capital employed beginning of year + capital employed year-end}}{2}$
Return on capital employed (ROCE)	$\frac{\text{EBIT}}{\text{Average capital employed}}$
Proposed dividend per share (DPS)	$\frac{\text{Total proposed dividend}}{\text{Number of shares year-end}}$
Dividend yield	$\frac{\text{Dividend per share (proposed)}}{\text{Share price on the last trading day of the year}}$
Average number of shares	$\frac{1}{\text{Number of days}} \times \sum_{i=1}^{\text{Number of days}} X_i$
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.
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.

Other definitions

Profit (loss) per share	$\frac{\text{Shareholders' share of the profit (loss) for the period}}{\text{Average number of shares}}$
Diluted profit (loss) per share	$\frac{\text{Shareholders' share of the profit (loss) for the period}}{\text{Average number of shares, including dilutive effect of free shares}}$

1.5 Business performance

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, and
– 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.

Our risk management is described in note 7.1 'Market risks'.

Business performance – background

We mainly hedge market risks for up to five years (some for a longer period) with the aim of stabilising our cash flows and create certainty about our finances. With a view to ensuring transparency, we want the financial impact of the hedging transactions to be reflected in the financial reporting simultaneously with the hedged exposure (for example sales of power). We can normally achieve this by applying the IFRS rules on hedge accounting. For energy companies, it is, however, sometimes difficult to ensure simultaneity. The reason for this is that hedging instruments are not always available which precisely match the exposure which must be hedged, or that there is no sufficiently liquid market available. Consequently, some hedging takes place in alternative markets or subject to alternative time horizons. For example, power generation in Denmark is to some extent hedged by financial contracts for nearby trading areas, such as the European Energy Exchange (EEX) in Germany and Nord Pool in Scandinavia. These areas normally develop relatively uniformly over time compared to Denmark.

This hedging method means that only some of the financial hedging transactions comply with the IFRS rules on hedge accounting even though the financial risk has been reduced. In case of non-compliance, the hedging transactions must be recognised in the income statement on a regular basis under IFRS. This may give rise to considerable fluctuations in the income statement, as the effects of the hedging and, for example, the sale of power are not recognised in the same period.

Consequently, we have decided not to apply the IFRS rules on hedge accounting to transactions hedging energy prices and associated currency risks. Therefore, value adjustments of these hedges are recognised in the income statement in accordance with IFRS.

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: – proceeds from the divestment of newly constructed offshore wind farms – interest and inflation risk	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 2019, a gain of DKK 1,434 million has been deferred (2018: loss of DKK 1,849 million), which will affect business performance EBITDA in subsequent years. Of the total deferred gain, a gain of DKK 687 million is expected in business performance EBITDA in 2020 (2018: DKK 1,470 million loss in 2019).

Power prices decreased in 2019, which means that the market value of the hedges has increased as we are selling power. The decrease in the deferred gain on currency hedging is primarily attributable to an increase in the GBP/DKK rate causing a loss as we are selling GBP.

Expected impact on business performance EBITDA from energy and currency hedging, DKKm

	Deferred for subsequent recognition at 31 December 2019				Deferred for subsequent recognition at 31 December 2018			
	2020	2021	After 2021	Total	2019	2020	After 2020	Total
Power	16	(336)	879	559	(1,324)	(1,190)	(353)	(2,867)
Gas	702	53	15	770	(294)	(118)	-	(412)
Oil	48	9	(1)	56	(65)	(81)	(36)	(182)
Coal	(33)	(3)	-	(36)	6	1	-	7
Currency	(233)	(374)	(886)	(1,493)	(2)	254	239	491
Inflation	-	-	585	585	-	-	(69)	(69)
Total hedges	**500**	**(651)**	**592**	**441**	**(1,679)**	**(1,134)**	**(219)**	**(3,032)**
Deferred revenue from US power purchase agreements	187	157	649	993	209	183	791	1,183
Total	**687**	**(494)**	**1,241**	**1,434**	**(1,470)**	**(951)**	**572**	**(1,849)**

The table shows when the deferred value adjustments are expected to be recognised in the business performance EBITDA. The table covers both hedging classified as business performance and IFRS. Gains are shown as '+' and losses are shown as '-'. Deferred revenue from US power purchase agreements is explained in more detail in note 7.7 'Fair value measurement'.

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 1,000GWh 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. The business performance principle ensures simultaneity of recognition of the underlying exposure and the hedging contract.

	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	Market value	Business performance	IFRS	Business performance	IFRS
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**	**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.

Specification of the difference between EBITDA according to business performance and according to IFRS, DKKm	2019	2018
EBITDA – business performance	17,484	30,029
Business performance adjustments in respect of revenue for the year	2,556	(1,426)
Business performance adjustments in respect of cost of sales for the year	(1,020)	(112)
EBITDA – IFRS	**19,020**	**28,491**
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	141	(1,734)
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	1,395	196
Total adjustments	**1,536**	**(1,538)**

Difference between IFRS and business performance for the year

The value adjustment in respect of future periods totalled a gain of DKK 141 million (2018: DKK -1,734 million), and reversal of deferred gains (losses) recognised according to business performance in 2019 totalled DKK 1,395 million (2018: DKK 196 million).

Market value adjustments for the year related to hedging contracts

2019 was mainly affected by gains on the hedging of power and gas as a result of a drop in prices combined with a selling position. This was partly countered by losses on currency hedges, mainly related to an increase in the GBP/DKK rate as a result of a selling position.

Deferred gains (losses) from previous periods

In 2019, a loss of DKK 1,395 million was recognised in business performance EBITDA, but as the loss was recognised in IFRS EBITDA in a previous period, the loss was reversed in the 'Adjustments' column in the income statement. The loss was primarily attributable to the hedging of power.

Market value adjustments for the year of financial and physical hedging contracts relating to a future period, DKKm	2019	2018
Currency	(1,916)	313
Power (commercial and hedge)	1,144	(1,617)
Gas (commercial and hedge)	857	(48)
Oil	94	(382)
Coal	(38)	-
Total value adjustments	**141**	**(1,734)**

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.

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	2019	2018
Currency	(320)	(165)
Power (commercial and hedge)	1,249	307
Gas (commercial and hedge)	327	262
Oil	144	(174)
Coal	(5)	(34)
Total deferred gains (losses) from previous periods	**1,395**	**196**

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.

Asnæs power plant, Kalundborg, Denmark.

2. Return on capital employed

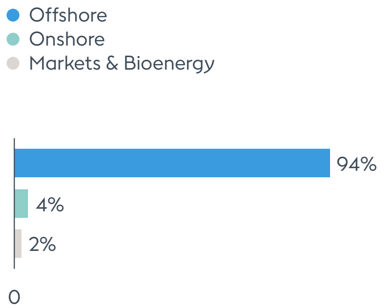
2. Return on capital employed

Return on capital employed (ROCE) is a key ratio showing how profitable our business activities are. Our target is an average ROCE of around 10% for the Group for the 2019-2025 period.

Return on capital employed

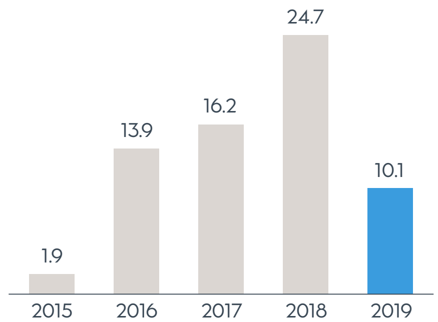
Return on capital employed was 10.6% in 2019 compared to 32.1% in 2018. The decrease was mainly due to lower EBIT in 2019 compared to 2018. EBIT in 2018 was significantly positively affected by the Hornsea 1 farm-down gain. Reference is made to note 2.1 'Segment information'.

EBIT by segment,
percentage of DKK 10,231 million in 2019

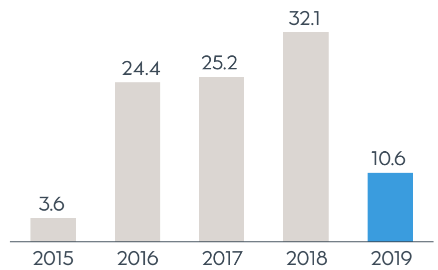


EBIT is stated according to the business performance principle. EBIT of DKK 10,231 million is calculated as EBIT for reportable segments.

EBIT, business performance
DKKbn



Return on capital employed (ROCE)
%



17.5bn

EBITDA totalled DKK 17,484 million in 2019 against DKK 30,029 million in 2018.

10.1bn

Operating profit (EBIT) totalled DKK 10,052 million in 2019 against DKK 24,654 million in 2018.

10.6%

Return on capital employed totalled 10.6% in 2019 against 32.1% in 2018.

2.1 Segment information

Offshore, DKKm

Revenue	40,216
EBITDA	15,161
Gross investments	15,121
Number of employees	2,777

Primary activity

Development, construction, ownership and operation of offshore wind farms in the UK, Germany, Denmark, the Netherlands, the US and Taiwan.

Onshore, DKKm

Revenue	670
EBITDA	786
Gross investments	6,158
Number of employees	95

Primary activity

Development, ownership and operation of onshore wind and solar farms in the US and a minor storage solution in the UK.

Markets & Bioenergy, DKKm

Revenue	32,816
EBITDA	1,495
Gross investments	1,898
Number of employees	1,828

Primary activity

Generation of heat and power at CHP plants in Denmark, sale of power and gas in wholesale and retail markets, distribution of power in Denmark, as well as optimisation and hedging of Ørsted's entire energy portfolio.

New segment structure

In June, we decided to consolidate the business units Customer Solutions and Bioenergy into a new business unit, named Markets & Bioenergy. In addition, as we run the business on an end-to-end value chain thinking, we decided that all activities and earnings that relate to Offshore and Onshore will be 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 now presented in these business units. In 2019, EBITDA of DKK 725 million (2018: DKK 237 million) and DKK -18 million (2018: DKK 0 million) were transferred to Offshore and Onshore, respectively. We have restated comparative figures for 2018.

Geographical distribution of revenue as well as intangible assets and property, plant and equipment

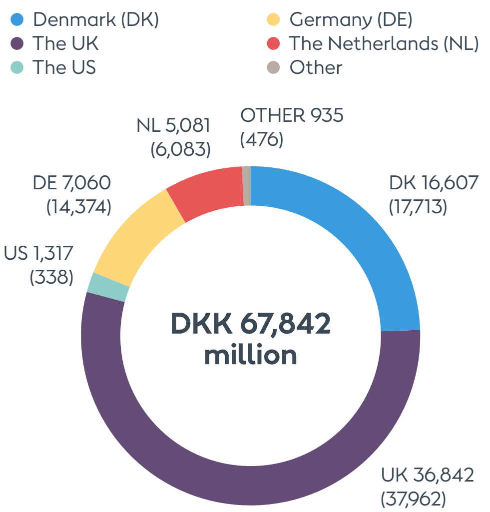
Geographical revenue is broken down, as far as possible, by the customer's geographical location based on supply point.

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.

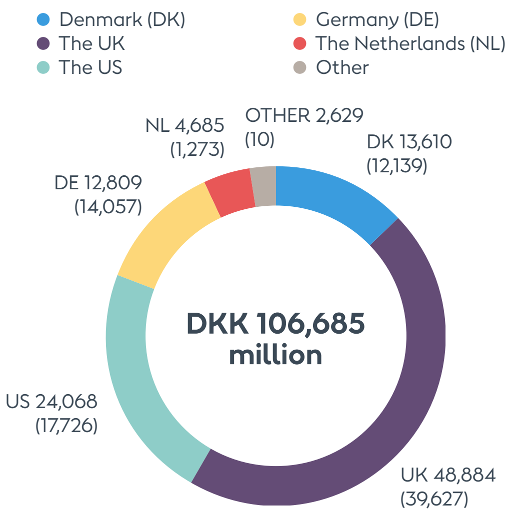
In 2019, one customer in Offshore had a revenue of DKK 10,339 million, accounting for more than 10% of our consolidated revenue. No single customer accounted for more than 10% or our consolidated revenue in 2018.

Non-current assets are broken down geographically based on the physical locations of the assets.

Revenue
DKKm 2019[1] (2018)



Intangible assets and property, plant and equipment, DKKm 2019 (2018)



Accounting policies

Our operating segments are consistent with our internal reporting to our chief operating decision maker, Group Executive Management.

We apply the business performance principle, as described in note 1.5 'Business performance', in connection with our internal management.

The operating segments are managed primarily on the basis of EBITDA and investments. Financial income, 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.

2019 Income statement, DKKm	Offshore	Onshore	Markets & Bioenergy	Reportable segments	Other activities/ eliminations	Business performance	Adjustments	IFRS
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, and B2B, B2C and power distribution businesses.

In 2019, we consolidated the business units Customer Solutions and Bioenergy into a new business unit, named Markets & Bioenergy.

Profit (loss) and cash flows are shown only for continuing operations.

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.

2018 **Income statement,** DKKm	Offshore	Onshore	Markets & Bioenergy	Reportable segments	Other activities/ eliminations	Business performance	Adjustments	IFRS
External revenue	37,434	80	39,566	77,080	(134)	76,946	(1,426)	75,520
Intra-group revenue	5,676	-	270	5,946	(5,946)[1]	-	-	-
Revenue	**43,110**	**80**	**39,836**	**83,026**	**(6,080)**	**76,946**	**(1,426)**	**75,520**
Cost of sales	(25,551)	-	(34,241)	(59,792)	5,886	(53,906)	(112)	(54,018)
Employee costs and other external expenses	(5,435)	(121)	(3,467)	(9,023)	32	(8,991)	-	(8,991)
Gain (loss) on disposal of non-current assets	15,076	-	(81)	14,995	-	14,995	-	14,995
Additional other operating income and expenses	851	85	54	990	1	991	-	991
Share of profit (loss) in associates and joint ventures	(5)	-	(1)	(6)	-	(6)	-	(6)
EBITDA	**28,046**	**44**	**2,100**	**30,190**	**(161)**	**30,029**	**(1,538)**	**28,491**
Depreciation and amortisation	(4,456)	(51)	(1,430)	(5,937)	(41)	(5,978)	-	(5,978)
Impairment losses	-	-	-	-	-	-	-	-
Impairment losses, reversed	-	-	603	603	-	603	-	603
Operating profit (loss) (EBIT)	**23,590**	**(7)**	**1,273**	**24,856**	**(202)**	**24,654**	**(1,538)**	**23,116**
Key ratios								
Intangible assets and property, plant and equipment	64,444	10,913	9,170	84,527	305	84,832	-	84,832
Equity investments and non-current receivables	269	5	336	610	835	1,445	-	1,445
Net working capital, work in progress	9,654	-	-	9,654	-	9,654	-	9,654
Net working capital, tax equity	-	(3,719)	-	(3,719)	-	(3,719)	-	(3,719)
Net working capital, capital expenditures	(2,612)	(167)	(199)	(2,978)	-	(2,978)	-	(2,978)
Net working capital, other items	3,567	(125)	(2,322)	1,120	369	1,489	-	1,489
Derivatives, net	(1,888)	(722)	203	(2,407)	(219)	(2,626)	-	(2,626)
Assets classified as held for sale, net	-	-	10,372	10,372	-	10,372	-	10,372
Decommissioning obligations	(4,010)	(217)	(1,245)	(5,472)	-	(5,472)	-	(5,472)
Other provisions	(3,116)	(130)	(3,878)	(7,124)	(858)	(7,982)	-	(7,982)
Tax, net	(1,944)	(1,059)	576	(2,427)	(202)	(2,629)	-	(2,629)
Other receivables and other payables, net	1,110	-	1	1,111	(601)	510	-	510
Capital employed at 31 December	**65,474**	**4,779**	**13,014**	**83,267**	**(371)**	**82,896**	**-**	**82,896**
Of which, capital employed from discontinued operations						(143)		(143)
Of which, capital employed from continuing operations						83,039		83,039
Return on capital employed (ROCE) %						**32.1**		
Cash flows from operating activities	6,710	1,868	2,874	11,452	(1,109)	10,343	-	10,343
Gross investments	(15,081)	(6,779)	(2,522)	(24,382)	(99)	(24,481)	-	(24,481)
Divestments	19,676	1	320	19,997	(47)	19,950	-	19,950
Free cash flow (FCF)	**11,305**	**(4,910)**	**672**	**7,067**	**(1,255)**	**5,812**	**-**	**5,812**

[1] Including the elimination of other activities, the total elimination of intra-group revenue amounts to DKK -8,281 million, which primarily relates to our Shared Functions services, and B2B, B2C and power distribution businesses.

We have changed our reportable segments and have therefore restated comparative figures.

2.2 Revenue

Revenue 2019, DKKm	Offshore	Onshore	Markets & Bioenergy	Other activities/ eliminations	2019 Total	Offshore	Onshore	Markets & Bioenergy	Other activities/ eliminations	2018 Total
Sale of gas	-	-	15,341	(27)	15,314	-	-	22,795	(351)	22,444
Generation of power	4,870	427	2,377	-	7,674	4,969	64	3,114	-	8,147
Sale of power	10,372	-	7,593	(5,825)	12,140	12,468	-	7,006	(5,742)	13,732
Revenue from construction of offshore wind farms and transmission assets	12,385	-	-	-	12,385	16,560	-	-	-	16,560
Generation and sale of heat and steam	-	-	2,887	-	2,887	-	-	2,903	-	2,903
Distribution and transmission	-	-	2,555	(3)	2,552	-	-	2,749	(4)	2,745
Other revenue	1,868	-	669	(35)	2,502	1,531	-	789	68	2,388
Total revenue from customers, IFRS	**29,495**	**427**	**31,422**	**(5,890)**	**55,454**	**35,528**	**64**	**39,356**	**(6,029)**	**68,919**
Government grants	9,934	29	505	-	10,468	7,917	5	560	(21)	8,461
Economic hedging	(492)	231	1,383	(530)	592	(2,213)	465	39	122	(1,587)
Other revenue	621	(3)	3,189	77	3,884	137	11	(673)	252	(273)
Total revenue, IFRS	**39,558**	**684**	**36,499**	**(6,343)**	**70,398**	**41,369**	**545**	**39,282**	**(5,676)**	**75,520**
Adjustments	658	(14)	(3,683)	483	(2,556)	1,741	(465)	554	(404)	1,426
Total revenue, business performance	**40,216**	**670**	**32,816**	**(5,860)**	**67,842**	**43,110**	**80**	**39,836**	**(6,080)**	**76,946**
Timing of revenue recognition from customers, IFRS										
At a point in time	11,842	427	18,945	(899)	30,315	17,278	64	22,397	(428)	39,311
Over time	17,653	-	12,477	(4,991)	25,139	18,250	-	16,959	(5,601)	29,608
Total revenue from customers, IFRS	**29,495**	**427**	**31,422**	**(5,890)**	**55,454**	**35,528**	**64**	**39,356**	**(6,029)**	**68,919**

We have changed our reportable segments and have therefore restated comparative figures. See note 2.1.

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.

'Over time' mainly comprises:
– construction agreements for offshore wind farms and transmission assets
– long-term contracts with customers to deliver gas, power or heat.

Revenue for the year (business performance) decreased by 12% to DKK 67,842 million in 2019. The decrease was mainly due to the significant drop in gas prices during the year, lower revenue from construction of offshore wind farms for partners, lower gas volumes, lower revenue from power sales as well as lower thermal heat and power generation. This was partly offset by higher revenue from wind farms in operation.

Revenue for the year from construction of offshore wind farms mainly related to the construction of the offshore wind farm Hornsea 1 and the divestment of the Race Bank transmission asset.

Other revenue in Offshore primarily related to operation and maintenance agreements, which increased due to ramp-ups of offshore wind farms in 2019.

In 2019, revenue was DKK 70,398 million (2018: DKK 75,520 million) according to IFRS, of which DKK 65,914 million (2018: DKK 70,736 million) was revenue from the sale of goods, and DKK 4,484 million (2018: DKK 4,784 million) was revenue from the sale of services.

Unsatisfied long-term contracts with customers, DKKm		Expected to be recognised	
	31 December	within one year	in more than one year
2019	1,345	100%	0%
2018	11,473	91%	9%

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.

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 power, gas and heat or our operation and maintenance agreements. For these types of goods and services, we recognise the revenue that corresponds directly to the value transferred to the customer.

Key accounting estimates

Assumptions for the determination of the expected selling price and expected 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 farms and offshore transmission assets
– total expected costs for the individual contract
– the value of 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 most likely outcomes of future events.

Key accounting judgements

Assumptions for the 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 agreement at the time of conclusion of the agreement.
In our view, our partner assumes control of the offshore wind farm in step with the construction. This is supported by:
– the regular approval of part deliveries
– the approval or rejection of significant variations to the construction
– the partner's take-over of work from 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.

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

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 assessments
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 stations, 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 assessments
Revenue from ancillary services consists of fees for having power stations on standby in periods with a demand for power generation. Ancillary services

are considered one performance obligation which is fulfilled over time when the power stations are on standby.

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 asset, 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 assessments
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 assessments
Payment for the sale of heat consists of fixed costs associated with operation and maintenance of a CHP plant plus 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 assessments
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 assessments
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 exists at the relevant taking-over 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	Offshore	Onshore	Markets & Bioenergy	Other activities/ eliminations	2019 total	Offshore	Onshore	Markets & Bioenergy	Other activities/ eliminations	2018 total
Gas	-	-	15,342	-	15,342	-	-	20,399	-	20,399
Power	10,086	-	5,760	(5,828)	10,018	12,096	-	6,296	(5,868)	12,524
Biomass	-	-	2,519	-	2,519	-	-	2,468	-	2,468
Coal	-	-	520	-	520	-	-	941	-	941
Distribution and transmission costs	921	-	3,956	(24)	4,853	871	-	2,710	(13)	3,568
Costs for construction of offshore wind farms and transmission assets	7,957	-	-	-	7,957	12,590	-	-	-	12,590
Other cost of sales	17	6	2,024	(420)	1,627	(6)	-	1,371	163	1,528
Total, IFRS	**18,981**	**6**	**30,121**	**(6,272)**	**42,836**	**25,551**	**-**	**34,185**	**(5,718)**	**54,018**
Adjustments	-	-	(1,628)	608	(1,020)	-	-	56	(168)	(112)
Total, business performance	**18,981**	**6**	**28,493**	**(5,664)**	**41,816**	**25,551**	**-**	**34,241**	**(5,886)**	**53,906**

We have changed our reportable segments and have therefore restated comparative figures. See note 2.1 'Segment information'.

Cost of sales according to business performance decreased from DKK 53,906 million in 2018 to DKK 41,816 million in 2019.

The decrease was mainly due to lower gas and power prices. Also, costs from the construction of offshore wind farms and transmission assets were lower, primarily due to high activity in 2018 related to the construction of the Borkum Riffgrund 2 and Walney Extension offshore wind farms for partners as well as divestment of the Burbo Bank Extension transmission assets and the partial divestment of the Hornsea 1 transmission assets as part of the 50% farm-down of Hornsea 1.

In 2019, costs from construction of offshore wind farms and transmission assets primarily related to Hornsea 1 and Race Bank.

Hornsea 1, Yorkshire coast, UK.

2.4 Government grants

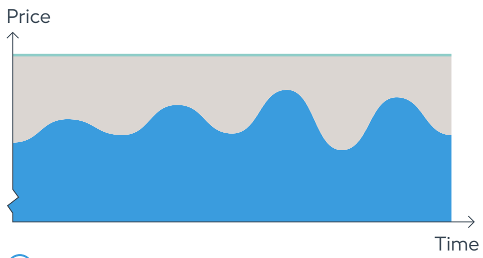
Energinet, the transmission system operator in Denmark, administers subsidies for environmentally sustainable power generation, including biomass and offshore wind farms. We regard the grant for environmentally sustainable power generation as a government grant, as it is paid by the Danish state.

In the UK, we receive subsidies under the 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 are under the ROC regime. We treat the payments from the ROC and CfD scheme as government grants.

Feed-in tariffs in Germany under the German Renewable Energy Sources Act (EEG2014) are also recognised as government grants.

Illustrative example of CfD

- Market price of power
- Government grants (difference between the market price of power and the power price fixed in the CfD contracts)
- Power price fixed in the CfD contract



When participating in a CfD, we receive a feed-in premium in connection with the generation of power from an offshore wind turbine. The feed-in premium is the difference between the market price of power and the price fixed in the CfD (strike price).

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.

Government grants, DKKm	2019	2018
Government grants recognised in profit (loss) for the year under revenue	10,468	8,461
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	**10,468**	**8,461**

2.5 Other operating income and expenses

Other operating income, DKKm	2019	2018
Gain on divestment of assets	-	15,086
Other compensation	478	594
US tax credits and tax equity income	629	85
Miscellaneous operating income	674	510
Total other operating income	**1,781**	**16,275**

Other operating expenses, DKKm	2019	2018
Loss on divestment of assets	101	91
Miscellaneous operating expenses	159	198
Total other operating expenses	**260**	**289**

Other operating income

In 2019, other operating income was DKK 1,781 million, which was 89% lower than in 2018. In 2019, we had no gains on divestment of assets, whereas we had gains related to the divestment of 50% of the Hornsea 1 offshore wind farm in 2018.

US tax credits and tax equity income originate from our acquisition of Lincoln Clean Energy in October 2018 and correspond to the tax credits and other tax attributes provided to tax equity partners as well as our own share. The increase was mainly due to a full year of operation in 2019, whereas we only had three months of operation in 2018.

Burbo Bank Extension, Bay of Liverpool, UK.

Accounting policies

In connection with the divestment of ownership interests in offshore wind farms before or during the construction phase, the gain is recognised on the divestment date under other operating income/ expenses in the income statement.

The gain for the future construction of the partner's share of the offshore wind farm is 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 equity 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).
- Agreements on the future construction of the offshore wind farm (construction agreements).
- Agreements on the future operation of the offshore wind farm (O&M agreements).

Key accounting judgements

Assessment of classification of divestment
When we divest ownership interests in an offshore wind farm under development, we carry out an individual assessment determining whether the divestment qualifies as a divestment of an enterprise or a divestment of assets. We have typically assessed that the offshore wind farms do not constitute an enterprise, as no employees are transferred, and processes are transferred to a limited extent only.

Key accounting estimates

Assumptions about the accounting treatment of divestment gains related to share purchase agreements and construction agreements
Our accounting recognition of the gains related to the divestment contracts is based on the individual accounting transaction prices of the relevant contracts.

Therefore, our accounting treatment of the gains related to the contracts is not necessarily identical with the prices negotiated in the individual contracts.

2.6 Employee costs

Employee costs, DKKm	2019	2018
Wages, salaries and remuneration	4,376	3,768
Share-based payment	57	24
Pensions	362	317
Other social security costs	146	124
Other employee costs	103	24
Employee costs before transfer to assets	**5,044**	**4,257**
Transfer to assets	(1,092)	(1,131)
Total employee costs	**3,952**	**3,126**

Employee costs

Employee costs before transfer to assets were 18% higher in 2019 compared to 2018, mainly reflecting a 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 2019, our average number of employees was 6,329 (2018: 5,796).

Remuneration of Group Executive Management

The remuneration of the Executive Board is based on a fixed salary, including personal benefits, such as a company car, free telephone, etc., a variable salary, a retention bonus in connection with the IPO (ceased in 2018), and share-based payment. The other members of Group Executive Management[1] 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 Group Executive Management and the Board of Directors, DKK '000	Executive Board		Other members of Group Executive Management[1]		Board of Directors		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Fixed salary	16,810	16,400	20,933	19,611	4,779	5,133	42,522	41,144
Cash-based incentive scheme	4,561	4,630	5,419	5,329	-	-	9,980	9,959
Retention bonus, etc.	-	1,875	180	2,860	-	-	180	4,735
Share-based payment	4,046	3,537	2,626	3,142	-	-	6,672	6,679
Pension, incl. social security and benefits	564	555	5,333	5,060	-	-	5,897	5,615
Retention-dependent purchase price related to the acquisition of Lincoln Clean Energy	-	-	840	-	-	-	840	-
Salary in notice period	-	-	11,560[2]	-	-	-	11,560	-
Termination payment	-	-	4,489[2]	-	-	-	4,489	-
Total	**25,981**	**26,997**	**51,380**	**36,002**	**4,779**	**5,133**	**82,140**	**68,132**

1 Other members of Group Executive Management in 2019 are: Morten Hultberg Buchgreitz, Thomas Dalsgaard (resigned 1 July 2019), Henriette Fenger Ellekrog (joined 1 June 2019), Declan Flanagan (joined 1 December 2019), Anders Lindberg, Martin Neubert and Ole Kjems Sørensen (resigned 1 December 2019).

2 Relates to Thomas Dalsgaard and Ole Kjems Sørensen

2.7 Share-based payment

Required number of locked-up shares relative to fixed salary

CEO	75% of fixed salary
CFO and other members of Group Executive Management	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.

Fair value of PSUs and key assumptions for valuation in executive share programme	Time of granting 2019	Time of granting 2018	Time of granting 2017
Fair value of 1 PSU	598	461	320
Key assumptions:			
Share price	504	392	269
Average volatility, peers	22.3%	24.5%	24.9%
Volatility, Ørsted	20.9%	19.7%	20.3%
Risk-free interest rate	-0.4%	-0.3%	-0.3%
Expected term at time of granting	3 years	3 years	3 years

Executive share programme

Group Executive Management and a number of other senior executives participate in the share programme (99 in total). 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 figure 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% 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 grant, this would correspond to 0-30% or 0-40% 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.

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

In 2018, we introduced a share-based retention agreements as a replacement for cash-based settlement by using restricted share units (RSUs) when granting new retention agreements.

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 RSUs to be granted will be determined on the basis 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.

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 the time of granting, '000

Time of granting	Executive Board	Other members of Group Executive Management	Senior executives	Other employees	Total	% of share capital	Market value (at time of granting) DKK million	Years until expiry
1 April 2017	24	16	129		169	0.04%	27	0.3
1 April 2018	19	17	81		117	0.03%	27	1.3
1 April 2019	14	16	71		101	0.02%	30	2.3
Share retention programme	-	-	-	21	21	0.00%	5	-
Maximum number of outstanding shares at 31 December 2019	**57**	**49**	**281**	**21**	**408**	**0.09%**	**89**	

Development in maximum number of outstanding shares, '000	Executive Board	Other members of Group Executive Management	Senior executives	Other employees	2019	2018	2019 in % of share capital
Maximum number of outstanding shares at 1 January	64	57	327	18	466	327	0.11%
Compensation for dividends paid (2017 and 2018 programme)	1	1	7	0	9	7	0.00%
Exercised (2016 programme)	(22)	(15)[1]	(115)	-	(152)	-	(0.04)%
Granted (2019 programme)	14	16	75	-	105	-	0.03%
Granted (2018 programme)	-	-	-	-	-	124	-
Cancelled (2019 programme)	-	(4)	-	-	(4)	-	0.00%
Cancelled (2018 programme)	-	(4)	(7)		(11)	(6)	0.00%
Cancelled (2017 programme)	-	(2)	(6)		(8)	(4)	0.00%
Share retention program	-	-		3	3	18	0.00%
Maximum number of outstanding shares at 31 December	**57**	**49**	**281**	**21**	**408**	**466**	**0.10%**
(DKKm)							
Market value of share programme at the time of granting	12	11	61	5	89	85	
Maximum market value of share programme on 31 December	39	34	193	14	280	203	

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.

[1] Of which DKK 2.6 million was paid out in cash.

3. Capital employed

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 2019

Our gross investments amounted to DKK 23.3 billion in 2019, of which Offshore accounted for 65%.

Investments were primarily related to:
- offshore wind farms (DKK 15.1 billion), mainly Hornsea 1 and 2 in the UK, Borssele 1 & 2 in the Netherlands and Greater Changhua 1 & 2a in Taiwan
- onshore wind and solar farms (DKK 6.2 billion), including Sage Draw, Plum Creek, Lockett, Willow Creek and Permian Energy Center in the US
- Markets & Bioenergy (DKK 1.9 billion), mainly the biomass conversion of Asnæs Power Station and the replacement of smart meters at our residential power customers in Radius.

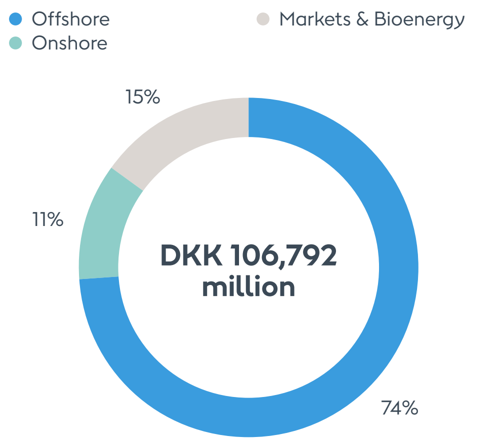
Divestments amounted to DKK 3.3 billion and were primarily related to the receipt of deferred proceeds from our farm-down of 50% of Hornsea 1 in 2018 (DKK 1.7 billion) and to the strengthening of our strategic partnership with Eversource as they became a 50% partner in our activities in the New England area in the US in February (DKK 1.4 billion).

Capital employed, DKKm	2019	2018
Intangible assets and property, plant and equipment	106,685	84,832
Equity investments and non-current receivables	1,044	1,445
Net working capital, work in progress	8,756	9,654
Net working capital, tax equity	(4,587)	(3,719)
Net working capital, capital expenditures	(3,304)	(2,978)
Net working capital, other items	2,540	1,489
Derivatives, net	782	(2,626)
Assets classified as held for sale, net	8,211	10,372
Decommissioning obligations	(6,158)	(5,472)
Other provisions	(6,443)	(7,982)
Tax, net	(253)	(2,629)
Other receivables and other payables, net	(481)	510
Total capital employed	**106,792**	**82,896**
Of which, discontinued operations	(41)	(143)
Of which, continuing operations	106,833	83,039

The adaption of IFRS 16 'Leases' increased our capital employed at 1 January 2019 through the addition of lease assets (property, plant and equipment) of DKK 5,065 million.

The most significant assets under construction at the end of 2019, were the offshore wind farms Hornsea 2, Borssele 1 & 2 and Greater Changua 1 & 2a and the onshore wind and solar farms Sage Draw, Plum Creek and Permian Energy Center.

Capital employed by segment, % 2019



Capital employed by segment is based on capital employed for reportable segments of DKK 106,970 million.

106.8bn

Capital employed totalled DKK 106,792 million on 31 December 2019 against DKK 82,896 million in 2018.

23.3bn

Gross investments amounted to DKK 23,305 million in 2019 against DKK 24,481 million in 2018.

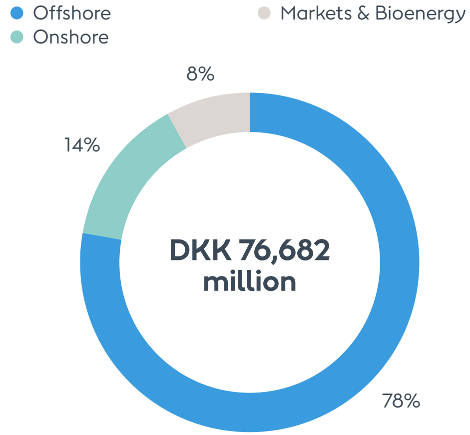
3.3bn

Cash flows from divestments totalled DKK 3,329 million in 2019 against DKK 19,950 million in 2018.

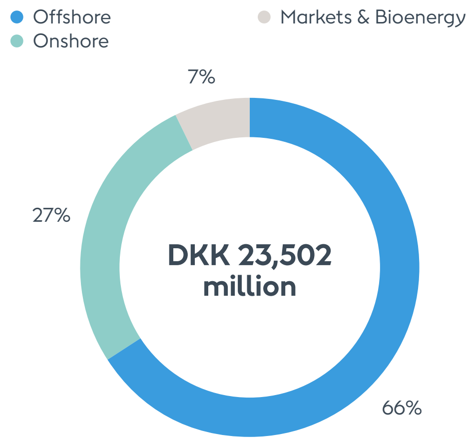
3.1 Intangible assets and property, plant and equipment

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 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



Property, plant and equipment under construction by segment, % 2019

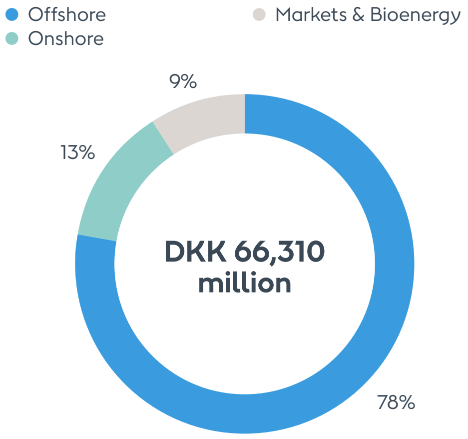


Intangible assets

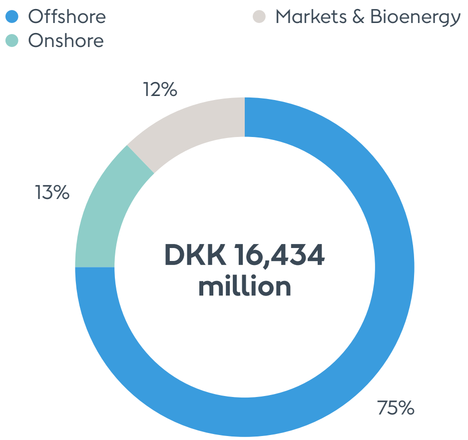
Intangible assets consist of goodwill of DKK 125 million (2018: DKK 125 million), carbon emission allowances of DKK 294 million (2018: DKK 330 million), other rights of DKK 65 million (2018 DKK 46 million), completed development projects of DKK 119 million (2018: DKK 142 million), and development projects in progress of DKK 69 million (2018: DKK 134 million).

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 2018	4,775	2,644	97,086	1,174	13,890	114,794
Exchange rate adjustments	-	-	(395)	(1)	(277)	(673)
Addition of acquisition of enterprises	-	11	7,672	-	7,805	15,488
Additions	422	9	5	16	14,406	14,436
Divestment of enterprises	-	(30)	(2,772)	(12)	(125)	(2,939)
Disposals	(171)	-	(1,242)	(2)	(4,809)	(6,053)
Adjustment of decommissioning obligations	-	-	101	-	512	613
Reclassified assets	53	76	14,358	11	(14,498)	(53)
Reclassified to assets classified as held for sale	(915)	(628)	(15,990)	(1)	(299)	(16,918)
Cost at 31 December 2018	**4,164**	**2,082**	**98,823**	**1,185**	**16,605**	**118,695**
Depreciation and amortisation at 1 January 2018	(3,299)	(1,079)	(32,114)	(761)	-	(33,954)
Exchange rate adjustments	-	-	103	1	-	104
Depreciation and amortisation	(158)	(76)	(5,653)	(91)	-	(5,820)
Divestment of enterprises	-	5	391	7	-	403
Disposals	-	-	1,125	1	-	1,126
Reclassified to assets classified as held for sale	712	76	4,727	-	-	4,803
Depreciation and amortisation at 31 December 2018	**(2,745)**	**(1,074)**	**(31,421)**	**(843)**	**-**	**(33,338)**
Impairment losses at 1 January 2018	(787)	(64)	(4,369)	-	(562)	(4,995)
Exchange rate adjustments	-	-	5	-	8	13
Impairment losses and reversals	-	-	603	-	-	603
Divestment of enterprises	-	25	2,379	-	-	2,404
Disposals	-	-	-	-	383	383
Reclassified to assets classified as held for sale	145	-	290	-	-	290
Impairment losses at 31 December 2018	**(642)**	**(39)**	**(1,092)**	**-**	**(171)**	**(1,302)**
Carrying amount at 31 December 2018	**777**	**969**	**66,310**	**342**	**16,434**	**84,055**

Production assets by segment, % 2018



Property, plant and equipment under construction by segment, % 2018



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, London Array, Race Bank, Revolution Wind, Skip Jack, South Fork, Westermost Rough, Walney, Walney Extention, and West of Duddon Sands.

CGUs in Onshore

The CGUs are made up of individual onshore wind farms, each of which generates cash flows for the segment independently of each other.

Significant CGUs:
Amazon, Lockett, Tahoka, Willow Springs, Sage Draw, Plum Creek, and Permian Energy Center.

CGUs in Markets & Bioenergy

The Danish power stations constitute a single CGU, as overall production planning is for the entire Danish portfolio of CHP plants. The not-yet-commissioned waste-to-energy plant Renescience in Northwich in the UK is deemed to constitute an independent CGU.

The distribution 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, power distribution business, the offshore gas pipelines and the city light business.

Impairment losses

Impairment losses relating to goodwill
We have not impaired goodwill or other intangible assets in 2019.

Impairment losses relating to property, plant and equipment
In 2019, property, plant and equipment under construction related to the Renescience facility was impaired by DKK 500 million. Renescience is part of our Markets & Bioenergy segment.

The impairment losses related to Renescience are primarily due to delays in commissioning, increases in capex, as we are optimising the waste conversion technology, and changes in cost and price estimates.

The recoverable amount of Renescience is measured on the basis of its value in use and based on internal budgets and forecasts. Significant assumptions in the forecasts include the facility capacity, the waste conversation ratios, and potential revenue streams from increased recycling. The estimated cash flows are 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. Carnegie Road is part of our Onshore segment. The recoverable amount is measured on the basis of its value in use. The impairment losses related to Carnegie Road were primarily due to a decrease in prices of the firm frequency response market in the UK.

In connection with the reclassification of our power distribution business to assets classified as held for sale, we reversed an impairment loss from previous years of DKK 603 million during 2018. This reversal occurred, as we expected to recover a higher amount than the carrying amounts of the assets after reversal of the impairment loss in previous years.

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
Distribution grids, power	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 CGU to which the net book value relates exceeds the recoverable amount. 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 the 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. Other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

In 2019, we implemented IFRS 16, which resulted in the recognition of lease assets of DKK 5,066 million as of the implementation date (1 January 2019). Please see notes 1 and 8 for further information on the implementation of IFRS 16.

3.2 Provisions and contingent assets and liabilities

Decommissioning obligations

Decommissioning obligations mainly comprise estimated expenses relating to decommissioning and disposal of our offshore and onshore wind farms, restoration of seabeds and the decommissioning of our CHP plants.

As developers of offshore and onshore wind farms, we are obliged to decommission our wind 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 included only the decommissioning obligations associated with our ownership interest in the offshore wind farms.

Decommissioning obligations increased by DKK 686 million from 2018 to 2019, primarily due to the construction of new wind farms.

Onerous contracts

The provision for onerous contracts related to the LNG terminal capacity increased by DKK 1,165 million following our agreement to divest the activities, and has subsequently been transferred to assets and liabilities held for sale.

Onerous contracts hereafter comprise:
– two contracts for gas storage capacity in Germany amounting to DKK 814 million (2018: DKK 949 million)
– a contract for gas storage capacity in Denmark amounting to DKK 164 million (2018: DKK 229 million).

	2019				2018			
Provisions, DKKm	Decom-missioning obligations	Onerous contracts	Other provisions	Total	Decom-missioning obligations	Onerous contracts	Other provisions	Total
Provisions at 1 January	5,472	2,418	5,564	13,454	4,751	2,711	4,058	11,520
Change in accounting policy	-	(25)	-	(25)	-	-	-	-
Exchange rate adjustments	160	-	29	189	(26)	-	(1)	(27)
Used during the year	(3)	(380)	(636)	(1,019)	(117)	(373)	(636)	(1,126)
Provisions reversed during the year	-	-	(596)	(596)	(1)	(8)	(484)	(493)
Provisions made during the year	421	1,165	1,104	2,690	547	-	2,459	3,006
Change in estimates	(93)	-	-	(93)	86	-	-	86
Transferred to assets and liabilities classified as held for sale	(11)	(2,277)	-	(2,288)	(12)	-	-	(12)
Interest element of provisions	212	77	-	289	192	88	-	280
Additions of acquisition of enterprises	-	-	-	-	259	-	168	427
Disposal related to divestment of enterprises	-	-	-	-	(12)	-	-	(12)
Disposal related to sale of assets	-	-	-	-	(195)	-	-	(195)
Total provisions	**6,158**	**978**	**5,465**	**12,601**	**5,472**	**2,418**	**5,564**	**13,454**
Falling due as follows:								
0-1 year	-	184	353	537	-	271	409	680
1-5 years	213	537	4,279	5,029	193	967	4,508	5,668
After 5 years	5,945	257	833	7,035	5,279	1,180	647	7,106

Other provisions

Provisions made during the year primarily relate to partly divested offshore wind farms. Provisions reversed primarily relate to the Elsam competition case (DKK 564 million).

Other provisions comprise primarily:
– offshore partnership provisions, including warranty obligations and wake effect compensations
– obligations in relation to the divestment of our Oil & Gas business in 2017
– obligations in respect of our own carbon emissions
– other contractual obligations.

Contingent liabilities

Liability to pay compensation

In case of any environmental accidents or other types of damage caused by our oil and gas 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, 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.

In May 2018, the High Court of Western Denmark found that it had not been proved that Elsam charged excessive prices in the period from 1 January 2005 to 30 June 2006. The ruling lead to a subsequent settlement with the competition authorities with the same conclusion for another part of the period. From this time, there are no outstanding cases with the competition authorities claiming Elsam infringed competition law.

In connection with the cases against the competition authorities, some energy trading companies, some of their customers and others have filed claims for damages. 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. Despite the outcome of the actions with the competition authorities, the plaintiffs continue to pursue their claim.

In 2010, Ørsted made a provision of DKK 298 million plus litigation interest. As the competition authorities' claims against Elsam have been dismissed, we reversed the provision in 2019.

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'.

Decommissioning obligations by swegment DKKm	Offshore	Onshore	Markets & Bioenergy	Total
0-5 years	204	-	9	213
5-10 years	490	-	95	585
10-20 years	2,068	-	296	2,364
After 20 years	1,800	306	890	2,996
2019	**4,562**	**306**	**1,290**	**6,158**
2018	**4,010**	**217**	**1,245**	**5,472**

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.

The outcome of our contractual obligations and claims may depend on future events which, by nature, are uncertain.

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.

3.3 Acquisition of enterprises

In 2019, we have paid contingent considerations of DKK 616 million in total, related to the acquisition of Deepwater Wind in 2018. The contingent payments were depending upon the regulator's approval of two power purchase agreements for our Revolution Wind project (Offshore). The contingent considerations were fully covered by provisions and therefore, profit (loss) for the year was not affected.

In 2019, we also paid DKK 148 million for the acquisition of Coronal Energy's development business (Onshore) and recognised a contingent payment of DKK 50 million.

On 1 October 2018, we acquired all of the membership interests in Lincoln Clean Energy LLC, effectively gaining control of the company. The acquisition represented the first step into our new business unit, Onshore.

On 8 November 2018, we acquired all of the membership interests in Deepwater Wind LLC, effectively gaining control of the company, which was incorporated into our Offshore business unit.

The opening balances for Lincoln Clean Energy and Deepwater Wind have been finalised in 2019 without any adjustments to the provisional opening balances.

	2019	2018		
Cash flows used for acquisitions, DKKm	Total	Lincoln Clean Energy	Deepwater Wind	Total
Fair value at time of acquisition:				
Property, plant and equipment	86	9,707	5,781	15,488
Other assets	115	28	158	186
Cash	-	77	363	440
Interest-bearing debt	-	(2,337)	(1,702)	(4,039)
Tax equity liabilities	-	(2,126)	(90)	(2,216)
Provisions	-	(384)	(43)	(427)
Derivatives	-	(1,185)	57	(1,128)
Deferred tax, net	-	(486)	(1,239)	(1,725)
Other liabilities	(3)	(198)	(57)	(255)
Net assets acquired	**198**	**3,096**	**3,228**	**6,324**
Goodwill	-	-	-	-
Purchase price	**198**	**3,096**	**3,228**	**6,324**
Cash, available and acquired	-	(28)	(37)	(65)
Contingent consideration – Coronal Energy	(50)	-	-	-
Contingent consideration – Deepwater Wind	616	-	(657)	(657)
Cash flow used for acquisition of enterprises	**764**	**3,068**	**2,534**	**5,602**
Purchase price	764	3,096	3,228	6,324
Adjustments for cash	-	(77)	(363)	(440)
Adjustments for interest-bearing tax equity liability	-	280	90	370
Adjustments for interest-bearing debt	-	2,337	1,702	4,039
Enterprise value	**764**	**5,636**	**4,657**	**10,293**

Key accounting estimates

Purchase price allocations in business combinations
By nature, the application of the acquisition method for business combinations involves judgement in assessing the fair value of identifiable assets and liabilities.

Property, plant and equipment
Our assessment of fair value is based on a number of estimates regarding WACC and expected cash flows which both have a large impact on the fair value.

Derivatives
Our assessment of fair value is dependent on expected future prices. See note 7.7 'Fair value measurement' for our valuation principles.

Deferred tax
Our expectation of the timing of repayment of tax equity liabilities, and thereby the expected 'flip' of the tax equity structure, impacts the fair value of deferred tax on the assets and liabilities that are part of wind farms with tax equity partners. The expected tax rate also significantly impacts deferred tax.

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, as well as income, such as production tax credits.

The fair value of derivatives is determined using our normal approach for such items, based on market prices or expectations for prices over the term of the derivatives, as described in note 7.7 'Fair value measurement'.

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 of the acquired enterprise.
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.

3.4 Divestment of enterprises

Selling price, DKKm	2019	2018
Payment	-	497
Working capital adjustment	-	(68)
Selling price on divestment of enterprises	**-**	**429**
Transaction costs	(63)	(66)
Of which, selling price receivable	-	-
Cash selling price on divestment of enterprises	**(63)**	**363**
Payments related to provisions of divestments in previous years	(26)	-
Total cash flows from divestment of enterprises	**(89)**	**363**

Gain (loss) on divestment of enterprises, DKKm	2019	2018
Selling price on divestment of enterprises	-	429
Net assets sold	-	(240)
Provisions as a result of the transaction	-	4
Transaction costs	(63)	(66)
Gain (loss) on divestment of enterprises	**(63)**	**127**

We have not divested any enterprises in 2019.

Cash flows related to divestment of enterprises totalled DKK -89 million in 2019 (2018: DKK 363 million) and consisted of transaction costs and payments on a provision of a divestment in a previous year.

In 2018, divestment of enterprises related to the sale of our 50% ownership interest in Enecogen (Markets & Bioenergy). Transferred cash and cash equivalents totalled DKK 6 million.

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 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	2019	2018
Cash flows from investing activities	(10,997)	(1,026)
Dividends received and capital reductions reversed	(21)	(25)
Purchase and sale of securities, reversed	(8,949)	595
Loans to associates and joint ventures, reversed	(3)	12
Sale of non-current assets, reversed	(3,335)	(20,002)
Interest-bearing debt in acquired enterprises	-	(4,409)
Restricted cash in acquired enterprises	-	374
Total gross investments	**(23,305)**	**(24,481)**
Transactions with non-controlling interests in connection with divestments	(6)	(52)
Sale of non-current assets	3,335	20,002
Total cash flows from divestments	**3,329**	**19,950**
Total net investments	**(19,976)**	**(4,531)**

Gross investments totalled DKK 23,305 million in 2019, which was 5% lower than in 2018.

Gross investments in Offshore was DKK 15,121 million and was primarily related to the construction of Hornsea 1 and 2 in the UK, Borssele 1 & 2 in the Netherlands and Greater Changhua 1 & 2a in Taiwan.

In Onshore, gross investments was DKK 6,158 million and was primarily related to the construction of Sage Draw, Plum Creek, Lockett, Willow Creek and Permian Energy Center in the US.

In 2018, gross investments of DKK 15,081 million in Offshore related to the construction of Hornsea 1, Walney Extension, Borkum Riffgrund 2, Borssele 1 & 2, early investments in the US to qualify for future tax credits as well as the acquisition of Deepwater Wind in the US. Gross investments of DKK 6,779 million in Onshore related to the acquisition of Lincoln Clean Energy in US and the construction of the Tahoka and Lockett wind farms.

Divestments totalled DKK 3,329 in 2019 and 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.

In 2018, divestments related to the 50% farm-down of Hornsea 1 and the receipt of deferred proceeds from the 50% farm-down of Walney Extension in 2017 and proceeds related to the divestment of our 50% ownership share in Enecogen.

3.6 Assets classified as held for sale

At 31 December 2019, assets and related liabilities held for sale comprised our Danish power distribution, residental customer and city light businesses, our oil pipe system in Denmark and our LNG business. All activities are part of Markets & Bioenergy.

In September 2019, we signed an agreement to divest our Danish power distribution (Radius), residental customer and city light businesses to SEAS-NVE. We expect that the transaction will close in the first half of 2020. In December 2019, we signed an agreement to divest our LNG business, and we expect that the transaction will close during the summer of 2020.

Due to a new payment agreement with the Hejre partners on the stabilisation plant (part of the oil pipe system), we have impaired property, plant and equipment related to the stabilisation plant and recognised a receivable compensation of approx the same amount. At 31 December 2019, the compensation receivable was DKK 1.9 billion.

Assets classified as held for sale at 31 December 2018 comprised the same activities as per 31 December 2019, except for the LNG business.

Assets classified as held for sale, DKKm	2019	2018
Intangible assets	226	80
Property, plant and equipment	13,243	13,951
Deferred tax	589	-
Inventories	43	16
Trade receivables	736	701
Other receivables	2,113	430
Income tax	2	45
Total assets classified as held for sale	**16,952**	**15,223**
Deferred tax	1,315	823
Provisions	2,662	372
Contract liabilities	3,107	2,737
Trade payables	333	92
Other payables	970	826
Income tax	445	1
Total liabilities relating to assets classified as held for sale	**8,832**	**4,851**
Net assets classified as held for sale	**8,120**	**10,372**

The table shows assets and liabilities which have been put up for sale, and which are therefore not expected to contribute to our future earnings.

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'.

East Coast Hub, Grimsby, UK.

3.7 Discontinued operations

Discontinued operations comprise assets and liabilities related to our divested Oil & Gas business, which was sold to INEOS on 29 September 2017.

Financial results

Profit (loss) in 2019 amounted to DKK -56 million (2018: DKK 10 million) and primarily concerned adjustments related to currency and the fair value of a receivable.

Total cash flows in 2019 amounted to DKK 174 million (2018: DKK 209 million), of which DKK -211 million was from operating activities and primarily concerned payments related to the Fredericia stabilisation plant and payment of fees for existing Oil & Gas insurance activities. The insurance fee was provided for at the time of the divestment in 2017. Cash flows from investing activities amounted to DKK 385 million and primarily concerned the receipt of a selling price receivable. The receivable was interest-bearing and therefore had no impact on our interest-bearing net debt.

Capital employed

Our capital employed in discontinued operations at 31 December 2019 mainly consisted of provisions relating to the divestment of the Oil & Gas business (tax indemnifications and payments related to the Fredericia stabilisation plant) as well as a receivable selling price which does not carry interest. We expect to receive the outstanding selling price in 2020 and therefore, it was reclassified from non-current to current receivables at 31 December 2019.

In addition, we have an interest-bearing receivable of DKK 333 million (not part of capital employed), which we also expect to receive in 2020.

Profit from discontinued operations, DKKm	2019	2018
Operating profit (loss) (EBIT)	**(7)**	**-**
Gain (loss) on divestment of enterprises	(43)	(44)
Financial income and expenses, net	(8)	(53)
Profit (loss) before tax	**(58)**	**(97)**
Tax on profit (loss) for the year	2	107
Profit from discontinued operations	**(56)**	**10**

Tax for the period, discontinued operations, DKKm	2019	2018
Adjustment related to prior years	-	79
Gains (losses) from divestments as well as other non-taxable income and non-deductible costs	1	16
Other activities in Oil & Gas	1	12
Total, business performance	**2**	**107**
Total, IFRS	**2**	**107**

Cash flows, DKKm	2019	2018
Cash flows from operating activities	(211)	(53)
Cash flows from other investing activities	385	262
Cash flows from financing activities	-	-
Total cash flows	**174**	**209**

The remaining net assets under discontinued operations consist of the selling price receivable and provisions as a result of the divestment of Oil & Gas.

Capital employed, DKKm	2019	2018
Non-current receivables	-	746
Derivatives, net	(47)	(106)
Other provisions	(672)	(820)
Tax, net	13	29
Other receivables and other payables, net	665	8
Total net assets	**(41)**	**(143)**

3.8 Non-controlling interests

Transactions with non-controlling interests, DKKm	2019	2018
Transactions with non-controlling interests		
Dividends paid to non-controlling interests	(388)	(400)
Divestment of equity investments to non-controlling interests	(74)	13
Other capital transactions with non-controlling interests	-	(4)
Total transactions, see statement of cash flows	**(462)**	**(391)**
Divestment of equity investments to non-controlling interests		
Changes in receivables relating to the acquisition and divestment of non-controlling interests	(74)	13
Cash selling price, total	**(74)**	**13**

Subsidiaries with significant non-controlling interests	Non-controlling interest	Registered office
Gunfleet Sands Holding Ltd.	49.9%	London, UK
Walney (UK) Offshore Windfarms Ltd.	49.9%	London, UK

	Gunfleet Sands Holding Ltd. group		Walney (UK) Offshore Windfarms Ltd.	
DKKm	2019	2018	2019	2018
Statement of comprehensive income				
Revenue	448	431	1,170	1,079
EBITDA	275	237	616	554
Profit (loss) for the year	60	26	104	66
Total comprehensive income	84	5	192	12
Profit (loss) for the year attributable to non-controlling interests	30	13	52	33
Balance sheet				
Non-current assets	2,121	2,153	5,681	5,656
Current assets	187	139	247	213
Non-current liabilities	423	311	982	795
Current liabilities	62	88	303	223
Carrying amount of non-controlling interests	910	944	2,330	2,433
Statement of cash flows				
Cash flows from operating activities	293	264	647	563
Cash flows from investing activities	-	-	(13)	(16)
Cash flows from financing activities	(241)	(283)	(600)	(566)
– of which, dividends paid to non-controlling interests	(119)	(144)	(268)	(256)

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/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

4. Working capital

Our key working capital items consist of inventories, net contract assets, trade receivables and payables, tax equity liabilities and other payables.

Working capital items vary with the seasonal variations in our generation and sales activities during the year.

Our net contract assets relate primarily 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.

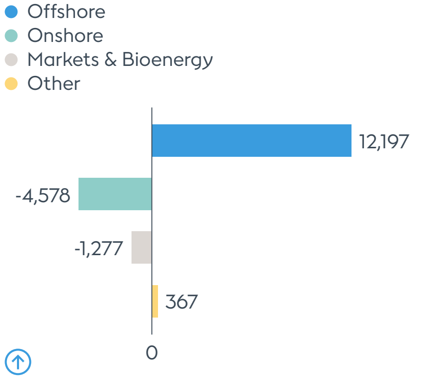
Construction of offshore transmission assets in the UK, which are recognised as inventories, will continue to tie up cash until they are divested.

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	2019	2018
Inventories	14,031	13,943
Contract assets, net	(3,807)	(3,115)
Trade receivables	8,140	10,741
Other receivables	3,253	2,968
Trade payables, excluding trade payables relating to capital expenditure	(7,529)	(10,099)
Tax equity liabilities	(4,587)	(3,719)
Other payables	(2,793)	(3,295)
Net working capital, excluding trade payables relating to capital expenditure at 31 December	**6,709**	**7,424**
Of which, work in progress and related trade payables	8,756	9,654
Of which, tax equity partner liabilities and other working capital	(2,047)	(2,230)

Working capital, DKKm 2019



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 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.

6.7bn

Our net working capital, excluding trade payables relating to capital expenditure, amounted to DKK 6,709 million in 2019 against DKK 7,424 million in 2018.

-0.7bn

We reduced funds tied up in working capital by DKK 715 million relative to 2018, of which DKK 898 million pertained to work in progress and related trade payables in Offshore.

4.1 Inventories

Inventories, DKKm	2019	2018
Offshore transmission assets	10,114	9,885
Biomass	445	253
Gas	1,057	1,620
Coal	242	261
Oil	106	119
Green certificates	1,717	1,555
Carbon emission allowances (purchased)	345	172
Other inventories	5	78
Total inventories	**14,031**	**13,943**
Inventories recognised as an expense in 'Cost of sales' during the year	16,871	25,262

Inventories measured at fair value in the table above are disclosed in note 7.7 'Fair value measurement'.

We use biomass, coal, gas and, to a limited extent, oil as fuel at our CHP plants. From 2019, the use of gas is very limited as a result of the biomass conversion of the Skærbæk Power Station in Denmark and the divestment of the Enecogen Power Station in the Netherlands. 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 comprises 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 are recognised in cost of sales in the period of the change.

Gas in Danish storage facilities are recognised at cost determined as a weighted average of the previous months purchase price, including transportation costs.

Purchased carbon emission allowances are measured at market value.

Green certificates, which we earn by generating power using renewable energy sources, are recognised in inventories in step with our generation. We measure green certificates (earned and bought) at cost using the first in, first out (FIFO) principle.

Other inventories are measured at cost determined on a first in, first out basis or a net realisable value, where this is lower.

Inventories are written down to the lower of net realisable value and cost price. For the offshore transmission assets, it is the expected final transfer value announced by Ofgem.

The net realisable value is the sum (discounted) which the inventories are expected to generate through a normal sale.

4.2 Contract assets and liabilities

Revenue from contracts with customers DKKm	2019	2018
Revenue recognised included in contract liabilities at the beginning of the year	771	228
Revenue recognised from perfomance obligations satisfied in previous years	128	95

Contract balances, DKKm	2019	2018
Contract assets		
Current contract assets	739	1,451
Total contract assets	**739**	**1,451**
Contract liabilities		
Non-current contract liabilities	3,762	3,642
Current contract liabilities	784	924
Total contract liabilities	**4,546**	**4,566**

Contract asset 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 2019, contract assets and liabilities regarding construction agreements relates to our partners' share of the offshore wind farm Hornsea 1 and the Coastal Virginia demonstration project in the US.

At the end of 2018, contract assets and liabilities included the construction of our partners' shares of the Hornsea 1, Walney Extension and Borkum Riffgrund 2 offshore wind farms.

The table shows how much of our revenue that relates to contract liabilities carried forward (as prepayments and deferred revenue), and how much that relates to performance obligatons 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	2019	2018
Trade receivables, not due	7,353	10,186
Trade receivables, 1-30 days overdue	445	293
Trade receivables, more than 30 days overdue	416	326
Trade receivables, write-down	(74)	(64)
Total trade receivables	**8,140**	**10,741**

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 2019, write-downs of receivables were DKK 33 million (2018: DKK 35 million). Losses for the year totalled DKK 0 million (2018: DKK 36 million).

Walney Extension, Irish Sea, UK.

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	2019	2018
Receivables from the divestment of assets and enterprises	1,456	3,218
Receivables from the divestment of equity investments to non-controlling interests	717	634
VAT and other indirect tax receivables	574	427
Collateral provided	1,940	710
Deposits	411	240
Prepayments	556	330
Other accounts receivables	1,312	1,501
Other receivables	**6,966**	**7,060**
Of which, working capital	3,253	2,968
Of which, other capital employed	1,216	2,628
Of which, interest-bearing net debt	2,497	1,464

The table shows our other receivables broken down into working capital, interest-bearing net debt and other capital employed.

In 2019, receivables from the divestment of assets and enterprises primarily related to the divestment of our Oil & Gas business.

In 2018, receivables from the divestment of assets and enterprises primarily related to receivables in connection with the divestment of 50% of our ownership interests in the offshore wind farm Hornsea 1 and receivables 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 5,253 million (2018: DKK 4,390 million).

4.5 Tax equity liabilities

Tax equity liabilities, DKKm	2019	2018
Balance at 1 January	4,173	-
Contribution received from tax equity partners	1,306	1,995
Tax equity balances from business acquisitions	-	2,216
Tax attributes and PTCs recognised in other operating income	(622)	(79)
Cash paid to tax equity partners	(73)	(3)
Tax equity partners' contractual return	327	44
Exchange rate adjustments	84	-
Balance at 31 December	**5,195**	**4,173**
Of which, working capital	4,587	3,719
Of which, interest-bearing debt	608	454

2018 was the first year we recognised US tax liabilities originating from our acquisitions and entry into the US market.

In the US, we have several wind farms with tax equity partners. During 2019, we commissioned one onshore wind farm, Lockett (184MW), with a tax equity partner.

We have four additional wind farms, three onshore and one offshore, with tax equity partners. These wind farms were commissioned during 2018 or prior to our acquisitions of Lincoln Clean Energy and Deepwater Wind.

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.

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 right to 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.

Key accounting judgements

Assessment of recognition of tax equity partner
On formation of a tax equity partnership, we assess the appropriate recognition of the partner's contribution as well as the method of recognition for the elements used to repay the partner, such as PTCs and tax attributes.

In assessing the recognition of the partner's contribution, we look at:

– the expected flows of PTCs, tax attributes and cash payments to the partner
– the rights and obligations of both us and the tax equity partner.

The deferral of the income related to tax attributes and the recognition of the contribution as working capital or interest-bearing debt, are affected by our expectation to the size, method and timing of repayments.

4.6 Other payables

Other payables, DKKm	2019	2018
Carbon rights	90	62
VAT and other indirect taxes payable	686	780
Salary-related items payable	793	809
Accrued interest	1,239	687
Virtual gas storage	-	107
Other deferred income	-	84
Collateral received	205	34
Purchase price, acquisition of enterprises	116	653
Other	1,587	1,986
Total other payables	**4,716**	**5,202**
Of which, working capital	2,793	3,295
Of which, other capital employed	1,367	1,337
Of which, interest-bearing net debt	556	570

The table shows our other payables broken down into working capital, interest-bearing net debt and other capital employed.

In 2019, the short-term portion of other payables amounted to DKK 4,247 million (2018: DKK 4,793 million).

4.7 Changes in net working capital

Change in net working capital, DKKm	2019	2018
Change in inventories	529	243
Change in contract assets and liabilities	612	(1,478)
Change in trade receivables	2,846	(2,261)
Change in other receivables	(250)	(31)
Change in trade payables	(2,371)	1,601
Change in tax equity liabilities	630	1,835
Change in other payables	(427)	(827)
Total change in net working capital	**1,569**	**(918)**
Of which, changes relating to work in progress	1,416	(2,326)
Of which, changes relating to tax equity liabilities and other working capital	153	1,408

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 (inventory) and related trade payables.

The change in funds tied up in work in progress and related trade payables was DKK 1,416 million in 2019 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), partly offset by the receipt of milestone payments from partners and the divestment of the Race Bank transmission asset.

In 2018, the change in funds tied up in work in progress and related trade payables was DKK -2,326 million due to the construction of offshore wind farms for partners (Walney Extension and Borkum Riffgrund 2) as well as offshore transmission assets in the UK (Hornsea 1 and Hornsea 2), partly offset by the receipt of milestone payments from partners and the divestment of the Burbo Bank Extension transmission asset.

The change in funds tied up in other working capital was a cash inflow of DKK 153 million in 2019.

5. Tax

5. Tax

Tax on profit (loss) for the year
The effective tax rate was 31% for the continuing operations. The effective tax rate was primarily affected by the sale of assets in certain wind farm projects to a partner in the US as well as recognition of a tax liability in connection with the tax equity partnership related to the Lockett Onshore Wind Farm.

Corporate income taxes paid
We have paid DKK 4,800 million in taxes in 2019, of which DKK 17 million related to residual tax for 2017, and DKK 81 million related to receivable residual tax regarding 2018. We expect to have a residual tax of DKK 595 million regarding 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.

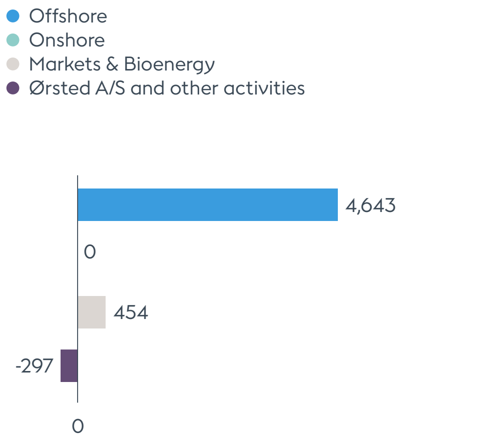
4.8bn

Corporate income tax paid by the Group in 2019 totalled DKK 4,800 million against DKK 3,367 million in 2018.

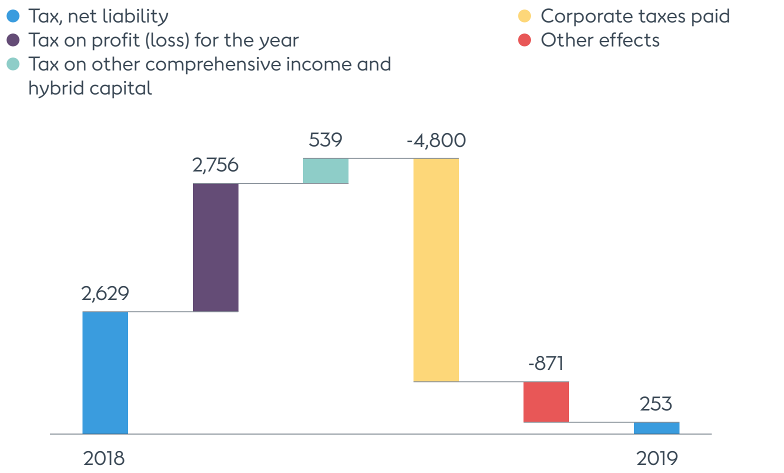
5.6bn

Current corporate income tax in 2019 totalled DKK 5,605 million against DKK 3,161 million in 2018.

Corporate income tax paid by segment, 2019, DKKm



Development in current and deferred tax asset and liabilities (tax, net), 2019, DKKm



2019, DKKm	Business performance		
	Profit (loss) before tax	Tax	Tax in %
Tax equity, deferred tax liability, Lockett	-	(118)	n.a.
Rest of the Group	8,856	(2,638)	30%
Effective tax for the year	**8,856**	**(2,756)**	**31%**

The tax rate for 'Rest of the Group' is higher than the weighted average tax rate in the countries in which we generate income as a result of adjustments relating to previous years as well as net non-deductible expenses.

5.1 Tax policy and tax regimes

Our tax policy

We recognise the key role that tax plays in society and in the development of the countries where we operate. We also believe that a responsible approach to tax is essential to the long-term sustainability of the societies where we have activities and of our business across the globe.

The world's governments have defined the greatest challenges for our societies towards 2030 through the UN Sustainable Development Goals (SDGs). At Ørsted, we are committed to running our business in a way that contributes to the SDGs. Tax payments contribute both directly and indirectly to most of the SDGs, in particular target #16.6 on the development of effective, accountable and transparent institutions.

Tax is a core part of our corporate responsibility and governance and is overseen by the Board of Directors. The Board of Directors is accountable for the tax policy, and the responsibility for tax risk management lies with the CFO and is overseen by the Audit & Risk Committee.

Compliance

Our ambition is to apply best practices at all times and act in accordance with applicable legislation on tax computation and tax reporting to ensure that we pay the right amount of tax at the right time in the countries where we operate. We continuously evaluate our processes and controls to ensure that we are compliant with local and international standards relevant to our business.

Our attitude to tax planning

We only use business structures that are driven by commercial considerations, aligned with business activity, and which have genuine substance.

We make use of incentives and tax reliefs where they apply in areas where we have commercial substance.

We seek, wherever possible, to develop cooperative relationships with tax authorities, based on mutual respect, transparency and trust.

Transparency

In line with our belief in transparency, we provide regular information to our stakeholders – including investors, policy makers, employees, civil society and the general public – about our approach to tax and taxes paid.

Read more about our tax policy at https://orsted.com/taxpolicy

Tax regimes

At the end of 2019, our major activities were in Denmark, the UK, Germany, the Netherlands, the US and Taiwan.

US tax equity partnerships

We have entered into several tax equity partnership agreements in the US. For more information on our tax equity partnership structure, see note 4.5 'Tax equity liabilities'.

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.

Local taxes paid

Our taxes paid in Denmark for 2019 were affected by the completed construction agreement related to the Hornsea 1 Offshore Wind Farm in the UK.

We have made significant investments in offshore wind farms in the UK, Germany and the Netherlands, resulting in the accumulation of large tax assets in recent years. Accordingly, we have not paid significant taxes in these countries prior to 2019. This is changing, as the offshore wind farms are commissioned and are generating positive tax results, resulting in paid taxes in the UK and in Germany. We expect to start paying corporate tax in the Netherlands in 2021.

We are currently making significant investments in the US, and we do therefore not expect to pay any material corporate income tax in the foreseeable future.

We are also making material investments in Taiwan, and we expect to start paying corporate tax in 2022/2023. We expect to start paying withholding taxes on dividends in Taiwan in 2020.

Danish CFC taxation

Denmark has proposed to introduce the CFC rules in the EU Anti Tax Avoidance Directive with the most likely entry into force being on 1 July 2020. The overarching purpose of the CFC rules is to prevent companies undermine the domestic tax base by moving mobile income to low tax jurisdictions. In such a case, the CFC rules will ensure that the income will still be subject to domestic taxation.

A foreign subsidiary shall be considered to be a CFC company if 1/3 or more of its income stems from CFC income, which now also includes 'other income from intangible property'. There is very little guidance on what is included in other income from intangible property.

The EU directive contains an exception for companies which have real commercial activity, or which are not situated in a low tax jurisdiction. However, Denmark has chosen not to make use of any of these exceptions. This means that operational foreign subsidiaries which are located in countries with the same or a higher tax rate than Denmark, and which have been established for commercial purposes, can be considered to be CFC companies. We see this as a risk.

5.2 Tax on profit (loss) for the year

	2019				2018			
	Business performance		IFRS		Business performance		IFRS	
Effective tax rate, DKKm/%	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 (2018: 22%)	(1,948)	22	(2,286)	22	(5,172)	22	(4,834)	22
Adjustments of calculated tax in foreign subsidiaries in relation to 22% (2018: 22%)	25	-	18	-	94	-	74	-
Tax effect of:								
Non-taxable income and non-deductible costs, etc., net	(540)	6	(540)	5	1,912	(8)	1,912	(9)
Unrecognised tax assets and capitalisation of tax assets not previously capitalised	(32)	-	(32)	-	(50)	-	(50)	-
Adjustment of tax concerning previous years	(261)	3	(261)	3	(802)	3	(802)	4
Effective tax for the year	**(2,756)**	**31**	**(3,101)**	**30**	**(4,018)**	**17**	**(3,700)**	**17**

Non-taxable income and non-deductible expenses primarily concern the tax-exempt loss on a divestment of assets and other US investment matters. See more in note 2.5 'Other operating income and expenses'.

Income tax

Tax on business performance profit (loss) was DKK 2,756 million in 2019 against DKK 4,018 million in 2018. The effective tax rate was 31% in 2019 against 17% in 2018.

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 recognition of a tax liability in connection with the tax equity partnership related to the Lockett Onshore Wind Farm (see more regarding tax equity partnerships in notes 4.5 'Tax equity liabilities' and 5.4 'Deferred tax'). The deferred tax liability from existing tax equity partnerships will be reduced gradually as the assets are depreciated.

The difference in tax rates from 22% to the statutory tax rates across our jurisdiction had limited impact on the effective tax rate.

The effective tax rate in 2018 was particularly affected by a tax-exempt gain on the 50% farm-down of Hornsea 1. In addition, the effective tax rate was affected by the recognition of a deferred tax liability related to the tax equity partner for Tahoka.

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.

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, income tax assets and liabilities and 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 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 'Tax payables', 'Tax receivables' and 'Deferred tax'.

Tax on profit (loss) for the year and other comprehensive income

In 2019, tax on IFRS profit (loss) for the year amounted to DKK 3,101 million, consisting of current tax expenses of DKK 5,605 million, changes in deferred tax of DKK 2,765 million, and tax expenses concerning previous years of DKK 261 million. The adjustment primarily relates to updates of asset values in the UK and Germany.

Current tax

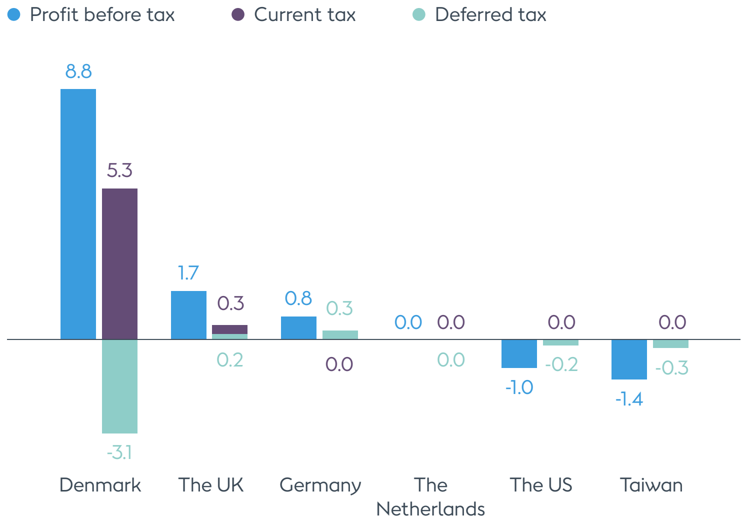
Current tax is the payable tax expense incurred in Ørsted on profit for the year. This deviates from taxes paid as a result of payments or refunds regarding prior years and residual payments regarding the current year.

Because of the high level of investments and the subsequent deferrals of payable tax as a consequence of tax depreciation, our current tax is generally lower than the statutory corporate tax rates during construction and the initial years after first power. In 2019, however, the current tax included DKK 4,230 million which relate to accumulated income from the construction agreement regarding Hornsea 1.

Income tax, DKKm	2019 Business performance	2019 IFRS	2018 Business performance	2018 IFRS
Tax on profit (loss) for the year	(2,756)	(3,101)	(4,018)	(3,700)
Tax on other comprehensive income	(539)	(194)	411	93
Tax on hybrid capital	34	34	120	120
Total tax for the year	**(3,261)**	**(3,261)**	**(3,487)**	**(3,487)**
Tax on profit (loss) for the year can be broken down as follows:				
Current tax	(5,605)	(5,605)	(3,161)	(3,161)
Deferred tax	3,110	2,765	(55)	263
Adjustment of tax concerning previous years, etc.	(261)	(261)	(802)	(802)
Tax on profit (loss) for the year	**(2,756)**	**(3,101)**	**(4,018)**	**(3,700)**
Tax on other comprehensive income can be broken down as follows:				
Current tax	(194)	(194)	93	93
Deferred tax	(345)	-	318	-
Tax on other comprehensive income	**(539)**	**(194)**	**411**	**93**

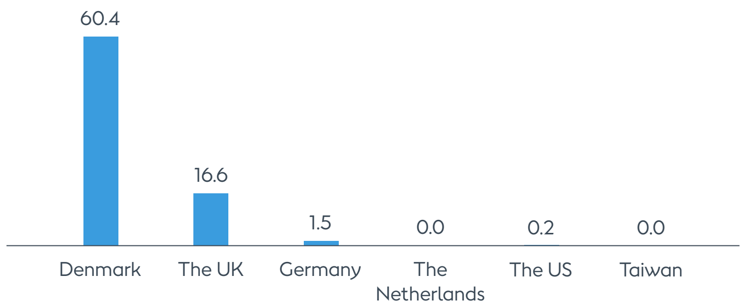
Income tax for the year is calculated on the basis of the profit (loss) before tax from continuing operations.

Current and deferred tax (business performance), 2019, DKKbn



The figure shows the relationship between profit before tax and current tax in the main countries where we do business.

Effective current tax rate (business performance), 2019, %



The figure shows the tax rates based on business performance in the main countries where we do business.

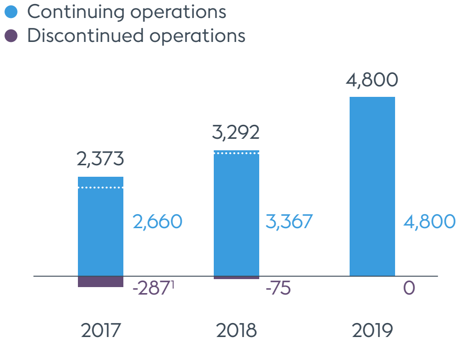
5.3 Taxes paid

We have paid DKK 4,800 million in taxes in 2019, of which DKK 17 million related to residual tax for 2017, and DKK 81 million related to receivable residual tax regarding 2018.

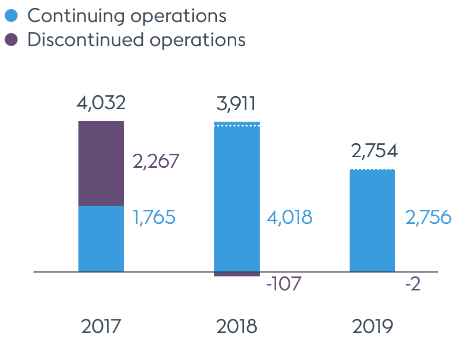
We paid most of our Danish taxes in March. Accordingly, the income tax paid for the year was based on estimates and preliminary tax positions.

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, we expect to have a residual tax of DKK 595 million regarding 2019.

Taxes paid, DKKm



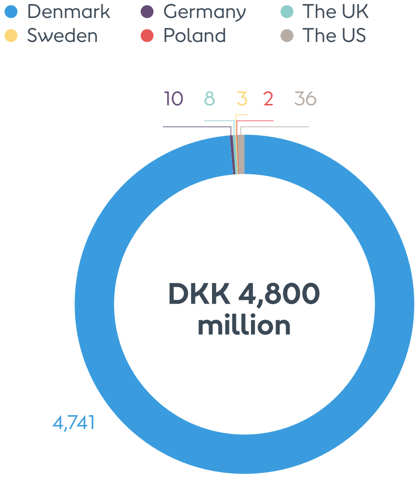
Tax on profit (loss) for the year (business performance), DKKm



The figures show the relationship between the tax on business performance profit (loss) for the year for accounting purposes and the taxes paid for the year.

[1] Relates to internal transfers between continuing and discontinued operations.

Taxes paid for the year, 2019, DKKm



The figure only shows our continuing operations.

5.4 Deferred tax

Development in deferred tax

In 2019, net deferred tax assets from continuing operations increased, primarily due to the completion of the construction of Hornsea 1, which triggered current tax on the deferred gain.

The adjustment regarding previous years comprised a decrease in recognition of tax assets relating to offshore wind farms and true-up of the 2018 tax return position with offset on current tax.

In 2018, deferred tax from continuing operations decreased due to the completion of the construction of Borkum Riffgrund 2 and Walney Extension, as these taxes were paid and increased due to the ongoing construction of Hornsea 1. Furthermore, our tax equity partner agreements in the US resulted in the recognition of the expected deferred tax liability that we will take over once the contribution from the tax equity partner has been repaid.

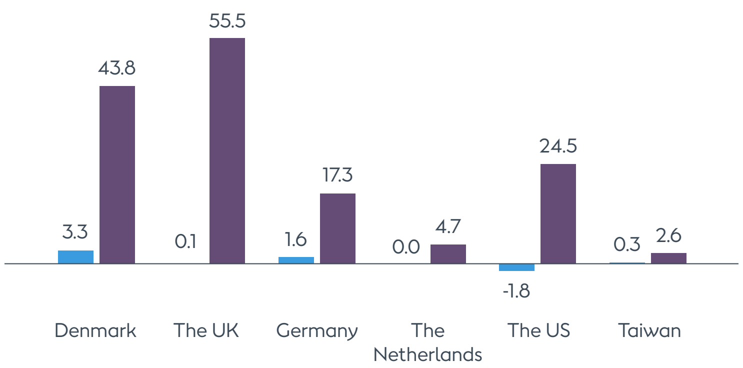
The adjustment regarding previous years comprised recognition of tax assets relating to offshore wind farms.

Deferred tax by segment

Net deferred tax in our segments primarily concerned the following:

- Offshore: upfront taxable income on internal gains where we get future tax depreciations in project companies, tax loss carryforwards and property, plant and equipment, for which depreciation for tax purposes exceeds depreciation for accounting purposes.
- Onshore: recognised deferred tax liabilities regarding wind farm assets in tax equity structures.
- Markets & Bioenergy: financial instruments and property, plant and equipment, for which depreciation for tax purposes exceeds depreciation for accounting purposes.
- Other activities/eliminations comprised intra-group eliminations in the joint taxation across segments.

Net deferred tax and accumulated investments, 2019, DKKbn



The figure shows the net deferred tax asset (+) or liability (-) on country level as well as total accumulated investments in each country

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.

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
Deferred tax 2018, DKKm					
Deferred tax, assets	3,565	235	1,152	(364)	4,588
Deferred tax, liabilities	2,838	1,293	249	(355)	4,025
Unrecognised tax assets	53	19	64	-	136

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. Intra-group gains and losses are eliminated.

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.'

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 payable or deferred tax, depending on how the realisation of the tax position will affect the financial statement.

Burbo Bank Extension, Bay of Liverpool, UK.

Development in deferred tax assets and liabilities, 2019, DKKm	Balance sheet at 1 January	Transferred to assets and liabilities classified as assets held for sale	Exchange rate adjustments	Net acquisition of enterprises, individual assets and activities, net	Recognised in profit (loss) for the year	Adjustments to prior years, etc.	Balance sheet at 31 December
Intangible assets	36	131	-	-	(140)	2	29
Property, plant and equipment	3,031	(120)	159	(375)	(2,432)	690	953
Other non-current assets	405	-	22	8	(68)	(440)	(73)
Current assets	(25)	66	.	(68)	3	29	5
Decommissioning obligations	(757)	-	(16)	-	(33)	(60)	(866)
Other non-current liabilities	(1,386)	-	(1)	245	346	(48)	(844)
Current liabilities	(614)	-	(1)	23	495	-	(97)
Tax loss carryforwards	(1,253)	-	(53)	(42)	(936)	(299)	(2,583)
Deferred tax	**(563)**	**77**	**110**	**(209)**	**(2,765)**	**(126)**	**(3,476)**
Of which, recognised in the balance sheet under assets	4,588						6,847
Of which, recognised in the balance sheet under equity and liabilities	4,025						3,371

Development in deferred tax assets and liabilities, 2018, DKKm							
Intangible assets	61	(13)	-	-	(28)	16	36
Property, plant and equipment	2,018	(1,263)	(18)	2,252	150	(108)	3,031
Other non-current assets	140	-	(1)	9	132	125	405
Current assets	(11)	-	-	-	(13)	(1)	(25)
Decommissioning obligations	(797)	3	2	(11)	(8)	54	(757)
Other non-current liabilities	(1,106)	436	(2)	(312)	88	(490)	(1,386)
Current liabilities	(348)	14	(1)	(67)	(163)	(49)	(614)
Tax loss carryforwards	(694)	-	6	(146)	(424)	5	(1,253)
Deferred tax	**(737)**	**(823)**	**(14)**	**1,725**	**(266)**	**(448)**	**(563)**
Of which, recognised in the balance sheet under assets	2,865						4,588
Of which, recognised in the balance sheet under equity and liabilities	2,128						4,025

The increase in tax losses carried forward during 2019 is primarily a result of accelerated depreciations on fixed assets for tax purposes, as 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.

Adjustments to prior years primarily relate to a decrease in recognition of tax assets relating to offshore wind farms and movements between deferred tax and current tax payable.

The amounts transferred to assets and liabilities classified as assets held for sale in 2018 concern our Danish power distribution, residental customer and city light businesses.

Addition of enterprises in 2018 includes the deferred tax liability recognised in relation to our US aquisitions.

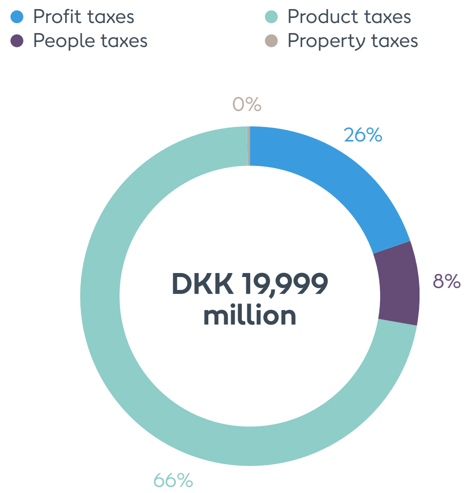
5.5 Total tax contribution

According to the OECD classification, tax is a compulsory unrequited payment to general government. This means a payment by Ørsted paid 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.

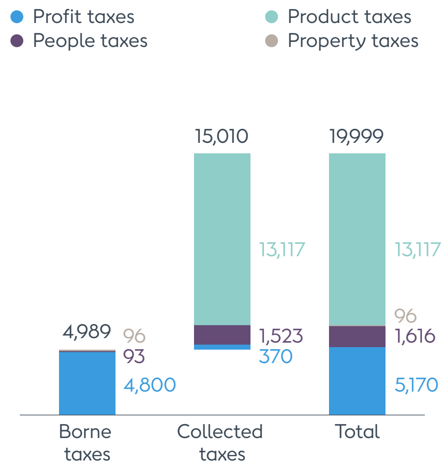
Taxes borne by Ørsted are those that represent a direct cost and are reflected in the financial result. Taxes borne are charged to the profit and loss account or capitalised as part of an asset's costs.

Taxes collected are those which are generated by Ørsted's operations, but not 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 in which we operate.

Total tax contribution, 2019, %



Total tax contribution, 2019, DKKm

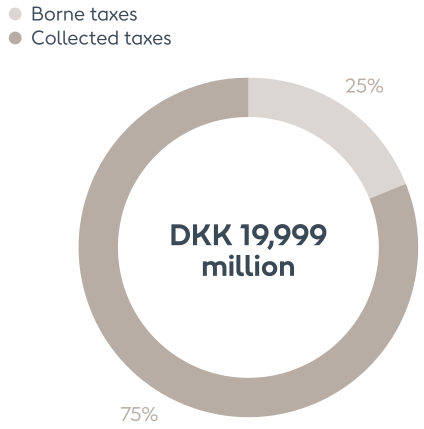


Total tax contribution is highly impacted by collection of VAT, sales taxes, duties as well as profit taxes.

Total global taxes that we paid in 2019

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). In 2019, Ørsted paid DKK 4,800 million in borne profit taxes and DKK 370 million in collected profit taxes. The collected profit taxes relate to withholding tax on dividends paid to Ørsted's shareholders.
People taxes	Taxes on employment, both borne and collected (including income tax and social security tax payments). In 2019, Ørsted paid DKK 93 million in borne people taxes and DKK 1,523 million in collected people taxes.
Product taxes	Indirect taxes on the production and consumption of goods and services, including VAT and sales tax, custom duties and insurance premium tax. In 2019, Ørsted paid DKK 13,117 million in collected product taxes. Borne product taxes were insignificant in 2019 for this summary.
Property taxes	Taxes on the ownership, sale, transfer or occupancy of property. In 2019, Ørsted paid DKK 96 million in borne property taxes. Collected property taxes were insignificant in 2019 for this summary.

Total tax contribution, 2019, %



The chart shows the distribution between borne and collected taxes in 2019.

6. Capital structure

6. Capital structure

An appropriate capital structure is important to ensure we have the ability to raise new debt at attractive terms.

In 2019, we issued new green senior bonds with a total proceed of DKK 10,174 million, consisting of GBP 900 million and NTD 12 billion.

We further issued a new hybrid bond of EUR 600 million (DKK 4,483 million) to refinance our 3015 hybrid bond, of which we redeemed EUR 524 million at the same time.

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%.

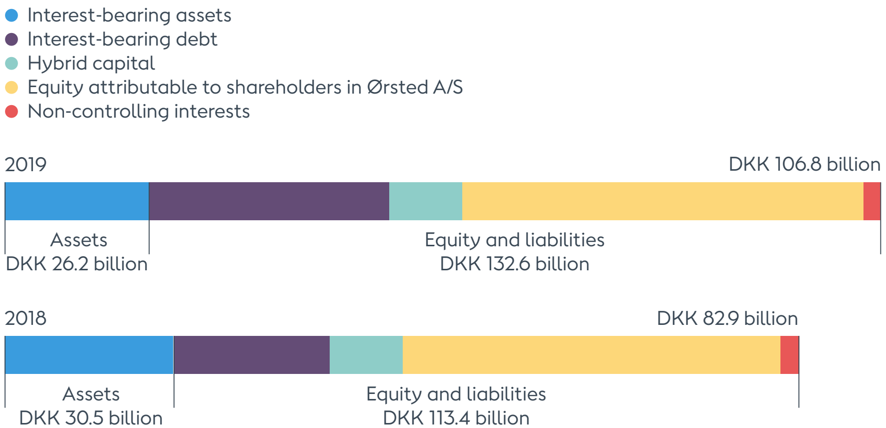
Financing policy

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.

Equity and interest-bearing net debt, DKKbn



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.

31.0%

Funds from operations (FFO) relative to adjusted interest-bearing net debt amounted to 31% at 31 December 2019 against 69% at 31 December 2018.

17.2bn

Our interest-bearing net debt totalled DKK 17,230 million at 31 December 2019 against DKK -2.219 million at 31 December 2018.

38.2bn

Our financial resources totalled DKK 38,244 million at 31 December 2019 against DKK 37,879 million at 31 December 2018.

6.1 Interest-bearing debt and FFO

Interest-bearing debt and interest-bearing assets DKKm	2019	2018
Interest-bearing debt:		
Bank debt	3,466	3,582
Bond debt	33,373	23,714
Total bond and bank debt	**36,839**	**27,296**
Tax equity liability (see note 4.5)	608	454
Lease liability	5,332	-
Other interest-bearing debt	649	570
Total interest-bearing debt	**43,428**	**28,320**
Interest-bearing assets:		
Securities	16,552	25,501
Cash	7,148	3,515
Receivables from associates and joint ventures	-	60
Other receivables	1,781	779
Receivables in connection with divestments	717	684
Total interest-bearing assets	**26,198**	**30,539**
Total interest-bearing net debt	**17,230**	**(2,219)**

The market value of our bond and bank debt amounted to DKK 39,281 million and DKK 3,526 million, respectively, at 31 December 2019 (2018: DKK 28,048 million and DKK 3,622 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.

Funds from operations (FFO), DKKm	2019	2018
EBITDA – business performance	**17,484**	**30,029**
Interest expenses, net	(1,312)	(877)
Interest expenses, leasing	(171)	-
Reversal of interest expenses transferred to assets	(344)	(506)
Interest element of decommissioning obligations	(212)	(192)
Calculated interest paid on operating lease obligations	-	(196)
50% of coupon payments on hybrid capital	(279)	(272)
Adjusted interest expenses, net	**(2,318)**	**(2,043)**
Reversal of gain (loss) on divestment of assets	101	(14,995)
Reversal of recognised operating lease payment in profit (loss) for the year	-	778
Total current tax	(5,799)	(3,068)
Funds from operations (FFO)	**9,468**	**10,701**

FFO is calculated for the continuing operations.

We implemented IFRS 16 'Leases' at 1 January 2019. This has impacted FFO, as the in-substance fixed lease payments are recognised as depreciation of lease assets.

Changes in interest-bearing debt, DKKm	2019	2018
Interest-bearing debt at 1 January	28,320	29,636
Lease debt at 1 January (IFRS 16)	5,224	-
Instalments on loans according to the statement of cash flows	(2,043)	(6,429)
Proceeds from raising of loans according to the statement of cash flows	10,174	-
Debt from acquisition of enterprises	-	4,409
Instalments on leases	(664)	-
Raising of lease debt, etc.	772	-
Change in other interest-bearing debt and tax equity liability	231	570
Hybrid bond reclassified to interest-bearing debt	570	-
Foreign exchange adjustments and amortisation	844	134
Interest-bearing debt at 31 December	**43,428**	**28,320**

Due to the implementation of IFRS 16 'Leases' at 1 January 2019, the lease liability is included in interest-bearing debt on the balance sheet in 2019.

Adjusted interest-bearing net debt, DKKm	2019	2018
Total interest-bearing net debt	**17,230**	**(2,219)**
50% of hybrid capital	6,616	6,619
Cash and securities not available for distribution, excluding repo loans	1,437	1,583
Present value of operating lease payments	-	4,819
Decommissioning obligations	6,158	5,471
Deferred tax on decommissioning obligations	(866)	(757)
Total adjusted interest-bearing net debt	**30,575**	**15,516**

Funds from operations (FFO)/ adjusted interest-bearing net debt, %	2019	2018
Funds from operations (FFO)/ adjusted interest-bearing net debt	**31.0%**	**69.0%**

Due to the implementation of IFRS 16 'Leases' at 1 January 2019, the lease liability is included in 'Total interest-bearing net debt' in 2019.

Interest-bearing net debt

Interest-bearing net debt totalled DKK 17,230 million at the end of 2019, an increase of DKK 19,449 million relative to 2018. The increase in interest-bearing net debt consists of a increase in interest-bearing debt of DKK 15,108 million and a decrease in interest-bearing assets of DKK 4,341 million.

In May 2019, we repaid the remaining outstanding amount EUR 280 million (DKK 2,092 million) on our bonds issued in May 2009.

In May 2019, we also issued a total of GBP 900 million (DKK 7,684 million) in new green bonds, split on three separat issues:
- GBP 350 million (DKK 2,988 million), 2.125% interest, maturing in May 2027.
- GBP 300 million (DKK 2,561 million), 2.5% interest, maturing in May 2033.
- GBP 250 million (DKK 2,135 million), interest of CPI+0.375%, maturing in May 2034.

In November, we issued a total of NTD 12 billion (DKK 2,653 million) in new green bonds, split on two separte issues:
- NTD 8 billion (DKK 1,769 million), 1.5% interest, maturing in November 2034.
- NTD 4 billion (DKK 884 million), 0.92% interest, maturing in November 2026.

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 31% in 2019, in line with our target.

Loan arrangements

At 31 December 2019, we had loan obligations totalling DKK 1,861 million (2018: DKK 1,964 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 S&P's downgrading our rating to Baa3 or BBB- or below, respectively.

Credit facilities

Furthermore, we had non-cancellable credit facilities of DKK 15,990 million at 31 December 2019 (2018: DKK 10,447 million) with a number of Scandinavian, international and local banks in Taiwan. In connection with these credit facilities, we may be met with demands for cancellation and repayment of any drawn amount in the event of players 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).

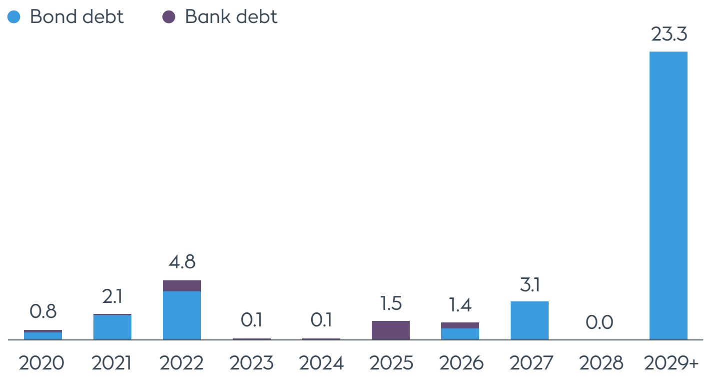
Senior bonds issued at 31 December 2019

Million	Outstanding amount					
Currency	Issued	DKK	Coupon (%)	Time of issue	Maturing	Quoted in
EUR	272	2,033	4.875	16 Dec. 2009	16 Dec. 2021	London
EUR	517	3,863	2.625	19 Sep. 2012	19 Sep. 2022	London
EUR	750	5,604	1.500	24 Nov. 2017	26 Nov. 2029	London
GBP	350	3,087	2.125	16 May 2019	17 May 2027	Luxembourg
GBP	750	6,614	4.875	12 Jan. 2012	12 Jan. 2032	London
GBP	300	2,646	2.500	16 May 2019	16 May 2033	Luxembourg
GBP	250	2,205	CPI+0.375	16 May 2019	16 May 2034	Luxembourg
GBP	500	4,409	5.750	9 Apr. 2010	9 Apr. 2040	London
NTD	8,000	1,777	1.500	19 Nov. 2019	19 Nov 2034	Taipei
NTD	4,000	888	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'.

In 2020, we have an instalment on a bank loan and repayment of the remaining 3013 hybrid bond.

Maturity profile, DKKbn



6.2 Equity

Share capital

Ørsted's share capital is DKK 4,203,810,800 (2018: 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 2019. The total portfolio of treasury shares consists of 395,619 shares at 31 December 2019 (2018: 335,904), corresponding to 0.1% of the share capital.

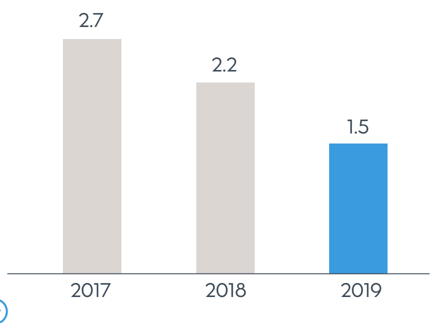
Dividends

The Board of Directors recommends that dividends of DKK 4,414 million (2018: DKK 4,099 million) be paid for the financial year, corresponding to DKK 10.50 per share (2018: DKK 9.75 per share). The proposed dividends correspond to a dividend yield of 1.5% (2018: 2.2%), 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, SEAS-NVE also has significant ownership interests. See note 16 'Ownership information' in the parent company's financial statements.

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.

Asnæs power plant, Kalundborg, Denmark.

Earnings per share, DKKm	2019 Business performance	2019 IFRS	2018 Business performance	2018 IFRS
Profit (loss) for the year from continuing operations	6,100	7,291	19,486	18,266
Interest and costs, hybrid capital owners of Ørsted A/S	(675)	(675)	(425)	(425)
Non-controlling interests	(54)	(54)	(25)	(25)
Ørsted's share of profit (loss) for the year from continuing operations	**5,371**	**6,562**	**19,036**	**17,816**
Profit (loss) for the year from discontinued operations	(56)	(56)	10	10
Ørsted's share of profit (loss) for the year from discontinued operations	**(56)**	**(56)**	**10**	**10**
('000)				
Average number of outstanding shares	420,080	420,080	420,139	420,139
Dilutive effect of share programme	408	408	466	466
Average number of outstanding shares, diluted	**420,488**	**420,488**	**420,605**	**420,605**
(DKK)				
Profit (loss) per share				
From continuing operations	12.8	15.6	45.3	42.4
From discontinued operations	(0.1)	(0.1)	0.0	0.0
Total profit (loss) per share	**12.7**	**15.5**	**45.3**	**42.4**

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 dilutive effect of the share programme is 0.1% of the share capital (2018: 0.1% of the share capital).

Reserves 2019, DKKm	Foreign currency translation reserve	Hedging reserve[1] Hedging of net investments	Hedging of revenue	Hedging of divestments	Hedging of interest	Total reserves
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**

[1] Costs of hedging related to basis spread on currency swaps included in hedging reserve amount to DKK 94 million (2018: 183 million).

Reserves 2018, DKKm						
Reserves at 1 January 2018	(1,825)	454	10	304	(467)	(1,524)
Exchange rate adjustments	(388)	-		-	-	(388)
Value adjustments of hedging	-	401	(137)	(1,054)	84	(706)
Value adjustments transferred to:						
Revenue	-	-	-	(301)	-	(301)
Other operating income	259	(326)	-	931	-	864
Financial income and expenses	-	-	-	-	135	135
Tax:						
Tax on hedging and currency adjustments	48	(17)	30	80	(48)	93
Movement in comprehensive income for the year	**(81)**	**58**	**(107)**	**(344)**	**171**	**(303)**
Total reserves at 31 December	**(1,906)**	**512**	**(97)**	**(40)**	**(296)**	**(1,827)**

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 (2018: 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	Due in 3013	Due in 3015	Due in 3017	Due in 3019
Type	Subordinate to other creditors	Subordinate to other creditors	Subordinate to other creditors	Subordinate to other creditors
Carrying amount	DKK 5,148 million	DKK 570 million	DKK 3,668 million	DKK 4,416 million
Financial classification	Equity	Interest-bearing debt	Equity	Equity
Notional amount	EUR 700 million (DKK 5,230 million)	EUR 76 million (DKK 570 million)	EUR 500 million (DKK 3,736 million)	EUR 600 million (DKK 4,483 million)
Issued	June 2013	May 2015	November 2017	December 2019
Maturing	June 3013	November 3015	November 3017	December 3019
Quoted in	Luxembourg	Luxembourg	Luxembourg	Luxembourg
First redemption date at par	26 June 2023	7 February 2020	24 November 2024	9 December 2027
Interest	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 and + 5.5 percentage points after 2043	Coupon for the first 5.5 years is fixed at 3.0% p.a., after which it is adjusted every five years with the five-year euro swap + 2.819 percentage points from 2020, + 3.069 percentage points from 2025, and + 3.819 percentage points from 2040	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, and + 2.899 percentage points from 2044	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, and + 2.952 percentage points from 2047
Deferral of interest payment	Optional	Optional	Optional	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 1,876 million (DKK 14,019 million).

In 2019, we have issued a new hybrid bond at a nominal value of EUR 600 million which is classified as equity. In addition, we redeemed EUR 524 million of the hybrid bond maturing in November 2020. The remaining EUR 76 million is to be settled on 7 February 2020.

This hybrid bond is therefore classified as interest-bearing debt as of 31 December 2019.

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 the 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 2019 amount to DKK 38,244 million (2018: 37,879 million). The change in financial resources is due an increase in cash and undrawn credit facilities of DKK 3,796 million and DKK 5,543 million, respectively; partially offset by a decrease of DKK 8,974 million in securitites. The increase in undrawn credit facilities relates to establishment of a NTD 25 billion facility in Taiwan.

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:

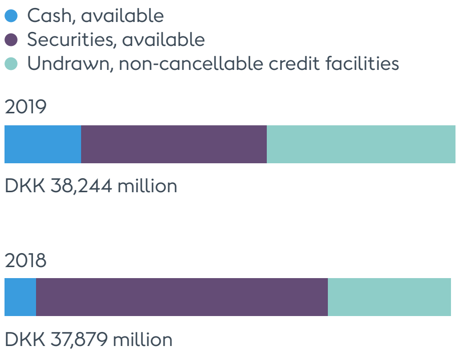
- insurance-related provisions: DKK 397 million at 31 December 2019 (2018: DKK 399 million)
- trading in financial instruments: DKK 360 million at 31 December 2019 (2018: DKK 333 million).

At 31 December 2019, we had received cash collateral in the amount of DKK 1,439 million (2018: DKK 852 million) concerning the positive market value of derivatives.

Cash not available for use comprises:

- collateral for insurance-related provisions: DKK 277 million (2018: DKK 264 million)
- collateral for US power purchase agreements: DKK 132 million (2018: DKK 246 million)
- collateral for other transactions: DKK 280 million (2018: DKK 342 million).

Financial resources, DKK million



Cash and cash equivalents, securities, DKKm	2019	2018
Cash, available	6,459	2,663
Total cash and cash equivalents at 31 December, cf. statement of cash flows	**6,459**	**2,663**
Cash can be specified as follows:		
Cash, available	6,459	2,663
Cash, not available for use	689	852
Total cash at 31 December, cf. balance sheet	**7,148**	**3,515**
Securities can be specified as follows:		
Securities, available	15,795	24,769
Securities, not available for use	757	732
Total securities at 31 December	**16,552**	**25,501**

The table shows our cash and securities divided into available and not available for use.

Overview of securities, DKKm

Maturities	Fixed rate	Floating rate	2019	Fixed rate	Floating rate	2018
0-2 years	929	932	1,861	3,178	1,086	4,264
2-5 years	7,309	3,400	10,709	15,073	3,460	18,533
After 5 years	3,982	-	3,982	2,671	33	2,704
Total carrying amount	**12,220**	**4,332**	**16,552**	**20,922**	**4,579**	**25,501**

The table shows our securities split into maturities and fixed or floating interest rates.

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**

Maturity analysis of financial liabilities 2018, DKKm	2019	2020	2021-2022	After 2022	2018
Bank loans and issued bonds:					
- Notional amount	2,213	235	6,917	18,179	27,544
- Interest payments	1,003	873	1,654	8,074	11,604
Trade payables	13,093	-	-	-	13,093
Derivatives	6,066	1,626	133	414	8,239
Tax equity debt	66	59	143	334	602
Other payables	5,327	-	-	-	5,327
Liabilities relating to assets classified as held for sale	812	-	-	-	812
Total payment obligations	**28,580**	**2,793**	**8,847**	**27,001**	**67,221**

The Group's cash needs in respect of its financial loans and borrowings are shown in the table on the left. 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 2019, we had issued hybrid capital with a notional amount totalling DKK 13,449 million due in 3013 (DKK 5,230 million), 3017 (DKK 3,736 million) and 3019 (DKK 4,483 million), respectively.

The maturity analysis for leasing is part of note 8.2 'Leases'.

Accounting policies

Securities comprise bonds that are monitored, measured and reported at market value on an on-going 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.

6.5 Financial income and expenses

Net financial income and expenses, DKKm	2019	2018
Interest expenses, net	(1,312)	(877)
Interest expenses, leasing	(171)	-
Interest element of provisions, etc.	(428)	(408)
Tax equity partner's contractual return	(307)	(44)
Value adjustments of derivatives, net	(181)	(64)
Exchange rate adjustments, net	1,038	285
Value adjustments of securities, net	147	(176)
Other financial income and expenses	79	6
Net financial income and expenses	**(1,135)**	**(1,278)**

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'.

In 2019, interest expenses, net were affected by the reversal of previously recognised interest expenses regarding the provision related to the Elsam competition case (DKK 276 million) and interest expenses related to payable tax.

Financial income and expenses, DKKm	2019	2018
Interest income from cash, etc.	65	62
Interest income from securities at market value	226	264
Capital gains on securities at market value	161	119
Foreign exchange gains	3,020	2,033
Value adjustments of derivatives	4,185	670
Other financial income	61	31
Total financial income	**7,718**	**3,179**
Interest expenses relating to loans and borrowings, etc.	(1,947)	(1,710)
Interest expenses transferred to assets	344	506
Interest expenses, leasing	(171)	-
Interest element of provisions	(289)	(280)
Tax equity partner's contractual return	(307)	(44)
Capital losses on securities at market value	(24)	(304)
Foreign exchange losses	(2,219)	(1,978)
Value adjustments of derivatives	(4,069)	(466)
Other financial expenses	(171)	(181)
Total financial expenses	**(8,853)**	**(4,457)**
Net financial income and expenses	**(1,135)**	**(1,278)**

The implementation of IFRS 16 as of 1 January 2019 has caused the interest element regarding lease liabilities to be recognised as financial expenses, see note 1.3 for further details.

Exchange rate adjustments of currency hedging are recognised in revenue and cost of sales with a loss of DKK 1,943 million (2018: a gain of DKK 268 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 4.0% in 2019 (2018: 4.1%).

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'.

7.
Risk management

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.

In April 2019, we took final investment decision on an offshore wind farm located in Taiwan and thereby increased our exposure towards NTD that, however, remains an insigificant risk for the period 2020-2024.

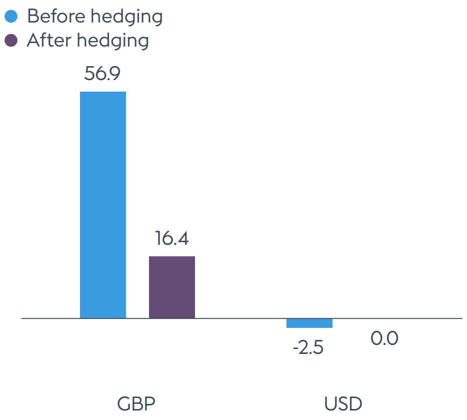
Trading portfolio

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.

In 2019, we expanded our trading activities into the US energy market with the setup of a trading desk in Chicago to exploit opportunities from our growing activities in the US.

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 2020-2024, USD 2020-2034, DKKbn

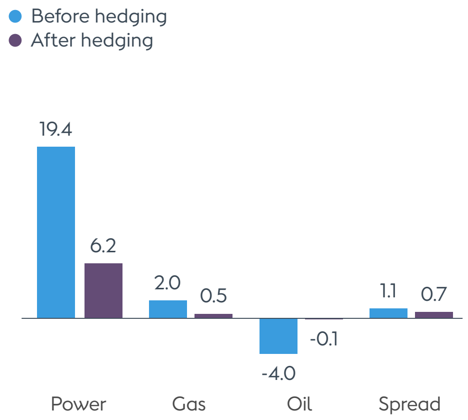


For USD, we manage our risk as a natural time spread between front-end capital expenditures and long-end revenue between 2020-2034.

NTD is not a material risk for the period 2020-2024.

We do not deem EUR to constitute a risk, as we expect that Denmark will maintain its fixed exchange-rate policy.

Energy exposure 2020-2024
DKKbn



Our energy exposures are significantly reduced due to hedging.

+0.4bn

The value of our energy and currency hedging instruments at 31 December 2019 was a gain of DKK 441 million (2018 DKK -3,032 million), which will increase business performance EBITDA in a future period.

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 is declining 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 cost of collateral,
– adverse impact 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 (PPA), and we use debt to manage currency, interest rate and inflation risk.

Energy price risks

Our consolidated energy exposure after hedging for the years 2020-2024 can be summarised as shown in the table.

Risk after hedging DKKbn	Effect of price change +10%	-10%
Power: 6.2 sales position	+0.6	-0.6
Gas: 0.5 sales position	+0.0	-0.0
Oil: 0.1 purchase position	-0.0	+0.0
Spread: 0.7 sales position	+0.1	-0.1

A 10% increase in the power price in 2020-2024 will therefore result in a gain of DKK 0.6 billion in the period, all else remaining unchanged.

Currency risks

Our consolidated currency exposure after hedging for the years 2020-2024 can be summarised as shown in the table.

Risk after hedging DKKbn	Effect of price change +10%	-10%
GBP: 16.4 sales position	+1.6	-1.6
NTD: 0.3 sales position	+0.0	-0.0
USD: 0.0 purchase position	-0.0	+0.0

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 exposure.

In general, highly certain cash flows in a foreign currency is 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.

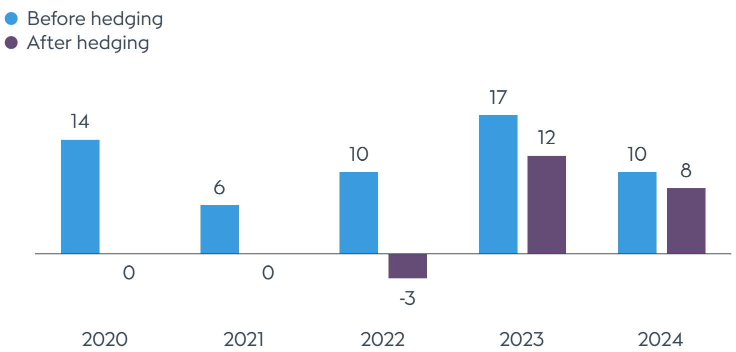
Cash flows that relate to fixed tariffs and guaranteed minimum prices from offshore wind farms in the UK deviate from the main principle. Hedging of these, less operating expenses, is based on a declining level of hedging over the five-year risk management horizon. The target is to hedge 100% of the risk in year 1, declining by 20 percentage points each year, to 20% in year 5.

Our GBP exposure amounted to DKK 16.4 billion after hedging for the years 2020-2024. This unhedged GBP exposure stems from subsidised GBP income less operational expenditures.

The GBP exchange rate for hedges impacting EBITDA in 2020 and 2021 is hedged at an average exchange rate of DKK/GBP 8.4 and 8.2, respectively.

For our USD and NTD exposures from new markets, we do not yet 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. 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.

GBP exposures, DKKbn



The graph shows our GBP exposure before and after hedges from:
– divestment and investment
– green certificates
– hedged energy.

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 on onshore wind assets in the US.

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 of 3.6% for the period 2024-2037 to 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)
– sale of power at market price from our out-of-subsidy wind farms or ROC wind farms in the UK.

At the end of 2019, such fixed tariffs and guaranteed minimum prices cover approx 87% of the expected income from offshore wind farms for the period 2020-2024. The remaining price exposure concerns sales of power at market price in the UK and Denmark.

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 72% 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 CHP plant portfolio consists of biomass and fossil-fuelled plants in Denmark. The CHP plants generate both heat and power. Concurrently with the biomass conversion of our CHP plants, a larger share of the related earnings will be coming from our heat generation. Heat generation 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.

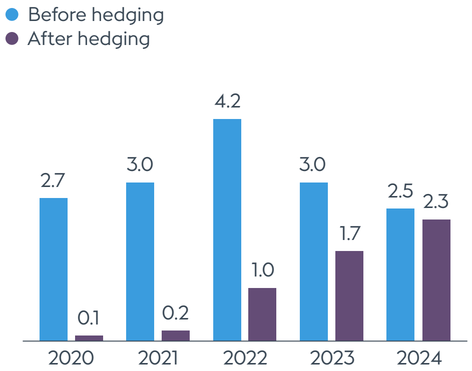
The profitability of power generation is determined by the difference between the selling price of power and the purchase price of fuel and carbon emissions allowances. For our coal-based power generation, we secure profitability by selling power and buying fuel and carbon emissions allowances, while for biomass-based power generation, we secure profitability by buying biomass at fixed prices and hedging the associated power generation. At the end of 2019, 50% of the expected power generation from our power stations in 2020 was hedged. The total net risk associated with the power stations' power generation for the 2020-2024 period is DKK 0.7 billion after hedging.

Our price risks in Markets arises 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 include the option of renegotiating the contract price if it no longer reflects market conditions. We have completed most of these renegotiations in recent years; as a result, the contract prices have largely been indexed to pure gas prices and not to oil prices, as was previously the case. Therefore, we are less sensitive to differences in the oil and gas price development than before. 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

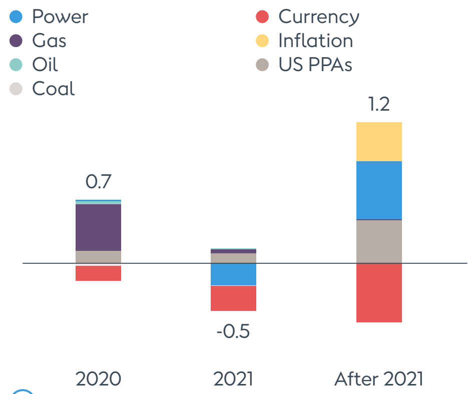
Exposure is calculated as the expected production (or net purchase/sale) times the forward price for the respective years. In addition, the exposure is determined on the basis of the expected exposure after renegotiations of oil-indexed gas purchase contracts.

Offshore's power price exposure, DKKbn



The table shows the exposure from Offshore's generation of power before and after hedges.

Expected value for recognition in business performance EBITDA, DKKbn



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 revenue from US power purchase agreements; see note 1.5 'Business performance'.

7.2 Hedge accounting and economic hedging

Note	Overview of the Group's derivative positions, DKKm	2019 Contractual principal amount	2019 Market value	2018 Contractual principal amount	2018 Market value
	Recognised with EBITDA impact				
1.5, 7.2	Economic hedging, currency	30,744	(1,509)	29,684	712
1.5, 7.2	Economic hedging, energy	19,026	617	27,927	(3,806)
	Hedging of cash flows, inflation	17,373	585	15,547	(69)
	Hedging of cash flows, energy	6,988	545	-	-
7.2	Hedging of cash flows, currency	243	(108)	12,434	22
7.3	Trading portfolio	9,271	1,148	6,509	313
	Total	**83,645**	**1,278**	**92,101**	**(2,828)**
	Recognised in financial income and expenses				
7.2	Hedging of fair value, currency	25,825	43	10,388	(761)
7.2	Hedging of cash flows, currency and interest	3,890	(130)	4,323	(216)
	Other currency derivatives	8,052	504	3,798	436
	Other interest derivatives	4,431	(85)	6,588	(39)
	Total	**42,198**	**332**	**25,097**	**(580)**
	Recognised in other line items				
7.2	Hedging of cash flows, energy and currency (gain/loss on divestment of enterprises)	10,487	318	-	-
7.2	Hedging of fair value, currency (discontinued)	999	(50)	2,285	(106)
7.2	Hedging of net investments (OCI)	46,717	(1,096)	27,839	888
	Total	**184,046**	**782**	**147,322**	**(2,626)**

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 1.5 '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.
- Hedging of the market value of securities or currencies comprises hedging of recognised assets or liabilities.
- Hedging of net investments comprises hedging of the currency risk associated with investments in assets located in foreign countries.
- The trading portfolio and other interest and currency derivatives are recognised at market value in the income statement.

The contractual principal amount has been determined as the net position per derivative type.

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.

Economic hedging and commercial contracts, DKKm	2019 Contractual principal amount	2019 Market value	2018 Contractual principal amount	2018 Market value
Energy				
Oil swaps	993	56	2,442	(182)
Gas swaps	-	-	5,717	(412)
Gas options	3,180	770	-	-
Power swaps	10,523	(490)	16,543	(3,267)
Power options	4,193	317	2,900	48
Coal	137	(36)	325	7
Total	**19,026**	**617**	**27,927**	**(3,806)**
Currency				
Forward exchange contracts	30,744	(1,509)	29,684	712
Total	**49,770**	**(892)**	**57,611**	**(3,094)**

Economic hedging is accounted for under the business performance principle, see description above.

The market value of DKK -892 million (2018: DKK -3,094 million) will be recognised in business performance profit or loss in a future period.

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 in which the hedged transaction affects results. See note 1.5 'Business performance' for further information.

The contractual principal amount has been determined as net position per derivative type.

Cash flow and fair value hedging

We have entered into forward exchange contracts for the purpose of hedging the currency risk associated with the construction of our partners' share of offshore wind farms.

Forward exchange contracts have also been concluded for the purpose of hedging the currency risk associated with interest payments on loans in GBP.

Ineffectiveness

Ineffectiveness of cash flow and fair value hedging totalled DKK 0 million (2018: DKK 0 million).

Cash flow hedge accounting 2019, DKKm	Contractual principal amount	Maturity analysis 2020	2021	After 2021	Market value Asset	Liability	Recognised in comprehensive income	Expected transfers to income statement 2020	2021	After 2021
Revenue (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)
2018, DKKm		2019	2020	After 2020				2019	2020	After 2020
Revenue (USD)	1,152	214	935	3	-	(55)	(55)	(11)	(42)	(2)
Revenue (UK inflation)	15,547	-	-	15,547[1]	34	(103)	(69)	-	-	(69)
Divestments (GBP)	11,282	10,733	549	-	113	(36)	(51)	(49)	(2)	-
Interest payments (GBP)	2,721	543	543	1,635	-	(272)	(187)	(99)	(65)	(23)
Interest payments (fixed)	1,602	18	24	1,560	56	-	(193)	(41)	(38)	(114)

[1] The hedge covers inflations risk 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 the Onshore business unit. Subsequent to entering into an agreement to divest our LNG business, all hedges related to the period after an expected closing date are reclassified from economic hedging to IFRS cash flow hedges (divestments).

Fair value hedge accounting 2019, DKKm	Contractual principal amount	Maturity analysis 2020	2021	After 2021	Market value Asset	Liability
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)
2018, DKKm		2019	2020	After 2020		
GBP (sell position)	5,911	(4,481)	-	10,392	60	(832)
EUR (sell position)	4,477	-	-	4,477	11	-
USD (buy position)	2,285	1,306	979	-	-	(106)

The fair value hedges are related to hedges of loans and receivables in the balance sheet.

Accounting policies

We primarily use hedge accounting for currency and interest 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. There are thus 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.

Hedging of net investments in foreign subsidiaries, DKKm

Currency 2018	Net investment	Of which non-controlling interests	Hedged amount in currency	Net position	Accumulated exchange rate adjustments in equity
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)**
2018					
GBP	46,468	(3,377)	(23,281)	19,810	(1,583)
EUR	23,871	-	(4,477)	19,394	14
USD	9,060	-	(81)	8,979	(48)
Other	237	-	-	237	(43)
Total	**79,636**	**(3,377)**	**(27,839)**	**48,420**	**(1,660)**

The net position expresses the accounting exposure. If, for example, the GBP/DKK exchange rate increased by 10% on 31 December 2019, equity would have increased by DKK 2,402 million, corresponding to 10% of DKK 24,024 million.

Net investment hedges 2019, DKKm	Contractual principal amount	Maturity analysis 2020	2021	After 2021	Market value Asset	Liability
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)
2018, DKKm		2019	2020	After 2020		
GBP (sell position)	23,281	2,879	428	19,974	1,075	(178)
EUR (sell position)	4,477	-	-	4,477	2	(13)
USD (sell position)	81	-	-	81	21	(19)

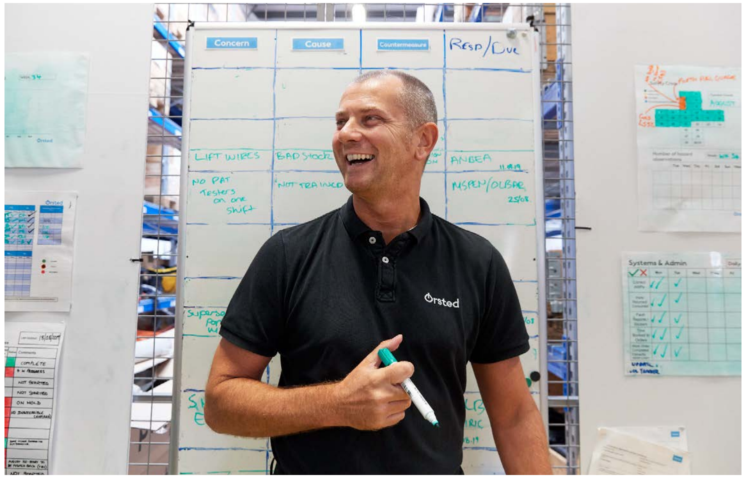
Hedging of net investments in foreign subsidiaries

Our foreign activities entail currency risk. We hedge this currency risk by raising loans in foreign currencies, entering into forward exchange contracts and investing in currency swaps and options.

On 31 December 2019, the accumulated exchange rate adjustments totalled DKK -1,057 million divided between the exchange rate adjustment of the net investment of DKK -857 million and the hedging thereof of DKK -201 million.

Accounting policies

Hedging of net investments in foreign subsidiaries
Changes in the market value of derivatives and loans that are used to hedge net investments in foreign subsidiaries or associates are recognised in the consolidated financial statements directly in equity within a separate foreign currency translation reserve.



East Coast Hub, Grimsby, UK.

7.3 Energy trading portfolio

Trading portfolio

The purpose of our trading portfolio is to:
- optimise hedging contracts
- contribute to increased market insight and
- profit from short-term fluctuations in energy prices.

The trading portfolio consists primarily of positions in power and gas.

In 2019, we expanded our trading activities into the US energy market with the setup of a trading desk in Chicago to exploit opportunities from our growing activities in the US.

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	2019		2018	
	Contractual principal amount	Market value	Contractual principal amount	Market value
Power swaps and options	7,329	386	5,142	(127)
Gas swaps and options	1,467	720	1,126	308
Oil swaps	141	14	184	182
Coal swaps	5	36	50	(7)
Carbon emission allowances	329	(8)	7	(43)
Total	**9,271**	**1,148**	**6,509**	**313**

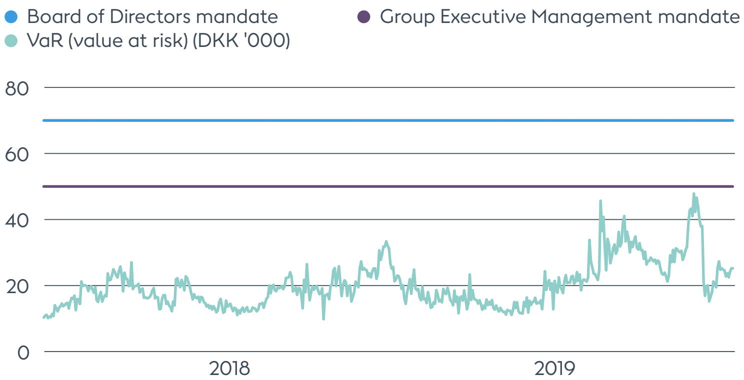
The contractual principal amount has been determined as the net position per derivative type.

Market trading mandates

VaR limit in 2019: DKK 70 million	Stress limit in 2019: DKK 400 million	Maximum open positions in trading portfolio
VaR indicates the largest loss in one trading day to a probability of 95%. VaR is based on data for the past 60 trading days with the heaviest weighting being assigned to the most recent trading days.	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.	– Max. 8TWh of power – Max. 15TWh 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 2018-2019. The mandates from the Board of Directors and Group Executive Management have not been breached during the period.

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 2019.

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 impact 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.

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 4,672 million (2018: DKK -2,784 million).

Sensitivity analysis of financial instruments DKKm		31 December 2019			31 December 2018		
		Effect on profit (loss) before tax		Effect on equity before tax	Effect on profit (loss) before tax		Effect on equity before tax
Risk	Price change	Trading portfolio	Other financial instruments[1]		Trading portfolio	Other financial instruments[1]	
Oil	10%	(423)	106	335	(220)	230	-
	-10%	423	(106)	(335)	220	(230)	-
Gas	10%	(22)	(169)	(328)	12	(511)	-
	-10%	22	169	328	(12)	511	-
Power	10%	540	(1,334)	(827)	73	(2,385)	-
	-10%	(556)	1,350	827	(53)	2,365	-
Coal	10%	(10)	1	-	(33)	(5)	-
	-10%	10	(1)	-	33	5	-
USD	10%	(126)	81	135	(16)	(301)	(115)
	-10%	126	(81)	(135)	16	301	115
GBP	10%	68	(2,539)	119	51	(2,905)	(856)
	-10%	(68)	2,539	(119)	(51)	2,905	856
EUR	10%	(263)	(316)	(316)	(228)	(1,353)	420
	-10%	263	316	316	228	1,353	(420)
Interest	100 basis points	(268)	-	159	(454)	-	161
Inflation	100 basis points	-	-	(1,937)	-	-	(1,770)

[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 or
– 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 Group Executive Management. 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 suffered no losses from any single major counterparty in 2019 or 2018.

The credit risk from our financial assets primarily concerns derivatives, cash and bond portfolios as well as receivables.

Offsetting of financial assets, DKKm	Derivatives	Trade receivables	2019	Derivatives	Trade receivables	2018
Financial assets	12,174	17,219	29,393	12,173	23,173	35,346
Financial liabilities, offset	(6,917)	(13,767)	(20,684)	(7,435)	(20,060)	(27,495)
Financial assets in the balance sheet	**5,257**	**3,452**	**8,709**	**4,738**	**3,113**	**7,851**
Amounts not offset in the balance sheet:						
Liabilities with offsetting rights	(2,044)	-	(2,044)	(1,485)	-	(1,485)
Collateral received	(1,438)	-	(1,438)	(614)	-	(614)
Net	**1,775**	**3,452**	**5,227**	**2,639**	**3,113**	**5,752**

The table shows our financial assets and liabilities where a share is offset and is therefore presented net. Offsetting is typically limited within specific products.

Offsetting of financial liabilities, DKKm	Derivatives	Trade payables	2019	Derivatives	Trade payables	2018
Financial liabilities	13,108	16,764	29,872	13,410	23,085	36,495
Financial assets, offset	(6,917)	(13,767)	(20,684)	(7,435)	(20,060)	(27,495)
Financial liabilities in the balance sheet	**6,191**	**2,997**	**9,188**	**5,975**	**3,025**	**9,000**
Amounts not offset in the balance sheet:						
Assets with offsetting rights	(2,044)	-	(2,044)	(1,485)	-	(1,485)
Collateral provided	(331)	-	(331)	(713)	-	(713)
Net	**3,816**	**2,997**	**6,813**	**3,777**	**3,025**	**6,802**

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	2019	2018
AAA/Aaa	9,221	20,949
AA/Aa	4,000	3,078
A/A	11,593	6,428
BBB/Baa	5,284	3,817
Non-rated	12,246	11,638
Total credit exposure	**42,344**	**45,910**

The table shows the credit quality of our counterparties, distributed by category. In addition, we have receivables and construction agreements related to the construction of offshore wind farms amounting to DKK 1,017 million (2018: DKK 6,951 million) where we have collateral in the offshore wind farm under construction. 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.

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	2019	2018
Energy and currency derivatives	5,072	4,096
Securities	16,552	25,501
Financial assets measured at fair value via the income statement	**21,624**	**29,597**
Energy derivatives	1,432	-
Interest and inflation derivatives	585	90
Currency derivatives	651	1,282
Derivatives (assets) used as hedging instruments	**2,668**	**1,372**
Trade receivables	8,140	10,741
Other accounts receivable	11,941	8,896
Financial assets measured at amortised cost	**20,081**	**19,637**
Energy and currency derivatives	4,397	6,480
Financial liabilities measured at fair value via the income statement	**4,397**	**6,480**
Energy derivatives	690	-
Interest and inflation derivatives	124	103
Currency derivatives	1,747	1,511
Derivatives (liabilities) used as hedging instruments	**2,561**	**1,614**
Bank loans and issued bonds	36,840	27,296
Trade payables	10,832	13,082
Other accounts payable	2,595	3,207
Financial liabilities measured at amortised cost	**50,267**	**43,585**

Humberside Airport, UK.

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 Group Executive Management.

Deferred revenue from US power purchase agreements

The deferred revenue from US PPAs consist of losses not recognised at initial recognition since the market value is based on non-observable inputs. The PPAs lock in the power price of the expected power 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 2019, we have recognised an income of DKK 216 million (2018: DKK 12 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 2019 amounts to DKK 995 million (2018: DKK 1,183 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 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.

Significant non-observable inputs

Market values based on non-observable input comprise primarily long-term contracts on the purchase/sale of espcially power and to a less extent gas and coal. 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.

For market prices other than ERCOT, the price is projected by extending the observable forward curve, only adjusted for the expected development in inflation.

	Assets				Liabilities	
Fair value hierarchy, DKKm	Inventories	Derivatives	Other receivables	Securities	Derivatives	Other payables
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**	**-**
2018						
Quoted prices	172	3	-	-	9	-
Observable input	-	5,206	-	25,501	7,179	-
Non-observable input	-	259	109	-	906	657
Total 2018	**172**	**5,468**	**109**	**25,501**	**8,094**	**657**

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.

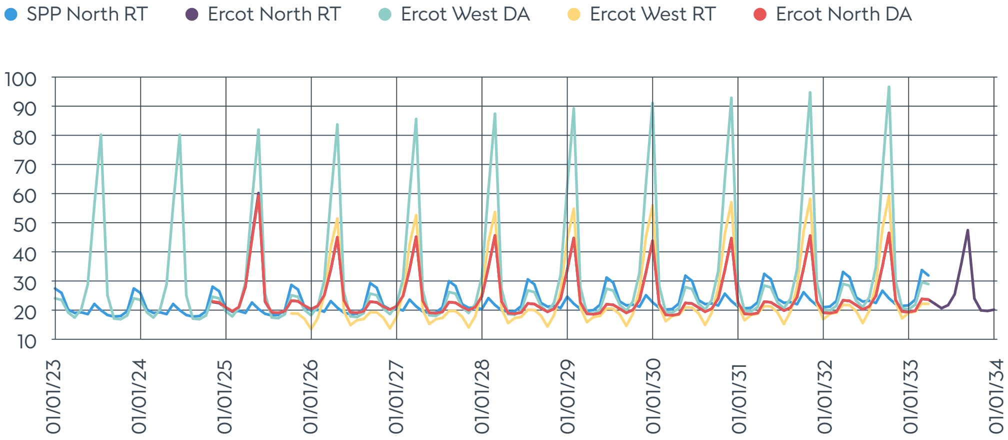
Market values based on observable inputs comprise derivatives where valuation models with observable inputs are used to measure fair value.

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.

Derivatives valued on the basis of non-observable input, DKKm	2019	2018
Market value at 1 January	(2,458)	(157)
Value adjustments through profit or loss	289	61
Value adjustments through other comprehensive income	955	-
Sales/redemptions	20	580
Purchases/issues	97	(1,814)
Additions due to acquisitions of enterprises	-	(1,184)
Transferred from quoted prices and observable input	-	(344)
Transferred to quoted prices and observable input	1,333	400
Market value at 31 December before deferred gain/loss	**236**	**(2,458)**
Deferred loss at initial recognition on 1 January	-	1,811
Market value at 31 December	**236**	**(647)**

Non-observable inputs 2018, Monthly average power price (USD per MWh)



US power prices are no longer valued based on significant non-observable inputs, but we include 2018 comparatives. The graph shows the US power prices in the period when prices are not observable, and which we have used as basis for calculating market value as of 31 December 2018.

Non-observable inputs per commodity price input, DKKm	2019	2018
US power prices	-	(2,533)
Other power prices	221	(52)
Gas prices	15	127
Total	**236**	**(2,458)**

After a change in the valuation methodology, US power prices are no longer valued based on significant non-observable inputs, see description on previous page.

Sensitivity of non-observable inputs 2018, DKKm		2018 Sensitivity	
Non-observable inputs	Market value	+10%	-10%
ERCOT North real time, 2024-2033	(194)	(105)	105
ERCOT North day ahead, 2024-2033	(388)	(275)	275
ERCOT West day ahead, 2023-2033	(90)	(33)	33
ERCOT West real time, 2025-2033	(132)	(34)	34
SPP North real time, 2023-2033	(288)	(68)	68
Total	**(1,092)**	**(515)**	**515**

US power prices are no longer valued based on significant non-observable inputs, but we include 2018 comparatives. The table shows the market value related to the non-observable input for the stated period and sensitivity per power price index. The sensitivity illustrates the impact on the market value as of 31 December 2018 if the non-observable price increases/decreases by 10%. The most critical non-observable input in 2018 is US power prices in the period 2023-2033. If power prices as of 31 December 2018 increased/decreased by 10%, the market value would decrease/increase by DKK 515 million.

8. Other notes

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 programme for Group Executive Management and the Board of Directors are described in notes 2.6 'Employee costs' and 2.7 '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.

Joint ventures, DKKm	2019	2018
Capital transactions, net	118	129
Sale of goods and services	3	16
Purchase of goods and services	(6)	(9)
Receivables	1	-

Associates, DKKm	2019	2018
Dividends received and capital reductions	-	15
Capital transactions, net	(46)	(20)
Sale of goods and services	13	-
Purchase of goods and services	(130)	(169)
Interest, net	-	3
Payables	(18)	-
Receivables	1	60

Board of Directors, DKKm	2019	2018
Purchase of goods and services	(107)	(139)
Payables	(11)	-

Gode Wind 1 & 2,
North Sea, Germany.

8.2 Leases

Our lease liabilities increased by DKK 108 million relative to 1 January 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 in 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 311 million. Interests on lease debt expensed in profit (loss) were DKK 171 million in 2019. Operating lease payments recognised in profit (loss) in 2018 were DKK 778 million.

Total cash outflows for leases were DKK 1,147 million in 2019.

We have entered into leases of DKK 96 million which are not commenced and therefore, they are 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 is straight-line basis 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.

We implemented the new lease accounting rules in IFRS 16 'Leases' on 1 January 2019. See note 1.3 'Implementation of new or changed accounting standards and interpretations'.

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 2019, DKKm	Offshore	Onshore	Markets & Bioenergy	Other activities	Total
0-1 year	309	16	89	199	613
1-3 years	205	24	185	224	638
3-5 years	20	9	41	287	357
5-10 years	46	121	44	1,224	1,435
10-15 years	489	75	-	26	590
After 15 years	2,954	1,281	66	14	4,315
Total (non-discounted)	**4,023**	**1,526**	**425**	**1,974**	**7,948**
Carrying amount at 31 December 2019	**2,432**	**864**	**368**	**1,668**	**5,332**

Operating lease liabilities by segment 2018, DKKm	Offshore	Onshore	Markets & Bioenergy	Other activities	Total
0-1 year	737	15	168	198	1,118
1-3 years	584	31	172	409	1,196
3-5 years	363	31	175	399	968
5-10 years	731	75	56	1,007	1,869
10-15 years	726	79	39	280	1,124
After 15 years	748	284	62	38	1,132
Total (non-discounted)	**3,889**	**515**	**672**	**2,331**	**7,407**
Present value at 31 December 2018	**2,336**	**308**	**422**	**1,753**	**4,819**

We have implemented IFRS 16 after the modified restrospective method. Therefore, we have not restated comparative figures.

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 and reviews of regulatory financial statements.

Tax and VAT advice primarily included advice in connection with the divestment of assets and enterprises and advice in connection with the preparation of tax returns.

Other services included other consultancy services from PwC, including advice in connection with accounting, GDPR, due diligence and divestment of assets and enterprises.

Fees for services other than statutory audit supplied by PwC Denmark to Ørsted amounted to DKK 6 million (2018: DKK 11 million) and consisted of accounting and tax advice in connection with both acquisition and divestment of assets and enterprises, review of ESG data and other general accounting and tax advice.

Auditor's fees, DKKm	2019	2018
Audit and audit-related fees		
Statutory audit	12	11
Other assurance engagements	2	2
Non-audit services		
Tax and VAT advice	2	3
Other services	4	7
Total fees to PwC	**20**	**23**
Fee for non-audit services in percent of statutory audit fee	**47%**	**94%**

8.4 Contractual obligations

Our contractual obligations at 31 December 2019 mainly related to offshore wind turbines, foundations and cables, etc., for the construction of offshore wind farms. We have increased the obligations significantly relative to the last year due to the signing of contracts related to the construction of primarily Greater Changhua 1 & 2a in Taiwan, Hornsea 2 in the UK and Borssele 1 & 2 in the Netherlands.

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	22,991	1,316	209	24,516
1-5 years	27,824	11	-	27,835
2019	**50,815**	**1,327**	**209**	**52,351**
2018	**18,813**	**2,811**	**981**	**22,605**

Overview of concluded contracts where delivery had not taken place at 31 December 2019.

8.5 Company overview

Segment/company/registered office	Type[1]	Ownership interest
Parent company		
Ørsted A/S, Fredericia, Denmark	-	-
Offshore		
Acceber B.V., 's-Gravenhage, the Netherlands	S	100%
Anholt Havvindmøllepark I/S [2],[3], Fredericia, Denmark	JO	50%
Barrow Offshore Wind Limited, London, UK	S	100%
Bay State HoldCo LLC., Delaware, USA	JO	50%
Bay State Wind LLC[2]., Delaware, USA	JO	50%
Blue Champion B.V., 's-Gravenhage, the Netherlands	S	100%
Boreas B.V., 's-Gravenhage, the Netherlands	S	100%
Borkum Riffgrund I Holding A/S, Fredericia, Denmark	S	100%
Borkum Riffgrund I Offshore Windpark A/S GmbH & Co. oHG, Norden, Germany	JO	50%
Borkum Riffgrund 2 Holding GmbH, Hamburg, Germany	S	100%
Borkum Riffgrund 2 Offshore Wind Farm GmbH & Co. oHG, Norden, Germany	JO	50%
Borkum Riffgrund 3 GmbH, Hamburg, Germany	S	100%
Borssele Wind Farm C.V., 's-Gravenhage, the Netherlands	S	100%
Breesea Limited, London, UK	S	100%
BSW Holdco LLC, Delaware, USA	JO	50%
BSW Projectco LLC [2], Delaware, USA	JO	50%
Burbo Extension Holding Ltd, London, UK	JO	50%
Burbo Extension Ltd [2], London, UK	S	50%
Calgary Flames B.V., 's-Gravenhage, the Netherlands	S	100%
Celtic Array Limited, Berkshire, UK	JV	50%
Cerulea Limited, London, UK	S	100%
CT Offshore A/S under frivillig likvidation, Fredericia, Denmark	S	100%
Cygnus Wind Transmission Limited, London, UK	S	100%

Segment/company/registered office	Type[1]	Ownership interest
Deepwater Wind, LLC, Delaware, USA	S	100%
Deepwater Wind Block Island Transmission, LLC, Delaware, USA	S	100%
Deepwater Wind Block Island, LLC, Delaware, USA	S	100%
Deepwater Wind Block Islands Holdings, LLC [5], Delaware, USA	S	100%
Deepwater Wind New England, LLC, Delaware, USA	S	100%
Deepwater Wind New Jersey, LLC, Delaware, USA	S	100%
Deepwater Wind New York, LLC, Delaware, USA	S	100%
Deepwater Wind Operating, LLC, Delaware, USA	S	100%
Deepwater Wind Rhode Island, LLC (taxed as corporation), Delaware, USA	S	100%
Deepwater Wind South Fork, LLC, Delaware, USA	S	100%
DWBI Class B member, LLC, Delaware, USA	S	100%
DWW MARI Holdings, LLC, Delaware, USA	S	100%
DWW Rev 1, LLC, Delaware, USA	S	100%
Euros B.V., 's-Gravenhage, the Netherlands	S	100%
Formosa I International Investment Co., Limited, Taipei City, Taiwan	JV	35%
Formosa I Wind Power Co[2]., Ltd, Taipei City, Taiwan	JV	35%
Garden State Offshore Energy, LLC, Delaware, USA	JV	50%
Gavota B.V., 's-Gravenhage, the Netherlands	S	100%
Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG, Norden, Germany	JO	50%
Gode Wind 2 Offshore Wind Farm P/S GmbH & Co. oHG, Norden, Germany	JO	50%
Gode Wind 3 GmbH, Hamburg, Germany	S	100%
Golden Melody B.V., 's-Gravenhage, the Netherlands	S	100%
Greater Changhua Offshore Wind Farm SE Ltd., Changhua County, Taiwan	S	100%
Greater Changhua Offshore Wind Farm SW Ltd., Changhua County, Taiwan	S	100%
Gunfleet Sands Holding Ltd., London, UK	S	50%
Gunfleet Sands II Limited [2], London, UK	S	50%
Gunfleet Sands Limited [2], London, UK	S	50%
GSOE I, LLC, Delaware, USA	JV	50%

Segment/company/registered office	Type[1]	Ownership interest
Horns Rev I Offshore Wind Farm [6], Fredericia, Denmark	JO	40%
Hornsea 1 Holdings Limited, London, UK	JO	50%
Hornsea 1 Limited [2], London, UK	JO	50%
Lincs Renewable Energy Holdings Limited, London, UK	JO	50%
Lincs Wind Farm (Holding) Limited, London, UK	JO	25%
Lincs Wind Farm Limited [2], Aberdeen, UK	JO	25%
London Array Limited, Kent, UK	JO	25%
Morecambe Wind Limited, London, UK	JO	50%
Njord Limited [2], London, UK	S	50%
North East Offshore, LLC, Delaware, USA.	JO	50%
Northeast Wind Energy LLC, Delaware , USA	S	50%
Notos B.V., 's-Gravenhage, the Netherlands	S	100%
Nysted Havmøllepark [6], Fredericia, Denmark	JO	43%
Nysted I A/S, Fredericia, Denmark	S	86%
Nördlicher Grund GmbH, Hamburg, Germany	S	100%
Ocean Wind LLC, Delaware, USA	S	100%
OFTRAC Limited, London, UK	S	100%
Optimus Wind Limited, London, UK	S	100%
Optimus Wind Transmission Limited, London, UK	S	100%
Orsted Borkum Riffgrund I GmbH, Hamburg, Germany	S	100%
Orsted Borkum Riffgrund I HoldCo GmbH, Hamburg, Germany	S	100%
Orsted Borssele 1 B.V., 's-Gravenhage, the Netherlands	S	100%
Orsted Borssele Holding B.V., 's-Gravenhage, the Netherlands	S	100%
Orsted Burbo (UK) Limited, London, UK	S	100%
Orsted Burbo Extension Holding Ltd, London, UK	S	100%
Orsted Gode Wind 1 Holding GmbH, Hamburg, Germany	S	100%
Orsted Gode Wind 2 GmbH, Hamburg, Germany	S	100%
Orsted Gunfleet Sands Demo (UK), Ltd, London, UK	S	100%
Orsted HKZ III&IV Holding B.V., 's-Gravenhage, the Netherlands	S	100%
Orsted Hornsea 1 Holdings Limited, London, UK	S	100%
Orsted Hornsea Project Four Limited, London, UK	S	100%
Orsted Hornsea Project Three (UK) Limited, London, UK	S	100%

Segment/company/registered office	Type[1]	Ownership interest
Orsted InvestCo Limited, Taipei City, Taiwan	S	100%
Orsted Isle of Man (UK) Limited, Isle of Man	S	100%
Orsted Japan K.K., Tokyo, Japan	S	100%
Orsted Korea Limited, Seoul, Korea	S	100%
Orsted Lincs (UK) Ltd., London, UK	S	100%
Orsted London Array II Limited, London, UK	S	100%
Orsted London Array Limited, London, UK	S	100%
Orsted North America Inc., Delaware, USA	S	100%
Orsted Power (Gunfleet Sands) Ltd, London, UK	S	100%
Orsted Power (Participation) Ltd, London, UK	S	100%
Orsted Power (UK) Limited, London, UK	S	100%
Orsted Race Bank (Holding) Ltd., London, UK	S	100%
Orsted Shell Flats (UK) Limited, London, UK	S	100%
Orsted Singapore Pte. Ltd., Singapore, Republic of Singapore	S	100%
Orsted Speicher R GmbH, Hamburg, Germany	S	100%
Orsted Taiwan Ltd., Taipei City, Taiwan	S	100%
Orsted UK III Limited, London, UK	S	100%
Orsted US East Coast Offshore Wind Holdco, LLC, Delaware, USA	S	100%
Orsted Walney Extension Holdings Limited, London, UK	S	100%
Orsted West of Duddon Sands (UK) Limited, London, UK	S	100%
Orsted Westermost Rough Limited, London, UK	S	100%
Orsted Wind Power A/S (French Branch), , Denmark	S	100%
Orsted Wind Power Germany GmbH, Hamburg, Germany	S	100%
Orsted Wind Power Netherlands B.V., 's-Gravenhage, the Netherlands	S	100%
Orsted Wind Power Netherlands Holding B.V., 's-Gravenhage, the Netherlands	S	100%
Orsted Wind Power North America LLC, USA, Delaware, USA	S	100%
Orsted Wind Power A/S (UK branch), London, UK	S	100%
Preparatory Office of Greater Changhua Offshore Wind Farm NE Ltd., Changhua County, Taiwan [6]	S	100%
Preparatory Office of Greater Changhua Offshore Wind Farm NW Ltd., Changhua County, Taiwan [6]	S	100%
Race Bank Wind Farm (Holding) Limited, London, UK	JO	50%
Race Bank Wind Farm Limited [2], London, UK	JO	50%

Segment/company/registered office	Type[1]	Ownership interest
Rhiannon Wind Farm Limited [2], Windsor, UK	JV	50%
Scarweather Sands Limited, Coventry, UK	JV	50%
Skipjack Offshore Energy, LLC, Delaware, USA	S	100%
SMart Wind Limited, London, UK	S	100%
SMRT Line, LLC, Delaware, USA	S	100%
Sonningmay Wind Limited, London, UK	S	100%
Soundmark Wind Limited, London, UK	S	100%
Sunrise Wind, LLC, Delaware, USA	S	100%
UMBO GmbH, Hamburg, Germany	JV	90%
Varinas B.V., 's-Gravenhage, the Netherlands	S	100%
VI Aura Limited [2], London, UK	JO	50%
VI Aura Transmission Limited, London, UK	S	100%
Walney (UK) Offshore Windfarms Limited, London, UK	S	50%
Walney Extension Holdings Limited, London, UK	JO	50%
Walney Extension Limited [2], London, UK	JO	50%
West of Duddon Sands [6]	JO	50%
Westermost Rough (Holding) Limited, London, UK	JO	50%
Westermost Rough Limited [2], London, UK	JO	50%
Zephyrus B.V. 's-Gravenhage, the Netherlands	S	100%
Ørsted - Anholt Offshore A/S, Fredericia, Denmark	S	100%
Ørsted Horns Rev 2 A/S, Fredericia, Denmark	S	100%
Ørsted Horns Rev I A/S, Fredericia, Denmark	S	100%
Ørsted Nearshore Wind ApS, Fredericia, Denmark	S	100%
Ørsted VE A/S, Fredericia, Denmark	S	100%
Ørsted Vind A/S, Fredericia, Denmark	S	100%
Ørsted Wind Power A/S[4], Fredericia, Denmark	S	100%
Ørsted Wind Power A/S, Taiwan Branch, Taipei City, Taiwan	S	100%
Ørsted Wind Power Denmark A/S, Fredericia, Denmark	S	100%
Ørsted Wind Power Holding A/S [4], Fredericia, Denmark	S	100%
Ørsted Wind Power NL, branch of Ørsted Wind Power A/S Denmark, 's-Gravenhage, the Netherlands	S	100%

Segment/company/registered office	Type[1]	Ownership interest
Onshore		
2w Permian Solar, LLC, Delaware, USA	S	100%
Albaugh Solar Center, LLC, Ohio, USA	S	100%
Antelope Flats Wind, LLC, Delaware, USA	S	100%
Armardillo Solar Center, LLC, Delaware, USA	S	100%
Aromas Solar Energy Center, LLC, Delaware,,USA	S	100%
Badger Wind, LLC, Delaware, USA	S	100%
Barranca Wind Energy, LLC, Delaware, USA	S	100%
Barranca Wind Energy II, LLC, Delaware, USA	S	100%
Bayshore Energy Center, LLC, Delaware, USA	S	100%
Bedford Solar Center, LLC, Virginia, USA	S	100%
Biggs Ford Solar Center, LLC, Virginia, USA	S	100%
Bowen Solar Center, LLC, Mississippi, USA	S	100%
Brackin Mill Solar Center, LLC, Virginia , USA	S	100%
Cabin Point Solar Center, LLC, Virginia , USA	S	100%
Camino Solar Center, LLC, New Mexico, USA	S	100%
Canutillo Energy Center, LLC, Texas, USA	S	100%
Casper Creek Solar Center, LLC, Delaware, USA	S	100%
Casper Solar Center, LLC, Virginia, USA	S	100%
Chiefland Solar Center, LLC, Florida, USA	S	100%
Cloud Peak Solar Center, LLC, Delaware, USA	S	100%
Cockleburr Solar, LLC, Delaware, USA	S	100%
Coolidge Solar Center, LLC, Arizona, USA	S	100%
Dermott Wind Class B Holdco, LLC, Delaware, USA	S	100%
Dermott Wind Class B Member, LLC, Delaware, USA	S	100%
Dermott Wind, LLC [5], Delaware, USA	S	100%
Dunbar Solar, LLC, Delaware, USA	S	100%
Eastgate Solar Center, LLC, Florida, USA	S	100%
Emerick Wind, LLC, Delaware, USA	S	100%
Firefly Solar Center, LLC, Delaware, USA	S	100%

Segment/company/registered office	Type[1]	Ownership interest
Garland Wind, LLC, Delaware, USA	S	100%
Goose Solar Center, LLC, Texas, USA	S	100%
Hamilton Solar Center, LLC, Florida, USA	S	100%
Happy Hollow Solar Center, LLC, Georgia, USA	S	100%
Helena Wind, LLC, Delaware, USA	S	100%
Highline Solar Energy Center, LLC, Delaware, USA	S	100%
Holloman Solar Center, LLC, North Carolina, USA	S	100%
Holocrystalline Energy Venter, LLC, California, USA	S	100%
Huning Ranch Solar Center, LLC, Delaware, USA	S	100%
Jasper Solar Center, LLC, Florida, USA	S	100%
Jones Solar Center, LLC, Florida, USA	S	100%
Kittias Solar Center, LLC, Washington, USA	S	100%
Legore Bridge Solar Center, LLC, Virginia, USA	S	100%
Live Oak Solar Center, LLC, Florida, USA	S	100%
Lockett Windfarm Class B Member, LLC, Delaware, USA	S	100%
Lockett Windfarm Project Holdings, LLC [5], Delaware, USA	S	100%
Lockett Windfarm LLC, Delaware, USA	S	100%
Lower River Solar Center, LLC, Arizona, USA	S	100%
Lux Solar Center, LLC, Nevada, USA	S	100%
Madden Solar Center, LLC, Georgia, USA	S	100%
Mason Dixon Solar Center, LLC, Virginia, USA	S	100%
Mastodon Solar Center, LLC, Delaware, USA	S	100%
McAlpin Solar Center, LLC, Florida, USA	S	100%
McGrath Energy Center, LLC, Delaware, USA	S	100%
McGrath Energy Center II, LLC, California, USA	S	100%
McGrath Energy Center III, LLC, California, USA	S	100%
Michaux Solar Center, LLC, Virginia, USA	S	100%
Mineola Wind, LLC, Delaware, USA	S	100%
Mockingbird Solar Center, LLC, Delaware,USA	S	100%
Moonscape Solar Center, LLC, New Mexico, USA	S	100%
Napoleon Wind, LLC, Delaware, USA	S	100%
NJ Oak Solar Finco, LLC, Delaware, USA	S	100%
NJ Oak Solar Holdco, LLC, Delaware, USA	S	100%
NJ Oak Solar, LLC, Delaware, USA	S	100%
Old 300 Solar Center, LLC, Delaware, USA	S	100%
Orsted Energy Storage & Solar N.A. LLC, Delaware, USA	S	100%
Orsted ESS Mersey Limited, London, UK	S	100%
Orsted Onshore Asset Management Services, LLC, Delaware, USA	S	100%
Orsted Onshore Dermott Holdings, Inc., Delaware, USA	S	100%
Orsted Onshore DevCo, LLC, Delaware, USA	S	100%
Orsted Onshore Development North America, LLC, Delaware, USA	S	100%
Orsted Onshore Equipment Company, LLC, Delaware, USA	S	100%
Orsted Onshore Equipment Holdings, Inc, Delaware, USA	S	100%
Orsted Onshore North America, LLC, Delaware, USA	S	100%
Orsted Onshore North America Power, LLC, Delaware, USA	S	100%
Orsted Onshore Real Estate Holdings, LLC, Delaware, USA	S	100%
Orsted Onshore WS Holdings, Inc, Delaware, USA	S	100%
Orsted Onshore Services, LLC, Delaware, USA	S	100%
Orsted Renewables N.A. LLC, Delaware, USA	S	100%
Owl Canyon Solar Center, LLC, Colorado, USA	S	100%
Pactolus Solar, LLC, Delaware, USA	S	100%
Palacios Wind, LLC, Delaware, USA	S	100%
Piccadilly Solar Energy Center, LLC, Colorado, USA	S	100%
Placid Solar Center, LLC, Delaware, USA	S	100%
Placid Solar II, LLC, Delaware, USA	S	100%
Plum Creek Wind, LLC, Delaware, USA	S	100%
Plum Creek and Willow Creek Class B Member, LLC, Delaware, USA	S	100%
Plum Creek and Willow Creek Project Holdings, LLC, Delaware, USA	S	100%
Pyramid Lake Solar Center, LLC, Delaware, USA	S	100%
Poleline Solar Energy Center, LLC, California, USA	S	100%
Rockwood Energy Center, LLC, Delaware, USA	S	100%
Rum Solar Center, LLC, Florida, USA	S	100%
Sage Draw Wind Class B Member, LLC, Delaware, USA	S	100%
Sage Draw Wind, LLC, Delaware, USA	S	100%

Segment/company/registered office	Type[1]	Ownership interest
Sage Draw Wind Project Holdings, LLC, Delaware, USA	S	100%
Shawnee Energy Center, LLC, Delaware, USA	S	100%
SP Energy 1, LLC, Delaware, USA	S	100%
SP Energy DM, LLC, Delaware, USA	S	100%
SP Energy ET, LLC, Delaware, USA	S	100%
SP Energy GL, LLC, Delaware, USA	S	100%
SP Energy PV, LLC, Delaware, USA	S	100%
SP Energy TL, LLC, Delaware, USA	S	100%
Staked Plains Energy, LLC, Delaware, USA	S	100%
Stratford Solar Center, LLC, Virginia, USA	S	100%
Surry Solar Center, LLC, Virginia, USA	S	100%
Tahoka Wind Class B Holdco, LLC, Delaware, USA	S	100%
Tahoka Wind Class B Member, LLC, Delaware, USA	S	100%
Tahoka Wind Project Holdings, LLC [5], Delaware, USA	S	100%
Tahoka Wind, LLC, Delaware, USA	S	100%
Tovey Wind, LLC, Delaware, USA	S	100%
Waukeenah Solar Center, LLC, Florida, USA	S	100%
Webb East Solar Center, LLC, Virginia, USA	S	100%
Western Trail Wind, LLC, Delaware, USA	S	100%
Westwing Solar Center, LLC, Delaware, USA	S	100%
Willow Creek Wind Power, LLC, Delaware, USA	S	100%
Willow Springs Class B Holdco, LLC, Delaware, USA	S	100%
Willow Springs Class B Member, LLC, Delaware, USA	S	100%
Willow Springs Project Holdings, LLC [5], Delaware, USA	S	100%
Willow Springs Windfarm, LLC, Delaware, USA	S	100%
Ørsted Onshore A/S, Fredericia, Denmark	S	100%
Ørsted Onshore Holding A/S [4], Fredericia, Denmark	S	100%
Markets & Bioenergy		
Cure Renescience B.V., 's-Gravenhage, the Netherlands	JV	50%
Danish Distribution Services sp. z.o.o, Warsaw, Poland	S	100%
Danish Offshore Gas Systems A/S, Fredericia, Denmark	S	100%
Danish Oil Pipe A/S [4], Fredericia, Denmark	S	100%

Segment/company/registered office	Type[1]	Ownership interest
DE Thermal Power Nr. 1 A/S in voluntary liquidation, Fredericia, Denmark	S	100%
Emineral A/S, Fredericia, Denmark	A	50%
Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG, Bremen, Germany	A	33%
Etzel-Kavernenbetriebs-Verwaltungsgesellschaft mbH, Bremen, Germany	A	33%
Haderslev Kraftvarmeværk A/S in voluntary liquidation, Fredericia, Denmark	S	100%
Inbicon A/S, Fredericia, Denmark	S	100%
Maabjerg Energy Concept A/S, Fredericia, Denmark	S	70%
Obviux A/S, Frederiksberg, Denmark	S	100%
Orsted AB, Malmö, Sweden	S	100%
Orsted Bioenergy & Thermal Power A/S (UK branch) [4], London, UK	S	100%
Orsted Customer Solutions Holding LLC, Delaware, USA	S	100%
Orsted Energy Solutions (UK) Limited, London, UK	S	100%
Orsted Holding Ludwigsau I GmbH, Hamburg, Germany	S	100%
Orsted Infrastructure GmbH [3,4], Hamburg, Germany	S	100%
Orsted Kraftwerke Holding GmbH, Hamburg, Germany	S	100%
Orsted Leitung E GmbH, Hamburg, Germany	S	100%
Orsted Markets GmbH, Hamburg, Germany	S	100%
Orsted Netherlands B.V., 's-Gravenhage, the Netherlands	S	100%
Orsted Power Sales (UK) Limited, London, UK	S	100%
Orsted Renescience Northwich Limited, London, UK	S	100%
Orsted Renescience Northwich O&M Limited, London, UK	S	100%
Orsted S&D (UK) Limited, London, UK	S	100%
Orsted Sales (UK) Limited, London, UK	S	100%
Orsted Sales GmbH, Hamburg, Germany	S	100%
Orsted Salg & Service A/S (UK branch), London, UK	S	100%
Orsted Services B.V., 's-Gravenhage, the Netherlands	S	100%
Orsted SP (UK) Limited, London, UK	S	100%
Orsted SP Holding (UK) Limited, London, UK	S	100%
Orsted Speicher E GmbH, Hamburg, Germany	S	100%
Orsted US Trading LLC, Delaware, USA	S	100%
Nordic Impact Bridge ApS, Copenhagen, Denmark	A	23.5%
Pyroneer A/S, Fredericia, Denmark	S	100%

Segment/company/registered office	Type[1]	Ownership interest
Radius Elnet A/S, Fredericia, Denmark	S	100%
Radius Forsyningsnet A/S[4], Fredericia, Denmark	S	100%
Renescience A/S, Fredericia, Denmark	S	100%
Severn Power Funding Limited, London, UK	S	100%
Stigsnæs Vandindvinding I/S, Skælskør, Denmark	NC	64%
Vejen Kraftvarmeværk A/S in voluntary liquidation, Fredericia, Denmark	S	100%
Wilson Battery Storage LLC, Delaware, USA	S	100%
Ørsted Bioenergy & Thermal Power A/S [4], Fredericia, Denmark	S	100%
Ørsted City Light A/S[4], Fredericia, Denmark	S	100%
Ørsted GWS Avedøre Biogas A/S, Fredericia, Danmark	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 Privatsalg El & Gas A/S[4], Fredericia, Denmark	S	100%
Ørsted Real Estate A/S, Fredericia, Denmark	S	100%
Ørsted Sales & Distribution A/S, Fredericia, Denmark	S	100%
Ørsted Salg & Service A/S[4], Fredericia, Denmark	S	100%
Ørsted Salg & Service NL, branch of Ørsted Salg & Service A/S Denmark, 's-Gravenhage, the Netherlands	S	100%
Ørsted Varmeservice A/S[4], Fredericia, Denmark	S	100%

Segment/company/registered office	Type[1]	Ownership interest
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%
Lithium Balance A/S, Smørum, Denmark	A	15%
Orsted (UK) Limited, London, UK	S	100%
Orsted Holdings N.A. Inc, Delaware, USA	S	100%
Orsted Services Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	S	100%
Orsted Venture N.A. LLC, Delaware, USA	S	100%
Orsted Polska Sp. z o. o., Warsaw, Poland	S	100%
Pict Offshore Limited, London, UK	A	100%
Taiwan Orsted 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 2008 A/S [3 4], Fredericia, Denmark	S	100%
Ørsted Nr. 1 2014 A/S [3 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)

The now operational Lockett Wind Farm is providing the state of Texas with green and flexible wind power. It is also supporting the local community, contributing to youth programmes, food bank donations and other non-profit contributions in the Wilbarger area.

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 2019'. 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 we, irrespective of our ownership share, 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/excluded from the date of acquisition/divestment.

Danish Financial Statements Act, sections 99a and 99b
Pursuant to section 99a of the Danish Financial Statements Act, 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 (orsted.com/sustainability2019), Ørsted complies with section 99a of the Danish Financial Statements Act.

Ørsted's work for greater gender diversity at management level is reported in accordance with section 99b of the Danish Financial Statements Act. The reporting of gender diversity can be seen in our 2019 ESG performance report.

Business changes in 2019 affecting ESG data
There has been no M&A related business changes with significant ESG impact in 2019.

New ESG indicators in 2019
- Scope 3 greenhouse gas emissions (introduced in the H1 2019 interim ESG report).

Revised ESG indicator
- GHG intensity: Scope 1 and 2 GHG emission per kWh energy generated (introduced in the H1 2019 interim ESG report).
- People powered (added onshore wind capacity, solar capacity, revised load factors and state-specific emission factors for sites in the US).

Discontinued ESG indicators
- System average interruption frequency index (SAIFI).
- Customer satisfaction.

The two indicators can still be found in the ESG performance report for 2019.

Our full ESG data set can be seen in the ESG performance report 2019. (orsted.com/ESGperformance2019)

9.9GW

Our installed renewable capacity increased by 19% from 2018 to 2019. We have a target of 30GW installed renewable capacity in 2030.

86%

The green share of our heat and power generation increased from 75% in 2018 to 86% in 2019. We have a target of 99% in 2025.

65g CO_2e/kWh

Our greenhouse gas intensity was reduced by 50% to 65g CO_2e/kWh in 2019. Our target is to reach 10g CO_2e/kWh in 2025.

96%

The certified sustainable share of our sourced wooden biomass increased from 83% in 2018 to 96% in 2019. Our target is to reach 100% in 2020.

Environment

Strategic target	Business driver	Indicator	Unit	Target	2019	2018
●		**Green share of heat and power generation**	**%**	**99 (2025)** [1]	**86**	**75**
●		**Greenhouse gas (GHG) intensity (scopes 1 and 2)**	**g CO_2e/kWh**	**10 (2025)** [2]	**65**	**131**
		Direct GHG emissions (scope 1)	**Thousand tonnes CO_2e**		**1,846**	**3,483**
		Indirect GHG emissions (scope 2), market-based	**Thousand tonnes CO_2e**		**4**	**45**
		Indirect GHG emissions (scope 3)	**Thousand tonnes CO_2e**		**34,604**	**36,234**
		– Category 2: Capital goods [3]	Thousand tonnes CO_2e		740	1,032
		– Category 3: Fuel- and energy-related activities [4]	Thousand tonnes CO_2e		3,217	3,570
		– Category 11: Use of sold products [5]	Thousand tonnes CO_2e		30,377	31,383
		– Other [6]	Thousand tonnes CO_2e		270	249
●		**Scope 3 GHG reduction from base year 2018**	**%**	**50% by 2032**	4	-
●		**Installed renewable capacity**	**MW**	**30GW (2030)**	**9,870**	**8,303**
●		– Offshore wind	MW	15GW (2025)	6,820	5,602
●		– Onshore wind	MW	5GW (2025)[7]	987	803
●		– Onshore solar	MW		10	10
●		– Thermal heat, biomass	MW		2,053	1,888
	●	**Decided (FID) renewable capacity (not yet installed)**	**MW**		**4,129**	**3,665**
	●	– Offshore wind	MW		3,038	3,356
	●	– Onshore wind	MW		671	184
	●	– Onshore solar	MW		420	-
	●	– Thermal heat, biomass	MW		-	125
	●	**Awarded and contracted renewable capacity (no FID yet)**	**MW**		**4,996**	**4,796**
	●	– Offshore wind	MW		4,996	3,916
	●	– Onshore wind	MW		-	530
	●	– Onshore solar	MW		-	350
	●	**Sum of installed and FID renewable capacity**	**MW**		**13,999**	**11,968**
	●	**Sum of installed, FID, awarded and contracted renewable capacity**	**MW**		**18,995**	**16,764**

[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: fossil-based 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] The 5GW target (2025) is for onshore wind and solar combined.

The green (renewable) share of our heat and power generation amounted to 86% in 2019, up 11 percentage points relative to 2018. The increase was primarily due to higher generation from wind farms, a larger share of biomass-based generation as well as lower use of gas following the divestment of the Enecogen power plant in 2018. Our target is 99% green energy generation in 2025.

Our greenhouse gas intensity was reduced by 50% 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 10g CO_2e/ kWh in 2025. We will continue to investigate solutions for the remaining emissions, which could also include investing in certified carbon removal projects.

Our scope 3 greenhouse gas emissions were reduced by 4% from 2018 to 2019. The main driver for this reduction was the reduced sales of gas (category 11, use of sold products). The second-largest scope 3 emission category '3: Fuel- and energy-related activities' was reduced by 10% from 2018 to 2019 due to lower fossil fuel consumption in the thermal heat and power generation and reduced sale of fossil-based power to end-customers. The third-largest category '2: Capital goods' includes greenhouse gas emissions from the supply chain and installation of the offshore wind farm Hornsea 1 and the onshore wind farm Lockett.

The installed renewable capacity increased by 19% in 2019 due to commisioning of the offshore wind farm Hornsea 1 (1,218MW) and the onshore wind farm Lockett (184MW).

Strategic target	Business driver	Indicator	Unit	Target	2019	2018
		Generation, power and heat total	**TWh**		**28.4**	**26.0**
	●	Power generation	TWh		20.1	17.2
	●	– Offshore wind	TWh		12.0	10.0
	●	– Onshore wind	TWh		3.5	0.5
	●	– Solar	TWh		0.0	0.0
	●	– Thermal	TWh		4.6	6.7
	●	Heat generation, thermal	TWh		8.3	8.8
		Offshore wind				
	●	Generation capacity	GW		3.6	3.0
	●	Wind speed	m/s		9.2	9.1
	●	Wind speed, normal wind year	m/s		9.2	9.2
	●	Load factor	%		42	42
	●	Availability	%		93	93
		Onshore wind				
		Generation capacity	GW		1.0	0.8
	●	Wind speed	m/s		7.3	7.3
	●	Load factor	%		45	41
	●	Availability	%		98	98
		Thermal heat and power generation				
		Power generation capacity	GW		2.9	2.8
		Heat generation capacity	GW		3.6	3.4
	●	Degree days, Denmark	Number		2,399	2,526
		Coal share of fuels	%	0 (2023)	24	38
		Sourcing of certified wooden biomass	%	100% (2020)	96	83
		Green share of thermal heat and power generation	%		68	58
		Avoided carbon emissions	**Million tonnes CO_2e**		**11.3**	**8.1**
		– From offshore wind generation	Million tonnes CO_2e		7.6	6.3
		– From onshore wind generation	Million tonnes CO_2e		2.3	0.4
		– From biomass-converted generation	Million tonnes CO_2e		1.4	1.4
		Sales and distribution				
	●	Gas sales	TWh		125.0	131.1
	●	Power sales	TWh		27.6	27.3 [1]
	●	Power distribution	TWh		8.4	8.4

[1] We have updated the previously announced 2018 value for power sales, as we have eliminated the internally sourced power generation volumes in Germany and the UK in the total external sales for Ørsted.

The increase in offshore wind capacity contributed to a 20% increase in offshore wind-based generation in 2019. The increase in onshore wind and solar power generation is mainly because it is the first full year with onshore power capacity.

Thermal power generation decreased by 31% in 2019, mainly due to generation of heat without combined power generation at Asnæs Power Station and the divestment of the Dutch power plant Enecogen in 2018.

Thermal heat generation decreased by 6% due to warmer weather in H1 2019, leading to a lower demand for heat, partly offset by colder weather and higher heat generation in H2 2019.

The coal share of fuels in our thermal heat and power generation decreased by 14 percentage points and the green share increased by 10 percentage points, in 2019. This was primarily the result of the Asnæs Power Station generating heat without power based on coal in the period up until the new biomass converted unit was taken in use and then generating heat based on biomass towards the end of the year.

The certified share of renewable wooden biomass increased from 83% in 2018 to 96% in 2019. Our target is 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 40% from 2018 to 2019. In 2019, our renewable energy generation avoided the emission of 11.3 million tonnes carbon dioxide.

Social

Strategic target	Business driver	Indicator	Unit	Target	2019	2018
		Employees				
		Total number of employees at 31 December	Number of FTEs		6,526	6,080
		Average number of employees for the year	Number of FTEs		6,329	5,796
●		Employee satisfaction	Scale 0-100	77 (2020) [1]	77	76
		Safety				
		Fatalities	Number		1	0
		LTIF (lost-time injury frequency)	Per million working hours		2.1	1.5
●		TRIR (total recordable injury rate)	Per million working hours	2.9 (2025)	4.9	4.7
		Job year creation from offshore wind power value chain				
		Based on installed capacity	Thousand job years		137	112
		Based on installed + FID capacity	Thousand job years		197	179
		Based on installed capacity + FID + awarded and contracted capacity	Thousand job years		297	258
		People powered				
		Based on installed capacity	Million people		15.2	12.2 [2]
		Based on installed + FID capacity	Million people		23.7	21.3
		Based on installed capacity + FID + awarded and contracted capacity	Million people		32.8	30.1

[1] We have reached our 2020 target of 77 one year in advance. Our new target from 2020 and onward is an employee satisfaction survey result in the top ten percentile compared with an external benchmark group.
[2] We have restated the 2018 value with an adjustment for actual load factors, state-specific consumption factors in the US and added onshore wind and solar capacity.

The number of employees increased by 7% from 2018 to 2019 due to growth in existing and new markets.

Employee satisfaction continued to be high. With a satisfaction and motivation score of 77 in 2019, our 2020 target of reaching a satisfaction and motivation score of 77 has been reached one year in advance. We have set a new target of staying in the top 10 percentile compared to our external benchmark group.

On 1 May 2019, Ørsted experienced a fatal accident at Avedøre Power Station where a contractor was buried under coal during work in a silo. An independent investigation was completed to identify the root causes. Safety is of utmost importance to us, and we have initiated several improvement tracks to ensure that an accident like this will never happen again.

Our total recordable injury rate (TRIR) increased from 4.7 in 2018 to 4.9 in 2019. We registered 106 total recordable injuries (TRIs), 71 of which involved employees working for our suppliers. LTIF increased from 1.5 in 2018 to 2.1 in 2019. We continue to have a strong focus on safety. Our target is a TRIR of 2.9 or below in 2025.

In a lifecycle perspective, our and our partners' investments in deploying green offshore energy have created 137,000 job years based on the installed renewable capacity.

Our 2030 target of 30GW renewable energy corresponds to more than 55 million people powered.

Governance

Strategic target	Business driver	Indicator	Unit	Target	2019	2018
		Board of Directors, Ørsted A/S				
		Independent board members	%		100	100
		Gender diversity				
		Members, female	Number		2	3
		Members, male	Number		4	5
		Gender with lowest representation	%		33	38
		Nationality diversity				
		Members, Danish	Number		3	5
		Members, non-Danish	Number		3	3
		Group Executive Management				
		Gender diversity				
		Members, female	Number		2	1
		Members, male	Number		5	6
		Gender with lowest representation	%		29	14
		Nationality diversity				
		Members, Danish	Number		3	4
		Members, non-Danish	Number		4	3
		Good business conduct				
		Substantiated whistleblower cases	Number		3	2
		– Cases transferred to the police	Number		0	1

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.

Climate change is fundamental to our business strategy, and climate-related issues are an integral part of the board agendas. The Board monitors and oversee progress related to Ørsted's strategic ambitions, including our ambitious targets for addressing climate-related issues. The Board integrates considerations for climate protection 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.

Our employees and other associates may report serious offences, such as cases of bribery, fraud and other inappropriate or illegal conduct, to our whistleblower scheme or through our management system.

In 2019, three substantiated cases of inappropriate or unlawful behaviour were reported through our whistleblower scheme. Two cases concerned violation of good business conduct policies, and one case concerned conflict of interest between a third party representative and Ørsted. The cases had consequences for the individuals involved. None of the reported cases were critical to our business or impacted our financial results.

Whistleblower cases are taken very seriously, and we continuously enhance the awareness about good business conduct, e.g. through education as well as awareness campaigns to minimise future similar cases.

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-based generation is computed as the input from the individual plant (wind and solar), as there is only one source of power for each plant. For CHP plants, the share of the specific fuel (e.g. biomass) is calculated relative to the total fuel consumption for a given plant/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.

Energy generation based on fuel, wind and solar is added up to a total which tallies with total generation. 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, biomass and biogas. The following energy sources are considered fossil energy sources: coal, natural gas, oil and regular power.

Greenhouse gas 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.

Scope 1 and 2 greenhouse gas emissions
The 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 is calculated based on average emission factors for each country, wheres as marked based takes account for green power purchased and assumes the non-green power is delivered as residual power where the green part has been taken out.

Scope 3 greenhouse gas emissions
The 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 in the month where the wind farm passes commercial operation date.

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 and non-green power sales.

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 gas 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 which is calculated based on mileage allowances for employee travel in own car. GHG emissions from airplane travel is provided by our travel agent
– employee commuting is calculated based on estimates for distance travelled and travel type (e.g. car and train)
– downstream transportation and distribution which are calculated based on actual volumes of residual products generated from our CHP plants multiplied by relevant GHG emission factors for transportation

Installed, decided and awarded renewable energy capacity
The 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/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 wind farms is included from the time when the individual wind turbine has passed a 240-hour test for offshore. For onshore, wind and solar 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 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 and load factor
The production-based availability (PBA) 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. 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.
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.

Wind speed
Wind speeds for the areas where Ørsted's offshore 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 offshore wind farms and consolidated to an Ørsted total. Onshore wind speed is based on wind speed measurements from anemometers on the wind turbines. Due to the location of these anemometers on the wind turbine nacelles, these measurements understate actual wind speed conditions on site as they are impacted by the wake and blockage effects.

Sales and distribution
Sales of power and natural gas are calculated as physical sales to retail and wholesale customers and exchanges. Sales of power and gas are based on readings from Ørsted's trading systems. Internal sales to Bioenergy are not included in the statement. Power distribution is determined on the basis of data from the official system in Denmark, which measures and calculates total area consumption.

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 relative to the total fuel volume in gigajoule.

Sourcing of certified wooden biomass
Certified biomass is defined as wooden biomass, i.e. wood pellets and wood chips. Biomass is measured as sourced wooden biomass delivered to the 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.

Biomass share of thermal heat and power generation
This is calculated as the green share of heat and power generation, but is only shown for thermal heat and power generation.

Avoided carbon emissions
The 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 of fuel from fossil to biomass is calculated from the energy content of the fuel used at CHP plants. It is assumed that the use of 1GJ of biomass fuel avoids the use of 1GJ of fossil fuels. The upstream emissions from biomass fuel production and transportation are included.

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 lost-time injury frequency (LTIF) is calculated as the number of lost-time 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.

LTIF includes lost-time injuries defined as injuries that result in incapacity to work for one or more calendar days in addition to the day of the incident. In addition to lost-time injuries, 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. Fatalities are the number of employees who lost their lives as a result of a work-related incident.

Job creation
The number of job years is calculated based on a factor for job years per megawatt installed provided by the International Renewable Energy Agency, IRENA. The job year creation factor is based on a 500MW offshore wind farm. The factor is not adjusted for other details, such as when the wind farm was constructed (wind turbine size and other parameters), wind farm size-specific parameters beyond a simple scaling of capacity size or geographical position (i.e. water depths and distance to shore).

The number of job years created relates only to the value chain from procurement and manufacturing, over installation, operation and maintenance, to decommissioning.

This means that job years related to, for example, mining and manufacturing of steel and concrete as well as local jobs, such as hotels and dining for people working on local sites, are not included. A lifetime of 25 years for all wind farms is used.

The number of job years relates to the installed capacity and not Ørsted's ownership share of the wind farm. The number of job years varies during the lifespan, and most of the jobs are created in the beginning during construction and installation.

People powered
The figure for people powered based on installed capacity is calculated using the capacity installed, the actual load factor and country-specific power consumption per person (state-specific consumption factors are used in the US). People powered based on FID and awarded capacity is calculated on the basis of capacity, an average load factor based on business cases for offshore wind, onshore wind and solar. Consumption is country-specific consumption per person (state-specific consumption factors are used in the US).

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.

Substantiated whistleblower cases
Ørsted's whistleblower hotline is available for internal and external reporting of suspected cases of inappropriate or illegal behaviour. Whistleblower 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 whistleblower reports approved by the Audit & Risk Committee, which is ultimately responsible for the whistleblower 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 statement.

Cases transferred to the police
Cases transferred to the police are defined as the number of cases reported in accordance with the above which are transferred to the police.

Parent company financial statements

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. It is expected that the Changhua wind farm projects will create over 12,000 direct and indirect jobs.

Income statement

1 January - 31 December

Note	Income statement, DKKm	2019	2018
	Revenue	173	198
2	Employee costs	(36)	(33)
	External expenses	(168)	(356)
	Operating profit (loss) before depreciation, amortisation and impaiment losses (EBITDA)	**(31)**	**(191)**
	Amortisation, depreciation and impairment losses on property, plant and equipment	(146)	-
	Operating profit (loss) (EBIT)	**(177)**	**(191)**
	Gain on divestment of enterprises	(94)	(10)
3	Financial income	18,743	10,014
3	Financial expenses	(14,533)	(6,732)
	Profit (loss) before tax	**3,939**	**3,081**
4	Tax on profit (loss) for the year	(376)	(69)
5	**Profit (loss) for the year**	**3,563**	**3,012**

Balance sheet

31 December

Note	Assets, DKKm	2019	2018
6	Land and buildings	1,352	-
	Property, plant and equipment	**1,352**	**-**
7	Investments in subsidiaries	36,850	40,425
8	Receivables from subsidiaries	91,839	55,131
	Other receivables	-	1,082
4	Deferred tax	126	-
	Financial assets	**128,815**	**96,638**
	Non-current assets	**130,167**	**96,638**
	Receivables from subsidiaries	20,771	32,933
9	Derivatives	4,260	3,102
	Other receivables	2,642	604
	Receivables	**27,673**	**36,639**
10	Securities	15,795	24,740
	Cash	947	1,105
	Current assets	**44,415**	**62,484**
	Assets	**174,582**	**159,122**

Note	Equity and liabilities, DKKm	2019	2018
	Share capital	4,204	4,204
	Reserves	(81)	(296)
	Retained earnings	24,350	25,968
	Proposed dividends	4,414	4,099
	Equity attributable to shareholders in Ørsted A/S	**32,887**	**33,975**
11	Hybrid capital	13,232	13,239
	Equity	**46,119**	**47,214**
4	Deferred tax	-	97
12	Other provisions	601	794
11	Lease liabilities	1,272	-
11	Bond and bank debt	31,808	23,482
	Non-current liabilities	**33,681**	**24,373**
12	Other provisions	82	-
	Lease liabilities	115	-
	Bond and bank debt	1,593	3,448
9	Derivatives	5,119	3,322
	Trade payables	33	34
	Payables to subsidiaries	85,695	79,364
	Other payables	1,084	1,242
	Income tax	1,061	125
	Current liabilities	**94,782**	**87,535**
	Liabilities	**128,463**	**111,908**
	Equity and liabilities	**174,582**	**159,122**

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 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**
Equity at 1 January 2018	4,204	(467)	27,522	3,783	35,042	13,239	48,281
Profit (loss) for the year	-	-	2,587	-	2,587	425	3,012
Dividends paid	-	-	2	(3,783)	(3,781)	-	(3,781)
Proposed dividends	-	-	(4,099)	4,099	-	-	-
Purchase of treasury shares	-	-	(48)	-	(48)	-	(48)
Value adjustments of hedging instruments	-	84	-	-	84	-	84
Value adjustments transferred to financial income and expenses	-	135	-	-	135	-	135
Tax on changes in equity	-	(48)	-	-	(48)	-	(48)
Coupon payments, hybrid capital	-	-	-	-	-	(545)	(545)
Tax on coupon payments	-	-	-	-	-	120	120
Share-based payment	-	-	4	-	4	-	4
Changes in equity in 2018	**-**	**171**	**(1,554)**	**316**	**(1,067)**	**-**	**(1,067)**
Equity at 31 December 2018	**4,204**	**(296)**	**25,968**	**4,099**	**33,975**	**13,239**	**47,214**

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 (reporting class D).

The Danish Financial Statements Act allows us to use certain IFRS standards to interpret the act. Effective from 1 January 2019, we have implemented IFRS 16 'Leases'.

The implementation of IFRS 16 'Leases' in 2019 has increased our EBITDA for 2019 by DKK 149 million. Depreciation of lease assets amounted to DKK 146 million, and interests on lease debt amounted to DKK 38 million. The net effect on profit (loss) for 2019 was a loss of DKK 35 million.

The effect on the balance sheet per 31 December 2019 was an increase in assets of DKK 1,352 million and an increase in liabilities of DKK 1,387 million.

Also, IFRS 15 'Revenue' has been implemented. The implementation has no effect on the figures.

The accounting policies remain unchanged from the previous year with the exception of the implementation of IFRS 15 'Revenue' and IFRS 16 'Leases'.

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 the time of 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 2019 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 71.

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, north-western coast, Taiwan.

2. Employee costs

Employee costs, DKKm	2019	2018
Wages and salaries	27	24
Share-based payment	4	4
Remuneration of the Board of Directors	5	5
Total employee costs	**36**	**33**

Salaries and remuneration of the Executive Board, DKK '000	2019	2018
Fixed salary	16,810	16,400
Cash-based incentive scheme	4,561	4,630
Retention bonus, etc.	-	1,875
Share-based payment	4,046	3,537
Pension, incl. social security and benefits	564	555
Total	**25,981**	**26,997**

Notes 2.6 and 2.7 to the consolidated financial statements describe the remuneration of the Executive Board and the Board of Directors, 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 2019 (2018: five employees).

3. Financial income and expenses

Financial income and expenses, DKKm	2019	2018
Interest income from cash, etc.	103	56
Interest income from subsidiaries	2,546	1,803
Interest income from securities at market value	221	258
Capital gains on securities at market value	166	119
Foreign exchange gains	2,974	1,243
Value adjustments of derivatives	8,664	2,511
Dividends received	4,068	4,024
Other financial income	1	-
Total financial income	**18,743**	**10,014**
Interest expenses relating to loans and borrowings	(1,625)	(1,502)
Interest expenses, leases	(38)	-
Interest expenses to subsidiaries	(8)	(9)
Impairment of investments in subsidiaries	(2,101)	(1,400)
Capital losses on securities at market value	(17)	(292)
Foreign exchange losses	(1,060)	(1,169)
Value adjustments of derivatives	(9,676)	(2,330)
Other financial expenses	(8)	(30)
Total financial expenses	**(14,533)**	**(6,732)**
Net financial income and expenses	**4,210**	**3,282**

4. Tax on profit (loss) for the year and deferred tax

Income tax, DKKm	2019	2018
Tax on profit (loss) for the year	(376)	(69)
Tax on changes in equity	(30)	(86)
Total tax for the year	**(406)**	**(155)**
Tax on profit (loss) for the year can be broken down as follows:		
Current tax	(704)	(88)
Adjustments to deferred tax	226	(18)
Adjustments to current tax in respect of prior years	105	35
Adjustments to deferred tax in respect of prior years	(3)	2
Tax on profit (loss) for the year	**(376)**	**(69)**

Development in deferred tax, DKKm	2019	2018
Deferred tax at 1 January	97	81
Adjustments for the year recognised in profit (loss) for the year	(226)	18
Adjustments to deferred tax in respect of prior years	3	(2)
Deferred tax at 31 December	**(126)**	**97**

Specification of deferred tax, DKKm	2019	2018
Non-current liabilities	126	97
Deferred tax, asset	**126**	**-**
Deferred tax, liability	**-**	**97**

5. Distribution of net profit

Distribution of net profit, DKKm	2019	2018
Profit (loss) for the year is attributable to:		
Shareholders in Ørsted A/S, proposed dividends for the financial year	4,414	4,099
Shareholders in Ørsted A/S, retained earnings	(1,526)	(1,512)
Interest payments and costs, hybrid capital owners of Ørsted A/S	675	425
Profit (loss) for the year	**3,563**	**3,012**

6. Property, plant and equipment

Property, plant and equipment, DKKm	Land and buildings
Cost at 1 January 2019	-
Lease assets at 1 January 2019	1,498
Cost at 31 December 2019	**1,498**
Depreciation and amortisation at 1 January 2019	-
Depreciation and amortisation	146
Depreciation and amortisation at 31 December 2019	**146**
Carrying amount at 31 December 2019	**1,352**
Value of leased assets	**1,352**

Effective from 1 January 2019, we have implemented IFRS 16 'Leases', see note 1 'Basis of reporting'.

We have entered into leases for office premises, primarily in Gentofte (expiring in 2028).

We have entered into operating leases with subsidiaries for sublease of office premises.

In 2019, an amount of DKK 106 million was recognised (2018: DKK 97 million) in profit (loss) for the year in respect of rental income.

7. Investments in subsidiaries

Investments in subsidiaries, DKKm	2019	2018
Cost at 1 January	41,825	41,762
Additions	27	63
Disposals	(1,501)	-
Cost at 31 December	**40,351**	**41,825**
Value adjustments at 1 January	(1,400)	-
Impairment losses	(2,101)	(1,400)
Value adjustments at 31 December	**(3,501)**	**(1,400)**
Carrying amount at 31 December	**36,850**	**40,425**

Note 8.5 of the consolidated financial statements contains a complete overview of subsidiaries, etc.

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 2019 gave rise to an impairment of DKK 2,101 million (2018: DKK 1,400 million) based on the individual subsidiaries recoverable amounts.

8. Receivables from subsidiaries

Non-current receivables from subsidiaries, DKKm	2019	2018
Cost at 1 January	55,131	48,706
Additions	50,844	17,641
Disposals	(14,136)	(11,216)
Cost at 31 December	**91,839**	**55,131**

Our Service Operations Vessel (SOV), Edda Mistral, at Hornsea 1, North Sea, UK.

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, USD and EUR. The value of the fair value hedge offset in the income statement amounted to DKK 730 million (2018: DKK 263 million).

Derivatives at the end of December 2019 mature as follows: 2020: DKK -459 million, 2021: DKK -175 million, after 2021: DKK -225 million (2018: 2019: DKK -99 million, 2020: DKK -268 million, after 2020: DKK 147 million).

	2019		2018	
Overview of derivative positions, DKKm	Contractual principal amount	Market value	Contractual principal amount	Market value
Interest derivatives	4,431	(85)	6,588	(39)
Currency derivatives	26,727	(774)	17,623	(181)
Total	**31,158**	**(859)**	**24,211**	**(220)**
Assets		**4,260**		**3,102**
Equity and liabilities		**(5,119)**		**(3,322)**

See note 7.1 to the consolidated financial statements and the management's review on pages 60-63 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'.

Securities, DKKm	2019	2018
Securities, available for us	15,795	24,407
Securities, not available for use	-	333
Total securities	**15,795**	**24,740**

Securities not available for use in 2018 was used as collateral for repo loans and trading in financial instruments.

11. Loans and borrowings

At 31 December 2019, we had issued hybrid capital with a total notional amount of DKK 14,019 million (2018: DKK 13,432 million). The hybrid bonds have a 1,000-year term and expire as follows: DKK 5,230 million in 3013, DKK 570 million in 3015, DKK 3,736 million in 3017 and DKK 4,483 million in 3019, respectively.

The long-term portion of bank loans and issued bonds amounted to DKK 31,808 million at 31 December 2019 (2018: DKK 23,482 million), of which DKK 24,938 million (2018: DKK 16,376 million) fall due in more than five years.

The long-term portion of lease debt amounted to DKK 1,272 million, of which DKK 749 million fall due in more than five years.

12. Other provisions

We have made provisions for non-current liabilities totalling DKK 683 million (2018: DKK 794 million), of which DKK 82 million fall due within 1 year, DKK 563 million fall due in 1-5 years, and DKK 38 million fall due in more than 5 years. The liabilities concern the divestment of our Oil & Gas business which was closed in 2017.

13. Contingent liabilities

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, farmdowns and other M&A transactions as wall as secondary liability on decommissioning of offshore installations related to the divestment of the Oil & Gas business, etc.

Ørsted A/S also acts as guarantor or surety provider with primary liability for bank liabilities in certain subsidiaries. This includes guarantees provided 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 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 2.6 'Employee costs' and 2.7 'Share-based payment' in the consolidated financial statements.

Our related-party transactions are made on arm's length terms.

15. Auditor's fees

Auditor's fees, DKKm	2019	2018
Statutory audit	2	2
Tax and VAT advice	-	1
Total fees to PwC	**2**	**3**

16. Ownership information

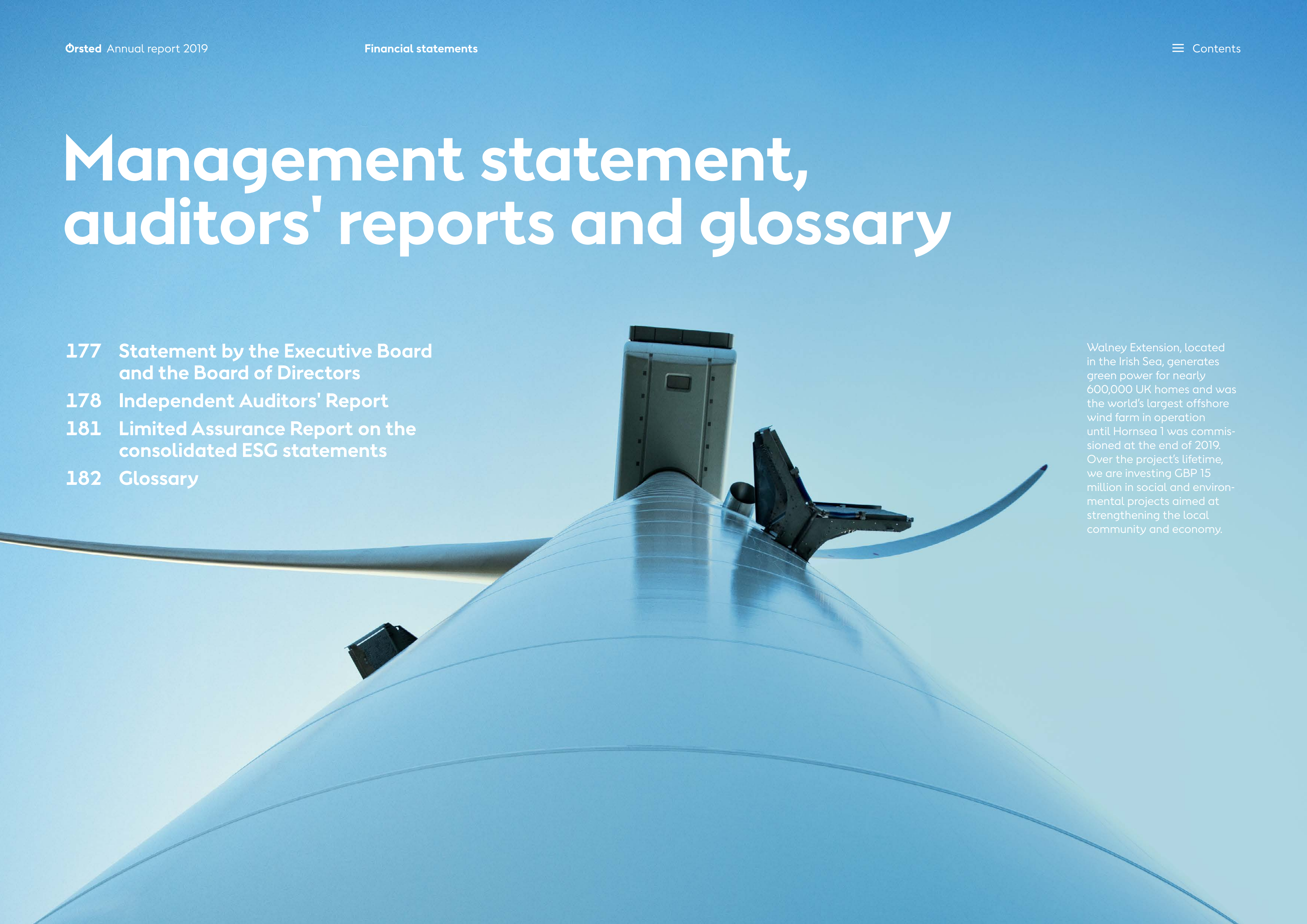
Ownership information 31 December 2019	Registered office	Ownership interests	Voting share
The Danish state represented by the Danish Ministry of Finance	Copenhagen K, Denmark	50.12%	50.64%
SEAS-NVE A.M.B.A.	Svinninge, Denmark	7.28%	7.35%
The Capital Group Companies, Inc.	Los Angeles, USA	-	5-10%[1]

[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%. Difference between ownership interests and voting shares arises when power of attorney is issued.

In connection with SEAS-NVE's acquisition of our Danish power distribution, residential customer and city light businesses, SEAS-NVE stated an intention to reduce its shareholding from 9.54% to a shareholding of approx 5% over the coming 12 months. In both November 2019 and January 2020, SEAS-NVE sold shares equivalent to 2.27% of the shares in Ørsted, bringing their shareholding to 5.01%.

Management statement, auditors' reports and glossary



Walney Extension, located in the Irish Sea, generates green power for nearly 600,000 UK homes and was the world's largest offshore wind farm in operation until Hornsea 1 was commissioned at the end of 2019. Over the project's lifetime, we are investing GBP 15 million in social and environmental projects aimed at strengthening the local community and economy.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the annual report of Ørsted A/S for the financial year 1 January - 31 December 2019.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. The financial statements of the parent company, Ørsted A/S, have been prepared in accordance with the provisions of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements provide a true and fair presentation of the Group's and the parent company's assets, liabilities and financial position at 31 December 2019 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 2019.

In our opinion, the management's review provides a true and fair presentation 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 consolidated ESG statements ('Additional information') represent a reasonable, fair and balanced representation of the Group's social responsibility and sustainability performance and are presented in accordance with the stated accounting policies.

We recommend that the annual report be adopted at the annual general meeting.

Skærbæk, 30 January 2020

Executive Board:

Henrik Poulsen
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

Hanne Sten Andersen*

Poul Dreyer*

Benny Gøbel*

* Employee representative

Independent Auditors' Report

To the shareholders of Ørsted A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2019 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2019 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 2019 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2019 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 2019, pp 66 - 157 and 177, 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 2019, pp 166 - 175, comprise 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 ethical 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. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 10 years, including the financial year 2019.

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 2019. 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	How our audit addressed the key audit matter
Construction agreements The accuracy of the revenue recognition related to large construction agreements for offshore wind farms and its presentation in the consolidated financial statements is dependent on complex estimates, such as the forecasted selling price and estimated costs related to the constructions as well as the degree of completion of the offshore wind farms under construction. We focused on this area because the revenue recognised over time with reference to the degree of completion requires significant judgements and estimates by Management. Refer to notes 1.2, 2.2 and 4.2 in the Consolidated Financial Statements.	We reviewed the individual construction agreements for offshore wind farms and challenged the accounting treatment applied by Management. On a sample basis, we tested whether revenue is accurately recorded by challenging the forecasted selling price and estimated costs related to the constructions of offshore wind farms, including the assumptions used, and by evaluating the outcome of previous estimates by agreeing the actual selling price and costs incurred post-year end to the forecasted selling price and estimated costs for the period. We also assessed how the project managers determined that the degree of completion was substantiated by obtaining their calculations and agreeing the inputs to documentary evidence or our independently formed expectation as appropriate.

Statement on Management's Review

Management is responsible for the Management's Review, pp 4 - 65.

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 Statement 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 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 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.

Hellerup, 30 January 2020

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 2019 (consolidated ESG statements) as included on pages 158-165 in the Annual Report of Ørsted A/S for 2019.

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 158-165.

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 2019 on pages 158-165.

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'. 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 158-165, 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 non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

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 2019;
- conducted analytical review of the data and trend explanations submitted by all business units for consolidation at Group level;
- 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 158-165 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 2019.

Our responsibility

We are responsible for:
- planning and performing the engagement to obtain limited assurance about whether consolidated ESG statements for the period 1 January - 31 December 2019 on pages 158-165 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
- reporting our conclusion to the stakeholders of Ørsted A/S.

Hellerup, 30 January 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

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Glossary

Alternating Current (AC): The type of power transported to the utility grid and used in homes.

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.

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.

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.

Direct Current (DC): The type of power generated by our solar panels.

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.

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.

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): Green dark spread 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.

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: 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: Operation and maintenance. The part of our business that operate and maintain 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.

Ramp-up: Generation until an asset has been completed and commissioned.

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.

Thermal generation: Heat and power generated through the combustion of fossil fuels, biomass or waste.

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 1TW. 1TWh is equivalent to 1,000GWh or 1,000,000MWh.

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 for 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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