Ørsted

Annual report 2022

Other reports

Sustainability report 2022

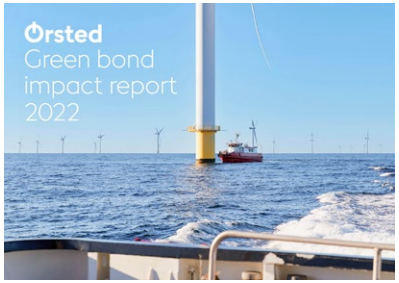
In our sustainability report, you can read more about how Ørsted as a business contributes to addressing some of the challenges faced by society.

ESG performance report 2022

In our ESG performance report, you can read more about Ørsted's environmental, social, and governance indicators.

Remuneration report 2022

In our remuneration report, you will get a transparent and comprehensive overview of the remuneration of our Executive Board and our Board of Directors.



Green bond impact report 2022

In our green bond impact report, you will get an insight into our green bond portfolio. Outstanding green bonds and green hybrid bonds currently account for more than 80% of Ørsted's total portfolio of bonds and hybrid capital.

Statutory corporate governance report 2022

In our statutory corporate governance report, you can read more about how we have incorporated and follow the recommendations prepared by the Danish Committee on Corporate Governance.

Full ESG data overview

Our full ESG data overview (including EU taxonomy) and our accounting policies are available in our annual ESG performance report.

Our work for increased gender diversity at leadership level is reported in accordance with section 99 b of the Danish Financial Statements Act in our ESG performance report 2022 (orsted.com/ESGperformance2022).

By publishing our sustainability report (orsted.com/sustainability2022), we comply with section 99 a of the Danish Financial Statements Act. In the same report, reporting on diversity in accordance with section 107 d of the Danish Financial Statements Act can be seen.

For information concerning section 99 d, see page 59 in the annual report.

Annual reporting 2022

Get an overview of our financial, sustainability, and ESG performance by downloading our reports and investor presentations. See our reports here:

Contents

Management's review

Overview

Performance highlights 5
Letter to our stakeholders 7
Our global footprint 11

Financial outlook

Financial outlook 2023 13
Financial estimates and policies 15

Strategy and business

Becoming the world's leading green energy major 17
Strategic targets 19
Our journey towards a thriving and sustainable future . . . 21
The markets where we operate 27
Business model 30
Executing our strategy 31
Risks and risk management 38

Results

Follow-up on 2022 guidance 43
Results 44
Five-year summary 48
Fourth quarter 49
Quarterly summary, 2021-2022 54

Governance

Message from the Chair 56
Corporate governance 57
Board of Directors 60
Group Executive Team 65
Shareholder information 67

Financial and ESG statements

Consolidated financial statements

Consolidated statement of income 71
Consolidated statement of comprehensive income 72
Consolidated balance sheet 73
Consolidated statement of shareholders' equity 74
Consolidated statement of cash flows 75

Notes

Consolidated ESG statements (additional information)

Basis of reporting 156
ESG performance indicators 157
Accounting policies 160

Parent company financial statements

Income statement 163
Balance sheet 163
Statement of changes in equity 164
Notes 165

Management's statement, auditor's reports, and glossary

Statement by the Executive Board and the Board of Directors 173
Independent Auditor's Reports 174
Independent limited assurance report on the consolidated ESG statements 179
Glossary 181

Overview

5 Performance highlights
7 Letter to our stakeholders
11 Our global footprint

Bob is one of the 80 locally recruited O&M professionals, who will soon be based at our newly opened O&M hub at the Port of Taichung in Taiwan.

The facility was built with locally manufactured, energy-saving, and sustainable materials. It features solar panels, a rainwater recycling system, and charging stations for electric vehicles. The hub will serve the three Greater Changhua offshore wind farms.

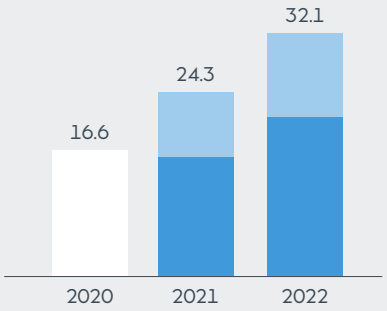
Performance highlights

Profits and returns

Operating profit (EBITDA)
DKKbn

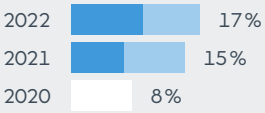
EBITDA was record-high at DKK 32.1 billion. EBITDA excluding new partnerships amounted to DKK 21.1 billion, which compares to our original guidance of DKK 19-21 billion and our latest guidance of DKK 21-23 billion.

32.1



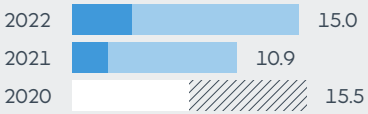
Return on capital employed (ROCE)
%

ROCE was 17% for the year, which was above our target of an average ROCE of approx. 11-12% for the Group in the period 2020-2027. In 2022, ROCE was positively impacted by the 50% farm-downs of Hornsea 2 and Borkum Riffgrund 3.



Profit for the year
DKKbn

Profit for the year was DKK 15.0 billion, DKK 4.1 billion higher than in 2021. The increase was mainly due to the higher EBITDA.

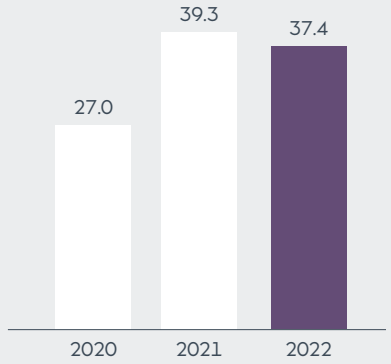


Cash flow and balance sheet

Gross Investments
DKKbn

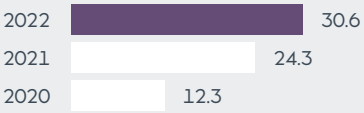
Our gross investments reached DKK 37.4 billion and was driven by our construction of both wind and solar assets.

37.4



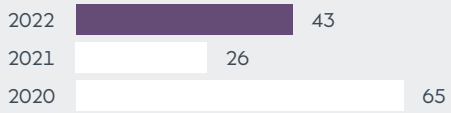
Interest-bearing net debt
DKKbn

Our net debt increased to DKK 30.6 billion. The increase was mainly due to dividend payments of DKK 5.7 billion and higher lease obligations of DKK 1.6 billion, whereas we had net neutral free cash flows.



Credit metric (FFO/adjusted net debt)
%

The credit metric funds from operations (FFO) relative to adjusted net debt amounted to 43% in 2022, above our target of around 25%.



Excl. new partnerships · New partnerships · RBC divestment

Follow up on outlook announced for 2022

21.1

EBITDA, DKKbn
Guidance (2 Feb.) 19-21,
(11 Aug.) 20-22, (3 Nov.) 21-23
Realised

37.4

Investments, DKKbn
Guidance (3 Feb.) 38-42,
(11 Aug.) 43-47, (3. Nov.) 38-42
Realised

With EBITDA excluding new partnerships of DKK 21.1 billion, we ended above our original expectations and within our latest guidance of DKK 21-23 billion. Read more on page 43 where we follow up on our 2022 guidance in detail.

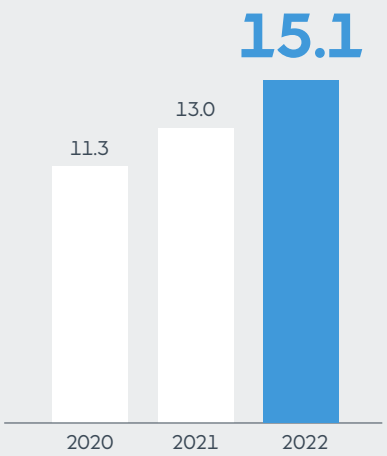
Environment

→

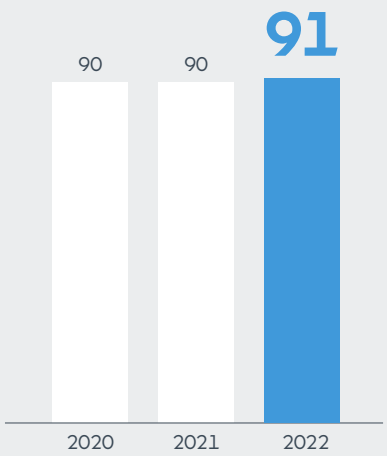
Installed renewable capacity increased by 17 % to 15.1 GW in 2021 due to the commissioning of the offshore wind farm Hornsea 2, the onshore wind farms Haystack, Helena Wind, and Ford Ridge as well as the acquisition of Ostwind in Europe.

The **green share** of our heat and power generation amounted to 91 %. The increase compared to last year was driven by more wind and solar assets in operation and higher wind speeds, partly offset by higher coal-based heat and power generation.

Installed renewable capacity
GW

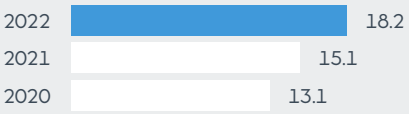


Green share of generation
%



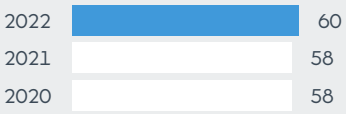
Avoided emissions
Million tonnes, CO_2e

Avoided emissions increased by 21 % due to increased wind- and solar-based generation, partly offset by a decrease in biomass-based heat and power generation.



Greenhouse gas emissions intensity (scope 1 and 2)
CO_2e/kWh

The greenhouse gas intensity from our heat and power generation and other operating activities (scope 1 and 2) was 60 g CO_2e/kWh. The increase was driven by the increased use of coal, partly offset by higher wind and solar generation.



Greenhouse gas emissions, scope 3
Million tonnes, CO_2e

Our scope 3 greenhouse gas emissions were reduced by 40 %, mainly due to a 48 % decrease in gas sales and a 10 % reduction in emissions from commissioning renewable assets.

Social

Safety
Total recordable injury rate (TRIR)

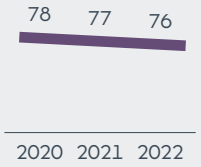
We continue to have a strong focus on the safety and well-being of our employees.

3.1

3.0 in 2021/3.6 in 2020

Employee satisfaction
Index 0-100

Our 2022 employee satisfaction survey, People Matter, showed a high satisfaction and motivation score of 76.



Governance

Nationality and gender diversity of the Board of Directors and the Group Executive Team.[1]

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

Gender

Nationality

1 The illustration includes both the eight members elected by the general meeting and the four members elected by the employees.

Accelerated renewable energy build-out is more needed than ever

Letter to our stakeholders

Our ambition to reach approx. 50 GW of installed renewable capacity by 2030 is more important than ever. The world is facing a climate crisis, and it is indisputable that a transition to a sustainable energy system is needed. In the past decade, global investment in energy supply has slowed down by 2.4% per year across all technologies, indicating a risk of an emerging energy shortage. Especially in Europe, this risk has been worsened by the war in Ukraine. This development has made it evident that renewable energy is the best solution to secure an independent, locally rooted energy supply, and that investments must be accelerated. We are ready to be part of this much-needed accelerated renewable energy build-out.

Our longstanding industry experience in constructing large-scale offshore wind farms and our strong supplier relations give us a competitive edge in the industry, which enables us to maximise joint strengths across our portfolio. We have a well-functioning operating model, which allows us to harvest synergies across markets, regions, and technologies. We want to play a key role in the future energy systems with a focus on three areas: offshore wind, onshore renewables, and P2X (green fuels and e-fuels), and we aim to be a key player in developing multi-technology solutions. Based on our capabilities and experiences and our unique renewable platform, we are ideally positioned to integrate renewable technologies to help shape the future energy market and to cater for the growing customer demand.

However, for the acceleration to be successful, it is crucial that we build green energy right. Our actions should contribute to fully decarbonising the world's energy systems, to revive and rewild our oceans and lands, to respect human rights in everything we do, and to promote just societies and build thriving local communities, based on stable high-quality jobs and local supply chains.

Significant strategic and operational progress

The year 2022 underlined our continued leadership in offshore wind. Despite a challenging year for the industry with continued supply chain bottlenecks and increasing costs of raw materials and components, we are in a robust position for weathering the current volatile market conditions. In 2022, we achieved significant strategic results across our business, and it keeps us ahead of our annual build-out targets towards 2030. We were awarded 2.9 GW of offshore wind capacity and added 1.6 GW of onshore renewables through organic growth and acquisitions. Additionally, we advanced seven projects (1.4 GW) to FID and four projects (2.0 GW) to COD.

This increased our firm capacity to 30.7 GW by the end of 2022 and keeps us well on track to deliver on our 2030 ambition of ~50 GW. Furthermore, we achieved strong operational performance with our assets remaining fully operational and having strong availability rates. Our CHP plants supported the much-needed security of supply in Denmark. Our green share of heat and power generation amounted to 91%.

Thomas Thune Andersen and Mads Nipper in Grimsby, the UK.

In the UK, we were awarded a contract for difference (CfD) for building Hornsea 3, the world's single biggest offshore wind farm, and we commissioned Hornsea 2, the world's largest operating wind farm.

In the US, we continued the development of our portfolio of offshore wind projects off the East Coast. We took FID on South Fork, which is well on track to be commissioned as our first US project late 2023. For Ocean Wind 1, BOEM released its draft environmental impact statement (DEIS), and we continued to

mature the project boundary conditions and secure key supply chain contracts. In January 2023, we signed an agreement to purchase PSEG's 25% equity stake in the project. However, due to supply chain bottlenecks, cost inflation, and higher costs of capital, the value of our US projects with non-inflation-adjusted contracts are under pressure. For our Sunrise Wind project in New York, this led to an impairment. We remain committed to our portfolio, and we are confident we can create value.

The early construction work of two of our German offshore wind farms, Borkum Riffgrund 3 and Gode Wind 3, are both progressing according to plan. In Taiwan, despite challenges, we continued the progress in all areas of the construction of Greater Changhua 1 & 2a and expect to commission the wind farm in H2 2023. We decided not to participate in the third Taiwanese auction as it did not meet our financial threshold.

By partnering with the offshore project developer Simply Blue Group and the minority JV partner Subsea 7 on the 100 MW floating project Salamander in Scotland, we are taking tangible steps into floating offshore wind. Likewise, we signed an agreement and entered into a partnership with Repsol, a global multi-energy company, to explore the joint development of floating offshore wind in the Iberian Peninsula.

We also formed a new partnership with Copenhagen Infrastructure Partners to develop up to 5.2 GW of offshore wind in Denmark across four projects. The partnership aims to accelerate the green transformation, create value in the offshore wind industry, and create a Danish business and export stronghold within renewable hydrogen.

In our onshore business in the US, we took FID on three projects, the wind farm Sunflower in Kansas, the solar PV project Mockingbird in Texas, and the combined solar PV and storage project Eleven Mile in Arizona. The wind part of Helena Energy Center in Texas and the wind farm Haystack in Nebraska were successfully commissioned.

Additionally, we are constructing the solar farm Old 300, which is 78% commissioned, and the solar part of Helena Energy Center. We expect full commercial operation before the end of 2023 for both projects. Furthermore, we acquired the onshore wind farm Ford Ridge in Illinois.

We have taken yet another step within onshore renewables in Europe by completing the acquisition of Ostwind. This acquisition expands our portfolio into Germany and France with a development project pipeline of more than 1.5 GW. In Spain, we marked our entry into the onshore market with four partnerships to pursue early-stage solar and onshore wind projects.

To support our growth ambitions, we effectively recycled our capital by signing and completing two new farm-downs. The farm-down of Hornsea 2 was one of the largest renewable energy M&A transactions ever with a valuation that underpins the attractiveness of our offshore wind assets. In our onshore business, we closed our first-ever agreement to farm down 50% of a portfolio of four onshore projects in the US to Energy Capital Partners. Both transactions secured a NPV retention of around 100% and crystalised value up front, while providing proceeds, which we can reinvest in value-creating growth.

In our P2X business, we took FID on and acquired the remaining 55% of FlagshipONE, a late-stage development project in Northern Sweden. The facility will have an electrolyser capacity of 70 MW and is expected to produce 50,000 tonnes of e-methanol per year based on renewable hydrogen and biogenic carbon. This is Ørsted's first commercial-scale final investment decision within its P2X business and represents a significant milestone in the realisation of our P2X ambitions. It is also the largest e-methanol project under construction in Europe.

We also signed a landmark letter of intent with A.P. Moller-Maersk to deliver 300,000 tonnes of e-methanol to power Maersk's newly ordered e-methanol-powered vessels.

30.7 GW

We increased our firm capacity to 30.7 GW by the end of 2022, which keeps us well on track to deliver on our 2030 ambition of ~50 GW renewable capacity.

This has enabled us to accelerate the development of a 675 MW facility on the Gulf Coast.

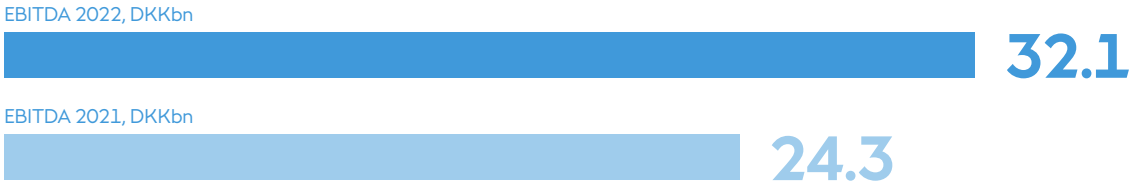
Finally, both our 'Green Fuels for Denmark' project and our Haddock P2X project in the Netherlands received IPCEI funding in 2022.

Financial results

EBITDA including new partnership agreements totalled DKK 32.1 billion in 2022, our highest EBITDA to date, of which the gain from the 50% farm-downs of Hornsea 2 and Borkum Riffgrund 3 amounted to DKK 11.0 billion in total.

EBITDA excluding new partnership agreements amounted to DKK 21.1 billion, an increase of DKK 5.3 billion compared to 2021. We benefitted from our diverse portfolio and achieved significantly higher earnings from our onshore wind and solar PV business, our combined heat and power plants, and our gas activities than expected at the beginning of the year, while earnings in Offshore decreased. The unexpected decrease in Offshore was primarily due to adverse impacts from hedges and delays at our Hornsea 2 and Greater Changhua 1 & 2a construction projects. During the year, we have had to recognise a DKK 1.3 billion negative impact from hedges, which does not fulfil the requirements for hedge accounting under IFRS 9. The effect is temporary and will improve EBITDA in later periods.

The return on capital employed (ROCE) was 17%, and profit for the year amounted to DKK 15.0 billion.



Operating profit (EBITDA) increased by 32 % and amounted to DKK 32.1 billion, our highest EBITDA to date.

The Board of Directors recommends paying a dividend of DKK 13.5 per share, corresponding to DKK 5.7 billion and an increase of 8.0 %.

We expect EBITDA excluding new partnership agreements to be DKK 20-23 billion in 2023, driven by a significant increase in earnings from our operational renewable energy assets partly offset by lower earnings from our CHP plants and gas business compared to 2022. We remain confident in our long-term financial estimates and growth ambitions.

Continued sustainability leadership

In 2022, we launched additional commitments, initiatives, and pilots, which are needed to deliver on our medium- and long-term targets. In addition to initiatives related to our net-zero emissions target, we have acted on our commitment to deliver a net-positive biodiversity impact from all our new energy assets from 2030 at the latest and our aspiration to drive a just transition. Our 98 % carbon reduction target for 2025 remains unchanged. However, we will not see steep emission reductions from energy generation in 2023-2024, since we have been ordered by the Danish authorities to continue operations of our coal-fired power stations until June 2024.

We are proud founding members of the First Movers Coalition steel and concrete sectors. In 2022, together with only four other leading companies, we agreed to further accelerate the decarbonisation of our supply chain, by procuring at least 10 % 'near-zero' concrete by 2030. With this, we aim to pool our purchasing power and create early market demand for near-zero concrete.

Since 1970, 70 % of the world's wildlife have been lost, and projections show that biodiversity will continue to decline if we maintain business as usual. We have started a range of initiatives, and in 2022, we launched an international partnership with WWF. The partnership will help us achieve our ambition and develop innovative ocean projects across our markets. In an ambitious new project, we have partnered with the Lincolnshire and Yorkshire wildlife trusts to restore biodiversity around the Humber in Northern England. Additionally, we will protect almost 1,000 acres of native prairie as part of our Mockingbird solar PV project in the US together with The Nature Conservancy.

Building renewable energy comes with the opportunity to provide high-value jobs and drive a socially just transformation of our industry. We want to do both.

We are expanding our thriving communities programme to make sure we have a robust impact management system in place, which is geared towards delivering local, social, and economic value.

Selected events 2022

February

Offshore wind farm South Fork, New York, FID (130 MW), COD expected in 2023

March

Letter of Intent signed with A.P. Moller - Maersk to deliver 300,000 tonnes of e-methanol from a US asset currently under development.

Onshore wind farm Haystack, Nebraska, commissioned (298 MW)

April

Acquisition of majority stake (80 %) in 100 MW Salamander floating offshore wind development project on the Scottish coast

Partnership entered with Repsol to explore the joint development of floating offshore wind in Spain

Onshore wind farm Sunflower, Kansas, FID (201 MW), COD expected in H1 2023

May

Agreement signed to acquire the onshore wind farm Ford Ridge, Illinois (121 MW)

June

Onshore wind part of Helena Energy Center, Texas (268 MW), commissioned

July

CfD awarded to Hornsea 3 Offshore Wind Farm, the UK, (2,852 MW)

August

Offshore wind farm Hornsea 2 commissioned (1,320 MW)

September

Closing of 50 % farm-down of the offshore wind farm Hornsea 2

Completed acquisition of Ostwind, a French-German onshore renewable energy platform

October

Partnership entered with CIP to develop ~5.2 GW of offshore wind in Denmark

Agreement closed to farm down 50 % of four onshore projects in the US to Energy Capital Partners

Eleven Mile solar PV and storage project, Arizona, FID (300 MW_{AC}, 300 MW), COD expected in 2024

December

Mockingbird solar PV project, Texas, FID 471 MW_{AC}, COD expected in 2024

E-methanol project FlagshipONE, Sweden, FID, COD expected in 2025

Haddock P2X project, the Netherlands, received IPCEI funding

'Green Fuels for Denmark' P2X project received IPCEI funding

As a first in the US, together with North America's Building Trades Unions (NABTU), we announced an agreement to construct offshore wind farms with an American workforce. In Choczewo in Poland, we have set up a community fund to support local sustainable development opportunities, and as part of Sunrise Wind in New York, we will recruit and train workers from marginalised communities for union construction careers.

To support our journey, we will ensure that sustainability is embedded in the core of how we do business. This entails a corporate governance that enables the right decisions. In 2022, we took this further. Following implementation for the leadership team in 2022, we adjusted our short-term incentive (STI) scheme for all participating employees, effective from 2023. The new STI supports a stronger link to our 2030 aspirations, including global sustainability leadership, and ensures that sustainability is further integrated in our operating model.

Our employees and our organisation are the backbone of our success

In a challenging and highly volatile year, our skilled and valued employees have navigated this complexity well and managed to deliver strong strategic progress and record results for Ørsted. Our success is only possible through them, and we care deeply about all our colleagues and our joint safety. In 2022, our employee satisfaction survey showed a motivation and satisfaction score of 76 out of 100. Although this is a high score well above our external benchmark for comparable companies, we aim even higher, and we will continue to improve the well-being of our employees.

Having a strong focus on safety is anchored in our organisation in terms of both protecting the physical conditions of our employees and securing a psychologically safe workplace. In 2022, our total recordable injury rate (TRIR) reached 3.1, up from 3.0 in 2021, mainly due to recordable injuries for contractors' employees. We are not satisfied with this development. Consequently, we have implemented several initiatives to improve safety, and we remain focused on our ambition of reaching a TRIR of 2.5 in 2025.

As we expand our global footprint, we experience increasingly different local market requirements. Therefore, as of November 2022, we implemented a new organisational structure, which is rooted in local regions while leveraging the synergies of a global organisation. With this new structure, integrating our offshore and onshore renewables organisations and making P2X a stand-alone business, we are moving closer to our markets and our customers. Consequently, there were changes to our Group Executive Team, including new regional executives.

Committed to our ambition

In 2022, an energy crisis was added to the global climate and biodiversity crises. Renewable energy has proven to be significantly cheaper than any fossil fuel alternative, even with higher prices, and it has furthermore proven to be the best possible insurance policy to avoid future energy price increases like those seen last year.

Therefore, action must be taken to increase the pace of the necessary investments in renewable energy. In the US, an important step has been initiated by introducing the US Inflation Reduction Act. It provides USD 385 billion in funding for renewable energy generation, renewable hydrogen production, and climate risks over the next ten years. In the EU, the European Commission is planning a Net-Zero Industry Act, which will be aligned with the 2050 climate targets and provide significant opportunities for the renewable energy sector.

We need to push regulatory and political barriers to focus on fast and streamlined permitting processes, which today continue to represent a major bottleneck within our industry. We are pleased to note that discussions around permitting are ongoing in our major markets.

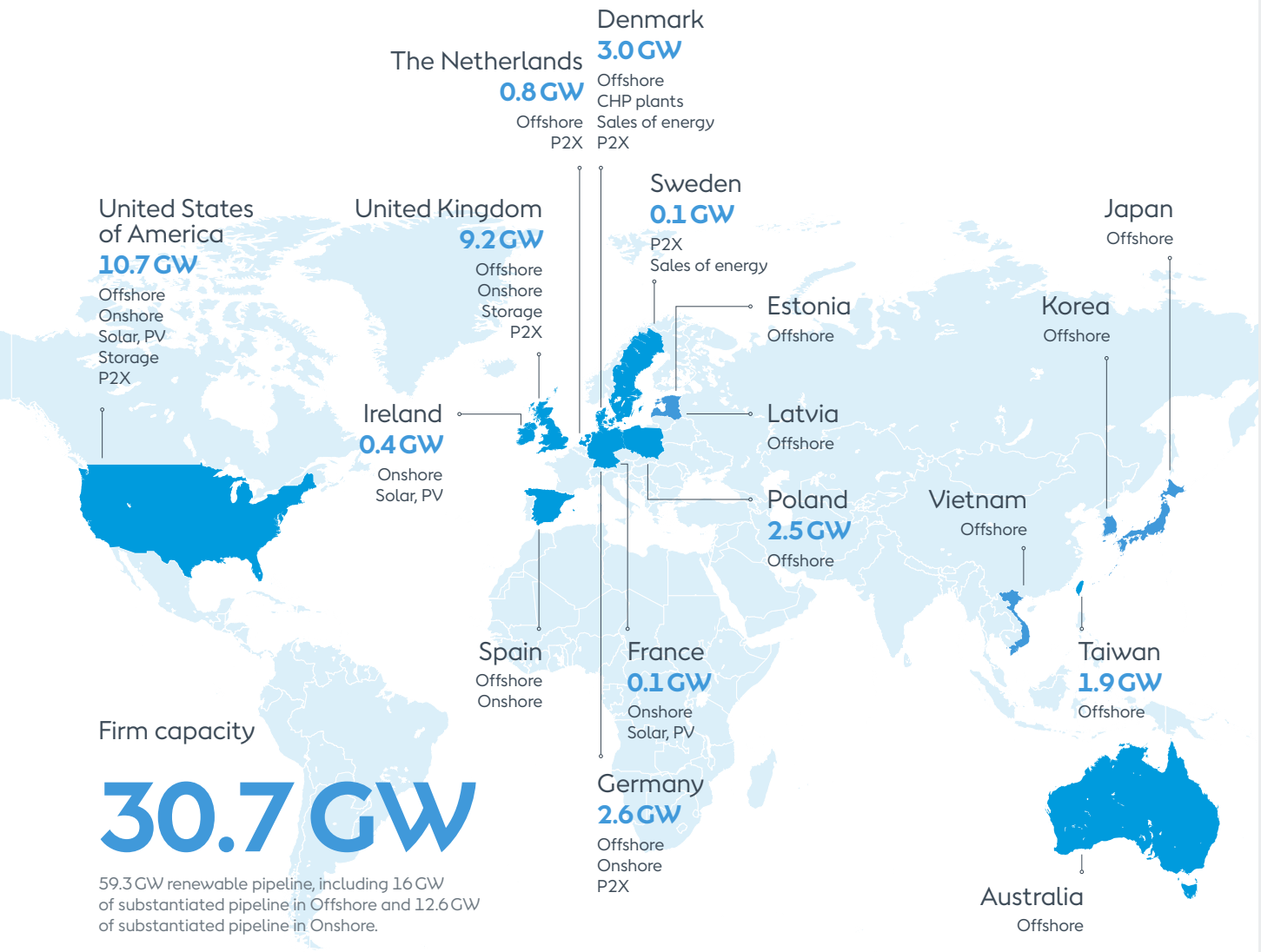
In light of supply chain bottlenecks, inflation, and increasing cost of capital, it is also essential that countries and states are willing to pay realistic long-term prices for renewable power. We will uphold the necessary financial discipline to ensure our projects are profitable. Furthermore, we need to push for increased focus on the societal value provided by renewables to secure a sustainable build-out of the industry and for future auction frameworks to include factors like efficient system integration, biodiversity, and the restoration of nature to the benefit of local communities.

We believe it can be done, and we, at Ørsted, are well-positioned to continue to play a pivotal role in the accelerated build-out needed in the coming years.

Mads Nipper
Group President and CEO

Thomas Thune Andersen
Chair of the Board of Directors

Our global footprint



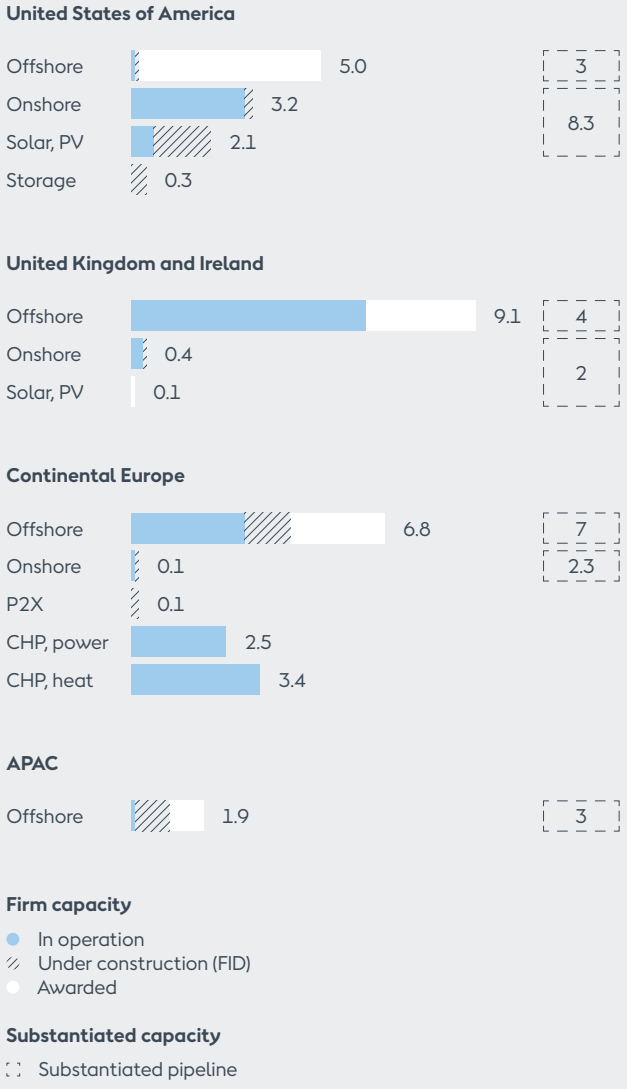
Firm capacity

30.7 GW

59.3 GW renewable pipeline, including 16 GW of substantiated pipeline in Offshore and 12.6 GW of substantiated pipeline in Onshore.

Capacity

GW



Financial outlook

13 Financial outlook 2023
15 Financial estimates and policies

Our onshore wind and solar PV footprint in Europe just got bigger. In 2022, we acquired the German-French developer, owner, and operator Ostwind – and with it, 152 MW onshore wind and solar PV in operation and under construction in France and Germany, with a further 1.5 GW in development.

This follows our acquisition of an onshore wind platform in the UK and Ireland in 2021 and our recent entry into the Spanish onshore wind market.

Financial outlook 2023

Group EBITDA guidance

As in previous years, our EBITDA guidance does not include earnings from new partnership agreements.

Operating profit (EBITDA) excluding new partnership agreements is expected to be DKK 20-23 billion in 2023.

We have expanded our guidance range from previously DKK 2 billion to DKK 3 billion due to the increasing energy market volatility. As in 2022, we could see offsetting effects between the business units compared to our directional guidance.

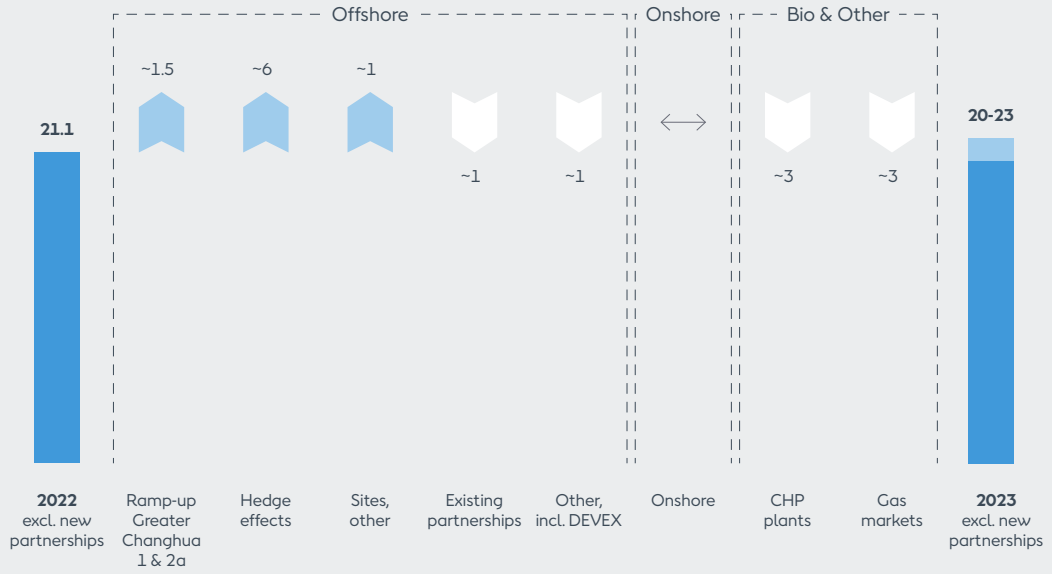
Offshore - significantly higher

Earnings in Offshore (excluding new partnership agreements) are expected to be approx. DKK 6.5 billion higher than in 2022.

The net positive impact on EBITDA in 2023 is driven by:

- ramp-up of generation from Greater Changhua 1 & 2a, which is expected to be commissioned in H2 2023
- negative impact from overhedging and ineffective hedges in 2022 not expected to be repeated in 2023
- CfD and ROC farms getting a material inflation adjustment in Q2-Q4 2023
- net higher generation from Hornsea 2 and lower balancing costs but higher OPEX and lower expected trading results
- minor earnings from existing partnerships in 2023
- an expected DKK 0.8 billion increase in costs related to project development, P2X, and general costs.

Guidance on 2023 EBITDA without new partnerships
DKKbn



Outlook 2023 DKKbn	2022 realised	2023 guidance
EBITDA (without new partnerships)	21.1	20-23
Offshore (without new partnerships)	8.6	Significantly higher
Onshore	3.6	In line
Bioenergy & Other	8.6	Significantly lower
Gross investments	37.4	50-54

Our EBITDA guidance for the Group is the prevailing guidance, whereas the directional earnings development per business unit (and components) serves as a means to support this. Higher and lower indicate the direction of the business unit's earnings relative to the results for 2022.

Onshore - in line

Earnings from onshore wind and solar farms in operation are expected to be in line with earnings in 2022 due to:

- ramp-up of generation from the wind part of Helena Energy Center, Old 300, Sunflower, Haystack, and Ford Ridge
- full-year earnings from Ostwind, which was acquired in Q3 2022
- total power generation expecting to increase with approx. 15%
- lower expected power prices in the US and price caps in Ireland
- an expected DKK 0.2 billion increase in project development and general costs.

Bioenergy & Other - significantly lower

Earnings from both our CHP plants (including ancillary services) and 'Gas Markets & Infrastructure' are expected to be approx. DKK 6 billion lower than in 2022.

In 2022, our CHP plants benefitted from the very high power prices and spreads, which are not expected to be repeated to the same extent in 2023.

In 2022, earnings in 'Gas Markets & Infrastructure' saw a positive effect from optimising our north-western European gas activities, where we were able to lock in gains from the offtake flexibility in some of our sourcing contracts and at gas storages. In addition, we had a positive effect from release of a provision related to our B2B activities in the UK. In 2023, we expect earnings to be fairly limited, reflecting normal margins on these activities, lower volumes, and a negative timing impact related to our Danish gas storage activities.

Gross investments

Gross investments for 2023 are expected to amount to DKK 50-54 billion, mainly driven by:

- Offshore (Greater Changhua 2b & 4, Greater Changhua 1 & 2a, Borkum Riffgrund 3 and Gode Wind 3, Ocean Wind 1, and our US North-ast cluster projects)
- Onshore (Eleven Mile, Mockingbird, and projects from our substantiated pipeline in both the US and Europe)
- timing effects between years (lower level in 2022, postponed to 2023).

Uncertainties, prices, and hedges

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

The part of our generation from offshore and onshore assets which is exposed to market prices has, to a large extent, been hedged for 2023. The same applies to our currency risks. Generation from our CHP plants is partly hedged. On a Group level, we hold a hedge level of around 70% for 2023.

The most significant uncertainty to the operating profit in 2023 is the power generation, which depends on wind conditions, ramp-up of new wind and solar assets, asset availability, timing of possible farm-downs, and the attractiveness of spreads on our CHP plants. In addition, high gas and power price volatility could impact earnings for the year through optimisation possibilities at our gas storage and sourcing contracts as well as higher balancing and intermittency costs.

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, inflation rates, and interest rate markets, changes in legislation, regulations, or standards, the renegotiation of contracts, changes in the competitive environment in our markets, and reliability of supply.

Read more about the risks in the chapter on 'Risks and risk management' and in note 6.

Financial estimates and policies

Capital Markets Day 2023

On 8 June 2023, we will host a Capital Markets Day (CMD). Together with the Group Executive Team, CEO Mads Nipper will present a progress update on our long-term strategy.

Financial estimates

At our Capital Markets Day in June 2021, we presented four key financial estimates to support our ambitious self-funded build-out of approx. 50 GW of renewable capacity by 2030. The financial estimates cover (see details in the table to the right):

- spread to WACC on investments
- EBITDA CAGR for operating offshore, onshore, and P2X assets
- ROCE
- share of EBITDA from regulated and contracted activities.

As a consequence of supply chain disruptions in the wake of the COVID-19 pandemic, cost inflation, and prolonged permitting processes, especially in the US, the gross investments from 2020 to 2027 to enable our 50 GW build-out are currently trending higher than the approx. DKK 350 billion we had planned for. However, if the inflation and energy price levels remain at elevated levels, these factors will positively impact our EBITDA CAGR and ROCE in the period and lead to an increase in the relative share of EBITDA that is merchant. Notwithstanding the higher trending CAPEX, we remain committed to our CMD plan.

Financial policies and capital allocation

The Board of Directors will recommend to the annual general meeting that a dividend of DKK 13.5 per share be paid for 2022, equating an increase of 8.0 % and a total of DKK 5.7 billion.

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

We will continue to invest our capital according to the following principles, in order of priority:

- We will maintain our strong commitment to our credit ratings (BBB+/Baa1).
- We will honour our dividend commitment to our shareholders.
- We will invest in value-creating growth opportunities.

Authorisation to increase share capital

At the annual general meeting in 2022, we were authorised to increase our share capital on one or more occasions until April 2027. The authorisation allows for a capital increase of up to 20 %, which can significantly expand our capacity to invest in green growth beyond the ~50 GW of installed renewable capacity towards 2030.

Financial estimates	Target	Year
Fully loaded unlevered lifecycle spread to WACC at the time of bid/FID	150-300 bps	Continuous
Average yearly increase in EBITDA from offshore and onshore assets in operation	~12 %	2020-2027
Average return on capital employed (ROCE)	11-12 %	2020-2027
Average share of EBITDA from long-term regulated and contracted activities	~90 %	2020-2027

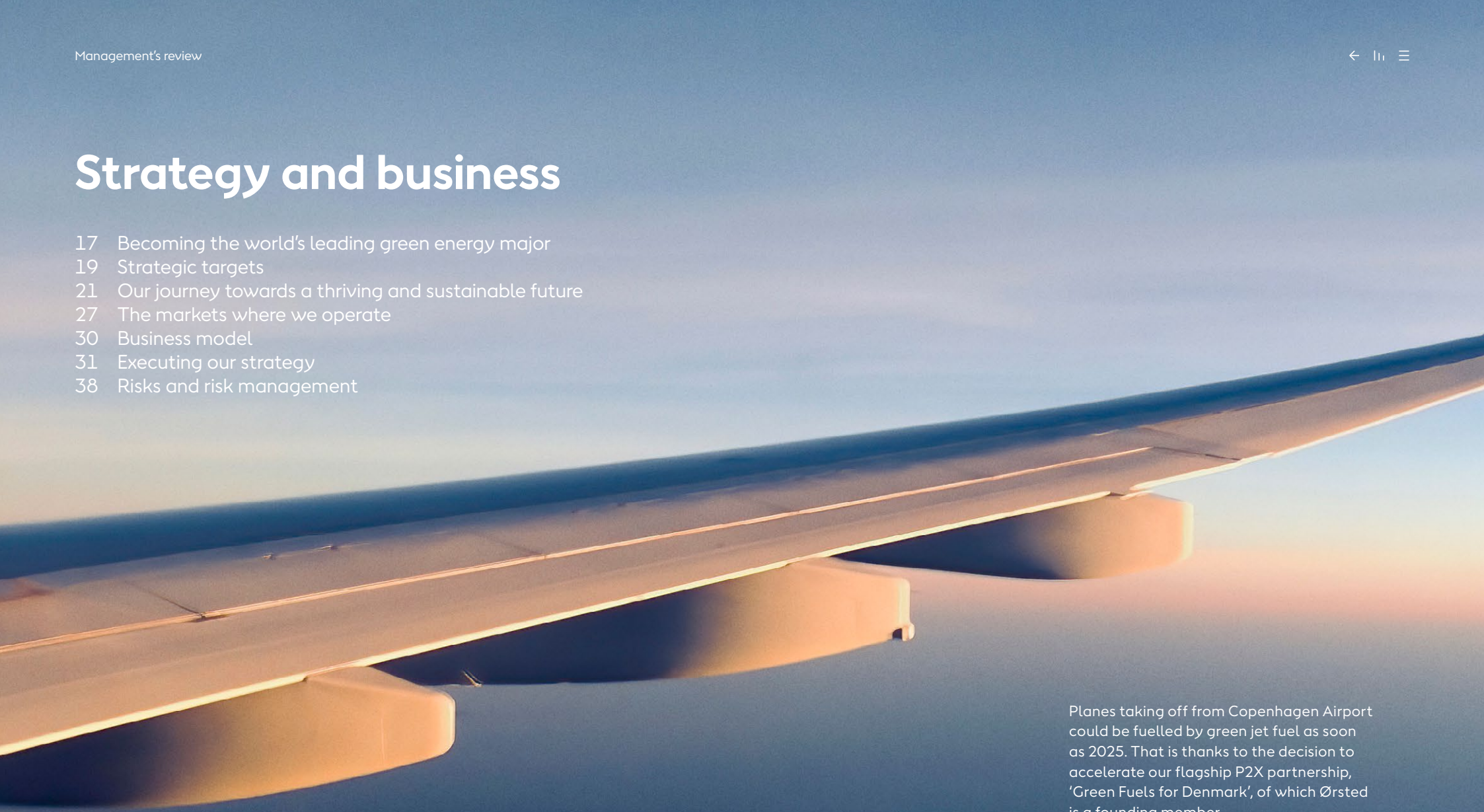
Read more about our key metrics, financial targets, and policies in the presentation from our Capital Markets Day at orsted.com/en/capital-markets-day-2021

Financial policies	
Rating	Min. Baa1/BBB+/BBB+ (Moody's/S&P/Fitch)
Capital structure	~25 % (FFO/adjusted net debt)
Dividend policy	Ambition to increase the dividend paid by a high single-digit rate compared to the previous years' dividends, covering the period through 2025

Our current rating is in accordance with the policy.

Strategy and business

17 Becoming the world's leading green energy major
19 Strategic targets
21 Our journey towards a thriving and sustainable future
27 The markets where we operate
30 Business model
31 Executing our strategy
38 Risks and risk management



Planes taking off from Copenhagen Airport could be fuelled by green jet fuel as soon as 2025. That is thanks to the decision to accelerate our flagship P2X partnership, 'Green Fuels for Denmark', of which Ørsted is a founding member.

The project aims to establish large-scale production of sustainable fuels for the transport sector, using electrolysis powered by Ørsted's offshore wind assets along with carbon captured from our biomass operations.

Becoming the world's leading green energy major

We are working towards our vision of a world that runs entirely on green energy, and we see ourselves as playing a leading role in achieving this vision. Therefore, we have set a bold strategic aspiration, supported by our strong multi-technology growth platform.

Strategic aspiration

In 2021, we set our strategic aspiration to become the world's leading green energy major by 2030. Our strategic aspiration is not just about gigawatt capacity. Rather, it means reaching leading positions across five pillars.

The first pillar is our aim to be one of the world's largest green electricity producers. This will require us to significantly increase our installed renewable energy capacity. Our ambition is to reach approx. 50 GW by 2030, which is more than three times our current installed capacity of 15.1 GW (across offshore wind, onshore wind, solar PV, P2X, energy storage, and combined heat and power plants). As part of this ambition, we want to maintain our global leadership in offshore wind, and we want to be a significant player globally within onshore renewables (which includes onshore wind, solar PV, and energy storage). Furthermore, our ambition encompasses a leading position in the global P2X market; renewable hydrogen and green fuels are central to resolving the most challenging elements of the energy transition, decarbonising hard-to-electrify sectors. Our renewable energy development expertise, customer relationships, and proven experience in managing complex projects will be a significant advantage in this rapidly evolving market.

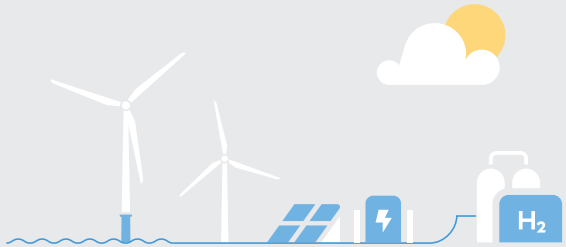
The second pillar relates to capital deployment. Our ambition is to be one of the world's largest and most value-creating deployers of capital into the green transformation. While offshore wind remains our largest investment area, onshore renewables and P2X will gradually take up a larger share.

The third pillar is our ambition to be the world's leading talent platform in renewable energy. We want to bring together a diverse combination of perspectives and competences to help us deliver on our vision. We believe that talent is diverse by nature, and it is essential to foster an inclusive culture to reap the benefits of a diverse talent pool.

The fourth pillar covers our ambition to be a globally recognised sustainability leader. Sustainability is at the core of our business. Both because renewable energy is crucial for tackling climate change and protecting our environment, and because we insist on a renewable build-out that is done right. We want to leverage the full potential of renewable energy to create lasting positive impact that contributes to reviving nature, promoting just societies, and creating resilient jobs. We want to do so because it is the right thing to do, but also because it

Vision

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



2030 aspiration

Become the world's leading green energy major

One of the world's largest green electricity producers

Global no.1 in offshore wind

Significant player in onshore renewables

A global leader in P2X

One of the world's largest and most value-creating **deployers of capital** into the green transformation

The world's **leading talent platform** in renewable energy

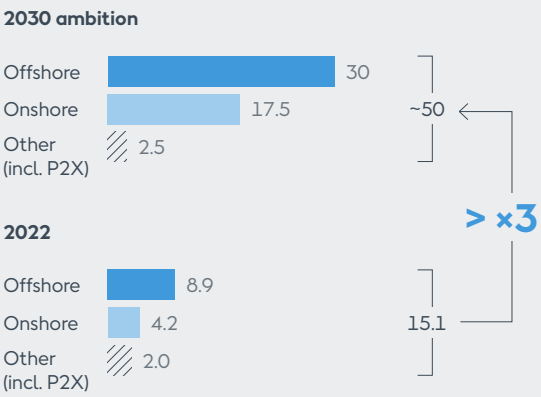
A globally recognised **sustainability leader**

A core contributor and **catalyst for change** towards a world running entirely on green energy

Our growth platform

Gross installed capacity

GW



is the right direction for Ørsted to take to create lasting value for our stakeholders and business. To build a truly resilient business and supply chain, we need to integrate sustainable and reliable solutions into everything we do. And we need to do it now.

Finally, we have set an ambition to be a core contributor and catalyst for change towards reaching our vision of a world that runs entirely on green energy.

We want to set new and ambitious standards for what it means to be a green energy major, and we want to lead by example in the energy industry and beyond. As part of this, we will continue to engage with stakeholders and decision-makers to build support for and promote action towards our vision.

Ørsted is already working across the industry and playing a vital role in finding common ground for decarbonisation, for example by linking suppliers and offtakers.

To help us track our progress, our strategic aspiration is supported by eight strategic targets, as described under 'Strategic targets' on the next page. For each target, it is also illustrated how the target supports our pillars.

Our work towards our strategic aspiration spans our entire business, and we continue to drive forward our efforts alongside the progress on our strategic targets.

An expanded and diversified growth platform

To reach our 2030 strategic aspiration, we are expanding and globalising our growth platform. Over the last year, we have identified new opportunities, and we now have a strong growth platform for onshore and P2X in both Europe and the Americas. We remain a global leader in offshore wind across Europe, the Americas, and APAC. We are continuously identifying new opportunities with both short- and long-term potential across our growth platform.

In offshore wind, we have expanded our market presence since 2021. We commissioned the world's largest offshore wind farm, Hornsea 2 in the UK, and we are acting to expand our market footprint in growth markets, such as the Nordics, the Baltics, Spain, Korea, Japan, Vietnam, and Australia. As part of our expansion, we want to play a significant role in enabling the commercialisation of floating offshore wind, which we see as an important technology for the build-out of renewables in deep water geographies. In order to reach our 2030 target of 30 GW installed offshore capacity, our annual build-out target is 2 GW per year towards 2025 and 3 GW per year towards 2030.

In onshore renewables, we have taken significant steps over the last year. In the US, we took FID on three new projects. With our acquisition of Ostwind (with an attractive pipeline covering Germany and France) as well as multiple new partnerships in Spain, we have built a strong growth platform in Europe. We are continuing to identify opportunities to further scale our onshore presence and build our onshore renewables capacity. In order to reach our 2030 target of 17.5 GW installed onshore capacity, our annual onshore build-out target is 1.5 GW per year towards 2030.

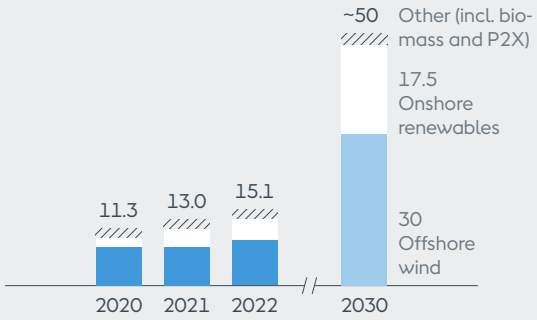
Our P2X business is the most recent addition to our growth platform. We see hydrogen and e-fuels as a key component of the green transition and a major growth area for our business. We are continuously developing and maturing our +3 GW global pipeline of renewable hydrogen and e-fuels projects, and in 2022, we took FID on FlagshipONE and expanded into North America.

Strategic targets

● Target

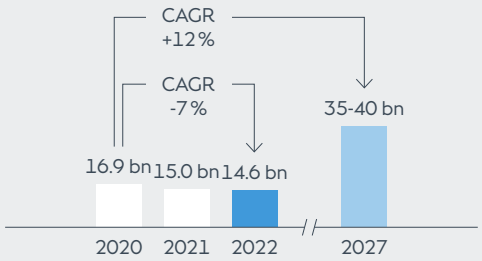
2030 aspiration

- One of the world's largest green electricity producers
- Value-creating deployer of capital
- Leading talent platform
- A globally recognised sustainability leader
- A catalyst for change



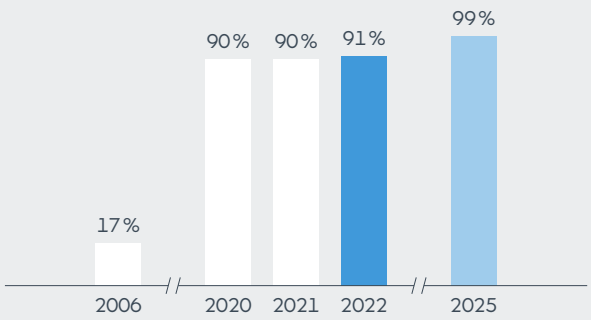
1. Installed green capacity
GW

By 2030, our ambition is to have a gross installed renewable capacity of approx. 50 GW. By the end of 2022, we had reached 15.1 GW of global renewable capacity installed, 4.3 GW under construction, and 11.2 GW awarded.



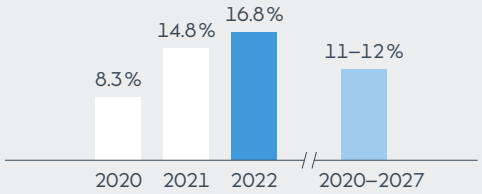
3. EBITDA growth from operating offshore and onshore assets
%

Our target is to increase EBITDA from our offshore and onshore assets in operation by an annual average of 12% between 2020 and 2027. Between 2020 and 2022, we reached an annual average growth of -7%. The decline in 2022 is temporary.



2. Green share of generation
%

We intend to do everything within our control to meet our target of having 99% green share of generation by 2025. However, our intermediate target in 2023 of a 95% green share cannot be met following orders from the Danish authorities to extend operation of three of our coal- and oil-fired power stations in order to secure the electricity supply in Denmark.

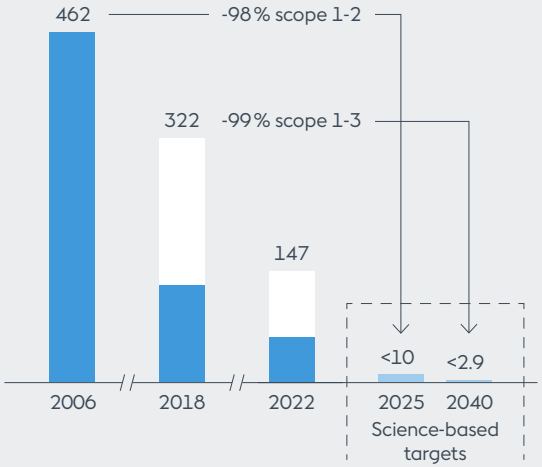


4. ROCE
%

Our target is an average annual return on capital employed (ROCE) of 11-12% from 2020 to 2027. In 2022, our ROCE of 16.8% was positively impacted by the 50% farm-downs of Hornsea 2 and Borkum Riffgrund 3.

2040 net-zero full value chain decarbonisation target

Our science-based net-zero target, which was approved by the Science Based Targets initiative (SBTi) in October 2021, consists of two overall GHG reduction targets (5 and 6) and a limit on the use of certified carbon-removal projects for neutralising residual emissions.

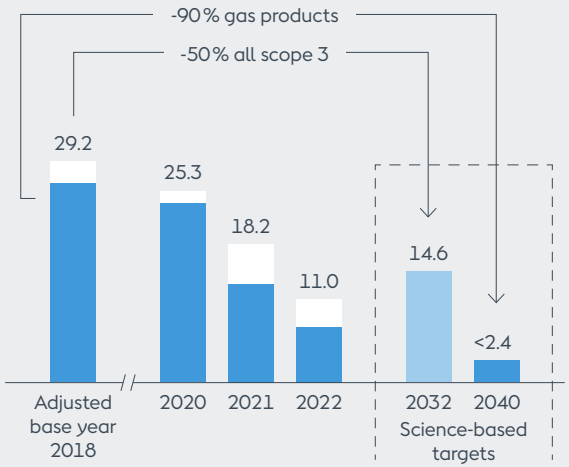


5. Greenhouse gas emissions intensity g CO_2e/kWh

- Scope 1-2
- Scope 3

Our target is to reduce our scope 1-3 GHG emissions intensity (excl. natural gas sales) by 99% compared to 2018, implying a reduction of the emissions intensity to 2.9 g CO_2e/kWh by 2040.

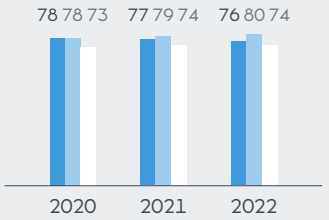
For scope 1-2, we have an additional target to reduce emissions to less than 10 g CO_2e/kWh by 2025, which will be 98% lower than in 2006, and to less than 1 g CO_2e/kWh by the end of 2040. We are committed to using certified carbon-removal projects as a means of neutralising the residual emissions.



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

- Natural gas sales
- Total scope 3
- Other scope 3 emissions

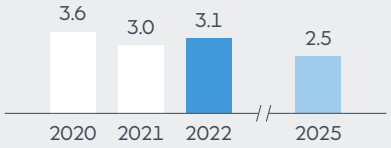
We want to reach a 50% reduction in scope 3 emissions from 2018 to 2032. In addition, we will reduce our scope 3 emissions from wholesale buying and selling of natural gas by 90% by 2040 (also compared to 2018). In 2022, we reduced scope 3 emissions beyond our 50% reduction target for 2032. This was due to generally lower demand for gas following Russia's invasion of Ukraine and ceased deliveries from our gas sourcing contract with Gazprom Export. We expect our scope 3 emissions to increase again in 2024 once the Tyra gas field is reopened, and DUC resumes delivery to us under our long-term gas sourcing contract.



7. Employee satisfaction index 0-100

- Ørsted
- Ennova benchmark top 10%
- Ennova benchmark

Our target on employee satisfaction is to be in the top 10% in external benchmarks. In 2022, the overall 'motivation and satisfaction' score among our employees dropped slightly to 76 out of 100.



8. Safety TRIR

Our target is to reduce the total recordable injury rate (TRIR) to 2.5 in 2025. In 2022, our TRIR was 3.1. We continue to strive to become a safer place to work.

Our journey towards a thriving and sustainable future

Green energy is the most impactful solution for fighting global heating, and in our race against time, we need to build it now. Yet, we must also build green energy right to ensure we deliver a low-emission energy system that contributes to a just and thriving planet. At Ørsted, we aspire to run a business that gives more to nature and society than it takes, and we will continue to partner with companies, customers, NGOs, and others who share our aspiration to create lasting positive impact.

Build green energy right, now

A massive acceleration of the renewable energy build-out is the single biggest contribution that countries can make towards reducing greenhouse gas emissions and ultimately tackle the dramatic and damaging impacts of global heating.

Yet, it is increasingly apparent that a simplistic approach focusing purely on quick wins and gigawatt numbers will unreasonably stress nature, local communities, working conditions, and supply chains. This is because the build-out requires access to land and sea, which relies heavily on coexistence with other users, nature, and local communities. It requires materials for construction – some of which are scarce or in high demand – and people with the right skills, necessitating a larger workforce and reskilling and upskilling to meet demand. In other words, focusing only on getting the cheapest possible clean power increases the risk of negative impacts on nature and society.

Ultimately, the success of the green transition heavily relies on how we go about it. The world needs a speedy, scalable, and progressive sustainable build-out. One that fully acknowledges and addresses the impacts that climate change and the build-out itself have on nature and societies to create a truly sustainable world that runs entirely on green energy. We need to build green energy right, now.

Giving up business as usual

The acceleration of renewable energy has already made huge strides. Solar and wind power are already the most affordable options for generating electricity in two thirds of the world, and renewables are set to replace coal as the world's leading source of power generation by 2027. But in order to stay below the 1.5°C threshold and avoid catastrophic and irreversible damage, it is time to give up business as usual.

Time to give back more than we take

At Ørsted, we aspire to run a business that gives more to nature and society than it takes. This requires us to integrate solutions to the root causes of some of our biggest societal challenges into our green energy projects, ensuring that the green transformation creates a lasting positive impact on our environment, biodiversity, and social structures.

Our end goal is to build practices that regenerate nature and society. Our actions should contribute to fully decarbonising the world's energy systems – including the more difficult

Cod are top marine predators, making them vital for maintaining the marine ecosystem's delicate balance. We have embarked on a number of projects to help protect and restore cod stocks in the North Sea and, in turn, improve ocean biodiversity.

sectors to decarbonise, like steel, concrete, and shipping – while reviving and rewilding our oceans and lands. They should identify, prevent, mitigate, and remedy any potential adverse human rights impacts in our work, promote just societies, and build thriving local communities based on high-quality jobs and local economic benefits.

"

We work consistently to integrate sustainability across all relevant parts of our operating model

We do not have all the answers, but we are committed to finding them. And we know that to lift this agenda, bold decisions and unprecedented collaborative action are required at all levels of society – within and between industries, businesses, and countries.

Our aspiration enables us to work on renewable energy projects that contribute positively to wide-ranging and common sustainability goals with the aim of realising shared objectives for our customers, partners, investors, and our business. We will therefore continue to partner with key stakeholders, including local communities and NGOs who share this agenda, to build and launch commitments, pilots, and initiatives, scale learnings, and successfully deliver long-lasting positive impact.

Our actions to deliver

In the past years, we have focused many of our efforts on developing and defining the much-needed medium- and long-term targets across our various sustainability priorities. In 2022, we launched additional commitments, initiatives, and pilots that are needed to move forward and solve key challenges. To continue to deliver on our strategic aspirations, we have also strengthened our efforts to embed sustainability throughout how we do business. In practice, this means that we work consistently to integrate sustainability across all relevant parts of our operating model to ensure we unleash the potential from having everyone in Ørsted, our decisions, and our business developments, pulling in the same direction towards our aspiration. But also to ensure we have a strong organisation, fit for the future and able to navigate in the constantly evolving regulatory landscape.

On the following pages, we unfold this work across our four interlinked strategic priority areas: climate, nature, people, and governance. To the right, our full portfolio of sustainability programmes is presented, spread across the four priority areas.

→

Every year, we identify the sustainability themes that are material to our stakeholders and the success of our business.

We compare the material themes with our capability to address impacts and expectations, we develop actions to close gaps, and we update our portfolio of sustainability programmes. Learn more about our approach, and how we work with each of our sustainability programmes in our sustainability report for 2022 (orsted.com/sustainability2022).

Our sustainability programmes

Environment

Science-aligned climate action

1. Decarbonisation of supply chain and natural gas wholesales
2. Decarbonisation of energy generation and operations
3. Reliable and secure energy infrastructure

Environment

Green energy that revives nature

4. Energy projects with net-positive biodiversity impact
5. Circular resource use
6. Healthy water systems
7. Sustainable use of biomass

Social

A green transformation that works for people

8. Thriving communities
9. Skills and talent for the green transformation
10 Human rights management and integration
11. Responsible sourcing of minerals and metals
12. Diverse and inclusive renewable energy sector
13. Safe and better ways of working

Governance

Governance that enables the right decisions

14. Mobilisation of sustainable finance
15. Embedding sustainability in our operating model
16. Responsible business partners
17. Responsible tax practices
18. Responsible business conduct

Environment
Science-aligned climate action

With our 2040 net-zero target being validated as aligned with climate science in 2021, we have spent 2022 focusing on translating our commitment into tangible actions.

From a leading climate target to action

As the first energy company, Ørsted's 2040 net-zero target, covering our full value chain, was validated as aligned with science by the Science Based Targets initiative (SBTi) in 2021. An important step to achieving this is our commitment to reduce the emissions intensity in our own energy generation and operations (scope 1-2) by at least 98% by 2025 compared to 2006.

With our long-term target in place, we have focused our efforts in 2022 on launching the next set of initiatives needed to decarbonise our supply chain. Many of our core materials, such as steel, concrete, and fuels, face a steep road towards full decarbonisation. We do not have all the answers, but to get on track for 2040, we need to move now - to pilot and lean into innovative solutions.

Plans to meet sciened-based 2025 target unchanged

We had a set-back in 2022, with our absolute scope 1-2 emissions increasing by 17%, as we temporarily had to resume coal use at our Studstrup Power Station. This was due to global scarcity of wood pellets following a ban on imports from Russia and a wood pellet fire at Studstrup. Moreover, following orders from the Danish authorities to temporarily extend operation of three of our coal- and oil-fired power stations in order to ensure the security of the electricity supply in Denmark, we had to delay our 2023 zero-coal target to 2025.

We maintain that coal has no place in the future energy system, and our 98% target for 2025 remains unchanged. However, we will not see steep emission reductions from energy generation in 2023-2024, until we are allowed to completely phase out coal.

By 2025, our primary remaining emissions will be from the fuels used for offshore wind logistics and the natural gas used at our power stations for back-up capacity. We have initiated several initiatives to reduce offshore logistics emissions — an area where green options are not yet widely available. This includes our pioneering agreement with a supplier on investing in the world's first service operation vessel (SOV) that can operate entirely on green fuels. This is a big step towards decarbonising offshore logistics, and together with our systematic approach to fuel saving initiatives, it helps to create critical demand signals to the industry to accelerate the green transition.

In addition, we continue to explore ways to further reduce emissions from the remaining gas used at our power stations.

Realising net-zero in 2040

Looking towards 2040, our approach to realise net-zero emissions in our value chain is twofold. First, we will gradually phase out our natural gas sales. Second, we will work to decarbonise our renewable energy supply chains, which will be the most challenging part of meeting the target.

We took three important steps in 2022:

- We expanded the expectation to use 100% renewable electricity by 2025 to all our suppliers — an industry first.
- We made a new commitment on 'near-zero' concrete through the First Movers Coalition to procure at least 10% 'near-zero' concrete by 2030.
- Together with Climate Group, we hosted the inaugural SteelZero summit, a crucial step in our promotion of policies to decarbonise the steel industry.

Together, these commitments are important ways for us to operationalise our 2040 target in the short to medium term. Based on them, we can learn and test different solutions together with partners, and we can push the market to develop and mature green technologies already now.

We expect our scope 3 emissions to increase again in 2024 once the Tyra gas field is reopened, and deliveries under our long-term gas sourcing contract with DUC are resumed. We remain on track to meet our 2032 target.

To read more about our decarbonisation efforts, including how we now use site-specific life cycle assessments to report on scope 3 emissions, please see pages 14-17 in our sustainability report.

Taking credible climate action

On our journey towards net-zero, we face the challenge that for many of the low-carbon solutions we urgently need, a fully sustainable option does not yet exist or is not competitive at scale and cost. Navigating these less mature areas of sustainability can be difficult for all companies; however, not acting is an option we do not have.

We seek to be a catalyst for change and try to tackle the challenge by developing clear guidelines and outlining sustainability ambition levels for our own approach, which we also share with suppliers and partners. In this way, we continually work to strengthen our approach, and we aim to communicate transparently about it.

Environment
Green energy that revives nature

If built right, renewable energy holds the potential for enhancing biodiversity and improving ecosystems. We want to do just that, and we are dedicated to delivering projects that contribute to reviving our nature. We have set the ambition that all our green energy assets will deliver a net-positive biodiversity impact from 2030 at the latest.

Leading a build-out with a net-positive impact on biodiversity

We are facing a global biodiversity crisis with 70 % of the world's wildlife having been lost since 1970. Climate change is one of the main reasons, and the two crises are deeply interconnected. However, if done right, the green energy transition can play a key part in tackling both. To do so, we need to start addressing climate and biodiversity goals together. That is why we set our net-positive biodiversity ambition in 2021, stating that with every asset we build, we want to leave the surrounding ecosystems and wildlife in a better condition than it was before.

Moving towards net-positive

Since setting our target, we have worked hard to progress. In 2022, we took several exciting steps to move us from ambition to action:

- We launched an innovative five-year global partnership with WWF. In this partnership, we want to set a new standard for biodiversity protection and restoration in offshore wind development by showing what can be done. Jointly, we will identify, develop, and advocate initiatives and approaches that can enhance ocean biodiversity. Read more here.
- We have strengthened our dedicated biodiversity programme. We have onboarded full-time regional biodiversity leads and taken the first steps to introducing net-positive considerations early in our projects. We are also integrating our Onshore business to the programme, and as a first exciting initiative, we will protect almost 1,000 acres of native prairie as part of our Mockingbird Solar Center in the US together with The Nature Conservancy.
- We continued to develop and pilot innovative biodiversity projects. We do so to gain experience and learn from our successes and failures with the aim of scaling successful solutions. These include our 3D-printed reefs at the Danish offshore wind farm Anholt (read more here), restoring biodiversity in the UK's Humber estuary (read more here), and our ReCoral project in Taiwan (read more here).

Measuring our impact

A key challenge we face today is that no clear frameworks exist for measuring and reporting on biodiversity impacts across both terrestrial and marine ecosystems. This is challenging not only when we wish to measure our own impact, but also for ensuring global alignment on how companies act and report.

To succeed, close collaboration is needed. We support framework developers like the Science Based Targets Network (SBTN) and work with them to develop an industry standard for measuring biodiversity impacts at a corporate level. In the meantime, we are also developing our own framework so that we can already now begin to align on how we measure and report on biodiversity.

Mitigating impacts through a circular economy

Raw materials are being extracted, produced, and used at a pace and scale that is damaging to our nature. Transitioning to a circular economy — through which we can reduce waste, circulate materials, and regenerate nature — can play a key role in tackling this.

We are currently building a strategic approach to circularity across our entire value chain. We do so with the aim of reducing our use of raw materials, increasing asset lifespan, and reusing and recycling materials. In 2022, we adopted a commitment to reuse or recycle all solar PV modules from our Region Americas' solar farms. We also built a circularity roadmap for our monopile foundations to reduce their environmental footprint, including the use of scrap steel. Read more in the sustainability report, page 22.

Supporting the transition towards a water-secure world

Pressure on global water systems and clean freshwater supplies is increasing. Therefore, in 2022, we developed a programme on water to ensure that our continued build-out supports the transition to a water-secure world with sufficient and clean supplies.

This includes our target to reduce our total freshwater withdrawal intensity measured in l/kWh by 40 % from 2021 to 2025. We also work systematically to identify opportunities to reduce or substitute our freshwater use. For our P2X pipeline, we have established guiding water principles that restrict the use of freshwater resources in areas with elevated levels of water stress, instead prioritising the use of alternative sources. Read more in the sustainability report, page 24.

Social
A green transformation that works for people

We are committed to drive a just transition to a green economy. The challenge is to translate this commitment into concrete action. How do we deliver a rapid build-out of renewable energy that leaves no one behind?

Delivering a just transition

To succeed with our renewable energy ambitions, we must drive a build-out that works for people. A build-out that is just. This means going beyond ensuring that workers from declining industries are brought into the green economy. It demands that we respect fundamental human and labour rights, promote a diverse and inclusive sector, take active part in developing skills and talent, and support thriving communities where we construct and operate assets.

For more than ten years, we have built experience on what a just build-out can bring. We have developed renewable energy talents in Grimsby, expanded renewable energy supply chains in Taiwan, and promoted women- and minority-owned businesses in New Jersey. As we globalise our business, and our projects impact more and more people, we are keen to build on this experience and define the actions necessary for us to keep contributing to a just transition.

We are strengthening our social sustainability programmes

In 2022, we defined six social sustainability programmes that are essential for delivering a just transition, see table to the right. Some were already familiar to us. Thus, we have built solid practices regarding e.g. safety for years. For others, however, we recognise that we have more work to do. Over the next two years, we will strengthen each programme with long-term targets and detailed roadmaps. Here, we outline how we will work with two of the prioritised areas. To read more about each programme, see our sustainability report pages 26-34.

Social programmes	Objective
Thriving communities	Deliver socio-economic benefits to our local communities in a fair and inclusive way
Skills and talent for the green transformation	Develop talent inside and outside our company to be the future leaders of the green transition
Human rights management and integration	Ensure that human rights are respected in our operations, supply chains, and local communities
Responsible sourcing of minerals and metals	Ensure that our minerals and metals are sourced in a socially responsible way
Diverse and inclusive energy sector	Improve diversity, equity, and inclusion in our own company and help our suppliers do the same
Safe and better ways of working	Maintain our strong safety performance and foster a working environment that enables our employees to live fulfilled lives

Respecting human rights wherever we operate

In 2022, we published our 'Global human rights policy', which outlines our commitment and approach to respect human rights standards in everything we do. At the core of the approach is the integration of human rights due diligence in all key business processes. A first step was to perform a corporate human rights impact assessment, which identified Ørsted's salient human rights impacts and gaps in our existing human rights management system. The findings will inform our continuous efforts to strengthen our human rights due diligence approach.

Being a trusted partner to our local communities

We recognise that we have a responsibility to bring economic opportunities to the communities where we operate, and that thriving and supportive communities are critical for a successful build-out. Therefore, in 2022, we began expanding our local communities programme to make sure we have a robust impact management system in place to shape and implement initiatives. In doing this, we are building on experience across our markets. For example, in Choczewo in Poland, we have set up a Community Fund to support local sustainable development opportunities. As part of Sunrise Wind in New York, we have committed to recruit and train workers from marginalised communities. And, at the Port of Taichung in Taiwan, we have inaugurated the largest local operations and maintenance (O&M) facility in Asia in terms of offshore service capacity, supporting the development of local jobs and supply chains.

Going forward, we will define a community impact approach, further strengthen our cross-market knowledge sharing, start integrating social impact assessments into early project planning, and track impact data to evaluate initiatives.

Governance

Governance that enables the right decisions

We are embedding sustainability throughout our business practice and processes, carrying our commitment to building green energy in the right way all the way through our operating model to ensure we have a future-fit organisation in an evolving regulatory environment.

Delivering on ambitions and mitigating risks

To ensure we continue to deliver on our sustainability priorities and to mitigate potential financial and reputational risks, we need to continue to strengthen our efforts to systematically integrate sustainability into our operating model and key decision-making. This will further unleash the potential from having everyone in Ørsted pulling in the same direction towards our ambitions.

Moreover, the reporting and regulatory space is rapidly developing. Sustainability is migrating from the sidelines and into the heart of company reporting. We need to ensure a strong organisation, fit for the future, with still more distinct and complex sustainability reporting requirements and regulation.

Embedding sustainability into our operating model

To continuously embed sustainability throughout our operating model, we have defined three strategic pillars: i) decision-making & accountability, which focus on using sustainability criteria as one of the key decision drivers in relevant parts of our asset project model, ii) competences & governance, which focus on ensuring that we have the right sustainability competences at the right places in our organisation, and iii) culture & leadership, which focus on building behaviour, mindsets, and awareness that are driven by sustainability improvements.

During recent years, we have taken steps to systematically integrate sustainability across our operating model, for example through our responsible business partner, conduct, and tax practice programmes.

Following the changes in our short-term incentive (STI) scheme for the leadership team in 2022, we have adjusted our STI scheme for all participant employees, effective from 2023. The new STI supports a stronger link to our 2030 sustainability aspirations. We will assess leadership performance through a combination of group level KPIs and by inspiring individual goals. This approach to set individual sustainability-linked goals will be expanded to all eligible Ørsted employees in 2023. Read more in the sustainability report, page 38.

We also built sustainability considerations further into Offshore and P2X. From 2022, all our new Offshore operations and maintenance (O&M) facilities will have a LEED certification, improving the buildings' environmental and social aspects. In our P2X market development activities, we developed an ESG risk assessment framework that supports systematic screening for decision-making on new market opportunities. To guide us going forward, we have defined a roadmap towards 2025 with activities spanning across the three pillars.

A transparent, credible, and future-fit organisation

We have increased our engagement with investors through calls and dialogues on our sustainability performance and next steps. It has been an enriching experience to dive further into expectations from a key stakeholder group.

We continued advocacy efforts in our industry and beyond, including efforts to deliver credible climate action. At the UN COP27, we called for giving up business as usual and giving way to a build-out of renewables that create value through positive impacts on biodiversity and local communities. We also took part in the formal launch of the Global Offshore Wind Alliance (GOWA) where we will continue to play an active role in advising governments and share best practice on how to speed up the deployment of offshore wind power to more countries across the world. We have endorsed the Corporate Knights' Action Declaration on Climate Policy Engagement to close the say-do gap on countries' emissions reductions, working with policy-makers and industry associations to Paris-align climate policy activities.

Finally, in 2022, we continued to align with EU taxonomy KPIs to show that we not only have activities that contribute mitigating the effects of climate change, but also performing them in a way that respects nature and people.

We endorse and align with existing and upcoming regulation

We are at a pivotal moment in the reporting sphere, which is rapidly expanding. We fully welcome this development, which will significantly improve data accuracy and transparency and place ESG reporting on a par with financial. We endorse and align our practices to relevant regulatory requirements and standards and welcome the upcoming Corporate Sustainability Reporting Directive (CSRD) from the EU. Across our various reports, we show the risks and opportunities climate change can have on our business (TCFD), our greenhouse gas emissions (GHG Protocol), the extent to which our business activities are defined as sustainable according to the EU taxonomy, and how we are advancing in respect of the 17 UN Sustainable Development Goals (SDGs).

We will continue our pro-active participation in various phases of the regulatory process, engaging with peers, industry groups, and regulators to help shape the legislation.

The markets where we operate

We operate across multiple adjacent markets that all have substantial growth potential in the coming years and offer attractive opportunities for us to expand our market presence.

Given recent geopolitical developments and the actions and targets set by governments to limit global climate change, we expect that the transformation of the global energy system will accelerate in the years to come. This will bring us significant growth opportunities across all our business areas.

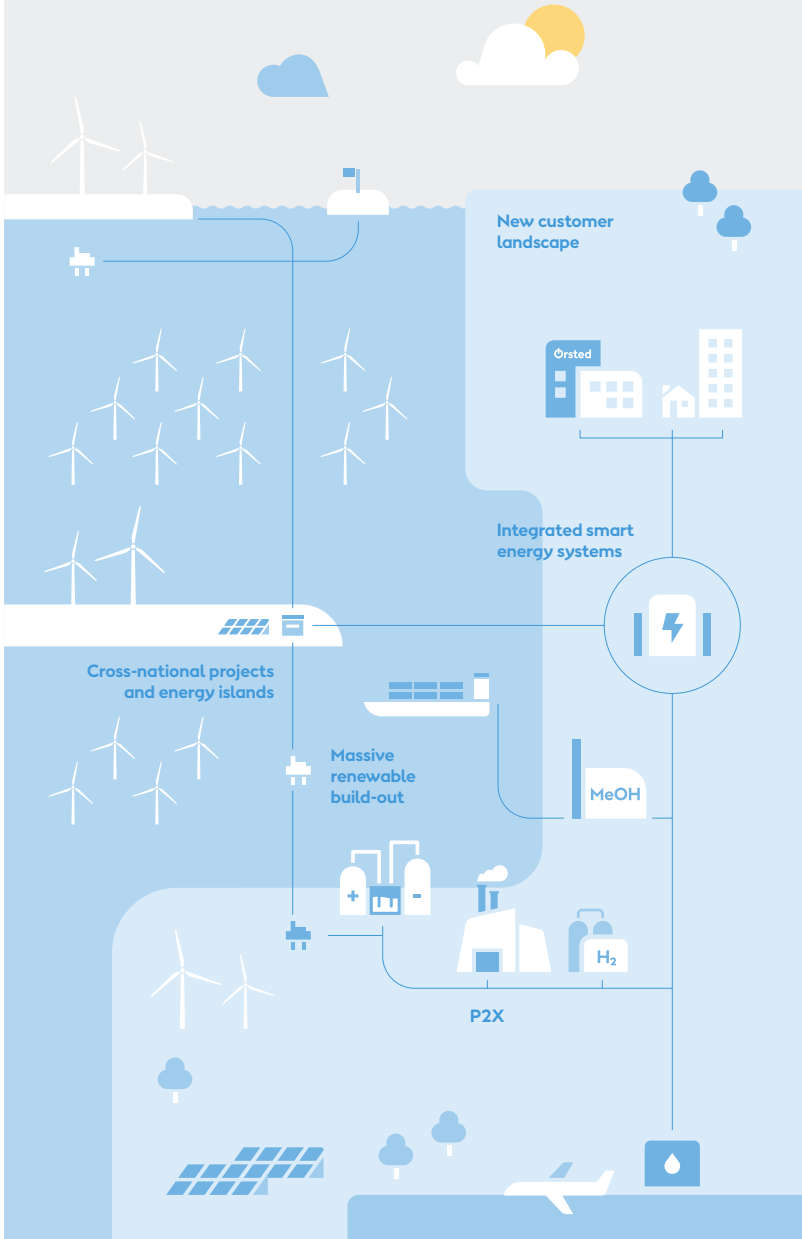
In the past year, Russia's propensity to use energy for geopolitical leverage has underscored how dependence on fossil fuels cannot deliver the security of supply Europe needs. As a result of Russia's decision to limit gas flows to Europe, many countries have decided to continue to use or reinstate fossil energy sources that negatively affect our climate. The solutions to the objectives of reducing our energy dependence and mitigating climate change are the same: replace fossil fuels with renewables, directly and indirectly electrify energy use, and use energy as efficiently as possible.

To decarbonise the global energy system and to increase our energy independence, a large-scale renewable build-out is needed. We believe this build-out will be based on increasingly larger renewable energy projects, which will require a significant scale-up of the transmission infrastructure, both onshore and offshore. To support the significant build-out of offshore wind, we expect to see new types of cross-national renewable hybrid transmission infrastructures and energy islands, which will be linked to several markets. Such new types of transmission infrastructure will enable significant cost savings and a more efficient use of the energy produced by balancing intermittent electricity generation with demand across two or more markets.

In addition to widespread green electrification, an important driver of global decarbonisation will be P2X. Renewable hydrogen will become the main decarbonisation vector for heavy industry, long distance transportation, and other hard-to-electrify sectors such as steel, refineries, and chemicals. When renewable hydrogen is processed further into e-fuels, it is expected to be the key instrument in decarbonising heavy transport, such as deep-sea shipping and aviation. The scale-up of P2X is expected to spark the development of entirely new industries and value chains, with companies from various offtake sectors engaging in strategic partnerships with renewable energy developers. This trend, too, will generate significant market opportunities for us, both in the P2X value chains and in the associated required build-out of renewable energy.

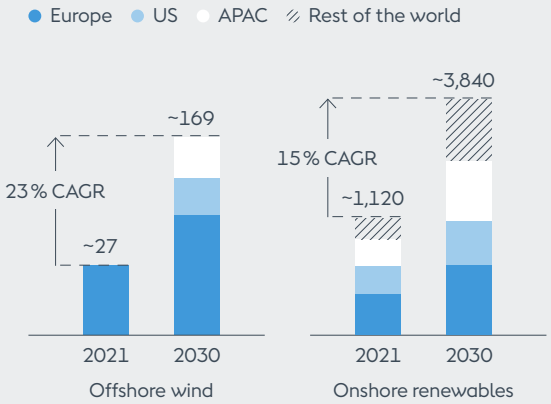
By 2050, it is expected that nearly 90% of global electricity generation will come from renewables, with almost 70% from wind and solar PV alone (IEA).

The future energy system and the shift in customer landscape

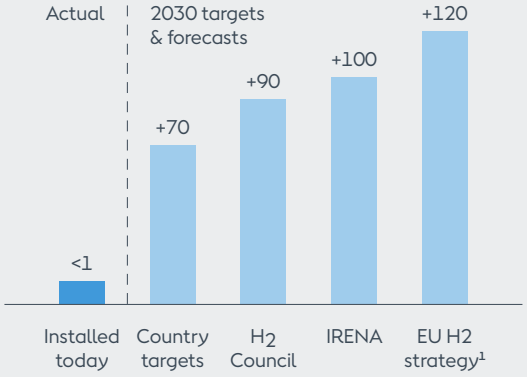


Global renewable market forecasts towards 2030

Installed capacity excl. Mainland China
GW



Renewable H_2 & green fuels
Installed electrolyser capacity
GW



This will require a smart and highly digitalised energy system that can integrate and balance multiple renewable generation sources as well as P2X and energy storage solutions. Digital technologies will play a critical role in optimising energy production to meet real-time needs across offtake segments.

The future customer landscape is also expected to change. Companies are increasingly setting ambitious decarbonisation targets, seeking green solutions directly from energy providers and becoming key drivers of green energy demand alongside governments. An increased corporate demand is contributing to the development of multi-product renewable solutions, combining corporate purchasing of green electrons from a variety of technologies with more sophisticated storage solutions to enable different offtake profiles. In addition, strategically advanced shipping companies such as A.P. Moller - Maersk are leading the development of P2X assets, acting ahead of anticipated EU decarbonisation obligations, to execute direct long-term offtake agreements for e-methanol, which is accelerating the P2X build-out.

Substantial market growth

The global renewable energy market is forecast to grow exponentially towards 2030. This is partly due to the rising political momentum behind the green energy transition, which is resulting in ambitious new renewable energy build-out plans around the world.

←

1 Electrolyser capacity based on REPowerEU target of 10 million tonnes of domestic renewable hydrogen production and 10 million tonnes of imports by 2030.

Source: BNEF New Energy Outlook 2022 for Onshore, Solar PV and Batteries; BNEF Offshore Wind Market Outlook H2 2022 for Offshore; H2 Council; EU; IRENA; BNEF Global Hydrogen Strategy Tracker 2022.

Some of our core markets are at the forefront of this development, with multiple countries and regions announcing considerably accelerated ambitions. In addition, renewables have become more cost-efficient compared to fossil energy sources, and renewables can play a key role in securing energy supply.

The global renewables capacity (offshore wind, onshore wind, solar PV, and energy storage), excluding Mainland China, is expected to increase by a combined average growth rate (CAGR) of 15% to around 4,000 GW in 2030. Offshore wind is expected to show the fastest growth (23% CAGR), partly driven by significant build-out of offshore wind in the US and APAC, though Europe will remain the largest region by far.

Onshore renewables (wind, solar PV, and energy storage) are more established and have the highest installed capacity. Within onshore renewables, forecasts show a CAGR of approx. 15% towards 2030. Again, this is driven particularly by the US and APAC, but Europe is expected to maintain its position as the biggest onshore region.

Global targets for P2X now exceed 70 GW of installed electrolyser capacity by 2030. Delivering on these will require a very significant global ramp-up from developers, offtakers, and the supply chain since installed electrolyser capacity globally at present is less than 500 MW. The development of infrastructure investment, in particular pipelines, will be an essential element for facilitating this expansion, particularly for transporting renewable hydrogen within Europe. These are in planning stages and expected to be constructed in the second half of the decade.

The growing role of multi-technology projects

With governments around the world raising their ambitions and targets for renewable energy build-out, there is an ever-growing need for integrating multiple renewable energy technologies.

Large-scale renewable energy build-out will require multiple sources and forms of green energy in order to balance demand and supply and to mitigate the constraints of energy infrastructure (such as transmission grids).

One way of integrating renewable energy technologies is by developing energy islands, which we believe will play a significant role in future energy systems. However, we also see a role for multi-technology energy hubs in various other forms, with the potential to combine (among others) wind energy, solar PV, P2X, carbon capture, and energy storage.

Ørsted is positioned ideally to develop multi-technology projects and cater for the growing customer demand.

Our capabilities and experience span offshore wind, onshore wind, solar PV, energy storage, P2X, and combined heat and power plants. On top of this, our existing assets (both operational and under development) provide a strong position from which to integrate additional renewable energy technologies. With our recent reorganisation, structuring our business areas into a regionally organised set-up, we are even better placed to integrate our work across technologies. A multi-technology platform will help us optimise energy systems, drive cost reductions, and realise portfolio synergies.

Main industry challenges to solve in the coming years

Although we expect a significant build-out of renewable energy in the coming years, the renewables industry is presently facing several challenges. With rising inflation and interest rates and with global supply chain challenges (such as bottlenecks and scarcity of green materials), increased pressure is placed on developers and manufacturers alike.

As offshore wind has been commoditised and has become cost-competitive to fossil energy sources, governments are now moving away from competition on lowest required subsidy and towards competition on either 1) pure concession payment or 2) a combination of concession payment and other value elements (sustainability, local content, ability to deliver, etc.). Competition based only on the highest concession payment incentivises developers to narrowly focus on how to drive further aggressive cost reductions of the offshore wind technology. This puts additional pressure on the supply chain and leaves no room to invest in project-specific solutions that otherwise could have created a positive impact on biodiversity, advanced social sustainability, and stimulated innovation and system integration.

In 2022, some regulators proposed energy price caps or windfall taxes to protect business and consumers against increasing energy bills. In the EU, a price cap of EUR 180 per MWh was proposed, and the UK implemented a 45% windfall tax on power utility profits above GBP 75 per MWh from January 2023.

In our 'Need for speed' white paper published in April 2022, we outlined the urgency of speeding up regulatory processes and tenders to meet the ambitious decarbonisation and renewable build-out targets set by governments around the world. We believe this is crucial to ensuring sufficient renewable energy build-out to secure Europe's energy supply and help keep the global temperature increase below 1.5 °C by 2100.

Increasing political momentum

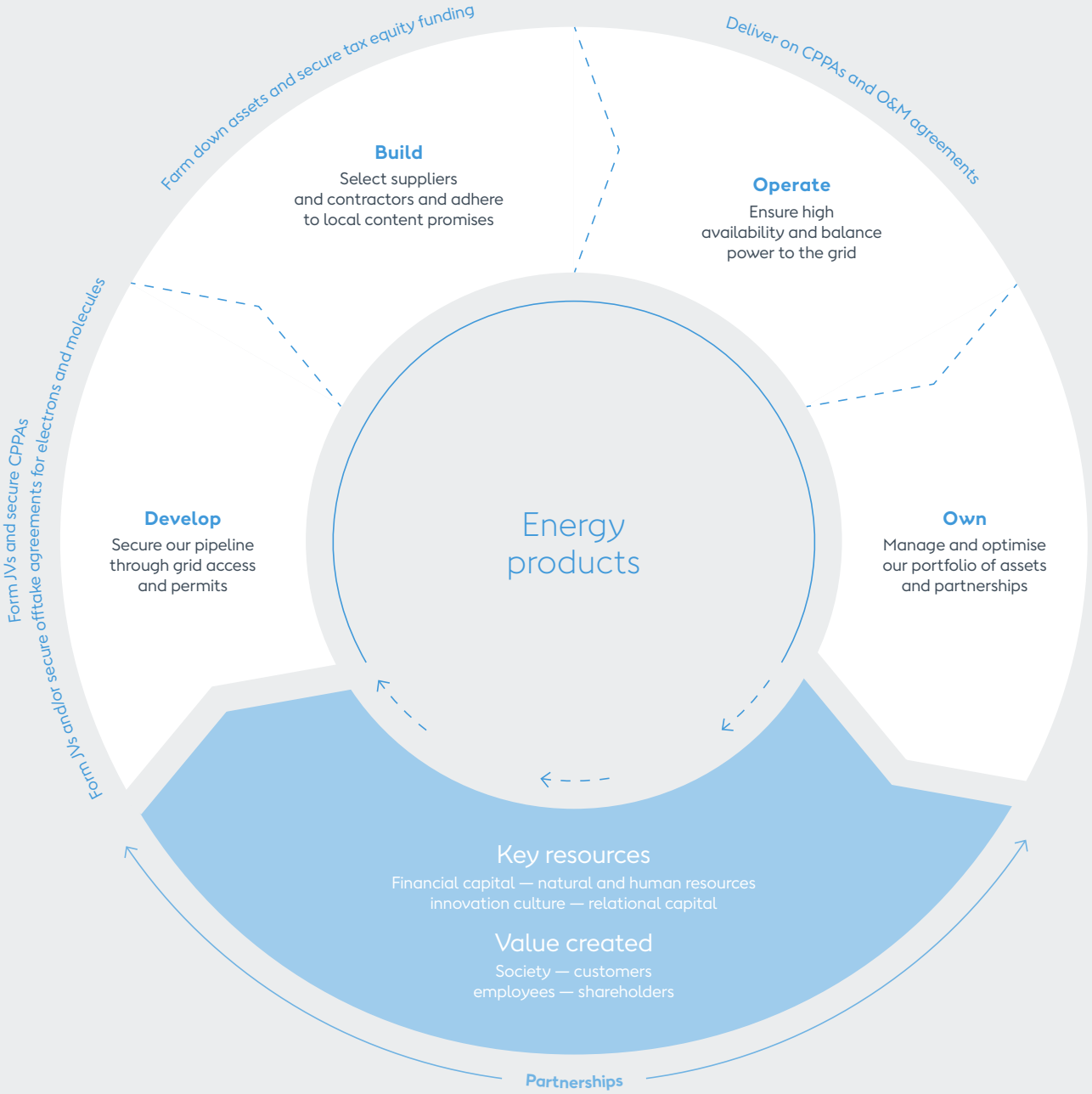
Governments are raising renewable energy ambitions

Policies & legislation New targets & initiatives in 2022	To be achieved by
REPowerEU	
45% renewable energy	2030
Increased renewables investments	
Esbjerg declaration (North Sea)	
65 GW installed offshore wind capacity	2030
20 GW renewable hydrogen production capacity	2030
150 GW installed offshore wind capacity	2050
Marienborg declaration (Baltic Sea)	
19.6 GW installed offshore wind capacity	2030
Pursuing faster permitting processes	
Inflation Reduction Act	
Tax credits to incentivise investment in renewable energy, P2X, and energy storage in the US	
British Energy Security Strategy	
Up to 50 GW installed offshore wind capacity	2030
Powering Australia	
82% renewable energy	2030

Selected targets & initiatives in previous years	
OFW capacity build-out target	
20 GW installed offshore wind capacity	2035
Green New Deal	
12 GW installed offshore wind capacity	2030
OFW capacity build-out target	
30 GW installed offshore wind capacity	2030

Business model
Our core activities

We create value by developing, constructing, operating, and owning renewable assets and by providing energy products to our customers.



Executing our strategy

To reach our strategic aspiration of becoming the world's leading green energy major, we are continually seeking to expand our growth, create value, and seize new opportunities.

Across our business, we are making bold and strategic choices to deliver results, both in the short and the long term, and we have made considerable strategic progress during 2022. In the following sections, we have outlined some of our concrete achievements in the past year for each of our business areas.

→
Colleagues at Gode Wind, Germany.

Offshore wind

Our Offshore business reached significant milestones during 2022. We were awarded a new project in Europe, corresponding to a fifth of the total awarded offshore capacity in 2022 (excluding seabed lease auctions), took final investment decision (FID) on a development project in the US, commissioned the world's largest operational offshore wind farm, and advanced the construction of our other projects, including generation of first power from Greater Changhua 1 & 2a. We also successfully farmed down two of our projects in accordance with our farm-down strategy.

We remain the world leader in offshore wind, having developed around a third of the global capacity installed, excluding Mainland China. We have played a key role in maturing the industry and have built more offshore wind farms worldwide than any other company. By the end of 2022, we had 8.9 GW of capacity installed, 2.2 GW of capacity under construction, and further 11.2 GW of capacity awarded resulting in a firm capacity of 22.2 GW. This aligns with our annual build-out targets to reach 30 GW installed capacity by 2030.

1 Projects that have reached a level of maturity, such as secured exclusivity through a lease, secured consent or environmental impact assessment (EIA), or established partnerships, but not yet taken final investment decision (FID).

2 Refers to early-stage projects which we are actively pursuing through tenders.

3 Refers to the combination of capacity installed or under construction which we have contracted or have been awarded.

The additional 7.8 GW needed will be based on our substantiated pipeline of around 16 GW and our opportunity pipeline of around 57 GW. The oversized opportunity pipeline provides us with the flexibility we need to select only projects that are truly value-creating.

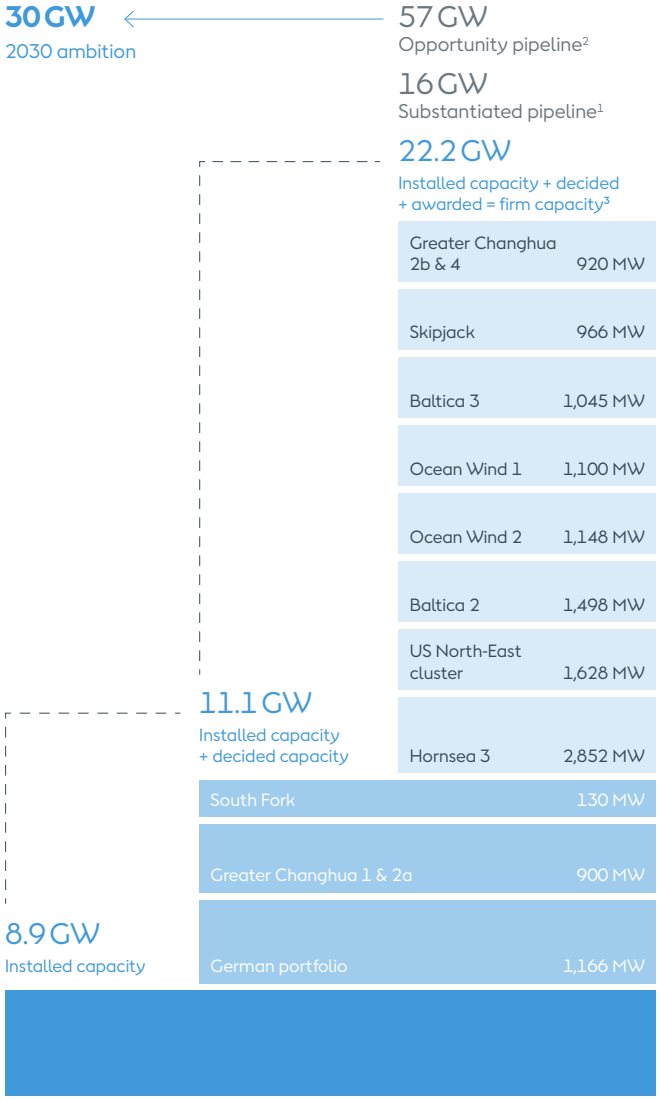
Strategic progress and expansion of our portfolio

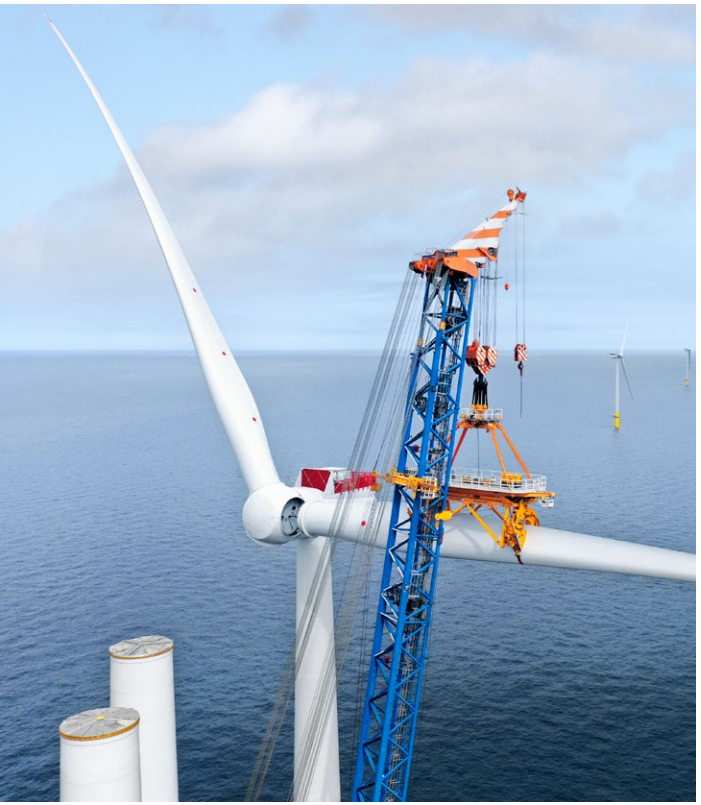
During 2022, we commissioned our Hornsea 2 project in the UK, now being the largest operational offshore wind farm in the world, and we were awarded the Hornsea 3 project, with an expected commissioning in 2027, if FID'ed. If Hornsea 3 is built, the Hornsea zone, including Hornsea 1, 2, and 3, will have a total capacity of more than 5 GW, making it the world's largest offshore wind zone and providing power to approx. five million homes in the UK.

In Denmark, we formed a new partnership with Copenhagen Infrastructure Partners to develop up to 5.2 GW of offshore wind across four projects. The partnership aims to accelerate the green transformation, create value in the offshore wind industry, and create a Danish business and export stronghold within P2X.

In the Americas, we took FID on our 130 MW US project South Fork Wind, which is part of the Northeast Programme with a total contracted capacity of 1.8 GW. The project has started offshore construction and is expected to be operational in 2023. In our Ocean Wind 1 project, we continued to mature the project boundary conditions and secured key supply chain contracts. The Bureau of Ocean and Energy Management (BOEM) published the project draft environmental impact statement in June 2022, a major milestone in the federal permitting process. In January 2023, we signed an agreement to purchase PSEG's 25% equity stake in the project. The transaction is expected to close in H1 2023.

Offshore wind build-out plan
Gross renewable capacity





Installation of blades at Hornsea 2, the UK.

In Asia Pacific, our first large-scale wind farm Greater Changhua 1 & 2a (0.9 GW) generated first power in April. The project is moving forward, and we expect COD to be in H2 2023. Additionally, we expect FID on Greater Changhua 2b & 4 (0.9 GW) in Taiwan during 2023, with expected commissioning in 2025.

Farm-downs to free up capital for future projects

Farm-down agreements continue to be strategically important for Ørsted as an essential part of our efforts to raise capital for accelerating new renewable energy projects across our markets. During 2022, we completed the divestments of two major assets. The agreement to farm down 50 % of the 0.9 GW Borkum Riffgrund 3 project in Germany to Glenmont Partners, one of Europe's largest fund managers exclusively investing in clean energy infrastructure, was completed in February. The farm-down of Hornsea 2 in the UK was completed in September, following the commissioning of the 1.3 GW wind farm. The 50 % divestment to a consortium comprising AXA IM Alts and Credit Agricole Assurances was one of the largest renewable energy M&A transactions ever. Both transactions secured a NPV retention of around 100 %.

Further expansion into floating offshore wind

Floating offshore wind is a rapidly maturing technology with an enormous potential for expanding offshore wind generation in existing markets and deploying offshore wind in new geographies. We are partnering with the offshore project developer Simply Blue Group and Subsea 7 on the 100 MW floating project Salamander in Scotland. The project will be developed in a joint venture, with Ørsted owning 80 %, and is located off the east coast of Scotland.

We have also signed an agreement that sets up a partnership with Repsol, a global multi-energy company, to explore the joint development of floating offshore wind in Spain. The agreement marks our next step into floating offshore wind. Due to the country's deep waters, this will allow Spain to unlock the potential of its extensive coastline and transform Spain into a European floating offshore wind hub. With Ørsted's three decades of experience in global offshore wind and Repsol's insights into the local market conditions, we are strongly positioned to support Spain's continued energy transition.

Growing our usage of e-methanol

As part of our continued efforts to decarbonise, we signed a ten-year lease in 2022 for the world's first green fuel vessel for offshore operations. Esvagt, a market leader in service and support for offshore wind, will deliver the service operation vessel (SOV), which will be powered by batteries and dual-fuel engines, capable of sailing on e-methanol produced from wind energy and biogenic carbon, which will lead to an annual carbon emissions reduction of approx. 4,500 tonnes.

Onshore renewables

Our Onshore business made significant strategic progress in 2022. We took a major step to expand our geographic footprint through the acquisition of Ostwind in Europe and strengthened our market positions in the Americas and in Europe by commissioning assets under construction and taking FIDs. In total, we added 825 MW of capacity to our operating portfolio by commissioning three projects and acquiring a German and French platform and an operational wind farm in the US.

By the end of 2022, we had 4.2 GW of capacity installed and 2.1 GW of capacity under construction. To reach our ambition of 17.5 GW installed onshore capacity by 2030, we will need to add an additional 11.2 GW to our firm capacity of 6.3 GW. The additional capacity will be based on our substantiated pipeline of around 12.6 GW and other opportunities that may arise.

Strategic progress and expansion of our onshore portfolio

In the US, we commissioned Haystack in Nebraska (298 MW wind), and the wind phase of Helena Energy Center in Texas (268 MW wind). Both projects qualify for 100 % of the production tax credit. Most of the production from Haystack is contracted under long-term power purchase agreements with Pepsi, Hormel, and Target, while the wind phase of Helena Energy Center is contracted with Henkel.

1 Projects that have reached a level of maturity, such as secured exclusivity through a lease, secured consent or environmental impact assessment (EIA), or established partnerships, but not yet taken final investment decision (FID).

2 Refers to the combination of capacity installed or under construction which we have contracted or have been awarded.

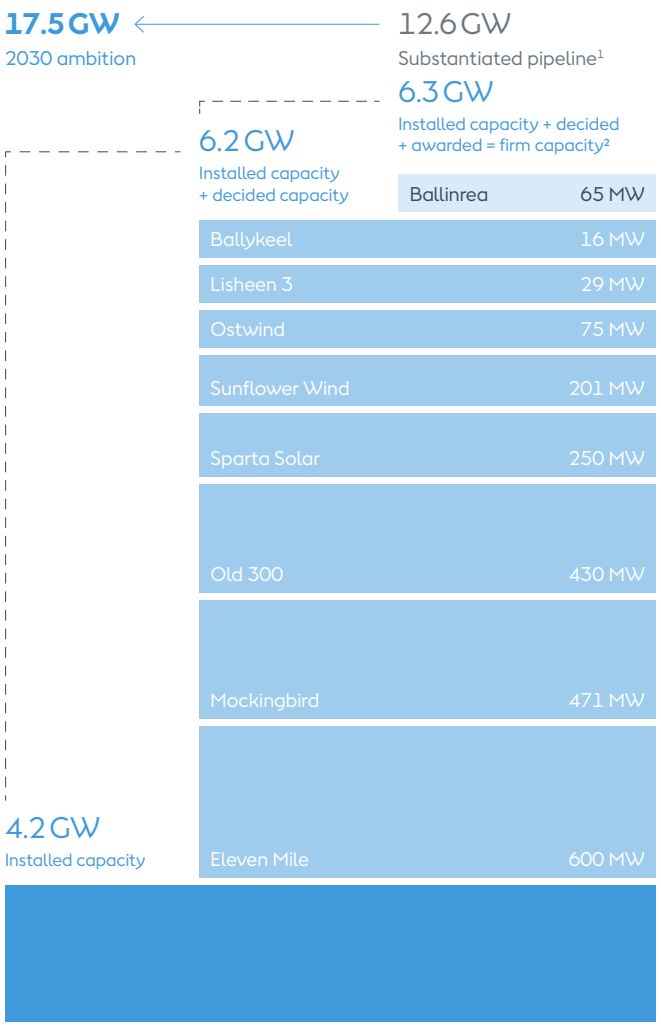
The contracts for both projects have upside sharing structures on the power price. These structures reduce downside risks and allows for the capture of additional revenue compared to traditional PPAs.

In addition to commissioning our own assets, we finalised the acquisition of Ford Ridge, a 121 MW operational wind farm in Illinois. This is our second project in the Midcontinental Independent System Operator (MISO) area, which is an attractive market and one of the largest in the US. The project is eligible for 100 % of production tax credits, and its production is contracted under long-term PPAs with Mars and its suppliers.

We took FID on three US projects. The first, Sunflower, is a 201 MW wind project in Kansas, which we acquired as an early-stage development project together with Lincoln Land in 2021. The project was matured and significantly advanced towards final investment decision in April 2022. The project is eligible for 100 % of the production tax credit and is on track to reach commercial operation before the end of 2023. The second, Mockingbird, is a 471 MW_{AC} solar PV project in Texas, which we expect will be the first solar project in our portfolio to qualify for 100 % of the production tax credit, as this scheme was recently expanded by the US Inflation Reduction Act to include solar PV projects. The third, Eleven Mile, is a combined solar PV (300 MW_{AC}) and storage (300 MW) project in Arizona. Both Mockingbird and Eleven Mile are expected to reach commercial operation before the end of 2024.

In addition, we are constructing Old 300 and the solar phase of Helena Energy Center. Both are US projects and have been subject to delays due to the Uyghur Forced

Onshore wind build-out plan
Gross renewable capacity



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

Labor Prevention Act (UFLPA) and related legislation, resulting in detainment of module shipments while traceability documentation is collated. During 2022, however, we installed around 78 % of project capacity at Old 300 with modules already cleared and delivered to the site. The remaining modules are expected to be delivered during 2023, and we expect full commercial operation before the end of 2023. For the solar phase of Helena Energy Center, we are also planning for commercial operation before the end of 2023.

We expanded our footprint across Europe, entering multiple new markets. In September, we closed the acquisition of Ostwind and added 152 MW wind and solar capacity in operation and under construction and 526 MW of advanced development projects to our portfolio. The acquisition marked our entry into the German and French onshore markets. In 2022, we took FID on three German and French wind farms with a total capacity of 68 MW. Following Ørsted's acquisition of Ostwind, Caisse des Dépôts et Consignations, a co-investor in parts of Ostwind's operating portfolio in France, decided to exercise an option to acquire Ostwind's shares (totalling 87 MW) of the projects that Ostwind and Caisse des Dépôts et Consignations co-owned.

During 2022, we commissioned Kennoxhead 1, a 62 MW wind farm in Scotland, the UK. In Spain, we entered into four partnerships to pursue early-stage solar and onshore wind projects.

Farm-downs to free up capital for future projects

In October, we closed a transaction with ECP to divest 50 % of our ownership interest in a US project portfolio consisting of Plum Creek, Willow Creek, Lincoln Land, and Muscle Shoals. The four projects all have tax equity partners, who will remain partners following the divestment. The farm-down is a first for the Onshore business and entailed a NPV retention of around 100 %. We expect to continue to leverage farm-downs to help raise capital to fund new value-creating growth.

Growing our corporate customer portfolio

During 2022, we announced offtake contracts with seven companies globally. The majority of the PPAs signed in the US was for projects we either commissioned during the year or are planning to bring online during 2023.

At the end of 2022, a significant part of the energy generation from our asset portfolio of onshore wind and solar projects across the US and Europe, including the UK, were contracted with external counterparties with an average duration of 12 years. The contracted share for most individual projects ranges from 65 % to 100 % and is dependent on the market, project risk profile, attractiveness of the contract terms, and the risk-reduction potential.

Most of our PPA counterparts are strategic customers whose businesses span geographies and technologies. In this sense, our diverse Onshore asset platform is commercially attractive and positions us as a trusted partner for companies seeking to offtake green energy solutions.

P2X

Renewable hydrogen and e-fuels are critically important in the quest to decarbonise the global economy and to create a world running entirely on green energy. They are the most promising routes to decarbonise hard-to-electrify sectors, such as heavy road transport, deep-sea shipping, aviation, and the chemical industry. We have ambitious plans for accelerating development of renewable hydrogen production and e-fuels, and we made noteworthy progress across several projects during 2022.

Strategic progress and expansion of our P2X portfolio

In December, we took FID on the FlagshipONE project, a late-stage development project in Northern Sweden. We expect to commission it in 2025. The facility comprises a 70 MW electrolyser and is expected to deliver 50,000 tonnes of e-methanol from the renewable hydrogen synthesised with biogenic carbon derived from the host CHP plant. Once completed in 2025, this is expected to be the largest e-methanol facility in Europe and will catalyse the decarbonisation of the maritime sector.

During the past year, we expanded our P2X geographical footprint to the US by agreeing on a landmark fuel supply concept with A.P. Moller - Maersk to deliver 300,000 tonnes of e-methanol to supply Maersk's newly ordered e-methanol vessels. The facility will comprise a 675 MW electrolyser located on the US Gulf Coast, powered by approx. 1.2 GW of dedicated renewable energy from onshore wind and solar PV.

Our 'Green Fuels for Denmark' project reached an important milestone in 2022, as it was identified as an 'Important Project of Common European Interest' (IPCEI). IPCEI projects contribute to sustainable economic growth, job creation, and the competitiveness of the EU economy and are key enablers for maturing the European and global P2X industry to being a genuine alternative to imported fossil fuels. The Danish government has subsequently awarded DKK 600 million in funding towards realising the first phases of 'Green Fuels for Denmark', developing electrolysis capacities of 10 MW, 100 MW, and 300 MW, respectively. Once it is fully developed, the project aims to reach a total installed electrolyser capacity of 1.3 GW for producing green fuels for shipping, aviation, and heavy road transport.

Another valuable step in 2022 for our 'Green Fuels for Denmark' project was that we signed a letter of intent with the Danish district heating transmission companies. The agreement is to utilise surplus heat from carbon capture and P2X at Avedøre Power Station for district heating purposes. Avedøre Power Station has been designated to capture and deliver part of the carbon for the first phases of 'Green Fuels for Denmark'. In addition, the power station is also expected to supply carbon for storage and serve as a hub for other actors with carbon emissions in the Greater Copenhagen area.

We continue to work closely with Green Hydrogen Systems, the electrolyser supplier, on their rectification of equipment shortcomings to finalise the execution phase of our 2 MW H2RES pilot project at Avedøre Power Station funded by the Danish Energy Technology Development and Demonstration Program (EUDP). The ongoing delay to first hydrogen, expected in H2 2023, is an important reminder that although the P2X industry has a lot of potential, there are also significant challenges in scaling up equipment manufacturing and maturing the suppliers to meet society's demands. Given our experience in doing this within offshore wind, we consider that this plays to our strengths, and we are extracting valuable learnings from this early project.

Lastly, we have continued to mature the rest of our portfolio of P2X projects. Notably, our Haddock Project in the Netherlands has been selected as one of the recipients of funding in the Dutch government's IPCEI tender, and Lingen Green Hydrogen Project in Germany has been shortlisted as an IPCEI project.

Our hydrogen test facility at Avedøre Power Station, Copenhagen, Denmark.

CHP plants and long-term gas contracts

During 2022, we harvested the benefits of having a broad portfolio of generation assets. Our combined heat and power (CHP) plants not only filled the gap in production from renewable generation, but also benefitted from high power prices and attractive spreads.

In October, the Danish authorities ordered us to continue operation of Esbjerg Power Station beyond Q1 2023 and to resume operations of a coal-fuelled unit at the Studstrup Power Station and an oil-fuelled unit at Kyndby to ensure the security of electricity supply in Denmark. The order applies until 30 June 2024.

To help secure the Danish gas supply for the 2022/2023 winter period, we took all possible measures to inject gas into Danish gas storages under our capacity contracts during the summer period. We also entered into a gas agreement with Equinor under which Equinor will supply 8 TWh of Norwegian gas to Denmark via Baltic Pipe from 1 January 2023 until April 2024, covering the period when the Tyra field is not supplying gas to Denmark. The agreement strengthens the security of supply in Denmark and will be supplementing our purchase of biogas and gas from the South Arne field. Together, these offtake agreements will more than cover the consumption of our Danish and Swedish B2B customers.

Gazprom Export suspended its deliveries under the sourcing contract from 1 June 2022. The contract with Gazprom Export has subsequently been terminated pursuant to the provisions in the contract due to long-term force majeure on the part of Gazprom Export.

We initiated a process for identifying the right owner of our Renescience business, including our waste treatment facility in Northwich in the UK. The Renescience technology has great potential to help solve the increasing global waste challenge, and Ørsted has been a successful incubator for the technology. However, waste treatment is no longer part of our business model and strategic focus.

Studstrup Power Station, Studstrup, Denmark.

Risks and risk management

Risks are a natural and integral part of our business activities, and our risk profile changes continuously. We aim to mitigate our risks and reduce them to an acceptable level through risk management.

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. Besides business risks (incl. financial risks), we are exposed to risks in connection with legal compliance, climate change, ESG, and sustainability, both at a strategic and operational level.

A large part of our earnings is generated from offshore wind, with the UK and Continental Europe being the key contributors. However, with our expansions into the US and Asia Pacific and into onshore wind, solar PV, and P2X, our future earnings continue to 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 change. Therefore, we assess the impact of a given decision on the portfolio upfront.

We work systematically with risks. All business segments, regions, 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), a medium-term (2-5 years), a long-term (5+ years), or a recurring nature. All our risks are then consolidated and evaluated at Group level. The ultimate responsibility for all individual risks rests with a member of the Group Executive Team.

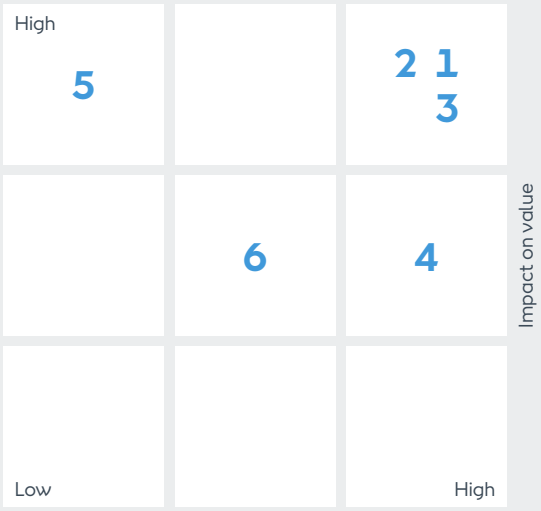
The top six business risks identified are shown to the right where they are illustrated based on their potential impact (post-risk mitigation) on our value and credit metrics over the next years. You can read more about these risks on the following pages.

We have similar processes in place for identifying and prioritising risks related to ESG, sustainability, and legal compliance. However, as these are assessed using different parameters, we do not show them in a consolidated picture together with the business risks. A description of the most significant ESG and sustainability risks can be found in our sustainability report.

→

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.

Top 6 business risks
Effect on our value and credit metric



1 (#1 in 2021)
Financial markets risks

2 (#4 in 2021)
Power prices and energy markets

3 (#3 in 2021)
Cost inflation and supply chains

4 (new in 2022)
Regulatory intervention

5 (#2 in 2021)
Competition

6 (#6 in 2021)
Cybersecurity

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

- fatal injuries
- strong hurricanes, typhoons, hailstorms, arctic blasts, or earthquakes, especially in Taiwan, which may lead to the partial loss of offshore and onshore wind farms, solar PV farms, and storage assets
- 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 partial loss of assets.

After risk-reducing measures are implemented, the Group Executive Team assesses whether the level of each risk is appropriate, or if it is 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

Climate change presents financial risk to the global economy. To mitigate the impacts of climate change, it is important to understand the risks (both physically and transitional) and opportunities presented by rising temperatures, climate-related policies, and emerging technologies in our changing world.

As climate-related risks and opportunities are directly linked to our green vision and strategy, we address them as an integral part of our daily business, and we report on them as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). Read more about our climate-related risks on page 41.

During the year, we have assessed whether our taxonomy-eligible activities are taxonomy-aligned by determining if they: 1) contribute substantially to climate change mitigation, 2) do no significant harm to the other environmental objectives, and 3) comply with the minimum safeguards. Our assessment showed that all our eligible activities were aligned.

Development in risks during 2022

We have introduced 'Regulatory intervention' as a new top 6 risk in 2022 and have seen changes in the relative importance of our top risks from last year.

'Financial markets risks' (previously 'Inflation and interest rates' and 'Currency risks') remain our number 1 risk. During the year, we have seen a substantial increase in inflation and interest rates across the regions where we operate as well as volatility in the foreign exchange markets.

'Power prices and energy markets' (previously 'Currencies and energy prices') have been moved up as our second largest risk in 2022. The recent surge in energy prices have led to an increase in this risk assessment. As a response to the unintended impacts from hedges, we have established and are in the process of implementing a new risk management framework to reduce the volatility from financial instruments and bring back the inherent predictability of earnings that our contracted and regulated activities possess.

'Cost inflation and supply chains' remain our third largest risk in 2022. The still increasing cost inflation and, to some extent, COVID-19-related delays remain in the market.

'Regulatory intervention' is placed as our fourth largest risk. With the increasing power prices throughout Europe, the governing bodies have started to implement price caps or windfall taxes to help businesses and consumers with their increasing power bills. This could have an adverse impact on our revenue from power generating activities if implemented without consideration of fixed-price contracts and hedged volumes.

'Competition' remains in our top six risks, but has dropped down to our fifth largest risk, mainly because the other risks have increased in magnitude.

'Cybersecurity' remains our sixth largest risk. The geopolitical development over the past year has shown that cyberattacks remain a threat to our operations. It is of the utmost importance that we protect our infrastructure and systems from malicious attacks.

COVID-19

During the year, we have seen some adverse impacts of the pandemic, mainly related to our supply chain. While COVID-19-related lockdowns among our suppliers had some adverse impact on the construction timeline for some of our projects, we expect these delays to only result in a limited overall impact on the project economics.

1. Financial markets risks

Description
Our financial markets risks are related to volatility in the macroeconomic environments where we operate. Changes to inflation rates, interest rates, and foreign exchange rates all have an impact on the value of our assets.

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.

Our largest currency exposure stems from offshore wind farms in the UK, but activities in the US and Taiwan have increased our exposure to USD and NTD significantly.

Potential impact
Fluctuations in interest rates, inflation, and foreign exchange rates may adversely impact our earnings and the value of our assets.

Based on our GBP exposure after hedges, a 10% decrease in the GBP/DKK exchange rate will result in a loss of DKK 1.4 billion over the period 2023-2027, all else remaining unchanged.

Mitigating actions
Our inflation and interest rate exposures are managed by matching assets and liabilities in the same currency and with similar payment structures.

Our currency exposure is managed by actively hedging within the first five years.

Read more about inflation and interest rate risks in note 6.4 and currency risks in note 6.2.

2. Power prices and energy markets

Description
Power price risks primarily originate from the sale of our renewable power generation in the UK, the US, and north-western Europe. Our CHP plants entail a spread risk due to the difference between the prices of the power generated and the fuel consumed.

Furthermore, we are exposed to second-order risks arising from power price hedges not fully matching our actual revenue exposure (ie. position, intermittency, and regulatory risks). We are also exposed to liquidity risks, as we are required to post collateral at exchanges if our positions are 'out of the money'.

Potential impact
Fluctuations in energy prices and energy policies can have an adverse effect on our earnings and/or liquidity.

During 2022, we saw negative effects from volume-related overhedging of DKK 3.8 billion due to lower generation combined with soaring energy prices. There is a risk that we could see the same effects in 2023 if our power generation falls short of the hedged volumes, and the energy prices increases.

Based on our power price exposure after hedges, a 10% decrease in the power price will result in a loss of DKK 4.0 billion over the period 2023-2027, all else remaining unchanged for our offshore and onshore assets.

Mitigating actions
To keep cash flows stable, we have historically hedged energy prices for up to five years.

Based on a review of our hedging needs and learnings over the recent 18 months of unintended impacts of high hedge levels together with significant changes in market prices and volatility, we have adjusted our hedging policy to encompass a shorter hedging horizon and lower hedge levels.

Read more about energy price risks and our new hedging framework in notes 6.1 and 6.3.

3. Cost inflation and supply chains

Description
As a global renewable energy developer, we are exposed to risks related to cost inflation, supply chain bottlenecks, performance of new suppliers, and suppliers' financial positions, including from derived consequences of COVID-19.

Among other things, we are exposed to highly volatile prices, which are influenced by high global demand with widespread application in various sectors. As the industry grows with continuous new technological developments, we are exposed to potential bottlenecks in parts of the supply chain if there is only a limited number of suppliers capable of meeting the future demands. Therefore, it is important that new suppliers enter and stay in the market. We are also exposed to counterparty risks if one of our suppliers should default or deliver unsatisfactory products.

Furthermore, we are exposed to import restrictions and price increases related to trade restrictions.

Potential impact
Disruptions in the supply chain or sudden inflation in key materials could result in project delays and budget overruns.

An example of a supply chain bottleneck is the limited number of vessels with sufficient lifting capacity due to the increase in wind turbine and foundation size. These technical limitations coupled with an increased demand for offshore wind have increased the market price for installation vessels with up to 75%.

Mitigating actions
To combat cost inflation, we have implemented a hedging programme for steel and other commodities, which will be rolled out to our asset projects. Furthermore, we enter into volume agreements and source wind turbines from key suppliers in a timely manner to reduce uncertainty.

Our process for vetting new suppliers is thorough, and we have strict credit risk policies in place to manage credit and counterparty risks.

4. Regulatory intervention

Description
Following the recent spike in European energy prices, regulators have introduced energy price caps and windfall taxes to alleviate the financial burden of higher energy prices for businesses and consumers. A new regulation, still subject to national implementation, is one of the regulatory initiatives being issued. It will be aimed at temporarily capping revenues for electricity producers – notably wind, solar PV, and nuclear.

Hence, in the EU, a revenue cap of EUR 180/MWh will initially be in place from 1 December 2022 until 30 June 2023. Important for Ørsted, the revenue cap regulation should reflect actual revenue by taking hedges and other risk mitigation measures properly into account. We are in constructive dialogue about this with governments in the markets where we operate.

In the UK, regulators have announced the 'Electricity Generator Levy', which entails a 45% additional levy on revenue above GBP 75/MWh, effective from 1 January 2023 to 31 March 2028. Furthermore, in Ireland, a EUR 120/MWh cap was implemented on 1 December 2022.

Potential impact
After hedges, fixed-price contracts, and the guaranteed German subsidy levels have been considered in the final regulation, the potential impact on Ørsted is significantly reduced. However, given the complexity associated with hedging strategies, including in which countries and legal entities these activities are performed, there is a risk that national implementation of any such regulation is counterproductive. Hence, an effect on revenue from our UK ROC wind farms, our offshore assets in Germany, the Netherlands, and Denmark, and our onshore assets in Ireland may occur. Our Danish multi-fuelled combined heat and power plants will to a large extent be exempted from the cap.

Mitigating actions
We are in constructive dialogue with governments in the markets where we operate.

5. Competition

Description
Global renewable energy markets are expected to grow rapidly over the next decade in all the technological areas where we are present. Key drivers for this growth are ambitious government policies and targets, the push from corporates for the green transition, and significant cost reductions.

Competition in the renewable energy industry is intensifying, driven by the increasing market opportunities. New players are entering the market, not least the oil majors, who are increasingly setting high targets for their build-out of renewable energy.

Lately, we have seen some of the consequences of the new competitive landscape. Many auctions, tenders, and lease rounds have been awarded to bidders at extreme prices (i.e. Japan's first fixed-bottom offshore wind auction, the New York Bight seabed lease sale, and the Crown Estate's UK seabed leasing round 4).

Potential impact
These extreme awarded prices propose a risk for the entire renewable build-out where it will not be possible to sustain a healthy and sustainable renewable global business.

In addition, there is a risk that we will not win the targeted capacity in the auctions and tenders in which we participate.

Mitigating actions
To ensure our competitive edge, we will continue to utilise portfolio-scale advantages and knowhow gained from previously executed projects to develop supply chain solutions and reduce costs and risks.

Over the last years, we have established a dedicated P2X business and entered into key strategic partnerships in new markets to ensure our competitiveness.

6. Cybersecurity

Description
The cybersecurity risks are a product of individuals, groups, and nations actively working to harm and profit off of Ørsted. As a green energy major, we are exposed to several different cyberattack threats: ransomware attacks, data exfiltration attacks, cyber-physical impact attacks, and more. Our adversaries' capacities and capabilities are constantly improving, and we must strive to stay ahead.

Furthermore, the energy crisis and ongoing war in Ukraine have resulted in an increased cyber threat from a geopolitical context where Russian hackers have been known to target energy grids and assets.

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 assets or, in the event of a ransomware attack, have an impact on our financial position.

Mitigating actions
We face different types of cyber risks. Some are related to our assets and some to our systems. Thus, we mitigate cyber risks with several different initiatives, which are continuously assessed and prioritised based on our strategic cybersecurity risk assessment with the aim of lowering our risk exposure.

At our operating assets, we have deployed production cyber defences to enhance protection against onsite and offsite attacks. In addition, we have a top-level 'Information and cybersecurity policy' supported by our global governance model, we have regular trainings, and we participate in fora on information and knowledge sharing.

This way, our cyber capability is continuously improved in order to identify, protect, detect, respond, and recover across the enterprise and production sites.

Legal compliance

Description
Risks associated with legal compliance are assessed based on financial and reputational significance and probability. Our most significant risks are 1) tax law, 2) financial regulation, and 3) offshore grid code compliance. (1) 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. (2) 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. (3) In every country where we operate, we have to meet certain grid code requirements set by the transmission system operator (TSO) to be allowed to generate and supply electricity to the grid.

Potential impact
Failure to comply with the above-mentioned rules and regulations may result in severe legal sanctions, such as imprisonment, fines, and damage claims, but also in possible disconnection from the grid or loss of generation license.

Mitigating actions
(1) We have implemented a comprehensive tax control framework and mandatory compliance, including transfer pricing documentation, in line with the OECD recommendations and local requirements. This has been prepared on a contemporary basis to mitigate our tax risks. (2) We have implemented comprehensive policies, procedures, training, and controls for relevant parts of our business to ensure compliance with financial regulations. (3) We have implemented grid code governance to provide clear responsibility, and we have a 'compliance critical systems' project underway to help our sites identify what systems are critical and ensure suitable measures for reliability.

Climate-related risks

Description
Changes in the world's climate constitute both a risk and an opportunity for us. In October, the International Energy Agency (IEA) launched their World Energy Outlook report, which supports the Intergovernmental Panel on Climate Change (IPCC) conclusion that it is unequivocal that human activity causes global warming, and that we are on course to reach the critical point of 1.5 °C of warming already in the early 2030s. IEA now puts us on a path towards 1.7 °C.

Potential impact
Failure to adhere to the 1.5 °C limit may cause severe changes in the worlds' climate and make catastrophic events more severe and frequent. This could not only have an adverse effect on our planet, but on our operating assets as well.

Mitigating actions
In accordance with the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD), we seek to exploit climate-related opportunities and be a part of the solution through development and generation of renewable energy.

At the same time, we seek to reduce the risks related to climate change by encouraging regulators and public authorities to set ambitious renewable energy targets, improving the competitiveness of green technologies, assessing acute and chronic weather development, and taking extreme weather conditions and events into account when designing and building our assets.

Furthermore, we take climate-related risks and opportunities into account when we prepare business cases for investment in new assets or activities. By doing this, we seek to avoid ending up with stranded assets or assets and activities with a significantly lower value than originally expected.

Results

43 Follow-up on 2022 guidance
44 Results
48 Five-year summary
49 Fourth quarter
54 Quarterly summary, 2021-2022

Ørsted's pre-commencement community fund in Choczewo in Poland supports local sustainable development projects in the area from 2022 to 2024. The fund will focus on social development, safety, local meeting places, cultural and natural heritage, and children and youth and will be allocated in close collaboration with local communities.

Follow-up on 2022 guidance

Full-year EBITDA

Operating profit (EBITDA) excluding new partnerships totalled DKK 21.1 billion compared to our expectations at the beginning of the year of DKK 19-21 billion.

The further increase in the level and volatility of energy prices throughout most of the year, together with a substantial increase in inflation, led to a significantly different composition of EBITDA than our initial expectations.

Earnings in Offshore ended up lower than expected, mainly due to volume-related overhedging (DKK 2.9 billion), ineffective hedges related to inflation indexation (DKK 0.7 billion), and other IFRS 9-related ineffective hedges (DKK 1.6 billion). We also saw higher balancing costs and BSUoS/TNUoS tariffs than expected. Further delays in the installation process and with the commissioning of turbines at Greater Changhua 1 & 2a resulted in lower ramp-up generation and lower partnership earnings. This was partly offset by a lower-than-expected DEVEX and positive effects from reversal of provisions incl. CPS issues.

Earnings in Onshore ended up significantly higher due to higher achieved prices in both the US and Europe. Furthermore, the acquisitions of Ostwind and Ford Ridge contributed positively.

Earnings from our CHP plants increased due to the higher power prices. As we only hedge the power we cogenerate with heat, we benefitted from the high prices on our condensing power generation.

In 'Gas Markets & Infrastructure', we achieved higher earnings from our gas storage activities and release of a provision related to the close-down of our B2B business in the UK.

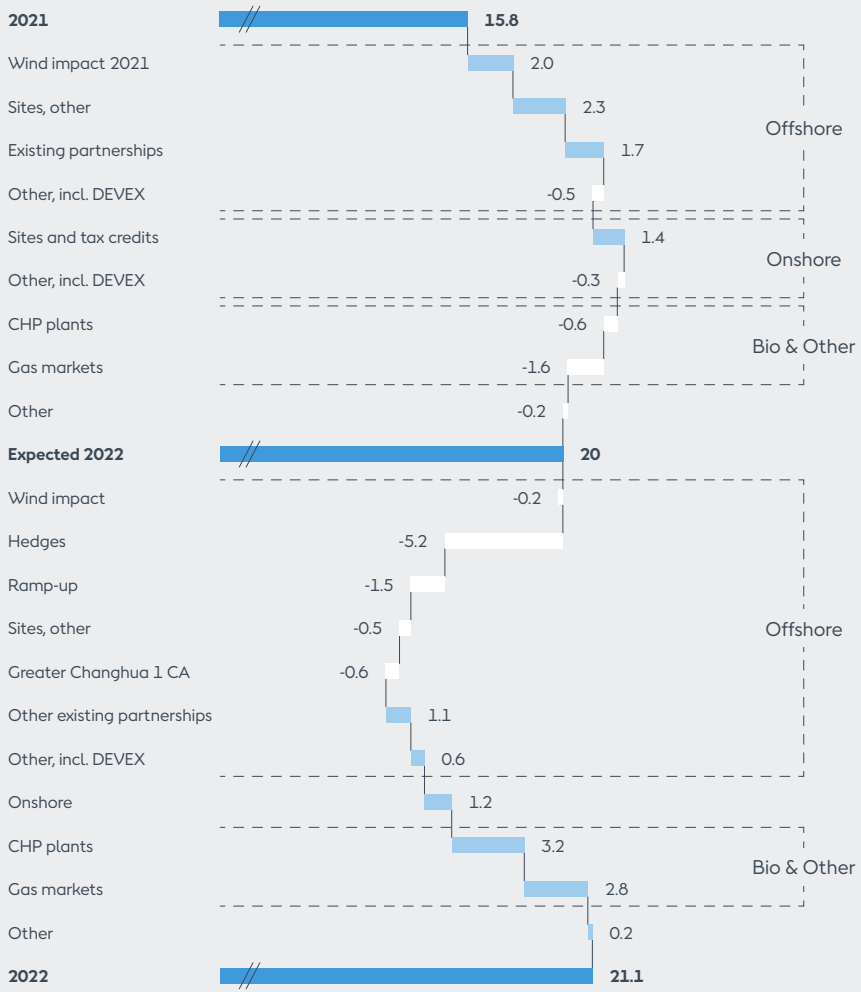
Q4 EBITDA

Neither the development in nor the composition of our earnings mix were as expected in our 9M report.

In Offshore, we had to recognise a negative effect from ineffectiveness related to inflation-indexed contracts with partners, a reduction in the value of intermittency hedges (part of volume-ineffective hedges), and we saw higher balancing costs. In addition, the delays at Greater Changhua 1 & 2a had a negative impact.

In Bioenergy & Other, we realised significantly higher-than-expected earnings from our gas storage activities and released a provision related to our B2B business. This was partly offset by lower earnings from our CHP plants due to lower-than-expected power prices.

EBITDA excluding new partnerships
DKKbn



Results

Financial results

Revenue

Power generation from offshore and onshore assets increased by 34 % and totalled 29.6 TWh in 2022. The increase was due to ramp-up of generation from Hornsea 2, Western Trail, Haystack, Lincoln Land, Old 300, the wind part of Helena Energy Center, the acquisition of Ford Ridge, the full-year effects from I&UK assets acquired during 2021, and higher wind speeds, partly offset by the 50 % farm-down of Borssele 1 & 2 in May 2021.

Heat generation amounted to 6.4 TWh, 19 % lower than last year, mainly due to warmer weather. Thermal power generation decreased by 13 % and amounted to 6.0 TWh.

Lower CHP generation (warmer weather) was partly offset by higher condensing power generation.

Our renewable share of generation was 91 % in 2022, 1 percentage point higher than last year, driven by a higher share of generation from offshore and onshore renewables, partly offset by higher CHP generation on coal due to scarcity of sustainable biomass and as we had to switch to coal at Studstrup 3.

Revenue amounted to DKK 132.3 billion. The increase of 70 % relative to 2021 was primarily due to the significantly higher power prices across all markets.

EBITDA

Operating profit (EBITDA) totalled DKK 32.1 billion, of which the gain from the 50 % farm-downs of Hornsea 2 and Borkum Riffgrund 3 amounted to DKK 9.4 billion and DKK 1.6 billion, respectively. Thus, EBITDA excluding new partnerships amounted to DKK 21.1 billion, an increase of DKK 5.3 billion compared to last year.

Earnings from Offshore sites amounted to DKK 9.9 billion, a decrease of DKK 3.1 billion compared to last year.

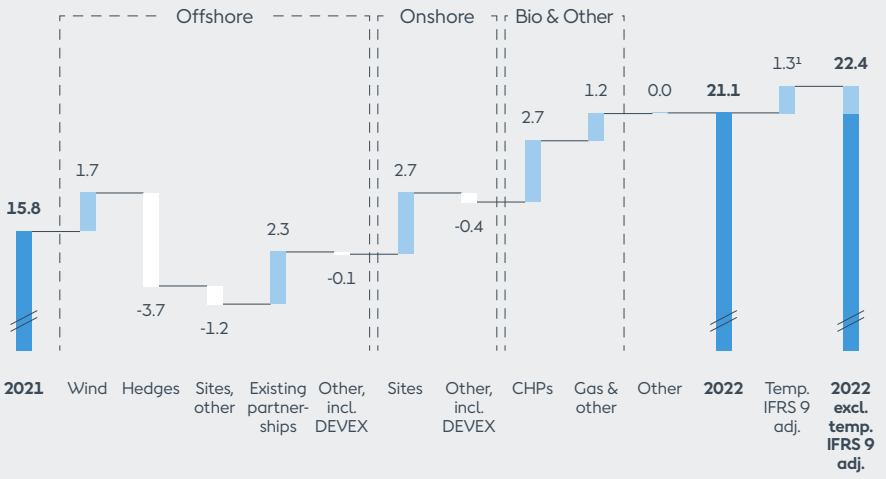
'Wind impact' was positive with DKK 1.7 billion due to higher wind speeds than last year (DKK -0.2 billion versus a normal wind year).

Impact from 'hedges' was negative with DKK 3.7 billion in 2022 compared to last year (2022 was negatively impacted by DKK 5.6 billion, whereas 2021 was negatively impacted by DKK 1.9 billion). This was due to ineffectiveness related to inflation-based contracts with partners

Financial results

DKKm	2022	2021	%
Revenue	132,277	77,673	70 %
EBITDA	32,057	24,296	32 %
New partnerships	10,993	8,507	29 %
EBITDA excl. new partnerships	21,064	15,789	33 %
Depreciation and amortisation	(9,754)	(7,972)	22 %
Impairment	(2,529)	(129)	1,860 %
Operating profit (loss) (EBIT)	19,774	16,195	22 %
Gain (loss) on divestment of enterprises	331	(742)	n.a.
Financial items, net	(2,536)	(2,166)	17 %
Profit before tax	17,609	13,277	33 %
Tax on profit (loss) for the year	(2,613)	(2,390)	9 %
Tax rate	15 %	18 %	(3 %p)
Profit (loss) for the year	14,996	10,887	38 %

EBITDA excluding new partnerships
DKKbn

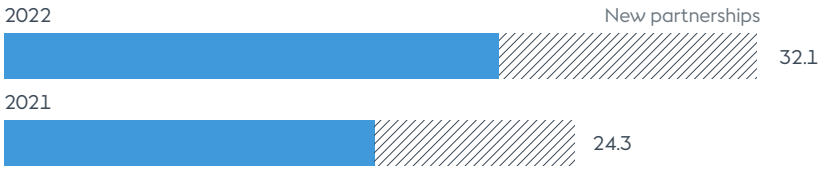


1 Absolute effect from IFRS 9 hedge effects

EBITDA

DKK 32.1 bn

EBITDA
DKKbn



In 2022, regulated and quasi-regulated activities and contracted activities accounted for 45 % and 49 % of our EBITDA, respectively, whereas market-exposed activities accounted for 6 %.

(DKK 0.7 billion), negative effects from volume-related overhedging (DKK 2.6 billion), and IFRS 9-related ineffective hedges (DKK 0.4 billion).

Earnings from 'Sites, other' decreased with DKK 1.2 billion, mainly due to a negative impact from high prices and volatility (balancing costs), from expanding our portfolio (higher OPEX, BSUoS, and TNUoS tariffs), and from the 50 % farm-down of Borssele. This was partly offset by ramp-up of generation at Hornsea 2, higher achieved prices from one-sided German CfD sites, and from value-creating market trading activities.

EBITDA from partnerships amounted to DKK 12.3 billion and was mainly related to the DKK 9.4 billion and DKK 1.6 billion gains from the 50 % farm-downs of Hornsea 2 and Borkum Riffgrund 3 (new partnerships), respectively. Earnings from existing partnerships amounted to DKK 1.3 billion compared to a loss of DKK 1.0 billion in 2021. In 2022, we had positive earnings from finalised projects and construction work for partners at Greater Changhua 1. In addition, we reversed DKK 0.5 billion of the DKK 0.8 billion warranty provision towards our partners we recognised in 2021 related to cable protection system issues at some of our offshore wind farms.

EBITDA in Onshore increased by DKK 2.3 billion to DKK 3.6 billion, driven by ramp-up of generation and higher achieved prices across the portfolio.

EBITDA from our CHP plants amounted to DKK 5.9 billion, an increase of DKK 2.6 billion compared to last year. The increase was mainly due to higher power prices. As we initially only hedge the power we cogenerate with heat, we have been able to benefit from the high power prices on our condensing power generation.

EBITDA from our gas business contributed with earnings of DKK 3.1 billion in 2022, DKK 1.3 billion higher than last year, with some offsetting effects. We saw a positive effect from optimising our north-western European gas activities, where we were able to lock in gains from the offtake flexibility in some of our sourcing contracts and at gas storages. In addition, we had a positive effect from our B2B activities in the UK, where we released part of the provision for closing down the business. In contrast, our decision during the spring to unwind gas hedges related to the Gazprom Export contract to balance our risk, if gas supplies from Russia were ceased, led to a net loss on the Gazprom Export sourcing contract in the first half of the year. Furthermore, 2021 was positively impacted by renegotiation of gas purchase contracts and earnings from optimising purchase via our long-term gas contracts.

Impairment

Impairment losses amounted to DKK 2.5 billion in 2022 and was related to our Sunrise Wind project in the US, driven by supply chain bottlenecks, cost inflation, and higher costs of capital.

EBIT

EBIT increased by DKK 3.6 billion to DKK 19.8 billion in 2022. The higher EBITDA was partly offset by impairment losses and higher depreciation from more assets in operation.

Financial income and expenses

Net financial income and expenses amounted to DKK -2.5 billion compared to DKK -2.2 billion in 2021. The higher net expenses were mainly due to higher interest expenses and capital losses on the bond portfolio (net of related interest rate swaps) due to increasing interest rates and higher agreed returns on tax equity contributions due to more onshore assets in operation, only partly offset by positive exchange rate adjustments.

Tax and tax rate

Tax on profit for the period amounted to DKK 2.6 billion, DKK 0.2 higher than 2021. The effective tax rate was 15 % and was impacted by the tax-exempt gains of DKK 10.9 billion from the 50 % farm-downs of Hornsea 2 and Borkum Riffgrund 3, the recognition of deferred taxes related to tax equity contributions in the US, and by prior year adjustments.

Profit for the year

Profit for the year totalled DKK 15.0 billion, DKK 4.1 billion higher than in 2021. The increase was mainly due to the higher EBIT.

Cash flows and net debt

Cash flows from operating activities

Cash flows from operating activities totalled DKK 11.9 billion in 2022 compared to DKK 12.1 billion in 2021.

During 2022, we tied up additional DKK 6.9 billion, net, in variation margin payments on unrealised hedges (part of 'Change in derivatives') and initial margin payments at clearing houses (part of 'Change in other working capital') due to the increasing and volatile power and gas prices:

- The variation margin payments were a cash outflow of DKK 10.4 billion vs. a cash inflow of 0.6 billion in 2021. DKK 2.0 billion of the outflow in 2022 related to power hedges in Offshore, and DKK 8.4 billion related to gas hedges in Bioenergy & Other.
- The initial margin payments were a cash inflow of DKK 3.5 billion vs a cash outflow of DKK 7.3 billion in 2021.
- During the second quarter, we issued parent company guarantees in total of EUR 1 billion, which reduced our initial margin payments.

The negative impact from variation margin payments included in 'Change in derivatives' was partly offset by the reversal of unrealised market trading results and ineffective hedges.

In 2022, we had a net cash inflow from work in progress of DKK 4.3 billion, mainly from the farm-down of 50 % of the offshore transmission asset at Hornsea 2 and milestone payments received at Borkum Riffgrund 3, partly offset by construction work at Greater Changhua 1. In 2021, we had a net cash inflow of DKK 4.5 billion, mainly from the divestment of the Hornsea 1 offshore transmission asset and milestone payments received at Greater Changhua 1, only partly offset by construction work regarding the offshore transmission asset at Hornsea 2.

In 2022, cash inflows from tax equity contributions were more than offset by tax equity reversals, whereas we had a large inflow of tax equity contributions in 2021.

Furthermore, the positive effect in 'Change in other working capital' from lower initial margins was partly offset by higher fuel inventories and lower payables.

Investments and divestments

Gross investments amounted to DKK 37.4 billion in 2022. The main investments were:

- offshore wind farms (DKK 26.7 billion), including Greater Changhua 1 & 2a in Taiwan, Hornsea 2 in the UK, and our portfolio of US and German projects
- onshore wind and solar PV farms (DKK 10.4 billion), including the acquisitions of Ostwind and Ford Ridge as well as the construction of Old 300, Sunflower Wind, Helena Energy Center, Eleven Mile, and our portfolio of European projects.

Divestments amounted to DKK 25.6 billion in 2022 and were mainly related to the 50 % farm-downs of Hornsea 2 and Borkum Riffgrund 3 with proceeds (NIBD impact) of DKK 22.2 billion and DKK 1.9 billion,

Cash flows and net debt

DKKm	2022	2021	%
Cash flows from operating activities	11,924	12,148	(2%)
EBITDA	32,057	24,296	32%
Reversal of gain (loss) on divestment of assets	(10,885)	(7,920)	37%
Change in derivatives, excl. variation margin	1,645	(2,678)	n.a.
Change in variation margin	(10,332)	627	n.a.
Change in provisions	(1,935)	(158)	1125%
Other items	(278)	(262)	6%
Interest expense, net	(563)	(467)	21%
Paid tax	(1,263)	(1,380)	(8%)
Change in work in progress	4,271	4,466	(4%)
Change in tax equity partner liabilities	(353)	3,678	n.a.
Change in other working capital	(440)	(8,054)	(95%)
Gross investments	(37,447)	(39,307)	(5%)
Divestments	25,636	21,519	19%
Free cash flow	113	(5,640)	n.a.
Net debt at 1 January	24,280	12,343	97%
Free cash flow	(113)	5,640	n.a.
Dividends and hybrid coupons paid	6,052	5,581	8%
Addition of leasing obligations	1,598	2,742	(42%)
Issuance of leasing hybrid capital, net	(1,747)	(4,356)	(60%)
Exchange rate adjustments, etc.	501	2,330	(78%)
Net debt at 31 December	30,571	24,280	26%

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, %	2022	2021	%
ROCE	16.8	14.8	2%p
Adjusted net debt	42,075	39,774	6%
FFO/adjusted net debt	42.7	26.3	16%p

ROCE and FFO/adjusted net debt is specified in notes 2 and 5.1

respectively, and payments from our 25% partner in Ocean Wind 1. In 2021, divestments amounted to DKK 21.5 billion and were mainly related to the 50% farm-downs of Borssele 1 & 2 and Greater Changhua 1. In addition, we completed the divestment of a portfolio of four onshore projects in 2022, with no impact on EBITDA, divestments cash flow, or NIBD.

Interest-bearing net debt

Interest-bearing net debt totalled DKK 30.6 billion at the end of December 2022 against DKK 24.3 billion at the end of 2021. The increase was mainly due to dividend payments of DKK 5.7 billion and higher net lease obligations of DKK 1.6 billion, partly offset by net issuance of hybrid capital in 2022. Free cash flow was positive with DKK 0.1 billion. At the end of 2022, we had posted DKK 14.0 billion as collateral at exchanges.

Equity and capital employed

Equity

Equity was DKK 95.5 billion at the end of December 2022 against DKK 85.1 billion at the end of 2021. At the end of 2022, the post-tax hedging and currency translation reserve amounted to a loss of DKK 26.5 billion. The reserve will be matched by higher future revenue from the underlying activities when the contracts fall into delivery. Approx. 30% of the reserve will materialise before 31 December 2023.

Capital employed

Capital employed was DKK 126.1 billion at the end of December 2022 against DKK 109.4 billion at the end of 2021, mainly due to new investments.

Financial ratios

Return on capital employed (ROCE)

Return on capital employed (ROCE) was 16.8% in 2022. The increase of 2.0 percentage points compared to last year was attributable to a higher EBIT.

Credit metric (FFO/adjusted net debt)

The funds from operations (FFO)/adjusted net debt credit metric was 42.7% in 2022 against 26.3% last year. The increase was mainly due to higher FFO.

During the year, we updated the definition of our FFO/adjusted net debt ratio. We have excluded variation margin payments in our FFO definition to reflect the changes implemented by the rating agencies. Furthermore, we have excluded 'other interest-bearing debt' and 'other interest-bearing receivables' from our adjusted net debt to align with the common methodology used by the rating agencies. We have restated comparison numbers for 2022 and 2021 accordingly. See note 5.1 for definitions.

ESG results

Green share of heat and power generation

The green share of heat and power generation amounted to 91% in 2022 compared to 90% in 2021. The 1 percentage point increase was driven by more wind and solar assets in operation and higher wind speeds, partially offset by higher coal-based generation and lower sustainable biomass-based generation.

Greenhouse gas emissions

Our greenhouse gas emissions from heat and power generation (scope 1 and 2) increased by 17% compared to 2021 to 2.5 million tonnes CO_2e due to increased use of coal in our thermal heat and power generation due to scarcity of supply of biomass in the first part of the year and a switch from biomass to coal at Studstrup 3 due to a fire in a wood pellet silo.

Greenhouse gas intensity from our heat and power generation and other operating activities increased to 60 g CO_2e/kWh in 2022 against 58 g CO_2e/kWh in 2021. The increase was driven by the increased use of coal in the thermal heat and power generation, partly offset by higher wind and solar generation.

Greenhouse gas emissions from our supply chain and sales activities (scope 3) decreased by 40% to 11.0 million tonnes in 2022. This was primarily due to a 48% decrease in gas sales and a 10% reduction in emissions from commissioning of renewable assets.

Safety

In 2022, we had 78 total recordable injuries (TRIs), of which 52 injuries were related to contractors' employees. This was an increase of 4 injuries compared to last year. The number of hours worked was 24.8 million hours, same as in 2021. The total recordable injury rate (TRIR) increased from 3.0 in 2021 to 3.1 in 2022.

Taxonomy-aligned KPIs

The taxonomy-aligned share of revenue was 73%, EBITDA was 85%, gross investments was 99%, and OPEX was 80% in 2022. The non-eligible part of our revenue primarily concerned our long-term legacy activities related to sourcing and sale of gas (16% of revenue in 2022), coal-based generation, and non-eligible power sales. We expect the share of taxonomy-aligned revenue to increase in the coming years.

Read more about our EU taxonomy-aligned KPIs in notes 2.1-2.5 in the ESG performance report for 2022.

See our full EU taxonomy reporting in our ESG performance report: orsted.com/ESGperformance2022.

Five-year summary

Financial statements

DKKm	2022	2021	2020	2019	2018
Income statement					
Revenue	132,277	77,673	50,151	70,398	75,520
EBITDA	32,057	24,296	16,598	19,020	28,491
Offshore	19,569	18,021	14,451	14,503	26,305
Sites, O&M, and PPAs	9,940	13,059	15,177	13,092	9,538
Construction agreements and divestment gains	12,277	7,535	1,593	3,765	18,765
Other, incl. project development	(2,648)	(2,573)	(2,319)	(2,354)	(1,998)
Onshore	3,644	1,349	1,112	801	509
Bioenergy & Other	8,619	4,747	824	3,551	1,603
Other activities	225	179	210	166	74
Depreciation and amortisation	(9,754)	(7,972)	(7,588)	(6,864)	(5,978)
Impairment	(2,529)	(129)	-	(568)	603
Operating profit (loss) (EBIT)	19,774	16,195	9,010	11,588	23,116
Gain (loss) on divestment of enterprises	331	(742)	10,831	(63)	127
Net financial income and expenses	(2,536)	(2,166)	(2,524)	(1,135)	(1,278)
Profit (loss) before tax	17,609	13,277	17,324	10,392	21,966
Tax	(2,613)	(2,390)	(1,776)	(3,101)	(3,700)
Profit (loss) for the year	14,996	10,887	15,537	7,235	18,276
Balance sheet					
Assets	314,142	270,385	196,719	192,860	174,575
Equity	95,532	85,137	97,329	89,562	85,115
Shareholders in Ørsted A/S	71,743	64,072	81,376	73,082	68,488
Non-controlling interests	3,996	3,081	2,721	3,248	3,388
Hybrid capital	19,793	17,984	13,232	13,232	13,239
Interest-bearing net debt	30,571	24,280	12,343	17,230	(2,219)
Capital employed	126,103	109,416	109,672	106,792	82,896
Additions to property, plant, and equipment	33,662	43,941	28,442	22,440	14,436
Cash flows					
Cash flows from operating activities	11,924	12,148	16,466	13,079	10,343
Gross investments	(37,447)	(39,307)	(26,967)	(23,305)	(24,481)
Divestments	25,636	21,519	19,039	3,329	19,950
Free cash flow	113	(5,640)	8,538	(6,897)	5,812
Financial ratios					
Return on capital employed (ROCE), %	16.8	14.8	8.3	12.2	30.2
FFO/adjusted net debt, %	42.7	26.3	65.0	31.0	69.0
Number of outstanding shares, 31 December, '000	420,209	420,175	420,068	419,985	420,045
Share price, 31 December, DKK	631	835	1,244	689	436
Market capitalisation, 31 December, DKKbn	265	351	522	290	183
Earnings per share (EPS), DKK	34.6	24.3	38.8	12.8	45.3
Dividend yield, %	2.1	1.5	0.9	1.5	2.2

Business drivers	2022	2021	2020	2019	2018
Offshore					
Decided and installed capacity, GW	11.1	10.9	9.9	9.9	9.0
Installed capacity, GW	8.9	7.6	7.6	6.8	5.6
Generation capacity, GW	4.7	4.0	4.4	3.6	3.0
Wind speed, m/s	9.5	9.1	10.0	9.2	9.1
Load factor, %	42	39	45	42	42
Availability, %	94	94	94	93	93
Power generation, GWh	16,483	13,808	15,248	11,965	10,042
Power sales, GWh	33,745	25,020	29,152	27,615	27,434
Onshore					
Decided and installed capacity, GW	6.2	4.7	3.4	2.1	1.0
Installed capacity, GW	4.2	3.4	1.7	1.0	0.8
Wind speed[1], m/s	7.4	7.4	7.6	7.3	7.3
Load factor[1], wind, %	40	42	45	45	41
Load factor[1], solar PV, %	25	24	-	-	-
Availability[1], wind, %	93	96	96	98	-
Availability[1], solar PV, %	98	96	-	-	-
Power generation, GWh	13,146	8,352	5,738	3,513	552
Bioenergy & Other					
Degree days, number	2,548	2,820	2,432	2,399	2,526
Heat generation, GWh	6,368	7,907	6,671	8,312	8,768
Power generation, GWh	6,012	6,890	4,438	4,640	6,652
Power sales, GWh	5,399	8,797	11,623	14,700	15,296
Gas sales, GWh	31,637	61,349	90,347	124,951	131,144

ESG statements

Employees (FTE), end of year, number	8,027	6,836	6,179	6,526	6,080
Total recordable injury rate (TRIR)	3.1	3.0	3.6	4.9	4.7
Fatalities, number	-	-	-	1	-
Green share of heat and power generation, %	91	90	90	86	75
GHG emission (scope 1 & 2), Mtonnes	2.5	2.1	1.9	1.9	3.5
GHG intensity (scope 1 & 2), g CO_2e/kWh	60	58	58	65	131
GHG emissions (scope 3), Mtonnes	11.0	18.2	25.3	34.6	36.2

1 For 2021-2018, these business drivers are for US only. Whereas they are for the whole portfolio from 2022.

Fourth quarter

Financial performance – Group

EBITDA

Operating profit (EBITDA) totalled DKK 6.7 billion compared to DKK 8.3 billion in Q4 2021. In Q4 2021, we completed the 50% farm-down of Greater Changhua 1 with a gain of DKK 3.2 billion. Adjusted for new partnerships, EBITDA increased by DKK 1.6 billion compared to the same period in 2021.

Earnings from offshore sites were DKK 0.2 billion lower than the same period last year and amounted to DKK 3.7 billion.

'Wind impact' was positive with DKK 0.2 billion due to higher wind speeds than last year.

Impact from 'Hedges' was negative with DKK 0.7 billion in Q4 2022 compared to Q4 2021 (Q4 2022 was negatively impacted by DKK 1.7 billion, whereas Q4 2021 was negatively impacted by DKK 1.0 billion). This was due to ineffectiveness related to inflation-indexed contracts with partners (DKK 0.7 billion) and negative effects from volume-related overhedging due to a reduction in the value of intermittency hedges, only partly offset by lower underlying overhedging Q-Q (DKK 0.3 billion). This was partly offset by a net positive change in IFRS 9-related ineffective hedges (DKK 0.3 billion).

Earnings from 'Sites, other' increased by DKK 0.2 billion, mainly due to ramp-up generation at Hornsea 2 and gains from value-creating market trading activities, partly offset by negative effects from high ROC recycle settlements in Q4 2021 not repeated in 2022, high prices and volatility (higher balancing costs), and from expanding our portfolio (higher OPEX, and BSUoS tariffs).

Earnings from existing partnerships were DKK 0.1 billion lower than the same period last year and amounted to DKK -0.8 billion. Due to further delay with commissioning of the turbines at Greater Changhua 1, total costs for the project have increased and consequently reduced earnings under the construction agreement.

EBITDA from our Onshore business increased by DKK 0.3 billion to DKK 0.9 billion, driven by ramp-up of generation and higher achieved prices across the portfolio.

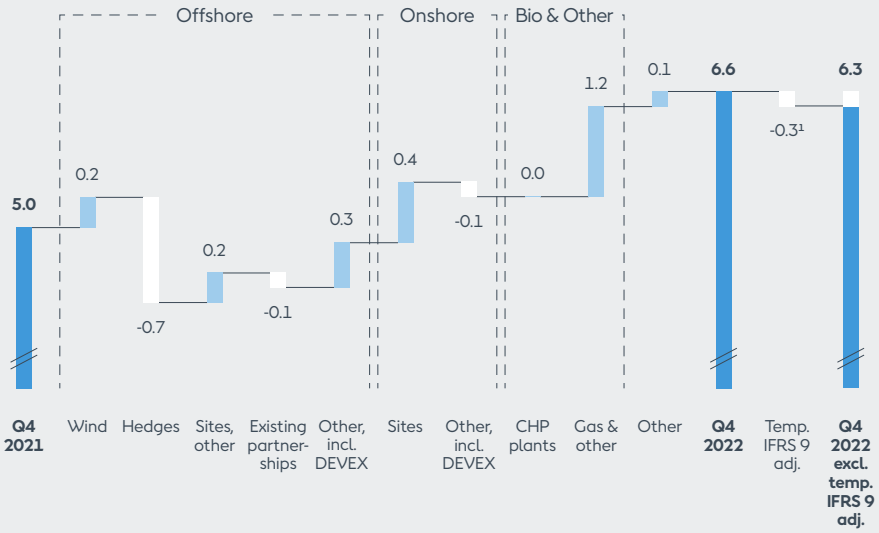
EBITDA from our CHP plants stayed at the same level as Q4 2021 and amounted to DKK 1.7 billion.

Earnings from our gas business were DKK 2.1 billion, a DKK 1.3 billion increase compared to the same period last year, mainly driven by a positive effect from our

Financial performance

DKKm	Q4 2022	Q4 2021	%
Revenue	35,679	30,666	16%
EBITDA	6,696	8,253	(19%)
New partnerships	77	3,211	(98%)
EBITDA excl. new partnerships	6,619	5,042	31%
Impairment loss	(2,529)	(129)	n.a.
Operating profit (loss) (EBIT)	1,375	5,980	(77%)
Profit (loss) before tax	460	4,361	(89%)
Tax	(789)	(1,103)	(28%)
Tax rate	172%	25%	147%p
Profit (loss) for the period	(329)	3,258	n.a.

EBITDA excluding new partnerships
DKKbn



1 Absolute effect from IFRS 9 hedge effects in Q4 2022

Cash flows and net debt

DKKm	Q4 2022	Q4 2021	%
Cash flows from operating activities	20,915	668	n.a.
EBITDA	6,696	8,253	(19%)
Reversal of gain (loss) on divestment of assets	57	(2,294)	n.a.
Change in derivatives, excl. variation margin	(6,543)	(3,912)	67%
Variation margin	8,658	1,850	368%
Change in provisions	(668)	112	n.a.
Other items	(98)	(209)	(53%)
Interest expenses, net	(54)	130	n.a.
Paid tax	(28)	(26)	8%
Change in work in progress	1,830	1,322	38%
Change in tax equity partner liabilities	251	1,018	(75%)
Change in other working capital	10,814	(5,576)	n.a.
Gross investments	(9,826)	(11,752)	(16%)
Divestments	983	10,952	(91%)
Free cash flow	12,072	(132)	n.a.
Net debt, beginning of period	45,701	21,211	115%
Free cash flow	(12,072)	132	n.a.
Dividends and hybrid coupon paid	228	212	8%
Addition to lease obligations	582	2,092	(72%)
Issuance of hybrid capital, net	(1,747)	-	n.a.
Exchange rate adjustments, etc.	(2,121)	633	n.a.
Net debt, end of period	30,571	24,280	26%

gas storage activities and release of a provision related to the close-down of our B2B business in the UK. This was partly offset by lower volumes sold in 2022 and strong earnings from optimising purchase from our long-term gas contracts in 2021.

Impairment losses

Impairment losses amounted to DKK 2.5 billion in Q4 2022 and was related to our Sunrise Wind project in the US. Supply chain bottlenecks, cost inflation, and higher costs of capital led to an impairment.

Profit for the period

Profit for the period totalled DKK -0.3 billion, DKK 3.6 billion lower than Q4 2021. The decrease was primarily due to the gain from the 50% farm-down of Greater Changhua 1 in Q4 2021 and from the impairment loss in Q4 2022.

Cash flows from operating activities

Cash flows from operating activities totalled DKK 20.9 billion in Q4 2022 compared to DKK 0.7 billion in Q4 2021. The increase of DKK 20.2 billion was mainly due to a release of collateral tied up at clearing houses.

During Q4 2022, we released DKK 17.4 billion, net, in variation margin payments on unrealised hedges (part of 'Change in derivatives') and initial margin payments at clearing houses (part of 'Change in other working capital') due to the sharp decrease in power and gas prices at the end of the quarter, whereas we tied up an additional DKK 2.9 billion in Q4 2021:

- The variation margin payments were a cash inflow of DKK 8.7 billion vs. a cash inflow of DKK 1.9 billion in Q4 2021.
- The initial margin payments were a cash inflow of DKK 8.7 billion in Q4 2022 vs. a cash outflow of DKK 4.8 billion in Q4 2021.

The positive impact from variation margin payments included in 'Change in derivatives' was partly offset by reversal of unrealised market trading results and ineffective hedges.

In Q4 2022, we had tax equity contribution from Old 300, whereas we received tax equity contributions from Lincoln Land in Q4 2021.

In Q4 2022, we had a net cash inflow from work in progress of DKK 1.8 billion, mainly due to milestone payments received at Borkum Riffgrund 3 and construction work related to Greater Changhua 1. In Q4 2021, we had a net cash inflow of DKK 1.3 billion, mainly due to milestone payments at Greater Changhua 1.

Investments and divestments

Gross investments amounted to DKK 9.8 billion in Q4 2021 and related to the construction of offshore and onshore assets. Divestments amounted to DKK 1.0 billion and mainly related to payments from our 25% partner in Ocean Wind 1.

Offshore

Financial results Q4 2022

Power generation increased by 22% to 5.4 TWh in Q4 2022. The increase was due to ramp-up at Hornsea 2 and slightly higher wind speeds.

Wind speeds amounted to a portfolio average of 10.7 m/s, which was higher than in Q4 2021 (10.6 m/s), but below the normal wind speeds expected in the fourth quarter (11.0 m/s).

Availability ended at 95%, in line with the same period last year.

Revenue increased by 28% to DKK 24.9 billion.

Revenue from offshore wind farms in operation increased by 80% to DKK 10.8 billion, mainly driven by higher generation and higher PPA revenue following our 50% farm-down of Hornsea 2. The Hornsea 2 PPA will run until CfD start.

Revenue from power sales increased by 7% to DKK 13.2 billion due to an increase in power sales, partly offset by lower power prices.

EBITDA decreased by DKK 3.2 billion and amounted to DKK 2.1 billion.

EBITDA from 'Sites, O&M, and PPAs' amounted to DKK 3.7 billion in Q4 2022. Despite a positive impact from ramp-up of generation at Hornsea 2, value-creating market trading activities, net-positive changes in IFRS 9-related ineffective hedges (DKK 0.3 billion), and higher wind speeds than last year (DKK 0.2 billion), earnings decreased by DKK 0.2 billion. This was primarily due to ineffectiveness related to inflation-indexed contracts with partners (DKK 0.7 billion) and negative effects from volume-related overhedging due to a reduction in the value of intermittency hedges, only partly offset by lower underlying overhedging Q-Q (DKK 0.3 billion). Furthermore, we saw negative effects from high ROC recycle settlements in Q4 2021 not repeated in 2022, from generally high prices and volatility (balancing costs), and from expanding our portfolio (higher OPEX, BSUoS, and TNUoS tariffs).

EBITDA from partnerships amounted to DKK -0.7 billion in Q4 2022 and mainly related to the construction of Greater Changhua 1. Due to further delay with commissioning of the turbines, total costs for the project have increased and consequently reduced earnings under the construction agreement. In Q4 2021, EBITDA from partnerships mostly related to the 50% farm-down of Greater Changhua 1 with a gain of DKK 3.6 billion.

EBITDA from other activities, including project development, amounted to DKK -0.9 billion, DKK 0.3 billion less than in Q4 2021, and was mainly related to lower expensed project development costs.

Results	Q4 2022	Q4 2021	%	2022	2021	%
Business drivers						
Decided (FID'ed) and installed capacity, GW	11.1	10.9	1%	11.1	10.9	1%
Installed capacity, GW	8.9	7.6	17%	8.9	7.6	17%
Generation capacity, GW	4.7	4.0	17%	4.7	4.0	17%
Wind speed, m/s	10.7	10.6	1%	9.5	9.1	4%
Load factor, %	54	53	1%p	42	39	3%p
Availability, %	95	95	0%p	94	94	(0%p)
Power generation, GWh	5,411	4,452	22%	16,483	13,808	19%
Denmark	634	611	4%	2,084	1,918	9%
The United Kingdom	3,631	2,757	32%	10,989	7,880	39%
Germany	626	680	(8%)	1,949	2,022	(4%)
The Netherlands	401	383	5%	1,259	1,904	(34%)
Other	119	21	484%	202	84	142%
Power sales, GWh	11,563	8,791	32%	33,745	25,020	35%
Power price, LEBA UK	210	261	(20%)	252	147	71%
British pound	8.6	8.8	(2%)	8.7	8.6	1%
Financial performance, DKKm						
Revenue	24,922	19,410	28%	87,121	50,791	72%
Sites, O&M, and PPAs	10,767	5,988	80%	23,349	18,432	27%
Power sales	13,209	12,388	7%	52,001	25,905	101%
Construction agreements	916	905	1%	11,640	6,044	93%
Other	30	129	(77%)	131	410	(68%)
EBITDA	2,094	5,244	(60%)	19,569	18,021	9%
Sites, O&M, and PPAs	3,746	3,983	(6%)	9,940	13,059	(24%)
Construction agreements and divestment gains	(715)	2,469	n.a.	12,277	7,535	63%
Other, incl. project development	(937)	(1,208)	(22%)	(2,648)	(2,573)	3%
Depreciation	(1,994)	(1,519)	31%	(7,006)	(5,993)	17%
Impairment	(2,529)	(69)	3565%	(2,529)	(69)	3,565%
EBIT	(2,429)	3,656	n.a.	10,034	11,959	(16%)
Cash flow from operating activities	17,728	(1,761)	n.a.	5,272	(898)	n.a.
Gross investments	(7,926)	(7,015)	13%	(26,710)	(23,416)	14%
Divestments	1,034	10,910	(91%)	25,451	21,595	18%
Free cash flow	10,836	2,134	408%	4,013	(2,719)	n.a.
Capital employed	89,941	85,814	5%	89,941	85,814	5%

Onshore

Financial results Q4 2022

Power generation from our operating onshore assets increased by 22% compared to Q4 2021 and amounted to 3.4 TWh. The increase was due to the commissioning of Haystack, Ford Ridge, the wind part of Helena Energy Center, and ramp-up of generation at Old 300. In Q4 2022, the wind speeds across the portfolio were 7.7 m/s, which were higher than last year (7.5 m/s for the entire portfolio) and 1% higher than a normal wind year.

Availability for wind farms was lower during the quarter due to minor technical issues, mainly at Willow Springs.

Revenue was up by DKK 0.3 billion compared to Q4 2021 and amounted to DKK 0.7 billion. The increase was mainly due to increased power generation as a result of the newly commissioned assets and higher achieved prices across the portfolio.

In the US, we benefitted from the higher power prices during the ramp-up phases of assets under construction, where PPAs do not start until COD. Furthermore, some of our PPAs have upside share structures that allow for capture of additional revenue in periods of high pricing compared to traditional PPAs.

EBITDA for Q4 2022 amounted to DKK 0.9 billion, DKK 0.3 billion higher than in the same period last year. The increase was due to higher generation and higher prices across the portfolio. This was partly offset by higher fixed costs due to the expansion of the business and project development.

Results	Q4 2022	Q4 2021	%	2022	2021	%
Business drivers						
Decided (FID'ed) and installed capacity, GW	6.2	4.7	33 %	6.2	4.7	33%
Installed capacity, GW	4.2	3.4	25%	4.2	3.4	25%
Wind speed[1], m/s	7.7	7.9	(2%)	7.4	7.4	0%
Load factor[1], wind, %	40	47	(7%p)	40	42	(2%p)
Load factor[1], solar PV, %	17	19	(2%p)	25	24	1%p
Availability[1], wind, %	91	96	(5%p)	93	96	(3%p)
Availability[1], solar PV, %	99	99	0%p	98	96	2%p
Power generation, GWh	3,425	2,818	22%	13,146	8,352	57%
US wind	2,711	2,336	16%	10,389	6,997	48%
US solar PV	388	272	42%	1,920	1,018	89%
Europe, wind and solar PV	326	210	55%	837	337	148%
US dollar	7.3	6.5	12%	7.1	6.3	13%
Financial performance, DKKm						
Revenue	758	362	109%	3,014	995	203%
EBITDA	852	530	61%	3,644	1,349	170%
Sites	420	211	99%	2,097	535	292%
Production tax credits and tax attributes	712	480	48%	2,556	1,382	85%
Other, including project development	(280)	(161)	74%	(1,009)	(568)	78%
Depreciation & impairment	(448)	(373)	20%	(1,644)	(963)	71%
EBIT	404	157	157%	2,000	386	418%
Cash flow from operating activities	1,039	1,591	(35%)	2,509	4,467	(44%)
Gross investments	(1,856)	(4,606)	(60%)	(10,396)	(15,525)	(33%)
Divestments	13	-	n.a.	56	-	n.a.
Free cash flow	(804)	(3,015)	(73%)	(7,831)	(11,058)	(29%)
Capital employed	28,463	22,634	26%	28,463	22,634	26%

1 For 2021, these business drivers are for US only. Whereas they are for the whole portfolio from 2022.

Bioenergy & Other

Financial results Q4 2022

Heat generation decreased by 16% in Q4 2022, mainly due to warmer weather. Power generation decreased by 33%, mainly due to lower CHP generation and less attractive spreads for condensing power generation.

Gas sales and power sales decreased by 71% and 56%, respectively, due to no volumes being delivered under the Gazprom Export sourcing contract and a gradual phase-out of our remaining B2B activities in the UK.

Revenue decreased by 23% compared to Q4 2021 and amounted to DKK 10.3 billion. The decrease was driven by significantly lower gas and power sales, partly offset by higher prices.

EBITDA amounted to DKK 3.6 billion compared to DKK 2.4 billion in Q4 2021.

EBITDA from 'CHP plants' was in line with Q4 2021. The decrease in generation and lower spreads was offset by a positive adjustment on ineffective hedges (DKK 0.2 billion).

EBITDA from 'Gas Markets & Infrastructure' increased by DKK 1.3 billion relative to the same period last year, amounting to DKK 2.1 billion in Q4 2022. The increase was mainly driven by a positive effect from our gas storage activities and release of a provision related to the close-down of our B2B business in the UK. This was partly offset by lower volumes sold in 2022 and strong earnings from optimising purchase from our long-term gas contracts in 2021.

Results	Q4 2022	Q4 2021	%	2022	2021	%
Business drivers						
Degree days	861	927	(7%)	2,548	2,820	(10%)
Heat generation, GWh	2,064	2,467	(16%)	6,368	7,907	(19%)
Power generation, GWh	1,409	2,096	(33%)	6,012	6,890	(13%)
Gas sales, GWh	4,048	13,744	(71%)	31,637	61,349	(48%)
Power sales, GWh	904	2,072	(56%)	5,399	8,797	(39%)
Gas price, TTF, EUR/Mwh	94.4	92.0	3%	120.5	45.7	164%
Power price, DK, EUR/Mwh	176.2	147.1	20%	213.7	87.8	143%
Green dark spread, DK, EUR/Mwh	23.3	27.0	(14%)	39.5	4.8	732%
Wood pellet spread, DK, EUR/Mwh	(6.2)	70.8	n.a.	54.4	29.8	82%
Financial performance, DKKm						
Revenue	10,251	13,252	(23%)	46,243	32,390	43%
EBITDA	3,609	2,416	49%	8,619	4,747	82%
CHP plants	1,718	1,715	0%	5,851	3,202	83%
Gas Markets & Infrastructure	2,073	770	169%	3,117	1,829	70%
Other, incl. project development	(182)	(69)	164%	(349)	(284)	23%
Depreciation	(287)	(243)	18%	(859)	(831)	3%
EBIT	3,322	2,173	53%	7,760	3,916	98%
Cash flow from operating activities	738	419	76%	2,622	7,593	(65%)
Gross investments	(25)	(113)	(78%)	(267)	(274)	(3%)
Divestments	(4)	73	n.a.	(4)	(178)	(98%)
Free cash flow	709	379	87%	2,351	7,141	(67%)
Capital employed	5,211	1,950	167%	5,211	1,950	167%

Quarterly summary, 2021–2022

Financial statements DKKm	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Income statement								
Revenue	35,679	36,541	26,295	33,762	30,666	14,510	13,553	18,944
EBITDA	6,696	12,317	3,615	9,429	8,253	2,984	8,196	4,863
Offshore	2,094	9,652	1,904	5,919	5,244	1,304	7,527	3,946
Sites, O&M, and PPAs	3,746	467	2,031	3,698	3,983	1,822	2,368	4,886
Construction agreements and divestment gains	(715)	9,765	601	2,620	2,469	(9)	5,648	(573)
Other, incl. project development	(937)	(580)	(728)	(399)	(1,208)	(509)	(489)	(367)
Onshore	852	867	1,075	850	530	413	178	228
Bioenergy & Other	3,609	1,849	647	2,514	2,416	1,206	503	622
Other activities	141	(51)	(11)	146	63	61	(12)	67
Depreciation and amortisation	(2,792)	(2,530)	(2,304)	(2,128)	(2,143)	(1,939)	(1,959)	(1,930)
Impairment	(2,529)	-	-	-	(129)	-	-	-
Operating profit (loss)	1,375	9,787	1,311	7,301	5,980	1,045	6,237	2,933
Gain (loss) on divestment of enterprises	32	124	67	108	(684)	(22)	(72)	36
Net financial income and expenses	(985)	(217)	(486)	(848)	(930)	(351)	(466)	(419)
Profit (loss) before tax	460	9,695	893	6,561	4,361	671	5,698	2,547
Tax	(789)	(340)	(624)	(860)	(1,103)	(184)	(154)	(949)
Profit (loss) for the period	(329)	9,355	269	5,701	3,258	487	5,544	1,598
Balance sheet								
Assets	314,142	359,758	320,722	285,087	270,385	261,892	223,791	210,972
Equity	95,532	53,777	61,276	76,719	85,137	79,150	96,910	96,541
Shareholders in Ørsted A/S	71,743	32,413	40,091	55,704	64,072	58,129	75,842	75,835
Non-controlling interests	3,996	3,380	3,201	3,031	3,081	3,037	3,084	2,722
Hybrid capital	19,793	17,984	17,984	17,984	17,984	17,984	17,984	17,984
Interest-bearing net debt	30,571	45,701	41,449	30,026	24,280	21,211	12,067	13,190
Capital employed	126,103	99,478	102,725	106,745	109,416	100,361	108,977	109,731
Additions to property, plant, and equipment	9,912	9,899	8,724	5,127	17,041	11,477	8,954	6,469
Cash flows								
Cash flows from operating activities	20,915	(11,309)	2,355	(37)	668	246	3,147	8,087
Gross investments	(9,826)	(14,417)	(6,372)	(6,832)	(11,752)	(8,757)	(12,133)	(6,665)
Divestments	983	22,459	267	1,927	10,952	7	10,591	(31)
Free cash flow	12,072	(3,267)	(3,750)	(4,942)	(132)	(8,504)	1,605	1,391
Financial ratios								
Return on capital employed (ROCE), % LTM	16.8	24.4	14.8	19.0	14.8	12.9	12.5	7.5
FFO/adjusted net debt, % LTM	42.7	35.3	17.6	25.0	26.3	42.5	56.9	51.7
Number of outstanding shares, end of period, '000	420,209	420,209	420,209	420,175	420,175	420,175	420,175	420,068
Share price, end of period, DKK	631	608	742	849	835	849	880	1,025
Market capitalisation, end of period, DKKbn	265	255	312	357	351	357	370	430
Earnings per share (EPS), DKK	1.2	22.3	0.3	13.2	7.5	1.1	12.9	2.8

Business drivers	2022 Q4	2022 Q3	2022 Q2	2022 Q1	2021 Q4	2021 Q3	2021 Q2	2021 Q1
Offshore								
Decided (FID'ed) and installed capacity, GW	11.1	11.1	11.1	11.1	10.9	9.8	9.8	9.9
Installed capacity, GW	8.9	8.9	7.6	7.6	7.6	7.6	7.6	7.6
Generation capacity, GW	4.7	5.3	4.8	4.2	4.0	4.0	4.0	4.4
Wind speed, m/s	10.7	7.7	8.4	11.3	10.6	7.6	7.8	10.5
Load factor, %	54	28	35	54	53	27	29	50
Availability, %	95	91	94	95	95	93	93	95
Power generation, GWh	5,411	3,246	3,324	4,502	4,452	2,286	2,521	4,549
Power sales, GWh	11,563	5,600	7,416	9,166	8,791	4,803	4,541	6,885
Onshore								
Decided (FID'ed) and installed capacity, GW	6.2	5.1	4.9	4.7	4.7	4.7	4.7	4.0
Installed capacity, GW	4.2	4.2	4.0	3.6	3.4	3.0	2.4	1.7
Wind speed[1], m/s	7.7	6.0	7.8	7.9	7.9	6.4	7.3	7.7
Load factor[1], wind, %	40	28	47	47	47	33	45	45
Load factor[1], solar PV, %	17	32	31	21	19	27	29	-
Availability[1], wind, %	91	92	92	96	96	98	97	93
Availability[1], solar PV, %	99	96	99	99	99	98	90	-
Power generation, GWh	3,425	2,723	3,795	3,203	2,818	1,904	1,983	1,647
Bioenergy & Other								
Degree days, number	861	98	448	1,141	927	81	487	1,325
Heat generation, GWh	2,064	239	823	3,243	2,467	402	1,148	3,890
Power generation, GWh	1,409	1,363	1,102	2,138	2,096	1,028	1,507	2,259
Power sales, GWh	904	1,339	1,466	1,690	2,072	2,271	2,167	2,287
Gas sales, GWh	4,048	5,706	8,891	12,993	13,744	13,580	15,079	18,945
ESG statements								
Employees, end of period, number	8,027	7,681	7,292	7,016	6,836	6,672	6,472	6,311
Total recordable injury rate (TRIR)	3.1	3.3	2.8	1.3	3.0	3.0	3.1	3.0
Fatalities, number	-	-	-	-	-	-	-	-
Green share of heat and power generation, %	88	89	93	92	93	89	93	87
GHG emissions (scope 1 & 2), Mtonnes	0.8	0.7	0.4	0.6	0.5	0.5	0.4	0.7
GHG intensity (scope 1 & 2), g CO2e/kWh	62	88	49	48	45	91	51	59
GHG emissions (scope 3), Mtonnes	1.5	3.1	2.6	3.7	3.9	4.4	4.6	5.3

1 For 2021, these business drivers are for US only. Whereas they are for the whole portfolio from 2022.

Governance

56 Message from the Chair
57 Corporate governance
60 Board of Directors
65 Group Executive Team
67 Shareholder information

We rely on ships to install, service, and operate the offshore wind farms that are helping decarbonise the world's energy systems. But ships themselves are difficult to decarbonise, since they rely on fossil fuels and cannot yet be electrified.

That is why we, in partnership with Danish offshore support supplier ESVAGT, have taken the important step of investing in the world's first service operation vessel that can run on e-methanol produced by wind energy and carbon captured from biomass.

Message from the Chair

We continued strengthening our corporate governance model for the next step in Ørsted's growth journey.

In the Board, we firmly believe that corporate governance is fundamental for Ørsted's growth journey towards becoming the world's leading green energy major. In 2022, the Board continued to strengthen the corporate governance model, which is based on three pillars: enabling the right decision-making, having the right competences in the right places, and fostering a company culture of inclusiveness and integrity. These pillars are the foundation for our ways of working across the organisation.

As part of our commitment to continuously improve our ways of working, the Board completed its evaluation with the support from an external advisor in 2022. This evaluation highlighted development areas, which we consolidated into two primary projects going forward: revisiting our approach to the split of mandates between the Board and leadership team and strengthening our processes for talent management and retention.

Strengthening decision-making across our footprint

In 2022, we implemented a new organisational structure with three regions: the Americas, Europe, and APAC, complemented by global capabilities. Our aim is to strengthen simpler and faster decision-making, to secure customer and market centricity, and to realise synergies between our onshore and offshore businesses. The Board is confident that this new structure will assist Ørsted in seizing unprecedented market opportunities while meeting customer demands for integrated energy solutions.

We formed a new executive leadership team, the Group Executive Team (GET), which reflects the new organisational set-up and consequently includes the Americas, Europe, and APAC regions, P2X, Legal, and Global Stakeholder Relations. The Board welcomed new senior executives, who bring varied skills and experiences to the team.

In early 2023, we will implement new delegated authorities across the organisation to scale our governance model for future growth while supporting simpler and faster decision-making.

Securing the right competences

We want to ensure the right competences to successfully drive our business forward. To further improve talent management and retention, we have introduced a recurring 'People' update on the agenda for each ordinary meeting, an annual update on GET member successors with opportunities for the Board to meet talents, and a process for better involvement of all Board members in recruitment to the Board.

We welcomed the four employee-elected Board members, who won the elections early in 2022 for employees based in Denmark. The election process had a high level of engagement and a diverse representation of nationalities, backgrounds, ages, and genders. Following approval at our annual general meeting in 2022, the 2024 election will be open to all employees across our footprint. This will further solidify our global presence and bring perspectives from all locations where we are present.

Fostering a culture of inclusiveness and integrity

Diversity was among the key criteria when filling the leadership positions of the new Ørsted organisation. This resulted in a more diverse leadership composition in terms of nationality, ethnicity, background, age, and gender. We recognise that we need to move our diversity, equity, and inclusion (DE&I) efforts further and farther, and this will continue to be a priority area for the Board.

We believe that all Board members should be role models for integrity. We do so by being open and trustworthy while upholding high ethical standards. In the Board, we will continue to promote a good culture, purpose, and sound values through our meetings and offsite activities.

Efforts for the future

We welcome and follow the recommendations prepared by the Danish Committee on Corporate Governance.

On the following pages, you can read more about our corporate governance and our continued efforts to strengthen Ørsted's governance procedures and culture.

Thomas Thune Andersen
Chair

Corporate governance

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

The Board of Directors appoints the Executive Board, consisting of the Group President and CEO, the CFO, and the Chief HR Officer (CHRO), who undertake the day-to-day management of Ørsted through the Group Executive Team. None of our executives are members of the Board of Directors.

Shareholders and general meeting

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

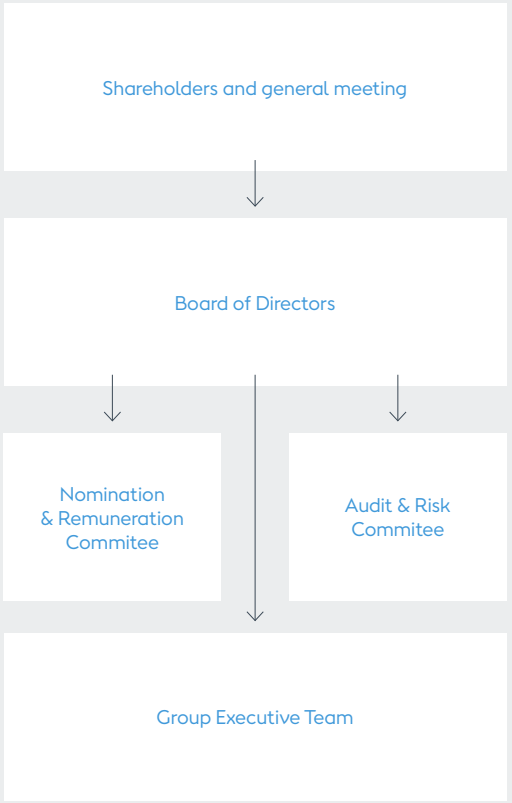
All our shareholders may exercise their rights and vote at the general meeting through a one-share-one-vote principle. The general meeting adopts decisions, such as the election of the Board of Directors and the auditor, in accordance with the ordinary Danish rules. Due to our majority ownership by the Danish State, we have a bespoke quorum requirement, as proposals to amend our 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 ordinarily held every four years, most recently in 2022. As our general meeting after the employee election in 2022 approved to expand our scheme for employee-elected board members to also cover employees outside Denmark, the current election period is only two years to allow for the first international election to be held already in 2024. For the time being, our Board of Directors comprises 12 members, eight members elected by the general meeting and four members elected by the employees.

The Board of Directors is responsible for the overall and strategic 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.

Our governance model



You can see the most important tasks in 2022 to the right.

The Board of Directors monitors and oversees progress related to our sustainability and climate change strategy, including our ambitious net-zero carbon reduction targets for scope 1-3 emissions. We routinely integrate climate change considerations when setting our strategic direction, reviewing sustainability risks, setting performance objectives, deciding on our capital allocation, and when approving and overseeing major investments, acquisitions, and divestments.

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

We have a diverse Board of Directors. With three female board members out of the eight elected by the general meeting, we have equal representation as defined under Danish law. The age of our board members spans from 51 to 72 years old among board members elected by the general meeting and from 28 to 55 years old among board members elected by the employees.

Our board members have different educational backgrounds within finance, economics, geophysics, and engineering and professional experience from the energy or other industries, private equity, private investments, and academia.

A description of the individual board members, including their other executive positions, independence, and how the individual board members contribute to the required competences can be found in the following pages. Their meeting attendance during 2022 can be found on the next page.

In the first half of 2022, the Board of Directors performed its annual evaluation of the Board of Directors with the assistance of an external advisor, Leadership Advisor Group.

Important tasks 2022 — managed by the Board of Directors

Investments, acquisitions, and divestments

Build-out of our offshore wind portfolio, including bids into seabed, project, or transmission auctions and tenders in the US, the UK, Denmark, and the Netherlands.

Final investment decision on the South Fork Offshore wind farm.

Signing of an agreement to divest 50 % of the Hornsea 2 Offshore Wind Farm to AXA IM Alts and Crédit Agricole Assurances.

Build-out of our onshore portfolio in the US, including final investment decisions on the Sunflower Wind, Mockingbird Solar Center, and Eleven Mile projects.

Acquisition of the onshore wind and solar platform in Germany and France from Ostwind and the Ford Ridge wind project in the US from Ares.

Divestment of 50 % of a portfolio of four US onshore wind and solar projects to Energy Capital Partners.

Acquisition of Public Service Enterprise Group's (PSEG) 25 % equity stake in the 1,100 MW offshore wind energy project Ocean Wind 1.

Strategic discussions on development of the P2X business and FID on the Swedish FlagshipONE e-methanol project.

Decision to seek to divest our Renescience business.

Other tasks

Approval of new organisational structure, including formation of the Group Executive Team to drive global growth.

Discussion of social responsibility and biodiversity.

Issuance of green senior bonds to finance global build-out of renewable energy and green growth ambition and refinancing of green and hybrid capital securities.

Approval of new hedging framework for merchant price exposure

Oversight of our financial results and guidance.

Oversight of the impacts of the Russian invasion of Ukraine, including the contractual relationship with Gazprom Export.

Oversight of the results from the 2022 employee satisfaction survey, including the focus areas identified by the Group Executive Team.

Oversight and discussion of the development of our consolidated environmental, social, and governance (ESG) statements.

The evaluation was based on input from board members and executives. It consisted of in-depth personal interviews, a customised online questionnaire, an analysis of how time is spent during board meetings, board composition mapping, and board composition benchmarking.

The external advisor also observed a board meeting. As part of the evaluation, board members and executives were provided with feedback on their individual performance regarding how they add value to the board. The board evaluation was discussed at a board meeting in June.

The Board of Directors was evaluated by the external advisor to be a very well-functioning board. The board members are highly professional, knowledgeable, and passionate about the company purpose. They understand their stewardship role and cooperate with the Executive Committee (now Group Executive Team) in an engaged and transparent way. Led by the Chair, the tone is open, respectful, and very encouraging. Meetings are run in a structured way, board members feel they can say what they mean, and the operation of the board meetings and the committees works well. Going forward, the external advisor suggested that the board first and foremost reviews how it spends it time.

While the number of investment projects continue to increase, there will be a delicate balance to strike, ensuring investments will continue to be appropriately discussed, while also allocating sufficient time for discussing other key strategic questions.

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, you can read more about the remuneration of the Board of Directors. Furthermore, we have considered the recommendations prepared by the Danish Committee on Corporate Governance. As further described in our corporate governance report, we comply with all recommendations except that we, due to lack of shareholder interest in observing general meetings virtually, do not offer this option to our shareholders unless special circumstances require it, like COVID-19 (recommendation 1.2.1).

> "
> **Led by the Chair, the tone is open, respectful, and very encouraging**

See link to the remuneration report below. See also links to the statutory reports on data ethics and corporate governance prepared in accordance with the Danish Financial Statements Act, sections 99 d and 107 b, respectively.

orsted.com/remuneration2022
orsted.com/dataethics2022
orsted.com/corporategovernance2022

Meeting attendance

Member of the board		Board of Directors	Audit & Risk Committee	Nomination & Remuneration Committee
	Ordinary	Extraordinary		
Thomas Thune Andersen	6/1[1]	6/0		6/0
Lene Skole	7/0	6/0		5/1
Lynda Armstrong	7/0	4/2		5/1
Jørgen Kildahl	7/0	6/0	7/1	
Julia King	7/0	6/0		
Peter Korsholm	7/0	6/0	8/0	
Henrik Poulsen	7/0	5/1		
Dieter Wemmer	7/0	6/0	8/0	
Benny Gøbel	7/0	6/0		
Leticia Francisca Torres Mandiola[2]	6/0	2/0		
Alice Florence Marion Vallienne[2]	6/0	2/0		
Anne Cathrine Collet Yde[2]	6/0	2/0		

The numbers indicate how many meetings in 2022 the members have attended or not attended, respectively, during the year.

1 Due to illness.

2 Joined the Board of Directors on 8 April 2022.

Board of Directors

Thomas Thune Andersen

*1955, Denmark

Elected by the general meeting

Chair since	2014
Independent	
Joined	2014
Re-elected	2022
Term of office expires	2023

Experience
Extensive international leadership experience from leading positions in A.P. Moller - Maersk and non-executive directorships in listed and privately held companies within the energy, critical infrastructure, and other sectors.

Positions
Chair
VKR Holding A/S, Lloyds Register Group Limited, and Lloyds Register Foundation.

Member
BW Group Ltd, IMI plc (Senior Independent Director) and Green Hydrogen Systems A/S.

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

Other
Member of the Danish Committee on Corporate Governance, Commissioner of the Energy Transition Commission (ETC), member of the Community of Chairpersons of the World Economic Forum (WEF), and member of Friends of Ocean Action of WEF.

Competences
Management
· General · Safety · Risk · Project · Stakeholder

Other
· Energy sector · ESG

Lene Skole

*1959, Denmark

Elected by the general meeting

Deputy Chair since	2015
Independent	
Joined	2015
Re-elected	2022
Term of office expires	2023

Experience
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.

Positions
CEO
Lundbeckfonden and Lundbeckfond Invest A/S.

Chair
LFI Equity A/S.

Deputy Chair
ALK-Abelló A/S, H. Lundbeck A/S, and Falck A/S.

Member
Nordea Bank Abp.

Board committees
Member of the Audit Committee and member of the Remuneration Committee of Falck A/S, member of the Nomination & Remuneration Committee and Scientific Committee of ALK-Abelló A/S, member of the Nomination & Remuneration Committee and Scientific Committee of H. Lundbeck A/S, and member of the Audit Committee of Nordea Bank Abp.

Competences
Management
· General · Financial · Risk · Stakeholder · Human resources.

Other
· Investor and capital market relationships · ESG

Lynda Armstrong

*1950, Great Britain

Elected by the general meeting

Independent	
Joined	2015
Re-elected	2022
Term of office expires	2023

Experience
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.

Positions
Chair
The Engineering Construction Industry Training Board (ECITB).

Competences
Management
· General · Safety · Risk · Project · Stakeholder · Human resources.

Other
· Energy sector · ESG

Jørgen Kildahl

*1963, Norway

Elected by the general meeting

Independent	
Joined	2018
Re-elected	2022
Term of office expires	2023

Experience

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 SE.

Positions

Deputy Chair
Telenor ASA.

Member
Scatec ASA and Alpiq AG.

Other
Senior Advisor and member of the Energy Investment Committee of Energy Infrastructure Partners, Switzerland, and advisor to the Board of Directors of Abu Dhabi National Energy Company PJSC (TAQA).

Board committees
Chair of the Sustainability & Compliance Committee and member of the Audit & Risk Committee of Telenor ASA, the Audit Committee of Scatec ASA, and the Audit Committee of Alpiq AG.

Competences

Management
· General · Safety · Risk · Project · Stakeholder

Other
· Energy sector · IT, technology, and digitalisation
· Investor and capital market relationships · ESG

Julia King

The Baroness Brown of Cambridge
*1954, Great Britain

Elected by the general meeting

Independent	
Joined	2021
Re-elected	2022
Term of office expires	2023

Experience

Strong international background within engineering in both industry and academia, including Rolls-Royce plc, Cambridge University, and Imperial College. A deep knowledge of renewable energy and government policy perspectives from positions, among others, as member of the Committee on Climate Change and Non-executive director of the Green Investment Bank.

Positions

Chair
The Carbon Trust, STEM Learning Ltd.

Non-executive director
Ceres Power Holdings and Frontier IP.

Other
Crossbench Peer in the UK House of Lords, Chair of the House of Lords Science and Technology Select Committee, Chair of the Adaptation Committee of the Committee on Climate Change, and member of the UK Hydrogen Policy Commission.

Competences

Management
· General · Financial · Project · Stakeholder

Other
· IT, technology, and digitalisation · ESG

Peter Korsholm

*1971, Denmark

Elected by the general meeting

Independent	
Joined	2017
Re-elected	2022
Term of office expires	2023

Experience

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.

Positions

CEO
DSVM Invest A/S, DSV Miljø Group A/S, Togu ApS, and Totalleveranser Sverige AB.

Chair
Flügger Group A/S, Nymølle Stenindustrier A/S, Totalleveranser Sverige AB, Lion Danmark I ApS, and two wholly-owned subsidiaries of Lion Danmark I ApS (Lomax Group).

Member
DSVM Invest A/S and eight wholly-owned subsidiaries of DSVM Invest A/S, BCHG Holding A/S, and two-wholly owned subsidiaries of BCHG Holding A/S, and Projekt-selskabet Teglbuen A/S.

Other
Chair of Investment Committee of Zoscales Partners.

Competences

Management
· General · Financial · Risk · Stakeholder

Other
· Investor and capital market relationships · ESG

Henrik Poulsen

*1967, Denmark

Elected by the general meeting

Not independent[1]	
Joined	2021
Re-elected	2022
Term of office expires	2023

Experience

Unique company and industry knowledge from his former role as CEO of Ørsted. Extensive capabilities within strategy and value creation, transformational change, and finance from former executive positions in TDC, Capstone/KKR, and LEGO, and his current portfolio of non-executive directorships.

Positions

Chair

Carlsberg A/S and Carlsberg Breweries A/S, Faerch Group Holding A/S and Faerch A/S.

Deputy Chair

Novo Nordisk A/S.

Member

Bertelsmann SE & Co. KgaA and Novo Holdings A/S.

Other

Senior Advisor: A.P. Møller Holding A/S.

Competences

Management

· General · Safety · Financial · Risk · Project · Stakeholder

Other

· Energy sector · Investor and capital market relationships · ESG.

1 Henrik Poulsen is not independent as he is the former CEO of Ørsted, cf. recommendation 3.2.1 of the Danish corporate governance recommendations.

Dieter Wemmer

*1957, Switzerland

Elected by the general meeting

Independent	
Joined	2018
Re-elected	2022
Term of office expires	2023

Experience

Highly experienced in capital markets, investments, and risk management from leading positions within the finance sector, including as CFO of Allianz.

Positions

Chair

Marco Holding, plc and one wholly-owned subsidiary of Marco Holding, plc.

Member

UBS Group AG and UBS AG.

Board committees

Member of the Audit Committee and Compensation Committee of USB Group AG and UBS AG.

Competences

Management

· General · Financial · Risk · Stakeholder

Other

· IT, technology, and digitalisation
· Investor and capital market relationships · ESG

Benny Gøbel

*1967, Denmark

Elected by the employees

Not independent	
Joined	2011
Re-elected	2022
Term of office expires	2024

Experience

Benny Gøbel has worked in Ørsted since 2005.

Positions

Senior Mechanical Specialist, EPCO & IT.

Competences

Other

· Energy sector

Anne Cathrine Collet Yde

*1983, Denmark

Elected by the employees

Not independent	
Joined	2022
Term of office expires	2024

Experience
Anne Cathrine Collet Yde has worked in Ørsted since 2017.

Positions
Lead HR Business Partner, People & Development.

Competences
Management
· Project · Stakeholder · Human resources

Alice Florence Marion Vallienne

*1994, France

Elected by the employees

Not independent	
Joined	2022
Term of office expires	2024

Experience
Alice Florence Marion Vallienne has worked in Ørsted since 2018.

Positions
Head of Ventures & Open innovation portfolio, EPCO & IT.

Competences
Management
· Financial · Risk · Project

Other
· Energy sector · IT, technology, and digitalisation

Leticia Francisca Torres Mandiola

*1994, Chile

Elected by the employees

Not independent	
Joined	2022
Term of office expires	2024

Experience
Leticia Francisca Torres Mandiola has worked in Ørsted since 2018.

Positions
Senior Business Developer, P2X.

Competences

Other
· Energy sector · IT, technology, and digitalisation

Board committees

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

Audit & Risk Committee

Dieter Wemmer (Chair), 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), liquidity and capital structure development, financial and business-related risks, compliance with statutory and other requirements from public authorities, internal controls, IT security in operational and administrative areas as well as cybersecurity.

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

In 2022, the committee reviewed the continued material impact from the volatile energy prices on the risk management procedures and the financial statement, the current and future hedging framework, the financial impact of the acquisition of Ostwind, impairment on our property, plant and equipment, as well as the continued implementation of the EU taxonomy reporting framework. Furthermore, the committee continued to assess the claim made by the Danish Tax Agency requiring further Danish taxation of certain of our British offshore wind farms, and lastly, it reviewed the progress in IT security.

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

The Chair of the Audit & Risk Committee is responsible for managing our whistle-blower scheme. Internal Audit receives and handles any reports submitted. Our employees and other associates may report serious offences, such as cases of bribery, fraud, and other inappropriate or illegal conduct, to our whistle-blower scheme or through our management system. In 2022, eight substantiated cases of inappropriate or unlawful behaviour were reported through our whistle-blower scheme. Six cases related to Good business conduct policy violations, while one case concerned IT security, and one case concerned the workplace environment. None of the reported cases were critical to our business, nor caused adjustments to our financial results. One case required a police report.

Whistle-blower cases are taken very seriously, and we continuously enhance the awareness of good business conduct through education and 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 (Chair), Lene Skole, and Lynda Armstrong are the members of the Nomination & Remuneration Committee.

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

In 2022, the committee reviewed the remuneration policy for the Board of Directors and the Executive Board and proposed certain updates to the policy, which were approved at our annual general meeting in April 2022. The updates of the remuneration policy include an amendment of the short-term incentive scheme (STI) for the Executive Board by increasing the weight of shared KPIs, including an explicit link to our sustainability ambitions, an extension of the shareholding build-up period in respect of our share-based long-term incentive scheme from three to five years, and a board authorisation to temporarily deviate from the remuneration policy by offering a compensation to new external executives for any former incentive-based remuneration forfeited upon joining Ørsted.

The committee also discussed the appointments of Daniel Lerup as new CFO, of CHRO Henriette Fenger Ellekrog as new member of the Executive Board, and of a new 'Group Executive Team' replacing the previous 'Executive Committee'.

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

Group Executive Team

The 11 members of the Group Executive Team undertake the day-to-day management.

Mads Nipper (Group President and CEO), Daniel Lerup (CFO), and Henriette Fenger Ellekrog (CHRO) constitute the members of the Executive Board of Ørsted A/S.

The Group Executive Team comprises Rasmus Errboe (CEO of Region Europe), David Hardy (CEO of Region Americas), Per Mejnert Kristensen (President of Region APAC), Neil O´Donovan (Head of Strategy, Portfolio & Partnerships), Olivia Breese (Head of P2X), Richard Hunter (COO), Anders Zoëga Hansen (Head of Legal), and Ingrid Reumert (Head of Global Stakeholder Relations).

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 Group President and CEO's performance, for example by following up on developments seen in relation to our strategy and objectives.

The Chair of the Board of Directors and the Group President and 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. You can also find information about the members of the Executive Board on the next page.

Standing from left to right:

Rasmus Errboe
CEO of Region Europe

Daniel Lerup
CFO, Executive Board

Mads Nipper
Group President and CEO, Executive Board

Richard Hunter
COO

Olivia Breese
Head of P2X

David Hardy
CEO of Region Americas

Per Mejnert Kristensen
President of Region APAC

Seated from left to right:

Henriette Fenger Ellekrog
CHRO, Executive Board

Anders Zoëga Hansen
Head of Legal

Ingrid Reumert
Head of Global Stakeholder Relations

Neil O'Donovan
Head of Strategy, Portfolio & Partnerships

Mads Nipper

*1966, Denmark

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

Education

MSc in International Business, University of Aarhus 1991

Career

Ørsted A/S
2021 —
Group President and Chief Executive Officer.

Grundfos A/S
2014 — 2020
Group President and Chief Executive Officer.

Lego A/S
1991 – 2014
EVP, Chief Marketing Officer (2011 – 2014)
EVP, Markets & Products (2006 – 2011)
SVP, Global Innovation & Marketing (2004 – 2006)
Managing Director & SVP, Lego Central Europe (2001 – 2004)
SVP, Global Segment 8+ (1999 – 2001)
Various managerial positions (1992 – 1999)

Other positions

Deputy Chair of the Board of Directors of FLSmidth & Co. A/S and one wholly-owned subsidiary hereof.

Daniel Lerup

*1983, Denmark

Registered as Chief Financial Officer (CFO) since April 2022.

Education

MSc in Finance & Accounting, Copenhagen Business School 2009.

Career

Ørsted A/S
2009 –
Ørsted A/S (and formerly DONG Energy A/S): CFO (2022-), Head of Commercial and EPC & Operations Finance (2021-2022), Senior Vice President, CFO Offshore (2019-2021), Senior Vice President, Investor Relations, Financial Planning & Tax (2018-2019), Vice President, Financial Planning & Tax (2016-2018), Head of Group Financial Analysis (2014-2016), various positions within the Finance function (2009-2014).

Other positions

CEO: Tukan ApS, Shcarole Invest ApS, and December 20 ApS.
Chair of the Board of Directors of Koncenton Metropol A/S and two wholly-owned subsidiaries of Koncenton Metropol A/S.
Member of the Board of Directors: Koncenton Søborg Hovedgade A/S, Projekt Svendborg III ApS, Tyrsted Holding P/S, and one wholly-owned subsidiary of Tyrsted Holding P/S.

Henriette Fenger Ellekrog

*1966, Denmark

Registered as Chief HR Officer (CHRO) since November 2022.

Education

MA, (Cand.ling.merc)
Copenhagen Business School 1992.

Career

Ørsted A/S
2019 –
Chief HR Officer (CHRO)

Danske Bank A/S
2014 – 2019
Most recently as Chief HR Officer.

SAS AB
2007 – 2014
Most recently as Deputy CEO, EVP, HR & Communication.

TDC A/S
1998 – 2007
Most recently as Senior Executive Vice President, Chief of Staff, Member of Executive Management Team.

Peptech (Europe) A/S and Mercuri Urval A/S
1992– 1998
Various positions.

Other positions

Member of the Board and of the Nomination & Remuneration Committee: NV Bekaert SA.
Member of the Board: Specialisterne Foundation.
Member of the 'Women on Board' advisory board in the Confederation of Danish Industry (DI).

Shareholder information

Over the past five years, the Ørsted share has generated a total return from share price appreciation and dividends of 107 %.

Price development for the Ørsted share in 2022

The Ørsted share yielded a total loss of 23 % in 2022, a decrease in the share price of 24 %, and dividends of DKK 12.5 per share. The share price of comparable European utility companies decreased by 11 % (7 % total loss), and the OMX C25 cap decreased by 13 % (11 % total loss) in 2022.

Over the past five years, the Ørsted share has generated a total return from share price appreciation and dividends of 107 %, an increase in the share price of 91 %, and dividends of DKK 53.82 per share.

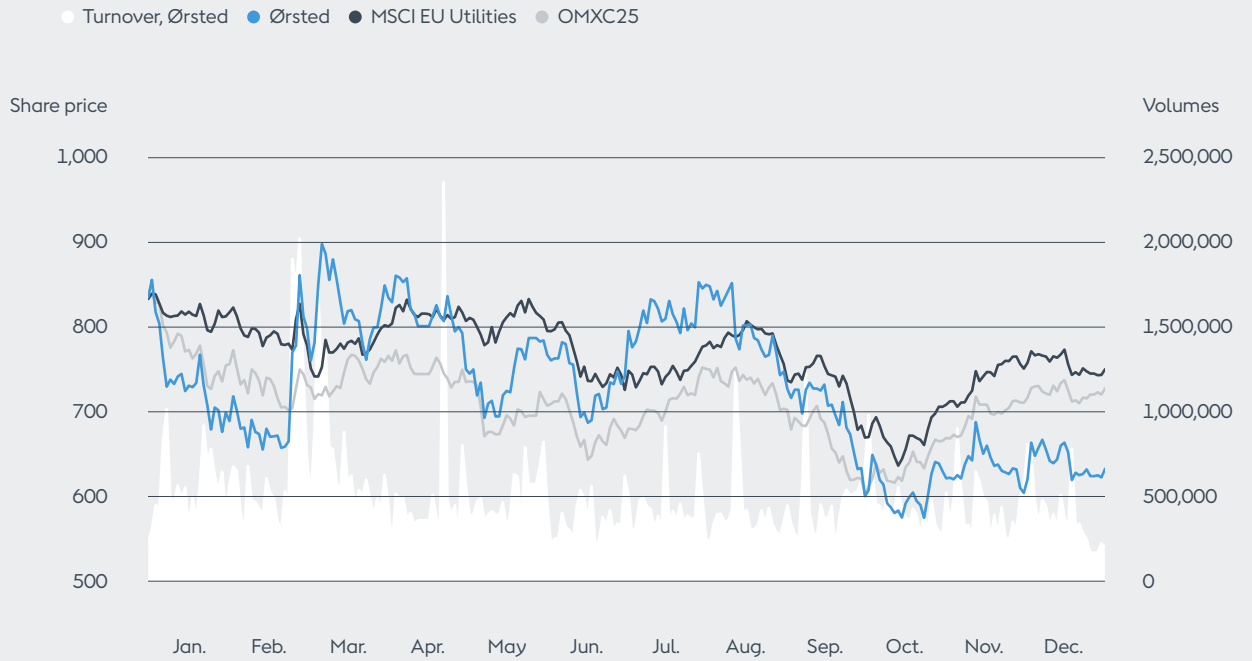
The highest traded share price of the year was DKK 898 on 8 March, while the year's lowest traded price of DKK 575 was on 21 October. The Ørsted share closed 2022 at DKK 631, corresponding to a market value of DKK 272 billion at the end of the year.

The average daily turnover on Nasdaq Copenhagen was 496,899 shares in 2022. The trading volume decreased by 10 % compared to 2021.

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 2022. At the end of 2022, the company held a total of 154 thousand treasury shares, which will be used to cover incentive schemes.

Share price development 2022
Ørsted share price compared to peers (indexed)



Share data	2022	2021	2020	2019	2018
Earnings per shares, DKK	34.6	24.3	38.8	12.7	45.3
Proposed dividend per share, DKK	13.5	12.5	11.5	10.5	9.8
Dividend yield, %	2.1	1.5	0.9	1.5	2.2
Share price, year-end, DKK	631	835	1,244	689	436
Share price, high, DKK	898	1,400	1,273	691	474
Share price, low, DKK	575	790	574	428	332
Market capitalisation, year-end, DKKm	272	351	523	290	183
Average trading per day, thousands of shares	496,899	549,778	516,919	447,567	447,103

Composition of shareholders

At the end of the year, the number of shareholders had increased by 6 % to 117,818, and the majority (61 %) lies with Danish owners. The figure to the right shows the composition of our shareholders by country, specifying the two shareholders each holding more than 5 % of the share capital. Approx. 2 % of the share capital is owned by Danish retail investors.

Annual general meeting and dividends

The annual general meeting will be held on 7 March 2023. Dividends for the year are expected to amount to DKK 13.5 per share, corresponding to DKK 5.7 billion and a yield of 2.1 % compared to the share price of DKK 631 at the end of 2022. In 2022, dividends of DKK 12.5 per share were paid for the 2021 financial year.

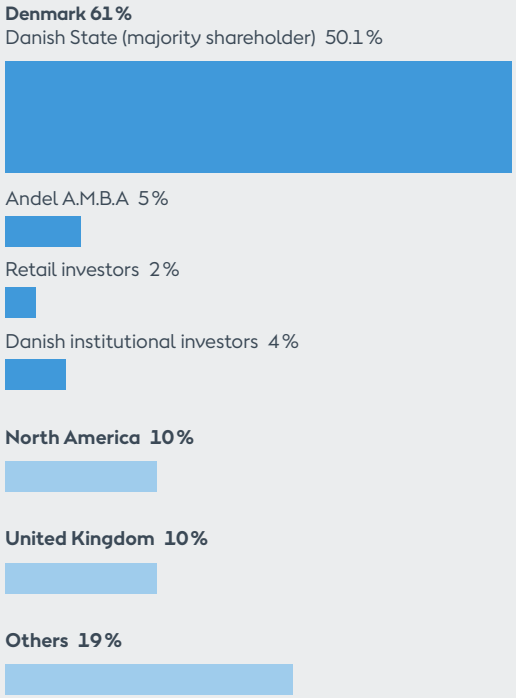
Investor relations

To achieve a fair pricing of our shares and corporate bonds, we seek to ensure a high level of transparency 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. In 2022, we had over 600 meetings with the financial market, participated in 40 investor events, and had 55 travel days.

Ørsted is covered by 30 equity analysts and 11 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 performance report, our sustainability report, our investor presentations, and a wide range of other data.

Shareholders at 31 December 2022

Share capital and/or voting share %



Share information

ISIN	DK 0060094928220
Share classes	1
Nominal value	DKK 10 per share
Exchange	Nasdaq OMX Copenhagen
Ticker	ORSTED
Registered share	97.7 %
Number of shares	420,381,080 shares
Number of treasury shares	154,344 shares

Selected company announcements in 2022

2 Feb.	Ørsted appoints next Group CFO
11 Feb.	Ørsted and Eversource joint venture approves final investment decision on New York's South Fork Wind Offshore Wind Farm
28 Apr.	Ørsted takes final investment decision on 201 MW onshore wind project Sunflower Wind in Kansas, US
7 July	Ørsted awarded contract for world's single biggest offshore wind farm
19 Sep.	Ørsted completes acquisition of German and French onshore wind platform Ostwind
29 Sep.	Ørsted completes divestment of 50 % of Hornsea 2 Offshore Wind Farm
4 Oct.	Ørsted to implement new organisational structure and changes to executive management to drive global growth
21 Oct.	Ørsted partners with ECP in the company's first-ever farm-down of onshore assets
16 Dec.	Green fuels for Denmark receives Danish IPCEI funding
20 Dec.	Ørsted assumes full ownership and takes final investment decision on FlagshipONE, the largest green e-methanol project in Europe

Financial calendar 2023

1 Feb.	Annual report 2022
7 Mar.	Annual general meeting
	Interim reports:
3 May	The first quarter of 2023
10 Aug.	The first half-year of 2023
1 Nov.	The first nine months of 2023

Consolidated financial statements 2022

1 January – 31 December

We are establishing an onshore business in Spain – one of Europe's largest renewables markets – by entering into four partnerships with Glide Energy, Rolwind, ARBA Energías Renovables, and Ereda, who will support project development and services.

Spain is an absolute front runner in the green energy transition and an attractive market for us. The Spanish government has set out to reach 70 % renewable generation by 2030 followed by 100 % renewable generation by 2050.

Contents

Consolidated financial statements

Consolidated statement of income 71
Consolidated statement of comprehensive income 72
Consolidated balance sheet 73
Consolidated statement of shareholders' equity 74
Consolidated statement of cash flows 75

Notes

1. Basis of reporting

1.1 Significant changes and events 77
1.2 Basis of preparation 78

2. Return on capital employed

2.1 Segment information 82
2.2 Revenue 85
2.3 Cost of sales 87
2.4 Government grants 88
2.5 Research and development expenditures 88
2.6 Other operating income and expenses 89
2.7 Employee costs 90
2.8 Share-based payment 91

3. Capital employed

3.1 Acquisition of enterprises 94
3.2 Divestment of enterprises 96
3.3 Intangible assets, and property, plant, and equipment . 97
3.4 Inventories 102
3.5 Contract assets and liabilities 103
3.6 Trade receivables 104
3.7 Other receivables and other payables 104
3.8 Tax equity liabilities 105
3.9 Provisions and contingent liabilities 106
3.10 Non-controlling interests 108

4. Tax

4.1 Approach to taxes 110
4.2 Tax on profit (loss) for the year 112
4.3 Deferred tax 114
4.4 Our tax footprint 117

5. Capital structure

5.1 Interest-bearing debt and FFO 123
5.2 Equity 126
5.3 Hybrid capital 128
5.4 Liquidity reserve 129
5.5 Maturity analysis of financial liabilities 131
5.6 Financial income and expenses 132

6. Risk management

6.1 Market risk policy 134
6.2 Currency risks 135
6.3 Energy and commodity price risks 139
6.4 Inflation and interest rate risks 142
6.5 Credit risks 144
6.6 Fair value measurement 145
6.7 Energy trading portfolio 147
6.8 Categories of financial instruments 148
6.9 Sensitivity analysis of financial instruments 149

7. Other notes

7.1 Related-party transactions 150
7.2 Auditor's fees 151
7.3 Alternative performance measures 152
7.4 Company overview 153
7.5 Events after the reporting period 154

Consolidated statement of income

1 January – 31 December

Note	DKKm	2022	2021
2.2, 2.4	Revenue	132,277	77,673
2.3	Cost of sales	(97,163)	(53,110)
	Other external expenses	(7,049)	(5,760)
2.7, 2.8	Employee costs	(5,278)	(4,289)
	Share of profit (loss) in associates and joint ventures	114	(17)
2.6	Other operating income	14,119	10,185
2.6	Other operating expenses	(4,963)	(386)
	Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA)	**32,057**	**24,296**
3.3	Amortisation, depreciation, and impairment losses on intangible assets, and property, plant, and equipment	(12,283)	(8,101)
	Operating profit (loss) (EBIT)	**19,774**	**16,195**
3.2	Gain (loss) on divestment of enterprises	331	(742)
	Share of profit (loss) in associates and joint ventures	40	(10)
5.6	Financial income	15,514	4,380
5.6	Financial expenses	(18,050)	(6,546)
	Profit (loss) before tax	**17,609**	**13,277**
4.2	Tax on profit (loss) for the year	(2,613)	(2,390)
	Profit (loss) for the year	**14,996**	**10,887**
	Profit (loss) for the year is attributable to:		
	Shareholders in Ørsted A/S	14,549	10,222
	Interests and costs, hybrid capital owners of Ørsted A/S	577	740
	Non-controlling interests	(130)	(75)
5.2	Earnings per share (DKK)	34.6	24.3
5.2	Diluted earnings per share (DKK)	34.6	24.3
5.2	Proposed dividend per share (DKK)	13.5	12.5

Consolidated statement of comprehensive income

1 January – 31 December

Note	DKKm	2022	2021
	Profit (loss) for the year	**14,996**	**10,887**
	Other comprehensive income:		
	Cash flow hedging:		
6	Value adjustments for the year	(23,521)	(39,704)
5.2	Value adjustments transferred to income statement	24,395	7,530
5.2	Value adjustments transferred to balance sheet	(116)	(121)
	Exchange rate adjustments:		
	Exchange rate adjustments relating to net investment in foreign enterprises	(3,747)	6,717
6.2	Value adjustment of net investment hedges	738	(3,359)
5.2	Value adjustments and hedges transferred to income statement	676	(145)
	Tax:		
	Tax on hedging instruments	(902)	6,713
	Tax on exchange rate adjustments	666	(265)
	Other:		
	Share of other comprehensive income from associated companies, after tax	26	15
	Other comprehensive income	**(1,785)**	**(22,619)**
	Total comprehensive income	**13,211**	**(11,732)**
	Comprehensive income for the year is attributable to:		
	Shareholders in Ørsted A/S	12,886	(12,585)
	Interest payments and costs, hybrid capital owners of Ørsted A/S	577	740
	Non-controlling interests	(252)	113
	Total comprehensive income	**13,211**	**(11,732)**

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 amounting to DKK -23,521 million mainly consist of losses related to the hedging of power and, to a lesser extent, losses related to the hedging of gas and the inflation in the UK. The loss of DKK 24,395 million transferred to the income statement mainly consists of losses related to the hedging of power.

Exchange rate adjustments
In 2022, foreign exchange losses relating to net investment in foreign enterprises amounting to DKK 3,747 million were primarily attributable to a decrease of 5% in the GBP exchange rate and a decrease of 4% in the NTD exchange rate, partly countered by an increase of 7% in the USD exchange rate. A part of the net investment was hedged.

Consolidated balance sheet

31 December

Note	Assets DKKm	2022	2021
3.3	**Intangible assets**	**4,029**	**1,543**
3.3	Land and buildings	7,980	8,066
3.3	Production assets	119,211	95,618
3.3	Fixtures and fittings, tools, and equipment	1,543	604
3.3	Property, plant, and equipment under construction	48,931	57,108
	Property, plant, and equipment	**177,665**	**161,396**
	Investments in associates and joint ventures	772	572
	Other securities and equity investments	182	221
6	Derivatives	1,804	2,716
4.3	Deferred tax	13,719	13,281
3.7	Other receivables	3,243	2,492
	Other non-current assets	**19,720**	**19,282**
	Non-current assets	**201,414**	**182,221**
3.4	Inventories	14,103	15,998
6	Derivatives	23,433	14,078
3.5	Contract assets	408	2
3.6	Trade receivables	12,701	9,565
3.7	Other receivables	20,289	16,134
	Income tax	419	1,200
5.4	Securities	25,197	21,228
5.4	Cash	16,178	8,624
	Current assets	**112,728**	**86,829**
	Assets classified as held for sale	**-**	**1,335**
	Assets	**314,142**	**270,385**

Assets and related liabilities held for sale
At 31 December 2021, assets and related liabilities held for sale comprised our oil pipe system in Denmark, which is an activity in Bioenergy & Other.

Note	Equity and liabilities DKKm	2022	2021
5.2	Share capital	4,204	4,204
5.2	Reserves	(26,467)	(24,778)
	Retained earnings	88,331	79,391
5.2	Proposed dividends	5,675	5,255
5.2	**Equity attributable to shareholders in Ørsted A/S**	**71,743**	**64,072**
5.3	Hybrid capital	19,793	17,984
3.10	Non-controlling interests	3,996	3,081
	Equity	**95,532**	**85,137**
4.3	Deferred tax	7,414	5,616
3.9	Provisions	19,121	15,124
5.5	Lease liabilities	7,697	6,812
5.1	Bond and bank debt	60,451	31,502
6	Derivatives	24,121	17,464
3.5	Contract liabilities	3,085	3,230
3.8	Tax equity liabilities	14,490	13,358
3.7	Other payables	7,363	4,682
	Non-current liabilities	**143,742**	**97,788**
3.9	Provisions	585	764
5.5	Lease liabilities	569	720
5.1	Bond and bank debt	2,830	19,493
6	Derivatives	33,438	32,325
3.5	Contract liabilities	2,269	2,440
	Trade payables	20,641	20,231
3.8	Tax equity liabilities	1,903	1,206
3.7	Other payables	7,518	4,768
	Income tax	5,115	5,021
	Current liabilities	**74,868**	**86,968**
	Liabilities	**218,610**	**184,756**
	Liabilities relating to assets classified as held for sale	**-**	**492**
	Equity and liabilities	**314,142**	**270,385**

Consolidated statement of shareholders' equity

1 January – 31 December

DKKm	2022 Share capital	2022 Reserves[1]	2022 Retained earnings	2022 Proposed dividends	2022 Share-holders in Ørsted A/S	2022 Hybrid capital	2022 Non-con-trolling interests	2022 Total Group	2021 Share capital	2021 Reserves[1]	2021 Retained earnings	2021 Proposed dividends	2021 Share-holders in Ørsted A/S	2021 Hybrid capital	2021 Non-con-trolling interests	2021 Total Group
Equity at 1 January	4,204	(24,778)	79,391	5,255	64,072	17,984	3,081	85,137	4,204	(1,956)	74,294	4,834	81,376	13,232	2,721	97,329
Comprehensive income for the year:																
Profit (loss) for the year	-	-	14,549	-	14,549	577	(130)	14,996	-	-	10,222	-	10,222	740	(75)	10,887
Other comprehensive income:																
Cash flow hedging	-	758	-	-	758	-	-	758	-	(32,295)	-	-	(32,295)	-	-	(32,295)
Exchange rate adjustments	-	(2,211)	-	-	(2,211)	-	(122)	(2,333)	-	3,025	-	-	3,025	-	188	3,213
Tax on other comprehensive income	-	(236)	-	-	(236)	-	-	(236)	-	6,448	-	-	6,448	-	-	6,448
Share of other comprehensive income of associated companies, after tax	-	-	26	-	26	-	-	26	-	-	15	-	15	-	-	15
Total comprehensive income	**-**	**(1,689)**	**14,575**	**-**	**12,886**	**577**	**(252)**	**13,211**	**-**	**(22,822)**	**10,237**	**-**	**(12,585)**	**740**	**113**	**(11,732)**
Coupon payments, hybrid capital	-	-	-	-	-	(529)	-	(529)	-	-	-	-	-	(430)	-	(430)
Tax, hybrid capital	-	-	-	-	-	13	-	13	-	-	-	-	-	86	-	86
Additions, hybrid capital	-	-	-	-	-	3,693	-	3,693	-	-	-	-	-	7,327	-	7,327
Disposals, hybrid capital	-	-	-	-	-	(1,945)	-	(1,945)	-	-	-	-	-	(2,971)	-	(2,971)
Proposed dividends	-	-	(5,675)	5,675	-	-	-	-	-	-	(5,255)	5,255	-	-	-	-
Dividends paid	-	-	3	(5,255)	(5,252)	-	(294)	(5,546)	-	-	4	(4,834)	(4,830)	-	(349)	(5,179)
Additions, non-controlling interests	-	-	-	-	-	-	1,461	1,461	-	-	83	-	83	-	596	679
Other changes	-	-	37	-	37	-	-	37	-	-	28	-	28	-	-	28
Equity at 31 December	**4,204**	**(26,467)**	**88,331**	**5,675**	**71,743**	**19,793**	**3,996**	**95,532**	**4,204**	**(24,778)**	**79,391**	**5,255**	**64,072**	**17,984**	**3,081**	**85,137**

1 See note 5.2 'Equity' for more information about reserves.

Consolidated statement of cash flows

1 January – 31 December

Note	DKKm	2022	2021
	Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA)	32,057	24,296
	Reversal of gain (loss) on divestment of assets	(10,885)	(7,920)
	Change in derivatives	(8,687)	(2,051)
	Change in provisions	(1,935)	(158)
	Other items	(278)	(262)
	Change in inventories	1,419	(555)
	Change in contract assets and liabilities	(1,303)	1,490
	Change in trade receivables	(2,875)	(2,299)
	Change in other receivables	2,742	(8,486)
	Change in trade payables	3,886	5,140
	Change in tax equity liabilities	(353)	3,678
	Change in other payables	(38)	1,122
	Interest received and similar items	7,985	3,518
	Interest paid and similar items	(8,548)	(3,985)
4.4	Income tax paid	(1,263)	(1,380)
	Cash flows from operating activities	**11,924**	**12,148**
	Purchase of intangible assets, and property, plant, and equipment	(33,004)	(34,569)
	Sale of intangible assets, and property, plant, and equipment	24,052	20,946
3.1	Acquisition of enterprises	(3,406)	(2,431)
3.2	Divestment of enterprises	99	(147)
	Purchase of other equity investments	16	(9)
	Purchase of securities	(9,414)	(8,098)
	Sale/maturation of securities	3,780	11,656
	Change in other non-current assets	(4)	53
	Transactions with associates and joint ventures	(54)	(21)
	Dividends received and capital reductions	23	29
	Cash flows from investing activities	**(17,912)**	**(12,591)**

Supplementary statements
Our supplementary statements of gross and net investment appear from note 3.0 'Capital employed' and free cash flows (FCF) from note 2.1 'Segment information'.

Consolidated statement of cash flows – continued

1 January – 31 December

Note	DKKm	2022	2021
	Proceeds from raising loans	37,090	14,582
	Instalments on loans	(22,595)	(4,435)
	Instalments on leases	(582)	(520)
	Coupon payments on hybrid capital	(529)	(430)
	Repurchase of hybrid capital	(1,945)	(2,971)
	Proceeds from issuance of hybrid capital	3,693	7,327
	Dividends paid to shareholders in Ørsted A/S	(5,252)	(4,830)
3.10	Transactions with non-controlling interests	1,170	332
	Net proceeds from tax equity partners	(523)	289
	Collateral posted in relation to trading of derivatives	(48,885)	(23,034)
	Collateral released in relation to trading of derivatives	52,143	17,082
	Cash flows from financing activities	**13,785**	**3,392**
	Total net change in cash and cash equivalents	**7,797**	**2,949**
5.4	Cash and cash equivalents at 1 January	8,614	5,210
	Total net change in cash and cash equivalents	7,797	2,949
	Exchange rate adjustments of cash and cash equivalents	(236)	455
5.4	**Cash and cash equivalents at 31 December**	**16,175**	**8,614**

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 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 3.8 '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.

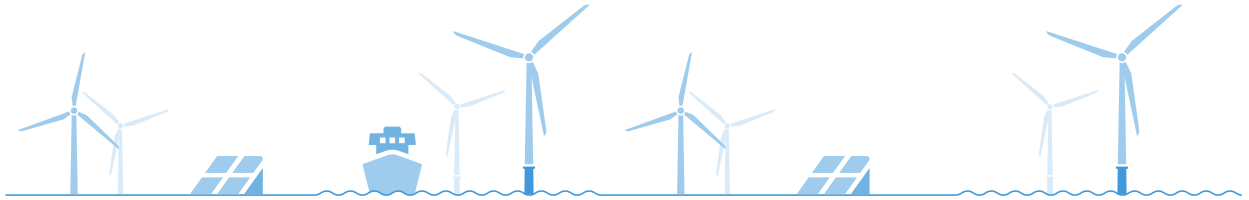
'Cash flows from financing activities' comprise changes in the size or composition of equity and loans, including instalments on leases and net proceeds related to interest-bearing tax equity liabilities. Proceeds from the raising of short-term repo loans are presented net.

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.

1. Basis of reporting

1.1 Significant changes and events

The financial position and performance of Ørsted was particularly affected by the following events and transactions during 2022.



Energy prices

Volatility in energy prices
2022 has been a year with unusual market conditions, not least very volatile energy prices and a substantial increase in inflation. This has led to adverse impacts on our earnings from volume-related overhedging, ineffectiveness related to inflation-based contracts with partners, and ineffective hedges.

As a response to the unintended impacts from hedges, we have established and are in the process of implementing a new risk management framework to reduce the volatility from financial instruments and bring back the inherent predictability of earnings that our contracted and regulated activities possess.

See note 6.1 'Market risk policy'.

Acquisitions

Ostwind
In September, we completed the acquisition of the onshore renewable energy company Ostwind. The acquisition expands our European onshore portfolio into Germany and France with more than 1.5 GW of development pipeline projects.

See note 3.1 'Acquisitions of enterprises'.

Divestments

Borkum Riffgrund 3
In March, we completed the 50% divestment of our offshore wind farm Borkum Riffgrund 3 in Germany. The transaction resulted in proceeds of DKK 1.9 billion and a gain of DKK 1.6 billion. See note 2.6 'Other operating income and expenses' and note 3.3 'Intangible assets, and property, plant, and equipment'.

Hornsea 2
In September, we completed the 50% divestment of our offshore wind farm Hornsea 2 in the UK. The transaction resulted in proceeds of DKK 22.2 billion and a gain of DKK 9.4 billion. See note 2.6 'Other operating income and expenses' and note 3.3 'Intangible assets, and property, plant, and equipment'.

US project portfolio
In October, we closed our first-ever agreement to farm down a portfolio of four onshore projects, divesting a 50% ownership stake in the onshore wind farms Lincoln Land Wind, Plum Creek Wind, and Willow Creek Wind and the solar farm Muscle Shoals with a total capacity of 862 MW geographically spread over four US states. The portfolio will still be fully consolidated after the divestment. The contribution received from the partner was recognised as interest-bearing debt in 'Other payables'. See note 3.7 'Other receivables and other payables'.

Impairment

Sunrise
Impairment losses amounted to DKK 2.5 billion in 2022, was related to our Sunrise Wind project in the US, and was driven by supply chain bottlenecks, cost inflation, and higher costs of capital.

See note 3.3 'Intangible assets, and property, plant, and equipment'.

For a detailed discussion about Ørsted's performance and financial position, please refer to our management's review.

1.2 Basis of preparation

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

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).

Measurement basis

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

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

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 7.4 'Company overview'.

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

Intra-group income, expenses, shareholdings, balances, and dividends as well as realised and unrealised gains and losses arising from intra-group transactions are eliminated in our consolidated financial statements.

Unrealised gains and losses resulting from transactions with associates and joint ventures are eliminated to the extent of our ownership interest.

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

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

Foreign currency translation

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

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.

Foreign currency transactions are translated into the functional currency defined for each entity using the exchange rates prevailing at the transaction date. Receivables, payables, and other monetary items in foreign currencies are translated at the exchange rates on the balance sheet date. The difference

Key accounting judgement

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

In assessing joint operations, we look at:
- the corporate form of the operation
- whether we are only entitled to the net profit (loss) or to income and expenses resulting from the operation.

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

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.

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

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

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

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.

iXBRL reporting

We are required to file our annual report in the European Single Electronic Format ('ESEF') using the XHTML format and to tag the consolidated financial statements including notes using Inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created.

The annual report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a ZIP file named Orsted-2022-12-31-en.zip.

Alternative performance measures

We present financial measures in the consolidated financial statements which are not defined according to IFRS. We use these alternative performance measures (APM) as we believe that these financial measures provide valuable information to our stakeholders and management.

The financial measures should not be considered a replacement for the performance measures as defined under IFRS, but rather as supplementary information.

The alternative performance measures may not be comparable to similar titled measures presented by other companies, as the definitions and calculations may be different.

The alternative performance measures most commonly presented in the Ørsted annual report are:

- EBITDA and EBITDA excluding new partnerships
- funds from operations (FFO)
- adjusted interest-bearing net debt
- free cash flow (FCF)
- ROCE.

Our definitions of the financial measures are included in note 7.3 'Alternative performance measures'.

Note		Key accounting estimates and judgements	Estimate/ judgement	Potential impact from accounting estimates and judgements
1.2	Basis of preparation	Consolidation method for partnerships	Judgement	•••
2.6	Other operating income and expenses	Variable selling prices related to divestments of offshore wind farms and offshore transmission assets Classification of divestment	Estimate Judgement	••• ••
3.1	Acquisition of enterprises	Purchase price allocation in business combinations	Estimate	••
3.3	Intangible assets, and property, plant, and equipment	Key assumptions in impairment tests	Estimate	•••
3.8	Tax equity liabilities	Recognition of tax equity partnerships	Judgement	•••
3.9	Provisions and contingent liabilities	Assumptions for provisions	Estimate	••
4.2	Tax on profit (loss) for the year	Recognition of income taxes	Estimate	•••
6.1	Market risk policy	Valuation of long-term power purchase agreements Effectiveness of hedge reserve	Estimate Judgement	•• ••

↑ Key accounting estimates and judgements and their level of potential impact on the consolidated financial statements.

The impact relates to objectivity and business practice.

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

Implementation of new and changed accounting standards and interpretations

The International Accounting Standards Board (IASB) has issued amended standards that are effective for the first time in 2022. None of them required a change in our accounting policies.

New standards and interpretations

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2022. Ørsted expects to adopt the accounting standards and interpretations as they become mandatory.

The new or amended standards or interpretations are not expected to have a significant impact on our consolidated financial statements.

Key accounting estimates and judgements

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

Given the uncertainties inherent in our business activities, we make a number of estimates and judgements. The estimates and judgements are based on assumptions concerning future developments, which affect our application of accounting policies and the reported amounts of our assets, liabilities, sales, costs, cash flows, hedge reserve, 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 on, among other things, historical experience, the current situation in the financial markets, and a number of other relevant factors, i.e. the updates in the annual estimated production. Changes in estimates are recognised in the period in which the estimate in question is revised.

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

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

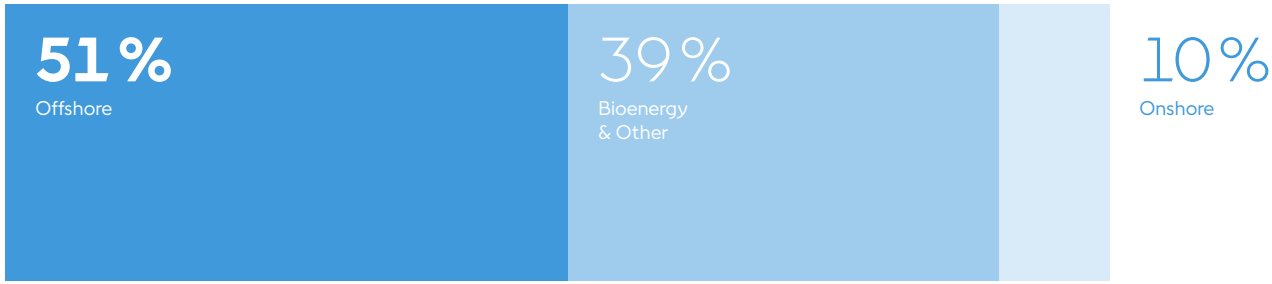
Reference is made to the specific notes for further information on the key accounting estimates and judgements as well as the assumptions applied.

2. Return on capital employed

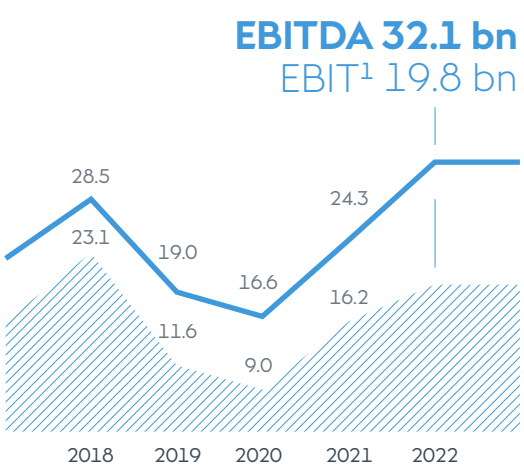
Return on capital employed (ROCE) is a key ratio showing how profitable our business activities are. Our target is an average ROCE of approx. 11-12 % for the Group for the 2020-2027 period.

Return on capital employed was 16.8 % in 2022. The increase of 2 percentage points compared to last year was attributable to a higher EBIT. See note 2.1 'Segment information'.

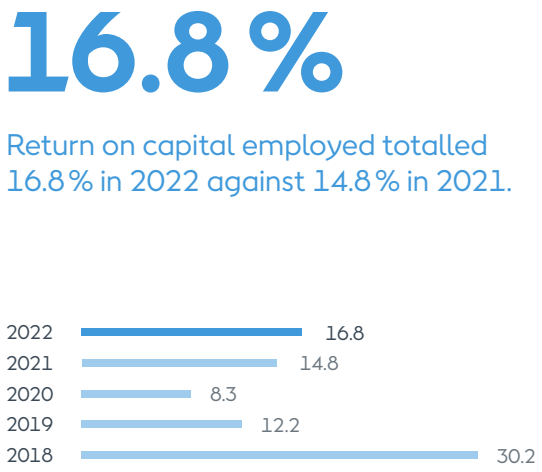
EBIT by segment [1]
Percentage of DKK 19,794 million in 2022



EBITDA and EBIT
DKKbn



Return on capital employed
DKKbn



1 EBIT of DKK 19,794 million is calculated as EBIT for reportable segments.

2.1 Segment information

Offshore
DKKm

Revenue	87,121
EBITDA	19,569
Gross investments	26,710
Number of employees	4,038

Primary activities
Development, construction, ownership, and operation of offshore wind farms in the UK, Germany, Denmark, Poland, the Netherlands, the US, and Taiwan as well as development of renewable hydrogen and green fuels in Europe and e-methanol on the US Gulf Coast.

Onshore
DKKm

Revenue	3,014
EBITDA	3,644
Gross investments	10,396
Number of employees	419

Primary activities
Development, construction, ownership, and operation of onshore wind and solar farms in the US and in Europe, including integrated storage.

Bioenergy & Other
DKKm

Revenue	46,243
EBITDA	8,619
Gross investments	267
Number of employees	988

Primary activities
Generation of heat and power and delivery of ancillary services from CHP plants in Denmark, optimisation of our gas portfolio, and sale of green certificates, power, and gas in wholesale and B2B markets.

Geographical distribution

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.

No single customer accounted for more than 10 % of our consolidated revenue in 2022 or 2021, respectively.

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

Revenue
DKKm 2022 (2021)

DKK 132,277 million

The UK	59,132	(41,323)
Denmark	38,471	(19,839)
Germany	14,653	(7,818)
NL	9,943	(5,916)
Taiwan	5,439	(831)
The US	2,619	(1,296)
Other	1,083	(420)
Ireland	937	(230)

Intangible assets, and property, plant, and equipment
DKKm 2022 (2021)

DKK 181,694 million

The US	68,352	(51,045)
The UK	48,963	(63,331)
Taiwan	24,476	(16,234)
Germany	15,141	(11,544)
Denmark	12,182	(9,707)
Ireland	5,017	(4,930)
NL	4,722	(4,904)
Poland	1,479	(1,221)
France	1,357	(0)
Other	5	(23)

Revenue, intangible assets as well as property, plant, and equipment are presented based on the locations of our customers and assets as well as the exchanges on which we trade.

Accounting policies

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

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

2022 income statement DKKm	Offshore	Onshore	Bioenergy & Other	Reportable segments	Other activities/ eliminations	Total
External revenue	78,970	3,014	50,279	132,263	14	132,277
Intra-group revenue	8,151	-	(4,036)	4,115	(4,115)[1]	-
Revenue	**87,121**	**3,014**	**46,243**	**136,378**	**(4,101)**	**132,277**
Cost of sales	(66,398)	(57)	(34,748)	(101,203)	4,040	(97,163)
Employee costs and other external expenses	(8,410)	(1,831)	(2,370)	(12,611)	284	(12,327)
Gain (loss) on disposal of non-current assets	10,864	43	(22)	10,885	-	10,885
Additional other operating income and expenses	(3,716)	2,472	(487)	(1,731)	2	(1,729)
Share of profit (loss) in associates and joint ventures	108	3	3	114	-	114
EBITDA	**19,569**	**3,644**	**8,619**	**31,832**	**225**	**32,057**
Depreciation and amortisation	(7,006)	(1,644)	(859)	(9,509)	(245)	(9,754)
Impairment losses	(2,529)	-	-	(2,529)	-	(2,529)
Operating profit (loss) (EBIT)	**10,034**	**2,000**	**7,760**	**19,794**	**(20)**	**19,774**
Key ratios						
Intangible assets, and property, plant, and equipment	114,130	57,320	8,868	180,318	1,376	181,694
Equity investments and non-current receivables	605	100	124	829	167	996
Net working capital, capital expenditures	(5,050)	(572)	(43)	(5,665)	-	(5,665)
Net working capital, work in progress	1,430	41	-	1,471	-	1,471
Net working capital, tax equity	-	(15,157)	-	(15,157)	-	(15,157)
Net working capital, other items	9,093	85	873	10,051	1,877	11,928
Derivatives, net	(25,914)	(7,604)	99	(33,419)	1,097	(32,322)
Decommissioning obligations	(10,233)	(1,769)	(2,074)	(14,076)	-	(14,076)
Other provisions	(1,910)	(39)	(1,520)	(3,469)	(2,161)	(5,630)
Tax, net	5,598	(3,938)	(1,119)	541	1,068	1,609
Other receivables and other payables, net	2,192	(4)	3	2,191	(936)	1,255
Capital employed at 31 December	**89,941**	**28,463**	**5,211**	**123,615**	**2,488**	**126,103**
Return on capital employed (ROCE), %						**16.8**
Cash flows from operating activities	5,272	2,509	2,622	10,403	1,521	11,924
Gross investments	(26,710)	(10,396)	(267)	(37,373)	(74)	(37,447)
Divestments	25,451	56	(4)	25,503	133	25,636
Free cash flow (FCF)	**4,013**	**(7,831)**	**2,351**	**(1,467)**	**1,580**	**113**

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.

1 Including the elimination of other activities, the total elimination of intra-group revenue amounts to DKK -7,296 million, which primarily relates to our Shared Functions services as well as our B2B business activities.

2021 income statement DKKm	Offshore	Onshore	Bioenergy & Other	Reportable segments	Other activities/ eliminations	Total
External revenue	42,350	1,018	34,263	77,631	42	77,673
Intra-group revenue	8,441	(23)	(1,873)	6,545	(6,545)[1]	-
Revenue	**50,791**	**995**	**32,390**	**84,176**	**(6,503)**	**77,673**
Cost of sales	(33,922)	(26)	(25,612)	(59,560)	6,450	(53,110)
Employee costs and other external expenses	(7,171)	(1,071)	(2,039)	(10,281)	232	(10,049)
Gain (loss) on disposal of non-current assets	7,920	-	-	7,920	-	7,920
Additional other operating income and expenses	424	1,448	7	1,879	-	1,879
Share of profit (loss) in associates and joint ventures	(21)	3	1	(17)	-	(17)
EBITDA	**18,021**	**1,349**	**4,747**	**24,117**	**179**	**24,296**
Depreciation and amortisation	(5,993)	(903)	(831)	(7,727)	(245)	(7,972)
Impairment losses	(69)	(60)	-	(129)	-	(129)
Operating profit (loss) (EBIT)	11,959	386	3,916	16,261	(66)	16,195
Key ratios						
Intangible assets, and property, plant, and equipment	108,419	44,923	8,259	161,601	1,338	162,939
Assets classified as held for sale, net	-	-	860	860	-	860
Equity investments and non-current receivables	460	44	134	638	190	828
Net working capital, capital expenditures	(8,294)	(581)	(38)	(8,913)	-	(8,913)
Net working capital, work in progress	5,948	-	-	5,948	-	5,948
Net working capital, tax equity	-	(13,268)	-	(13,268)	-	(13,268)
Net working capital, other items	9,680	(74)	1,031	10,637	183	10,820
Derivatives, net	(23,289)	(2,692)	(6,819)	(32,800)	(195)	(32,995)
Decommissioning obligations	(6,155)	(1,302)	(1,394)	(8,851)	-	(8,851)
Other provisions	(3,106)	(11)	(1,577)	(4,694)	(2,343)	(7,037)
Tax, net	6,157	(4,390)	1,492	3,259	585	3,844
Other receivables and other payables, net	(4,006)	(15)	2	(4,019)	(740)	(4,759)
Capital employed at 31 December	**85,814**	**22,634**	**1,950**	**110,398**	**(982)**	**109,416**
Return on capital employed (ROCE), %						**14.8**
Cash flows from operating activities	(898)	4,467	7,593	11,162	986	12,148
Gross investments	(23,416)	(15,525)	(274)	(39,215)	(92)	(39,307)
Divestments	21,595	-	(178)	21,417	102	21,519
Free cash flow (FCF)	**(2,719)**	**(11,058)**	**7,141**	**(6,636)**	**996**	**(5,640)**

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.

1 Including the elimination of other activities, the total elimination of intra-group revenue amounts to DKK -9,161 million, which primarily relates to our Shared Functions services as well as our B2B business activities.

2.2 Revenue

Revenue DKKm	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	2022 total	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	2021 total
Generation of power	15,149	2,121	12,701	-	29,971	8,544	933	6,376	-	15,853
Sale of power	52,252	-	5,936	(4,099)	54,089	26,524	-	5,474	(6,541)	25,457
Revenue from construction of offshore wind farms and transmission assets	11,640	-	-	-	11,640	6,044	-	-	-	6,044
Generation and sale of heat and steam	-	-	3,002	-	3,002	-	-	2,745	-	2,745
Sale of gas	-	-	20,954	-	20,954	-	-	16,270	-	16,270
Distribution and transmission	-	-	277	(5)	272	-	-	326	-	326
O&M and other services	2,403	31	733	(45)	3,122	2,639	-	241	(37)	2,843
Total revenue from customers	**81,444**	**2,152**	**43,603**	**(4,149)**	**123,050**	**43,751**	**933**	**31,432**	**(6,578)**	**69,538**
Government grants	4,831	862	493	-	6,186	7,655	179	700	-	8,534
Miscellaneous revenue	846	-	2,147	48	3,041	(615)	(117)	258	75	(399)
Total revenue	**87,121**	**3,014**	**46,243**	**(4,101)**	**132,277**	**50,791**	**995**	**32,390**	**(6,503)**	**77,673**
Timing of revenue recognition from customers										
At a point in time	66,693	2,152	26,564	(4,149)	91,260	35,441	933	14,090	(6,578)	43,886
Over time	14,751	-	17,039	-	31,790	8,310	-	17,342	-	25,652
Total revenue from customers	**81,444**	**2,152**	**43,603**	**(4,149)**	**123,050**	**43,751**	**933**	**31,432**	**(6,578)**	**69,538**
Revenue from sale of goods and services										
Revenue from sale of goods	84,844	3,001	45,837	(4,044)	129,638	48,650	992	31,701	(6,475)	74,868
Revenue from sale of services	2,277	13	406	(57)	2,639	2,141	3	689	(28)	2,805
Total revenue	**87,121**	**3,014**	**46,243**	**(4,101)**	**132,277**	**50,791**	**995**	**32,390**	**(6,503)**	**77,673**

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
- sale of transmission assets from offshore wind farms.

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

Revenue for the year increased by 71% to DKK 132,277 million in 2022. The increase was primarily due to the significantly higher power and gas prices across all markets and more assets in operation.

Revenue from construction agreements was DKK 11,640 million. The increase of DKK 5,596 million was mainly related to the divestment of 50% of the offshore transmission assets at Hornsea 2 in September and the construction of Greater Changhua 1 for partners.

Income from government grants decreased significantly in 2022 due to power prices being above subsidy prices, leading to a lower subsidy per MWh produced.

Backlog

Order backlog for the construction of wind farms and offshore transmission assets.

Order backlog DKKm	2022	2021
31 December	5,989	5,989
Within one year	43%	100%
In more than one year	57%	0%

The transaction price allocated to the remaining performance obligation.

Accounting policies

Revenue is measured based on the consideration specified in a contract with a customer (transaction price) and excludes amounts collected on behalf of third parties, i.e. VAT. We recognise revenue when we transfer control over a product or service to a customer or a partner.

If a part of the transaction price is variable, i.e. bonus payments, incentive payments for unmissed deadlines, etc., the variable consideration is recognised in revenue when it is highly probable that the revenue will not be reversed in subsequent periods.

We adjust the transaction price for the time value of money if the payments exceed twelve months.

Generation of power

Generation of power is the sale of power produced at our own wind farms, solar farms, and power stations as well as the sale of ancillary services. We recognise revenue as the power is produced, since this is when delivery to the customers occurs.

Fees for having CPH plants on standby and/or ready to increase or decrease the generation of power to balance the demand and supply in the system is considered one performance obligation fulfilled over time.

The consideration for the power is due when the actual power is delivered to the customer.

Sale of power

Revenue from sale of power sourced from other producers. This includes the sale of power sourced from investor power purchase agreements, third-party balancing contracts, and other sales contracts.

The sale is recognised when the power is delivered to our customer.

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.

The consideration for the power is due when the actual power is delivered to the customer.

Revenue from construction of offshore wind farms

Revenue from construction of offshore wind farms includes development and construction. The construction agreements cover the construction phase from design to delivery of an operational asset. The agreement consists of two performance obligations:

- Offshore wind farms.
- Offshore transmission assets, if applicable.

The construction agreements cover our partners' shares of the construction of the wind farm and offshore transmission assets, if applicable. If our 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.

We recognise revenue 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 the ongoing transfer of control.

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. We 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.

Our partner 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.

Generation and sale of heat and steam

Heat is sold under long-term heat contracts and recognised when the heat is delivered to our customer.

The heat customer makes a prepayment to finance the majority of our CAPEX associated with the biomass conversion of the CHP plant. The prepayment is recognised as a contract liability, and it is also recognised as revenue in step with the transfer of heat to the customer.

Payment for the sale of heat consists of fixed costs associated with operations and maintenance of a CHP plant, fuel costs for the generation of heat, and a financial return. The consideration is due when delivered.

Sale of gas

Sale of gas is our gas sourced from other producers, and it is recognised when the gas is transferred to our buyer. The transfer of control occurs either when the gas is injected into the distribution system or delivered to the customer.

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.

The consideration for the gas is due when the gas is injected into the distribution system or delivered to the customer.

Distribution and transmission

Fees for distribution and transmission of oil is recognised when the oil is delivered to the buyer, or when the capacity is made available.

Revenue is calculated as the amount to which we are entitled when the service is delivered to the customer, and consideration is payable when invoiced.

O&M and other services

Revenue from providing services is recognised over time as our customer simultaneously receives and consumes the benefits provided.

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. This is determined based on the actual labour hours spent relative to the total labour hours expected.

Fixed-price contracts are invoiced on a monthly basis, and consideration is payable when invoiced. Variable fee services are due after the services are rendered.

2.3 Cost of sales

Cost of sales DKKm	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	2022 total	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	2021 total
Gas	-	-	19,676	-	19,676	-	-	13,944	-	13,944
Power including certificates	54,762	-	6,172	(4,014)	56,920	26,042	-	4,720	(6,450)	24,312
Biomass	-	-	3,323	-	3,323	-	-	3,272	-	3,272
Coal	-	-	2,955	-	2,955	-	-	1,060	-	1,060
Distribution and transmission costs	2,066	27	1,507	(50)	3,550	1,627	13	2,062	(44)	3,658
Costs for construction of offshore wind farms and transmission assets	9,570	-	-	-	9,570	6,175	-	-	-	6,175
Other cost of sales	-	30	1,115	24	1,169	78	13	554	44	689
Total	**66,398**	**57**	**34,748**	**(4,040)**	**97,163**	**33,922**	**26**	**25,612**	**(6,450)**	**53,110**

Cost of sales increased by 83% to DKK 97,163 million in 2022. The increase was primarily due to the significantly higher gas and power prices across all markets, the divestment of 50% of the offshore transmission asset at Hornsea 2, and the construction of Greater Changhua 1 for partners in 2022. The increase in 2022 was partly offset by a reduction in gas volumes sold and the divestment of the offshore transmission asset at Hornsea 1 in 2021.

Accounting policies

Ørsted constructs offshore transmission assets in the UK which are required to be divested to third parties due to EU unbundling regulations. The construction costs are presented as inventories and transferred to cost of sales when the asset is divested to either a farm-down partner or to the buyer appointed by OFGEM.

2.4 Government grants

Government grants DKKm	2022	2021
Government grants recognised in profit (loss) for the year under revenue	6,186	8,534
Government grants recognised in profit (loss) for the year under other operating income	28	23
Government grants recognised in the balance sheet	(28)	(23)
Government grants recognised for the year	**6,186**	**8,534**

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

In the UK, we receive subsidies under two schemes: contracts for difference (CfD) and the Renewable Obligation scheme (renewable obligation certificate (ROC) regime). The Burbo Bank Extension, Walney Extension, Hornsea 1, and Hornsea 2 offshore wind farms are under the CfD regime, while our other UK offshore wind farms as well as our Renescience plant are under the ROC regime. We treat the payments from the schemes as government grants.

Feed-in tariffs from our Irish, Dutch, and German wind farms are also recognised as government grants.

Income from government grants decreased significantly in 2022 due to power prices being above subsidy prices, leading to a lower subsidy per MWh produced.

Accounting policies

Government grants comprise grants for environmentally sustainable power generation, grants for the funding of development projects, investment grants, etc.

Government grants are recognised when there is reasonable assurance that the grants will be received.

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.

2.5 Research and development expenditures

Expensed research and development expenditures 2022 DKKm	Offshore	Onshore	Bioenergy & Other	Total
Research	122	-	-	122
Development	1,736	266	10	2,012
Total	**1,858**	**266**	**10**	**2,134**

Expensed research and development expenditures 2021 DKKm				
Research	82	-	-	82
Development	1,924	141	15	2,080
Total	**2,006**	**141**	**15**	**2,162**

Accounting policies

Research costs are costs incurred to find new or improve existing technologies (e.g. improving offshore foundations, optimising blade stability and performance for wind farms, developing new ways of converting renewable electrons to renewable molecules and synthetic fuels).

Research costs are recognised in the income statement as incurred.

Development costs primarly comprise salaries as well as internal and external costs which can be directly or indirectly attributed to design and development of offshore and onshore wind farms, the Renescience Northwich plant, P2X production facilities, and energy storage facilities.

Development costs are expensed until the capitalisation criteria are met. Development costs incurred after that are capitalised as 'Assets under construction'.

2.6 Other operating income and expenses

Operating income DKKm	2022	2021
Gain on divestment of assets	11,018	8,146
US tax credits and tax attributes	2,556	1,382
Other compensation	175	429
Miscellaneous operating income	370	228
Total other operating income	**14,119**	**10,185**

Other operating expenses DKKm		
Ineffective hedges, etc.[1]	4,591	-
Loss on divestment of assets	133	226
Miscellaneous operating expenses	239	160
Total other operating expenses	**4,963**	**386**

1 In 2021, ineffective hedges, etc., was DKK 1,074 million, presented as revenue.

Other operating income

In 2022, other operating income was DKK 14,119 million, which was DKK 3,934 million higher than in 2021. The increase was mainly driven by gain on divestments of assets, primarily the 50 % farm-downs of Hornsea 2 and Borkum Riffgrund 3.

In 2021, gain on divestment of assets was related to the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1.

The increase in 'US tax credits and tax attributes' was mainly due to commissioning of new onshore wind farms in 2021, which have had full impact in 2022, and commissioning of new onshore wind and solar farms in 2022.

Other operating expenses

'Ineffective hedges' included volume-ineffective hedges as a consequence of lower-than-expected offshore generation, resulting in us having hedged too large volumes. Furthermore, it included other hedges, which we cannot document as being 'effective' from a hedge accounting perspective and therefore have recognised in the income statement.

'Loss on divestment of assets' was primarily related to M&A transaction costs.

Accounting policies

Gains from farm-downs of ownership interests in wind farms are recognised on the divestment date as other operating income..

Gains for future construction of the partner's share of the wind farm are recognised over time in the income statement in step with the construction. See notes 2.2 'Revenue' and 3.5 'Contract assets and liabilities'.

The accounting policies for 'US tax credits and tax attributes' income are described in note 3.8 'Tax equity liabilities'.

Losses from our market trading activities are presented as other operating expenses under 'Ineffecive hedges, etc.'

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 operation and construction of the offshore wind farm.

Contracts in connection with a divestment are typically agreements on:
- the sale of shares (divestment of assets) (SPA)
- the future construction of the offshore wind farm (construction agreements or construction management agreements, if not in operation)
- the future operation of the offshore wind farm (O&M agreements).

Key accounting estimate

Variable selling price related to divestments of offshore wind farms and offshore transmission assets
When we divest an ownership interest in an offshore wind farm and an offshore transmission asset to a partner, we consider all terms and activities in the contracts in order to determine the transaction price.

If the consideration includes a variable amount, we estimate the consideration to which we are entitled in exchange for transferring the asset, the wind farm, and the transmission asset to our partner.

The variable considerations are estimated at contract inception based on future outcome of events, e.g.:
- the divestment price of offshore transmission asset through a competitive tender process
- the impact on production from future wind farms
- the winning bid of the tender revenue stream through a competitive tender process.

We consider 'the most likely amount' to provide the most appropriate estimate of the expected variable consideration.

Key accounting judgement

Classification of divestment
When we divest ownership interests in an offshore wind farm, 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.

2.7 Employee costs

Employee costs

DKKm	2022	2021
Wages, salaries, and remuneration	5,510	4,603
Share-based payment	32	26
Pensions	430	357
Other social security costs	233	191
Other employee costs	92	108
Employee costs before transfer to assets	**6,297**	**5,285**
Transfer to assets	(1,019)	(996)
Total employee costs	**5,278**	**4,289**

Salaries and remuneration for the Group Executive Team and the Board of Directors

	Executive Board[1]		Other members of the Group Executive Team[2]		Board of Directors		Total	
DKK 000	2022	2021	2022	2021	2022	2021	2022	2021
Fixed salary	30,632	31,250	20,337	15,362	6,807	6,306	57,776	52,918
Short-term cash-based incentive scheme	6,454	6,996	4,402	4,927	-	-	10,856	11,923
Share-based payment	3,989	2,497	2,338	262	-	-	6,327	2,759
Pension, incl. social security and benefits	860	709	4,521	4,129	-	-	5,381	4,838
Short-term retention-dependent purchase price related to the acquisition of Lincoln Clean Energy	-	-	-	2,352	-	-	-	2,352
Salary in notice period	14,553[3]	-	693	4,907	-	-	15,246	4,907
Severance payment	9,270	-	4,793	-	-	-	14,063	-
Total	**65,758**	**41,452**	**37,084**	**31,939**	**6,807**	**6,306**	**109,649**	**79,697**

1 The Executive Board consists of: Mads Nipper, Marianne Wiinholt (left on 8 April 2022), Daniel Lerup (joined on 8 April 2022), Henriette Fenger Ellekrog (joined on 1 November 2022), and Martin Neubert (left on 31 October 2022).

2 Other members of the Group Executive Team in 2022 are: Oliva Breese (joined on 1 November 2022), Rasmus Errboe (joined on 1 November 2022), Anders Zoëga Hansen (joined on 1 November 2022), David Hardy (joined on 1 November 2022), Richard Hunter and Per Mejnert Kristensen (joined on 1 November 2022), Neil O'Donovan and Ingrid Reumert (joined on 1 November 2022), and Henriette Fenger Ellekrog (until 31 October 2022 when she joined the Executive Board).

3 Including DKK 3,147 thousand related to share-based payments as, in accordance with the programme terms, Martin Neubert keeps his rights to the 2020, 2021, and 2022 grants.

Pension plans and number of employees

Pension plans are defined-contribution plans that do not commit Ørsted beyond the amounts contributed.

In 2022, our average number of employees was 7,428 (2021: 6,508).

Remuneration of the Group Executive Team

The remuneration of the Group Executive Team is based on a fixed salary, including personal benefits, such as a company car, free telephone, etc., a variable salary, and share-based payment. The non-executive members of the Group Executive Team 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.

For more details on the remuneration of the Executive Board, please refer to the remuneration report (orsted.com/remuneration2022).

2.8 Share-based payment

Market value of PSUs and key assumptions for valuation in executive share programme	Time of granting 2022	Time of granting 2021	Time of granting 2020
Market value of 1 PSU	909	1,246	794
Key assumptions			
Share price	835	1,025	666
Average volatility rate	30.2%	28.8%	24.1%
Volatility, Ørsted	34.8%	29.6%	24.6%
Risk-free interest rate	0.9%	0.1%	(0.5)%
Expected term at time of granting	3 years	3 years	3 years

Required number of locked-up shares relative to fixed salary	
CEO	75% of fixed salary
CFO, Chief HR Officer	50% of fixed salary
Other members of the Group Executive Team	25% – 50% of fixed salary
Other participants	15% – 25% of fixed salary

The figure shows the shareholding requirement in percentage of the participants' fixed salary. A build-up period of up to five years is allowed.

Executive share programme

The Group Executive Team and a number of other senior executives participate in the share programme (approx. 120). 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 it makes up 75% of our CEO's fixed salary. See the table above for more information. The participants in the programme must invest in Ørsted shares prior to the first granting. A build-up period for the shareholding requirements of up to five years is allowed. If the participants fulfil the shareholding requirement at the time of granting, they will be granted a number of PSUs each year, representing a value of 15-20% (15-40% in the US) of the annual fixed salary on the date of granting.

The granted PSUs have a vesting period of approximately three years. Then, each PSU entitles the holder, without payment, to receive a number of shares corresponding to 0-200% of the number of PSUs granted. The vesting is conditional upon continued employment. Assuming no share price development since the grant, the value would correspond to 0-30% or 0-40% (0-80% in the US) of the fixed salary on the date of grant. The final number of shares for each participant will be determined on the basis of the total shareholder return delivered by Ørsted, benchmarked against ten comparable European energy companies.

The highest rate (200%) will be triggered if Ørsted's results, measured as the total return to shareholders, outperform those of the comparable companies. For each lower ranking, the number of shares granted will fall by 20 percentage points. If, for example, Ørsted ranks third, the participants will be entitled to 160% of the target.

If Ørsted ranks 11 in the comparison, no shares will be granted to the participants. The right to shares is conditional upon continued employment.

Retention share programme

The target group for the share-based retention agreements will typically be employees responsible for vital, long-term projects. The use of these share-based retention agreements will be limited to 25 concurrent agreements with an individual time frame of up to five years. Members of the Executive Board (CEO, CFO, and Chief HR Officer) cannot be granted such retention agreements.

The number of retention share units (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 31 December
'000

Time of granting	Executive Board	Other members of the Group Executive Team	Senior executives	Other employees	2022	2021	2022 in % of share capital	Market value of shares at granting, DKK million	Years until expiry as of 2022
1 April 2019	-	-	-	-	-	83	-	-	-
1 April 2020	7	5	51	-	63	73	0.02%	25	0.3
1 April 2021	11	6	36	-	53	59	0.02%	33	1.3
1 April 2022	18	11	73	-	102	-	0.02%	47	2.3
Share retention programme	-	2	-	13	15	19	0.00%	9	
Maximum number of outstanding shares at 31 December	**36**	**24**	**160**	**13**	**233**	**234**	**0.06%**	**114**	

Development in maximum number of outstanding shares
'000

Maximum number of outstanding shares at 1 January	21	13	181	19	234	300
Compensation for dividends paid (2019, 2020, 2021, and 2022 programmes)	1	-	3	-	4	2
Transfer between categories	10	11	(19)	(2)	-	-
Exercised (2019 programme)	(10)	(6)	(68)	-	(84)	-
Exercised (2018 programme)	-	-	-	-	-	(107)
Granted (2022 programme)	14	6	81	-	101	-
Granted (2021 programme)	-	-	-	-	-	66
Cancelled (2022 programme)	-	-	(1)	-	(1)	-
Cancelled (2021 programme)	-	-	(6)	-	(6)	(7)
Cancelled (2020 programme)	-	-	(11)	-	(11)	(10)
Cancelled (2019 programme)	-	-	-	-	-	(9)
Share retention programme	-	-	-	(4)	(4)	(1)
Maximum number of outstanding shares at 31 December	**36**	**24**	**160**	**13**	**233**	**234**
(DKKm)						
Market value of share programme at the time of granting	18	12	76	8	114	99
Maximum market value of share programme at 31 December	23	15	101	8	147	198

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 ten comparable companies.

The share price at the time of exercising in 2022 was DKK 793.

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.

126.1 bn

Capital employed totalled DKK 126,103 million on 31 December 2022 against DKK 109,416 million in 2021, mainly due to new investments.

37.4 bn

Gross investments amounted to DKK 37,447 million in 2022 against DKK 39,307 million in 2021.

25.6 bn

Cash flows from divestments totalled DKK 25,636 million in 2022 against DKK 21,519 million in 2021.

Capital employed by segment[1]
% 2022

Gross investments by segment
% 2022

Capital employed

DKKm	2022	2021
Intangible assets, and property, plant, and equipment	181,694	162,939
Assets classified as held for sale, net	-	860
Equity investments and non-current receivables	996	828
Net working capital, capital expenditures	(5,665)	(8,913)
Net working capital, work in progress[2]	1,471	5,948
Net working capital, tax equity	(15,157)	(13,268)
Net working capital, other items	11,928	10,820
Derivatives, net	(32,322)	(32,995)
Decommissioning obligations	(14,076)	(8,851)
Other provisions	(5,630)	(7,037)
Tax, net	1,609	3,844
Other receivables and other payables, net	1,255	(4,759)
Total capital employed	**126,103**	**109,416**

Gross and net investments

DKKm	2022	2021
Cash flows from investing activities	(17,912)	(12,591)
Dividends received and capital reductions reversed	(23)	(29)
Purchase and sale of securities, reversed	5,634	(3,558)
Sale of non-current assets, reversed	(24,175)	(20,860)
Interest-bearing debt in acquired enterprises	(972)	(2,273)
Restricted cash in acquired enterprises	1	4
Gross investments	**(37,447)**	**(39,307)**
Transactions with non-controlling interests in connection with divestments	1,461	659
Sale of non-current assets	24,175	20,860
Divestments	**25,636**	**21,519**
Net investments	**(11,811)**	**(17,788)**

1 Capital employed by segment is based on capital employed for reportable segments of DKK 123,615 million.

2 'Net working capital, 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.

3.1 Acquisition of enterprises

Cash flows used for acquisitions

DKKm	Ostwind	Other	2022	2021
Fair value at time of acquisition:				
Other intangible assets than goodwill	167	-	167	452
Property, plant, and equipment	2,342	-	2,342	5,182
Joint ventures	313	26	339	33
Contract assets and liabilities, net	(76)	-	(76)	-
Trade receivables	135	-	135	236
Other receivables	73	-	73	163
Receivables from associates and joint ventures	174	-	174	-
Cash	432	-	432	146
Interest-bearing debt, excl. lease liabilities	(437)	-	(437)	(2,273)
Provisions	(10)	-	(10)	(47)
Derivatives	-	-	-	(456)
Deferred tax	(525)	-	(525)	(634)
Other liabilities	(241)	7	(234)	(312)
Net assets acquired	**2,347**	**33**	**2,380**	**2,490**
Goodwill	1,718	-	1,718	-
Purchase price	**4,065**	**33**	**4,098**	**2,490**
Cash, available and acquired	(432)	-	(432)	(142)
Contingent consideration	-	-	-	83
Accrued purchase price	(260)	-	(260)	-
Cash flow used for acquisition of enterprises	**3,373**	**33**	**3,406**	**2,431**
Purchase price	4,065	26	4,091	2,490
Adjustments for cash	(432)	-	(432)	(146)
Adjustments for interest-bearing debt	437	-	437	2,273
Adjustments for other debt and net working capital items	(65)	-	(65)	-
Adjustments for cash, debt, and net working capital items in JVs	1,118	-	1,118	-
Enterprise value	**5,123**	**26**	**5,149**	**4,617**

Accounting policies

Acquisition of enterprises is recognised using the acquisition method. Under this method, assets and liabilities as well as contingent liabilities of the acquired enterprise are measured at fair value on the date of acquisition.

The fair values of production assets and assets under construction are normally determined using an income approach where they are valued at present value based on the expected cash flows they can generate, including any non-separable power purchase agreements, and on income, such as production tax credits.

The fair value of derivatives is determined using our normal approach for such items, which is based on market prices or expectations for prices over the term of the derivatives.

The fair values of other assets and liabilities are valued using the approach we find most relevant for the individual item, which can be either a market approach, an income approach, or a cost approach.

An acquired enterprise is included in the consolidated financial statements from the date of acquisition, which is the date when we obtain control.

When an acquired enterprise has entered into a power purchase agreement classified as a derivative, the fair value of the agreement will be included in the opening balance. Post-acquisition, this fair value is recognised as an adjustment to revenue over the duration of the contract, based on the fair value calculation at the time of the acquisition.

On 19 September 2022, we acquired Ostwind, a German and French onshore wind platform, and obtained all of the voting equity interests in OSTWIND Erneuerbare Energien GmbH, OSTWINDpark Rotmainquelle GmbH & Co. KG, OSTWIND International S.A.S., and OSTWIND Engineering S.A.S.

The acquisition of Ostwind constitutes Ørsted's entry into the sizeable and growing German and French onshore markets and substantially expands Ørsted's onshore footprint in Europe. Together with the acquisition of Brookfield Renewable's Ireland and UK onshore wind platform in 2021 and the recent entry into the Spanish onshore market, Ørsted's onshore renewables platform now covers the US market and four of the largest growth markets in Europe at scale.

The total purchase price was DKK 4,065 million, including an accrued purchase price of DKK 260 million. Of the purchase price allocation, DKK 2,342 million is allocated to 'Property, plant, and equipment', consisting of operating wind and solar farms and projects under construction or in advanced development. DKK 1,718 million is allocated to 'Goodwill' related to greenfield wind and solar development.

Since the acquisition date, the contributed revenue and result after tax from Ostwind has been immaterial.

If the acquisition had been made on 1 January 2022, the revenue would have been DKK 318 million, and profit after tax would have been DKK 246 million. As part of the acquisition process, we have incurred costs of DKK 30 million, which have been expensed in our income statement in the Onshore segment.

The fair values of the assets and liabilities are not considered final until 12 months after the acquisition date.

Following Ørsted's acquisition of Ostwind, Caisse des Dépôts et Consignations, a co-investor in part of Ostwind's operating portfolio in France, in December decided to exercise an option to acquire Ostwind's shares (corresponding to a total of 87 MW) in the projects that Ostwind and Caisse des Dépôts et Consignations co-owned.

Key accounting estimate

Purchase price allocations in business combinations
When we apply the acquisition method for business combinations, by nature this involves judgement in assessing the fair value of identifiable assets and liabilities.

For 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.

Our assessment of fair value for derivatives is dependent on expected future prices. See note 6.6 'Fair value measurement' for our valuation principles.

3.2 Divestment of enterprises

Selling price

DKKm	2022	2021
Payment	437	(52)
Selling price on divestment of enterprises	**437**	**(52)**
Of which, selling price payable	(338)	(95)
Cash selling price on divestment of enterprises	**99**	**(147)**
Total cash flows from divestment of enterprises	**99**	**(147)**

Gain (loss) on divestment of enterprises

DKKm		
Selling price on divestment of enterprises	437	(52)
Net assets sold	(195)	-
Provisions as a result of the transactions	89	(690)
Gain (loss) on divestment of enterprises	**331**	**(742)**

We have not divested any enterprises in 2022.

In March 2021, we divested a part of our UK B2B business with a negative cash flow of DKK 18 million. Further, we repaid DKK 183 million to Andel for the settlement of the divestment of the Danish power distribution, residental customer, and city light businesses in 2020.

The gain on divestment of enterprises was affected by a DKK 818 million increase in our indemnification provision towards INEOS in relation to the divestment of our upstream oil and gas business in 2017. The provision regarded a transfer pricing case with the Norwegian Tax Administration.

Accounting policies

We recognise income from divested enterprises in the income statement up until the date of divestment.

The date of divestment is the date on which we relinquish control of the divested enterprise.

Gains or losses on the divestment or discontinuation of subsidiaries and associates are determined as the difference between the selling price and the carrying amount of the net assets divested.

Moreover, we deduct any provisions made for obligations related to sales and purchase agreements and the fees of advisers, etc., in connection with the divestment or discontinuation of the enterprise.

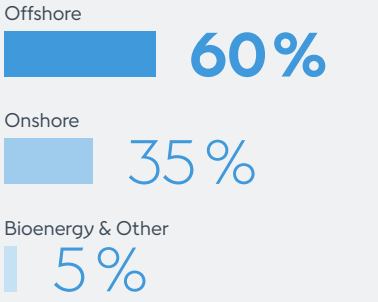
3.3 Intangible assets, and property, plant, and equipment

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 2022	3,243	10,311	148,309	1,858	57,852	218,330
Exchange rate adjustments	(10)	(18)	(2,019)	(62)	(555)	(2,654)
Additions	1,314	720	1,728	1,240	29,394	33,082
Additions on acquisition of enterprises	1,886	53	1,179	7	1,103	2,342
Disposals	(726)	(484)	(9,634)	(12)	(1,136)	(11,266)
Adjustment of decommissioning obligations	-	-	4,398	-	503	4,901
Reclassified assets	-	165	34,993	45	(35,203)	-
Reclassified from assets classified as held for sale	-	-	140	-	130	270
Cost at 31 December 2022	**5,707**	**10,747**	**179,094**	**3,076**	**52,088**	**245,005**
Depreciation and amortisation at 1 January 2022	(999)	(2,245)	(51,906)	(1,254)	-	(55,405)
Exchange rate adjustments	1	32	1,278	13	-	1,323
Depreciation and amortisation	(36)	(607)	(8,814)	(297)	-	(9,718)
Disposals	61	53	340	5	-	398
Depreciation and amortisation at 31 December 2022	**(973)**	**(2,767)**	**(59,102)**	**(1,533)**	**-**	**(63,402)**
Impairment losses at 1 January 2022	(701)	-	(785)	-	(744)	(1,529)
Exchange rate adjustments	(2)	-	4	-	53	57
Impairment losses and reversals	-	-	-	-	(2,529)	(2,529)
Disposals	(2)	-	-	-	63	63
Impairment losses at 31 December 2022	**(705)**	**-**	**(781)**	**-**	**(3,157)**	**(3,938)**
Carrying amount at 31 December 2022	**4,029**	**7,980**	**119,211**	**1,543**	**48,931**	**177,665**

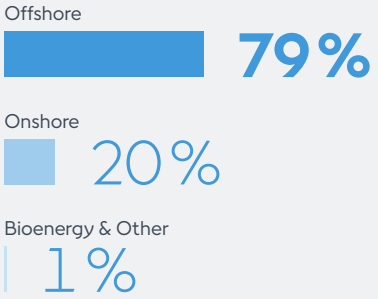
Intangible assets

Intangible assets consist of goodwill of DKK 1,843 million (2021: DKK 125 million), carbon emission allowances of DKK 1,464 million (2021 DKK 820 million), other rights of DKK 614 million (2021: DKK 475 million), completed development projects of DKK 28 million (2021: DKK 46 million), and development projects in progress of DKK 80 million (2021: DKK 77 million).

Production assets by segment, % 2022
DKK 119,211 million

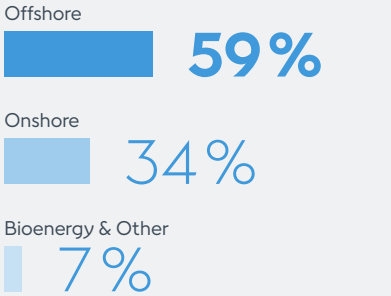


Property, plant, and equipment under construction by segment, % 2022
DKK 48,931 million

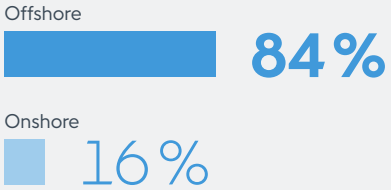


Intangible assets, and property, plant, and equipment DKKm	Intangible assets	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Property, plant, and equipment
Cost at 1 January 2021	2,224	7,254	130,983	1,574	29,987	169,798
Exchange rate adjustments	33	330	5,293	44	3,169	8,836
Additions	840	2,554	4,344	260	36,783	43,941
Additions on acquisition of enterprises	452	121	3,326	-	1,735	5,182
Disposals	(306)	(25)	(5,535)	(98)	(5,179)	(10,837)
Adjustment of decommissioning obligations	-	-	147	-	1,307	1,454
Reclassified assets	-	77	9,751	78	(9,906)	-
Reclassified to assets classified as held for sale	-	-	-	-	(44)	(44)
Cost at 31 December 2021	**3,243**	**10,311**	**148,309**	**1,858**	**57,852**	**218,330**
Depreciation and amortisation at 1 January 2021	(941)	(1,680)	(43,872)	(1,067)	-	(46,619)
Exchange rate adjustments	(1)	(50)	(1,305)	(15)	-	(1,370)
Depreciation and amortisation	(63)	(525)	(7,144)	(240)	-	(7,909)
Disposals	6	10	415	68	-	493
Depreciation and amortisation at 31 December 2021	**(999)**	**(2,245)**	**(51,906)**	**(1,254)**	**-**	**(55,405)**
Impairment losses at 1 January 2021	(644)	-	(927)	-	(642)	(1,569)
Exchange rate adjustments	-	-	24	-	(30)	(6)
Impairment losses and reversals	(57)	-	-	-	(72)	(72)
Disposals	-	-	118	-	-	118
Impairment losses at 31 December 2021	**(701)**	**-**	**(785)**	**-**	**(744)**	**(1,529)**
Carrying amount at 31 December 2021	**1,543**	**8,066**	**95,618**	**604**	**57,108**	**161,396**

Production assets by segment, % 2021
DKK 95,618 million



Property, plant, and equipment under construction by segment, % 2021
DKK 57,108 million



Lease assets DKKm	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment
Carrying amount at 1 January 2022	6,628	104	255	6,987
Exchange rate adjustments	40	-	(42)	(2)
Additions	635	8	1,171	1,814
Additions on acquisition of enterprises	53	-	-	53
Disposals	(431)	-	(7)	(438)
Divestment of enterprises	-	-	-	-
Depreciations	(516)	(69)	(220)	(805)
Carrying amount at 31 December 2022	**6,409**	**43**	**1,157**	**7,609**

Lease assets DKKm				
Carrying amount at 1 January 2021	4,274	172	170	4,616
Exchange rate adjustments	248	1	2	251
Additions	2,500	-	277	2,777
Additions on acquisition of enterprises	63	-	-	63
Disposals	(15)	-	(30)	(45)
Divestment of enterprises	-	-	-	-
Depreciations	(442)	(69)	(164)	(675)
Carrying amount at 31 December 2021	**6,628**	**104**	**255**	**6,987**

Contractual obligations by segment DKKm	0-1 year	1-5 years	5-10 years	2022	2021
Offshore	58,262	16,541	17,266	92,069	47,775
Onshore	10,365	2,713	-	13,078	4,156
Bioenergy & Other	178	-	-	178	156
Total	**68,805**	**19,254**	**17,266**	**105,325**	**52,087**

Overview of contracts entered into where delivery had not taken place at 31 December 2022. The obligations are measured at nominal value.

Leases

We mainly lease office buildings, service and installation vessels, seabeds related to offshore wind farms, and plots of land related to onshore wind farms, solar farms, and battery storage facilities.

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 were DKK 609 million in 2022 (2021: DKK 352 million). Interests on lease debt expensed in profit (loss) were DKK 256 million in 2022 (2021: DKK 261 million).

Total cash outflow for leases were DKK 1,447 million in 2022 (2021: DKK 1,133 million).

We have not entered into lease liabilities which are not commenced per 31 December 2022 and consequently not included in the balance sheet.

For maturity analysis of leases liabilities, we refer to note 5.5 'Maturity analysis of financial liabilities'.

Contractual obligations

Our contractual obligations for property, plant, and equipment at 31 December 2022 related mainly to wind turbines, foundations, and cables, etc., for the construction of offshore wind farms (primarily Greater Changhua 1 & 2a, Hornsea 3, Ocean Wind 1 and 2, Revolution Wind, Sunrise Wind, and South Fork).

The obligations in Onshore mainly related to purchases of wind turbines and solar PV modules.

Useful lives	
Battery storage	15 years
Buildings	20-50 years
Fixtures and fittings, tools, and equipment	3-10 years
Gas transportation system (marine pipelines)	20-40 years
Offshore wind farms	20-30 years
Onshore wind farms	24-30 years
Production assets, power (thermal), and district heating	20-25 years
Solar farms	35 years
Goodwill	Indefinite

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, Borkum Riffgrund 3, Borssele 1 & 2, Burbo Bank Extension, Gode Wind 1, Gode Wind 2, Gode Wind 3, Greater Changhua 1 & 2a, Horns Rev 2, Hornsea 1, Hornsea 2, London Array, Ocean Wind 1, Race Bank, Revolution Wind, South Fork, Sunrise Wind, Westermost Rough, Walney, Walney Extension, and West of Duddon Sands.

CGUs in Onshore

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

Significant CGUs
Amazon, Bellefield 1, Garracummer, Haystack, Helena Energy Center, Kennoxhead 1, Lincoln Land Wind, Lisheen 3, Lockett, Muscle Shoals, Old 300, Permian Energy Center, Plum Creek Wind, Sage Draw Wind, Tahoka Wind, Western Trail, Willow Creek Wind, and Willow Springs Wind.

Bioenergy & Other

The Danish CHP plants constitute a single CGU, as overall production planning is for the entire Danish portfolio. In addition, the Renescience plant in Northwich in the UK and the Danish offshore gas pipeline system are deemed to constitute independent CGUs.

Significant CGUs
Central CHP plants (including goodwill), Renescience Northwich, and the offshore gas pipeline system.

Impairment losses

Impairment losses relating to intangible assets

We have not recognised any material impairments to goodwill or other intangible assets in 2022.

Impairment losses relating to property, plant, and equipment

Sunrise Wind

The offshore wind energy industry is facing significant macroeconomic challenges, such as unprecedented cost inflation and rapidly rising interest rates in 2022. Sunrise Wind, Ørsted's 50% owned US offshore wind development project, has been particularly impacted by general market trends, as well as project specific challenges.

As previously disclosed, the project cost has increased substantially since bid. In the past year, further acute cost increases, specifically driven by the prices for installation vessels and the associated services, have occurred. Rising interest rates have had a corresponding impact on the discount rate in calculating the recoverable amount of the future cash flows of the project. These challenges have been partially offset by anticipated increased tax benefits from recently enacted tax legislation in the US.

As a result of these factors, Ørsted recognised an impairment of DKK 2.5 billion on Sunrise Wind in 2022. Ørsted remains committed to Sunrise Wind and the rest of its US offshore wind portfolio. We will continue our work to mature and develop these projects, with an aim to ensure that we can deliver renewable energy to the states.

The recoverable amount of DKK 1.8 billion was calculated based on the value-in-use method.

Key accounting estimate

Key assumptions in impairment tests
Value-in-use calculations are based on the leadership team's expectations to future cash flows from financial budgets and forecasts and include a number of assumptions and estimates.

These assumptions include construction schedules, estimates of future market conditions, CAPEX, market prices of energy and commodities, inflation, discount rates, useful lives of the projects, tax incentives, including the ability to qualify for tax credits from the US Inflation Reduction Act, 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.

As goodwill relates to greenfield onshore wind and solar development, an assumption included in the value-in-use calculations for goodwill is the ability to develop new sites. This assumption is based on current and future build-out plans for renewable energy in Central Europe.

While there are inherent uncertainties in the assumptions, the assumptions reflect the leadership team's best estimate over the life of the Group's CGUs.

The base discount rate for value-in-use calculations is in the range of 5-8 % after tax.

Sensitivities to impairment tests
The assessment of indications of impairment of property, plant, and equipment is based on the expectations applicable as of 31 December 2022.

Significant adverse developments in interest rates, energy prices, tax incentives, and CAPEX assumptions could result in impairment losses on certain operational and development assets in our portfolio, while an opposite development could lead to impairment reversals.

As a result, we may face adjustments to the recognised impairment of property, plant, and equipment in future reporting periods.

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.

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable net assets of the acquired company. The carrying amount of goodwill is allocated to the Group's cash-generating units, which are the operating segments at the acquisition date. Goodwill is not tax deductable.

Annual impairment tests are carried out for goodwill and other intangible assets with indefinite useful lives.

Property, plant, and equipment
Property, plant, and equipment which is not a lease is measured at cost less accumulated depreciation and impairment losses. Cost of property, plant, and equipment is depreciated by using the straight-line method, the diminishing-balance method, or the reducing-fraction method. The diminishing-balance method and the reducing-fraction method result in decreasing depreciation over the useful life. These methods are used for some of our offshore wind farms.

The residual values, useful lives, and methods of depreciation of property, plant, and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Costs comprise purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The costs of self-constructed assets comprise 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 costs during the construction period. Costs are increased by the present value of the estimated obligations for demolition and decommissioning of assets to the extent that the obligations are recognised as provisions. Subsequent costs, for example in connection with replacement of parts of an item of property, plant, and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Group from the expenses incurred. Any residual value of the replaced parts is recognised in the income statement as loss on disposal of non-current assets. Other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

Impairment
For the purposes of assessing impairment losses, intangible assets, and property, plant, and equipment are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units (CGUs)).

CGUs are assessed for indication of impairment on a quarterly basis. The value of a CGU is impaired if the net book value exceeds the recoverable amount, which is the higher of the estimated value in use and the fair value less costs of disposal.

Impairment losses are recognised in the income statement and, except in the case of goodwill, reversed if there has been a change in the estimates used to determine the CGU's recoverable amount. Reversal of an impairment loss is recognised as income in the income statement net of depreciation if no impairment loss has been recognised for the CGU.

The discount rate applied when calculating value in use takes general risks into account and is based on the weighted average cost of capital (WACC) after tax, whereas the estimated future cash flows are adjusted for risks specific to the asset. Estimated future cash flows are discounted using a nominal post-tax discount rate.

Leases
Our lease assets are classified alongside our owned assets of similar type under property, plant, and equipment. Initially, we measure a lease asset at cost, being the initial amount of the lease liability. We depreciate our lease assets over the lease term. The depreciation method used is the straight-line method for all our lease assets, except for seabed leases where the depreciation method is aligned with the depreciation method for the related offshore wind farm. Therefore, seabed lease assets are depreciated using either the straight-line method or the reducing-fraction method.

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.

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.

3.4 Inventories

Inventories DKKm	2022	2021
Offshore transmission assets	5,119	9,235
Biomass	778	225
Gas	4,557	3,813
Coal	1,169	221
Oil	354	76
Green certificates	2,053	2,040
Carbon emission allowances (purchased)	49	388
Other	24	-
Total inventories	**14,103**	**15,998**
Inventories recognised as an expense in 'Cost of sales' during the year	15,427	9,806

Inventories measured at fair value are disclosed in note 6.6 'Fair value measurement'.

'Offshore transmission assets' primarily relate to the Hornsea 2 transmission asset.

'Green certificates' are primarily renewable obligation certificates (ROCs), which are issued to renewable energy power generators in the UK.

Gas at storage primarily relates to our gas trade activities.

Accounting policies

Offshore transmission assets are recognised as inventory until divestment and measured at cost. The costs comprise costs of materials used in construction, site labour costs, costs of renting equipment as well as indirect production costs, such as employee costs.

Gas storage in non-Danish facilities are managed on a fair value basis, and therefore the gas in these storage facilities is recognised at fair value less costs to sell. Changes in the fair value less cost 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 transport 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 net realisable value, if net realisable value is lower.

Inventories are written down to the lower of net realisable value and cost price. For 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.

3.5 Contract assets and liabilities

Revenue from contracts with customers

DKKm	2022	2021
Revenue recognised included in contract liabilities at the beginning of the year	21	324
Revenue recognised from perfomance obligations satisfied in previous years	(471)	-

Contract balances

DKKm		
Contract assets		
Current contract assets	408	2
Total contract assets	**408**	**2**
Contract liabilities		
Non-current contract liabilities	3,085	3,230
Current contract liabilities	2,269	2,440
Total contract liabilities	**5,354**	**5,670**

The table shows the amount of our revenue relating to contract liabilities carried forward (as prepayments and deferred revenue) and the amount relating to performance obligations satisfied in a prior year (e.g. re-negotiations or constraints on variable considerations that are not recognised until they are highly probable).

Contract assets and contract liabilities are primarily related to:

- the construction of offshore wind farms with partners, with each party typically owning 50 % of the offshore wind farm
- prepayments from heat customers.

Non-current contract liabilities primarily relate to prepayments from heat customers.

At the end of 2022, current contract liabilities related to the construction of Borkum Riffgrund 3. At the end of 2021, current contract liabilities related to the construction of Greater Changhua 1.

Contract assets primarily related to the construction of Greater Changhua 1 at the end of 2022.

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 goods delivered or services 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.

3.6 Trade receivables

Trade receivables

DKKm	2022	2021
Trade receivables, not due	11,025	9,265
Trade receivables, 1-30 days overdue	892	332
Trade receivables, more than 30 days overdue	835	71
Trade receivables, write-downs	(51)	(103)
Total trade receivables	**12,701**	**9,565**

We continuously perform credit ratings of our customers. For customers with a general credit risk, a write-down of 0-1% is carried out on initial recognition.

In 2022, write-downs of receivables and losses for the year were DKK 0 million (2021: DKK 0 million). Reversal of write-downs was DKK 52 million.

Accounting policies

We keep our receivables until maturity, and therefore, they are measured at amortised cost.

Write-downs are carried out from initial recognition of our receivables. The write-down is calculated as the difference between the carrying amount of the receivable and the net present value of expected future cash flows from the receivable. The discount rate used is the effective interest rate for the individual receivable or the individual portfolio.

We apply the simplified approach to the write-down of trade receivables, which permits calculating the write-down as the full loss during the entire term of the receivable.

3.7 Other receivables and other payables

Other receivables

DKKm	2022	2021
Receivables from the divestment of assets and enterprises	7,644	89
Receivables from the divestment of equity investments to non-controlling interests	713	757
Collateral provided[1]	5,888	11,909
Cash, not available for use	2,471	1,319
VAT and other indirect tax receivables	1,392	913
Prepayments	870	742
Deposits	624	572
Other	3,930	2,325
Total other receivables	**23,532**	**18,626**
Of which, working capital	9,896	11,962
Of which, other capital employed	7,876	438
Of which, interest-bearing net debt	5,760	6,226

Other payables

DKKm		
M&A related liabilities	4,203	3,436
Payables related to the divestment of assets[2]	2,904	-
Accrued interest	2,358	1,685
Collateral received[3]	1,184	8
Salary-related items payable	671	550
VAT and other indirect taxes payable	593	533
Carbon rights	5	154
Other deferred income	345	397
Other	2,618	2,687
Total other payables	**14,881**	**9,450**
Of which, working capital	3,384	3,771
Of which, other capital employed	6,574	5,161
Of which, interest-bearing net debt	4,923	518

1 The collateral provided by the Group is receivables from banks in connection with hedging activities.
2 Mainly related to the divestment of a portfolio of four onshore projects.
3 The collateral received by the Group is cash received from banks in connection with hedging of derivatives.

3.8 Tax equity liabilities

Tax equity liabilities DKKm	2022	2021
Balance at 1 January	14,564	7,967
Contribution received from tax equity partners	1,945	5,415
Additions from acquisitions	643	1,297
Tax attributes and PTCs/ITCs recognised in other operating income	(2,521)	(1,322)
Cash paid to tax equity partners	(301)	(127)
Tax equity partners' contractual return	1,134	616
Exchange rate adjustments	929	718
Balance at 31 December	**16,393**	**14,564**
Of which, working capital	15,157	13,268
Of which, interest-bearing debt	1,236	1,296

As at 31 December 2022, we have fourteen onshore wind and solar farms for which we have received tax equity contributions.

In the US, we have several wind and solar farms with tax equity partners. During 2022, we commissioned the onshore wind farm, Haystack, and the wind portion of our combined onshore wind and solar PV project, Helena Energy Center. We received tax equity contributions from our partners related to both projects. We also partly commissioned and received tax equity contributions from our partner for the solar PV farm, Old 300. In addition, we acquired Ford Ridge, an operational onshore wind farm, including a tax equity liability.

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) or the investment tax credits (ITCs) 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/ITCs 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. ITCs, typically associated with solar farms, are recognised on a straight-line basis over the flip period (partner's ITCs) or over the lifetime of the asset (our own ITCs).

In addition to the above, we recognise a liability for the expected purchase price for the partner's post-flip rights to cash distributions. This liability is recognised at fair value, and adjustments are expensed as a financial item. This recognition reflects the intention and high likelihood that we will purchase the partner's post-flip rights, and they are part of the financial costs of the arrangement.

If we choose not to buy the partner's post-flip rights, the tax equity partner will be entitled to part of the company's returns in the post-flip period. At that point, the partner will share in the risks and rewards in the company as a shareholder. We will continue to classify the tax equity investment as a liability after flip.

Key accounting judgement

Recognition of tax equity partnerships
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.

3.9 Provisions and contingent liabilities

Provisions DKKm	2022 Decommissioning obligations	2022 Other provisions	2022 Total	2021 Decommissioning obligations	2021 Other provisions	2021 Total
Provisions at 1 January	8,851	7,037	15,888	7,003	6,860	13,863
Exchange rate adjustments	(203)	(46)	(249)	294	147	441
Used during the year	-	(1,382)	(1,382)	(2)	(1,495)	(1,497)
Provisions reversed during the year	-	(1,659)	(1,659)	-	(1,187)	(1,187)
Provisions made during the year	832	1,663	2,495	1,387	4,142	5,529
Disposals	(376)	-	(376)	(296)	-	(296)
Additions of acquisition of enterprises	33	-	33	113	-	113
Divestment of enterprises	-	(5)	(5)	-	(107)	(107)
Change in estimates	4,087	-	4,087	62	-	62
Transferred to other payables	-	-	-	-	(1,372)	(1,372)
Transferred to/from assets and liabilities classified as held for sale	414	-	414	(11)	-	(11)
Interest element of provisions	438	22	460	301	49	350
Total provisions at 31 December	**14,076**	**5,630**	**19,706**	**8,851**	**7,037**	**15,888**
Falling due as follows:						
0-1 year	217	368	585	141	623	764
1-5 years	1,798	4,786	6,584	754	5,952	6,706
After 5 years	12,061	476	12,537	7,956	462	8,418

Decommissioning obligations by segment DKKm	0-5 years	5-10 years	10-20 years	After 20 years	2022	2021
Offshore	1,387	2,251	3,681	2,914	10,233	6,155
Onshore	13	-	14	1,742	1,769	1,302
Bioenergy & Other	615	246	191	1,022	2,074	1,394
Total	**2,015**	**2,497**	**3,886**	**5,678**	**14,076**	**8,851**

Decommissioning obligations

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

As developers of offshore wind, onshore wind, and solar farms, we are obliged to decommission our wind and solar farms and restore the surroundings. When we construct offshore wind farms in cooperation with partners, they are liable for their share of the decommissioning costs. Therefore, we have only included the decommissioning obligations associated with our ownership interest in the offshore wind farms.

Decommissioning obligations increased by DKK 5,225 million from 2021 to 2022, primarily due to the update of decommissioning scope and methodology and the construction of new wind and solar farms.

Decommissioning methodology was reviewed to incorporate changes in permitting, biodiversity, and sustainability requirements as well as changes in new technologies and vessels.

Other provisions

Other provisions comprise primarily:

- offshore partnership provisions, including warranty obligations
- obligations in relation to the divestment of our oil and gas business in 2017
- obligations in respect of our own carbon emissions
- provisions for onerous contracts
- other contractual obligations.

Contingent liabilities

Liability to pay compensation

In case of any environmental accidents or other types of damage caused by our gas and oil transport, the companies Ørsted Salg & Service A/S and Danish Oil Pipe A/S are liable to pay compensation according to legislation. This also applies if there is no proof of negligence (strict liability). We have taken out insurance to cover any such claims.

Secondary liability

As part of the divestment of our oil and gas business in 2017, we assumed a secondary liability regarding the decommissioning of offshore installations.

Litigation

We are party to a number of court cases and legal disputes. In our assessment, none of these will significantly impact Ørsted's financial position, neither individually nor collectively.

We have been party to actions relating to the Danish competition authorities' claim that the former Elsam A/S and Elsam Kraft A/S ('Elsam'), now part of Ørsted, charged excessive prices in the Danish wholesale power market in the period 1 July 2003 to 31 December 2006.

There are no longer any outstanding cases with the competition authorities claiming Elsam infringed competition law, but in connection with the former cases, some energy trading companies, some of their customers, and others have filed claims for damages, which are still pending. The biggest claim was filed in 2007 before the Copenhagen Maritime & Commercial Court, amounting to approx. DKK 4.4 billion with addition of litigation interest. The case is at the moment under preparation for the Maritime & Commercial Court.

Ørsted is involved in ongoing transfer pricing disputes. For further information, we refer to section 4.1 'Approach to taxes'.

Change of control

Some of our activities are subject to consents, permits, and licences granted by public authorities. We may be faced with a claim for acceptance of any transfer, possibly with additional terms and conditions, if the Danish State holds less than 50 % of the share capital or voting rights in Ørsted A/S. Read more in note 5.1 'Interest-bearing debt and FFO'.

Key accounting estimate

Assumptions for provisions

We continually assess our provisions recognised to cover contractual obligations and claims raised against Ørsted. Timing, probabilities, amounts, etc., which have a bearing on our provisions' estimates are updated quarterly based on our expectations.

Estimates of provisions are based on our expectations of, for example:

- timing and scope of obligation
- future cost level
- legal assessment.

If deemed material, non-current provisions are discounted using either the structural risk-free interest rate or the incremental borrowing rate. The structural risk-free interest rate is used for decommissioning liabilities and onerous contracts. It is calculated as the sum of real return (gross domestic product growth rate), inflation, and inflation premium for other risks. Separate structural risk-free interest rates are calculated for Europe, the US, and Taiwan.

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

Accounting policies

Provisions are recognised when the following criteria are fulfilled:

- We have a legal or constructive obligation as a result of an earlier event.
- The settlement of the obligation is expected to result in an outflow of resources.
- The obligation can be measured reliably.

Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning as expected at the balance sheet date. The present value of the provision and changes in estimate are recognised as part of the cost of property, plant, and equipment and depreciated together with the associated asset. The addition of interest on provisions is recognised in the income statement under financial expenses.

For onerous contracts, a provision is made when the expected income to be derived from a contract is lower than the unavoidable cost of meeting our obligations under the contract.

Provisions concerning carbon emissions are recognised when our actual emissions exceed our holding of carbon emission allowances.

3.10 Non-controlling interests

Non-controlling interests DKKm	Gunfleet Sands Holding Ltd. Group 2022	Gunfleet Sands Holding Ltd. Group 2021	Walney (UK) Offshore Windfarms Ltd. 2022	Walney (UK) Offshore Windfarms Ltd. 2021	Ocean Wind JV HoldCo LLC 2022	Ocean Wind JV HoldCo LLC 2021
Statement of comprehensive income						
Revenue	518	455	1,348	1,223	-	-
EBITDA	317	231	608	626	2	3
Profit (loss) for the year	70	(21)	76	57	(21)	(240)
Total comprehensive income	4	72	(113)	303	2	(126)
Profit (loss) for the year attributable to non-controlling interests	35	(10)	38	29	(5)	(60)
Balance sheet						
Non-current assets	1,582	1,702	4,424	4,767	8,234	2,483
Current assets	171	179	364	259	444	165
Non-current liabilities	607	463	1,352	1,030	310	292
Current liabilities	58	79	290	334	908	147
Carrying amount of non-controlling interests	543	669	1,570	1,848	1,843	552
Statement of cash flows						
Cash flows from operating activities	246	230	544	587	93	47
Cash flows from investing activities	-	-	(29)	(47)	(5,710)	(1,070)
Cash flows from financing activities	(261)	(230)	(413)	(540)	5,838	1,164
– of which, dividends paid to non-controlling interests	(128)	(113)	(166)	(236)	-	-

Transactions with non-controlling interests DKKm	2022	2021
Transactions with non-controlling interests		
Dividends paid to non-controlling interests	(294)	(349)
Divestment of equity investments to non-controlling interests	3	446
Other capital transactions with non-controlling interests	1,461	235
Total transactions, cf. statement of cash flows	**1,170**	**332**
Divestment of equity investments to non-controlling interests		
Changes in receivables relating to the acquisition and divestment of non-controlling interests	3	446
Cash selling price, total	**3**	**446**

Subsidiaries with significant non-controlling interests[1]	Non-controlling interest	Registered office
Gunfleet Sands Holding Ltd	49.9%	London, UK
Walney (UK) Offshore Windfarms Ltd	49.9%	London, UK
Ocean Wind JV HoldCo LLC	25%	Delaware, US

1 Entities are fully consolidated.

In the table, we provide financial information for subsidiaries with significant non-controlling interests. The amounts stated are the consolidated accounting figures of the individual enterprises or groups, determined according to our accounting policies. Amounts are stated before intra-group eliminations.

Accounting policies

Transactions with non-controlling interests are accounted for as transactions with the shareholder base.

Gains and losses on the divestment of equity investments to non-controlling interests are recognised in equity when the divestment does not result in a loss of control.

Net assets acquired are not revalued on the acquisition of non-controlling interests. Any difference between the carrying amount and the acquisition or selling price is recognised in equity.

4. Tax

The Group's taxes reflect our business operations and applicable tax legislation in the countries where we operate.

1.3 bn

Corporate income tax paid by the Group in 2022 totalled DKK 1,263 million against DKK 1,380 million in 2021.

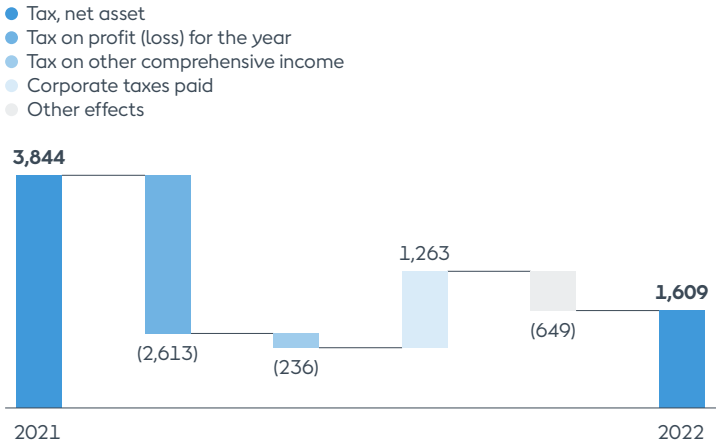
2.9 bn

Current corporate income tax in 2022 totalled DKK 2,906 million against DKK 1,532 million in 2021.

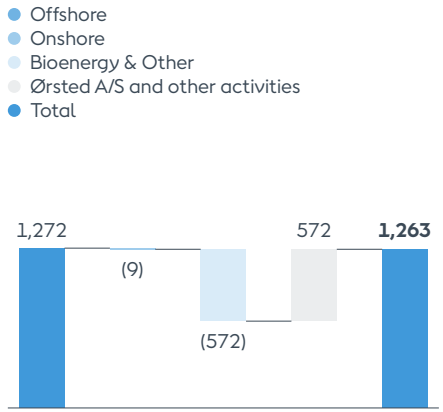
6.5 bn

Our total tax contribution in 2022 totalled DKK 6,500 million against DKK 5,590 million in 2021.

Development in current and deferred tax asset and liabilities (tax, net), 2022
DKKm



Corporate income tax paid by segment, 2022
DKKm



2022 DKKm	Profit (loss) before tax	Tax	Tax in %
Tax equity, deferred tax liability	-	(354)	n.a.
Gain (loss) on divestment of enterprises and assets	11,173	-	0%
Other adjustments		(1,036)	n.a.
Remaining business	6,436	(1,223)	19%
Effective tax for the year	**17,609**	**(2,613)**	**15%**

'Other adjustments' include changes in tax rates, movements in uncertain tax positions, tax concerning previous years, and unrecognised tax losses.

Group ETR
%

15%

Effective tax rate (ETR) for the Group for 2022 was 15% against 18% in 2021.

4.1 Approach to taxes

At Ørsted, we want to provide user-friendly and transparent information about our global tax positions.

We are committed to paying the right amount of tax, at the right time, in the right place – in accordance with the tax laws of the countries where we operate. We seek to comply not only with the letter of the law, but also with the underlying tax policy intent.

We believe that taxes are a core part of our corporate social responsibility.

We are committed to conducting our business in a way that contributes to the United Nations' Sustainable Development Goals (SDGs). Taxes are a key contribution to the SDGs, in particular target 16.6 on the development of effective, accountable, and transparent institutions.

For more details on our approach to taxes, we refer to our tax policy, which can be found here: orsted.com/taxpolicy.

Transparency and sustainability

For the third year in a row, we have drawn inspiration from the GRI (Global Reporting Initiative) 207: Tax standard when presenting our approach to and reporting of tax.

In line with our tax policy, we engage constructively in national and international dialogue with governments, business groups, and civil society to support the development of effective tax systems, legislation, and administration. We want to help create a tax framework supporting the green transformation.

During 2022, we have engaged with the OECD and European Union on the implementation of Pillar 2 and submitted our response to a public consultation by the UK treasury on the UK capital allowances regime. Further, we have met with representatives from the Belgian Cabinet to discuss how tax regulations can support the green transformation and facilitate investments in renewables. We have met with representatives from the Greenlandic government to discuss the compatibility of the Greenlandic tax regime with international tax regulations. Upon request, we have provided input to the Alternative Minimum Tax introduced under the Inflation Reduction Act in the US.

We continuously engage with policymakers and authorities to ensure that windfall taxes and similar measures only target actual excess revenues on a net basis, including related hedges.

The impact of the energy cap regulations and windfall taxes for 2023 will depend on not yet finalised legislation.

The purpose of our engagement is to promote the development of tax regimes that support the green transformation by contributing to an informed discussion. By engaging with civil society and gathering input on, for example, how we share information, we believe we can contribute to increasing the public's confidence in the corporate tax system. Further, we are committed to creating certainty for our stakeholders, such as investors and the local communities where we pay our taxes.

Tax governance

Taxes are overseen by the Board of Directors, and within the Board, the Chair of the Audit & Risk Committee is accountable for our tax policy. The responsibility for tax risk management lies with the CFO and is overseen by the Audit & Risk Committee. The day-to-day tax management is handled by a centralised global tax team.

Our tax function is involved in the planning, implementation, and documentation of all significant business decisions and processes to ensure coordinated assessment of all tax compliance and risks. The tax function also regularly monitors and updates tax risks and related controls.

Complying with tax rules can be complex, as the interpretation of legislation and case law may not always be clear cut and may change over time, giving rise to tax risks. We have implemented a governance framework, which ensures appropriate processes and organisational structures to identify, assess, monitor, and manage tax risks at different levels of the Group. We manage our tax risks by preventing unnecessary disputes, which we strive to achieve through strong technical positions, thorough documentation and explanations of our positions, robust compliance procedures, and by engaging in up-front dialogues with tax authorities.

We define a tax risk as any consequence relating to the application of our tax policy, day-to-day operations, compliance, or external reporting that impacts the business in the form of cash liabilities, financial reporting misstatements, or reputational damage.

We have a standardised review process in place, and our controls are continuously reviewed, assessed, and, where applicable, substituted by automated processes. Tax decisions in relation to matters which are subject to approval by the Group Executive Team or the Board of Directors are approved by the Head of Tax.

Our tax risk management work includes considering uncertain tax positions, e.g. when we have taken a position where there is an uncertainty created by a comparison of the wording of the law, the expressed policy intent or lack thereof, or fluctuating or divergent application by tax authorities or judicial systems in the countries where we operate.

Occasionally, a multinational enterprise like Ørsted faces potential double taxation. This occurs when two or more tax jurisdictions seek to tax the same business income. We believe that profit should only be taxed once, and where the value is created in line with the position of the OECD.

In response to the tax risks connected to cross-border activities, including the controversies described in this section, we have made tax-related provisions in accordance with IAS 12, IAS 37, and relevant interpretation, such as IFRIC 23. The provisions have been calculated based on differences in tax rates and statistical risks of suffering economic or legal double taxation.

Tax controversies

During 2022, the Danish Tax Agency has opened further enquiries on development of non-Danish wind farms. The Danish Tax Agency also closed an enquiry relating to development services performed by Ørsted Wind Power A/S to our German offshore wind farm Borkum Riffgrund 2 without any adjustments. No information was provided from the Danish Tax Agency on why the enquiry on Borkum Riffgrund 2 was closed. If the principles applied by the Danish Tax Agency in the tax audits on the Hornsea 1, Walney Extension, and Race Bank offshore wind farms had been consistently applied in the Borkum Riffgrund 2 case, this would have resulted in a downward adjustments of the taxable profits in Denmark.

To date, Ørsted Wind Power A/S has received final administrative decisions from the Danish Tax Agency in relation to the development of the offshore wind farms Hornsea 1, Walney Extension, and Race Bank. In all its decisions, the Danish Tax Agency claims that Ørsted Wind Power A/S has not acted at arm's length terms when charging fees for technical development services provided to the project companies. In its decisions, the Danish Tax Agency has increased Ørsted Wind Power A/S's tax payment to Denmark by DKK 7.6 billion for the income years 2015, 2016, and 2017.

We have appealed the administrative decisions to the Danish Tax Tribunal.
In December 2020, we lodged a successful application for a mutual agreement procedure (MAP) between Denmark and the UK under the EU Arbitration Convention for Hornsea 1 and Walney Extension. On Race Bank, we continue to consider our further options, including an elaborated appeal to the Danish Tax Tribunal, a direct appeal to the court system, or a request for a MAP under the double tax agreement between Denmark and the UK. The Danish Tax Agency has accepted a deferral of the tax payment until the case has been finally decided.

Tax planning and use of tax incentives

We only use business structures that are driven by commercial considerations and aligned with our business activities. We do not use so-called secrecy jurisdictions or tax havens to avoid taxes. If we establish an entity in a low or nil-rate jurisdiction, it will be for substantive and commercial reasons. In order to remain competitive, we make use of incentives and tax relief implemented by governments where we have commercial substance, and our business activities are the intended beneficiaries of such incentives and relief.

UN sustainability goal
We are transparent about our approach to tax. We actively participate in the development of effective, accountable, and transparent legislation by our engagement with the OECD on Pillar 2.

We endorse the B Team Responsible Tax Principles. The B Team is a group of business leaders working to redefine the culture of accountability in business, for companies, communities, and future generations by creating and cascading new norms of corporate leadership that can build a better world.

ISRS 4400 – AUP on application of GRI 207:Tax
We have drawn inspiration from the GRI 207: Tax standard when presenting our approach to and reporting of tax. The leadership team has been provided with a statement (ISRS 4400 – Agreed Upon Procedures) from our auditors on our application of GRI 207: Tax.

The Fair Tax Mark accreditation scheme seeks to encourage and recognise businesses that pay the right amount of corporation tax at the right time and in the right place. We seek to pay tax responsibly and are proud to have qualified for the Fair Tax Mark in 2022.

4.2 Tax on profit (loss) for the year

Effective tax rate DKKm, %	2022 DKK million	2022 %	2021 DKK million	2021 %
Tax on profit (loss) for the year can be explained as follows:				
Calculated 22 % tax on profit (loss) before tax	(3,874)	22	(2,921)	22
Adjustments of calculated tax in foreign subsidiaries in relation to 22 %	348	(2)	160	(1)
Tax effect of:				
Non-taxable income and non-deductible costs, net	2,243	(13)	1,842	(14)
Unrecognised tax assets	(651)	4	(239)	2
Tax equity contributions	(354)	2	(2,278)	17
Movements in uncertain tax positions	10	-	534	(4)
Changes in tax rates	29	-	988	(7)
Adjustment of tax concerning previous years	(364)	2	(476)	3
Effective tax for the year	**(2,613)**	**15**	**(2,390)**	**18**

Income tax

Tax on profit (loss) was DKK 2,613 million in 2022 against DKK 2,390 million in 2021. The effective tax rate was 15 % in 2022 against 18 % in 2021.

The effective tax rate was primarily affected by the largely tax-exempt divestments of the offshore wind farms Hornsea 2 and Borkum Riffgrund 3. Another primary factor derived from the recognition of deferred tax liabilities in connection with capitalisation of project costs in the US where we have entered into tax equity agreements on the following projects:

- Helena Energy Center
- Old 300

And the continued recognition of deferred tax liabilities on:

- North-East cluster
- Ocean Wind 1

See more regarding tax equity partnerships in notes 3.8 'Tax equity liabilities' and 4.3 'Deferred tax'.

The adjustment of tax concerning previous years primarily relates to a tax equity adjustment on the 2021 Texas winter storm that was not accounted for in 2021. This was partly offset by adjustments to provisions in Danish companies, a partial derecognition of tax loss carryforwards in the US, and adjustments related to the UK consortium relief in accordance with our agreements with our joint venture partners.

The effective tax rate in 2021 was primarily affected by the largely tax-exempt divestments of the offshore wind farms Borssele 1 & 2 and Greater Changhua 1 and changes to the corporate tax rate in the UK, which impacted our net deferred tax assets. Another primary factor in 2021 was the recognition of a tax liability in connection with tax equity partnerships in the US related to Haystack, Western Trail, Muscle Shoals, Permian Energy Center, the North-East cluster, and Ocean Wind 1.

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.

Our uncertain tax positions are measured by using either of the following two methods, depending on which method we expect to better predict the resolution of the uncertainty:

- 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.

Our uncertain tax positions are recognised under 'Income tax' or 'Deferred tax', depending on how the realisation of the tax position will affect the financial statement.

Income tax

DKKm	2022	2021
Tax on profit (loss) for the year	(2,613)	(2,390)
Tax on other comprehensive income	(236)	6,448
Tax on hybrid capital related to equity	13	87
Total tax for the year	**(2,836)**	**4,145**
Tax on profit (loss) for the year can be broken down as follows:		
Current tax	(2,906)	(1,532)
Deferred tax	868	269
Changes in tax rates	29	988
Uncertain tax positions	10	534
Tax on hybrid capital	104	105
Tax equity	(354)	(2,278)
Adjustment of tax concerning previous years	(364)	(476)
Tax on profit (loss) for the year	**(2,613)**	**(2,390)**
Tax on other comprehensive income can be broken down as follows:		
Current tax	60	(31)
Deferred tax	(296)	6,479
Tax on other comprehensive income	**(236)**	**6,448**

Tax on profit (loss) for the year and other comprehensive income

In 2022, total tax for the year was DKK 2,836 million, consisting of tax on profit (loss) for the year, tax on other comprehensive income, and tax on hybrid capital related to equity.

Current tax

Current tax is the payable tax expense incurred by Ørsted on profit for the year. This differs from taxes paid as a result of payments or refunds regarding prior years and residual payments for the current year.

Because of the high level of investments and the subsequent deferrals of payable tax as a consequence of accelerated tax depreciation, our current tax is generally lower than the statutory corporate tax rates during construction and the initial years after first power from a wind farm.

Key accounting estimate

Estimates regarding recognition of income taxes

We are subject to income taxes in all the countries where we operate. Significant judgement and estimates are required in determining the worldwide income taxes and income tax assets and liabilities, including provisions for uncertain tax positions.

In the course of conducting business around the world, tax and transfer pricing disputes with tax authorities may occur due to the complex nature of the tax rules related to the business. Judgement is applied to assess the possible outcome of such disputes. We apply the methods prescribed in IFRIC 23 'Uncertainty over Income Tax Treatments' when making provisions for uncertain tax positions, and the provisions made are based on different scenarios of possible outcomes. We consider the provisions made to be adequate. The actual obligation may deviate and might lead to tax in excess of the uncertain tax provisions included. This depends on the result of litigations and settlements with the relevant tax authorities.

Ongoing tax disputes, primarily related to transfer pricing cases, are included as part of 'Income tax' and 'Deferred tax'. Estimates in respect of transfer pricing cases depend, among others, on whether corresponding adjustments can be obtained in the relevant jurisdictions, and, in terms of disputes regarding project companies with partners, whether compensation can be obtained from these partners. Any expected compensation from partners are included as part of 'Other receivables'.

4.3 Deferred tax

Net deferred tax for 2022 primarily consist of	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations
Assets				
Recognition of tax loss carryforwards	●			
Internal gain on construction agreements	●			
Liabilities				
Tax equity structures	●	●		
Accelerated tax depreciation compared to accounting depreciation	●		●	
Acquisitions		●		
Financial instruments	●			

Deferred tax 2022 DKKm	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	Deferred tax at 31 December
Deferred tax, assets	14,554	61	1,457	(2,353)	13,719
Deferred tax, liabilities	3,471	3,915	2,496	(2,468)	7,414
Unrecognised tax assets	895	83	100	-	1,078

Deferred tax 2021 DKKm					
Deferred tax, assets	11,701	10	1,563	7	13,281
Deferred tax, liabilities	798	4,387	136	295	5,616
Unrecognised tax assets	254	94	93	22	463

The table shows the reconciliation of deferred tax to the balance sheet by segment. The unrecognised tax asset is primarily due to ring-fenced tax losses and other losses not meeting the criteria for recognition under IAS 12. There is no expiry of our unrecognised tax assets. No provision for withholding tax on dividends has been included as the amounts where a concrete dividend distribution is planned are considered immaterial in 2022. Other activities/eliminations primarily consist of eliminations between segments.

Significant movements in deferred tax assets and liabilities

Deferred tax assets

Tax loss carryforwards due to the accelerated depreciation for tax purposes.

Current tax transferred to deferred tax in Denmark because of the net losses on hedges.

Difference between tax and accounting treatment of financial instruments.

Adjustments to previous year's tax returns in Denmark.

Utilisation of tax loss carryforwards and surrender of consortium relief in the UK.

Deferred tax liabilities

Recognition of tax liabilities in connection with tax equity partnerships related to the onshore wind part of Helena Energy Center, Old 300, the North-East cluster, and Ocean Wind 1 in our US offshore portfolio.

Acquisition of the shares in Ostwind.

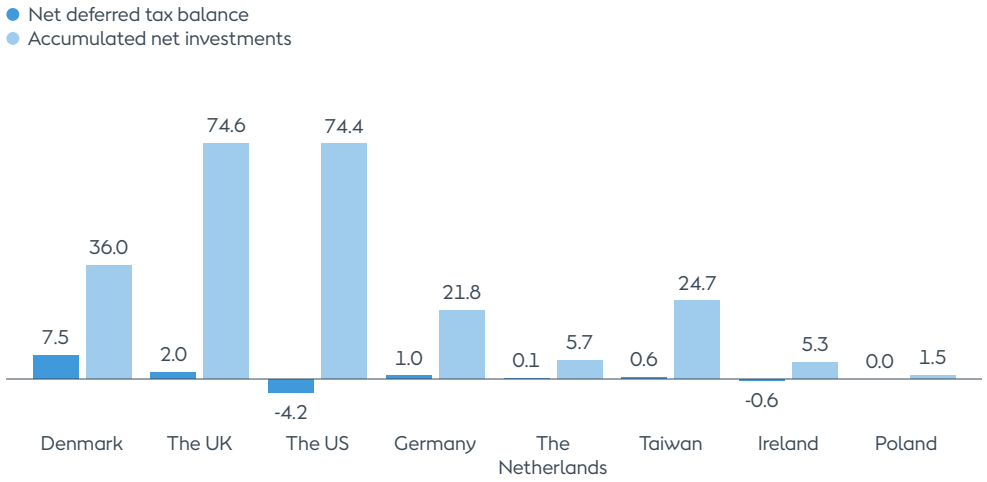
Adjustment to prior-year classification of property, plant, and equipment related to our onshore wind farm Lincoln Land.

Development in deferred tax assets and liabilities, 2022 DKKm	Deferred tax balances at 1 January, net	Movements	Deferred tax balances at 31 December, net	Assets	Liabilities
Intangible assets	(40)	2	(38)	1	39
Property, plant, and equipment	(8,198)	2,064	(6,134)	4,001	10,135
Other non-current assets	(8)	24	16	30	14
Current assets	(50)	50	-	1	1
Decommissioning obligations	1,350	751	2,101	2,101	-
Other non-current liabilities	4,666	(4,251)	415	499	84
Current liabilities	3,937	(564)	3,373	3,373	-
Tax loss carryforwards	6,008	564	6,572	6,572	-
Offset				(2,859)	(2,859)
Total	**7,665**	**(1,360)**	**6,305**	**13,719**	**7,414**

Development in deferred tax assets and liabilities, 2021 DKKm					
Intangible assets	(47)	7	(40)	-	40
Property, plant, and equipment	(1,710)	(6,488)	(8,198)	6,379	14,577
Other non-current assets	(29)	21	(8)	6	14
Current assets	(2)	(48)	(50)	-	50
Decommissioning obligations	1,138	212	1,350	1,350	-
Other non-current liabilities	662	4,004	4,666	4,815	149
Current liabilities	188	3,749	3,937	3,941	4
Tax loss carryforwards	4,397	1,611	6,008	6,008	-
Offset				(9,218)	(9,218)
Total	**4,597**	**3,068**	**7,665**	**13,281**	**5,616**

For tax purposes, depreciation of fixed assets is typically accelerated compared with accounting purposes. As the accelerated depreciation is larger than our taxable profits when we make large investments, our tax loss carryforwards increase when more wind farms enter into operation. The tax loss carryforwards are either offset against deferred tax liabilities on the same wind farm or jurisdiction or offset against expected future profits from the very same wind farm or jurisdiction. Our decommissioning liability increases as we expand operations. In most tax jurisdictions, the cost is not tax-deductible until it incurs.

Net deferred tax and accumulated investments, 2022
DKKbn



The figure shows the net deferred tax assets (+) or liabilities (-) at country level as well as total net accumulated investments in each country. The distribution of net investments is affected by the sale of assets constructed by Ørsted in Denmark for operations outside Denmark where Ørsted only has part ownership. Jurisdictions not yet material are excluded from the overview.

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.

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. Except for right-of-use assets, lease liabilities, decommissioning, restoration, and similar liabilities where the corresponding amounts are recognised as part of the cost of the related assets.

Differences arising in connection with company acquisitions are recognised.

Deferred tax is measured depending on how we plan to use the assets and settle the liabilities. We offset 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. Intra-group gains and losses are eliminated when calculating deferred tax. In countries where taxes can be offset between companies due to joint taxation schemes, we have netted within a tax jurisdiction. Where no such possibility is feasible, the deferred tax is included with the gross amount on a company-by-company level.

Tax losses carried forward in jurisdictions where we have a history of losses are recognised based on other convincing evidence of future profits. The other convicing evidence is based on our long-term forecast model approved by the Board of Directors.

Adjustments to unrecognised tax assets are recognised on profit (loss) or other comprehensive income depending on the underlying source of the adjustment.

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.

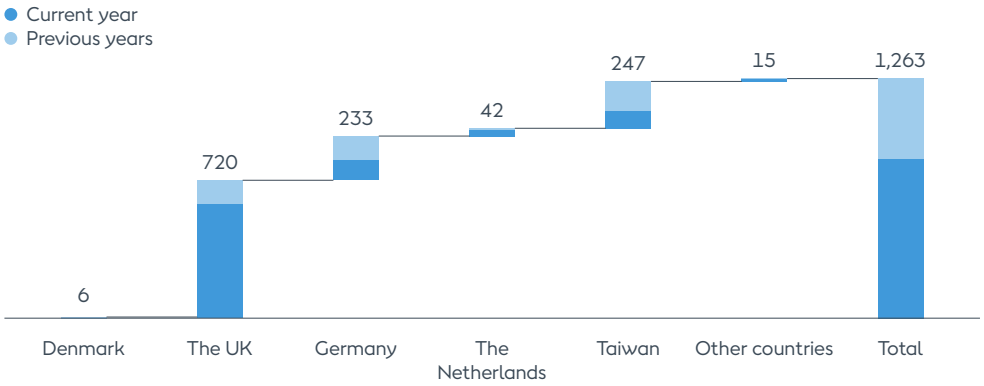
Deferred tax (net liabilities) related to tax equity structures are recognised as tax expense in the income statement when the tax equity partnership agreement is effective, and we start to or have capitalised the corresponding assets. The liability recognised is the amount that we expect to take over once the contribution from the equity partner is repaid, and the tax equity structure flips.

US tax equity partnerships
We have entered into several tax equity partnership agreements in the US.

The expected value of the deferred tax liability related to property, plant, and equipment at the flip date in the tax equity partnership agreement is included in our accounts when the tax equity partnership agreement is effective, and we start to or have capitalised the corresponding assets. The deferred tax liability from existing tax equity partnerships will be gradually reduced based on accounting depreciation after the flip date. See more regarding tax equity partnerships in note 3.8 'Tax equity liabilities'.

4.4 Our tax footprint

Payments, corporate taxes
DKKm



As our business matures, we start to incur corporate taxes in the countries where we operate. Again in 2022, corporate taxes in Denmark are affected by the high volatility of power prices. This affects the Danish corporate taxes due to how we manage our risk. Our corporate taxes in Taiwan derive from gains in our local service companies as well as withholding taxes paid on behalf of the Danish lender.

Our tax footprint is an effect of how and where we conduct our business.

Local corporate taxes paid

We have made significant investments in offshore wind farms in the UK, Germany, the Netherlands, the US, and Taiwan, resulting in the accumulation of large tax assets in recent years. Historically, we have not paid significant taxes in these countries besides the UK. This is changing as the offshore wind farms are being commissioned and generating positive taxable income, resulting currently in paid taxes in more countries.

We are also continuously investing in the US. We do, however, not expect to pay material corporate taxes in the US in the near future due to the commercial structures in the US. The funding in the US is carried out applying the US tax equity set-up, which effectively means that tax attributes are transferred to the tax equity partner as repayment and return on investment. See more regarding tax equity partnerships in note 3.8 'Tax equity liabilities'.

A wind farm life cycle

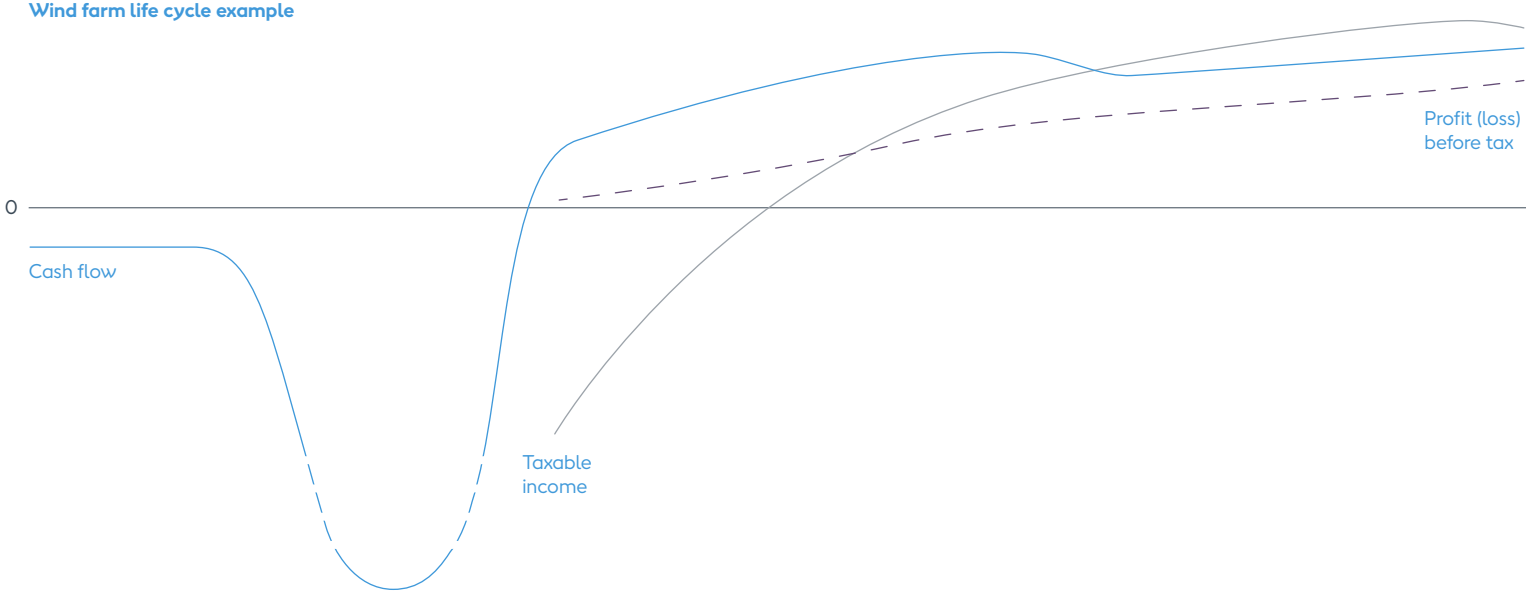
We operate in several countries (see our global footprint in the management's review). The design of the individual tax regime in each jurisdiction impacts the tax over the life cycle of our investments and thereby the timing of our tax payments. A wind farm life cycle begins with the development phase. This includes opportunity screening, if applicable, bid preparation and obtaining land rights, grid connection, and permits. The latter activities are further matured if an investment decision is made, and the construction phase commences, which includes construction of the wind farm. During both phases, product, people, and property taxes are borne or collected (see our total tax contribution section).

When the wind farm is commissioned and put into operation, income and positive cash flows are generated. In many cases, the effect of tax incentives results in a deferral of taxable income compared to profit before tax for accounting purposes. Conversely, once the deferral ends, the taxable income related to the wind farm will exceed the accounting profit.

For this reason, the applicable corporate tax rate and cash tax paid will always differ, but accumulated over the lifetime of the wind farm, they will be very similar.

Also, in some of the jurisdictions where we operate, there are mandatory or voluntary tax groupings. This means that we will only pay tax on the consolidated result of all of our activities in that country. As a result, continued significant investments in such a country may further defer the time when we pay taxes in that country.

Wind farm life cycle example



Project phases

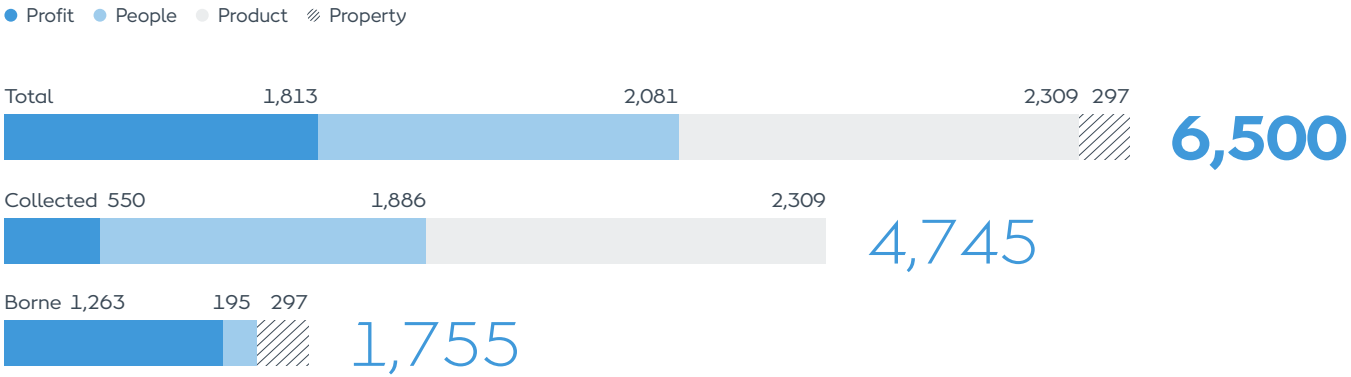
Development ~2-6 years	**Construction** ~2-4 years	**Operation** ~25-30 years	
Consents and permits Site investigations	Capital investment Asset construction Staff and contractors	Revenue Operating expenses Profit	Late-life development Decommissioning
Indirect taxes Employment taxes	Indirect taxes Employment taxes Corporate income taxes	Indirect taxes Employment taxes Corporate income taxes	Indirect taxes Employment taxes

Development activities results in negative cash flows in the beginning of the project life cycle. During construction, the capital employed accelerates materially. Positive income begins when the project enters operation.

Some corporate income taxes may be paid during development if internal development services are provided between tax jurisdictions.

Also, corporate income taxes may be paid during late-life development subject to deductibility of decommissioning costs and joint taxation legislation.

Total tax contribution
DKKm



Total tax contribution

The total tax contribution represents our cash tax payments to government revenues, 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 us are those that represent a direct cost and are reflected in the financial result. Taxes borne are charged to the profit and loss account.

Taxes collected are those which are generated by our operations, but do not constitute a tax liability for Ørsted. Ørsted generates the commercial activity that gives rise to the taxes and then collects and administers them on behalf of the tax authorities in the countries where we operate.

Country-by-country reporting

In order to increase transparency, we present key figures on tax jurisdiction levels below. Our country-by-country reporting content widely follows the GRI 207: Tax standard. The standard is based on guidance from OECD. In order to ensure internal coherence throughout the annual report, corporate income tax is calculated based on IFRS reporting standards instead of GRI methodology. The tax incentives provided on green investments defer our tax payments, resulting in a difference between profit (loss) in the accounts and taxable income during the life cycle of a wind farm. This is applicable in most of the countries where we operate.

Total global taxes paid in 2022

Profit taxes
These include taxes on company profits that are borne (such as corporate income tax) and collected (such as withholding tax on payments to third parties).

People taxes
Taxes on employment, both borne and collected (including income tax and social security tax payments).

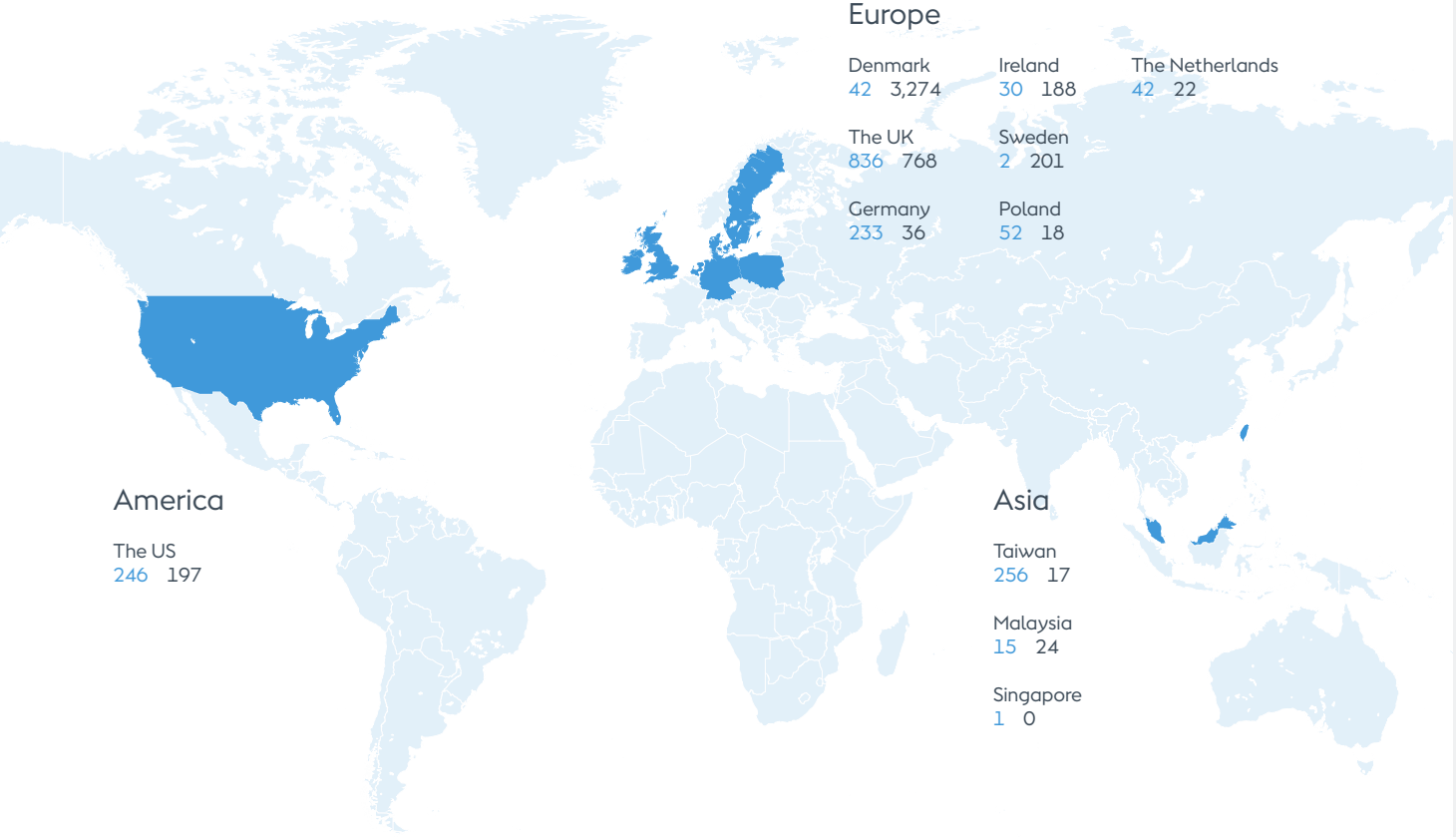
Product taxes
Indirect taxes on the production and consumption of goods and services, including net VAT and sales tax, custom duties, and insurance premium tax. Net VAT in countries in a net refund position is excluded in the total tax contribution, as it is considered a repayment of tax already paid within the year. Included are also planet taxes, which are insignificant for this summary.

Property taxes
Taxes on the ownership, sale, transfer, or occupancy of property.

Taxes by country

DKKm

● Taxes borne ● Taxes collected



Europe

Denmark	Ireland	The Netherlands
42 3,274	30 188	42 22
The UK	Sweden	
836 768	2 201	
Germany	Poland	
233 36	52 18	

America

The US
246 197

Asia

Taiwan
256 17

Malaysia
15 24

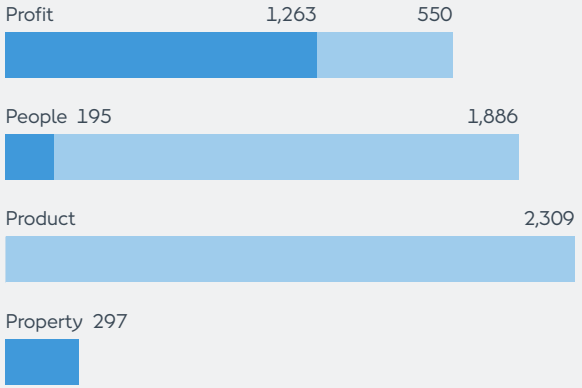
Singapore
1 0

Our total tax contribution in 2022 totalled DKK 6,500 million against DKK 5,590 million in 2021. The increase primarily relates to acquisitions in late 2021 in Ireland and the UK, which increased product taxes, increased activity in our onshore business in the US, which increased property taxes, and an increase in presence in Poland, the US, and Malaysia, which increased people taxes.

Taxes by tax type

DKKm

● Taxes borne ● Taxes collected



Total tax contribution

DKKm

1,755

4,745

Country-by-country key figures, 2022	Number of employees	Total employee remuneration[2] DKKm	Revenue from third-party sales DKKm	Revenue from intra-group transactions with other tax jurisdictions, DKKm	Property, plant, and equipment, and inventory DKKm	Balance of intra-company debt DKKm	Corporate income tax paid on a cash basis DKKm
Denmark	4,219	3,723	111,020	9,713	18,400	36,740	6
The UK	1,254	1,015	11,264	27,418	55,005	61,775	720
The US	643	709	2,396	71	68,348	18,575	1
Germany	331	211	432	3,257	13,700	17,697	233
Ireland	102	54	937	-	4,797	517	-
The Netherlands	88	58	-	1,829	4,722	4,524	42
Taiwan	185	148	5,439	65	24,476	15,264	247
Malaysia	574	143	2	213	11	-	2
Poland	519	164	20	274	1,479	11	9
Norway	-	-	-	-	-	-	-
Sweden	6	6	721	1	146	38	2
France	51	-	27	-	667	-	-
Singapore	13	16	19	45	9	-	1
Korea	17	19	-	19	-	149	-
Japan	25	22	-	8	-	69	-
Other countries[1]	-	9	-	-	8	-	-
Total	**8,027**	**6,297**	**132,277**	**42,913**	**191,768**	**155,359**	**1,263**

Current tax explanation on country level, 2022 DKKm	Profit (loss) before tax	Calculated local corporate tax on profit (loss) before tax	Non-taxable income and non-deductible costs, net	Unrecognised tax assets	Deferred tax	Other adjustments	Current tax
Denmark	8,405	(1,809)	2,213	-	(414)	(40)	(50)
The UK	9,876	(1,877)	(23)	(2)	(12)	-	(1,914)
The US	(3,395)	856	7	(556)	(293)	(7)	7
Germany	1,799	(528)	10	(11)	138	(12)	(403)
Ireland	305	(34)	-	-	(37)	(4)	(75)
The Netherlands	1,005	(251)	-	-	(47)	-	(298)
Taiwan	(124)	59	24	-	(203)	(24)	(144)
Malaysia	24	(6)	(1)	-	-	1	(6)
Poland	7	(3)	(6)	(2)	-	2	(9)
Norway	(21)	5	1	(5)	-	(1)	-
Sweden	(85)	17	-	(18)	1	1	1
France	27	(7)	-	-	-	-	(7)
Singapore	21	(4)	1	-	-	(1)	(4)
Korea	(120)	12	(12)	(14)	-	12	(2)
Japan	(85)	37	20	(37)	-	(20)	-
Other countries[1]	(30)	7	9	(6)	(1)	(11)	(2)
Total	**17,609**	**(3,526)**	**2,243**	**(651)**	**(868)**	**(104)**	**(2,906)**

Country-by-country key figures
The table shows reporting of financial, economic, and tax-related information for each jurisdiction where we operate. This information can be compared with our total tax contribution. Our tax contributions reflect that some of our development and construction activities have been based in Denmark, and that our operations in the coming years are beginning to ramp up in markets that have been developed. Also, our presence and the corresponding tax position is affected by hedging, which is primarily handled centrally in Denmark.

Withholding taxes are reported under the country where the payment is made.

Current tax explanation on country level
The table shows our profit (loss) before tax in tax jurisdictions and the journey to current tax. Current tax for Denmark is significantly impacted by hedge losses, resulting in an overall tax loss for the year, i.e. a deferred tax asset. See more in the section 'Accounting policies' in note 4.3 'Deferred tax'.

1 Other countries include Belgium, China, the Isle of Man, Latvia, Spain, and Vietnam.

2 Including employee costs transferred to assets.

5. Capital structure

An appropriate capital structure is important to ensure we have the ability to raise new debt with attractive terms.

42.7 %

Funds from operations (FFO) relative to adjusted interest-bearing net debt amounted to 42.7 % at 31 December 2022 against 26.3 % at 31 December 2021.

30.6 bn

Our interest-bearing net debt totalled DKK 30,571 million at 31 December 2022 against DKK 24,280 million at 31 December 2021.

97.8 bn

Our liquidity reserve totalled DKK 97,784 million at 31 December 2022 against DKK 43,183 million at 31 December 2021.

In 2022, we have issued a total of five new green senior bonds in June and September with a total nominal value of EUR 2,250 million (DKK 16,732 million) and GBP 950 million (DKK 7,963 million).

Furthermore in December, we have issued a new green hybrid bond with a nominal value of EUR 500 million (DKK 3,718 million). Part of the proceeds was used to repay a portion of the 6.25 % 3013 hybrid bond.

Finally, we significantly increased our short-term credit facilities to ensure access to sufficient liquidity. Also in a scenario with continuous extreme price fluctuations where we could be required to post collateral and make margin payments for the negative value of hedging instruments. We have increased our committed credit facilities from DKK 28.3 billion end of 2021 to DKK 57.2 billion end of 2022.

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 a capital structure and credit rating target of Baa1/BBB+ and a FFO/adjusted net debt credit metric of around 25 %.

Financing policy

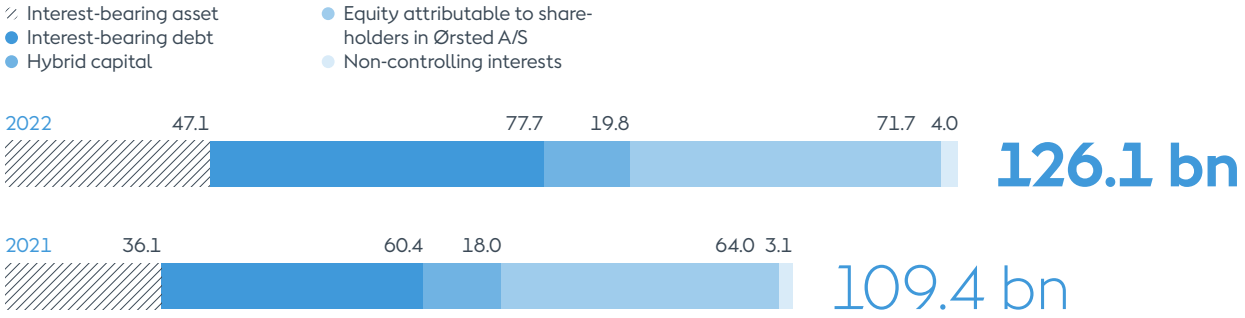
The aim of our financing policy is to minimise liquidity and refinancing risks, while minimising financing costs and matching the currency composition of our debt with our revenue.

The financing markets are diversified among various funding sources and maturities and are primarily consolidated in the parent company where cash resources are made available to the Group companies via an internal bank.

Cash management and liquidity reserve

A group-wide cash management set-up ensures optimal allocation of cash in relation to our day-to-day operations and investment programme. We target a liquidity reserve to ensure adequate coverage of budgeted liquidity uses on a rolling 12 month forward-looking basis to limit the company's sensitivity to unforeseen developments, including unrest in financial markets.

Equity and interest-bearing net debt
DKKbn



5.1 Interest-bearing debt and FFO

Interest-bearing debt and interest-bearing assets

DKKm	2022	2021
Interest-bearing debt:		
Bank debt	8,913	16,318
Bond debt	54,368	34,677
Total bond and bank debt	**63,281**	**50,995**
Tax equity liability (see note 3.8)	1,236	1,296
Lease liability	8,266	7,532
Other interest-bearing debt:		
Debt in connection with divestments	2,904	-
Debt from receiving collateral under credit support annexes	1,196	1
Other interest-bearing debt	824	534
Total interest-bearing debt	**77,707**	**60,358**
Interest-bearing assets:		
Securities	25,197	21,228
Cash	16,178	8,624
Cash, not available for use	2,471	1,319
Other interest-bearing receivables:		
Receivables from placing collateral under credit support annexes	2,449	4,150
Receivables in connection with divestments	713	757
Other receivables	128	-
Total interest-bearing assets	**47,136**	**36,078**
Total interest-bearing net debt at 31 December	**30,571**	**24,280**

In 2022, bank debt includes DKK 0 million (2021: DKK 14,207 million) in short-term repo loans.

The market value of our bond and bank debt amounted to DKK 53,358 million and DKK 8,483 million, respectively, at 31 December 2022 (2021: DKK 40,292 million and DKK 16,339 million, respectively).

The market value of our bond and bank debt is below the carrying amount due to the increase in interest levels since the issuance of the debt.

Changes in interest-bearing debt

DKKm	2022	2021
Interest-bearing debt at 1 January	60,358	44,447
Cash transactions:		
Instalments on loans	(22,595)	(4,435)
Proceeds from raising loans	37,090	14,582
Instalments on leases	(582)	(520)
Change in other interest-bearing debt and tax equity liability	1,291	(797)
Non-cash transactions:		
Raising lease debt, etc.	1,316	2,998
Bank loans acquired in a business combination	437	2,273
Foreign exchange adjustments, amortisation, etc.	392	1,810
Interest-bearing debt at 31 December	**77,707**	**60,358**

Interest-bearing debt increased by DKK 17,349 million in 2022.

Proceeds from raising loans include DKK 0 million (2021: DKK 14,207 million) in rasing short-term repo loans.

Funds from operations (FFO)

DKKm	2022	2021
EBITDA	**32,057**	**24,296**
Change in provisions and other adjustments	(2,213)	(422)
Change in derivatives	(8,687)	(2,050)
Variation margin (add back)	10,332	(627)
Reversal of gain (loss) on divestment of assets	(10,885)	(7,920)
Income tax paid	(1,263)	(1,380)
Interest and similar items, received/paid	(563)	(467)
Reversal of interest expenses transferred to assets	(586)	(782)
50% of coupon payments on hybrid capital	(264)	(215)
Dividends received and capital reductions	23	29
Funds from operations (FFO)	**17,951**	**10,462**

We have adjusted our definition of FFO/adjusted net debt. We have excluded variation margin payments from our FFO definition to reflect the changes implemented by the rating agencies. Furthermore, we have excluded 'other interest-bearing debt' and 'other interest-bearing receivables' from adjusted net debt to align with the common methodology used by the rating agencies. Comparative figures for 2021 are restated in accordance with the new definition of FFO/adjusted net debt. This has reduced the 2021 FFO/adjusted net debt from 31.3% to 26.3%

Adjusted interest-bearing net debt

DKKm	2022	2021
Total interest-bearing net debt	**30,571**	**24,280**
50% of hybrid capital	9,897	8,992
Other interest-bearing debt, add back	(4,924)	(535)
Other interest-bearing receivables, add back	3,290	4,907
Cash and securities not available for distribution, excluding repo loans	3,241	2,130
Total adjusted interest-bearing net debt	**42,075**	**39,774**

Funds from operations (FFO)/adjusted interest-bearing net debt

%		
Funds from operations (FFO)/adjusted interest-bearing net debt	**42.7%**	**26.3%**

We aim to have a long-term FFO/adjusted NIBD at above 25%, in line with the rating agencies.

Interest-bearing net debt

Interest-bearing net debt totalled DKK 30,571 million at the end of 2022, an increase of DKK 6,291 million relative to 2021. The increase in interest-bearing net debt consists of an increase in interest-bearing debt of DKK 17,349 million and an increase in interest-bearing assets of DKK 11,058 million.

In January and March, we have entered into a USD 197 million (DKK 1,375 million) and USD 548 million (DKK 3,818 million) loan with Nordic Investment Bank and European Investment Bank, respectively.

In June, we issued two new green senior bonds in the amount of EUR 1,350 million (DKK 10,039 million):

- EUR 750 million (DKK 5,577 million), 2.875% interest, maturing in June 2033
- EUR 600 million (DKK 4,462 million), 2.25% interest, maturing in June 2028.

In September, we issued three new green bonds in the amount of EUR 900 million (DKK 6,693 million) and GBP 950 million (DKK 7,963 million):

- EUR 900 million (DKK 6,693 million), 3.25% interest, maturing in September 2031
- GBP 575 million (DKK 4,819 million), 5.375% interest, maturing in September 2042
- GBP 375 million (DKK 3,143 million), 5.125% interest, maturing in September 2034.

Rating

We have a corporate credit rating of BBB+/Baa1/BBB+, stable outlook, from Standard & Poor's, Moody's, and Fitch, which is in line with our target. FFO/adjusted interest-bearing net debt was 42.7% in 2022, well above our target.

Loan arrangements and credit facilities

At 31 December 2022, we had bank loan obligations totalling DKK 5,880 million (2021: DKK 1,536 million) to European Investment Bank and Nordic Investment Bank. The loans offered by these multilateral financial institutions cofund specific energy projects with maturities exceeding those normally available in the commercial banking market.

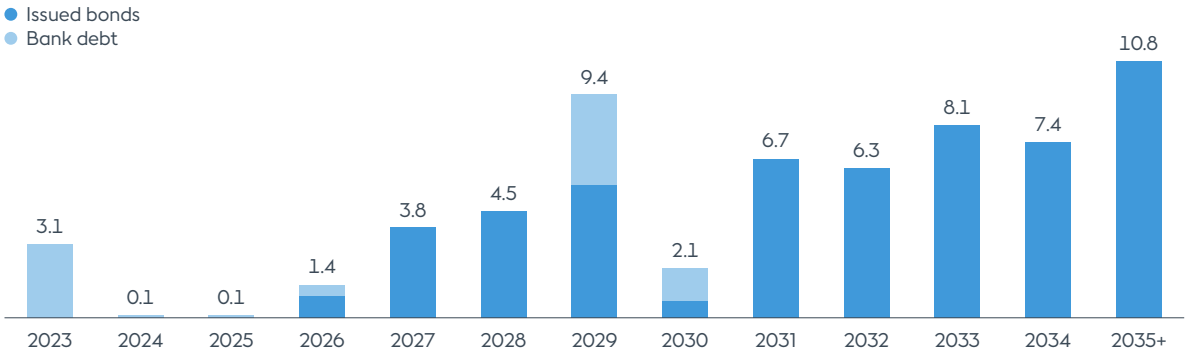
Furthermore, we had non-cancellable credit facilities and undrawn loan agreements of DKK 57,179 million at 31 December 2022 (2021: DKK 28,349 million) with a number of Scandinavian, international, and Taiwanese banks.

In connection with these loan arrangements and credit facilities, we may be met with demands for cancellation and repayment of any drawn amount in the event of shareholders other than a group consisting of the Danish state and Danish power distribution companies controlling more than 50% of the share capital or voting rights in Ørsted A/S. Our financing agreements are not subject to any other unusual terms or conditions.

Senior bonds issued at 31 December 2022		Outstanding amount					
Million, currency	Green financing	Issued	DKK	Coupon (%)	Time of issue	Maturing	Quoted in
EUR	√	600	4,462	2.250	14 June 2022	14 June 2028	Luxembourg
EUR	√	750	5,578	1.500	24 Nov. 2017	26 Nov. 2029	London
EUR	√	900	6,693	3.250	13 Sep. 2022	13 Sep. 2031	Luxembourg
EUR	√	750	5,577	2.875	14 June 2022	14 June 2033	Luxembourg
GBP	√	350	2,934	2.125	16 May 2019	17 May 2027	Luxembourg
GBP		750	6,286	4.875	12 Jan. 2012	12 Jan. 2032	London
GBP	√	300	2,514	2.500	16 May 2019	16 May 2033	Luxembourg
GBP	√	250[1]	2,095	CPI+0.375	16 May 2019	16 May 2034	Luxembourg
GBP	√	375	3,143	5.125	13 Sep. 2022	13 Sep. 2034	Luxembourg
GBP		500	4,191	5.750	9 Apr. 2010	9 Apr. 2040	London
GBP	√	575	4,819	5.375	13 Sep. 2022	13 Sep. 2042	Luxembourg
NTD	√	4,000	907	0.920	19 Nov. 2019	19 Nov 2026	Taipei
NTD	√	4,000	907	0.600	13 Nov. 2020	13 Nov. 2027	Taipei
NTD	√	3,000	680	0.700	13 Nov. 2020	13 Nov. 2030	Taipei
NTD	√	8,000	1,814	1.500	19 Nov. 2019	19 Nov 2034	Taipei
NTD	√	8,000	1,814	0.980	13 Nov. 2020	13 Nov. 2040	Taipei

1 Issued principal is indexed to an outstanding amount of GBP 295 million corresponding to DKK 2,473 million at 31 December 2022.
In addition to senior bonds, we have issued a number of hybrid bonds, see note 5.3 'Hybrid capital'.

Maturity profile of issued senior bonds and bank debt
DKK billion



The majority of our bonds expire in 2031 or later.

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).

5.2 Equity

Earnings per share

DKKm	2022	2021
Profit (loss) for the year	14,996	10,887
Interest and costs, hybrid capital owners of Ørsted A/S	(577)	(740)
Non-controlling interests	130	75
Ørsted's share of profit (loss) for the year	**14,549**	**10,222**
('000)		
Average number of outstanding shares	420,209	420,146
Dilutive effect of share programme	233	234
Average number of outstanding shares, diluted	**420,442**	**420,380**
(DKK)		
Earnings per share	34.6	24.3
Diluted earnings per share	34.6	24.3

Share capital

Ørsted's share capital is DKK 4,203,810,800 (2021: 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 have acquired treasury shares in accordance with the authorisation approved by the general meeting. The total portfolio of treasury shares consists of 154,344 shares at 31 December 2022 (2021: 209,575), corresponding to less than 0.1% of the share capital.

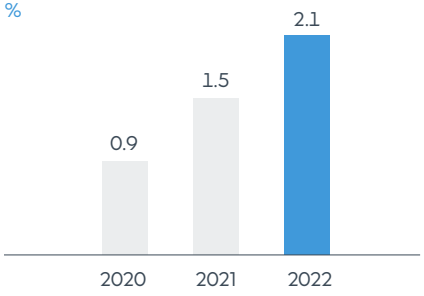
Dividends

The Board of Directors recommends that dividends of DKK 5,675 million (2021: DKK 5,255 million) be paid for the financial year, corresponding to DKK 13.50 per share (2021: DKK 12.50 per share). The proposed dividends correspond to a dividend yield of 2.1% (2021: 1.5%), calculated on the basis of the closing price for an Ørsted share on the last trading day of the year.

Owners in Ørsted

The Danish state is the principal shareholder with an ownership interest of 50.1%. In addition, Andel have an ownership interest above 5%. 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.

Reserves 2022 DKKm	Foreign currency translation reserve	Hedging reserve[1]					Total reserves
		Hedging of net investments	Hedging of revenue	Hedging of divestments	Hedging of interest	Hedging of production assets	
Reserves at 1 January	1,475	(1,833)	(24,585)	(460)	574	51	(24,778)
Exchange rate adjustments	(3,625)	-	-	-	-	-	(3,625)
Value adjustments of hedging	-	738	(29,935)	3,786	2,578	50	(22,783)
Value adjustments transferred to:							
Revenue	-	-	11,730	-	-	-	11,730
Other operating income – gain on divestment of assets	574	102	11,970	(3,197)	-	-	9,449
Other operating expenses	-	-	4,475	-		-	4,475
Financial income and expenses	-	-	-	-	(583)	-	(583)
Property, plant, and equipment	-	-	-	-	-	(116)	(116)
Tax:							
Tax on hedging and currency adjustments	851	(185)	(349)	(129)	(439)	15	(236)
Movement in comprehensive income for the year	**(2,200)**	**655**	**(2,109)**	**460**	**1,556**	**(51)**	**(1,689)**
Total reserves including tax at 31 December	**(725)**	**(1,178)**	**(26,694)**	**-**	**2,130**	**-**	**(26,467)**
Total reserves excluding tax at 31 December	**(1,544)**	**(1,510)**	**(33,000)**	**-**	**2,731**	**-**	**(33,323)**

Reserves 2021 DKKm	Foreign currency translation reserve	Hedging reserve[1]					Total reserves
		Hedging of net investments	Hedging of revenue	Hedging of divestments	Hedging of interest	Hedging of production assets	
Reserves at 1 January	(3,829)	711	1,235	(133)	45	15	(1,956)
Exchange rate adjustments	6,529	-	-	-	-	-	6,529
Value adjustments of hedging	-	(3,359)	(39,782)	(736)	646	168	(43,063)
Value adjustments transferred to:							
Revenue	-	-	7,174	-	-	-	7,174
Other operating income	(243)	98	-	323	-	-	178
Financial income and expenses	-	-	-	-	33	-	33
Property, plant, and equipment	-	-	-	-	-	(121)	(121)
Tax:							
Tax on hedging and currency adjustments	(982)	717	6,788	86	(150)	(11)	6,448
Movement in comprehensive income for the year	**5,304**	**(2,544)**	**(25,820)**	**(327)**	**529**	**36**	**(22,822)**
Total reserves including tax at 31 December	**1,475**	**(1,833)**	**(24,585)**	**(460)**	**574**	**51**	**(24,778)**
Total reserves excluding tax at 31 December	**1,507**	**(2,350)**	**(31,236)**	**(589)**	**736**	**66**	**(31,866)**

1 Costs of hedging related to basis spread on currency swaps and option premiums included in the hedging reserve amount to DKK 10 million (2021: 376 million).

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 presentation 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 cash flow hedging of:
- energy, currency, and inflation risks associated with revenue and production assets
- commodity price and currency risks associated with the construction of offshore wind farms
- interest rates associated with loans.

In addition, it covers hedging of net investments in foreign operations.

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 (2021: 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.

5.3 Hybrid capital

Hybrid bonds	Due in 3013	Green due in 3017	Green due in 3019	Green due in 3021	Green due in 3022	Green due in 3021
Type	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated	Subordinated
Carrying amount	DKK 681 million	DKK 3,668 million	DKK 4,416 million	DKK 3,701 million	DKK 3,692 million	DKK 3,635 million
Financial classification	Equity	Equity	Equity	Equity	Equity	Equity
Notional amount	EUR 94 million (DKK 699 million)	EUR 500 million (DKK 3,718 million)	EUR 600 million (DKK 4,462 million)	EUR 500 milllion (DKK 3,718 million)	EUR 500 milllion (DKK 3,718 million)	GBP 425 million (DKK 3,562 million)
Issued	June 2013	November 2017	December 2019	February 2021	December 2022	February 2021
Maturing	June 3013	November 3017	December 3019	February 3021	December 3022	February 3021
Quoted in	Luxembourg	Luxembourg	Luxembourg	Luxembourg	Luxembourg	Luxembourg
First redemption at par	26 June 2023	24 November 2024	9 December 2027	18 Februar 2031	8 December 2028	18 February 2033
Coupon for the first	Ten years fixed at 6.25% p.a.	Seven years fixed at 2.25% p.a.	Eight years fixed at 1.75% p.a.	Ten years fixed at 1.50% p.a.	Six years fixed at 5.25% p.a.	12 years fixed at 2.5% p.a.
Coupon in subsequent period is adjusted every five years with the five-year euro swap	+4.75% points from 2023-2043 and +5.5% points after 2043	+1.899% points from 2024, +2.149% points from 2029, and +2.899% points from 2044	+1.952% points from 2027, +2.202% points from 2032, and +2.952% points from 2047	+1.86% points from 2031 and +2.61% points from 2056	+2.62% points from 2028, +2.87% points from 2033, and +3.62% points from 2048	Coupon for the first twelve years at 2.5% p.a., after which it is adjusted every five years with the five-year benchmark gilt +2.136% points from 2033 and +2.886% points from 2053
Deferral of interest payment	Optional	Optional	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 2,194 million and GBP 425 million, equivalent to DKK 19,877 million (2021: EUR 1,950 million and GBP 425 million, equivalent to DKK 18,269 million).

In 2022, we have issued a new green hybrid bond with a nominal value of EUR 500 million (DKK 3,718 million). Part of the proceeds was used to repay the 3013 hybrid bond.

For all our hybrid bonds, we have the right to defer coupon payments 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. The carrying amount of the liability component amounted to nil on initial recognition as the only payment obligation is the repayment of the nominal value in 1000 years.

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. Coupon payments are recognised in the statement of cash flows within financing activities.

On redemption of hybrid capital, the payment will be distributed between liability and equity, applying the same ratio as 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 liability portion of the existing hybrid issues will be nil during the first part of the life of the hybrid capital.

5.4 Liquidity reserve

Liquidity reserve

Liquidity reserve at 31 December 2022 amounted to DKK 97.8 billion (31 December 2021: DKK 43.2 billion). The financial resources were in particular built up during the year to ensure sufficient liquidity to cope with collateral payments and continuing investments in the green transformation.

The change in liquidity reserve is due to an increase in cash, available securities, and undrawn credit facilities of DKK 7,554 million, DKK 18,217 million, and DKK 28,830 million, respectively.

Collateral and margin postings

When we trade in derivatives to execute our hedging strategy, we have two alternatives:

- Trading on exchanges where the market value is settled on an ongoing basis through receipt or placing of collateral.
- Trading OTC where we accept the credit risk that will occur if we gain on the transaction.

We are trading under both type of agreements to increase the number of counterparties with whom we are engaging to achieve the most optimal price.

To mitigate and limit the potential negative impact on our cash position from temporary fluctuations in market prices, we actively manage the volume of trades between trading with and without collateral arrangements.

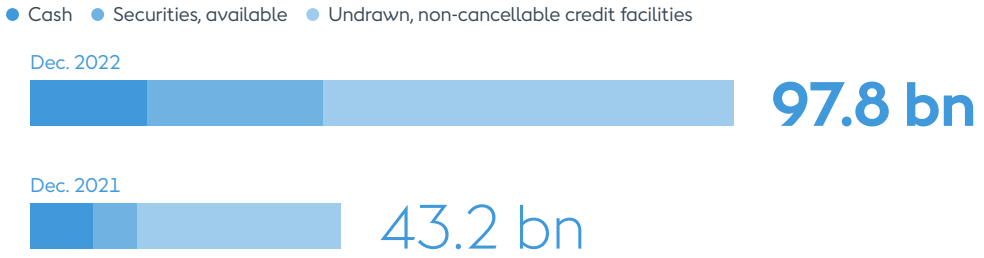
As of 31 December 2022, 31 % (2021: 51 %) of our power and gas trades and 86 % (2021: 82 %) of our currency, inflation, and interest rate hedges had daily margin settlements.

To limit cash impact, we also provide non-cash collateral as parent company and bank guarantees, where possible. At the end of December 2022, we had covered EUR 1 billion in collateral for initial margins on energy hedges through a parent company guarantee.

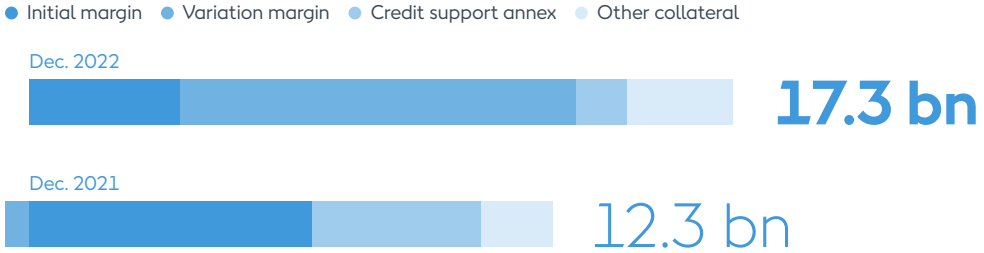
Our collateral and margin payments related to trading with derivatives and collateral related to insurance liabilities and escrow accounts have increased from DKK 12.3 billion at 31 December 2021 to DKK 17.3 billion at 31 December 2022. The increase was primarily driven by the large increase in power and gas prices. Collateral payments related to variation margins increased by DKK 10.3 billion and was partly offset by a decrease in initial margins of DKK 3.5 billion during the year and amounted to DKK 12.8 billion at 31 December 2022.

Initial margin and variation margin relate to energy hedges, and the credit support annex (CSA) relates to currency, inflation, and interest rate hedges. Other collateral mainly relates to insurance liabilities and escrow accounts. Further securities can be placed as collateral in repo transactions as part of our cash management.

Liquidity reserve
DKKbn



Collateral and margin postings
DKKbn



Cash and cash equivalents, securities

DKKm	2022	2021
Cash cf. balance sheet	16,178	8,624
Bank overdrafts that are part of the ongoing cash management	(3)	(10)
Total cash and cash equivalents at 31 December, cf. statement of cash flows	**16,175**	**8,614**
Cash can be specified as follows:		
Cash cf. balance sheet	16,178	8,624
Cash, not available for use	2,471	1,319
Securities can be specified as follows:		
Securities, available	24,428	6,210
Securities, not available for use	769	15,018
Total securities at 31 December	**25,197**	**21,228**

The table shows our cash and securities divided into available and not available for use.

Overview of securities

DKKm	Fixed rate	Floating rate	2022	Fixed rate	Floating rate	2021
Maturities						
0-2 years	37	12,278	12,315	1,293	6,642	7,935
2-5 years	961	6,025	6,986	(1,214)	7,008	5,794
After 5 years	1,666	4,230	5,896	2,385	5,114	7,499
Total carrying amount	**2,664**	**22,533**	**25,197**	**2,464**	**18,764**	**21,228**

The table shows our securities split into maturities and fixed or floating interest rates.
The overview includes interest rate swaps used to manage the interest rate risk on the securities.

Cash, cash equivalents, and securities

Securities are a key element in our liqiudity reserve, 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:

- short-term repo loans: DKK 0 million at 31 December 2022 (2021: DKK 14,207 million)
- insurance-related provisions: DKK 381 million at 31 December 2022 (2021: DKK 397 million)
- trading in financial instruments: DKK 388 million at 31 December 2022 (2021: DKK 414 million).

At 31 December 2022, we had received cash collateral in the amount of DKK 1,194 million (2021: DKK 1 million) concerning the positive market value of derivatives.

Cash not available for use comprises:

- payables for the purchase of gas that has not yet been settled placed on a restricted acount: DKK 2,029 million (2021: DKK 0 million)
- collateral for insurance-related provisions: DKK 38 million (2021: DKK 254 million)
- collateral for power purchase agreements and trading with financial instruments: DKK 366 million (2021: DKK 825 million)
- collateral for other transactions: DKK 38 million (2021: DKK 240 million).

Accounting policies

Securities comprise bonds that are monitored, measured, and reported at market value on an ongoing basis in conformity with the Group's investment policy. Changes in market value are recognised in profit (loss) for the year as financial income and expenses. Purchase and sale of securities are recognised at the settlement date.

For listed securities, market value equals the market price, and for unlisted securities, market value is estimated based on generally accepted valuation methods and market data.

Divested securities where repurchase agreements (repo transactions) have been made at the time of sale are recognised in the balance sheet at the settlement date as if the securities were still held. The amount received is recognised as a liability, and the difference between the selling price and the purchase price is recognised in profit (loss) for the year over the term as interest. The return on the securities is recognised in profit (loss) for the year.

5.5 Maturity analysis of financial liabilities

Maturity analysis of financial liabilities 2022

DKKm	2023	2024	2025-2026	After 2026	2022
Bank loans and issued bonds:					
– Notional amount	3,087	53	1,487	59,077	63,704
– Interest payments	1,883	1,880	3,741	14,721	22,225
Trade payables	20,641	-	-	-	20,641
Derivatives	32,636	13,442	6,059	11,288	63,425
Lease liabilities	817	664	1,288	9,182	11,951
Tax equity debt	150	158	343	1,690	2,341
Other payables	8,019	1,543	489	12,810	22,861
Total payment obligations	**67,233**	**17,740**	**13,407**	**108,768**	**207,148**

Maturity analysis of financial liabilities 2021

DKKm	2022	2023	2024-2025	After 2025	2021
Bank loans and issued bonds:					
– Notional amount	19,375	53	106	31,669	51,203
– Interest payments	975	873	1,748	8,011	11,607
Trade payables	20,231	-	-	-	20,231
Derivatives	27,668	15,315	1,509	6,932	51,424
Lease liabilities	738	579	1,083	8,483	10,883
Tax equity debt	175	137	235	1,988	2,535
Other payables	3,826	1,011	3,459	733	9,029
Liabilities relating to assets classified as held for sale	72	-	-	-	72
Total payment obligations	**73,060**	**17,968**	**8,140**	**57,816**	**156,984**

The Group's cash needs in respect of its financial loans and borrowings are shown in the table. 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 2022, we had issued hybrid capital with a notional amount totalling DKK 19,877 million due after 2026.

For further disclosures of lease liabilities, see note 3.3 'Intangible assets, and property, plant, and equipment'.

5.6 Financial income and expenses

Net financial income and expenses [1]

DKKm	2022	2021
Interest expenses, net	(1,895)	(895)
Interest expenses, leasing	(256)	(261)
Interest element of provisions, etc.	(613)	(454)
Tax equity partner's contractual return	(1,134)	(616)
Value adjustments of derivatives, net	1,593	202
Exchange rate adjustments, net	1,343	169
Value adjustments of securities at market value, net	(1,556)	(501)
Other financial income and expenses	(18)	190
Net financial income and expenses	**(2,536)**	**(2,166)**

Financial income and expenses [2]

DKKm	2022	2021
Interest income from cash, etc.	211	160
Interest income from securities at market value	157	175
Foreign exchange gains	8,226	2,994
Value adjustments of derivatives	6,885	914
Other financial income	35	137
Total financial income	**15,514**	**4,380**
Interest expenses relating to loans and borrowings, etc.	(2,848)	(2,012)
Interest expenses transferred to assets	585	782
Interest expenses, leasing	(256)	(261)
Interest element of provisions	(513)	(350)
Tax equity partner's contractual returns	(1,134)	(616)
Capital losses on securities at market value	(1,596)	(501)
Foreign exchange losses	(7,323)	(2,962)
Value adjustments of derivatives	(4,800)	(514)
Other financial expenses	(165)	(112)
Total financial expenses	**(18,050)**	**(6,546)**
Net financial income and expenses	**(2,536)**	**(2,166)**

1 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'.

2 Exchange rate adjustments of currency hedging are recognised in revenue and cost of sales with a loss of DKK 349 million (2021: a loss of DKK 238 million).

Borrowing costs transferred to property, plant, and equipment under construction are calculated at the weighted average effective interest rate for general borrowing. This amounted to 3.1 % in 2022 (2021: 3.4 %).

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 3.8 'Tax equity liabilities'.

6. Risk management

Market and credit risks are a natural part of our business activities and a precondition for being able to create value. Through our risk management, we monitor these risks and reduce them to an acceptable level.

The majority of our income from power generation for the next five years are based on fixed tariffs, guaranteed minimum prices, or long-term power purchase agreements. Only a small part of our total earnings are exposed to changes in energy prices. We describe the management of this residual risk in this chapter.

35 %

Our net inflation risk for assets in operation, under construction, and awarded is 35 % for the period 2023-2032, i.e. if inflation increases by 1.0 percentage point, our long term earnings will increase by 0.65 percentage point.

-33.0 bn

The value of hedging instruments (mainly power) that will impact EBITDA in the future amounts to a loss of DKK 33,000 million at 31 December 2022 (2021: DKK 31,804 million).

+1.5 bn

The initial fair value of corporate power purchase agreements (CPPAs) amounts to DKK 1,497 million, which will be recognised as revenue over the remaining life of the CPPAs (2021: DKK 834 million).

Unusual year with high energy prices

It has been another extraordinary year for the energy markets. Gas prices have remained high during 2022 until at the very end of the year. The main reason for the high gas prices was the low supply of Russian gas as a consequence of the war in Ukraine. The high gas price has also driven the power prices to record-high levels.

Our previous hedging policy implies that the majority of our expected energy price exposure in 2022 was hedged. This has caused a volume-related overhedging, among other things due to the delay of the commissioning of the Hornsea 2 Offshore Wind Farm. Overhedging and ineffective hedges net of our trading result was recognised in other operating expenses with a net loss of DKK 4.6 billion.

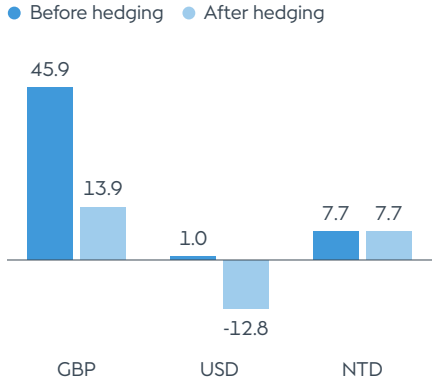
Trading portfolio

We have a limited trading portfolio with the main purpose of optimising the execution of hedging contracts and gains from short-term energy price fluctuations. Read more in note 6.7 'Energy trading portfolio'.

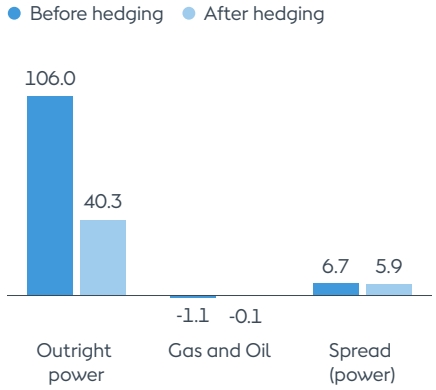
Expected impact on EBITDA from hedges and CPPAs

DKKm	2023	2024	2025+	Total
Deferred for subsequent recognition at 31 December 2022				
Power and carbon emissions	(8,470)	(6,737)	(12,698)	(27,905)
Gas and oil	(671)	(906)	(336)	(1,913)
Inflation	-	(202)	(3,164)	(3,366)
Currency	(108)	30	262	184
Initial fair value of CPPAs	207	154	1,136	1,497
Total EBITDA impact from hedges and CPPAs	**(9,042)**	**(7,661)**	**(14,800)**	**(31,503)**

Currency exposure 2023-2027[1]
DKKbn



Energy exposure 2023-2027[2]
DKKbn



1 For USD and NTD, we manage our risk of a natural time spread between front-end capital expenditures and long-term revenue. In the five year horizon, we are therefore seeing that our hedges increase our net exposure to USD, but our hedges reduce the USD risk in the longer horizon.

We have a substantial exposure towards EUR. However, we do not deem EUR to constitute a risk, as we expect Denmark to maintain its fixed exchange-rate policy.

2 Energy exposure before hedging is excluding revenue from fixed tariffs and guaranteed minimum prices as these do not contain any energy exposure.

Our outright power exposure has increased significantly in 2022 due to the large increase in power prices.

6.1 Market risk policy

Our most significant market risks relate to:
- energy and commodity prices
- production variability
- foreign exchange rates
- interest rates and inflation.

The overall objective of our risk management is to:
- increase the predictability of the short-term earnings and FFO/NIBD by securing the price of energy and currency
- protect the long-term real value of 'shareholders' investment in Ørsted by matching fixed nominal cash flows from our assets with fixed nominal debt.

New energy hedging framework

In light of recent high and volatile energy prices, we no longer deem our previous approach for hedging renewable power price exposure fit-for-purpose. Going forward, we will apply a new approach better suited to the characteristics of our portfolio. The new framework provides a better balance between ensuring short-term financial stability and avoiding adverse impact from the hedges, such as the risk of being overhedged and large collateral postings due to negative market values. With the new approach, we have decided to reduce the hedge level and horizon for renewable power price exposures to a range of 0 % – 70 % in the current year plus the next year. In addition, we will utilise opportunities beyond this period to maximixe value and support commercial initiatives.

Under our previous hedging framework, we hedged the next five years with a staircase model with minimum hedge levels of 90 % in the coming year, gradually being reduced each year. A transition period is required to go from the previous risk mandate set-up and into the new.

Managing long-term market risks

Beyond the period where we actively hedge, our market risk picture is determined by our portfolio of assets and long-term contracts. We actively manage the long-term market risk through the investment decisions we take and contracts we enter into.

Our power exposure is partly mitigated through long-term corporate power purchase agreements (CPPAs), and we use debt to manage our long-term currency, interest rate, and inflation risks.

Accounting policies

We apply hedge accounting to our energy, commodity, currency, interest, and inflation hedges. Where possible, we use hedging instruments which hedge the desired risk one-to-one. The GBP exposure, for example, is hedged using GBP forward exchange contracts, GBP swaps, or GBP loans. Thus, there are no significant sources of ineffectiveness. For currency swaps, the basis 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. The majority of our exposure is highly probable forecast transactions. 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 in full or partially accumulated value change is transferred to profit (loss) for the year. Ineffective hedges related to energy and commodity exposures are recognised in other operating expenses. Ineffectiveness related to other hedges are recognised in financial income or expenses.

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.

Key accounting estimate

Valuation of long-term power purchase agreements
When we measure our power purchase agreements at fair value, we use estimates of non-observable prices such as:
- production forecasts – intermittency (expected profiled production versus constant (flat) production)
- forecasted long-term power prices and exchange rates
- forecasted inflation expectations

The development in market values is monitored on a continuing basis and reported to the Group Executive Team.

Hedge accounting
Hedge effectiveness is measured using forecasted production as well as estimates regarding energy prices,intermittency, interest, currency and inflation. For periods where we are close to fully hedged, volume overhedging is possible if the forecasted production does not materialize which will lead to recognition of ineffectiveness.

Key accounting judgement

Valuation of long-term power purchase agreements
We measure our power purchase agreements at fair value, but they cannot always be measured on quoted prices in active markets due to the long duration of the contracts. We use elements of judgements determining models to measure the fair value and we aim to limit the use of subjective estimates and base the fair values on external information including external pricing and benchmark services.

Effectiveness of hedge relationship
Judgements are used to consider whether forecasted transactions are highly probable exposures as hedged item in a hedge relationship, eg. expected production from wind farms, and judgment is applied in whether the hedge instruments applied in the hedge relationships identified are effective.

6.2 Currency risks

Our forward-looking currency exposure from production, sales, investments, and divestments after hedging for the years 2023-2027 can be summarised as shown in the table.

Risk after hedging DKKbn	Effect of price change +10%	 -10%
GBP: 13.9 sales position	+1.4	-1.4
USD: 12.8 buy position	-1.3	+1.3
NTD: 7.7 sales position	+0.8	-0.8

Therefore, a 10% increase in the GBP/DKK exchange rate will result in a gain of DKK 1.4 billion over the period 2023-2027, all else remaining unchanged.

Our largest currency exposure stems from offshore wind farms in the UK, but our growing activities in the US and Taiwan have increased our exposure to USD and NTD.

Principles for managing currency risks

Highly certain cash flows in a foreign currency are actively managed within the first five years.

Exchange rate risks related to energy revenue in foreign currencies are hedged only after the energy price is hedged. Hence, the GBP exchange rate risk associated with power generation in the UK is hedged when the power price has been hedged.

In contrast, cash flows that relate to subsidised GBP income from offshore wind farms in the UK, less operating expenses, are hedged on a declining level of hedging over the five-year risk management horizon. The target is to hedge 100% in year 1, declining by 20 percentage points each year to 20% in year 5.

GBP exposure

Our GBP exposure amounted to DKK 13.9 billion after hedging for the years 2023-2027. This unhedged GBP exposure stems primarily from subsidised GBP income less operational expenditures.

The GBP exchange rate for hedges impacting EBITDA in 2023 and 2024 is hedged at an average of GBP/DKK 8.4 and 8.3, respectively.

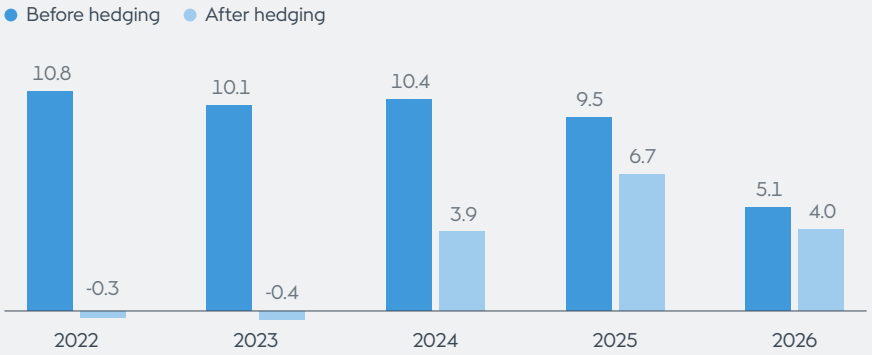
USD and NTD exposures

For our USD and NTD exposures from new markets, we have a limited existing portfolio against which we can net construction payments. Therefore, we seek to hedge the exchange rate risk in the near term by swapping out the exposure in time.

EUR exposure

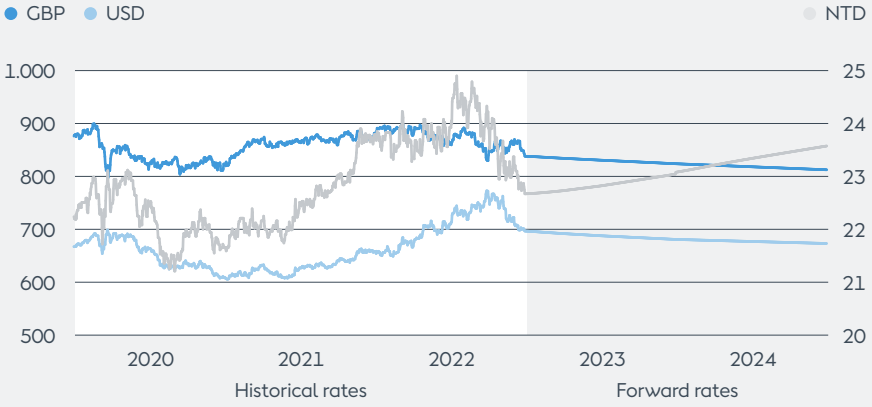
We have a substantial exposure towards EUR, which we assess on a continuous basis. EUR is generally not hedged, as we believe that Denmark will maintain its fixed exchange-rate policy.

GBP exposures
DKKbn



The graph shows our GBP exposure before and after hedges from:
- divestments and investments
- green certificates
- hedged energy.

Development in currency rates
DKKbn



The graph shows the historic development in spot currency rates for the past three years and the forward rates for 2023 and 2024 as of 31 December 2022.

Currency cash flow hedge accounting 2022 DKKm	Contractual principal amount	Maturity analysis 2023	 2024	 After 2024	Market value Asset	 Liability	Recognised in comprehensive income	Expected transfers to income statement 2023	 2024	 After 2024
EBITDA impact										
Revenue (GBP)	24,199	2,953	7,416	13,830	151	-	182	(109)	29	262
Revenue (USD)	3	-	3	-	-	(21)	2	1	1	-
Impact on other line items										
Interest payments (GBP)	553	553	-	-	32	-	4	4	-	-

Currency cash flow hedge accounting 2021 DKKm		2022	2023	After 2023				2022	2023	After 2023
EBITDA impact										
Revenue (GBP)	31,256	6,706	8,810	15,740	-	(1,565)	(1,405)	(485)	(463)	(457)
Revenue (USD)	11	17	(2)	(4)	4	-	-	-	-	-
Divestments (GBP)	14,634	14,634	-	-	-	(247)	(234)	(234)	-	-
Impact on other line items										
Production assets (USD)	7	7	-	-	-	-	-	-	-	-
Interest payments (GBP)	1,075	490	585	-	101	-	103	47	56	-

Ineffectiveness from currency cash flow hedges in 2022 amounts to a gain of DKK 189 million (2021: DKK -20 million) recognised in financial items.

Currency fair-value hedge accounting 2022 DKKm	Contractual principal amount	Maturity analysis 2023	 2024	 After 2024	Market value Asset	 Liability
GBP (sell position)	25,983	-	-	25,983	-	(1,047)
USD (sell position)	6,122	-	-	6,122	168	-
NTD (sell position)	5,194	-	-	5,194	171	-

Currency fair-value hedge accounting 2021 DKKm		 2022	 2023	 After 2023		
GBP (sell position)	19,046	-	-	19,046	130	-
EUR (sell position)	4,463	4,463	-	-	-	(4)
NTD (sell position)	6,379	-	-	6,379	427	-

The fair-value hedges are related to hedges of loans in the balance sheet.

Contracts accounted for at fair value through profit or loss (financial items) DKKm	2022 Contractual principal amount	 Market value	2021 Contractual principal amount	 Market value
Currency				
Forward exchange contracts	30,549	27	38,080	1

The table shows cash management postions which are not hedge accounted.
The positons primarly consist of EUR and to a lesser extent GBP and USD.

Hedging of net investments in foreign subsidiaries
DKKm

Currency 2022	Net investment	Of which, non-controlling interests	Hedged amount in currency	Net position	Accumulated exchange rate adjustments in equity
GBP	54,674	(2,132)	(34,536)	18,006	(3,806)
EUR	35,004	-	-	35,004	(49)
USD	29,881	(1,839)	(21,916)	6,126	617
NTD	14,884	-	(6,122)	8,762	288
Other	1,892	-	-	1,892	(104)
Total	**136,335**	**(3,971)**	**(62,574)**	**69,790**	**(3,054)**

Currency 2021					
GBP	74,278	(2,516)	(26,845)	44,917	(1,252)
EUR	32,861	-	(4,463)	28,398	(45)
USD	26,791	(555)	(13,620)	12,616	(250)
NTD	8,840	-	(6,379)	2,461	761
Other	1,763	-	-	1,763	(59)
Total	**144,533**	**(3,071)**	**(51,307)**	**90,155**	**(845)**

		Maturity analysis			Market value	
Net investment hedges 2022 DKKm	Contractual principal amount	2023	2024	After 2024	Asset	Liability
GBP (sell poition)	34,536	4,895	-	29,641	1,139	-
USD (sell position)	21,916	3,114	8,919	9,883	-	(168)
NTD (sell position)	6,122	-	-	6,122	-	(847)

Net investment hedges 2021 DKKm		2022	2023	After 2023		
GBP (sell poition)	26,845	887	3,047	22,911	-	(826)
EUR (sell position)	4,463	4,463	-	-	4	-
USD (sell position)	13,620	37	11,406	2,177	-	(359)
NTD (sell position)	6,379	-	-	6,379	-	(427)

The net position expresses the accounting exposure. If, for example, the GBP/DKK exchange rate increased by 10% on 31 December 2022, equity would have increased by DKK 1,801 million, corresponding to 10% of DKK 18,006 million.

Hedging of net investments in foreign subsidiaries

Our foreign activities entail currency risks. We hedge these currency risks by raising loans in foreign currencies and by entering into forward exchange contracts, currency swaps, and options.

On 31 December 2022, the accumulated exchange rate adjustments totalled DKK -3,054 million (2021: -845 million), divided between the exchange rate adjustment of the net investment of DKK -1,544 million (2021: 1,510 million) and the hedging thereof of DKK -1,510 million (2021: -2,355 million).

Accounting policies

Hedging of net investments in foreign subsidiaries
Changes in the market value of derivatives and loans that are classified as net investment hedges in foreign subsidiaries or associates are recognised in the consolidated financial statements directly in equity within a separate foreign currency translation reserve.

6.3 Energy and commodity price risks

Our forward-looking energy exposure after hedging of production for the years 2023-2027 can be summarised as shown in the table.

Risk after hedging DKKbn	Effect of price change +10%	-10%
Power: 40.3 sales position	+4.0	-4.0
Spread (power): 5.9	+0.6	-0.6

Therefore, a 10% increase in the power price will result in a gain of DKK 4.0 billion over the period 2023-2027, all else remaining unchanged. Gas and oil activities only have a risk after hedging of DKK 0.1 billion for the period 2023-2027.

Introduction to hedging of power

We use fixed-volume hedges (settled based on a fixed hourly volume throughout the hedged period) to hedge price risk associated with our power production. The fixed-volume hedges do not fully match the actual hourly production profile delivered by our wind farms. This is referred to as intermittency risk. See 'Intermittency risk' graph to the right.

Offshore power generation

Revenue from power generation from offshore wind farms mainly comprise:

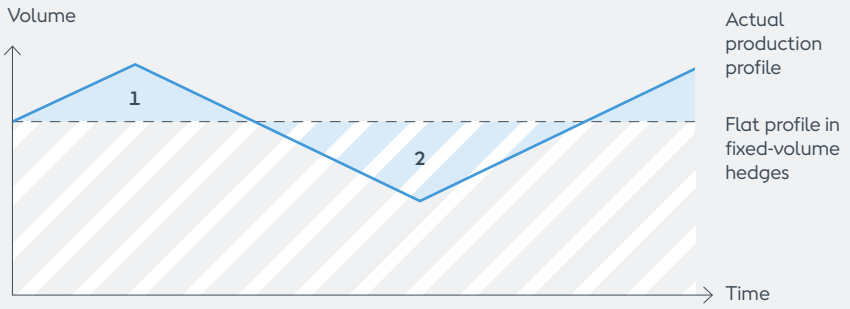
- fixed tariffs in the UK (CfD wind farms), the US, and Taiwan
- guaranteed minimum prices in Denmark, Germany, and the Netherlands
- sale of power production at market price from some wind farms in Denmark and the UK
- guaranteed minimum prices for green certificates in the UK (ROC wind farms)
- long-term power purchase agreements.

At the end of 2022, fixed tariffs and guaranteed minimum prices covered approx. 76% (2021: 83%) of the expected income from offshore wind farms for the period 2023-2027. The reduction is due to a large increase in forward power prices at the end of 2022 compared to 2021, which increased the expected revenue from production settled at market price. The remaining 24% of expected income is exposed to energy price risks and concerns sales of power at market price in the UK, Denmark, Germany, and the Netherlands.

Onshore power generation

A large part of the earnings in Onshore comes from power generation in the US, which comprises 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

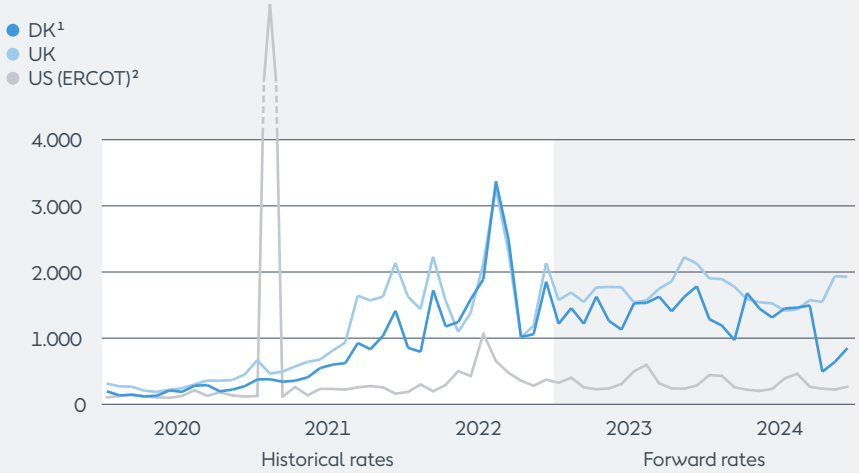
Intermittency risk



The light blue area illustrates the intermittency risk where our actual production is either above or below the fixed volume in our hedges. When the additional value of the production (volume x market price) in area 1 does not match the missing value of the production in area 2, our actual production will not fully match our fixed-volume hedges.

Development in power prices

DKK



The graph shows the historic development in monthly average spot power prices for the past three years and the forward rates for 2023 and 2024 as of 31 December 2022. The graph covers our main markets where we are exposed to power prices.
1 Average of DK1 and DK2.
2 Average of North and West.

reduced by entering into CPPAs. The current CPPAs cover approx. 73% of the expected generation for the period 2023-2027 calculated from the time of commissioning of the individual wind farms, if that date is later than the end of 2022. The CPPAs are entered into with large corporates or financial institutions.

Furthermore, additional earnings originate from power generation in Ireland, Germany, and France where the assets are either subject to a subsidy scheme, or we have PPAs in place for the majority of the production.

Power generation at our CHP plants

Our combined heat and power (CHP) plants consist of biomass- and fossil-fuelled plants in Denmark. Heat generation does not give rise to price risks, as the associated costs are covered by the heat customers. However, heat generation entails a price risk for power to the extent to which we generate heat and power simultaneously. The profitability of power generation is determined by the difference between the selling price of power and the purchase price of fuel and, for other fuels than biomass, carbon emission allowances. If the spreads are attractive, we provide condensing power generation in addition to CHP generation. The total net risk associated with power from heat-bound CHP generation for the 2023-2027 period is DKK 5.9 billion after hedging.

Commodity risk for construction projects

When building a wind farm, we are exposed to the price development in a number of commodities, most significantly steel. Steel element indices have enabled hedging of parts of this risk. We hedged a substantial amount of the steel for foundations that were delivered in 2022, and we will continue to hedge more throughout 2023 as future volumes are being committed.

Power sales

The price risk associated with power sales is given by the difference between the purchase and sales prices and is thus considered to be limited.

For our investor power purchase agreements, we retain part of the power price risk, and thus we are to some extent exposed to the same risks as for the production from our own share of the wind farms, including volume and intermittency risks.

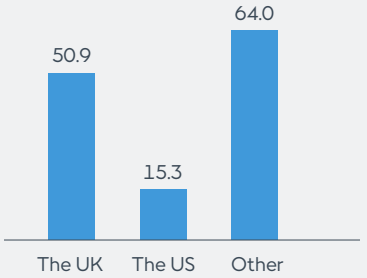
Gas sales

The price risk associated with sale of gas stems from differences in the indexing of sales and purchase prices. Our largest gas purchase contracts are mainly indexed to pure gas prices and thus no longer constitute a significant risk.

Principles for estimating exposures

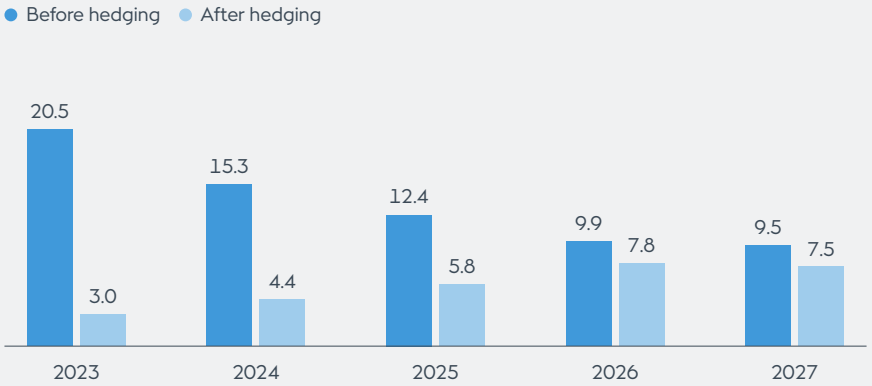
Exposure is calculated as the expected production (or net purchase/sale) times the forward price for the respective years.

Ørsted´s power price exposure before hedges for 2023-2027 split on markets
DKKbn



The table shows our total exposure towards power prices before hedges for the period 2023-2027.

Offshore's power price exposure
DKKbn



The table shows the exposure of Offshore's generation of power before and after hedges.

Energy price cash flow hedge accounting 2022 DKKm	Contractual principal amount	Maturity analysis 2023	 2024	 After 2024	Market value Asset	 Liability	Recognised in comprehensive income	Expected transfers to EBITDA/CAPEX 2023	 2024	 After 2024
EBITDA impact										
Power swaps and futures	32,300	8,480	7,856	15,964	6,291	(39,641)	(27,779)	(8,435)	(6,649)	(12,695)
Power options	1,071	-	922	149	22	-	(91)	-	(88)	(3)
Gas swaps, futures, options	1,171	312	387	472	396	(1,596)	(1,915)	(672)	(907)	(336)
Carbon emission allowances	46	46	-	-	-	-	(35)	(35)	-	-
Oil futures	15	9	6	-	-	-	2	1	1	-

Energy price cash flow hedge accounting 2021 DKKm		2022	2023	After 2023				2022	2023	After 2023
EBITDA impact										
Power swaps and futures	25,452	6,934	5,511	13,007	8,058	(29,877)	(27,032)	(15,149)	(6,033)	(5,850)
Power options	587	733	(425)	279	644	(887)	(65)	(38)	(27)	-
Gas swaps, futures, options	3,721	3,151	268	302	5,545	(4,409)	(387)	162	(264)	(285)
Oil futures	9	(2)	10	1	-	-	13	12	1	-
Hedging production assets										
Steel	115	115	-	-	45	-	45	-	-	45
Oil futures	30	30	-	-	22	(1)	21	21	-	-

Contracts accounted for at fair value through profit or loss (EBITDA) DKKm	2022 Contractual principal amount	 Market value	2021 Contractual principal amount	 Market value
Energy				
Oil swaps and options	507	(803)	550	(710)
Gas swaps	2,668	2,920	3,027	(4,507)
Gas options	748	-	537	-
Power swaps	3,264	3,872	2,836	(2,073)
Power options	7,821	(1,894)	-	-
Other	69	-	347	(86)

In 2022, we recognised ineffective hedges in the amount of DKK -4,475 million (2021: DKK -1,074 million) in other operating expenses of which volume-related ineffectiveness related to offshore DKK 3,771 million, inflation-indexed related ineffective hedges DKK 658 million, and other ineffectiveness DKK 46 million.

6.4 Inflation and interest rate risks

Inflation and interest rate risk

Our earnings mainly stem from a portfolio of Offshore and Onshore assets with a balanced exposure towards inflation and interest rate risk, which helps to provide stability over the business cycle and across inflationary and deflationary environments.

Earnings from inflation-indexed and merchant assets follow consumer and market prices, thereby protecting against real value loss from increasing inflation and interest rates. Earnings from fixed nominal assets provide cash flow stability and will benefit in periods characterised by deflation and expansionary monetary policy from central banks.

A total of ~65% of our revenue from Offshore and Onshore assets in operation, under construction, and awarded for the period 2023-2032 is expected to increase and decrease with inflation changes. Of this, ~50% of our revenue is inflation-indexed, mainly from our UK and Polish offshore wind farms, while ~15% of our revenue is driven by merchant power prices. The remaining ~35% of revenue is fixed and is therefore subject to real value loss if inflation increases.

This is the case for:

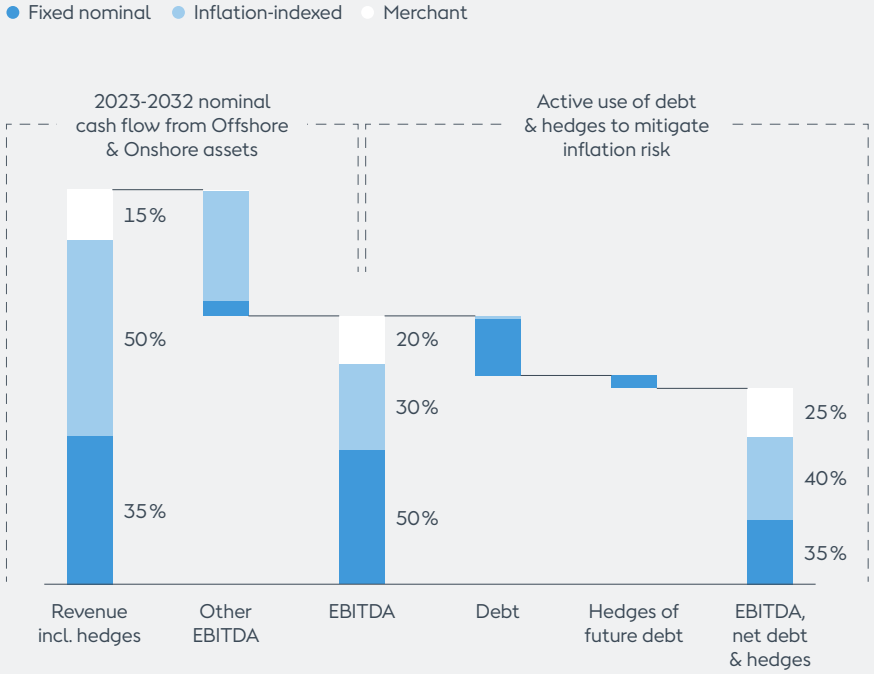
- fixed nominal subsidies from offshore wind assets in Denmark, Germany, the Netherlands, Taiwan, and the US
- fixed nominal power purchase agreements related to onshore wind assets in the US and offshore wind assets in Europe and Taiwan.

We have converted part of our UK inflation-linked revenue to fixed nominal revenue with derivatives to create a better match between our GBP revenue and debt at an average retail price index (RPI) rate of 3.6% for the priod 2024-2037 and an average consumer price index (CPI) rate of 2.7% for the period 2030-2033.

Other EBITDA mainly includes OPEX, COGS, DEVEX, and other operating income from US tax credits and divestment gains. The majority of these items will increase with inflation and is netted with the inflation-indexed revenue, leaving the EBITDA proportionally more exposed to fixed nominal cash flows compared to revenue.

To mitigate the inflation risk from our fixed nominal exposure, we issue fixed-rate debt and enter into hedges to fix future debt isuances. With active management, we have reduced the fixed nominal exposure to 35% for EBITDA, net of debt and related hedges.

Inflation exposure from Offshore and Onshore assets



Cash flow hedge accounting 2022 DKKm	Contractual principal amount	Maturity analysis 2023-26	 2027-32	 After 2032	Market value Asset	 Liability	Recognised in comprehensive income	Expected transfers to income statement 2023	 2024	 After 2024
EBITDA impact										
Revenue (UK inflation)	22,295	6,244	9,681	6,370	-	(3,070)	(3,366)	-	(202)	(3,164)
Financial items impact										
Interest payments (fixed)	15,678	-	-	15,678	478	(3)	2,727	49	189	2,489

Cash flow hedge accounting 2021 DKKm		2022-26	2027-31	After 2031				2022	2023	After 2023
EBITDA impact										
Revenue (UK inflation)	31,326	6,792	11,503	13,031	-	(1,953)	(2,395)	-	-	(2,395)
Divestments (fixed inflation)	4,379	751	1,326	2,302	16	(872)	(414)	(414)	-	-
Divestments (fixed interest)	13,328	2,230	-	11,098	118	(59)	59	59	-	-
Financial items impact										
Interest payments (fixed)	14,715	-	-	14,175	713	-	633	(25)	(16)	674

Contracts accounted for at fair value through profit or loss (financial items) DKKm	2022 Contractual principal amount	 Market value	2021 Contractual principal amount	 Market value
Interest rate swaps	8,902	1,103	8,833	39

Interest rate swaps are used to adjust the maturity of our bond portfolio.

We hedge our UK inflation risk related to revenue from ROC and CfD wind farms. Furthermore, we hedge the interest and inflation risk related to divestments. In 2020, we have hedged the interest on expected USD bond debt issuance (USD interest risk) in 2022. The bond issuance occurred in EUR instead, and we have postponed the USD issuance to 2023 and 2024. Due to the postponement, we have recongised ineffectiveness of DKK 529 million related to the US interest rate hedges in financial income.

6.5 Credit risks

Offsetting of financial assets DKKm	Derivatives	Trade receivables	2022	Derivatives	Trade receivables	2021
Financial assets	43,507	121,693	165,200	79,781	43,203	122,984
Financial liabilities, offset	(22,232)	(114,438)	(136,670)	(57,533)	(38,009)	(95,542)
Financial assets in the balance sheet	**21,275**	**7,255**	**28,530**	**22,248**	**5,194**	**27,442**
Amounts not offset in the balance sheet:						
Liabilities with offsetting rights	(7,094)	-	(7,094)	(6,812)	-	(6,812)
Collateral received	(4,515)	-	(4,515)	(3,430)	-	(3,430)
Net	**9,666**	**7,255**	**16,921**	**12,006**	**5,194**	**17,200**

Offsetting of financial liabilities DKKm	Derivatives	Trade payables	2022	Derivatives	Trade payables	2021
Financial liabilities	60,891	121,661	182,552	101,541	43,816	145,357
Financial assets, offset	(22,232)	(114,438)	(136,670)	(57,533)	(38,009)	(95,542)
Financial liabilities in the balance sheet	**38,659**	**7,223**	**45,882**	**44,008**	**5,807**	**49,815**
Amounts not offset in the balance sheet:						
Assets with offsetting rights	(7,094)	-	(7,094)	(6,812)	-	(6,812)
Collateral provided	(2,744)	-	(2,744)	(4,973)	-	(4,973)
Net	**28,821**	**7,223**	**36,044**	**32,223**	**5,807**	**38,030**

Credit quality of the Group's counterparties DKKm	2022	2021
AAA/Aaa	23,351	18,215
AA/Aa	2,568	3,385
A/A	23,551	12,323
BBB/Baa	15,665	14,551
Other	16,649	9,056
Total credit exposure	**81,784**	**57,530**

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 the EU, the UK, Switzerland, and the US.

We limit our credit risks by:
- rating significant counterparties
- granting credit limits
- demanding that collateral be furnished or credit security put in place for weak counterparties.

The counterparties and credit limits granted are monitored on an ongoing basis. The monitoring is based on the framework established by our Board of Directors and the Group Executive Risk Committee.

For the most significant counterparties, an internal rating is assigned in connection with establishing credit limits. The rating is based on information from external credit rating agencies, publicly available information, and our own analyses.

We have not suffered losses from any single major counterparty in 2022 or 2021.

The credit risks from our financial assets primarily concern derivatives, cash, securities, and receivables. The assessment is based on the individual counterparty's ratings with Standard & Poor's, Moody's, and Fitch. The figures do not reflect our actual credit exposure, as the positions are calculated before offsetting our debt to such counterparties.

↖ The table shows our financial assets and liabilities where a share is offset and therefore presented net. Offsetting is typically limited to specific products.

← The AAA/Aaa category covers our position in Danish AAA-rated government and mortgage bonds. The other category primarily consists of trade receivables from customers, such as end users.

Accounting policies

We only offset positive and negative values if we are entitled to and intend to settle several financial instruments net.

6.6 Fair value measurement

			Assets	Liabilities
Fair value hierarchy DKKm	Inventories	Derivatives	Securities	Derivatives
2022				
Quoted prices	3,442	14,474	-	12,871
Observable input	-	10,200	25,197	29,438
Non-observable input	-	563	-	15,250
Total	**3,442**	**25,237**	**25,197**	**57,559**
2021				
Quoted prices	2,773	5,574	-	8,799
Observable input	-	9,991	21,228	32,313
Non-observable input	-	1,229	-	8,677
Total	**2,773**	**16,794**	**21,228**	**49,789**

We measure our securities and derivatives at fair value. A number of our derivatives, mainly power purchase agreements, are measured based on unobservable inputs due to the long duration of the contracts. The most significant non-observable inputs are the long-term US power prices (mainly ERCOT) and German power prices.

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 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 Team.

Initial fair value from power purchase agreements

The initiation fair value from CPPAs consist of the market value of CPPAs purchased as part of a business combination or asset acquisition. The CPPAs lock the power price of the expected power generation over a period of 10-20 years. These contracts are accounted for at fair value. Due to the long duration of these CPPAs, power prices are not observable for a large part of the duration.

The initial negative fair value from CPPAs is recognised as revenue in profit or loss in the future period to which the market value relates. In 2022, we have recognised an income of DKK 228 million (2021: DKK 139 million) related to the initial fair value from CPPAs. The total amount of initial fair value as of 31 December 2022 amounts to a loss of DKK 1,497 million (2021: loss of DKK 834 million), which will be recognised as revenue in a future period.

Derivatives valued on the basis of unobservable input

DKKm	2022	2021
Market value at 1 January	(7,448)	(82)
Value adjustments through profit or loss	(322)	(374)
Value adjustments through other comprehensive income	(6,476)	(5,997)
Sales/redemptions	1,190	29
Purchases/issues	(497)	(1,043)
Transferred from quoted prices and observable input	(1,773)	(3)
Transferred to quoted prices and observable input	639	22
Market value at 31 December	**(14,687)**	**(7,448)**

Unobservable input per commodity price input

DKKm		
US power prices	(7,762)	(3,207)
German power prices	(5,030)	(2,914)
Other power prices	(1,825)	(1,139)
Gas prices	(70)	(188)
Total	**(14,687)**	**(7,448)**

The main unobservable inputs are US power prices and German power prices.

		Power price (DKK)		Sensitivity (DKKm)	
Overview of significant unobservable inputs and sensitivities	Weight average	Monthly minimum	Monthly maximum	+25%	-25%
Intermittency adjusted power price					
Germany (2025-2034)	800	515	1,474	(2,053)	+2,053
Ireland (2023-2042)	874	604	1,820	(256)	+256
US ERCOT (2023-2030)	231	92	800	(3,294)	+3,334
US SPP (2023-2030)	208	140	421	(542)	+583
US MISO (2023-2023)	399	297	622	(651)	+677

The table shows the significant unobservable inputs used in the fair value measurements categorised as level 3 of the fair value hierarchy, together with a sensitivity analysis as at 31 December 2022. If intermittency-adjusted power prices in Germany as of 31 December 2022 increased/decreased by 25%, the market value would decrease/increase by DKK 2,053 million.

Significant non-observable inputs

Market values based on non-observable input primarily comprise long-term contracts on the purchase or sale of power and gas. Since there are no active markets for the long-term prices of power and gas, the market values have been determined through an estimate of the future prices.

Estimating non-observable power prices

Since our CPPAs are normally settled on the actual production, and the power prices available in the market are based on a constant production (flat profile), we take into account that our expected production is not constant, and thus our CPPAs will not be settled against a flat profile price (intermittency adjustment). For the majority of our markets, the flat profile power price can be observed for a maximum of four to six years in the market, after which an active market no longer exists.

Accounting policies

Market values based on quoted prices comprise quoted securities and derivatives that are traded in active markets. The market value of derivatives traded in an active market is 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, gains (losses) at initial recognition of derivatives whose values are based on non-observable inputs are deferred and recognised in the period to which the value relates.

6.7 Energy trading portfolio

Overview of the Group's energy trading portfolio[1] DKKm	2022 Contractual principal amount	2022 Market value	2021 Contractual principal amount	2021 Market value
Power swaps	4,683	2,988	4,980	1,618
Power options	3,060	10,013	4,724	5,297
Gas swaps and options	3,601	1,430	2,929	(4,093)
Oil swaps and options	498	(807)	434	(731)
Other	74	(6)	498	(58)

Market trading mandates[2]

VaR limit in 2022: DKK 100 million	Stress limit in 2022: DKK 400 million	Maximum open positions in trading portfolio
VaR indicates the largest loss in one trading day at a probability of 95 %. VaR is based on data for the past 45 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. 6 TWh of power – Max. 9.5 TWh of gas – Max. 1 million boe of oil – Max. 1.5 million tonnes of carbon emissions – Max. 0.5 million tonnes of coal and biomass

1 The contractual principal amount has been determined as the net position per derivative type. The risks associated with our options are smaller than for our swaps. The market value mostly consists of received exposure from our assets with settlement at maturity, whereas part of the external trade is settled on a daily basis.

2 Trading activities are carried out under 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.).

3 The graph shows the daily VaR position for the period 2021-2022. VaR reached DKK 280 million on 9 March 2022, causing a passive breach of the Board of Directors' mandate of DKK 100 million due to the Russian invasion of Ukraine and the large reduction in gas supplies to Europe, causing the European energy prices to spike. In 2022, there were further passive breaches in August due to Russian gas supply cuts and in September-November due to a halt of gas through the Nord Stream 1 and 2 pipelines after the explosions in September.

Trading portfolio

The purpose of our trading portfolio is to:
- optimise hedging contracts
- contribute to increased market insight
- profit from short-term fluctuations in energy prices.

The energy trading portfolio receives the exposure from our assets and takes that exposure into the external market in the most efficient way possible, given the mandates shown to the left. The overview of the Group's energy trading portfolio to the left is the net of the internal exposures received from the assets and the external trades in line with internal risk management.

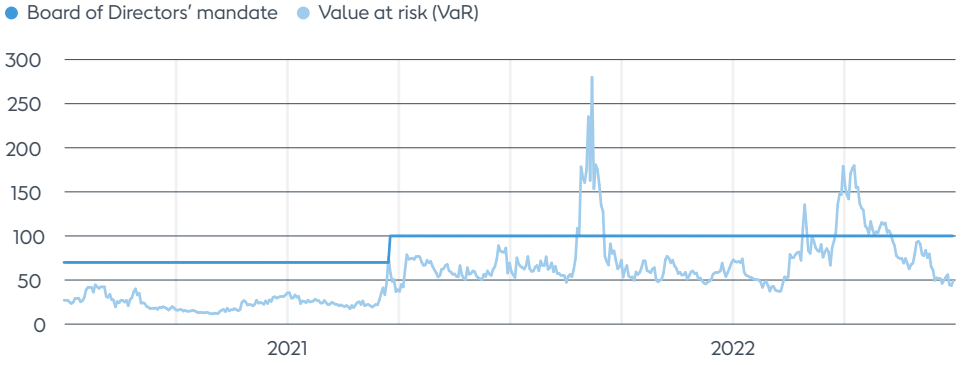
The trading portfolio primarily consists of positions in power and gas.

The trading portfolio constitutes a smaller part of our total portfolio of derivatives, and the associated risk is limited.

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.

Daily position in the trading portfolio, market trading mandates[3]
DKKm



6.8 Categories of financial instruments

Categories of financial instruments

DKKm	2022	2021
Energy and currency derivatives	16,389	967
Securities	25,197	21,228
Financial assets measured at fair value via the income statement	**41,586**	**22,195**
Energy derivatives	6,709	14,314
Interest and inflation derivatives	1,661	847
Currency derivatives	478	666
Derivatives (assets) used as hedging instruments	**8,848**	**15,827**
Trade receivables	12,701	9,565
Other accounts receivable	28,108	24,111
Financial assets measured at amortised cost	**40,809**	**33,676**
Energy and currency derivatives	11,165	8,303
Financial liabilities measured at fair value via the income statement	**11,165**	**8,303**
Energy derivatives	41,237	35,174
Interest and inflation derivatives	2,083	2,884
Currency derivatives	3,073	3,428
Derivatives (liabilities) used as hedging instruments	**46,393**	**41,486**
Bank loans and issued bonds	63,281	50,995
Trade payables	20,641	20,231
Other accounts payable	11,310	7,368
Financial liabilities measured at amortised cost	**95,232**	**78,594**

The table shows our financial instruments divided into categories. The categories indicate how the financial instruments are recognised in the financial statement.

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 5.1 'Interest-bearing debt'.

6.9 Sensitivity analysis of financial instruments

Sensitivity analysis of financial instruments DKKm		31 December 2022		31 December 2021	
Risk	Price change	Effect on profit (loss) before tax	Effect on equity before tax	Effect on profit (loss) before tax	Effect on equity before tax
Oil	25%	(533)	277	(608)	32
	-25%	608	(6)	608	(32)
Gas	25%	(764)	177	(731)	(375)
	-25%	764	(177)	731	375
Power	25%	(1,791)	(14,382)	(549)	(12,152)
	-25%	1,794	14,402	554	12,278
USD	10%	(947)	(853)	(451)	(440)
	-10%	947	853	445	440
GBP	10%	(2,430)	(4,727)	(3,041)	(6,421)
	-10%	2,430	4,727	3,041	6,421
NTD	10%	(743)	-	(134)	-
	-10%	743	-	134	-
EUR	1%	(899)	(125)	67	67
	-1%	899	125	(66)	(67)
Interest	1% point	(332)	1,224	(234)	1,737
Inflation	1% point	-	(2,162)	-	(4,419)

The sensitivity analysis in the table shows the effect of market value changes, assuming a relative price change at 31 December 2022.

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.

Effect on equity before tax comprises financial instruments that remained open at the balance sheet date, and which are value-adjusted directly in equity.

Financial instruments include derivatives as well as receivables and payables in foreign currencies.

The illustrated sensitivities only comprise the impacts from our financial instruments.

If the hedged exposure had been included in the sensitivity analysis, the effect of a price change would have been reduced or offset entirely.

Net investments and associated hedging of net investments in foreign subsidiaries are not included in the table, as the effects of the sum of the investments 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 6,257 million (2021: DKK 5,131 million).

7. Other notes

7.1 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, and other senior executives.

See note 7.4 'Company overview' for an overview of our joint ventures and associates.

Related-party transactions are made on arm's length terms. Intra-group transactions have been eliminated in the consolidated financial statements.

The remuneration and share programmes for the Group Executive Team and the Board of Directors are described in notes 2.7 'Employee costs' and 2.8 'Share-based payment'.

Through a directly owned company, Peter Korsholm, board member, has had ordinary transactions with Danish Oil Pipe A/S, a wholly-owned subsidiary in the Ørsted Group.

We use the exemption set out in IAS 24.25 concerning entities in which the Danish state is a related party, and therefore transactions with government-related companies are not disclosed.

There were no other related-party transactions during the period.

Joint ventures

DKKm	2022	2021
Dividends received	70	59
Capital transactions, net	(92)	(43)
Receivables	-	20
Payables	-	-

Associates

DKKm		
Capital transactions, net	(37)	(22)
Sale of goods and services	14	6
Purchase of goods and services	(180)	(136)
Receivables	-	1
Payables	(44)	(17)

Board of Directors

DKKm		
Purchase of goods and services	-	(8)

7.2 Auditor's fees

Auditor's fees

DKKm	2022	2021
Audit and audit-related fees		
Statutory audit	25	22
Other assurance engagements	4	2
Non-audit services		
Tax and VAT advice	3	7
Other services	3	4
Total fees to PwC	**35**	**35**
Fee for non-audit services in percent of statutory audit fee	**37%**	**41%**
PwC Denmark non-audit service ratio	**69%**	**58%**

Effective from 1 January 2020, the non-audit services provided by the Group auditor in Denmark cannot exceed 70%.

PwC is Ørsted's auditor appointed by the annual general meeting. PwC audits the consolidated financial statements of Ørsted and our subsidiaries' statutory financial statements in all the countries where we are represented.

It is our policy that the annual fee for non-audit services provided by our statutory auditor cannot exceed the annual fee for statutory audit services measured at Group level. The cap may be exceeded subject to approval by the Audit & Risk Committee.

Other assurance engagements primarily included reviews of ESG data, assurance services related to the issuance of bonds, and reviews of regulatory financial statements.

Tax and VAT advice primarily included advice in connection with tax due diligence, transfer pricing advice, and advice in connection with the preparation and review of tax returns.

Other services included other consultancy services, primarily related to vendor due diligence and leadership support.

Fees for services other than statutory audit supplied by PwC Denmark to Ørsted amounted to DKK 7 million (2021: DKK 4 million) and consisted of assurance services related to the issuance of bonds, due diligence, review of ESG data, and other general accounting, tax, and transfer pricing advice.

7.3 Alternative performance measures

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 is a supplementary statement for cash flows from operating activities. EBITDA adjusted for gain (loss) on divestment of assets; change in provisions and other adjustments; income tax paid; interest and similar items, received or paid, including capitalised interest expenses; 50% of coupon payments on hybrid capital; dividends received and capital reductions.
Adjusted interest-bearing net debt	Adjusted interest-bearing net debt is interest-bearing net debt plus: – cash and securities not available for distribution (excluding repo loans) – 50% of hybrid capital
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 and divestments less gross investments.
Capital employed	Capital employed are all assets and liabilities, except for equity and interest-bearing net debt.
Average capital employed	$\frac{\text{Capital employed at beginning of year + capital employed at year-end}}{2}$
Return on capital employed (ROCE)	$\frac{\text{EBIT}}{\text{Average capital employed}}$
Proposed dividend per share (DPS)	$\frac{\text{Total proposed dividend}}{\text{Number of shares at year-end}}$
Dividend yield	$\frac{\text{Dividend per share (proposed)}}{\text{Share price on the last trading day of the year}}$
Average number of shares	$\frac{1}{\text{Number of days}} \times \sum_{i=1}^{\text{Number of days}} X1$
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	$\frac{\text{Shareholder's share of the profit (loss) for the period}}{\text{Average number of shares}}$
Diluted profit (loss) per share	$\frac{\text{Shareholder's share of the profit (loss) for the period}}{\text{Average number of shares, including dilutive effect of free shares}}$

7.4 Company overview

Segment/company	Country	Type[1]	Ownership interest
Parent Company			
Ørsted A/S	Denmark		
Offshore			
Anholt Havvindmøllepark I/S[3]	Denmark	JO	50%
Borkum Riffgrund 2 Offshore Wind Farm GmbH & Co. oHG	Germany	JO	50%
Borssele Windfarm C.V.	The Netherlands	JO	50%
Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG	Germany	JO	50%
Gode Wind 2 Offshore Wind Farm P/S GmbH	Germany	JO	50%
Greater Changhua Offshore Wind Farm SE Ltd2	Taiwan	JO	50%
Greater Changhua Offshore Wind Farm SW Ltd2	Taiwan	S	100%
Hornsea 1 Limited[2]	The UK	JO	50%
North East Offshore, LLC	The US	JO	50%
Ocean Wind LLC[2]	The US	NC	75%
Orsted Borssele Holding B.V.	The Netherlands	S	100%
Orsted Hornsea 1 Holdings Limited	The UK	S	100%
Orsted Hornsea Project Three (UK) Ltd	The UK	S	100%
Orsted Hornsea Two Holdings Ltd	The UK	S	100%
Orsted London Array II Limited	The UK	S	100%
Orsted North America Inc	The US	S	100%
Orsted Power (UK) Ltd	The UK	S	100%
Orsted Race Bank (Holding) Ltd	The UK	S	100%
Orsted Taiwan Ltd	Taiwan	S	100%
Orsted Walney Extension Holdings Limited	The UK	S	100%
Orsted West of Duddon Sands (UK) Ltd	The UK	S	100%
Revolution Wind, LLC	The US	S	100%
Soundmark Wind Limited	The UK	S	100%
Walney (UK) Offshore Windfarms Limited	The UK	S	50%
West Of Duddon Sands	The UK	JO	50%
Ørsted Horns Rev 2 A/S	Denmark	S	100%
Ørsted Vind A/S	Denmark	S	100%
Ørsted Wind Power A/S[4]	Denmark	S	100%
Ørsted Wind Power Holding A/S	Denmark	S	100%
Onshore			
2W Permian Solar, LLC	The US	S	100%
Haystack Wind Project, LLC	The US	S	100%
Helena Wind, LLC	The US	S	100%
Lincoln Land, LLC	The US	S	100%
Old 300 Solar Center, LLC	The US	S	100%
Orsted Onshore Ireland Green Energy Limited	Ireland	S	100%
Western Trail Wind, LLC	The US	S	100%
Ørsted Onshore Holding A/S	Denmark	S	100%
Bioenergy & Other			
Orsted AB	Sweden	S	100%
Orsted Power Sales (UK) Limited	The UK	S	100%
Orsted Sales (UK) Limited	The UK	S	100%
Ørsted Bioenergy & Thermal Power A/S[4]	Denmark	S	100%
Ørsted Salg & Service A/S[4]	Denmark	S	100%
Shared functions			
Ørsted North America Holding A/S	Denmark	S	100%
Ørsted Wind Power TW Holding A/S	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 3.8 'Tax equity liabilities'. The company is fully consolidated.

Companies without significant activities are not included in the list.
A full comprehensive list of companies is available at: https://orsted.com/company-overview

7.5 Events after the reporting period

In January 2023, Ørsted signed an agreement to acquire Public Service Enterprise Group's (PSEG) 25% equity stake in the 1,100 MW offshore wind energy project Ocean Wind 1. The acquisition provides Ørsted with 100% ownership of Ocean Wind 1. The transaction between Ørsted and PSEG is expected to close in the first half of 2023, pending the required closing conditions.

Consolidated ESG statements
(additional information)

156 Basis of reporting
157 ESG performance indicators
160 Accounting policies

This year, we made a first-of-its-kind agreement with North America's Building Trades Unions to construct our US offshore wind farms with a union workforce based in the US.

The agreement sets a high bar for working conditions, injects millions of dollars into the economy, creates training and job opportunities for those most impacted by environmental injustice, and ensures our projects will be built by the safest and best-trained workers in the US.

Basis of reporting

In the consolidated ESG statements, we present our results, objectives, and accounting policies for the ESG data, including business drivers and taxonomy-aligned data, which is presented in the management's review in this report.

Consolidated environmental, social, and governance (ESG) statements

Our full ESG data set can be seen in the independent publication 'ESG performance report 2022'. 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. Joint operations are also included with Ørsted's proportionate share. Data from associates and joint ventures is not included.

The consolidation of safety data deviates from the above-described principles. Safety data is collected using an operational scope. This means that irrespective of our ownership share, we include 100 % of injuries and hours worked, etc., arising from all operations where Ørsted is responsible for safety, including safety related to external suppliers. Data from acquisitions and divestments is included or excluded from the date of acquisition or divestment.

Danish Financial Statements Act, sections 99 a, 99 b, and 107 d

Pursuant to section 99 a of the Danish Financial Statements Act (Årsregnskabsloven), Ørsted is under an obligation to account for the company's sustainability 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/sustainability2022), Ørsted complies with section 99 a of the Danish Financial Statements Act.

Ørsted's work for increased gender diversity at leadership level is reported in accordance with section 99 b of the Danish Financial Statements Act in our ESG performance report 2022 (orsted.com/ESGperformance2022).

Reporting on diversity in accordance with section 107 d of the Danish Financial Statements Act can be seen in our sustainability report (orsted.com/sustainability2022).

Taxonomy Regulation (EU) 2020/852

In line with Regulation (EU) 2020/852, we disclose our taxonomy-aligned share of revenue (turnover), CAPEX, and OPEX for 2022. The results and full details, including accounting policies, can be found in the ESG performance report 2022 (orsted.com/ESGperformance2022), and highlights are presented as part of the sustainability programmes in the sustainability report 2022.

Business changes in 2022 affecting ESG data

There were no material business changes impacting the ESG data in 2022.

New ESG indicators in 2022 consolidated ESG statements

- Taxonomy-aligned revenue, CAPEX, OPEX, and EBITDA.
- Gender with lowest representation (female): senior directors and above and people leaders.

15.1 GW
Our installed renewable capacity increased by 17 % from 2021 to 2022. We have a target of ~50 GW installed renewable capacity in 2030.

91 %
The green share of our heat and power generation increased to 91 % in 2022. We have a target of 99 % in 2025.

60 g CO_2e/kWh
Our scope 1 and 2 greenhouse gas intensity was 60 g CO_2e/kWh in 2022. Our targets are to reach 10 g CO_2e/kWh in 2025 and 1 g CO_2e/kWh in 2040.

73 %
In 2022, 73 % of Ørsted's revenue was associated with taxonomy-aligned activities.

Our full ESG data set can be seen in the ESG performance report 2022 (orsted.com/ESGperformance2022)

ESG performance indicators

Taxonomy-aligned KPIs	Unit	2022	2021
Taxonomy-aligned revenue (turnover)	%	73	66[1]
Taxonomy-aligned CAPEX	%	99	99[1]
Taxonomy-aligned OPEX	%	80	80[1]
Taxonomy-aligned EBITDA (voluntary)	%	85	90[1]

Business drivers		Target	2022	2021
Installed renewable capacity	**MW**	**~50 GW (2030)**	**15,121**	**12,977**
Offshore	MW	~30 GW (2030)	8,871	7,551
Onshore	MW	~17.5 GW (2030)[2]	4,175	3,351
Other (incl. PtX)	MW	~2.5 GW (2030)	2,075	2,075
Decided (FID'ed) renewable capacity	**MW**		**4,340**	**4,725**
Offshore	MW		2,196	3,386
Onshore	MW		2,072	1,337
Other (incl. PtX)	MW		72	2
Awarded and contracted renewable capacity	**MW**		**11,222**	**8,435**
Offshore	MW		11,157	8,435
Onshore	MW		65	-
Sum of installed and FID'ed renewable capacity	**MW**		**19,461**	**17,702**
Offshore	MW		11,067	10,937
Onshore	MW		6,247	4,688
Other (incl. PtX)	MW		2,147	2,077
Firm renewable capacity (installed, FID'ed, and awarded/contracted capacity)	**MW**		**30,683**	**26,137**
Total heat and power generation	**GWh**		**42,009**	**36,957**
Power generation	GWh		35,641	29,050
– Offshore	GWh		16,483	13,808
– Onshore	GWh		13,146	8,352
– Bioenergy & Other	GWh		6,012	6,890
Heat generation, Bioenergy & Other	GWh		6,368	7,907

Taxonomy-aligned KPIs
Our share of revenue (turnover) associated with taxonomy-aligned activities in 2022 was 73%. This proportion included revenue from our wind and solar farms (65%) and from our sustainable biomass-based generation activities at our combined heat and power (CHP) plants (8%).

Business drivers
The installed renewable capacity increased by 17% in 2022 due to the commissioning of Hornsea 2 (offshore wind, 1,320 MW), Haystack (onshore wind, 298 MW), Helena Wind (onshore wind, 268 MW), Kennoxhead (onshore wind, 62 MW), Ford Ridge (onshore wind, 121 MW) and the acquistion of Ostwind (75 MW).

The total energy generation increased by 14% in 2022, driven by increased offshore and onshore generation capacities and higher offshore wind speeds.

Offshore wind power generation increased by 19% to 16.5 TWh in 2022. The increase was mainly due to generation from Hornsea 2 commissioned in 2022 and higher wind speeds.

Onshore power generation increased by 57% to 13.1 TWh in 2022. The increase was due to additional generation from our new onshore wind farms installed in 2022 and full-year effects from wind farms installed in 2021. It was also due to the full-year effect from the two US solar farms commissioned in 2021 and a new solar farm coming online in 2022.

Heat and power generation in Bioenergy & Other decreased by 16% in 2022. This was due to lower heat demand in 2022 as a result of warmer weather and a decrease in power generation from the CHP plants due to the lower heat demand, partly offset by increased condensing power generation due to higher power spot prices.

1 2021 numbers are taxonomy-eligible proportions.

2 The 17.5 GW (2030) target is for onshore wind power, solar PV, and battery storage combined.

Business drivers (continued)	Unit	Target	2022	2021
Green share of energy generation	**%**	**99 (2025)**	**91**	**90**
– Bioenergy & Other	%		68	76
Offshore				
Generation capacity	MW		4,672	3,970
Wind speed	m/s		9.5	9.1
Wind speed, normal wind year	m/s		9.7	9.7
Availability	%		94	94
Load factor	%		42	39
Power sales	GWh		33,745	25,020
Onshore[1]				
Wind speed	m/s		7.4	7.4
Wind speed, normal wind year	m/s		7.3	7.6
Availability, wind	%		93	96
Load factor, wind	%		40	42
Availability, solar PV	%		98	96
Load factor, solar PV	%		25	24
Bioenergy & Other				
Degree days, Denmark	Number		2,548	2,820
Gas sales	GWh		31,637	61,349
Power sales	GWh		5,399	8,797
Ørsted				
Power sales[2]	GWh		33,745	25,020

Environment		Target	2022	2021
Direct greenhouse gas (GHG) emissions (scope 1)	Thousand tonnes CO_2e		2,510	2,142
Indirect GHG emissions (scope 2), location-based	Thousand tonnes CO_2e		45	53
Indirect GHG emissions (scope 2), market-based	Thousand tonnes CO_2e		1	1
Indirect GHG emissions (scope 3)	**Thousand tonnes CO_2e**	**50% reduction (2032)[3]**	**10,983**	**18,179**
– Category 2: Capital goods[4]	Thousand tonnes CO_2e		1,456	1,621
– Category 3: Fuel- and energy-related activities[5]	Thousand tonnes CO_2e		1,836	2,011
– Category 11: Use of sold products[6]	Thousand tonnes CO_2e	90% reduction (2040)[3]	7,309	14,206
– Other	Thousand tonnes CO_2e		382	341
GHG intensity (scope 1 and 2)	g CO_2e/kWh	10 (2025), 1 (2040)	60	58
GHG intensity (scope 1, 2, and 3)	g CO_2e/kWh	2.9 (2040)[7]	147	165

Business drivers (continued)
The green share of energy generation increased to 91% in 2022. This was primarily due to increased renewable generation from offshore wind, onshore wind, and solar PV, partly offset by reduced generation from sustainable biomass. Our target is 99% green energy generation by 2025.

Offshore wind speeds were slightly higher in 2022, while availability continued to be at 94%, resulting in the load factor increasing by 3 percentage points to 42% in 2022. Onshore wind speeds were the same in 2022 as in 2021. Availability and load factor decreased by 3 percentage points and 2 percentage points in 2022, respectively.

Gas sales decreased by 48% to 31.6 TWh in 2022. This was primarily due to lower UK sourcing volumes and lower offtake on our Gazprom Export supply contract.

Power sales (Offshore) increased by 8.7 TWh to 33.7 TWh in 2022, primarily due to increased volumes sold from third-party wind farms where we are responsible for balancing and increased volumes sold on behalf of our partners. Power sales (Bioenergy & Other) decreased by 3.4 TWh to 5.4 TWh in 2022, primarily due to the phasing out of our UK B2B business.

Environment
Our greenhouse gas (GHG) intensity (scope 1 and 2) increased by 3% to 60 g CO_2e/kWh in 2022 due to increased GHG emissions from coal consumption, partly offset by increased energy generation. Coal consumption increased due to the energy crisis in Europe and a fire in a wood pellet silo at Studstrup Power Station. We are well on track to meeting our target of a GHG emission intensity of no more than 10 g CO_2e/kWh in 2025, assuming we are allowed by the Danish authorities to close down our coal-based generation in 2024.

Our scope 3 GHG emissions were reduced by 40% from 2021 to 2022. The main driver for this was the 48% decrease in gas sales.

1 For 2021, data is shown for US only.
2 Offshore is responsible for Ørsted's total power sales, including internal power sales to Bioenergy & Other, which are eliminated at Group level.
3 A reduction from the adjusted base year 2018.
4 Primary source of emissions: upstream GHG emissions from new assets commissioned.
5 Primary source of emissions: regular power sales.
6 Primary source of emissions: natural gas sales.
7 Excludes scope 3 emissions from use of sold products (natural gas sales).

Social	Unit	Target	2022	2021
Employees				
Total number of employees (as of 31 December)	FTEs		8,027	6,836
– Gender with lowest representation (female), senior directors and above	%	40 (2030)	22	19
– Gender with lowest representation (female), people leaders	%	40 (2030)	31	30
– Gender with lowest representation (female), all employees	%	40 (2030)	33	31
Average number of employees during the year	FTEs		7,428	6,508
Employee satisfaction	Index 0-100	Top 10%[1]	76	77
Safety				
Total recordable injury rate (TRIR)	Injuries per million hours worked	2.5 (2025)	3.1	3.0
Fatalities	Number		0	0

Governance			2022	2021
Board of Directors, Ørsted A/S				
Independent board members	%		88	88
Members, female	Number		3	3
Members, male	Number		5	5
Gender with lowest representation (female)	%		38	38
Group Executive Team				
Members, female	Number		3	2
Members, male	Number		8	4
Gender with lowest representation (female)	%		27	33
Substantiated whistle-blower cases	**Number**		**8**	**5**
– Cases transferred to the police	Number		1	0

Social
The number of employees increased by 17% from 2021 to 2022 due to growth in both existing and new markets.

Employee satisfaction continued to be high. With a satisfaction and motivation score of 76 in 2022, we were above our external survey provider's benchmark but below our target of being in the top 10% compared to our benchmark peer group.

Our total recordable injury rate (TRIR) increased from 3.0 in 2021 to 3.1 in 2022. The increase was driven by an increased amount of TRIs among contractor employees, partly offset by a reduction in TRIs from our own employees. Total hours worked was at the same level in 2022 as in 2021. As part of our efforts to improve safety, dedicated TRIR reduction plans have been implemented in 2022, including increased leadership involvement and leadership interventions, safety stand-downs, and targeted safety campaigns on specific issues.

Governance
Our employees and other associates may report serious offences, such as cases of bribery, fraud, and other inappropriate or illegal conduct, to our whistle-blower scheme or through our management system.

In 2022, eight substantiated cases of inappropriate or unlawful behaviour were reported through our whistle-blower scheme. Six cases related to violations of our 'Good business conduct policy', while one case concerned IT security, and one case concerned workplace environment. None of the reported cases were critical to our business, nor caused adjustments to our financial results. One case required a police report.

1 Our target is to have an employee satisfaction survey result in the top ten percentile compared to an external benchmark group.

Accounting policies

Taxonomy-aligned KPIs

Taxonomy-aligned revenue (turnover)
The share of our taxonomy-aligned revenue (turnover) is calculated as the revenue derived from products or services associated with taxonomy-aligned economic activities as a proportion of our total revenue (see p. 85).

Taxonomy-aligned CAPEX
The share of our taxonomy-aligned CAPEX is calculated as the CAPEX related to assets or processes associated with taxonomy-aligned economic activities as a proportion of our CAPEX that is accounted for based on IAS 16 (73: (e)(i) and (iii)), IAS 38 (118: (e)(i)), and IFRS 16 (53: (h)) and thereby included in 'Additions' and 'Addition on acquisition of enterprises' (see p. 97).

Carbon emission allowances have been excluded from the total CAPEX (DKKm) as these are of an operational nature. Goodwill has also been excluded.

Taxonomy-aligned OPEX
The share of our taxonomy-aligned OPEX is calculated as the OPEX related to assets or processes associated with taxonomy-aligned economic activities as a proportion of our OPEX that is included in 'Other external expenses' (see p. 71).

We have chosen to use 'Other external expenses' as this is currently the best-available OPEX number in our Group financial accounts that is related to the OPEX KPI definition in the regulation.

Taxonomy-aligned EBITDA (voluntary)
This is a voluntary disclosure. The share of our taxonomy-aligned EBITDA is calculated as the EBITDA derived from products or services associated with taxonomy-aligned economic activities as a proportion of our total EBITDA (see p. 71).

We have included taxonomy-aligned EBITDA as a voluntary disclosure as EBITDA better reflects our business than revenue. This is because we have an uneven margin on our revenue, where our gas business and sale of power to end customers have a large revenue but a small earnings margin, whilst other areas have a higher margin.

Business drivers

Installed renewable capacity
The installed renewable capacity is calculated as renewable gross capacity installed by Ørsted accumulated over time. We include all capacities after commercial operation date (COD) has been reached, and where we had an ownership share and an EPC (engineering, procurement, and construction) role in the project. Capacities from acquisitions are added to the installed capacity. 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'ed) renewable capacity
Decided (FID'ed) capacity is renewable capacity where a final investment decision (FID) has been made.

Awarded and contracted renewable capacity
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. We include the full capacity if more than 50% of PPAs or offtake are secured. Acquired projects with pre-FID capacity are also included in the awarded and contracted renewable capacity.

Heat and power generation
Power generation from wind and solar farms is determined as generation sold. The offshore wind farms Gunfleet Sands 1 & 2 and Walney 1 & 2 have been consolidated according to ownership interest. Other wind farms, solar farms, and CHP plants have been 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 is provided by the operators.

Heat (including steam) generation is measured as net output sold to heat customers.

Power generation capacity
Power generation capacity for an offshore wind farm is calculated and included from the time when the individual wind turbine has passed a 240-hour test.

The offshore wind farms Gunfleet Sands 1 & 2 and Walney 1 & 2 have been consolidated according to ownership interest. Other wind farms have been financially consolidated.

Wind speeds
Wind speeds for the areas where Ørsted's offshore and onshore wind farms are located are provided to Ørsted by an external supplier. Wind speeds are weighted on the basis of the capacity of the individual wind farms and consolidated to an Ørsted total for offshore and onshore, respectively. 'Normal wind speed' is a historical wind speed average (over a minimum 20-year period).

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 these are due to external factors.

Load factor
The load factor is calculated as the ratio between actual generation over a period relative to potential generation, which is possible by continuously exploiting the maximum capacity over the same period. The load factor is commercially adjusted. This means that the offshore wind farm has been financially compensated by the transmission system operators when it is available for generation, but the output cannot be supplied to the grid due to maintenance or grid interruptions. New offshore wind turbines are included in the calculations of availability and load factor once they have passed a 240-hour test. Onshore wind turbines are included once they have passed commercial operation date (COD).

Degree days
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. It helps compare the heat demand for a given year with a normal year.

Sales
Sales of gas and power are calculated as physical sales to retail customers, wholesale customers, and exchanges. Sales are based on readings from Ørsted's trading systems. Internal sales to our CHP plants are not included in the statement.

Environment

Green share of energy generation
The green (renewable energy) share of our heat and power generation is calculated on the basis of the energy sources used and the energy generated at the different assets.

For combined heat and power (CHP) plants, the share of the specific fuel (e.g. sustainable biomass) is calculated relative to the total fuel consumption for a given plant or unit within a given time period. The specific fuel share is then multiplied by the total heat and power generation for the specific plant or unit in the specific period. The result is the fuel-based generation for the individual unit, for example the sustainable biomass-based generation of heat and power from the CHP plant unit within a given time period.

The percentage shares of the individual energy sources are calculated by dividing the generation from the individual energy source by the total generation.

The following energy sources and fuels are considered to be renewable energy: wind, solar PV, sustainable biomass, biogas, and power sourced with renewable energy certificates. The following energy sources are considered to be fossil energy sources: coal, natural gas, and oil.

Green share of energy generation, Bioenergy & Other
This is calculated as the green share of heat and power generation, but is only shown for the business unit Bioenergy & Other.

Greenhouse gas (GHG) intensity
GHG intensity (scope 1 and 2) is calculated as total scope 1 and scope 2 (market-based) emissions divided by total heat and power generation, revenue, and EBITDA, respectively.

GHG intensity (scope 1, 2, and 3) is calculated as total scope 1, scope 2 (market-based), and scope 3 (excluding natural gas sales) emissions divided by total heat and power generation.

Scope 1 and 2 greenhouse gas (GHG) emissions
Scope 1 and 2 GHG emissions are calculated based on the Greenhouse Gas Protocol.

Scope 1 GHG emissions include all direct emissions of greenhouse gases from Ørsted: carbon dioxide, methane, nitrous oxide, and sulphur hexafluoride. 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 Emissions Trading System (ETS). Carbon dioxide and other greenhouse gas emissions outside the EU ETS scheme are, for the most part, calculated as energy consumption multiplied by emission factors.

Scope 2 GHG emissions include the indirect GHG emissions from the generation of power, heat, and steam purchased and consumed by Ørsted. Scope 2 emissions are primarily calculated as the power volumes purchased multiplied by country-specific emission factors. Location-based emissions are calculated based on average emission factors for each country, whereas market-based emissions take the renewable power purchased into account and assume that the regular power is delivered as residual power where the renewable part has been taken out.

Scope 3 greenhouse gas (GHG) emissions
Scope 3 GHG emissions are reported based on the Greenhouse Gas Protocol, which divides the scope 3 inventory into 15 sub-categories.

GHG emissions from capital goods include upstream GHG emissions from acquired and installed wind and solar farms in the month when the wind or solar farm has reached commercial operation date (COD). Carbon emissions are included from cradle to operations.

GHG emissions from fuel- and energy-related activities are calculated based on actual fuel consumption and power sales, multiplied by relevant emission factors. We include all power sales to end customers and use separate emission factors for green (with renewable certificates) and regular (without renewable certificates) power sales.

GHG emissions from use of sold products are calculated based on actual sales of gas to both end users and wholesalers as reported in our ESG consolidation system. The total gas sale is divided into natural gas, LNG, and biogas, which have specific upstream and downstream emission factors.

'Other' includes GHG emissions from:
- category 1: Purchased goods and services
- category 4: Upstream transportation and distribution
- category 5: Waste generated in operations
- category 6: Business travel
- category 7: Employee commuting
- category 9: Downstream transportation and distribution.

Social

Employees
Employee data is 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.

'Gender with the lowest representation (female)' represents the gender distribution of our senior directors and above, our people leaders, and the total workforce in Ørsted.

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 omitted from the survey results: 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.

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 our contractors. Data from all Ørsted locations are recognised.

The total recordable injury rate (TRIR) is calculated as the number of total recordable injuries per one million hours worked. The number of hours worked is based on 1,667 working hours annually per full-time employee and monthly records of the number of employees converted into full-time employees. For suppliers, the actual number of hours worked is recognised on the basis of data provided by the suppliers, access control systems at locations, or estimates.

Fatalities are the number of employees who lost their lives as a result of a work-related incident.

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.

Group Executive Team
The Group Executive Team consists of the Executive Board (our CEO, CFO, and Chief HR Officer) and eight additional members, who undertake the day-to-day management of Ørsted.

Substantiated whistle-blower cases
Ørsted's whistle-blower hotline is available for internal and external reporting of suspected cases of inappropriate or illegal behaviour. Whistle-blower cases are received and handled by the Internal Audit function, which also receives similar reports through the management system and from compliance officers. All reports are managed in accordance with the guidelines for the handling of whistle-blower reports approved by the Audit & Risk Committee, which is ultimately responsible for the whistle-blower scheme. Only cases which are closed during the financial year, and which have been reported to the Audit & Risk Committee as fully or partially substantiated, are reported.

Cases transferred to the police
Cases transferred to the police are defined as the number of substantiated whistle-blower cases which have been transferred to the police.

Parent company financial statements

163 Income statement
163 Balance sheet
164 Statement of changes in equity
165 Notes

1 Basis of reporting
2 Employee costs
3 Financial income and expenses
4 Tax on profit (loss) for the year and deferred tax
5 Distribution of net profit
6 Property, plant, and equipment
7 Investments in subsidiaries
8 Receivables from subsidiaries
9 Derivatives
10 Securities
11 Loans and borrowings
12 Other provisions
13 Related-party transactions
14 Contingent liabilities
15 Auditor's fees
16 Ownership information

Global container logistics giant Maersk will soon add 12 new ships to its global fleet to be fuelled by e-methanol produced by Ørsted using renewable power from onshore wind and solar PV farms.

This will be the largest ever offtake agreement for green fuels in the maritime industry, with around 300,000 tonnes of e-methanol to be delivered each year from a new power-to-X facility we'll build on the US Gulf Coast.

Income statement

1 January – 31 December

Note	Income statement DKKm	2022	2021
	Revenue	229	198
2	Employee costs	(82)	(62)
	External expenses	(243)	(188)
	Operating profit (loss) before depreciation, amortisation, and impaiment losses (EBITDA)	**(96)**	**(52)**
	Amortisation, depreciation, and impairment losses on property, plant, and equipment	(112)	(111)
	Operating profit (loss) (EBIT)	**(208)**	**(163)**
	Gain/losses on divestment of enterprises	(224)	(1,186)
3	Financial income	23,126	29,420
3	Financial expenses	(19,673)	(10,967)
	Profit (loss) before tax	**3,021**	**17,104**
4	Tax on profit (loss) for the year	344	142
5	**Profit (loss) for the year**	**3,365**	**17,246**

Balance sheet

1 January – 31 December

Note	Assets DKKm	2022	2021
6	Land and buildings	712	791
	Property, plant, and equipment	**712**	**791**
7	Investments in subsidiaries	51,276	36,150
8	Receivables from subsidiaries	163,616	107,894
4	Deferred tax	33	160
	Other receivables	14	15
	Financial assets	**214,939**	**144,219**
	Non-current assets	**215,651**	**145,010**
	Receivables from subsidiaries	28,542	22,097
9	Derivatives	6,661	7,328
	Other receivables	2,702	4,289
	Income tax	56	-
	Receivables	**37,961**	**33,714**
10	Securities	24,428	20,417
	Cash	8,840	3,169
	Current assets	**71,229**	**57,300**
	Assets	**286,880**	**202,310**

Note	Equity and liabilities DKKm	2022	2021
	Share capital	4,204	4,204
	Reserves	2,130	573
	Retained earnings	46,530	49,411
	Proposed dividends	5,675	5,255
	Equity attributable to shareholders in Ørsted A/S	**58,539**	**59,443**
11	Hybrid capital	19,793	17,984
	Equity	**78,332**	**77,427**
12	Other provisions	1,949	1,819
11	Lease liabilities	659	714
11	Bond and bank debt	54,033	25,128
	Payables to subsidiaries	-	310
	Non-current liabilities	**56,641**	**27,971**
12	Other provisions	22	99
	Lease liabilities	107	121
	Bond and bank debt	1,547	19,081
9	Derivatives	5,564	7,523
	Trade payables	64	44
	Payables to subsidiaries	142,297	68,769
	Other payables	2,306	813
	Income tax	-	462
	Current liabilities	**151,907**	**96,912**
	Liabilities	**208,548**	**124,883**
	Equity and liabilities	**286,880**	**202,310**

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 2022	4,204	573	49,411	5,255	59,443	17,984	77,427
Profit (loss) for the year	-	-	2,788	-	2,788	577	3,365
Dividends paid	-	-	2	(5,255)	(5,253)	-	(5,253)
Proposed dividends	-	-	(5,675)	5,675	-	-	-
Value adjustments of hedging instruments	-	2,578	-	-	2,578	-	2,578
Value adjustments transferred to financial income and expenses	-	(583)	-	-	(583)	-	(583)
Tax on changes in equity	-	(438)	-	-	(438)	13	(425)
Coupon payments, hybrid capital	-	-	-	-	-	(529)	(529)
Additions, hybrid capital	-	-	-	-	-	3,693	3,693
Disposals, hybrid capital	-	-	-	-	-	(1,945)	(1,945)
Share-based payments	-	-	4	-	4	-	4
Changes in equity in 2022	**-**	**1,557**	**(2,881)**	**420**	**(904)**	**1,809**	**905**
Equity at 31 December 2022	**4,204**	**2,130**	**46,530**	**5,675**	**58,539**	**19,793**	**78,332**
Equity at 1 January 2021	4,204	43	38,152	4,834	47,233	13,232	60,465
Profit (loss) for the year	-	-	16,506	-	16,506	740	17,246
Dividends paid	-	-	4	(4,834)	(4,830)	-	(4,830)
Proposed dividends	-	-	(5,255)	5,255	-	-	-
Value adjustments of hedging instruments	-	643	-	-	643	-	643
Value adjustments transferred to financial income and expenses	-	33	-	-	33	-	33
Tax on changes in equity	-	(146)	-	-	(146)	86	(60)
Coupon payments, hybrid capital	-	-	-	-	-	(430)	(430)
Additions, hybrid capital	-	-	-	-	-	7,327	7,327
Disposals, hybrid capital	-	-	-	-	-	(2,971)	(2,971)
Share-based payments	-	-	4	-	4	-	4
Changes in equity in 2021	**-**	**530**	**11,259**	**421**	**12,210**	**4,752**	**16,962**
Equity at 31 December 2021	**4,204**	**573**	**49,411**	**5,255**	**59,443**	**17,984**	**77,427**

Share capital composition and dividends are disclosed in note 5.2 'Equity' to the consolidated financial statements. Information on treasury shares is available in the note.

1. Basis of reporting

Accounting policies
The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Statements Act ('Årsregnskabsloven') (reporting class D).

The Danish Financial Statements Act allows us to use certain IFRS standards to interpret the act. Therefore, we have previously implemented IFRS 15 'Revenue' and IFRS 16 'Leases'.

The accounting policies remain unchanged from the previous year.

Unless otherwise stated, the financial statements are presented in Danish kroner (DKK) rounded to the nearest million.

The parent company accounting policies are consistent with the accounting policies described for the consolidated financial statements, with the following exceptions.

Foreign currency translation
We recognise exchange rate adjustments of receivables from and payables to subsidiaries as financial income and expenses in the income statement when the balances are accounted for as part of the total net investment in foreign enterprises. Likewise, we recognise foreign exchange gains and losses on loans and derivatives in the income statement as financial income and expenses when they have been entered into to hedge the net investment in the foreign enterprises.

Revenue
Rental income comprises income from commercial leases and is recognised over the term of the lease. Income from services is recognised when delivery has taken place.

Dividends from investments
Dividends from subsidiaries and associates are recognised in the income statement for the financial year in which the dividends are approved at the annual general meeting. If the dividends exceed the total income after takeover, the dividends are recognised as a reduction of the cost of the investment under assets.

Investments
We measure our investments in subsidiaries and associates at cost. If there is any indication that the value of a company is lower than our future earnings in the company, impairment testing of the company is carried out as described in the consolidated financial statements. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the future earnings in the company (recoverable amount).

If we have a legal or constructive obligation to cover a deficit in subsidiaries and associates, we recognise a provision for this.

Tax
Ørsted A/S is taxed jointly with its Danish subsidiaries. The jointly taxed companies are part of joint taxation with the parent company as the management company.

Subsidiaries are included in the joint taxation from the date they are consolidated in the consolidated financial statements and up to the date on which they are no longer consolidated.

Current tax for 2022 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 pages 75-76.

Key accounting estimate

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 the leadership team 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.

2. Employee costs

Employee costs

DKKm	2022	2021
Wages and salaries	70	50
Share-based payment	4	4
Pensions and social costs	1	2
Remuneration	7	6
Total employee costs	**82**	**62**

Salaries and remuneration of the Executive Board

DKK '000		
Fixed salary	30,632	31,250
Cash-based incentive scheme	6,454	6,996
Share-based payment	3,989	2,497
Pension, incl. social security and benefits	860	709
Salary in notice period	14,553	-
Severance payment	9,270	-
Total	**65,758**	**41,452**

Notes 2.7 'Employee costs' and 2.8 'Share-based payment' to the consolidated financial statements describe the remuneration of the Executive Board and the Board of Directors as well as the share-based payment, termination, and bonus scheme for the Executive Board and details on the remuneration of the Board of Directors.

The parent company had an average of eight employees in 2022 (2021: six employees).

Remuneration of the Board of Directors totals DKK 7 million (2021: DKK 6 million).

3. Financial income and expenses

Financial income and expenses

DKKm	2022	2021
Interest income from cash, etc.	104	116
Interest income from subsidiaries	4,006	2,016
Interest income from securities at market value	150	174
Reversal impairment of investments in subsidiaries	165	4,536
Foreign exchange gains	3,531	4,604
Value adjustments of derivatives	11,109	5,872
Dividends received	4,061	12,102
Total financial income	**23,126**	**29,420**
Interest expenses relating to loans and borrowings	(1,824)	(1,542)
Interest expenses, leases	(20)	(23)
Interest expenses to subsidiaries	(765)	(12)
Impairment of investments in subsidiaries	(39)	(194)
Capital losses on securities at market value	(1,574)	(500)
Foreign exchange losses	(5,664)	(1,585)
Value adjustments of derivatives	(9,592)	(7,037)
Other financial expenses	(195)	(74)
Total financial expenses	**(19,673)**	**(10,967)**
Net financial income and expenses	**3,453**	**18,453**

4. Tax on profit (loss) for the year and deferred tax

Income tax

DKKm	2022	2021
Tax on profit (loss) for the year	344	142
Tax on changes in equity	(425)	(60)
Total tax for the year	**(81)**	**82**
Tax on profit (loss) for the year can be broken down as follows:		
Current tax	470	(114)
Adjustments to deferred tax	(170)	280
Adjustments to current tax in respect of prior years	1	(23)
Adjustments to deferred tax in respect of prior years	43	(1)
Tax on profit (loss) for the year	**344**	**142**

Development in deferred tax

DKKm		
Deferred tax at 1 January	(160)	119
Adjustments for the year recognised in profit (loss) for the year	170	(280)
Adjustments to deferred tax in respect of prior years	(43)	1
Deferred tax at 31 December	**(33)**	**(160)**

Specification of deferred tax

DKKm		
Non-current liabilities	(33)	(160)
Deferred tax, asset	**33**	**160**
Deferred tax, liability	**-**	**-**

5. Distribution of net profit

Distribution of net profit

DKKm	2022	2021
Profit (loss) for the year is attributable to:		
Shareholders in Ørsted A/S, proposed dividends for the financial year	5,675	5,255
Shareholders in Ørsted A/S, retained earnings	(2,887)	11,251
Interest payments and costs, hybrid capital owners of Ørsted A/S	577	740
Profit (loss) for the year	**3,365**	**17,246**

6. Property, plant, and equipment

Property, plant, and equipment: Land and buildings

DKKm	2022	2021
Cost at 1 January	1,120	1,113
Additions	33	7
Disposals	-	-
Cost at 31 December	**1,153**	**1,120**
Depreciation and amortisation at 1 January	(329)	(219)
Depreciation and amortisation	(112)	(110)
Disposals	-	-
Depreciation and amortisation at 31 December	**(441)**	**(329)**
Carrying amount at 31 December	**712**	**791**
Value of leased assets	**712**	**791**

We have entered into leases for office premises, primarily in Gentofte, Denmark (expiring in 2028).

We have entered into operating leases with subsidiaries for sublease of office premises.

In 2022, an amount of DKK 95 million was recognised (2021: DKK 83 million) in profit (loss) for the year in respect of rental income.

7. Investments in subsidiaries

Investments in subsidiaries

DKKm	2022	2021
Cost at 1 January	36,809	32,279
Additions	15,000	4,530
Disposals	-	-
Cost at 31 December	**51,809**	**36,809**
Value adjustments at 1 January	(659)	(3,501)
Impairment losses/reversals	126	2,842
Value adjustments at 31 December	**(533)**	**(659)**
Carrying amount at 31 December	**51,276**	**36,150**

Note 7.4 Company overview of the consolidated financial statements contains a 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 2022 gave rise to a reversal of impairment on the investment in Ørsted Bioenergy & Thermal Power A/S of DKK 124 million and on the investment in Ørsted Onshore Holding A/S of DKK 41 million.

An impairment of DKK 39 million is recognised on the investment in Orsted Infrastructure GmBh, resulting in a net reversal of impairment of DKK 126 million based on the individual subsidiaries recoverable amounts.

In 2022, the addition relates to capital injections in Ørsted Salg & Service A/S.

8. Receivables from subsidiaries

Non-current receivables from subsidiaries DKKm	2022	2021
Cost at 1 January	107,894	80,893
Additions	84,638	69,141
Disposals	(28,916)	(42,140)
Cost at 31 December	**163,616**	**107,894**

9. Derivatives

	2022		2021	
Overview of derivative positions DKKm	Contractual principal amount	Market value	Contractual principal amount	Market value
Interest derivatives	22,185	1,578	21,223	752
Currency derivatives	47,318	(481)	58,384	(947)
Total	**69,503**	**1,097**	**79,607**	**(195)**
Assets		**6,661**		**7,328**
Equity and liabilities		**(5,564)**		**(7,523)**

See note 6.1 'Market risk policy' to the consolidated financial statements and the management's review on pages 38-41 for more details on risk and risk management.

Ørsted A/S has assumed the subsidiaries' currency risks via forward exchange contracts, which have subsequently been hedged in the market. Furthermore, hedging contracts have been concluded to hedge the currency risk associated with investments in subsidiaries in foreign currencies.

We have also entered into a number of interest rate swaps to manage our interest rate risk.

The company has fair value hedged loans and receivables in GBP and USD. The value of the fair value hedge offset in the income statement amounted to DKK -879 million (2021: DKK 127 million).

Derivatives at the end of December 2022 mature as follows: 2023: DKK -651 million, 2024: DKK 89 million, after 2024: DKK 1,659 million (2021: 2022: DKK -279 million, 2023: DKK -587 million, after 2023: DKK 671 million).

All derivatives are classified as based on observable inputs in the fair value hierarchy.

10. Securities

Securities DKKm	2022	2021
Securities, available for use	24,428	20,417
Total securities	**24,428**	**20,417**

Securities are a key element in our financial resources, and therefore investments are primarily made in liquid AAA-rated Danish mortgage bonds and, to a lesser extent, in other bonds. Most of the securities qualify for repo transactions in the Danish central bank, 'Danmarks Nationalbank'.

All securities are classified as based on observable inputs in the fair value hierarchy.

11. Loans and borrowings

On 31 December 2022, we had issued hybrid capital with a total notional amount of DKK 19,877 million (2021: DKK 18,269 million). The hybrid bonds have a 1,000-year term and expire as follows: DKK 681 million in 3013, DKK 3,668 million in 3017, DKK 4,416 million in 3019, DKK 7,336 million in 3021, and DKK 3,692 million in 3022, respectively.

The long-term portion of lease debt amounted to DKK 659 million at 31 December 2022 (2021: DKK 714 million), of which DKK 208 million (2021: DKK 322 million) fall due in more than five years.

The long-term portion of bank loans and issued bonds amounted to DKK 54,033 million at 31 December 2022 (2021: DKK 25,128 million), of which DKK 50,930 million (2021: DKK 24,781 million) fall due in more than five years.

12. Other provisions

We have made provisions for non-current liabilities totalling DKK 1,971 million (2021: DKK 1,918 million), of which DKK 22 million fall due within 1 year, and DKK 1,949 million fall due in 1-5 years.

The provisions mainly concern the divestment of our oil and gas business in 2017 and the sale of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel) in 2020.

13. Related-party transactions

Related parties are the Board of Directors, the Executive Board, Ørsted A/S's subsidiaries, and the Danish state.

Remuneration of the Board of Directors and the Executive Board is disclosed in notes 2.7 'Employee costs' and 2.8 'Share-based payment' in the consolidated financial statements.

Our related-party transactions are made on arm's length terms.

14. Contingent liabilities

Guarantees

Ørsted A/S has provided guarantees in connection with participation by subsidiaries and subsidiaries' joint operations and joint ventures in the construction and operation of offshore wind farms and natural gas installations as well as guarantees in respect of leases, energy trading activities, purchase, sale, and supply agreements, decommissioning obligations, farm-downs and other M&A transactions as well as secondary liability on decommissioning of offshore installations related to the divestment of the oil and gas business, etc.

Ørsted A/S acts as guarantor or surety provider with primary liability for bank liabilities in certain subsidiaries, including guarantees in favour of banks and investors covering credit facilities established and bonds issued in Taiwan.

Furthermore, in support of the ratings of Ørsted Salg & Service A/S by Moody's and Ørsted Wind Power TW Holding A/S by Taiwan Ratings, Ørsted A/S has provided general guarantees covering all obligations and liabilities undertaken in the ordinary course of business by these two entities.

Indemnities

Ørsted A/S is taxed jointly with the Danish companies in the Ørsted Group. As management company, Ørsted A/S has unlimited as well as joint and several liability together with the other jointly taxed companies for Danish income taxes and withholding taxes on dividends, interest, and royalties related to the jointly taxed companies.

Litigation

Ørsted is involved in ongoing transfer pricing disputes. For further information, we refer to section 4.1 'Approach to taxes' to the consolidated financial statements. Ørsted A/S is not a party to any litigation proceedings or legal disputes that could have an effect on the company's financial position, either individually or collectively.

15. Auditor's fees

Auditor's fees DKKm	2022	2021
Statutory audit	4	3
Other assurance engangements	3	-
Total fees to PwC	**7**	**3**

In 2022 work in respect of issuances of bonds was performed, this is captured under other assurance engagements.

16. Ownership information

Ownership information **31 December 2022**	Registered office	Ownership interests	Voting share
The Danish state represented by the Danish Ministry of Finance	Copenhagen K, Denmark	50.12%	50.74%
Andel A.M.B.A.	Svinninge, Denmark	5.01%	5.07%
The Capital Group Companies, Inc.	Los Angeles, the US	-	5-10%[1]

The table shows the shareholders with ownership interests and voting shares of at least 5%. The difference between ownership interests and voting shares arises when power of attorney is issued.

1 Interval shown, as precise voting share is not publicly available.

Management's statement, auditor's reports, and glossary

173 Statement by the Executive Board and the Board of Directors
174 Independent Auditor's Reports
179 Independent limited assurance report on the consolidated ESG statements
181 Glossary

In an ambitious new project, we have partnered with the Lincolnshire and Yorkshire Wildlife Trusts to restore biodiversity around the Humber, a large tidal estuary on the east coast of Northern England.

The pioneering initiative will seek to restore seagrass and salt marsh and introduce half a million native oysters to improve the health and resilience of the estuary's ecosystem.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and adopted the annual report of Ørsted A/S for the financial year 1 January – 31 December 2022.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act. The financial statements of the parent company, Ørsted A/S, have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements provide a true and fair view of the Group's and the parent company's assets, liabilities, and financial position at 31 December 2022, 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 2022.

In our opinion, the management's review provides a true and fair account of the development in the Group's and the parent company's operations and financial circumstances, of the results for the year, and of the overall financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company. The management's review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual report for the financial year 1 January – 31 December 2022 with the file name: Orsted-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

In our opinion, the consolidated ESG statements ('Additional information') represent a reasonable, fair, and balanced representation of the Group's social responsibility and sustainability performance and are prepared in accordance with the stated accounting policies.

We recommend that the annual report be adopted at the annual general meeting.

Skærbæk, 1 February 2023

Executive Board:

Mads Nipper
Group President and CEO

Daniel Lerup
CFO

Henriette Fenger Ellekrog
Chief HR Officer

Board of Directors:

Thomas Thune Andersen
Chair

Lene Skole
Deputy Chair

Lynda Armstrong

Jørgen Kildahl

Julia Elizabeth King

Peter Korsholm

Henrik Poulsen

Dieter Wemmer

Benny Gøbel*

Leticia Francisca Torres Mandiola*

Alice Florence Marion Vallienne*

Anne Cathrine Collet Yde*

* Employee elected board member

Independent Auditor's Reports

To the shareholders of Ørsted A/S

Report on the audit of the Financial Statements

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2022 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2022 in accordance with International Financial Reporting Standards as adopted by the EU 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 2022 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2022 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 2022, pp. 69-154 and 172-173, 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 2022, pp. 162-173, comprise the income statement, the balance sheet, the statement of changes in equity, and the notes, 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' International 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 these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Ørsted A/S on 19 April 2010 for the financial year 2010 and have been reappointed annually by shareholder resolution for a total uninterrupted period of engagement of 13 years, including the financial year 2022. At the annual general meeting on 2 March 2020, we were reappointed following a tendering procedure.

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 2022. 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
Partnership agreements Divestment of ownership interests in offshore wind farms (farm-downs) to a partner in a joint operation, including calculating the divestment gains and subsequent recognition of construction agreements and assessment of consolidation method for the retained interests, are considered complex non-routine transactions. As part of farm-downs, compensation mechanisms are often agreed with the partners, e.g. regarding sales price, cost of subsequent use of offshore transmission assets constructed for the wind farm, potential wake and blockage effect compensations, and warranties. We focused on this area because farm-downs and the related matters are considered complex non-routine transactions, and because the recognition and measurement of the divestment gains, assessment of consolidation method, subsequent construction agreements with the partners, compensation mechanisms, and warranties are based on significant judgements and estimates. Refer to notes 1.2 and 2.6 in the consolidated financial statements.	As part of our audit, we read share purchase agreements for farm-downs and final settlement agreements. We challenged the accounting treatment applied by Management, including the gain statements and the consolidation method for the retained interest in offshore wind farms. We obtained an understanding of the compensation mechanisms and warranties agreed in divestments and of the final settlements. We challenged the significant estimates prepared by Management for measurement of compensation mechanisms and warranties, hereunder by assessing and testing the main data, significant assumptions and models applied, and by evaluating the outcome of previous estimates prepared by Management.

Key audit matter	How our audit addressed the key audit matter
Valuation of derivative financial instruments and documentation of hedge accounting Ørsted applies hedge accounting for derivative financial instruments used for hedging of: – energy prices, currency and inflation risks associated with revenue (energy hedges) – commodity price and currency risks associated with the construction of wind farms – interest rate risks associated with loans and divestments. We focused on this area because the valuation of the derivative financial instruments (hedging instruments) and assessment of hedge relationship and hedge effectiveness, including use of proxy hedges, are complex. Due to the significant increase and volatility in energy prices and the financial markets during 2022, the fair value of the hedging instruments have fluctuated significantly. On this basis, valuation of the hedging instruments and hedge accounting were a matter of most significance in our audit. Refer to notes 1.2 and 6.1-6.4 in the consolidated financial statements.	As part of our audit, we tested the valuation of the hedging instruments and the documentation of hedge effectiveness of energy, commodity, interest rates, and related foreign exchange risk hedges. In this connection, we assessed and obtained an understanding of the exposures subject to hedging, the hedging instruments applied, the hedge relationships, including the methods, data, and assumptions applied for documentation of the fair value of hedging instruments, and hedge effectiveness. We challenged the accounting treatment applied by Management, including for the hedging instruments used and the hedge reserve recognised in the consolidated statement of comprehensive income. We challenged the significant data, assumptions, and models applied by Management when assessing the value of the hedging instruments and the hedge relationship and hedge effectiveness, hereunder by assessing and testing the main data, significant assumptions, and models applied. In our audit of the valuation of the hedging instruments and hedge accounting, we involved our financial instrument specialists.

Key audit matter	How our audit addressed the key audit matter
Income taxes Ørsted is subject to income taxes in the countries where they operate. Significant judgements and estimates are required in determining the income taxes and in the measurement of income tax assets and liabilities, including uncertain tax positions. We focused on this area because Management makes significant judgments and estimates when calculating and assessing the income taxes due to the complex nature of the tax rules related to the business activities conducted in different tax jurisdictions. Furthermore, Management makes estimates when measuring the tax assets, including when and to which extent these can be utilised in the future, and when measuring tax liabilities, including assessing deferred taxes in tax equity partnerships. Additionally, Ørsted is a party in tax and transfer pricing disputes where Management assesses the possible outcomes and consequently recognises provisions to cover for these uncertain tax positions. In 2020 and 2021, Ørsted received administrative decisions from the Danish Tax Agency entailing additional tax payables and related interests, which Management disputes and has appealed to the relevant authorities. On this basis, income taxes were a matter of most significance in our audit. Refer to notes 1.2, 4,2, and 4.3 in the consolidated financial statements.	For income taxes, income tax assets, and liabilities, we evaluated the assumptions applied by Management in determining the recognition and measurement of income taxes and deferred taxes, including those related to tax equity partnerships, while taking into account relevant correspondence with tax authorities and external advisors. We assessed Management's judgements and estimates of tax balances and carrying amounts as well as the related applied tax rates when calculating these. We also assessed the reasonableness of the main data and assumptions used to calculate the taxable income forecasts underlying the recognition and recoverability of the deferred tax assets relating to tax loss carryforwards. We evaluated and tested Ørsted's processes for recording, assessing, and continually reassessing provisions for uncertain tax positions. In our audit of uncertain tax positions, we obtained and reviewed the correspondence with relevant tax authorities in order to consider the completeness of the tax disputes and the related provisions. We assessed the measurement of the provisions and challenged the assumptions used, including the possibility of obtaining corresponding tax adjustments, compensations from partners, and the likelihood of different outcomes. In addition, we assessed relevant opinions obtained by Management from third parties related to the tax disputes, and we evaluated the disclosures provided by Management in the consolidated financial statements. In our audit of income taxes, we involved our tax specialists.

Statement on Management's Review

Management is responsible for Management's Review, pp. 4-68.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

- 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 gives a true and fair view

- 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, actions taken to eliminate threats or safeguards applied.

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.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements, we performed procedures to express an opinion on whether the annual report of Ørsted A/S for the financial year 1 January to 31 December 2022 with the filename Orsted-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation), which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements, including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- the preparation of the annual report in XHTML format
- the selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary
- ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format
- for such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained and to issue a report that includes our opinion. The nature, timing, and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- testing whether the annual report is prepared in XHTML format
- obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process
- evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements, including notes
- evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified
- evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy
- reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Ørsted A/S for the financial year 1 January to 31 December 2022 with the file name Orsted-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 1 February 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Anders Stig Lauritsen
State Authorised Public Accountant
mne32800

Independent 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 consolidated ESG statements stated on pages 155-161 in the 2022 annual report of Ørsted A/S for the period 1 January – 31 December 2022.

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 in the 2022 annual report of Ørsted A/S are prepared, in all material respects, in accordance with the applied accounting policies developed by Ørsted A/S as stated on pages 156-161.

This conclusion is to be read in the context of what we state 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 in the 2022 annual report. Regarding reporting on Art. 8 of the Taxonomy Regulation, we are assuring that data have been stated in accordance with the applied accounting policies, not compliance with the EU regulation, since reporting requirements are still open to interpretations.

We express limited assurance in our conclusion.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

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 independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior, and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Management 1, ISQM 1, which requires the firm to design, implement, and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies

The consolidated ESG statements need to be read and understood together with the accounting policies. The accounting policies used for the preparation of the consolidated ESG statements are the applied accounting policies developed by Ørsted A/S, which Management is solely responsible for selecting and applying.

The absence of a significant body of established practice on which to draw to evaluate and measure ESG data 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 consolidated ESG statements. In doing so and based on our professional judgement, we:

- made inquiries and conducted interviews with Group functions to assess consolidation processes, use of company-wide systems, and controls performed at Group level

- checked ESG data on a sample basis to underlying documentation and evaluated the appropriateness of quantification methods and compliance with the accounting policies for preparing the consolidated ESG statements

- conducted an analytical review of the data and trend explanations submitted by all business units for consolidation at Group level

- considered the disclosure and presentation of the consolidated ESG statements

- evaluated the obtained evidence.

Management's responsibilities

Management of Ørsted A/S is responsible for:

- designing, implementing, and maintaining internal control over information relevant to the preparation of the consolidated ESG statements that are free from material misstatement, whether due to fraud or error

- establishing objective accounting policies for preparing the consolidated ESG statements

- measuring and reporting the information in the consolidated ESG statements based on the accounting policies

- the content of the consolidated ESG statements.

Our responsibility

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the consolidated ESG statements for the 1 January – 31 December 2022 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, 1 February 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Anders Stig Lauritsen
State Authorised Public Accountant
mne32800

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.

Blockage effect
The blockage effect arises from the wind slowing down as it approaches the wind turbines.

BSUoS tariffs
Costs related to the day-to-day operation of the transmission system imposed on generators and suppliers.

Carbon emission allowances
Carbon emission allowances subject to the European Union Emissions Trading Scheme (EU ETS).

CfD
A contract for difference is a subsidy that guarantees the difference between the market reference price and the exercise price won.

CHP
A combined heat and power plant (CHP) 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 PPAs covering more than 50 % of the asset's capacity, but where we have not yet taken final investment decision.

Decided (FID) and installed capacity
Installed generation capacity plus capacity for assets where a final investment decision has been made.

Degree days
Number of degrees in absolute figures in difference between the average temperature and the official Danish indoor temperature of 17 °C.

EPC
Engineering, procurement, and construction. The part of our business which handles the construction and installation of assets.

FID
Final investment decision. When the Board of Directors approves major investments for construction assets.

Generation capacity
Ørsted's ownership of the asset. Offshore wind turbines are included when each turbine has passed the 240-hour test. Onshore capacities are included after COD of the entire asset.

Green certificates
Certificate awarded to producers of environment-friendly power as a supplement to the market price of power in the given price area.

Green dark spread (GDS)
Represents the contribution margin per MWh of power generated at a coal-fired CHP plant with a given efficiency. It is determined as the difference between the market price of power and the cost of the coal (including associated freight costs) and carbon emission allowances used to generate the power.

Ineffective hedges
When we hedge our exposure with an instrument that is not 100 % correlated with the exposure, we may see ineffectiveness in our hedging (i.e. results from such hedges should be recognised in the P&L immediately).

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.

Offshore transmission assets
Connect offshore generation to the onshore grid and typically include the offshore power transmission infrastructure, an onshore substation, and the electrical equipment relating to the operation of the substation.

O&M
Operations and maintenance. The part of our business that operates and maintains our assets after installation.

Overhedging
When our hedged volumes are higher than our actual generation, we are overhedged. This is normally caused by lower wind speeds and lead to financial losses if market prices are above our hedged prices.

P2X
Renewable hydrogen and e-fuels, collectively referred to as Power-to-X (P2X).

Partnership income
Income originating from our partners' purchase of ownership interests in the offshore wind farms. Includes both the gain in connection with the farm-down and the subsequent construction of the wind farm.

Power purchase agreement (PPA)
An agreement between us and a buyer/seller to purchase/sell the power we generate, which includes all commercial terms (price, delivery, volumes, etc.).

Production tax credit (PTC)
Federal tax credit based on eligible power generation in the US.

ROCs
Renewable obligation certificates issued by Ofgem in the UK to operators of accredited generating stations for the eligible renewable energy they generate. Operators can trade ROCs with other parties.

Tax equity
An arrangement where an investor obtains rights to federal tax credits and other tax attributes in exchange for a cash contribution.

TEC
Transmission entry capacity (TEC) defines a generator's maximum contractual level of transmission access in MW.

TNUoS tariffs
Costs related to the use of the transmission networks in the UK based on TEC.

TRIR
In addition to lost-time injuries, the total recordable injury rate (TRIR) also includes injuries where the injured person is able to perform restricted work the day after the accident as well as accidents where the injured person has received medical treatment.

Wake effect
Wake within wind farms and between neighbouring wind farms. There is a wake after each wind turbine where the wind slows down. As the wind flow continues, the wake spreads, and the wind speed recovers.

Wind speed
Shows the wind speed at Ørsted's wind farms. The wind measurements are weighted on the basis of our generation capacity and can be compared to a normal wind period.

Ørsted A/S
Kraftværksvej 53
DK-7000 Fredericia
Tel.: +45 99 55 11 11
CVR no. 36213728

orsted.com

Group Communication
Martin Barlebo
Tel.: +45 99 55 95 52

Investor Relations
Rasmus Keglberg Hærvig
Tel.: +45 99 55 90 95

Design and layout
e-Types with Ørsted Global Design

Images
Cover, Patrick Harrison,
Anholt Offshore Wind Farm, Denmark

Patrick Harrison (page 4, 55, 155)
Jan Oelker (page 12)
Sally Anscombe (page 42)
Martin Juul (page 65)
Hamza Alghamdi (page 69)
Christian E. Rørbeck (page 162)
Finn Varney for Yorkshire Wildlife Trust (page 172)

All other images by Ørsted

Publication
1 February 2023

Ørsted
Love your home