

Report of the Board of Directors

The year 2023 was a challenging year. Not only for us, but for all our stakeholders, including you – the investors, due to the negative development of some of our US offshore wind projects, including impairments of DKK 26.8 billion.

We've learnt from these challenges, and we're adapting our operating model to strengthen our ability to shape and lead our industry going forward.

In the autumn of 2023, we took the tough but necessary decision to cease development of our offshore wind farm projects Ocean Wind 1 and 2 in the US, which will cause impairments and significant costs related to cancelling signed contracts. We've reviewed the projects and are implementing the learnings into our business model.

In connection with publication of the 2023 annual report at the beginning of February, we updated our strategic ambition and long-term financial targets.

Our fundamental strategic choices on technologies and regions are unchanged. We still aim to be the world leader in Offshore and a regional player in Onshore and P2X in Europe and the US. However, we've revisited our portfolio to prioritise growth options with the highest potential for value creation and at the same time reduce risks in the development and execution of our projects.

As a result of the review, we now believe that we have a more robust project portfolio. Our decision to exit several offshore markets and planning for a leaner development within floating offshore wind and P2X will, among other things, reduce our development costs. In addition, we'll accelerate our divestment programme and look at measures to become a leaner, more efficient, and more competitive organisation.

One of these initiatives is the necessary, but painful, decision to reduce between 600 and 800 positions in 2024. The reduction in positions will not all result in redundancies, and we are committed to carrying this through in a fair and respectful manner.

In the past year we've also welcomed new colleagues. Last week, the Board of Directors appointed Trond Westlie as Ørsted's next Group Chief Financial Officer (CFO) and member of the Executive Board and the Group Executive Team effective as of 1 April 2024. At the same time, Patrick Harnett, who is currently head of project development

and construction of Hornsea 3, was appointed new Chief Operating Officer (COO). Patrick will also become a member of Ørsted's Group Executive Team.

I'm very pleased with these two new profiles. They'll bring strong international financial and execution skills to the Group Executive Team and support the successful implementation of the strategy plan we announced on 7 February 2024.

I would like to extend a big thank you to Rasmus Errboe and Andrew Brown, who have served as interim CFO and interim COO, respectively.

The year 2023 was also a year with strong operational results. EBITDA from offshore sites more than doubled to DKK 20.2 billion in 2023, among other things due to ramp-up of generation at Hornsea 2 and Greater Changhua 1 and 2a and the negative impact from hedges in 2022 not being repeated in 2023.

We've further achieved a number of significant strategic results across our business, which I'll go through in a minute.

Lastly, despite acknowledging the importance of paying dividends to our investors, we have decided to pause dividend payments for the financial years 2023-2025. I will get back to that under item 5 of the agenda.

Installed capacity and EBITDA

As part of our strategic announcement in February, we also updated our ambition for installed renewable capacity from approximately 50 GW to 35-38 GW by 2030. This capacity will still primarily be made up of offshore wind with an ambition of reaching 20-22 GW by 2030, while our onshore wind and solar ambitions are 11-13 GW. The capacity of our combined heat and power plants accounts for the 2 GW in Bioenergy.

Today, we have a capacity of approximately 24 GW installed or under construction. Towards 2030, we expect to construct a further 11-14 GW, of which more than 3.5 GW have already been awarded, and a further 3 GW are named projects.

Based on our gigawatt and value creation ambitions, we expect our EBITDA, excluding new partnerships and cancellation fees, to increase to approx. DKK 39-43 billion in 2030 compared to DKK 24 billion in 2023.

Milestones: Offshore

I will now take you through some of our most significant strategic results in 2023.

Let me start with news from last week when Sunrise Wind, one of our US offshore wind farms, was selected for contract negotiations in New York's fourth offshore wind solicitation. Final investment decision is expected to be made in Q2 2024, with the 924 MW project expected to be operational in 2026.

We're proud to be New York's offshore wind leader. Soon, we'll complete the construction of South Fork Wind, the state's first offshore wind farm, and with Sunrise Wind, we'll deliver further economic benefits and local jobs to the state.

Within our offshore wind business, we took final investment decision on more than 4.5 GW of offshore capacity in 2023, with the decisions to build Greater Changhua 2b and 4, Revolution Wind, and Hornsea 3. The energy produced by the three offshore wind farms will be enough to power approx. 5 million homes with green electricity, thus helping to decarbonise energy systems globally.

With its 920 MW, Greater Changhua 2b and 4 will be our largest offshore wind farm in Taiwan and our third project in the country. The construction work has commenced, and we expect the wind farm to become fully operational during 2025.

Revolution Wind is a 704 MW project off the coasts of Connecticut and Rhode Island in the US. The construction has begun, and we expect the wind farm to be completed in 2025.

In late December, we took final investment decision on the world's single largest offshore wind farm, Hornsea 3. With a capacity of 2.9 GW, it will generate enough electricity to power 3.3 million UK homes. The project is part of our Hornsea Zone in the UK, which includes the already operational Hornsea 1 and 2 and the fully developed Hornsea 4, which is ready for future UK auctions. We expect Hornsea 3 to be completed by the end of 2027.

In 2023, we completed the divestment of our remaining 25 % ownership share of the London Array Offshore Wind Farm in the UK, and we farmed down 50 % of Code Wind 3 in Germany.

We continue to see strong investor interest in our renewable assets, and we are very pleased to see investors coming back as co-owners of more than one project, which is the case with our Gode Wind 3 partner.

We will invest the proceeds from these transactions in the continued build-out of renewable energy.

Lastly, I want to highlight Korea, where we were granted a so-called '*electricity business license*' by the Korean Ministry of Trade, Industry & Energy. The 1.6 GW licence grants Ørsted exclusive rights to the development of the Incheon project, thereby helping Korea achieve its target of net-zero carbon emissions by 2050.

Milestones: Onshore, P2X, and Bioenergy

In our onshore business, we completed the construction of the 201 MW wind farm Sunflower Wind in Texas in the US. Sunflower Wind will be Ørsted's 13th operational onshore wind farm in the US, with a capacity to power more than 70,000 US homes with green electricity.

Furthermore, we took final investment decision on a total capacity of 552 MW onshore renewables, comprising the two solar projects Garreenleen in Ireland and Mockingbird in Texas in the US.

In April, Google signed a 150 MW power purchase agreement with us to purchase renewable energy generated by one of our US onshore wind farms for the next 15 years. The agreement is the first between Google and Ørsted in the US, and the second agreement between Google and us globally.

Lastly, we entered into our first UK solar project. The One Earth project is a proposed 740 MW solar farm with associated battery storage. Once operational, the solar farm will generate enough energy to power up to 200,000 households with green electricity.

We've currently installed just shy of 5 GW onshore capacity split between onshore renewables and solar PV in Europe and the US, and we have more than 1.6 GW under construction.

In our hydrogen business, we broke ground on Europe's largest e-methanol plant, FlagshipONE. The EU-Catalyst Partnership, which consists of the European Commission, Breakthrough Energy Catalyst, and the European Investment Bank, has vowed to support

Ørsted's FlagshipONE project, highlighting the innovative nature of this project and its potential to contribute to the decarbonisation of shipping.

Finally, we decided to construct two carbon capture facilities in Denmark designed to capture and store carbon emissions from the wood chip-fired Asnæs Power Station in Kalundborg and the straw-fired unit at Avedøre Power Station in Copenhagen. The project represents Denmark's first full-scale carbon capture project and signals the dawn of a new era for carbon capture and storage in Denmark. The project is a significant step on Denmark's path towards meeting its climate targets, and it'll also supply green district heating to the Greater Copenhagen area by utilising surplus heat from the capture.

Milestones: Sustainability

Sustainability is still integral to how we operate as a business. Throughout everything we do, we are guided by how and where we can create the most value for nature, our planet, society, and our business. It's the actions we take in the real world, and the impact that we have on the planet, which matter the most.

Therefore, I'm extremely proud that we at Ørsted have been named the world's most sustainable energy developer in Corporate Knights' 2024 Global 100 index. Corporate Knights benchmarks companies' sustainability performance against their industry peers and across sectors. Among the 292 'power generating companies' in Corporate Knights' 2024 Global 100 index, we were ranked number one for the fifth time.

In addition, we've been in the top 20 of all global companies every year, which only a few companies have managed to accomplish.

Working seriously with sustainability requires ambitions, thoroughness, and strong partnerships. This recognition underlines that we do all of that!

We've taken considerable steps with our suppliers to decarbonise our whole supply chain and are progressing towards our science-based targets of reducing our scope 1 and 2 emissions by 98 % in 2025 and achieving net-zero emissions for the entire value chain in 2040.

Among other things we, as the first energy company, joined the Global Offshore Wind Alliance to support a faster deployment of offshore wind and create a global community of action.

Also, we entered into a number of partnerships, all focusing on a sustainable build-out that creates further positive impact on nature and society.

And on World Ocean Day in June 2023, we became the first energy company in the world to issue the so-called '*blue bonds*'. Net proceeds from the EUR 100 million blue bond issuance will be allocated to investments in offshore biodiversity, in line with our 2030 commitment to achieve a net-positive impact on biodiversity, as well as in sustainable shipping.

Renewable energy

We will go beyond decarbonising energy systems and proactively enhance nature through biodiversity initiatives to deliver a sustainable build-out with a net-positive biodiversity impact. We are confident we can deliver on this commitment as our underlying business and operating assets remain strong.

Our massive investments in green solutions since we installed the world's first offshore wind farm back in 1991 have resulted in an impressive 93 % green share of heat and power generation in 2023. Thus, we are on the right track to achieving our target of a green share of heat and power generation of 99 % by 2025.

In 2021, we set a 2040 reduction target for scope 1-3 emissions and became the first energy company with a science-based net-zero target.

In the short term, the phase-out of coal is an important milestone towards this science-based target as it is a prerequisite for reducing our scope 1-2 emissions by 98 % by 2025.

To ensure the security of the electricity supply in Denmark, the Danish authorities have decided to order Ørsted to continue and resume operations of three of its Danish power station units, which use oil or coal as fuel, which were otherwise planned to be shut down by the end of Q1 2023. The Danish authorities have ordered Ørsted to continue operations of the three power station units until 31 August 2024. After that date, the oil and coal-based capacity will be discontinued.

With regard to our greenhouse gas emissions reduction, we're well on track to meet our near-term scope 1-2 intensity target, and we have already met our previous 2032 target for total scope 3 emissions.

Reporting pursuant to CSRD

Our 2023 annual report has been prepared for the new EU Corporate Sustainability Reporting Directive, abbreviated CSRD.

From 2024, the new EU directive will require companies to report on their environmental and social impact activities. As part of this, the EU has adopted a set of European Sustainability Reporting Standards.

In 2023, we decided to develop our sustainability statements. Our aim was to implement as much as possible of the overall structure in the standards and to integrate it with the other parts of the annual report in the best way possible.

This has been a huge task, and I must say that I'm very impressed by how far we have come in making us ready for full implementation in our 2024 annual report.

Financial ratios

I will now walk you through our 2023 financial ratios.

Operating profit, EBITDA, for the year amounted to DKK 18.7 billion. The result was positively impacted by the divestment of our 25 % ownership share of London Array in the UK and the farm down of 50 % of Gode Wind 3 in Germany. Our EBITDA was negatively impacted by a provision of DKK 9.6 billion for cancellation fees related to our decision to cease the development of Ocean Wind 1.

Excluding new partnerships and cancellation fees, EBITDA amounted to DKK 24.0 billion, which was DKK 3 billion higher than in 2022 and above our 2023 EBITDA guidance of DKK 20-23 billion.

EBITDA from offshore sites more than doubled to DKK 20.2 billion in 2023 due to ramp-up of generation at Hornsea 2 and Greater Changhua 1 and 2a and the negative impact from hedges in 2022 not being repeated in 2023.

Net profit and return on capital employed excluding impairments and cancellation fees amounted to DKK 14.9 billion and 13 %, respectively. We recognised impairments of DKK 26.8 billion in 2023. The majority of these related to Ocean Wind 1.

If you include impairments and cancellation fees, our net loss amounted to DKK 20.2 billion, and ROCE came in at minus 14 %.

Cash flows, investments, divestments, and debt

Cash flows from operating activities totalled DKK 28.5 billion in 2023. This was significantly higher than last year due to the release of margin deposits related to risk hedging in 2023.

We invested DKK 38.5 billion in 2023. Most of our investments were allocated to the build-out of offshore wind power in Taiwan, the US, the UK, and Germany.

Around 25 % of the investments was spent on onshore wind and solar projects, primarily in the US.

Cash flows from divestments totalled DKK 1.5 billion, primarily relating to the divestment of London Array and the 50 % farm-down of Gode Wind 3, countered by acquisitions in the US. In 2022, the number was particularly high, primarily due to the 50 % farm-downs of Hornsea 2 and Borkum Riffgrund 3, respectively.

Our interest-bearing net debt totalled DKK 47.4 billion at the end of 2023 compared to DKK 30.6 billion at the end of 2022. The increase was mainly due to our continued high level of investment in renewable energy and our dividend payments.

Our credit metric, also known as funds from operations (FFO) to adjusted net interest-bearing debt, was 29 % in 2023 compared to 43 % in 2022. We are committed to a solid investment grade credit rating with an FFO to adjusted net interest-bearing debt ratio above 30 %.

The costs related to the decision to cease development of our Ocean Wind 1 project as well as reduced future power prices, in addition to a number of other factors, have had a negative impact on our financial ratios. Therefore, we have taken and will continue to take measures to ensure a robust capital structure, supporting long-term growth and capital structure resilience towards 2030.

Remuneration report

I would also like to briefly comment on the separate 2023 remuneration report covering the Board of Directors and the Executive Board.

The purpose of the remuneration report is to ensure greater transparency about the remuneration of the company's executive management.

This year's remuneration report reflects the changes to the Executive Board where Daniel Lerup stepped down as CFO, and Rasmus Errboe joined as interim CFO.

The impairments we recognised in Q3 on Ocean Wind 1 and other of our US projects as well as the decision to cease development of, among others, Ocean Wind 1, impacted the financial result and consequently the cash-based incentive scheme of the Executive Board.

Throughout the year, we did, however, also reach significant milestones, such as the final investment decision to build the world's single largest offshore wind farm, significant investment decisions in Taiwan and the US, and progress on many new renewable assets. These events are also reflected in the cash-based incentive scheme for 2023.

The vesting of the share-based long-term incentive programme awarded in 2020 resulted in no shares being awarded to the Executive Board in 2023, as Ørsted's total shareholder return during this period was ranked last when benchmarked against ten comparable energy companies.

Employees

Our employees are at the core of our business. I am deeply grateful to our talented, dedicated employees here in Ørsted. They've brought us one step closer to creating a world that runs entirely on green energy.

Even in a challenging year, our employees have managed to deliver remarkable strategic progress and strong results. Our company's success is only possible through them, and we're deeply focused on the well-being of all of our colleagues, not least in terms of the safety for all of us.

We are pleased that our employee satisfaction measured in our annual employee survey showed as score of 76 in 2023, which is at level with last year and within the top 25th percentile of our external benchmark. Equally important is our safety culture, which is anchored in our organisation. In 2023, we further reduced our total recordable injury rate to 2.8, down from 3.1 last year. We are very pleased with this development and will continue to focus on reducing it even further.

We aim to recruit and retain female employees in Ørsted to promote diversity and mitigate the gender gap in management.

For all employees across Ørsted, we have set an ambition of having a more equal gender distribution by 2030, i.e. at least 40 % women and 60 % men.

We're committed to diversity in top management, and we're working towards increasing the share of women in executive and managerial positions through talent programmes and leadership training.

I'm therefore thrilled to see that the gender balance in our total workforce was improved in 2023, with 34 % women compared to 33 % last year, and that 41 % of all new hires in 2023 were women.

As part of our ambition to reduce our fixed costs and increase our efficiency, we'll be reducing positions in the organisation, and we'll unfortunately also see redundancies in 2024. We're committed to carrying out these redundancies in a fair and respectful manner.

Treatment of loss

As part of our Capital Markets Update announced in February, the Board of Directors has decided to pause dividend payments for the financial years 2023-2025 to strengthen our capital structure.

Hereafter, the target is to reinstate dividend payments from the financial year 2026.

The Board of Directors therefore proposes that no dividends be paid for the 2023 financial year.

Let's turn to the financial guidance.

Financial guidance for 2024

Our financial guidance for 2024 is as follows:

In 2024, EBITDA excluding new partnership agreements and any cancellation fees is expected to be DKK 23-26 billion.

Gross investments are expected to be DKK 48-52 billion.

With this, let me wrap up with a brief summary.

Summary

The year 2023 was a year characterised by significant challenges for Ørsted and also for our stakeholders, including our investors. Our financial results were adversely affected by the impairments we took on our US offshore projects in Q3 2023 and the provision for cancellation fees related to ceasing the development of the offshore project Ocean Wind 1.

We've learnt from these challenges and have taken the necessary steps to adjust our business.

We delivered strong operational results in 2023 with an adjusted EBITDA slightly above our guidance and with several important milestones achieved. Earnings from our offshore sites more than doubled compared to 2022, and in 2023, we progressed three large offshore wind projects in the UK, the US, and Taiwan with a total capacity of 4.5 GW to final investment decision.

Based on a comprehensive review of our portfolio, we presented an updated business plan in February, including a strategic ambition of 35-38 GW installed renewable capacity by 2030.

We've revisited our portfolio to prioritise growth options with the highest potential for value creation and at the same time reduce risks in the development and execution of our projects.

Once again, I would like to thank Ørsted's employees and management for guiding us through a year with substantial challenges.

The global ambitions for renewable energy have never been higher. Most recently, we saw this at COP28 where more than 130 governments agreed to work together to triple the world's renewable energy capacity by 2030.

We remain optimistic about the future of the renewable energy industry, and we're confident we can be a key contributor in accelerating the renewable build-out in the years to come.

Today marks my last day as Chair of Ørsted's Board of Directors. I have had the pleasure and the privilege to serve as the Chair of the Board of Directors of Ørsted for the past ten years, which have seen the transformation of DONG Energy to a world-leading renewable utility renamed Ørsted. We now have a new plan to more than double Ørsted's capacity by the end of this decade. With the plan in place, it's an appropriate time for me to step down and let the Group Executive Team and the new Board of Directors take the plan forward.

Thank you for your attention. I'll now turn over the floor to the chair of the meeting.