Appendix 1 to the Minutes of the Annual General Meeting 2018
Board of Directors’ Report and Presentation of the Annual Report

The spoken word applies

Dear shareholders and guests

Our actions and decisions in 2017 marked the completion of our strategic transformation from black to green energy. Over a period of ten years, we have transformed from a Danish utility company based on coal, oil and gas to an international energy company based on green energy. In 2017, we decided to phase out coal by 2023, and we divested our Oil & Gas business.

None of the other major energy companies in Europe have come this far in their transformation processes, and amongst our peers, we are now the fastest-growing company. As a result, we are a completely different company today, which is why we decided to change our name to Ørsted, named after the world-renowned Danish scientist Hans Christian Ørsted.

In 2017, the green share of our heat and power generation increased by 14 percentage points to 64%. The increase is due to the conversion of our CHP plants to sustainable biomass as well as increased generation from our offshore wind farms. We are well on our way to achieving our objective that at least 95% of our heat and power generation will be green by 2023. We have closed down more than 40% of the share of our total power generation capacity which was based on fossil fuels, and we have converted five out of seven CHP plants to biomass in order to minimise carbon emissions and ensure sustainable finances. The steps taken have been crucial to our achievement of cutting carbon emissions by 67% since 2006.

In 2017, we delivered the best financial results ever – significantly better than expected at the beginning of the year – and we continued our tireless efforts to improve safety for our employees. We achieved the lowest LTIF rate in our history. Employee satisfaction, motivation and well-being were maintained at the same high level as the year before.
Ørsted has a strong organisation, and a high level of commitment by our employees contributed to very satisfactory results in 2017.

**Vision**

The transformation of the energy supply to green energy is one of the biggest challenges facing the world. Today, more than 80% of the world’s energy supply come from the burning of fossil fuels, leading to serious climate change. The effects of climate change influence human living conditions all over the world. To slow down this development, we need to supply the world with energy in a sustainable manner.

Our vision is a world that runs entirely on green energy. We have strong competences within sustainable energy solutions in all parts of our business. We want them to play a role in the transition to sustainable energy systems that the world is facing.

The heading for our strategy is 'Green growth'. In the coming years, growth will first and foremost be driven by our build-out of offshore wind power, where we have the largest investment programme in the offshore wind industry. We are also looking into new growth opportunities within green energy production, intelligent customer solutions and solutions integrating production and consumption.

**Review of strategic milestones**

In 2017, we made considerable strategic and operational progress.

In April, we won the rights to build three offshore wind farms in the German part of the North Sea. Two of them were zero-subsidy bids. In September, we were awarded a contract to construct Hornsea 2 in the UK. With a capacity of 1.4GW, it will overtake Hornsea 1 as the world’s largest offshore wind farm when completed in 2022. The price of the contract for difference was 50% lower than in the previous round just two years ago.

We continued our partnership model in 2017, farming down 50% of Walney Extension as well as 50% of Borkum Riffgrund 2. The farm-downs testify to the continued considerable interest from investors in the green transformation and Ørsted’s market-leading partnership model.
In the USA, we submitted a bid at the first offshore wind auction in Massachusetts in December together with our partner Eversource Energy, participating with the Bay State Wind project. The preferred bidder(s) will be announced in April.

Taiwan is also a potentially attractive market for us, as offshore wind power is an important component in Taiwan’s future energy supply. At the beginning of 2018, we received final approval of our environmental impact assessments of our four projects in Taiwan. The next steps in respect of the four projects will be to ensure grid capacity in 2018 and obtain a construction permit by the end of 2019. Shortly thereafter, we expect to sign the power purchase agreement and thereby secure an agreement on transfer prices.

Race Bank, one of our British offshore wind farms, was commissioned in January 2018, and the remaining four offshore wind farms under construction are on schedule. When the last offshore wind farm, Hornsea 2 in the UK, is commissioned, we will have installed 8.9GW by the end of 2022.

The phase-out of coal is gaining momentum, and from 2023, we will no longer use coal to generate heat and power. In October 2017, we inaugurated Skærbæk Power Station’s new unit which can now run up to 100% on sustainable biomass.

We also entered into an agreement to convert Asnæs Power Station to sustainable biomass from 2019. Now, only Esbjerg Power Station remains to be converted for us to achieve our objective of coal-free operations.

Our first commercial Renescience plant in Northwich, UK, was constructed in 2017. The work on testing and optimising the mechanical parts of the plant is still ongoing and has taken longer than expected. We expect to commission the plant in H1 2018.

By the end of 2020, all Danish power customers must have smart meters. After a successful pilot project in late 2016 and early 2017, we initiated the large-scale roll-out in June, which is on schedule.

**Review of the Group’s financial key figures**

I will now review the key figures for 2017 and the underlying factors.
Our reported operating profit before depreciation, amortisation and impairment losses – also called EBITDA – rose by 18% to DKK 22.5 billion. The strong growth is attributable especially to growth in Wind Power as a result of generation from new offshore wind farms as well as an almost doubling of earnings from partnership agreements. The return on capital employed was 25% in 2017 against 24% in 2016.

**EBIT and financial income and expenses**
Our operating profit before financial income and expenses and tax, but after depreciation, amortisation and impairment losses – also called EBIT – increased by 17% to DKK 16.2 billion. Our depreciation and amortisation rose by DKK 0.5 billion to DKK 5.7 billion in 2017. The rise was due to an increase in the number of offshore wind farms in operation. Our impairment losses amounted to DKK 0.5 billion and related to capitalised development costs in Wind Power, where there is uncertainty as to the completion of the projects.

Net financial income and expenses amounted to DKK -1 billion, in 2017, an increase of DKK 0.3 billion compared to 2016. The increase compared to 2016 was due to the fact that in 2016, a positive impact was seen from exchange rate adjustments of loans and deposits.

**Total net profit**
In 2017, our net profit from continuing operations increased by 9% to DKK 13.3 billion. The increase was mainly due to the sharp increase in EBITDA in Wind Power.

Net profit from discontinued operations in Oil & Gas totalled DKK 6.9 billion in 2017 against DKK 1.1 billion in 2016. The increase was due partly to a gain from the divestment of our Oil & Gas business of DKK 2.4 billion, partly to higher EBIT and lower tax. Our profit from continuing and discontinued operations thus totalled DKK 20.2 billion in 2017.

Tax paid totalled DKK 2.4 billion in 2017.

**Cash flows, investments and debt**
Cash flows from operating activities amounted to DKK 1 billion in 2017 against DKK 11.3 billion the year before. The decrease was due to the lower EBITDA adjusted for gains from farm-downs, as 2016 was positively affected by one-off payments from the renegotiation of gas purchase contracts. In addition, the level of funds tied up in working capital increased by DKK 7.9 billion in 2017 compared to DKK 1.5 billion in 2016.
In 2017, we invested a gross amount of DKK 17.7 billion, which represents an increase of DKK 2.8 billion on the previous year. The construction of offshore wind farms accounted for 87% of our gross investments, or DKK 15.7 billion.

We invested DKK 1.4 billion in Bioenergy & Thermal Power, primarily in biomass conversions of the Skærbæk and Asnaes power stations and in the construction of a Renescience waste treatment plant in the UK.

Divestments of activities and enterprises amounted to DKK 17.0 billion in 2017 and related primarily to the farm-downs of 50% of Walney Extension and Borkum Riffgrund 2, receipt of a deferred payment concerning Race Bank as well as the divestment of A2SEA.

Our interest-bearing net debt totalled DKK -1.5 billion at the end of 2017 against DKK 3.5 billion the year before. The decrease was mainly due to a free cash flow from discontinued operations, including the divestment of our Oil & Gas business. This was partially offset by the payment of dividends to shareholders of DKK 2.5 billion in March 2017.

**Wind Power**

This completes my review of the financial year at Group level. I will now proceed to update you on the key financial events in our business units in 2017.

Our Wind Power activities delivered EBITDA of DKK 20.6 billion, up 74% relative to the year before.

EBITDA from offshore wind farms in operation increased by 45% to DKK 8.5 billion as a result of the commissioning of Gode Wind 1 and 2 and Burbo Bank as well as the start-up of power generation from Race Bank and Walney Extension.

EBITDA from partnership agreements almost doubled to DKK 13.7 billion in 2017. The year was positively affected by gains on the farm-downs of 50% of Walney Extension and Borkum Riffgrund 2.

We also achieved a significant increase in the return on capital employed, which rose to 28% from 17% the year before.
Bioenergy & Thermal Power

Bioenergy & Thermal Power (or BTP for short) posted EBITDA of DKK 152 million against DKK 100 million the year before. The increase was mainly attributable to the heat generation activities, with the biomass-converted power stations contributing to the earnings increase. However, the increase was partially offset by a decline in the power business, where lower generation as well as unfavourable market conditions resulted in more negative results.

BTP’s free cash flow was negative at DKK 796 million as a result of investments in biomass conversions. The year before, the cash flow was negative at DKK 635 million. Based on the biomass conversion of our CHP plants and the expansion of new bioenergy solutions, we expect to realise positive free cash flows for BTP from 2018.

Distribution & Customer Solutions

Distribution & Customer Solutions – or DCS for short – contributed EBITDA of DKK 2.1 billion against DKK 7.1 billion the year before. The decrease was expected. This was primarily due to the results for 2016 being affected by the renegotiations of a number of gas contracts, which contributed DKK 4.3 billion, as well as a loss of earnings resulting from the divestment of our gas distribution activities in September 2016.

Return on capital employed was 13% in 2017. This represents a decrease of 63 percentage points relative to 2016, as that year was positively impacted by the previously mentioned income in the form of one-off payments from renegotiations.

Employees

Our consistent focus on safety resulted in a historically low LTIF of just 1.6 in 2017, and we are pleased to see that LTIF has dropped over the past three years. Effective from 2018, we have introduced a new safety target – total recordable injury rate (TRIR) (short for Total Recordable Injury Rate). This target is more comprehensive than the previous target.

We believe that the new target reflects everyday life in Ørsted better and will help raise ambition levels for our safety efforts even further.

Moreover, the feedback from our employees in this year’s employee survey was again positive.
We believe that well-being, safety and results go hand in hand. Therefore, we are working continuously to maintain and increase employee satisfaction and safety.

On behalf of the Board of Directors, I would like to thank the employees for having created one of the most successful energy companies in Europe, and one that is leading the way when it comes to implementing sustainable energy systems.

**Dividends**
The Board of Directors today recommends to the annual general meeting that dividends of DKK 9 per share be paid for FY 2017, corresponding to an increase of 50% and total dividends of DKK 3.8 billion.

This is a considerably higher increase than envisaged in the dividend policy adopted in connection with the IPO. The rise is driven by a strong and increasing cash flow from our offshore wind farms in operation.

For the period up until 2020, our objective is still to increase dividends annually by a high single-digit rate year on year.

**Outlook for 2018**
From 2018, we have decided to change our guidance method. In future, our guidance will only include the effect of existing partnership agreements within offshore wind power. Our financial guidance for 2018 is as follows:

EBITDA without new partnership agreements is expected to amount to DKK 12-13 billion in 2018. Should Hornsea 1 be farmed down in 2018, EBITDA including new partnership agreements is expected to be higher than the 2017 level of DKK 22.5 billion.

Gross investments for 2018 are expected to total DKK 16-18 billion.

Our return-on-capital-employed target is:
- an average of 12-14% for the Group for 2018-2023
- 13-15% for Wind Power for 2018-2023
- 9-11% for Distribution & Customer Solutions for 2018-2023
Please note that we are reiterating these targets, even though we are now counting out 2017 where we achieved a return on capital employed of 25% for the group and 28% for Wind Power.

Our financial policy of maintaining credit ratings of BBB+ and Ba1 is unchanged.

**Remuneration policy**

I would also like to say a few words about the remuneration policy for the Board of Directors and the Executive Board.

Ørsted must be able to offer competitive remuneration levels to ensure that we can attract and retain competent members of the Board of Directors and the Executive Board.

The remuneration of the Board of Directors and the Executive Board in 2017 complies with the guidelines in the remuneration policy. I will not go into details about the individual elements of the remuneration, but refer to the detailed section in our annual report.

As appears from the notice convening the meeting, the Board of Directors has suggested a small number of changes to the remuneration policy. I will come back to these changes under item 6.

**Proceedings concerning the Ørsted name**

As mentioned before, in 2017, we also changed our name to Ørsted, which better supports our position as a leading pure-play green energy company. The name is a tribute to the Danish scientist Hans Christian Ørsted, whose curiosity, dedication and skill led, among other things, to the discovery of electromagnetism, which today is a key component in the generation of power and thereby in modern society. Our new name has generally been positively received both internally in the company and among our external stakeholders.

However, seven bearers of the Ørsted name have instituted proceedings against us before the Copenhagen Maritime & Commercial Court. They want to prevent us from using the name as a trademark and as our company name and domain name. With regard to this claim, I can say that there are around 400 bearers of the Ørsted name, and more than 1,200 bearers of the name when including Ørsted as a middle name.
We are naturally disappointed that seven bearers of the Ørsted name have taken this step, especially because our name not only refers to Hans Christian Ørsted, but is meant as a tribute to the Danish scientist. We have made a point of maintaining good relations with bearers of the Ørsted name and of using the name in a respectful manner in relation to Hans Christian Ørsted. We have also had an extensive dialogue with bearers of the Ørsted name as well as researchers and institutions affiliated with Hans Christian Ørsted. For example, we organised an event for more than 150 bearers of the name. In our dialogue with all these people, we have sensed a broad support for our use of the name.

We are confident that we have the right to use the Ørsted name.

We have obtained EU-wide registration of the trademark in accordance with applicable rules and without any objections being voiced. Without a clear, national legal basis, such registration cannot be set aside on the grounds of the name being a family name. In Denmark, it has been standard practice for many years that a family can only prevent trademark protection of a family name if there are less than 30 bearers of the name in Denmark. As I said, there are significantly more bearers of the Ørsted name in Denmark. Incidentally, Ørsted is also used as a town and place name in Roskilde, Assens, Norddjurs and Haderslev, as the name of a parish, a waterworks, a mill, several churches, the school ‘Ørstedskolen’ on Langeland, the square ‘Ørsteds Plads’ in Lyngby, in several street names and in the name of the public park ‘Ørstedsparken’ in Copenhagen. Finally, I can mention that Ørsted is also part of a number of other company names.

It also follows from the applicable rules that the name of a famous person may form part of a trademark if the person deceased a long time ago, usually meaning more than 70 years ago. Hans Christian Ørsted died in 1851 – more than 160 years ago.

In addition, we have a special right and authority to use the Ørsted name by virtue of our 100-year-old ownership of one of Denmark’s first power stations, H.C. Ørsted Power Station. We are therefore confident that we have the right to use the Ørsted name as our company name.

However, the proceedings have been instituted, and the case must now take its course. It is difficult to say exactly when a decision will be made by the Copenhagen Maritime & Commercial Court. Our best estimate at the moment is in the first half of 2019. The decision
of the Copenhagen Maritime & Commercial Court may be appealed to either the Danish Western High Court or to the Danish Supreme Court.

**Summary**

I have said repeatedly that we are pleased with the company's development in 2017.

We have created substantial value for all our stakeholders – society, our employees as well as our business partners and shareholders. Not only was our financial performance highly satisfactory – the green transformation is also progressing. And employee safety and well-being has been improved further. On that basis, the Board of Directors has concluded that the results for 2017 are highly satisfactory.

Thank you for your attention. I will now give the floor back to the chairman of the meeting.