

Ørsted A/S

Transcript: Investor Presentation, Q2 2018

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Operator

Welcome to the Ørsted interim report for the first half year of 2018. For the first part of this call, all participants will be in a listen-only mode and afterwards there will be a question and answer session. CEO Henrik Poulsen and CFO Marianne Wiinholt will begin with a short introduction. Speakers, please begin.

Henrik Poulsen

Thank you and good morning everyone. Welcome to this presentation. This morning, as you know by now, we announced that we entered into an agreement to acquire Lincoln Clean Energy, a US onshore wind operator and developer. We are very excited about this acquisition. We see it providing a unique opportunity to capitalise on the growth opportunities in the onshore wind market in the US, both short term and long term. Lincoln Clean Energy owns a very attractive portfolio of 530 MW of recently commissioned assets. A 300 MW project currently under construction and more than 1.5 GW of pipeline to be completed towards 2022. With the acquisition, we acquired a sizeable operating portfolio and a development pipeline of high quality as well as a very strong management team. We will acquire 100% of Lincoln Clean Energy at an enterprise valuation of USD 580 million. This is an investment case with healthy economics based on prudent assumptions on key value drivers and future market developments. Based on these assumptions we estimate a high single-digit unlevered IRR from this investment. We will provide more information about the expected impact on our accounts and the targets for the future after the transaction has been closed. The acquisition of Lincoln Clean Energy is consistent with our strategic priority to pursue growth opportunities in other green energy technologies. By gradually building up our presence in renewable generation technologies, we will be well positioned to serve future market demand and also more broadly tap into the enormous global growth potential offered by the transition to green energy.

Moving on to the next slide, I will go more into details on strategic rationale and the value creation of the acquisition. We see a solid potential for synergies and transfer of know how between Ørsted and Lincoln Clean Energy. We will from our side contribute our balance sheet, our procurement scale and engineering capabilities to help extract the full value from Lincoln Clean Energy's current project portfolio and pipeline and support them in pursuing additional value creating growth opportunities in the US market. Furthermore, we will transfer the learnings and experience from Lincoln Clean Energy's business, including power offtake solutions and tax equity solutions into our current business.

The acquisition will expand our business platform in the US and provide us with additional access to customers, partners and talent as well as deeper insight into market and regulatory dynamics all of which will provide additional critical mass to our presence in the US. Over time, we expect the market to demand green multi-technology solutions combining wind, solar storage and bioenergy to deliver more efficient and stable load profiles supporting the transition to an entirely green energy system. This acquisition provides us with strong strategic optionality and allows us to diversify our geographic footprint and our technology platform.

Turning to slide 5, just taking a look at the portfolio of Lincoln Clean Energy. Lincoln Clean Energy has an operational portfolio of 530 MW of recently commissioned projects in the ERCOT region and they are currently constructing a 300 MW project in the same region.

In addition, Lincoln Clean Energy is currently developing a 700 MW near-term pipeline of projects which will be built in ERCOT and SPP and the 1.5 GW of capacity to be built towards 2020 are all qualified for 100% PTC. The medium-term pipeline consists of an additional 1 GW of capacity to be developed between 2020 and 2022 across a number of market regions.

Lincoln Clean Energy as I mentioned has a strong management team and throughout the transaction process we have been impressed with the skills and the ambition of the team and I very much look forward to welcoming CEO Declan Flanagan and his entire team at LCE and their unique expertise and history within onshore wind to Ørsted.

Lincoln Clean Energy will essentially become our scalable development platform for long-term growth in the US onshore wind market. Lincoln Clean Energy's existing management team will continue to run the business and will report to executive vice president Ole Kjems as a separate unit outside of Ørsted's current wind power division.

If we go on to the business and strategic highlights of the quarter on slide 7, you will see here that our strong strategic progress and our strong underlying financial performance continued in the second quarter. We reached an EBITDA of DKK 3.1 billion, which was DKK 1.4 billion below second quarter 2017. This decrease was expected. Second quarter last year was affected by a deferred farm-down gain of DKK 1.4 billion regarding Race Bank and also extraordinarily high earnings in our Markets unit related to the divestment of our oil and gas division.

In wind power, the earnings from our offshore wind farms in operation increased by 8% in the second quarter 2018 despite low wind speeds in the quarter. The increase was due to the ramp up of generation from Walney Extension and Race Bank and in bioenergy and thermal power improved market spreads contributed to DKK 100 million improvement in EBITDA.

As we have previously announced, we are in exclusive discussions regarding a 50% farm down of the Hornsea 1 offshore wind farm. And given the recent progress in these discussions we now consider it likely that the transaction will be completed during the second half of this year. Should the divestment materialise in 2018, EBITDA including a new partnership for the full year, is expected to be significantly higher than the DKK 22.5 billion achieved for the full year of 2017.

Our 2018 financials are developing in line with our expectations while wind speeds below norm in the second quarter have had a negative impact on the EBITDA for the quarter. We saw wind speeds above norm in the first quarter and for the first half of the year we are close to a normal wind year. The calm weather conditions over the summer have given us an upside on the construction projects. Walney Extension was completed ahead of schedule and Borkum Riffgrund 2 is on track to ramp up production earlier than we had expected in our financial

forecasts. We now expect to commission Borkum Riffgrund 2 by the end of 2018 as opposed to our previous expectation being the first half of 2019.

All in all, we now see full-year EBITDA excluding new partnerships skewing towards the upper end of the guidance range of DKK 12.5-13.5 billion.

Following the bio conversion of the Skærbæk power plant and the ramp up of our offshore wind capacity, the green share of our heat and power generation increased substantially from 64% in the second quarter 2017 to 80% in the second quarter 2018.

As announced in June, we have initiated a process to divest our Danish power distribution and residential customer businesses. I will get a little bit more into this and the underlying rationale on one of the following slides.

On the business development side, we participated in the second transitional auction in Germany in April and were awarded the right to build Borkum Riffgrund West and Gode Wind 4 with a capacity of 420 MW and 132 MW, respectively.

In April, we were also awarded 900 MW capacity through the beauty contest which served as the first Taiwanese grid allocation. Our Changhua 1 and 2 projects were awarded 605 and 295 MW, respectively.

Subsequently, we also secured 920 MW in the Taiwanese price auction in June. I will discuss the German and Taiwanese allocations in more detail in a few moments.

In May, we commissioned the world's largest wind farm in operation, Walney Extension, well ahead of schedule, located in the Irish Sea it will provide more than 500,000 UK homes with green power.

We also received judgment in the court case against Elsam in May. The High Court of Western Denmark found that Elsam had not abused its dominant market position in 2005 and the first half of 2006. We are obviously pleased with the verdict but cannot yet put the lawsuit fully behind us as our counterpart, the Danish Competition Authority have asked the Appeal Permission Board for permission to try the case at the Supreme Court.

The development of our REnescience plant in the UK is still ongoing. The core enzyme base technology is performing as expected but we have experienced mechanical challenges in the sorting process and we have not yet been able to process as much waste volume as we initially planned. Consequently, we have decided to initiate a programme to enhance flexibility and redundancy in the sorting hall, which we expect will significantly enhance operational performance and throughput. The plant is now expected to be commissioned in the first half of 2019. And we do remain confident about the potential of the REnescience technology.

Turning to slide 8 and the decision to divest our Danish power distribution and residential customer businesses. In light of our strategic development towards becoming a global leader in green energy, we have concluded a strategic review of our downstream business and concluded that access to sale of energy solutions to corporate and wholesale customers

building on our presence in offshore wind, bioenergy, energy storage and other renewable energy technologies will become strategically still more important. Our Danish power distribution and residential customer businesses are well run businesses with a high level of customer satisfaction and good profitability. However, they are not a sales channel supporting our long-term international growth in renewables.

With continued significant investments in green energy in the coming years, the strategic and financial importance of our Danish power distribution and residential customer businesses will be further reduced compared to our rapidly growing international business in green energy. On this basis and in line with our strategy, we have initiated this divestment process. We expect to make a decision about the potential divestment before the end of the first half of next year. The cash flow from the potential divestment will be included in our overall capital planning where the priorities remain our BBB+ and Baa1 rating as well as our current dividend policy and our ability to complete value creating growth investments in renewables. Any excess capital beyond that will be returned to our shareholders.

The three rating agencies have their view on the contemplated divestments. Overall, the ratings are unaffected and remain a BBB+/Baa1 with stable outlooks.

Turning to slide 9 where I will dive into the results of the second German transitional auction. In combination with the award from the auction last year, we have secured a total capacity of 900 MW without a subsidy in cluster 1, which is the maximum capacity available. In addition, we have secured a total capacity of 242 MW for Code Wind 3 and 4 with a weighted average subsidy of €81 per MWh. With these awards, we have further reinforced the attractiveness of the projects with continued maturation towards the final investment decisions in 2021. The fundamental value drivers behind the bid were the same as in last year's auction and that includes very strong site characteristics, extensive operational cluster synergies and an operational lifetime of 30 years. Since the first auction in April 2017, higher gas, coal and CO₂ prices have contributed to an increase in the German power prices. Furthermore, we remain optimistic about the introduction of the next generation of turbines. However, should the next generation of turbines not be ready in time, the turbine suppliers will by then have further developed their current platforms and we will assess the project economics based on upgraded versions of existing platforms. We expect a competitively priced 10-12 MW turbine to provide a solid business case and a potential 13-15 MW turbine would further enhance the business case.

In addition to these drivers, a corporate PPA market is developing in Europe and we see corporates increasingly considering offshore wind to secure utility scale supply of green power. We are exploring the opportunity to lock in prices for part of the production volume through long-term market based PPA contracts.

Let us turn to slide 10 and focus a bit on the recent Taiwanese awards. As I mentioned earlier, we were awarded 900 MW capacity in the beauty contest in April and an additional 920 MW in the price-based auction in June bringing total awarded capacity to 1.82 GW. The next steps for the first 900 MW projects are to obtain the establishment permit and to secure the feed-in tariff by signing a power purchase agreement with Taipower. The 900 MW awarded in the beauty contest means that we will be developing and constructing one of the first large-scale

commercial offshore wind projects in the Changhua region and connect 900 MW into Changhua's total available grid capacity of 1 GW in 2021.

Furthermore, the allocation of the additional 920 MW of value creating capacity following a highly competitive auction process as well as the successful FID and subsequent financial close of the Formosa 1 project phase 2 means that we have secured a strong platform for continued growth, not only in Taiwan but also more broadly in the Asia-Pacific region.

The capacity awarded in the April grid allocation at a higher feed-in tariff will help facilitate the investment required to establish and mature a local supply chain while maintaining healthy project economics. This will reduce costs and risks on the price-based projects towards our final investment decision in 2023. Furthermore, the learnings from the Formosa 1 project phase 2, a project to be commissioned in 2019 and the first Greater Changhua projects which are to be procured and constructed between 2019 and 2021 will enable an even more efficient and optimised EPC process on the projects which are to be procured and constructed between 2023 and 2025.

We also expect to see further cost-out in the industry towards FID driven by technology advances including larger turbines. Furthermore, we will take advantage of scalable O&M synergies as we will operate all of our Greater Changhua projects from the same hub. With the additional capacity, we will also be able to fully utilise the transmission asset which will be built for our 2021 projects.

To reflect the sovereign risk exposure in Taiwan, we have added a spread on top of our weighted average cost of capital for the price-based auction projects and our business case has a value creating spread on top of this increased hurdle rate.

On slides 11 and 12, I will focus on the market development and the offshore wind opportunities across our markets. Generally, we see strong sustained momentum in the global demand for offshore wind. The significant improvements in price competitiveness and the maturation of the technology continue to drive interest and demand in existing as well as new markets. Just over the past few months, we have seen material new long-term offshore wind commitments being made by the governments in the UK and Denmark and we see a continued pick-up in demand along the US East Coast.

Furthermore, we continue to explore opportunities in additional new markets in Europe and Asia. In Europe alone, we now see an average annual demand between 2020 and 2030 of at least 5 GW. The Taiwanese government has awarded a total of 5.5 GW grid capacity which is going to be developed by 2025. It has been communicated by the Taiwanese government that there will be a new auction round for the period post 2025 and that detailed planning is ongoing.

On the US East Coast, we expect to see a number of auctions in the second half of this year and in 2019. In Massachusetts, we expect to see the next solicitation in 2019. The auction will cover a minimum of 400 MW capacity but the capacity could be up to 800 MW as was the case with the last auction.

Furthermore, the Massachusetts House of Representatives has passed a bill that could double the amount of offshore wind off the coast of Massachusetts by 2035 to 3.2 GW up from the current target of 1.6.

The bill will now go to governor Baker to be signed into law. The Federal Agency BOEM has also proposed a competitive price-based auction for two additional commercial offshore wind lease areas in federally owned waters south of Massachusetts which we expect will take place at the end of this year.

In the state of New York, we expect that the first competitive offshore wind auction will be issued in the fourth quarter this year and that by the end of 2019 a total of 800 MW will have been solicited. New York has set out a target to have 2.4 GW of offshore wind capacity by 2030. The Bureau of Ocean Energy Management continues to explore the interest from developers regarding four new lease areas facing Long Island.

Moving on to New Jersey, we expect that New Jersey will have its first solicitation late this year or in the first quarter next year. The auction will expectedly be for 1,100 MW and the state target 3.5 GW of offshore wind capacity by 2030.

Now, if we turn to slide 12 and the market developments in Europe where we – as I mentioned – have seen a number of our core markets firming up their long-term plans for offshore wind. The next CfD auction in the UK will be initiated in May next year. The government will hold the subsequent allocation round in 2021 and thereafter hold auctions every 2 years with the target of 1-2 GW of new offshore wind capacity to be added every year towards 2030 bringing the total offshore wind capacity in the UK to 30 GW by 2030.

The consenting phase of our Hornsea project 3 is moving forward as planned and we expect to have key consenting in place during the autumn of 2019. This would make the project eligible to participate in an expected 2021 CfD auction.

In addition, the process for new leasing rounds in the UK is expected to be initiated in 2019. Following the second transitional auction in Germany, we expect the German authorities to host the first centralised tender of around 800 MW in 2021 to be built by 2026.

We expect to see centralised tenders in Germany on a yearly basis towards 2030 with a target of having 15 GW of offshore wind capacity by 2030. The Dutch government has published a detailed road map for 11.5 GW of offshore wind to be constructed by 2030 and we expect that the next tender will take place towards the end of this year or in early 2019. The Dutch government is yet to decide whether it will be a beauty contest or a concession tender. In Denmark, the new energy agreement covering the period towards 2030 is now in place with broad political support and the government has stated a significant focus on offshore wind in order to reach its 55% renewables target by 2030. The agreement includes tendering of 3 new offshore wind farms with a total capacity of at least 2.4 GW. We would expect the first tender of 800 MW to take place in 2020 or 2021 with the aim of building the wind farm between 2024 and 2027. It is worth noting that it has been proposed that the developers will be building the transmission assets for the 3 wind farms thereby increasing the scope compared to the previous tenders. We welcome the potential inclusion of the transmission assets as the

competition will ensure market-driven cost efficiency and innovation also for the transmission part of the project.

Turning to slide 13, I will just give you a brief update on the key construction projects in progress around the company. As I mentioned earlier, we have generally seen very strong progress in our construction projects during recent months due to the very mild weather. We commissioned the world's largest wind farm in operation, Walney Extension, in May as I mentioned. This brings our total installed capacity of offshore wind to 5.1 GW and we are currently constructing an additional 3.8 GW through four offshore wind farms as well as during the EPC demo project in Virginia in the US. Borkum Riffgrund 2 is well on track and due to the calm weather conditions over the summer we now expect to commission the project as I mentioned by the end of this year as opposed to our previous expectation being the first half of next year. We have installed all of the foundations including the 20 suction bucket jackets and all of the array cables. Furthermore, we have installed 44 out of 56 turbines and we had first power last week.

At Hornsea 1, we continue to see good progress and we have installed 16 out of the 174 foundations, all 3 substations and the reactive compensation station have been installed while the installation of the array cables has commenced. At Borssele 1 and 2, procurement is still the main focus. The turbine supply agreement was signed last year and the remaining key supply contracts are being signed during the course of this year.

In Virginia, we entered into a strategic partnership with Dominion Energy in July last year where we are to build a 2 turbine pilot project off the coast of Virginia Beach with a total capacity of 12 MW. Dominion filed for regulatory approval of the pilot project just last week. We are currently in the process of negotiating and signing the key contracts for the project.

We have signed a memorandum of understanding which gives Ørsted the exclusive rights to discuss a strategic partnership with Dominion Energy about developing the 2 GW commercial site based on the successful deployment of the pilot project.

For Hornsea 2, which will become the world's biggest offshore wind farm when operational in 2022, Siemens Gamesa will be the turbine supplier. We will deploy their 8 MW turbines. We have also announced that NKT will be one of the two suppliers of export cables and Prysmian will be one of the two suppliers of the array cables. EEW will supply all the monopile foundations. We are in the process of signing the remaining key contracts for Hornsea 2.

In Bioenergy and Thermal Power, we are still well underway with the bio conversion of the Asnæs power plant. The conversion is progressing according to plan with expected commissioning by the end of 2019. As I mentioned earlier, we have experienced mechanical challenges in the sorting process at our first REnescience plant in the UK. As a result, the plant is now expected to be commissioned during the first half of 2019.

At the end of June, we had 428,000 smart meters up and running at Radius' power distribution customers. Thus, the project remains very well on track and we are also on track to install approximately 1 million smart meters by the end of 2020.

I will conclude my part here and hand over the word to Marianne Wiinholt.

0.27.35

Marianne Wiinholt

Thank you, Henrik, and good morning from me also. We start on slide 14 and then I will dive more into the financials for Q2. In Q2, we realised an EBITDA of DKK 3.1 billion, a decrease of DKK 1.4 billion compared to Q2, 2017. As Henrik mentioned in the beginning of the call, the decrease was expected as Q2 2017 was affected by a deferred farm-down gain of DKK 1.4 billion regarding Race Bank and we had extraordinarily high earnings in Distribution & Customer Solutions as well as lower margins from our gas business in Q2 2018. In Wind Power, the continued growth in our generation capacity meant that earnings from our offshore wind farms in operation increased by 8% despite the low wind speeds in Q2 2018. The increase in earnings despite a quarter with low winds show the robustness of our diversified, growing portfolio of wind farms. It is also worth noting that Q1 2018 was a strong quarter in terms of wind speeds and looking at the wind speed for the first half year of 2018, it was almost on a par with the norm. In Bioenergy and Thermal Power improved spreads contributed to a DKK 100 million increase in EBITDA.

The net profit totalled DKK 0.9 billion, a decrease of DKK 1.6 billion driven by the lower EBITDA combined with a negative effect from exchange rate adjustments and higher interest expenses due to a lower level of capitalised interest following the completion of Walney Extension and Race Bank. Free cash flow from continuing operations for Q2 2018 came in at DKK 0.2 billion, an increase of DKK 6.1 billion. Q2 2017 was negatively affected by settlement of intergroup hedges related to the now divested oil and gas business and in Q2 2018 we had lower receivables due to the low generation in June and we also had higher cash inflow from ROC factoring due to the ramp up of generation from Race Bank. In addition, less funds were tied up in working in progress due to the divestment of the offshore transmission asset at the Burbo Bank Extension in April and we also received milestone payments from our partners at Walney Extension. Finally, we had a lower level of gross investments in Q2 2018.

If we then turn to slide 15 and our net debt and financial ratios. Our net debt end Q2 2018 totalled DKK 4.6 billion which was slightly higher than at the end of Q1 2018. Our cash flow from operations totalled DKK 3.3 billion and was offset by our investments and the coupons paid on our hybrid. Our key credit metrics – the FFO/Adjusted net debt stood at 44% at Q2 2018. Once again, above our target level of around 30%. Return on Capital Employed came in at 23%, an increase of 5 percentage points and was significantly impacted by the farm downs of Walney Extension and Borkum Riffgrund 2 at the end of 2017.

If we then move to the quarterly results for the business units, we start with Wind Power on slide 16. Power generation was in line with Q2 2017, the ramp-up of generation from Race Bank and Walney Extension was offset by lower wind and normal wind speed throughout our portfolio in Q2 2018 combined with higher than normal wind speeds in Q2 2017. EBITDA amounted to DKK 3.1 billion, a decrease of DKK 1.1 billion.

Again the decrease was expected as we had these farm-down gains of DKK 1.4 billion regarding Race Bank last year. The earnings from operating wind farms increased by 8% due to higher production in the UK from the new subsidised wind farms together with new O&M

agreements. Free cash flow totalled a negative of DKK 1.5 billion. EBITDA adjusted for divestment gains increased and we had lower receivables due to low generation in June.

Furthermore, we had less funds tied up in work in progress due to the divestment of Burbo Bank Extension transmission assets in April and we received milestone payments from Walney Extension. Finally, we had these lower gross investments, I mentioned before.

Return on capital employed for Wind Power stood at 27%.

If we then move on to Bioenergy and Thermal Power on slide 17, here EBITDA increased by DKK 100 million and amounted to a negative of DKK 100 million in Q2 2018. The increase was primarily due to improved spreads in our power business despite the lower generation. Free cash flow in Q2 2018 amounted to a negative of DKK 0.3 billion, an increase of DKK 0.3 billion and this increase was driven by the increased EBITDA and lower receivables due to the lower generation.

If we then turn to page 18 covering the results in Distribution & Customer Solutions. The EBITDA for Q2 2018 decreased due to a number of settlement and trading gains in Q2 2017 including non-repeated earnings from trading of our financial energy exposures related to the now divested upstream oil and gas business. We also achieved lower margins in the markets and LNG gas businesses. The free cash flow increased by DKK 3.9 billion, and this increase was due to a cash outflow from the settlement of the hedges related to oil and gas in Q2 2017. And we also saw higher cash inflow from ROC Factoring in Q2 this year due to ramp-up of generation from Race Bank. We also had a positive effect from lower receivables in Q2 2018.

Then finally we turn to our financial guidance on slide 19. As Henrik mentioned we now see full-year EBITDA excluding new partnerships skewing towards the upper end of the guidance range of DKK 12.5-13.5 billion. And should the divestment of Hornsea 1 materialised in 2018, EBITDA including new partnerships for the full year is expected to be significantly higher than the DKK 22.5 billion achieved for the full year 2017. The acquisition of Lincoln Clean Energy is expected to close towards the end of the year. And as such, the 2018 EBITDA contribution from the acquisition will be limited. Thus we have not included any contribution from Lincoln Clean Energy in our guidance. The outlook for gross investments is unchanged relative to the Annual Report for 2017. The gross investments related to construction of our offshore wind farms are expected to be lower than originally anticipated. This is mainly due to shifts in spending across years but also partly driven by Race Bank and Walney Extension construction projects being finalised at lower CAPEX spend than expected. However, reduced 2018 spend on offshore wind construction projects is offset by the payment related to the acquisition of Lincoln Clean Energy. On that note, we now open up for Q&A. Operator, please.

0.36.46

Operator

Thank you. Ladies and gentlemen, if you do have a question for our speakers please press 01 on your telephone keypad now. If you would like to withdraw your question that is 02 on your telephone keypad so once again it is 01 if you would like to ask a question and our first question comes from the line of John Musk from RBC. Please go ahead. Your line is now open for your question.

0.37.13**John Musk**

Yes, good morning everyone. A question or two questions but firstly on guidance. It can be quite hard to extract what the underlying EBITDA is in consensus versus the DKK 12.5-13.5 billion so perhaps you have got an idea where you think the market is on that number and also when you say significantly above 22.5, can you quantify that all in percentage terms and then the second question would be around the Lincoln acquisition. It is obviously skewed into onshore at the moment, but how quickly do you expect to build out into other technologies whether that's solar or storage and finally on Lincoln, although there is no impact on EBITDA this year. Can you at this stage give us an indication of EBITDA expectations for next year?

0.38.10**Marianne Wiinholt**

Thank you, John. I will answer the first question and then give the word to Henrik. If I understood your question right you asked where consensus really was on the Q2 result and to be honest the consensus input we have received is quite limited. We have received input, but from very few analysts so therefore it is not really a very good benchmark but the input we have got is a bit below where we end the quarter. Did that answer your question?

0.38.46**John Musk**

Sorry, I meant versus the 12.5-13.5 guidance for the year

0.38.53**Marianne Wiinholt**

The full year. Yes. There consensus is above the current guidance, yes. And then you asked to get some more detail on the guidance and sorry we cannot really give you that. We have given you as much as we can. We are saying we are skewing towards the upper end of the range and that is what we can say. And then when you include the Hornsea then the "significantly higher" – we have changed it previously, we said higher, now we say significantly higher so there is a change compared to what we have said before but we cannot give you more details than that, unfortunately.

0.39.42**John Musk**

Okay, thank you.

0.39.44**Henrik Poulsen**

And regarding LCE John, you know, we are currently gradually one step at a time building our presence also in storage. There we have until now taken a more, say, organic approach looking at acquiring projects and we have the first project already in progress in the UK close to Liverpool so we are building up our capability and our insight into the market to make sure we understand where the technology is going, where the market is going and what the economics are but clearly there we are taking a slightly more organic approach than what you have seen us doing in onshore wind in the US this morning so I hope that answers that part of

the question. On the EBITDA impact from Lincoln, we would like to have the transaction closed before we provide more specific guidance on what we expect in terms of how it is going to contribute to Ørsted, so we ask for your understanding that. We would just like to have the transaction closed which we expect to happen later this year and once it is closed we will come back and give you some more details.

0.41.04

John Musk

Okay, thank you.

0.41.08

Operator

Thank you. Our next question comes from the line of Kristian Johansen from Danske Bank. Please go ahead. Your line is now open.

0.41.16

Kristian Johansen

Yes, thank you so my first question is regarding the construction gains in the Wind Power division. So back when you reported in April you highlighted Q1 as being quite strong on the construction gains and that we should not expect to see similar construction gains in the remaining quarters. Now you obviously report a substantially higher level so firstly, I mean, can you explain what has driven this increase and secondly what should we expect for the remainder of the year?

0.41.47

Marianne Wiinholt

Yes, you are right, we have had higher construction gains in Q2 than anticipated and that is due to the very low wind speeds. That has given very strong construction progress in particular on Borkum. We have now come very far in the construction. We have completed Walney Extension and we have come really far on Borkum so therefore there is not that much construction gains left in the two remaining quarters so in a way you can say that the construction gains have become even more front-end loaded than anticipated but we have also seen somewhat higher construction gains compensating for the lower wind you can say because the good weather has given, in a way, faster construction but also lower CAPEX.

0.42.39

Kristian Johansen

Okay, so to understand you if you sort of look at your budget for the full year it is slightly better than expected but not a lot. Is that how we should ..

0.42.52

Marianne Wiinholt

You can say that, yes.

0.42.54

Kristian Johansen

Fair enough. Then my second question was regarding the PPA negotiation with Taipower for the allocation you got in April and whether you can just give us an update on the permitting status on this capacity?

0.43.11

Henrik Poulsen

Yes, I mean, the permitting processes are in progress and so are the PPA discussions with Taipower. We still expect to be able to get the permits in place and the PPA in place before the end of this year.

0.43.33

Kristian Johansen

Very clear. Thank you. That was all from me.

0.43.37

Operator

Thank you. Our next question is from the line of Sam Arie from UBS. Please go ahead. Your line is open.

0.43.44

Sam Arie

Thank you. Good morning everybody and congratulations again on a great set of results today. I seem to find myself saying that every time but I wish you good progress in the business. I have two questions. Firstly on Lincoln. You spoke, I think, about the IRR on your investment in the company but could you also give us an indication of likely project IRRs that you think are achievable in US onshore wind? I think E.ON confirmed another wind project in the US this week and they have said in the past they expect a minimum of 250 bps spread of IRR over WACC and sometimes much higher. I am just interested if you have sort of similar expectations on project returns and how that compares to your other offshore wind business. And then my second question is you have a CMD coming up in the second half of this year. Could you tell us a bit more about what we might expect for the Capital Markets Day? In particular we hear some sort of talk in the market about whether this will be an occasion for you to look again at capital structure. Some people are asking if there might be room for creation of a yield-co within your structure which carries high leverage. Is that something that you are planning to look at in the context of the CMD or would that have a different focus? Thank you.

0.45.10

Henrik Poulsen

Thank you. Yes, on Lincoln Clean Energy, you know, given that we are not yet in a position prior to closing to dive into the underlying financials we just wanted to make sure we provided you with some comfort about the economics of the acquisition we have announced this morning. And that is why we indicate that the acquisition comes with a high single-digit unlevered IRR. I would rather not start going into the underlying project IRRs just yet. Again, for today we would just like to give you the reassurance that we are quite confident about the health of the economics of this acquisition. We are actually very excited about it strategically and financially. And more details to follow later on, hopefully later this year. And that is the

bridge into the Capital Markets Day in November. I can tell you that you should not expect us to make any announcement about us carving out a yield-co from our asset portfolio. We are not working on any such plans. We are an energy company and an industrial company and we are building the company long-term in that spirit.

In terms of potential themes for the Capital Markets Day I should probably be a little bit careful about concluding just today but we obviously want to update you on all key aspects of the business. We want to give you more granularity on the acquisition we announced this morning. Hopefully we can provide an update on the divestment of the Danish downstream business and I also expect that we will be talking a little bit to you (about) our long-term financial targets currently running through to 2023. We will be taking a close look at those targets and as part of that exercise we will certainly also be looking at our capital deployment strategy and make sure you get a fully updated perspective on how we see our balance sheet, our capital structure and our capital deployment developing over the coming years.

0.47.23

Sam Arie

Thank you. Well, we look forward to that very much and thank you for your presentation today. It has been very helpful.

0.47.26

Operator

Thank you. Our next question comes from the line of Timothy Ho from Morgan Stanley. Please go ahead. Your line is open.

0.47.28

Timothy Ho

Hi, good morning. Just a couple of questions from me. The first one is on the acquisition announced today. Could you just bring those.. talk us through how this fits into your kind of 0-10% CAPEX spend into green growth and actually does this provide a stepping stone for future onshore wind development globally as well as in the US? And secondly, given the likely Hornsea 1 farm-down in H2 and the disposal process of the power distribution assets, can you tell us a bit more about your thinking about use of proceeds for example preferences to doing share buy-backs, dividends, given the commitment to returning potential cash to shareholders? Thank you very much.

0.48.17

Henrik Poulsen

Thanks Timothy. Regarding the 0-10% of CAPEX, we are, with the acquisition this morning, we are sort of still right around probably that 10% range if you look at the period for which we made the announcement and that would also include the CAPEX spend to follow at Lincoln Clean Energy. The acquisition price in and of itself is obviously well below the 10% that we set as the upper end of that range. As you also noted, we even are able to absorb the acquisition price for Lincoln Clean Energy within our investment guidance for 2018 so in fact this year we are seeing offshore wind CAPEX spend being lower to an extent that offsets the acquisition of Lincoln Clean Energy so, you know, we will take another look at these different CAPEX split numbers also as we move towards the Capital Markets Day but today I don't think there is any

reason for changing the 0-10% range. Obviously, we started now this morning eating into that 0-10% range but I don't see any reason for changing it.

Global onshore expansion and moving beyond the US, you know, I don't want to start commenting specifically on any particular acquisition opportunity but obviously we have our hands full right now with Lincoln Clean Energy and I would go as far as saying that we don't have any specific opportunities we are looking at within onshore wind beyond the US so for now you should not expect us to come out any time soon expanding that onshore wind platform beyond the US right here and now. Our focus will be on building US which we consider the biggest opportunity in the global onshore wind market.

On the proceeds from Hornsea 1 and downstream business they will go into of course our overall capital planning. Obviously we are firm on our credit ratings, we are firm on the dividend policy where we raised the dividend commitment back in February. We are quite comfortable about that dividend commitment and of course that is key to make sure we deliver on that. This morning we have made the investment in Lincoln Clean Energy. There will be CAPEX to be spent in US onshore wind building out that platform over the coming years and obviously we have also taken in quite a bit of offshore wind capacity in Germany and Taiwan just over the past few months and we still are hopeful that we also will start expanding into the US East Coast market in offshore wind over the next year or two so there will be quite a number of highly value creating projects to be financed. After that, whatever is left, yes we will definitely return it to shareholders. We have no intention of sitting on an overly conservative capital structure and we will keep you updated on an ongoing basis as to how we see this capital deployment unfolding over the coming years. I believe the Capital Markets Day would be natural next opportunity for us to give you such an update. But here today I will not be able to go further into it than I just have.

0.51.59

Timothy Ho

Great, thank you very much.

0.52.03

Operator

Thank you. Our next question comes from the line of Mark Freshney from Credit Suisse. Please go ahead. Your line is open.

0.52.11

Mark Freshney

Good morning. Three questions from me. Firstly, it is interesting that you talk about the zero subsidy projects in Germany potentially having 10-12 MW turbines. Is that because discussions with the OEMs on 13-15 MW suggests that they are less confident of being able to deliver that technology to you? Secondly a question for Marianne on the Lincoln Acquisition this morning. Does that include.. the EV that you presented looks low. Does that include things like tax equity or project finance or any off-balance sheet debt for that business? My third question is just on the lower CAPEX that you have had this year. Can you give us an all-in DKK per MW cost of what Walney was now that it has been completed? Thank you.

0.53.21**Henrik Poulsen**

Thanks, Mark. I will answer the zero-subsidy question for Germany and come back on the CAPEX and Marianne will cover LCE. When it comes to the German project and the turbines we are still optimistic that we will be able to deploy a 13-15 MW turbine and we are still expecting that to be ready in time. If it is not ready in time as I mentioned earlier we would use expectedly an upgraded version of existing platforms, probably being 10-12 MW, and what we typically see as the current platforms continue to move towards the end of their lifetime we see pricing typically becoming more and more competitive. So to be honest, the economics on the very competitively priced 10-12 MW turbine platform versus the economics of a 13-15 MW platform may actually not be all that different if you can get a very good price on the existing platform. That is also why we see the German projects being quite healthy either way. So that is – yeah, that is ..

0.54.42**Marianne Wiinholt**

On the Lincoln acquisition the number we have given is the acquisition price including the debt we are taking over from Lincoln but it does not include the tax equity. The tax equity is approximately the same amount as the EV that we have mentioned. The classification of that tax equity accounting-wise is still under.. we are still finding out exactly how to treat it in our books according to IFRS.

0.55.29**Henrik Poulsen**

When it comes to the CAPEX for Walney Extension specifically I will not comment on the specific cost for the Walney Extension project but as we have alluded to we have seen very strong construction progress during 2018 across projects and we have generally seen Race Bank, Walney Extension and now also Borkum Riffgrund 2 being constructed quite efficiently and below our original estimates. And when you add up, our CAPEX spend saving compared to what we had estimated across those projects, we are on the other side of DKK 1 billion, just to give you that indication.

0.56.19**Mark Freshney**

Thank you

0.56.23**Operator**

Thank you. Our next question comes from the line of Deepa Venkateswaran from Bernstein. Please go ahead. Your line is now open.

0.56.30**Deepa Venkateswaran**

Thank you. I have a few questions. So firstly on the US North East. We learned about the PPA that Vineyard Wind has won so I wonder whether you will be able to comment on whether if you had won at this prize would it have been above your WACC? It may not obviously have been delivered the spread that you needed given a new country risk but I just wanted to

understand how it could have stacked and do you see this as being a disadvantage for you for the New York auction that is upcoming or the second Massachusetts given that these players obviously already have won a project and also for New Jersey do you see New Jersey restricting projects to the New Jersey area or do you think the New Jersey auction could also invite projects from other states, so those are my questions on the US and the second question I wanted to ask on the Danish divestment is whether your owner has made any restrictions or boundary conditions on the type of players that you could sell the asset to or any other restrictions and does.. when you have sold this asset does it reduce the strategic reason on why the Danish state should be a shareholder in the long term? Thank you.

0.57.52

Henrik Poulsen

Thanks Deepa. Let me try to answer the questions. When it comes to Vineyard Wind's winning strike price in Massachusetts, I don't want to comment. We have obviously been running the numbers on what that would have done for us if we had taken it at that price. But it is not something I want to go public about. I think that would be inappropriate. And I don't as such, I cannot comment on whether it would have been above our WACC or not. I can only conclude that we were beaten on price in that auction and that is the way it is.

When it comes to New York, and Massachusetts' upcoming auctions, it is really difficult to predict exactly what the competitive dynamics will be but it goes without saying to the point you are making that as competitors fill their pipelines they also reduce the capacity they have left to bid into future auctions so of course demand will fill up pipelines and that will in some way, shape or form also spill over into competitive dynamics in the upcoming auctions. But of course there will potentially also be other players joining those auctions than the ones who took part in the Massachusetts auction.

Whether New Jersey will restrict the New Jersey solicitation to only include a New Jersey project so to speak I do not know yet. We would still have to wait and see exactly what the framework will be for the New Jersey solicitation. But in any case, I would certainly consider Ørsted to be well positioned in New Jersey with the Ocean Wind project which we consider a very strong site.

When it comes to the Danish divestment, I can only say that we obviously will scrutinise all potential bidders across a number of criteria, first and foremost price. We obviously want to make sure that we get the right price for the assets but we will also assess whether the potential buyers are good owners of the asset when it comes to making sure that we also support long-term security of supply and high security of supply in Denmark and obviously we will apply common criteria for what you could consider general good corporate citizenship in assessing the attractiveness of the different bidders but of course first and foremost we will be looking at the price in this assessment. Whether the divestment of these downstream assets in Denmark will change the government's view on their ownership in Ørsted, my take is that it probably won't change the view of the government that they want to remain a majority shareholder of the company, at least that has been the clear signal from the government parties that also recently have been saying that they feel good about the ownership of Ørsted and they don't see any changes. There is, as you know, a political agreement behind Ørsted saying that they should remain a majority owner through 2020 at which point they can revisit

the discussion but still it would take only one political party to veto any changes to that agreement so I will consider the ownership of the Danish government to be a fairly stable situation.

1.01.44

Deepa Venkateswaran

Thank you.

1.01.49

Operator

Thank you. Our next question comes from the line of Casper Blom from ABG. Please go ahead. Your line is open.

1.01.54

Casper Blom

Yes, thanks a lot. A couple of follow-ups from me here. There was a previous question touching a bit upon it but when you have sold your Danish infrastructure business you will be left with a company that is very, very much a wind power company. Is there any chance that you will sort of try and divide it a bit more into an engineering part and more of a kind of an asset manager and potentially having different capital structures in the two or do you really think about this as an integrated unit that should not be split up? And then secondly, in your, how can you say it, pursuit of going into other renewable technologies, now of course you have bought yourself into onshore wind, how do you think about the potential of maybe buying into more creative or less developed technologies – I am thinking just out loudly like wind power or mechanic kites or things like that or will you stick to more developed technologies? That's it from me. Thanks.

1.02.57

Henrik Poulsen

When it comes to splitting the Wind Power business into let us call it an EPC company and an asset management company, we have no such plans. We very much believe in the integrated business model that has taken us to where we are today. We obviously need to continuously make sure that it is a cost efficient model and that it is agile and we are constantly working towards those ends but splitting it up, we don't see that creating any value for our shareholders so that is not in our plans. When it comes to looking at other renewable technologies to expand our global growth platform we are not currently looking at what you consider immature technologies. Our focus has been on onshore wind and obviously we are also looking at further options for expanding offshore wind and storage. We are already engaged and then we are also taking a look at solar PV but we have no immediate plans to enter solar PV but we are also monitoring that market so those are what you consider fairly developed renewable technologies.

1.04.15

Casper Blom

That is very clear. Thanks a lot and well done as usual.

1.04.22**Operator**

Thank you. Our next question comes from the line of Baptiste Cota from Goldman Sachs. Please go ahead. Your line is now open.

1.04.30**Baptiste Cota**

Thank you, good morning. I have two questions, please. First, the Race Bank, Walney Extension and Borkum 2 were commissioned ahead of schedule. And the time line of the Taiwanese wind farms feel quite short. Can you explain what has changed for you to reduce construction time other than some weather benefits and whether there is room for more improvement over the next few years? And my second question is: With the commissioning of three wind farms this year and the acquisition it looks like your exposure to the construction side of the business is reducing versus the operating side so with the reduction of the risk profile, how do you see your 30% FFO/net debt target evolve? Do you think rating agencies could start to warm up to the idea of reducing that target? Thank you.

1.05.15**Henrik Poulsen**

Thank you. On the time line, I mean, we have clearly seen a compression of our installation time lines over the years. This has been part of reducing the cost of electricity that we have seen our installation campaigns becoming more and more efficient also of course supported by better vessels and new technology. So we have seen that compression. The fact that we have made very good progress and also progress beyond expectation this year has very much been driven by the mild weather over the past 4 months which has given us this extraordinary progress on the European construction projects.

When it comes to Taiwan, we are comfortable about the timeline we have ahead of us for the construction of the Changhua 1 and 2 projects to be constructed in 2021. There we are on track and we are currently in the process of ramping up procurement and technology development locally in Taiwan and also with some of our European suppliers.

1.06.28**Marianne Wiinholt**

And then on the rating. Yes of course as we get more and more wind farms into operation you can say that the construction part will be a less significant part of our profile. I cannot comment on rating agencies' view on our risk profile. That is up to them, but of course in a way we see a lower risk profile when construction is less significant so yes you can hope for the rating agencies to share that view.

1.07.09**Operator**

Thank you. Our next question comes from the line of Jenny Ping from Citi, please go ahead. Your line is now open.

1.07.10**Jenny Ping**

Hi good morning. Two questions from me, please. Firstly, just from what I can see in terms of output and wind resources in July the start of Q3 continues to be a weak one for both the UK and German markets. How much headroom have you built into your high end of the 13.5 half EBITDA guidance for a continuation of the output to be a relatively weak one? Are you assuming a return to normal weather conditions for the rest of the year to hit that 13.5? So that is the first question and second question just to have a clarifying point – Henrik, you mentioned north of DKK 1 billion earlier in response to Mark's question about the costs -- the construction CAPEX savings from Borkum and Walney Extension and Race Bank. I just want to make sure that that is the CAPEX construction cost savings that you were referring to. Thanks.

1.08.23**Henrik Poulsen**

Jenny, you know, in sort of a, you know, "moderately" revising our guidance for the full year towards the other half of the range – yes, we have considered that wind speeds in July were also on the soft side and I can also tell you that for the first half of 2018 just to give you an indication of the financial impact of the lower wind speeds, we were quite a bit above norm in the first quarter, we were below norm in the second quarter, the financial impact of all of that we estimate to be DKK 2-300 million of EBITDA impact from lower wind speeds for the first half of the year. So that is the magnitude of it. We have obviously considered the beginning of Q3 wind speeds in our guidance announcement today and we are quite comfortable about that guidance. When it comes to the 1+ billion, yes, those are CAPEX spend savings so you could say we profit from the construction progress in a number of ways. First of all, we save on the CAPEX side and that is the 1+ billion number I gave you and secondly we obviously reached first power and power production and thereby income streams earlier than originally anticipated.

1.09.54**Jenny Ping**

Perfect, thank you.

1.09.58**Operator**

Thank you. Our next question comes from the line of Pinaki Das from Bank of America, Merrill Lynch. Please go ahead, your line is now open for your question.

1.10.07**Pinaki Das**

Good morning. Thanks for taking my questions. I have got three questions. Two are related to your US wind acquisition and one is related to Taiwan. I just wanted to ask you on the US wind acquisition so when I look at the numbers 580 million EV for 513 MW of operational capacity on top of obviously you have got more under construction and the pipeline as well but just looking at the operational capacity – it looks like it is kind of 1.1-1.15 dollar million per MW just for the operational capacity which looks like a quite a low number relative to the cost of building a wind farm in the US. I just wanted to understand if there is any sort of minorities in

there or maybe some CAPEX left to be done on the operational project which might skew the EV/MW multiple so that is my first question.

The second question relating to onshore wind is more of a theoretical one so obviously you are going into onshore wind now which you had indicated earlier and there is always the question mark around, you know, you have a big expertise in offshore wind but not necessarily in onshore wind so what is kind of attracting you to onshore wind? Is it.. are the returns higher in onshore wind than offshore wind directionally? Or do you feel you have a big advantage? I just wanted to ask around that without getting any actual number – just directionally do you feel onshore wind has a better return profile than offshore wind? And currently just on Taiwan, I just wanted to get your thoughts around you know looking at the €72 per MW price in the auction. How is that influencing your negotiations for the first round which the market kind of believes will be around the 160-170 dollar mark? Thank you.

1.12.10

Marianne Wiinholt

Should I take the first one when you talk about the multiple? There is no CAPEX missing for the operating project but there is this tax equity as I mentioned and that is not included in the amount. But aside from that it should be straightforward. Nothing else missing, you can say.

1.12.30

Henrik Poulsen

But it is of course important to bear in mind that there is an additional 300 MW which is currently being finalised and we expect that practice to commission probably towards the end of this year so there is an addition 300 more or less completed. And then you have an additional 700 MW of near-term construction with 100% PTC qualification so just to understand the valuation and the economics of the acquisition those are of course very important data points.

Taiwan and the – sorry, you asked about onshore wind and our entry – we basically see this as an opportunity to create additional long-term growth for the company and create additional shareholder value. As I alluded to earlier, we have seen good economics in this investment case and we have bought essentially a platform which we consider to be one of the strongest management teams in US onshore wind so you could say we are buying the capability and we will combine that capability with our balance sheet, our engineering capabilities and also our procurement scale. And we are quite convinced that that combination will unlock the full potential of Lincoln Clean Energy also above and beyond what they would have been able to do without Ørsted so we see the base case stand alone being very solid and on top of that we believe we can bring additional value creation. And then of course strategically we see this as an opportunity to open up into an additional long-term growth opportunity and establishing ourselves in the US.

When it comes to the return profile, again I did allude to what we consider the likely unlevered IRR on the acquisition spend. So that is probably as close as I can come to the return profile today.

When it comes to the €72 per MWh strike price in the price-based auction in Taiwan we do not expect a spill-over to the grid allocation strike price around €160 per MWh. I think it is well understood by the market participants and the government in Taiwan that the grid allocation volumes are needed at that strike price level in order to finance the establishment and the initial maturation of a local supply chain in Taiwan so we see these projects essentially being connected in terms of their total economics.

1.15.08

Pinaki Das

Can I just ask you a follow up question on LCE? Could you give us the split between the debt and equity within 580 million EV that you have paid? If it is possible?

1.15.26

Marianne Wiinholt

We will give you further details when we do the closing of the deal.

1.15.32

Pinaki Das

Okay, great. Thank you so much.

1.15.35

Operator

Thank you. Our next question comes from the line of Iain Turner from Exane. Please go ahead. Your line is open.

1.15.41

Iain Turner

Thank you. I was going to ask the same question about the split between debt and equity on the LCE but I will park that you are not going to answer it. Can I just ask you about Massachusetts? During the auction process there was a big debate amongst the distribution companies about whether to allocate 400 or 800 MW and the argument against allocating 800 MW that would foreclose future auctions in Massachusetts. I was just wondering whether you thought that it was now less attractive to bid for future projects in Massachusetts because that 800 MW is already gone?

1.16.17

Henrik Poulsen

I don't think that is the case Iain, I mean, we would expect the next auction in Massachusetts to also cover 4-800 MW like the first one so that would still be let's say that would still be sort of the sweet spot of the size of a project that we would want to pursue. So I don't think that has in and of itself has changed the attractiveness of the next solicitation.

1.16.40

Iain Turner

Thank you.

1.16.45

Operator

Thank you. Our next question is another question from the line Deepa Venkateswaran from Bernstein. Please go ahead. Your line is open.

Deepa Venkateswaran

Thank you for taking my follow-up question. So I have two questions. You mentioned about Taiwan that it is probably a starting point for you for Asian markets. Would you be able to comment on which countries look most promising and do you need say floating foundation technology to be established to access any of that and second slightly more mundane is.. Marianne could you clarify how much of OFTO working capital is tied up at this stage. Thank you.

1.17.25

Henrik Poulsen

Thanks, Deepa. When it comes to Asia, actually we are obviously spending the vast majority of our resources in Taiwan right now with the 1.8 GW allocated but we are also closely monitoring the development in other markets and to your question, we consider the biggest opportunities to probably materialise over the coming years in Japan and in Korea, potentially in India so those are the markets that we are monitoring. We would not expect to deploy floating foundations in any such opportunities, at least not near to medium term. Clearly, there is a limit to how much fixed-bottom foundation capacity you could build in Japan for instance before having to move out and use floating but we do see meaningful capacity potentially being feasible in Japan using bottom fixed foundations so – and again, very early days in either one of those markets. So still difficult to assess exactly how much of an opportunity it will become but we are certainly monitoring those markets.

1.18.42

Marianne Wiinholt

Yes and on your second question, it is 9.3 billion, but we have actually included it now in a note (3) because we always get the question so you can find it in note 3 but it is 9.3 billion.

1.18.57

Deepa Venekateswaran

Okay, thank you.

1.19.00

Operator

Thank you. Our next question comes from the line of Elchin Mammadov from Bloomberg. Please go ahead. Your line is open.

1.19.07

Elchin Mammadov from Bloomberg

Hi there. Two questions from me, please. Your thermal power business has done quite well this quarter and are you expecting the spreads to continue to be on the positive development side in 3Q? And the second question is a more broader one. It looks like you are getting out of the grid supply business altogether. What do you see as being an advantage of being focused just

on pretty much on offshore wind and onshore wind? Are they positive like more integrated utility model? Thank you.

1.19.40

Henrik Poulsen

When it comes to thermal power, it is very difficult to anticipate the spreads. They are obviously heavily linked to weather conditions and you are absolutely right, they have been better during the first half of the year compared to 2017 driven by a cold spell in Q1 and then here in Q2 the power prices have been moving up driven by weather conditions, lowering production from hydro assets in the Nordic region, also lowering production from nuclear assets due to lack of cooling opportunities and obviously also reduced wind power production so that has given the thermal power unit some pretty good market conditions. Whether that will be sustained into Q3 and 4 I would rather not start guessing. When it comes to the move – to move out of the downstream business, there are a couple of reasons that I also alluded to. One is you have to consider that our Danish residential customer business and our Danish power grid is essentially only a domestic business and as we continue to expand globally within offshore wind and also expanding quite rapidly this business will over time become quite small and we are a little fearful that over time it will turn into a bit of an appendix to a global renewable generation business and we don't think we will be doing the business and the employees of the business any favour by holding on to them and letting them turn into a non-core business over time. There we will rather address it up front and make sure we find an owner for whom this is a core activity who has the strategic framework to develop these businesses longer term and better than we will be able to do. And secondly, what we consider very important for the generation business in terms of downstream activity is the access to the corporate market and the wholesale market so that we can get into the market and sell our generation solutions whether that is selling corporate PPAs from our wind power production or whether it is selling bioenergy plans for large corporate customers just to mention a couple of examples. It could also include storage solutions as a third example and that is the part of the business where we will continue to own it, and develop it and grow it in order to make sure we have that market access.

1.22.23

Elchin Mammadov from Bloomberg

Thanks a lot, thank you

1.22.29

Operator

Thank you. Our next question comes from the line of Jacob Magnussen from Danske Bank. Please go ahead. Your line is open.

1.22.35

Jacob Magnussen

Thank you. Just a theoretical question. If the Danish government should at some point decide to divest Ørsted, given that its Danish footprint is now becoming rather small, just what is your thinking around your rating target then? Obviously, you would probably lose your one-notch uplift from Moody's and S&P taking you to BBB flat, would you then consider revising your target FFO/net debt in an upward direction to protect your high BBB rating? That is the first

question. The second question is just clarification. If I understood you correctly, you would not be including Lincoln into your Wind Power division. Does that also go for segment reporting and if not included there where will you report segment-wise? Thank you.

1.23.24

Marianne Wiinholt

I will not comment on your first question. It is a theoretical question and no comments from our side right now. On your second question. Yes, it will not be part of Wind Power and we will have a separate segment for this business, for onshore wind.

1.23.50

Jacob Magnussen

Okay

1.23.53

Operator

Thank you. This brings us to the end of our Q&A session and I will now hand back to our speakers for any closing comments.

1.24.00

Henrik Poulsen

Thank you all very much for joining. I appreciate the interest and all of the great questions so thank you so much. Have a continued good day.