Ørsted
Salg & Service

Annual report 2019

Adopted at the
annual general meeting
17 June 2020

Ulrik Jarlov
Chairman of the meeting

Ørsted Salg & Service A/S, CVR No. 27210538
For the period 1/1 2019 to 31/12 2019
Ørsted Salg & Service A/S, Skærbæk
Kraftværksvej 53, 7000 Fredericia

Ørsted

Salg & Service

Annual report 2019

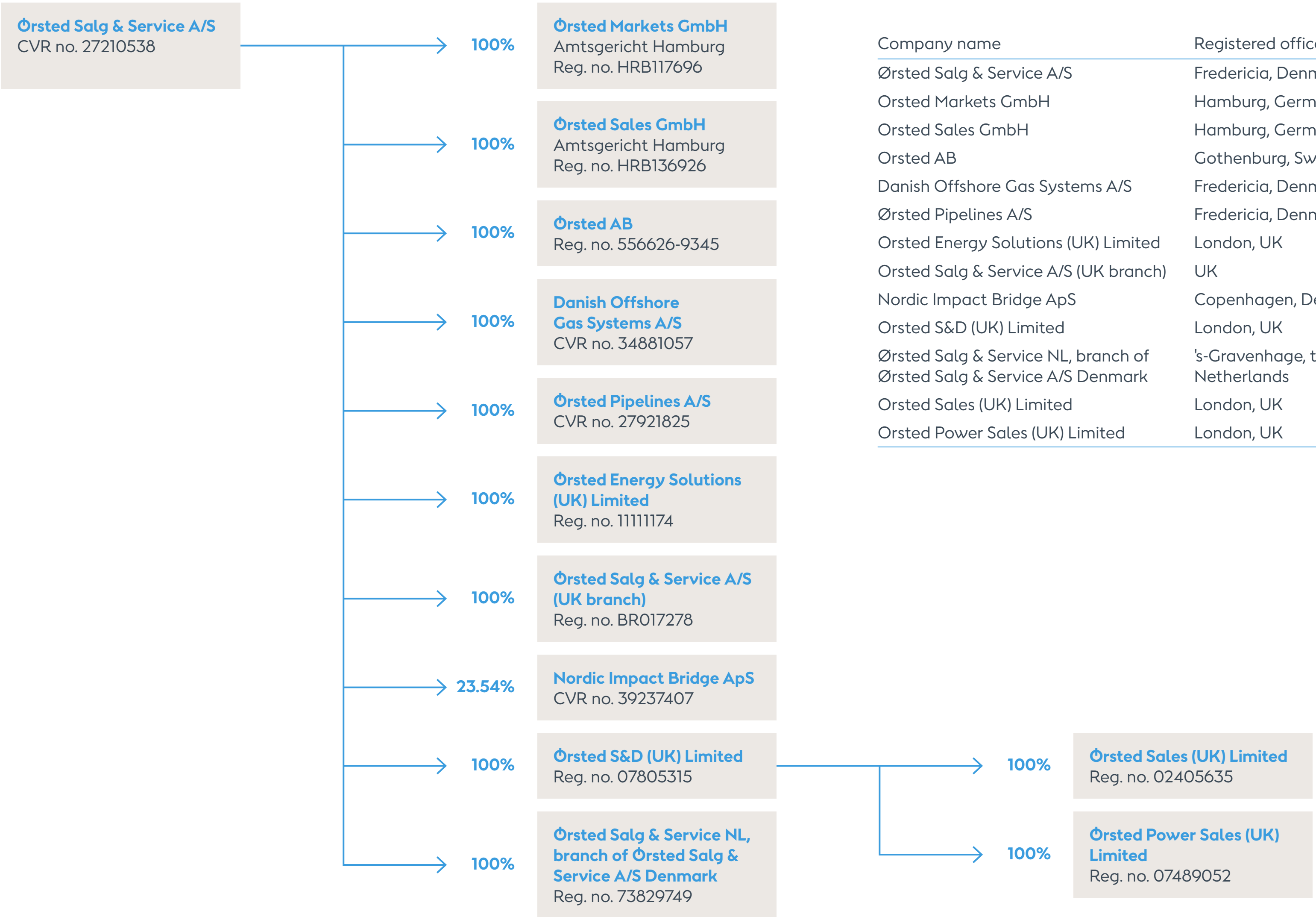
Contents

Overview

Company information

Company	Ørsted Salg & Service A/S Kraftværksvej 53 Skærbæk 7000 Fredericia Denmark Telephone: +45 99 55 11 11 Email: orsted@orsted.dk Company registration number: 27 21 05 38
Shareholder	The entire share capital is held by Ørsted A/S
Board of Directors	Marianne Wiinholt (Chairman) Anja Forup (Deputy Chairman) Nicolai Frederik Schmidt Carøe
Executive Board	Morten Hultberg Buchgreitz
Auditor	PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
Annual general meeting	17 June 2020
Other managerial posts	Managerial posts held by the members of the Board of Directors and the Executive Board of Ørsted Salg & Service A/S in other Danish public limited companies, with the exception of managerial posts in the company's own wholly-owned subsidiaries.
Marianne Wiinholt	ØRSTED A/S (Chief Financial Officer), HEMPEL A/S (member of the Board of Directors), EM EL HOLDING A/S (Chairman of the Board of Directors), ENERGIGRUPPEN JYLLAND EL HOLDING A/S (Chairman of the Board of Directors), ØRSTED SALES & DISTRIBUTION A/S (Chairman of the Board of Directors), ØRSTED WIND POWER HOLDING A/S (Chairman of the Board of Directors), ØRSTED BIOENERGY & THERMAL POWER A/S (Chairman of the Board of Directors), ENERGIGRUPPEN JYLLAND EL A/S (Chairman of the Board of Directors), ØRSTED EGJ A/S (Chairman of the Board of Directors), ØRSTED EL A/S (Chairman of the Board of Directors), ØRSTED SERVICES A/S (Chairman of the Board of Directors), ØRSTED WIND POWER A/S (Chairman of the Board of Directors), ØRSTED WIND POWER DENMARK A/S (Chairman of the Board of Directors), RADIUS FORSYNINGSNET A/S (Chairman of the Board of Directors), ØRSTED NR. 1 2014 A/S (Chairman of the Board of Directors), ØRSTED ONSHORE HOLDING A/S (Chairman of the Board of Directors), ØRSTED NORTH AMERICA HOLDING A/S (Chairman of the Board of Directors), ØRSTED PRIVATSALG EL & GAS A/S (Chairman of the Board of Directors)
Anja Forup	EM EL HOLDING A/S (Deputy Chairman of the Board of Directors), ENERGIGRUPPEN JYLLAND EL HOLDING A/S (Deputy Chairman of the Board of Directors), ENERGIGRUPPEN JYLLAND EL A/S (Deputy Chairman of the Board of Directors), ØRSTED EGJ A/S (Deputy Chairman of the Board of Directors), ØRSTED EL A/S (Deputy Chairman of the Board of Directors), ØRSTED WIND POWER DENMARK A/S (Deputy Chairman of the Board of Directors), ØRSTED NR. 1 2014 A/S (Deputy Chairman of the Board of Directors), ØRSTED NORTH AMERICA HOLDING A/S (Deputy Chairman of the Board of Directors), ØRSTED ONSHORE HOLDING A/S (Deputy Chairman of the Board of Directors)
Nicolai Frederik Schmidt Carøe	EM EL HOLDING A/S (President and member of the Board of Directors), ENERGIGRUPPEN JYLLAND EL HOLDING A/S (President and member of the Board of Directors), ØRSTED BIOENERGY & THERMAL POWER A/S (member of the Board of Directors), ENERGIGRUPPEN JYLLAND EL A/S (President and member of the Board of Directors), ØRSTED EGJ A/S (President), ØRSTED EL A/S (President), ØRSTED SERVICES A/S (President), ØRSTED NR. 1 2014 A/S (Member of the Board of Directors), ØRSTED NORTH AMERICA HOLDING A/S (President)
Morten Hultberg Buchgreitz	BUNKER HOLDING A/S (member of the Board of Directors), UNI-TANKERS A/S (member of the Board of Directors), ApS HABRO KOMPLEMENTAR-19 (member of the Board of Directors), ØRSTED BIOENERGY & THERMAL POWER A/S (President), A/S UNITED SHIPPING & TRADING COMPANY (member of the Board of Directors), K/S HABRO-LOWESTOFT (member of the Board of Directors), K/S MEIDERICH (member of the Board of Directors), ØRSTED PIPELINES A/S (Chairman of the Board of Directors), UNI-CHARTERING A/S (member of the Board of Directors), DANISH OFFSHORE GAS SYSTEMS A/S (Chairman of the Board of Directors), ØRSTED CITY LIGHT A/S (Chairman of the Board of Directors), ØRSTED VARMESERVICE A/S (Chairman of the Board of Directors), ØRSTED PRIVATSALG EL & GAS A/S (Deputy Chairman of the Board of Directors), INBICON A/S (Chairman of the Board of Directors), RENESCIENCE (Chairman of the Board of Directors)

Group structure



Company name	Registered office	Currency	Share capital in million	Group ownership interest
Ørsted Salg & Service A/S	Fredericia, Denmark	DKK	1,110.0	100%
Orsted Markets GmbH	Hamburg, Germany	EUR	9.6	100%
Orsted Sales GmbH	Hamburg, Germany	EUR	1.0	100%
Orsted AB	Gothenburg, Sweden	SEK	5.0	100%
Danish Offshore Gas Systems A/S	Fredericia, Denmark	DKK	1.0	100%
Ørsted Pipelines A/S	Fredericia, Denmark	DKK	50.5	100%
Orsted Energy Solutions (UK) Limited	London, UK	GBP	0.1	100%
Orsted Salg & Service A/S (UK branch)	UK	GBP	-	100%
Nordic Impact Bridge ApS	Copenhagen, Denmark	DKK	0.1	23,54%
Orsted S&D (UK) Limited	London, UK	GBP	48.0	100%
Ørsted Salg & Service NL, branch of Ørsted Salg & Service A/S Denmark	's-Gravenhage, the Netherlands	EUR	-	100%
Orsted Sales (UK) Limited	London, UK	GBP	39.0	100%
Orsted Power Sales (UK) Limited	London, UK	GBP	4.0	100%

Performance highlights

DKKm	2019	2018	2017	2016	2015
Business performance:					
Statement of comprehensive income					
Revenue	31,443	39,264	36,315	34,343	43,608
Profit (loss) before interest, tax, depreciation and amortisation (EBITDA)	880	786	549	3,437	3,262
Operating profit (loss) (EBIT)	729	749	486	3,414	2,947
Profit (loss) for the year	(707)	459	368	2,526	2,320
Financial ratios					
EBITDA margin	3%	2%	2%	10%	7%
EBIT margin (profit margin)	n/a	2%	1%	10%	7%
IFRS:					
Statement of comprehensive income					
Revenue	33,080	38,928	36,414	32,082	44,436
Profit (loss) before interest, tax, depreciation and amortisation (EBITDA)	1,827	450	648	1,176	4,090
Operating profit (loss) (EBIT)	1,676	413	585	1,153	3,775
Net financial income and expenses	(87)	(101)	(17)	(196)	(231)
Profit (loss) before tax	1,588	304	568	957	3,543
Profit (loss) for the year	753	(157)	444	761	2,954
Balance sheet					
Equity	10,081	9,380	9,538	9,095	8,366
Balance sheet total	27,596	28,394	25,409	41,451	58,919
Cash flows					
Operating activities	(1,099)	1,671	(1,429)	2,238	2,319
Investments in property, plant and equipment	(18)	(11)	(14)	(9)	(19)
Other investing activities	649	(730)	1,986	(3,190)	(2,415)
Financing activities	(79)	(51)	(51)	64	269
Financial ratios					
EBITDA margin	6%	1%	2%	4%	9%
EBIT margin (profit margin)	5%	1%	2%	4%	8%
Net interest-bearing debt	(8,303)	(8,969)	(7,749)	(9,148)	(6,979)
Capital employed	2,149	402	1,788	(53)	1,991
Average number of employees	448	149	141	146	166

Financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios' published by the Danish Society of Financial Analysts. For definitions, see the accounting policies section.

Business performance vs. IFRS
Business performance represents the underlying financial performance of the Group in the reporting period as results are adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. Apart from this, there is no difference between business performance and IFRS results. Read more in note 30 'Description of accounting policies'.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and approved the annual report of Ørsted Salg & Service A/S for the financial year 1 January - 31 December 2019.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. The financial statements of the parent company, Ørsted Salg & Service A/S, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements provides a fair presentation of the Group's and the parent company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January - 31 December 2019.

In our opinion, the management's review provides a fair presentation of the development in the Group's and the parent company's operations and financial circumstances, of the results for the year, and of the overall financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

We recommend that the annual report be adopted at the annual general meeting.

Skærbæk, 10 June 2020

Executive Board:

Morten Hultberg Buchgreitz
President

Board of Directors:

Marianne Wiinholt
Chairman

Anja Forup
Deputy chairman

Nicolai Frederik Schmidt Carøe

Independent Auditor's Report

To the shareholder of Ørsted Salg & Service A/S

Opinion
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Ørsted Salg & Service A/S for the financial year 1 January - 31 December 2019, which comprise statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for both the Group and the Parent Company ('financial statements').

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements
Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company, or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 10 June 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant
mne28705

Allan Knudsen
State Authorised Public Accountant
mne29465

Management's review

Highlights 2019

- Our power portfolio under management grew by 1.2GW to more than 5.5GW, as we added a long-term contract for the Hornsea 1 Offshore Wind Farm.
- We concluded a 15-year agreement with the Dutch power grid company Alliander to purchase green certificates from the offshore wind farm Borssele 1.
- We entered into an agreement to divest our liquified natural gas (LNG) activities.

Financial performance

Revenue decreased by 20% compared to 2018 and amounted to DKK 31.4 billion. The decrease was mainly driven by an average decrease of 41% in gas prices relative to 2018 combined with lower gas volumes in 2019. Sold power volumes increased 6%, but power prices contributed to the lower revenue.

EBITDA amounted to DKK 0.9 billion compared to DKK 0.8 billion in 2018.

To reflect end-to-end value chain thinking in Ørsted, earnings from trading related to hedging of power exposures and power portfolio optimisation activities, previously presented in Markets, are now reported as Offshore and Onshore earnings.

EBITDA from our Offshore and Onshore Sales business increased from DKK 0.5 billion to DKK 0.9 billion in 2019. The increase was primarily due to higher earnings from trading related to hedging of our power exposure.

EBITDA from our Gas Markets & Infrastructure business decreased by 37% and amounted to DKK 0.3 billion. Earnings were negatively affected by the substantial drop in gas prices during the year, which led to a decrease in the accounting value of our gas inventories end of 2019, whereas increasing gas prices led to a temporary positive effect in 2018. The negative effect in 2019 will be partly offset either if the gas prices increase again, or when we sell the gas, expectedly in 2020.

Cash flows from operating activities amounted to DKK -1.1 billion in 2019, a decrease of DKK 2.8 billion compared to 2018, primarily due to lower funds from operations, including higher paid tax in 2019. In addition, more funds were tied up in net working capital compared to 2018. Cash flows from gross investments increased with DKK 1.4 billion due to increased transactions with Ørsted internal bank of DKK 1.1 billion in 2019 and purchase of securities of DKK 0.3 billion in 2018.

Following the agreement to divest our LNG activities we have decided to present the LNG business as discontinued operations. Reference is made to note 11 'Discontinued operations'.

Performance highlights		2019	2018	%
Business drivers				
Gas sales [1]	TWh	127.1	134.1	(5%)
Power sales	TWh	37.3	35.3	6%
Gas price, TTF	EUR/MWh	13.5	22.8	(41%)
Power price, DK	EUR/MWh	39.2	45.1	(13%)
Power price, LEBA UK	GBP/MWh	43.6	57.9	(25%)
Financial results				
Revenue	DKKm	31,443	39,264	(20%)
EBITDA	DKKm	880	786	12%
Offshore and Onshore		888	471	89%
Gas Markets & Infrastructure		340	558	(39%)
Other, incl. B2C		(348)	(244)	(43%)
Depreciation	DKKm	(151)	(37)	308%
EBIT	DKKm	729	748	(3%)
Cash flows from operating activities	DKKm	(1,099)	1,671	(166%)
Gross investments	DKKm	649	(730)	189%
Divestments	DKKm	(1)	(8)	(88%)
Free cash flow	DKKm	(577)	554	(204%)
Capital employed	DKKm	2,149	402	435%

[1] Of total gas volumes 127.1 TWh (2018: 134.1 TWh) 91.5 TWh (2018: 107.8 TWh) relates to continuing operations and 35.6 TWh (2018: 26.3 TWh) to discontinuing operations.

Introduction to Ørsted Salg & Service

Route-to-market and trading
We serve as an efficient route-to-market for both Ørsted companies and external partners, by providing balancing services for renewable generation portfolios and by selling green certificates to the market. In doing so, we manage large volumes of power contracts that we optimise by leveraging the size of our combined portfolio and our origination and trading capabilities.

We proactively manage the merchant risks arising from Ørsteds generation assets and contracts by trading commodities, and we mitigate risks and create value through time-to-market decisions, proxy hedging and netting.

We ensure efficient operations and maximise the commercial value of our legacy gas portfolio.

Gas pipelines and storage facilities
We handle the commercial activities relating to parts of the Ørsted Group's gas infrastructure.

We own pipelines in the Danish sector of the North Sea and have leased capacity across the European pipeline system, securing access to most gas markets in Northern Europe.

We have access to gas storage facilities in Denmark and Germany, where we have capacity in the short and long term. Besides a higher security of supply, these storage facilities provide flexibility in our gas optimisation and trading.

Environment
As part of the Ørsted Group, we work for an increase in the use of renewable energy, while remaining dependent on traditional energy sources to ensure a stable distribution of power.

Reference is made to the Ørsted Group's 2019 annual report, which includes the Group's statutory environmental statement.

Business performance vs. IFRS, DKKm	2019	2018
EBITDA – business performance	**880**	**786**
Market value adjustments for the year regarding financial and physical hedging contracts relating to a future period	624	(209)
Reversal of deferred gain (loss) relating to hedging contracts from previous periods, where the hedged production or trade is recognised in business performance EBITDA in this period	323	(127)
EBITDA – IFRS	**1,827**	**450**

Business performance vs. IFRS
Ørsted uses business performance as an alternative to the results prepared in accordance with IFRS. Business performance represents the underlying financial performance of the Group in the reporting period, as results are adjusted for temporary fluctuations in the market value of contracts (including hedging transactions) relating to other periods. The difference between the two principles will be eliminated as the contracts expire. Apart from this, there is no difference between business performance and the IFRS results.

EBITDA calculated in accordance with IFRS amounted to DKK 1.8 billion in 2019 against DKK -0.5 billion in 2018. Calculated in accordance with the business performance principle, EBITDA was DKK 0,9 billion in 2019 and DKK 0.8 billion in 2018. Thus, the difference between the two principles was DKK 0.9 billion in 2019 compared with DKK -0.3 billion in 2018 and can be specified as in the table to the left.

In the presentation of the results according to IFRS, Ørsted does not apply the provisions on hedge accounting of commodities and related currency exposures. The market value adjustments of these are continuously recognised in the income statement, which means that the IFRS results for the individual years are not comparable. IFRS results do not reflect the commercial risk hedging, according to which the business units and the Group are managed and evaluated. In the management's review, comments are made on business performance only, unless otherwise specified. Reference is also made to note 2 'Business performance'.

Outlook 2020
For the Ørsted Salg & Service Group, a higher EBITDA is expected for 2020. EBITDA (business performance) is expected to total DKK 0.2-0.4 billion in 2020.

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

Events after the end of the financial year
The consequence of COVID-19, where many governments have decided to 'close down countries' will have a significant impact on the world economy. Management has assessed the consequence of COVID-19 to be an event occurring after the end of the financial year and is therefore a non-adjusting event but has decided to disclose assessment of impact.

The COVID-19 situation is primarily expected to have effect on the consumption for our B2B customers as well as an increased risk of losses on receivables. Consequently, the management has in 2020 chosen to increase the provision for loss on receivables and customer contracts. No other events have occurred after the end of the financial year which would have influenced on the evaluation of this annual report.

Strategy follow-up

Ørsted Salg & Service Group has three core functions. Firstly, it provides an efficient route-to-market for Ørsted and third-parties by offering services such as power balancing and green certificates trading. Its second function is to manage market risk for our energy portfolio through commodity trading and other risk management activities. Finally, it is responsible for optimising the natural gas portfolio.

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

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

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

Provide route-to-market for our energy generation

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

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

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

Manage market risks

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

Optimise our gas portfolio

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

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

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

In December, we entered into an agreement to divest our LNG activities.

Divest non-core assets and activities

In September, we entered an agreement to divest our residential customer business to SEAS-NVE. As a result of the decision to divest, the residential customer business is demerged to a separate legal entity fully owned by Ørsted A/S. The demerger has taken effect from 1 January 2019.

In December, we entered into an agreement to divest our LNG activities to Glencore because we wanted to reduce our long-term engagement within the gas supply chain, and because further financial improvements would require additional contractual commitments. The LNG activities is reported as discontinued operations and reference is made to note 11 'Discontinued operations'.

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

As part of the divestment process, the ownership of the UK Sales companies is merged into Ørsted Salg & Service A/S with effect from 1 July 2019.

We have assessed that the divestment of the SME business does not fulfill the criteria in IFRS 5 for classification as assets held for sale or disclosure as discontinued operations.

Risk management

The activities, financial position, results and future growth of the Ørsted Group are affected by a number of non-financial and financial commercial risks. Therefore, we regularly review our risk profile and the associated risk policies to ensure the appropriate balancing of risk exposure and activities at all times.

Formalised risk management is divided into
- Management of general commercial risks
- Management of financial risks
- Mnagement of insurable risks

Commercial risks are defined as events that may, with a certain probability, adversely impact the realisation of the Ørsted Group's financial results or strategy. The management of commercial risks is anchored in the individual segments in the Ørsted Group and consolidated at corporate level. Once annually, the Ørsted Group identifies and prioritises its risks in a risk matrix based on materiality and probability.

In addition to these risks, we are involved in litigation and arbitration proceedings, the outcome of which may impact our financial position. Reference is made to note 28 'Contingent liabilities and other liabilities'.

Group management

The members of the Executive Board are:

Morten Hultberg Buchgreitz
CEO since March 2013.

The members of the Board of Directors are:

Marianne Wiinholt
Chairman of the Board of Directors.

Anja Forup
Deputy Chairman of the Board of Directors.

Nicolai Frederik Schmidt Carøe
Member of the Board of Directors.

For further details regarding remuneration, see note 5 'Employee costs' and note 6 'Share-based payment'.

Retention and development of skills

Our business is generally highly complex, requiring special skills. Coupled with the growing demand for talent, this increases the challenge of attracting and retaining employees. Much emphasis is placed on making us an attractive workplace, and various initiatives have been put in motion for this purpose. These include management development, skills development, performance systems, talent development and collaboration with educational institutions.

Liquidity and financing risks

Our liquidity and financing risks are managed centrally by Ørsted Group in which the Ørsted Salg & Service group is a component and from whom a PCG has been given to Ørsted Salg & Service Group to support their business. The risks are managed in accordance with the defined principles and delegated authorities laid down by the Board of Directors of Ørsted A/S, in such a way as to ensure that we have an adequate capital base and adequate cash resources at all times. One of the most important financial management tasks in the Ørsted Group is to secure sufficient and flexible financial resources in relation to the Ørsted Group's day-to-day operations and investment programme. For this purpose, internal management objectives have been established for the required level of financial resources, taking into account primarily factors such as the investment programme, cash flows from operating activities and the debt maturity profile. It is the Ørsted Group's financing policy to concentrate loans in the ultimate parent company Ørsted A/S in order to optimise the loan portfolio on a consolidated basis.

Insurable risks

The Ørsted Group has an extensive facility and liability insurance programme, while the scope of consequential loss insurance is very limited. Especially for Ørsted Salg & Service where there are limited risks related to insurable assets. Also, separate insurance is taken out for certain large construction projects. The facility insurance largely relates to the membership of the reinsurance company Oil Insurance Ltd. Through this, assets up to USD 300 million are insured, with an excess of USD 10 million per insurance event. With a view to achieving adequate cover for a number of large assets, this cover has been supplemented by a number of supplementary insurance policies through Lloyd's of London and others. As part of the optimisation of its insurance portfolio, the Ørsted Group has established a captive, Ørsted Insurance A/S, that is authorised to carry on insurance business and is subject to supervision by the Danish Financial Supervisory Authority. Ørsted Insurance A/S is primarily used to provide insurance cover for facilities and certain construction projects. For further details regarding risk management, reference is made to note note 27 'Financial risks and risk management' .

Corporate social responsibility (CSR)

We are part of the Ørsted Group, and reference is consequently made to the Ørsted Group's 2019 annual report, which includes the Group's statutory CSR report. Further details on CSR can be found at www.orsted.com/sustainability2019.

Target figures

Due to equal representation of men and women on the Board of Directors in accordance with the rules of the Danish Companies Act, no targets for the share of the under-represented gender have been set.

Policies

We would like to unfold the full potential of all employees and ensure that men and women have the same opportunities for obtaining leadership positions. We have a policy on women in management. We also have targets for increasing the proportion of women at all management levels.

To promote Ørsted as a diverse workplace, we encourage all candidates to apply, regardless of gender, race, age and cultural background. Recruitment processes include required female representation on shortlists, and recruiters and hiring managers have been trained to be aware of – and avoid – unconscious bias in their selection of candidates.

Translation of policies into action
High potential development programmes have had too few female participants, and a decision was made to have 30% females on all the high-potential development programmes from professional level career development to mid-level leadership.

High-potential female candidates are identified in the annual People Review process and have a structured dialogue about development wishes and possibilities in the following People Development Dialogue.

For senior female managers, we have initiated a 'Female spotlight initiative' that prepares talented women for senior leadership positions.

Ørsted has joined the UN Convention on Discrimination against Women.

Achieved results
The company's senior managers were invited to participate in Ørsted's 'Powered by talent' conference, held in November 2019. At the conference it was emphasised that all leaders are expected to build more inclusive, diverse teams, and was given guidance on how to do so.

Financial statements

1 January - 31 December 2019

Consolidated statement of comprehensive income

1 January - 31 December

Note	DKKm	2019 Business performance	2019 Adjustments	2019 IFRS	2018 Business performance	2018 Adjustments	2018 IFRS
3	Revenue	31,443	1,637	33,080	39,264	(336)	38,928
4	Cost of sales	(29,475)	(690)	(30,165)	(37,351)	-	(37,351)
	Other external expenses	(713)	-	(713)	(942)	-	(942)
5, 6	Employee costs	(390)	-	(390)	(143)	-	(143)
	Other operating income	20	-	20	1	-	1
	Other operating expenses	(5)	-	(5)	(43)	-	(43)
	Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)	**880**	**947**	**1,827**	**786**	**(336)**	**450**
12, 13	Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	(151)	-	(151)	(37)	-	(37)
	Operating profit (loss) (EBIT)	**729**	**947**	**1,676**	**749**	**(336)**	**413**
	Gain (loss) on divestment of enterprises	(1)	-	(1)	(8)	-	(8)
8	Financial income	1,153	-	1,153	338	-	338
9	Financial expenses	(1,240)	-	(1,240)	(439)	-	(439)
	Profit (loss) before tax	**641**	**947**	**1,588**	**640**	**(336)**	**304**
10	Tax on profit (loss) for the year	(570)	(208)	(778)	(124)	74	(50)
	Profit (loss) for the year from continuing operations	**71**	**739**	**810**	**516**	**(262)**	**254**
11	**Profit (loss) for the year from discontinued operations**	**(778)**	**721**	**(57)**	**(57)**	**(354)**	**(411)**
	Profit (loss) for the year	**(707)**	**1,460**	**753**	**459**	**(616)**	**(157)**
	Other comprehensive income[1]:						
	Exchange rate adjustments	-	-	(6)	-	-	(2)
	Other comprehensive income	**-**	**-**	**(6)**	**-**	**-**	**(2)**
	Total comprehensive income	**-**	**-**	**747**	**-**	**-**	**(159)**
	Profit (loss) for the year is attributable to:						
	Shareholder in Ørsted Salg & Service A/S	(707)	1,460	753	459	(616)	(157)
	Profit (loss) for the year	**(707)**	**1,460**	**753**	**459**	**(616)**	**(157)**
	Comprehensive income for the year is attributable to:						
	Shareholder in Ørsted Salg & Service A/S	-	-	747	-	-	(159)
	Total comprehensive income	**-**	**-**	**747**	**-**	**-**	**(159)**

[1] All items in other comprehensive income may be recycled to the income statement.

Business performance
The business performance principle is our alternative performance measure. According to IFRS, market value adjustments of energy contracts and related currency risks (including hedging) are recognised on an ongoing basis in the profit (loss) for the year, whereas under the business performance principle, they are deferred and recognised in the period in which the hedged exposure materialises. The difference between IFRS and business performance is specified in the 'Adjustments' column. Read more about the business performance principle in note 30 'Description of accounting priciples'.

Consolidated balance sheet

31 December

Note	Assets, DKKm	2019	2018
	Rights	10	15
	Completed development projects	71	80
	Development projects in progress	69	10
12	**Intangible assets**	**150**	**105**
	Land and buildings	4	2
	Production assets	607	391
	Fixtures and fittings, tools and equipment	9	-
	Property, plant and equipment under construction	14	11
13	**Property, plant and equipment**	**634**	**404**
	Investment in associates and joint ventures	1	-
15	Deferred tax	141	1,047
	Other non-current assets	**142**	**1,047**
	Non-current assets	**926**	**1,556**
16	Inventories	1,971	2,256
17	Derivatives	7,735	8,310
18	Trade receivables	5,507	3,472
	Receivables from group enterprises	9,258	10,381
18	Other receivables	830	844
19	Income tax	707	30
20	Securities	361	362
20	Cash	301	688
	Current assets	**26,670**	**26,343**
21	**Assets classified as held for sale**	**-**	**495**
	Assets	**27,596**	**28,394**

Note	Equity and liabilities, DKKm	2019	2018
	Share capital	1,110	1,110
	Translation reserve	(7)	(1)
	Retained earnings	8,978	8,271
22	**Equity**	**10,081**	**9,380**
23	Provisions	1,931	3,165
	Lease liabilities	183	-
	Payables to group enterprises	141	-
24	Contract liabilities	4	4
	Other paybles	9	-
	Non-current liabilities	**2,268**	**3,169**
23	Provisions	235	351
	Lease liabilities	79	-
	Bank debt	108	4
17	Derivatives	5,109	8,506
24	Contract liabilities	224	203
	Trade payables	3,431	3,067
	Payables to group enterprises	3,138	2,503
25	Other payables	646	576
19	Income tax	-	191
	Current liabilities	**12,970**	**15,401**
	Liabilities	**15,238**	**18,570**
21	**Liabilities relating to assets classified as held for sale**	**2,277**	**444**
	Equity and liabilities	**27,596**	**28,394**

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

In accordance with IFRS 16, we recognise our leases, except for short-term leases, in the balance sheet.

Lease obligations are recognised as 'Lease liabilities', and lease assets are recognised alongside our owned assets of similar type under 'Property, plant and equipment'.

Read more about the impact in note 1 'Implementation of new standards and interpretations'.

Consolidated statement of changes in equity

1 January - 31 December

DKKm	2019 Share capital	2019 Translation reserve	2019 Retained earnings	2019 Total	2018 Share capital	2018 Translation reserve	2018 Retained earnings	2018 Total
Equity at 1 January	1,110	(1)	8,271	9,380	1,110	1	8,427	9,538
Comprehensive income for the year:								
Profit (loss) for the year	-	-	753	753	-	-	(157)	(157)
Other comprehensive income:								
Exchange rate adjustments, foreign companies	-	(6)	-	(6)	-	(2)	-	(2)
Total comprehensive income	**-**	**(6)**	**753**	**747**	**-**	**(2)**	**(157)**	**(159)**
Transactions with owners:								
Demerger of assets and liabilities			(45)	(45)				
Share-based payment	-	-	(1)	(1)	-	-	1	1
Total changes in equity	**-**	**(6)**	**707**	**701**	**-**	**(2)**	**(156)**	**(158)**
Equity at 31 December	**1,110**	**(7)**	**8,978**	**10,081**	**1,110**	**(1)**	**8,271**	**9,380**

Demerger in 2019 comprises transfer of assets and liabilities regarding the divestment of the residential customer business to a separate legal entity fully owned by Ørsted A/S. The demerger has taken effect from 1 January 2019. With effect from 1 July 2019, the ownership of the UK Sales companies has been merged into Ørsted Salg & Service A/S.

Consolidated cash flow statement

1 January - 31 December

Note	DKKm	2019	2018
26	Cash flows from operations (operating activities)	(392)	1,540
	Interest income and similar items	960	249
	Interest expenses and similar items	(944)	(183)
	Income tax paid	(723)	65
	Cash flows from operating activities	**(1,099)**	**1,671**
12	Acquisition of intangible assets	(56)	(33)
13	Acquisition of property, plant and equipment	(18)	(11)
	Sale of intangible assets and property, plant and equipment	-	(65)
	Sale of enterprises	(1)	(8)
	Purchase of securities	-	(284)
	Financial transactions with Ørsted group internal bank	724	(329)
	Cash flows from investing activities	**649**	**(730)**
	Payables to group enterprises	1	(53)
	Proceeds from raising of loans	-	2
	Instalments on leases	(74)	-
	Capital transactions principal shareholders	(6)	-
	Cash flows from financing activities	**(79)**	**(51)**
	Cash flow from continuing operations	**(529)**	**890**
11	**Cash flow from discontinuing operations**	**(48)**	**(336)**
	Total net change in cash and cash equivalents	**(577)**	**554**
	Cash and cash equivalents at 1 January	688	134
	Merger of cash and cash equivalents	76	-
	Net increase/(decrease) in cash	(577)	554
	Exchange rate adjustments	6	-
20	**Cash and cash equivalents at 31 December**	**193**	**688**

Parent company statement of comprehensive income

1 January - 31 December

Note	DKKm	2019 Business performance	2019 Adjustments	2019 IFRS	2018 Business performance	2018 Adjustments	2018 IFRS
3	Revenue	30,237	964	31,201	39,183	(343)	38,840
4	Cost of sales	(28,265)	-	(28,265)	(37,323)	-	(37,323)
	Other external expenses	(626)	-	(626)	(850)	-	(850)
5,6	Employee costs	(323)	-	(323)	(119)	-	(119)
	Other operating income	20	-	20	-	-	-
	Other operating expenses	(3)	-	(3)	(21)	-	(21)
	Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)	**1,040**	**964**	**2,004**	**870**	**(343)**	**527**
12, 13	Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	(130)	-	(130)	(22)	-	(22)
14	Impairment on investments in subsidiaries	(256)	-	(256)	(59)	-	(59)
	Operating profit (loss) (EBIT)	**654**	**964**	**1,618**	**789**	**(343)**	**446**
	Gain (loss) on divestment of enterprises	(1)	-	(1)	(8)	-	(8)
8	Financial income	1,115	-	1,115	300	-	300
9	Financial expenses	(1,196)	-	(1,196)	(396)	-	(396)
	Profit (loss) before tax	**572**	**964**	**1,536**	**685**	**(343)**	**342**
10	Tax on profit (loss) for the year	(573)	(212)	(785)	(140)	75	(65)
	Profit (loss) for the year from continuing operations	**(1)**	**752**	**751**	**545**	**(268)**	**277**
11	**Profit (loss) for the year from discontinued operations**	**(778)**	**721**	**(57)**	**(57)**	**(354)**	**(411)**
	Profit (loss) for the year	**(779)**	**1,473**	**694**	**488**	**(622)**	**(134)**
	Other comprehensive income	-	-	-	-	-	-
	Total comprehensive income	**-**	**-**	**694**	**-**	**-**	**(134)**
	Profit (loss) for the year is attributable to:						
	Shareholder in Ørsted Salg & Service A/S	(779)	1,473	694	488	(622)	(134)
	Profit (loss) for the year	**(779)**	**1,473**	**694**	**488**	**(622)**	**(134)**
	Total comprehensive income for the year is attributable to:						
	Shareholder in Ørsted Salg & Service A/S	-	-	694	-	-	(134)
	Total comprehensive income	**-**	**-**	**694**	**-**	**-**	**(134)**

Business performance
The business performance principle is our alternative performance measure. According to IFRS, market value adjustments of energy contracts and related currency risks (including hedging) are recognised on an ongoing basis in the profit (loss) for the year, whereas under the business performance principle, they are deferred and recognised in the period in which the hedged exposure materialises. The difference between IFRS and business performance is specified in the 'Adjustments' column. Read more about the business performance principle in note 30 'Description of accounting principles'.

Parent company balance sheet

31 December

Note	Assets, DKKm	2019	2018
	Rights	5	15
	Completed development projects	71	53
	Development projects in progress	69	9
12	**Intangible assets**	**145**	**77**
	Land and buildings	2	2
	Production assets	604	391
	Property, plant and equipment under construction	14	5
13	**Property, plant and equipment**	**620**	**398**
14	Investments in subsidiaries	286	303
15	Deferred tax	120	1,064
	Other non-current assets	**406**	**1,367**
	Non-current assets	**1,171**	**1,842**
16	Inventories	1,969	2,250
17	Derivatives	7,696	8,265
18	Trade receivables	3,452	3,113
	Receivables from group enterprises	10,373	10,226
18	Other receivables	642	842
19	Income tax	640	-
20	Securities	360	361
20	Cash	42	559
	Current assets	**25,174**	**25,616**
21	**Assets classified as held for sale**	**-**	**495**
	Assets	**26,345**	**27,953**

Note	Equity and liabilities, DKKm	2019	2018
	Share capital	1,110	1,110
	Development costs reserve	97	14
	Retained earnings	8,860	8,257
22	**Equity**	**10,067**	**9,381**
23	Provisions	1,931	3,165
	Lease liabilities	180	-
24	Contract liabilities	4	4
	Other payables	9	-
	Non-current liabilities	**2,124**	**3,169**
23	Provisions	235	351
	Lease liabilities	79	-
	Bank debt	89	-
17	Derivatives	5,109	8,562
24	Contract liabilities	223	194
	Trade payables	2,996	3,025
	Payables to group enterprises	2,892	2,163
25	Other payables	254	474
19	Income tax	-	190
	Current liabilities	**11,877**	**14,959**
	Liabilities	**14,001**	**18,128**
21	**Liabilities relating to assets classified as held for sale**	**2,277**	**444**
	Equity and liabilities	**26,345**	**27,953**

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

In accordance with IFRS 16, we recognise our leases, except for short-term leases, in the balance sheet.

Lease obligations are recognised as 'Lease liabilities', and lease assets are recognised alongside our owned assets of similar type under 'Property, plant and equipment'.

Read more about the impact in note 1 'Implementation of new standards and interpretations'.

Parent company statement of changes in equity

1 January - 31 December

DKKm	2019 Share capital	2019 Development cost reserve	2019 Retained earnings	2019 Total	2018 Share capital	2018 Development cost reserve	2018 Retained earnings	2018 Total
Equity at 1 January	1,110	14	8,257	9,381	1,110	6	8,398	9,514
Comprehensive income for the year:								
Profit (loss) for the year	-	56	638	694	-	8	(142)	(134)
Total comprehensive income	**-**	**56**	**638**	**694**	**-**	**8**	**(142)**	**(134)**
Transactions with owners:								
Demerger of assts and liabilities	-	27	(35)	(8)				
Share-based payment	-	-	-	-	-	-	1	1
Total changes in equity	**-**	**83**	**603**	**686**	**-**	**8**	**(141)**	**(133)**
Equity at 31 December	**1,110**	**97**	**8,860**	**10,067**	**1,110**	**14**	**8,257**	**9,381**

Demerger in 2019 comprises transfer of assets and liabilities regarding the divestment of the residential customer business to a separate legal entity fully owned by Ørsted A/S. The demerger has taken effect from 1 January 2019. With effect from 1 July 2019, the ownership of the UK Sales companies has been merged into Ørsted Salg & Service A/S.

Parent company cash flow statement

1 January - 31 December

Note	DKKm	2019	2018
26	Cash flows from operations (operating activities)	345	1,541
	Interest income and similar items	921	206
	Interest expenses and similar items	(899)	(136)
	Income tax paid	(726)	32
	Cash flows from operating activities	**(359)**	**1,643**
12	Acquisition of intangible assets	(56)	(14)
13	Acquisition of property, plant and equipment	(9)	(5)
	Sale of intangible assets and property, plant and equipment	-	(43)
	Sale of enterprises	(1)	(8)
	Purchase of securities	-	(284)
	Financial transactions with Ørsted group internal bank	200	10
	Investments in subsidiaries	(255)	(73)
	Other investments	-	(396)
	Cash flows from investing activities	**(121)**	**(813)**
	Instalments on leases	(73)	-
	Capital transactions principal shareholders	(5)	-
	Cash flows from financing activities	**(78)**	**-**
	Cash flow from continuing operations	**(558)**	**830**
11	**Cash flow from discontinuing operations**	**(48)**	**(336)**
	Total net change in cash and cash equivalents	**(606)**	**494**
	Cash and cash equivalents at 1 January	559	65
	Net increase/(decrease) in cash	(606)	494
20	**Cash and cash equivalents at 31 December**	**(47)**	**559**

Notes

Notes

Index of notes

1. Basis of reporting

Accounting policies

Ørsted Salg & Service A/S is a public limited liability company based in Denmark.

The financial statements for the period 1 January - 31 December 2019 comprise the consolidated financial statements of Ørsted Salg & Service A/S and its subsidiaries (the Group) as well as the financial statements of the parent company Ørsted Salg & Service A/S. Reference is made to note 30 'Description of accounting policies'.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act (Årsregnskabsloven).

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

Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for derivatives, financial instruments in trading portfolio and carbon emission allowances in trading portfolio that are measured at market value.

The accounting policies have been applied consistently to the financial year and for the comparative figures except for:
– IFRS 16 'Leases'. See separate section below.

The accounting policies applied to the consolidated financial statements as a whole are described in note 30 'Description of accounting policies'.

Key accounting estimates and judgements

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

Given the uncertainties inherent in our business activities, we make a number of estimates regarding valuation and judgements. The estimates and judgements are based on assumptions concerning future developments which affect our application of accounting policies and reported amounts of our assets, liabilities, sales, costs, cash flows and related disclosures. Actual amounts may differ from the amounts estimated and estimates made as more detailed information becomes available.

We regularly reassess these estimates and judgements, based among other things on historical experience, the current situation in the financial markets and a number of other relevant factors, e.g. the expected effects of Brexit.

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

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

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

Note		Key accounting estimates and judgements	Estimate/ judgement	Extent of accounting estimates and judgements
23	Provisions and contingent assets and liabilities	Assumptions for decommissioning obligations	Estimate	●●○○
		Estimate of onerous contracts	Estimate	●●○○
		Estimate of litigation outcomes	Estimate	●●○○

Extent of accounting estimates and judgements relates to objectivity and business practice.

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

Consolidated financial statements
The consolidated financial statements include the parent company Ørsted Salg & Service A/S and subsidiaries controlled by Ørsted Salg & Service A/S, see Group structure page 5. The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements prepared in accordance with the Group's accounting policies. Intragroup income and expenses, shareholdings, balances and dividends as well as realised and unrealised gains and losses arising from intragroup transactions are eliminated at consolidation.

If we hold or have the ability to exercise, directly or indirectly, 20%-50% of the voting rights and do not exercise control, such enterprises are accounted for as associates. However, we carry out a specific assessment of our ability to exercise influence, including our ability to influence financial and operational decisions and thus our return.

Foreign currency translation
For each reporting enterprise in the Group, items are determined in the currency of the primary economic environment in which the individual reporting enterprise operates (functional currency). Transactions in currencies other than the functional currency of each enterprise are accounted for as transactions in foreign currencies and translated on initial recognition at the exchange rate at the transaction date. Exchange differences arising between the exchange rate at the transaction date and at the date of payment are recognised in profit (loss) for the year as financial income or expenses.

Receivables, payables and other monetary items in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rate at the balance sheet date and the date at which the receivable or payable arose is recognised in profit (loss) for the year as financial income or expenses.

For foreign subsidiaries, the statements of comprehensive income are translated at monthly average exchange rates in so far as these do not deviate materially from the actual exchange rates at the transaction dates. Balance sheet items are translated at the exchange rates at the balance sheet date. All exchange differences are recognised in profit (loss) for the year, except for exchange differences arising on:
- translation of the opening equity of these entities at the exchange rates at the balance sheet date
- translation of the statements of comprehensive income of these enterprises from the exchange rates at the transaction date to the exchange rates at the balance sheet date
- translation of balances accounted for as part of the total net investment
- translation of the portion of loans and derivative financial instruments that has been entered into to hedge the net investment in these enterprises, and that provides an effective hedge against corresponding foreign exchange gains (losses) on the net investment in the enterprise.

The above types of exchange differences are recognised in other comprehensive income. Such exchange rate adjustments are allocated to the parent company's equity.

On full or partial disposal of the net investment, the accumulated exchange rate adjustments are recognised as follows:
- Disposal results in loss of control. The accumulated exchange rate adjustments, including any associated hedges, are recognised in the profit (loss) for the year if a foreign exchange gain (loss) is realised by the selling enterprise. Any foreign exchange gain (loss) is transferred to the item in which the gain (loss) is recognised. The part of the foreign currency translation reserve that relates to non-controlling interests is not transferred to profit (loss) for the year.
- Disposal does not result in loss of control. A proportionate share of the foreign currency translation reserve is transferred from the parent company shareholders' share of equity to the minority shareholders' share of equity.

Repayment of balances that are considered part of the net investment does not constitute a partial disposal of the subsidiary.

Implementation of new standards and interpretations
We regularly assess the impact of new IFRS standards and interpretations. We implement new IFRS standards and interpretations from their mandatory effective dates at the latest.

Effective from 1 January 2019, we have implemented the following new or changed standards (IAS and IFRS) and interpretations:
– IFRS 16 'Leases'.

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

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

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

– The dual model in IAS 17 with operating and finance leases has been ceased. Under IFRS 16, all leases, except for short-term leases and 'low-value' leases, shall be recognised in the balance sheet.

– Fixed lease payments are recognised as lease liabilities and lease assets. Lease assets are depreciated, and interests on lease liabilities are recognised as financial expenses (both below EBITDA). Under IAS 17, fixed lease expenses were recognised as other external expenses (above EBITDA).

– Lease debt repayments are classified as cash flows from financing activities, and payments of interest are classified as cash flows from operating activities in the statement of cash flows. Under IAS 17, all lease payments were classified as cash flows from operating activities.

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

– elected not to reassess whether a contract is, or contains, a lease on 1 January 2019

– applied a single discount rate to a portfolio of leases with reasonable similar characteristics (asset type, currency, and remaining lease term)

– relied on previous assessments concluding whether leases are onerous and offset a provision for an onerous lease in the lease asset

– elected to account for leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

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

Our new accounting policies for leases are described in note 30 'Description of accounting policies'.

Impact on our consolidated financial statements
On 1 January 2019, we recognised lease assets amounting to DKK 310 million and lease obligations amounting to DKK 335 million.

Our EBITDA for 2019 increased by DKK 78 million due to the implementation of IFRS 16, compared to a continued expensing of operational lease costs under the previous accounting policy. Depreciation of lease assets amounted to DKK 73 million, and interests on lease debt amounted to DKK 6 million for 2019 under IFRS 16. Our total cash flows for the year were not impacted by IFRS 16, but repayments of lease liabilities (DKK 74 million) are classified as cash flows from financing activities under IFRS 16 where all lease-related cash flows under the previous accounting policy were classified as cash flows from operating activities.

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

2. Business performance

Expected impact on business performance EBITDA from energy and currency hedges

Market value adjustments deferred for recognition in the business performance results in a subsequent period are specified in the table below. At 31 December 2019, a gain of DKK 312 million had been deferred (2018: loss of DKK 1,555 million), which will affect business performance EBITDA in subsequent years. Of the total deferred loss, business performance EBITDA is expected to be affected by a gain of DKK 579 million in 2019.

The 'Adjustments' column in the income statement

The difference between business performance and IFRS is shown in the 'Adjustments' column. The adjustments are also shown in the table to the right.

Difference between IFRS and business performance for the year

The difference between IFRS and business performance is specified in the table to the right. Market value adjustments in respect of future periods totalled a gain of DKK 1,138 million (2018: loss of DKK 635 million) and primarily related to the hedging of gas and power. These gains (losses) are postponed to be recognised in a future period, but are recognised in IFRS EBITDA in the current period.

Reversal of deferred gain (loss) recognised according to business performance in 2019 totalled a loss of DKK 734 million (2018: gain of DKK 155 million) and primarily relates to losses on the hedging of gas and oil. These losses are recognised in business performance EBITDA in the current year, but have already been recognised in IFRS EBITDA in a previous period.

Specification of the difference between EBITDA according to business performance and according to IFRS, DKKm

	2019	2018
EBITDA – business performance	**880**	**786**
Business performance adjustments	947	(336)
EBITDA – IFRS	**1,827**	**450**
Total business performance adjustments for the year comprise:		
Market value adjustments for the year of financial and physical hedging contracts relating to a future period	624	(209)
Reversal of deferred gains (losses) relating to hedging contracts from previous periods, where the hedged trade is recognised in business performance EBITDA in this period	323	(127)
Total adjustments	**947**	**(336)**

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

	Deferred for subsequent recognition at 31 December 2019				Deferred for subsequent recognition at 31 December 2018			
	2020	2021	after 2021	Total	2019	2020	after 2020	Total
Oil	60	9	(1)	68	(103)	(69)	(36)	(208)
Gas	656	54	18	728	(360)	(157)	-	(517)
Power	(190)	(129)	(224)	(543)	(295)	(311)	(261)	(867)
Currency	53	2	4	59	11	5	21	37
Total	**579**	**(64)**	**(203)**	**312**	**(747)**	**(532)**	**(276)**	**(1,555)**

3. Revenue

DKKm	Group: Business performance	Group: Adjustments	Group: IFRS	Parent company: Business performance	Parent company: Adjustments	Parent company: IFRS
2019						
Sale of gas	11,225	1,271	12,496	10,640	902	11,542
Sale of power	19,219	1,010	20,229	18,264	697	18,961
Distribution and transmission	123	-	123	-	-	-
Trading activities, net	806	-	806	866	-	866
Other revenue	389	-	389	599	-	599
Total revenue from customers	**31,762**	**2,281**	**34,043**	**30,369**	**1,599**	**31,968**
Effect of economic hedging, net	(319)	(644)	(963)	(132)	(635)	(767)
Total revenue	**31,443**	**1,637**	**33,080**	**30,237**	**964**	**31,201**
Timing of revenue recognition from customers, IFRS						
At a point in time	-	-	19,007	-	-	18,106
Over time	-	-	15,036	-	-	13,862
Total revenue from customer, IFRS	**-**	**-**	**34,043**	**-**	**-**	**31,968**
2018						
Sale of gas	17,715	129	17,844	17,602	119	17,721
Sale of power	19,812	(486)	19,326	20,139	(504)	19,635
Distribution and transmission	354	-	354	-	-	-
Trading activities, net	19	-	19	(108)	-	(108)
Other revenue	272	-	272	493	-	493
Total revenue from customers	**38,172**	**(357)**	**37,815**	**38,126**	**(385)**	**37,741**
Effect of economic hedging, net	1,092	21	1,113	1,057	42	1,099
Total revenue	**39,264**	**(336)**	**38,928**	**39,183**	**(343)**	**38,840**
Timing of revenue recognition from customers, IFRS						
At a point in time	-	-	20,957	-	-	21,142
Over time	-	-	16,858	-	-	16,599
Total revenue from customer, IFRS	**-**	**-**	**37,815**	**-**	**-**	**37,741**

DKKm	Denmark	Germany	The UK	The Netherlands	Other EU	Consolidated total
2019	10,150	4,404	16,481	1,732	313	33,080
2018	13,801	7,173	15,812	2,142	-	38,928

Of the total revenue of DKK 33,080 million (2018: DKK 38,928 million), DKK 32,278 million (2018: DKK 38,010 million) represent revenue from the sale of goods, while DKK 802 million (2018: DKK 918 million) represent revenue from the sale of services.

Geographical distribution of revenue

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

4. Cost of sales

	Group			Parent company		
DKKm	Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
2019						
Gas	(10,355)	-	(10,355)	(9,871)	-	(9,871)
Power	(17,001)	(690)	(17,691)	(17,663)	-	(17,663)
Distribution and transmission costs	(1,454)	-	(1,454)	(579)	-	(579)
Other cost of sales	(665)	-	(665)	(152)	-	(152)
Cost of sales	**(29,475)**	**(690)**	**(30,165)**	**(28,265)**	**-**	**(28,265)**
2018						
Gas	(16,652)	-	(16,652)	(16,610)	-	(16,610)
Power	(19,425)	-	(19,425)	(19,657)	-	(19,657)
Distribution and transmission costs	(784)	-	(784)	(923)	-	(923)
Other cost of sales	(490)	-	(490)	(133)	-	(133)
Cost of sales	**(37,351)**	**-**	**(37,351)**	**(37,323)**	**-**	**(37,323)**

5. Employee costs

DKKm	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Wages, salaries and remuneration	(336)	(128)	(282)	(107)
Share-based payment	(5)	(1)	(5)	(1)
Pensions	(25)	(8)	(21)	(7)
Other social security costs	(14)	(4)	(6)	(1)
Other employee costs	(15)	(2)	(14)	(3)
Employee costs before transfer to assets	**(395)**	**(143)**	**(328)**	**(119)**
Transfer to assets	5	-	5	-
Total employee costs	**(390)**	**(143)**	**(323)**	**(119)**
Number of full-time employees				
Average for the financial year	448	149	295	109

Remuneration for the Board of Directors and the Executive Board amounts to, DKKm	Parent company Board of Directors 2019	Parent company Board of Directors 2018	Parent company Executive Board 2019	Parent company Executive Board 2018
Salary	-	-	(2.4)	(2.4)
Bonus	-	-	(0.5)	(0.8)
Share-based payments	-	-	(0.6)	(0.5)
Pension	-	-	(0.6)	(0.6)
Total	**-**	**-**	**(4.1)**	**(4.3)**

The total remuneration stated in the note only includes remuneration attributable to Ørsted Salg & Service A/S. The Executive Board is made up of one person. A bonus plan has been established for the Executive Board. The contract of service of the Executive Board includes a termination package under which the Executive Board will be entitled to the equivalent of 24 months' salary if their contract of service is terminated by the company. The board of directors have not been paid remuneration.

6. Share-based payment

Share programme

The Executive Board and a limited number of other members of senior management participate in our share programme established in 2016. Today, approximately 8 senior executives participate in the programme. As a condition for the award of performance share units (PSUs), the participant must own a number of shares in Ørsted A/S corresponding to a part of the individual participant's annual base salary. The ownership requirement is between 15%-75% of the fixed salary.

If the participants meet the shareholding requirement at the award date, the participants will be awarded a number of PSUs each year, representing a value corresponding to 15%-20% of the annual base salary at the award date.

The awarded PSUs have a vesting period of approx. three years, after which each PSU entitles the holder to receive one share free of charge. The final number of PSUs for each participant will be determined based on Ørsted A/S's total shareholder return compared to 10 European peer energy companies.

The rate will vary from 0% to 200% of the number that is set as the target for the awarded PSUs. The maximum value is 30%-40% of the fixed annual salary at the time of granting. In addition to this also comes the change in fair value of the Ørsted share since grant.

The highest rate will be triggered if Ørsted A/S delivers the highest return of the peer companies. For each lower position, the number of PSUs will decline by 20 percentage points.

For example, a second place entitles the participants to 180% of the target. If Ørsted A/S is number 11 in the comparison, the participants will receive no PSU's. The right to PSU's is subject to continued employment.

7. Auditor's fees

	Group		Parent company	
DKKm	2019	2018	2019	2018
Statutory audit	(2)	(1)	(1)	(1)
Total fees to PwC	**(2)**	**(1)**	**(1)**	**(1)**

PwC is Ørsted's auditor appointed by the general meeting. PwC audits the consolidated financial statements of Ørsted and the subsidiaries' financial statements in all the countries where we are represented.

8. Financial income

	Group		Parent company	
DKKm	2019	2018	2019	2018
Interest income	2	-	2	-
Foreign exchange gains	1,145	338	1,107	290
Other financial income	6	-	6	10
Financial income	**1,153**	**338**	**1,115**	**300**

9. Financial expenses

	Group		Parent company	
DKKm	2019	2018	2019	2018
Interest expenses	(22)	(9)	(21)	(17)
Interest expenses to group enterprises	(33)	(12)	(31)	(9)
Interest element of provisions	(55)	(62)	(55)	(62)
Foreign exchange losses	(1,126)	(324)	(1,089)	(277)
Other financial expenses	(4)	(32)	-	(31)
Financial expenses	**(1,240)**	**(439)**	**(1,196)**	**(396)**
Revenue for the year includes exchange rate and fair value adjustments of:	214	167	214	167

10. Tax on profit (loss) for the year

	Group		Parent company	
DKKm	2019	2018	2019	2018
Tax for the year can be specified as follows:				
Tax on profit (loss) for the year	(778)	(50)	(785)	(65)
Tax for the year	**(778)**	**(50)**	**(785)**	**(65)**
Tax on profit (loss) for the year can be broken down as follows:				
Current tax	(84)	(435)	(106)	(451)
Deferred tax	(658)	343	(660)	356
Adjustments to current tax in respect of prior years	(48)	35	(7)	(12)
Adjustments to deferred tax in respect of prior years	12	7	(12)	42
Tax on profit (loss) for the year	**(778)**	**(50)**	**(785)**	**(65)**
Tax on profit (loss) for the year can be explained as follows:				
Calculated 22.0% tax on profit (loss) before tax	(349)	(67)	(337)	(75)
Adjustments of calculated tax in foreign subsidiaries	5	(2)	-	-
Tax effect of:				
Non-deductible expenses	(1)	(6)	(58)	(20)
Gains from taxable demerger	(371)	-	(371)	-
Tax effect of tax loss carryforward	(26)	(17)	-	-
Adjustments to tax in respect of prior years	(36)	42	(19)	30
Tax on profit (loss) for the year	**(778)**	**(50)**	**(785)**	**(65)**
Effective tax rate	**49%**	**16%**	**51%**	**19%**

11. Discontinued operations

In December 2019, we signed an agreement to divest our LNG business to Glencore. The decision on divestment was mainly based on the following:

- We want to reduce our long-term engagement within the gas supply chain.
- Further financial improvements in the LNG business would require additional contractual commitments.

The management expect that the transaction will close during the summer of 2020.

As a result, we present our LNG business as assets classified as held for sale and as discontinued operations. This classification means that assets and liabilities are shown separately from other assets and liabilities at the end of 2019. Comparative figures for 2018 have not been restated.

The discontinued operations are also shown separately in the income statement and the statement of cash flows for 2019, and the comparative figures have been restated in both statements.

	Group			Parent company		
Profit from discontinued operations, DKKm	Business Performance	Adjustments	IFRS	Business Performance	Adjustments	IFRS
2019						
Revenue	4,825	925	5,750	4,825	925	5,750
Cost of sales	(5,745)	-	(5,745)	(5,745)	-	(5,745)
Other external expenses	(21)	-	(21)	(21)	-	(21)
Employss costs	(15)	-	(15)	(15)	-	(15)
Operating profit (loss) (EBITDA)	**(956)**	**925**	**(31)**	**(956)**	**925**	**(31)**
Financial expenses	(41)	-	(41)	(41)	-	(41)
Profit (loss) before tax	**(997)**	**925**	**(72)**	**(997)**	**925**	**(72)**
Tax on profit (loss) for the year	219	(204)	15	219	(204)	15
Profit from discontinued operations	**(778)**	**721**	**(57)**	**(778)**	**721**	**(57)**

	Group			Parent company		
Profit from discontinued operations, DKKm	Business Performance	Adjustments	IFRS	Business Performance	Adjustments	IFRS
2018						
Revenue	4,660	(454)	4,206	4,660	(454)	4,206
Cost of sales	(4,655)	-	(4,655)	(4,655)	-	(4,655)
Other external expenses	(20)	-	(20)	(20)	-	(20)
Employss costs	(14)	-	(14)	(14)	-	(14)
Operating profit (loss) (EBITDA)	**(29)**	**(454)**	**(483)**	**(29)**	**(454)**	**(483)**
Financial expenses	(44)	-	(44)	(44)	-	(44)
Profit (loss) before tax	**(73)**	**(454)**	**(527)**	**(73)**	**(454)**	**(527)**
Tax on profit (loss) for the year	16	100	116	16	100	116
Profit from discontinued operations	**(57)**	**(354)**	**(411)**	**(57)**	**(354)**	**(411)**

11. Discontinued operations (continued)

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

Cash flows from operating activities increased with DKK 0.3 billion compared to 2018, primarily due to higher cash flow from operating activities before changes in working capital in 2019.

Outlook 2020
We expect earnings in LNG business to breakeven in 2020. In 2019, we provided for the expected loss from the divestment to be concluded in 2020 and the expected operating loss in the period until closing.

	Group		Parent company	
Tax for the period, discontinued operations, DKKm	2019	2018	2019	2018
Current tax	287	171	287	171
Deferred tax	(272)	(55)	(272)	(55)
Total tax	**15**	**116**	**15**	**116**

	Group		Parent company	
Cash flows for the period, discontinued operations, DKKm	2019	2018	2019	2018
Cash flows from operating activities	(48)	(336)	(48)	(336)
Total cash flows	**(48)**	**(336)**	**(48)**	**(336)**

12. Intangible assets

DKKm	Group				
	Goodwill	Rights	Completed development projects	Development projects in progress	Total
Cost at 1 January 2019	369	1,630	416	10	2,425
Addition by merger 1 January 2019	-	14	(9)	25	30
Additions	-	4	11	41	56
Disposals	(276)	(1,068)	-	-	(1,344)
Reclassified assets	-	-	7	(7)	-
Cost at 31 December 2019	**93**	**580**	**425**	**69**	**1,167**
Amortisation and impairment losses at 1 January 2019	(369)	(1,615)	(336)	-	(2,320)
Addition by merger 1 January 2019	-	(10)	11	-	1
Amortisation and impairment losses	-	(13)	(29)	-	(42)
Disposals	276	1,068	-	-	1,344
Amortisation and impairment losses at 31 December 2019	**(93)**	**(570)**	**(354)**	**-**	**(1,017)**
Carrying amount at 31 December 2019	**-**	**10**	**71**	**69**	**150**
Cost at 1 January 2018	369	1,626	396	-	2,391
Additions	-	-	20	14	34
Reclassified assets	-	4	-	(4)	-
Cost at 31 December 2018	**369**	**1,630**	**416**	**10**	**2,425**
Amortisation and impairment losses at 1 January 2018	(369)	(1,607)	(302)	-	(2,278)
Amortisation and impairment losses	-	(8)	(34)	-	(42)
Amortisation and impairment losses at 31 December 2018	**(369)**	**(1,615)**	**(336)**	**-**	**(2,320)**
Carrying amount at 31 December 2018	**-**	**15**	**80**	**10**	**105**
Amortised over	-	5- 20 years	3-5 years	-	-

Impairment testing
Development projects in progress are tested for impairment annually. The carrying amounts of rights and completed development projects are assessed annually to determine whether there is any indication of impairment. If any such indication exists, an impairment test is carried out.

Rights
Rights consist predominantly of customer-related rights and a connection right relating to gas transportation. At 31 December 2019, the carrying amount of rights was calculated at DKK 10 million (2018: DKK 15 million). There were no indications of impairment of rights in 2019.

Completed development projects
Completed development projects related to IT software. At 31 December 2019, the carrying amount of development projects was calculated at DKK 71 million (2018: DKK 80 million).

12. Intangible assets (continued)

	Parent company			
DKKm	Rights	Completed development projects	Development projects in progress	Total
Cost at 1 January 2019	1,605	365	9	1,979
Addition by merger 1 January 2019	-	43	25	68
Additions	4	11	41	56
Disposals	(1,068)	-	-	(1,068)
Reclassified assets	-	6	(6)	-
Cost at 31 December 2019	**541**	**425**	**69**	**1,035**
Amortisation and impairment losses at 1 January 2019	(1,590)	(312)	-	(1,902)
Addition by merger 1 January 2019	-	(13)	-	(13)
Amortisation and impairment losses	(14)	(29)	-	(43)
Disposals	1,068	-	-	1,068
Amortisation and impairment losses at 31 December 2019	**(536)**	**(354)**	**-**	**(890)**
Carrying amount at 31 December 2019	**5**	**71**	**69**	**145**
Cost at 1 January 2018	1,601	365	-	1,966
Additions	-	-	13	13
Reclassified assets	4	-	(4)	-
Cost at 31 December 2018	**1,605**	**365**	**9**	**1,979**
Amortisation and impairment losses at 1 January 2018	(1,582)	(293)	-	(1,875)
Amortisation and impairment losses	(8)	(19)	-	(27)
Amortisation and impairment losses at 31 December 2018	**(1,590)**	**(312)**	**-**	**(1,902)**
Carrying amount at 31 December 2018	**15**	**53**	**9**	**77**
Amortised over	5-20 years	3-5 years	-	-

13. Property, plant and equipment

DKKm	Land and buildings	Production assets	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
	Group				
Cost at 1 January 2019	11	8,050	24	11	8,096
Addition by merger 1 January 2019	-	2	70		72
Change in accounting policy	2	307	-	-	309
Additions	-	-	2	16	18
Disposals	-	(6)	-	-	(6)
Reclassified assets	-	13	-	(13)	-
Cost at 31 December 2019	**13**	**8,366**	**96**	**14**	**8,489**
Depreciation and impairment losses at 1 January 2019	(9)	(7,659)	(24)	-	(7,692)
Addition by merger 1 January 2019	-	(2)	(53)	-	(55)
Depreciation and impairment losses	-	(98)	(10)	-	(108)
Depreciation and impairment losses at 31 December 2019	**(9)**	**(7,759)**	**(87)**	**-**	**(7,855)**
Carrying amount at 31 December 2019	**4**	**607**	**9**	**14**	**634**
Cost at 1 January 2018	11	8,692	24	-	8,727
Additions	-	92	-	11	103
Disposals	-	(734)	-	-	(734)
Cost at 31 December 2018	**11**	**8,050**	**24**	**11**	**8,096**
Depreciation and impairment losses at 1 January 2018	(9)	(8,374)	(24)	-	(8,407)
Depreciation and impairment losses	-	4	-	-	4
Disposals	-	711	-	-	711
Depreciation and impairment losses at 31 December 2018	**(9)**	**(7,659)**	**(24)**	**-**	**(7,692)**
Carrying amount at 31 December 2018	**2**	**391**	**-**	**11**	**404**
Depreciated over	20 years	20-40 years	3-10 years	-	-

Impairment testing of property, plant and equipment

The carrying amounts of property, plant and equipment are assessed annually to determine whether there is any indication of impairment. If any such indication exists, an impairment test is carried out.

There were no other indications of impairment of property, plant and equipment in 2019.

13. Property, plant and equipment (continued)

	Parent company				
DKKm	Land and buildings	Production assets	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2019	11	8,046	4	5	8,066
Addition by merger 1 January 2019	-	2	-	-	2
Change in accounting policy	-	307	-	-	307
Additions	-	-	-	9	9
Disposals	-	(6)	-	-	(6)
Cost at 31 December 2019	**11**	**8,349**	**4**	**14**	**8,378**
Depreciation and impairment losses at 1 January 2019	(9)	(7,655)	(4)	-	(7,668)
Addition by merger 1 January 2019	-	(2)	-	-	(2)
Depreciation and impairment losses	-	(88)	-	-	(88)
Depreciation and impairment losses at 31 December 2019	**(9)**	**(7,745)**	**(4)**	**-**	**(7,758)**
Carrying amount at 31 December 2019	**2**	**604**	**-**	**14**	**620**
Cost at 1 January 2018	11	8,688	4	-	8,703
Additions	-	92	-	5	97
Disposals	-	(734)	-	-	(734)
Cost at 31 December 2018	**11**	**8,046**	**4**	**5**	**8,066**
Depreciation and impairment losses at 1 January 2018	(9)	(8,370)	(4)	-	(8,383)
Depreciation and impairment losses	-	4	-	-	4
Disposals	-	711	-	-	711
Depreciation and impairment losses at 31 December 2018	**(9)**	**(7,655)**	**(4)**	**-**	**(7,668)**
Carrying amount at 31 December 2018	**2**	**391**	**-**	**5**	**398**
Depreciated over	20 years	20-40 years	3-10 years	-	-

14. Investments in subsidiaries

	Parent company	
DKKm	2019	2018
Cost at 1 January	936	863
Additions	265	73
Disposals	(26)	-
Cost at 31 December	**1,175**	**936**
Value adjustments at 1 January	(633)	(574)
Impairment losses	(256)	(59)
Value adjustments at 31 December	**(889)**	**(633)**
Carrying amount at 31 December	**286**	**303**

In 2019, additions are related to additional capital contribution in Ørsted Pipelines A/S and to the acquisition of Orsted S&D (UK) Limited. Disposals relates to Obviux A/S.

We have tested investments in subsidiaries for impairment by comparing the expected future income in the individual subsidiary with the carrying value of the individual subsidiary. Impairment losses for the year relate to Ørsted Pipelines A/S, Ørsted Sales GmbH and Ørsted Markets GmbH.

In 2018, additions are related to additional capital contribution in Obviux A/S and to the acquisition of Ørsted Energy Solutions (UK) Limited.

Impairment losses in 2018 related to Ørsted Pipelines A/S and Ørsted Sales GmbH.

15. Deferred tax

DKKm	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Deferred tax at 1 January	(1,047)	(753)	(1,064)	(721)
Merger 1 January	(11)	-	-	-
Exchange rate adjustment	(1)	-	-	-
Deferred tax for the year recognised in profit (loss)	658	(343)	660	(356)
Deferred tax discontinued operations	272	55	272	55
Adjustments in respect of prior years	(12)	(6)	12	(42)
Deferred tax at 31 December	**(141)**	**(1,047)**	**(120)**	**(1,064)**
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax (assets)	(141)	(1,047)	(120)	(1,064)
Deferred tax at 31 December, net	**(141)**	**(1,047)**	**(120)**	**(1,064)**
Deferred tax concerns:				
Non-current assets	52	93	82	88
Non-current liabilities	(459)	(756)	(459)	(756)
Current liabilities	266	(384)	257	(396)
Deferred tax at 31 December	**(141)**	**(1,047)**	**(120)**	**(1,064)**

Deferred tax assets are expected to be utilised for offsetting against the settlement of deferred tax liabilities in companies included in joint taxation in the Ørsted Group.

Unrecognised deferred tax assets relate to losses in foreign companies as well as impairment losses in foreign companies, where we deem that such tax assets cannot be utilised in the foreseeable future. Unrecognised tax assets can be carried forward indefinitely. The amount of unrecognised tax losses was DKK 26 million in 2019 (2018: DKK 0 million).

Change in temporary differences during the year, DKKm	Group: Balance sheet at 1 January	Group: Recognised in profit (loss) for the year	Group: Other changes	Group: Balance sheet at 31 December	Parent company: Balance sheet at 1 January	Parent company: Recognised in profit (loss) for the year	Parent company: Other changes	Parent company: Balance sheet at 31 December
2019								
Non-current assets	93	(5)	(36)	52	88	(6)	-	82
Non-current liabilities	(756)	285	12	(459)	(756)	285	12	(459)
Current liabilities	(384)	650	-	266	(396)	653	-	257
Total	**(1,047)**	**930**	**(24)**	**(141)**	**(1,064)**	**932**	**12**	**(120)**
2018								
Non-current assets	(24)	18	99	93	16	9	63	88
Non-current liabilities	(544)	22	(234)	(756)	(544)	22	(234)	(756)
Current liabilities	(185)	(328)	129	(384)	(193)	(332)	129	(396)
Total	**(753)**	**(288)**	**(6)**	**(1,047)**	**(721)**	**(301)**	**(42)**	**(1,064)**

16. Inventories

	Group		Parent company	
DKKm	2019	2018	2019	2018
Gas	1,057	1,620	1,055	1,614
Green certificates	565	461	565	461
Carbon emission allowances (purchased)	345	172	345	172
Other inventories	4	3	4	3
Inventories at 31 December	**1,971**	**2,256**	**1,969**	**2,250**

The carrying amount of inventories recognised at fair value was DKK 909 million (2018: DKK 172 million).

17. Derivatives

Maturity analysis of financial liabilities 2019, DKKm	Carrying amount	Payment obligation	2020	2021	2022	2023	2024	After 2024
Bank overdrafts	108	108	108	-	-	-	-	-
Payables to group enterprises	3,138	3,138	3,138	-	-	-	-	-
Trade payables	3,431	3,431	3,431	-	-	-	-	-
Fair value of derivative financial instruments	5,109	4,761	3,830	565	200	110	55	1
Other payables	646	646	646	-	-	-	-	-
31 December	**12,432**	**12,084**	**11,153**	**565**	**200**	**110**	**55**	**1**

Maturity analysis of financial liabilities 2018, DKKm	Carrying amount	Payment obligation	2019	2020	2021	2022	2023	After 2023
Bank overdrafts	-	-	-	-	-	-	-	-
Payables to group enterprises	2,503	2,503	2,503	-	-	-	-	-
Trade payables	3,067	3,067	3,067	-	-	-	-	-
Fair value of derivative financial instruments	8,506	8,550	6,004	2,045	407	75	19	-
Other payables	576	576	576	-	-	-	-	-
31 December	**14,652**	**14,696**	**12,150**	**2,045**	**407**	**75**	**19**	**-**

Categories of financial instruments

Financial instruments are used for various purposes. The purpose determines the category, and whether the value adjustment of the instrument should be recognised in the profit (loss) for the year or as part of the hedging reserve in equity.

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of bank loans where the market value was DKK 108 million (2018: DKK 4 million), and the nominal value was DKK 108 million (2018: 4 million).

	2019		2018	
Financial instruments by category, DKKm	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Derivative financial instruments held for trading	7,735	7,735	8,310	8,310
Securities	361	361	362	362
Financial assets measured at fair value via the income statement	**8,096**	**8,096**	**8,672**	**8,672**
Trade receivables	5,507	5,507	3,472	3,472
Other receivables, cash and cash equivalents	10,198	10,198	11,908	11,908
Loans and receivables	**15,705**	**15,705**	**15,380**	**15,380**
Equity and liabilities				
Derivative financial instruments held for trading	5,109	5,109	8,506	8,506
Financial liabilities measured at fair value via the income statement	**5,109**	**5,109**	**8,506**	**8,506**
Bank loans	108	108	4	4
Other payables	6,386	6,386	5,391	5,391
Financial liabilities measured at amortised cost	**6,494**	**6,494**	**5,395**	**5,395**

All assets and liabilities measured at fair value are measured on a recurring basis.

Quoted prices comprises derivative financial instruments that are traded in active markets. It is customary to settle these trades on a daily basis.

Observable inputs comprises derivative financial instruments, where valuation models with observable inputs are used to measure fair value.

Non-observable inputs comprises primarily long-term contracts on the purchase/sale of, in particular, power. The fair values are based on assumptions concerning the long-term prices, volatilities as well as risk premiums in respect of liquidity and market risks.

The fair value of financial instruments based on non-observable inputs is significantly affected by the non-observable inputs used. As a result of the long-term and illiquid nature of the contracts, the fair value may change significantly in the event of a change in the Group's reasonable expectations relating to the non-observable inputs used.

Subsequent to entering into an agreement to divest our LNG business, all hedges related to the period after an expected closing date are reclassified from economic hedging to IFRS cash flow hedges (divestments).

Cash flow hedge accounting 2019, DKKm	Contractual principal amount	Maturity analysis			Market value		Recognised in comprehensive income
		2020	2021	After 2021	Asset	Liability	
Divestments (USD)	3,518	433	830	2,255	158	(37)	-
Divestments (oil)	3,442	556	1,013	1,873	74	(142)	-
Divestments (gas)	3,527	503	936	2,088	534	(269)	-

Economic hedging of fair values, DKKm	2019				2018			
	Receivables	Payables	Hedging instruments	Net position	Receivables	Payables	Hedging instruments	Net position
EUR	10,893	(8,573)	-	2,320	11,972	(12,866)	-	(894)
USD	275	(251)	-	24	191	(598)	-	(407)
GBP	6,778	(6,961)	-	(183)	6,628	(7,736)	-	(1,108)
Other	169	(33)	-	136	123	(23)	-	100
Total	**18,115**	**(15,818)**	**-**	**2,297**	**18,914**	**(21,223)**	**-**	**(2,309)**

Trading portfolio and economic hedging, DKKm	2019		2018	
	Nominal amount	Fair value	Nominal amount	Fair value
Oil swaps	1,134	70	2,626	-
Gas swaps	4,533	1,471	6,569	(114)
Gas options	148	29	266	-
Power swaps	3,289	741	2,115	(93)
Power options	922	(33)	244	73
Coal forwards	5	36	50	(7)
Carbon emission allowances	238	(38)	55	(45)
Currency forwards	2,341	32	4,947	(10)
Total	**12,610**	**2,308**	**16,872**	**(196)**

Fair value hierarchy of financial instruments DKKm	2019				2018			
	Quoted prices	Observable inputs	Non-observable inputs	Total	Quoted prices	Observable inputs	Non-observable inputs	Total
Commodity derivatives	43	6,198	342	6,583	16	5,513	918	6,447
Currency derivatives	-	1,152	-	1,152	-	1,863	-	1,863
Total derivatives	**43**	**7,350**	**342**	**7,735**	**16**	**7,376**	**918**	**8,310**
Securities	-	361	-	361	-	362	-	362
Total assets measured at fair value	**43**	**7,711**	**342**	**8,096**	**16**	**7,738**	**918**	**8,672**
Commodity derivatives	(12)	(4,017)	(81)	(4,110)	(30)	(6,288)	(315)	(6,633)
Currency derivatives	-	(999)	-	(999)	-	(1,873)	-	(1,873)
Total liabilities measured at fair value	**(12)**	**(5,016)**	**(81)**	**(5,109)**	**(30)**	**(8,161)**	**(315)**	**(8,506)**

Netting of financial assets and liabilities

The netting agreements with the individual counterparties are often limited to offsetting within specific products. In addition, the settlement of liabilities and the realisation of assets often do not take place simultaneously.

We only offset positive and negative values if we are entitled to and intend to settle several financial instruments net.

Consequently, only some of the Group's netting agreements meet the provisions in IFRS on offsetting.

The table below to the right show financial assets and liabilities that are subject to netting agreements, and related security.

Net derivative assets valued on the basis of non-observable inputs are specified in the table to the left.

Valuation principles and material assumptions

In order to minimise the use of subjective estimates or modifications of parameters and calculation models, it is our policy to determine fair values based on the external information that most accurately reflects the market values.

We use pricing services and benchmark services to increase the data quality. Market values are determined by the Group Treasury & Risk Management function, which reports to the Group CFO. The development in market values is monitored on a continuing basis and reported to the Group Executive Management.

Derivatives valued on the basis of non-observable inputs, DKKm	2019	2018
Market value at 1 January	**603**	**309**
Transferred to level 2 due to market data having become available	-	(114)
Gains and losses recognised in profit (loss) for the year as revenue	(132)	121
Transferred from observable inputs	-	36
Sales and redemptions	(259)	(37)
New trades	49	288
Market value at 31 December	**261**	**603**
Net assets can be specified as follows:		
Assets	342	918
Liabilities	(81)	(315)

Derivative financial instruments, DKKm	Assets	Liabilities	Valuation principle	Non-observable inputs	Range
Gas swaps	197	(2)	Discounted cash flow	Gas prices 2020-2024	DKK 88-149 per MWh

			Related amounts not netted in the balance sheet			
Netting of financial assets, DKKm	Recognised financial assets, gross	Recognised financial liabilities, gross netted in the balance sheet	Financial assets presented in the balance sheet	Liabilities with offsetting rights	Security received	Net amount
31 December 2019						
Derivative financial instruments	15,292	(10,215)	5,078	(839)	-	4,239
Trade receivables	17,219	(13,767)	3,452	-	-	3,452
31 December 2018						
Derivative financial instruments	42,723	(37,825)	4,898	(689)	-	4,209
Trade receivables	23,173	(20,060)	3,113	-	-	3,113

			Related amounts not netted in the balance sheet			
Netting of financial liabilities, DKKm	Recognised financial liabilities, gross	Recognised financial assets, gross	Financial liabilities presented in the balance sheet	Assets with offsetting rights	Security provided in the form of bonds	Net amount
31 December 2019						
Derivative financial instruments	14,502	(10,215)	4,287	(839)	(361)	3,087
Trade payables	16,764	(13,767)	2,997	-	-	2,997
31 December 2018						
Derivative financial instruments	44,783	(37,825)	6,958	(689)	(362)	5,907
Trade payables	23,085	(20,060)	3,025	-	-	3,025

18. Receivables

Receivables

Receivables consists of trade receivables and other receivables. Other receivables include margin account deposits, DKK 466 million in total (2018: DKK 673 million), which have been pledged as collateral for trading in financial instruments.

Trade receivables by credit quality

Ørsted Salg & Service A/S's main credit exposure in connection with sales relates to sale of gas. Besides credit exposure on gas customers in Denmark, the exposure primarily relates to international energy companies and banks. Ørsted Salg & Service A/S's internal control of its credit exposure is based on internal credit limits for each counterparty and structured and ongoing monitoring and reporting. Credit limits and any requirements concerning security are determined on the basis of the credit rating of the counterparty, partly using input from external rating agencies such as Moody's, S&P's and Fitch. For all significant counterparties, framework and netting contracts setting out credit conditions are also entered into. The maximum credit risk related to receivables corresponds to the values recognised in the balance sheet. There are no special concentrations of credit risks. The receivables are not credit insured.

Trade receivables that are overdue, but not individually impaired

Expected credit losses on trade receivables are assessed on the basis of due date and historical experience. For receivables with a general credit risk, a write-down of 0-1% is carried out on initial recognition.

The Group's trade receivables at 31 December 2019 include receivables that have been written down by DKK 51 million following general assessment (2018: DKK 28 million).

Trade receivables by credit quality, DKKm	Group		Parent company	
	2019	2018	2019	2018
Denmark	1,584	1,106	1,551	1,066
Rest of the EU	3,922	2,350	1,900	2,031
Rest of the world	1	16	1	16
Trade receivables at 31 December	**5,507**	**3,472**	**3,452**	**3,113**

Trade receivables that are overdue, but not individually impaired DKKm	Group		Parent company	
	2019	2018	2019	2018
Days past due:				
Up to 30 days	298	32	141	22
30-90 days	39	18	9	10
More than 90 days	124	166	142	168
Trade receivables, write-downs	(51)	(28)	(15)	(27)
Trade receivables overdue at 31 December	**410**	**188**	**277**	**173**

19. Income tax receivable and payable

DKKm	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Income tax receivable at 1 January	30	207	-	194
Merger	50	-	-	-
Exchange rate adjustments	4	-	-	-
Adjustments to current tax in respect of prior years	(41)	(12)	-	(13)
Payments in respect of prior years	(10)	(191)	-	(181)
Current tax for the year	(75)	15	(106)	-
Current tax discontinued operations	287	-	287	-
Payments in respect of the year	462	11	459	-
Income tax receivable at 31 December	**707**	**30**	**640**	**-**
Income tax payable at 1 January	191	40	190	23
Adjustments to current tax in respect of prior years	7	(48)	7	-
Payments in respect of prior years	(198)	(79)	(197)	(113)
Current tax for the year	-	449	-	451
Current tax discontinued operations	-	(171)	-	(171)
Income tax payable at 31 December	**-**	**191**	**-**	**190**

20. Cash, cash equivalents and securities

DKKm	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Cash and cash equivalents at 31 December include:				
Cash, available	301	688	42	559
Bank overdrafts	(108)	-	(89)	-
Cash and cash equivalents at 31 December	**193**	**688**	**(47)**	**559**

DKKm	Group 2019	Group 2018	Parent company 2019	Parent company 2018
Cash at 31 December can be broken down into the following balance sheet items:				
Cash, available	301	688	42	559
Cash, not available for use	-	-	-	-
Cash at 31 December	**301**	**688**	**42**	**559**
Securities at 31 December can be broken down into the following balance sheet items:				
Securities, available	-	362	-	361
Securities, not available for use	361	-	360	-
Securities at 31 December	**361**	**362**	**360**	**361**
Other bank loans at 31 December can be broken down into the following balance sheet items:				
Bank overdrafts	(108)	(4)	(89)	-
Bank loans at 31 December	**(108)**	**(4)**	**(89)**	**-**

21. Assets classified as held for sale

At 31 December 2019, assets classified as held for sale comprised our LNG business. In December 2019, we signed an agreement to divest our LNG business, and we expect that the transaction will close during the summer of 2020.

At 31 December 2018, assets classified as held for sale comprised our residential customer business in Denmark.

During 2019, these activities have been divested into seperate entities owned by Ørsted A/S.

Assets classified as held for sale	Group		Parent company	
DKKm	2019	2018	2019	2018
Trade receivables	-	495	-	495
Total assets classified as held for sale	**-**	**495**	**-**	**495**
Other provisions	2,277	-	2,277	-
Contract liabilities	-	444	-	444
Total liabilities relating to assets classified as held for sale	**2,277**	**444**	**2,277**	**444**
Net assets classified as held for sale	**2,277**	**51**	**2,277**	**51**

22. Equity

Ownership
The company's annual report forms part of the consolidated financial statements of Ørsted A/S, Fredericia, which owns the entire share capital.

All shares rank equally. There are no restrictions on voting rights.

Dividend
The Board of Directors recommends that dividend of DKK 0 million be paid for the financial year 2019 (2018: DKK 0 million).

Capital management
Ørsted Salg & Service A/S's liquidity and financing risks are managed centrally by Ørsted in accordance with principles and delegated authorities laid down by the Board of Directors of Ørsted A/S, in in order to ensure that Ørsted Salg & Service A/S has an adequate capital base and adequate cash resources at all times. One of the most important financial management tasks in the Ørsted Group is to secure sufficient and flexible financial resources in relation to the day-to-day operations and the Ørsted Group's investment programme. For this purpose, internal management objectives have been set for the required level of financial resources, primarily considering factors such as the investment programme, cash flows from operating activities and the debt maturity profile.

It is the Ørsted Group's financing policy to concentrate loans in the parent company in order to optimise the loan portfolio on a consolidated basis.

	Group and parent company	
Development in share capital, DKKm	2019	2018
Share capital at 1 January	1,110	1,110
Share capital at 31 December	**1,110**	**1,110**

		Group and parent company		
Composition of share capital, Number of shares		Nominal value		Total
1,000,000	of	DKK 1,000	=	DKK 1,000,000,000
100,000	of	DKK 1,000	=	DKK 100,000,000
10,000	of	DKK 1,000	=	DKK 10,000,000
				DKK 1,110,000,000

23. Provisions

Provisions, DKKm	Group 2019 Decom-missioning obligations	2019 Onerous contracts	2019 Other liabilities	2019 Total	2018 Decom-missioning obligations	2018 Onerous contracts	2018 Other liabilities	2018 Total
Provisions at 1 January	535	2,413	568	3,516	471	2,694	479	3,644
Change in accounting policy	-	(25)	-	(25)	-	-	-	-
Provisions used during the year	-	(375)	-	(375)	-	(369)	(339)	(708)
Provisions reversed during the year	-	-	(37)	(37)	(46)	-	(148)	(194)
Provisions made during the year	-	1,165	103	1,268	92	-	576	668
Interest element of obligations	19	77	-	96	18	88	-	106
Transferred to assets and liabilities classified as held for sale	-	(2,277)	-	(2,277)	-	-	-	-
Total provisions	**554**	**978**	**634**	**2,166**	**535**	**2,413**	**568**	**3,516**
Falling due as follows:								
0-1 year	-	184	51	235	-	271	80	351
1-5 years	-	537	583	1,120	-	962	488	1,450
After 5 years	554	257	-	811	535	1,180	-	1,715

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

Thereafter, onerous contracts comprise contracts for leasing of gas storage capacity in Germany, DKK 814 million (2018: DKK 950 million), and the contract regarding the Stenlille Gas Storage Facility, DKK 164 million (2018: DKK 228 million).

Other provisions include decommissioning obligations related to expected future costs for restoration and decommissioning of the Group's production assets.

The estimated obligations have been discounted to present value. A discount rate of 3.5% has been used, which is the same as the discount rate used by the Group at 31 December 2019. The equivalent value of these obligations is recognised in production assets (property, plant and equipment) and depreciated together with the production asset.

23. Provisions (continued)

	Parent company							
	2019				2018			
Provisions, DKKm	Decom-missioning obligations	Onerous contracts	Other liabilities	Total	Decom-missioning obligations	Onerous contracts	Other liabilities	Total
Provisions at 1 January	535	2,413	568	3,516	471	2,694	479	3,644
Change in accounting policy	-	(25)	-	(25)	-	-	-	-
Provisions used during the year	-	(375)	-	(375)	-	(369)	(339)	(708)
Provisions reversed during the year	-	-	(37)	(37)	(46)	-	(148)	(194)
Provisions made during the year	-	1,165	103	1,268	92	-	576	668
Interest element of obligations	19	77	-	96	18	88	-	106
Transferred to assets and liabilities classified as held for sale	-	(2,277)	-	(2,277)	-	-	-	-
Total provisions	**554**	**978**	**634**	**2,166**	**535**	**2,413**	**568**	**3,516**
Falling due as follows								
0-1 year	-	184	51	235	-	271	80	351
1-5 years	-	537	583	1,120	-	962	488	1,450
After 5 years	554	257	-	811	535	1,180	-	1,715

Key accounting estimates

In the course of the Group's operations, a number of commercial contracts have been entered into with fixed terms of contract that may result in the contracts becoming onerous depending on market developments, etc., and the obligations incurred by the Ørsted Salg & Service Group as a result of these contracts may also be subject to uncertainty. The judgements concerning these complex contracts and their future effects are subject to significant uncertainties.

24. Contract liabilities

	Group		Parent company	
Contract balances, DKKm	2019	2018	2019	2018
Contract liabilities				
Non-current contract liabilities	4	4	4	4
Current contract liabilities	224	203	223	194
Total contract liabilities	**228**	**207**	**227**	**198**

Contract liabilities primarily relates to prepayments on gas and power contracts.

25. Other payables

	Group		Parent company	
Other payables, DKKm	2019	2018	2019	2018
VAT and other indirect taxes	437	197	87	179
Deferred income	-	84	-	84
Other payables	209	295	167	211
Other current liabilities at 31 December	**646**	**576**	**254**	**474**

26. Cash flows from operations (operating activities)

	Group		Parent company	
DKKm	2019	2018	2019	2018
Operating profit (loss) EBIT	1,676	413	1,618	446
Amortisation, depreciation, impairment losses and write-downs	151	37	386	81
Operating profit (loss) before depreciation and amortisation (EBITDA)	**1,827**	**450**	**2,004**	**527**
Other items [1]	(2,054)	438	(2,106)	762
Cash flows from operations (operating activities) before changes in working capital	**(227)**	**888**	**(102)**	**1,289**
Change in inventories	233	(214)	230	(215)
Change in contract assets and liabilities	(92)	-	(84)	-
Change in trade receivables	(113)	(266)	(142)	(521)
Change in other receivables	204	(50)	224	(55)
Change in trade payables	22	882	451	810
Change in other payables etc.	(419)	300	(232)	233
Change in working capital	**(165)**	**652**	**447**	**252**
Cash flows from operations (operating activities)	**(392)**	**1,540**	**345**	**1,541**

[1] Other items primarily comprise changes in other provisions and changes in value adjustments of derivative financial instruments.

27. Financial risks and risk management

Financial risks

Ørsted Salg & Service A/S is exposed to several different financial risks, including fluctuations in commodity prices, exchange rates, credit risks and interest rates. The management of these risks is an important focus area in the Group.

The risk management is aimed at identifying the various risk areas and determining a strategy for managing them. A special Risk Committee has been appointed that is responsible for monitoring the Ørsted Group's risk management and risk control relating to market and credit risks. A centralised corporate risk management function has also been set up in Ørsted A/S to support the Risk Committee.

Various strategies have been put in place to manage the risks and align the risk profile. The risk profile is managed through the conclusion of financial and physical contracts for commodities, interest and currencies over the next five years.

In connection with – and partly to support – these activities, the Group engages in limited energy trading for its own account, including in gas, power, coal, oil, oil products and carbon emission allowances.

The operating profit may fluctuate considerably from year to year because of price developments.

Commodity price risks

Our price risk arises from the purchase and sale of power and gas. The price risks associated with the purchase and sale of gas result from differences in the indexing of sales and purchase prices. Our largest gas purchase contracts include the option of renegotiating the contract price if it no longer reflects market conditions. We have completed most of these renegotiations in recent years; as a result, the contract prices have largely been indexed to pure gas prices and not to oil prices, as was previously the case. Therefore, we are less sensitive to differences in the oil and gas price development than before.

The price risks associated with power purchases and sales are given by the difference between the purchase and sales prices. The price risk relates primarily to timing differences between purchases and sales and the related hedges and is therefore considered to be limited.

Market trading

When the Ørsted Group's desired hedging level has been determined, the exposures are transferred to the market trading function, which is part of Ørsted Salg & Service A/S. Market Trading is responsible for executing the physical and financial transactions in the market. It is not always possible to hedge the transferred price risks in full. Therefore, Ørsted Salg & Service A/S has some remaining exposure resulting from these activities.

The market trading function also balances the physical volumes in the market and, to a lesser extent, engages in active taking of positions to ensure an ongoing market presence and thus gain more detailed market insight. Furthermore, Ørsted Salg & Service A/S has assumed the role of market maker in the Danish power market, which entails further market risks.

Currency risks

Currency risks arise primarily from:
– purchase and sale of power and gas
– energy trading, which is typically priced in currencies other than DKK
– other activities, for example in subsidiaries abroad. The main currency risk is related to GBP.

Currency exposure is hedged using forward exchange contracts, swaps and options.

Currency risk is measured by taking into account the total cash flow for each currency weighted in relation to the currency's volatility. The currency risk is managed by defining a maximum level for the total currency exposure for all currencies each year in the coming five years. Ørsted Salg & Service A/S hedges currency risks using a 'ladder' model, hedging a large part in the coming four quarters, with hedging subsequently declining.

Interest rate risks

Interest rate risks primarily relate to loan portfolio, cash and financial hedging. These risks are managed in relation to the Ørsted Salg & Service Group's net financing requirement and capital structure.

Interest rate risk is measured on a net basis, and both debt and any placing of excess cash are included. Interest rate risk is adjusted through the interest terms attaching to the Group's loans.

Credit risks

Credit risks arise primarily from transacting in power and gas – both wholesale, physical and financial transactions, including placing surplus cash.

We concludes contracts with customers and suppliers on the physical delivery of energy products, and hedging contracts with other energy companies, specialised trading houses and international banks. Physical contracts with a term of more than one year are normal, and gas purchase contracts can have terms of more than five years. All such contracts involve a risk of loss in the event of a counterparty failing to perform its obligations. Such risks are quantified and managed as credit risks and are a significant focus area in the Ørsted Salg & Service Group.

The credit risk is managed based on internal credit limits for counterparties and structured monitoring of the actual exposure. Credit limits are established based on an assessment of the counterparty's credit rating. If the counterparty has an external credit rating, for example from Moody's or Standard & Poor's, this is an important factor in determining the counterparty's credit rating.

Credit risks are coordinated in relation to all business activities so, that the Ørsted Salg & Service Group does not assume inappropriately large exposures to individual counterparties. With a view to reducing its credit exposure, the Group endeavours, as far as possible, to clear transactions via a clearing centre, such as Nord Pool, and uses formalised framework agreements, such as ISDA and EFET agreements and master netting agreements. To this should be added the limited use of security, such as bank guarantees.

As part of its risk management, the Group monitors its credit exposure in relation to all trading counterparties daily as well as monthly or quarterly in the case of other counterparties. Historically, losses due to default by counterparties have been small.

Financing and capital resources

One of the main financial management responsibilities is to secure sufficient, flexible financial resources for the day-to-day operations and for the implementation of the Ørsted Salg & Service's strategy, considering the Ørsted Group's rating. To this end, internal management objectives have been established for the required level of financial resources, taking into account factors such as investment programme, operating cash flow and debt maturity profile.

Sensitivity analysis

The sensitivity analysis in the tabel shows the effect of market value changes assuming a relative price change at 31 December. The illustrated effect on profit (loss) comprises financial instruments that remained open at the balance sheet date and have an effect on profit in the financial year in question. Besides derivative financial instruments on commodities and currency, financial instruments in this context include receivables and payables in foreign currencies.

It should be noted that the illustrated sensitivities only comprise Ørsted Salg & Service A/S's financial instruments and therefore exclude the effect from contracts concluded under which physical delivery of the underlying assets is made, as these are not recognised as financial instruments in accordance with IFRS 9. Thus, the sensitivity only comprises the derivative financial instruments and not the physical contracts they hedge.

Estimated effect on profit (loss)

The illustrated effect on profit (loss) is the effect from financial instruments that remained open at the balance sheet date and have an effect on profit (loss) in the financial year in question. Besides derivative financial instruments on commodities and currencies, financial instruments in this context include receivables and payables in foreign currencies. It should be noted that the shown sensitivities only comprise the Group's financial instruments and consequently are not representative of the Group's total risk profile in relation to commodity prices and exchange rates. Furthermore, the sensitivities only reflect the effect of changes at the balance sheet date, and not through an entire accounting period.

Estimated effect on equity

The illustrated effect on equity is the effect from financial instruments that remained open at the balance sheet date and affect equity at the balance sheet date, excluding instruments that affect the income statement. Here, financial instruments include derivative financial instruments on commodities and currency, which are accounted for as hedges of cash flows. The table below represents the Ørsted Salg & Service Group, which largely corresponds to the parent company Ørsted Salg & Service A/S.

Sensitivity Analysis		Estimated effect on profit (loss) 31 December		Estimated effect on equity 31 December	
Risks, DKKm	Price change	2019	2018	2019	2018
Oil	+10%	17	9	335	-
	-10%	(17)	(9)	(335)	-
Gas	+10%	(521)	(499)	(328)	-
	-10%	521	499	328	-
Power	+10%	289	(198)	-	-
	-10%	(289)	198	-	-
Coal	+10%	(10)	(33)	-	-
	-10%	10	33	-	-
USD	+10%	84	230	345	-
	-10%	(84)	(230)	(345)	-
GBP	+10%	159	(114)	-	-
	-10%	(159)	114	-	-
SEK	+10%	4	(2)	-	-
	-10%	(4)	2	-	-
EUR	+10%	195	(571)	(314)	-
	-10%	(195)	571	314	-

Estimated effect on the equity 31 December 2019 relates to the cashflow hedge of the proceed of the divestment of the LNG business. There was no cashflow hedge in 2018.

28. Contingent liabilities and other liabilities

At year-end, the Group and the parent company had the following contingent and other liabilities:

Indemnities

The Group and the parent company are taxed jointly with other companies in the Ørsted Group. The companies have unlimited as well as joint and several liability together with the other taxed companies for Danish income taxes and withholding taxes on dividends, interest and royalties within the jointly taxed companies.

Ørsted A/S is the management company. Reference is made to the Ørsted Group's 2019 annual report.

Liability to pay compensation (absolute liability)

According to legislation, Ørsted Salg & Service is liable in tort for any damage caused by the companies' gas activities, even where there is no proof of negligence (absolute liability). The usual insurance has been taken out to cover any such claims.

Litigation

The Group and the parent company are parties to a number of litigation proceedings and legal disputes that are not estimated to have any material effect on the Group's or the parent company's financial position, neither individually nor collectively.

29. Related-party transactions

Related parties with a controlling interest in the Group and the parent company are Ørsted A/S and the Danish state, represented by the Danish Ministry of Finance, which has a majority holding in the parent company Ørsted A/S.

Related parties with significant influence include the companies' boards of directors, executive boards and executive employees and members of their families. Related parties also comprise companies in which the persons referred to above have significant influence and group enterprises and associates in the Ørsted Group.

As part of its ordinary operations, Ørsted Salg & Service A/S sells and buys its products to related parties on market terms.

The Group was involved in the following transactions with related parties in the financial year under review.

Ørsted Salg & Service A/S uses the exception set out in IAS 24.25 concerning entities in which the state is a related party, and transactions with state enterprises are therefore not disclosed.

Specific transactions

The parent company has had transactions with group enterprises as part of its responsibility for the trading function for the Ørsted Group's companies in relation to commodity instruments, etc. Furthermore, balances with group enterprises have been established as part of the normal financing of the Group's activities.

Remuneration of the Board of Directors and the Executive Board is disclosed in note 5 'Employee costs' and note 6 'Share-based payment'.

	Ørsted A/S		Group enterprises		Associates		Joint ventures	
Group, DKKm	2019	2018	2019	2018	2019	2018	2019	2018
Dividend received	-	-	-	-	-	-	-	-
Sale of goods and services	6	7	4,626	7,370	-	-	-	-
Purchase of goods and services	-	-	(7,715)	(7,735)	(164)	(169)	(6)	(8)
Interest, net	(30)	(43)	-	-	-	-	-	-
Receivables	8,800	9,072	2,664	6,426	-	-	-	-
Payables	(788)	(753)	(3,540)	(4,193)	(18)	(2)	-	(1)

	Ørsted A/S		Subsidiaries		Group enterprises		Joint ventures and associates	
Parent company, DKKm	2019	2018	2019	2018	2019	2018	2019	2018
Dividend received	-	-	-	-	-	-	-	-
Sale of goods and services	6	7	4,758	2,345	4,625	7,370	-	-
Purchase of goods and services	-	-	(12)	(651)	(7,715)	(7,735)	(170)	(177)
Interest, net	(28)	(39)	-	-	-	-	-	-
Receivables	7,843	8,521	3,394	522	2,656	6,426	-	-
Payables	(788)	(753)	(213)	(635)	(3,545)	(4,193)	(18)	(3)

30. Description of accounting policies

Business performance principle

Description of business performance
In 2011, we introduced an alternative performance measure, business performance, as a supplement to the financial statements prepared in accordance with IFRS. The business performance result reflects our internal risk management and shows the result for the period under review. Under the business performance principle, the value of the hedging transaction is deferred and recognised for the period in which the hedged risk materialises. This is illustrated in the example overleaf.

Our reason for introducing the business performance principle was:

- that we could not achieve the same timing of recognition of our commercial exposure and hedging contracts in accordance with the IFRS rules, for example with respect to option premiums and certain commercial fixed-price contracts
- there was a high risk of hedging contracts not being consistent with the IFRS rules on hedge accounting, requiring us to recognise the hedging contracts at market value with value adjustment via the income statement, whereas our commercial exposure is accrued.

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

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

As a result, we do not apply the IFRS rules on hedge accounting to transactions hedging energy prices and associated currency risks. Value adjustments of these hedges are therefore recognised in the income statement in accordance with IFRS.

Recognition
In the income statement, the business performance result is shown alongside the IFRS results. In the income statement, the difference between the two performance measures is shown in a separate column, 'Adjustments'.

Two types of contracts are included in the business performance principle:

- hedging contracts concerning energy and related currencies
- commercial contracts concerning energy recognised at market value.

When we use hedging instruments which do not fully correspond to the underlying risk, any difference between the hedging instruments and the underlying risk is recognised immediately in the income statement.

The accounting treatment under business performance is otherwise identical with the accounting treatment under IFRS. Our balance sheet, cash flows and equity are consequently not affected. The accounting treatment of our hedging contracts according to IFRS and business performance is summarised in the table below.

Hedging type	IFRS	Business
Hedging of energy and associated currency risks as well as fixed-price physical gas and power contracts	Fair value via income statement	Fair value adjustments are deferred and recognised in the period in which the exposure materialises
Hedging of currency risks associated with net investments in foreign entities	Fair value adjustments are recognised in other comprehensive income	Recognition is the same as under IFRS
Trading portfolio	Fair value via income	Recognition is the same as under IFRS

Example of the business performance principle
In 20x1, Ørsted enters into a hedging contract which expires in 20x5 with a positive market value of 80. The development in market value for the individual years is shown in column 2. Column 3 shows that the hedging contract is recognised in the business performance income statement in 20x5, at the same time as the hedged exposure. However, the development in market value is recognised on an ongoing basis in the IFRS income statement, see column 4. Upon the expiry of the contract in 20x5, the total effect on results over the period is the same under the IFRS and the business performance principles. Only the timing differs.

The business performance principle ensures simultaneity of recognition of the underlying exposure and the hedging contract.

Derivative financial instruments
Derivative financial instruments and loans are used to hedge currency and interest rate risks and risks related to the price of oil, gas, power, coal and carbon emission allowances.

Derivative financial instruments are recognised from the trading date as receivables (positive fair values) and other payables (negative fair values), respectively, and are measured in the balance sheet at fair value. Transaction costs are added to the fair value on initial recognition, unless the financial asset or financial liability is measured at fair value with recognition of fair value adjustments in profit (loss) for the year. Positive and negative values are only offset if the company is entitled to and intends to settle several financial instruments net (in cash).

The fair value of derivative financial instruments is determined on the basis of current market data and assumptions as well as recognised valuation methods.

Value adjustments of derivative financial instruments that act as economic hedges of the Group's primary activities, but do not satisfy the criteria for hedge accounting, are recognised as revenue. Likewise, value adjustments of financial contracts offered to customers with a view to price hedging are recognised as revenue. Value adjustments of financial contracts that are not used as economic hedges of the Group's principal activities or are part of the Group's trading portfolio, are recognised as financial income and expenses.

Example of the business performance principle

Year	Development in market value	Recognised in the income statement as follows: Business performance	IFRS
20x1	50	0	50
20x2	20	0	20
20x3	(30)	0	(30)
20x4	(70)	0	(70)
20x5	110	80	110
Total market value	**80**	**80**	**80**

Under IFRS, contracts that involve physical delivery may, in certain circumstances, be accounted for as derivative financial instruments. The classification is determined based on an evaluation of the purpose of the contract compared with the Group's other activities. Contracts entered into in the course of the Group's trading activities or as part of certain hedging activities are classified and accounted for as derivative financial instruments, even though they are settled on physical delivery.

Income statement

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

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

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

Sales agreements are divided into individually identifiable performance obligations. If a sales agreement includes several performance obligations, the sales agreement's transaction price is allocated to each performance obligation's stand-alone selling price.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from the sale of goods was recognised when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods, and the amount of revenue could be measured reliably. Revenue from rendering of services was recognised in proportion to the stage of completion of the work performed at the reporting date.

Sale of gas
Timing of satisfaction of delivery obligations and significant estimates
Revenue is recognised when control of the gas is transferred to the buyer. Transfer of control occurs either when the gas is injected into the distribution system or physically delivered to the customer.

Significant terms of payment and associated estimates and assessments
Sales contracts for a fixed amount of gas at a variable price, or where we are exclusive suppliers to the customer at a variable price, are considered one performance obligation with multiple deliveries to be satisfied over time. For such contracts, we recognise revenue

in the amount up to which we have a right to invoice.

Some long-term gas sales contracts include clauses which give the right to renegotiate the fixed sales prices. Expectations for the outcomes of renegotiations are not included in revenue before we know the outcome of the individual renegotiations.

In most cases, the consideration for the gas is due when the gas is injected into the distribution system or delivered to the customer. The delivery of gas is invoiced on a monthly basis, and the payment is due within 10-30 days.

Sale of power

Types of goods and services
Revenue from sale of power includes the sale of power produced at own wind farms and power stations, the sale of power sourced from other producers, and the sale of ancillary services.

Timing of satisfaction of delivery obligations and significant estimates
Revenue is recognised when control of the goods is transferred to the buyer. Transfer of control occurs when the actual power is delivered to the customer, which for power generated by us occurs when it is produced.

Significant terms of payment and associated estimates and assessments
Revenue from ancillary services consists of fees for having power stations on standby in periods with a demand for power generation. Ancillary services are considered one performance obligation which is fulfilled over time when the power stations are on standby.

Sales contracts for a fixed amount of power at a variable price, or where we are exclusive suppliers to the customer at a variable price, are considered one performance obligation with multiple deliveries to be satisfied over time. For such contracts and for long-term agreements on selling power at a fixed price, we recognise revenue in the amount up to which we have a right to invoice.

In most cases, the consideration for the power is due when the actual power is delivered to the customer. The delivery of power is invoiced on a monthly basis, and the payment is due within 10-30 days.

Ancillary services are invoiced on a monthly basis, and consideration is payable when invoiced.

Distribution and transmission

Timing of satisfaction of delivery obligations and significant estimates
Revenue from the distribution and transmission of gas and power is recognised when the gas or power is delivered to the buyer, or when the capacity is made available.

Significant terms of payment and associated estimates and assessments
Revenue is calculated as the amount we are entitled to when the service is delivered to the customer and invoiced on a monthly basis, and consideration is payable when invoiced.

Other revenue

Types of goods and services
Other revenue primarily includes consultancy services.

Timing of satisfaction of delivery obligations and significant estimates
Revenue from providing services is recognised in the accounting period in which the services are rendered.

For fixed-priced contracts, revenue is recognised based on the actual service rendered at the end of the reporting period as a proportion of the total services to be rendered because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total labour hours expected.

Significant terms of payment and associated estimates and assessments
Fixed-price contracts are invoiced on a monthly basis, and consideration is payable when invoiced. Variable fee services are generally due after the services are rendered.

Cost of sales

Cost of sales for fuel and energy comprises the Group's purchases of fuel in the form of gas and power and transportation costs in connection with the above as well as costs related to carbon emission allowances. Costs are recognised in profit for the year as incurred.

Other external expenses

Other external expenses comprise expenses for maintenance of production equipment, rent, external assistance, research and development and office supplies, etc.

Employee costs

Employee costs comprise wages, salaries, remuneration, pensions, social security costs and other employee-related costs.

Share programme

The share programme is classified as an equity-based programme, as the programme is settled in shares. The market value of the PSUs and the estimated number of PSUs granted are measured at the time of granting and recognised: in the income statement under employee costs over the vesting period, and in the balance sheet under equity over the vesting period.

The valuation of the PSUs and the estimated number of PSUs granted are carried out as a probability simulation based on the expected performance of Ørsted's total shareholder return relative to ten comparable European energy companies. The expectations are factored into the market value and are not adjusted subsequently.

Other operating income and other operating expenses

Other operating income and expenses comprise items secondary in nature to the Group's and the parent company's activities, including gains and losses on ongoing disposal and replacement of intangible assets and property, plant and equipment.

Other operating income and expenses are recognised as earned/incurred.

Gains and losses on disposal of intangible assets and property, plant and equipment are determined as the selling price less selling costs and the carrying amount at the date of disposal.

Dividend from investments in subsidiaries in the parent company financial statements

Dividend from investments in subsidiaries is recognised in the income statement in the financial year in which it is declared.

Financial income and financial expenses

Financial income and financial expenses comprise interest, capital gains and losses and impairment losses relating to securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities, including lease commitments under finance leases, as well as surcharges and refunds under the on-account tax scheme, etc.

Financial income and financial expenses also include realised and unrealised gains and losses relating to derivative financial instruments that have not been entered into to hedge revenue or production costs. Interest is recognised in accordance with the accrual basis of accounting.

Borrowing costs relating to general borrowing or loans directly attributable to the acquisition, construction or development of qualifying assets form part of the cost of such assets.

Tax on profit (loss) for the year

The Ørsted Group is subject to the Danish rules on compulsory joint taxation and has also opted for international joint taxation with the Group's foreign subsidiaries. The Group's subsidiaries are included in the joint taxation from the date they are included in the consolidation in the consolidated financial statements and up to the date at which they are no longer included in the consolidation.

The parent company, Ørsted A/S, is the administration company in relation to the joint taxation and thus settles all payments of income tax with the tax authorities.

The current Danish income tax is allocated among the jointly taxed Danish subsidiaries in proportion to their taxable income. In this connection, Danish subsidiaries with tax losses receive a joint taxation contribution from the parent company corresponding to the tax value of the unutilised losses (full allocation), while companies that use tax losses in other Danish companies pay a joint taxation contribution to the parent company corresponding to the tax value of the utilised losses.

Being made up of the year's current income tax, the year's joint taxation contributions and changes in deferred tax, including – as a consequence of changed tax rates – tax for the year is recognised in the income statement with the part attributable to the profit (loss) for the year and directly in equity with the part attributable to entries directly in equity. The Group is included in a Danish on-account tax scheme. Tax refunds/tax surcharges are allocated between the jointly taxed Danish companies in accordance with the allocation of the Danish income tax and recognised as financial income and financial expenses, respectively.

Balance sheet

Goodwill

Goodwill is measured initially in the balance sheet at cost. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised. The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date. The determination of cash-generating units follows the Group's organisational and internal reporting structure.

Carbon emission allowances

Allocated and purchased carbon emission allowances, including carbon credits, that are accounted for as rights, are measured at cost upon initial recognition. Carbon emission allowances are not amortised, as their residual value equals their cost.

Rights

Rights comprise gas purchase rights, acquired customer rights and IT software licences, etc., and are measured at cost less accumulated amortisation and impairment losses.

Gas purchase rights are amortised using the unit-of-production method, taking into account the expected earnings profile, so that the amortisation pattern reflects the expected earnings patterns. Other rights are amortised on a straight-line basis over their expected economic lives, which are determined on the basis of management's experience of the specific business units, and the assets to which the rights relate. Capitalised rights are estimated to have a life of 5-20 years.

Development projects

Development projects comprise development of IT systems, etc.

Development projects that are clearly defined and identifiable, and for which technical feasibility, adequate resources and a potential future market or an application in the company can be demonstrated, and which the company intends to manufacture, market or use, are recognised in intangible assets if the cost can be determined reliably, and if there is reasonable certainty that the future earnings or the net selling price will cover production costs, selling costs, administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Recognised development costs are measured at cost less accumulated depreciation and impairment losses. Cost comprises salaries, amortisation and other costs attributable to the company's development activities as well as borrowing costs relating to specific and general borrowing directly attributable to development projects.

On completion, development projects are amortised on a straight-line basis over their assessed future useful lives from the date the asset is available for use. The amortisation period is usually five years. The basis of amortisation is reduced by any impairment losses.

Amortisation and impairment losses relating to intangible assets are recognised in the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment comprises land and buildings, production assets and other tools and equipment. Property, plant and equipment which is not a lease is measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The cost of self-constructed assets comprises direct and indirect expenses for materials, components and sub-suppliers and wages. Finance costs that can be attributed to a preparation or production period are recognised in the income statement as finance costs. Specific and general borrowing costs attributable to a construction period are recognised in the cost of the asset constructed.

Cost is increased by the present value of the estimated costs for dismantling and removing the asset and restoring the site to the extent that they are recognised as a provision. The cost of an assembled asset can be divided into separate components that are each depreciated separately if the useful lives of the individual components differ.

In the case of assets held under finance leases, cost is determined as the lower of the fair value of the assets and the present value of future minimum lease payments. The present value is determined using the interest rate implicit in the lease as the discount rate or an approximated value.

Subsequent costs, for example in connection with replacement of parts of an item of property, plant and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Group from the expenses incurred. Replaced parts are derecognised from the balance sheet, and their carrying amount is taken to the income statement. All other general repair and maintenance expenses are recognised in the income statement as incurred.

Development and construction costs relating to property, plant and equipment are recognised, until entry into service, in the balance sheet under property, plant and equipment under construction. Following entry into service, these assets are transferred to the relevant items in property, plant and equipment.

In the case of gas activities, cost is depreciated using the unit-of-production method, taking into account the expected earnings profile, so that the depreciation pattern reflects the expected earnings patterns.

In the case of other property, plant and equipment, cost is basically depreciated on a straight-line basis over the estimated future useful lives.

Depreciation periods for property, plant and equipment:

Depreciation periods for PP&E	Years
Buildings used for own purposes [1]	20
Production assets: gas treatment plant [2]	20-40
Marine pipelines [2]	20-40
Fixtures and fittings, tools and equipment	3-10
Assets under construction [3]	-

1 Land is not depreciated.
2 The depreciation profile takes account of the fact that the use of the assets changes substantially over the lives of the assets.
3 Depreciation does not commence until the date of entry into service, at which date the assets are transferred to production assets.

The basis of depreciation is determined on the basis of the asset's residual value less any impairment losses. The residual value is determined at the acquisition date and reassessed annually. Depreciation ceases if the residual value exceeds the carrying amount.

If the depreciation period or the residual value changes, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Depreciation and impairment losses are recognised in the statement of comprehensive income to the extent that depreciation is not recognised in the cost of self-constructed assets.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as 'Other operating income' or 'Other operating expenses'.

Investments in subsidiaries in the parent company financial statements

Investments in subsidiaries are measured at cost. Cost is written down to the recoverable amount whenever it exceeds the recoverable amount.

Long-term receivables

Long-term receivables include long-term loans to customers.

Impairment of non-current assets

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually, initially before the end of the year of acquisition. Development projects in progress are also tested annually for impairment.

The carrying amount of goodwill is tested for impairment, along with the carrying amounts of the other non-current assets of the cash-generating unit to which the goodwill has been allocated, and written down to the recoverable amount in the income statement if the carrying amount exceeds the recoverable amount. The recoverable amount is generally determined as the present value of the expected future net cash flows from the company or activity (cash-generating unit) to which the goodwill relates.

Deferred tax assets are reviewed annually and recognised only to the extent that it is probable that they will be utilised.

The carrying amounts of other non-current assets are tested annually to determine if any indication of impairment exists. If any such indication exists, the asset's recoverable amount is determined. The recoverable amount is the higher of an asset's fair value less expected disposal costs and its value in use. The value in use is determined as the present value of the expected future cash flows from the asset or cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement under production costs and administrative expenses, respectively.

Impairment losses relating to goodwill are recognised as a separate line item in the income statement.

Impairment losses relating to goodwill are not reversed. Impairment losses relating to other assets are reversed to the extent that the assumptions or estimates that led to the impairment have changed. Impairment losses are only reversed to the extent that the asset's new carrying amount does not exceed the value of the asset after depreciation or amortisation, had no impairment losses been charged.

Inventories

Inventories consist of gas in storage facilities and in gas pipelines, acquired carbon emission allowances and green certificates.

In the case of gas, cost is determined as a weighted average of the previous month's buying prices, including transportation costs.

Allocated and purchased carbon emission allowances that form part of the Group's trading activities with a view to generating gains from short-term price fluctuations are measured at fair value with value adjustments recognised in the income statement.

Other inventories are measured at the lower of cost using the first-in, first-out (FIFO) principle or net realisable value. The net realisable value of inventories is determined as the expected selling price less any costs of completion and costs incurred to execute the sale, and is determined taking into account marketability, obsolescence and development of expected selling price.

Receivables

We keep our receivables until maturity, and they are therefore measured at amortised cost. Write-downs are carried out from initial recognition of our receivables. The write-down are calculated as the difference between the carrying amount of the receivable and the net present value of expected future cash flows from the receivable. The discount rate used is the effective interest rate for the individual receivable or the individual portfolio.

We apply the simplified approach to the write-down of trade receivables, which permits calculating the write-downs as the full loss during the entire term of the receivable.

Other receivables

Other receivables include positive fair values of derivative financial instruments, etc.

Equity

Translation reserve

The translation reserve comprises exchange differences arising on translation of the financial statements of foreign entities with a currency other than the Ørsted Salg & Service Group's presentation currency, exchange rate adjustments relating to assets and liabilities that form a part of the Group's net investment in such entities, and exchange rate adjustments relating to hedging actions that hedge the Group's net investment in such entities, less the related tax.

On realisation or partial realisation of the net investment, the exchange rate adjustments are recognised in the income statement.

Dividends

Proposed dividends are recognised as a liability at the date of their adoption at the annual general meeting (declaration date). Up to the declaration date, proposed dividends are disclosed as a separate item in equity.

Provisions

Provisions are recognised when the following criteria are fulfilled:

– We have a legal or constructive obligation as a result of an earlier event.

– The settlement of the obligation is expected to result in an outflow of resources.

– The obligation can be measured reliably.

For onerous contracts, a provision is made when the expected income to be derived from a contract is lower than the unavoidable cost of meeting our obligations under the contract.

Provisions concerning carbon emissions are recognised when our actual emissions exceed our holding of carbon emission allowances.

Decommissioning obligations are measured at the present value of the future liability in respect of decommissioning as expected at the balance sheet date. The present value of the provision is recognised as part of the cost of property, plant and equipment and depreciated together with the associated asset. The addition of interest on provisions is recognised in the income statement under financial expenses.

Deferred income

Deferred income comprises payments received in respect of income in subsequent years, measured at cost. Deferred income includes the value of unrecognised amounts in respect of gas delivered under contract, which is recognised at realisable value. The value of gas free of charge delivered under contract is spread proportionally over the remaining contract period with a view to accounting for purchased goods on an accruals basis.

Contract liabilities

We recognise a contract liability when the invoicing on account and expected losses exceed the transaction price of the goods or services transferred to our customer.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as tax calculated on the year's taxable income adjusted for tax on previous years' taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. However, deferred tax on temporary differences in respect of goodwill not deductible for tax purposes, office properties and other items – apart from business combinations – is not recognised where temporary differences have arisen at the acquisition date without having any effect on profit (loss) or taxable income. When the tax base can be determined applying different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised as other non-current assets at the value at which they are expected to be utilised either by elimination against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

Deferred tax assets and deferred tax liabilities are offset if the company has a legally enforceable right to set off current tax assets and current tax liabilities or intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Adjustment of deferred tax is made relating to eliminations made of unrealised intragroup profits and losses. Deferred tax is measured in accordance with the tax rules and tax rates in the respective countries that will apply under the legislation enacted at the balance sheet date when the deferred tax is expected to crystallise in the form of current tax.

Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

Pensions
The Group has entered into pension agreements and similar agreements with most of the Group's employees. Contributions to insured (defined-contribution) pension plans are recognised in the income statement in the period to which they relate, and any contributions payable are recognised in the balance sheet as other payables.

Financial liabilities
Financial liabilities comprise bank loans, trade and other payables to public authorities, etc. Mortgage loans and other bank loans are recognised at inception at the proceeds received net of transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost using the effective interest rate method. Accordingly, the difference between the proceeds received and the nominal amount is recognised in the income statement as finance costs over the term of the loan.

Other bank loans include the capitalised residual lease commitment under finance leases, measured at amortised cost.

Trade payables, payable income tax and other payables are measured at net realisable value. Other payables include negative fair values of derivative financial instruments, etc.

Financial liabilities whose valuea have been effectively hedged are adjusted to fair value to the extent of the hedged risk. The value adjustment is recognised in the income statement as financial income or financial expenses.

Leases
Our lease liabilities are initially measured at the net present value of the in-substance fixed lease payments for the use of a lease asset. If, at inception of the lease, we are reasonably certain about exercising an option to extend a lease, we will include the lease payments in the option period when calculating the lease liability. We measure the lease asset to the value of the lease liability at initial recognition.

Our lease assets are classified alongside our owned assets of similar type under property, plant and equipment. We depreciate our lease assets during the lease term. The depreciation method is straight-line basis for all our lease assets.

Contracts may contain both lease and non-lease components. We allocate the consideration in a contract to the lease and non-lease components based on their relative stand-alone prices. We account for non-lease components in accordance with the accounting policy applicable for such items. Non-lease components comprise building services, etc.

Variable lease expenses are recognised in other external expenses in the period when the condition triggering those payments occurs. Interests of lease liabilities are recognised in financial expenses.

Each lease payment is separated into repayment of the lease liability and payment of interests of the lease liability. Debt repayments are classified as cash flows from financing activities, and payment of interests are classified as cash flows from operating activities.

We implemented the new lease accounting rules in IFRS 16 'Leases' on 1 January 2019. See note 1 'Implementation of new standards and interpretations'.

Statement of cash flows

The statement of cash flows shows cash flows for the year from operating, investing and financing activities, the year's changes in cash and cash equivalents, and cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and divestments of enterprises is disclosed separately under cash flows from investing activities. Cash flows relating to acquired enterprises are recognised in the statement of cash flows from the date of acquisition, and cash flows relating to divested enterprises are recognised up to the date of divestment.

Cash flows from operating activities are determined using the indirect method as operating profit adjusted for non-cash operating items, changes in working capital, interest received and interest paid, dividends received and income tax paid.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of enterprises and activities; purchase and sale of intangible assets, property, plant and equipment and other non-current assets; and purchase and sale of securities that are not recognised as cash and cash equivalents.

Finance leases are accounted for as non-cash transactions.

Cash flows from financing activities comprise changes in the size or composition of share capital and costs associated with such changes as well as the raising of loans, repayment of interest-bearing debt, purchases and sales of treasury shares and payment of dividends to owners.

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

Cash and cash equivalents comprise cash as well as securities that form part of the ongoing cash management, are readily convertible to cash, and are subject to an insignificant risk of changes in value.

Cash flows in currencies other than the functional currency are translated at the average exchange rates for the month in question, unless these differ significantly from the rates at the transaction date.

31. Calculation of financial ratios

Unless otherwise stated, financial ratios have been calculated in accordance with 'Recommendations & Financial Ratios' published by the Danish Society of Financial Analysts.

Financial ratios have been calculated as follows:

EBITDA margin	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Revenue}}$
EBIT margin (profit margin)	$\frac{\text{Earnings before interest and tax}}{\text{Revenue}}$
Net interest-bearing debt	Interest-bearing liabilities - interest-bearing assets [1]
Capital employed	Equity plus/minus gains/losses relating to hedging instruments on equity + net interest-bearing debt [2]

[1] Bank overdrafts that are included in the statement of cash flows as cash and cash equivalents are included as negative interest-bearing assets.
[2] The definition deviates from 'Recommendations & Financial Ratios 2015' published by the Danish Society of Financial Analysts.

Ørsted Salg & Service A/S
Kraftværksvej 53
DK-7000 Fredericia
Tel.: +45 99 55 11 11
CVR no. 27210538

orsted.com

Design and layout
e-Types with Ørsted Global Design

Publication:
17 June 2020

Front page photo:
Amazon wind farm, Texas, US

Ørsted
Love your home