

# Ørsted

## Salg & Service

Annual report 2020

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# Overview

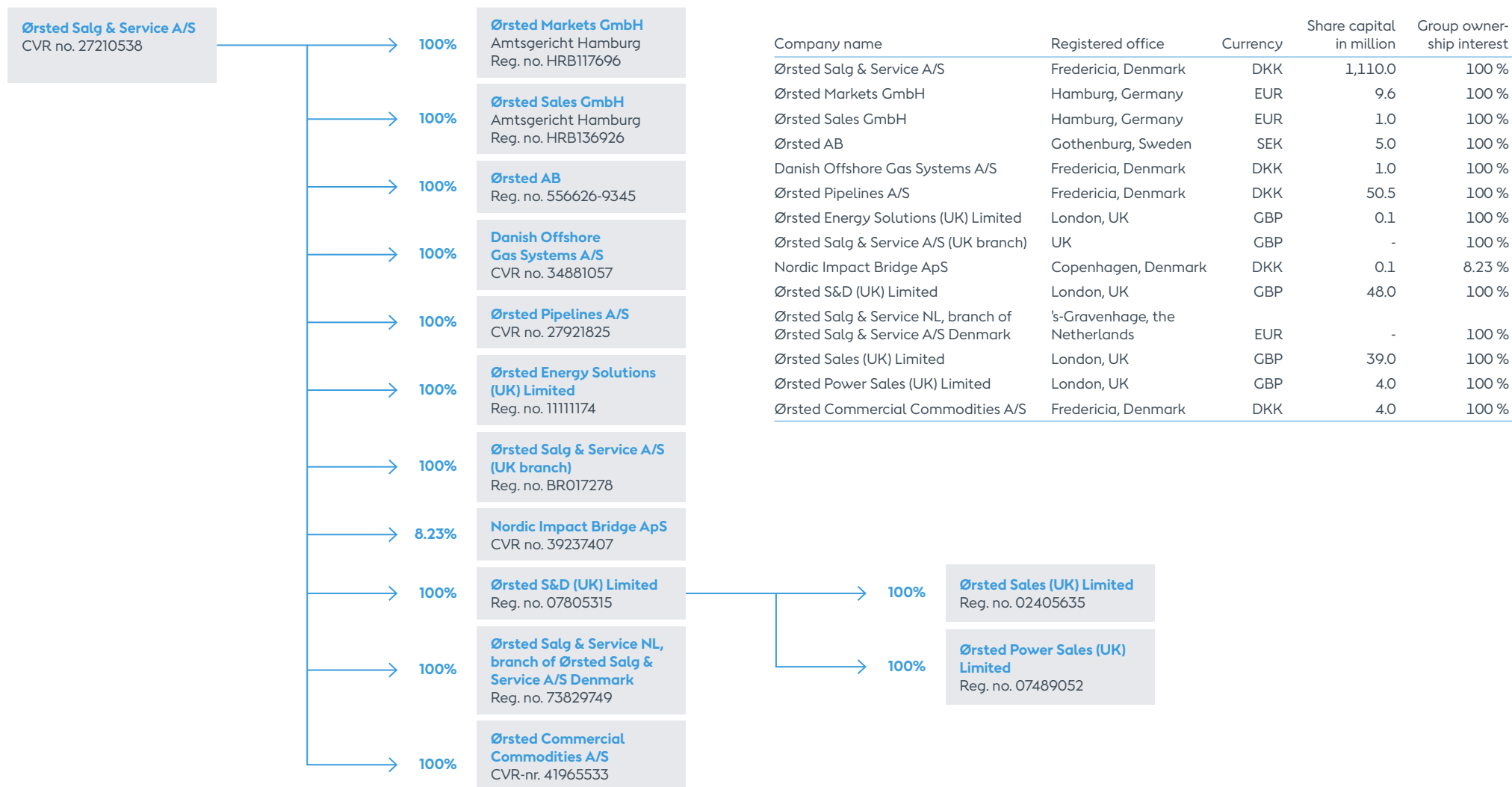
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# Company information

<b>Company</b>	Ørsted Salg & Service A/S Kraftværksvej 53 Skærbæk 7000 Fredericia Denmark  Telephone: +45 99 55 11 11 Email: orsted@orsted.dk Company registration number: 27210538
<b>Shareholder</b>	The entire share capital is held by Ørsted A/S
<b>Board of Directors</b>	Marianne Wiinholt (Chairman) Anja Forup (Deputy Chairman) Jeppe Hoff Nielsen
<b>Executive Board</b>	Martin Neubert
<b>Auditor</b>	PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
<b>Annual general meeting</b>	17 May 2021
<b>Other managerial posts</b>	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.
<b>Marianne Wiinholt</b>	ØRSTED A/S (Chief Financial Officer), HEMPEL A/S (member of the Board of Directors), COLOPLAST 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 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), 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 REAL ESTATE A/S (Chairman of the Board of Directors), ØRSTED COMMERCIAL COMMODITIES A/S (Chairman of the Board of Directors)

<b>Anja Forup</b>	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 REAL ESTATE A/S (President)
<b>Jeppe Hoff Nielsen</b>	EM EL HOLDING A/S (President), ENERGIGRUPPEN JYLLAND EL HOLDING A/S (President), ENERGIGRUPPEN JYLLAND EL A/S (President), ØRSTED EGJ A/S (President), ØRSTED EL A/S (President), ØRSTED SERVICES A/S (President), ØRSTED NORTH AMERICA HOLDING A/S (President), ØRSTED INSURANCE A/S (Deputy Chairman of the Board), ØRSTED REAL ESTATE A/S (Deputy Chairman of the Board)
<b>Martin Neubert</b>	ØRSTED A/S (President), ØRSTED WIND POWER HOLDING A/S (President), ØRSTED WIND POWER A/S (President), ØRSTED WIND POWER DENMARK A/S (President)

# Group structure



# Performance highlights

DKKm	2020	2019	2018	2017	2016
<b>Business performance:</b>					
<b>Statement of comprehensive income</b>					
Revenue	23,779	31,443	39,264	36,315	34,343
Profit (loss) before interest, tax, depreciation, and amortisation (EBITDA)	684	880	786	549	3,437
Operating profit (loss) (EBIT)	560	729	749	486	3,414
Profit (loss) for the year	(56)	(707)	459	368	2,526
<b>Financial ratios</b>					
EBITDA margin	3 %	3 %	2 %	2 %	10 %
EBIT margin (profit margin)	n/a	n/a	2 %	1 %	10 %
<b>IFRS:</b>					
<b>Statement of comprehensive income</b>					
Revenue	18,709	33,080	38,928	36,414	32,082
Profit (loss) before interest, tax, depreciation, and amortisation (EBITDA)	(222)	1,827	450	648	1,176
Operating profit (loss) (EBIT)	(346)	1,676	413	585	1,153
Net financial income and expenses	(145)	(87)	(101)	(17)	(196)
Profit (loss) before tax	(491)	1,588	304	568	957
Profit (loss) for the year	(1,056)	753	(157)	444	761
<b>Balance sheet</b>					
Equity	8,947	10,081	9,380	9,538	9,095
Balance sheet total	21,507	27,596	28,394	25,409	41,451
<b>Cash flows</b>					
Operating activities	1,412	(1,099)	1,671	(1,429)	2,238
Investments in property, plant, and equipment	-	(18)	(11)	(14)	(9)
Other investing activities	772	649	(730)	1,986	(3,190)
Financing activities	(15)	(79)	(51)	(51)	64
<b>Financial ratios</b>					
EBITDA margin	(1 %)	6 %	1 %	2 %	4 %
EBIT margin (profit margin)	(2 %)	5 %	1 %	2 %	4 %
Net interest-bearing debt	(7,521)	(8,303)	(8,969)	(7,749)	(9,148)
Capital employed	1,457	2,149	402	1,788	(53)
Average number of employees	355	448	149	141	146



Financial ratios have been calculated in accordance with 'Recommendations & 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 2020.

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 provide a fair presentation of the Group's and the parent company's assets, liabilities, and financial position at 31 December 2020 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 2020.

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, 7 May 2021

## Executive Board:

**Martin Neubert**  
President

## Board of Directors:

**Marianne Wiinholt**  
Chairman

**Anja Forup**  
Deputy chairman

**Jeppé Hoff Nielsen**  
Board member

# 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 2020 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 2020 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 2020, 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 Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial 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, 7 May 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR no. 33771231

**Rasmus Friis Jørgensen**

State Authorised Public Accountant  
mne28705

**Michael E. Jacobsen**

State Authorised Public Accountant  
mnel6655

# Management's review

## Highlights 2020

- We won significant new third-party power balancing contracts with renewable assets in the UK and the Netherlands.
- We entered into an agreement to resell some of the natural gas Ørsted receives under our legacy gas purchasing contracts to PGNiG Supply and Trading (PST).
- We completed the divestment of our LNG activities and our Danish energy efficiency consulting business.
- We entered into an agreement to divest our UK B2B gas and power portfolios to Total Gas & Power.

## Financial performance

Revenue from continued operations decreased by 35 % compared to 2019 and amounted to DKK 20.4 billion. The decrease was mainly driven by an average decrease of 31 % in gas prices relative to 2019 combined with lower gas volumes in 2020. Sold power volumes increased by 10 %, but decreased power prices contributed to the lower revenue.

EBITDA amounted to DKK 0.7 billion compared to DKK 0.9 billion in 2019.

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

EBITDA from Offshore and Onshore Sales decreased by DKK 0.5 billion to DKK 0.4 billion in 2020. The decrease was primarily due to a more normal level of earnings from trading related to hedging of our power exposure, which was exceptional good in 2019.

EBITDA from Gas Markets & Infrastructure increased by 56 % and amounted to DKK 0.5 billion. Higher earnings from revaluation of our gas at storage and a positive impact from storage hedges was partly offset by lower transported and sold volumes due to the shutdown of the Tyra gas field from late 2019 until 2023.

EBITDA from Other business activities amounted to DKK -0.3 billion, an increase of 28%, which was primarily due to reduced operating costs.

Cash flows from operating activities amounted to DKK 0.8 billion in 2020. The increase of DKK 1.9 billion was mainly due to lower paid taxes (receipt of on account taxes in 2020 versus payment of taxes on-account in 2019), higher funds from operations which was partly offset by more funds tied up in net working capital compared to 2019.

Performance highlights		2020	2019	%
<b>Business drivers</b>				
Gas sales <sup>1</sup>	TWh	91.9	127.1	(28 %)
Power sales <sup>2</sup>	TWh	41.1	37.3	10 %
Gas price, TTF	EUR/MWh	9.3	13.5	(31 %)
Power price, DK	EUR/MWh	26.7	39.2	(32 %)
Power price, LEBA UK	GBP/MWh	36.8	43.6	(16 %)
<b>Financial results</b>				
Revenue	DKKm	20,358	31,443	(35 %)
EBITDA (Continued Operations)	DKKm	684	880	(22 %)
Offshore and Onshore		402	888	(55 %)
Gas Markets & Infrastructure		532	340	56 %
Other, incl. end-customer sale		(250)	(348)	28 %
EBITDA (Discontinued Operations)	DKKm	(408)	(956)	57 %
Depreciation	DKKm	(124)	(151)	(18 %)
EBIT	DKKm	560	729	(23 %)
Cash flows from operating activities	DKKm	752	(1,099)	n/a
Gross investments	DKKm	770	649	18 %
Divestments	DKKm	2	(1)	n/a
Free cash flow	DKKm	-	(577)	n/a
Capital employed	DKKm	1,457	2,149	(32 %)

<sup>1</sup> Of total gas volumes, 91.9 TWh (2019: 127.1 TWh) and 51.0 TWh (2019: 91.5 TWh) relate to continuing operations and 40.9 TWh (2019: 35.6 TWh) to discontinued operations.

<sup>2</sup> Of total power volumes 41.1 TWh and 36.7 TWh relates to continuing operations and 4.4 TWh to discontinued 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 as well as our origination and trading capabilities.

We proactively manage the merchant risks arising from Ørsted's 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 2020 annual report, which includes the Group's statutory environmental statement.

### Business performance vs. IFRS, DKKm

	2020	2019
<b>EBITDA – business performance</b>	<b>684</b>	<b>880</b>
Market value adjustments for the year regarding financial and physical hedging contracts relating to a future period	(641)	624
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	(265)	323
<b>EBITDA – IFRS</b>	<b>(222)</b>	<b>1,827</b>

Cash flows from gross investments amounted to DKK 0.8 billion, mainly due to transactions with Ørsted's internal bank.

Following the agreement to divest our LNG activities and UK B2B gas and power portfolios, we have decided to present these activities as discontinued operations. The UK B2B gas and power portfolios are not considered as assets held for sale. Reference is made to note 11 'Discontinued operations'.

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 -0.2 billion in 2020 against DKK 1.8 billion in 2019. Calculated in accordance with the business performance principle, EBITDA was DKK 0.7 billion in 2020 and DKK 0.9 billion in 2019. The difference between the two principles was thus DKK -0.9 billion in 2020 compared with DKK 0.9 billion in 2019 and can be specified as shown 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 2021

For the Ørsted Salg & Service Group, a lower EBITDA is expected for 2021. EBITDA is expected to total DKK 0.3-0.5 billion in 2021.

For 2021, EBITDA according to IFRS is expected to DKK 0.2 billion higher than what we would have expected if we had kept reporting according to the business performance principle. This effect is included in our directional guidance described above. Reference is made to note 1 and 2, page 25 and 27 respectively.

Earnings from trading related to hedging of our power exposure are expected to be in line with 2020.

Earnings in 'Gas Markets & Infrastructure' are expected to be lower than 2020, mainly because the positive effects from revaluation of gas at storage caused by the increasing gas prices, especially during Q4 2020, are expected to partly reverse in 2021.

### Events after the end of the financial year

No events have occurred after the end of the financial year which would have influenced the evaluation of this annual report.

## Strategic and operational performance 2020

In 2020, we made great strides in the development of our core activities, while continuing to streamline business activities through divestments.

### Provide and develop a competitive route-to-market

Having consistently reduced balancing costs over the last few years, we provide an increasingly efficient route-to-market for Ørsted's generation portfolio. In 2020, with the addition of the Borssele 1 asset, we grew the portfolio of Ørsted projects under our management to 5.6 GW.

Our balancing services are also an increasingly competitive option for third-party renewable operators. We currently provide balancing services for nearly 600 MW of third-party capacity, and in 2020, we won a major contract with the Dogger Bank Wind Farm, which is currently under construction. We will provide balancing for 40 % of the volume from phases A and B of this project, amounting to 960 MW when fully completed. We also made successful bids for providing balancing services for onshore third-party renewable projects in the Netherlands and in Denmark.

### Spearhead market risk management

Our market trading activities had another strong year in 2020, stemming from the successful hedging and trading of our energy exposures. We have especially benefitted from the flexibility embedded in the contract structures of our north-western European energy portfolio which we leverage to protect and extract value for the Ørsted Group.

As part of our digital strategy for short-term trading, we rolled out a smart bidding tool which uses a parametric algorithm to automatically trade volumes in small increments and improve the speed of our trade execution. The tool enhances our ability to capture stronger market prices in the UK, Germany, and the Netherlands.

### Optimise our gas portfolio

With the Danish Undergrund Consortium-owned Tyra gas field in the North Sea shut down for redevelopment until June 2023, we have ensured continuous supply for our Danish and Swedish gas customers by importing piped volumes from Germany. When Tyra reopens, and as domestic biogas production increases, the dependence on importing gas to Denmark will decrease.

In October 2020, we entered into a contract with the Polish natural gas company PST to sell approx. 70 TWh of natural gas over the period from 2023-2028. Under the agreement, Ørsted Salg & Service will resell some of the natural gas received from the Danish North Sea as part of our legacy gas purchasing contracts. The agreement reduces our exposure to long-term financial risk in our gas portfolio and supports Poland's decarbonisation agenda. Poland aims to reduce the share of coal in its energy mix from 75 % today to 11-28 % by 2040 by substituting it with renewables and natural gas.

We developed and launched a first-of-its-kind trading contract for renewable hydrogen certificates in the UK. Specifically targeting the decarbonisation of the transport sector,

this contract builds on our other partnerships within renewable hydrogen technology.

### Deliver on divestments

In 2020, we continued streamlining business activities to focus on our growth platform. At the end of July, we divested our energy efficiency consulting business to EBAS, and we completed the divestment of our LNG business to Glencore in December. Finally, we signed an agreement with Total Gas & Power to divest our UK B2B gas and power portfolios in September. This transaction was completed in March 2021.

### 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 and
- management 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 27 'Contingent liabilities and other liabilities'.

### Group management

The member of the Executive Board are:

#### Martin Neubert

CEO since 4 February 2021.

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.

#### Jepp Hoff Nielsen

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 the Ørsted Group 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 determining 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 parent company 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. Also, separate insurance is taken out for certain large construction projects. The facilities 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 of risk management, reference is made to note 25.

### Environmental, social, and governance statement (ESG)

We are part of the Ørsted Group, and reference is consequently made to the Ørsted Group's 2020 annual report, which includes the Group's statutory ESG report. Further details on ESG can be found at [www.orsted.com/en/sustainability](http://www.orsted.com/en/sustainability).

### 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 historically 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 female senior 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.

### Target figures and gender representation at management level

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 underrepresented gender have been set.

We seek to ensure everyone, regardless of their demography or location, has equal opportunity to help deliver our vision. We have defined our 2023 goals around gender balance in senior leadership.

To support our gender diversity goals, we have a 66/34 gender balance among participants in our 2020 high-potential development programmes. By 2023, we aim for this balance to be 60/40. To bring in more diverse talent, we encourage all candidates to apply, regardless of gender, race, age and cultural background; we have introduced a new format for

our job ads, with the specific aim of making them more appealing to diverse candidates. Recruitment processes include an expectation of diverse shortlists, reduction of bias in interviews, and a diverse interview panel.

### Achieved results

We have trained managers to reduce unconscious bias during people review meetings and job interviews, and our senior leaders are building more diversity in our talent pipelines. We have also introduced an inclusion index into our 2020 annual employee satisfaction survey to help all managers understand the sense of inclusion in their team. We conducted an inclusion survey which had a 60 % response rate and have set a goal of encouraging a multi-cultural mix at leadership levels globally.

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

Ørsted has joined 'the UN Convention on the Elimination of All Forms of Discrimination against Women'. Description of the results achieved from the company's efforts to increase the ratio of the underrepresented gender. Since 2018, we have progressed from 90/10 (male/female ratio) to 80/20 at senior leadership levels (Leadership Conference) due to a focus on gender diversity in promotions and recruitment at senior levels.

# Financial statements

1 January - 31 December 2020

# Consolidated statement of comprehensive income

1 January - 31 December

Note	DKKm	2020			2019		
		Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
3	Revenue	20,358	(1,649)	18,709	31,443	1,637	33,080
4	Cost of sales	(18,876)	743	(18,133)	(29,475)	(690)	(30,165)
	Other external expenses	(529)	-	(529)	(713)	-	(713)
5, 6	Employee costs	(275)	-	(275)	(390)	-	(390)
	Other operating income	9	-	9	20	-	20
	Other operating expenses	(3)	-	(3)	(5)	-	(5)
	<b>Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA)</b>	<b>684</b>	<b>(906)</b>	<b>(222)</b>	<b>880</b>	<b>947</b>	<b>1,827</b>
	Depreciation, amortisation and impairment losses on intangible assets and property, plant, and equipment	(124)	-	(124)	(151)	-	(151)
12, 13	<b>Operating profit (loss) (EBIT)</b>	<b>560</b>	<b>(906)</b>	<b>(346)</b>	<b>729</b>	<b>947</b>	<b>1,676</b>
	Gain (loss) on divestment of enterprises	-	-	-	(1)	-	(1)
8	Financial income	1,147	-	1,147	1,153	-	1,153
9	Financial expenses	(1,292)	-	(1,292)	(1,240)	-	(1,240)
	<b>Profit (loss) before tax</b>	<b>415</b>	<b>(906)</b>	<b>(491)</b>	<b>641</b>	<b>947</b>	<b>1,588</b>
10	Tax on profit (loss) for the year	(18)	199	181	(570)	(208)	(778)
	<b>Profit (loss) for the year from continuing operations</b>	<b>397</b>	<b>(707)</b>	<b>(310)</b>	<b>71</b>	<b>739</b>	<b>810</b>
11	<b>Profit (loss) for the year from discontinued operations</b>	<b>(453)</b>	<b>(293)</b>	<b>(746)</b>	<b>(778)</b>	<b>721</b>	<b>(57)</b>
	<b>Profit (loss) for the year</b>	<b>(56)</b>	<b>(1,000)</b>	<b>(1,056)</b>	<b>(707)</b>	<b>1,460</b>	<b>753</b>
	<b>Other comprehensive income<sup>1</sup>:</b>						
	Exchange rate adjustments	-	-	4	-	-	(6)
	<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>(6)</b>
	<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,052)</b>	<b>-</b>	<b>-</b>	<b>747</b>
	Profit (loss) for the year is attributable to:						
	Shareholder in Ørsted Salg & Service A/S	(56)	(1,000)	(1,056)	(707)	1,460	753
	<b>Profit (loss) for the year</b>	<b>(56)</b>	<b>(1,000)</b>	<b>(1,056)</b>	<b>(707)</b>	<b>1,460</b>	<b>753</b>
	Comprehensive income for the year is attributable to:						
	Shareholder in Ørsted Salg & Service A/S	-	-	(1,052)	-	-	747
	<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(1,052)</b>	<b>-</b>	<b>-</b>	<b>747</b>



## 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'.

<sup>1</sup> All items in "Other comprehensive income" may be recycled to the income statement.

# Consolidated balance sheet

31 December

Note	Assets, DKKm	2020	2019	Note	Equity and liabilities, DKKm	2020	2019
	Rights	10	10		Share capital	1,110	1,110
	Completed development projects	67	71		Translation reserve	(3)	(7)
	Development projects in progress	46	69		Retained earnings	7,840	8,978
12	<b>Intangible assets</b>	<b>123</b>	<b>150</b>	22	<b>Equity</b>	<b>8,947</b>	<b>10,081</b>
	Land and buildings	4	4	23	Provisions	1,826	1,931
	Production assets	480	607		Lease liabilities	93	183
	Fixtures and fittings, tools, and equipment	-	9		Payables to group enterprises	133	141
	Property, plant, and equipment under construction	2	14	24	Contract liabilities	4	4
13	<b>Property, plant and equipment</b>	<b>486</b>	<b>634</b>		Other payables	2	9
	Investment in associates and joint ventures	-	1		<b>Non-current liabilities</b>	<b>2,058</b>	<b>2,268</b>
15	Deferred tax	606	141	23	Provisions	393	235
	<b>Other non-current assets</b>	<b>606</b>	<b>142</b>		Lease liabilities	76	79
	<b>Non-current assets</b>	<b>1,215</b>	<b>926</b>		Bank debt	64	108
16	Inventories	2,217	1,971	17	Derivatives	4,820	5,109
17	Derivatives	4,680	7,735	24	Contract liabilities	179	224
18	Trade receivables	3,973	5,507		Trade payables	2,469	3,431
	Receivables from group enterprises	8,051	9,258		Payables to group enterprises	1,811	3,138
18	Other receivables	675	830	25	Other payables	371	646
19	Income tax	84	707	19	Income tax	319	-
20	Securities	356	361		<b>Current liabilities</b>	<b>10,502</b>	<b>12,970</b>
20	Cash	256	301		<b>Liabilities</b>	<b>12,560</b>	<b>15,238</b>
	<b>Current assets</b>	<b>20,292</b>	<b>26,670</b>	21	<b>Liabilities relating to assets classified as held for sale</b>	<b>-</b>	<b>2,277</b>
21	<b>Assets classified as held for sale</b>	<b>-</b>	<b>-</b>		<b>Equity and liabilities</b>	<b>21,507</b>	<b>27,596</b>
	<b>Assets</b>	<b>21,507</b>	<b>27,596</b>				



## Assets and related liabilities held for sale

In December, we completed the divestment of our LNG business to Glencore.



# Consolidated statement of changes in equity

1 January - 31 December

DKKm	2020				2019			
	Share capital	Translation reserve	Retained earnings	Total	Share capital	Translation reserve	Retained earnings	Total
Equity at 1 January	1,110	(7)	8,978	10,081	1,110	(1)	8,271	9,380
<b>Comprehensive income for the year:</b>								
Profit (loss) for the year	-	-	(1,056)	(1,056)	-	-	753	753
<b>Other comprehensive income:</b>								
Exchange rate adjustments, foreign companies	-	4	-	4	-	(6)	-	(6)
<b>Total comprehensive income</b>	<b>-</b>	<b>4</b>	<b>(1,056)</b>	<b>(1,052)</b>	<b>-</b>	<b>(6)</b>	<b>753</b>	<b>747</b>
<b>Transactions with owners:</b>								
Demerger of assets and liabilities	-	-	(80)	(80)	-	-	(45)	(45)
Share-based payment	-	-	(2)	(2)	-	-	(1)	(1)
<b>Total changes in equity</b>	<b>-</b>	<b>4</b>	<b>(1,138)</b>	<b>(1,134)</b>	<b>-</b>	<b>(6)</b>	<b>707</b>	<b>701</b>
<b>Equity at 31 December</b>	<b>1,110</b>	<b>(3)</b>	<b>7,840</b>	<b>8,947</b>	<b>1,110</b>	<b>(7)</b>	<b>8,978</b>	<b>10,081</b>



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 took effect on 1 January 2019. With effect from 1 July 2019, the ownerships of the UK sales companies have been merged into Ørsted Salg & Service A/S.

Demerger in 2020 comprises of adjustments related to the divestment of the residual customer business, which took place in 2019.

# Consolidated cash flow statement

1 January - 31 December

Note	DKKm	2020	2019
26	Cash flows from operations (operating activities)	796	(392)
	Interest income and similar items	872	960
	Interest expenses and similar items	(1,056)	(944)
	Income tax paid	800	(723)
	<b>Cash flows from operating activities</b>	<b>1,412</b>	<b>(1,099)</b>
12	Acquisition of intangible assets	(11)	(56)
13	Acquisition of property, plant, and equipment	-	(18)
	Sale of tangible assets and property, plant, and equipment	2	-
	Sale of enterprises	-	(1)
	Financial transactions with the Ørsted Group's internal bank	781	724
	<b>Cash flows from investing activities</b>	<b>772</b>	<b>649</b>
	Payables to group enterprises	59	1
	Instalments on leases	(71)	(74)
	Capital transactions principal shareholders	-	(6)
	Paid dividend	(3)	-
	<b>Cash flows from financing activities</b>	<b>(15)</b>	<b>(79)</b>
	<b>Cash flows from continuing operations</b>	<b>2,169</b>	<b>(529)</b>
11	<b>Cash flows from discontinuing operations</b>	<b>(2,169)</b>	<b>(48)</b>
	<b>Total net change in cash and cash equivalents</b>	<b>-</b>	<b>(577)</b>
	Cash and cash equivalents at 1 January	193	688
	Merger of cash and cash equivalents	-	76
	Net increase/(decrease) in cash	-	(577)
	Exchange rate adjustments	(8)	6
20	<b>Cash and cash equivalents at 31 December</b>	<b>185</b>	<b>193</b>

# Parent company statement of comprehensive income

1 January - 31 December

Note	DKKkm	2020			2019		
		Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
3	Revenue	21,391	(872)	20,519	30,237	964	31,201
4	Cost of sales	(19,922)	-	(19,922)	(28,265)	-	(28,265)
	Other external expenses	(517)	-	(517)	(626)	-	(626)
5, 6	Employee costs	(254)	-	(254)	(323)	-	(323)
	Other operating income	9	-	9	20	-	20
	Other operating expenses	(4)	-	(4)	(3)	-	(3)
	<b>Operating profit (loss) before depreciation, amortisation and impairment losses (EBITDA)</b>	<b>703</b>	<b>(872)</b>	<b>(169)</b>	<b>1,040</b>	<b>964</b>	<b>2,004</b>
12, 13	Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	(111)	-	(111)	(130)	-	(130)
14	Impairment on investments in subsidiaries	-	-	-	(256)	-	(256)
	<b>Operating profit (loss) (EBIT)</b>	<b>592</b>	<b>(872)</b>	<b>(280)</b>	<b>654</b>	<b>964</b>	<b>1,618</b>
	Gain (loss) on divestment of enterprises	-	-	-	(1)	-	(1)
8	Financial income	1,143	-	1,143	1,115	-	1,115
9	Financial expenses	(1,295)	-	(1,295)	(1,196)	-	(1,196)
	<b>Profit (loss) before tax</b>	<b>440</b>	<b>(872)</b>	<b>(432)</b>	<b>572</b>	<b>964</b>	<b>1,536</b>
10	Tax on profit (loss) for the year	(18)	191	173	(573)	(212)	(785)
	<b>Profit (loss) for the year from continuing operations</b>	<b>422</b>	<b>(681)</b>	<b>(259)</b>	<b>(1)</b>	<b>752</b>	<b>751</b>
11	<b>Profit (loss) for the year from discontinued operations</b>	<b>(86)</b>	<b>(293)</b>	<b>(379)</b>	<b>(778)</b>	<b>721</b>	<b>(57)</b>
	<b>Profit (loss) for the year</b>	<b>336</b>	<b>(974)</b>	<b>(638)</b>	<b>(779)</b>	<b>1,473</b>	<b>694</b>
	Other comprehensive income	-	-	-	-	-	-
	<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(638)</b>	<b>-</b>	<b>-</b>	<b>694</b>
	<b>Profit (loss) for the year is attributable to:</b>						
	Shareholder in Ørsted Salg & Service A/S	336	(974)	(638)	(779)	1,473	694
	<b>Profit (loss) for the year</b>	<b>336</b>	<b>(974)</b>	<b>(638)</b>	<b>(779)</b>	<b>1,473</b>	<b>694</b>
	<b>Total comprehensive income for the year is attributable to:</b>						
	Shareholder in Ørsted Salg & Service A/S	-	-	(638)	-	-	694
	<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(638)</b>	<b>-</b>	<b>-</b>	<b>694</b>



## 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	2020	2019	Note	Equity and liabilities, DKKm	2020	2019
	Rights	4	5		Share capital	1,110	1,110
	Completed development projects	68	71		Development costs reserve	89	97
	Development projects in progress	45	69		Retained earnings	8,149	8,860
12	<b>Intangible assets</b>	<b>117</b>	<b>145</b>	22	<b>Equity</b>	<b>9,348</b>	<b>10,067</b>
	Land and buildings	2	2	23	Provisions	2,270	1,931
	Production assets	479	604		Lease liabilities	91	180
	Property, plant, and equipment under construction	2	14	24	Contract liabilities	4	4
13	<b>Property, plant and equipment</b>	<b>483</b>	<b>620</b>		Other payables	2	9
14	Investments in subsidiaries	287	286		<b>Non-current liabilities</b>	<b>2,367</b>	<b>2,124</b>
15	Deferred tax	580	120	23	Provisions	176	235
	Other receivables	3	-		Lease liabilities	76	79
	<b>Other non-current assets</b>	<b>870</b>	<b>406</b>		Bank debt	64	89
	<b>Non-current assets</b>	<b>1,470</b>	<b>1,171</b>	17	Derivatives	4,814	5,109
16	Inventories	2,215	1,969	24	Contract liabilities	179	223
17	Derivatives	4,674	7,696		Trade payables	2,057	2,996
18	Trade receivables	2,258	3,452		Payables to group enterprises	1,472	2,892
	Receivables from group enterprises	9,408	10,373	25	Other payables	139	254
18	Other receivables	566	642	19	Income tax	315	-
19	Income tax	-	640		<b>Current liabilities</b>	<b>9,292</b>	<b>11,877</b>
20	Securities	356	360		<b>Liabilities</b>	<b>11,659</b>	<b>14,001</b>
20	Cash	60	42	21	<b>Liabilities relating to assets classified as held for sale</b>	<b>-</b>	<b>2,277</b>
	<b>Current assets</b>	<b>19,537</b>	<b>25,174</b>		<b>Equity and liabilities</b>	<b>21,007</b>	<b>26,345</b>
21	<b>Assets classified as held for sale</b>	<b>-</b>	<b>-</b>				
	<b>Assets</b>	<b>21,007</b>	<b>26,345</b>				



## Assets and related liabilities held for sale

In December, we completed the divestment of our LNG business to Glencore.

# Parent company statement of changes in equity

1 January - 31 December

DKKm	2020				2019			
	Share capital	Development cost reserve	Retained earnings	Total	Share capital	Development cost reserve	Retained earnings	Total
Equity at 1 January	1,110	97	8,860	10,067	1,110	14	8,257	9,381
<b>Comprehensive income for the year:</b>								
Profit (loss) for the year	-	(8)	(630)	(638)	-	56	638	694
<b>Total comprehensive income</b>	-	<b>(8)</b>	<b>(630)</b>	<b>(638)</b>	-	<b>56</b>	<b>638</b>	<b>694</b>
<b>Transactions with owners:</b>								
Demerger of assets and liabilities	-	-	(80)	(80)	-	27	(35)	(8)
Share-based payment	-	-	(1)	(1)	-	-	-	-
<b>Total changes in equity</b>	-	<b>(8)</b>	<b>(711)</b>	<b>(719)</b>	-	<b>83</b>	<b>603</b>	<b>686</b>
<b>Equity at 31 December</b>	<b>1,110</b>	<b>89</b>	<b>8,149</b>	<b>9,348</b>	<b>1,110</b>	<b>97</b>	<b>8,860</b>	<b>10,067</b>



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 took effect on 1 January 2019. With effect from 1 July 2019, the ownerships of the UK sales companies have been merged into Ørsted Salg & Service A/S.

Demerger in 2020 comprises of adjustments related to the divestment of the residual customer business, which took place in 2019.

# Parent company cash flow statement

1 January - 31 December

Note	DKKm	2020	2019
26	Cash flows from operations (operating activities)	1,734	345
	Interest income and similar items	873	921
	Interest expenses and similar items	(1,060)	(899)
	Income tax paid	777	(726)
	<b>Cash flows from operating activities</b>	<b>2,324</b>	<b>(359)</b>
12	Acquisition of intangible assets	(11)	(56)
13	Acquisition of property, plant, and equipment	-	(9)
	Sale of enterprises	-	(1)
	Financial transactions with the Ørsted Group's internal bank	(277)	200
	Investments in subsidiaries	(1)	(255)
	Other investments	(3)	-
	<b>Cash flows from investing activities</b>	<b>(292)</b>	<b>(121)</b>
	Instalments on leases	(70)	(73)
	Capital transactions principal shareholders	-	(5)
	Instalments on loans	(7)	-
	Paid dividend	(2)	-
	<b>Cash flows from financing activities</b>	<b>(79)</b>	<b>(78)</b>
	<b>Cash flows from continuing operations</b>	<b>1,953</b>	<b>(558)</b>
11	<b>Cash flows from discontinuing operations</b>	<b>(1,917)</b>	<b>(48)</b>
	<b>Total net change in cash and cash equivalents</b>	<b>36</b>	<b>(606)</b>
	Cash and cash equivalents at 1 January	(47)	559
	Net increase/(decrease) in cash	36	(606)
20	<b>Cash and cash equivalents at 31 December</b>	<b>(11)</b>	<b>(47)</b>

# Notes

# Notes

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# 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 2020 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.

## Cease the use of business performance as of 1 January 2021

With the implementation of IFRS 9 in 2018, it has become significantly easier to apply IFRS hedge accounting to our commodity hedges. We have concluded that IFRS 9 can replace our business performance principle, for which reason we only will be reporting based on IFRS from 1 January 2021. Thus, the business performance and adjustment columns will no longer be included. This will simplify our reporting and avoid potential conflicts with future reporting requirements for alternative performance measures.

Among other things, IFRS 9 has made it easier to apply hedge accounting by the removal of the 80-125 % effectiveness requirement which can be difficult to comply with at all times when we engage in proxy hedging. An example of proxy hedging is when we hedge our power exposure 4-5 years into the future with gas hedges due to illiquidity in the market for power hedges with this time horizon.

At the end of 2020, the value of our business performance hedges deferred to a future period amounted to a loss of DKK 628 million. This loss has already been recognised in the income statement under IFRS, as we have not previously applied hedge accounting for these. Consequently, for the period 2021-2025, EBITDA (according to IFRS) will be higher with a similar amount compared to what the business performance EBITDA would have been in the same period, if we had continued to report based on this principle. See also note 2 "Business Performance".

## Measurement basis

The consolidated financial statements have been prepared on historical cost basis except for derivatives, financial instruments, 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.

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

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 of onerous contracts Estimate of litigation outcomes	Estimate Estimate 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

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 on page 25.

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.

### 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 the Group structure on 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 2020, we have implemented the following new or changed standards (IAS and IFRS) and interpretations:

- Amendments to IAS 1 and IAS 8: Definition of Material.
- Amendments to IFRS 3: Definition of a Business.
- Amendments to IFRS 9 and IFRS 7: Interest Rate Benchmark Reform.

The adoption of the new and amended standards has not impacted our consolidated financial statements for 2020.

### 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 2020. None of these amended standards and interpretations are expected to have any significant impact on our financial statements.

## 2. Business performance

### Cease the use of business performance as of 1 January 2021

As of 1 January 2021, we will apply hedge accounting to all commodity hedges and related currency hedges except for hedges related to our gas portfolio which account for approx. 26 % of our total commodity hedges. We expect to implement hedge accounting to hedges in our gas portfolio during the first half of 2021.

### 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 2020, a loss of DKK 628 million had been deferred (2019: gain of DKK 312 million), which would affect business performance EBITDA in subsequent years had we continued to apply the business performance principle.

### Difference between IFRS and business performance for the year

The difference between IFRS and business performance is specified in the table to the upper right. Market value adjustments in

respect of future periods totalled a loss of DKK 641 million (2019: gain of DKK 624 million) and primarily related to the hedging of power.

Reversal of deferred gain (loss) recognised according to business performance in 2020 totalled a loss of DKK 265 million (2019: gain of DKK 323 million) and primarily relates to gains on the hedging of gas and currencies. These gains 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

	2020	2019
<b>EBITDA – business performance</b>	<b>684</b>	<b>880</b>
Business performance adjustments	(906)	947
<b>EBITDA – IFRS</b>	<b>(222)</b>	<b>1,827</b>
<b>Total business performance adjustments for the year comprise:</b>		
Market value adjustments for the year of financial and physical hedging contracts relating to a future period	(641)	624
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	(265)	323
<b>Total adjustments</b>	<b>(906)</b>	<b>947</b>

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

	Deferred for subsequent recognition at 31 December 2020				Deferred for subsequent recognition at 31 December 2019			
	2021	2022	after 2022	Total	2020	2021	after 2021	Total
Oil	(3)	(6)	(3)	(12)	60	9	(1)	68
Gas	12	24	23	59	656	54	18	728
Power	(224)	(187)	(283)	(694)	(190)	(129)	(224)	(543)
Currency	17	(3)	5	19	53	2	4	59
<b>Total</b>	<b>(198)</b>	<b>(172)</b>	<b>(258)</b>	<b>(628)</b>	<b>579</b>	<b>(64)</b>	<b>(203)</b>	<b>312</b>

# 3. Revenue

DKKm	Group			Parent company		
	Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
<b>2020</b>						
Sale of gas	4,602	(436)	4,166	4,037	(6)	4,031
Sale of power	16,156	(535)	15,621	15,793	(184)	15,609
Distribution and transmission	15	-	15	-	-	-
Trading activities, net	400	-	400	590	-	590
Other revenue	(177)	-	(177)	922	-	922
<b>Total revenue from customers</b>	<b>20,996</b>	<b>(971)</b>	<b>20,025</b>	<b>21,342</b>	<b>(190)</b>	<b>21,152</b>
Effect of economic hedging, net	(638)	(678)	(1,316)	49	(682)	(633)
<b>Total revenue</b>	<b>20,358</b>	<b>(1,649)</b>	<b>18,709</b>	<b>21,391</b>	<b>(872)</b>	<b>20,519</b>
<b>Timing of revenue recognition from customers, IFRS</b>						
At a point in time	-	-	14,025	-	-	16,778
Over time	-	-	6,000	-	-	4,374
<b>Total revenue from customer, IFRS</b>	<b>-</b>	<b>-</b>	<b>20,025</b>	<b>-</b>	<b>-</b>	<b>21,152</b>
<b>2019</b>						
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
<b>Total revenue from customers</b>	<b>31,762</b>	<b>2,281</b>	<b>34,043</b>	<b>30,369</b>	<b>1,599</b>	<b>31,968</b>
Effect of economic hedging, net	(319)	(644)	(963)	(132)	(635)	(767)
<b>Total revenue</b>	<b>31,443</b>	<b>1,637</b>	<b>33,080</b>	<b>30,237</b>	<b>964</b>	<b>31,201</b>
<b>Timing of revenue recognition from customers, IFRS</b>						
At a point in time	-	-	19,007	-	-	18,106
Over time	-	-	15,036	-	-	13,862
<b>Total revenue from customer, IFRS</b>	<b>-</b>	<b>-</b>	<b>34,043</b>	<b>-</b>	<b>-</b>	<b>31,968</b>

Of the total revenue of DKK 18,709 million (2019: DKK 33,080 million), DKK 18,077 million (2019: DKK 32,278 million) represent revenue from the sale of goods, while DKK 632 million (2019: DKK 802 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.

DKKm	Denmark	Germany	The UK	The Netherlands	Other, EU	Consolidated total
2020	2,005	1,048	13,630	1,816	210	18,709
2019	10,150	4,404	16,481	1,732	313	33,080

## 4. Cost of sales

DKKm	Group			Parent company		
	Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
<b>2020</b>						
Gas	(3,137)	393	(2,744)	(3,629)	-	(3,629)
Power	(14,674)	-	(14,674)	(15,110)	-	(15,110)
Distribution and transmission costs	(791)	-	(791)	(1,059)	-	(1,059)
Other cost of sales	(274)	350	76	(124)	-	(124)
<b>Cost of sales</b>	<b>(18,876)</b>	<b>743</b>	<b>(18,133)</b>	<b>(19,922)</b>	<b>-</b>	<b>(19,922)</b>
<b>2019</b>						
Gas	(10,355)	(690)	(10,355)	(9,871)	-	(9,871)
Power	(17,001)	-	(17,691)	(17,663)	-	(17,663)
Distribution and transmission costs	(1,454)	-	(1,454)	(579)	-	(579)
Other cost of sales	(665)	-	(665)	(152)	-	(152)
<b>Cost of sales</b>	<b>(29,475)</b>	<b>(690)</b>	<b>(30,165)</b>	<b>(28,265)</b>	<b>-</b>	<b>(28,265)</b>

## 5. Employee costs

DKKm	Group		Parent company	
	2020	2019	2020	2019
Wages, salaries, and remuneration	(238)	(336)	(227)	(282)
Share-based payment	(1)	(5)	(1)	(5)
Pensions	(19)	(25)	(18)	(21)
Other social security costs	(10)	(14)	(1)	(6)
Other employee costs	(8)	(15)	(8)	(14)
<b>Employee costs before transfer to assets</b>	<b>(276)</b>	<b>(395)</b>	<b>(255)</b>	<b>(328)</b>
Transfer to assets	1	5	1	5
<b>Total employee costs</b>	<b>(275)</b>	<b>(390)</b>	<b>(254)</b>	<b>(323)</b>
Number of full-time employees				
Average for the financial year	355	448	267	295

Remuneration for the Board of Directors and the Executive Board, DKKm	Parent company Board of Directors		Parent company Executive Board	
	2020	2019	2020	2019
Salary	-	-	(2.0)	(2.4)
Bonus	-	-	(1.0)	(0.5)
Share-based payments	-	-	(0.4)	(0.6)
Pension	-	-	(0.5)	(0.6)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(3.9)</b>	<b>(4.1)</b>

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 has 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 eight 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 150-20 % of their 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 ten 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 among 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 PSUs is subject to continued employment.

## 7. Auditor's fees

DKKm	Group		Parent company	
	2020	2019	2020	2019
Statutory audit	(2)	(2)	(1)	(1)
<b>Total fees to PwC</b>	<b>(2)</b>	<b>(2)</b>	<b>(1)</b>	<b>(1)</b>

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

DKKm	Group		Parent company	
	2020	2019	2020	2019
Interest income	1	2	1	2
Interest income from group enterprises	8	-	8	-
Foreign exchange gains	1,133	1,145	1,129	1,107
Other financial income	5	6	5	6
<b>Financial income</b>	<b>1,147</b>	<b>1,153</b>	<b>1,143</b>	<b>1,115</b>

## 9. Financial expenses

DKKm	Group		Parent company	
	2020	2019	2020	2019
Interest expenses	(16)	(22)	(16)	(21)
Interest expenses to group enterprises	(11)	(33)	(7)	(31)
Interest element of provisions	(55)	(55)	(55)	(55)
Foreign exchange losses	(1,210)	(1,126)	(1,217)	(1,089)
Other financial expenses	-	(4)	-	-
<b>Financial expenses</b>	<b>(1,292)</b>	<b>(1,240)</b>	<b>(1,295)</b>	<b>(1,196)</b>
Revenue for the year includes exchange rate and fair value adjustments of:	95	214	95	214

# 10. Tax on profit (loss) for the year

DKKm	Group		Parent company	
	2020	2019	2020	2019
<b>Tax for the year can be specified as follows:</b>				
Tax on profit (loss) for the year	181	(778)	173	(785)
<b>Tax for the year</b>	<b>181</b>	<b>(778)</b>	<b>173</b>	<b>(785)</b>
<b>Tax on profit (loss) for the year can be broken down as follows:</b>				
Current tax	(358)	(84)	(357)	(106)
Deferred tax	466	(658)	458	(660)
Adjustments to current tax in respect of prior years	72	(48)	71	(7)
Adjustments to deferred tax in respect of prior years	1	12	1	(12)
<b>Tax on profit (loss) for the year</b>	<b>181</b>	<b>(778)</b>	<b>173</b>	<b>(785)</b>
<b>Tax on profit (loss) for the year can be explained as follows:</b>				
Calculated 22.0% tax on profit (loss) before tax	108	(349)	95	(337)
Adjustments of calculated tax in foreign subsidiaries	(11)	5	-	-
<b>Tax effect of:</b>				
Non-deductible expenses	18	(1)	7	(58)
Gains from taxable demerger	-	(371)	-	(371)
Tax effect of tax loss carryforward	(6)	(26)	-	-
Adjustments to tax in respect of prior years	72	(36)	71	(19)
<b>Tax on profit (loss) for the year</b>	<b>181</b>	<b>(778)</b>	<b>173</b>	<b>(785)</b>
<b>Effective tax rate</b>	<b>37 %</b>	<b>49 %</b>	<b>40 %</b>	<b>51 %</b>



# 11. Discontinued operations

## Financial performance

EBIT from LNG increased by DKK 956 million to DKK 0 million in 2020. The loss on the divestment was DKK 42 million. Total cash flows in 2020 amounted to DKK -1.964 million (2019: DKK -48 million), of which DKK -465 million were from operating activities, and cash flow from the divestment was DKK -1.499 million (payment from Ørsted Salg & Service).

EBIT from UK B2B gas and power portfolios amounts to DKK -408 million, including a negative impact of DKK -217 million due to contractual obligations in the UK B2B portfolio that we have provided for. Cash flows from operating activities amounted to DKK -205 million in 2020.

## Outlook 2021

We expect earnings in the UK B2B gas and power portfolios to break even in 2021. In 2020, we provided for the expected loss from the divestment concluded in 2021.

	Group			Parent company		
	Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
<b>Profit from discontinued operations, DKKm</b>						
<b>2020</b>						
Revenue	7,960	(1,210)	6,750	5,202	(376)	4,826
Cost of sales	(7,910)	835	(7,075)	(5,125)	-	(5,125)
Other external expenses	(181)	-	(181)	(57)	-	(57)
Employee costs	(56)	-	(56)	(19)	-	(19)
Other operating expenses	(221)	-	(221)	-	-	-
<b>Operating profit (loss) (EBITDA)</b>	<b>(408)</b>	<b>(375)</b>	<b>(783)</b>	<b>1</b>	<b>(376)</b>	<b>(375)</b>
Gain (loss) on divestment of enterprises	(42)	-	(42)	(42)	-	(42)
Financial expenses	(69)	-	(69)	(69)	-	(69)
<b>Profit (loss) before tax</b>	<b>(519)</b>	<b>(375)</b>	<b>(894)</b>	<b>(110)</b>	<b>(376)</b>	<b>(486)</b>
Tax on profit (loss) for the year	66	82	148	24	83	107
<b>Profit from discontinued operations</b>	<b>(453)</b>	<b>(293)</b>	<b>(746)</b>	<b>(86)</b>	<b>(293)</b>	<b>(379)</b>
	Group			Parent company		
	Business performance	Adjustments	IFRS	Business performance	Adjustments	IFRS
<b>Profit from discontinued operations, DKKm</b>						
<b>2019</b>						
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)
Employee costs	(15)	-	(15)	(15)	-	(15)
<b>Operating profit (loss) (EBITDA)</b>	<b>(956)</b>	<b>925</b>	<b>(31)</b>	<b>(956)</b>	<b>925</b>	<b>(31)</b>
Financial expenses	(41)	-	(41)	(41)	-	(41)
<b>Profit (loss) before tax</b>	<b>(997)</b>	<b>925</b>	<b>(72)</b>	<b>(997)</b>	<b>925</b>	<b>(72)</b>
Tax on profit (loss) for the year	219	(204)	15	219	(204)	15
<b>Profit from discontinued operations</b>	<b>(778)</b>	<b>721</b>	<b>(57)</b>	<b>(778)</b>	<b>721</b>	<b>(57)</b>

# 11. Discontinued operations (continued)

	Group		Parent company	
	2020	2019	2020	2019
<b>Tax for the period, discontinued operations, DKKm</b>				
Current tax	148	287	107	287
Deferred tax	-	(272)	-	(272)
<b>Total tax</b>	<b>148</b>	<b>15</b>	<b>107</b>	<b>15</b>

	Group		Parent company	
	2020	2019	2020	2019
<b>Cash flows for the period, discontinued operations, DKKm</b>				
Cash flows from operating activities	(670)	(48)	(417)	(48)
Cash flows from investing activities	(1,499)	-	(1,499)	-
<b>Total cash flows</b>	<b>(2,169)</b>	<b>(48)</b>	<b>(1,917)</b>	<b>(48)</b>

# 12. Intangible assets

DKKm	Group				Total
	Goodwill	Rights	Completed development projects	Development projects in progress	
Cost at 1 January 2020	93	580	425	69	1,167
Additions	-	1	-	10	11
Disposals	-	(494)	(48)	-	(542)
Reclassified assets	-	-	33	(33)	-
<b>Cost at 31 December 2020</b>	<b>93</b>	<b>87</b>	<b>410</b>	<b>46</b>	<b>636</b>
Amortisation and impairment losses at 1 January 2020	(93)	(570)	(354)	-	(1,017)
Foreign exchange adjustments	-	1	-	-	1
Amortisation and impairment losses	-	(2)	(37)	-	(39)
Disposals	-	494	48	-	542
<b>Amortisation and impairment losses at 31 December 2020</b>	<b>(93)</b>	<b>(77)</b>	<b>(343)</b>	<b>-</b>	<b>(513)</b>
<b>Carrying amount at 31 December 2020</b>	<b>-</b>	<b>10</b>	<b>67</b>	<b>46</b>	<b>123</b>
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)	-
<b>Cost at 31 December 2019</b>	<b>93</b>	<b>580</b>	<b>425</b>	<b>69</b>	<b>1,167</b>
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
<b>Amortisation and impairment losses at 31 December 2019</b>	<b>(93)</b>	<b>(570)</b>	<b>(354)</b>	<b>-</b>	<b>(1,017)</b>
<b>Carrying amount at 31 December 2019</b>	<b>-</b>	<b>10</b>	<b>71</b>	<b>69</b>	<b>150</b>
Amortised over	-	5 - 20 years	3 - 5 years	-	-

## Impairment testing

Development projects in progress are annually tested for impairment. 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 2020, the carrying amount of rights was calculated to DKK 10 million (2019: DKK 10 million). There were no indications of impairment of rights in 2020.

## Completed development projects

Completed development projects related to IT software. At 31 December 2020, the carrying amount of development projects was calculated to DKK 67 million (2019: DKK 71 million).

# 12. Intangible assets (continued)

DKKm	Parent company			Total
	Rights	Completed development projects	Development projects in progress	
Cost at 1 January 2020	541	425	69	1,035
Additions	1	-	10	11
Disposals	(474)	(48)	-	(522)
Reclassified assets	-	33	(33)	-
<b>Cost at 31 December 2020</b>	<b>68</b>	<b>411</b>	<b>46</b>	<b>525</b>
Amortisation and impairment losses at 1 January 2020	(536)	(354)	-	(890)
Amortisation and impairment losses	(2)	(37)	-	(39)
Disposals	474	48	-	522
<b>Amortisation and impairment losses at 31 December 2020</b>	<b>(64)</b>	<b>(343)</b>	<b>-</b>	<b>(408)</b>
<b>Carrying amount at 31 December 2020</b>	<b>4</b>	<b>68</b>	<b>45</b>	<b>117</b>
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)	-
<b>Cost at 31 December 2019</b>	<b>541</b>	<b>425</b>	<b>69</b>	<b>1,035</b>
Amortisation and impairment losses at 1 January 2019	(1,590)	(312)	-	(1,902)
Addition by merger 1 January 2019	-	(13)	-	(13)
Disposals	1,068	-	-	1,068
Amortisation and impairment losses	(14)	(29)	-	(43)
<b>Amortisation and impairment losses at 31 December 2019</b>	<b>(536)</b>	<b>(354)</b>	<b>-</b>	<b>(890)</b>
<b>Carrying amount at 31 December 2019</b>	<b>5</b>	<b>71</b>	<b>69</b>	<b>145</b>
Amortised over	5 - 20 years	3 - 5 years	-	-

# 13. Property, plant and equipment

DKKm	Group				Total
	Land and buildings	Production assets	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	
Cost at 1 January 2020	13	8,366	96	14	8,489
Foreign exchange adjustment	-	-	(4)	-	(4)
Adjustment of decommissioning obligations	-	(42)	-	-	(42)
Disposals	-	(25)	-	-	(25)
Reclassified assets	-	12	-	(12)	-
<b>Cost at 31 December 2020</b>	<b>13</b>	<b>8,311</b>	<b>92</b>	<b>2</b>	<b>8,418</b>
Depreciation and impairment losses at 1 January 2020	(9)	(7,759)	(87)	-	(7,855)
Foreign exchange adjustment	-	-	4	-	4
Depreciation and impairment losses	-	(72)	(9)	-	(81)
<b>Depreciation and impairment losses at 31 December 2020</b>	<b>(9)</b>	<b>(7,831)</b>	<b>(92)</b>	<b>-</b>	<b>(7,932)</b>
<b>Carrying amount at 31 December 2020</b>	<b>4</b>	<b>480</b>	<b>-</b>	<b>2</b>	<b>486</b>
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)	-
<b>Cost at 31 December 2019</b>	<b>13</b>	<b>8,366</b>	<b>96</b>	<b>14</b>	<b>8,489</b>
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)
<b>Depreciation and impairment losses at 31 December 2019</b>	<b>(9)</b>	<b>(7,759)</b>	<b>(87)</b>	<b>-</b>	<b>(7,855)</b>
<b>Carrying amount at 31 December 2019</b>	<b>4</b>	<b>607</b>	<b>9</b>	<b>14</b>	<b>634</b>
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 2020.

# 13. Property, plant and equipment (continued)

	Parent company				Total
	Land and buildings	Production assets	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction	
<b>DKKm</b>					
Cost at 1 January 2020	11	8,349	4	14	8,378
Adjustment of decommissioning obligations	-	(42)	-	-	(42)
Disposals	-	(23)	-	-	(23)
Reclassification	-	12	-	(12)	-
<b>Cost at 31 December 2020</b>	<b>11</b>	<b>8,296</b>	<b>4</b>	<b>2</b>	<b>8,313</b>
Depreciation and impairment losses at 1 January 2020	(9)	(7,745)	(4)	-	(7,758)
Depreciation and impairment losses	-	(72)	-	-	(72)
<b>Depreciation and impairment losses at 31 December 2020</b>	<b>(9)</b>	<b>(7,817)</b>	<b>(4)</b>	<b>-</b>	<b>(7,830)</b>
<b>Carrying amount at 31 December 2020</b>	<b>2</b>	<b>479</b>	<b>-</b>	<b>2</b>	<b>483</b>
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)
<b>Cost at 31 December 2019</b>	<b>11</b>	<b>8,349</b>	<b>4</b>	<b>14</b>	<b>8,378</b>
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)
<b>Depreciation and impairment losses at 31 December 2018</b>	<b>(9)</b>	<b>(7,745)</b>	<b>(4)</b>	<b>-</b>	<b>(7,758)</b>
<b>Carrying amount at 31 December 2018</b>	<b>2</b>	<b>604</b>	<b>-</b>	<b>14</b>	<b>620</b>
Depreciated over	20 years	20 - 40 years	3 - 10 years	-	-

# 14. Investments in subsidiaries

DKKm	Parent company	
	2020	2019
Cost at 1 January	1,175	936
Additions	1	265
Disposals	-	(26)
<b>Cost at 31 December</b>	<b>1,176</b>	<b>1,175</b>
Value adjustments at 1 January	(889)	(633)
Impairment losses	-	(256)
<b>Value adjustments at 31 December</b>	<b>(889)</b>	<b>(889)</b>
<b>Carrying amount at 31 December</b>	<b>287</b>	<b>286</b>

We have tested investments in subsidiaries for impairment by comparing the expected future income in the individual subsidiary with their carrying amounts.

The impairment test in 2020 did not give rise to any impairment of investments in subsidiaries.

In 2020, additions are related to capital contribution to the new established subsidiary Orsted Commercial Commodities A/S.

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 relate to Obviux A/S.

Impairment losses for 2019 relate to Ørsted Pipelines A/S, Ørsted Sales GmbH, and Ørsted Markets GmbH.

# 15. Deferred tax

DKKm	Group		Parent company	
	2020	2019	2020	2019
Deferred tax at 1 January	(141)	(1,047)	(121)	(1,064)
Merger 1 January	-	(11)	-	-
Exchange rate adjustment	2	(1)	-	-
Deferred tax for the year recognised in profit (loss)	(466)	658	(458)	660
Deferred tax discontinued operations	-	272	-	272
Adjustments in respect of prior years	(1)	(12)	(1)	12
<b>Deferred tax at 31 December</b>	<b>(606)</b>	<b>(141)</b>	<b>(580)</b>	<b>(120)</b>
<b>Deferred tax is recognised in the balance sheet as follows:</b>				
Deferred tax (assets)	(606)	(141)	(580)	(120)
<b>Deferred tax at 31 December, net</b>	<b>(606)</b>	<b>(141)</b>	<b>(580)</b>	<b>(120)</b>
<b>Deferred tax concerns:</b>				
Non-current assets	45	52	78	82
Non-current liabilities	(188)	(459)	(441)	(459)
Current liabilities	(463)	266	(217)	257
<b>Deferred tax at 31 December</b>	<b>(606)</b>	<b>(141)</b>	<b>(580)</b>	<b>(120)</b>

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 32 million in 2020 (2019: DKK 26 million).

Change in temporary differences during the year, DKKm	Group				Parent company			
	Balance sheet at 1 January	Recognised in profit (loss) for the year	Other changes	Balance sheet at 31 December	Balance sheet at 1 January	Recognised in profit (loss) for the year	Other changes	Balance sheet at 31 December
<b>2020</b>								
Non-current assets	52	(7)	-	45	82	(4)	-	78
Non-current liabilities	(459)	271	-	(188)	(459)	18	-	(441)
Current liabilities	266	(729)	-	(463)	257	(474)	-	(217)
<b>Total</b>	<b>(141)</b>	<b>(465)</b>	<b>-</b>	<b>(606)</b>	<b>(120)</b>	<b>(460)</b>	<b>-</b>	<b>(580)</b>
<b>2019</b>								
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
<b>Total</b>	<b>(1,047)</b>	<b>930</b>	<b>(24)</b>	<b>(141)</b>	<b>(1,064)</b>	<b>932</b>	<b>12</b>	<b>(120)</b>



# 16. Inventories

DKKm	Group		Parent company	
	2020	2019	2020	2019
Gas	1,287	1,057	1,285	1,055
Green certificates	477	565	477	565
Carbon emission allowances (purchased)	449	345	449	345
Other inventories	4	4	4	4
<b>Inventories at 31 December</b>	<b>2,217</b>	<b>1,971</b>	<b>2,215</b>	<b>1,969</b>

The carrying amount of inventories recognised at fair value was DKK 1,388 million (2019: DKK 910 million).

# 17. Derivatives

Maturity analysis of financial liabilities 2020, DKKm	Carrying amount	Payment obligation	2021	2022	2023	2024	2025	After 2025
Bank overdrafts	64	64	64	-	-	-	-	-
Payables to group enterprises	1,811	1,811	1,811	-	-	-	-	-
Trade payables	2,469	2,469	2,469	-	-	-	-	-
Fair value of derivative financial instruments	4,820	4,378	2,978	612	229	134	394	31
Other payables	370	370	370	-	-	-	-	-
<b>31 December</b>	<b>9,534</b>	<b>9,092</b>	<b>7,692</b>	<b>612</b>	<b>229</b>	<b>134</b>	<b>394</b>	<b>31</b>

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	-	-	-	-	-
<b>31 December</b>	<b>12,432</b>	<b>12,084</b>	<b>11,153</b>	<b>565</b>	<b>200</b>	<b>110</b>	<b>55</b>	<b>1</b>

## 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.

## Financial instruments by category, DKKm

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets</b>				
Derivative financial instruments held for trading	4,680	4,680	7,735	7,735
Securities	356	356	361	361
<b>Financial assets measured at fair value via the income statement</b>	<b>5,036</b>	<b>5,036</b>	<b>8,096</b>	<b>8,096</b>
Trade receivables	3,973	3,973	5,507	5,507
Other receivables, cash, and cash equivalents	8,860	8,860	10,198	10,198
<b>Loans and receivables</b>	<b>12,833</b>	<b>12,833</b>	<b>15,705</b>	<b>15,705</b>
<b>Equity and liabilities</b>				
Derivative financial instruments held for trading	4,820	4,820	5,109	5,109
<b>Financial liabilities measured at fair value via the income statement</b>	<b>4,820</b>	<b>4,820</b>	<b>5,109</b>	<b>5,109</b>
Bank loans	64	64	108	108
Other payables	4,333	4,333	6,386	6,386
<b>Financial liabilities measured at amortised cost</b>	<b>4,397</b>	<b>4,397</b>	<b>6,494</b>	<b>6,494</b>

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

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

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

Non-observable inputs comprise primarily long-term contracts related to the purchase or sale of, in particular, power. The fair values are based on assumptions concerning the long-term prices, volatilities, and 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.

In 2019, we entered into an agreement to divest our LNG business and reclassified all hedges related to the period after the expected closing date from economic hedging to IFRS cash flow hedges. In 2020, we closed the LNG divestment, and all hedges related to the LNG have been terminated.

Economic hedging of fair values, DKKm	2020				2019			
	Receivables	Payables	Hedging instruments	Net position	Receivables	Payables	Hedging instruments	Net position
EUR	6,808	(5,811)	-	997	10,893	(8,573)	-	2,320
USD	977	(201)	-	776	275	(251)	-	24
GBP	5,375	(6,581)	-	(1,206)	6,778	(6,961)	-	(183)
Other	153	254	-	407	169	(33)	-	136
<b>Total</b>	<b>13,313</b>	<b>(12,339)</b>	<b>-</b>	<b>974</b>	<b>18,115</b>	<b>(15,818)</b>	<b>-</b>	<b>2,297</b>

Trading portfolio and economic hedging, DKKm	2020		2019	
	Nominal amount	Fair value	Nominal amount	Fair value
Oil swaps	676	164	1,134	70
Gas swaps	3,545	28	4,533	1,471
Gas options	34	10	148	29
Power swaps	7,322	154	3,289	741
Power options	3,965	1	922	(33)
Coal forwards	4	7	5	36
Carbon emission allowances	321	15	238	(38)
Currency forwards	481	7	2,341	32
<b>Total</b>	<b>16,348</b>	<b>386</b>	<b>12,610</b>	<b>2,308</b>

Fair value hierarchy of financial instruments DKKm	2020				2019			
	Quoted prices	Observable inputs	Non-observable inputs	Total	Quoted prices	Observable inputs	Non-observable inputs	Total
Commodity derivatives	2,074	1,728	638	4,440	43	6,198	342	6,583
Currency derivatives	-	350	-	350	-	1,152	-	1,152
<b>Total derivatives</b>	<b>2,074</b>	<b>2,078</b>	<b>638</b>	<b>4,790</b>	<b>43</b>	<b>7,350</b>	<b>342</b>	<b>7,735</b>
Securities	-	356	-	356	-	361	-	361
<b>Total assets measured at fair value</b>	<b>2,074</b>	<b>2,434</b>	<b>638</b>	<b>5,146</b>	<b>43</b>	<b>7,711</b>	<b>342</b>	<b>8,096</b>
Commodity derivatives	2,269	1,750	459	4,478	(12)	(4,017)	(81)	(4,110)
Currency derivatives	-	342	-	342	-	(999)	-	(999)
<b>Total liabilities measured at fair value</b>	<b>2,269</b>	<b>2,092</b>	<b>459</b>	<b>4,820</b>	<b>(12)</b>	<b>(5,016)</b>	<b>(81)</b>	<b>(5,109)</b>

### 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 do often 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 and benchmark services to increase data quality. Market values are determined by the Group Treasury & Risk Management function, which reports to the Group CFO. The developments in market values are monitored on a continuing basis and reported to the Executive Committee.

Derivatives valued on the basis of non-observable inputs, DKKm	2020	2019
<b>Market value at 1 January</b>	<b>261</b>	<b>603</b>
Transferred to level 2 due to market data having become available	(60)	-
Gains and losses recognised in profit (loss) for the year as revenue	(162)	(132)
Transferred from observable inputs	15	-
Sales and redemptions	(40)	(259)
New trades	165	49
<b>Market value at 31 December</b>	<b>179</b>	<b>261</b>
Net assets can be specified as follows:		
Assets	638	342
Liabilities	(459)	(81)



The main non-observable input is German power prices in the period 2025-2034. The average power price for the period is estimated at EUR 54 per MWh, based on an inflation-adjusted extrapolation of the observable price. An increase or decrease in the German power prices of 10 % would impact the fair value by +/- DKK 400 million.

Netting of financial assets, DKKm	Recognised financial assets, gross	Financial liabilities, offset	Related amounts not netted in the balance sheet			
			Financial assets presented in the balance sheet	Liabilities with offsetting rights	Security received	Net amount
<b>31 December 2020</b>						
Derivative financial instruments	7,426	(5,031)	2,395	(657)	-	1,738
Trade receivables	13,655	(11,842)	1,813	-	-	1,813
<b>31 December 2019</b>						
Derivative financial instruments	15,292	(10,215)	5,078	(839)	-	4,239
Trade receivables	17,219	(13,767)	3,452	-	-	3,452

Netting of financial liabilities, DKKm	Recognised financial liabilities, gross	Financial assets, offset	Related amounts not netted in the balance sheet			
			Financial liabilities presented in the balance sheet	Assets with offsetting rights	Security provided in the form of bonds	Net amount
<b>31 December 2020</b>						
Derivative financial instruments	8,374	(5,031)	3,343	(657)	(356)	2,330
Trade payables	13,898	(11,842)	2,056	-	-	2,056
<b>31 December 2019</b>						
Derivative financial instruments	14,502	(10,215)	4,287	(839)	(361)	3,087
Trade payables	16,764	(13,767)	2,997	-	-	2,997

# 18. Receivables

## Receivables

Receivables consist of trade receivables and other receivables. Other receivables total DKK 566 million and include margin account deposits, DKK 415 million in total (2019: DKK 466 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, 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 2020 DKK 675 million (2019: DKK 830 million) include receivables that have been written down by DKK 81 million following general assessment (2019: DKK 51 million).

Trade receivables by credit quality, DKKm	Group		Parent company	
	2020	2019	2020	2019
Denmark	951	1,584	950	1,551
Rest of the EU	611	3,922	517	1,900
Rest of the world	2,411	1	791	1
<b>Trade receivables at 31 December</b>	<b>3,973</b>	<b>5,507</b>	<b>2,258</b>	<b>3,452</b>

Trade receivables that are overdue, but not individually impaired DKKm	Group		Parent company	
	2020	2019	2020	2019
Days past due:				
Up to 30 days	294	298	73	141
30-90 days	14	39	(1)	9
More than 90 days	(63)	124	44	142
Trade receivables, write-downs	(81)	(51)	(36)	(15)
<b>Trade receivables overdue at 31 December</b>	<b>164</b>	<b>410</b>	<b>80</b>	<b>277</b>

## 19. Income tax receivable and payable

DKKkm	Group		Parent company	
	2020	2019	2020	2019
Income tax receivable at 1 January	707	30	640	-
Merger	-	50	-	-
Exchange rate adjustments	-	4	-	-
Adjustments to current tax in respect of prior years	72	(41)	71	-
Payments in respect of prior years	(737)	(10)	(711)	-
Current tax for the year	39	(75)	-	(106)
Current tax discontinued operations	-	287	-	287
Payments in respect of the year	3	462	-	459
<b>Income tax receivable at 31 December</b>	<b>84</b>	<b>707</b>	<b>-</b>	<b>640</b>
Income tax payable at 1 January	4	191	-	190
Exchange rate adjustments	-	4	-	-
Adjustments to current tax in respect of prior years	-	7	-	7
Payments in respect of prior years	-	(198)	-	(197)
Current tax for the year	397	-	357	-
Current tax discontinued operations	(148)	-	(107)	-
Payments in respect of the year	66	-	66	-
<b>Income tax payable at 31 December</b>	<b>319</b>	<b>4</b>	<b>316</b>	<b>-</b>

## 20. Cash, cash equivalents, and securities

DKKkm	Group		Parent company	
	2020	2019	2020	2019
<b>Cash and cash equivalents at 31 December include:</b>				
Cash, available	249	301	53	42
Bank overdrafts	(64)	(108)	(64)	(89)
<b>Cash and cash equivalents at 31 December</b>	<b>185</b>	<b>193</b>	<b>(11)</b>	<b>(47)</b>

DKKkm	Group		Parent company	
	2020	2019	2020	2019
Cash at 31 December can be broken down into the following balance sheet items:				
Cash, available	249	301	53	42
Cash, not available for use	7	-	7	-
<b>Cash at 31 December</b>	<b>256</b>	<b>301</b>	<b>60</b>	<b>42</b>
Securities at 31 December can be broken down into the following balance sheet items:				
Securities, available	-	-	-	-
Securities, not available for use	356	361	356	360
<b>Securities at 31 December</b>	<b>356</b>	<b>361</b>	<b>356</b>	<b>360</b>
Other bank loans at 31 December can be broken down into the following balance sheet items:				
Bank overdrafts	(64)	(108)	(64)	(89)
<b>Bank loans at 31 December</b>	<b>(64)</b>	<b>(108)</b>	<b>(64)</b>	<b>(89)</b>

## 21. Assets classified as held for sale

At 31 December 2019, assets classified as held for sale comprised our LNG business. The transaction was completed on 1 December 2020.

Assets classified as held for sale DKKm	Group		Parent company	
	2020	2019	2020	2019
Other provisions	-	2,277	-	2,277
<b>Total liabilities relating to assets classified as held for sale</b>	-	<b>2,277</b>	-	<b>2,277</b>
<b>Net assets classified as held for sale</b>	-	<b>2,277</b>	-	<b>2,277</b>

## 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 2020 (2019: 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 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.

Development in share capital, DKKm	Group and parent company	
	2020	2019
Share capital at 1 January	1,110	1,110
<b>Share capital at 31 December</b>	<b>1,110</b>	<b>1,110</b>

Composition of share capital, Number of shares	Group and parent company		
	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
			<b>DKK 1,110,000,000</b>



## 23. Provisions

### Group

	2020				2019			
	Decommissioning obligations	Onerous contracts	Other liabilities	Total	Decommissioning obligations	Onerous contracts	Other liabilities	Total
<b>Provisions, DKKm</b>								
Provisions at 1 January	554	978	634	2,166	535	2,413	568	3,516
Foreign exchange adjustment	-	3	1	4	-	-	-	-
Change in accounting policy	-	-	-	-	-	(25)	-	(25)
Provisions used during the year	-	(215)	(51)	(266)	-	(375)	-	(375)
Provisions reversed during the year	-	-	(5)	(5)	-	-	(37)	(37)
Provisions made during the year	-	214	99	313	-	1,165	103	1,268
Interest element of obligations	19	100	-	119	19	77	-	96
Change in other abandonment factors	(43)	-	-	(43)	-	-	-	-
Transferred to assets and liabilities classified as held for sale	-	(69)	-	(69)	-	(2,277)	-	(2,277)
<b>Total provisions</b>	<b>530</b>	<b>1,011</b>	<b>678</b>	<b>2,219</b>	<b>554</b>	<b>978</b>	<b>634</b>	<b>2,166</b>
<b>Falling due as follows:</b>								
0-1 year	-	393	-	393	-	184	51	235
1-5 years	-	486	678	1,164	-	537	583	1,120
After 5 years	530	132	-	662	554	257	-	811

Onerous contracts comprise contracts for leasing of gas storage capacity in Germany, DKK 699 million (2019: DKK 814 million), and the contract regarding the Stenlille Gas Storage Facility, DKK 96 million (2019: DKK 164 million). Also, a provision of DKK 216 million related to our UK B2B gas and power portfolios has been made in 2020.

Decommissioning obligations relates 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 2020. 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

	2020				2019			
	Decommissioning obligations	Onerous contracts	Other liabilities	Total	Decommissioning obligations	Onerous contracts	Other liabilities	Total
<b>Provisions, DKKm</b>								
Provisions at 1 January	554	978	634	2,166	535	2,413	568	3,516
Change in accounting policy	-	-	-	-	-	(25)	-	(25)
Provisions used during the year	-	(215)	(51)	(266)	-	(375)	-	(375)
Provisions reversed during the year	-	-	(5)	(5)	-	-	(37)	(37)
Provisions made during the year	-	-	544	544	-	1,165	103	1,268
Interest element of obligations	19	100	-	119	19	77	-	96
Change in other abandonment factors	(43)	-	-	(43)	-	-	-	-
Transferred to assets and liabilities classified as held for sale	-	(69)	-	(69)	-	(2,277)	-	(2,277)
<b>Total provisions</b>	<b>530</b>	<b>794</b>	<b>1,122</b>	<b>2,466</b>	<b>554</b>	<b>978</b>	<b>634</b>	<b>2,166</b>
<b>Falling due as follows</b>								
0-1 year	-	176	-	176	-	184	51	235
1-5 years	-	486	1,122	1,608	-	537	583	1,120
After 5 years	530	132	-	662	554	257	-	811

### 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.

Decommissioning obligations comprise estimated expenses related to decommissioning and disposal of production assets. Estimates of the obligations are based on expectations of the future cost level, timing of decommissioning and the structural risk-free interest rate. The expectation for calculating the provision may depend on future events which are uncertain by nature.

## 24. Contract liabilities

	Group		Parent company	
	2020	2019	2020	2019
<b>Contract balances, DKKm</b>				
<b>Contract liabilities</b>				
Non-current contract liabilities	4	4	4	4
Current contract liabilities	179	224	179	223
<b>Total contract liabilities</b>	<b>183</b>	<b>228</b>	<b>183</b>	<b>227</b>

Contract liabilities primarily relate to prepayments of gas and power contracts.

## 25. Other payables

	Group		Parent company	
	2020	2019	2020	2019
<b>Other payables, DKKm</b>				
VAT and other indirect taxes	231	437	21	87
Other payables	140	209	118	167
<b>Other current liabilities at 31 December</b>	<b>371</b>	<b>646</b>	<b>139</b>	<b>254</b>

## 26. Cash flows from operations (operating activities)

DKKm	Group		Parent company	
	2020	2019	2020	2019
Operating profit (loss) EBIT	(346)	1,676	(280)	1,618
Amortisation, depreciation, impairment losses, and write-downs	124	151	111	386
<b>Operating profit (loss) before depreciation and amortisation (EBITDA)</b>	<b>(222)</b>	<b>1,827</b>	<b>(169)</b>	<b>2,004</b>
Other items <sup>1</sup>	2,152	(2,054)	2,111	(2,106)
<b>Cash flows from operations (operating activities) before changes in working capital</b>	<b>1,930</b>	<b>(227)</b>	<b>1,942</b>	<b>(102)</b>
Change in inventories	(307)	233	(307)	230
Change in contract assets and liabilities	(45)	(92)	(44)	(84)
Change in trade receivables	1,098	(113)	2,130	(142)
Change in other receivables	155	204	86	224
Change in trade payables	(1,885)	22	(1,951)	451
Change in other payables, etc.	(151)	(419)	(122)	(232)
<b>Change in working capital</b>	<b>(1,135)</b>	<b>(165)</b>	<b>(208)</b>	<b>447</b>
<b>Cash flows from operations (operating activities)</b>	<b>796</b>	<b>(392)</b>	<b>1,734</b>	<b>345</b>

<sup>1</sup> '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.

Risk management is aimed at identifying the various risk areas and determining a strategy for managing them. A special Risk Committee has been appointed who 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 arise 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 risks primarily relate to timing differences between purchases, 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 position taking to ensure an ongoing market presence and thus gain more detailed market insights. 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.

## 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 conclude 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.

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 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 profits 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 for 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)		Estimated effect on equity	
		31 December		31 December	
Risks, DKKm	Price change	2020	2019	2020	2019
Oil	+10 %	(261)	17	-	335
	-10 %	261	(17)	-	(335)
Gas	+10 %	(304)	(521)	-	(328)
	-10 %	304	521	-	328
Power	+10 %	(670)	289	-	-
	-10 %	210	(289)	-	-
Coal	+10 %	1	(10)	-	-
	-10 %	(1)	10	-	-
USD	+10 %	65	84	-	345
	-10 %	(65)	(84)	-	(345)
GBP	+10 %	(59)	159	-	-
	-10 %	50	(159)	-	-
SEK	+10 %	29	4	-	-
	-10 %	(29)	(4)	-	-
EUR	+10 %	19	195	-	(314)
	-10 %	(19)	(195)	-	314



Estimated effect on equity as of 31 December 2019 relates to the cashflow hedge of the proceeds from the divestment of the LNG business.

# 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 annual report 2020.

## 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.

The outcome of litigation proceedings and legal disputes is based on the expected legal assessment, which is updated quarterly. The expectations may depend on future events which are uncertain by nature.

## 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, 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 to and buys its products from 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	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Group, DKKm</b>								
Sale of goods and services	1	6	(30)	4,626	-	-	-	-
Purchase of goods and services	-	-	(12,552)	(7,715)	(172)	(164)	-	(6)
Interest, net	-	(30)	-	-	-	-	-	-
Receivables	7,734	8,800	2,572	2,664	-	-	-	-
Payables	(633)	(788)	(1,697)	(3,540)	(17)	(18)	-	-

	Ørsted A/S		Subsidiaries		Group enterprises		Joint ventures and associates	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Parent compan, DKKm</b>								
Sale of goods and services	1	6	6,950	4,758	(32)	4,625	-	-
Purchase of goods and services	-	-	(605)	(12)	(8,445)	(7,715)	(172)	(170)
Interest, net	4	(28)	-	-	-	-	-	-
Receivables	7,867	7,843	1,480	3,394	2,558	2,656	-	-
Payables	(271)	(788)	(767)	(213)	(1,692)	(3,545)	(17)	(18)



# 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.

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

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
<b>Total market value</b>	<b>80</b>	<b>80</b>	<b>80</b>

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 or 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 and 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.

### Rights

Rights comprise gas purchase rights, acquired customer rights, 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, 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 comprise land and buildings, production assets and other tools and equipment. Property, plant and equipment which are not leases are 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, 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 amounts are 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 <sup>1</sup>	20
Production assets: gas treatment plant <sup>2</sup>	20-40
Marine pipelines <sup>2</sup>	20-40
Fixtures and fittings, tools and equipment	3-10
Assets under construction <sup>3</sup>	-

<sup>1</sup> Land is not depreciated.

<sup>2</sup> The depreciation profile takes into account that the use of the assets changes substantially over the lives of the assets.

<sup>3</sup> 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.

Gas storage in non-Danish facilities are managed on a fair value basis, and therefore the gas in these storage facilities is recognised at fair value less sales costs. Changes in the fair value less costs to sell are recognised in cost of sales in the period of the change.

Gas in Danish storage facilities are recognised at cost and determined as a weighted average of the previous month's purchase price, including transportation costs.

Purchased carbon emission allowances 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. Write-down is calculated as the difference between the carrying amount of the receivable and the net present value of expected future cash flows from the receivable. The discount rate used is the effective interest rate for the individual receivable or the individual portfolio.

We apply the simplified approach to the write-down of trade receivables, which permits calculating the write-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 values 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.

## 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 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:

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

<sup>1</sup> Bank overdrafts that are included in the statement of cash flows as cash and cash equivalents are included as negative interest-bearing assets.

<sup>2</sup> The definition deviates from 'Recommendations & Financial Ratios 2015' published by the Danish Society of Financial Analysts.

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