

Ørsted A/S

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Operator

Hello and welcome to the Ørsted Annual Report 2017. Throughout the call all participants will be in listen-only mode and afterwards there will be a question and answer session. Please note that this call is being recorded. Today, I am pleased to present CEO Henrik Poulsen. Please begin your meeting.

Henrik Poulsen

Thank you and good morning everyone. Welcome to this presentation of our Annual Report. As always, I am here with our Group CFO, Marianne Wiinholt.

2017 was a very strong year for Ørsted. We executed a number of important steps in our strategic green transformation. As you know, we divested our oil & gas activities and we continued to expand our wind power and biomass generation capacity. We thereby increased our green share of heat and power generation from 50% in 2016 to 64% in 2017. The company is well on track to reach our target of at least 95% of our power and heat generation coming from renewables in 2023. We also changed our company name to Ørsted - a name which we feel better supports our position as a leading green energy company than the old DONG Energy name, which as you know was an abbreviation of Danish Oil & Natural Gas.

During the year, we won new wind power projects in the UK and Germany with a combined capacity of 2GW. We have as an industry reached an important inflection point through our continued efforts to reduce cost-of-electricity. Power from offshore wind can now be generated cheaper than power from new-build coal or gas fired capacity. The increased competitiveness of offshore wind is being noticed by governments and policy-makers all around the world and it will continue to drive significant long-term, global growth in offshore wind.

We created additional value by farming down 50% of Walney Extension and Borkum Riffgrund 2 at high net present value retention ratios. The transactions were important drivers behind our profit upgrades during the year and provided market based markers of the value of our offshore wind portfolio.

We reached an important milestone with the submission of our first bid for an offshore wind project in the US. We also progressed in Taiwan, where an expert panel recommended approval of our environmental impact assessment of our four Greater Changhua projects with a total capacity of 2.4GW.

We saw strong progress across our offshore wind construction program, where we continue to drive out costs and maintain a very healthy on-time, on-budget track record. At the time of the IPO we estimated CAPEX/MW to be DKK 22-24 million for the offshore wind build-out plan comprising six projects at that point. Today, for the same six projects we are able to reduce this estimate by 10-15%, which Marianne will come back to.

In our Utility business, we commissioned the bioconversion of Skærbæk and took final investment decision on the bioconversion of the Asnæs power plant to be commissioned by the end of 2019. Our first commercial Renaissance plant in the UK was constructed during 2017, but commissioning has been delayed into the first half of this year. I will come back to this delay on slide 5. Finally, the smart meter roll-out continues to be well on track and at the end of the year around 183,000 smart meters had been taken into use with a very positive response from our grid customers.

The strong operational performance is reflected in our financials. We reached an all-time high EBITDA of DKK 22.5 billion and ROCE improved to 25% up from 17% the year before, when we adjust for positive one-off items related to our gas contract renegotiations in 2016. Free cash flow in 2017 was positive, despite investments of DKK 17.7 billion. On the back of our strong financials we will propose to the Annual General Meeting to increase dividends by 50% to DKK 3.8 billion. This significant step-up in dividend is part of striking the right balance between shareholder cash returns on one hand and driving long-term growth investments on the other hand as we gradually gain more visibility on our future financial headroom. I will come back to this topic as well later on.

Turning to slide 4, let me just elaborate a bit on our EBITDA development. Our reported EBITDA for 2017 came in, as said, at DKK 22.5 billion. The growth was fuelled by the farm-downs of 50% of the Walney Extension and Borkum Riffgrund 2 wind farms but also by an increase of 45% in EBITDA from wind farms in operation. Our 2017 EBITDA significantly outperforms our original guidance of DKK 15-17 billion and this outperformance is essentially driven by a number of factors.

Timing factors amount to around DKK 4.5 billion. We finalised the farm-down of Borkum Riffgrund 2 with a DKK 2 billion impact in 2017 moved forward from 2018. Our farm-down gain on Walney Extension was higher and more front-end loaded than originally expected. We also saw a positive timing effect on the value of our gas storage due to increasing gas prices, especially towards the end of the year. The latter effect on our gas storages will result in higher COGS when we sell the gas during 2018 and as such we would expect a reverse negative impact on 2018 from this revaluation of our gas storage.

Better-than-expected operational performance amounted to around DKK 2 billion. Ramp-up of Walney Extension and Race Bank offshore wind farms happened faster than we had originally anticipated and lower CAPEX spend resulted in construction agreement gains in excess of our expectations. Our trading performance in Markets also outperformed our original expectations for 2017. Our realised CAPEX came in at DKK 17.7 billion, slightly below our guidance range of DKK 18-20 billion due to cost-out efforts in our offshore wind farms under construction as well as timing effects.

Turning to slide 5 for an update on the key construction projects in progress across the company. Post the completion of Race Bank, which we commissioned just last week, we are constructing five major offshore wind farms at the moment with a combined capacity of 4.5GW that will bring our total installed capacity to 8.9GW by 2022. It is a very strong portfolio which supports our industrial leadership position and our continued innovation and cost-out efforts. The construction and preparations are generally going according to plan.

At Race Bank, as said, all 91 positions were commissioned just last week, more than a month ahead of original schedule.

Walney Extension reached first power during the third quarter of 2017. The installation of the first Siemens Gamesa 7MW turbines on Walney phase 4 is currently ongoing and we have installed all of the MHI Vestas turbines on Walney phase 3. We expect Walney Extension to be fully commissioned during the second half of this year.

At Borkum Riffgrund 2, the construction of foundations is back on track after some earlier reported issues with a supplier and the foundation installation will expectedly commence during the spring of this year. We expect commissioning to take place during the first half of 2019.

We are making good progress on Hornsea 1 where 50% of the transmission assets are finalised and the foundation installation commenced just last week. We put the first monopile foundation in the seabed Wednesday last week. We have now contracted more than 80% of the Hornsea 1 wind farm and we expect commissioning to take place during 2020.

Hornsea 2, which will eventually replace Hornsea 1 as the world's largest offshore wind farm with a capacity of 1.4GW, is under contracting. Hornsea 2 will expectedly be the first offshore wind farm where we can generate power at a lower price than newly constructed coal- and gas-fired power stations.

If we move on to Bioenergy & Thermal Power, we inaugurated Skærbæk Power Station following the conversion from gas to sustainable biomass and we took the final investment decision on the conversion of the Asnæs plant. The conversions will support Bioenergy & Thermal Power's long-term earnings potential and significantly contribute to the decarbonisation of Danish heat and power generation and also support Ørsted's ambition to be entirely coal-free by 2023.

The construction of our first full-scale commercial Renaissance plant in Northwich in the UK has been completed and we expect to commission the plant during the first half of this year. The plant will handle unsorted waste from roughly 110,000 households and convert the waste into biogas and material for recycling using our unique enzyme based technology. The Renaissance plant in

Northwich is a first-of-its-kind and there are a number of mechanical issues that are currently being addressed while we gradually ramp up the plant. We estimate this will take an additional 3-5 months as certain mechanical components need to be replaced. However, we remain confident about the plant's ability to prove the significant potential of the Renaissance technology. The core enzymatic process is working as expected and output in the form of bioliquid and recyclables is also up to our expectations. The budget overrun related to the ongoing mechanical burn-out and the delay will be expectedly in the range of 5-10% of the original FID CAPEX budget and it will not materially change the business case.

We are in a fully ramped up roll-out of remote power meters to all our grid customers, roughly 1 million in total before the end of 2020. As I mentioned, we reached 183,000 meters being in use at the end of 2017, and we are currently installing 1,600 smart meters every day. The process is going quite well. The installation of the new smart meters makes it possible to settle the household's energy consumption hour by hour, and the hourly tariffs create an incentive to change habits. We will experience lower tariffs in 94% of the hours, while the tariffs will increase in the remaining 6% of the hours. This will encourage consumers to smoothen their energy consumption, thereby driving a more effective use of green power generation as well as the power grid.

Turning to slide 6. We continue to see many exciting offshore wind opportunities across existing and emerging markets. 2017 was the year when we really stepped up our market and project development in the US and Taiwan.

In Germany, the next auction is due in April with a total capacity of 1.6GW being available for build-out between 2021 and 2025. A minimum of 500MW out of the 1.6GW has been earmarked for Baltic Sea projects.

German climate targets and the German climate strategy are currently being discussed by the potential government coalition partners. We remain hopeful that Germany will make a strong commitment to an expedient phase-out of coal capacity, the Paris climate agreement and the restructuring of carbon pricing.

The US is forecasted to be among the fastest growing offshore wind markets in the world with an average annual growth rate of more than 150% from 2020 to 2025. Offshore wind is gaining a lot of momentum along the US East Coast. Connecticut just recently announced an auction for around 200MW to take place already in April this year and New York just a few days ago released their offshore wind action plan and they are now preparing for a solicitation for 800 MW in total during 2018 and 2019. And we have not even been able to incorporate this in the presentation for today, but late last night we got the very positive news that incoming governor Phil Murphy in New Jersey has issued an executive order to the Board of Public Utilities to develop a plan that will allow for the construction of 3.5GW offshore wind capacity in New Jersey by 2030 so another very strong indication of offshore wind gaining a momentum in the US.

We submitted our bids at the first offshore wind auction in Massachusetts in December last year. The preferred bidder or bidders are expected to be selected in April 2018, more specifically on 23 April and the preferred bidder or bidders will be invited to negotiate a fixed price contract with the three local power distribution companies.

The Taiwanese Environmental Impact Assessment evaluation panel recommended approval of our environmental impact assessments for the four Greater Changhua projects in Taiwan with a capacity of 2.4GW and we are now awaiting the final approval by the general meeting of the EIA evaluation panel, which is expected to take place before the end of this quarter.

We expect to submit a grid application in Taiwan during spring of this year. Allocation of grid capacity will be based on several selection criteria and a scoring system. So, it is essentially a "beauty contest". We expect an outcome of the grid allocation process most likely over the summer. And if successful in the grid allocation process an establishment permit and a PPA could probably be in place during 2019.

The Taiwanese government recently raised its 2025 build-out target to 5.5GW from originally 3.0GW. The first 3.5GW will be allocated based on the grid allocation "beauty contest" that I referred to earlier and the remaining 2.0GW will be distributed through auctions and these auctions could be kicked off as early as later this year. Out of the 3.5GW that will be allocated on the "beauty contest"-model later this spring, 0.5GW should be commissioned already in 2020 and the remaining 5GW should be constructed between 2021 and 2025. So all in all, this is a very ambitious build-out plan for Taiwan and we see the additional 2.5GW commitment as a strong and very encouraging sign of Taiwan's commitment to a substantial, long-term build-out of offshore wind.

Moving on to the Netherlands, the Dutch government has announced that it will target 10GW of offshore wind to be constructed between 2020 and 2030 supplemented by a commitment to a complete phase-out of coal by 2030 and the introduction of a carbon floor from 2020.

The Dutch government has announced the Holland Coast South 3&4 tender of 700MW in the third quarter of 2018 and further Holland Coast 5 tender of 700MW during 2019. We did not participate in the zero-subsidy bid round of the Holland South Coast tender in December last year. In our assessment, the spread on top of our cost of capital offered by a zero-subsidy framework was not sufficiently attractive given the timing and characteristics of the project.

Turning to slide 7 for an update on our strategic direction and priorities. Our strategic direction remains largely unchanged, but I would like to add a bit more colour on the expected CAPEX distribution towards 2023 and our long-term growth options beyond offshore wind. Firstly, it is a vision of a world that runs entirely on green energy. We want to spearhead this green transformation and we will continue to do so by investing in our competitiveness and our core competences to create opportunities for long-term, profitable growth within renewable energy. Our business activities can essentially be divided into three areas: offshore wind, an increasingly green utility business, as well as a portfolio of additional long-term growth options currently undergoing maturation.

We have a very ambitious plan for the build-out of offshore wind that will enable us to maintain and strengthen our global leadership position and continue to expand in both existing and new markets. We will also maintain our focus on reducing the costs of offshore wind and on further developing innovative technical solutions. Over the next many years, offshore wind will remain our primary driver of growth. It will remain our key investment priority and constitute the vast majority of our business. It is our strategic core and it will remain our priority, should we ever face bottlenecks in our resource allocation. We expect that more than 85% of our gross investments towards 2023 will be within offshore wind with an expected average return on capital employed for the offshore wind business of 13-15%.

In our utility business, we will complete the conversion from fossil fuels to sustainable biomass to build a healthy long-term business based primarily on green heat generation and to ensure that coal can be phased out completely by 2023. At the same time, we will continue the roll-out of remote power meters to build a smart power grid that can incentivize a more flexible consumption pattern. Our utility business complements our wind power business, enabling us to develop vertically integrated, green energy solutions. In addition, it provides access to and insight into the market and it contributes stable, regulated earnings.

The transition to green energy maintains its momentum worldwide and it offers a lot of long-term growth opportunities playing to the strengths and capabilities of Ørsted. We have a strong record of creating value and good returns on green energy investments and will gradually explore ways of further expanding our access to profitable, long-term growth. We are currently working on a few specific additional growth opportunities.

One is, as mentioned, Renescience, our enzyme based waste-to-energy technology which many of you already are quite familiar with. Right now, focus is of course on getting all mechanical fine-tuning at the Northwich plant completed and gradually ramping up the process volumes. Parallel to this we continue to progress a number of additional Renescience projects for future FID, subject of course to Northwich performing to our expectations. We remain quite excited about the global market opportunity for an innovative waste-to-energy technology like Renescience. The world needs green and economically viable alternatives to incineration and landfills. We will gain significant additional visibility on the growth potential of Renescience over the next 1-2 years.

The second growth initiative is really about a transformation of our B2B sales business on the back of our so-called Energy-as-a-Service concept. It is essentially about delivering fully integrated, green energy solutions to business customers as an outsourced, financed service. It can include various elements like energy efficiency programs, storage, small-scale CHP plants, waste-to-energy plants, green certificates, Demand Response Management software, etc. Technologies where we already have strong capabilities. One example is our partnership with two Danish customers, Novo Nordisk and Novozymes, where we have historically implemented extensive energy efficiency programs and traded green certificates. We are now building a biogas plant that will use process waste from the production of Novo Nordisk and Novozymes as feedstock. Early customer interaction in Germany, the UK and Denmark indicates that we can offer solutions that are both greener and cheaper than

the customer's current setup. We see the market developing in this direction but it still needs to be matured. It will take time for this business to ramp up. That said, we see a significant market opportunity over time and strategically we see significant benefits from having access to a growing portfolio of medium-sized and large corporate customers, also as an outlet for our upstream generation business.

The third initiative has been the establishment of a unit working on storage and solar PV projects. We have over the past half year built a small team of people with deep experience from storage and solar PV and we will over the coming year be looking for projects within our current footprint where we can create value. And then we will see where it takes us. As you know, we have already developed a couple of storage solutions connected to our Danish power grid and a UK offshore wind asset. We also included a sizeable storage component in our recent offshore wind bid in Massachusetts. There is no doubt that both storage and solar PV will play significant roles in the green transformation and if we can identify long-term, profitable growth opportunities within these technologies, then we will pursue them.

The same can be said about the fourth initiative which focuses on onshore wind. Where the storage and solar business is being built organically at the moment, we would only enter onshore wind if we can acquire a strong development platform in the market. Whether this will prove possible or not, remains to be seen. We will, of course apply strict value creation criteria in our assessment of any such opportunities.

When it comes to storage, solar and onshore wind, we see opportunities for value creation along a number of dimensions. First and foremost, we see attractive returns being available where we can take over projects from developers who do not themselves have the scale, balance sheet and EPC capabilities to extract the full value from their projects. This is to a large extent also how we have built the offshore wind business to its global leadership position over the past 5-6 years. While we recognize that there are differences in terms of technology and market dynamics across offshore wind, onshore wind, and solar, we also see many similarities where we can transfer learning and experience from our existing business. These areas would include, among others: The ability to identify and mature renewable project opportunities, to design the assets and to drive cost competitive procurement. We have very strong capabilities in construction and supplier management and in Operations & Maintenance and we have also developed market-leading capabilities in areas like partnerships, farm-down transactions, route-to-market optimization and then last but not least, we are a company with rigorous governance and capital allocation processes.

While not a core rationale in itself, we also see these adjacent growth initiatives as an opportunity to add critical mass to our presence and platform in new markets and provide us with additional access to partnerships and talent and insight on customers and routes-to-market as well as regulatory dynamics. Over time, we believe the global energy market will evolve to also demand green, multi-technology solutions combining wind, solar, storage and/or bioenergy to build still more efficient and stable load profiles. This will likely be part of developing the entirely green energy system of the future. Lastly, these growth initiatives are also about creating meaningful strategic optionality for Ørsted. Long-term growth in green energy should as much as possible be a diversified journey paired

with an ability to shift focus and direction as the market develops. That said, we should of course not develop new businesses for the sake of optionality alone but only if we can find good, value creating opportunities. Given the strength and scaled growth of our offshore wind business, we are not under any pressure to open up additional growth avenues. In fact, we are more confident than ever about the global, long-term growth of offshore wind – and it will, as I mentioned earlier, in any scenario by a wide margin remain our biggest business for decades to come. However, if attractive opportunities can be found within adjacent renewable technologies, broadening our portfolio will further add to our strategic strength and our long-term growth.

On slide 8, let me just take you through the moving parts behind our capital deployment towards 2023 and the span of outcomes that we could foresee. Let us start with the scenario to the left on this slide which is a scenario with the lowest imaginable capital deployment towards 2023. Here we would need DKK 45-55 billion to meet our currently committed projects over the coming six years. We assume no additional offshore wind projects beyond the current build-out plan. We also assume 50% farm-down of Hornsea 1, Borssele 1 & 2 and Hornsea 2 in this scenario. And finally, we assume that we do not invest in any additional new growth businesses. In this quite extreme scenario, we would have financial headroom for significant additional dividend pay-out above and beyond the increased dividend commitment announced today.

Moving on from this extreme scenario of the lowest possible capital employment we could foresee, we do of course expect to continue to make additional investments into offshore wind above and beyond the current build-out plan. Our ambition is still to reach 11-12GW installed capacity by 2025 and win an additional 2-3GW over the coming years. This will of course increase our CAPEX requirements beyond the existing FIDs. In this capital simulation, we have assumed a more aggressive build-out than the 11-12GW target and here we have assumed a higher success rate over the coming years resulting in 12-13GW installed capacity by 2025. This does not change our target but this is just to simulate a more aggressive investment scenario. We will of course pursue all value creating opportunities within offshore wind worldwide as a top priority for the company.

If future farm-downs do not deliver significant value creation and/or risk diversification, our capital deployment will also increase as we will keep full ownership of future projects. Beyond Hornsea 1, we will decide on farm-downs on a case-by-case basis, based on stringent value creation criteria and risk diversification considerations. Should this result in no farm-downs after Hornsea 1, this will of course also significantly drive up our capital commitment. This is illustrated by the second of the green bars in this bridge on slide 8.

Finally, we will as mentioned look for additional value creating growth opportunities within green energy. If successful, capital will also be deployed against these new growth initiatives. In this extreme scenario where we reach 12-13GW of offshore wind by 2025, do not farm down after Hornsea 1 and we also invest in additional green growth, we would expect to reach a total capital spend towards 2023 in the area of DKK 130-140 billion. This scenario again, is an extreme scenario, would drive extraordinary profit growth and value accretion and there would most likely be little, if any, cash returns available beyond the dividend step-up that we have announced today.

It is, of course, unlikely that we end up in either one of the two extreme scenarios. We will end up somewhere in between with a mix of investments driving long-term profit growth and cash returns to our shareholders. Regardless of the scenario we end up in, our focus will be on maximizing the strategic strength of Ørsted and the value for our key stakeholders, not least of course our investors. Our capital deployment and dividend policy, as always, remain subject to our capital structure and

rating targets, which remain unchanged. Let me end by saying that we will of course keep you updated as we on an ongoing basis gain more visibility on our future capital deployment and our future financial headroom.

On that note, I will hand it over to Marianne Wiinholt to take us a little bit deeper into the financials.

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Marianne Wiinholt

Thank you, Henrik, and good morning also from me. Let us dive straight into the financials of Q4 2017 on slide 9.

In Q4 2017, we realised the highest quarterly EBITDA ever, coming in at DKK 13.0 billion. The underlying increase of DKK 7.2 billion, compared to Q4 2016, was driven by Wind Power, primarily higher earnings from operating wind farms and the farm-downs of Walney Extension and Borkum Riffgrund 2. Distribution & Customer Solutions decreased mainly as a result of further provisions of DKK 0.4 billion related to the onerous contract at the LNG-terminal in Q4 2017. Net profit from continuing operations totalled DKK 9.4 billion, DKK 5.4 billion higher than the same period last year. The increase was primarily driven by the higher EBITDA. The free cash flow for Q4 2017 came in at DKK 12.1 billion – an increase of DKK 10.1 billion. The increase was due to the farm-down of Walney Extension and Borkum Riffgrund 2, increased cash flow from operations due to the higher EBITDA beyond the farm-down gains and milestone payments from the construction of offshore wind farms for partners.

Continuing to slide 10 and the full year numbers. EBITDA for full year 2017 came in at DKK 22.5 billion. The underlying increase of DKK 8.1 billion compared to 2016 was mainly due to strong earnings from operating wind farms and the higher earnings from the partnerships, again Walney Extension and Borkum Riffgrund 2. The net profit from continuing operations totalled DKK 13.3 billion – an increase of DKK 1.1 billion. The higher EBITDA was partly offset by higher depreciation and the DKK 1.3 billion gain from the divestment of the gas distribution network to Energinet in 2016. Net profit from discontinued operations increased by DKK 5.9 billion, primarily from the gain on the divestment of O&G of DKK 2.4 billion, the lower depreciation as the O&G business was classified as held for sale, and reversal of a tax asset in 2016 that was no longer expected to be utilised due to the divestment. Against our expectations of a negative free cash flow for 2017, we realised a small positive cash flow in 2017. This was due to strong operational performance, the timing of Borkum Riffgrund 2 farm-down which was completed in 2017 instead of, as expected, in 2018 and redistribution of part of the Walney Extension farm-down gain from 2018 to 2017. Furthermore, our gross investments came in slightly lower than our guided range due to the continued cost-out and timing.

If we then turn to slide 11. Our net debt end of 2017 ended at a net cash position of DKK 1.5 billion. This was driven by the free cash flow that I just described. We expect to exit the International Joint Taxation scheme in 2017 and therefore the DKK 1.7 billion re-taxation balance was paid in November as part of our total DKK 2.7 billion tax payment in 2017. Our key credit metrics – FFO/Adjusted net debt – stood at 50% at the end of 2017, well above our target of around 30%. I should mention that we have chosen to update our metric to reflect the rating agencies' approach where SPA gains are reversed in the FFO. Return on Capital Employed came in at 25%, an increase of 1% compared to last year, primarily due to the higher EBIT.

If we then move to the business units, and we start out with Wind Power on slide 12. Going forward, 'Wind Energy Content' will be replaced by the more intuitively understandable and transparent "meters per second"-measure. In our year-end report for 2017, we report on both metrics. Wind speed is based on external data sources and can be compared with a normal wind year. The wind speed measurements are weighted based on the individual wind farms' generation capacity and consolidated into a total for Ørsted. WEC is by nature negatively biased as it includes production down-time like curtailments, which we do not include in the "meters per second"-measure. In 2017, wind speed, measured in meters per second, have been slightly above a normal wind year. From the graph, it is worth noting that using the old metric WEC, 2017 shows lower wind than a normal year. But this was driven by curtailments in Germany due to grid constraints. We are to a large extent compensated for these curtailments.

Moving on to Wind Power financials for Q4 2017 on slide 13. Our power generation amounted to 2.9TWh in the fourth quarter of 2017, an increase of 61% relative to Q4 2016. The increase was due to the increased generation from Gode Wind 1 & 2 and Burbo Bank Extension and ramp up from Race Bank and Walney Extension. Furthermore, we also had the higher wind speeds. EBITDA amounted to DKK 12.6 billion due to strong earnings from operating wind farms, being up by 70%. Partnership gains were up by DKK 6.7 billion driven by SPA gains from Walney Extension and Borkum Riffgrund 2. Free cash flow increased by DKK 14.4 billion, primarily again due to SPA payments from the two farm-downs received in Q4 2017.

If we then turn to slide 14 and the full year results for Wind Power. Power generation was up by 42% year-over-year. The increase again driven by new wind farms going online, ramp up of generation, as well as both higher wind speeds and availability when we compare to 2016. The full year EBITDA amounted to DKK 20.6 billion. The strong result was due the earnings from operating wind farms and partnerships, which was partly offset by higher development costs due to the expansion into new markets. The free cash flow totalled DKK 4.6 billion. Cash flow from operations was DKK 3.4 billion and the high divestment proceeds exceeded the gross investments. Return on Capital Employed stood at 28%, an increase of 12 percentage points compared to 2016.

We now move on to the quarterly and full-year results for Bioenergy & Thermal Power on slide 15. EBITDA in Q4 2017 doubled compared to Q4 2016 and the increase was driven by higher earnings from the heat and power generation and ancillary services. The free cash flow for Q4 amounted to DKK 0.1 billion. Looking at the full year results, EBITDA totalled DKK 0.2 billion and we have reached our IPO guidance on doubling our heat EBITDA in 2017 vs. 2015 driven by the bio-conversions. The free cash flow in 2017 amounted to DKK -0.8 billion but we do still expect BTP to be free cash flow positive in 2018.

The case against the Danish Competition Authorities concerning the former Elsam's alleged excessive pricing in 2005 and 2006 is scheduled for oral hearing in the High Court of Western Denmark in April 2018. We have a provision of DKK 298 million with the addition of interest concerning the claims for compensation raised in connection with the claims.

Turning to page 16, Distribution & Customer Solutions. EBITDA in Q4 2017 decreased by DKK 1.1 billion, primarily due to lump sum compensations received in Q4 2016. Furthermore, we increased the provision regarding the onerous capacity contract in the LNG-terminal in the Netherlands with DKK 0.4 billion in Q4 2017. Free cash flow decreased by DKK 1 billion due to the lower EBITDA and receivables from renegotiations in Q3 2016, which we received in Q4 2016. Full-year EBITDA totalled DKK 2.1 billion. The decrease compared to 2016 was again primarily due to the non-recurring lump sum compensations in 2016, the lost earnings from the divested Gas Distribution business as well as the increased LNG capacity provisions. The free cash flow decreased by DKK 7.3 billion due to the lower EBITDA, the proceeds from the divestment of gas distribution in 2016 and higher gross investments in 2017.

On the next slide, I will go through our guidance for 2018. We have decided to change our guidance method so that in the future, our guidance will only include the effect of existing partnership agreements. Previously, our guidance included the effect of partnership agreements which we expected to conclude during the year. This methodology meant that our EBITDA outlook was particularly sensitive to the timing of farm-downs as well as the distribution of partnership earnings between the years. EBITDA excluding new partnership agreements is expected to be DKK 12-13 billion in 2018 against DKK 12.7 billion in 2017. We still expect a 50% farm-down of Hornsea 1, either in the second half of 2018 or in 2019 and should divestment materialise in 2018, EBITDA including new partnerships will expectedly be higher than the DKK 22.5 billion we achieved in 2017. Gross investments for 2018 are expected to amount to DKK 16-18 billion. The outlook reflects a high level of activity in Wind Power, the biomass conversion of the Asnæs power station and installation of smart meters. In addition to gross investments, significant funds are temporarily tied up in the construction of offshore transmission assets in the UK and offshore wind farms for our partners. These funds are part of our operating cash flow. At the end of 2017, funds tied up in work-in-progress totalled DKK 7.5 billion. During the first half of 2018, we expect to divest the Burbo Bank extension offshore transmission assets but we still expect to see an increase in funds tied up in the work-in-progress in 2018 due to the transmission assets related to Hornsea 1 and Hornsea 2.

If we then turn to slide 18 and the expected development in the business units' EBITDA, which the 2018 group EBITDA outlook is based on. Wind Power EBITDA for 2018 without new partnerships is expected to be higher than 2017. The earnings from offshore wind farms in operations are expected to increase as a result of the full commissioning of Race Bank in January 2018 and Walney Extension in the second half of 2018 as well as higher earnings from Burbo Bank Extension, which was completed in May 2017. The earnings from existing partnership agreements are expected to decline relative to 2017 where the earnings were positively affected particularly by Race Bank, but also by Burbo Bank Extension and Gode Wind 1 and 2. In 2018, earnings from existing partnerships will primarily come from Walney Extension and Borkum Riffgrund 2. We also expect higher expensed development costs.

In Bioenergy & Thermal Power, EBITDA for 2018 is also expected to be higher than 2017. The total EBITDA from our heat and power generation activities is expected to increase, primarily because of the completion of the biomass conversion of the Skærbæk Power Station. We expect earnings from ancillary services to be in line with 2017.

For Distribution & Customer Solutions we expect EBITDA for 2018 to be significantly lower than 2017. The earnings from Distribution are expected to be in line with 2017. In 2017, Markets achieved high earnings from our gas portfolio and trading activities. We expect lower earnings from these activities in 2018. The increasing gas prices during 2017 led to an increase in the accounting value of our gas in storages, especially towards the end of the year. All other things equal, this will lead to an offsetting negative effect in 2018 when we sell the gas. In 2017, earnings from LNG were negatively impacted by the increased provision regarding the LNG-terminal, which I mentioned earlier, and earnings are thus expected to improve in 2018.

On the next slide, I would like to elaborate on the expected average yearly increase in EBITDA from sites in Wind Power. This year, we are introducing a new directional target for the EBITDA from our offshore wind farms in operation. We expect an average annual increase in EBITDA from offshore wind farms in operation including O&M and PPAs of 13%-14% for the period from 2017 to 2023. The portfolio includes the current decided offshore wind farms through Hornsea 2. Hornsea 1 is assumed to be farmed down but the target does not take into account farm-downs after Hornsea 1.

On slide 20, I will give some more details on the CAPEX of our build-out portfolio. At the time of the IPO, the average CAPEX/MW for the FID'ed build-out portfolio of six offshore wind farms to be constructed up until 2020 was estimated at DKK 22-24 million. The portfolio has been substantially progressed with some projects being finalised and the rest either in the late stage of construction or fully contracted. The most recent estimate shows that the average CAPEX/MW for the IPO portfolio of wind farms is brought down close to DKK 20 million per MW and at the same time we see that the post 2020 European projects will be materially lower.

Our financial targets and policies, which you see on slide 21, have not changed compared to last year, except for the step-up in the dividend to DKK 9 per share to be paid in 2018, which Henrik described earlier. It is worth noting, however, that we have maintained our targeted Return on Capital Employed for the Group of 12-14% and for Wind Power of 13-15% even though we are now excluding 2017 where we achieved a ROCE of 25% for the Group and 28% for Wind Power. I will now hand back to Henrik.

0.52.06

Henrik Poulsen

Yeah, thank you, Marianne. Let me just wrap it up quickly and we will go to Q&A. All in all, we remain very satisfied with the strategic and operational progress we are making in Wind Power and the momentum we see behind offshore wind as a technology globally. I am also happy with the development of our bioenergy and customer businesses. Across our operating assets, construction projects, and development pipeline, things are very well on track. On slide 22, you see our top execution priorities for 2018. Ørsted is very well positioned to continue to drive significant long-term growth and value creation. On that note, we are going to open it up for questions.

Q&A

0.52.54

Operator

Thank you. And ladies and gentlemen, if you do wish to ask a question, please press 01 on your telephone keypad now. If you wish to withdraw your question, you may do so by pressing 02 to cancel. And please note that this call will not end later than 11.30. Please respect only one question per analyst and then you can return back into the queue for a second question.

And the first question comes from the line of Sam Arie from UBS. Please go ahead, your line is open.

0.53.28

Sam Arie

Hi, good morning and thank you very much, it is an excellent presentation and obviously it is an outstanding set of results. So the question that I just wanted to ask was a zoom-in on specific assets, Hornsea and Taiwan. With Hornsea 1, I think today you are confirming that your plan is a 50% farm-down, I don't think you have confirmed that previously and our assumption would be that Hornsea 1 should be able to fetch a similar premium to the other recent UK farm-downs, Race Bank and Walney Extension so something over 100% premium to CAPEX and I wanted to just check if that sounds fair as a starting point or if there is any reason to expect a different outcome for Hornsea 1? And the timeline question is just you mentioned that Taiwan could be in construction as soon as 2019 and obviously this could be very significant but it is a bit of a mystery, I have to admit from the outside, what success in Taiwan depends on? So could you perhaps just talk to us about what happens during the year and what would allow you to win that work and in order to be building in 2019 as you mentioned? Thank you.

0.54.36

Henrik Poulsen

Yes, thank you very much. On Hornsea 1, yes, absolutely correct. Today, we do confirm that we are pursuing the standard 50% farm-down of the asset and as mentioned we expect it to happen during the back half of this year or in 2019. I do not, given that we are now in an open process, I don't want to go sort of into specifics about the valuation but if you look at previous transactions, I think we have basically given the market a number of valuation markers that you can rely on. When it comes to Taiwan, I am sorry if I miscommunicated but we are not talking about construction in 2019. We are talking about potentially having a PPA and an establishment permit in place in 2019, which would allow for a potential FID to be made during next year so construction would only happen later on the other side of 2020. The process in Taiwan is such that there will be an allocation of 3.5GW of connection capacity to take place during the spring of this year and essentially we will be participating in that competition for grid allocation with our 2.4GW of Greater Changhua projects so that is essentially the next step in Taiwan.

0.56.10

Sam Arie

Thank you. Can I just clarify, that was a very helpful answer but you said competing for the connection capacity whereas I think historically you have said that Taiwan was non-competitive. So can you just clarify is there some kind of tendering process there or what happens to win Taiwan?

0.56.25

Henrik Poulsen

In Taiwan, a number of projects have been going through this environmental impact assessment process. We estimate that a little more than 10GW in total across a number of different developers including Ørsted are taking this portfolio forward. That portfolio of offshore wind projects will be competing for initially 3.5GW of grid capacity. It is not in an auction in the traditional sense that we are submitting a price as part of the bid, it is more a "beauty contest" where we will be assessed on a number of different criteria so in that sense it is a competitive allocation, just not a price based allocation.

0.57.15

Sam Arie

Okay, very clear. Thank you and thanks again for the presentation this morning.

0.57.20

Operator

And the next question comes from the line of Mark Freshney from Credit Suisse. Please go ahead, your line is open.

0.57.26

Mark Freshney

Good morning. A question on sharing some of the very high economics you have been making in the UK with consumers. I mean, the political environment on energy bills in the UK is red hot right now. You have got an issue with renewable subsidies in Northern Ireland and you guys have... Walney on my calculation with the lower CAPEX you are earning above 20% project level IRRs. Have you been asked by the government or been considering sharing some of the farm-down gains with customers?

0.58.08

Henrik Poulsen

Mark, I mean, these are contracts that were awarded to us four years ago in a completely different environment at a point where very few of our competitors dared to make the type of commitments that we did strategically and financially. We assumed significant strategic financial risk as a company, bidding for these projects. I think everyone in the UK, including the government, recognises that four years ago we were the ones who were willing to step up and lead the industry forward and it is only fair that we are being rewarded for taking that type of strategic and financial risk and these contracts are legally binding commitments, contracts entered into between the UK government through their special purpose vehicle LCCC and Ørsted. So I do not see any demands for any of these contracts to be modified. I believe everyone understands that it was a market based competition that we won and we have taken significant risk, as I said, to get these contracts. I also want to highlight that the most recent auction in the UK during third quarter of this year obviously also demonstrated that we have materially brought down the price of offshore wind to the benefit of UK consumers. We made that commitment when we got those contracts four years ago that we will drive down the cost of electricity. I believe it is fair to say that Ørsted has played a key role in this industry to drive the cost down and delivering on that promise we made to the government and to the British consumer and what you saw when we won Hornsea 2 is essentially that prices have been cut by 50% or more just over that four-year period. So I believe this company has done a lot to deliver green energy to UK consumers at a competitive price.

0.59.59

Mark Freshney

Okay, thank you very much, very clear.

1.00.02

Operator

The next question comes from the line of Marcus Bellander from Carnegie. Please go ahead, your line is open.

1.00.08

Marcus Bellander

Thank you. A question on your new way of guiding for 2018. So it is correctly or do I understand it correctly if I say that construction EBITDA from old farm-downs is included in your new guidance but not construction EBITDA from for example from a potential farm-down of Hornsea 1?

1.00.35

Marianne Wiinholt

Yes, you are right. So there will be construction gains from Walney Extension and Borkum Riffgrund 2 going into the 12-13 billion we guide on. Both of these and in particular the Walney Extension... the gain was very front-end loaded so the most significant part of the gain, as you know, came in 2017. But there will still be construction gains going into 2018.

1.01.01

Marcus Bellander

Okay and if you farm down Hornsea 1 during 2018, should we expect an upgrade to your new guidance then?

1.01.11

Marianne Wiinholt

Yes, then we come with a new guidance but I don't know, the distribution between 2018 and 2019 is always very difficult to predict when we are in these negotiations so we don't know that. But when we have new knowledge, we will come out with that.

1.01.28

Henrik Poulsen

But it is clear that any farm-down of Hornsea 1 in 2018 will drive significant additional EBITDA on top of the guided 12-13 billion and we are also saying in our statement that should Hornsea 1 happen in 2018, we would expect total EBITDA to exceed the level you saw in 2017, i.e. it will be above the 22.5 billion.

1.01.52

Marcus Bellander

Understood, thank you.

1.01.55

Operator

The next question comes from the line of Deepa Venkateswaran from Bernstein. Please go ahead, your line is open.

1.02.01

Deepa Venkateswaran

Thank you. I have a question about your ventures into solar and onshore wind. If I am not mistaken, a few years back you actually exited this business. So I was wondering apart from the balance sheet headroom, why do you think that you will have any kind of advantage getting back into this business? Many of your competitors in the meantime have been in onshore wind and solar for more than 10 years so I just wanted to understand how do you think you will compete with them and create any advantage? And a subsidiary question, do you also see any interesting M&A opportunities in offshore wind in Europe, maybe sites or maybe even auction projects that some people are willing to sell a stake in?

1.02.48

Henrik Poulsen

Thanks, Deepa. Absolutely right, I mean when we were under financial pressure 4-5 years ago, we decided to divest a number of non-core assets and at that point we also divested what was a relatively small and fairly old onshore wind business with assets in Poland, Denmark, Norway. It was really part of restructuring our balance sheet. We had to divest assets to pay down debts and get funds for the expansion of offshore wind. So essentially we couldn't afford, so to speak, to invest in a lot more than just the offshore wind business. Today, now four-five years later, strategically we are in a completely different situation, financially we are in a very different situation. We are now all about green energy, about long-term growth and value creation in green energy and we have a balance sheet to fuel that growth if we can find additional opportunities above and beyond offshore wind. When it comes to onshore wind, we see potential opportunities in the market where we can go in and essentially take over a development portfolio so development projects where the developer doesn't really have this scale or the balance sheet or the capabilities to construct and operate that asset. It is essentially the same thing we have done in recent years in offshore wind and we see a potential opportunity to do the same in onshore wind. Again, we haven't made any investments yet, we are exploring the market right now, I can reassure you we are going to be quite disciplined in applying our value creation criteria also to these opportunities. But we do believe there might be opportunities for Ørsted to move into these adjacent green technologies, also applying the capabilities that we have been building up over the past ten years in offshore wind.

When it comes to M&A within offshore wind in Europe, Deepa, we would absolutely be looking for any opportunity that is out there. We have clearly an appetite to continue to accelerate and expand offshore wind also in Europe, if we could find attractive opportunities be it at a project level or be it at a portfolio level, we would always take a look at it. But I cannot tell you that we are active in any such situation right now but should it come up, we would take a look at it.

1.05.29

Deepa Venkateswaran

Okay. Would you be interested in other, say a project like Triton Knoll which has already won a subsidy but they are looking to farm down. Would you be interested in that kind of an opportunity or would it be more industrial where you buy a site and then you want to auction it and build it yourselves?

1.05.45

Henrik Poulsen

We would typically... Triton Knoll is not in my view an obvious opportunity for Ørsted. I think we would be looking for opportunities where we can come in and bring our total EPC and O&M capability to bear over time and create value through that.

1.05.59

Deepa Venkateswaran

Okay, thank you.

1.06.03

Operator

And the next question comes from the line of Timothy Ho from Morgan Stanley. Please go ahead your line is open.

1.06.10

Timothy Ho

Hi, good morning. This is a question regarding capital allocation and what was discussed on slide 8. I think you said that you would most likely end up in between those two more extreme scenarios so at what point do you think you will have that additional clarity to decide about striking that balance between additional growth and increases to the dividend over and above today's increase and are there particularly important signpost along the way? Thank you.

1.06.39

Henrik Poulsen

Thanks, Timothy. So today we gave additional visibility in terms of sort of the spectrum, as we call it on slide 8, and we obviously also made a material additional commitment to shareholder returns by stepping up the dividend by 50% so you could say to me it is an example of us providing the market with additional visibility as we move forward and you should expect us to give you more visibility sort of on an ongoing basis as we learn more about the expansion of offshore wind, the future farm-downs and potential investments into adjacent green growth opportunities. In terms of specific drivers of the future headroom, it is quite clear that the number of offshore wind FIDs that we are going to make over the next couple of years is going to be arguably the most important driver so in other words will we win additional projects in Europe, in the US, in Taiwan over the next 18-24 months? If we do, that is obviously going to consume additional growth capital. Similarly, post Hornsea 1 should we decide to farm down or not farm down is going to be a material driver of the capital headroom. So those are going to be some of the most important drivers of the headroom. And from that also, you know, that also means that we will only gain additional visibility as we pass

these different milestones in the market, these different auctions, these different potential farm-down decisions and as we gain that visibility we will obviously continue to update the market on where we would expect to be in this spectrum between the two extremes that we have drawn up on slide 8.

1.08.33

Timothy Ho

Okay, thank you.

1.08.35

Operator

The next question is from the line of Casper Blom from ABG. Please go ahead. Your line is open.

1.08.41

Casper Blom

Yes, thank you very much. I just wanted to follow up a bit on the previous question regarding M&A into other industries and especially within onshore wind. Would you be considering changing your place in the value chain so to say, potentially acquiring a turbine manufacturer, just to say something, or do you want to stay as a constructor and operator of assets?

1.09.08

Henrik Poulsen

I can be very clear about that, Casper. We will stay where we currently are in the value chain. If we were to move into adjacent technologies, we would be playing essentially exactly the same role that we have been playing in offshore wind for the past 10 years. And we have absolutely no plans to buy any equipment supplier.

1.09.29

Casper Blom

That is very clear, thank you.

1.09.31

Operator

The next question comes from the line of Gurpreet Gujral from Macquarie. Please go ahead. Your line is open.

1.09.38

Gurpreet Gujral

Hi guys. Just a quick question on the EBITDA guidance for the full year. If we were to strip out the EBITDA gains from Walney Extension, Borkum 2 and Race Bank, how would that impact your EBITDA range for 2018, I know you say existing partnerships are worth less than 3.9 billion but could you be a bit more specific on that please?

1.10.04

Marianne Wiinholt

No, we don't give the specifics on the individual farm-downs so unfortunately I can't do that. What we are guiding is that the construction gains will be lower than they were in 2017, also for the existing farm-downs.

1.10.22

Gurpreet Gujral

Okay, perhaps just a quick follow-up then – a related question in terms of guidance. What are you guys assuming in terms of the commissioning dates of the new projects in 2018? Are you assuming a full year for Race Bank or part way through the year for Race Bank?

1.10.41

Marianne Wiinholt

Yes, we have commissioned Race Bank in January so that is fully commissioned now so it will not be 12 months but more 11 months and then of course also ramp-up production for January but more or less a full year for Race Bank. For Walney Extension we are saying second half of 2018 but we are not more specific than that.

1.11.02

Gurpreet Gujral

Okay, thank you.

Operator

The next question is from the line of Kristian Johansen from Danske Bank. Please go ahead. Your line is open.

1.11.12

Kristian Johansen

Yes thank you, just a question on the Hornsea 1 farm-down. In your previous farm-downs in the UK, you hedged the pound. Can you just indicate whether you have hedged the expected proceeds from the Hornsea 1 farm-down and if so at what exchange rate?

1.11.33

Marianne Wiinholt

We have hedged the major part of the expected proceeds and we have hedged it in this period so it is approximately 8.5-9. That is the level.

1.11.49

Kristian Johansen

Okay, thank you.

1.11.53

Operator

The next question comes from the line of Kristian Godiksen from SEB. Please go ahead. Your line is open.

1.11.59

Kristian Godiksen

Thank you. A question on your return target. So ROCE is positively impacted by when you do farm-downs and you also have very high returns on your projects and your build-out plan and it is sensitive to timing so I was wondering if you could elaborate a bit on your IRR instead when you say you create value. Which kind of spread are you looking for comparing to your WAG and as this was not attractive in the Netherlands are you a bit worried that the multiple competitors saw value in bidding in the Netherlands? Thank you.

1.12.33

Henrik Poulsen

I mean when we talk about value creation, it is indeed a spread on top of our cost of capital. It is not a spread that we have been public about given the sensitivity around that being an important input parameter to these tenders and auctions but we are obviously looking at a meaningful spread on top of cost of capital. I.. you know, I don't want to start speculating about what competing bids for the Dutch tender assumed in terms of return requirement, but it is clear that you make assumptions on a number of important input parameters return requirement being one but also future power prices, obviously the whole CAPEX and OPEX assumption going into a bid so I don't want to speculate about what our competitors have been assuming I can only say that we couldn't quite get to the spread on top of cost of capital that we wanted for that particular project but I would not read too much into it in terms of what the future will bring.

1.13.35

Kristian Godiksen

Okay, just a quick follow-up on that and so do you see that you have a competitive edge when the projects tend to be more higher-risk projects or in less mature markets compared to the Netherlands which you say are a low-risk project in my stance?

1.13.51

Henrik Poulsen

I do believe that we generally speaking in any tender and auction we remain a very competitive company when it comes to offshore wind and I would also agree that whenever projects and market situations become more complex, our competitive advantage will probably tend to go up.

Kristian Godiksen

Okay thanks a lot.

1.14.15

Operator

The next question is from the line of Pinaki Das from Bank of America Merrill Lynch. Please go ahead, your line is open.

1.14.23

Pinaki Das

Yes hi, good morning and many thanks for taking my questions. I would like to ask a question about your farm-down gains. I know, Marianne, you said that you don't want to give any details by wind farms. What I am looking for is if I exclude the Hornsea 1 divestment that will happen in 2018 or 2019 you have already divested quite a few assets already in December 2017 and you have already in the last 3-4 years already reported some of those numbers in your EBITDA or your cash flow. I just want to know, you know, what is remaining of what you have already done? How much is left yet to get to the recognised either in EBITDA or in cash flow? Is there any difference between the two in the coming years? You don't have to give me specific number for 2018 as such – so what is remaining to be still recognised in the books?

1.15.24

Marianne Wiinholt

For 2018, as I said before, we have a part of the Walney Extension and the Borkum Riffgrund 2 farm-down gain that still both from an EBITDA perspective and from a cash perspective will be recognised in 2018 but it is not a very significant part because it is a very front-end loaded contract we have made so the most significant part came in 2017 on these two farm-downs. And sorry I can't be more specific than that.

1.15.55

Pinaki Das

Yeah, is it fair to say that whatever you have divested till now you only have you know a very modest amount remaining still to be recognised in future periods?

1.16.09

Marianne Wiinholt

Sorry, I didn't understand... could you repeat the question?

1.16.14

Pinaki Das

Yeah, so what I am asking is from all the divestments that you have already completed until now, is it fair to say that you have only got a modest amount remaining to be recognised in the next few years and I don't know the number but you said what? 3.94 billion for this year?

1.16.32

Henrik Poulsen

I mean, what you can see on page 18, to the left you can see that we had 3.9 billion from existing farm-down agreements in 2017 and we are saying that we are going to be lower in 2018. So at least you have the marker saying that we are going to be below that 3.9 billion number and that basically comes from the farm-downs that were completed during 2017. So that is one value marker and after that you will have the Hornsea 1 gain most likely distributed either between 2018 and 2019 or between 2019 and 2020.

1.17.08

Pinaki Das

Okay, great. That is clear, very good. Thank you so much.

1.17.13

Operator

Our next question is a follow-up from Mark Freshney from Credit Suisse. Please go ahead, your line is open.

1.17.18

Mark Freshney

Hello, thank you for taking my question. Can I ask about beyond tenders? At the moment you need a CfD or a contract via a government tender and the costs are socialised. Going forwards, you know I think you have even mentioned it in the past, direct long-term contracts with businesses as happens in North America is more important and I understand that you are looking to build up a business that supplies a lot more energy to the B2B market. Can you talk about how you are building up that within the distribution in customer services business?

1.18.04

Henrik Poulsen

Thank you, Mark. You know, you are absolutely right, I mean we are developing this energy as a service concept. It is still relatively early days but we see quite a bit of interest in the market where we essentially offer fully integrated green energy solutions to corporates and of course part of that market we would also consider corporate PPAs that potentially also could be corporate PPAs linked to specific offshore wind assets.

1.18.41

Operator

Okay and the next question is from the line of Sam Arie from UBS. Please go ahead, your line is open.

1.18.49

Sam Arie

Hi thank you I just wanted to come back with a question stepping back and looking at the global market for offshore wind. I think in the IPO you shared some estimates indicating a global market potential for offshore wind in the order of, from memory, 90-100GW. Obviously, that was a couple of years ago and things have changed. I just wonder what you think the global market size for offshore wind could be from where we are today?

1.19.18

Henrik Poulsen

Thanks, Sam. I mean, it is obvious that it is a target that evolves, I would say, currently almost on a weekly basis. Right now, we would estimate based on also numbers from Bloomberg New Energy Finance that the global offshore wind market would by 2025 probably be around 75GW – could be more than that, could be slightly lower, but that would be a reasonable estimate right now and then we would expect it to go well beyond 100GW by 2030. What we see right now is we see Taiwan stepping up its targets already for 2025. We see, as I mentioned earlier, the US states along the Eastern seaboard all coming forward right now with targets and New York recently publishing their plan to build 2.4GW, as I mentioned yesterday, was essentially stepped up by New Jersey as they announced the target to build 3.5GW. We also see Connecticut now coming out with a tender already during spring of this year, we see Virginia and Maryland moving forward, Massachusetts obviously also pioneering this so right now putting a target on the US for 2025 and 2030 we only see the numbers climbing right now. And we also see, when you go beyond US and Taiwan, which is obviously where we are investing a lot of time and money right now, we also see a number of additional markets around the world moving forward on offshore wind, both in Asia and Europe.

1.21.08

Sam Arie

Henrik, can I just follow up with a quick question on costs? Do you think in the timeframe you are discussing there for the market side, 2025, 2030, offshore wind costs could actually come down below onshore costs and the latest I read in the data we have had showing offshore catching up very quickly with onshore and I just wonder if you think ultimately offshore could be the cheapest technology?

1.21.34

Henrik Poulsen

It is a good question and unfortunately it is a somewhat complex question. There is no doubt that offshore wind has been catching up rapidly just over the past couple of years with onshore wind. Going forward, we will see continued cost reductions both for offshore wind and onshore wind and both of those technologies will play a vital role in the continued transformation of the energy system

worldwide. As we move forward, as these green technologies all become very cost competitive, it will increasingly also become a question of the specific site that you have available. So in other words, a mediocre onshore site will probably be outcompeted by a very strong offshore site and vice versa. So I think you will increasingly see the world of green energy being a matter of going down to the individual site, the individual project, to look at the characteristics at that level and that is ultimately what is going to drive the cost competitiveness. So while we can talk about cost competitiveness at a very abstract, general level for these technologies, the real competition, the real competitive advantages will be found down at the project-by-project level.

1.22.48

Sam Arie

Okay. Thank you very much.

1.22.52

Operator

And the next question is from the line of Timothy Ho from Morgan Stanley. Please go ahead, your line is open.

1.22.58

Timothy Ho

Hi there, it is just a follow-up on the 2018 guidance. So for the guidance of the year-on-year increase in 2018 group EBITDA including Hornsea, what is the SPA versus construction percentage that's assumed? Is it more like recent divestments where the bounce has been more towards the SPA or is it more like the earlier farm-downs that were more weighted towards construction contracts? And just on 2018, the value of the gas in storage, where there was a one-off positive this year. Can you give us an idea of the magnitude of that that we will see a reversal of in 2018? Thank you very much.

1.23.33

Marianne Wiinholt

Yeah. When it comes to Hornsea 1, you should expect a distribution very similar to Walney Extension so that means that a significant part will go to the SPA. When it comes to the gas storages, you will have an expected negative effect in the magnitude of 2-300 million going into 2018.

1.24.03

Timothy Ho

Great, thank you.

1.24.06

Operator

The next question is another follow-up from Marcus Bellander from Carnegie. Please go ahead, your line is open.

1.24.13

Marcus Bellander

Thank you, just a question on the impairment in wind power, I believe it was 0.5 billion. Could you elaborate a little bit on that?

1.24.22

Marianne Wiinholt

Yes. We have some project development costs. Most of them we expense and that is why you see significant project development expenses over the last years and now we are spending money both in Taiwan and US and therefore we guide for increased project development costs but we have also made some smaller acquisitions of project rights and we review those regularly and we have now taken a stricter view on those and made some smaller impairments. I cannot exactly tell you which projects we have written down but it is some smaller acquisitions we have made over the last years.

1.25.10

Marcus Bellander

All right, thank you.

1.25.14

Operator

The next question is from the line of Kristian Godiksen from SEB. Go ahead, your line is open.

1.25.20

Kristian Godiksen

Thank you. Just two questions. Firstly, have you changed your stance towards farming down projects post the Hornsea 1 or is this still based on NPV retention and diversification and if so, I guess it would make sense to farm down Hornsea 2, as the majority of your assets are based in the UK based on the diversification criteria. And then just secondly, I was just wondering if you could get some kind of

understanding of how much of an edge you have to competitors on the Renescience technology as I guess the main key differentiator in that technology is the enzyme provider and I guess you have an external provider? Thank you.

1.26.00

Henrik Poulsen

Yeah, thanks Kristian. On the farm-downs, we haven't essentially changed our approach. As you also rightfully say, we are assessing it from a couple of angles, one is the risk diversification angle and one is the NPV retention and ultimately, we obviously look at the two in combination. When it comes to farm-downs post Hornsea 1, we haven't made any decisions yet. We will assess them as we get closer to those projects. In the case of Hornsea 2, you are right, an argument could be made that from a country risk diversification point of view, that could be an argument in favour of farming down in Hornsea 2 but I don't think it in and of itself is enough to drive that decision, so as we get closer to time of construction, I think we will assess the situation at that point.

Renescience, the competitive edge of Renescience is really that we believe the technology is capable of delivering a higher recycling value from the household waste at what is a competitive gate fee, a competitive cost of the waste treatment. It is true that we obviously rely on supplies of enzymes and there we have good agreements in place, also for enzyme cocktails that are proprietary so we do believe we have a well-protected competitive edge in that regard.

1.27.41

Kristian Godiksen

Okay. Can you just elaborate a bit on how many other competitors do you see within this space? Are you exploring this on your own or are there multiple competitors here?

1.27.52

Henrik Poulsen

When it comes to Renescience as a technology, it is fairly unique. We don't see a lot of competitors with anything quite similar to Renescience so in that respect, our competition is really coming from incineration and landfills.

1.28.08

Kristian Godiksen

Okay. Thanks a lot.

1.28.13

Operator

And the final question comes from the line of Gurpreet Gujral from Macquarie. Please go ahead, your line is open.

1.28.17

Gurpreet Gujral

Hi, just a quick follow-up on the US and your... I appreciate the master plan only came out a couple of days ago, but when do you think participants in that market including yourselves will be in a position to secure a PPA in that market and is that the most mature specific market in the US do you think, the New York region, or are there other more leading contenders? Thank you.

1.28.46

Henrik Poulsen

Thank you. The New York master plan has basically also committed a solicitation for 800MW of offshore wind to be solicited expectedly towards the end of 2018 or first half of 2019, that would be our current expectation. So you should essentially see an auction taking place during that time frame so it is relatively soon that you will see the first 800MW of the 2.4GW commitment being solicited in New York. Of course, you see Massachusetts moving forward with the auction being in progress and when it comes to New Jersey now announcing a 3.5GW build-out, a question is when will the first solicitation in New Jersey take place? We don't know for certain but if we were to guess at this point, it could also be either towards the end of this year or during 2019 where we'd see a potential first auction taking place in New Jersey.

All right, thank you all very much for joining the call and thank you for all of the good questions and as always, should you have further questions, don't hesitate to reach out to IR and we will be available to you. Thank you and have a continued good day.