Moderator Hello and welcome to this Ørsted Q1 2020 earnings call. For the first part of this all participants will be in listen only mode and afterwards there will be a question and answer session.

So today’s speakers are the CEO Henrik Poulsen and CFO Marianne Wiinholt. Please begin.

Henrik Poulsen Good afternoon everyone and welcome to this earnings call.

I hope you’re all safe and in good spirits despite these unusual and challenging times. Despite the Covid-19 crisis and its profound impact on societies around the world. We have had a very good start to the year with strong financial results and solid operational performance across the entire business.

I’ll give you an update on the effects of Covid-19 shortly, but let me start by summarising the first quarter highlights. EBITDA for the quarter amounted to six point eight billion GDK which is an increase of 33 percent compared to last year.

The increase in EBITDA was mainly driven by our offshore and onshore wind farms in operation where we see a year on year increase of 25 percent driven by ramp up in generation from mostly Hornsea 1 but also Lockett and Sage Draw.

And that was further impacted by high wind speeds in Europe throughout the quarter.

The strong financial performance in first quarter keeps us well on track to reach our full year EBITDA guidance of 16 to 17 billion DKK

And at this point in time we have no indication that the COVID-19 situation will significantly impact our full year earnings and thus we reiterate our 2020 EBITDA guidance.

These first quarter results demonstrate the robustness of our business model and the strength and execution capacity of our organisation not least the frontline employees who have kept all our operational activities moving forward under challenging circumstances.

The continued build out within our offshore and onshore businesses brings our green share of heat and power generation to a record high 90 percent for the first quarter compared to 80 percent in the first quarter last year.

The increase once again underpins our commitment to a world that runs entirely on green energy and it brings us one step closer to our 2025 target of a completely carbon neutral generation. On the back of our Memorandum of Understanding with TEPCO we have now entered into an agreement to establish a joint venture company for offshore wind in Japan with the intention of working towards a joint bid in the first Japanese auction expected towards the end of this year.

The JV is a significant milestone for our market entry in Japan and we’re looking forward to supporting Japan’s ambitions for renewable power generation. In the Netherlands we have started the installation of turbines and achieved first power at the 752 megawatt Borssele 1 and 2 offshore wind farm yesterday. The Covid-19 crisis has made the construction of the wind farm more challenging than anticipated but the project team is working hard to progress the turbine installation on time without compromising health and safety standards and the project is well underway.
Earlier this week we signed a 15 year inflation index fixed price agreement with Nestlé UK starting in May 2020. Nestlé will buy the output of 31 megawatt from our Race Bank offshore wind farm corresponding to 125 gigawatt hours of green power per year. This will cover 50 percent of Nestlé’s UK power consumption. The PPA is our largest long-term fixed price PPA in the UK.

In March we commissioned our 338 megawatt Texan onshore wind farm Sage Draw on time and on budget. The 120 wind turbine project will have the capacity to meet the annual electricity needs of 120,000 households.

We continue to explore industrial scale production of green hydrogen. In the UK we have secured seven and a half million pounds in funding for phase two of the renewable hydrogen project Gigastack.

The project enables us and our partners to conduct a front end engineering design study on a 100 megawatt electrolyser using renewable energy from the Hornsea Two offshore wind farm.

In Denmark we are working on the H2 rest project together with our partners and we have received funding for the construction of a two megawatt electrolysis plant including hydrogen storage. The electrolysis plant will generate renewable hydrogen for buses, lorries and possibly taxis. In addition to the funded projects in Denmark and the UK we are involved in other early states renewable hydrogen projects in Germany and the Netherlands.

We remain excited about the significant potential we see in renewable hydrogen to decarbonise industrial processes and replace fossil fuels with hydrogen based e-fuels for heavy transportation and aviation.

At the end of March the Copenhagen maritime and commercial court decided to close the action for damages in our favour in the Elsam case.

The action for damages related to a claimed abuse of a dominant position on the market for wholesale power between 2003 and 2006.

We are very pleased with the court's decision and see it as a natural outcome in continuation of the preceding acquittal from the competition authorities claim on this matter. However, we were informed earlier this week that the claimants have decided to appeal the case to the Supreme Court.

**Turning to Slide 4 and an update on COVID-19.**

On March 25th we provided the market with an update on our operational and financial situation and gave an overview of the risks related to COVID-19 which could potentially impact our business.

Obviously the situation is constantly developing and we remain vigilant about the unfolding crisis but let me just take you through the development since our last market update.

I’ll start by highlighting that our asset base despite COVID-19 is still fully operational at normal availability rates with the 25 percent increase in EBITDA from offshore and onshore wind farms also underlines. While the necessary extensive measures to protect the health of our employees will
continue to challenge our operations we remain optimistic about being able to maintain normal availability rates across our operating assets.

As our power generation is almost fully hatched the first couple of years the price volatility as seen in the market has had a very limited impact on our financial results for Q1 and is not expected to have any significant impact for the remainder of the year.

With cash, cash equivalents and committed credit facilities of approximately 30 billion DKK at the end of Q1 we have sufficient financial resources to continue our day to day operations and investment program through 2020 and 2021 without further funding.

We will not rule out that we will take up further funding over the next couple of years but we are not under any pressure to do so and we can await the right timing.

Since the market update in March we have seen some new developments on the risks we highlighted. These risks are primarily related to our construction and development projects.

Our construction projects all remain on track but on a couple of the projects we do see an increased risk of component and service delivery delays from suppliers impacted by COVID-19. In Singapore two shipyards manufacturing the substations for Hornsea 2 and Greater Changhua 1 and 2a have been temporarily closed due to the COVID-19 outbreak.

At this point in time we don’t expect these shutdowns to have a critical impact on the 900 megawatt Greater Changhua 1 and 2a timeline whereas the Hornsea Two construction timeline is somewhat more at risk although it is still too early to conclude. Our onshore solar and storage project Permian Energy Center is partially supplied with solar panels and inverters from Malaysia and India respectively. The delivery of these components could potentially be delayed due to factory shutdowns caused by the COVID-19 virus. Currently the scope of the delay is not considered to be critical and we still expect to complete the Permian Energy Center in 2021. We collaborate closely with all our partners to mitigate these situations as best possible and without compromising health and safety standards.

Based on our current outlook it is our assessment that the COVID-19 related impact on the construction projects will be limited both in terms of timing and economics.

Turning to our development pipeline where we currently have the most notable impact from COVID-19 as we have previously communicated our offshore development projects in the US are moving forward although at a slower pace than originally expected due to a combination of the Bureau of Ocean Energy Management’s prolonged analysis of the cumulative impacts from the build out of US offshore wind and now also COVID-19 effects. The two earliest projects in our pipeline, the 120 megawatts Skipjack project in Maryland and 130 megawatt South Fork project in New York are most exposed to the risk of delays. For Skipjack it is no longer realistic to receive the Notice of Intent from BOEM in due time to meet the commissioning date in late 2022.

The Notice of Intent is the first important milestone towards receiving the final permit, the so-called Construction and Operations Plan approval. Therefore we now expect to commission the wind farm approximately one year later.
Likewise although we have received the Notice of Intent for the South Fork Project which is also planned for 2022 commissioning date. We have not received a confirmed permit schedule from the Federal Government outlining when the Construction and Operations Plan approval will be received.

This combined with impacts from the COVID-19 related shutdowns in New York will also very likely delay South Fork to beyond 2022. Although delays are never helpful for value creation we expect the overall impact on the economics for both of these projects to be contained. For our largest awarded US development projects Revolution Wind, Ocean Wind and Sunrise Wind with the expected commissioning in 2023 and 2024 we also see increased risk of delays.

We have submitted our COP applications for Ocean Wind and Revolution Wind and are awaiting BOEM to issue their notices of intent for these two projects outlining the timeline to get to COP approval. For Sunrise Wind in New York we are currently unable to progress our offshore site surveys due to COVID-19 restrictions which adversely impacts our COP application process.

So for these three projects we need more visibility on the path to COP approval before concluding on whether the current commissioning timing in 2023/24 remains realistic.

We expect to have more clarity on this matter after summer.

Finally we have as a precautionary measure taken that 100 million DKK provision for bad debt to cover the COVID-19 related default risk among our customers in our B2B business.

**Turning to Slide 5 where I will give an update on the offshore construction projects currently in progress.**

At our Dutch Borsssele 1 and 2 wind farm as I mentioned we installed the first turbine earlier this month and we have now installed seven out of the 94 turbines.

As mentioned we generated first power yesterday and expect the wind farm to be completed on time by the end of Q4 this year.

At the Virginia EPC demo project the foundations and turbines are underway to Halifax Canada from where they will be loaded out to the construction site and at both Hornsea 2 and Greater Changhua 1 and 2a we continue the onshore construction work on schedule. In April we signed a 15 year contract with Ta San Shang Marine chartering the shipping company to build the world’s first ever Taiwan flagged service operation vessel for the operation and maintenance of our Greater Changhua offshore wind farms.

**Turning to Slide 6 and an update on construction projects outside offshore.**

In onshore we continue to see good progress on our three construction projects and the onsite construction teams are working well with effective social distancing measures in place. Despite the challenges I alluded to before we still expect to complete Plum Creek and Willow Creek during 2020 and Permian Energy Center in 2021. At Plum Creek we have installed 46 of the 82 turbines.

At our Renescience facility in the UK the plant is now ready to be put back into operation following a number of upgrades to the facility. We expect the plant to be commissioned later this year. The plant
is currently demand due to the COVID-19 situation but we will resume the ramp up of production as soon as the situation allows for it.

**Moving to Slide 7 and an update on market development and upcoming auctions.**

Usually I go through three regional market developments slides but as there have been limited new developments in recent month I will cover the most significant highlights together with the updates to the timeline for auctions and tenders in 2020 and 2021. The market development slides can be found in the appendix to this presentation.

We are still looking into a very significant number of auctions and tenders in 2020 and 2021 as most countries and states stick to the original timeline despite the COVID-19 situation.

In Europe the bid deadline for the tender of Holland Coast North 1 is due tomorrow and we intend to join the tender. The COVID-19 crisis has caused a decrease in power demand and commodity prices and it will have a deep impact on the global economy.

However, we do believe the world will recover from the crisis over the next couple of years.

And on this basis we will continue to take a long term view on the investment opportunities we see in the market across regions and across technologies.

We believe financially robust companies that maintain a long-term view on the market are likely to find additional opportunities in the wake of the current crisis.

When assessing these opportunities we are looking to build a global portfolio of high quality assets which is diversified along several risk dimensions.

Risks considered include among others sovereign risk, currency, consenting and permitting, construction, supply chain maturity, interconnection and transmission access, merchant price exposure and stakeholder complexities. The Dutch Project up for tender is low risk on essentially all other dimensions than merchant price exposure.

As we seek to build a global project portfolio with a balanced profile across all risk dimensions we currently see a role for our project with the characteristics offered by the Dutch project.

It goes without saying that I cannot go into details about our bid but I believe we made a strong proposition to the benefit of the Dutch society and environment. Should we win the tender we will give it leverage our market based set of hedging strategies as well as the corporate PPA market to balance out the merchant exposure.

Looking towards the US where Maryland has announced the target of approximately one point six gigawatt offshore wind capacity by 2030 of which 1.2 gigawatt remains available. Auctions are planned for first half 2020, 2021 and 2022 respectively with at least 400 megawatts in each auction.

In Virginia Governor Ralph Northam has signed the Clean Economy Act for development of at least 5.2 gigawatts of offshore wind by 2034. Roughly half of that capacity will be developed and owned by Dominion Energy whereas no plan has been published for the remainder of the capacity. In New York has NYSERDA has been authorised to start procurement of up to two and a half gigawatt offshore wind capacity.
In the beginning of this week the agency decided not to accelerate the opening of the auction amid COVID-19 concerns. However, we still anticipate the auction to proceed over the course of second half this year.

As mentioned in the beginning of the call we have established a JV for offshore wind in Japan with TEPCO due to a prolonged site designation process and a pending announcement of the final auction design. We now expect the qualification of prospective areas to take place during second quarter this year ahead of an expected auction towards the end of the year.

Finally turning to Belgium where the government recently set a target to allocate two point two gigawatts of offshore wind by 2022 and 4 gigawatt by 2030 auctions are expected to take place in 2021 and 2022. But the auction framework is still to be announced.

With this I will now hand over the work to Marianne.

Marianne Winholt Thank you Henrik. And good afternoon from me too.

Let's start on slide 8 where I will go through the EBITDA for Q1 2020.

In Q1 we realised and EBITDA of six point eight billion DKK, an increase of one point seven billion on Q1 19 corresponding to a 33 percent increase. In offshore the EBITDA for the quarter to five point six billion an increase of one point three billion. The earnings from operating windfarms increased 25 percent compared to last year driven by the ramp up of generation from Hornsea 1 as well as very high wind speeds in the quarter. Wind speeds amounted to a portfolio average of twelve point one metre per second which is above a normal win year of ten point four metres per second.

Availability of that 93 percent which was below Q1 19, the lower availability in Q1 2020 was driven by Hornsea 1 due to cable replacement campaigns and Borkum Riffgrund 2 due to largely compensated transmission outage.

Earnings from partnerships total one point one billion compared to zero point nine billion in Q1 2019. The construction agreements in Q1 2020 primarily related to the updated assumption regarding the divestment of the transmission assets for Hornsea 1. These changed assumptions also forms the basis for the 1 billion increase in our full year EBITDA guidance in early March.

Other including product development costs amounted to a negative zero point four billion. The lower levels relative to Q1 19 was mainly due to higher expense product development activities in the U.S. and Taiwan in Q1 19.

In Onshore EBITDA totalled eight hundred and seven million, an increase of 36 million on Q1 19. The earnings increase of 24 per cent was primarily due to ramp up of generation from Sage Draw and Lockett. The wind speeds for the portfolio was seven point five metres per second below the normal wind speeds in Texas and below the wind speeds in Q1 19.

Availability across the portfolio came in at 95 percent.

EBITDA in Markets and Bioenergy was nine hundred and thirty three million, an increase of two hundred and forty nine million. The earnings from our gas activities increased by 128 million and this was mainly due to a less negative effect from revaluation of our gas at storage as gas prices had a
steeper decline during Q1 last year than it has this year as well as the positive effect from storage hedges. This was partly offset by lower earnings due to the shutdown from late nineteen until 2022 of the two gas fields as well as the provision for bad debt which Henrik mentioned a of hundred million in our B2B business to cover the extraordinary default risk among our customers due to COVID-19. EBITDA from Distribution, B2C and city light increase by zero point one billion mainly due to lower cost. As in Q4 19 earnings from trading related to hedging of our power exposures and power portfolio optimisation in relation to Offshore and Onshore are presented in these business units. In Q1 2020 EBITDA of a hundred and ninety five million and a negative ten million were transferred from Markets and Bioenergy to Offshore and Onshore respectively while 390 million was transferred to Offshore in Q1 19.

**If we then turn to Slide 9 and our financial performance and net interest and debt.**

Net profit totalled three point three billion, a zero point seven billion increase compared to Q1 19. The higher EBITDA was partly offset by higher depreciation driven by more wind farms in operation and higher financial expenses.

Free cash flow from continuing operations was negative five point seven billion in Q1 2020.

Cash flow from operating activities came in at negative zero point four billion mainly driven by the EBITDA being more than offset by funds tied up in the working progress on construction agreements and changes in the value of derivatives.

Furthermore, one point three billion was paid on account tax in Denmark in Q1 2020.

Our gross investments for the quarter totalled five point three billion primarily related to our offshore projects Borssele 1 and 2, Hornsea 2 and Greater Changhua 1 and 2a as well as our onshore projects Sage Draw, Plum Creek and Permian Energy Center.

Our next debt at the end of the quarter amounted to twenty seven point one billion, a nine point nine billion increase in the quarter primarily reflected the negative free cash flow as just described as well as the distribution of four point four billion in dividends to our shareholders. We had a positive impact from exchange rate adjustments of zero point four billion.

**Let’s move to Slide 10 which shows our financial and then on financial ratios.**

Our key credit metric FFO to adjusted net debt stood at 21 percent for the 12 month period ending in March. The low level is primarily because it includes the majority of our current tax regarding 2019. For the full year we still expect the credit metrics to be in line with our target of around 30 percent.

Our return on capital employed came in at eleven percent, a decrease compared to the same period last year was because of the lower EBITDA over the twelve months period which in Q1 2019 was significantly impacted by the farm down from Hornsea 1 in Q4 2018. This return level is around our target of an average return on capital employed approximately 10 percent for the group of 19 to 2025.

Our greenhouse gas emissions continue to decline due to our continued build out of offshore and onshore wind. We remain well on track to meet our scope one and two targets in 2025. Our target is to be carbon neutral in 2025 by neutralising these last emissions with carbon offsets.
As always safety is high on our agenda and we do our utmost to prevent accidents and injuries. Over the last 12 months the total recordable injury rate also called TRIR amounted to four point seven which was an increase compared to the same period last year.

However, we are off to a better start this year as the recordable injury in Q4 2020 fell by 18 percent compared to last year. Our target is to reduce this rate to four point two or lower by 2020 and to two point nine in 2025.

**Slide 11 recaps our 2020 EBITDA and growth investment guidance as well as our long-term financial estimates and policies.**

As I already mentioned we increased our EBITDA guidance from 15 to 16 billion to 16 to 17 billion on March 4th due to the updated assumptions regarding the divestment of the transmission assets for Hornsea 1.

Our directional EBITDA guidance for Offshore is still lower compared to 2019 but we now expect earnings from existing partnerships in 2020 to amount to approximately one point two billion.

In the annual report for 2019 earnings from existing partnerships in 2020 were expected to be limited.

The directional EBITDA guidance for Onshore and Markets and Bioenergy is unchanged relative to the guidance in the annual report for 2019.

Our growth investments guidance is unchanged relative to our guidance in the annual report and gross investments are expected to amount to 30 to 32 billion.

I will now hand back to Henrik.

**Henrik Poulsen** Thank you Marianne. On a final note let me just again emphasise that Ørsted is a strong company with a resilient business model and we are in a much less vulnerable position than many other sectors that regrettably are deeply impacted by this crisis.

However, the impact of COVID-19 will have material ripple effects throughout all economies and sectors and you can rest assured that we will not be complacent about its potential impact on Ørsted.

We are obviously far from through the crisis and there is still a huge task ahead as societies around the world seek to contain the spread of the virus while also taking action to minimise the economic setback and start gradually easing the restrictions on our mobility, work life and our social life.

The severe economic and social impact of COVID-19 will be felt for quite a while but I remain absolutely convinced that the world will soon be on a path towards recovery.

Maybe with some lessons learned and reflections that will stay with us for the long term. It remains to be seen how COVID-19 will impact the speed of the global transition to green energy. Based on the segments we have received to date it seems likely that many governments will seek to tackle the COVID-19 crisis and the climate crisis at the same time through comprehensive future oriented investments in sustainability.
We will see a temporary decrease in global power consumption during the crisis and a subsequent recession and we will likely also see some delays to auctions and permits.

But it will not materially change the long-term growth of renewable energy.

Climate change remains a profound and pressing challenge for the planet and based on the dramatic price improvements in recent years the build out of wind and solar power have become a cost-effective way of decarbonising societies while driving local economic activity and job creation.

As such we are convinced that the public and political focus on sustainability and green investments will remain strong.

On that note we will open up for questions. Operator please.

**Q&A session**

**Moderator** Thank you. Ladies and gentlemen if you wish to ask a question can you please press star then two on your phone keypad now in order to enter the queue.

There'll be a brief pause while the questions are being registered.

Okay our first person is the line of Casper Blom at ABG Sundal Collier. Please go ahead Casper your line is now open.

**Casper Blom** Thank you very much and thanks for the

**Moderator** Sorry but could you repeat that question. Your line just went.

Okay we seem to have lost the line of Casper so we go over to the line of Mark Freshney of Credit Suisse. Please go ahead Mark. Your line is now open.

**Mark Freshney** If I could ask two questions please.

Firstly, if the US pipeline gets pushed back by a year presumably there is also scope to potentially lose the subsidies but going the other way use later variants of some of the turbines that you would have earmarked.

So can you talk about how the economics may change or improve?

And secondly just with regards to the US onshore market I think it's becoming clear that OEMs are declaring force majeure.

Not everybody who wants North American turbines will get them this year.

Can you talk about how that may impact PTC accreditation and project returns and whether from an industry perspective you could get an extension or if there are any loopholes that would enable you to accredit under the Safe Harbor

**Henrik Poulsen** Thanks Mark.

On the US pipeline again it’s clearly it’s way too early to conclude anything on the schedule for the large projects, the three large projects we’re still working towards delivering them on the current
COD schedule but that does require that we start to soon receive some of these permits that I alluded to earlier. If we don't obviously at some point it will cause a delay. That may not be a full year delay. Those could be also shorter delays than that. So the impact of any potential delays remains to be seen. We'll obviously be hard at work to mitigate any negative effects from any potential delays.

We don't see any of the PPAs being at risk.

We have good flexibility in these PPAs to work with the different states to still deliver on an extended timeline. So that is not that is not a concern for now when we look at mitigating the impact of any potential delays we will of course also be looking at any potential upsides that we may have in terms of bringing even newer technology into that into the offshore wind farms. So we'll of course make good use of any extended timelines in that in that regard.

When it comes to the onshore market we have good visibility on turbine deliveries for Plum Creek. In fact we have the vast majority of turbines available at site already.

So we are not concerned about our ability to deliver Plum Creek this year.

We also continue to receive positive signals with regard to turbine deliveries for Willow Creek and those turbine deliveries are only a few weeks away now.

So we also are optimistic about our ability to deliver Willow Creek on schedule later this year.

So again we see very little risk here.

If there was a one year extension which is being discussed in the US at the moment it would obviously add further cushion to our 100 percent PTC projects at the moment and such an extension could potentially also have other positive effects in other parts of our development portfolio.

Mark Freshney Thank you.

Moderator Okay we now go to the line of John Musk at RBC. Please go ahead your line is now open.

John Musk Yes apologies for some background noise.

Two quick questions.

Firstly, can you update on the potential farm down in Taiwan.

Is that being impacted by anything related to COVID in the near term.

And then secondly is there any further guidance you can give on the development of net debt to year end in particular with some of the funds that are tied up and work in progress.

Obviously the balance CAPEX that needs to go out, should we be expecting that net debt figure to rise into the year end?

Henrik Poulsen I'll start out on the Changhua 1 farm down. It continues to progress.

We have seen some reduction of pace due to COVID-19 preventing us from meeting and travelling.

But despite this we still continue to progress the transaction at decent speed.
So we don't expect any material delays to the transaction which also means that we would still expect to sign it before the end of this year.

Closing would still most likely be first half of next year.

**Marianne Wiinholt** Yes and then on the net developments we will have the proceeds from the divestment of Radius some customers coming in in the second half and then we have the very high level of investments.

So of course it's very difficult to predict but more or less a flat level is probably not an unreasonable expectation.

**John Musk** Okay thank you.

**Moderator** Okay, we now go to the line of Rob Pulley at Morgan Stanley. Please go ahead Rob. Your line is now open.

**Rob Pulley** Thank you gentlemen.

Two quick questions.

The first one just following up on the on the Taiwan question highlighting that you are progressing. Is there any room for an evolution in the valuation discussion there or is that fairly locked in obviously given the change in the shape of the world?

The second question if I may is are the slippages in the US particularly on the admin side around permits.

Do you consider at this stage this is a one time slippage or could we see ongoing delays as government bureaucracy and bottlenecks take time to sort of resolve and indeed bottleneck?

Thank you.

**Henrik Poulsen** Thank you.

On the valuation we don’t see any room really for renegotiating the value of the Changhua 1 farm down.

So that is that is not part of part of the process.

On the US what we see at the moment is obviously first and foremost the impact from the cumulative impact assessment that was initiated in August last year and which has been extended and we now expect it to be published in June this year.

And following that we would expect permitting to progress across the different development projects in the US.

So once we are on the other side of that we would expect permitting to start picking up.

So we consider this a one off situation.
And as I alluded to earlier too early to tell whether it will impact the three large projects. And if so to what extent. But but we don’t see it as an ongoing series of delays. That’s not what we expect.

Rob Pulleyn Thanks very much.

Moderator Okay our next is from the line of Thomas Diesel from Union Investment. Please go ahead Thomas. Your line is now open.

Thomas Diesel Hello everyone.

Thank you for the presentation.

A brief question regarding the three projects Revolution Wind, Ocean Wind and Sunrise Wind. Could you please remind me of the capacity of the various projects placed?

Henrik Poulsen Yes I just have two things from the top of my head now.

So Revolution Wind is a seven hundred and four megawatt project and Ocean Wind is eleven hundred and Sunrise Wind is eight hundred and eighty.

I got it right.

Thomas Diesel Thank you very much.

Moderator Thank you, okay. The next question is from the line of Klaus Kehl at Nykredit. Please go ahead. Your line is now open

Klaus Kehl Two questions from my side. First of all we’re seeing a pretty low power prices these days due to the corona outbreak and you will bid in the Dutch auction in the coming days which is without the subsidies but let’s just assume that prices they stay low for the next thirty five years then what, are you allowed to walk away if the economy doesn’t make any sense or how does such an auction actually work that would be my first question?

Henrik Poulsen Yes should I answer that first, Klaus, then I would say we have a very prudent view on what we would expect from future power prices.

If you look towards 2023 and beyond the forward curve pre Corona to the current forward curve is down by 2 3 4 percent so the market is pricing in close to a full recovery of power prices to pre outbreak levels. On the current forward curve we still believe that this is a project that will allow us to generate meaningful value.

And as I alluded to we also do expect that we’ll be able to offset part of the merchant exposure both through our hedging strategies and also in the corporate PPA market potentially a PPA market also supported by future build out of green hydrogen.

So we see different strategies that make us quite comfortable about the value creation potential.
As I said we are balancing out a number of different risks when we compose our global asset portfolio.

And of course merchant price exposure is a very significant risk to be considered and it’s a very visible risk but we face a number of other risks whenever we engage around the world.

And we are seeking to basically create a portfolio which is well diversified across all of these risk dimensions.

At the moment we have very little merchant risk in our portfolio.

And also going forward we will still have limited merchant share in our portfolio.

You have to bear in mind that we are still building the vast majority of our volumes based on long term fixed price contracts at the moment.

If we were to see a power price environment which is below our expectation it is not a reason for us walking away from the project.

The framework wouldn't allow for that.

So once we take on the risk we take it on.

Klaus Kehl Okay great.

And then then my second question would be you have had a pretty solid start to the year and yet you only reiterate your guidance for the full year.

So would it be fair to say that either perhaps guidance is a bit conservative or at least you are pretty certain that you will reach the target or is there some risk factors in the coming quarters that I’m missing?

Henrik Poulsen Well I think there are a couple of angles to the answer Klaus.

One is that it’s still early days right.

I mean we’re only one quarter into the year so we don’t want to get ahead of ourselves.

Secondly even if you have very strong wind quarters or wind months it tends to even out a little bit over the course of the year.

So on a full year basis we don't see huge fluctuations in the total wind content.

So whatever we are ahead after Q1 we could still lose some of that during the balance of the year.

And then third and finally it’s quite clear that we are going through a very unpredictable situation with COVID-19 and even if we feel we are very robust and well on top of it again we don’t want to get complacent about operating in this type of environment.

So when you add those factors up we feel it’s prudent to just in quotation marks just maintain our guidance.

Klaus Kehl Okay. Got it. Thank you very much.
**Moderator** We now go to the line of Peter Bisztyga of Bank of America Securities. Please go ahead Peter, your line is now open.

**Peter Bisztyga** Two questions from me. Can you just remind us when you expect to make your final investment decision on your German zero subsidy project and is your view of these projects based on exactly the same conversation that we’ve had on this call about your Dutch zero subsidy auction. So do you see the economics of these German projects as unchanged long term?

And then a question on your bad debt provision that you’ve taken for your B2B customers it sort of seems quite low in absolute terms.

I was just wondering what sort of bad debts do you normally see, what are you experiencing at the moment and what sort of assumptions have you used to make this provision?

**Henrik Poulsen** Thanks Peter.

With regard to the FID on the on the German development projects we would expect to make those decisions during 2021.

Our appetite for the German projects has not diminished.

We continue to progress them and we continue to develop both the technical concepts and the commercial equation and the business case.

As you know we have also been signing a corporate PPA contract against part of Borkum Riffgrund 3.

Also again when we look at the total portfolio composition across offshore onshore wind and solar across regions we see room for this exposure in our total asset portfolio.

So no change in our attitude and approach to the to the German projects.

**Marianne Wiinholt** Yes and then you had a question on the bad debt provision.

We have accounts payable balance of approximately one billion Danish.

And now we have made one hundred million on top of our normal conditions.

So we have made it quite conservative because we have quite a prudent credit policy when it comes to our B2B business.

So I would say very much still consider this to be a conservative position.

**Peter Bisztyga** Great. Thanks very much.

**Moderator** Okay, our next question is from the line of Marcus Bellander at Nordea. Please go ahead Marcus. Your line is now open.

**Marcus Bellander** Thank you. Two questions if I may.

First regarding the Dutch auction I just read that Vattenfall has decided not to participate and Vattenfall has been a pretty eager participant in the Dutch auctions so far.

Is there anything materially different about this auction compared to the past ones?
And then my second question just a detail you write in the report that's pretty weak earnings from heat and power generation in bioenergy was offset by increased sales of ancillary services.

And I'm just wondering if you could add some colour to that why there is more ancillary services sold in this quarter and whether that's sustainable.

Thank you.

Henrik Poulsen Thanks Marcus.

With regard to the Dutch tender there are no material changes to the format of this tender compared to previous tenders.

Obviously I cannot comment on Vattenfall's decision not to join the tender.

I'm sure they have their strategic and financial considerations behind that.

And obviously they have also taken two of the previous tenders in the Netherlands.

When it comes to heat and power generation Marianne

Marianne Wiinholt Yes we have after we have seen an opening of the transmission line to Germany which we have done over the last year and a half or something we have seen an increased demand for ancillary services.

For us it looks quite sustainable, of course you can never rule out how things will develop going forward but over the last period we have seen very strong demand for ancillary services and we have also been successful in winning these tenders that Energinet DK are running for these services.

Henrik Poulsen The increased capacity on the Danish German interconnect means that we are able to deliver more ancillary services to help balance out the northern part of the German grid.

So we are also now essentially providing services to help balance out Germany.

Marcus Bellander That's great. Thank you.

Moderator Okay our next question is from the line of Sam Arie at UBS. Please go ahead.

Sam Arie Oh hi, good afternoon.

Thank you for the presentation and congratulations again on a great set of results.

I've got one niggling detail question and one bigger picture. The niggling detail and forgive me if I've missed something but as I remember the Radius disposal you talked about the proceeds in the second half but I think that deal is not actually closed yet.

So can I just check is that closed or not closed?

Is there any risk that it wouldn't close or are we can we sort of be hundred percent confident that that goes through as expected.

That's my niggling question and I'm sure the answer is yes it's fine but please confirm you are right.
Marianne Wiinholt It's not closed but the regulatory process is progressing well. So we expect it to close in the second half and the other is that get the proceed.

Sam Arie Okay. Very good. That’s what I was hoping to hear, thank you.

And then if I may for the slightly bigger picture question when we last met I think you said that one of the main questions you’d been getting from the market at the time was about the risk of oil majors coming into the sector with ambitions to grow renewable business.

I think it's interesting recently we've seen several of the oil companies repeating their renewable objective despite some pressures I guess that they face at the moment.

So my question is this is this really do you see this as a threat?

Do you think there's a different way that you might look at this over time?

For example would you be open to some kind of longer term partnership or a joint venture with one of the oil companies and if that's on the radar what could they offer you that you don't already have or that might be interesting to you. Thank you.

Henrik Poulsen Thanks Sam.

Again it's difficult to start speculating about how the oil majors will be impacted by the current crisis in terms of their commitment to a strategic pivot towards green energy.

On one hand you could say they will be under even more pressure to accelerate the pivot, on the other hand they will be basically struggling to generate the same type of cash if any from their core business.

So they will also be busy sort of just keeping the core business intact and in decent shape and for the time being they also seeing obviously a pickup in their cost of capital.

So there are a number of things that obviously will weigh into how they're going to approach this.

And clearly I'm not going to pretend that I'm an expert on how they will behave in the years to come.

They are undoubtedly still going to move forward with green investments, a source they will be part of our industry. We welcome that.

We're going to need a lot of capital to transform the global energy system and in some cases they will be competitors as we have already seen last year and the year before. In other cases we may collaborate.

You know that we have had a joint bit in the Dunkirk tender in France with Total.

So we basically see them as we see most other competitors.

Sam Arie That’s really interesting. Thank you. I'm tempted to ask lots of follow ups but I'll leave it there. Thank you.

Henrik Poulsen I'm always available so don't hesitate.
Sam Arie Okay.

Moderator Okay our next question is the line of Casper Blom at ABG Sundal Collier. Please go ahead your line is now open.

Casper Blom Thanks a lot, I will.

I’ll try again after I got disconnected previously. Sorry about that.

Basically it’s just two follow up questions on previous questions asked following up a little bit on Sam’s question here. Have you seen any changes at all to sort of the competitive behaviour over the last 1 or 2 months or is it simply too early to talk about that when it comes to all majors and more traditional competitors.

And then secondly in the US as you wait for the regulator to finish up on Skipjack itself would have to see any a risk or scenario where they end up with a decision that will be in any way costly for you mean basically changing the layout or requirements on how to build offshore wind in the US.

Henrik Poulsen Thanks Casper.

On the oil majors again we haven’t really been able to detect any change to behaviours.

Again you have to bear in mind that our ability to decode competitive behaviour is very much linked to the tenders and the auctions.

And there we have seen little activity since the outbreak of the COVID crisis.

If anything you could look at the Dutch tender with deadline tomorrow, a couple of the traditional players have publicly stated that they are not going to join but I’m not sure I would read too much into it.

I’m sure there would still be pretty intense competition in that Dutch tender. When it comes to the regulatory process in the US we have already been going through some modifications to the layout of the US offshore wind farms, most notably the spacing between the turbines where we have already accepted to use a wider spacing to accommodate other key stakeholders including fishermen and the Coast Guard.

So for now I would not expect us to see any additional changes of that nature.

Casper Blom Okay just a follow up on that Henrik.

When you change the layout like that is that does that make the project more expensive for you to build?

Or is it basically just a matter of taking up more space and thereby needing less base for future projects?

Henrik Poulsen It is mostly a matter of using more acreage taking away space from future projects.

You may have additional costs for site surveys and the and the cabling infrastructure.
So on those two particular items you will see increased costs. On the other hand you will have reduced wage effects due to the additional spacing so different factors would go into slightly different directions.

**Casper Blom** That's super helpful. Thanks a lot.

**Moderator** Okay we now go to the line of Deepa Venkateswaran from Bernstein. Please go ahead your line is now open.

**Deepa Venkateswaran** Thank you.

I have a few questions.

So firstly starting on the availability I noticed that it's 93 percent this quarter versus 96 last year.

I was wondering last year in Q2 you had lots of these outages and I also saw that there's already some cable replacement for Hornsea 1 which is fairly new.

So would you be able to comment about what happened in Q1 this year?

And then are you seeing any impact either because of COVID or would you like to comment about the whole cable replacement campaign?

Second question on offshore wind.

I just wondered in December that there was any economic impact for the larger projects if there's a one year delay either because of the tax credits or anything we need to account for.

And would you be able to clarify whether any of your tax assumptions are linked to when the commissioning actually ends and maybe the third question following up from sort of when you gave the COVID briefing a month back you mentioned that you were in touch with some of the officials from the European Union.

I was wondering if you could give an update of how you think the whole green recovery discussions are going.

And any sort of insight or commentary on that would be very helpful.

Thank you.

**Henrik Poulsen** Thanks Deepa. On availability you're absolutely right.

The biggest impact we saw in Q1 is from the replacement of joints in the eastern section of Hornsea 1. We detected one joint where we had an issue rather than waiting for waiting for potential additional failures we decided to replace all of the joints in that section.

We don't have any of those joints in the midsection which is the one that has been on CFD since last year.

We have now finished that cable campaign but it did have an impact on availability in Q1.
Furthermore we had very strong wind speeds in particular in February which also impacted our availability.

We simply couldn't get out to do maintenance on the turbines and there you would have to just see it as a hedge.

We get the benefit from the strong wind speed.

But on the other hand it impacts availability on the negative.

And then we've had further outages at the converter station at Borkum Riffgrund 2 those are the main buckets in Q1 nothing that we overly concerned about, these situations will come and go and when you look at the total economic impact of outages in Q1 we would consider that sort of the normal level for a first quarter.

On the economic impact in the US from potential delays it shouldn't impact our ITC.

We are qualifying those tax credits upfront through investments into components for the wind farms and as such we have qualified the projects.

On the topic of green recovery there is a lot of activity at the moment.

Obviously governments have been busy spending whatever headroom they have to support heavily impacted business sectors to basically stay afloat during the crisis.

But now most governments are beginning to spend more and more time on thinking about how to help rejuvenate the economies as we navigate through the crisis and hopefully get to the other side of it and there in many countries and also at EU level we see a lot of focus on using green investments as part of stimulating economic growth and job creation.

And it goes without saying that in particular in Europe where we have a stronghold in renewable energy it will be a focus area for the European Union.

We saw that also through comments yesterday from Miss von der Leyen and we saw also remarks from the German government which is about to take up the EU presidency that they intend to put focus on among other things they emphasised projects combining green hydrogen and offshore wind.

I can also say we have and when I say we it's Martin Neubert and myself we have been in meetings with the European Commission at senior level in recent weeks to just share our perspective and our views on what can be done to tackle the climate crisis and COVID-19 at the same time.

**Deepa Venkateswaran** Thank you.

**Moderator** Okay, our next question is over to the line of Alberto Gandolfi at Goldman Sachs. Please go ahead. Your line is now open.

**Alberto Gandolfi** Thank you. All my questions have been answered.

I didn’t manage to cancel but I would like the opportunity to wish you all the best. Stay safe and thank you so much.
Henrik Poulsen Thank you Alberto.

Moderator Okay in that case our next question is from the line of Kristian Johansen at Danske Bank. Please go ahead. Your line is now open.

Kristian Johansen Thank you.

Firstly in offshore do you still expect project development costs to be lower this year compared to last year?

Marianne Wiinholt Yes there's no change to that.

Kristian Johansen Great.

Then just getting back to guidance and especially your indication of lower earnings for offshore for this year compared to last year.

So you’re guiding quite specifically for a decline of two point six billion from construction contracts but you've had a 1 billion gain in Q1 in your sites.

So I'm just struggling to understand why you shouldn’t increase earnings by at least one point five billion in the main three quarters in the sites considering you have full impact of Hornsea 1, you have another 400 megawatt peaking enough to keep the CFD contract, and now also have Borssele contributing with earnings.

Henrik Poulsen Kristian I think we are going to have to do a little bit of math.

So while I start answering I will see if Marianne can piece this together.

Marianne Wiinholt But remember that we have had a very very positive impact from the very strong wind in Q1.

So and as we say it's early in the year we cannot necessarily expect it to have even a normal wind full for the rest of the year.

Of course that might be but the impact from the strong wind is in the magnitude of 800 million.

So just to say that that's a huge amount.

So that's probably what you need to take into account.

Kristian Johansen I guess I can ask in a more simpler way.

So this guidance of lower earnings.

Does that reflect a below normal wind conditions in the remainder of the year?

Henrik Poulsen It Foes to a certain extent, it does Kristian, it does reflect our overall approach of saying that's what we gain or lose in Q1 to a certain extent

we expect that to be balanced out during remainder of the year.

We have always taken that approach to Q1 regardless of the direction of our performance.
Kristian Johansen Okay. Well that was quite simple then. Thank you.

My second question is just on your power distribution business.

You mentioned earlier that you expect the deal to close in the second half of the year.

Can you just remind us what you’ve included in your guidance in terms of how many months of contribution from power distribution?

Marianne Wiinholt We have included six months so up until end of June

Kristian Johansen I guess it will be in the numbers until the deal is closed.

Marianne Wiinholt Yeah absolutely it will, late summer.

Kristian Johansen There's no delay in that process due to COVID-19.

Henrik Poulsen Not really, not really, it’s a very minimum.

I’m not sure we can tell the difference really. It is progressing as we had expected.

Kristian Johansen All right. Thank you

Henrik Poulsen Thanks Kristian.

Moderator Okay, our next question is from the line of James Brand at Deutsche Bank. Please go ahead. Your line is now open.

James Brand Hello most of my questions have been answered so I'll just ask one question if that's okay.

Just obviously delays coming through for some of the projects potentially could cause extra costs for you but then equally a lot of people are speculating that we might see deflation this year and a lot of raw material prices have come down, steel prices have dropped.

Normally in a tougher economic backdrop construction tends to come under pressure and you can eke out savings.

So I was just wondering whether maybe it's too early to say.

But I was just wondering whether there was scope for you.

You thought there was scope to maybe capture some more savings for your projects.

I was also just wondering in terms of timing whether you could just remind us when you lock in prices for steel and the overall costs of construction during the process.

I presume that a lot of those costs are locked in pretty soon after the final investment decision.

So maybe there isn’t as much scope for your projects under construction as benefits and maybe we’re thinking more about projects that are further back in the development pipeline.

Thanks.
Henrik Poulsen Yes.

On the delay and whether that may offer us to sort of an opportunity to benefit from deflationary pressures it's clearly it's not I couldn't rule it out.

I mean if we get delayed we'll obviously always have to go back and take a fresh look at our supply chain plan. But again it is of course too early.

First of all we haven't concluded on any delays on the three large projects in the US.

And we still don't have any visibility on any deflationary pressure in the supply chain.

So I think we're going to need at least another half year to develop a view on that.

Marianne Wiinholt And of course we have locked in for the construction project.

A lot of the CAPEX. But for the steel in particular it's typically something we keep floating.

So it could be a potential upside from a few.

James Brand Thank you.

Moderator Okay, the final question in queue is over to the line of Mark Freshney at Credit Suisse. Please go ahead. Your line is now open.

Mark Freshney Hi.

If I could ask a question on getting into projects at a later stage, we saw a very hot market for tenders last year and I'm sure that there'll be one or two bidders out there regretting bidding low prices and being left with development projects that they struggle with.

We've seen you enter into late stage projects before for example with Race Bank.

Is that something that you would consider doing again i.e. taking over a half-developed project if you like.

Henrik Poulsen As I said earlier Mark I mean in times like these you might see companies or projects that come under pressure and there may be opportunities for companies with a strong balance sheet to which I would consider Ørsted. Would we pick up projects?

It's not something we have to do, we have a strong pipeline, we have a great deal of visibility on our own build out targets.

So we are not under any pressure to do so.

On the other hand we have the capacity if there is a value creation opportunity.

So if it's a project under pressure it's all going to come down to us seeing a clear value creation opportunity. If we do I certainly wouldn't rule it out.

Mark Freshney Thank you.

Moderator That was the final question. I will pass it back to you for any closing comments.
Henrik Poulsen Yes I just wanted to say thank you all very much for joining today.

Any additional questions don't hesitate just reach out to IR and most importantly all of you stay safe and talk to you soon.

Moderator This now concludes the call. Thank you all very much for attending. You can disconnect.