

Ørsted Wind Power A/S

Annual report for 2020

CVR no. 31 84 92 92

(12th Financial year)

Adopted at the annual general meeting on 25 May
2021

Ulrik Jarlov
chairman

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Statement by management on the annual report

The Board of Directors and the Executive Board have today discussed and approved the annual report of Ørsted Wind Power A/S for the financial year 1 January - 31 December 2020.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2020 and of the results of the company's operations for the financial year 1 January - 31 December 2020.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved at the annual general meeting.

Skærbæk, 18 May 2021

Executive board

Martin Neubert

Board of Directors

Marianne Wiinholt
Chairman

Henriette Fenger Ellekrog
Deputy chairman

Jakob Askou Bøss

Nikolaj Kruppa
employee representative

Gitte Nyhus Thomhav
employee representative

Independent auditor's report

To the shareholder of Ørsted Wind Power A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 december 2020 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Ørsted Wind Power A/S for the financial year 1 January - 31 December 2020, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes ("financial statements").

Basis for Opinion

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

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

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

Independent auditor's report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

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

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

Copenhagen, 18 May 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Rasmus Friis Jørgensen
State Authorised Public Accountant
MNE no. mne28705

Company details

The company

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Kraftværksvej 53
Skærbæk
7000 Fredericia

Telephone: +45 99 55 11 11

E-mail: info@orsted.com

Website: www.orsted.com

CVR no.: 31 84 92 92

Reporting period: 1 January - 31 December 2020

Financial year: 12th financial year

Domicile: Fredericia

Board of Directors

Marianne Wiinholt, chairman
Henriette Fenger Ellekrog, deputy chairman
Jakob Askou Bøss
Nikolaj Kruppa, employee representative
Gitte Nyhus Thomhav, employee representative

Executive board

Martin Neubert

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Consolidated financial statements

The company is included in the consolidated financial statements of the parent company Ørsted A/S, CVR no. 36 21 37 28

The Group Annual Report of Ørsted A/S, CVR no. 36 21 37 28 may be obtained at the following address:

www.orsted.com/en/investors/ir-material/financial-reports-and-presentations

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2020	2019	2018	2017	2016
	TDKK	TDKK	TDKK	TDKK	TDKK
Key figures					
Profit/loss					
Revenue	9.322.523	25.253.345	42.581.928	27.165.835	20.108.421
Profit/loss before depreciation and impairment losses	1.235.267	7.864.537	8.777.908	9.803.284	7.441.932
Profit/loss before net financials	1.026.251	7.238.839	8.244.180	9.442.781	7.254.379
Net financials	1.477.412	-986.630	20.224.894	8.445.373	2.053.261
Profit/loss for the year	1.268.387	2.232.115	24.334.245	15.893.009	7.429.990
Balance sheet					
Balance sheet total	32.227.503	55.900.970	77.421.238	53.775.066	37.529.505
Investment in property, plant and equipment	124.239	4.368	0	79.301	403.853
Equity	15.733.180	34.437.553	57.159.535	36.704.044	23.472.421
Financial ratios					
Gross margin	27,2%	35,7%	23,1%	37,9%	39,6%
EBIT margin	11,0%	28,7%	19,4%	34,8%	36,1%
Return on assets	2,3%	10,9%	12,6%	20,7%	22,1%
Return on equity	5,1%	4,9%	51,9%	52,8%	38,4%
Solvency ratio	48,8%	61,6%	73,8%	68,3%	62,5%

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and key figures. For definitions, see the summary of significant accounting policies.

Management's review

Business review

Ørsted Wind Power A/S is a member of the Ørsted Group and a subsidiary of Ørsted A/S, Fredericia. Reference is made to the annual report of Ørsted A/S.

The Company's objects are to engage in activities in the energy sector and ancillary activities.

Recognition and measurement uncertainties

Our assumptions for the determination of the expected selling price and expected costs regarding construction contracts: We make estimates when determining the expected selling price of individual construction contracts. Our determination of profit on payment received on account and the recognition of receivables are therefore subject to significant uncertainty. We believe that our estimates are the most likely outcomes of future events.

Included in the provisions there is uncertainty about future issues on the wind farms that we have built, and which must be covered by our guaranties. Moreover, there is an uncertainty about the return requirements for the Offshore Transmission Assets we have built and thus the compensation mechanism in our Construction Agreements. Furthermore there is uncertainty about the expected future cost in our estimate of onerous contracts. Finally, there is an uncertainty regarding the wake loss compensation to our partners for neighbor wind parks.

Our tax risk management work includes taking into account uncertain tax positions, e.g. when we have taken a position where there is an uncertainty created by a comparison of the wording of the law, the expressed policy intent or lack thereof, or fluctuating or divergent application by tax authorities or judicial systems in countries where we operate.

Unusual matters

The company's financial position at 31 December 2020 and the results of its operations for the financial year ended 31 December 2020 are not affected by any unusual matters.

Financial review

The company's income statement for the year ended 31 December 2020 shows a profit of TDKK 1.268.387, and the balance sheet at 31 December 2020 shows equity of TDKK 15.733.180.

Development in profit before tax is primarily affected by construction contracts and financial income from affiliates.

Net profit (loss) relation to expected development assumed in previous report

Financial performance for 2020 was below expectations primarily because of unexpected increase in warranty provision for replacement of cable protection system. This is described in subsequent event in note 20.

Management's review

Financial expectations for 2021

Earnings before net financials, taxes, depreciation and amortisation in 2021 is expected to be around bnDKK 0,2.

Knowledge resources

Ørsted Wind Power A/S continuously strives to have the most competent employees, as the employees' expertise and professional knowledge are important parameters when it comes to developing, constructing and maintaining the individual components in a wind farm. Wind Power continuously endeavours to ensure that its employees have the necessary skills to undertake these key elements; developing, construction, maintaining and operating a wind farm.

Research and development activities

Ørsted Wind Power A/S is focusing on reducing the cost of electricity and will continue to focus on the development of the concept for an offshore wind farm, based on a standardized design, standard components and construction in areas that have the best conditions in terms of wind, distance from shore, water depth and seabed.

Foreign branches

The company has branches abroad in United Kingdom, The Netherlands, Taiwan and France (closed end of 2020).

Special risks apart from generally occurring risks in industry

Operating risks

The primary identified operating risks are related to contract work in progress, offshore costs of electricity and operating risks of wind farms.

Financial risks

The Company is exposed to currency risks and power price risks through construction agreements and the ownership of subsidiaries owning offshore wind farms. Ørsted Group uses hedging to reduce such risks, for which reason the fluctuations in hedge value are expected to be offset by the underlying exposure. Reference is made to the annual report 2020 of Ørsted A/S (orsted.com/en/investors/ir-material/financial-reports-and-presentations).

Environment

The company works with environmental management to continuously reduce its environmental impact through improved processes and procedures, set environmental priorities and targets, develop action plans as well as to ensure compliance with applicable laws and regulations.

The Danish Environmental Protection Agency monitors the environmental impact of the wind farms owned by subsidiaries during the operating stage.

Management's review

Statutory corporate social responsibility report

In pursuance of Section 99a (6) of the Danish Financial Statements Act, the Company has omitted information on corporate social responsibility. Reference is made to the Annual Report, ESG performance report and sustainability report (orsted.com/en/investors/ir-material/annual-reporting-2020) for 2020 for Ørsted A/S.

Policies on the underrepresented gender

Description of target figures for the underrepresented gender

Target figures for the underrepresented gender

Due to equal representation of men and women in the board of directors in accordance with the rules in Section 99b in the Danish Financial Statements Act, no targets for the share of the underrepresented gender have been set.

Description of policies for the underrepresented gender

Policies for the underrepresented gender

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

To support our gender diversity goals, we have a 66m/34w gender balance among participants in our 2020 high-potential development programmes. By 2023, we aim for this balance to be 60/40.

To bring in more diverse talent, we encourage all candidates to apply, regardless of gender, race, age and cultural background; we have introduced a new format for our job ads, with the specific aim of making them more appealing to diverse candidates. Recruitment processes include an expectation of diverse shortlists, reduction of bias in interviews, and a diverse interview panel.

Description of how the company translates its policies on the underrepresented gender into action

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

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

Ørsted has joined 'the UN Convention on the Elimination of All Forms of Discrimination against Women'.

Management's review

Description of the results achieved from the company's efforts to increase the ratio of the underrepresented gender

Since 2018, we have progressed from 90/10 (male/female ratio) to 80/20 at senior leadership levels (Leadership Conference) due to a focus on gender diversity in promotions and recruitment at senior levels.

Accounting policies

The annual report of Ørsted Wind Power A/S for 2020 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Danish Financial Statements Act allows the use of certain IFRS standards to interpret the act.

The accounting policies applied are consistent with those of last year.

The annual report for 2020 is presented in TDKK.

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Hedge accounting

Fair value adjustments of financial instruments that are designated and qualify as fair value hedges of recognised assets or liabilities are recognised in the income statement together with any fair value adjustments of the hedged asset or liability that can be attributed to the hedged risk.

Accounting policies

Changes in the fair value of financial instruments that are designated and qualify as hedges of expected future transactions are recognised in equity under retained earnings as regards the effective portion of the hedge. The ineffective portion of the hedge is recognised in the income statement. If the hedged transaction results in an asset or a liability, amounts deferred under equity are transferred to the cost of the asset or liability. If the hedged transaction results in income or expenses, amounts deferred under equity are transferred to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Information of revenue

Information is provided on geographical markets and different revenue streams. The information is provided in consideration of the company's accounting policies, risks and management control.

Revenue

IFRS 15 'Revenue' is used to interpret the Danish Financial Statements Act in relation to revenue.

Income from contract revenue and revenue from services is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Income from services, comprising service contracts and extended warranties relating to products and contracts sold is recognised on a straight-line basis as the services are provided.

Income from the construction agreements is recognised over time. When the outcome of the performance obligation in the contract can be measured reasonably, the construction agreement is measured at the transaction price of the work performed less progress billings, based on the percentage of completion of the contract at balance sheet date and the total expected revenues from the individual contracts. We estimate the degree of completion on the basis of an assessment of the work performed, normally calculated as the ratio between the costs incurred and the total costs expected related to the contract in question. The transaction price is based on the total expected income from individual contracts. Estimates of revenues are based on the transaction price and the completion degree of the offshore wind farm or offshore transmission asset at the balance sheet date. Estimates of revenues, costs, and percentage of completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision come to our knowledge. An expected loss is recognised when it is deemed probable that the total construction costs will exceed the total revenue from the individual contracts.

Accounting policies

Operating expenses

Operating expenses comprise the expenses incurred by the company to generate the revenue for the year. Operating expenses also include costs for the construction of wind farms for third parties. Such expenses are recognised in the income statement.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of property, plant and equipment and development fees.

Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the company's activities, including losses on the sale of property, plant and equipment.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

The share programme is classified as an equity-based programme as the programme is settled in shares. The market value of the performance share units (PSUs)/retention share units (RSUs) and the estimated number of PSUs granted are measured at the time of granting and recognised:

- in the income statement under employee costs over the vesting period
- as an offset in the balance sheet under equity over the vesting period

The valuation of the PSUs/RSUs and the estimate of the number of PSUs/RSUs expected to be granted are carried out as a probability simulation based on Ørsted's expected total shareholder return relative to ten comparable European energy companies. The expectations are factored into the market value and are not adjusted subsequently. The participants are compensated for any dividend payments by receiving additional PSUs/RSUs.

Depreciation and impairment losses

Depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of property, plant and equipment.

Income from investments in subsidiaries

Gain and loss from disposals of subsidiaries is recognised in the reporting year of the divestment.

Dividend from investments is recognised in the reporting year in which the dividend is declared.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions and surcharges and allowances under tax payments, etc. Financial income and expenses also include realised and unrealised gains and losses relating to derivatives which are not used for hedge accounting.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation of the Ørsted Group's Danish subsidiaries. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed Danish entities in proportion to their taxable income. Danish entities with tax losses receive joint taxation contributions from the ultimate parent company (the management company), Ørsted A/S equivalent to the tax base of the tax losses utilised (full allocation), while Danish entities that utilise tax losses in other entities pay joint taxation contributions to the Ørsted A/S equivalent to the tax base of the utilised losses.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Tangible assets which is not a lease is measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land and property, plant and equipment in progress are not depreciated.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately, and the individual part constitutes a significant part of the total cost.

Accounting policies

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life
Buildings	20-50 years
Other fixtures and fittings, tools and equipment	3-5 years

The residual value of the company's property, plant and equipment is reassessed annually.

Leases

IFRS 16 'Leases' is used to interpret the Danish Financial Statements Act in relation to leases.

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

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

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

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

Interests of lease liabilities are recognised in financial expenses.

Investments in subsidiaries and associates

Investment in subsidiaries and associates are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Cost is written down to the extent that dividend distributed exceeds the accumulated earnings after the date of takeover.

Where the parent company has a legal or constructive obligation to cover the companies' negative balances or obligations, such obligation is recognised in liabilities.

Accounting policies

Receivables from subsidiaries

Receivables from group entities are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is reviewed for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there are indications of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The net realisable value of stocks is calculated as the expected selling price less direct costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables, which include trade receivables, receivables from group entities and other receivables, are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Accounting policies

Contract work in progress

Contract work in progress (construction contracts) comprises the construction of wind farms and where a binding contract has been entered into prior to start up of the work that will trigger a penalty or compensation in the event of subsequent cancellation.

Contract work in progress is measured at the selling price of the work performed. The selling price is measured based on the stage of completion at the balance sheet date and the expected aggregate income from the individual work in progress. The stage of completion is determined as the share of the expenses incurred relative to the expected total expenses for the individual work in progress.

Where the selling price of work in progress cannot be estimated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

The individual work in progress is recognised in the balance sheet under receivables or payables. Net assets comprise the sum of work in progress where the selling price of the work performed exceeds invoicing on account. Net liabilities comprise the sum of work in progress where invoicing on account exceeds the selling price.

Selling costs and costs incurred in securing contracts are recognised in the income statement as incurred.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

Provisions

Provisions comprise expected expenses relating to warranty commitments, wake effect commitments, losses on work in progress, restructuring, etc. Provisions are recognised when, as a result of a past event, the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions, except for deferred tax, are measured at fair value.

Accounting policies

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable cost of meeting the obligations existing under the contract. If it is considered unlikely that an outflow from the enterprise of economic resources will be required to settle a liability, or if the liability cannot be measured reliably, the liability is accounted for as a contingent liability that is not recognised in the balance sheet. Material contingent liabilities are disclosed in the notes.

Income tax and deferred tax

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

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively. Deferred tax is measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities in respect of uncertain tax positions are measured as follows:

- The most likely outcome method is applied in cases where there are only two possible outcomes.
- The weighted-average method is used in cases where there are more than two possible outcomes.

The liability is recognised under 'Income tax' or 'Deferred tax', depending on how the realisation of the tax position will affect the financial statement

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income comprises payments received concerning income in subsequent reporting years.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency instruments are considered cash flow hedges, any unrealised value adjustments are taken directly to a fair value reserve under 'Equity'.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets acquired in foreign currencies are translated at the exchange rate at the transaction date.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in current receivables from subsidiaries or payables to subsidiaries, respectively.

Accounting policies

Cash flow statement

In pursuance of Section 86(4) of the Danish Financial Statements Act, the company has omitted preparing a cash flow statement as the company's cash flow is included in the consolidated cash flow statement of Ørsted A/S.

Financial highlights

Definitions of financial ratios.

Gross margin ratio	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBIT margin	$\frac{\text{Profit/loss before financials} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$
Solvency ratio	$\frac{\text{Equity at year-end} \times 100}{\text{Total assets at year-end}}$

Income statement 1 January - 31 December

	Note	2020 TDKK	2019 TDKK
Revenue	1	9.322.523	25.253.345
Other operating income		80.576	1.484.973
Operating expenses		-1.146.358	-13.166.593
Other external expenses		-5.718.388	-4.551.275
Gross profit		2.538.353	9.020.450
Staff costs	2	-1.303.086	-1.155.913
Profit/loss before depreciation and impairment losses		1.235.267	7.864.537
Depreciation and impairment of property, plant and equipment		-214.685	-136.037
Other operating costs		5.669	-489.661
Profit/loss before net financials		1.026.251	7.238.839
Income from investments in subsidiaries	3	660.448	-553.642
Financial income	4	3.606.193	4.878.668
Financial costs	5	-2.789.229	-5.311.656
Profit/loss before tax		2.503.663	6.252.209
Tax on profit/loss for the year	6	-1.235.276	-4.020.094
Profit/loss for the year		1.268.387	2.232.115
Distribution of profit	7		

Balance sheet 31 December

	Note	2020 TDKK	2019 TDKK
Assets			
Land and buildings		4.240	5.326
Prepayments for property, plant and equipment		0	7.488
Other fixtures and fittings, tools and equipment		239.868	330.683
Property, plant and equipment in progress		101.249	99.793
Tangible assets	8	345.357	443.290
Investments in subsidiaries	9	4.122.129	4.096.972
Investments in associates	10	0	0
Receivables from subsidiaries	11	4.506.444	4.714.800
Fixed asset investments		8.628.573	8.811.772
Total non-current assets		8.973.930	9.255.062
Raw materials and consumables		190.779	134.617
Stocks		190.779	134.617
Trade receivables		60.230	321.868
Contract work in progress	12	1.062.659	1.884.323
Receivables from group companies	13	20.252.994	42.912.794
Other receivables		830.141	831.649
Deferred tax asset	14	301.319	91.980
Prepayments	15	49.222	33.384
Receivables		22.556.565	46.075.998
Cash at bank and in hand		506.229	435.293
Total current assets		23.253.573	46.645.908
Total assets		32.227.503	55.900.970

Balance sheet 31 December

	Note	2020 TDKK	2019 TDKK
Equity and liabilities			
Share capital		1.500.000	1.500.000
Reserve for hedges		43.485	-3.612
Retained earnings		6.189.695	12.941.165
Proposed dividend for the year		8.000.000	20.000.000
Equity	16	<u>15.733.180</u>	<u>34.437.553</u>
Other provisions	17	6.246.417	4.484.076
Total provisions		<u>6.246.417</u>	<u>4.484.076</u>
Lease obligations		104.619	142.803
Other payables		0	43.701
Total non-current liabilities	18	<u>104.619</u>	<u>186.504</u>
Lease obligation	18	110.267	129.993
Trade payables		1.306.676	4.942.923
Prepayments received work in progress	12	0	1.364.231
Payables to group companies	13	7.357.438	9.450.516
Other payables	18	1.333.607	834.819
Deferred income	19	35.299	70.355
Total current liabilities		<u>10.143.287</u>	<u>16.792.837</u>
Total liabilities		<u>10.247.906</u>	<u>16.979.341</u>
Total equity and liabilities		<u>32.227.503</u>	<u>55.900.970</u>
Subsequent events	20		
Contingent assets, liabilities and other financial obligations	21		
Financial instruments	22		
Related parties and ownership structure	23		
Fee to auditors appointed at the general meeting	24		

Statement of changes in equity

	Share capital	Reserve for hedges	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2020	1.500.000	-3.612	12.941.165	20.000.000	34.437.553
Ordinary dividend paid	0	0	0	20.000.000	20.000.000
Movement, reserves	0	47.097	-19.857	0	27.240
Net profit/loss for the year	0	0	-6.731.613	8.000.000	1.268.387
Equity at 31 December 2020	1.500.000	43.485	6.189.695	8.000.000	15.733.180

Transfer TDKK 47.097 regards fair value adjustment of hedging instruments.
Transfer TDKK -19.857 regards sharebased payment.

Notes

	<u>2020</u> TDKK	<u>2019</u> TDKK
1 Revenue		
Revenue from services	5.084.131	4.305.446
Contract revenue	3.051.668	20.445.067
Other revenue	1.186.724	502.832
Total revenue	<u>9.322.523</u>	<u>25.253.345</u>
Geographical segments		
Denmark	430.295	480.386
Rest of EU	8.902.228	24.772.959
Total revenue	<u>9.332.523</u>	<u>25.253.345</u>

Notes

2 Staff costs

Wages and salaries	1.171.743	1.018.182
Pensions	112.976	104.158
Other social security costs	9.311	10.604
Other staff costs	9.056	22.969
	<u>1.303.086</u>	<u>1.155.913</u>
Average number of employees	<u>1.640</u>	<u>1.552</u>

According to section 98b (3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed.

No remuneration related to the assignment of the Board of Directors has been paid to the members of the Board of Directors.

Retention share programme

The target group for the share-based retention agreements will typically be employees responsible for vital, long-term projects. The use of these share-based retention agreements will be limited to 25 concurrent agreements with an individual time frame of up to five years.

The number of retention share units (RSUs) to be granted will be determined on the basis of the price of Ørsted's shares at the time of the grant and will be limited to an amount corresponding to a maximum of six months' base pay for the employee in question. At vesting, each RSU will entitle the employee to one Ørsted share free of charge. However, the total value of the shares to be received at vesting will be capped at a maximum of twelve months' base pay for the employee in question.

Executive share programme

The executive board and a limited number of other members of senior management participate in our share programme established in 2016. As a condition for the award of performance share units (PSUs), the participant must own a number of shares in Ørsted A/S, corresponding to a part of the individual participant's annual base salary. The ownership requirement is between 15%-75% of the fixed salary. If the participants meet the shareholding requirement at the award date, the participants will each year be awarded a number of PSU's, representing a value corresponding to 15%-20% of the annual base salary at the award date.

Notes

The awarded PSU's have a vesting period of three years, after which each PSU entitles the holder to receive one share free of charge. The final number of PSU's for each participant will be determined based on Ørsted A/S's total shareholder return compared to 10 European peer energy companies. The rate will vary from 0% to 200% of the number that is set as target for the awarded PSU's. The maximum value is 30%-40% of the fixed annual salary at the time of granting. In addition to this also comes the change in fair value of the Ørsted share since grant. The highest rate will be triggered if Ørsted A/S delivers the highest return of the peer companies. For each lower position the number of PSU's will decline by 20 percentage points. For example, a second place entitles the participants to 180% of the target. If Ørsted A/S is number 11 in the comparison, the participants will receive no PSU's. The right to PSU's is subject to continued employment.

	2020 TDKK	2019 TDKK
3 Income from investments in subsidiaries		
Gain and loss on disposal of subsidiaries	289.941	-170.642
Impairment of financial assets	0	-383.000
Dividends	370.507	0
	660.448	-553.642
4 Financial income		
Interest received from affiliates	415.375	412.713
Financial income, affiliates	2.393.440	3.192.209
Other financial income	797.378	1.273.746
	3.606.193	4.878.668

Other financial income mainly comprises currency gains.

Notes

	2020 TDKK	2019 TDKK
5 Financial costs		
Interest paid to subsidiaries	218.067	427.450
Financial expenses, affiliates	1.419.543	2.929.634
Other financial costs	1.143.165	1.946.544
Lease interests	8.454	8.028
	<u>2.789.229</u>	<u>5.311.656</u>
Other financial expenses mainly comprises currency losses.		
6 Tax on profit/loss for the year		
Current tax for the year	1.368.648	6.835.288
Deferred tax for the year	-194.633	-2.856.892
Adjustment of tax concerning previous years	61.261	31.902
Adjustment of deferred tax concerning previous years	0	9.796
	<u>1.235.276</u>	<u>4.020.094</u>
7 Distribution of profit		
Proposed dividend for the year	8.000.000	20.000.000
Retained earnings	-6.731.613	-17.767.885
	<u>1.268.387</u>	<u>2.232.115</u>

Notes

8 Tangible assets

	Land and buildings	Prepay- ments for property, plant and equipment	Other fixtures and fittings, tools and equipment	Property, plant and equipment in progress	Total
	TDKK	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2020	13.562	7.488	545.084	99.793	665.927
Additions for the year	0	0	86.320	37.919	124.239
Disposals for the year	0	-7.488	0	0	-7.488
Cost at 31 December 2020	<u>13.562</u>	<u>0</u>	<u>631.404</u>	<u>137.712</u>	<u>782.678</u>
Impairment losses and depreciation at 1 January 2020	8.236	0	214.401	0	222.637
Depreciation for the year	<u>1.086</u>	<u>0</u>	<u>177.135</u>	<u>36.463</u>	<u>214.684</u>
Impairment losses and depreciation at 31 December 2020	<u>9.322</u>	<u>0</u>	<u>391.536</u>	<u>36.463</u>	<u>437.321</u>
Carrying amount at 31 December 2020	<u>4.240</u>	<u>0</u>	<u>239.868</u>	<u>101.249</u>	<u>345.357</u>

The carrying amount of leased assets included in 'Other fixtures and fittings, tools and equipment' is TDKK 185.867 per 31. december 2020 (2019: TDKK 267.574).

Notes

	<u>2020</u> TDKK	<u>2019</u> TDKK
9 Investments in subsidiaries		
Cost at 1 January 2020	5.189.098	5.335.713
Additions for the year	25.157	0
Disposals for the year	<u>0</u>	<u>-146.615</u>
Cost at 31 December 2020	<u>5.214.255</u>	<u>5.189.098</u>
Revaluations at 1 January 2020	-1.092.126	-798.188
Disposals for the year	0	89.062
Impairment losses	<u>0</u>	<u>-383.000</u>
Revaluations at 31 December 2020	<u>-1.092.126</u>	<u>-1.092.126</u>
Carrying amount at 31 December 2020	<u>4.122.129</u>	<u>4.096.972</u>

Notes

9 Investments in subsidiaries (continued)

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Orsted Borkum Riffgrund I GmbH	Germany	100%	11.463	-994
Orsted Burbo (UK) Limited	United Kingdom	100%	476.751	148.270
Borkum Riffgrund I Holding A/S	Denmark	100%	5.546	-9.107
Orsted Bork.Riff.I HoldCo GmbH	Germany	100%	-595.607	0
Orsted Bork.Riffg.West I GmbH	Germany	100%	6.971	-5.014
Borkum Riffgrund 2 Hold	Germany	100%	-579.385	-224.356
Orsted London Array Ltd	United Kingdom	100%	481.536	27.521
Gunfleet Sands	United Kingdom	50%	1.009.762	28.882
Orsted Pow.(Gunfl.Sands)	United Kingdom	100%	2.461.429	274.993
Gunfleet Sands Holding	United Kingdom	50%	2.543.380	235.849
Gunfleet Sands II	United Kingdom	50%	436.509	18.063
Westermost Rough Limited	United Kingdom	100%	3.586.911	94.159
OFTRAC LIMITED	United Kingdom	100%	63.384	89
CT Offshore A/S under frivillig likvidation	Denmark	100%	27.616	615
Orsted Walney Ext. Hol.	United Kingdom	100%	4.506.793	873.478
Orsted Gunfl.Sds Demo(UK)	United Kingdom	100%	196.139	12.904
Orsted Wind Power Germany	Germany	100%	137.008	-8.539
UMBO GmbH	Germany	84%	12.695	-2.379
Ørsted Nearshore Wind ApS	Denmark	100%	83.264	-4.875
Orsted Lincs (UK) Ltd.	United Kingdom	100%	1.520.904	191.626
Hornsea 1 Ltd.	United Kingdom	100%	9.747.243	-1.228.000
Orsted Hornsea 1 Hold Ltd	United Kingdom	100%	8.575.053	238.906
VI Aura Transmission Ltd	United Kingdom	100%	1	0
Ørsted VE A/S	Denmark	100%	481.935	198.740
Ørsted Vind A/S	Denmark	100%	226.946	203.582
Orsted Power (UK) Ltd.	United Kingdom	100%	9.205.793	546.561

Notes

9 Investments in subsidiaries (continued)

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Ørsted Westermost Rough	United Kingdom	100%	991.134	189.392
Walney Offshore Windfarm	United Kingdom	50%	4.348.100	96.631
Ørsted Isle of Man (UK)	United Kingdom	100%	-504	-17
Barrow Offshore Wind Ltd	United Kingdom	100%	282.464	20.862
Ørsted Shell Flats (UK)	United Kingdom	100%	-11.110	-232
Ørsted West of Dudd.Sands	United Kingdom	100%	2.375.450	349.604
Ørsted London Array II	United Kingdom	100%	1.722.293	225.727
Ørsted UK III Limited	United Kingdom	100%	-2	-1
Ørsted Race Bank Holding	United Kingdom	100%	3.721.321	489.226
Breesea Limited	United Kingdom	100%	335.320	-7.255
Optimus Wind Limited	United Kingdom	100%	594.653	-338.700
Cygnus Wind Transm ltd.	United Kingdom	100%	1.548	-50
Ørsted Hornsea Project 4	United Kingdom	100%	-8.855	-5.136
Ørsted Hornsea Proj.3(UK)	United Kingdom	100%	-37.915	-33.256
Smart Wind SPC8 Limited	United Kingdom	100%	1.726	-13
Smart Wind Limited	United Kingdom	100%	26.170	-68
Sonningmay Wind Limited	United Kingdom	100%	306.861	-5.645
Soundmark Wind Limited	United Kingdom	100%	306.722	-5.781
Ørsted Burbo Extens.Hold.	United Kingdom	100%	3.965.907	222.569
Gode Wind 04 GmbH	Germany	100%	-5.117	0
Ørsted Gode Wind 2 GmbH	Germany	100%	101.740	-88.644
Ørsted Gode Wind 1 Hold.	Germany	100%	-690.750	-123.523
Nördlicher Grund GmbH	Germany	100%	-26.751	-409
Ørsted Power Ltd. UK	United Kingdom	100%	0	0
Optimus Wind Transmission Ltd.	United Kingdom	100%	0	0
Ørsted Speicher R GmbH	Germany	100%	-37	-120.644
Ørsted Power Ltd. UK	United Kingdom	100%	0	0

Notes

9 Investments in subsidiaries (continued)

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Ørsted Polska OF Services sp. Z.o.o.	Poland	100%	12.947	-887
Ørsted Baltica 2 Holding sp. z o.o.	Poland	100%	0	0
Ørsted Baltica 3 Holding sp. z o.o.	Poland	100%	0	0

Notes

10 Investments in associates

Investments in associates are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Burbo Extension Hold. Ltd	United Kingdom	50%	6.676.252	-9
Borkum Riffgrund I Offshore Windpark GmbH	Germany	50%	7.226.369	547.370
Ørsted Borkum Riffgr.II	Germany	50%	2.466.538	708.318
Scarweather Sands Ltd	United Kingdom	50%	0	0
Burbo Extension Limited	United Kingdom	50%	7.055.965	-245.629
Walney Extension Limited	United Kingdom	50%	5.322.874	-1.178.439
Walney Extension Holdings	United Kingdom	50%	6.890.897	19.701
Hornsea 1 Holdings Ltd	United Kingdom	50%	11.766.734	226
VI Aura Ltd	United Kingdom	50%	0	0
Njord Ltd	United Kingdom	50%	-4	-1
Morecambe Wind Ltd	United Kingdom	50%	0	0
LINCS Ren. Energy Holding	United Kingdom	50%	-28	-46
Lincs Wind Farm Ltd	United Kingdom	25%	5.196.370	64.585
Lincs WF (Holding) Ltd	United Kingdom	25%	2.900.841	530.779
Race Bank WF Hold. Ltd	United Kingdom	50%	3.143.583	-18
Race Bank Wind Farm Ltd	United Kingdom	50%	4.056.485	-62.859
Gode Wind I Offs. WF GmbH	Germany	50%	3.064.636	489.213
Gode Wind 2 Offs. WF P/S	Germany	50%	6.912.051	544.452
Westermost Rough Hold Ltd	United Kingdom	50%	3.240.121	-20
JV West of Duddon Sands	United Kingdom	50%	8.918.086	-172.879

Notes

11 Receivables from subsidiaries

	Receivables from subsidiaries <u>TDKK</u>
Cost at 1 January 2020	4.714.800
Additions for the year	202.763
Disposals for the year	<u>-411.119</u>
Cost at 31 December 2020	<u>4.506.444</u>
Carrying amount at 31 December 2020	<u>4.506.444</u>

	<u>2020</u> TDKK	<u>2019</u> TDKK
12 Contract work in progress		
Work in progress, selling price	1.062.659	40.813.050
Work in progress, payments received on account	<u>0</u>	<u>-40.292.958</u>
	<u>1.062.659</u>	<u>520.092</u>
Recognised in the balance sheet as follows:		
Contract work in progress under assets	1.062.659	1.884.323
Prepayments received under liabilities	<u>0</u>	<u>-1.364.231</u>
	<u>1.062.659</u>	<u>520.092</u>

13 Receivables and payables from group companies

The company's receivables from group companies includes TDKK 15.761.828 in a cash pool scheme with the ultimate parent company Ørsted A/S (2019: payable TDKK 1.341.219).

The company's receivables from group companies and payables to group companies includes a net financial instrument payable of TDKK 681.001 (2019: payable TDKK 1.374.802).

Notes

	2020 TDKK	2019 TDKK
14 Provision for deferred tax		
Provision for deferred tax at 1 January 2020	-91.980	2.755.116
Deferred tax recognised in income statement	-209.339	-2.847.096
Provision for deferred tax at 31 December 2020	-301.319	-91.980
Property, plant and equipment	-25.950	-7.831
Contract work in progress	-3.162	-650
Other taxable temporary differences	-14.461	-2.466
Financial instruments	-102.865	-81.033
Other non-current liabilities	-154.881	0
Transferred to deferred tax asset	301.319	91.980
	0	0
Deferred tax asset		
Calculated tax asset	301.319	91.980
Carrying amount	301.319	91.980

Deferred tax asset is measured depending on how we plan to use the assets and settle the liabilities. Tax assets and liabilities are set off when the tax assets can be offset against tax liabilities in the year in which the deferred tax assets are expected to be used.

Deferred tax assets are recognised at the value at which they are expected to be used. They may be offset against future earnings. This is done within a joint taxation scheme.

15 Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premiums, subscriptions etc.

Notes

16 Equity

The share capital consists of 1.500.000 shares of a nominal value of TDKK 1. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

	<u>2020</u> TDKK	<u>2019</u> TDKK
17 Other provisions		
Balance at 1 January 2020	6.084.076	5.010.093
Reversed provision	-519.935	-442.507
Provision in year	682.276	1.214.064
Applied in the year	<u>0</u>	<u>-1.297.574</u>
Balance at 31 December 2020	<u>6.246.417</u>	<u>4.484.076</u>

The expected due dates of other provisions are:

Within one year	128.601	404.726
Between 1 and 5 years	4.916.130	2.846.994
Over 5 years	<u>1.201.686</u>	<u>1.232.356</u>
	<u>6.246.417</u>	<u>4.484.076</u>

Notes

18 Long term debt

	2020 TDKK	2019 TDKK
Lease obligations		
Between 1 and 5 years	104.619	142.803
Non-current portion	104.619	142.803
Within 1 year	110.267	129.993
	214.886	272.796
Other payables		
After 5 years	0	43.701
Non-current portion	0	43.701
Other short-term other debt	1.333.607	834.819
Current portion	1.333.607	834.819
	1.333.607	878.520

19 Deferred income

Deferred income consists of payments received in respect of income in subsequent years.

20 Subsequent events

The company has discovered an array cable issue in Q1 2021 across offshore wind farms in the UK and Continental Europe. The issue occurs when the cable protection system (CPS) moves across the scour protection, abrading the CPS and in the worst-case scenario causing the cables to fail. The company is taking proactive measures to ensure the long-term integrity of these assets by engaging in a two-phased remediation approach with phase one being stabilisation of the CPS to prevent further degradation and phase two being the repair or replacement of damaged cables. The company may be liable to cover costs related hereto towards partners, therefore a warranty provision of bnDKK 1.6 has been recognised as at 31 December 2020. Further investigations are ongoing concerning the issue and the remediation measures needed including the impact in relation to suppliers and insurance.

In May 2021 Ørsted Wind Power A/S and Hornsea 1 Limited have agreed the final amount to be settled regarding variable revenue consideration related to the construction agreement. Management considered this a non-adjusting event after the reporting period of the variable revenue consideration related to the construction agreement. The change in the value of the variable revenue consideration would increase Profit before tax by bnDKK 0.7.

Notes

21 Contingent assets, liabilities and other financial obligations

Liability in joint taxation

The group's danish companies are jointly and severally liable for tax on group jointly taxes income, etc. Reference is made to the annual report for Ørsted A/S, the administration company in relation to joint taxation. The group's danish companies are also jointly and severally liable for Danish withholding taxes on dividends, royalties and interests within the group of jointly taxed entities. Any subsequent corrections to income and withholding taxes may result in an increase in the entities' liability.

The group's danish entities are jointly and severally liable for joint VAT registration.

Contractual commitments

The company has contractual commitments that fall due within 1 year for the following amount: BDKK 0,80 (2019: BDKK 1,75).

Notes

22 Financial instruments

The company has on behalf of its subsidiaries entered into contracts to hedge future electricity prices, future cash flow in foreign currency (primarily GBP) and inflation. As these hedges are entered on behalf of the subsidiaries, these are not accounted for as hedge accounting in Ørsted Wind Power A/S. Further, there is also entered into contracts to hedge the currency risks on future cash flows in relation to divestment for Ørsted Wind Power A/S, where hedge accounting is used.

Hedge of currency risks on future cash flows in relation to divestments for Ørsted Wind Power A/S:

The market value calculated per 31 December 2020 relating to hedging of foreign exchange risk fall due, assuming unchanged prices, as follows: 2021: TDKK 1.442.

Exposure in respect of hedging of currency risk in 2021 amounts TDKK 516 and thereof is hedged TDKK 516 corresponding to a hedging level of 100%.

Electricity derivatives on behalf of subsidiaries:

The market value calculated per 31 December 2020 relating to electricity price derivatives fall due, assuming unchanged prices, as follows: 2021: TDKK -691.193, 2022-2024+: TDKK -753.623.

The volume of electricity price derivatives fall due as follows: 2021 amounts GWh 5.544, 2022-2025 amounts GWh 17.114.

Foreign exchange derivatives on behalf of subsidiaries:

The market value calculated per 31 December 2020 relating to foreign exchange derivatives risk fall due, assuming unchanged prices, as follows: 2021: TDKK 43.762, 2022-2024+: TDKK -478.294.

The nominal amount of foreign exchange derivatives fall due as follows: 2021 amounts TDKK 6.160.573, 2022-2026+ amounts TDKK 24.495.717.

Inflation derivatives on behalf of UK subsidiaries:

The market value for inflation derivatives is TDKK 1.209.381. The nominal value is distributed continuously over the period 2024-2037 and amounts to a contractual principal totalling TDKK 19.709.000 and has an average fixed inflation of 3,6%.

Notes

23 Related parties and ownership structure

Controlling interest

Ørsted Wind Power Holding A/S, Kraftværksvej 53, 7000 Fredericia (parent company)

Other related parties

Ørsted A/S (ultimate parent company)

The Danish State represented by the Ministry of Finance

Group enterprises and associates

Board of directors, executive board and senior employees

Transactions

In pursuance of Section 98c (7) of the Danish Financial Statements Act, the Company has chosen only to disclose transactions that are not carried out on an arm's length basis.

Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Ørsted Wind Power Holding A/S

24 Fee to auditors appointed at the general meeting

In pursuance of Section 96(3) of the Danish Financial Statements Act, the company has omitted providing information on audit fees as the company is fully consolidated in Ørsted A/S's consolidated financial statements, in which the audit fees for the group as a whole are disclosed.