Ørsted

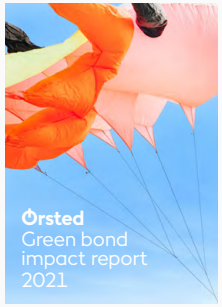
Annual report 2021

2021 reports

Sustainability report 2021
In our sustainability report, you can read more about how Ørsted as a business contributes to addressing some of the challenges faced by society. Together with our ESG performance report, it constitutes our reporting to the UN Global Compact.

ESG performance report 2021
In our ESG performance report, you can read more about Ørsted's environmental, social, and governance indicators.

Remuneration report 2021
In our remuneration report, you will get a transparent and comprehensive overview of the remuneration of our Executive Board and our Board of Directors.



Green bond impact report 2021
In our green bond impact report, you will get an insight into our green bond portfolio. Outstanding green bonds currently account for 2/3 of Ørsted's total bond portfolio.

Statutory corporate governance report 2021
In our statutory corporate governance report, you can read more about how we have incorporated and follow the recommendations prepared by the Danish Committee on Corporate Governance.

Contents

Management's review

Financial statements

Our vision
Let's create a world that runs entirely on green energy

In 2022, we were ranked the most sustainable energy company in the world in the Corporate Knights Global 100 index for the fourth time in a row.

Letter to our stakeholders

The past year has been extraordinary, with various external factors impacting the markets where we operate, in particular the extreme volatility in the energy markets and the continued COVID-19 pandemic. Despite this, we achieved significant results, both strategically, operationally, and financially.

We owe a huge thanks to all the talented and dedicated employees in Ørsted. They made these achievements possible.

The global climate challenge is more pressing than ever

Never before has the world's climate challenges been greater and the message from science clearer: As a global community, we need to act now to preserve our planet. In its recent report, the IPCC concluded that climate change is already happening, and that we will see significantly higher global temperature increases than the 1.5 °C threshold defined by science, unless we take profound action, both in the short and long term.

With more than 70 % of the world's carbon emissions coming from the production and use of energy, the transition to a sustainable energy system is at the core of combatting climate change. Over the past decade, renewable energy has been substantially industrialised, and today, renewable energy is the main energy technology being deployed. In 2020, more than 75 % of all new power generation capacity commissioned globally came from renewables, up from 26 % just a decade ago (BNEF).

The need to fight climate change by transforming our global energy systems will require a massive renewable build-out: Estimates by IRENA suggest that the renewable installed base, including hydroelectric, geothermal, and marine energy, will have to grow more than tenfold, from 2,500 GW today to more than 28,000 GW by 2050.

Setting a strong strategic aspiration for Ørsted

With more than 30 years of experience in renewables and as one of the five largest renewable energy companies in the world and the undisputed leader in offshore wind, we want to play our part in realising this massive build-out over the coming decades to help solve the greatest challenge facing humanity. At our Capital Markets Day in June, we presented our strategic aspiration to become the world's leading green energy major by 2030. We will accelerate our global build-out of renewable energy, and we have set an ambition to reach approx. 50 GW of installed renewable capacity by 2030, up from 13.0 GW by the end of 2021. To support this ambitious build-out, we have a clear strategic direction: We want to develop Ørsted across three core technologies, which we believe will all play a key role in the future energy systems: offshore wind, onshore renewables (wind, solar PV, and storage), and renewable hydrogen and green fuels. By combining these technologies, we can offer our customers fully integrated multi-product renewable solutions, including long-term power purchase agreements.

Extraordinary market conditions

In many ways, the past year has been extraordinary with various external factors impacting the markets where we operate.

In particular, the weather had an adverse impact on our business in 2021. During most of the year, we experienced significantly lower wind speeds than normal, especially in north-western Europe where we have most of our operating offshore portfolio. And in February, Texas was subject to an unprecedented winter storm, which not only challenged our business, but all communities affected. The cold weather was accompanied by surging power prices as conventional and renewable capacity across the state failed under the tough conditions. The European energy crunch in the last part

of the year with extremely high and volatile gas and power prices was also partly caused by weather conditions, as the cold winter in the beginning of 2021 led to low levels of gas at storage, which, together with low wind and precipitation and increasing demand for power and gas, caused supply challenges.

The COVID-19 pandemic continued to affect societies and businesses globally and led to economic uncertainty and an increase in interest and inflation rate levels, including for steel which is an important component of wind farms.

Delivering strong strategic results

We successfully navigated the challenges during the year, and we have achieved significant results in 2021, both strategically, operationally, and financially.

We secured 4.5 GW of offshore wind capacity in tenders and auctions, corresponding to 25 % of the total awarded capacity in 2021 and 50 % above our strategic ambition of adding 3 GW offshore wind per year. This proves our ability to differentiate and compete in offshore wind despite increasing price competition.

In the US, we have been awarded 1,148 MW in New Jersey for our Ocean Wind 2 project and 846 MW in Maryland for our Skipjack 2 project. In Poland, we were awarded 2,543 MW for our Baltica 2 & 3 projects together with our partner PGE.

In Onshore, we added 1.2 GW of firm capacity through organic growth and acquisitions in Europe and the US, and we installed our 1,000th onshore wind turbine in 2021.

These very strong contributions increased our firm capacity to 26.1 GW by the end of 2021 from 20.4 GW at the end of 2020; and keeps us well on track to deliver on our 2030 ambition of 50 GW renewable capacity.

The year 2021 was also a year where we signed and closed key partnerships for our offshore wind farms, including key partners such as Norges Bank Investment Management (Borssele 1 & 2), CDPQ and Cathay Private Equity (Greater Changhua 1), and New Jersey's Public Service Enterprise Group (Ocean Wind 1). Furthermore, we signed a partnership with Glennmont Partners (Borkum Riffgrund 3). This agreement was special as it was the first-ever farm-down signed prior to final investment decision (FID). All these partnerships are a strong testament to the attractiveness of our offshore assets.

In Germany, we took FID on our originally fully merchant Borkum Riffgrund 3 project and the Gode Wind 3 project. Besides the pre-FID farm-down, the Borkum Riffgrund 3 FID was enabled by major CPPAs, including with REWE Group, Amazon, and BASF. The two projects expand our German portfolio to six wind farms and will help Germany reach climate neutrality by 2045.

Selected events 2021

February - March

Offshore
Agreement with PGE to enter 50/50 joint venture for Baltica 2 & 3 projects

Onshore
Helena Energy Center, Texas, FID'ed (518 MW), expected COD in 2022

Offshore
Notice of intent (NoI) received on Ocean Wind 1 project, New Jersey

April

Onshore
Agreement signed to acquire Brookfield Renewable Ireland, a European onshore platform

Offshore
CFDs awarded to the Polish projects Baltica 2 & 3

Offshore
Agreement signed with Norges Bank Investment Management to farm down 50 % of Borssele 1 & 2 (752 MW)

May

Offshore
First wind turbines installed at Hornsea 2 (1,320 MW)

Onshore
Permian Energy Center, Texas, commissioned (420 MW_{AC} solar PV, 40 MW_{AC} storage)

Renewable hydrogen
Construction commenced on first renewable hydrogen project, H2RES

June - August

Offshore
Offshore wind contract awarded for Ocean Wind 2, New Jersey (1,148 MW)

Green fuels
GFDK selected as a Danish IPCEI project, awaiting EU approval

Onshore
Western Trail, Texas, commissioned (367 MW)

September

Onshore
Muscle Shoals, Alabama, commissioned (227 MW)

Offshore
Received notice of intent (NoI) for Sunrise Wind project in New York

October

Offshore
Agreement signed to farm down 50 % of Borkum Riffgrund 3 to Glennmont Partners

Signed FID-supporting CPPAs with BASF, Amazon, and REWE during Sep.-Dec.

November

Offshore
Closing of farm-down of 50 % of Greater Changhua 1 Offshore Wind Farm

Onshore
Acquisition of Lincoln Land (302 MW)

December

Offshore
Gode Wind 3 (253 MW) and Borkum Riffgrund 3 (913 MW), Germany, FID'ed. Expected COD in 2024 and 2025, respectively

Offshore
Offshore wind contract awarded in Maryland, US, for Skipjack 2 (846 MW)

In the US, we continue to see strong development and progress being made in maturing our industry-leading 5 GW development pipeline of projects, with the first FIDs expected in 2022 and 2023. Our first projects, that have been exposed to the federal permitting delays, carry costs related to developing a local supply chain which, together with current cost inflation, are impacting the value creation. We continue pursuing all technical, commercial, and regulatory levers at our disposal to improve returns on these projects, in the same way as we always do. The continuous fast progress of the federal permitting processes as well as the proposed clean-energy tax policies being considered in Congress are important supportive factors, not only for our projects, but for the accelerated build-out of offshore wind in the US in general.

During the year, we have also entered into several key strategic partnerships. In the Baltics, we will work with Enefit to contribute to the region's green ambitions. In Vietnam, we entered into a strategic collaboration with T&T, in Korea with POSCO, KOMIPO, and KOSPO, and in Japan with Japan Wind Development Co. (JWD) and Eurus Energy. We have also taken steps to drive the commercialisation of floating offshore wind by partnering with Fred. Olsen Renewables and Hafslund Eco in Norway and by entering into a joint venture with BlueFloat Energy and Falck Renewables in Scotland. In January 2022, we were awarded a 1 GW floating offshore wind site off the north-east coast of Scotland. By securing this seabed lease area, we are confirming our ambitions in floating offshore wind.

In Onshore, we expanded our onshore platform to Europe with the strategic acquisition of Brookfield Renewable Ireland (BRI), contributing with a portfolio of development projects and providing a springboard for further expansion in Europe. Besides this, we finalised the acquisition of Lincoln Land, a 302 MW project in Illinois, which marks our entry into the attractive MISO energy market in the US Midwest. We also took investment decisions on Helena Energy Center, Lisheen 3, and Ballykeel (in 2022), totalling more than 560 MW.

In our renewable hydrogen and green fuels business, we also saw strong progress. Our first 2 MW demonstration-scale project, H2RES, is expected to go into operation in the first half of 2022, while four projects are progressing in the IPCEI funding process. Our Green Fuels for Denmark (GFDK) project, Yara Sluiskil, HySCALE, and our Lingen Green Hydrogen projects have all been shortlisted as IPCEI projects in their respective countries and now await the final IPCEI approval by the EU Commission and the subsequent funding commitment. In the US, we joined forces with Williams to explore potential Power-to-X projects in Western Wyoming. In January 2022, we signed an agreement with Liquid Wind, a Swedish green e-methanol developer, to acquire a 45 % stake in their project Flagship-ONE. The project is expected to produce 50,000 tonnes of e-methanol per year, based on renewable hydrogen and biogenic CO_2. Also in January 2022, we joined forces with German steel major Salzgitter on development of green power, green hydrogen, and green steel with a focus on circularity.

Installation of substation at Hornsea 2, off the Yorkshire coast, the UK.

Strong operational performance and good construction progress

We achieved strong operational performance in 2021, with our assets remaining fully operational and with normal availability rates.

We are currently constructing two of the world's largest offshore wind farms, Hornsea 2 in the UK and Greater Changhua 1 & 2a in Taiwan.

For Hornsea 2, we saw progress according to plan up until mid-December. However, the accelerating Omicron variant infection rates meant that it was not possible to man the vessels used for commissioning work according to plan. As a consequence, the ramp-up profile will be delayed compared to our internal expectations, but we still expect to commission Hornsea 2 in H1 2022 as previously communicated.

We are well on track on the construction of Greater Changhua 1 & 2a in Taiwan. The project follows our committed timeline and is planned for commissioning in 2022.

In Onshore, we have made several key additions to our portfolio of operating wind and solar farms and added 1.7 GW of new installed capacity in 2021. In the US, we successfully completed Western Trail, our biggest onshore wind farm to date, and we commissioned our first combined solar PV and storage facility, Permian

Energy Center, both in Texas. Furthermore, we commissioned the solar farm Muscle Shoals in Alabama. Our onshore renewable platform now includes 3.4 GW of installed capacity.

Also in the US, our solar panel release orders from Chinese supplies were withheld due to forced labour issues, a decision we fully support. It has slowed down panel deliveries, causing some delay in the commissioning of Old 300 and in the construction of the solar phase at Helena Energy Center. However, we still expect both solar farms to be commissioned in 2022.

Achieving our financial expectations

Our operating profit (EBITDA), including farm-downs, amounted to DKK 24.3 billion, a 34 % increase compared to 2020. Operating profit excluding new partnerships amounted to DKK 15.8 billion, which compares to our guidance of DKK 15-16 billion at the beginning of the year.

Thus, we came in well in line with our expectations and delivered strong financial results despite unforeseen negative impacts in Offshore during the year, including lower wind speeds, the European energy crunch, and further provisions due to updated wake assumptions and cable protection system issues at some of our offshore wind farms. This was due to exceptionally good performance by our CHP plants and gas business.

The return on capital employed (ROCE) was 15 %, and profit for the year amounted to DKK 10.9 billion. The Board of Directors recommends paying a dividend of DKK 12.5 per share, corresponding to DKK 5.3 billion and an increase of 8.7 %.

During the year, we have prepared for reporting according to the EU taxonomy, which in short describes the sustainability of a company's activities. We are pleased to report that 66 % of our revenue, 80 % of our OPEX, 90 % of our EBITDA, and 99 % of our gross investments were taxonomy-eligible in 2021.

Driving a sustainable build-out of green energy

Sustainability is at the core of our business. In 2021, as the first energy company in the world, our 2040 target of becoming net-zero in our entire value chain (scope 1-3 emissions) was validated by the Science Based Targets initiative (SBTi). We consider this a landmark achievement, which sets a new standard for corporate decarbonisation targets globally. We are fully on track to become entirely carbon-neutral in scope 1 and 2 by 2025, so the next frontier for us will be to fully decarbonise our supply chain by 2040. This is a monumental task, which will require unprecedented technological innovation and cross-industry collaboration. We are working actively with our strategic suppliers on this agenda. Furthermore, we have made the strategic commitment to gradually phase out our natural gas portfolio towards 2040, with a clear mid-term target of reducing scope 3 emissions by 50 % in the period from 2018 to 2032.

As we build out renewable energy globally, protecting nature and biodiversity will be key. That is why in 2021, we embarked on our next major strategic sustainability journey, setting the ambition to deliver a net-positive biodiversity impact from all energy projects that we commission by 2030 at the latest. This will be an ambitious journey in the years to come, but we are convinced that real leadership is about doing what is right, even if we do not have all the answers yet.

Continued attention to people

Being a socially inclusive and diverse company in all its many forms is of paramount importance to us. We are fully committed to driving diversity in our company and have set the ambition to employ at least 40 % women across Ørsted's organisation by 2030, both in the company overall and among our leaders. With 31 % women and 69 % men today, we still have some way to go to become a more gender-balanced company, and we are implementing several initiatives to drive this important agenda. Diversity is clearly not just about gender, but we see this commitment as an important and tangible step to create a fully inclusive culture.

Our success relies more than anything on our employees, and we are happy to be part of such a capable, curious, and dedicated team. In this sense, we are delighted to see that our 2021 employee satisfaction survey yet again showed a high motivation and satisfaction score of 77 out of 100.

In December, CFO Marianne Wiinholt announced that she will pursue a career outside Ørsted. Marianne will step down in April. We would like to thank Marianne for her fantastic contributions to Ørsted over the past 17 years and wish her all the best in the future.

Safety is another value of paramount importance to us, both when it comes to protecting the physical conditions of our employees and to creating an inclusive and open environment where all employees can thrive. Again this year, we are pleased to see a downwards trend in our total recordable injury rate (TRIR) to a score of 3.0, down from 3.6 in 2020. As we almost achieved our previous target of 2.9 in 2025, we have raised our ambition to a target of 2.5.

To read more about our work on diversity, safety, and our other sustainability priorities, go to our sustainability report here.

Looking ahead

We have come a long way and have built a strong position as the undisputed global offshore leader. However, despite having transformed from a fossil-based energy company to the world's most sustainable energy corporation, we are not done with our transformation. As we demonstrated to an entire industry that large-scale offshore wind was feasible and scalable, we will continue to apply our courage and capability to innovate, scale, and accelerate the transformation of the world's energy systems and thereby continue to be a catalyst for a world that runs entirely on green energy.

Thomas Thune Andersen
Chairman

Mads Nipper
Group President and CEO

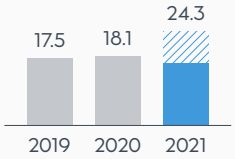
Performance highlights

Profits and returns

Operating profit (EBITDA)
DKKbn

New partnerships

24.3

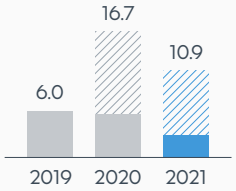


In 2021, our EBITDA was well in line with our expectations despite very low wind speeds. We maintained stable operations and achieved very strong results from our CHP plants and in our gas business.

Profit for the year
DKKbn

RBC divestment
New partnerships

10.9

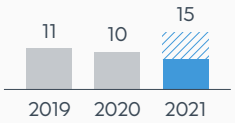


Profit for the year was DKK 10.9 billion. The decrease compared to 2020 was due to the divestment of our Danish power distribution, residential customer, and city light businesses (RBC), resulting in a gain of DKK 10.9 billion in 2020.

Return on capital employed (ROCE)
%

New partnerships

15

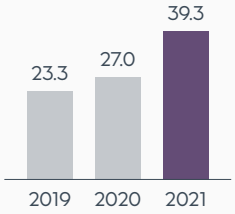


ROCE was 15 % for the year, which was above our target of an average ROCE of approx. 11-12 % for the Group in the period 2020-2027. In 2021, ROCE was positively impacted by the 50 % farm-downs of Bossele 1 & 2 and Greater Changhua 1.

Cash flow and balance sheet

Gross investments
DKKbn

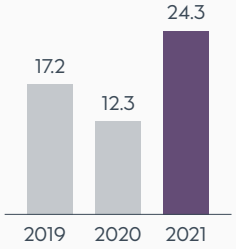
39.3



Our gross investments reached DKK 39.3 billion, a record-high level, driven by an increase in our construction activity within both wind and solar. Gross investments are in line with our guidance.

Interest-bearing net debt
DKKbn

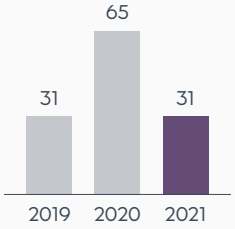
24.3



Our net debt increased to DKK 24.3 billion, mainly due to dividend, hybrid coupon payments, and a negative free cash flow.

Credit metric (FFO/adjusted net debt[1])
%

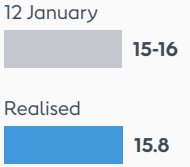
31



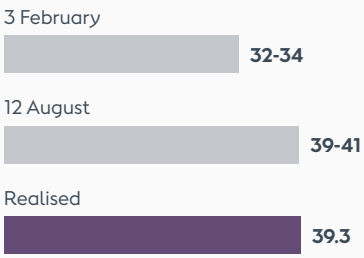
The credit metric 'funds from operations' (FFO) relative to adjusted net debt amounted to 31 % in 2021, above our target of around 25 %.

Follow-up on outlook announced for 2021

EBITDA, excl. new partnerships, realised versus guidance
DKKbn



Investments, realised versus guidance
DKKbn



In the outlook announced in our annual report for 2020, we expected EBITDA, excluding new partnerships, of DKK 15-16 billion and gross investments of DKK 32-34 billion for 2021.

With EBITDA, excluding new partnerships, of DKK 15.8 billion, we ended in line with our expectations.

Gross investments amounted to DKK 39.3 billion, in line with our most recent expectations.

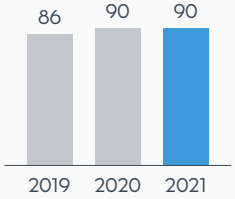
[1] Interest-bearing net debt, including 50 % of hybrid capital and securities not available for use (with the exception of repo transactions).

Performance highlights

Environment

Green share of generation
%

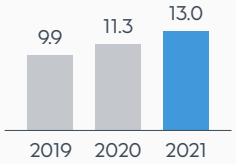
90



The green share of our heat and power generation amounted to 90 %, in line with last year, but with a lower contribution from wind generation and a higher share of solar and biomass-based heat and power generation.

Installed renewable capacity
GW

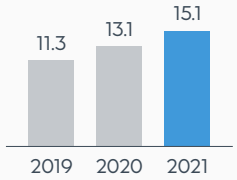
13.0



Installed renewable capacity increased by 15 % to 13.0 GW in 2021 due to the commissioning of the onshore wind farm Western Trail, the combined solar PV and storage center Permian Energy Center, the solar farm Muscle Shoals, as well as the acquisitions of Lincoln Land and BRI.

Avoided emissions
Million tonnes, CO_2e

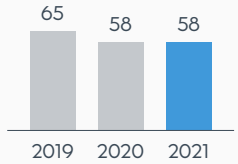
15.1



Avoided emissions increased by 15 % due to increased onshore power generation and sustainable biomass-based heat and power generation.

Greenhouse gas emissions intensity (scope 1 and 2), CO_2e/kWh

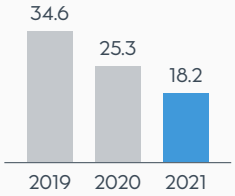
58



The greenhouse gas intensity from our heat and power generation and other operating activities (scope 1 and 2) was 58 g CO_2e/kWh in 2021, which was at the same level as in 2020.

Greenhouse gas emissions, scope 3
Million tonnes, CO_2e

18.2

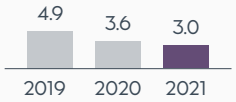


Our scope 3 greenhouse gas emissions were reduced by 28 %, mainly due to reduced sales of natural gas.

Social

Safety
Total recordable injury rate (TRIR)

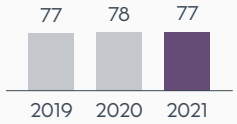
3.0



We continue to have a strong focus on the safety and well-being of our employees and are pleased to see a further improvement in 2021.

Employee satisfaction
Index 0-100

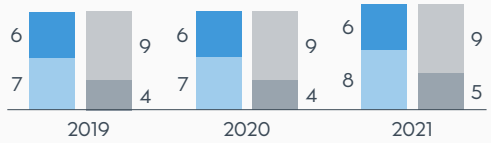
77



Our 2021 employee satisfaction survey, People Matter, showed a high satisfaction and motivation score of 77.

Governance

Nationality and gender diversity of the Board of Directors[1] and the Executive Committee



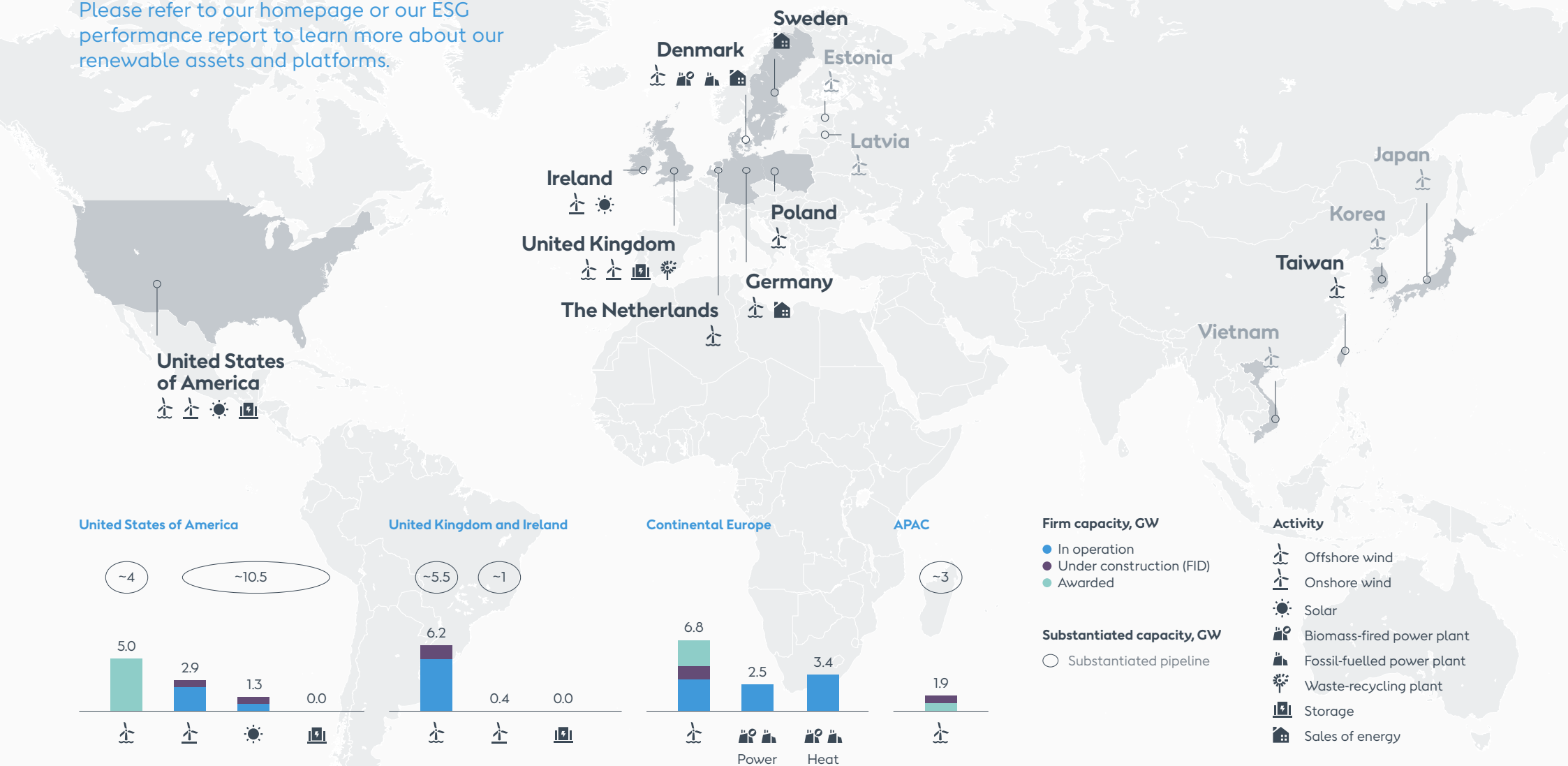
We continue to have strong focus on increasing diversity at all management levels.

Danish Non-Danish Male Female

[1] The graph comprises the eight members elected by the general meeting. The Board further consists of three members elected by the employees.

Our global footprint

Please refer to our homepage or our ESG performance report to learn more about our renewable assets and platforms.



Firm capacity, GW

- In operation
- Under construction (FID)
- Awarded

Substantiated capacity, GW

- Substantiated pipeline

Activity

- Offshore wind
- Onshore wind
- Solar
- Biomass-fired power plant
- Fossil-fuelled power plant
- Waste-recycling plant
- Storage
- Sales of energy

Financial outlook

In the UK, we are constructing Hornsea 2. When completed in 2022, it will be the world's largest offshore wind farm, a title currently held by Hornsea 1, which stands directly adjacent.

Located almost 90 km from England's east coast, Hornsea 2 will consist of 165 state-of-the-art wind turbines, generating enough power to supply all households in Greater Manchester.

Financial outlook 2022

Group EBITDA guidance

As in previous years, our EBITDA guidance does not include earnings from new partnership agreements.

Operating profit (EBITDA), excluding new partnership agreements, is expected to be DKK 19-21 billion in 2022. We have expanded our guidance range from previously DKK 1 billion to DKK 2 billion due to the increasing size of our renewable portfolio. As in 2021, we could see offsetting effects between the business units compared to our directional guidance.

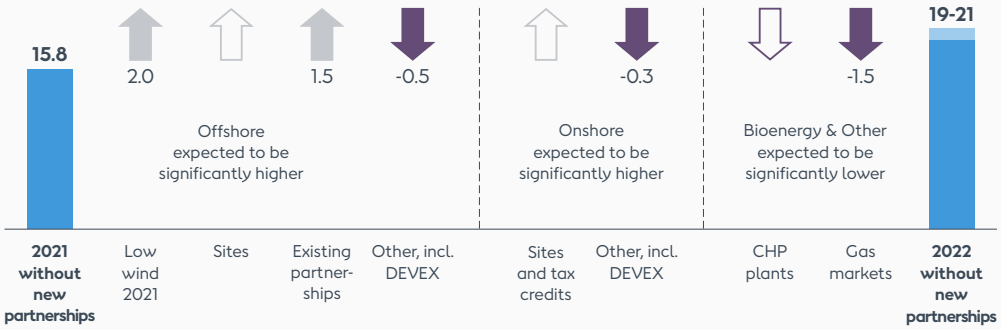
In terms of new partnerships in 2022, we will close the 50 % farm-down of Borkum Riffgrund 3, expectedly during Q1 2022, and we expect to farm down 50 % of Hornsea 2 during summer. While we have not included any gains from the two farm-downs in our guidance, we have assumed a derived reduction in site earnings from Hornsea 2 in the second half of the year.

In 2021, EBITDA from new partnerships amounted to DKK 8.5 billion and related to the 50 % farm-downs of Greater Changhua 1 (DKK 3.5 billion) and Borssele 1 & 2 (DKK 5.0 billion).

EBITDA, including new partnership agreements, is expected to be significantly higher than the 2021 EBITDA of DKK 24.3 billion.

Guidance on 2022 EBITDA without new partnerships
DKKbn

○ Ramp-up, wind speeds, and energy crunch bring uncertainty to key earnings drivers



Outlook 2022, DKKbn	2021 realised	2022 guidance
EBITDA (without new partnerships)	15.8	19-21
Offshore (without new partnerships)	9.5	Significantly higher
Onshore	1.3	Significantly higher
Bioenergy & Other	4.7	Significantly lower
Gross investments	39.3	38-42

Our EBITDA guidance for the Group is the prevailing guidance, whereas the directional earnings development per business unit serves as a means to support this. Higher and lower indicate the direction of the business unit's earnings relative to the results for 2021.

Offshore – significantly higher

Earnings in Offshore (excluding new partnership agreements) are expected to be significantly higher than in 2021. The positive impact on EBITDA in 2022 is driven by:

- earnings from sites expected to increase due to wind speeds reverting to a normal wind year
- ramp-up of generation from Hornsea 2 and Greater Changhua 1 & 2a with expected COD in late H1 and in H2, respectively, partly offset by the 50 % farm-down of Borssele in May 2021
- full year of CFD at Hornsea 1
- less negative impact from energy crunch, but continued negative impact from high balancing and intermittency costs
- a warranty provision in 2021 related to cable protection system issues at some of our offshore wind farms
- an increase in partner provisions in 2021 due to updated wake assumptions
- earnings from existing partnerships in 2022, mainly related to the construction work for partners at Greater Changhua 1
- partly offset by an expected DKK 0.5 billion increase in costs (project development, hydrogen, and general costs).

Onshore – significantly higher

Earnings in Onshore are expected to be significantly higher than in 2021, driven by:

- ramp-up of generation from Permian Energy Center, Western Trail, Muscle Shoals, and Lincoln Land (all commissioned in 2021)
- expected commissioning of Old 300 Solar Center, Helena Energy Center (both expectedly in H2), and Haystack (in H1)
- full-year earnings from Brookfield Renewable Ireland, which was acquired in Q2 2021
- partly offset by an expected DKK 0.3 billion increase in project development and general costs.

Bioenergy & Other – significantly lower

Earnings from both our CHP plants (including ancillary services) and 'Gas Markets & Infrastructure' are expected to be significantly lower than in 2021.

In 2021, our CHP plants benefitted from the very high power prices and spreads in the last four months of the year, which also led to an unusually high power generation, and large demand for ancillary services. This is not expected to be repeated to the same extent in 2022.

In 2021, earnings in 'Gas Markets & Infrastructure' were positively impacted by a one-off effect in connection with the renegotiation of gas purchase contracts together with strong underlying performance in a very volatile and bullish gas market where we were able to optimise purchase from our long-term gas contracts. In 2022, we expect earnings to be fairly limited, reflecting normal margins on these activities.

Gross investments

Gross investments for 2022 are expected to amount to DKK 38-42 billion. The outlook reflects a high level of activity in Offshore (Hornsea 2, Greater Changhua 1 & 2a, Borkum Riffgrund 3, Gode Wind 3, Ocean Wind 1, and our US North East cluster projects) and in Onshore (Helena Energy Center, Old 300, and projects from our substantiated pipeline).

In addition to gross investments, significant funds are temporarily tied up in the construction of transmission assets for offshore wind farms in the UK and offshore wind farms for our partners. These funds are a part of our operating cash flow. At the end of 2021, funds tied up in work in progress totalled DKK 5.9 billion. We still expect to see a high level of funds tied up in work in progress in 2022 as a result of the continued construction of the transmission assets at Hornsea 2. As part of the expected farm-down of Hornsea 2 in 2022, we will divest 50 % of the transmission assets to the partner, whereas we expect to divest our own 50 % share of the Hornsea 2 offshore transmission assets in 2023.

Uncertainties, prices, and hedges

Our offshore wind farms are largely subject to regulated prices, implying a high degree of revenue certainty. This means that we know the price per generated MWh for most wind farms in Denmark and Germany, our first Dutch wind farm, and the CFD wind farms in the UK. For our British ROC wind farms, we also know the subsidy per generated MWh which we will receive in addition to the market price.

The part of our generation from offshore and onshore assets which is exposed to market prices has, to a large extent, been hedged for 2022. The same applies to our currency risks. Generation from our CHP plants is partly hedged.

Besides earnings from potential new partnerships, the most significant uncertainty to the operating profit in 2022 is the power generation, which depends on wind conditions, ramp-up of new wind and solar assets, asset availability, timing of farm-downs, and the attractiveness of spreads on our CHP plants. In addition, high gas and power price volatility could impact earnings for the year through higher balancing and intermittancy costs.

Formosa 1, off the coast of Miaoli County, Taiwan.

Forward-looking statements

The annual report contains forward-looking statements which include projections of our short- and long-term financial performance and targets as well as our financial policies. These statements are by nature uncertain and associated with risk. Many factors may cause the actual development to differ materially from our expectations.

These factors include, but are not limited to, changes in temperature, wind conditions, wake and blockage effects, precipitation levels, the development in power, coal, carbon, gas, oil, currency, inflation rates, and interest rate markets, changes in legislation, regulations, or standards, the renegotiation of contracts, changes in the competitive environment in our markets, and reliability of supply. Read more about the risks in the chapter 'Our risks and risk management' and in note 6.

Financial estimates and policies

Capital Markets Day 2021

On 2 June 2021, we presented our new strategic ambitions and new financial guidance, which, among other things, included updates to our planned investment level and expected growth in EBITDA from operating assets and ROCE.

Read more about our ambitions and guidance metrics in the material from the Capital Markets Day: https://orsted.com/en/capital-markets-day-2021.

Financial estimates

To support our ambitious build-out, our planned gross investments from 2020 to 2027 amount to approx. DKK 350 billion, of which approx. 80 % is expected to be within Offshore (incl. renewable hydrogen) and approx. 20 % within Onshore. Net of the expected proceeds from farm-downs, investments are expected to be approx. DKK 200 billion.

In the period 2020-2027, we expect a growth in operating profit (EBITDA) from offshore and onshore assets in operation of approx. 12 % a year on average, reaching a level of DKK 35-40 billion in 2027. The growth rate assumes a 50 % ownership stake in new offshore projects. Potential farm-down gains will come on top of the operational EBITDA CAGR.

Our target is an average return on capital employed (ROCE) of approx. 11-12 % for the Group in the 2020-2027 period, including the potential farm-down gains.

The largest share of Ørsted's operating profit (EBITDA) will be generated by long-term contract-based or regulated activities, and we expect an average of around 90 % of EBITDA in the period 2020-2027 to stem from this.

Financial policies

The Board of Directors will recommend to the annual general meeting that a dividend of DKK 12.5 per share be paid for 2021, equating an increase of 8.7 % and a total of DKK 5.3 billion.

Supported by the expected increase in cash flows from future offshore and onshore assets, we still intend to increase annual dividends by a high single-digit percentage compared to the previous years' dividends, covering the period through 2025.

Our dividend policy and other expected capital allocations are subject to our commitment to our BBB+/Baa1 rating profile. During 2021, we updated the calculation method and correspondingly lowered our capital structure ratio target to 25 % to better align with the rating agencies.

Financial estimates	Target	Year
Total gross investments spend	DKK 350 bn	2020-2027
Average return on capital employed (ROCE)	11-12 %	2020-2027
Average share of EBITDA from long-term regulated and contracted activities	~90 %	2020-2027
Average yearly increase in EBITDA from offshore and onshore assets in operation	~12 %	2020-2027

Read more about our key metrics, financial targets, and policies in the presentation from our Capital Markets Day in June 2021 at orsted.com/en/capital-markets-day-2021

Financial policies	
Rating	Min. Baa1/BBB+/BBB+ (Moody's/S&P/Fitch)
Capital structure	~25 % (FFO/adjusted net debt)
Dividend policy	Ambition to increase the dividend paid by a high single-digit rate compared to the previous years' dividends, covering the period through 2025

Our current rating is in accordance with the policy.

Borssele 1 & 2, near Vlissingen, the Netherlands.

Our business

The power of the wind may last forever, but the tools we use to capture it do eventually reach the end of their lifespan.

Today, 85-90 % of a decommissioned wind turbine can be recycled. But the lightweight blades present a bigger challenge – one that we are working hard to solve. Until we do, we have committed to sending no more blades to landfill, storing them until we can recycle, reuse, or recover every single one.

A catalyst for change

In its recent report, the IPCC concluded that climate change is already happening, and that we will see significantly higher global temperature increases than the 1.5 °C threshold defined by science, both short and long-term, unless we take profound action.

With more than 70 % of the world's carbon emissions coming from the production and use of energy, the transition to a sustainable energy system is at the core of combatting climate change.

In Ørsted, we have been on this journey for the past 15 years, transforming our company from being one of the most carbon-intensive utilities in Europe to becoming a global renewable energy major and one of the most sustainable companies in the world.

Accelerating the global build-out of renewables

Going forward, we aim to continue being a core contributor and catalyst for change towards a world running entirely on green energy. Therefore, we have set the strategic aspiration to become the world's leading green energy major by 2030. This entails that we will be one of the largest green electricity producers in the world. We also aspire to become a future global leader in renewable hydrogen and green fuels since we believe these technologies will be important contributors to a fully decarbonised energy system and are natural extensions of our renewable energy platform. Furthermore, we aim to be one of the world's largest and most value-creating deployers of capital to the green transformation. While doing this, we aspire to be recognised as a global sustainability leader and as being the world's leading talent platform in renewable energy.

Validating our ambitions on science-based climate action

It is easy to commit to a net-zero target, but less so to show a credible path towards it. Therefore, we are proud to be the first and so far only energy company in the world to have our 2040 net-zero commitment (scope 1-3) validated by the Science Based Targets initiative (SBTi) as one of only seven companies globally. The validation entails that our carbon reduction targets are consistent with the reductions required by energy companies to keep global warming below 1.5 °C.

We are fully on track to become carbon-neutral in our operations (scope 1-2) by 2025, and we are making good progress in our supply chain decarbonisation programme, which is aimed at driving the decarbonisation of our supply chain to reach our goal of net-zero emissions in our entire carbon footprint (scope 1-3) by 2040.

Reporting on SDGs, TCFD, and the EU taxonomy

Across our various reports, we report on how we are advancing the 17 UN Sustainable Development Goals (SDGs), the risks and opportunities climate change can have on our business (TCFD), our greenhouse gas emissions, and the extent to which our business activities are defined as sustainable according to the EU taxonomy.

As a renewable energy company, we aspire to have a transformative impact on SDGs 7 – Affordable & Clean Energy and 13 – Climate Action, while contributing to several others. We report on our SDG contributions and impacts and on all our 19 sustainability programmes in our sustainability report, orsted.com/sustainability2021. In addition, we present our sustainability priorities on page 29.

Our TCFD disclosure is integrated throughout the strategy, risk, and governance sections of this annual report, and in our ESG performance report, we include a one-page overview with references to our TCFD alignment: orsted.com/ESGperformance2021

Our full greenhouse gas emissions and EU taxonomy reporting is also included in our ESG performance report.

Our full ESG data overview (including EU taxonomy) and our accounting policies are available in our annual ESG performance report, which together with the sustainability report constitute our annual Communication on Progress to the UN Global Compact and comply with the requirements for corporate social responsibility reporting set out in section 99a of the Danish Financial Statements Act as well as section 99b on gender distribution and section 107d on diversity at management levels.

Our markets and customer landscape

The green transformation of the energy system is rapidly accelerating, leading to massive and increasing market opportunities for Ørsted.

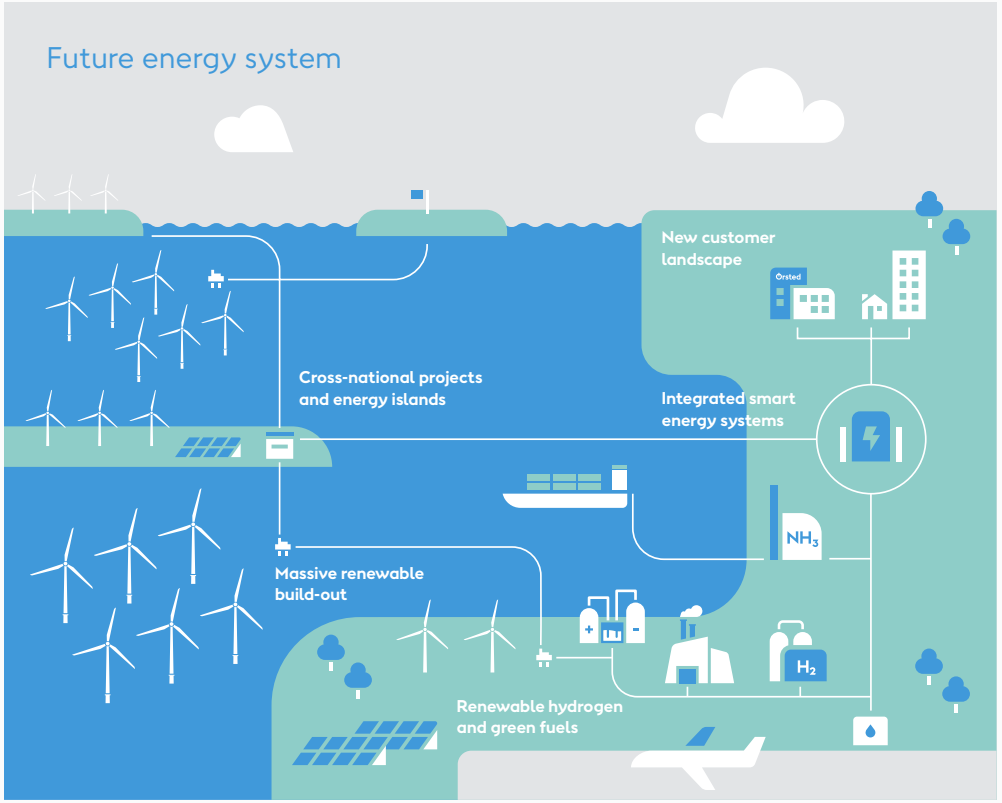
The future energy system and the shift in customer landscape

Driven by the cost reductions within renewable energy and the actions and targets set by governments to limit global climate change, we expect that the transformation of the global energy system will accelerate in the years to come. This will bring us significant growth opportunities across all our business areas.

The main solution to decarbonise the global energy system will be green electrification. Forecasts indicate that electricity volumes will grow three-fold towards 2050, and that 90 % of the electricity supply in 2050 will be from renewables (IEA). To support this profound electrification of society, a massive build-out of renewable energy is needed: To meet the 1.5 °C scenario, the global installed renewable capacity including hydroelectric, geothermal, and marine energy will need to grow from the current 2,500 GW to around 28,000 GW in 2050 (IRENA). In the next decade alone, the installed capacity of renewable energy is expected to triple.

The large-scale renewable build-out needed to support the green electrification will be based on increasingly larger renewable energy projects, which also requires a significant scale-up of the transmission infrastructure, both onshore and offshore. To support the significant build-out of offshore wind, we expect to see new types of cross-national renewable hybrid transmission infrastructures and energy islands which will be linked to several markets through interconnectors. Such new types of transmission infrastructure will enable significant cost savings and a more efficient use of the energy produced across markets.

In addition to massive green electrification, an important driver of global decarbonisation will be renewable hydrogen and green fuels, which will become the main decarbonisation route for heavy industry and hard-to-abate sectors such as steel, refineries, and ammonia, where direct electrification is not possible. When renewable hydrogen is processed further into green fuels, it is expected to be the key instrument in decarbonising heavy transport such as heavy trucking, shipping, and aviation. The scale-up



of renewable hydrogen and green fuels is expected to spark the development of entirely new industries and value chains, with companies from various offtake sectors engaging in strategic partnerships with renewable energy developers. This will in itself generate significant market opportunities for Ørsted, both in the renewable hydrogen and green fuels value chains and in the associated required build-out of renewable energy.

The expected scenario of more than 90 % global electricity supply coming from renewables by 2050 will also require a smart and highly digitalised energy system that can integrate multiple renewable generation sources as well as other Power-to-X and storage solutions. Digital technologies will play a critical enabling role by optimising energy production to real-time needs and by meeting the needs for security of supply across offtake segments.

The future customer landscape is also expected to change. Companies are increasingly setting ambitious decarbonisation targets, seeking green solutions directly from energy providers, and becoming key drivers of green energy demand alongside governments. A larger corporate demand will contribute to a shift towards multi-product bundled renewable solutions, combining CPPAs with more sophisticated technologies, including renewable hydrogen, green fuels, and storage.

Massive and increasing market opportunities

Driven by the profound changes underway in the energy system, the decreasing cost of electricity, and the increasing political momentum to drive the deployment of renewable technologies (see separate table below), market opportunities in renewable energy will increase massively towards 2030.

The total renewable capacity (offshore wind, onshore wind, small- and large-scale solar PV and batteries) excluding mainland China is expected to reach ~2,790 GW in 2030. Offshore wind will be the fastest-growing green generation technology with an expected ~20 % annual growth. Strong growth is expected

Increasing political momentum
Governments are setting ambitious decarbonisation targets

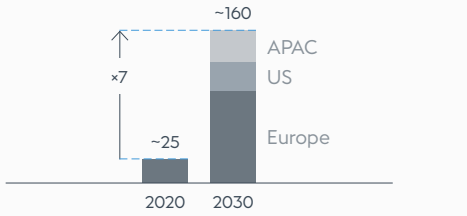
Carbon emissions target	Timeframe	Net-zero emissions target
55 %	1990-2030	2050
65 %	1990-2030[1]	2045
85 %	1990-2045	2045
49 %	1990-2030[2]	2050 (proposal)
70 %	1990-2030	2050
51 %	2018-2030	2050 (proposal)
78 %	1990-2035	2050
40 %	1990-2030	2050
50-52 %	2005-2030	2050 (policy document)[3]

[1] 88 % carbon reductions by 2040.
[2] 95 % carbon reductions by 2050.
[3] Submitted during COP26.

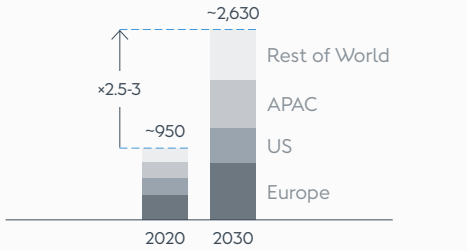
Source: BNEF New Energy Outlook 2021 for Onshore and Solar PV and Batteries; BNEF Offshore Wind Market Outlook H2 2021 for Offshore Wind; H2 Council target; IRENA; BNEF Global Hydrogen Strategy Tracker (Jan 2022); BNEF Global Hydrogen Strategy Tracker (Dec 2021).

Global renewable market forecasts towards 2030

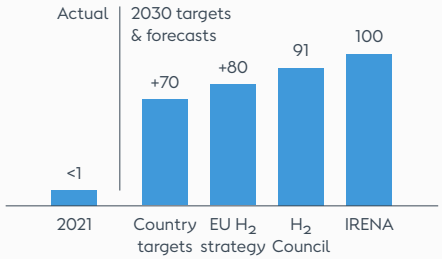
Offshore
Installed capacity excl. mainland China (GW)



Onshore
Installed capacity excl. mainland China (GW)



Renewable H2 green fuels
Installed electrolyser capacity (GW)



across all regions with Europe continuing to be the largest market, while APAC and US will experience the highest growth rates.

Onshore wind, solar PV, and batteries are also expected to grow significantly towards 2030, almost tripling in capacity. The highest growth is expected in the US and APAC, while Europe will remain the largest region for onshore renewables.

Renewable hydrogen and green fuels are expected to grow massively towards 2030. Current country targets point to more than 70 GW installed electrolyser capacity in 2030, while industry forecasts expect a 80-100 GW global market by 2030. In the long term, such capacity will need to grow massively to achieve global net-zero emissions across the energy system: Industry forecasts indicate 3,500-5,000 GW of electrolyser capacity needed by 2050 (IEA, IRENA).

Building a multi-technology growth platform to meet customer needs

The accelerating transformation towards a global energy system based on renewables is driving the need for Ørsted to broaden our technology platform to remain competitive in the future global energy market.

First, customer demand for renewable energy is driven mainly by the need for certain volumes and load profiles in specific markets where corporates operate, and not so much by a specific power production technology. This is also true for companies from hard-to-abate sectors now wanting to procure renewable hydrogen and green fuels to decarbonise their operations. Energy developers with a multi-technology platform are better able to provide corporate customers with the energy they need at any point in time to effectively run their businesses.

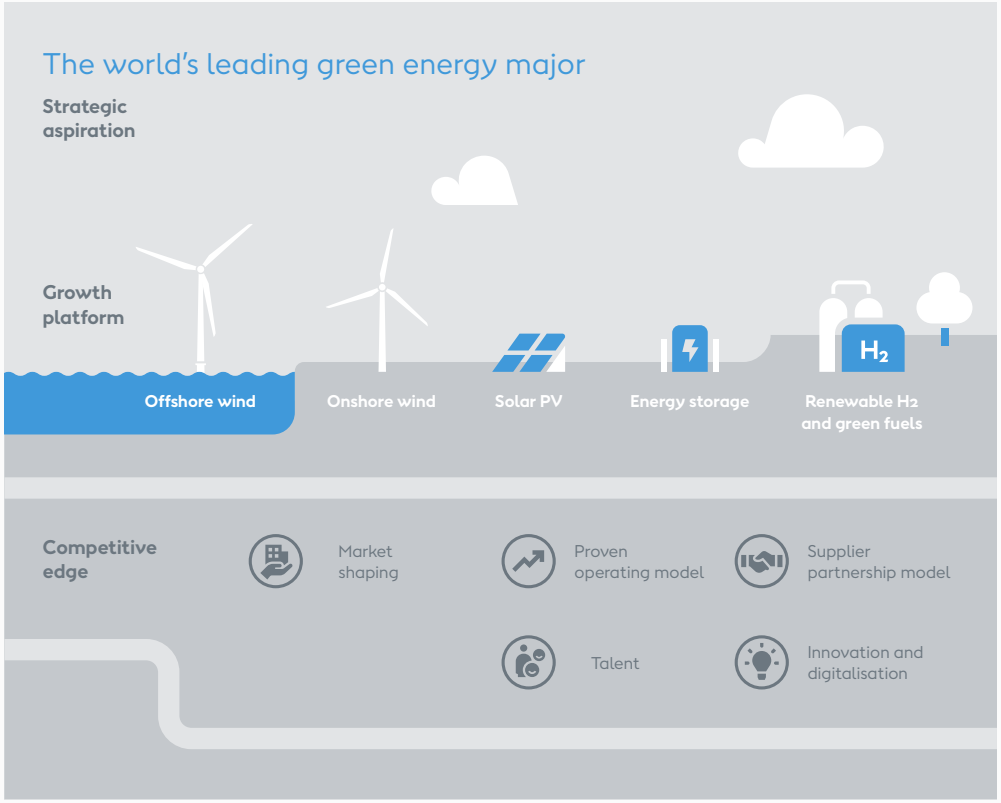
Secondly, multi-technology energy solutions enable companies to combine various energy assets with complementary load profiles, hence granting steadier green electricity production profiles to the market and to individual customers than single-technology alternatives.

Finally, the scale achieved through a multi-technology platform in a global market drives cost reductions and portfolio synergies, when it comes to both pipeline development, engineering, procurement, construction, and operations.

Hornsea 1, off the Yorkshire coast, the UK.

Our strategic aspiration and growth platform

At our Capital Markets Day in June 2021, we presented our strategic aspiration to become the world's leading green energy major. To achieve this aspiration, we are making bold choices across our multi-technology growth platform, while continuously sharpening our competitive edge.



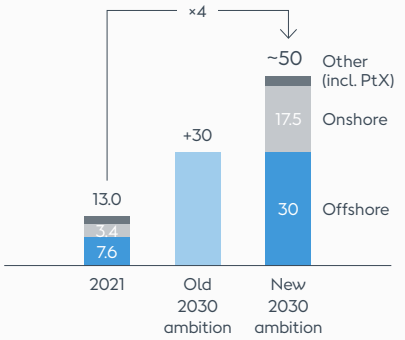
Our strategic aspiration

Based on our view of how the energy system will develop and the significant market opportunities ahead, we have set a new 2030 strategic aspiration.

Our new aspiration is to become the world's leading green energy major by 2030. This entails reaching a leading position across a set of important dimensions.

The first dimension is our ambition for green energy build-out, where we aim to be one of the largest green electricity producers. We have therefore increased our ambition for installed gross renewable capacity from +30 GW to ~50 GW by 2030, almost quadrupling our current gross installed base of 13.0 GW. In offshore wind, we aim to maintain our undisputed position as the global no. 1 with a target of 30 GW. Within onshore renewables (onshore wind, solar PV, and storage), we aim to become a global top 10 player and reach 17.5 GW of installed capacity. While we may not become the largest renewable energy company measured in gigawatts, we aim to be one of the world's largest green electricity producers by 2030, supported by the high load factors of the technologies we operate. We also aspire to become a global leader in renewable hydrogen and green fuels since we believe these technologies will be important contributors to a fully decarbonised energy system and are natural extensions of our renewable energy platform.

Installed capacity
GW



To deliver on our build-out ambition, we will need to deploy vast amounts of capital. Therefore, the second key component in our 2030 aspiration is to be one of the world's largest and most value-creating deployers of capital to the green transformation, maintaining our financial discipline, and remaining a trustworthy partner to our equity investors and other capital providers.

The third key dimension in our aspiration is talent. At Ørsted, we deeply believe that talent is diverse by nature, which is why we want to foster an inclusive culture that embraces diversity of thought, experience, and personal backgrounds that will enable us to better solve challenges and deliver on our vision. Towards 2030, we have set the bold aspiration to become the world's leading talent platform in the renewable energy industry.

The fourth dimension of our aspiration is sustainability leadership, which is at the core of what we do. Having been named the most sustainable energy company in the world for now four years in a row, we want to continue and accelerate our effort: We aspire to be a globally recognised sustainability leader, to make the world more sustainable, and to demonstrate that sustainability and value creation are not opposing, but rather mutually reinforcing objectives.

Finally, we want to be a core contributor and catalyst for the change required to create a world that runs entirely on green energy. We will continue to take a leading role in the green energy transformation and to lead by example, by setting ambitious targets and by engaging with key stakeholders across sectors and countries.

Our growth platform

Given our new 2030 aspiration, we want to expand and globalise our growth platform, while maintaining our strategic focus as an upstream renewable energy company, since we believe this is how we can create the most value.

We are making a set of key strategic choices with both short- and long-term potential across our growth platform.

In offshore wind, we have increased our ambition from 15 GW gross capacity in 2025 to 30 GW in 2030. To achieve this ambition, we are acting along various complementary strategic avenues. We will further expand our market footprint in high-opportunity markets such as the Baltics, the Nordic countries, Asian markets such as Korea, Vietnam, and Japan, and other growth regions. Furthermore, we aim to build a strong role in driving the commercialisation of floating offshore wind to unlock its large potential. By undertaking these steps, we are confident we can increase our annual build-out from 2 GW per year towards 2025 to 3 GW per year towards 2030.

In onshore renewables, we have built a strong multi-technological platform in the US since our acquisition of Lincoln Clean Energy in 2018. We plan to reach our ambition of 17.5 GW gross installed capacity by 2030 by acting along four main avenues. Firstly, we will strive to increase our gross annual build-out to 1.5 GW from an average of 0.8 GW between 2018 and 2021. Secondly, we will gradually shift our project portfolio towards more solar PV capacity, given the increased customer

2030 aspiration

Become the world's leading green energy major

One of the world's largest green electricity producers

- **Global no. 1** in offshore
- **Global top 10** in onshore
- **A global leader** in renewable H_2 & green fuels

- One of the world's largest and most value-creating deployers of capital into the green transformation
- The world's leading talent platform in renewable energy
- A globally recognised sustainability leader
- A core contributor and catalyst for change towards a world running entirely on green energy

Our growth platform

Our colleague at Willow Creek, Butte County, South Dakota, the US.

interest in multi-technology onshore solutions and the expected technology market growth. Thirdly, we will continue to expand our onshore position in Europe after the acquisition of Brookfield Renewable Ireland in June 2021. Lastly, while the development of own projects will remain our focus area, we will continue to pursue growth along additional paths, such as asset and platform acquisitions.

The most recent component of our global platform is renewable hydrogen and green fuels, which we believe will have enormous potential in decarbonising hard-to-abate sectors. Based on the evident synergies with our upstream renewable portfolio, we are confident we can become a global leader in this space as well, building on our extensive experience with scaling up and driving down costs of renewable energy technologies, our strong knowledge about and position in the energy system with access to large-scale renewable power, our proven partnership approach, and strong offtaker relationships. Our strategic value chain focus will be on the parts where we believe we can add the most value in close collaboration with key offtake partners. Consequently, we could see ourselves taking a more prominent role in liquid fuel processing of products, such as e-ammonia and e-methanol, if we see a clear potential for value creation.

Our competitive edge

Competition in the renewable energy industry is intensifying, driven by the increasing market opportunities. New players are entering the market, not least the oil majors which are increasingly setting high targets for their build-out of renewable energy.

Amidst the increasing competition, we have been able to expand our market position. In offshore wind, we managed to secure 25-30 % of capacity awarded totally across all auctions and tenders between 2017 and 2021. In 2021, we added 4.5 GW of new awarded capacity. It is a key strategic focus for our company to continue strengthening our competitive differentiation along five key dimensions.

Market shaping

Collaborating closely with policy makers and regulators to establish the conditions needed to develop renewable energy assets is an integral part of our way of operating as a global company and a key competitive asset, which we will continue to strengthen. Areas like local market development, investment in upskilling, and protection of biodiversity are not just slogans to us, and we are truly committed to continue being a 'trusted advisor' to policymakers and states to both develop regulatory frameworks for the renewable energy sector and maximise the local positive impact of our renewable energy projects.

Proven operating model

Since our entry in the offshore wind space, we have been able to effectively scale our presence in the market and turn it into a competitive advantage. In offshore wind, we are the company in the world that has constructed the most capacity with 28 offshore wind farms in operation. We have been able to scale up our asset base, to increase project scale, and to continuously develop novel solutions. This longstanding industry experience has enhanced our problem-solving ability, enabling us to act fast when problems are on the rise, and thus to execute our projects on time and budget. While we have increasingly globalised our platform, we have established a well-functioning operating model that allows us to effectively harvest synergies and efficiencies across markets and technologies, while managing the increasing operational complexity. As we further grow and diversify our market presence towards 2030, we will continue to sharpen our operating model to be able to fulfil our full organisational and operational potential and to remain a credible company that delivers on its promises.

Supplier partnership model

Another vital component of our competitive edge is our first-class supplier collaboration model. We can indeed count on strong supplier partnership relations across our entire portfolio, which enable us to maximise our joint strengths in the specific locations to effectively meet customer demands. As examples of this, our trusted collaboration with the turbine supplier GE has enabled us to contract turbines for over 4 GW onshore capacity in the last eight years, while our cross-technology partnership with Siemens Gamesa Renewable Energy (SGRE) is contributing to our Greater Changhua 1 & 2a, Hornsea 2, and Haystack projects reaching COD and to progressing construction on the Gode Wind 3 and Borkum Riffgrund 3 offshore projects.

Looking more broadly at our supply chain, our partnership in the US with the monopile supplier EEW will be key in providing us with the monopiles to mature the construction of our wind farms Ocean Wind 1 and 2, while the collaboration with Dominion Energy for the first-ever Jones Act compliant wind turbine generator (WTG) vessel is a key step to establishing a local supply chain for US offshore wind. The above-mentioned partnerships are just few examples of the successful partnerships matured so far. Looking ahead, we will continue to strengthen our supplier portfolio to acquire the know-how needed to continue delivering strong winning bids, to successfully execute on our project pipeline, and to identify new opportunities together.

Besides this, we are committed to working with our suppliers to minimise the environmental impact of our entire supply chain: We will do so by implementing our supply chain decarbonisation programme and by meticulously tracking our green performance towards our science-based targets.

Talent

Having a strong talent platform is of paramount importance for us. Our employees are vital to our transformation journey, and we want to continue attracting and developing the best talent to support our growth journey. In Denmark, we have ranked 4th, 5th, and 6th most attractive employer, respectively, among engineering and natural science, business and finance, and IT professionals. We are also building strong talent platforms in new markets: As an example, we are proud of having received the Best Employer Brand in Malaysia. Looking towards 2030, we cannot stand still: We have set the bold ambition of becoming the world's leading talent platform towards 2030, to maintain talent at the core of our competitive advantage, and to effectively support our ambitious transformation journey.

Innovation and digitalisation

Driving technological innovation and exploring new digital opportunities is a key competence for us. We have a strong culture of innovation that allows us to continue being at the forefront of technological and digital industry advancements as well as to constantly simplify and optimise our internal processes. One key example of our ongoing innovation is the use of load factor modelling in wind farms, where our wind specialists apply automation and data mining techniques to constantly improve the monitoring and prediction of wind farm production as well as to provide insights useful in deciding which turbine layout to use, or where to best locate the next wind farm.

Plum Creek, Wayne County, Texas, the US.

Our capital allocation and funding

Our aspiration of becoming the world's leading green energy major is backed by a DKK ~450 billion investment programme towards 2027, entirely funded by green capital.

To reach our ambition of 50 GW installed gross capacity by 2030, as part of our new 2030 strategic plan, we have committed to enable DKK ~450 billion of green growth investments from 2020 to 2027. As shown in the graph to the right, the DKK ~450 billion will be funded both by Ørsted (DKK ~350 billion), by reinvesting operational earnings, issuing new senior debt and hybrid capital, and reinvesting farm-down proceeds, and by our joint ventures and EPC partners (DKK ~100 billion). While the DKK 350 billion gross investments serve to reach our 11-12 % ROCE target, the DKK 200 billion net investments will contribute to our 12 % EBTIDA CAGR over the period between 2020 and 2027.

Of the DKK 350 billion, we will invest ~80 % in offshore wind, renewable hydrogen and green fuels and dedicate the remaining ~20 % to grow our onshore renewable activities.

We will continue to invest our capital according to the following principles, in order of priority:

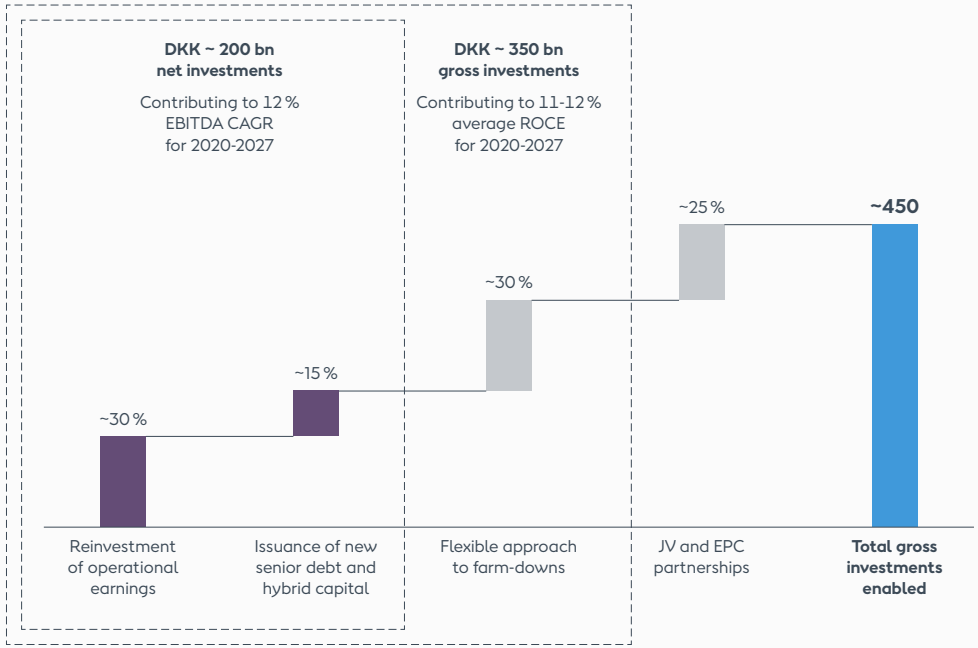
1. We will maintain our strong commitment to our credit ratings (BBB+/Baa1).
2. We will honour our dividend commitment to our shareholders.
3. We will invest in value-creating growth opportunities.

We adopt a balance sheet funding model, which reduces financing costs and enhances scalability and flexibility in our capital allocation. Our portfolio approach allows us to distribute project risks across multiple projects, thereby reducing the cost of capital compared to a single-asset model (project financing).

In 2021, we invested DKK 39 billion, of which our offshore and onshore activities accounted for 60 % and 40 %, respectively. The investments in Onshore was higher than the target in 2021 due to the acquisition of Brookfield Renewable Ireland and the late-stage Lincoln Land project.

At the end of 2021, our total outstanding debt, excluding hybrids, amounted to DKK 51.0 billion, with more than 39 % issued in a green format.

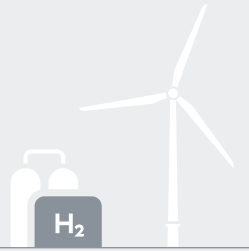
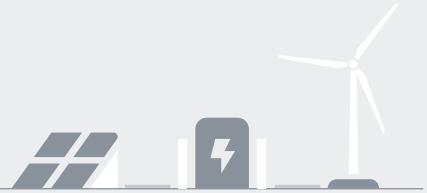
Funding composition of green growth investments
Gross investments 2020-2027 (DKKbn)



Our business model

We create value by developing, constructing, operating, and owning renewable assets and by providing energy products to our customers.

Ørsted's core activities

	Develop	Construct	Operate	Own
	In the development phase, we secure our pipeline	In the construction phase, we either act as general contractor ourselves or partly outsource these activities	When our assets are commissioned, we either operate and maintain them ourselves or partly outsource these activities	We continuously manage and optimise our portfolio of assets and partnerships
Offshore	• Shape new markets • Secure seabeds • Bid in auctions • Investigate sites • Explore local content • Secure permits and grid access • Explore opportunities with hydrogen and green fuels	• Select suppliers • Install WTGs, substations, and foundations • Install array and export cables • Execute local content	• Operate and maintain offshore wind farms • Balance power to the grid • Sell green certificates to the market	
Onshore	• Secure land or project rights (either greenfield sites or M&A) • Secure grid access • Secure permits	• Leverage on best-in-class contractors to construct our onshore wind and solar farms	• Leverage on top-tier OEMs to operate and maintain our onshore wind and solar farms • Store electricity to increase load flexibility	
Bioenergy & Other			• Operate and maintain our CHP plants • Balance power to the grid • Sell green certificates, power and gas, to B2B/wholesale	
Partnerships	• Form JVs with key local players in new markets • Secure CPPAs	• Farm down ownership shares of assets • Secure tax equity financing (only US)	• Deliver on IPPAs and O&M agreements	

Risk Management

Key resources → Financial capital – Natural and human resources – Innovation culture – Relational capital

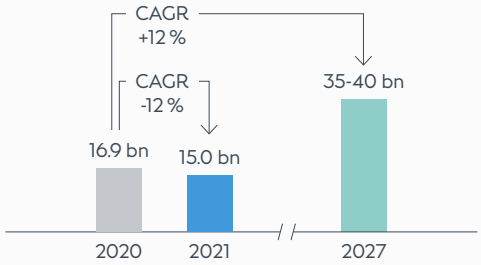
Value created → For society – Customers – Employees – Shareholders

Our strategic targets

Target

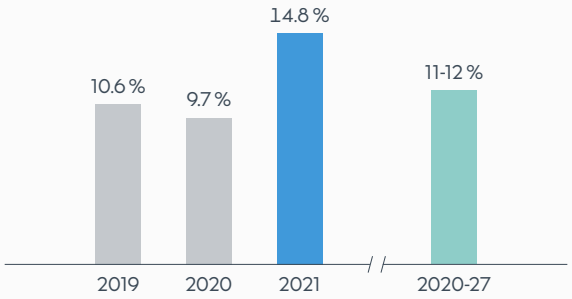
1. EBITDA from operating offshore and onshore assets, %

At our Capital Markets Day in June 2021, we set the new target of increasing the EBITDA from our offshore and onshore assets in operation by an annual average of 12 % from 2020 to 2027. From 2020 to 2021, we faced a decrease of 12 % due to substantially lower wind speeds year-on-year and the energy crunch.



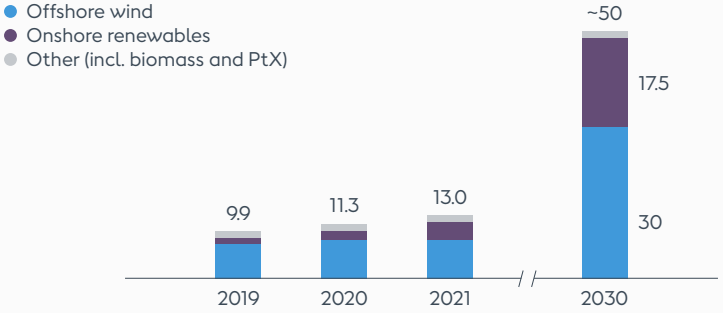
2. ROCE, %

At our Capital Markets Day in June 2021, we also set the target of reaching an average return on capital employed (ROCE) of 11-12 % from 2020 to 2027. In 2021, our ROCE of 14.8 % was positively impacted by the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1.



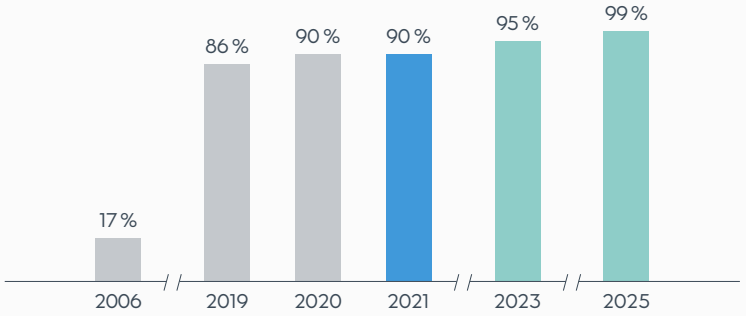
3. Installed green capacity, GW

At our Capital Markets Day in June 2021, we set an ambition to install 50 GW of renewable gross capacity by 2030. By the end of 2021, we had reached 13.0 GW of global renewable capacity installed, 4.7 GW under construction and 8.4 GW awarded.



4. Green share of generation, %

In 2021, we maintained the green share of generation at 90 %, in line with 2020. We are on track to meet our objective of exceeding 95 % by 2023 and reaching 99 % by 2025.



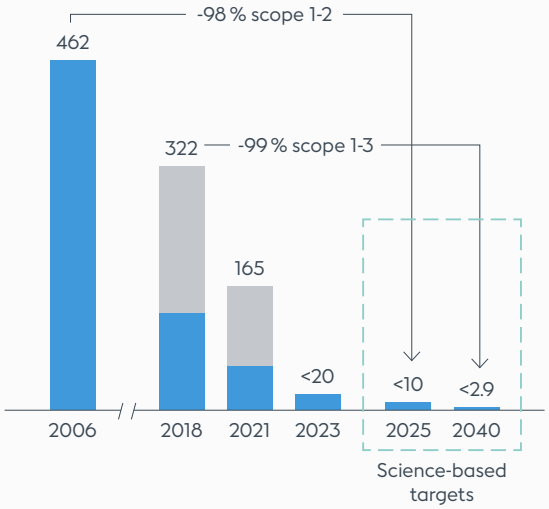
2040 net-zero full value chain decarbonisation target

Our science-based net-zero target, which was approved by the Science Based Targets initiative (SBTi) in October 2021, consists of two overall GHG reduction targets (5 and 6) and a limit on the use of certified carbon-removal projects for neutralising residual emissions.

5. Greenhouse gas emissions intensity
g CO_2e/kWh

We have set a target of reducing our scope 1-3 GHG emissions intensity (excluding natural gas sales) to 2.9 g CO_2e/kWh by 2040, a 99 % reduction from 2018. For scope 1-2, we have set the additional target of reducing emissions to less than 10 g CO_2e/kWh by 2025 (98 % less than in 2006) and to less than 1 g CO_2e/kWh by 2040. We will neutralise the residual emissions through certified carbon-removal projects.

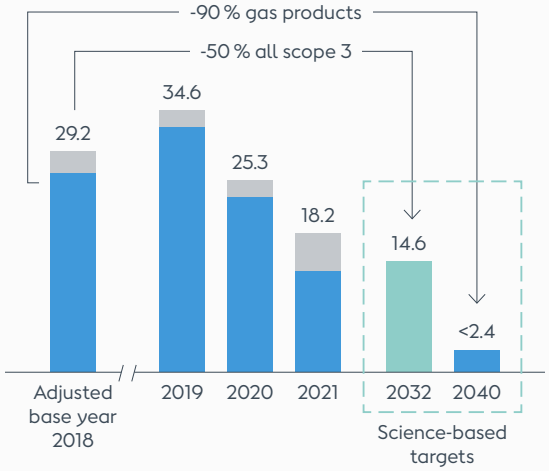
- Scope 1-2
- Scope 3



6. Greenhouse gas emissions (scope 3)
million tonnes CO_2e

Our target is to reduce our total scope 3 emissions by 50 % between 2018 and 2032. Furthermore, we have set the target of reducing our scope 3 emissions from wholesale buying and selling of natural gas by 90 % between 2018 and 2040.

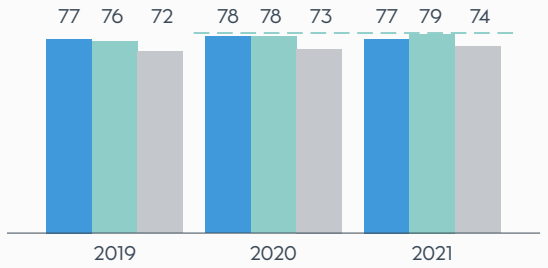
- Natural gas sales
- Other scope 3 emissions
- Total scope 3



7. Employee satisfaction
index 0-100

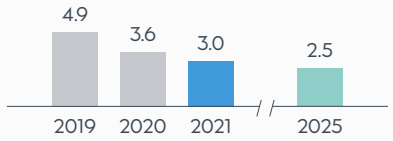
We believe that employee satisfaction and strong results go hand in hand. Therefore, we are continuously working to improve the well-being of our employees. In 2021, we achieved a score of 77, which was above Ennova's benchmark of 74, slightly below the top 10 %, which is our target.

- Ørsted
- Ennova benchmark top 10 %
- Ennova benchmark
- Target employee satisfaction in top 10 %



8. Safety
TRIR

Safety is high on our agenda, and we do our utmost to prevent accidents and injuries. Due to our strong progress in recent years, we have raised the ambition for reducing the total recordable injury rate (TRIR) to 2.5 in 2025, from previously 2.9. In 2021, TRIR was reduced to 3.0 from 3.6 in the year before. The decline was driven by both overall improvement in our workplace safety and by the full-year effect of the RBC divestment in 2020.



Our sustainability priorities

Our sustainability priorities and approach are built around four core challenges related to climate, nature, people, and corporate governance.

Science-aligned climate action

Challenge

The world is still not on track to deliver the carbon reductions needed to keep global warming below 1.5 °C. Science tells us this is the limit to avoid catastrophic and uncontrollable consequences of climate change.

Aspiration

By scaling our green energy business while delivering science-aligned carbon reductions, we enable and inspire others to deliver science-based climate action.

Programmes

1. Decarbonisation of energy generation and operations
2. Decarbonisation of supply chain and wholesale buying and selling of natural gas
3. Deployment of offshore wind and onshore renewables
4. Greener combined heat and power plants
5. Integrated and reliable energy systems

Green energy in balance with nature

Challenge

Nature and its variety of species and habitats regulates the well-being of our planet, and it is in crisis. Building green energy is a life-saver for nature – but also involves nature impacts that we need to manage.

Aspiration

We want to lead a build-out of green energy where each energy project contributes positively to a thriving nature.

Programmes

6. Biodiversity
7. Circular resource use
8. Minerals and metals
9. Sustainable biomass

A green transformation that works for people

Challenge

The green transformation will involve and impact the lives of millions of people across supply chains and local communities as well as the employees working to make it happen.

Aspiration

We want to lead a build-out of green energy that is inclusive and enabling, with the ability to create local benefits.

Programmes

10. Local communities
11. Human rights
12. Inclusion of diversity
13. Employee safety, health, and well-being
14. Employee development and satisfaction

Governance that enables the right decisions

Challenge

To make business a force for good, all decisions and processes across the organisation need to pull in the same direction. It requires carefully considered business governance.

Aspiration

We want sustainability and integrity to be integrated into processes and decision-making across the organisation.

Programmes

15. Responsible business partners
16. Good business conduct
17. Responsible tax practice
18. Sustainable finance
19. Information and cybersecurity

Our sustainability priorities

We are in the middle of an immense global energy transformation, and this transformation needs to be a force for good. We want to lead the way to a future fuelled by green energy, where nature, society, and people flourish.

Once a year, we perform a sustainability themes analysis to map and prioritise the themes most important to our business and stakeholders.

Based on this analysis, we have updated our sustainability priorities and approach built around four core challenges related to climate, nature, people, and corporate governance. In the following, we will elaborate on the core challenges of each pillar of our priorities.

Science-aligned climate action

Limiting global warming to 1.5 °C will require a transformation of the global energy system. We continue to have high ambitions for our climate action, and we are proud to have worked with the Science Based Targets initiative to become the first energy company in the world to have our net-zero target for 2040 SBTi approved. We continue our commitment to reach our goal of net-zero emissions in our entire carbon footprint (scope 1-3) by 2040.

Green energy in balance with nature

The consequences of climate change are negatively impacting our ecosystems, and we are seeing water scarcity, habitat destruction, and biodiversity loss all around the globe. We cannot solve the climate crisis at the expense of nature.

As an industry, we must therefore ensure that the global energy transformation takes place in a sustainable way. The transformation will require a greater emphasis on best practices within project design and responsible resource management to reduce the impacts of infrastructure operations on ecosystems.

For this reason, we have set the ambition to deliver a net-positive biodiversity impact in all new renewable energy projects from 2030 at the latest. This entails that the project should have an overall positive biodiversity impact through active measures taken to avoid, mitigate, or offset potential biodiversity losses.

With our new biodiversity ambition, there will be new challenges for us to solve, and we will systematically implement initiatives that ensure an overall net-positive contribution to natural ecosystems, habitats, and species across our future renewable energy projects.

A green transformation that works for people

Beyond lowering carbon emissions by developing and deploying new green technologies, global climate action should also work for people.

We have sustainability programmes in place that are specifically focused on the people aspects of the green transformation. Our safety standards are well-developed and a key priority for us. Our employees' health and well-being are main focus areas for us, and we have a clear code of conduct and due diligence processes in place to ensure human rights are respected across our supply chain.

Inclusion of diversity is another important area for us. In 2021, we have made considerable progress on our ambition to foster diverse talent and an even more inclusive company culture. As an example, we further matured our global inclusion networks, which now count more than 1,000 active participants and have a network in each one of our regions, supported by senior leaders.

In addition, we have set new targets for gender equality and are aiming for at least 40 % of our total workforce to be women by 2030, including at our leadership levels.

Within this framework, we are committed to creating green jobs and in this way be part of transforming and future-proofing the workforce. To achieve this, we are partnering with labour unions, retraining the workforce, and creating new, well-paid jobs.

A governance that enables the right decisions

As a business, we want to incorporate sustainability leadership into our entire way of working and thus also into our internal governance.

Therefore, we are strengthening the remuneration structure for our Executive Committee to ensure a stronger and more systematic integration of ESG. Our new short-term incentive scheme, effective from 2022, is designed to support that we deliver on our core sustainability commitments, improve our sustainability leadership performance, and continue to push new frontiers.

Ban on blades to landfill

In the coming decade, wind turbines will be deployed at an unprecedented pace, delivering renewable energy to industries and to millions of people, making it even more important to decommission the blades in a sustainable way.

As part of our company strategy towards carbon neutrality, we have made a new commitment to either reuse, recycle, or recover all the wind turbine blades in our global portfolio upon decommissioning. Thus, establishing an immediate ban on the landfilling of our blades.

Our risks and risk management

Risks are a natural and integral part of our business activities, and our risk profile changes continuously. We aim to mitigate our risks and reduce them to an acceptable level through risk management.

Besides business risks (incl. financial risks), we are exposed to risks in connection with legal compliance, climate change, and ESG and sustainability in general, both at a strategic and operational level. The purpose of our risk management is to identify and quantify our risks and decide how best to manage and mitigate them. We assess the extent to which individual risks are acceptable or perhaps even desirable as well as the extent to which these risks can be reduced to ensure an optimum balance between risk and return.

A large part of our earnings is generated from offshore wind, with the UK and Continental Europe being the key contributors. However, with our expansions into the US and Asia Pacific and into onshore wind, solar PV, and hydrogen, our future earnings will be spread across more geographical regions and technologies. Therefore, political and other macroeconomic factors play an important role in our risk management. When we invest in new assets and activities or divest assets, the consolidated risks associated with our portfolio change. Therefore, we assess the impact of a given decision on the portfolio upfront.

We work systematically with risks. All business units and selected staff functions identify and prioritise business risks. An assessment is made of the potential financial impact of individual risks, and whether they are of a short-term (0-2 years), a medium-term (2-5 years), a long-term (5+ years), or a recurring nature. All our risks are then consolidated and evaluated at Group level. The ultimate responsibility for all the individual risks rests with a member of the Executive Committee.

The top six business risks identified during 2021 are shown to the right where they are illustrated based on their potential impact (post-risk

Top 6 business risks

Effect on our value and credit metric

Quantification of risks is based on a scenario where the risk occurs with 10 % probability (P90). Our Internal Audit function has examined the process for identifying and measuring the accompanying portfolio risks.

1. (#1 in 2020) Inflation and interest rates
2. (#3 in 2020) Increased competition leading to price pressure
3. (New in top 6) Cost inflation and supply chains
4. (#2 in 2020) Currencies and energy prices
5. (New in top 6) Offshore power generation
6. (#5 in 2020) Cybersecurity

mitigation) on our value and credit metrics over the next years. You can read more about these risks on the following pages.

We have similar processes in place for identifying and prioritising risks related to ESG and sustainability as well as legal compliance. However, as these are assessed using different parameters, we do not show them in a consolidated picture together with the business risks. A description of the most significant ESG and sustainability risks can be found in our sustainability report here.

In addition to our ordinary business risks, we are exposed to risks which have a very small probability of occurring, but which could potentially impact our finances and/or reputation substantially. These risks include, but are not limited to:

- fatal injuries
- strong hurricanes, typhoons, hailstorms, arctic blasts, or earthquakes, especially in Taiwan, which may lead to the partial loss of offshore and onshore wind farms, solar PV farms, and storage assets
- broken pipes at the Nybro Gas Treatment Plant in Denmark which may lead to personal injury and damage to the environment
- breakdowns at power plants that may lead to personal injury and partial loss of assets.

After risk-reducing measures are implemented, the Executive Committee assesses whether the level of each risk is appropriate, or if it is higher than the desired level. If the risk level is still too high, further risk reducing measures are initiated to the extent possible.

Climate-related risks

Climate change presents financial risk to the global economy. To mitigate the impacts of climate change, it is important to understand the risks and opportunities presented by rising temperatures, climate-related policies, and emerging technologies in our changing world.

As climate-related risks and opportunities are directly linked to our green vision and strategy, we address them as an integral part of our daily business, and we report on them as recommended by the Task Force on Climate-related Financial Disclosures (TCFD). Read more about our climate-related risks on page 34.

As part of our process towards EU taxonomy alignment, we have also evaluated the resilience of our taxonomy-eligible assets in changing and extreme weather, thus building on our TCFD climate scenario analysis completed for the offshore business in 2019. We did this by assessing our assets' exposure to the taxonomy's list of 28 climate change hazards during their lifetime and identifying the processes in place to mitigate the risks. We assessed indicators for a worst-case climate change scenario as defined by the latest IPCC report. The analysis confirmed that our assets are resilient and can withstand projected climate changes during their lifetime. In 2022, we will review the analysis to ensure our approach to documenting asset resilience aligns with upcoming EU guidance.

Development in risks in 2021

This year, 'Cost inflation and supply chains' together with 'Offshore power generation' have been elevated into our top six business risks (expanded from five in 2020). This means that 'US offshore development and construction risk' has been excluded as a top business risks.

In 2021, we saw increasing and more volatile prices for steel and copper. The high cost inflation and volatility experienced during the year could have an adverse effect on our earnings as well as our suppliers' financial position and ability to deliver as agreed, if not mitigated. Furthermore, the ongoing COVID-19 pandemic has disrupted some of our supply chains' ability to deliver on time due to local restrictions and has led to an overall higher corporate default rate in Europe. Therefore, 'Cost inflation and supply chains' enter our top six risks as our third largest risk.

It has become increasingly important to limit the uncertainty around our offshore power generation estimates, arising from variability in wind speeds as well as blockage and wake effects. Therefore, we have introduced 'Offshore power generation' as the fifth largest risk this year.

'Inflation and interest rates' remain our most significant business risk. During the second half of 2021, we have seen increasing interest rates globally, and we expect this could lead to rate hikes in 2022 in the US and the UK.

In the second half of 2021, we experienced skyrocketing prices and a high volatility in the gas and power markets where we operate. Therefore, currencies and energy prices remain in our top six risks, but is now deemed our fourth largest risk.

Major cyberattacks are becoming still more frequent, and we continue to see an increasing number of cybercriminals looking to financially harm companies. Therefore, cybersecurity remains in our top six risks, but is now deemed our sixth largest risk.

COVID-19

From the beginning of the COVID-19 pandemic, Ørsted has handled it as a corporate crisis, and, consequently, the Corporate Crisis Management Organisation (CCMO) has provided strategic guidance and support to our regional and operational COVID-19 task forces. A global COVID-19 standard operation procedure, a testing strategy, a global vaccination policy, and relevant business continuity plans have also been developed or updated.

During the year, we have seen some adverse impacts of the pandemic, mainly related to our supply chain and the power prices in the markets where we operate. While COVID-19-related lockdowns among our suppliers had some adverse impact on the construction timeline for some of our projects, we expect these delays to only result in a limited overall impact on the project economics.

1. Inflation and interest rates

Description
To a large extent, our medium- to long-term earnings can be expected to follow the development in consumer and market prices, thereby protecting the real value of our assets and equity. However, fixed nominal subsidies from wind assets in Denmark, Germany, the Netherlands, Taiwan, and the US (the US contracts are indexed with a fixed annual escalator) are exceptions to this. Fixed-price power purchase agreements (PPAs) from assets in the US and Taiwan as well as fixed nominal cash flows related to debt are also exceptions to this. We are exposed to inflation risks in these markets, where an increase in inflation will adversely impact the expected real value of the revenue.

Our farm-down model of funding future wind farms through divestments is exposed to interest rate risks as wind assets are more attractive to buyers when interest rates are low compared to other financial assets with similar risk profiles.

Potential impact
Fluctuations in interest rates and inflation may adversely impact our earnings and farm-down model, thereby affecting the value of our assets.

Mitigating actions
Our inflation and interest rate exposures are managed by matching assets and liabilities in the same currency and with similar payment structures. Hence, our European fixed nominal subsidies are being offset by EUR-denominated fixed-rate debt. In contrast, we have entered into inflation swaps for part of our inflation-indexed revenue in the UK to match our nominal GBP debt. The risks that arise from projects in Taiwan and the US can be reduced by obtaining matching-duration fixed-rate debt denominated in the same currency as the revenue.

Read more about inflation and interest rate risks in note 6.4.

2. Increased competition leading to price pressure

Description
As the offshore industry has become more mature and increasingly global, competition has increased with new market players entering. We expect a diversified competitive landscape going forward, including oil majors, utilities, institutional investors, and regional developers.

In offshore wind, the competitive auction and tender mechanics being implemented across the various regions and markets are also becoming more diversified. While the mature European markets increasingly look to include innovation and system integration (e.g. storage and renewable hydrogen) to play an increasingly important role in auctions and tenders, developing markets in both Europe, the US, and Asia Pacific often emphasise costs and job creation as determination criteria. For offshore wind, this necessitates a flexible approach to remain competitive across the different markets and implies the need to retain a strong supplier engagement and be cost-efficient.

Potential impact
There is a risk that we will not win the targeted capacity in the auctions and tenders in which we participate, or that our value creation from the projects we win ends up being lower than targeted.

Mitigating actions
We will continue to utilise portfolio-scale advantages and knowhow gained from previously executed projects to develop supply chain solutions and reduce costs and risks in order to maximise our ability to win future projects. Furthermore, we are making early commitments and entering into both global and regional framework agreements to secure capacity. Finally, we are differentiating through active stakeholder management, investments in upskilling and creation of local jobs, and by focusing on sustainable solutions, including through protection of biodiversity of our renewable energy projects.

3. Cost inflation and supply chains

Description
As a global renewable energy developer, we are exposed to risks related to cost inflation, supply chain bottlenecks, performance of new suppliers, suppliers' financial positions, and consequences of COVID-19.

Among other things, we are exposed to the highly volatile steel and copper prices, which are influenced by high global demand with widespread application in various sectors. As the industry grows with continuously new technological developments, we are exposed to potential bottlenecks in parts of the supply chain if there are only a limited number of suppliers capable of meeting the future demands. Therefore, it is important that new suppliers enter and stay in the market. We are also exposed to counterparty risks if one of our suppliers should default or deliver unsatisfactory products.

Furthermore, COVID-19 developments could potentially impact the supply chain's ability to deliver in a timely manner due to restrictions on movement, shutdown of facilities, delays, etc.

Potential impact
Disruptions in the supply chain or sudden inflation in key materials could result in project delays and budget overruns.

Mitigating actions
To combat cost inflation, we have implemented a hedging programme for steel and other commodities, which will be rolled out to our asset projects. Furthermore, we enter into volume agreements and source wind turbines from key suppliers in a timely manner to reduce uncertainty.

Our process for vetting new suppliers is thorough, and we have strict credit risk policies in place to manage credit and counterparty risks.

4. Currencies and energy prices

Description
Our main currency exposure relates to GBP, followed by USD and NTD due to our investments in renewable energy in the UK, the US, and Taiwan.

We are primarily exposed to power price risks from the sale of our renewable power generation in the US, the UK, and Denmark. Power generation from our CHP plants are exposed to both power and fuel prices.

Our exposure to gas and oil prices is limited, but we still have some exposure to oil-indexed gas sourcing contracts and from selling gas at fixed prices.

Potential impact
Fluctuations in exchange rates and energy prices may adversely impact our earnings.

Mitigating actions
We hedge currencies and energy prices for up to five years and in some cases longer. As an alternative to hedging power, we seek to enter into long-term corporate power purchase agreements (CPPAs), under which we sell power from our renewable assets to reduce cash flow fluctuations. We hedge more of the risk in the first years and less in the later years. This is due to decreasing market liquidity and increasing uncertainty about generated volumes.

Read more about currency and energy price risks in notes 6.2 and 6.3.

5. Offshore power generation

Description
Offshore power generation is exposed to risks related to wind speeds and directions, power curves, blockage and wake effects, and geographic regions.

Wind speeds and directions have a significant impact on our earnings and are characterised by a high degree of variability between years. Estimates are therefore based on onsite pre-construction measurements and historic data, and variability must be taken into account before making investment decisions.

Wind speeds decrease as they approach a wind turbine (blockage), and after they pass it (wake). Both effects exist at the level of individual wind turbines, the wind farm as a whole, and from neighbouring wind farms.

Furthermore, wind speeds and directions tend to be correlated in geographic regions. As our portfolio of offshore wind farms currently is Eurocentric, we are especially exposed to the wind climate in Europe.

Potential impact
Failure to correctly estimate lifetime average wind speeds, blockage and wake effects, and thus generation could lead to bids or financial investment decisions based on inaccurate business cases.

Mitigating actions
With extensive experience in the offshore wind industry, we have been a first mover in creating global blockage modelling, and we have developed a refined method of horizontal extrapolation of wind speeds to specific wind turbine positions. In addition, we have done extensive research and developed new wake models that capture the influence of turbulence.

To ensure correct wind speed estimates, we have established a practice for development projects ensuring 24 months of onsite wind measurements prior to bids.

6. Cybersecurity

Description
Cyber risk is the combination of two key parameters: intention and capability. We assess cybersecurity risk by the protection level of our systems and processes, mapping likely threat actors, their intentions and capabilities, and what the financial impact on us would be.

In recent years, several major cyberattacks have been launched against companies around the world, and we see an increase in attacks where ransomware and financial gain is the key driver behind cyberattacks.

As a global major within renewable energy, we are exposed to several different cyberattack threats: ransomware attacks, data exfiltration attacks, cyber-physical impact attacks, and more.

Potential impact
Minor digital risk events, such as viruses and attempted break-ins, are everyday risks without significant impact. However, major cyberattacks or events may impact all or part of our assets or, in the event of a ransomware attack, have an impact on our financial position.

Mitigation initiatives
We face different types of cyber risks. Some are related to our assets and some to our systems. Thus, we mitigate cyber risks with several different initiatives, which are continuously assessed and prioritised based on our strategic cybersecurity risk assessment with the aim of lowering our risk exposure.

At our operating assets, we have deployed production cyber defences to enhance protection against onsite and offsite attacks. In addition, we have a top-level 'Information and cybersecurity policy' supported by our global governance model, we have regular trainings, and we participate in fora on information and experience sharing.

This way, our cyber capability is continuously improved in order to identify, protect, detect, respond, and recover across the enterprise and production sites.

Legal compliance

Description
Risks associated with legal compliance are assessed based on financial and reputational significance and probability. Our most significant risks are 1) tax law, 2) offshore grid code compliance, and 3) financial regulation. (1) We operate in tax regimes with different tax rules and rates, and our tax affairs span over corporate tax compliance, transfer pricing, and indirect taxes. (2) In every country where we operate, we have to meet certain grid code requirements set by the transmission system operator (TSO) to be allowed to generate and supply electricity to the grid. (3) We are subject to several financial regulations, such as REMIT, MAR, EMIR, Dodd Frank, MiFID, SFTR, and AML1. The financial regulations are relevant for a large part of our activities.

Potential impact
Failure to comply with the above-mentioned rules and regulations may result in severe legal sanctions, such as imprisonment, fines, and damage claims, but also in possible disconnection from the grid or loss of generation license.

Mitigating initiatives
(1) We have implemented a comprehensive tax control framework and mandatory compliance, including transfer pricing documentation, in line with OECD recommendations and local requirements. This has been prepared on a contemporary basis to mitigate our tax risks. (2) We have implemented grid code governance to provide clear responsibility, and we have a 'compliance critical systems' project underway to help our sites identify what systems are critical and ensure suitable measures for reliability. (3) We have implemented comprehensive policies, procedures, training, and controls for relevant parts of our business to ensure compliance with financial regulations.

Climate-related risks

Description
Changes in the world's climate constitute a risk and an opportunity for us. In August, the Intergovernmental Panel on Climate Change (IPCC) concluded that it is unequivocal that human activity causes global warming, and that we are on course to reach the critical point of 1.5 °C of warming already in the early 2030s.

Potential impact
Failure to adhere to the 1.5 °C limit may cause severe changes in the worlds' climate and make catastrophic events more severe and frequent. This could not only have an adverse effect on our planet, but on our operating assets as well.

Mitigation
In accordance with the recommendations set out by the Task Force on Climate-related Financial Disclosures (TCFD), we seek to exploit climate-related opportunities and be a part of the solution through development and generation of renewable energy.

At the same time, we seek to reduce the risks related to climate change by encouraging regulators and public authorities to set ambitious renewable energy targets, improving the competitiveness of green technologies, assessing acute and chronic weather development, and taking extreme weather conditions and events into account when designing and building our assets.

Furthermore, we take climate-related risks and opportunities into account when we prepare business cases for investment in new assets or activities. By doing this, we seek to avoid ending up with stranded assets or assets and activities with a significantly lower value than originally expected.

Results

When the sun shines on Permian Energy Center's 1.3 million solar panels, some of that energy can be stored in batteries until it's needed, adding flexibility to Texas' energy grid.

Completed this year, the project is our first to incorporate solar and battery storage at utility scale. It makes us the first developer in the US to operate the full spectrum of new renewable technologies at this scale.

Results

Financial results

Revenue

Power generation from wind and solar assets increased by 6 % and totalled 22.2 TWh in 2021. Ramp-up of generation from Borssele 1 & 2, Sage Draw, Plum Creek, Willow Creek, Western Trail, Muscle Shoals, Permian Energy Center, and acquired onshore assets was partly offset by significantly lower wind speeds across our portfolio.

Thermal power generation increased by 55 % and amounted to 6.9 TWh, driven by favourable market conditions for power generation as well as increased demand for ancillary services. Heat generation amounted to 7.9 TWh, up 19 % compared to last year, mainly due to colder weather.

Our renewable share of generation was 90 % in 2021, in line with last year, as the lower wind share was offset by a larger part of the thermal generation being biomass-based.

Revenue amounted to DKK 77.7 billion. The increase of 48 % relative to 2020 was primarily due to the significantly higher gas and power prices across all markets, especially during H2 2021, and the divestment of the offshore transmission asset at Hornsea 1 in 2021. This was partly offset by low wind speeds in 2021 and the 2020 divestments of the LNG activities and the Danish power distribution, residential customer, and city light businesses (RBC).

EBITDA

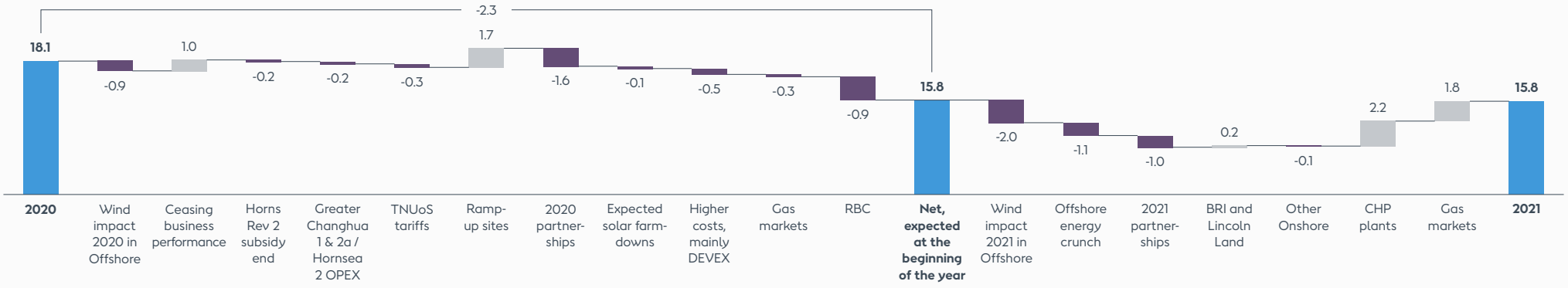
Operating profit (EBITDA) totalled DKK 24.3 billion, of which the gain from the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1 amounted to DKK 8.5 billion. Thus, EBITDA excluding new partnerships amounted to DKK 15.8 billion, a decrease of DKK 2.3 billion compared to last year, in line with our expectations.

While we did expect a decline in EBITDA (excluding new partnerships) at the beginning of the year, the composition turned out differently than anticipated, driven by very strong performance by our CHP plants and gas business, whereas low wind speeds and the energy crunch led to a larger than expected negative impact on our offshore wind assets. In addition, EBITDA was negatively impacted by provisions towards our partners in offshore wind farms.

Earnings from wind and solar assets in operation amounted to DKK 15.0 billion, a decrease of DKK 2.0 billion compared to last year. Ramp-up of generation combined with the addition of CFDs for the last 400 MW of capacity from Hornsea 1 and a positive effect from ceasing to use the business performance principle in 2021 (approx. DKK 1.0 billion) contributed positively to our site earnings. However, this was more than offset by significantly lower wind speeds across our offshore portfolio (approx. DKK 2.8 billion compared to last year), higher TNUoS tariffs following the divestment of the offshore transmission assets at Walney Extension in mid-2020 and Hornsea 1 in Q1 2021, OPEX related to preparing Hornsea 2 and Greater Changhua 1 & 2a for commissioning, and Horns Rev 2 coming off subsidy in October 2020.

In addition to lower wind speeds and the effects guided at the beginning of the year, the last four months of the year was negatively impacted by

EBITDA excluding new partnerships, DKKbn



the energy crunch with very high power prices and high volatility. This impacted our earnings through higher balancing and intermittency costs (approx. DKK 0.7 billion in total vs. 2020) and through costs related to buy back of hedges and overhedging due to low generation.

The low generation leading to over-hedging was caused by the very low wind speeds during 2021, while the buy-back of hedges related to 2022 was caused by the delayed ramp-up of Hornsea 2.

EBITDA from partnerships amounted to DKK 7.5 billion and was primarily related to the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1 (new partnerships) of DKK 8.5 billion. Earnings from existing partnerships amounted to DKK -1.0 billion, a decrease of DKK 2.6 billion compared to last year, which saw high earnings related to the Hornsea 1 transmission asset. Furthermore, 2021 was negatively impacted by a DKK 0.8 billion warranty provision towards our partners related to cable protection system issues at some of our offshore wind farms and further wake provisions.

EBITDA from our CHP plants amounted to DKK 3.2 billion, an increase of DKK 2.1 billion compared to last year. The increase was mainly due to higher realised power prices together with higher sales of ancillary services and higher heat and power generation. As we only hedge the power we co-generate with heat, we fully benefitted from the high power prices on our condensing power generation in the second half of the year.

Our gas business contributed with earnings of DKK 1.8 billion in 2021, an increase of DKK 1.4 billion compared to last year. The positive effect was driven by the renegotiation of gas purchase contracts and a strong underlying performance, especially in H2 2021, in a very volatile and bullish gas market, where we were able to optimise purchase from our long-term gas contracts. The divested RBC businesses contributed with DKK 0.9 billion to EBITDA in 2020.

EBIT

EBIT increased by DKK 5.7 billion to DKK 16.2 billion in 2021, primarily as a result of the higher EBITDA, only partly offset by higher depreciation driven by more wind and solar assets in operation.

Gain (loss) on divestment of enterprises

In 2021, gain (loss) on divestment of enterprises primarily concerned a DKK 0.8 billion increase in our indemnification provision towards INEOS regarding the divestment of our upstream oil and gas business unit in 2017. The provision is related to a transfer pricing case with the Norwegian tax authorities. In 2020, we divested our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel), which resulted in a gain of DKK 10.9 billion in 2020.

Financial income and expenses

Net financial income and expenses amounted to DKK -2.2 billion compared to DKK -2.5 billion in 2020. The lower net expenses were mainly due to losses on interest rate swaps in connection with the termination of local project financing and related swaps in the US in 2020 and a higher level of capitalised interests, partly offset by capital losses on the bond portfolio and higher return on tax equity due to more onshore assets in operation.

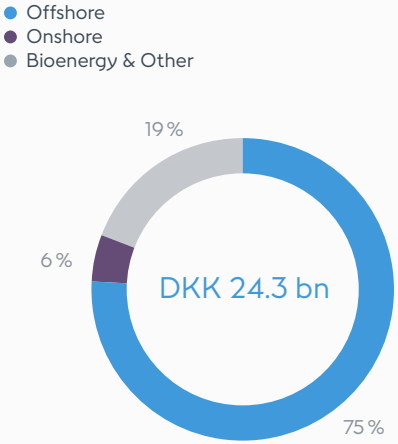
Tax and tax rate

Tax on profit for the year amounted to DKK 2.4 billion, DKK 0.3 billion higher than last year,

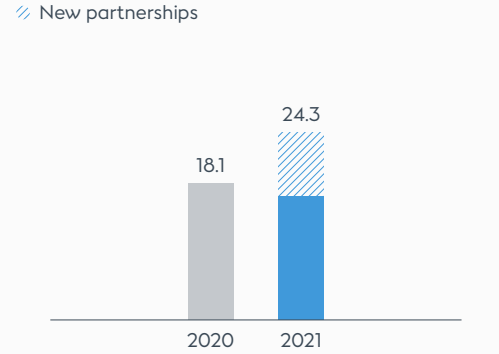
Financial results, DKKm	2021	2020[1]	%
Revenue	77,673	52,601	48 %
EBITDA	24,296	18,124	34 %
New partnerships	8,507	-	n.a.
EBITDA excl. new partnerships	15,789	18,124	(13 %)
Depreciation, amortisation, and impairment	(8,101)	(7,588)	5 %
Operating profit (loss) (EBIT)	16,195	10,536	54 %
Gain (loss) on divestment of enterprises	(742)	10,831	n.a.
Financial items, net	(2,166)	(2,524)	(14 %)
Profit before tax	13,277	18,850	(30 %)
Tax on profit (loss) for the year	(2,390)	(2,123)	13 %
Tax rate	18 %	11 %	7 %p
Profit (loss) for the year	10,887	16,716	(35 %)

[1] For 2020, business performance numbers are shown to form a better like-for-like comparison, in line with the comparison numbers used throughout the management's review, see note 1.5.

EBITDA, %



EBITDA, DKKbn



In 2021, regulated and quasi-regulated activities and contracted activities accounted for 49 % and 41 % of our EBITDA, respectively, whereas market-exposed activities accounted for 10 %.

mainly due to the recognition of deferred tax liabilities related to initial tax equity contributions regarding our US onshore and offshore portfolio. The effective tax rate was 18 % and was significantly impacted by the tax-exempt gain of DKK 8.5 billion from the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1. Tax for 2021 was further reduced as we increased our deferred tax asset to reflect the increase of the UK tax rate from 19 % to 25 % from 2023 and by a reduction of our uncertain tax positions (UTP) due to updated management assessments.

Profit for the year

Profit for the year totalled DKK 10.9 billion, DKK 5.8 billion lower than in 2020. The decrease was primarily due to the DKK 10.9 billion gain from the divestment of our Danish power distribution, residential customer, and city light businesses in 2020, partly offset by the higher EBIT.

Cash flows and net debt

Cash flows from operating activities

Cash flows from operating activities totalled DKK 12.1 billion in 2021 compared to DKK 16.5 billion in 2020. The decrease of DKK 4.3 billion was mainly driven by higher spend to fill the gas storages, higher initial margin payments to clearing houses for conducting business due to the increased volatility in the gas and power markets, and higher net margin payments on unrealised hedges. This was partly offset by a cash inflow from work in progress in 2021 versus a cash outflow in 2020 and from higher tax equity contributions. Furthermore, the cash flows were positively impacted by higher net payables due to the high power prices.

The net margin payments (part of 'Change in derivatives') amounted to DKK -1.5 billion in 2021, but had opposite effects in Offshore (DKK -7.5 billion outflow related to power hedges) and Bioenergy & Other (DKK 6.0 billion inflow, primarily related to gas hedges in our end customer business activities). Initial margin payments to clearing houses (part of 'Change in trade receivables') were a cash outflow of DKK -7.3 billion with the largest part paid in Q4 2021.

In 2021, we had a net cash inflow from work in progress of DKK 4.5 billion, mainly from the divestment of the Hornsea 1 offshore transmission asset (DKK 5.0 billion), partly offset by construction work on the offshore transmission assets at Hornsea 2. In 2020, we had a net cash outflow of DKK 1.6 billion, mainly from supplier payments related to the construction of Hornsea 1 for partners and the offshore transmission assets at Hornsea 2, partly offset by the divestment of the offshore transmission asset at Walney Extension.

Investments and divestments

Gross investments amounted to DKK 39.3 billion against DKK 27.0 billion in 2020. The main investments in 2021 were:

- offshore wind farms (DKK 23.4 billion), including Greater Changhua 1 & 2a in Taiwan, Hornsea 2 in the UK, our portfolio of US projects, and payments related to Baltica 2 & 3 in Poland through the 50/50 joint venture with PGE

Gain (loss) on sale of assets is part of EBITDA, but is presented as part of the 'divestment' cash flow. The EBITDA effect is thus reversed in the specification of cash flows from operating activities.

Cash flows and net debt, DKKm	2021	2020	%
Cash flows from operating activities	12,148	16,466	(26 %)
EBITDA	24,296	18,124	34 %
Change in derivatives	(2,051)	411	n.a.
Change in provisions	(158)	(772)	(80 %)
Reversal of gain (loss) on divestment of assets	(7,920)	(805)	884 %
Other items	(262)	(42)	524 %
Interest expense, net	(467)	(1,830)	(74 %)
Paid tax	(1,380)	(1,118)	23 %
Change in work in progress	4,466	(1,613)	n.a.
Change in tax equity partner liabilities	3,678	2,958	24 %
Change in other working capital	(8,054)	1,153	n.a.
Gross investments	(39,307)	(26,967)	46 %
Divestments	21,519	19,039	13 %
Free cash flow	(5,640)	8,538	n.a.
Net debt at 1 January	12,343	17,230	(28 %)
Free cash flow from cont. operations	5,640	(8,538)	n.a.
Free cash flow from disc. operations	-	(966)	n.a.
Dividends and hybrid coupons paid	5,581	5,239	7 %
Addition of leasing obligations	2,291	934	145 %
Interest bearing receivables re. oil & gas divestment	-	342	n.a.
Issuance of leasing hybrid capital, net	(4,356)	-	n.a.
Exchange rate adjustments, etc.	2,781	(1,898)	n.a.
Net debt at 31 December	24,280	12,343	97 %

ROCE and FFO/adjusted net debt is specified in notes 2.1 and 5.1.

Key ratios, DKKm, %	2021	2020	%
ROCE	14.8 %	9.7 %	5 %p
Adjusted net debt	35,402	20,444	73 %
FFO/adjusted net debt	31.3 %	65.0 %	(34 %p)

– onshore wind and solar PV farms (DKK 15.5 billion), including the acquisition of Brookfield Renewable Ireland and Lincoln Land and the construction of Permian Energy Center, Old 300, Muscle Shoals, Western Trail, Helena Energy Center, Haystack, and Kennoxhead 1.

Divestments amounted to DKK 21.5 billion in 2021 and were mainly related to the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1 with proceeds (NIBD impact) of DKK 20.2 billion. Furthermore, we had proceeds from the divestment of a 25 % ownership interest in Ocean Wind 1 to New Jersey's Public Service Enterprise Group (PSEG) and from final settlement with Global Infrastructure Partners (GIP) regarding Hornsea 1.

Interest-bearing net debt

Interest-bearing net debt totalled DKK 24.3 billion at the end of 2021 against DKK 12.3 billion at the end of 2020. The increase was mainly due to dividend and hybrid coupon payments of DKK 5.6 billion and a negative free cash flow of DKK 5.6 billion.

Equity and capital employed

Equity

Equity was DKK 85.1 billion at the end of December 2021 against DKK 97.3 billion at the end of 2020. The reduction during 2021 was driven by unrealised losses on the hedge reserve for power hedges and, to some extent, currency hedges due to the significantly increasing prices. At the end of 2021, the post-tax hedging and currency translation reserves amounted to a loss of DKK 24.8 billion.

Capital employed

Capital employed was DKK 109.4 billion at the end of 2021, in line with 2020, as new investments were offset by unrealised losses on power and gas hedges. The value of our derivatives amounted to DKK -33.0 billion at the end of 2021 against DKK -0.2 billion at the end of 2020.

Financial ratios

Return on capital employed (ROCE)

Return on capital employed (ROCE) was 14.8 % in 2021. The 5.1 %-points increase compared to last year was attributable to the higher EBIT in 2021. ROCE excluding new partnership gains amounted to 7.0 % in 2021.

Credit metric (FFO/adjusted net debt)

The funds from operations (FFO)/adjusted net debt credit metric was 31 % at the end of December 2021 against 65 % last year due to a doubling of our adjusted net debt.

ESG results

Green share of heat and power generation

The green share of our heat and power generation amounted to 90 % in 2021, in line with the same period last year, but with a lower net contribution from our operating offshore (-10 %-points) and onshore (+5 %-points) assets and a higher share of biomass-based heat and power generation (+6 %-points).

Power generation from our operating offshore and onshore assets only increased by 6 % as generation from new capacity was offset by lower wind speeds. In contrast, thermal-based heat and power generation increased by 33 % driven by higher heat demand (due to colder weather), higher prices, and higher spreads, which also led to higher condensing power generation.

Greenhouse gas emissions

The greenhouse gas intensity from our heat and power generation and other operating activities (scope 1 and 2) was 58 g CO_2e/kWh in 2021, which was at the same level as in 2020.

Greenhouse gas emissions from our supply chain and sales activities (scope 3) decreased by 28 % to 18.2 million tonnes in 2021, driven by 32 % lower gas sales following the divestment of the LNG activities in 2020. This was partly offset by larger emissions related to new onshore assets being commissioned.

Safety

In 2021, we had 74 total recordable injuries (TRIs), of which 46 injuries were related to contractors' employees. This was a decrease of 3 injuries compared to the same period last year or a reduction of 4 %. The number of hours worked was 24.8 million hours, an increase of 15 % compared to 2020. During 2021, the total recordable injury rate (TRIR) decreased from 3.6 in 2020 to 3.0.

Sustainable finance and the EU taxonomy

Sustainable finance is a critical enabler of the green transformation of industries across the EU and globally. The EU taxonomy is the first legal definition of sustainable activities. It provides a common framework for identifying when an economic activity can be considered sustainable and will help investors and companies make sustainable investment decisions. It is to be used as a tool to help plan, execute, and report on the transition to a sustainable economy.

During 2021, we have assessed whether our activities can be identified in the taxonomy and thereby be classified as taxonomy-eligible. As required by the regulation, we disclose our taxonomy-eligible shares of revenue, operating expenditure (OPEX), and gross investments (CAPEX) for 2021, along with voluntarily disclosing our taxonomy-eligible EBITDA.

In 2021, the taxonomy-eligible share of revenue was 66 %, and OPEX was 80 %, whereas the shares of our EBITDA and CAPEX were 90 % and 99 %, respectively. The non-eligible part of our revenue primarily concerned our long-term activities related to sourcing and sale of gas (21 % of revenue in 2021), Danish CHP plants, where fossil fuels still accounted for 31 % of the fuels used, and sale of power to end users (activity not covered by the taxonomy). We expect the share of taxonomy-eligible revenue to increase in the coming years.

To fulfil the criteria for taxonomy-alignment, we have documented our efforts on substantial contribution, doing no significant harm, and adhering to minimum safeguards for our activities. Thus, we expect all our eligible activities to be fully confirmed as taxonomy-aligned from 2022.

See our full EU taxonomy reporting in our ESG performance report:
orsted.com/ESGperformance2021

Five-year summary

Financial results, DKKm	2021	2020	2019	2018	2017
Income statement (BP[1] comparables)					
Revenue	77,673	52,601	67,842	76,946	59,504
EBITDA	24,296	18,124	17,484	30,029	22,519
Offshore	18,021	14,750	15,161	28,046	20,595
Sites, O&M, and PPAs	13,059	15,476	13,750	11,279	8,529
Construction agreements and divestment gains	7,535	1,593	3,765	18,765	13,667
Other, incl. project development	(2,573)	(2,319)	(2,354)	(1,998)	(1,601)
Onshore	1,349	1,131	786	44	-
Bioenergy & Other	4,747	2,136	1,495	2,100	2,234
Other activities	179	107	42	(161)	(310)
Operating profit (loss) (EBIT)	16,195	10,536	10,052	24,654	16,235
Profit (loss) for the year	10,887	16,716	6,044	19,496	20,199
Income statement (IFRS comparables)					
Revenue	77,673	50,151	70,398	75,520	59,709
EBITDA	24,296	16,598	19,020	28,491	22,574
Depreciation, amortisation, and impairment	(8,101)	(7,588)	(7,432)	(5,375)	(6,284)
Operating profit (loss) (EBIT)	16,195	9,010	11,588	23,116	16,290
Gain (loss) on divestment of enterprises	(742)	10,831	(63)	127	(139)
Net financial income and expenses	(2,166)	(2,524)	(1,135)	(1,278)	(1,042)
Profit (loss) before tax	13,277	17,324	10,392	21,966	15,099
Tax	(2,390)	(1,776)	(3,101)	(3,700)	(1,778)
Profit (loss) for the period	10,887	15,537	7,235	18,276	19,425
Balance sheet					
Assets	270,385	196,719	192,860	174,575	146,521
Total equity	85,137	97,329	89,562	85,115	71,837
Shareholders in Ørsted A/S	64,072	81,376	73,082	68,488	54,791
Non-controlling interests	3,081	2,721	3,248	3,388	3,807
Hybrid capital	17,984	13,232	13,232	13,239	13,239
Interest-bearing net debt	24,280	12,343	17,230	(2,219)	(1,517)
Capital employed	109,416	109,672	106,792	82,896	70,320
Additions to property, plant, and equipment	43,941	28,442	22,440	14,436	17,999
Cash flows					
Cash flows from operating activities	12,148	16,466	13,079	10,343	1,023
Gross investments	(39,307)	(26,967)	(23,305)	(24,481)	(17,744)
Divestments	21,519	19,039	3,329	19,950	16,982
Free cash flow	(5,640)	8,538	(6,897)	5,812	261
Financial ratios					
Return on capital employed (ROCE)[2], %	14.8	9.7	10.6	32.1	25.2
FFO/adjusted net debt[3], %	31.3	65.0	31.0	69.0	50.3
Number of outstanding shares, 31 December, '000	420,175	420,068	419,985	420,045	420,155
Share price, 31 December, DKK	835	1,244	689	436	339
Market capitalisation, 31 December, DKKbn	351	522	290	183	142
Earnings per share (EPS), DKK	24.3	38.8	12.8	45.3	46.4
Dividend yield, %	1.5	0.9	1.5	2.2	2.7

Business drivers	2021	2020	2019	2018	2017
Offshore					
Decided (FID'ed) and installed capacity, GW	10.9	9.9	9.9	9.0	8.9
Installed capacity, GW	7.6	7.6	6.8	5.6	3.9
Generation capacity, GW	4.0	4.4	3.6	3.0	2.5
Wind speed, m/s	9.1	10.0	9.2	9.1	9.3
Load factor, %	39	45	42	42	44
Availability, %	94	94	93	93	93
Power generation, GWh	13,808	15,248	11,965	10,042	8,512
Power sales, GWh	25,020	29,152	27,615	27,434	-
Onshore					
Decided (FID'ed) and installed capacity, GW	4.7	3.4	2.1	1.0	-
Installed capacity, GW	3.4	1.7	1.0	0.8	-
Wind speed, US, m/s	7.4	7.6	7.3	7.3	-
Load factor, US, wind, %	42	45	45	41	-
Load factor, solar PV, %	24	-	-	-	-
Availability, US, wind, %	96	96	98	98	-
Availability, solar PV, %	96	-	-	-	-
Power generation, GWh	8,352	5,738	3,513	552	-
Bioenergy & Other					
Degree days, number	2,820	2,432	2,399	2,526	2,705
Heat generation, GWh	7,907	6,671	8,312	8,768	9,040
Power generation, GWh	6,890	4,438	4,640	6,652	8,187
Power sales, GWh	8,797	11,623	14,700	15,296	37,723
Gas sales, GWh	61,349	90,347	124,951	131,144	129,038
People and environment					
Employees (FTE), end of year, number	6,836	6,179	6,526	6,080	5,638
Total recordable injury rate (TRIR)	3.0	3.6	4.9	4.7	6.4
Fatalities, number	0	0	1	0	0
Green share of heat and power generation, %	90	90	86	75	64
Carbon emissions, g CO_2e/kWh (scope 1 & 2)	58	58	65	131	151
Carbon emissions, Mtonnes (scope 3)	18.2	25.3	34.6	36.2	n.a.

Income statement
The income statement (BP[1] comparables) shows business performance numbers for 2017-2020 to form a better like-for-like comparison, in line with the comparison numbers used throughout the management's review.

[1] Business performance.
[2] EBIT/average capital employed.
[3] Net debt, including 50 % of hybrid capital and cash and securities not available for use (with the exception of repo transactions). Numbers for 2017-2019 have not been restated to adjusted definition. See note 5.1 for adjusted definition.

Fourth quarter

Financial performance – Group

Revenue

Revenue in Q4 2021 doubled compared to Q4 2020 and amounted to DKK 30.7 billion. The increase was mainly driven by the significantly higher power and gas prices.

EBITDA

Operating profit (EBITDA) totalled DKK 8.3 billion compared to DKK 5.0 billion in Q4 2020.

Earnings from wind and solar assets in operation were DKK 0.7 billion lower than Q4 2020 and amounted to DKK 4.7 billion. The negative impact from the energy crunch (DKK - 1.0 billion), higher TNUoS tariffs following the divestment of the offshore transmission asset at Hornsea 1 in Q1 2021, and the farm-down of Borssele 1 & 2 in May was only partly offset by ramp-up generation and the acquisitions of Lincoln Land and BRI.

Earnings from construction agreements and divestment gains increased by DKK 2.6 billion and amounted to DKK 2.5 billion, of which earnings from new partnerships accounted for DKK 3.2 billion. Earnings from existing partnerships decreased by DKK 0.6 billion and was mainly related to provisions for further wake compensations.

In Offshore, 'Other, incl. project development costs' were DKK 0.5 billion higher and mainly related to expensed project development costs.

EBITDA from our CHP plants increased by DKK 1.4 billion and amounted to DKK 1.7 billion. The increase was mainly due to higher power prices and spreads, which also led to higher generation.

EBITDA from Gas Markets & Infrastructure increased by DKK 0.4 billion and amounted to DKK 0.8 billion. The increase was mainly due to strong underlying performance in a very volatile and bullish gas market.

Profit for the quarter

Profit for Q4 2021 totalled DKK 3.3 billion, DKK 1.1 billion higher than Q4 2020. The increase was mainly due to the higher EBITDA.

Cash flows from operating activities

Cash flows from operating activities totalled DKK 0.7 billion in Q4 2021 compared to DKK 6.8 billion in Q4 2020. The DKK 6.1 billion decrease was mainly due to higher initial margin payments to clearing houses and higher net margin payments on unrealised hedges (approx. DKK -6.2 billion in total). This was partly offset by higher tax equity contributions and a cash inflow from work in progress.

Investments and divestments

Gross investments amounted to DKK 11.8 in Q4 2021 and related to the construction of offshore and onshore assets.

Divestments amounted to DKK 11.0 billion and mainly related to the 50 % farm-down of Greater Changhua 1.

Financial performance, DKKm	Q4 2021	Q4 2020	%
Revenue	30,666	15,559	97 %
EBITDA	8,253	5,003	65 %
New partnerships	3,211	-	n.a.
EBITDA excl. new partnerships	5,042	5,003	1 %
Operating profit (loss) (EBIT)	5,980	3,091	93 %
Profit (loss) before tax	4,361	2,343	86 %
Tax	(1,103)	(169)	553 %
Tax rate	25 %	7 %	18 %p
Profit (loss) for the period	3,258	2,189	49 %
Cash flows and net debt, DKKm	Q4 2021	Q4 2020	%
Cash flows from operating activites	668	6,756	(90 %)
EBITDA	8,253	5,003	65 %
Change in derivatives	(2,062)	703	n.a.
Change in provisions	112	(288)	n.a.
Reversal of gain (loss) on divestment of assets	(2,294)	451	n.a.
Other items	(209)	(31)	574 %
Interest expenses, net	130	(237)	n.a.
Paid tax	(26)	239	n.a.
Change in work in progress	1,322	486	172 %
Change in tax equity partner liabilities	1,018	(310)	n.a.
Change in other working capital	(5,576)	740	n.a.
Gross investments	(11,752)	(8,639)	36 %
Divestments	10,952	(1,519)	n.a.
Free cash flow	(132)	(3,402)	(96 %)
Net debt, beginning of period	21,211	8,216	158 %
Free cash flow from continuing operations	132	3,402	(96 %)
Free cash flow from discontinued operations	-	(40)	n.a.
Dividends and hybrid coupon paid	212	208	2 %
Addition to lease obligations	1,704	695	145 %
Exchange rate adjustments, etc.	1,021	(138)	n.a.
Net debt, end of period	24,280	12,343	97 %

Financial performance – business units

Offshore

Power generation amounted to 4.5 TWh and decreased by 9 % relative to Q4 2020, primarily due to the 50 % farm-down of Borssele 1 & 2 in May 2021. Power sales amounted to 8.8 TWh and increased by 3 %.

Revenue increased by 80 % to DKK 19.4 billion. Revenue from power sales accounted for DKK 7.8 billion of the increase driven by the extraordinarily high power prices during the quarter. Revenue from offshore wind farms in operation increased by 2 % as higher achieved prices was only partly offset by the lower generation.

EBITDA increased by DKK 1.1 billion relative to Q4 2020 and amounted to DKK 5.2 billion.

EBITDA from sites, O&M, and PPAs amounted to DKK 4.0 billion, down 20 % relative to Q4 2020. The decrease was mainly due to a net negative effect from the energy crunch (DKK - 1.0 billion), higher TNUoS tariffs following the divestment of the offshore transmission asset at Hornsea 1 in Q1 2021, and the farm-down of Borssele 1 & 2 in May.

Earnings from construction agreements and divestment gains amounted to DKK 2.5 billion, of which earnings from new partnerships accounted for DKK 3.2 billion. Earnings from existing partnerships decreased by DKK 0.6 billion and was mainly related to provisions for further wake compensations.

'Other, incl. project development costs' were DKK 0.5 billion higher and were mainly related to expensed project development costs.

Onshore

Power generation increased by 55 % relative to Q4 2020. The increase was primarily due to new assets in operation (Western Trail, Lincoln Land, BRI, Permian Energy Center, and Muscle Shoals).

EBITDA increased by 64 % to DKK 0.5 billion, primarily due to the above-mentioned increase in generation, partly offset by higher costs.

Bioenergy & Other

Revenue increased by 130 % compared to Q4 2020 and amounted to DKK 13.3 billion. The increase was due to significantly higher gas and power prices and higher power and heat generation, partly offset by lower gas volumes.

EBITDA totalled DKK 2.4 billion which was DKK 1.8 billion higher than in Q4 2020.

EBITDA from CHP plants increased by DKK 1.4 billion due to higher power prices, higher power and heat generation, and higher sale of ancillary services. As we only hedge the power we co-generate with heat, we fully benefitted from the high power prices on our condensing power generation in the quarter.

EBITDA from Gas Markets & Infrastructure increased by DKK 0.4 billion and amounted to DKK 0.8 billion. The higher earnings were mainly due to strong underlying performance in a very volatile and bullish gas market where we were able to optimise purchase from our long-term gas contracts.

For more details on quarterly figures for our business units, please go to orsted.com/financial-reports

Offshore's results, DKKm	Q4 2021	Q4 2020	%
Revenue	19,410	10,799	80 %
Sites, O&M, and PPAs	5,988	5,891	2 %
Power sales	12,388	4,603	169 %
Construction agreements	905	122	642 %
Other	129	183	(30 %)
EBITDA	5,244	4,128	27 %
Sites, O&M, and PPAs	3,983	4,950	(20 %)
Construction agreements and divestment gains	2,469	(149)	n.a.
Other, incl. project development	(1,208)	(673)	79 %
Cash flows from operating activities	(1,761)	7,111	n.a.
Free cash flow	2,134	1,329	61 %

Onshore's results, DKKm	Q4 2021	Q4 2020	%
Revenue	362	173	109 %
EBITDA	530	324	64 %
Sites	211	99	113 %
Production tax credits and tax attributes	480	314	53 %
Other, incl. project development	(161)	(89)	81 %
Cash flows from operating activities	1,591	134	1,087 %
Free cash flow	(3,015)	(2,556)	18 %

Bioenergy & Other's results, DKKm	Q4 2021	Q4 2020	%
Revenue	13,252	5,755	130 %
EBITDA	2,416	643	276 %
CHP plants	1,715	346	396 %
Gas Markets & Infrastructure	770	389	98 %
Other, incl. project development	(69)	(92)	(25 %)
Cash flows from operating activities	419	(401)	n.a.
Free cash flow	379	(2,090)	n.a.

Quarterly summary, 2020-2021

Financials, DKKm	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Income statement (BP[1] comparables)								
Revenue	30,666	14,510	13,553	18,944	15,559	10,041	11,625	15,376
EBITDA	8,253	2,984	8,196	4,863	5,003	3,360	2,956	6,805
Offshore	5,244	1,304	7,527	3,946	4,128	2,629	2,361	5,632
Sites, O&M, and PPAs	3,983	1,822	2,368	4,886	4,950	3,012	2,578	4,936
Construction agreements and divestment gains	2,469	(9)	5,648	(573)	(149)	247	396	1,099
Other, incl. project development	(1,208)	(509)	(489)	(367)	(673)	(630)	(613)	(403)
Onshore	530	413	178	228	324	308	312	187
Bioenergy & Other	2,416	1,206	503	622	643	375	185	933
Other activities	63	61	(12)	67	(92)	48	98	53
Operating profit (loss) (EBIT)	5,980	1,045	6,237	2,933	3,091	1,265	1,129	5,051
Profit (loss) for the period	3,258	487	5,544	1,598	2,189	12,034	(825)	3,318
Income statement (IFRS comparables)								
Revenue	30,666	14,510	13,553	18,944	13,195	8,762	9,962	18,232
EBITDA	8,253	2,984	8,196	4,863	3,102	2,455	1,592	9,449
Depreciation, amortisation, and impairment	(2,273)	(1,939)	(1,959)	(1,930)	(1,912)	(2,095)	(1,827)	(1,754)
Operating profit (loss)	5,980	1,045	6,237	2,933	1,190	360	(235)	7,695
Gain (loss) on divestment of enterprises	(684)	(22)	(72)	36	(291)	11,139	(3)	(14)
Net financial income and expenses	(930)	(351)	(466)	(419)	(456)	(282)	(1,010)	(776)
Profit (loss) before tax	4,361	671	5,698	2,547	442	11,219	(1,245)	6,908
Tax	(1,103)	(184)	(154)	(949)	258	92	(625)	(1,501)
Profit (loss) for the year	3,258	487	5,544	1,598	715	11,329	(1,886)	5,379
Balance sheet								
Assets	270,385	261,892	223,791	210,972	196,719	194,567	193,124	193,636
Total equity	85,137	79,150	96,910	96,541	97,329	96,472	85,930	89,015
Shareholders in Ørsted A/S	64,072	58,129	75,842	75,835	81,376	80,450	69,789	72,728
Non-controlling interests	3,081	3,037	3,084	2,722	2,721	2,790	2,909	3,055
Hybrid capital	17,984	17,984	17,984	17,984	13,232	13,232	13,232	13,232
Interest-bearing net debt	24,280	21,211	12,067	13,190	12,343	8,216	22,272	27,084
Capital employed	109,416	100,361	108,977	109,731	109,672	104,688	108,203	116,098
Additions to property, plant, and equipment	17,041	11,477	8,954	6,469	8,121	5,477	10,011	4,833
Cash flows								
Cash flows from operating activities	668	246	3,147	8,087	6,756	1,941	8,197	(428)
Gross investments	(11,752)	(8,757)	(12,133)	(6,665)	(8,639)	(9,263)	(3,757)	(5,308)
Divestments	10,952	7	10,591	(31)	(1,519)	20,506	45	7
Free cash flow	(132)	(8,504)	1,605	1,391	(3,402)	13,184	4,485	(5,729)
Financial ratios								
Return on capital employed (ROCE)[2], %	14.8	12.9	12.5	7.5	9.7	9.4	10.8	11.0
FFO/adjusted net debt[3], %	31.3	42.3	62.9	59.4	65.0	35.6	43.4	37.8
Number of outstanding shares, end of period, '000	420,175	420,175	420,175	420,068	420,068	420,066	420,066	419,985
Share price, end of period, DKK	835	849	880	1,025	1,244	875	765	666
Market capitalisation, end of period, DKKbn	351	357	370	430	522	368	321	280
Earnings per share (EPS) (BP[1]), DKK	7.5	1.1	12.9	2.8	4.9	28.6	(2.7)	8.0

Business drivers	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Offshore								
Decided (FID'ed) and installed capacity, GW	10.9	9.8	9.8	9.9	9.9	9.9	9.9	9.9
Installed capacity, GW	7.6	7.6	7.6	7.6	7.6	6.8	6.8	6.8
Generation capacity, GW	4.0	4.0	4.0	4.4	4.4	4.1	3.8	3.6
Wind speed, m/s	10.6	7.6	7.8	10.5	10.6	8.6	8.4	12.5
Load factor, %	53	27	29	50	53	35	32	60
Availability, %	95	93	93	95	94	94	95	93
Power generation, GWh	4,452	2,286	2,521	4,549	4,912	3,164	2,580	4,592
Power sales, GWh	8,791	4,803	4,541	6,885	8,561	6,282	5,519	8,790
Onshore								
Decided (FID'ed) and installed capacity, GW	4.7	4.7	4.7	4.0	3.4	2.7	2.1	2.1
Installed capacity, GW	3.4	3.0	2.4	1.7	1.7	1.7	1.6	1.3
Wind speed, US, m/s	7.9	6.4	7.3	7.7	8.0	6.7	8.0	7.5
Load factor, wind, US, %	47	33	45	45	50	36	49	44
Load factor, solar PV, %	19	27	29	-	-	-	-	-
Availability, wind, US, %	96	98	97	93	95	97	96	95
Availability, solar PV, %	99	98	90	-	-	-	-	-
Power generation, GWh	2,818	1,904	1,983	1,647	1,817	1,262	1,516	1,144
Bioenergy & Other								
Degree days, number	927	81	487	1,325	825	106	436	1,065
Heat generation, GWh	2,467	402	1,148	3,890	2,230	321	977	3,143
Power generation, GWh	2,096	1,028	1,507	2,259	1,291	692	811	1,644
Power sales, GWh	2,072	2,271	2,167	2,287	2,574	2,452	2,991	3,605
Gas sales, GWh	13,744	13,580	15,079	18,945	20,441	23,158	20,063	26,685
People and environment								
Employees, end of period, number	6,836	6,672	6,472	6,311	6,179	6,120	6,731	6,608
Total recordable injury rate (TRIR)[4]	3.0	3.0	3.1	3.0	3.6	3.8	3.7	3.6
Fatalities, number	-	-	-	-	-	-	-	-
Green share of heat and power generation, %	93	89	93	87	93	90	86	90
Carbon emissions, g CO_2e/kWh (scope 1 & 2)	45	91	51	59	34	83	84	53
Carbon emissions, Mtonnes (scope 3)	3.9	4.4	4.6	5.3	5.9	6.3	5.5	7.6

Income statement

The income statement (BP[1] comparables) shows business performance numbers for 2020 to form a better like-for-like comparison, in line with the comparison numbers used throughout the management's review.

1 Business performance.
2 EBIT (last 12 months)/average capital employed.
3 FFO (last 12 months)/net debt including 50 % of hybrid capital and cash and cash securities not available for use (with the exception of repo transactions).
4 YTD.

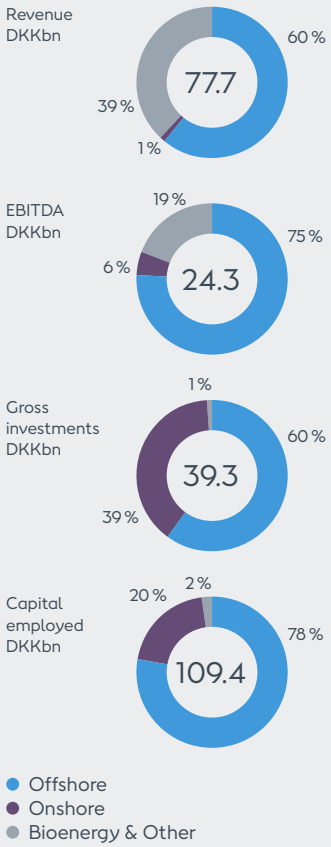
Business units

We're making Ireland greener. In June, 19 wind farms across the island of Ireland became part of our onshore wind portfolio and our first outside North America. In acquiring Brookfield Renewable Ireland, we entered the well-established European onshore wind market. We have several more projects in our development pipeline, including in Scotland.

Our business units

Ørsted

Number of employees: 6,836



Offshore

Number of employees: 3,471

- We are active in all parts of the value chain and develop, construct, own, and operate offshore wind farms in the UK, Germany, Denmark, Poland, the Netherlands, the US, Taiwan, Vietnam, and Korea.
- We are the market leader within global offshore wind power generation with 28 wind farms in operation.
- For our wind farms, we provide a route-to-market service.
- As part of our farm-down model, we provide construction, balancing, operations, and maintenance services for our partners.
- We increasingly enter into PPAs with strategic partners on our merchant projects.
- We are pursuing growth opportunities within renewable hydrogen and green fuels.

Onshore

Number of employees: 265

- We develop, operate, and own onshore wind, solar PV, and storage projects across the southern and midwestern US (primarily in ERCOT, SPP, and the South-East) and in Europe (UK and Ireland).
- We own and operate 30 onshore, solar PV and storage assets globally, 11 of which are based in the US (90 % capacity) and 19 in Europe (10 % capacity).
- All our assets are, to a varying degree, covered by PPAs with strategic partners.

Bioenergy & Other

Number of employees: 939

- We provide around one quarter of Denmark's district heating and around one third of Denmark's thermal power through our CHP plants, making our CHP business a leading provider of heat, power, and ancillary services in Denmark.
- We develop biomass ancillary services that can be effectively integrated with our offshore products to deliver integrated customer offerings.
- We maximise the commercial value of our gas portfolio with part of the volumes being sold to our B2B customers in Denmark and the southern part of Sweden, to whom we also sell power.
- We manage Renescience, our patented waste-to-energy technology.

Offshore

Our activities in renewable hydrogen and green fuels are described in a separate section (page 51).

Our colleagues at Formosa 1, off the coast of Miaoli County, Taiwan.

Financial performance 2021

Power generation decreased by 9 % relative to 2020, as the significantly lower wind speeds, the divestment of 50 % of Borssele 1 & 2 in May, and curtailments were only partly offset by ramp-up of generation from Borssele 1 & 2.

Wind speeds amounted to a portfolio average of 9.1 m/s, which was significantly below last year (10.0 m/s) and a normal wind year (9.7 m/s), with low wind speeds throughout the year. Availability ended at 94 %, which was in line with 2020.

Revenue increased by 47 % to DKK 50.8 billion.

Revenue from power sales increased by DKK 14.7 billion due to significantly higher power prices despite lower volumes sold. Revenue from offshore wind farms in operation amounted to DKK 18.4 billion, a DKK 1.0 billion decrease compared to last year, due to the earlier-mentioned lower power generation.

Revenue from construction agreements increased by DKK 2.7 billion and related mainly to the divestment of the offshore transmission assets at Hornsea 1 in 2021 and the construction of Greater Changhua 1 for partners. In 2020, revenue was primarily related to the divestment of the offshore transmission assets at Walney Extension, the construction of Virginia Coastal Wind, and the finalisation of Hornsea 1.

EBITDA increased by 22 % relative to 2020 and amounted to DKK 18.0 billion.

EBITDA from Sites, O&M, and PPAs amounted to DKK 13.1 billion in 2021, a DKK 2.4 billion decrease compared to last year. Ramp-up of generation combined with the addition of CFDs for the last 400 MW of capacity from Hornsea 1 and a positive effect from ceasing to use the business performance principle in 2021 (approx. DKK 1.0 billion) contributed positively to our site earnings. However, this was more than offset by significantly lower wind speeds across our offshore portfolio (approx. DKK 2.8 billion compared to last year), higher TNUoS tariffs following the divestment of the offshore transmission assets at Walney Extension in mid-2020 and Hornsea 1 in Q1 2021, OPEX related to preparing Hornsea 2 and Greater Changhua 1 & 2a for commissioning, and Horns Rev 2 coming off subsidy in October 2020. In addition to lower wind speeds and the effects guided at the beginning of the year, the last four months of the year was negatively impacted by the energy crunch with very high power prices and high volatility. This impacted our earnings through higher balancing and intermittency costs

(approx. DKK 0.7 billion in total vs. 2020) and through costs related to buy-back of hedges and overhedging due to low generation.

EBITDA from partnerships amounted to DKK 7.5 billion and was primarily related to the gain on the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1 (new partnerships) of DKK 8.5 billion. Earnings from existing partnerships amounted to DKK -1.0 billion, a decrease of DKK 2.6 billion compared to last year, which saw high earnings related to the Hornsea 1 transmission assets. In 2021, earnings were negatively impacted by a DKK 0.8 billion warranty provision towards our partners related to cable protection system issues at some of our offshore wind farms and further wake provisions.

EBITDA from other activities, including project development, amounted to DKK -2.6 billion, DKK 0.3 billion lower than last year, and was mainly related to expensed project development costs.

Cash flow from operating activities amounted to DKK -0.9 billion, which was DKK 10.9 billion lower than in 2020. The decrease was driven by the significantly higher power prices leading to large margin payments on unrealised financial instruments (DKK -7.5 billion in 2021) and initial margin payments to clearing houses (DKK -5.6 billion in 2021). Furthermore, the lower EBITDA (excluding the gain from the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1, where proceeds are included in the divestment cash flow) contributed to the negative development in cash flows. These negative effects were only partly offset by lower receivables due to lower volumes generated and less funds tied up in work in progress.

In 2021, we had a net cash inflow from work in progress of DKK 4.5 billion, mainly from the divestment of the Hornsea 1 offshore transmission assets and the milestone payments related to building Greater Changhua 1 for partners, only partly offset by construction work regarding the offshore transmission assets at Hornsea 2. In 2020, we had a net cash outflow of DKK 1.6 billion, mainly from supplier payments related to the construction of Hornsea 1 for partners and the offshore transmission assets at Hornsea 2, partly offset by the divestment of the offshore transmission asset at Walney Extension.

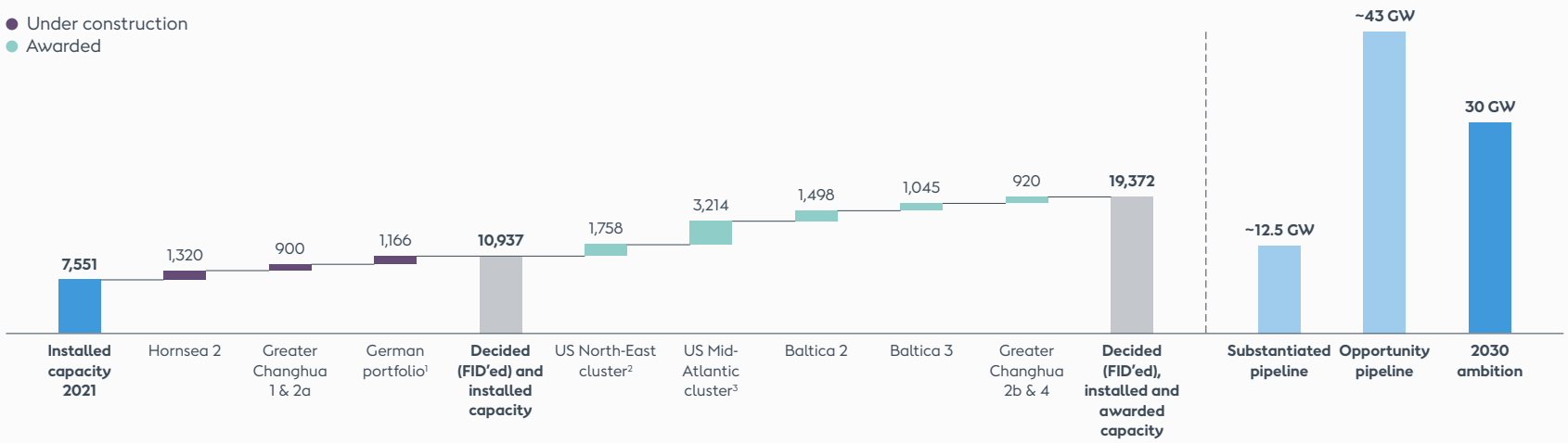
Gross investments amounted to DKK 23.4 billion and were mainly related to Greater Changhua 1 & 2a in Taiwan, Hornsea 2 in the UK, our portfolio of US projects, and payments related to Baltica 2 & 3 in Poland through the 50/50 joint venture with PGE.

Divestments amounted to DKK 21.6 billion in 2021 and were mainly related to the 50 % farm-downs of Borssele 1 & 2 and Greater Changhua 1 with proceeds (NIBD impact) of DKK 20.2 billion. Furthermore, we had proceeds from the divestment of a 25 % ownership interest in Ocean Wind 1 to New Jersey's Public Service Enterprise Group (PSEG) and from final settlement with Global Infrastructure Partners (GIP) regarding Hornsea 1.

Hydrogen is reported financially as part of Offshore (included in 'Other incl. project development').

Performance highlights		2021	2020	%
Business drivers				
Decided (FID'ed) and installed capacity	GW	10.9	9.9	10 %
Installed capacity	GW	7.6	7.6	0 %
Generation capacity	GW	4.0	4.4	(9 %)
Wind speed	m/s	9.1	10.0	(9 %)
Load factor	%	39	45	(6 %p)
Availability	%	94	94	0 %p
Power generation	GWh	13,808	15,248	(9 %)
Denmark		1,918	2,165	(11 %)
United Kingdom		7,880	9,456	(17 %)
Germany		2,022	2,300	(12 %)
The Netherlands		1,904	1,207	58 %
Other		84	120	(30 %)
Power sales	GWh	25,020	29,152	(14 %)
Power price, LEBA UK	GBP/MWh	147.5	36.8	301 %
British pounds	DKK/GBP	8.6	8.4	3 %
Financial performance				
Revenue	DKKm	50,791	34,533	47 %
Sites, O&M, and PPAs		18,432	19,427	(5 %)
Power sales		25,905	11,255	130 %
Construction agreements		6,044	3,371	79 %
Other		410	480	(15) %
EBITDA	DKKm	18,021	14,750	22 %
Sites, O&M, and PPA		13,059	15,476	(16 %)
Construction agreements and divestment gains		7,535	1,593	373 %
Other, incl. project development		(2,573)	(2,319)	11 %
Depreciation	DKKm	(6,062)	(6,106)	(1 %)
EBIT	DKKm	11,959	8,644	38 %
Cash flows from operating activities	DKKm	(898)	9,985	n.a.
Gross investments	DKKm	(23,416)	(19,525)	20 %
Divestments	DKKm	21,595	(149)	n.a.
Free cash flow	DKKm	(2,719)	(9,689)	(72 %)
Capital employed	DKKm	85,814	90,613	(5 %)

Offshore wind build-out plan
Gross renewable capacity, MW



1 German portfolio: Gode Wind 3 (253 MW) and Borkum Riffgrund 3 (913 MW).
2 US North-East cluster: Revolution Wind (704 MW), South Fork (130 MW), and Sunrise Wind (924 MW).
3 US Mid-Atlantic cluster: Skipjack 1 (120 MW), Ocean Wind 1 (1,100 MW), Ocean Wind 2 (1,148 MW), and Skipjack 2 (846 MW).

Capacity terminology

Firm capacity refers to the combination of capacity installed or under construction which we have contracted or have been awarded.

Substantiated pipeline refers to projects where we have reached a level of maturity, such as secured exclusivity through a lease, secured consent or environmental impact assessment (EIA) or established partnerships, but not yet taken final investment decision (FID).

Opportunity pipeline refers to early-stage projects which we are actively pursuing through tenders.

Strategic and operational performance 2021

Our Offshore business made significant strategic progress during 2021. We advanced the construction of our two major wind farms, further matured and achieved key milestones for our awarded project portfolio, expanded our geographical footprint, took financial investment decision (FID) on our German portfolio, and finalised two farm-down agreements. We also obtained good availability rates on our operating assets, which partly mitigated the earnings shortfall from lower wind speeds and higher balancing costs.

We remain the world leader in offshore wind, having developed approx. 30 % of global capacity installed, excluding mainland China. We have played a key role in maturing the industry and have built more offshore wind farms worldwide than any other company. By the end of 2021, we had 7.6 GW of capacity installed, 3.4 GW of capacity under construction, and further 8.4 GW of capacity awarded. To reach our ambition of 30 GW installed offshore capacity by 2030, we will need to add an additional 10.6 GW to our firm capacity of 19.4 GW (see definition box). This will be based on our substantiated pipeline of ~12.5 GW and on an opportunity pipeline of ~43 GW. The oversized opportunity pipeline provides us with the flexibility we need to select only projects that are truly value-creating.

Expanding our pipeline and geographical footprint

During 2021, we achieved significant milestones in maturing our portfolio of five offshore wind farms under construction, accounting for 3.4 GW capacity, and nine wind farms under development, accounting for 8.4 GW capacity.

We progressed our UK Hornsea 2 project towards COD. Upon project completion expected in late H1 2022, it will be the largest offshore wind farm in the world with 1.3 GW of new capacity.

In Asia-Pacific, the construction of the 900 MW Greater Changhua 1 & 2a project is moving forward as planned and is expected to be commissioned in H2 2022. As of end of January 2022, we had installed 17 out of 111 jacket foundations, and we will start installing wind turbines and array cables in February 2022. Other notable construction and permitting milestones include the record of decision (ROD) on our 130 MW South Fork project (expected commissioning in H2 2023) and the

consent and FID on our 1,166 MW German portfolio consisting of Borkum Riffgrund 3 and Gode Wind 3 (expected commissioning in 2025 and 2024, respectively).

Looking at awarded projects, we reached a significant milestone by securing the contract for difference (CFD) award for our Baltica 2 & 3 offshore wind farms in Poland. The projects contribute with 2.5 GW of new capacity to be developed by working in close partnership with our 50-50 joint venture partner Polska Grupa Energetyczna (PGE). The two projects are expected to be commissioned by 2027 and 2026, respectively, subject to FID.

Our portfolio of US offshore development projects is also moving forward. An important milestone has been the Ocean Wind 2 award by the New Jersey Board of Public Utilities (BPU), where we have been selected for a 20-year OREC for a total offshore wind capacity of 1,148 MW. Another significant award came in December, when we were selected by the State of Maryland and awarded 846 MW through our Skipjack 2 project. We will build it together with the previously awarded Skipjack 1 project and expect both to begin operations in 2026.

Late August, the Bureau of Ocean Energy Management (BOEM) released its notice of intent (NoI), which launched the formal environmental review for our Sunrise Wind project. All our awarded US offshore development projects (except for the recently awarded Ocean Wind 2 and Skipjack 2 projects) have now received their NoIs. We are very pleased to have achieved this important permitting milestone, and we remain confident that three of our largest US projects (Ocean Wind 1, Revolution Wind, and Sunrise Wind) are on track to be fully commissioned by 2025.

Our first US projects, with expected FIDs in 2022 and 2023, that have been exposed to the federal permitting delays, carry costs related to developing a local supply chain which, together with current cost inflation, are impacting the value creation. We continue pursuing all technical, commercial, and regulary levers at our disposal to improve returns on these projects, in the same way as we always do. The continuous fast progress of the federal permitting processes as well as the proposed clean-energy tax policies being considered in Congress are important supportive factors, not only for our projects, but for the accelerated build out of offshore wind in the US in general.

In New Jersey, we have, together with our long-time partner Public Service Enterprise Group (PSEG), submitted strategic proposals for the offshore wind transmission solicitation to integrate upcoming offshore wind farms into the state's energy grid. We support New Jerseys' ambitious clean energy targets and are confident that our bids, combining our offshore wind expertise with PSEG's extensive experience in onshore transmission, will meet New Jersey's requirements.

In Japan, we entered a development partnership with JWD and Eurus Energy and reinforced our partnership with TEPCO. We are confident these partnerships will enable us to grow our presence in the Japanese offshore wind market and contribute to the country's high ambitions of reaching up to 45 GW offshore wind build-out in 2040.

Enhancing flexibility through farm-downs and divestments

As announced at our Capital Markets Day, we will continue to rely on our solid partnership model to flexibly fund our growth as we target a 50 % farm-down on all the wind farms not already covered by a joint venture. We have signed a series of farm-downs and divestment agreements during 2021.

A key example is the 50 % farm-down of the 913 MW German project Borkum Riffgrund 3 to Glennmont Partners, one of Europe's largest fund managers exclusively investing in clean energy infrastructure and already our partner in Gode Wind 1. As part of the agreement, we will construct the wind farm under a full-scope EPC contract, perform operations and maintenance services for 20 years, and provide a route-to-market for the power generated. FID was taken at the end of the year, and we expect to close the divestment in Q1 2022.

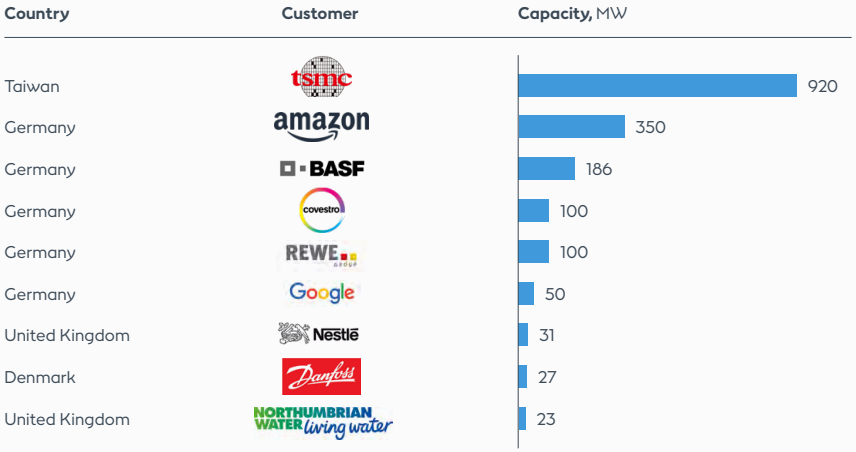
Moreover, Norges Bank Investment Management (NBIM) became a 50 % shareholder in our 752 MW Borssele 1 & 2 project. The total value of the transaction amounted to DKK ~10.2 billion and marks NBIM's first investment in unlisted renewable energy infrastructure. As part of the agreement, we will provide operation and maintenance and energy balancing services for the wind farm, generating clean power to the equivalent of one million Dutch households.

Finally, we were able to close the 50 % divestment of Greater Changhua 1 to Caisse de Dépôt et Placement du Québec (CDPQ) and Cathay Private Equity and the 25 % divestment agreement of Ocean Wind 1 with PSEG, both announced in 2020. We also divested our offshore transmission assets at Hornsea 1 to Diamond Transmission Partners (DTP) at a total asset value of GBP 1.2 billion (100 %).

Expanding our corporate customer portfolio

During 2021, we were able to expand our CPPA offshore wind portfolio with five agreements, further reducing our risk exposure to merchant prices and bringing our total signed CPPA volume within offshore up to 1,787 MW (see graph). We are proud of this achievement and excited to see an increasing number of companies taking the conscious choice to embark on a transformation journey by turning to renewable power. A first example is the CPPA with Danfoss on our 209 MW Horns Rev 2 offshore wind farm, which is our first offtake contract on an offshore wind farm coming out of subsidy and shows the potential of late-life assets to provide stable revenue. Another good example is the 10-year CPPA with REWE Group for 100 MW of green power from the Borkum Riffgrund 3, which represents REWE Group's largest offtake agreement at time of signing, while our 186 MW CPPA with BASF for 25 years is recognised as the longest CPPA ever on an offshore wind farm and a testament to our ability to help key heavy-sector partners decarbonise. Finally, we do not only target to provide our partners with green power, but we share the vision of enabling 24/7 carbon-free energy solutions: This joint commitment is at the foundation of our 50 MW CPPA with Google. Lastly, the CPPA extension with

Ørsted has a strong portfolio of corporate power purchase agreements within Offshore



Amazon for additional 100 MW marks the expansion of our cooperation to jointly fight climate change across geographies and technologies.

Maturing new joint ventures and strategic partnerships

As we mature and expand our offshore growth platform, we continue to strengthen our portfolio of strategic and financial partners.

During 2021, we have entered several strategic partnerships, including seven key memoranda of understandings (MoUs) related to offshore wind projects, all supporting our 30 GW ambition. In addition, we have signed joint venture and collaboration agreements and a letter of intent. Lastly, in January 2022, we signed an MoU with the German steel producer Salzgitter. As part of the agreement, we will produce renewable hydrogen using power from our offshore assets, which Salzgitter will utilise to decarbonise their steel production and allow the manufacturing of wind turbines through green steel. We consider this partnership as a very important milestone for us to both expand our offtake and uphold a stronger role in the decarbonisation of the wind industry.

Having strong local partners will be an important enabler to expand our presence in new growth markets. This is why in January 2022, we signed MoUs with KOSPO and KOMIPO, Korea's state-owned utilities, to jointly develop an offshore wind project close to the city of Incheon. The project is expected to provide clean energy to 1.3 million households and reduce carbon emissions by almost 4 million metric tons per year, thus making significant contributions to achieving net-zero emissions by 2050.

Our MoU with Enefit, a leading utility company in the Baltics, outlines the vision of jointly becoming the leading offshore wind developer in the region. The collaboration offers a green path forward for decarbonising the Baltic countries, and the ambition is to deliver large-scale offshore renewable energy before 2030. As part of the MoU, we further intend to establish a joint venture to develop up to 2 GW capacity, including the Liivi offshore wind project in the Estonian part of the Gulf of Riga.

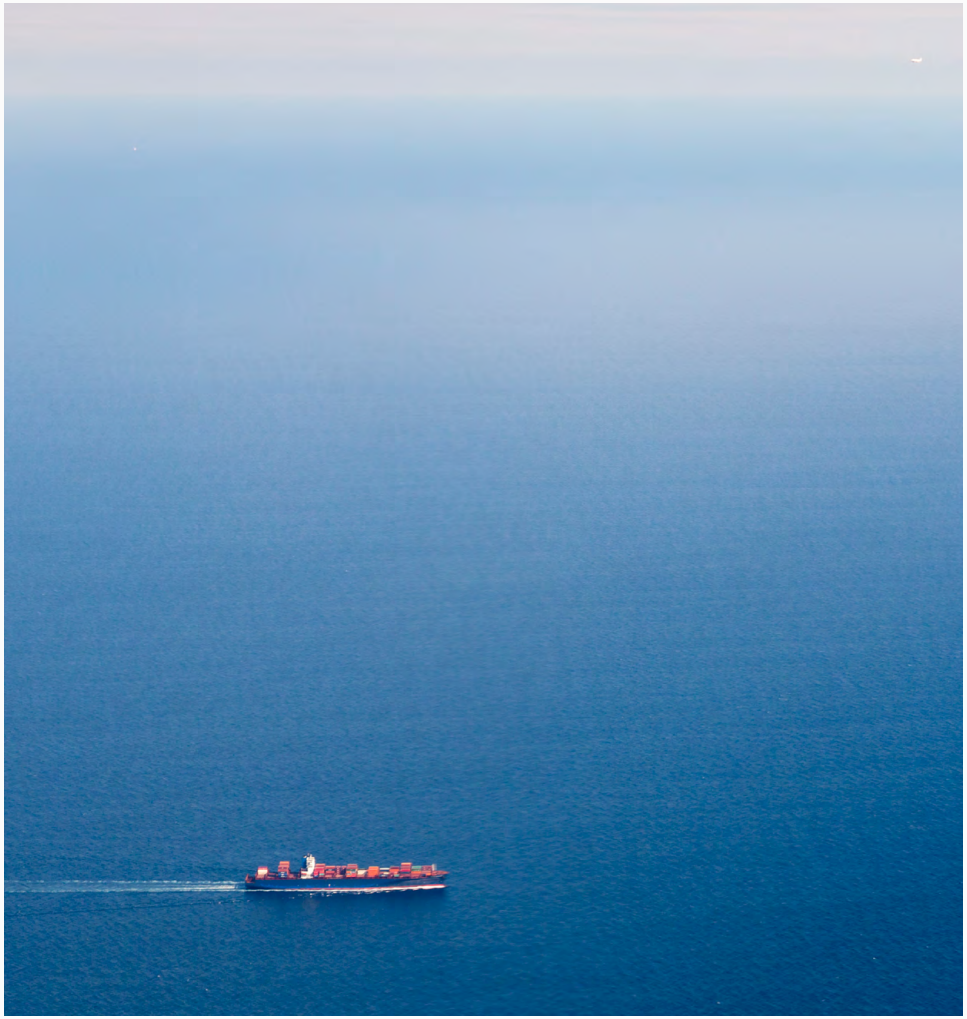
We are also leveraging our partners' experience to fast-track our expertise in emerging technologies. Our joint venture in the UK with the floating wind expert BlueFloat Energy and Falck Renewables has been key to being awarded 1 GW floating wind seabed lease in the Crown Estate Scotland's ScotWind seabed competition in January 2022. Through this first large-scale floating wind development project, we are committed to help unlocking the full offshore wind potential in Scotland and look forward to combining our decades of experience in the UK and overseas with our partners' expertise in floating wind.

Another significant strategic partnership achieved during 2021 is the MoU with the Danish pension fund ATP to jointly bid for the Danish North Sea energy island (expected to be tendered in late 2023). To add to this visionary ambition for developing renewable energy at an unprecedented scale, we signed an MoU with three world-leading industrial construction experts to support our bid: Aarsleff, Bouygues, and Van Oord. With these partners on board, the Ørsted-ATP consortium has laid the foundation for a successful delivery of the North Sea energy island.

Sharpening our EPC execution ability

During 2021, we focused on sharpening our EPC execution ability, creating a more global EPC organisation, and continuing to drive even greater efficiencies. To achieve this, we took a series of important steps. First, we have established a global framework to improve proximity to local stakeholders, increase organisational flexibility and efficiency, and expand access to talent. We have also driven significant IT tool and process improvement across the organisation and implemented a new 'way we work' system to enhance standardisation and increase ability to work seamlessly on a global scale. Moreover, we have harvested execution learnings and supply chain synergies across our project programmes. Key examples have been our ability to drive execution of Hornsea 2 and Greater Changhua 1 & 2a despite the COVID-19 lockdown and challenging conditions. Besides that, we have significantly matured the US project portfolio towards permitting and execution.

Renewable hydrogen and green fuels



Strategic and operational performance 2021

Renewable hydrogen and green fuels are the most recent components of our global growth platform. We see enormous potential in using renewable hydrogen and green fuels to decarbonise hard-to-abate sectors. Towards 2030, we will execute on and expand our strong project pipeline, which currently includes ten renewable hydrogen projects and over 3 GW of full electrolyser capacity potential, as shown in the figure on the next page.

Delivering first operational results

In 2021, we started construction work at our demonstration project H2RES, which will produce renewable hydrogen for road transport powered by our two 3.6 MW offshore wind turbines at Avedøre Holme, Denmark. H2RES will have an electrolyser capacity of 2 MW and will be the first hydrogen project in operation with first production expected in the first half of 2022.

Increasing our pipeline and expanding our geographic footprint

During 2021, we were able to reach significant milestones in maturing our project opportunities and unlocking new funding pathways.

One first example is the agreement with Danish utility HOFOR to source renewable power for the next phases of the Green Fuels for Denmark (GFDK) project from their 250 MW offshore wind farm Aflandshage, which is expected to deliver first power by 2024/2025. The GFDK project unites some of the strongest partners in the Danish transport and energy sector to fulfil Denmark's ambitious vision for large-scale production of renewable hydrogen and green fuels. It achieved a significant milestone as the project was selected for EU notification as an Important Project of Common European Interest (IPCEI) by the Danish Business Authority as one of only two Danish projects. Now, we await the final IPCEI approval by the EU Commission expected in the first half of 2022 and the subsequent Danish funding commitment.

Besides GFDK, the HySCALE project in Germany and the Yara Sluiskil project in the Netherlands have also been selected for EU notification as IPCEI projects and also await approval and subsequent potential funding, while the Lingen Green Hydrogen project in Germany is part of the next wave of projects to be pre-notified by the EU Commission.

The shipping industry will be one of the off-takers of green fuels, such as e-methanol.

Ørsted renewable hydrogen portfolio

Country	Projects	Main partners	Offtake sectors	Project potential (MW)[1]
Denmark	Green Fuels for Denmark	Maersk, SAS, CPH Airport, DFDS, DSV[3]		1,300
Belgium, the Netherlands	SeaH2Land	Yara, ArcelorMittal, Dow, Zeeland Refinery, North Sea Port[4]		1,000
Germany	Westküste 100[1]/HySCALE	Raffinerie Heide, Hynamics, Holcim[5]		700-2,100
Germany	Lingen Green Hydrogen	bp		550
The Netherlands	Yara - Sluiskil	Yara		100
United Kingdom	Gigastack	Philips 66, ITM Power[6]		100
Sweden	FlagshipONE	Liquid Wind		70
Denmark	H2RES	Everfuel, DSV, GHS[7]		2
United Kingdom	Oyster	ITM Power, Siemens Gamesa, Element Energy	Offshore H_2	1
Denmark	DFDS Europe Seaways[2]	DFDS, Ballard, Lloyd's Register[8]		TBD

1 Intended as full electrolyser capacity currently identified.
2 DFDS is project lead, Ørsted project partner.
3 Includes COWI (knowledge partner).
4 Other partners include Smart Delta Resources, Province of Zeeland, Province of Oost-Vlaanderen.
5 Other partners include EDF Germany, OGE, Stadtwerke Heide, Thyssenkrupp Industrial Solutions, Heide Region Development Agency, Westküste University of Applied Sciences.
6 Partnership also includes Element Energy.
7 Other partners include NEL Hydrogen, Hydrogen Denmark, Energinet Elsystemansvar.
8 Other partners include ABB, Hexagon Porus, KNUD E. HANSEN, Danish Ship Finance.

We also advanced the execution of the Oyster R&D project, where the consortium selected Grimsby as project location. The project will establish and test a 1 MW marinised polymer electrolyte membrane (PEM) electrolyser module and analyse offshore electrolyser deployment and feasibility. We will lead the analysis and contribute to the design of the electrolyser system.

We have also signed an agreement with Liquid Wind, a Swedish green e-methanol developer, to acquire a 45 % stake in their project, FlagshipONE. The project is expected to produce 50,000 tonnes of e-methanol per year based on renewable hydrogen and biogenic CO_2 and has been granted EUR 15 million from the Swedish funding scheme Klimatklivet.

Maturing joint ventures and strategic partnerships

Our proven partnership approach is a key enabler to continue expanding our renewable hydrogen and green fuels business. During 2021, we have continued to mature partnership discussions with key partners, such as POSCO in Korea, Uniper, Yara, DOW, Mærsk, and Edinburgh Airport in Continental Europe and Williams in the US. Across all, we have demonstrated a strong ability to collaborate with partners across value chains, and we are proud of being acknowledged as a credible and attractive partner for companies embarking on a decarbonisation journey.

Onshore

Our colleagues at Amazon Wind Farm, Scurry County, Texas, the US.

Financial performance 2021

Power generation increased by 46 % compared to 2020 and amounted to 8.4 TWh. The increase was driven by the commissioning of our wind farms Sage Draw, Plum Creek, and Willow Creek in 2020 and Western Trail in 2021, the solar PV farms Permian Energy Center and Muscle Shoals in 2021, and the acquisitions of Brookfield Renewable Ireland (BRI) and Lincoln Land in 2021. Wind speeds across the US portfolio were 7.4 m/s, which was both lower than last year (7.6 m/s) and a normal wind year (7.6 m/s). Availability for our wind assets ended at 96 %, in line with last year.

Revenue amounted to DKK 1.0 billon, 36 % higher than last year. The increase was mainly due to the commissioning of new assets, partly offset by the winter storm period in Q1 2021, lower wind speeds, and a negative effect from ceasing to use the business performance principle in 2021.

EBITDA for 2021 was DKK 0.2 billion higher than last year. The increased power generation was partly offset by higher fixed costs due to the expansion of the business, M&A costs in connection with the acquisition of BRI and Lincoln Land, and higher project development costs. Additionally, 2020 was positively impacted by a gain from the divestment of Oak Solar.

Cash flow from operating activities amounted to DKK 4.5 billion and increased by DKK 0.5 billion compared to 2020, mainly driven by larger tax equity contributions. The tax equity contributions related to Permian Energy Center, Western Trail, Haystack, and Muscle Shoals in 2021 and to Sage Draw, Willow Creek, and Plum Creek in 2020.

Gross investments amounted to DKK 15.5 billion in 2021 and were related to the acquisition of BRI (DKK 4.6 billion) and Lincoln Land (DKK 2.1 billion) as well as the construction of Permian Energy Center, Old 300, Muscle Shoals, Western Trail, Helena Energy Center, Haystack, and Kennoxhead 1.

Divestments in 2020 comprised the sale of Oak Solar in June 2020.

Strategic and operational performance 2021

Our Onshore business made significant strategic progress in 2021. We expanded our geographic footprint through acquisitions and development partnerships in Europe and strengthened our position in core US markets through new FIDs, execution of three projects on time and budget, and acquisition of a new

operational wind farm. Operations remained generally stable throughout the year with availability in line with expectations, and we were able to maintain our assets operating with no major losses, also during the unprecedented Texas winter storm in February.

Our onshore renewable platform now accounts for 3.4 GW of installed capacity and 1.3 GW under construction. At our Capital Markets Day in June, we set a new ambition of 17.5 GW by 2030. To reach this target, we can count on an additional ~11.5 GW of substantiated pipeline, meant as projects where we have secured land through acquisitions, leases or options, and/or projects where we have secured line of sight to connect to the energy grid.

Growing and diversifying our operating portfolio

During 2021, we added 1,356 MW of build-out to our operating portfolio in the US by commissioning three projects and by acquiring an operational onshore wind farm in one of the largest markets in the US, where we previously did not have a presence. In addition, we substantially completed the construction of the wind farm Haystack (298 MW), with final tests and commissioning works to be completed during H1 2022.

Within our wind portfolio, we were able to finalise and commission Western Trail, our largest onshore wind project accounting for 367 MW. The project, located in Texas close to our existing wind farm Lockett, is eligible for 100 % of the production tax credits. The majority of Western Trail's power generation is contracted under long-term purchase contracts with Nucor, Pepsi, and Hormel and is the first project in our portfolio to feature an upside sharing structure on the power price used for settlement. The structure reduces downside risk and allows for the capture of additional revenue compared to traditional PPAs.

Besides commissioning own assets, we have also finalised the acquisition of Lincoln Land, a 302 MW operational onshore wind farm in Illinois. This is our first project in the Mid-continental independent system operator (MISO) area, which is an attractive market and one of the largest in the US. The project is eligible for 100 % of the production tax credits and is contracted under long-term PPAs with Meta (Facebook) and McDonalds.

Turning to the operational progress of our solar PV portfolio, we finalised two projects over the course of 2021. The first commissioned solar project is Permian Energy Center, a 420 MW_{AC} and 40 MW_{AC} combined solar and energy storage facility in Texas. Permian is our first large-scale solar project, and it is eligible for 100 % of the investment tax credits.

The second commissioned solar project, Muscle Shoals, is our second large-scale solar farm and our first operating asset in the South-East of the US. The 227 MW_{AC} solar farm, located in Alabama, is fully contracted under a long-term PPA with the Tennessee Valley Authority (TVA) and is eligible for 100 % of the investment tax credits.

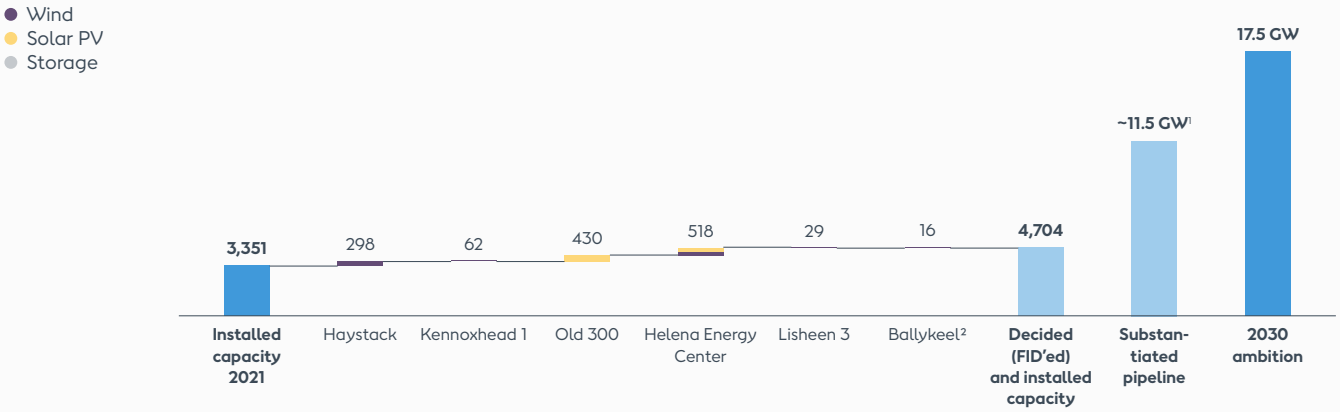
Expanding our pipeline and geographical footprint

During the year, we expanded our development portfolio through the acquisition of Brookfield Renewable Ireland (BRI) and

Wind speed, load factor, and availability for wind is US only.

Performance highlights		2021	2020	%
Business drivers				
Decided (FID) and installed capacity	GW	4.7	3.4	38 %
Installed capacity	GW	3.4	1.7	100 %
Wind speed	m/s	7.4	7.6	(3 %)
Load factor, wind	%	42	45	(3 %p)
Load factor, solar PV	%	24	-	n.a.
Availability, wind	%	96	96	0 %p
Availability, solar PV	%	96	-	n.a.
Power generation	GWh	8,352	5,738	46 %
US, wind		6,997	5,731	22 %
US, solar PV		1,018	7	n.a.
Europe		337	-	n.a.
US dollars	DKK/USD	6.3	6.5	(4 %)
Financial performance				
Revenue	DKKm	995	733	36 %
EBITDA	DKKm	1,349	1,131	19 %
Sites		535	451	19 %
Production tax credits and tax attributes		1,382	1,004	38 %
Other, including project development		(568)	(324)	75 %
Depreciation	DKKm	(963)	(482)	100 %
EBIT	DKKm	386	649	(41 %)
Cash flows from operating activities	DKKm	4,467	3,921	14 %
Gross investments	DKKm	(15,525)	(6,633)	134 %
Divestments	DKKm	-	114	n.a.
Free cash flow	DKKm	(11,058)	(2,598)	326 %
Capital employed	DKKm	22,634	12,921	75 %

Onshore wind build-out plan
Gross renewable capacity, MW



[1] Projects where we have secured land through acquisitions, leases, or options, and/or projects where we have secured line of sight to connect to the energy grid.
[2] Ballykeel reached FID in January 2022 and was therefore not included in year-end 2021 capacity of 4,688 MW.

achieved significant construction milestones to further mature our Onshore project pipeline.

In June, we acquired BRI with an operating wind project portfolio of 327 MW, 62 MW under construction, 165 MW of advanced development projects, and over 1 GW of projects under development. The acquisition marked our entry into the European onshore market and allowed us to establish a platform of high-potential development projects that will contribute to our overall ambition. Since the acquisition, we have integrated systems and processes and progressed development across the newly acquired project portfolio.

Looking at our own asset portfolio, we were able to secure FID on three assets. The first one, Lisheen 3, is a 29 MW wind project in Ireland acquired through BRI, located adjacent to our existing Lisheen 1 & 2 projects and forming an 89 MW cluster. The project is fully contracted under a 20-year PPA with Meta (Facebook) and is expected to reach commercial operation before the end of 2022.

Secondly, we took FID on Ballykeel, adding 16 MW to our onshore capacity under construction, and signed a 15-year CPPA with Amazon on the same asset for the full electricity output.

Moreover, we reached FID on Helena Energy Center, our first combined onshore wind and solar PV project, accounting for 518 MW and strengthening our presence in the Electric Reliability Council of Texas (ERCOT). The project includes 268 MW of onshore wind, which will be eligible for 80 % of the production tax credits, and 250 MW_{AC} of solar PV, which will be eligible for 100 % of the investment tax credits. During 2021, we secured commitments from tax equity investors for both phases of the project. The project is our first in the southern ERCOT zone, which is a highly liquid market with significant interest in PPAs from corporate customers. The wind phase of the project will mark our first relationship with Vestas within Onshore, as the project is expected to use the Vestas V150 4.2 MW wind turbines, which delivers further technology diversification in our operating wind project portfolio. We expect the wind portion of the project to be commissioned in Q2 2022 and the solar portion to be commissioned before the end of the year.

Expanding our corporate customer portfolio

During 2021, we announced newly signed CPPAs with nine companies globally, excluding the agreements inherited from our BRI portfolio. The majority of the PPAs signed in the US was for projects we either commissioned during the year or are planning to bring online during 2022.

At the end of 2021, 73 % of generation from our asset portfolio of onshore wind and solar projects across the US and Ireland were contracted with external counterparties with an average duration of 12 years. The contracted share for most individual projects ranges from 65 % to 100 % and is dependent on the market, project risk profile, attractiveness of contract terms, and risk-reduction potential.

Most of our PPA counterparts are strategic customers whose businesses span across geographies and technologies. In this sense, our diverse Onshore asset platform is commercially attractive and positions us to be a trusted partner for companies seeking to offtake green energy solutions.

Ørsted has a strong portfolio of corporate power purchase agreements within Onshore

Country	Asset	Partners
United States	Haystack (298 MW)	pepsi, Hormel, TARGET
United States	Permian (460 MW)	ExxonMobil
United States	Amazon (253 MW)	amazon, Iron Mountain
United States	Plum Creek (230 MW)	Avery Dennison, VAIL, Smucker's
United States	Sage Draw (338 MW)	ExxonMobil
United States	Helena Energy Center (518 MW)	Henkel, Johnson & Johnson, TARGET
United States	Old 300 (430 MW)	Microsoft
United States	Lincoln Land (302 MW)	Meta
United States	Western Trail (367 MW)	Hormel, NUCOR, pepsi
United States	Armadillo	MERCK
United States	Mockingbird	DSM
Ireland	Lisheen 3 (29 MW)	Meta
Ireland	Booltiagh 1 (18 MW)	Johnson & Johnson
Ireland	Kilgarvan (45 MW)	Johnson & Johnson
United Kingdom	Ballykeel (16 MW)	amazon
Scotland	Kennoxhead phase 1 (62 MW)	CPPA signed
Scotland	Kennoxhead phase 2	CPPA signed

Bioenergy & Other

Financial performance 2021

Power generation was 55 % higher than in 2020, driven by higher prices, higher spreads, as well as increased demand for ancillary services. Heat generation increased by 19 % in 2021, mainly due to colder weather.

Revenue increased by 51 % compared to 2020 and amounted to DKK 32.4 billion. The increase was driven by five times higher average gas prices and three times higher average power prices, which led to higher revenue in our gas and power sales businesses. Furthermore, we had higher revenue from our CHP plants due to higher generation and power prices in Denmark. This was partly offset by the divestment of our RBC businesses in August 2020, the LNG activities in December 2020, and part of our B2B business on 1 March 2021.

EBITDA amounted to DKK 4.7 billion compared to DKK 2.1 billion in 2020.

EBITDA from CHP plants was 188 % higher than last year, totalling DKK 3.2 billion in 2021. The increase was mainly due to higher power prices and generation in Denmark, combined with higher earnings from ancillary services. As we only hedge the power we co-generate with heat, we fully benefitted from the high power prices on our condensing power generation in the second half of the year.

EBITDA from Gas Markets & Infrastructure amounted to DKK 1.8 billion in 2021, a DKK 1.4 billion increase relative to last year. The positive effect was mainly driven by the renegotiation of gas purchase contracts and strong underlying performance, especially in H2 2021, in a very volatile and bullish gas market where we were able to optimise purchase from our long-term gas contracts.

EBITDA from our Danish power distribution, residential customer, and city light businesses amounted to DKK 0.9 billion in 2020, which has not been repeated due to the divestment in August 2020.

Cash flow from operating activities amounted to DKK 7.6 billion in 2021. The DKK 4.7 billion increase was driven by the significantly higher gas prices, leading to receipt of large margin payments on unrealised financial instruments (DKK 6.1 billion in 2021). The higher EBITDA also contributed positively to the development. This was partly offset by higher initial margin posted at clearing houses (DKK -1.7 billion) and significantly higher spend to fill our gas at storage due to the increasing gas prices.

Gross investments amounted to DKK 0.3 billion in 2021 and mainly related to reinvestments at our CHP plants.

Our colleagues in Asnæs Power Station, Kalundborg, Denmark.

Cash flow from divestments in 2020 was mainly related to the above-mentioned divestment of our Danish power distribution, residential customer, and city light businesses.

Strategic and operational performance 2021

During 2021, we harvested the benefits of having a broad portfolio of generation assets. Our CHP plants not only filled the gap when renewable generation assets supplied less power to the grid than normal due to low wind speeds, but also benefitted from high power prices and attractive spreads during the second half of the year. As our gas business also had a strong financial performance in 2021, Bioenergy & Other showed a strong diversification effect, offsetting the negative impacts from low wind speeds in Offshore.

In 2021, we completed the divestment of the majority of our UK B2B customers to Total Gas & Power. The remaining part of the UK B2B activities will be phased out in step with the expiry of our obligations, to a significant extent during 2022. Going forward, our B2B activities will be centred around Denmark and the southern part of Sweden, serving as a natural outlet for our long-term gas sourcing contracts, with cross-selling of power.

During the year, we also concluded the renegotiations of some of our long-term gas contracts. Besides obtaining a satisfactory financial result from the renegotiations, we managed to further reduce the risk of our exposure in the contracts as the future indexation will be towards gas prices rather than oil prices.

Lastly, we also took steps to decarbonise our CHP plants. One key example is the MoU signed with Norwegian Aker Carbon Capture and Microsoft to explore the potential for developing carbon capture at our biomass-fired combined heat and power plants.

Furthermore, we signed an agreement with VEKS and CTR to rebuild the straw-fired unit at Avedøre Power Station to enable heat-only production and thereby increase plant flexibility.

EBITDA increased by 122 %.

Performance highlights		2021	2020	%
Business drivers				
Degree days	number	2,820	2,432	16 %
Heat generation	GWh	7,907	6,671	19 %
Power generation	GWh	6,890	4,438	55 %
Gas sales	GWh	61,349	90,347	(32 %)
Power sales	GWh	8,797	11,623	(24 %)
Gas price, TTF	EUR/MWh	45.7	9.3	389 %
Power price, DK	EUR/MWh	87.8	26.7	229 %
Green dark spread, DK	EUR/MWh	4.8	(11.2)	n.a.
Green spark spread, DK	EUR/MWh	(23.4)	(1.4)	n.a.
Wood pellet spread, DK	EUR/MWh	29.8	(26.6)	n.a.
Financial performance				
Revenue	DKKm	32,390	21,420	51 %
EBITDA	DKKm	4,747	2,136	122 %
CHP plants		3,202	1,111	188 %
Gas Markets & Infrastructure		1,829	411	345 %
Distribution, B2C, and city light		-	926	n.a.
Other, incl. project development		(284)	(312)	(9 %)
Depreciation	DKKm	(831)	(796)	4 %
EBIT	DKKm	3,916	1,340	192 %
Cash flows from operating activities	DKKm	7,593	2,855	166 %
Gross investments	DKKm	(274)	(715)	(62 %)
Divestments	DKKm	(178)	19,060	n.a.
Free cash flow	DKKm	7,141	21,200	(66 %)
Capital employed	DKKm	1,950	5,229	(63 %)

Governance

Stan and his colleagues are working on pilot projects and industrial partnerships that aim to make renewable hydrogen a commercial reality, with several projects currently underway across Europe. Created from just wind power and water, this green fuel could one day be cleaning up heavy industry and transportation, cutting carbon emissions, and improving air quality.

Message from the Chairman

The Board of Directors firmly believes that purpose, diversity, and integrity are key drivers of good corporate governance. We will continue to strengthen our governance model addressing those important principles.

At the beginning of 2021, we had a successful and smooth CEO transition. We welcomed Mads Nipper as our new CEO, and he brought with him a deep commitment to the sustainability agenda, exceptional personal leadership, and an excellent track record in leading global companies.

In addition, we welcomed Julia King and Henrik Poulsen, our former CEO. They are both visionary individuals who will provide us with important skills and experiences.

This year, we also took actions to further strengthen our corporate governance model, which is built on three pillars: enabling decision-making, having the right competences, and fostering a company culture rooted in integrity. These pillars are the foundation for our way of working throughout the organisation, from the Board to the individual employee.

We reorganised our business to strengthen decision-making power, engage in cross-functional collaboration, and enhance the complementarity of competences. We transitioned from traditional business units to a structure based on functions, with a commercially focused function and an EPC & Operations focused function. The new structure was designed to promote future growth opportunities with a more holistic and customer-centric market approach.

We welcome and generally follow the updated recommendations prepared by the Danish Committee on Corporate Governance. We are pleased to see the recommendations now include the companies' purpose, and that they ensure and promote good culture and values in the company, which we have had a strong emphasis on for many years.

The Board wants to ensure that sustainability is incorporated into our entire way of working, including our governance mechanisms. Therefore, we have updated the Executive Committee's short-term incentive (STI) scheme so it has a stronger and more systematic integration of ESG, effective from 2022. Our new STI is designed to support that we deliver on our core sustainability commitments, improve our sustainability leadership performance, and continue to push for new frontiers.

Furthermore, it is a priority for the Board to support and develop a company culture based on high ethical standards and clear values that permeate across our entire business. Our Executive Committee is spearheading this culture throughout the organisation, focusing strongly on teamwork. Team efforts and collaboration are key to succeeding as a company and delivering strong results. Therefore, the Board has also updated the weight distribution of the STI for the Executive Committee. In the new STI, shared targets will increase from 40 % to 70 % of the total award.

We want to ensure the right competences to successfully drive our business forward. In the Board, we continuously work to promote the diversity of competences and perspectives, as we recognise the many advantages that diversity brings. At the annual general meeting in April 2022, we will therefore propose that our employees outside of Denmark may participate in elections of employee representatives to the Board to enable more diversity in the Board itself.

Finally, we have reinforced our commitment to gender diversity across the company. Our ambition for gender balance is to have at least 40 % women across our total workforce by 2030. In addition, we will work to ensure that diversity and inclusion are further embedded in our hiring and promotion processes. These are just some of the many steps that we will take to ensure we attract, retain, and develop the right talent and competences.

On the following pages, you can read more about our corporate governance, and how we work with it. I look forward to continuing serving on the Board in the coming year.

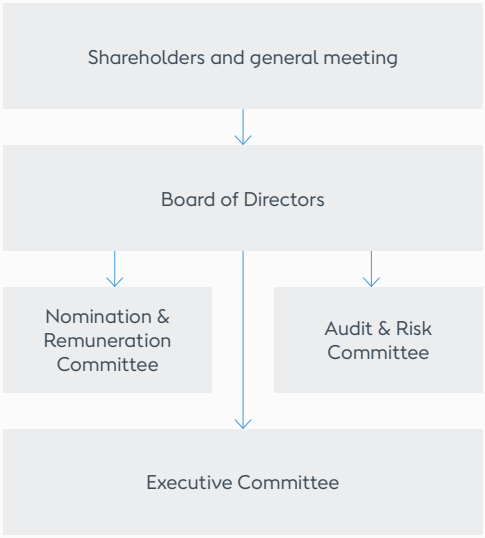
Thomas Thune Andersen
Chairman

Corporate governance

The overall and strategic management of the company is anchored in a board of non-executive directors appointed by the shareholders.

The Board of Directors appoints the Executive Board, consisting of the Group President and CEO, the Deputy Group CEO and CCO, and the CFO who undertake the day-to-day management of Ørsted through the Executive Committee. None of our executives are members of the Board of Directors. A management team consisting of the Executive Committee, the senior vice presidents, and certain vice presidents drives strategic development and cultural alignment across the company.

Our governance model



Shareholders and general meeting

Ørsted is a publicly listed company with the Danish State as majority shareholder with a 50.1 % ownership share. The Danish State exercises its ownership interest in Ørsted in accordance with the ordinary governance set-up in Danish companies where a board of non-executive directors (the Board of Directors) and executive directors (the Executive Board) are responsible for the management of the company. The Danish State exercises its interest at the general meeting. The Danish State's ownership policy is available here (only in Danish): fm.dk/udgivelser/2015/april/statens-ejerskabspolitik/.

All our shareholders may exercise their rights and vote at the general meeting through a one-share-one-vote principle. The general meeting adopts decisions, such as the election of the Board of Directors and the auditor, in accordance with the ordinary Danish rules. Due to our majority ownership by the Danish State, we have a bespoke quorum requirement, as proposals to amend our articles of association or dissolve the company require that the Danish State participates in the general meeting and supports the proposals.

Board of Directors

Each year at the annual general meeting, the shareholders elect six to eight board members. In addition, our employees may elect members corresponding to half of the board members elected by the general meeting pursuant to Danish mandatory rules. Employee elections are held every four years, with the next election being in 2022.

For the time being, our Board of Directors comprises 11 members, eight members elected by the general meeting, and three members elected by the employees. At the employee election in 2022, the employees will have a right to elect four members to the Board of Directors.

The Board of Directors is responsible for the overall and strategic management of the company. The Board of Directors lays down the company's strategy and makes decisions concerning major investments and divestments, the capital base, key policies, control and audit matters, risk management, and significant operational issues. You can see the most important tasks in 2021 on the next page.

The Board of Directors monitors and oversees progress related to our sustainability and climate change strategy, including our ambitious net-zero carbon reduction targets for scope 1-3 emissions. We routinely integrate climate change considerations when setting our strategic direction, reviewing sustainability risks, setting performance objectives, deciding on our capital allocation, and when approving and overseeing major investments, acquisitions, and divestments.

The Board of Directors has prepared an overview of the competences required on the board. The list of required competences can be found at orsted.com/competences-overview.

We have a diverse Board of Directors. With three female board members out of the eight elected by the general meeting, we have equal representation as defined under Danish law. The age of our board members spans from 50 to 71 years old among board members elected by the general meeting and from 37 to 54 years old among board members elected by the employees. Board members have different educational backgrounds within finance, economics, geophysics, or engineering and professional experience from the energy or other industries, private equity, private investments, and/or academia.

A description of the individual board members, including their other executive positions, independence, and how the individual board members contribute to the required competences can be found in the following pages. Their meeting attendance during 2021 can be found on the next page.

Important tasks managed by the Board of Directors in 2021

Investments, acquisitions, and divestments

Build-out of our offshore wind portfolio, including bids into seabed, project or transmission auctions and tenders in Denmark, Scotland, Japan, and the US, and entry into corporate power purchase agreements related to the Borkum Riffgrund 3 offshore wind project in Germany.

Entry into 50/50 joint venture with PGE Polska Grupa Energetyczna S.A. for the development, construction, and operation of two offshore wind projects in the Baltic Sea.

Signing of agreement to divest 50 % of the Borkum Riffgrund 3 offshore wind project in Germany to Glennmont Partners and taking final investment decision (FID) on the project. Simultaneously, FID on the Gode Wind 3 project.

Signing and closing of agreement to divest 50 % of the Borssele 1 & 2 offshore wind project in the Netherlands to Norges Bank Investment Management.

Build-out of our onshore portfolio in the US, including FID and entry into CPPAs on the combined wind and solar PV project Helena Energy Center and acquisition of the late-stage Lincoln Land wind project.

Acquisition of onshore wind platform in Ireland and UK from Brookfield Renewable.

Strategic discussions on development of the hydrogen business.

Other tasks

Approval of new strategic ambition and financial guidance to accelerate growth and realisation of Ørsted's full potential as a global green energy major.

Discussion of sustainability agenda and definition of strategic priorities for Ørsted.

Nomination of Henrik Poulsen, former CEO of Ørsted, and Julia King, Baroness Brown of Cambridge, as new board members to be elected by the general meeting.

Appointment of Martin Neubert as Deputy Group CEO and member of the Executive Board and reorganisation of the business into a primarily functional structure to position for future growth.

Issuance of green hybrid securities to increase Ørsted's total amount of outstanding hybrid capital and refinancing part of the existing hybrid capital securities.

Overseeing our financial results and guidance.

Overseeing the results from the 2021 employee satisfaction survey, including the focus areas identified by the Executive Board.

Overseeing and discussing the development of our consolidated environmental, social, and governance (ESG) statements.

Monitoring the impacts of COVID-19.

Meeting attendance

Member of the board	Board of Directors		Audit & Risk Committee	Nomination & Remuneration Committee
	Ordinary	Extraordinary		
Thomas Thune Andersen	7/0	10/0		3/0
Lene Skole	7/0	10/0		3/0
Lynda Armstrong	7/0	10/0		2/1
Jørgen Kildahl	7/0	10/0	6/0	
Julia King	6/0	8/1		
Peter Korsholm	7/0	9/1	6/0	
Henrik Poulsen	6/0	8/1		
Dieter Wemmer	7/0	9/1	6/0	
Benny Gøbel	7/0	10/0		
Ole Henriksen	7/0	8/2		
Daniel Tas Sandermann	7/0	9/1		

The numbers indicate how many meetings in 2021 the members have attended or not attended, respectively, during the year.

Each year, the general meeting approves the remuneration for the members of the Board of Directors for the coming year. In the separate remuneration report, you can read more about the remuneration of the Board of Directors. Furthermore, we have considered the recommendations prepared by the Danish Committee on Corporate Governance. As further described in our corporate governance report, we partially comply with the following recommendations:

- Recommendation 1.2.1: Due to lack of shareholder interest in attending virtual general meetings, we do not, for the time being, offer this option to our shareholders.
- Recommendation 3.2.2: As former CEO Henrik Poulsen joined the Board of Directors in March 2021, we did not, at the time of his appointment, comply with the part of the recommendation setting out that an executive retiring from the executive management should not join the board of directors immediately thereafter. It is the assessment of the Board of Directors that it was in the best interest of Ørsted that Henrik Poulsen's skills and experience remained available to the company.

See link to the remuneration report below. See also links to the statutory reports on data ethics and corporate governance prepared in accordance with the Danish Financial Statements Act, sections 99d and 107b, respectively. orsted.com/remuneration2021, orsted.com/corporategovernance2021, orsted.com/dataethics2021

Board of Directors

Board members elected by the general meeting.

Thomas Thune Andersen
*1955, Denmark

Chairman since 2014
Independent
Joined in 2014
Re-elected in 2021
Term of office expires in 2022

Experience
Extensive international leadership experience from leading positions in A.P. Moller-Maersk and non-executive directorships in listed and privately held companies within the energy, critical infrastructure, and other sectors.

Positions
Chairman: VKR Holding A/S, Lloyds Register Group Limited, and Lloyds Register Foundation
Member: BW Group ltd, IMI plc., Green Hydrogen Systems A/S, Det Østasiatiske Kompagnis Almennyttige Fond, and the Danish Committee on Corporate Governance.[1]

Competences

Management
- ✓ General
- ✓ Safety
- Financial
- ✓ Risk
- ✓ Project
- ✓ Stakeholder
- Human resources

Other
- ✓ Energy sector
- IT, technology, and digitalisation
- Investor and capital market relationships
- ✓ ESG

Lene Skole
*1959, Denmark

Deputy Chairman since 2015
Independent
Joined in 2015
Re-elected in 2021
Term of office expires in 2022

Experience
Highly experienced in managing listed companies from her previous position as CFO of Coloplast and current position as CEO of Lundbeckfonden where she serves as a non-executive director of the portfolio companies of Lundbeckfonden.

Positions
CEO: Lundbeckfonden and Lundbeckfond Invest A/S
Chairman: LFI Equity A/S
Deputy Chairman: ALK-Abelló A/S, H. Lundbeck A/S, and Falck A/S
Member: Tryg A/S and Tryg Forsikring A/S.[2]

Competences

Management
- ✓ General
- Safety
- ✓ Financial
- ✓ Risk
- Project
- ✓ Stakeholder
- ✓ Human resources

Other
- Energy sector
- IT, technology, and digitalisation
- ✓ Investor and capital market relationships
- ✓ ESG

Lynda Armstrong
*1950, Great Britain

Independent
Joined in 2015
Re-elected in 2021
Term of office expires in 2022

Experience
Strong global managerial experience from more than 30 years in leading positions in Shell, including as Vice President in Shell International, and from non-executive directorships in international companies and large organisations.

Positions
Chairman: The Engineering Construction Industry Training Board (ECITB).[3]

Competences

Management
- ✓ General
- ✓ Safety
- Financial
- ✓ Risk
- ✓ Project
- ✓ Stakeholder
- ✓ Human resources

Other
- ✓ Energy sector
- IT, technology, and digitalisation
- Investor and capital market relationships
- ✓ ESG

[1] Board committees: Remuneration Committee of Lloyds Register Group Limited, Nomination Committee of Lloyds Register Foundation, Nomination Committee and Remuneration Committee of IMI plc, and Nomination Committee of VKR Holding A/S.

[2] Board committees: Audit & Risk Committee of Tryg A/S and Tryg Forsikring A/S, Chairman of the Audit Committee and member of the Remuneration Committee of Falck A/S, Nomination & Remuneration Committee, Audit Committee and Scientific Committee of ALK-Abelló A/S, and Nomination & Remuneration Committee and Scientific Committee of H. Lundbeck A/S.

[3] Chairman of the Remuneration Committee, member of the HSE Committee, and member of the Project Assurance Committee of KAZ Minerals plc.

Board members elected by the general meeting.

	Experience	Positions	Competences
 **Jørgen Kildahl** *1963, Norway Independent Joined in 2018 Re-elected in 2021 Term of office expires in 2022	Strong international background in renewable energy and a profound knowledge of how the energy ecosystems work from positions as Executive Vice President of Statkraft and member of the Board of Management of E.ON SE.	Deputy Chairman: Telenor ASA. Member: Scatec ASA and Alpiq AG. Other: Senior Advisor and member of the Energy Investment Committee of Energy Infrastructure Partners, Switzerland, and advisor to the Board of Directors of Abu Dhabi National Energy Company PJSC (TAQA).[1]	**Management** ✓ General ✓ Safety Financial ✓ Risk ✓ Project ✓ Stakeholder Human resources **Other** ✓ Energy sector ✓ IT, technology, and digitalisation ✓ Investor and capital market relationships ✓ ESG
 **Julia King, The Baroness Brown of Cambridge** *1954, Great Britain Independent Joined in 2021 Term of office expires in 2022	Strong international background within engineering in both industry and academia, including Rolls-Royce plc, Cambridge University, and Imperial College. A deep knowledge of renewable energy and government policy perspectives from positions, among others, as member of the Committee on Climate Change and non-executive director of the Green Investment Bank.	Chairman: The Carbon Trust, STEM Learning Ltd, and The Henry Royce Institute (UK National Institute for Advanced Materials) Non-executive director: Ceres Power Holdings and Frontier IP.[2]	**Management** ✓ General Safety ✓ Financial Risk ✓ Project ✓ Stakeholder Human resources **Other** Energy sector ✓ IT, technology, and digitalisation Investor and capital market relationships ✓ ESG
 **Peter Korsholm** *1971, Denmark Independent Joined in 2017 Re-elected in 2021 Term of office expires in 2022	Extensive M&A experience from his time as Partner and Head of EQT Partners Denmark and from private investments. Also experience with financial reporting, risk management, and capital markets from CFO position at AAK AB.	CEO: DSVM Invest A/S, DSV Miljø Group A/S, Togu ApS, and Totalleveranser Sverige AB Chairman: Nymølle Stenindustrier A/S, GDL Transport Holding AB, Lion Danmark I ApS, and Totalleveranser Sverige AB. Member: DSVM Invest A/S, A/S United Shipping and Trading Company, DANX Holding I ApS, BCHG Holding A/S.[3]	**Management** ✓ General Safety ✓ Financial ✓ Risk Project ✓ Stakeholder Human resources **Other** Energy sector IT, technology, and digitalisation ✓ Investor and capital market relationships ✓ ESG

[1] Chairman of the Sustainability & Compliance Committee and member of the Audit & Risk Committee of Telenor ASA, member of the Audit Committee of Scatec ASA, and member of the Audit Committee of Alpiq AG.

[2] Crossbench Peer in the UK House of Lords, Chairman of the Adaptation Committee of the Committee on Climate Change, and Council Member of Innovate UK.

[3] Chairman of the Investment Committee of Zoscales Partners and Chairman of the Board of Directors of two wholly-owned subsidiaries of Lion Danmark I ApS (Lomax Group). He is also a member of the Board of Directors of two wholly-owned subsidiaries of A/S United Shipping and Trading Company, three wholly-owned subsidiaries of DANX Holding I ApS, eight wholly-owned subsidiaries of DSVM Invest A/S, and two-wholly owned subsidiaries of BCHG Holding A/S.

Board members elected by the general meeting.

		Experience	Positions	Competences	
	**Henrik Poulsen** *1967, Denmark Not independent[1] Joined in 2021 Term of office expires in 2022	Unique company and industry knowledge from his former role as CEO of Ørsted. Extensive capabilities within strategy and value creation, transformational change, and finance from former executive positions in TDC, Capstone/KKR, and LEGO, and his current portfolio of non-executive directorships.	Chairman: Faerch A/S Deputy Chairman: ISS A/S, Carlsberg A/S Member: Bertelsmann SE & Co. KgaA, Novo Holdings A/S, and Novo Nordisk A/S Advisor: Senior Advisor to A.P. Møller Holding A/S.[2]	**Management** ✓ General ✓ Safety ✓ Financial ✓ Risk ✓ Project ✓ Stakeholder Human resources	**Other** ✓ Energy sector IT, technology, and digitalisation ✓ Investor and capital market relationships ✓ ESG
	**Dieter Wemmer** *1957, Switzerland Independent Joined in 2018 Re-elected in 2021 Term of office expires in 2022	Highly experienced in capital markets, investments, and risk management from leading positions within the finance sector. Before focusing solely on non-executive directorships, he was the CFO of Allianz.	Chairman: Marco Holding, Plc. and British Reserve Insurance Co, ltd. Member: UBS Group AG and UBS AG.[3]	**Management** ✓ General Safety ✓ Financial ✓ Risk Project ✓ Stakeholder Human resources	**Other** Energy sector ✓ IT, technology, and digitalisation ✓ Investor and capital market relationships ✓ ESG

[1] Henrik Poulsen is not independent as he is the former CEO of Ørsted, cf. recommendation 3.1.2 of the Danish corporate governance recommendations.
[2] Chairman of the Board of Directors in one wholly-owned susidiary of Faerch A/S and Deputy Chairman in one wholly-owned subsidiary of Carlsberg A/S.
[3] Member of the Audit Committee, Governance & Nomination Committee, and Compensation Committee of both UBS Group AG and UBS AG, respectively.

Board members elected by the employees.

		Experience	Positions	Competences	
	**Benny Gøbel** *1967, Denmark Employee representative Not independent Joined in 2011 Re-elected in 2018 Term of office expires in 2022	Benny Gøbel has worked in Ørsted since 2005.	Engineer, Bioenergy & Other	**Management** General Safety Financial Risk Project Stakeholder Human resources	**Other** ✓ Energy sector IT, technology, and digitalisation Investor and capital market relationships ESG
	**Ole Henriksen** *1972, Denmark Employee representative. Not independent Joined in 2020 Term of office expires in 2022	Ole Henriksen has worked in Ørsted since 2007.	Operations Engineer, Bioenergy & Other.	**Management** General Safety Financial Risk Project Stakeholder Human resources	**Other** ✓ Energy sector IT, technology, and digitalisation Investor and capital market relationships ESG
	**Daniel Tas Sandermann** *1984, Denmark Employee representative Not independent Joined in 2020 Term of office expires in 2022	Daniel Tas Sandermann has worked in Ørsted since 2015.	Head of B2B, Bioenergy & Other.	**Management** ✓ General Safety Financial Risk ✓ Project ✓ Stakeholder Human resources	**Other** ✓ Energy sector ✓ IT, technology, and digitalisation Investor and capital market relationships ✓ ESG

Committees of the Board of Directors

The Board of Directors has appointed two committees from among its members: An Audit & Risk Committee and a Nomination & Remuneration Committee which assist the Board of Directors within selected areas.

Audit & Risk Committee

Dieter Wemmer (Chairman), Jørgen Kildahl, and Peter Korsholm are the members of the Audit & Risk Committee.

The committee assists the Board of Directors in overseeing the financial and ESG reporting process (including key accounting estimates and judgements), liquidity and capital structure development, financial and business-related risks, compliance with statutory and other requirements from public authorities, internal controls, IT security in operational and administrative areas as well as cybersecurity.

Moreover, the committee approves the framework governing the work of the company's external and internal auditors (including limits for non-audit services), evaluates the external auditors' independence and qualifications, and monitors the company's whistle-blower scheme.

In 2021, the committee reviewed the financial impact of the implementation of IFRS hedge accounting on all commodity and related currency hedges, the acquisition of Brookfield Renewable Ireland, the implementation of the new EU taxonomy reporting, and lastly, the impact from the increased energy prices on the risk management procedures and the financial statement.

Furthermore, the committee continued to assess the claim made by the Danish Tax Agency requiring further Danish taxation of our British offshore wind farms Walney Extension, Hornsea 1, and Race Bank (added during the year), and lastly, it reviewed the progress in IT security.

Our Internal Audit function reports to the Audit & Risk Committee and is independent of our administrative management structures. Internal Audit enhances and protects the organisational value by providing risk-based and objective assurance, advice, and insight. The focus for Internal Audit is auditing and advising on our core processes, governance, risk management, control processes, and IT security.

The Chairman of the Audit & Risk Committee is responsible for managing our whistle-blower scheme. Internal Audit receives and handles any reports submitted. Our employees and other associates may report serious offences, such as cases of bribery, fraud, and other inappropriate or illegal conduct, to our whistle-blower scheme or through our management system. In 2021, five substantiated cases of inappropriate or unlawful behaviour were reported through our whistle-blower scheme. Four cases related to the workplace environment, while one case concerned IT security. None of the reported cases were critical to our business, nor caused adjustments to our financial results. None of the cases required a police report.

Whistle-blower cases are taken very seriously, and we continuously enhance the awareness of good business conduct through education and awareness campaigns to minimise future similar cases.

You can read more about the Audit & Risk Committee and the terms of reference for the committee at orsted.com/audit-risk-committee.

Nomination & Remuneration Committee

Thomas Thune Andersen (Chairman), Lene Skole, and Lynda Armstrong are the members of the Nomination & Remuneration Committee.

The committee assists the Board of Directors in matters regarding the composition, remuneration, and performance of the Board of Directors and the Executive Committee.

In 2021, the committee discussed, among other matters, changes to the Executive Board and Executive Committee, including the appointment of Martin Neubert as Deputy Group CEO, CCO, and new member of the Executive Board, the recruitment of Richard Hunter as new COO and member of the Executive Committee, and the appointment of Neil O'Donovan as new CEO of Onshore and member of the Executive Committee. Following CFO Marianne Wiinholt's resignation in December, the committee initiated a search process for her successor.

The committee also reviewed the remuneration policy for the Board of Directors and the Executive Board. The updates include the introduction of a fixed travel compensation for members for the Board of Directors residing outside of Europe and an authorisation for the Board of Directors to establish an indemnity scheme covering the Board of Directors and the Executive Board. For the time being, the Board of Directors has not made use of the authorisation to establish an indemnity scheme. An updated version of the remuneration policy was subsequently approved by the annual general meeting in March 2021. The committee also discussed changes to the Executive Committee's short-term incentive (STI) scheme. The scheme will be updated to have a stronger and more systematic integration of ESG to further support our sustainability strategy as well as a higher weight of shared targets to support team efforts and collaboration. It will be effective from 2022.

Finally, the committee discussed an equal pay analysis in addition to the gender pay gap reporting disclosed in the ESG performance report.

You can read more about the Nomination & Remuneration Committee and the terms of reference for the committee at orsted.com/nomination-remuneration-committee.

Executive Committee

The six members of the Executive Committee undertake the day-to-day management.

Mads Nipper
Group President and CEO, Executive Board

Henriette Fenger Ellekrog
CHRO

Neil O'Donovan
CEO, Onshore

Marianne Wiinholt
CFO, Executive Board

Richard Hunter
COO

Martin Neubert
CCO and Deputy Group CEO, Executive Board

Mads Nipper (Group President and CEO), Marianne Wiinholt (CFO), and Martin Neubert (Deputy Group CEO and CCO) are members of the Executive Board of Ørsted A/S.

In addition to Mads Nipper, Martin Neubert, and Marianne Wiinholt, the Executive Committee comprises Neil O'Donovan (CEO, Onshore), Richard Hunter (COO), and Henriette Fenger Ellekrog (CHRO).

The Board of Directors has laid down guidelines for the work of the Executive Board, including the division of work between the Board of Directors and the Executive Board and the Executive Board's powers to enter into agreements on behalf of the company.

The Board of Directors regularly discusses the CEO's performance, for example by following up on developments seen in relation to our strategy and objectives.

The Chairman of the Board of Directors and the CEO also regularly discuss the cooperation between the Board of Directors and the Executive Board.

We describe the remuneration of the Executive Board in the separate remuneration report. To see the report, follow this link. You can also find information about the members of the Executive Board to the right.

Executive Board CVs

Mads Nipper
*1966, Denmark

Registered as CEO. Group President and Chief Executive Officer (CEO) since January 2021.

Education and career
MSc in International Business, University of Aarhus 1991.

2021 –
Ørsted A/S: President and Chief Executive Officer.

2014 – '20
Grundfos A/S: Group President and Chief Executive Officer.

1991 – '14
Lego A/S: EVP, Chief Marketing Officer (2011-2014), EVP, Markets & Products (2006-2011), SVP, Global Innovation & Marketing (2004-2006), Managing Director and SVP, Lego Central Europe (2001-2004), SVP, Global Segment 8+ (1999-2001), and various manager positions (1992-1999).

Other positions
Danish Crown A/S: Deputy Chairman.

Marianne Wiinholt
*1965, Norway

Registered as CFO. Chief Financial Officer (CFO) since October 2013. Stepping down as CFO in April 2022.

Education and career
MSc in Business Administration & Auditing, Copenhagen Business School 1990, State-Authorised Public Accountant 1992.

2004 –
Ørsted A/S: EVP, Chief Financial Officer (CFO) (2013-), SVP, CFO Customers & Markets (2013), SVP, Group Finance (2005-2013), and VP, Group Finance and Accounting & Tax (2004-2005).

1997 – '03
Borealis A/S: Head of Group Finance & Auditing (2001-2003), Head of Group Accounting & Tax (1997-2001).

1987 – '97
Arthur Andersen: Auditor.

Other positions
Coloplast AS: member of the Board of Directors and Chairman of the Audit Committee. Norsk Hydro ASA: member of the Board of Directors and Chairman of the Audit Committee.

Martin Neubert
*1973, Germany

Registered as manager. Chief Commercial Officer (CCO) and Deputy Group CEO since February 2021.

Education and career
Education: Master's in Economics and Finance and a CFA charter, Friedrich-Alexander-Universität Erlangen-Nürnberg 2000.

2008 –
Ørsted A/S: Chief Commercial Officer (CCO), Deputy Group CEO (2021-), EVP, Offshore (2018-2021), SVP, Offshore (2016-2018), VP, Wind Power (2012-2016), Senior Director, Group M&A (2011-2012), Senior Manager, Group M&A (2008-2011).

2005 – '08
Bain Capital: Associate in Private Equity.

2002 – '05
EY: Manager in Transaction Advisory Service.

2000 – '02
Arthur Andersen: Senior Associate in Corporate Finance.

Other positions
German-Danish Chamber of Commerce: member of the Board of Directors.

Shareholder information

Over the past five years, the Ørsted share has generated a total return from share price appreciation and dividends of 241 %.

Price development for the Ørsted share in 2021

The Ørsted share yielded a total return of -32 % in 2021, a decrease in the share price of 33 %, and dividends of DKK 11.5 per share. The share price of comparable European utility companies increased by 5 % (10 % total return), and the OMX C25 cap increased by 17 % (19 % total return) in 2021.

Over the past five years, the Ørsted share has generated a total return from share price appreciation and dividends of 241 %, an increase in the share price of 212 %, and dividends of DKK 46.75 per share.

The highest traded share price of the year was DKK 1,400 on 8 January, while the year's lowest traded price of DKK 790 was on 3 December. The Ørsted share closed 2021 at DKK 835, corresponding to a market value of DKK 351 billion at the end of the year.

The average daily turnover on Nasdaq Copenhagen was 549,778 shares in 2021. The trading volume increased by 6 % compared to 2020.

Share capital

Ørsted's share capital is divided into 420 million shares, enjoying the same voting and dividend rights. The company's share capital remained unchanged in 2021. At the end of 2021, the company held a total of 210 thousand treasury shares, which will be used to cover incentive schemes.

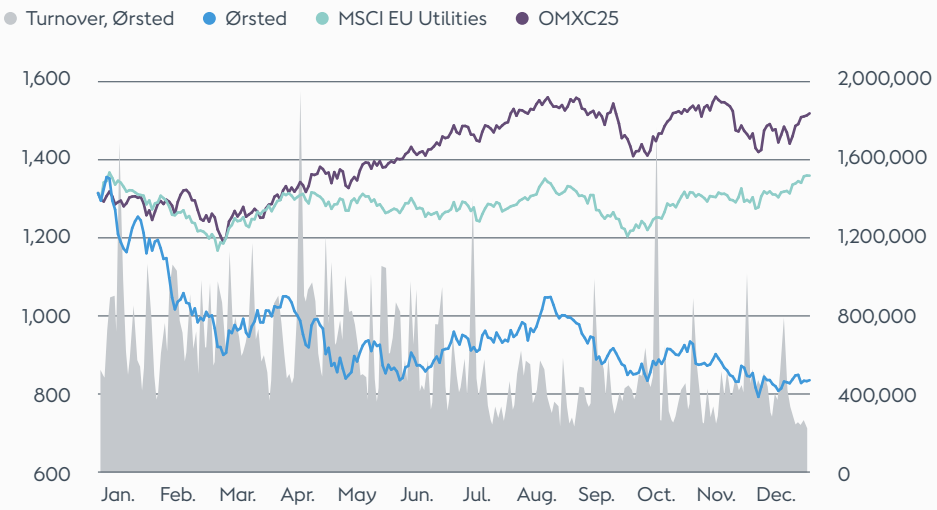
Composition of shareholders

At the end of the year, the number of shareholders had increased by 55 % to 111,361, and the majority (63 %) lies with Danish owners. The figure on the next page shows the composition of our shareholders by country, specifying the two shareholders each holding more than 5 % of the share capital. Approximately 2 % of the share capital is owned by retail investors.

Annual general meeting and dividends

The annual general meeting will be held on 8 April 2022. Dividends for the year are expected to amount to DKK 12.5 per share, corresponding to DKK 5.3 billion and a yield of 1.5 % compared to the share price of DKK 835 at the end of 2021. In 2021, dividends of DKK 11.5 per share were paid for the 2020 financial year.

Share price development in 2021
Ørsted share price compared to peers (indexed)



Share data	2021	2020	2019	2018	2017
Earnings per shares, DKK	24.3	38.8	12.7	45.3	45.3
Proposed dividend per share, DKK	12.5	11.5	10.5	9.8	9.0
Dividend yield, %	1.5	0.9	1.5	2.2	2.7
Share price, year-end, DKK	835	1,244	689	436	339
Share price, high, DKK	1,400	1,273	691	474	388
Share price, low, DKK	790	574	428	332	246
Market capitalisation, year-end, DKKm	351	523	290	183	142
Average trading per day, thousands of shares	549,778	516,919	447,567	447,103	723,784

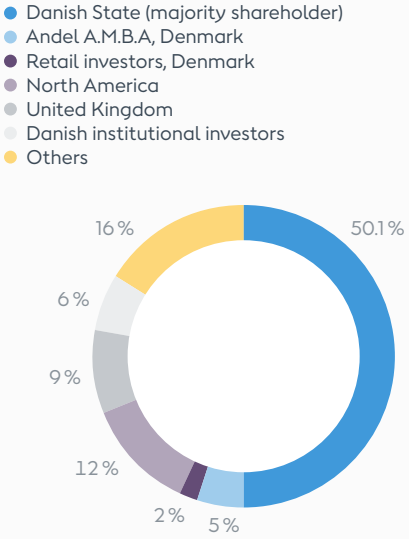
Investor relations

To achieve a fair pricing of our shares and corporate bonds, we seek to ensure a high level of transparency and stability in our financial communication. In addition, our management and our Investor Relations function engage in regular dialogues with investors and analysts. The dialogues take the form of quarterly conference calls, roadshows, conferences, capital markets days, and regular meetings with individual or groups of investors and analysts. The dialogues are subject to certain restrictions prior to the publication of our financial reporting. In 2021, we had over 500 calls with the financial market, participated in 39 investor events, and had 2 travel days.

Ørsted is covered by 35 equity analysts and 11 bond analysts. Their recommendations and consensus estimates for Ørsted's future financial performance are available at orsted.com/en/investors. On this site, you can also download our financial reports, our remuneration report, our ESG performance report, our sustainability report, our investor presentations, and a wide range of other data.

Shareholders at 31 December 2021

Share capital and/or voting share %*



* See note 16 in the parent company financial statements.

Share information

ISIN	DK 0060094928220
Share classes	1
Nominal value	DKK 10 per share
Exchange	Nasdaq OMX Copenhagen
Ticker	ORSTED
Registered share	98.7 %
Number of shares	420,381,080 shares
Number of treasury shares	209,575 shares

Selected company announcements in 2021

10 Feb.	Ørsted and PGE form 50-50 joint venture on Baltica 2 and 3
10 Feb.	Ørsted successfully issues dual-tranche green hybrid capital securities
7 Apr.	Poland awards contract for difference to the Baltica Offshore Wind Farms
12 Apr.	Ørsted completes divestment of 25 % of Ocean Wind Offshore Wind Farm
16 Apr.	Ørsted acquires Ireland and UK onshore wind power platform from Brookfield Renewable
2 June	Ørsted accelerates growth to realise its full potential as a global green energy major
30 June	Ørsted awarded 1,148 MW offshore wind contract in New Jersey, fully utilising its Ocean Wind lease area
19 Oct.	Ørsted brings in Glennmont Partners as a 50 % shareholder of Borkum Riffgrund 3 Offshore Wind Farm
17 Dec.	Ørsted awarded 846 MW offshore wind contract in Maryland
23 Dec.	Marianne Wiinholt has decided to step down as CFO of Ørsted. The Board has initiated the process of identifying the next CFO of Ørsted

Financial calendar 2022

2 Feb.	Annual report 2021
8 Apr.	Annual general meeting
29 Apr.	Interim report for the first quarter of 2022
11 Aug.	Interim report for the first half-year of 2022
3 Nov.	Interim report for the first nine months of 2022

Consolidated financial statements 2021

1 January – 31 December

Cooper is an O&M technician based in one of our newest markets, Taiwan. This year, he and 21 other Taiwanese wind technicians spent eight months on secondment in the UK.

Working alongside experienced colleagues, they developed their technical knowledge, learned Ørsted's operational safety standards, and acquired the skills they need to keep Taiwan's wind farms running reliably for the next 25-30 years.

Consolidated statement of income

1 January - 31 December

Note	DKKm	2021	2020
2.2, 2.4	Revenue	77,673	50,151
2.3	Cost of sales	(53,110)	(25,784)
	Other external expenses	(5,760)	(5,774)
2.7, 2.8	Employee costs	(4,289)	(4,283)
	Share of profit (loss) in associates and joint ventures	(17)	71
2.6	Other operating income	10,185	2,620
2.6	Other operating expenses	(386)	(403)
	Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA)	**24,296**	**16,598**
3.3	Amortisation, depreciation, and impairment losses on intangible assets, and property, plant, and equipment	(8,101)	(7,588)
	Operating profit (loss) (EBIT)	**16,195**	**9,010**
3.2	Gain (loss) on divestment of enterprises	(742)	10,831
	Share of profit (loss) in associates and joint ventures	(10)	7
5.6	Financial income	4,380	5,779
5.6	Financial expenses	(6,546)	(8,303)
	Profit (loss) before tax	**13,277**	**17,324**
4.2	Tax on profit (loss) for the year	(2,390)	(1,776)
	Profit (loss) for the year from continuing operations	**10,887**	**15,548**
	Profit (loss) for the year from discontinued operations	**-**	**(11)**
	Profit (loss) for the year	**10,887**	**15,537**
	Profit (loss) for the year is attributable to:		
	Shareholders in Ørsted A/S	10,222	15,110
	Interests and costs, hybrid capital owners of Ørsted A/S	740	488
	Non-controlling interests	(75)	(61)
5.2	**Profit (loss) per share, DKK:**		
	From continuing operations	24.3	36.0
	From discontinued operations	-	0.0
	Total profit (loss) per share	**24.3**	**36.0**

Profit (loss) per share
Diluted profit (loss) per share corresponds to profit (loss) per share, as the dilutive effect of the share incentive programme is less than 0.1 % of the share capital.

Discontinued operations
We ended the reporting on discontinued operations as of 31 December 2020, as we had received the majority of the divestment proceeds at the end of 2020.

Accounting policies

Ceasing to report according to the business performance principle as of 1 January 2021
From 1 January 2021, we have only reported IFRS numbers. Thus, the business performance and adjustment columns are no longer included in our financial reporting.

Compared with the business performance principle, the 2021 IFRS EBITDA was positively impacted by DKK 1,112 million from hedge values that would have been recognised as a loss under business performance.

See note 1.5 'Business performance' for more information.

Consolidated statement of comprehensive income

1 January - 31 December

Note	DKKm	2021	2020
	Profit (loss) for the year	**10,887**	**15,537**
	Other comprehensive income:		
	Cash flow hedging:		
1.5, 6	Value adjustments for the year	(39,704)	(270)
5.2	Value adjustments transferred to income statement	7,530	301
5.2	Value adjustments transferred to balance sheet	(121)	-
	Exchange rate adjustments:		
	Exchange rate adjustments relating to net investment in foreign enterprises	6,717	(5,104)
6.2	Value adjustment of net investment hedges	(3,359)	2,163
5.2	Value adjustments and hedges transferred to income statement	(145)	-
	Tax:		
	Tax on hedging instruments	6,713	(90)
	Tax on exchange rate adjustments	(265)	520
	Other:		
	Share of other comprehensive income from associated companies, after tax	15	3
	Other comprehensive income	**(22,619)**	**(2,477)**
	Total comprehensive income	**(11,732)**	**13,060**
	Comprehensive income for the year is attributable to:		
	Shareholders in Ørsted A/S	(12,585)	12,744
	Interest payments and costs, hybrid capital owners of Ørsted A/S	740	488
	Non-controlling interests	113	(172)
	Total comprehensive income	**(11,732)**	**13,060**

Statement of comprehensive income
All items in 'Other comprehensive income' may be recycled to the income statement.

Cash flow hedging:
Value adjustments for the year for cash flow hedging according to IFRS amounting to DKK -39,704 million mainly consist of losses related to the hedging of power and losses related to the hedging of UK inflation. The loss of DKK 7,530 million transferred to the income statement mainly consists of losses related to the hedging of power and gas.

Exchange rate adjustments:
In 2021, foreign exchange gains relating to net investments in foreign enterprises amounting to DKK 6,717 million were primarily attributable to an increase of 7 % in the GBP exchange rate, an increase of 8 % in the USD exchange rate, and an increase of 9 % in the NTD exchange rate. A large part of the net investments was hedged.

Consolidated balance sheet

31 December

Note	**Assets,** DKKm	2021	2020
3.3	**Intangible assets**	**1,543**	**639**
3.3	Land and buildings	8,066	5,574
3.3	Production assets	95,618	86,184
3.3	Fixtures and fittings, tools, and equipment	604	507
3.3	Property, plant, and equipment under construction	57,108	29,345
	Property, plant, and equipment	**161,396**	**121,610**
	Investments in associates and joint ventures	572	555
	Other securities and equity investments	221	209
6	Derivatives	2,716	3,023
4.3	Deferred tax	13,281	6,784
3.7	Other receivables	2,492	1,925
	Other non-current assets	**19,282**	**12,496**
	Non-current assets	**182,221**	**134,745**
3.4	Inventories	15,998	14,739
6	Derivatives	14,078	3,086
3.5	Contract assets	2	30
3.6	Trade receivables	9,565	6,732
3.7	Other receivables	14,815	3,720
	Income tax	1,200	852
5.4	Securities	21,228	25,173
5.4	Cash	9,943	6,178
	Current assets	**86,829**	**60,510**
	Assets classified as held for sale	**1,335**	**1,464**
	Assets	**270,385**	**196,719**

Assets and related liabilities held for sale
At 31 December 2021 and at 31 December 2020, assets and related liabilities held for sale comprised our oil pipe system in Denmark, which is an activity in Bioenergy & Other.

Note	**Equity and liabilities,** DKKm	2021	2020
5.2	Share capital	4,204	4,204
5.2	Reserves	(24,778)	(1,956)
	Retained earnings	79,391	74,294
	Proposed dividends	5,255	4,834
	Equity attributable to shareholders in Ørsted A/S	**64,072**	**81,376**
5.3	Hybrid capital	17,984	13,232
3.10	Non-controlling interests	3,081	2,721
	Equity	**85,137**	**97,329**
4.3	Deferred tax	5,616	2,187
3.9	Provisions	15,124	12,475
5.5	Lease liabilities	6,812	4,455
5.1	Bond and bank debt	31,502	34,374
6	Derivatives	17,464	1,456
3.5	Contract liabilities	3,230	3,650
3.8	Tax equity liabilities	13,358	6,780
3.7	Other payables	4,682	374
	Non-current liabilities	**97,788**	**65,751**
3.9	Provisions	764	1,388
5.5	Lease liabilities	720	599
5.1	Bond and bank debt	19,493	2,392
6	Derivatives	32,325	4,862
3.5	Contract liabilities	2,440	480
	Trade payables	20,231	9,742
3.8	Tax equity liabilities	1,206	1,187
3.7	Other payables	4,768	6,082
	Income tax	5,021	6,220
	Current liabilities	**86,968**	**32,952**
	Liabilities	**184,756**	**98,703**
	Liabilities relating to assets classified as held for sale	**492**	**687**
	Equity and liabilities	**270,385**	**196,719**

Consolidated statement of shareholders' equity

1 January - 31 December

	2021								2020							
DKKm	Share capital	Reserves*	Retained earnings	Proposed dividends	Share-holders in Ørsted A/S	Hybrid capital	Non-con-trolling interests	Total Group	Share capital	Reserves*	Retained earnings	Proposed dividends	Share-holders in Ørsted A/S	Hybrid capital	Non-con-trolling interests	Total Group
Equity at 1 January	4,204	(1,956)	74,294	4,834	81,376	13,232	2,721	97,329	4,204	413	64,051	4,414	73,082	13,232	3,248	89,562
Comprehensive income for the year:																
Profit (loss) for the year	-	-	10,222	-	10,222	740	(75)	10,887	-	-	15,110	-	15,110	488	(61)	15,537
Other comprehensive income:																
Cash flow hedging	-	(32,295)	-	-	(32,295)	-	-	(32,295)	-	31	-	-	31	-	-	31
Exchange rate adjustments	-	3,025	-	-	3,025	-	188	3,213	-	(2,830)	-	-	(2,830)	-	(111)	(2,941)
Tax on other comprehensive income	-	6,448	-	-	6,448	-	-	6,448	-	430	-	-	430	-	-	430
Share of other comprehensive income of associated companies, after tax	-	-	15	-	15	-	-	15	-	-	3	-	3	-	-	3
Total comprehensive income	**-**	**(22,822)**	**10,237**	**-**	**(12,585)**	**740**	**113**	**(11,732)**	**-**	**(2,369)**	**15,113**	**-**	**12,744**	**488**	**(172)**	**13,060**
Coupon payments, hybrid capital	-	-	-	-	-	(430)	-	(430)	-	-	-	-	-	(488)	-	(488)
Tax, hybrid capital	-	-	-	-	-	86	-	86	-	-	-	-	-	-	-	-
Additions, hybrid capital	-	-	-	-	-	7,327	-	7,327	-	-	-	-	-	-	-	-
Disposals, hybrid capital	-	-	-	-	-	(2,971)	-	(2,971)	-	-	-	-	-	-	-	-
Proposed dividends	-	-	(5,255)	5,255	-	-	-	-	-	-	(4,834)	4,834	-	-	-	-
Dividends paid	-	-	4	(4,834)	(4,830)	-	(349)	(5,179)	-	-	4	(4,414)	(4,410)	-	(361)	(4,771)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(58)	-	(58)	-	-	(58)
Additions, non-controlling interests	-	-	83	-	83	-	596	679	-	-	-	-	-	-	-	-
Other changes	-	-	28	-	28	-	-	28	-	-	18	-	18	-	6	24
Equity at 31 December	**4,204**	**(24,778)**	**79,391**	**5,255**	**64,072**	**17,984**	**3,081**	**85,137**	**4,204**	**(1,956)**	**74,294**	**4,834**	**81,376**	**13,232**	**2,721**	**97,329**

* See note 5.2 'Equity' for more information about reserves.

Consolidated statement of cash flows

1 January - 31 December

Note	DKKm	2021	2020
	Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA)	24,296	16,598
	Change in derivatives	(2,051)	1,937
	Change in provisions	(158)	(772)
	Reversal of gain (loss) on divestment of assets	(7,920)	(805)
	Other items	(262)	(42)
	Change in inventories	(555)	(1,464)
	Change in contract assets and liabilities	1,490	229
	Change in trade receivables	(2,299)	1,265
	Change in other receivables	(8,486)	897
	Change in trade payables	5,140	(1,795)
	Change in tax equity liabilities	3,678	2,958
	Change in other payables	1,122	408
	Interest received and similar items	3,518	3,032
	Interest paid and similar items	(3,985)	(4,862)
4.4	Income tax paid	(1,380)	(1,118)
	Cash flows from operating activities	**12,148**	**16,466**
	Purchase of intangible assets, and property, plant, and equipment	(34,569)	(26,957)
	Sale of intangible assets, and property, plant, and equipment	20,946	123
3.1	Acquisition of enterprises	(2,431)	-
3.2	Divestment of enterprises	(147)	18,914
	Purchase of other equity investments	(9)	(6)
	Purchase of securities	(8,098)	(19,862)
	Sale/maturation of securities	11,656	11,212
	Change in other non-current assets	53	15
	Transactions with associates and joint ventures	(21)	(19)
	Dividends received and capital reductions	29	18
	Cash flows from investing activities	**(12,591)**	**(16,562)**

Note	DKKm	2021	2020
	Proceeds from raising loans	14,582	3,406
	Instalments on loans	(4,435)	(2,398)
	Instalments on leases	(520)	(541)
	Coupon payments on hybrid capital	(430)	(488)
	Repurchase of hybrid capital	(2,971)	-
	Proceeds from issuance of hybrid capital	7,327	-
	Dividends paid to shareholders in Ørsted A/S	(4,830)	(4,410)
	Purchase of own shares	-	(58)
3.10	Transactions with non-controlling interests	332	(428)
	Net proceeds from tax equity partners	289	101
	Collateral posted in relation to trading of derivatives	(23,034)	(20,180)
	Collateral released in relation to trading of derivatives	17,082	22,871
	Cash flows from financing activities	**3,392**	**(2,125)**
	Cash flows from continuing operations	2,949	(2,221)
	Cash flows from discontinued operations	-	966
	Total net change in cash and cash equivalents	**2,949**	**(1,255)**
5.4	Cash and cash equivalents at 1 January	5,210	6,459
	Total net change in cash and cash equivalents	2,949	(1,255)
	Exchange rate adjustments of cash and cash equivalents	455	6
5.4	**Cash and cash equivalents at 31 December**	**8,614**	**5,210**

Supplementary statements
Our supplementary statements of gross and net investments appear from note 3.0 'Capital employed' and free cash flows (FCF) from note 2.1 'Segment information'.

'Cash' according to the balance sheet as at 31 December 2021 includes 'Cash, not available for use' amounting to DKK 1,319 million and 'Bank overdrafts that are part of the ongoing cash management' amounting to DKK 10 million. These items are not included in 'Cash and cash equivalents at 31 December' in the statement of cash flows.

Accounting policies

'Cash flows from operating activities' are determined using the indirect method as operating profit (loss) before depreciation, amortisation, and impairment losses adjusted for changes in operating items without cash flow effect. Trade payables relating to purchases of intangible assets, and property, plant, and equipment are not recognised in change in trade payables.

'Change in tax equity partner liabilities' relates to cash contributions from tax equity partners and repayment hereof through production tax credits (PTCs) and other tax attributes to tax equity partners. See also note 3.8 'Tax equity liabilities'.

'Cash flows from investing activities' comprise payments in connection with the purchase and sale of non-current assets and enterprises as well as the purchase and sale of securities that are not recognised as cash and cash equivalents.

'Cash flows from financing activities' comprise changes in the size or composition of equity and loans, including instalments on leases and net proceeds related to interest-bearing tax equity liabilities. Proceeds from raising of short-term repo loans are presented net.

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

Notes

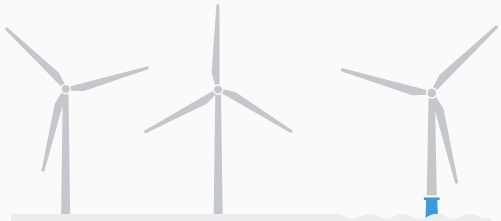
Consolidated financial statements

1. Basis of reporting

1.1 Significant changes and events

The financial position and performance of Ørsted was particularly affected by the following events and transactions during 2021.

For a detailed discussion about Ørsted's performance and financial position, please refer to our management's review.



COVID-19

We have analysed the impacts that COVID-19 had on our financial reporting. Our operations and financial performance remain very solid despite the COVID-19 pandemic, and we identified no significant impact on our financial reporting in 2021. We have not received any governmental support in relation to COVID-19.

Acquisitions

Baltica 2 and 3
In May, we completed the acquisition of the offshore wind projects Baltica 2 and 3. See note 3.3 'Intangible assets, and property, plant, and equipment'.

Brookfield Renewable Ireland
In June, we completed the acquisition of the European onshore renewable platform Brookfield Renewable Ireland. See note 3.1 'Acquistion of enterprises'.

Lincoln Land
In November, we completed the acquisition of the onshore wind farm in operation. See note 3.3 'Intangible assets, and property, plant, and equipment'.

Divestments

Ocean Wind 1
In April, we completed the 25 % divestment of our offshore wind farm Ocean Wind 1 in the US. The transaction resulted in proceeds of DKK 0.7 billion. See note 3.10 'Non-controlling interests'.

Borssele 1 & 2
In May, we completed the 50 % divestment of our offshore wind farm Borssele 1 & 2 in the Netherlands. The transaction resulted in proceeds of DKK 9.8 billion and a gain of DKK 5.0 billion. See note 3.3 'Intangible assets, and property, plant, and equipment'.

Greather Changhua 1
In November, we completed the 50 % divestment of our offshore wind farm Greater Changhua 1 in Taiwan. The transaction resulted in proceeds of DKK 10.4 billion and a gain of DKK 3.5 billion. See note 3.3 'Intangible assets, and property, plant, and equipment'.

Accounting policy

Ceasing to report according to the business performance principle
With the implementation of IFRS 9, it has become significantly easier to apply IFRS hedge accounting for our energy hedges. We have concluded that IFRS 9 can replace our business performance principle, and therefore we have reported solely based on IFRS from 1 January 2021. Thus, the business performance and adjustment columns are not included in our financial reporting.
See notes 1.2 'Basis of preparation' and 1.5 'Business performance' for more information.

1.2 Basis of preparation

This section provides an overall description of the accounting policies applied in our consolidated financial statements as well as the European Single Electronic Format (ESEF) reporting requirements. We provide a more detailed description of the accounting policies applied in the specific notes. Key accounting estimates and judgements as well as new and amended IFRS standards and interpretations are discussed in detail in note 1.3 'Key accounting estimates and judgements' and later in this note.

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

Measurement basis
The consolidated financial statements have been prepared on historical cost basis, except for derivatives, gas in non-Danish storage facilities, financial instruments in the trading portfolio, and carbon emission allowances in the trading portfolio which are measured at market value.

The accounting policies have been applied consistently in the financial year and for comparative figures.

Consolidation
The consolidated financial statements comprise the financial statements of Ørsted A/S (the parent company) and subsidiaries controlled by Ørsted A/S. See more in note 7.3 'Company overview'.

The consolidated financial statements have been prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements which have been prepared in accordance with the Group's accounting policies.

Intra-group income, expenses, shareholdings, balances, and dividends as well as realised and unrealised gains and losses arising from intra-group transactions are eliminated in our consolidated financial statatements.

Unrealised gains and losses resulting from transactions with associates and joint ventures are eliminated to the extent of our ownership interest.

Enterprises are accounted for as associates if we hold or have the ability to exercise, directly or indirectly, 20-50 % of the voting rights and do not exercise control. However, we carry out a specific assessment of our ability to exercise influence, including our ability to influence financial and operational decisions and thus our return. Enterprises that satisfy the criteria for joint control are accounted for as investments in joint ventures, unless the nature of the joint arrangement is considered a joint operation. See our key accounting judgement for 'Consolidation method for partnerships' in the next column.

Our shares in joint operations are recognised in the consolidated balance sheet through recognition of the Group's own assets, liabilities, income, and expenses. The proportionate share of realised and unrealised gains and losses arising from intra-group transactions between fully consolidated enterprises and joint operations is eliminated.

Key accounting judgement

Consolidation method for partnerships
On establishment of partnerships and in connection with any restructuring of existing partnerships, we assess whether the structure is a joint arrangement under shared control. For joint arrangements, we subsequently assess whether they are joint ventures or joint operations.

In assessing joint operations, we look at:
- the corporate form of the operation
- whether we are only entitled to the net profit (loss) or to income and expenses resulting from the operation.

In addition, the fact that the parties buy or are assigned all output, for example the power generated, will lead to the structure being considered a joint operation if we have joint control.

West coast hub, Barrow-in-Furness, the UK.

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

Exchange differences arising between the exchange rate on the transaction date and on the date of payment are recognised in profit (loss) for the year as financial income or expenses.

Foreign currency transactions are translated into the functional currency defined for each company using the exchange rates prevailing at the transaction date. Receivables, payables, and other monetary items in foreign currencies are translated at the exchange rates on the balance sheet date. The difference between the exchange rate on the balance sheet date and on the date at which the receivable or payable arose is recognised in profit (loss) for the year as financial income or expenses.

Financial statements of foreign subsidiaries, joint operations, associates, and joint ventures are translated into DKK at monthly average exchange rates insofar as these do not deviate materially from the actual exchange rates at the transaction dates. Balance sheet items are translated at the exchange rates on the balance sheet date.

All exchange differences are recognised in profit (loss) for the year, except for exchange differences arising on:

- translation of the opening equity of these entities at the exchange rates on the balance sheet date
- translation of the statements of comprehensive income of these enterprises from 'the average-for-the-month exchange rates' to 'the exchange rates on the balance sheet date'
- translation of balances accounted for as part of the total net investment
- translation of the portion of loans and derivatives that has been entered into to hedge the net investment in an enterprise, and that provides an effective hedge against corresponding foreign exchange gains (losses) on the net investment.

The above types of exchange differences are recognised in other comprehensive income. Such exchange rate adjustments are divided between the equity of the parent company and the equity of the non-controlling interests. On full or partial divestment of the net investment, the accumulated exchange rate adjustments are recognised as follows:

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

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

iXBRL reporting
We are required to file our annual report in the European Single Electronic Format ('ESEF') using the XHTML format and to tag the primary consolidated financial statements using Inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created.

The annual report submitted to the Danish Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a ZIP file named W9NG6WMZIYEU8VEDOG48-2021-12-31-en.

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

We have not implemented any standards (IAS and IFRS) or interpretations in 2021.

Ceasing to report according to the business performance principle
From 1 January 2021, we only report IFRS numbers. Thus, the business performance and adjustment columns are not included in our financial reporting. This simplifies our reporting, and potential conflicts with future reporting requirements for alternative performance measures are avoided. See note 1.5 'Business performance' for more information.

New standards and interpretations
IASB has issued amended standards which have not yet entered into force, and which have consequently not been incorporated into the consolidated financial statements for 2021. None of these amended standards and interpretations are expected to have any significant impact on our financial statements.

1.3 Key accounting estimates and judgements

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

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

We regularly reassess these estimates and judgements based on, among other things, historical experience, the current situation in the financial markets, and a number of other relevant factors, i.e. the update in the annual estimated production. Changes in estimates are recognised in the period in which the estimate in question is revised.

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

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

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

Note		Key accounting estimates and judgements	Estimate/ judgement	Impact of accounting estimates and judgements
1.2	Basis of preparation	Consolidation method for partnerships	Judgement	●●●○
2.6	Other operating income and expenses	Estimates for variable selling prices related to divestments of offshore wind farms and offshore transmission assets	Estimate	●●●○
		Classification of divestment	Judgement	●●○○
3.1	Acquisition of enterprises	Purchase price allocation in business combinations	Estimate	●●●○
3.3	Intangible assets, and property, plant, and equipment	Key assumptions in impairment tests	Estimate	●●●○
3.8	Tax equity liabilities	Recognition of tax equity partners	Judgement	●●●○
3.9	Provisions	Assumptions for provisions	Estimate	●●○○
4.2	Tax on profit (loss) for the year	Estimates regarding recognition of income taxes	Estimate	●●●○

The impact of accounting estimates and judgements relates to objectivity and business practice.

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

1.4 Alternative performance measures

Business performance	Up to and including 2020, business performance has been a supplement to our financial statements prepared in accordance with IFRS. Under the business performance principle, the value of the hedging transaction is deferred and recognised for the period in which the hedged risk materialises. See note 1.5 'Business performance'.
Gross investments	Gross investments reflect our total investments in assets and enterprises. It comprises cash flows from investing activities, excluding dividends received from associates, joint ventures, and equity investments, purchase and sale of securities, loans to joint ventures and joint operations, and divestments of assets and enterprises. To this is added acquired debt and restricted cash in connection with acquisitions.
Net investments	Net investments are gross investments less divestments of assets and enterprises, the selling price for non-controlling interests, and subsequent capital injections from non-controlling interests. Furthermore, interest-bearing debt transferred in connection with a divestment is deducted.
Funds from operations (FFO)	Funds from operations is a supplementary statement for cash flows from operating activities. EBITDA adjusted for gain (loss) on divestment of assets; change in provisions and other adjustments; income tax paid; interest and similar items, received or paid, including capitalised interest expenses; 50 % of coupon payments on hybrid capital; dividends received and capital reductions.
Adjusted interest-bearing net debt	Adjusted interest-bearing net debt is interest-bearing net debt plus: - cash and securities not available for distribution (excluding repo loans) - 50 % of hybrid capital
FFO to adjusted interest-bearing net debt	$\frac{\text{FFO}}{\text{Adjusted interest-bearing net debt}}$
Free cash flow (FCF)	Free cash flows are cash flows from operating activities and divestments less gross investments.
Capital employed	Capital employed are all assets and liabilities, except for equity and interest-bearing net debt.

Average capital employed	$\frac{\text{Capital employed at beginning of year + capital employed at year-end}}{2}$
Return on capital employed (ROCE)	$\frac{\text{EBIT}}{\text{Average capital employed}}$
Proposed dividend per share (DPS)	$\frac{\text{Total proposed dividend}}{\text{Number of shares at year-end}}$
Dividend yield	$\frac{\text{Dividend per share (proposed)}}{\text{Share price on the last trading day of the year}}$
Average number of shares	$\frac{1}{\text{Number of days}} \times \sum_{i=1}^{\text{Number of days}} = X_1$
Net working capital	Net working capital is inventories, contract assets (net), trade receivables, and other current operating assets less trade payables, other current operating liabilities, and working capital elements of tax equity balances.
Net working capital, excluding trade payables relating to capital expenditure	Net working capital, excluding trade payables relating to purchases of intangible assets, and property, plant, and equipment.

Other definitions

Profit (loss) per share	$\frac{\text{Shareholder's share of the profit (loss) for the period}}{\text{Average number of shares}}$
Diluted profit (loss) per share	$\frac{\text{Shareholder's share of the profit (loss) for the period}}{\text{Average number of shares, including dilutive effect of free shares}}$

1.5 Business performance

Business performance highlights, DKKm	2020 Business performance	Adjustments	IFRS
Revenue	52,601	(2,450)	50,151
Cost of sales	(26,708)	924	(25,784)
Operating profit (loss) before depreciation, amortisation, and impairment losses (EBITDA)	18,124	(1,526)	16,598
Operating profit (loss) (EBIT)	10,536	(1,526)	9,010
Tax on profit (loss) for the year	(2,123)	347	(1,776)
Profit (loss) for the year	**16,716**	**(1,179)**	**15,537**

EBITDA impact from business performance hedges had we continued the principle, DKKm	Deferred for subsequent recognition at 31 December 2020 2021	2022	After 2022	Total
Power	(1,052)	(790)	(320)	(2,162)
Gas	13	23	21	57
Oil	20	(5)	(31)	(16)
Coal	(8)	1	-	(7)
Currency	(85)	(166)	(306)	(557)
Total business performance hedges	**(1,112)**	**(937)**	**(636)**	**(2,685)**

The table shows how the business performance EBITDA would have been impacted in 2021 and after if we had continued to report according to this principle.

Ceasing to report according to the business performance principle as of 1 January 2021

From 1 January 2021, we have applied IFRS hedge accounting to all commodity hedges and related currency hedges, and therefore we only report IFRS numbers. Thus, the business performance and adjustment columns are no longer included in our financial reporting. However, throughout the management's review, we will use business performance as comparable numbers for 2020 for a better like-for-like comparison.

Impact from ceasing to report according to the business performance principle

At the end of 2020, the value of our business performance hedges deferred to a future period was DKK -2.7 billion, of which DKK -1.1 billion related to 2021. This net loss was recognised in the income statement under IFRS in previous years, as we have not previously applied hedge accounting for these hedges.

Consequently, for the period 2021-2025, EBITDA (according to IFRS) will, all other things being equal, be higher by a similar amount compared to what the business performance EBITDA would have been if we had continued to report based on this principle.

The reason for ceasing the business performance is described in note 1.2 section 'Ceasing to report according to the business performance principle'.

Background for business performance

In 2011, we introduced an alternative performance measure, business performance, as a supplement to the financial statements prepared in accordance with IFRS. The business performance results reflected our internal risk management and showed the results for the period under review. The main reason for the introduction of business performance was that applying hedge accounting under the old IFRS standard IAS 39 was very time-consuming and often not possible when we use proxy hedging.

Description of business performance

Under the business performance principle, the value of all commodity hedges and related currency hedges were deferred and recognised for the period in which the hedged risk materialised. Prior to 1 January 2021, all these hedges were accounted for at fair value through profit and loss under IFRS. The accounting treatment of all other transactions were identical with IFRS.

Please refer to note 1.6 in the 2020 annual report for further descriptions of the business performance principle.

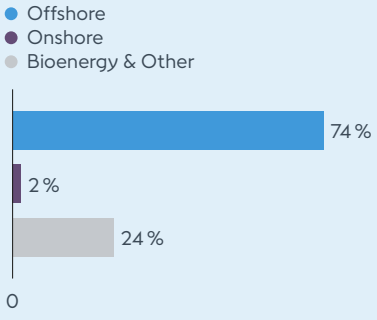
2. Return on capital employed

Return on capital employed (ROCE) is a key ratio showing how profitable our business activities are. Our target is an average ROCE of approx. 11-12 % for the Group for the 2020-2027 period.

Return on capital employed

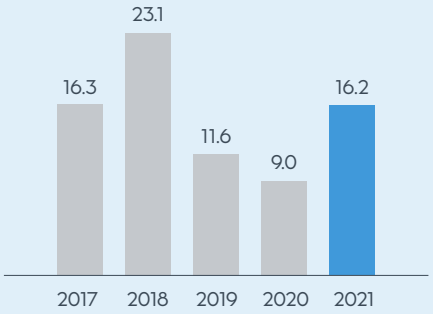
Return on capital employed was 14.8 % in 2021 compared to 9.7 % in 2020. In 2021, ROCE was positively impacted by the 50 % farm-downs of Bossele 1 & 2 and Greater Changhua 1. See note 2.1 'Segment information'.

EBIT by segment
percentage of DKK 16,261 million in 2021

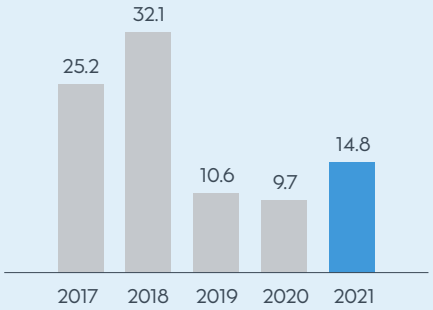


EBIT of DKK 16,261 million is calculated as EBIT for reportable segments.

EBIT
DKKbn



Return on capital employed (ROCE)
%



Comparative figures for 2017-2020 are based on the business performance principle.

24.3 bn

EBITDA totalled DKK 24,296 million in 2021 against DKK 16,598 million in 2020.

16.2 bn

Operating profit (EBIT) totalled DKK 16,195 million in 2021 against DKK 9,010 million in 2020.

14.8 %

Return on capital employed totalled 14.8 % in 2021 against 9.7 % in 2020.

2.1 Segment information

Offshore, DKKm

Revenue	50,791
EBITDA	18,021
Gross investments	23,416
Number of employees	3,471

Primary activities

Development, construction, ownership, and operation of offshore wind farms in the UK, Germany, Denmark, Poland, the Netherlands, the US, and Taiwan. Furthermore, development of renewable hydrogen and green fuels in Europe.

Onshore, DKKm

Revenue	995
EBITDA	1,349
Gross investments	15,525
Number of employees	265

Primary activities

Development, construction, ownership, and operation of onshore wind and solar farms in the US and in Europe, including integrated storage.

Bioenergy & Other, DKKm

Revenue	32,390
EBITDA	4,747
Gross investments	274
Number of employees	939

Primary activities

Generation of heat and power and delivery of ancillary services from CHP plants in Denmark, optimisation of our gas portfolio, and sale of green certificates, power, and gas in wholesale and B2B markets.

Geographical distribution

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

A significant part of our sales takes place via power exchanges and gas hubs in Europe whose physical locations do not reflect the geographical locations of our customers. When breaking down these sales by geographical location, we use the physical locations of the exchange or hub since we do not know the physical location of our customers in all cases.

No single customer accounted for more than 10 % of our consolidated revenue in 2021 or 2020, respectively.

Non-current assets are broken down geographically, based on the physical locations of the assets.

Revenue
DKKm 2021 (2020)

19,839	(13,400)	Denmark
41,323	(26,705)	The UK
1,296	(2,517)	The US
7,818	(3,968)	Germany
5,916	(3,266)	The Netherlands
831	(7)	Taiwan
650	(288)	Other

Intangible assets, and property, plant, and equipment
DKKm 2021 (2020)

9,707	(11,360)	Denmark
63,331	(48,551)	The UK
51,045	(31,757)	The US
11,544	(11,444)	Germany
4,904	(10,860)	The Netherlands
16,234	(8,190)	Taiwan
1,221	(5)	Poland
4,930	(0)	Ireland
23	(82)	Other

Accounting policies

Our operating segments are consistent with our internal reporting to our chief operating decision maker, the Executive Committee.

The operating segments are managed primarily on the basis of EBITDA and investments. Financial income, financial expenses, depreciation, amortisations, and tax are allocated to the operating segments, while we manage them at Group level.

Segment income and segment expenses are those items that, in our internal management reporting, are directly attributable to individual segments or can be indirectly allocated to individual segments on a reliable basis.

Revenue, intangible assets as well as property, plant, and equipment are presented based on the locations of our customers and assets as well as the exchanges on which we trade.

2021 **Income statement,** DKKm	Offshore	Onshore	Bioenergy & Other	Reportable segments	Other activities/ eliminations	Total
External revenue	42,350	1,018	34,263	77,631	42	77,673
Intra-group revenue	8,441	(23)	(1,873)	6,545	(6,545)[1]	-
Revenue	**50,791**	**995**	**32,390**	**84,176**	**(6,503)**	**77,673**
Cost of sales	(33,922)	(26)	(25,612)	(59,560)	6,450	(53,110)
Employee costs and other external expenses	(7,171)	(1,071)	(2,039)	(10,281)	232	(10,049)
Gain (loss) on disposal of non-current assets	7,920	-	-	7,920	-	7,920
Additional other operating income and expenses	424	1,448	7	1,879	-	1,879
Share of profit (loss) in associates and joint ventures	(21)	3	1	(17)	-	(17)
EBITDA	**18,021**	**1,349**	**4,747**	**24,117**	**179**	**24,296**
Depreciation and amortisation	(5,993)	(903)	(831)	(7,727)	(245)	(7,972)
Impairment losses	(69)	(60)	-	(129)	-	(129)
Operating profit (loss) (EBIT)	**11,959**	**386**	**3,916**	**16,261**	**(66)**	**16,195**
Key ratios						
Intangible assets, and property, plant, and equipment	108,419	44,923	8,259	161,601	1,338	162,939
Assets classified as held for sale, net	-	-	860	860	-	860
Equity investments and non-current receivables	460	44	134	638	190	828
Net working capital, capital expenditures	(8,294)	(581)	(38)	(8,913)	-	(8,913)
Net working capital, work in progress	5,948	-	-	5,948	-	5,948
Net working capital, tax equity	-	(13,268)	-	(13,268)	-	(13,268)
Net working capital, other items	9,680	(74)	1,031	10,637	183	10,820
Derivatives, net	(23,289)	(2,692)	(6,819)	(32,800)	(195)	(32,995)
Decommissioning obligations	(6,155)	(1,302)	(1,394)	(8,851)	-	(8,851)
Other provisions	(3,106)	(11)	(1,577)	(4,694)	(2,343)	(7,037)
Tax, net	6,157	(4,390)	1,492	3,259	585	3,844
Other receivables and other payables, net	(4,006)	(15)	2	(4,019)	(740)	(4,759)
Capital employed at 31 December	**85,814**	**22,634**	**1,950**	**110,398**	**(982)**	**109,416**
Return on capital employed (ROCE), %						**14.8**
Cash flows from operating activities	(898)	4,467	7,593	11,162	986	12,148
Gross investments	(23,416)	(15,525)	(274)	(39,215)	(92)	(39,307)
Divestments	21,595	-	(178)	21,417	102	21,519
Free cash flow (FCF)	**(2,719)**	**(11,058)**	**7,141**	**(6,636)**	**996**	**(5,640)**

The column 'Other activities/eliminations' primarily covers the elimination of inter-segment transactions. It also includes income and costs, assets and liabilities, investment activity, taxes, etc., handled at Group level.

[1] Including the elimination of other activities, the total elimination of intra-group revenue amounts to DKK -9,161 million, which primarily relates to our Shared Functions services as well as our B2B business activities.

2020 **Income statement,** DKKm	Offshore	Onshore	Bioenergy & Other	Reportable segments	Other activities/ eliminations	Business performance	Adjustments	IFRS
External revenue	29,903	743	21,733	52,379	222	52,601	(2,450)	50,151
Intra-group revenue	4,630	(10)	(313)	4,307	(4,307)[1]	-	-	-
Revenue	**34,533**	**733**	**21,420**	**56,686**	**(4,085)**	**52,601**	**(2,450)**	**50,151**
Cost of sales	(14,377)	-	(16,495)	(30,872)	4,164	(26,708)	924	(25,784)
Employee costs and other external expenses	(6,624)	(640)	(2,831)	(10,095)	38	(10,057)	-	(10,057)
Gain (loss) on disposal of non-current assets	735	34	36	805	-	805	-	805
Additional other operating income and expenses	412	1,004	6	1,422	(10)	1,412	-	1,412
Share of profit (loss) in associates and joint ventures	71	-	-	71	-	71	-	71
EBITDA	**14,750**	**1,131**	**2,136**	**18,017**	**107**	**18,124**	**(1,526)**	**16,598**
Depreciation and amortisation	(6,106)	(482)	(796)	(7,384)	(204)	(7,588)	-	(7,588)
Operating profit (loss) (EBIT)	**8,644**	**649**	**1,340**	**10,633**	**(97)**	**10,536**	**(1,526)**	**9,010**
Key ratios								
Intangible assets, and property, plant, and equipment	89,257	23,325	8,234	120,816	1,433	122,249	-	122,249
Assets classified as held for sale, net	-	-	793	793	-	793	-	793
Equity investments and non-current receivables	452	-	181	633	144	777	-	777
Net working capital, capital expenditures	(3,516)	(499)	(25)	(4,040)	-	(4,040)	-	(4,040)
Net working capital, work in progress	9,775	-	-	9,775	-	9,775	-	9,775
Net working capital, tax equity	-	(7,246)	-	(7,246)	-	(7,246)	-	(7,246)
Net working capital, other items	3,251	(160)	(895)	2,196	32	2,228	-	2,228
Derivatives, net	(941)	156	(274)	(1,059)	850	(209)	-	(209)
Decommissioning obligations	(5,069)	(659)	(1,275)	(7,003)	-	(7,003)	-	(7,003)
Other provisions	(3,826)	(102)	(1,990)	(5,918)	(942)	(6,860)	-	(6,860)
Tax, net	485	(1,894)	456	(953)	182	(771)	-	(771)
Other receivables and other payables, net	745	-	24	769	(790)	(21)	-	(21)
Capital employed at 31 December	**90,613**	**12,921**	**5,229**	**108,763**	**909**	**109,672**	**-**	**109,672**
Return on capital employed (ROCE), %						**9.7**		
Cash flows from operating activities	9,985	3,921	2,855	16,761	(295)	16,466	-	16,466
Gross investments	(19,525)	(6,633)	(715)	(26,873)	(94)	(26,967)	-	(26,967)
Divestments	(149)	114	19,060	19,025	14	19,039	-	19,039
Free cash flow (FCF)	**(9,689)**	**(2,598)**	**21,200**	**8,913**	**(375)**	**8,538**	**-**	**8,538**

[1] Including the elimination of other activities, the total elimination of intra-group revenue amounts to DKK -6,849 million which primarily relates to our Shared Functions services and UK B2B business activities as well as our Danish B2C and power distribution businesses activities up until divestment.

Profit (loss) and cash flows are shown only for continuing operations.

The column 'Other activities/eliminations' primarily covers the elimination of inter-segment transactions. It also includes income and costs, assets and liabilities, investment activity, taxes, etc., handled at Group level.

2.2 Revenue

Revenue 2021, DKKm	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	2021 Total	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	2020 Total
Sale of gas	-	-	16,270	-	16,270	-	-	8,619	-	8,619
Generation of power	8,544	933	6,376	-	15,853	4,969	465	1,866	-	7,300
Sale of power	26,524	-	5,474	(6,541)	25,457	10,970	-	5,711	(4,264)	12,417
Revenue from construction of offshore wind farms and transmission assets	6,044	-	-	-	6,044	3,371	-	-	-	3,371
Generation and sale of heat and steam	-	-	2,745	-	2,745	-	-	2,761	-	2,761
Distribution and transmission	-	-	326	-	326	-	-	1,559	(4)	1,555
Other revenue	2,639	-	241	(37)	2,843	2,433	7	198	169	2,807
Total revenue from customers, IFRS	**43,751**	**933**	**31,432**	**(6,578)**	**69,538**	**21,743**	**472**	**20,714**	**(4,099)**	**38,830**
Government grants	7,655	179	700	-	8,534	12,122	28	401	-	12,551
Economic hedging	-	-	-	-	-	337	139	(617)	640	499
Miscellaneous revenue	(615)	(117)	258	75	(399)	33	75	(1,979)	142	(1,729)
Total revenue, IFRS	**50,791**	**995**	**32,390**	**(6,503)**	**77,673**	**34,235**	**714**	**18,519**	**(3,317)**	**50,151**
Adjustments, see note 1.5						298	19	2,901	(768)	2,450
Total revenue, business performance						**34,533**	**733**	**21,420**	**(4,085)**	**52,601**
Timing of revenue recognition from customers										
At a point in time	35,441	933	14,090	(6,578)	43,886	12,775	472	3,999	(4,099)	13,147
Over time	8,310	-	17,342	-	25,652	8,968	-	16,715	-	25,683
Total revenue from customers, IFRS	**43,751**	**933**	**31,432**	**(6,578)**	**69,538**	**21,743**	**472**	**20,714**	**(4,099)**	**38,830**
Revenue from sale of goods and services										
Revenue from sale of goods	48,650	992	31,701	(6,475)	74,868	32,414	708	16,285	(3,319)	46,088
Revenue from sale of services	2,141	3	689	(28)	2,805	1,821	6	2,234	2	4,063
Total revenue, IFRS	**50,791**	**995**	**32,390**	**(6,503)**	**77,673**	**34,235**	**714**	**18,519**	**(3,317)**	**50,151**

The timing of transfer of goods or services to customers is categorised as follows:

'At a point in time' mainly comprises:
- sale of gas or power in the market, e.g. North Pool, TTF, NBP
- transmission assets for offshore wind farms at farm-down.

'Over time' mainly comprises:
- construction agreements for offshore wind farms and transmission assets
- long-term contracts with customers to deliver gas, heat, or power.

Revenue for the year increased by 55 % to DKK 77,673 million in 2021. The increase was primarily due to the significantly higher gas and power prices across all markets and the divestment of the offshore transmission asset at Hornsea 1 in 2021. This was partly offset by lower wind speeds in 2021, and the 2020 divestments of the LNG business, the Danish power distribution, residential customer, and city light businesses, and the offshore transmission asset at Walney Extension.

Other revenue in Offshore primarily related to operations and maintenance agreements.

Income from government grants decreased significantly in 2021 due to lower production across our European offshore wind farms and significantly higher power prices, which led to a lower subsidy per MWh produced.

On 1 January 2021, we implemented hedge accounting on our commodity and related currency hedges. Accordingly, our hedges are presented in the same line item as the hedged exposure. For example, when we hedge generation of power, any gain (loss) related to the hedge is presented in the line item 'Generation of power'.

'Economic hedging' was used for hedges classified as business performance. We have ceased to report according to the business performance principle as of 1 January 2021, see note 1.5 'Business performance'.

Backlog

Our remaining performance obligations expected to be recognised in more than one year relate to the construction of wind farms.

Order backlog DKKm	31 December	Within one year	In more than one year
2021	5,989	100 %	0 %
2020	-	0 %	0 %

The transaction price allocated to the remaining performance obligation (unsatisfied or partially satisfied).

In accordance with IFRS 15, the overview does not include revenue from contracts with customers to deliver gas, heat, and power, or our operations and maintenance agreements. For these types of goods and services, we recognise the revenue that corresponds directly to the value transferred to the customer.

Accounting policies

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

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

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

Sale of power
Sale of power includes the sale of power sourced from other producers. The sale is recognised when the power is delivered to our customer.

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

The consideration for the power is due when the actual power is delivered to the customer.

Generation of power
Generation of power is our sale of power produced at our own wind farms, solar farms, and power stations as well as the sale of ancillary services. We recognised the revenue when the power is delivered to the customer.

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

Fees for having CPH plants on standby and/or ready to increase or decrease the generation of power to balance the demand and supply in the system is considered one performance obligation fulfilled over time.

The consideration for the power is due when the actual power is delivered to the customer.

Revenue from construction of offshore wind farms
Revenue from construction of offshore wind farms includes development and construction. The construction agreements cover the construction phase from design to delivery of an operational asset. The agreement consists of two performance obligations:
- Offshore wind farms.
- Offshore transmission assets, if applicable.

The construction agreements cover our partners' shares of the construction of the wind farm and offshore transmission assets, if applicable. If our contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on the expected cost-plus margin.

We recognise revenue over time, using an input method to measure progress towards complete satisfaction of the performance obligation because the customer gains control of the offshore wind farm during the construction process. The input method reflects the ongoing transfer of control.

The consideration for the construction of an offshore wind farm consists of a fixed fee and a relatively minor variable fee, depending on when the wind farm can be put into operation. The consideration for an offshore transmission asset is a fixed fee.

After signing the construction agreement, we carry out an assessment determining when the wind farm is expected to be completed. We calculate the size of the variable payment on this basis. We only recognise the variable fee when it is highly probable that a subsequent reversal will not take place.

Our partner pays the fixed consideration based on a payment schedule. The payment schedule is determined and based on the expected progress of the construction and transfer of control to the customer.

Generation and sale of heat
Heat is sold under long-term heat contracts and recognised when the heat is delivered to our customer.

The heat customer makes a prepayment to finance the majority of our CAPEX associated with the biomass conversion of the CHP plant. The prepayment is recognised as a contract liability and it is also recognised as revenue in step with the transfer of heat to the customer.

Payment for the sale of heat consists of fixed costs associated with operations and maintenance of a CHP plant, fuel costs for the generation of heat, and a financial return. The consideration is due when delivered.

Sale of gas
Sale of gas is our gas sourced from other producers, and it is recognised when the gas is transferred to our buyer. The transfer of control occurs either when the gas is injected into the distribution system or delivered to the customer.

Sales contracts for a fixed amount of gas at a variable price, or where we are exclusive suppliers to the customer at a variable price, are considered one performance obligation with multiple deliveries to be satisfied over time. For such contracts, we recognise revenue in the amount up to which we have a right to invoice. Some long-term gas sales contracts include clauses which give the right to renegotiate the fixed sales prices. Expectations for the outcomes of renegotiations are not included in revenue before we know the outcome of the individual renegotiations.

The consideration for the gas is due when the gas is injected into the distribution system or delivered to the customer.

Distribution and transmission
Fees for distribution and transmission of power, gas, and oil is recognised when the power, gas, or oil is delivered to the buyer, or when the capacity is made available.

Revenue is calculated as the amount to which we are entitled when the service is delivered to the customer, and consideration is payable when invoiced.

Other revenue
Other revenue primarily includes operations and maintenance agreements and other services.

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

Fixed-price contracts are invoiced on a monthly basis, and consideration is payable when invoiced. Variable fee services are due after the services are rendered.

2.3 Cost of sales

Cost of sales, DKKm	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	2021 total	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	2020 total
Gas	-	-	13,944	-	13,944	-	-	6,023	-	6,023
Power	26,042	-	4,720	(6,450)	24,312	10,871	-	3,358	(4,089)	10,140
Biomass	-	-	3,272	-	3,272	-	-	2,182	-	2,182
Coal	-	-	1,060	-	1,060	-	-	559	-	559
Distribution and transmission costs	1,627	13	2,062	(44)	3,658	1,163	-	2,517	(28)	3,652
Costs for construction of offshore wind farms and transmission assets	6,175	-	-	-	6,175	2,340	-	-	-	2,340
Other cost of sales	78	13	554	44	689	3	-	266	619	888
Total, IFRS	**33,922**	**26**	**25,612**	**(6,450)**	**53,110**	**14,377**	**-**	**14,905**	**(3,498)**	**25,784**
Adjustments						-	-	1,590	(666)	924
Total, business performance						**14,377**	**-**	**16,495**	**(4,164)**	**26,708**

Cost of sales increased by 106 % to DKK 53,110 million in 2021. The increase was primarily due to the significantly higher gas and power prices across all markets and the divestment of the offshore transmission asset at Hornsea 1 in 2021. The increase in 2021 was partly offset by the 2020 divestments of the LNG business, the Danish power distribution, residential customer, and city light businesses, and the offshore transmission asset at Walney Extension.

East coast hub at the port of Grimsby, Lincolnshire, the UK.

2.4 Government grants

The transmission system operator in Denmark administers subsidies for environmentally sustainable power generation, including biomass and offshore wind farms. We treat the subsidies as a government grant, as it is paid by the Danish state.

In the UK, we receive subsidies under two schemes: contracts for difference (CFD) and the Renewable Obligations scheme (ROC regime). The Burbo Bank Extension, Walney Extension, and Hornsea 1 offshore wind farms are under the CFD regime, while our other UK offshore wind farms as well as our Renescience plant are under the ROC regime. We treat the payments from the schemes as government grants.

Feed-in tariffs from our Dutch and German wind farms are also recognised as government grants.

Income from government grants decreased significantly in 2021 due to lower production across our European offshore wind farms and significantly higher power prices, which led to a lower subsidy per MWh produced.

Accounting policies

Government grants comprise grants for environmentally sustainable power generation, grants for the funding of development projects, and investment grants, etc.

Government grants are recognised when there is reasonable assurance that the grants will be received.

Grants for the purchase of assets which we recognise in the balance sheet are recognised under deferred revenue and are transferred to other operating income in step with the depreciation of the assets to which the grants relate.

As grants for power generation are intended as a compensation for the price of power, we systematically recognise the grants under revenue in step with the power generation and thus the related revenue.

Government grants, DKKm	2021	2020
Government grants recognised in profit (loss) for the year under revenue	8,534	12,551
Government grants recognised in profit (loss) for the year under other operating income	23	4
Government grants recognised in the balance sheet	(23)	(4)
Government grants recognised for the year	**8,534**	**12,551**

2.5 Research and development expenditures

Expensed research and development expenditures, DKKm	Offshore	Onshore	Bioenergy & Other	2021 total	Offshore	Onshore	Bioenergy & Other	2020 total
Research	82	-	-	82	80	-	-	80
Development	1,924	141	15	2,080	1,719	123	13	1,855
Total	**2,006**	**141**	**15**	**2,162**	**1,799**	**123**	**13**	**1,935**

During the year, we expensed research and development costs amounting to DKK 2,162 million (2020: DKK 1,935 million).

Accounting policies

Research costs are costs incurred to analyse and optimise different aspects of offshore wind farm technology (e.g. improving offshore foundations and optimising blade stability and performance).

Research costs are recognised in the income statement as incurred.

Development costs primarly comprise salaries as well as internal and external costs which can be directly or indirectly attributed to design and development of new offshore and onshore wind farms, the Renescience Northwich plant, hydrogen production facilities, and energy storage facilities.

Development costs are expensed until the capitalisation criteria are met.

When the capitalisation criteria are met, development costs are capitalised as 'Assets under construction'.

2.6 Other operating income and expenses

Other operating income, DKKm	2021	2020
Gain on divestment of assets	8,146	1,017
Other compensation	429	335
US tax credits and tax attributes	1,382	1,004
Miscellaneous operating income	228	264
Total other operating income	**10,185**	**2,620**

Other operating expenses, DKKm	2021	2020
Loss on divestment of assets	226	212
Miscellaneous operating expenses	160	191
Total other operating expenses	**386**	**403**

Other operating income

In 2021, other operating income was DKK 10,185 million, which was DKK 7,565 million higher than in 2020. The increase was mainly driven by gain on divestments of assets, primarily the 50 % farm-downs of Borssele 1 & 2 in May and Greater Changhua 1 in November.

In 2020, gain on divestment of assets was mainly related to the Hornsea 1 offshore transmission asset where we lowered our assumption regarding the preferred bidder's expected return requirement.

'Other compensation' is primarily compensations regarding outages and curtailments from TenneT, the German grid operator.

The increase in 'US tax credits and tax attributes' was mainly due to commissioning of new onshore wind farms in 2020, which have had full impact in 2021 and commissioning of new onshore wind and solar farms in 2021.

Other operating expenses

'Loss on divestment of assets' was primarily related to M&A transaction costs.

Accounting policies

Gains from divestment of ownership interests in wind farms are recognised on the divestment date as other operating income in the income statement.

Gains for future construction of the partner's share of the wind farm are recognised over time in the income statement in step with the construction. See notes 2.2 'Revenue' and 3.5 'Contract assets and liabilities'.

The accounting policies for 'US tax credits and tax attributes' income are described in note 3.8 'Tax equity liabilities'.

Divestment of ownership interests in our offshore wind farms

When we divest an ownership interest in an offshore wind farm to a partner, we typically also enter into agreements on the future operation and construction (if not in operation) of the offshore wind farm.

Contracts in connection with a divestment are typically agreements on:
- the sale of shares (divestment of assets) (SPA)
- the future construction of the offshore wind farm (construction agreements or construction management agreements, if not in operation)
- the future operation of the offshore wind farm (O&M agreements).

Key accounting estimate

Estimates for the variable selling price related to divestments of offshore wind farms and offshore transmission assets
When we divest an ownership interest in an offshore wind farm and an offshore transmission asset to a partner, we consider all terms and activities in the contracts in order to determine the transaction price.

If the consideration includes a variable amount, we estimate the consideration to which we are entitled in exchange for transferring the asset, the wind farm, and the transmission asset to our partner.

The variable considerations are estimated at contract inception based on future outcome of events, e.g.:
- the divestment price of offshore transmission asset through competitive tender process
- the impact on production from future wind farms
- the winning bid of tender revenue stream through a competitive tender process.

We consider 'the most likely amount' to provide the most appropriate estimate of the expected variable consideration.

Key accounting judgement

Classification of divestment
When we divest ownership interests in an offshore wind farm, we carry out an individual assessment determining whether the divestment qualifies as a divestment of an enterprise or a divestment of assets. We have typically assessed that the offshore wind farms do not constitute an enterprise, as no employees are transferred, and processes are transferred to a limited extent only.

2.7 Employee costs

Employee costs, DKKm	2021	2020
Wages, salaries, and remuneration	4,603	4,623
Share-based payment	26	21
Pensions	357	364
Other social security costs	191	155
Other employee costs	108	58
Employee costs before transfer to assets	**5,285**	**5,221**
Transfer to assets	(996)	(938)
Total employee costs	**4,289**	**4,283**

Employee costs

'Employee costs transferred to assets' relate to investment projects which are capitalised in the balance sheet.

Pension plans and number of employees

Pension plans are defined-contribution plans that do not commit Ørsted beyond the amounts contributed.

In 2021, our average number of employees was 6,508 (2020: 6,429).

Remuneration of the Executive Committee

The remuneration of the Executive Committee is based on a fixed salary, including personal benefits, such as a company car, free telephone, etc., a variable salary, and share-based payment. The non-executive members of the Executive Committee[1] also receive a pension.

The members of the Board of Directors are paid fixed remuneration only for their work in Ørsted. In addition, Ørsted reimburses any travel expenses.

	Executive Board[1]		Other members of the Executive Committee[2]		Board of Directors		Total	
Salaries and remuneration for the Executive Committee and the Board of Directors, DKK '000	2021	2020	2021	2020	2021	2020	2021	2020
Fixed salary	31,250	17,230	15,362	23,057	6,306	4,593	52,918	44,880
Short-term cash-based incentive scheme	6,996	4,831	4,927	10,328	-	-	11,923	15,159
Retention bonus, etc.	-	-	-	959	-	-	-	959
Share-based payment	2,497[3]	(519)[4]	262	3,910	-	-	2,759	3,391
Pension, incl. social security and benefits	709	469	4,129	3,876	-	-	4,838	4,345
Short-term retention-dependent purchase price related to the acquisition of Lincoln Clean Energy	-	-	2,352	9,810	-	-	2,352	9,810
Salary in notice period	-	-	4,907	-	-	-	4,907	-
Total	**41,452**	**22,011**	**31,939**	**51,940**	**6,306**	**4,593**	**79,697**	**78,544**

1 The Executive Board consists of: Mads Nipper, Martin Neubert (joined February 2021), and Marianne Wiinholt (gave notice of resigning on 23 December 2021).
2 Other members of the Executive Committee in 2021 are: Henriette Fenger Ellekrog, Richard Hunter (joined on 1 June 2021), and Neil O'Donovan (joined on 15 September 2021). Former other members of the Executive Committee include: Morten Hultberg Buchgreitz (resigned on 4 February 2021), Declan Flanagan (resigned on 3 August 2021), Anders Lindberg (resigned on 15 February 2021), Martin Neubert (promoted to Executive Board on 4 February 2021)
3 Marianne Wiinholt lost her right to the 2020 and 2021 grant upon her resignation, causing prior year costs to be reversed (DKK 1.2 million).
4 Henrik Poulsen lost his right to the 2018, 2019, and 2020 grant upon his resignation, causing prior year costs to be reversed (DKK 4.6 million).

2.8 Share-based payment

Required number of locked-up shares relative to fixed salary	
CEO	75 % of fixed salary
CFO and the other members of the Executive Committee	50 % of fixed salary
Senior vice presidents	25 % of fixed salary
Vice presidents and senior directors	15 % of fixed salary

The figure shows the value of Ørsted shares in percent of the participants' fixed salary which, at the time of granting, must be locked up for the duration of the executive share programme.

Market value of PSUs and key assumptions for valuation in executive share programme	Time of granting 2021	Time of granting 2020	Time of granting 2019
Market value of 1 PSU	1,246	794	598
Key assumptions:			
Share price	1,025	666	504
Average volatility, peers	28.8 %	24.1 %	22.3 %
Volatility, Ørsted	29.6 %	24.6 %	20.9 %
Risk-free interest rate	0.1 %	(0.5) %	(0.4) %
Expected term at time of granting	3 years	3 years	3 years

Executive share programme

The Executive Committee and a number of other senior executives participate in the share programme (approx. 130). As a condition for the granting of performance share units (PSUs), the participant must own a number of shares in Ørsted corresponding to a portion of the individual participant's annual fixed salary. The portion depends on the employee category and, for our CEO, makes up 75 % of the fixed salary; see the table above for more information. The participants in the programme must invest in Ørsted shares prior to the first granting.

If the participants fulfil the shareholding requirement at the time of granting, they will be granted a number of PSUs each year, representing a value of 15-20 % (15-40 % in the US) of the annual fixed salary on the date of granting.

The granted PSUs have a vesting period of approximately three years, after which each PSU entitles the holder, without payment, to receive a number of shares corresponding to 0-200 % of the number of PSUs granted. The vesting is conditional upon continued employment. Assuming no share price development since the grant, the value would correspond to 0-30 % or 0-40 % (0-80 % in the US) of the fixed salary on the date of grant. The final number of shares for each participant will be determined on the basis of the total shareholder return delivered by Ørsted, benchmarked against ten comparable European energy companies.

The highest rate (200 %) will be triggered if Ørsted's results, measured as the total return to shareholders, outperform those of the comparable companies. For each lower ranking, the number of shares granted will fall by 20 percentage points (% points). If, for example, Ørsted ranks third, the participants will be entitled to 160 % of the target.

If Ørsted ranks 11 in the comparison, no shares will be granted to the participants. The right to shares is conditional upon continued employment.

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. Members of the Executive Board (CEO, CFO, and CCO) cannot be granted such retention agreements.

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.

Accounting policies

The share programme is classified as an equity-based programme as the programme is settled in shares. The market value of the PSUs/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.

Maximum number of outstanding shares at 31 December, '000

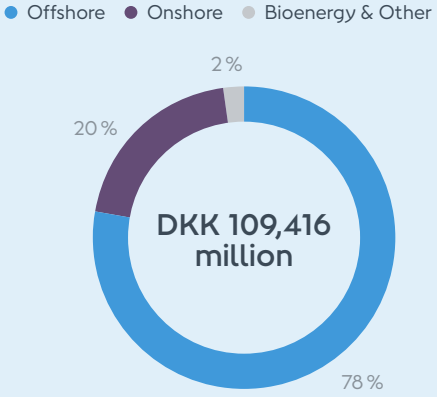
Time of granting	Executive Board	Other members of the Executive Committee	Senior executives	Other employees	2021	2020	2021 in % of share capital	Market value of shares at granting DKK million	Years until expiry as of 2021
1 April 2018	-	-	-	-	-	107	-	-	-
1 April 2019	10	6	67	-	83	90	0.02 %	25	0.3
1 April 2020	3	4	66	-	73	83	0.02 %	29	1.3
1 April 2021	8	3	48	-	59	-	0.02 %	39	2.3
Share retention programme	-	-	-	19	19	20	0.00 %	6	
Maximum number of outstanding shares at 31 December	**21**	**13**	**181**	**19**	**234**	**300**	**0.06 %**	**99**	

Development in maximum number of outstanding shares, '000	Executive Board	Other members of the Executive Committee	Senior executives	Other employees	2021	2020	2021 in % of share capital
Maximum number of outstanding shares at 1 January	15	49	216	20	300	408	0.07 %
Compensation for dividends paid (2019 and 2020 programmes)	-	-	2	-	2	3	0.00 %
Transfer between categories	13	(13)	-	-	-	-	-
Exercised (2018 programme)	(13)	(13)	(81)	-	(107)	-	(0.03) %
Exercised (2017 programme)	-	-	-	-	-	(170)	-
Granted (2021 programme)	11	8	47	-	66	-	0.02 %
Granted (2020 programme)	-	-	-	-	-	89	-
Cancelled (2021 programme)	(3)	(3)	(1)	-	(7)	-	0.00 %
Cancelled (2020 programme)	(2)	(6)	(2)	-	(10)	(6)	0.00 %
Cancelled (2019 programme)	-	(9)	-	-	(9)	(10)	0.00 %
Cancelled (2018 programme)	-	-	-	-	-	(13)	-
Share retention program	-	-	-	(1)	(1)	(1)	0.00 %
Maximum number of outstanding shares at 31 December	**21**	**13**	**181**	**19**	**234**	**300**	**0.06 %**
(DKKm)							
Market value of share programme at the time of granting	10	6	77	6	99	90	
Maximum market value of share programme at 31 December	18	12	152	16	198	374	

The maximum market value of the share programme at 31 December is based on the assumption that the participants receive the maximum number of shares (i.e. 200 % of the granted PSUs/RSUs). This requires that Ørsted delivers the highest shareholder return, benchmarked against the ten comparable companies.

3. Capital employed

Capital employed by segment, % 2021



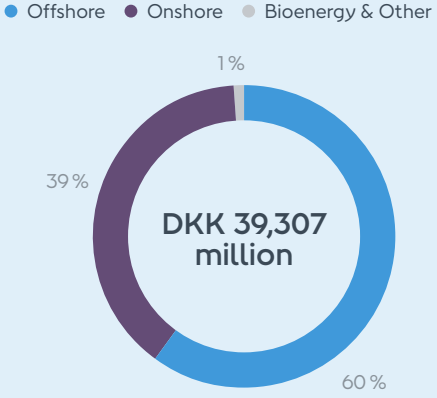
Capital employed by segment is based on capital employed for reportable segments of DKK 110,398 million.

Capital employed, DKKm	2021	2020
Intangible assets, and property, plant, and equipment	162,939	122,249
Assets classified as held for sale, net	860	793
Equity investments and non-current receivables	828	777
Net working capital, capital expenditures	(8,913)	(4,040)
Net working capital, work in progress	5,948	9,775
Net working capital, tax equity	(13,268)	(7,246)
Net working capital, other items	10,820	2,228
Derivatives, net	(32,995)	(209)
Decommissioning obligations	(8,851)	(7,003)
Other provisions	(7,037)	(6,860)
Tax, net	3,844	(771)
Other receivables and other payables, net	(4,759)	(21)
Total capital employed	**109,416**	**109,672**

The capital employed was in line with 2020, as new investments were offset by unrealised losses on power and gas hedges.

The net working capital item 'work in progress' consists of inventories related to transmission assets, construction agreements, and construction management agreements in connection with the construction of transmission assets and offshore wind farms for partners as well as related trade payables.

Gross investments by segment, % 2021



Gross and net investments, DKKm	2021	2020
Cash flows from investing activities	(12,591)	(16,562)
Dividends received and capital reductions reversed	(29)	(18)
Purchase and sale of securities, reversed	(3,558)	8,650
Sale of non-current assets, reversed	(20,860)	(19,037)
Interest-bearing debt in acquired enterprises	(2,273)	-
Restricted cash in acquired enterprises	4	-
Gross investments	**(39,307)**	**(26,967)**
Transactions with non-controlling interests in connection with divestments	659	2
Sale of non-current assets	20,860	19,037
Divestments	**21,519**	**19,039**
Net investments	**(17,788)**	**(7,928)**

Our capital employed primarily relates to production assets, including assets under construction. We monitor investment projects closely, as a large part of our value is created in the development and construction phases.

109.4 bn

Capital employed totalled DKK 109,416 million on 31 December 2021 against DKK 109,672 million in 2020.

39.3 bn

Gross investments amounted to DKK 39,307 million in 2021 against DKK 26,967 million in 2020.

21.5 bn

Cash flows from divestments totalled DKK 21,519 million in 2021 against DKK 19,039 million in 2020.

3.1 Acquisition of enterprises

Cash flows used for acquisitions, DKKm	BRI	Other	2021	2020
Fair value at time of acquisition:				
Other intangible assets than goodwill	452	-	452	-
Property, plant, and equipment	5,182	-	5,182	-
Joint ventures	33	-	33	-
Trade receivables	236	-	236	-
Other receivables	163	-	163	-
Cash	146	-	146	
Interest-bearing debt	(2,273)	-	(2,273)	-
Provisions	(47)	-	(47)	-
Derivatives	(456)	-	(456)	-
Deferred tax	(634)	-	(634)	-
Other liabilities	(312)	-	(312)	-
Net assets acquired	**2,490**	**-**	**2,490**	**-**
Goodwill	-	-	-	-
Purchase price	**2,490**	**-**	**2,490**	**-**
Cash, available and acquired	(142)	-	(142)	-
Contingent consideration	-	83	83	-
Cash flow used for acquisition of enterprises	**2,348**	**83**	**2,431**	**-**
Purchase price	2,490	-	2,490	-
Adjustments for cash	(146)	-	(146)	-
Adjustments for interest-bearing debt	2,273	-	2,273	-
Enterprise value	**4,617**	**-**	**4,617**	**-**

On 9 June 2021, we acquired all of the membership interests in Brookfield Renewable Ireland (BRI), Brookfield Renewable's onshore wind business in Ireland and the UK, at an enterprise value of DKK 4,617 million. With the acquisition of BRI, Ørsted entered the European onshore market. BRI's management team continues to run the business, which will be incorporated into our Onshore business unit over time. Since the acquisition date, BRI has contributed with a revenue of DKK 230 million and a loss after tax of DKK 68 million.

If the acquisition had been made on 1 January 2021, the revenue would have been DKK 643 million, and the loss after tax would have been DKK 89 million.

As part of the acquisition process, we have incurred costs of DKK 49 million, which have been expensed in our income statement in the Onshore segment.

We did not acquire any enterprises in 2020.

Accounting policies

Acquisition of enterprises is recognised using the acquisition method. Under this method, assets and liabilities as well as contingent liabilities of the acquired enterprise are measured at fair value on the date of acquisition.

The fair values of production assets and assets under construction are normally determined using an income approach where they are valued at present value based on the expected cash flows they can generate, including any non-separable power purchase agreements, and on income, such as production tax credits.

The fair value of derivatives is determined using our normal approach for such items which is based on market prices or expectations for prices over the term of the derivatives.

The fair values of other assets and liabilities are valued using the approach we find most relevant for the individual item, which can be either a market approach, an income approach, or a cost approach.

An acquired enterprise is included in the consolidated financial statements from the date of acquisition, which is the date when we obtain control.

When an acquired enterprise has entered into a power purchase agreement classified as a derivative, the fair value of the agreement will be included in the opening balance. Post-acquisition, this fair value is recognised as an adjustment to revenue over the duration of the contract, based on the fair value calculation at the time of the acquisition.

Key accounting estimates

Purchase price allocations in business combinations
When we apply the acquisition method for business combinations, by nature this involves judgement in assessing the fair value of identifiable assets and liabilities.

Property, plant, and equipment
Our assessment of fair value is based on a number of estimates regarding WACC and expected cash flows, which both have a large impact on the fair value.

Derivatives
Our assessment of fair value is dependent on expected future prices. See note 6.6 'Fair value measurement' for our valuation principles.

3.2 Divestment of enterprises

Selling price, DKKm	2021	2020
Payment	(52)	19,692
Reduction for payable tax and other receivables/payables transferred	-	(535)
Working capital adjustment	-	(307)
Selling price on divestment of enterprises	**(52)**	**18,850**
Transaction costs	-	(101)
Of which, selling price payable	(95)	165
Cash selling price on divestment of enterprises	**(147)**	**18,914**
Payments related to provisions for divestments in previous years	-	-
Total cash flows from divestment of enterprises	**(147)**	**18,914**

Gain (loss) on divestment of enterprises, DKKm	2021	2020
Selling price on divestment of enterprises	(52)	18,850
Net assets sold	-	(7,569)
Provisions as a result of the transactions	(690)	(349)
Transaction costs	-	(101)
Gain (loss) on divestment of enterprises	**(742)**	**10,831**

In March 2021, we divested a part of our UK B2B business with a negative cash flow of DKK 18 million. Further, we repaid DKK 183 million to Andel for the settlement of the divestment of the Danish power distribution, residental customer, and city light businesses in 2020.

The gain on divestment of enterprises was affected by a DKK 818 million increase in our indemnification provision towards INEOS in relation to the divestment of our upstream oil and gas business in 2017. The provision regards a transfer pricing case with the Norwegian Tax Administration.

In 2020, we divested our Danish power distribution, residental customer, and city light businesses to Andel and the loss-making LNG business to Glencore.

Accounting policies

We recognise income from divested enterprises in the income statement up until the date of divestment.

The date of divestment is the date on which we relinquish control of the divested enterprise.

Gains or losses on the divestment or discontinuation of subsidiaries and associates are determined as the difference between the selling price and the carrying amount of the net assets divested.

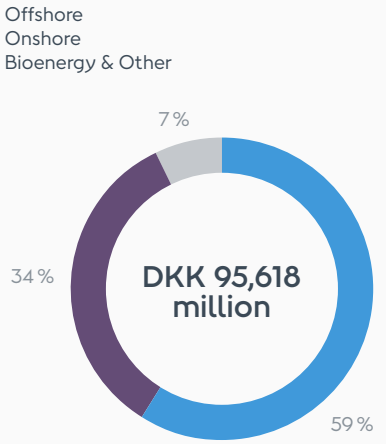
Moreover, we deduct any provisions made for obligations related to sales and purchase agreements and the fees of advisers, etc., in connection with the divestment or discontinuation of the enterprise.

Borssele 1 & 2, near Vlissingen, the Netherlands.

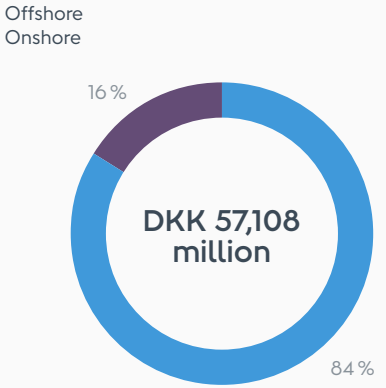
3.3 Intangible assets, and property, plant, and equipment

Intangible assets, and property, plant, and equipment DKKm	Intangible assets	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Property, plant, and equipment
Cost at 1 January 2021	2,224	7,254	130,983	1,574	29,987	169,798
Exchange rate adjustments	33	330	5,293	44	3,169	8,836
Additions	840	2,554	4,344	260	36,783	43,941
Addition of acquisition of enterprises	452	121	3,326	-	1,735	5,182
Disposals	(306)	(25)	(5,535)	(98)	(5,179)	(10,837)
Adjustment of decommissioning obligations	-	-	147	-	1,307	1,454
Reclassified assets	-	77	9,751	78	(9,906)	-
Reclassified to assets classified as held for sale	-	-	-	-	(44)	(44)
Cost at 31 December 2021	**3,243**	**10,311**	**148,309**	**1,858**	**57,852**	**218,330**
Depreciation and amortisation at 1 January 2021	(941)	(1,680)	(43,872)	(1,067)	-	(46,619)
Exchange rate adjustments	(1)	(50)	(1,305)	(15)	-	(1,370)
Depreciation and amortisation	(63)	(525)	(7,144)	(240)	-	(7,909)
Disposals	6	10	415	68	-	493
Depreciation and amortisation at 31 December 2021	**(999)**	**(2,245)**	**(51,906)**	**(1,254)**	**-**	**(55,405)**
Impairment losses at 1 January 2021	(644)	-	(927)	-	(642)	(1,569)
Exchange rate adjustments	-	-	24	-	(30)	(6)
Impairment losses and reversals	(57)	-	-	-	(72)	(72)
Disposals	-	-	118	-	-	118
Impairment losses at 31 December 2021	**(701)**	**-**	**(785)**	**-**	**(744)**	**(1,529)**
Carrying amount at 31 December 2021	**1,543**	**8,066**	**95,618**	**604**	**57,108**	**161,396**

Production assets by segment, % 2021



Property, plant, and equipment under construction by segment, % 2021

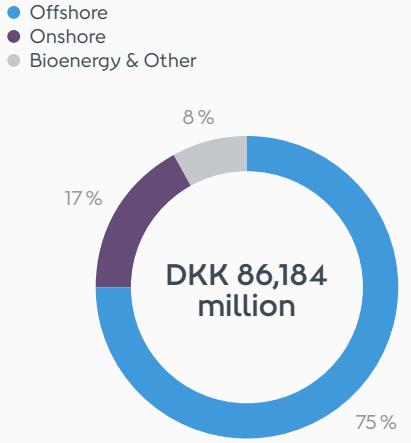


Intangible assets

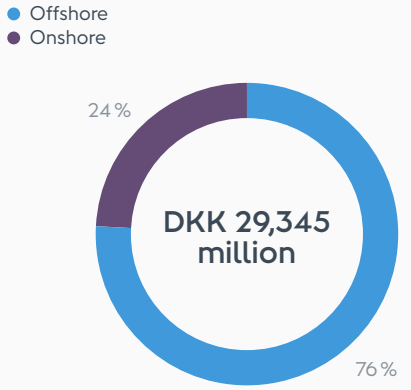
Intangible assets consist of goodwill of DKK 125 million (2020: DKK 125 million), carbon emission allowances of DKK 820 million (2020 DKK 324 million), other rights of DKK 475 million (2020: DKK 64 million), completed development projects of DKK 46 million (2020: DKK 79 million), and development projects in progress of DKK 77 million (2020: DKK 47 million).

Intangible assets, and property, plant, and equipment DKKm	Intangible assets	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment under construction	Property, plant, and equipment
Cost at 1 January 2020	3,979	6,628	116,121	1,453	24,174	148,376
Exchange rate adjustments	(6)	(241)	(4,910)	(20)	(1,436)	(6,607)
Additions	245	911	601	164	26,766	28,442
Divestment of enterprises	(54)	(283)	-	-	-	(283)
Disposals	(1,865)	(288)	(636)	(42)	-	(966)
Adjustment of decommissioning obligations	-	-	293	-	551	844
Reclassified assets	-	527	19,514	19	(20,060)	-
Reclassified to assets classified as held for sale	(75)	-	-	-	(8)	(8)
Cost at 31 December 2020	**2,224**	**7,254**	**130,983**	**1,574**	**29,987**	**169,798**
Depreciation and amortisation at 1 January 2020	(2,663)	(1,406)	(38,279)	(801)	-	(40,486)
Exchange rate adjustments	-	16	944	10	-	970
Depreciation and amortisation	(41)	(393)	(6,850)	(304)	-	(7,547)
Divestment of enterprises	54	44	-	-	-	44
Disposals	1,665	59	313	28	-	400
Reclassified to assets classified as held for sale	44	-	-	-	-	-
Depreciation and amortisation at 31 December 2020	**(941)**	**(1,680)**	**(43,872)**	**(1,067)**	**-**	**(46,619)**
Impairment losses at 1 January 2020	(644)	(45)	(1,160)	-	(672)	(1,877)
Exchange rate adjustments	-		5	-	30	35
Disposals	-	45	228	-	-	273
Impairment losses at 31 December 2020	**(644)**	**-**	**(927)**	**-**	**(642)**	**(1,569)**
Carrying amount at 31 December 2020	**639**	**5,574**	**86,184**	**507**	**29,345**	**121,610**

Production assets by segment, % 2020



Property, plant, and equipment under construction by segment, % 2020



Lease assets, DKKm	Land and buildings	Production assets	Fixtures and fittings, tools, and equipment	Property, plant, and equipment
Carrying amount at 1 January 2021	4,274	172	170	4,616
Exchange rate adjustments	248	1	2	251
Additions	2,500	-	277	2,777
Addition on acquisition of enterprises	63	-	-	63
Disposals	(15)	-	(30)	(45)
Divestment of enterprises	-	-	-	-
Depreciation	(442)	(69)	(164)	(675)
Carrying amount at 31 December 2021	**6,628**	**104**	**255**	**6,987**

Lease assets, DKKm				
Carrying amount at 1 January 2020	4,407	476	308	5,191
Exchange rate adjustments	(226)	(7)	(4)	(237)
Additions	775	-	79	854
Disposals	(133)	(234)	-	(367)
Divestment of enterprises	(239)	-	-	(239)
Depreciation	(310)	(63)	(213)	(586)
Carrying amount at 31 December 2020	**4,274**	**172**	**170**	**4,616**

Leases

We mainly lease office buildings, service vessels, seabeds related to the offshore wind farms, and plots of land related to onshore wind farms, solar farms, and battery storage.

Seabed leases include variable lease payments which depend on the number of megawatt hours generated. However, we have typically agreed on minimum lease payments for the seabeds, and these minimum payments are included in the lease liabilities.

Expenses for the year relating to variable lease payments not included in lease liabilities were DKK 352 million in 2021 (2020: DKK 411 million). Interests on lease debt expensed in profit (loss) were DKK 261 million in 2021 (2020: DKK 177 million).

Total cash outflows for leases were DKK 1,133 million in 2021 (2020: DKK 1,129 million).

We have entered into leases of DKK 1,302 million (undiscounted) which are not commenced per 31 December 2021 and consequently not included in the balance sheet.

For maturity analysis of leases liabilities, we refer to note 5.5 'Maturity analysis of financial liabilities'.

Impairment losses

Impairment losses relating to intangible assets

We have not recognised any material impairments to goodwill or other intangible assets in 2021.

Impairment losses relating to property, plant, and equipment

We have not recognised any material impairment losses to property, plant, and equipment in 2021.

Key accounting estimates

Key assumptions in impairment tests

CGUs are tested for impairment if there is any indication of impairment. The value of a CGU is impaired if the net book value exceeds the higher of the estimated value in use and the fair value less costs of disposal of the CGU.

Value-in-use calculations are based on expected future cash flows from financial budgets and forecasts and include a number of assumptions and estimates. These assumptions include future market conditions, market prices of power and biofuel, estimated discount rates, estimated useful lives of the projects, etc. The market prices applied are based on available forward prices for a period of up to five years and our best estimate of long-term prices for the remainder of the period.

When calculating the recoverable amount of wind farms under construction, other material assumptions include the expected completion costs and the commissioning dates.

CGUs in Offshore

The cash generating units (CGUs) are made up of individual offshore wind farms, each of which generates cash flows for the segment independently of each other.

Significant CGUs

Anholt, Borkum Riffgrund 1, Borkum Riffgrund 2, Borkum Riffgrund 3, Borssele 1 & 2, Burbo Bank Extension, Gode Wind 1, Gode Wind 2, Gode Wind 3, Greater Changhua 1 & 2a, Horns Rev 2, Hornsea 1, Hornsea 2, London Array, Ocean Wind 1, Race Bank, Revolution Wind, South Fork, Sunrise Wind, Westermost Rough, Walney, Walney Extension, and West of Duddon Sands.

CGUs in Onshore

The CGUs are made up of individual onshore wind and solar farms, each of which generates cash flows for the segment independently of each other.

Significant CGUs

Amazon, Garracummer, Haystack, Helena Energy Center, Kennoxhead 1, Lincoln Land, Lisheen 3, Lockett, Muscle Shoals, Old 300, Permian Energy Center, Plum Creek, Sage Draw, Tahoka, Western Trail, Willow Creek, and Willow Springs.

CGUs in Bioenergy & Other

The Danish CHP plants constitute a single CGU, as overall production planning is for the entire Danish portfolio. In addition, the Renescience plant in Northwich in the UK and the Danish offshore gas pipeline system are deemed to constitute independent CGUs.

Significant CGUs

Central CHP plants (including goodwill), Renescience Northwich, and the offshore gas pipeline system.

Contractual obligations

Our contractual obligations at 31 December 2021 mainly related to offshore wind turbines, foundations, and cables, etc., for the construction of offshore wind farms (primarily Borkum Riffgrund 3, Gode Wind 3, Greater Changhua 1 & 2a, and Ocean Wind 1).

The obligations in Onshore mainly related to purchases of onshore wind turbines and solar PV modules.

Contractual obligations by segment, DKKm	Offshore	Onshore	Bioenergy & Other	Total
0-1 year	23,732	4,064	120	27,916
1-5 years	24,043	92	36	24,171
2021	**47,775**	**4,156**	**156**	**52,087**
2020	**42,072**	**1,689**	**69**	**43,830**

Overview of contracts entered into where delivery had not taken place at 31 December 2021. The obligations are measured at nominal value.

Useful lives

Battery storage	15 years
Buildings	20-50 years
Fixtures and fittings, tools, and equipment	3-10 years
Gas transportation system (marine pipelines)	20-40 years
Offshore wind farms	20-30 years
Onshore wind farms	24-30 years
Production assets, power (thermal) and district heating	20-25 years
Solar farms	35 years

Accounting policies

Intangible assets
Rights are measured at cost less accumulated amortisation and impairment losses. Rights are amortised on a straight-line basis over their estimated future useful lives, which are 5-20 years.

Property, plant, and equipment
Property, plant, and equipment which is not a lease is measured at cost less accumulated depreciation and impairment losses. Cost of property, plant, and equipment is depreciated by using the straight-line method, the diminishing-balance method, or the reducingfraction method. The diminishing-balance method and the reducing-fraction method result in decreasing depreciation over the useful life. These methods are used for some of our offshore wind farms.

Costs comprise purchase price and any costs directly attributable to the acquisition until the date the asset is available for use. The costs of self-constructed assets comprise direct and indirect costs of materials, components, sub-suppliers, and labour. Borrowing costs relating to both specific and general borrowing directly attributable to assets under construction with a lengthy construction period are recognised in costs during the construction period. Costs are increased by the present value of the estimated obligations for demolition and decommissioning of assets to the extent that the obligations are recognised as provisions.

Subsequent costs, for example in connection with replacement of parts of an item of property, plant, and equipment, are recognised in the carrying amount of the asset in question when it is probable that future economic benefits will flow to the Group from the expenses incurred. Any residual value of the replaced parts is recognised in the income statement as loss on disposal of non-current assets. Other repair and maintenance expenses are recognised in profit (loss) for the year as incurred.

Leases
Our lease assets are classified alongside our owned assets of similar type under property, plant and equipment. Initially, we measure a lease asset at cost, being the initial amount of the lease liability. We depreciate our lease assets over the lease term. The depreciation method used is the straight-line method for all our lease assets, except for seabed leases where the depreciation method is aligned with the depreciation method for the related offshore wind farm. Therefore, seabed lease assets are depreciated by using either the straight-line method or the reducing-fraction method.

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

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.

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

3.4 Inventories

Inventories, DKKm	2021	2020
Offshore transmission assets	9,235	10,669
Biomass	225	450
Gas	3,813	1,287
Coal	221	242
Oil	76	96
Green certificates	2,040	1,546
Carbon emission allowances (purchased)	388	449
Total inventories	**15,998**	**14,739**
Inventories recognised as an expense in 'Cost of sales' during the year	9,806	10,616

Inventories measured at fair value are disclosed in note 6.6 'Fair value measurement'.

Offshore transmission assets are recognised as inventory until divestment. Green certificates are primarily renewable obligation certificates (ROCs), which are issued to renewable energy power generators in the UK.

Gas at storage primarily relates to our gas trade activities.

Accounting policies

Offshore transmission assets are measured at cost. The costs comprise costs of materials used in construction, site labour costs, costs of renting equipment as well as indirect production costs, such as employee costs.

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

Gas in Danish storage facilities are recognised at cost, determined as a weighted average of the previous months purchase price, including transport costs.

Purchased carbon emission allowances are measured at market value.

Green certificates, which we earn by generating power using renewable energy sources, are recognised in inventories in step with our generation. We measure green certificates (earned and bought) at cost using the first in, first out (FIFO) principle.

Other inventories are measured at cost, determined on a first in, first out basis or net realisable value, if net realisable value is lower.

Inventories are written down to the lower of net realisable value and cost price. For offshore transmission assets, it is the expected final transfer value announced by Ofgem.

The net realisable value is the sum (discounted) which the inventories are expected to generate through a normal sale.

3.5 Contract assets and liabilities

Revenue from contracts with customers, DKKm	2021	2020
Revenue recognised included in contract liabilities at the beginning of the year	324	654
Revenue recognised from perfomance obligations satisfied in previous years	-	104

Contract balances, DKKm	2021	2020
Contract assets		
Current contract assets	2	30
Total contract assets	**2**	**30**
Contract liabilities		
Non-current contract liabilities	3,230	3,650
Current contract liabilities	2,440	480
Total contract liabilities	**5,670**	**4,130**

Contract assets and contract liabilities are primarily related to:

- the construction of offshore wind farms with partners, with each party typically owning 50 % of the offshore wind farm
- prepayments from heat customers.

Non-current contract liabilities primarily relate to prepayments from heat customers.

At the end of 2021, current contract liabilities relates to the construction of the Greater Changhua 1.

The table shows the amount of our revenue relating to contract liabilities carried forward (as prepayments and deferred revenue) and the amount relating to performance obligations satisfied in a prior year (e.g. renegotiations or constraints on variable considerations that are not recognised until they are highly probable).

Accounting policies

We recognise a contract asset when we perform a service or transfer goods in advance of receiving consideration, and the consideration is conditional. When the consideration is unconditional, and the goods or services are delivered, we recognise a receivable. A right to consideration is unconditional if only the passage of time is required before the payment is due. Contract assets are measured at the transaction price of the goods delivered or services performed less invoicing on account. We recognise a contract liability when the invoicing on account and expected losses exceed the transaction price of the goods or services transferred to our customer.

3.6 Trade receivables

Trade receivables, DKKm	2021	2020
Trade receivables, not due	9,265	6,548
Trade receivables, 1-30 days overdue	332	238
Trade receivables, more than 30 days overdue	71	110
Trade receivables, write-down	(103)	(164)
Total trade receivables	**9,565**	**6,732**

We continuously perform credit ratings of our customers. For customers with a general credit risk, a write-down of 0-1 % is carried out on initial recognition.

In 2021, write-downs of receivables and losses for the year were DKK 0 million (2020: DKK 185 million). Reversal of write-down was DKK 62 million.

Accounting policies

We keep our receivables until maturity, and therefore, they are measured at amortised cost.

Write-downs are carried out from initial recognition of our receivables. The write-down is calculated as the difference between the carrying amount of the receivable and the net present value of expected future cash flows from the receivable. The discount rate used is the effective interest rate for the individual receivable or the individual portfolio.

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

3.7 Other receivables and other payables

Other receivables, DKKm	2021	2020
Receivables from the divestment of assets and enterprises	89	1,254
Receivables from the divestment of equity investments to non-controlling interests	757	742
Collateral provided	11,909	498
VAT and other indirect tax receivables	913	725
Prepayments	742	556
Deposits	572	312
Other	2,325	1,558
Total other receivables	**17,307**	**5,645**
Of which, working capital	11,962	3,298
Of which, other capital employed	438	1,593
Of which, interest-bearing net debt	4,907	754

The collateral provided by the Group is receivables from banks in connection with hedging activities.

Other payables, DKKm	2021	2020
M&A related liabilities	3,436	48
Accrued interest	1,685	1,527
Collateral received	8	1,862
Salary-related items payable	550	867
VAT and other indirect taxes payable	533	359
Carbon rights	154	43
Other deferred income	397	-
Other	2,687	1,750
Total other payables	**9,450**	**6,456**
Of which, working capital	3,771	2,965
Of which, other capital employed	5,161	1,601
Of which, interest-bearing net debt	518	1,890

The collateral received by the Group is cash received from banks in connection with hedging of derivatives.

3.8 Tax equity liabilities

Tax equity liabilities, DKKm	2021	2020
Balance at 1 January	7,967	5,195
Contribution received from tax equity partners	5,415	4,091
Additions from acquisitions	1,297	-
Tax attributes and PTCs/ITCs recognised in other operating income	(1,322)	(956)
Cash paid to tax equity partners	(127)	(75)
Tax equity partners' contractual return	616	486
Exchange rate adjustments	718	(774)
Balance at 31 December	**14,564**	**7,967**
Of which, working capital	13,268	7,246
Of which, interest-bearing debt	1,296	721

As at 31 December 2021, we have thirteen onshore wind and solar farms and one offshore wind farm for which we have received tax equity contributions.

In the US, we have several wind and solar farms with tax equity partners. During 2021, we commissioned the onshore wind farm Western Trail, and the two solar projects Permian Energy Center and Muscle Shoals, and we received tax equity contributions from our partners. We also received a tax equity contribution for Haystack (an onshore wind farm with expected commissioning in 2022). In addition, we acquired Lincoln Land, an operational onshore wind farm, including a tax equity liability.

Description of tax equity partnerships

Tax equity partnerships are characterised by a tax equity partner who contributes an upfront payment as part of the initial project investment and does not have an operational role in the project. The partner receives a contractually agreed return on the contribution. In order to 'repay' the initial contribution and the return, a disproportionate share of the production tax credits (PTCs) or the investment tax credits (ITCs) and other tax attributes (accelerated tax depreciation and other taxable results) are allocated to the partner during the first part of the project's lifetime. The partner also receives some cash payment-based percentages specified in the partnership agreements. Once the partner receives the agreed return, the agreement flips, and the partner is typically entitled to a minor part of the cash distributions from the project, unless we repurchase this right from them, which is highly likely.

Accounting policies

When a tax equity partnership is formed, we evaluate if the company should still be fully consolidated based on our right to variable returns as well as our ability to exercise influence on financial and operational decisions impacting those returns. Due to the operational and financial nature of the projects and the influence normally given to tax equity partners in such agreements, we normally have the influence to fully consolidate companies that have tax equity partners.

The terms of the tax equity partner's contribution are evaluated to determine the accounting treatment. The contribution generally has the characteristics of a liability as the initial contribution is repaid, including an agreed return, and the partner does not share in the risks of the project in the same way as a shareholder. As such, the contribution is accounted for as a liability and measured at amortised cost. The liability is based on the expected method of repayment and is divided into:

- a net working capital element to be repaid through PTCs/ITCs and other tax attributes
- an interest-bearing debt element expected to be repaid through cash distributions.

The partner's agreed return is expensed as a financial expense and is recognised as an increase of the tax equity liability. PTCs and other tax attributes transferred to the tax equity partner are recognised as other operating income. Tax attributes allocated to the tax equity partner are deferred and recognised on a straight-line basis over the estimated contractual length of the partnership structure, while PTCs are recognised in the periods earned, similar to recognition of our own PTCs. ITCs, typically associated with solar farms, are recognised on a straight-line basis over the flip period (partner's ITCs) or life of the asset (our own ITCs).

In addition to the above, we recognise a liability for the expected purchase price for the partner's post-flip rights to cash distributions. This liability is recognised at fair value, and adjustments are expensed as a financial item. This recognition reflects the intention and high likelihood that we will purchase the partner's post-flip rights, and they are part of the financial costs of the arrangement.

If we choose not to buy the partner's post-flip rights, the tax equity partner will be entitled to part of the company's returns in the post-flip period. At that point, the partner will share in the risks and rewards in the company as a shareholder and will be considered a non-controlling interest.

Key accounting judgements

Recognition of tax equity partners

On formation of a tax equity partnership, we assess the appropriate recognition of the partner's contribution as well as the method of recognition for the elements used to repay the partner, such as PTCs and tax attributes.

In assessing the recognition of the partner's contribution, we look at:

- the expected flows of PTCs, tax attributes, and cash payments to the partner
- the rights and obligations of both us and the tax equity partner.

The deferral of the income related to tax attributes and the recognition of the contribution as working capital or interest-bearing debt are affected by our expectation to the size, method, and timing of repayments.

3.9 Provisions and contingent liabilities

Decommissioning obligations

Decommissioning obligations mainly comprise estimated expenses relating to decommissioning and disposal of our offshore wind, onshore wind, and solar farms, the restoration of seabeds, and the decommissioning of our CHP plants.

As developers of offshore wind, onshore wind, and solar farms, we are obliged to decommission our wind and solar farms and restore the surroundings. When we construct offshore wind farms in cooperation with partners, they are liable for their share of the decommissioning costs. Therefore, we have only included the decommissioning obligations associated with our ownership interest in the offshore wind farms.

Decommissioning obligations increased by DKK 1,848 million from 2020 to 2021, primarily due to the construction of new wind and solar farms.

	2021				2020			
Provisions, DKKm	Decommissioning obligations	Onerous contracts	Other provisions	Total	Decommissioning obligations	Onerous contracts	Other provisions	Total
Provisions at 1 January	7,003	950	5,910	13,863	6,158	978	5,465	12,601
Exchange rate adjustments	294	(2)	149	441	(216)	3	83	(130)
Used during the year	(2)	(218)	(1,277)	(1,497)	(6)	(215)	(640)	(861)
Provisions reversed during the year	-	-	(1,187)	(1,187)	-	-	(213)	(213)
Provisions made during the year	1,387	106	4,036	5,529	933	153	1,215	2,301
Disposals	(296)	-	-	(296)				
Addition of acquisition of enterprises	113	-	-	113				
Divestment of enterprises	-	-	(107)	(107)				
Change in estimates	62	-	-	62	(93)	-	-	(93)
Transferred to other payables	-	-	(1,372)	(1,372)	-	-	-	-
Transferred to assets and liabilities classified as held for sale	(11)	-	-	(11)	(11)	(69)	-	(80)
Interest element of provisions	301	30	19	350	238	100	-	338
Total provisions at 31 December	**8,851**	**866**	**6,171**	**15,888**	**7,003**	**950**	**5,910**	**13,863**
Falling due as follows:								
0-1 year	141	274	349	764	-	182	1,206	1,388
1-5 years	754	454	5,498	6,706	546	486	3,052	4,084
After 5 years	7,956	138	324	8,418	6,457	282	1,652	8,391

Onerous contracts

Onerous contracts comprise primarily:

- a contract for gas storage capacity in Germany of DKK 594 million (2020: DKK 699 million).

Other provisions

Other provisions comprise primarily:

- offshore partnership provisions, including warranty obligations
- obligations in relation to the divestment of our oil and gas business in 2017
- obligations in respect of our own carbon emissions
- other contractual obligations.

Decommissioning obligations by segment, DKKm	Offshore	Onshore	Bioenergy & Other	Total
0-5 years	581	-	314	895
5-10 years	1,448	-	14	1,462
10-20 years	2,210	16	261	2,487
After 20 years	1,916	1,286	805	4,007
2021	**6,155**	**1,302**	**1,394**	**8,851**
2020	**5,069**	**659**	**1,275**	**7,003**

Contingent liabilities

Liability to pay compensation
In case of any environmental accidents or other types of damage caused by our gas and oil transport, the companies Ørsted Salg & Service A/S and Danish Oil Pipe A/S are liable to pay compensation according to legislation. This also applies if there is no proof of negligence (strict liability). We have taken out insurance to cover any such claims.

Secondary liability
As part of the divestment of our oil and gas business in 2017, we assumed a secondary liability regarding the decommissioning of offshore installations.

Litigation
We are party to a number of court cases and legal disputes. In our assessment, none of these will significantly impact Ørsted's financial position, neither individually nor collectively. We have been party to actions relating to the Danish competition authorities' claim that the former Elsam A/S and Elsam Kraft A/S ('Elsam'), now part of Ørsted, charged excessive prices in the Danish wholesale power market in the period 1 July 2003 to 31 December 2006.

There are no longer any outstanding cases with the competition authorities claiming Elsam infringed competition law, but in connection with the former cases, some energy trading companies, some of their customers, and others have filed claims for damages which are still pending.

The biggest claim was filed in 2007 before the Copenhagen Maritime & Commercial Court, amounting to approx. DKK 4.4 billion with addition of litigation interest. In a ruling from March 2020, Elsam was acquitted from the claim, but the plaintiffs have appealed the ruling, and in September 2021 the High Court of Western Denmark overturned the decision and referred the case back to the Maritime & Commercial Court for further preparation and a new ruling on the plaintiffs claim for damages. We have asked for the permission to appeal the ruling to the Supreme Court because we think the ruling concerns matters of principle.

Ørsted is involved in ongoing transfer pricing disputes. For further information, we refer to section 4.1 'Approach to taxes'.

Change of control
Some of our activities are subject to consents, permits, and licences granted by public authorities. We may be faced with a claim for acceptance of any transfer, possibly with additional terms and conditions, if the Danish State holds less than 50 % of the share capital or voting rights in Ørsted A/S. Read more in note 5.1 'Interest-bearing debt and FFO'.

Key accounting estimates

Assumptions for provisions
We continually assess our provisions recognised to cover contractual obligations and claims raised against Ørsted. Timing, probabilities, amounts, etc., which have a bearing on our provisions' estimates are updated quarterly based on our expectations.

Estimates of provisions are based on our expectations of, for example:
- timing and scope of obligation
- future cost level
- legal assessment.

If deemed material, non-current provisions are discounted using either the structural risk-free interest rate or the incremental borrowing rate. The structural risk-free interest rate is used for decommissioning liabilities and onerous contracts. It is calculated as the sum of real return (Gross Domestic Product growth rate), inflation, and inflation premium for other risks. Separate structural risk-free interest rates are calculated for Europe, the US, and Taiwan.

The outcome of our contractual obligations and claims may depend on future events which are uncertain by nature.

Accounting policies

Provisions are recognised when the following criteria are fulfilled:
- We have a legal or constructive obligation as a result of an earlier event.
- The settlement of the obligation is expected to result in an outflow of resources.
- The obligation can be measured reliably.

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

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

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

Our colleagues in Gentofte, Denmark.

3.10 Non-controlling interests

Transactions with non-controlling interests, DKKm	2021	2020
Transactions with non-controlling interests		
Dividends paid to non-controlling interests	(349)	(361)
Divestment of equity investments to non-controlling interests	446	(73)
Other capital transactions with non-controlling interests	235	6
Total transactions, cf. statement of cash flows	**332**	**(428)**
Divestment of equity investments to non-controlling interests		
Changes in receivables relating to the acquisition and divestment of non-controlling interests	446	(73)
Cash selling price, total	**446**	**(73)**

Subsidiaries with significant non-controlling interests	Non-controlling interest	Registered office
Gunfleet Sands Holding Ltd.	49.9 %	London, UK
Walney (UK) Offshore Windfarms Ltd	49.9 %	London, UK
Ocean Wind JV HoldCo LLC	25 %	Delaware, US

	Gunfleet Sands Holding Ltd. group		Walney (UK) Offshore Windfarms Ltd.		Ocean Wind JV HoldCo LLC	
DKKm	2021	2020	2021	2020	2021	2020
Statement of comprehensive income						
Revenue	455	444	1,223	1,151	-	-
EBITDA	231	247	626	590	3	-
Profit (loss) for the year	(21)	15	57	54	(240)	-
Total comprehensive income	72	(90)	303	(216)	(126)	-
Profit (loss) for the year attributable to non-controlling interests	(10)	7	29	27	(60)	-
Balance sheet						
Non-current assets	1,702	1,795	4,767	4,883	2,483	-
Current assets	179	174	259	211	165	-
Non-current liabilities	463	406	1,030	920	292	-
Current liabilities	79	68	334	286	147	-
Carrying amount of non-controlling interests	669	746	1,848	1,960	552	-
Statement of cash flows						
Cash flows from operating activities	230	241	587	553	47	-
Cash flows from investing activities	-	-	(47)	1	(1,070)	-
Cash flows from financing activities	(230)	(241)	(540)	(548)	1,164	-
– of which, dividends paid to non-controlling interests	(113)	(119)	(236)	(242)	-	-

In the table, we provide financial information for subsidiaries with significant non-controlling interests. The amounts stated are the consolidated accounting figures of the individual enterprises or groups, determined according to our accounting policies. Amounts are stated before intra-group eliminations.

For Ocean Wind JV HoldCo LLC, financial information is only provided for 2021, which is the first year with non-controlling interests.

Accounting policies

Transactions with non-controlling interests are accounted for as transactions with the shareholder base.

Gains and losses on the divestment of equity investments to non-controlling interests are recognised in equity when the divestment does not result in a loss of control.

Net assets acquired are not revalued on the acquisition of non-controlling interests. Any difference between the carrying amount and the acquisition or selling price is recognised in equity.

4. Tax

Tax on profit (loss) for the year

The effective tax rate was 18 % and was positively affected by the largely tax-exempt divestments of the offshore wind farms Borssele 1 & 2 and Greater Changhua 1 and an increase to the corporate tax rate in the UK. On the other hand, the effective tax rate was negatively affected by the recognition of tax liabilities in connection with tax equity partnerships related to the onshore wind farms Haystack, and Western Trail, the solar farms Muscle Shoals and Permian Energy Center as well as the north-east cluster and the Ocean Wind 1 projects in our US offshore portfolio.

Corporate income taxes paid

We have paid DKK 1,380 million in taxes in 2021, of which DKK 147 million related to residual tax for 2020 and prior years. We expect to have a refund of DKK 600 million regarding 2021.

The skyrocketing power prices and a high volatility in the gas and power markets in the second half of 2021 lead to large unrealised losses on hedges, which partly are taxed according to the mark-to-market principle. The tax impact is shown under 'Other comprehensive income' and described more in section 4.2 'Tax on profit (loss) for the year'.

1.4 bn

Corporate income tax paid by the Group in 2021 totalled DKK 1,380 million against DKK 1,118 million in 2020.

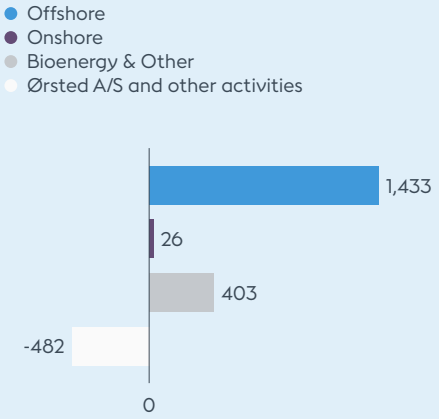
1.5 bn

Current corporate income tax in 2021 totalled DKK 1,532 million against DKK 2,735 million in 2020.

5.6 bn

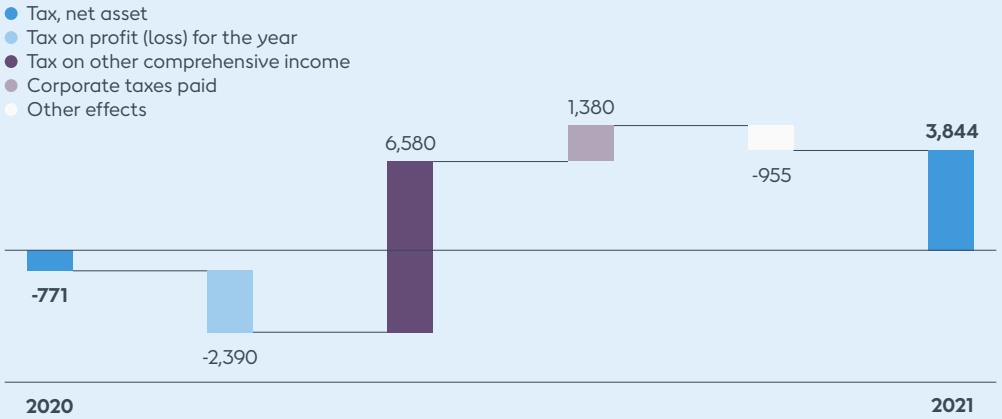
Our total tax contribution in 2021 totalled DKK 5,590 million against 12,028 million in 2020.

Corporate income tax paid by segment, 2021, DKKm



'Other adjustments' include differences in tax rates, changes to tax rates in the US and the UK, movements in uncertain tax positions, and tax concerning previous years.

Development in current and deferred tax asset and liabilities (tax, net), 2021, DKKm



2021, DKKm	Profit (loss) before tax	Tax	Tax in %
Tax equity, deferred tax liability	-	(2,278)	n.a.
Gain (loss) on divestment of enterprises and assets	7,178	-	0 %
Other adjustments	-	1,046	n.a.
Remaining Ørsted business	6,099	(1,158)	19 %
Effective tax for the year	**13,277**	**(2,390)**	**18 %**

4.1 Approach to taxes

In Ørsted, we want to provide user-friendly information about our tax positions. We do this by reporting transparently from a global perspective and engaging in mutually beneficial dialogues with our stakeholders.

We believe that taxes are a core part of our corporate social responsibility. At Ørsted, we are committed to conducting our business in a way that contributes to the UN Sustainable Development Goals (SDGs). Taxes are a key contribution to the SDGs, in particular target 16.6 on the development of effective, accountable, and transparent institutions.

Taxes are overseen by the Board of Directors, which is accountable for the tax policy. The responsibility for tax risk management lies with the CFO and is overseen by the Audit & Risk Committee. The day-to-day tax management is handled by a centralised global tax team, which is involved in all significant business developments.

We have a clear responsibility to comply with the laws in the countries where we operate. We choose to do this by aiming to comply not only with the letter of the law, but also with the underlying tax policy intent.

Our colleagues in Gentofte, Denmark.

The GRI 207: Tax standard has been adopted with effect for reports published after 1 January 2021. For the second year in a row, we have drawn inspiration from the standard when presenting our approach to and reporting of tax. We continuously evaluate the need of our stakeholders and strive to engage actively with them. This is facilitated by increasing the transparency of our reporting in a standardised manner, allowing us to continue dialogue and cooperation with our stakeholders.

Management has been provided with a statement (ISRS 4400 - Agreed Upon Procedures) from our auditors on our application of GRI 207: Tax.

Tax stakeholder engagement

In line with our tax policy, we engage constructively in national and international dialogue with governments, business groups, and civil society to support the development of effective tax systems, legislation, and administration.

During 2021, we continued engagement and collaboration with NGO's and legislators globally. Primarily, this included involvement in the development of legislation concerning the Danish CFC rules, which was adopted by the Danish parliament on 3 June. We have participated in meetings of the Confederation of Danish Industry's tax panel and participated in the B Team's responsible tax working group.

The purpose of our engagement is to support the development of robust and sustainable tax legislation and practice by contributing to an informed discussion. By engaging with civil society and gathering input on, for example, how we share information, we believe we can contribute to increasing the public's confidence in the corporate tax system.

Tax risk management and controls

Complying with tax rules can be complex, as the interpretation of legislation and case law may not always be clear cut and may change over time, giving rise to tax risks. We manage our tax risks by the prevention of unnecessary disputes, which we strive to achieve through strong technical positions, clear explanations of our positions, thorough documentation, and strong compliance procedures and by engaging in up-front dialogue with the tax authorities.

We define a tax risk as any consequence relating to the application of our tax policy, day-to-day operations, compliance, or external reporting that impacts the business in form of cash liabilities, financial statement errors or misstatements, or reputational damage.

To ensure a coordinated assessment of tax risks, Ørsted's tax function is involved in the planning, implementation, and documentation of all significant new processes.

Our risk appetite is governed by the 'more likely than not' approach.

For more details on our approach to taxes, we refer to our tax policy which can be found here: orsted.com/taxpolicy.

Uncertain tax positions
Occasionally, a multinational enterprise like Ørsted faces potential double taxation. This occurs when two tax jurisdictions seek to tax the same business income. We believe that profit should only be taxed once in line with the position of the OECD.

Our tax risk management work includes considering 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 the countries where we operate.

In response to the tax risks connected to cross-border activities, including the controversies described in this section, we have made tax-related provisions in accordance with IAS 12, IAS 37, and relevant interpretation, such as IFRIC 23. The provisions have been calculated on the basis of differences in tax rates and statistical risks of suffering economic or legal double taxation

Tax controversies in Denmark
On 29 November 2021, Ørsted received a final administrative decision from the Danish Tax Agency in relation to the development of the offshore wind farm Race Bank. In line with its administrative decision from 1 December 2020 on the Hornsea 1 and Walney Extension offshore wind farms, the Danish Tax Agency claims that Ørsted Wind Power A/S has not acted at arm's length terms when charging fees for technical development services provided to the Race Bank project company. In its decision, the Danish Tax Agency increases Ørsted Wind Power A/S's tax payment to Denmark by DKK 2.5 billion for the income year 2015.

We have appealed the administrative decision to the Danish Tax Tribunal and will consider our further options, including an elaborated appeal to the Danish Tax Tribunal, a direct appeal to the court system, or a request for a mutual agreement procedure (MAP) under the double tax agreement between Denmark and the United Kingdom. The Danish Tax Agency has accepted a deferral of the tax payment until the case has been finally decided.

Tax controversies in Norway
On 29 November 2021, the Norwegian Tax Administration (NTA) issued a draft reassessment regarding transfer pricing of sale of gas during the years 2007-2011. The NTA proposes a reassessment of NOK 2.4 billion, which would be subject to hydrocarbon taxation at 78 % corresponding to NOK 1.9 billion. The company receiving the reassessment was sold to INEOS in 2017 as a part of the divestment of the oil and gas activities. However, under the Sales & Purchase Agreement, Ørsted has the risk for tax matters relating to our ownership period.

The draft reassessment has caused us to reassess our provisions for legacy Norwegian tax matters, and we have decided to increase our provisions in relation to this, which is recognised as 'Gain (loss) on divestment of enterprises'.

Once a final reassessment is received, any tax becomes payable immediately – it is not possible to receive a stay or deferral. Together with our lawyers and advisers, we are assessing appropriate and alternative courses of action, including an appeal process in the Norwegian court system or a mutual agreement procedure between Denmark and Norway.

Tax controls
Within Ørsted, the main control is our four-eye review principle. This means that our controls are continuously reviewed and assessed and, where applicable, substituted by automated data input. Tax decisions in relation to matters which are subjected to approval by management are approved by the Head of Tax.

Tax planning and use of tax incentives
We only use business structures that are driven by commercial considerations and aligned with business activity. We do not use so-called secrecy jurisdictions or tax havens to avoid taxes. If we establish an entity in a low or nil-rate jurisdiction, it will be for substantive and commercial reasons. We pay tax on profits according to where value is created. In order to remain competitive, we make use of incentives and tax relief implemented by governments where we have commercial substance.

Avedøre Power Station, Hvidovre, Denmark.

4.2 Tax on profit (loss) for the year

Effective tax rate, DKKm/%	2021 DKK million	2021 %	2020 DKK million	2020 %
Tax on profit (loss) for the year can be explained as follows:				
Calculated 22 % tax on profit (loss) before tax	(2,921)	22	(3,811)	22
Adjustments of calculated tax in foreign subsidiaries in relation to 22 %	160	(1)	17	-
Tax effect of:				
Non-taxable income and non-deductible costs, net	1,842	(14)	2,814	(16)
Unrecognised tax assets	(239)	2	(13)	-
Tax equity contributions	(2,278)	17	(903)	5
Movements in uncertain tax positions	534	(4)	(101)	1
Changes in tax rates	988	(7)	138	(1)
Adjustment of tax concerning previous years	(476)	3	83	(1)
Effective tax for the year	**(2,390)**	**18**	**(1,776)**	**10**

Income tax

Tax on profit (loss) was DKK 2,390 million in 2021 against DKK 1,776 million in 2020. The effective tax rate was 18 % in 2021 against 10 % in 2020.

The effective tax rate was primarily affected by the largely tax-exempt divestments of the offshore wind farms Borssele 1 & 2 and Greater Changhua 1. Further, changes to the corporate tax rate in the UK impacted our net deferred tax assets. Another primary factor derived from recognition of tax liabilities in connection with capitalisation of project costs in the US where we have entered into tax equity agreement on the following projects:

- Haystack
- Western Trail
- Muscle Shoals
- Permian Energy Center
- North-east cluster
- Ocean Wind 1

See more regarding tax equity partnerships in notes 3.8 'Tax equity liabilities' and 4.3 'Deferred tax'

The movement in uncertain tax positions is a consequence of management's reassessment of uncertain tax positions.

The adjustment of tax concerning previous years primarily relates to consortium relief payments for utilisation of tax losses in the UK as per agreement with our joint venture partners.

The effective tax rate in 2020 was primarily affected by the largely tax-exempt sale of our Danish power distribution business and related activities as well as recognition of a tax liability in connection with tax equity partnerships in the US related to the onshore wind farms Sage Draw, Plum Creek, and Willow Creek.

Accounting policies

Tax for the year consists of current tax, changes in deferred tax, and adjustments in respect of previous years. Tax on profit (loss) for the year is recognised in the income statement. Tax relating to other items is recognised in other comprehensive income.

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.

Key accounting estimate

Estimates regarding recognition of income taxes
Ørsted is subject to income taxes in all the countries where we operate. Significant judgement and estimates are required in determining the worldwide income taxes and income tax assets and liabilities, including provisions for uncertain tax positions.

In the course of conducting business around the world, tax and transfer pricing disputes with tax authorities may occur due to the complex nature of the tax rules related to the business. Judgement is applied to assess the possible outcome of such disputes. We apply the methods prescribed in IFRIC 23 'Uncertainty over Income Tax Treatments' when making provisions for uncertain tax positions, and the provisions made are based on different scenarios of possible outcomes. We consider the provisions made to be adequate. The actual obligation may deviate and might lead to tax in excess of the uncertain tax provisions included. This depends on the result of litigations and settlements with the relevant tax authorities.

Ongoing tax disputes, primarily related to transfer pricing cases, are included as part of 'Income tax' and 'Deferred tax'. Estimates in respect of transfer pricing cases depend, among others, on whether corresponding adjustments can be obtained in the relevant jurisdictions, and, in terms of disputes regarding project companies with partners, whether compensation can be obtained from these partners. Any expected compensation from partners are included as part of 'Other receivables'.

Tax on profit (loss) for the year and other comprehensive income

In 2021, total tax for the year amounted to an income of DKK 4,145 million, consisting of tax on profit (loss) for the year, tax on other comprehensive income, and tax on hybrid capital related to equity.

Current tax

Current tax is the payable tax expense incurred by Ørsted on profit for the year. This differs from taxes paid as a result of payments or refunds regarding prior years and residual payments for the current year.

Because of the high level of investments and the subsequent deferrals of payable tax as a consequence of accelerated tax depreciation, our current tax is generally lower than the statutory corporate tax rates during construction and the initial years after first power from a wind farm. The current tax for 2021 has decreased compared to 2020 due to mark-to-market taxation of certain financial instruments, which means that unrealised losses on hedges are included in the taxable income.

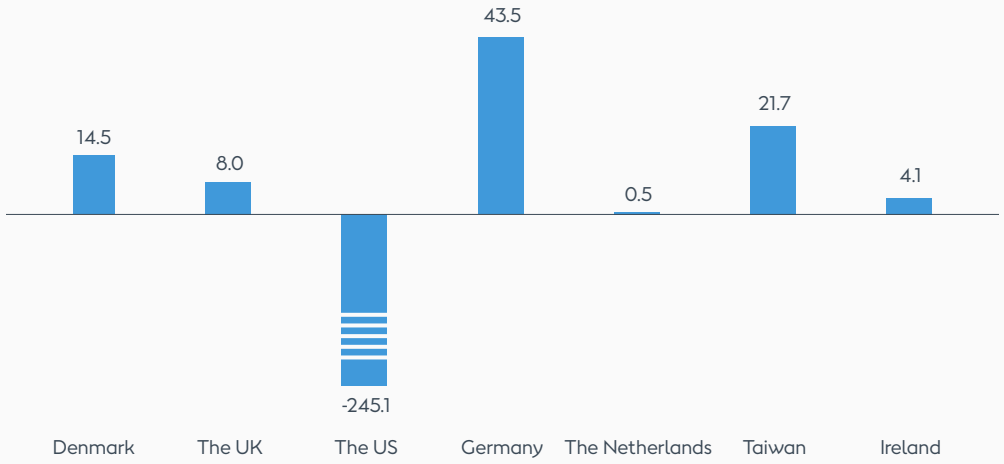
Tax on other comprehensive income for 2021 is a significant income due to the skyrocketing power prices and a high volatility in the gas and power markets in the second half of 2021. The increase in gas and power prices lead to large, unrealised losses on hedges which are booked on equity and therefore not included in the profit (loss) statement. Under Danish tax rules, most of the profit (loss) on hedges are taxed according to the mark-to-market principle, which means that the market value adjustment is always included in the taxable income, despite the fact that the value adjustment has not been realised. Our Danish tax return for 2021 will therefore reflect the tax related to the unrealised losses incurred on the hedges and result in a tax loss carry-forward. Subsequent reductions in power and gas prices will conversely lead to an increase in market value on the hedges, resulting in an increase of taxable income not included in the profit (loss) statement.

Tax on hybrid capital related to equity is from refinancing of hybrid capital in February 2021.

Income tax, DKKm	2021	2020
Tax on profit (loss) for the year	(2,390)	(1,776)
Tax on other comprehensive income	6,448	430
Tax on hybrid capital related to equity	87	-
Total tax for the year	**4,145**	**(1,346)**
Tax on profit (loss) for the year can be broken down as follows:		
Current tax	(1,532)	(2,735)
Deferred tax	269	1,635
Changes in tax rates	988	138
Uncertain tax positions	534	(101)
Tax on hybrid capital	105	107
Tax equity	(2,278)	(903)
Adjustment of tax concerning previous years	(476)	83
Tax on profit (loss) for the year	**(2,390)**	**(1,776)**
Tax on other comprehensive income can be broken down as follows:		
Current tax	(31)	430
Deferred tax	6,479	-
Tax on other comprehensive income	**6,448**	**430**

The figure shows the effective tax rates in the main countries where we operate. The effective tax rate is mainly impacted by: for Denmark: the tax exempt divestment of Greater Changhua 1 and reassessment of uncertain tax positions; for the UK: changes to the corporate tax rate from 19 % to 25 %; for the US: recognition of tax liabilities in connection with tax equity arrangements in combindation with the tax loss position; for the Netherlands: tax-exempt divestment of Borssele 1 & 2; for Taiwan: the difference in tax rates when including activity for one-line consolidation purposes, and for Ireland: the partial non-recognition of pre-Ørsted ownership losses.

Effective tax rate, 2021, %



4.3 Deferred tax

Development in deferred tax

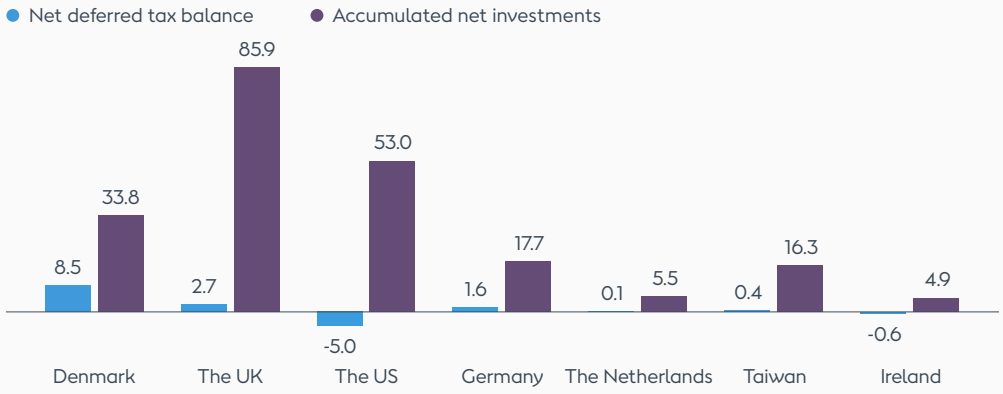
In 2021, net deferred tax assets increased. The effect primarily related to the increase in tax rate in the UK, the tax loss carryforwards in Denmark resulting from the unrealised losses on hedges, and development services provided to our activities in the UK, Germany, and Taiwan. This increase was partly offset by consortium relief payments for utilisation of tax losses in the UK as per agreement with our joint venture partners. The recognition of the deferred tax liability increased because of financial instruments adjustments as well as our tax equity partnerships as specified in note 4.2 'Tax on profit (loss) for the year'.

Accounting policies

US tax equity partnerships
We have entered into several tax equity partnership agreements in the US.

The expected value of the deferred tax liability related to property, plant, and equipment at the flip date in the tax equity partnership agreement is included in our accounts when the tax equity partnership agreement is effective, and we start to or have capitalised the corresponding assets. The deferred tax liability from existing tax equity partnerships will be gradually reduced based on accounting depreciation after the flip date. See more regarding tax equity partnerships in note 3.8 'Tax equity liabilities'.

Net deferred tax and accumulated investments, 2021, DKKbn



The figure shows the net deferred tax assets (+) or liabilities (-) at country level as well as total net accumulated investments in each country. The distribution of net investments is affected by the sale of assets constructed by Ørsted in Denmark for operations outside Denmark where Ørsted only has part ownership.

Net deferred tax 2021 primarily consist of	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations
Assets				
Recognition of tax loss carryforwards	●			
Internal gain on construction agreements	●			
Liabilities				
Tax equity structures	●	●		
Accelerated tax depreciation compared to accounting depreciation	●		●	
Acquisitions		●		
Financial instruments	●			

Deferred tax 2021, DKKm	Offshore	Onshore	Bioenergy & Other	Other activities/ eliminations	Deferred tax at 31 December
Deferred tax, assets	11,701	10	1,563	7	13,281
Deferred tax, liabilities	798	4,387	136	295	5,616
Unrecognised tax assets	254	94	93	22	463

Deferred tax 2020, DKKm					
Deferred tax, assets	6,250	-	529	5	6,784
Deferred tax, liabilities	238	1,923	8	18	2,187
Unrecognised tax assets	140	9	31	20	200

The table shows the reconciliation of deferred tax to the balance sheet by segment. The non-recognised tax asset is primarily due to ringfenced tax losses and other losses not meeting the criteria for recognition under IAS 12. The non-recognised deferred tax assets are not expected to give rise to any material income tax consequences in the event of dividends received.

Significant movements in deferred tax assets and liabilities

Movements for the year consist of an increase in tax loss carryforwards due to the accelerated depreciation for tax purposes, a recognition of tax liabilities in connection with tax equity partnerships related to the onshore wind farms Haystack and Western Trail, the solar farms Muscle Shoals and Permian Energy Center, and the north-east cluster and the Ocean Wind 1 projects in our US offshore portfolio as well as changes to the corporate tax rate in the UK and the current tax transferred to deferred tax in Denmark because of the unrealised losses on hedges booked on equity.

For tax purposes, depreciation of fixed assets is typically accelerated compared with accounting purposes. As the accelerated depreciation is larger than our taxable profits when we make large investments, our tax loss carryforwards increase when more wind farms enter into operation. The tax loss carryforwards are either offset against deferred tax liabilities on the same wind farm or jurisdiction or offset against expected future profits from the very same wind farm or jurisdiction.

Development in deferred tax assets and liabilities, 2021, DKKm	Deferred tax balances at 1 January, net	Movements	Deferred tax balances at 31 December, net	Assets	Liabilities
Intangible assets	(47)	7	(40)	-	40
Property, plant, and equipment	(1,710)	(6,488)	(8,198)	6,379	14,577
Other non-current assets	(29)	21	(8)	6	14
Current assets	(2)	(48)	(50)	-	50
Decommissioning obligations	1,138	212	1,350	1,350	-
Other non-current liabilities	662	4,004	4,666	4,815	149
Current liabilities	188	3,749	3,937	3,941	4
Tax loss carryforwards	4,397	1,611	6,008	6,008	-
Offset				(9,218)	(9,218)
Total	**4,597**	**3,068**	**7,665**	**13,281**	**5,616**

Development in deferred tax assets and liabilities, 2020, DKKm					
Intangible assets	(29)	(18)	(47)	-	47
Property, plant, and equipment	(953)	(757)	(1,710)	5,406	7,116
Other non-current assets	73	(102)	(29)	-	29
Current assets	(5)	3	(2)	-	2
Decommissioning obligations	866	272	1,138	1,138	-
Other non-current liabilities	844	(182)	662	784	122
Current liabilities	97	91	188	196	8
Tax loss carryforwards	2,583	1,814	4,397	4,397	-
Offset				(5,137)	(5,137)
Total	**3,476**	**1,121**	**4,597**	**6,784**	**2,187**

Accounting policies

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.
Deferred tax is not recognised in respect of temporary differences relating to:
- the acquisition of joint operations, including licence interests
- other items where differences arise at the time of acquisition, affecting neither the profit (loss) for the year nor the taxable income. However, this does not include differences arising in connection with company acquisitions.

Deferred tax is measured depending on how we plan to use the assets and settle the liabilities. We offset tax assets and liabilities when the tax assets can be offset against tax liabilities in the year in which the deferred tax assets are expected to be used. Intra-group gains and losses are eliminated when calculating deferred tax. In countries where taxes can be offset between companies due to joint taxation schemes, we have netted within a tax jurisdiction. Where no such possibility is feasible, the deferred tax is included with the gross amount on a company by company level.

Tax losses carried forward in jurisdictions where we have a history of losses are recognised based on other convincing evidence of future profits.

Deferred tax is measured based on the tax rules and rates applying when the deferred tax becomes current tax. Changes in deferred tax as a result of changes in tax rates are recognised in profit (loss) for the year.

Deferred tax (net liabilities) related to the tax equity structures are recognised as tax expense in the income statement when the tax equity partnership agreement is effective, and we start to or have capitalised the corresponding assets. The liability recognised is the amount that we expect to take over once the contribution from the equity partner is repaid, and the tax equity structure flips.

4.4 Our tax footprint

Ørsted's tax footprint is an effect of how and where we conduct our business.

We have paid DKK 1,380 million in taxes in 2021, of which DKK 108 million related to residual tax for 2020 in Denmark, as we had a higher portion of income related to financial instruments in 2020 than we expected at the time we paid taxes on account for 2020. We also had a settlement of receivable tax of DKK 135 million. Other taxes related to prior years amounted to DKK 174 million, primarily relating to settling of group relief in the UK. We expect to have a refund of DKK 600 million regarding 2021, primarily due to unrealised losses on hedge reserves for power hedges booked on equity, especially during the second half of 2021, subject to finalisation of our 2021 tax returns.

Local taxes paid

We have made significant investments in offshore wind farms in the UK, Germany, the Netherlands, the US, and Taiwan, resulting in the accumulation of large tax assets in recent years. Accordingly, we have not paid significant taxes in these countries historically. This is changing as the offshore wind farms are being commissioned and generating positive taxable income, resulting currently in paid taxes in the UK, Germany, and Taiwan. We expect to start paying corporate tax in the Netherlands in 2022.

We are also continuously investing in the US; however, we do expect to pay material tax in the US going forward due to the change in tax incentives from 2025 and due to the commercial structural set-up in the US.

In 2021, we have acquired operating activities in Ireland. We expect to pay corporate taxes in Ireland regarding these operating activities going forward. Also, we have acquired offshore development activities in Poland where we currently incur tax losses.

A wind farm life cycle

Ørsted operates in several countries (see our global footprint in the management's review). The design of the individual tax regime in each jurisdiction impacts the tax over the life cycle of our investments and thereby the timing of our tax payments.

A wind farm life cycle begins with the development phase. This includes opportunity screening, if applicable, bid preparation, obtaining land rights, grid connection, and permits. The latter activities are further matured if an investment decision is made, and the construction phase commences, which includes construction of the wind farm. During both phases, product, people, and property taxes are borne or collected (see our total tax contribution section).

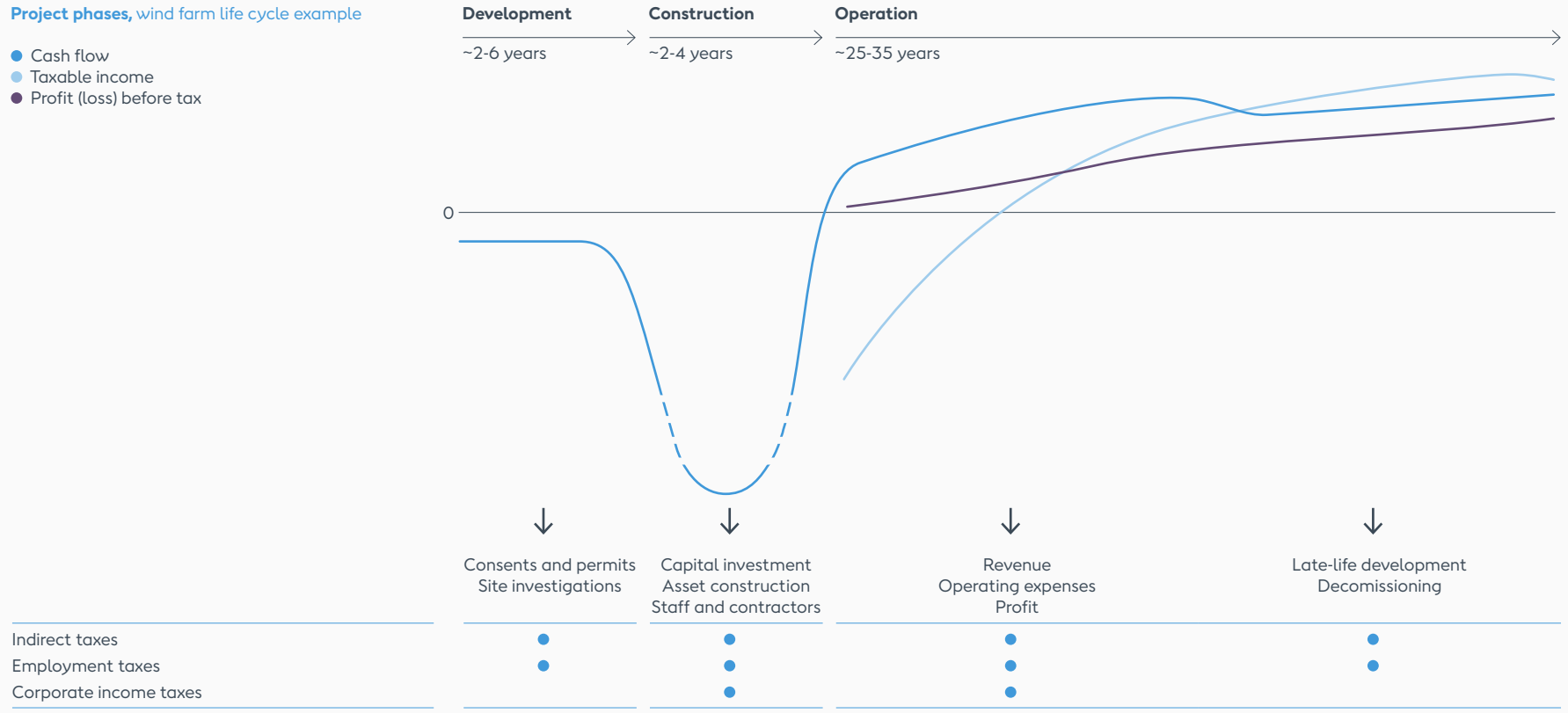
Our colleagues in Gentofte, Denmark.

When the wind farm is commissioned and put into operation, income and positive cash flows are generated. In many cases, the effect of tax incentives results in a deferral of taxable income compared to profit before tax for accounting purposes. Conversely, once the deferral ends, the taxable income related to the wind farm will exceed the accounting profit.

For this reason, the applicable corporate tax rate and cash tax paid will always differ, but accumulated over the lifetime of the wind farm, they will be identical.

Also, in many of the jurisdictions where we operate, there are mandatory or voluntary tax groupings. This means that we will only pay tax on the consolidated result of all of our activities in that country. As a result, continued significant investments in such a country may further defer the time at which we pay taxes in that country.

Project phases, wind farm life cycle example



Development activities results in negative cash flows in the beginning of the project life cycle. During construction, the capital employed accelerates materially. Positive income begins when the project enters operation.

Some corporate income taxes may be paid during development if internal development services are provided between tax jurisdictions. Also, corporate income taxes may be paid during late-life development subject to deductibility of decommissioning costs and joint taxation legislation.

Total tax contribution

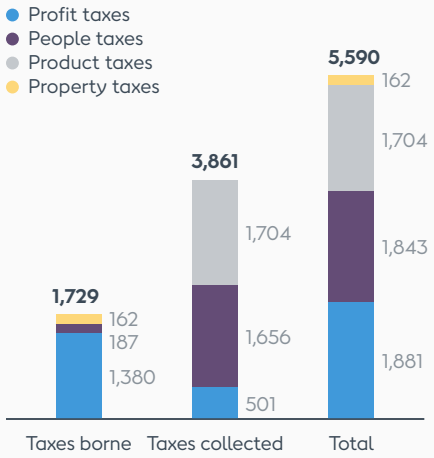
According to the OECD classification, tax is a compulsory unrequited payment to general government. This means a payment paid by Ørsted to the government, including amounts paid through an agent. Tax does not result in a return of value to Ørsted for a right or asset used in the business.

Taxes borne by Ørsted are those that represent a direct cost and are reflected in the financial result. Taxes borne are charged to the profit and loss account.

Taxes collected are those which are generated by Ørsted's operations, but do not constitute a tax liability for Ørsted. Ørsted generates the commercial activity that gives rise to the taxes and then collects and administers them on behalf of the tax authorities in the countries where we operate.

In 2021, our total tax contribution related to product taxes was reduced, primarily because of the divestment of our Danish power distribution, residential customer, and city light businesses in 2020.

Total tax contribution, 2021, DKKm

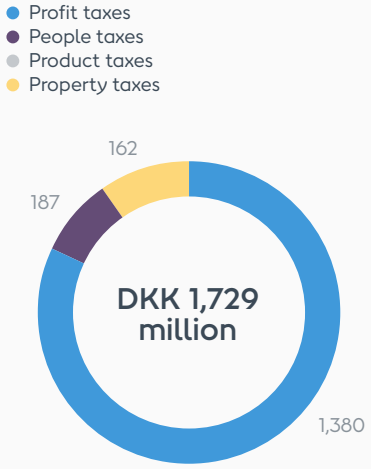


The chart shows the distribution between taxes borne and collected in 2021.

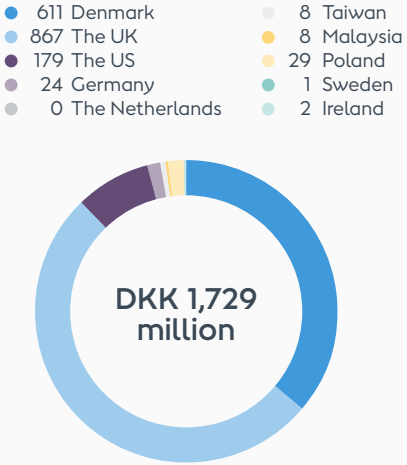
Total global taxes paid in 2021

Profit taxes	These include taxes on company profits that are borne (such as corporate income tax) and collected (such as withholding tax on payments to third parties).
People taxes	Taxes on employment, both borne and collected (including income tax and social security tax payments).
Product taxes	Indirect taxes on the production and consumption of goods and services, including net VAT and sales tax, custom duties, and insurance premium tax. Net VAT in countries in a net refund position is excluded in the total tax contribution, as it is considered a repayment of tax already paid within the year. Included is also planet taxes, which are insignificant for this summary.
Property taxes	Taxes on the ownership, sale, transfer, or occupancy of property.

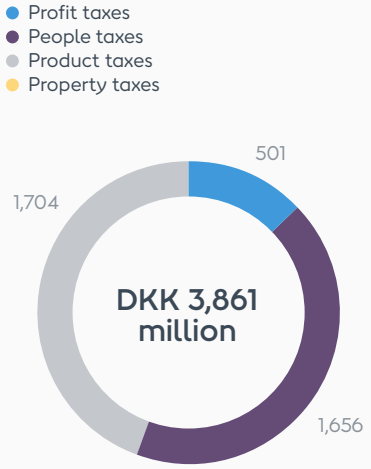
Taxes borne – by tax type, 2021, DKKm



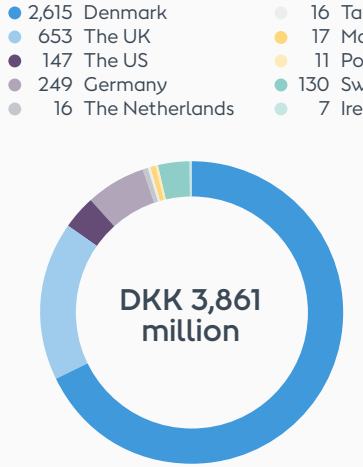
Taxes borne – by country, 2021, DKKm



Taxes collected – by tax type, 2021, DKKm



Taxes collected – by country, 2021, DKKm



Country-by-country reporting

In order to increase transparency, we present key figures on tax jurisdiction levels below. Ørsted's country-by-country reporting content widely follows the GRI 207: Tax standard. The standard is based on guidance from OECD. In order to ensure internal coherence throughout the annual report, corporate income tax is calculated based on IFRS reporting standards instead of GRI methodology. The tax incentives provided on green investments defer our tax payments, resulting in a difference between profit (loss) in the accounts and taxable income during the life cycle of a wind farm. This is applicable in most of the countries where we operate.

Country-by-country key figures, 2021	Number of employees	Total employee remuneration[2]	Revenue from third-party sales DKKm	Revenue from intra-group transactions with other tax jurisdictions, DKKm	Property, plant, and equipment, and inventory DKKm	Balance of intra-company debt DKKm	Corporate income tax paid on a cash basis, DKKm
Denmark	4,002	3,130	57,669	11,062	15,618	31,663	575
The UK	1,154	949	15,047	15,748	73,089	79,684	746
The US	453	501	1,368	13	51,041	5,762	32
Germany	251	198	2,080	1,445	10,572	15,264	24
Ireland	81	25	230	-	4,693	923	-
The Netherlands	57	42	81	1,094	4,904	4,297	-
Taiwan	170	159	831	94	16,234	6,521	-
Malaysia	343	96	-	119	11	-	-
Poland	282	100	5	137	1,221	16	2
Other countries[1]	43	85	362	198	11	91	1
Total	**6,836**	**5,285**	**77,673**	**29,910**	**177,394**	**144,221**	**1,380**

[1] Other countries include the Isle of Man, Latvia, Japan, Singapore, Korea, Sweden, and Vietnam.
[2] Including employee costs transferred to assets.

The table shows reporting of financial, economic, and tax-related information for each jurisdiction where we operate. This information can be compared with our total tax contribution. Our tax contributions reflect that some of our development and construction activities have been based in Denmark, and that our operations in the coming years are beginning to ramp up in markets that have been developed. Also, our presence and the corresponding tax position is affected by hedging, which is primarily handled centrally in Denmark

Current tax explanation on country level, 2021, DKKm	Profit (loss) before tax	Calculated local corporate tax on profit (loss) before tax	Non-taxable income and non-deductible costs, net	Unrecognised tax assets	Deferred tax	Other adjustments	Current tax
Denmark	5,583	(1,229)	373	-	856	-	-
The UK	4,315	(820)	121	-	(516)	-	(1,215)
The US	(978)	245	5	(192)	(58)	-	-
Germany	(315)	94	39	29	(289)	-	(127)
Ireland	(73)	9	-	(6)	(26)	-	(23)
The Netherlands	5,319	(1,330)	1,328	-	(77)	-	(79)
Taiwan	(168)	38	33	(3)	(150)	-	(82)
Malaysia	(5)	1	(1)	-	-	-	-
Poland	(12)	2	(2)	(1)	(3)	-	(4)
Other countries[1]	(389)	69	(54)	(66)	(6)	55	(2)
Total	**13,277**	**(2,921)**	**1,842**	**(239)**	**(269)**	**55**	**(1,532)**

[1] Other countries include the Isle of Man, Latvia, Japan, Singapore, South Korea, Sweden, and Vietnam.

The table shows our profit (loss) before tax in tax jurisdictions and the journey to current tax. Current tax for Denmark is significantly impacted by the unrealised hedge losses booked on equity, resulting in an overall tax loss for the year, i.e. a deferred tax asset. See more in the section 'Accounting policies' in note 4.3 'Deferred tax'.

5. Capital structure

An appropriate capital structure is important to ensure we have the ability to raise new debt with attractive terms.

In February, we successfully issued two new green hybrid capital securities consisting of a EUR 500 million (DKK 3,719 million) hybrid bond and a GBP 425 million (DKK 3,765 million) hybrid bond. In February, we also redeemed EUR 350 million (DKK 2.603 million) of our 3013 hybrid capital bond. Furthermore, we have entered into loan commitments with European Investment Bank (EIB) and Nordic Investment Bank (NIB) of EUR 500 million (DKK 3,719 million) and EUR 175 million (DKK 1,302 million), respectively, which have not been drawn yet.

Finally, we temporarily increased our short-term debt through the use of repo loans related to the posting of collateral and margin payments for the negative value of hedging instruments towards the end of the year. These payments will reverse if power and gas prices return to more normal levels, or if the hedges are balanced by correspondingly higher revenue from generation of power.

We have also replaced our existing EUR 1.4 billion revolving credit facility with a new EUR 2.0 billion (DKK 14.9 billion) green revolving credit facility and entered into an additional DKK 3 billion revolving credit facility.

In the coming years, we expect to raise new debt to partly fund our DKK 350 billion investment programme covering the period 2020-2027.

Capital structure

To ensure the financial strength to operate in the international energy and capital markets and secure financing on attractive terms, we have defined credit rating and capital structure targets. The overarching capital structure targets are a credit rating of Baa1/BBB+ and a FFO/adjusted net debt credit metric of around 25 % (previously 30 %).
In 2021, we have adjusted our definition of FFO and adjusted net interest-bearing debt (NIBD) to better align with the rating agencies. Generally, we are now adjusting FFO for the cash flow effects instead of the profit and loss effects. Further, adjusted NIBD no longer includes the decommissioning obligation.

Financing policy

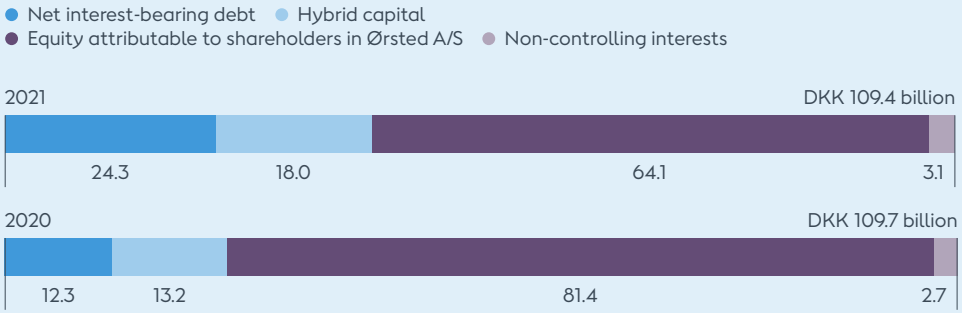
The aim of our financing policy is to minimise liquidity and refinancing risks, while minimising financing costs and matching the currency composition of our debt with our revenue.

The financing activities are diversified among various funding sources and maturities and are primarily consolidated in the parent company, where cash resources are made available to the Group companies via an internal bank.

Cash management

One of the most significant cash management objectives is to secure sufficient and flexible financial resources in relation to our day-to-day operations, investment programme, and debt maturity profile. Therefore, we define minimum financial resources for the coming calendar year. We maintain robust financial resources to limit the company's sensitivity to unrest in the financial markets.

Equity and net interest-bearing debt, DKKbn



31.3 %

Funds from operations (FFO) relative to adjusted net interest-bearing debt amounted to 31.3 % at 31 December 2021 against 65 % at 31 December 2020.

24.3 bn

Our net interest-bearing debt totalled DKK 24,280 million at 31 December 2021 against DKK 12,343 million at 31 December 2020.

43.2 bn

Our financial resources totalled DKK 43,183 million at 31 December 2021 against DKK 45,642 million at 31 December 2020.

5.1 Interest-bearing debt and FFO

Interest-bearing debt and interest-bearing assets DKKm	2021	2020
Interest-bearing debt:		
Bank debt	16,318	1,942
Bond debt	34,677	34,824
Total bond and bank debt	**50,995**	**36,766**
Tax equity liability (see note 3.8)	1,296	721
Lease liability	7,532	5,054
Other interest-bearing debt	535	1,906
Total interest-bearing debt	**60,358**	**44,447**
Interest-bearing assets:		
Securities	21,228	25,173
Cash	9,943	6,178
Other receivables	4,150	11
Receivables in connection with divestments	757	742
Total interest-bearing assets	**36,078**	**32,104**
Total net interest-bearing debt	**24,280**	**12,343**

In 2021, bank debt includes DKK 14,207 million in short-term repo loans. Furthermore, we have a receivable of DKK 4,150 million from placing collateral under credit support annex's.

The market value of our bond and bank debt amounted to DKK 40,292 million and DKK 16,339 million, respectively, at 31 December 2021 (2020: DKK 42,485 million and DKK 1,971 million, respectively).

The market value of our bond and bank debt exceeds the carrying amount due to the drop in interest levels since the issuance of the debt.

Changes in interest-bearing debt, DKKm	2021	2020
Interest-bearing debt at 1 January	44,447	43,428
Cash transactions:		
Instalments on loans	(4,435)	(2,398)
Proceeds from raising loans	14,582	3,406
Instalments on leases	(520)	(541)
Change in other interest-bearing debt and tax equity liability	(797)	1,371
Non-cash transactions:		
Raising lease debt, etc.	2,998	263
Bank loans acquired in a business combination	2,273	-
Foreign exchange adjustments and amortisation	1,810	(1,082)
Interest-bearing debt at 31 December	**60,358**	**44,447**

Interest-bearing debt increased by DKK 15,911 million in 2021.

Proceeds from raising loans include DKK 14,207 million in raising of short-term repo loans.

Funds from operations (FFO), DKKm	2021	2020
EBITDA (business performance for 2020)	**24,296**	**18,124**
Change in provisions and other adjustments	(2,472)	(403)
Reversal of gain (loss) on divestment of assets	(7,920)	(805)
Income tax paid	(1,380)	(1,118)
Interest and similar items, received/paid	(467)	(1,829)
Reversal of interest expenses transferred to assets	(782)	(449)
50 % of coupon payments on hybrid capital	(215)	(245)
Dividends received and capital reductions	29	18
Funds from operations (FFO)	**11,089**	**13,293**

Adjusted definition
We have adjusted our definition of FFO and adjusted NIBD to better align with the rating agencies. Generally, we are now adjusting FFO for the cash flow effects instead of the profit and loss effects. Further, adjusted NIBD no longer includes the decommisioning obligation. Comparative figures for 2020 are restated.

Adjusted interest-bearing net debt, DKKm	2021	2020
Total net interest-bearing debt	**24,280**	**12,343**
50 % of hybrid capital	8,992	6,616
Cash and securities not available for distribution, excluding repo loans	2,130	1,485
Total adjusted interest-bearing net debt	**35,402**	**20,444**

Funds from operations (FFO)/adjusted interest-bearing net debt, %	2021	2020
Funds from operations (FFO)/ adjusted interest-bearing net debt	**31.3 %**	**65.0 %**

Adjusted definition
As described above, the definition of adjusted interest-bearing net debt has been adjusted, and comparatives have been restated.

Interest-bearing net debt

Interest-bearing net debt totalled DKK 24,280 million at the end of 2021, an increase of DKK 11,937 million relative to 2020. The increase in interest-bearing net debt consists of an increase in interest-bearing debt of DKK 15,911 million and an increase in interest-bearing assets of DKK 3,974 million.

In September, we have signed a EUR 500 million (DKK 3,719 million) loan agreement with European Investment Bank.

In November, we signed a EUR 175 million (DKK 1,301 million) loan agreement with Nordic Investment Bank.

Rating

We have a corporate credit rating of BBB+/Baa1, stable outlook, from Standard & Poor's, Moody's, and Fitch, which is in line with our target. FFO/adjusted interest-bearing net debt was 31.3 % in 2021, in line with our target.

Loan arrangements

At 31 December 2021, we had bank loan obligations totalling DKK 1,536 million (2020: DKK 1,642 million) to European Investment Bank and Nordic Investment Bank. The loans offered by these multilateral financial institutions include loans to co-fund infrastructure and energy projects on favourable terms and with maturities exceeding those normally available in the commercial banking market. In connection with these loans, the Group may be met with demands for repayment or collateral in the event of the Danish state holding less than 50 % of the share capital or voting rights in Ørsted A/S (change of control) or for repayment in the event of Moody's or Standard & Poor's downgrading our rating to Baa3, BBB-, or below, respectively.

Credit facilities

Furthermore, we had non-cancellable credit facilities and undrawn loan agreements of DKK 28,349 million at 31 December 2021 (2020: DKK 15,758 million) with a number of Scandinavian, international, and Taiwanese banks. In connection with these credit facilities, we may be met with demands for cancellation and repayment of any drawn amount in the event of shareholders other than a group consisting of the Danish state and Danish power distribution companies controlling more than 50 % of the share capital or voting rights in Ørsted A/S. Our financing agreements are not subject to any other unusual terms or conditions.

Accounting policies

Bond debt, bank debt, and other payables are recognised at inception at market value (typically proceeds received) net of transaction costs incurred. In subsequent periods, the liabilities are measured at amortised cost, so that the difference between the cost (proceeds) and the nominal value is recognised in profit (loss) for the year as interest expenses over the term of the loan, using the effective interest rate method.

Financial liabilities are classified as current, unless the Group has an unconditional right to defer settlement of the liability to at least one year after the balance sheet date.

The market value of issued bonds has been determined as the market value at 31 December (level 1 – quoted prices).

The market value of bank loans has been determined as the present value of expected future instalments and interest payments using the Group's current interest rate on loans as the discount rate (level 2 – observable inputs).

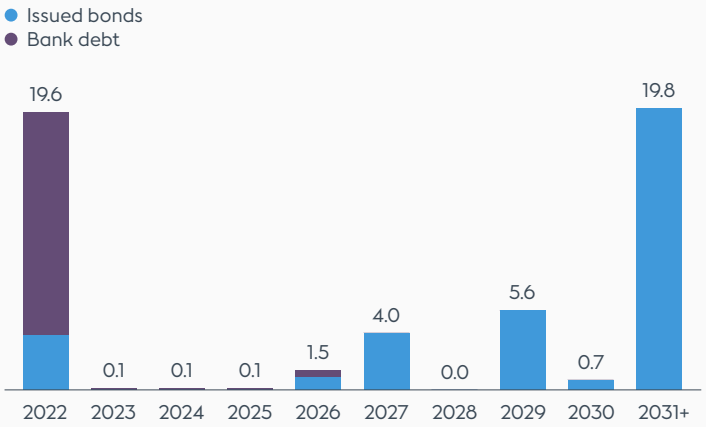
Senior bonds issued at 31 December 2021

Million	Outstanding amount					
Currency	Issued	DKK	Coupon (%)	Time of issue	Maturing	Quoted in
EUR	517	3,845	2.625	19 Sep. 2012	19 Sep. 2022	London
EUR	750	5,578	1.500	24 Nov. 2017	26 Nov. 2029	London
GBP	350	3,100	2.125	16 May 2019	17 May 2027	Luxembourg
GBP	750	6,644	4.875	12 Jan. 2012	12 Jan. 2032	London
GBP	300	2,658	2.500	16 May 2019	16 May 2033	Luxembourg
GBP	250	2,215	CPI+0.375	16 May 2019	16 May 2034	Luxembourg
GBP	500	4,429	5.750	9 Apr. 2010	9 Apr. 2040	London
NTD	4,000	946	0.920	19 Nov. 2019	19 Nov 2026	Taipei
NTD	4,000	946	0.600	13 Nov. 2020	13 Nov. 2027	Taipei
NTD	3,000	709	0.700	13 Nov. 2020	13 Nov. 2030	Taipei
NTD	8,000	1,891	1.500	19 Nov. 2019	19 Nov 2034	Taipei
NTD	8,000	1,891	0.980	13 Nov. 2020	13 Nov. 2040	Taipei

In addition to senior bonds, we have issued a number of hybrid bonds, see note 5.3 'Hybrid capital'.

The majority of our bonds expire in 2031 or later. In 2022, we are to repay short-term repo bank loans in the amount of DKK 14.2 billion.

Maturity profile of issued bonds and bank debt, DKK billion



5.2 Equity

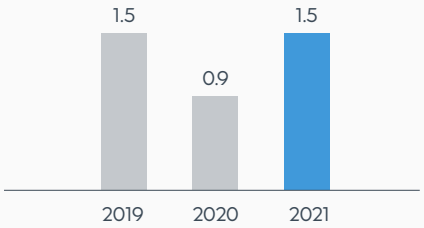
Share capital

Ørsted's share capital is DKK 4,203,810,800 (2020: 4,204 million), divided into shares of DKK 10. The share capital is unchanged from last year. No shares are subject to special rights or restrictions on voting rights. All shares are fully paid up.

Treasury shares

To secure our share programme, we have acquired treasury shares in accordance with the authorisation approved by the general meeting. The total portfolio of treasury shares consists of 209,575 shares at 31 December 2021 (2020: 312,844), corresponding to less than 0.1 % of the share capital.

Dividend yield, %



The graph shows the proposed dividends in relation to the closing price for an Ørsted share on the last trading day of the year.

Dividends

The Board of Directors recommends that dividends of DKK 5,255 million (2020: DKK 4,834 million) be paid for the financial year, corresponding to DKK 12.50 per share (2020: DKK 11.50 per share). The proposed dividends correspond to a dividend yield of 1.5 % (2020: 0.9 %), calculated on the basis of the closing price for an Ørsted share on the last trading day of the year.

Owners in Ørsted

The Danish state is the principal shareholder with an ownership interest of 50.1 %. In addition, Andel have an ownership interest above 5 %. See note 16 'Ownership information' in the parent company's financial statements.

Earnings per share, DKKm	2021	2020
Profit (loss) for the year from continuing operations	10,887	15,548
Interest and costs, hybrid capital owners of Ørsted A/S	(740)	(488)
Non-controlling interests	75	61
Ørsted's share of profit (loss) for the year from continuing operations	**10,222**	**15,121**
Profit (loss) for the year from discontinued operations	-	(11)
Ørsted's share of profit (loss) for the year from discontinued operations	**-**	**(11)**
('000)		
Average number of outstanding shares	420,146	420,056
Dilutive effect of share programme	234	300
Average number of outstanding shares, diluted	**420,380**	**420,356**
(DKK)		
Profit (loss) per share		
From continuing operations	24.3	36.0
From discontinued operations	-	0.0
Total profit (loss) per share	**24.3**	**36.0**

The table shows earnings per share. Diluted profit (loss) per share corresponds to profit (loss) per share, as the only dilutive effect comes from the share programme and equals 0.1 % of the share capital (2020: 0.1 % of the share capital).

Reserves 2021, DKKm	Foreign currency translation reserve	Hedging reserve[1]					Total reserves
		Hedging of net investments	Hedging of revenue	Hedging of divestments	Hedging of interest	Hedging of production assets	
Reserves at 1 January	(3,829)	711	1,235	(133)	45	15	(1,956)
Exchange rate adjustments	6,529	-	-	-	-	-	6,529
Value adjustments of hedging	-	(3,359)	(39,782)	(736)	646	168	(43,063)
Value adjustments transferred to:							
Revenue	-	-	7,174	-	-	-	7,174
Other operating income	(243)	98	-	323	-	-	178
Financial income and expenses	-	-	-	-	33	-	33
Property, plant, and equipment	-	-	-	-	-	(121)	(121)
Tax:							
Tax on hedging and currency adjustments	(982)	717	6,788	86	(150)	(11)	6,448
Movement in comprehensive income for the year	**5,304**	**(2,544)**	**(25,820)**	**(327)**	**529**	**36**	**(22,822)**
Total reserves at 31 December	**1,475**	**(1,833)**	**(24,585)**	**(460)**	**574**	**51**	**(24,778)**

Reserves 2020, DKKm							
Reserves at 1 January	168	(976)	1,459	(3)	(235)	-	413
Exchange rate adjustments	(4,993)	-	-	-	-	-	(4,993)
Value adjustments of hedging	-	2,163	(246)	67	(110)	19	1,893
Value adjustments transferred to:							
Revenue	-	-	69	(58)	-	-	11
Other operating income	-	-	-	(181)	-	-	(181)
Financial income and expenses	-	-	-	-	471	-	471
Tax:							
Tax on hedging and currency adjustments	996	(476)	(47)	42	(81)	(4)	430
Movement in comprehensive income for the year	**(3,997)**	**1,687**	**(224)**	**(130)**	**280**	**15**	**(2,369)**
Total reserves at 31 December	**(3,829)**	**711**	**1,235**	**(133)**	**45**	**15**	**(1,956)**

[1] Costs of hedging related to basis spread on currency swaps and option premiums included in the hedging reserve amount to DKK 376 million (2020: 55 million).

Foreign currency translation reserve
The foreign currency translation reserve comprises:
- exchange rate adjustments arising on translation of the financial statements of foreign entities with a currency that is not the Group's presentation currency
- exchange rate adjustments relating to loans that form part of our net investment in such entities
- exchange rate adjustments relating to hedging transactions on our net investment in such entities.

On realisation or partial realisation of the net investment, the exchange rate adjustments are recognised in profit (loss) for the year if a foreign exchange gain (loss) is realised by the divested entity. The foreign exchange gain (loss) is transferred to the item in which the gain (loss) is recognised.

Hedging reserve
The hedging reserve covers cash flow hedging of:
- energy, currency, and inflation risks associated with revenue
- commodity price and currency risks associated with the construction of offshore wind farms
- interest rates associated with loans.

In addition, it covers hedging of net investments in foreign operations.

Deferred costs of hedging
Changes in the basic spread on currency swaps and time value of options are included in deferred costs of hedging.

Share premium reserve
Retained earnings include the share premium reserve of DKK 21,279 million (2020: 21,279 million), representing the excess of the amount of subscribed-for share capital over the nominal value of these shares in connection with capital injections.

5.3 Hybrid capital

Hybrid bonds	Due in 3013	Due in 3017	Due in 3019	Due in 3021	Due in 3021
Type	Subordinate to other creditors	Subordinate to other creditors	Subordinate to other creditors	Subordinate to other creditors	Subordinate to other creditors
Carrying amount	DKK 2,564 million	DKK 3,668 million	DKK 4,416 million	DKK 3,701 million	DKK 3,635 million
Financial classification	Equity	Equity	Equity	Equity	Equity
Notional amount	EUR 350 million (DKK 2,603 million)	EUR 500 million (DKK 3,719 million)	EUR 600 million (DKK 4,463 million)	EUR 500 milllion (DKK 3,719 million)	GBP 425 million (DKK 3,765 million)
Issued	June 2013	November 2017	December 2019	February 2021	February 2021
Maturing	June 3013	November 3017	December 3019	February 3021	February 3021
Quoted in	Luxembourg	Luxembourg	Luxembourg	Luxembourg	Luxembourg
First redemption date at par	26 June 2023	24 November 2024	9 December 2027	18 Februar 2031	18 February 2033
Interest	For the first ten years, the coupon is fixed at 6.25 % p.a., after which it is adjusted every five years with the five-year euro swap +4.75 % points from 2023-2043 and +5.5 % points after 2043	Coupon for the first seven years is fixed at 2.25 % p.a., after which it is adjusted every five years with the five-year euro swap +1.899 % points from 2024, +2.149 % points from 2029, and +2.899 % points from 2044	Coupon for the first eight years at 1.75 % p.a., after which it is adjusted every five years with the five-year euro swap +1.952 % points from 2027, +2.02 % points from 2032, and +2.952 % points from 2047	Coupon for the first ten years at 1.50 % p.a., after which it is adjusted every five years with the five-year euro swap +1.86 % points from 2031 and +2.61 % points from 2056	Coupon for the first twelve years at 2.5 % p.a., after which it is adjusted every five years with the five-year benchmark gilt +2.136 % points from 2033 and +2.886 % points from 2053
Deferral of interest payment	Optional	Optional	Optional	Optional	Optional

We have issued hybrid capital which is subordinate to our other creditors. The purpose of issuing hybrid capital is to strengthen our capital base and fund our investments. We have issued EUR hybrid bonds with a total nominal value of EUR 1,950 million and GBP 425 million, equivalent to DKK 18,269 million (2020: EUR 1,800 million, equivalent to DKK 13,398 million).

In 2021, we have issued two new green hybrid bonds with a total nominal value of DKK 7,484 million.

For hybrid bonds, we may defer coupon payments to bond holders and ultimately decide not to pay them at maturity. Deferred coupon payments become payable, however, if we decide to pay dividends to our shareholders or pay coupon payments on other hybrid bonds.

As a consequence of the special terms regarding the hybrid bonds, these are classified as equity, and therefore coupon payments are recognised in equity.

Accounting policies

Hybrid capital comprises issued bonds that qualify for treatment in accordance with the rules on compound financial instruments due to the special characteristics of the bonds. The notional amount, which constitutes a liability, is recognised at present value, and equity has been increased by the difference between the net proceeds received and the present value of the discounted liability. Accordingly, any coupon payments are accounted for as dividends, which are recognised directly in equity at the time the payment obligation arises. This is because the coupon is discretionary, and therefore any deferred coupon lapses upon maturity of the hybrid capital. Consequently, coupon payments do not have any effect on profit (loss) for the year.

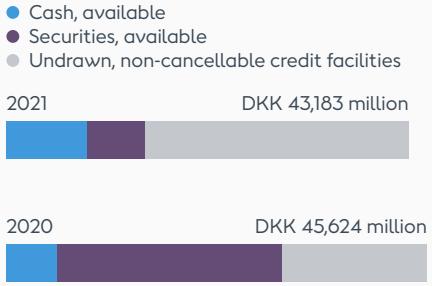
The part of the hybrid capital that is accounted for as a liability is measured at amortised cost. However, as the carrying amount of this component amounted to nil on initial recognition and due to the 1,000-year term of the hybrid capital, amortisation charges will only have an impact on profit (loss) for the year towards the end of the 1,000-year term of the hybrid capital. Coupon payments are recognised in the statement of cash flows in the same way as dividend payments within financing activities.

On redemption of hybrid capital, the payment will be distributed between liability and equity, applying the same principles as used when the hybrid capital was issued. This means that the difference between the payment on redemption and the net proceeds received on issue is recognised directly in equity, as the debt portion of the existing hybrid issues will be nil during the first part of the life of the hybrid capital.

On the date when the Board of Directors decides to exercise an option to redeem hybrid capital, the part of the hybrid capital that will be redeemed will be reclassified to loans and borrowings. The reclassification will be made at the market value of the hybrid capital on the date the decision is made. Coupon payments and exchange rate adjustments following the reclassification to loans and borrowings will be recognised in profit (loss) for the year as financial income or expenses.

5.4 Financial resources

Financial resources, DKK million



Financial resources at 31 December 2021 amounted to DKK 43,183 million (2020: DKK 45,624 million). The change in financial resources is due to a decrease of DKK 18,214 million in available securities, partially offset by an increase in cash and undrawn credit facilities of DKK 3,182 million and DKK 12,591 million, respectively.

Cash, cash equivalents, and securities

Securities are a key element in our financial resources, and therefore investments are mainly made in liquid AAA-rated Danish mortgage bonds and, to a lesser extent, in other bonds. Most of the securities qualify for repo transactions with the Danish central bank, 'Danmarks Nationalbank'.

Securities not available for use comprise securities pledged as collateral for:
- short-term repo loans: DKK 14,207 million at 31 December 2021 (2020: DKK 0 million)
- insurance-related provisions: DKK 397 million at 31 December 2021 (2020: DKK 393 million)
- trading in financial instruments: DKK 414 million at 31 December 2021 (2020: DKK 356 million).

At 31 December 2021, we had received cash collateral in the amount of DKK 1 million (2020: DKK 12 million) concerning the positive market value of derivatives.

Cash not available for use comprises:
- collateral for insurance-related provisions: DKK 254 million (2020: DKK 263 million)
- collateral for US power purchase agreements: DKK 825 million (2020: DKK 426 million)
- collateral for other transactions: DKK 240 million (2020: DKK 47 million).

Accounting policies

Securities comprise bonds that are monitored, measured, and reported at market value on an ongoing basis in conformity with the Group's investment policy. Changes in market value are recognised in profit (loss) for the year as financial income and expenses. Purchase and sale of securities are recognised at the settlement date.

For listed securities, market value equals the market price, and for unlisted securities, market value is estimated based on generally accepted valuation methods and market data.

Divested securities where repurchase agreements (repo transactions) have been made at the time of sale are recognised in the balance sheet at the settlement date as if the securities were still held. The amount received is recognised as a liability, and the difference between the selling price and the purchase price is recognised in profit (loss) for the year over the term as interest. The return on the securities is recognised in profit (loss) for the year.

Cash and cash equivalents, securities, DKKm

	2021	2020
Cash, available	8,624	5,442
Bank overdrafts that are part of the ongoing cash management	(10)	(232)
Total cash and cash equivalents at 31 December, cf. statement of cash flows	**8,614**	**5,210**
Cash can be specified as follows:		
Cash, available	8,624	5,442
Cash, not available for use	1,319	736
Total cash at 31 December, cf. balance sheet	**9,943**	**6,178**
Securities can be specified as follows:		
Securities, available	6,210	24,424
Securities, not available for use	15,018	749
Total securities at 31 December	**21,228**	**25,173**

The table shows our cash and securities divided into available and not available for use.

Overview of securities, DKKm

Maturities	Fixed rate	Floating rate	2021	Fixed rate	Floating rate	2020
0-2 years	1,293	6,642	7,935	1,304	3,067	4,371
2-5 years	(1,214)	7,008	5,794	2,010	9,738	11,748
After 5 years	2,385	5,114	7,499	5,597	3,457	9,054
Total carrying amount	**2,464**	**18,764**	**21,228**	**8,911**	**16,262**	**25,173**

The table shows our securities split into maturities and fixed or floating interest rates. The overview includes interest rate swaps used to manage the interest rate risk on the securities. For securities with 2-5 years to maturity, we have swapped more volumes from fixed-rate to floting rate than we hold as of 31 December 2021. Thus, it appears that we have a negative holding of fixed rate securities with 2-5 years maturity.

5.5 Maturity analysis of financial liabilites

Maturity analysis of financial liabilities 2021, DKKm	2022	2023	2024-2025	After 2025	2021
Bank loans and issued bonds:					
– Notional amount	19,375	53	106	31,669	51,203
– Interest payments	975	873	1,748	8,011	11,607
Trade payables	20,231	-	-	-	20,231
Derivatives	27,668	15,315	1,509	6,932	51,424
Lease liabilities	738	579	1,083	8,483	10,883
Tax equity debt	175	137	235	1,988	2,535
Other payables	3,826	1,011	3,459	733	9,029
Liabilities relating to assets classified as held for sale	72	-	-	-	72
Total payment obligations	**73,060**	**17,968**	**8,140**	**57,816**	**156,984**

Maturity analysis of financial liabilities 2020, DKKm	2021	2022	2023-2024	After 2024	2020
Bank loans and issued bonds:					
– Notional amount	2,133	4,700	106	29,846	36,785
– Interest payments	1,020	920	1,639	8,083	11,662
Trade payables	9,742	-	-	-	9,742
Derivatives	5,786	1,562	997	825	9,170
Lease liabilities	599	380	917	5,314	7,210
Tax equity debt	48	105	153	1,102	1,408
Other payables	5,386	59	701	307	6,453
Liabilities relating to assets classified as held for sale	94	-	-	-	94
Total payment obligations	**24,808**	**7,726**	**4,513**	**45,477**	**82,524**

The Group's cash needs in respect of its financial loans and borrowings are shown in the table. The maturity analysis was determined on 31 December.

The maturity analysis is based on undiscounted cash flows, including estimated interest payments. Interest payments are based on market conditions and interest rate hedging entered into on 31 December. The maturity analysis does not include hybrid capital classified as equity. At 31 December 2021, we had issued hybrid capital with a notional amount totalling DKK 18,269 million due after 2025.

For further disclosures of leases, see note 3.3 'Intangible assets, and property, plant, and equipment'.

5.6 Financial income and expenses

Net financial income and expenses, DKKm	2021	2020
Interest expenses, net	(895)	(1,202)
Interest expenses, leasing	(261)	(177)
Interest element of provisions, etc.	(454)	(452)
Tax equity partner's contractual return	(616)	(486)
Value adjustments of derivatives, net	202	(112)
Capital losses on early repayment of loans and interest rate swaps	-	(373)
Exchange rate adjustments, net	169	188
Value adjustments of securities, net	(501)	(12)
Other financial income and expenses	190	102
Net financial income and expenses	**(2,166)**	**(2,524)**

The table shows net financial income and expenses, corresponding to our internal reporting.

Exchange rate adjustments and hedging contracts entered into to hedge currency risks are presented net under the item 'Exchange rate adjustments, net'.

Financial income and expenses, DKKm	2021	2020
Interest income from cash, etc.	160	237
Interest income from securities at market value	175	137
Foreign exchange gains	2,994	3,605
Value adjustments of derivatives	914	1,766
Other financial income	137	34
Total financial income	**4,380**	**5,779**
Interest expenses relating to loans and borrowings, etc.	(2,012)	(2,026)
Interest expenses transferred to assets	782	449
Interest expenses, leasing	(261)	(177)
Interest element of provisions	(350)	(352)
Tax equity partner's contractual returns	(616)	(486)
Capital losses on securities at market value	(501)	(12)
Foreign exchange losses	(2,962)	(3,623)
Value adjustments of derivatives	(514)	(2,012)
Other financial expenses	(112)	(64)
Total financial expenses	**(6,546)**	**(8,303)**
Net financial income and expenses	**(2,166)**	**(2,524)**

Exchange rate adjustments of currency hedging are recognised in revenue and cost of sales with a loss of DKK 238 million (2020: a gain of DKK 1,059 million).

Borrowing costs transferred to property, plant, and equipment under construction are calculated at the weighted average effective interest rate for general borrowing. This amounted to 3.4 % in 2021 (2020: 3.3 %).

Accounting policies

Market value adjustments of interest rate and currency derivatives that have not been entered into for hedging purposes are presented as financial income or expenses.

The accounting policy for the tax equity partner's contractual return is described in note 3.8 'Tax equity liabilities'.

6. Risk management

Market and credit risks are a natural part of our business activities and a precondition for being able to create value. Through our risk management, we monitor these risks and reduced them to an acceptable level.

Volatile energy prices in 2021

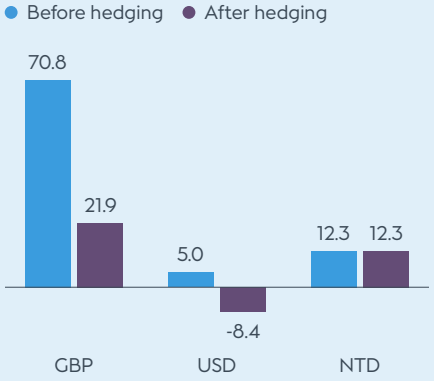
It has been an extraordinary year for the energy markets. It started with the unprecedented winter storm in Texas where extremely low temperatures caused a short period in February with extremely high power prices of up to USD 9,000 per MWh and ended with the European energy crunch where gas and power prices increased significantly in the last four months of the year.

Our current hedging policy implies that the majority of our expected energy price exposure within the first two years is hedged. Therefore, we are only impacted to a limited extent by short-term price fluctuations.

Trading portfolio

We have a limited trading portfolio with the main purpose of optimising the execution of hedging contracts and gains from short-term energy price fluctuations. Read more in note 6.7 'Energy trading portfolio'.

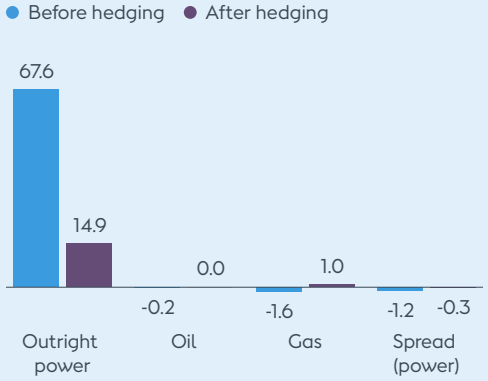
Currency exposure 2022-2026, DKKbn



For USD and NTD, we manage our risk to a natural time spread between front-end capital expenditures and long-term revenue. In the five year horizon, we are therefore seeing that our hedges increase our net exposure to USD, but in the longer horizon, our hedges reduce the USD risk.

We have a substantial exposure towards EUR. However, we do not deem EUR to constitute a risk, as we expect Denmark to maintain its fixed exchange-rate policy.

Energy exposure 2022-2026, DKKbn



Energy exposure before hedging is excluding revenue from fixed tariffs and guaranteed minimum prices as these do not contain any energy exposure.

Our outright power exposure has increased significantly in 2021 due to the large increase in power prices.

20 %

Our net inflation risk for assets in operation, under construction, and awarded is 20 % for the period 2022-2031, i.e. if inflation increases by 1.0 % points, our long term revenue will increase by 0.80 % points.

-31.8 bn

The value of hedging instruments (mainly power) that will impact EBITDA in the future amounts to a loss of DKK 31,804 million at 31 December 2021 (2020: DKK 1,278 million).

+0.8 bn

The deferred day one gains from corporate power purchase agreements (CPPAs) amount to DKK 834 million that will be recognised as revenue over the remaining life of the CPPAs (2020: DKK 736 million).

	Deferred for subsequent recognition at 31 December 2021			
Expected impact on EBITDA from hedges and CPPAs, DKKm	2022	2023	2024+	Total
Power	(15,187)	(6,060)	(5,851)	(27,098)
Gas and oil	233	(263)	(285)	(315)
Inflation and interest	(591)	(8)	(2,387)	(2,986)
Currency	(485)	(463)	(457)	(1,405)
Day one CPPAs	114	98	622	834
Total EBITDA impact from hedges and US CPPAs	**(15,916)**	**(6,696)**	**(8,358)**	**(30,970)**

The table shows the time of the transfer of gains/losses on hedging contracts in EBITDA together with deferred gains from CPPAs. The large negative value of power hedges will be offset by correspondingly higher power prices on our merchant power generation.

6.1 Market risk policy

Our most significant market risks relate to:
- energy and commodity prices
- foreign exchange rates
- interest rates and inflation.

The overall objective of our risk management is to:
- increase the predictability of the short-term earnings and cash flow by securing the price of energy and currency
- protect the long-term real value of 'shareholders' investment in Ørsted by matching fixed nominal cash flows from our assets with fixed nominal debt.

Review of hedging frameworks

In response to the European energy crunch and to adapt to the ever-changing energy markets, we are capturing learnings and investigating potential lasting changes to our energy hedging policy.

Managing short-term market risks

Our focus is on actively managing the market risks for the first five years. We primarily hedge future prices using derivatives to reduce cash flow fluctuations after tax.

Minimum hedging levels are currently determined by the Board of Directors. In the first two years, price risks are almost fully hedged. The degree of hedging declines in subsequent years due to:
- reduced certainty about long-term production volumes
- increasing hedging costs in the medium to long term, both spread costs and costs of collateral
- adverse impacts from collateral, potentially tying up large amounts of capital if hedging contracts become unfavourable.

Managing long-term market risks

Beyond the next five years, our market risk picture is determined by our strategic asset portfolio. Our power exposure is partly mitigated through long-term corporate power purchase agreements (CPPAs), and we use debt to manage our long-term currency, interest rate, and inflation risks.

Accounting policies

We apply hedge accounting to our commodity, currency, interest, and inflation hedges. Where possible, we use hedging instruments which hedge the desired risk one-to-one. The GBP exposure, for example, is hedged using GBP forward exchange contracts, GBP swaps, or GBP loans. Thus, there are no significant sources of ineffectiveness. For currency swaps, the basis spread is accounted for according to the cost of the hedging model.

To the extent that a risk needs to be hedged, and if there is no fully effective instrument available in the market, analyses are performed of the expected effectiveness of the hedging instrument before the hedging transaction is concluded. In this case, the ratio between the hedged risk and the hedging instrument may deviate from the one-to-one principle and will be determined as the ratio which most effectively hedges the desired risk.

We recognise changes to the market value of hedging instruments that qualify for recognition as a hedge of future cash flows in other comprehensive income in the hedging reserve. On realisation of the hedged cash flow, the resulting gains or losses are transferred from equity and recognised in the same item as the hedged item. However, on hedging of proceeds from future loans, the resulting gain or loss is transferred from equity over the term of the loan.

When we conclude a hedging transaction, and each time we present financial statements thereafter, we assess whether the hedged exposure and the hedging instrument are still financially correlated. If the hedged cash flows are no longer expected to be realised, the accumulated value change is transferred to profit (loss) for the year.

Changes in the market value of derivatives that are classified as hedges of the fair value of a recognised asset or liability are recognised in profit (loss) for the year together with changes in the value of the hedged asset or liability to the extent of the hedged risk.

6.2 Currency risks

Our forward-looking currency exposure from production, sales, investments, and divestments after hedging for the years 2022-2026 can be summarised as shown in the table.

Risk after hedging DKKbn	Effect of price change +10 %	-10 %
GBP: 21.9 sales position	+2.2	-2.2
USD: 8.4 buy position	-0.8	+0.8
NTD: 12.3 sales position	+1.2	-1.2

Therefore, a 10 % increase in the GBP/DKK exchange rate will result in a gain of DKK 2.2 billion over the period 2022-2026, all else remaining unchanged.

Our largest currency exposure stems from offshore wind farms in the UK, but activities in the US and Taiwan have increased our exposure to USD and NTD significantly.

Principles for managing currency risks

Highly certain cash flows in a foreign currency are actively managed within the first five years.

Exchange rate risks related to energy revenue in foreign currencies are hedged only after the energy price is hedged. Hence, the GBP exchange rate risk associated with power generation in the UK is hedged when the power price has been hedged.

In contrast, cash flows that relate to subsidised GBP income from offshore wind farms in the UK, less operating expenses, are hedged on a declining level of hedging over the five-year risk management horizon. The target is to hedge 100 % in year 1, declining by 20 percentage points each year to 20 % in year 5.

GBP exposure

Our GBP exposure amounted to DKK 21.9 billion after hedging for the years 2022-2026. This unhedged GBP exposure stems primarily from subsidised GBP income less operational expenditures.

The GBP exchange rate for hedges impacting EBITDA in 2022 and 2023 is hedged at an average of GBP/DKK 8.5 and 8.3, respectively.

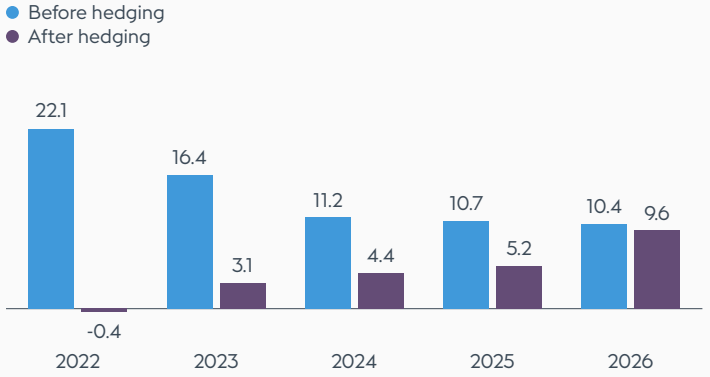
USD and NTD exposures

For our USD and NTD exposures from new markets, we have a limited existing portfolio against which we can net construction payments. Therefore, we seek to hedge the exchange rate risk in the near term by swapping out the exposure in time.

EUR exposure

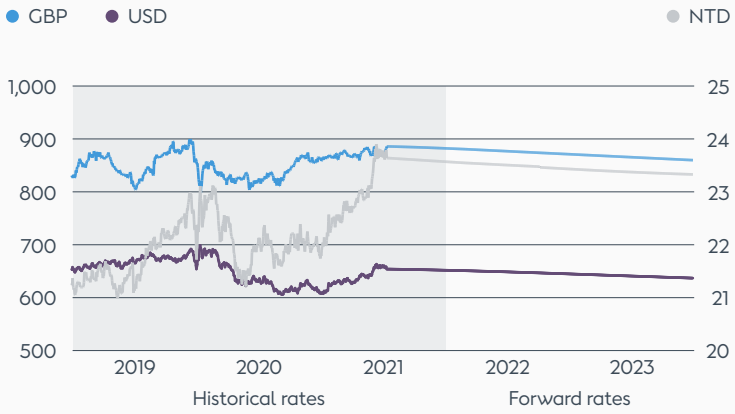
We have a substantial exposure towards EUR, which we assess on a continuous basis. EUR is generally not hedged, as we believe that Denmark will maintain its fixed exchange-rate policy.

GBP exposures, DKKbn



The graph shows our GBP exposure before and after hedges from:
- divestments and investments
- green certificates
- hedged energy.

Development in currency rates, DKKbn



The graph shows the historic development in spot currency rates for the past three years and the forward rates for 2022 and 2023 as of 31 December 2021.

Currency cash flow hedge accounting 2021, DKKm	Contractual principal amount	Maturity analysis 2022	2023	After 2023	Market value Asset	Liability	Recognised in comprehensive income	Expected transfers to income statement 2022	2023	After 2023
EBITDA impact										
Revenue (GBP)	31,256	6,706	8,810	15,740	-	(1,565)	(1,405)	(485)	(463)	(457)
Revenue (USD)	11	17	(2)	(4)	4	-	-	-	-	-
Divestments (GBP)	14,634	14,634	-	-	-	(247)	(234)	(234)	-	-
Impact on other line items										
Production assets (USD)	7	7	-	-	-	-	-	-	-	-
Interest payments (GBP)	1,075	490	585	-	101	-	103	47	56	-

2020, DKKm		2021	2022	After 2022				2021	2022	After 2022
EBITDA impact										
Divestments (USD)	1,098	1,098	-	-	98	(19)	29	29	-	-
Impact on other line items										
Production assets (USD)	83	77	6	-	23	(29)	(6)	(6)	-	-
Interest payments (GBP)	1,635	626	460	549	34	(42)	24	(30)	23	31

In 2021, we began to apply IFRS hedge accounting to energy and related FX hedges previously accounted for under the business performance principle.

Ineffectiveness from currency cashflow hedges in 2021 amounts to a loss of DKK 20 million (2020: DKK 0 million).

Currency fair value hedge accounting 2021, DKKm	Contractual principal amount	Maturity analysis 2022	2023	After 2023	Market value Asset	Liability
GBP (sell position)	19,046	-	-	19,046	130	-
EUR (sell position)	4,463	4,463	-	-	-	(4)
NTD (sell position)	6,379	-	-	6,379	427	-

2020, DKKm		2021	2022	After 2022		
GBP (sell position)	17,359	(520)	-	17,879	93	(1,128)
EUR (sell position)	4,466	-	4,466	-	-	-
NTD (sell position)	4,270	-	-	4,270	-	(131)

The fair value hedges are related to hedges of loans and receivables in the balance sheet.

Contracts accounted for at fair value through profit or loss (financial items) DKKm	2021 Contractual principal amount	2021 Market value	2020 Contractual principal amount	2020 Market value
Currency				
Forward exchange contracts	38,080	1	43,492	23

In 2021, the table shows cash management postions in EUR which are not hedge accounted. In 2020, the table includes FX related to commodities previously accounted for under the business performance principle.

Hedging of net investments in foreign subsidiaries

Our foreign activities entail currency risks. We hedge these currency risks by raising loans in foreign currencies and by entering into forward exchange contracts, currency swaps, and options.

On 31 December 2021, the accumulated exchange rate adjustments totalled DKK -845 million, divided between the exchange rate adjustment of the net investment of DKK 1,510 million and the hedging thereof of DKK -2,355 million.

Accounting policies

Hedging of net investments in foreign subsidiaries
Changes in the market value of derivatives and loans that are classified as net investment hedges in foreign subsidiaries or associates are recognised in the consolidated financial statements directly in equity within a separate foreign currency translation reserve.

Hedging of net investments in foreign subsidiaries, DKKm

Currency 2021	Net investment	Of which, non-controlling interests	Hedged amount in currency	Net position	Accumulated exchange rate adjustments in equity
GBP	74,278	(2,516)	(26,845)	44,917	(1,252)
EUR	32,861	-	(4,463)	28,398	(45)
USD	26,791	(555)	(13,620)	12,616	(250)
NTD	8,840	-	(6,379)	2,461	761
Other	1,763	-	-	1,763	(59)
Total	**144,533**	**(3,071)**	**(51,307)**	**90,155**	**(845)**
2020					
GBP	56,826	(2,705)	(33,949)	20,172	(3,014)
EUR	24,550	-	(4,466)	20,084	(33)
USD	17,317	-	(5,277)	12,040	(899)
NTD	11,409	-	(4,270)	7,139	121
Other	232	-	-	232	(44)
Total	**110,334**	**(2,705)**	**(47,962)**	**59,667**	**(3,869)**

		Maturity analysis			Market value	
Net investment hedges 2021, DKKm	Contractual principal amount	2022	2023	After 2023	Asset	Liability
GBP (sell poition)	26,845	887	3,047	22,911	-	(826)
EUR (sell position)	4,463	4,463	-	-	4	-
USD (sell position)	13,620	37	11,406	2,177	-	(359)
NTD (sell position)	6,379	-	-	6,379	-	(427)

2020, DKKm		2021	2022	After 2022		
GBP (sell position)	33,949	4,998	5,830	23,121	1,054	(89)
EUR (sell position)	4,466	-	4,466	-	-	-
USD (sell position)	5,277	(4,122)	4,807	4,593	401	-
NTD (sell position)	4,270	-	-	4,270	131	-

The net position expresses the accounting exposure. If, for example, the GBP/DKK exchange rate increased by 10 % on 31 December 2021, equity would have increased by DKK 4,492 million, corresponding to 10 % of DKK 44,917 million.

6.3 Energy and commodity price risks

Our forward-looking energy exposure after hedging from production and sales for the years 2022-2026 can be summarised as shown in the table.

Risk after hedging DKKbn	Effect of price change +10 %	-10 %
Power: 14.9 sales position	+1.5	-1.5
Gas: 1.0 sales position	+0.1	-0.1

Therefore, a 10 % increase in the power price will result in a gain of DKK 1.5 billion over the period 2022-2026, all else remaining unchanged.

Intro to hedging of power

We use fixed-volume hedges (flat profile during the day) to hedge risks associated with our power production. The fixed-volume hedges do not fully match the actual hourly production profile our wind farms deliver. This is referred to as intermittency risk. See 'Intermittency risk' graph to the right. To manage the intermittency risk, we adjust our fixed-volume hedges when approaching delivery to better match the expected production profile.

Offshore power generation

Earnings from power generation from offshore wind farms mainly comprise:

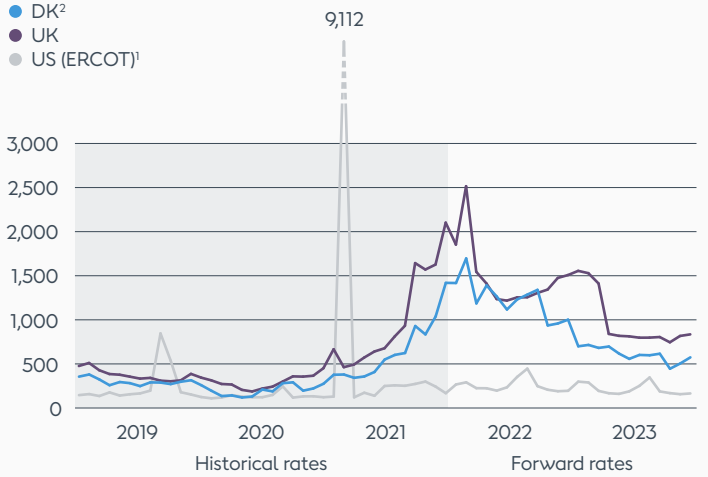
- fixed tariffs in Denmark, Germany, the Netherlands, the UK (CFD wind farms), the US, and Taiwan
- guaranteed minimum prices for green certificates in the UK (ROC wind farms)
- long-term power purchase agreements
- sale of power at market price from our wind farms with market price risks.

At the end of 2021, fixed tariffs and guaranteed minimum prices covered approx. 83 % of the expected income from offshore wind farms for the period 2022-2026. The remaining expected income is exposed to energy price risks and concerns sales of power at market price in the UK, Denmark, Germany, and the Netherlands. Part of this price risk has been reduced by entering into long-term corporate power purchase agreements (CPPAs).

Onshore power generation

A large part of the earnings in Onshore comes from power generation in the US, which comprises tax incentives, such as PTCs or ITCs, and power. The tax incentives have a fixed value. However, there is a price risk associated with the power which is reduced by entering into CPPAs. The current CPPAs cover approx. 75 % of the expected generation for the period 2022-2026 from the commissioning of the wind farm. The CPPAs are entered into with large corporates or financial institutions.

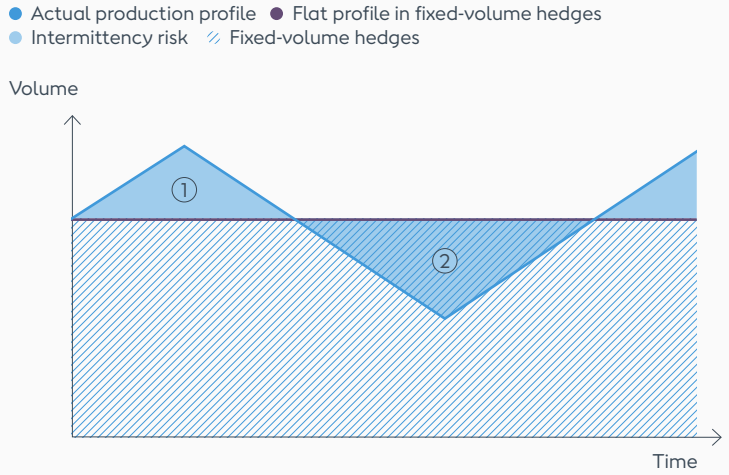
Development in power prices, DKK



The graph shows the historic development in monthly average spot power prices for the past three years and the forward rates for 2022 and 2023 as of 31 December 2021. The graph covers our main markets where we are exposed to power prices.

[1] Average of North and West.
[2] Average of DK1 and DK2.

Intermittency risk



The dark blue area illustrates the intermittency risk where our actual production is either above or below the fixed volume in our hedges. When the additional value of the production (volume x market price) in area 1 does not match the missing value of the production in area 2, our actual production will not fully match our fixed-volume hedges.

Power generation at our CHPs

Our combined heat and power (CHP) plants consist of biomass- and fossil-fuelled plants in Denmark. Heat generation accounts for a large share of the earnings and does not give rise to price risks, as the associated costs are covered by the heat customers. However, heat generation entails a price risk for power to the extent to which we generate heat and power simultaneously. The profitability of power generation is determined by the difference between the selling price of power and the purchase price of fuel and, for other fuels than biomass, carbon emission allowances. If the spreads are attractive, we provide condensing power generation in addition to the CHP generation. The total net risk associated with power from heat-bound CHP generation for the 2022-2026 period is DKK 0.3 billion after hedging.

Commodity risk for construction projects

When building a wind farm, we are exposed to the price development in a number of commodities, most significantly steel. Steel element indices have enabled hedging of parts of this risk. We have already hedged a substantial amount of the steel for foundations that will be delivered in 2022 and will continue to hedge more in the coming years.

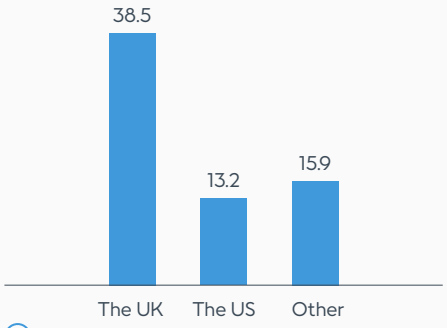
Gas sales

The price risk associated with sale of gas stems from differences in the indexing of sales and purchase prices. Our largest gas purchase contracts are mainly indexed to pure gas prices and thus no longer constitute a significant risk.

Power sales

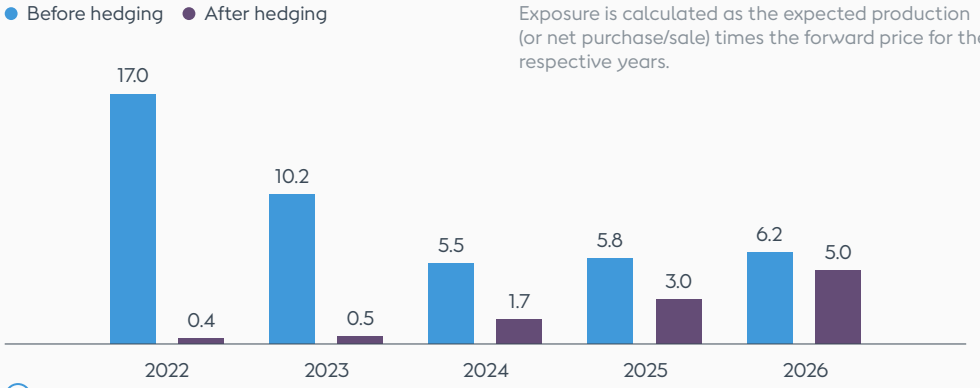
The price risk associated with power sales is given by the difference between the purchase and sales prices and is thus considered to be limited.

Ørsted´s power price exposure before hedges for 2022-2026 split on markets, DKKbn



The table shows our total exposure towards power prices before hedges for the period 2022-2026.

Offshore's power price exposure, DKKbn



The table shows the exposure from Offshore's generation of power before and after hedges.

Principles for estimating exposures

Exposure is calculated as the expected production (or net purchase/sale) times the forward price for the respective years.

Energy price cash flow hedge accounting 2021, DKKm	Contractual principal amount	Maturity analysis 2022	2023	After 2023	Market value Asset	Liability	Recognised in comprehensive income	Expected transfers to EBITDA/CAPEX 2022	2023	After 2023
EBITDA impact										
Power swaps and futures	25,452	6,934	5,511	13,007	8,058	(29,877)	(27,032)	(15,149)	(6,033)	(5,850)
Power options	587	733	(425)	279	644	(887)	(65)	(38)	(27)	-
Gas swaps, futures, options	3,721	3,151	268	302	5,545	(4,409)	(387)	162	(264)	(285)
Oil futures	9	(2)	10	1	-	-	13	12	1	-
Hedging production assets										
Steel	115	115	-	-	45	-	45	-	-	45
Oil futures	30	30	-	-	22	(1)	21	21	-	-

2020, DKKm		2021	2022	After 2022				2021	2022	After 2022
EBITDA impact										
Revenue (power in the US and Germany)	11,857	898	836	10,123	583	(656)	210	65	121	24
Hedging production assets										
Production assets (oil)	238	210	28	-	27	(2)	25	23	2	-

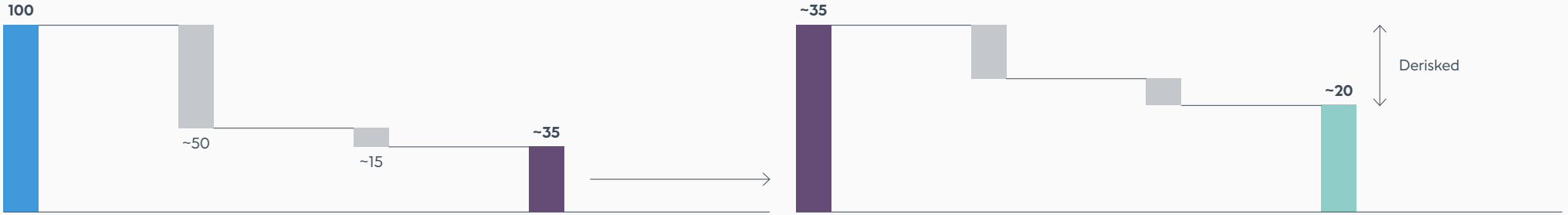
In 2021, we began to apply IFRS hedge accounting to energy and related FX hedges previously accounted for under the business performance principle.

In 2021, we recognised volume ineffectiveness related to power and gas hedges (primarily 2022) as well as price ineffectiveness throughout the trading horizon. In total, these amounted to DKK 1,074 million (2020: DKK 0 million).

Contracts accounted for at fair value through profit or loss (EBITDA), DKKm	2021 Contractual principal amount	2021 Market value	2020 Contractual principal amount	2020 Market value
Energy				
Oil swaps and options	550	(710)	604	(13)
Gas swaps	3,027	(4,507)	2,012	58
Gas options	537	-	-	-
Power swaps	2,836	(2,073)	9,008	(1,795)
Power options	-	-	7,111	116
Other	347	(86)	5	(7)

6.4 Inflation and interest rate risks

2022-2031 revenue from assets in operation, under construction, and awarded before debt, %



Total revenue	Inflation-indexed revenue	Merchant revenue	**Fixed nominal cash flows from assets**	**Fixed nominal cash flows from assets**	Duration-matched debt and hybrids	Derivatives	**Net inflation risk**
Contracts	ROC and CFD in UK and CFD in Poland for awarded projects, and heat contracts	Unhedged and unsubsidised power revenue	Subsidised and hedged power and CPPAs in Europe, the US, and Taiwan.				
Approach for handling	Passed to shareholders	Open exposure	Matched with fixed nominal debt and derivatives. Passed to debt and derivative holders.				

Inflation and interest rate risk

To a certain extent, our medium- to long-term earnings can be expected to follow the development in consumer and market prices, thereby protecting the real value of our assets and equity. This is the case for earnings related to our UK wind farms.

However, we are exposed to inflation risk on projects with fixed nominal cash flows, as an increase in inflation will erode the expected real value of the revenue. This is the case for:

- fixed nominal subsidies from offshore wind assets in Denmark, Germany, the Netherlands, Taiwan, and the US
- fixed nominal power purchase agreements related to onshore wind assets in the US and offshore wind assets in Europe and Taiwan
- fixed (hedged) nominal revenue from offshore wind assets in the UK.

A total of ~65 % of our expected revenue from assets in operation, under construction, or awarded for the period 2022-2031 will increase and decrease as inflation changes. The main reason for this is that ~50 % of our revenue is based on contracts indexed to inflation, and ~15% is based on merchant power prices.

The remaining ~35 % of the revenue is fixed and is therefore subject to real value loss if inflation increases. We actively manage the duration of debt and hybrid bonds to balance inflation risk by issuing fixed-rate debt and entering into derivatives. With active management, we have reduced our net inflation risk from ~35 % to ~20 %.

To create a better match with our fixed-rate UK debt, we have fixed the inflation for part of the future revenue from our UK offshore wind farms at an average retail price index (RPI) rate of 3.6 % for the priod 2024-2037 and an average consumer price index (CPI) rate of 2.7 % for the period 2030-2033.

Inflation-indexed revenue contracts reduce the impact on Ørsted's equity value from changes in interest rates by ~50 % as interest rates and inflation rates over time tend to correlate well.

Cash flow hedge accounting 2021, DKKm	Contractual principal amount	Maturity analysis 2022-26	2027-31	After 2031	Market value Asset	Liability	Recognised in comprehensive income	Expected transfers to income statement 2022	2023	After 2023
EBITDA impact										
Revenue (UK inflation)	31,326	6,792	11,503	13,031	-	(1,953)	(2,395)	-	(8)	(2,387)
Divestments (fixed inflation)	4,379	751	1,326	2,302	16	(872)	(414)	(414)	-	-
Divestments (fixed interest)	13,328	2,230	-	11,098	118	(59)	59	59	-	-
Gain/loss on divestment of enterprises										
Interest payments (fixed)	14,715	-	-	14,175	713	-	633	(25)	(16)	674

2020, DKKm		2021-25	2026-30	After 2030				2021	2022	After 2022
EBITDA impact										
Revenue (UK inflation)	19,709	2,827	7,692	9,190	1,231	(22)	1,209	-	-	1,209
Divestments (fixed interest)	3,337	-	3,337	-	-	(205)	(205)	(205)	-	-
Financial items impact										
Interest payments (fixed)	6,996	-	-	6,996	147	-	33	(34)	(25)	92

We hedge our UK inflation risk related to revenue from ROC and CFD wind farms. Further we hedge the interest and inflation risk related to divestments.

Contracts accounted for at fair value through profit or loss (financial items), DKKm	2021 Contractual principal amount	2021 Market value	2020 Contractual principal amount	2020 Market value
Interest rate swaps	8,833	39	6,924	(156)

Interest rate swaps are used to adjust the maturity of our bond portfolio.

6.5 Credit risks

We are exposed to credit risks from our trading partners and customers. A large part of our counterparty risks concerns major international energy companies and banks. Such trading is regulated under standard agreements, such as EFET and ISDA agreements, which feature, for instance, credit rating and netting provisions. Our credit exposure is mainly concentrated on counterparties in Denmark, the UK, Germany, and the US.

We limit our credit risks by:
- rating significant counterparties
- granting credit limits
- demanding that collateral be furnished, or credit insurance put in place for weak counterparties.

The counterparties and credit limits granted are monitored on an ongoing basis. The monitoring is based on the framework established by our Board of Directors and the Executive Committee. For the most significant counterparties, an internal rating is required to determine credit limits. The rating is based on information from external credit rating agencies, publicly available information, and our own analyses.

We have not suffered losses from any single major counterparty in 2021 or 2020.

The credit risks from our financial assets primarily concern derivatives, cash, securities, and receivables. The assessment is based on the individual counterparty's ratings with Standard & Poor's, Moody's, and Fitch. The figures do not reflect our actual credit exposure, as the positions are calculated before offsetting our debt to such counterparties.

Accounting policies

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

Credit quality of the Group's counterparties, DKKm	2021	2020
AAA/Aaa	18,215	21,498
AA/Aa	3,385	1,712
A/A	12,323	9,149
BBB/Baa	14,551	3,717
Non-rated	9,056	9,602
Total credit exposure	**57,530**	**45,678**

The AAA/Aaa category covers our position in Danish AAA-rated government and mortgage bonds. The non-rated category primarily consists of trade receivables from customers, such as end users.

Offsetting of financial assets, DKKm	Derivatives	Trade receivables	2021	Derivatives	Trade receivables	2020
Financial assets	79,781	43,203	122,984	9,302	13,655	22,957
Financial liabilities, offset	(57,533)	(38,009)	(95,542)	(4,467)	(11,842)	(16,309)
Financial assets in the balance sheet	**22,248**	**5,194**	**27,442**	**4,835**	**1,813**	**6,648**
Amounts not offset in the balance sheet:						
Liabilities with offsetting rights	(6,812)	-	(6,812)	(1,859)	-	(1,859)
Collateral received	(3,430)	-	(3,430)	(12)	-	(12)
Net	**12,006**	**5,194**	**17,200**	**2,964**	**1,813**	**4,777**

The table shows our financial assets and liabilities where a share is offset and therefore presented net. Offsetting is typically limited to specific products.

Offsetting of financial liabilities, DKKm	Derivatives	Trade payables	2021	Derivatives	Trade payables	2020
Financial liabilities	101,541	43,816	145,357	8,848	13,898	22,746
Financial assets, offset	(57,533)	(38,009)	(95,542)	(4,467)	(11,842)	(16,309)
Financial liabilities in the balance sheet	**44,008**	**5,807**	**49,815**	**4,381**	**2,056**	**6,437**
Amounts not offset in the balance sheet:						
Assets with offsetting rights	(6,812)	-	(6,812)	(1,859)	-	(1,859)
Collateral provided	(4,973)	-	(4,973)	(2,295)	-	(2,295)
Net	**32,223**	**5,807**	**38,030**	**227**	**2,056**	**2,283**

6.6 Fair value measurement

We measure our securities and derivatives at fair value. A number of our derivatives, mainly power purchase agreements, are measured based on unobservable inputs due to the long duration of the contracts. The most significant non-observable input is the long-term US power price (mainly ERCOT).

Valuation principles and key assumptions

In 2021, we have further developed our valuation methods, and we have now included intermittency as a separate assumption. See section 'Estimating non-observable power prices' for more details.

In order to minimise the use of subjective estimates or modifications of parameters and calculation models, it is our policy to determine fair values based on the external information that most accurately reflects the market values. We use pricing services and benchmark services to increase the data quality. Market values are determined by the Risk Management function, which reports to the CFO. The development in market values is monitored on a continuing basis and reported to the Executive Committee.

Deferred day one gain/losses from power purchase agreements

The deferred day one gains from CPPAs consist of the market value of CPPAs purchased as part of a business combination or asset acquisition. The CPPAs lock the power price of the expected power generation over a period of 10-20 years. These contracts are accounted for at fair value. Due to the long duration of these CPPAs, power prices are not observable for a large part of the duration.

The deferred gains/losses are recognised as revenue in profit or loss in the future period to which the market value relates. In 2021, we have recognised an income of DKK 139 million (2020: DKK 184 million) related to the deferred fair value of CPPAs not recognised in profit or loss at initial recognition. The total amount of deferred gains as of 31 December 2021 amounts to DKK 834 million (2020: DKK 736 million).

Significant non-observable inputs

Market values based on non-observable input comprise primarily long-term contracts on the purchase or sale of power and gas. Since there are no active markets for the long-term prices of power and gas, the market values have been determined through an estimate of the future prices.

Estimating non-observable power prices

Since our CPPAs are normally settled on the actual production, and the power prices available in the market are based on a constant production (flat profile), we take into account that our expected production is not constant, and thus our CPPAs will not be settled against a flat profile price (intermittency adjustment). For the majority of our markets, the flat profile power price can be observed for a maximum of four to six years in the market, after which an active market no longer exists.

	Assets			Liabilities
Fair value hierarchy, DKKm	Inventories	Derivatives	Securities	Derivatives
2021				
Quoted prices	2,773	5,574	-	8,799
Observable input	-	9,991	21,228	32,313
Non-observable input	-	1,229	-	8,677
Total 2021	**2,773**	**16,794**	**21,228**	**49,789**
2020				
Quoted prices	1,388	2,074	-	2,294
Observable input	-	3,627	25,173	3,534
Non-observable input	-	408	-	490
Total 2020	**1,388**	**6,109**	**25,173**	**6,318**

Derivatives valued on the basis of unobservable input, DKKm	2021	2020
Market value at 1 January	(82)	236
Value adjustments through profit or loss	(374)	(21)
Value adjustments through other comprehensive income	(5,997)	(228)
Sales/redemptions	29	(37)
Purchases/issues	(1,043)	56
Transferred from quoted prices and observable input	(3)	15
Transferred to quoted prices and observable input	22	(103)
Market value at 31 December	**(7,448)**	**(82)**

Unobservable input per commodity price input, DKKm	2021	2020
US power prices	(3,207)	-
German power prices	(2,914)	(228)
Other power prices	(1,139)	(21)
Gas prices	(188)	167
Total	**(7,448)**	**(82)**

The main unobservable inputs are US power prices and German power prices.

Overview of significant unobservable inputs and sensitivities	Power price (DKK)			Sensitivity (DKKm)	
	Weight average	Monthly minimum	Monthly maximum	+25%	-25%
Intermittency adjusted power price					
Germany (2025-2034)	553	331	981	(1,871)	1,871
Ireland (2023-2042)	645	449	1,608	(332)	332
US ERCOT (2022-2030)	220	93	646	(2,721)	2,779
US SPP (2022-2030)	220	123	361	(419)	441
US MISO (2022-2027)	213	107	366	(407)	441

The table shows the significant unobservable inputs used in the fair value measurements categorised as level 3 of the fair value hierarchy, together with a sensitivity analysis as at 31 December 2021. If intermittency-adjusted power prices in Germany as of 31 December 2021 increased/decreased by 25 %, the market value would decrease/increase by DKK 1,871 million.

Accounting policies

Market values based on quoted prices comprise quoted securities and derivatives that are traded in active markets. The market value of derivatives traded in an active market is often settled on a daily basis, thereby minimising the market value presented on the balance sheet.

Market values based on observable inputs comprise derivatives where valuation models with observable inputs are used to measure fair value.

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

In business combinations, gains (losses) at initial recognition of derivatives whose values are based on non-observable inputs are deferred and recognised in the period to which the value relates.

6.7 Energy trading portfolio

Trading portfolio

The purpose of our trading portfolio is to:
- optimise hedging contracts
- contribute to increased market insight
- profit from short-term fluctuations in energy prices.

The energy trading portfolio receives the exposure from our assets and takes that exposure into the external market in the most efficient way possible, given the mandates shown to the right. The overview of the Group's energy trading porfolio to the right is the net of the internal exposures received from the assets and the external trades in line with the internal risk management.

The trading portfolio consists primarily of positions in power and gas.

The trading portfolio constitutes a smaller part of our total portfolio of derivatives, and the associated risk is limited.

Accounting policies

Market value adjustments of physical and financial contracts relating to energy that are entered into with the purpose of generating gains from short-term price changes are recognised as revenue.

Overview of the Group's energy trading portfolio, DKKm

	2021		2020	
	Contractual principal amount	Market value	Contractual principal amount	Market value
Power swaps	4,980	1,618	3,225	341
Power options	4,724	5,297	7,208	(80)
Gas swaps and options	2,929	(4,093)	1,645	(24)
Oil swaps and options	434	(731)	548	(150)
Other	498	(58)	369	(8)

The contractual principal amount has been determined as the net position per derivative type.

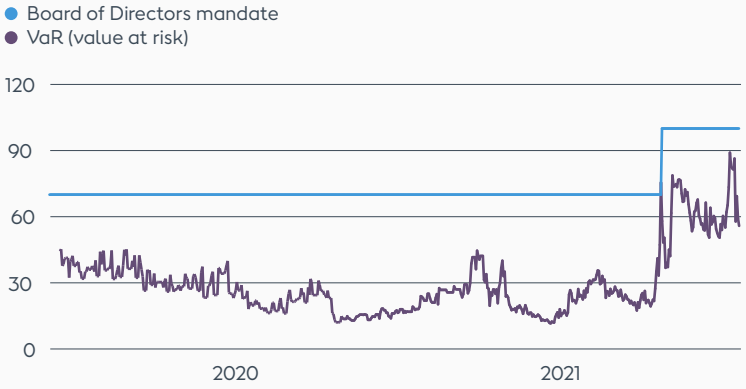
The risks associated with our options are smaller than for our swaps.

Market trading mandates

VaR limit in 2021: DKK 70/100 million	Stress limit in 2021: DKK 400 million	Maximum open positions in trading portfolio
VaR indicates the largest loss in one trading day at a probability of 95 %. VaR is based on data for the past 60 trading days, with the heaviest weighting being assigned to the most recent trading days.	Stress indicates the largest daily loss we risk sustaining with the given portfolio. Stress is based on data from 1 January 2006 to the present day.	– Max. 10 TWh of power – Max. 18 TWh of gas – Max. 4 million boe of oil – Max. 2 million tonnes of coal – Max. 3 million tonnes of carbon emissions

Trading activities are carried out within mandates approved by the Board of Directors. The mandates comprise a value-at-risk (VaR) mandate and a stress mandate as well as a limit for the maximum positions measured in energy units per product (power, gas, etc.).

Daily position in the trading portfolio, market trading mandates, DKKm



The graph shows the daily value-at-risk position for the period 2020-2021. VaR reached DKK 76 million on 14 September 2021, causing a passive breach of the Board of Directors mandate of DKK 70 million. This was due to increased volatility as a consequence of the extreme volatility in the market and price movements across European markets. The Board of Directors have increased the mandate to DKK 100 million due to the increased volatility.

6.8 Categories of financial instruments

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

The fair value of financial instruments measured at amortised cost is identical to the carrying amount with the exception of bank loans and issued bonds where the market value is stated in note 5.1 'Interest-bearing debt'.

The table shows our financial instruments divided into categories. The categories indicate how the financial instruments are recognised in the financial statement.

Categories of financial instruments, DKKm	2021	2020
Energy and currency derivatives	967	2,856
Securities	21,228	25,173
Financial assets measured at fair value via the income statement	**22,195**	**28,029**
Energy derivatives	14,314	610
Interest and inflation derivatives	847	1,378
Currency derivatives	666	1,265
Derivatives (assets) used as hedging instruments	**15,827**	**3,253**
Trade receivables	9,565	6,732
Other accounts receivable	24,111	9,468
Financial assets measured at amortised cost	**33,676**	**16,200**
Energy and currency derivatives	8,303	4,538
Financial liabilities measured at fair value via the income statement	**8,303**	**4,538**
Energy derivatives	35,174	658
Interest and inflation derivatives	2,884	240
Currency derivatives	3,428	864
Derivatives (liabilities) used as hedging instruments	**41,486**	**1,762**
Bank loans and issued bonds	50,995	36,766
Trade payables	20,231	9,742
Other accounts payable	7,368	4,282
Financial liabilities measured at amortised cost	**78,594**	**50,790**

West coast hub, Barrow-in-Furness, the UK.

6.9 Sensitivity analysis of financial instruments

The sensitivity analysis in the table shows the effect of market value changes, assuming a relative price change at 31 December 2021.

The effect on profit (loss) before tax comprises financial instruments that remained open at the balance sheet date, and which have an effect on profit (loss) in the current financial year.

Effect on equity before tax comprises financial instruments that remained open at the balance sheet date, and which are value-adjusted directly in equity.

Financial instruments include derivatives as well as receivables and payables in foreign currencies.

The illustrated sensitivities only comprise the impacts from our financial instruments.

If the hedged exposure had been included in the sensitivity analysis, the effect of a price change would have been reduced or offset entirely.

Net investments and associated hedging of net investments in foreign subsidiaries are not included in the table, as the effects of the sum of the investments and the hedging are considered to be neutral to changes in currencies.

Sensitivity analysis of financial instruments
DKKm

		31 December 2021		31 December 2020			
				Effect on profit (loss) before tax			
Risk	Price change	Effect on profit (loss) before tax	Effect on equity before tax	Price change	Trading portfolio	Other financial instruments[1]	Effect on equity before tax
Oil	25 %	(608)	32	10 %	(273)	12	26
	-25 %	608	(32)	-10 %	273	(12)	(26)
Gas	25 %	(731)	(375)	10 %	(218)	(57)	-
	-25 %	731	375	-10 %	217	57	-
Power	25 %	(549)	(12,152)	10 %	247	(1,403)	(1,571)
	-25 %	554	12,278	-10 %	(238)	1,396	1,114
USD	10 %	(451)	(440)	10 %	(112)	50	(281)
	-10 %	445	440	-10 %	112	(50)	281
GBP	10 %	(3,041)	(6,421)	10 %	118	(2,948)	155
	-10 %	3,041	6,421	-10 %	(118)	2,948	(155)
NTD	10 %	(134)	-	10 %	74	64	-
	-10 %	134	-	-10 %	(74)	(64)	-
EUR	1 %	67	67	1 %	(31)	(89)	(82)
	-1 %	(66)	(67)	-1 %	31	89	82
Interest	1 % point	(234)	1,737	1 % point	(276)	-	1,281
Inflation	1 % point	-	(4,419)	1 % point	-	-	(2,671)

[1] In 2020, other financial instruments, including derivatives classified as economic hedging, comprise derivatives entered into to hedge future financial risks. The market value changes of these contracts will be offset, in full or in part, by a change in the hedged risk. Also included are commercial contracts recognised at market value.

A 10 % increase in the currencies hedged in connection with net investments would reduce equity by DKK 5,131 million (2020: DKK 4,796 million).

7. Other notes

7.1 Related-party transactions

Related parties that have control over the Group comprise the Danish state, represented by the Danish Ministry of Finance.

Other related parties are the Group's associates and joint ventures, members of the Board of Directors and the Executive Board, and other senior executives.

See note 7.3 'Company overview' for an overview of our joint ventures and associates.

Related-party transactions are made on arm's length terms. Intra-group transactions have been eliminated in the consolidated financial statements.

The remuneration and share programmes for the Executive Committee and the Board of Directors are described in notes 2.7 'Employee costs' and 2.8 'Share-based payment'.

Through a directly owned company, Peter Korsholm, board member, has had ordinary transactions with Danish Oil Pipe A/S, a wholly-owned subsidiary in the Ørsted Group.

We use the exemption set out in IAS 24.25 concerning entities in which the Danish state is a related party, and therefore transactions with government-related companies are not disclosed.

There were no other related-party transactions during the period.

Joint ventures, DKKm	2021	2020
Dividends received and capital reductions	59	21
Capital transactions, net	43	65
Receivables	20	-
Payables	-	(5)

Associates, DKKm		
Capital transactions, net	(22)	(45)
Sale of goods and services	6	11
Purchase of goods and services	(136)	(156)
Receivables	1	-
Payables	(17)	(17)

Board of Directors, DKKm		
Purchase of goods and services	(8)	(21)

7.2 Auditor's fees

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

It is our policy that the annual fee for non-audit services provided by our statutory auditor cannot exceed the annual fee for statutory audit services measured at Group level. The cap may be exceeded subject to approval by the Audit & Risk Committee.

Other assurance engagements primarily included reviews of ESG data, assurance services related to the issuance of bonds, and reviews of regulatory financial statements.

Tax and VAT advice primarily included advice in connection with tax due diligence and advice in connection with the preparation of tax returns and employee taxation.

Other services included other consultancy services from PwC, primarily related to due diligence.

Fees for services other than statutory audit supplied by PwC Denmark to Ørsted amounted to DKK 4 million (2020: DKK 4 million) and consisted of assurance services related to the issuance of bonds, due diligence, review of ESG data, and other general accounting and tax advice.

Auditor's fees, DKKm	2021	2020
Audit and audit-related fees		
Statutory audit	22	20
Other assurance engagements	2	2
Non-audit services		
Tax and VAT advice	7	3
Other services	4	2
Total fees to PwC	**35**	**27**
Fee for non-audit services in percent of statutory audit fee	**41 %**	**32 %**
PwC Denmark non-audit service ratio	**58 %**	**56 %**

Effective from 1 January 2020, the non-audit services provided by the Group auditor in Denmark cannot exceed 70 %.

Our colleagues in Gentofte, Denmark.

7.3 Company overview

Segment/Company/registered office	Type[1]	Ownership interest
Parent Comapny		
Ørsted A/S		
Offshore		
Anholt Havvindmøllepark I/S[3], Fredericia, Denmark	JO	50 %
Borkum Riffgrund 2 Offshore Wind Farm GmbH & Co. oHG, Norden, Germany	JO	50 %
Borkum Riffgrund I Offshore Windpark A/S GmbH Cp oHG, Norden, Germany	JO	50 %
Borssele Windfarm C.V., 's-Gravenhage, the Netherlands	JO	50 %
Breesea Limited, London, the UK	S	100 %
Deepwater Wind Block Island LLC, Delaware, the US	S	100 %
Gode Wind 1 Offshore Wind Farm GmbH & Co. oHG, Norden, Germany	JO	50 %
Gode Wind 2 Offshore Wind Farm P/S GmbH, Norden, Germany	JO	50 %
Greater Changhua Offshore Wind Farm SE Ltd[2], Changhua County, Taiwan	JO	50 %
Gunfleet Sands Limited[2], London, the UK	S	50 %
Hornsea 1 Limited[2], London, the UK	JO	50 %
Horns Rev I Offshore Wind Farm I/S, Fredericia, Denmark	S	100 %
North East Offshore LLC, Delaware, the US	JO	50 %
Nysted I A/S, Fredericia, Denmark	S	86 %
Ocean Wind LLC[2], Delaware, the US	S	75 %
Orsted Burbo Extension Holding Ltd, London, the UK	S	100 %
Orsted Hornsea 1 Holdings Limited, London, the UK	S	100 %
Orsted London Array II Limited, London, the UK	S	100 %
Orsted Taiwan Ltd, Taipei City, Taiwan	S	100 %
Orsted Walney Extension Holdings Limited, London, the UK	S	100 %
Orsted Wind Power North America LLC, Delaware, the US	S	100 %
Race Bank Wind Farm Ltd[2], London, the UK	JO	50 %
Sonningmay Wind Limited, London, the UK	S	100 %
Soundmark Wind Limited, London, the UK	S	100 %
Walney (UK) Offshore Windfarms Limited, London, the UK	S	50 %
Walney Extension Limited[2], London, the UK	JO	50 %
West Of Duddon Sands[6], the UK	JO	50 %
Ørsted Wind Power A/S[4], Fredericia, Denmark	S	100 %
Onshore		
2W Permian Solar LLC, Delaware, the US	S	100 %
Dermott Wind LLC[5], Delaware, the US	S	100 %
Haystack Wind Project, LLC, Delaware, the US	S	100 %
Lincoln Land, LLC, Delaware, the US	S	100 %
Lockett Windfarm, Delaware, the US	S	100 %
Muscle Shoals Solar, LLC, Delaware, the US	S	100 %
Old 300 Solar Center, LLC, Delaware, the US	S	100 %
Orsted Ireland Green Energy Limited, Cork, Ireland	S	100 %
Orsted Race Bank (Holding) Limited, London, the UK	S	100 %
Orsted US Trading LLC, Delaware, the US	S	100 %
Plum Creek Wind, Delaware, the US	S	100 %
Sage Draw Wind, Delaware, the US	S	100 %
Tahoka Wind Class B Member LLC, Delaware, the US	S	100 %
Tahoka Wind LLC, Delaware, the US	S	100 %
Western Trail Wind, LLC, Delaware, the US	S	100 %
Willow Springs Class B Member LLC, Delaware, the US	S	100 %
Bioenergy & Other		
Danish Oil Pipe A/S[4], Fredericia, Denmark	S	100 %
Orsted AB, Malmö, Sweden	S	100 %
Orsted Power Sales (UK) Limited, London, the UK	S	100 %
Orsted Sales (UK) Limited, London, the UK	S	100 %
Orsted Sales GmbH, Hamburg, Germany	S	100 %
Ørsted Bioenergy & Thermal Power A/S[4], Fredericia, Denmark	S	100 %
Ørsted Salg & Service A/S[4], Fredericia, Denmark	S	100 %

[1] S = subsidiary
A = associate
JO = joint operation
JV = joint venture
NC = non-consolidated entity

[2] The company is owned through a company which is not owned 100 % by Ørsted. The disclosed ownership interest is Ørsted's ultimate ownership interest in the company.

[3] The company applies the provision in section 5 or section 6 of the Danish Financial Statements Act to omit presenting a separate annual report.

[4] Subsidiaries owned directly by Ørsted A/S.

[5] One or more tax equity partners own an insignificant share of the company. See note 4.5 'Tax equity liabilities'. The company is fully consolidated.

[6] Unincorporated activity which is owned jointly with partners.

Companies without significant activities are not included in the list.

A full comprehensive list of companies is available at: https://orsted.com/company-overview

Consolidated ESG statements

(additional information)

It is not hard to see the benefits of our renewable energy solutions for the global climate. But we also need to think about the impact of what we do on local habitats and ecosystems.

That is why we have committed to making sure every project from 2030 has a net-positive impact on biodiversity, meaning that wherever we work, species and their environment will thrive.

Basis of reporting

Consolidated environmental, social, and governance (ESG) statements

In the consolidated ESG statements, we present our results, objectives, and accounting policies for the ESG data, including business drivers and taxonomy-eligible data, that is presented in the management's review in this report.

Our full ESG data set can be seen in the independent publication 'ESG performance report 2021'. The ESG performance report also includes additional information, such as selected ESG indicators by country and all ESG accounting policies, including a list of references for conversion factors used in calculations.

Scope and consolidation

Unless otherwise stated, ESG data is reported on the basis of the same principles as the financial statements. Thus, the consolidated ESG statements include consolidated data from the parent company Ørsted A/S and subsidiaries controlled by Ørsted A/S. Joint operations are also included with Ørsted's proportionate share. Data from associates and joint ventures are not included.

The consolidation of safety data deviates from the above-described principles. Safety data is collected using an operational scope. This means that irrespective of our ownership share, we include 100 % of injuries and hours worked, etc., arising from all operations where Ørsted is responsible for safety, including safety related to external suppliers. Data from acquisitions and divestments are included or excluded from the date of acquisition or divestment.

Danish Financial Statements Act, sections 99 a, 99 b, and 107 d

Pursuant to section 99 a of the Danish Financial Statements Act (Årsregnskabsloven), Ørsted is under an obligation to account for the company's CSR activities and report on business strategies and activities with regard to human rights, labour rights, anti-corruption, the environment, and the climate. By publishing our sustainability report (orsted.com/sustainability2021), Ørsted complies with section 99 a of the Danish Financial Statements Act.

In line with the EU Taxonomy Regulation, we disclose Ørsted's share of revenue, OPEX, and CAPEX that is taxonomy-eligible for 2021. The results and full details, including accounting policies, can be found in the ESG performance report 2021, and highlights are presented as part of the sustainability programmes in the sustainability report 2021.

Ørsted's work for increased gender diversity at management level is reported in accordance with section 99 b of the Danish Financial Statements Act in our ESG performance report 2021 (orsted.com/ESGperformance2021).

Reporting on diversity in accordance with section 107 d of the Danish Financial Statements Act can be seen in our sustainability report (orsted.com/sustainability2021).

Business changes in 2021 affecting ESG data

There were no material business changes impacting the ESG data in 2021.

New ESG indicators in 2021

- Taxonomy-eligible revenue, OPEX, EBITDA, and CAPEX.
- Load factor and availability, solar PV.
- Greenhouse gas intensity (scope 1, 2, and 3).
- Gender with lowest representation (female).

ESG indicators discontinued in the ESG statements in 2021

These indicators can still be found in the ESG performance report 2021:

- Installed storage capacity.
- Generation capacity, onshore wind.
- Power generation capacity, thermal.
- Heat generation capacity.
- Coal share of fuels.
- Certified sustainable wooden biomass sourced.
- Avoided carbon emissions.

Our full ESG data set can be seen in the ESG performance report 2021 (orsted.com/ESGperformance2021).

13.0 GW

Our installed renewable capacity increased by 15 % from 2020 to 2021. We have a target of ~50 GW installed renewable capacity in 2030.

90 %

The green share of our heat and power generation was 90 % in 2021. We have a target of 99 % in 2025.

58 g CO_2e/kWh

Our scope 1 and 2 greenhouse gas intensity was 58 g CO_2e/kWh in 2021. Our targets are to reach 10 g CO_2e/kWh in 2025 and 1 g CO_2e/kWh in 2040.

66 %

In 2021, 66 % of Ørsted's revenue was associated with taxonomy-eligible activities.

ESG performance indicators

Taxonomy-eligible KPIs	Unit	2021
Taxonomy-eligible revenue	%	66
Taxonomy-eligible OPEX	%	80
Taxonomy-eligible EBITDA	%	90
Taxonomy-eligible CAPEX	%	99

Ørsted's share of revenue associated with taxonomy-eligible activities in 2021 was 66 %. This proportion predominantly included revenue from our wind and solar farms (56 %) and from our sustainable biomass-based activities at our Danish combined heat and power (CHP) plants (10 %).

Business drivers	Unit	Target	2021	2020
Installed renewable capacity	**MW**	**~50 GW (2030)**	**12,980**	**11,318**
Offshore	MW	~30 GW (2030)[1]	7,551	7,572
Onshore	MW	~17.5 GW (2030)[2]	3,351	1,668
Other (incl. PtX)	MW	~2.5 GW (2030)	2,078	2,078
Decided (FID'ed) renewable capacity	**MW**		**4,725**	**4,068**
Offshore	MW		3,386	2,286
Onshore	MW		1,337	1,782
Other (incl. PtX)	MW		2	-
Awarded and contracted renewable capacity	**MW**		**8,435**	**4,996**
Offshore	MW		8,435	4,996
Sum of installed and FID'ed capacity	**MW**		**17,705**	**15,386**
Offshore	MW		10,937	9,858
Onshore	MW		4,688	3,450
Other (incl. PtX)	MW		2,080	2,078
Firm capacity (sum of installed, FID'ed, and awarded/contracted capacity)	**MW**		**26,140**	**20,382**
Total heat and power generation	**GWh**		**36,957**	**32,095**
Power generation	GWh		29,050	25,424
– Offshore	GWh		13,808	15,248
– Onshore	GWh		8,352	5,738
– Bioenergy & Other	GWh		6,890	4,438
Heat generation, Bioenergy & Other	GWh		7,907	6,671

[1] Additional target of ~15 GW in 2025.
[2] The 17.5 GW (2030) target is for onshore wind power, solar PV power, and battery storage combined.

The installed renewable capacity increased by 15 % in 2021 due to the acquisitions of Brookfield Renewable (onshore wind, 327 MW) and Lincoln Land (onshore wind, 302 MW) and the commissioning of Western Trail (onshore wind, 367 MW), Permian Energy Center (solar PV, 420 MW_{AC}, and battery storage, 40 MW_{AC}), and Muscle Shoals (solar PV, 227 MW_{AC}).

The total energy generation increased by 15 % in 2021, driven by increased onshore and solar generation capacities and increased demands for thermal generation, partly offset by lower wind speeds.

Offshore power generation decreased by 9 % to 13.8 TWh in 2021 relative to 2020. The decrease was mainly due to significantly lower wind speeds and the divestment of 50 % of Borssele 1 & 2 in May 2021, partly offset by ramp-up of generation from Borssele 1 & 2.

Onshore generation increased by 9 % in 2021 relative to 2020. The increase was due to additional generation from our new onshore wind and solar farms, partly offset by lower onshore wind speeds.

Bioenergy & Other heat and power generation increased by 33 % in 2021 compared with 2020 due to increased heat demand in 2021 as a result of colder weather, and increased power generation from CHP generation driven by the heat demand and condensing power generation driven by the high power prices compared to 2020.

Business drivers (continued)	Unit	2021	2020
Offshore			
Generation capacity	MW	3,970	4,379
Wind speed	m/s	9.1	10.0
Wind speed, normal wind year	m/s	9.7	9.7
Availability	%	94	94
Load factor	%	39	45
Power sales	GWh	25,020	29,152
Onshore			
Wind speed, the US	m/s	7.4	7.6
Wind speed, normal wind year, the US	m/s	7.6	7.5
Availability, wind, the US	%	96	96
Load factor, wind, the US	%	42	45
Availability, solar PV	%	96	-
Load factor, solar PV	%	24	-
Bioenergy & Other			
Degree days, Denmark	Number	2,820	2,432
Gas sales	GWh	61,349	90,347
Power sales	GWh	8,797	11,623
Ørsted			
Power sales[1]	GWh	25,020	29,152

[1] Offshore is responsible for Ørsted's total power sales, including inter-company power sale to Bioenergy & Other, which is eliminated at Ørsted level.

Offshore wind speeds were significantly lower in 2021 compared to 2020, while availabilty continued to be at 94 %, resulting in the load factor decreasing by 6 %-points from 45 % in 2020 to 39 % in 2021.

Onshore wind speeds were lower in 2021 compared to 2020. Availability was at the same level in 2021 as in 2020. This led to a 3 %-points lower load factor in 2021 compared to 2020.

Gas sales decreased by 29.0 TWh to 61.3 TWh in 2021 compared to 2020. Power sales (Offshore) decreased by 4.1 TWh to 25.0 TWh in 2021 compared to 2020, and power sales (Bioenergy & Other) decreased by 2.8 TWh to 8.8 TWh in 2021 compared to 2020.

Environment	Unit	Target	2021	2020
Green share of energy generation	**%**	**95 (2023), 99 (2025)**	**90**	**90**
– Bioenergy & Other	%		76	71
Direct greenhouse gas (GHG) emissions (scope 1)	Thousand tonnes CO_2e		2,142	1,851
Indirect GHG emissions (scope 2), location-based	Thousand tonnes CO_2e		53	111
Indirect GHG emissions (scope 2), market-based	Thousand tonnes CO_2e		1	2
Indirect GHG emissions (scope 3)	**Thousand tonnes CO_2e**	**50 % reduction (2032)[1]**	**18,179**	**25,333**
– Category 2: Capital goods[2]	Thousand tonnes CO_2e		1,621	657
– Category 3: Fuel- and energy-related activities[3]	Thousand tonnes CO_2e		2,011	2,437
– Category 11: Use of sold products[4]	Thousand tonnes CO_2e	90 % reduction (2040)[1]	14,206	21,980
– Other	Thousand tonnes CO_2e		341	259
GHG intensity (scope 1 and 2)	g CO_2e/kWh	10 (2025)[5], 1 (2040)	58	58
GHG intensity (scope 1, 2, and 3)	g CO_2e/kWh	2.9 (2040)[6]	165	162

[1] A reduction from the adjusted base year 2018.
[2] Primary source of emission: wind farm suppliers.
[3] Primary source of emission: regular power sales.
[4] Primary source of emission: natural gas sales.
[5] Additional target of 20 g CO_2e/kWh (2023).
[6] Excludes scope 3 emissions from use of sold products (natural gas sales).

The green share of our energy generation continued to be 90 % in 2021, in line with 2020. This was primarily due to increased renewable generation from onshore wind, solar PV, and sustainable biomass, offset by reduced offshore wind power generation. Our target is 99 % green energy generation by 2025.

Our greenhouse gas (GHG) intensity (scope 1 and 2) also continued to be at the same level as in 2020 due to an approx. 15 % increase in both scope 1 and 2 GHG emissions and energy generation. We are well on track to meeting our target of a GHG emission intensity of no more than 10 g CO_2e/kWh in 2025.

Our scope 3 GHG emissions were reduced by 28 % from 2020 to 2021. The main driver for this was the 32 % decrease in gas sales, primarily due to the divestment of the LNG business in December 2020, which resulted in a 35 % decrease in category 11 GHG emissions. This decrease was partly offset by a 147 % increase in our category 2 GHG emissions from the supply chain and installation of our new onshore wind and solar farms.

Social	Unit	Target	2021	2020
Employees				
Total number of employees (as of 31 December)	FTEs		6,836	6,179
– Gender with lowest representation (female)	%	40 (2030)[1]	31	30
Average number of employees during the year	FTEs		6,508	6,429
Employee satisfaction	Index 0-100	Top 10 % (ongoing)[2]	77	78
Safety				
Total recordable injury rate (TRIR)	Injuries per million hours worked	2.5 (2025)	3.0	3.6
Fatalities	Number		0	0

[1] Our new 2030 gender diversity target will be measured against three scopes: (1) senior directors and above, (2) people managers, and (3) all employees.
[2] Our ongoing annual target is an employee satisfaction survey result in the top 10 % compared with an external benchmark group.

The number of employees increased by 11 % from 2020 to 2021 due to growth in both existing and new markets.

Employee satisfaction continued to be high. With a satisfaction and motivation score of 77 in 2021, we were above our external survey provider's benchmark, but just below our target of being in the top 10 % compared to our benchmark peer group.

Our total recordable injury rate (TRIR) decreased from 3.6 in 2020 to 3.0 in 2021. The decline was driven by both an overall improvement in our workplace safety and by the full-year effect of the divestment of our Danish power distribution, residential customer, and city light businesses in 2020. As we almost achieved our previous TRIR target of 2.9 in 2025, we have raised our ambition to a target of 2.5 by 2025.

Governance	Unit	2021	2020
Board of Directors, Ørsted A/S			
Independent board members	%	88	100
Members, female	Number	3	2
Members, male	Number	5	4
Gender with lowest representation (female)	%	38	33
Executive Committee			
Members, female	Number	2	2
Members, male	Number	4	5
Gender with lowest representation (female)	%	33	29
Substantiated whistle-blower cases	**Number**	**5**	**4**
– Cases transferred to the police	Number	0	1

Our employees and other associates may report serious offences, such as cases of bribery, fraud, and other inappropriate or illegal conduct, to our whistle-blower scheme or through our management system. In 2021, five substantiated cases of inappropriate or unlawful behaviour were reported through our whistle-blower scheme. Four cases related to the workplace environment, and one case concerned IT security. None of the reported cases were critical to our business, nor caused adjustments to our financial results. None of the cases required a police report.

Accounting policies

Taxonomy-eligible KPIs

Taxonomy-eligible revenue
The share of Ørsted's taxonomy-eligible revenue is calculated as the revenue derived from products or services associated with taxonomy-eligible economic activities as a proportion of Ørsted's total net revenue (see p. 90).

Taxonomy-eligible OPEX
The share of Ørsted's taxonomy-eligible OPEX is calculated as the OPEX related to assets or processes associated with taxonomy-eligible economic activities as a proportion of Ørsted's OPEX that is included in 'Other external expenses' (see p. 73).

Taxonomy-eligible EBITDA
The share of Ørsted's taxonomy-eligible EBITDA is calculated as the EBITDA derived from products or services associated with taxonomy-eligible economic activities as a proportion of Ørsted's total net EBITDA (see p. 73).

Taxonomy-eligible CAPEX
The share of Ørsted's taxonomy-eligible CAPEX is calculated as the CAPEX related to assets or processes associated with taxonomy-eligible economic activities as a proportion of Ørsted's CAPEX that is accounted for based on IAS 16 (73: (e) (i) and (iii)), IAS 38 (118: (e) (i)), and IFRS 16 (53: (h)) and thereby included in 'Additions' (see p. 101).

Business drivers

Installed renewable capacity
The installed renewable capacity is calculated as renewable gross capacity installed by Ørsted accumulated over time. We include all capacities after commercial operation date (COD) has been reached, and where we had an ownership share and an EPC role (engineering, procurement, and construction) in the project. Capacities from acquisitions are added to the installed capacity. For installed renewable thermal capacity, we use the heat capacity as heat is the primary outcome of thermal energy generation, and as bioconversions of the combined heat and power (CHP) plants are driven by heat contracts.

Decided (FID'ed) renewable capacity
Decided (FID'ed) capacity is renewable capacity for which a final investment decision (FID) has been made.

Awarded and contracted renewable capacity
The awarded renewable capacity is based on the capacities which have been awarded to Ørsted in auctions and tenders. The contracted capacity is the capacity for which Ørsted has signed a contract or power purchase agreement (PPA) concerning a new renewable energy plant. We include the full capacity if more than 50 % of PPAs or offtake are secured.

Heat and power generation
Power generation from wind and solar farms is calculated as generation sold. The offshore wind farms Gunfleet Sands 1 & 2 and Walney 1 & 2 have been consolidated according to ownership interest. Other wind farms, solar farms, and CHP plants are financially consolidated.

Thermal power generation is determined as net generation sold, based on settlements from the official Danish production database. Data for generation from foreign facilities are provided by the operators.

Heat (including steam) generation is measured as net output sold to heat customers.

Power generation capacity
Power generation capacity from an offshore wind farm is calculated and included from the time when the individual wind turbine has passed a 240-hour test.

The offshore wind farms Gunfleet Sands 1 & 2 and Walney 1 & 2 have been consolidated according to ownership interest. Other wind farms have been financially consolidated.

Wind speed
Wind speeds for the areas where Ørsted's offshore and onshore wind farms are located are provided to Ørsted by an external supplier, except for our new Irish onshore assets where wind speeds are measured on site. Wind speeds are weighted on the basis of the capacity of the individual wind farms and consolidated to an Ørsted total for offshore and onshore, respectively. 'Normal wind speed' is a historical wind speed average (over a minimum 20-year period).

Availability
Availability is calculated as the ratio of actual production to the possible production, which is the sum of lost production and actual production in a given period. The production-based availability (PBA) is impacted by grid and wind turbine outages, which are technical production losses. PBA is not impacted by market-requested shutdowns and wind farm curtailments as these are due to external factors. Total availability is determined by weighting the individual wind farm's availability against its capacity.

Load factor
The load factor is calculated as the ratio between actual generation over a period relative to potential generation, which is possible by continuously exploiting the maximum capacity over the same period. The load factor is commercially adjusted. This means that the offshore wind farm has been financially compensated by the transmission system operators when it is available for generation, but the output cannot be supplied to the grid due to maintenance or grid interruptions. New offshore wind turbines are included in the calculations of availability and load factor once they have passed a 240-hour test. Onshore wind turbines are included once they have passed commercial operation date (COD).

Degree days
The number of degree days expresses the difference between an average indoor temperature of 17 °C and the outside mean temperature for a given period. It helps compare the heat demand for a given year with a normal year.

Sales
Sales of power and gas are calculated as physical sales to retail customers, wholesale customers, and exchanges. Sales are based on readings from Ørsted's trading systems. Internal sales to Bioenergy are not included in the statement.

Environment

Green share of energy generation
The green (renewable energy) share of our heat and power generation and the distribution of the generation volume on the individual energy sources and fuels are calculated on the basis of the energy sources used and the energy generated at the different energy plants.

For combined heat and power (CHP) plants, the share of the specific fuel (e.g. sustainable biomass) is calculated relative to the total fuel consumption for a given plant or unit within a given time period. The specific fuel share is then multiplied by the total heat and power generation for the specific plant or unit in the specific period. The result is the fuel-based generation for the individual unit, for example the sustainable biomass-based generation of heat and power from the CHP plant unit within a given time period.

The percentage shares of the individual energy sources are calculated by dividing the generation from the individual energy source by the total generation.

The following energy sources and fuels are considered to be renewable energy: wind, solar PV, sustainable biomass, biogas, and power sourced with renewable energy certificates. The following energy sources are considered to be fossil energy sources: coal, natural gas, and oil.

Green share of energy generation, Bioenergy & Other
This is calculated as the green share of heat and power generation, but is only shown for the business unit Bioenergy & Other.

Greenhouse gas (GHG) intensity
GHG intensity (scope 1 and 2) is calculated as total scope 1 and scope 2 (market-based) emissions divided by total heat and power generation, revenue, and EBITDA, respectively.

GHG intensity (scope 1, 2, and 3) is calculated as total scope 1, scope 2 (market-based), and scope 3 emissions (excluding natural gas sales) divided by total heat and power generation.

Scope 1 and 2 greenhouse gas (GHG) emissions
Scope 1 and 2 GHG emissions are calculated based on the Greenhouse Gas Protocol.

Scope 1 GHG emissions cover all direct emissions of greenhouse gases from Ørsted. The direct carbon emissions from the combined heat and power plants are determined on the basis of the fuel quantities used in accordance with the EU Emissions Trading System (ETS). Carbon dioxide and other greenhouse gas emissions outside the EU ETS scheme are, for the most part, calculated as energy consumptions multiplied by emission factors.

Scope 2 GHG emissions include the indirect GHG emissions from the generation of power, heat, and steam purchased and consumed by Ørsted. Scope 2 emissions are primarily calculated as the power volumes purchased multiplied by country-specific emission factors. Location-based emissions are calculated based on average emission factors for each country, whereas market-based emissions take the green power purchased into account and assume the regular power is delivered as residual power where the green part has been taken out.

Scope 3 greenhouse gas (GHG) emissions
Scope 3 GHG emissions are reported based on the Greenhouse Gas Protocol, which divides the scope 3 inventory into 15 subcategories.

GHG emissions from capital goods include upstream GHG emissions from acquired and installed wind and solar farms in the month when the wind or solar farm has reached commercial operation date (COD). Carbon emissions are included from cradle to operations.

GHG emissions from fuel- and energy-related activities are calculated based on actual fuel consumption and power sales, multiplied by relevant emission factors. We include all power sales to end customers and use separate emission factors for green (with certificates) and regular (without certificates) power sales.

GHG emissions from use of sold products are calculated based on actual sales of gas to both end users and wholesale as reported in our ESG consolidation system. The total gas sale is divided into natural gas, LNG, and biogas which have specific upstream and downstream emission factors.

'Other' includes GHG emissions from:
- category 1: Purchased goods and services
- category 4: Upstream transportation and distribution
- category 5: Waste generated in operations
- category 6: Business travel
- category 7: Employee commuting
- category 9: Downstream transportation and distribution.

Social

Employees
Employee data is recognised based on records from the Group's ordinary registration systems. The number of employees is determined as the number of employees at the end of each month converted to full-time equivalents (FTEs). Employees who have been made redundant are recognised until the expiry of their notice period, regardless of whether they have been released from all or some of their duties during their notice period.

'Gender with the lowest representation (female)' represents the gender distribution of the total workforce in Ørsted.

Employee satisfaction
Ørsted conducts a comprehensive employee satisfaction survey once a year. With a few exceptions, all Ørsted employees are invited to participate in the survey. The following employees are omitted from the survey results: employees who joined the company shortly before the employee satisfaction survey, employees who resigned shortly after the employee satisfaction survey, interns, consultants, advisers, and external temporary workers who do not have an employment contract with Ørsted.

Safety
Occupational injuries are calculated according to operational scope. Data from companies wholly- or partly-owned by Ørsted, and where Ørsted is responsible for safety, is included. Occupational injuries and lost-time injuries are calculated for both our own employees and our contractors. Data from all Ørsted locations is recognised.

The total recordable injury rate (TRIR) is calculated as the number of total recordable injuries per one million hours worked. The number of hours worked is based on 1,667 working hours annually per full-time employee and monthly records of the number of employees converted into full-time employees. For suppliers, the actual number of hours worked is recognised on the basis of data provided by the supplier, access control systems at locations, or estimates.

Fatalities are the number of employees who lost their lives as a result of a work-related incident.

Governance

Board of Directors of Ørsted A/S
The employee representatives on the Board of Directors are not included in the data for the Board of Directors.

Executive Committee
The Executive Committee consists of the Executive Board (our CEO, our CFO, and our Deputy Group CEO and CCO) and three additional members who undertake the day-to-day management of Ørsted.

Substantiated whistle-blower cases
Ørsted's whistle-blower hotline is available for internal and external reporting of suspected cases of inappropriate or illegal behaviour. Whistle-blower cases are received and handled by the Internal Audit function which also receives similar reports through the management system and from compliance officers. All reports are managed in accordance with the guidelines for the handling of whistle-blower reports approved by the Audit & Risk Committee, which is ultimately responsible for the whistle-blower scheme. Only cases which are closed during the financial year, and which have been reported to the Audit & Risk Committee as fully or partially substantiated, are reported.

Cases transferred to the police
Cases transferred to the police are defined as the number of cases reported in accordance with the above which have been transferred to the police.

Parent company financial statements

Energy from onshore wind and solar is in demand. In 2021, we've signed power purchasing agreements with several corporations in the US to offtake power we generate at sites across the states of Texas, Nebraska, and South Dakota.

That gives them reliable access to renewable energy. And it gives us the financial security to keep building out our green energy solutions across the US.

Income statement

1 January - 31 December

Note	Income statement, DKKm	2021	2020
	Revenue	198	359
2	Employee costs	(62)	(35)
	External expenses	(188)	(315)
	Operating profit (loss) before depreciation, amortisation, and impaiment losses (EBITDA)	**(52)**	**9**
	Amortisation, depreciation, and impairment losses on property, plant, and equipment	(111)	(117)
	Operating profit (loss) (EBIT)	**(163)**	**(108)**
	Gain/losses on divestment of enterprises	(1,186)	9,110
3	Financial income	29,420	21,690
3	Financial expenses	(10,967)	(12,125)
	Profit (loss) before tax	**17,104**	**18,567**
4	Tax on profit (loss) for the year	142	611
5	**Profit (loss) for the year**	**17,246**	**19,178**

Balance sheet

31 December

Note	Assets, DKKm	2021	2020
6	Land and buildings	791	894
	Property, plant, and equipment	**791**	**894**
7	Investments in subsidiaries	36,150	28,778
8	Receivables from subsidiaries	107,894	80,893
4	Deferred tax	160	-
	Otherreceivables	15	-
	Financial assets	**144,219**	**109,671**
	Non-current assets	**145,010**	**110,565**
	Receivables from subsidiaries	22,097	29,950
9	Derivatives	7,328	4,065
	Other receivables	4,289	228
	Income tax	-	254
	Receivables	**33,714**	**34,497**
10	Securities	20,417	24,424
	Cash	3,169	1,219
	Current assets	**57,300**	**60,140**
	Assets	**202,310**	**170,705**

Note	Equity and liabilities, DKKm	2021	2020
	Share capital	4,204	4,204
	Reserves	573	43
	Retained earnings	49,411	38,152
	Proposed dividends	5,255	4,834
	Equity attributable to shareholders in Ørsted A/S	**59,443**	**47,233**
11	Hybrid capital	17,984	13,232
	Equity	**77,427**	**60,465**
4	Deferred tax	-	119
12	Other provisions	1,819	729
11	Lease liabilities	714	806
11	Bond and bank debt	25,128	28,579
	Payables to subsidiaries	310	-
	Non-current liabilities	**27,971**	**30,233**
12	Other provisions	99	133
	Lease liabilities	121	120
	Bond and bank debt	19,081	2,956
9	Derivatives	7,523	3,214
	Trade payables	44	55
	Payables to subsidiaries	68,769	70,615
	Other payables	813	2,914
	Income tax	462	-
	Current liabilities	**96,912**	**80,007**
	Liabilities	**124,883**	**110,240**
	Equity and liabilities	**202,310**	**170,705**

Statement of changes in equity

1 January - 31 December

Statement of changes in equity, DKKm	Share capital	Hedging reserve	Retained earnings	Proposed dividends	Shareholders in Ørsted A/S	Hybrid capital	Total
Equity at 1 January 2021	4,204	43	38,152	4,834	47,233	13,232	60,465
Profit (loss) for the year	-	-	16,506	-	16,506	740	17,246
Dividends paid	-	-	4	(4,834)	(4,830)	-	(4,830)
Proposed dividends	-	-	(5,255)	5,255	-	-	-
Value adjustments of hedging instruments	-	643	-	-	643	-	643
Value adjustments transferred to financial income and expenses	-	33	-	-	33	-	33
Tax on changes in equity	-	(146)	-	-	(146)	86	(60)
Coupon payments, hybrid capital	-	-	-	-	-	(430)	(430)
Additions, hybrid capital	-	-	-	-	-	7,327	7,327
Disposals, hybrid capital	-	-	-	-	-	(2,971)	(2,971)
Share based payments	-	-	4	-	4	-	4
Changes in equity in 2021	**-**	**530**	**11,259**	**421**	**12,210**	**4,752**	**16,962**
Equity at 31 December 2021	**4,204**	**573**	**49,411**	**5,255**	**59,443**	**17,984**	**77,427**
Equity at 1 January 2020	4,204	(81)	24,350	4,414	32,887	13,232	46,119
Profit (loss) for the year	-	-	18,690	-	18,690	488	19,178
Dividends paid	-	-	4	(4,414)	(4,410)	-	(4,410)
Proposed dividends	-	-	(4,834)	4,834	-	-	-
Purchase of treasury shares	-	-	(58)	-	(58)	-	(58)
Value adjustments of hedging instruments	-	72	-	-	72	-	72
Value adjustments transferred to financial income and expenses	-	89	-	-	89	-	89
Tax on changes in equity	-	(37)	-	-	(37)	-	(37)
Coupon payments, hybrid capital	-	-	-	-	-	(488)	(488)
Changes in equity in 2020	**-**	**124**	**13,802**	**420**	**14,346**	**-**	**14,346**
Equity at 31 December 2020	**4,204**	**43**	**38,152**	**4,834**	**47,233**	**13,232**	**60,465**

Share capital composition and dividends are disclosed in note 5.2 'Equity' to the consolidated financial statements. Information on treasury shares is available in the note.

1. Basis of reporting

Accounting policies

The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Statements Act ('Årsregnskabsloven') (reporting class D).

The Danish Financial Statements Act allows us to use certain IFRS standards to interpret the act. Therefore, we have previously implemented IFRS 15 'Revenue' and IFRS 16 'Leases'.

The accounting policies remain unchanged from the previous year.

Unless otherwise stated, the financial statements are presented in Danish kroner (DKK) rounded to the nearest million.

The parent company accounting policies are consistent with the accounting policies described for the consolidated financial statements, with the following exceptions.

Foreign currency translation

We recognise exchange rate adjustments of receivables from and payables to subsidiaries as financial income and expenses in the income statement when the balances are accounted for as part of the total net investment in foreign enterprises. Likewise, we recognise foreign exchange gains and losses on loans and derivatives in the income statement as financial income and expenses when they have been entered into to hedge the net investment in the foreign enterprises.

Revenue

Rental income comprises income from commercial leases and is recognised over the term of the lease. Income from services is recognised when delivery has taken place.

Dividends from investments

Dividends from subsidiaries and associates are recognised in the income statement for the financial year in which the dividends are approved at the annual general meeting. If the dividends exceed the total income after takeover, the dividends are recognised as a reduction of the cost of the investment under assets.

Investments

We measure our investments in subsidiaries and associates at cost. If there is any indication that the value of a company is lower than our future earnings in the company, impairment testing of the company is carried out as described in the consolidated financial statements. The carrying amount is written down to the recoverable amount whenever the carrying amount exceeds the future earnings in the company (recoverable amount).

If we have a legal or constructive obligation to cover a deficit in subsidiaries and associates, we recognise a provision for this.

Tax

Ørsted A/S is taxed jointly with its Danish subsidiaries. The jointly taxed companies are part of joint taxation with the parent company as the management company.

Subsidiaries are included in the joint taxation from the date they are consolidated in the consolidated financial statements and up to the date on which they are no longer consolidated.

Current tax for 2021 is recognised by the individual, jointly taxed companies.

Statement of cash flows

We do not prepare a separate statement of cash flows for the parent company. Reference is made to the consolidated statement of cash flows on page 77.

Key accounting estimates

In connection with the preparation of the financial statements, a number of accounting estimates have been made that affect the profit (loss) and balance sheet. Estimates are regularly reassessed by management on the basis of historical experience and other relevant factors.

Impairment test

If there is any indication that the carrying amount is lower than our future earnings in a company, we test for impairment as described in the consolidated financial statements. The future earnings of the company (recoverable amount) are calculated based on assumptions concerning significant estimates.

The West Coast Hub, Barrow-in-Furness, The UK.

2. Employee costs

Employee costs, DKKm	2021	2020
Wages and salaries	50	29
Share-based payment	4	-
Pensions and social costs	2	1
Remuneration	6	5
Total employee costs	**62**	**35**

Salaries and remuneration of the Executive Board, DKK '000	2021	2020
Fixed salary	31,250	17,230
Cash-based incentive scheme	6,996	4,831
Share-based payment	2,497	(519)
Pension, incl. social security and benefits	709	469
Total	**41,452**	**22,011**

Notes 2.7 'Employee costs' and 2.8 'Share-based payment' to the consolidated financial statements describe the remuneration of the Executive Board and the Board of Directors as well as the share-based payment, termination, and bonus scheme for the Executive Board and details on the remuneration of the Board of Directors.

The parent company had an average of six employees in 2021 (2020: six employees).

Remuneration of the Board of Directors totals DKK 6 million (2020: DKK 5 million).

3. Financial income and expenses

Financial income and expenses, DKKm	2021	2020
Interest income from cash, etc.	116	22
Interest income from subsidiaries	2,016	2,282
Interest income from securities at market value	174	132
Reversal impairment of investments in subsidiaries	4,536	-
Foreign exchange gains	4,604	2,009
Value adjustments of derivatives	5,872	5,890
Dividends received	12,102	11,332
Other financial income	-	23
Total financial income	**29,420**	**21,690**
Interest expenses relating to loans and borrowings	(1,542)	(1,641)
Interest expenses, leases	(23)	(27)
Interest expenses to subsidiaries	(12)	(28)
Impairment of investments in subsidiaries	(194)	-
Capital losses on securities at market value	(500)	(11)
Foreign exchange losses	(1,585)	(5,587)
Value adjustments of derivatives	(7,037)	(4,795)
Other financial expenses	(74)	(36)
Total financial expenses	**(10,967)**	**(12,125)**
Net financial income and expenses	**18,453**	**9,565**

4. Tax on profit (loss) for the year and deferred tax

Income tax, DKKm	2021	2020
Tax on profit (loss) for the year	142	611
Tax on changes in equity	(60)	(44)
Total tax for the year	**82**	**567**
Tax on profit (loss) for the year can be broken down as follows:		
Current tax	(114)	747
Adjustments to deferred tax	280	(239)
Adjustments to current tax in respect of prior years	(23)	109
Adjustments to deferred tax in respect of prior years	(1)	(6)
Tax on profit (loss) for the year	**142**	**611**

Development in deferred tax, DKKm	2021	2020
Deferred tax at 1 January	119	(126)
Adjustments for the year recognised in profit (loss) for the year	(280)	239
Adjustments to deferred tax in respect of prior years	1	6
Deferred tax at 31 December	**(160)**	**119**

Specification of deferred tax, DKKm	2021	2020
Non-current liabilities	(160)	119
Deferred tax, asset	**160**	**-**
Deferred tax, liability	**-**	**119**

5. Distribution of net profit

Distribution of net profit, DKKm	2021	2020
Profit (loss) for the year is attributable to:		
Shareholders in Ørsted A/S, proposed dividends for the financial year	5,255	4,834
Shareholders in Ørsted A/S, retained earnings	11,251	13,856
Interest payments and costs, hybrid capital owners of Ørsted A/S	740	488
Profit (loss) for the year	**17,246**	**19,178**

6. Property, plant, and equipment

We have entered into leases for office premises, primarily in Gentofte, Denmark (expiring in 2028).

We have entered into operating leases with subsidiaries for sublease of office premises.

In 2021, an amount of DKK 83 million was recognised (2020: DKK 101 million) in profit (loss) for the year in respect of rental income.

Property, plant, and equipment: Land and buildings, DKKm	2021	2020
Cost at 1 January	1,113	1,498
Additions	7	-
Disposals	-	(385)
Cost at 31 December	**1,120**	**1,113**
Depreciation and amortisation at 1 January	(219)	(146)
Depreciation and amortisation	(110)	(117)
Disposals	-	44
Depreciation and amortisation at 31 December	**(329)**	**(219)**
Carrying amount at 31 December	**791**	**894**
Value of leased assets	**791**	**894**

7. Investments in subsidiaries

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

The impairment test in 2021 gave rise to a reversal of impairment on the investment in Ørsted Bioenergy & Thermal Power A/S of DKK 4,536 million. Resulting in a net reversal of impairment of DKK 4,342 million based on the individual subsidiaries recoverable amounts. In 2021, the addition relates to capital injections in Ørsted Onshore Holding A/S.

Investments in subsidiaries, DKKm	2021	2020
Cost at 1 January	32,279	40,351
Additions	3,030	2
Disposals	-	(8,074)
Cost at 31 December	**35,309**	**32,279**
Value adjustments at 1 January	(3,501)	(3,501)
Impairment losses/reversals	4,342	-
Value adjustments at 31 December	**841**	**(3,501)**
Carrying amount at 31 December	**36,150**	**28,778**

Note 7.3 Company overview of the consolidated financial statements contains a overview of subsidiaries, etc.

8. Receivables from subsidiaries

Non-current receivables from subsidiaries, DKKm	2021	2020
Cost at 1 January	80,893	91,839
Additions	69,141	39,518
Disposals	(42,140)	(50,464)
Cost at 31 December	**107,894**	**80,893**

9. Derivatives

Ørsted A/S has assumed the subsidiaries' currency risks via forward exchange contracts which have subsequently been hedged in the market. Furthermore, hedging contracts have been concluded to hedge the currency risk associated with investments in subsidiaries in foreign currencies.

We have also entered into a number of interest rate swaps to manage our interest rate risk.

The company has fair value hedged loans and receivables in GBP and EUR. The value of the fair value hedge offset in the income statement amounted to DKK 127 million (2020: DKK -1,098 million).

Derivatives at the end of December 2021 mature as follows: 2022: DKK -279 million, 2023: DKK -587 million, after 2023: DKK 671 million (2020: 2021: DKK -115 million, 2022: DKK 362 million, after 2022: DKK 604 million).

All derivatives are classified as based on observable inputs in the fair value hierarchy.

	2021		2020	
Overview of derivative positions DKKm	Contractual principal amount	Market value	Contractual principal amount	Market value
Interest derivatives	21,223	752	13,920	(10)
Currency derivatives	58,384	(947)	35,226	861
Total	**79,607**	**(195)**	**49,146**	**851**
Assets		**7,328**		**4,065**
Equity and liabilities		**(7,523)**		**(3,214)**

See note 6.1 'Market risk policy' to the consolidated financial statements and the management's review on pages 31-34 for more details on risk and risk management.

10. Securities

Securities are a key element in our financial resources, and therefore investments are primarily made in liquid AAA-rated Danish mortgage bonds and, to a lesser extent, in other bonds. Most of the securities qualify for repo transactions in the Danish central bank, 'Danmarks Nationalbank'.

All securities are classified as based on observable inputs in the fair value hierarchy.

Securities, DKKm	2021	2020
Securities, available for use	20,417	24,424
Total securities	**20,417**	**24,424**

11. Loans and borrowings

On 31 December 2021, we had issued hybrid capital with a total notional amount of DKK 18,269 million (2020: DKK 13,398 million). The hybrid bonds have a 1,000-year term and expire as follows: DKK 2,603 million in 3013, DKK 3,719 million in 3017, DKK 4,463 million in 3019, and DKK 7,484 million in 3021, respectively.

The long-term portion of lease debt amounted to DKK 714 million at 31 December 2021 (2020: DKK 806 million) , of which DKK 322 million (2020: DKK 440 million) fall due in more than five years.

The long-term portion of bank loans and issued bonds amounted to DKK 25,128 million at 31 December 2021 (2020: DKK 28,579 million), of which DKK 24.781 million (2020: DKK 24,029 million) fall due in more than five years.

12. Other provisions

We have made provisions for non-current liabilities totalling DKK 1,917 million (2020: DKK 862 million), of which DKK 98 million fall due within 1 year and DKK 1,819 million fall due in 1-5 years.

The provisions mainly concern the divestment of our oil and gas business in 2017 and the sale of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel) in 2020.

13. Contingent liabilities

Guarantees
Ørsted A/S has provided guarantees in connection with participation by subsidiaries and subsidiaries' joint operations and joint ventures in the construction and operation of offshore wind farms and natural gas installations as well as guarantees in respect of leases, energy trading activities, purchase, sale, and supply agreements, decommissioning obligations, farm-downs and other M&A transactions as well as secondary liability on decommissioning of offshore installations related to the divestment of the oil and gas business, etc.

Ørsted A/S acts as guarantor or surety provider with primary liability for bank liabilities in certain subsidiaries, including guarantees in favour of banks and investors covering credit facilities established and bonds issued in Taiwan.

Furthermore, in support of the ratings of Ørsted Salg & Service A/S by Moody's and Ørsted Wind Power TW Holding A/S by Taiwan Ratings, Ørsted A/S has provided general guarantees covering all obligations and liabilities undertaken in the ordinary course of business by these two entities.

Indemnities
Ørsted A/S is taxed jointly with the Danish companies in the Ørsted Group. As management company, Ørsted A/S has unlimited as well as joint and several liability together with the other jointly taxed companies for Danish income taxes and withholding taxes on dividends, interest, and royalties related to the jointly taxed companies.

Litigation
Ørsted is involved in ongoing transfer pricing disputes. For further information, we refer to section 4.1 'Approach to taxes' to the consolidated financial statements. Ørsted A/S is not a party to any litigation proceedings or legal disputes that could have an effect on the company's financial position, either individually or collectively.

14. Related-party transactions

Related parties are the Board of Directors, the Executive Board, Ørsted A/S's subsidiaries, and the Danish state.

Remuneration of the Board of Directors and the Executive Board is disclosed in notes 2.7 'Employee costs' and 2.8 'Share-based payment' in the consolidated financial statements.

Our related-party transactions are made on arm's length terms.

15. Auditor's fees

Auditor's fees, DKKm	2021	2020
Statutory audit	3	3
Total fees to PwC	**3**	**3**

16. Ownership information

Ownership information 31 December 2021	Registered office	Ownership interests	Voting share
The Danish state represented by the Danish Ministry of Finance	Copenhagen K, Denmark	50.12 %	50.74 %
Andel A.M.B.A.	Svinninge, Denmark	5.01 %	5.07 %
The Capital Group Companies, Inc.	Los Angeles, the US	-	5-10 %[1]

[1] Interval shown, as precise voting share is not publicly available.

The table shows the shareholders with ownership interests and voting shares of at least 5 %. The difference between ownership interests and voting shares arises when power of attorney is issued.

Management's statement, auditor's reports, and glossary

When sustainable biomass is burnt in our heat and power stations, it only rereleases carbon dioxide that was recently captured by plant growth. But what if we could capture this carbon again, to achieve negative emissions, or for producing sustainable fuels?

In March we signed a memorandum of understanding with Aker Carbon Capture and Microsoft to explore how we can make this a reality.

Statement by the Executive Board and the Board of Directors

The Board of Directors and the Executive Board have today considered and adopted the annual report of Ørsted A/S for the financial year 1 January - 31 December 2021.

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

In our opinion, the consolidated financial statements and the parent company financial statements provide a true and fair view of the Group's and the parent company's assets, liabilities, and financial position at 31 December 2021, and of the results of the Group's and the parent company's operations and the Group's cash flows for the financial year 1 January - 31 December 2021.

In our opinion, the management's review provides a true and fair account of the development in the Group's and the parent company's operations and financial circumstances, of the results for the year, and of the overall financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company. The management's review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual report for the financial year 1 January - 31 December 2021 with the file name W9NG6WMZIYEU8VEDOG48-2021-12-31-en is prepared, in all material respects, in compliance with the ESEF Regulation.

In our opinion, the consolidated ESG statements ('Additional information') represent a reasonable, fair, and balanced representation of the Group's social responsibility and sustainability performance and are prepared in accordance with the stated accounting policies.

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

Skærbæk, 2 February 2022

Executive Board:

Mads Nipper
Group President and CEO

Marianne Wiinholt
CFO

Martin Neubert
CCO and Deputy Group CEO

Board of Directors:

Thomas Thune Andersen
Chairman

Lene Skole
Deputy Chairman

Lynda Armstrong

Jørgen Kildahl

Julia Elizabeth King

Peter Korsholm

Henrik Poulsen

Dieter Wemmer

Benny Gøbel*

Ole Henriksen*

Daniel Tas Sandermann*

* Employee representative

Independent auditor's reports

To the shareholders of Ørsted A/S

Report on the audit of the financial statements

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the parent company financial statements give a true and fair view of the parent company's financial position at 31 December 2021 and of the results of the parent company's operations for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our auditor's long-form report to the Audit & Risk Committee and the Board of Directors.

What we have audited

The consolidated financial statements of Ørsted A/S for the financial year 1 January to 31 December 2021, pp. 72-150 and 168-169, comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

The parent company financial statements of Ørsted A/S for the financial year 1 January to 31 December 2021, pp. 158-169, comprise the income statement, the balance sheet, the statement of changes in equity, and the notes to the parent financial statements, including a summary of significant accounting policies. Collectively referred to as the '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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Ørsted A/S on 19 April 2010 for the financial year 2010 and have been reappointed annually by shareholder resolution for a total uninterrupted period of engagement of 12 years, including the financial year 2021. At the annual general meeting on 2 March 2020, we were reappointed following a tendering procedure.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Partnership agreements Divestments of ownership interests in an offshore wind farm (farm-downs) to a partner in a joint operation, including calculating the divestment gains and subsequent recognition of construction agreements and assessment of consolidation method for the retained interests, are considered complex non-routine transactions. As part of farm-downs, compensation mechanisms are often agreed with the partners, e.g. regarding sales price, cost of subsequent use of the offshore transmission asset constructed for the wind farm, potential wake and blockage effect compensations, and warranties. We focused on this area because farm-downs and the related matters are considered complex non-routine transactions, and because the recognition and measurement of the divestment gain, assessment of consolidation method, subsequent construction agreements with the partners, compensation mechanisms, and warranties are based on significant judgements and estimates. Refer to notes 1.2 and 2.6 in the consolidated financial statements.	As part of our audit, we read share purchase agreements for farm-downs and final settlement agreements. We challenged the accounting treatment applied by management, including the gain statements and the consolidation method for the retained interest in offshore wind farms. We obtained an understanding of the compensation mechanisms and warranties agreed in divestments and of the final settlements. We challenged the significant estimates prepared by management for measurement of compensation mechanisms and warranties, hereunder by assessing and testing the main data, significant assumptions and models applied, and by evaluating the outcome of previous estimates prepared by management.
Income Taxes Ørsted is subject to income taxes in all the countries where they operate. Significant judgements and estimates are required in determining the income taxes and the measurement of income tax assets and liabilities, including uncertain tax positions. Management makes significant judgments and estimates when calculating and assessing the income taxes due to the complex nature of the tax rules related to the business activities conducted in different tax jurisdictions. Furthermore, management makes estimates, when measuring the tax assets, including when and to which extent these can be utilised in the future, and when measuring tax liabilities, including assessing deferred taxes in tax equity partnerships. Additionally, Ørsted is a party in tax and transfer pricing disputes, where management assesses the possible outcomes and consequently recognise provisions to cover for these uncertain tax positions. In 2020 and 2021, Ørsted received administrative decisions from the Danish Tax Agency entailing additional tax payables and related interests, which management disputes and has appealed to the relevant authorities. On this basis, income taxes were a matter of most significance in our audit. Refer to notes 1.2, 4.2, and 4.3 in the consolidated financial statements.	For income taxes, income tax assets, and liabilities, we evaluated the assumptions applied by management in determining the recognition and measurement of income taxes and deferred taxes, including those related to tax equity partnerships, while taking into account relevant correspondence with tax authorities and external advisors. We assessed management's judgements and estimates of tax balances and carrying amounts as well as the related applied tax rates when calculating these. We also assessed the reasonableness of the main data and assumptions used to calculate the taxable income forecasts underlying the recognition and recoverability of the deferred tax assets relating to tax loss carryforward. We evaluated and tested Ørsted's processes for recording, assessing, and continual reassessing provisions for uncertain tax positions. In our audit of uncertain tax positions, we obtained and reviewed the correspondence with relevant tax authorities in order to consider the completeness of the tax disputes and the related provisions. We assessed the measurement of the provisions and challenged the assumptions used, including the possibility of obtaining corresponding tax adjustments, compensations from partners, and the likelihood of different outcomes. In addition, we assessed relevant opinions obtained by management from third parties related to the tax disputes, and we evaluated the disclosures provided by management in the consolidated financial statements. In our audit of income taxes, we involved our tax specialists.

Statement on Management's Review

Management is responsible for management's review, pp. 4-71.

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, our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether management's review includes the disclosures required by the Danish Financial Statements Act.

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company 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 Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or the parent company or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit 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 Group's and the parent company's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on compliance with the ESEF Regulation

As part of our audit of the financial statements, we performed procedures to express an opinion on whether the annual report of Ørsted A/S for the financial year 1 January to 31 December 2021 with the file name W9NG6WMZIYEU8VEDOG48-2021-12-31-en is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- preparing the annual report in XHTML format
- selecting and applying appropriate iXBRL-tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement, where necessary
- ensuring consistency between iXBRL tagged data and the consolidated financial statements presented in human-readable format; and
- carrying out such internal control as management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained and to issue a report that includes our opinion. The nature, timing, and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- testing whether the annual report is prepared in XHTML format
- obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process
- evaluating the completeness of the iXBRL tagging of the consolidated financial statements
- evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified
- evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- reconciling the iXBRL tagged data with the audited consolidated financial statements.

In our opinion, the annual report of Ørsted A/S for the financial year 1 January to 31 December 2021 with the file name W9NG6WMZIYEU8VEDOG48-2021-12-31-en is prepared, in all material respects, in compliance with the ESEF Regulation.

Hellerup, 2 February 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

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Independent limited assurance report on the consolidated ESG statements

To the stakeholders of Ørsted A/S
Ørsted A/S engaged us to provide limited assurance on the data described below and set out in the consolidated environment, social, and governance (ESG) statements for the period 1 January – 31 December 2021 ('consolidated ESG statements') as included on pages 151-157 in the annual report of Ørsted A/S for 2021.

Our conclusion
Based on the procedures we performed, and the evidence we obtained, nothing came to our attention that causes us not to believe that the consolidated ESG statements are free of material misstatements and are prepared, in all material respects, in accordance with the accounting policies as stated on pages 152-157.

This conclusion is to be read in the context of what we say in the remainder of our report.

What we are assuring
The scope of our work was limited to assurance over data in the consolidated ESG statements in the 2021 annual report.

Professional standards applied and level of assurance
We performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements 3000 (revised) 'Assurance Engagements other than Audits and Reviews of Historical Financial Information' and, in respect of the reported greenhouse gas emissions, in accordance with International Standard on Assurance Engagements 3410 'Assurance engagements on greenhouse gas statements'. The quantification of greenhouse gas emissions is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the emissions factors and the values needed to combine emissions of different gasses.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks; consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control
We have complied with the independence requirements and other ethical requirements in the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and ethical requirements applicable in Denmark.

PricewaterhouseCoopers applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements. Our work was carried out by an independent multidisciplinary team with experience in sustainability reporting and assurance.

Understanding reporting and measurement methodologies
The consolidated ESG statements need to be read and understood together with the accounting policies, which Management is solely responsible for selecting and applying. The absence of a significant body of established practice on which to draw to evaluate and measure ESG information allows for different, but acceptable, measurement techniques and can affect comparability between entities and over time.

Work performed
We are required to plan and perform our work in order to consider the risk of material misstatement of the consolidated ESG statements. In doing so and based on our professional judgement, we:
- made inquiries and conducted interviews with Group functions to assess consolidation processes, use of company-wide systems, and controls performed at Group level
- checked ESG data on a sample basis to underlying documentation and evaluated the appropriateness of quantification methods and compliance with the accounting policies for preparing the consolidated ESG statements
- conducted an analytical review of the data and trend explanations submitted by all business units for consolidation at Group level
- considered the disclosure and presentation of the consolidated ESG statements; and
- evaluated the obtained evidence.

Management's responsibilities
Management of Ørsted A/S is responsible for:
- designing, implementing, and maintaining internal controls over information relevant to the preparation of data in the consolidated ESG statements that are free from material misstatement, whether due to fraud or error
- establishing objective accounting policies for preparing the consolidated ESG statements
- measuring and reporting data in the consolidated ESG statements based on the accounting policies and evidencing the data; and
- preparing the content of the consolidated ESG statements for 2021.

Our responsibility
We are responsible for:
- planning and performing the engagement to obtain limited assurance about whether the consolidated ESG statements for the period 1 January - 31 December 2021 are free from material misstatements and are prepared, in all material respects, in accordance with the accounting policies
- forming an independent conclusion, based on the procedures performed and the evidence obtained; and
- reporting our conclusion to the stakeholders of Ørsted A/S.

Hellerup, 2 February 2022

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

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Glossary

Availability: Availability is calculated as the ratio of actual production to the possible production, which is the sum of lost production and actual production in a given period. The production-based availability (PBA) is impacted by grid and wind turbine outages, which are technical production losses. PBA is not impacted by market requested shutdowns and wind farm curtailments, as this is deemed not to be reflective of site performance, but due to external factors.

Avoided emissions: The amount other sources of energy would have emitted, if we had not generated energy from renewable sources.

Awarded capacity: Offshore capacity that we have been awarded in auctions and tenders, but where we have yet to sign a PPA and take final investment decision.

Blockage effect: The blockage effect arises from the wind slowing down as it approaches the wind turbines.

BSUoS tariffs: Costs related to the day-to-day operation of the transmission system imposed on generators and suppliers.

Carbon emission allowances: Carbon emission allowances subject to the European Union Emissions Trading Scheme (EU ETS).

CFD: A contract for difference is a subsidy that guarantees the difference between the market reference price and the exercise price won.

CHP: A combined heat and power plant (CHP) generates both heat and power in the same procces.

Commissioning/COD: When our assets are in operation, and the legal liability has been transferred from the supplier to us.

Contracted capacity: Onshore capacity where we have signed PPAs covering more than 50 % of the asset's capacity, but where we have not yet taken final investment decision.

Decided (FID) and installed capacity: Installed generation capacity plus capacity for assets where a final investment decision has been made.

Degree days: Number of degrees in absolute figures in difference between the average temperature and the official Danish indoor temperature of 17 °C.

Direct current (DC): The type of power generated by our solar panels.

EPC: Engineering, procurement, and construction. The part of our business which handles the construction and installation of assets.

FID: Final investment decision. When the Board of Directors approves larger investments for construction assets

Generation capacity: Ørsted's ownership of the asset. Offshore wind turbines are included when each turbine has passed the 240-hour test. Onshore capacities are included after COD of the entire asset.

Green certificates: Certificate awarded to producers of environment-friendly power as a supplement to the market price of power in the given price area.

Green dark spread (GDS): Represents the contribution margin per MWh of power generated at a coal-fired CHP plant with a given efficiency. It is determined as the difference between the market price of power and the cost of the coal (including associated freight costs) and carbon emission allowances used to generate the power.

Installed capacity: Installed capacity where the asset has been completed and has passed a final test.

Investment tax credits (ITCs): Federal tax credit based on qualifying renewable investment costs.

Load factor: The ratio between the actual power generation in a given period relative to the potential generation which is possible by continuously exploiting the maximum capacity over the same period.

Offshore transmission assets: Connect offshore generation to the onshore grid and typically include the offshore power transmission infrastructure, an onshore substation, and the electrical equipment relating to the operation of the substation.

O&M: Operations and maintenance. The part of our business that operates and maintains our assets after installation.

Partnership income: Income originating from our partners' purchase of ownership interests in the offshore wind farms. Includes both the gain in connection with the farm-down and the subsequent construction of the wind farm.

Power purchase agreement (PPA): An agreement between us and a buyer/seller to purchase/sell the power we generate which includes all commercial terms (price, delivery, volumes etc.)

Production tax credit (PTC): Federal tax credit based on eligible power generation in the US.

ROCs: Renewable obligation certificates issued by Ofgem in the UK to operators of accredited generating stations for the eligible renewable energy they generate. Operators can trade ROCs with other parties.

Tax equity: An arrangement where an investor obtains rights to federal tax credits and other tax attributes in exchange for a cash contribution.

TEC: Transmission entry capacity defines a generator's maximum contractual level of transmission access in MW.

TNUoS tariffs: Costs related to the use of the transmission networks in the UK based on TEC.

TRIR: In addition to lost-time injuries, the total recordable injury rate (TRIR) also includes injuries where the injured person is able to perform restricted work the day after the accident as well as accidents where the injured person has received medical treatment.

Wake effect: Wake within wind farms and between neighbouring wind farms. There is a wake after each wind turbine where the wind slows down. As the wind flow continues, the wake spreads, and the wind speed recovers.

Wind speed: Shows the wind speed at Ørsted's wind farms. The wind measurements are weighted on the basis of our generation capacity and can be compared to a normal wind period.

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Ørsted
Love your home