

# Ørsted Summary 2020



Annual report and  
sustainability report

Our vision

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

In 2021, we were ranked the most sustainable energy company in the world in the Corporate Knights [Global 100 Index](#)

# Chairman's statement

## Enabling the world's green transformation

The decisions our global society takes today, and in the next few years, determine whether we pass a habitable planet on to future generations. Science recommends that we halve global carbon emissions by 2030 to have a chance of limiting the temperature rise to 1.5°C and mitigating the risk of irreversible tipping points in our global ecosystems.

In 2020, we saw positive progress. Many governments raised their carbon emission reduction targets and further reinforced their build-out plans for renewable energy production capacity. Several large companies also set targets for their decarbonisation and acted firmly to make their business models more sustainable. Targets and actions by both governments and corporations bode well for our planet, but to limit the increase in temperature to 1.5°C, even more decisive action is needed.

Our target is to become a fully carbon-neutral company by 2025. In 2020, we continued the build-out of our green power generation capacity both on-shore and offshore. We also initiated a range of renewable hydrogen projects. Renewable hydrogen will enable sectors like cement, ammonia, heavy road transport, aviation, and shipping to transition to fossil-free energy. Like it was for offshore wind, innovation and industrialisation in renewable hydrogen are required to bring down costs, making the new green fuels competitive.

This year, we divested our downstream retail customer and power distribution businesses, which marks another big step in the renewable energy trans-

formation. Our vision is a world that runs entirely on green energy. Ørsted wants to partner with countries and companies, helping them to leave fossil fuels behind, and in 2020, we saw a breakthrough for comprehensive long-term green power purchase agreements.

The COVID-19 pandemic affected everybody in 2020. We are a safety-first company, and during the pandemic, our priority has been the health and well-being of our employees, their families, and the communities which we are a part of. Thanks to our careful and talented staff, Ørsted's operations have remained stable, and our development and construction projects have moved forward according to plan during the pandemic. All employees have adapted impressively to new routines and pushed through with projects, despite sudden and unforeseen obstacles. We will continue to closely follow the situation in the markets where we operate and will continue adhering to national guidelines and regulations to help minimise the spread of the pandemic and keep our employees and partners safe.

Even in this time of significantly increased global uncertainty, Ørsted's business model has demonstrated its resilience. We were able to raise our financial guidance in March and maintained it throughout the year. EBITDA for the year amounted to DKK 18.1 billion, thereby exceeding our expectations and resulting in a ROCE of 10 %. Profit for the year amounted to DKK 16.7 billion, significantly impacted by the gain from divestment of our power distribution activities. The Board of Directors recommends paying a dividend of DKK 11.5 per share, corresponding to DKK 4.8 billion.

On behalf of the Board of Directors, I would like to thank the employees and management of Ørsted for an outstanding effort during a period of global uncertainty and for keeping us on track towards creating a world that runs entirely on green energy.

I would also like to express special thanks to former CEO Henrik Poulsen for his exemplary leadership in the past eight years during which Ørsted was transformed completely from a financially challenged, regional, fossil-based energy company to a highly profitable global leader in renewable energy. Our company is stronger than ever and – even more important – has developed a promising platform for continued growth.

With Mads Nipper on board as our new CEO from this January, we remain as committed as ever to staying at the forefront of the global energy transformation and to offering cost-effective green energy solutions and enabling governments and companies to power the world with green energy.



A handwritten signature in black ink, which appears to read 'T. Thune Andersen'.

**Thomas Thune Andersen**  
Chairman



**We are very satisfied with our strategic progress and results in 2020, and I am grateful for the support and professionalism of our customers and partners. I am keenly aware that only together, we can do great things and live up to our high ambitions. We maintain a leading position in a global high-growth market and have built a strong and financially sustainable pipeline, laying the path for future growth.**

**Mads Nipper**  
CEO

# CEO's review

2020 showed very strong results, both operationally and financially. Although the world is in the midst of a global pandemic crisis, our business model has proved resilient. 2020 also showed great strategic progress.

## Highlights 2020

### Financials

- Operating profit (EBITDA) increased by 4 % to DKK 18.1 billion.
- EBITDA from offshore and onshore wind farms in operation increased by 14 % to DKK 16.9 billion.
- ROCE was 10 %.

### Operations

- Stable operations throughout the year despite the COVID-19 pandemic.
- Green share of heat and power generation increased from 86 % to 90 %.
- Borssele 1 & 2, our first Dutch offshore wind farm, was commissioned.
- The onshore wind farms Sage Draw, Plum Creek, and Willow Creek were successfully commissioned.
- Our Renaissance plant in the UK was commissioned.

### Business development

- Signed agreements to farm-down 50 % of the offshore wind farms Greater Changhua 1 and 25 % of Ocean Wind 1.

- Signed corporate power purchase agreements (CPPAs) with TSMC for our offshore wind project Greater Changhua 2b & 4 in Taiwan and with Amazon for Borkum Riffgrund 3 in Germany. The first being the largest-ever renewable energy CPPA.
- We took FID on the onshore wind farm Western Trail and the Old 300 Solar Center in Texas.
- We acquired and took FID on the solar project Muscle Shoals in Alabama and the onshore wind project Haystack in Nebraska.
- We secured funding for three renewable hydrogen projects, one in the UK, one in Germany, and a joint project consortium in the EU. We also entered into three additional renewable hydrogen partnerships in the Netherlands, Denmark, and Germany, respectively.
- We divested the Danish power distribution, residential customer, and city light businesses which resulted in a gain of DKK 10.9 billion.
- The divestment of our LNG business was completed, and an agreement to divest our B2B business in the UK was signed.

### Financial results

In 2020, our operating profit (EBITDA) amounted to DKK 18.1 billion, a 4 % increase compared to last year.

Earnings from our offshore and onshore wind farms in operation increased by 14 %. This was driven by ramp-up of green power generation from Hornsea 1, Borssele 1 & 2, Lockett, Sage Draw, Plum Creek, and Willow Creek and receipt of CfDs of another 400 MW of Hornsea 1 from April. Furthermore, we had higher wind speeds in 2020.

These positive effects were partly offset by lower earnings from trading related to hedging of our power exposures, which generated very high earnings in 2019, and adverse COVID-19 related impacts. The latter mainly manifested itself in the UK power prices due to a lower demand for electricity. This led to higher balancing tariffs (BSUoS) from National Grid and lower ROC recycle prices. Furthermore, we saw hours with negative prices in the UK from April to July.

We are on track to meet our target of an average yearly increase in EBITDA from offshore and onshore wind farms and solar farms in operation of 20 % from 2017 to 2023.

The divestment of our Danish power distribution, residential customer, and city light businesses resulted in proceeds of DKK 20.5 billion with a gain of DKK 10.9 billion which will be deployed into our global renewable energy build-out plan.

Our green share of heat and power generation continued to increase and reached a new high of 90 %.

Return on capital employed (ROCE) was 10 % for 2020, in line with our target.

### COVID-19

Since the outbreak of COVID-19, our Corporate Crisis Management Organisation (CCMO) has met regularly, focusing on the health and safety of our employees and on ensuring business continuity. During 2020, we had 146 confirmed infected colleagues and fortunately no casualties from COVID-19. We continue to do our utmost to keep our colleagues safe across our locations. Our asset base has been fully operational, and we maintained normal availability rates at our offshore and onshore wind farms and CHP plants throughout 2020. Construction of our projects largely progressed according to plan, both in Europe, Asia Pacific, and the US. The construction project most affected by COVID-19 was the offshore wind farm Hornsea 2, due to delays in the offshore topside construction at a shipyard in Singapore which was temporarily closed. However, we do not expect the delay to affect the commissioning date.

### Offshore

2020 was a good year for our offshore business with many significant milestones and achievements, although with some headwind in the US.

In December, we commissioned the 752 MW Dutch wind farm Borssele 1 & 2 on schedule and within budget. The wind

farm deploys 94 Siemens Gamesa 8 MW wind turbines, making it the largest-ever built in the Netherlands, and will supply renewable energy to 1 million households. During the construction of Borssele 1 & 2, we passed a significant milestone by installing Ørsted's offshore wind turbine number 1,500.

In North America, the 12 MW Coastal Virginia demonstration project, which we have constructed for Dominion Energy as an EPC contractor, was commissioned. The offshore wind farm is the first-ever to receive federal permits and be installed in US federal waters.

We are installing foundations at our 1,386 MW offshore wind project Hornsea 2 in the UK. At our 900 MW offshore wind project Greater Changhua 1 & 2a in Taiwan, we are preparing for installation of foundations which will commence in the first quarter of 2021. Both wind farms are expected to be commissioned in 2022 and will become the largest offshore wind farms in their respective regions.

In December, we signed an agreement to farm down 50 % of the 605 MW offshore wind farm Greater Changhua 1 to CDPQ, a Canadian pension fund, and Cathay PE, a Taiwanese private equity fund. The farm-down is the largest-ever renewable energy M&A transaction in Taiwan and underpins the attractiveness of our offshore wind assets in Asia Pacific.

We selected Siemens Gamesa as preferred wind turbine supplier for our 900 MW Borkum Riffgrund 3 and 242 MW Gode Wind 3 projects. Subject to final investment decision, both projects will deploy 11 MW wind turbines with 200-metre rotors. In addition, we signed a 10-year corporate power purchase agreement (CPPA) with Amazon to buy 250 MW of the output from Borkum Riffgrund 3. This is our first offshore wind PPA with a global tech company and the largest offshore wind CPPA in Europe.

In July, we signed a CPPA with Taiwan-based TSMC, the world's largest semiconductor foundry. TSMC will offtake the full generation from our 920 MW offshore wind farm Greater Changhua 2b & 4, making it the largest-ever renewable energy CPPA. The 20-year fixed-price contract period will start once the wind farm reaches commercial operation, expectedly in 2025 or 2026, subject to grid availability and Ørsted's final investment decision.

In December, we entered into an agreement with New Jersey's Public Service Enterprise Group (PSEG) to sell a 25 % ownership interest in our 1.1 GW offshore wind development project Ocean Wind 1. The project is the first large-scale offshore wind farm in New Jersey.

In March, we entered into an agreement with TEPCO to establish a joint venture

## Events 2020

### April – June

**Onshore**  
Sage Draw, Texas, commissioned (338 MW)

**Onshore**  
Plum Creek, Nebraska, commissioned (230 MW)

### July

**Onshore**  
Muscle Shoals, Alabama, acquired and FID'ed (227 MW<sub>ac</sub>), expected COD in 2021

**Offshore**  
CPPA with Taiwan-based TSMC to offtake full generation from Greater Changhua 2b & 4 (920 MW)

### August

**Markets & Bioenergy**  
Divestment of Danish power distribution, residential customer, and city light businesses to SEAS-NVE completed

**Renewable hydrogen**  
Funding secured together with partners for renewable hydrogen project Westküste 100 in Germany

### September

**Onshore**  
Willow Creek, South Dakota, commissioned (103 MW)

**Onshore**  
Western Trail, Texas, FID'ed (367 MW), expected COD in 2021

### October

**Onshore**  
Haystack, Nebraska, acquired and FID'ed (298 MW), expected COD in 2021

**Markets & Bioenergy**  
Renescence plant, the UK, commissioned

**Renewable hydrogen**  
Collaboration with Yara on developing project to replace fossil hydrogen with renewable hydrogen in ammonia production

company for offshore wind in Japan, with the intention of working towards a joint bid in the first Japanese auction, now expectedly this year.

In December, we were granted consent to move into the final development phase of the offshore wind farm Hornsea 3 by the UK Secretary of State for the Department for Business, Energy & Industrial Strategy. The offshore wind farm has a potential capacity of more than 2.4 GW and is adjacent to our offshore wind farms Hornsea 1 and Hornsea 2, off the East Coast of the UK. With the consent granted, the wind farm will be able to enter the next UK auction round for a contract for difference (CfD), expectedly in 2021.

Our pipeline of US offshore development projects is moving forward, but we are still waiting for the US Bureau of Ocean Energy Management (BOEM) to decide on the preferred wind farm layout for the build-out of offshore wind for our north-eastern projects in our New England lease areas.

Furthermore, while we are still waiting for clarity concerning the federal permitting process for our projects, there are positive signs that the bottleneck will be resolved imminently. We had expected to receive the 'notices of intent' (NOIs) from BOEM for our advanced-stage development projects following the

release and public comment process regarding the Vineyard Wind Supplemental Environmental Impact Study in 2020. While that did not happen, we are starting to see some promising signs of movement. The timely issuance of the draft 'environmental impact statement' (EIS) on 4 January 2021 for our South Fork project bodes well. So does the announcement of the 'initiation of action notice' (IAN) (a prelude to NOIs issuance) for the Ocean Wind 1 project. All signs from the incoming Joe Biden Administration indicate they will support a timely, predictable permitting regime.

Revolution Wind, Ocean Wind 1, Skipjack Wind, and Sunrise Wind will likely be delayed beyond the previously expected 2023 and 2024 construction years. We have flexibility in the timeline for all four projects, and we have been able to make good progress on other project milestones in the meantime. However, until there is a clear timeline from BOEM, we cannot solidify our construction schedules.

With regards to South Fork Wind, we remain comfortable with our previously communicated timeline with COD in late 2023.

Despite the permitting delays, we remain confident that we can deliver our US project portfolio with satisfactory value creation, which is supported by the commitment to rapid clean energy

deployment from the Joe Biden Administration, the US Treasury's recent announcement of a 10-year continuity safe harbour for offshore wind in addition to a new 30% ITC level for projects starting construction in 2017-2025, which will help expand tax credit eligibility. We continue to see solid long-term growth and value creation potential in US offshore wind.

In 2020, we made progress towards a greener future based on renewable hydrogen. We continuously pursue opportunities within industrial-scale production of renewable hydrogen, and during 2020 and early 2021, we have secured funding for three projects, one in the UK, one in Germany, and a joint consortium in the EU. We also entered into an additional three partnerships, one in Germany, one in the Netherlands, and one in Denmark.

Our most recent hydrogen partnership was agreed with British energy company bp in November and will comprise a 50 MW electrolyser plant at bp's Lingen Refinery in Germany. The plant is expected to be operational in 2024 and will replace approx. 20% of the fuel-based hydrogen from the refinery. The project is the first stage towards a long-term ambition to build a capacity of more than 500 MW of renewable hydrogen at Lingen. This would replace the entire production of fuel-based hydrogen at the refinery.

November	(November)	December	(December)	(December)
<p><b>Onshore</b> Old 300, Texas, FiD'ed (430 MW<sub>ac</sub>), expected COD in 2022</p> <p><b>Renewable hydrogen</b> Agreement with bp to develop a potential large-scale renewable hydrogen project in Germany</p>	<p><b>Markets &amp; Bioenergy</b> Agreement to balance 40% of the power generated from Dogger Bank</p>	<p><b>Offshore</b> Borssele 1 &amp; 2, the Netherlands, commissioned (752 MW)</p> <p><b>Offshore</b> Farm-down of 50% of Greater Changhua 1 to CDPQ and Cathay PE signed</p>	<p><b>Offshore</b> CPPA with Amazon to buy output from Borkum Riffgrund 3 (250 MW) signed</p> <p><b>Offshore</b> Agreement with PSEG signed to sell 25% of the offshore wind development project Ocean Wind 1</p>	<p><b>Markets &amp; Bioenergy</b> Divestment of our LNG business to Glencore</p> <p><b>Ørsted</b> Appeal against decision from the Danish Tax Agency on Danish taxation of two offshore wind farms in the UK</p>



## In December, we were granted consent to move into the final development phase of the offshore wind farm Hornsea 3.

Furthermore, we joined forces with Yara, the world's leading fertiliser company, to develop a pioneering project aiming at replacing fossil hydrogen with renewable hydrogen in the production of ammonia with the potential to abate more than 100,000 tonnes of CO<sub>2</sub> per year.

### Onshore

In 2020, we saw strong traction in our Onshore business, underpinned by the commissioning of three new wind farms, the acquisitions of two late-stage projects, and the decision to construct another onshore wind farm and a solar farm.

During the year, we successfully commissioned the three US onshore wind farms Sage Draw, Plum Creek, and Willow Creek, located in Texas, Nebraska, and South Dakota, respectively.

In July, we acquired the 227 MW<sub>ac</sub> solar project Muscle Shoals in Alabama, US. The project is expected to be commissioned in Q3 this year and will become the largest solar energy asset in the south-eastern US. The project is eligible for 30 % ITC and has a fully contracted 20-year utility PPA. The project further diversifies the geographic footprint of our asset base by establishing a foothold in the rapidly growing south-eastern solar market.

In September, we took final investment decision on constructing the onshore wind farm Western Trail in Texas. This greenfield project has a capacity of 367 MW and is eligible for 100 % PTC when commissioned, expectedly during Q3 this year.

In October, we acquired the late-stage 298 MW onshore development project

Haystack. The wind project is located very close to our onshore wind farm Plum Creek in Nebraska, also residing in the South-West Power Pool (SPP) area. With the acquisition, we further expanded our footprint into this market which will play an important part in our growth in North America and diversify our portfolio.

In November, we also took final investment decision on constructing the Old 300 Solar Center which is a 430 MW<sub>ac</sub> solar project also located in Texas with 30 % ITC eligibility. We expect Old 300 to be commissioned during Q2 2022.

In addition, we are currently constructing the combined solar (420 MW<sub>ac</sub>) and storage (40 MW<sub>ac</sub>) project Permian Energy Center in Texas, US. The project is progressing according to plan, and we expect Permian to be commissioned by mid-2021 with 30 % ITC eligibility.

With the completion of Sage Draw, Plum Creek, and Willow Creek and the addition of Muscle Shoals, Western Trail, Haystack, and Old 300 Solar Center, we now have 3.4 GW of combined onshore wind and solar PV in operation or under construction, and we remain very satisfied with the expansion of our onshore business.

### Markets & Bioenergy

During 2020, we continued streamlining our Markets & Bioenergy business.

In August, we completed the divestment of our Danish power distribution, residential customer, and city light businesses to SEAS-NVE (now Andel). The divestment marks an important strategic milestone for Ørsted, and the proceeds will be deployed into our global renewable energy build-out plan.

In December, we completed the divestment of our LNG activities to Glencore, and in September, we signed an agreement to divest the vast majority of our UK B2B customer portfolio to Total Gas & Power. We will keep some of our strategic long-term partners and customers to whom we deliver risk management products. We expect the transaction to close in Q1 2021.

In November, we signed a 15-year route-to-market agreement with SSE Renewables and Equinor to balance power generation from their offshore wind farm Dogger Bank in the UK. The contract is the largest balancing agreement won in a competitive tender process in the UK market. Under the agreement, Ørsted will be responsible for trading and balancing 40 % of the 960 MW generated from the first two phases of the wind farm, when completed in 2026. The agreement will add further scale to our portfolio and underlines our position as a leading green energy trading company in the UK.

In mid-October, the Renaissance waste-recycling plant in Northwich, the UK, was successfully commissioned after passing the final performance test. With the commissioning of Renaissance Northwich, we reached another important milestone. We will continue to monitor the plant's performance, while exploring the broader commercial potential of this recycling technology.

In March, the Copenhagen Maritime & Commercial Court decided to close the action for damages, ruling in Ørsted's favour. The action related to a claimed abuse of a dominant position on the market for wholesale of physical electricity in western Denmark from 2003 to 2006. However, the action will continue

in 2021 as the claimants have decided to appeal the case to the Danish Western High Court.

### Other significant events

In 2018, seven bearers of the Ørsted name filed a subpoena to prevent our use of the name. In May 2019, the Copenhagen Maritime & Commercial Court ruled in favour of Ørsted. Following the ruling, the plaintiffs decided to appeal the case. In November 2020, the Danish Supreme Court also ruled in favour of Ørsted, and the case is now closed.

We are very pleased that the ruling of the Supreme Court upholds our right to use the Ørsted name. It was chosen as a tribute to Hans Christian Ørsted, one of the greatest Danish scientists of all time. He discovered electromagnetism 200 years ago and thus laid the foundation for how we produce electricity.

In December, we received an administrative decision from the Danish Tax Agency requiring Danish taxation of our British offshore wind farms Walney Extension and Hornsea 1. The claim amounted to DKK 5.1 billion, plus interest, in addition to the taxes we have already paid in Denmark. According to the decision, Ørsted is to be taxed in Denmark on the full future value of the two offshore wind farms, despite the fact that they are developed, owned, and operated by British subsidiaries of the Ørsted group and are taxed in the UK. We disagree with the decision which in our view is based on a misconception of the risks and value creation in our business model for developing, constructing, and operating offshore wind farms and have appealed it to the Danish Tax Appeals Agency. Furthermore, we have taken steps to ensure that the Danish and UK tax authorities initiate negotiations to avoid Ørsted being subjected to double taxation, if necessary, by referring the case to an independent arbitration panel.

### Employees

Our talented people remain the most important assets in Ørsted, and on behalf of the Executive Committee, I would like to take this opportunity to acknowledge and thank all our employees for

the great job they have been doing throughout the year, including how they have all adapted to the new challenges in the wake of the COVID-19 pandemic.

It is very important for us to attract, develop, and retain the best talent, and we strongly believe in the value of a diverse workforce. We aspire to create an environment where everyone, whatever their personal background, can thrive, perform, and grow. Therefore, we were also pleased to see that the 2020 employee satisfaction survey, People Matter, showed a record-high satisfaction and motivation score of 78 out of 100, placing Ørsted in the top 10 % of our external benchmark.

### New corporate structure

On 28 January, we announced a change to our organisational structure which will take effect from 4 February.

The change entails moving from a business unit structure to a more functional structure where the commercially focused functions from the current business units Offshore and Markets & Bioenergy will be brought together under the leadership of Martin Neubert who will become CCO, Deputy CEO, and member of the Executive Board.

The operationally focused functions will be brought together under a new COO as Anders Lindberg has decided to take on a new position outside Ørsted. The COO will report to Mads Nipper.

As a consequence of the new corporate structure, Morten H. Buchgreitz has decided to leave the company. Both Anders and Morten have done a tremendous job during their tenure in Ørsted, and we owe them great gratitude.

Onshore will remain a separate business unit. The Onshore business differs from the rest of Ørsted when it comes to technological maturity and business model, and we believe that Onshore will be best positioned to realise its full potential as a separate business unit.

We are making these changes in our organisation to establish an even stronger customer and market focus,

to further strengthen the focus on EPC and operations, and to support the scaling of our organisation as we continue our strong growth trajectory in the years to come.

Externally, we will continue to report Offshore and Onshore financials as we do today. This means that Offshore will continue to include our hydrogen activities. Bioenergy, our legacy gas activities, and Renaissance will be reported in a separate segment called Bioenergy & Other.

### Concluding remarks from the new CEO

We are very satisfied with our strategic progress and results in 2020, and I am grateful for the support and professionalism of our customers and partners. I am keenly aware that only together, we can do great things and live up to our high ambitions. We maintain a leading position in a global high-growth market and have built a strong and financially sustainable pipeline, laying the path for future growth.

I am proud of and humbled by the Board of Directors' trust in me to succeed Henrik Poulsen as CEO of Ørsted. Creating a world that runs entirely on green energy is a vision close to my heart. I also want to thank the Executive Committee and all Ørsted employees for a warm welcome.

I am deeply impressed and inspired by the passion and motivation I have encountered throughout the entire company, and it makes me excited for what we can achieve. I am confident that Ørsted can stay a globally leading renewable energy producer, both offshore and onshore. I am convinced that Ørsted, as the world's most sustainable energy company, has the potential to be a global catalyst for systemic change, accelerating the green energy transition and how companies operate.



**Mads Nipper**  
Group President and CEO

# Performance highlights

## Profits and returns

### Operating profit (EBITDA) DKKbn

∕ New partnerships



In 2020, we maintained stable operations despite the pandemic and achieved an underlying EBITDA exceeding our expectations at the beginning of the year. This was mainly driven by an increase in generation from our offshore and onshore wind farms.

### Profit for the year (continuing operations) DKKbn

∕ New partnerships  
∕ RBC divestment



Profit for the year was DKK 16.7 billion. The significant increase compared to 2019 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.

### Return on capital employed (ROCE) %

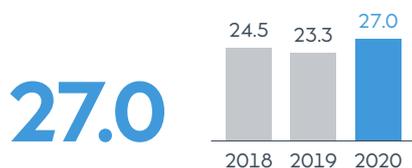
∕ New partnerships



ROCE was 10 % for the year, which was in line with our target of an average ROCE of approx. 10 % for the Group in the period 2019-2025. In 2018, ROCE was significantly impacted by the 50 % farm-down of Hornsea 1.

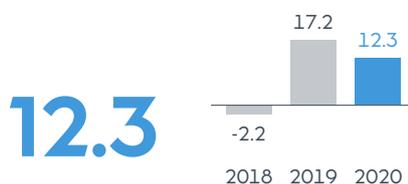
## Cash flow and balance sheet

### Gross investments DKKbn



The gross investments reached DKK 27.0 billion, a record-high level, driven by an increase in our construction activity, both offshore and onshore. Gross investments are slightly below our guidance, mainly due to timing across years.

### Interest-bearing net debt DKKbn



Our net debt decreased to DKK 12.3 billion, mainly due to the divestment of our Danish power distribution, residential customer, and city light businesses, resulting in proceeds of DKK 20.5 billion.

### Credit metric (FFO/adjusted net debt)<sup>1</sup> %



The credit metric 'funds from operations' (FFO) relative to adjusted net debt amounted to 48 % in 2020, well above our target of around 30 %.

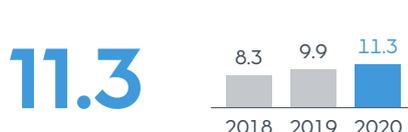
## Environment

### Green share of generation %



The green share of our heat and power generation continued to increase to a new high of 90 %, following continued ramp-up of our offshore and onshore wind capacity and lower heat and power generation based on fossil fuels.

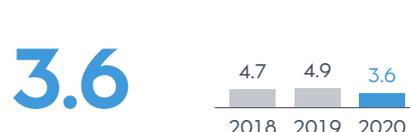
### Installed renewable capacity GW



Installed green capacity increased by 14 % to 11.3 GW in 2020 due to the commissioning of the offshore wind farm Borssele 1 & 2 and the three onshore wind farms Sage Draw, Plum Creek, and Willow Creek.

## Social

### Safety Total recordable injury rate (TRIR)



We continue to have a strong focus on the safety and well-being of our employees. We are progressing satisfactorily towards our target of 2.9 by 2025.

<sup>1</sup> Interest-bearing net debt, including 50 % of hybrid capital and securities not available for use (with the exception of repo transactions), present value of lease obligations (up until 2018), and decommissioning obligations less deferred tax.

# Our strategic aspiration and growth platform

Our global leadership position in offshore wind and strong North American position in onshore wind and solar photovoltaics (PV) provide a solid foundation for tapping into the significant growth opportunities in renewable energy and for realising our aspiration of becoming a global green energy major.

Our growth platform	Europe	North America	Asia Pacific
Offshore wind	Maintain leadership		
Onshore wind and solar PV	Explore growth opportunities	Build strong position	Explore growth opportunities
Renewable hydrogen	Execute projects and pursue scale-up opportunities		

Ørsted develops, constructs, owns, and operates wind farms, solar farms, and energy storage facilities, and we own and operate bioenergy plants. In addition to our generation activities, Ørsted engages in partnerships and develops projects related to the production of renewable hydrogen. Finally, we bring our power and heat to market and engage in trading activities to secure offtake and provide energy solutions to our customers.

We are the largest offshore wind constructor in the world, and we are market leader in each of the four regions where we operate: the UK, Continental Europe, North America, and Asia Pacific, excluding mainland China. Our strategic ambition is to maintain a market-leading position in all regions where we operate.

Our onshore wind and solar PV business is expanding rapidly, and we are now among the five largest US constructors in terms of new capacity additions in 2020. Our strategic ambition is to further strengthen our position in North America by building a diverse onshore wind and solar PV portfolio. In addition, we continue to monitor onshore growth opportunities in Europe and Asia Pacific.

We see increasing political support in Europe for the development of renewable hydrogen. When produced with renewable power, hydrogen offers a solution for decarbonising industries such as ammonia, steel, refining, and heavy transport where direct electrification is difficult or impossible. However, renewable hydrogen is currently not cost-competitive with fossil-based

alternatives. Significant challenges must be overcome to create and scale a hydrogen market, requiring action from both policymakers and companies.

### Our capital allocation

In November 2018, we announced our strategic plan to invest DKK 200 billion from 2019 to 2025, with more than 95 % earmarked for our growth platform in offshore wind, onshore wind, and solar PV, the balance being dedicated to our Markets & Bioenergy activities. We have invested DKK 50 billion over the course of 2019 and 2020, primarily in Offshore and Onshore construction activities which total DKK 35 billion and DKK 13 billion, respectively.

# On track to becoming carbon-neutral in 2025

A world that runs entirely on green energy starts with ourselves. Last year, we set two ambitious carbon reduction targets for our company: to become carbon-neutral in our energy generation and operations by 2025 and in our entire carbon footprint by 2040.

In a decade, we have transformed our business from being one of Europe's most carbon-intensive energy companies to a global green energy leader. Now, we are on track to becoming carbon-neutral in our energy generation and operations (scopes 1 and 2) by 2025, making us the first major energy company to transform from fossil fuels and reach net-zero emissions.

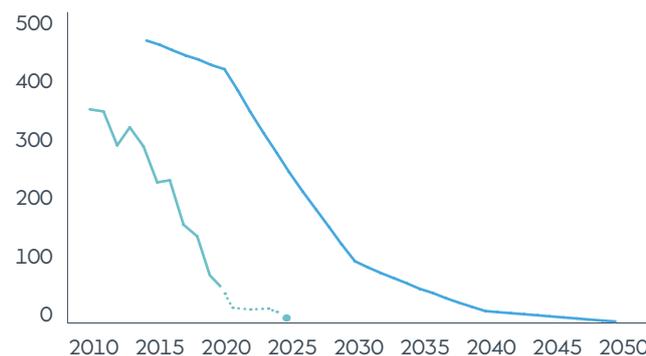
To reach carbon neutrality, we will reduce our carbon emissions with at least 98 % by replacing fossil fuels, including coal, with green energy. The remaining 2 % come from a variety of sources where it is currently challenging to make reductions. If we cannot find viable solutions for these cases, we plan to invest in carbon-removal projects that are verified and certified to remove carbon from the atmosphere.

During 2020, we have reduced our carbon emissions (g CO<sub>2</sub>e/kWh) by 87 % since 2006. Our build-out of green energy was the main driver, and we have now reached 90 % share of green energy generation.

## Two decades ahead of what science demands

Since we are fully on track to becoming carbon-neutral by 2025, we launched the next major phase of our decarbonisation journey last year: reaching net-zero emissions in our entire carbon footprint (scopes 1-3) by 2040, with an interim target of halving all our emissions by

**We are on track to becoming carbon-neutral already in 2025**  
Carbon intensity of energy generation and operations (scopes 1 & 2)  
g CO<sub>2</sub>e/kWh



Science Based Targets initiative's 1.5 °C pathway for greenhouse gas reductions in the energy sector

Ørsted's carbon intensity of energy generation and operations

2032. In 2020, we reduced our scope 3 emissions by 13 % since 2018, primarily due to a large reduction in our gas sales.

This year, the Science Based Targets initiative (SBTi) approved that our transformation and carbon reduction targets are in line with what is required by energy companies to limit global warming to 1.5 °C. It is even more than two decades ahead of the reduction speed deemed necessary by climate science.

## Supply chain decarbonisation programme picks up speed

While our green energy technologies generate power with zero emissions, emissions from the supply chains still remain and must be brought down to realise net-zero emissions in our entire carbon footprint. The majority of our emissions come from our offshore wind supply chain. In 2020, we therefore launched

our new supply chain decarbonisation programme to engage key strategic suppliers in this supply chain to find ways to eliminate their carbon emissions.

We encouraged them to disclose their emissions and set science-based targets, which 26 of our 28 top strategic suppliers are now doing. The remaining two have committed to do so in 2021. We also set firm expectations for our strategic suppliers to manufacture their products using 100 % green electricity by 2025 at the latest. And we explored how to optimise vessel fleets and develop roadmaps to power vessels with renewable energy.

These steps will be foundational in developing our programme even further in the coming years when we will look to establish roadmaps and metrics to track our progress towards carbon neutrality by 2040.

# Sustainability ratings and memberships

## UN Global Compact LEAD participant



Member of the action platform 'Business Ambition for Climate and Health'. Through this platform, we aim to serve as a catalyst for enhancing action to meet the ambitions of the Paris Agreement and the UN SDGs.

Member of the action platform 'Sustainable Ocean Business'. Through this platform, we aim to contribute to ensuring that an accelerated use of ocean-based solutions takes place sustainably to meet the ambitions of the Paris Agreement and the UN SDGs.

WE SUPPORT  
Caring for Climate



## Memberships and alliances



## Ratings

## Elaboration and benchmark

## Score



Ørsted ranked the 2<sup>nd</sup> most sustainable company in the world in Corporate Knights' 2021 Global 100 index.

2nd place



Ørsted awarded the highest possible CDP rating for two consecutive years and recognised as a global leader on climate action.

A



Ørsted awarded the highest possible rating by MSCI for four consecutive years.

AAA



Ørsted placed as no. 1 among all utilities and awarded Prime status by ISS ESG.

B+



Ørsted awarded a Platinum Medal for being among the top 1 % of companies assessed by EcoVadis.

80 of 100



Ørsted ranked the most influential electric utility company in the world by World Benchmarking Alliance for contributing to a low-carbon economy.

1st place

# Our 2020 portfolio of sustainability programmes

At Ørsted, we are deeply committed to advancing the 17 UN Sustainable Development Goals (SDGs) which define the key sustainability challenges that the world faces towards 2030. The goals are interconnected and almost all of them are influenced by the climate challenge. We have developed 20 sustainability programmes to systematically address the most important sustainability challenges affecting our business and stakeholders. As a renewable energy company, we aspire to have a transformative impact on SDGs 7 and 13, while contributing to several others as well.

## To catalyse the green energy transformation

Sustainability challenge	Programme	Our impact on the SDGs
Climate action Energy efficiency	<b>1. Decarbonisation of energy generation and operations</b>	As a world-leading renewable energy company, our main contributions are to SDGs 7 and 13 where we aspire to have a transformative impact.
Climate action	<b>2. Decarbonisation of our supply chain and wholesale buying and selling of natural gas</b>	
Climate action	<b>3. Deployment of offshore wind</b> <b>4. Deployment of onshore renewables</b> <b>5. Greener combined heat and power plants</b>	
Reliable energy systems	<b>6. Green energy utilisation and integration</b>	
Sustainable finance	<b>7. Financing green</b>	



## To address the sustainability impacts of the green energy transformation

Biomass sustainability	<b>8. Sourcing certified sustainable biomass</b>	While contributing to a greener world, we advance the positive ripple effects of the green energy transition and manage any negative effects on local communities and the environment.
Biodiversity impacts and changes to ecosystems Use of the sea and land for green energy	<b>9. Marine biodiversity</b>	
Local community impacts	<b>10. Local communities</b>	
Reuse and recycling of materials	<b>11. Resource management</b>	



## To ensure responsible business practices

Safety, health, and well-being	<b>12. Workplace safety</b> <b>13. Employee health and well-being</b>	We conduct our business with responsibility, accountability, and respect for our employees, business partners, and suppliers.
Employee attraction and development	<b>14. Employee development</b> <b>15. Employee satisfaction</b>	
Diversity and equal opportunity	<b>16. Inclusion of diversity</b>	
Business ethics and transparency	<b>17. Good business conduct</b>	
Business partner and human rights due diligence	<b>18. Human rights &amp; responsible business partners programme</b>	
Information security and cyberattacks	<b>19. Information and cybersecurity</b>	
Responsible tax	<b>20. Responsible tax practices</b>	



# Key industry challenges to a sustainable green energy build-out

Accelerating the global deployment of renewable energy is not without its challenges. This year, through our systematic analysis of sustainability challenges affecting our business and our stakeholders, we have identified a number of fundamental challenges emerging at the intersection of renewable energy, communities, and nature. We believe these challenges will pick up speed over the coming decade.

To ensure a sustainable transition to green energy, it is decisive to manage the impacts that the green energy build-out potentially have on the environment or society. In our annual sustainability themes analysis, we have identified three key challenges that are especially important to our stakeholders and business:

- **Decarbonising supply chains.** As the renewable energy industry seeks to scale up the green energy build-out, the absolute carbon emissions from renewable energy supply chains will increase. Decarbonising these supply chains is essential for realising a net-zero world.
- **Improving biodiversity protection.** Constructing renewable energy at sea and on land inevitably impacts local habitats and ecosystems. As we accelerate the build-out of green energy, we will work with a greater number of as well as more diverse ecosystems, which is why we need a stronger and more programmatic approach to manage our biodiversity impacts.
- **Creating shared value with local communities.** While renewable energy projects offer local communities significant economic opportunities, they also bring change that can cause concern among our local stakeholders. To expand green energy in a way that enhances shared local benefits, we need to work with an increasingly large set of local stakeholders across more geographies as we globalise as a company.

In addition, the energy industry must address several other sustainability challenges in the years ahead to ensure a sustainable transition to renewable energy:

- **Offsetting residual emissions.** Our plan to achieve full carbon neutrality by 2025 will reduce our carbon emissions by 98 %, but the remaining 2 % may have to be offset. The market for credible offsetting solutions that guarantee carbon removal on the scale we need is already under development. We now need to establish a mature strategy to find carbon-removal solutions that are credible, trustworthy, and clearly contribute to carbon removal.
- **Sourcing sustainable biomass.** Sustainable biomass remains the best option for phasing out coal from existing power plants and delivering significant carbon reductions. To realise the positive climate impact of biomass for energy generation and protect biodiversity, we must continue to ensure that the biomass we use is sustainably produced and that the quality of documentation lives up to our expectations, in line with Danish and EU legislation.
- **Managing human rights issues in new supply chains.** As the green energy build-out and supply chains accelerate to parts of the world where human rights risks are more prominent, we need to strengthen our due diligence and stakeholder engagement to continue to ensure that human rights are respected wherever we operate.

- **Enabling inclusion of diversity.** Inclusion of diversity is important in its own right. As we globalise our company, we want to build a workforce that reflects the societies in which we operate. We are keen to refine how we approach this, creating a more diverse workforce and inclusive company culture that reflects a larger variety of perspectives and enables globalisation.
- **Increasing recyclability from renewable energy technologies.** Wind turbines currently have a recyclability rate of 85-90 %. Yet, wind turbine blades continue to be difficult to recycle. While some technologies exist, scalable solutions are not yet available at a competitive price. In the coming decade, the energy sector plays an important role to facilitate the development of the right solutions to recover or recycle turbine blade materials.
- **Sourcing minerals and metals sustainably.** A green energy transformation requires significant amounts of mineral and metals, including copper, rare earth, iron, cobalt, manganese, and nickel. A significant share of the global extraction and production of these materials comes from countries with a higher risk of negative social, human rights, and environmental impacts. We need to work carefully with suppliers to ensure traceability, due diligence, and mitigation of risks beyond our immediate control throughout our supply chains.

See our Sustainability report for more about how we work systematically to address these challenges.

# Our global footprint

## United Kingdom

 In operation: 4,939 MW  
 Under construction: 1,386 MW  
 Under development: 4,000-5,000 MW

 In operation:  
 Renescience Northwich

 In operation: 20 MW

 Sales of energy

## The Netherlands

 In operation: 752 MW

## Germany

 In operation: 1,384 MW  
 Awarded: 1,142 MW

 Sales of energy

## United States of America

 In operation: 30 MW  
 Awarded: 2,934 MW  
 Under development: up to 4,500 MW

 In operation: 1,658 MW  
 Under construction: 665 MW

 Under construction: 1,077 MW

 Under construction: 40 MW

### Activities

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

### Status

-  In operation
-  Under construction (FID)
-  Awarded
-  Under development

MW: Total gross capacity (even if Ørsted's share is < 100 %). The MW for the wind farms in operation illustrates the operational capacity. The map shows selected Ørsted assets.



### Sweden

🏠 Sales of energy

### Denmark

⚡ In operation: 945 MW

🏠👤 In operation: our CHP plants, 2,850 MW power and 3,487 MW heat

🏠 Sales of energy

### South Korea

⚡ Under development: up to 1,600 MW

### Taiwan

⚡ In operation: (Formosa 1) 128 MW  
Under construction: (Greater Changhua 1 & 2a) 900 MW  
Awarded: (Greater Changhua 2b & 4) 920 MW

# Shareholder information

The Ørsted share yielded a total return of 82 % in 2020, an increase in the share price of 80 % and dividends of DKK 10.5 per share.

## Price development for the Ørsted share

The Ørsted share closed 2019 at a price of DKK 689 and closed 2020 at DKK 1,244. Prices of comparable European utility companies decreased by 5 %, and the OMX C25 cap increased by 34 % in 2020. The market value of Ørsted was DKK 523 billion at the end of the year. Since the IPO in June 2016, the Ørsted share has generated an aggregate return from share price appreciation and dividends of 444 %.

The year's highest traded price of DKK 1,273 was on 29 December. The year's lowest traded price of DKK 574 was on 19 March.

The average daily turnover on Nasdaq Copenhagen was 516,919 shares. The trading volume increased by 16 % compared to 2019.

In connection with SEAS-NVE's (now Andel) acquisition of our Danish power distribution, residential customer,

and city light businesses, Andel sold shares equivalent to 2.27 % of the shares in Ørsted in January 2020, bringing their shareholding to 5.01 %.

## 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 2020. At the end of 2020, the company held a total of 313 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 67 % to 71,807, and the majority (63 %) lies with Danish owners. The figure on the next page shows the composition of our shareholders by country, specifying the three 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

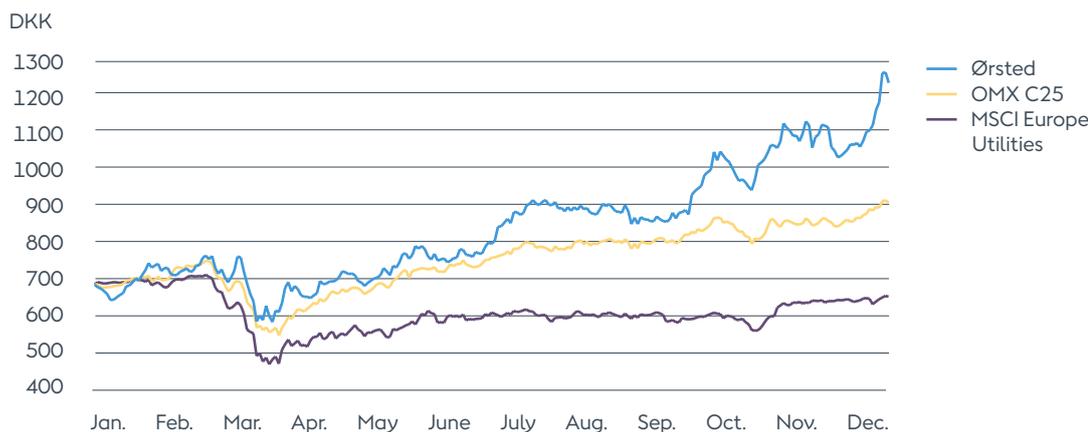
The annual general meeting will be held on 1 March 2021. Dividends for the year are expected to amount to DKK 11.5 per share, corresponding to DKK 4.8 billion and a yield of 0.9 % compared to the share price of DKK 1,244 at the end of 2020.

In 2020, dividends of DKK 10.5 per share were paid for the 2019 financial year, corresponding to a dividend yield of 1.5 %.

## Investor relations

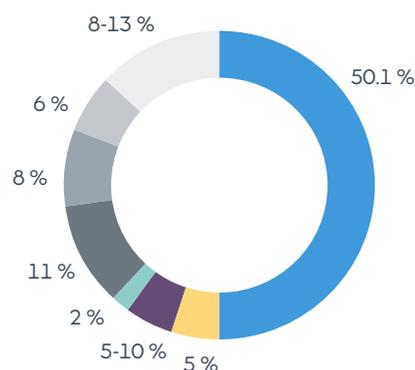
In order to achieve a fair pricing of our shares and corporate bonds, we seek to ensure a high level of openness and stability in our financial communication. In addition, our management and our Investor Relations function engage in regular dialogues with investors and analysts. The dialogues take the 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.

## Share price development in 2020 Ørsted share price compared to peers



**Shareholders at 31 December 2020,**  
share capital and/or voting share %\*

- Danish State (majority shareholder)
- Andel A.M.B.A, Denmark
- The Capital Group, United States
- Retail investors, Denmark
- North America
- United Kingdom
- Danish institutional investors
- Others



\* See note 16 in the parent company financial statements.

The Group is covered by 30 equity analysts and 11 bond analysts. Their recommendations and consensus estimates for Ørsted's future financial performance are available at [orsted.com/en/investors](https://orsted.com/en/investors). On this site, you can also download our financial reports, our remuneration report, our ESG performance report, and our sustainability report as well as investor presentations and a wide range of other data.

**Selected company announcements in 2020**

4 Mar.	Ørsted increases its full-year EBITDA guidance
25 Mar.	Ørsted provides COVID-19 update
3 Apr.	Ørsted postpones Capital Markets Day
15 June	Henrik Poulsen has resigned and steps down as CEO of Ørsted no later than 31 January 2021. The Board of Directors has initiated a process to identify Ørsted's next CEO
8 July	Ørsted and TSMC sign the world's largest renewables corporate power purchase agreement
31 Aug.	Ørsted completes the divestment of its Danish power distribution, residential customer, and city light businesses
9 Sep.	Ørsted appoints Mads Nipper the next CEO of Ørsted
4 Nov.	Ørsted successfully issues green bonds in Taiwan
1 Dec.	Ørsted appeals against decision from the Danish Tax Agency on Danish taxation of two offshore wind farms in the UK
4 Dec.	Ørsted divests 25 % of Ocean Wind 1 to PSEG
10 Dec.	Ørsted and Amazon sign Europe's largest offshore wind corporate power purchase agreement
28 Dec.	Ørsted brings in CDPQ and Cathay PE as investors in the Greater Changhua 1 Offshore Wind Farm

**Financial calendar 2021**

3 Feb.	Annual report 2020
1 Mar.	Annual general meeting
29 Apr.	Interim report for the first quarter of 2021
12 Aug.	Interim report for the first half-year of 2021
3 Nov.	Interim report for the first nine months of 2021

**Share information**

ISIN	DK 0060094928220
Share classes	1
Nominal value	DKK 10 per share
Average daily volume	516,919
Exchange	Nasdaq OMX Copenhagen
Ticker	ORSTED
Year high	DKK 1,273 (29 Dec.)
Year low	DKK 574 (19 Mar.)
Registered share	99.6 %
Number of shares	420,381,080 shares
Number of treasury shares	312,844 shares

# Selected performance highlights

## Income statement (business performance), DKKm

	2020	2019	2018	2017	2016
Revenue	52,601	67,842	76,946	59,504	61,201
EBITDA	18,124	17,484	30,029	22,519	19,109
Depreciation, amortisation, and impairment losses	(7,588)	(7,432)	(5,375)	(6,284)	(5,232)
Operating profit (loss) (EBIT)	10,536	10,052	24,654	16,235	13,877
Profit (loss) for the year from continuing operations	16,727	6,100	19,486	13,279	12,161

## Balance sheet

Total assets	196,719	192,860	174,575	146,521	136,489
Total equity	97,329	89,562	85,115	71,837	57,500
Interest-bearing net debt	12,343	17,230	(2,219)	(1,517)	3,461
Capital employed	109,672	106,792	82,896	70,320	60,961

## Cash flow

Cash flow from operating activities	16,466	13,079	10,343	1,023	11,272
Gross investments	(26,967)	(23,305)	(24,481)	(17,744)	(14,960)
Divestments	19,039	3,329	19,950	16,982	9,055
Free cash flow from continuing operations	8,538	(6,897)	5,812	261	5,367

## Financial ratios

Return on capital employed (ROCE), %	9.7	10.6	32.1	25.2	24.4
Dividend yield, %	0.9	1.5	2.2	2.7	2.2
FFO/adjusted net debt, %	48.3	31.0	69.0	50.3	64.2

## Business drivers

<b>Offshore</b>					
Installed capacity, offshore wind, GW	7.6	6.8	5.6	3.9	3.6
Generation capacity, offshore wind, GW	4.4	3.6	3.0	2.5	2.0
Wind speed, m/s	9.7	9.2	9.1	9.3	8.9
Power generation, TWh	15.2	12.0	10.0	8.5	6.0
<b>Onshore</b>					
Installed capacity, onshore wind, GW	1.7	1.0	0.8	-	-
Wind speed, m/s	7.6	7.3	7.3	-	-
Power generation, TWh	5.7	3.5	0.6	-	-
<b>Markets &amp; Bioenergy</b>					
Degree days, number	2,432	2,399	2,526	2,705	2,715
Heat generation, TWh	6.7	8.3	8.8	9.0	9.2
Power generation, TWh	4.4	4.6	6.7	8.2	8.4
Power sales, TWh	11.6	14.7	15.3	31.7	32.9
Gas sales, TWh	90.3	125.0	131.1	129.0	143.4

## People and environment

Employees (FTE), end of period, number	6,179	6,526	6,080	5,638	5,775
Total recordable injury rate (TRIR)	3.6	4.9	4.7	6.4	6.8
Fatalities, number	0	1	0	0	0
Green share of heat and power generation, %	90	86	75	64	50
Carbon emissions, g CO <sub>2</sub> e/kWh (scopes 1 & 2)	58	65	131	151	224
Carbon emissions, Mtonnes (scope 3)	25.3	34.6	36.2	n.a.	n.a.

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