# Ørsted Bioenergy & Thermal Power A/S

## Annual report for 2018

**CVR no. 27 44 64 69**

Adopted at the annual general meeting on 22 May 2019

Ulrik Jarlov
chairman

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# Statement by management on the annual report

The executive boards and board of directors have today discussed and approved the annual report of Ørsted Bioenergy & Thermal Power A/S for the financial year 1 January - 31 December 2018.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January - 31 December 2018.

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

Management recommends that the annual report should be approved by the company in general meeting.

Skærbæk, 7 May 2019

**Executive board**

Thomas Dalsgaard
CEO

**Board of Directors**

| | | |
|---|---|---|
| Marianne Wiinholt<br>chairman | Hanne Legardt Blume Levy<br>deputy chairman | Jakob Askou Bøss |
| Nicolai Frederik Schmidt Carøe | Viggo Rahbek Warming<br>employee representative | Ole Henriksen<br>employee representative |

# Independent auditor's report

***To the shareholder of Ørsted Bioenergy & Thermal Power A/S***

**Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act

We have audited the Financial Statements of Ørsted Bioenergy & Thermal Power A/S for the financial year 1 January - 31 December 2018, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes ("financial statements").

**Basis for Opinion**

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

**Statement on management's review**

Management is responsible for management's review.

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

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

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

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

# Independent auditor's report

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

# Independent auditor's report

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

  Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 7 May 2019

**PricewaterhouseCoopers**
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Rasmus Friis Jørgensen
statsautoriseret revisor
MNE no. mne28705

Claus Damhave
statsautoriseret revisor
MNE no. mne34166

# Company details

| | | |
|---|---|---|
| **The company** | Ørsted Bioenergy & Thermal Power A/S<br>Kraftværksvej 53<br>Skærbæk<br>7000 Fredericia | |
| | Telephone:<br>Fax: | +45 99 55 11 11<br>+45 99 55 00 02 |
| | Website: | www.orsted.com |
| | CVR no.: | 27 44 64 69 |
| | Reporting period: | 1 January - 31 December 2018 |
| | Domicile: | Fredericia |
| **Board of Directors** | Marianne Wiinholt, chairman<br>Hanne Legardt Blume Levy, deputy chairman<br>Jakob Askou Bøss<br>Nicolai Frederik Schmidt Carøe<br>Viggo Rahbek Warming, employee representative<br>Ole Henriksen, employee representative | |
| **Executive board** | Thomas Dalsgaard, Chief Executive Officer | |
| **Auditors** | PricewaterhouseCoopers<br>Statsautoriseret Revisionspartnerselskab<br>Strandvejen 44<br>2900 Hellerup | |
| **Consolidated financial statements** | The company is included in the consolidated financial statements of the parent company Ørsted A/S, CVR no. 36 21 37 28<br><br>The group annual report of Ørsted A/S, CVR no. 36 21 37 28 may be obtained at the following address:<br><br>www.orsted.com | |

# Financial highlights

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

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| | MDKK | MDKK | MDKK | MDKK | MDKK |
| **Key figures** | | | | | |
| **Profit/loss** | | | | | |
| Revenue | 6.268 | 5.984 | 4.752 | 5.199 | 6.493 |
| Profit/loss before amortisation/depreciation and impairment losses | 615 | -68 | 1.344 | -1.385 | 476 |
| Net financials | -937 | -109 | 418 | 198 | -246 |
| Profit/loss for the year | 728 | -710 | 932 | -1.648 | -619 |
| **Balance sheet** | | | | | |
| Balance sheet total | 12.090 | 12.417 | 13.081 | 12.703 | 12.729 |
| Investment in property, plant and equipment | 1.097 | 945 | 1.508 | 1.310 | 795 |
| Equity | 4.210 | 3.481 | 4.189 | 3.320 | 4.955 |
| Number of employees | 705 | 723 | 777 | 795 | 855 |
| **Financial ratios** | | | | | |
| Gross margin | 17,3% | 7,0% | 38,7% | -16,5% | 15,7% |
| EBIT margin | -1,6% | -13,2% | 12,8% | -44,7% | -7,6% |
| Return on assets | -0,8% | -6,2% | 4,7% | -18,3% | -4,0% |
| Solvency ratio | 34,8% | 28,0% | 32,0% | 26,1% | 38,9% |
| Return on equity | 18,9% | -18,5% | 24,8% | -39,8% | -11,8% |

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and key figures 2015. For definitions, see the summary of significant accounting policies..

# Management's review

**Business activities**
Ørsted Bioenergy & Thermal Power A/S is a member of the Ørsted Group and a subsidiary of Ørsted A/S, Fredericia. Reference is made to the annual report of Ørsted A/S.

The company's objectives are to engage in activities in the energy sector and ancillary activities.

Ørsted Bioenergy & Thermal Power A/S produces electricity and heat is produced at a number of thermal power plants in Denmark. The electricity generated is sold on the Nordic electricity exchange, Nord Pool. The heat produced is sold in accordance with long term heating contracts. Our power stations are an important part of the Danish energy system and they are some of the most efficient and flexible in the world, partly on account of combined electricity and district heat generation. They supply electricity and heat to our customers and contribute to supporting the transformation to renewable energy in the energy system of the future.

Ørsted Bioenergy & Thermal Power A/S has subsidiaries in i.a. Denmark, United Kingdom and the Netherlands. These subsidiaries also operate businesses within the energy sector, primarily in the production of enzymatic waste treatment technology.

**Business review**
The 2018 activity highlights:

• The High Court of Western Denmark and the Danish Appeals Permission Board ruled in favour of Ørsted in the case concerning the former Elsam.

• We commissioned the green gas facility 'Kalundborg Bioenergi', which transforms the organic waste of long-time corporate customers Novo Nordisk and Novozymes into green gas that is utilised in Novo Nordisk's production.

• We divested our 50% ownership share in the Dutch gas-fired power plant

***Investments***
In 2018, 1.097 million DKK were invested in property, plant and equipment. The largest investments related to the bioconversion of Asnæs Power Station and renovation of existing production facilities.

# Management's review

**Financial review**

The Company's income statement for the year ended 31 December 2018 shows a profit of 728 million DKK (2017: loss 710 million DKK), and the balance sheet at 31 December 2018 shows equity of 4.210 million DKK (2017: 3.481 million DKK).

The development in the result compared to 2017 can be explained by:

Revenue increased by 284 million DKK to 6.268 million DKK in 2018.
Power generation was 18% lower than in 2017, driven by the divestment of our Dutch power plant, and amounted to 6.7TWh. Power generation from our Danish plants increased by 4% driven by higher spreads, while heat generation decreased slightly by 2% to 8.8TWh in 2018 due to warmer weather.

Revenue from heat sales increased by 11% despite a decrease in heat generation. This was due to the bioconversion of the Skærbæk Power Station as well as higher revenue from the Avedøre Power Station due to ramp-up in Q1 2017 following the bioconversion in December 2016. Revenue from power and ancillary services increased by 6% to 3.547 million DKK, driven by an increase of 45% in power prices compared to last year. This more than offset the 18% decrease in generation due to the divestment of the Enecogen power plant.

Other operating income, 68 million DKK (2017: 47 million DKK), mainly relates to sale of tangible assets.

Profit from discontinued operations, 1.704 million DKK (2017: 0 million DKK) driven by the sale of Enecogen activities including the related Tolling agreement.

# Management's review

**Net profit (loss) relation to expected development assumed in previous report**
The total EBITDA from our heat and power generation activities is expected to maintain a result in line with 2018.

The expected EBITDA in 2019 is between 600 million DKK and 750 million DKK before special items.

Ørsted Bioenergy & Thermal Power A/S' strategic focus is:

- Complete the conversion of our Danish CHP plants to sustainable biomass and phase out coal by 2023

- Operate our plants smartly and safely and prepare for a transition towards a more electrified green district heating system

- Develop and establish a growth platform within waste recycling.

**Complete the conversion to sustainable biomass and phase out coal by 2023:**
For several years, we have been committed to converting our heat and power plants to using sustainable wood pellets and wood chips instead of fossil fuels. We will phase out coal entirely towards 2023, thereby reducing our annual carbon emissions in Denmark significantly. In just over ten years, we will have gone from being one of the most coal-intensive utilities in Europe to having a completely coal-free generation by 2023.
Our portfolio of seven central CHP plants in Denmark will thus be able to supply green district heating equivalent to the consumption of almost one million Danes in the near future. Our power stations will have some of the largest biomass-fired CHP plants in the world, making them key to the green transformation of the nearby towns, cities and municipalities – and Denmark as a whole.

**Operate our plants smartly and safely and prepare for a transition towards a more electrified green district heating system**
Our portfolio of large bio-converted CHP plants in Denmark will continue to be a key component in the green transition of the heat and power sector in Denmark, while also supporting the power grid during times of low wind and solar generation. To operate them efficiently, we are rolling out a comprehensive digitalisation programme at our power stations, allowing us to further optimise generation and reduce costs. In parallel, we are taking initial steps to investigate opportunities in electrified district heating, for instance in the form of large-scale heat pumps and heat storage.

# Management's review

**Develop and establish a growth platform within waste recycling**
During 2018, we continued to test and improve our Renescience facility in Northwich in the UK. The Renescience technology efficiently converts household waste into biogas and recyclable materials through enzymes and mechanical sorting technologies. The Northwich plant has confirmed that the core enzymatic sorting process works as expected, also when applied in large scale. We are currently finalising the optimisation of the plant's mechanical operations, which has been more challenging and taken longer than expected. Final commissioning is expected during the first half of 2019.

In April 2018, we commissioned our first industrial Danish biogas plant together with Bigadan – Kalundborg Bioenergi. In addition, we finalised the construction of the extension of the Danish Linkogas biogas-upgrading facility in December. In the beginning of 2019, we have decided not to pursue further growth potential within Biogas.

**Recognition and measurement uncertainties**
The recognition and measurement of items in the financial statements is not subject to any uncertainty.

**Unusual matters**
The company's financial position at 31 December 2018 and the results of its operations for the financial year ended 31 December 2018 are not affected by any unusual matters.

**Knowledge ressources**
In order to achieve our vision of leading the energy transformation, it is essential that we can attract and retain skilled employees. We believe that well-being, both at and outside work is helping to create long term job satisfaction and ultimately better results. Therefore, we want to create the best possible framework for a sustainable work life where people are energized to make a difference every day. We take the initiative to maintain a good sense of community and collaboration among colleagues, meaningful challenging tasks, good management as well as sustained focus on professional development and learning. In addition, we offer healthy food, fitness facilities, as well as tools that help to prevent such as lack of sleep and stress.

Our goal to create continuous personal and professional development is based on the individual employee and 70:20:10 model. 70:20:10 are based on research, which shows that around 70% of the learning and development takes place through experience, around 20% through others, while approximately 10 per cent comes from courses and training. Orsted's Academy also offers a wide range of development and training programs across all career path.

# Management's review

**Special risks apart from generally occurring risks in industry**

***Operating risks***

The financial result of Ørsted Bioenergy & Thermal Power A/S is significantly affected by the development in a number of market prices, including biomass, oil, gas, electricity, coal, CO2 quotas and the dollar exchange rate. Parts of the market price exposure in 2019 - 2021 are hedged in accordance with the company's hedging strategy. Other factors that affect the financial results are the market's needs for flexibility, as well as the regulatory framework conditions.

**Environment**

For several years, we have been committed to converting our power stations to use sustainable wood pellets and wood chips. In 2017, we decided to phase out coal by 2023, as coal is the fuel with the greatest carbon impact per produced quantity of power and heat. Our ongoing work will reduce our annual carbon emissions in Denmark significantly towards 2023. In just over ten years, we have gone from being one of the most coal-intensive utilities in Europe to having a completely coal-free generation by 2023.

**Branches abroad**

The company has a branch in the UK.

**Statutory report on corporate social responsibility**

In pursuance of Section 99a (6) of the Danish Financial Statements Act, the Company has omitted information on corporate social responsibility. Reference is made to the Annual Report 2018 of Ørsted A/S (orsted.com/en/Investors/Reports-and-presentations) and Sustainability report 2018 of Ørsted A/S (orsted.com/en/Sustainability).

**Board of Directors representation and other management representation**

Due to equal representation of men and women in the Board of Directors in accordance with the rules in the Danish Companies Act, no targets for the share of the underrepresented gender have been set. Concerning the requirements of the Danish Companies Act for other management levels, reference is made to Ørsteds ESG Performance Report 2018
(orsted.com/-/media/Annual_2018/Orsted_ESG_performance_report_2018)

# Accounting policies

The annual report of Ørsted Bioenergy & Thermal Power A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C .

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

The annual report for 2018 is presented in TDKK

Pursuant to sections §112, of the Danish Financial Statements Act, the company has not prepared consolidated financial statements. Reference is made to the Annual Report 2018 of Ørsted A/S (orsted.com/en/Investors/Reports-and-presentations).

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

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

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

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

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

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

**Government grants**
Government grants comprise grants for environment-friendly generation and for funding of research and development projects. Government grants are recognised when there is reasonable assurance that they will be received.

Grants for electricity generation are recognised as revenue in step with the recognition of the related electricity revenue.

# Accounting policies

Grants for research and development costs which are recognised directly in the income statement are recognised as other operating income in step with the costs to which the grants relate being incurred.

Grants for production assets and development projects are recognised in the balance sheet as deferred income and transferred to other operating income in the income statement in step with depreciation and amortisation of the assets to which the grants relate.

Allocated CO2 rights are recognised as rights within intangible assets.

**Hedge accounting**

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

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

Changes in the fair value of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement.

## Income statement

**Information of revenue**

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

**Revenue**

Income from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

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

# Accounting policies

Contract work in progress is recognised as the work is performed, which means that revenue equals the selling price of the work performed during the year (percentage of completion method). Revenue from work in progress is recognised when total income and expenses in respect of the orders, and the stage of completion at the balance sheet date, can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Company.

**Raw materials and consumables**
Expenses for raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Raw materials and consumables comprise the purchases of fuel in the form of gas, coal, biomass and oil, purchases of energy, and transportation expenses in connection with the above and expenses related to CO2 emissions. These expenses are recognised in the income as consumed.

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

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

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

Other external expenses also comprise research and development costs that do not qualify for capitalisation.

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

The share programme is initially classified as an equity-based scheme as the program settles in shares in Ørsted A/S. The fair value of the performance-based share units (PSUs) and estimates of the number of PSU's granted are measured at the time of granting and recognised: in the income statement under employee costs over the vesting period, and in the balance sheet under equity over the vesting period.

# Accounting policies

**Amortisation, depreciation and impairment losses**
Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

**Financial income and expenses**
Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials comprise interest income and interest expense, capital gains and capital losses and impairment losses relating to securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities.

Net financials also include realised and unrealised gains and losses relating to hedging of interest rate and currency risks that have not been entered into to hedge revenue, cost of sales or fixed assets.

**Profit/loss from investments in subsidiaries and associates**
Dividend from investments is recognised in the reporting year in which the dividend is declared.

**Tax on profit/loss for the year**
The company is subject to the Danish rules on compulsory joint taxation of the Ørsted Group's Danish subsidiaries. From 2005 to 2016 the Group's foreign subsidiaries were also included in the joint taxation, but Ørsted A/S withdrew from the international joint taxation scheme with effect from 2017. Subsidiaries participate in the joint taxation arrangement from the time when they are included in the consolidated financial statements and until the time when they withdraw from the consolidation.

The ultimate Parent Company, Orsted A/S, is the management company for the joint taxation and consequently settles all income tax payments to the tax authorities.

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

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

# Accounting policies

## Balance sheet

**Intangible assets**

***Development projects, patents and licences***

Development costs comprise costs directly and indirectly attributable to the company's development activities and meet the criteria for recognition.

Development projects consists of IT software, which meet the criteria for recognition in the balance sheet. Static process modelling is the main project and is recognised as a development project and completed during 2018. The expected life-time is assessed as 7 years. The project is used for optimizing the power plants design, operation and maintenance and will ensure future economic benefit by optimizing fuel distribution and production flexibility. The model provides up-to-date current data on the capacity of the power plants, which contribute to improving the load distribution and entries to the market. Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less the lower of accumulated amortisation and the recoverable amount.

On completion of a development project, capitalised development costs are amortised on a straightline basis over the estimate economic life. The amortisation period is normally 5 years and does not exceed 20 years.

Patents and licences consists of CO2 emission and IT-software, which are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight-line basis over the remaining patent period, and licences are amortised over the term of the licence, however not more than 20 years.

Allocated and purchased CO2 emission allowances, including CO2 credits, that are accounted for as rights are measured initially at cost. If a grant is received in connection with an allocation, the cost constitutes the actual consideration paid for the allowances, ie nil if the allowances are allocated free of charge. CO2 emission allowances are not amortised as their residual value equals their cost.

**Tangible assets**

Tangible assets are measured at cost less accumulated depreciation and impairment losses.

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

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

# Accounting policies

Interest expenses on loans obtained specifically for the purpose of financing the manufacturing of items of property, plant and equipment are included in cost over the manufacturing period. All indirect, attributable borrowing costs are recognised in the income statement.

Cost is increased by estimated expenses for dismantling and removing the asset and restoration to the extent that they are recognised as a provision

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

| | Useful life | |
|---|---|---|
| Buildings | 20-50 | years |
| Plant and machinery | 10-40 | years |
| Other fixtures and fittings, tools and equipment | 3-5 | years |

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

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

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

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

**Other securities and investments, fixed assets**
Investments are measured at cost.

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

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

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

# Accounting policies

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

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

**Receivables**
Receivables are measured at amortised cost.

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

**Prepayments**
Prepayments comprise costs incurred concerning subsequent financial years.

**Cash and cash equivalents**
Cash and cash equivalents comprise cash.

**Provisions**
Provisions are recognised when in consequence of an event occurred before or on the balance sheet date the company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

In measuring provisions, the expenses required to settle the liability are discounted to net present value, if this has a significant effect on the measurement of the liability. A pre tax discount rate is used that reflects the general interest rate level in the market. The change in present values for the financial year is recognised as financial expenses.

Provisions for the decommissioning of production assets and restoration are measured at the present value of the future liability in respect of decommissioning and shutdown as estimated at the balance sheet date. The amount provided is determined on the basis of existing requirements and estimated expenses, which are discounted to present value. If specific risks are deemed to attach to a provision, the estimated expenses are recognised. A discount rate is used that reflects the general interest rate level in society. These liabilities are recognised as they arise and are adjusted on a regular basis to reflect changes in requirements, price level, etc. The value of the provision is recognised in property, plant and equipment and depreciated together with the relevant assets. The increase in time of the present value of the provision is recognised in profit/loss for the year as financial expenses.

# Accounting policies

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

When it is probable that the total costs will exceed the total revenue from contract work in progress, the total expected loss on the work in progress is recognised as a provision. The provision is recognised under production costs.

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

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

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

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

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

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

# Accounting policies

**Foreign currency translation**
On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

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

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

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

## Cash flow statement

In pursuance of Section 86 (iv) of the Danish Financial Statements Act, The company has omitted preparing a cash flow statement, as the company's cash flows are included in the consolidated cash flow statement.

# Accounting policies

**Financial highlights**

Definitions of financial ratios.

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

# Income statement 1 January - 31 December

| | Note | 2018<br>TDKK | 2017<br>TDKK |
|---|---|---|---|
| **Revenue** | 1 | **6.268.498** | **5.984.362** |
| Other operating income | 2 | 68.375 | 46.797 |
| Raw materials and consumables | 3 | -4.314.449 | -4.783.453 |
| Other external expenses | | -937.532 | -827.020 |
| **Gross profit** | | **1.084.892** | **420.686** |
| Staff costs | 4 | -470.366 | -488.969 |
| **Profit/loss before amortisation/depreciation and impairment losses** | | **614.526** | **-68.283** |
| Depreciation, amortisation and impairment of intangible assets and property, plant and equipment | | -651.448 | -702.026 |
| Other operating costs | | -66.107 | -21.027 |
| **Profit/loss before net financials** | | **-103.029** | **-791.336** |
| Income from investments in subsidiaries | | -753.000 | 113.000 |
| Income from investments in associates | | 0 | -12.359 |
| Financial income | 5 | 31.672 | 49.272 |
| Financial costs | 6 | -215.566 | -259.390 |
| **Profit/loss before tax** | | **-1.039.923** | **-900.813** |
| Tax on profit/loss for the year | 7 | 63.508 | 191.268 |
| **Profit/loss from continuing operations** | | **-976.415** | **-709.545** |
| Profit/loss from discontinued operations | 8 | 1.704.343 | 0 |
| **Profit/loss for the year** | | **727.928** | **-709.545** |
| Distribution of profit | 9 | | |

# Balance sheet 31 December

## Assets

| | Note | 2018 TDKK | 2017 TDKK |
|---|---|---|---|
| Completed development projects | | 14.796 | 14.545 |
| Acquired patents | | 346.975 | 182.824 |
| Development projects in progress | | 0 | 2.047 |
| **Intangible assets** | 10 | **361.771** | **199.416** |
| Land and buildings | | 551.368 | 595.164 |
| Plant and machinery | | 5.180.770 | 5.412.365 |
| Other fixtures and fittings, tools and equipment | | 13.616 | 15.821 |
| Property, plant and equipment in progress | | 1.223.826 | 514.040 |
| **Tangible assets** | 11 | **6.969.580** | **6.537.390** |
| Investments in subsidiaries | 12 | 657.837 | 1.244.615 |
| Investments in associates | 13 | 21.552 | 20.993 |
| Receivables from associates | | 60.448 | 47.662 |
| **Fixed asset investments** | | **739.837** | **1.313.270** |
| **Total non-current assets** | | **8.071.188** | **8.050.076** |
| **Stocks** | 14 | **638.239** | **777.901** |

# Balance sheet 31 December (continued)

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **Assets** | | | |
| Trade receivables | | 605.467 | 618.103 |
| Receivables from group enterprises | 15 | 2.505.748 | 2.473.770 |
| Other receivables | | 245.126 | 3.661 |
| Deferred tax asset | 16 | 0 | 407.755 |
| Prepayments | 17 | 10.457 | 72.797 |
| **Receivables** | | **3.366.798** | **3.576.086** |
| **Cash at bank and in hand** | | **13.871** | **13.371** |
| **Total current assets** | | **4.018.908** | **4.367.358** |
| **Total assets** | | **12.090.096** | **12.417.434** |

# Balance sheet 31 December

| | Note | 2018 TDKK | 2017 TDKK |
|---|---|---|---|
| **Equity and liabilities** | | | |
| Share capital | | 500.000 | 500.000 |
| Retained earnings | | 2.210.302 | 2.980.633 |
| Proposed dividend for the year | | 1.500.000 | 0 |
| **Equity** | 18 | **4.210.302** | **3.480.633** |
| Provision for deferred tax | 16 | 166.698 | 0 |
| Provisions for pensions and similar liabilities | 19 | 10.200 | 10.600 |
| Other provisions | 20 | 1.593.269 | 3.780.546 |
| **Total provisions** | | **1.770.167** | **3.791.146** |
| Deferred income | | 3.636.311 | 3.202.507 |
| **Total non-current liabilities** | 21 | **3.636.311** | **3.202.507** |
| Trade payables | | 656.580 | 585.815 |
| Payables to group enterprises | | 1.190.866 | 746.002 |
| Corporation tax | | 30.284 | 17.195 |
| Other payables | | 474.351 | 494.815 |
| Deferred income | 21 | 121.235 | 99.321 |
| **Total current liabilities** | | **2.473.316** | **1.943.148** |
| **Total liabilities** | | **6.109.627** | **5.145.655** |
| **Total equity and liabilities** | | **12.090.096** | **12.417.434** |

| | |
|---|---|
| Contingent assets, liabilities and other financial obligations | 22 |
| Charges and securities | 23 |
| Financial instruments | 24 |
| Related parties and ownership structure | 25 |
| Fee to auditors appointed at the general meeting | 26 |
| Subsequent events | 27 |

## Statement of changes in equity

| | Share capital | Retained earnings | Proposed dividend for the year | Total |
|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK |
| Equity at 1 January 2018 | 500.000 | 2.980.633 | 0 | 3.480.633 |
| Other equity movements | 0 | 1.741 | 0 | 1.741 |
| Net profit/loss for the year | 0 | -772.072 | 1.500.000 | 727.928 |
| **Equity at 31 December 2018** | **500.000** | **2.210.302** | **1.500.000** | **4.210.302** |

Transfer TDKK 1.741 regards sharebased payment.

# Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **1** | **Revenue** | | |
| | Sale of power | 3.757.086 | 3.224.932 |
| | Sale of natural gas | 47.683 | 0 |
| | Sale of heat | 2.906.144 | 2.633.524 |
| | Other sales | -442.415 | 125.906 |
| | **Total revenue** | **6.268.498** | **5.984.362** |
| | Denmark | 6.260.101 | 5.972.098 |
| | Other EU | 8.396 | 12.264 |
| | **Total revenue** | **6.268.497** | **5.984.362** |

| | | 2018 | 2017 |
|---|---|---|---|
| **2** | **Other operating income** | | |
| | Gain/loss on sale of assets | 66.770 | 45.473 |
| | Other operating revenues | 1.605 | 1.324 |
| | | **68.375** | **46.797** |

**3 Raw materials and consumables**

The financial statement includes above ordinary operation an adjustment of a commercial agreement, costs DKK 0 mio in 2018 (costs DKK 186 mio in 2017). Additional information is disclosed in reference 20.

# Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **4** | **Staff costs** | | |
| | Wages and salaries | 472.521 | 496.863 |
| | Pensions | 44.925 | 47.456 |
| | Other social security costs | 4.945 | 4.657 |
| | Other staff costs | 1.528 | 1.654 |
| | | **523.919** | **550.630** |
| | Capitalized salary costs | -53.553 | -61.661 |
| | | **470.366** | **488.969** |
| | Average number of employees | 705 | 723 |

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

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

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

# Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **5** | **Financial income** | | |
| | Income from fixed asset investments | 0 | 8 |
| | Interest received from subsidiaries | 14.343 | 35.609 |
| | Other financial income | 6.542 | 854 |
| | Exchange gains | 10.787 | 12.801 |
| | | **31.672** | **49.272** |
| **6** | **Financial costs** | | |
| | Financial expenses, group entities | 33.366 | 32.499 |
| | Other financial costs | 173.754 | 215.341 |
| | Exchange loss | 8.446 | 11.550 |
| | | **215.566** | **259.390** |
| **7** | **Tax on profit/loss for the year** | | |
| | Current tax for the year | -83.034 | -245.258 |
| | Deferred tax for the year | 22.485 | 24.345 |
| | Adjustment of tax concerning previous years | -40.095 | 45.749 |
| | Adjustment of deferred tax concerning previous years | 37.136 | -16.104 |
| | | **-63.508** | **-191.268** |

# Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **8** | **Profit from discontinued operations** | | |
| | Sale of goods | 196.086 | 0 |
| | Other operating income and costs | -68.900 | 0 |
| | Cost of goods | 2.062.161 | 0 |
| | Financial items | -32 | 0 |
| | Tax | -484.972 | 0 |
| | **Profit/loss for the year, discontinued operations** | **1.704.343** | **0** |
| **9** | **Distribution of profit** | | |
| | Proposed dividend for the year | 1.500.000 | 0 |
| | Retained earnings | -772.072 | -709.545 |
| | | **727.928** | **-709.545** |

**10 Intangible assets**

| | Completed development projects | Acquired patents | Development projects in progress | Total |
|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 January 2018 | 41.847 | 280.315 | 2.048 | 324.210 |
| Additions for the year | 0 | 335.513 | 4.155 | 339.668 |
| Disposals for the year | 0 | -170.508 | 0 | -170.508 |
| Transfers for the year | 4.155 | 2.048 | -6.203 | 0 |
| Cost at 31 December 2018 | 46.002 | 447.368 | 0 | 493.370 |
| Impairment losses and amortisation at 1 January 2018 | 27.301 | 97.492 | 0 | 124.793 |
| Amortisation for the year | 3.905 | 2.901 | 0 | 6.806 |
| Impairment losses and amortisation at 31 December 2018 | 31.206 | 100.393 | 0 | 131.599 |
| **Carrying amount at 31 December 2018** | **14.796** | **346.975** | **0** | **361.771** |

# Notes

## 11 Tangible assets

| | Land and buildings | Plant and machinery | Other fixtures and fittings, tools and equipment | Property, plant and equipment in progress | Total |
|---|---|---|---|---|---|
| | TDKK | TDKK | TDKK | TDKK | TDKK |
| Cost at 1 January 2018 | 1.814.376 | 15.638.999 | 273.783 | 514.041 | 18.241.199 |
| Additions for the year | 0 | 0 | 647 | 1.095.909 | 1.096.556 |
| Disposals for the year | 0 | -19.264 | 0 | 0 | -19.264 |
| Transfers for the year | 4.331 | 379.885 | 1.908 | -386.124 | 0 |
| Cost at 31 December 2018 | 1.818.707 | 15.999.620 | 276.338 | 1.223.826 | 19.318.491 |
| Impairment losses and depreciation at 1 January 2018 | 1.219.212 | 10.226.636 | 257.960 | 0 | 11.703.808 |
| Depreciation for the year | 48.127 | 592.214 | 4.301 | 0 | 644.642 |
| Reversal of impairment and depreciation of sold assets | 0 | 0 | 461 | 0 | 461 |
| Impairment losses and depreciation at 31 December 2018 | 1.267.339 | 10.818.850 | 262.722 | 0 | 12.348.911 |
| **Carrying amount at 31 December 2018** | **551.368** | **5.180.770** | **13.616** | **1.223.826** | **6.969.580** |
| Interest expenses recognised as part of cost of assets | 0 | 45.363 | 0 | 0 | 45.363 |

# Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| 12 | **Investments in subsidiaries** | | |
| | Cost at 1 January 2018 | 4.078.236 | 4.078.236 |
| | Additions for the year | 166.222 | 0 |
| | Cost at 31 December 2018 | 4.244.458 | 4.078.236 |
| | Revaluations at 1 January 2018 | -2.833.621 | -2.946.621 |
| | Revaluations for the year, net | -753.000 | 113.000 |
| | Revaluations at 31 December 2018 | -3.586.621 | -2.833.621 |
| | **Carrying amount at 31 December 2018** | **657.837** | **1.244.615** |

## Notes

Investments in subsidiaries are specified as follows:

| Name | Registered office | Ownership interest | Equity | Profit/loss for the year |
|---|---|---|---|---|
| Maabjerg Energy Concept A/S | Fredericia, Danmark | 70% | 3.910 | -26 |
| Orsted Netherlands B.V. | Rotterdam, Holland | 100% | 36.479 | 235.070 |
| Orsted Holding Ludwigsau I GmbH | Hamburg, Tyskland | 100% | 87 | -27 |
| Haderslev Kraftvarmeværk A/S under likvidation | Fredericia, Danmark | 100% | 1.379 | 829 |
| DE Thermal Power Nr. 1 A/S under likvidation | Fredericia, Danmark | 100% | 8.119 | 1.466 |
| Vejen Kraftvarmeværk A/S under likvidation | Fredericia, Danmark | 100% | 3.384 | 274 |
| Emineral A/S | Fredericia, Danmark | 50% | 2.726 | 705 |
| Orsted Renescience Northwich Ltd | London, England | 100% | 402.639 | -60.011 |
| Orsted Renescience Northwich O&M Ltd | London, England | 100% | 8.869 | 1.212 |
| Ørsted New Bio Solutions Holding A/S | Fredericia, Danmark | 100% | 171.446 | -15.731 |
| Stigsnæs Vandindvinding I/S | Slagelse, Danmark | 64% | 0 | 0 |
| Orsted SP Holding (UK) Ltd | Newport, Wales | 100% | 27.588 | 512 |
| Severn Power Funding Ltd | Newport, Wales | 100% | 136 | -13 |

# Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **13** | **Investments in associates** | | |
| | Cost at 1 January 2018 | 33.352 | 0 |
| | Additions for the year | 559 | 33.352 |
| | Cost at 31 December 2018 | 33.911 | 33.352 |
| | Revaluations at 1 January 2018 | -12.359 | 0 |
| | Revaluations for the year, net | 0 | -12.359 |
| | Revaluations at 31 December 2018 | -12.359 | -12.359 |
| | **Carrying amount at 31 December 2018** | **21.552** | **20.993** |

Investments in associates are specified as follows:

| Name | Registered office | Ownership interest | Equity | Profit/loss for the year |
|---|---|---|---|---|
| Kalundborg Bioenergi A/S | Skanderborg | 40% | 50.970 | -1.512 |
| Cure Renescience B.V. | Rotterdam, Holland | 50% | 744 | -284 |

| | | 2018 | 2017 |
|---|---|---|---|
| **14** | **Stocks** | | |
| | Raw materials and consumables | 638.239 | 777.901 |
| | | **638.239** | **777.901** |

Inventories consist of fuels (Coal, wood pellets, oil and biomass). At 31 December 2018 the fair value of inventories amount DKK 638 mio. The carrying amount was DKK 638 mio. (2017: fair value of inventories DKK 798 mio. and carrying amount DKK 778 mio.)

**15 Receivables**

The company's receivables from group companies includes TDKK 2.388.733 in a cash pool scheme with the ultimate Parent Company, Ørsted A/S (2017: TDKK 2.345.957).

# Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **16** | **Provision for deferred tax** | | |
| | Provision for deferred tax at 1 January 2018 | 407.755 | 416.348 |
| | Recognised in the income statement in the financial year | -574.453 | -8.593 |
| | **Provision for deferred tax at 31 December 2018** | **-166.698** | **407.755** |
| | Intangible assets | 3.475 | 4.968 |
| | Property, plant and equipment | 553.350 | 503.896 |
| | Current assets | -30.986 | -69.723 |
| | Long-term debts | -359.141 | -695.433 |
| | Short-term debts | 0 | -151.463 |
| | Transferred to deferred tax asset | 0 | 407.755 |
| | | **166.698** | **0** |
| | **Deferred tax asset** | | |
| | Calculated tax asset | 0 | 407.755 |
| | **Carrying amount** | **0** | **407.755** |

**17 Prepayments**

Prepayments comprise prepaid expenses regarding rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

**18 Equity**

The share capital consists of500 shares of a nominal value of TDKK 1.000. No shares carry any special rights.
There have been no changes inthe share capital during the last 5 years.

# Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **19** | **Provisions for pensions and similar liabilities** | | |
| | Balance at 1 January 2018 | 10.600 | 11.100 |
| | Provision for the year | 367 | 258 |
| | Applied in the year | -767 | -758 |
| | **Balance at 31 December 2018** | **10.200** | **10.600** |

**Defined benefit plans**

The Company has undertaken to pay certain benefits (retirement pension) at a fixed amount to former members of the Executive Board in Denmark. These obligations are not covered by insurance. The uncovered pensions obligations stated at present value have been recognised in the balance sheet at TDKK 10,200.

| | 2018 | 2017 |
|---|---|---|
| Expected maturities: | | |
| Within one year | 1.371 | 1.356 |
| Between 1 and 5 years | 5.093 | 5.064 |
| Over 5 years | 3.736 | 4.180 |
| | **10.200** | **10.600** |

## Notes

| | | 2018 | 2017 |
|---|---|---|---|
| | | TDKK | TDKK |
| **20** | **Other provisions** | | |
| | Balance at beginning of year at 1 January 2018 | 3.780.546 | 3.619.881 |
| | Adjustment decommissioning obligations | 9.962 | 112.187 |
| | Provision in year | 381.936 | 231.741 |
| | Applied in the year | -2.579.175 | -183.263 |
| | **Balance at 31 December 2018** | **1.593.269** | **3.780.546** |
| | | | |
| | The expected due dates of other provisions are: | | |
| | Within one year | 61.858 | 255.724 |
| | Between 1 and 5 years | 855.253 | 1.021.975 |
| | Over 5 years | 676.158 | 2.502.847 |
| | | **1.593.269** | **3.780.546** |

Other provisions includes decommissioning obligations, liabilities regarding litigation and onerous contracts as well as provisions for the purchase and delivery of CO2 quotas for use in the years 2019 - 2021.

Decommissioning obligations comprise the company's obligation for dismantling and removing plant after close down. The present value of expected costs incurred from dismantling and removing plant is recognised together with the plant at the date when the plant enters into service and is depriciated over the lives of the plant. Provisions for cost are made on basis of past experience of the level of dismantling costs.

In 2014 the Company became party to a commercial agreement as Toller to the Company Enecogen VOF in Holland acquired the right to utilize the capacity on the power plant. In 31 July 2018 the commercial agreement was transferred as part of the divestment of Enecogen VOF. The value adjustment is part of the Profit from discontinued operations, reference is made to note 8.

# Notes

## 21 Long term debt

| | 2018 | 2017 |
|---|---|---|
| | TDKK | TDKK |
| **Deferred income** | | |
| After 5 years | 2.847.706 | 2.658.711 |
| Between 1 and 5 years | 788.605 | 543.796 |
| Non-current portion | 3.636.311 | 3.202.507 |
| Other short-term deferred income | 121.235 | 99.321 |
| Current portion | 121.235 | 99.321 |
| | **3.757.546** | **3.301.828** |

Non current deferred income include prepayments from heating customers concerning investments in production facilities in accordance with heating contracts.

The short term part of deferred income includes prepayments from heating customers concerning investments in production facilities in accordance with contracts in which the right to revenue recognition is acquired within 1 year, as well as other prepaid revenue.

## 22 Contingent assets, liabilities and other financial obligations

**Litigation**
Orsted Bioenergy & Thermal Power A/S is a part to actions relating to the Danish competition authorities' claim that Elsam A/S and Elsam Kraft A/S charged excessive prices in the Danish wholesale power market in some periods. Following a merger in 2008, Elsam Kraft A/S is part of Ørsted Bioenergy & Thermal Power A/S. The Danish Competition Appeals Tribunal has concluded that Elsam A/S and Elsam Kraft A/S abused their dominant position in the wholesale power market in Western Denmark to some extent in the periods 1 July 2003 to 31 December 2004 and 1 January 2005 to 30 June 2006 by charging excessive prices.

# Notes

**22 Contingent assets, liabilities and other financial obligations(continued)**

In May 2018, the High Court of Western Denmark ruled that Elsam, one of the six companies that merged into DONG Energy, now Ørsted, back in 2006, had not abused its dominant market position in 2005 and the first half of 2006. In October, the Danish Appeals Permission Board ruled in favour of Ørsted and decided that the Danish competition authorities would not be given permission to try the ruling before the Supreme court. Consequently, the ruling of the High Court stands. We are pleased that we can put this court case behind us and move forward. However, we are still awaiting the development in the Elsam competition case for the period 2003 to 2004 and the related compensation case. In response to the claims for damages, we have made a provision of DKK 298 million plus interest. The provision has been calculated on the basis of the Danish Competition Council's determination of consumer losses.

**Operationel leases**

Orsted Bioenergy & Thermal Power A/S has undertaken obligations in the amount of DKK 8 mio (2017: DKK 8 mio) in the form of tenancies. Future rental and lease commitments can be broken down as follows: DKK 5 mio fall due within 1 year and DKK 3 mio fall due within 1-5 years.

**Contingent liabilities**

In addition, the company has entered into binding agreements with suppliers for the procurement of property, plant and equipment. The total liabilities amount to DKK 372 mio (2017: DKK 858 mio), and primarily concern agreements on investments at the Asnæs Power Plant.

**Other contingent liabilities**

Orsted Bioenergy & Thermal Power A/S is a party to a small number of disputes.

Management is of the opinion that the outcome of these disputes will not impact on the Company's financial position apart from the receivables and liabilities recognised in the balance sheet at 31 December 2018.

Orsted Bioenergy & Thermal Power A/S participates in a number of jointly controlled activities and enterprises. Together with the other participants the Company is jointly and severally liable for liabilities assumed under agreements concluded.

In connection with the sale of subsidiaries, the company has undertaken warranty obligations, which are not expected to result in a draw on financial resources.

Group's Danish companies are jointly and severally liable for tax on group jointly taxed income, etc., reference is made to the annual report Orsted A/S, the administration company in relation to joint taxation.

# Notes

## 23 Charges and securities

As security towards subsidiaries supplier and leasing agreements, the Company has provided parent company guarantees amounting GBP 35 mio.

As security of subsidies credit facilities, the Company has provided a guarantee, which amounts DKK 1,3 mio.

## 24 Financial instruments

The Company use various financial instruments to hedge power, coal and gas prices and currency rates with a horizon of 0-5 years to minimize fluctuations and secure future cash flow. Financial instruments amounts a net debt of 472 million DKK of 31. December 2018, which in the balance sheet is presented at Receivables from group enterprises 86 million DKK and payables to group enterprises of -557 million DKK.

## 25 Related parties and ownership structure

**Controlling interest**

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

**Other related parties**

Ørsted A/S (ultimate parent company)
The Danish State represented by the Ministry of Finance
Board of directors, executive board and key employees

## 26 Fee to auditors appointed at the general meeting

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

## 27 Subsequent events

No events have occured after the balance sheet date which could significantly affect the company's financial position.