

Ørsted Bioenergy & Thermal Power A/S

Annual report for 2022

CVR no. 27 44 64 69

Adopted at the annual general meeting on 29 June
2023

Jeppe Skov Andersen
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 2022.

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 2022 and of the results of the company's operations for the financial year 1 January - 31 December 2022.

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, 22 June 2023

Executive board

Ole Thomsen
CEO

Board of Directors

Daniel Lerup
chairman

Henriette Fenger Ellekrog
deputy chairman

Anja Forup

Peter Ole Berthelsen
employee representative

Jan Hvidberg
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 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 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 2022, 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 judgement and maintain professional scepticism throughout the audit. We also:

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

Independent auditor's report

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

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

Copenhagen, 22 June 2023

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Anders Stig Lauritsen
statsautoriseret revisor
MNE no. mne32800

Morten Jacobsen
statsautoriseret revisor
MNE no. mne44140

Company details

The company

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Skærbæk
7000 Fredericia

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Website: www.orsted.com

CVR no.: 27 44 64 69

Reporting period: 1 January - 31 December 2022

Domicile: Fredericia

Board of Directors

Daniel Lerup, chairman
Henriette Fenger Ellekrog, deputy chairman
Anja Forup
Peter Ole Berthelsen, employee representative
Jan Hvidberg, employee representative

Executive board

Ole Thomsen, chief executive officer

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Consolidated financial statements

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

The group annual report of Ørsted A/S, CVR no. 36 21 37 28 may be obtained at the following address:

<https://orstedcdn.azureedge.net/-/media/2022-annual-report/orsted-annual-report-2022.pdf?rev=dbb7b462b5d64e53989413e99130cdbc&hash=C99358C5178E8149AFA302CF4D5E98C0>

Financial highlights

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

	2022	2021	2020	2019	2018
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Profit/loss					
Revenue	19.653	9.907	5.354	6.260	6.268
Profit/loss before amortisation/depreciation and impairment losses	6.115	3.057	794	1.344	615
Net financials	-96	-232	-269	-481	-937
Profit/loss for the year	4.116	1.593	-145	79	728
Balance sheet					
Balance sheet total	20.127	13.292	9.366	9.831	12.090
Investment in property, plant and equipment	467	318	381	711	1.097
Equity	8.192	2.978	2.637	2.792	4.210
Number of employees	675	649	621	634	705
Financial ratios					
Gross margin	33,8%	35,6%	24,0%	29,9%	18,2%
EBIT margin	27,3%	23,4%	2,0%	11,8%	-1,6%
Return on assets	32,1%	20,4%	1,1%	6,7%	-0,8%
Solvency ratio	40,7%	22,4%	28,2%	28,4%	34,8%
Return on equity	73,7%	56,7%	-5,3%	2,3%	18,9%

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

Management's review

Business review

Ørsted 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 United Kingdom. The subsidiary operates businesses in the production of enzymatic waste treatment technology.

Recognition and measurement uncertainties

The recognition and measurement of items in the annual report is not associated with any uncertainty.

Unusual matters

The company's financial position at 31 December 2022 and the results of its operations for the financial year ended 31 December 2022 are not affected by any unusual matters.

Financial review

The company's income statement for the year ended 31 December 2022 shows a profit of 4,116 mDKK (2021: profit 1,593 mDKK), and the balance sheet at 31 December 2022 shows equity of 8,192 mDKK (2021: 2,978).

The 2022 activity highlights:

- Significantly higher earnings from our CHP plants (including ancillary services).
- We achieved our target of sourcing 100 % third-party certified sustainable biomass for our biomass-fueled CHP plants.
- We increased our provision of ancillary services vital to the stable operation of the Danish grid.

The development in the result compared to 2021 can be explained by: Revenue increased by 9,746 mDKK to 19,653 mDKK in 2022.

The increase was mainly driven by significantly higher power prices, higher sales of ancillary services and higher heat and power generation.

Management's review

Investments

In 2022, 467 million DKK were invested in property, plant and equipment. The investments relates primarily to reinvestments at the power plants.

The company's knowledge resources if of particular importance to its future earnings

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. Ørsted's Academy also offers a wide range of development and training programs across all career path.

Foreign branches

The company has a branch in the UK.

Financial expectations for 2023

EBITDA for in 2023 is expected to be significantly lower as the energy markets are stabilizing.

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

- Continue to optimize and decarbonize our CHP plants
- Execute on the awarded CCS project and explore further potential of Carbon Capture at our CHP plants

Management's review

Continue to optimize and decarbonize our CHP plants

2022 started with very high energy prices since they started to increase from summer 2021. These energy prices increased even further because of the breakout of war in Ukraine – sending Europe into a general Energy Crisis where all fuel type prices increased significantly which has also boosted the general inflation.

This benefitted our CHP plants significantly from increased demand for power generation and ancillary services at significantly higher power prices and spreads. This development has slowed down in 2023 as Europe in general experienced a warm winter and because of general energy savings in Europe meaning that the gas storages in Europe are more filled post winter than normal which relieves the pressure on the gas prices and thereby the general energy prices in Europe. It is expected that the energy prices keep stabilizing during 2023 unless unforeseen breakdowns on the fuel supply chain to Europe or special events happen.

2022 saw a significant increase in our use of coal as a proportion of our overall fuel inputs, stemming from constraints in the biomass market as a result of the war in Ukraine and from the statutory requirements as part of our provision of ancillary services to the Danish power system. Further, the Danish authorities have decided to order Bioenergy & Thermal Power A/S to continue and resume operations of three of its power station units which use oil and coal as fuel, in order to ensure the security of the electricity supply in Denmark. This applies to unit 3 at Esbjerg Power Station and unit 4 at Studstrup Power Station, which both use coal as their primary source of fuel, and unit 21 at Kyndby Peak Load Plant, which uses oil as fuel. The Danish authorities have ordered Ørsted to keep the three units in operation until summer 2024, and Ørsted therefore maintains its goal of becoming carbon-neutral by 2025

Execute on the awarded CCS project and explore further potential of Carbon Capture at our CHP plants

The Danish government have committed to support CCS projects through an up to DKK 8bn tender in 2023. The Danish Energy Agency (DEA) has awarded Ørsted a 20-year contract for our carbon capture and storage (CCS) project 'Ørsted Kalundborg Hub'. The project entails Ørsted establishing carbon capture at our wood chip-fired Asnæs Power Station in Kalundborg in western Zealand and at our Avedøre Power Station's straw-fired boiler in the Greater Copenhagen area, COD is planned to December 1st 2025.

Management's review

Special risks apart from generally occurring risks in industry

Confirmation that the criteria for not having the financial statements audited are satisfied

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 2022-2023 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.

The war in Ukraine had a significant impact Ørsted Bioenergy & Thermal Power A/S in 2022 and has the potential to keep impacting both Ørsted and the entire energy market throughout 2023. There is still restrictions on import of Russian feedstock which has put a constraint on the market. Ørsted Bioenergy & Thermal Power A/S has secured biomass on long-term contracts and expect to have enough for delivering heat on biomass. However ancillary services and additional demand for power generation are expected to be coal-based some parts of 2023.

Environment

Information on treasury shares in the company's portfolio

Statutory corporate social responsibility report

In pursuance of Section 99a (7) of the Danish Financial Statements Act, the Company has omitted information on corporate social responsibility. Reference is made to the Sustainability report 2022 of Ørsted A/S (<https://orstedcdn.azureedge.net/-/media/2022-annual-report/orsted-sustainability-report-2022.pdf> rev=eda5465ba5784866b6cea99e58088f94&hash=3BFD5F72E676043FA33114647E7C8C4D).

Policies on the underrepresented gender

Description of target figures for the underrepresented gender

Target figures for the underrepresented gender

Executive board contains only 1 member, so no target have been set.

The board of directors are constituted by 5 members which are represented by 2 women and 3 men. Due to equal representation of men and women in the board of directors in accordance with the rules in Section 99b in the Danish Financial Statements Act, no targets for the share of the underrepresented gender have been set.

Management's review

Description of policies for the underrepresented gender

Policies for the underrepresented gender

A Danish diversity and inclusion policy has been prepared and approved by the board of directors in November 2022. The policy is aligned to the Danish appendix to Ørsted's global diversity and inclusion policy and has applied as of 1 January 2023 to all employees employed in Ørsted Bioenergy and Thermal Power A/S.

The policy aims to put into words our commitment to diversity and inclusion, including our aspirations, our approach, and our actions. Ørsted is committed to ensuring an inclusive workplace where you are respected for who you are, valued for the unique perspectives you bring to the workplace, and rewarded fairly for what you achieve, while maintaining a sustainable work life.

Our gender ambitions are high. They require that we attract, recruit, develop, sponsor, engage, and include women and everyone else at every level and step of the way.

Management's review

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

To embed diversity, equity, and inclusion at the core of our approach and global growth, we continuously work to improve our organisation's gender balance, and expand our diversity efforts and initiatives beyond gender and our own workforce.

While gender is one dimension of diversity, for which we have set specific gender balance targets, we fully recognise that diversity is much wider than this and includes any identity dimensions that may differentiate our employees – for example ethnicity, race, nationality, disability, and sexual orientation, to name a few – and we take an intersectional approach to biases and barriers for all employees to feel valued.

Our ambition is i) embedded in our business strategy and all of our talent decisions, ii) central to our sustainability agenda and regulatory requirements, iii) global in approach and tailored to local needs, iv) defined broadly around visible and invisible diversity, and v) informed by data so we act on evidence and track progress.

We are maturing our organisation's understanding of diversity, equity and inclusion. Diversity, equity and Inclusion is now part of the onboarding program for every employee, and this year we focused on upskilling our top management and HR community as essential drivers for further progress.

Through our newly-launched sponsorship program, our 45 most senior leaders in Ørsted sponsor at least one woman with the aim for her to progress to a more senior leadership position.

We continue to support and mature our global Ørsted IN inclusion networks with 15 chapters across the world. Our networks include Gender IN, LGBTQ+ IN, Race and Ethnicity IN, Disability IN and Veterans IN. We provide development opportunities, allocate funding and establishing clear communication lines for feedback to ensure alignment with the Diversity, Equity and Inclusion team. These networks create a place for our employees to come together and support an inclusive culture.

Diversity and inclusion must be a natural element of any recruitment, hiring, or selection activity in Ørsted. We strive to make this visible in our job ads, in our selection criteria, position short listings, and employer branding activities. We seek to de-bias our job descriptions, screening, and decision-making processes.

We are auditing several processes to create a fairer and more equitable working environment. Based on employee inputs, we reviewed and enhanced our 'Global bullying, discrimination, and harassment policy' and process in 2022.

Management's review

Data ethics

In pursuance of Section 99d of the Danish Financial Statements Act, the Company has omitted information on data ethics. Reference is made to the Annual report 2022 of Ørsted A/S.

<https://orstedcdn.azureedge.net/-/media/www/docs/corp/com/about-us/corporate-governance/2023/report-on-data-ethics-section-99d-for-2022.pdf?rev=b300c602052746b2a75344abb13079d4&hash=386F45E455C2D32B60AF4A4C591CEC44>

Accounting policies

The annual report of Ørsted Bioenergy & Thermal Power A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Danish Financial Statements Act allows us to use certain IFRS standards to interpret the act. Previously, we have therefore implemented IFRS 15 'Revenue' and IFRS 16 'Leases'

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

The annual report for 2022 is presented in TDKK.

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

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including 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 installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

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

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.

Accounting policies

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

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, participating interests 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 power and heat 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.

Accounting policies

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.

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 items of 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 items of property, plant and equipment.

Other external expenses

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

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.

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.

Accounting policies

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities, liabilities and foreign currency transactions, amortisation of financial assets and liabilities and surcharges and allowances under the Danish Tax Prepayment Scheme, etc. 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. 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, Ørsted 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. Danish entities with tax losses receive joint taxation contributions from the ultimate parent company (the management company), Ørsted A/S equivalent to the tax base of the tax losses utilised (full allocation), while Danish entities that utilise tax losses in other entities pay joint taxation contributions to the Ørsted A/S equivalent to the tax base of the utilised losses.

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

Balance sheet

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.

Accounting policies

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.

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.

Accounting policies

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.

Leases

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

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

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

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

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

Interests of lease liabilities are recognised in financial expenses.

Accounting policies

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, items of property, plant and equipment and investments in subsidiaries and associates is tested annually for impairment, other than what is reflected through normal amortisation and depreciation.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets. Write-down is made to the lower of the recoverable amount and the carrying amount.

The recoverable amount is the higher of the net present value and the value in use less expected costs to sell. The net present value is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Stocks

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

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

Receivables

Receivables are measured at amortised cost.

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

Accounting policies

Prepayments

Prepayments comprise expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash.

Equity

Dividends

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability when declared by the annual general meeting of shareholders.

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.

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.

Accounting policies

Income tax and deferred tax

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

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

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

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

Liabilities

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.

Foreign currency translation

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

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

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

Accounting policies

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 receivables or payables to group enterprises, 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.

Financial Highlights

Definitions of financial ratios.

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

Income statement 1 January - 31 December

	Note	2022 TDKK	2021 TDKK
Revenue	1	19.653.149	9.906.799
Work performed by the enterprise and capitalised		24.473	22.723
Other operating income	2	27.999	34.017
Raw materials and consumables		-11.948.753	-5.529.210
Other external expenses		-1.117.084	-904.400
Gross profit		6.639.784	3.529.929
Staff costs	3	-524.435	-473.375
Profit/loss before amortisation/depreciation and impairment losses		6.115.349	3.056.554
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-722.654	-691.113
Other operating costs		-34.882	-51.307
Profit/loss before net financials		5.357.813	2.314.134
Income from investments in subsidiaries		-18	-78.502
Income from investments in associates		0	1.125
Financial income	4	125.852	14.490
Financial costs	5	-221.498	-168.872
Profit/loss before tax		5.262.149	2.082.375
Tax on profit/loss for the year	6	-1.146.592	-489.626
Profit/loss for the year		4.115.557	1.592.749
Distribution of profit	7		

Balance sheet 31 December

	Note	2022 TDKK	2021 TDKK
Assets			
Completed development projects		8.320	11.025
Acquired patents		1.463.802	820.835
Development projects in progress		0	0
Intangible assets	8	1.472.122	831.860
Land and buildings		460.115	496.656
Plant and machinery		5.083.485	5.549.470
Other fixtures and fittings, tools and equipment		48.915	42.986
Property, plant and equipment in progress		435.806	243.869
Tangible assets	9	6.028.321	6.332.981
Investments in subsidiaries	10	320.227	320.227
Investments in associates	11	100	100
Fixed asset investments		320.327	320.327
Total non-current assets		7.820.770	7.485.168
Raw materials and consumables		2.290.014	530.254
Stocks	12	2.290.014	530.254
Trade receivables		1.088.280	400.951
Receivables from group enterprises	13	8.240.920	4.495.585
Receivables from associates		2.885	565
Other receivables		165.845	3.710
Deferred tax asset		295.387	0
Prepayments	14	37.656	3.646
Receivables		9.830.973	4.904.457
Cash at bank and in hand		185.698	372.304
Total current assets		12.306.685	5.807.015
Total assets		20.127.455	13.292.183

Balance sheet 31 December

	Note	2022 TDKK	2021 TDKK
Equity and liabilities			
Share capital		500.000	500.000
Other reserves		0	0
Hedging reserve		-422.328	-1.245.608
Retained earnings		8.114.536	3.723.703
Equity		8.192.208	2.978.095
Provision for deferred tax	15	0	264.284
Provisions for pensions and similar liabilities	16	8.400	8.487
Other provisions	17	2.225.531	1.487.167
Total provisions		2.233.931	1.759.938
Lease obligations		53.606	55.230
Other payables		377.910	542.154
Deferred income		3.010.912	3.214.995
Total non-current liabilities	18	3.442.428	3.812.379
Lease obligation	18	5.877	7.194
Trade payables		1.064.057	655.465
Other provisions		28.400	28.400
Payables to group enterprises		2.925.739	3.364.727
Corporation tax		1.599.714	109.987
Other payables		373.653	353.672
Deferred income		261.448	222.326
Total current liabilities		6.258.888	4.741.771
Total liabilities		9.701.316	8.554.150
Total equity and liabilities		20.127.455	13.292.183
Contingent assets, liabilities and other financial obligations	19		
Mortgages and collateral	20		
Financial instruments	21		
Related parties and ownership structure	22		
Fee to auditors appointed at the general meeting	23		

Statement of changes in equity

	Share capital	Hedging reserve	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2022	500.000	-1.245.608	3.723.703	2.978.095
Fair value adjustment of hedging instruments	0	1.040.838	0	1.040.838
Transfers, reserves	0	0	275.276	275.276
Net profit/loss for the year	0	0	4.115.557	4.115.557
Changes in equity of tax	0	-217.558	0	-217.558
Equity at 31 December 2022	500.000	-422.328	8.114.536	8.192.208

Transfer TDKK 275,276 regards tax on share based payment.

Notes

	<u>2022</u> TDKK	<u>2021</u> TDKK
1 Revenue		
Sale of power	17.711.731	7.915.101
Sale of heat	2.885.785	2.580.179
Other sales	-944.367	-588.481
Total revenue	<u>19.653.149</u>	<u>9.906.799</u>
Denmark	<u>19.653.149</u>	<u>9.906.799</u>
Total revenue	<u>19.653.149</u>	<u>9.906.799</u>
2 Other operating income		
Gain/loss on sale of assets	5.000	4.563
Other operating revenues	<u>22.999</u>	<u>29.454</u>
	<u>27.999</u>	<u>34.017</u>

Notes

	2022 TDKK	2021 TDKK
3 Staff costs		
Wages and salaries	474.701	426.674
Pensions	42.834	41.258
Other social security costs	4.690	4.556
Other staff costs	2.210	887
	524.435	473.375
Average number of employees	675	649

According to section 98 B(3) of the Danish Financial Statements Act, remuneration 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

	2022 TDKK	2021 TDKK
4 Financial income		
Financial income, group entities	74.072	11.259
Other financial income	443	78
Exchange gains	51.337	3.153
	125.852	14.490
5 Financial costs		
Financial expenses, group entities	34.666	31.891
Other financial costs	132.541	133.377
Exchange loss	54.291	3.604
	221.498	168.872
6 Tax on profit/loss for the year		
Current tax for the year	1.660.566	508.514
Deferred tax for the year	-501.650	-31.784
Adjustment of tax concerning previous years	45.697	63.374
Adjustment of deferred tax concerning previous years	-58.021	-50.478
	1.146.592	489.626
7 Distribution of profit		
Retained earnings	4.115.557	1.592.749
	4.115.557	1.592.749

Notes

8 Intangible assets

	Completed development projects	Acquired patents	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2022	50.340	921.752	0	972.092
Additions for the year	0	1.309.522	141	1.309.663
Disposals for the year	0	-727.275	0	-727.275
Transfers for the year	141	0	-141	0
Cost at 31 December 2022	50.481	1.503.999	0	1.554.480
Impairment losses and amortisation at 1 January 2022	39.315	100.917	0	140.232
Amortisation for the year	2.846	410	0	3.256
Reversal of impairment and amortisation of sold assets	0	-61.130	0	-61.130
Impairment losses and amortisation at 31 December 2022	42.161	40.197	0	82.358
Carrying amount at 31 December 2022	8.320	1.463.802	0	1.472.122

Notes

9 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 2022	1.913.740	18.110.755	323.783	243.869	20.592.147
Additions for the year	2.641	134.483	0	329.714	466.838
Disposals for the year	0	-111.291	-413	0	-111.704
Transfers for the year	9.204	110.959	17.614	-137.777	0
Cost at 31 December 2022	<u>1.925.585</u>	<u>18.244.906</u>	<u>340.984</u>	<u>435.806</u>	<u>20.947.281</u>
Impairment losses and depreciation at 1 January 2022	1.417.084	12.561.285	280.797	0	14.259.166
Depreciation for the year	48.386	659.327	11.685	0	719.398
Impairment and depreciation of sold assets for the year	0	-59.191	-413	0	-59.604
Impairment losses and depreciation at 31 December 2022	<u>1.465.470</u>	<u>13.161.421</u>	<u>292.069</u>	<u>0</u>	<u>14.918.960</u>
Carrying amount at 31 December 2022	<u>460.115</u>	<u>5.083.485</u>	<u>48.915</u>	<u>435.806</u>	<u>6.028.321</u>
Value of leased assets	<u>53.577</u>	<u>0</u>	<u>0</u>	<u>0</u>	

Notes

	2022 TDKK	2021 TDKK
10 Investments in subsidiaries		
Cost at 1 January 2022	4.683.148	4.705.785
Additions for the year	0	76
Disposals for the year	0	-22.713
Cost at 31 December 2022	<u>4.683.148</u>	<u>4.683.148</u>
Revaluations at 1 January 2022	-4.362.921	-4.299.621
Revaluations for the year, net	0	-86.300
Revaluations of disposals of investments on demerger and sale of enterprise	0	23.000
Revaluations at 31 December 2022	<u>-4.362.921</u>	<u>-4.362.921</u>
Carrying amount at 31 December 2022	<u>320.227</u>	<u>320.227</u>

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Ørsted Netherlands B.V.	Rotterdam, Netherlands	100%	70.081	9.972
Ørsted Holding Ludwigsau I GmbH	Hamburg, Germany	100%	119	22
Haderslev Kraftvarmeværk A/S under likvidation	Fredericia, Denmark	100%	1.262	-2
DE Thermal Power Nr. 1 A/S under likvidation	Fredericia, Denmark	100%	7.072	21
Vejen Kraftvarmeværk A/S under likvidation	Fredericia, Denmark	100%	3.346	4
Ørsted New Bio Solutions Holding A/S	Fredericia, Danmark	100%	252.051	121
Stignæs Vandindvinding I/S	Slagelse, Denmark	64%	11.680	0
Ørsted SP Holding (UK) Ltd	Newport, Wales	100%	27.986	168

Notes

	2022 TDKK	2021 TDKK
11 Investments in associates		
Cost at 1 January 2022	100	1.031
Disposals for the year	0	-931
Cost at 31 December 2022	100	100
Carrying amount at 31 December 2022	100	100

Investments in associates are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Emineral A/S	Fredericia, Denmark	50%	4.872	175

12 Stocks

Raw materials and consumables	2.290.014	530.254
	2.290.014	530.254

Inventories consist of fuels (Coal, wood pellets, oil and biomass). At 31 December 2022 the fair value of inventories amount DKK 1,666 mio. The carrying amount was DKK 2,290 mio. (2021: fair value of inventories DKK 707 mio. and carrying amount DKK 530 mio.)

13 Receivables from group enterprises

The company's receivables from group companies includes TDKK 8,268,152 in a cash pool scheme with the ultimate Parent Company, Ørsted A/S (2021: TDKK 4,495,585).

Notes

14 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.

	<u>2022</u> TDKK	<u>2021</u> TDKK
15 Provision for deferred tax		
Provision for deferred tax at 1 January 2022	-264.284	-346.546
Deferred tax recognised in income statement	<u>559.671</u>	<u>82.262</u>
Provision for deferred tax at 31 December 2022	<u><u>295.387</u></u>	<u><u>-264.284</u></u>
Provisions for deferred tax on:		
Intangible assets	-137.945	4.285
Property, plant and equipment	440.690	541.200
Current assets	-290.847	-2.118
Long-term debts	-307.285	-279.083
Transferred to deferred tax asset	<u>295.387</u>	<u>0</u>
	<u><u>0</u></u>	<u><u>264.284</u></u>
Deferred tax asset		
Calculated tax asset	<u>295.387</u>	<u>0</u>
Carrying amount	<u><u>295.387</u></u>	<u><u>0</u></u>

Notes

	2022 TDKK	2021 TDKK
16 Provisions for pensions and similar liabilities		
Balance at 1 January 2022	8.487	9.300
Applied in the year	-87	-813
Balance at 31 December 2022	8.400	8.487

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 8,400

Expected maturities:

Within one year	1.431	1.410
Between 1 and 5 years	3.398	5.132
Over 5 years	3.571	1.945
	8.400	8.487

17 Other provisions

Balance at beginning of year at 1 January 2022	1.487.167	1.023.486
Adjustment decommissioning obligations	134.483	58.827
Provision in year	1.270.025	704.229
Applied in the year	-666.144	-299.375
Balance at 31 December 2022	2.225.531	1.487.167

The expected due dates of other provisions are:

Within one year	67.094	141.000
Between 1 and 5 years	1.334.690	852.087
Over 5 years	823.747	494.080
	2.225.531	1.487.167

Notes

18 Long term debt

	2022 TDKK	2021 TDKK
Lease obligations		
Between 1 and 5 years	53.606	55.230
Non-current portion	53.606	55.230
Within 1 year	5.877	7.194
	59.483	62.424
Other payables		
Between 1 and 5 years	377.910	542.154
Non-current portion	377.910	542.154
Other short-term other debt	373.653	353.672
Current portion	373.653	353.672
	751.563	895.826
Deferred income		
After 5 years	2.261.774	2.264.977
Between 1 and 5 years	749.138	950.018
Non-current portion	3.010.912	3.214.995
Other short-term deferred income	261.448	222.326
Current portion	261.448	222.326
	3.272.360	3.437.321

Notes

19 Contingent assets, liabilities and other financial obligations

Contingent liabilities

The company has entered into binding agreements with suppliers for the procurement of property, plant and equipment. The total liabilities amount to DKK 161 mio (2021: DKK 150 mio), and primarily concern agreements on investments at the Avedøre Power Plant.

Other contingent liabilities

Ørsted 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 2022.

Ørsted 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 Ørsted A/S, the administration company in relation to joint taxation.

20 Mortgages and collateral

As security towards subsidiaries supplier and leasing agreements, the Company has provided parent company guarantees amounting GBP 29 mio.

21 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 amount a net debt of 530 million DKK of 31 December 2022, which in the balance sheet is presented at receivables from group enterprises 413 million DKK and payables to group enterprises of 943 million DKK.

Notes

22 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

Consolidated financial statements

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

The group annual report of Ørsted A/S, CVR no. 36 21 37 28 may be obtained at the following
address:

<https://orstedcdn.azureedge.net/-/media/2022-annual-report/orsted-annual-report-2022.pdf?rev=dbb7b462b5d64e53989413e99130cdbc&hash=C99358C5178E8149AFA302CF4D5E98C0>

23 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.