Ørsted Bioenergy & Thermal Power A/S

Annual report for 2019

CVR no. 27 44 64 69

Adopted at the annual general meeting on 15 May 2020

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 2019.

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 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

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, 4 May 2020

Executive board

Morten Hultberg Buchgreitz
CEO

Board of Directors

Marianne Wiinholt chairman	Henriette Fenger Ellekrog deputy chairman	Jakob Askou Bøss
Nicolai Frederik Schmidt Carøe	Viggo Rahbek Warming employee representative	Ole Henriksen 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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 2019, 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, 4 May 2020

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 Kraftværksvej 53 Skærbæk 7000 Fredericia
	Telephone: +45 99 55 11 11 Fax: +45 99 55 00 02
	Website: www.orsted.com
	CVR no.: 27 44 64 69
	Reporting period: 1 January - 31 December 2019
	Domicile: Fredericia
Board of Directors	Marianne Wiinholt, chairman Henriette Fenger Ellekrog, deputy chairman Jakob Askou Bøss Nicolai Frederik Schmidt Carøe Viggo Rahbek Warming, employee representative Ole Henriksen, employee representative
Executive board	Morten Hultberg Buchgreitz, 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. 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:

	2019	2018	2017	2016	2015
	MDKK	MDKK	MDKK	MDKK	MDKK
Key figures					
Profit/loss					
Revenue	6.260	6.268	5.984	4.752	5.199
Profit/loss before amortisation/depreciation and impairment losses	1.344	615	-68	1.344	-1.385
Net financials	-481	-937	-109	418	198
Profit/loss for the year	79	728	-710	932	-1.648
Balance sheet					
Balance sheet total	9.831	12.090	12.417	13.081	12.703
Investment in property, plant and equipment	711	1.097	945	1.508	1.310
Equity	2.792	4.210	3.481	4.189	3.320
Number of employees	634	705	723	777	795
Financial ratios					
Gross margin	29,9%	18,2%	7,0%	38,7%	-16,5%
EBIT margin	11,8%	-1,6%	-13,2%	12,8%	-44,7%
Return on assets	6,7%	-0,8%	-6,2%	4,7%	-18,3%
Solvency ratio	28,4%	34,8%	28,0%	32,0%	26,1%
Return on equity	2,3%	18,9%	-18,5%	24,8%	-39,8%

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 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.

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 2019 and the results of its operations for the financial year ended 31 December 2019 are not affected by any unusual matters.

Financial review
The company's income statement for the year ended 31 December 2019 shows a profit of TDKK 78.907, and the balance sheet at 31 December 2019 shows equity of TDKK 2.792.192.

Management's review

The 2019 activity highlights:

- We reached 100% green heat and power generation at the newly bioconverted Asnæs Power Station, the Station enter COD in Q1 2020 after completion of the final tests.
- We commissioned the new flue gas condensation unit at Herning Power Station. The unit uses the residual heat in the flue, reducing the fuel consumption by 20%.
- We generated 68% of our total heat and power from sustainable biomass. 96% of the wooden biomass we sourced was certified sustainable. By 2020, it will be 100%.
- We sold our stakes in the Kalundborg Bioenergi plant and two upgrading plants in Fredericia and Horsens.
- We signed an agreement to divest the Stigsnæs Transit Harbour.
- We reached a settlement in the Elsam competition case.

Financing

The Company's income statement for the year ended 31 December 2019 shows a profit of 79 million DKK (2018: profit 728 million DKK), and the balance sheet at 31 December 2019 shows equity of 2.792 million DKK (2018: 4.210 million DKK).

The development in the result compared to 2018 can be explained by:

Revenue decreased by 8 million DKK to 6.260 million DKK in 2019. The decrease was mainly driven by lower power sales, heat and power generation and power prices contributed to the lower revenue.

Power generation was 31% lower than in 2018, driven by warmer weather and less favourable market conditions for power generation, and generation of heat without combined power generation at Asnæs Power Station most of the year. Heat generation decreased by 6% in 2019 due to warmer weather.

Other operating income, 370 million DKK (2018: 68 million DKK), mainly relates to a reversal of a provision of 298 million DKK following the acquittal in the Elsam competition case.

Financial income, 316 million DKK (2018: 32 million DKK), the increase relates primarily to a reversal of interests of 276 million DKK regarding the Elsam competition case.

Management's review

Investments
In 2019, 711 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.

Foreign branches
The company has a branch in the UK.

Profit/(loss) for the year relative to the expectations most recently expressed
The total EBITDA is in line with the expectations for 2019, positively affected by a reversal of a provision of 298 millon DKK regarding the Elsam competition case.

The total EBITDA from our heat and power generation activities is expected to maintain a result in line with 2019.

The expected EBITDA in 2020 is between 650 million DKK and 750 million DKK before special items.

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

- Operate and optimize our CHP plants
- Commercialise Renescience
- Divest non-core assets and activities

Operate and optimize our CHP plants
The focus of our CHP business is to operate and optimize our heat and power stations in a way that is green, safe and efficient.

In 2019, all of our biomass came from sustainable sources, mostly in the form of residues from timber production, such as sawdust, branches and thinnings, with 96% certified by third parties. We expect that 100% of our wooden biomass will be third-party certified in 2020.

We have converted six of our seven core CHP plants, and we continue to reduce the carbon emissions from these.From 2018 to 2019, we increased the share of biomass from 49% to 64% and reduced our carbon emissions by 47%. Since mid-December, 100% of Asnæs Power Station's heat and power have been generated from sustainable biomass, completing our CHP bioconversion project. Asnæs will provide green process steam to Novo Nordisk's and Novozymes' production facilities as well as green heat to the city of Kalundborg and green power to the electricity grid.

Management's review

For our last remaining coal-fired plant, Esbjerg Power Station, we have not been able to agree on a joint solution for a bioconversion project with our heat customers. Thus, we plan to close down operations of this plant in early 2023, to completely phase out coal by 2023.

To operate our green CHP plants even more efficiently, we are rolling out a comprehensive digitalisation programme at our power stations, allowing us to further optimize generation and reduce costs.

Commercialise Renescience
Due to recent upgrades to our Renescience facility in Northwich in the UK, we were not able to commission the plant in 2019 as planned. However, it has been confirmed that the core enzymatic sorting process works as expected. In addition, the mechanical sorting components have been improved and redundancy added to resolve the challenges arising from the sorting of non-organic solid fractions.

Divest non-core assets and activities
To sharpen our focus on our renewable growth platform, we initiated and concluded agreements on several divestments in 2019. In May, we entered into an agreement to divest the Stigsnæs Transit Harbour. Since the power station was closed in 2012, the site has primarily been used as a coal terminal. In June, we sold our stakes in the Kalundborg Bioenergi plant and two upgrading plants in Fredericia and Horsens.

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. 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 2020 - 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.

Statutory corporate social responsibility report

In pursuance of Section 99a (6) of the Danish Financial Statements Act, the Company has omitted information on corporate social responsibility. Reference is made to the Annual Report 2019 of Ørsted A/S (orsted.com/en/Investors/Reports-and-presentations) and Sustainability report 2019 of Ørsted A/S (orsted.com/en/Sustainability).

Policies on the underrepresented gender

Description of target figures for the underrepresented gender

Target figures for the underrepresented gender

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

Description of policies for the underrepresented gender

Policies for the underrepresented gender

We would like to unfold the full potential of all employees and ensure that men and women have the same opportunities for obtaining leadership positions. We have a policy on women in management. We also have targets for increasing the proportion of women at all management levels.

To promote Ørsted as a diverse workplace, we encourage all candidates to apply, regardless of gender, race, age and cultural background. Recruitment processes include required female representation on shortlists, and recruiters and hiring managers have been trained to be aware of – and avoid – unconscious bias in their selection of candidates.

Management's review

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

High potential development programs have had too few female participants, and a decision was made to have 30% females on all the high potential development programs from professional level career development to mid-level leadership.

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

For senior female managers, we have initiated a 'Female spotlight initiative' that prepares talented women for senior leadership positions.

Ørsted has joined the UN Convention on Discrimination against Women.

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

The company’s senior managers were invited to participate in Ørsted’s ‘Powered by talent’ conference held in November 2019. At the conference it was emphasized that all leaders are expected to build more inclusive, diverse teams and was given guidance on how to do so.

Subsequent events

The consequence of COVID-19, where many governments have decided to “close down countries” will have a significant impact on the world economy. Management has assessed the consequence of COVID-19 as an non-adjusting event but has decided to disclose assessment of impact.

On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak of coronavirus a “Public Health Emergency of International Concern”. This event, in management’s opinion, do not provide evidence of conditions that have direct impact on company’s business operations, assets and liabilities.

Accounting policies

The annual report of Ørsted Bioenergy & Thermal Power A/S for 2019 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. Effective from 1 January 2019, we have implemented IFRS 16 'Leases'.

The implementation of IFRS 16 'Leases' in 2019 has increased our EBITDA for 2019 by TDKK 7.194. Depreciation of lease assets amounted to TDKK 6.670 and interests on lease debt amounted to TDKK 2.019. The net effect on profit (loss) for 2019 was a loss of TDKK 1.495 .

The effect on the balance sheet per 31 December 2019 was an increase in assets of DKK 68 million and an increase in liabilities of DKK 69 million.

Also, IFRS 15 'Revenue' has been implemented. The implementation has no effect on the figures.

The accounting policies remain unchanged from the previous year with the exception of the implementation of IFRS 16 'Leases' and IFRS 15 'Revenue'.

The annual report for 2019 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 2019 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 installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

Accounting policies

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.

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.

Accounting policies

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
IFRS 15 'Revenue' has been implemented. The implementation has no effect on the figures.

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.

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.

Accounting policies

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.

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. 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.

Accounting policies

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.

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.

Accounting policies

Allocated and purchased CO_2 emission allowances, including CO_2 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. CO_2 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.

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.

Accounting policies

Leases
IFRS 16 'Leases' has been implemented. The effect of the implementation is shown in the introduction of accounting policies.

Leases for items of buildings that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

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	2019 TDKK	2018 TDKK
Revenue	1	**6.259.656**	**6.268.498**
Work performed by the enterprise and capitalised		48.407	53.553
Other operating income	2	370.313	68.375
Raw materials and consumables		-3.919.313	-4.314.449
Other external expenses		-884.568	-937.532
Gross profit		**1.874.495**	**1.138.445**
Staff costs	3	-530.421	-523.919
Profit/loss before amortisation/depreciation and impairment losses		**1.344.074**	**614.526**
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-598.721	-651.448
Other operating costs		-7.926	-66.107
Profit/loss before net financials		**737.427**	**-103.029**
Income from investments in subsidiaries		-575.500	-753.000
Income from investments in associates		18.209	0
Financial income	4	315.752	31.672
Financial costs	5	-239.606	-215.566
Profit/loss before tax		**256.282**	**-1.039.923**
Tax on profit/loss for the year	6	-177.375	63.508
Profit/loss from continuing operations (broken down by type)		**78.907**	**-976.415**
Årets resultat af ophørende aktiviteter	7	0	1.704.343
Profit/loss for the year		**78.907**	**727.928**
Distribution of profit	8		

Balance sheet 31 December

	Note	2019	2018
		TDKK	TDKK
Assets			
Completed development projects		13.460	14.796
Acquired patents		294.278	346.975
Development projects in progress		0	0
Intangible assets	9	**307.738**	**361.771**
Land and buildings		575.505	551.368
Plant and machinery		5.047.658	5.180.770
Other fixtures and fittings, tools and equipment		23.657	13.616
Property, plant and equipment in progress		1.362.378	1.223.826
Tangible assets	10	**7.009.198**	**6.969.580**
Investments in subsidiaries	11	564.064	657.837
Investments in associates	12	1.031	21.552
Receivables from associates		0	60.448
Other receivables		24.500	0
Fixed asset investments		**589.595**	**739.837**
Total non-current assets		**7.906.531**	**8.071.188**
Raw materials and consumables		796.100	638.239
Stocks	13	**796.100**	**638.239**

Balance sheet 31 December (continued)

	Note	2019 TDKK	2018 TDKK
Assets			
Trade receivables		790.591	605.467
Receivables from group enterprises	14	190.363	2.505.748
Receivables from associates		653	0
Other receivables		127.590	245.126
Prepayments	15	3.569	10.457
Receivables		**1.112.766**	**3.366.798**
Cash at bank and in hand		**15.195**	**13.871**
Total current assets		**1.924.061**	**4.018.908**
Total assets		**9.830.592**	**12.090.096**

Balance sheet 31 December

	Note	2019 TDKK	2018 TDKK
Equity and liabilities			
Share capital		500.000	500.000
Retained earnings		2.292.192	2.210.302
Proposed dividend for the year		0	1.500.000
Equity		**2.792.192**	**4.210.302**
Provision for deferred tax	16	313.506	166.698
Provisions for pensions and similar liabilities	17	9.600	10.200
Other provisions	18	993.015	1.593.269
Total provisions		**1.316.121**	**1.770.167**
Lease obligations		62.123	0
Other payables		17.265	0
Deferred income		3.758.445	3.636.311
Total non-current liabilities	19	**3.837.833**	**3.636.311**
Lease obligation		7.194	0
Trade payables		513.875	656.580
Payables to group enterprises	20	642.378	1.190.866
Corporation tax		106.329	30.284
Other payables		408.074	474.351
Deferred income	19	206.596	121.235
Total current liabilities		**1.884.446**	**2.473.316**
Total liabilities		**5.722.279**	**6.109.627**
Total equity and liabilities		**9.830.592**	**12.090.096**

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Statement of changes in equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	TDKK	TDKK	TDKK	TDKK
Equity at 1 January 2019	500.000	2.210.302	1.500.000	4.210.302
Ordinary dividend paid	0	0	-1.500.000	-1.500.000
Other equity movements	0	2.983	0	2.983
Net profit/loss for the year	0	78.907	0	78.907
Equity at 31 December 2019	**500.000**	**2.292.192**	**0**	**2.792.192**

Transfer TDKK 2.983 regards sharebased payment.

Notes

		2019	2018
		TDKK	TDKK
1	**Revenue**		
	Sale of power	2.739.232	3.757.086
	Sale of natural gas	20.090	47.683
	Sale of heat	2.881.413	2.906.144
	Other sales	618.921	-442.415
	Total revenue	**6.259.656**	**6.268.498**
	Denmark	6.259.656	6.260.102
	Other EU	0	8.396
	Total revenue	**6.259.656**	**6.268.498**

		2019	2018
2	**Other operating income**		
	Gain/loss on sale of assets	3.625	66.770
	Other operating revenues	366.688	1.605
		370.313	**68.375**

Other operating income mainly relates to a reversal of a provision of 298 million DKK following the acquittal in the Elsam competition case.

Notes

		2019	2018
		TDKK	TDKK
3	**Staff costs**		
	Wages and salaries	480.345	472.521
	Pensions	43.928	44.925
	Other social security costs	5.008	4.945
	Other staff costs	1.140	1.528
		530.421	**523.919**
	Average number of employees	634	705

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

		2019	2018
		TDKK	TDKK
4	**Financial income**		
	Interest received from subsidiaries	16.867	14.343
	Other financial income	267.343	6.542
	Exchange gains	31.542	10.787
		315.752	**31.672**

Other financial income relates primarily to a reversal of interests of 276 million DKK regarding the Elsam competition case.

		2019	2018
5	**Financial costs**		
	Financial expenses, group entities	44.902	33.366
	Other financial costs	164.991	173.754
	Exchange loss	29.713	8.446
		239.606	**215.566**

		2019	2018
6	**Tax on profit/loss for the year**		
	Current tax for the year	28.329	-83.034
	Deferred tax for the year	152.389	22.485
	Adjustment of tax concerning previous years	2.238	-40.095
	Adjustment of deferred tax concerning previous years	-5.581	37.136
		177.375	**-63.508**

Notes

		2019 TDKK	2018 TDKK
7	**Profit from discontinued operations**		
	Sale of goods	0	196.086
	Other operating income and costs	0	-68.900
	Cost of goods	0	2.062.161
	Financial items	0	-32
	Tax	0	-484.972
	Profit/loss for the year, discontinued operations	**0**	**1.704.343**

		2019 TDKK	2018 TDKK
8	**Distribution of profit**		
	Proposed dividend for the year	0	1.500.000
	Retained earnings	78.907	-772.072
		78.907	**727.928**

Notes

9 Intangible assets

	Completed development projects	Acquired patents	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January 2019	46.002	447.368	0	493.370
Additions for the year	0	251.635	1.734	253.369
Disposals for the year	0	-304.627	0	-304.627
Transfers for the year	1.734	0	-1.734	0
Cost at 31 December 2019	47.736	394.376	0	442.112
Impairment losses and amortisation at 1 January 2019	31.206	100.393	0	131.599
Amortisation for the year	3.070	1.753	0	4.823
Impairment losses and depreciations of disposals of intangible assets on demerger and sale of other enterprise	0	-2.048	0	-2.048
Impairment losses and amortisation at 31 December 2019	34.276	100.098	0	134.374
Carrying amount at 31 December 2019	**13.460**	**294.278**	**0**	**307.738**

Notes

10 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 2019	1.818.707	15.999.620	276.338	1.223.826	19.318.491
Additions for the year	74.490	19.427	250	617.113	711.280
Disposals for the year	0	-84.826	0	0	-84.826
Transfers for the year	0	463.503	15.058	-478.561	0
Cost at 31 December 2019	1.893.197	16.397.724	291.646	1.362.378	19.944.945
Impairment losses and depreciation at 1 January 2019	1.267.339	10.818.850	262.722	0	12.348.911
Depreciation for the year	50.353	538.279	5.267	0	593.899
Impairment losses and depreciations of disposals of property, plant and equipment on demerger and sale of other enterprise	0	-7.063	0	0	-7.063
Impairment losses and depreciation at 31 December 2019	1.317.692	11.350.066	267.989	0	12.935.747
Carrying amount at 31 December 2019	**575.505**	**5.047.658**	**23.657**	**1.362.378**	**7.009.198**
Interest expenses recognised as part of cost of assets	0	45.363	0	0	45.363
Value of leased assets	67.820	0	0	0	

Notes

		2019 TDKK	2018 TDKK
11	**Investments in subsidiaries**		
	Cost at 1 January 2019	4.244.458	4.078.236
	Additions for the year	481.827	166.222
	Disposals for the year	-100	0
	Cost at 31 December 2019	4.726.185	4.244.458
	Revaluations at 1 January 2019	-3.586.621	-2.833.621
	Revaluations for the year, net	-575.500	-753.000
	Revaluations at 31 December 2019	-4.162.121	-3.586.621
	Carrying amount at 31 December 2019	**564.064**	**657.837**

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, Denmark	70%	3.896	214
Orsted Netherlands B.V.	Rotterdam, Netherlands	100%	47.004	-148
Orsted Holding Ludwigsau I GmbH	Hamburg, Germany	100%	81	-6
Haderslev Kraftvarmeværk A/S under likvidation	Fredericia, Denmark	100%	1.280	-100
DE Thermal Power Nr. 1 A/S under likvidation	Fredericia, Denmark	100%	8.089	-29
Vejen Kraftvarmeværk A/S under likvidation	Fredericia, Denmark	100%	3.359	-26
Orsted Renescience Northwich Ltd	London, England	100%	345.998	-562.955
Orsted Renescience Northwich O&M Ltd	London, England	100%	8.918	-462
Ørsted New Bio Solutions Holding A/S	Fredericia, Danmark	100%	121.657	-17.719
Stigsnæs Vandindvinding I/S	Slagelse, Denmark	64%	13.718	0
Orsted SP Holding (UK) Ltd	Newport, Wales	100%	29.351	86
Severn Power Funding Ltd	Newport, Wales	100%	142	-2
Ørsted GWS Avedøre Biogas A/S	Fredericia, Denmark	100%	398	-2

Notes

		2019	2018
		TDKK	TDKK
12	**Investments in associates**		
	Cost at 1 January 2019	33.911	33.352
	Additions for the year	100	559
	Disposals for the year	-32.980	0
	Cost at 31 December 2019	1.031	33.911
	Revaluations at 1 January 2019	-12.359	-12.359
	Impairment losses and depreciations of disposals of investments on demerger and sale of enterprise	12.359	0
	Revaluations at 31 December 2019	0	-12.359
	Carrying amount at 31 December 2019	**1.031**	**21.552**

Investments in associates are specified as follows:

Name	Registered office	Ownership interest	Equity	Profit/loss for the year
Cure Renescience B.V.	Rotterdam, Netherlands	50%	658	-87
Emineral A/S	Fredericia, Denmark	50%	4.352	534

		2019	2018
13	**Stocks**		
	Raw materials and consumables	796.100	638.239
		796.100	**638.239**

Inventories consist of fuels (Coal, wood pellets, oil and biomass). At 31 December 2019 the fair value of inventories amount DKK 789 mio. The carrying amount was DKK 796 mio. (2018: fair value of inventories DKK 638 mio. and carrying amount DKK 638 mio.)

Notes

14 Receivables

The company's receivables from group companies includes TDKK 0 in a cash pool scheme with the ultimate Parent Company, Ørsted A/S (2018: TDKK 2.388.733).

15 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.

	2019	2018
	TDKK	TDKK
16 Provision for deferred tax		
Provision for deferred tax at 1 January 2019	-166.698	407.755
Deferred tax recognised in income statement	-146.808	-574.453
Provision for deferred tax at 31 December 2019	**-313.506**	**-166.698**
Intangible assets	5.000	3.475
Property, plant and equipment	569.273	553.350
Current assets	863	-30.986
Long-term debts	-261.630	-359.141
	313.506	**166.698**

Notes

		2019	2018
		TDKK	TDKK
17	**Provisions for pensions and similar liabilities**		
	Balance at 1 January 2019	10.200	10.600
	Provision for the year	178	367
	Applied in the year	-778	-767
	Balance at 31 December 2019	**9.600**	**10.200**

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 9,600.

	2019	2018
Expected maturities:		
Within one year	1.388	1.371
Between 1 and 5 years	5.098	5.093
Over 5 years	3.114	3.736
	9.600	**10.200**

Notes

		2019	2018
		TDKK	TDKK
18	**Other provisions**		
	Balance at beginning of year at 1 January 2019	1.593.269	3.780.546
	Adjustment decommissioning obligations	26.867	9.962
	Provision in year	283.362	381.936
	Applied in the year	-910.483	-2.579.175
	Balance at 31 December 2019	**993.015**	**1.593.269**
	The expected due dates of other provisions are:		
	Within one year	90.273	61.858
	Between 1 and 5 years	202.983	855.253
	Over 5 years	699.759	676.158
		993.015	**1.593.269**

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 2020 - 2022.

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.

Notes

19 Long term debt

	2019 TDKK	2018 TDKK
Lease obligations		
Between 1 and 5 years	62.123	0
Non-current portion	62.123	0
Within 1 year	7.194	0
	69.317	**0**
Other payables		
Between 1 and 5 years	17.265	0
Non-current portion	17.265	0
Other short-term other debt	408.074	474.351
Current portion	408.074	474.351
	425.339	**474.351**
Deferred income		
After 5 years	2.787.103	2.847.706
Between 1 and 5 years	971.342	788.605
Non-current portion	3.758.445	3.636.311
Other short-term deferred income	206.596	121.235
Current portion	206.596	121.235
	3.965.041	**3.757.546**

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.

20 Payables to group enterprises

The company's payables from group companies includes TDKK 184.669 in a cash pool scheme with the ultimate Parent Company, Ørsted A/S.

Notes

21 Contingent assets, liabilities and other financial obligations

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 202 mio (2018: DKK 372 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 2019.

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.

22 Mortgages and collateral

As security towards subsidiaries supplier and leasing agreements, the Company has provided parent company guarantees amounting GBP 25 mio.

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

23 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 receivable of 45 million DKK of 31. December 2019, which in the balance sheet is presented at Receivables from group enterprises 119 million DKK and payables to group enterprises of 74 million DKK.

Notes

24 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

Transactions

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

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.

25 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.

26 Subsequent events

The consequence of COVID-19, where many governments have decided to "close down countries" will have a significant impact on the world economy. Management has assessed the consequence of COVID-19 as an non-adjusting event but has decided to disclose assessment of impact.

On 30 January 2020, the International Health Regulations Emergency Committee of the World Health Organization declared the outbreak of coronavirus a "Public Health Emergency of International Concern". This event, in management's opinion, do not provide evidence of conditions that have direct impact on company's business operations, assets and liabilities.