

Ørsted

Q3 2025 earnings call

Transcription

5 November 2025

Rasmus Errboe

Hello, everyone and thank you for joining today's call.

During the third quarter of the year, we have continued our focus on the execution of the four strategic priorities that we presented in February. These will continue to be the core focus as we execute on our strategy. Let me start by going through our progress across the four priorities. Our first priority is to strengthen our capital structure, and with the completion of the rights issue in early October, we have taken a significant step on this priority. The rights issue strengthens our financial foundation, allows us to focus on delivering our six offshore wind farms under construction, provides the financial robustness to manage the ongoing challenges and uncertainties, as well as the financial strength to pursue upcoming, attractive opportunities within offshore wind.

I am very pleased and grateful for the strong support that we received from our shareholders in the rights issue, including from our majority shareholder, the Danish State. Also, we announced, on November 3rd, that we have entered into an agreement with Apollo to divest a 50% ownership share in both the project and associated transmission asset for our 2.9 GW Hornsea 3 project in the UK. The total value of the transaction is approximately 39 billion, and the transaction supports a further strengthening of our capital structure and marks a significant milestone in our partnership and divestment programme.

Another important element in supporting our capital structure is the continued performance of our operational portfolio. Even though wind speeds have been below the norm thus far in the year, we have delivered 17 billion of EBITDA for the first nine months of the year, which is mainly driven by the increase in the availability across our offshore portfolio due to strong performance every single day by our Generation team.

We remain on track to deliver earnings in the range of 24 to 27 billion for the full year. Our second priority is to deliver on our 8.1 GW offshore wind construction portfolio. And we continue to make good progress across the projects, which, upon completion, will contribute with an annual EBITDA run rate of 11 to 12 million. I will shortly go through the construction progress details, but first, I want to mention the stop-work order, which Revolution Wind received in the US during the third quarter, instructing the project to halt offshore activities, pending completion of the Interior Department's review required by the executive order issued on January 20th.

Revolution Wind continues to seek a complete resolution, both by engaging with the US administration and other stakeholders, as well as through legal proceedings. As part of the legal path, the project filed a lawsuit and sought a preliminary injunction, which was granted on September 22nd by the court while the lawsuit is ongoing. The offshore activities have resumed and since then progressed well.

Our third priority is to ensure a focused and disciplined capital allocation, always prioritising value over volume, where our focus going forward primarily will be on offshore wind in Europe and select markets in APAC. As part of these efforts, we will move towards a more flexible partnership and financing model in order to improve value creation and ensure risk diversification. On this basis, we

recently entered into a Memorandum of Understanding (MoU) with KOEN and POSCO for our 1.4 GW Incheon offshore wind project in Korea. The aim is to explore cooperation on joint development, construction and operations, including potential equity participation.

Finally, on our fourth priority, we have also taken steps towards improving our competitiveness with the announcement of adjustments to our organisation. Due to the sharpened strategic focus of our business going forward and the fact that we will be finalising our large construction portfolio in the coming years, we will adjust our organisation accordingly to become more efficient and flexible.

Once all efficiency measures have been implemented, the annual cost savings are expected to amount to approximately 2 billion from 2028. The cost savings related to these efficiency measures have been incorporated into our business plan.

Let's turn to slide 5, where we'll talk through some of the operational highlights for the first nine months. First, I am pleased with the operational performance, with our EBITDA, excluding new partnerships and cancellation fees, amounting to 17 billion for the first nine months. Despite the fact that wind speeds have been below the norm so far this year, our strong generation performance ensures we remain on track towards delivering our full-year guidance of 24 to 27 billion of EBITDA.

This is mainly driven by high availability within our Offshore business, which stood at 93 % for the first nine months. Compared to same period last year, this is an increase of 7 percentage points and thus ensured a material earnings contribution. Market-leading performance of our 10 GW offshore wind fleet is a key priority for us, and we are progressing several measures within our generation organisation to improve our output and lower cost base through portfolio and operational efficiencies, technological innovation, standardisation and generation excellence.

During the quarter, we also made progress on the renewable share of our generation. For several years, we have had a target that renewables should consist of 99% of our generation by 2025. And this has been the case during the first nine months of the year. The increased share of renewables was driven by the closing of our last coal-fuelled CHP plant in the second half of 2024, which marked another important milestone on our decarbonisation journey.

Lastly, our continued and relentless focus on safety has continued, and the total recordable injury rate for the first nine months of 2025 is at 2.5, which is in line with our target. This remains highest priority for us, and we are continuing an internal programme across the full organisation, which is intended to further increase training, safety awareness and management focus, all aimed at lowering the incident rate and bringing our people home safe every day.

Let's turn to slide 6 and an overview of our construction projects. I will cover the more advanced projects individually and in more details, as usual, on the next slides, while putting a few remarks on the remainder of the construction portfolio here. At Borkum Riffgrund 3 in Germany, we have installed all foundations and turbines. Commissioning of the grid connection for Borkum Riffgrund 3 has started according to plan. We expect first power before the end of the year, and the project is expected to be commissioned towards the end of Q1 2026.

For Hornsea 3 in the UK, construction is progressing well. The onshore works at the landfall cable route and converter stations have progressed in line with the schedule since last quarter. For the offshore scope, the project will be using two HVDC offshore converter stations. The first platform is undergoing final equipment installation in Norway, which is progressing well, and the second platform completed its scope in Thailand, and is currently in transit to Norway to complete the same final works.

We have continued with the offshore activities where we completed the removal of unexploded ordinances across the whole site during the third quarter. We continue to closely monitor a number of items related to the delivery of the project. This includes the installation schedule of the project's grid connection, where we are working closely with National Grid on our onshore grid connection works to support planning of our commissioning next year.

Further, we continue to focus on manufacturing of turbine monopile foundations to ensure it is delivered according to plan, enabling us to commence installation in 2026. Manufacturing has started as planned, and there are multiple suppliers contracted for the scope. And, if relevant, we can utilise the flexibility gained from this to mitigate risks if they occur. Next steps in the project will be commencement of the main offshore installation activities in early 2026, which starts with the installation of the offshore export cable, as well as monopile foundation installation.

In Poland, our Baltica 2 project is moving ahead according to schedule, and we are progressing the first phases of the construction work. In the third quarter, we have continued construction work at the onshore substation site, which includes the installation of the first part of the export cable. The manufacturing of turbine foundations is progressing well, with 22 completed so far.

The manufacturing of the four offshore substations is progressing, and manufacturing of the offshore export cable started mid-October. With this progress, the degree of completion for the project has increased to approximately 15%, up from 10% in Q2. There are a number of items for the installation schedule that we are closely monitoring. This includes progress on the manufacturing of the four offshore substations and fabrication progress of the key components for onshore and offshore substations.

We remain on track for earliest possible sail-away, mid-2026, from Vietnam, for the four offshore substations. Progress on the turbine installation harbour in Poland is still on track. We are closely engaged with contractors and regulators to ensure that we progress according to the current schedule. Next steps are preparation of the seabed ahead of turbine foundation installation, which is planned to commence during mid-2026.

Now, turning to slide 7 and a more detailed update on our Greater Changhua 2b and 4 project in Taiwan. Overall, the installation of the remaining scopes of the project has made good progress during the quarter. Greater Changhua 4 has commenced generation, and this will continue to ramp up as more turbines get energised during Q4 of this year. For Greater Changhua 2b, the damage to the export cable means that we will only be producing power again from mid-2026, once the damaged export cable has been replaced.

Looking at installation during the quarter, we have made progress across several scopes. This includes the installation of turbines, where 58 turbines of the total 66 positions are now installed. And the rest are expected to be completed by end of 2025. We have installed array cables for 50 of the 66 positions, and we have mobilised additional vessels during the quarter to strengthen the installation process of the remaining cables, as weather conditions are expected to be more challenging during the winter season.

With progress achieved during the quarter, the project has now reached a degree of completion of approximately 65%, up from 55% in Q2. The focus of the project remains on installation of remaining turbines and array cables, as well as replacing the export cable for the Greater Changhua 2b section.

Turning to slide 8 and an update on our Northeast programme, starting with Revolution Wind. During the quarter, the project has made good progress as we have completed both the installation of the replacement monopile for the second offshore substation, as well as the installation of the offshore substation itself, such that both of the project's two offshore substations are now installed.

On turbine installation, we continue to make progress, as we have now installed 52 of the 65 turbines for the project, and array cable installation has commenced and is progressing well. With progress achieved during the quarter, the project has now reached a degree of completion of approximately 85%, up from 80% in Q2. The project continues to progress on a number of scopes that are critical to the delivery of the current schedule.

For the onshore substation, we are continuing to progress construction activity according to the current schedule. We remain on site to manage the continued installation of the project and expect energisation of the onshore substation early next year. For turbine installation, we will continue to monitor the installation very closely as we enter into the winter season, where weather conditions impact speed of the installation rate.

First power is expected during the first half of 2026, and the project remains on track for commissioning in the second half of 2026.

Now, turning to slide 9 and our Sunrise Wind project, where we have also continued to see good progress across the different scopes. We have completed the installation of the project's single offshore converter station in September and continued the installation of turbine foundations, with 44 of the 84 positions installed now. This work will soon be paused, as planned, due to time-of-year restrictions of when turbine foundations can be installed, and will be resumed when next installation season starts in the spring.

The turbine installation will commence following completion of turbine installation at Revolution Wind. For the onshore substation, the commissioning works are progressing according to plan, with installation of nearshore section of the export cable expected in the coming months. With progress achieved during the quarter, the project has now reached a degree of completion of approximately 40%, up from 35% in Q2.

The focus remains on the items that are critical to delivery on the current schedule. Fabrication of remaining turbine foundations is progressing according to plan, and we expect to have all remaining turbine foundations completed by the end of the year. On the export cable, we have completed the final factory acceptance tests for majority of the sections, with the final ones expected to be completed by end of the year.

And we will start the installation of the nearshore section at the end of this year as well. We continue to manage the risks related to the installation of the project, and we remain on track for commissioning in the second half of 2027. With this, let me hand over the word to you, Trond.

Trond Westlie

Thank you, Rasmus, and good afternoon, everyone. As always, unless I state otherwise, the numbers I refer to will be in Danish krone.

So, before covering the third quarter development, let's go to slide 11, and I want to start with our announcement from Monday, as we have entered into an agreement with Apollo to divest a 50% stake in our 2.9 GW Hornsea 3 offshore wind farm in the UK.

The transaction balances the key objectives for partnerships and divestments with an emphasis on capital management and represents a major milestone in our funding plan. The transaction supports a further strengthening of our capital structure and ensures significant progress on our partnership and divestment programme. The total value of the transaction is approximately 39 billion, and around 20 billion of the total transaction value will be paid upon closing of the transaction.

The remaining amount is expected to be paid under the construction agreement upon achievement of certain construction milestones. In terms of our targeted proceeds, of more than 35 billion across '25 and '26, it is the 10 billion received under the SPA agreement, which counts towards this target. The total transaction value covers the acquisition of a 50% equity ownership share and the commitment from the partner to fund 50% of the payment under the EPC contract for the wind farm and the offshore transmission assets.

The upfront, non-cash EBITDA effect of the transaction is in line with the expectation outlined in the prospectus of the recently completed rights issue and including the other aspects of the transaction, such as the expected earnings under the construction agreement and service contract between Ørsted and the project, the expected EBITDA impact of the transaction is broadly neutral over the lifetime of the project.

With that, let's turn to slide 12 and the EBITDA for the quarter. In third quarter, we realised an EBITDA of 3.1 billion. Let me walk you through the main developments for the quarter. For our Offshore business, the overall earnings came in at 2.2 billion. The earnings from sites decreased, driven by lower wind speeds, and stepdown in subsidy levels from all the wind farms, as well as lower power trading earnings.

This was partly offset by full contribution at Code Wind 3, with compensation for Borkum Riffgrund

3 and higher availability rates across the portfolio. Earnings on existing partnership decreased as a result of updated costs for array cable installation for Greater Changhua 4. Over the summer, there were challenging weather conditions, including a typhoon, which slowed down our planned installation speed. As a result, we had, during third quarter, strengthened ourselves for the installation of the remaining array cables by mobilising additional vessels.

This has led us to revise the earnings that we expect under the construction agreement. As communicated earlier, we did not anticipate any material earnings under the construction agreement. So, taking into account the strengthening of the installation setup and costs relating to extending the installation period, leads to an impact in our accounts. Following distribution, the business case continued to have a comfortable headroom.

Other costs, which include unallocated overhead and fixed costs, as well as expense project development costs, increased compared to last year, in line with our expectation. Part of the increase is driven by a change in our cost allocation methodology and does not impact the total EBITDA. This cost reallocation is reflected in our full-year guidance for '25. For Onshore, the EBITDA decreased by approximately 200 million, primarily driven by lower wind speeds, which were partly offset by ramp-up generation from new assets.

Within Bioenergy & Other, earnings from our combined heat and power plants were higher than last year, driven by higher power prices. Earnings in our gas business increased slightly, driven by higher offtake volumes. We did not enter into any new partnerships in the third quarter of '25.

Let's turn to slide 13. In the third quarter, total impairments amounted to 1.8 billion. The impairments primarily relate to our US offshore projects and are driven by higher tariffs and increased cost as a result of the stop-work order for Revolution Wind, partly offset by decrease in long-dated US interest rates. The impairment related to higher tariffs amounted to 2.5 billion, in line with the range that was included in the prospectus released in connection with the rights issue.

This amount reflects recent changes to the US trade policies, including the increased tariffs on steel and aluminium. The impairment related to the stop-work order amounted to 500 million and is also in line with estimates that were included in the prospectus in connection with the rights issue. This reflects the higher cost for both Revolution Wind and Sunrise Wind due to extension contracts needed to complete the installation of the projects.

These effects are partly offset by a reversal of 1.3 billion due to the decrease in long-dated US interest rates, leading to lower WACC level across our US offshore and onshore projects. Our net profit for the quarter totalled negative 1.7 billion and was impacted by both the decreased earnings, as well as the impairments. In Q3 '24, net profit amounted to 5.2 billion, of which 5.1 billion were related to a reversal of a provision related to Ocean Wind.

Adjusted for impairments and cancellation fees, our return on capital employed came in at 10.2%, which was a decrease, compared to last year, driven by the higher capital employed. The reported ROCE came in at 2% and was impacted by the impairments recognised over the last 12 months.

Let's turn to slide 14 and our net interest-bearing debt and credit metrics. At the end of Q3 '25, our net debt amounted to 83 billion, an increase of approximately 16 billion during the quarter. The increase was predominantly driven by gross investments of 15 billion into the construction of our renewable project portfolio. The contribution from all of our operating earnings in our cash flow from operating activities was more than offset by costs relating to the construction of transmission assets in the UK, as well as seasonally in other working capital items.

This was also the case for the same quarter last year. As the rights issue was completed on 9th October '25, the proceeds of approximately 60 billion will accordingly be reflected in our accounts by full year. Also subject to the closing of the transaction before the end of the year, the proceeds from the Hornsea 3 transaction will likewise be included in the net debt numbers.

Finally, the project financing package for Greater Changhua 2 was closed in July, yet had no impact on net debt, as the proceeds received were matched by a corresponding increased debt. Upon closing of the planned equity divestment of the project, the asset and associated project financing package is planned to be deconsolidated, which will then have an impact on the net debt position.

Our credit metrics, FFO/adjusted net debt, stood approximately at 14% at the end of the third quarter, which is a slight decrease, compared to the previous quarter. The higher fund for operation in the 12-month rolling period was offset by the increase in adjusted net debt. The metric will expectedly increase to well above target of 30% in the next quarter, as the incoming proceeds from the rights issue and closing on the Hornsea 3 transaction will be reflected in our accounts.

And finally, let's turn to slide 15 and look in our outlook for 2025.

With our solid operational performance for the first nine months and heading into a quarter with seasonal higher wind speeds, we reiterate our full-year EBITDA guidance, excluding new partnership and cancellation fees, of 24 to 27 billion. We also maintain our gross investment guidance for '25 of 50 to 54 billion. The gross investment guidance is sensitive to milestone payments being moved between years and the level of tariffs.

We continue to follow the development regarding potential tariffs and other regulatory changes, particularly affecting the US and are continually assessing any possible financial and wider impacts. So, with that, we will now open for questions. Operator, please?

Operator

This concludes the presentation, and we will now open for questions. This call will have to end no later than 15:30. Please respect only one question per participant, and then you can go back to the queue for a second question. The first question comes from the line of Kristian Tornøe from SEB. Please go ahead.

Kristian Tornøe

Yes, thank you. So, my question is about the expected lifetime of your offshore wind assets. So, with the Hornsea 3 transaction, the other day, I understand you are looking at up to a 35-year lifetime of

this asset. So, previously, you've been talking more to a 25-year lifetime of your offshore wind assets, which is, at least what I've been using in my model. So, my question is, essentially, what would be the appropriate lifetime we should apply to our valuation of your offshore assets?

Trond Westlie

Well, on the lifetime of the capitalised investments that we have from the starting point, we do use just short of a 25-year depreciation. So, the economic value of that is, of course, we use the short of 25-year depreciation. When it comes to the business case as such and the lease period, that is a different aspect, and that's what is included in the agreement that we have been clear, very transparent about with Apollo.

And that, of course, the lease, is a long period, and as a result of that, the business case is, of course, longer than the economic value that we capitalised as a start, basically, due to maintenance programmes, repowering possibilities and so forth, relative to the long lease of the area. So, that, you have to probably distinguish between how we capitalise, how we depreciate, and also how we actually see the business case.

Operator

The next question comes from the line of Harry Wyburd from BNP Paribas. Please go ahead.

Harry Wyburd

Hi. Thanks. Afternoon, everyone. So, can I focus on the Hornsea 3 selldown? So, thank you for the call yesterday, where you educated us a bit about the cash flow profiling. My question is, given that Apollo have the rights to the majority of the cash flow during the CFD period, and given that you have the rights to the cash flows after that, have we opened up a new thread of book value risk or volatility here? Because presumably, you might review the NPV of those cash flows from time to time, depending on discount rates and also your future reversion power price assumptions for the project.

So, is this something we should expect some book value updates on a quarterly basis going forward? And if so, can you give us any kind of sense as to how material those changes might be, relative to the other impairment pluses and minuses that you typically put through over the quarter? And then an allied question, when we're modelling cash flow, we're all looking to 2028 when you've got all these projects up and running, and perhaps now that the rights issue process is over, maybe you could throw in a bit of a guide for what 2028 EBITDA guidance might be, given that's really the key year when everything's up and running.

But should we apply a haircut to that for cash flow, given that, as I understand it, the majority of the cash flows in that year would be going to Apollo? Thank you.

Trond Westlie

Well, let's take the first one first. When it comes to the uncertainty of the fluctuations on the starting point of the provisions that we actually do, going forward on the asymmetry, yes, it is

correct that we have to evaluate that every quarter. Those evaluations will come as today's rules in IFRS. Those adjustments will come under the financial income line.

Second part of this is, of course, that since we have both a payable and a receivable in this, there is an incorporated hedge as a result of that in addition. So, in essence, yes, there will be elements to this being adjusted every quarter, but we do not expect that to be significant, and we are presenting that under IFRS rules today. It will come under the financial item.

Harry Wyburd

Okay, thank you.

Trond Westle

On the outlook of '28, we will not do an update on the '28 expectations so soon after the rights issue and the prospectus that we issued. We will, of course, come more back to that and be more granular when we come to the yearly updates in February.

Harry Wyburd

Okay, thank you. And the comment on the on the cash flow haircut, I think, actually, in the first years of the projects, I think it was three years, it was 50/50, and then thereafter, it reverts to 70/30 in Apollo's favour. But should we be making a cash flow adjustment? Is that how we should be thinking about it? We'd need to reduce, a little, the EBITDA you report on a proportional basis to reflect the fact that you're getting less of the cash flows in the short term? Is that the right way to think about it?

Trond Westlie

Well, that's going to be the difference between the P&L and the cash flow statement. So, of course, in the P&L statement and the loss adjustments we're making right now will, of course, be reversed under the EBITDA. But in our operational cash flow statement, we'll, of course, address that and be very core-specific of the noncash elements within it.

Harry Wyburd

Okay. Thank you very much.

Operator

We now have a question from the line of Dominic Nash from Barclays. Please go ahead.

Dominic Nash

Hi, there. Good morning. Good afternoon, even. Couple of questions, please. The second should be quite quick, but the first one is on utilisation levels of your offshore wind. You always quote output, but I believe, you don't give us an update on the actual potential output pre-curtailment. And I'm just wondering, what sort of level of curtailment are you seeing in your offshore fleet? And what would that do if we were to adjust for the proper underlying output capability?

And the second question is a simple one here. Dividend policy, you've not given any firm numbers yet. I think it's 2026 you're going to start paying a dividend. Consensus, I think, in Bloomberg, is DKK 4 per share. Are you happy with that consensus number? Thank you.

Rasmus Errboe

Thank you, Dominic. On the utilisation levels that you talk about, we don't guide on specific curtailment of our offshore wind farms, onshore/offshore curtailment of any nature. What you can see is that we have delivered a very solid availability performance during the year. 93% production-based availability for the first nine months and 94% for Q3. So, therefore, I'm very pleased with the underlying performance. But we don't guide on the curtailment levels.

And also, just reminding you that there are different frameworks in different countries for curtailment. And as an example, in Germany, we are compensated for the vast majority of curtailments from the onshore grid. As for the dividend policy, we have confirmed, for a while now, that we expect to pay out dividends again by 2027 for accounting year '26. We will stick to that, but we will not comment on the level of the dividend.

Dominic Nash

Okay, thank you.

Operator

The next question comes from the line of Mark Freshney from UBS. Please go ahead.

Mark Freshney

Thank you very much. Rasmus, if I could pick you up on some comments you made about a month ago at a conference, you mentioned that there were two tracks to managing the stop order on Revolution. There was the legal track, and there was the negotiated settlement, the dialogue track. Clearly, your big shareholder announced some deals with the US Department of Defence.

Clearly, a negotiated settlement that would protect Sunrise and Revolution would always be preferable to winning in court, so can you make any comments on how those negotiations may be proceeding?

Rasmus Errboe

Hi, Mark. Thank you very much. You are right. We are pursuing two tracks. One is the legal track where we received the injunction on 22nd September that allowed us to go back to work. And then the other track is a dialogue track with relevant people in the administration. My approach, Mark, to this is the same as it has been all along, and that is that I don't go into details about the conversations that we may or may not have, in terms of making a deal.

Our focus is to get to a, you can say, complete solution for Revolution Wind where we still have the stop-work order claim outstanding. Our focus is on the projects, and I am pleased with the progress that we have seen, in terms of construction across both Revolution Wind and Sunrise, where we

have seen the degree of completion increasing from 80 to 85 on Revolution Wind, and from 35 to 40 on Sunrise Wind, including the installation of all the substations. So, that is really where we have our focus.

Mark Freshney

Thank you. I respect that. And if I may have a follow-up, just on the credit rating, I think S&P were waiting for the transaction that we saw yesterday. Can we expect some news on the rating? And does your modelling suggest that the Hornsea 3 farm now gets you where you need to be on that S&P tripwire, so to speak?

Trond Westlie

Well, Mark, we are aware of the comments or the statements that S&P made in their update on their rating in August. And, of course, we expect them to be more comfortable as a result of having managed to actually sign this agreement and basically following our timeline as both signing and closing before year-end. So, hopefully, it will have some effects. We are a bit uncertain about the interpretation evaluations of S&P because they are the odd man out in the three ratings that we do have. So, we just have to refer that evaluation to them, Mark. I'm sorry.

Mark Freshney

Thank you very much. Thank you.

Operator

We now have a question from the line of Alberto Gandolfi from Goldman Sachs. Please go ahead.

Alberto Gandolfi

Thank you so much for taking my question. I guess, the first part is perhaps more for Trond, and perhaps the second for Rasmus. It's on capital structure and capital allocation. So, the first part of the question is, following the 20 billion you're going to receive from the transaction, and you announced this week, and the rights issue, technically, in the nine months, you are basically debt-free. And, of course, the company remains cash flow-negative.

I guess, the first part of the question is, is your balance sheet now fully derisked? And is there any scenario where you see the risk of having to implement incremental measures to avoid a downgrade to junk? I'm just thinking, for instance, if the US projects never start, can we say that, even in that scenario, your balance sheet is now okay?

And the second part of the question is that, if you can elaborate on the first, I guess, then the question would be, if the US projects start to contribute, then you could say that, in '28, your FFO/net debt is incredibly strong. So, can you tell us how you are beginning to work for the repositioning of Ørsted at that point in time? What's your priority? Is it organic growth at that point? Because you need to start winning awards in the next 12/18/24 months, I guess. Or is it more wait and see, to see what happens in the United States? Thank you.

Trond Westlie

Well, I'll take the first one on capital structure. I think your number is fairly correct, relative to where we are and where we're going to be at year-end. So, in starting to say that, of course, a lot of the discussion during the rights issue has been, of course, the downside risk, relative to what's going to happen in the US. And we have been elaborating a lot about that because of the stop-work order and the risk of getting more stop-work orders.

I do think that, along with the rights issue, we have explained the reason why we thought the 60 billion was the right number. We have communicated that we expect this Hornsea 3 transaction to be signed and closed during the year. So, that has been a part of our base case all the time. The downside risk is, of course, that things may happen of uncertainties in the US that we cannot put a probability or an estimate on.

But as we have said all along, we have committed so much money into the projects of Sunrise and Revolution, that closing it down is not really a good case for us, because our commitment cost is almost as high as the total cost of the projects. That is why we have looked at these structures and also the capital raise in this context. It is hard now to see a situation that we will come into, that we will be downgraded into a non-investment grade.

So, the scenarios you need to develop to actually get us there is now, of course, much more difficult when we have the Hornsea 3 in place. Over to you, Rasmus.

Rasmus Errboe

Thank you very much. Thank you, Alberto. Yes, so I think, probably two parts to the answer on the repositioning of Ørsted on the other side of '28. First part is, Alberto, that it is for us to deliver on our plan. That is really our main focus. We have a plan centred around four priorities. We have a robust capital structure, to construct our 8.1 GW offshore wind projects in the best possible way, to stay focused and disciplined on capital allocation, always prioritising value over volume, and then also, improve our competitiveness.

And if you look at our progress across the board, across these four priorities in Q3, you can see that that is really where we focus. So, the best way, in my view, to position us for '28 and onwards, is by delivering on our plan. We will be in a very, very different position, and we will be able to meet the market from a position of strength at that point in time when we deliver on our plan.

Second part is, how do we then think about 2028 and onwards? You talked about different kinds of growth measures and what is out there. We remain very bullish about the prospects for offshore wind in Europe in particular. We see the rebasing happening in the market. And the growth pockets for offshore wind in Europe, in my view, span across three, if you will. One is, of course, the centralised tenders. 2026 is probably going to be a little bit on the low side, in terms of numbers of tenders that are being put out there. But then, from 2027 and onwards, it would take a bit of a step change. So, that is one target that we could pursue. The other one is, of course, to mature our proprietary pipeline. Then the third bucket is more, I would not call it inorganic, but a more, you can

say, project-by-project, collaboration or M&A.

Those are, and basically have always been, the buckets that we are looking for when we think about offshore wind growth, but we will be patient, and we will prioritise value over volume.

Alberto Gandolfi

Rasmus, you have been so interesting, that can I ask a follow-up? I appreciate if you say no.

Rasmus Errboe

Go ahead.

Alberto Gandolfi

Thank you so much. This is all very clear. I'm just very intrigued by the comment you made about refocusing on Europe and potentially openness, project-by-project M&A. Would this also include potentially bigger platforms? I think it's no secret that probably lots of people on this call are thinking about the offshore portfolio of Equinor. That would take out a competitor, and at that point, your balance sheet is very strong. Would this be an option worth pursuing, you think?

Rasmus Errboe

That is not in our plans.

Alberto Gandolfi

Thank you so much.

Operator

The next question comes from the line of Lars Heindorff from Nordea. Please go ahead.

Lars Heindorff

Yes, afternoon. Thank you for taking my questions. The first one is regarding the correlation between EBITDA and operating cash flow. You had a few questions about this already, so maybe a follow-up, but you've been guiding for '25 to '27 operating cash flow of 50 billion. If we take the midpoint of the EBITDA guidance this year and then the minimum guidance that you've been providing for '26 and '27, that will add up to 86 billion of EBITDA in the same period and a conversion ratio, which is less than 60%.

So, how should we think about the correlation between EBITDA and operating cash flow going forward, first, foremost, in until '27, and I think, given the development in Hornsea 3 and the first three years with the 50/50 split, that should be fine. But beyond that, that's maybe too far out, but just to get a sense for what you expect, in terms of operating cash flow for the coming years? That's the first part.

And then the second part, just a housekeeping, which is, Trond, you mentioned the Changhua transaction. How much exactly would that impact the net interest bank debt for this year? Thank

you.

Trond Westlie

Well, on the operational cash flow relative to the EBITDA, there are three buckets of elements that come into the difference. It's the taxes paid, it's the reversal of non-cash tax equity in EBITDA, and it's basically working capital OFTO changes. That's the three buckets. And then there is, of course, our ups and downs, relative to working capital changes that go in there.

But those three elements, taxes paid, reversal of non-cash tax equity in EBITDA, and working capital of OFTO changes are the three elements that really drive the bridge between the 50 and the EBITDA elements. So, that's those elements. When it comes to the Changhua 2b & 4 and the transaction, we still have the ambition to sign the transaction during the year. But since we're not able to close the transaction during the year, there will be no transaction as such. So, there will be no debt reduction as a result of that.

So, the statements that we have made earlier, when it comes to the 35 billion of the proceeds guideline that we have for '25 and '26, we have the 7 billion that we did before half year. We now have the 10 billion from Hornsea 3, and then the two outstanding elements are short of 20 billion left, and that's basically evenly divided between the Changhua and the EU onshore transaction. So, as I said, Changhua will not be closed during the year, so no effect.

Lars Heindorff

Okay, and just to follow up on the first part, which is the conversion between EBITDA and operating cash flow, is that fair to assume that, when you get to '28, which will be the first year, at least as it looks now without any offshore capex, that you will have, still the same relationship, which is around slightly below 60% cash conversion from EBITDA to operating cash flow?

Trond Westlie

I need to get back on that because the 11 to 12 coming out of the six projects is not going to be evenly divided as a result of how much of tax equity that comes into that that gross up. So, I'm not quite sure I can guide you on that right now.

Lars Heindorff

Alright, thank you.

Operator

We now have a question from the line of Deepa Venkateswaran from Bernstein. Please go ahead.

Deepa Venkateswaran

Thank you. I wanted to quiz you a bit on what the Equinor CEO has been saying about offshore wind and Ørsted, where he's been talking about new business models, the need for consolidation and industrial cooperation with Ørsted. What are your thoughts on any cooperation with Equinor, and

what form and over what time line? So, that's a question. If you can't answer that, then I have another question, which I'd like to ask.

Rasmus Errboe

I'll give it a go, Deepa. Thank you very much. So, I think, first of all, we are, of course, very pleased with the support that we continue to receive from Equinor as the second largest shareholder. We have no doubt about it. And, of course, I have also noted the comments that you are alluding to. Our focus right now, my focus right now, is to deliver on our plan, to deliver on our strategy, quarter by quarter, centred around the four priorities that I mentioned before.

Of course, as any responsible management team, if you look further out in time, of course, you will look at all options that would improve value for your shareholders, no doubt about it. I am confident that we, in Ørsted, have a very well-suited business model for offshore wind.

Deepa Venkateswaran

Okay, thank you.

Operator

The next question comes from the line of Jenny Ping from Citi. Please go ahead.

Jenny Ping

Thanks very much. So, the two questions I have are somewhat linked. Firstly, just on the negative construction EBITDA that you printed in 3Q that you say is linked with the Greater Changhua 4 project, and given some of the cost overruns that you highlighted, are we expecting this to be this magnitude, effectively until the close of the project at COD in 2026, so the 300/400 million negative each quarter?

And then, just linked to that, I guess, going back to the Apollo deal, Rasmus, clearly, this is a fully EPC-wrapped project, which you will take on any overspend and any delays risk. So, what sort of comfort can you give to the investors that this project has been operationally de-risked, as we go into the full construction phase, to minimise any of the delays and overruns, which ultimately will be borne by Ørsted? Thanks.

Trond Westlie

Just taking the negative over the construction agreement provision that we made in the third quarter, that is, of course, the full amount of loss that we expect to have on the construction agreement on Changhua 4. So, it's not a repetitive element. It's an estimate of the full loss on the construction agreement.

Rasmus Errboe

Hi, Jenny. And as for as for Hornsea 3, you are right, that the way we have done the CA is, you can say, our normal model, where we wrap parts of the construction risk the same way as it is also our

normal model on the OMA part, where we do O&M for our partner. We are progressing very much according to plan on Hornsea 3. It's, of course, a very big project, 197 positions. But it is in our core market, and it is in a zone that we are comfortable working with.

Some of the things we have been focused on in the beginning, from a construction risk perspective, if you will, are going quite well. The onshore converter stations, and the cable landfall is progressing. That is a key focus point for us. Also, making sure that we can deliver, also, National Grid can deliver, on time. We have no reason to believe not to when we get to that point in '27.

Monopiles has been a key focus for us. We have, now, sufficient robustness on the supply chain for that project on the monopile side. We have roughly a handful of monopile suppliers on the project, SeAH, EEW, Haizea, Steelwind, to name a few. And we have a great deal of flexibility, in terms of making sure that if one is not exactly on time, then someone else can deliver.

And we are starting to see monopiles being produced with a couple of them, so that is very much on track. Half of the export cables have been produced. The offshore monopile installation will start in Q2. And also, as I said before, the two offshore converter stations are progressing according to plan, one already in Norway from Thailand, the other one on its way.

One thing that we and I have been focusing on, and that's my last point, Jenny, from the very beginning, has also very much been on installation vessels. We have three installation vessels that will do the work on Hornsea 3, and one of them is now done here in September, so during Q3. That is very good. The other one is working on other projects. So, one of the two turbine installation vessels, the Wind Peak, is now working for Sofia and on the East Anglia 3. So, that is all fine, and then the last one is being produced, and we expect for it to be done by the end of the year. So, I would say, across the board, construction, and thereby construction risk, is progressing according to plan.

Jenny Ping

Thank you very much.

Operator

We now have a question from the line of Jacob Pedersen from Sydbank. Please go ahead.

Jacob Pedersen

Hi, guys. Just a question from me regarding Baltica 3. You still have it as a part of your pipeline in Offshore, in your presentation. What is the status on this project? And will it play any role in bridging the standstill in new installations after 2027? Or will it be more attractive for you to go into other options to do something?

Rasmus Errboe

Thank you, Jacob. Baltica 3 is a project that we jointly own, as you know, together with our partner, PGE. We continue to be very, very pleased with that partnership, and we are also moving forward

with PGE and Baltica 2. As you know, we put Baltica 3 under reconfiguration a few years ago now. And the reason being is that we didn't see sufficient value, as the project stands, in our portfolio to move it forward. That is still the case.

The project is under a reconfiguration, and we will only move it forward if we see a significant improvement in the value. So, it is one of the options that we have in our portfolio, but as I said before, it would also have to stack up against the other opportunities. We are very strict on value over volume and also on capital discipline and allocation. So, that is what I can say about Baltica 3 right now.

Jacob Pedersen

Okay. If I may, a second one, just housekeeping. The rights issue cost, will we see that in financing costs during Q4, or is it already in the Q3 numbers?

Trond Westlie

It will come in the Q4 numbers.

Jacob Pedersen

Okay, thanks so much.

Trond Westlie

But having said that, there was a good estimate in the prospectus. So, I think, if you want to have an estimate, you can use it.

Jacob Pedersen

Yes, thanks.

Operator

The next question comes from the line of Olly Jeffery from Deutsche Bank. Please go ahead.

Olly Jeffery

Hi, thanks. Good afternoon. My first question is, my understanding is that Judge Lamberth, who's on Revolution Wind, who put in place the preliminary injunction, is likely to be writing a detailed opinion, which we haven't received yet. And then, if the Trump administration were to appeal the injunction, that would most likely happen after that detailed opinion has been written. Would you agree with that broad assessment?

And then the second question is just on the Section 232 investigation into wind components. Has there been any development on that? And are you able, at all, to say, if they were to lead to further tariffs, would that be of any material consequence, in terms of impairments, or is that not such a risk to you?

Rasmus Errboe

Thank you, Olly. I can take the appeal, and then I will leave the tariff question to Trond. And I will be quite brief, Olly. I don't want to speculate in potential legal outcomes and whether or not something will be appealed, and if so, when. We rely on the injunction that we received on 22nd September by Judge Lamberth, and we were immediately back to work, and that is very much our focus.

But as I said before, we are pursuing two avenues still, the legal track and also the conversation track, and our aim is to get a complete solution for Revolution Wind.

Trond Westlie

Just to be clear, or have a clear view, on where the tariff goes in the US, it's quite difficult. But what we have taken into consideration is, of course, the June 4th announcement, the August 19th announcement and the 21st announcement. That means that we have looked at the inquiry of the specific imports for wind turbines and associated parts. We have included the more than 400 items that they have included on the list.

As such, we have also considered the 50% level, and that is really the elements that we can do as a best estimate as of now. And that is what we have included in our best estimate. That, again, gets us to the 2.5 billion of impairment effects in the third quarter.

Olly Jeffery

Thank you.

Operator

We now have a question from the line of Roald Hartvigsen from Clarksons Securities. Please go ahead.

Roald Hartvigsen

Good afternoon, Gentlemen, and thanks for taking my question. On gross investments, you keep your 50 to 54 billion guidance unchanged. And given that you have already spent about 40 billion so far this year, the low end of your guidance would suggest only an additional 10 billion for the last quarter, which seems like quite a material step down compared to the 15 billion this quarter. Especially given the fact that the reported capex figures historically have been quite high in the end-of-the-year quarter, and that the full Hornsea 3 project will still be on your books, I guess, at least part of the quarter or so.

So, can you help us reconcile the expected drop in the investment level from the third quarter and give some colour on what assumptions are embedded in, especially the lower end of the gross investment guidance range here? Thanks.

Trond Westlie

I do think that you have to take the full guidance into perspective, basically, 50 to 54, and that if you take the upper number, it's actually going to be around the same number in gross investments

in fourth quarter as in third quarter, if you take that as a possibility. Having said that, I think the important element to this is not necessarily the timing, whether the payment is done, 20th of December or 10th of January.

The important thing is that our investment level for all the three years is around 145 billion, as we have said earlier. We expect that to be 50 to 54 this year, and that means that it's going to be in the 50 range for the two consecutive years of '26 and '27. So, I think it's important not to be razor sharp on 31st of December. But our best guess as of now, and the sensitivity we have relative to timing on payments at the year-end is between 50 and 54.

Roald Hartvigsen

Thank you. That's it from my side.

Operator

The next question comes from the line of Rob Pulleyn from Morgan Stanley. Please go ahead.

Thank you. Lots of questions already answered, so if I may just ask something a bit nitty-gritty, on slide 23, I noticed some of these numbers have changed since 2Q. So, when we look at the 10% ITC bonus sensitivity impact, Sunrise and Revolution now add up to DKK 6 billion. And previously, I think that was 4.6. And the sensitivity to a 50-basis point move in WACC is now 2.1 billion, and previously it was less. Just wondering, what was going on there?

And if I can just ask a clarification from earlier, because the audio was a bit crackly, did you confirm your hope to announce the deal on Changhua 2 in 2025? I know you answered that you expect to close it in 2026, but is the disposal still going to happen this year? Thank you very much.

Trond Westlie

When it comes to the slide 23, the reason for changes is, of course, changes in some of the capex levels. So, the elements, I don't have the gross numbers in top of my head, so you have to contact IR to actually get the more detailed level in that. When it comes to the Changhua transaction, yes, we still have the ambition to sign the deal during this year and then close it when we have COD in the third quarter next year.

Rob Pulleyn

Thank you very much. Very clear.

Operator

We now have a question from the line of David Paz from Wolfe. Please go ahead. Mr Paz, your line is now open. You may go ahead with your question.

David Paz

I'm sorry about that. Hopefully, you can hear me now. Thank you for the time. Just wanted to follow up on Revolution Wind. Just two quick questions. A) the DKK 5 billion, has that been updated

since August, in terms of the remaining investment? I think that was your share. And then, B) of those three items you've listed, onshore substation, the remaining turbines and the array cables, which would you say, are the first and last?

In other words, what is the critical path, I guess? If you can just give us some colour, particularly given the comments on the onshore substation being substantially complete? Just what gets you to the second half, 2026 COD? Thank you.

Trond Westlie

When it comes to the capex on Revolution, yes, our 50% share of the capex is 20. And as the last quarter, we had spent about 15 billion of that. So, the remaining 5 for us, 10 in total for Revolution, has been paid during the time. And basically, I think it's more important that we have come so far on Revolution that the commitment we have on the whole value is there. So, whether we have paid it or not doesn't really matter, relative to the timing. It's more the timing of things.

Rasmus Errboe

And with respect to the critical path for Revolution Wind, it is still the onshore substation that is on the critical path. It is moving forward well, as I said, on both the turbine installations with 52, and on array cables with 41 out of the 65. And as I said, we expect energisation of the onshore substation early next year.

But the reason that it's still on the critical path is that, following the energisation of the onshore substation, you then basically go area by area in the wind park, starting with the export cables, then onto the offshore substations, and then the turbines, in terms of the electrification and the hot commissioning of the turbines. And that brings us into our expectations for COD. So, still on the critical path, the onshore substation.

David Paz

Okay, thank you for the colour.

Operator

We have a follow-up question from the line of Mark Freshney from UBS. Please go ahead.

Mark Freshney

Hello, thank you. Just regarding security of some of the subsea cables, we know that there's a lot of work being done at the industry and government and NATO level on protection of those cables, but from your perspective, have any of your subsea cables been knowingly sabotaged? And when you think about that at board level, as a risk to the business, how are you tackling that from your own internal perspective?

Rasmus Errboe

Thank you, Mark. As I'm sure you can appreciate, I will not be super-granular on this question, so I'm

not going to comment on impacts on individual cables and what have you. What I can say is that, you can say, security and working with government, and also you mentioned NATO before, is something that has been part of the way we do development in Europe for a very long time.

The governments are asking for conversations and solutions for defensive coexistence, and we see very good cooperation between the relevant authorities in the markets that we are in, and also the sector, including us, to develop successful mitigations from a coexistence perspective. That is, as far as I can take it in terms of defence.

Mark Freshney

Okay, thank you.

Operator

We have a follow-up question from the line of Dominic Nash from Barclays. Please go ahead.

Dominic Nash

Thank you for this follow-up question. It's actually on Hornsea 3 and the numbers announced yesterday. I just need some clarification on them, if you can help me out, please. So, could you work out whether my maths is right? You basically say that you've spent DKK 20 billion to date. Apollo are paying you 10 billion for what you've spent today, so fine. You also say you're doing 70 to 75 billion of capex still to go for the project, so 90 to 95 in total. And you say about a third of that is transmission, I think.

But if we then take Apollo's 39 billion contribution, and 10 has been used for buying into the project for historic, at least 29 remaining, how does that 29 fit into the 70 to 75 still to go at 50% ownership? And on that, I think that the transmission might be the one that's a bit odd. Is that in or out of the amount of cash that they're paying into? And is there debt associated with it, or have you got some other way of getting that one financed? Thank you.

Trond Westlie

Dominic, just a starting point. It's a bit difficult to follow your maths over the phone, but I think one material element in your maths is that 70 to 75 is the total project and not what is remaining. But I do think that, if you take the rest of your maths together with the IR, they will be better at guiding you through it.

Dominic Nash

Okay, thank you very much.

Operator

We have a follow-up question from the line of Deepa Venkateswaran from Bernstein. Please go ahead.

Deepa Venkateswaran

Hi. Thank you for taking my follow-up question. So, the question I have is on the legal process in the US for Revolution Wind. So, the stop-work order has allowed you to start construction. Seems to be going well. What happens if you finish constructing the project, but you've not resolved the underlying challenge of the stop-work order? Can you start already selling the power and so on and energise, or will it come to a standstill?

And in some scenario, I don't know if you lose the appeal at a later stage, after one or two years, will you then be forced to decommission? I'm just thinking about what happens, given that now you are constructing, and so far, the legal process might take much longer to settle, might take longer than your construction timeline. So, if you could just elaborate on those scenarios? Thank you.

Rasmus Errboe

Thank you, Deepa. I will be brief. The impact of the injunction relief allows us to continue the project, to continue constructing and also to produce power.

Operator

We have a follow-up question from the line of Lars Heindorff from Nordea. Please go ahead.

Lars Heindorff

Hello. Thank you for taking my follow-up, and very fortunate to be here after Deepa's question because it's also regarding Revolution Wind. Now, you got the stop-work order on 22nd August. You got the injunction filing on 17th September. That is now 49 days ago, and if I am correct, you have installed roughly seven turbines in that period. You have 13 turbines left to install for Revolution Wind. How long do you expect that will take?

Rasmus Errboe

Thank you, Lars. So, the guidance we gave on progress is that we basically guide on COD. But, of course, as it always is, it is also relevant when you install all the turbines and also when you can have first power, and that we expect during H1.

Lars Heindorff

But is it fair to assume normal, you think, installation, versus taken to one and a half/two days, and then maybe winter period, it will be longer, four days, something like this? Is that a fair assumption?

Rasmus Errboe

Lars, I look forward to telling you about the construction progress when we are done with the year, and I will be very specific about how far we have come on the turbine installation as well. It is moving forward quite well right now, but of course, we are also entering a period with more uncertainty on the weather. But right now, turbine installation on Revolution Wind is going really, really well.

Lars Heindorff

All right, thank you.

Rob Pulleyn

Yes, sure. Thank you. May I ask, in the Onshore US business, I know this is a bit different to the vein we've had so far, during the rights issue process, you talked about, effectively, separating this out legally and financially into its own standalone entity. Is that still the case? And any further strategic plans for this, given, of course, there is a somewhat shortage of power in the US and quite a lot of optimism around that market? Thank you very much.

Rasmus Errboe

Thank you, Rob. You are right that we have progressed our separation of our US Onshore business. And as of 1st of October, our Onshore business has become a separate business unit reporting into our global development chief. And the Americas Onshore business will then continue to focus on development and operations of the projects within the US. We have a pipeline of 6/7 GW of projects with capacity that meets the definition of IRS qualification through 2029.

And there are ample opportunities in the market, and also, the two projects that we have under construction, so Old 300 BESS in Texas, and also Badger Wind in North Dakota, are moving forward really well.

Operator

Ladies and Gentlemen, that was the last question. I would now like to turn the conference back over to CEO, Rasmus Errboe, for any closing remarks.

Rasmus Errboe

Thank you all very much for joining. We appreciate the interaction and the interest, as always, and if you have any further questions, please do not hesitate to reach out to our IR team, who will be here to answer all of them. Thank you very much, stay safe and have a great day.