



ANNUAL REPORT

2017



HEJLSØ SKOV

Green innovation since 1866



Patron for Hedeselskabet

Her Majesty
Queen Margrethe II
of Denmark

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ABOUT HEDESELSKABET

The foundations of Hedeselskabet stretch back more than 150 years, and we have been making our mark on the Danish landscape since we were established in 1866.

Today, Hedeselskabet is an association with the status of a business foundation. Our activities are distributed between the following areas:

BUSINESS ACTIVITIES



Hedeselskabet's subsidiaries and business units exist in the market on competitive terms on a par with other companies. The customer is the key stakeholder, and our success is based on the satisfaction and loyalty of the customer. Our business is characterised by good quality, service and continued focus on delivering products and services that generate value for the customer.

THE ASSOCIATION AND DISSEMINATION



Hedeselskabet's association forms a strong community of interests with dedicated members. The membership circle consists of individuals with an interest in the utilisation and protection of nature and the countryside. Dissemination, knowledge-sharing and dialogue with the members and other stakeholders are the key focal points for the association and are realised via various digital platforms and through events for the members.

INNOVATION AND AWARDING OF FUNDS



Hedeselskabet does not have any shareholders or owners that receive dividends. Instead, Hedeselskabet utilises a portion of these funds to contribute to the development of nature and the environment for the benefit of current and future generations. A percentage of profits are allocated to long-term innovation and awarding of funds.



Hedeselskabet works with the long-term development, utilisation and protection of nature. We disseminate this knowledge between practitioners and experts and we award funds to projects that lie within the scope of Hedeselskabet's objects clause. We are a value-based and attractive employer that creates green innovation and develops and delivers solutions, primarily in land management, environmental improvement and climate adaptation.



BUSINESS ACTIVITIES



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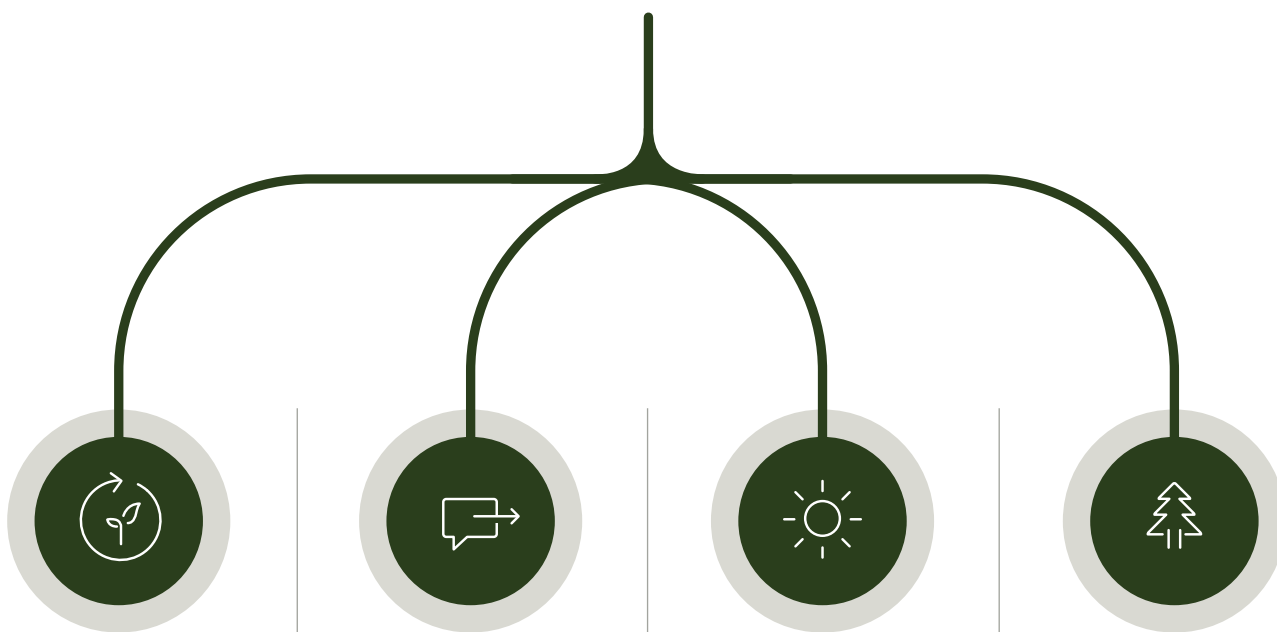
Since 1866 Hedeseelskabet has endeavoured to develop and deliver solutions to our customers. Our history and experience are supplemented by a focus on innovation and digitisation. We look to deliver products and services that generate value for our customers.

We primarily provide solutions for businesses and private customers, as well as central, regional and local government. Today, Hedeseelskabet has a number of legal entities in 13 countries.

Hedeseelskabet's business activities are organised within the group in a manner somewhat similar to a conglomerate in which the subsidiaries enjoy the benefits of shared group units and systems. Larger subsidiaries have active boards and external board members.

Business activities are rooted in a solid foundation with Hedeseelskabet as the owner, and the business units have a strategic objective aimed at boosting multi-dimensional profitability. This solid foundation enables us to carry out long-term investments within areas in which we see development potential – for the benefit of our customers, society, employees and business partners.

Today, Hedeseelskabet's commercial activities are divided into four segments: Green Service and Trade, Consultancy, Energy Plants and Forest Ownership. Through focus on innovation, new scalable business areas and services will continue to be developed that will strengthen the business in the future.



GREEN SERVICE AND TRADE

HedeDanmark a/s focuses on developing natural amenities and natural resources in Denmark and abroad. This takes place at a high professional and ethical level in relation to nature and in full collaboration with the customers.

- Outdoor Facility Services
- Landscaping and land management
- Forestry and landscape management
- Environment and recycling
- Commercial trade and planting

HD
HedeDanmark

CONSULTANCY

Orbicon A/S provides sustainable solutions within environment, nature, utility supply, building and construction that generate value for customers, business partners and society as a whole.

- Environment
- Utility supply and infrastructure
- Building and construction
- Informatics

ORBICON

ENERGY PLANTS

Xergi A/S ensures optimum exploitation of natural resources and waste for use in the development of green energy.

Enricom Sp. z.o.o. works with circular utilisation of natural gases for the benefit of the environment.

- Biogas technology and plants
- Landfill gas

xergi
ENRICOM
HEDESELSKABET

FOREST OWNERSHIP

DDH Forest concentrates on long-term development of forest and forest areas in Denmark and abroad. The forest portfolio is optimised and adapted on an ongoing basis in order to ensure creation of value and appropriate spreading of risk.

- Forests
- Planting companies
- Areas rented out for hunting

DDH Forest
HEDESELSKABET



THE ASSOCIATION AND DISSEMINATION

Hedeseelskabet's association forms a strong community of interests with dedicated members. The membership circle consists of individuals with an interest in the utilisation and protection of nature and the countryside.

Dissemination, knowledge-sharing and dialogue with the members and other stakeholders are the key focal points for the association and are realised via various digital platforms and through events for the members.

As a member, you are able to exert your influence on Hedeseelskabet's development by taking a seat on the Committee of Representatives. The Committee of Representatives is Hedeseelskabet's highest authority, and the majority of the 60 seats are directly elected by the members. The Committee of Representatives chooses the Executive Committee, which, along with Hedeseelskabet's management, determines the development of the group.

Professional dissemination, knowledge-sharing and dialogue are key focal points for the association. Via digital media and in Hedeseelskabet's periodical, *Vækst*, knowledge related to green innovation, nature management, environment and energy is disseminated between practitioners, experts, members and other stakeholders with a professional interest in these areas.

The association holds events for its members several times a year. These events focus on both professional insight into projects and unique experiences in terms of nature or culture, whilst also providing a great chance to meet other members with similar interests.

An important area of focus is the recruitment of members from educational institutions within our professional fields. An active corps of local ambassadors helps to strengthen the dialogue with existing members, as well as recruiting new members in each of the local areas.

Hedeseelskabet is responsible for the administration and awarding of a number of scholarships. These scholarships provide financial support to students within the fields of nature, environment and energy and to individuals who exhibit extraordinary endeavour within Hedeseelskabet's core areas.



HEDESELSKABET SUPPORTS: ATTRACTIVE SANCTUARY FOR CONFLICT VETERANS

Hedeselskabet works alongside Defence Command Denmark and Interforce and has huge respect for the contribution made by Danish soldiers in conflict zones.

In 2017 Hedeselskabet donated funds to be used for the construction of two shelters at the Veterans' Home in Central Jutland.

The two new shelters are designed for veterans who, on returning from serving abroad, have a need for the peace and quiet provided by sleeping out in the countryside. One of the shelters has been named after Hedeselskabet's founder, Dalgas, who was himself an officer and lieutenant-colonel.

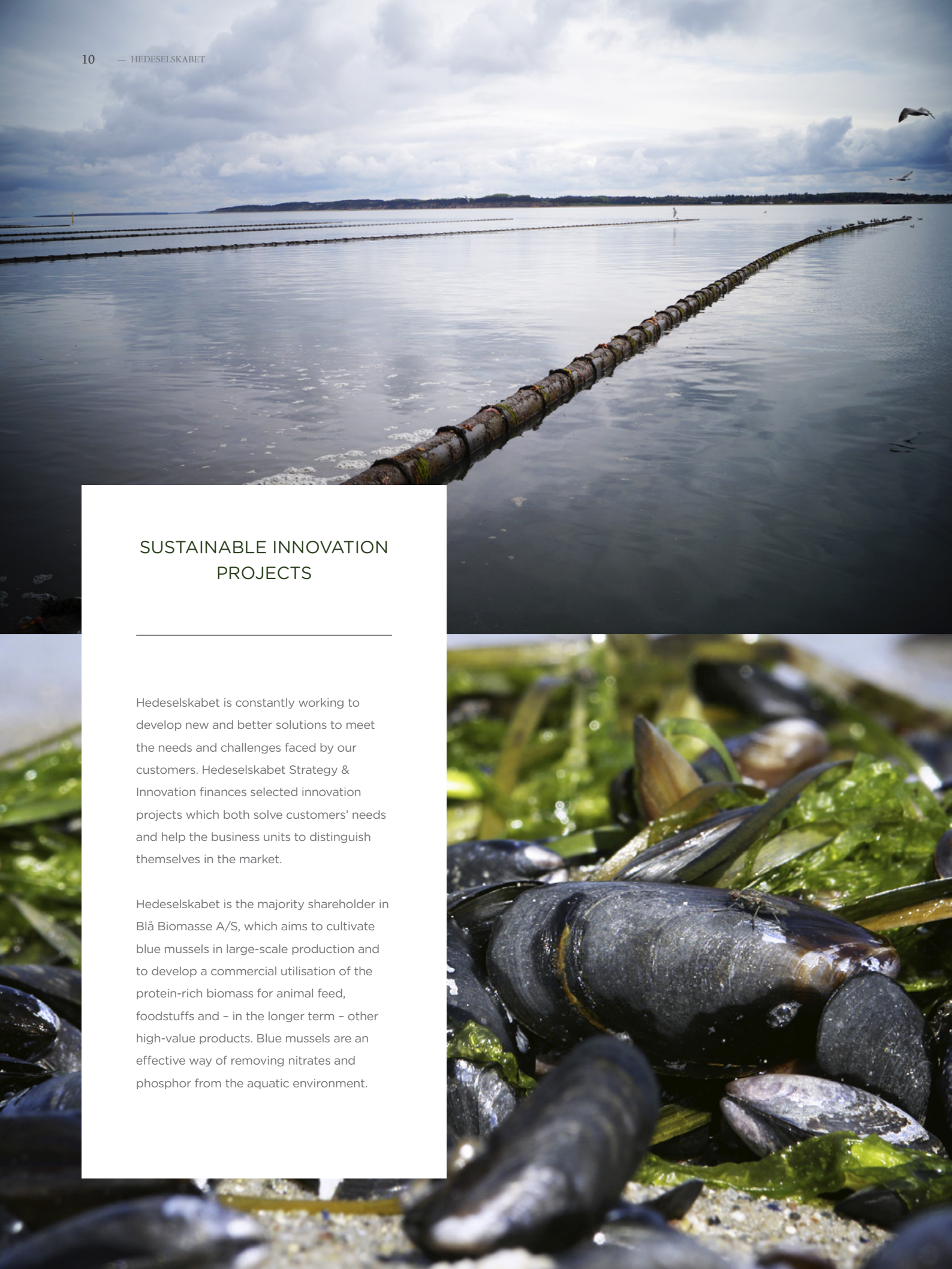
In addition to the two shelters, Hedeselskabet has donated funds to be used for planting vegetation in the area to create even more tranquillity in the extensive green area. The work itself was carried out by HedeDanmark.



SUSTAINABLE INNOVATION PROJECTS

Hedeselskabet is constantly working to develop new and better solutions to meet the needs and challenges faced by our customers. Hedeselskabet Strategy & Innovation finances selected innovation projects which both solve customers' needs and help the business units to distinguish themselves in the market.

Hedeselskabet is the majority shareholder in Blå Biomasse A/S, which aims to cultivate blue mussels in large-scale production and to develop a commercial utilisation of the protein-rich biomass for animal feed, foodstuffs and - in the longer term - other high-value products. Blue mussels are an effective way of removing nitrates and phosphor from the aquatic environment.





INNOVATION AND AWARDING OF FUNDS

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Hedeselskabet is constantly working on developing new and better solutions that meet the challenges and needs facing customers and society as a whole. This thereby assures Hedeselskabet's strategic and innovative development – both nationally and internationally.

Hedeselskabet supports innovation and digitisation in its subsidiaries by participating in long-term projects that are designed to meet customers' needs and help the business units to distinguish themselves in the market.

Different types of innovation projects are developed and tested prior to being assigned to a particular business unit. For example, Hedeselskabet has launched and invested in initiatives within bioeconomy and sustainable protein.

There is a tradition for Hedeselskabet to support and in certain cases also to carry out relevant development projects that make a difference in terms of the utilisation and protection of nature and the countryside.

We award funds both to major projects with far-reaching potential and smaller-scale initiatives rooted in local involvement.

STRATEGIC DIRECTION

The definition of the strategic direction at Hedeselskabet means that irrespective of whether focus is on business activities, the association and dissemination or innovation and awarding of funds, this work is based on the four focus areas of Growth, Innovation, Customers and Digitisation.

Growth is absolutely key to our development, regardless of whether this involves profitable growth in revenue and earnings, growth in the volume of customers or number of members, or growth in the number of projects that are supported by funds from Hedeselskabet.

Since 1866, Hedeselskabet has worked with green **Innovation**. New services, products, methods, projects and business areas must in future also create the basis for our development, both as an association and as a commercial enterprise.

Customers – and the members – are essential for our development. In terms of business activities, a sharp focus on the customer is thus crucial in order to create continuous growth. In the association, we strive every day to strengthen our dialogue with both existing and potential members.

Digitisation is to an increasing extent becoming the focal point of our everyday lives. Customers, members and business partners are persuaded to choose our products and services, rather than those of our competitors, because they are supplemented and supported by attractive digital solutions and services.



GREEN INNOVATION THROUGH DIGITISATION

Hedeselskabet aims to revolutionise the green sector and create green innovation through digitisation.

In 2017 HedeDanmark's development unit, HD GreenLab, tested everything from a website containing offers of snow-clearing for private customers to electronic measuring devices in watercourses, whilst also being honoured for the best idea for the application of robot technology by the European robot partnership, ROBOT-NET.

Both HedeDanmark and Orbicon have begun using drone technology, for instance when performing forest inspections, land surveying and most recently in the monitoring of watercourses and thereby better climate proofing.

Hedeselskabet has also supported a project in which drones are used as tools for surveying council housing.



PREFACE

We have been working with green innovation since 1866. One of the cornerstones of our work with innovation is that at Hedeselskabet we are open to new business models and ideas.

Hedeselskabet supports business development in its subsidiaries by investing in long-term and potentially risky innovation and development projects. Innovation projects are developed and tested before they are assigned to a particular business unit. For example, we are investing in initiatives related to bioeconomy and sustainable protein, which is expected to be a key element in the solution of a number of societal and environmental challenges in the future.

In HedeDanmark's development unit, HD GreenLab, 2017 has seen us trialling new business ideas and, in particular, digital innovation, including the use of electronic measuring devices in watercourses to generate data concerning water levels.

As a result of the increasing digitisation of society in general, the demand and need for knowledge is also increasing. Hedeselskabet has always been known for the acquisition and dissemination of knowledge. Today we are endeavouring to amass our knowledge digitally with focus on consumers, businesses and organisations that have interests in nature and the environment.

At Hedeselskabet, our employees are a source of knowledge and are our most important resource. The organisation embraces employees with a wide range of different backgrounds and qualifications – including landscape gardeners, constructing architects, Masters of Forestry, engineers, biologists and anthropologists. Across these many professional disciplines, our employees are united by the fact that they are committed, capable and quality-conscious.

During the summer of 2017, Hedeselskabet, Orbicon and HedeDanmark gathered together the majority of their activities and employees on Zealand in a new building in Høje-Taastrup. As part of Hedeselskabet's strategy from 2014 aimed at leasing buildings rather than owning them, the building was sold in autumn 2017 along with the domiciles in Viborg. Hedeselskabet now leases the buildings and has thereby freed up capital that can then be used to invest in the business, for development and to safeguard financial stability.

With a solvency of 58.1 %, Hedeselskabet has a solid base. In 2017, interest-bearing debt was reduced by DKK 289.7 million as a result of the strategy of leasing buildings rather than owning them, in addition to the implementation of a previously adopted strategy of significant ownership of forests, with ownership being in the vicinity of 10,000 hectares. This has helped to strengthen Hedeselskabet's financial robustness and increase economic freedom. This financial stability enables us to maintain focus on our three primary areas: Business Activities; the Association and Dissemination; and Innovation and Awarding of Funds. This means that, in addition to our economic results, we are also in a position to focus on activities that are able to make a difference to nature, the environment and society as a whole.

Hedeselskabet's long history and great experience combined with a strong brand as a supplier of green solutions, high professional quality and service mean that we have good, stable relations with our customers. Several business units have outperformed the market in general in 2017 and have seen growth in revenue.

Hedeselskabet's financial results in 2017 have not been satisfactory. In overall terms, the result for the year has been affected by major losses in a handful of areas and

the fact that Hedeselskabet's business units operate on markets that are subject to fierce competition and downward pressure on prices.

Several areas of the business involve activities subject to public procurement. No Danish local government authorities offered major projects for tender in 2017, a year in which local government elections were held. This resulted in losses in terms of resources and revenue for certain sections of Hedeselskabet's business activities. Several of Hedeselskabet's business areas are dependent on the weather. The wettest autumn for several decades presented major challenges and had a negative impact on profits.

The result at Orbicon has been affected by high-risk projects that have not enjoyed successful outcomes and have in some cases resulted in considerable losses. With a view to developing Orbicon's position in the market through greater customer focus, specialisation in projects and further digitisation, new management was appointed in autumn 2017.

Energy plant activities, both national and international, have been affected by delays or a lack of clear framework conditions within renewable energy.

Tough price competition has had an impact on the result in HedeDanmark. Furthermore, the heavy rainfall has made a number of outdoor activities more difficult. Innovative products and concepts have, however, led to HedeDanmark experiencing an increase in activities and customer intake in 2017. Within forest management, HedeDanmark has enjoyed a steady rise in management and consultancy agreements.

At DDH Forest, results have seen positive development in 2017. The planned sale of forest in Skov-Sam exceeded expectations, and Hedeselskabet has earned profits on the sale.

2018 will see Hedeselskabet's business activities increasing focus on consolidation and growth in profits,

underpinned by sharper customer focus, digital services and risk management.

2017 has seen solid development and good results in the Association and Dissemination, as well as in Innovation and Awarding of Funds, such that Hedeselskabet now occupies a particularly strong position in these two areas.

The association has seen an influx of members, whilst there has also been increasing interest in member events. In future, we will continue to have focus on network-generating activities and on developing dissemination, knowledge-sharing and dialogue with - and between - the members.

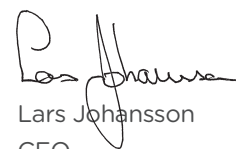
Hedeselskabet has a unique opportunity to develop both its own business activities and the society of which we are a part. Via scholarships and the awarding of funds, we help to make a difference to nature, environment and society in general - both locally and nationally.

Hedeselskabet's customers and business partners can rest assured that we handle their data in a secure manner. During 2017 Hedeselskabet has carried out comprehensive preparatory work and is thus ready for implementation prior to May 2018, when the EU General Data Protection Regulation becomes effective.

Our customer service, integration with customer solutions and customer applications will also be further enhanced when new digital solutions, including ERP (Enterprise Resource Planning) and BI (Business Intelligence), have been fully implemented.



Frants Bernstorff-Gyldensteen
Chairman of the Executive
Committee



Lars Johansson
CEO





MANAGEMENT'S
REPORT

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2017

MANAGEMENT'S REPORT

HEDESELSKABET

Hedeselskabet is an association with the status of a business foundation that owns and operates a number of subsidiaries. Hedeselskabet's activities are distributed between Business Activities, the Association and Dissemination, in addition to Innovation and Awarding of Funds. Common to all of these areas is that they are based on the utilisation and protection of nature and the countryside.

BUSINESS ACTIVITIES

Hedeselskabet's financial result in 2017 has been obtained through the group's overall business activities within the segments of Green Service and Trade, Consultancy, Energy Plants and Forest Ownership. Several business units have achieved growth in revenue in 2017, whilst major losses in a few areas have had a negative impact on results. These factors are reviewed under each segment in the following.

In 2017, Hedeselskabet's strategy from 2014 focusing on renting or leasing rather than owning buildings was brought into effect when the new domicile in Høje-Taastrup and Hedeselskabet's head office in Viborg were sold to PensionDanmark. The property belonging to HD2412, HedeDanmark's business unit for forestry equipment in Viborg, was sold to a local investor in 2017. By leasing or renting rather than owning, Hedeselskabet has freed up capital that can be used actively to develop Hedeselskabet and its subsidiaries and increase the enterprise's financial robustness.

As expected, the implementation of ERP (Enterprise Resource Planning) and BI (Business Intelligence) has led to improved customer solutions and service.

GREEN SERVICE AND TRADE



Hedeselskabet's Green Service and Trade come under the auspices of HedeDanmark a/s.

In spite of fierce competition in the market, pressure on prices and the disproportionate amount of precipitation during the year, HedeDanmark has managed to maintain revenue on a par with 2016. Earnings, on the other hand, could not match those of the previous year.

HedeDanmark's development unit, HD GreenLab, has developed innovative business areas and solutions in 2017. HD GreenLab has tested new business ideas, including a digital offer of snow-clearing for private customers and electronic measuring devices in watercourses.

The innovative products and concepts within sectors such as environment and recycling have contributed to HedeDanmark experiencing increases in levels of activity and customer intake in 2017.

Our customers receive innovative and customised solutions for the care and maintenance of green areas through HedeDanmark's business area of Outdoor Facility Service. Both Outdoor Facility Service and HedeDanmark's landscaping business have been negatively affected by unusual weather conditions, price competition and by local government elections in Denmark, which meant that municipal authorities were reluctant to offer major projects for tender.

HedeDanmark's landscaping business has been – and continues to be – in a transitional phase. Increased sales efforts and bidding, in addition to strong project management, are key areas in endeavours to improve both revenue and earnings.

In 2017 new management was put in place at Skælskør Anlægsgartnere and the firm was rebranded. The landscaping business has activities on the islands of Zealand and Funen and in Jutland.

The market for landscaping and care tasks in Southern Sweden continues to be characterised by fierce competition from major nationwide operators that want to strengthen local presence. HedeDanmark cut back on landscaping activities in Sweden in 2017 and has chosen to focus on care and maintenance. Following growth in 2017 that included a major municipal care contract, new management was put in place that featured excellent skills in care and maintenance.

The results of HedeDanmark's activities in Abu Dhabi have continued to have a negative impact on earnings. Execution of the strategic decision to scale down the business is running according to plan.

HedeDanmark's activities within forest management in 2017 have continued to see a good intake of management and consultancy agreements.

The positive development within forest management is also the result of many years' focus and prioritisation of the purchase and sale of woodchips and timber, helped by higher demand for woodchips.

At the nursery at Brøndlundgård, the controlled winding up of the business has progressed more quickly than expected, which has led to greater expenses in the short term, but better earnings in the long term. The decision to phase out HedeDanmark's nursery means that from summer 2018 HedeDanmark will no longer produce plants for forest, hedges and shelterbelts or plants for gardens and parks.

In autumn 2017, HedeDanmark sold its real estate business, Silva Estate, and switched focus to its core business in green service activities.

The market for Christmas trees and cut greenery was also characterised by an excess of supply volumes

amongst suppliers in 2017, price pressures and a trend whereby major retail chains choose to bypass suppliers and do business directly with the producers. HedeDanmark's own production of Christmas trees was negatively affected by this excess supply, as well as damage to trees caused by the high levels of precipitation in 2017. With the aim of reducing vulnerability in a market that is under pressure, as well as boosting sales performance in Denmark and internationally, the area was restructured following the end of the financial year.

CONSULTANCY



Hedeselskabet's Consultancy services within environment, building and construction, utility supply, infrastructure and informatics are the responsibility of Orbicon A/S.

In 2017, Orbicon realised revenue and earnings below the respective levels in 2016. This development has been negatively affected by major losses on a handful of projects, as well as a fall in the volume of orders.

Within building and construction, the result has been affected by fierce price competition and greater complexity in projects. 2017 has been affected by risky projects that have not developed as planned. In order to boost project management and ensure better customer focus in the projects, the building and construction division was restructured at the end of the year. Teams affiliated with the most important market segments must ensure a greater degree of customer orientation in the future, whilst management and development of digital building and construction, in which digital tools and methods are used, have been bolstered.

The market for utility supply and infrastructure has been negatively affected by a lack of clarity concerning financing rules between municipal authorities and utility supply companies. This has led to a tendency towards stop-and-go on central government projects and a shortfall in municipal investment. In spite of this, Orbicon has experienced positive developments within



ENERGY PLANTS

climate adaptation and alleviation of the effects of torrential rain, in addition to strengthening its position as one of the leading consultants within these areas. Climate adaptation and alleviation of the effects of torrential rain are also market areas that Orbicon has opened up in Sweden in 2017.

2017 has seen Orbicon retain its position as one of the leading environmental consultants in Denmark, and it enjoys a notable market share within this segment.

In order to continue to be able to deliver services at a high technical and professional level, Orbicon has invested in digitisation of business and production processes. These efforts have improved existing customer-related digital solutions and services, in addition to contributing to the development of new initiatives.

Orbicon's specialised skills within building and construction, utility supply and facilities in the North Atlantic climate saw the company expand its Arctic presence with the establishment of an office in Iceland in 2017. Orbicon's office in Iceland is designed to help promote growth in the Arctic in the years ahead.

Gathering together the majority of employees on the island of Zealand in the new, sustainable domicile in Høje-Taastrup in the summer of 2017 has generated new synergy. In autumn 2017, Per Christensen took up the post of new CEO at Orbicon. Along with a new CFO, a new COO and the rest of the group of directors, he is charged with developing Orbicon's position in the market through greater customer focus and specialisation in projects, as well as further digitisation of the enterprise.

Hedeselskabet's activities within energy plants come under the auspices of Xergi A/S, which erects turnkey biogas plants, and Enricom Sp. z o.o., which is responsible for the recovery of gas from landfill sites in Poland.

In 2017, Xergi realised greater revenue and earnings in relation to 2016. The development in earnings, however, was affected by delayed projects due to problems securing permits from the authorities, funding or challenges securing deliveries of biomass, as a result of which order intake came later than expected. Professional expertise, solid experience and several years of product development work were among the arguments that helped secure Xergi's biggest order to date for a turnkey biogas plant in June 2017. This plant is designed to supply Arla Foods' production of milk powder with green energy in the form of biogas. Xergi also won an order to deliver a major test plant for research into biogas in France.

In autumn 2017, Xergi completed installation and commissioning of a large biogas plant in Northern Ireland and has continued to develop its market activities internationally. The plant in Northern Ireland is based on several years of technological development that is expected to make a significant contribution to the company's strategic development and business opportunities in the future.

Activities involving gas recovery from Polish landfill sites at Enricom were affected in 2017 by continued low prices on renewable energy and deferred political decisions, leading to a negative result. Enricom has realised revenue and earnings that have exceeded 2016 levels, however. Enricom has implemented initiatives that have stabilised gas production, as well as carrying out cost reductions and adjustments to its business activities in 2017.

FOREST OWNERSHIP



Hedeselskabet's Forest Ownership has been amassed under DDH Forest. The unit consists of forest properties in Denmark, the Baltic and France, in addition to a number of plantation companies in Denmark.

Stable forest management and price development, in addition to profits made on the sale of forests, have contributed to DDH Forest realising revenue and earnings that considerably outstrip those from the previous year.

2017 has seen a positive development in forest management activities without significant external challenges such as storm damage. The implementation of a previously adopted strategy of being a major forest owner with ownership approaching 10,000 hectares of forest has been one of the reasons why Hedeselskabet's financial situation today is markedly improved. The planned sale of forests in Skovselskabet Skov-Sam Holding, which is partly owned by Hedeselskabet, has exceeded sales in 2016. Profits realised on the sale of forests have made a positive contribution to the bottom line.

There has been an increase in market prices for timber, which has led to a better result than expected. The market and the prices for woodchips have been on a par with those in 2016. In terms of volume, the amount of wood felled has been as expected, but continues to be less than the level of growth. In relation to 2016, the level of cutting has been lower due to a smaller forest area. The costs of operation and care of the forests have remained stable.

Renting out of areas for hunting and renting out houses in the forests have remained stable and continue to provide a significant source of income.

In collaboration with VandCenter Syd, DDH Forest has purchased farmland near Brylle on the island of Funen with a view to afforestation and protection of the groundwater. In spring 2017 the first stage of Brylle

Vandskov was opened. It is the first time that a private operator and a water company have worked together on an afforestation project of this size. Investment in the forest helps to optimise Hedeselskabet's overall forest ownership, whilst at the same time the unique partnership with a water company opens up a new business model for DDH Forest. The project also exploits a wide range of competencies in Hedeselskabet's business areas, with Orbicon responsible for the distribution of land and HedeDanmark looking after afforestation.

ASSOCIATION AND DISSEMINATION

Hedeselskabet's association has seen an increase in the number of members, thus taking total membership up to more than 2,700 individuals. The influx of new members can be attributed to the efforts of the association's ambassadors, the member events and greater focus on dialogue and knowledge-sharing with the members through the in-house periodical, Vækst, and via digital media.

The association was further digitised during 2017. A new system makes it easier to become a member of the association and obtain a member profile offering access to all the articles from the in-house periodical, Vækst. In addition, social media have to an increasing extent been used in communication with the members.

There has been a steady increase in the number of people following Hedeselskabet's official Facebook page.

During the course of 2017 Hedeselskabet has strengthened its corps of local ambassadors. The ambassadors have been actively involved in the recruitment of members and have contributed to strengthening dialogue with both existing and potential members.

The year has also seen 12 member events being held. The number attending these events is on the rise, and

work is ongoing with regard to meeting this increasing demand. Hedeselskabet has also participated in several external events aimed at increasing interest in and awareness of Hedeselskabet and the association.

INNOVATION AND AWARDING OF FUNDS

It is Hedeselskabet's intention to use a percentage of its profits on long-term innovation and awarding of funds.

Hedeselskabet supports business development in its subsidiaries by investing in long-term and slightly higher risk innovation and development projects, in addition to which work is carried out with projects in which knowledge and research rather than commercial profit are the primary goals. An example of this is the development project concerning bioeconomy and sustainable protein, Blå Biomasse. The initiative was further commercialised in 2017, when Blå Biomasse received a grant from GUDP - Green Development and Demonstration Programme - in order to investigate the possibility of establishing production and processing mussels into fishmeal.

Hedeselskabet also awards funds to a number of projects every year. For a number of years now, Hedeselskabet has supported the establishment of mini-wetland areas that reduce the discharge of nitrates and phosphorus from farmland in a flexible and cost-effective way that does not harm the environment.

Furthermore, Hedeselskabet has also supported the establishment of the energy gardens at the Energy Museum at the lake of Tange Sø. The energy gardens will make future generations aware of the possibilities for generating green energy.

Hedeselskabet's members are committed to the development of the society of which they are a part. This commitment was supported by Hedeselskabet in 2017 with the awarding of funds from the member's pool. Five separate donations of DKK 25,000 were awarded to relevant projects put forward by the members.

In order to mark its 150th anniversary in 2016, Hedeselskabet set up an anniversary scholarship within the disciplines of nature, environment and energy. The anniversary scholarship is awarded each year to students in connection with relevant study trips. In 2017 five students received the anniversary scholarship.

Events taking place subsequent to the end of the financial year

No events have taken place after the balance sheet date that have material significance in terms of the assessment of the annual report.



FINANCIAL HIGHLIGHTS FOR THE GROUP

Key figures

	2017 million EUR	2017 DKK million	2016 DKK million	2015 DKK million
Revenue	291.3	2,166.6	2,212.2	2,056.6
- of which international revenue	16%	16 %	15 %	14 %
Profit/loss from ordinary activities (EBIT)	2.1	15.9	33.8	57.6
Profit/loss from equity investments after tax	2.7	19.8	8.6	14.0
Net financials	-5.0 ¹	-37.4 ¹	-18.8 ²	-5.4
Profit/loss before tax (EBT)	-0.2	-1.7	23.6	66.2
Tax on profit/loss for the year	0.0	-0.3	-12.5	-14.5
Profit/loss for the financial year	-0.3	-2.0	11.1	51.7
Fixed assets	113.4	844.3	1,095.9	1,036.3
Current assets	98.7	734.9	683.2	623.9
Total assets	212.1	1,579.2	1,779.1	1,660.2
Contributed capital	6.7	50.0	50.0	50.0
Equity capital	123.3	918.1	900.9	906.2
Provisions	7.2	53.8	46.9	43.3
Long-term debt	16.0	119.3	298.7	228.2
Short-term debt	65.6	488.0	532.6	482.5
Total equity and liabilities	212.1	1,579.2	1,779.1	1,660.2
Cash flow from operating activities	1.1	8.4	9.4	101.9
Net cash flow for investing activities	38.1	283.3	-117.5	-93.2
- of which for investments in property, plant and equipment	34.4	255.6	-104.3	-51.4
Cash flow from/for financing	-24.8	-184.6	59.3	32.8
Total cash flow	14.4	107.1	-48.8	41.5
Key ratios (For definitions, please refer to Accounting Policies)				
EBT margin	-0.1	-0.1	1.1	3.2
Return on working capital	1.8	1.8	2.7	4.3
Solvency ratio	58.1	58.1	50.6	54.6
Return on equity	-0.2	-0.2	1.2	5.9
Changes in equity				
Equity at beginning of the year	121.0	900.9	906.2	852.0
Retained earnings	-0.3	-2.0	9.7	50.3
Foreign exchange adjustments of foreign subsidiaries	0.9	6.5	-4.3	0.1
Fair value adjustments of hedging instruments	1.4	10.7	-11.8	3.9
Other adjustments	0.3	2.0	1.1	-0.1
Equity at end of the year	123.3	918.1	900.9	906.2
Employees				
Average number of employees	1,452	1,452	1,426	1,333

¹ Includes write-down of financial assets of DKK 29.9 million.

² Includes write-down of financial assets of DKK 14.7 million.

FINANCIAL REPORT

Revenue in DKK million

2,166.6 ▼ (-2 %)

Earnings from ordinary activities before tax in DKK million

-1.7 ▼(-107 %)

HEDESELSKABET, GROUP	2017	2016
Revenue in DKK million	2,166.6	2,212.2
- of which international revenue	16 %	15 %
Profit/loss before tax (EBT) in DKK mill.	-1.7	23.6
Equity in DKK million	918.1	900.9
Solvency ratio in %	58.1	50.6
Number of employees	1,452	1,426

Result for 2017

Revenue in 2017 amounted to DKK 2,166.6 million, which is a fall of 2.1 % compared to 2016.

Operating income has fallen in relation to expected levels due to lower earnings and major losses on a handful of projects. Consultancy – building and construction consultancy in particular – has been characterised by high-risk projects that have resulted in losses. The development in landscaping and the market for Christmas trees have, along with fierce price competition in Outdoor Facility Services in Sweden, also contributed to falling earnings.

Positive developments in other business areas, including Outdoor Facility Services in Denmark and forest activities, have been unable to compensate for the fall in operating income. Similarly, several standardisation and efficiency initiatives concerning servicing and delivery of services to customers and administrative processes have not been able to make up for the shortfall.

In 2017 the company has executed a strategy from 2014 concerning leasing rather than owning buildings. The head office in Viborg and the domicile in Høje-Taastrup were both sold to PensionDanmark in 2017 with a 10-year irrevocable

lease contract. In addition, the company has sold the property belonging to HD2412 to a local investor in Viborg, also with a 10-year irrevocable lease contract. These transactions have reduced the balance sum by almost DKK 300 million and resulted in accounting profits of DKK 52 million.

At DDH Forest, results have seen a positive development. The planned sale of forests in Skov-Sam has resulted in profit that has had an impact of DKK 20 million. Value adjustment of forests, which according to the accounting policies are entered at fair value, amounts to DKK 25 million. Pursuant to accounting legislation, value regulation of forests is incorporated into the company's income statement.

Equity interests in Xergi are incorporated as associated companies in accordance with accounting policies and do not therefore affect group revenue. The result for associated companies includes the share of profit/loss on equity interests in Xergi A/S, SkovSam and Emirates Landscape L.L.C.

Amortisation of goodwill of DKK 12 million is at the same level as previous years and is deducted from profit/loss on ordinary activities in line with hitherto practice.

Net financing costs are affected by the low rate of interest on the group's interest-bearing debt and by the fact that the group has paid off its long-term debt in connection with the sale of domiciles.

Hedeselskabet Strategy & Innovation contributes to ensuring Hedeselskabet's long-term strategic and innovative development by turning ideas into profitable business in collaboration with its business units. Hedeselskabet has spent DKK 3.0 million on Hedeselskabet Strategy & Innovation in 2017, which is on a par with the level in 2016. This amount has been deducted from the operating income.

Earnings before tax for the group are DKK -1.7 million, which is unsatisfactory.

The net result for 2017 has been affected by write-downs and provisions to cover losses on debts with Emirates Landscape and guarantees that have been issued. The year's profit/loss before tax is thus negatively affected by write-downs and provisions of DKK 29.9 million.

Segments in the group

GREEN SERVICE AND TRADE, HEDEDANMARK	2017	2016
Revenue in DKK million	1,681.9	1,683.8
- of which international revenue	17 %	16 %
Profit/loss before tax (EBT) in DKK mill.	3.6	41.0
Equity in DKK million	264.0	282.7
Solvency ratio in %	37.1	42.7
Number of employees	813	785

HedeDanmark realised a profit before tax of DKK 3.6 million in 2017, which falls short of the result in 2016. 2017 saw a fall in revenue of 0.1 percent. The subsidiary has carried DKK 29.9 million to debit for write-downs and provisions to meet losses on debts with the associated company in Abu Dhabi and guarantees issued. Tough market competition, price pressure and heavy precipitation have all had an influence on operating income. Successful implementation and commissioning of a new ERP system and new digital solutions have consumed resources, which has also had an impact on the result for the year.

CONSULTANCY, ORBICON	2017	2016
Revenue in DKK million	486.8	524.5
- of which international revenue	9 %	9 %
Profit/loss before tax (EBT) in DKK mill.	-65.4	1.3
Equity in DKK million	43.8	59.1
Solvency ratio in %	20.2	24.3
Number of employees	586	579

Orbicon realised a loss before tax of DKK -65.4 million in 2017, which is below both last year's result and expectations for the year. In 2017 Orbicon returned a fall in revenue of 6.8 percent. The challenging result can be attributed to the building and construction division, which has been affected by price competition, greater complexity in projects and a number of risky projects that have not developed as planned. New management at Orbicon has been put in place during the course of the year. Furthermore, the building division's project and tender intake have been reorganised and new management systems implemented.

ENERGY PLANTS, XERGI (100%)	2017	2016
Revenue in DKK million	196.9	181.8
Profit/loss before tax (EBT) in DKK mill.	1.7	-3.6
Equity in DKK million	69.1	68.0
Solvency ratio in %	40.8	39.6
Number of employees	76	83

ENERGY PLANTS, ENRICOM SP. Z O.O.	2017	2016
Revenue in DKK million	7.8	7.3
Profit/loss before tax (EBT) in DKK mill.	-3.7	-6.2
Equity in DKK million	27.5	29.6
Solvency ratio in %	59.2	60.5
Number of employees	15	15

Xergi has felt the effects of deferred projects in 2017. Xergi realised revenue of DKK 196.9 in 2017, against DKK 181.8 million in 2016 and a profit before tax of DKK 1.7 million, against a loss of DKK 3.6 million in 2016. Hedeselskabet owns 50 % of Xergi, with the remaining 50 % belonging to A/S Schouw & Co. Enricom Sp. z o.o. has suffered from delays to the Polish government's introduction of new legislation concerning renewable energy, which has had a negative effect on prices and is the primary reason behind the unsatisfactory result for Enricom Sp. z o.o.

FOREST OWNERSHIP, DDH FOREST	2017	2016
Revenue in DKK million	20.2	17.9
- of which international revenue	13 %	12 %
Profit/loss before tax (EBT) in DKK mill.	42.1	15.9
- of which minority share	-2.9	-0.4

1,400 hectares of forest have been sold during the year, whilst 140 hectares have been acquired. Sales have primarily come about via the associated companies of Skov-Sam, of which Hedeselskabet is a co-owner. Hedeselskabet's share of profits from the sale of forests amounts to DKK 19.8 million, against DKK 7.6 million in 2016. In addition, value adjustments of forests have also been carried out, of which Hedeselskabet's share amounts to DKK 21.6 million. Forests are entered into the accounts at fair value. Adjustment is carried out on the basis of requirements in this regard, cf. accounting legislation. The volume of cutting during the year was lower than the level of growth.

Balance Sheet 2017, Group

Assets

Net investments in DKK million

-283.3

The balance sum has been reduced in relation to last year. The sale of domiciles and repayment of related long-term loans have reduced the balance sum in 2017. No acquisition of companies has taken place during the year. During the course of the year, Hedeselskabet has injected DKK 45 million of capital into the subsidiary Orbicon and DKK 3.8 million into the subsidiary Blå Biomasse.

In 2015 Hedeselskabet began the construction of a new domicile property in Høje-Taastrup with Orbicon as primary tenant. The building was finished on time and was in use in June 2017. In September 2017 the domicile was sold as planned to PensionDanmark along with the company's head office in Viborg. 10-year irrevocable lease contracts were then signed on both properties.

The group is, and will continue to be, a significant forest owner that owns forest in Denmark, France and the Baltic. The group has retained a prudent approach to the valuation of its forests.

Equity

The group's equity stood at DKK 918.1 million as at the end of 2017. The equity was affected by DKK -2.0 million as a consequence of the fall in operating income.

Equity in DKK million

918.1 ▲ (2 %)

Solvency in percent

58.1 ▲ (8 %)

At the close of 2017, the solvency ratio was 58.1 percent, as opposed to 50.6 percent the previous year. By the end of 2017, the value of the company's forests and forest investments made up 1/2 of the equity, against 2/3 of the equity in previous year. During the course of the year, total funds of DKK 1.6 have been awarded to projects reflecting the association's objects clause, distributed as follows:

FUNDS AWARDED	2017
The Queen's reformation oak at Nytorv	18,750
Shelters for veterans' home, Central Jutland	111,250
Compensation breeding of blue mussels	148,000
Danish Forest Association - knowledge and experience	100,000
Calculation conditions regarding water table	100,000
Digital guide to plant clones	150,000
Experience and activity park, Vejerslev	45,000
Agro Business Park Innovation competition	25,000
Re-establishment of moat at Gl. Estrup	96,000
Dissemination lounge, Asmildkloster Agricultural College	181,250
Nature house, Gjern Bakker	125,000
Natural history from lake and stream	25,000
Gardens to stomachs	200,000
Members' pool 2017	125,000
Anniversary scholarships	100,000
Total	1,550,250

Liabilities

Net interest-bearing debt in DKK million

172.2 ▼ (-63 %)

As of the end of 2017, the group's interest-bearing debt had fallen by DKK 289.7 million to stand at DKK 172.2 million, which can primarily be attributed to the sale of domicile buildings and forests. In accordance with the financial strategy, the group's financing structure is predominantly based on credits with a loan period of more than 1 year. 69 % of the interest-bearing debt is long-term debt, of which 46 % falls due more than 5 years after the balance sheet date. Fixed rate loans make up 100 % of the long-term debt as at the end of 2017, against 84 % at the end of 2016. This development is primarily due to continued strong cash flow in the group despite unsatisfactory operating results.

It is estimated that a change in the market interest rate of 1 % would have an effect on overall financing costs of less than DKK 1 million.

Cash flow statement

Free cash flow in DKK million

8.4 ▼ (-11 %)

The year's cash flow from ordinary activities amounts to DKK 8.4 million. The subsidiary Orbicon has experienced increasing pressure on its working capital during the year due to a change in behaviour amongst its customers. The overall change in working capital is affected by payments from customers that were received immediately after the end of the year. The year's total cash flow is affected by proceeds from the sale of domicile buildings and dividends received from Skov-Sam. The year's total cash flow amounts to DKK 107.1 million.

EXPECTATIONS

BUSINESS ACTIVITIES

Hedeselskabet has a goal of consolidation and growth in earnings underpinned by enhanced customer focus, digital services and risk management. In future, Hedeselskabet will concentrate on fewer low-margin business areas with a high-risk profile and instead invest to a greater extent in up-to-date skills and automation within both new and existing business models for the benefit of the customers.

For the business segment of green service and trade, 2018 will see a focus on boosting profitability in general and in each of the business units. With an adjustment of HedeDanmark's strategy for the period 2018-2020, there will be a focus during the year ahead on optimising and enhancing customer experiences. The focal point will be to further sharpen business and customer focus in order to be able to offer customers competitive products and services.

With regard to consultancy, the main focus for Orbicon in 2018 will be on the core business and on maintaining and developing services within special skills for the benefit of the customers. In order to offer customers new solutions and to boost efficiency, Orbicon will invest in several initiatives within digitisation. In terms of financial results, Orbicon expects that 2018 will be a transitional year that paves the way for profitability and growth in subsequent years.

In the energy area, Xergi expects that the delayed projects from 2017 will be contracted in 2018, which will lead to greater levels of activity. A new Polish subsidy scheme for renewable energy production has been approved and is in accordance with EU's state aid rules. For Enricom, 2018 is therefore expected to bring a clarification of what is possible in terms of support for degasification of landfill sites in Poland.

When ERP (Enterprise Resource Planning) is further deployed and implemented in 2018, the systems will lead to enhanced customer service and optimised customer solutions.

ASSOCIATION AND DISSEMINATION

In 2018, Hedeselskabet's association will continue to build on the solid foundation for knowledge-sharing and network creation that has characterised previous years. During the coming period, there will continue to be focus on strengthening dialogue with educational institutions. With a view to sharing knowledge, creating more extensive networks and increasing knowledge of Hedeselskabet and the association, digital initiatives will be further developed and strengthened.

INNOVATION AND AWARDING OF FUNDS

Hedeselskabet will continue to use a percentage of profits after tax for dissemination and funds awarded to projects, in addition to innovation projects within the fields of bioeconomy and sustainable protein.

During the next year, Hedeselskabet will continue to contribute to projects that make a difference within the scope of Hedeselskabet's objects clause.

FINANCIAL EXPECTATIONS

In the light of the unsatisfactory result for 2017, it is expected that re-establishment will be ongoing in 2018. Normal operation is expected in 2019. Hedeselskabet expects operating income before depreciation to be around DKK 40-50 million in 2018.



AQUATIC FOREST PROTECTS THE GROUNDWATER

In spring 2017, Hedeselskabet opened the aquatic forest at Brylle Vandskov on the island of Funen. It was the first time that a private operator and a water company had collaborated on a project aimed at planting forest and protecting the groundwater.

Orbicon carried out the distribution of land, whilst HedeDanmark was responsible for afforestation. Hedeselskabet owns and operates the forest as production forest with public access as in private forests. The forest is operated without the use of pesticides.

The aquatic forest has been planted in an area with a groundwater reservoir. This means that the area is protected against use for residential development, industry or farming, which all carry with them the risk of pollution of the groundwater.



CORPORATE SOCIAL RESPONSIBILITY

Responsibility and sustainability are natural elements within Hedeselskabet's business activities. Hedeselskabet operates on a daily basis at a high professional, ethical and profitable level with respect to natural amenities and natural resources in Denmark and abroad.

Hedeselskabet and its subsidiaries have an approach to CSR (Corporate Social Responsibility) based on an ambition to exploit the core competencies in the group to promote responsible, sustainable development.

Hedeselskabet regards sustainable development as development that meets current needs without putting the ability of future generations to fulfil their needs at risk. This corresponds to the Brundtland Commission's definition of sustainable development.

Hedeselskabet wishes to appear credible and responsible with respect to customers, employees and business partners. Hedeselskabet will comply with applicable legislation, rules, conventions and relevant recommendations from international organisations at all times. Hedeselskabet expects that each and every subsidiary, business unit and employee will contribute to observing the group's principles through responsible behaviour and actions.

CSR POLICY

Hedeselskabet's work with respect to corporate social responsibility is based on UN Global Compact's principles, which are organised into four key areas:

- Environment and climate
- Employee rights and human rights
- Responsible supplier management
- Anti-corruption

At Hedeselskabet, CSR is a concept that is reflected in daily routines – both through business activities in the group, but also through work as an association and business foundation.

Hedeselskabet's CSR policy was most recently reviewed and updated by the Executive Committee in 2017 in connection with the follow-up to the strategic direction.

The adopted CSR policies are implemented and employed at Hedeselskabet and its subsidiaries on an ongoing basis through a number of concrete actions. Continuous follow-up, development and adjustment of the policies and actions initiated take place wherever and whenever necessary.

Environment and climate

Respect for natural amenities and natural resources are fundamental elements in Hedeselskabet's core values and objects clause. This respect must be adopted by all employees in internal processes, as well as in external customer relations. At Hedeselskabet, environmental CSR initiatives are thus incorporated into business activities and form an integrated part of job descriptions, planning, project performance, quality assurance and follow-up.



Hedeselskabet regards sustainable development as development that meets current needs without putting the ability of future generations to fulfil their needs at risk.”

Hedeselskabet's forests in Denmark are subject to PEFC certification. The certification means that Hedeselskabet undertakes to manage its forests in line with the criteria and guidelines that are applicable to sustainable forest management based on economic, ecological and social conditions. The forests are open to the public and contribute to natural attractions in local areas.

Previous years' focus on the reduction of impact on the environment and climate in Hedeselskabet's activities has continued and is supported on an ongoing basis by new and digitised processes. During the course of the year, efforts have included a reduction in transport needs by further optimising transport planning. At the same time, there has been a focus on reducing energy consumption at the enterprise's premises – both owned and leased – which has helped to reduce energy consumption

New methods and technologies leading to solutions of customer tasks and internal working processes that aim to further minimise impact on the climate and the environment are tested and implemented on an ongoing basis. This work includes the testing of methods to replace fossil fuels, in addition to methods and processes that absorb nitrogen emissions.

Both internally and externally, Hedeselskabet's business activities are involved in different ways in reducing the impact on the environment and climate, in addition to which customers and suppliers are helped to fulfil their responsibilities with respect to the environment and the climate in a careful and respectful manner, including:

- Hedeselskabet's business units are contributing to the replacement of fossil fuels – including a role as Denmark's leading supplier of woodchips for bioenergy – by recovering gas from landfill sites in Poland and by constructing biogas plants that use various waste products and by-products for the production of electricity and heat.
- A project has been carried out with the cultivation of mussels that removes nutrients from the sea, thereby improving the aquatic environment.
- Waste products are recycled in different ways – waste with fertiliser value for farming is utilised on the basis of a recirculation concept. The same approach is exploited in a development project in which ash from the burning of woodchips is spread in the forest, where it acts as fertiliser for the trees.
- Hedeselskabet's subsidiaries offer a number of different services with regard to planning and performance of climate adaptation. These include local drainage of rainwater, which involves both drainage and treatment of water. These efforts are designed to combat the effects of climate change.
- Planting and forest management that contribute to protection of the groundwater and binding atmospheric CO₂ in plant matter. Hedeselskabet is a significant forest owner in Denmark.
- Sustainability and energy optimisation are incorporated into consultancy services.
- Development of mini-wetlands that clean drainage water from fields and contribute to a reduction in the pollution of the aquatic environment.

CORPORATE SOCIAL RESPONSIBILITY

- Optimisation of transport, transport of employees and freight of goods.
- Lower energy consumption is a factor that is considered when choosing machinery, the vehicle fleet, sources of light, water and heat, office equipment, etc.

In Hedeselskabet's opinion, the initiatives implemented and actions and follow-up work carried out in 2017 have made a positive contribution to reducing the effect of climate change and environmental impact for the benefit of nature and the environment. Work involving the reduction of impact on the environment and climate will continue in 2018.

Employee rights and human rights

In relation to employee rights, the employees at Hedeselskabet and its subsidiaries shall have the freedom to organise themselves in unions and the right to collective bargaining in accordance with applicable legislation. Qualifications and skills are crucial parameters for employment and promotion at all times. Hedeselskabet does not compromise with respect to the working environment when performing tasks, and applicable regulations for the working environment, including prevention and reporting of industrial accidents, are observed at all times. Discrimination of any type is not acceptable.

With respect to the fact that the group has activities in many countries with different cultures and working

conditions, internationally recognised human rights are integrated into the employment policies of the enterprise. These policies cover the working environment, job satisfaction and diversity, and support the right to non-discrimination and the right to a healthy and non-harmful working life.

Actions and follow-up on employee rights and human rights take place in connection with employment interviews and through regular dialogue with the employees.

Hedeselskabet's subsidiaries have drawn up employee policies and codes of conduct that embrace job satisfaction, absenteeism, certification and employee rights. Follow-up and adaptation of these policies based on the group's overall policies are carried out on an ongoing basis.

At Hedeselskabet and its subsidiaries, trainees and apprentices undergo training, whilst collaboration is established in terms of company internship programmes within the enterprises' professional fields and administrative functions. Work continues on an ongoing basis to plan and organise the performance of tasks such that the welfare of the employees is as far as possible taken into consideration, including those employees that are not fully able-bodied – either permanently or temporarily.



In certain areas of the group, the average rate of absenteeism due to illness has been higher than at comparable companies, which is a particular area of focus for the management and in the affected areas of the business. In 2017 a number of action plans have continued to be implemented aimed at minimising absenteeism due to illness.

These action plans include interviews related to sickness absence and a procedure by which the employee can return to work. Clarification and preventive actions in which both employees and businesses are involved will continue in 2018. It is expected that such efforts will reduce sickness absence. In the subsidiaries, surveys of employee job satisfaction are conducted on a regular basis. Generally speaking, the employees exhibit a high level of satisfaction and a high degree of job satisfaction and commitment compared to similar enterprises. Hedeselskabet is a value-based employer that works constantly to strengthen the relationship between employer and employee through various initiatives. A concrete example of this is that Hedeselskabet and its subsidiaries are working with Defence Command Denmark and Interforce on improving conditions for those employees that have both military and civilian occupational obligations.

Responsible supplier management

During 2017 HedeDanmark has continued work on the conceptualisation and implementation of a policy on responsible supplier management amongst Danish suppliers with more than three employees that supply

manual and/or machinery products and services to HedeDanmark.

The aim of this policy is to ensure that the suppliers follow Danish rules of law – including applicable employee conditions. The policy is implemented through a defined code which the suppliers concerned have been asked to endorse. The suppliers have all endorsed the code. Spot checks have been carried out in 2017. These checks took place in collaboration with an external auditor and confirmed compliance with the code or subsequent documentation for adjustments in relation to the code.

Further implementation and follow-up work on responsible supplier management will continue in 2018.

Anti-corruption

Hedeselskabet has zero tolerance with respect to bribery, facilitation payment (payment that is designed to ensure or expedite an action to which the party is legally or otherwise is entitled), kickback and the creation of cartels. There have been no cases concerning corruption in 2017. During the year more work has been done to extend communication concerning anti-corruption policies to management groups and employees.

The expectation in 2018 is a continuation of the work involving this being made more visible to management groups and employees, in addition to further communication of policies that define the group's position in the area.



NEW DOMICILE IN HØJE-TAASTRUP

In the summer of 2017, Hedeselskabet, Orbicon and HedeDanmark gathered together the majority of their activities and 300 employees on Zealand in a new building in Høje-Taastrup.

Orbicon was the consulting engineer on the building, in which sustainability was a key parameter. The new domicile has integrated energy design and is almost entirely heated by the people present in the building. There are solar cells on the roof, the wood in the domicile is FSC certified and all the materials have been chosen on the basis of life-cycle analyses. Inside the building the large green plant wall grows in connection with the sculptural staircase in the large atrium in the centre of the building.

The building is certified pursuant to the Danish certification scheme for sustainable building development, DGNB Gold.



DIVERSITY IN THE MANAGEMENT

Hedeselskabet's Executive Committee has adopted a target for 2017 aimed at maintaining the share of the under-represented sex at 33 %. This target has been achieved, since the percentage of the under-represented sex in the Executive Committee remained at 33 % throughout 2017. It is expected that the current level of 33 % will be maintained in 2018.

It is the group's policy that the boards in the subsidiaries are to a significant extent populated internally by executive managers employed in the group. In certain subsidiaries the boards are supplemented by external members that are not otherwise employed or have relations to the group. At the end of 2017 the under-represented sex measured on the basis of the total number of board positions in the group's Danish subsidiaries was 15 %, against 13 % at the end of 2016. The share measured in terms of external board members was 27 %, which is on a par with the end of 2016. Work will continue in 2018 on ensuring a more equal distribution between the sexes.

Hedeselskabet acts on the basis of a policy in which employees and job applicants feel that they have equal opportunities to enjoy a career at Hedeselskabet, irrespective of their gender. Skills are at all times the overriding parameter with respect to recruitment and promotion. Hedeselskabet's business units operate in sectors in which there is no tradition for gender equality amongst the employees.

At the end of 2017, the under-represented sex accounted for 16 % of the group's senior management, including senior business and function managers, against 13 % at the end of 2016.

At employee appraisals during the year and when recruiting or promoting employees, it was ensured that policies have been complied with and that no-one had been discriminated against on account of their gender. Through information and participation in activities, various initiatives have been launched aimed at encouraging the under-represented sex to apply for jobs in the professional areas offered within the group. Internally, the under-represented sex at Hedeselskabet is also encouraged to apply for management positions provided that their qualifications match the jobs concerned. This includes information about how in-service training can be utilised to acquire any missing qualifications. These initiatives have increased the interest in and applications to the group's business units.

The expectation for 2018 is a continuation of the policy, as well as follow-up work that ensures that skills make up the overriding parameter with respect to recruitment and promotion.

RISK MANAGEMENT

Hedeselskabet regards risk management as an important tool to generate growth in the business and to protect employees, assets and reputation. Hedeselskabet has launched a process in 2017 that is designed to ensure more uniform and value-creating application of risk management in the group's four segments.

This means that Hedeselskabet will:

- Use an effective and integrated risk management system, whilst maintaining business flexibility.
- Identify and assess material risks related to the group.
- Monitor, manage and limit risks.

In 2017 the work involving risk management has primarily consisted of aligning principles and procedures, in addition to a thorough process of identification of the risk in all subsidiaries. This work will continue in 2018, where there will be a focus on enhanced integration of risk management with other important processes, greater anchoring of appetite for risk, training and education.

MATERIAL RISKS

Hedeselskabet's diversity in commercial activities is in itself an element of risk management. Several of the risks that can have a negative impact on the group can have a positive effect on other parts of the group. Forest management, trade, planting and forest ownership are activities that through regular planting and cutting provide a stable cash flow and stable returns. The group's activities within consultancy and energy plants are generally more exposed to risks that are dependent on external factors.

Contractual risks and operational execution

Profitability on the group's contracts depends on the ability to make realistic pre-calculations of costs related to the work, including continuous follow-up and corrections for discrepancies. The general rise in complexity in the demands from customers, technological development and greater volume of single contracts also increase the risk of errors and losses.

A significant part of Hedeselskabet's activities are closely integrated with the customers' value chains and responsibilities. Inadequacies, errors or a failure to execute contracts may have unfortunate consequences for the customers.

Claims from customers and business partners are risks that Hedeselskabet seeks to limit through comprehensive quality procedures, competence rules, professional liability insurance and guarantees.

International expansion

Hedeselskabet has established companies and carried out work in several countries outside Denmark in which the political climate, local regulations, business ethics, climatic conditions, etc., are considerably different than in Denmark. In the markets outside Denmark in which Hedeselskabet has established subsidiaries, profitability is also dependent on the ability to achieve critical mass in business activities.

In order to limit the risks associated with international expansion, Hedeselskabet uses local experts who supplement previously established quality procedures for domestic activities. Furthermore, Hedeselskabet employs local staff with extensive experience and networks.

Political and climatic conditions

New and revised political initiatives, including subsidy schemes, at global, national and local level will have an impact on levels of activity and earnings. Weather and climatic conditions will of course also affect levels of activity and earnings in both the long term and the short term.

Hedeselskabet seeks to reduce the risks that are associated herewith by proactively following political events and climatic development and adapting activities in accordance herewith. Conversely, these factors also result in business opportunities.

IT dependency, digitisation and security

Day-to-day operations continue to be more automated and integrated into customers' systems, which leads to greater dependence and responsibility.

Digitisation of the group's services takes place in order to service customers in the optimum manner, but also to optimise the group's profitability. At the same time, there is an ever-greater threat posed by cyber crime, whilst new EU regulations place greater demands on data security.

At Hedeselskabet, new technology and methods are implemented on an ongoing basis that optimise performance of tasks for customers and protect assets and knowledge.

Employees and skills

The group's success depends on its ability to attract and retain capable employees who perform their duties in accordance with the companies' procedures. Within the group's smallest business areas, there is a dependence on key individuals, and several of the group's business activities represent a threat to own and others' security if not performed correctly.

Hedeselskabet has procedures that ensure the right skills for the tasks in question. Recruitment and training ensure that the group always has the necessary skills and capacity to satisfy strategic goals.

Liquidity and loan risks

Forest Ownership and Green Service and Trade are activities with large amounts of capital tied up in biological assets, production plant, machines and other operating assets. Similarly, the higher level of activity in Outdoor Facility Services results in greater tied-up capital.

It is Hedeselskabet's policy to have the necessary liquidity at its disposal. Hedeselskabet's stable solvency results in high creditworthiness, which is reflected in expedient credit facilities and loan undertakings in both the short term and the long term, in addition to the desired flexibility with respect to due dates and renegotiation dates.

Credit risks

Hedeselskabet has credit risks. These are minimised through diversity in business activities, both in terms of customers and geography.

Interest rate and currency risks

Hedeselskabet has interest rate risks that are covered by credits and loans on long-term interest agreements.

Hedeselskabet has currency risks that are covered through forward contracts, currency loans and letters of credit.



HEDESELSKABET SUPPORTS: OPPORTUNITIES FOR STUDENTS

Profits from Hedeselskabet's business activities are invested in innovation and in making Denmark a better place for future generations. This takes place through scholarships and the awarding of funds.

In order to mark its 150th anniversary in 2016, Hedeselskabet set up an anniversary scholarship for students within the fields of nature, environment and energy. 2017 was the second year in which the scholarship was awarded. Five students received the anniversary scholarship for relevant study trips. In addition, young farmer Christina Døssing received support to acquire experience from abroad.

Hedeselskabet also awarded funds for the fitting out of a new lounge at the agricultural college at Asmildkloster. The lounge enables history to be disseminated both physically and digitally.



CORPORATE GOVERNANCE

Hedeselskabet responds to the recommendations on good corporate governance on an ongoing basis. The collective management attaches great importance to the fact that corporate governance is practised with the aim of long-term creation of value and timely exchange of information between the governing bodies within the group. Hedeselskabet's highest authority is the Committee of Representatives, which is elected by the members and appointed by the Committee of Representatives and trade organisation Danish Agriculture & Food Council respectively. The Committee of Representatives receives information about Hedeselskabet's activities and development at the annual meeting, through information meetings, the annual report and via information from the management. The Committee of Representatives elects six representatives to Hedeselskabet's Executive Committee. The employees also elect three representatives to Hedeselskabet's Executive Committee.

The Executive Committee represents the executive management of the company and elects its officers on an annual basis with the election of chairman and vice chairman. The distribution of tasks takes place in accordance with the Executive Committee's rules of procedure. The work of the Executive Committee is structured on the basis of an annual cycle schedule, which schematises the matters that the Executive Committee deals with during the course of the year.

The executive management makes up the day-to-day management of the company. The executive management reports to the Executive Committee on an ongoing basis with respect to the group's financial position by means of monthly reports and management reports. Furthermore, budgets, forecasts, strategy plans and annual reports are reported to the Executive Committee.

Hedeselskabet has a tradition for awarding funds to both major projects and minor initiatives that can make a difference to society, nature and the environment.

The following criteria have considerable influence on the decision to award support:

- The project is in accordance with Hedeselskabet's objects clause
- The project creates value for society and takes its point of departure in the utilisation and protection of nature and the countryside
- The project benefits a large number of people and is visible for many people, either in general or in the local community
- Hedeselskabet follows the project from the concept phase or close to the concept phase
- The project has a unique or different idea, content, target group, etc.

Members and other stakeholders have the opportunity to apply for funds for potential projects. Incoming applications are assessed by Hedeselskabet's Member Committee, which is charged with putting forward final recommendations to the Executive Committee on potential projects and activities that can be supported in accordance with Hedeselskabet's objects clause. This committee consists of the Chairman and Vice Chairman of the Committee of Representatives and a member of the Executive Committee.

It is expected that Hedeselskabet will continue to award funds to projects that create value for society and which are based on the utilisation and protection of nature and the countryside.

For a statutory account of corporate governance, cf. Section 77a of the Danish Financial Statements Act, please refer to Hedeselskabet's website at: www.hedeselskabet.dk/sites/default/files/god_fonds-ledelse_2017.pdf

EXECUTIVE COMMITTEE AND MANAGEMENT



Executive Committee and Management posts involving major board activity

EXECUTIVE COMMITTEE

Frants Bernstorff-Gyldensteen

Chairman of Hedeselskabet since 2007 and member of the Executive Committee since 1995. Particular competencies in local government politics, agriculture, forest management, business management and business development. Gender: Male, born: 1954
Most recently re-elected: 2017, election term ends: 2019
Independent: No

Chairman:

- Dalgasgroup A/S

Board member:

- Xergi A/S
- Scholarships managed by Hedeselskabet
- Skovselskabet Skov-Sam Holding ApS
- Skovselskabet Skov-Sam II ApS (under liquidation)
- DAN-Engineering A/S and its subsidiaries

Jørgen Skeel

Vice Chairman of Hedeselskabet since 2015 and member of the Executive Committee since 2012. Particular competencies in agriculture and forest management, as well as international insight into establishment of businesses, business development and business management. Gender: Male, born: 1963
Most recently re-elected: 2017, election term ends: 2018
Independent: Yes

Chairman:

- AKV-Langholt AmbA
- Cargill-AKV I/S
- Donau Agro ApS
- Slåbakkegaard Fonden

Board member:

- Dalgasgroup A/S
- Den Schimmelmanske Fond
- Scholarships managed by Hedeselskabet
- EKF - Denmark's Export Credit Agency
- Eksport Kredit Finansiering A/S

Stig Pastwa

Member of the Executive Committee at Hedeselskabet since 2015. Particular competencies in internationalisation, change management, operational improvements, organisational development, service management, acquisition and disposal of companies. CFO at TDC A/S.

Gender: Male, born: 1967

Most recently re-elected: 2017, election term ends: 2019
Independent: Yes

Chairman:

- Chr. Olesen & Co. A/S

Board member:

- Dalgasgroup A/S
- Global Knowledge Training Inc., NC, USA
- Apleona GmbH

Bolette van Ingen Bro

Member of the Executive Committee at Hedeselskabet since 2016. Particular competencies in business development, partnership models, network creation and facilitation, as well as insight into production, project planning and performance. Owner and managing director of Navigators and Danish Clusters.

Gender: Female, born: 1965

Elected: 2016, election term ends: 2018
Independent: Yes

Board member:

- Dalgasgroup A/S
- Danske Fiskeauktioner A/S
- Vestjysk Bank A/S

Dorrit Vanglo

Member of the Executive Committee at Hedeselskabet since 2016. Particular competencies in management, business development and investment assessment, as well as insight into societal development and financial affairs. Managing director of LD.

Gender: Female, born: 1956

Elected: 2016, election term ends: 2018
Independent: Yes

Chairman:

- Kapitalforeningen LD

Vice Chairman:

- EKF - Danmarks Eksportkredit

Board member:

- Eksport Kredit Finansiering A/S
- Dalgasgroup A/S

- Investeringsforeningen Lægernes Invest and Kapitalforeningen Lægernes Invest
- Investment Fund for Developing Countries (IFU) and Investment Fund for Central and Eastern Europe (IØ)

Jens Ejner Christensen

Member of the Executive Committee at Hedeselskabet since 2003. Particular competencies in rural policy, agriculture, agricultural organisations and affiliated businesses.

Gender: Male, born: 1968

Most recently re-elected: 2016, election term ends: 2018
Independent: No

Board member:

- Dalgasgroup A/S
- Jyske Medier A/S
- JE&P A/S
- Det Danske Madhus Vejle A/S
- Brandbjerg High School
- Lillebælt business academy

Public duties:

- Mayor of Municipality of Vejle

Torben Bøgh Christensen

Employee-elected member of the Executive Committee at Hedeselskabet since 2011.

Gender: Male, born: 1971

Most recently re-elected: 2015, election term ends: 2019
Employee-elected member of the board at Dalgasgroup A/S.

Karen Margrethe Jacobsen

Employee-elected member of the Executive Committee at Hedeselskabet since 2015.

Gender: Female, born: 1963

Elected: 2015, election term ends: 2019

Employee-elected member of the board at Dalgasgroup A/S.

Poul-Erik Nielsen

Employee-elected member of the Executive Committee at Hedeselskabet since 2011.

Gender: Male, born: 1956

Most recently re-elected: 2015, election term ends: 2019
Employee-elected member of the board at Dalgasgroup A/S.

MANAGEMENT

Lars Johansson

CEO and Managing Director of Hedeselskabet since 2013. CEO and Managing Director of Dalgasgroup A/S since 2013.

Chairman:

- HedeDanmark a/s
- Orbicon A/S
- DDH Forest Baltic A/S
- Plantningsselskabet Steen Blicher A/S
- A/S Jysk Landvinding (shell company)
- Enricom A/S (shell company)
- Kongenshus Memorial Park

Board member:

- Enricom Sp. z o.o.
- Xergi A/S
- Scholarships managed by Hedeselskabet
- Skovselskabet Skov-Sam Holding ApS
- Skovselskabet Skov-Sam II ApS (under liquidation)

Bent Simonsen

CFO of Hedeselskabet and Dalgasgroup A/S since 2010.

Board member:

- HedeDanmark a/s
- Orbicon A/S
- Enricom Sp. z o.o.
- DDH Forest Baltic A/S
- Plantningsselskabet Steen Blicher A/S
- A/S Jysk Landvinding (shell company)
- Enricom A/S (shell company)
- A/S Plantningsselskabet Sønderjylland
- JSCJS Rindibel
- SIA DDH Forest Latvia
- LHE af 1/1-2010 A/S
- Vestjysk Bank A/S
- Pluss Leadership A/S

EXECUTIVE COMMITTEE AND MANAGEMENT

Standing from left: Stig Pastwa, Jens Ejner Christensen, Torben Bøgh Christensen, Jørgen Skeel, Poul-Erik Nielsen, Bent Simonsen, Lars Johansson and Frants Bernstorff-Gyldensteen. Seated from left: Dorrit Vanglo, Bolette van Ingen Bro and Karen Margrethe Jacobsen.



COMMITTEE OF REPRESENTATIVES

HONORARY MEMBERS

Christian Sørensen
Oluf Krieger von Lowzow

COMMITTEE OF REPRESENTATIVES 31 DECEMBER 2017

Elected by members of Hedeselskabet

Lone Andersen
Henrik Bach
Ulrik I. Bernhoft
Henrik Bertelsen
Henrik Bindslev
Anders Bjørnshave-Hansen
Henning Ølgaard Bloch
Benny Ravn Bonde
Bolette van Ingen Bro
Niels Jørgen Bønløkke
Peder B. Corneliussen
Claus de Neergaard
Kim Enemark
Henrik Fabienke
Inge Faldager
Lone Færch
Louise Gade
Peter Gæmelke
Andreas Hastrup
Henrik Herold
Hans Peter Hjerl
Lars Erik Hornemann
Torben Huss
Henrik Høegh
Jesper Høstgaard-Jensen
Mogens Højholt Hansen
Niels Juhl Bundgaard Jensen
Ib W. Jensen
Jørgen Graulund Jørgensen
Jørgen Skovdal Larsen
Svend Aage Linde
Henning Lorentzen

Birgitte Brinch Madsen
Peter Melchior
Lars Peter Nielsen
John Nielsen
Janus Skak Olufsen
Stig Pastwa
Niels Jørgen Pedersen
Henrik Petersen
Bjarne Risvig
Birger H. Schütte
Knud Strøm
Carl Boisen Thøgersen
Dorrit Vanglo
Steen Neuchs Vedel
Klavs Krieger von Lowzow
Anders Chr. Wegger

Elected by the Committee of Representatives

Mai Louise Agerskov
Frants Bernstorff-Gyldensteen
Arne Frandsen
Arent Bak Josefsen
Christian Ditlev Lüttichau
Norbert F. V. Ravnsbæk
Jørgen Skeel

Appointed by the Danish Agriculture and Food Council

Jens Ejner Christensen
Torben Hansen
Kurt Mølgaard Jørgensen
Anette Klausen

MANAGEMENT STATEMENT

Management and the Executive Committee have today considered and approved the annual report of Hedeselskabet for the financial year 1 January to 31 December 2017. The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2017

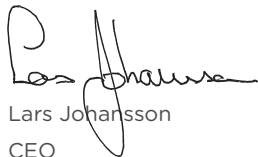
and of their financial performance as well as the consolidated cash flow for the financial year 1 January to 31 December 2017.

We believe that the Management's Report contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption by the Committee of Representatives.

Viborg, 5 April 2018

Management



Lars Johansson
CEO



Bent Simonsen
CFO

Executive Committee



Frants Bernstorff-Gyldensteen
Chairman of the Executive Committee




Jørgen Skeel
Vice Chairman of the Executive Committee and Chairman of the Committee of Representatives



Bolette van Ingen Bro



Torben Bøgh Christensen



Jens Ejner Christensen



Karen Margrethe Jacobsen



Poul-Erik Nielsen



Stig Pastwa



Dorrit Vanglo

INDEPENDENT AUDITOR'S REPORT

TO THE COMITEE OF REPRESENTATIVES OF HEDESELSKABET

Opinion

We have audited the consolidated financial statements and the parent financial statements of Hedeselskabet for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2017, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of 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.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 Group's and the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent 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 Group's and the Entity'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

STATEMENT ON THE MANAGEMENT COMMENTARY

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

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

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent 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 the management commentary.

Viborg, April 5th 2018

Deloitte

Central Business Registration No: 33 96 35 56



Kenneth Biirsdahl

State Authorised Public Accountant

MNE-number 32123





FINANCIAL
STATEMENTS

2017



INCOME STATEMENT

Note		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
1	Revenue	2,166,562	2,212,233	29,115	27,349
	Changes in inventories of finished goods and work in progress	-13,949	-6,886	-	-
	Work performed on own account and recognised under assets	250	54	-	-
2	Other operating income	63,451	2,836	43,269	644
	Total income	2,216,314	2,208,237	72,384	27,993
	Raw materials and consumables costs	-1,089,874	-1,088,764	-6,241	-6,742
3	Other external expenses	-289,447	-284,178	-19,954	-18,496
4	Staff costs	-796,307	-749,132	-3,945	-3,703
	Operating income	40,686	86,163	42,244	-948
5	Amortisation, depreciation and impairment losses	-47,985	-50,117	-855	-3,888
	Other operating expenses	-1,549	-2,258	-	-
	Fair value adjustment biological fixed assets	24,779	-	11,814	-
	Profit/loss from ordinary activities	15,931	33,788	53,203	-4,836
12	Income from investments in subsidiaries	-	-	-70,792	-923
12	Income from investments in associates	19,730	7,579	19,420	9,828
12	Income from other investments	76	1,017	76	1,017
6	Financial income	4,270	5,350	14,523	13,349
	Impairment of financial assets	-29,875	-14,670	-	-
7	Financial expenses	-11,839	-9,453	-7,981	-5,571
	Profit/loss before tax	-1,707	23,611	8,449	12,864
8	Tax on profit for the year	-279	-12,515	-13,446	-2,144
	Profit/loss for the financial year	-1,986	11,096	-4,997	10,720

BALANCE SHEET

Note	Assets as at 31 December	Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
	Fixed Assets				
	Completed development projects	2,303	3,196	-	-
	Acquired patents, licences, trademarks and rights	40,979	33,539	308	394
	Goodwill	86,498	98,287	-	-
	Intangible assets under construction	4,205	7,161	81	-
10	Total intangible assets	133,985	142,183	389	394
	Property, plant and equipment				
	Land and buildings	34,050	139,189	13,655	102,584
	Biological assets, forests	377,476	356,557	228,311	220,952
	Plant and machinery	53,414	51,264	-	-
	Other fixtures and fittings, tools and equipment	36,915	33,565	725	840
	Property, plant and equipment under construction	15,480	130,534	11,822	129,991
11	Total property, plant and equipment	517,335	711,109	254,513	454,367
	Investments				
	Investments in subsidiaries	-	-	83,695	154,757
	Investments in associates	168,703	195,727	135,305	161,215
	Receivables from associates	192	22,793	-	-
	Other investments	24,139	24,140	24,124	24,107
12	Total fixed asset investments	193,034	242,660	243,124	340,079
	Total fixed assets	844,354	1,095,952	498,026	794,840
	Current assets				
13	Inventories	83,420	100,890	-	-
	Receivables				
	Trade receivables	506,031	452,566	403	1,489
14	Contract work in progress	63,032	64,988	-	-
15	Receivables from subsidiaries	-	-	200,716	201,433
	Receivables from associates	170	278	-	-
16	Other receivables	38,379	26,139	14,475	11,249
19	Deferred tax asset	-	2,879	-	2,879
17	Prepayments	13,469	16,674	61	-
	Total receivables	621,081	563,524	215,655	217,050
	Cash	30,361	18,769	325,017	192,242
	Total current assets	734,862	683,183	540,672	409,292
	Total assets	1,579,216	1,779,135	1,038,698	1,204,132

BALANCE SHEET

Note	Equity and liabilities as at 31 December	Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
	Equity				
18	Contributed capital	50,000	50,000	50,000	50,000
	Revaluation reserve	226,337	226,337	196,929	196,929
	Reserve for development costs	4,477	3,654	-	-
	Retained earnings	609,475	601,561	643,360	634,623
	Proposed awarding of funds	2,000	-	2,000	-
	Total equity excluding minority interests	892,289	881,552	892,289	881,552
	Minority interests	25,806	19,346	-	-
	Total equity	918,095	900,898	892,289	881,552
	Provisions				
19	Provisions for deferred tax	39,486	45,779	8,043	-
20	Other provisions	14,299	1,172	6,301	-
	Total provisions	53,785	46,951	14,344	-
	Long-term debt				
	Loans and borrowings	114,273	298,497	99,171	282,336
	Other debt	5,000	233	-	-
21	Total long-term debt	119,273	298,730	99,171	282,336
	Short-term debt				
	Repayment on long-term debt due within 1 year	4,203	7,367	2,307	6,276
	Bank debt	79,053	174,562	11,917	17,694
14	Prepayments received for work in progress	54,643	35,313	-	-
	Trade payables	135,086	142,391	1,238	10,606
	Debt to subsidiaries	-	-	2,414	839
	Debt to associates	5,828	3,961	-	-
	Tax payables	939	378	-	-
22	Other debt	188,820	165,556	13,603	2,965
23	Deferred income	19,491	3,028	1,415	1,864
	Total short-term debt	488,063	532,556	32,894	40,244
	Total debt	607,336	831,286	132,065	322,580
	Total equity and liabilities	1,579,216	1,779,135	1,038,698	1,204,132
24	Contingent liabilities and security				
25	Related parties				

STATEMENT OF CHANGES IN EQUITY

Hedeselskabet, Group, as at 31 December

	Contributed Capital DKK '000	Revaluation reserve DKK '000	Reserve for development costs DKK '000	Retained earnings DKK '000	Recom- mended distributions DKK '000	Total DKK '000	Minority interests DKK '000	Total equity DKK '000
Equity at beginning of the year	50,000	226,337	3,654	601,561	-	881,552	19,346	900,898
Retained earnings	-	-	-	-1,550	1,550	-	-	-
Distributions	-	-	-	-	-1,550	-1,550	-	-1,550
Exchange rate adjustments	-	-	-	6,549	-	6,549	-	6,549
Fair value adjustment of hedging instruments	-	-	-	10,735	-	10,735	-	10,735
Additions and disposals for the year, minority interests	-	-	-	-	-	-	3,449	3,449
Profit for the year	-	-	823	-7,820	2,000	-4,997	3,011	-1,986
Equity at end of the year	50,000	226,337	4,477	609,475	2,000	892,289	25,806	918,095

Hedeselskabet, Parent Organisation, as at 31 December

	Contributed capital DKK '000	Revaluation reserve DKK '000	Reserve for net revaluation according to the equity method DKK '000	Retained earnings DKK '000	Total equity DKK '000
Equity at beginning of the year	50,000	196,929	634,623	-	881,552
Retained earnings	-	-	-1,550	1,550	-
Distributions	-	-	-	-1,550	-1,550
Exchange rate adjustments	-	-	6,549	-	6,549
Additions and disposals for the year, minority	-	-	10,735	-	10,735
Profit for the year	-	-	-6,997	2,000	-4,997
Equity at end of the year	50,000	196,929	643,360	2,000	892,289

CASH FLOW STATEMENT

Note		Hedeselskabet Group	
		2017 DKK '000	2016 DKK '000
	Cash flow from operating activities		
	Operating profit	15,931	33,788
	Depreciation, amortisation and impairment losses	47,985	50,117
	Adjustment for non-cash operating items	-78,610	1,954
	Cash flow from operating activities before change in working capital	-14,694	85,859
26	Working capital changes	28,169	-61,524
	Financial income received	4,900	5,350
	Financial expenses paid	-11,717	-9,347
	Cash flow from ordinary activities before tax	6,658	20,338
	Income taxes paid	1,773	-10,912
	Cash flow from operating activities	8,431	9,426
	Cash flow from investing activities		
	Purchase of intangible assets	-13,431	-26,417
	Purchase of property, plant and equipment	-82,136	-110,490
	Sale of property, plant and equipment	337,759	6,176
	Acquisition of businesses	-	-8,329
	Sale of subsidiaries / associates	192	-
	Dividends received from associates	45,330	27,953
	Receivables from associates	-4,465	-6,431
	Profit from other fixed assets investments	18	27
	Cash flow from investing activities	283,267	-117,511
	Cash flow from financing activities		
	Increase/decrease in long-term debt	-183,028	61,350
	Distributions	-1,569	-2,098
	Cash flow from financing activities	-184,597	59,252
	Cash flow from operating, investing and financing activities	107,101	-48,833
	Cash and cash equivalents at beginning of year	-155,793	-106,960
27	Cash and cash equivalents at end of year	-48,692	-155,793

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
Note 1 Revenue	Sale of goods, services and consultancy	2,158,753	2,194,992	15,579	12,906
	Rental income	7,809	17,241	13,536	14,443
		2,166,562	2,212,233	29,115	27,349
	Revenue by segment				
	Activity segmentation				
	Green Service	1,682,938	1,673,981	-	-
	Consultancy	467,770	516,005	-	-
	Energy production	7,782	7,331	-	-
	Forest ownership and other activities	8,072	14,916	29,115	27,349
	Total revenue	2,166,562	2,212,233	29,115	27,349
Geographical segmentation					
Denmark	1,826,721	1,891,363	28,564	26,724	
Rest of Scandinavia	136,972	114,432	93	79	
Western Europe	155,422	163,578	458	546	
Eastern Europe	42,929	37,546	-	-	
Other	4,518	5,314	-	-	
Total revenue	2,166,562	2,212,233	29,115	27,349	
Note 2 Other operating income	Income from members	379	360	379	360
	Compensation from insurance companies	341	274	34	89
	Profit on sale of minor assets	681	1,006	-	-
	Profit on sale of properties	61,742	94	42,725	94
	Other income	308	1,102	131	101
	63,451	2,836	43,269	644	
Note 3 Other external expenses	Office and administrative expenses	67,814	59,443	13,061	12,998
	Operation and maintenance of equipment and buildings	102,196	100,292	5,222	3,846
	Freight of goods sold	77,768	76,660	-	-
	Other external expenses	41,669	47,783	1,671	1,652
		289,447	284,178	19,954	18,496
	Fee to auditor elected by the Committee of Representatives				
	Statutory audit	1,028	851	100	80
	Other assurance engagements	46	39	31	-
	Tax advice	59	51	-	15
	Other services	1,179	883	131	90

NOTES

Note 4 Staff costs

	Hedeselskabet Group		Hedeselskabet Parent Organisation	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
Wages and salaries	721,772	682,345	3,938	3,653
Pensions and contributions to pension plans	22,546	21,581	-	-
Other social security costs	28,076	24,072	-	-
Other staff costs	23,913	21,134	7	50
	796,307	749,132	3,945	3,703
Number of full-time employees	1,452	1,426	-	-
Salaries and remuneration to the Management in P. O.	6,368	5,746	1,721	1,716
Remuneration to the Executive Committee in P. O.	1,405	1,405	1,405	1,405
Frants Bernstorff-Gyldensteen, Chairman	500	500	500	500
Jørgen Skeel, Vice Chairman	135	135	135	135
Bolette van Ingen Bro, member	110	75	110	75
Jens Ejner Christensen, member	110	110	110	110
Stig Pastwa, member	110	110	110	110
Dorrit Vanglo, member	110	75	110	75
Aleksander Aagaard, member	-	35	-	35
Svend Aage Linde, member	-	35	-	35
Torben Bøgh Christensen, staff-elected	110	110	110	110
Karen Margrethe Jacobsen, staff-elected	110	110	110	110
Poul-Erik Nielsen, staff-elected	110	110	110	110
Remuneration to Committee of Representatives in P. O.	472	472	472	472
Each member of the Committee of Representatives receives remuneration of DKK 8,000 per year.				
Members of the Executive Committee who are members of the Committee of Representatives receive remuneration of DKK 8,000 per year, in addition to their Executive Committee remuneration.				
Remuneration to the Member Committee	220	180	220	180
Jørgen Skeel, Chairman of the Member Committee	100	75	100	75
Ib W. Jensen	60	60	60	60
Bolette van Ingen Bro	60	45	60	45
Members of the Committee of Representatives and members of the Executive Committee receive separate remuneration for their tasks in the Member Committee.				

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
Note 5	Completed development projects	893	316	-	-
Amortisation	Acquired patents, licences, trademarks and rights	8,534	4,919	256	250
depreciation and	Goodwill	12,472	13,159	-	-
impairment losses	Amortisation and impairment losses on intangible assets	21,899	18,394	256	250
	Land and buildings	3,710	7,537	166	2,976
	Biological assets, forests	322	368	322	368
	Plant and machinery	13,479	14,672	-	-
	Other fixtures and fittings, tools and equipment	12,009	11,483	156	294
	Depreciation and impairment losses on property, plant and equipment	29,520	34,060	644	3,638
	Gain and loss on sale of fixed assets	-3,434	-2,337	-45	-
	Total amortisation, depreciation and impairment losses	47,985	50,117	855	3,888
Note 6	Interest on cash	131	118	4,202	2,691
Financial income	Interest from subsidiaries	-	-	10,280	10,636
	Interest on trade receivables	93	418	-	-
	Foreign exchange gains	253	1,363	23	4
	Other financial income	3,793	3,451	18	18
		4,270	5,350	14,523	13,349
Note 7	Interest on mortgage debt	5,385	6,007	5,125	5,515
Financial expenses	Interest on bank debt	4,524	1,661	2,843	-
	Foreign exchange losses	1,480	1,041	13	56
	Other financial expenses	450	744	-	-
		11,839	9,453	7,981	5,571
Note 8	Current tax on profit for the year	4,791	5,181	3,227	-
Tax on profit/loss	Adjustments concerning previous years' tax	-2,311	82	-	-
for the year	Change in deferred tax for the year	-2,630	7,252	10,219	2,144
	Adjustments concerning previous years' deterred tax	429	-	-	-
		279	12,515	13,446	2,144
Note 9	Distributed for association purposes	2,000	1,435	2,000	1,435
Proposal for distribution	Reserve for net revaluation according to the equity method	-	-	-	-6,650
of profit	Reserve for development costs	823	3,654	-	-
	Retained earnings	-7,820	5,631	-6,997	15,935
	Minority interests' share	3,011	376	-	-
		-1,986	11,096	-4,997	10,720

NOTES

Note 10 Intangible assets

Hedeselskabet, Group

	Completed development projects DKK '000	Acquired patents, licences, trademarks DKK '000	Goodwill DKK '000	Intangible assets under construction DKK '000	Total intangible assets DKK '000
Cost at beginning of the year	10,954	65,322	189,999	7,161	273,436
Reclassification	-	434	-	-	434
Exchange rate adjustments	-	-3	-16	13	-6
Additions for the year	-	15,705	695	1,555	17,955
Disposals for the year	-	-6,077	-	-4,524	-10,601
Cost at end of the year	10,954	75,381	190,678	4,205	281,218
Amortisation and impairment losses at beginning of the year	-7,758	-31,783	-91,712	-	-131,253
Reclassification	-	-148	-	-	-148
Exchange rate adjustments	-	-14	4	-	-10
Amortisation for the year	-893	-8,534	-12,472	-	-21,899
Disposals for the year	-	6,077	-	-	6,077
Amortisation and impairment losses at end of the year	-8,651	-34,402	-104,180	-	-147,233
Carrying amount at end of the year	2,303	40,979	86,498	4,205	133,985

The group has factored in a development project concerning software for pipeline registration in district heating companies on the basis of an agreement that has been concluded outlining at least 5 years' collaboration with business partners involving the sale and distribution of the software solution. The product is aimed at district heating companies in general and has considerable potential beyond the Danish market. Measurement is based on labour costs consumed plus indirect production costs less the business partner's payments for a share of the development. An assessment is carried out every year to determine whether there is a need for further write-down on top of the depreciation already carried out. In the event that there is an indication of a decrease in value, the project will be written down to the recoverable amount.

Hedeselskabet, Parent Organisation

	Completed development projects DKK '000	Acquired patents, licences, trademarks DKK '000	Intangible assets under construction DKK '000	Total intangible assets DKK '000
Cost at beginning of the year	332	1,284	-	1,616
Additions for the year	-	170	81	251
Disposals for the year	-	-286	-	-286
Cost at end of the year	332	1,168	81	1,581
Amortisation and impairment losses at beginning of the year	-332	-890	-	-1,222
Amortisation for the year	-	-256	-	-256
Disposals for the year	-	286	-	286
Amortisation and impairment losses at end of the year	-332	-860	-	-1,192
Carrying amount at end of the year	-	308	81	389

NOTES

Note 11 Property, plant and equipment

	Hedeselskabet, Group					
	Land and buildings DKK '000	Biological assets, forests DKK '000	Plant and machinery DKK '000	Other fixtures and fittings, tools and equipment DKK '000	Property, plant and equipment under construction DKK '000	Total property, plant and equipment DKK '000
Cost at beginning of the year	189,365	116,432	179,176	105,441	130,534	720,948
Reclassification	-126	126	160	-568	-	-408
Exchange rate adjustments	1,471	59	4,268	-560	16	5,254
Additions for the year	162,729	536	17,028	16,912	4,212	201,417
Disposals for the year	-286,990	-14	-12,739	-12,043	-119,282	-431,068
Cost at end of the year	66,449	117,139	187,893	109,182	15,480	496,143
Revaluation at beginning of the year	25,101	244,153	-	-	-	269,254
Reclassification	-	-37	-	-	-	-37
Additions for the year	-	24,779	-	-	-	24,779
Disposals for the year	-16,519	-4,230	-	-	-	-20,749
Revaluation at end of the year losses at end of the year	8,582	264,665	-	-	-	273,247
Depreciation and impairment losses at beginning of the year	-75,277	-4,028	-127,912	-71,876	-	-279,093
Reclassification	15	22	-160	283	-	160
Exchange rate adjustments	-1,172	-	-2,916	534	-	-3,554
Depreciation and impairment losses for the year	-3,710	-322	-13,479	-12,009	-	-29,520
Disposals for the year	39,163	-	9,988	10,801	-	59,952
Amortisation and impairment losses at end of the year	-40,981	-4,328	-134,479	-72,267	-	-252,055
Carrying amount at end of the year	34,050	377,476	53,414	36,915	15,480	517,335
Of which finance leases	-	-	-	233	-	-
	Hedeselskabet, Parent Organisation					
	Land and buildings DKK '000	Biological assets, forests DKK '000	Plant and machinery DKK '000	Other fixtures and fittings, tools and equipment DKK '000	Property, plant and equipment under construction DKK '000	Total property, plant and equipment DKK '000
Cost at beginning of the year	125,581	39,631	89	3,123	129,991	298,415
Reclassification	-126	126	-17	17	-	-
Additions for the year	158,635	-	-	41	-	158,676
Disposals for the year	-264,646	-14	-34	-453	-118,169	-383,316
Cost at end of the year	19,444	39,743	38	2,728	11,822	73,775
Revaluation at beginning of year	18,873	185,312	-	-	-	204,185
Additions for the year	-	11,814	-	-	-	11,814
Disposals for the year	-16,519	-4,230	-	-	-	-20,749
Revaluation at end of the year	2,354	192,896	-	-	-	195,250
Amortisation and impairment losses at beginning of the year	-41,871	-3,991	-89	-2,283	-	-48,234
Reclassification	15	-15	17	-17	-	-
Depreciation and impairment losses for the year	-166	-322	-	-156	-	-644
Disposals for the year	33,879	-	34	453	-	34,366
Amortisation and impairment losses at end of the year	-8,143	-4,328	-38	-2,003	-	-14,512
Carrying amount at end of the year	13,655	228,311	-	725	11,822	254,513

NOTES

Note 12 Fixed asset investments

Hedeselskabet, Group	Investments in associates DKK '000	Receivables from associates DKK '000	Other investments DKK '000
Acquisition cost at beginning of the year	317,541	52,457	10,005
Additions for the year	-	4,465	-
Disposals for the year	-	-192	-18
Acquisition cost at end of the year	317,541	56,730	9,987
Adjustments at beginning of the year	-121,779	-29,664	14,135
Impairment	-	-23,875	-
Exchange rate adjustments	-1,424	-2,999	-
Dividend received	-45,330	-	-59
Share of profit for the year after tax	19,730	-	76
Adjustments at end of the year	-148,803	-56,538	14,152
Carrying amount at end of year before set-off against receivables	168,738	192	24,139
Transferred for set-off against receivables	-35	-	-
Carrying amount at end of the year	168,703	192	24,139

Of the carrying amount of other investments, the Group's share in 24 plantation companies accounts for DKK '000 23,783 at year-end and DKK '000 23,604 at beginning of year, respectively,

Hedeselskabet, Parent Organisation	Investments in subsidiaries DKK '000	Investments in associates DKK '000	Other investments DKK '000
Acquisition cost at beginning of the year	81,497	251,260	9,973
Additions for the year	172	-	-
Acquisition cost at end of the year	81,669	251,260	9,973
Adjustments at beginning of the year	73,260	-90,045	14,134
Exchange rate adjustments	6,494	-	-
Adjustments due step acquisition	64	-	-
Dividend received	-7,000	-45,330	-59
Intra-group profits/losses	4,627	-	-
Share of profit/loss for the year after tax	-75,419	19,420	76
Adjustments at end of the year	2,026	-115,955	14,151
Carrying amount at end of the year	83,695	135,305	24,124

Of the carrying amount of other investments, Hedeselskabet's share in 24 plantation companies accounts for DKK '000 23,783 at year-end and DKK '000 23,604 at beginning of year, respectively,

NOTES

Note 12 Fixed asset investments, continued

Subsidiaries	Ownership %	Equity DKK '000	Profit/loss for the year DKK '000	Hedeselskabet's share	
				Equity DKK '000	Profit/loss for the year DKK '000
Dalgroup A/S, Denmark	100	-12,483	-84,761	-12,483	-84,761
DDH Forest Baltic A/S, Denmark	100	34,092	142	34,092	142
Plantningsselskabet Steen Blicher A/S, Denmark	76	88,225	12,146	66,830	9,200
A/S Jysk Landvinding, Denmark	100	1,076	-	1,076	-
				89,515	-75,419
Intra-group profits/losses at end of the year				-5,820	4,627
Parent organisation's share in subsidiaries				83,695	-70,792

Associates	Ownership %	Equity DKK '000	Profit/loss for the year DKK '000	Hedeselskabet's share	
				Equity DKK '000	Profit/loss for the year DKK '000
Skovselskabet Skov-Sam Holding ApS, Denmark	50	254,309	38,365	127,155	19,183
Skovselskabet Skov-Sam II ApS under voluntary liquidation, Denmark	15	10,748	698	1,612	105
Dover Plantage ApS, Denmark	24	2,469	194	595	47
Hundsbaek Plantage ApS, Denmark	22	14,614	-4	3,194	-1
Velling Plantage ApS, Denmark	20	3,321	82	664	16
Østvendssysel Plantageselskab ApS, Denmark	28	6,702	198	1,907	56
Anpartsselskabet Sønderholm Plantage, Denmark	34	526	42	178	14
Total parent organisation share in associates				135,305	19,420
Xergi A/S, Denmark	50	60,850	1,408	30,425	704
JSCJS Rindibel, Belarus	29	4,082	-1,044	1,169	-299
Emirates Landscape L.L.C., Abu Dhabi	49	-	-4,468	-	-
Pluss Leadership A/S, Denmark	35	2,150	62	753	22
				167,652	19,847
Goodwill at end of the year				1,051	-
Amortisation and impairment losses of goodwill				-	-117
Total group share in associates				168,703	19,730

Note 13 Inventories

	Hedeselskabet Group		Hedeselskabet Parent Organisation	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
Raw materials and consumables	1,834	4,393	-	-
Work in progress	15,178	6,780	-	-
Finished goods and goods for resale	63,771	87,733	-	-
Prepayments for goods	2,637	1,984	-	-
	83,420	100,890	-	-

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2017	2016	2017	2016
		DKK '000	DKK '000	DKK '000	DKK '000
Note 14	Selling price	863,594	831,995	-	-
Contract work in progress	Invoicing on account	-855,205	-802,320	-	-
		8,389	29,675	-	-
	Included in the balance sheet:				
	Contract work in progress, assets	63,032	64,988	-	-
	Prepayments received on work in progress, liabilities	-54,643	-35,313	-	-
		8,389	29,675	-	-
Note 15	Due 0-1 year	-	-	1,175	1,892
Receivables from subsidiaries	Due after 1 year	-	-	199,541	199,541
		-	-	200,716	201,433
	Of which, irredeemable subordinated loan to Dalgasgroup A/S amounting to	-	-	170,000	170,000
Note 16	Receivable from sold properties	4,412	-	4,412	-
Other receivables	Receivable income tax	7,260	10,294	4,289	8,007
	Receivables from managed forests	6,913	6,168	-	-
	VAT receivable	-	3,777	924	3,242
	Other receivables	19,794	5,900	4,850	-
		38,379	26,139	14,475	11,249
Note 17	Prepayments comprise various prepaid expenses.				
Note 18	Changes in contributed capital over the past five years:				
Contributed capital	Contributed capital at beginning of the year 2013			50,000	
	Contributed capital at end of the year 2017			50,000	
Note 19	Deferred tax is incumbent on the following items:				
Deferred tax	Intangible assets	217	-1,918	-508	-1,064
	Property, plant and equipment	20,913	20,012	8,443	5,912
	Inventories	-1,692	-1,169	-627	-807
	Contract work in progress	52,666	40,196	-	-
	Receivables	-879	-328	-	-
	Provisions	-1,474	-148	-1,386	-47
	Liabilities	1,472	-31	2,121	-283
	Tax loss carryforward	-31,737	-13,714	-	-6,590
		39,486	42,900	8,043	-2,879

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
Note 19					
Deferred tax, continued	Balance at beginning of the year	42,900	36,260	-2,879	-4,322
	Adjustments at beginning of the year	-1,487	13	-	-
	Exchange rate adjustments	-	76	-	-
	Year's adjustment incorporated in the income statement	-2,630	7,252	10,219	2,144
	Year's adjustment incorporated in the equity	703	-701	703	-701
	Balance at the end of the year	39,486	42,900	8,043	-2,879
	Recognised in the balance sheet:				
	Deferred tax assets	-	2,879	-	2,879
	Provisions for deferred tax	39,486	45,779	8,043	-
		39,486	42,900	8,043	-2,879
Note 20	Balance at beginning of the year	1,172	2,670	-	-
Other provisions	Provisions for the year	13,271	1,172	6,301	-
	Provisions for the year, reversed and paid	-144	-2,670	-	-
	Balance at end of the year	14,299	1,172	6,301	-
	Due 0-1 year	1,597	713	-	-
	Due after 1 year	12,702	459	6,301	-
		14,299	1,172	6,301	-
	Provisions for claims and complaints	400	459	-	-
	Miscellaneous provisions	13,899	713	6,301	-
		14,299	1,172	6,301	-
Note 21	Loans and borrowings:				
Long-term debt	0-1 year	4,020	7,189	2,307	6,276
	1-5 year	34,845	53,231	27,829	49,525
	More than 5 years	79,428	245,266	71,342	232,811
		118,293	305,686	101,478	288,612
	Other long-term debt:				
	0-1 year	183	178	-	-
	1-5 year	5,000	233	-	-
		5,183	411	-	-
	Recognised in the balance sheet:				
	Long-term debt	119,273	298,730	99,171	282,336
	Short-term debt	4,203	7,367	2,307	6,276
		123,476	306,097	101,478	288,612

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
Note 21	The group covers interest rate risks by means of interest rate swaps, whereby variable rate interest payments are converted to fixed rate interest payments.				
Long-term debt, continued					
	Interest rate swaps				
	Notional amount	156,275	162,171	156,275	162,171
	Value adjustment incorporated in the income statement	-7,440	-	-7,440	-
	Value adjustment incorporated in the equity	11,438	-11,799	11,438	-11,799
	Fair value	-10,635	-14,634	-10,635	-14,634
	Remaining loan period (specified in months)	120 - 228	12 - 240	120 - 228	12 - 240
Note 22	Debt to managed forests	30,001	30,006	-	-
Other debt	Payroll-related items payable	106,879	101,836	-	-
	VAT payable	31,889	23,835	-	-
	Payable relating to distribution for association purposes	1,228	1,246	1,228	1,246
	Other payable amounts	18,823	8,633	12,375	1,719
		188,820	165,556	13,603	2,965
Note 23	Deferred income comprises various prepaid incomes.				
Deferred income					
Note 24	Security				
Contingent liabilities and security	Land and buildings at a carrying amount of DKK 118.3 million as at 31.12.2017 (2016: DKK 323.3 million) have been provided as security for the Group's mortgage debt of DKK 245.6 million (2016: DKK 454.7 million). Land and buildings at a carrying amount of DKK 101.5 million as at 31.12.2017 (2016: DKK 306.2 million) have been provided as security for Hedeselskabet's mortgage debt of DKK 194.3 million (2016: DKK 398.9 million).				
	Contingent liabilities				
	The Group has undertaken rent and lease obligations with terms of between 1 month and 15 years. Total rent and lease obligations amount to DKK 274.8 million (2016: DKK 48.4 million). Subsidiaries have undertaken rent and lease commitments to Hedeselskabet with a 6 months term. Total commitments amount to DKK 2.7 million (2016: DKK 135.0 million). Hedeselskabet has undertaken rent and lease obligations with terms of between 1 month and 10 years. Total rent and lease obligations amount to DKK 46.1 million (2016: DKK 0.0 million).				
	The Group's credit institutions and insurance companies have issued work guarantees of DKK 90.7 million (2016: DKK 101.0 million) for work in progress. Hedeselskabet has issued work guarantees of DKK 0.0 million (2016: DKK 13.2 million).				
	The Group has issued guarantees of DKK 6.2 million (2016: DKK 19.5 million) to financing institutions and customers. Hedeselskabet has issued guarantees of DKK 6.2 million (2016: DKK 18.0 million) to financing institutions.				

NOTES

Note 24 Contingent liabilities and security, continued

Hedeselskabet is liable for the Group's combined credit limits with respect to credit institutions.

Hedeselskabet, and thereby the Group, has provided a guarantee of payment of DKK 20.0 million to an insurance company.

The Group has entered into a purchase agreement (put and call option) with NEFCO. According to the agreement, the Group is entitled to buy 51% of NEFCO's shares in JSCJS Rindibel at the end of 2018 at a price which is fixed as the price NEFCO has paid for the shares and with addition of an annual accumulated interest rate of 15%. NEFCO has paid for the shares plus the addition of annual accumulated interest of 15% reduced by received dividends. In the event that NEFCO wishes to relinquish the shares in JSCJS Rindibel, the group is obliged to purchase 51% of NEFCO's shares at the end of April 2020 at a price that is specified as the equity value of the shares plus four times the average EBITDA in JSCJS Rindibel during the previous two years.

The Group's Danish companies participate in a Danish joint taxation arrangement with Dalgasgroup A/S serving as the administration company. The Group's Danish companies therefore have secondary liability from the financial year 2013 for income taxes etc. for the jointly taxed companies, and from 1 July 2012 also secondary liability for obligations, if any, relating to the withholding of taxes on interest, royalties and dividend for these companies. In both cases, however, secondary liability cannot exceed an amount equalling the share of capital held by the Danish companies which are owned by Hedeselskabet as the ultimate parent. Hedeselskabet does not participate in this Danish joint taxation arrangement, because Hedeselskabet is an association with the status of a business foundation.

Pending court cases

In the opinion of Management, any negative outcomes of pending legal cases will not have any material influence on the Group's financial position.

Note 25 Related parties

Hedeselskabet's related parties comprise:

Controlling influence

Committee of Representatives, Executive Committee and Management.

Trading with related parties with a controlling influence primarily takes place within forest and landscape activities and is conducted on market terms.

Other related parties

Companies controlled by Hedeselskabet.

All transactions with other related parties take place on market terms.

Note 26 Working capital changes

Change in inventories
Change in receivables
Change in trade payables and other debt

Note 27 Cash and cash equivalents

Cash in hand
Bank debt

Hedeselskabet Group

2017
DKK '000

2016
DKK '000

17,470	6,453
-41,746	-65,907
52,445	-2,070
28,169	-61,524
30,361	18,769
-79,053	-174,562
-48,692	-155,793

NOTES – ACCOUNTING POLICIES

Note 28

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large enterprises in reporting class C.

The financial statements are presented on the basis of the same accounting policies as the previous year.

Basis of recognition and measurement

Assets are recognised in the balance sheet when, as a result of a previous event, it is probable that future economic benefits will flow to the Group, and the value of such assets can be reliably measured.

Liabilities are recognised in the balance sheet when, as a result of a previous event, the Group has a legal or constructive obligation and it is probable that future economic benefits will be flow out of the Group, and the value of such liabilities can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Assets and liabilities are subsequently measured as described for each individual financial item below.

When carrying out recognition and measurement, foreseeable gains, losses and risks that arise prior to the presentation of the annual report and which confirm or invalidate affairs and conditions that existed on the balance sheet date are taken into account.

Income is recognised in the income statement as and when it is earned, whilst costs are recognised at the amounts that are related to the financial year.

Consolidated financial statements

The consolidated financial statements include the Parent Organisation and the enterprises (subsidiaries) controlled by the Parent Organisation. The Parent Organisation is considered to have control when it directly or indirectly owns more than 50% of the voting rights or in another manner can exercise or actually exercises controlling influence.

Enterprises in which the group has – either directly or indirectly – between 20% and 50% of the voting rights and exercises significant, but not controlling, influence are regarded as associates.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements of the Parent Organisation and its subsidiaries. The consolidated financial statements are drawn up by combining items of a uniform nature. Consolidation involves the elimination of intragroup income and expenses, intra-group accounts and dividends, as well as realised and unrealised profits and losses incurred in transactions between the consolidated companies. The financial statements that are used for consolidation are prepared in accordance with the Group's accounting policies.

In the consolidated financial statements, the subsidiaries' items of account are recognised 100%. Minority interests' pro-rata share of profit or loss is presented as a separate item in Management's proposal for distribution of profit and their share of the subsidiaries' net assets is presented as a separate item in the Group's equity.

Investments in subsidiaries are offset against the pro-rata share of the subsidiaries' net assets at the time of acquisition calculated at fair value.

Business combinations

Newly acquired or newly established companies are recognised in the consolidated financial statements from the date of acquisition or date of establishment, respectively.

When acquiring new companies, the acquisition method is used, according to which the newly acquired companies' identifiable assets and liabilities are measured at fair value on the date of acquisition. Provisions are made solely to cover costs concerning restructuring in the acquired company to the extent they have been decided in the acquired company prior to acquisition. The tax effect of the revaluations carried out is taken into account.

Positive differences (goodwill) between the cost of the acquired equity interest and the fair value of the acquired assets and liabilities are recognised under intangible assets and are amortised systematically through the income statement following an individual assessment of the asset's useful life. If a reliable useful life cannot be estimated, this will be specified as 10 years. Negative differences (negative goodwill), which correspond to the expected unfavourable development in the companies in question, are recognised in the balance sheet under deferred income and are recognised in the income statement as and when the unfavourable development is realised. The useful life is reassessed on an annual basis.

Foreign currency translation

On initial recognition, transactions in foreign currency are translated using the exchange rate on the date of transaction. Exchange rate differences which arise between the exchange rate on the date of transaction and the date of payment are recognised in the income statement under financial income/expenses.

Receivables, debts and other monetary items denominated in foreign currency which have not been settled on the balance sheet date are translated at the Exchange rate differences which arise between the exchange rate on the date of transaction and the exchange rate on the date of payment and the balance sheet date are recognised in the income statement under financial income/expenses. Official rates of exchange on the balance sheet date.

Intangible assets, property, plant and equipment, inventories and other non-monetary assets which have been purchased in foreign currency are translated at historical exchange rates.

When recognising foreign subsidiaries and associates which are independent units, their income statements are translated to average exchange rates for the months that do not deviate materially from the exchange rates on the transaction date. The balance sheet items are translated using exchange rates on the balance sheet date. Exchange rate differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised directly in equity.

Exchange rate adjustments of balances with independent foreign subsidiaries that are regarded as being part of the total investment in the subsidiary are recognised directly in equity.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. Positive and

NOTES – ACCOUNTING POLICIES

negative fair values of derivative financial instruments are included in other receivables and other debt, respectively.

Changes in fair value of derivative financial instruments which are classified as and qualify for hedging of the fair value of a recognised asset or liability are recognised in the income statement along with changes in the value of the hedged asset or hedged liability.

Changes in fair value of derivative financial instruments which are classified as and qualify for hedging of future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of the cost of the financial statement items in question.

INCOME STATEMENT

Revenue

Sales of finished goods and goods for resale are recognised in the income statement when delivery and transfer of risk to the purchaser have taken place, which corresponds to the time of invoicing. Revenue is recognised exclusive VAT, taxes and discounts in connection with the sale and is measured at the selling price of the specified consideration.

Services and consultancy services are recognised in revenue as and when the services are performed, whereby revenue corresponds to the selling price of the work carried out during the year (percentage-of-completion method).

Change in stocks of finished goods and work in progress

Change in stocks of finished goods and work in progress comprises the reductions or increases of stocks of finished goods and work in progress during the financial year. This item includes ordinary depreciation of the stocks in question. Changes in stocks of raw materials are recognised in the item designated costs of raw materials and consumables.

Other operating income

Other operating income contains items of a secondary nature in relation to the main activities of the enterprise.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables after adjustments for changes in stocks of these goods, etc., from the beginning to the end of the financial year. This item includes any shrinkage and ordinary depreciation on the stocks in question.

Other external expenses

Other external expenses contain costs related to the enterprise's primary activities, including costs of premises, office expenses, promotional expenses, etc. This item also includes write-downs on receivables recognised under current assets.

Staff costs

Staff costs comprise wages and salaries, in addition to social costs, pensions, etc., for the company's staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses on tangible and intangible fixed assets consist of the financial year's amortisation, depreciation and impairment losses calculated on the basis of the specified residual values and useful lives of the individual assets, impairment tests carried out and on gains and losses on the disposal of tangible and intangible fixed assets.

Other operating expenses

Other operating expenses contain items of a secondary nature in relation to the main activities of the Group.

Profit/loss after tax from investments in subsidiaries

Earnings from investments in subsidiaries comprise the pro-rata share of the individual subsidiaries' profit or loss following full elimination of intra-group gains/losses and deduction of amortisation on goodwill.

Profit/loss after tax from investments in associates

Earnings from investments in associates comprise the pro-rata share of the individual associates' profit or loss following pro-rata elimination of intra-group gains/losses and deduction of amortisation on goodwill.

Income from other financial fixed assets

Income from other financial fixed assets is made up of fair value adjustments of unquoted equity investments that are not investments in subsidiaries or associates.

Financial income

Financial income includes interest income, gains concerning securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities, as well as tax refunds under the Danish Tax Prepayment Scheme, etc.

Financial expenses

Financial expenses include interest expenses, losses concerning securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities, as well as tax surcharges under the Danish Tax Prepayment Scheme, etc.

Tax

As a consequence of its status as a commercial foundation, Hedeselskabet is not jointly taxed with its subsidiaries. However, its subsidiaries are subject to the rules concerning compulsory joint taxation of Danish subsidiaries. Dalgasgroup A/S is the administration company for joint taxation and thus makes all resulting payments of corporation tax to the tax authorities.

The tax on profit/loss for the year, which consists of the year's current tax and changes in deferred tax – including that resulting from changes to tax rates – is recognised in the income statement by the portion attributable to the year's profit/loss, and entered directly against equity by the portion attributable to items taken directly to equity.

BALANCE SHEET

Goodwill

Goodwill is the positive difference between the cost and the utility value of acquired assets and liabilities in the event of acquisition of a company. Goodwill is amortised according to the straight-line method over the expected useful life, which is determined on the basis of Management's experience within each business area. Useful lives are determined on the basis of an assessment of to what extent the acquisition involves strategically acquired enterprises with a strong market position and long-term earnings profile, and to what extent the goodwill amount includes temporary intangible resources which it has not been possible to separate and recognise as separate assets. If the useful life cannot be estimated reliably, it will be specified as 10 years. Useful lives are reassessed on an annual basis. The amortisation periods used range from 5-15 years.

Goodwill is written down to recoverable value if this is lower than the carrying amount.

NOTES – ACCOUNTING POLICIES

Intangible assets

Intangible assets include ongoing and completed development projects with related intellectual property rights, acquired intellectual property rights and prepayments for intangible fixed assets.

Development projects concerning products and processes that are clearly defined and identifiable and in which the technical rate of utilisation, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible fixed assets. Other development costs are recognised in the income statement as and when costs are incurred. On recognition of development costs as intangible fixed assets, an amount corresponding to the incurred costs is tied up in the equity under reserve for development costs, which will be reduced in line with amortisation and impairment losses on said development projects.

The cost of development projects comprises costs, including salaries and amortisation, which are directly and indirectly attributable to the development projects.

Completed development projects are amortised according to the straight-line method over the expected useful life, which is determined on the basis of an actual assessment of the development project in question. If the useful life cannot be estimated reliably, it will be specified as 10 years. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the rights concerned. The amortisation periods used range from 3-15 years.

Acquired intangible assets are measured at cost less accumulated amortisation. Patents are amortised according to the straight-line method over the remaining duration of the patent, whilst licences are amortised according to the straight-line method over the term of the agreement.

Intangible assets are written down to recoverable value if this is lower than the carrying amount.

Tangible fixed assets

Land and buildings are measured at cost plus revaluations and less accumulated depreciation and impairment losses. Depreciation is not carried out on land. Landfill gas plants, fitting out of rented premises, production plant and machinery and other plant, operating equipment and fixtures & fittings are measured at cost less accumulated depreciation and impairment losses. The cost includes the acquisition cost, costs directly related to acquisition and costs for preparation of the asset until the time at which the asset is ready to be used. For assets held under finance leases, the cost is the lowest of the asset's fair value and the current value of future lease payments.

The basis for depreciation is cost less expected residual value at the end of the asset's useful life. Depreciation is carried out according to the straight-line method based on the following assessment of the assets' expected useful lives:

Buildings	30 – 50 years
Fitting out of rented premises	6 – 15 years
Production plant and machinery	3 – 8 years
Landfill gas plants	3 – 25 years
Other plant, operating equipment and fixtures & fittings	3 – 8 years

For fitting out of rented premises and assets covered by finance leasing agreements, the maximum period of depreciation is the term of the agreement. Expected useful lives and residual values are reassessed on an annual basis.

Tangible fixed assets are written down to the recoverable amount if this is lower than the carrying amount.

Biological fixed assets

Biological fixed assets, which comprise forests and rural properties with affiliated land, are initially measured at cost, which consists of the purchase price of the property plus any directly related acquisition costs.

Following initial recognition, biological fixed assets are measured at fair value, which corresponds to the amount for which the assets are deemed to be able to be sold to a third-party purchaser less transaction costs. Fair value is calculated on the basis of comparable transactions.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured in the Parent Organisation's financial statements in accordance with the equity method. This means that investments are measured at the pro-rata share of the enterprises' equity value with the addition of non-amortised goodwill and with the deduction or addition of unrealised intra-group profits or losses.

In connection with the distribution of profits, net revaluation of investments in subsidiaries is transferred according to the equity method to the reserve for net revaluation in the equity.

Goodwill is the positive difference between the cost of investments and the fair value of the pro-rata share of the acquired assets and liabilities. Goodwill is amortised according to the straight-line method over the expected useful life, which is determined on the basis of Management's experience within each business area. Useful lives are determined on the basis of an assessment of to what extent the investment involves strategically acquired enterprises with a strong market position and long-term earnings profile, and to what extent the goodwill amount includes temporary intangible resources which it has not been possible to separate and recognise as separate assets. If the useful life cannot be estimated reliably, it will be specified as 10 years. Useful lives are reassessed on an annual basis. The depreciation periods used range from 5-20 years. Investments in subsidiaries are written down to the recoverable amount if this is lower than the carrying amount.

Investments in associates

Investments in associates are recognised and measured in accordance with the equity method. This means that investments are measured at the pro-rata share of the enterprises' equity value with the addition of non-amortised goodwill and with the deduction or addition of unrealised intra-group profits or losses.

Associates with negative equity are measured at DKK 0. Any receivables in these enterprises are written down to net realisable value based on an actual assessment. In the event that the Parent Organisation has a legal or actual obligation to cover the debts of the associate in question and it is probable that this debt will be actualised, provisions are set aside measured at current value of the costs deemed necessary to be defrayed to settle the debt.

In connection with the distribution of profits, net revaluation of investments in associates is transferred according to the equity method to the reserve for net revaluation in the equity.

NOTES – ACCOUNTING POLICIES

Goodwill is the positive difference between the cost of investments and the fair value of the pro-rata share of the acquired assets and liabilities. Goodwill is amortised according to the straight-line method over the expected useful life, which is determined on the basis of Management's experience within each business area. Useful lives are determined on the basis of an assessment of to what extent investment involves strategically acquired enterprises with a strong market position and long-term earnings profile, and to what extent the goodwill amount includes temporary intangible resources which it has not been possible to separate and recognise as separate assets. If the useful life cannot be estimated reliably, it will be specified as 10 years. The useful lives are reassessed on an annual basis. The depreciation periods used range from 5-15 years.

Investments in associates are written down to the recoverable amount if this is lower than the carrying amount.

Other securities and equity investments

Other securities and equity investments include unquoted equity investments that are measured at fair value.

Fair value is calculated as the accounting equity value, due to the fact that all material assets and liabilities in the unquoted companies' financial statements are assessed at fair value. Changes to fair value are recognised in the income statement under income from other equity investments and securities.

Unquoted equity investments are written down to net realisable value if this is lower.

Inventories

Raw materials, consumables and goods for resale are measured at the lower of cost, calculated according to the FIFO method (first in, first out), and net realisable value. Cost comprises the acquisition cost plus delivery costs.

Manufactured goods and work in progress are valued at cost, calculated according to the FIFO method (first in – first out), or the net realisable value if this is lower. Cost prices for manufactured goods and work in progress comprise costs for raw materials, consumables, direct wage costs and indirect production costs.

Indirect production costs comprise indirect materials and wages, costs for maintenance and depreciation and impairment losses of the machinery, buildings and equipment used in the production process as well as costs for production administration and management. Finance costs are not included in cost. The net realisable value of inventories is calculated as the expected selling price less costs of completion and costs to be incurred to effect sale.

Biological current assets recognised in stocks

Biological current assets, which comprise living plants, are measured at cost or net realisable value if this is lower.

The cost comprises costs for raw materials, consumables, direct wage costs and indirect production costs.

Net realisable value for biological current assets is calculated as the expected sales price less costs for preparation and costs incurred to effect the sale.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value, less writedowns for bad and doubtful debts.

Contract work in progress

Contract work in progress is measured at the selling price of the work carried out on the balance sheet date.

The sales value is measured on the basis of the stage of completion on the balance sheet date and the total expected income from the work in progress concerned. The stage of completion is normally calculated as the ratio of actual resources consumed to the total budgeted consumption of resources. For certain orders, where the consumption of resources cannot be used as a basis, the ratio of completed sub-activities to total sub-activities for the order in question is used instead.

In the event that the selling price of a contract cannot be calculated reliably, the selling price is measured at the lower of costs incurred and net realisable value.

Each item of work in progress is recognised in the balance sheet under receivables or debts depending on whether the net value, which is calculated as the sales value less invoicing on account, is positive or negative.

Finance costs concerning contracts are not included in the value of work in progress. Costs in connection with sales and tendering work when securing contracts are expensed in the income statement under other external expenses in the financial year in which they are incurred.

Corporation tax receivable and corporation tax payable

Current tax payable or current corporation tax receivable is recognised in the balance sheet as calculated tax on the year's taxable income adjusted for tax paid on account. Corporation tax receivable is recognised under other receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash funds and bank deposits.

Deferred tax

Deferred tax is recognised on the basis of all temporary differences between the carrying amount and tax-based value of assets and liabilities in which the tax base of the assets is calculated on the basis of the planned use of the asset concerned.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised at the value at which they are expected to be used, either as a set-off against deferred tax liabilities or as net tax assets.

Other provisions

Other provisions are recognised when the Group has a legal or actual obligation, and it is probable that discharging this obligation will result in consumption of the Group's financial resources.

Other provisions are recognised and measured as the best estimate of the costs which, on the balance sheet date, are necessary to discharge any obligations.. Provisions with an expected due date more than a year from the balance sheet date are measured at discounted value.

Financial liabilities

At the date of borrowing, debts to mortgage credit institutions and financial institutions are measured at cost, corresponding to the

NOTES – ACCOUNTING POLICIES

proceeds received less transaction costs incurred. Subsequently, debts to mortgage credit institutions and financial institutions are measured at amortised cost. This means that the difference between the proceeds of the loan and the nominal value that is to be repaid is recognised in the income statement over the term of the loan as a financial expense using the effective interest method.

Financial leasing commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions and, at the time of inception of the lease, measured at the present value of the future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Leasing payments relating to operational leasing agreements are recognised according to the straight-line method in the income statement over the term of the lease.

Prepayments received from customers

Prepayments received from customers comprise amounts that are received from customers prior to the time of delivery.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Deferred income

Deferred income comprises income received to be recognised in subsequent financial years. Deferred income is measured at cost.

Cash flow statement

The cash flow statement of the Group is prepared according to the indirect method on the basis of the profit or loss for the year.

The cash flow statement shows cash flow funds from operating, investing, financing activities and the year's changes in liquidity as well as cash and cash equivalents at the beginning and the end of the year. A separate cash flow statement for the Parent Organisation has not been drawn up since this is included in the cash flow statement for the Group.

Effect on cash flow from the acquisition and disposal of companies is shown separately under cash flow from investing activities. The cash flow statement recognises cash flow concerning acquired companies from the date of acquisition, whilst cash flow concerning companies disposed of is recognised up to the date of sale.

Cash flow from operating activities are calculated as the profit/loss for the year adjusted for non-cash operating items and working capital changes.

Cash flow from investing activities include the acquisition and disposal of intangible assets, property, plant and equipment and fixed asset investments.

Cash flow from financing activities comprise the raising of and instalment on long-term and short-term debt to financing and credit institutions as well as distributions.

Cash and cash equivalents include cash and the portion of short-term debt to credit institutions which forms part of the Group's ongoing liquidity management.

Segment information

Information is provided on areas of business (Primary segment) and geographical markets (Secondary segment). Segment information is presented in accordance with the Group's accounting policies and internal economic management. The secondary segment information is provided on the basis of the location of the customers.

Key ratios

The key ratios listed under financial highlights are calculated as follows:

EBT margin =

$$\text{Company's profitability} = \frac{\text{Profit/loss before tax} \times 100}{\text{Revenue}}$$

Return on capital employed =

The return on investment which the company generates in terms of the operating assets =

$$\frac{\text{Profit/loss from ordinary activities with addition of amortisation on goodwill (EBITA)} \times 100}{\text{Operating assets at end of financial year}}$$

Solvency ratio =

The company's equity as a percentage of total equity and liabilities =

$$\frac{\text{Equity at end of year} \times 100}{\text{Total equity and liabilities at end of year}}$$

Return on equity =

The company's return on the capital that is invested in the company =

$$\frac{\text{Profit/loss for the year (after tax)} \times 100}{\text{Average equity of the Parent Organisation}}$$

EBITA (Earnings Before Interest, Tax and Amortisation) is defined as the operating profit/loss with the addition of the year's amortisation of goodwill.

Operating assets are total assets less cash and other interest-bearing assets measured at the end of the financial year.

ORGANISATIONAL STRUCTURE



***DDH Forest Denmark**

Hammer Bakker Skov, Karensminde, Ørsted Plantage, Færchs Plantage, Bødskovgaard Plantage, Den Jenssen Buchske Plantage, Apoteker Aagaards Plantage, C. E. Flensborg Plantage, Brylle Vandskov, Doses Plantage, Fjederholt Ndr. Plantage, Arnborg Hedegaard Plantage, Birkebaek Plantage, Kaptajn Schultz Plantage, Fjølstervang Plantage, Gjellerup Plantage, Laugesens Plantage, Tophøj, Jysk Landvindings Plantage.

**** Plantation companies where ownership is less than 20 %**

Volsted Plantage A/S, Plantningsselskabet Legind Bjerge ApS, Aktieselskabet Bjøvlund og Aastrup plantager, A/S Borris Plantage, Give Plantage ApS, Anpartsselskabet Haardkjær plantage, Anpartsselskabet Hejbøl Plantage, Aktieselskabet Houborg plantage, Aktieselskabet Københavns Plantageselskab, Aktieselskabet Løbners plantage, Aktieselskabet Løvstrup plantage, A/S Morsø Sønderherreds plantage, Orten Plantage ApS, A/S Plantningsselskab Sønderjylland, Skelhøj Plantage ApS, Sønderup Plantningsselskab ApS, Beplantningsselskabet Staushede Aktieselskab, Aktieselskabet Stilde plantage, Aktieselskabet Sønder Omme plantage, Tirslund Plantage ApS, Tolne Skov ApS, A/S Tranum plantage, Vistoft Sogns Plantningsselskab ApS and Gammel Skovsende Plantage Anpartsselskab.

*** Until 30.09.2017.



Det danske Hedeselskab

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CVR no. 42344613
Founded on 28 March 1866
Registered office: Viborg
Date of Annual General Meeting:
30 April 2018 in Aarhus

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www.hedeselskabet.dk

April 2018. Design & produktion: Stagis A/S

Photo: Peter Clausen, Hampus Berndtson, Lone Barkholt-Søndergaard, Barkholt Foto, Istock Photo, Best Production, Nicky Bonne, Orbicon, HedeDanmark, Hedeselskabet.

Objects clause

Hedeselskabet ensures that the enterprise operates at a high ethical, professional and profitable level with respect to natural amenities and natural resources in Denmark and abroad.

Hedeselskabet also works actively to improve living conditions, primarily in rural areas, and to exploit natural resources for the benefit of society through research, development and dissemination within nature, environment and energy.

Hedeselskabet can build, acquire, establish and operate real property or business enterprises within the scope of Hedeselskabet's objects clause and in such a way that Hedeselskabet's enterprises are operated in corporate form with limited liability.

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HEDESELSKABET

Green innovation since 1866