

GREEN INNOVATION SINCE 1866

ANNUAL REPORT

2016



HEVESELKABET

Green innovation since 1866



Patron for Hedeselskabet
Her Majesty
Queen Margrethe II of Denmark

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ABOUT HEDESELSKABET

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 nature management, environmental improvement and climate adaptation.

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 operate 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. We are a value-based and attractive employer with competent, service-minded and quality-conscious employees.

THE ASSOCIATION AND DISSEMINATION



The foundation of Hedeselskabet's association is its members. Our 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 within Hedeselskabet's core areas are the key focal points for the association and will take place via different media platforms and events for the members.

INNOVATION AND AWARDS



Profits from Hedeselskabet's business activities are not paid out to owners or shareholders. 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. Up to 25 percent of profits after tax are used for long-term innovation and the award of financial support.

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The foundation of Hedeselskabet's identity



BUSINESS ACTIVITIES



Hedeselskabet's subsidiaries and business units operate 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. We are a value-based and attractive employer with competent, business-focused, service-minded and quality-conscious employees.

Hedeselskabet's business activities represent good quality and service. Our focus is on innovation and digitisation, and we look to supply products and services that provide value to our customers. This is supplemented by our history and extensive experience that go back 150 years. Since 1866 we have endeavoured to develop and deliver solutions to our customers.

We primarily provide solutions for businesses and private customers, as well as central, regional and local government. Today, Hedeseleskabet has a number of legal entities in 12 countries.

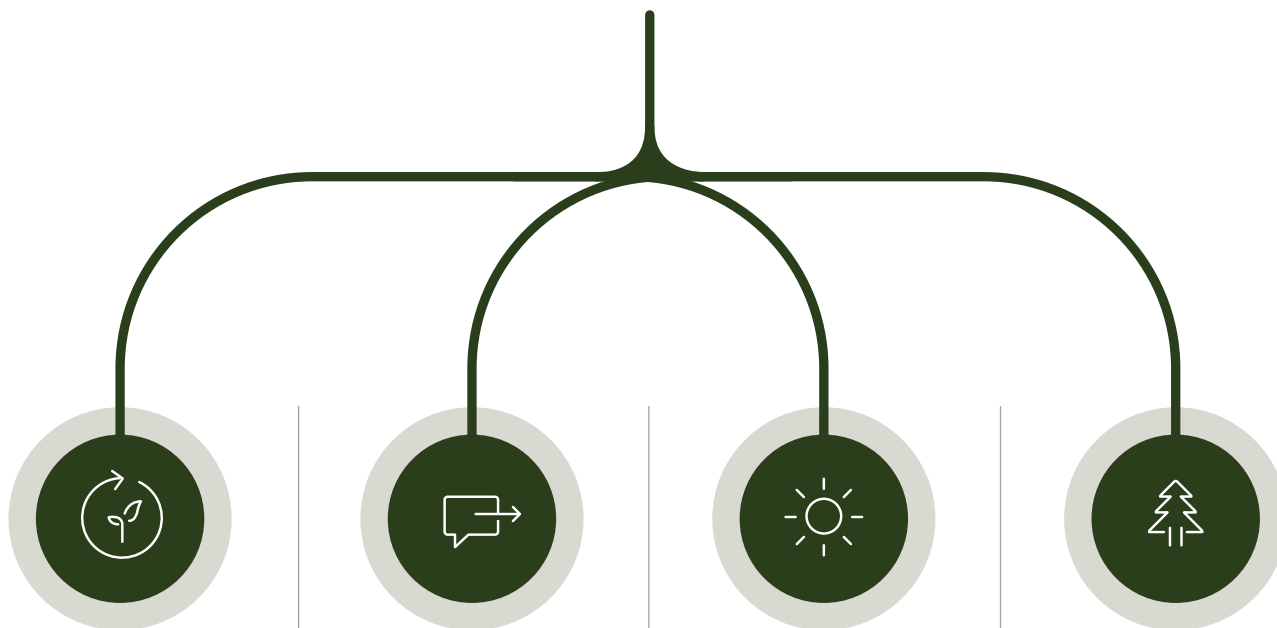
Hedeselskabet's business activities are organised within the group in a manner somewhat similar to a conglomerate in which the subsidiaries are very different and operate with great independence. Subsidiaries and business units benefit from shared group units and systems. Larger subsidiaries have active boards and external board members.

Business activities are rooted in a solid foundation with Hedeseleskabet as the owner. This 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, Hedeseleskabet's commercial activities are divided into four segments: Green Service and Trade, Consultancy, Energy Plants and Forest Ownership.



HEDESELSKABET



GREEN SERVICE AND TRADE

Covers HedeDanmark a/s and affiliated companies that provide services and commodities to the forests, open countryside, gardens and parks, as well as open spaces in towns and cities. The sector is subdivided into the following activities:

- Outdoor Facility Services
- Landscaping, planting and nature management
- Forest and landscape
- Commercial trade



CONSULTANCY

Covers Orbicon A/S and affiliated companies that provide consultancy services within environment, nature, utility supply, building and construction, informatics and building development. The sector is subdivided into the following activities:

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



ENERGY PLANTS

Covers Xergi A/S and affiliated companies that provide design, construction and operating services in connection with biogas plants, in addition to Enricom Sp. z o.o., which operates landfill gas plants.

- Biogas technology and plants
- Landfill gas



FOREST OWNERSHIP

Covers DDH Forest, which comprises HedeSelskabet's own forest properties and fully-owned or partly-owned plantation companies. HedeSelskabet is a major forest owner with properties in Denmark, the Baltic and France.



THE ASSOCIATION AND DISSEMINATION



The foundation of Hedeseelskabet's association is its members. Our 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 within Hedeseelskabet's core areas are the key focal points for the association and will take place via different media platforms and 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.

Through the association, we gather and share knowledge and professional competence, thus enabling us to continue to attract committed members. Knowledge-sharing and dialogue are key focal points – both via digital media and at member events that are held several times a year.

The member events focus on both professional insight into projects and unique experiences in terms of nature or culture. As a member, you also get the chance to meet other members with similar interests.

In Hedeseelskabet's periodical, *Vækst*, we disseminate knowledge with regard to green innovation, nature management, environment and energy between practitioners, experts, members and other stakeholders with a professional interest in these areas.

One of our areas of focus is the recruitment of members from educational institutions within our professional fields. We use our corps of local, active ambassadors to strengthen the dialogue with existing members, as well as recruiting new members in these local areas.

Hedeseelskabet is responsible for the administration of a number of scholarships, as well as the awarding hereof. Such scholarships provide financial support to individuals who exhibit extraordinary endeavour within Hedeseelskabet's core areas.



LOCAL INVOLVEMENT

In recent years, Hedeselskabet has provided support for a number of small-scale projects with funds from its membership pool, whereby members themselves nominate local projects. By awarding these funds, Hedeselskabet wishes to boost local involvement in the utilisation and protection of nature and the countryside. Hedeselskabet's members often have an insight into these particular conditions, and great efforts are made throughout the country to develop nature on a local scale.

An example of such a project is the so-called sea gardens in Ebeltoft Bay, where marine ingredients are cultivated in small 'underwater gardens'. Hedeselskabet has supported the provision of protection against eiders, as these birds often devour the mussels cultivated in the gardens that are due to end their days on the tables of the local instigators.



INNOVATION AND AWARD OF FINANCIAL SUPPORT

Profits from Hedeseelskabet's business activities are not paid out to owners or shareholders. Instead, Hedeseelskabet utilises a portion of these funds to contribute to the development of nature and the environment for the benefit of current and future generations. Up to 25 percent of profits after tax are used for long-term innovation and the award of financial support.

Hedeseelskabet 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 Hedeseelskabet's strategic and innovative development – both nationally and internationally.

Hedeseelskabet supports continuous innovation in its subsidiaries by participating in a number of long-term development projects that take place during the strategic period in question. These projects are designed to meet customers' needs and help the business units to distinguish themselves in the market. During the forthcoming period, the main focus will be on innovation within digitisation.

There is a tradition for Hedeseelskabet to support and/or carry out relevant development projects that make a difference in terms of the utilisation and protection of nature and the countryside.

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



AWARD OF FUNDS - THE FIRST COMPANY FOREST IN DENMARK

In early summer 2016 the first company forest was planted in Denmark. The forest was established in Brande in collaboration between vegetable producer Axel Månsson A/S, non-profit association GROW|FOR|IT and Hedeselskabet. The project involves the conversion of former farmland into new forest. The trees in the area absorb and bind CO₂ from the atmosphere corresponding to 15,000 litres of diesel per year.

The company forest in Brande is a tangible demonstration project from GROW|FOR|IT that aims to show industrial firms how their CO₂ emissions can be offset through afforestation. Hedeselskabet has supported the project financially, whilst HedeDanmark has carried out planting operations.



150 YEARS WITH NEW METHODS

Throughout its 150-year history, Hedeselskabet has constantly striven to find new and more effective ways of dealing with the challenges facing its customers. During recent years, drone technology has been implemented in several areas of the business with a view to enhancing the value offered to the customer.

At HedeDanmark a great deal of experience is available with respect to the use of drones in the provision of before/after documentation in nature management projects, determination of how invasive species are spreading and for identification of storm damage in forests.

In 2016, Orbicon also began using the technology in several projects. Amongst other things, drones have been used in Poland to overfly Enricom's landfill sites in order to register areas with potentially high methane levels, thereby identifying where it may be beneficial to perform new drillings.



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 our work involving innovation and awarding of financial support, 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 to be 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.

PREFACE

2016 has been a unique and eventful year for Hedeselskabet.

Throughout the year we have celebrated Hedeselskabet's 150th anniversary – a milestone that only a handful of Danish companies have achieved. For 150 years, Hedeselskabet has developed in line with the changes taking place in the outside world, and the company has met the needs that customers, members and business partners have had over the years. We are still meeting these needs today and will continue to do so in the future. We have celebrated our anniversary with our customers, members, employees and other key stakeholders. The highlight of our anniversary year was 25 April, where we had the huge honour of welcoming Hedeselskabet's patron, Her Majesty Queen Margrethe of Denmark, to our headquarters in Viborg. This took place on the same day that Hedeselskabet's 150th annual meeting was held.

At Hedeselskabet, our employees are the most important resource, and the organisation today embraces employees with a wide range of different backgrounds and qualifications – from landscape gardeners, constructing architects and Masters of Forestry to engineers, biologists and anthropologists. Across these many professional disciplines our employees are competent, business-focused, service-minded and quality-conscious, and a great effort is made every day to make a difference to nature and the environment.

Hedeselskabet has a tradition for developing new knowledge within its core areas. This is undertaken, among other things, through long-term innovation projects and through participation in the education of Ph.D.s, as well as via the day-to-day business development of its subsidiaries.

With solvency that exceeds 50 %, Hedeselskabet is rooted in a solid foundation, and in 2016 our business units have managed to offer customers innovative products and services at competitive prices, thus resulting in the highest level of activity ever measured in terms of revenue, which reached DKK 2,212 million. For the most part, this increase in

revenue has been achieved through organic growth, with this growth primarily being realised in HedeDanmark's Outdoor Facility Services. Furthermore, Orbicon's building consultancy services have also managed to boost revenue in relation to 2015.

This should be seen in light of the fact that several of our business areas operate in markets that are subject to fierce price competition. It is therefore essential that we continue to develop products and services that meet customer demand and at the same time distinguish our business units in the market. This is one of the focal points in our work concerning the strategic direction for Hedeselskabet.

During the course of the year, HedeDanmark has acquired the activities in Frank Sørensen Anlægsgartner from Southern Jutland, which has strengthened HedeDanmark's presence in the area.

In spite of the growth in revenue, the year has thrown up a number of market and business challenges in specific areas that have had a negative influence on our overall earnings. At HedeDanmark this includes activities in Abu Dhabi, which have felt the impact of both the general economic slump in the region and losses incurred on a major landscaping project. Work is ongoing with regard to an exit strategy from the region.

The market for Christmas trees has been under considerable pressure, which has led to a considerable loss for HedeDanmark's nursery. The company has chosen to undertake a controlled winding-up of activities at the nursery during the forthcoming period.

In addition, lower revenue on several consultancy projects at Orbicon and postponements affecting HedeDanmark's new landscaping tasks in Eastern Denmark have led to a downturn in the financial result, whilst a lack of clear framework conditions within renewable energy has limited our energy plant activities in, for example, Poland and France.

The result for the year is affected by the fact that several business activities involved public procurement contracts that were won, but where subsequent control bids from public operators in some cases led to cancellation of the tender. This gave rise to significant losses in terms of resources and revenue for the business units. Furthermore, several municipal authorities are choosing to in-source specific tasks that have traditionally been performed by private enterprises. An overcapacity often arises in the market as a consequence, thus leading to a fall in both prices and activity levels for the business units involved.

In overall terms, the above circumstances have contributed to Hedeselskabet realising earnings from ordinary activities of DKK 33.8 million, which is less than the expected level and lower than the result for 2015. 2017 will see further focus on improving our delivery model through digitisation and efficiency drives in order to help us remain competitive and deliver the expected services and performance.

2016 has seen extensive work being carried out on implementation, evaluation and development of the strategic direction for Hedeselskabet. The strategy in terms of business activities has been given sharper focus in relation to profitable growth, innovation and customer focus.

The business has a solid foundation with Hedeselskabet as owner, whilst business units and subsidiaries have a strategic aim that will benefit Hedeselskabet as a whole. Hedeselskabet's involvement in companies is primarily limited to those in which we have controlling influence. An ongoing assessment takes place as to whether Hedeselskabet is the right owner of the unit concerned.

As with its business activities, Hedeselskabet's work involving the association and dissemination has also undergone an eventful year. With its 150th anniversary as leverage, the association has strengthened its relations to both existing and potential members. This has resulted in an increase in membership, whilst the number of followers on social media

continues to grow. It is on this basis that we will develop dissemination, knowledge-sharing and dialogue with the members in the future.

Within the association, the period ahead will see a focus on improvement of collaboration with educational institutions and students within our core areas. In addition, Hedeselskabet's corps of ambassadors will be strengthened with a view to recruiting members and increasing dialogue with existing members in local areas.

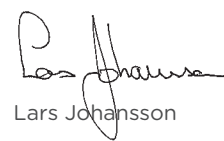
Hedeselskabet has a unique opportunity to develop both its own business activities and the society of which we are a part. We allocate up to 25 percent of profits after tax to generating innovation and awarding funds to projects that help to make a difference to nature, the environment and society in general – both locally and nationally.

The construction project in Høje-Taastrup, where several of the group's locations on Zealand (primarily from Orbicon) are being gathered in a new domicile, is progressing in line with the schedule that Hedeselskabet's Executive Committee approved in 2015. This means that from the middle of 2017, around 300 employees will begin carrying out day-to-day operations at the new address, which carries DGNB gold certification with focus on sustainability in terms of economy and environment.

The implementation of Enterprise Resource Planning is proceeding according to plan, with the first business units having been transferred to the new system. This process will continue with further implementation in different business areas.



Frants Bernstorff-Gyldensteen
Chairman of the
Executive Committee



Lars Johansson
CEO



2016 saw member events offering several unique experiences in the Danish countryside, including Jagtens Hus at Kalø on the Djursland peninsula. The new building is a centre of knowledge, research and education designed to provide a boost for work involving hunting and the countryside. Hedeselskabet has awarded funds for the natural areas surrounding the buildings, with this work being carried out by HedeDanmark.



MANAGEMENT'S
REPORT

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2016

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 has been attained through the group's overall business activities within the segments of Green Service and Trade, Consultancy, Energy Plants and Forest Ownership respectively.

With focus on delivering innovative, high-quality products and a high level of service to customers, in addition to optimisation of their business models, the majority of Hedeselskabet's subsidiaries have managed to realise an increase in revenue in 2016. This has been achieved despite the fact that several business units operate on markets characterised by fierce price competition, with several areas experiencing zero growth during the year.

The key business units returned results in 2016 that were on a par with, or better than, 2015 levels. However, various factors within Green Service and Trade, Consultancy and Energy Plants have had a negative impact on results. These factors are reviewed under each segment in the following.

GREEN SERVICE AND TRADE



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

In recent years, a solid foundation for profitable growth has been established in HedeDanmark. The company has launched a 'green laboratory' under the name HD GreenLab which aims to increase the rate of innovation, whilst ensuring an agile and cost-effective test bed for new business ideas. Furthermore, HedeDanmark has carried out an organisational change designed to ensure an even better position in relation to customers by focusing on factors such as development, customer relations, knowledge-sharing and internal and external collaboration.

HedeDanmark realised an increase in revenue in 2016, whilst earnings from ordinary operations were on a par with 2015. The company has, in particular, strengthened its position within two major business areas: Forestry and Outdoor Facility Service.

During the course of the year a number of new, fixed agreements have been reached with forest owners, in addition to which HedeDanmark has managed to enhance customer relations through a well-developed sales organisation and training of employees aimed at strengthening dialogue and consultancy services provided to the customer. The positive development in terms of the company's forestry operations has been achieved in spite of this year's mild winter, which has meant less demand for woodchips for climate-neutral energy production.

The positive development in Outdoor Facility Service is a result of continuous development of new services, an effi-

cient delivery model, additional sales to existing customers and greater value proposition to customers. At the same time, the acquisition of Southern Jutland's biggest independent landscape gardening enterprise, Frank Sørensen Anlægsgartnere, has led to greater presence in Southern Jutland.

The market for Outdoor Facility Services in municipal authorities is generally subject to widespread price competition. HedeDanmark has tried to meet this competition by developing collaboration with customers on the basis of a number of digital solutions for use in connection with, for example, winter services, which enable the company to better exploit resources and thereby handle greater volumes. Partnering agreements have also been concluded with a number of municipal authorities, which gives both HedeDanmark and its clients a shared incentive to develop new solutions and optimise operations.

Unlike the business areas of Forestry and Outdoor Facility Service, HedeDanmark's activities in Abu Dhabi have had a negative impact on the overall result. Development in the region has been affected by the low price of oil and a slump in local activities, which during the year have exacerbated the situation for HedeDanmark's business areas. At the same time, losses on a major landscaping project which commenced in 2015 have had an impact on the result for the financial year. Work is being carried out on an exit strategy from the region – a process that will continue in the immediate future.

The market for Christmas trees has been under considerable pressure, which has resulted in a heavy loss for HedeDanmark's nursery. The company has decided to carry out a controlled winding-up of activities at the nursery. The closure of the nursery will not have any consequences for HedeDanmark's commercial trade of seeds and operation of seed plantations, which continue to be regarded as important activities.

HedeDanmark has sold more Christmas trees in 2016 than in previous years, which can in part be attributed to the acquisition of commercial enterprise NordicTrees. With this takeover, HedeDanmark has acquired greater volume and gained access to new customers. At the same time,

the company's customers on the supplier side now have greater access to markets in Eastern Europe in particular.

The acquisition could not compensate for the difficult conditions on the Christmas tree market, however, which is affected by fierce price competition and write-downs on own trees, which have had a negative impact on earnings in the area.

Good customer satisfaction and project management, in addition to many years devoted to the development of customer relations and value propositions have contributed to a pick-up in activity levels for HedeDanmark's contracting services such as landscape management. Several of the areas of operation have been hit by greater competition and falling prices, however. The challenges are more severe in terms of landscaping, where project delays in Eastern Denmark have had a negative impact on earnings in 2016.

CONSULTANCY



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

During the course of 2016, Orbicon has developed new, digital solutions that have boosted the value proposition for customers and helped distinguish the company from its competitors. The project model and project management system have been further developed with a view to generating extra focus on each customer and the needs of said customer. Several consultancy markets are currently in a state of flux, and Orbicon has thus invested in targeted recruitment of new and innovative skills and the development of new knowledge aimed at providing enhanced services and maintaining competitiveness. Although revenue increased in 2016, earnings fell in relation to 2015 due to developments in building and construction consultancy.

Orbicon has managed to increase the relative share of the markets within environment and utility supply, which are traditionally politically regulated. The company has

thus maintained revenue in these consultancy markets, which have experienced a slump due to lower political priority and uncertainty concerning the distribution of expenses between utility supply companies and the authorities.

Around 10 % of the revenue at Orbicon stems from international activities, which represents an increase in relation to 2015. In Sweden, the company has managed to exploit the positive growth in the country, in particular in residential development, which has had a knock-on effect in terms of environmental activity. Expectations to the consultancy market in Sweden are positive, with Orbicon's special competencies within environmental and geotechnical surveys becoming increasingly attractive to Swedish customers. Orbicon has also achieved growth on the Greenlandic market, although in this case the market remains dependent on developments in Greenland's economy in general.

Digital project engineering and new skills have been crucial for customers' choice of Orbicon's services within building and construction consultancy in 2016. The area is seeing positive development in terms of revenue, thus reflecting a general upturn in the building and construction sector.

The year's downturn in earnings can primarily be attributed to the fact that several building projects have been completed with limited profits, or indeed losses. Furthermore, investments have been made in the development and implementation of digital competencies and digital models in connection with the design of building and construction projects, which has led to lower earnings on individual projects. In order to prevent future project losses, Orbicon has invested in upgrades to its delivery model for the benefit of customers and business partners. These investments are designed to achieve better project execution through new knowledge and methods for Orbicon's project managers, leading to further focus on project implementation, bid selection and contract management.

In addition to lower earnings on individual projects, Orbicon has faced challenges on certain consultancy markets. There has been a slowdown in government

infrastructure investments, which has had a knock-on effect throughout the market and in terms of prices. Moreover, utility companies are to an increasing extent assuming control of traditional consultancy tasks, which has reduced the number of jobs in the sector in general and thus had an impact on Orbicon's earnings potential in the area.

ENERGY PLANTS



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

2016 has been characterised by the execution of previously won projects, technology development and exhaustive sales work at Xergi. On the basis hereof, the company was chosen as supplier of the biggest construction project in Xergi's history. A turnkey biogas plant is to be built in Ballymena, Northern Ireland, and is based on chicken manure, where Xergi's innovative technology is employed. The project is of considerable importance to the company's future, as it opens up new market perspectives. In addition to the major project in Northern Ireland, Xergi will also be building a new biogas plant in Bonby in the north of England. Despite these new orders, political conditions, market challenges and period deferral in order intake have resulted in Xergi seeing a fall in revenue and earnings in 2016 in relation to 2015.

The plant subsidy that was granted in connection with the Danish energy policy agreement of 2012 has been exhausted. However, expectations with regard to the national market during the years ahead remain positive, since it is expected that tenders will be invited for biogas plants to which Xergi's technology is particularly well-suited.

Expectations to the biogas market in France are more muted than earlier. This has had an impact on Xergi's activities in France in 2016.

Xergi is constantly working on new geographical markets and segments with a view to expanding and developing its international business activities.

Danish and international customers can take advantage of a newly developed project portal which Xergi launched in 2016. This digital solution enhances delivery, making it more efficient, reducing the risk of errors and saving resources. At the same time, the new IT platform supports a strengthened service function at Xergi, in which the customer will find support for the biological process, technical support and spare parts sales combined in a single solution.

Activities involving gas recovery from Polish landfill sites at Enricom Sp. z o.o. were negatively affected in 2016 by the considerable turmoil that surrounds the market for renewable energy in Poland. The effect of new environmental legislation in the country has led to a number of unresolved issues that have caused uncertainty with regard to pricing of energy certificates – with further drops in price as a consequence. The expected stabilisation of price levels on energy certificates has thus not occurred, and revenue and earnings at Enricom have fallen in 2016 compared to 2015 levels.

The company has carried out a number of initiatives that have stabilised gas production and counteracted the reductions in gas recovery that affected earnings the previous year. During the course of the year, further cost reductions have been implemented. The initiatives that have been put in place, however, have been unable to compensate in full for the negative price development on renewable energy in Poland.

FOREST OWNERSHIP



Hedeselskabet's Forest Ownership has been amassed under the name DDH Forest. The unit consists of Hedeselskabet's forests in Denmark, the Baltic and France, in addition to plantation companies that are owned either in whole or in part by Hedeselskabet.

DDH Forest has realised revenue and earnings in 2016 that are on a par with the previous year.

Forest management has been stable in 2016 without significant external challenges such as storm damage. Replanting following previous storms is now complete. Profits from the sale of forests at Skovselskabet Skov-

Sam Holding and Skovselskabet Skov-Sam II, which are partly owned by Hedeselskabet, have made a positive contribution to the result for the year.

The market for timber has been marked by stable price development, whilst the market and prices for woodchips have been under pressure in 2016. In overall terms, fewer cubic metres of wood were felled in 2016 than in 2015, but a number of initiatives implemented during the course of the year have enabled earnings from the forests to remain at 2015 levels.

Renting out of areas for hunting activities and renting out of dwellings in the forests, both of which continue to make up a significant source of income, have remained stable.

During the course of the year, the purchase of 70 hectares of farmland near Brylle on the island of Funen was carried out in partnership with VandCenter Syd. Afforestation will commence on the area in 2017 aimed at providing groundwater protection. Investment in the forest contributes to the optimisation of Hedeselskabet's overall forest ownership, in addition to which the unique collaboration with a water company opens up a new business model for DDH Forest. The project also exploits Hedeselskabet's range of competencies, with Orbicon responsible for the distribution of land and HedeDanmark looking after afforestation. In 2017, the partnership with VandCenter Syd is expected to be extended by means of further purchase of land, such that a total of 130 hectares of forest can be combined in the area.

ASSOCIATION AND DISSEMINATION

Hedeselskabet's 150th anniversary has resulted in greater visibility for Hedeselskabet as an association, not only amongst existing members, but also amongst potential members that share Hedeselskabet's interest in the utilisation and protection of nature and the countryside.

During the anniversary year, Hedeselskabet has visited educational institutions and its own locations in Denmark, Sweden and Germany, in addition to which Hedeselskabet has participated in events such as the DHL Relay fun run and a 24-hour run in Viborg, which both attracted positive attention. Dialogue with numerous individuals

during the year has revealed plenty of interest in Hedeselskabet's values, which has created a solid basis for the development of the association in the future.

In 2016, Hedeselskabet's association experienced an increase in the number of members, thus taking total membership up to more than 2,600. The influx of new members can be attributed to the many activities, greater focus on dialogue and knowledge-sharing with the members via digital media and in-house periodical, *Vækst*.

Social media such as Facebook have been an effective means of communication with the members, and a continuous increase can be seen in the number of people following Hedeselskabet's official Facebook page.

10 member events have been held during the course of the year. The number attending these events continues to increase, and work is ongoing with regard to meeting this increasing demand.

INNOVATION AND AWARDING OF FUNDS

It is Hedeselskabet's intention to use up to one quarter of its profits after tax 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.

In collaboration with Thyborøn Invest A/S, Hedeselskabet established Blå Biomasse A/S in 2016. The aim in this case is to cultivate blue mussels in the Limfjord for large-scale production and to develop a commercial application of the blue protein-rich biomass for animal feed, foodstuffs and – in the longer term – other high value products. At the same time, blue mussels are an effective means of removing nitrates and phosphorus from the aquatic environment.

A number of development projects funded by Hedeselskabet were completed in 2016. This applies to projects such

as a new eco-friendly method of protecting plants against weevils. The project is due to continue at HedeDanmark with more experiments and optimisation of the method.

The INOPS project, in which researchers from Aalborg University have examined different conditions concerning public procurement of green municipal tasks in Denmark, Sweden, Norway and the UK, has also come to a conclusion, and knowledge and results gained will be applied in an ongoing manner.

Hedeselskabet also awards funds to a number of different projects every year. In 2016, support from Hedeselskabet contributed to Denmark's first company forest being planted near Brande. Former farmland has been converted to new forest, with the aim being to demonstrate to industrial enterprises how their CO₂ emissions can be balanced via afforestation. In addition, the local population now has access to a recreational area.

At the lake at Tange Sø, Hedeselskabet has supported the construction of three bridges that are designed to improve access and enable better dissemination of the history, biodiversity and cultural landscape in the countryside.

In the late summer of 2016, Østerby dam in Jelling was recreated. With the help of financial support from Hedeselskabet, a group of local citizens have recreated the natural resort as it was in earlier times, thus creating a new green setting for the benefit of local people and visitors.

Events taking place subsequent to the end of the financial year

Following the end of the financial year, Hedeselskabet has entered into a conditional outline agreement with a pension fund on the selling-off of the company's headquarters in Viborg and the domicile property in Høje-Taastrup, which is currently under construction. A due diligence process is presently taking place on the properties. This is expected to be completed during the spring and a takeover of the properties is expected to be executed during autumn 2017. Concurrently with any sale, long-term leases on the two properties will also be signed, such that employees at Hedeselskabet and the business units concerned will retain their commercial address at the two locations.



INNOVATION WITH ASH ON THE FOREST FLOOR

When trees are removed from the forest, either as timber or woodchips, important nutrients that are bound in trunks and branches are also removed. When burning woodchips, energy is generated, as is a waste product in the form of ash. In order to close the gap in terms of the consumption of resources and to ensure that important nutrients are recycled and reused, Hedeselskabet and HedeDanmark have developed a concept that will be offered to forest owners in 2017, whereby this ash is returned to the forest. The nutrients are thereby incorporated into the cycle and contribute to a sustainable production of wood and ensure a basis of growth in the forest, both currently and in the longer term.

The concept has been developed on the basis of results from a number of intensive trials at the plantation at Gedhus Plantage, which is owned by Plantningsselskabet Steen Blicher. Here the effects of the spreading of ash – in particular the effects of a higher dosage of ash – have been investigated.



FINANCIAL HIGHLIGHTS FOR THE GROUP

Key Figures

	2016 EUR million	2016 DKK million	2015 DKK million	2014 DKK million
Revenue	297.1	2,212.2	2,056.6	2,088.5
– of which international revenue	15%	15%	14%	16%
Profit/loss from ordinary activities (EBIT)	4.5	33.8	57.6	48.0
Profit/loss from equity investments after tax	1.2	8.6	14.0	12.4
Net financials	-2.5	-18.8 ¹	-5.4	-0.2 ²
Profit/loss before tax (EBT)	3.2	23.6	66.2	60.2
Tax on profit for the year	-1.7	-12.5	-14.5	-13.7
Profit/loss for the financial year	1.5	11.1	51.7	46.5
Fixed assets	147.4	1,095.9	1,036.3	977.3
Current assets	91.9	683.2	623.9	713.7
Total assets	239.3	1,779.1	1,660.2	1,691.0
Contributed capital	6.7	50.0	50.0	50.0
Equity capital	121.2	900.9	906.2	852.0
Provisions	6.3	46.9	43.3	29.6
Long-term debt	40.2	298.7	228.2	192.7
Short-term debt	71.6	532.6	482.5	616.7
Total equity and liabilities	239.3	1,779.1	1,660.2	1,691.0
Cash flow from operating activities	1.3	9.4	101.9	93.4
Net cash flow for investing activities	-15.8	-117.5	-93.2	-17.4
- of which for investments in property, plant and equipment	-14.0	-104.3	-51.4	-20.4
Cash flow from/for financing	8.0	59.3	32.8	-14.5
Total cash flow	-6.5	-48.8	41.5	61.5
Key ratios (For definitions, please refer to Accounting Policies)				
EBT margin	1.1	1.1	3.2	2.9
Return on capital employed	2.7	2.7	4.3	3.6
Solvency ratio	50.6	50.6	54.6	50.4
Return on equity	1.2	1.2	5.9	5.6
Changes in equity				
Equity at beginning of year	121.7	906.2	852.0	811.8
Retained earnings	1.5	9.7	50.3	45.1
Foreign exchange adjustments of foreign subsidiaries	0.0	-4.3	0.1	-7.2
Fair value adjustments of hedging instruments	-0.6	-11.8	3.9	0.8
Other adjustments	-1.6	1.1	-0.1	1.5
Equity at end of year	121.0	900.9	906.2	852.0
Employees				
Average number of employees	1,426	1,426	1,333	1,375

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

2 Includes reversed write-down of financial assets of DKK 4.1 million.

3 Includes write-down of financial assets of DKK 16.7 million.

FINANCIAL REPORT

Revenue in DKK million

2,212.2 ▲ (8 %)

Earnings from ordinary activities in DKK million

33.8 ▼ (-41 %)

HEDESELSKABET, GROUP	2016	2015
Revenue in DKK million	2,212.2	2,056.6
- of which international revenue	15 %	14 %
EBIT in DKK million	33.8	57.6
Equity in DKK million	900.9	906.2
Solvency ratio in %	50.6	54.6
Number of employees	1,426	1,333

Result for 2016

Revenue in 2016 amounted to DKK 2,212.2 million, which is an increase of 7.6 % in relation to 2015. Revenue in 2016 has been realised on the basis of a higher level of activity and falling sales prices in the group's key areas.

Operating income has fallen as a result of the winding-up of the nursery and landscaping activities in Abu Dhabi, as well as lower earnings and losses on a number of projects within building and construction consultancy. Positive developments in other business areas, including Outdoor Facility Services and forestry activities, have not been able to compensate for the fall in operating income.

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, Skov-Sam and Emirates Landscape L.L.C.

Net financing costs continue to be affected by the very low rate of interest on the group's interest-bearing debt. The group has exploited the low interest rate during the course of the year to further convert long-term loans from short-term adjustable rate loans to long-term adjustable rate loans.

The purpose of Hedeselskabet Strategy & Innovation is to contribute to the development of ideas into profitable business in collaboration with the business units in order to ensure Hedeselskabet's long-term strategic and innovative development. Hedeselskabet transferred DKK 4.7 million to Hedeselskabet Strategy & Innovation in 2016, which is on a par with the level in 2015. This amount has been deducted from operating income.

Earnings from ordinary activities for the group amounted to DKK 33.8 million, which is not considered to be satisfactory.

Winding-up of nursery and landscaping in Abu Dhabi

The net profit for 2016 has been affected by significant provisions set aside for the winding-up of the nursery and landscaping activities in Abu Dhabi. Pre-tax profits are thus affected by losses and provisions of DKK 25 million for the winding-up of these areas.

Segments in the group

GREEN SERVICE AND TRADE, HEDEDANMARK	2016	2015
Revenue in DKK million	1,683.8	1,561.3
- of which international revenue	16 %	16 %
EBIT in DKK million	53.6	54.4
Equity in DKK million	282.7	277.2
Solvency ratio in %	42.7	40.1
Number of employees	785	763

HedeDanmark realised earnings from ordinary operations of DKK 54 million in 2016, which is similar to last year's result, which was the best result returned to date. 2016 saw the falling revenue experienced in recent years turned into growth of 7.8 percent. As described above, the subsidiary had to carry DKK 25 million to the debit side for winding-up of the nursery and landscaping activities in Abu Dhabi.

The decision to close HedeDanmark's nursery means that from summer 2018 HedeDanmark will no longer produce and sell plants for forests, hedges and shelterbelts, nor garden and park plants. For a number of years, the nursery has faced a heavy challenge from competing nurseries and foreign facilities that have reduced their wage costs considerably through the use of subcontractors and initiated a considerable overproduction of Nordmann fir.

HedeDanmark's activities within landscaping and care of green facilities in Abu Dhabi have been marked by difficulties for several years in a highly competitive market. The activities that are run through associated company Emirates Landscape L.L.C. have faced an even greater challenge in 2016 due to the local economy being hit by falling oil prices. This has meant that the market for landscaping in Abu Dhabi has seen a marked slowdown. This slump has continued throughout the year, whilst several customers have found it difficult to pay for work ordered on time.

As a consequence of the difficult state of the market, it has been decided to wind-up the area within the establishment of green landscapes once current projects have been completed. In future, Emirates Landscapes will concentrate solely on performing tasks within care and maintenance.

CONSULTANCY, ORBICON	2016	2015
Revenue in DKK million	524.5	490.3
- of which international revenue	9 %	8 %
EBIT in DKK million	2.5	21.1
Equity in DKK million	59.1	64.3
Solvency ratio in %	24.3	27.5
Number of employees	579	519

Orbicon realised earnings from ordinary operations of DKK 2.5 million in 2016, a figure that is significantly below last year's result and expectations for the year. Orbicon realised a growth in own revenue of 7.2 percent in 2016. The disappointing result can

be attributed to the building division at Orbicon, which has been hit by a combination of lower earnings and project losses on a number of individual cases. During the year, Orbicon has reorganised the building division's project and tender intake and implemented new management systems.

ENERGY PLANTS, XERGI (100%)	2016	2015
Revenue in DKK million	181.8	410.5
EBIT in DKK million	-6.5	24.1
Equity in DKK million	68.0	68.7
Solvency ratio in %	39.6	46.6
Number of employees	83	84

ENERGY PLANTS, ENRICOM SP. Z O.O.	2016	2015
Revenue in DKK million	7.3	8.8
EBIT in DKK million	-6.0	-5.6
Equity in DKK million	29.6	40.2
Solvency ratio in %	60.5	67.6
Number of employees	15	15

Xergi is a project company and has felt the effects of deferred projects in 2016. In 2016, Xergi realised revenue of DKK 181.8 million, against DKK 410.5 million in 2015 and a loss before tax of DKK 3.6 million, against a profit of DKK 20.6 million in 2015. Hedeselskabet owns 50% of Xergi, with the remaining 50% belonging to A/S Schouw & Co.

Enricom Sp. z o.o. realised revenue of DKK 7.3 million, which is considerably lower than in 2015. Considerable inertia in the Polish government's implementation of new legislation concerning renewable energy, which has had a negative effect on prices, is the primary reason behind the unsatisfactory result for Enricom Sp. z o.o.

FOREST OWNERSHIP, DDH FOREST	2016	2015
Revenue in DKK million	17.9	18.7
- of which international revenue	12 %	13 %
EBIT in DKK million	5.2	8.2
Minority share	-0.4	-0.4

More than 1,000 hectares of forest have been sold during the year. Sales have primarily come about via the associated companies of SkovSam. Profits from the sale of forests amount to DKK 7.6 million, as opposed to DKK 4.7 million in 2015.

Balance Sheet 2016, Group**Assets****Net investments in DKK million**

117.5

▲ (26 %)

The balance sum is on a par with that from last year. During the course of the year, businesses have been acquired at a value of DKK 8.3 million that can be assigned to HedeDanmark.

In 2015 Hedeselskabet began the construction of a new domicile property in Høje-Taastrup with Orbicon as primary tenant. Building work is progressing according to plan and is expected to be completed in mid-2017. As of the end of 2016, DKK 125 million has been spent on the ongoing building project.

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**Equity in DKK million**

900.9

▼ (-1 %)

Solvency ratio in percent

50.6

▼ (-4 %)

The group's equity stands at DKK 900.9 million as at the end of 2016. The equity has been reduced by DKK 9.7 million as a consequence of changes in operating income.

As of the end of 2016, solvency was 50.6 percent, as opposed to 54.6 percent the previous year. By the end of 2016, the value of the company's forests and forest investments made up almost 2/3 of the equity.

During the course of the year, total funds of DKK 1.4 million have been awarded to projects reflecting the association's objects clause. These funds have been distributed as follows:

FUNDS AWARDED**2016**

Nature bridges at Tange lake, incl. digital platform	180,000
Denmark's first company forest	175,000
New edges at Østerby dam, Jelling	150,000
Establishment of energy garden, Energy Museum, Bjerringbro	200,000
Projects at Kongenshus Hede	155,000
Efficient property operations, drone project, Slagelse	250,000
Establishment of historic bench, Hedehusene	75,000
Anniversary scholarship	150,000
Members' pool - Eider protection at sea gardens	25,000
Members' pool - Native house Arnborg	25,000
Members' pool - Eat your forest	25,000
Members' pool - Allindelille protected forest	25,000
Total	1,435,000

Liabilities**Net interest-bearing debt in DKK million**

461.9

▲ (36 %)

As of the end of 2016, the group's interest-bearing debt had increased by DKK 122.1 million to stand at DKK 461.9 million, which can primarily be attributed to financing of the new domicile building in Høje-Taastrup.

The group's financing structure is to a great extent based on credits with a loan period of more than 1 year. 65 % of the interest-bearing debt is long-term debt, of which 53 % falls due more than 5 years after the balance sheet date. Fixed rate loans make up 84 % of the long-term debt as at the end of 2016, against 48 % at the end of 2015. This development is primarily due to continued strong cash flow in the group despite the 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 DKK 1 million.

Cash flow statement**Free cash flow in DKK million**

9.4

▼ (-91 %)

The year's cash flow from ordinary activities amounts to DKK 85.9 million, against DKK 108.8 million in 2015. 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 totalling DKK 51.3 million that were received immediately after the end of the year.

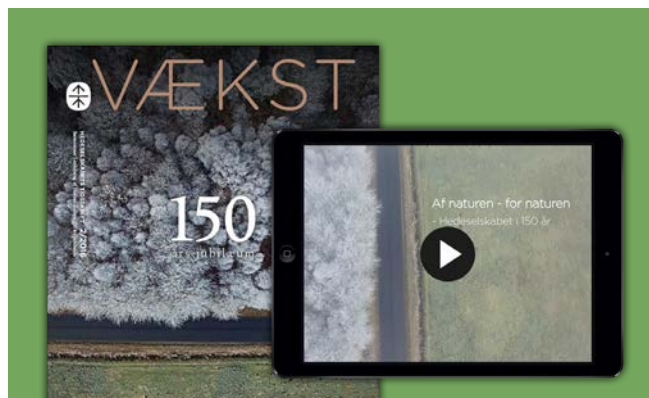
A UNIQUE ANNIVERSARY

Hedeselskabet celebrated its 150th anniversary in 2016. Employees, members, customers and business associates have helped to celebrate the year, in which we have managed to exhibit respect for Hedeselskabet's history, as well as boosting awareness of Hedeselskabet as it is today.



On tour throughout the country

2016 has seen Hedeselskabet's anniversary vehicle touring educational institutions, exhibitions and the group's locations in Denmark, Sweden and Germany. Competitions, video recordings and our mini-museum featuring historical objects have helped to make these visits memorable. The aim was to disseminate knowledge of Hedeselskabet's past, present and future. At the same time, it represented a chance to create contacts amongst students that perhaps one day will be employed in the group or will become members of Hedeselskabet.



Spreading word of the anniversary - across different media

During the year, focus was applied to the anniversary on social, digital and analogue media. Spring 2016 saw the premiere of an anniversary film outlining 150 years of history seen from Hedeselskabet's perspective through pictures, interviews and drone recordings. Hedeselskabet's periodical, Vækst, which has been issued to members since 1879, was published in an anniversary edition. On Hedeselskabet's Facebook and website, competitions have been run throughout the year, with the story also being told here.



Royal visit

25 April 2016 was a special day for Hedeselskabet. Its patron, H. M. Queen Margrethe, visited the headquarters in Viborg. Many local citizens also attended, which made the day even more festive – amongst these were several hundred happy children waving flags. Furthermore, Hedeselskabet held its 150th annual meeting with participation of the Committee of Representatives, Executive Committee and various business connections.



A permanent landmark

In front of Hedeselskabet's headquarters in Viborg, a permanent memento of the 150th anniversary has been erected: an almost four-metre-high wooden sculpture in the shape of Hedeselskabet's logo icon. The sculpture was inaugurated in April and now adorns the attractive surroundings with Viborg Cathedral in the background when looking towards the town from the headquarters.



Nationwide exercise

During the anniversary year, employees from throughout Denmark have had the chance to take part in DHL Relay fun runs in the country's four biggest cities and the 24-hour run in Viborg. Many chose to run or support the runners, as well as turning it into a good social event with Hedeselskabet as host.

EXPECTATIONS

BUSINESS ACTIVITIES

Hedeselskabet has a goal of achieving controlled, profitable growth in 2017 with focus on both revenue and earnings. It is therefore important that the business continues to develop products and services, good quality and provide good service to its customers. Opportunities for strategic acquisitions both nationally and internationally will continue to be sounded out.

For the business areas of Green Service and Trade at HedeDanmark and Hedeselskabet's Forest Ownership in DDH Forest, earnings in 2017 are expected to be at a similar level to 2016. With regard to Consultancy, Orbicon expects an overall increase in revenue and earnings both in Denmark and abroad.

In the energy area, a considerable improvement in both revenue and earnings is expected at Xergi. In 2016, the company built up an order pipeline that will have a positive impact on earnings in 2017. For Enricom, 2017 is expected to provide clarification of possible support for gas recovery from landfill sites in Poland. The implications for Enricom are not yet known. In overall terms, an improvement in results for the energy plant area is expected in 2017.

In Høje-Taastrup a new office building is being built that will function as a location for a number of business activities on the island of Zealand. The construction process is running according to plan, with the new premises ready to be occupied by mid-2017.

The implementation of a new joint group resource planning system (Enterprise Resource Planning) continued in 2016, with several business units being coupled up to the solution. The ongoing implementation in different business areas will continue in 2017.

ASSOCIATION AND DISSEMINATION

In 2017, Hedeselskabet's association will continue to build on the solid foundation for knowledge-sharing and network creation created by the anniversary year. During the coming period, there will be particular focus on strengthening dialogue with educational institutions through participation in different study events and conference days, as well as facilitating lectures and workshops for students.

Hedeselskabet's ambassadors will shortly be strengthened with a view to recruiting more members and ensuring greater dialogue with existing and potential members in local areas.

Better dialogue with existing and potential members, in addition to greater visibility in relation to educational institutions, is expected to result in a continuous increase in membership and the number of followers on digital platforms such as Facebook and Instagram.

INNOVATION AND AWARDING OF FUNDS

It is expected that up to 25 % of profits after tax will go to innovation, dissemination and funds awarded to projects.

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

Hedeselskabet expects earnings before tax to be of the order of DKK 50 million in 2017.

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 material 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 wheel, 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_fondsledelse_2016.pdf

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 for the benefit of society by promoting sustainable development with focus on responsibility. 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 also 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 via Hedeselskabet's status as a business foundation. Selected examples and cases can be found elsewhere in the annual report.

Hedeselskabet's CSR policy was most recently updated in 2016 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 management 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 own forests in Denmark are subject to PEFC certification. 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 in Hedeselskabet's activities has continued in connection with planning, performance and follow-up work. These efforts are supported on an ongoing basis by new and digitised processes that will continue to be developed in the future. During the course of the year, efforts have included a reduction in transport needs by optimising transport planning, as well as a reduction of energy consumption at the enterprise's premises, which has helped to reduce the relative energy consumption per employee. This is also amongst the objectives of the solutions chosen in connection with the construction and operation of the future domicile in Høje-Taastrup.

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 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 bio-energy – 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

CORPORATE SOCIAL RESPONSIBILITY

plant matter. Hedeselskabet's projects include the establishment of a 'water forest' on the island of Funen.

- 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.
- Work is being carried out on the optimisation of transport, both internally in relation to the transport of employees and externally in connection with the 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.

Work involving the reduction of impact on the environment and climate will continue in 2017. It is hoped and expected that the initiatives, actions and follow-up work that have been commenced at Hedeselskabet will benefit nature and the environment by contributing to a reduction in the effect of climate change and impact on the environment.

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. No targets have been set for the number of trainees, apprentices and interns. 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 enterprise, the average rate of absenteeism due to illness has been higher than at comparable companies. A number of action plans have been implemented aimed at minimising absenteeism due to illness in 2016. These action plans include interviews related to sickness absence and a procedure by which the employee can return to work. The effects of these initiatives have not yet been realised in full. Further initiatives have been launched featuring clarifying and preventive actions in which both employees and businesses will be involved. Follow-up will take place on these efforts, which are expected to 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 2016 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, including HedeDanmark's

subsidiaries in Denmark. The approach to this work is based on materiality and risk.

The aims of this policy include a wish 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 2016 in order to ensure that the code is observed. 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 on responsible supplier management will continue in 2017.

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 2016. During the year more work has been done to extend communication concerning anti-corruption policies to management groups and employees. The expectation in 2017 is a continuation of the work involving this being made more visible to management groups and employees, in addition to broader implementation of policies that define the group's position in the area.

DIVERSITY IN THE MANAGEMENT

Hedeselskabet's Executive Committee has adopted a target of 17 % with respect to the under-represented sex in the Executive Committee in 2017. The 17 % figure is measured on the basis of the number of members of the Executive Committee elected by the Committee of Representatives. The target was achieved in 2016, when the percentage of the minority sex was 33 %. It is expected that the current level of 33 % of Hedeselskabet's Executive Committee members will be maintained in 2017.

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 2016 the under-represented sex measured on the basis of the total number of board positions in the group's Danish subsidiaries was 13 %, whilst the share measured in terms of external board members was 27 %. Work will continue in 2017 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.

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

At employee appraisals during the course of 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 underrepresented 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.

The expectation for 2017 is a continuation of the policy, as well as follow-up that ensures that skills make up the overriding parameter with respect to recruitment and promotion.

RISK MANAGEMENT

RISKS

Currency risks

Hedeselskabet's international activities result in currency risks for the group. It is the group's policy to reduce currency risks by individually evaluating each assignment and market with regard to foreign currency hedging. Currency overdrafts are normally set up through credit institutions on the basis of an ongoing compilation of currency exposure in the major currencies. Forward contracts are also used to provide a safeguard against currency exposure. Investments in short-term and long-term receivables in affiliated foreign companies are normally not hedged in terms of currency. However, Hedeselskabet has secured a loan in US dollars in order to hedge a debt with the associated company Emirates Landscape L.L.C. in the United Arab Emirates.

Interest rate risks

Interest-bearing debt and interest-bearing assets in Hedeselskabet amounted to a net debt of DKK 461.9 million at the end of 2016. In order to minimise interest costs and risks, cash pool and interest netting agreements covering debts in the group's main currencies, primarily Danish Kroner and Euro, have been reached with Hedeselskabet's credit institutions. Furthermore, liquidity swaps have been used during the year.

In 2016 the group exploited the low interest rate during the year to convert long-term loans from predominantly short-term adjustable rate to predominantly long-term adjustable rate.

Hedeselskabet financed the conversion and extension at Klostermarken 10-12 in Viborg in 2008 through a 30-year mortgage loan. Hedeselskabet has chosen a fixed rate of interest for the next 11 years by means of an interest rate swap. In addition, the interest rate on financing of the construction of a new office building in Høje-Taastrup has been secured by means of interest rate swaps at a fixed rate of interest for 20 years. Such hedging is characterised as

derivative financial instruments in the financial statements. Hedeselskabet does not otherwise have any derivative financial instruments.

Credit risks

A significant percentage of Hedeselskabet's customers consist of public customers, where the exposure to financial losses is minimal. Hedeselskabet's trade receivables from other customers are subject to ordinary credit risks. Credit assessment is therefore carried out with respect to these customers prior to commencement of an assignment. Trade receivables are covered through bank and insurance guarantees and letters of credit to whatever extent this is deemed appropriate.

Liquidity and loan risks

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

Market risks

Decisions and postponements to the implementation of political initiatives 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. Hedeselskabet seeks to reduce the risks that are associated herewith by adapting and allocating activities in accordance with the effects.

Claims from customers and business partners are risks which Hedeselskabet tries to limit through professional liability insurance and contract guarantees.

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.

Sex: Man, born: 1954

Most recently re-elected: 2015;

election term expires: 2017

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
- Fonden af 28. maj 1948
- 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.

Sex: Man, born: 1963

Most recently re-elected: 2016;

election term expires: 2017

Independent: Yes

Chairman:

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

Board member:

- Dalgasgroup A/S
- Den Shimmelmanske 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 competences in internationalisation, change management, operational improvements, organisational development, service management, acquisition and disposal of companies.

CFO for TDC A/S

Sex: Man, born: 1967

Elected: 2015; election term expires: 2017

Independent: Yes

Chairman:

- Alliance+ A/S
- Chr. Olesen & Co. A/S

Board member:

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

Bolette van Ingen Bro

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

Sex: Woman, born: 1965

Elected: 2016; election term expires: 2018

Independent: Yes

Board member:

- Dalgasgroup A/S
- Danske Fiskeauktioner 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 matters. CEO of LD.

Sex: Woman, born: 1956

Elected: 2016, election term expires: 2018

Independent: Yes

Chairman:

- Capital association LD

Vice Chairman:

- EKF - Denmark's Export Credit Agency

Board member:

- Dalgasgroup A/S
- Investment fund Lægernes Pensionsinvestering
- Capital association Lægernes Pensionsinvestering
- Investment Fund for Developing Countries (IFU) and Investment Fund for Central and Eastern Europe (IØ)
- Eksport Kredit Finansiering A/S

Jens Ejner Christensen

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

Sex: Man, born: 1968

Most recently re-elected: 2016; election term expires: 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 the Municipality of Vejle

Torben Bøgh Christensen

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

Sex: Man, born: 1971

Most recently re-elected: 2015; election term expires: 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.

Sex: Woman, born: 1963

Elected: 2015; election term expires: 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.

Sex: Man, born: 1956

Most recently re-elected: 2015; election term expires:

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
- Enricom A/S
- 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

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
- Enricom A/S
- A/S Plantningsselskabet Sønderjylland
- JSCJS Rindibel
- SIA DDH Forest Latvia
- LHE af 1/1-2010 A/S
- Vestjysk Bank A/S
- Servostyring IVS

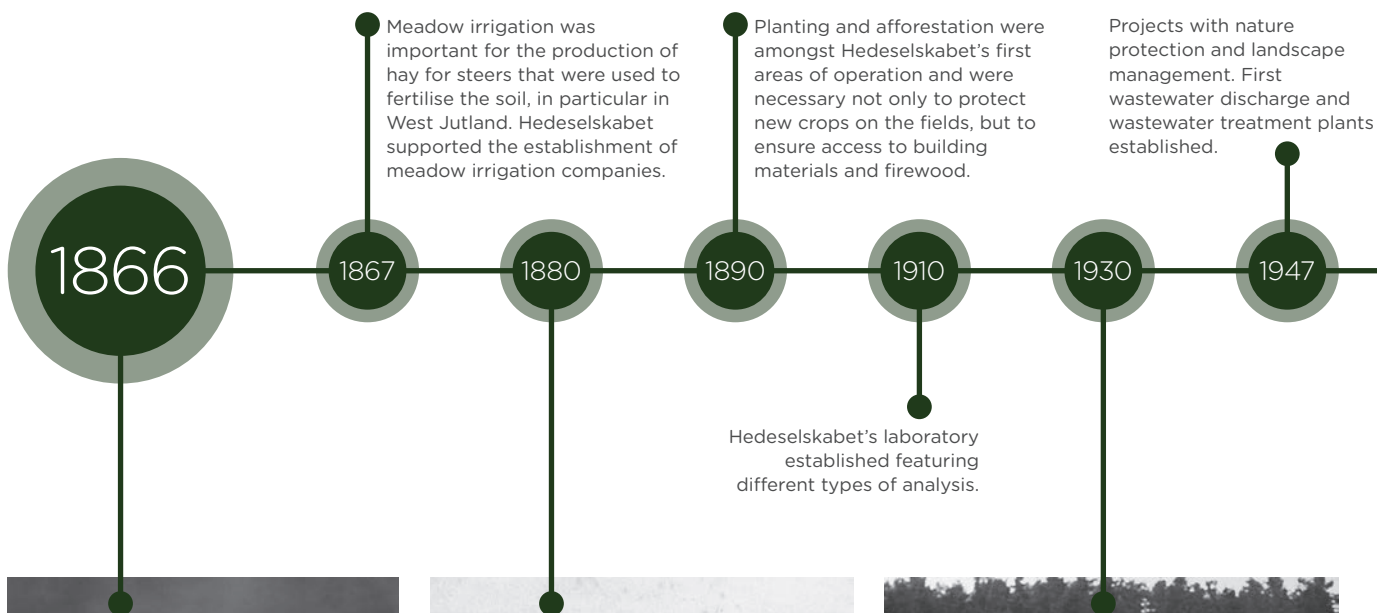
EXECUTIVE COMMITTEE AND MANAGEMENT

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



150 YEARS OF HEDESELSKABET

Since its foundation, Hedeselskabet has been working within the areas of soil, water and forest. With new working methods, greater demands from society and new technology, professional fields have developed, and some 150 years later Hedeselskabet is a modern group based on great professionalism that continues to work in the same areas.



Hedeselskabet was founded under the leadership of Enrico Mylius Dalgas. As one of the first activities, farmers received knowledge about how to cultivate the difficult heathland.

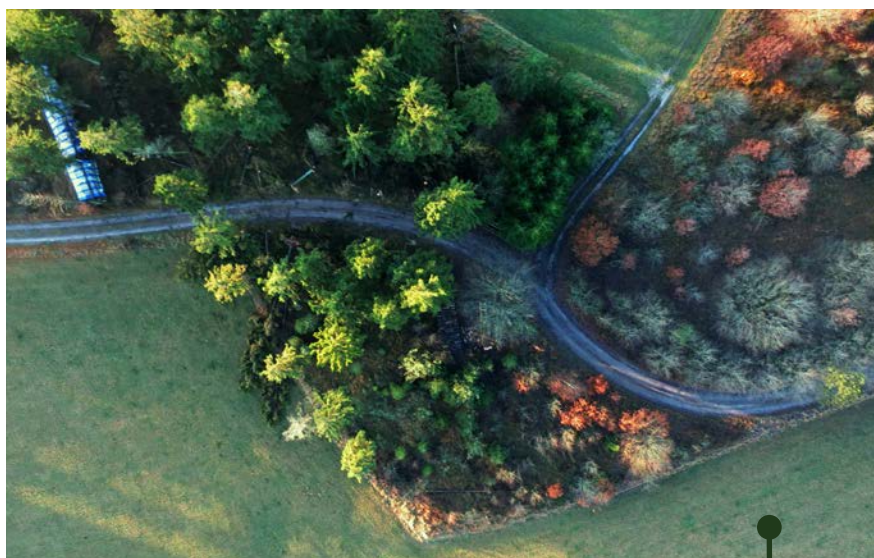


At the end of the 1880s, Hedeselskabet began surveying the country's bogs with a view to incorporating them as farmland, whilst others were utilised for recovery of peat.

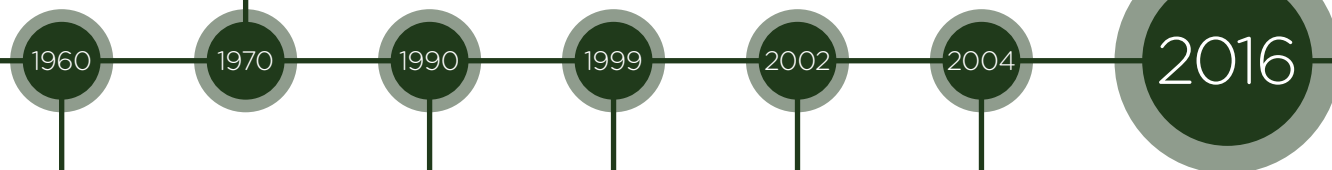


Bog cultivation, peat production and marling increased during the economic depression. 'The Flying Corps' was established, in which unemployed youngsters established shelterbelts and plantations.

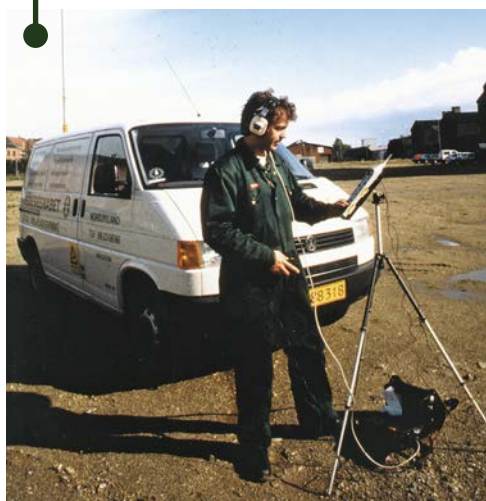
A wide range of initiatives focusing on the environment were launched, which developed into a number of environmental projects and - more recently - projects on climate change.



Hedeselskabet can celebrate its 150th anniversary as a modern enterprise. We still work within the same areas: soil, water and forest, of course supplemented by a large number of other professional fields, new knowledge and new technology.



The first coniferous shelterbelts, which were not particularly robust, were replaced by several rows of deciduous belts.



The land improvement department was restructured to establish the basis for one of Denmark's leading environment and energy consultants, which in 1999 was hived off into an independent subsidiary, subsequently designated Orbitcon A/S.



Forest and landscape activities were split off into an independent subsidiary, HedeDanmark a/s.

COMMITTEE OF REPRESENTATIVES

HONORARY MEMBERS

Christian Sørensen
Oluf Krieger von Lowzow

COMMITTEE OF REPRESENTATIVES 31 DECEMBER 2016

Elected by the 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
Svend Erik Jakobsen
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 & Food Council

Jens Ejner Christensen
Torben Hansen
Kurt Mølgaard Jørgensen
Niels Hedegaard Kragh

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 2016. 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 2016

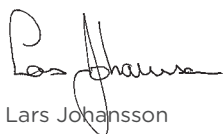
and of their financial performance as well as the consolidated cash flow for the financial year 1 January to 31 December 2016.

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, 30 March 2017

Management



Lars Johansson
CEO



Bent Simonsen
CFO

Executive Committee



Frants Bernstorff-Gyldensteen
Chairman of the Executive Committee



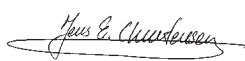
Jørgen Skeel
Vice Chairman of the Executive Committee and Chairman of the Committee of Representatives



Bolette van Ingen Bro



Torben Bøgh Christensen



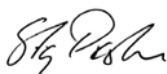
Jens Ejner Christensen



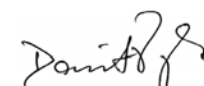
Karen Margrethe Jacobsen



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 01.01.2016 - 31.12.2016, 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 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 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 in-ternal 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, March 30th 2017

Deloitte – Statsautoriseret Revisionspartnerselskab
Central Business Registration No: 33 96 35 56



Kenneth Biirsdahl
State Authorised
Public Accountant



Jacob Tækker Nørgaard
State Authorised
Public Accountant



Hedeselskabet has worked with nature management for many years, which has resulted in a great deal of knowledge with regard to the protection of nature and the countryside. Birkesø, a lake near Viborg, is an example of an unusual natural habitat due, in part, to the rare aquatic plant *Lobelia dortmanna*, which only thrives in very clean water. The plant has struggled in recent years, and hence the lake has been dredged on the basis of advice from Orbicon, thus ensuring a careful and correct approach to the work. Local citizens have also benefitted from the project through recreational initiatives.



FINANCIAL
STATEMENTS

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2016



ANNIVERSARY SCHOLARSHIP TO STUDENTS

In honour of its 150th anniversary, Hedeselskabet has awarded an anniversary scholarship to six students within the fields of nature, environment and energy. As has been the case for Hedeselskabet since its foundation, the students have obtained knowledge and inspiration from abroad.

Many qualified applications were submitted during the course of the year, and among the six chosen recipients of a scholarship was Signe Marie Skov Vendike, who is studying to be a Forestry and Landscape Engineer at the Department of Geosciences and Natural Resource Management at the University of Copenhagen, from where she is due to graduate in 2018. She will be travelling to Canada for six months, where the University of British Columbia (UBC) in Vancouver will be the venue for combined work experience and study at the Faculty of Forestry. Focus will be on the sustainable management of forests. Vancouver ranks as one of the world's most sustainable cities. Following her return, she will be involved in workshops or other knowledge-sharing courses with Hedeselskabet and its subsidiaries.



INCOME STATEMENT

Note		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
1	Revenue	2,212,233	2,056,640	27,349	28,283
	Changes in inventories of finished goods and work in progress	-6,886	-17,534	-	-
	Work performed on own account and recognised under assets	54	-	-	-
2	Other operating income	2,836	5,056	644	7,641
	Total income	2,208,237	2,044,162	27,993	35,924
	Raw materials and consumables costs	-1,088,764	-973,486	-6,742	-7,168
3	Other external expenses	-284,178	-271,811	-18,496	-18,925
4	Staff costs	-749,132	-687,287	-3,703	-3,641
5	Amortisation, depreciation and impairment losses	-50,117	-51,955	-3,888	-3,394
	Other operating expenses	-2,258	-2,034	-	-
	Profit/loss from ordinary activities	33,788	57,589	-4,836	2,796
11	Income from investments in subsidiaries	-	-	-923	39,843
11	Income from investments in associates	7,579	13,011	9,828	3,451
11	Income from other investments	1,017	1,001	1,017	1,001
6	Financial income	5,350	4,015	13,349	12,422
11	Impairment of financial assets	-14,670	-	-	-
7	Financial expenses	-9,453	-9,451	-5,571	-5,474
	Profit/loss before tax	23,611	66,165	12,864	54,039
8	Tax on profit for the year	-12,515	-14,480	-2,144	-2,779
	Profit/loss for the financial year	11,096	51,685	10,720	51,260
	Proposal for distribution of profit:				
	Distributed for association purposes	1,435	1,345	1,435	1,345
	Reserve for net revaluation according to the equity method	-	-	-6,650	6,650
	Reserve for development costs	3,654	-	-	-
	Retained earnings	5,631	49,915	15,935	43,265
	Minority interests' share	376	425	-	-
	Total distribution of profit/loss	11,096	51,685	10,720	51,260

BALANCE SHEET

Note	Assets as at 31 December	Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
	Fixed Assets				
	Completed development projects	3,196	633	-	-
	Acquired patents, licences, trademarks and rights	33,539	8,760	394	644
	Goodwill	98,287	107,199	-	-
	Intangible assets under construction	7,161	14,581	-	-
9	Total intangible assets	142,183	131,173	394	644
	Property, plant and equipment				
	Land and buildings	139,189	141,666	102,584	105,003
	Biological assets	356,557	356,379	220,952	224,188
	Plant and machinery	51,264	58,551	-	-
	Other fixtures and fittings, tools and equipment	33,565	29,847	840	849
	Property, plant and equipment under construction	130,534	49,068	129,991	48,413
10	Total property, plant and equipment	711,109	635,511	454,367	378,453
	Investments				
	Investments in subsidiaries	-	-	154,757	159,721
	Investments in associates	195,727	215,250	161,215	179,337
	Receivables from associates	22,793	31,232	-	-
	Other investments	24,140	23,150	24,107	23,116
11	Total fixed asset investments	242,660	269,632	340,079	362,174
	Total fixed assets	1,095,952	1,036,316	794,840	741,271
	Current assets				
12	Inventories	100,890	107,343	-	-
	Receivables				
	Trade receivables	452,566	428,593	1,489	1,436
13	Contract work in progress	64,988	30,941	-	-
14	Receivables from subsidiaries	-	-	201,433	205,859
	Receivables from associates	278	280	-	-
15	Other receivables	26,139	22,394	11,249	4,079
16	Deferred tax asset	2,879	4,322	2,879	4,322
17	Prepayments	16,674	14,712	-	-
	Total receivables	563,524	501,242	217,050	215,696
	Cash	18,769	15,271	192,242	168,421
	Total current assets	683,183	623,856	409,292	384,117
	Total assets	1,779,135	1,660,172	1,204,132	1,125,388

BALANCE SHEET

Note	Equity and liabilities as at 31 December	Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
	Equity				
18	Contributed capital	50,000	50,000	50,000	50,000
	Revaluation reserve	226,337	226,337	196,929	199,415
	Reserve for development costs	3,654	-	-	-
	Reserve for net revaluation according to the equity method	-	-	-	6,650
	Retained earnings	601,561	611,316	634,623	631,588
	Total equity excluding minority interests	881,552	887,653	881,552	887,653
	Minority interests	19,346	18,577	-	-
	Total equity	900,898	906,230	881,552	887,653
	Provisions				
16	Provisions for deferred tax	45,779	40,582	-	-
19	Other provisions	1,172	2,670	-	-
	Total provisions	46,951	43,252	-	-
	Long-term debt				
	Loans and borrowings	298,497	227,810	282,336	211,048
	Other debt	233	411	-	-
20	Total long-term debt	298,730	228,221	282,336	211,048
	Short-term debt				
	Repayment on long-term debt due within 1 year	7,367	4,621	6,276	2,804
	Bank debt	174,562	122,231	17,694	6,071
13	Prepayments received for work in progress	35,313	39,866	-	-
	Trade payables	142,391	130,917	10,606	10,972
	Debt to subsidiaries	-	-	839	817
	Debt to associates	3,961	2,315	-	-
	Tax payables	378	431	-	-
21	Other debt	165,556	178,998	2,965	4,171
22	Deferred income	3,028	3,090	1,864	1,852
	Total short-term debt	532,556	482,469	40,244	26,687
	Total debt	831,286	710,690	322,580	237,735
	Total equity and liabilities	1,779,135	1,660,172	1,204,132	1,125,388
23	Contingent liabilities and security				
24	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	Total DKK '000	Minority interests DKK '000	Total equity DKK '000
Equity at beginning of year	50,000	226,337	-	611,316	887,653	18,577	906,230
Reversed revaluation of properties sold	-	-	-	-4,288	-4,288	-	-4,288
Net change	-	-	-	701	701	-	701
Fair value adjustment of hedging instruments	-	-	-	-11,799	-11,799	-	-11,799
Additions and disposals for the year	-	-	-	-	-	393	393
Profit for the year	-	-	3,654	5,631	9,285	376	9,661
Equity at end of year	50,000	226,337	3,654	601,561	881,552	19,346	900,898

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 year	50,000	199,415	6,650	631,588	887,653
Reversed revaluation of properties sold	-	-2,486	-	3,187	701
Net change	-	-	-	-4,288	-4,288
Fair value adjustment of hedging instruments	-	-	-	-11,799	-11,799
Profit for the year	-	-	-6,650	15,935	9,285
Equity at end of year	50,000	196,929	-	634,623	881,552

CASH FLOW STATEMENT

Note	Hedeselskabet Group	
	2016 DKK '000	2015 DKK '000
	Cash flow from operating activities	
	Operating profit	33,788
	Depreciation, amortisation and impairment losses	50,117
	Adjustment for non-cash operating items	1,954
	Cash flow from operating activities before change in working capital	85,859
25	Working capital changes	
	Financial income received	-61,524
	Financial expenses paid	4,969
	Cash flow from ordinary activities before tax	20,338
	Income taxes paid	-9,347
	Cash flow from operating activities	108,821
	Cash flow from investing activities	
	Purchase of intangible assets	-26,417
	Purchase of property, plant and equipment	-110,490
	Sale of property, plant and equipment	6,176
	Acquisition of businesses	-8,329
	Sale of subsidiaries / associates	-
	Dividends received from associates	979
	Receivables from associates	27,953
	Profit from other fixed assets investments	-6,431
		63
	Cash flow from investing activities	-117,511
	Cash flow from financing activities	
	Increase/decrease in long-term debt	61,350
	Distributions	33,430
	Cash flow from financing activities	-2,098
	Cash flow from operating, investing and financing activities	59,252
	Cash and cash equivalents at beginning of year	-645
	Cash and cash equivalents acquired as a result of acquisition	-
26	Cash and cash equivalents at end of year	41,506
		-106,960
		-1,352
	Cash and cash equivalents at end of year	-155,793

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Note 1 Revenue	Sale of goods, services and consultancy	2,194,992	2,039,761	12,906	14,089
	Rental income	17,241	16,879	14,443	14,194
		2,212,233	2,056,640	27,349	28,283
	Revenue by segment				
	Activity segmentation				
	Green Service	1,673,981	1,545,281	-	-
	Consultancy	516,005	484,476	-	-
	Energy production	7,331	8,788	-	-
	Forestry and other activities	14,916	18,095	27,349	28,283
	Total revenue	2,212,233	2,056,640	27,349	28,283
	Geographical segmentation				
	Denmark	1,891,363	1,759,318	26,724	27,054
	Rest of Scandinavia	114,432	84,284	79	-
Western Europe	163,578	181,900	546	1,119	
Eastern Europe	37,546	26,054	-	-	
Other	5,314	5,084	-	110	
Total revenue	2,212,233	2,056,640	27,349	28,283	
Note 2 Other operating income	Income from members	360	352	360	352
	Profit on sale of minor assets	1,006	649	-	-
	Compensation from insurance companies	274	42	89	10
	Profit on sale of properties	94	2,706	94	2,706
	Other income	1,102	1,307	101	73
	Gain from sale of intangible assets	-	-	-	4,500
	2,836	5,056	644	7,641	
Note 3 Other external expenses omkostninger	Office and administrative expenses	59,443	59,519	12,998	13,881
	Operation and maintenance of equipment and buildings	100,292	97,818	3,846	3,833
	Freight of goods sold	76,660	78,687	-	4
	Other external expenses	47,783	35,787	1,652	1,207
		284,178	271,811	18,496	18,925
	Fee to auditor elected by the Committee of Representatives				
	Statutory audit	851	979	80	77
	Other assurance engagements	39	35	-	-
	Tax advice	51	37	15	20
	Other services	883	728	90	50

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
Note 4	Wages and salaries	682,345	625,885	3,653	3,618
Staff costs	Pensions and contributions to pension plans	21,581	22,933	-	-
	Other social security costs	24,072	19,691	-	-
	Other staff costs	21,134	18,778	50	23
		749,132	687,287	3,703	3,641
	Number of full-time employees	1,426	1,333	-	-
	Salaries and remuneration to the Management in P. O.	5,746	6,651	1,716	1,644
	Remuneration to the Executive Committee in P. O.	1,405	1,442	1,405	1,442
	Remuneration to Committee of Representatives in P. O.	472	472	472	472
Note 5	Completed development projects	316	1,617	-	-
Amortisation	Acquired patents, licences, trademarks and rights	4,919	5,018	250	105
depreciation and	Goodwill	13,159	11,180	-	-
impairment losses	Amortisation and impairment losses on intangible assets	18,394	17,815	250	105
	Land and buildings	7,537	7,348	2,976	2,941
	Biological assets	368	352	368	352
	Plant and machinery	14,672	17,477	-	5
	Other fixtures and fittings, tools and equipment	11,483	11,569	294	182
	Depreciation and impairment losses on property, plant and equipment	34,060	36,746	3,638	3,480
	Gain and loss on sale of fixed assets	-2,337	-2,606	-	-191
	Total amortisation, depreciation and impairment losses	50,117	51,955	3,888	3,394
Note 6	Interest on cash	118	116	2,691	1,166
Financial income	Interest from subsidiaries	-	-	10,636	11,234
	Interest on trade receivables	418	187	-	1
	Foreign exchange gains	1,363	230	4	5
	Impairment of financial assets, reversed	-	2	-	-
	Other financial income	3,451	3,480	18	16
		5,350	4,015	13,349	12,422
Note 7	Interest on mortgage debt	6,007	5,691	5,515	5,174
Financial expenses	Interest on bank debt	1,661	2,135	-	-
	Foreign exchange losses	1,041	761	56	26
	Other financial expenses	744	864	-	274
		9,453	9,451	5,571	5,474

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
Note 8	Current tax on profit for the year	5,181	4,019	-	-
Tax on profit/loss for the year	Adjustments concerning previous years	82	-218	-	-
	Change in deferred tax for the year	7,252	10,679	2,144	2,779
		12,515	14,480	2,144	2,779

Note 9	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 year	8,075	38,763	190,921	14,581	252,340
	Translation adjustment	-	-5	-69	-	-74
	Additions for the year	2,879	29,708	4,280	5,345	42,212
	Disposals for the year	-	-3,144	-5,133	-12,765	-21,042
	Cost at end of year	10,954	65,322	189,999	7,161	273,436
	Amortisation and impairment losses at beginning of year	7,442	30,003	83,722	-	121,167
	Translation adjustment	-	-6	-36	-	-42
	Amortisation for the year	316	4,919	13,159	-	18,394
	Disposals for the year	-	-3,133	-5,133	-	-8,266
	Amortisation and impairment losses at end of year	7,758	31,783	91,712	-	131,253
	Carrying amount at end of year	3,196	33,539	98,287	7,161	142,183

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	Goodwill DKK '000	Intangible assets under construction DKK '000	Total intangible assets DKK '000
Cost at beginning of year	332	1,284	-	-	1,616
Cost at end of year	332	1,284	-	-	1,616
Amortisation and impairment losses at beginning of year	332	640	-	-	972
Amortisation for the year	-	250	-	-	250
Amortisation and impairment losses at end of year	332	890	-	-	1,222
Carrying amount at end of year	-	394	-	-	394

NOTES

Note 10 Property, plant and equipment

Hedeselskabet, Group	Land and buildings	Biological assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total property, plant and equipment
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Cost at beginning of year	185,276	115,887	182,537	99,126	49,068	631,894
Addition by acquisitions	-1,412	-157	-3,330	-811	-9	-5,719
Additions for the year	5,358	702	13,312	13,706	82,462	115,540
Disposals for the year	-100	-	-10,374	-9,306	-987	-20,767
Transfer	243	-	-2,969	2,726	-	-
Cost at end of year	189,365	116,432	179,176	105,441	130,534	720,948
Revaluation at beginning of year	25,101	244,153	-	-	-	269,254
Revaluation at end of year	25,101	244,153	-	-	-	269,254
Depreciation and impairment losses at beginning of year	68,712	3,660	123,986	69,279	-	265,637
Translation adjustment	-872	-	-2,123	-587	-	-3,582
Depreciation and impairment losses for the year	7,537	368	14,672	11,483	-	34,060
Disposals for the year	-100	-	-8,623	-8,299	-	-17,022
Depreciation and impairment losses at end of year	75,277	4,028	127,912	71,876	-	279,093
Carrying amount at end of year	139,189	356,557	51,264	33,565	130,534	711,109
Of which finance leases	-	-	411	-	-	411
Hedeselskabet, Parent Organisation	Land and buildings	Biological assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total property, plant and equipment
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Cost at beginning of year	125,024	39,312	89	2,838	48,413	215,676
Additions for the year	557	332	-	285	81,578	82,752
Disposals for the year	-	-13	-	-	-	-13
Cost at end of year	125,581	39,631	89	3,123	129,991	298,415
Revaluation at beginning of year	18,874	188,499	-	-	-	207,373
Disposals for the year	-	-3,187	-	-	-	-3,187
Revaluation at end of year	18,874	185,312	-	-	-	204,186
Depreciation and impairment losses at beginning of year	38,895	3,623	89	1,989	-	44,596
Depreciation for the year	2,976	368	-	294	-	3,638
Depreciation and impairment losses at end of year	41,871	3,991	89	2,283	-	48,234
Carrying amount at end of year	102,584	220,952	-	840	129,991	454,367

NOTES

Note 11 Fixed asset investments

Hedeselskabet, Group	Investments in associates DKK '000	Receivables from associates DKK '000	Other investments DKK '000
Acquisition cost at beginning of year	317,541	46,026	10,005
Additions for the year	-	6,431	-
Acquisition cost at end of year	317,541	52,457	10,005
Adjustments at beginning of year	-102,256	-14,794	13,145
Impairment	-	-14,670	-
Foreign currency translation adjustments	851	-200	-
Dividend received	-27,953	-	-27
Share of profit for the year after tax	7,579	-	1,017
Adjustments at end of year	-121,779	-29,664	14,135
Carrying amount at end of year before set-off against receivables	195,762	22,793	24,140
Transferred for set-off against receivables	-35	-	-
Carrying amount at end of year	195,727	22,793	24,140

Of the carrying amount of other investments, the Group's share in 24 plantation companies accounts for 23,604 DKK '000 at year-end and 22,486 DKK '000 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 year	81,248	251,260	9,973
Additions for the year	249	-	-
Acquisition cost at end of year	81,497	251,260	9,973
Adjustments at beginning of year	78,473	-71,923	13,143
Foreign currency translation adjustments	-4,383	-	1
Adjustments due step acquisition	93	-	-
Dividend received	-	-27,950	-27
Intra-group profits/losses	2,599	-	-
Share of profit/loss for the year after tax	-3,522	9,828	1,017
Adjustments at end of year	73,260	-90,045	14,134
Carrying amount at end of year	154,757	161,215	24,107

Of the carrying amount of other investments, Hedeseelskabet's share in 24 plantation companies accounts for 23,604 DKK '000 at year-end and 22,486 DKK '000 at beginning of year, respectively.

NOTES

Note 11 Fixed asset investments, continued

Subsidiaries	Ownership interest %	Equity DKK '000	Profit/loss for the year DKK '000	Hedeselskabet's share	
				Equity DKK '000	Profit/loss for the year DKK '000
Dalgasgroup A/S, Denmark	100	65,843	-4,937	65,843	-4,937
DDH Forest Baltic A/S, Denmark	100	33,891	35	33,891	35
Plantningselskabet Steen Blicher A/S, Denmark	75	76,079	1,832	57,394	1,382
A/S Jysk Landvinding, Denmark	100	8,077	-2	8,077	-2
				165,205	-3,522
Intra-group profits/losses at end of year				-10,448	2,599
Parent organisation's share in subsidiaries				154,757	-923

Associates	Ejerandel %	Egenkapital 1000 kroner	Årets resultat 1000 kroner	Hedeselskabets andel	
				Egenkapital 1000 kroner	Årets resultat 1000 kroner
Skovselskabet Skov-Sam Holding ApS, Denmark	50	278,944	11,454	139,472	5,727
Skovselskabet Skov-Sam II ApS, Denmark	15	102,250	26,702	15,337	4,005
A/S Dover Plantage, Denmark	24	2,275	-8	548	-2
ApS Hundsbæk Plantage, Denmark	22	14,618	11	3,195	2
Velling Plantage ApS, Denmark	20	3,239	134	648	27
Østvendsselsels Plantageselskab ApS, Denmark	28	6,505	221	1,851	63
Anpartsselskabet Sønderholm Plantage, Denmark	34	485	17	164	6
Total parent organisation share in associates				161,215	9,828
Xergi A/S, Denmark	50	61,660	-3,664	30,830	-1,832
JSCJS Rindibel, Belarus	29	6,226	-14	1,783	-4
Emirates Landscape L.L.C., Abu Dhabi	49	-	-	-	-
Pluss Leadership A/S, Denmark	35	2,089	-847	731	-296
				194,559	7,696
Goodwill at end of year				1,168	-
Amortisation and impairment losses of goodwill				-	-117
Total group share in associates				195,727	7,579

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016	2015	2016	2015
		DKK '000	DKK '000	DKK '000	DKK '000
Note 12 Inventories	Raw materials and consumables	4,393	1,583	-	-
	Work in progress	6,780	7,787	-	-
	Finished goods and goods for resale	87,733	93,608	-	-
	Prepayments for goods	1,984	4,365	-	-
		100,890	107,343	-	-
Note 13 Contract work in progress	Selling price	831,995	732,252	-	-
	Invoicing on account	-802,320	-741,177	-	-
		29,675	-8,925	-	-
	Included in the balance sheet:				
	Contract work in progress, assets	64,988	30,941	-	-
Prepayments received on work in progress, liabilities	35,313	39,866	-	-	
	29,675	-8,925	-	-	
Note 14 Receivables from subsidiaries	Due 0-1 year	-	-	1,892	6,318
	Due after 1 year	-	-	199,541	199,541
		-	-	201,433	205,859
	Of which, irredeemable subordinated loan to Dalgasgrupp A/S amounting to	-	-	170,000	170,000
Note 15 Other receivables	Receivable income tax	10,294	6,380	8,007	16
	Receivables from managed forests	6,168	3,411	-	-
	VAT receivable	3,777	4,555	3,242	3,975
	Other receivables	5,900	8,048	-	88
		26,139	22,394	11,249	4,079

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Note 16	Deferred tax is incumbent on the following items:				
Deferred tax	Intangible assets	-1,918	-2,609	-1,064	-1,564
	Property, plant and equipment	20,012	16,566	5,912	6,616
	Inventories	-1,169	-453	-807	-868
	Contract work in progress	40,196	45,586	-	-
	Receivables	-328	370	-	-
	Provisions	-148	-396	-47	-95
	Liabilities	-31	-1,914	-283	-277
	Tax loss carryforward	-13,714	-20,890	-6,590	-8,134
		42,900	36,260	-2,879	-4,322
	Balance at beginning of year	36,260	26,264	-4,322	-6,657
	Adjustments at beginning of year	13	-167	-	-
	Foreign currency translation adjustments	76	-72	-	-
	Year's adjustment incorporated in the income statement	7,252	10,679	2,144	2,779
	Year's adjustment incorporated in the equity	-701	-444	-701	-444
	Balance at the end of the year	42,900	36,260	-2,879	-4,322
	Recognised in the balance sheet:				
	Deferred tax assets	2,879	4,322	2,879	4,322
	Provisions for deferred tax	45,779	40,582	-	-
		42,900	36,260	-2,879	-4,322
	Hedeselskabet has factored in a deferred tax asset of DKK 2,879,000. The deferred tax asset appears primarily as a consequence of previously arisen fiscal losses. In recent years, the deferred tax asset has been reduced as a result of positive earnings, with the reduction in 2016 amounting to DKK 1,443,000. It is expected that the deferred tax asset will be realised within the next few years as a result of positive earnings.				
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 year 2011			50,000	
	Contributed capital at end of year 2015			50,000	
Note 19	Balance at beginning of year	2,670	3,309	-	250
Minority interests	Provisions for the year	1,172	2,670	-	-
	Provisions for the year, reversed and paid	-2,670	-3,309	-	-250
	Balance at end of year	1,172	2,670	-	-
	Due 0-1 year	713	1,420	-	-
	Due after 1 year	459	1,250	-	-
		1,172	2,670	-	-
	Provisions for claims and complaints	459	2,670	-	-
	Miscellaneous provisions	713	-	-	-
		1,172	2,670	-	-

NOTES

		Hedeselskabet Group		Hedeselskabet Parent Organisation	
		2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
Note 20	Loans and borrowings:				
Long-term debt	0-1 year	7,189	3,516	6,276	2,804
	1-5 year	53,231	52,941	49,525	47,697
	More than 5 years	245,266	174,869	232,811	163,351
		305,686	231,326	288,612	213,852
	Other long-term debt:				
	0-1 year	178	1,105	-	-
	1-5 year	233	411	-	-
		411	1,516	-	-
	Recognised in the balance sheet:				
	Long-term debt	298,730	228,221	282,336	211,048
	Short-term debt	7,367	4,621	6,276	2,804
		306,097	232,842	288,612	213,852
	The group covers interest rate risks by means of interest rate swaps, whereby variable rate interest payments are converted to fixed rate interest payments.				
	Rate swaps				
	Notional amount	162,171	48,032	162,171	48,032
	Value adjustment incorporated in the equity	-11,799	3,851	-11,799	3,851
	Fair value	-14,634	-2,835	-14,634	-2,835
	Remaining loan period (specified in months)	12 - 240	24 - 144	12 - 240	24 - 144
Note 21	Debt to managed forests	30,006	29,515	-	-
Other debt	Payroll-related items payable	101,836	100,808	-	-
	VAT payable	23,835	31,251	-	-
	Payable relating to distribution for association purposes	1,246	1,909	1,246	1,909
	Other payable amounts	8,633	15,515	1,719	2,262
		165,556	178,998	2,965	4,171
Note 22	Deferred income comprises various prepaid incomes.				
Deferred income					

NOTES

Note 23 Contingent liabilities and security

Security

Land and buildings at a carrying amount of DKK 323.3 million as at 31.12.2016 (2015: DKK 231.3 million) have been provided as security for the Group's mortgage debt of DKK 454.7 million (2015: DKK 375.6 million). Land and buildings at a carrying amount of DKK 306.2 million as at 31.12.2016 (2015: DKK 213.9 million) have been provided as security for Hedeselskabet's mortgage debt of DKK 398.9 million (2015: DKK 319.5 million).

Contingent liabilities

The Group has undertaken rent and lease obligations with terms of between 1 month and 10 years. Total rent and lease obligations amount to DKK 48.4 million (2015: DKK 53.1 million). Subsidiaries have undertaken rent and lease commitments to Hedeselskabet with terms of between 6 months and 15 years. Total commitments amount to DKK 135.0 million (2015: DKK 136.7 million).

The Group's credit institutions and insurance companies have issued work guarantees of DKK 101.0 million (2015: DKK 105.3 million) for work in progress. Hedeselskabet has issued work guarantees of DKK 13.2 million (2015: DKK 13.2 million).

The Group has issued guarantees of DKK 19.5 million (2015: DKK 20.9 million) to financing institutions and customers. Hedeselskabet has issued guarantees of DKK 18.0 million (2015: DKK 17.6 million) to financing institutions.

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, being 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.

NOTES

Note 24
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 25
Working capital changes

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

Note 26
Cash and cash equivalents

Cash in hand
Bank debt

Hedeselskabet
Group

	2016 DKK '000	2015 DKK '000
	6,453	18,630
	-65,907	2,275
	-2,070	-15,936
	-61,524	4,969
	18,769	15,271
	-174,562	-122,231
	-155,793	-106,960

NOTES – ACCOUNTING POLICIES

Note 27

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

During the financial year Hedeselskabet has implemented the provisions of the latest revision of the Danish Financial Statements Act. Implementation of these provisions has not resulted in any changes to the principles for recognition and measurement. Implementation has solely had an effect on the scope and content of the information contained in the notes.

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.

NOTES – ACCOUNTING POLICIES

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 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

NOTES – ACCOUNTING POLICIES

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.

Intellectual property rights, etc.

Intellectual property rights, etc., 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 intellectual property rights 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.

Intellectual property rights, etc., 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.

Investment properties

Investment properties are initially measured at cost, which consists of the property's purchase price plus any directly related acquisition costs.

Following initial recognition, investment properties are measured at fair value, which corresponds to the amount for which the property concerned is deemed to be able to be sold on the balance sheet date 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

NOTES – ACCOUNTING POLICIES

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.

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.

NOTES – ACCOUNTING POLICIES

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 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:

$$\begin{aligned} \text{EBT margin} &= \\ \text{Company's profitability} &= \frac{\text{Profit/loss before tax} \times 100}{\text{Revenue}} \end{aligned}$$

$$\begin{aligned} \text{Return on capital employed} &= \\ \text{The return on investment which the company generates in terms of the operating assets} &= \frac{\text{Profit/loss from ordinary activities with addition of amortisation on goodwill (EBITA)} \times 100}{\text{Operating assets at end of financial year}} \end{aligned}$$

$$\begin{aligned} \text{Solvency ratio} &= \\ \text{The company's equity as a percentage of total equity and liabilities} &= \frac{\text{Equity at end of year} \times 100}{\text{Total equity and liabilities at end of year}} \end{aligned}$$

$$\begin{aligned} \text{Return on equity} &= \\ \text{The company's return on the capital that is invested in the company} &= \frac{\text{Profit/loss for the year (after tax)} \times 100}{\text{Average equity of the Parent Organisation}} \end{aligned}$$

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, Bredvad Mølle Plantage, Fjederholt Ndr. Plantage, Arnborg Hedegaard Plantage, Birkebaek Plantage, Kaptajn Schultz Plantage, Fjelervang Plantage, Gjellerup Plantage, Laugesens Plantage, Tophøj, Jysk Landvindings Plantage.

** Plantation companies with ownership of less than 20 %

Volsted Plantage A/S, Plantningsselskabet Legind Bjerger ApS, Aktieselskabet Bjøvlund and Aastrup plantations, 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 Plantningsselskabet Sønderjylland, Skelhøj Plantage ApS, Sondrup 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.



Hedeselskabet

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CVR no. 42344613
Founded on 28 March 1866 Regis-
tered office: Viborg
Date of annual meeting: 24 April
2017 in Nyborg

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April 2017. Design and production: Stagis A/S

Photo: Jacob Jørgensen (JJ Film), Peter Clausen, Scanpix Lars Laursen, Istock Photo, Lone Barkholt-Søndergaard, Barkholt Foto, Best Production, Orbicon, HedeDanmark, Hedeselskabet, Camilla Stephan, Nicky Bonne, André Andersen.

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

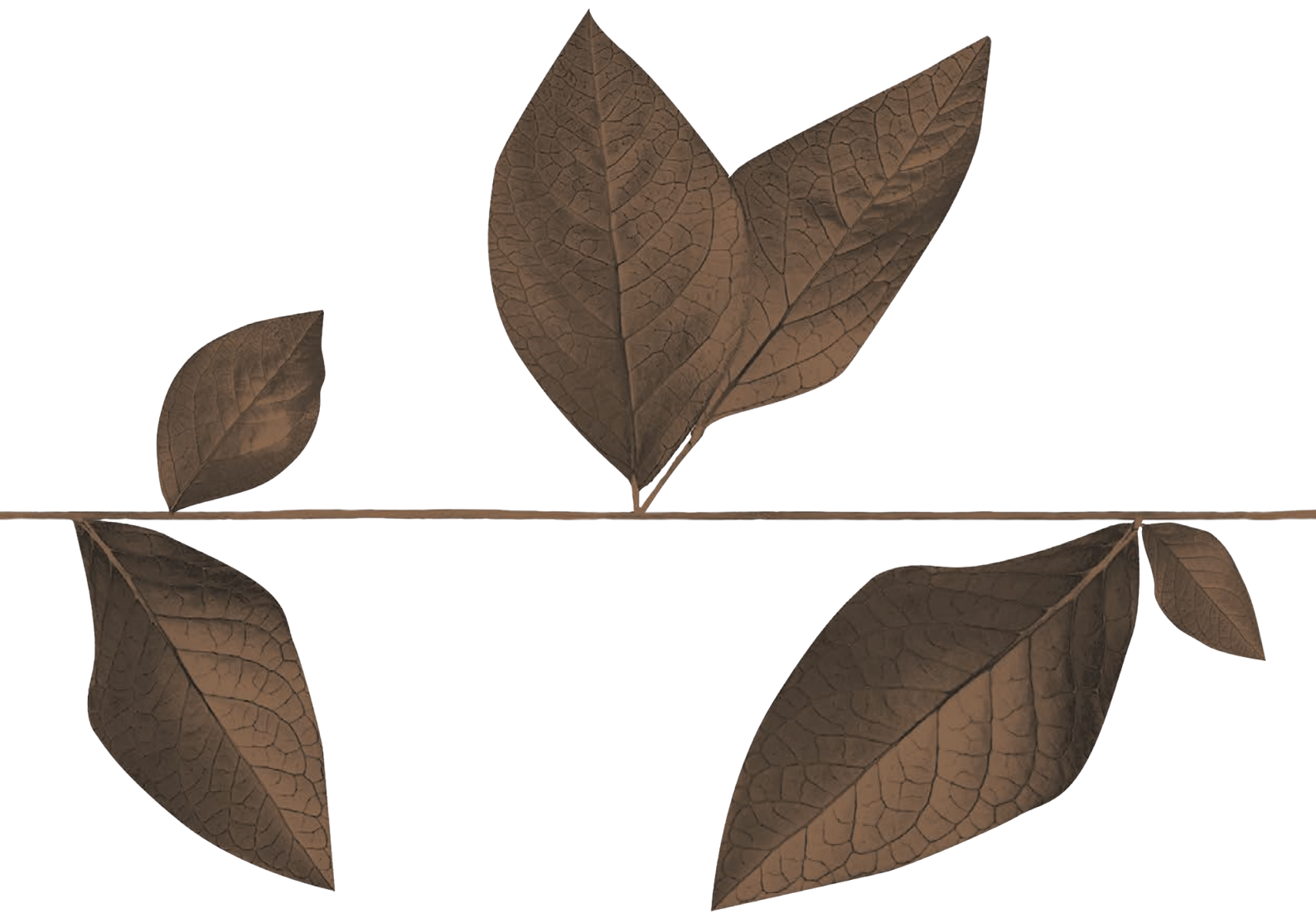
Hedeselskabet also works actively to improve living conditions, primarily in rural areas, and to exploit natural resources for the benefit of society through research, development and dissemination within nature, environment and energy.

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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Green innovation since 1866