2016

Georg Jensen Investment ApS
Annual Report 2016

CVR No. 34 72 08 19

Søndre Fasanvej 7
2000 Frederiksberg

GEORG JENSEN INVESTMENT ApS
ANNUAL REPORT 2016

The annual report was approved at the company's ordinary general meeting held on 31 May 2017

Chairman of the meeting:

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Jacob Melander

Contents

Company Information

Company	Georg Jensen Investment ApS
	Søndre Fasanvej 7
	DK-2000 Frederiksberg
	Phone: +45 38 14 98 98
	Fax: +45 38 14 99 13
	Web site: www.georgjensen.com
	CVR No.: 34 72 08 19
	Financial year: 1 January – 31 December
	Municipality of residence: Frederiksberg
Board of Directors:	Hazem Ben-Gacem, Chairman
	David Chu
	Andrea Jayne Davis
	José Pfeifer
	Eva-Lotta Sjöstedt
Executive Board:	Eva-Lotta Sjöstedt
Auditor	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (*a Danish limited liability company*)

The general meeting will be held on 31 May 2017 at the Company's address.

Key Figures and Financial Ratios

DKK million	2016	2015	2014	2012/13
Financial highlights				
Profit				
Net revenue	1.091	1.144	1.009	1.262
Gross profit	649	708	616	787
EBITDA excl. special items	54	15	40	133
EBIT excl. special items	-13	-61	-21	59
Operating profit (EBIT)	(108)	(70)	(21)	23
Net financial items	(17)	(11)	(23)	(41)
Profit/(loss) before taxes	(125)	(81)	(44)	(18)
Net profit/(loss)	(119)	(80)	(40)	(19)
Balance sheet				
Balance sheet total	1.127	1.210	1.146	1.020
Equity	625	751	466	481
Invested capital	810	933	567	499
Interest-bearing debt (+)/cash and cash equivalents (-)	185	183	403	308
Investments, tangible assets	28	69	37	55
Cash flow from operating activities	53	(148)	(24)	141
Total cash flow	(2)	35	(36)	60
Number of employees	1.352	1.440	1.302	1.197
Financial ratios in %				
Gross margin excl. special items	63 %	63 %	61 %	62 %
EBITDA excl. special items margin	5 %	1 %	4%	14 %
Solvency ratio	55 %	62 %	41 %	47 %
Return on invested capital	(12%)	(9 %)	(4 %)	5 %
Net revenue/invested capital	1%	2 %	2 %	3 %
Return on equity	(17 %)	(13 %)	(8%)	(4%)

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

Product Categories

A Singular Design Legacy

The history of Georg Jensen is one of groundbreaking Scandinavian design. Today, this strong tradition continues with our masterworks - new styles inspired by our archives. We return to our roots to envision our future.

Georg Jensen is recognized for collaborating with top international design talents who are inspired by our singular legacy and love of innovation. Following are collection highlights from 2016.

Silver:

The Bernadotte Bar Collection, originally designed in 1938, was born into a world of cocktail parties and cosmopolitan sophistication. Not seen in regular production for more than 50 years, the four pieces offer a bold look that merges effortlessly with today's mixology culture.

Home:

With its clean lines and geometric symmetry, The Manhattan Collection draws its Art Deco inspiration from the archive, yet offers a highly contemporary elegance.

Internationally-acclaimed architect Patricia Urquiola took inspiration from the ribbed lines of Bernadotte flatware when she designed her innovative Urkiola tableware collection.

Jewellery:

In 2016, world-renowned architect Zaha Hadid created her first comprehensive jewellery collection for Georg Jensen. The sculptural forms and complex curves of each piece transform the organic inspiration of classic designs found in our archives.

Watches:

Georg Jensen designer Vivianna Torun was a pioneer in contemporary design, and her Vivianna Bangle watch with its clean face and striking, open wrist has been in production since it debuted in 1969.

Henning Koppel, another Georg Jensen legend, is known for his influential designs both in silver and timepieces, both of which exemplify Scandinavian minimalism and the Georg Jensen spirit of functional design.

Financial Review

Net Revenue

Reported net revenue in 2016 amounted to DKK 1.091 million (DKK 1.144 million). Net revenue is materially impacted by the conscious decision to close selected retail stores in particular in APAC. Furthermore, net revenue is negatively affected by about DKK 7 million in exchange rate fluctuations, primarily concerning UK and Japan. Net revenue excluding closed stores and excluding impact of FX fluctuations amount to DKK 1.088 million (DKK 1.086 million) an increase of 0,2%.

APAC countries delivered net revenue excluding closed stores and FX fluctuations of DKK 488 million (45% of total net revenue) driven by the largest markets in Australia and Taiwan. ECOM in the APAC countries developed very positively with 15% growth while own retail stores held up well against the difficult macro-economic trends and declined only 2.5% net of closed stores.

Europe & Other markets delivered net revenue excluding closed stores and FX Fluctuations of DKK 553 million (51% of total net revenue) growing at 2,5%. Growth in Europe & Other markets is driven by own retail growing 7,7% and ECOM growing a strong 15,8%.

North America again confirmed its potential for Georg Jensen with a net revenue growth of 9,3% excluding closed stores and FX fluctuations with strong double digit growth in both external retail and ECOM.

The own retail channel experienced a 0,7% net revenue growth excluding closed stores and FX fluctuations compared to 2015 driven by our largest region Europe. The retail channel make up for 59% of the sale in 2016 (58%). External retail came in 5,4% below sales in 2015 with strong growth in North America being offset by macro economic headwinds in APAC

The ECOM channel continues its strong growth trajectory with double digit growth in all regions.

Gross Profit

Gross profit excl. special items decreased by DKK 29 million to DKK 690 million (DKK 719 million) due to the impact of closed retail stores. The gross margin percentage excluding closed retail stores shows a healthy increase of 393 bps and was realized at 63,2% (62,8%).

Sales and Distribution Expenses

In 2016, sales and distribution expenses decreased with DKK 76.5 million. The saving over last year is behind tightly controlled spending. The sales and distributions expenses has been subject to a tight control, which has resulted in these expenses to decline compared to 2015.

Administration Expenses

Administration expenses amounted to DKK 208 million (DKK 186 million) which is an increase of DKK 22 million compared to 2015.

Operating Profit (EBIT)

Operating profit (EBIT) excl. special items was realized at DKK -13 million (DKK -61 million).

Net Financial Items

Net financial items amounted to a cost of DKK 16.6 million in 2016 (negative by DKK 10.7 million), which is an increase compared to 2015. Paid interest is significantly below 2015, however this saving has been offset by negative currency impact in 2016

Profit before Taxes

Profit before tax was negative by DKK 124.8 million (Negative by DKK 80.7 million).

Net Profit

Net profit for the period was negative by DKK 118.9 million (Negative by DKK 79.9 million).

Assets and Cash and Cash Equivalents

Total assets amounted to DKK 1.127 million as of 31 December 2016 (DKK 1.210 million), which is a decrease of DKK 83 million. The decrease is primarily related to inventory and a consequence of the significant increase we experienced in 2015 on inventory including the impact of an extraordinary write downs of discontinued items in 2016. In 2016 the focus on bringing down the inventory significantly is therefore reflected in the books. Furthermore, we have experienced a decrease in fixed assets. 2016 has been characterized by minimal investments and focus on gaining most value of the investments performed in 2015.

Completed development projects amounted to DKK 11 million (DKK 9 million), and they consist of new products within existing product categories. Development projects in progress amounted to DKK 12 million (DKK 24 million). The decrease is offset by an increase in software which by the end of 2016 amount to DKK 32 million. Software mainly consist of the booked value of the ERP upgrade as the first step of this was finalized in 2016.

Equity

Equity decreased with DKK 126 million to DKK 625 million (DKK 751 million) driven by the negative result.

Cash Flow and Net Interest Bearing Debt

Cash flow for 2016 was negative by DKK 2.0 million (positive by DKK 35 million). However compared to 2015 the cashflow is generated from the operating activities, showing a positive result of DKK 53 million compared to a negative Cashflow from operating activities in 2015 by DKK 148 million. The improvement is caused by a less paid interest and an improvement in working capital primarily driven by the inventory level. The decrease in inventory is among other caused by the changed focus in Jewellery from gold- to silver products, tight control with all purchases and by a focus from management to bring down inventory with the necessary actions taken.

The positive cashflow from operating activities is a substantial improvement in 2016.

Special Items

Special items comprises transactions not relating to our continuing operations e.g. cost for closure of stores, reorganization of the organization and / or write downs of discontinued items. (See note number 2).

Branch

The group has a branch registered in Norway. The branch comprises the retail activity driven from our two stores as well as the e-commerce activities for the Norwegian market.

Subsequent Events

There have been no significant events after the reporting period.

Outlook

Outlook for 2016 realised

Georg Jensen expected that the Group's regions would continue the positive development and continue growth in 2016. For 2016 Georg Jensen revenue was in line with prior year after removing the impact of store closures.

Net profit, when excluding the impact of the 2015 fixed asset sale of lease premises, were expected to increase as well. This has been realized as planned.

Investments for the year came in as expected significantly below 2015.

Outlook for 2017

Georg Jensen netsales from continuing operations is expected to increase.

Net profit for 2017 is expected to increase compared to 2016. EBITDA excluding the impact of special items is expected to increase significantly with growth rate exceeding the net sales.

Investments for 2017 will be in line with 2016 focussing on rejuvenating our retail store fleet and developing our IT infrastructure.

Risk Management

The Board of Directors regularly assesses the Company's overall risks and the individual risk factors associated with its activities. The Board of Directors adopts guidelines for key risk areas, monitors progress and prepares action plans for reducing and managing individual risk factors, including financial and business risks, insurance and environmental conditions and compliance with competition law.

Business Risk

Commercial risk: As an international brand, Georg Jensen is subject to the international economic development, in particular the consumption of luxury goods. The relatively high gross margins for the retail sector, as well as the high fixed costs for lease charges and salaries, mean that the Company's results are sensitive to sales fluctuations. We seek to eliminate the dependency on cyclical economic trends via wider geographical diversification of sales, as well as the use of different sales channels spanning from retail, external retail and to e-commerce and B2B. On the product side, cohesive concepts are being developed, which maintain the brand's position as a leading Scandinavian design company.

Logistics risk: If the right products are not available in the stores at the right time, the amount of returned and surplus products rises, which increases the risk of obsolete products. Late delivery or non-delivery thus poses a risk. Sales, Operations and Planning (S&OP) processes need to be established in order to ensure alignment between the demand and supply, including delivery time, in order to adjust and manage stock levels.

Production facilities: Georg Jensen depends on three production facilities for Silver/Hollowware (Copenhagen, Denmark), Jewellery (Chiang Mai, Thailand) and Seasonal (Hjoerring, Denmark) whereas the production of Home Decór products is outsourced to 3rd party suppliers primarily in China. Watches is also primarily outsourced to 3rd party suppliers. Contingency plans and training is used and communicated in execution for different scenarios which can trigger interruption of operations, and we work with miscellaneous preventative actions to prevent interruption. Existing inventory levels are a preventive factor for a short period of time; insurance against interruptions in operations partly mitigates negative financial impacts.

IT breakdown: Risk control measures such as firewalls, access control, contingency plans, etc. are assessed on a regular basis in order to identify and minimize these risks.

Employees: Georg Jensen strives to offer unique career opportunities and talent development. The HR department is responsible for the development and updating of guidelines and training tools to support managers at all levels. Part of the performance culture ensures that all employees have clear goals and act as accountable, trustworthy ambassadors for our brand and company.

Brand and image: The brand and its reputation are managed through company values and integrated into corporate and social responsibility standards for Georg Jensen. Risks related to brand and reputation are addressed by way of prevention in a communication strategy prepared annually and proactively by way of consistent and transparent public relations and communication efforts, both externally and internally and through relevant channels.

Intellectual property rights: Georg Jensen aims to use and safeguard our intangible assets by securing key trademarks in key markets, selectively defending our trademarks and designs when necessary and appropriate.

Environment: Georg Jensen controls the value chain in our own factories where we continuously work on reducing the use of hazardous materials, noise and pollution and other elements that can cause a risk to employees or the environment. We also continuously work to improve our internal quality system in order to reduce deficiencies.

Financial Risk

The Parent Company manages the Group's financial risks centrally and coordinates the Group's liquidity management, including capital provision and placement of surplus liquidity. Risk management is based on a policy laid down by the Board of Directors with a view to limiting financial risks by applying derived financial instruments, mainly futures and options.

Foreign exchange fluctuations: As a result of its operating structure, Georg Jensen is heavily exposed to foreign exchange fluctuations. Similarly, the Group is increasingly exposed to foreign exchange fluctuations in connection with purchase and sale in foreign currencies and is relatively heavily exposed to changes in commodity prices of gold, silver, steel, brass, precious stones etc.

The exposure is attempted minimized by reliable and precise forecasts of currency flows and positioning for hedging purposes. Hedging of expected currency exposure for the upcoming 12 months period is based on an approved policy.

Commodity prices: Failure to purchase adequate commodities, including raw materials, especially gold and silver, at competitive prices poses a risk for the Company. Commodity price volatility introduces uncertainty to the price of the Company's input costs and potentially lowers profitability. This is mitigated by a reliable and precise forecast of the flow of commodities with a view to creating a basis for hedging and securing expected purchases of commodities for the upcoming 12-month period based on an approved policy.

External Risks

Macroeconomic factors: A substantial part of the Company's sourcing and sales takes place in markets which from time to time experience political and economic turmoil. This can affect Georg Jensen's business and thus poses a risk. Reliable and accurate sales forecasting allows flexible planning and reaction time to reduce the impact of macroeconomic factors. We furthermore seek to eliminate the dependency on cyclical economic trends via wider geographical diversification of sales, as well as the use of other sales channels, such as online, B2B and franchise agreements.

CSR

General

Georg Jensen acknowledges both the impact and the responsibility we have for the societies we operate in. We work proactively to ensure environmentally, socially and economically responsible business processes.

Since 2009, we have been a UN Global Compact signatory. The 10 Global Compact Principles currently guide our work and address the most important sustainability issues throughout our value chain, from design through production to our customers. Here we address our key areas: responsible business and supply chain management, the environment, anticorruption, and employee development and diversity. All areas are integrated into Georg Jensen's business procedure and strategy.

The UN Global Compact requires participants to report on their progress to embed the 10 Principles into their strategies and operations. Since 2009, Georg Jensen has submitted an annual COP (Communication on Progress) report. The most recent progress and results are available in the Georg Jensen 2016 COP report* , cf. Section 99A (7) of the Danish Financial Statement Act.

* https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/327381

Diversity

At Georg Jensen, we believe that diversity of our workforce as well as our management will provide the best dynamics for growth and innovation. Hence, achieving a balanced and diverse workforce forms part of our good governance strategy.

As part of the strategy, we have previously pledged to work toward a Board composition with both genders being represented by at least 33% by 2019. With the change in the number of board members from three to four, we have chosen to change the target from 33% to 25%.. The same target is also set for Georg Jensen Investment ApS.

At 31 December 2016 the board of directors consisted of 3 male members and 2 female member, whereas the target is reached in 2016. Going forward when recruiting new board members the aim for diversity will continue to be part of the recruitment criteria's.

Management's Statement

The Executive and Supervisory Boards have today considered and adopted the annual report of Georg Jensen Investment ApS for the financial year 1 January – 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position as of 31 December 2016 of the Company and the Group and of the results of the Group's cash flows for 2016.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 31 May 2017

Executive Board

Eva-Lotta Sjöstedt

Board of Directors

Hazem Ben-Gacem

Chairman

David Chu

Andrea Jayne Davis

José Pfeifer

Eva-Lotta Sjöstedt

Independent Auditors' Reports

To the Shareholders of Georg Jensen Investment ApS

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Georg Jensen Investment ApS for the financial year 1 January - 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company'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 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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 31 May 2017

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No. 33 77 12 31

Jacob F Christiansen,

State Authorised Public Accountant

Kaare von Cappeln,

State Authorised Public Accountant

Income Statement

Parent Company				The Group	
2016	**2015**	Note		**2016**	**2015**
DKK million	DKK million			DKK million	DKK million
-	-	3	Net revenue	1.091,4	1.144,1
-	-		Cost of sales	(442,9)	(436,4)
-	**-**		**Gross profit**	**648,5**	**707,7**
-	-		Sales and distribution expenses	(546,0)	(622,5)
(1,1)	(1,5)		Administration expenses	(208,3)	(185,7)
-	-	4	Other operating items	(2,4)	30,5
(118,0)	(78,0)	5	Result of investments in subsidiaries	-	-
(119,1)	**(79,5)**		**Profit before financial income and expenses – EBIT**	**(108,2)**	**(70,0)**
-	(1,3)	6	Financial items, net	(16,6)	(10,7)
(119,1)	**(80,8)**		**Profit before taxes**	**(124,8)**	**(80,7)**
0,2	0,9	7	Tax on profit for the year	5,9	0,8
(118,9)	**(79,9)**		**Net profit for the year**	**(118,9)**	**(79,9)**

Proposed distribution of profit

-	-	Proposed dividend	-	-
(118,9)	(79,9)	Retained earnings	(118,9)	(79,9)
(118,9)	**(79,9)**		**(118,9)**	**(79,9)**

Balance Sheet, Assets

Parent Company			Assets	The Group	
2016	**2015**			**2016**	**2015**
DKK million	DKK million	Note	**Non-current assets**	DKK million	DKK million
		8	**Intangible assets**		
-	-		Software	32,4	8,1
-	-		Goodwill	34,9	40,5
-	-		Brand, Lease and trademark rights	210,5	230,2
-	-		Completed development projects	11,2	8,7
-	-		Development projects in progress	12,1	24,4
-	**-**			**301,1**	**311,9**
		9	**Tangible assets**		
-	-		Land and buildings	26,3	26,9
-	-		Plant and machinery	4,0	5,5
-	-		Other fixtures and fittings, tools and equipment	40,5	46,6
-	-		Leasehold improvements	63,4	70,1
-	-		Property, plant and equipment in	5,4	2,9
-	-			**139,6**	**152,0**
			Financial assets		
615,7	740,3	10	Investments in subsidiaries	-	-
-	-		Deposits	33,9	33,7
615,7	**740,3**			**33,9**	**33,7**
615,7	**740,3**		**Total non-current assets**	**474,6**	**497,6**
			Current assets		
-	-	11	Inventories	359,2	443,2
			Receivables		
-	-		Trade receivables	153,6	151,0
6,9	8,1		Receivables from group enterprises	8,7	4,8
-	-		Other receivables	19,7	19,1
3,2	3,0	12	Deferred tax assets	35,0	24,1
-	-	13	Prepayments	41,4	46,5
10,1	**11,1**			**258,4**	**245,5**
-	-		Cash at bank and in hand	34,9	24,1
10,1	**11,1**		**Total current assets**	**652,5**	**712,8**
625,8	**751,4**		**Total assets**	**1.127,1**	**1.210,4**

Balance Sheet, Liabilities

Parent Company			Equity and liabilities	The Group	
2016	**2015**	Note		**2016**	**2015**
DKK million	DKK million			DKK million	DKK million
		14	**Equity**		
317,0	317,0		Share capital	317,0	317,0
594,4	594,4		Share premium account	594,4	594,4
(286,3)	(160,8)		Retained earnings	(286,3)	(160,8)
625,1	**750,6**		**Total equity**	**625,1**	**750,6**
			Provisions		
-	-		Other provisions	15,1	11,5
-	**-**			**15,1**	**11,5**
			Liabilities		
			Non-current liabilities		
-	-	15	Credit institutions	161,8	181,7
-	-		Payables to group enterprises	-	-
-	**-**			**161,8**	**181,7**
			Current liabilities		
0,1	0,1	15	Credit institutions	58,2	24,9
0,3	0,3		Trade payables	107,6	79,3
-	-		Corporation tax	2,1	14,9
0,3	0,4		Other payables	157,2	147,5
0,7	**0,8**			**325,1**	**266,6**
0,7	**0,8**		**Total liabilities**	**486,9**	**448,3**
625,8	**751,4**		**Total equity and liabilities**	**1.127,1**	**1.210,4**

1	Accounting policies applied
2	Extra ordinary and one off transactions
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17	Contingent liabilities and other financial obligations
18	Fee to auditors appointed at the general meeting
19	Staff costs
20	Financial instruments and risks
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Statement of Changes in Equity

The Group	Share capital DKK million	Share premium account DKK million	Retained earnings DKK million	Total DKK million
Equity as at 1 January 2016	317,0	594,4	(160,8)	750,6
Capital increase	-	-	-	-
Currency adjustment foreign subsidiaries	-	-	(6,6)	(6,6)
Adj. of hedging instruments at fair market value	-	-	-	-
Profit/(loss) for the year	-	-	(118,9)	(118,9)
Equity as at 31 December 2016	**317,0**	**594,4**	**(286,3)**	**625,1**
Equity as at 1 January 2015	0,1	540,9	(75,2)	465,8
Capital increase	316,9	53,5	-	370,4
Currency adjustment foreign subsidiaries	-	-	(3,7)	(3,7)
Adj. of hedging instruments at fair market value	-	-	(2,0)	(2,0)
Profit/(loss) for the year	-	-	(79,9)	(79,9)
Equity as at 31 December 2015	**317,0**	**594,4**	**(160,8)**	**750,6**

Parent Company	Share capital DKK million	Share premium account DKK million	Retained earnings DKK million	Total DKK million
Equity as at 1 January 2016	317,0	594,4	(160,8)	750,6
Capital increase	-	-	-	-
Currency adjustment foreign subsidiaries	-	-	(6,6)	(6,6)
Other equity adjustments foreign subsidiaries	-	-	-	-
Adj. of hedging instruments at fair market value	-	-	-	-
Profit/(loss) for the year	-	-	(118,9)	(118,9)
Equity as at 31 December 2016	**317,0**	**594,4**	**(286,3)**	**625,1**
Equity as at 1 January 2015	0,1	540,9	(75,2)	465,8
Capital increase	316,9	53,5	-	370,4
Currency adjustment foreign subsidiaries	-	-	(3,7)	(3,7)
Other equity adjustments foreign subsidiaries	-	-	(2,3)	(2,3)
Adj. of hedging instruments at fair market value	-	-	0,3	0,3
Profit/(loss) for the year	-	-	(79,9)	(79,9)
Equity as at 31 December 2015	**317,0**	**594,4**	**(160,8)**	**750,6**

Specification of share capital movements

	2016 DKK million	**2015 DKK million**	**2014 DKK million**	**2013 DKK million**
Share capital as at 1 January	317,0	0,1	0,1	0,1
Capital increase	-	316,9	-	-
Share capital as at 31 December	**317,0**	**317,0**	**0,1**	**0,1**

Cash Flow Statement

The Group

Note		2016	2015
		DKK million	DKK million
	Net profit for the year	(118,9)	(79,9)
22	Adjustments	81,1	55,5
22	Changes in working capital	118,9	(93,4)
	Operating cash flow before financial items	**81,1**	**(117,8)**
	Interest payments and similar (net)	(15,6)	(26,3)
	Cash flow from operations	**65,5**	**(144,1)**
	Corporation taxes paid	(12,9)	(3,6)
	Cash flow from operating activities	**52,6**	**(147,7)**
	Purchase of intangible assets	(22,8)	(58,8)
	Purchase of tangible assets	(27,5)	(68,7)
	Purchase of financial assets	(0,2)	(2,9)
	Sale of intangible assets	-	125,8
	Cash flow from investing activities	**(50,5)**	**(4,6)**
	Capital increase	0,0	370,5
	Development of debt to credit institutions	0,0	119,4
	Development of debt to group enterprises	(3,9)	(302,2)
	Cash flow from financing activities	**(3,9)**	**187,7**
	Change in cash and cash equivalents	**(1,8)**	**35,4**
	Cash, cash equivalents and utilized credit facilities 1 January	24,0	(35,3)
	Utilized credit facilities at 1 January	(21,5)	
	Currency adjustment of cash and cash equivalents	0,5	2,4
	Cash, cash equivalents and utilized credit facilities 31 December	**0,2**	**2,5**
	Cash, cash equivalents and utilized credit facilities are specified as follows:		
	Cash and cash equivalents at hand and in bank	34,9	24,0
	Utilized credit facilities	(34,7)	(21,5)
	Cash, cash equivalents and utilized credit facilities 31 December	**0,2**	**2,5**

Notes

1. Accounting policies applied

The Annual Report is presented in accordance with the Danish Financial Statements Act. The Annual Report is presented in accordance with the provisions for accounting class C (large) companies.

The accounting policies are unchanged from last year.

The accounting policies are applied consistently throughout the financial year and for the comparative figures. Few adjustments of the comparative figures have been made, which have had no effect on EBIT, profit for the year, cash flow statement and the equity in the comparative year.

The accounting policies applied are stated in the following and in the following notes:

Note 4 Other operating items	Note 11 Inventories
	Note 12 Deferred tax asset
	Note 13 Prepayments
Note 5 Result of investments in subsidiaries	Note 14 Equity
Note 6 Financial items, net	Note 15 Long term debt
Note 7 Tax on profit for the year and deferred tax	Note 16 Contingent assets
Note 8 Intangible assets	Note 17 Contingent liabilities and other financial obligations
Note 9 Tangible assets	
Note 10 Investments in subsidiaries	Note 20 Financial instruments and risks
	Note 22 Cash flow statement

Recognition and measurement

Revenues are recognized in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortized costs are recognized. Moreover, all expenses incurred to achieve the earnings for the year are recognized in the income statement, including depreciation, amortization, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Consolidated accounts

The consolidated accounts comprise the accounts of the Parent Company Georg Jensen Investment ApS and subsidiaries, defined as companies in which the Parent Company directly or indirectly holds a controlling interest.

The consolidated accounts are prepared on the basis of accounts for the Parent Company and subsidiaries by consolidation of accounting items of a uniform nature, in accordance with the Group's accounting policy. Eliminations are made for internal revenue, interest, dividend, profits and intercompany balances, just as

Notes

1. Accounting policies applied, continued

capital interests in subsidiaries are set off by the equivalent share of the companies' capital and reserves stated in accordance with the Group's accounting policy. Non-controlling interests' share of the results and capital and reserves of subsidiaries is stated as a separate item.

Foreign currency

Translation of the income statement in foreign subsidiaries' accounts to Danish kroner takes place at the average exchange rates for the financial year, while the balance sheet is translated at the exchange rates on the date of the balance sheet. Currency differences on the translation of foreign subsidiaries' capital and reserves at the exchange rate on the date of the balance sheet are carried to capital and reserves.

Receivables and debt in foreign currency are translated to Danish kroner at the exchange rates on the date of the balance sheet. Realised and unrealised currency gains and losses are carried to the income statement.

Revenue

Revenue after deduction of discounts is recognized in the income statement, if invoicing and delivery have taken place before the end of the financial year.

Cost of goods sold

Cost of goods sold comprises the cost price (direct costs) of goods sold, as well as expenses relating to maintenance, depreciation and salaries, etc. that are paid in order to achieve the revenue for the year.

Sales and distribution expenses

Sales and distribution expenses comprise the expenses relating to sales staff, advertising and exhibition costs, goods handling, freight and depreciation, etc.

Administrative expenses

Administrative expenses comprise the expenses relating to administrative staff, management, office premises, office expenses, information technology and depreciation, etc.

Provisions

Provisions are recognized when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include provision to re-establishing leasehold improvements in accordance with the lease contracts and provision for pensions to employees.

Notes

1. Accounting policies applied, continued

Key figures

The key figures presented in highlights and key figures are calculated as follow:

Invested capital

Assets less cash and cash equivalents and non-interest-bearing debt

Net interest-bearing debt

Interest-bearing debt less cash and cash equivalents

Gross margin (%)

Gross profit as a ratio of net revenue

EBIT margin (%)

Operating profit (EBIT) as a ratio of net revenue

Solvency ratio (%)

Capital and reserves at year-end as a ratio of total assets.

Return on invested capital, including goodwill

Operating profit (EBIT) as a ratio of average invested capital, including goodwill

Net revenue/Invested capital, including goodwill

Net revenue divided by average invested capital, including goodwill

Return on equity (%)

Net profit/(loss) as a percentage of average equity

Notes

DKK million

2 Special Items

The result is affected by the following special items:

	The Group	
	2016	2015
Cost for restructure of organization	47,1	11,8
Inventory write down of discontinued items	41,0	10,6
Impairment of fixed assets	2.6	9,8
Other cost	4,9	7,2
Profit from sale of non-current assets	0	(30,6)
	95.6	**8.8**

Special items is included in the gross profit with DKK 41 million (DKK 10,6 million)

3 Segment information

	The Group	
Net revenue by markets:	2016	2015
APAC	495,2	517,8
Europe	541,5	559,2
Other	54,7	67,1
	1.091,4	**1.144,1**

4 Other operating items

Accounting policies applied

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise, including gains and losses on the sale of intangible assets and property, plant and equipment.

Parent Company			The Group	
2016	2015		2016	2015
-	-	Profit (loss) on sale of non-current assets	(1,3)	30,6
		Other income	0,6	-
-	-	Other expenses	(1,7)	(0,1)
-	**-**		**(2,4)**	**30,5**

5 Result of investments in subsidiaries

Accounting policies applied

Shares of subsidiaries' results after tax are included in the income statement of the Parent Company.

Parent Company 2016	Parent Company 2015	
(106,6)	34,1	Share of profits of subsidiaries before taxes
(14,6)	(112,0)	Depreciation goodwill
(121,2)	(77,9)	Profit before tax
3,2	(0,1)	Tax of subsidiaries
(118,0)	**(78,0)**	**Profit after taxes**

6 Financial items, net

Accounting policies applied

Net financial items comprise interest income and expenses, capital and exchange gains and losses relating to liabilities and transactions in foreign currencies and amortization of financial assets and liabilities.

Parent Company 2016	Parent Company 2015		The Group 2016	The Group 2015
-	-	Interest income	22,4	19,4
-	(1,3)	Interest expenses	(39,0)	(30,1)
-	**(1,3)**		**(16,6)**	**(10,7)**

7 Tax on profit for the year and deferred tax

Accounting policies applied

The expected tax on the taxable income for the year is carried as an expense in the income statement, with addition of the change in deferred tax for the year.

The Company is taxed jointly with Danish Group Companies. The corporate tax of the jointly-taxed companies is distributed among the companies according to their taxable incomes (full distribution method).

The jointly-taxed companies are subject to the on-account taxation system.

Deferred tax is allocated for all timing differences between accounting and taxation values, including differences in the book value of tangible assets, inventories of finished goods and the tax value of taxable deficits carried forward. Deferred tax assets are measured in the balance sheet at their expected realizable value.

Deferred tax is measured on the basis of the tax rules and tax rates in the respective countries that, under the legislation as of the date of the balance sheet, would apply when the deferred tax is expected to be activated as current tax.

Parent Company			**The Group**	
2016	2015		2016	2015
-	-	Current tax for the year	6,3	16,8
-	-	Adjustment for previous years	-	-
(0,2)	(0,9)	Deferred tax for the year	(12,2)	(17,6)
-	-	Adjustment of deferred taxes for previous years	-	-
(0,2)	**(0,9)**		**(5,9)**	**(0,8)**

Notes

DKK million

8 Intangible assets

Accounting policies applied

Intangible assets are measured at cost price, comprising directly and indirectly related expenses, less accumulated impairment losses and amortization.

Amortization takes place on a straight line basis as shown below:

Software	3-7 years
Goodwill	5-10 years
Leasing rights	Leasing period
Brand, Lease and trademark rights	5-20 years
Finished development projects	Max. 5 years

Software and IT development are amortized over the useful life of 3-7 years. Cost includes the acquisition price as well as costs arising directly in connection with the acquisition and until the point of time where the asset is ready for use. Amortization is provided on a straight-line basis over the expected useful life.

Brand and lease rights acquired are measured at cost less accumulated amortisation. The amortization period reflects the expected economic lifecycle.

Goodwill acquired is measured at cost less accumulated amortisation. The depreciation period reflects the expected economic lifecycle of the activity relating to the goodwill.

Expenses relating to the development of products, where the intention is to manufacture and market the product, are recognized in the balance sheet when the applicable criteria are fulfilled. In other cases the expenses are carried to the income statement when they are defrayed.

Development expenses are stated in the balance sheet at cost price, comprising the direct and indirect costs attributable to the development activities, less accumulated depreciation and impairment.

Notes

DKK million

8 Intangible assets, continued

The Group	Software	Goodwill	Brand, Lease and trademark rights	Completed development projects	Develop-ment projects in progress	**Total**
Cost at 1 January	11,6	69,6	272,8	19,4	24,4	**397,8**
Additions for the year	0,1	-	0,2	0,5	22,0	**22,8**
Exchange adjustments	0,3	-	(3,4)	-	-	**(3,1)**
Transferred to other items	28,4	-	0,5	5,4	(34,3)	**-**
Cost at 31 December	**40,4**	**69,6**	**270,1**	**25,3**	**12,1**	**417,5**
Impairment losses and amortization at 1 January	3,5	29,1	42,6	10,7	-	**85,9**
Amortization/impairment for the year	4,6	5,6	17,4	3,4	-	**31,0**
Exchange adjustments	(0,1)	-	(0,4)	-	-	**(0,5)**
Impairment losses and amortization at 31 December	**8,0**	**34,7**	**59,6**	**14,1**	**-**	**116,4**
Carrying amount at 31 December	**32,4**	**34,9**	**210,5**	**11,2**	**12,1**	**301,1**

Notes

DKK million

9 Tangible assets

Accounting policies applied

Tangible assets are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect expenses for labour, materials, components and sub-suppliers.

Interest expenses on loans raised directly for financing the construction of tangible assets are recognised in cost over the period of construction. All indirectly attributable borrowing expenses are recognised in the income statement.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Buildings	25-30 years
Plant and machinery	5-15 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5-10 years

Notes

DKK million

9 Tangible assets, continued

The Group	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	**Total**
Cost at 1 January	41,3	33,2	208,8	250,8	2,5	**536,6**
Adjustment to cost price 1 January	-	-	-	-	-	**-**
Additions for the year	-	0,4	2,0	16,8	8,3	**27,5**
Disposals for the year	-	(0,5)	(4,3)	(6,0)	-	**(10,8)**
Exchange adjustments	1,0	0,9	1,8	0,2	-	**3,9**
Transferred to other items	-	-	5,3	0,1	(5,4)	**-**
Cost at 31 December	**42,3**	**34,0**	**213,6**	**261,9**	**5,4**	**557,2**
Impairment losses and depreciation at 1 January	**14,4**	**27,7**	**161,7**	**180,7**	**-**	**384,5**
Adjustment to impairment losses and depreciation at 1 January	-	-	-	-	-	**-**
Depreciation for the year	1,4	2,2	13,7	21,3	-	**38,6**
Impairment and depreciation of sold assets for the year	-	(0,5)	(3,7)	(5,3)	-	**(9,5)**
Exchange adjustments	0,2	0,6	1,4	1,7	-	**3,9**
Impairment losses and depreciation at 31 December	**16,0**	**30,0**	**173,1**	**198,4**	**-**	**417,5**
Carrying amount at 31 December	**26,3**	**4,0**	**40,5**	**63,5**	**5,4**	**139,7**

Notes

DKK million

10 Investments in subsidiaries

Accounting policies applied

Investments in subsidiaries are recognized and measured under the equity method.

The item “Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealized intercompany profits or losses and with addition of any remaining value of positive differences (goodwill) and deduction of any remaining value of negative differences (negative goodwill).

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in subsidiaries.

Subsidiaries with a negative net asset value are recognized at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is set up against receivables from group enterprises or recognized in provisions.

Other investment securities and capital interests are measured at fair market value on the date of the balance sheet.

Notes

DKK million

10 Investments in subsidiaries, continued

Parent Company	2016	2015
Cost at 1 January	876,3	809,4
Additions for the year	0	66,9
Cost at 31 December	**876,3**	**876,3**
Impairment losses and amortization at 1 January	(136,0)	(52,3)
Net profit/(loss) for the year	(118,0)	(78,0)
Equity adjustments in subsidiaries	(6,5)	(5,7)
Impairment losses and amortization at 31 December	**(260,5)**	**(136,0)**
Carrying amount 31 December	**615,8**	**740,3**
Remaining positive difference included in the above carrying amount at 31 December	158,1	169,6

Investments in subsidiaries	Place of registered office	Votes and ownership	Currency	Nominal share capital in LC '000
Georg Jensen A/S	Denmark	100 %	DKK	139.649
Georg Jensen (Thailand) Ltd.	Thailand	100 %	THB	50.000
Georg Jensen Retail A/S	Denmark	100 %	DKK	581
Georg Jensen Japan Ltd.	Japan	100 %	JPY	100.000
Georg Jensen (Taiwan) Ltd.	Taiwan	100 %	TWD	103.329
Georg Jensen Inc.	USA	100 %	USD	36.950
Georg Jensen U.K. Ltd.	UK	100 %	GBP	2.288
Georg Jensen Pty. Ltd.	Australia	100 %	AUD	6.108
Georg Jensen Silver AB	Sweden	100 %	SEK	10.100
Georg Jensen Italy S.r.l.	Italy	100 %	EUR	10
Georg Jensen (Singapore) Ltd.	Singapore	100 %	SGD	6.500
Argenterie d'art de Georg Jensen S.A.R.L.	France	100 %	EUR	1
Georg Jensen Sølvsmedie GmbH	Germany	100 %	EUR	128
Georg Jensen Hong Kong Holding	Hong Kong	100 %	HKD	10
Subgroup				
Georg Jensen (China) Ltd.	Hong Kong	100 %	HKD	27.000
Georg Jensen (Beijing) Trading Limited	China	100 %	CNY	35.836
Georg Jensen (Macau) Limited	Macau	100 %	MOP	26

Notes

DKK million

11 Inventories

Accounting policies applied

Raw materials and components are measured at acquisition price, or net realization value if lower.

Goods in production and finished goods are measured at cost price (compiled by the average method) with addition of indirect production costs, or at net realization value if lower.

Indirect production costs comprise the cost of indirect materials and labor as well as maintenance and depreciation of the machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

	The Group	
	2016	2015
Raw materials and components	27,0	30,3
Work in progress	32,6	24,2
Finished goods and goods for resale	299,6	388,7
Total inventory	**359,2**	**443,2**

12 Deferred tax asset

Parent Company			The Group	
2016	2015		2016	2015
3,0	1,5	Deferred tax at 1 January	24,1	3,9
0,2	1,5	Addition/disposal for the year	10,9	20,2
3,2	**3,0**	**Deferred tax at 31 December**	**35,0**	**24,1**

Deferred tax asset for the group make up for DKK 35.0 million at 31 December 2016 (24.1 in 2015) The deferred tax asset can be split in DKK 12.4 relating to tax losses carry forward and DKK 22.6 relating to temporary differences.

Deferred tax asset for the parent company make up for DKK 3.2 million at 31 December 2016 (3.0 in 2015) The deferred tax asset relate to tax losses carry forward. The full amount of the tax loss carry forward is recognized.

Recognition of the deferred tax asset and the expectations to the utilization is based on the set targets in the group's new strategy, starting from 2017 and the approved budget for 2017. For 2017 is expected a profit for the group and this profit is expected to increase the coming years. The strategy contains 8 strategic shift for the group, with some directly measurable on the profit and with other to strengthen the organization and in the group.

Based on these strategic shifts and the fact that every action point taken is in accordance with the set strategy that make it possible for the group to reach the set targets in the strategy, and by that also generated sufficient profit to utilize the recognized deferred tax asset

At year end the group has non-recognized tax losses carry forward to an estimated value of DKK 150 – 160 million. The tax loss carry forward represent the part of that can't be utilized within the coming years, mainly due to the market and entity they refer to.

13 Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, tools, marketing, royalty, licenses and subscriptions.

14 Equity

The share capital consists of 3.170.441 shares of nominal value of DKK 100. No shares carry any special rights.

15 Other Provisions

Parent Company			The Group	
2016	2015		2016	2015
0,0	0,0	Provision for pension at 1 January	6,0	4,6
0,0	0,0	Addition/disposal for the year	3,6	1,4
0,0	**0,0**	**Provision for pension**	**9,6**	**6,0**
0,0	0,0	Other Provision at 1 January	5,5	2,5
0,0	0,0	Addition/disposal for the year	0,0	3,0
0,0	**0,0**	**Other Provision**	**5,5**	**5,5**
0,0	**0,0**	**Total provisions**	**15,1**	**11,5**

Notes

DKK million

16 Long-term debt

Accounting policies applied

Loans are recognized at the date of borrowing at the net proceeds received after deduction of transaction costs incurred. In subsequent periods, financial liabilities are measured at the amortized cost, corresponding to the capitalized value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan as a financial expense using the effective interest method.

Other liabilities are measured at amortised cost, which in all material aspects corresponds to the nominal value.

Payments due within 1 year are recognized in short-term debt. Other debt is recognized in long-term debt. The debt falls due as follows:

Parent Company			The Group	
2016	2015		2016	2015
-	-	Between 1 and 5 years	161,8	181,7
-	-	Over 5 years payable to group companies	-	-
-	**-**	**Long-term debt**	**161,8**	**181,7**
-	-	Within 1 year	23,6	3,3
0,1	-	Other short-term debt to credit institutions	34,7	21,5
0,1	**-**	**Short-term part**	**58,3**	**24,8**
0,1	**-**	**Total debt**	**220,1**	**206,5**

Notes

DKK million

17 Contingent liabilities and other financial obligations

Accounting policies applied

Contingent liabilities comprise potential liabilities which have not yet been confirmed as to whether these will cause an outflow of the Group's resources or actual liabilities which are not possible to measure with sufficient reliability.

Lease costs are recognized using the straight-line method over the term of the lease starting from the date the lease enters into force.

The company Georg Jensen A/S is liable as a surety guarantor for loans of DKK 13,6 million raised by Georg Jensen (Thailand) Ltd. with IFU.

For the credit facilities with a credit institution a mortgage charge on the Company's assets of DKK 200 million and a mortgage registered to the owner of DKK 10 million on a building with an accounting book value of DKK 5,4 million have been recorded in the Land Register. For the same credit facilities, shares in a subsidiary with a book value of DKK 63,3 million have been pledged as collateral.

As at 31 December 2016 the Group is involved in pending litigations, however it is management's assessment that it will not have a material effect on the Group's financial position.

For the Group, total lease payment obligations amount to DKK 351,5 million, hereof property and shop lease payment obligation amounting to DKK 346,4 million (DKK 370,7 million) with varying terms up to 25 March 2025, and other leases payment obligations amounting to DKK 5,1 million (DKK 3,4 million) which run to 30 November 2020.

The aging of the lease payment obligations is shown below:

	The Group	
	2016	2015
Between 1 and 5 years	221,6	208,5
Over 5 years	15,0	48,3
Long-term lease obligations	**236,6**	**256,8**
Within 1 year	114,9	117,3
Short-term part	**114,9**	**117,3**
Total lease obligation	**351,5**	**374,1**

Notes

DKK million

18 Fee to auditors appointed at the general meeting

Parent Company 2016	Parent Company 2015		The Group 2016	The Group 2015
0,3	0,3	Audit fee to PwC	2,2	2,2
-	-	Other statements and opinions with guarantees	0,2	0,2
-	-	Tax services	0,8	0,5
0,2	0,3	Non-audit services	0,8	1,2
0,5	**0,6**	**Total fee**	**4,0**	**4,1**

19 Staff costs

Parent Company 2016	Parent Company 2015		The Group 2016	The Group 2015
-	-	Wages and salaries	290,9	306,3
-	-	Pensions	16,3	18,2
-	-	Other social security expenses	10,2	12,3
-	**-**		**317,4**	**336,8**
-	-	Executive board	4,9	7,2
0,6	0,6	Board of Directors	2,6	0,7
0,6	**0,6**		**6,9**	**7,9**
-	**-**	**Average number of employees**	**1.352**	**1.440**

Share based payment

The Company's Executive Board and Senior Executives have entered into agreements concerning the purchase of shares in a parent company of Georg Jensen Investment ApS. The arrangement is based on the executives achieving a part of the value increase of the shares.

In Management's opinion, the agreements do not at present represent any significant financial value.

Notes

DKK million

20 Financial instruments and risks

Accounting policies applied

Initial recognition of derivative financial instruments is made in the balance sheet at cost and they are subsequently measured at fair value. Positive and negative changes in fair values of derivatives are included as receivables or liabilities.

Changes in the fair value of derivatives which are classified as and meet the conditions for the hedging of future transactions are taken directly to equity.

On realization of the hedged position, income and costs relating to such hedging transactions are transferred from equity and recognized in the same accounting item as the hedged position.

In respect of derivatives which do not meet the conditions for treatment as hedging instruments regarding future transactions, the changes in the fair value are recognized in the income statement on an ongoing basis.

Financial instruments and risks

The financial management of the Group aims solely to control the financial risks relating to its operations, since it is the Group's policy not to engage in financial risks.

Currency and commodity price risks are hedged for up to 12 months with a decreasing hedging degree over the period pursuant to the Hedging Policy approved by the Board of Directors.

To hedge the financial risks Georg Jensen uses a portfolio of financial instruments as FX-forwards, silver and gold futures, currency swaps as well as options.

The effective part of the fair values of the raw material price futures, currency and interest rate swaps used for and complying with the conditions for hedge accounting for future transactions is recognized directly in equity until the hedged transactions are realized and consequently recognized in the income statement.

Financial liabilities and receivables

The majority of financial liabilities of the Group fall due within 12 months with the exception of long term loans.

The financial receivables of the Group all fall due within 12 months. It is the Group's policy that all major customers and other partners undergo regular credit rating. A credit line is set on the basis of the credit worthiness of the individual customers and counterparties. The Group does not have any material risks relating to individual private customers or partners.

Historically seen the Group has had relatively small losses as a consequence of non-payment by customers or counterparties. At year-end write-downs on bad debt was DKK 8,4 million (DKK 6,0 million).

Interest rate risk

The interest rate risk of Georg Jensen is primarily related to floating rate debt to credit institutions.

At year end 2016 Georg Jensen has no interest rate swaps as these expired in 2016. At year end the market value of interest rate swaps was DKK 0,0 million (DKK (4,4) million), none of which was recognized directly in equity.

Notes

DKK million

20 Financial instruments and risks, continued

Foreign currency risk

The foreign currency risks of Georg Jensen are mainly related to the purchase of raw materials and revenues in foreign currencies.

The table below shows the impact of the year on P/L and equity from exchange rate increases of 10% in Georg Jensen's primary foreign currencies after the impact of hedge accounting based on monetary assets and liabilities at year end (in DKK millions).

	2016	2016	2015	2015
	P/L before tax	Equity	P/L before tax	Equity
AUD	(0,6)	(2,4)	(0,5)	(1,7)
CNY	1,8	-	(0,2)	-
EUR	0,1	-	0,1	-
GBP	(1,9)	(1,4)	(1,7)	(0,8)
HKD	0,1	(0,4)	0,1	(1,0)
JPY	(0,1)	(1,1)	3,7	(0,7)
NOK	(0,2)	(1,3)	0,3	(0,5)
SEK	-	(1,8)	-	(1,2)
THB	(0,8)	2,1	(0,8)	2,7
TWD	(1,6)	(2,4)	(1,1)	(2,2)
USD	6,2	5,7	7,9	4,7

Georg Jensen has equity investments in foreign affiliated companies, whose net assets are affected by exchange rate fluctuations in connection with translation to DKK in the consolidated accounts. This translation risk is not regarded as a foreign currency risk and is therefore not included in the sensitivity calculations.

At year end the market value of FX derivatives was DKK 1,4 million (DKK 1,5 million), of which DKK 1,4 million (DKK 1,2 million) was recognized directly in equity. All currency hedging expires within 1 year.

Raw material price risks

Georg Jensen is exposed to fluctuations in commodity prices through its production. The main raw materials are gold and silver.

The sensitivity on profit for the year and equity from raw material price movements of 10% of gold and silver after impact of hedge accounting amounts to DKK 3,7 million (3,0 million) at year end 2016.

As per 31 December 2016 the market value of gold and silver futures was negative by DKK 2,6 million (DKK 2,9 million) which was recognized directly in equity. All commodity price hedging expires within 1 year.

Notes

DKK million

21 Related parties and ownership

Controlling interest

Georg Jensen Investment ApS' immediate Parent Company is Moonlight II BV, Netherlands. Georg Jensen Investment ApS is fully consolidated in the consolidated annual report for Moonlight II BV from where it can be obtained. The ultimate Parent Company is Investcorp Banks B.S.C., Investcorp House, Building 499, Manama 317, Bahrain.

Other related parties

The Company's related parties are the members of the Board of Directors and Executive Board of Georg Jensen Investment ApS, the sole shareholder Moonlight II BV and affiliated companies.

Transactions

No agreements or other transactions with the Company have been concluded in which the Board of Directors or Executive Board has had an economic interest besides transactions as a consequence of the employment relationship.

22 Cash flow statement

Accounting policies applied

The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

No cash flow statement has been prepared for the Parent Company as the Parent Company's cash flows are included the cash flow statement for the Group.

Cash flows form operating activities

Cash flow from operating activities are calculated as the net profit/loss for the year adjusted for a change in working capital and non-cash operating items such as depreciation, amortization and impairment losses and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, tangible assets as well as financial assets.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term loans and payments to and from the shareholders.

Cash, cash equivalents and utilized credit facilitis

Cash, cash equivalents and utilized credit facilities comprise cash at bank, at hand and utilized credit facilitis.

Notes

DKK million

22 Cash flow statement, continued

Adjustments

	The Group	
	2016	2015
Financial income	(22,4)	(19,4)
Financial costs	39,0	30,1
Depreciation, amortization and impairment losses	69,1	45,6
Profit / loss on sale of fixed assets	1,3	0
Tax on profit/loss for the year	(5,9)	(0,8)
	81,1	**55,5**

Changes in working capital

	The Group	
	2016	2015
Change in inventories	84,0	(84,6)
Change in receivables	1,9	(38,9)
Change in other provisions	3,6	4,4
Change in suppliers etc.	38,5	29,7
Other adjustments	(9,1)	(4,0)
	118,9	**(93,4)**