



BY APPOINTMENT TO
HER MAJESTY THE QUEEN OF DENMARK

GEORG JENSEN

ESTABLISHED 1904

2017

GEORG JENSEN A/S, ANNUAL REPORT 2017

CVR NO. 26 57 36 45

SØNDRE FASANVEJ 7, DK-2000 FREDERIKSBERG





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ANNUAL REPORT 2017

THE ANNUAL REPORT WAS APPROVED AT THE COMPANY'S
ORDINARY GENERAL MEETING HELD ON 16 MAY 2018
CHAIRMAN OF THE MEETING:

JACOB MELANDER



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COMPANY INFORMATION

Company	Georg Jensen A/S Søndre Fasanvej 7 DK-2000 Frederiksberg Phone: +45 38 14 98 98 Fax: +45 38 14 99 13 Website: www.georgjensen.com CVR No.: 26 57 36 45 Financial year: 1 January - 31 December Municipality of residence: Frederiksberg
Board of Directors:	Hazem Ben-Gacem, Chairman David Ching Chi Chu, Vice Chairman Andrea Jayne Davis Karl Sebastian Inger Francesco Pesci Inge Andersen, elected by employees Adnan Hadzihasanovic, elected by employees
Executive Board:	Francesco Pesci, CEO
Auditor	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (a Danish limited liability company)

The general meeting will be held on 16 May 2018 at the Company's address.

KEY FIGURES AND FINANCIAL RATIOS

Over a period of five years, the development of the Group may be described by the following financial highlights and ratios:

	The Group				
DKK million	2017	2016	2015	2014	2013
Financial highlights					
Profit					
Net revenue	1.089	1.091	1.144	1.009	985
Gross profit	676	649	708	616	600
EBITDA excl. special items	74	55	17	43	81
EBIT excl. special items	13	3	(43)	2	38
Operating profit (EBIT)	(25)	(93)	44	2	2
Net financial items	(29)	(17)	(9)	(11)	(17)
Profit/(loss) before taxes	(54)	(109)	34	(9)	(15)
Net profit/(loss)	(35)	(107)	11	(14)	(15)
Balance sheet					
Balance sheet total	920	968	1.038	885	738
Equity	415	458	571	498	487
Invested capital	653	653	761	607	519
Interest-bearing debt (+)/cash and cash equivalents (-)	237	195	191	109	31
Investments, tangible assets	21	28	69	37	44
Cash flow from operating activities	(10)	53	(141)	(19)	29
Total cash flow	(65)	(2)	37	(36)	(26)
Number of employees	1.287	1.352	1.440	1.302	1.197
Financial ratios					
Gross margin	62%	60 %	62 %	61 %	61 %
EBITDA excl. special items margin	7%	5%	2 %	4 %	8 %
Solvency ratio	45 %	47 %	55 %	56 %	66 %
Return on invested capital	(4 %)	(13 %)	6 %	0 %	0 %
Net revenue/invested capital	1,7	1,7	1,5	1,7	1,9
Return on equity	(8 %)	(21 %)	6 %	(3 %)	(3 %)

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.

HIGHLIGHTS OF 2017

REVENUE GROWTH OF 5,6%

Growth in revenue in 2017 of 5,6% when adjusting for the effect of closed stores during the year and the impact of development in FX rates from 2016 to 2017. Reported revenue declined 0,2%.

Asia Pacific (APAC) -2,6% (-5,8% reported)

Europe & Other markets +9,1% (4,6% reported)

North America +66,0% (1,8% reported)

STORES

In 2017, 3 new stores have been opened and 17 stores have been closed, primarily in the APAC region.

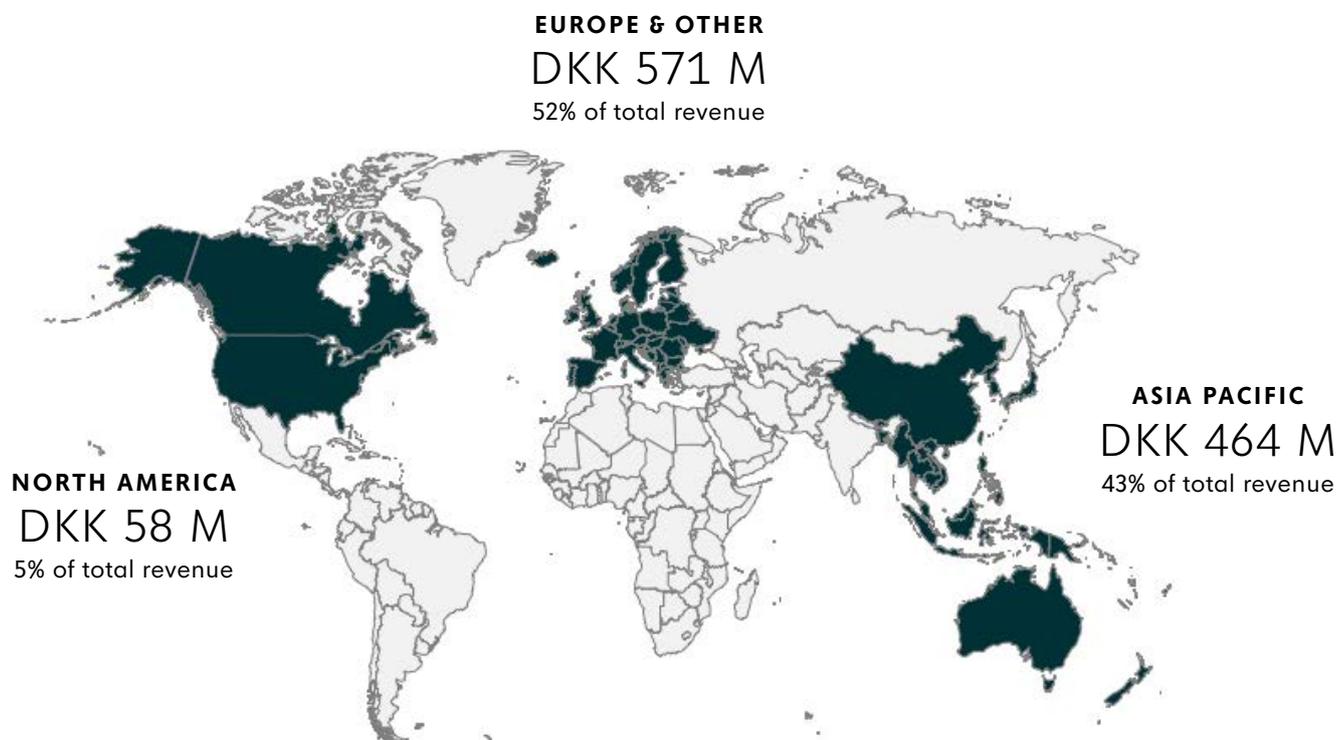
A total of 106 stores operated worldwide at the end of December 2017 (120 by the end of December 2016). Georg Jensen is represented across 12 countries by the end of 2017.

GROWTH IN 2018

Management expects for 2018 growth in revenue excl. closed stores and significant growth in operating profit ahead of sales growth.

OPERATING PROFIT EXCL. SPECIAL ITEMS IMPROVES SIGNIFICANTLY OVER 2017

2017 EBITDA excl. special items at DKK 74 million (6,9% of revenue) up from DKK 55 million (5,0% of revenue) in 2016.



CEO LETTER

2017

- A strong bridge to the future



In 2017, we significantly improved our financial performance and made important progress towards becoming a stronger and healthier organisation.

There were important changes in the management team and in the board during the year. After advising the Company as a non-executive board member and later overseeing its operations as executive chairman, I was appointed chief executive officer in November. In addition, Henning Heiberg Andersen and Philip Wegloop joined Georg Jensen as new CFO and CMO, respectively. Their experience and skills will greatly benefit the Company.

I am proud and honoured to lead Georg Jensen, a design institution with a unique history and the world's pre-eminent silver brand. With its unrivalled craftsmanship, Georg Jensen is an icon of Scandinavian design and enjoys a very strong reputation globally.

In particular, I am impressed by the great passion and pride of the Georg Jensen community. We strive to convey this spirit to our consumers, commercial partners and suppliers. Georg Jensen is a crown jewel and an essential part of national Danish heritage that we should all treasure.

Last year we accomplished a number of important achievements.

With a new and refined collection, we successfully celebrated the 50th anniversary of Georg Jensen's collaboration with Vivianna Torun Bülow-Hübe, a woman whose unconventional approach to both jewellery design and life have had an important impact on our brand. We also brought our home decor business to new heights with the Manhattan collection, an art deco-inspired barware collection developed by our in-house design team.

With its boldly geometric and decorative expression, this collection clearly reflects the Georg Jensen legacy and is bound to become a bestseller.

Our silver business flourished again in 2017, thanks to a dedicated team effort. Moreover, the silver smithy employed 3D technology to create an original and unique masterpiece that will be unveiled in the very near future; an exciting and unparalleled marriage between traditional craftsmanship and state-of-the-art design technology.

We continued the efforts to modernise our retail business by upscaling our digital shopping capabilities and rationalising our network of physical shops. Specifically, we rolled out a new platform that made e-commerce our fastest growing sales channel last year. This marks an important step towards a complete omni-channel approach and a powerful competitive advantage for our company.

Finally, our wholesale business enjoyed excellent growth worldwide, and we reached an important agreement for further expansion within the Middle East.



"Last year
we accomplished a
number of important
achievements."

Since 1904, Georg Jensen has been evolving while staying true to our Scandinavian design heritage. Our clear strategy and strong focus are the foundation of continuous performance improvements and will ensure that Georg Jensen continues to shine.

Finally, I want to give my heartfelt thanks to all of our colleagues for their dedication and to all our suppliers and customers for their cooperation and loyalty.

Francesco Pesci
CEO



PRODUCT CATEGORIES

Product Highlights

2017 marked the 50th anniversary of the collaboration between Georg Jensen and iconic designer Vivianna Torun Bülow-Hübe.



The celebrations began in spring with the relaunch and expansion of the Savannah collection in silver and continued into fall with introductions in gold and special editions of the classic Vivianna bangle watch in rose gold and a silver edition with black pavé diamonds. Throughout the year, the focus on Vivianna reaffirmed the iconic status of her revolutionary Dew Drop collection and the evergreen Torun bangle.



Limited editions and masterpieces in silver hollowware continued to capture the imagination of collectors around the world. Recent designs by Marc Newson and Kengo Kuma sold well, and special silver events in Asia helped the category flourish in 2017. New interpretations of the Blossom cutlery and a preview of Henning Koppel pieces for the Koppel 100 celebration in 2018 were well received by press and consumers during the holiday season, paving the way for more exciting developments in 2018.



In home decor, Georg Jensen solidified its strong standing in the wine and bar category with the introduction of Manhattan. Inspired by Scandinavian expressions of art deco from Georg Jensen's design archive along with art deco marvels such as the Empire State Building and the Chrysler Building, Manhattan evokes a clean, functional sophistication at home in any bar. Due to the instant success of the collection, further items were added for the autumn/winter season.





PERFORMANCE



FINANCIAL REVIEW

NET REVENUE

Reported net revenue in 2017 amounted to DKK 1.089 million (DKK 1.091 million). Reported net revenue is materially impacted by the conscious decision to close non-performing retail stores in particular in the APAC region. Furthermore, reported net revenue is negatively affected by about DKK 13 million in exchange rate fluctuations relating to most of our markets. Net revenue excluding closed stores and excluding impact of FX fluctuations amount to DKK 1.093 million (DKK 1.035 million) an increase of 5,6%.

APAC countries delivered net revenue excluding closed stores and FX fluctuations of DKK 464 million (43% of total net revenue), which is a decrease of 2,6% compared to 2016. Sales in the APAC region is driven by the largest markets in Australia and Taiwan. Net e-commerce in the APAC countries developed very positively with 29% growth while own retail declined 1% net of closed stores and FX fluctuations.

Europe & Other markets delivered net revenue excluding closed stores and FX Fluctuations of DKK 571 million (52% of total net revenue) growing at 9,1%. Growth in Europe & Other markets is driven by wholesale with growth of 7,0%, export sale with growth of 46,5% and e-commerce growing a strong 57,5%.

North America again confirmed its potential for Georg Jensen with strong double digit growth in both external retail and e-commerce (same as in 2016) when excluding the impact of closed stores and FX fluctuations.

Our own retail channel experienced a 2,3% net revenue growth excluding closed stores and FX fluctuations compared to 2016.

The wholesale channel had a very strong year with net revenue growth of 6%.

The e-commerce channel continues its strong performance with sales growth of 43%.

GROSS PROFIT

Gross profit increased by DKK 27 million to DKK 676 million (DKK 649 million), among other due to increased efficiency and lower cost on our productions facility in Thailand.

SALES AND DISTRIBUTION EXPENSES

In 2017, sales and distribution expenses amounted to DKK 507 million (DKK 546 million), a decrease of DKK 39 million. The saving over last year is a result of our continuing focus to bring down OPEX through various cost optimisation efforts and tight control of spending.

ADMINISTRATION EXPENSES

Administration expenses amounted to DKK 203 million (DKK 193 million), which is an increase of DKK 10 million compared to 2016. The increase in administration expenses should be seen together with the development in sales and distributions expenses with a total net decrease compared to 2016 of DKK 29 million.

EBITDA

EBITDA excl. special items was realised at DKK 74 million in 2017 (DKK 55 million) significantly ahead of 2016.

OPERATING PROFIT (EBIT)

Operating profit (EBIT) excl. special items was realised at DKK 13 million (DKK 3 million).

NET FINANCIAL ITEMS

Net financial items amounted to a cost of DKK 29 million in 2017 (negative by DKK 17 million), which is an increase compared to 2016. Compared to 2016 financial items in 2017 is significantly affected by exchange rate adjustments of DKK 11-13 million.

PROFIT BEFORE TAXES

Profit before tax was negative by DKK 54 million (negative by DKK 109 million).

NET PROFIT

Net profit for the period was negative by DKK 35,4 million (negative by DKK 107 million).

ASSETS AND CASH AND CASH EQUIVALENTS

Total assets amounted to DKK 920,1 million as of 31 December 2017 (DKK 968 million), which is a decrease of DKK 48 million. The decrease is primarily related to trade receivables decreasing by DKK 46 million, a result of increased focus on collecting overdue receivables. The decrease in accounts receivables is offset by an increase in inventory caused by a strategic decision to improve service levels in all markets.

OUTLOOK

Fixed assets decrease mainly due to the closing of loss-making stores and an extraordinary impairment of investments in primarily China.

Deferred tax assets increase as we have recognised DKK 25 million concerning tax loss carried forward from previous year.

EQUITY

Equity decreased by DKK 42 million to DKK 415 million (DKK 457 million), primarily driven by the negative result.

CASH FLOW AND NET INTEREST BEARING DEBT

Cash flow for 2017 was negative by DKK 64.6 million (negative by DKK 2 million) with DKK 21.7 relating to re-payment on bank loans.

Cash flow from operations is negatively affected by a negative NWC effect relating to the development in Inventory and Trade payables and Other liabilities. Total Receivables including Prepayment decreases by DKK 77 million, which is a significant contributor to the cash flow in 2017. However, this positive effect is offset by the development in Inventory, Trade payables and Other liabilities.

Cash flow from investing activities is affected by income from a sale of a leasehold right (key money) in Sweden. This income is part of special items.

SPECIAL ITEMS

Special items comprise transactions not relating to our continuing operations, e.g. cost for closure of stores, reorganisation of the organisation and / or write-downs of discontinued items (see note 2).

BRANCH

Georg Jensen A/S 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.

OUTLOOK FOR 2017 REALISED

Georg Jensen expected that its markets would continue the positive development and continue growth in 2017. For 2017, the Company's revenue increased compared to the previous year when adjusting for the impact of store closures and FX development.

Net profit was expected to increase in 2017. This has been realised as planned.

Investments for the year came in as expected and in line with the previous year.

OUTLOOK FOR 2018

Georg Jensen's net sales from continuing operations excluding impact of FX is expected to increase.

Net profit for 2018 is expected to increase compared to 2017. EBITDA excluding the impact of special items is expected to increase significantly with a growth rate exceeding net sales.

Investments for 2018 will be in line with 2017 with focus on our markets and with investments aimed directly at the customers.

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 is subject to ongoing review and strengthening 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 are 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 minimise 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 minimised 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

Georg Jensen acknowledges our impact on and our responsibility for the countries and communities where we operate. We work proactively to ensure environmentally, socially and economically responsible business processes.

Since 2009, we have been a UN Global Compact signatory. The Ten Principles of the UN Global Compact guide our work and the way we address material sustainability issues throughout our value chain, from design through production to our retail stores. Through our UN Global Compact commitment, all areas of the value chain are integrated into our business procedures and strategy.

The UN Global Compact requires participants to report on their progress and to embed the Ten 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 2017 COP report*, cf. Section 99A (7) of the Danish Financial Statement Act.

* <https://www.unglobalcompact.org/participation/report/cop/create-and-submit/active/416616>







FINANCIAL STATEMENTS



MANAGEMENT'S STATEMENT

The Executive and Supervisory Boards have today considered and adopted the Annual Report of Georg Jensen A/S for the financial year 1 January - 31 December 2017.

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 at 31 December 2017 of the Company and the Group and of the results of the Company's and Group's operations and cash flows for 2017.

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

Copenhagen, 16 May 2018

EXECUTIVE BOARD

Francesco Pesci
CEO

BOARD OF DIRECTORS

Hazem Ben-Gacem
Chairman

David Ching Chi Chu

Andrea Jayne Davis

Karl Sebastian Inger

Francesco Pesci

Inge Andersen

Adnan Hadzihasanovic





INDEPENDENT AUDITORS' REPORTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF GEORG JENSEN A/S

OPINION

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2017, and of the results of the Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Georg Jensen A/S for the financial year 1 January - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

BASIS FOR OPINION

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

STATEMENT ON MANAGEMENT'S REVIEW

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

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

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

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

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 16 May 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob F. Christiansen
State Authorised Public Accountant
mne 18628

Kaare von Cappeln
State Authorised Public Accountant
mne 11629

INCOME STATEMENT

Parent Company				The Group	
2017	2016	Note		2017	2016
DKK million	DKK million			DKK million	DKK million
661,9	595,2	3	Net revenue	1.088,6	1.091,4
(384,2)	(382,5)		Cost of sales	(413,1)	(442,9)
277,7	212,7		Gross profit	675,5	648,5
(212,1)	(241,1)		Sales and distribution expenses	(507,1)	(546,0)
(101,4)	(96,1)		Administration expenses	(203,2)	(192,6)
3,9	(1,5)	4	Other operating items	10,0	(2,4)
(12,3)	14,0	5	Result of investments in subsidiaries	-	-
(44,2)	(112,0)		Profit before financial income and expenses - EBIT	(24,8)	(92,5)
(15,6)	(4,0)	6	Financial items, net	(28,9)	(16,6)
(59,8)	(116,0)		Profit before taxes	(53,7)	(109,1)
24,4	9,4	7	Tax on profit for the year	18,3	2,5
(35,4)	(106,6)		Net profit for the year	(35,4)	(106,6)

BALANCE SHEET, ASSETS

Parent Company		Assets		The Group	
2017	2016			2017	2016
DKK million	DKK million	Note		DKK million	DKK million
			Non-current assets		
		9	Intangible assets		
42,3	27,9		Software	45,7	32,4
-	-		Goodwill	15,6	18,6
1,9	1,9		Lease and trademark rights	22,4	24,1
10,3	11,2		Completed development projects	10,3	11,2
5,9	12,1		Development projects in progress	5,9	12,1
60,4	53,1			99,9	98,4
		10	Tangible assets		
6,0	5,4		Land and buildings	25,5	26,3
1,0	0,2		Plant and machinery	3,3	4,0
26,9	23,7		Other fixtures and fittings, tools and equipment	38,1	40,5
0,1	2,8		Leasehold improvements	42,4	63,5
-	5,4		Property, plant and equipment in progress	-	5,4
34,0	37,5			109,3	139,7
			Financial assets		
347,4	355,9	11	Investments in subsidiaries	-	-
7,4	7,3		Deposits	28,7	33,9
354,8	363,2			28,7	33,9
449,2	453,8		Total non-current assets	237,9	272,0
			Current assets		
214,0	136,6	12	Inventories	399,7	359,2
			Receivables		
55,9	98,3		Trade receivables	107,6	153,6
98,5	126,0		Receivables from group enterprises	11,4	8,7
5,6	19,0		Other receivables	7,5	19,7
84,3	62,2	13	Deferred tax assets	103,2	78,1
17,5	28,5	14	Prepayments	22,5	41,4
261,8	334,0			252,2	301,5
1,4	2,2		Cash at bank and in hand	30,3	34,9
477,2	472,8		Total current assets	682,2	695,6
926,4	926,6		Total assets	920,1	967,6

BALANCE SHEET, LIABILITIES

Parent Company				The Group	
2017	2016			2017	2016
DKK million	DKK million	Note		DKK million	DKK million
			Equity and liabilities		
		15	Equity		
139,6	139,6		Share capital	139,6	139,6
488,3	488,3		Share premium account	488,3	488,3
36,3	18,0		Reserve for development costs	-	-
(248,8)	(188,3)		Retained earnings	(212,5)	(170,3)
415,4	457,6		Total equity	415,4	457,6
			Provisions		
2,4	2,5	16	Other provisions	13,8	15,1
2,4	2,5			13,8	15,1
			Liabilities		
			Non-current liabilities		
102,0	153,0	17	Credit institutions	106,2	161,8
102,0	153,0			106,2	161,8
			Current liabilities		
136,3	49,6	17	Credit institutions	152,6	58,2
72,7	67,8		Trade payables	101,1	107,6
131,3	103,4		Payable to group enterprises	6,9	8,1
-	-		Corporation tax	1,8	2,0
66,3	92,7		Other payables	122,3	157,2
406,6	313,5			384,7	333,1
508,6	466,5		Total liabilities	490,9	494,1
926,4	926,6		Total equity and liabilities	920,1	967,6

- 1 Accounting policies applied
- 2 Special Items
- 8 Proposed distribution of profit
- 18 Contingent liabilities and other financial obligations
- 19 Fee to auditors appointed at the general meeting
- 20 Staff costs
- 21 Financial instruments and risks
- 22 Related parties and ownership
- 24 Subsequent Events

STATEMENT OF CHANGES IN EQUITY

The Group	Share capital	Share premium account	Retained earnings	Total
	DKK million	DKK million	DKK million	DKK million
Equity as at 1 January 2017	139,6	488,3	(170,3)	457,6
Currency adjustment foreign subsidiaries	-	-	(7,5)	(7,5)
Adj. of hedging instruments at fair market value	-	-	0,7	0,7
Profit/(loss) for the year	-	-	(35,4)	(35,4)
Equity as at 31 December 2017	139,6	488,3	(212,5)	415,4
Equity as at 1 January 2016	139,6	488,3	(57,2)	570,7
Currency adjustment foreign subsidiaries	-	-	(7,7)	(7,7)
Adj. of hedging instruments at fair market value	-	-	1,2	(1,2)
Profit/(loss) for the year	-	-	(106,6)	(106,6)
Equity as at 31 December 2016	139,6	488,3	(170,3)	457,6

Parent Company	Share capital	Share premium account	Reserve for development costs	Retained earnings	Total
	DKK million	DKK million	DKK million	DKK million	DKK million
Equity as at 1 January 2017	139,6	488,3	18,0	(188,3)	457,6
Currency adjustment foreign subsidiaries	-	-	-	(7,5)	(7,5)
Other equity adjustments foreign subsidiaries	-	-	-	2,6	2,6
Adj. of hedging instruments at fair market value	-	-	-	(1,9)	(1,9)
Profit/(loss) for the year	-	-	-	(35,4)	(35,4)
Capitalised development costs	-	-	10,8	(10,8)	0,0
Equity as at 31 December 2017	139,6	488,3	28,8	(241,3)	415,4
Equity as at 1 January 2016	139,6	488,3	-	(57,2)	570,7
Currency adjustment foreign subsidiaries	-	-	-	(7,7)	(7,7)
Other equity adjustments foreign subsidiaries	-	-	-	0,4	0,4
Adj. of hedging instruments at fair market value	-	-	-	0,8	0,8
Profit/(loss) for the year	-	-	-	(106,6)	(106,6)
Capitalised development costs	-	-	18,0	(18,0)	0,0
Equity as at 31 December 2016	139,6	488,3	18,0	(188,3)	457,6

Specification of share capital movements

	2017	2016	2015	2014	2013
	DKK million				
Share capital as at 1 January	139,6	139,6	126,3	126,3	126,3
Capital increase	-	-	13,3	-	-
Share capital as at 31 December	139,6	139,6	139,6	126,3	126,3

CASH FLOW STATEMENT

The Group

Note		2017	2016
		DKK million	DKK million
	Net profit for the year	(35,4)	(106,6)
23	Adjustments	63,5	69,9
23	Changes in working capital	(22,3)	118,9
	Operating cash flow before financial items	5,8	82,2
	Interest payments and similar (net)	(12,5)	(15,6)
	Cash flow from operations	(6,7)	66,6
	Corporation taxes paid	(3,1)	(14,0)
	Cash flow from operating activities	(9,8)	52,6
	Purchase of intangible assets	(22,9)	(22,8)
	Purchase of tangible assets	(21,2)	(27,5)
	Purchase of financial assets	0,5	(0,2)
	Sale of intangible assets	14,4	0,0
	Cash flow from investing activities	(29,2)	(50,5)
	Development of debt to credit institutions	(21,7)	0,0
	Development of debt to group enterprises	(3,9)	(3,9)
	Cash flow from financing activities	(25,6)	(3,9)
	Change in cash and cash equivalents	(64,6)	(1,8)
	Cash, cash equivalents and utilised credit facilities 1 January	34,9	24,1
	Utilised credit facilities at 1 January	(34,6)	(21,5)
	Currency adjustment of cash and cash equivalents	(2,3)	(0,5)
	Cash, cash equivalents and utilised credit facilities 31 December	(66,6)	0,3
	Cash, cash equivalents and utilised credit facilities are specified as follows:		
	Cash and cash equivalents at hand and in bank	30,3	34,9
	Utilised credit facilities	(96,9)	(34,6)
	Cash, cash equivalents and utilised credit facilities 31 December	(66,6)	0,3





NOTES



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.

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

Note 4	Other operating items	Note 12	Inventories
Note 5	Result of investments in subsidiaries	Note 17	Long-term debt
Note 6	Financial items, net	Note 18	Contingent assets
Note 7	Tax on profit for the year and deferred tax	Note 18	Contingent liabilities and other financial obligations
Note 9	Intangible assets	Note 21	Financial instruments and risks
Note 10	Tangible assets	Note 23	Cash flow statement
Note 11	Investments in subsidiaries		

Recognition and measurement

Revenues are recognised in the income statement when invoicing and delivery has taken place. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised costs are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised 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 recognised 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 A/S 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 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.

NOTES

1 ACCOUNTING POLICIES APPLIED, CONTINUED

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 recognised in the income statement, if delivery and invoicing 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 recognised when in consequence of an event occurred before or on the balance sheet date the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

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 are presented in highlights and calculated as follows:

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	
	2017	2016
Cost of organisational restructuring	31,3	47,1
Inventory write-down of discontinued items	-	41,0
Impairment of fixed assets	7,8	2,6
Other costs	12,8	4,9
Profit from sale of non-current assets	-14,4	0
	37,5	95,6

Special items is included in the Gross profit with DKK 6,5 million (DKK 41,0 million)

3 SEGMENT INFORMATION

	The Group	
	2017	2016
Net revenue by markets:		
APAC	466,5	495,2
Europe	566,4	541,5
Other	55,7	54,7
	1.088,6	1.091,4

For the Parent Company DKK 403,1 million (DKK 412,7 million) comes from sale of goods to non-group related parties.

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	
	2017	2016	2017	2016
Profit (loss) on sale of non-current assets	-	-	14,4	(1,3)
Other income	7,4	0,3	5,5	0,6
Other expenses	(3,5)	(1,8)	(9,9)	(1,7)
	3,9	(1,5)	10,0	(2,4)

NOTES

DKK million

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.

The result is affected by the following special items:

	Parent Company	
	2017	2016
Share of profits of subsidiaries before taxes	(6,3)	20,9
Depreciation goodwill	-	-
Profit before tax	(6,3)	20,9
Tax of subsidiaries	(6,0)	(6,9)
Profit after taxes	(12,3)	14,0

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 amortisation of financial assets and liabilities.

	Parent Company		The Group	
	2017	2016	2017	2016
Interest income	18,0	20,2	7,0	9,5
Interest expenses	(33,6)	(24,2)	(35,9)	(26,1)
	(15,6)	(4,0)	(28,9)	(16,6)

For the Parent Company, interest income to affiliated companies is stated at DKK 13,0 million (DKK 12,8 million) while interest expense to affiliated companies is stated at DKK 0,0 million (DKK 0,8 million)

NOTES

DKK million

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 the Parent Company and 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 realisable 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	
	2017	2016	2017	2016
Current tax for the year	0,6	0,6	8,2	6,3
Adjustment previous years	-	-	1,2	-
Deferred tax for the year	(25,0)	(10,0)	(27,7)	(8,8)
	(24,4)	(9,4)	(18,3)	(2,5)

NOTES

DKK million

8 PROPOSED DISTRIBUTION OF PROFIT

	Parent Company		The Group	
	2017	2016	2017	2016
Proposed dividend	-	-	-	-
Retained earnings	(35,4)	(106,6)	(35,4)	(106,6)
	(35,4)	(106,6)	(35,4)	(106,6)

9 INTANGIBLE ASSETS

Accounting policies applied

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

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

Software	3-7 years
Goodwill	10 years
Leasing rights	Leasing period
Trademark rights	Max. 5 years
Finished development projects	Max. 5 years

Software and IT development are amortised 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 when the asset is ready for use. Amortisation is provided on a straight-line basis over the expected useful life.

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 recognised 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.

Development projects concern either cost for developing of new products within the Group's current selections as well as cost for developing of software. Cost concerning software relate to either the ERP-upgrade as well as cost for developing a new online sales platform.

Development of new products is only initiated when a business plan documenting the expected cost and the expected future cash flow is prepared and approved. All products developed are up for sale on all markets.

Status on development projects is assessed on a quarterly basis.

NOTES

DKK million

9 INTANGIBLE ASSETS, CONTINUED

The Group	Software	Goodwill	Lease and trademark rights	Completed development projects	Development projects in progress	Total
Cost at 1 January	40,4	47,2	40,7	25,3	12,1	165,7
Additions for the year	-	-	4,6	-	18,3	22,9
Exchange adjustments	(0,4)	-	(0,9)	-	-	(1,3)
Transferred to other items	21,4	-	0,5	2,6	(24,5)	-
Cost at 31 December	61,4	47,2	44,9	27,9	5,9	187,3
Impairment losses and amortisation at 1 January	8,0	28,6	16,6	14,1	-	67,3
Amortisation/impairment for the year	7,7	3,0	6,2	3,5	-	20,4
Exchange adjustments	-	-	(0,3)	-	-	(0,3)
Impairment losses and amortisation at 31 December	15,7	31,6	22,5	17,6	-	87,4
Carrying amount at 31 December	45,7	15,6	22,4	10,3	5,9	99,9

Parent Company	Software	Lease and trademark rights	Completed development projects	Development projects in progress	Total
Cost at 1 January	32,8	8,6	25,3	12,1	78,8
Additions for the year	-	-	-	18,3	18,3
Transferred to other items	21,4	0,5	2,6	(24,5)	-
Cost at 31 December	54	9,1	27,9	5,9	97,1
Impairment losses and amortisation at 1 January	4,9	6,7	14,1	-	25,7
Amortisation/impairment for the year	7,0	0,5	3,5	-	11,0
Impairment losses and amortisation at 31 December	11,9	7,2	17,6	-	36,7
Carrying amount at 31 December	42,3	1,9	10,3	5,9	60,4

NOTES

DKK million

10 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

10 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	42,3	34,0	213,6	261,9	5,4	557,2
Additions for the year	-	0,3	1,8	11,7	7,4	21,2
Disposals for the year	-	-	(4,1)	(34,8)	-	(38,9)
Exchange adjustments	(0,9)	(0,9)	(4,7)	(12,0)	-	(18,5)
Transferred to other items	1,3	0,9	10,6	-	(12,8)	-
Cost at 31 December	42,7	34,3	217,2	226,8	-	521,0
Impairment losses and depreciation at 1 January	16,0	30,0	173,1	198,4	-	417,5
Depreciation for the year	1,4	1,8	14,5	29,0	-	46,7
Impairment and depreciation of sold assets for the year	-	-	(4,1)	(34,7)	-	(38,8)
Exchange adjustments	(0,2)	(0,8)	(4,4)	(8,3)	-	(13,7)
Impairment losses and amortisation at 31 December	17,2	31,0	179,1	184,4	-	411,7
Carrying amount at 31 December	25,5	3,3	38,1	42,4	-	109,3
Parent Company	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	15,0	7,5	130,9	25,6	5,4	184,4
Additions for the year	-	-	-	0,0	7,4	7,4
Exchange adjustments	-	-	-	(0,2)	-	(0,2)
Transferred to other items	1,3	0,9	10,6	0,0	(12,8)	-
Cost at 31 December	16,3	8,4	141,5	25,4	0,0	191,6
Impairment losses and depreciation at 1 January	9,6	7,3	107,2	22,8	-	146,9
Depreciation for the year	0,7	0,1	7,4	2,5	-	10,7
Exchange adjustments	-	-	-	-	-	-
Impairment losses and amortisation at 31 December	10,3	7,4	114,6	25,3	-	157,6
Carrying amount at 31 December	6,0	1,0	26,9	0,1	-	34,0

NOTES

DKK million

11 INVESTMENTS IN SUBSIDIARIES

Accounting policies applied

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

The item "Investments in subsidiaries" in the balance sheet includes 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 unrealised 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 good-will).

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 recognised 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 recognised in provisions.

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

11 INVESTMENTS IN SUBSIDIARIES, CONTINUED

Parent Company	2017	2016
Cost at 1 January	696,5	696,3
Additions for the year	0,4	0,2
Cost at 31 December	696,9	696,5
Impairment losses and amortisation at 1 January	(340,6)	(340,2)
Net profit/(loss) for the year	(12,3)	14,0
Dividend to the Parent Company	(1,9)	(11,9)
Exchange rate adjustment	(7,5)	(7,7)
Other equity adjustments foreign subsidiaries	2,6	0,4
Carried forward to other entries 1 January	(12,6)	(7,8)
Carried forward to other entries 31 December	22,8	12,6
Impairment losses and amortisation at 31 December	(349,5)	(340,6)
Carrying amount 31 December	347,4	355,9
Remaining positive difference included in the above carrying amount at 31 December	15,6	18,6

NOTES

DKK million

11 INVESTMENTS IN SUBSIDIARIES, CONTINUED

	Place of registered office	Votes and ownership	Currency	Nominal share capital in LC '000
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 Sølvsmide GmbH	Germany	100 %	EUR	128
Georg Jensen Hong Kong Holding Ltd.	Hong Kong	100 %	HKD	10
Subgroup				
Georg Jensen China Ltd. (Hong Kong)	Hong Kong	100%	HKD	1
Georg Jensen HK Ltd. (Hong Kong)	Hong Kong	100 %	HKD	27.000
Georg Jensen (Beijing) Trading Limited	China	100 %	CNY	35.836
Georg Jensen House F&B Ltd. (Beijing)	China	100%	CNY	2.000
Georg Jensen (Macau) Limited	Macau	100 %	MOP	26

NOTES

DKK million

12 INVENTORIES

Accounting policies applied

Raw materials and components are measured at acquisition price, or net realisation 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 realisation 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.

	Parent Company		The Group	
	2017	2016	2017	2016
Raw materials and components	22,7	20,3	29,7	27,0
Work in progress	24,0	27,0	29,2	32,6
Finished goods and goods for resale	167,3	89,3	340,8	299,6
	214,0	136,6	399,7	359,2

13 DEFERRED TAX ASSETS

	Parent Company		The Group	
	2017	2016	2017	2016
Deferred tax at 1 January	62,2	52,4	78,1	68,9
Addition/disposal for the year	22,1	9,8	25,1	9,2
Deferred tax at 31 December	84,3	62,2	103,2	78,1

Deferred tax asset for the Group make up for DKK 103,2 million at 31 December 2017 (DKK 78,1 million in 2016) The deferred tax asset can be split in DKK 32,4 million relating to tax losses carry forward and DKK 70,8 million relating to temporary differences.

Deferred tax asset for the Parent Company makes up for DKK 84,3 million at 31 December 2017 (DKK 62,2 million in 2016). The deferred tax asset can be split in DKK 31,0 million relating to tax losses carry forward and DKK 53,3 million relating to temporary differences.

Recognition of the deferred tax asset and the expectations to the utilisation is based on the set targets in the budget for 2018 and the projections for the following years. Our projection for increasing profitability is supported by the strategic decisions taken during 2017 and the beginning of 2018 to among other close down loss-making stores and markets, but also by the continuing focus on driving and developing the business in our profitable areas. The last part concerns the entire value chain in Georg Jensen.

The strategic shifts defined in 2016 remain as the overall guidelines for the development of Georg Jensen, and the strategic decisions taken the past years are in line with the strategy.

NOTES

DKK million

At year end the Group has non-recognised tax losses carryforward to an estimated value of DKK 125-135 million. The tax loss carryforward represents the part that cannot be utilised within the coming years, mainly due to the market and entity they refer to.

At year end the Parent Company has non-recognised tax losses carryforward to an estimated value of approx. DKK 100 million. The tax loss carryforward represents the part that cannot be utilised within the coming 5 years.

14 PREPAYMENTS

Prepayments consist of prepaid expenses concerning rent, insurance premiums, tools, marketing, royalty, licenses, subscriptions and prepayments to other external vendors.

15 EQUITY

The share capital consists of 1.396.491 shares of nominal value of DKK 100. No shares carry any special rights.

16 OTHER PROVISIONS

	Parent Company		The Group	
	2017	2016	2017	2016
Provision for pension at 1 January	0,0	0,0	9,6	6,0
Addition/disposal for the year	0,0	0,0	1,2	3,6
Provision for pension	0,0	0,0	10,8	9,6
Other Provision at 1 January	2,5	2,5	5,5	5,5
Addition/disposal for the year	(0,1)	0,0	(2,5)	0,0
Other Provision	2,4	2,5	3,0	5,5
Total provisions	(35,4)	(106,6)	13,8	15,1

NOTES

DKK million

17 LONG-TERM DEBT

Accounting policies applied

Loans are recognised 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 amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised 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 recognised in short-term debt. Other debt is recognised in long-term debt. The debt falls due as follows:

	Parent Company		The Group	
	2017	2016	2017	2016
Between 1 and 5 years	102,0	153,0	106,2	161,8
Long-term debt	102,0	153,0	106,2	161,8
Within 1 year	51,0	17,0	55,7	23,6
Other short-term debt to credit institutions	85,3	32,6	96,9	34,6
Short-term part	136,3	49,6	152,6	58,2
Total debt	238,3	202,6	258,8	220,0

NOTES

DKK million

18 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 recognised using the straight-line method over the term of the lease starting from the date the lease enters into force.

The Parent Company is liable as a surety guarantor for loans of DKK 8,9 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 2017 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.

Total lease payment obligations of the Parent Company amount to DKK 55,0 million, hereof property in Headquarter and shop lease payment obligation amounting to DKK 53,3 million (DKK 65,8 million) which run to 1 January 2022, and other leases payment obligations amounting to DKK 1,7 million (DKK 1,5 million) which run to 2020.

For the Group, total lease payment obligations amount to DKK 292,0 million, hereof property and shop lease payment obligation amounting to DKK 288,9 million (DKK 346,4 million) with varying terms up to 25 March 2025, and other leases payment obligations amounting to DKK 3,1 million (DKK 5,1 million) which run to 30 November 2020.

The aging of the lease payment obligations is shown below:

	Parent Company		The Group	
	2017	2016	2017	2016
Between 1 and 5 years	44,4	56,4	177,5	221,6
Over 5 years	0,0	0,0	7,7	15,0
Long-term lease obligations	44,4	56,4	185,2	236,6
Within 1 year	10,6	10,9	106,8	114,9
Short-term part	10,6	10,9	106,8	114,9
Total lease obligation	55,0	67,3	292,0	351,5

The Parent Company has provided guarantees for lease payment obligations in subsidiaries for approximately DKK 66 million (DKK 42 million) in total. The Company is jointly taxed with Danish group companies. The Company is severally liable for corporate and withholding taxes for the jointly taxed companies.

NOTES

DKK million

19 FEE TO THE AUDITORS APPOINTED AT THE GENERAL MEETING

	Parent Company		The Group	
	2017	2016	2017	2016
Audit fee to PwC	0,7	0,7	1,6	1,9
Other statements and opinions with guarantees	0,0	0,0	0,2	0,2
Tax services	0,0	0,1	0,3	0,8
Non-audit services	0,0	0,2	0,5	0,6
Total fee	0,7	1,0	2,6	3,5

20 STAFF COSTS

	Parent Company		The Group	
	2017	2016	2017	2016
Wages and salaries	121,4	105,4	301,5	290,9
Pensions	9,7	8,5	17,6	16,3
Other social security expenses	(0,4)	(2,9)	3,6	10,2
	130,7	111,0	322,7	317,4
Executive Board	4,6	4,9	4,6	4,9
Board of Directors	0,5	2,0	0,5	2,0
	5,1	6,9	5,1	6,9
Average number of employees	220	195	1.287	1.352

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 A/S. 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 present represent any significant financial value.

NOTES

DKK million

21 FINANCIAL INSTRUMENTS AND RISKS

Accounting policies applied

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 and currency swaps as well as options.

The effective part of the fair values of the raw material price futures, used for and complying with the conditions for hedge accounting for future transactions, is recognised directly in equity until the hedged transactions are realised and subsequently recognised 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 11,7 million (DKK 8,4 million).

Interest rate risk

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

At end 2017 Georg Jensen has no interest rate swaps

NOTES

DKK million

21 FINANCIAL INSTRUMENTS AND RISKS, CONTINUED

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 based on monetary assets and liabilities at year end (in DKK millions).

	2017 P/L before tax	2017 Equity	2016 P/L before tax	2016 Equity
AUD	(2,6)		(0,6)	(2,4)
CNY	0,3		1,8	-
EUR	0,1		0,1	-
GBP	(0,9)		(1,9)	(1,4)
HKD	(0,1)		0,1	(0,4)
JPY	(0,9)		(0,1)	(1,1)
NOK	0,6		(0,2)	(1,3)
SEK	(2,1)		-	(1,8)
THB	(1,2)		(0,8)	2,1
TWD	(1,9)		(1,6)	(2,4)
USD	17,0		6,2	5,7

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 -5,0 million (DKK 2,5 million), of which DKK 0 million (DKK 2,7 million) was recognised 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 1,4 million (DKK 3,7 million) at year end 2017.

As per 31 December 2017 the market value of gold and silver futures was DKK 0,8 million (DKK -2,6 million), of which DKK 0,8 million (DKK -2,6 million) was recognised directly in equity. All commodity price hedging expires within 1 year.

NOTES

DKK million

22 RELATED PARTIES AND OWNERSHIP

Controlling interest

Georg Jensen A/S's immediate Parent Company is Georg Jensen Investment ApS, Copenhagen, Denmark. Georg Jensen A/S is fully consolidated in the consolidated annual report for Georg Jensen Investment ApS 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 A/S, the sole shareholder Georg Jensen Investment ApS 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.

With reference to the Financial Statement Act § 98 C, section 7, 1. related party transactions are not included in the annual report.

23 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 from 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, amortisation 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 utilised credit facilities

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

NOTES

DKK million

23 CASH FLOW STATEMENT, CONTINUED

Adjustments

	The Group	
	2017	2016
Financial income	(7,0)	(9,5)
Financial costs	35,9	26,1
Depreciation, amortisation and impairment losses	67,3	54,5
Losses and gain on sales of fixed assets	(14,4)	1,3
Tax on profit/loss for the year	(18,3)	(2,5)
	63,5	69,9

Changes in working capital adjustments

	The Group	
	2017	2016
Change in inventories	(40,5)	84,0
Change in receivables	77,1	1,9
Change in other provisions	(1,3)	3,6
Change in suppliers etc.	(41,4)	38,5
Other adjustments	(16,2)	(9,1)
	(22,3)	118,9

24 SUBSEQUENT EVENTS

There have been no significant events after the reporting period.

