



Tel.: +45 39 15 52 00  
koebenhavn@bdo.dk  
www.bdo.dk

BDO Statsautoriseret revisionsaktieselskab  
Havneholmen 29  
DK-1561 Copenhagen V  
CVR no. 20 22 26 70

**FERM LIVING APS**  
**LAPLANDSGADE 11, 2300 KØBENHAVN S**  
**ANNUAL REPORT**  
**1 JANUARY - 31 DECEMBER 2018**

**The Annual Report has been presented and  
adopted at the Company's Annual General  
Meeting on 28 March 2019**

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**Michiel Albert H. Deturck**

*The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.*

**CVR NO. 30 07 01 86**

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**COMPANY DETAILS**

<b>Company</b>	ferm LIVING ApS Laplandsgade 11 2300 Copenhagen S  CVR No.: 30 07 01 86 Established: 23 November 2006 Registered Office: Copenhagen Financial Year: 1 January - 31 December
<b>Board of Directors</b>	Michiel Albert H Deturck, chairman Joris Koen Van Troos, vice-chairman Anna Kathrine Neve Andersen
<b>Board of Executives</b>	Peter Mikael Vedel
<b>Auditor</b>	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
<b>Bank</b>	Nykredit A/S Kalvebod Brygge 47 1780 Copenhagen V  Sydbank Kgs. Nytorv 30 1050 Copenhagen K

## STATEMENT BY BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

Today the Board of Directors and Board of Executives have discussed and approved the Annual Report of firm LIVING ApS for the financial year 1 January - 31 December 2018.

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

In our opinion the Financial Statements give a true and fair view of the Company's financial position at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

The Management's Review includes in our opinion a fair presentation of the matters dealt with in the Review.

We recommend the Annual Report be approved at the Annual General Meeting.

Copenhagen, 28 March 2019

Board of Executives

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Peter Mikael Vedel

Board of Directors

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Michiel Albert H Deturck  
Chairman

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Joris Koen Van Troos  
Vice-chairman

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Anna Kathrine Neve Andersen

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of firm LIVING ApS

### Opinion

We have audited the Financial Statements of firm LIVING ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company's at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the 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 evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Management's Responsibility 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.

## INDEPENDENT AUDITOR'S REPORT

- 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.

### 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, we conclude that 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 of Management's Review.

Copenhagen, 28 March 2019

BDO Statsautoriseret revisionsaktieselskab  
CVR no. 20 22 26 70

Per Frost Jensen  
State Authorised Public Accountant  
MNE no. mne27740

**FINANCIAL HIGHLIGHTS**

	2018	2017	2016	2015	2014
	DKK ('000)	DKK ('000)	DKK ('000)	DKK ('000)	DKK ('000)
<b>Income statement</b>					
Gross profit/loss.....	41.098	36.830	34.280	0	0
Operating profit.....	16.065	16.184	15.416	21.979	14.464
Financial income and expenses, net.....	-1.231	-1.404	-752	-385	-36
Profit for the year before tax.....	14.833	14.780	14.664	21.594	14.429
Profit for the year.....	11.434	11.364	10.881	16.459	10.883
<b>Balance sheet</b>					
Balance sheet total.....	55.804	61.324	41.205	35.885	30.489
Equity.....	23.125	11.692	11.328	23.447	16.988
Investment in tangible fixed assets.....	0	0	-397	-336.096	0

The ratios stated in the list of key figures and ratios have been calculated as follows:

The ratios follow in all material respects the recommendations of the Danish Finance Society.

## MANAGEMENT'S REVIEW

### Principal activities

Ferm LIVING is a distinct brand with primary activity to design, develop and distribute its portfolio of interior design products across its numerous retail partners all over the world.

### Development in activities and financial position

During the year the company has continued to launch new products and expanding its geographical presence, while at the same time working with existing partners in key markets to grow the business.

A new Brand strategy has been implemented and the digital marketing presence continues to be strong and every week new brand fans are added to our social media community, which now has more than 750.000 followers across the world.

The design and product development process has been changed during the year and new resources added to strengthen the future development of the company. Furthermore, new suppliers and sourcing setups has been implemented to both improve current performance, margins and provide better scalability for the future.

### Profit for the year compared to future expectations

Sales has grown overall aligned with expectations. In 2018 the company upgraded its showroom and increased and significantly improved its presence in trade fairs to inspire existing customers and attract new customers. During the year the company has invested in new tools and resources to support the continued positive development and growth plan of the business.

As a result, overall cost base has increased during the year and while the operational profit is below expectations, the company has managed to improve its operational profit and reducing its debt, securing a good foundation to build upon.

### Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the company's financial position.

### Future expectations

The management expects a continuous positive development of the company with its attractive market position in the new Nordic design market, thanks to a loyal and growing customer base with good growth possibilities and a significant unrealized market potential - both in terms of geography (new markets) and channels (e.g. contract market).

During 2019 the company plan to further increase investments in the development of the brand, in terms of showroom presence, new website and even stronger trade fair presence.

The company expect to continue to grow both revenue and profit levels.



## INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2018 DKK	2017 DKK '000
<b>GROSS PROFIT</b> .....		<b>41.097.903</b>	<b>36.830</b>
Staff costs.....	1	-24.196.262	-19.876
Depreciation, amortisation and impairment.....		-836.984	-770
<b>OPERATING PROFIT</b> .....		<b>16.064.657</b>	<b>16.184</b>
Other financial expenses.....	2	-1.231.220	-1.404
<b>PROFIT BEFORE TAX</b> .....		<b>14.833.437</b>	<b>14.780</b>
Tax on profit/loss for the year.....	3	-3.399.348	-3.416
<b>PROFIT FOR THE YEAR</b> .....	4	<b>11.434.089</b>	<b>11.364</b>

## BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2018 DKK	2017 DKK '000
Other plant, machinery, tools and equipment.....		49.644	272
Leasehold improvements.....		1.314	179
<b>Tangible fixed assets.....</b>	<b>5</b>	<b>50.958</b>	<b>451</b>
Rent deposit and other receivables.....		396.830	397
<b>Fixed asset investments.....</b>	<b>6</b>	<b>396.830</b>	<b>397</b>
<b>FIXED ASSETS.....</b>		<b>447.788</b>	<b>848</b>
Finished goods and goods for resale.....		24.309.915	23.742
Prepayments.....		2.019.819	6.345
<b>Inventories.....</b>		<b>26.329.734</b>	<b>30.087</b>
Trade receivables.....		14.412.382	12.529
Deferred tax assets.....	7	89.086	39
Other receivables.....		1.293.063	1.035
Prepayments.....	8	1.273.182	696
<b>Receivables.....</b>		<b>17.067.713</b>	<b>14.299</b>
<b>Cash and cash equivalents.....</b>		<b>11.959.226</b>	<b>16.090</b>
<b>CURRENT ASSETS.....</b>		<b>55.356.673</b>	<b>60.476</b>
<b>ASSETS.....</b>		<b>55.804.461</b>	<b>61.324</b>

## BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2018 DKK	2017 DKK '000
Share capital.....		125.000	125
Retained earnings.....		23.000.489	11.567
<b>EQUITY.....</b>		<b>23.125.489</b>	<b>11.692</b>
Bank debt.....		7.336.747	12.294
Trade payables.....		5.222.792	7.763
Payables to group enterprises.....		8.715.831	21.394
Payables to associated enterprises.....		304.813	163
Corporation tax.....		3.449.934	3.426
Other liabilities.....		7.648.855	4.592
<b>Current liabilities.....</b>		<b>32.678.972</b>	<b>49.632</b>
<b>LIABILITIES.....</b>		<b>32.678.972</b>	<b>49.632</b>
<b>EQUITY AND LIABILITIES.....</b>		<b>55.804.461</b>	<b>61.324</b>
 Contingencies etc.	 9		
Charges and securities	10		
Related parties	11		
Consolidated financial statements	12		

## EQUITY

	Share capital	Retained profit	Total
Equity at 1 January 2018.....	125.000	11.566.400	11.691.400
Proposed distribution of profit.....		11.434.089	11.434.089
<b>Equity at 31 December 2018.....</b>	<b>125.000</b>	<b>23.000.489</b>	<b>23.125.489</b>

## NOTES

	2018 DKK	2017 DKK '000	Note
<b>Staff costs</b>			<b>1</b>
Average number of employees 38 (2017: 35)			
Wages and salaries.....	21.880.852	17.529	
Pensions.....	1.054.098	714	
Social security costs.....	342.985	287	
Other staff costs.....	918.327	1.346	
	<b>24.196.262</b>	<b>19.876</b>	
Remuneration of management and board of directors.....	1.520.000	1.510.000	
	<b>1.520.000</b>	<b>1.510.000</b>	
<b>Other financial expenses</b>			<b>2</b>
Group enterprises.....	394.458	594	
Other interest expenses.....	836.762	810	
	<b>1.231.220</b>	<b>1.404</b>	
<b>Tax on profit/loss for the year</b>			<b>3</b>
Calculated tax on taxable income of the year.....	3.449.934	3.426	
Adjustment of tax in previous years.....	0	-1	
Adjustment of deferred tax.....	-50.586	-9	
	<b>3.399.348</b>	<b>3.416</b>	
<b>Proposed distribution of profit</b>			<b>4</b>
Retained earnings.....	11.434.089	11.364	
	<b>11.434.089</b>	<b>11.364</b>	
<b>Tangible fixed assets</b>			<b>5</b>
	Other plant, machinery, tools and equipment	Leasehold improvements	
Cost at 1 January 2018.....	784.686	931.128	
Disposals.....	-598.263	-899.595	
<b>Cost at 31 December 2018.....</b>	<b>186.423</b>	<b>31.533</b>	
Depreciation and impairment losses at 1 January 2018.....	512.797	752.522	
Reversal of depreciation of assets disposed of.....	-598.263	-899.595	
Depreciation for the year.....	222.245	177.292	
<b>Depreciation and impairment losses at 31 December 2018....</b>	<b>136.779</b>	<b>30.219</b>	
<b>Carrying amount at 31 December 2018.....</b>	<b>49.644</b>	<b>1.314</b>	

NOTES

		Note
<b>Fixed asset investments</b>		<b>6</b>
	Rent deposit and other receivables	
Cost at 1 January 2018.....	396.830	
<b>Cost at 31 December 2018.....</b>	<b>396.830</b>	
<b>Carrying amount at 31 December 2018.....</b>	<b>396.830</b>	

			Note
<b>Deferred tax assets</b>			<b>7</b>
Deferred tax comprises deferred tax on other plant, fixtures and equipment.			
Deferred tax, beginning of year.....	38.500	39	
Deferred tax of the year, income statement.....	50.586	0	
<b>Deferred tax assets 31 December 2018.....</b>	<b>89.086</b>	<b>39</b>	

Deferred tax relates to the difference between accounting and tax depreciation on other plant, fixtures and equipment.

			Note
<b>Prepayments</b>			<b>8</b>
Costs.....	1.273.182	696	
	<b>1.273.182</b>	<b>696</b>	

Tekstafsnit

			Note
<b>Contingencies etc.</b>			<b>9</b>

**Contingent liabilities**

The company has entered into lease contracts with an average annual lease payment of DKK ('000) 896. The lease contracts have a residual term of 6 months.

The company has entered into an operating lease contract with an average annual lease payment of DKK ('000) 27. The lease contract has a residual term of 8 months and a total residual lease payment of DKK ('000) 18.

**Joint liabilities**

The company is jointly and severally liable together with the parent company and the other group companies in the jointly taxed group for tax on the group's jointly taxed income and for certain possible withholding taxes such as dividend tax and royalty tax, and for the joint registration of VAT.

Tax payable of the group's jointly taxed income is stated in the annual report of FLHC ApS, which serves as management company for the joint taxation.

**NOTES**

	<b>Note</b>
<b>Charges and securities</b>	<b>10</b>
The company has issued a business charge of DKK ('000) 15,000 to Nykredit Bank A/S, providing security on the company's intangible and tangible fixed assets, inventory and debtors.	
<b>Related parties</b>	<b>11</b>
<b>Transactions with related parties</b>	
The company did not carry out any substantial transactions that were not concluded on market conditions.	
<b>Consolidated financial statements</b>	<b>12</b>
The company is included in the consolidated financial statements of FLHC ApS, Laplandsgade 11, 2300 Copenhagen S, CVR no. 36930047.	

## ACCOUNTING POLICIES

The Annual Report of firm LIVING ApS for 2018 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium enterprise.

The Annual Report is prepared consistently with the accounting principles applied last year.

## INCOME STATEMENT

### Net revenue

Net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

### Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

### Other external expenses

Other external expenses include cost of sales, advertising, administration, buildings, bad debts, operating lease expenses, etc.

### Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions and other costs for social security etc. for the company's employees. Repayments from public authorities are deducted from staff costs.

### Financial income and expenses

Financial income and expenses include interest income and expenses, realised and unrealised gains and losses from debt and transactions in foreign currencies as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

### Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.



**ACCOUNTING POLICIES**

**BALANCE SHEET**

**Tangible fixed assets**

Other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment.....	3-5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated at the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

**Fixed asset investments**

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

**Impairment of fixed assets**

The carrying amount of intangible and tangible fixed assets together with investments, which are not measured at fair value, are valued on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the net realisable value is lower than the carrying amount, it is written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

**Inventories**

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, it is written down to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

**Receivables**

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is impaired to meet expected losses.

**Accruals, assets**

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

## ACCOUNTING POLICIES

### Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet at the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The company is subject to joint taxation with Danish group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the balance sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

### Liabilities

Other liabilities are measured at amortised cost equal to nominal value.

### Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.