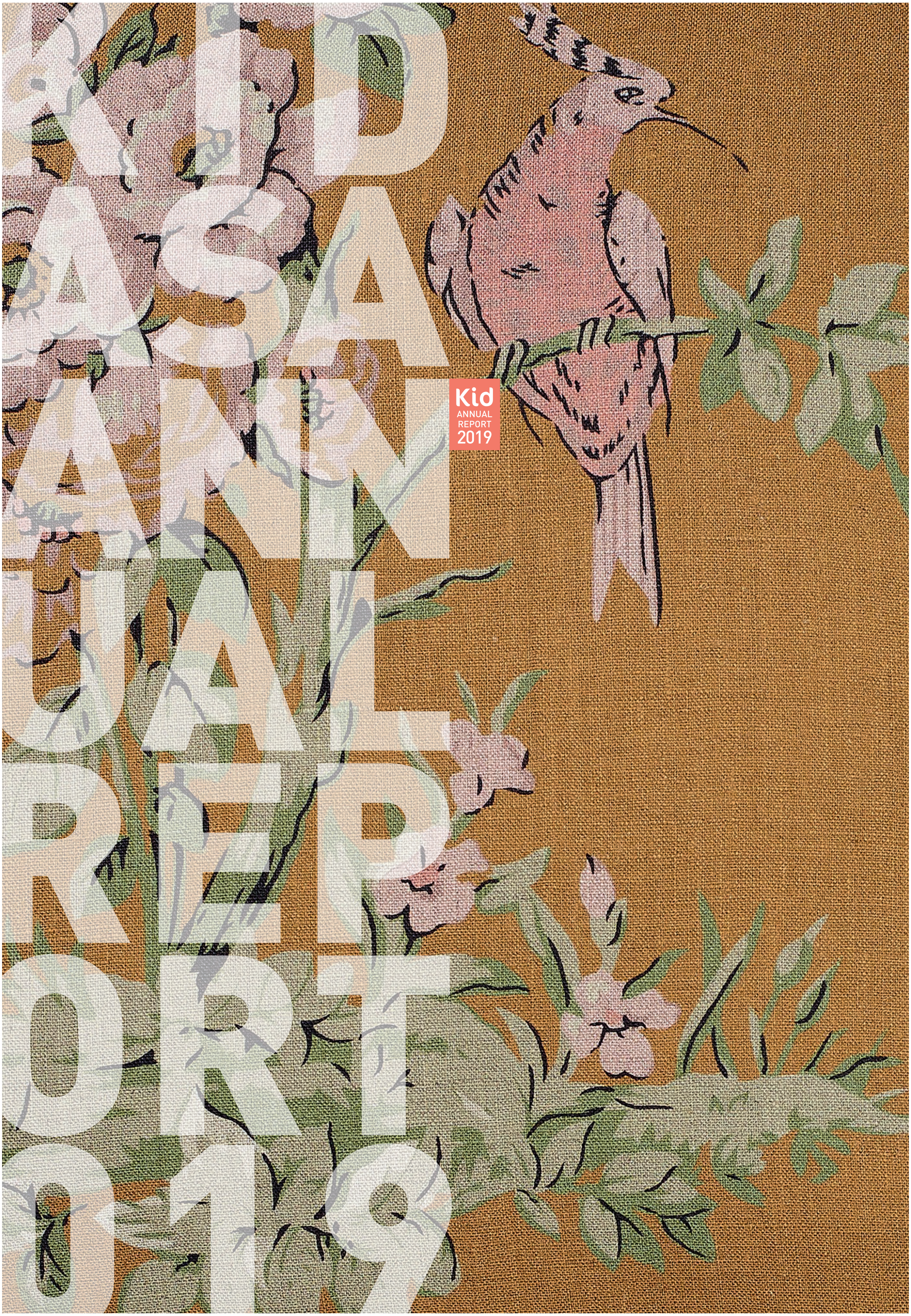
KID ASA ANNUAL REPORT 2019
Kid
ANNUAL
REPORT
2019

ANNUAL REPORT 2019

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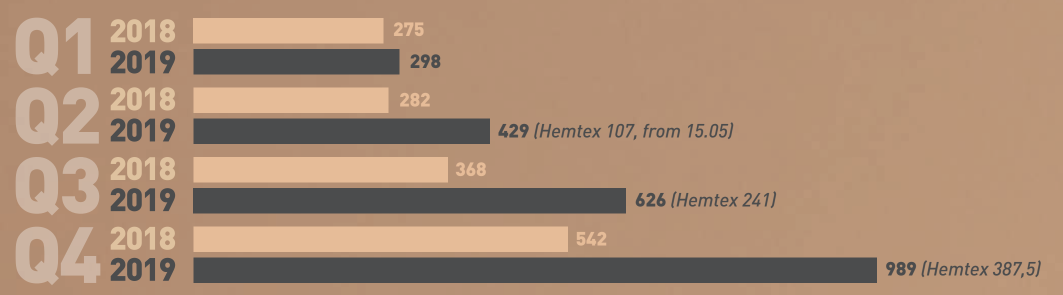
DISCLAIMER: This report includes forward-looking statements which are based on our current expectations and projections about future events. All statements other than statements of historical facts included in this report, including statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, including our plans for future costs savings and synergies may be deemed to be forward-looking statements. Words such as "believe", "expect", "anticipate", "may", "assume", "plan", "intend", "will", "should", "estimate", "risk" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. In addition any forward-looking statements are made only as of the date of this notice, and we do not intend and do not assume any obligation to update any statements set forth in this notice.

FINANCIAL HIGHLIGHTS 2019

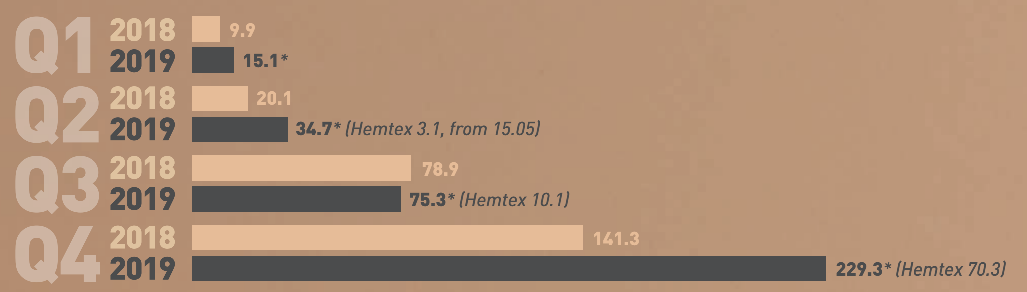
Hemtex figures is included in the numbers from May 15th.

REVENUES (MNOK)



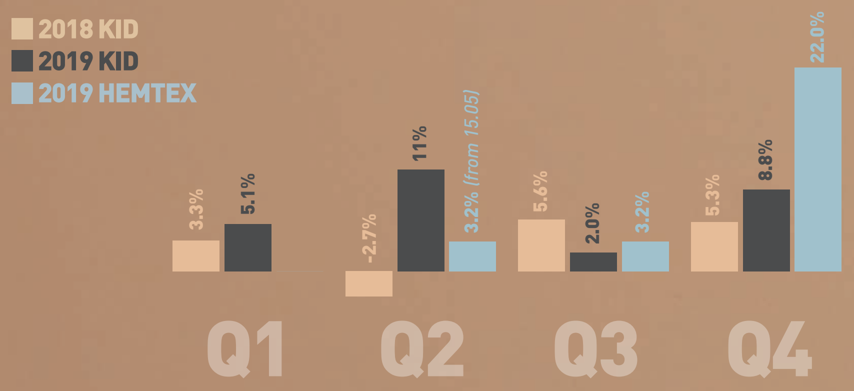
EBITDA (MNOK)

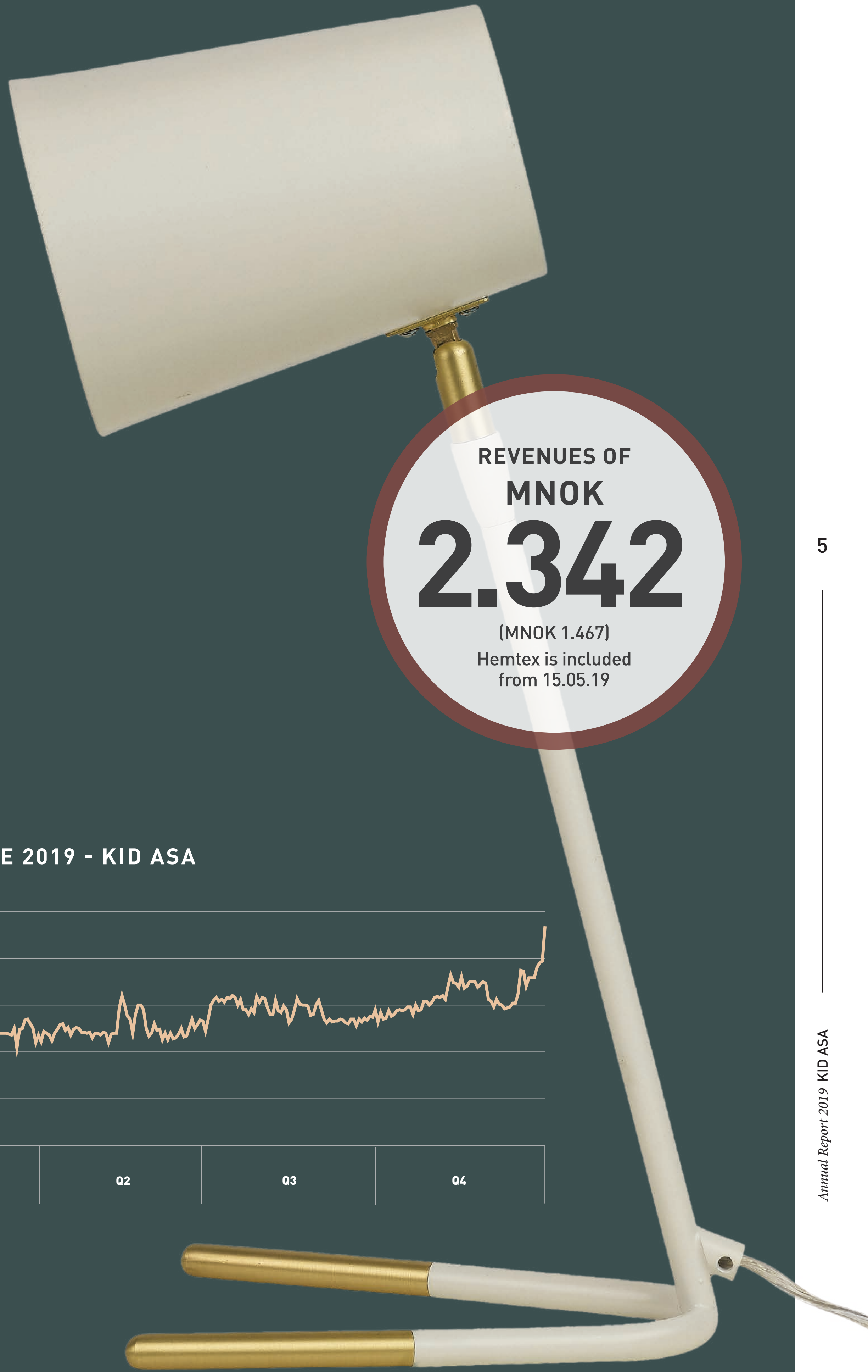
*EBITDA 2019 numbers are excluding IFRS 16 effects



NUMBER OF PHYSICAL STORES (period end)

LIKE-FOR-LIKE GROWTH





REVENUES OF MNOK

2.342

(MNOK 1.467)

Hemtex is included from 15.05.19

SHARE PRICE 2019 - KID ASA

Our mission

To inspire and make every home a beautiful one

ABOUT KID

KID ASA (listed on the Oslo Stock Exchange under the ticker symbol KID) operates as a home textile retailer through Kid Interior in Norway with 144 stores, and under the Hemtex brand in Sweden, Finland and Estonia with 135 stores. The Kid Group offers a full range of home and interior products, including textiles, curtains, bed linens, accessories and other interior products. We design, source, market and sell these products through our stores as well as through our online sales platforms. At the end of 2019 the Kid Group had 2,049 employees.

Kid is the undisputed market leader within home textiles in Norway with a market share of 37 percent among pure players, and benefit from unbeatable brand recognition and top-of-mind awareness. In Sweden, Hemtex is the leading pure-play specialist within home textile and interior market.

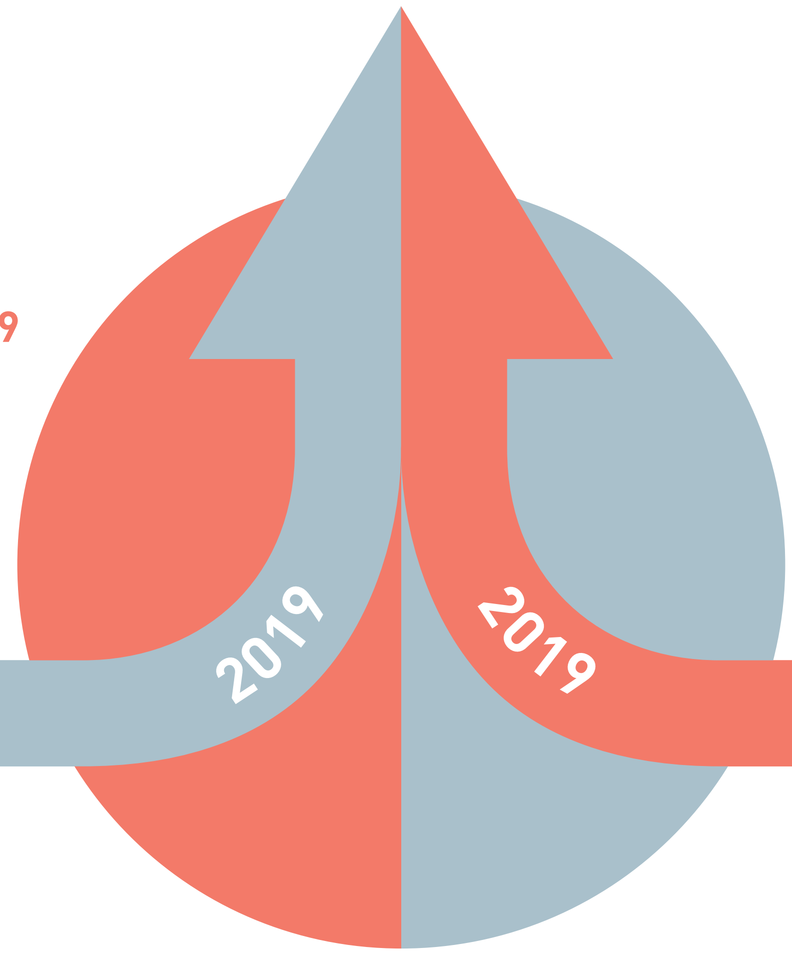
Through in-depth market analysis, monitoring and adapting to underlying consumer trends and demands, supported by in-house design and sourcing competence, we bring high quality, yet value for money, products to our customers. More than 99 percent of our products are sold under the Kid or Hemtex brand, while some premium products are marketed as sub-brands such as Dekosol and Nordun.

The Kid spirit is based on commitment to our values of entrepreneurial spirit, inspiration and dedication.

Kid is headquartered in Lier, Norway where the group head office and central warehouse for the Norwegian market is located, while Hemtex' offices and warehouse facilities are located in Borås, Sweden.

From the headquarter in Lier.

TWO COMPANY HISTORIES COMBINE IN 2019



Kid INTERIØR

1937 – Establishment
Kid Interiør was established by Jul Andrew Gundersen as JAG shoe factory

1953 – The first shop
The first shop was opened in Drammen in 1953, called "Fabrikkutsalget" (Factory Outlet). At first, the store sold just shoes, but moved into interior products, including sale of the first woollen versions of its duvet

1970s – Own production
An increased focus on interior textiles and the start of its own production

1994 – Change of name
The company changed its name to Kid Interiør and began using the Kid brand for selected products

1997 – Growing
The third generation of the Gundersen family takes over the business, which has now grown to 24 stores

2005 – Shares sold
The Gundersen family relinquishes control of Kid as its majority shareholding is sold to IK Capital Partners. The Kid store network has grown to 92

2009 – DNB Bank
DNB Bank takes control of Kid Interior following a long-term debt default

2012 – Successful turnaround
Gjelsten Holding takes 100 percent ownership of the company, which now comprises 111 stores after a successful turnaround

2015 – Oslo Stock Exchange
The company turns public as its shares are listed on the Oslo Stock Exchange. Kid registers a strong financial performance and central warehouse and administration functions are relocated to new facilities in Lier

2019 – Acquisition of Hemtex

HEMTEX

1973
Hemtex was established by 14 owners of independent interior textiles stores

1982
A common store concept is launched

1990
The company, with its 60 stores, changes name to Hemtex

2000
The franchise system is being introduced, and the Hemtex store network has grown to 88

2001
Establishment in Finland

2004
Skandia Investment takes ownership of the company

2005
Company turns public as its shares are listed on the Stockholm stock Exchange

2007
Establishment in Estonia

2008
The company introduces online sales

2009
The company becomes a subsidiary of Hakon Invest (ICA Gruppen)

2014
"Hemtex sovrum" - new store concept opens in Stockholm

2015
ICA Gruppen takes 100 percent ownership of the company

2019 – Acquired by KID ASA

COMPANY FACTS

5.1%
ONLINE SHARE
of total revenues
(Kid Interior)

8.1%
ONLINE SHARE
of total revenues
(Hemtex)

6.8%
LIKE-FOR-LIKE GROWTH in 2019
(Kid Interior)

12.5%
LIKE-FOR-LIKE GROWTH in 2019
(Hemtex, from 15 May)

20.4%
RETURN ON EQUITY
in 2019
(adj. net profit)

2,049
EMPLOYEES
(Kid Interior+ Hemtex)

2,342
MILL NOK
in revenues for 2019
(Kid Interior+ Hemtex)

NORDIC PRESENCE 2019

Physical stores at year end: 279
(Kid Interiør 144, Hemtex 135)

New stores: 4
(Kid Interiør 4, Hemtex 0)

Refurbished stores: 28
(Kid Interiør 16, Hemtex 12)

Relocated stores: 7
(Kid Interiør 2, Hemtex 5)

Closed stores: 9
(Kid Interiør 3, Hemtex 6)

(Hemtex is included from 15.05.2019)

AT A GLANCE 2019

Hemtex AB figures are included in the group accounts from 15 May 2019.

EBITDA of
MNOK 354.4*
(MNOK 250.2)
*Exclusive of IFRS 16 effects

Gross margin of
60.5%
(2018: 60.9%)

The board of directors proposes a dividend of
NOK 1.2
per share for 2019

Paid dividend of NOK 1.2 in November 2019. The aggregated dividend of NOK 2.4 represents
44%
of adjusted net profit for 2019

Club members
2.7 MILLION
(Hemtex 1.8 million
KID 0.9 million)

DEAR SHAREHOLDERS,

2019 was always going to be an exciting year. Coming directly off the back of Kid's best year ever, we started the new year with an ambitious target of topping 2018. I am pleased to report that the efforts of our team through 2019 made this possible, and we achieved another record year. I am also proud to report Kid's successful entry into the Swedish, Finnish and Estonian market with the well-executed acquisition and integration of Hemtex.

Hemtex represents a major growth potential for Kid, and we are currently ahead of our integration plan where we will roll out the Kid concept across Hemtex stores, increasing revenues for existing stores and exploiting synergies. The key to progress has been the belief in shared goals across Hemtex and Kid as well as willingness to change. Although we share the same goals, the two brands will continue to exist independently, and we will invest in strengthening the Hemtex brand and store refurbishments in Sweden. In addition to Sweden, we also see a potential for Hemtex in Finland and Estonia.

We have worked hard to improve and expand our assortment during 2019 and we have launched the new lamp collection and the 'Moments' candles and napkins collection. Kid's classic curtain collection, pillows and duvets have also shown good growth. We have further developed other successful categories such as oils and spices, as well as renewing and improving packaging design. During 2019, category development has helped to achieve more consistent sales from quarter to quarter and to reduce seasonal effects.

Kid is committed to investing in digital transition, which will undoubtedly affect the textile retail sector. During 2019 we strengthened our online team with a new Digital Manager, and we implemented several improvements to further develop the user experience. For example, we launched click-and-collect in Kid Interior which enables online customers to pick up orders in our physical stores within a few hours. The online stores have yielded solid results during 2019 and contributed 6,2% of total revenues, up from 4,6% in 2018. In order to support a continued online growth and further streamline our general logistics operations, we also decided to invest in an Autostore warehouse automatization at the Lier warehouse which will be in operation by the end of June 2020. The automated warehouse solution will increase storage capacity and reduce handling and warehousing costs.

Both the Kid and Hemtex customer clubs have increased the number of individual members during 2019 to 0.9 and 1.8 million, respectively. Going forward, we will explore how we can benefit from valuable customer data in a profitable and responsible way, as we aim to match product development and marketing efforts to our customers' needs and preferences.

We opened four stores and closed nine stores, and refurbished several stores during the year. Investing in and improving our store portfolio remains an important part of our strategy. By offering a market-leading in-store customer experience, we are able to thrive in a sector where most of our competitors are struggling to grow.

We continue our focus on implementing sustainable materials and we now use 88% and 96% sustainable cotton in Kid Interior and Hemtex respectively. Our ambition is to reach 100% by the end of 2020. In 2019, Kid started to report into the Textile Exchange Material Change Index and our material portfolio for the reported fibres shows that we are leading in down, maturing in cotton and that we are successfully establishing our polyester strategy. In addition, during 2019 we compensated for all climate emissions in scope 1 and 2, as well as all emissions from transporting goods from the harbour via our warehouse to the end users/stores. We will continue to evaluate and work on our scope 3 emissions together with STICA (Swedish Textile Initiative for Climate Action).

Another noteworthy initiative is Kid's support for women in Ghana, by providing clean-burning stoves which has improved the homes of 70,000 families. Similar steps are planned for Hemtex and both companies will perform independent carbon footprint calculations. Moreover, we have a continuous focus on reducing plastic packaging. In 2019, all campaign seersucker and flannel bed sets were made with no plastic packaging, reducing our plastic consumption by 20 tons – approximately the weight of 5 elephants!

2019 was a successful year, made possible by the way our growing team has pulled together and embraced our ambitious goals and change initiatives. Kid is one of the most inspiring workplaces within retail and this plays an important role in the company's success. We continue to take bold digital steps forward and are committed to widening the digital gap between us and our peers. We have also built a solid position for further expansion in both Norway and Sweden, with further potential also in Finland and Estonia.

It is also worth mentioning that Kid was awarded "Best Retail Concept in Norway for 2019" by Nordic Council of Shopping Centres and ranked as the most profitable retailer (EBIT margin) in Norway by Virke.

2020 has started out quite challenging, both for Kid and the world. However, I am confident that we will get through the pandemic crisis. In the meantime, I can assure all our shareholders, employees and other stakeholders that we are doing our utmost to deal with the situation and reduce any negative consequences for Kid. I would like to take the opportunity during these challenging times to thank our customers, employees, suppliers, partners and shareholders for their continued loyalty and support.

Yours sincerely,

Anders Fjeld
CEO, Kid Interiør AS

KID MANAGEMENT

Anders Fjeld
Chief Executive Officer

Fjeld has been the Chief Executive Officer at Kid since November 2018. Prior to joining Kid, he held senior and executive positions in Elkjøp and XXL. His most recent position was Chief Operating Officer and Concept Development Director in XXL. Fjeld has a bachelor's degree from BI Norwegian Business School.

Anders Lorentzson
Managing Director Hemtex

Anders Lorentzson was appointed Chief Executive Officer of Hemtex in May 2018. He started his Hemtex career as Commercial Director back in 2016 and, prior to joining the company, held senior and executive positions at the ICA-Group in Sweden and Estonia. Lorentzson has a solid background in the omnichannel retail business, with more than 20 years of experience.

Svein Faksvåg
Head of Store operations

Faksvåg has been head of store operations since 2016. Prior to this he held various positions within Greisvik Holding's sports retail businesses. These include, most recently, two years as sales director at both G-Sport and G-MAX. Faksvåg was previously an officer in the armoured battalion of the Norwegian Army. He holds an engineering degree from NTNU, Trondheim.

Cathrine Weberg Abrahamsen
Head of Business Development

Cathrine Weberg Abrahamsen has been Head of Business Development in Kid since October 2018. Prior to her current position she has been leading different projects within a variety of areas such as category- and concept development, supply chain optimization, e-commerce and so on. Before joining Kid Cathrine worked as a manager for a consultant company specialized in retail. Further she has a master degree within business and organisational psychology from the Norwegian Business School (Handelshøyskolen BI).

Marianne Fulford
Head of Sourcing

Marianne Fulford has been the Head of Sourcing at Kid since April 2016. Prior to her current position, she served as Category Manager at Kid since 2008 and she has been a board member (employee representative) of Kid Interiør AS since 2011. Further, she has served several years as both Head of Sales and Regional Manager at Tempur Norway AS and she has additional experience from other Marketing positions. Fulford holds a Master of Science in Marketing from the Norwegian Business School (Norwegian: Handelshøgskolen BI).

Kid store in Pilestredet, Oslo


Kid store at CC Vest, Oslo

Kid store at Sandvika Storsenter, Bærum


Kid store at CC Vest, Oslo

SUSTAINABILITY

KID recognises how important it is for corporations and retailers to develop more sustainable value chains and ethical trading patterns. We appreciate that throughout the supply chain we must act responsibly towards our customers, employees, suppliers and the environment.

In 2016, we started to transform our sustainability activities through an initiative called "Act with your heart". In implementing "Act with your heart" we want to clearly define for our partners, employees and external stakeholders how Kid is committed to create and maintain sustainable, safe and well-managed working conditions in our supply chain. We also want to protect the environment by developing more sustainable products and delivering safe, quality products to our consumers.

Our focus within CSR is founded on the United Nations Sustainable Development Goals:

SUSTAINABLE DEVELOPMENT GOALS

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

6 CLEAN WATER AND SANITATION

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The areas of focus are selected based on a risk assessment of our supply chain as well as challenges related to reduction of greenhouse gas emissions, securing a sustainable water supply and natural resources and women's right to education, health and work in the countries we source from. We have already implemented a number of initiatives, both internally and in conjunction with partners, that will make a difference to the way we conduct our business in the future.

On May 15th 2019 KID ASA acquired Hemtex AB. Together, KID Interiør AS and Hemtex AB, are the Nordic region's leading retail chain in home textiles.

KID and Hemtex have a similar approach to sustainability and are both collaborating with a number of the same organisations. Through 2019 and 2020, this sustainability work will be harmonised and sustainability reporting will be combined into one report.

For 2019 the sustainability reporting is split between the companies. The 2019 Hemtex sustainability report, which is based on the Global Reporting Initiative standards can be found here:
https://www.hemtex.se/info/hallbarhet/hallbarhetsredovisning/

The sustainability information in the following paragraphs are based on the sustainability work in KID Interiør AS.

ETHICAL SUPPLY CHAIN

For more than 10 years, KID has been a member of Etisk Handel Norge (Ethical Trade Norway), the Norwegian sister organisation of the international Ethical Trading Initiative (ETI), a resource centre and a driving force for ethical trade. IEH works to promote responsible business practices that safeguard both labour and human rights, sustainable development and sound environmental management. As a member with board representation in Ethical Trade Norway, we are actively working with our supply chain to ensure ethical standards. We are committed to working only with companies that have the appropriate human and environmental conditions.

In a step to increase transparency in our value chain, we opened our supplier list in 2018. This strengthens the relationships with our suppliers and clarifies the importance of the sustainability work being done. We also decided to sign the Bangladesh Accord on Fire and Building Safety in 2018 to help secure safe workplaces in Bangladesh.

Kid is also a member of Grønt Punkt Norge - Green Dot Norway- and Renas, which are national, non-profit, member-based organisations set up to manage the collection and recycling of used packaging and electronics. We collaborate with these organisations to manage the proper collection and recycling of all our electronics, plastic, metal and glass packaging, beverage cartons and corrugated cardboard in Norway. By using this service, we are licensed to use the Grønt Punkt mark on our packaged products.

In 2019, KID also started to use the SEDEX platform to improve the follow up of the supply chain when it comes to assessing suppliers and supplier risk. Sedex is one of the world's leading ethical trade service providers, working to improve working conditions in global supply chains.

SAFE AND QUALITY PRODUCTS

Kid wants all of our customers to feel certain that there are no products that they buy from us that can be hazardous to health or the environment. Through continuous testing, we ensure that all the products we offer are safe and produced using stringent production techniques.

All of our fabrics used directly against the skin carry the Oeko-Tex label. This means that they are produced to conform to the current Oeko-Tex Standard 100, which sets strict requirements on the level of chemicals used in textile products. For example, all of our baby fabric products meet the Oeko-Tex Standard 100, Class 1 - the most stringent requirement with very low limits for chemical residues – while linen, bed sets, blankets and pillows for adults are produced according to Oeko-Tex Standard 100, Class 2. Oeko-Tex has test laboratories throughout the world that ensure equal testing methods and common standards. A certificate number and the name of the test institute must be provided on the Oeko-Tex label in order to be valid and is the consumer's assurance that the product is legally certified.

Additionally, Kid is working with other certification schemes, including GOTS and Swan labelling. GOTS (Global Organic Textile Standard) is an international labelling scheme for organic textiles, which demonstrates that the fabrics meet environmental, health, social and worker safety criteria throughout the production process. The Swan is the official Nordic eco-label and demonstrates that a product is a good environmental and ethical choice. The Swan label has strict requirements for the whole lifecycle of the product. This includes the choice of raw materials, how the product is produced (including working conditions), and how it may be recycled. Kid's candles carrying the swan label are made using animal fats. This is a responsible alternative to palm oil which is a major contributor to rainforest deforestation and threatens animal diversity. Kid's napkins, selected duvets, pillows, sheets and pillow covers also carry the swan label.

Only 0.6 percent of goods sold are returned due to being substandard.

STORY FROM BOKHARI

Through Bokhari, meaningful and safe work is created for Pakistani craftsmen, both women and men - and most importantly - educational opportunities and hope for children.

The Bokhari weaving mill, located in the village of Sultan Town right on the outskirts of the town of Faisalabad in Pakistan, was started in 1989. Sultan Town, with its 15,000 inhabitants, was characterised by social and economic downturns. There was high unemployment, many were illiterate, and the only public school was closed for a long period of time.

Over the next few years, the Bokhari weaving mill was gradually being built up through the weaving of rubbish from fabric debris, and eventually became the village's cornerstone business. In 1996 the foundation stone was laid at the LAMS school, right beside the weaving mill, providing educational services for the workers' children.

In 2014, KID was contacted by Amar Bokhari, who had taken over the company after his father. Amar was looking for a partner that could help secure further operations at the factory and further develop the product portfolio. Together with KID, Bokhari has expanded its production from garbage cans to a larger selection of woven pieces and runners in new colours, gorgeous hand-knit pots and beautiful baskets braided with local seagrass. The factory has evolved from a simple small local weaving mill to a modern factory with a particular focus on sustainability and corporate social responsibility.

With the use of recycled textiles, the products are woven, knitted and crocheted by hand.

Bokhari today employs close to 300 women and men and is the village's largest employer, helping to ensure a sustainable economy in the local community.

Through the cooperation with KID, it has also become possible to invest in a water treatment plant, which secures clean drinking water for the local community around the school and the weaving mill.

In 2019, Bokhari became environmentally and quality certified. They now supply recycled products according to the Global Recycled Standard. Together with Bokhari, we have had a wonderfully exciting journey, and we are proud to see the positive changes we can make by choosing forward-looking suppliers.

ENVIRONMENTAL MEASURES

In 2016, the company joined Textile Exchange. Textile Exchange is a global non-profit organisation that works to make the textile industry more sustainable. Through our membership, we have started the process of using more sustainable materials, such as responsible wool, responsible down and sustainable cotton. Textile Exchange identifies and shares best practices regarding farming, materials and processing which enables us to reduce the impact on the world's water, soil, air and human population.

In 2019 KID reported into the Textile Exchange Material Change Index. KID's material portfolio for the reported fibres shows that we are leading in down, maturing in cotton and that we are successfully establishing our polyester strategy.

Kid is actively working to reduce concentrations and quantities of hazardous materials. We use an industry-standard chemical guide that lays out strict requirements for the use of chemicals in production. We encourage our suppliers in their efforts to produce the lowest possible levels of local contamination during production and the least possible chemical substance residues in their produced goods. We also focus on using the most appropriate materials and try to produce the least amount of waste products possible. The Bokhari products that consist of baskets, placemats and potholders are good examples of using remnants from jersey cotton sheets, and the Bokhari seagrass products show how you can use a local plant to create products, helping both the local community to clean up the waterways and secure jobs.

For several years we have had a textile-recycling scheme in collaboration with UFF Norway for the collection, reuse and recycling of used interior textiles. UFF Norway operates a large humanitarian aid network, developed through projects related to the reuse of fabrics and textiles. The organisation has developed a robust system for handling fabrics in an ethical and responsible manner. UFF is a member of Fundraising Control in Norway. Kid stores act as reception centres for unwanted interior fabrics – such as curtains, towels, duvets and bed linen – which are dropped off by the public. Kid then sends on these fabrics for reuse and recycling by UFF.

In 2019, KID collected more than 46 tons of used interior textiles, up from 32 tons in 2018, which contributed to a reduction of an equivalent of 230 tons of CO2. For 2020, we aim to collect 60 tons of used interior textiles.

One specific environmental issue Kid began to focus on in 2016 was microplastics. Microplastics present a threat to marine life, as well as being a pathway for the transport of harmful chemicals through the food chain. In 2017, all plastic bags in our stores were replaced with paper bags, and in 2018 the ecommerce plastic bags were also replaced with paper bags. In addition, over the last three years, we have been working on the packaging of our goods. For bedding and sheets, the entire range has replaced by self-fabric bags. In 2019, all of our flannel and seersucker campaign bed sets have been made without any unnecessary packaging, saving 20 tons of plastic.

Guppyfriend washing bag was launched in our stores during 2017. The washing bag reduces microfibers that enter rivers and oceans as a result of the washing process by 70-100%. The washing bag is a practical solution for our customers to make an impact on an environmental issue.

During 2019, Kid continued the replacement of old-fashioned lighting with the latest LED systems. This energy-saving lighting is also in use throughout our headquarters and logistics centre.

CARBON FOOTPRINT

Kid completed its first carbon footprint calculations in 2017 in order to measure, analyse, and set goals and strategies for reduction of carbon emissions. This will be supportive of Norway's international obligations to reduce global warming. We use the Cemasys model which is based on the international standard Greenhouse Gas Protocol Initiative (The GHG Protocol) and includes an extensive database covering worldwide emission factors. The GHG Protocol is the most widely used method to measure greenhouse gas emissions and was the basis for the ISO 14064-I standard (2006).

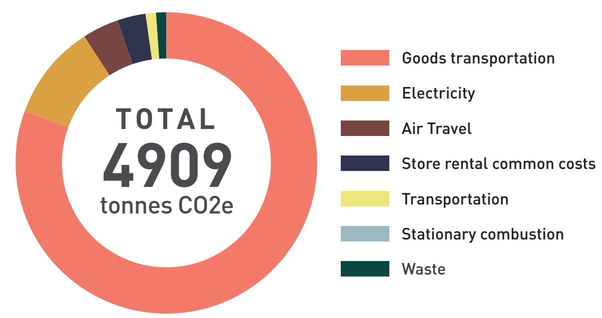
We are reporting on the following scopes:
Scope 1: all direct emission sources where the organisation has operational control. This includes all use of fossil fuels for stationary combustion or transportation in owned, leased or rented assets.
Scope 2: indirect emissions related to purchased energy; electricity or heating/cooling where the organisation has operational control.
Scope 3: Voluntary reporting of indirect emissions from purchased products or services in the value chain. Today it consists of all freight of goods from port in our sourcing countries to our warehouse, and out to our stores / online sales drop- off.

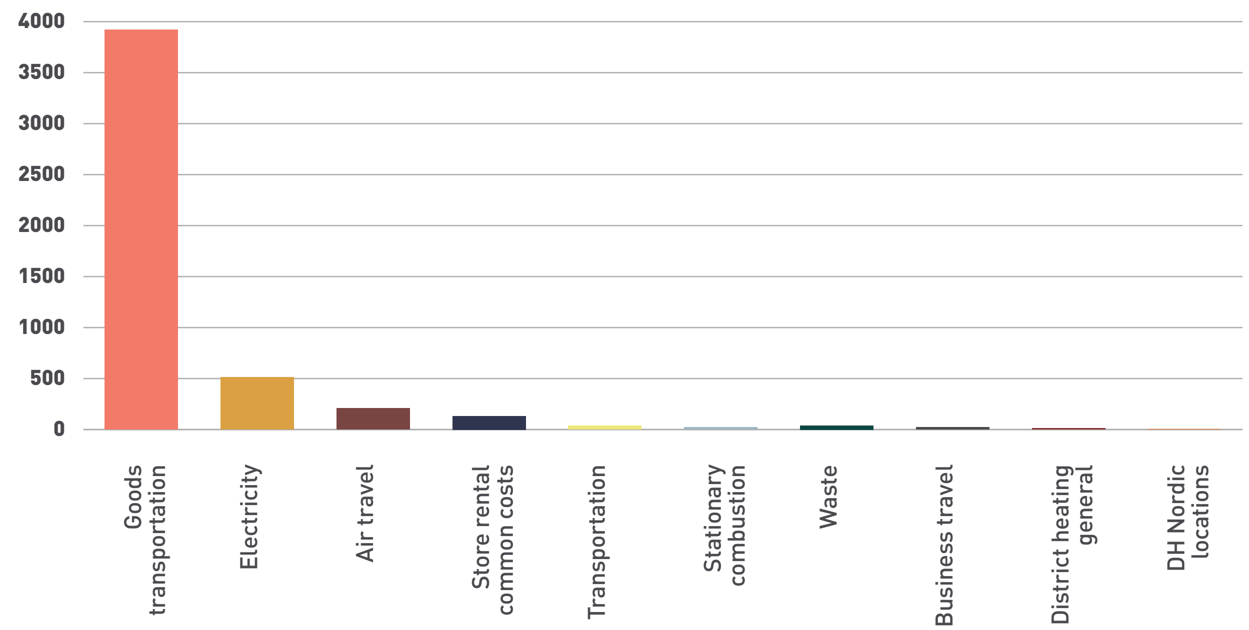
Scope 3 represents almost 90% of our emissions, and is mainly related to transportation of goods from country of origin to the main warehouse in Norway. Note that we will work on defining our full scope 3 in the years to come, and scope 3 will grow as we develop tools to measure the full impact.

Our total emissions in 2019 were 4 909 tons of CO2, and is further specified in the figures below. The decrease from 2018 is 4%. In terms of emissions per sold item the emissions remain stable at 0,3 kg per item.

In 2019 we compensated for 2 098 tons of CO2 through Gold Standard # 1385 supporting families in Ghana getting access to clean ovens, reducing the use of coal when cooking, and creating a better indoor climate. These are all emissions from Scope 1, Scope 2 and the transport of goods from our warehouse to the stores (compensation for 2018 emissions). We will continue to compensate for the same emissions.

For 2020 we will, through our membership in Swedish Textile Initiative for Climate Action (STICA), look further into our scope 3 to give more information on our impact on the supply chain.





SUPPLIER PARTNERSHIPS

Kid Interior purchase goods from many parts of the world, which involves a large and complex supply chain. It is important for us to know that both workers and the environment are well taken care of.

Kid recognises that we need to work closely with our suppliers in order to monitor and assist them in their own social responsibility initiatives – particularly in relation to working conditions, environmental impact and business conduct. To ensure that our production is undertaken in ethical conditions, all our suppliers are screened before we enter into business with them, and they are obliged to sign and comply with our Code of Conduct and restricted substance requirements for chemical content. These agreements will ensure sound employee working conditions, that no child labour is in use, that environmental considerations are taken into account when it comes to raw materials – especially in relation to the protection of exotic woods and forests – and that there is good animal welfare.

We conduct regular business and factory site audits of our suppliers – most of whom are operating in China, India, Pakistan and Bangladesh – in order to evaluate their sustainability performance. By doing so, the health, safety and environment, wages and working conditions along with business practices are evaluated, so that we can confidently vouch for a fully sustainable supply chain. We mainly used the SMETA 4-pillar protocol, but also accept other standards such as BSCI and SA 8000.

Full audits are undertaken at factories every three-to-six years. If issues are discovered during an audit, a corrective action plan is created with clear timelines. Wherever possible and appropriate, Kid will work with the supplier to handle non-compliance issues by changing routines or implementing other positive changes. It is neither in our interest, nor those of our suppliers, to drop them as a partner if we can help them to meet our and their social responsibility targets.

As an additional means of driving change and compliance in our supply chain, as well as our partnership with Ethical Trade Norway and ETI, we have implemented a social dialogue project in collaboration with QuizRR. QuizRR is helping global buyers to manage risk, helping suppliers to generate business and training millions of workers on their workplace rights and responsibilities. In 2018, we implemented QuizRR at 5 of our most important factories. In 2019 more than 8 300 training sessions were conducted for more than 1,600 workers. Both management and workers have been trained on employee engagement which focuses on improving dialogue and engagement at the workplace. Improved dialogue should empower the workers to improve their working conditions, both when it comes to environment, health and safety, but also regarding remuneration.

DOWN PRODUCTS

All of our down products are subject to regular laboratory testing for purity, correct down content – duck or goose feather – fill-weight and down-proofing of the cover.

They are also produced in an ethical manner - which means that the animals are neither force-fed, nor are the down and feathers picked from live animals. We have a focus on the animals' 5 freedoms:

- Freedom from hunger and thirst
- Freedom from discomfort
- Freedom from pain, injury, or disease
- Freedom to express normal behaviour
- Freedom from fear and distress

All of our down products are certified either to the Downpass or the Responsible Down Standard which ensures ethical sourcing of down and feather. As a step towards a more circular economy Kid launched the Re:Down duvet and pillow in September 2017. The products contain only recycled down based on a process whereby 97% of collected goods are recycled. The production process is in accordance with Global Recycled Standard and Sustainable Textile Production of Oeko-tex (STeP by Oeko-Tex). Through our textile recycling scheme in collaboration with UFF, we are able to increase the amount of used down pillows and duvets that are collected at our stores and later become the basis for the Re:Down value chain. RE:Down products are now a permanent part of our product range.

More information is available on *www.kid.no/redown/*

COTTON PRODUCTS

The cotton plant is grown on approximately 2.5 percent of the world's arable land, however approximately 25 percent of all pesticide and 10 percent of all herbicides are used to produce cotton. In cotton farming today there is also a heavy use of fertiliser and water.

More than 50 percent of our total product range contains cotton. In 2016, Kid decided to transform our cotton usage to meet the highest possible environmental standards. We have set a goal that by 2020 Kid will procure only 100 percent-sustainable cotton. This change is happening through the increased use of organic cotton, by purchasing Cotton made in Africa-, Swan- and GOTS-certified products, but mainly through our membership of the Better Cotton Initiative (BCI). We are a proud member of the Better Cotton Initiative (BCI). BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the industry's future. Better Cotton means producing cotton in a way that cares for the environment through processes that minimise the negative impact of fertilisers and pesticides, and care for water, soil health and natural habitats. In addition, producing Better Cotton can also improve farmers' livelihoods and increase access to global markets.

In 2018 we were proud to announce that all our towels, bedsheets, pillowcases, bed sets and baby products in cotton are sourced from sustainable suppliers. In 2019, 88% of all cotton products have been made with sustainable cotton and we are on track to reach our goal of 100% sustainable cotton by 2020.

© Better Cotton Initiative

CHARITABLE ACTIVITIES

Kid has determined that it will make a positive impact on the community by supporting a single charity and doing all we can to raise funds and awareness of a single cause. For this reason, the company has chosen to support Pink Ribbon, a breast cancer awareness campaign.

Kid is among the main sponsors of the Pink Ribbon campaign in Norway. Every October, we sell Pink Ribbon pins and our bespoke-designed Pink Ribbon products in all of our Kid stores. In 2019, we contributed MNOK 1.3 to Pink Ribbon.

FURTHER DETAILS

For more details of Kid's sustainability programme, please visit: *www.kid.no/samfunnsansvar*
Follow the progress on our sustainability goals on *www.kid.no/baerekraft/*
For Hemtex Sustainability report, please visit: *https://www.hemtex.se/info/hallbarhet/hallbarhetsredovisning/*

CORPORATE GOVERNANCE AT KID ASA

1. IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE PRINCIPLES

KID ASA (Kid or the company) consider good corporate governance key to create shareholder value through transparency, fairness and trustworthiness. The company has developed these principles in compliance with laws, regulations and ethical standards. The Norwegian Corporate Governance Board has, for companies listed on the Oslo Stock Exchange, issued the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). Kid complies with this Code of Practice and it is detailed in this report with section numbers that refer to the Code of Practice's articles. The Code of Practise is available at *www.nues.no*

2. BUSINESS

Kid's objectives are defined in the company's articles of association and state that: "The business activities of the company are commercial activities, mainly based on the purchase and sale of interior textiles through import, wholesale, retail, franchise and other related activities, including investments in other enterprises and relevant real property". (Articles of association are made available at *investor.kid.no*)

The company's strategy is to ensure growth while maintaining cost control to ensure a continued strong cashflow through:

a. Concept development to ensure like-for-like sales growth
b. Attractive stores through continuous upgrading the store portfolio
c. Opening of new stores
d. Digital footprint and e-commerce
e. Expanding the B2B customer base

The company's risk profile is deemed to be low considering the nature of the business and the geographical span. Kid has a risk program which continuously identifies and assesses current risks.

3. EQUITY AND DIVIDENDS

Kid considers its equity ratio sufficient considering the group's strategy and risk profile. The dividend policy is to pay out 60-80 percent of adjusted net profit, where adjustments are made for significant one-off events.

The Annual General Meeting approved the proposed dividend of NOK 2.0 per share in May 2019. The board of directors were also given the authority to approve and distribute a half-year dividend in light of the third quarter results in 2019. A half-year dividend of NOK 1.2 was distributed in November 2019.

The board of directors has proposed a half-year dividend of NOK 1.2 per share for 2019 and the authority to decide on and distribute an additional half-year dividend based on the third quarter results in 2020. The dividend is subject to approval at the annual general meeting on 27 May 2020.

The board of directors has a mandate to increase the company's share capital by up to NOK 4,877,419. The authority may only be used to issue shares as consideration and to raise new equity in order to strengthen the company's financing. The authority remains in force until the annual general meeting in 2020, but in no event later than 30 June 2020.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Kid has one class of shares.

Any purchase or sale by the company of its own shares will either be carried out through the Oslo Stock Exchange or at prices quoted on the Oslo Stock Exchange.

Any transaction between the company and a related party will be based on arm's length terms. If relevant, the transaction will be supported with a valuation obtained from an independent third party. The company has guidelines to ensure that board members and senior management disclose any material interest to the board of directors in transactions where the company is a party.

5. FREELY NEGOTIABLE SHARES

All shares in the company have equal rights and are freely tradeable.

6. GENERAL MEETINGS

The general meeting is the arena in which all investors can exercise their right to make fundamental decisions for the company.

The company's goal is to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that the meetings are an efficient forum for shareholders and the board to express their views.

Notices of general meetings are made available at investor.kid.no and a separate notice to the Oslo Stock Exchange no later than 21 days prior to the AGM. The date of the meeting is made available in the financial calendar. The notice clearly states deadlines for shareholders to give notice of attendance and provides information on the procedure for casting their votes by proxy.

All supporting documentation for the AGM is sufficiently comprehensive and detailed to allow shareholders to form a view on all matters to be considered at the meeting. The information will be accessible on the company's website. In accordance with the Norwegian Public Act a shareholder can demand that documents concerning matters that are to be dealt with at a general meeting be sent to him or her by ordinary mail.

The board of directors and the person chairing the meeting will make appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies.

Members of the board, members of the nomination and the auditor will attend the general meeting.

7. NOMINATION COMMITTEE

The general meeting has elected a nomination committee and approved a set of guidelines for the committee's work. The nomination committee is also laid down in the articles of association. The nomination committee's main purpose is to propose candidates for election to the board and their respective remuneration. In order to achieve this, the committee has contact with shareholders, the board of directors and the company's executive management.
The nomination committee consists of two members, who are independent of the board and the company's executive management. The current members are Sten-Arthur Sælør and Jostein Devold.

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITIONS AND INDEPENDENCE

In accordance with the articles of association, the board of directors of Kid shall consist of a minimum of three and a maximum of nine members, as decided by the general meeting.

KID ASA does not have a corporate assembly, but instead has three employee representatives on the board of Kid Interiør AS, which is 100% owned by KID ASA, and the five board members of KID ASA are also members of the board of Kid Interiør AS. Board meetings for both companies are held concurrently, at which the board of directors of Kid Interiør AS is responsible for reporting day-to-day operations, while the board of directors of KID ASA, as the listed parent company, is responsible for equity, long-term debt and the incentive programme for executive management.
The composition of the board of directors ensures that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. The board members have a combined experience and competence in the fields of retail and consumer goods, as well as finance, property as well as experience from other listed companies.

40 percent of the board members are women, and no member of the executive management team is a member of the board of directors. The shareholder-elected members of the board of directors have a term of one or two years, and the chairman is elected by the general meeting.

9. WORK OF THE BOARD OF DIRECTORS

The board of directors produces an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The chairman of the board of directors and CEO have regular contact between the meetings to evaluate the business and they keep the board updated on any matters that need to be addressed. In an event where the chairman has been personally involved in consideration of any material matter, another board member will chair the board's consideration of this particular matter. Board meetings always include the CEO's perspective on current events and progress of business plans, while the CFO provides the board with an overview of the company's financial development and forecasted earnings and cashflow.

The board evaluates its performance and expertise annually.

The board has established an audit committee consisting of two board members.

10. RISK MANAGEMENT AND INTERNAL CONTROL

Kid is exposed to financial risks related to foreign exchange (FX) and interest rates. FX risks are managed by hedging four to seven months forward. Interest rate risks are managed by a MNOK 395 interest SWAP. Other operational risk areas are reported to the board on a regular basis.

The company provides the board with monthly reports on the group's financial performance and prepares quarterly reports that are made public. The audit committee and the auditor together review the quarterly and annual reports before they are approved by the board.

The board of directors, with assistance from the audit committee, carries out regular reviews of the company's most significant areas of risk exposure and its internal control arrangements.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The board of directors are presented separately in the annual report.

The nomination committee proposes the remuneration of the board of directors at the annual meeting. The proposition takes into account the board's responsibility, expertise, time commitment and the complexity of the company's activities. The board has one sub-committee in the audit committee.

The remuneration of the board in 2019 is disclosed in the notes to the consolidated accounts.

Members of the board of directors and/or companies with which they are associated do not, as a general rule, take on specific assignments for the company in addition to those as members of the board. If, however, they do take on such assignments these will be disclosed immediately to the entire board and the remuneration for such additional duties will be agreed by the board.

After the acquisition of Hemtex in May 2019, integration work has been performed by the chairman of the board, Petter Schouw-Hansen. The work is approved by the board as per Kid corporate governance policies and remuneration is reported in the quarterly reports and the notes to the consolidated accounts.

12. REMUNERATION OF EXECUTIVE MANAGEMENT

The board of directors has a set of guidelines for the remuneration of executive personnel. The board also directly determines the remuneration for the CEO. The CEO is, in consultation with the chairman of the board, responsible for determining the remuneration of other members of the executive management.

The board of directors have approved an incentive programme for executive management which aims to align the financial interests of Kid's senior management and its shareholders. The incentive programme is based on EBITDA budget achievement and includes no share options or rights.

The board of directors will prepare a statement on the remuneration of executive personnel as a separate appendix to the agenda for the AGM. The remuneration for the executive management is also disclosed in the notes to the consolidated accounts in the annual report.

13. INFORMATION AND COMMUNICATIONS

Kid has established an investor relation policy (available at investor.kid.no) that clearly states that any communication with shareholders outside the company's general meeting will take place in accordance with applicable equal treatment requirements and applicable legislation regarding inside information.

The company publishes a financial calendar for the upcoming year in the fourth quarter. The calendar includes an overview of major events such as its AGM, publication of interim reports, publication of revenue reports and any planned public presentations.

All information distributed to shareholders is made available simultaneously on the company's web page. All information which the company is required to disclose will be given in English.

14. TAKEOVERS

Kid has guidelines for how it will act in the event of a takeover bid in accordance with its code of conduct. These guidelines clearly state that the board will not take any obstructive action unless it is agreed upon at the general meeting. In the event of a takeover bid, the board will act in the best interests of the shareholders and ensure that the company's operations are affected as little as possible.
The shareholders will be provided with timely and sufficient information in the case of a takeover bid, with the intention to enable the investors to have an informed view of the situation. The board of directors will also issue a statement making a recommendation as to whether shareholders should or should not accept the offer.

15. AUDITOR

The auditor annually submits to the audit committee the main features of its plan for the audit of the company. The auditor participates in meetings of the board of directors that deal with the annual accounts. At these meetings the auditor reviews any material changes in the company's accounting principles, comments on any material estimated accounting figures and reports all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor presents annually to the audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

The CEO and CFO of Kid are present at all board meetings. Once a year the board of directors has a meeting with the auditor at which neither the chief executive nor any other member of the executive management is present.

Kid has clear guidelines for the use of the auditor by the company's executive management for services other than the audit. The board of directors reports the remuneration paid to the auditor at the AGM, including details of the fee paid for audit work and any fees paid for other specific assignments.

BOARD OF DIRECTORS' REPORT

The Kid group consists of KID ASA, the parent company for Kid Interiør AS, Kid Logistikk AS, Hemtex AB, Hemtex OY and Hemtex International AB, together defined as "the group", "the company" or "Kid".

The business activity of the company is mainly purchase and sale of interior textiles through import, wholesale and retail, along with other related activities, including investments in other enterprises and relevant real estate.

Kid Interiør is the leading specialist home textile retailer in Norway, with a portfolio of 144 directly owned stores across Norway, in addition to an online sales platform. Hemtex AB is the leading specialist home textile retailer in Sweden, with a portfolio of 119 directly owned stores and 12 franchise stores across Sweden, in addition to an online sales platform. Hemtex AB also has a presence in Finland and Estonia, with 11 and 5 directly owned stores respectively.

The product assortment ranges from curtains and bed linens to home accessories and decorations. Kid's strategy is to provide an attractive value proposition to customers through an inspirational assortment and quality Kid- and Hemtex-branded products offered at affordable prices both online and through stores located in major population centres. The group's head office is located in the municipality of Lier, Norway.

SUMMARY OF THE YEAR

KID INTERIOR

In 2019, Kid Interior grew its revenues and profitability through continued development of the customer experience, both in physical stores and online. The introduction of new product lines, renewal of assortments, attractive campaigns and training in customer service have yielded results, and customers increasingly prefer Kid as their home interior retailer. Our customer club in Norway reached 941 000 individual members at year-end, a key asset for our online sales platform and a testament to the high customer appreciation, as well as being a key asset for our online sales platform. The number of individual customer club members is equivalent to nearly 18 percent of the Norwegian population and represents a potential for further growth.

Four new stores were opened, and three were closed during the year, along with a number of refurbishments and relocations. Online revenues increased significantly, as customers were able to interact with Kid more seamlessly between online and offline channels. Strategic and operational activities resulted in a 9.5 percent rise in full-year revenues and an increase of 72.5 percent in EBITDA.

For the tenth consecutive year, Kid Interiør increased its market share now reaching 37 percent among the pure players at year-end 2019.

HEMTEX

In May 2019, KID ASA acquired Hemtex, aiming to drive top line growth through clearly defined strategic and operational initiatives. These initiatives include joint assortment with Kid, increased marketing, revised campaign strategy, common store concept, increased in-store inventory levels, in addition to a strong management team in Hemtex.

From 15th of May to 31st of December Hemtex increased its revenues by 13.1 percent and significantly increased profitability compared to the corresponding period last year. The Hemtex customer club consisted of 1.8 million individual members by year-end 2019.

Since 15 May 2019, six stores were closed along with several refurbishments and relocations being made. The online sales continued to grow and has increased by 35,3 percent.

FINANCIAL RESULTS

(Figures from last year are in brackets, unless otherwise specified)

INCOME STATEMENT FOR THE GROUP

Revenues for 2019 were MNOK 2,342.2 (MNOK 1,466.7). The like-for-like sales growth[1] was 6.8 percent and 12.5 percent for Kid Interiør and Hemtex respectively. Online sales grew by 60 percent in 2019, accounting for 6.2 percent of total revenues.

Gross margin was 60.5 percent (60.9 percent) for 2019. Other operating expenses, including employee benefit expenses, ended at 46.0 percent of revenues compared to 43.9 percent in 2018. The increase from last year relates to the inclusion of Hemtex AB from May 15th. The ratio is in line with the current target of maintaining cost-efficiency.

Operating profit (EBIT) was MNOK 302 (MNOK 213.1), driven by revenue growth and reduced costs.

Net financial expenses amounted to MNOK 40.9 (MNOK 12.8). Kid has a lending agreement with Nordea consisting of (1) an overdraft facility of MNOK 247, (2) a RCF of MNOK 130, and (2) a MNOK 575 term loan with annual instalments of MNOK 50. The lending agreement expires in May 2022.

[1] Like-for-like revenue are revenue from stores that were in operation from the start of last fiscal year all through the end of the current reporting period.

Net income for 2019 was MNOK 208 (MNOK 168.7). Adjusted net income amounted to MNOK 220.4 (MNOK 154.1). Net income was adjusted for transaction and integration costs of MNOK 12,5 related to the acquisition of Hemtex AB on May 15th.

BALANCE SHEET FOR THE GROUP

Total assets were MNOK 3,465.2, an increase of MNOK 1,372.2 from 2018. Fixed and intangible assets increased by MNOK 1,028.7 as a result of the acquisition of Hemtex AB, adoption of IFRS 16 and investments in stores, online platforms and warehouse automation. Inventories amounted to MNOK 485.0 at the end of the year, an increase of MNOK 231.8, due to the inclusion of Hemtex AB and a stronger USD. Total receivables were MNOK 51.3, an increase of MNOK 14.6 from 2018 driven by the inclusion of Hemtex AB.

Net interest-bearing debt was MNOK 1,137 of which MNOK 802 is related to financial leases. Net interest-bearing debt excluding the financial leases as defined by IFRS 16 was MNOK 335.3 (MNOK 187.0). Long-term interest bearing debt excluding leases was MNOK 494.5 (MNOK 426.3) at the end of 2019, short-term interest bearing debt was MNOK 180.0 (MNOK 1.6) and cash and bank deposits were MNOK 339.2 (MNOK 242.2). The group has an additional overdraft facility of MNOK 247. The equity ratio at the end of the year was 33.2 percent compared to 52.1 percent in 2018.

CASH FLOW FOR THE GROUP

Cash flow from operations was MNOK 523.6 (MNOK 265.2). Significant changes from 2018 included increased inventory level, with a cash effect of MNOK -94.1 (MNOK 48.8) and cash effect from taxes paid of MNOK -49.7 (MNOK -40.4).

Cash flow from investments was MNOK -92.9 (MNOK -37.3). The investment level in 2019 reflects opening, relocation and refurbishment of stores as well as the investment in Autostore.

Cash flow from financing was MNOK -333.0 (MNOK -115.8), negatively affected by dividend payments of MNOK -130.1 (MNOK -101.6), and positively affected by increased long-term debt of MNOK 46.6 (MNOK -1.6).

Following IFRS 16 implementation, the Cash Flow from operations has increased by MNOK 245.1 with a corresponding decrease in the 2019 Cash flow from financing. Hence, Net change in cash is not affected by this reclassification.

Net change in cash and cash equivalents was MNOK 97.7 (MNOK 112.1), mainly driven by increased profit and long-term loans, but partly offset by increased inventory level and

Petter Schouw-Hansen

Chairperson
Appointed: May 2019

Petter Schouw-Hansen is currently Director with Gjelsten Holding AS, the majority shareholder in KID ASA. He was the Chief Financial and Strategic Officer at Kid from 2011 to 2018. Prior to this, he served as both an analyst and senior consultant at Bearing Point. Schouw-Hansen has experience from operationalizing strategy, performance management, M&A and management coaching within several industries, including retail. Schouw-Hansen holds a M.SC from the Norwegian School of economics, specialized in Finance. He is a Norwegian citizen, and resides in Norway.

Rune Marsdal

Board Member
Appointed: May 2019

Rune Marsdal (1971) is currently CFO and member of the board of directors of Gjelsten Holding AS, the largest shareholder of KID ASA. Marsdal has previously worked as a financial analyst in Danske Securities and as an analyst in Schøyen Finans Forvaltning and Norway Seafoods. Marsdal holds a Master of Business and Economics degree from BI Norwegian Business School, as well as a Certified Financial Analyst degree from Norwegian School of Economics. Marsdal is currently on the board of directors of various companies, including Sport 1 Gruppen AS. Marsdal has previously served on the board of directors of Kid Interiør AS and Nordisk Tekstil Holding AS (later KID ASA), both as a director (2012-2015) and as special advisor to the board of directors (2015-2019), and BEWiSynbra Group AB (publ). Marsdal is a Norwegian citizen and resides in Norway.

Karin Bing Orgland

Board Member
Appointed: August 2015

Bing Orgland (1959) is currently a professional board member in various companies within the financial, seafood, industry and real estate sectors, including GIEK, Storebrand ASA, Grieg Seafood, Hav Eiendom AS and INI AS. She has extensive experience from various management and board member positions within the DNB Group between 1985 and 2013. Bing Orgland resides in Oslo, Norway and holds a Master of Business and Economics degree from the Norwegian School of Economics.

Vilde Falck-Ytter

Board Member
Appointed: August 2015

Falck-Ytter (1967) is currently employed in Sisa Invest AS, a privately held, family owned investment company within real estate development, performing tasks undertaking administration, accounting and contract negotiations. She also holds several board member positions in companies related to Sisa Invest AS. Falck-Ytter resides in Nannestad, Norway and holds a law degree from the University of Oslo, as well as a Business Administration degree from Handelsakademiet.

Egil Stenshagen

Board Member
Appointed: May 2018

Stenshagen (1947) is the owner and Chairman of Stenshagen Holding AS, which is the parent company for Stenshagen Invest AS and several car dealerships and tire dealers. He has longstanding experience from the car and tire industry, and has served as a member of the Working Committee in the Confederation of Norwegian Enterprise and was the former Vice President in the Norwegian Automotive Federation. He is a Norwegian citizen, and resides in Norway.

dividend payments. The Board of Directors finds that the group had a solid liquidity position as of 31. December 2019.

ANNUAL RESULT ALLOCATION

Earnings per share was NOK 5.12 in 2019. The board of directors proposes a dividend of NOK 1.20 per share for 2019. Including the NOK 1.20 per share paid in November 2019, the total dividend of NOK 2.40 represents 4.8 percent of the share price as of 31.12.2019 and 44 percent of the Group adjusted net income for 2019.

KID ASA 2019 profit was distributed as follows:

Dividend pay-out	MNOK	48,8
Transferred to other equity	MNOK	127,1
Total allocated	MNOK	175,9

GOING CONCERN

The financial statement has been prepared in accordance with IFRS standards as adopted by the EU and under the going concern assumption. The board of directors has made appropriate enquiries and formed a judgement at the time of approving the financial statements that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the board of directors continues to adopt the going concern basis in preparing the financial statements in accordance with the Norwegian Accounting Act and the Norwegian Company Act. This is further supported by the group's budget and strategy.

As of the end of the accounting year 2019, the equity ratio was 33.2 percent. The board of directors believes that the equity and liquidity is sufficient given the company's operational commitments, future plans and achieved results.

ORGANISATION, WORKING CONDITIONS AND THE ENVIRONMENT

The group had a total of 2049 employees, which corresponded to 1033 full-time equivalents at the end of 2019. The parent company had no employees.

The group keep records of total absence due to sickness, in accordance with laws and regulations. Total sick leave was 4.8 percent in 2019 (6.2 percent in 2018), of which 1.3 percent was characterised as short-term leave and 3.6 percent as long-term leave. Sick leave is monitored on a monthly basis at store and department level, and appropriate actions are taken in relation to the sick leave that the company is able to influence. The working environment is monitored continuously and is considered to be good.

During the year, no severe workplace accidents or other accidents occurred or were reported that resulted in serious personal injury or material losses. All divisions of the group operate with a dedicated focus on occupational health, environment and safety.

GENDER EQUALITY, DISCRIMINATION AND HARASSMENT

The group encourages diversity and pursues a non-discrimination policy, with full gender equality. Furthermore, the group promotes 'equal pay for equal work', whereby the most qualified candidate shall hold a position, regardless of gender, religion or sexual orientation. The group promotes the objective of laws against discrimination through recruitment, salary and employment conditions, promotion, development possibilities and protection against harassment.

The group prohibits harassment of any kind, including sexual harassment, and will take appropriate and immediate action in response to complaints or knowledge of violations of this policy.

Despite an average, acceptable gender equality, there are still some traditional patterns of employment within both the retail division and the warehouse. More than 95 percent of in-store employees are women, while more than 95 percent of the employees in the warehouse are men. Approximately 90 percent of employees at the head office are women and the management team consists of four women and six men. The board of directors of the parent company consists of three men and two women.

The group aims to be a workplace in which no discrimination occurs based on disabilities. As far as possible, individual adjustments are made to adapt the workplace and work tasks for employees or job applicants with disabilities.

ENVIRONMENTAL REPORTING

To the knowledge of the board of directors, the group's operations do not result in significant pollution or emissions that may cause damage to the external environment. Furthermore, the group's operations are not regulated by licenses or other duties.

Kid believes that environmental and financial performance often go hand-in-hand and is constantly striving to identify and implement measures that support this. One of the group's main areas of environmental focus is in the reduction of power consumption through measures based on time-monitoring of consumption, as well as the installation of LED lighting in all stores. Carbon dioxide emissions are monitored in accordance with the Greenhouse Gas Protocol.

The group works actively to prevent adverse environmental- and ethics-related issues, human rights and anti-corruption. It works with suppliers to ensure that Kid's products are produced in clean and safe environments, that workers are treated with respect, earn a reasonable wage and that suppliers work within the relevant local laws and regulations. As a member of Ethical Trade Norway the group commits to working actively with due diligence for responsible business conduct as described by Guiding Principles on Business and Human Rights (UNGP).

More information about sustainability and the environment is provided in the corporate social responsibility section of the annual report.

FINANCIAL RISKS

CURRENCY RISK

To reduce foreign currency risks, Kid hedges net foreign currency cash flows by entering into futures contracts. This is done in order to mitigate the currency risk of the approximately 90 percent of goods it sources, which are denominated in US Dollars.

In order to mitigate currency risk, futures contracts must be entered into at least four months before payment of goods, as prices and quantities are set with a long lead-time. The company has a policy to hedge 100 percent of USD currency goods purchases for 4-7 consecutive months. The policy has been formally approved by the board of directors.

LIQUIDITY RISK

Kid and its subsidiaries have a loan agreement with Nordea, with access to an overdraft facility of MNOK 247, a flexible credit facility of MNOK 130 and a general guarantee limit of MNOK 115.

INTEREST RATE RISK

Kid has a floating interest rate for MNOK 494 of outstanding long-term debt. In Q4 2019, KID ASA entered into a 10-year interest rate swap agreement of MNOK 395 at a fixed interest rate of 1.876%.

To the extent of the board of directors' knowledge, the above-mentioned risk factors represent the most material financial risk factors that may be of importance in order to evaluate the company's assets, liabilities, financial position and profits.

OUTLOOK FOR 2020

2019 was another good year for KID ASA – both in terms of revenues, market share and profitability. Over the last years revenues and earnings have increased significantly. The acquisition of Hemtex in 2019 is progressing according to plan, and the integration efforts over the past year has proven successful. We believe the company's efforts during the last years have provided a platform for further growth and profitability going forward.

Kid will uphold its shop expansion programme with opening, relocation and refurbishment of stores in 2020. In addition to pursuing other growth opportunities, Kid will ensure inspirational shopping experiences for our customers through continued development of well-located and modern stores.

Kid will continue to focus on and improve its store-level service, particularly through the use of interactive staff training and customer feedback. Customers are increasingly emphasising a responsible value chain when making their purchases, and even more efforts will be made to communicate the ongoing sustainability initiatives. When modern stores, friendly and knowledgeable customer service and a responsible brand are combined with a continually refreshed and on-trend product assortment, customers will find reasons to make Kid or Hemtex their preferred home textile and furnishing retailer.

The online store is under constant development, driving online sales as well as traffic to bricks-and-mortar locations. Digital interaction with customers is becoming increasingly important, and for the year to come we have planned several initiatives to further fine-tune the Omnichannel approach. Our customer club remains a key part of this and going forward data analysis capabilities will be prioritised in order to make our digital interaction even more relevant for individual customers, and to provide insights for concept development.

All our geographical markets have been affected by the recent COVID-19 pandemic outbreak. Kid and Hemtex are currently experiencing reduced turnover as the number of customers visiting shopping malls and our stores is falling. We have proactively taken actions to maintain a healthy business until the COVID-19 situation has normalised, including temporarily layoffs of store- and HQ personnel. More than 2/3 of our merchandise is purchased from countries like China, Pakistan and India, so far without any material delivery issues. Assessments of, and close dialogue with suppliers are being performed continuously to evaluate potential adjustments of incoming goods as orders are placed several months ahead of delivery. Kid has a solid financial situation and sufficient liquidity to face the current situation. The Board of Directors will monitor the situation closely going forward and is confident that the proposed dividend is prudent.

The objectives for KID ASA in the medium-term are:

- A continued strong financial performance in Kid Interior driven by like-for-like growth of 3-4 percent in a normalised market, stable gross margins in line with the past 10 years, and operating expenses relative to sales below 45%.
- Hemtex EBITDA target of MNOK 100 in 2021 and MNOK 150 in 2023, driven by increased sales and synergies related to gross margin and OPEX
- An optimised store portfolio of approximately 285 stores. Expected capital expenditures related to maintenance in 2020 could be lowered to MNOK 40 should the COVID-19 situation remain, but is expected to run at a normalised annual level of MNOK 80-90, with an additional MNOK 1.8 per new store opening.
- To maintain moderate leverage and an efficient balance sheet.
- A target of 60-80 percent dividend pay-out ratio of adjusted net profit with semi-annual payments. The distribution policy is dynamic, and any excess capital will be returned to shareholders.

Lier, 30 April 2020

The board of directors, KID ASA

Petter Schouw-Hansen Chairperson	Rune Marsdal Board member	Egil Stenshagen Board member
Vilde Falck-Ytter Board member	Karin Bing Orgland Board member	Anders Fjeld Chief Executive Officer

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

(All amounts in NOK 1000 unless otherwise stated)

The notes are an integral part of these financial statements.

	Note	Year ended 31st December 2019	2018
Revenue	4	2,342,180	1,466,729
Other operating income		2,082	336
Total revenue		**2,344,263**	**1,467,064**
Purchased goods	15	1,019,790	622,070
Change in inventories	15	-94,124	-48,840
Employee benefits expense	6, 21	503,494	310,898
Depreciation and amortisation expense	11,12	264,974	37,096
Other operating expenses	19	348,153	332,730
Total operating expenses		**2,042,288**	**1,253,954**
Operating profit		**301,975**	**213,110**
Financial income	7	9,510	1,337
Financial expense	7	50,453	14,115
Net financial income (+) / expense (-)		**-40,943**	**-12,778**
Profit before tax		**261,032**	**200,332**
Income tax expense	9,20	53,082	31,609
Net profit		**207,950**	**168,723**
Consolidated statement of comprehensive income			
Profit for the period		207,950	168,723
Items that may be reclassified to P&L			
Cash flow hedges	9.23	-2,051	19,427
Tax effect from cash flow hedges	9.23	451	-4,284
Currency translation differences		1,163	0
Other comprehensive income		-437	15,143
Total comprehensive income for the period		**207,513**	**183,866**
Attributable to equity holders of the parent		207,513	183,866
Basic and diluted Earnings per share (EPS):	10	**5.12**	**4.15**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in NOK 1000 unless otherwise stated)

The notes are an integral part of these financial statements.

	Note	Group 31st December 2019	31st December 2018
ASSETS			
Goodwill	12	65,402	0
Trademark	12	1,510,165	1,459,585
Other intangible assets	12	10,085	9,835
Deferred tax asset	20	2,185	0
Total intangible assets		**1,587,836**	**1,469,421**
Property, plant and equipment	11	1,001,838	91,530
Total tangible assets		**1,001,838**	**91,530**
TOTAL FIXED ASSETS		2,589,674	1,560,951
Inventories	**15**	**484,988**	**253,157**
Trade receivables	13.14	23,201	2,962
Other receivables	14	25,815	24,823
Derivative financial instruments	13	2,305	8,949
Total receivables		**51,320**	**36,733**
Cash and cash equivalents	**13,16,24**	**339,241**	**242,152**
TOTAL CURRENT ASSETS		875,549	532,042
TOTAL ASSETS		3,465,223	2,092,993

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONTINUED

(All amounts in NOK 1000 unless otherwise stated)

The notes are an integral part of these financial statements.

		Group	
	Note	31st December 2019	31st December 2018
EQUITY AND LIABILITIES			
Share capital	17	48,774	48,774
Share premium	17	321,049	321,049
Other paid-in equity		64,617	64,617
Total paid-in-equity		**434,440**	**434,440**
Other reserves	23	-10,148	8,265
Retained earnings		725,869	647,982
TOTAL EQUITY		1,150,162	1,090,687
Deferred tax liability	20	315,398	321,352
Total provisions		**315,398**	**321,352**
Long term lease liabilities	25	584,848	0
Long term liabilities to financial institutions	4, 13,24	494,498	426,264
Total long-term liabilities		**1,079,346**	**426,264**
Short term lease liabilities	25	217,427	1,609
Short term liabilities to financial institutions	24	180,000	0
Trade creditors	13	145,122	37,666
Taxes payable	9	51,239	46,216
Public duties payable		154,233	111,812
Derivatives		11,787	0
Other short-term liabilities		160,511	57,388
Total short-term liabilities		**920,319**	**254,690**
TOTAL LIABILITIES		2,315,063	1,002,306
TOTAL EQUITY AND LIABILITIES		3,465,223	2,092,993

Lier, 30 April 2020

The board of directors, KID ASA

Petter Schouw-Hansen
Chairperson

Rune Marsdal
Board member

Egil Stenshagen
Board member

Vilde Falck-Ytter
Board member

Karin Bing Orgland
Board member

Anders Fjeld
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in NOK 1000 unless otherwise stated)

The notes are an integral part of these financial statements.

	Group					
	As at 31st December					
	Share capital	Share premium	Other paid - in equity	Other reserves	Retained earnings	Total equity
Balance at 1 January 2018	48,774	321,049	64,616	3,205	580,873	1,018,517
Profit for the year	-	-	-	-	168,723	168,723
Cash flow hedges	-	-	-	15,143	-	15,143
Total comprehensive income for the year	-	-	-	15,143	168,723	183,866
Transfer from Cash Flow Hedge Reserve	-	-	-	12,992	-	12,992
Tax effect of transfer from Cash Flow Hedge Reserve	-	-	-	-2,910	-	-2,910
Transactions with owners - dividends	-	-	-	-	-101,613	-101,613
Balance as at 31 December 2018	**48,774**	**321,049**	**64,616**	**8,265**	**647,983**	**1,090,687**
Balance at 1 January 2019	48,774	321,049	64,616	8,265	647,983	1,090,687
Profit for the year	-	-	-	-	207,950	207,950
Other comprehensive income	-	-	-	-437	-	-437
Total comprehensive income for the year	-	-	-	-437	207,950	207,513
Transfer from Cash Flow Hedge Reserve	-	-	-	-23,046	-	-23,046
Tax effect of transfer from Cash Flow Hedge Reserve	-	-	-	5,070	-	5,070
Transactions with owners - dividends	-	-	-	-	-130,064	-130,064
Balance as at 31 December 2019	**48,774**	**321,049**	**64,616**	**-10,148**	**725,869**	**1,150,162**

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in NOK 1000 unless otherwise stated)

The notes are an integral part of these financial statements.

	Group		
	Year ended 31st December		
	Note	2019	2018
Cash flow from operations			
Profit before income taxes		261,032	200,332
Taxes paid in the period	9	-49,702	-40,415
Depreciation & impairment	11.12	264,975	37,123
Items classified as investments or financing	7	45,209	14,669
Change in working capital			
Change in inventory	15	-94,124	48,839
Change in trade receivables	14	-15,733	538
Change in trade creditors	19	65,636	-7,495
Change in other accruals		46,261	11,625
Net cash flow from operations		**523,554**	**265,216**
Cash flow from investments			
Purchase of Hemtex AB, net of cash acquired		5,230	0
Purchase of fixed assets	11.12	-98,089	-37,293
Net cash flow from investments		**-92,859**	**-37,293**
Cash flow from financing			
Proceeds from borrowings		674,375	0
Repayment of long term loans	18.24	-627,776	-1,560
Net interest and other bank charges	7	-26,170	-12,640
Lease payments for the principal portion of lease liability		-193,841	0
Interest on lease payments		-29,494	0
Dividend payments to shareholders		-130,064	-101,613
Net cash flow from financing		**-332,969**	**-115,813**
Cash and cash equivalents at the beginning of the period	**16**	**242,152**	**130,071**
Net change in cash and cash equivalents		97,725	112,110
Exchange gains / (losses) on cash and cash equivalents		-634	-29
Cash and cash equivalents at the end of the period	**16**	**339,241**	**242,152**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 General Information

KID ASA and its subsidiaries (together, `the group') sell interior products through wholly owned stores. The group have 144 stores in Norway under the brand name Kid. During 2019 the group acquired Hemtex AB domiciled in Sweden. Hemtex has 119 stores in Sweden, 11 in Finland and 5 in Estonia. Out of the 135 Hemtex stores, 123 is owned by Hemtex and 12 is operated through franchise. The group also have online stores, under both Kid and Hemtex. The domicile of the group is Lier, Norway.

Group's head office is at Gilhusveien 1, 3426 Gullaug.

Note 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of KID ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Norwegian Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies.

2.1.1 Changes in accounting policies

The group have implemented IFRS 16 in its financial statements.

2.2 Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

2.3 Segment reporting

The group sells home textiles in 143 fully owned shops across Norway and 135 stores across EU, of which 119 were in Sweden, 11 in Finland and 5 in Estonia. Of the stores in EU, 123 are owned by Hemtex and 12 are franchises. The group also have the websites - www.kid.no, www.hemtex.se and hemtex.fi. Over 99 % of products sold are own branded under the name KID Interiør and Hemtex. The groups internet sales accounts for 5,1% of total sales and are therefore not considered a reportable segment. The segments are Kid and Hemtex, where Kid represent Norwegian market and Hemtex represent the markets in Sweden, Finland and Estonia. The markets are not separated info geographical regions and the group therefore reports two segments.

2.4 Foreign currency translation

(a) Functional and presentation currency
Each entity in the group determines its functional currency based on the economic environment in which it operates, and items included in the financial statements of each entity are measured using that functional currency. When preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recognised in the functional currency, using the transaction date's currency rate.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within `finance income or costs'.

2.5 Property, plant and equipment
Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leased movables and shop fittings	5 years
Fixtures	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within `Other (losses)/gains – net' in the income statement.

Property, plant and equipment classified as facilities under construction is held at cost less any recognised provision for impairment. Depreciation is not initiated until the assets are brought into use on store opening.

2.6 Intangible assets

Trademarks and licences
Separately acquired trademarks and licences are shown at historical cost. Trademarks and licenses acquired in a business combination are recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives of 9 to 10 years. Trademarks have an indefinite useful life.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their estimated useful lives of four to seven years.

Goodwill
Goodwill is measured as described in note 26. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments KID and Hemtex (note 4).

2.7 Impairment of non-financial assets
Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

2.8 Non-current assets (or disposal groups) held for sale
Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

2.9 Financial assets

2.9.1 Classification
The Group classifies its financial assets in the following categories: at fair value through profit or loss or amortised cost. The Group does not have any financial assets at fair value over OCI. The classification is based on the SPPI model (Solely payments of principal and interest) in IFRS 9.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are derivative instruments not designated as hedging instruments. The Group currently does not have any financial assets at fair value through profit or loss.

(b) Financial assets at amortised cost
Trade receivables, based on the classification model SPPI are held at amortized cost. All trade receivables are classified as current assets.

2.9.2 Recognition and measurement
Trade receivables are initially recognised at their fair value and subsequently measured at amortised cost. Trade receivables are evaluated for possible impairment each reporting period using the simplified credit loss model. See section 2.11. Trade receivables are derecognised when the right to receive cash flows has expired.

2.10 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.11 Impairment of financial assets
Financial assets carried at amortised cost - trade receivables

The majority of the Group's sales are "over the counter" in the KID and Hemtex stores to individuals, where payment is received from the customer at the time of the sale. Therefore in the majority of sales transactions, a trade receivable is not recognised. Sales to businesses or government institutions, for example schools or hospitals, a trade receivables is recognised at delivery of the inventory to the customer. These receivables have low credit risk and all receivables over the past several years have been collected in full and on time. The Group monitors credit risk on their trade receivables and has evaluated that there is no material impairment loss recognition required for the trade receivables outstanding as of year-end 2019 or 2018.

2.12 Derivative financial instruments and hedge accounting policies
The Group enters into certain derivative contracts to provide economic hedges for parts of the Group's exposure to currency rate risk and interest rate risk.

Derivatives that are designated as hedging instruments for cash flow hedges are measured at fair value over Other comprehensive income as long as the hedge meets IFRS 9 hedge criteria. The Group does not designate any derivatives as fair value hedges.

2.13 Inventories, purchased goods and changes in inventory
Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of purchased goods sold comprises the direct costs (purchase price), import duties and freight as well as the hedging reserve. A significant part of the inventory purchases are denominated in USD and hedged to Norwegian and Swedish kroner with currency derivatives designated as cash flow hedges. The hedged kroner rate is the inventory purchase price for inventory purchases in USD. Cost of purchased goods sold is determined using a combination of specific identification and weighted-average costing. Changes in inventory also includes a provision for obsolescence and lost goods.

2.14 Cash and cash equivalents
In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities. As of year-end 2019 and 2018 the Group did not have any outstanding bank overdrafts.

Cash is initially recognised at fair value and subsequently measured at amortised cost.

2.15 Share capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Liabilities from financial institutions
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees and commission costs paid on the establishment and maintenance of short-term bank borrowing facilities are recognised as bank transaction costs in the accounting period when the costs are paid. These costs are not amortised and deferred as the loans are usually re-paid within a few months.

2.18 Current and deferred income tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the group is unable to control the reversal of the temporary difference for associates. Only were there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Provisions
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.20 Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when control of a good or service transfers to a customer. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods
The group operates a chain of retail outlets for selling interior products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by debit/credit card.

It is the group's policy to sell its products to the retail customer with a right to return within 14 days in Kid and 30 days in Hemtex. Accumulated experience is used to estimate and provide for such returns at the time of sale. Revenue is adjusted for the value of expected returns. Kid does not operate any loyalty programmes. Hemtex has a royalty program where customers receive point for every krone used. When 2 000 points is earned the customer receive av bonus check of 50 kroner and revenue is adjusted.

(b) Internet revenue
Revenue from the sale of goods over the internet is recognised at the point that control of the inventory have passed to the customer, which is the point of delivery. Revenue is adjusted for the value of expected returns. Transactions are settled by credit or payment card.

2.21 Interest income
Interest income arises primarily from interest received on short-term bank deposits, and is recognised as earned.

2.22 Dividend distribution
Dividend distributions to the shareholders is recognised as a liability in the Group financial statements in the period in which the dividends are approved by the shareholders at the annual shareholder meeting.

2.23 Employee benefits
The company has various pension schemes. The pension schemes are financed through payments to insurance companies, with the exception of the early retirement pension scheme (AFP). The company has both defined contribution plans and the AFP scheme.

(a) Pension obligations
For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The company also has an agreed early retirement scheme (AFP). The new AFP-scheme, in force from 1 January 2011, is a defined benefit multi-employer scheme, but is recognised in the accounts as a defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet.

2.24 Accounting policy lease contracts
The group's leasing activities and how these are accounted for;

The group leases various offices, warehouses, retail stores, equipment and vehicles. The retail stores represent the significant part of both numbers of contracts and values. Rental contracts are typically made for fixed periods of 12 months to 6 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option
- and payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following: the amount of the initial measurement of lease liability any lease payments made at or before the commencement date less any lease incentives received any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Some property leases contain variable payment terms that are linked to sales generated from a store.

Extension and termination options are included in a number of store leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

2.25 New standards disclosure for KID ASA financial statements YE 2019

Standards and amendments adopted as of 1 January 2019

From 1 January 2019 there are several new standards and amendments that are effective for the current reporting period. The most relevant of the new standards applied as of 1 January 2019 are:

IFRS 16 – Leases
The Group initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements. The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 25. On transition to IFRS 16, the Group applied the IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee
The Group leases mainly property. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet. At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

NOTES

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets
The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Note 3 Financial risk management

3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. The company applies hedge accounting in accordance with IFRS 9.

The group's risk management is predominantly controlled by a central finance department under policies approved by the board of directors. Group Finance identifies, evaluates and hedges financial risks in close cooperation with the group's operating units in KID and Hemtex. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases.

Derivatives are only used for economic hedging purposes and not as speculative investments.

Hedge effectiveness
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

For hedges of foreign currency purchases, the group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the group or the derivative counterparty.

The group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to: the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan, and differences in critical terms between the interest rate swaps and loans.

There was no recognised ineffectiveness during 2019 (no swaps in 2018) in relation to the interest rate swap.

The group treasury's risk management policy is to hedge up to a 100% of forecast US dollar cash flows for inventory purchases up to 4-7 months in advance, subject to a review of the cost of implementing each hedge.

For the year ended 31 December 2019, approximately 100% of inventory purchases were hedged in respect of foreign currency risk. At 31 December 2019, approximately 100% of forecasted US dollar inventory purchases during the first quarter of 2020 qualified as 'highly probable' forecast transactions for hedge accounting purposes (for 2018, approximately 100% of inventory purchases were hedged and approximately 100% of the purchases qualified as 'highly probable' as at 31 December 2018).

(a) Market risk

(i) Foreign exchange risk
Exposures to currency exchange rates arise from the group's international purchases, which are primarily denominated in USD. The group uses foreign currency derivative contracts to hedge foreign exchange risk which are recorded at fair value over OCI. The group has no net investments in international operations recognised in the balance sheet.

The board has approved a hedging policy to hedge 100% of anticipated cash flows (highly probable purchase of goods) in USD for the subsequent 4 to 7 months. Management may not deviate from the policy. At 31. December 2019, the group had future contracts for 100% of the anticipated USD cash flow for a period of 6 months. The Group has adopted IFRS 9 and uses hedge accounting, see note 23 for further information.

The following table illustrates the sensitivity on the company's financial instruments of a 10% change in USD against the Norwegian and Swedish kroner with all other variables (e.g. changes of prices on products sold) held constant. Se note 23 for information about the effect on Other reserves.

At 31 December 2019	+10% change	-10% change
Effect on OCI (FX derivatives NOK/USD)	20,809	-20,809
Effect on OCI (FX derivatives SEK/USD)	13,797	-13,797

At 31 December 2018	+10% change	-10% change
Effect on OCI (FX derivatives)	15,122	15,122

(ii) Interest risk
The group's interest rate risk arises from long-term borrowings and bank deposits. Borrowings issued at variable rates expose the group to cash flow interest rate risk which is partially offset by cash held at variable rates. The company is also subject to interest rate risk related to short term bank overdraft drawn during the financial year. Borrowings at variable rates expose the Group to cash flow interest rate risk. Fixed-interest contracts are used to reduce this risk.

The following table illustrates the sensitivity on the company's financial instruments of a +/- 1% change in interest with all other variables held constant. Se note 23 for information about the effect on Other reserves.

	SWAP	
At 31 December 2019	+1% change	-1% change
Effect on OCI	3,370	-3,370

At 31 December 2018	+1% change	-1% change
Effect on OCI	0	0

	Long term loan	
At 31 December 2019	+1% change	-1% change
Effect on interest cost	4,262	-4,262

At 31 December 2018	+1% change	-1% change
Effect on interest cost	6,745	-6,745

(b) Credit risk
The group's turnover comes mainly from cash sales or debit/credit card based sales where settlement in cash takes place within a few days of the sales transaction. As such, the group has limited exposure to credit risk relating to accounts receivable balances. Credit risk also arises from derivative financial instruments and deposits with banks and financial institutions. However, counterparts are limited to financial institutions with high creditworthiness. Historically, default and losses related to credit risk have been low.

(c) Liquidity risk
Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group has capital-intensive inventory in central warehouse and stores and has fluctuations related to working capital due to seasonality and the timing of the deliveries and payments.

Cash flow forecasting is performed in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed loan facilities (note 18) at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance and compliance with internal balance sheet ratio targets.

Surplus cash is used to pay out dividends and reduce long term borrowings.

The table below analyses the group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 December 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
Borrowings (ex finance lease liabilities)	65,276	63,706	587,397	0	0
Finance lease liabilities	244,869	186,638	136,675	97,764	59,978
Trade and other payables	305,633	-	-	-	-
	615,778	250,344	588,004	97,764	59,978

At 31 December 2018	Less than 1 year	Between 1 and 5 years
Borrowings (ex finance lease liabilities)	-	425,000
Finance lease liabilities	1,609	1,264
Trade and other payables	95,054	-
	254,690	426,264

Loans consist of two long term loan to Nordea (note 18) and a revolving credit facility. The long term loan of TNOK 150 000 is due in its entirety May 2022 and TNOK 395 000 is due in its entirety in Jun 2022.

3.2 Capital management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, reduce excess loan repayments, exploit available credit facilities or sell financial assets.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net interest bearing debt divided by EBITDA. Net interest bearing debt is calculated as total borrowings (including `current and non-current borrowings' as shown in the consolidated balance sheet excluded financial derivatives) less cash and cash equivalents. EBITDA is calculated as earnings before interest, tax, depreciation and amortisation.

The company has had a strategic focus to reduced long term borrowings and reach and maintain a sustainable quarterly gearing ratio below 2,5. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019	2018
Total borrowings (note 18)	674,498	427,873
Less: cash and cash equivalents (note 16)	(339,241)	(242,152)
Net interest bearing debt	335,256	185,721
EBITDA	566,949	250,207
Gearing ratio	**0.59**	**0.74**

For more information about covenant-limits, refer note 18.

EBITDA (earnings before interest, tax, depreciation and amortisation is operating profit excluding depreciation and amortization. Gearing ratio is net interest bearing debt divided on EBITDA.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2019.

Assets	Level 1	Level 2	Level 3	Total
Financial assets (cash flow hedge derivatives) at fair value over OCI				
Derivatives at fair value				
– Interest rate swaps		2,305		2,305
– Foreign currency derivative contracts	-	0	-	0
Total assets	**-**	**2,305**	**-**	**2,305**

Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities (cash flow hedge derivatives) at fair value over OCI				
Derivatives at fair value				
– Foreign currency derivative contracts	-	11,787	-	11,787
Total liabilities	**-**	**11,787**	**-**	**11,787**

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2018.

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
Derivatives at fair value				
– Foreign currency derivative contracts	-	8,949	-	8,949
Total assets	**-**	**8,949**	**-**	**8,949**

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The group has no such instruments at 31 December 2019 or 31 December 2018.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The group's financial assets and liabilities measured at fair value consist of interest rate swaps and FX-outright deals and are all included in level 2. Market values are calculated using mid-rates (excluding margin) as determined by DnB Markets based on available market rates.

(c) Financial instruments in level 3

All other financial instruments measured at fair value are included in level 3. The group has no such instruments at 31 December 2019.

Note 4 Segment information

The operating segments are identified on the basis of the reports which Group management (the chief decision-maker) uses to assess performance and profitability at a strategic level. The Group has only one production segment: sale of interior products mainly through wholly owned stores. Within the Group, Kid Interior relates to Norway and Hemtex relates to Sweden with immaterial business in Estonia and Finland.

Group management evaluates the results from the segments based on EBIT. The method of measurement excludes the effect of non-recurring costs, such as restructuring costs and legal costs on acquisition.

Group adjustments include transaction and integration costs.

Geographical information
Kid Group sells home interior products in 144 fully owned stores across Norway and 135 stores across EU, of which 119 were in Sweden, 11 in Finland and 5 in Estonia. Of the stores in EU, 123 are owned by Hemtex and 12 are franchises.

The Group also sells home interior products through the Group's online websites. The online sale is below 10% of revenue and is not reported as a separate segment. Over 98% of the products are sold under own brands.

Revenue

	2019	2018
Norway	1,606,316	1,466,729
Sweden	655,675	0
Finland	61,213	0
Estonia	18,976	0
Total	**2,342,180**	**1,466,729**

Information reported to Group management from the reporting segments.

2019

	KID Interior	Hemtex	Eliminations and group adjustments	Total
Revenue	1,606,316	735,864	-	2,342,180
Purchased goods and change in inventory	-622,587	-290,485	-12,594	-925,666
Gross profit	983,729	445,379	-12,594	1,416,514
Other operating revenue	200	1,882	-	2,082
Operating expense (OPEX)	-552,236	-285,337	-14,074	-851,647
EBITDA	431,693	161,924	-26,668	566,949
EBITDA ex. IFRS 16	283,435	83,565	-26,668	340,332
Operating profit	259,490	69,153	-26,668	301,975
Operating profit ex. IFRS 16	244,413	72,045	-26,668	289,790
Gross margin (%)	61.2 %	60.5 %		60.5 %
OPEX to sales margin (%)	34.4 %	38.8 %		36.4 %
EBITDA margin (%)	26.9 %	21.9 %		24.2 %
Inventory	304,830	175,554	4,604	484,988
Total assets	**3,018,100**	**439,802**	**7,321**	**3,465,223**

2018

	KID Interior	Hemtex
Revenue	1,466,729	1,466,729
Purchased goods and change in inventory	573,230	573,230
Gross profit	893,499	893,499
Other operating revenue	336	336
Operating expense (OPEX)	-332,730	-332,730
EBITDA	250,206	250,206
Operating profit	213,110	213,110
		-
Gross margin (%)	60.9 %	60.9 %
OPEX to sales margin (%)	22.7 %	23 %
EBITDA margin (%)	17.1 %	17 %
		-
Inventory	253,157	253,157
Total assets	**2,092,993**	**2,092,993**

Note 5 Critical accounting estimates and significant judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Critical accounting estimates and assumptions

Group management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Estimated impairment of trademark
The Group tests annually whether the Group's trademark and goodwill has suffered any impairment in accordance with IAS 36. The recoverable amounts of the defined cash-generating units (KID and Hemtex) have been determined based on value-in-use calculations. These calculations require use of estimates. The impairment test is sensitive for negative changes in long-term growth or gross margin.

See note 12 – Intangible assets for more information.

5.2 Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Most extension options in store leases have not been included in the lease liability, because the group has the market power to renegotiate rental terms rather than exercising options and also has the financial power to replace the stores without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The financial effect of revising lease terms to reflect the effect of exercising all extension and termination options would at implementation date 01 01 2019 have been an increase in recognised lease liabilities and right-of-use assets of 159,7 MNOK.

5.3 Critical judgements in applying the entity's accounting policies

There has not been identified any other critical judgements in applying the entity's accounting policies.

Note 6
Employee remuneration and audit fees

6a Employee benefit expense

	2019	2018
Wages and salaries	404,371	262,200
Social security costs	76,756	35,979
Board remuneration	1,220	1,199
Pension costs - defined contribution plans (note 21)	12,903	4,531
Other benefits	8,244	6,988
Total employee benefit expense	**503,494**	**310,898**
Average number of employees	1,033	469

There has not been any loans to employees or guarantees granted to employees for either 2018 or 2019.

Accruals

	2019	2018
Salary related accruals included in Other short-term liabilities	104,443	41,294
Total salary related accruals	**104,443**	**41,294**

6b Benefits key management personnel and board of directors

Cash paid benefits

		2019				
Key Management Personnel	**Position**	**Salary**	**Pension**	**Bonus**	**Other Benefits**	**Total**
Anders Fjeld	CEO	2,550	36	182	208	2,977
Henrik Frisell	CFO	1,759	36	0	14	1,809
Petter Schouw-Hansen	Chairman of the Board (from may 2019)	1,043			1	
Board of Directors						
Henrik Schüssler	Chairman of the Board				300	300
Karin Bing Orgland	Board Member				249	249
Bjørn Rune Gjelsten	Board Member				191	191
Vilde Falck-Ytter	Board Member				191	191
Egil Stenshagen	Board Member				191	191
Nomination committee						
Jostein Devold	Nomination committee				30	30
Sten Arthur Sælør	Nomination committee				40	40
		5,352	73	182	1,415	5,977

		2018				
Key Management Personnel	**Position**	**Salary**	**Pension**	**Bonus**	**Other Benefits**	**Total**
Anders Fjeld	CEO	417	6	0	37	460
Kjersti Hobøl	CEO (termination date Sep. 1st)	2,588	32	1,125	171	3,917
Petter Schouw-Hansen	CFO	2,069	35	750	163	3,018
Board of Directors						
Henrik Schüssler	Chairman of the Board				290	290
Karin Bing Orgland	Board Member				240	240
Bjørn Rune Gjelsten	Board Member				185	185
Vilde Falck-Ytter	Board Member				185	185
Pål Frimann Clausen	Board Member				229	229
Nomination committee						
Jostein Devold	Nomination committee				30	30
Sten Arthur Sælør	Nomination committee				40	40
		5,074	73	1,875	1,571	8,593

There has not been any loans or guarantees granted to key management personnel for either 2018 or 2019.
CEO and CFO have 6 months salary as termination benefit.
There are no share based payments.

6c Audit fees

	2019	2018
Statutory audit (incl. preparation of financial statements)	1,371	643
Other assurance services	37	0
Tax related services (incl. preparation of income tax form)	58	52
Other services	675	80
Total fees	**2,141**	**775**

Note 7
Finance income and costs

	2019	2018
Finance costs		
Bank interest cost	17,943	12,311
Bank transaction costs	2,072	1,605
Other finance costs	944	199
Interest on lease liability	29,494	0
Total finance costs	**50,454**	**14,115**
Finance income		
Interest income on short-term bank deposits	2,228	1,304
Other finance income	7,282	33
Total finance income	**9,511**	**1,337**
Net finance costs	**-40,943**	**-12,778**

Note 8
Investments in subsidiaries

The group had the following subsidiaries at 31 December 2019:

Name	Place of business	Nature of business	Proportion of shares directly held by parent (%)
Kid Interiør AS	Norway	Interior goods retailer	100%
Kid Logistikk AS	Norway	Logistics	100%
Hemtex AB	Sweden	Interior goods retailer	100%
Hemtex OY	Finland	Interior goods retailer	100%
Hemtex international AB	Sweden	Non operating company	100%

All subsidiary undertakings are included in the consolidation. Hemtex OY and Hemtex International AB are included in the consolidation as of 15.05.2019.

The group had the following subsidiaries at 31 December 2018:

Name	Place of business	Nature of business	Proportion of shares directly held by parent (%)
Kid Interiør AS	Norway	Interior goods retailer	100%
Kid Logistikk AS	Norway	Logistics	100%

Note 9
Income tax expense

	2019	2018
Current tax		
Current tax on profits for the year	51,239	46,216
Total current tax	**51,239**	**46,216**
Deferred tax (note 20)		
Origination and reversal of temporary differences	3,315	1,374
Correction of tax on direct capitalized differences included in the calculation of deferred taxes	-1,471	-1,373
Changes in deferred tax due to changes in tax rate	0	-14,607
Income tax expense	**53,082**	**31,609**

Reconciliation between tax expense and product of accounting profit, multiplied by the applicable tax rate:

	2019	2018
Profit before tax	**261,032**	**200,332**
Tax calculated at domestic tax rate (22%, 23% in 2018) applicable to profits	57,427	46,076
Tax effects of:		
Expenses not deductible for tax purposes/(Income not subject to tax)	2,655	34
Changes in deferred tax due to changes in tax rate	0	-14,607
Change in deferred tax due to changes in organisational structure	-4,712	
Effect of different tax rates	-1,934	
Other	-354	106
Income tax expense	**53,082**	**31,609**
Tax charge in percent of profit before tax	20 %	16 %

The tax (charge)/credit relating to components of other comprehensive income is as follows:

	2019		
	Before tax	**Tax charge**	**After tax**
Forward currency derivative contracts	-2,051	451	-1,600
Other comprehensive income	**-2,051**	**451**	**-1,600**

	2018		
	Before tax	**Tax charge**	**After tax**
Forward currency derivative contracts	19,427	-4,284	15,143
Other comprehensive income	**19,427**	**-4,284**	**15,143**

Note 10
Earnings per share

There exists only one class of shares.

	2019	2018
Weighted average number of shares	40,645,162	40,645,162
Net profit for the year	207,950	168,723
Earnings per share (basic and diluted) (Expressed in NOK per share)	**5.12**	**4.15**

Note 11
Property, plant and equipment

	Assets under constr-uction	Leased mova-bles	Leased shop fitting	Fixtures	Right of use asset	Total
Year ended 31 December 2019						
Opening net book amount	1,392	16	3,412	86,710		91,530
IFRS 16 transition affects (se note 25)					674,700	674,700
Balance 01.01.2019	**1,392**	**16**	**3,412**	**86,710**	**674,700**	**766,230**
Acquisitions through business combinations				38,467	213,592	252,059
Additions	25,575	92	-	70,290	144,776	240,733
Reclassifications	-1,392	-	-	1,392	-	-
Depreciation charge	-	-33	-1,029	-44,045	-215,884	-260,991
Currency translation differences				-1,614	5,420	3,806
Closing net book amount	**25,575**	**75**	**2,383**	**151,199**	**822,604**	**1,001,838**
At 31 December 2018						
Cost or valuation	25,575	322	73,251	494,627	1,033,068	1,626,843
Accumulated depreciation	-	-247	-70,868	-341,813	-215,884	-628,812
Currency translation differences				-1,614	5,420	3,806
Net book amount	**25,575**	**75**	**2,383**	**151,199**	**822,604**	**1,001,838**
Year ended 31 December 2018						
Opening net book amount	3,191	54	4,474	84,177	-	91,896
Additions	-	-	0	36,748	-	36,748
Reclassifications	-1,799	-	-	-20	-	-1,819
Depreciation charge	-	-38	-1,062	-34,194	-	-35,294
Closing net book amount	**1,392**	**16**	**3,412**	**86,711**	**0**	**91,530**
At 31 December 2018						
Cost or valuation	1,392	230	73,251	384,478	-	459,351
Accumulated depreciation	-	-214	-69,839	-297,768	-	-367,821
Net book amount	**1,392**	**16**	**3,412**	**86,710**	**0**	**91,530**

Disposals for fixtures in 2019 includes accumulated depreciation for the items and are therefore presented as net value of 0 (2018: 0).

Assets under construction relates to fixed assets not ready for use. As such, these items are not depreciated until ready for use.

Note 12
Intangible assets

Cost	Store lease rights	Time-limited tenancy right	Soft-ware	Trade-mark	Good-will	Total
At 1 January 2018	9,500	3,550	16,380	1,459,585		1,489,015
Additions	0	-	2,337	-		2,337
As at 31 December 2018	**9,500**	**3,550**	**18,717**	**1,459,585**		**1,491,352**
IFRS 16 transition affects (se note 25)	-9,500					-9,500
At 1 January 2019	0	3,550	18,717	1,459,585		1,481,852
Acquisitions through business combinations			7,923	49,300	63,746	120,969
Additions	-	-	2,349	-		2,349
Currency translation differences			493	1,280	1,656	3,429
As at 31 December 2019	**0**	**3,550**	**29,483**	**1,510,165**	**65,402**	**1,608,599**
Accumulated amortisation and impairment						
At 1 January 2018	-1,077	-3,550	-13,610	-		-18,237
Amortisation charge	-1,891	-	-1,802	-		-3,693
As at 31 December 2018	**-2,968**	**-3,550**	**-15,412**	**-**	**-**	**-21,930**
IFRS 16 transition affects (se note 25)	2,968					2,968
At 1 January 2019	0	-3,550	-15,412	-		-18,962
Amortisation charge		-	-3,984	-		-3,984
As at 31 December 2019	**0**	**-3,550**	**-19,396**	**-**	**-**	**-22,946**
Net book value						
Cost	9,500	3,550	18,717	1,459,585		1,491,352
Accumulated amortisation and impairment	-2,968	-3,550	-15,413	-		-21,931
As at 31 December 2018	**6,532**	**-**	**3,303**	**1,459,585**		**1,469,421**
Cost	0	3,550	29,483	1,510,165	65,402	1,608,599
Accumulated amortisation and impairment	0	-3,550	-19,397	-		-22,948
As at 31 December 2019	**0**	**-**	**10,085**	**1,510,165**	**65,402**	**1,585,652**
Useful life	**5 years**	**9-10 years**	**4-7 years**	**Indefinite**		

Trademark
The trademark Kid was acquired in 2005 and is related to the original cost of the subsidiaries and the company brand Kid Interiør. Kid Interiør was founded in 1937 and has long traditions within its business area. Kid Interiør is a well known brand among the population in Norway and there is a clear intention to retain and further develop this brand. As a consequence, the brand name is not amortised, but tested for impairment annually.

Impairment tests for trademark
The group tests whether trademark has suffered any impairment on an annual basis. The recoverable amount is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by board covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports.

The following table sets out the key assumptions:	2019	2018
Sales volume (% annual growth rate)	2.5	2.5
Gross margin (%)	60.8	60.8
Other operating costs (%)	43.5	43.9
Annual capital expenditure (%)	2.0	2.3
Long term growth rate (%)	1.0	1.0
Discount rate after tax (%)	**7.5**	**7.3**

The recoverable amount of the trademark is estimated to be MNOK 3343 (2018 – MNOK 3026). This exceeds the carrying amount of the trademark Kid at 31 December 2019 by MNOK 1460 (2018 – MNOK 1460).

The recoverable amount of the trademark would equal its carrying amount if the key assumptions were to change as follows:

	2019		2018	
	From	To	From	To
Sales volume (% annual growth rate)	2.5	-1.4	2.5	-0.9
Budgeted gross margin (%)	60.8	52.5	60.8	53.9
Long-term growth rate (%)	1.0	-12.2	1.0	-8.9
Discount rate after tax (%)	7.5	14.4	7.3	12.8

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the trademark to exceed its recoverable amount.

Hemtex

The addition to Trademark and Goodwill in 2019 is related to the acquisition of Hemtex, see note 26 for the detailed purchase price allocation.

The trademark Hemtex was acquired in May 2019 and relates to the Swedish interior goods retailer Hemtex International and its subsidiaries in Finland and Estonia. Hemtex was founded in 1973 and has long traditions within its business area. Hemtex is a well known brand among the population and there is a clear intention to retain and further develop this brand. As a consequence, the brand name is not amortised, but will be tested for impairment annually.

The group expects synergies between KID and Hemtex due to joint purchases and souring and optimisation of organisation. Goodwill is currently allocated to Hemtex as a cash generating unit (CGU). Within the first year of the acquisition it will be assessed if there will be a split of the goodwill between the Groups two CGU's of Hemtex and KID.

The group has tested whether the trademark and goodwill has suffered any impairment at year end. At year end 2019 (6,5 months after acquisition) the integration of KID and Hemtex is going according to plan, Hemtex is delivering a profit (see segment information note 4), and no impairment has been identified.

Note 13 Financial instruments

13.1 Financial instruments by category

31 December 2019	Financial assets at amortised cost	Financial assets (cash flow hedge derivatives) at fair value over OCI	Total
Assets as per balance sheet			
Derivative financial instruments	-	2,305	2,305
Trade receivables	23,201	-	23,201
Cash and bank deposits	339,241	-	339,241
Total	**362,442**	**2,305**	**364,747**

		Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Liabilities to financial institutions (excluding lease liabilities)	-	494,498	494,498
Long term lease liability		584,848	584,848
Short term liabilities to financial institutions		180,000	180,000
Short term lease liability	-	217,427	217,427
Derivatives		11,787	11,787
Trade creditors	-	145,122	145,122
Total		**1,633,682**	**1,633,682**

31 December 2018	Financial assets at amortised cost	Financial assets (cash flow hedge derivatives) at fair value over OCI	Total
Assets as per balance sheet			
Derivative financial instruments	-	8,949	8,949
Trade receivables	2,962	-	2,962
Cash and bank deposits	242,152	-	242,152
Total	**245,114**	**8,949**	**254,063**

		Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet			
Liabilities to financial institutions (excluding finance lease liabilities)	-	425,000	425,000
Finance lease liabilities	-	2,873	2,873
Trade creditors	-	37,666	37,666
Total		**465,539**	**465,539**

Note 14 Trade receivables

Trade receivables
The carrying amounts of the Group's trade and other receivables are entirely denominated in the currency in the country in which the company operates, ie NOK, SEK and EUR.

The maximum exposure to credit risk at the reporting date is the carrying value of the trade receivables. The Group has not pledged any of the trade receivables as collateral or security. Management has evaluated the trade receivables credit risk to be insignificant and the trade receivables are recognised in the financial statements at full face value.

Other receivables
Other receivables consists mainly of prepayments for operating expenses and rental payments for retail locations.

Note 15 Inventories

	2019	2018
Inventory at purchase cost	487,003	253,889
Inventory write-downs to net realizable value	-2,015	-732
Inventories	**484,988**	**253,157**

The cost of inventories recognised as an expense and included in 'change in inventory' amounted to 925 666 (2018: 573 230). Change in inventory also includes write-downs of inventory during the year as shown in the table below.

Recognized loss on inventories

	2019	2018
Lost goods	15,424	12,844
Change in provision for obsolescence	1,283	391
Recognized loss on inventories in cost of goods sold	**16,707**	**13,235**

Note 16 Cash and cash equivalents

	2019	2018
Cash in bank and in hand	333,312	235,732
Short-term bank overnight deposits	5,929	6,420
Cash and cash equivalents (excluding bank overdrafts)	**339,241**	**242,152**

The Group does not have any restricted cash bank accounts. See note 18 for further information.

Note 17 Share capital and premium

Share capital (all amounts in NOK)

	Number of shares	Ordinary shares	Face value	Total face value
At 31 December 2019	40,645,162	40,645,162	1.2	48,774,194
At 31 December 2018	40,645,162	40,645,162	1.2	48,774,194

The top 20 shareholders per 31.12 are the following:

	31 December 2019	
	# Shares	Ownership
Gjelsten Holding AS	15,179,309	37.3%
Verdipapirfondet Alfred Berg Gamba	2,164,909	5.3%
Pareto Aksje Norge Verdipapirfond	1,908,883	4.7%
Verdipapirfondet Pareto Investment	1,801,000	4.4%
Stenshagen Invest AS	1,483,104	3.6%
Goldman Sachs International	1,464,600	3.6%
Verdipapirfondet Holberg Norge	1,089,022	2.7%
Banque De Luxembourg S.a.	630,384	1.6%
Salt Value AS	611,746	1.5%
VJ Invest AS	605,000	1.5%
Verdipapirfondet Nordea Kapital	598,813	1.5%
Forsvarets Personellservice	575,000	1.4%
Verdipapirfondet Nordea Avkastning	569,152	1.4%
J.P. Morgan Bank Luxembourg S.a.	520,968	1.3%
Pescara Invest AS	515,023	1.3%
Varner Equities AS	508,115	1.3%
Hausta Investor AS	498,073	1.2%
Verdipapirfondet Nordea Norge Verd	406,055	1.0%
Espedal & Co AS	371,308	0.9%
Verdipapirfondet Nordea Norge Plus	341,119	0.8%

	31 December 2018	
	# Shares	Ownership
Gjelsten Holding AS	15,179,309	37.3%
Pareto Aksje Norge Verdipapirfond	2,164,909	5.3%
Verdipapirfondet Alfred Berg Gamba	1,908,883	4.7%
Verdipapirfondet Pareto Investment	1,801,000	4.4%
Banque De Luxembourg S.a.	1,483,104	3.6%
Stenshagen Invest AS	1,464,600	3.6%
Goldman Sachs International	1,089,022	2.7%
Salt Value AS	630,384	1.6%
VPF Nordea Kapital	611,746	1.5%
Pescara Invest AS	605,000	1.5%
Eika Norge	598,813	1.5%
Forsvarets Personellservice	575,000	1.4%
N-Ucit Nordea Private Bk No Ak Pt	569,152	1.4%
VPF Nordea Avkastning	520,968	1.3%
VJ Invest AS	515,023	1.3%
Storebrand Verdi Verdipapirfond	508,115	1.3%
Vevlen Gård AS	498,073	1.2%
VPF Nordea Norge Verdi	406,055	1.0%
Espedal & Co AS	371,308	0.9%
Varner Equities AS	341,119	0.8%

Share premium	Amount
At 31 December 2014	156,874
Equity issue November 2015	164,175
At 31 December 2019	**321,049**

Key Management Personnel Share holdings	31.12.2019	31.12.2018
Anders Fjeld	68,999	28,990
Board of Directors		
Henrik Schüssler (100% Fireh AS)	na	32,258
Karin Bing Orgland	32,629	32,629
Bjørn Rune Gjelsten (100% of Gjelsten Holding AS)	na	15,179,309
Vilde Falck-Ytter	6,451	6,451
Egil Stenshagen (100% of Stenshagen Invest AS)	1,464,600	1,464,600
Rune Marsdal	9,677	na
Petter Schouw-Hansen	44,058	na

Note 18
Liabilities to financial institutions

	2019	2018
Long term		
Bank loans	494,498	425,000
Finance lease liabilities	0	1,264
Total long term liabilities to financial institutions	**494,498**	**426,264**
Short term		
Bank loans	180,000	-
Finance lease liabilities	0	1,609
Total short term liabilities to financial institutions	**180,000**	**1,609**
Total liabilities to financial institutions	**674,498**	**427,873**

(a) Bank loans
Bank loans mature until June 2022 and bear an average interest rate of 2,71% annually (2018: 2,3%)

Total loans include secured liabilities (bank and collateralised loans) of TNOK 675 000 (2018: TNOK 525 000). The group has a short term flexible credit facility of TNOK 247 000. The short term facility is used during the year, but not at year end. The Bank loans are secured by 100% of the shares in Kid Interiør AS.

TNOK 395 000 (included in the 1-5 years in table below) of the external loans with floating interest rates are swapped to fixed interest rates by means of interest rate derivatives to maintain the desired split between fixed and floating interest rates.

The bank overdraft are secured by inventory, trade receivables, property, plant and equipment, 100% of the shares in Kid Logistikk AS and the rental agreement related to the HQ in Drammen. As of year end 2019 and 2018 the bank overdraft was not utilized, and therefore none of the assets were pledged as collateral.

The exposure of the Group's loans to interest rate changes and the contractual re-pricing dates at the end of the reporting period are as follows:

	2019	2018
6 months or less	50,000	805
6-12 months	130,000	805
1-5 years	494,498	426,264
Total liabilities to financial institutions	**674,498**	**427,873**

The carrying amounts and fair value of the loans are as follows:

	2019	2018
Bank loans	674,498	425,000
Finance lease liabilities	0	2,873
Total carrying amount of liabilities to financial institutions	**674,498**	**427,873**

The fair value of current loans equals their carrying amount, as the loans bear a floating interest priced at market rate.

Included in the 1-5 years category in the table above is a TNOK 395 000 loan, where the group has entered an interest swap agreement just before year end, see note 3.3 for fair value of the swap at year end.

The carrying amounts of the Group's loans are denominated in the following currencies:

	2019	2018
NOK	674,498	427,873
Other currencies	-	-
Total	**674,498**	**427,873**

The Group has the following granted loan facilities:

	2019	2018
Unused bank overdraft	247,000	100,000
Employee tax guarantee	12,000	10,000
Letter of credit limit	65,000	65,000
Bank guarantee limit	12,000	12,000
Total	**336,000**	**187,000**

Following covenants is regulated by contract:

	Interval	Limit 2019	Limit 2018
Gearing ratio (NIBD/EBITDA)	annually	2.50	3.00
CAPEX YTD	annually	100.00	40.00
EBITDA LTM	quarterly	150.00	135.00

The Group has been compliant with covenants at all intervals.

Note 19
Other expenses

	2019	2018
Rental costs for shops and storage*	78,265	198,171
Advertising and other marketing costs	102,254	66,926
Other expenses	167,634	67,633
Total other expenses	**348,153**	**332,729**

*The Group initially applied IFRS 16 Leases from 1 January 2019 and the numbers are not comparable, see note 25.

Note 20
Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2019	2018
Deferred tax assets:		
- Deferred tax assets to be recovered after more than 12 months	8,597	-
- Deferred tax assets to be recovered within 12 months	10,421	1,407
	19,018	1,407
Deferred tax liabilities:		
- Deferred tax liability to be recovered after more than 12 months	-331,933	-320,422
- Deferred tax liability to be recovered within 12 months	-299	-2,338
	-332,232	-322,760
Deferred tax liabilities (net)	-313,214	-321,352

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Specification of temporary differences Asset/liability (-)	2019	Movement	2018
Tangible and intangible assets	-1,487,122	31,213	-1,455,909
Other temporary differences	-325	112	-213
Inventories	10,379	-5,416	4,963
Financial lease	16,521	-17,076	-555
Accumulated deficit	60,278	-60,278	0
Provisions	1,398	-10,347	-8,949
Forward currency contracts	12,625	-12,654	-29
Sum temporary differences	-1,386,247	-74,445	-1,460,692
Basis for deferred tax	-1,386,247	-74,445	-1,460,692
Deferred tax in the balance sheet	313,214		321,352

Deferred tax is measured at the tax rates expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax is not recognized for goodwill identified in business combinations. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority. Deferred tax assets are recognized for unused tax losses, tax credits and deductible temporary differences. The deferred tax asset is only recognized to the extent it is considered probable that future taxable profits will be available to utilize the credits.

The tax rate in Norway is 22%, the tax rate in Sweeden is 21,4% for 2019 and 2020 and 20,6% from 2021 and going forward. The tax rate for Finland is 20%.

Note 21
Post-employment benefits

The table below outlines where the group's post-employment amounts and activity are included in the financial statements.

Income statement charge included in operating profit for:	2019	2018
Pensions earned this year - defined contribution plan	11,976	4,077
Pensions earned this year - defined benefit plan (AFP)	927	455
Social security fees	2,092	639
Net pension expenses	14,996	5,171

21.1 AFP scheme
The subsidiary Kid Logistikk AS and 11 of our stores have an agreed early retirement scheme (AFP). The AFP-scheme, in force from 1st of January 2011, is a defined benefit multi-enterprise scheme, but is recognised in the accounts as defined contribution scheme until reliable and sufficient information is available for the group to recognise its proportional share of pension cost, pension liability and pension funds in the scheme. The company's liabilities are therefore not recognised as debt in the balance sheet.

Note 22
Related parties

The Group's related parties include it associates, key management, members of the board and majority shareholders. The largest shareholder is Gjelsten Holding AS which owns 37.35 % of the company's shares and is defined as a related party in accordance with IAS 24.

The following transactions with Gjelsten Holding AS occurred in the year.

Lease agreements	2019	2018
Vågsgaten Handel AS with subsidiaries (Store rental)	1,143	1,263
Total	1,143	1,263

The chairman of the board, Petter Schouw-Hansen, has been employed by Kid Interiør AS to perform integration work related to Hemtex AB. For the full year 2019 the payment of salary amounts to 1 045 and payment for travel amounts to 78, see note 6. The work is approved by the board as per Kid corporate governance policies.

Note 23
Reconciliation of other reserves

Cash flow hedge reserve
The company uses hedging instruments as part of its management of foreign currency risk associated with its highly probable inventory purchases. These include foreign currency forward contracts which are designated in the cash flow hedge relationships. To the extent these hedges are effective; the change in fair value of the hedging instrument is recognised in the cash flow hedge reserve. The cash flow hedge reserve is transferred to the initial cost of the related inventory when the inventory is recognised.

The company's interest exposure mainly arises from external funding in bank and debt capital markets. The company uses interest rate swaps to achieve the desired fixed/floating ratio of the external debt. Hedge accounting is applied using the cash flow model for interest rate swaps which means that gains and losses from floating to fixed interest rates as of December 31, 2019 are recognized in the hedging reserve in equity and will be continuously released to the income statement until the bank borrowings are repaid. This is done based on the periodic market-to-market revaluation of the interest rate swaps whose fair value tends to reach zero upon maturity.

Cash flow hedge reserve	
Opening balance 01.01.2018	3,205
Add: Cost of hedging deferred for the year	19,427
Less: Reclassified to the carrying amount of inventory	-12,992
Less: Deferred tax on cash flow hedges in OCI	-4,284
Less: Deferred tax	2,911
Closing balance 31.12.2018 cash flow hedge reserve/other reserves	**8,265**

Cash flow hedge reserve	
Opening balance 01.01.2019	8,265
Add: Cost of hedging deferred for the year	-2,051
Less: Reclassified to the carrying amount of inventory	-23,046
Less: Deferred tax on cash flow hedges in OCI	451
Less: Deferred tax	5,070
Closing balance 31.12.2019 cash flow hedge reserve	**-11,312**
Currency translation differences foreign operations	1,163
Total other reserves 31.12.2019	-10,148

Note 24
Net debt reconciliation

The below table sets out an overview over net debt.

	2019	2018
Cash and cash equivalents	339,241	242,152
Borrowings - repayable within one year (including overdraft)	-180,000	-1,609
Borrowings - repayable after one year	-494,498	-427,528
Lease liabilities - payed within one year	-217,427	-
Lease liabilities - payed after one year	-584,848	-
Net debt	**-1,137,532**	**-186,985**
Cash and liquid investments	339,241	242,152
Gross debt - fixed interest rates	-395,000	-
Gross debt - variable interest rates	-279,498	-429,137
Lease liabilities	-802,276	-
Net debt	**-1,137,532**	**-186,985**

	Cash/ bank overdraft	Finance leases	Borrow.	Total
Net debt as at 1 January 2018	**130,070**	**-4,433**	**-426,264**	**-300,627**
Cashflow activities				
Cash flows	112,110	-	-	112,110
Acquisitions - finance leases and lease incentives	-	1,560	-	1,560
Non Cashflow activities				
Foreign exchange adjustments	-29	-	-	-29
Net debt as at 31 December 2018	**242,151**	**-2,873**	**-426,264**	**-186,985**
Cashflow activities				
Cash flows	97,725	-	-	97,725
Proceeds from borrowings			-674,375	-674,375
Repayment of principal		193,841	627,776	821,617
Non Cashflow activities				
Acquisitions through business combinations		-213,592	-201,636	-415,228
New lease liabilities		-118,396		-118,396
Implementation of IFRS 16	-	-655,835	-	-655,835
Foreign exchange adjustments	-634	-5,420	-	-6,054
Net debt as at 31 December 2019	**339,242**	**-802,275**	**-674,499**	**-1,137,532**

NOTES

Note 25
Leases

The Group has adopted IFRS 16 Leases from 1 January 2019 using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

For leases, which had previously been classified as operating leases under the principles of IAS 17 Leases, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.20 – 5.15 % individually assessed per lease.

The associated right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet at 31 December 2018. For leases previously classified as financial leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 (1 January 2019) is the carrying amount of the lease asset and lease liability immediately before that date (31 December 2018), measured in accordance with IAS 17.

In applying IFRS 16 for the first time, the Group has used the following practical expedients as permitted by IFRS 16:
The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases and the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The reclassifications and adjustments arising from the new leasing rules are recognised in the 1 January 2019 opening balance sheet.

IFRS 16 transition table

Lease Liability	2019
Operating lease commitment 31. December as disclosed in the Group's consolidated financial statements	775,171
Discounted using the incremental borrowing rate 1. January 2019	660,658
IAS 17 Finance lease liabilities recognised as at 31. December 2018	2,873
Recognition exceptions for:	
Short term leases	-4,831
Lease liability recognised at 1. January 2019	658,708
Acquisitions through business combinations	213,592
New lease liabilities recognised in the year	118,396
Cash payments for the principal portion of the lease liability	-193,841
Cash payments interest on lease liabiities	-29,494
Interest expense on lease liabilities	29,494
Prepayments	0
Currency exchange differences	5,420
Total lease liabilities at 31 December 2019	802,276
Current lease liabilities	217,427
Non-current lease liabilities	584,848
Total cash outflows for leases	193,841

Right of use asset	2019
At initial application 01.01.2019	658,708
Reclassification of store lease right	6,492
Prepayments	9,500
Right of use asset recognised at 1. January 2019	674,700
Acquisitions through business combinations	213,592
Additions, new lease liabilities	118,396
Additions, prepayments	26,380
Depreciation charge	-215,884
Currency translation differences	5,420
Total right of use asset at 31 December 2019	822,604

Maturity analysis - contractual undiscounted cash flows	2019	2018
One years	243,605	141,908
One to five years	481,055	413,064
More than five years	180,395	220,199
Total undiscounted lease liabilities at 31 December	905,055	775,171
Lease liabilities included in the statement of financial position at 31 December	802,276	
Current	218,691	
Non-current	583,584	

	2019	2018
Number of lease contracts	330	143
Right to renewal of lease contract	51	97
Precentage of lease contracts with option to renewal	15%	68%
Lease payments for low-value and short term leases	1,612	1,246

Note 26
Business combinations

On 14 May 2019, Kid entered into a share purchase agreement with Ica Gruppen AB under which Kid acquired all issued and outstanding shares in Hemtex. The consideration was SEK 37.6 million. The consideration was based on an enterprise value of SEK 226 million.

In addition to the shares in Hemtex, Kid acquired from Ica Gruppen AB the inter-company debt owned by the Hemtex group companies of SEK 218.5 million. The total amount of the transaction of SEK 255.2 million was settled in cash.

The acquisition of Hemtex represented an important strategic development for Kid, as Hemtex complement and strengthen Kid's position in the Nordic market. The Transaction combines two highly complementary businesses created a leading Nordic retail chain in the home textile and interior market.

Identifiable assets acquired and liabilities assumed
The following table summarises the recognised amounts of assets and liabilities assumed at the date of acquisition.

(Amounts in NOK thousand)	Total
Intangible assets	7,865
Property, plant and equipment	38,467
Right of use asset	213,592
Trademark	49,300
Deferred tax assets	17,377
Other long term receivables	8,336
Inventories	137,707
Trade receivables	802
Cash and cash equivalents	41,896
Other short term receivables	24,979
Loans and borrowings*	-201,270
Deferred tax liabilities	-12,772
Lease liability	-213,592
Pension liabilities	-10,437
Trade and other payables	-131,371
Total identifiable net assets acquired	**-29,122**
Goodwill at the date of acquisition	63,746
Total Settlement	**34,625**

*Kid used parts of the proceeds from the Nordea debt facility (see note 18) to finance the acquisitions of the debt owned by the Hemtex group to ICA Gruppen AB at the date of the transaction.

In connection with the acquisition there were identified and recognised intangible assets with an acquisition date fair value totalling NOK 49,300 thousand for trademarks. After allocation the identified values of the underlying assets and liabilities the acquisition gives rise to goodwill totalling NOK 63,746 thousand.

The cost price allocation is based on a preliminary assessment and could be subjects to change within 12 months.

The impairment test of Hemtex is described in note 12.

Acquisition related costs
The group incurred acquisition-related costs of NOK 8,809 thousand in legal fees and due diligence cost, of which NOK 2,100 thousand is tax deductible. These costs have been included in other operating expenses in profit or loss and in operating cash flows in the statement of cash flows. Transaction cost is booked in KID ASA.

Integration costs
One-off costs related to the integration of Hemtex and Kid have been divided between the Kid Interiør AS and Hemtex AB on a transaction-by-transaction basis.

Revenue and profit contribution
The acquired Hemtex business contributed revenues of NOK 735,869 thousand and net profit of NOK 44,023 thousand to the group for the period from 15. May to 31. December 2019. If the acquisition had occurred on 1 January 2019, consolidated pro-forma revenue and net profit for the financial year 2019 would have been NOK 1,025,511 thousand and NOK 46,129 thousand respectively.

These amounts have been calculated using the subsidiaries' results and adjusting them for differences in the accounting policies between the group and the subsidiary.

Note 27
Subsequent events

All our geographical markets have been affected by the COVID-19 pandemic outbreak mainly through a reduced turnover caused by less number of customers visiting our stores. Our first and instant action was to temporarily lay off employees thereby reducing personnel costs. Further actions have been both prepared and partly implemented to ensure a continued healthy business until the COVID-19 situation has normalised. Reference is also made to the Board of Director's Report.

FINANCIAL STATEMENTS KID ASA 2019

CONTENTS

KID ASA - STATEMENT OF INCOME

(All amounts in NOK 1000 unless otherwise stated)

	Note	2019	2018
Personnel expenses	7	1,388	1,368
Other operating expenses	7	9,504	1,115
Total operating expenses		**10,892**	**2,483**
Operating profit		**-10,892**	**-2,483**
Income from subsidiaries and associated companies	3	244,563	213,768
Interest income from group companies		4,751	926
Other interest income	8	-	151
Other financial income	8	6,674	
Other interest expenses	8	-16,715	-11,032
Other financial expenses		-1,054	-395
Profit before tax		**227,326**	**200,935**
Tax on ordinary result	6	51,469	46,216
Net profit or loss for the year		**175,857**	**154,719**
Profit attributable to:			
Allocated dividend		48,774	81,290
Allocated to other equity		127,083	73,429
Total allocation		**175,857**	**154,719**

Notes 1 to 10 are an integral part of these financial statements

KID ASA - BALANCE SHEET

ASSETS

(All amounts in NOK 1000 unless otherwise stated)

	Note	2019	2018
FIXED ASSETS			
Financial fixed assets			
Investments in subsidiaries	1,2	1,286,100	1,204,158
Loan to group comapnies		206,324	0
Total financial fixed assets		**1,492,424**	**1,204,158**
Total fixed assets		**1,492,424**	**1,204,158**
CURRENT ASSETS			
Debtors			
Other receivables	3	245,377	213,871
Total receivables		**245,377**	**213,871**
Cash and bank deposits		60,941	77,688
Total current assets		**306,318**	**291,560**
TOTAL ASSETS		**1,798,742**	**1,495,717**

KID ASA - BALANCE SHEET

EQUITY AND LIABILITIES

(All amounts in NOK 1000 unless otherwise stated)

	Note	2019	2018
RESTRICTED EQUITY			
Paid-up equity			
Share capital	5	48,774	48,774
Share premium reserve		321,049	321,049
Other paid-up equity		64,617	64,617
Total paid-up equity		**434,440**	**434,440**
Retained earnings			
Other equity		585,175	506,867
Total retained earnings		**585,175**	**506,867**
TOTAL EQUITY	4	**1,019,615**	**941,307**
Deferred tax	6	1,410	0
Other long-term liabilities			
Liabilities to financial institutions	2	674,498	425,000
Total of other long term liabilities		**674,498**	**425,000**
CURRENT LIABILITIES			
Trade creditors		9	31
Tax payable	6	50,059	46,216
Dividend		48,774	81,290
Other current debt		4,377	1,873
TOTAL SHORT TERM LIABILITIES		**103,219**	**129,411**
TOTAL LIABILITIES		**779,127**	**554,411**
TOTAL EQUITY AND LIABILITIES		**1,798,742**	**1,495,717**

Notes 1 to 10 are an integral part of these financial statements

Lier, 30 April 2020

The board of directors, KID ASA

Petter Schouw-Hansen Chairperson	Rune Marsdal Board member	Egil Stenshagen Board member
Vilde Falck-Ytter Board member	Karin Bing Orgland Board member	Anders Fjeld Chief Executive Officer

KID ASA - CASH FLOW STATEMENT

(All amounts in NOK 1000 unless otherwise stated)

	Note	2019	2018
CASH FLOW FROM OPERATIONS			
Profit before income taxes		227,326	200,935
Taxes paid in the period		-49,702	-40,415
Change in trade creditors		-22	-169
Change in other provisions		-25,518	-92,782
Net cash flow from operations		**152,084**	**67,569**
CASH FLOW FROM INVESTMENTS			
Increase in invistments in subsidiaries		-81,942	0
Net cash flow from investments		**-81,942**	**0**
CASH FLOW FROM FINANCING			
Proceeds from short/long term loans		249,498	0
Change in borrowings to gruop companies		-206,324	0
Payment of dividend		-130,064	-101,613
Net cash flow from financing		**-86,890**	**-101,613**
Net change in cash and cash equivalents		**-16,748**	**-34,044**
Exchange gain /(losses) on cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the period		77,688	111,732
Cash and cash equivalents at the end of the period		**60,940**	**77,688**

KID ASA - NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway.

Use of estimates
The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also requires management to apply assessments. In areas which either to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, these are described in the notes."

Investments in other companies
The cost method is applied to investments in other companies. The cost price is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in purchase cost. Dividend/group contributions from subsidiaries are reflected in the same year as the subsidiary makes a provision for the amount. Dividends from other companies are reflected as financial income when it has been approved.

Classification of balance sheet items
Assets intended for long-term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year instalments on long-term liabilities and long-term receivables are, however, not classified as short-term liabilities and current assets.

Purchase costs
The purchase costs of assets includes the cost price for the asset, adjusted for bonuses, discounts and other rebates received, and purchase costs (freight, customs fees, public fees which are non-refundable and any other direct purchase costs). Purchases in foreign currencies are reflected in the balance sheet at the exchange rate at the transaction date.

For fixed assets and intangible assets, purchase costs also include direct expenses to prepare the asset for use, such as expenses for testing of the asset.

Interest expenses incurred in connection with the production of fixed assets are expensed.

Asset impairments
Impairment tests are carried out if there is an indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except write-down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

Liabilities
Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes
The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry-forward losses for tax purposes at year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

The tax reduction on group contributions given and tax on group contribution received, booked as a reduction of cost price or taken directly to equity, are booked directly against tax in the balance sheet (offset against payable taxes if the group contribution has affected payable taxes, and offset against deferred taxes if the group contribution has affected deferred taxes).

Cashflow statement
The cashflow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short-term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

Note 1 Subsidiaries, associated companies, and joint ventures

Parent company

Investments in subsidiaries, associated companies and joint ventures are booked according to the cost method.

Subsidiaries	Location	Ownership/ voting right	Equity last year (100%)	Result last year (100%)	Balance sheet value
Kid Interiør AS	Lier, Norway	100%	125,890	136,253	1,204,158
Hemtex International AB (from 15.05.2019)	Borås, Sweden	100%	62,484	-74,589	81,942
Balance sheet value 31.12.19					1,286,100

Note 2 Debtors and liabilities

	2019	2018
Liabilities secured by mortgage	674,498	425,000
Balance sheet value of assets placed as security:		
Shares	1,286,100	1,204,158
Total	1,286,100	1,204,158

Note 3 Balance with group companies, etc.

	Loan to group comapnies		Other receivables	
	2019	2018	2019	2018
Group companies	206,324	-	245,073	213,768
Total	206,324	-	245,073	213,768

Note 4 Shareholders' equity

Equity changes in the year	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity 01.01.19	48,774	321,049	64,617	506,867	941,307
Profit for the year	-	-	-	175,857	175,857
Additional dividend	-	-	-	-48,774	-48,774
Dividend	-	-	-	-48,774	-48,774
Equity 31.12.19	48,774	321,049	64,617	585,175	1,019,615

Note 5
Share capital and shareholder information

The share capital of NOK 48 774 194 consist of 40 645 162 shares with a nominal value of NOK 1.2 each.
Kid ASA is listed on the Oslo Stock Exchange. Top 20 shareholders as of 31.12.19 was:

Shareholder	Ownership
Gjelsten Holding AS	37.35%
Verdipapirfondet Alfred Berg Gamba	5.41%
Pareto Aksje Norge Verdipapirfond	5.25%
Verdipapirfondet Pareto Investment	4.43%
Stenshagen Invest AS	3.60%
Goldman Sachs International	2.67%
Verdipapirfondet Holberg Norge	2.46%
Banque De Luxembourg S.a.	2.12%
Salt Value AS	1.87%
Vj Invest AS	1.82%
Verdipapirfondet Nordea Kapital	1.55%
Forsvarets Personellservice	1.54%
Verdipapirfondet Nordea Avkastning	1.31%
J.P. Morgan Bank Luxembourg S.a.	1.19%
Pescara Invest AS	1.13%
Varner Equities AS	1.04%
Hausta Investor AS	1.03%
Verdipapirfondet Nordea Norge Verd	1.01%
Espedal & Co AS	0.95%
Verdipapirfondet Nordea Norge Plus	0.78%

Note 6
Taxes

Basis for income tax expenses, changes in deferred tax and tax payable

	2019	2018
Result before taxes	227,326	200,935
Permanent differences	6,626	3
Basis for the tax expense for the year	233,952	200,938
Change in temporary differences	-6,411	-
Basis for payable taxes in the income statement	**227,541**	**200,938**
+/- Group contributions received/given	-	-
Taxable income (basis for payable taxes in the balance sheet)	**227,541**	**200,938**

Components of the income tax expenses

	2019	2018
Tax rate	22%	23%
Payable tax on this year's result	50,059	46,216
Tax effect of transaction costs related to primary issue of shares	-	-
Total payable tax	50,059	46,216
Change in deferred tax based on original tax rate	1,410	-
Change in deferred tax due to change in tax rate	-	-
Tax expense	**51,469**	**46,216**
Tax expense as a percentage of profit before tax	22.6%	23%
Payable taxes in the balance sheet		
Payable tax in the tax charge	50,059	46,216
Tax effect of group contribution	-	-
Payable tax in the balance sheet	**50,059**	**46,216**

Note 7
Payroll expenses, number of employees, remunerations, loans to employees, etc.

Payroll expenses

	2019	2018
Salaries/wages	-	-
Social security fees	168	169
Board remuneration	1,220	1,199
Total	**1,388**	**1,368**

There are no employees in KID ASA.

The CEO of KID ASA has not received salary in relation to his role in this company.

No loans/sureties have been granted to the general manager, board chairman or other related parties.

Expensed audit fees

	2019	2018
Statutory audit (incl. technical assistance with financial statements)	350	255
Other assurance services	-	-
Tax advisory fee (incl. technical assistance with tax return)	15	15
Other assistance (IFRS conversion and quarterly reports)	280	65
Total audit fees	**645**	**335**

NOTES

Note 8
Specification of financial income and expenses

Financial income

	2019	2018
Interest income from group entities	4,751	926
Interest income	0	151
Other financial income	6,674	-
Total financial income	**11,425**	**1,077**

Financial expenses

	2019	2018
Interest expenses	16,715	11,032
Other financial expenses	1,054	395
Total financial expenses	**17,769**	**11,427**

Note 9
Related-party transactions

The balance with group companies is disclosed in note 3.

There have been no related-party transactions in 2019.

Note 10
Financial market risk

Kid ASA is exposed to interest rate risk on long term debt and foreign exchange risk on long term receivable.

Interest risk
The company's interest rate risk arises from long-term borrowings and bank deposits. Borrowings issued at variable rates expose the group to cashflow interest rate risk which is partially offset by cash held at variable rates. Fixed-interest contracts are used to reduce this risk. In addition to the MNOK 675 long term loan, Kid ASA also have a MNOK 274 flexible credit facility that is used during the year, but not at year end.

Note 11
Subsequent events

All our geographical markets have been affected by the COVID-19 pandemic outbreak mainly through a reduced turnover caused by less number of customers visiting our stores. Our first and instant action was to temporarily lay off employees thereby reducing personnel costs. Further actions have been both prepared and partly implemented to ensure a continued healthy business until the COVID-19 situation has normalised. Reference is also made to the Board of Director's Report.

RESPONSIBILITY STATEMENT

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Lier, 30 April 2020

The board of directors, KID ASA

Petter Schouw-Hansen Chairperson	Rune Marsdal Board member	Egil Stenshagen Board member
Vilde Falck-Ytter Board member	Karin Bing Orgland Board member	Anders Fjeld Chief Executive Officer

To the General Meeting of KID ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KID ASA, which comprise:

- The financial statements of the parent company KID ASA (the Company), which comprise the balance sheet as at 31 December 2019, the statement of income and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of KID ASA and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at 31 December 2019, profit and loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group as required by laws and regulations, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Groups business operations, who continue to evolve due to ongoing improvement projects, are largely the same as last year. As a result of the Groups acquisition of the Swedish retailer Hemtex AB, we focused on the related *Purchase Price Allocation* resulting from this transaction. Following the Groups *Implementation of IFRS 16 – Leases*, which significantly impacted the Groups key financial ratios, we spent some of our audit effort on this matter. *Valuation of the KID trademark* carries the same characteristics and risks this year and has consequently been in our focus for the 2019 audit

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Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of the KID trademark	
The KID trademark amounts to a significant part of the Group's total fixed assets. Management performed an impairment test to assess the book value by estimating and discounting the expected net future cash flows. The estimation of the net future cash flows and discount rate are dependent on management judgement. In the event of a write-down of the KID trademark, both operating profit and total equity would be impacted. No impairment charge was recognized in 2019. We focused on valuation of the KID trademark due to its significance to the financial statements and the inherent risk that management judgement could affect the valuation. For more information see note 5 Critical accounting estimates and note 12 Intangible assets where management explains the origin of the Trademark and the impairment test.	To challenge the judgement management used in the estimation of the net future cash flows, we compared management's estimates of the future cash flows with the prior year's actual cash flows, approved budgets and business plans. We did not find any inconsistencies between the estimated net discounted cash flows and the information used by management to estimate these cash flows. To evaluate management's estimation accuracy, we compared the 2019 estimated cash flows used in last year's impairment test with the actual cash flows in 2019. The estimate deviation was of no significance. To evaluate management's assumptions related to future long-term revenue growth, we compared management's estimates with the expectations in the marketplace. We found that management's estimates for long-term growth were in line with both the market's and our expectations. To evaluate management's assumptions related to the technical modelling of the discount rate, we compared the different input factors used in the determination of the discount rate by comparing these input factors with observable market data, market expectations and the discount rates used by industry comparable companies. We found that managements discount rate contains the elements required by IFRS, and that the different elements were in line with what we find in the marketplace and comparative companies. To challenge management's sensitivity analysis, we simulated changes in key parameters and found that the calculation of value used was most sensitive to changes in sales, long-term growth and discount rate. A reasonable variation in the key parameters did not lead to a different conclusion on the impairment test. We have used checklists and judgement to consider whether IFRS disclosure requirements related to the trademark and the valuation/impairment test were appropriate. We found that the disclosures, including the sensitivity analysis, were satisfactory and provided meaningful information about the trademark and the valuation performed.

Purchase price allocation (PPA) related to the Hemtex acquisition

The acquisition of Hemtex was a significant transaction for the Group. In addition to assets related to working capital and fixed assets, the acquisition lead to the recognition of goodwill and trademark. When allocating the purchase price, management is dependent on judgement both in order to select valuation method and to make key assumptions in assessing fair value of all assets and liabilities at acquisition date.

We focused on the purchase price allocation due to the amount of judgement involved and the inherent risk that management judgement could affect the allocation and the resulting effects this may have on the financial statements.

For more information see note 12 and 26 where management explain the purchase price allocation process, key assumptions and the resulting allocation.

We obtained and read the Share Purchase Agreement and a report from a financial due diligence performed by an independent service provider as part of managements preparations leading up to the acquisition. We used the obtained documentation to better understand the transaction, to challenge managements judgement and to verify details such as purchase price and acquisition date

We obtained managements PPA documentation. We found that the Group had used an independent valuation expert to assist with the PPA. To evaluate the competence, capabilities and objectivity of that expert we assessed the experts background by looking into the expert's qualifications, previous work and the standards by which the expert had performed his work. We also obtained and studied the agreed scope of work for the expert and assessed the relationship between management and the expert. We found no indications that the expert lacked competence, capability nor objectivity.

To challenge the valuation method used and the key assumptions made we held meetings with and interviewed management and the valuation expert. We found that the valuation method and assumptions were appropriate and that key assumptions seemed reasonable.

To audit whether the numbers carved out from the Hemtex financials from the correct date, we performed procedures directed at the relevant period end reports for Hemtex. Finally, we checked that the PPA adjustments to reflect fair values of Hemtex in the KID group accounts were made correctly.

We used checklists and judgement to consider whether IFRS disclosure requirements related to the PPA were appropriate. We found that the disclosures, were satisfactory and provided meaningful information about the PPA performed.

Implementation of IFRS 16

KID and Hemtex rent most of their retail stores. The group implemented IFRS 16

We obtained managements calculation of value of Right of Use Assets and Lease Liabilities. We assessed

from 1.1.2019 by applying the modified retrospective approach. The implementation had a significant impact on the Group's statement of financial position. Total assets increased over 30 % as a result of identifying Right of Use Assets and Lease Liabilities. This also affected net results as both depreciation and finance expenses increased which in turn impacted key financial ratios such as equity rate and return on assets.

The process of identifying Right of Use Assets and Lease Liabilities involves assessing rental contracts up against requirements in IFRS 16. The process requires judgement both in order to assess length of rental period, type of rental costs and incremental borrowing rate. These are all elements used as basis for discounting lease payments.

For more information see note 2.24, 2.25 and note 25 where management explains the calculation of Right of Use Assets and Leas Liabilities and the effects of the implementation.

managements' implementation method against IFRS 16 and obtained explanations from management as to how the specific requirements of the standard was met.

To test whether the Group had identified all relevant rental contracts as a basis for their calculation of an implementation effect at 01 01 2019; we used our knowledge from the audit of rental costs of stores and other larger rentals. We found that all material contracts were included in the calculation.

The group used an IT support system as basis for input of key data and calculations of Right of Use Assets and Lease Liability. To test the implementation effect we verified that the IT system they used was from a reputable supplier, that the system contained all the relevant elements required of IFRS 16 and that the system performed mathematical calculations as expected from it. Further, we tested whether key data was correctly entered into the IT system, such as length of contacts and costs, by tracing the inputs back to rental contracts. No significant deviations were found.

To evaluate management's assumptions related to the incremental borrowing rates, we compared the different input factors by comparing these input factors with observable market data and data used by industry comparable companies. We found that managements rate contains the elements required by IFRS, and that the different elements were in line with what we found in the marketplace and comparative companies.

We tested whether the resulting calculations and numbers from the IT support system reconciled against the Group's financial statements. No significant deviations were found.

We used checklists and judgement to consider whether IFRS disclosure requirements related to the IFRS 16 implementation were appropriate. We found that the disclosures, were satisfactory and provided meaningful information about the Right of Use Asset and Leasing Liability and resulting implementation effects.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information 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 the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We 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 or the Group'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 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 and the Group'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 and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 30 April 2020

PricewaterhouseCoopers AS

Geir Haglund

State Authorised Public Accountant

FINANCIAL CALENDAR 2020

Our financial calendar shows the dates on which we plan to publish our financial reports and conduct our annual general meeting. It also includes information about events that are relevant to our shareholders.

The accounts and presentation material are available from 08:00 (CET) on the day of publication, and can be downloaded from our website, **http://investor.kid.no/**

Annual General Meeting 27th May 2020	**Q1** 19th May 2020
Q2 20th August 2020	**Q3** 18th November 2020

REVENUE UPDATES

KID ASA will announce revenue updates on the following dates:

Q2-2020 revenue - 08.07.2020
Q3-2020 revenue - 08.10.2020

All dates are subject to change.

This information is published pursuant to the requirements set out in the continuing obligations.

INVESTOR SITE

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