

A man with a beard and dark hair is skiing down a snowy slope. He is wearing a black ski suit and holding ski poles. In the background, there are snow-covered evergreen trees and two wolves are visible in the snow. The scene is misty and snowy.

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XXL ASA – Q1 2018

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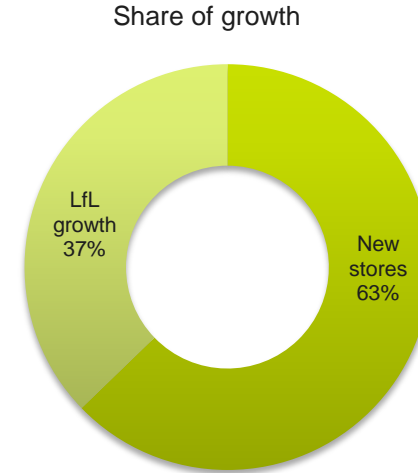
Highlights Q1 2018

- Revenue growth of 21%
 - Like for like growth of 7.8% E-commerce growth of 42%
- E-commerce growth of 42%
- Good and long winter season
- E-commerce now 14.4% of Group sales compared to 12.3% in Q1 17
 - Personalization features on the site
 - Collection of customer data
 - Invested in new photo studios
- Introduced new omni-channel solutions
 - All stores are wifi and beacon ready
 - Stock solution making all stock in the Group available for all customers at all platforms at all times
 - Free gift cards when using pick-up at store services
- Gross margin improved by 1.4 points to 37.9%
 - Despite lower gross margins in Austria and higher share of E-commerce on lower gross margins
- OPEX increased by 0.9 points due to
 - Costs of establishing operations in Austria of NOK 37 million
 - Heavy marketing campaigns in Sweden related to digital price tags – expects positive effects longer term
 - Costs of opening new stores
- Improved inventory situation drives stronger cash flow generation



Growth drivers in the quarter

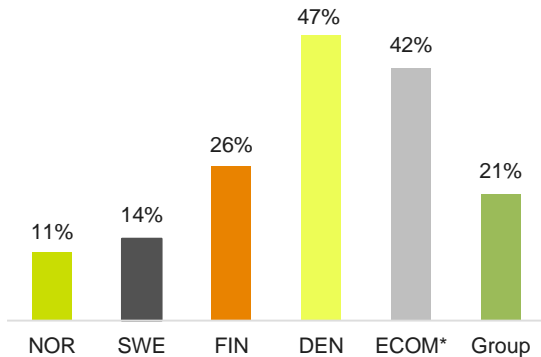
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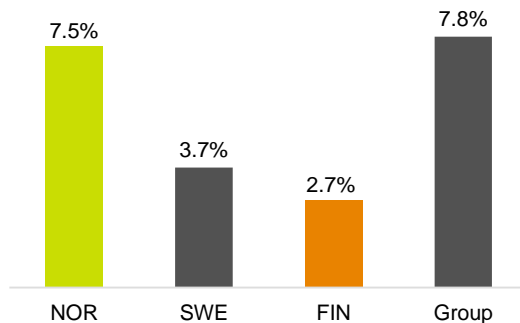
Growth split by markets

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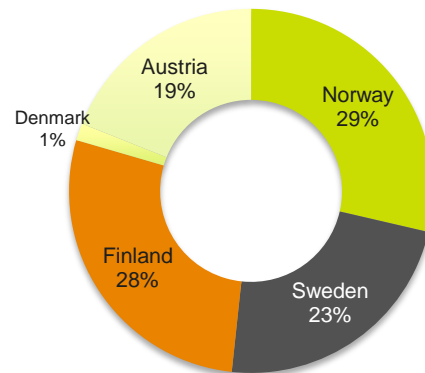
Growth by segments
(Local currency)



Like for like growth
(Local currency)



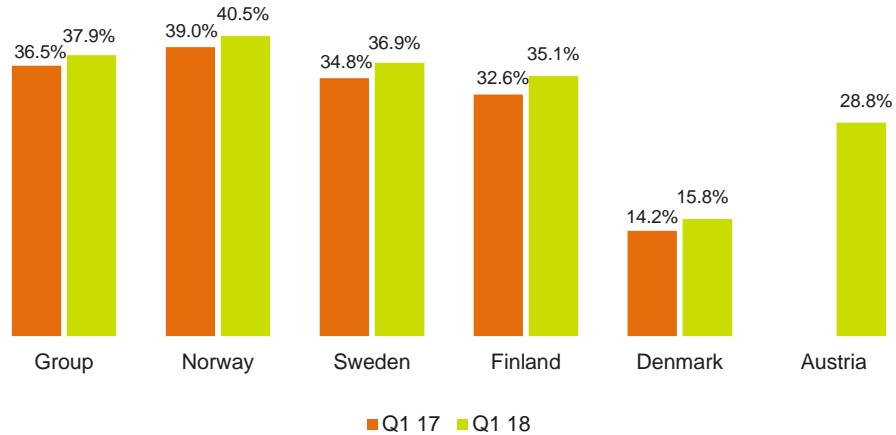
Share of growth by geography



Gross margin development

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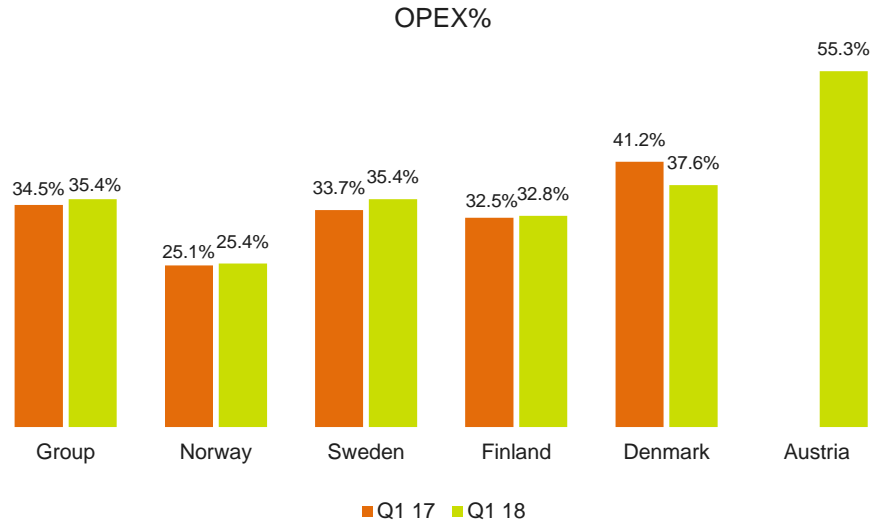
Gross margins



- Group gross margin increased by 1.4 points YoY
- Start-up in Austria and E-commerce with lower margins
- All countries improved
 - Better winter season, less discounting activities

OPEX development

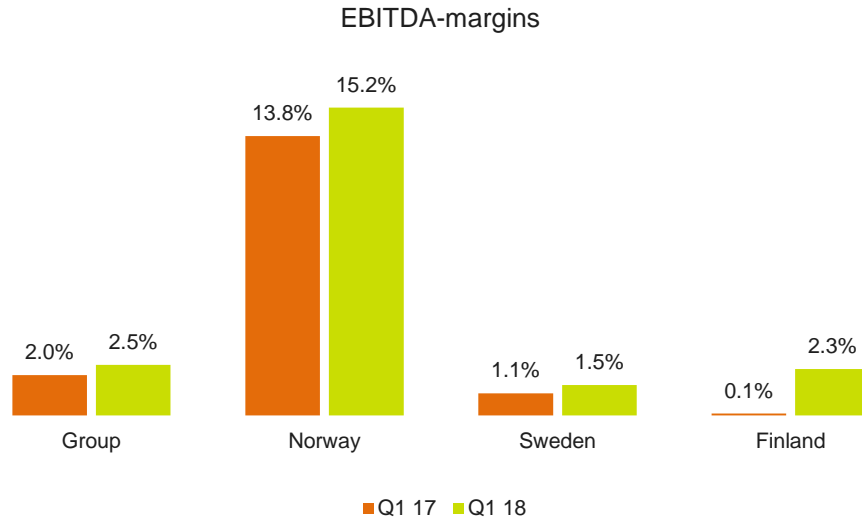
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- Group OPEX% up by 0.9 points to 35.4% YoY
 - Costs of establishing Austria
 - Heavy marketing campaigns in Sweden
 - New store openings in Norway
- OPEX% of 34.7% excluding Austria
- HQ and Logistics showing improved OPEX%

EBITDA development

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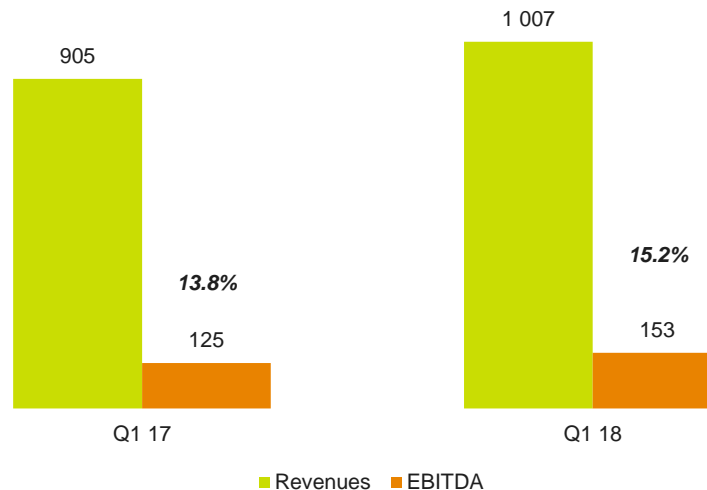
- EBITDA of NOK 51 million
 - NOK 69 million and an EBITDA-margin of 3.5% when excluding Austria
- Higher margins in all markets driven by improved gross margins and better winter season

Norway – Solid winter season

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- 11% revenue growth YoY
- Like for like growth of 7.5%
- Good and long winter season
- Gross margin improved by 1.5 points to 40.5%
- Opened a new store - Arendal on 15 March 2018
 - Costs also impacted by another store opening in the beginning of April 2018
- EBITDA-margin improved by 1.4 points to 15.2%

Amounts in MNOK

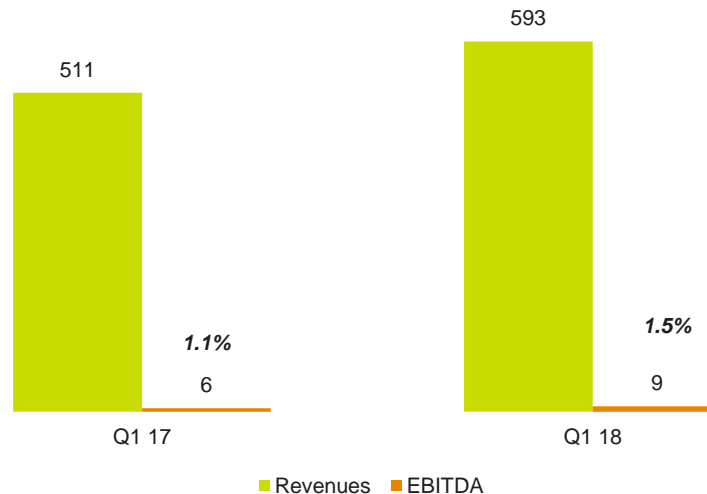


Sweden – Gaining market shares

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- Revenue growth of 14% YoY in local currency
- Like for like growth of 3.7% in local currency
- Still a volatile and slow market
- Good winter season with cold but later arrival of snow
 - Sporting goods industry up 7.0% in January and up 8.7% in February according to HUI Research
- Higher gross margins – up 2.1 point to 36.9% YoY
 - More cold and better selling conditions
 - Lower like for like growth
- Introduced digital price tags in all stores in December 2017
 - Heavy marketing campaigns and significant increase in costs
 - OPEX% up from 33.7% to 35.4%
- EBITDA of NOK 9 million and a margin of 1.5%

Amounts in MNOK

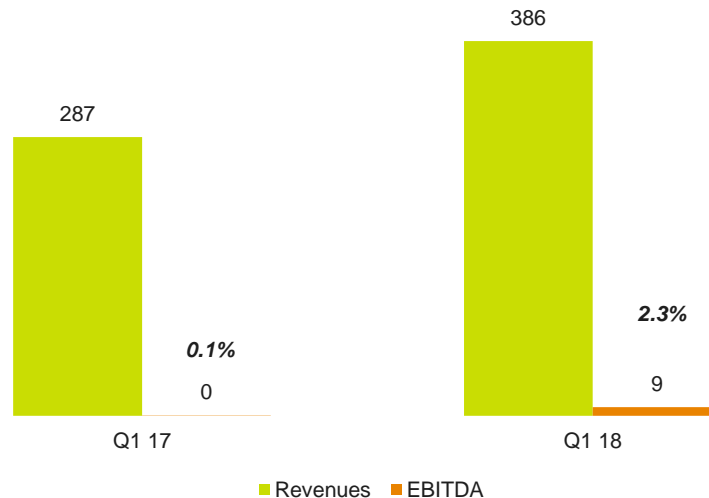


Finland – Driving the market

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- 26% revenue growth YoY in local currency
- Good winter season - slow start to spring season
- Like for like growth of 2.7% in local currency
- Gross margin improved by 2.5 points to 35.1%
 - Better season and less clearance sales activities
 - Lower like for like growth
- OPEX up 0.3 points YoY to 32.8%
 - Lower like for like growth impacts the scale benefits in the operations
- EBITDA of NOK 9 million and a margin of 2.3%

Amounts in MNOK

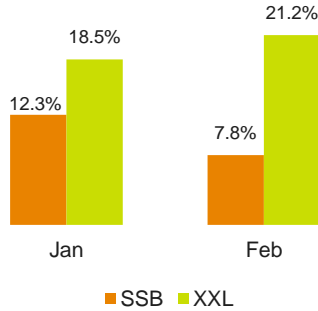


Market data

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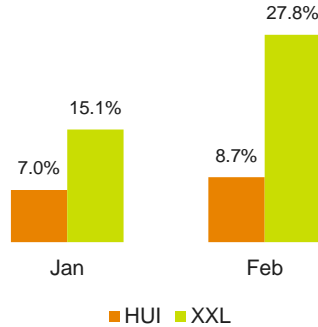
Norway

SSB vs. XXL monthly growth (YoY)



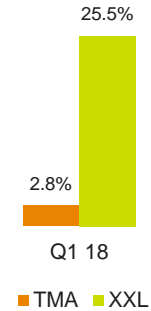
Sweden

HUI vs. XXL monthly growth (YoY)



Finland

TMA vs. XXL quarterly growth (YoY)



- Like for like growth also outperforming market growth in all markets
- Expect March to be a very tough month due to late seasonal shift



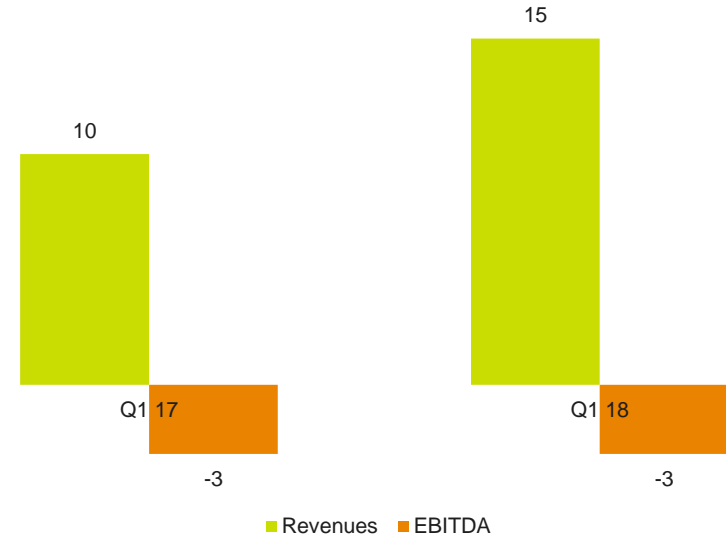
XXL gaining market shares in all markets

Denmark – Increased volumes and order flow

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- Revenue growth of 47% YoY in local currency
- More aggressive campaigns to take volume
 - Gross margin improved from 14.2% to 15.8% YoY
- High marketing spending
 - Negative EBITDA of NOK 3 million
- XXL will evaluate to open stores over time

Amounts in MNOK



Austria – Omni-channel in its making

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- Revenues of NOK 68 million in Q1 18
 - Equals 19% of the growth contribution to the Group this quarter
- Good selling conditions impacted by late cold period in Heart of Europe
- Opened the third store on 20 March 2018 in Linz
 - New city for XXL
 - Well received opening with sales of around NOK 5 million first day
- Investing through campaigns and high marketing spend
 - Gross margin of 28.8%
 - Negative EBITDA of NOK 18 million and OPEX of NOK 37 million
- E-commerce represented around 20% of sales
 - Logistics and support functions within the Group working efficiently
 - Launch in Austria proves the uniqueness of the XXL omni-channel concept
- XXL has high ambitions in Austria and are delivering according to plan



HQ and Logistics – Scale

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- OPEX of NOK 98 million to 4.7% of Group sales
 - NOK 93 million and 5.4% of Group sales in Q1 17
- Better flow of goods and handling at the central warehouses
- Several new recruitments to central functions including purchasers, technical system architects and IT-resources
- Infrastructure investments of NOK 14 million
- Progress in project of establishing a new central warehouse capacity in Heart of Europe
- Organizational changes



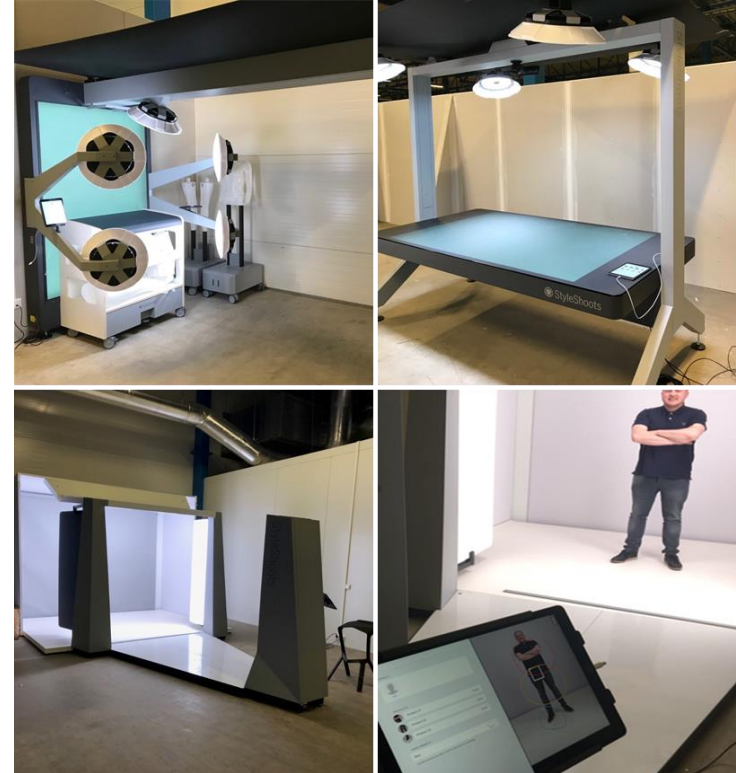
Invested in new photo studios

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- Two new photo studios – one at each of the central warehouses
- State of the art
- Easy to operate – iPad user interface
- Horizontal, Vertical and Live screenshots
 - Mannequin, videos, photos of models, 360 degree



Centrally placed photo studios



Priorities going forward

- Improving the omni-channel experience
 - Continuing to drive like for like growth
 - Opening of new stores
 - Improving the E-commerce user experience
 - Utilizing new technological opportunities
- Focusing on cost improvements
- Launching XXL in new markets



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Financial review

Income statement

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- Revenue growth of 21%
 - Like for like growth of 7.8%
 - E-commerce growth of 42%
- Improved gross margin in all countries
- OPEX% increase due to
 - Difficult March 2018 – no spring start
 - Costs related to start-up in Austria
 - Heavy marketing in Sweden
 - New store openings
- Net financial cost of NOK 17 million
 - Negative currency effect NOK 4 million
 - Interest expense of NOK 10 million
- Income tax expense for 2017 decreased by NOK 12 million and the effective tax rate for 2017 was 18.2%

<i>Amounts in MNOK</i>	Q1 18	Q1 17
Total operating revenue	2 070	1 713
Operating income	6	-1
Net financials	-17	-9
Profit before income tax	-12	-10
Income tax expense	-2	-2
Net profit	-9	-8

Cash flow

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- Strong cash flow generation of NOK 35 million compared to outflow of NOK 153 million last year
 - Improved working capital
- Inventory per store improving
 - Better winter season
 - NOK 37.3 million compared to 39.2 million in Q1 last year
 - Moving towards target of normalization of NOK 35 million and aiming to be closer to target by end of 1H 18
- Investments in stores and infrastructure of NOK 53 million including three new stores so far in 2018
- Down payment of existing credit facilities of NOK 194 million
- Proceeds from share capital increase of NOK 41 million after vesting of stock options by employees
- Liquidity of NOK 740 million
- Net interest bearing debt of NOK 1 728 million
- NIBD / EBITDA of 2.1x

Cash flow

<i>(Amounts in MNOK)</i>	Q1 18	Q1 17
Cash provided by operating activities	35	-153
Cash used by investing activities	-53	-59
Cash used by financing activities	-159	140
Net change in cash and cash equivalents	-177	-72
Cash and cash equivalents beginning of period	314	115
Cash and cash equivalents end of period	137	46

Changes in working capital

<i>(Amounts in MNOK)</i>	Q1 18	Q1 17
Changes in inventory	28	-79
Changes in receivables	87	72
Changes in payables	-146	-24
Other changes	62	-97
Change in working capital	31	-128

Outlook

- XXL has signed 6 new lease agreements for new store openings for 2018 where of 4 in Norway, 1 in Sweden and 1 in Austria. This figure includes the 2 stores that were established in Q1 2018. The aim for 2018 is 7-9 new stores in total
- XXL will at all times evaluate the trend of E-commerce growth compared to opening of new stores. The required market size for approving a new store opening will be increased
- Total investments in infrastructure, IT and training facilities for 2018 in the range of NOK 70-90 million
- The Group maintains the following long term objectives:
 - Like-for-like growth of mid-single digits over time
 - Gross margins: In Norway at low 40's, high 30's in Sweden and between mid and high 30's in Finland.
 - EBITDA-margins: In Norway at low 20's, in Sweden low double digits and in Finland high single digits
 - New market entries affect both Group gross margin and Group EBITDA-margin in the establishing period of 1-3 years
- No changes in the outlook for Austria



Summary

- Revenue growth of 21%
 - E-commerce of 42%
 - Like for like growth of 7.8%
- Good and long winter season – gross margin improvements in all markets
- EBITDA growth of 50% but impacted by
 - Costs of establishing Austria
 - Higher marketing costs in Sweden
 - Costs related to new store openings
 - Weak March
- Austria according to plan
- Strong cash flow generation driven by improved inventory situation
- Continuing to gain market shares in all markets



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