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XXL ASA – Q2 2017

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This presentation was prepared for the interim results presentation for the second quarter and first half year 2017, held on 21 July 2017. Information contained herein will not be updated. The following slides should also be read and considered in connection with the information given orally during the presentation.

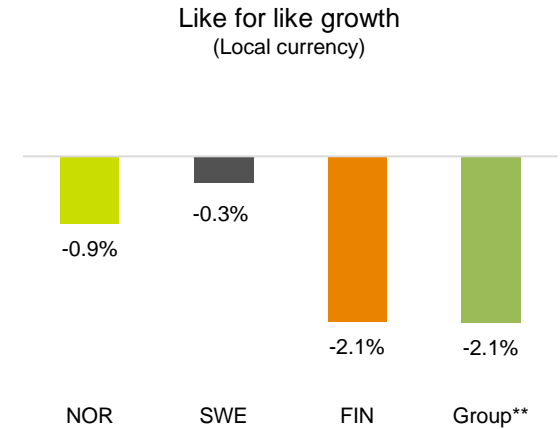
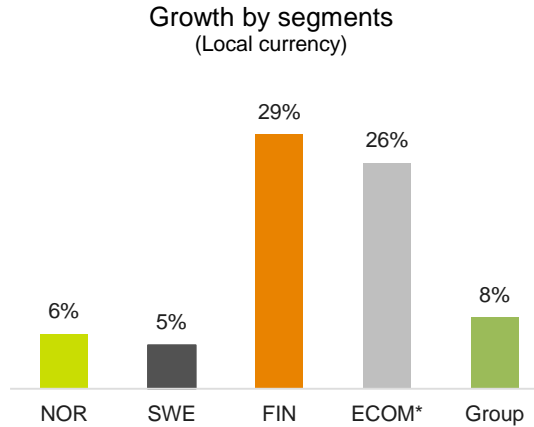
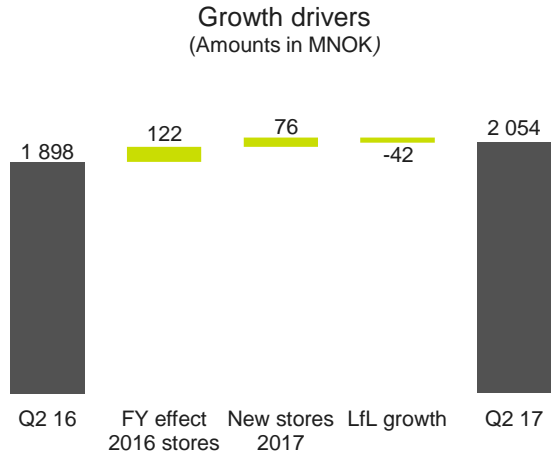
Highlights Q2 2017

- Revenue growth of 8%
 - Negative like for like growth of 2%
 - E-commerce growth of 26%
- Late spring season – good start of summer season
- Opened four new stores
 - Three in Sweden
 - One in Finland
- Still good progression in Finland
- Margins under pressure in Sweden
- Austria well on track for launch in Q3 2017



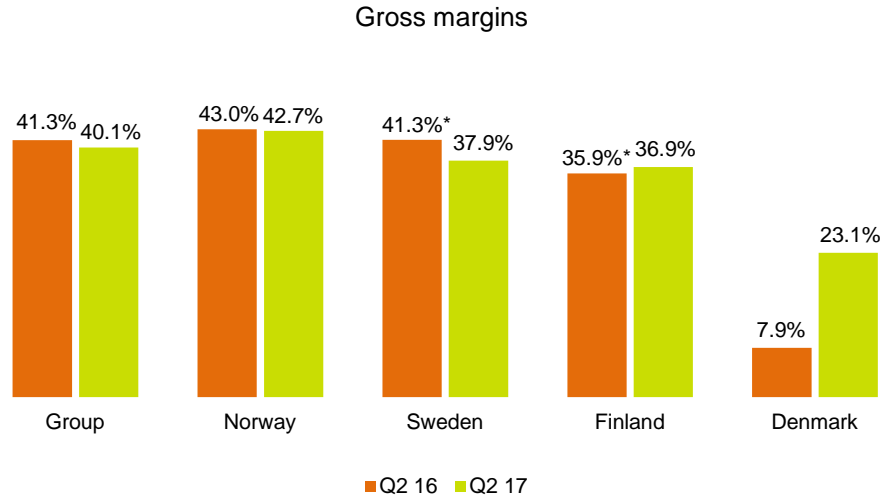
Growth drivers in the quarter

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Gross margin development

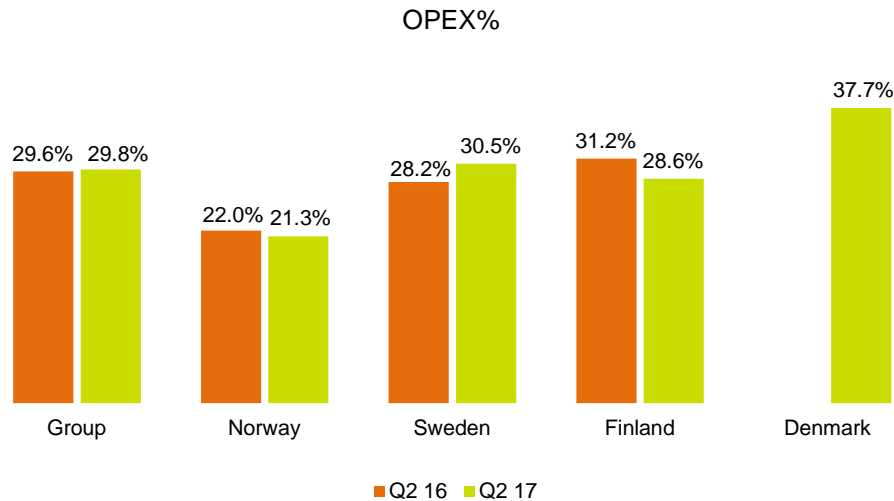
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- Group gross margin declined 1.2 points YoY
- Nordic market characterized by more campaigns and discounts compared to last year
 - Successive challenging seasons
 - High inventory level in the industry
- Slight decline in Norway
- Continued gross margin improvement in Finland
- Sweden with lower gross margin
 - Effects from opening three new stores
 - More clearance sales than last year
- Denmark still in an early phase but significant improvement compared to previous quarters
 - Working on conversion and order values

OPEX development

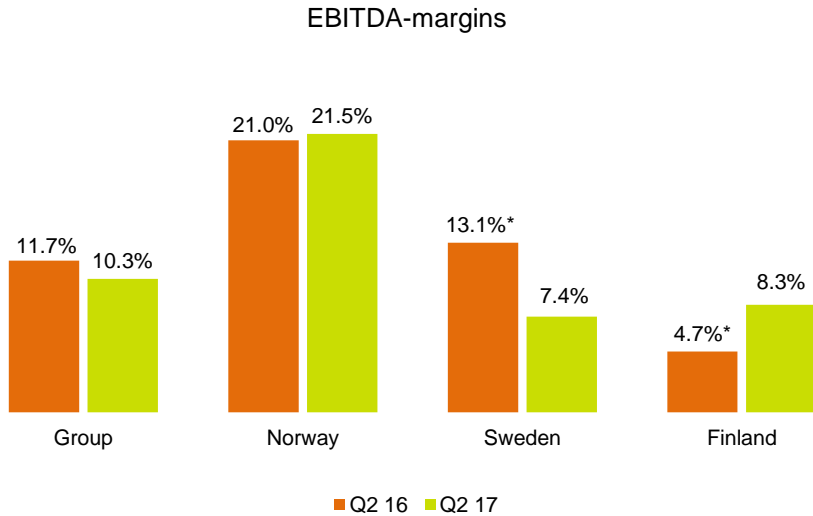
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- OPEX increased by 9.1% despite...
- above 20% increase in store base,
- costs related to start-up in Austria and
- higher costs after expanding the central warehouse capacity
- Both Norway and Finland improved OPEX% despite negative like for like figures
- Sweden impacted by costs related to three new store openings of which two opened late in the quarter and by higher marketing in a competitive market

EBITDA development

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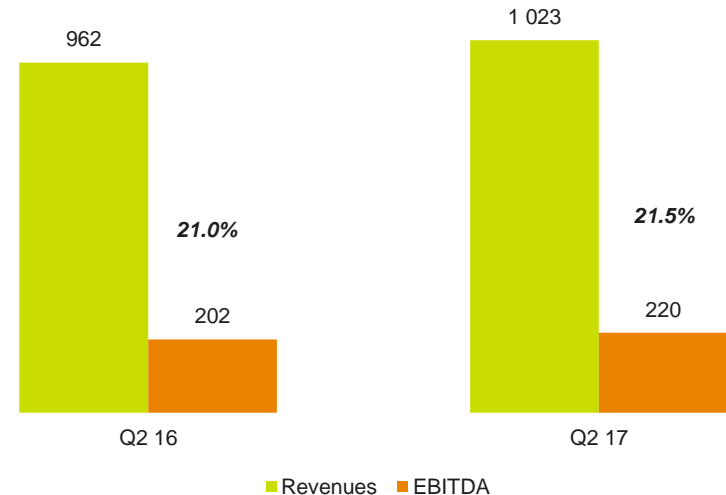
- Many cost initiatives and fine tuning over time
- Norway and Finland with improvements
- Sweden impacted by costs of new store openings and more marketing in a competitive market
- Higher costs after expanding the central warehouse capacity
- EBITDA-margin of 10.6% adjusted for start-up costs in Austria of NOK 7 million

Norway – Even more efficient

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- 6% revenue growth YoY
 - Slow start of spring season
 - Less selling days due to Easter effects
 - Late snowfall and cold in May
 - Good start of summer season
- Growth from E-commerce and stores opened in 2016
 - Remember that all stores opened in 2016 will yield significantly lower than average sales per store
- Negative like for like growth of 0.9%, but increase of 1.8% adjusted for cannibalization effects
- Gross margin decline to 42.7% vs. 43.0% Q2 2016
- OPEX% down 0.7 points to 21.3% despite negative like for like figure
- EBITDA-margin up by 0.5 points to 21.5%

Amounts in MNOK

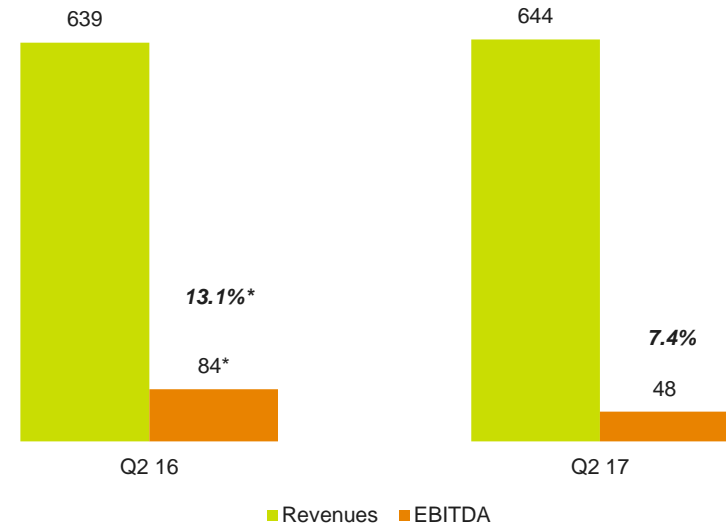


Sweden – Tough quarter

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- Revenue growth of 5% in local currency
 - Positively impacted by new stores
 - Negative like for like growth of 0.3 per cent
- Many campaigns and discounts in the market
 - Successive challenging seasons and high inventory levels
 - Sporting goods industry up 3.2% in April and 2.8% in May according to HUI Research
- Opened three new stores
 - Växjö on 12 June 2017
 - Two new outlet stores
 - Nordby on 19 May 2017
 - Töcksfors on 15 June 2017 (will yield around NOK 30 million in yearly sales)
- Gross margin decreased from 41.3%* to 37.9% YoY
 - Higher share of clearance sales this year
 - Opening campaigns in many stores
 - Reported gross margin in Q1 16 of 41.7%
- OPEX% up 2.3 points to 30.5%
 - Costs of opening three new stores whereof two late in the quarter
 - Increased marketing costs in a competitive market
- EBITDA of NOK 48 million and a margin of 7.4%
 - Reported EBITDA of NOK 86 million and a margin of 13.5% in Q2 2016

Amounts in MNOK

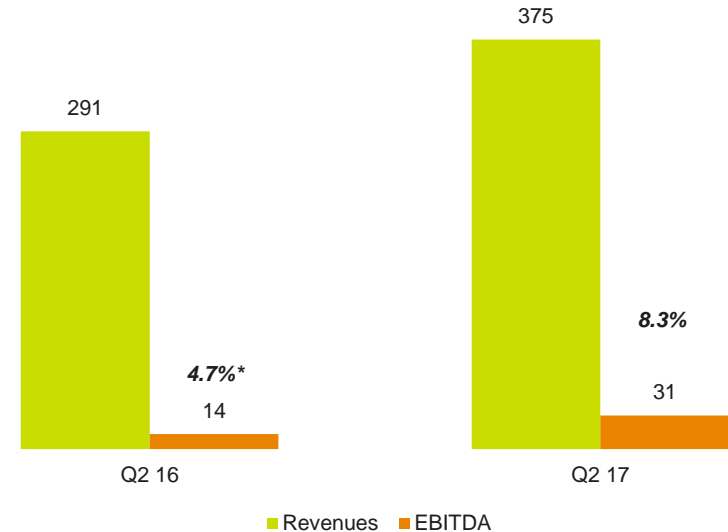


Finland – Still good progression

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- 29% revenue growth YoY in local currency
 - Growth from new stores and E-commerce
 - Negative like for like growth of 2.1% in local currency
 - Slow market and continued challenging macro situation
- Opened a new store
 - Jyväskylä on 19 April 2017
- Gross margin improved from 35.9%* to 36.9% YoY
 - Better store operations, pricing and sales strategies
 - Reported gross margin in Q2 2016 of 35.1%
- OPEX% down 2.6 points to 28.6% despite negative like for like growth and costs of opening a new store
- Cost efficiency and improvements over time
- EBITDA of NOK 31 million and a margin of 8.3%
 - Reported EBITDA of NOK 11 million and a margin of 3.9% in Q2 2016

Amounts in MNOK

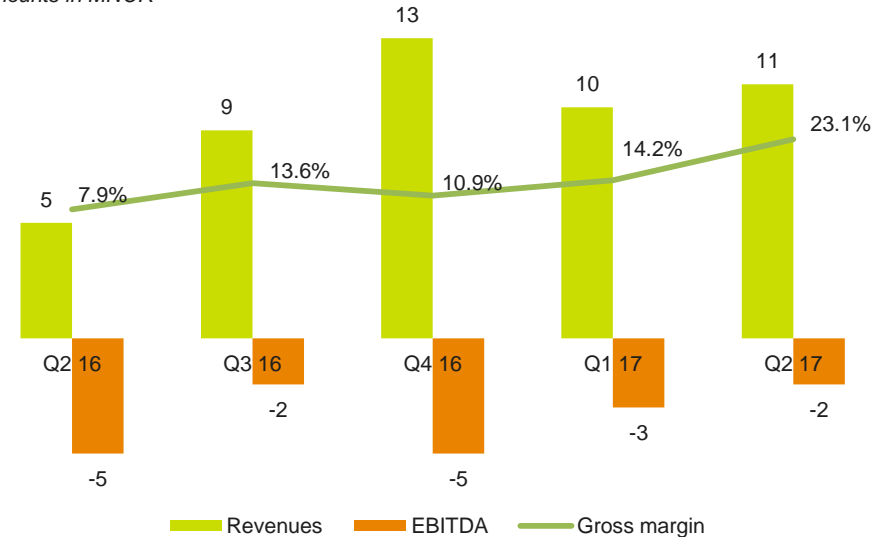


Denmark – First year of operation

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- First year of operation has been a useful test and is according to plan
- XXL will evaluate to open stores over time
- Initiatives to increase conversion rates and order value
- Gross margin improved to 23.1 per cent
- Negative EBITDA of NOK 2 million
- Strengthened the local management

Amounts in MNOK

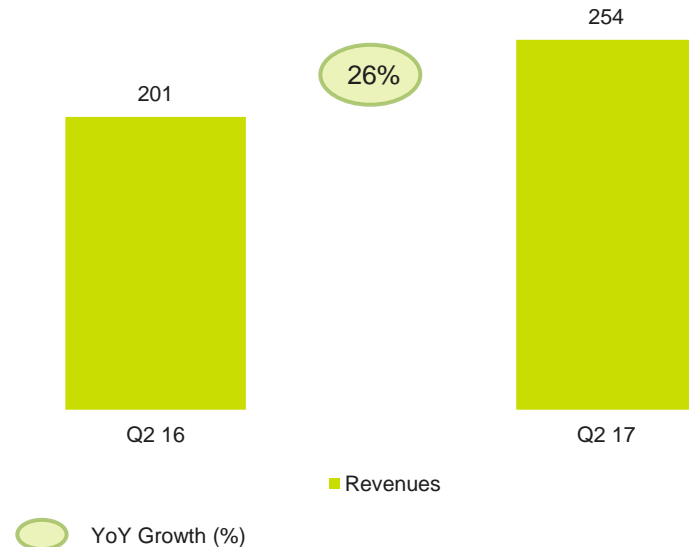


E-commerce – Preparing for further growth

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- 26% revenue growth
- Norway and Finland with strong growth
- Sweden was more demanding
 - Strengthened the local E-commerce organization
- 12.4% of Group sales compared to 10.6% in Q2 16
- xxl.fi established a front end website in Russian
 - Pick-up services in Finnish stores
 - Also serving Russian customers living in Finland
 - Limited sales so far but increasing traffic
- Targeted marketing using new analytical tools
- Efficient retargeting solutions
- Many initiatives to come
- Austria E-commerce status
 - All employees in place and undergoing training
 - Technical implementation successfully commenced
 - Ongoing testing of site and value chain

Amounts in MNOK



HQ and Logistics – Austria well on track

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- OPEX of NOK 86 million to 4.2% of Group sales
 - On par with last year's level of 3.8% when adjusted for start up costs in Austria
- NOK 7 million in start up costs related to the establishment in Austria
 - Around 20 employees
 - Cost related to training and recruitment
 - Well on track with respect to personnel, store set ups, suppliers, orders and assortments
 - Launch first store in late Q3 2017 and Austria will be an operating segment from Q3 2017 as well
- Expansion of central warehouse in Norway
 - From 24 000 to 32 000 sqm
 - Finalized and handed over in mid November 2016
 - Higher rental and personnel costs
- Infrastructure investments of NOK 23 million in Q2 17



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



A man with large, white, feathered wings is shown from a low angle, reaching upwards with his right hand towards a bright, glowing full moon. He is wearing a dark blue tank top and dark shorts. The background is a dramatic sky filled with dark, swirling clouds and a bright, ethereal light source. The overall mood is aspirational and spiritual.

Financial review

Income statement

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- Revenue growth of 8%
- Slow start of the spring season but good sales of summer products late in the quarter
- Gross margin impacted by negative development in Sweden, but Finland with solid improvement
- OPEX increase of 9%
 - 21% increase in store base
 - Costs related to start up in Austria
 - Increased costs after expansion of central warehouse capacity
- Net financials cost of NOK 4 million
 - Net interest expenses of NOK 8.8 million
 - Positive currency effect of NOK 7.8 million
 - Other transaction and financial costs
- Estimated effective tax rate of 20%

<i>Amounts in MNOK</i>	Q2 17	Q2 16	1H 17	1H 16
Total operating revenue	2 054	1 898	3 767	3 581
Operating income	172	194	172	269
Net financials	-4	-11	-13	-25
Profit before income tax	168	183	159	244
Income tax expense	34	40	32	54
Net profit	135	143	127	190

Cash flow

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- Reduced cash flow due to lower EBITDA
- Changes in payment of income tax between quarters
 - Of annual NOK 124 million, NOK 121 million already paid
- Inventory increase is driving the working capital
 - Inventory increase from Q4
 - Lower sales in H1 than expected for the season
 - Initiatives in decreasing inventory has already given effect
- Inventory per store increased by NOK 2.3 million
 - Above target of normalization in Q3 2017
- Investments in stores and infrastructure according to plan
- Change in financing activities was NOK 519 million and. Liquidity reserves was NOK 569 million by the end of the quarter
- Net interest bearing debt of NOK 1 903 million
- NIBD / EBITDA of 2.6x

Cash flow

<i>(Amounts in MNOK)</i>	1H 17	1H 16
Cash provided (used) by operating activities	-204	-14
Cash used by investing activities	-137	-135
Cash provided by financing activities	519	249
Net change in cash and cash equivalents	177	99
Cash and cash equivalents beginning of year	115	87
Cash and cash equivalents end of period	292	186

Changes in working capital

<i>(Amounts in MNOK)</i>	1H 17	1H 16
Changes in inventory	-250	-339
Changes in receivables	62	93
Changes in payables	-29	41
Prepayments of financial leases	-7	1
Changes in other assets and liabilities	-110	-64
Change in working capital	-334	-269

Outlook

- XXL has signed 11 lease agreements for new store openings for 2017 where of 1 in Norway, 4 in Sweden, 4 in Finland and 2 in Austria. This includes 5 stores that are opened by the end of Q2 2017
- Total investments in infrastructure, IT and training facilities for 2017 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
 - Due to the demanding macro in Finland the lift in margins will take longer time than in Sweden
 - Both gross margin and EBITDA-margin for the Group will be negatively affected by the establishment in new markets



Outlook Austria

- XXL will open two stores in Vienna and E-commerce in Austria in 2017
- The first store opening will be late in Q3 2017
- Establishing a local team for buying and support
 - At least employ five employees
 - Scalable for the whole DACH-region, together with the Swiss entity
- Expectations on new store economics
 - Average sales of around EUR 12 million
 - Gross margin and EBITDA-profile will be as in Sweden over time
 - CAPEX in the range of EUR 1.7 - 1.9 million
 - Average pay-back time including net working capital of 4-5 years after an establishing period
- Total potential of 15-20 stores in the Austrian market
- The start-up in Austria will have higher costs than the launch in Sweden, Finland and Denmark



Summary

- Revenue growth of 8% under demanding spring conditions
- 26% growth from E-commerce
- Gross margin influenced by tough Swedish market but solid uplift in Finland
- Cost focus compensated for a negative like for like growth
 - OPEX % of sales is higher than last year
 - But OPEX increases 9% vs. 21% increase in store base
- EBITDA of NOK 211 million and a margin of 10.3%
- Austria well on track for launch in Q3 2017



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