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XXL ASA – Q3 2017

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This presentation was prepared for the interim results presentation for the third quarter 2017, held on 25 October 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 Q3 2017

- Revenue growth of 16%
 - Like for like growth of 6%
 - E-commerce growth of 28%
- Overall normal selling seasons
- Gaining market shares in all markets
- EBITDA of NOK 252 – up 18% despite establishment in Austria
- Good cost control
- Sweden and Finland with solid progressions
- Launch in Austria proving the uniqueness of the XXL omni-channel concept



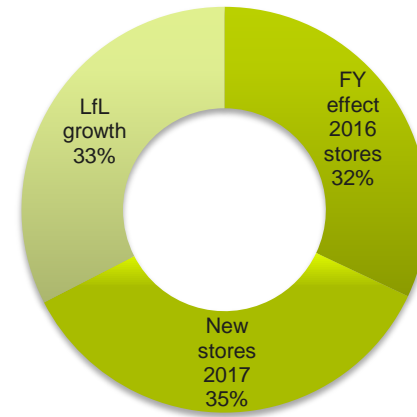
Growth drivers in the quarter

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Growth drivers
(Amounts in MNOK)

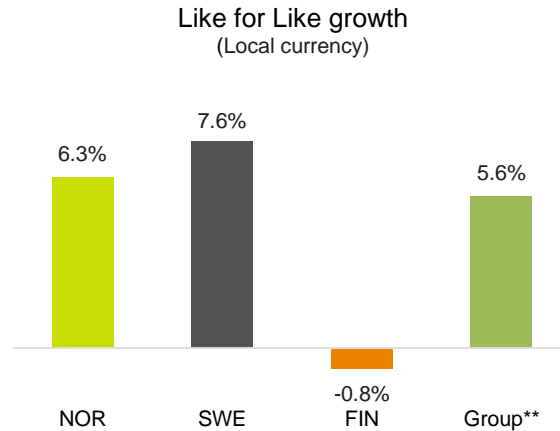
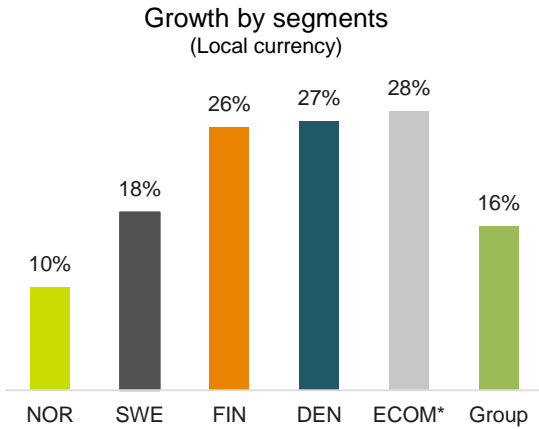


Share of growth

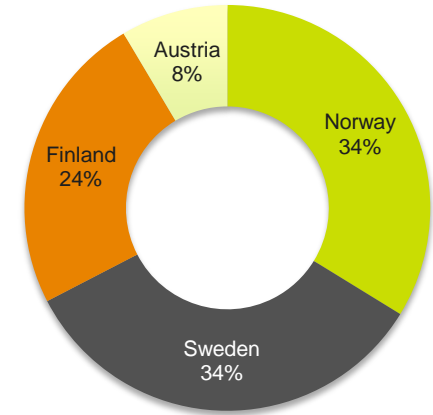


Growth split by markets

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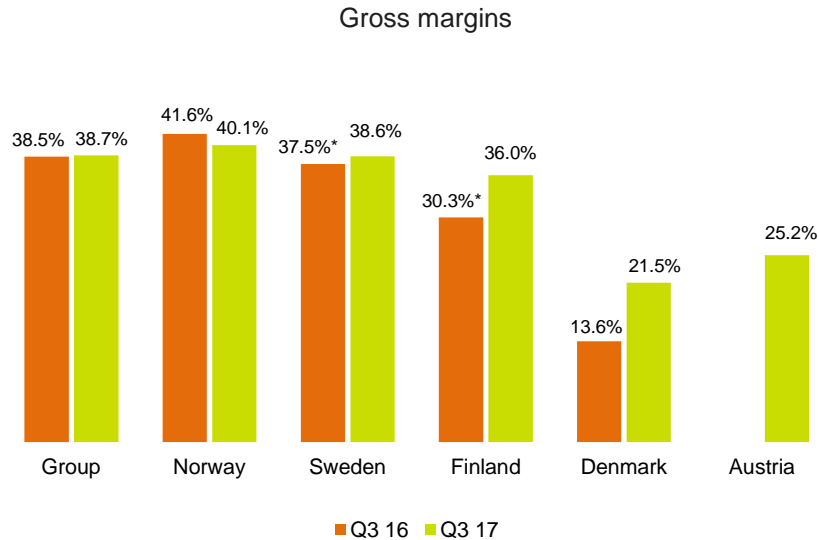


Share of growth by geography



Gross margin development

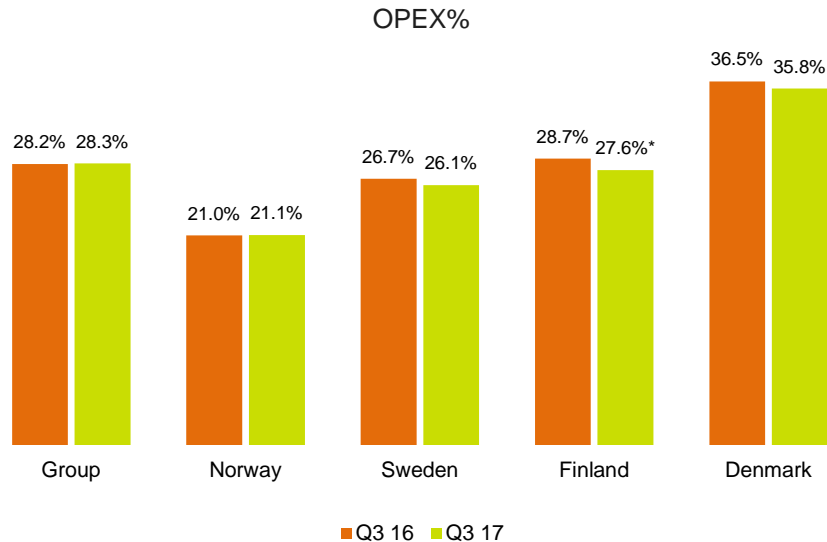
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- Group gross margin up 0.2 points YoY
- Low gross margin from opening campaigns in Austria
- More aggressive campaigns in Norway
- Sweden back on track after set back in Q2 17
- Continued gross margin improvement in Finland
- Freight rates and order value lifted the gross margin in Denmark

OPEX development

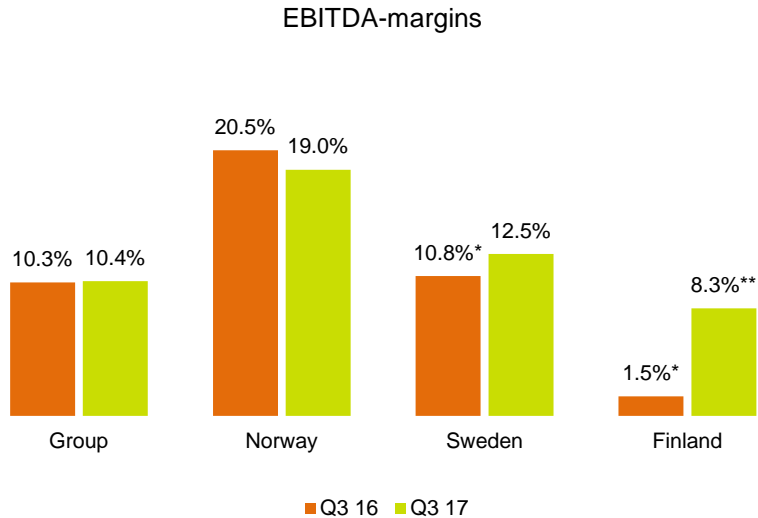
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- OPEX% stable despite the costs of establishing operations in Austria
 - OPEX% of 27.6% when excluding for Austria
- Sweden, Finland and Denmark improved
- Norway stable but some negative effects from smaller stores opened in 2016
- Many cost initiatives and fine tuning of operations over time
- Logistics segment showed scalability

EBITDA development

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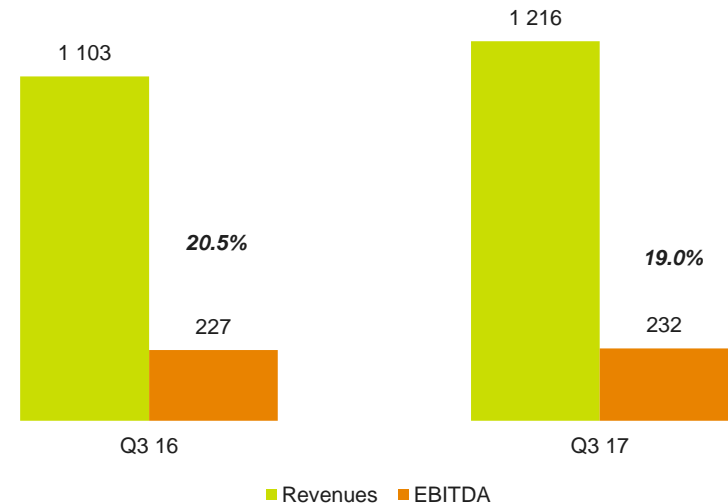
- Significant improvements in both Sweden and Finland
- Norway impacted by the lower gross margin due to more aggressive campaigns
- Group EBITDA-margin stable despite start-up costs in Austria
 - 11.1% margin when excluding for Austria

Norway – Taking market shares

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- 10% revenue growth YoY
- Like for like growth of 6.3% and 7.2% adjusted for cannibalization effects
- Gross margin impacted by aggressive campaigns to drive volumes and like for like growth
 - Down from 41.6% in Q3 16 to 40.1% in Q3 17
- Stable OPEX% despite negative effects from smaller stores opened in 2016
- EBITDA of NOK 232 million impacted by the lower gross margin

Amounts in MNOK

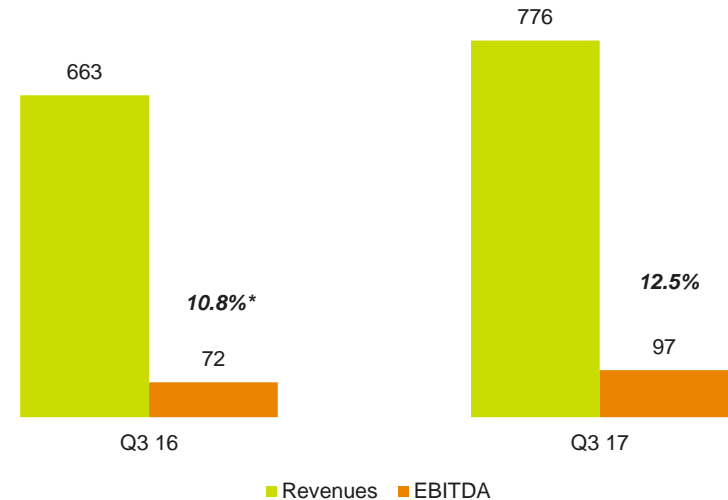


Sweden – Beating the market and striking back

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- Revenue growth of 18% YoY in local currency
- Like for like growth of 7.6% in local currency
 - Strong growth both in stores and from E-commerce
 - Sporting goods industry up 1.3% in July and 3.4% in August according to HUI Research
- Gross margin increased from 37.5%* to 38.6% YoY
 - Sound seasonal shifts
 - Improved store operations and marketing strategies
 - Reported gross margin in Q3 16 of 38.0%
- OPEX% down 0.6 points to 26.1% driven by the positive like-for-like growth
- EBITDA of NOK 97 million and a margin of 12.5%
 - Reported EBITDA of NOK 75 million and a margin of 11.3% in Q3 16

Amounts in MNOK

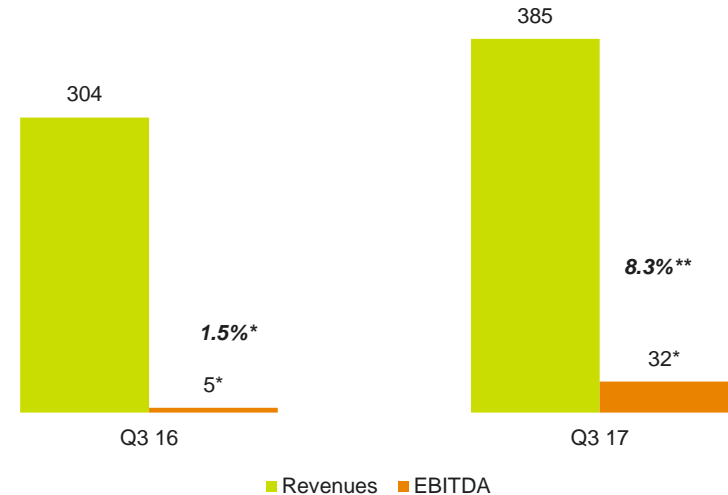


Finland – Solid margins progressions

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- 26% revenue growth YoY in local currency
 - Still challenging market conditions
 - Negative like for like growth of 0.8% in local currency
 - Taking market shares
- Gross margin improved from 30.3%* to 36.0% YoY
 - Normal seasonal shifts with autumn conditions in September
 - Improved store operations, pricing and sales strategies
 - Reported gross margin in Q3 16 of 29.1%
- OPEX% down 1.1 points to 27.6% adjusted for the positive effect of pension costs
 - Despite negative like for like growth
 - Cost efficiency and improvements over time
 - Reported OPEX% of 26.6% in Q3 17
- EBITDA of NOK 32 million and a margin of 8.3% adjusted for the positive effect of pension costs
 - Reported EBITDA of NOK 36 million and a margin of 9.4% in Q3 17
 - Reported EBITDA of NOK 1 million and a margin of 0.4% in Q3 16

Amounts in MNOK

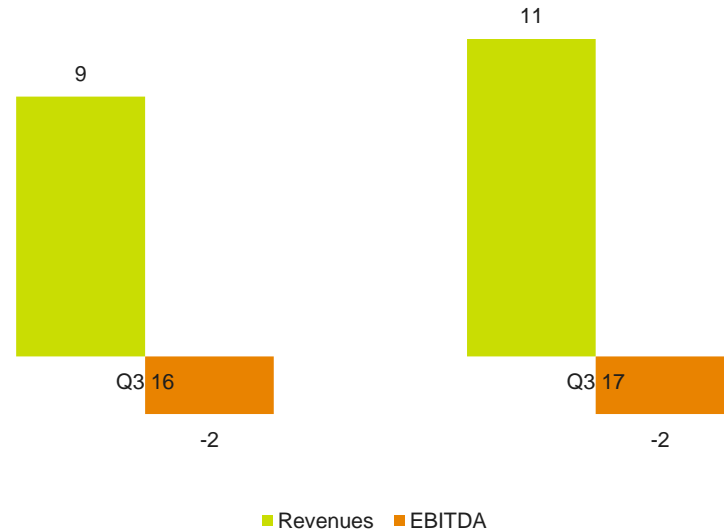


Denmark – In the right direction

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- Revenue growth of 27% YoY in local currency
- Positive development in traffic
- Freight rates and order value lifted the gross margin from 13.6% in Q3 16 to 21.5% in Q3 17
- Negative EBITDA of NOK 2 million
- Strengthened the local management with full effect from Q4 17
- XXL will evaluate to open stores over time

Amounts in MNOK



Austria – Proving the strengths of the concept

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- First store opened on 29 August 2017 in Shopping City Süd outside Vienna
 - Around 13,000 customers and NOK 8 million in sales on the opening day
- E-commerce launched through xxlsports.at on 17 September 2017
 - E-commerce sales of NOK 5 million since the launch
- Revenues of NOK 29 million after first month in operation
 - Equals 8% of the growth contribution to the Group this quarter
- Investing through campaigns and high marketing spend
 - Gross margin of 25.2%
 - Negative EBITDA of NOK 16 million but include start-up costs and launch campaigns and costs related to the second store
- Opened the second store on 9 October 2017 in Donau Zentrum outside Vienna
 - Well received opening with sales of around NOK 5 million first day
- Launch in Austria proves the uniqueness of the XXL omni-channel concept

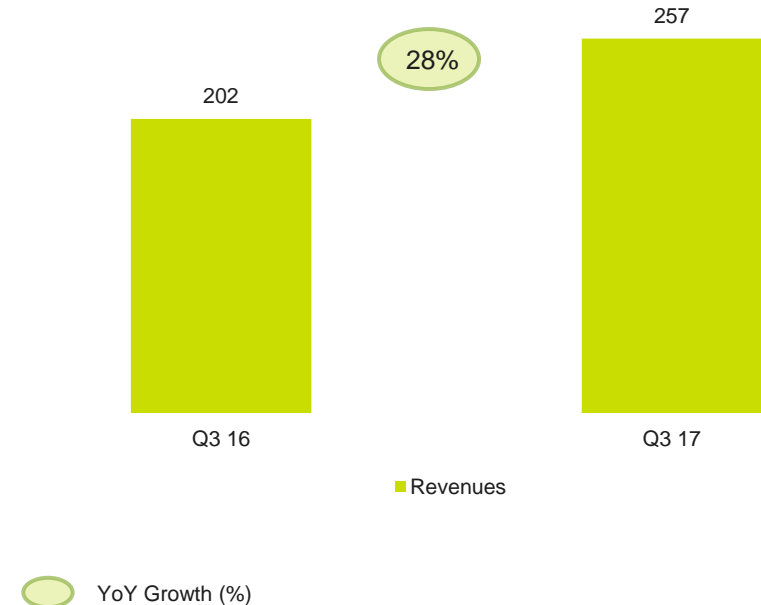


E-commerce – Ongoing improvements

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- 28% revenue growth
- All markets with strong growth
- Sweden with solid improvement
- Promising start in Austria
- 10.6% of Group sales compared to 9.7% in Q3 16
- Improved mobile loading speed and performance
- Invested in new security solutions
- Strengthened the digital organization
 - CRM manager
 - Technical system architect
- Many initiatives to come

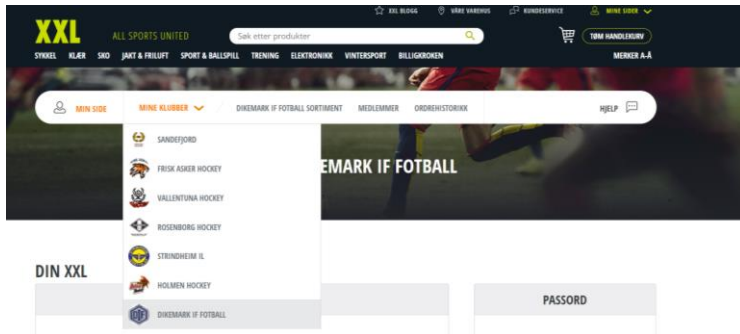
Amounts in MNOK



Team sales

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- Game changing model – pure online based
- User friendly and easy to handle for team management and the family
- Cost efficient solution – Plug&Play
 - Using what we already have in purchasing and assortment, E-commerce and logistics
 - All centralized
 - Development investments taken
- Attractive market
 - Estimate of at least NOK 3 billion in team sales in the Nordics today
 - Dominated by many local sport shops and niche players



HQ and Logistics – Scalability

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- 10% growth in OPEX compared to revenue growth in the Group of 16% YoY
- OPEX of NOK 95 million to 3.9% of Group sales
 - NOK 87 million and 4.2% of Group sales in Q3 16
- 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 6 million in Q3 17
- Evaluating new central warehouse capacity in Hearth of Europe



First online orders leaving for Austria

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 16%
- Solid like for like growth driven by both stores and E-commerce
- Stable margins despite opening Austria
- Sweden and Finland with strong improvements
- Net financials cost of NOK 23 million
 - Net interest expenses of NOK 9 million
 - Negative currency effect of NOK 9 million
 - Other financial costs
- Estimated effective tax rate of 20%

<i>Amounts in MNOK</i>	Q3 17	Q3 16	YTD 17	YTD 16
Total operating revenue	2 417	2 080	6 184	5 661
Operating income	213	181	385	450
Net financials	-23	-23	-37	-48
Profit before income tax	190	158	348	402
Income tax expense	38	34	70	88
Profit for the period	152	124	279	313

Cash flow

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- Improved working capital in Q3 17
 - Reduced purchase of goods
- Inventory per store coming down
 - NOK 37.4 million adjusted for currency effects and a store opening in the beginning of October
 - Above target of normalization of NOK 35 million but aiming to be closer to target by year end
- Investments in stores and infrastructure according to plan
- Change in financing activities related to drawn down on existing facilities
- Liquidity of NOK 577 million by the end of the quarter
- Net interest bearing debt of NOK 1 904 million
- NIBD / EBITDA of 2.4x

Cash flow

<i>(Amounts in MNOK)</i>	YTD 17	YTD 16
Cash provided by operating activities	105	27
Cash used by investing activities	-181	-160
Cash provided by financing activities	56	113
Net change in cash and cash equivalents	-20	-20
Cash and cash equivalents beginning of year	115	87
Cash and cash equivalents end of period	95	59

Changes in working capital

<i>(Amounts in MNOK)</i>	YTD 17	YTD 16
Changes in inventory	-274	-508
Changes in receivables	-11	2
Changes in payables	78	79
Prepayments of financial leases	-11	-1
Changes in other assets and liabilities	-47	7
Change in working capital	-265	-421

Outlook

- Signed 11 lease agreements for new store openings for 2017
 - 1 in Norway, 4 in Sweden, 4 in Finland and 2 in Austria
 - 6 of 11 stores opened by the end of Q3 2017
- Signed 5 new lease agreements for store openings in 2018 and aims for 7-10 new stores in total
- XXL will at all time evaluate the trend of E-commerce growth compared to opening of new stores. The required market size for a new store will be increased
- 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
 - Both gross margin and EBITDA-margin for the Group will be negatively affected by the establishment in new markets
- No changes in the outlook for Austria



Summary

- Revenue growth of 16% and like for like growth of 6%
- EBITDA of NOK 252 – up 18% and including start-up in Austria
 - And up 25 % excluding Austria
- Sweden and Finland with strong improvements
- Overall strong cost achievements
- Launch in Austria proving the strength of the XXL concept



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