

A person wearing a green jacket and a dark helmet is rappelling down a large, textured rock face. The person is holding a red rope and has one leg extended. The background shows a cloudy sky. The image is partially obscured by a large yellow arrow pointing to the right.

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Two people are standing on a rocky ledge. The person in the foreground is wearing a dark jacket and a white beanie. The person behind them is wearing a dark jacket and a black beanie. The background shows a rocky landscape with a large archway.

XXL ASA – Q4 and full year 2017

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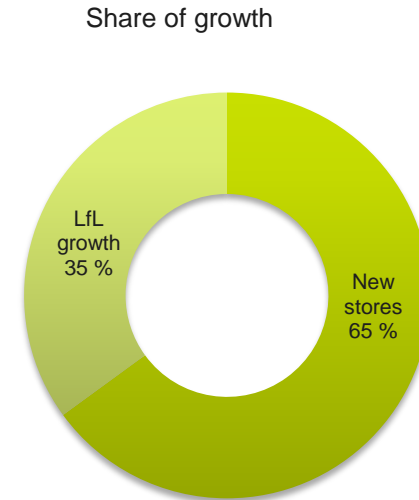
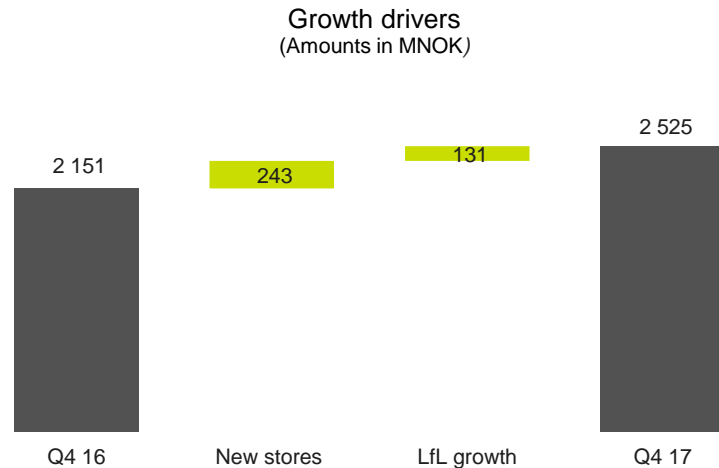
Highlights Q4 2017

- Revenue growth of 17%
 - Like for like growth of 6.5%
 - E-commerce growth of 40%
- Normal seasons and strong Black Friday activities
- Opened 5 new stores
- E-commerce now 16.0% of Group sales compared to 13.4% in Q4 16
 - New shipping and return features
 - Further improvements on security and performance on the site
 - Strengthened the organization with more technical architects
- Good cost control despite establishment in Austria
 - OPEX% of 28.9% compared to 29.1% in Q4 16
- EBITDA of NOK 332 million – up 16%
- Overall Norway standing out with strong results
- Solid start in 2018 with good winter conditions
 - Revenues increased by 26% in January 2018 to NOK 756 million
 - Significantly better gross margins



Growth drivers in the quarter

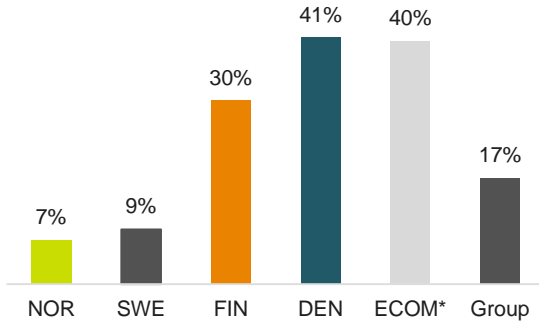
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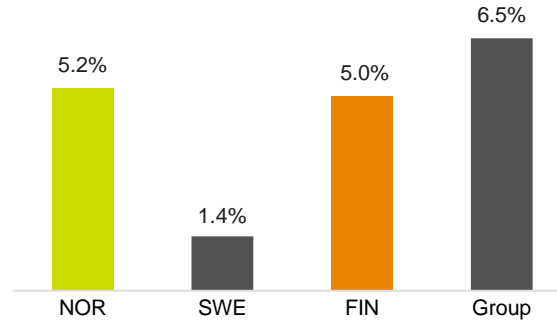
Growth split by markets

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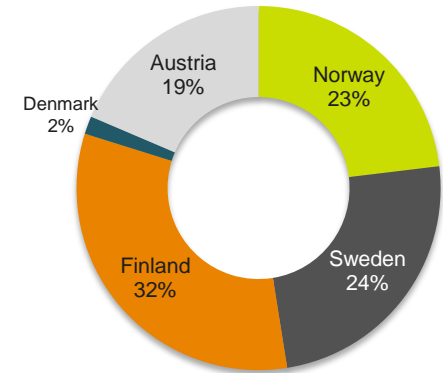
Growth by segments
(Local currency)



Like for like growth
(Local currency)

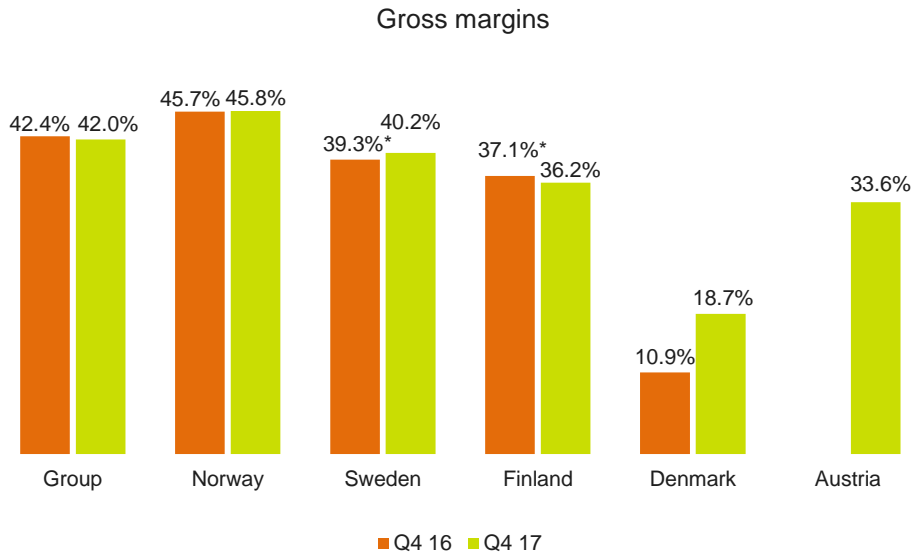


Share of growth by geography



Gross margin development

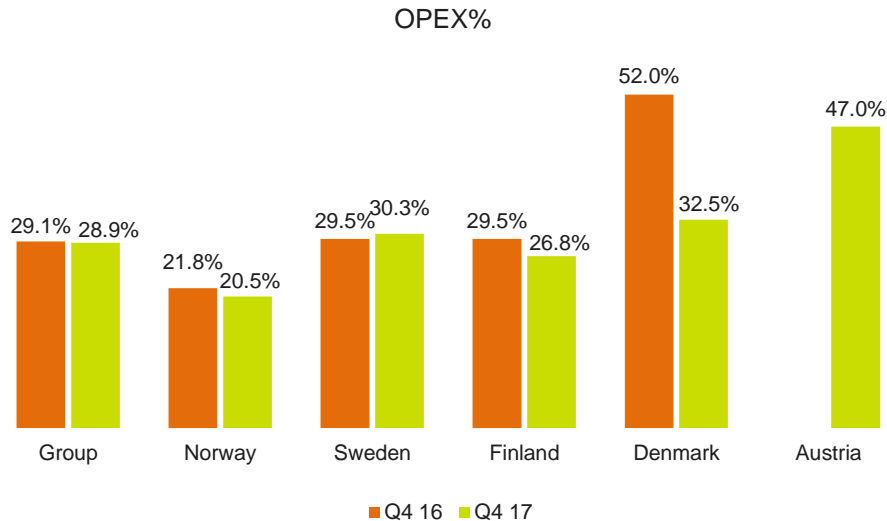
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- Group gross margin declined 0.4 points YoY
- Start-up in Austria with lower margins
- Driving volume and like for like in Finland impacting the margin
- Sweden and Denmark improved margins
- Stable margin in Norway

OPEX development

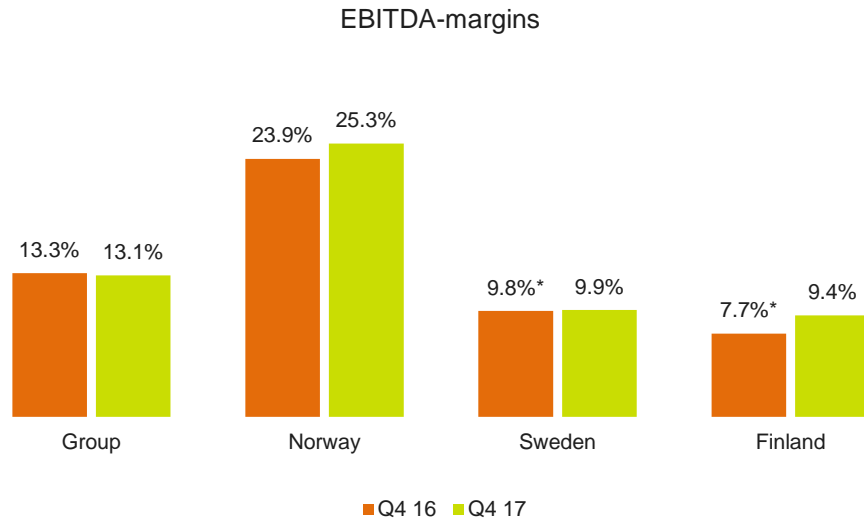
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- Group OPEX% down by 0.2 points to 28.9% YoY...
- ...despite costs of establishing Austria
- OPEX% of 28.3% excluding Austria
- Significant improvements in Norway, Finland and Denmark
- Sweden impacted by costs related to introduction of digital price tags in all stores and corresponding marketing campaigns
- HQ and Logistics showing stable OPEX%

EBITDA development

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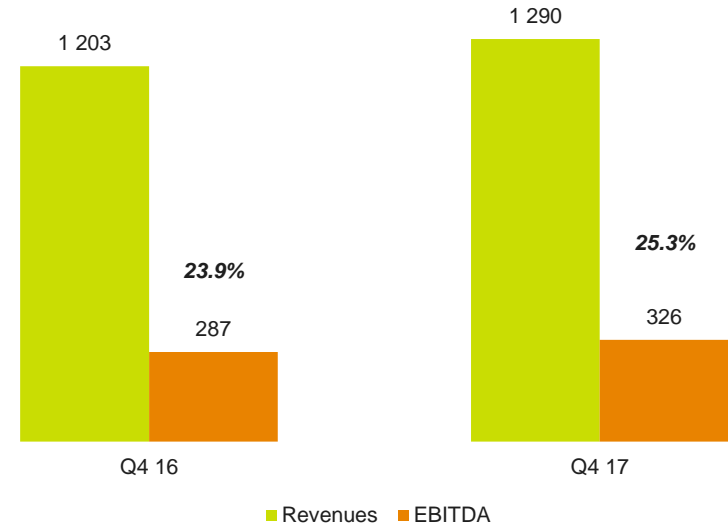
- EBITDA growth of 16% despite establishing Austria
 - 19% growth excluding Austria and EBITDA-margin of 13.9%
- Higher margins in both Norway and Finland
- Sweden with stable margin
- Overall EBITDA of NOK 332 million

Norway – Solid operational performance

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- 7% revenue growth YoY
- Like for like growth of 5.2%
- Overall good conditions
 - Some snow and cold with positive effects on December sales
 - Black Friday once again a success with solid growth
- Opened a new store - Jessheim on 31 October 2017
- Stable gross margin
- OPEX% improved by 1.3 points YoY to 20.5%
 - Opened only one store compared to three in Q4 2016
 - Better daily operations
 - E-commerce sales a larger portion of sales at lower costs
- EBITDA-margin improved by 1.4 points to 25.3%

Amounts in MNOK

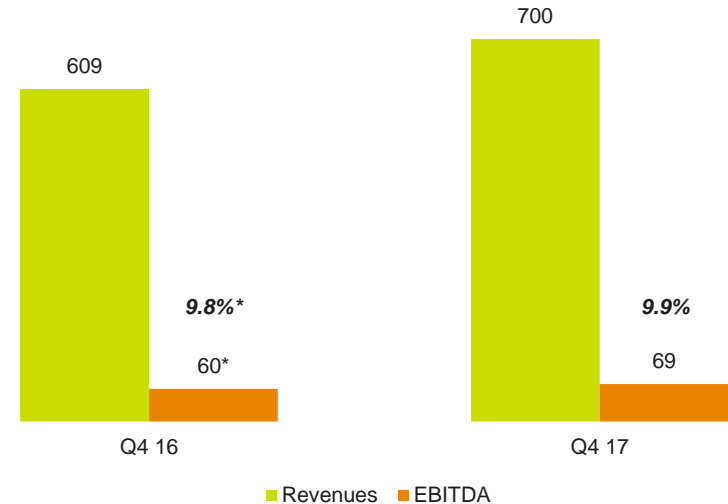


Sweden – Still a volatile market

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- Revenue growth of 9% YoY in local currency
- Like for like growth of 1.4% in local currency
- Overall retail market continues to be volatile and volumes in the quarter were impacted by a slow market
 - Sporting goods industry down 0.8% in October and up 1.7% in November and 0.9% in December according to HUI Research
- Opened a new store – Lennä outside Stockholm on 5 December 2017
- Gross margin improved from 39.3%* to 40.2% YoY
 - More cold and better selling conditions
 - Lower like for like growth
 - Reported gross margin in Q4 16 of 37.8%
- Introduced digital price tags in all stores
 - Associated marketing campaigns and costs
 - OPEX% up from 29.5% to 30.3%
- EBITDA of NOK 69 million and a margin of 9.9%
 - Reported EBITDA of NOK 51 million and a margin of 8.3% in Q4 16

Amounts in MNOK

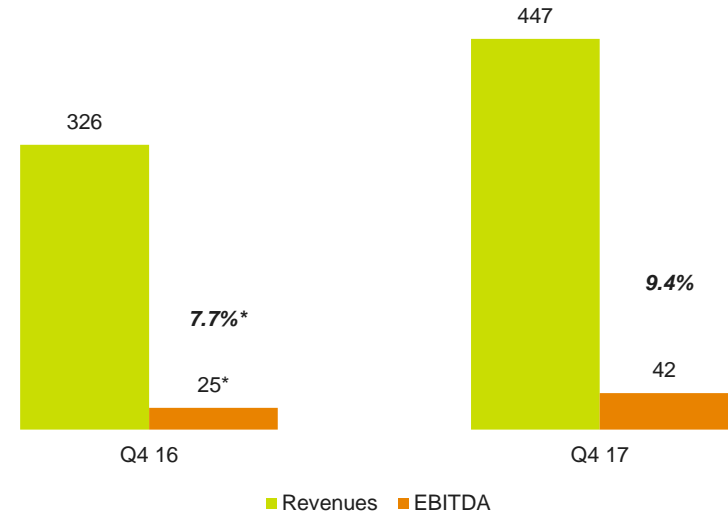


Finland – Driving volumes and LFL

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- 30% revenue growth YoY in local currency
- Like for like growth of 5.0% in local currency
- Normal seasonal changes and macro situation improving
- Opened 2 new stores
 - Kuopio on 1 November 2017
 - Pori on 15 November 2017
- Gross margin declined from 37.1%* to 36.2%
 - More aggressive campaigns than last year yielding positive like for like growth
 - Reported gross margin of 39.9% in Q4 16
- OPEX down 2.7 points YoY to 26.8%
 - Positive like for like growth
 - Good craftsmanship and cost focus over time
- EBITDA of NOK 42 million and a margin of 9.4%
 - Reported EBITDA of NOK 34 million and a margin of 10.4% in Q4 16

Amounts in MNOK



Denmark – Increased volumes and order flow

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- Revenue growth of 41% YoY in local currency
- More aggressive campaigns to take volume
 - Black Friday and Christmas sales responded well
 - Gross margin down sequentially but improved from 10.9% in Q4 16 to 18.7% in Q4 17
- Negative EBITDA of NOK 3 million
- Strong and enthusiastic team understanding the Danish market
- XXL will evaluate to open stores over time

Amounts in MNOK



Austria ~ NOK 100 million in four months

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- Revenues of NOK 69 million in Q4 17
 - First full quarter in operations
 - Equals 19% of the growth contribution to the Group this quarter
- 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
- Investing through campaigns and high marketing spend
 - Gross margin of 33.6% positively impacted by Christmas sales
 - Negative EBITDA of NOK 9 million and OPEX of NOK 33 million
- E-commerce represented above 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 – Focus on technology

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- OPEX of NOK 94 million to 3.7% of Group sales
 - NOK 81 million and 3.7% of Group sales in Q4 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 56 million in 2017
- Several new recruitments to central functions including purchasers, technical system architects and IT-resources
- Evaluating a new central warehouse capacity in Heart of Europe



Launching new omni-channel solution

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- All stock in the Group available for all customers at all platforms at all times
 - Instore stock available for sale online and vice versa
 - Instore stock available for sale in other stores
 - Cross border, cross countries
- Optimizing the value chain over time
 - Using the data and machine learning
- Piloting in Norway now in a selection of stores and online on one selected category
 - Online stock level increased with thousands of SKUs
- Further roll-out of stores, categories and countries later this year



75 physical stores also serving as warehouses in prime locations where people live – making all stock available in all channels

Before

STØRRELSE:				
40 2/3	40	41 1/3	42 2/3	42
43 1/3	44 2/3	44	45 1/3	46 2/3
46	47 1/3	48	49 1/3	

With new solution

STØRRELSE:				
40 2/3	41 1/3	42 2/3	42	43 1/3
44 2/3	44	45 1/3	46 2/3	46
48				

Highlights 2017 - Group

- Revenue growth of 12% to NOK 8.7 billion
 - Like for like growth of 0.5%
 - E-commerce growth of 32%
 - Positive 2H 17 and challenging 1H 17
- Opened 11 new stores
- E-commerce equaled 12.9% of Group sales (10.9% LY)
 - Strengthened the organization
 - Improved mobile loading speed and performance
 - Retargeting solutions and new analytical tools
 - New front-end website in Russian
 - Implemented a new customer service system – faster response times, automatization and improved customer experience
- Established operation in Austria proving the uniqueness of the XXL omni-channel model
 - NOK 98 million in sales in four months of operations
 - According to plan with high marketing and low margins
- EBITDA-margin of 9.5% (10.5% LY)
 - Establishment of Austria – adjusted for this the margin was 10.0%
- Gaining market shares in all markets
- The Board of Directors will propose a dividend of NOK 2.00 per share for 2017



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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■ Q4 2017

- Revenue growth of 17%
- Good cost control despite establishment in Austria
- Norway standing out with good results
- Net financials with positive currency effect of NOK 9 million

■ 2017

- Revenue growth of 12%
- Driven by new stores and E-commerce
- Growth and profitability coloured by difficult 1H
- Establishment in Austria with NOK 33 million negative EBITDA effect
- Net financials with positive currency effect of NOK 11 million
- Effective tax rate of 20.0% for 2017
- Net profit of NOK 502 million

<i>Amounts in MNOK</i>	Q4 17	Q4 16	2017	2016
Total operating revenue	2 525	2 151	8 709	7 813
Operating income	285	247	670	697
Net financials	-5	-6	-42	-55
Profit before income tax	280	240	628	642
Income tax expense	56	38	126	126
Net profit	224	203	502	516

Cash flow

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- Strong cash flow generation of NOK 386 million compared to NOK 4 million last year
 - Improved working capital
- Inventory per store still too high
 - Increased purchase of winter related products
 - NOK 38.8 million adjusted for currency effects
 - Above target of normalization of NOK 35 million but aiming to be closer to target by end of 1H 18
- Investments in stores and infrastructure of NOK 304 million including a new store concept and establishment of operations in Austria
- Liquidity of NOK 798 million by the end of the year compared to NOK 151 million by the end of 2016
- Net interest bearing debt of NOK 1 691 million
- NIBD / EBITDA of 2.0x

Cash flow

<i>(Amounts in MNOK)</i>	2017	2016
Cash provided by operating activities	491	31
Cash used by investing activities	-304	-239
Cash provided by financing activities	11	243
Net change in cash and cash equivalents	198	36
Cash and cash equivalents beginning of year	115	87
Cash and cash equivalents end of period	314	115

Changes in working capital

<i>(Amounts in MNOK)</i>	2017	2016
Changes in inventory	-495	-777
Changes in receivables	-82	14
Changes in payables	309	73
Other changes	34	115
Change in working capital	-234	-575

Dividends 2017



- The Board of Directors will propose a dividend of NOK 2.00 per share
- Equals 56% of net income 2017
- Dividend policy going forward in the range of 40-50% of net income
- Maintained at the same level on per share basis as previous years
- Following the resolution by the Annual General Meeting on Wednesday 6 June 2018, the XXL ASA share will be traded ex dividend on Thursday 7 June 2018

<i>Key information relating to the proposed cash dividend</i>	
Dividend amount	NOK 2.00 per share
Declared currency	NOK
Last day including right	6 June 2018
Ex-date	7 June 2018
Record date	8 June 2018
Payment date	3 July 2018
Date of approval	6 June 2018

Outlook

- Revenue increase of 26 per cent in January 2018 to NOK 756 million
- 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. The aim for 2018 is 7-10 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 a new store 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 17% and a like for like growth of 7%
 - E-commerce with strong growth
 - Norway standing out with good results
- Good cost control despite establishment in Austria
- Austria according to plan
- Norway standing out with good results
- EPS of NOK 3.63 for 2017
- Strong cash flow generation
- The Board will propose a DPS of NOK 2.00 for 2017
- Increased omni-channel functionality and hired more technical employees



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XXL ASA – Q4 and full year 2017