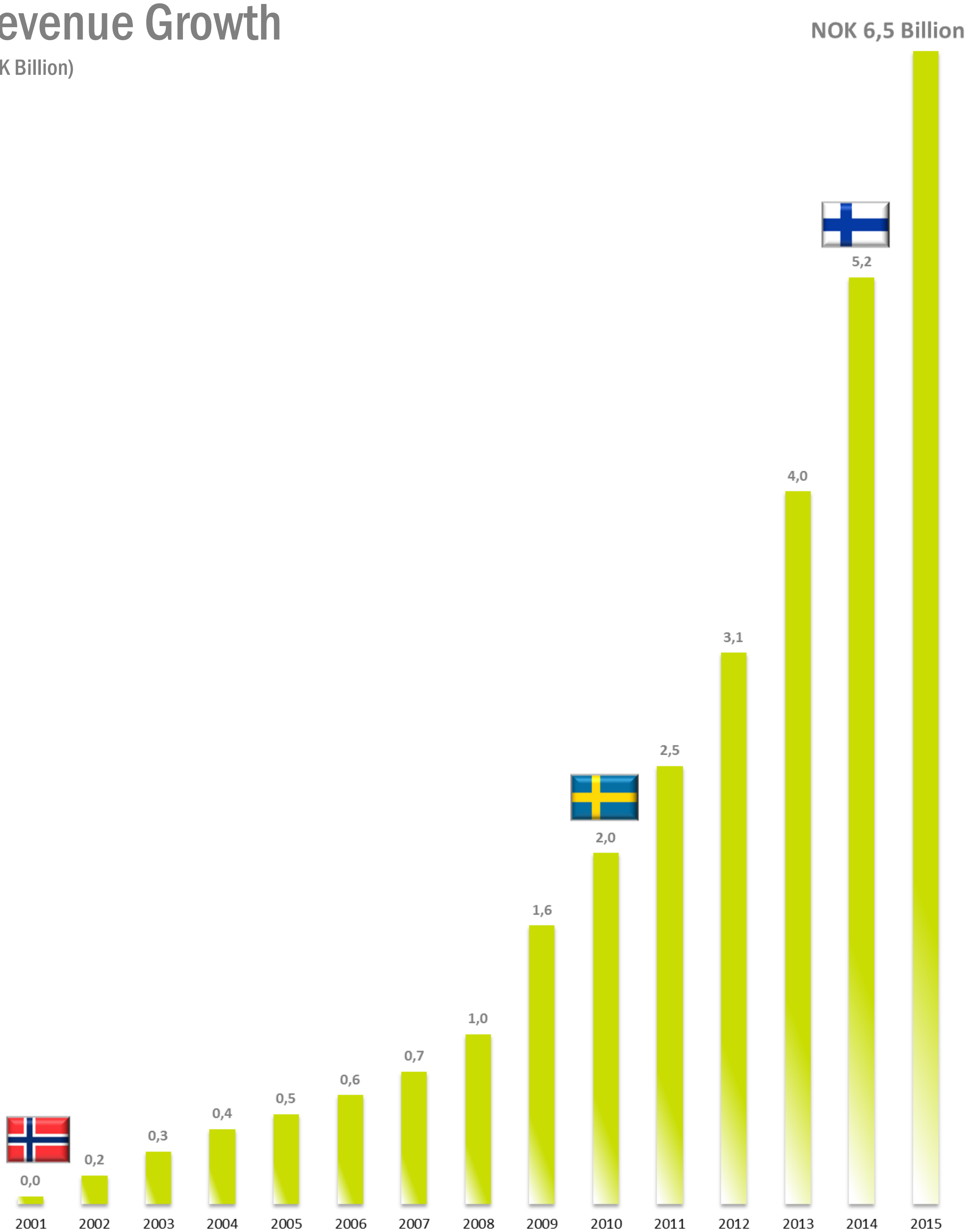
XXL ASA
ANNUAL REPORT 2015

Revenue Growth

(NOK Billion)



Content

HIGHLIGHTS

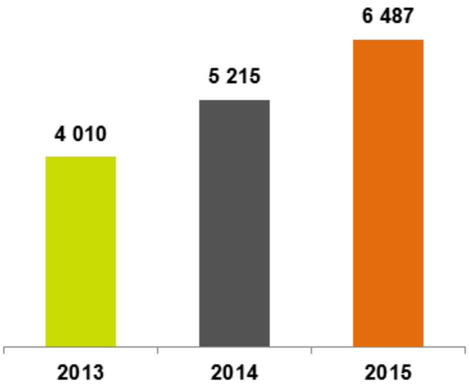
- Total revenues of NOK 6 487 million (NOK 5 215 million), up 24 per cent
- E-commerce growth of 71 per cent
- EBITDA increased by 14 per cent to NOK 725 million (NOK 636 million)
- Opened eight new stores including a brand new XXL Outlet concept
- Exceeding 3 500 employees

2015
Growth

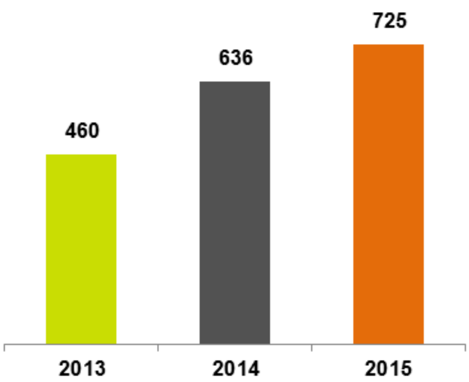
Revenue
+24%

EBITDA
+14%

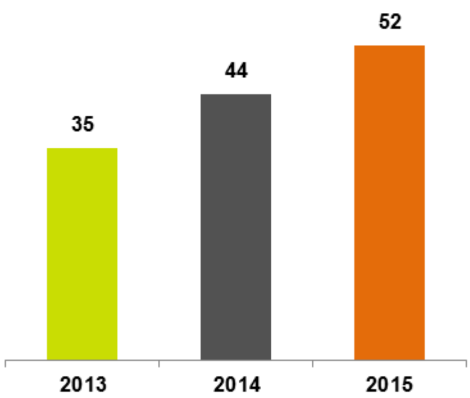
OPERATING REVENUES
(Amounts in MNOK)



EBITDA*
(Amounts in MNOK)



NUMBER OF STORES



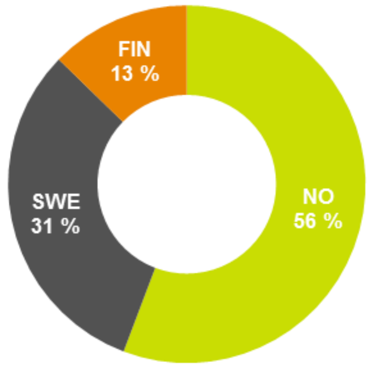
*EBITDA before One-Off costs

KEY FIGURES

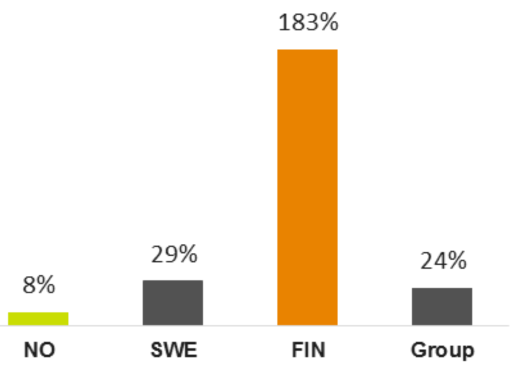
(Amounts in NOK million)	**FY 2015 Audited**	FY 2014 Audited
GROUP		
Operating revenue	**6 487**	5 215
Growth (%)	***24,4 %***	*30,1 %*
Gross profit[4]	**2 579**	2 132
Gross margin (%)	***39,8 %***	*40,9 %*
EBITDA[2]	**725**	636
EBITDA margin (%)	***11,2 %***	*12,2 %*
One-offs	**0**	-36
EBITDA[2] (incl. One-offs)	**725**	601
EBITDA margin (%) (incl.one-offs)	***11,2 %***	*11,5 %*
EBIT[1]	**634**	521
EBIT margin	***9,8 %***	*10,0 %*
**Basic Earnings per share (NOK)	**3,08**	1,53
**Average number of shares (1 000 shares)	**138 512**	171 434
Net cash flow from operating activites	**352**	325
Like for like revenue growth incl. E-Commerce	**7,7 %**	8,2 %
Number of stores at quarter end	**52**	44
SEGMENT		
Norway		
Operating revenue	**3 617**	3 341
Growth (%)	***8,3 %***	*15,9 %*
Gross profit[4]	**1 529**	1 449
Gross margin (%)	**42,3 %**	43,4 %
EBITDA	**763**	741
EBITDA margin (%)	***21,1 %***	*22,2 %*
One-offs	**0**	-15
EBITDA[2] (incl. One-offs)	**763**	726
EBITDA margin (%) (incl.one-offs)	**21,1 %**	21,7 %
Number of stores at quarter end	24	23
Sweden		
Operating revenue	**2 045**	1 582
Growth (%)	***29,2 %***	*40,7 %*
Gross profit[4]	**783**	592
Gross margin (%)	**38,3 %**	37,4 %
EBITDA	**188**	112
EBITDA margin (%)	***9,2 %***	*7,1 %*
Number of stores at quarter end	20	17
Finland		
Operating revenue	**825**	292
Growth (%)	***182,6 %***	**N/A**
Gross profit[4]	**268**	91
Gross margin (%)	**32,5 %**	31,2 %
EBITDA	**19**	-6
EBITDA margin (%)	***2,3 %***	*-2,2 %*
Number of stores at quarter end	8	4
HQ & logistics		
Operating revenue	**0**	0
EBITDA[2]	**-244**	-210
EBITDA margin (% of Group revenues)	***-3,8 %***	*-4,0 %*
One-offs	**0**	-21
EBITDA[2] (incl. One-offs)	**-244**	-231
EBITDA margin (% of Group revenues) (incl.one-offs)	***-3,8 %***	*-4,4 %*

**Earnings per share: See Note 14
Footnotes and definitions are described in the end of the report

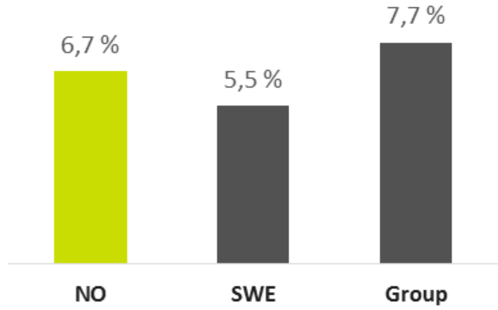
REVENUE SPLIT 2015



GROWTH BY COUNTRY



GROWTH BY COUNTRY , LIKE FOR LIKE
(LOCAL CURRENCY)



CEO comment

XXL is all about people. The foundation of the concept is dedicated and motivated employees with a common goal of providing our guests with the best service in the industry. Together we are the most powerful and cost efficient business model in the sports retail industry which provides for the lowest prices in the market. Over a short time frame XXL has created a market leader position in the Nordics focusing on the best and newest products from well known brands. We think our model is strong and scalable for further European expansion over time.

For the year 2015 XXL delivered an EBITDA of NOK 725 million representing a significant improvement from 2014. These solid results are delivered by all the dedicated and motivated XXL employees having fun at work every day.

XXL had a good year in 2015 with strong growth in all markets. Total operating revenues for the year increased by 24 per cent to NOK 6.5 billion. The growth is driven by E-commerce, like-for-like growth and new stores. E-commerce increased by 71 per cent in 2015 and XXL opened 8 new stores. The like-for-like figure for the Group came in at 4.7 per cent and the figure is 7.7 per cent when including E-commerce.

In 2015 XXL doubled the store base from 4 to 8 stores in Finland, capturing the three most important cities in the country. The operation delivered positive EBITDA of NOK 19 million for 2015 which is the first full year of operation. This represents a solid achievement by an organization with a well developed XXL culture and a cost focused mindset.

The Swedish market is still a volatile market and XXL achieved a growth of 24 per cent in local currency in 2015 with increased market shares. Better store operations and reduced costs due to synergies across the organization improved the EBITDA-margin from 7.1 per cent in 2014 to 9.2 per cent in 2015.

XXL improved the market position in Norway in 2015 under challenging market conditions. More campaign activities contributed to a growth of 8 per cent and a sound like-for-like growth of 3.9 per cent, but impacted the gross margin negatively. We are therefore pleased with maintaining the cost level for 2015 on par with the 2014 level.

We are building a robust omni-channel operation with a scalable organization. XXL is continuously working on improvements of the online offering. We launched a new mobile check-out service in 2015, as well as established a new search engine on the sites, both with good results on conversion rates. Pick-up at store is now installed in all stores in the Group. Continuous building customer database is an important effort and will form the basis for the ongoing increased focus on digital marketing, retargeting, personalization and improved customer service. With this in hand XXL is well on the way to become the market leader in the Nordics and has potential of being a top player in the European sports retail market.

Logistics and our two central warehouses represent the heart of XXL's well functioning value chain. In 2015 XXL doubled the capacity at the central warehouse in Sweden from 20 000 to 40 000 square meters, making us ready to conquer new geographies and customers both in stores and online. Headquarter and logistics costs for the year improved to 3.8 per cent of Group sales, compared to 4.0 per cent in 2014.The improvement is driven by cost focus, scalability and "controlling the details".

The most important competitive advantage of XXL is the low cost position of the company and we believe there is a positive correlation between being a sustainable company and doing profitable business. In 2015 XXL further strengthened the sustainability work in all the operations by training of employees, thorough supplier assessment processes and focus on product quality and safety.

For the year 2015 XXL Children's Foundation focused on the immediate rescue operations after the earthquake in Nepal by donation of sleeping bags, tents and other equipment. The fund also donated goods to refugees in Lesvos, Greece and to local initiatives for refugees in Norway. Further the fund provided another NOK 0.5 million to the organization Bring Children from Streets and the project First Lady School, for finalizing the school for children in Uganda.

Going forward the main priorities spin around improving the omni-channel experience for our guests. XXL will always focus on efficiency improvements because the one with the lowest costs will win. By doing so XXL will be able to further grow the business. We will continue to open new stores in attractive locations but never loose sight of growth from existing stores. Future success depends on the common effort of all and that is why the most important priority is to invest in our employees. XXL is all about people.

Fredrik Steenbuch
CEO

Historical milestones

XXL is a growth company with a short, but successful history. XXL entered the Norwegian market in 2001 with a new, large unit store format that became a game changer in the sports retail market. Through cost efficient operations and a broad product range, XXL has quickly grown to be the leading distribution channel for sports, outdoors and wilderness in the Nordics. Important milestones on this achievement are listed below

2000	XXL was founded by Øivind Tidemandsen
2001	The first XXL store was opened in central Oslo
2002	XXL's Norwegian webpage was launched
2001-2005	XXL opened 6 stores and a central warehouse in Norway
2007	XXL reached a 10 per cent market share (source: Sportsbransjen 2007) in Norway with 8 stores
2008-2009	XXL opened 6 stores in seven months
2010	Private equity company EQT acquired a majority stake in XXL
2010	XXL opened the first 3 Swedish stores during a three month period
2011	Opened central warehouse at Gardermoen, Norway, replacing the old central warehouse
2012	XXL's Swedish webpage was launched
2012	XXL gained a 20 per cent market share (source: Sportsbransjen 2012) in Norway with 18 stores
2013	XXL became the market leader in Norway with a 24 per cent market share (source: Sportsbransjen 2013) and 22 stores
2013	XXL established a central warehouse in Sweden for distribution in the EU
2014	XXL entered the Finnish market with 1 store and launch of Finnish website
2014	XXL achieved 25 per cent market share in Norway (source: Sportsbransjen 2014)
2014	XXL achieved 15 per cent market share in Sweden (source: Sportfack 2014)
2014	Successful IPO of XXL ASA at Oslo Stock Exchange
2015	XXL gained a market share of above 10 per cent in Finland in May (source: TMA) with 6 stores
2015	Private equity owner EQT sold their remaining shares in XXL ASA
2015	XXL opened the first XXL Outlet store, in Charlottenberg Sweden

About XXL ASA

The XXL concept is to have the largest stores with the lowest prices and the widest assortment of products, focusing on well-known quality brands. XXL pursues a broad customer appeal, both in the stores and online, offering a wide range of products for sports, hunting, skiing, biking and other outdoor activities, as well as sportswear, shoes and health & fitness products. XXL is the leading and fastest growing sports retailer in the Nordics with stores and e-commerce in Norway, Sweden and Finland.

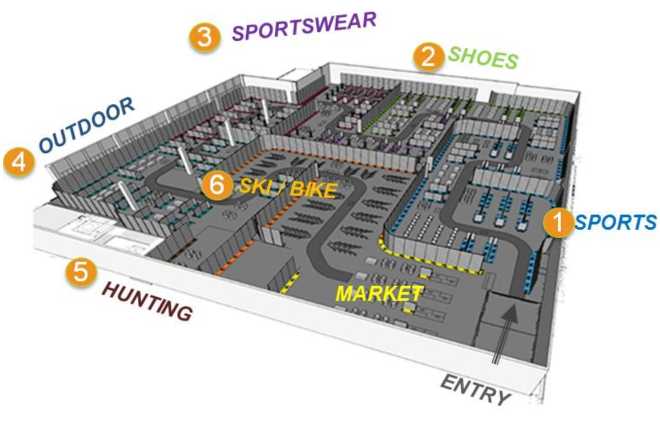
The business is based on trained, skilled and enthusiastic employees strengthening the XXL brand every day. Motivated employees are crucial to maximizing customer satisfaction. XXL has a strong, performance-based culture throughout the organization. The core objective revolves around customer satisfaction and cost consciousness and thereby maximization of the Group's profitability. When XXL open a new store, around 50 young new employees are recruited. We experience solid interest to these positions, often above 2 000 applicants. XXL is an attractive employer.

Value chain
We have a disruptive scalable retail model that drives efficiency and cost leadership. This model is a result of a large unit store format, controlled value chain, efficient logistics, centralized purchasing and a fully integrated IT system resulting in a low cost operating structure, which allows us to offer products at low prices.

XXL owns and operates all of our stores without joint venture or any franchise arrangements. This means that the Group has control of the product flow with continuous tracking of key performance metrics such as sales data and inventory levels. XXL maintains central purchasing and distribution functions to manage inventory planning, allocate flow of goods to the stores and oversee the replenishment of goods to the central warehouses. The integrated value chain facilitates simple and lean operations, which results in low costs.

We have, and strive to maintain, lower operating expenses than the all competitors. This is achieved by XXL's scale, integrated value chain and a continuous focus on costs. The Group exercises tight control over store-level expenses, central warehouse expenses, real estate costs and corporate overhead. The cost consciousness and low cost base is critical to XXL as it enables XXL to meet competition by delivering price leadership. Moreover, it has enabled XXL to have higher EBITDA margin than its Nordic competitors over time.

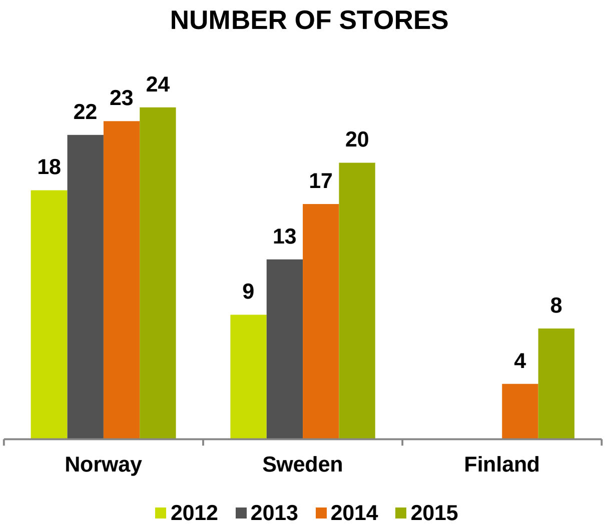
Store concept
XXL stores aim at simplicity with highly uniform store layouts, a high degree of overlap in product ranges across stores and a lean cost structure. Each XXL store features specialist stores within a store concept for 1) sports, health & fitness, 2) shoes, 3) sportswear, 4) outdoor, 5) ski/bike and 6) hunting. The ski/bike store changes in accordance with the relevant season and XXL has the flexibility of changing assortment quickly when needed. The fully integrated model of XXL with a centralized purchasing function has the ability of shifting goods to regions with the highest demand and rapidly switching from winter to summer assortment. XXL also places a strong emphasis on maximizing customer convenience with respect to the entire shopping experience, from accessibility and parking to customer service and product placement. XXL uses a comprehensive product information system which allows customers to easily assess where products are located, with the key facts on each product. This leads to a high degree of self-service among customers and an efficient use of skilled staff. The Group focuses on providing the best customer service with trained category specialists for each section of the store.



XXL had in total 52 stores at the end of 2015, 24 stores in Norway, 20 stores in Sweden and 8 stores in Finland. One of the stores in Sweden is located at the boarder to Norway, in Charlottenberg. This is branded as XXL Outlet, which is a new store concept that XXL introduced in 2015, with heavy discounting and clearance of goods. For XXL it is also a way of further utilizing the value chain, central warehouse and existing organization.

The majority of the Group's stores are located in shopping centers and retail parks in high-density residential areas, with a substantial number of potential customers in the surrounding area and convenient access to transportation. XXL leases all of its stores. XXL has successfully opened new stores in city centers as well as suburban areas. In larger cities such as Oslo, Bergen, Stockholm and Helsinki, XXL has opened more than one store. This allows us to take advantage of local synergies for example in respect of marketing. Local infrastructure, the presence of competitors, the condition of available buildings for lease (i.e. technical standard, features and size) and the logistical fit into XXL's support system are important factors in selecting locations for new stores. In addition XXL has a strong focus on cost-efficiency and synergies when rolling out new stores.

Store development per country:



E-commerce and omni-channel

XXL operates websites for e-commerce in Norway, Sweden and Finland with xxl.no, xxl.se and xxl.fi. XXL believe that the strong brand name and customer recognition offline is advantageous to the online offering and vice versa. With our state of the art logistics and IT-systems, as well as an experienced and efficient purchasing team with strong supplier relationships, XXL has a robust backbone structure to support the e-commerce expansion. Consequently, XXL is in a strong position to build a true omni-channel platform offering a broad range of branded goods at the lowest price, providing valued customer service across all channels. Omni-channeling provides for a high degree of flexibility for the customer and also allows XXL to effectively use customer data to optimize marketing and facilitate cross-selling and up-selling. We are continuously working on strengthening the omni-channel offering to drive visitors and transactions online. Amongst the steps in this process are further refinement of the webpages, increased product range offering, customer relationship set-up and customer service improvements, delivery and optimizing logistics. In 2105 XXL introduced pick-up at store services in all the physical stores of the Group, enabling online shoppers at XXL to retrieve their goods in the nearest store.

The websites are an extension of the XXL brand and work as platforms for marketing of the brand as well as product education. XXL uses multiple channels to drive traffic to the websites, including newspaper ads, marketing material in the retail stores, search engine marketing, internet ad placement, social media and email marketing such as weekly newsletters. The websites are also used to provide information on upcoming events, promotions, new products and store locations.

The websites feature a similar range of products as offered in the stores at generally the same prices as in the physical store. However, due to the dynamics in the online market, certain prices may be reduced for online sale to meet competition and to enable XXL to keep its price promise.

Products

XXL aims to offer a full assortment of branded goods for a wide range of sports and outdoor activities. The product range includes branded goods from more than 400 suppliers, including well-known international brands and strong national brands. Our product ranges are tailored to meet national brand preferences and local conditions at low prices. We compare our prices to competitors on a daily basis and seek to offer customers the lowest prices at all times. The Group has a high degree of overlap in product ranges in the stores, but there are certain local and national differences in products and brand offerings due to demand and trends. The range of products available in XXL's stores and on the websites is based upon market development, customer preferences and our understanding of evolving customer needs.

XXL strives to offer a full range of equipment and clothing for almost all sports and outdoor activities. The Group pays close attention to the performance of each product and product category and makes continuous adjustments to the product range. The purchase department centrally decides the product assortments, quantities in the stores and price for the products. The Group purchases branded goods from an extensive list of major sporting goods suppliers.

XXL also offers a limited range of products under private labels to complement the branded product range, mainly for brand insensitive products with relatively low price points.

Around 6% of the operating revenues in 2015 related to sales of private label goods.

The products are organized into six product categories to match the stores-in-store model.

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- Sports, health & fitness covers sports equipment and sportswear for a number of sports including football, golf, water sports, racket sports and ice hockey to mention a few. It also covers fitness equipment like treadmills and rowing machines, as well as food supplements and nutrition.

  - ✓ This category include brands such as Puma, Babolat, O'Neill, Tech, Wilson, Stiga, Nike, Bergans, Adidas, Bauer, CCM, Helly Hansen, Maxim

- Shoes include all types of sports-related and outdoor shoes and offer a variety of technical performance capabilities, including different levels of support, waterproofing and temperature control. XXL also offers a wide range of shoes accessories.

  - ✓ Shoes includes brands such as Converse, Asics, Merrel, Nike, Puma, Adidas, Salomon, Scarpa, Sorel, Viking and Mizuno

- Sportswear is a wide assortment of clothes for men, women and children for outerwear, casual wear, sportswear and technical gear and swimwear to name some. XXL's sportswear selection has performance attributes such as waterproofing and temperature control.

  - ✓ Sportswear products include brands such as Helly Hansen, Bergans, Haglöfs, Swix, Reima, Nike, Casall and Adidas.

- Outdoor stocks a wide range of products to cater for fishing, wilderness living and camping, such as tents, lavvos, sleeping bags, backpacks, cooking equipment, GPS and maps as well as climbing gear and equipment for horses and dogs.

  - ✓ Outdoor products include brands like Sølvkroken, Penn, Shimano, Helsport, Rider, Lundhags, Real Turmat, Meindl, Crispi, Scarpa, Bergans, Halti, Silva, Haglöfs and Abu Garcia.

- Skis & Bikes is the product category with the most seasonal fluctuations. This category covers skis and ski accessories, such as shoes, sticks, clothes and other equipment needed for cross-country and downhill skiing as well as snowboarding. On bikes the Group offers both high-end and everyday bikes for children, women and men as well as bike equipment such as helmets, shoes, spare parts and clothes. The Group sells a wide range of bikes such as hybrid bikes, mountain bikes, city bikes and electric bikes.

  - ✓ This category includes brands like Scott and Merida, Atomic, Fischer, Rossignol, Rottefella, Swix, Oakley, Madd, Giant, Head and Madshus.

- Hunting includes firearms and ammunition, clothes, binoculars, GPS equipment, knives and axes.

  Brands in this category include Garmin, Beretta, Norma, Zeiss, Blauser, Chevalier, Bergans, Fiocchi, Umarex, Nikon, Commaster and Proequip.

Services
Due to the Group's scale and highly efficient logistics setup, XXL is able to offer low prices and a price promise. If a product is found at a lower price within 30 days of purchase from XXL, the customer is entitled to a refund of the difference. XXL also have a 100 percent satisfaction guarantee in Norway and Finland of which a customer who is not satisfied with a product may exchange it for another product within the same product category within 30 days of purchase. In addition unused products with receipt of purchase may be exchanged or fully refunded within 100 days of purchase (up to 365 days in Sweden). Keeping costs low is critical for XXL to be able to maintain its price strategy of having the lowest prices at all times.

Marketing
XXL recognizes the value of powerful marketing and has adopted an aggressive marketing strategy with an aim to be the dominant force across targeted channels. The marketing activities mainly focus on smart marketing across channels to

build brand awareness, increase customer loyalty, attract new customers and facilitate entry into new markets with new stores. Marketing activities principally relate to the promotion of XXL's stores and websites. We employ a range of marketing tools with direct marketing through weekly printed newsletters as the backbone of the marketing strategy. We also use newspaper ads, TV-commercials and different digital marketing. The distribution channels for XXL marketing material is under substantial change where the existing print and TV marketing is under pressure. XXL will focus more on digital marketing channels in addition to the existing channels in a transition phase going forward.

Sourcing and purchasing
XXL operates with a category focused purchasing model across countries. The Group's purchasing managers have full responsibility and discretionary power over their product category, including negotiations with suppliers. The purchasing manager is responsible for all products in his/her category throughout the value chain, also covering marketing and providing input on in-store placement. This makes the purchasing process efficient and flexible, enabling XXL to adapt to trends and meet demand for new products.
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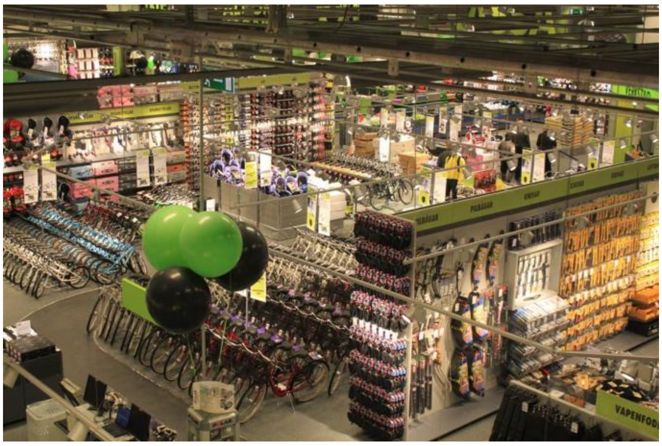


To ensure that the Group's product offerings are tailored to local market conditions and demand, the Group's purchasing managers regularly meet with the Group's vendors, review trade sales and evaluate merchandise offered by other sports retailers. In addition, they frequently is gathering feedback and new product reviews from store management and employees, as well as reviews submitted by the Group's customers.

XXL purchases goods form suppliers inside and outside the EU. The Group's purchasing vehicles are XXL Grossist Norge AS for Norway and XXL Europe GmbH for countries outside Norway. All of the purchases of the Group are made by one of these two companies. Merchandise is sold by XXL Grossist Norge AS to XXL Sport & Villmark AS for further distribution to Norwegian stores and internet sales in Norway, and similar sold by XXL Europe GmbH to XXL Sport & Vildmark AB in Sweden and XXL Sport and Outdoors OY in Finland. The Group's private label products are produced by manufacturers abroad, mainly in Asia.

Logistics and distribution

The Group has two central warehouses, one at Gardermoen Norway (outside EU) and one in Örebro Sweden (inside EU). The Norwegian warehouse serves the Norwegian market, the Swedish serves Sweden and Finland and has capacity of serving the first steps of entry into new European markets. Both warehouses are equipped with state of the art robotics (Autostore) which allows them to operate in an efficient and cost effective way. In addition XXL has developed customized order packing and shipping processes tailored to meet the specific requirements of the e-commerce business.

XXL has centralized inventory management which employs a customized min-max system for in-store inventory levels to enable high inventory turnover and optimal in-store inventory levels. The central inventory management system performs continuous in-store inventory checks and redefines the min-max levels when needed.

We use third party transport providers to deliver stock to the warehouses and stores with one day delivery from the central warehouse to most of the stores.

IT-systems
The IT infrastructure of XXL is designed to be able to access real-time data from any store or channel. The network infrastructure is fully integrated and allows for quickly and cost-efficiently adding of new stores to the network. XXL has further incorporated reporting tools that allow comprehensive monitoring of business performance and benchmarking, which is critical to management's ability to drive strong store level performance

Competitive landscape
XXL is currently serving the Norwegian, Swedish and Finnish sporting goods markets with an omni-channel offering through large unit stores and e-commerce. XXL is offering a full range of sporting equipment and apparel at low prices and focusing on branded products. The competitors consist primarily of focused sporting goods chains, independent

specialty stores and to a lesser extent general department stores as well as online retailers. In each market, the four largest retailers have a combined market share of more than 50 per cent.

The most prevalent structure in the Nordic market is companies operating under a franchise or buying union structure, where a local merchant operates a store and owns the operating company, while a central sports chain owns the brand and has a central warehouse and marketing function. Examples of these structures are G-Sport, Intersport and Sport 1 in Norway, Team Sportia in Sweden. Chains primarily relying on a franchising structure typically also have, to a varying degree, some stores operated by the chain.

Less prevalent in the Nordic market are stores that are operated by a single company, such as XXL and Stadium in Sweden. In these cases the store manager is an employee of the chain company and the sports chain owns the operations of the individual stores. These chains have the benefit of having integrated value chains and flexibility to plan for optimal execution across the full store network.

In addition to the sports chains, there are a number of independent sports retailers and specialist stores that operate a single store or a small number of stores. Because of the advantage being part of a larger system or buying group in terms of supplier terms, the number of independent stores and specialist stores has been declining for some time. In recent years, more producers have established stand-alone wholly owned brand stores.

A number of discount and general retailers offer a range of sporting goods in addition to other general merchandise, and in many cases offer a wide range of products across the full spectrum of sport categories. Key players in the Nordics include Coop, Ullared, NK, Prisma and Citymarket.

With the rise of e-commerce, a number of pure online players focusing on sporting goods have emerged, including players that have started up in the Nordic market, including Sportamore and Outnorth. Typically also the sport retail chains operate with an e-commerce platform. In addition there are general online retailers that offer selected sporting goods as part of their assortment such as E-Bay, Amazon and Zalando. The pure online players have the advantage of avoiding costs related to physical stores. However, they have smaller operations that currently do not represent a significant part of the overall sporting goods market.

Drivers and trends
The Nordic sporting goods markets are driven by a number of factors and trends. The most important are:

- *General economic factors such as development of disposable income and consumer confidence*.

  The Nordic economies are all among the most prosperous in the world as measured by GDP per capita. OECD forecasts that the Norwegian, Swedish and Finnish economies will show GDP growth rates in the period 2015-2020. The economy of Norway has shown recent weakness with the turmoil in the global energy markets and the spillover to oil related industries. Unemployment rate is expected to raise the next couple of years, but from very low levels. Sweden is strong when considering unemployment rates as well as expectations for growth in private consumption. The economy in Finland is still weak with unemployment rate above 10 per cent. We believe that our strategy of offering attractive value to consumers has made the business resilient in the face of adverse macroeconomic conditions, as consumers become more price-sensitive, which have strengthened our position relative to competitors. Our entry into Finland serves as a good example of this.

- *Health, wellness and physical activity trends.*

  The Nordic populations have always been perceived as physically active and sports are part of the Nordic everyday life. We believe health and wellness is a key trend and an increased wish among the consumers to identify them with an active lifestyle. Consequently, strong public promotion of, and a positive attitude towards, health and fitness is observable in all the Nordic markets.

  Technology is also evolving into the sports industry and the market is experiencing increased demand of goods related to sports technology products and connected devices.

  Environmental friendly solutions are also in strong demand. Electric bike is a good example and is used also as a way of commuting, adopted to a broad range of users and saves the environment.

- *Participation in sports and competitions.*

  The Nordic region has in recent years experienced a sharp popularity increase of larger sports competitions, especially within endurance based outdoor athletics such as running and bicycling in the summer season and cross-county skiing in the winter. The clear effect of this is that a broader share of the population becomes interested in sports.

- *More interest in equipment-focused sports.*

  Many of the most popular amateur sport competitions are equipment intensive such as bicycling, skiing and triathlons. We have seen a more sophisticated demand for a wider range of specialized products among consumers. The new generation of amateur, professional and aspiring athletes has affected the traditional market for such merchandise through its strong purchasing power and preferences for high quality. Technology is also becoming more important with products such as sport watches, GPS, heart rate monitors, wearable technology and cameras.

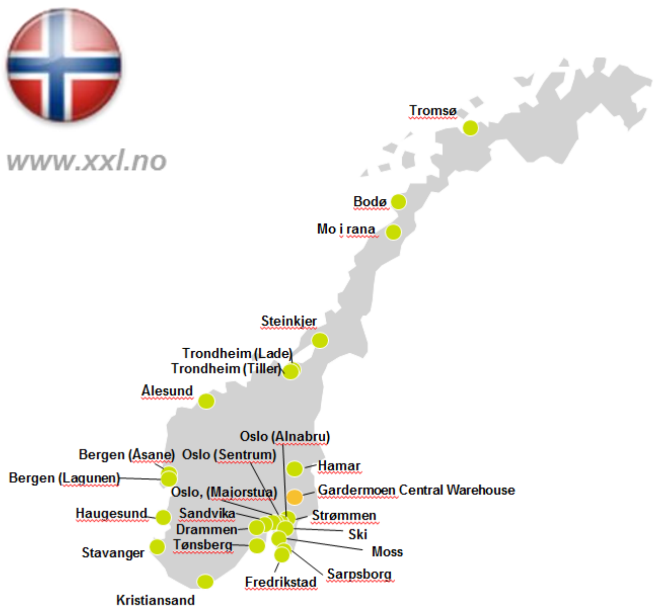
- *Weather and seasonal patterns.*

  Given the popularity of both winter and summer sports, the Nordic countries have a clear four season sporting environment which is a key characteristic affecting the sporting goods market. The demand for sports retail merchandise, and consequently the required store inventory, changes dependent on the time of the year. Although the local weather can impact local sales, the overall sales across the Nordic region are more resilient as weather conditions typically vary considerably within each country. The fully integrated model of XXL with a central purchasing function is to some extent less exposed to these seasonal and geographical variations, as we have the ability of shift merchandise to the regions with the highest demand.

- *Fashion trends and retail industry fragmentation.*

  Several of the categories we sell are heavily influenced by fashion trends and are increasingly becoming lifestyle products for the consumers. Sports shoes and sportswear are the clearest examples. The industry is expanding into products traditionally sold by specialist fashion and shoe retailers as well as other categories such as health & wellness and home products.

The Norwegian market
XXL opened the first store in Norway in 2001, growing to 24 stores at the end of 2015 and revenues of NOK 3.6 billion for 2015. The market share increased from 27.9 per cent in 2014 to 28.2 per cent at the end of 2015, according to Sportsbransjen AS.



From a demographic perspective, consumer interest in proactive health management is evident across all age groups but stronger among men than women. In addition, demand is growing among groups seeking to compete as teams. In particular, corporations and similar organizations are actively promoting a healthy lifestyle among their employees and use sports competitions as a team building activity both internally and in external relations. It has also become a sign of social status for families to be physically active. The very strong market growth from 2003 to 2010 of approximately 8.4 per cent CAGR slowed down in 2010 and from 2010 to 2013 the market grew by a more modest 1.8 per cent CAGR. The market growth in 2014 was 5.2 per cent and 7.3 per cent in 2015 according to Sportsbransjen AS.

The sports retail industry has experienced a long-term trend of declining number of stores characterized by an increase in chain formation and a reduction in independent stores. We believe this trend has been driven by the changing industry dynamics that resulted in part from XXL's introduction of large unit store concepts, which led competitors to also establish larger stores at the expense of more traditional store formats.

The Swedish market
In 2010 XXL started in Sweden and currently has 20 stores. To date we have captured a significant share of the market and according to Sportfack reaching 14.9 per cent in 2014 up from 12.0 per cent in 2013, making XXL the fastest growing sports retailer in Sweden (the figure for 2015 is not available yet). The largest market players have experienced flat to decreasing market shares over the same period. Our total revenues for 2015 in Sweden amounted to NOK 2.0 billion, a growth rate of 29 per cent.

Based on the official numbers provided by the Swedish industry association Sportfack, the Swedish sports retail market has experienced an expansion the last ten years. Most of the growth occurred in the four years leading up to 2010, a period in which total sales expanded with a CAGR of 6.4 per cent. In 2014 the market growth was 5.0 per cent (the figure for 2015 is not available yet).

The Swedish market has traditionally been dominated by the three chains Stadium, Intersport and Team Sportia. XXL has in a short period captured a considerable share of the market.

The Finnish market
XXL opened the first store Tammisto, Helsinki, in april 2014 as part of the strategy to build on the successful entry into Sweden and extend the XXL concept to new markets. During 2015 XXL doubled the store base in Finland to 8 stores by year end 2015. We believe we are developing a solid presence in the Finnish market with an estimated market share of 3.5 per cent at the end of 2014 (source Sporttimyyjä), after only 9 months of operation. The market share for 2015 is not available yet.

In the period between 2006 and 2013, the Finnish sports retail market grew at a CAGR of 4.2 per cent per year. The market has increased since 2011 despite a contraction of the overall Finnish economy, showing superior performance in comparison with many other retail sectors. In 2014 the market grew by 1.3 per cent (the figure for 2015 is not available yet).

www.xxl.fi

As is the case with the other previously mentioned Nordic markets, the Finnish market is largely characterized by chains organized through franchisees and buying groups. In addition, hypermarkets are more prevalent in Finland and thus contribute to a slightly different competitive dynamic. Many international chains have been attracted to enter the Finnish market.

Strategy

Vision and mission
The vision of XXL is to be the paradise for people interested in sports, outdoors and wildlife. The mission of XXL is to be a leading European sports retailer for branded sports, outdoors and wilderness products at low prices. The strategic focus is to create value to the shareholders and the community through capitalizing on further growth and improve the efficiency of the operations. Our business is based on trust and for the community to feel confident about XXL, ethics and values have to play a prominent role in all our operations.

Delivering growth and efficiency
Our strategy is to capitalize on the expected growth of the sports retail market and to improve the competitive position by taking advantage of the scalability of our operations.

XXL expects to sustain continued like-for-like growth and believes in a potential to grow further in Norway, Sweden and Finland, both in respect of stores and e-commerce business. In addition, we believe that we have a strong potential to access physical and e-commerce markets in other European countries with similar consumer characteristics, climate and seasons. XXL's scalability is a critical factor in implementing these strategies, in terms of supply chain operations, IT systems and store concepts.

The strategy is to maintain and build on the Group's key strengths, including by:

- Continued store roll-out in existing markets
- Developing new initiatives to drive e-commerce and omni-channel platform
- Continued focus on XXL's customer proposition to drive like-for-like growth
- Focusing on cost throughout the value chain
- Focusing on improving profitability in Sweden and Finland
- Capturing new markets on the back of XXL's existing cost base and logistics

Expansion opportunities
XXL believe we may increase the store base in the Nordics to around 80 stores in total in the coming years. With the Group's cost control, uniform store layout and broad product ranges, XXL is able to take advantage of synergies during roll-outs with minimal incremental investments and costs at headquarters and central warehouses.

We have developed a rigorous process for entry into new countries which is based on a methodology with more than one thousand steps to be ticked off prior to new market entry. The preparations for entry into new countries with stores take minimum two years from the market assessment and include site visits, lease negotiations and signing, building business case, management decision and recruitment and training of store personnel. XXL's key criteria for such market entry are sports seasons (ideally four seasons markets), sporting goods spending per capita, competitive dynamics and most importantly XXL's ability to compete on cost and consequently on price.

XXL has identified the Alps region, with Austria, Switzerland and South Germany as possible new markets. The market assessment process is well under way. The ambition is to introduce the XXL concept, with stores and e-commerce, in this region late 2017 or early 2018. In addition XXL will enter Denmark in 2016 with a pure e-commerce offering.

Dividend policy
When proposing a dividend the Board of Directors will take into account legal restrictions, capital requirements and the overall financial position of the company. The Board of Directors will make an overall assessment in order to secure the Company a healthy capital base both for daily operations and for future growth. The Board of Directors will target a pay-out ratio of 40-50 per cent of annual net income.

XXL will continue to create shareholder value through
- Capitalizing on further growth
- Improving the efficiency of the operations
- Delivering solid financial results
- Committing to a sustainable business

By continuous focus on operational efficiency and maintaining a strong balance sheet, XXL is in a good position of capturing the growth opportunities that arise on the way to become a leading European sports retailer.

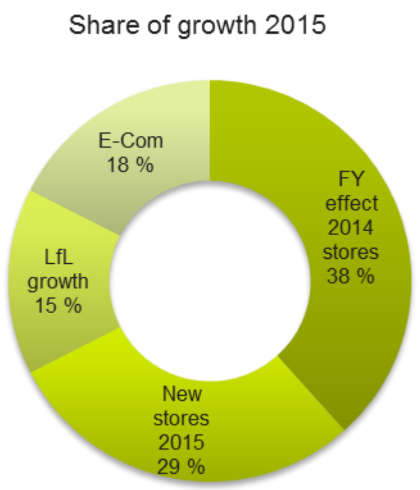
Board of Directors' Report

XXL gained market shares in 2015 both for stores and e-commerce. Total growth was 24 percent which is highest among all of the Nordic sport retailers, strengthening XXL to be the largest sport retailer in the region. Number of stores grew from 44 to 52, including doubling Finland from 4 to 8 stores. Just as important as the store growth was the growth in E-Commerce of 71 per cent.

Total operating revenue was NOK 6 487 million (NOK 5 215 million) and Net Income was NOK 427 million (NOK 262 million). The Board of Directors proposes a dividend of NOK 2 per share, representing around 65 per cent of Net income.

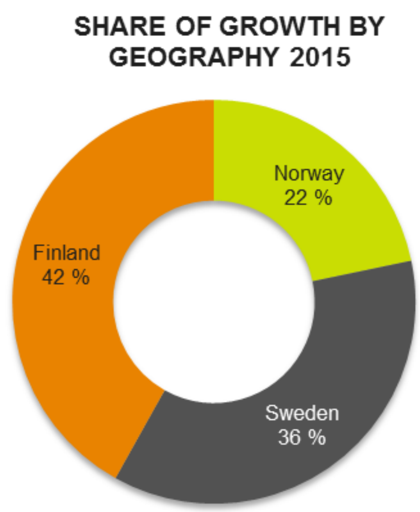
Growth development

In 2015 XXL delivered growth in all the three countries; Norway, Sweden and Finland and in both within stores and e-commerce. In addition to growing by opening new stores, XXL has again succeeded to grow sales in existing stores, showing a Like for Like growth of 7.7 per cent including e-commerce. Another success was the re-opening of the very first XXL store, in down town Oslo. The first week after the re-opening this store had above 28 thousand visitors giving more than NOK 12 million in gross sales.



Trends

Sport and Health is trendy and this is expected to contribute to a continued growth in the years to come. XXL has a clear strategy of having a broad assortment of branded goods combined with the lowest retail price in the market. Adding an even wider geographical range with more stores and a continuous improved e-commerce offering means that XXL is well positioned to take a solid share of the Sport and Health trend. Further there is a clear change in consumer behavior both in consumers shopping pattern, as well as the impact of social media. The historical dominating medias such as newspapers and TV is under pressure by internet and social media. The availability and functionality of smart phones and other handheld devices is an important driver for the change. Therefore, it is more important to invest in more digital marketing as well as multichannel functionality.



Market conditions

XXL operates in the three Nordic markets Norway, Sweden and Finland, and there was no significant change in the market conditions during 2015. The Nordic population has a high degree of sports interests and is perceived as physically active and equipment focused. The markets are characterized by having the same climate and seasons but to some extent different economic strength and consumer behavior.

The economic growth is stronger in Sweden than for Norway and Finland. Norway is slowing down due to the lower oil price and increasing unemployment rate. However, the effect has not been significant to the retail market yet. How the economic slow-down will affect retail and sporting retail specific is uncertain, but previous experience suggests that the sports segment traditionally are less impacted by macro economic slow downs than other retail segments.

The economic growth in Finland is among the weakest in Europe and the unemployment rate is approximately 10 per cent. The weak Finnish economy is also affecting the retail market negatively, but the effect for XXL remains uncertain. XXL has been growing fast in a flat market. However, XXL believes that it will take longer time to reach high single digit EBITDA due to the Finnish economy compared to previous expectations.

XXL is competing in a market with changing seasons and different weather conditions, where the winter conditions are the most difficult to predict. The winter conditions in 2015 were difficult in both Q1 and Q4. However, XXL succeeded to compensate the sales though other product categories and clearance sales campaigns, keeping the inventory level of winter related goods at a controlled level. However, the gross margin was affected negatively of clearance sales of these products.

Organisation, Working Conditions and the Environment

Operation
XXL is a sport retail chain, with stores in Norway, Sweden and Finland. The Groups headquarter is in Oslo (Norway), but the Group also has an office in Stockholm (Sweden) and Helsinki (Finland), as well as a purchase department in Lucerne (Switzerland). By year end 2015 XXL had 24 stores in Norway, 20 in Sweden and 8 in Finland, as well as a central warehouse in Gardermoen (Norway) and Örebro (Sweden).

The working environment and the employees
The Group has 3 566 employees (incl. full- and part time) at year end 2015 (3 019 in 2014). Leave of absence due to illness totaled at 5.4 per cent of total working hours in the Group in 2015 (5.1 per cent in 2014). Reference index for Norway for 2014 is 6.0 per cent, which means that XXL is below average. No incidences or reporting of work related accidents resulting in significant material damage or personal injury occurred during the year.

Equal opportunities
The Group aims to be a workplace with equal opportunities and has included in its policies regulations to prevent gender discrimination regarding salary, promotion and recruiting.

The Discrimination Act’s objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith. XXL is working actively, determined and systematically to encourage the act’s purpose within the business through recruiting, salary and working conditions, promotion, development opportunities and protection against harassment.

The Group has traditionally recruited from environments equally dominated by both men and women. Out of the Group 3 566 employees, XXL has 1 305 female employees.

Sustainability report
The vision of XXL is to be the leading Nordic sports retailer and a paradise for people with interest in sports, outdoors and wildlife. As such, our mission supports an active and healthy lifestyle. The most important competitive advantage of XXL is the low cost position of the company and we believe there is a positive correlation between being a sustainable company and doing profitable business. Our business is based on trust and for our stakeholders to feel confident about XXL, ethics and values have to play a prominent role in all our operations. XXL is committed to operating in accordance with responsible, ethical and sound corporate and business principles and in compliance with the applicable laws and public regulations. This requires the collective effort of all the employees of the Group. XXL defines corporate responsibility as achieving commercial profitability in a way that is consistent with fundamental ethical values and with respect for individuals, the environment and society.

In 2015 XXL focused on improving the key aspects of the sustainability work taking into account different stakeholder’s views. XXL has worked on improving the efficiency in the distribution of goods by expanding the central warehouse capacity in Sweden and by monitoring third parties that we use for transportation. On waste management XXL has improved the routines on returned and complaint products by focusing on donation of goods to charity. XXL will continue to increase the recovery rates and reduce the amount of waste in general. When it comes to electricity use XXL has extended the project of changing lights in the stores. Firstly, by mapping of energy conservation plans for our stores. In a three year plan we will upgrade our stores based on different initiatives and XXL expects significant energy consumption savings in upgraded stores over time.

On the supplier assessment side XXL further strengthened this work in 2015 also involving independent third parties in the audit of suppliers and their production facilities. XXL also established a framework of environmental requirements (XXL ER), containing requirements and other specifications for orders placed by XXL. In addition, separate chemical lists and guidelines for labeling were established in 2015. All suppliers are obliged to perform necessary tests and ensure their products meet XXL ER. Amongst other, XXL established the XXL in-house documentation system and good manufacturing practice for food contact materials in 2015.

XXL is a large youth employer and cooperates with the local employment offices in all countries where it operates. In November 2015, XXL received an awarded from the rehabilitation organization Varodd embracing the cooperation between the Norwegian Labour and Welfare Administration (NAV).

For the year 2015 XXL Children's Foundation focused on the immediate rescue operations after the earthquake in Nepal by donation of sleeping bags, tents and other equipment. The fund also donated goods to refugees in Lesvos, Greece and to local initiatives for refugees in Norway. Further the fund provided another NOK 0.5 million to the organization Bring Children from Streets and the project First Lady School, for finalizing the school for children in Uganda.

XXL is proud of being voted top ten most admired companies by consumers on parameters such as sustainability, business ethics and recognition by IPSOS MMI in September 2015.

The Group does not pollute the environment significantly. For more information on XXL's corporate responsibility and environmental work, see XXL's Sustainability Report on http://www.xxlasa.com/investor

Corporate Governance

XXL's guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 30 October 2014 as required for all listed companies on the Oslo Stock Exchange. Furthermore, the guidelines meet the disclosure requirements of the Norwegian Accounting Act and Securities Trading Act. The guidelines are included separately in this annual report

Consolidated Income statement

XXL concluded a good year in 2015 and in accordance with outlook presented last year. Total operating revenues for 2015 increased by 24.4 per cent to NOK 6 487 million. XXL delivered a solid growth in all markets. Finland reported a growth of 182.6 per cent, Sweden 29.2 per cent and Norway 8.3 per cent. The growth is driven by new stores opened in 2015, full year effects from stores that opened in 2014, E-commerce and like-for-like growth. E-commerce increased by 70.5 per cent in 2015. During 2015 XXL opened a total of eight new stores, out of which four in Finland, three in Sweden and one in Norway. The new stores equaled 29 per cent of the growth in 2015. The Like-for-like growth for the year was 4.7 per cent and 7.7 per cent when including E-commerce.

In the 2014 annual report, XXL commented on the importance of having the operating expenses/sales ratio below 29 per cent on an annualized basis. In 2015 the ratio improved to 28.6 per cent from 28.7% in 2014. Together with the strong sales growth, this improvement supported an EBITDA for 2015 of NOK 725 million (NOK 636 million) corresponding to a margin of 11.2 per cent (12.2 per cent). The reduction in the margin is due to lower gross margin in Norway and geographical mix effects.

The Group had net financial expenses of NOK 28 million in 2015 compared to NOK 182 million in 2014. The improvement is due to repayment of a shareholder loan at the time of the IPO in early October 2014 and a restructuring of the bank loan in July 2014 at improved terms. In addition, the Group had positive effects of currency on intercompany loans. These effects are significantly reduced after the new loan structure was in place in Q3 2015.

Profit before tax was NOK 606 million (NOK 339 million) and Net income (Profit for the year) was NOK 427 million (NOK 262 million). Basic earnings per share were NOK 3.08 (NOK 1.53).

Consolidated Balance Sheet and Cash Flow Statement

Total assets were NOK 5 839 million at the end of 2015 (NOK 5 333 million) which is an increase of 9.5 per cent from 2014. The most important driver for the increase is the opening of eight new stores during the year as well as the growth in the existing stores. Inventory per store (Incl. e-commerce) was NOK 35.7 million (NOK 30.3 million) which is an increase of 7.9 per cent adjusted for FX effects of NOK 3 million. Total trade and other receivables were NOK 295 million (NOK 284 million) which is an increase of 3.9 per cent.

Net interest bearing debt was NOK 1 034 million (NOK 1 097 million). Net cash position was NOK 87 million (NOK 222 million). Adding available credit facilities, the liquidity reserve was NOK 787 million (NOK 522 million) at the end of 2015. Net Interest Bearing Debt / EBITDA were 1.4 x (1.5x). Group equity was NOK 3 366 (NOK 3 219 million) resulting in an equity ratio of 57.6 per cent (60.4 per cent).

Cash flow provided by operating activities was NOK 352 million (NOK 325 million). The most important reason for the increase is the higher profit before income tax of NOK 606 million (NOK 339 million). Increase in Inventory of NOK 531 million affected the cash flow negatively and is due to more stores and Christmas sales below expectations.

Cash used for investing activities was NOK 169 million which is up by 27 million compared to 2014. Included in investing activities is purchase of own shares of approximately NOK 8 million related to the share incentive program.

Net change in cash and cash equivalents was negative NOK 135 million (NOK +52 million). The decrease from 2014 is related to dividend payment of 277 million in 2015.

Going Concern
In accordance with Norwegian accounting regulations, the Board of Directors confirms that the prerequisites of a going concern have been met in the presentation of the annual financial statements.

Outlook
XXL has signed nine new lease agreements for store openings for 2016 where of six in Norway. The aim for 2016 is to open 10-12 new stores.

XXL will also launch an e-commerce offering in Denmark in 2016. The launch will be colored by low prices and high marketing spending and is expected to return negative results in the first years of operation. The business case has minor initial CAPEX but the total investment should be considered as a small store outside Norway with four to five years of pay-back.

XXL will further invest in the central warehouse in Norway due to more stores and growth in e-commerce. The central warehouse will increase from approximately 24 000 square meters to 32 000 square meters. In addition, the Group will increase the capacity of the Autostore system in Sweden. Total infrastructure investments will be in the range of NOK 50-65 million in 2016.

The distribution channels for XXL marketing material is under substantial change where the existing print and TV marketing is under pressure. XXL will focus more on digital marketing channels in addition to the existing channels. The new strategy will increase the marketing cost in per cent of sales in all countries in a transition period by approximately 0.5 percentage points.

The Group maintains the following long term objectives (as compared to 2013 figures):

- Like-for-like growth of mid-single digits over time including e-commerce
- E-commerce share of total revenues of low double digits
- Gross margins to be stable. For Norway maintained at the same level, increasing to high 30’s in Sweden and Finland. Due to the demanding macro in Finland the lift to high 30’s may take longer time than in Sweden
- EBITDA-margin stable as a result of stable gross margins and operating expenses. In Norway at low 20’s, in Sweden low double digits and in Finland high single digits.

Risks
Financial risk
XXL uses bank loans and existing cash flow from operating activities as its main source of funding to secure capital for the growth. For commercial hedging purposes, the Group uses derivatives. XXL does not apply hedge accounting or use any financial instruments, including derivatives, for trading purposes. Procedures for risk management are approved by the Board. The main financial risks that the Group is exposed to are interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and establishes guidelines for how they are handled.

Credit risk
The Group is mainly exposed to credit risk for trade and other receivables. The Group mitigates its exposure to credit risk by ensuring that all parties requiring credit, such as customers, are approved and subject to a credit check. The Group does not have significant credit risk associated with a single counterparty or counterparties which can be viewed as a Group due to similar credit risk. The Group has policies in place to ensure that sales are made to customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits. Maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet. The Group considers its maximum risk exposure to be the carrying amount of accounts receivable.

Interest risk
The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits.

Market risk
The Group faces substantial competition in the sports retail industry from a wide range of different concepts, including pure online players. Actions taken by competitors, as well as actions taken by the Group to maintain the competitiveness and reputation, will continue to put pressure on the pricing strategy, net sales growth and profitability.

Customer tastes and trends in the sports and outdoor equipment market are volatile and tend to change rapidly. The business of the Group is dependent upon being able to anticipate, identify and respond to changing trends and customer preferences. If not, the sales may be lower than predicted and faced with an increased amount of unsold inventory. This could lead to the need of more promotional sales and may also impact the XXL brand image and customer recognition.

The business is subject to seasonal peaks and the Group must actively manage the purchase of inventory. Sports retail in general are also to some extent affected by periods of abnormal, severe and unseasonal weather conditions, such as unfavorable snow conditions. The efficient logistics of the Group provides for the ability to rapidly switch from winter to summer assortment. The XXL concept is dynamic and less dependent on perfect seasonal conditions.

The Group believes it is well-positioned with regards to relative price offerings in the markets, but consumer spending on sporting and outdoor goods may be adversely impacted by economic conditions such as consumer confidence, interest and tax rates, employment level, salary and wage levels, general business conditions, consumer credit and housing, energy and food costs.

Allocation of net income (Group)
The Board of Directors proposes a dividend of NOK 2 per share due to the strong financial position of the Group. The dividend equals 65 per cent of net income. XXL maintain however it's policy of dividend pay-out ratio in the range of 40 to 50 per cent of Net Income.

Dividend payout	NOK 277 million
Other equity	NOK 150 million
Total allocation	**NOK 427 million**

Responsibility Statement
We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2015 has 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, as well 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.

The Board of Directors is very pleased with the growth and the results and would like to thank all employees in XXL for their significant contributions during 2015. In addition to the strong financial results XXL has received several awards proving the strong culture of the employees. The awards are:

- Retailer of the Year (Kreativt Forum)
- Number 1 customer friendly sport retailer (Norsk Kundebarometer)
- Number 8 Most admired company in Norway (IPSOS MMI)

Oslo, 26 April 2016

Øivind Tidemandsen
Chairman of the Board

Ingrid Aina Jonietta Osmundsen
Board Member

Fredrik Steenbuch
Managing Director

Ronny Blomseth
Board Member

Tore Valderhaug
Board Member

Anna Birgitta Attemark
Board Member

Mernosh Saatchi
Board Member

Corporate governance at XXL ASA

1. Implementation and reporting on corporate governance
XXL considers good corporate governance to be a prerequisite for value creation and trustworthiness and for access to capital. As a result, XXL is committed to maintaining high standards of corporate governance. In order to secure strong and sustainable corporate governance, it is important to ensure good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the XXL Group.

XXL has governance documents setting out principles for how business should be conducted. These apply to all XXL units. The XXL governance regime is approved by the Board of Directors, which has the overall supervision for corporate responsibility at XXL and ensures that the Group implements sound corporate governance principles.
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"). The Code of Practice is available on www.nues.no and was last amended on 30 October 2014. XXL comply with the Code of Practice and the compliance is detailed in this report with section numbers that refer to the Code of Practice's articles. XXL's corporate governance policy is based on the Code of Practice, and as such is designed to establish a basis for good corporate governance, to support achievement of the Group's core objectives on behalf of our shareholders, including the achievement of sustainable profitability for the shareholders of XXL. The manner in which XXL is governed is vital to the development of XXL's value over time.

Deviation from the Code of Practice (NUES) - none

2. Business - XXL's objectives and activities
XXL believes good corporate governance involves openness and trustful cooperation between all parties involved in the Group – the owners, the Board of Directors and the executive management, employees, customers, suppliers, creditors, public authorities, capital markets and society in general.

By pursuing the principles of corporate governance, approved by the Board of Directors of XXL, the Board of Directors and executive management shall contribute to achieving the following objectives:

- Openness – communication with the interest groups of XXL shall be based on openness in issues relevant to the evaluation of the development and position of the company.
- Independence – the relationship between the Board of Directors, the executive management and the owners shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- Equal treatment – one of XXL's prime objectives is equal treatment and equal rights for all shareholders.
- Control and management – good control and corporate governance mechanisms shall contribute to achieving predictability and reducing the level of risks for owners and other interest groups.

The development of, and improvements in, the company's corporate governance principles are an on-going and important process that the Board of Directors focuses on.

XXL's vision is to be a paradise for people interested in sports, outdoors and wildlife. This is reflected in the Section 3 of the Articles of Association, which reads "The Company's business operation is trade business within sport and wilderness products and other business operations that are naturally related therewith. The business can be conducted by the company itself, by subsidiaries or through participation in, or in cooperation with, others".

XXL needs to interact in an open and responsible way with all the relevant stakeholders to be able to create a profitable business over time. Our corporate governance policies are designed in order to be true to this commitment.

Deviation from the Code of Practice (NUES) - none

3. Equity and dividends
The company's equity is considered to be at a level appropriate to XXL's objectives, strategy and risk profile. XXL believe we have the capacity of combining strong growth with dividend distribution. When proposing a dividend the Board of Directors will take into account legal restrictions, capital requirements and the overall financial position of the company. The Board of Directors will make an overall assessment in order to secure the Company a healthy capital base both for daily operations and for future growth. The Board of Directors will target a pay-out ratio of 40-50 per cent of annual net income. Dividend payments are subject to approval by the Annual General Meeting, the next to be held at 3 June 2016.

Authorization to increase the share capital of the company will be restricted to defined purposes and will in general be limited in time to no longer than the time of the next Annual General Meeting. If the authorization is for different purposes, the company will present the authorizations to the shareholders as separate items. Authorizations to acquire own shares will also be restricted to defined purposes and if the acquisition is for several purposes, the company will present the authorization as separate items to the shareholders. Such authority will state the maximum and minimum amount payable for the shares and applies for no longer than a period of 18 months. XXL will however limit the duration for such authorizations to no longer than the time of the next Annual General Meeting. The aggregate nominal value of treasury shares acquired by the company must not exceed 10 percent of the total outstanding shares in the company.

In the Annual General Meeting held on 27 May 2015, the Board of Directors was granted authorization to increase the share capital of the company by a maximum of NOK 600,000 representing up to 1.08 per cent of the current share capital. The purpose of the authorization is to secure delivery of shares under the company's share incentive program. The authorization is valid until the Annual General Meeting in 2016, but no longer than to 30 June 2016.

The Board of Directors has also been granted authorization to repurchase the company's own shares within a total nominal value of NOK 1,837,856 corresponding to up to 3.31 per cent of the company's share capital. The main purpose of the authorization is to acquire own shares in order to use such shares in connection with XXL's share incentive schemes. To the extent the shares are not required for the share incentive program after all, the shares may be a tool to aid for optimizing the company's share capital structure. The maximum amount that can be paid for each share is NOK 500 and the minimum is NOK 1. The authorization is valid until the Annual General Meeting in 2016, but no longer than 30 June 2016.

Further, the Board of Directors has been granted authorization to repurchase the company's own shares within a total nominal value of NOK 1,662,144 corresponding to 3.00 per cent of the company's share capital. Shares in XXL acquired in accordance with this authorization are planned used as consideration, in full or in part, in connection with acquisition of other businesses. The maximum amount that can be paid for each share is NOK 500 and the minimum is NOK 1. The authorization is valid until the Annual General Meeting in 2016, but no longer than 30 June 2016.

In March 2015, XXL bought in total 105,000 own shares, representing 0.08 per cent of the total outstanding shares in the company. This is to cover for shares in relation to a restricted share unit program for employees in XXL which vest in March 2018 (the 2015 incentive plan).

Deviation from the Code of Practice (NUES) - none

4. Equal treatment of shareholders and transactions with close associates

Equal treatment of all our shareholders is core in how XXL approach corporate governance. The company has only one class of shares and all provide equal rights in the company. Each of the shares carries one vote and is freely transferable. All shareholders are entitled to attend, speak, vote and deliver items to the agenda for General Meetings, which is the highest authority in the company.

Where the Board of Directors resolves to carry out an increase in the share capital and waive the pre-emptive rights of the existing shareholders on the basis of a mandate granted to the Board of Directors, an explanation will be publicly disclosed in an announcement to the stock exchange in connection with the increase of the share capital.

There have been no significant transactions between the company and closely related parties in 2015. If XXL should enter into agreements or transactions with closely related parties within the company, or with companies in which a leading director or leading employee of XXL or close associates of these have a material direct or indirect interest, the agreements or transactions will immediately be notified to the Board of Directors. Any such agreements or transactions must be approved by the Board of Directors and be publicly disclosed if required. In the event of an agreement or transaction between the company and closely related parties, the Board of Directors will arrange for an independent valuation overview from an independent third party, unless the agreement or transaction requires an approval of the General Meeting.

XXL has established instructions for handling inside information, rules for primary insiders and insider trading which is closely monitored.

Any transaction the company carries out in its own shares will be carried out either through the stock exchange or at prevailing market prices if carried out in any other way. Such transaction will be publicly disclosed in a stock exchange announcement immediately.

For further information on closely related transactions, please see note 10 in the consolidated financial statements.

Deviation from the Code of Practice (NUES) - none

5. Freely negotiable shares

The Articles of Association do not provide for any restrictions on the transfer of shares, or a right of first refusal for the company. Share transfers are not subject to approval by the Board of Directors.

Deviation from the Code of Practice (NUES) - none

6. General meetings

Through the General Meeting, shareholders exercise supreme authority in the company. In accordance with Norwegian law, the Annual General Meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of annual general meetings, setting forth the time of the venue and the agenda of the meeting, to be sent to all shareholders with a known address no later than 21 days before the Annual General Meeting, unless the Articles of Association stipulates a longer deadline, which is not currently the case for the company.

Apart from the Annual General Meeting, Extraordinary General Meetings of shareholders may be held if the Board of Directors considers it necessary. An Extraordinary General Meeting must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5 per cent of the share capital demands this in writing. The requirements for notice and admission to the Annual General Meeting also apply to Extraordinary General Meetings. However, the Annual General Meeting of a Norwegian public limited company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a General Meeting resolve that Extraordinary General Meetings may be convened with a fourteen days notice period until the next Annual General Meeting provided that the company has procedures in place allowing shareholders to vote electronically.

According to the Articles of Association, documents relating matters to be dealt with by the company's General Meeting, including documents which by law shall be included in or attached to the notice of the General Meeting, do not need to be sent to shareholders if such documents have been made available on the company's website. A shareholder may nevertheless request that documents which relates to matters to be dealt with at the General Meeting, are sent to him/her.

A shareholder may vote at the General Meeting either in person or by proxy appointed at their own discretion. In accordance with the requirements of the Norwegian Securities Trading Act, the company will include the proxy form with the notice of General Meetings. All of the company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the General Meeting, or who have otherwise reported and documented ownership to shares, are entitled to participate at General Meetings, without any requirement of pre-registration. The company's Articles of Association does, however, include a provision requiring shareholders to pre-register in order to participate at General Meetings. The deadline for pre-registration cannot expire earlier than three days prior to the General Meeting. The shareholders may cast their votes in writing, including through electronic communication, in a period prior to the General Meeting. The Board of Directors can establish specific guidelines for such advance voting. The established guidelines must be stated in the notice of the General Meeting.

The chairman of the Board of Directors, the chairman of the nomination committee, the chairman of the audit committee, the chairman of the remuneration committee, the Group CEO and CFO as well as the auditor will under normal circumstances be present at the General Meeting in person.

The General Meeting elects the members of the Board of Directors, determines the remuneration of the members of the Board of Directors, approves the annual accounts and the annual report, including distribution of dividend, and any other matters which are referred to the General Meeting by law or the Articles of Association.

Decisions that shareholders are entitled to make under the Norwegian law or the company's Articles of Association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. The General Meeting will normally vote separately on each candidate for election for the Board of Directors or the nomination committee. Certain decisions, including resolutions to waive preemptive rights to subscribe in connection with any share issue in the company, to approve a merger or demerger of the company, to amend the Articles of Association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants by the company or to authorize the Board of Directors to purchase shares and hold them as treasury shares or to dissolve the company, must receive the approval of at least two-third of the aggregate number of votes cast as well as at least two-third of the share capital represented at a General Meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association. Decisions that would reduce the rights of some or all of the company's shareholders in respect of dividend payments or other rights to assets or restrict the transferability of the shares, require that at least 90 percent of the share capital represented at the General Meeting in question vote in favor of the resolution, as well as the majority required for amending the Articles of Association. There are no quorum requirements that apply to the General Meetings.

The minutes from the General Meeting will be posted on the company's website no later than 15 days after the General Meeting was held. Information that a General Meeting has been held will be made public through a stock exchange announcement as soon as possible after the end of the meeting.

Deviation from the Code of Practice (NUES) - none

7. Nomination committee
XXL has established a nomination committee pursuant to the Articles of Association and shall consist of two or three members who are shareholders or representatives of shareholders. The majority shall be independent of the Board of Directors and the executive management. The members of the nomination committee, including the chairman, are elected by the General Meeting for a term of two years. With effect from the IPO in October 2014, the nomination committee consists of two members, Ingar Solheim (chairman) and Robert Iversen. Currently no member of the nomination committee is a member of the Board of Directors or the executive management. The nomination committee shall give recommendations for the election of shareholder elected members of the Board of Directors and remuneration to the members of the Board of Directors. The remuneration to the members of the nomination committee is determined by the General Meeting. The General Meeting may adopt instructions for the nomination committee.

XXL has established an instruction for the nomination committee, which includes recommendations for the tasks described above. When nominating members to the Board of Directors, the nomination committee should look at competence and diversity, legal requirements, independence from the executive management and any significant business associates, at least two of the members should be independent of company's principal shareholders and that members of the executive management should not be members of the Board of Directors. Remuneration of the Board of Directors should take into account the responsibility of the Board of Directors and that the proposal is suited to the character and time commitment of the tasks it carries out. The recommendations from the nomination committee will be explained and how they fulfill the need of the shareholders and the company. The nomination committee must look actively to the shareholders and anchor the recommendation with the company's largest shareholders. It must ensure that information is made available on the company's website of any deadlines for proposing candidates or making suggestions to the nomination committee regarding elections of members to the Board of Directors and nomination committee. The recommendations should be given together with the notice of the General Meeting.

Deviation from the Code of Practice (NUES) - none

8. Corporate assembly and composition and independence of the Board of Directors

XXL's Board of Directors shall consist of a minimum of three and a maximum of seven members. The Board of Directors is responsible for the management of the company, including appointment of the CEO to assume the daily management of the company. The composition of the Board of Directors in XXL ASA is in compliance with the independence requirements meaning that the majority of the shareholder elected members of the Board of Directors is independent of the company's executive management and material business contacts. At the same time more than two of the elected members of the Board of Directors are independent of the company's main shareholders, meaning shareholders holding more than 10 percent of the total outstanding shares in the company. In the company's view all the members of the Board of Directors are independent from the executive management and material business contacts. Chairman Øivind Tidemandsen controls the largest shareholder of the company. Members of the executive management should not be a member of the Board of Directors. Currently, no executive manager is a board member. The term of office for members of the Board of Directors is two years unless the General Meeting decides otherwise, but a member may be re-elected.

The members of the Board of Directors are encouraged to own shares in the company. Currently all members except for Tore Valderhaug have shares, please see note 13 in the consolidated financial statement for the overview of share ownership.

XXL ASA has no corporate assembly.

Deviation from the Code of Practice (NUES) - none

9. The work of the Board of Directors

The conduct of the Board of Directors follows the adopted Board of Directors' rules of procedure, which states that the board members should perform their duties in a loyal manner, attending to the interests of the company. The Board of Directors prepares within 31 January each year a plan for the ordinary meetings for such year. The Board of Directors will meet several times a year and it will host additional meetings when required due to special circumstances. Between meetings, the chairman and the CEO have frequent contact on current matters and update the board members accordingly. The board meetings ensure that the Group's activities are organized in a prudent manner, maintaining systems, procedures and a corporate culture that promote high ethical conduct and in compliance with legal and regulatory requirements. Each board meeting includes a briefing by the CEO and a review of the latest financial development by the CFO. The Board of Directors keeps itself informed of the financial position of the company to ensure that the corporate accounts and asset management are subject to satisfactory controls.

The chairman of the Board of Directors ensures that board members are kept informed, convene and chair the board meetings and ensure that the matters are handled in accordance with applicable law and procedures. In the case of the chairman's absence, the Board of Directors elects a board member to chair the meeting. If the chairman of the Board of Directors is, or has been, personally involved in matters of material significance to the company, such matters will be chaired by some other member of the Board of Directors.

The Board of Directors has established a remuneration committee and an audit committee. The remuneration committee shall have at least two members of the Board of Directors and comprises for the time being of two members, Øivind Tidemandsen (chairman) and Ronny Blomseth. The primary purpose of the remuneration committee is to assist the Board of Directors in performing its duty relating to determining the compensation to the executive management. The remuneration committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations. The audit committee shall compose of at least two members of the Board of Directors and the current members are Tore Valderhaug (chairman) and Mernosh Saatchi. The primary purposes of the audit committee are to act as a preparatory and advisory committee for the Board of Directors in questions concerning accounting, audit and finance. The audit committee monitors the financial reporting process and internal control, reviews the independent auditor's qualifications and independence and the Group's compliance with applicable legal and regulatory requirements. The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

The Board of Directors carries out an annual evaluation of its performance. The evaluation report for the year 2015 has been presented to the nomination committee.

Deviation from the Code of Practice (NUES) - none

10. Risk management and internal control
The Board of Directors supervises the daily management and the activities and risks of the company in general. XXL's risk management and internal control are an integral part of all daily business activities and are integrated in the business planning processes and corporate strategy. The day-to-day risk management is placed on the business segments and governed by the executive management team.

The Board of Directors carries out separate reviews of the most important risk exposures. The audit committee monitors on an ongoing basis the risk and control related to the financial situation including review and implementation of accounting principles and policies and monitors the effectiveness of the company's internal control, internal audit and risk management system. The audit committee has full access to all books, record and personnel of the Group, as well as the external auditor of the company. Instructions for the CEO's responsibilities and duties have been implemented by the Board of Directors to clarify the powers and responsibilities between the Board of Directors and the executive management team. The CEO has the right to represent the company within the adopted budget and is responsible for implementing the resolutions adopted by the Board of Directors. It is the CEO's responsibility that the company's book keeping and accounting are performed in accordance with the law and that the management of company's assets is conducted safely. The Board of Directors ensures that the CEO uses proper and effective management and control systems, including systems for risk management. The internal control systems also encompass the company's corporate values, ethical guidelines and corporate social responsibility.

XXL operates internationally and is exposed to various financial risks such as currency risk, interest rate risk, liquidity risk and credit risk. The CFO has the day to day responsibility for managing activities related to this. In order to manage foreign currency risk exposure, XXL hedge approximately 50 per cent of its purchases. The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits. The Group constantly monitors the interest rate level and uses derivatives to adjust the effective interest rate exposure when necessary. XXL monitors liquidity flows, short- and long-term, through reporting and forecasting, that better control the liquidity risk. The management of credit risk related to trade and other receivables is handled as part of business risk, and is continuously monitored by XXL's finance department. The Group mitigates this risk by ensuring that all parties requiring credit, such as customers, are approved and subject to credit check. Policies are in place to ensure that sales are made with customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits. XXL has agreements with third parties related to recoverability of trade receivables from online sales and supplier bonuses.

In order to comply with the arm's length principle as stated in applicable standards and laws and to maintain good control, XXL has established transfer pricing policy. The main purpose of this policy is to ensure that all significant intra group transactions are priced in accordance with the arm's length principle and relevant domestic tax regimes. It ensures a simple, coherent and logical transfer pricing methodology, and consistency and transparency on how the intra group prices are set and tested. It further minimizes the risk of double taxation and conflicts with the tax authorities and captures any relevant and significant issues and need for revisions.

The Group's accounting unit is responsible for the preparation of the financial statements and to ensure that they are in accordance with applicable laws, regulations and adopted accounting policies. The CFO and the controller functions are responsible for reporting to the Board of Directors and the executive management, as well as planning and coordinating the business plan process. The finance department prepares financial reporting and provides a set of procedures and processes detailing the requirements with which the local reporting units must comply. The Group has established processes and a variety of control measures that will ensure quality assurance in the financial reporting. The Group is reporting to the Board of Directors on a monthly basis. Several controls are established such as reconciliation, segregation of duties, management review and authorization. All monthly and quarterly reports are analyzed and assessed relative to budgets, forecasts, trends and the long-term business plan. The executive management comments on the financial results on a quarterly basis and the results are announced to the Oslo Stock Exchange.

The external auditor provides a description of the main elements in the audit, including opinions on internal control related to financial reporting. XXL is subject to a yearly external statutory audit.

XXL Board of Directors has also implemented ethical procedures in the company, subject to all employees and the members of the Board of Directors. These documents contain the basic principles of business practice, personal conduct, roles and responsibilities, covering topics including employee relations, anti-corruption, health, environment, human rights, anti-discrimination, handling business information, conflicts of interest, fair competition, money laundering.

Please also see the Sustainability report for 2016.

Deviation from the Code of Practice (NUES) - none

11. Remuneration of the Board of Directors
The remuneration of the Board of Directors will be proposed by the nomination committee and approved by the Annual General Meeting. The remuneration is a fixed annual fee and is not linked to the company's performance. It reflects

the responsibility, qualifications, time commitment and complexity of the company's activities in general. Board members are not granted share options and none of them (or any company associated with such member) have specific assignments for the company in addition to their duties as board members except for the chairman Øivind Tidemandsen. XXL is required to have individual licenses to sell firearms for all stores in which firearms and ammunition are sold. The Group's applications for licenses in Norway are made by XXL Sport & Villmark AS with the chairman Øivind Tidemandsen being registered as the individual responsible person. This duty is carried out on a non-pay basis and is known for all the other members of the Board of Directors. Currently all the board members except Tore Valderhaug have shares in the company.

For more information please see note 3 in the consolidated financial statements.

Deviation from the Code of Practice (NUES) - none

12. Remuneration of executive personnel

XXL Board of Directors has established a remuneration committee with a set of instructions for the committee to follow. The committee acts as preparatory and advisory body to the Board of Directors in relation to the company's remuneration of executive management. The Board of Directors determines the remuneration of the CEO based on a proposal from the remuneration committee and approves the general terms of the company's incentive plans for executive management and key employees. The CEO determines the compensation to other members of XXL's executive management.

In accordance with the Norwegian Public Limited Companies Act, a statement related to the determination of salary and other benefits for the executive management will be prepared by the Board of Directors. The statement will be presented to the Annual General Meeting for voting and the statement will also be a separate appendix in the notice to the Annual General Meeting.

The Board of Directors has established guidelines for the remuneration to the CEO and members of the executive management. It is a policy to offer competitive remuneration based on current market standards, company and individual performance. The remuneration consists of a basic salary element combined with a performance based bonus program. The executive management participates in the company's insurances and is entitled to certain other elements like benefits upon termination, car, internet access and phone expenses. Executives on expatriate contracts have various other costs covered by the company. The annual salary adjustment for employees in Norway forms the basis for the XXL's executive management salary development. Members of the executive management do not receive separate remuneration for board membership in XXL subsidiaries.

The Group has established a bonus scheme for the executive management, which is based on results before tax exceeding the budget and individual targets (personal or professional development). Maximum bonus under the scheme is 50 percent of the respective employee's gross base salary. Bonus with regards to results exceeding budget is paid with NOK 50,000 per NOK 900,000 exceeding budget up to a maximum of 40 percent of the employee's gross base salary. Bonus relating to individual targets is calculated on the basis of the parameter awarded the different achieved targets, up to a maximum of 10 percent of the employee's gross base salary. The Group does not include bonus payments in the basis for calculation of holiday pay and pension.

In March 2015 the Group introduced the first share incentive program for the executive management and key employees by granting share options to such persons. This is in order to further strengthen the common interests with the shareholders. The options will vest after three years after grant, subject to key performance criteria being met and that the holder at the time of exercise is employed in the Group. The key performance criterion is equal to all and is an absolute EBITDA-target as defined by the future business plan. The company may honor options when exercised in shares or cash. The theoretical value of the share option program is NOK 8.25 million, calculated according to the Black-Scholes model.

The Group has a defined contribution plan which covers all of the XXL's employees.

The guidelines to be presented at the Annual General Meeting 3 June 2016 are disclosed in note 3 in the consolidated financial statements. For information on salary and other benefits for 2015 for the executive management see note 3 in the consolidated financial statements. For additional information about the pension plans see note 3 in the consolidated financial statements.

Deviation from the Code of Practice (NUES) – XXL ASA provide details on the salary for the CEO only and not for the rest of the executive management team

13. Information and communications

XXL's communication with the financial market is based on openness and equal treatment of all shareholders. Investor Relations is a high priority and the Board of Directors has established an Investor Relations policy to build trust and awareness in the investor community. The XXL corporate website (www.xxlasa.com) includes an updated financial calendar, financial reports, announcements, contact details and other Investor Relations information. XXL regularly hosts meetings with investors and analysts, participates on investor conferences and arranges regular presentations in Europe and the United States. Important events affecting the company are reported immediately to the Oslo Stock Exchange in accordance with applicable legislation and also at the same time on XXL's corporate website.

Deviation from the Code of Practice (NUES) - none

14. Take-overs
In accordance with the Norwegian Securities Trading Act and the Code of Practice, the Board of Directors has adopted guiding principles for how to act in the event of a take-over bid. The Board of Directors will not seek to hinder or obstruct any takeover bids. In a take-over process, the Board of Directors and executive management each have an individual responsibility to ensure that the company's shareholders are treated equally and that there are no unnecessary interruptions to the company's business activities. The Board of Directors will ensure that the shareholders have sufficient information and time to assess the offer and will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders.

Information about agreements entered into between the company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published. Any agreements with the bidder that acts to limit the company's ability to arrange other bids for company's shares will only be entered into where the Board of Directors believes it is in the common interest of the company and its shareholders.

If a take-over offer is made, the Board of Directors will obtain a valuation from an independent expert. On this basis, the Board of Directors will issue a statement making a recommendation as to whether shareholders should accept the offer or not. The valuation from the independent expert will be disclosed at the same time.

Deviation from the Code of Practice (NUES) - none

15. Auditor
The external auditor participates in meetings with the audit committee or the Board of Directors when matters falling within the scope of the external auditors responsibilities are considered. The external auditor provides to the audit committee a description of the main elements of the audit for the preceding financial year, including in particular the elements that caused the most discussions with the executive management and material weaknesses uncovered related to internal controls of the financial reporting process and proposals for improvement. The auditor participates in meetings of the Board of Directors and the audit committee that approves financial statements. Once a year the Board of Directors holds a meeting with the auditor and no member of the executive management participate.

Norwegian laws and regulations stipulate the type of non-audit services that external auditors can perform for XXL. The Board of Directors has established guidelines with respect to the use of the auditor by the company's executive personnel for services other than the audit. The Annual General Meeting is informed about the company's engagement and remuneration of the auditor and for fees paid to the auditor for services other than the annual audit. Details are disclosed in note 3 to the consolidated financial statements.

Deviation from the Code of Practice (NUES) - none

The XXL share and shareholder information

The XXL share should be an attractive investment opportunity, providing competitive returns to the owners, both through dividends and by increasing the value of the equity through positive developments in the operations.

XXL is committed to maintaining a consistent dialogue with the shareholders and potential investors. The communication with the financial market is based on openness and equal treatment of all shareholders. Good relations with the investor community contribute to building trust and reducing cost of capital. XXL gives high weight to providing accurate, clear, relevant, comprehensive and up-to-date information about the Company through stock exchange announcements, interim reports, annual reports, general meetings, presentations and meetings with investors and analysts.

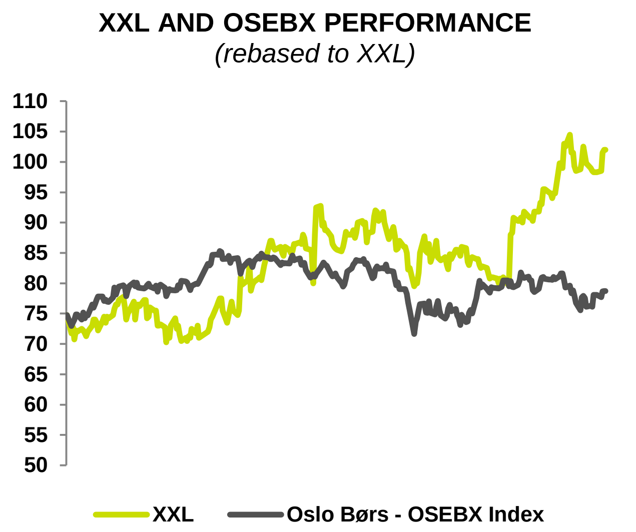
Extensive information about the Investor Relations policies and the XXL share could be found on www.xxlasa.com/investor

Financial calendar 2016:

- 27 April 2016 – Q1 2016 results
- 3 June 2016 – Annual General Meeting
- 22 July 2016 – Q2 2016 results
- 26 October 2016 – Q3 2016 results

The quarterly results presentations and the Annual General Meeting take place at the XXL head office, Alna Center, Strømsveien 245, Oslo.

Share performance
The XXL share started the year at a price of NOK 74.75 and closed the year 2016 at NOK 102.00, giving a return of 39 per cent including NOK 2.00 of dividend payment per share. XXL's market value as of year end 2015 was NOK 14.1 billion. The highest closing price was NOK 105.50 and the lowest was NOK 67.25. The Oslo Stock Exchange – OSEBX index – increased by around 5 per cent in 2015.



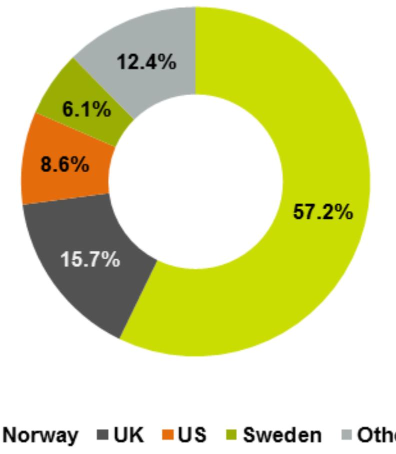
Dividend policy
XXL ASA will target a dividend pay-out of at 40-50 per cent of the Group's annual net income. When proposing a dividend the Board of Directors will take into account legal restrictions, capital requirements and the overall financial position of the company. The Board of Directors will make an overall assessment in order to secure the Company a healthy capital base both for daily operations and for future growth.

Due to the strong financial position of the Company the Board of Directors propose to the Annual General Meeting a dividend of NOK 2.00 for the financial year 2015, which is the same amount as for 2014. This represents around 65 per cent of the normalized profit for 2015 and amounts to NOK 277 million in total.

Shareholders
XXL ASA had on 31 December 2015 a total of 138,512,123 outstanding shares owned by 3,628 shareholders. Non-Norwegians amounted to 42.8 per cent of outstanding shares, with shareholders from United Kingdom representing 15.7 per cent and from the United States representing 8.6 per cent respectively of the outstanding shares. The largest shareholder was Dolphin Management AS (controlled by COB Øivind Tidemandsen) with 24.72 per cent.

2016 Annual General Meeting
XXL ASA's Annual General Meeting is scheduled for Friday 3 June 2016 at 11.00 CET at the XXL head office, Alna Center, Strømsveien 245, Oslo. Attendance either in person or by proxy should be registered within 2 June 2016 at 15.00 CET. Shareholders may register by submitting a registration form or electronically on www.xxlasa.com or at the Norwegian Central Securities Depository investor services website (VPS – www.vps.no).

GEOGRAPHICAL SHAREHOLDER DISTRIBUTION



LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2015

	Shares	%	Shareholder	Account	Nationality
1	34 242 183	24,72	DOLPHIN MANAGEMENT		NOR
2	7 035 101	5,08	FOLKETRYGDFONDET		NOR
3	5 988 685	4,32	J.P. MORGAN CHASE BANK NORDEA TREATY ACCOUNT	NOM	GBR
4	5 399 715	3,90	GOLDMAN SACHS SECURITY CLIENT	NOM	GBR
5	3 381 729	2,44	SKANDINAVISKA ENSKILDA A/C CLIENTS ACCOUNT	NOM	SWE
6	3 289 566	2,37	STAMINA AS		NOR
7	3 055 077	2,21	J.P. MORGAN CHASE BANK A/C OPPENHEIMER	NOM	USA
8	2 960 073	2,14	J.P. MORGAN CHASE BANK A/C US RESIDENT	NOM	USA
9	2 638 558	1,90	VERDIPAPIRFONDET DNB		NOR
10	2 633 915	1,90	GENI HOLDING AS		NOR
11	2 122 947	1,53	SKANDINAVISKA ENSKILDA A/C FINNISH RESIDENT	NOM	FIN
12	2 119 545	1,53	BNP PARIBAS S.A.	NOM	FRA
13	1 785 000	1,29	JP MORGAN CHASE BANK HANDELSBANKEN NORDIC	NOM	SWE
14	1 705 263	1,23	DANSKE INVEST NORSKE C/O DANSKE CAPITAL		NOR
15	1 530 018	1,10	UBS AG, LONDON BRANC A/C CLIENT IPB	NOM	GBR
16	1 400 002	1,01	CREDIT SUISSE SECURITIES (EUROPE)	NOM	GBR
17	1 380 346	1,00	SUNDT AS		NOR
18	1 336 556	0,96	ANDERS FJELD HOLDING		NOR
19	1 202 131	0,87	SCHRODER INTERNATIONAL FUND		LUX
20	1 198 841	0,87	ROBERT IVERSEN HOLDING AS		NOR

Consolidated financial statements - Group

Statement of total comprehensive income

Figures are stated in NOK million	**Note**	**2015**	**2014**
Net sales	2	6 486	5 212
Other income		1	3
Total Operating Revenue		**6 487**	**5 215**
Cost of goods sold		3 908	3 083
Personnel expenses	3	991	799
Depreciation and amortization	4,5	91	80
Other operating expenses	6	863	732
Total Operating Expenses		**5 853**	**4 695**
Operating Income		**634**	**521**
Interest income		1	8
Other financial income	18	141	93
Total Financial Income		**142**	**101**
Interest expense		49	194
Other financial expense	18	121	88
Total Financial Expense		**170**	**283**
Net Financial Income (Expense)		**-28**	**-182**
Profit before income tax		**606**	**339**
Income tax expense	7	179	77
Net income		**427**	**262**
Basic Earnings per share (NOK)	14	**3,08**	**1,53**
Diluted Earnings per share (NOK)	14	**3,07**	**1,53**
Consolidated statement of comprehensive income			
<u>Items that may be subsequently reclassified to profit or loss</u>			
Foreign currency rate changes		0	0
Total Other Income and Expense		**0**	**0**
Total comprehensive income for the year net of tax		**427**	**262**

Notes 1 to 20 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position – Assets

Figures are stated in NOK million	Note	31.12.2015	31.12.2014
NONCURRENT ASSETS			
Intangible Assets			
Trademarks	5	191	191
Proprietary software	5	24	20
Software	5	10	10
Goodwill	5	2 734	2 734
Total Intangible Assets		**2 959**	**2 955**
Fixed Assets			
Construction in progress	4	8	3
Machinery and equipment	4	54	57
Land and buildings	4	8	8
Transportation and vehicles	4	1	1
Fixtures and fittings	4	499	404
Total Fixed Assets		**569**	**474**
Total Noncurrent Assets		**3 529**	**3 429**
CURRENT ASSETS			
Inventory			
Inventories	8	1 928	1 397
Total Inventory		**1 928**	**1 397**
Trade and Other Receivables			
Trade receivables	12	78	93
Other receivables	12,19	217	192
Total Trade and Other Receivables		**295**	**284**
Cash and Cash Equivalents			
Cash and equivalents	11	87	222
Total Cash and Cash Equivalents		**87**	**222**
Total Current Assets		**2 310**	**1 904**
Total Assets		**5 839**	**5 333**

Notes 1 to 20 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position – Equity and Liabilities

Figures are stated in NOK million	Note	31.12.2015	31.12.2014
SHAREHOLDERS' EQUITY			
Paid-in Capital			
Share capital		48	55
Share premium		2 838	2 834
Total Paid-in Capital		**2 886**	**2 890**
Retained Earnings			
Other equity		480	330
Total Retained Earnings		**480**	**330**
Total Shareholders' Equity		**3 366**	**3 219**
LIABILITIES			
Non-Current Liabilities			
Deferred tax liability	7	61	52
Other non-current debt	20	1 116	1 097
Total Non-Current Liabilities		**1 177**	**1 149**
Current Liabilities			
Accounts payable		578	455
Current debt	20	8	6
Tax payable	7	193	75
Public duties payable		228	185
Other current debt	16	289	245
Total Current Liabilities		**1 295**	**966**
Total Liabilities		**2 473**	**2 114**
Total Equity and Liabilities		**5 839**	**5 333**

Notes 1 to 20 are an integral part of the Consolidated Financial Statements

Oslo, 26 April 2016

Øivind Tidemandsen
Chairman of the Board

Ingrid Aina Jennetta Osmundsen
Board Member

Fredrik Steenbuch
Managing Director

Ronny Blomseth
Board Member

Tore Valderhaug
Board Member

Anna Birgitta Attemark
Board Member

Mernosh Saatchi
Board Member

Consolidated statement of cash flows

Figures are stated in NOK million	Note	2015	2014
Operating Activities			
Profit before income tax		606	339
Income tax paid		-73	-48
Depreciation	4,5	91	74
Impairment of non-current assets	4,5	0	6
Changes in inventory		-531	-324
Changes in accounts receivable		-11	60
Changes in accounts payable		124	40
Interest expense		42	53
Interest expense on shareholder loan		0	125
Amortisation of capitalised transaction costs		8	8
Fair value movement of financial derivatives	20	-1	-4
Prepayments of financial leases	17	-11	-7
Changes in other assets and liabilities		108	4
Cash provided (used) by operating activities		**352**	**325**
Investing Activities			
Acquisition of fixed assets	4,5	-162	-147
Proceeds from disposal of financial assets		1	5
Purchase of own shares/other equity transaction		-8	0
Cash provided (used) by investing activities		**-169**	**-142**
Financing Activities			
Payments on long-term debt		-787	-68
Proceeds from new long-term debt		787	0
Interest payments		-42	-53
Proceeds from issuance of shares		0	1 794
Payment of shareholder loan		0	-1 794
Gift to Foundation		0	-10
Dividend		-277	0
Cash provided (used) by financing activities		**-319**	**-131**
Net Change in Cash and Cash Equivalents		**-135**	**52**
Cash and cash equivalents - beginning of year	11	222	170
Effect of foreign currency rate changes on cash and equivalents		0	1
Cash and Cash Equivalents - End of Year		**87**	**222**

Notes 1 to 20 are an integral part of the Consolidated Financial Statements

Consolidated statement of Changes in Equity

Figures are stated in NOK million	Share Capital	Share premium	Other Equity	Foreign Currency Rate Changes	Total Stockholders' Equity
Stockholders' Equity 31.12.13	**109**	**986**	**77**	**1**	**1 173**
Net income 2014			262		262
Gift to Foundation*			-10		-10
Foreign currency rate changes				0	0
Transactions with owners:					
Reduction in share capital [1]	-74	-1 046			-1 120
Proceeds from shares issued (private placement) [1]	8	1 113			1 120
Proceeds from shares issued (private placement) [2]	4	596			600
Proceeds from shares issued (Initial public offering) [3]	8	1 186			1 194
Stockholders' Equity 31.12.14	**55**	**2 834**	**329**	**1**	**3 219**
Net income 2015			427		427
Purchase own shares	-8				-8
Employee share incentive program		4			4
Dividend			-277		-277
Foreign currency rate changes				0	0
Stockholders' Equity 31.12.15	**48**	**2 838**	**479**	**1**	**3 366**

Notes 1 to 20 are an integral part of the Consolidated Financial Statements

Dividend of NOK 2 per share proposed for FY15.

The share capital as of 31.12.2015 is 55.4 million NOK

** Contribution to XXL Children Foundation*

The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements

1) Restructuring of the company's share capital, including (i) the redemption of the Company's class C shares; (ii) a share capital increase in which holders of class C shares subscribed for new ordinary shares in which the redemption amount received for the class C shares was set off against the consideration for the new ordinary shares

2) Share capital increase in which XIN Holding Guernsey Limited (an entity controlled by EQT V Limited, advised by EQT Partners) subscribed for new shares for an amount equal to the interest portion of the Company's outstanding debt to EQT V and the consideration payable for such ordinary shares was settled by way of set off against EQT V's entitlement to such interest amount.

3) In the Offering, XXL issued a total of 20,595,620 new shares, of which 20,501,708 shares issued to investors at a subscription price of NOK 58 and 93,912 shares issued to employees at a subscription price of NOK 52.1860, each with a par value of NOK 0.40, in connection with completion of the Offering.

Notes to the financial statements

Note 1 Accounting policies

The Consolidated Financial Statements for XXL ASA ("the Group") are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and required for the financial year beginning 1 January 2015 or later, as well as Norwegian disclosure requirements pursuant to the Accounting Act per 31 December 2015.
The Consolidated Financial Statements have been prepared in accordance with the historical cost convention, modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through equity or the statement of income.
The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and events under similar conditions.

Functional and presentation currency
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in the statement of income. Non-monetary items are not translated at year-end and are measured at historical cost translated using the exchange rates at the transaction date), except for no-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The presentation and functional currency is NOK. Group entities with a functional currency other than NOK are translated at the closing rate at the reporting date for balance sheet items, including goodwill, and at transaction rate for income and expenses. Monthly average rates are used as an approximation for transaction rates. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity.

Basis of consolidation
The Consolidated Financial Statements include the parent company XXL ASA and all of its subsidiaries. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies.

All transactions and balances between Group companies are eliminated at consolidation, including unrealized gains and losses on transactions between Group companies.

Subsidiaries
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.

Revenue recognition
Revenue is recognized when it is probable that transactions will generate future economic benefits that will flow to the entity and the revenue can be reliably estimated. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.
Sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods. Payment for retail sales is usually in the form of cash or credit card payment. When selling to the end user, the Group's policy is to give the customer the right of return within 100 days.
Interest income is reported on an accrual basis using the effective interest method.

Internet Sales
Sale of goods over the Internet is recognized when the product is sold to the customer, which is when the goods are shipped. All sales are settled by credit card.

Gift cards
Revenue from gift cards are recognized when redeemed or if it is unused for 12 months.

Income tax
Tax expense recognized in the statement of income comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.
Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. The calculation of current tax is based on

tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Based on these evaluations, provisions for anticipated tax payments are made, as necessary.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that they will be utilized against future taxable income, based on the Group's forecast of future operating results which are adjusted for significant non-taxable income and expenses.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Fixed assets
Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the carrying value of the accounts and any gain or loss is recognized.
The cost of fixed assets is the purchase price including taxes and expenses directly attributable to preparing the asset for use. Expenditures incurred after the asset has been put into operation, such as ongoing maintenance, are expensed, while other expenses that are expected to generate future economic benefits are capitalized.
Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of buildings and equipment.

The following useful lives are applied:

Buildings: 20 years
Machinery and equipment: 5-10 years
Inventory and vehicles: 5-10 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the income statement within other income or other operating expenses.

Construction in progress is classified as a fixed asset and is recognized at cost until the asset is commissioned. Construction in progress is not depreciated until the asset is placed into service.

Leased assets
Capital leases
The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a capital liability. Direct costs relating to the lease are included in the asset's cost.
In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Operating leases
All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is calculated as the sum of the consideration and the book value of non-controlling interest and the fair value of previously owned

shares, minus net value of identifiable assets and liabilities at the acquisition date. Goodwill is not amortized, but is tested annually for impairment. Goodwill is carried at cost less accumulated impairments losses. In connection with impairment testing, goodwill is allocated to the related cash-generating units or groups of cash generating units.

Trade and other receivables
Trade and other receivables are initially recognized at the original invoice amount (fair value), less an allowance for impairment. Supplier bonuses receivables not yet received as the end of reporting period are included as other receivables.

Warehouse costs
Warehouse and storage cost are recognized as other operating expenses. Transportation and related costs are recognized as inventory until the items is sold.

Intangible assets
Acquired intangible assets are capitalized on the basis of the costs incurred to acquire and put the asset into use. Intangible assets acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values.

Expenditure on the research phase of projects to develop new customized software for IT and telecommunication systems is recognized as an expense as incurred.
All intangible assets, including capitalized internally developed software, are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date.
Intangible assets with indefinite useful lives are tested for impairment annually, either individually or as part of a cash-generating unit.
Intangible assets with indefinite lives are not amortized. Management reviews annually to determine whether the indefinite life assumption can be justified. If not, a change to the predetermined useful life is made.

Brand/Trademark
Trademark allocated as part of the purchase price allocation in 2010 is capitalized and has undefined useful life.

Software - acquired and developed
Expenses related to the purchase of new software are capitalized as an intangible asset if these costs are not part of the original hardware cost. Software is depreciated over three years. Expenses incurred due to service or maintenance are expensed unless the changes in the software increase the future economic benefits of the software.

Financial instruments
Financial instruments are classified into the following categories:
Fair value through profit or loss (FVTPL), held-to-maturity (HTM), loans and receivables, available-for-sale (AFS) and other liabilities.

The Group has financial instruments in the following categories: loans and receivables, fair value through profit or loss and other financial liabilities.
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet the criteria conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into category FVTPL. Assets in this category are measured at fair value with gains or losses recognized in profit or loss.

Financial guarantee contracts are measured at the higher of the provisions as described by IAS 37 “Provisions, contingent liabilities and contingent assets” and IAS 18 “Revenue,” unless the contracts qualify for and are designated as instruments at FVTPL.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.
Financial liabilities that do not fall into the category of held for trading and are not designated at fair value through profit and loss are classified as other liabilities. Other liabilities, along with loans and receivables, are measured at amortized cost.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit and loss are included within financial income or financial expenses.
For financial instruments not traded on an active market, an appropriate valuation method is used in order to determine the fair value. Such valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, and referencing the current fair value of another instrument that is substantially the same, as well as a discounted cash flow analysis or other valuation models.

An analysis of financial instruments and their fair value measurement can be found in note 19.

FX derivatives used to secure purchases in foreign currency are measured at fair value and recognized in the P&L.

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 nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost is reduced by any bonuses and cash discounts from suppliers. In the statement of income, volume based market support is presented as a reduction of cost of goods sold, while sales support billed suppliers for marketing service is presented as a reduction in marketing costs under other operating expenses. Any unused cash discounts deemed immaterial are not presented in the statement of comprehensive income under financial expense. Inventory cost is recognized based on weighted average cost.

Cash and cash equivalents
Cash includes cash in hand and bank deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash with a maximum term of three months. Funds originally bound for more than three months are not included in cash and cash equivalents.
Bank overdrafts are presented in the statement of cash flows less cash and cash equivalents.

Stockholder's equity
Foreign currency rate changes
The translation reserve is comprised of foreign currency rate changes arising from the translation of financial statements of the Group's foreign entities into NOK.
Exchange differences on monetary items (assets or liabilities) which are in reality part of a company's net investment in a foreign entity are also included in the translation reserve.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.
A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and an assessment of all possible outcomes and the accompanying probabilities.

Contingent liabilities and assets
In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.
A contingent asset is not recognized in the financial statements but disclosed in notes if it is probable that the benefit will flow to the Group.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that make strategic decisions.

Changes in accounting policies

No new or amended IFRS or IFRIC interpretations came into effect for the 2015 financial year that has a significant impact on the consolidated financial statements.

Annual improvements from 2010-2012 changed IFRS 8 and requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported. As XXL don't disclose segment assets, there is no significant change in 2015.

The amendments of IAS 19 means that the employees share of the annual pensionpremium hereafter reduces pension expenses as the employee's share amounts to a fixed percentage of salary.

Amendment to IAS 32, 'Financial instruments:Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Other standards amendments and interpretations which are effective for the financial year beginning on 1 January 2015 are not material to the group. Adoption of IFRS 10, 11 and 12 are not relevant on these financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company:
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2016, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15 Revenue from Contracts with Customers applies to all contracts with customers except for: leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; insurance contracts within the scope of IFRS 4 Insurance Contracts; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

The IFRS 15 has not been adopted early by the Company.

IFRS 16 'Leases' specifies how to recognise, measure, present and disclose leases. The new standard is effective for annual reporting periods beginning on or after January 1, 2019, with early application permitted but only if the entity is also applying IFRS 15, Revenue from contracts with customers. IFRS 16 replaces IAS 17, IFRIC 4, SIC 15 and SIC 27.

IFRS 16 has not been adopted early by the Company.

Significant management judgment in applying accounting policies

When preparing the Consolidated Financial Statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill and trademark
The Group tests for impairment of goodwill and trademark as necessary, or at a minimum annually (note 5). The recoverable amount of cash-generating units is based on the value-in-use calculation. These calculations require the use of estimates (note 5).

Inventories
The Group reviews the aging distribution and movements in inventory to assess the provision for obsolescence. This calculation requires the use of estimates in part.

Note 2 Operating Segments

The Group's business is the sale of sports and leisure equipment and leisure events. The Group's sales are made primarily from the Group's stores in Norway, Sweden and Finland. The Company's performance is reviewed by the chief operating decision maker as three reportable geographical segments, and in addition HQ & Logistics. Internet sale is included in each geographic segment.

01.01.2015 - 31.12.2015

Amounts in NOK million	Norway	Sweden	Finland	HQ & Logistics	Total
Operating revenue	**3 617**	**2 045**	**825**	**0**	**6 487**
Gross profit	1 529	783	268	0	2 579
EBITDA[2]	**763**	**188**	**19**	**-244**	**725**
Operating Income	**735**	**161**	**10**	**-272**	**634**

01.01.2014 - 31.12.2014

Amounts in NOK million	Norway	Sweden	Finland	HQ & Logistics	Total
Operating revenue	**3 341**	**1 582**	**292**	**0**	**5 215**
Gross profit	1 449	592	91	0	2 132
EBITDA[2]	**726**	**112**	**-6**	**-231**	**601**
Operating Income	**693**	**89**	**-8**	**-252**	**521**

[2]Our EBITDA represents operating income plus depreciation

Note 3 Employee remuneration

Employee benefit expenses	2015	2014
Wages, salaries	788	641
Social security costs	135	103
Pension expenses	41	22
Other benefits	27	33
Total	**991**	**799**

Average number of employees	2 111	1 789

Senior management remuneration

Figures in NOK 1000

The following benefits were provided to the senior management:

Name	Title	Salary	Bonus	Other	Pension	Total remuneration
Fredrik Steenbuch	Chief Executive Officer	3 097	1 550	101	21	**4 768**

Remuneration report:

1. Guidelines

The Board of Directors has established guidelines for the remuneration to the members of the executive management. It is a policy of the company to offer the executive management competitive remuneration based on current market standards, company- and individual performance. The remuneration consists of a basic salary element combined with a performance based bonus program as set forth below. The executive management participates in the company's insurances and is entitled to certain fringe benefits such as free newspaper, car and phone.

The remuneration committee is a sub-committee of the Board of Directors and its objective is to act as a preparatory and advisory body in relation to the Company's remuneration of executive management and to ensure thorough and independent preparation of matters in relation to compensation of executive personnel.

2. Bonus program

The Group has established a bonus scheme for the executive management, which is based on (i) results before tax exceeding the budget and (ii) individual targets (personal or professional development). Maximum bonus under the scheme is 50% of the respective employee's gross base salary. Bonus with regards to results exceeding budget is paid with NOK 50,000 per NOK 900,000 exceeding budget up to a maximum of 40% of the employee's gross base salary. Bonus relating to individual targets is calculated on the basis of the parameter awarded the different achieved targets, up to a maximum of 10% of the employee's gross base salary. The Group does not include bonus payments in the basis for calculation of holiday pay and pension.

3. Share option program

In order to strengthen the common interests between the executive management and other key employees and the shareholders of the company, the Board of Directors has resolved to implement a share option program for its executive management and other key employees (as defined by the CEO) by granting share options to such persons.

The next option grant ("the 2017 Plan") will take place after the Q4 2016 results in late February/early March 2017. The participants will receive options worth up to an average yearly salary. The strike price will be equal to the volume weighted average price in the market the five trading days after the Q4 2016 results presentation. The options are exercisable after three years, subject to a key performance criteria (EBITDA-target according to business plan) being met and subject to the holder at the time of exercise is employed in the company.

4. Program of restricted share units

In order to further align the interests of the company and the employees and its shareholders, and to motivate the employees to contribute materially to the success and profitability of XXL, the Board of Directors has resolved to implement a program of Restricted Share Units ("RSUs"). This program will also enable the company to attract and retain such employees.

The next RSU grant ("the 2017 Plan") will take place after the Q4 2016 results in late February/early March 2017 and will be related to individual contributions to XXL, position in the organization, employment duration and the importance for XXL. The allocation price will be equal to the volume weighted average price in the market the five trading days after the Q4 2016 results presentation. The RSUs are exercisable after three years subject to the holder at the time of exercise is employed in the company.

Board of directors remuneration

Figures in NOK 1000

Name	Title	Fee	Total remuneration
Øivind Tidemandsen	Chairman of the Board	266	**266**
Tore Valderhaug	Board member (new in 2015)	0	**0**
Ronny Blomseth	Board member	241	**241**
Mernosh Saatchi	Board member	166	**166**
Ingrid Osmundsen	Board member	166	**166**
Anna Birgitta Attemark	Board member	166	**166**
Tore Thorsteinsen	Former board member (resigned in 2015)	241	**241**
Anders Misund	Former board member (resigned in 2015)	166	**166**

There are no loans or guarantees to the Managing Director or other related parties.
The Managing Director and the Board do not have any agreement for compensation upon termination or change of employment / directorship.

Pension

The Group is required to have a compulsory pension in accordance with the Norwegian Accounting Act §7-30a. The Group has a pension plan that fulfills this requirement, which covers all employees and is a defined contribution plan.

Audit Fees

Divided by type of service (exclusive of VAT)

(figures in NOK 1 000)	2015	2014
Statutory audit	2 012	1 781
Tax related services	55	0
Other services	61	4 766
Total fees	**2 128**	**6 547**

Note 4 Fixed assets

	Land and buildings	Transport and vehicles	Machinery and equipment	Fixtures and fittings	Construction in progress	Total
Balance 01.01.14	**10**	**1**	**99**	**459**	**6**	**576**
Additions	0	0	20	112	-1	132
Disposals/transfer to other category of fixed assets	0	0	-6	-25	-2	-32
Net exchange differences	0	0	1	7	0	8
Balance 31.12.14	**10**	**2**	**114**	**554**	**3**	**684**
Accumulated depreciation pr. 01.01.14	-2	0	-39	-122	0	-163
Disposals	0	0	0	20	0	21
Depreciation	0	0	-18	-54	0	-72
Accumulated depreciation pr. 31.12.14	-2	-1	-57	-150	0	-209
Carrying amount pr. 31.12.14	**8**	**1**	**57**	**404**	**3**	**474**
Balance 01.01.15	**10**	**2**	**114**	**554**	**3**	**684**
Additions	0	1	20	120	8	149
Disposals (-) / transfer to oth. cat. of fixed assets (+/-)	0	-1	-3	5	-3	-2
Net exchange differences	0	0	3	29	0	32
Balance 31.12.15	**10**	**2**	**134**	**708**	**8**	**862**
Accumulated depreciation pr. 01.01.15	-2	-1	-57	-150	0	-209
Disposals	0	0	0	2	0	3
Depreciation	0	0	-22	-59	0	-82
Net exchange differences	0	0	-1	-3	0	-4
Accumulated depreciation pr. 31.12.15	-3	-1	-80	-209	0	-293
Carrying amount pr. 31.12.15	**8**	**1**	**54**	**499**	**8**	**569**
Useful life	20 years	5 years	3-5 years	10 years		
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	None	
Capital leases included in fixed assets			30			**30**
Depreciation on capital leases			5			**5**
Lease period			2014-2023			

See note 17 Leases for additional information on capital and operating leases.

Note 5 Intangible assets

	Goodwill	Trademarks	Proprietary software	Software	Total
Balance 01.01.2014	**2 878**	**200**	**19**	**20**	**3 118**
Additions	0	1	10	3	14
Disposals	0	0	0	0	0
Balance 31.12.2014	**2 878**	**201**	**30**	**24**	**3 132**
Accumulated amortization pr. 01.01	-144	-10	-5	-11	-170
Disposals	0	0	0	0	0
Amortization	0	0	-5	-2	-7
Accumulated amortization pr. 31.12	-144	-10	-9	-14	-177
Carrying amount pr. 31.12.2014	**2 734**	**191**	**20**	**10**	**2 955**
Balance 01.01.2015	**2 878**	**201**	**30**	**24**	**3 132**
Additions	0	0	13	2	14
Disposals	0	0	0	0	0
Balance 31.12.2015	**2 878**	**201**	**42**	**25**	**3 147**
Accumulated amortization pr. 01.01	-144	-10	-9	-14	-177
Disposals	0	0	0	0	0
Amortization	0	0	-9	-2	-10
Accumulated amortization pr. 31.12	-144	-10	-18	-15	-188
Carrying amount pr. 31.12.2015	**2 734**	**191**	**24**	**10**	**2 959**
Useful life		10 years/indefinite*	5 years	3-5 years	
Amortization method		Straight-line	Straight-line	Straight-line	

Trademark

*Trademark allocated as part of the purchase price allocation in 2010 are capitalized and has indefinite life. Trademark is not amortized due to XXL's extensive spenditure on commercials and advertising, keeping the brand awerness growing.The value of trademark is tested annually for impairment.
There are shops in Norway that are considered to be cash-generating units (CGU) used in the valuation of trademark. The impairment assessment of trademark is included in the goodwill impairment test. See below.

Software - acquired and developed

Expenses related to the purchase of new software are capitalized as an intangible asset if these costs are not part of the original hardware cost. Software is depreciated over 3 years. Expenses incurred due to service or maintenance are expensed unless the changes in the software increase the future economic benefits of the software.

Goodwill

The Group's booked goodwill per 31 December 2015 is NOK 2 734 million. This amount is related to the acquisitions of XXL Sport og Villmark AS in 2010. Upon acquisition, the company operated mainly in Norway, then moved into Sweden. Shops in Norway are considered to be cash-generating units (CGU) used in the valuation of goodwill. Goodwill is evaluated by management and monitored based on the performance of the CGUs. The recoverable amount of each CGU is calculated based on a value in use method.
Goodwill is not amortized, but tested annually for impairment.

The present value of the expected cash flows of each segment was determined using a discount rate of 5.17%, after tax. This is based on a risk free interest rate of 1.60%, plus a risk premium of 5%. The risk is based on observations of similar companies.
The recoverable amount of each segment was determined based on the following estimates:
• Future sales are estimates based on budget and long term plans
• Long-term average growth rate is set at 1.5%
• Today's cost as a percentage of income is considered to reflect future projections
• For goodwill testing, management has used a 5 year period with a terminal value growth rate beyond this period of 1.5%
• Risk-free interest rate is the 10-year government bond yield
• Beta Value is based on figures from international companies listed on the stock exchange

No impairment of goodwill was necessary in 2014 or 2015.

Cash Generating Units (CGUs)

Shops in Norway	**2015**	**2014**
Goodwill	2 734	2 734
Trademark	191	191
Impairment	0	0

Sensitivity discount rate	
Discount rate after tax	5,17 %
Increase in the discount rate before possible impairment of goodwill	8,0 p.p
Decrease in gross margin before possible impairment of goodwill	12,5 p.p

Note 6 Other operating expenses

Other operating expenses by nature	**2015**	**2014**
Leasing and other cost of premises	405	325
Marketing expenses	341	277
Other operating expenses (incl. IT licenses, maintenance, legal fees and other)	118	131
Sum	**863**	**732**

Note 7 Tax

Tax expense for the year	**2015**	**2014**
Tax payable in Norway	182	72
Tax payable in Finland	2	0
Tax payable in Switzerland	6	3
Change in deferred tax	10	11
Exchange rate effect/other	-21	-9
Total income tax expense	**179**	**77**
Effective tax rate	***30 %***	***23 %***

Current tax payable		
Tax payable in Norway	182	72
Tax payable in Finland	2	0
Tax payable in Switzerland	9	3
Total tax payable in the balance sheet	**193**	**75**

Explanation of difference between Norwegian statutory tax rate of 27% and the effective tax rate

Income before tax	**606**	**339**
27 % tax of income before tax	164	92
Permanent differences (27%)	-1	0
Accrual for settlement of tax dispute	38	0
Differences in tax rates amongst the Group and other	-22	-15
Income tax expense	**179**	**77**

Specification of temporary differences

Asset (-)/liability	**2015**	**2014**	**Change**
Fixed and intangible assets	59	40	-18
Accounts receivable	-3	-3	0
Inventories	-106	-92	15
Accrued expenses	-14	-19	-5
Trademark	190	190	0
Fixed assets Sweden	162	51	-111
Amortization of loan expenses	9	18	9
Financial derivatives	2	0	-2
Interest limitation rules	-20	-20	0
Total temporary differences	**279**	**165**	**-113**
Loss carryforward	0	-5	-5
Basis for deferred tax	279	161	-118
Deferred tax in the balance sheet	**61**	**52**	**10**

Deferred tax assets (-) / liabilities are presented net for the Norwegian entities.
Tax rate in Norway is 27% for 2015 and will be 25% from 1 January 2016. Deferred tax in Norway has therefore been calculated with 25%.
Tax rate in Sweden is 22% for 2014, tax rate in Finland is 20% in 2015, tax rate in Switzerland is 8.6% in 2015.

With reference to the review by Skatt Øst (Norwegian Tax Authorities) of income tax for the years 2010 - 2013.
XXL ASA has settled an agreement with Skatt Øst. Under the agreement the net tax effect for XXL ASA is NOK 38 million and is included in the income tax expense for 2015.

Note 8 Inventories

	2015	2014
Goods purchased for resale	1 895	1 376
Goods in transit	42	31
Reserve for inventory obsolescence	-9	-11
Total inventories	**1 928**	**1 397**

Note 9 Investment in subsidiaries

The Group has an ownership interest in the following subsidiaries:

Subsidiaries	Year of incorporation	Business location	Ownership percentage
XXL Sport & Villmark AS	2000	Oslo	100 %
XXL Grossist Norge AS	2000	Oslo	100 %
XXL Adventure AS	2002	Oslo	100 %
XXL Sport og Vildmark AB	2005	Stockholm	100 %
XXL Sports & Outdoor OY	2013	Helsinki	100 %
XXL Europe Holding Sarl	2013	Luxembourg	100 %
XXL All Sports United Sarl	2013	Luxembourg	100 %
XXL Europe Gmbh	2013	Luzern	100 %
XXL Online Gmbh	2013	Luzern	100 %

Midsport AS and Gigasport AS has been merged into XXL ASA during 2015.
Investments in subsidiaries are consolidated in the Consolidated Financial Statements.

Note 10 Related party transactions

The Group's related parties include its key management, members of the board and majority shareholders.
The Board members represent 24.9% of the shares (voting rights) in the Group. None of the Board members have been granted loans or guarantees.
Furthermore, none of the Board members are included in the Group’s pension or bonus plans.

Note 11 Cash and cash equivalents

Cash and equivalents include the following items:

	2015	2014
Bank deposits (restricted)*	23	14
Deposits	1	2
Cash	23	18
Bank deposits (unrestricted)	41	188
Total cash and cash equivalents	**87**	**222**
Unused overdraft	700	300

The Group has created a group account owned by XXL Sport og Villmark AS.
The Group has undrawn credit facilities with DnB/Nordea for NOK 700 million per year-end 2015 (2014: NOK 300 million).
*Restricted cash comprises of employee tax witheld

Note 12 Trade and other receivables

	2015	2014
Trade receivables, gross	81	96
Allowance for credit losses	-3	-4
Trade receivables 31.12	**78**	**93**

Changes in allowance for credit losses

Beginning balance	**-4**	**-2**
Amounts written off (uncollectible)	2	1
Recovery of written off items	0	0
Change in the allowance	0	-1
Allowance for credit loss expense	**2**	**1**
FX effect reserve balance sheet/profit or loss	1	-2
Ending balance 31.12	**-3**	**-4**

The table below shows the aging analysis of trade receivables per 31.12

Year	Total	Not yet due	>30 days	>60 days	>90 days
2015	81	60	12	2	7
2014	103	84	4	5	10

All of the Group's trade and other receivables have been reviewed for indicators of impairment and an allowance for credit losses has been reserved for amounts which are considered uncollectable.

Other receivables

Accrued supplier bonus	136	157
Prepaid expenses	5	5
Other receivables	76	29
Other receivables 31.12	**217**	**192**

Note 13 Share capital and shareholder information

The share capital of XXL is NOK 55,404,849.20 consisting of 138,512,123 shares with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2015:	Total amount of shares	Ownership	Voting right
DOLPHIN MANAGEMENT	34 242 183	24,7 %	24,7 %
FOLKETRYGDFONDET	7 035 101	5,1 %	5,1 %
J.P. MORGAN CHASE BANK NORDEA TREATY ACCOUNT	5 988 685	4,3 %	4,3 %
GOLDMAN SACHS SECURITY CLIENT	5 399 715	3,9 %	3,9 %
SKANDINAVISKA ENSKILDA A/C CLIENTS ACCOUNT	3 381 729	2,4 %	2,4 %
STAMINA AS	3 289 566	2,4 %	2,4 %
J.P. MORGAN CHASE BANK A/C OPPENHEIMER	3 055 077	2,2 %	2,2 %
J.P. MORGAN CHASE BANK A/C US RESIDENT	2 960 073	2,1 %	2,1 %
VERDIPAPIRFONDET DNB	2 638 558	1,9 %	1,9 %
GENI HOLDING AS	2 633 915	1,9 %	1,9 %
SKANDINAVISKA ENSKILDA A/C FINNISH RESIDENT	2 122 947	1,5 %	1,5 %
BNP PARIBAS S.A.	2 119 545	1,5 %	1,5 %
JP MORGAN CHASE BANK HANDELSBANKEN NORDIC	1 785 000	1,3 %	1,3 %
DANSKE INVEST NORSKE C/O DANSKE CAPITAL	1 705 263	1,2 %	1,2 %
UBS AG, LONDON BRANC A/C CLIENT IPB	1 530 018	1,1 %	1,1 %
CREDIT SUISSE SECURITIES (EUROPE)	1 400 002	1,0 %	1,0 %
SUNDT AS	1 380 346	1,0 %	1,0 %
ANDERS FJELD HOLDING	1 336 556	1,0 %	1,0 %
SCHRODER INTERNATIONAL FUND	1 202 131	0,9 %	0,9 %
ROBERT IVERSEN HOLDING AS	1 198 841	0,9 %	0,9 %
Other	52 106 872	37,6 %	37,6 %
Sum	**138 512 123**	**100 %**	**100 %**

All shares have been fully paid.

Shares held by Board of Directors and Executive Management:	Title	Amount of shares
Fredrik Steenbuch	Chief Executive Officer	3 289 566
Øivind Tidemandsen (56,23% of Dolphin Management AS)	Chairman of the Board	34 242 183
Tore Valderhaug	Board member	0
Ronny Blomseth	Board member	231 266
Mernosh Saatchi	Board member	10 775
Ingrid Osmundsen	Board member	5 603
Anna Birgitta Attemark	Board member	1 724
Anders Fjeld	Chief Operating Officer	1 354 079
Krister Pedersen	Chief Financial Officer	307 816
Espen Terland	Chief Information Officer	175 919
Marcus Wibergh	Director Sweden	156 822
Toni Stigzelius	Director Finland	73 547
Tommi Jylhä-Vuorio	Director E-commerce	20 192
Tom Erik Kjønø	European Purchase and Marketing Director	389 901
Geir Nilsen	Director Logistics	2 633 915
Tolle Grøterud	Investor Relations	24 137
Harald Borgen	Director Wholesale	65 162
Lars Rugaas	Nordic Purchase Director	43 812

Note 14 Earnings per share

	YTD 2015	YTD 2014
Total profit	**427**	262
Weighted average number of ordinary shares in issue	**138 512 123**	171 434 193
Adjustment for:		
Effect share options	**625 665**	0
Weighted number of ordinary shares in issue for diluted earnings per share	**139 137 788**	171 434 193
Basic Earnings per share (in NOK)	**3,08**	1,53
Diluted Earnings per share (in NOK)	**3,07**	1,53

Reconciliation weighted average number of ordinary shares

	YTD 2015	YTD 2014
Number of shares opening	**138 512 123**	**1 094 449 501**
Share issue	**0**	43
Share consolidation	**0**	-820 837 158
Share capital reduction	**0**	-185 355 705
Share issue private placement	**0**	19 318 007
Share issue private placement	**0**	10 341 815
Share issue Initial public offering	**0**	20 595 620
Number of shares closing	**138 512 123**	138 512 123
Weighted average	**138 512 123**	171 434 193
Effect share option	**625 665**	0
Basic Earnings per share (in NOK)	**3,08**	**1,53**
Diluted Earnings per share (in NOK)	**3,07**	**1,53**

Note 15 Security and guarantees

XXL ASA has a total loan engagement of NOK 1 592 million with DnB and Nordea bank as of December 2015, consisting of a Term Loan of NOK 1 092 million a Revolving Credit Facility of NOK 500 million in which NOK 500 millions are available. The bank has received negative pledged as security for these loans.

The following guarantees are effective as of 31.12.2015:

Company	Description	Guarantor	Amount	Currency
XXL Adventure AS	Norwegian Travel Guarantee Fund	DNB Bank ASA	1 500 000	NOK
XXL Sport & Vildmark AB	Swedish Customs	DNB Bank ASA	7 000 000	SEK
XXL Sports & Outdoor OY	Finnish Customs	DNB Bank ASA	140 000	EUR

Note 16 Provisions

The Group has changed store location in Kristiansand, Norway. The old premises are not sublet, and the future lease commitments was expensed in 2014. The provision is NOK 13 million at the balance sheet date. Provision of 3.5 mNOK related to old central warehouse has been reversed in 201

	Provisions for lease commitments
Carrying amount 01.01.2015	**18**
Additional provision	0
Amounts used in period	-2
Reversed	-4
Carrying amount 31.12.2015	**13**

Note 17 Leases

Operating leases

The Group has office and warehouse buildings under operating leases in Norway, Sweden, Finland and Switzerland.
The calculation of the lease payment is based on a standard rental period, as specified in the individual contracts. The agreements contain assumptions about index rates.
The calculation does not take into account any changes in the liabilities associated with this type of adjustment.

Commitments

Shops/offices/central warehouse	2015	2014
Under 1 year	436	414
1 to 5 years	1 518	1 656
After 5 years	1 158	1 089
Total commitments relating to operating leases	**3 112**	**3 158**

Net lease payments are recognized in profit or loss	291	232
Excl. joint costs, etc.		
Other operating lease expenses (company cars/trucks, etc.)	7	7

Capital leases

The Group's assets under capital leases includes furnishings, machinery and equipment. The lease periods are up to 5 years.

Assets under capital leases are as follows:	2015	2014
Furnishing stores	8	8
Machinery and equipment central warehouse	43	43
Total cost	**51**	**51**
Accumulated depreciation furnishings	-8	-8
Accumulated depreciation machinery and equipment	-11	-6
FX effect assets under capital lease	-3	0
Net carrying amount	**30**	**38**

Summary of gross future minimum lease payments:	2015	2014
Under 1 year	8	7
1 to 5 years	28	29
After 5 years	0	3
Future finance charges on capital leases:	-1	-6
Present value of future minimum lease payments	**34**	**35**

Summary of net future minimum lease payments:	2015	2014
Under 1 year	7	6
1 to 5 years	26	26
After 5 years	0	2
Present value of future minimum lease payments:	**33**	**35**

Of which:		
- short-term debt	7	6
- long-term debt	26	28

Note 18 Other financial income and other financial expenses

	2015	2014
Realized foreign exchange gains	33	15
Unrealized foreign exchange gains	108	74
Other financial income	0	4
Total other financial income	**141**	**93**

Unrealized foreign exchange losses	45	51
Realized foreign exchange losses	73	21
Other financial expenses	3	17
Total other financial expenses	**121**	**88**

Note 19 Financial instruments

Financial risk

The Group uses financial instruments such as bank loans and shareholder loans. The purpose of these financial instruments is to raise capital for investments that are necessary for the Group's business. In addition, the Group has financial instruments such as accounts receivable, accounts payable, etc. which are directly related to its daily operations. For commercial hedging purposes, the Group uses derivatives. The Group does not apply hedge accounting. The Group does not use financial instruments, including derivatives, for trading purposes. Procedures for risk management are approved by the Board. The main financial risks that the Group is exposed to are interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and establishes guidelines for how they are handled.

Credit risk

The Group is mainly exposed to credit risk for trade and other receivables. The Group mitigates its exposure to credit risk by ensuring that all parties requiring credit, such as customers, are approved and subject to a credit check. The Group does not have significant credit risk associated with a single counterparty or counterparties which can be viewed as a Group due to similar credit risk. The Group has policies in place to ensure that sales are made to customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits.
Maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet. The Group considers its maximum risk exposure to be the carrying amount of accounts receivable and accrued income (see note 12).

Market risk - interest rate sensitivity

The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits. The Group constantly monitors the interest rate level and uses derivatives to adjust the effective interest rate exposure when necessary.

The following table illustrates the sensitivity of the Group to potential interest rate changes.
The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates.

Interest rate sensitivity	Changes in interest rates in basis points	Effect on profit before tax (NOK 1 000)	Effect on equity (NOK 1 000)
2015	+50	5 500	4 015
	-50	5 500	4 015
2014	+50	5 435	3 968
	-50	-5 435	-3 968
2013	+50	3 024	2 177
	-50	-3 024	-2 177

The average effective interest rate of financial instruments were as follows:

	2015	2014
Shareholder's loan		8,8 %
Overdraft	2,70 %	2,13 %
Bank syndicate	2,34 %	2,88 %
Capital leases	2,1 %	2,1 %

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's strategy for managing liquidity risk is to maintain sufficient liquid funds at all times to meet its financial obligations, both under normal and extraordinary circumstances, without risking unacceptable losses or damaging its reputation. The Group has large fluctuations related to restricted working capital due to seasonality and the timing of deliveries and payments.

Market risk - foreign currency sensitivity

Exposures to currency exchange rates arise from the Group's overseas purchases, which are primarily denominated in SEK, USD and EUR.

The following table shows currencey effect on the Group's profit and equity if the exchange rates fluctuate with +/- 10%:

		2015		2014	
Foreign currency sensitivity	**Changes in currency**	**Effect on profit before tax (NOK 1 000)**	**Effect on equity (NOK 1 000)**	**Effect on profit before tax (NOK 1 000)**	**Effect on equity (NOK 1 000)**
EUR/NOK	+10%	-17 200	-12 556	3 800	2 736
	-10%	17 200	12 556	-3 800	-2 736
SEK/NOK	+10%	-21 700	-15 841	-43 600	-31 392
	-10%	21 700	15 841	43 600	31 392
USD/NOK	+10%	22 000	16 060	33 200	23 904
	-10%	-22 000	-16 060	-33 200	-23 904

Furthermore, the carrying amount of its net investments in foreign companies fluctuates in Norwegian kroner compared to the local relevant currencies. Profit after tax for the Group is also affected by changes in exchange rates, as the results of foreign companies are translated into Norwegian kroner at the weighted average exchange rate for the period. The Group hedges its foreign currency in the form of forward contracts. Hedge accounting has not been applied. The contracts are settled continuously throughout the year and if the contract extends over the period end, it is recognized in the financial statements at fair value.

The following table shows currencey effects due to translation of subsidiaries on the Group's profit and equity if the exchange rates fluctuate with +/- 10%:

		2015		2014	
Foreign currency sensitivity	**Changes in currency**	**Effect on profit before tax (NOK 1 000)**	**Effect on equity (NOK 1 000)**	**Effect on profit before tax (NOK 1 000)**	**Effect on equity (NOK 1 000)**
EUR/NOK	+10%	-19 460	-14 206	-2 936	-2 144
	-10%	19 460	14 206	2 936	2 144
SEK/NOK	+10%	-4 583	-3 346	-3 675	-2 683
	-10%	4 583	3 346	3 675	2 683

Determination of fair value

The carrying amount of cash and cash equivalents and bank overdrafts is fair value. Similarly, the carrying amount of accounts receivable and accounts payable approximates fair value as the impact of discounting is not significant.
The fair value of capital leases is calculated as the present value of estimated cash flows discounted at the interest rate applicable for the corresponding assets and liabilities at the balance sheet date.

The fair value of long-term debt is similar to the par value plus accrued interest.

The fair value of interest rate swaps is determined using the forward exchange rate at the balance sheet date.

The fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The following categories of financial instruments are measured at fair value as of 31 December 2015.

Assets/Liabilities carried at fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss			
FX derivatives		2	
Total	**0**	**2**	**0**

The following categories of financial instruments are measured at fair value as of 31 December 2014.

Liabilities carried at fair value	Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss			
FX derivatives		0	
Total	**0**	**0**	**0**

Classification of financial assets and liabilities

The Group has the following classification of financial assets and liabilities. See note 1 for a description of the various categories.

Financial instruments	2015	2014
Loans and receivables		
Trade receivables	78	93
Other receivables	136	157
Cash and cash equivalents	87	222
Total current financial assets	**301**	**473**
At fair value through profit or loss		
FX derivatives	2	0
Total financial assets (+) / liabilities (-) at fair value through profit or loss	**2**	**0**
Other Liabilities at amortised cost		
Bank loan	1 092	1 069
Capital lease	29	35
Other non-current debt	3	0
Accounts payable and other short-term debt	578	455
Total other financial liabilities	**1 702**	**1 558**

Capital management policy and equity

The main objective of the Group's capital management is to ensure that the Group maintains strong credit ratings and thus affordable financing terms that are reasonable in relation to its activities. The Group manages its capital structure and makes necessary changes to it based on a current assessment of the financial condition of the business and prospects in the short and medium term.

Net debt is defined as interest-bearing debt (short and long), less cash.
Equity includes all capital and reserves, paid and earned.

	2015	2014
Interest bearing debt	1 124	1 104
Cash	-87	-222
Net debt	**1 037**	**881**
Equity	3 366	3 219
Total equity and net debt	**4 403**	**4 100**
Degree of debt	23,5 %	21,5 %

Note 20 Interest bearing debt

Long term liabilities due > 1 year	2015	2014
Bank loan	1 100	1 087
- Amortisation of transaction costs of bank loan	-9	-18
Capital lease	21	28
Other non-current debt	3	0
Sum	**1 116**	**1 097**

Short term liabilities due < 1 year	2015	2014
Capital lease	8	6
Sum	**8**	**6**

The fair value of current and non-current debt approximately their carrying amount.

The Group has a long-term loan from a consortium of banks consisting of NORDEA BANK NORGE ASA and DNB BANK ASA amounting to NOK 1.1 billion as of 31 December 2015. The interest rate related to the bank loan is based on NIBOR, STIBOR and EURIBOR plus a margin contingent of the Groups leverage ratio (EBITDA/Net Debt). As of 31 December 2015 the margin is 1.15% The margin on the loan is regulated in the loan agreement and is adjusted quarterly in
The Group is measured on the following covenants as of 31 December 2015: Leverage ratio and Interest cover. As of 31 December 2015 all covenants are met with good margin.

The bank loans are denominated in NOK, SEK and EUR.

The following table shows the maturity schedule of the Group's financial liabilities based on undiscounted contractual payments. In cases where the other party can demand early redemption, the amount is included in the earliest period payment that can be demanded. If liabilities are redeemed on demand, they are included in the first column:

31.12.2015 — **Remaining period**

Financial liabilities	Under 1 year	1-2 years	2-3 years	3-4 years	More than 5	Total
Bank loan	0	0	0	1 100	0	1 100
Interest on bank loan	26	26	26	13	0	90
Capital lease	8	8	8	5	0	29
Accounts payable	1 287	0	0	0	0	1 287
Total	**1 321**	**34**	**34**	**1 118**	**0**	**2 506**

31.12.2014 — **Remaining period**

Financial liabilities	Under 1 year	1-2 years	2-3 years	3-4 years	More than 5	Total
Bank loan	0	0	0	1 087	0	1 087
Interest on bank loan	31	31	31	47	0	141
Capital lease	6	6	6	6	9	35
Accounts payable	959	0	0	0	0	959
Total	**966**	**6**	**6**	**1 093**	**9**	**2 221**

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Statement of income

Figures are stated in NOK million	Note	2015	2014
Other Income		0	0
Total Operating Revenue		**0**	**0**
Personnel expenses	2	5	0
Other operating expenses		7	41
Total Operating Expenses		**12**	**41**
Operating Income		**-12**	**-41**
Interest income	6	62	164
Other financial income	5	0	4
Total Financial Income		**62**	**168**
Interest expense		33	125
Interest expense to group companies	6	0	0
Other financial expense		2	1
Total Financial Expense		**35**	**127**
Net Financial Income (Expense)		**28**	**41**
Income Before Income Taxes		**16**	**0**
Incomes Taxes	3	43	0
Net Income		**-27**	**0**
Allocation of Net Income			
Other paid-in equity		-27	0
Total allocated		**-27**	**0**

Balance sheet – Assets

Figures are stated in NOK million	Note	31.12.2015	31.12.2014
NONCURRENT ASSETS			
Immaterielle eiendeler			
Software		0	0
Deferred tax asset	3	5	0
Sum immaterielle eiendeler		**5**	**0**
Financial Assets			
Investment in subsidiaries	4	3 162	1 143
Loan to group company	5	0	1 792
Total Financial Assets		**3 162**	**2 934**
Total Noncurrent Assets		**3 167**	**2 934**
CURRENT ASSETS			
Group contribution		0	4
Other receivables		785	5
Total Other Receivables		**785**	**8**
Cash and Cash Equivalents			
Cash and equivalents	7	0	0
Total Cash and Cash Equivalents		**0**	**0**
Total Current Assets		**785**	**8**
Total Assets		**3 952**	**2 943**

Balance sheet – Equity and Liabilities

Figures are stated in NOK million	Note	31.12.2015	31.12.2014
SHAREHOLDERS' EQUITY			
Paid-in Capital			
Share capital	8,10	48	55
Share premium	8,10	2 838	2 834
Total Paid-in Capital		**2 886**	**2 890**
Retained Earnings			
Other equity	10	-147	2
Total Retained Earnings		**-147**	**2**
Total Shareholders' Equity		**2 740**	**2 891**
LIABILITIES			
Interest bearing debt	9	292	0
Total Other Long-term Debt		**292**	**0**
Short-term Debt			
Accounts payable		0	2
Tax payable	3	58	0
Other short-term debt	5	862	49
Total Short-term Debt		**921**	**51**
Total Liabilities		**1 212**	**51**
Total Equity and Liabilities		**3 952**	**2 943**

Oslo, 26 April 2016

Øivind Tidemandsen
Chairman of the Board

Ronny Blomseth
Board Member

Ingrid Aina Jorietta Osmundsen
Board Member

Tore Valderhaug
Board Member

Anna Birgitta Attemark
Board Member

Fredrik Steenbuch
Managing Director

Mernosh Saatchi
Board Member

Statement of Cash Flow

Figures are stated in NOK million	**2015**	**2014**
Operating Activities		
Income before income taxes	16	0
Tax payable	-60	0
Changes in accounts payable	-1	2
Changes in other assets and liabilities	521	-2
Cash provided (used) by operating activities	**475**	**0**
Investing Activities		
Purchase own shares	-8	0
Received Group Contribution	596	0
Cash provided (used) by investing activities	**588**	**0**
Financing Activities		
Proceeds from issuance of shares	0	1 794
Payment of shareholder loan	0	-1 794
Payments on long-term debt	-1 087	0
Proceeds from new long-term debt	300	0
Dividend	-277	0
Cash provided (used) by financing activities	**-1 064**	**0**
Net Change in Cash and Cash Equivalents	**0**	**0**
Cash and cash equivalents - beginning of year	0	0
Cash and Cash Equivalents - End of Year	**0**	**0**

Notes to the financial statements

Note 1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Classification and valuation of balance sheet items
Assets intended for long term ownership or use have been classified as fixed assets. Assets expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle have been classified as current assets. Receivables are classified as current assets if they are expected to be realised within twelve months after the transaction date. Similar criteria apply to liabilities.
Current assets are valued at the lower of cost and fair value. Short term liabilities are reflected at nominal value.
Fixed assets are carried at historical cost. Fixed assets are written down to net realisable value if a value reduction occurs which is not expected to be temporary. Except for accruals, long term liabilities are reflected in the balance sheet at nominal value on the establishment date. Accruals are discounted to present value if the time value of money is material.

Revenue recognition
Revenue from the sale of goods is recognized upon delivery (transaction date). Services are recognized as they are performed.

Foreign currency
Foreign currency transactions are translated into Norwegian kroner using the exchange rate prevailing at the date of the transaction (spot exchange rate), while monetary items denominated in foreign currencies are translated at the rate per the balance sheet date.

Trade receivables
Trade and other receivables are recorded at their nominal value less a provision for losses.

Tax
Tax expense in the income statement includes the change in the deferred tax asset. Deferred tax is calculated at 27% based on the temporary differences between accounting and tax values, as well as any tax loss carryforwards at the end of the financial year. Taxable and non-taxable temporary differences that reverse or may reverse in the same period are offset. Recognition of the deferred tax asset on net deductible temporary differences that are not offset and carried forward is based on estimated future earnings. If a deferred tax asset that can be recognized, it is classified in the balance sheet.

Deposits
Receivable/payable cash pooling arrangements are classified as balances with group companies.

Note 2 Employee remuneration

The Company had no employees in 2015.
There were no loans or guarantees given to the Managing Director, Chairman of the Board or other related parties.

Board of directors remuneration *(figures in NOK thousand)*

Name	Title	Fee	Total remuneration
Øivind Tidemandsen	Chairman of the Board	266	**266**
Tore Valderhaug	Board member	0	**0**
Ronny Blomseth	Board member	241	**241**
Mernosh Saatchi	Board member	166	**166**
Ingrid Osmundsen	Board member	166	**166**
Anna Birgitta Attemark	Board member	166	**166**
Tore Thorsteinsen	Former board member (resigned in 2015)	241	**241**
Anders Misund	Former board member (resigned in 2015)	166	**166**

Audit fees *(figures in NOK thousand)*
Divided by type of service (exclusive of VAT)

	2015	2014
Statutory audit*	255	405
Other services	24	0
Total fees	**279**	**405**

*) 2014 figures includes XXL ASA Group

Note 3 Tax

Income tax expense for the year

Basis for tax payable		**2015**	**2014**
Income before tax		16	0
Permanent differences		2	0
Change in temporary differences		6	
Basis for tax payable		**23**	**0**
Tax payable in the statement of income		**6**	**0**
Recognized group contribution		0	-4
Group contribution		0	4
Taxable income		**23**	**0**
Accrual tax dispute		52	
Tax payable in the balance sheet		**58**	**0**
Tax expense for the year			
Tax payable		58	0
Other		-14	
Change in deferred tax		-1	
Total tax expense		**43**	**0**
Explanation for why tax is not 27% of income before tax			
27 % tax of income before tax		4	0
Permanent differences (27%)		1	0
Accrual tax dispute		38	
Differences in tax rate deferred tax (27% in 2015 vs. 25% in 2016)		0	0
Expected tax expense		**43**	**0**
Effective tax rate		276 %	27 %

Specification of temporary differences

Asset (-)/liability	*Change*	**2015**	**2014**
Amortization of loan expenses	*-5*	5	0
Accruals	*4*	-4	0
Interest limitation rules	*20*	-20	0
Total temporary differences		**-19**	**0**
Basis for deferred tax assets/liability		-19	0
Deferred tax assets (+) / liability (-) in the balance sheet	**0**	**5**	**0**
Reconciliation change in deferred tax			
Change in deferred tax in balance sheet		-5	0
Effect incorporation of merged companies		3	0
Change in deferred tax in tax expense		-1	0

Tax rate in Norway is 27% for 2015 and will be 25% from 1 January 2016. Deferred tax in Norway has therefore been calculated with 25%.

With reference to the review by Skatt Øst (Norwegian Tax Authorities) of income tax for the years 2010 - 2013.
XXL ASA has settled an agreement with Skatt Øst. Under the agreement the net tax effect for XXL ASA is NOK 38 million and is included in the income tax expense for 2015.

Note 4 Investment in subsidiaries

The Company has an ownership interest in the following subsidiary:

	Year of acquisition	Business location	Ownership percentage	Equity (100%) 31.12.2015	Net income (100%) 31.12.2015	Book value 31.12.15
XXL Sport og Villmark AS	2015*	Oslo	100 %	314	3 716	3 162

The investment is booked using the cost method.
*The subsidiary Gigasport AS was merged into parent XXL ASA in 2015. XXL Sport og Villmark is now directly owned by XXL ASA.

Note 5 Balances with group companies

The Company has the following receivables and liabilities with group companies:

Liabilities	2015	2014
Other short term debt	4	0
Cash pool arrangement	856	49
Total liabilities	**859**	**49**

Receivables	0	0
Other short-term receivables from group companies	771	0
Long-term loan to Gigasport AS	0	1 792
Group contribution	0	4
Total receivables	**771**	**1 795**

Note 6 Related party transactions

Management remuneration is included in note 2 and intercompany balances are discussed in note 5.

The Company's transactions with related parties are as follows:

Other revenue	2015	2014
Invoiced warranty cost	0	0
Total other revenue	**0**	**0**

Interest income	2015	2014
XXL Sport og Villmark AS	62	
Gigasport AS		164
Total interest income	**62**	**164**

Interest expense	2015	2014
Cash pool interest expense	7	0
Total interest expense	**7**	**0**

Note 7 Cash and cash equivalents

Cash and cash equivalents include the following items:

	2015	2014
Deposits	0	0
Total cash and equivalents	**0**	**0**

The Company is a part of a cash pool arrangement with XXL Sport and Villmark AS.
The Company's share of the cash pool is NOK -855 million per the balance sheet date.
The Cash pool is classified as other short-term debt in the balance sheet.

Note 8 Share capital and shareholder information

The share capital of XXL is NOK 55,404,849.20 consisting of 138,512,123 shares with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2015:

	Total amount of shares	Ownership	Voting right
DOLPHIN MANAGEMENT	34 242 183	24,7 %	24,7 %
FOLKETRYGDFONDET	7 035 101	5,1 %	5,1 %
J.P. MORGAN CHASE BANK NORDEA TREATY ACCOUNT	5 988 685	4,3 %	4,3 %
GOLDMAN SACHS SECURITY CLIENT	5 399 715	3,9 %	3,9 %
SKANDINAVISKA ENSKILDA A/C CLIENTS ACCOUNT	3 381 729	2,4 %	2,4 %
STAMINA AS	3 289 566	2,4 %	2,4 %
J.P. MORGAN CHASE BANK A/C OPPENHEIMER	3 055 077	2,2 %	2,2 %
J.P. MORGAN CHASE BANK A/C US RESIDENT	2 960 073	2,1 %	2,1 %
VERDIPAPIRFONDET DNB	2 638 558	1,9 %	1,9 %
GENI HOLDING AS	2 633 915	1,9 %	1,9 %
SKANDINAVISKA ENSKILDA A/C FINNISH RESIDENT	2 122 947	1,5 %	1,5 %
BNP PARIBAS S.A.	2 119 545	1,5 %	1,5 %
JP MORGAN CHASE BANK HANDELSBANKEN NORDIC	1 785 000	1,3 %	1,3 %
DANSKE INVEST NORSKE C/O DANSKE CAPITAL	1 705 263	1,2 %	1,2 %
UBS AG, LONDON BRANC A/C CLIENT IPB	1 530 018	1,1 %	1,1 %
CREDIT SUISSE SECURITIES (EUROPE)	1 400 002	1,0 %	1,0 %
SUNDT AS	1 380 346	1,0 %	1,0 %
ANDERS FJELD HOLDING	1 336 556	1,0 %	1,0 %
SCHRODER INTERNATIONAL FUND	1 202 131	0,9 %	0,9 %
ROBERT IVERSEN HOLDING AS	1 198 841	0,9 %	0,9 %
Other	52 106 872	37,6 %	37,6 %
Sum	**138 512 123**	**100 %**	**100 %**

Shares held by Board of Directors and Chief Executive Officer:

	Title	Amount of shares
Fredrik Steenbuch (Stamina AS)	Chief Executive Officer	3 289 566
Øivind Tidemandsen (Dolphin Management AS)	Chairman of the Board	34 242 183
Tore Valderhaug	Board member	0
Ronny Blomseth	Board member	231 266
Mernosh Saatchi	Board member	10 775
Ingrid Osmundsen	Board member	5 603
Anna Birgitta Attemark	Board member	1 724

Note 9 Long-term liabilities and receivables

Long term liabilities

The Company has restructured loan to bank DnB.

Long term debt bank debt	300 276
Amortization borrowing costs	-8 682
Sum	**291 594**

Note 10 Shareholder's equity

Changes in shareholder's equity	Share capital	Share premium	Retained earnings	Total equity
Shareholder's equity 01.01.15	**55**	**2 834**	**2**	**2 891**
Net income for the year			-27	-27
Dividend			-277	-277
Merger with Gigasport AS			156	156
Purchase own shares	-8			-8
Employee share incentive program		4		4
Shareholder's equity 31.12.15	**48**	**2 838**	**-147**	**2 740**

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To the Annual Shareholders' Meeting of XXL ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of XXL ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2015, and the income statement, and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet as at 31 December 2015, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers AS, Postboks 748 Sentrum, NO-0106 Oslo
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statementsof the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for XXL as at 31 December 2015, 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.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the group XXL ASA as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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 proposal for the allocation of the profit 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, 26 April 2016
PricewaterhouseCoopers AS

Eivind Nilsen
State Authorised Public Accountant (Norway)