

# HIGHLIGHTS

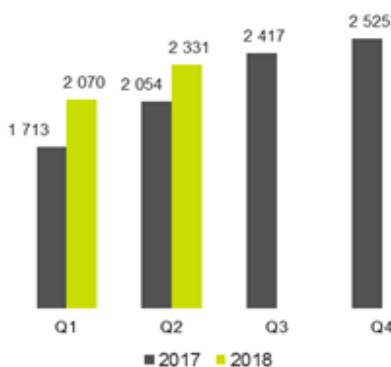
- Total revenues of NOK 2 331 million (NOK 2 054 million), up 14 per cent
- E-commerce growth of 38 per cent
- Three new store openings
- Strong growth but pressure on margins
- Improved cash flow due to lower inventory level



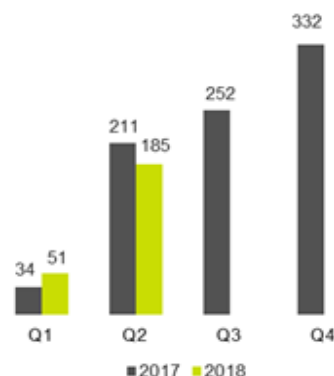
**Q2**  
**Growth**

Revenue	+ 14%
EBITDA	- 12%

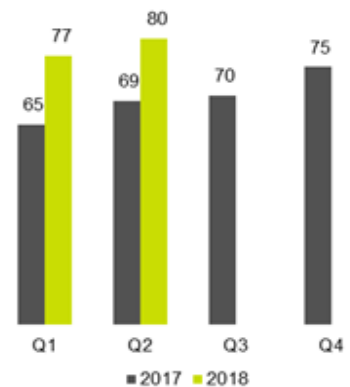
**OPERATING REVENUES**



**EBITDA**



**NUMBER OF STORES**



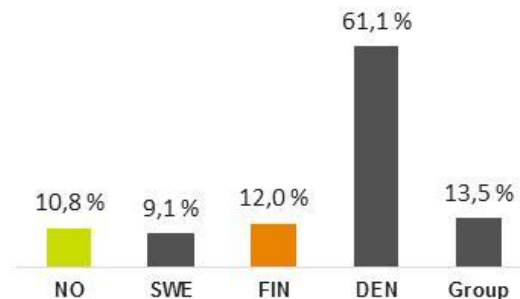
**KEY FIGURES GROUP**

(Amounts in NOK million)	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017 Audited
<b>GROUP</b>					
Operating revenue	2 331	2 054	4 402	3 767	8 709
Growth (%)	13,5 %	8,2 %	16,8 %	5,2 %	11,5 %
Gross profit <sup>4</sup>	898	823	1 682	1 448	3 443
Gross margin (%)	38,5 %	40,1 %	38,2 %	38,4 %	39,5 %
OPEX % <sup>7</sup>	30,6 %	29,8 %	32,8 %	31,9 %	30,0 %
EBITDA <sup>2</sup>	185	211	236	245	828
EBITDA margin (%)	7,9 %	10,3 %	5,4 %	6,5 %	9,5 %
EBIT <sup>1</sup>	139	172	145	172	668
EBIT margin	6,0 %	8,4 %	3,3 %	4,6 %	7,7 %
Net Income	96	135	87	127	512
**Basic Earnings per share (NOK)	0,69	0,97	0,62	0,92	3,70
**Average number of shares (1 000 shares)	138 852	138 512	138 779	138 512	138 328
Cash provided by operating activities	-159	-51	-124	-204	490
Like for like revenue growth <sup>3</sup>	3,8 %	-2,1 %	5,7 %	-5,8 %	0,5 %
Number of stores at period end	80	69	80	69	75
New stores in the period	3	4	5	5	11

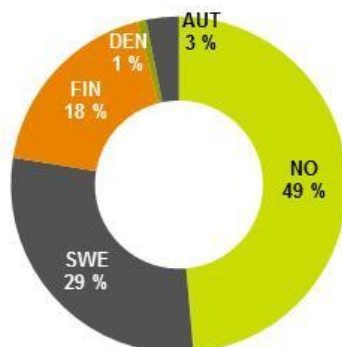
**GROWTH BY COUNTRY Q2, LIKE FOR LIKE (LOCAL CURRENCY)**



**GROWTH BY COUNTRY Q2 (LOCAL CURRENCY)**



**REVENUE SPLIT Q2**



\*\*Earnings per share: See Note 5.

Footnotes and definitions are described in the end of the report

**KEY FIGURES SEGMENTS**

(Amounts in NOK million)	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017 Audited
<b>SEGMENT</b>					
<b>Norway</b>					
Operating revenue	1 134	1 023	2 141	1 928	4 434
Growth (%)	10,8 %	6,3 %	11,0 %	4,6 %	6,8 %
Gross profit <sup>4</sup>	457	437	865	790	1 868
Gross margin (%)	40,4 %	42,7 %	40,4 %	41,0 %	42,1 %
OPEX % <sup>7</sup>	21,6 %	21,3 %	23,4 %	23,1 %	21,8 %
EBITDA <sup>2</sup>	212	220	365	345	902
EBITDA margin (%)	18,7 %	21,5 %	17,0 %	17,9 %	20,3 %
Number of stores at period end	35	31	35	31	32
New stores in the period	2	-	3	-	1
<b>Sweden</b>					
Operating revenue	675	644	1 268	1 155	2 631
Growth (%)	4,8 %	0,7 %	9,8 %	-3,9 %	6,4 %
Gross profit <sup>4</sup>	256	244	475	422	1 003
Gross margin (%)	37,9 %	37,9 %	37,4 %	36,6 %	38,1 %
OPEX % <sup>7</sup>	29,5 %	30,5 %	32,2 %	31,9 %	29,8 %
EBITDA <sup>2</sup>	57	48	66	53	219
EBITDA margin (%)	8,4 %	7,4 %	5,2 %	4,6 %	8,3 %
Number of stores at period end	27	25	27	25	26
New stores in the period	1	3	1	3	4
<b>Finland</b>					
Operating revenue	431	375	817	662	1 494
Growth (%)	14,8 %	29,1 %	23,4 %	24,9 %	28,7 %
Gross profit <sup>4</sup>	158	138	293	232	532
Gross margin (%)	36,7 %	36,9 %	35,9 %	35,0 %	35,6 %
OPEX % <sup>7</sup>	29,1 %	28,6 %	30,8 %	30,3 %	28,3 %
EBITDA <sup>2</sup>	33	31	42	31	110
EBITDA margin (%)	7,6 %	8,3 %	5,1 %	4,7 %	7,3 %
Number of stores at period end	15	13	15	13	15
New stores in the period	-	1	-	2	4
<b>Denmark</b>					
Operating revenue	18	11	34	21	52
Growth (%)	64,5 %	-	61,2 %	-	87,8 %
Gross profit <sup>4</sup>	3	3	5	4	10
Gross margin (%)	16,5 %	23,1 %	16,2 %	19,0 %	19,4 %
OPEX % <sup>7</sup>	26,5 %	37,7 %	31,5 %	39,3 %	36,0 %
EBITDA <sup>2</sup>	-2	-2	-5	-4	-9
EBITDA margin (%)	-9,9 %	-14,5 %	-15,3 %	-20,4 %	-16,6 %
<b>Austria</b>					
Operating revenue	74	-	141	-	98
Gross profit <sup>4</sup>	23	-	43	-	31
Gross margin (%)	31,5 %	-	30,2 %	-	31,2 %
OPEX % <sup>7</sup>	55,8 %	-	55,6 %	-	64,8 %
EBITDA <sup>2</sup>	-18	-7	-36	-8	-33
EBITDA margin (%)	-24,3 %	-	-25,4 %	-	-33,7 %
Number of stores at period end	3	-	3	-	2
New stores in the period	-	-	1	-	2
<b>HQ &amp; logistics</b>					
EBITDA <sup>2</sup>	-98	-79	-195	-172	-361
EBITDA margin (% of Group revenues)	-4,2 %	-3,8 %	-4,4 %	-4,6 %	-4,1 %

# Capturing growth but pressure on margins

Oslo, 20 July 2018: XXL ASA delivered a growth of 14 per cent for the second quarter 2018 with focus on capturing volumes through campaigns under slow retail conditions. This provided for solid growth figures, especially driven by the E-commerce business, but with a negative effect on the margins. Further, XXL has succeeded to reduce the inventory level, putting pressure on gross margin as well. Total revenues from the E-commerce operations now accounts for 15 per cent of total Group operating revenues. XXL has implemented several omni-channel solutions in 2018 that already show good results and will continually strengthen its offering to customers on all platforms. Group EBITDA amounted to NOK 185 million in the quarter, affected by the establishment in Austria, where XXL has been in operations for less than a year. Group EBITDA without Austria amounted to NOK 203 million.

## Second quarter performance

(Figures in brackets = same quarter previous year, unless otherwise specified)

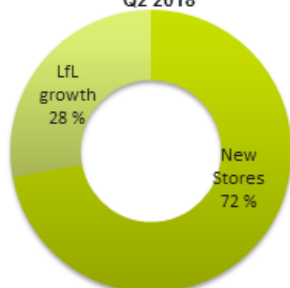
XXL Group delivered a growth of 13.5 per cent in the second quarter 2018 and total operating revenues ended at NOK 2 331 million (NOK 2 054 million). Sales responded well when spring came in mid April, although a very short spring season. May and June proved to be summer months with warm temperatures, dry and sun in most of the regions. XXL experienced good sales of summer related products but overall retail traffic is challenged under such conditions and sales of summer related products started to mature. Overall the like-for-like growth of the Group amounted to 3.8 per cent with good developments in all markets but negatively impacted by currency effects. Norway delivered a like-for-like growth of 4.2 per cent, Sweden 3.9 per cent and Finland 6.4 per cent all in local currencies.

quarter, while Sweden achieved 9.1 per cent, Finland 12.0 per cent and Denmark 61.1 per cent growth, all in local currencies. The Austrian operations contributed to total revenues of NOK 74 million in the quarter.

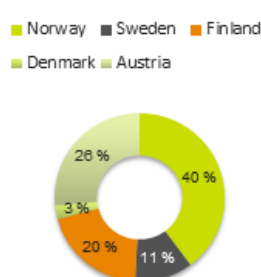
**GROWTH DRIVERS**  
Q2 2017 - Q2 2018  
(Amounts in MNOK)



**SHARE OF GROWTH BY MATURITY**  
Q2 2018



**SHARE OF GROWTH BY GEOGRAPHY**  
Q2 2018



The revenue growth of the Group was further driven by effects from new stores. XXL opened eleven new stores during 2017 and two new stores in the first quarter 2018 with full effect this quarter. In addition XXL established three new stores during the second quarter, Bryne in Norway on 12 April 2018, Gjøvik in Norway on 21 June 2018 and Halmstad in Sweden on 26 June 2018.

Norway delivered 10.8 per cent revenue growth in the

E-commerce for the Group is included in the like-for-like figure and continued to deliver strong growth. Operating revenues increased by 38.1 per cent to NOK 351 million in the quarter (NOK 254 million) with solid growth in all markets. E-commerce sales comprised 15.0 per cent of total Group operating revenues in Q2 2018 compared to 12.4 per cent in Q2 2017. XXL is continually renewing and strengthening its E-commerce offering and the organization has in the quarter introduced a new media system including utilizing the new photo studios installed at the central warehouses. The entire process from taking photos at the warehouse till the picture is displayed online is fully automated. More over the work with personalized landing pages on the site has commenced with good test results. Segmented newsletters are now in place in all countries and are increasing in scope.

E-commerce will continue to be the most important driver for like-for-like growth going forward. However the omni-channel thinking is not only important for increasing E-commerce sales but also for generating traffic to the stores

and for sharing of costs between the different platforms. Some quarters ago XXL launched a new omni-channel stock solution making all stock in the Group available for all customers at all platforms at all times. This solution is now rolled out to all stores in Norway and Sweden on three different categories. The initial results are good and account for an increasing part of the E-commerce sales. Algorithms control gross margins, products to be sold, price limits and prioritize which location to be used for delivery. A significant part of the products sold are to be phased out and this stock solution will continue to optimize the value chain over time.

In another way to scale on the existing backbone infrastructure in the Group, XXL in May 2018 introduced a new online sales site named louds.no. This is a pure online niche player addressing the athleisure market for women and giving XXL access to new brands and customers. Louds.no is utilizing infrastructure from the Group in terms of logistics and support functions. In the quarter XXL also signed agreements with two important elite sports teams in the Nordics, the famous Swedish team Djurgården and the iconic Finnish hockey team Jokerit. The business model of team sales in XXL is pure online based and is utilizing the existing infrastructure within the Group in terms of purchasing and assortment, logistics and support functions.

Overall the sporting goods industry in the Nordics was characterized by many campaign activities and discounts especially towards the end of the quarter with overall low retail traffic in stores and lower demand. Gross margin for the Group ended at 38.5 per cent in the quarter compared to 40.1 per cent in the same quarter last year driven by the Norwegian operation. XXL decided to try to capture volumes with more aggressive campaigns. This resulted in solid growth in an overall sports retail market with limited growth, but impacted the gross margins. Further XXL has negative impact on gross margin due to reduction of the inventory level, both reducing the prices and the amount of supplier volume bonuses received. This amount is in the area of NOK 20 million. XXL also established two new stores in Norway in the quarter compared to none in the same quarter last year. The corresponding opening campaigns were carried out in all Norwegian stores which contributed to a certain negative impact on the gross margin as well. The gross margin in Sweden was stable and a slight decline in Finland. The low gross margin in Denmark is still coloured by aggressive price campaigns and high share of freight and return costs. Austria delivered a gross margin of 31.5 per cent as a result of the market entry with heavy campaign activity. The Group gross margin is also impacted by E-commerce being an increasing part of the overall sales volumes in the Group at lower gross margins. However, the operating expenses from E-commerce are significant lower than store operation and EBITDA margin for the Group is not negatively affected.

Operating expenses before depreciation as percentage of sales increased from 29.8 per cent in the second quarter 2017 to 30.6 per cent in the second quarter 2018. This is driven by costs of establishing operations in Austria. Total operating expenses in Austria amounted to NOK 41 million in the quarter (NOK 7 million) and the Group operating

expenses excluding Austria as percentage of sales equaled 29.7 per cent (29.5 per cent). Both Sweden and especially Denmark improved its operating expenses. In Denmark XXL is experiencing increased scale in the operations. Sweden improved store operations and was in the second quarter last year impacted negatively by costs related to three new stores. The slight increase in operating expenses as percentage of sales in Norway was related to the establishment of two new stores with associated opening costs. In Finland XXL has passed the duration period of discounts on several lease agreements and thereby the housing costs were higher in the quarter.

The Group EBITDA in the second quarter 2018 was NOK 185 million (NOK 211 million) corresponding to an EBITDA-margin of 7.9 per cent compared to 10.3 per cent in the same quarter last year. Adjusted for the start-up costs of establishing XXL in Austria, the EBITDA-margin was 9.0 per cent (10.6 per cent) and the EBITDA amounted to NOK 203 million (218 million). The main reason behind the EBITDA-development is lower EBITDA in Norway due to the reasons described above.

## Operating segments

*(Figures in brackets = same quarter previous year, unless otherwise specified)*

The Group's reporting structure comprises five operational segments based on XXL's operations in Norway, Sweden, Finland, Denmark and Austria, in addition to HQ and Logistics.

### Norway

Overall the Norwegian market experienced a good but short spring season in April. May and June proved to be summer months with dry and very warm weather which transformed into healthy demand for summer related sports equipment. However all retail traffic is impacted negatively by long-lasting "tropical" weather also maturing the demand for summer related products somewhat over time. According to market figures from SSB the sale of sporting goods in Norway increased by 1.2 per cent and by 2.5 per cent in May. This is to be compared to a growth for XXL of 15.4 per cent in April and 9.1 per cent in May respectively. Sales in June were impacted negatively by the maturing effects of summer related products as described above and proved to be a challenging month.

Total operating revenues from the XXL's operations in Norway was NOK 1 134 million (NOK 1 023 million) which corresponded to a growth of 10.8 per cent compared to the same quarter last year. The like-for-like growth was 4.2 per cent in the quarter. In addition the growth was driven by new stores including the openings of new stores in Bryne on 12 April 2018 and in Gjøvik on 21 June 2018. All the new stores that XXL has established so far in 2018 are smaller stores and will yield significantly lower than average sales per store.

XXL decided to try to capture volumes by more aggressive

campaigns with declining overall retail traffic and demand. This resulted in solid growth in an overall sports retail market with limited growth, but impacted the gross margins significantly. XXL also established two new stores in Norway in the quarter compared to none in the same quarter last year. The corresponding opening campaigns were carried out in all Norwegian stores which contributed to a certain negative impact on the gross margin as well. The gross margin declined from 42.7 per cent in Q2 2017 to 40.4 per cent in Q2 2018.

Operating expenses as percentage of sales equaled 21.6 per cent in Q2 2018 compared to 21.3 per cent in Q2 2017 driven by costs of opening two new stores. EBITDA ended at NOK 212 million (NOK 220 million) corresponding to an EBITDA margin of 18.7 per cent (21.5 per cent) driven by the lower gross margin as already described.

### **Sweden**

According to market figures from SCB the sale of sporting goods in Sweden increased by 12.9 per cent in April 2018 and by 7.9 per cent in May 2018. The corresponding growth for XXL was 18.4 per cent and 9.7 per cent in local currency. The market continued to be volatile and June proved to be more challenging with more maturity in the demand for summer related sports gear. Total operating revenues for XXL in Sweden in Q2 2018 amounted to NOK 675 million (NOK 644 million), corresponding to a growth rate of 9.1 per cent in local currency. The main drivers were a like-for-like growth of 3.9 per cent in local currency in the quarter and contributions from stores established during 2017. In addition XXL established a new store in the quarter, in Halmstad on 26 June 2018.

The market is still volatile and characterized by campaigns with a lot of discounts from many competitors during the whole quarter. The gross margin was stable of 37.9 per cent in Q2 2018 (37.9 per cent).

EBITDA ended at NOK 57 million (NOK 48 million). This corresponded to an EBITDA margin of 8.4 per cent in the quarter, up from 7.4 per cent in Q2 2017. Last year XXL established three new stores in the second quarter with associated opening costs. Operating expenses as percentage of sales therefor improved from 30.5 per cent in the second quarter last year to 29.5 per cent this year.

### **Finland**

Total operating revenues from the Finnish operations amounted to NOK 431 million (NOK 375 million), representing a growth of 12.0 per cent in local currency. The growth was driven by like-for-like growth of 6.4 per cent in local currency and by new stores that opened during 2017. According to market figures from TMA the sale of sporting goods in Finland increased by 18.7 per cent in April but declined by 0.2 per cent in May. This is to be compared to a growth for XXL of 16.0 per cent in April and 9.4 per cent in May respectively. The spring season in Finland was solid while as in the other Nordic markets the long, unseasonably sunny, dry and hot summer season proved more challenging. Gross margin declined from 36.9 per cent in

the second quarter last year to 36.7 per cent in the second quarter this year.

EBITDA amounted to NOK 33 million (NOK 31 million) and the EBITDA-margin decreased from 8.3 per cent in Q2 2017 to 7.6 per cent in Q2 2018. XXL has passed the duration period of discounts on several lease agreements and thereby the housing costs were higher in the quarter. Operating expenses as percentage of sales equaled 29.1 per cent in the quarter compared to 28.6 per cent at the same time last year.

### **Denmark**

Total operating revenues in the second quarter 2018 amounted to NOK 18 million (NOK 11 million) representing a growth of 61.1 per cent in local currency. XXL continued the strategy with aggressive campaigns to gain a higher share of the market. This proved successful on volumes but affected the gross margins which declined to 16.5 per cent (23.1 per cent) also impacted by a high share of freight and return costs. However operating expenses as percentage of sales have declined from 37.7 per cent in Q2 2017 to 26.5 per cent in Q2 2018 proving XXL to have a competitive model in Denmark. EBITDA was negative of NOK 2 million.

XXL launched an E-commerce offering in Denmark on 27 May 2016. The operation has delivered according to plan. Utilizing the existing infrastructure in the XXL Group has proved successful and the operation is soon on target of yearly sales on par with a small single Swedish store and to reach break-even figures on EBITDA.

### **Austria**

XXL is in the early establishing phase in Austria and is currently operating three stores, two in Vienna and one in Linz, as well as E-commerce. Total operating revenues from the Austrian operations amounted to NOK 74 million in the quarter. XXL is constantly working on increasing perception in the market, attracting customers with aggressive campaigns and heavy marketing spending. The gross margin was 31.5 per cent in the quarter. Operating expenses amounted to NOK 41 million and included high marketing spending reflecting ramp up in two large cities with limited immediate synergies in marketing costs. XXL has also built a centralized organization for buying and support in Austria with corresponding costs. EBITDA was negative of NOK 18 million in the second quarter 2018.

XXL has signed a third store in Vienna due to open in spring 2019 which will be an important scale element for the Austrian operation. Before that XXL will open its fourth store in Austria this autumn, in the city of Graz.

### **HQ and Logistics**

The HQ and Logistics segment consists of costs related to the Group's headquarter and logistics operations, as well as costs related to the centralized E-commerce management and all financial income and financial expenses.

Operating expenses were NOK 98 million (NOK 79 million)

in the quarter. This equals 4.2 per cent of total Group operating revenue. The corresponding figure for the second quarter last year was 3.8 per cent. NOK 3 million of the increase is related to a bankruptcy in one of XXL's suppliers. Adjusted for this the operating expenses equaled NOK 95 million, corresponding to 4.0 per cent of total Group operating revenue. The increased costs are related to higher volumes at the central warehouses. In addition XXL has recruited more employees to central functions both at headquarter and in central E-commerce functions, including purchaser, technical system architects and IT-resources. XXL continues to invest in the future omni-channel model.

## Financials

### Consolidated income statement – Second quarter

*(Figures in brackets = same quarter previous year, unless otherwise specified)*

**Total operating revenue** increased by 13.5 per cent to NOK 2 331 million (NOK 2 054 million).

**Total operating expenses**, excluding depreciation and cost of goods sold, equaled NOK 713 million (NOK 612 million) in the second quarter. As percentage of total operating revenues of the Group, operating expenses increased from 29.8 per cent last year to 30.6 per cent this year.

**Net financial expense** amounted to NOK 19 million for the second quarter (NOK 4 million). Net interest expenses equaled NOK 9 million in the quarter. The financial expenses include a negative currency effect of NOK 5 million compared to a positive currency effect of NOK 8 million in the same quarter last year. The rest of the expenses were related to amortization of loan costs and interests on lease contracts.

**Income tax expense** for the second quarter was NOK 24 million (NOK 34 million) and the effective tax rate was estimated to 20.0 per cent.

**Profit for the period** ended at NOK 96 million (NOK 135 million).

### Consolidated income statement – First half year

*(Figures in brackets = same period previous year, unless otherwise specified)*

**Total operating revenue** for the first half year 2018 was NOK 4 402 million (NOK 3 767 million), a growth of 16.8 per cent. The drivers behind the growth are full year effect of new stores opened in 2017, new store openings so far this year, and a like-for-like growth of 5.7 per cent. E-commerce was the driver behind the positive like-for-like growth with a growth of 39.7 per cent to NOK 649 million (NOK 465 million). The revenue contribution from E-commerce for the Group corresponded to 14.7 per cent in 1H 2018 (12.3 per cent). In addition XXL started its operation in Austria during 2017 also contributing to the growth of the Group.

**Total operating expenses**, excluding depreciation and cost

of goods sold, were NOK 1 446 million (NOK 1 203 million) in the first half year. As percentage of total operating revenues of the Group, operating expenses increased from 31.9 per cent last year to 32.8 per cent this year. The main driver behind this is start up costs of establishing XXL in Austria of NOK 79 million (NOK 8 million). Adjusted for this the operating expenses equaled NOK 1 367 million (NOK 1 195 million) corresponding to 32.1 per cent (31.7 per cent) of total operating revenues of the Group.

**Net financial expense** amounted to NOK 37 million for the first half year (NOK 13 million). Net interest expenses equaled NOK 19 million in the first half year (NOK 16 million). The financial expenses include a negative currency effect of NOK 10 million compared to a positive currency effect of NOK 11 million in the same period last year.

**Income tax expense** for the first half year were NOK 22 million (NOK 32 million) and the effective tax rate was estimated to 20.0 per cent.

**Profit for the period** ended at NOK 87 million (NOK 127 million) as a result of the reasons stated above.

### Consolidated cash flow

*(Figures in brackets = same period previous year, unless otherwise specified)*

Cash used by operating activities was NOK 159 million (NOK 51 million) in the second quarter and ended at NOK 124 million in H1 2018 compared to NOK 204 million in H1 2017. The main reason for the positive deviation is improved working capital<sup>5</sup>.

The inventory increased from NOK 2 925 million at the end of H1 2017 to 3 172 million at the end of H1 2018 mainly due to growth. Inventory per store<sup>8</sup> (including E-commerce) has improved from NOK 40.1 million in 1H 2017 to NOK 37.3 million by the end of H1 2018. The inventory level is too high and is related to lower sales than expected in a difficult June. There are a lot of initiatives to reduce the inventory and some have already had positive effects. XXL still has an ambition of taking the inventory down towards mid NOK 30's million per store (including E-commerce) by the end of the third quarter 2018. However, the inventory level will fluctuate between seasons and quarters. The inventory continues to be healthy.

Accounts payable decreased by NOK 117 million in 1H 2018 (NOK 29 million) and the most important reason is the reduction in purchase of goods.

Cash used by investing activities was NOK 83 million (NOK 79 million) in the second quarter and ended at NOK 135 million (NOK 137 million) in H1 2018. This is related to investments in new stores, maintenance CAPEX on existing stores and investments in infrastructure.

Cash provided from financing activities amounted to NOK 316 million (NOK 379 million) in the second quarter and was NOK 158 million in 1H 2018 (NOK 519 million). The

reduction is due to better cash flow from operating activities and reduced need for funding.

### **Financial position and liquidity**

*(Figures in brackets = same period previous year, unless otherwise specified)*

As of 30 June 2018, total assets amounted to NOK 7 566 million (NOK 7 262 million). Total equity was NOK 3 647 million (NOK 3 459 million), resulting in an equity ratio of 48.2 per cent (47.6 per cent). Net interest bearing debt<sup>6</sup> increased to NOK 1 918 million (NOK 1 903 million) due to draw down of short term debt for investments in new stores and infrastructure, increased inventory and dividend payment. The leverage ratio equalled 2.4x.

The Group had cash and cash equivalents of NOK 212 million (NOK 292 million) as of 30 June 2018, of which NOK 5 million was restricted cash. The Group's liquidity reserves include total credit facilities of NOK 1 400 million whereof NOK 1 082 million was used as of 30 June 2018. Available liquidity reserves as of 30 June 2018 were NOK 525 million (NOK 569 million).

XXL has refinanced the existing bank loan facility from 29 June 2018. The refinancing is a prolonged arrangement with the existing bank syndicate. The facilities are at the same level as earlier, but at slightly better terms, with a term loan of NOK 1 048 million and a multi currency RCF of NOK 1 200 million. The maturity of the loan is 3 years, but with extension options of 2 years. In addition to these facilities XXL has an overdraft facility of NOK 200 million and a seasonal facility of NOK 100 million.

### **Share buy backs**

In accordance with the authorization to acquire own shares given by the Annual General Meeting on 7 June 2017, XXL ASA acquired in total 638,800 shares in the market between 27 April 2018 and 30 May 2018. The shares were purchased from the open market at an average price of NOK 73.11 and for an aggregate consideration of NOK 50.0 million. These shares will be used to cover for share incentive programs or be deleted in connection with a later reduction of the registered share capital.

### **Appointed new Chief Financial Officer (CFO)**

XXL ASA has appointed Mr. Stein Alexander Eriksen as the new CFO. He is currently the CFO in Orkla Care, one of the key business areas in the leading European branded consumer goods company Orkla. Mr. Eriksen has held several key financial positions during his career in Orkla, including SVP Finance in Orkla ASA and CFO in Lilleborg. He has also served as head of Business Controlling in RIMI, one of the former market leaders in Norwegian grocery retail. Stein Alexander Eriksen started his career as an auditor in Arthur Andersen and holds a M.Sc. in Economics and Business administration (Siviløkonom) degree from the Norwegian School of Economics. He will start in his new position during autumn 2018 and be a part of the management team in XXL ASA. Mr. Tolle Grøterud,

Strategy and Investor Relations Director, will from August 2018 serve as interim CFO until Mr. Eriksen accedes.

### **Summary from the Annual General Meeting**

The Annual General Meeting of XXL ASA was held on 6 June 2018. All items were resolved in accordance with the proposals from the Board and the Nomination Committee's recommendations. The Annual General Meeting approved to distribute a dividend of NOK 2.00 per share. The shares in XXL ASA traded ex-dividend from 7 June 2018 and the payment date was 3 July 2018. Further the Annual General Meeting elected Mr. Anders Misund and Mrs. Adele Bugge Norman Pran as new Board members replacing Mr. Tore Valderhaug and Mrs. Anna Attemark.

### **Outlook**

XXL has signed 7 new lease agreements for store openings for 2018 where of 4 in Norway, 1 in Sweden and 2 in Austria. This figure includes 5 stores that are opened by the end of Q2 2018.

To continue the growth strategy, within both stores and E-commerce, and in new markets as well as existing markets, XXL will invest in infrastructure, IT and training facilities. These investments are expected to be in the range of NOK 70-90 million for 2018. In addition XXL will refurbish at least two stores with CAPEX in the range of two new stores.

The Group maintains the following long term objectives (on full year basis):

- Like-for-like growth of mid-single digits over time including E-commerce
- Gross margins to be stable. In Norway at low 40's, high 30's in Sweden and between mid and high 30's in Finland.
- EBITDA-margins 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.
- New market entries affect both Group gross margin and Group EBITDA-margin in the establishing period of 1-3 years.

The Austria average sale per store is expected to be around EUR 12 million, while the gross margin and EBITDA-profile will be as in Sweden over time when excluding for the build-up of a centralized organization for buying and support. Hence, the start-up in Austria will have higher costs than the launch in Sweden, Finland and Denmark. CAPEX per store will be in the range of EUR 1.7-1.9 million and the average pay-back per store is estimated at 4-5 years including net working capital. The average pay-back time is after being some time in the market, following an establishing period. XXL expects around 15 stores in total in the Austrian market.



## **Responsibility Statement**

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2018 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties' transactions.

Oslo, 19 July 2018  
Board of Directors, XXL ASA

Øivind Tidemandsen  
Chairman

Anders Misund  
Board member

Adele Bugge Norman Pran  
Board member

Ronny Blomseth  
Board member

Anette Mellbye  
Board member

Fredrik Steenbuch  
CEO

# Condensed consolidated financial statements

Unaudited for the period ended June 30, 2018

Condensed Consolidated Interim Income Statement

<i>(Amounts in NOK million)</i>	<b>Q2 2018</b>	<b>Q2 2017</b>	<b>H1 2018</b>	<b>H1 2017</b>	<b>FY 2017 Audited</b>
<b>Total Operating Revenue</b>	<b>2 331</b>	<b>2 054</b>	<b>4 402</b>	<b>3 767</b>	<b>8 709</b>
Cost of goods sold	<b>1 433</b>	1 231	<b>2 720</b>	2 319	5 265
Personnel expenses	<b>380</b>	327	<b>775</b>	651	1 416
Depreciation	<b>46</b>	38	<b>91</b>	73	159
Other operating expenses	<b>333</b>	285	<b>671</b>	552	1 201
<b>Total Operating Expenses</b>	<b>2 192</b>	<b>1 881</b>	<b>4 257</b>	<b>3 595</b>	<b>8 041</b>
<b>Operating Income</b>	<b>139</b>	<b>172</b>	<b>145</b>	<b>172</b>	<b>668</b>
<b>Net Financial Income (+) / Expense (-)</b>	<b>-19</b>	<b>-4</b>	<b>-37</b>	<b>-13</b>	<b>-42</b>
<b>Profit before income tax</b>	<b>120</b>	<b>168</b>	<b>108</b>	<b>159</b>	<b>626</b>
Income tax expense	<b>24</b>	34	<b>22</b>	32	114
<b>Profit for the period</b>	<b>96</b>	<b>135</b>	<b>87</b>	<b>127</b>	<b>512</b>
<b>Basic Earnings per share (NOK)</b>	<b>0,69</b>	0,97	<b>0,62</b>	0,92	3,70
<b>Diluted Earnings per share (NOK)</b>	<b>0,68</b>	0,96	<b>0,61</b>	0,90	3,65
<b>Other comprehensive income</b>					
<u>Items that may be subsequently reclassified to profit or loss</u>					
Foreign currency rate changes	<b>-2</b>	-3	<b>-3</b>	-	4
<b>Total Other Income and Expense</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-</b>	<b>4</b>
<b>Total comprehensive income for the period</b>	<b>94</b>	<b>132</b>	<b>84</b>	<b>127</b>	<b>516</b>

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

**Condensed Consolidated Interim Statement of Financial Position**

<i>(Amounts in NOK million)</i>	<b>30.6.18</b>	30.6.17	31.12 2017 Audited
<b>NON CURRENT ASSETS</b>			
<b>Intangible Assets</b>			
Goodwill	2 734	2 734	2 734
Other intangible assets	251	255	260
<b>Total Intangible Assets</b>	<b>2 985</b>	2 989	2 994
Fixed Assets	867	771	857
Non current Financial Assets	2	2	4
<b>Total Non Current Assets</b>	<b>3 854</b>	3 762	3 855
<b>CURRENT ASSETS</b>			
Inventory	3 172	2 925	3 152
Trade and Other Receivables	328	282	375
Cash and Cash Equivalents	212	292	314
<b>Total Current Assets</b>	<b>3 712</b>	3 500	3 840
<b>TOTAL ASSETS</b>	<b>7 566</b>	7 262	7 695
<b>SHAREHOLDERS' EQUITY</b>			
Paid-in Capital	2 861	2 883	2 861
Other equity	785	576	985
<b>Total Shareholders' Equity</b>	<b>3 647</b>	3 459	3 846
<b>LIABILITIES</b>			
Deferred tax liability	70	86	42
<b>Total Provisions</b>	<b>70</b>	86	42
<b>Other non-current liabilities</b>			
Interest bearing non-current liabilities	1 048	1 096	1 090
<b>Total other non-current liabilities</b>	<b>1 048</b>	1 096	1 090
<b>Total non-current liabilities</b>	<b>1 118</b>	1 182	1 132
<b>Current liabilities</b>			
Accounts payable	705	627	842
Current interest bearing liabilities	1 082	1 099	916
Tax payable	24	6	143
Public duties payable	309	240	326
Other current liabilities	682	649	491
<b>Total current liabilities</b>	<b>2 802</b>	2 621	2 717
<b>TOTAL LIABILITIES</b>	<b>3 920</b>	3 803	3 849
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>7 566</b>	7 262	7 695

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

## Condensed consolidated interim statement of cash flows

<i>(Amounts in NOK million)</i>	Q2 2018	Q2 2017	H1 2018	H1 2017	FY2017 Audited
<b>Operating Activities</b>					
Profit before income tax	120	168	108	159	626
<i>Adjustments for:</i>					
Income tax paid	-65	-61	-112	-121	-113
Depreciation	46	38	91	73	159
Net financial expense	19	10	37	20	42
<i>Changes in working capital:</i>					
Changes in inventory	-146	-172	-118	-250	-453
Changes in accounts receivable	-49	-10	38	62	-88
Changes in accounts payable	29	-6	-117	-29	177
Other changes	-112	-20	-50	-117	140
<b>Cash provided (used) by operating activities</b>	<b>-159</b>	<b>-51</b>	<b>-124</b>	<b>-204</b>	<b>490</b>
<b>Investing Activities</b>					
Acquisition of fixed assets and intangible assets	-83	-79	-135	-137	-304
<b>Cash provided (used) by investing activities</b>	<b>-83</b>	<b>-79</b>	<b>-135</b>	<b>-137</b>	<b>-304</b>
<b>Financing Activities</b>					
Purchase of own shares/other equity transactions	-50	-11	-9	-11	-11
Payments on long/short term debt	-29	-196	-223	-49	0
Proceeds from new long/short-term debt	409	594	409	594	341
Interest payments	-14	-7	-20	-15	-40
Dividend	0	0	0	0	-277
<b>Cash provided (used) by financing activities</b>	<b>316</b>	<b>379</b>	<b>158</b>	<b>519</b>	<b>13</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>75</b>	<b>249</b>	<b>-101</b>	<b>177</b>	<b>199</b>
Cash and cash equivalents - beginning of period	137	46	314	115	115
Effect of foreign currency rate changes on cash and equivalent	0	-3	-1	0	0
<b>Cash and Cash Equivalents - End of Period</b>	<b>212</b>	<b>292</b>	<b>212</b>	<b>292</b>	<b>314</b>

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

## Condensed consolidated interim Statement of Changes in Equity

(Amounts in NOK million)

	Share capital	Share premium	Other Paid in Equity	Retained earnings	Foreign Currency Rate Changes	Total Shareholders' Equity
<b>Shareholders' Equity 01.01.17</b>	<b>55</b>	<b>2 817</b>	<b>14</b>	<b>718</b>	<b>3</b>	<b>3 608</b>
Net income H1 2017				135		135
Foreign currency rate changes					-3	-3
<b>Transactions with owners:</b>						0
Purchase own shares		-11				-11
Employee share incentive program			7			7
Dividend				-277		-277
<b>Shareholders' Equity 30.06.17</b>	<b>55</b>	<b>2 806</b>	<b>21</b>	<b>576</b>	<b>0</b>	<b>3 459</b>
Net income H2 2017				378		378
Foreign currency rate changes					7	7
<b>Transactions with owners:</b>						2
Employee share incentive program			2			2
<b>Shareholders' Equity 31.12.17</b>	<b>55</b>	<b>2 806</b>	<b>23</b>	<b>954</b>	<b>7</b>	<b>3 846</b>
<i>Effects of IFRS 15 Implementation</i>	-	-	-	-11	-	-11
<b>Shareholders' Equity 01.01.18</b>	<b>55</b>	<b>2 806</b>	<b>23</b>	<b>943</b>	<b>7</b>	<b>3 835</b>
Net income YTD 2018				87		87
Foreign currency rate changes					-3	-3
<b>Transactions with owners:</b>						8
Transfer own shares		8				8
Purchase of own shares		-50				-50
Vesting of share options		41				41
Employee share incentive program			8			8
Dividend				-278		-278
<b>Shareholders' Equity 30.06.18</b>	<b>55</b>	<b>2 805</b>	<b>31</b>	<b>752</b>	<b>4</b>	<b>3 647</b>

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

# Notes to the interim financial statements

## Note 1 General information

XXL ASA and its subsidiaries' (together the "company" or the "Group") operating activities are related to the resale of sports and leisure equipment in the Nordic countries and Austria.

All amounts in the interim financial statements are presented in NOK million unless otherwise stated. Due to rounding, there may be differences in the summation columns.

These condensed interim financial statements have not been audited.

## Note 2 Basis of preparation

These condensed interim financial statements for the three months ended 30 June 2018 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS as adopted by the European Union ('IFRS').

## Note 3 Accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the annual IFRS financial statements for the year ended 31 December 2017.

## Note 4 Estimates, judgments and assumptions

The preparation of interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2017.

## Note 5 Earnings per share

	Q2 2018	Q2 2017	H1 2018	H1 2017	YE 2017
Total profit (in NOK million)	96	135	87	127	512
Weighted average number of ordinary shares in issue	138 852 444	138 512 123	138 779 413	138 512 123	138 327 726
<b>Adjustment for:</b>					
Effect share options	2 324 645	2 127 812	2 269 184	2 127 812	1 965 058
Weighted number of ordinary shares in issue for diluted earnings per share	141 177 089	140 639 935	141 048 597	140 639 935	140 292 784
<b>Basic Earnings per share (in NOK)</b>	<b>0,69</b>	<b>0,97</b>	<b>0,62</b>	<b>0,92</b>	<b>3,70</b>
<b>Diluted Earnings per share (in NOK)</b>	<b>0,68</b>	<b>0,96</b>	<b>0,61</b>	<b>0,90</b>	<b>3,65</b>

## Note 6 Operating Segments

The Group's business is the sale of sports and leisure equipment. Segment performance is reviewed by Management and the Board of Directors as five reportable geographical segments and HQ & Logistics segment. The following presents the Group's revenue by operating segment:

### Q2 2018

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
<b>Operating revenue</b>	1 134	675	431	18	74	-	2 331
Gross profit	457	256	158	3	23	-	898
EBITDA <sup>2</sup>	212	57	33	-2	-18	-98	185
<b>Operating Income</b>	200	47	27	-2	-20	-112	139

### Q2 2017

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
<b>Operating revenue</b>	1 023	644	375	11	-	-	2 054
Gross profit	437	244	138	3	-	-	823
EBITDA <sup>2</sup>	220	48	31	-2	-7	-79	211
<b>Operating Income</b>	208	39	26	-2	-7	-92	172

### 01.01.2018 - 30.06.2018

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
<b>Operating revenue</b>	2 141	1 268	817	34	141	-	4 402
Gross profit	865	475	293	5	43	-	1 682
EBITDA <sup>2</sup>	365	66	42	-5	-36	-195	236
<b>Operating Income</b>	340	45	30	-5	-39	-225	145

### 01.01.2017 - 30.06.2017

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
<b>Operating revenue</b>	1 928	1 155	662	21	-	-	3 767
Gross profit	790	422	232	4	-	-	1 448
EBITDA <sup>2</sup>	345	53	31	-4	-8	-172	245
<b>Operating Income</b>	322	36	22	-4	-8	-196	172

### 01.01.2017 - 31.12.2017

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
<b>Operating revenue</b>	4 434	2 631	1 494	52	98	-	8 709
Gross profit	1 868	1 003	532	10	31	-	3 444
EBITDA <sup>2</sup>	900	219	110	-9	-33	-361	826
<b>Operating Income</b>	854	183	90	-9	-34	-416	668

### **Note 7 Related Party Transactions**

The Group's related parties include its associates, key Management, members of the Board of Directors and majority shareholders.

There are no major related party transactions for XXL Group in Q2 2018. Further, none of the Board members have been granted loans or guarantees in the current year or are included in the Group's pension or bonus plans.

All related party transactions are concluded on an arms-length basis.

### **Note 8 Risk Management**

A description of main risk factors in XXL is included in Note 19 in the Annual Report for 2017.

### **Note 9 Changes in accounting principles**

The following standards have been implemented from 1 January 2018.

- IFRS 9 Financial instruments – there are no significant accounting effects for the company.
- IFRS 15 Revenues from contracts with customers – please see Statement of Changes in Equity for effects 1 January 2018.

IFRS 16 will be implemented from 1 January 2019. For further details, please see note 17 in the annual report for 2017.



## Disclaimer

This report includes forward-looking statements which are based on our current expectations and projections about future events. All statements other than statements of historical facts included in this notice, including statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, including our plans for future costs savings and synergies may be deemed to be forward-looking statements. Words such as “believe,” “expect,” “anticipate,” “may,” “assume,” “plan,” “intend,” “will,” “should,” “estimate,” “risk” and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. In addition any forward-looking statements are made only as of the date of this notice, and we do not intend and do not assume any obligation to update any statements set forth in this notice.

### Footnotes/Definitions

#### Alternative Performance Measures (APM)

Certain financial measures and ratios related thereto in this quarterly report, including growth, gross profit, gross margin, EBIT, EBIT margin, EBITDA, EBITDA margin, working capital and net interest bearing debt (collectively, the “Non-GAAP Measures”), are not specifically defined under IFRS or any other generally accepted accounting principles. These measures are presented in this quarterly report because they are among the measures used by Management to evaluate the cash available to fund ongoing, long-term obligations and they are frequently used by other interested parties for valuation purposes or as a common measure of the ability of a company to incur and meet debt service obligations. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, and you should not consider such items as alternatives to profit for the year, total operating revenues, operating income or any other performance measures derived in accordance with IFRS, and they may be different from similarly titled measures used by other companies.

#### <sup>1)</sup> **EBIT**

Our EBIT represents operating income.

#### <sup>2)</sup> **EBITDA**

Our EBITDA represents operating income plus depreciation.

#### <sup>3)</sup> **Like for Like**

Like for Like include comparable stores and E-commerce. Comparable stores are stores that have been open all months of the current year and all months of the previous year. Stores that have been relocated or significantly expanded are excluded from Like for Like stores.

#### <sup>4)</sup> **Gross profit / Gross margin**

Gross profit represents operating revenue less cost of goods sold. Gross margin is gross profit in per cent of revenue

#### <sup>5)</sup> **Working capital**

Working capital consists of accounts receivables, accounts payables, inventory, other receivables and other current liabilities.

#### <sup>6)</sup> **Net interest bearing debt**

Net interest bearing debt is defined as total other long-term debt and short-term borrowings less cash and cash equivalents

#### <sup>7)</sup> **OPEX**

OPEX is defined as other operating expenses including personnel expenses, but excluding depreciation and amortization

#### <sup>8)</sup> **Inventory per store**

Total inventory divided on number of stores and number of E-commerce markets at end of period

[www.xxlasa.com/investor](http://www.xxlasa.com/investor)

FINANCIAL CALENDAR	
Q3 2018 results:	24.10.2018

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