

## HIGHLIGHTS

- Total revenues of NOK 1 898 million (NOK 1 535 million), up 24 per cent
- Like-for-like growth of 11 per cent
- EBITDA of NOK 222 million (NOK 201 million)
- Five new stores – three in Norway, one in Sweden and one in Finland
- Launched E-commerce offering in Denmark
- Total upgrade of ERP-platform and new front-end website



**Q2**  
**Growth**

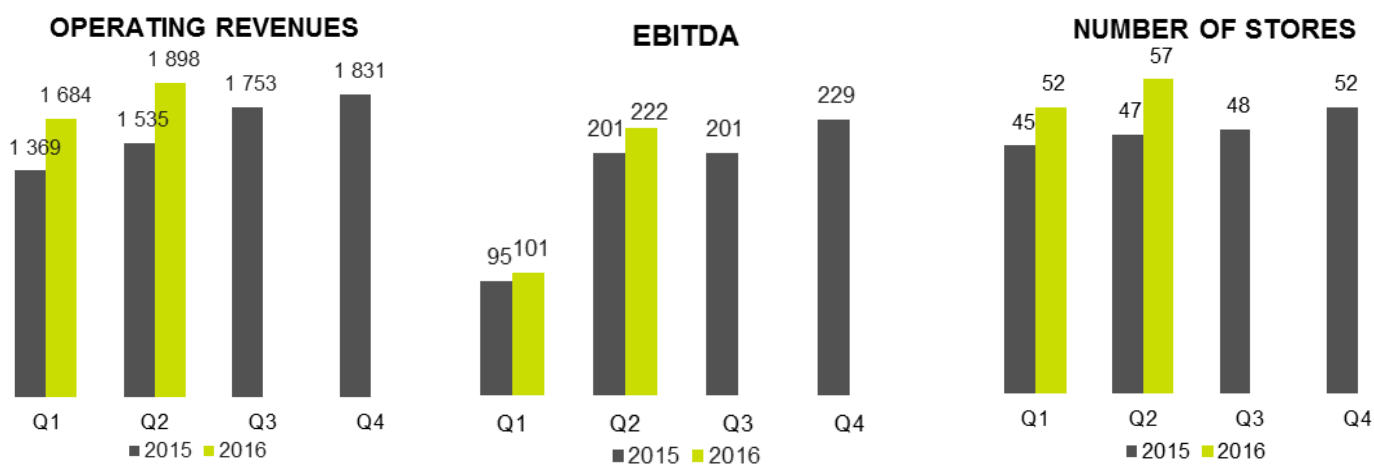
Revenue  
**+24%**  
EBITDA  
**+11%**

**H1**  
**Growth**

Revenue  
**+23%**  
EBITDA  
**+9%**

**KEY FIGURES GROUP**

| (Amounts in NOK million)                  | Q2 2016 | Q2 2015 | H1 2016 | H1 2015 | FY 2015 Audited |
|---|---------|---------|---------|---------|-----------------|
| <b>GROUP</b>                              |         |         |         |         |                 |
| Operating revenue                         | 1 898   | 1 535   | 3 581   | 2 903   | 6 487           |
| Growth (%)                                | 23,7 %  | 23,2 %  | 23,4 %  | 27,3 %  | 24,4 %          |
| Gross profit <sup>4</sup>                 | 783     | 634     | 1 406   | 1 143   | 2 579           |
| Gross margin (%)                          | 41,3 %  | 41,3 %  | 39,3 %  | 39,4 %  | 39,8 %          |
| EBITDA <sup>2</sup>                       | 222     | 201     | 323     | 296     | 725             |
| EBITDA margin (%)                         | 11,7 %  | 13,1 %  | 9,0 %   | 10,2 %  | 11,2 %          |
| EBIT <sup>1</sup>                         | 194     | 179     | 269     | 254     | 634             |
| EBIT margin                               | 10,2 %  | 11,7 %  | 7,5 %   | 8,7 %   | 9,8 %           |
| **Basic Earnings per share (NOK)          | 1,03    | 1,04    | 1,37    | 1,28    | 3,08            |
| **Average number of shares (1 000 shares) | 138 512 | 138 512 | 138 512 | 138 512 | 138 512         |
| Net cash flow from operating activities   | 23      | -44     | -14     | 4       | 352             |
| Like for like revenue growth <sup>3</sup> | 10,6 %  | 9,8 %   | 11,2 %  | 9,2 %   | 9,4 %           |
| Number of stores at quarter end           | 57      | 47      | 57      | 47      | 52              |



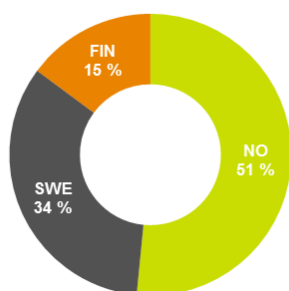
\*\*Earnings per share: See Note 5.  
Footnotes and definitions are described in the end of the report

**KEY FIGURES SEGMENTS**

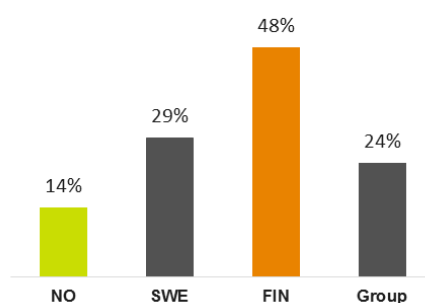
(Amounts in NOK million)

| SEGMENT                             | Q2 2016 | Q2 2015 | H1 2016  | H1 2015 | FY 2015 Audited |
|-------------------------------------|---------|---------|----------|---------|-----------------|
| <b>Norway</b>                       |         |         |          |         |                 |
| Operating revenue                   | 962     | 841     | 1 844    | 1 654   | 3 617           |
| Growth (%)                          | 14,4 %  | 7,2 %   | 11,5 %   | 9,7 %   | 8,3 %           |
| Gross profit <sup>4</sup>           | 414     | 369     | 756      | 690     | 1 529           |
| Gross margin (%)                    | 43,0 %  | 43,9 %  | 41,0 %   | 41,7 %  | 42,3 %          |
| EBITDA <sup>2</sup>                 | 202     | 195     | 343      | 337     | 763             |
| EBITDA margin (%)                   | 21,0 %  | 23,2 %  | 18,6 %   | 20,4 %  | 21,1 %          |
| Number of stores at quarter end     | 27      | 23      | 27       | 23      | 24              |
| <b>Sweden</b>                       |         |         |          |         |                 |
| Operating revenue                   | 639     | 497     | 1 202    | 908     | 2 045           |
| Growth (%)                          | 28,7 %  | 29,1 %  | 32,3 %   | 30,6 %  | 29,2 %          |
| Gross profit <sup>4</sup>           | 267     | 199     | 477      | 342     | 783             |
| Gross margin (%)                    | 41,7 %  | 40,1 %  | 39,7 %   | 37,7 %  | 38,3 %          |
| EBITDA <sup>2</sup>                 | 86      | 57      | 131      | 70      | 188             |
| EBITDA margin (%)                   | 13,5 %  | 11,4 %  | 10,9 %   | 7,7 %   | 9,2 %           |
| Number of stores at quarter end     | 21      | 18      | 21       | 18      | 20              |
| <b>Finland</b>                      |         |         |          |         |                 |
| Operating revenue                   | 291     | 197     | 530      | 341     | 825             |
| Growth (%)                          | 47,5 %  | 157,7 % | 55,7 %   | 345,6 % | 2               |
| Gross profit <sup>4</sup>           | 102     | 65      | 174      | 111     | 268             |
| Gross margin (%)                    | 35,1 %  | 33,2 %  | 32,7 %   | 32,5 %  | 32,5 %          |
| EBITDA <sup>2</sup>                 | 11      | 6       | 5        | 3       | 19              |
| EBITDA margin (%)                   | 3,9 %   | 3,3 %   | 0,9 %    | 0,9 %   | 2,3 %           |
| Number of stores at quarter end     | 9       | 6       | 9        | 6       | 8               |
| <b>Denmark</b>                      |         |         |          |         |                 |
| Operating revenue                   | 5       | -       | 5        | -       | -               |
| Gross profit <sup>4</sup>           | 0       | -       | 0        | -       | -               |
| Gross margin (%)                    | 7,9 %   | -       | 7,9 %    | -       | -               |
| EBITDA <sup>2</sup>                 | -5      | -       | -5       | -       | -               |
| EBITDA margin (%)                   | -95,1 % | -       | -101,7 % | -       | -               |
| <b>HQ &amp; logistics</b>           |         |         |          |         |                 |
| EBITDA <sup>2</sup>                 | -72     | -58     | -151     | -115    | -244            |
| EBITDA margin (% of Group revenues) | -3,8 %  | -3,8 %  | -3,8 %   | -3,9 %  | -3,8 %          |

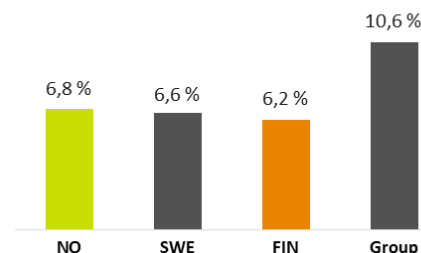
REVENUE SPLIT Q2 2016



GROWTH BY COUNTRY Q2



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



# Five new stores and E-commerce launch in Denmark

**Oslo, 21 July 2016: Second quarter 2016 was characterized by many important operational events to contribute to future growth for the Group. XXL delivered a growth rate of 24 per cent for the second quarter 2016, driven by new stores and a like-for-like growth of 11 per cent. Both Norway and Sweden experienced record sales on the opening day of a new store. In addition XXL expanded into Denmark late in May with an E-commerce offering only. EBITDA for the Group amounted to NOK 222 million in the quarter with a corresponding margin of 11.7 per cent, where the Swedish operation delivered the strongest improvement compared to last year.**

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

## Second quarter performance

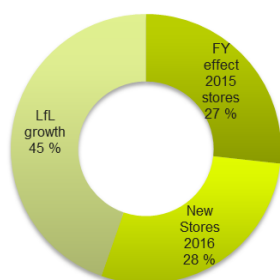
XXL Group delivered a growth of 23.7 per cent in the second quarter 2016 and total operating revenues ended at NOK 1 898 million (NOK 1 535 million). April sales were positively affected by spring related products and more selling days than last year due to Easter moving from April to March. Summer arrival with a couple of weeks with high temperatures in May caused a natural pause in the retail market. This moved more sales into June where XXL experienced good sales of summer related products.

In the quarter XXL also expanded operations into Denmark by launching an E-commerce offering on 27 May 2016. The sales figure in Denmark is limited so far and the organization is currently building attraction and brand awareness in the market.

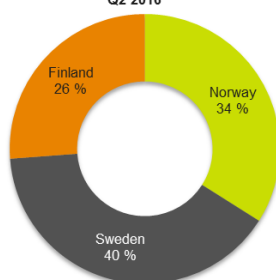
**GROWTH DRIVERS**  
Q2 2015 - 2016  
*(Amounts in MNOK)*



**SHARE OF GROWTH BY MATURITY**  
Q2 2016



**SHARE OF GROWTH BY GEOGRAPHY**  
Q2 2016



XXL Group delivered a like-for like growth of 10.6 per cent in the quarter with a sound growth in all three markets and positive currency effects. Norway had a like-for-like growth of 6.8 per cent and Sweden 6.6 per cent in local currency. Finland had a like-for-like growth of 6.2 per cent in local currency, driven by E-commerce. The reported revenue growth was further driven by effects from five new store openings in the quarter and stores established in 2015 with full effect this year. Norway delivered 14.4 per cent revenue growth, whilst Sweden achieved 28.7 per cent and Finland 47.5 per cent. E-commerce had a growth of 66.0 per cent, representing 22.0 per cent of the total growth of the Group.

Gross margin for the Group was stable at 41.3 per cent despite a change in the geographical mix. Both Sweden and Finland delivered higher gross margins in the quarter compared to the same period last year. The Norwegian operation established three new stores in the quarter compared to none the same quarter last year. The corresponding opening campaigns were carried out in all Norwegian stores which contributed to solid sales figures but with a certain negative impact on the gross margin.

Operating expenses before depreciation as percentage of sales increased from 28.2 per cent in the second quarter 2015 to 29.6 per cent in the second quarter 2016. This is driven by costs related to the openings of five new stores in the quarter, the establishment of an E-commerce operation in Denmark and an increase in marketing costs. XXL is still in a transition phase of moving more marketing spending from traditional to digital channels. XXL has also developed a new commercial branding campaign across all countries. This was launched during the UEFA Euro 2016 tournament

in France and will be used across all marketing channels and also during the upcoming Olympics in Rio de Janeiro, Brazil.

The Group EBITDA in the second quarter 2016 was NOK 222 million (NOK 201 million), which equals an EBITDA-margin of 11.7 per cent compared to 13.1 per cent in the same quarter last year. Adjusted for the start-up in Denmark, the EBITDA-margin was 12.0 per cent and the EBITDA amounted to NOK 227 million. The main reason for the decrease in EBITDA-margin from the same quarter last year is higher operating expenses in marketing and higher cost of new store openings.

The financial position of XXL continues to be good. Total liquidity reserves as of 30 June 2016 amounted to NOK 586 million. Total credit facilities equal NOK 700 million, whereof NOK 300 million was used as of 30 June 2016. The equity ratio ended at 52.5 per cent and the leverage ratio at 1.6x.

## Operating segments

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

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

### Norway

Total operating revenues from the XXL's operations in Norway was NOK 962 million (NOK 841 million) which corresponded to a growth of 14.4 per cent compared to the same quarter last year. The growth was driven by one new store that opened in 2015, a like-for-like growth of 6.8 per cent and the establishment of three new stores during the quarter (Harstad on 6 May, Sartor outside Bergen on 16 June and Sandefjord on 30 June).

Overall the Norwegian market experienced a good start of the spring season also positively affected by more selling days compared to Q2 2015 due to Easter effects. The summer arrival in some weeks of May caused a natural slowdown in retail selling conditions but moved more sales into June, which was characterized by good sales of summer related products. The Norwegian operation established three new stores in the quarter (none last year), with corresponding campaigns in all Norwegian stores, which contributed to solid opening sales figures. However, these impacted the gross margin negatively and the gross margin was reduced from 43.9 per cent in Q2 2015 to 43.0 per cent in Q2 2016.

EBITDA ended at NOK 202 million (NOK 195 million) corresponding to an EBITDA margin of 21.0 per cent (23.2 per cent). The decline in margin is due to the lower gross margin as described above as well as costs related to the opening of three new stores and increased costs of more digital marketing. Operating expenses as percentage of sales equaled 22.0 per cent in the second quarter this year compared to 20.6 per cent last year.

XXL is pleased with the loyalty and support from its customers who again voted XXL number one customer friendly sports retail chain in Norway (Norsk Kundebarmeter). This is achieved by all the dedicated, skilled and motivated employees throughout the organization bringing passion to work every day.

### Sweden

According to market figures from HUI Research, the sale of sporting goods in Sweden declined by 4.2 per cent in April and increased by 3.1 per cent in May compared to the same months last year. The growth rate of XXL in Sweden was 17.8 per cent in local currency this quarter and XXL is gaining market shares. The like-for-like figure is also surpassing the market growth and equaled 6.6 per cent in local currency in Q2 2016. Total operating revenues were NOK 639 million (NOK 497 million), representing a growth rate of 28.7 per cent in the second quarter. The main drivers were growth from stores that opened last year and like-for-like growth. On 25 May 2016 XXL established a new store, in the city of Umeå, with a well received opening campaign.

The gross margin improved to 41.7 per cent in the quarter (40.1 per cent in Q2 2015). Last year XXL carried out many campaigns with lower prices to gain market shares that negatively impacted the gross margin. This year was characterized by many variations in the overall market conditions. The strength of the business model, focusing on many categories including hardware sport equipment, enabled XXL to take advantage of this volatility. As a result XXL had lower share of campaigns with reduced prices that resulted in higher gross margins.

EBITDA amounted to NOK 86 million (NOK 57 million) and the EBITDA-margin improved from 11.4 per cent in Q2 2015 to 13.5 per cent in Q2 2016. Higher gross margin as well as cost efficiency and overall better store operations are key drivers behind this development. Operating expenses as percentage of sales were 28.2 per cent in the quarter (28.7 per cent). This reduction is achieved despite negative effects of increased social security tax for younger employees and increased costs of digital marketing.

In June XXL was nominated best in class in the sport retail industry by Råd och Rön in Sweden on sustainability issues (eight major Swedish sports retailers tested). The test was deducted in cooperation with International Consumer Research and Testing (ICRT) showing that XXL was the best on European level as well. XXL will continue focusing on improvements related to sustainability issues.

### Finland

The overall macro situation in Finland is still challenging and XXL is performing well under difficult market conditions and gaining market shares. In the second quarter the Finnish operations delivered a like-for-like growth of 6.2 per cent in local currency, driven by E-commerce and including cannibalization effects. On 18 May 2016 XXL opened a store in Oulu, Finland. This is a new city for XXL and the opening was well visited by the local community. Total



operating revenues from Finland amounted to NOK 291 million in the quarter, representing a growth of 47.5 per cent (35.5 per cent in local currency).

Gross margin in the quarter improved to 35.1 per cent from 33.2 per cent in Q2 2015. This is provided for by better store operations and less intensified competition although still very challenging macro environment for retail overall.

As the positive like-for-like growth in the quarter was driven by E-commerce, it was more challenging to achieve scale in the stores. As a result the operating expenses as percentage of sales increased to 31.2 per cent (29.2 per cent). Despite this the EBITDA was positive of NOK 11 million and the EBITDA-margin improved to 3.9 per cent (3.3 per cent) driven by the higher gross margin.

#### **Denmark**

XXL launched an E-commerce offering in Denmark on 27 May 2016 with four dedicated employees developing the local market from the office in Copenhagen. The Danish operation is utilizing existing infrastructure in the XXL Group but invest a lot on marketing and visibility without having the help from physical stores as in the other countries. The launch is going according to plan of being a small Swedish store in revenues, but in terms of logistics, delivery times and organization surpassing expectations.

Total operating revenues from the first month of operation in Denmark amounted to NOK 5 million. The launch is colored by aggressive pricing and high marketing spend leading to low margins. As a result, the EBITDA was negative of NOK 5 million.

#### **E-commerce**

Please note that E-commerce is not a separate segment in the financial reporting but is reported under each country segment. Currently XXL has an online offering in Norway, Sweden, Finland and Denmark through [xxl.no](http://xxl.no), [xxl.se](http://xxl.se), [xxl.fi](http://xxl.fi) and [xxl.dk](http://xxl.dk) respectively.

E-commerce sales comprised 10.6 per cent of total Group operating revenues in Q2 2016 compared to 7.9 per cent in Q2 2015. The second quarter 2016 showed another quarter with strong growth and operating revenues increased by 66.0 per cent to NOK 201 million (NOK 121 million). All markets experienced high growth and XXL established its operation in Denmark during the quarter. Further, key events in the quarter included a new front-end website, on all platforms (mobile, tablets and desktop) and in all countries improving the user experience with faster loading speeds, better mobile interface and personalization opportunities. In addition, the new website allows for better testing and measuring. XXL also strengthened its content services with the introduction of XXL blogs in all markets during the quarter. Technically the move over to cloud services secures scalability going forward. The E-commerce organization has also commenced the work of building an omni-channel customer service function for the XXL Group.

#### **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 72 million (NOK 59 million) in the quarter. This equals 3.8 per cent of total Group operating revenue on par with the second quarter last year. The increased absolute costs are related to the expansion of the central warehouse in Sweden from 20 000 to 40 000 square meters, which was finalized and handed over in late November 2015. This provided for higher rental and personnel costs in the second quarter 2016.

In addition, XXL upgraded the ERP-system for all its operations in the quarter. The upgrade had some impacts on delivery times, flow of goods and order placing in the transition days. Overall the Board of XXL is really impressed with how the whole process was conducted delivering on a tight time schedule and without major implications for the operations.

### **Financials**

#### **Consolidated income statement – Second quarter**

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

**Operating revenues** increased by 23.7 per cent to NOK 1 898 million (NOK 1 535 million). The growth is driven by like-for-like growth, stores that opened in 2015 and new stores established in 2016. At the end of the quarter, XXL operated 57 stores compared to 47 stores at the end of the second quarter 2015.

**Gross profit** was NOK 783 million (NOK 634 million) this quarter, an increase of 23.6 per cent compared to the same period last year. The gross margin for the Group was stable at 41.3 per cent despite change in geographical mix. Both Sweden and Finland delivered improved margins whilst Norway experienced decreased margins due to many new store opening campaigns in the quarter.

**Operating expenses** excluding depreciation equaled NOK 561 million (NOK 433 million) in the second quarter. As percentage of total operating revenues of the Group, operating expenses increased from 28.2 per cent last year to 29.6 per cent this year. This is due to costs related to the openings of five new stores in the quarter, the establishment of an E-commerce operation in Denmark and an increase in marketing costs

**Operating income** equaled NOK 194 million (NOK 179 million)

**Net financial expenses** amounted to NOK 11 million for the second quarter (NOK 7 million in net financial income). Net interest expenses equaled NOK 5 million in the quarter. The rest of the expenses were related to amortization of loan costs, interests on lease contracts and transaction

costs. The financial expenses in second quarter last year included a positive currency effect of NOK 21 million.

**Tax expenses** for the second quarter were NOK 40 million (NOK 43 million) and the effective tax rate was estimated to 21.7 per cent.

**Net profit** ended at NOK 143 million (NOK 144 million).

#### Consolidated income statement – First half year

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

**Operating revenues** for the first half year 2016 were NOK 3 581 million (NOK 2 903 million), a growth of 23.4 per cent. The drivers behind the growth are full year effect of new stores opened in 2015, new store openings so far this year, a like-for-like growth of 11.2 per cent and E-commerce growth of 61.8 per cent.

**Gross profit** equaled NOK 1 406 million (NOK 1 143 million), an increase of 23.0 per cent compared to the same period last year as a result of higher operating revenues. XXL Group gross margin was stable at 39.3 per cent (39.4 per cent).

**Operating expenses** excluding depreciation were NOK 1 083 million (NOK 848 million) in the first half year. As percentage of total operating revenues of the Group, operating expenses increased from 29.2 per cent last year to 30.2 per cent this year. This is due to increased digital marketing costs, higher costs after doubling the capacity at the central warehouse in Sweden in November 2015 and costs of opening more stores compared to last year.

**Operating income** equaled NOK 269 million (NOK 254 million)

**Net financial expenses** amounted to NOK 25 million for the first half year (NOK 23 million).

**Tax expenses** for the first half year were NOK 54 million (NOK 53 million) and the effective tax rate was estimated to 22.1 per cent.

**Net profit** ended at NOK 190 million (NOK 178 million) as a result of the reasons stated above.

#### Consolidated cash flow - First half year

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

Cash used by operating activities ended at NOK 14 million in H1 2016 compared to positive cash from operating activities of NOK 4 million in H1 2015. The main reason for the negative deviation is the income tax paid. XXL settled an agreement with Skatt Øst (Norwegian tax authorities) in March 2016 regarding the income tax for the years 2010-2013. Under the agreement the net tax effect for XXL was NOK 38 million, which was booked in the annual accounts for 2015. The cash effect of the settlement is included in the

income tax paid in Q2 2016.

The inventory increased from NOK 1 665 million at the end of H1 2015 to 2 267 million at the end of H1 2016 due to new products coming in for the next season, new stores, growth and currency effects. Inventory per store (including E-commerce) equaled NOK 37.8 million (NOK 34.0 million) by the end of H1 2016. Currency effects equaled NOK 0.9 million of the increase. The inventory continues to be healthy.

Cash used by investing activities was NOK 145 million (NOK 67 million) in H1 2016. This is related to investments in new stores, maintenance CAPEX on existing stores, investments in central warehouses and IT and purchase of own shares of NOK 9 million.

Cash provided from financing activities amounted to NOK 258 million (NOK 83 million). Draw down of NOK 300 million on existing credit facility took place in late June 2016 related to the upcoming dividend payment of NOK 277 million in early July 2016.

#### Financial position and liquidity - First half year

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

As of 30 June 2016, total assets amounted to NOK 6 246 million (NOK 5 566 million). Total equity was NOK 3 282 million (NOK 3 114 million), resulting in an equity ratio of 52.5 per cent (55.9 per cent). Net interest bearing debt increased to NOK 1 204 million (NOK 963 million) due to investments in new stores and infrastructure, increased net working capital and dividend payment.

The Group had cash and cash equivalents of NOK 186 million (NOK 241 million) as of 30 June 2016, of which NOK 23 million was restricted cash. The Group's liquidity reserves include total credit facilities of NOK 700 million whereof NOK 300 million was used as of 30 June 2016. Available liquidity reserves as of 30 June 2016 were NOK 586 million.

#### Summary from the Annual General Meeting

The Annual General Meeting of XXL ASA was held on 3 June 2016. 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 6 June 2016 and the payment date was 5 July 2016.

#### Changes in the Management team

Ms. Kine Bergseth has been appointed the new Marketing Director in XXL ASA. She served the telecommunication company Telia Norway as Head of Marketing and before that Head of International Branding at the airline carrier Norwegian Air Shuttle. Ms. Bergseth started in XXL ASA in June 2016 and is a member of the Management team of XXL ASA.

Mr. Andreas Stenman has been appointed the new Managing Director Sweden in XXL ASA. He is currently the Head of Sales at the Swedish retailer Rusta and before that served the food retailer Lidl Sweden for over ten years among others as Regional Manager. Mr. Stenman will start in XXL ASA in September 2016 and be a member of the Management team of XXL ASA. Ms. Janicke Blomsnes will be the acting Managing Director until September 2016 and after that resume her role as Vice Managing Director Sweden and Head of Nordic Training in the XXL Group.

Mr. Anders Kjellén has been appointed the new Managing Director Norway in XXL ASA. He is currently serving the outdoor brand Mammut as Managing Director Nordics. Prior to this he worked over eighteen years at Gresvig Norway, where he held several leading positions including Head of Sales, Regional Manager and Store Manager in G-Sport. Mr. Kjellén will start in XXL ASA in Q4 2016 and be a member of the Management team of XXL ASA. Anders Fjeld, Acting Managing Director Norway, will then resume his position as COO.

#### **Outlook**

XXL has signed 12 new lease agreements for store openings for 2016 where of 7 in Norway, 2 in Sweden and 3 in Finland. This includes 5 stores that XXL has opened so far in 2016.

In addition, XXL launched an E-commerce offering in Denmark in May 2016. The launch is colored by aggressive pricing and high marketing spending and will return negative profits 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 4-5 years of pay-back.

Due to more stores and growth in E-commerce in Norway XXL will invest in the central warehouse. The central warehouse in Norway will increase from approximately

24 000 square meters to 32 000 square meters. In addition, XXL 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 year over year.

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. 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.



## **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 2016 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, 21 July 2016  
Board of Directors, XXL ASA

Øivind Tidemandsen  
Chairman

Tore Valderhaug  
Board member

Anna Attemark  
Board member

Ronny Blomseth  
Board member

Mernosh Saatchi  
Board member

Fredrik Steenbuch  
CEO

# Condensed consolidated financial statements

UNAUDITED, FOR THE PERIOD ENDED June 30, 2016

Condensed Consolidated Interim Income Statement

| <i>(Amounts in NOK million)</i>                                      | <b>Q2 2016</b> | Q2 2015 | <b>H1 2016</b> | H1 2015 | FY 2015<br>Audited |
|--|----------------|---------|----------------|---------|--------------------|
| <b>Total Operating Revenue</b>                                       | <b>1 898</b>   | 1 535   | <b>3 581</b>   | 2 903   | 6 487              |
| Cost of goods sold   | <b>1 115</b>   | 901     | <b>2 175</b>   | 1 760   | 3 908              |
| Personnel expenses   | <b>296</b>     | 229     | <b>574</b>     | 452     | 991                |
| Depreciation   | <b>28</b>      | 22      | <b>54</b>      | 42      | 91                 |
| Other operating expenses   | <b>265</b>     | 204     | <b>509</b>     | 396     | 863                |
| <b>Total Operating Expenses</b>                                      | <b>1 704</b>   | 1 355   | <b>3 313</b>   | 2 650   | 5 853              |
| <b>Operating Income</b>  | <b>194</b>     | 179     | <b>269</b>     | 254     | 634                |
| <b>Net Financial Income (+) / Expense (-)</b>                        | <b>-11</b>     | 7       | <b>-25</b>     | -23     | -28                |
| <b>Profit before income tax</b>                                      | <b>183</b>     | 186     | <b>244</b>     | 231     | 606                |
| Income tax expense   | <b>40</b>      | 43      | <b>54</b>      | 53      | 179                |
| <b>Profit for the period</b>   | <b>143</b>     | 144     | <b>190</b>     | 178     | 427                |
| <b>Basic Earnings per share (NOK)</b>                                | <b>1,03</b>    | 1,04    | <b>1,37</b>    | 1,28    | 3,08               |
| <b>Diluted Earnings per share (NOK)</b>                              | <b>1,02</b>    | 1,03    | <b>1,36</b>    | 1,28    | 3,07               |
| <b>Other comprehensive income</b>                                    |                |         |                |         |                    |
| <u>Items that may be subsequently reclassified to profit or loss</u> |                |         |                |         |                    |
| Foreign currency rate changes  | <b>8</b>       | 0       | <b>8</b>       | 1       | 0                  |
| <b>Total Other Income and Expense</b>                                | <b>8</b>       | 0       | <b>8</b>       | 1       | 0                  |
| <b>Total comprehensive income for the period</b>                     | <b>151</b>     | 144     | <b>198</b>     | 178     | 427                |

*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>30.6.16</b> | 30.6.15 | 31.12.2015<br>Audited |
|-------------------------------------|----------------|---------|-----------------------|
| <b>NON CURRENT ASSETS</b>           |                |         |                       |
| <b>Intangible Assets</b>            |                |         |                       |
| Goodwill                            | 2 734          | 2 734   | 2 734                 |
| Other intangible assets             | 242            | 221     | 225                   |
| <b>Total Intangible Assets</b>      | <b>2 976</b>   | 2 955   | 2 959                 |
| Fixed Assets                        | 613            | 488     | 569                   |
| <b>Total Non Current Assets</b>     | <b>3 590</b>   | 3 443   | 3 529                 |
| <b>CURRENT ASSETS</b>               |                |         |                       |
| Inventory                           | 2 267          | 1 665   | 1 928                 |
| Trade and Other Receivables         | 203            | 217     | 296                   |
| Cash and Cash Equivalents           | 186            | 241     | 87                    |
| <b>Total Current Assets</b>         | <b>2 656</b>   | 2 122   | 2 310                 |
| <b>TOTAL ASSETS</b>                 | <b>6 246</b>   | 5 566   | 5 839                 |
| <b>SHAREHOLDERS' EQUITY</b>         |                |         |                       |
| Paid-in Capital                     | 2 881          | 2 884   | 2 886                 |
| Other equity                        | 401            | 230     | 480                   |
| <b>Total Shareholders' Equity</b>   | <b>3 282</b>   | 3 114   | 3 366                 |
| <b>LIABILITIES</b>                  |                |         |                       |
| Deferred tax liability              | 98             | 100     | 61                    |
| <b>Total Provisions</b>             | <b>98</b>      | 100     | 61                    |
| <b>Other long-term debt</b>         |                |         |                       |
| Interest bearing long-term debt     | 1 090          | 1 104   | 1 116                 |
| <b>Total other long-term debt</b>   | <b>1 090</b>   | 1 104   | 1 116                 |
| <b>Total long-term debt</b>         | <b>1 188</b>   | 1 204   | 1 177                 |
| <b>Short-term debt</b>              |                |         |                       |
| Accounts payable                    | 619            | 433     | 578                   |
| Short-term borrowings               | 300            | 100     | 8                     |
| Tax payable                         | 127            | 29      | 193                   |
| Public duties payable               | 196            | 187     | 228                   |
| Other short-term debt               | 534            | 499     | 289                   |
| <b>Total short-term debt</b>        | <b>1 776</b>   | 1 248   | 1 295                 |
| <b>TOTAL LIABILITIES</b>            | <b>2 964</b>   | 2 452   | 2 473                 |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>6 246</b>   | 5 566   | 5 839                 |

*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>                     | <b>Q2 2016</b> | <b>Q2 2015</b> | <b>H1 2016</b> | <b>H1 2015</b> | <b>FY 2015<br/>Audited</b> |
|---|----------------|----------------|----------------|----------------|----------------------------|
| <b>Operating Activities</b>                         |                |                |                |                |                            |
| Profit before income tax                            | <b>183</b>     | 186            | <b>244</b>     | 231            | 606                        |
| <i>Adjustments for:</i>                             |                |                |                |                |                            |
| Income tax paid                                     | <b>-59</b>     | -23            | <b>-63</b>     | -46            | -73                        |
| Depreciation  | <b>28</b>      | 22             | <b>54</b>      | 42             | 91                         |
| Items classified as investments or financing        | <b>9</b>       | 2              | <b>14</b>      | 17             | 42                         |
| Amortisation of capitalised transaction costs       | <b>3</b>       | 3              | <b>4</b>       | 4              | 8                          |
| Fair value movement of financial derivatives        | <b>-3</b>      | 5              | <b>1</b>       | 2              | -1                         |
| <i>Changes in working capital:</i>                  |                |                |                |                |                            |
| Changes in inventory                                | <b>-289</b>    | -56            | <b>-339</b>    | -268           | -531                       |
| Changes in accounts receivable                      | <b>6</b>       | 10             | <b>93</b>      | 68             | -11                        |
| Changes in accounts payable                         | <b>137</b>     | -186           | <b>41</b>      | -22            | 124                        |
| Prepayments of financial leases                     | <b>4</b>       | -3             | <b>1</b>       | -5             | -11                        |
| Changes in other assets and liabilities             | <b>6</b>       | -4             | <b>-64</b>     | -21            | 108                        |
| <b>Cash provided (used) by operating activities</b> | <b>23</b>      | -44            | <b>-14</b>     | 4              | 352                        |
| <b>Investing Activities</b>                         |                |                |                |                |                            |
| Acquisition of fixed assets and intangible assets   | <b>-91</b>     | -42            | <b>-135</b>    | -59            | -162                       |
| Proceeds from disposal of financial assets          | <b>0</b>       | 0              | <b>0</b>       | 0              | 1                          |
| Purchase of own shares/other equity transactions    | <b>-9</b>      | 0              | <b>-9</b>      | -8             | -8                         |
| <b>Cash provided (used) by investing activities</b> | <b>-101</b>    | -42            | <b>-145</b>    | -67            | -169                       |
| <b>Financing Activities</b>                         |                |                |                |                |                            |
| Payments on long/short term debt                    | <b>-87</b>     | 0              | <b>-87</b>     | 0              | -787                       |
| Proceeds from new long/short-term debt              | <b>300</b>     | 100            | <b>387</b>     | 100            | 787                        |
| Interest payments                                   | <b>-9</b>      | -2             | <b>-14</b>     | -17            | -42                        |
| Currency and other effects                          | <b>-10</b>     | 0              | <b>-28</b>     | 0              | 0                          |
| Dividend  | <b>0</b>       | 0              | <b>0</b>       | 0              | -277                       |
| <b>Cash provided (used) by financing activities</b> | <b>194</b>     | 98             | <b>258</b>     | 83             | -319                       |
| <b>Net Change in Cash and Cash Equivalents</b>      | <b>117</b>     | 12             | <b>99</b>      | 19             | -135                       |
| Cash and cash equivalents - beginning of period     | <b>69</b>      | 229            | <b>87</b>      | 222            | 222                        |
| <b>Cash and Cash Equivalents - End of Period</b>    | <b>186</b>     | 241            | <b>186</b>     | 241            | 87                         |

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

## Condensed consolidated interim Statement of Changes in Equity

| <i>(Amounts in NOK million)</i>      | Paid-in<br>Capital | Retained<br>earnings | Foreign Currency<br>Rate Changes | Total Shareholders'<br>Equity |
|--------------------------------------|--------------------|----------------------|----------------------------------|-------------------------------|
| <b>Shareholders' Equity 01.01.15</b> | <b>2 890</b>       | <b>329</b>           | <b>1</b>                         | <b>3 219</b>                  |
| Net income H1 2015                   |                    | 178                  |                                  | 178                           |
| Purchase own shares                  | -8                 |                      |                                  | -8                            |
| Employee share incentive program     | 2                  |                      |                                  | 2                             |
| Dividend                             |                    | -277                 |                                  | -277                          |
| Foreign currency rate changes        |                    |                      | 0                                | 0                             |
| <b>Shareholders' Equity 30.06.15</b> | <b>2 884</b>       | <b>230</b>           | <b>1</b>                         | <b>3 114</b>                  |
| <b>Shareholders' Equity 01.01.16</b> | <b>2 886</b>       | <b>479</b>           | <b>1</b>                         | <b>3 366</b>                  |
| Net income H1 2016                   |                    | 190                  |                                  | 190                           |
| Purchase own shares                  | -9                 |                      |                                  | -9                            |
| Employee share incentive program     | 4                  |                      |                                  | 4                             |
| Dividend                             |                    | -277                 |                                  | -277                          |
| Foreign currency rate changes        |                    |                      | 8                                | 8                             |
| <b>Shareholders' Equity 30.06.16</b> | <b>2 881</b>       | <b>392</b>           | <b>9</b>                         | <b>3 282</b>                  |

*The share capital as of 30.06.2016 is 55.4 million NOK*

*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.

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 six months ended 30 June 2016 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 2015, 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 2015.

## 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 2015.

## Note 5 Earnings per share

|  | Q2 2016            | Q2 2015            | H1 2016            | H1 2015            | YE 2015            |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Total profit ( in NOK million)   | 143                | 144                | 190                | 178                | 427                |
| <b>Weighted average number of ordinary shares in issue</b>                 | <b>138 512 123</b> | <b>138 512 123</b> | <b>138 512 123</b> | <b>138 512 123</b> | <b>138 512 123</b> |
| <b>Adjustment for:</b>   |                    |                    |                    |                    |                    |
| Effect share options   | 1 055 790          | 625 665            | 1 055 790          | 625 665            | 625 665            |
| Weighted number of ordinary shares in issue for diluted earnings per share | 139 567 913        | 139 137 788        | 139 567 913        | 139 137 788        | 139 137 788        |
| <b>Basic Earnings per share (in NOK)</b>                                   | <b>1,03</b>        | <b>1,04</b>        | <b>1,37</b>        | <b>1,28</b>        | <b>3,08</b>        |
| <b>Diluted Earnings per share (in NOK)</b>                                 | <b>1,02</b>        | <b>1,03</b>        | <b>1,36</b>        | <b>1,28</b>        | <b>3,07</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 four reportable geographical segments and HQ & Logistics segment. The following presents the Group's revenue by operating segment:

### Q2 2016

| <i>Amounts in NOK million</i> | Norway | Sweden | Finland | Denmark | HQ & Logistics | Total |
|-------------------------------|--------|--------|---------|---------|----------------|-------|
| Operating revenue             | 962    | 639    | 291     | 5       | -              | 1 898 |
| Gross profit                  | 414    | 267    | 102     | 0       | -              | 783   |
| EBITDA <sup>2</sup>           | 202    | 86     | 11      | -5      | -72            | 222   |
| Operating Income              | 195    | 78     | 8       | -5      | -82            | 194   |

### Q2 2015

| <i>Amounts in NOK million</i> | Norway | Sweden | Finland | Denmark | HQ & Logistics | Total |
|-------------------------------|--------|--------|---------|---------|----------------|-------|
| Operating revenue             | 841    | 497    | 197     | -       | -              | 1 535 |
| Gross profit                  | 369    | 199    | 65      | -       | -              | 634   |
| EBITDA <sup>2</sup>           | 195    | 57     | 6       | -       | -58            | 201   |
| Operating Income              | 189    | 50     | 4       | -       | -64            | 179   |

### 01.01.2016 - 30.06.2016

| <i>Amounts in NOK million</i> | Norway | Sweden | Finland | Denmark | HQ & Logistics | Total |
|-------------------------------|--------|--------|---------|---------|----------------|-------|
| Operating revenue             | 1 844  | 1 202  | 530     | 5       | -              | 3 581 |
| Gross profit                  | 756    | 477    | 174     | 0       | -              | 1 406 |
| EBITDA <sup>2</sup>           | 343    | 131    | 5       | -5      | -151           | 323   |
| Operating Income              | 328    | 116    | -1      | -5      | -169           | 269   |

### 01.01.2015 - 30.06.2015

| <i>Amounts in NOK million</i> | Norway | Sweden | Finland | Denmark | HQ & Logistics | Total |
|-------------------------------|--------|--------|---------|---------|----------------|-------|
| Operating revenue             | 1 654  | 908    | 341     | -       | -              | 2 903 |
| Gross profit                  | 690    | 342    | 111     | -       | -              | 1 144 |
| EBITDA <sup>2</sup>           | 337    | 70     | 3       | -       | -115           | 296   |
| Operating Income              | 324    | 57     | -0      | -       | -127           | 254   |

## 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 2016. 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 9 Risk Management

A description of main risk factors in XXL is included in Note 19 in the Annual Report for 2015.

## Note 8 Fixed Assets and intangible assets

### Property, plant and equipment and intangible assets

| <i>(Amounts in NOK million)</i> | PPE        | Goodwill     | Other<br>intangible<br>assets |
|---------------------------------|------------|--------------|-------------------------------|
| <b>Balance 01.01.2016</b>       | <b>569</b> | <b>2 734</b> | <b>225</b>                    |
| Additions                       | 113        |              | 22                            |
| Disposals and write-downs       |            |              |                               |
| Depreciation and amortisation   | -48        |              | -6                            |
| Net exchange differences        | -21        |              | 1                             |
| <b>Balance 30.06.2016</b>       | <b>613</b> | <b>2 734</b> | <b>242</b>                    |

Additions mainly related to purchase of fixtures and fittings in new and existing stores.

| <i>(Amounts in NOK million)</i> | PPE        | Goodwill     | Other<br>intangible<br>assets |
|---------------------------------|------------|--------------|-------------------------------|
| <b>Balance 01.01.2015</b>       | <b>474</b> | <b>2 734</b> | <b>221</b>                    |
| Additions                       | 55         |              | 5                             |
| Disposals and write-downs       | 0          |              | 0                             |
| Depreciation and amortisation   | -37        |              | -5                            |
| Net exchange differences        | -3         |              | 0                             |
| <b>Balance 30.06.2015</b>       | <b>488</b> | <b>2 734</b> | <b>221</b>                    |

Additions mainly related to purchase of fixtures and fittings in new and existing stores.

## 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

#### Non – GAAP Measures

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 profit represents operating revenue less cost of goods sold.

<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

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| FINANCIAL CALENDAR |            |
|--------------------|------------|
| Q3 2016 results:   | 26.10.2016 |

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