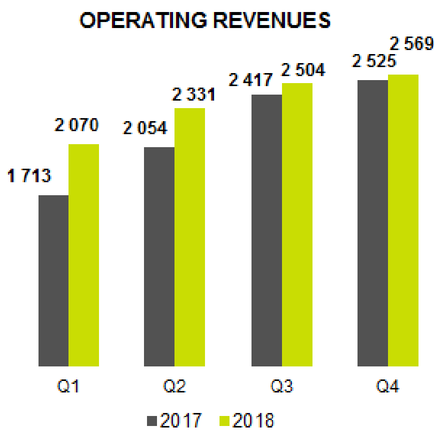
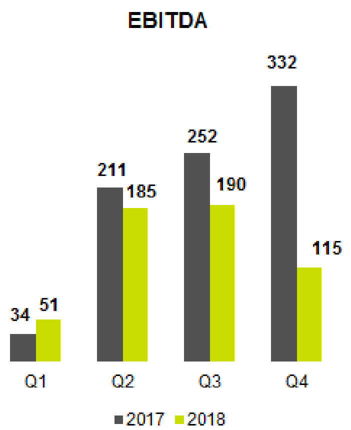
INTERIM REPORT Q4 2018
XXL ASA

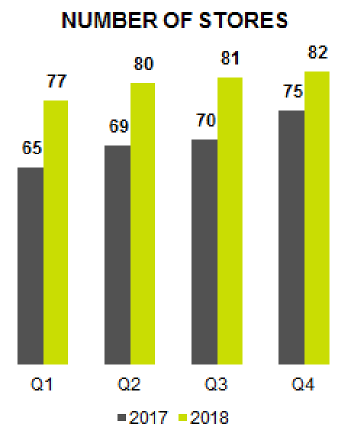
HIGHLIGHTS

- Total revenues of NOK 2 569 million (NOK 2 525 million), up 2 per cent
- Poor campaign execution hampered gross margins significantly
- EBITDA of NOK 115 million (NOK 332 million)
- Strong cash flow generation
- Liquidity reserve of NOK 0.7 billion

Q4 Growth		YTD Growth	
Revenue	+2%	Revenue	+ 9%
EBITDA	- 65%	EBITDA	- 35%

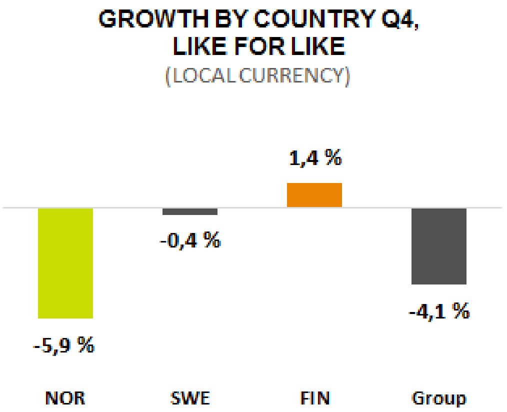


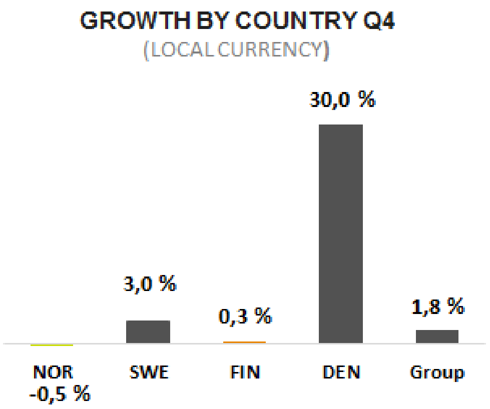


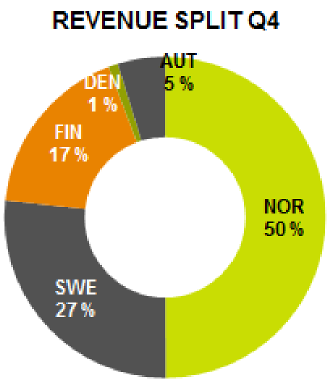


KEY FIGURES GROUP

(Amounts in NOK million)	**Q4 2018**	Q4 2017	**YTD 2018**	**FY 2017 Audited**
GROUP				
Operating revenue	**2 569**	2 525	**9 475**	**8 709**
Growth (%)	***1,8 %***	*17,4 %*	***8,8 %***	***11,5 %***
Gross profit[4]	**930**	1 060	**3 536**	**3 443**
Gross margin (%)	***36,2 %***	*42,0 %*	***37,3 %***	***39,5 %***
OPEX %[7]	***31,7 %***	*28,9 %*	***31,6 %***	***30,0 %***
EBITDA[2]	**115**	332	**541**	**828**
EBITDA margin (%)	***4,5 %***	*13,1 %*	***5,7 %***	***9,5 %***
EBIT[1]	**64**	285	**352**	**668**
EBIT margin	***2,5 %***	*11,3 %*	***3,7 %***	***7,7 %***
Net Income	**44**	224	**236**	**512**
**Basic Earnings per share (NOK)	**0,32**	1,69	**1,71**	**3,70**
**Average number of shares (1 000 shares)	**136 829**	138 299	**138 059**	**138 328**
Cash provided by operating activities	**328**	384	**460**	**490**
Like for like revenue growth[3]	**-4,1 %**	6,5 %	**-0,3 %**	**0,5 %**
Number of stores at period end	**82**	75	**82**	**75**
New stores in the period	**1**	5	**7**	**11**







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

KEY FIGURES SEGMENTS

(Amounts in NOK million)	**Q4 2018**	Q4 2017	**YTD 2018**	**FY 2017 Audited**
SEGMENT				
Norway				
Operating revenue	**1 284**	1 290	**4 642**	**4 434**
Growth (%)	***-0,5 %***	*7,2 %*	***4,7 %***	***6,8 %***
Gross profit[4]	**503**	590	**1 841**	**1 868**
Gross margin (%)	**39,2 %**	45,8 %	**39,7 %**	**42,1 %**
OPEX % [7]	**23,3 %**	20,5 %	**23,2 %**	**21,8 %**
EBITDA[2]	**204**	326	**765**	**902**
EBITDA margin (%)	***15,9 %***	*25,3 %*	***16,5 %***	***20,3 %***
Number of stores at period end	**36**	32	**36**	**32**
New stores in the period	**1**	1	**4**	**1**
Sweden				
Operating revenue	**687**	700	**2 679**	**2 631**
Growth (%)	***-1,9 %***	*15,0 %*	***1,8 %***	***6,4 %***
Gross profit[4]	**240**	281	**980**	**1 003**
Gross margin (%)	**35,0 %**	40,2 %	**36,6 %**	**38,1 %**
OPEX % [7]	**31,1 %**	30,3 %	**30,3 %**	**29,8 %**
EBITDA[2]	**26**	69	**168**	**219**
EBITDA margin (%)	***3,9 %***	*9,9 %*	***6,3 %***	***8,3 %***
Number of stores at period end	**27**	26	**27**	**26**
New stores in the period	**-**	1	**1**	**4**
Finland				
Operating revenue	**452**	447	**1 714**	**1 494**
Growth (%)	***1,1 %***	*37,1 %*	***14,7 %***	***28,7 %***
Gross profit[4]	**153**	162	**600**	**532**
Gross margin (%)	**33,8 %**	36,2 %	**35,0 %**	**35,6 %**
OPEX % [7]	**29,4 %**	26,8 %	**29,3 %**	**28,3 %**
EBITDA[2]	**20**	42	**99**	**110**
EBITDA margin (%)	***4,4 %***	*9,4 %*	***5,8 %***	***7,3 %***
Number of stores at period end	**15**	15	**15**	**15**
New stores in the period	**-**	2	**-**	**4**

KEY FIGURES SEGMENTS – cont.

(Amounts in NOK million)	**Q4 2018**	Q4 2017	**YTD 2018**	**FY 2017 Audited**
SEGMENT				
Denmark				
Operating revenue	**25**	19	**77**	**52**
Growth (%)	***31,4 %***	45,2 %	***49,3 %***	***87,8 %***
Gross profit[4]	**4**	4	**12**	**10**
Gross margin (%)	**15,3 %**	18,7 %	**16,1 %**	**19,4 %**
OPEX % [7]	**27,4 %**	32,5 %	**28,8 %**	**36,0 %**
EBITDA[2]	**-3**	-3	**-10**	**-9**
EBITDA margin (%)	***-12,1 %***	-13,8 %	***-12,8 %***	***-16,6 %***
Austria				
Operating revenue	**122**	69	**363**	**98**
Growth (%)	***75,8 %***		***269,8 %***	
Gross profit[4]	**31**	23	**102**	**31**
Gross margin (%)	**25,3 %**	33,6 %	**28,2 %**	**31,2 %**
OPEX % [7]	**39,6 %**	47,0 %	**47,4 %**	**64,8 %**
EBITDA[2]	**-18**	-9	**-70**	**-33**
EBITDA margin (%)	***-14,3 %***	-13,4 %	***-19,2 %***	***-33,7 %***
Number of stores at period end	**4**	2	**4**	**2**
New stores in the period	**-**	1	**2**	**2**
HQ & logistics				
EBITDA[2]	**-115**	-94	**-412**	**-361**
EBITDA margin (% of Group revenues)	***-4,5 %***	*-3,7 %*	***-4,3 %***	***-4,1 %***

Disappointing results driven by poor execution

Oslo, 11 February 2019: Despite continued growth XXL delivered disappointing results in the fourth quarter 2018 driven by poor execution and campaign management which resulted in a significant drop in the gross margin. Relevant routines are improved to ensure that this will not occur again. Total operating revenues amounted to NOK 2.6 billion, a growth of 2 per cent, and the EBITDA ended at NOK 115 million.

For the full year 2018 XXL ASA generated total revenues of NOK 9.5 billion, representing a growth of 9 per cent, driven by new stores and E-commerce. EBITDA for the year ended at NOK 541 million (NOK 828 million) due to negative like-for-like growth impacting the scale benefits of the operations, lower gross margins in all markets and negative EBITDA of NOK 70 million related to establishing XXL in Austria. Liquidity reserve ended at NOK 0.7 billion due to strong cash conversion in the fourth quarter 2018. XXL has proactively agreed with its lending banks consortium on new covenants going forward.

Fourth quarter performance

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

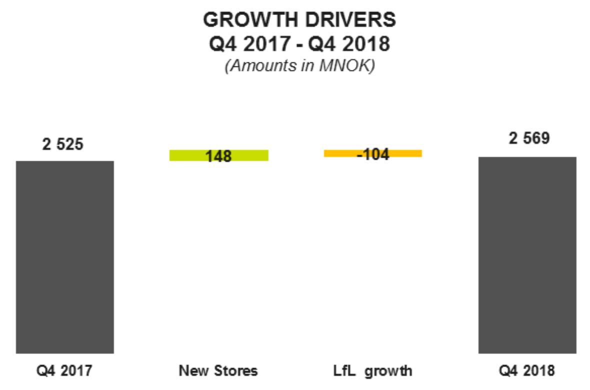
XXL delivered disappointing results development in the fourth quarter 2018. Low volumes in all markets in the periods before Black Friday resulted in a large part of the sales being moved into the Black Friday campaign, with significantly lower gross margins. XXL delivered strong sales growth on the Black Friday campaign, however poor execution resulted in negative development in gross profit, leading to a considerable drop in the gross margins. The company has improved relevant routines and both volumes and gross margin developed positively towards the end of the Christmas season.

During the fourth quarter XXL had several internal management changes, including change of CEO Fredrik Steenbuch and Group Commercial Director Jarle Bråten, both with long experience in retail and the XXL concept. This had negative effects on the daily operations, with some setback of important competence in the transformation of roles and routines. Chairman Øivind Tidemandsen has taken up an operational role in XXL. He founded XXL and is the largest shareholder in the company with broad retail experience from establishing and developing several market leading retail concepts. Tolle Grøterud, Strategy and Investor Relations Director, is acting as interim CEO and XXL has initiate a process of recruiting a new CEO.

Due to the fourth quarter results XXL has been in positive dialogue with its lending bank consortium and proactively agreed on new covenants going forward.

The previous communicated strategy remains unchanged and XXL are delivering on the plan making the company more competitive as an omni-channel player. As part of this XXL has extensive initiatives in place of delivering on the digital transformation and results from this is expected to be seen gradually starting in 2019. XXL will continue to invest in growth and technological improvements with a clear ambition to become the omni-channel champion.

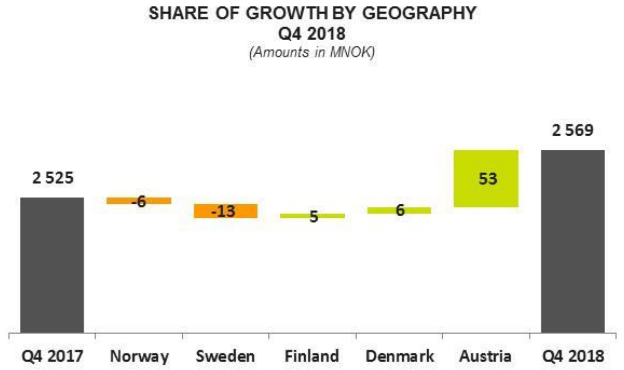
Total operating revenues in the fourth quarter 2018 amounted to 2 569 million (NOK 2 525 million), representing a growth of 1.8 per cent. Late winter arrival compared to last year negatively affected the sales volumes. The like-for-like growth of the Group was negative of 4.1 per cent, especially driven by Norway which posted a negative like-for-like growth of 5.9 per cent. Adjusted for temporarily cannibalization effects from new stores the like-for-like growth was down 4.9 per cent in the quarter in Norway. Like-for-like growth for the Group was down 3.5 per cent adjusted for cannibalization effects. Sweden delivered a slightly negative like-for-like growth in local currency of 0.4 per cent whilst the like-for-like growth in Finland was positive of 1.4 per cent. E-commerce is part of the like-for-like figure but continued to deliver strong growth in all markets.



The revenue growth was driven by new store openings. XXL opened seven new stores during 2018, whereof one in the fourth quarter, Storo in Oslo, Norway.

Overall Norway had negative growth of 0.5 per cent in the quarter, while Sweden achieved a growth of 3.0 per cent, Finland 0.3 per cent, Denmark 30.0 per cent and Austria

71.2 per cent growth, all in local currencies.



E-commerce for the Group is included in the like-for-like figure and continued to deliver strong growth. Operating revenues increased by 28.6 per cent to NOK 518 million in the quarter (NOK 403 million) with solid growth in all markets also driven by the Black Friday campaign activities. E-commerce sales comprised 20.2 per cent of total Group operating revenues in Q4 2018 compared to 16.0 per cent in Q4 2017. XXL has built a strong, market leading position in the Nordic online sports retail market and is continuously renewing and strengthening its E-commerce offering.

After a successful pilot, XXL has launched personalized landing pages using automatic generated pages based on navigation behavior (cookie based) in Sweden and Norway. This has lifted both conversion rates and average order value. In addition, this will further improve the relevancy and customer experience as well as significantly improve the efficiency for the technical system architects. Further, the organization has focused on improving segmentation activities both on site and in newsletters driving relevancy and aftersales.

XXL is developing and strengthening the omni-channel model and some quarters ago XXL launched a new stock solution making all stock in the Group available for all customers at all platforms at all times. This is now rolled out in all markets and continues to account for an increasing part of the E-commerce sales. XXL has strengthened the algorithms that control gross margins, products to be sold, price limits and prioritize which location to be used for delivery. To improve sold out situations and broadening the available assortment, XXL is currently testing out selling products from the total XXL stock in all stores.

In a way to further improve on flow of goods and tracing of parcels and deliveries XXL has started to use RFiD for outbound deliveries. RFiD will also be evaluated as a tool for inventory improvement and for in store stock control which will be important for new pick-up services in store.

XXL Group delivered a gross margin of 36.2 per cent in the quarter compared to 42.0 per cent in the same quarter last year. Despite a challenging quarter with low sales volumes the downscaling of the inventory per store[8] continued. This had a negative impact on the gross margin due to lower purchased volumes and consequently reduced amounts of supplier volume bonuses received. The effect was around NOK 20 million on gross profit in the quarter which equaled 0.8 percentage points on the gross margin. As previously mentioned, the growth in the quarter was driven by E-commerce, leading to negative mix effects as E-commerce gross margins are lower than in stores. Overall the sporting goods industry in the Nordics was characterized by campaign activities and discounts, low retail traffic in stores and reduced demand, implying pressure on the gross margins. XXL has been too aggressive with price discounts and not adjusted and followed up price strategies sufficiently, especially in Norway. Unfortunately, this lasted too long without corrective actions, hampering the gross margins into December as well. Due to poor campaign execution XXL delivered significantly lower gross margins in all markets.

Operating expenses before depreciation as percentage of sales increased to 31.7 per cent in the fourth quarter this year (28.9 per cent) due to the negative like-for-like growth and increased costs in the HQ and Logistics segment. However, Denmark and Austria improved its relative operating expenses due to more scale in the operations.

The Group EBITDA in the fourth quarter 2018 was NOK 115 million (NOK 332 million), corresponding to an EBITDA-margin of 4.5 per cent compared to 13.1 per cent in the same quarter last year. The main reasons behind the EBITDA-development are negative like-for-like growth and the significantly lower gross margin as already described.

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

The Norwegian operations delivered total operating revenues of NOK 1 284 million in the fourth quarter 2018 compared to 1 290 million in the same quarter last year. Negative like-for-like growth of 5.9 per cent in the quarter, was partly offset by growth from new stores. XXL opened one new store in the quarter, Storo in Oslo on 1 November 2018. XXL has opened four new stores in Norway during 2018, all with cannibalization effects on existing stores. The like-for-like figure in the quarter was negative of 4.9 per cent when adjusting for these effects.

Overall, the warm temperatures and lack of snow in November and December compared to the same period in 2017, affected the retail traffic and sales negatively. According to market figures from SSB the sale of sporting goods in Norway decreased by 0.1 per cent in October, 2.0 per cent in November and 2.3 per cent in December. This is to be compared to a negative growth for XXL of only 0.5 per cent in Q4 2018.

The gross margin declined by 6.6 percentage points from Q4 2017 to 39.2 per cent in Q4 2018. Poor campaign management with too aggressive price discounts and miscalculated sales strategies. It also lasted too long without corrective actions, hampering the gross margins into December as well. Additionally, the mix of high growth in E-commerce and negative like-for-like growth in stores further impacted the gross margin negatively due to lower gross margin in E-commerce than in the stores.

EBITDA ended at NOK 204 million (NOK 326 million) corresponding to an EBITDA margin of 15.9 per cent (25.3 per cent) because of the significantly lower gross margin and higher operating expenses. Operating expenses as percentage of sales equaled 23.3 per cent in Q4 2018 compared to 20.5 per cent in Q4 2017, mainly driven by the negative like-for-like figure impacting the cost leverage.

Sweden

According to market figures from SCB, the sale of sporting goods in Sweden increased by 3.0 per cent in October, 2.2 per cent in November and 1.5 per cent in December. The corresponding growth for XXL was 3.0 per cent in Q4 2018 in local currency. Total operating revenues for XXL in Sweden in Q4 2018 amounted to NOK 687 million (NOK 700 million). The main driver was growth from new stores partly offset by a negative like-for-like growth of 0.4 per cent in local currency. The market continued to be challenging and volatile with lack of cold and snow, leading to many discounts from several competitors during the whole quarter. So also for XXL. The gross margin declined by 5.2 percentage points to 35.0 per cent (40.2 per cent) driven by high campaign activities where in particular Black Friday severely impacted the gross margins. The reduced amount of supplier volume bonuses due to downscaling of the inventory amounted to approximately NOK 14 million, equivalent to 2.0 percentage points on the gross margin.

EBITDA ended at NOK 26 million (NOK 69 million). This corresponded to an EBITDA-margin of 3.9 per cent, down from 9.9 per cent in Q4 2017. This is driven by negative like-for-like growth and lower gross margin as described above. Fourth quarter operating expenses as percentage of sales increased to 31.1 per cent (30.3 per cent).

Finland

Total operating revenues from the Finnish operations amounted to NOK 452 million (NOK 447 million) in the quarter, representing a growth of 0.3 per cent in local currency. Like-for-like growth was 1.4 per cent driven by strong growth in E-commerce whilst the stores experienced a slightly negative like-for-like figure. According to market figures from TMA the sale of sporting goods in Finland decreased by 9.2 per cent in October, by 0.1 per cent in November and grew by 2.7 per cent in December. This is to be compared to a growth for XXL of 0.3 per cent in the quarter, hence XXL continued to gain market shares. The gross margin declined from 36.2 per cent in Q4 2017 to 33.8 per cent in Q4 2018. Lower supplier volume bonuses had a negative effect of NOK 7 million in the quarter or 1.5 percentage points on the gross margin. Also, in Finland the gross margin was impacted by mix effects of strong growth online on lower gross margins than in the stores.

EBITDA amounted to NOK 20 million (NOK 42 million) and the EBITDA-margin declined from 9.4 per cent in Q4 2017 to 4.4 per cent in Q4 2018. Operating expenses as percentage of sales increased from 26.8 per cent in the fourth quarter last year to 29.4 per cent in the fourth quarter this year. The negative like-for-like in the stores and the significantly lower gross margin as described above are the drivers behind the negative EBITDA-development.

Denmark

Total operating revenues for XXL in Denmark in the fourth quarter 2018 amounted to NOK 25 million (NOK 19 million), representing a growth of 30.0 per cent in local currency. XXL continued the strategy with aggressive campaigns to gain volumes in the market. Also in Denmark, especially the Black Friday activities had a negative impact on the gross margin which declined to 15.3 per cent (18.7 per cent). Over the year the sales mix has changed a bit. XXL now sells more hardware and capital goods, which increases the average order value but dilutes the gross margin. EBITDA was negative of NOK 3 million driven by the low gross margin. Operating expenses as percentage of sales declined from 32.5 per cent in Q4 2017 to 27.4 per cent in Q4 2018 proving that XXL has a competitive model in Denmark.

Austria

XXL is constantly working on adjusting its offering in the market by introducing more local brands, testing out marketing catchment areas and mix, training the employees in the XXL concept and culture and adopting well-functioning solutions from the Nordics. This has improved the sales volumes and total operating revenues amounted to NOK 122 million in the quarter (NOK 69 million), a growth of 71.2 per cent in local currency. E-commerce continued to be a large part of the sales and represented around 25 per cent of sales in the quarter. XXL is still in the establishing phase in Austria, with only four stores and E-commerce, attracting customers with campaigns and high marketing spending. The gross margin decreased to 25.3 per cent in the quarter (33.6 per cent) driven by campaign activities including Black Friday and by negative mix effects from E-commerce being a larger part of the total segment.

Operating expenses as percentage of sales declined from 47.0 per cent in Q4 2017 to 39.6 per cent in Q4 2018 due to increased sales volumes. To further increase scale benefits XXL plans to open new stores in cities where XXL is currently present. The first opening is due in the spring 2019 and will be the third store in the Vienna area. EBITDA was negative of NOK 18 million in the fourth quarter 2018 (negative NOK 9 million) mainly due to the lower gross margin as described above. XXL has changed the local management team with effect from 1 February 2019. The new Managing Director, Magnus Kreuger, is a senior omni-channel retailer from the Swedish operations where he has held several leading positions including Store Manager, Operational Manager and E-commerce Manager. He will work alongside the established team of highly competent Austrian employees while the former Managing Director, Patrick Verwilligen will concentrate his tasks on store locations and further store expansions.

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.

Operating expenses were NOK 115 million (NOK 94 million) in the quarter. This equals 4.5 per cent of total Group operating revenue (3.7 per cent) impacted by the lower sales volumes in the quarter. Increased costs are related to higher volumes at the central warehouses as a majority of the sales in the quarter was concentrated to heavy campaign periods like Black Friday and Christmas sales hurting the efficiency in flow of goods. In addition, XXL has recruited more employees to central functions both at the headquarters and in central E-commerce functions, including purchasers, technical system architects and IT-resources. XXL will continue to invest in the future omni-channel model. The fourth quarter was also impacted by one time effects of around NOK 10 million related to severance packages for senior managers and other accruals.

Financials

Consolidated income statement – Fourth quarter

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

Total operating revenue increased by 1.8 per cent to NOK 2 569 million (NOK 2 525 million).

Total operating expenses, excluding depreciation and cost of goods sold, equaled NOK 815 million (NOK 729 million) in the fourth quarter. As percentage of total operating revenues of the Group, operating expenses increased from 28.9 per cent in the fourth quarter last year to 31.7 per cent in the fourth quarter this year.

Net financial expense amounted to NOK 9 million for the fourth quarter (NOK 5 million). Net interest expenses equaled NOK 10 million in the quarter. The financial expenses include a positive currency effect of NOK 6 million in the quarter (NOK 9 million). The rest of the expenses were related to amortization of loan costs, interests on lease contracts and other financial costs.

Income tax expense for the fourth quarter was estimated to NOK 11 million (NOK 56 million) and the effective tax rate was 20.0 per cent.

Profit for the period ended at NOK 44 million (NOK 234 million).

Consolidated income statement – 2018

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

Total operating revenue in 2018 was NOK 9 475 million (NOK 8 709 million), a growth of 8.8 per cent. The drivers behind the growth are new stores opened in 2018 and full year effects from stores that opened in 2017. The like-for-like growth was negative 0.3 per cent. E-commerce is included in the like-for-like figure but continued to deliver strong growth of 37.6 per cent to NOK 1 548 million (NOK 1 125 million) for the year. The revenue contribution from E-commerce for the Group corresponded to 16.3 per cent in 2018 (12.9 per cent). The revenue growth for the year was overall positively impacted by good winter conditions but negatively impacted by a long and warm summer and autumn season.

Total operating expenses, excluding depreciation and cost of goods sold, were NOK 2 995 million (NOK 2 615 million) in 2018. As percentage of total operating revenues of the Group, operating expenses increased from 30.0 per cent last year to 31.6 per cent this year. This is due to the negative like-for-like growth impacting the scale benefits of the operations, costs of establishing XXL in Austria of NOK 172 million and increased costs in the HQ and Logistics segment.

Net financial expense amounted to NOK 57 million for the year (NOK 42 million). The financial expenses include a negative currency effect of NOK 1 million (positive of NOK 11 million).

Income tax expense for 2018 was estimated to NOK 59 million (NOK 114 million) and the effective tax rate was 20.0 per cent.

Profit for the year ended at NOK 236 million (NOK 512 million) as a result of the reasons stated above.

Consolidated cash flow

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

Cash provided by operating activities was NOK 328 million (NOK 384 million) in the fourth quarter and ended at NOK 460 million in 2018 compared to NOK 490 million in 2017. The negative deviation relates mainly to lower profit before income tax partly offset by improved working capital[5].

The inventory increased from NOK 3 152 million at the end of 2017 to 3 229 million at the end of 2018 mainly due to growth and new stores. Despite lower sales than expected, inventory per store[8] (including E-commerce) has improved from NOK 39.4 million by the end of 2017 to NOK 37.1 million by the end of 2018, due to lower purchase of goods. XXL continues to focus on reducing the inventory further with a targeted plan of inventory per store of mid NOK 30's million (including E-commerce) by the end of 2019. The inventory continues to be healthy.

Accounts payable increased by NOK 91 million in Q4 2018 (increase of NOK 208 million). Compared to Q4 2017, the increase is lower due to higher than normal build-up of inventory in December 2017.

Cash used by investing activities was NOK 50 million (NOK 123 million) in the fourth quarter and ended at NOK 243 million (NOK 304 million) in 2018. This is related to investments in new stores, maintenance CAPEX on existing stores and investments in infrastructure. Investments in infrastructure were NOK 50 million in 2018.

Cash used by financing activities amounted to NOK 202 million (NOK 44 million) in the fourth quarter due to purchase of own shares and payment of short term debt. For the year 2018 cash used by financing activities amounted to NOK 336 million (cash provided of NOK 13 million) of which NOK 109 million is related to purchase of own shares and proceeds from short term debt of NOK 86 million compared to NOK 341 million last year.

Financial position and liquidity

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

As of 31 December 2018, total assets amounted to NOK 7 689 million (NOK 7 695 million). Total equity was NOK 3 708 million (NOK 3 846 million), resulting in an equity ratio of 48.2 per cent (50.0 per cent). Net interest bearing debt[6] increased to NOK 1 881 million (NOK 1 692 million) due to draw down of short term debt for investments in new stores and infrastructure, increased inventory, share buy backs and dividends. The leverage ratio, Net interesting bearing debt/EBITDA, equalled 3.48x.

The Group had cash and cash equivalents of NOK 194 million (NOK 314 million) as of 31 December 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 994 million was used as of 31 December 2018. Available liquidity reserves as of 31 December 2018 were NOK 695 million (NOK 798 million).

Due to the poor results XXL has been in positive dialogue with its lending consortium and proactively agreed on new covenants going forward. Dividend distribution and share buy backs will not occur prior to Q4 2019 at the earliest. XXL has clear ambitions of coming back to a dividend distribution and delivering on the dividend policy of at least distributing 40-50 per cent of net income annually to its shareholders.

Share buy backs

In accordance with the authorization to acquire own shares given by the Annual General Meeting on 6 June 2018, XXL ASA acquired in total 1,200,000 shares in the market between 24 October 2018 and 12 December 2018. The shares were purchased from the open market at an average price of NOK 41.50 and for an aggregate consideration of NOK 49.8 million. These shares will be used to cover for share incentive programs, held in treasury or be deleted in connection with a later reduction of the registered share capital.

Change in the executive management team

After building a robust strategic plan, CEO Ulf Bjerknes left his position in XXL after 11 months with the company. Chairman Øivind Tidemandsen has taken up an operational role in XXL and is involved in the daily operations. He founded XXL and is the largest shareholder in the company with broad retail experience from establishing and developing several market leading retail concepts. Tolle Grøterud, Strategy and Investor Relations Director, is acting as interim CEO and XXL has initiated a process of recruiting a new CEO.

Outlook

Total operating revenues for the Group in January 2019 increased by 1 per cent to NOK 762 million. The month had good winter conditions in Finland and Austria and more mixed in regions in Norway and Sweden. However the winter conditions improved also here late in the month compared to last year. Short term actions are already showing solid improvements in gross margin.

XXL has signed 5 new lease agreements for store openings in 2019 where of 2 in Sweden, 2 in Finland and 1 in Austria and aims for 6-7 new stores in total for 2019.

In line with the existing growth strategy, XXL will continue to invest in new stores, E-commerce platform, existing stores, infrastructure and IT. Total CAPEX for XXL Group in 2019 is expected to be around NOK 200 million.

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

- Group like-for-like growth of low single digits over time including E-commerce
- Competition and E-commerce growth to put pressure on Group gross margin over time
- Group OPEX% as percentage of total operating revenues to gradually trend down towards 25 per cent in a five year period starting from 2019
- Group EBITDA-margin stable around 2017 level as a result of lower gross margin and OPEX% over time. In Norway around 20 per cent, in Sweden and Finland low double digits, in Denmark and Austria 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 10 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 to 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 10-15 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 31 December 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 last 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, 11 February 2019
Board of Directors, XXL ASA

Øivind Tidemandsen Chairman	Anders Misund Board member	Adele Norman Pran Board member
Ronny Blomseth Board member	Anette Mellbye Board member	Tolle Grøterud Interim CEO

Condensed consolidated financial statements

Unaudited for the period ended December 31, 2018

Condensed Consolidated Interim Income Statement

(Amounts in NOK million)	**Q4 2018**	Q4 2017	**YTD 2018**	FY 2017 Audited
Total Operating Revenue	**2 569**	2 525	**9 475**	8 709
Cost of goods sold	**1 639**	1 465	**5 938**	5 265
Personnel expenses	**438**	390	**1 615**	1 416
Depreciation	**51**	46	**189**	159
Other operating expenses	**377**	341	**1 380**	1 201
Total Operating Expenses	**2 505**	2 242	**9 123**	8 041
Operating Income	**64**	283	**352**	668
Net Financial Income (+) / Expense (-)	**-9**	-5	**-57**	-42
Profit before income tax	**55**	278	**295**	626
Income tax expense	**11**	44	**59**	114
Profit for the period	**44**	234	**236**	512
Basic Earnings per share (NOK)	**0,32**	1,69	**1,71**	3,70
Diluted Earnings per share (NOK)	**0,32**	1,66	**1,68**	3,65
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Foreign currency rate changes	**5**	1	**4**	4
Total Other Income and Expense	**5**	1	**4**	4
Total comprehensive income for the period	**49**	235	**240**	516

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

Condensed Consolidated Interim Statement of Financial Position

(Amounts in NOK million)	**31.12.18**	31.12 2017 Audited
NON CURRENT ASSETS		
Intangible Assets		
Goodwill	**2 734**	2 734
Other intangible assets	**251**	260
Total Intangible Assets	**2 985**	2 994
Fixed Assets	**909**	857
Non current Financial Assets	**9**	4
Total Non Current Assets	**3 903**	3 855
CURRENT ASSETS		
Inventory	**3 229**	3 152
Trade and Other Receivables	**363**	375
Cash and Cash Equivalents	**194**	314
Total Current Assets	**3 787**	3 840
TOTAL ASSETS	**7 689**	7 695
SHAREHOLDERS' EQUITY		
Paid-in Capital	**2 796**	2 884
Other equity	**912**	962
Total Shareholders' Equity	**3 708**	3 846
LIABILITIES		
Deferred tax liability	**98**	42
Total Provisions	**98**	42
Other non-current liabilities		
Interest bearing non-current liabilities	**1 081**	1 090
Total other non-current liabilities	**1 081**	1 090
Total non-current liabilities	**1 179**	1 132
Current liabilities		
Accounts payable	**876**	842
Current interest bearing liabilities	**994**	916
Tax payable	**61**	143
Public duties payable	**385**	326
Other current liabilities	**486**	491
Total current liabilities	**2 802**	2 717
TOTAL LIABLILITIES	**3 981**	3 849
TOTAL EQUITY AND LIABILITIES	**7 689**	7 695

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

Condensed consolidated interim statement of cash flows

(Amounts in NOK million)	**Q4 2018**	Q4 2017	**YTD 2018**	FY2017 Audited
Operating Activities				
Profit before income tax	**55**	278	**295**	626
Adjustments for:				
Income tax paid	**5**	17	**-113**	-113
Depreciation	**51**	46	**189**	159
Net financial expense	**9**	18	**57**	42
Changes in working capital:				
Changes in inventory	**2**	-197	**-89**	-453
Changes in accounts receivable	**-49**	-71	**12**	-88
Changes in accounts payable	**91**	208	**32**	177
Other changes	**164**	85	**77**	140
Cash provided (used) by operating activities	**328**	384	**460**	490
Investing Activities				
Acquisition of fixed assets and intangible assets	**-50**	-123	**-243**	-304
Cash provided (used) by investing activities	**-50**	-123	**-243**	-304
Financing Activities				
Purchase of own shares/other equity transactions	**-50**	0	**-109**	-11
Payments/proceeds on long/short term debt	**-146**	-36	**86**	341
Interest payments	**-6**	-8	**-36**	-40
Dividend	**0**	0	**-278**	-277
Cash provided (used) by financing activities	**-202**	-44	**-336**	13
Net Change in Cash and Cash Equivalents	**77**	218	**-119**	199
Cash and cash equivalents - beginning of period	**118**	95	**314**	115
Effect of foreign currency rate changes on cash and equivalent	**0**	0	**-1**	0
Cash and Cash Equivalents - End of Period	**194**	314	**194**	314

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
Shareholders' Equity 01.01.17	**55**	**2 817**	**14**	**718**	**3**	**3 608**
Net income 2017				512		512
Foreign currency rate changes					4	4
Transactions with owners:						
Purchase own shares		-11				-11
Employee share incentive program			9			9
Dividend				-276		-276
Shareholders' Equity 31.12.17	**55**	**2 806**	**23**	**954**	**7**	**3 846**
Effects of IFRS 15 Implementation	-	-	-	-11	-	-11
Shareholders' Equity 01.01.18	**55**	**2 806**	**23**	**943**	**7**	**3 835**
Net income 2018				236		236
Foreign currency rate changes					4	4
Transactions with owners:						
Transfer own shares		8				8
Purchase of own shares		-150				-150
Vesting of share options		41				41
Employee share incentive program			14			14
Dividend				-278		-278
Shareholders' Equity 31.12.2018	**55**	**2 705**	**37**	**901**	**11**	**3 708**

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 31 December 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

	Q4 2018	Q4 2017	**YTD 2018**	YE 2017
Total profit (in NOK million)	**44**	**234**	**236**	512
Weighted average number of ordinary shares in issue	**136 829 065**	138 299 123	**138 059 495**	138 327 726
Number of shares outstanding	**139 096 077**	138 512 123	**139 096 077**	138 512 123
Adjustment for:				
Effect share options	**2 324 645**	2 127 812	**2 297 142**	1 965 058
Weighted number of ordinary shares in issue for diluted earnings per share	**139 153 710**	140 426 935	**140 356 638**	140 292 784
Basic Earnings per share (in NOK)	**0,32**	1,69	**1,71**	3,70
Diluted Earnings per share (in NOK)	**0,32**	1,66	**1,68**	3,65

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:

Q4 2018

Amounts in NOK million	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**1 284**	**687**	**452**	**25**	**122**	**-**	**2 569**
Gross profit	503	240	153	4	31	-	930
EBITDA²	**204**	**26**	**20**	**-3**	**-18**	**-115**	**115**
Operating Income	**189**	**15**	**14**	**-3**	**-20**	**-130**	**64**

Q4 2017

Amounts in NOK million	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**1 290**	**700**	**447**	**19**	**69**	**-**	**2 525**
Gross profit	590	281	162	4	23	-	1 061
EBITDA²	**325**	**69**	**42**	**-3**	**-9**	**-95**	**329**
Operating Income	**313**	**59**	**37**	**-3**	**-10**	**-113**	**283**

01.01.2018 - 31.12.2018

Amounts in NOK million	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**4 642**	**2 679**	**1 714**	**77**	**363**	**-**	**9 475**
Gross profit	1 841	980	600	12	102	-	3 536
EBITDA²	**765**	**168**	**99**	**-10**	**-70**	**-412**	**541**
Operating Income	**712**	**125**	**75**	**-10**	**-78**	**-472**	**352**

01.01.2017 - 31.12.2017

Amounts in NOK million	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**4 434**	**2 631**	**1 494**	**52**	**98**	**-**	**8 709**
Gross profit	1 868	1 003	532	10	31	-	3 444
EBITDA²	**900**	**219**	**110**	**-9**	**-33**	**-361**	**826**
Operating Income	**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 Q4 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. The preliminary implementation effect on the Group balance sheet is estimated to be in the range of NOK 3.1-3.3 billion. Effect on EBITDA in 2019 is estimated to be positive NOK 520-550 million and effect on profit before tax is estimated to be negative NOK 50-60 million in 2019. Implementation effects can be subject to change and are not yet audited. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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.

1) **EBIT**
Our EBIT represents operating income.
2) **EBITDA**
Our EBITDA represents operating income plus depreciation.
3) **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.
4) **Gross profit / Gross margin**
Gross profit represents operating revenue less cost of goods sold. Gross margin is gross profit in per cent of revenue
5) **Working capital**
Working capital consists of accounts receivables, accounts payables, inventory, other receivables and other current liabilities.
6) **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
7) **OPEX**
OPEX is defined as other operating expenses including personnel expenses, but excluding depreciation and amortization
8) **Inventory per store**
Total inventory divided on number of stores and number of E-commerce markets at end of period

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FINANCIAL CALENDAR	
Q1 2019 results:	24.04.2019
Annual General Meeting:	05.06.2019
Q2 and H1 2019 results:	19.07.2019

INVESTOR CONTACT	
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