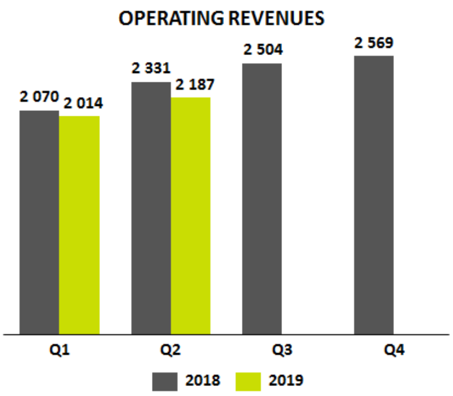
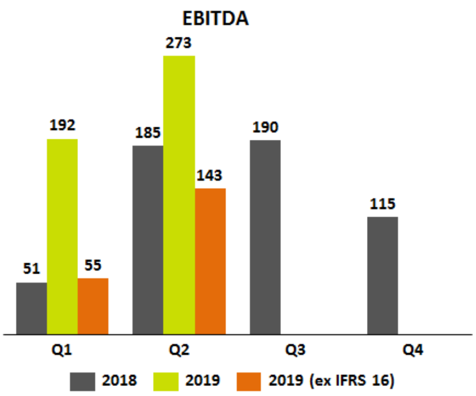
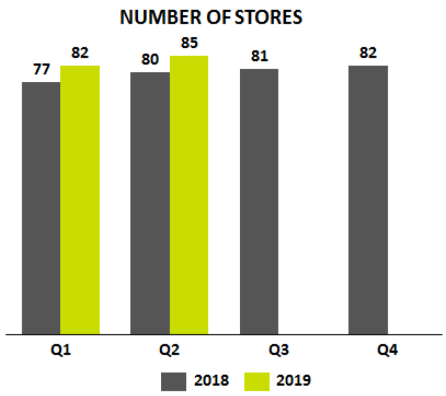
INTERIM REPORT Q2 2019
XXL ASA

HIGHLIGHTS

- Total revenues of NOK 2 187 million (NOK 2 331 million), down 6 per cent
- Higher gross margin of 39.2 per cent (38.5 per cent)
- EBITDA of NOK 143 million (NOK 185 million) adjusted for IFRS 16 effects
- Results impacted by lower supplier bonuses of NOK 30 million
- Reduction in inventory and improved cash flow



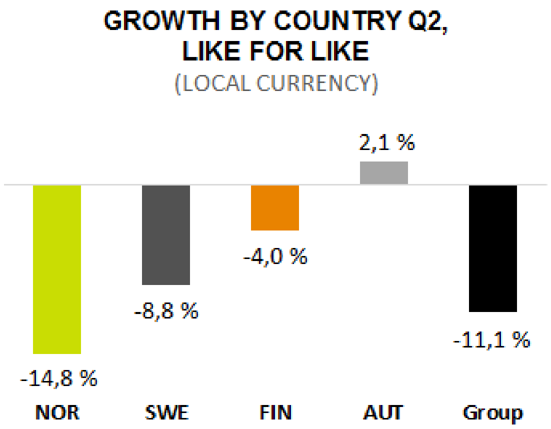


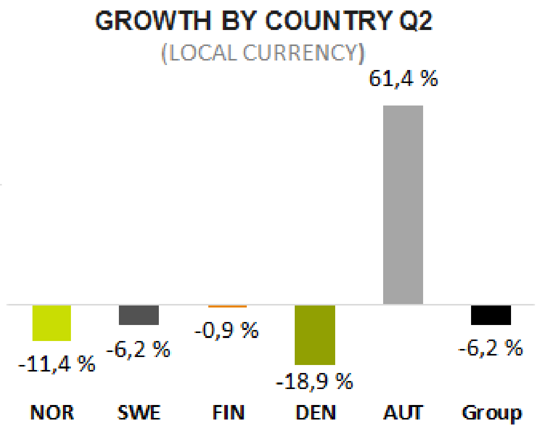


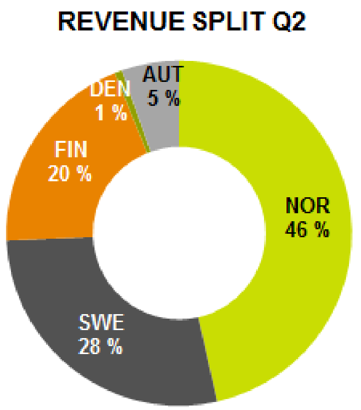
*See Note 9 for Q2/H1 effects from IFRS 16

KEY FIGURES GROUP

(Amounts in NOK million)	**Q2 2019**	Q2 2018	**H1 2019**	H1 2018	**FY 2018 Audited**	**Q2 2019 (ex IFRS 16)**	**H1 2019 (ex IFRS 16)**
GROUP							
Operating revenue	**2 187**	2 331	**4 201**	4 402	**9 475**	**2 187**	**4 201**
Growth (%)	***-6,2 %***	*13,5 %*	***-4,6 %***	*16,8 %*	***8,8 %***	***-6,2 %***	***-4,6 %***
Gross profit[4]	**856**	898	**1 677**	1 682	**3 536**	**856**	**1 677**
Gross margin (%)	***39,2 %***	*38,5 %*	***39,9 %***	*38,2 %*	***37,3 %***	***39,2 %***	***39,9 %***
OPEX %[7]	***26,7 %***	*30,6 %*	***28,9 %***	*32,8 %*	***31,6 %***	***32,6 %***	***35,2 %***
EBITDA[2]	**273**	185	**465**	236	**541**	**143**	**197**
EBITDA margin (%)	***12,5 %***	*7,9 %*	***11,1 %***	*5,4 %*	***5,7 %***	***6,5 %***	***4,7 %***
EBIT[1]	**98**	139	**117**	145	**352**	**94**	**100**
EBIT margin	***4,5 %***	*6,0 %*	***2,8 %***	*3,3 %*	***3,7 %***	***4,3 %***	***2,4 %***
Net Income	**46**	96	**28**	87	**237**	**63**	**52**
**Basic Earnings per share (NOK)	**0,34**	0,69	**0,20**	0,62	**1,72**	**0,46**	**0,38**
**Average number of shares (1 000 shares)	**136 000**	138 852	**135 979**	138 779	**137 969**	**136 000**	**135 979**
Cash provided by operating activities	**263**	-159	**160**	-124	**460**	**133**	**-108**
Like for like revenue growth[3]	**-11,1 %**	3,8 %	**-9,2 %**	5,7 %	**-0,3 %**		
Number of stores at period end	**85**	80	**85**	80	**82**		
New stores in the period	**3**	3	**3**	5	**7**		







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

KEY FIGURES SEGMENTS

(Amounts in NOK million)	**Q2 2019**	Q2 2018	**H1 2019**	H1 2018	**FY 2018 Audited**	**Q2 2019 (ex IFRS 16)**	**H1 2019 (ex IFRS 16)**
SEGMENT							
Norway							
Operating revenue	**1 005**	1 134	**1 952**	2 141	**4 642**	**1 005**	**1 952**
Growth (%)	***-11,4 %***	*10,8 %*	***-8,8 %***	*11,0 %*	***4,7 %***	***-11,4 %***	***-8,8 %***
Gross profit[4]	**427**	457	**841**	865	**1 841**	**427**	**841**
Gross margin (%)	**42,5 %**	40,4 %	**43,1 %**	40,4 %	**39,7 %**	**42,5 %**	**43,1 %**
OPEX %[7]	**18,2 %**	21,6 %	**20,1 %**	23,4 %	**23,2 %**	**23,3 %**	**25,7 %**
EBITDA[2]	**244**	212	**449**	365	**765**	**192**	**338**
EBITDA margin (%)	***24,2 %***	*18,7 %*	***23,0 %***	*17,0 %*	***16,5 %***	***19,1 %***	***17,3 %***
Number of stores at period end	**36**	35	**36**	35	**36**		
New stores in the period	**-**	2	**-**	3	**4**		
Sweden							
Operating revenue	**612**	675	**1 169**	1 268	**2 679**	**612**	**1 169**
Growth (%)	***-9,3 %***	*4,8 %*	***-7,8 %***	*9,8 %*	***1,8 %***	***-9,3 %***	***-7,8 %***
Gross profit[4]	**230**	256	**446**	475	**980**	**230**	**446**
Gross margin (%)	**37,6 %**	37,9 %	**38,1 %**	37,4 %	**36,6 %**	**37,6 %**	**38,1 %**
OPEX %[7]	**27,6 %**	29,5 %	**28,7 %**	32,2 %	**30,3 %**	**33,6 %**	**35,1 %**
EBITDA[2]	**61**	57	**111**	66	**168**	**24**	**36**
EBITDA margin (%)	***10,0 %***	*8,4 %*	***9,5 %***	*5,2 %*	***6,3 %***	***4,0 %***	***3,0 %***
Number of stores at period end	**28**	27	**28**	27	**27**		
New stores in the period	**1**	1	**1**	1	**1**		
Finland							
Operating revenue	**434**	431	**824**	817	**1 714**	**434**	**824**
Growth (%)	***0,8 %***	*14,8 %*	***0,8 %***	*23,4 %*	***14,7 %***	***0,8 %***	***0,8 %***
Gross profit[4]	**156**	158	**307**	293	**600**	**156**	**307**
Gross margin (%)	**36,0 %**	36,7 %	**37,3 %**	35,9 %	**35,0 %**	**36,0 %**	**37,3 %**
OPEX %[7]	**24,9 %**	29,1 %	**26,2 %**	30,8 %	**29,3 %**	**30,0 %**	**31,6 %**
EBITDA[2]	**48**	33	**91**	42	**99**	**26**	**47**
EBITDA margin (%)	***11,1 %***	*7,6 %*	***11,0 %***	*5,1 %*	***5,8 %***	***6,0 %***	***5,7 %***
Number of stores at period end	**16**	15	**16**	15	**15**		
New stores in the period	**1**	-	**1**	-	**-**		

KEY FIGURES SEGMENTS – cont.

(Amounts in NOK million)	**Q2 2019**	Q2 2018	**H1 2019**	H1 2018	**FY 2018 Audited**	**Q2 2019 (ex IFRS 16)**	**H1 2019 (ex IFRS 16)**
SEGMENT							
Denmark							
Operating revenue	**15**	18	**30**	34	**77**	**15**	**30**
Growth (%)	***-17,8 %***	*64,5 %*	***-12,4 %***	*61,2 %*	***49,3 %***	***-17,8 %***	***-12,4 %***
Gross profit[4]	**3**	3	**6**	5	**12**	**3**	**6**
Gross margin (%)	**17,3 %**	16,5 %	**19,4 %**	16,2 %	**16,1 %**	**17,3 %**	**19,4 %**
OPEX %[7]	**42,2 %**	26,5 %	**41,2 %**	31,5 %	**28,8 %**	**42,2 %**	**41,2 %**
EBITDA[2]	**-4**	-2	**-6**	-5	**-10**	**-4**	**-6**
EBITDA margin (%)	***-24,9 %***	*-9,9 %*	***-21,8 %***	*-15,3 %*	***-12,8 %***	***-24,9 %***	***-21,8 %***
Austria							
Operating revenue	**121**	74	**226**	141	**363**	**121**	**226**
Growth (%)	***64,1 %***		***59,6 %***		***269,8 %***	***64,1 %***	***59,6 %***
Gross profit[4]	**41**	23	**78**	43	**102**	**41**	**78**
Gross margin (%)	**33,6 %**	31,5 %	**34,4 %**	30,2 %	**28,2 %**	**33,6 %**	**34,4 %**
OPEX %[7]	**38,6 %**	55,8 %	**40,9 %**	55,6 %	**47,4 %**	**44,6 %**	**46,7 %**
EBITDA[2]	**-6**	-18	**-15**	-36	**-70**	**-13**	**-28**
EBITDA margin (%)	***-5,0 %***	*-24,3 %*	***-6,5 %***	*-25,4 %*	***-19,2 %***	***-11,1 %***	***-12,4 %***
Number of stores at period end	**5**	3	**5**	3	**4**		
New stores in the period	**1**	-	**1**	1	**2**		
HQ & logistics							
EBITDA[2]	**-71**	**-98**	**-165**	-195	**-412**	**-83**	**-189**
EBITDA margin (% of Group revenues)	***-3,2 %***	*-4,2 %*	***-3,9 %***	*-4,4 %*	***-4,3 %***	***-3,8 %***	***-4,5 %***

Reduced inventory and improved cash flow but disappointing sales development

Oslo, 18 July 2019: Key focus in the quarter has been on reducing the inventory level and has contributed to a positive development in cash flow. XXL's liquidity reserve amounted to NOK 0.5 billion and the leverage ratio ended at 4.05x. In the second quarter 2019 XXL delivered operating revenues of NOK 2.2 billion, representing a decline of 6 per cent, but with continued improvements in the gross margin. EBITDA amounted to NOK 273 million (NOK 185 million) and NOK 143 million when adjusting for positive effects of the IFRS 16 implementation. The results are negatively impacted by lower supplier bonuses of around NOK 30 million due to reduced purchasing volumes. XXL is disappointed with the revenue development and is working on fine tuning the balance between revenues and gross margins in combination with reducing the inventory level in a controlled way. XXL has defined many initiatives to deliver on the ambition of improving the working capital situation and reducing costs down towards 25 per cent of sales over time

Second quarter performance

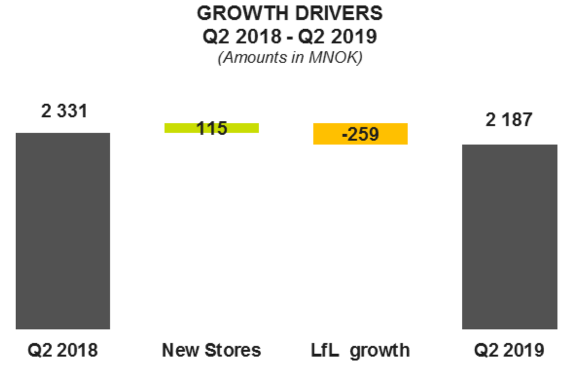
(Figures in brackets = same quarter previous year, unless otherwise specified)

The trend from Q1 2019 continued in the second quarter 2019 and lower sales were partly compensated by strong development in gross margins. However, lower purchasing volumes resulted in around NOK 30 million of lower supplier bonuses, with a short term negative effect of 1.4 percentage points on gross margin. In Q2 2018 the inventory increased by NOK 146 million while XXL in Q2 2019 reduced the inventory with NOK 114 million. EBITDA (excluding IFRS 16 effects) ended at NOK 143 million but around NOK 173 million when excluding for the reduced supplier bonuses. Despite the downsizing of the inventory the gross margin improved by 0.7 percentage points to 39.2 per cent in the quarter compared to the same quarter last year.

After a disappointing cash flow and inventory situation in Q1 2019 key focus has been on reducing the inventory level. Short term XXL stopped purchasing in several categories in addition to stricter control and forecasting of volumes. Inventory ended at NOK 3 343 million in the quarter which equalled NOK 37.1 million per store. Cash flow from operating activities ended at NOK 263 million compared to a negative cash flow of NOK 159 million in the same quarter last year. The leverage ratio ended at 4.05x for Q2 2019 below the covenant of 4.50x on Net Debt/EBITDA basis (excluding IFRS 16 effects). Total liquidity reserve amounted to NOK 499 million by the end of the quarter.

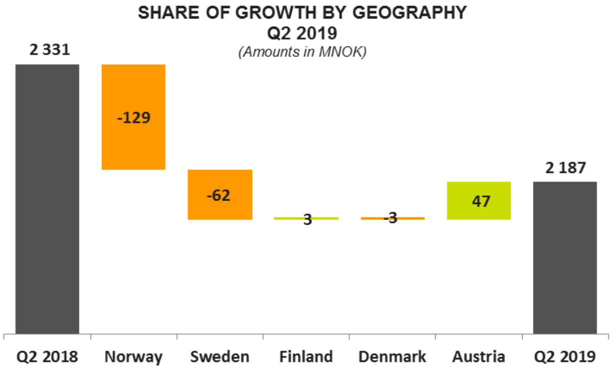
In the second quarter last year, XXL decided to capture volumes through many campaigns. That gave positive effects on sales but negative effects on gross margins. This year was the opposite. Focus on gross margin control, and at the same time reducing the inventory level, partly affected the revenues. This was especially the case towards the end of the period due to less replenishment of goods that may have impacted sales volumes negatively. As a consequence the like-for-like figure for the Group was down 11.1 per cent in the quarter (10.6 per cent when excluding cannibalization effects) and especially June proved to be a challenging month for XXL overall.

Although operating in a challenging sports retail market, with negative growth in core Nordic markets so far in 2019, the management team is disappointed with the sales development. In H2 2019 XXL plans to step up marketing investments, especially to drive E-commerce sales. XXL is working on a number of initiatives to turn around the negative sales development, further improve margins while reducing working capital. Downsizing the inventory will continue with a new medium term target of NOK 25 million in inventory per store. XXL needs to improve the purchase process and control, reduce the number of suppliers and variants, reduce pre-purchase degrees and have stronger in-season control.



Total operating revenues in the second quarter 2019 amounted to NOK 2 187 million (NOK 2 331 million), representing a negative growth of 6.2 per cent. The shifted focus towards gross profit and the reduction of the inventory level had a negative impact on the sales volumes. As a result, the like-for-like growth of the Group was down by

11.1 per cent in the quarter or 10.6 per cent adjusted for temporarily cannibalization effects. The negative revenue growth of the Group was partly offset by effects from new stores. XXL opened seven new stores during 2018. In addition XXL established three new stores during the second quarter, Mariahilfer Strasse in Vienna, Austria on 1 April 2019, Redi in Helsinki, Finland on 9 April 2019 and Triangeln in Malmö, Sweden on 12 June 2019. Norway, Sweden and Denmark delivered lower sales than last year, driven by negative like-for-like growth. Finland and Austria had effects of new store openings, and Austria also posted a positive like-for-like growth in the quarter.



E-commerce for the Group is included in the like-for-like figure and operating revenues decreased by 0.9 per cent to NOK 347 million in the quarter (NOK 351 million). The changed focus towards gross profit as well as reducing the inventory also affected the overall E-commerce sales in the quarter. However the gross margin improved significantly also here. E-commerce continues to be an increasing share of XXL and the sales comprised 15.9 per cent of total Group operating revenues in Q2 2019 compared to 15.0 per cent in Q2 2018. XXL is continually renewing and strengthening its E-commerce offering and developing new omni-channel solutions for a more seamless customer experience.

In a way to improve sold out situations and broadening the available assortment XXL launched a new stock solution in the quarter making all products in the shoes and sportswear categories in Norway available for sales in all stores. This will enhance the customer experience over time. At the same time XXL is now testing out its first AI based system on the supply chain by replacing the old min/max replenishment system with a new data driven and algorithm based system. XXL has tested it out on some categories in a limited amount of stores in Norway. The first indications are promising with significantly lower distribution of goods to the stores and more predictability for central warehouses, reduced handling time for store personnel, more accurate and lower stock values combined with no major impact on the sales volumes. This solution will further ensure availability of products online. XXL will roll out the solution to new categories and stores in the coming months.

XXL is constantly working on new self-service solutions in the stores to provide for frictionless shopping and enhanced customer experience as well as improved store efficiency and costs. In the quarter XXL introduced new self-service pick-up solutions in three stores in Norway by using locker solutions for smaller stores and automated pick-up towers in larger stores. XXL is the first Nordic retailer testing out the tower solution which is using state of the art robotics and engineering. The pilot has proven successful with no queues and high customer satisfaction. Above 3 500 parcels have been delivered since mid May with minor operational overhead. XXL will further roll out these solutions to more stores in the coming years. Self-service cashiers are planned for piloting this summer. Klarna Instore is already introduced to improve the credit sale efficiency in store. This has resulted in reduced handling time for store personnel but also increased the amount of credit sales significantly.

Gross margin for the Group ended at 39.2 per cent in the quarter compared to 38.5 per cent in the same quarter last year. Reduction in the inventory level, due to lower purchased volumes, had a negative effect on supplier bonuses received of around NOK 30 million on gross margin. Adjusted for this effect, all markets experienced higher gross margin in Q2 2019 compared to Q2 2018. This is also achieved despite an increasing part of the overall sales volumes in the Group are derived from the E-commerce platform at lower gross margins.

Operating expenses before depreciation as percentage of sales decreased to 26.7 per cent in the second quarter this year (30.6 per cent) due to the implementation of IFRS 16. Adjusted for this effect the operating expenses amounted to 32.6 per cent of sales. The main driver is the negative like-for-like growth which is impacting the overall scale in the operations. However the absolute cost level for the Group is on par with the same quarter last year despite five new store openings last year and three new store openings this quarter. The main reason behind this is cost reductions mirroring the weaker sales growth. The lower costs in the HQ and Logistics segment is partly due to lower bonus payments related to weaker results. XXL has several long term efficiency initiatives on the agenda and with an ambition of reducing the operating expenses in percentage of sales down towards 25 per cent excluding IFRS 16 effects.

The Group EBITDA in the second quarter 2019 was NOK 273 million and the margin was 12.5 per cent. When excluding for the implementation of IFRS 16, EBITDA amounted to NOK 143 million (NOK 185 million), which equaled an EBITDA-margin of 6.5 per cent compared to 7.9 per cent in the same quarter last year. The driver behind the EBITDA development is the lower supplier bonuses and the negative like-for-like growth partly offset by higher gross margins. As previously announced XXL was slightly behind last year on EBITDA (excluding IFRS 16 effects) for the first two months of the quarter. June ended up being a challenging month since most of the negative implications of the inventory reduction gave effects late in the quarter. EBITDA ended at around NOK 173 million when excluding for the reduced supplier bonuses.

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 the HQ and Logistics segment.

Norway

The Norwegian operations delivered total operating revenues of NOK 1 005 million in the first quarter 2019 compared to NOK 1 134 million in the same quarter last year. Negative like-for-like growth of 14.8 per cent (14.4 per cent when excluding cannibalization effects) was partly offset by growth from stores opened in 2018. Change in focus towards gross profit has impacted the sales growth of XXL. According to market figures from SSB the sales of sporting goods in Norway increased by 1.3 per cent in April and by 2.4 per cent in May. This is to be compared to a negative growth of XXL of 13.0 per cent in April and positive growth of 3.3 per cent in May, after gaining market shares in Q1 2019. The Norwegian operations experienced some negative effects from Easter moving from March last year to April this year, but overall June proved challenging. The management team is not satisfied with this development.

XXL was able to improve the gross margin significantly, despite negative mix effects from growth in E-commerce and negative like-for-like growth in the stores. Gross margins improved by 2.1 percentage points to 42.5 per cent in Q2 2019 despite around NOK 10 million lower supplier bonuses mainly due to lower purchase of goods related to lower sales than last year.

EBITDA increased to NOK 244 million (NOK 212 million) and the corresponding margin improved to 24.2 per cent (18.7 per cent). Adjusted for the IFRS 16 effects the EBITDA amounted to NOK 192 million in Q2 2019 with a corresponding margin of 19.1 per cent. The increase in EBITDA margin is due to the higher gross margin as described above. Operating expenses as percentage of sales decreased from 21.6 per cent last year to 18.2 per cent this year, but increased to 23.3 per cent adjusted for the IFRS 16 implementation. This is mainly explained by the negative like-for-like figure impacting the cost leverage.

Sweden

Total operating revenues for XXL in Sweden in Q2 2019 amounted to NOK 612 million (NOK 675 million) representing a decline of 6.2 per cent in local currency. The driver was a negative like-for-like growth of 8.8 per cent in local currency. The Swedish sporting goods market continued to be volatile and price focused with many discounts. According to market figures from SCB the sale of sporting goods in Sweden decreased by 8.7 per cent in April and by 0.3 per cent in May. The corresponding negative growth for XXL was 10.8 and 4.1 per cent respectively. XXL decided to shift to more profit focus also in Sweden in addition to reducing the inventory situation both affecting the sales volumes negatively. The latter had also a negative impact on gross margins, due to around NOK 13 million lower supplier bonuses received.

Operating expenses as percentage of sales declined to 27.6 per cent in Q2 2019 (29.5 per cent), but increased to 33.6 per cent when excluding the positive effects from IFRS 16. This was driven by the negative like-for-like growth in the quarter. EBITDA ended at NOK 61 million (NOK 57 million) and with an EBITDA-margin of 10.0 per cent (8.4 per cent) in Q2 2019. Adjusted for the positive effects from the implementation of IFRS 16 in Q2 2019 the EBITDA amounted to NOK 24 million and with an EBITDA-margin of 4.0 per cent. This was driven by the effects of lower gross margin and higher operating expenses as described above.

The Managing Director, Per Sigvardsson, decided to leave XXL in May 2019 after only a couple of months in the position. He worked along side an established team of Swedish employees with long experience from XXL. Operations Manager Johan Ljung is nominated as interim Managing Director in Sweden. He has worked his way in XXL from Sales Leader to Store Manager and Operations Manager. Recently he has been involved in several projects related to implementation of new digital solutions for the stores as well as analytics for operational excellence projects centrally. XXL has started the project of recruiting a new Managing Director for Sweden. XXL has seen a clear set-back in the Swedish market and to improve the Swedish operations is a key strategic project. XXL will adapt the concept with more local assortment over time as well as improving the market presence by more marketing spending and by continued store roll-out to major cities. In line with this strategy XXL opened its first store in Malmö on 12 June 2019.

Finland

According to market figures from TMA the sale of sporting goods in Finland decreased by 4.6 per cent in April and by 2.4 per cent in May. This is to be compared to XXL with a decline of 2.2 per cent in April and 2.7 per cent in May in local currency. The changed focus in XXL towards gross profit and reducing the inventory also abated sales in Finland, which posted a negative like-for-like growth of 4.0 per cent (3.0 per cent when excluding temporarily cannibalization effects). Total operating revenues amounted to NOK 434 million (NOK 431 million), representing a negative growth of 0.9 per cent in local currency. XXL opened one new store in the quarter, Redi in Helsinki on 9 April 2019, which contributed to the growth in the quarter.

Gross margin in the quarter declined from 36.7 per cent to 36.0 per cent due to lower supplier bonuses received. The effect was around NOK 7 million.

EBITDA amounted to NOK 48 million in Q2 2019 up from NOK 33 million in Q2 2018. This translated into a corresponding EBITDA-margin of 11.1 per cent in the quarter (7.6 per cent). Adjusted for positive effects of implementing IFRS 16, the EBITDA amounted to NOK 26 million representing an EBITDA-margin of 6.0 per cent. The lower gross margin as described above is the driver behind this development. Operating expenses as percentage of sales improved to 24.9 per cent in Q2 2019 (29.1 per cent) but increased to 30.0 per cent when excluding the positive effects from IFRS 16. This increase is due to the negative like-for-like growth.

Denmark
Total operating revenues for XXL in Denmark in the second quarter 2019 amounted to NOK 15 million (NOK 18 million), representing a negative growth of 18.9 per cent in local currency. XXL also changed focus in Denmark, in line with the Group policy, to gross profit and not only aggressive campaigns to gain volumes. As a consequence the gross margin increased from 16.5 per cent in Q2 2018 to 17.3 per cent in Q2 2019. However the growth rate was impacted and also affected the cost leverage significantly. Operating expenses as percentage of sales increased from 26.5 per cent in Q2 2018 to 42.2 per cent in Q2 2019. The EBITDA was negative of NOK 4 million in the quarter (NOK 2 million). XXL will make adjustments to the operation in Denmark to reach break-even on a significant lower cost base.

Austria
Total operating revenues from the Austrian operations amounted to NOK 121 million in the second quarter (NOK 74 million) representing a growth of 61.4 per cent in local currency. XXL opened a new store on 1 April 2019 in Mariahilfer strasse, downtown Vienna. The growth was further driven by positive like-for-like growth of 2.1 per cent in local currency despite cannibalization effects from the new store. According to the changed focus in the Group towards profitability the gross margins improved by 2.1 percentage points in the quarter to 33.6 per cent.

Operating expenses as percentage of sales improved from 55.8 per cent in Q2 2018 to 38.6 per cent in Q2 2019, and to 44.6 per cent when excluding for IFRS 16 effects. The new store opening in the quarter represented an important milestone in the Austrian establishment for XXL as the store provide for scale benefits in the operations by sharing marketing and head office costs. EBITDA was negative of NOK 6 million (NOK 18 million). Adjusted for positive effects of implementing IFRS 16, the EBITDA was negative of NOK 13 million. The lower EBITDA loss is driven by significantly higher gross margin as described above. XXL is still in the establishing phase in Austria and will be more aggressive in the quarters to come to capture more volumes in the market.

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 71 million (NOK 98 million) in Q2 2019. This equals 3.2 per cent of total Group operating revenue compared to 4.2 per cent in the second quarter last year. Adjusted for the positive effects of the implementation of IFRS 16 the EBITDA in Q2 2019 was NOK 83 million, corresponding to 3.8 per cent of total Group operating revenue. The main reason behind this is cost reductions in the HQ and Logistics segment partly due to lower bonus payments in accordance with lower results in XXL than expected. In the quarter XXL commenced the process of reorganizing and centralizing the marketing functions of the Group. The new Marketing Director is in place and several recruitments were completed including specialists on CRM, SEO, content and SoMe. XXL will now insource most of the competence and restructure the organization with a clear ambition of a more efficient marketing function in the years to come. This will give positive effects on costs from 2020 and going forward. XXL has several long term efficiency initiatives on the agenda and with an ambition of reducing the operating expenses in percentage of sales down towards 25 per cent excluding IFRS 16 effects.

Financials

Consolidated income statement – Second quarter
(Figures in brackets = same quarter previous year, unless otherwise specified)

Total operating revenue decreased by 6.2 per cent to NOK 2 187 million (NOK 2 331 million).

Total operating expenses equaled NOK 2 089 million (NOK 2 192 million) in the second quarter. Other operating expenses decreased from NOK 333 million in Q2 2018 to NOK 218 million in Q2 2019, while depreciation increased from NOK 46 million in Q2 2018 to NOK 175 million in Q2 2019. This is due to the implementation of IFRS 16.

Net financial expense amounted to NOK 40 million for the second quarter (NOK 19 million) whereof IFRS 16 effects amounted to NOK 24 million. Net interest expenses equaled NOK 13 million (NOK 9 million). Net financial expenses include a positive currency effect of NOK 6 million compared to a negative currency effect of NOK 5 million in the same quarter last year. Other financial expenses of NOK 9 million were related to amortization of loan costs and other financial costs.

Income tax expense for the second quarter was NOK 12 million (NOK 24 million) and the effective tax rate was 20.0 per cent.

Profit for the period ended at NOK 46 million (NOK 96 million).

Consolidated income statement – First half year
(Figures in brackets = same period previous year, unless otherwise specified)

Total operating revenue for the first half year 2019 was NOK 4 201 million (NOK 4 402 million), a negative growth of 4.6 per cent. The drivers behind this was a negative like-for-like growth of 9.2 per cent (8.1 per cent when excluding cannibalization effects) partly offset by full year effect of new stores opened in 2018 and new store openings so far this year. XXL decided to change focus going into 2019 to more gross profit and not only sales volumes. This has impacted the revenue growth negatively but improved gross margins.

Total operating expenses equaled NOK 4 083 million (NOK 4 257 million) in H1 2019. Other operating expenses decreased from NOK 671 million in H1 2018 to NOK 434 million in H1 2019, while depreciation increased from NOK 91 million in H1 2018 to NOK 347 million in H1 2019. This is due to the implementation of IFRS 16.

Net financial expense amounted to NOK 83 million for H1 2019 (NOK 37 million) whereof IFRS 16 effects amounted to NOK 48 million. Net interest expenses equaled NOK 24 million (NOK 19 million). Net financial expenses include a positive currency effect of NOK 4 million compared to a negative currency effect of NOK 9 million in the same half a year last year. Other financial expenses of NOK 14 million were related to amortization of loan costs and other financial costs.

Income tax expense for the first half year were NOK 7 million (NOK 22 million) and the effective tax rate was estimated to 20.0 per cent.

Profit for the period ended at NOK 28 million (NOK 87 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 263 million (cash used of NOK 159 million) in the second quarter. The main reason for the positive deviation is the reduction in inventory.

Cash provided by operating activities ended at NOK 160 million for H1 2019 (cash used of NOK 124 million).

The inventory increased from NOK 3 172 million at the end of H1 2018 to 3 343 million at the end of H1 2019 partly due to lower sales than planned for. XXL also decided to carry over winter related products in the amount of NOK 250-300 million. This stock level will be used in the beginning of the next winter season. However XXL reduced the inventory level in the second quarter isolated with NOK 114 million compared to a build-up of NOK 146 million in Q2 2018. XXL stopped purchasing in several categories in addition to stricter control and forecasting of volumes. Inventory per store[8] (including E-commerce) ended at NOK 37.1 million by the end of H1 2019, down from NOK 39.8 million by the end of Q1 2019. XXL is working on many initiatives to reduce the inventory and improve the overall cash position of the company and now sets a medium term target of NOK 25 million in inventory per store (including E-commerce). XXL needs to improve the purchase process and control, reduce the number of suppliers and variants, reduce pre-purchase levels and have stronger in-season control. The inventory continues to be healthy.

Depreciation amounted to NOK 175 million in the second quarter (NOK 46 million) and NOK 347 million in the first half year (NOK 91 million) due to the implementation of IFRS 16.

Cash used by investing activities was NOK 41 million (NOK 83 million) in Q2 2019 and ended at NOK 68 million (NOK 135 million) in H1 2019. This is related to investments in new stores, maintenance CAPEX[9)] on existing stores and investments in infrastructure.

Cash used by financing activities amounted to NOK 321 million (cash provide of NOK 316 million) in the second quarter and was NOK 169 million in H1 2019 (cash provided of NOK 158 million). In the second quarter NOK 176 million is related to down payments on credit facilities (proceeds of NOK 380 million on existing credit facilities). Repayment of lease liabilities amounted to NOK 130 million in Q2 2019 and NOK 268 million in H1 2019 compared to none last year due to IFRS 16 reclassification.

Financial position and liquidity
(Figures in brackets = same period previous year, unless otherwise specified)

As of 30 June 2019, total assets amounted to NOK 10 618 million (NOK 7 566 million). The increase is due to the implementation of IFRS 16 and right of use assets amounted to NOK 3 039 million. When excluding for IFRS 16 effects total assets amounted to NOK 7 579 million. Total equity was NOK 3 745 million (NOK 3 647 million), resulting in an equity ratio of 35.7 per cent (48.2 per cent) or 49.7 per cent when excluding for the effects of the implementation of IFRS 16. Net interest bearing debt increased to NOK 2 036 million (NOK 1 918 million). Net interest bearing debt/EBITDA (adjusted for IFRS 16 effects), equalled 4.05x.

In February 2019 XXL negotiated and agreed on new covenants for XXL for Q1 2019 and Q2 2019. In June 2019 XXL and the bank consortium agreed on a new covenant for Q3 2019 as well. XXL believes we now have satisfying headroom for 2019 and going forward with the following covenants on Net Debt/EBITDA basis (excluding IFRS 16 effects) Q3 2019 of 4.25x and Q4 2019 and going forward of 3.5x.

The Group had cash and cash equivalents of NOK 118 million (NOK 212 million) as of 30 June 2019 of which NOK 5 million was restricted cash. The Group's liquidity reserves include total credit facilities of NOK 1 400 million whereof NOK 1 102 million was used as of 30 June 2019. Available liquidity reserves as of 30 June 2019 were NOK 499 million (NOK 525 million).

Summary from the Annual General Meeting
The Annual General Meeting of XXL ASA was held on 5 June 2019. All items were resolved in accordance with the proposals from the Board and the Nomination Committee's recommendations. The Annual General Meeting elected Mrs. Kjersti Hobøl and Mrs. Maria Aas-Eng as new Board members replacing Mrs. Anette Mellbye and Mrs. Adele Bugge Pran.

Summary from the Extraordinary General Meeting

The Extraordinary General Meeting of XXL ASA was held on 11 July 2019. All items were resolved in accordance with the proposals from the Board and the Nomination Committee's recommendations. The Extraordinary General Meeting approved the company's sale of all its treasury shares, in total 3,096,274 shares, to Altor at a price of NOK 25 per share. This will contribute to a strengthened liquidity situation for XXL. The accounting effects of this transaction will be booked against other equity in Q3 2019 and have a positive cash effect of NOK 77 million. Further the Extraordinary General Meeting elected Mr. Hugo Maurstad, representing Altor, as a new Board member and replacing Mr. Anders Misund. XXL has good experience with PE owners, and believes Altor will fuel the company with competence in the next phase. Altor is a market leading Nordic PE fund and a long-term investor focused on investing in and developing medium sized companies, with extensive retail and consumer goods experience, strong industrial network and portfolio companies with both similar characteristics as well as potential partnerships with XXL. The Board of Directors is of the view that Altor's involvement with the company will contribute to strengthening XXL's business model as Altor is recognized as a long term value creator with an active ownership model, and that increased involvement from Altor will be in the best interest of the company and its shareholders.

Outlook

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 4-5 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[9)] for XXL Group in 2019 is expected to be around NOK 180 million. Going forward XXL expects to slow down the pace of the store roll-out and focus on new stores in Austria and some in Sweden. At the same time XXL will be downsizing several existing stores.

XXL has a mid-term ambition of inventory per store of NOK 25 million.

The Group has the following long term objectives (on full year basis and adjusted for IFRS 16 effects):
- 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. Growth and especially improvements within E-commerce is essential for obtaining this ambition.
- 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

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 2019 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, 18 July 2019
Board of Directors, XXL ASA

Øivind Tidemandsen Chairman	Hugo Maurstad Board member	Kjersti Hobøl Board member
Ronny Blomseth Board member	Maria Aas-Eng Board member	Tolle Grøterud Interim CEO

Condensed consolidated financial statements

Unaudited for the period ended June 30, 2019

(Amounts in NOK million)	**Q2 2019**	Q2 2018	**H1 2019**	H1 2018	FY 2018 Audited	**Q2 2019 (ex IFRS 16)**	**H1 2019 (ex IFRS 16)**
Total Operating Revenue	**2 187**	2 331	**4 201**	4 402	9 475	**2 187**	**4 201**
Cost of goods sold	**1 330**	1 433	**2 524**	2 720	5 938	**1 330**	**2 524**
Personnel expenses	**366**	380	**779**	775	1 615	**366**	**779**
Depreciation*	**175**	46	**347**	91	189	**49**	**97**
Other operating expenses*	**218**	333	**434**	671	1 380	**348**	**701**
Total Operating Expenses	**2 089**	2 192	**4 083**	4 257	9 123	**2 093**	**4 100**
Operating Income	**98**	139	**117**	145	352	**94**	**100**
Net Financial Income (+) / Expense (-)*	**-40**	-19	**-83**	-37	-57	**-16**	**-35**
Profit before income tax	**58**	120	**34**	108	295	**78**	**65**
Income tax expense*	**12**	24	**7**	22	58	**16**	**13**
Profit for the period	**46**	96	**28**	87	237	**63**	**52**
Basic Earnings per share (NOK)	**0,34**	0,69	**0,20**	0,62	1,72	**0,46**	**0,38**
Diluted Earnings per share (NOK)	**0,34**	0,68	**0,20**	0,61	1,72	**0,46**	**0,38**
Other comprehensive income							
Items that may be subsequently reclassified to profit or loss							
Foreign currency rate changes	**-61**	-2	**1**	-3	9	**4**	**1**
Total Other Income and Expense	**-61**	-2	**1**	-3	9	**4**	**-59**
Total comprehensive income for the period	**-15**	94	**29**	84	246	**67**	**-109**

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

**See Note 9 for H1/Q2 effects from IFRS 16*

Condensed Consolidated Interim Statement of Financial Position

(Amounts in NOK million)	Note	**30.6.19**	30.6.18	31.12 2018 Audited	**30.6.19 (ex IFRS 16)**
NON CURRENT ASSETS					
Intangible Assets					
Goodwill		**2 734**	2 734	2 734	**2 734**
Other Intangible Assets		**254**	251	251	**254**
Total Intangible Assets		**2 988**	2 985	2 985	**2 988**
Fixed Assets		**864**	867	909	**864**
Non-Current Financial Assets		**-0**	2	9	**-0**
Right of Use Assets	9	**3 039**	-	-	**-**
Total Non Current Assets		**6 890**	3 854	3 903	**3 851**
CURRENT ASSETS					
Inventory		**3 343**	3 172	3 211	**3 343**
Trade and Other Receivables		**267**	328	354	**267**
Cash and Cash Equivalents		**118**	212	194	**118**
Total Current Assets		**3 728**	3 712	3 760	**3 728**
TOTAL ASSETS		**10 618**	7 566	7 662	**7 579**
SHAREHOLDERS' EQUITY					
Paid-in Capital		**2 796**	2 883	2 790	**2 796**
Other equity	9	**949**	763	920	**974**
Total Shareholders' Equity		**3 745**	3 647	3 710	**3 770**
LIABILITIES					
Deferred Tax Liability		**56**	70	41	**62**
Total Provisions		**56**	70	41	**62**
Other non-current liabilities					
Interest Bearing Non-Current Liabilities		**1 052**	1 048	1 081	**1 052**
Lease Liabilites	9	**2 535**	-	-	**-**
Total other non-current liabilities		**3 587**	1 048	1 081	**1 052**
Total non-current liabilities		**3 642**	1 118	1 122	**1 114**
Current liabilities					
Accounts Payable		**874**	705	861	**874**
Lease Liabilities	9	**535**	-	-	**-**
Current Interest Bearing Liabilities		**1 102**	1 082	994	**1 102**
Tax payable		**-45**	24	53	**-45**
Public duties payable		**339**	309	385	**339**
Other current liabilities		**425**	682	538	**425**
Total current liabilities		**3 230**	2 802	2 831	**2 695**
TOTAL LIABLILITIES		**6 872**	3 920	3 953	**3 808**
TOTAL EQUITY AND LIABILITIES		**10 617**	7 566	7 662	**7 578**

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)	**Q2 2019**	Q2 2018	**H1 2019**	H1 2018	FY2018 Audited	**Q2 2019 (ex IFRS 16)**	**H1 2019 (ex IFRS 16)**
Operating Activities							
Profit before income tax	**58**	**120**	**34**	108	295	78	65
Adjustments for:							
Income tax paid	**-62**	-65	**-107**	-112	-113	-62	-107
Depreciation	**175**	46	**347**	91	189	49	97
Net financial expense	**40**	19	**83**	37	57	16	35
Changes in working capital:							
Changes in inventory	**114**	-146	**-197**	-118	-89	114	-197
Changes in accounts receivable	**-1**	-49	**81**	38	21	-1	81
Changes in accounts payable	**-99**	29	**26**	-117	32	-99	26
Other changes	**38**	-112	**-109**	-50	68	38	-109
Cash Provided (used) by Operating Activities	**263**	-159	**160**	-124	460	133	-108
Investing Activities							
Acquisition of fixed assets and intangible assets	**-51**	-83	**-78**	-135	-243	-51	-78
Proceeds from disposal of financial assets	**10**	0	**10**	0	0	10	10
Cash Provided (used) by Investing Activities	**-41**	-83	**-68**	-135	-243	-41	-68
Financing Activities							
Purchase of own shares/other equity transactions	**0**	-50	**0**	-9	-109	0	0
Payments/proceeds on long/short term debt	**-176**	380	**122**	186	86	-176	122
Repayment of lease liabilities*	**-130**	0	**-268**	0	0	0	0
Interest payments	**-15**	-14	**-23**	-20	-36	-15	-23
Dividend	**0**	0	**0**	0	-276	0	0
Cash Provided (used) by Financing Activities	**-321**	316	**-169**	158	-335	-191	99
Net Change in Cash and Cash Equivalents	**-100**	75	**-77**	-101	-117	**-100**	**-77**
Cash and cash equivalents - beginning of period	**217**	137	**194**	314	314	217	194
Effect of foreign currency rate changes on cash and equivalent	**0**	0	**0**	-1	-2	0	0
Cash and Cash Equivalents - End of Period	**118**	212	**118**	212	194	118	118

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

**See Note 9 for H1/Q2 effects from IFRS 16*

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 31.12.17	**55**	**2 806**	**23**	**954**	**7**	**3 846**
Effect of IFRS 15 Implementation	0	0	0	-11	0	-11
Shareholders' Equity 01.01.18	**55**	**2 806**	**23**	**943**	**7**	**3 835**
Net income H1 2018				87		87
Foreign currency rate changes					3	3
Transactions with owners:						
Share options		-11				-11
Purchase own shares		-50				-50
Issue of new shares	0	51				52
Employee share incentive program			8			8
Dividend				-276		-276
Shareholders' Equity 30.06.18	**56**	**2 797**	**31**	**753**	**10**	**3 647**
Net income H2 2018				150		150
Foreign currency rate changes					6	6
Transactions with owners:						
Purchase own shares		-100				-100
Employee share incentive program			6	0		6
Shareholders' Equity 31.12.18	**56**	**2 697**	**37**	**904**	**16**	**3 710**
Net income 2019*				28		28
Foreign currency rate changes*					1	1
Transactions with owners:						
Employee share incentive program			7			7
Shareholders' Equity 30.06.2019	**56**	**2 697**	**44**	**931**	**17**	**3 745**

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

**See Note 9 for H1/Q2 effects from IFRS 16*

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 first half year ended 30 June 2019 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 2018, 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 2018.

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 2018.

Note 5 Earnings per share

	Q2 2019	Q2 2018	**H1 2019**	H1 2018	YE 2018	**Q2 2019 (ex IFRS 16)**	**H1 2019 (ex IFRS 16)**
Total profit (in NOK million)	**46**	**96**	**28**	**87**	237	**63**	**52**
Weighted average number of ordinary shares in issue	**135 999 803**	138 852 444	**135 978 795**	138 779 413	137 969 167	**135 999 803**	**135 978 795**
Number of shares outstanding	**139 096 077**	138 512 123	**139 096 077**	138 512 123	139 096 077	**139 096 077**	**139 096 077**
Adjustment for:							
Effect share options	**441 901**	2 324 645	**388 654**	2 269 184	241 117	**441 901**	**388 654**
Weighted number of ordinary shares in issue for diluted earnings per share	**136 441 704**	141 177 089	**136 367 450**	141 048 597	138 210 284	**136 441 704**	**136 367 450**
Basic Earnings per share (in NOK)	**0,34**	0,69	**0,20**	0,62	1,72	**0,46**	**0,38**
Diluted Earnings per share (in NOK)	**0,34**	0,68	**0,20**	0,61	1,72	**0,46**	**0,38**

Note 6 Operating Segments

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

Q2 2019

Amounts in NOK million	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**1 005**	**612**	**434**	**15**	**121**	**-**	**2 187**
Gross profit	427	230	156	3	41	-	856
EBITDA²	**244**	**61**	**48**	**-4**	**-6**	**-71**	**273**
EBITDA (ex IFRS 16)	**192**	**24**	**26**	**-4**	**-13**	**-83**	**143**
Operating Income	**183**	**13**	**20**	**-4**	**-18**	**-96**	**98**
Operating Income (ex IFRS 16)	**179**	**14**	**20**	**-4**	**-17**	**-98**	**94**

Q2 2018

Amounts in NOK million	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**1 134**	**675**	**431**	**18**	**74**	**-**	**2 331**
Gross profit	457	256	158	3	23	-	898
EBITDA²	**212**	**57**	**33**	**-2**	**-18**	**-98**	**185**
Operating Income	**200**	**47**	**27**	**-2**	**-20**	**-112**	**139**

01.01.2019 - 30.06.2019

Amounts in NOK million	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**1 952**	**1 169**	**824**	**30**	**226**	**-**	**4 201**
Gross profit	841	446	307	6	78	-	1 677
EBITDA²	**449**	**111**	**91**	**-6**	**-15**	**-165**	**465**
EBITDA (ex IFRS 16)	**338**	**36**	**47**	**-6**	**-28**	**-189**	**197**
Operating Income	**326**	**14**	**35**	**-6**	**-35**	**-216**	**117**
Operating Income (ex IFRS 16)	**313**	**14**	**34**	**-6**	**-34**	**-220**	**100**

01.01.2018 - 30.06.2018

Amounts in NOK million	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**2 141**	**1 268**	**817**	**34**	**141**	**-**	**4 402**
Gross profit	865	475	293	5	43	-	1 682
EBITDA²	**365**	**66**	**42**	**-5**	**-36**	**-195**	**236**
Operating Income	**340**	**45**	**30**	**-5**	**-39**	**-225**	**145**

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**

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 2019. 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 2018.

Note 9 Right-of-use assets and lease liabilities (IFRS 16)

IFRS 16 was implemented for the Group with effect as of 01.01.2019.
On transition to IFRS 16, the Group recognized NOK 3 195 million in right-of-use assets and NOK 3 195 million as lease liabilities.
Accounting principles applied are described in the annual IFRS financial statements for the year ended 31 December 2018.

The Group leases several assets such as buildings, machinery and equipment and vehicles. The movements of the Group's right-of-use assets and lease liabilities are presented below:

Right of use assets

(Amounts in NOK million)	**Buildings, machinery and vehicles**
Aquisition cost 01.01.2019	**3 195**
Additions	165
Disposals and write-downs	0
Net exchange differences	0
Aquisition costs 30.06.2019	**3 361**
Depreciation	-251
Impairment losses in the period	0
Disposals	0
Transfers and reclassifications	0
Currency exchange differences	-71
Accumulated depreciation and impairment 30.06.2019	**-321**
Total Right of Use Assets at 30.06.2019	**3 039**
Lower of remaining lease term or economic life	0 - 13 years
Depreciation method	Linear

Lease liabilities

(Amounts in NOK million)	Total
Summary of the lease liabilities in the financial statements	
At initial application 01.01.2019	**3 195**
New lease liabilities recognised in the period	166
Leasing payments for the principal portion of the lease liability	-268
Interest expense on lease liabilities	48
Reassessment of the discount rate on previous lease liabilities	0
Currency exchange differences	-71
Total lease liabilities at 30.06.2019	**3 070**
whereof:	
Current lease liabilities < 1 year	-535
Non-current lease liabilities > 1 year	-2 535

IFRS 16 effects on the income statement H1 2019

(+) positive effect (-) negative effekt

(Amounts in NOK million)	Total
Depreciation	-251
Leasing payments for the principal portion of the lease liability	268
Effect on Operating income in the period	**17**
Interest expense on lease liabilities	-48
Effect on Profit before income tax in the period	**-31**
Tax	6
Effect on Profit for the period	**-25**
Currency exchange differences *)	0
Effect on other comprehensive income	**-25**

IFRS 16 effects on the income statement Q2 2019

(+) positive effect (-) negative effekt

(Amounts in NOK million)	Total
Depreciation	-126
Leasing payments for the principal portion of the lease liability	130
Effect on Operating income in the period	**4**
Interest expense on lease liabilities	-24
Effect on Profit before income tax in the period	**-20**
Tax	4
Effect on Profit for the period	**-16**
Currency exchange differences *)	-62
Effect on other comprehensive income	**-78**

Note 10 Events after the reporting period

On 11 July, the Extraordinary General Meeting approved the Company's sale of all its Treasury shares, in total 3,096,274 shares, to Altor at a price of NOK 25 per share. Furthermore the Extraordinary General Meeting elected Mr. Hugo Maurstad, representing Altor, as a new Board member and replacing Mr. Anders Misund.

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
[9)] **CAPEX**
Capital expenditure is the sum of purchases of fixed assets and intangible assets

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FINANCIAL CALENDAR	
Q3 2019 results:	23.10.2019

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