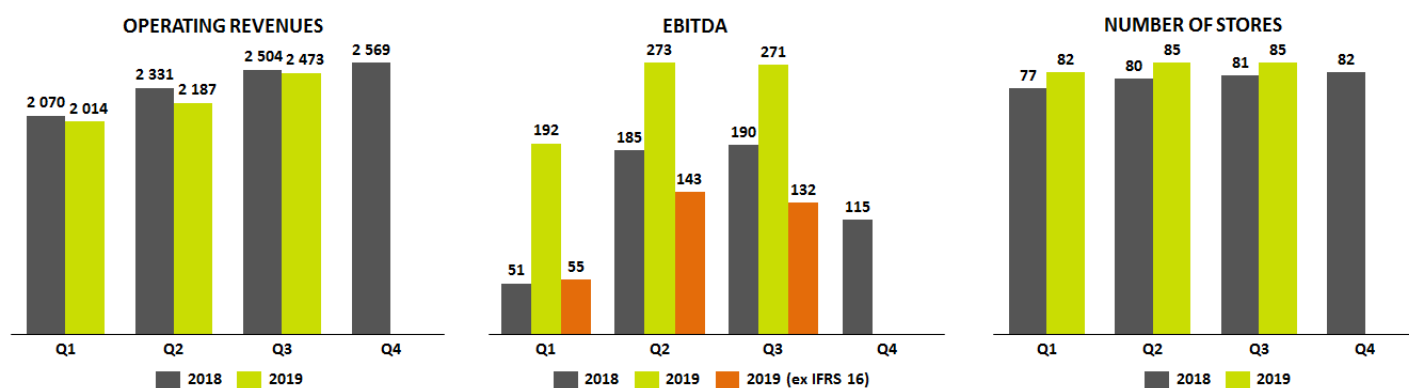


## HIGHLIGHTS<sup>1</sup>

- Total revenues of NOK 2 473 million (NOK 2 504 million), down 1 per cent
- Negative like-for-like growth of 4 per cent, driven by Norway
- EBITDA of NOK 271 million (NOK 190 million)
- Continued solid performance in Finland
- Obtained commitments for NOK 500 million in new equity



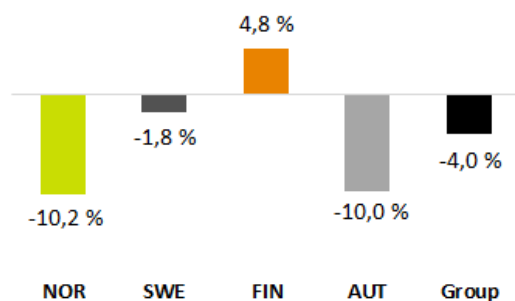
\*See Note 9 for Q3/YTD effects from IFRS 16

1) Please refer to definitions at the end of the report for descriptions of alternative performance measures that are used in highlights and key figures

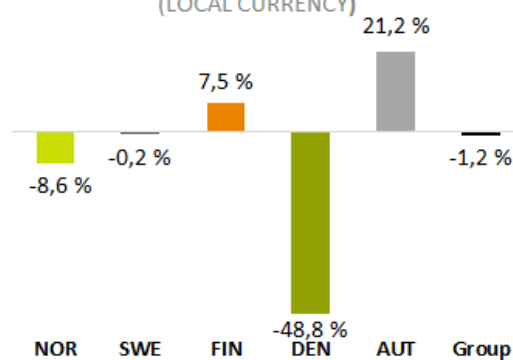
**KEY FIGURES GROUP**

(Amounts in NOK million)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018 Audited	Q3 2019 (ex IFRS 16)	YTD 2019 (ex IFRS 16)
<b>GROUP</b>							
Operating revenue	2 473	2 504	6 673	6 905	9 475	2 473	6 673
Growth (%)	-1,2 %	3,6 %	-3,4 %	11,7 %	8,8 %	-1,2 %	-3,4 %
Gross profit	922	924	2 599	2 606	3 536	922	2 599
Gross margin (%)	37,3 %	36,9 %	38,9 %	37,7 %	37,3 %	37,3 %	38,9 %
OPEX %	26,3 %	29,3 %	27,9 %	31,6 %	31,6 %	31,9 %	34,0 %
EBITDA	271	190	736	426	541	132	329
EBITDA margin (%)	11,0 %	7,6 %	11,0 %	6,2 %	5,7 %	5,3 %	4,9 %
EBIT	94	143	211	288	352	81	182
EBIT margin	3,8 %	5,7 %	3,2 %	4,2 %	3,7 %	3,3 %	2,7 %
Net Income	33	105	61	192	237	42	95
**Basic Earnings per share (NOK)	0,24	0,76	0,45	1,39	1,72	0,30	0,69
**Average number of shares (1 000 shares)	138 726	138 101	136 905	137 967	137 969	138 726	136 905
Cash provided by operating activities	302	256	461	132	460	163	55
Like for like revenue growth	-4,0 %	-6,2 %	-7,3 %	1,1 %	-0,3 %		
Number of stores at period end	85	81	85	81	82		
New stores in the period	-	1	3	6	7		

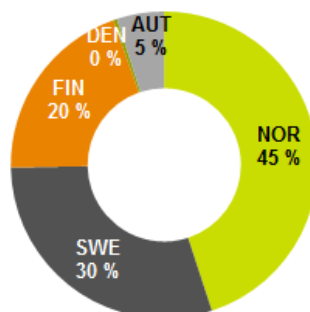
**GROWTH BY COUNTRY Q3,  
LIKE FOR LIKE  
(LOCAL CURRENCY)**



**GROWTH BY COUNTRY Q3  
(LOCAL CURRENCY)**



**REVENUE SPLIT Q3**



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

**KEY FIGURES SEGMENTS**

<i>(Amounts in NOK million)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>YTD 2019</b>	<b>YTD 2018</b>	<b>FY 2018 Audited</b>	<b>Q3 2019 (ex IFRS 16)</b>	<b>YTD 2019 (ex IFRS 16)</b>
<b>SEGMENT</b>							
<b>Norway</b>							
Operating revenue	1 112	1 217	3 064	3 358	4 642	1 112	3 064
Growth (%)	-8,6 %	0,1 %	-8,8 %	6,8 %	4,7 %	-8,6 %	-8,8 %
Gross profit	437	473	1 278	1 339	1 841	437	1 278
Gross margin (%)	39,3 %	38,9 %	41,7 %	39,9 %	39,7 %	39,3 %	41,7 %
OPEX %	21,1 %	22,8 %	20,4 %	23,2 %	23,2 %	26,3 %	25,9 %
EBITDA	202	196	651	561	765	145	484
EBITDA margin (%)	18,2 %	16,1 %	21,3 %	16,7 %	16,5 %	13,1 %	15,8 %
Number of stores at period end	36	35	36	35	36		
New stores in the period	-	-	-	3	4		
<b>Sweden</b>							
Operating revenue	736	724	1 905	1 992	2 679	736	1 905
Growth (%)	1,6 %	-6,7 %	-4,4 %	3,2 %	1,8 %	1,6 %	-4,4 %
Gross profit	269	265	715	740	980	269	715
Gross margin (%)	36,5 %	36,7 %	37,5 %	37,2 %	36,6 %	36,5 %	37,5 %
OPEX %	24,4 %	26,2 %	27,0 %	30,0 %	30,3 %	29,7 %	33,0 %
EBITDA	89	76	200	142	168	51	86
EBITDA margin (%)	12,1 %	10,5 %	10,5 %	7,1 %	6,3 %	6,9 %	4,5 %
Number of stores at period end	28	27	28	27	27		
New stores in the period	-	-	1	1	1		
<b>Finland</b>							
Operating revenue	492	445	1 316	1 262	1 714	492	1 316
Growth (%)	10,4 %	15,8 %	4,2 %	20,6 %	14,7 %	10,4 %	4,2 %
Gross profit	175	154	482	448	600	175	482
Gross margin (%)	35,5 %	34,6 %	36,6 %	35,5 %	35,0 %	35,5 %	36,6 %
OPEX %	21,6 %	26,2 %	24,5 %	29,2 %	29,3 %	26,3 %	29,6 %
EBITDA	68	37	159	79	99	45	92
EBITDA margin (%)	13,9 %	8,4 %	12,1 %	6,3 %	5,8 %	9,2 %	7,0 %
Number of stores at period end	16	15	16	15	15		
New stores in the period	-	-	1	-	-		

**KEY FIGURES SEGMENTS – cont.**

<i>(Amounts in NOK million)</i>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>YTD 2019</b>	<b>YTD 2018</b>	<b>FY 2018 Audited</b>	<b>Q3 2019 (ex IFRS 16)</b>	<b>YTD 2019 (ex IFRS 16)</b>
<b>SEGMENT</b>							
<b>Denmark</b>							
Operating revenue	10	18	39	52	77	10	39
Growth (%)	-47,1 %	57,1 %	-24,5 %	59,8 %	49,3 %	-47,1 %	-24,5 %
Gross profit	2	3	8	9	12	2	8
Gross margin (%)	20,0 %	16,9 %	19,5 %	16,4 %	16,1 %	20,0 %	19,5 %
OPEX %	45,2 %	25,7 %	42,2 %	29,5 %	28,8 %	45,2 %	42,2 %
EBITDA	-2	-2	-9	-7	-10	-2	-9
EBITDA margin (%)	-25,3 %	-8,8 %	-22,6 %	-13,1 %	-12,8 %	-25,3 %	-22,6 %
<b>Austria</b>							
Operating revenue	123	99	349	241	363	123	349
Growth (%)	24,5 %		45,1 %		269,8 %	24,5 %	45,1 %
Gross profit	39	29	117	71	102	39	117
Gross margin (%)	31,7 %	28,9 %	33,4 %	29,7 %	28,2 %	31,7 %	33,4 %
OPEX %	34,7 %	45,2 %	38,7 %	51,3 %	47,4 %	41,4 %	44,9 %
EBITDA	-4	-16	-18	-52	-70	-12	-40
EBITDA margin (%)	-3,1 %	-16,4 %	-5,3 %	-21,7 %	-19,2 %	-9,8 %	-11,5 %
Number of stores at period end	5	4	5	4	4		
New stores in the period	-	1	1	2	2		
<b>HQ &amp; logistics</b>							
EBITDA	-83	-102	-248	-297	-412	-95	-284
EBITDA margin (% of Group revenues)	-3,3 %	-4,1 %	-3,7 %	-4,3 %	-4,3 %	-3,8 %	-4,3 %

# Underperformance driven by declining sales volumes<sup>1)</sup>

**Oslo, 22 October 2019:** The results in the third quarter are disappointing driven by a continued negative like-for-like growth of 4 per cent impacting the scalability of the operations. EBITDA amounted to NOK 271 million (NOK 190 million) and NOK 132 million when excluding positive effects of the IFRS 16 implementation. Norway, the most profitable market, reported 10 per cent like-for-like decline in the quarter, impacting the overall results for the Group. However Finland is delivering another strong quarter, with a combination of positive like-for-like and improved margins.

**XXL's Net interest bearing debt (NIBD) amounted to NOK 1.9 billion and the leverage ratio ended at 4.2x, slightly below the covenant of 4.25x. In order to strengthen the balance sheet, XXL has proposed to raise NOK 500 million in new equity.**

## Third quarter performance

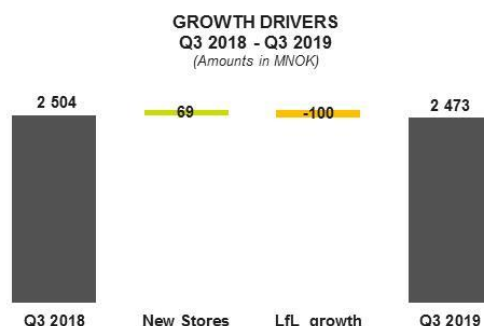
*(Figures in brackets = same quarter previous year, unless otherwise specified)*

XXL delivered disappointing results in the third quarter 2019. The results are affected by continued negative like-for-like growth, especially driven by the Norwegian operation. In particular September proved to be a challenging month. EBITDA in the quarter ended at NOK 132 million (excluding IFRS 16 effects), impacted by the negative like-for-like growth influencing the scalability of the operations. Due to lower sales the inventory is still high and ended at NOK 3 423 million in the quarter which equalled NOK 37.3 million per store. The leverage ratio ended at 4.2x for Q3 2019 below the covenant of 4.25x on NIBD/EBITDA basis (excluding IFRS 16 effects). Total liquidity reserve amounted to NOK 575 million by the end of the quarter.

In order to strengthen the balance sheet, XXL has obtained commitments for a private placement of new shares in the amount of approximately NOK 400 million directed at the largest shareholders of the company, Dolphin Management AS, Altor Fund IV through Altor Invest 5 and Altor Invest 6 ("Altor"), Ferd AS, ODIN Forvaltning AS and Arctic Funds Plc (the "Private Placement"). The Board of Directors will propose a subsequent offering of approximately NOK 100 million to shareholders not allocated shares in the Private Placement (the "Subsequent Offering"). The Subsequent Offering is fully underwritten by Altor. The subscription price in both the Private Placement and the Subsequent Offering is NOK 15 per share and are both subject to approval by an extraordinary general meeting ("EGM") to be held on 6 November 2019. Shareholders representing around 58 per cent of the shares in the company have undertaken to vote in favour. In addition XXL has agreed with its bank consortium on new covenants for 2020, subject to approval of the Private Placement and the Subsequent Offering by the EGM.

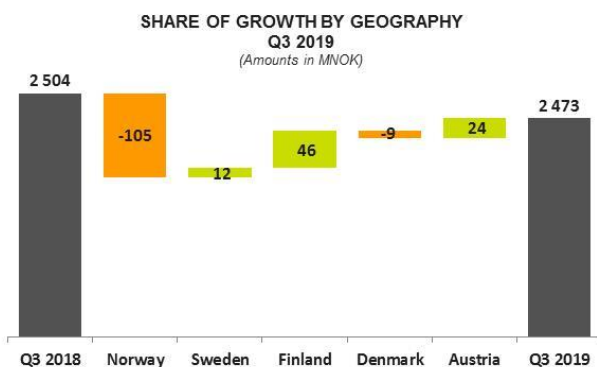
XXL has actions to strengthen the financial situation. Focus is still to improve the balance between growth and gross margin while at the same time reducing inventory. In addition, XXL will implement several cost initiatives. In order to strengthen the control and speed of inventory reductions the Board of Directors has immediately placed the mandate with the CFO and the finance team of XXL. The medium-term ambition of reducing the inventory down towards NOK 25 million per store remains firm and will, if successful, strengthen the balance sheet significantly.

During the year focus has been on gross margin control which has to some extent affected the revenues negatively. This was also the case in the third quarter, but XXL acted with more aggressive campaigns towards the end of the period. However these actions gave limited effects on the sales volumes, although negative effects on gross margin. XXL is working on a number of initiatives to turn around the sales trend including assortment and category development, new online front-end, same day delivery, improved marketing mix and more active price monitoring.



Total operating revenues in the third quarter 2019 amounted to NOK 2 473 million (NOK 2 504 million), representing a negative growth of 1.2 per cent. This was driven by a negative like-for-like growth of 4.0 per cent (3.6 per cent when excluding cannibalization effects). Norway

and Sweden delivered negative like-for-like growth in local currencies of 10.2 per cent and 1.8 per cent respectively. Finland had a positive like-for-like growth of 4.8 per cent in local currency. XXL did not open any new stores in Q3 2019, however four new stores have opened since Q3 2018.



E-commerce for the Group is included in the like-for-like figure and operating revenues increased by 0.2 per cent to NOK 360 million in the quarter (NOK 359 million) versus a tough comparator of 40 per cent growth in Q3 2018. E-commerce continues to be an increasing share of XXL and the sales comprised 14.6 per cent of total Group operating revenues in Q3 2019 compared to 14.4 per cent in Q3 2018. XXL is continually renewing and strengthening its E-commerce offering and developing new omni-channel solutions for a more seamless customer experience.

In the quarter XXL worked on a new E-commerce sales site and started testing in Denmark. New design and features are introduced like search filters, delivery methods using Klarna Shipping Service and promotional components to lift up services, specific products and campaigns. This will allow for improved customer experience and faster time to market in all front-end development. The pilot shows higher conversion rates especially mobile.

XXL has during the quarter replaced the old min/max replenishment system with a new data driven and algorithm based system in Norway. The 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 and more differentiated distribution of goods (by geography, season differences, size of store, relevant products). This solution will further ensure availability of products online. XXL is currently optimizing and fine tuning master data and strengthening the prognosis for replenishment. The system is expected to be fully operational in Norway during Q4 2019 and in the other markets in Q1 2020.

XXL has introduced self-service cashier solutions in Norway, yielding high feedback and customer satisfaction. Above 20 per cent of customers are using the solution as it reduce ques and over time also costs for the store. XXL will roll out to more stores in the coming quarters.

XXL has launched a new business analytics solution (PBI), providing significant improved insight within supply chain, stock management, sales and pricing. The solution takes full advantage of one ERP system and a significant number of dashboards have been developed during the last months to support decision making and take more correct actions to resolve critical issues.

Gross margin for the Group ended at 37.3 per cent in the quarter compared to 36.9 per cent in the same quarter last year. The lower sales volumes in the quarter impacted the gross margins negatively as the expected contribution from supplier volume bonuses was lower than last year. In Q3 2019, this had a negative effect of NOK 13 million on gross profit.

Operating expenses before depreciation as percentage of sales decreased to 26.3 per cent in the third quarter this year (29.3 per cent) due to the implementation of IFRS 16. Excluding these effects, the operating expenses amounted to 31.9 per cent of sales. The main driver is the negative like-for-like growth which is impacting the overall scale in the operations but it is compensated by a positive effect of NOK 19 million due to reversal of costs related to share option programs for key employees. Increased operating expenses before depreciation is partly driven by new stores. As earlier communicated XXL stepped up its marketing investments in the quarter leading to increased costs of NOK 20 million, mostly in Sweden. 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 third quarter 2019 was NOK 271 million and the margin was 11.0 per cent. When excluding for the implementation of IFRS 16, EBITDA amounted to NOK 132 million (NOK 190 million), which equaled an EBITDA-margin of 5.3 per cent compared to 7.6 per cent in the same quarter last year. The driver behind the EBITDA development is the negative like-for-like growth influencing the scalability of the operations, especially in Norway and Sweden. Both Finland and Austria delivered improved EBITDA in the quarter.

## 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 1 112 million in the third quarter 2019 compared to NOK 1 217 million in the same quarter last

year. Negative like-for-like growth of 10.2 per cent (9.8 per cent when excluding cannibalization effects) was partly offset by growth from stores opened in 2018. The market is characterized by discounting activities from many players especially online. According to market figures from SSB the sales of sporting goods in Norway increased by 3.7 per cent in July and decreased by 2.0 per cent in August. This is to be compared to a negative growth of XXL of 8.0 per cent in July and negative growth of 9.5 per cent in August. In September XXL started to be more aggressive on several campaigns, with good growth online but limited positive sales effect in the stores, resulting in a negative growth of 8.4 per cent.

XXL was able to improve the gross margin, despite negative mix effects from growth in E-commerce and negative like-for-like growth in the stores. Gross margins improved by 0.4 percentage points to 39.3 per cent in Q3 2019 impacted by around NOK 6 million lower supplier volume bonuses. Increased campaign activity towards the end of the quarter also influenced the gross margin negatively.

EBITDA increased to NOK 202 million (NOK 196 million) and the corresponding margin improved to 18.2 per cent (16.1 per cent). Excluding IFRS 16 effects the EBITDA amounted to NOK 145 million in Q3 2019 with a corresponding margin of 13.1 per cent. Operating expenses as percentage of sales decreased from 22.8 per cent last year to 21.1 per cent this year, but increased to 26.3 per cent excluding effects from the IFRS 16 implementation. This is mainly explained by the negative like-for-like figure impacting the cost leverage.

Mr. André Sørensen is the new Managing Director in Norway replacing Mr. Anders Kjellén who has been in a co-position for some time as Retail Director for XXL Group as well. Mr. Sørensen comes from the position as Head of Retail Operations in Elkjøp, a leading Nordic electronic retailer.

### **Sweden**

Total operating revenues for XXL in Sweden in Q3 2019 amounted to NOK 736 million (NOK 724 million) representing a decline of 0.2 per cent in local currency. The driver was a negative like-for-like growth of 1.8 per cent in local currency, partly compensated by growth from new stores. According to market figures from SCB the sale of sporting goods in Sweden increased by 6.5 per cent in July and declined with 6.2 per cent in August. The corresponding negative growth for XXL was 0.7 per cent and 0.9 per cent respectively. In September XXL had a growth of 1.2 per cent in local currency. Recent market statistics show that XXL is now the number two player in the Swedish sports retail market, and has regained some momentum.

The Swedish sporting goods market continued to be volatile and price focused with many discounts. Gross margin ended on par with last year at 36.5 per cent (36.7 per cent).

Operating expenses as percentage of sales declined to 24.4 per cent in Q3 2019 (26.2 per cent), but increased to 29.7 per cent when excluding the positive effects from IFRS 16.

This was driven by the negative like-for-like growth in the quarter. In addition XXL decided to spend more on marketing activities during the quarter with a cost increase of NOK 14 million compared to the same quarter last year. EBITDA ended at NOK 89 million (NOK 76 million) and with an EBITDA-margin of 12.1 per cent (10.5 per cent) in Q3 2019. Excluding the positive effects from the implementation of IFRS 16 in Q3 2019 the EBITDA amounted to NOK 51 million and with an EBITDA-margin of 6.9 per cent.

XXL has now recruited a new Managing Director in Sweden. Mr. Anders Lindblom comes from a role as Head of Operations in Elgiganten in Sweden, a leading Nordic electronic retailer. He will commence from 1 March 2020, and Mr. Johan Ljung will continue as interim Managing Director in Sweden until then.

### **Finland**

The Finnish operations continued to deliver a solid performance in the quarter. According to market figures from TMA the sale of sporting goods in Finland increased by 6.7 per cent in July and by 5.5 per cent in August. This is to be compared to XXL with an increase of 6.5 per cent in July and 5.8 per cent in August in local currency. The corresponding growth rate in September was 10.6 per cent, and XXL continues to gain market shares. Total operating revenues in the quarter amounted to NOK 492 million (NOK 445 million), representing a growth of 7.5 per cent in local currency. The key driver was a positive like-for-like growth of 4.8 per cent (5.4 per cent when excluding temporarily cannibalization effects).

In addition XXL was able to improve gross margin in the quarter from 34.6 per cent to 35.5 per cent under sound retail market conditions. This is also achieved despite lower supplier volume bonuses of NOK 2 million.

EBITDA amounted to NOK 68 million in Q3 2019 up from NOK 37 million in Q3 2018. This translated into a corresponding EBITDA-margin of 13.9 per cent in the quarter (8.4 per cent). Excluding positive effects from implementing IFRS 16, the EBITDA amounted to NOK 45 million representing an EBITDA-margin of 9.2 per cent. The positive like-for-like growth and an improved gross margin as described above are the drivers behind this development. Operating expenses as percentage of sales improved to 21.6 per cent in Q3 2019 (26.2 per cent) but increased to 26.3 per cent when excluding the positive effects from IFRS 16. As earlier communicated XXL decided to increase the marketing spending in the quarter, which was NOK 5 million higher than the same quarter last year.

### **Denmark**

XXL has made adjustments to the operation in Denmark in order to reach break-even on a significant lower cost base. In the quarter the marketing spending and campaign activities were reduced which impacted the sales volumes negatively but improved the cost base. Total operating revenues in the third quarter 2019 therefore amounted to

NOK 10 million (NOK 18 million), representing a negative growth of 48.8 per cent in local currency. Fewer campaigns resulted in higher gross margin, which increased from 16.9 per cent in Q3 2018 to 20.0 per cent in Q3 2019. However the growth rate was impacted and subsequently also the cost leverage. Operating expenses as percentage of sales increased from 25.7 per cent in Q3 2018 to 45.2 per cent in Q3 2019. The EBITDA was negative of NOK 2 million in the quarter (NOK 2 million). XXL will make further changes in Denmark including moving the operations under the Norwegian E-commerce organization.

### Austria

Total operating revenues from the Austrian operations amounted to NOK 123 million in the third quarter (NOK 99 million) representing a growth of 21.2 per cent in local currency. The growth was driven by new stores in the period offset by a negative like-for-like growth of 10.0 per cent in local currency. Both the stores included in the like-for-like figure have cannibalization effects from the Vienna city store that opened in Q2 2019. The gross margin improved by 2.8 percentage points in the quarter to 31.7 per cent. 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.

Operating expenses as percentage of sales improved from 45.2 per cent in Q3 2018 to 34.7 per cent in Q3 2019, and to 41.4 per cent when excluding for IFRS 16 effects. EBITDA was negative of NOK 4 million (NOK 16 million). Excluding positive effects from implementing IFRS 16, the EBITDA was negative of NOK 12 million. The lower EBITDA loss is driven by significantly higher gross margin as described above. XXL still lacks scale in Austria and the results are still impacted by high HQ- (around 4 per cent of total operating revenues YTD) and marketing costs (around 14 per cent of total operating revenues YTD).

### 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 83 million (NOK 102 million) in Q3 2019. This equals 3.3 per cent of total Group operating revenue compared to 4.1 per cent in the third quarter last year. Excluding the positive effects from the implementation of IFRS 16 the EBITDA in Q3 2019 was NOK 95 million, corresponding to 3.8 per cent of total Group operating revenue. The main reason behind this is a positive effect of NOK 18 million due to reversal of costs related to share option programs for key employees. In the quarter XXL continued the process of reorganizing and centralizing the marketing functions of the Group. 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 – Third quarter

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

**Total operating revenue** decreased by 1.2 per cent to NOK 2 473 million (NOK 2 504 million).

**Total operating expenses** equaled NOK 2 379 million (NOK 2 361 million) in the third quarter. Other operating expenses decreased from NOK 332 million in Q3 2018 to NOK 233 million in Q3 2019, while depreciation increased from NOK 47 million in Q3 2018 to NOK 177 million in Q3 2019. This is due to the implementation of IFRS 16.

**Net financial expense** amounted to NOK 52 million for the third quarter (NOK 12 million) whereof IFRS 16 effects amounted to NOK 23 million. Net interest expenses equaled NOK 25 million (NOK 9 million). Net financial expenses include a positive currency effect of NOK 2 million compared to a positive currency effect of NOK 3 million in the same quarter last year. Other financial expenses of NOK 6 million were related to amortization of loan costs and other financial costs.

**Income tax expense** for the third quarter was NOK 8 million (NOK 26 million) and the effective tax rate was 20.0 per cent.

**Profit for the period** ended at NOK 33 million (NOK 105 million).

### Consolidated cash flow

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

Cash provided by operating activities was NOK 302 million (NOK 256 million) in the third quarter. Excluding IFRS 16 effects, the cash provided from operating activities was NOK 163 million. The main reason for the negative development compared to Q3 2018, is reduced profit before income tax and increased inventory, partly offset by changes in accounts payables. XXL has chosen not to fully utilize its cash discounts towards its suppliers and thereby increased the payables.

The inventory increased from NOK 3 147 million at the end of Q3 2018 to 3 423 million at the end of Q3 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. XXL stopped purchasing in several categories in addition to stricter control and forecasting of volumes. Inventory per store ended at NOK 37.1 million by the end of Q3 2019 (NOK 36.4 million). In order to strengthen the control and speed of inventory reductions the Board of Directors has immediately placed the mandate with the CFO and the finance team of XXL. The medium-



term ambition of reducing the inventory down towards NOK 25 million per store remains firm and will strengthen the balance sheet significantly. 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.

Depreciation amounted to NOK 177 million in the third quarter (NOK 47 million). NOK 127 million relates to the implementation of IFRS 16.

Cash used by investing activities was NOK 37 million (NOK 57 million) in Q3 2019. This is related to investments in new stores, maintenance CAPEX on existing stores and investments in infrastructure. In the quarter XXL also acquired West Systems Norge AS, a niche player within the watersport segment.

Cash used by financing activities amounted to NOK 195 million (NOK 293 million) in the third quarter. In the third quarter NOK 103 million is related to down payments on credit facilities (proceeds of NOK 45 million on existing credit facilities). Repayment of lease liabilities amounted to NOK 139 million in Q3 2019 compared to none last year due to IFRS 16 reclassification. XXL has also sold own shares of NOK 77 million in the quarter compared to a purchase of NOK 50 million in the same quarter last year. Dividend has not been paid in the quarter, compared to NOK 278 million same quarter last year.

#### Financial position and liquidity

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

As of 30 September 2019, total assets amounted to NOK 10 700 million (NOK 7 437 million). The increase is due to the implementation of IFRS 16 and right of use assets amounted to NOK 2 957 million. When excluding for IFRS 16 effects total assets amounted to NOK 7 744 million. Total equity was NOK 3 841 million (NOK 3 703 million), resulting in an equity ratio of 35.9 per cent (49.8 per cent) or 50.0 per cent when excluding for the effects of the implementation of IFRS 16. Net interest bearing debt (NIBD) decreased to NOK 1 872 million (NOK 2 062 million). NIBD/EBITDA (excluding IFRS 16 effects), equalled 4.2x.

The Group had cash and cash equivalents of NOK 175 million (NOK 118 million) as of 30 September 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 982 million was used as of 30 September 2019. Available liquidity reserves as of 30 September 2019 were NOK 575 million (NOK 414 million).

#### Acquisition of West System Norge AS

To strengthen the position as the full range, specialist sport retailer, XXL has acquired a niche player within the watersports segment during the quarter, West System Norge AS. This is an elderado of watersport products, spanning from kayaks and sups, wet suits, small boats and ribs to engines. They have already close to 30 per cent online sales and are developing with strong growth. XXL will

utilize the competence to build a new category while West System Norge AS will also continue as a stand alone operation, but extract synergies only where it make sense. The acquisition price will not be disclosed but is less than an investment of opening a new store (including working capital).

#### Private placement and subsequent offering

XXL has completed a conditional private placement of 26 666 667 new shares in the company at a subscription price of NOK 15 per share. The Private Placement was directed at the key shareholders of the company. The Private Placement is subject to approval by an extraordinary general meeting to be held on 6 November 2019 (the "EGM"). Shareholders holding around 58 per cent of the shares in the company have undertaken to vote in favor of the Private Placement at the EGM.

The Board of Directors has considered the Private Placement in light of the equal treatment obligations under the Norwegian Securities Trading Act and Oslo Børs' Circular no. 2/2014, and is of the opinion that the proposed Private Placement is in compliance with these requirements. The equity issuance will be carried out as a private placement in order to complete a transaction in an efficient manner to strengthen the balance sheet following the publication of the preliminary Q3 2019 figures. The closing price on 14 October 2019 did not reflect the share price effect of the publication of the preliminary Q3 2019 figures. Further, the company intends to carry out a subsequent offering directed towards shareholders not allocated shares in the Private Placement. On this basis, and based on an assessment of the current equity markets, the company's need for equity funding, deal execution risk and possible alternatives, the Board of Directors has considered the Private Placement to be in the common interest of the company and its shareholders. As a consequence of the overall transaction structure, the shareholders' preferential rights will be deviated from.

The Private Placement consists of 26 666 667 new shares which have been allocated as follows:

- Ferd AS 2 990 188 shares, ODIN Norden 1 983 529 shares, ODIN Norge 1 007 301 shares and Arctic Funds Plc 1 655 837 shares
- Dolphin Management AS up to 2 205 956 shares
- Altor those shares not allocated to the above investors

Ferd AS, ODIN Norden, ODIN Norge and Arctic Funds Plc have been allocated their pro-rata share of the number of new shares to be issued in the Private Placement and the Subsequent Offering. Altor and Dolphin Management AS are represented on the Board of Directors.

The Board of Directors will also propose a subsequent offering of 6 666 667 new shares, in which shareholders of the company as of close of trading on 15 October 2019, as recorded in the VPS on 17 October 2019, who were not allocated shares in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful, or would (in jurisdictions other than Norway) require any prospectus filing, registration or similar action

(“Eligible Shareholders”), will receive subscription rights. Each Eligible Shareholder is expected to receive approximately 0.11 subscription right per existing share. The subscription rights will not be listed or transferable. Subscription without subscription rights and over-subscription in the Subsequent Offering will not be permitted. The Subsequent Offering is fully underwritten by Altor. The Subsequent Offering will, inter alia, be conditional upon (i) completion of the Private Placement, (ii) a resolution of the extraordinary general meeting, to be held on 6 November 2019, authorizing the Board of Directors to issue the new shares in the Subsequent Offering, and (iii) approval and publication of a prospectus regarding, inter alia, the Subsequent Offering. The subscription price in the Subsequent Offering is equal to the Private Placement, NOK 15 per share.

DNB Markets, a part of DNB Bank ASA, and Nordea Advisory & ECM, part of Nordea Bank Abp, filial i Norge act as managers for the Private Placement and the Subsequent Offering. Advokatfirmaet Thommessen AS is acting as legal advisor to XXL in relation to the Private Placement and the Subsequent Offering.

#### **Changes to the covenant for the bank financing**

On 11 June 2019, XXL and the bank consortium, consisting of DNB Bank ASA and Nordea Bank Abp, filial i Norge, agreed on a new covenant. The following covenants were agreed on NIBD/EBITDA basis (excluding IFRS 16 effects) – Q2 2019 of 4.5x, Q3 2019 of 4.25x and Q4 2019 and going forward of 3.5x.

XXL has agreed with its bank consortium the following main covenants, subject to completion of the Private Placement and the Subsequent Offering:

- the NIBD/EBITDA covenant for 2020 shall be 4x, excluding IFRS 16 effects and potential impact from liquidation/sale of inventory outside of existing distribution channels and main markets
- No distribution of dividends or share buy-back prior to 31 December 2020

#### **Changes in the Board of Directors**

Following completion of the Private Placement and the Subsequent Offering, Altor will be the largest shareholder of the company. It is therefore proposed that the EGM resolves that current Board member Hugo Maurstad becomes the new Chairman of the Board of Directors while Øivind Tidemandsen shall continue as Board member.

#### **Outlook**

XXL has signed 4 new lease agreements for store openings in 2019 where of 1 in Sweden, 2 in Finland and 1 in Austria.

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 160 million. Going forward XXL expects to slow down the pace of the store roll-out to 3-5 new stores per year 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 long term objectives of the Group will be presented at the Q4 2019 presentation as well as a revised strategy plan.

Oslo, 22 October 2019  
Board of Directors, XXL ASA

**Condensed consolidated financial statements**

Unaudited for the period ended September 30, 2019

<i>(Amounts in NOK million)</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018 Audited	Q3 2019 (ex IFRS 16)	YTD 2019 (ex IFRS 16)
<b>Total Operating Revenue</b>	<b>2 473</b>	2 504	<b>6 673</b>	6 905	9 475	<b>2 473</b>	<b>6 673</b>
Cost of goods sold	1 551	1 579	4 075	4 299	5 938	1 551	4 075
Personnel expenses	418	402	1 196	1 177	1 615	418	1 196
Depreciation*	177	47	525	138	189	51	148
Other operating expenses*	233	332	667	1 003	1 380	372	1 073
<b>Total Operating Expenses</b>	<b>2 379</b>	2 361	<b>6 462</b>	6 618	9 123	<b>2 392</b>	<b>6 492</b>
<b>Operating Income</b>	<b>94</b>	143	<b>211</b>	288	352	<b>81</b>	<b>182</b>
<b>Net Financial Income (+) / Expense (-)*</b>	<b>-52</b>	-12	<b>-135</b>	-48	-57	<b>-28</b>	<b>-63</b>
<b>Profit before income tax</b>	<b>42</b>	131	<b>76</b>	240	295	<b>53</b>	<b>118</b>
Income tax expense*	8	26	15	48	58	11	24
<b>Profit for the period</b>	<b>33</b>	105	<b>61</b>	192	237	<b>42</b>	<b>95</b>
<b>Basic Earnings per share (NOK)</b>	<b>0,24</b>	0,76	<b>0,45</b>	1,39	1,72	<b>0,30</b>	<b>0,69</b>
<b>Diluted Earnings per share (NOK)</b>	<b>0,24</b>	0,75	<b>0,44</b>	1,37	1,72	<b>0,30</b>	<b>0,69</b>
<b>Other comprehensive income</b>							
<u>Items that may be subsequently reclassified to profit or loss</u>							
Foreign currency rate changes	1	-1	2	-3	9	1	2
<b>Total Other Income and Expense</b>	<b>1</b>	-1	<b>2</b>	-3	9	<b>1</b>	<b>2</b>
<b>Total comprehensive income for the period</b>	<b>35</b>	104	<b>63</b>	189	246	<b>43</b>	<b>-69</b>

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

\*See Note 9 for YTD/Q3 effects from IFRS 16

## Condensed Consolidated Interim Statement of Financial Position

<i>(Amounts in NOK million)</i>	Note	30.9.19	30.9.18	31.12 2018 Audited	30.9.19 (ex IFRS 16)
<b>NON CURRENT ASSETS</b>					
<b>Intangible Assets</b>					
Goodwill		2 744	2 734	2 734	2 744
Other Intangible Assets		251	249	251	251
<b>Total Intangible Assets</b>		<b>2 995</b>	<b>2 982</b>	<b>2 985</b>	<b>2 995</b>
Fixed Assets		839	883	909	839
Non-Current Financial Assets		-	3	9	-
Right of Use Assets	9	2 957	-	-	-
<b>Total Non Current Assets</b>		<b>6 790</b>	<b>3 868</b>	<b>3 903</b>	<b>3 834</b>
<b>CURRENT ASSETS</b>					
Inventory		3 423	3 147	3 211	3 423
Trade and Other Receivables		312	304	354	312
Cash and Cash Equivalents		175	118	194	175
<b>Total Current Assets</b>		<b>3 910</b>	<b>3 569</b>	<b>3 760</b>	<b>3 910</b>
<b>TOTAL ASSETS</b>		<b>10 700</b>	<b>7 437</b>	<b>7 662</b>	<b>7 744</b>
<b>SHAREHOLDERS' EQUITY</b>					
Paid-in Capital		2 958	2 837	2 790	2 958
Other equity	9	883	867	920	917
<b>Total Shareholders' Equity</b>		<b>3 841</b>	<b>3 703</b>	<b>3 710</b>	<b>3 875</b>
<b>LIABILITIES</b>					
Deferred Tax Liability		86	108	41	94
<b>Total Provisions</b>		<b>86</b>	<b>108</b>	<b>41</b>	<b>94</b>
<b>Other non-current liabilities</b>					
Interest Bearing Non-Current Liabilities		1 066	1 042	1 081	1 066
Lease Liabilities	9	2 454	-	-	-
<b>Total other non-current liabilities</b>		<b>3 520</b>	<b>1 042</b>	<b>1 081</b>	<b>1 066</b>
<b>Total non-current liabilities</b>		<b>3 606</b>	<b>1 150</b>	<b>1 122</b>	<b>1 160</b>
<b>Current liabilities</b>					
Accounts Payable		1 003	763	861	1 003
Lease Liabilities	9	545	-	-	-
Current Interest Bearing Liabilities		982	1 138	994	982
Tax payable		-45	-4	53	-45
Public duties payable		326	291	385	326
Other current liabilities		443	396	538	443
<b>Total current liabilities</b>		<b>3 253</b>	<b>2 584</b>	<b>2 831</b>	<b>2 709</b>
<b>TOTAL LIABILITIES</b>		<b>6 859</b>	<b>3 734</b>	<b>3 953</b>	<b>3 869</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10 700</b>	<b>7 437</b>	<b>7 662</b>	<b>7 744</b>

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

**Condensed Consolidated Interim Statement of Cash Flows**

<i>(Amounts in NOK million)</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY2018 Audited	Q3 2019 (ex IFRS 16)	YTD 2019 (ex IFRS 16)
<b>Operating Activities</b>							
Profit before income tax	42	131	76	240	295	53	118
<i>Adjustments for:</i>							
Income tax paid	0	-5	-107	-118	-113	0	-107
Depreciation	177	47	525	138	189	51	148
Net financial expense	52	12	135	48	57	28	63
<i>Changes in working capital:</i>							
Changes in inventory	-52	27	-249	-91	-89	-52	-249
Changes in accounts receivable	-41	23	40	61	21	-41	40
Changes in accounts payable	120	59	146	-58	32	120	146
Other changes	4	-37	-105	-87	68	4	-105
<b>Cash Provided (used) by Operating Activities</b>	<b>302</b>	<b>256</b>	<b>461</b>	<b>132</b>	<b>460</b>	<b>163</b>	<b>55</b>
<b>Investing Activities</b>							
Acquisition of fixed assets and intangible assets	-23	-57	-101	-193	-243	-23	-101
Payments/proceeds from acquisitions/disposals	-14	0	-4	0	0	-14	-4
<b>Cash Provided (used) by Investing Activities</b>	<b>-37</b>	<b>-57</b>	<b>-105</b>	<b>-193</b>	<b>-243</b>	<b>-37</b>	<b>-105</b>
<b>Financing Activities</b>							
Sale of own shares/other equity transactions	77	-50	77	-59	-109	77	77
Payments/proceeds on long/short term debt	-103	45	19	232	86	-103	19
Repayment of lease liabilities*	-139	0	-407	0	0	0	0
Interest payments	-31	-10	-54	-30	-36	-31	-54
Dividend	0	-278	0	-278	-276	0	0
<b>Cash Provided (used) by Financing Activities</b>	<b>-195</b>	<b>-293</b>	<b>-364</b>	<b>-135</b>	<b>-335</b>	<b>-56</b>	<b>43</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>70</b>	<b>-94</b>	<b>-8</b>	<b>-195</b>	<b>-117</b>	<b>70</b>	<b>-8</b>
Cash and cash equivalents - beginning of period	118	212	194	314	314	217	194
Effect of foreign currency rate changes on cash and equivalent:	-12	0	-12	-1	-2	-12	-12
<b>Cash and Cash Equivalents - End of Period</b>	<b>175</b>	<b>118</b>	<b>175</b>	<b>118</b>	<b>194</b>	<b>175</b>	<b>175</b>

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

\*See Note 9 for YTD/Q3 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
<b>Shareholders' Equity 31.12.17</b>	<b>55</b>	<b>2 806</b>	<b>23</b>	<b>954</b>	<b>7</b>	<b>3 846</b>
Effect of IFRS 15 Implementation	0	0	0	-11	0	-11
<b>Shareholders' Equity 01.01.18</b>	<b>55</b>	<b>2 806</b>	<b>23</b>	<b>943</b>	<b>7</b>	<b>3 835</b>
Net income Q3 YTD 2018				192		192
Foreign currency rate changes					-1	-1
<b>Transactions with owners:</b>						
Share options		-11				-11
Purchase own shares		-100				-100
Issue of new shares	0	51				52
Employee share incentive program			12			12
Dividend				-276		-276
<b>Shareholders' Equity 30.09.18</b>	<b>56</b>	<b>2 747</b>	<b>35</b>	<b>859</b>	<b>7</b>	<b>3 703</b>
Net income Q4 2018				45		45
Foreign currency rate changes					10	10
<b>Transactions with owners:</b>						
Purchase own shares		-50				-50
Employee share incentive program			2	0		2
<b>Shareholders' Equity 31.12.18</b>	<b>56</b>	<b>2 697</b>	<b>37</b>	<b>904</b>	<b>16</b>	<b>3 710</b>
Net income 2019*				61		61
Foreign currency rate changes*					2	2
<b>Transactions with owners:</b>						
Employee share incentive program			-9			-9
Sale own shares		178		-100		77
<b>Shareholders' Equity 30.09.2019</b>	<b>56</b>	<b>2 875</b>	<b>28</b>	<b>865</b>	<b>19</b>	<b>3 841</b>

# Notes to the interim financial statements<sup>1)</sup>

## 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 nine months ended 30 September 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

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	YE 2018	Q3 2019 (ex IFRS 16)	YTD 2019 (ex IFRS 16)
Total profit (in NOK million)	33	105	61	192	237	42	95
Weighted average number of ordinary shares in issue	138 725 870	138 101 239	136 904 550	137 967 422	137 969 167	138 725 870	136 904 550
Number of shares outstanding	139 096 077	139 096 077	139 096 077	139 096 077	139 096 077	139 096 077	139 096 077
<b>Adjustment for:</b>							
Effect share options	441 901	2 324 645	406 598	2 287 874	241 117	441 901	406 598
Weighted number of ordinary shares in issue for diluted earnings per share	139 167 771	140 425 884	137 311 148	140 255 296	138 210 284	139 167 771	137 311 148
<b>Basic Earnings per share (in NOK)</b>	0,24	0,76	0,45	1,39	1,72	0,30	0,69
<b>Diluted Earnings per share (in NOK)</b>	0,24	0,75	0,44	1,37	1,72	0,30	0,69

## 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:

### Q3 2019

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	1 112	736	492	10	123	-	2 473
Gross profit	437	269	175	2	39	-	922
EBITDA	202	89	68	-2	-4	-83	271
EBITDA (ex IFRS 16)	145	51	45	-2	-12	-95	132
Operating Income	140	39	40	-2	-15	-108	94
Operating Income (ex IFRS 16)	131	39	39	-2	-16	-110	81

### Q3 2018

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	1 217	724	445	18	99	-	2 504
Gross profit	473	265	154	3	29	-	924
EBITDA	196	76	37	-2	-16	-102	190
Operating Income	183	65	31	-2	-19	-116	143

### 01.01.2019 - 30.09.2019

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	3 064	1 905	1 316	39	349	-	6 673
Gross profit	1 278	715	482	8	117	-	2 599
EBITDA	651	200	159	-9	-18	-248	736
EBITDA (ex IFRS 16)	484	86	92	-9	-40	-284	329
Operating Income	467	53	75	-9	-50	-325	211
Operating Income (ex IFRS 16)	444	53	73	-9	-50	-330	182

### 01.01.2018 - 30.09.2018

<i>Amounts in NOK million</i>	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	3 358	1 992	1 262	52	241	-	6 905
Gross profit	1 339	740	448	9	71	0	2 606
EBITDA	561	142	79	-7	-52	-297	426
Operating Income	523	110	61	-7	-58	-342	288

### 01.01.2018 - 31.12.2018

<i>Amounts in NOK million</i>	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
EBITDA	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 Q3 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

<i>(Amounts in NOK million)</i>	<b>Buildings, machinery and vehicles</b>
<b>Aquisition cost 01.01.2019</b>	<b>3 195</b>
Additions	189
Disposals and write-downs	0
Net exchange differences	0
<b>Aquisition costs 30.09.2019</b>	<b>3 384</b>
Depreciation	-377
Impairment losses in the period	0
Disposals	0
Transfers and reclassifications	0
Currency exchange differences	-50
<b>Accumulated depreciation and impairment 30.09.2019</b>	<b>-427</b>
<b>Total Right of Use Assets at 30.09.2019</b>	<b>2 957</b>
Lower of remaining lease term or economic life	0 - 13 years
Depreciation method	Linear

**Lease liabilities**

<i>(Amounts in NOK million)</i>	<b>Total</b>
<b>Summary of the lease liabilities in the financial statements</b>	
<b>At initial application 01.01.2019</b>	<b>3 195</b>
New lease liabilities recognised in the period	188
Leasing payments for the principal portion of the lease liability	-407
Interest expense on lease liabilities	71
Reassessment of the discount rate on previous lease liabilities	0
Currency exchange differences	-50
<b>Total lease liabilities at 30.09.2019</b>	<b>2 998</b>
<b>whereof:</b>	
Current lease liabilities < 1 year	545
Non-current lease liabilities > 1 year	2 454

**IFRS 16 effects on the income statement Q3 YTD 2019**

(+) positive effect (-) negative effekt

<i>(Amounts in NOK million)</i>	<b>Total</b>
Depreciation	-377
Leasing payments for the principal portion of the lease liability	407
<b>Effect on Operating income in the period</b>	<b>29</b>
Interest expense on lease liabilities	-71
<b>Effect on Profit before income tax in the period</b>	<b>-42</b>
Tax	8
<b>Effect on Profit for the period</b>	<b>-33</b>
Currency exchange differences *)	0
<b>Effect on other comprehensive income</b>	<b>-33</b>

**IFRS 16 effects on the income statement Q3 2019**

(+) positive effect (-) negative effekt

<i>(Amounts in NOK million)</i>	<b>Total</b>
Depreciation	-127
Leasing payments for the principal portion of the lease liability	139
<b>Effect on Operating income in the period</b>	<b>12</b>
Interest expense on lease liabilities	-23
<b>Effect on Profit before income tax in the period</b>	<b>-11</b>
Tax	2
<b>Effect on Profit for the period</b>	<b>-9</b>
Currency exchange differences *)	0
<b>Effect on other comprehensive income</b>	<b>-9</b>

## **Note 10 Events after the reporting period**

On 15 October, XXL ASA announced that in order to strengthen its balance sheet, XXL has completed a conditional private placement of 26,666,667 new shares in the Company at a subscription price of NOK 15 per share. The Private Placement was directed at the key shareholders of the Company. The Private Placement is subject to approval by an extraordinary general meeting to be held on or about 6 November 2019 (the "EGM"). Shareholders holding ~58% of the shares in the Company have undertaken to vote in favor of the Private Placement at the EGM. The Private Placement consists of 26,666,667 new shares which have been allocated as follows: - Ferd AS 2,990,188 shares, ODIN Norden 1,983,529 shares, ODIN Norge 1,007,301 shares and Arctic Funds Plc 1,655,837 shares - Dolphin Management AS up to 2,205,956 shares - Altor those shares not allocated to the above investors.

The Board of Directors will also propose a subsequent offering of 6,666,667 new shares, in which shareholders of the Company as of close of trading on 15 October 2019, as recorded in the VPS on 17 October 2019, who were not allocated shares in the Private Placement, and who are not resident in a jurisdiction where such offering would be unlawful, or would (in jurisdictions other than Norway) require any prospectus filling, registration or similar action ("Eligible Shareholders"), will receive subscription rights. The subscription rights will not be listed or transferable. Subscription without subscription rights and over-subscription in the Subsequent Offering will not be permitted. The Subsequent Offering is fully underwritten by Altor. The Subsequent Offering will, inter alia, be conditional upon (i) completion of the Private Placement, (ii) a resolution of the extraordinary general meeting, to be held on 6 November 2019, authorising the Board of Directors to issue the new shares in the Subsequent Offering, and (iii) approval and publication of a prospectus regarding, inter alia, the Subsequent Offering. The subscription price in the Subsequent Offering is equal to the Private Placement, NOK 15 per share.

Furthermore, XXL has agreed with its bank consortium the following main covenants, subject to completion of the Private Placement and the Subsequent Offering: - the NIBD/EBITDA covenant for 2020 shall be 4x, excluding IFRS 16 effects and potential impact from liquidation/sale of inventory outside of existing distribution channels and main markets - No distribution of dividends or share buy-back prior to 31 December 2020

Following completion of the Private Placement and the Subsequent Offering, Altor will be the largest shareholder of the Company. It is therefore proposed that the EGM resolves that current Board member Hugo Maurstad becomes the new Chairman of the Board of Directors while Øivind Tidemandsen shall continue as Board member.

## 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.

## 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. All amounts in tables below are in NOK million.

### EBIT

Our EBIT represents operating income.

### EBITDA

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a key financial parameter for XXL. Our EBITDA represents operating income plus depreciation.

#### Reconciliation

	Q3'19	Q3'18	YTD 19	YTD 18	FY 18
Operating Income	94	143	211	288	352
+ Depreciation	177	47	525	138	189
<b>= EBITDA</b>	<b>271</b>	<b>190</b>	<b>736</b>	<b>426</b>	<b>541</b>

### 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.

### Like for Like excluding cannibalization effects

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. When excluding cannibalization effects, we exclude also store sales affected by new stores in the same area “stealing” revenue from that store. We measure this by collecting post codes from customers, to see if they switch store when a new store is closer.

### Gross profit / Gross margin

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

#### Reconciliation

	Q3'19	Q3'18	YTD 19	YTD 18	FY 18
Operating revenue	2 473	2 504	6 673	6 905	9 475
÷ Cost of goods sold	1 551	1 579	4 075	4 299	5 938
<b>= Gross profit</b>	<b>922</b>	<b>924</b>	<b>2 599</b>	<b>2 606</b>	<b>3 536</b>
<b>Gross margin</b>	<b>37,3%</b>	<b>36,9%</b>	<b>38,9%</b>	<b>37,7%</b>	<b>37,3%</b>

### Working capital

Working capital consists of trade and other receivables, accounts payables, inventory, public duties payable and other current liabilities.

### OPEX

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

#### Reconciliation

	Q3'19	Q3'18	YTD 19	YTD 18	FY 18
Other oper. expenses	233	332	667	1 003	1 380
+ Personnel expenses	418	402	1 196	1 177	1 615
<b>= OPEX</b>	<b>651</b>	<b>734</b>	<b>1 863</b>	<b>2 180</b>	<b>2 995</b>

**Net interest bearing debt (NIBD)**

Net interest bearing debt is defined as non-current interest bearing debt and current interest bearing debt less cash and cash equivalents. Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.

*Reconciliation*

	Q3'19	Q3'18	FY18
Non-Current Interest Bearing Debt	1 066	1 042	1 081
+ Current Interest Bearing Debt	982	1 138	994
÷ Cash and Cash Equivalents	175	118	194
<b>= Net Interest Bearing Debt</b>	<b>1 872</b>	<b>2 062</b>	<b>1 881</b>

**CAPEX**

Capital expenditure is the sum of purchases of fixed assets and intangible assets as used in our cash flow. Capex is a measure of investments made in the operations in the relevant period and is useful to users of XXL's financial information in evaluating the capital intensity of the operations.

**Liquidity reserve**

Our liquidity reserve is defined as our available cash and cash equivalents plus available liquidity through overdraft and credit facilities.

*Reconciliation*

	Q3'19	Q3'18	FY18
Cash and Cash Equivalents	175	118	194
+ Undrawn Credit Facilities	400	296	500
<b>= Liquidity reserve</b>	<b>575</b>	<b>414</b>	<b>695</b>

**Leverage ratio**

Leverage ratio is defined as NIBD/EBITDA, a measure for the strength of our financial position. See NIBD/EBITDA for explanation.

**Ecommerce**

Ecommerce is sales through online sales channels in comparison to sales through retail stores that are physical stores.

**Inventory per store**

Total inventory excluding goods in transit (GIT) divided on number of stores and number of E-commerce markets at end of period.

$$\text{Inventory per store} = \frac{(\text{Inventory} - \text{GIT})}{(\text{Number of stores} + \text{Ecom markets})}$$

**Excluding IFRS 16/Ex IFRS**

IFRS 16 was implemented for the Group 1 January 2019. As IFRS 16 have significant impact on our financial statement, financial position and cash flow and other APMs as defined in this section, we have chosen to present two sets of numbers; in which when excluding IFRS 16 effects we subtract the effects from the implementation of this IFRS standard. All IFRS effects are also

presented in total for the Group in Disclosure note 9 to the Quarterly report.

*Reconciliation (example)*

	Q3'19	Q3 YTD'19
EBITDA	271	736
÷ IFRS 16 effects – ref note 9	139	407
<b>= EBITDA (ex IFRS 16 effects)</b>	<b>132</b>	<b>329</b>

**NIBD/EBITDA**

See also leverage ratio above. Leverage ratio is defined as NIBD/EBITDA, a measure for the strength of our financial position. XXL aims to maintain a solid balance sheet through keeping this measure at a relative low level, to ensure financial flexibility and ensure cost efficient funding. This measure is also part of our covenant conditions in our loan agreement. We use 12 months rolling EBITDA in this calculation, ie in Q3 we use Q4 EBITDA from previous year + Q1 EBITDA from current year + Q2 EBITDA from current year + Q3 EBITDA from current year. The 12M Rolling EBITDA can include adjustments for exceptional P&L items, not being part of daily operations.

$$\text{NIBD/EBITDA} = \frac{\text{Net Interest Bearing Debt}}{12 \text{ M Rolling EBITDA}}$$

*Reconciliation*

	Q3'19	Q3'18	FY18
NIBD	1 872	2 062	1 881
12 M Rolling EBITDA	446	757	541
<b>NIBD/EBITDA</b>	<b>4.2x</b>	<b>2.7x</b>	<b>~3.5x</b>

---

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

**FINANCIAL CALENDAR**

Q4 and FY 2019 results:	07.02.2020
Q1 2020 results:	29.04.2020
Q2 and H1 2020 results:	16.07.2020

**INVESTOR CONTACT**

Contact person:	Tolle Grøterud
E-mail:	<a href="mailto:ir@xxlasa.com">ir@xxlasa.com</a>
Phone:	+4790272959