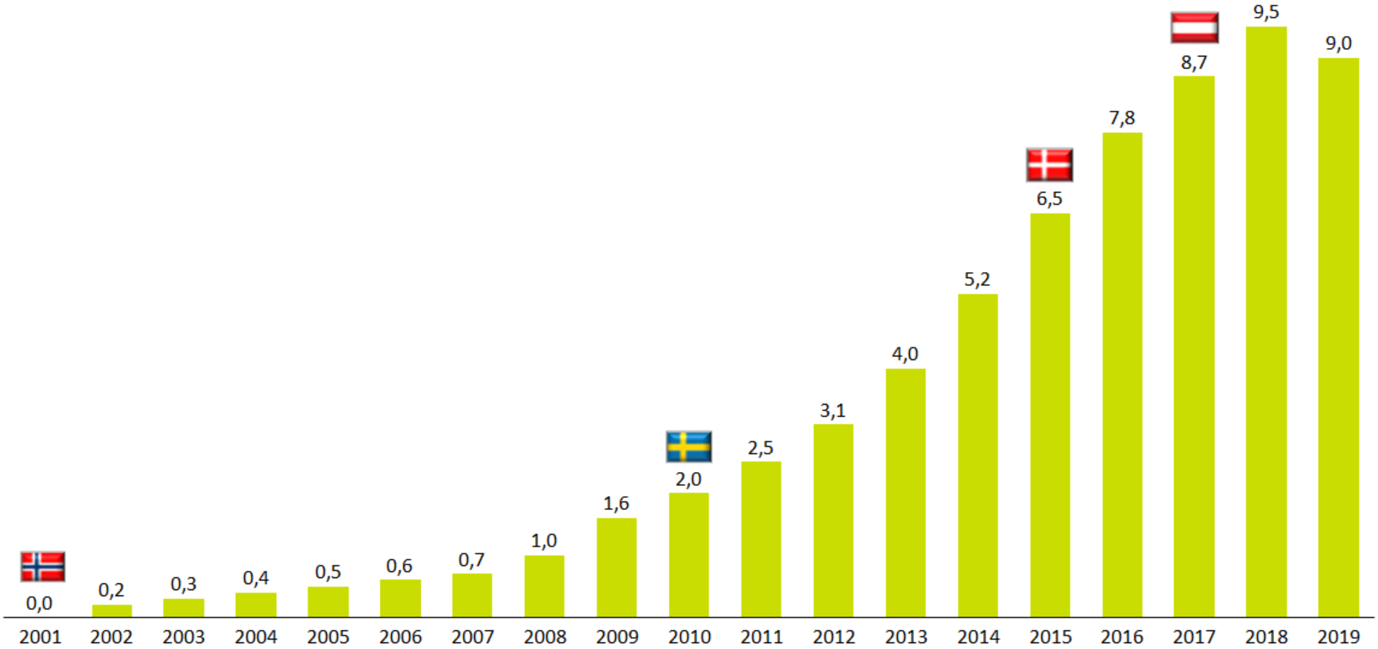
XXL
ALL SPORTS UNITED

XXL ASA
ANNUAL REPORT 2019

Revenue Growth

(NOK Billion)



Content

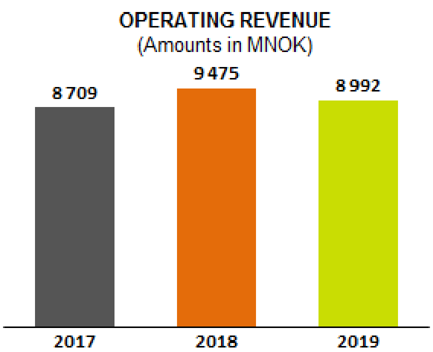
HIGHLIGHTS[1]

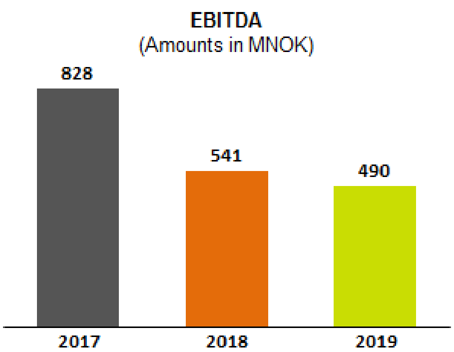
- Total revenues of NOK 8 992 million (NOK 9 475 million)
- Opened 4 new stores
- EBITDA adj of NOK 875 million
- Extraordinary writedown of inventory of NOK 385 million
- EBITDA reported of NOK 490 million (NOK 541 million)
- Net income of minus NOK 327 million (NOK 237 million)

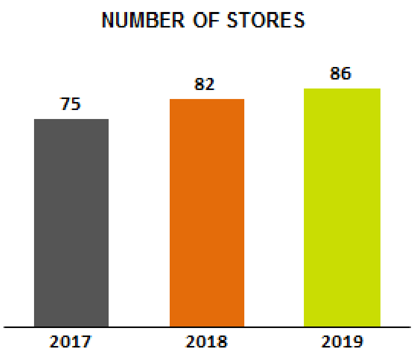
2019
Growth

Revenue -5%

EBITDA -9%







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

(Amounts in NOK million)	FY 2019 Audited	FY 2018 Audited
GROUP		
Operating revenue	**8 992**	**9 475**
Growth (%)	***-5,1 %***	***8,8 %***
Gross profit	**3 058**	**3 536**
Gross margin (%)	***34,0 %***	***37,3 %***
OPEX %	***28,6 %***	***31,6 %***
EBITDA	**490**	**541**
EBITDA margin (%)	***5,4 %***	***5,7 %***
Operating Income	**-284**	**352**
Operating income margin	***-3,2 %***	***3,7 %***
Net Income	**-327**	**237**
**Basic Earnings per share (NOK)	**-2,31**	**1,72**
**Average number of shares (1 000 shares)	**141 329**	**137 969**
Cash provided by operating activities	**938**	**460**
Like for like revenue growth	**-8,6 %**	**-0,3 %**
Number of stores at period end	**86**	**82**
New stores in the period	**4**	**4**

Bridging to from EBITDA reported to EBITDA (adj.)

	XXL Group	Norway	Sweden	Finland	Austria	Denmark	HQ & Logistics
EBITDA reported	**490**	**676**	**99**	**139**	**-55**	**-11**	**-358**
Extraordinary writedown of inventory	*385*	*169*	*123*	*69*	*23*	*1*	*-*
EBITDA (adj.)	**875**	**845**	**222**	**208**	**-32**	**-10**	**-358**
IFRS 16 effects affecting EBITDA	*532*	*214*	*147*	*92*	*30*	*-*	*49*
EBITDA (adj.) ex IFRS 16 effects	**343**	**631**	**75**	**116**	**-62**	**-10**	**-407**

**Earnings per share: See Note 14

KEY FIGURES

(Amounts in NOK million)	FY 2019 Audited	FY 2018 Audited
SEGMENT		
Norway		
Operating revenue	4 148	4 642
Growth (%)	*-10,6 %*	*4,7 %*
Gross profit	1 524	1 841
Gross margin (%)	36,7 %	39,7 %
OPEX %	20,4 %	23,2 %
EBITDA	676	765
EBITDA margin (%)	*16,3 %*	*16,5 %*
Number of stores at period end	36	36
New stores in the period	-	4
Sweden		
Operating revenue	2 558	2 679
Growth (%)	*-4,5 %*	*1,8 %*
Gross profit	816	980
Gross margin (%)	31,9 %	36,6 %
OPEX %	28,1 %	30,3 %
EBITDA	99	168
EBITDA margin (%)	*3,9 %*	*6,3 %*
Number of stores at period end	28	27
New stores in the period	1	1
Finland		
Operating revenue	1 766	1 714
Growth (%)	*3,0 %*	*14,7 %*
Gross profit	577	600
Gross margin (%)	32,7 %	35,0 %
OPEX %	24,8 %	29,3 %
EBITDA	139	99
EBITDA margin (%)	*7,9 %*	*5,8 %*
Number of stores at period end	17	15
New stores in the period	2	-

(Amounts in NOK million)	FY 2019 Audited	FY 2018 Audited
SEGMENT		
Denmark		
Operating revenue	49	77
Growth (%)	*-36,7 %*	*49,3 %*
Gross profit	10	12
Gross margin (%)	19,6 %	16,1 %
OPEX %	42,2 %	28,8 %
EBITDA	-11	-10
EBITDA margin (%)	*-22,6 %*	*-12,8 %*
Austria		
Operating revenue	470	363
Growth (%)	*29,6 %*	*269,8 %*
Gross profit	131	102
Gross margin (%)	27,9 %	28,2 %
OPEX %	39,5 %	47,4 %
EBITDA	-55	-70
EBITDA margin (%)	*-11,6 %*	*-19,2 %*
Number of stores at period end	5	4
New stores in the period	1	2
HQ & logistics		
EBITDA	-358	-412
EBITDA margin (% of Group revenues)	*-4,0 %*	*-4,3 %*

CEO comment

XXL is a paradise for sports and outdoor activities, with broad assortment of branded goods at the best prices, online and with the largest stores in the market, where our employees serve with high competence as specialists in their field. Combined this makes up the formula that has been a game changer in the Nordic sport retail the last decades. However 2019 proved to be a challenging year for the industry and so also for XXL. The Group posted negative sales growth and results for the first year in its history.

That is why we are systematically working on how to improve XXL. It will be hard work but is necessary to make sure that XXL stays in the forefront of the sports retail market. We have a unique starting point with a highly scalable base of stores with online inventory where people live, an e-commerce platform with high volume traffic and scaled for growth and logistics with robotics and automations. Last but not least XXL has highly motivated employees who are crucial in processes of change.

We will create changes that makes a difference for our customers – improved assortment through better category strategies, modernized concept, re-energized brand platform, coherent marketing across channels and always best price.

Our industry is facing challenging times. 2019 marked a new chapter in the sports retail industry in our markets, and especially in Norway. On the demand side we experience changes in consumer focus towards sustainability, reuse and outdoor activities and inspirations. Although this impacts consumer spending, we also see a positive impact for XXL as this implies more responsible consumer behavior, increased demand for high quality products and open up new business opportunities over time. The underlying trend of being healthy and physical active is still strong. On the supply side, heavy discounting activities continued throughout the year. At the same time the market matured and we see that we are operating in a more sluggish Nordic market with negative market growth. Going into 2020 we expect a restructuring of the market, with store closures, chains under reconstruction and continued discount activities. Over time we believe that capacity in the physical market will continue to decrease.

XXL delivered total operating revenues of NOK 9 billion in 2019 equaling 5 per cent decline. XXL focused on gross margin control and the underlying margin was up 1 percentage point during the year to solid 38.3 per cent. However this had a negative effect on the growth rate as well as the cost leverage. In a discounting and tough market XXL lost market shares in Norway and Sweden. Finland delivered a solid year with market share gains as well as higher profits. Austria still lacks scale and the results are still impacted by high central- and marketing costs. We have higher ambitions on sales volumes in Austria and will initiate a plan to break even within the next coming years.

The results for the year was significantly impacted by an extraordinary write down of inventory, lower bonuses from suppliers due to lower purchasing volumes and a negative like for like growth of 9 per cent impacting the cost leverage negatively. Net income for 2019 was negative of NOK 327 million and we are disappointed about the results.

XXL has established several strategic initiatives across several themes to protect our position and to prepare for future growth and being true to our vision of creating the leading European sports and outdoor specialist – a one-stop destination for products and services for everyone. We want to reposition XXL as the sports retail specialist with the best prices. At the same time we will enhance our marketing approach and build the XXL brand. We are already working on “making the store fun again” by revising the approach to category management and by redesigning and implementing the new version of the store and e-commerce concept. It is our aim to establish XXL as an omni-channel champion by enhanced operations and efficiency and by strengthening our customer orientation and being one XXL across all channels.

In addition we will make sure that we adjust the cost base accordingly by rightsizing the organization and realize significant cost reductions. We have already executed an inventory sell-down by execution of a broad-based clearance campaign and successfully reduced the inventory levels. Going forward XXL will significantly strengthen the forecasting processes, reduce purchasing volumes and the number of product variants.

In light of several incidents revealed in media, local authorities and by us during the year the Board of Directors decided on an investigation of these matters. The final report, conducted by an external legal firm, stated several inappropriate and severe incidents that are unacceptable and in breach with our policies and Code of Conduct. The clear recommendation was to strengthen and establish a strong

HR function in XXL along side better routines and training of employees as well as improved compliance functions. XXL recognizes the report and its conclusions as a foundation for necessary cultural and organizational changes. We have already started many initiatives in this respect although we also see that such needed changes will take time. Dedicated resources on both HR and Communications will be allocated and we are in process of several new recruitments in this regard. Building a strong and efficient organization with clarified roles and responsibilities is a key priority. We have to reinforce the strong XXL culture with a common understanding of direction and main goals. The management team will be strengthened and Pål Wibe is the new CEO of XXL from 1 April 2020. Finally - the investigation also revealed what is XXL most important asset - highly motivated employees. In the end XXL is all about people.

We believe there is a positive correlation between being a sustainable company and doing profitable business. We have performed a new mapping of essential sustainability themes by conducting a broad based stakeholder assessment and refining the material aspects of the Group which lead to the following four distinct priority areas: Good working environment and attractive jobs, Sustainable products and circular business models, Sustainable production and value chain and In-house climate and environmental impact. The process of energy consumption mapping has taken a great leap forward with the implementation of EOS/SD systems for automated control of energy consumption in stores, the Group has been able to increase its recycling rate further resulting in both lower costs and emissions and shopping bags of 100 per cent recycling materials as well recycled reusable shopping nets have been introduced. We will evaluate new circular business models. We are also introducing a new internal control system for documentation and follow-ups in the value chain.

“XXL All Sports United” – our business model is unique - broad assortment of branded goods at the best prices, in the largest stores in the market and online, where our employees serve with high competence as specialists in their field. Combined this makes up the XXL formula that has been a game changer in Nordic sports retail the last decades.

“XXL Sports Unite All” - sport is about deep passions, it connects people through generations, genders, cultures and differences. Sport is emotions, positive experiences, relaxing and healing. XXL makes sport accessible, available and affordable. That is why XXL is for all despite sex, age, amateur or expert. Through our core values of Passion, Innovation, Caring and Responsible we aim at creating the ultimate sport experience for you, playing on your positive emotions and for your health and well-being.

Tolle Grøterud
Acting CEO in 2019

Historical milestones

XXL has quickly grown to be a leading distribution channel for sports, outdoors and wilderness in Europe with the formula of cost efficient operations, broad product range, focus on branded goods and high degree of service. XXL entered the Norwegian market in 2001, Sweden in 2010, Finland in 2014, Denmark in 2016 and Austria in 2017 with a concept that became a game changer in the sports retail market. Important historical milestones are listed below;

2000	Founded by Øivind Tidemandsen
2001	The first XXL store was opened in central Oslo
2002	Norwegian webpage was launched
2007	Reached a 10 per cent market share (source: Sportsbransjen 2007) in Norway with 8 stores
2010	Private equity company EQT acquired a majority stake in XXL
2010	Opened the first three Swedish stores during a three month period
2011	Opened central warehouse at Gardermoen, Norway
2012	Swedish webpage was launched
2012	XXL gained a 20 per cent market share (source: Sportsbransjen 2012) in Norway with 18 stores
2013	XXL became the market leader in Norway with a 24 per cent market share (source: Sportsbransjen 2013) and 22 stores
2013	Established a central warehouse in Sweden for distribution in the EU
2014	Entered the Finnish market with 1 store and launch of Finnish website
2014	Successful IPO of XXL ASA at Oslo Stock Exchange
2015	XXL became the largest sports retailer in the Nordics
2015	Opened the first XXL Outlet store, in Charlottenberg Sweden
2016	Launched E-commerce operation in Denmark
2017	Crossed 30 per cent market share in Norway and above 15 per cent market share in both Sweden and Finland
2017	Opened the first two stores in Austria and launched Austrian website
2018	Launched online offering for sports teams and a new online sales site www.louds.no
2019	Acquisition of West System Norge AS – a niche player within the watersport segment (XXL's first acquisition)

About XXL

XXL is a true omni-channel sports retailer with the largest stores, well-functioning online websites, the widest assortment of products, focusing on well-known quality brands at the best prices in the market. The core objective revolves around customer satisfaction and cost consciousness and thereby maximization of the Group's profitability. XXL pursues a broad customer appeal, both in the stores and online, offering a wide range of products for sports, hunting, skiing, biking and other outdoor activities, as well as sportswear, shoes, health & fitness and sports technology products. XXL is a leading sports retailer in Europe with stores and E-commerce in Norway, Sweden, Finland, Austria and Denmark. It is the largest among the major sports retailers in the Nordics.

XXL has a strong, performance-based culture throughout the organization. The business is based on trained, skilled and enthusiastic employees strengthening the XXL brand every day. Motivated employees are crucial to maximize customer satisfaction. Big data, artificial intelligence and automatization processes will strengthen the XXL value chain in the coming years.

Business model and value chain
We have a disruptive scalable retail model that drives efficiency and cost leadership. This model is a result of a large unit store format, controlled value chain, efficient logistics, centralized purchasing and a fully integrated IT system resulting in a low cost operating structure, which allows us to offer products at low prices. We have, and strive to maintain, lower operating expenses than all competitors. This is achieved by XXL's scale, integrated value chain and a continuous focus on costs. The Group exercises tight control over store-level expenses, central warehouse expenses, real estate costs and corporate overhead. The cost consciousness and low cost base is critical to XXL as it enables XXL to meet competition by delivering price leadership and to constantly innovate and stay ahead of the market development. Moreover, it has enabled XXL to have higher EBITDA margin than its Nordic competitors over time.

XXL operates a fully integrated value chain that facilitates simple and lean operations, which results in low costs. XXL owns all of the stores without joint venture or any franchise arrangements. This means that the Group has control of the product flow with continuous tracking of key performance metrics such as sales data and inventory levels. XXL maintains central purchasing and distribution functions to manage inventory planning, allocate flow of goods to the stores and oversee the replenishment of goods to the central warehouses.

Omni-channel
XXL is in a strong position to build a true omni-channel platform offering a broad range of branded goods at the lowest price, providing valued customer service across all channels. With state of the art logistics and IT-systems, as well as an experienced and efficient purchasing team with strong supplier relationships, XXL has a robust backbone structure to support both the E-commerce operations and the physical stores. XXL believe that the strong brand name and customer recognition offline is advantageous to the online offering and vice versa.

Omni-channeling provides for a high degree of flexibility for the customer. Our online presence allows XXL to effectively use customer data to optimize marketing and facilitate cross-selling and up-selling. This was further strengthened in 2019 where we started to collect customer data also in stores. This allows us to further strengthen the use of personalization and segmentations activities. Through the CRM platform XXL has now the ability to use a single point of view of the customers based on behavior both in stores and online. This will over time improve personalized segmentation and optimize marketing activities. We are continuously working on strengthening the omni-channel offering to drive visitors and transactions. XXL has pick-up at store services in all the physical stores of the Group, enabling online shoppers at XXL to retrieve their goods in the nearest store. All products bought online with XXL could also be returned in the stores and the stores prepare the necessary services, fittings and adjustments on products for all our customers as well. We look at all stores as local warehouses, always closer to the customer than a pure online offering.

XXL has in 2019 also further developed the omni-channel offering. In order to improve sold out situations and broadening the available assortment, XXL has made all products in the Groups product range available for sales in all stores. XXL has also in 2019 introduced new self-service pick-up solutions in some stores by using locker solutions for smaller stores and automated pick-up towers in larger stores. XXL was the first Nordic retailer testing out the tower solution which is using state of the art robotics and engineering. These self service solutions provides for frictionless shopping and enhanced customer experience in stores as well as improved store efficiency and lower costs. XXL has also during 2019 rolled out self-service cashier solutions in many stores in Norway with great feedback from customers and will continue to roll out more in the years to come.

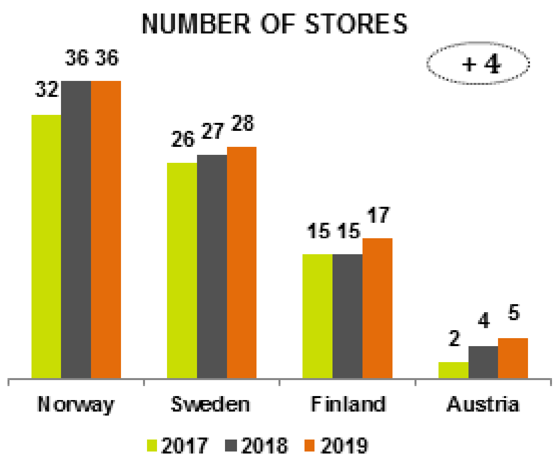
E-commerce operation
XXL's E-commerce operation currently consists of online websites in Norway, Sweden, Finland, Denmark and Austria with xxl.no, xxl.se, xxl.fi, xxl.dk and xxlsports.at respectively. The revenue contribution from E-commerce for the Group in 2019 corresponded to 16.1 per cent. Many initiatives have been introduced during the year to improve the user experience and increase sales. XXL has launched an upgraded online front-end on its webpages, with new design and features like search filters, new payment methods using Klara Shipping Service and promotional components to lift up services, specific products and campaigns. This improves the relevancy and customer experience and enhances the efficiency for technical development. Also the new data driven and algorithm based logistics system implemented for Norway during 2019 has further ensured availability of products online. The organization has also been strengthened during the year with more technical architects and customer service personnel.

The websites are an extension of the XXL brand and work as platforms for sale of goods, marketing of the brand as well as product education. The websites are also used to provide information on upcoming events, promotions, new products and store locations. The websites feature a similar range of products as offered in the stores at generally the same prices as in the physical store. In the new store concept, launched with the establishment in Austria, XXL uses digital price tags. This allows for dynamic and flexible pricing and uses robotics to compare prices so that XXL is true to its promise to have the lowest prices at all times.

Store concept
XXL stores aim at simplicity with highly uniform store layouts, a high degree of overlap in product ranges across stores and a lean cost structure. Each XXL store features specialist stores within a store concept for 1) sports, health & fitness, 2) shoes, 3) sportswear, 4) outdoor, 5) ski/bike and 6) hunting adn7) Sportstech To strengthen the position as the full range, specialist sport retailer, XXL has during 2019 acquired a niche player within the watersports segment, West System Norge AS. XXL will utilize the competence to build a Watersports category. The ski/bike store changes in accordance with the relevant season and XXL has the flexibility of changing assortment quickly when needed. The fully integrated model of XXL with a centralized purchasing function has the ability of shifting goods to regions with the highest demand and rapidly switching from winter to summer assortment. XXL also places a strong emphasis on maximizing customer convenience with respect to the entire shopping experience, from accessibility and parking to customer service and product placement. XXL uses a comprehensive product information system which allows customers to easily assess where products are located, with the key facts on each product. This leads to a high degree of self-service among customers and an efficient use of skilled staff. The Group focuses on providing the best customer service with trained category specialists for each section of the store.

The majority of the Group's stores are located in shopping centers and retail parks in high-density residential areas, with a substantial number of potential customers in the surrounding area and convenient access to transportation. XXL leases all of its stores. XXL has successfully opened new stores in city centers as well as suburban areas. In larger cities, such as Oslo, Bergen, Stockholm, Helsinki and Vienna, XXL has opened more than one store. This allows us to take advantage of local synergies for example in respect of marketing. Local infrastructure, the presence of competitors, the condition of available buildings for lease (i.e. technical standard, features and size) and the logistical fit into XXL's support system are important factors in selecting locations for new stores. In addition XXL has a strong focus on cost-efficiency and synergies when rolling out new stores. XXL had in total 86 stores at the end of 2019, 36 stores in Norway, 28 stores in Sweden, 17 stores in Finland and 5 in Austria.

Store development per country:



Products
XXL aims to offer a full assortment of branded goods for a wide range of sports and outdoor activities. The product range includes branded goods from well-known international brands and strong national brands. Our product ranges are tailored to meet national brand preferences and local conditions at the best prices. We compare our prices to competitors on a daily basis and seek to offer customers the best prices at all times. The Group has a high degree of overlap in product ranges in the stores, but there are certain

local and national differences in products and brand offerings due to demand and trends. The range of products available in XXL's stores and on the websites is based upon market development, customer preferences and our understanding of evolving customer needs.

XXL strives to offer a full range of equipment, sportswear and shoes for almost all sports and outdoor activities. The Group pays close attention to the performance of each product and product category and makes continuous adjustments to the product range. The purchase department centrally decides the product assortments, quantities and price for the products. The Group purchases branded goods from an extensive list of major sporting goods suppliers.

XXL also offers a limited range of products under private labels to complement the branded product range, mainly for brand insensitive products with relatively low price points. Around 9 per cent of the operating revenues in 2019 were related to sales of private label goods.

The products are organized into seven product categories to match the stores-in-store model and the E-commerce offering.

1. Sports, health & fitness covers sports equipment and sportswear for a number of sports including football, golf, water sports, racket sports and ice hockey to mention a few. It also covers fitness equipment like treadmills and rowing machines, as well as food supplements and nutrition.

2. Shoes include all types of sports-related and outdoor shoes and offer a variety of technical performance capabilities, including different levels of support, waterproofing and temperature control. XXL also offers a wide range of shoe accessories.

3. Sportswear is a wide assortment of clothes for men, women and children for outerwear, casual wear, sportswear and technical gear and swimwear to name some. XXL's sportswear selection has performance attributes such as waterproofing and temperature control.

4. Outdoor stocks a wide range of products to cater for fishing, wilderness living and camping, such as tents, lavvos, sleeping bags, backpacks, cooking equipment as well as climbing gear and equipment for horses and dogs.

5. Hunting includes firearms and ammunition, clothes, binoculars, optics, knives and axes.

6. Skis & Bikes is the product category with the most seasonal fluctuations. This category covers skis and ski accessories, such as shoes, poles, clothes and other equipment needed for cross-country and downhill skiing as well as snowboarding. On bikes the Group offers both high-end and everyday bikes for children, women and men as well as bike equipment such as helmets, shoes, spare parts and clothes. The Group sells a wide range of bikes such as hybrid bikes, mountain bikes, city bikes and electric bikes.

7. Sportstech was rolled out to all stores during 2017. This category covers products that connect technology and sports/outdoor activities including sport watches, action cameras, drones, GPS, earplugs and headphones, portable loudspeakers, sunglasses, pulse meters, power banks and cycle computers.

Services

Due to the Group's scale and highly efficient logistics setup, XXL is able to offer low prices and a price promise. Keeping costs low is critical for XXL to be able to maintain its price strategy of having the lowest prices at all times. If a product is found at a lower price within 30 days of purchase from XXL, the customer is entitled to a refund of the difference. XXL also have a 100 percent satisfaction guarantee of which a customer who is not satisfied with a product may exchange it for another product within the same product category within 30 days of purchase. In addition unused products with receipt may be exchanged or fully refunded within 100 days of purchase (up to 365 days in Sweden).

Each store also has its own studio for services and maintenance of products such as ski preparations, boot fitting and annual bicycle maintenance. This builds loyalty and good customer experience and currently XXL is working on building an environmental friendly work shop solution.

Marketing

XXL recognizes the value of powerful marketing and has adopted an aggressive marketing strategy with an aim to be the dominant force across targeted channels. Marketing activities principally relate to the promotion of XXL's stores and websites. We employ a range of marketing tools with direct marketing through weekly printed and digital newsletters as the backbone of the marketing strategy. We also use newspaper ads, TV-commercials and different digital marketing. XXL uses multiple digital channels to drive traffic to the stores and websites such as search engine marketing, internet ad placement, social media, email marketing such as weekly newsletters and personalization/retargeting through

CRM initiatives. The marketing activities mainly focus on smart marketing across channels to build brand awareness, improve customer loyalty, attract new customers and increase sales.

Sourcing and purchasing

XXL purchases goods from suppliers inside and outside the EU. The Group's purchasing vehicles are XXL Grossist Norge AS for Norway and XXL Europe GmbH for countries outside Norway. All of the purchases of the Group are made by one of these two companies. Merchandise is sold by XXL Grossist Norge AS to XXL Sport & Villmark AS for further distribution to Norwegian stores and online sales in Norway and similar sold by XXL Europe GmbH to XXL Sport & Vildmark AB in Sweden, XXL Sport and Outdoors OY in Finland, XXL Sports & Outdoor ApS in Denmark and XXL Sports & Outdoor GmbH in Austria. The Group's private label products are produced by manufacturers abroad, primarily in China and Taiwan.

XXL possess huge amount of data of which products that sells well and poorly in each market and geography. To ensure that the Group's product offerings are tailored to local market conditions and demand, the purchasing managers regularly meet with the vendors, review trade sales and evaluate merchandise offered by other sports retailers. In addition, they frequently gather feedback and new product reviews from store management and employees, as well as reviews submitted by the Group's customers.

Logistics and distribution

The Group has two central warehouses, one at Gardermoen Norway (outside EU) and one in Õrebro Sweden (inside EU). The Norwegian warehouse serves the Norwegian market, the Swedish serves Sweden, Finland, Denmark and Austria. Both warehouses are equipped with state of the art robotics (Autostore) which allows them to operate in an efficient and cost effective way. In addition XXL has developed customized order packing and shipping processes tailored to meet the specific requirements of the E-commerce business. XXL has centralized inventory management. In several markets, XXL started to replace the min/max replenishment system with a new data driven and algorithm based system in 2019. The indications are promising with significantly lower distribution of goods to the stores and more predictability for the central warehouses. It has reduced handling time for store personnel, provided more accurate and lower stock values combined and provides a more differentiated distribution of goods (by geography, season differences, size of store, relevant products).

We use third party transport providers to deliver stock to the warehouses and stores with one day delivery from the central warehouse to most of the stores and E-commerce delivery points.

IT-systems

XXL has one key operating IT-system, Axapta, for management of supply chain, warehouse, E-commerce operations, stores, financial, accounting and payroll systems. The IT infrastructure of XXL is designed to be able to access real-time data from any store or channel. The network infrastructure is fully integrated and allows for quickly and cost-efficiently adding of new stores to the network. XXL has further incorporated reporting tools that allow comprehensive monitoring of business performance and benchmarking, which is critical to management's ability to drive strong store level performance XXL has during 2019 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 quarters of 2019 to support decision making and take more correct actions to resolve critical issues.

Competitive landscape

XXL is currently serving the Norwegian, Swedish, Finnish and Austrian sporting goods markets with an omni-channel offering through large unit stores and E-commerce. In addition XXL launched E-commerce services in Denmark in 2016. XXL is offering a full range of sporting equipment and apparel at the best prices and focusing on branded products. The competitors consist primarily of focused sporting goods chains, independent specialty stores and to a lesser extent general department stores as well as online retailers. In each market, the four largest retailers have a combined market share of more than 50 per cent.

The most prevalent structure in the sporting goods market is companies operating under a franchise or buying union structure, where a local merchant operates a store and owns the operating company, while a central sports chain owns the brand and has a central warehouse and marketing function. Examples of these structures are Intersport and Sport 1 in Norway, Team Sportia and Intersport in Sweden, Intersport in Finland, Denmark and Austria. Chains primarily relying on a franchising structure typically also have, to a varying degree, some stores operated by the chain.

Less prevalent in the markets are stores that are operated by a single company, such as XXL and Stadium in Sweden. In these cases the store manager is an employee of the chain company and the sports chain owns the operations of the individual stores. These chains have the benefit of having integrated value chains and flexibility to plan for optimal execution across the full store network.

In addition to the sports chains, there are a number of independent sports retailers and specialist stores that operate a single store or a small number of stores. Because of the advantage being part of a larger system or buying group in terms of supplier terms, the number of independent stores and specialist stores has been declining for some time. In recent years, more producers have established stand-alone wholly owned brand stores.

A number of discount and general retailers offer a range of sporting goods in addition to other general merchandise, and in many cases offer a wide range of products across the full spectrum of sport categories. Key players include Coop, Prisma, Citymarket and Hervis/Spar.

With the rise of E-commerce, a number of pure online players focusing on sporting goods have emerged, including Sportamore in the Nordics or Outnorth in Europe. Typically also the sport retail chains operate with an E-commerce platform. In addition there are general online retailers that offer selected sporting goods as part of their assortment such as e-Bay, Amazon and Zalando. The E-commerce market is also at the time being characterized by many niche players.

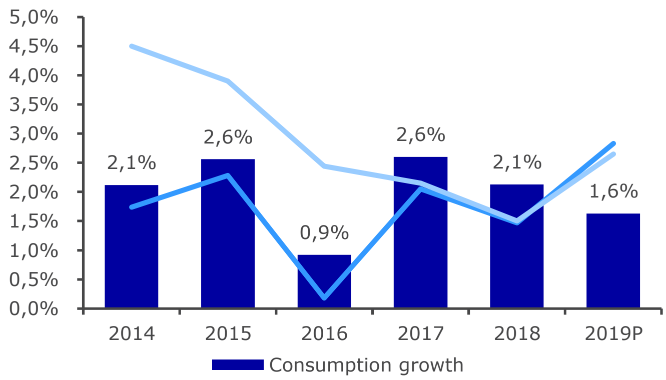
The sports retail industry has experienced a long-term trend of declining number of stores characterized by an increase in chain formation, high growth online and a reduction in independent stores. We believe this trend has been driven by the changing industry dynamics that resulted in part from XXL's introduction of large unit store concepts as well as the industrial transformation of sales over to online channels.

Drivers and trends
After several years of growth, the Nordic markets for sporting goods have been more challenging during 2019, with a decline in Norway, a more stable market in Sweden and weak growth in Finland. Slow-moving, and at times inactive and declining, markets have led to high inventory levels for several of the largest sport retailers in the Nordics as well as in XXL. This has subsequently lead to high promotion and discount activities. Several of the Group's largest competitors experienced weak or negative results in 2018, leading to continued store closures and bankruptcies in the sports retail industry in 2019 and during Q1 2020. According to Statistics Norway, 24 sport retail companies went bankrupt in Norway in 2019, compared to 24 in 2018 and 21 in 2017. In August 2019, the Group's competitor Gresvig announced it would discontinue its own brands, G-Sport and G-MAX, in Norway and rebrand all stores to the "Intersport" brand. However, Gresvig Retail Group AS filed for bankruptcy on 3 February 2020. As at the date of this annual report, it is not known what the outcome of the bankruptcy proceedings will be, nor how this will affect the competitive landscape among sport retailers in the Norwegian market.

The traditional sport retail market has, especially in Norway and Sweden, experienced high competition from retailers in lower price segments. This pertains particularly from outlet store concepts, which have grown significantly during the last four to five years. Further, E-commerce is growing fast as a sales channel and continues to gain customers who previously shopped in physical stores. The Group continues to experience competition from pure players within E-commerce who only rely on digital sales and do not have any physical stores. These E-commerce players constitute the greatest competition for the Group, and offer other high-end brands and products than the Group has in its product range, and have in a short period of time gained significant market shares within some categories of sports and outdoors merchandise. This is in line with the trend that sales channels such as E-commerce, outlets and direct-to-consumer sales have gained market shares from the sports retail chains in recent years. According to Virke, an retail industry interest group, sport retail stores in Norway experienced a negative growth of 3.1% in the period from January 2019 to August 2019, compared to the same period in 2018.

The challenging Norwegian market is partly due to factors affecting the broader retail industry. Growth in private consumption was lower in 2019 and lower than growth in real household disposable income. The latter is explained by higher saving ratio, due to higher interest rates, and potentially consumer debt regulation and new credit registers, which have helped restrain growth in consumer debt. In comparison, consumption grew faster than real household disposable income in the period from 2014 to 2018, driven by lower saving ratio (or increased consumer debt).

Overview of consumption growth



Source: Norges Bank, Monetary Policy Report with financial stability assessment 4/19, (published on 19 December 2019)

Further, consumers are becoming increasingly concerned with sustainability and the effects consumerism has on the environment, supporting the emerging trend of restrictive consumerism and consumer shaming. A survey performed by Finn.no and Opinon shows that three out of five have become more concerned with sustainable production and the environment than just a few years ago, while four out of five believe they will be more attentive to the environment in the future. This is in line with a global consumer trend of more conscious consumption to protect mankind, animals and the environment. Alternative marketplaces for second hand goods, sharing economy and clothing and equipment rental have also increased in popularity. For example, the Norwegian online second-hand marketplace, Finn.no, experienced solid growth in 2019; Number of new ads in the category "clothes, cosmetics and accessories" in the period from January 2019 to April 2019 increased by almost 15% year-over-year, while the number of visitors in April 2019 increased by more than one million year-over-year. There is, however, uncertainty regarding the size of the second hand market and the extent to which it replaces trade in the traditional retail market.

Moreover, unfavourable snow conditions in the main Nordic cities during the winter months, especially in Q1 2020, combined with heavy discounts by the Group's main competitors and continued weak NOK and SEK currencies, have contributed negatively to the Group's financial performance in 2019 and has continued into 2020.

The Nordic sporting goods markets are driven by a number of factors and trends. The most important are:

- *General economic factors such as development of disposable income and consumer confidence*.

  The Nordic economies, as well as Austria, are all among the most prosperous in the world as measured by GDP per capita.

  XXL believes that the strategy of offering attractive value to consumers has made the business to some extent resilient in the face of adverse macroeconomic conditions, as consumers become more price-sensitive, which have strengthened our position relative to competitors. The entry into Finland serves as a good example of this.

- *Health, wellness and physical activity trends.*

  We believe health and wellness is a key trend among the consumers and to identify themselves with an active lifestyle. Consequently, strong public promotion of, and a positive attitude towards, health and fitness is observable in all our markets.

  Technology is also evolving into the sports industry and the market is experiencing increased demand of goods related to sports technology products and connected devices.

  Environmental friendly solutions are also in strong demand. Electric bicycle is a good example and is used also as a way of commuting, adapted to a broad range of users and saves the environment.

- *More interest in equipment-focused sports.*

  Many of the most popular amateur sport competitions are equipment intensive such as bicycling, skiing and triathlons. We have seen a more sophisticated demand for a wider range of specialized products among consumers. The new generation of amateur, professional and aspiring athletes has affected the traditional market for such merchandise through its strong purchasing power and preferences for high quality. Technology is also becoming more important with products such as sport watches, GPS, heart rate monitors, wearable technology and cameras.

- *Weather and seasonal patterns.*

  Given the popularity of both winter and summer sports, most of the markets XXL is exposed to have a clear four season sporting environment which is a key characteristic affecting the sporting goods market. The demand for sports retail merchandise changes dependent on the time of the year. Although the local weather can impact local sales, the overall sales across the regions are more resilient as weather conditions typically vary considerably within each country. The fully integrated model of XXL with a central purchasing function is to some extent less exposed to these seasonal and geographical variations, as we have the ability of shifting merchandise to the regions with the highest demand.

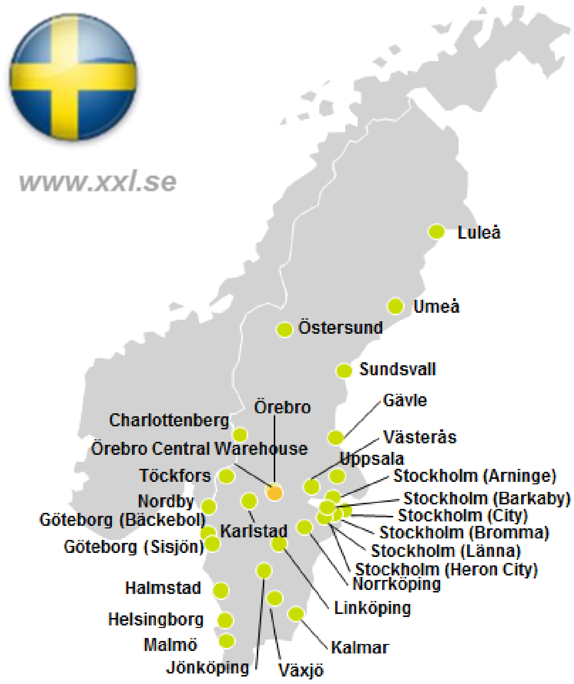
- *Fashion trends and retail industry fragmentation.*

Several of the categories we sell are heavily influenced by fashion trends and are increasingly becoming lifestyle products for the consumers. Sports shoes and sportswear are the clearest examples. The industry is expanding into products traditionally sold by specialist fashion and shoe retailers as well as other categories such as health & wellness and home products.

The Norwegian market
XXL opened the first store in Norway in 2001, growing to 36 stores and E-commerce at the end of 2019 and revenues of NOK 4.1 billion for 2019. XXL's market share in 2019 was about 31 per cent, according to Sportsbransjen AS.

The market increased with above 5 per cent each year from 2014 to 2016, according to Sportsbransjen AS. The growth in 2017 was more modest but returned to a growth of around 3 per cent in 2018 and in 2019 the growth was negative of about 3 per cent.

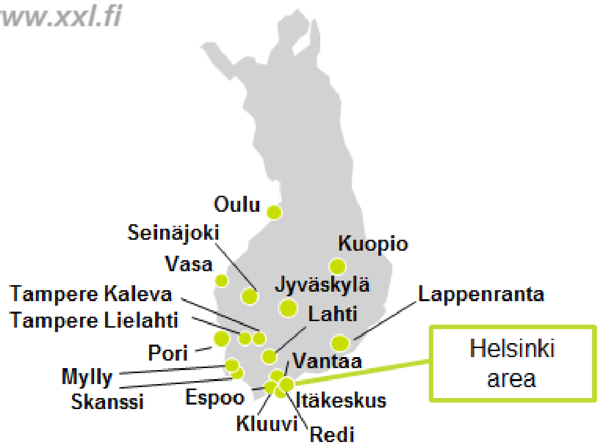
The Swedish market
In 2010 XXL started in Sweden and currently has 28 stores and E-commerce, including three outlet stores located at the border between Sweden and Norway. To date we have captured a significant share of the market and our total revenues for 2019 in Sweden amounted to NOK 2.6 billion.. In 2018 the market growth was 2.2 per cent according to SCBand in 2019 also the Swedish market experienced a negative growth of about 0.7 per cent.



The Finnish market
XXL opened the first store Tammisto, Helsinki, in April 2014 as part of the strategy to build on the successful entry into Sweden and extend the XXL concept to new markets. XXL are developing a solid presence in the Finnish market with currently 17 stores and E-commerce.

The market has increased since 2011 despite a contraction of the overall Finnish economy, showing superior performance compared to many other retail sectors. In 2018 the market grew by 1.5 per cent, however in 2019 also the Finnish market experienced a negative growth of about 0.3 per cent.. XXL has been the key growth driver in the market and had a growth of 0.4 per cent in 2019 in local currency.

www.xxl.fi

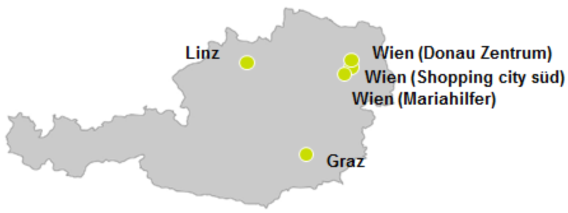


The Austrian market
In 2017 XXL opened the first two stores and its E-commerce offering in Austria and currently operates 5 stores. The market is characterized by many small sports stores, spread all over the country and connected together through franchise models or buying unions. The sporting goods market has experienced a good recent growth trend, especially driven by good winter seasons. Market estimates consider the total market to be around EUR 2 billion and the sporting spending per capita is on Swedish level. XXL recognizes the Austrian consumer as brand focused and service minded and believes the market is attractive also because of the four distinctive seasons.

The Danish market
XXL entered the Danish market in late May 2016 by opening of a website offering only and by utilizing the existing infrastructure in the Group. The Danish market is very fragmented with many players and a high degree of pure online players. The Danish sports market has also experienced a sound growth over the last years.
XXL has made adjustments to the operation in Denmark during the second half of 2019 in order to reach break-even on a significant lower cost base.

www.xxl.dk

www.xxlsports.at



Strategy

Vision and mission
The vision of XXL is to be the leading European sports and outdoor specialist – a one-stop destination for products and services for everyone.

Our mission statement is XXL All Sports United – Sports Unite All.

The strategic focus is to create value to the shareholders and the community through capitalizing on further growth and improve the efficiency of the operations. The most important competitive advantage of XXL is the low cost position and a unique business culture based on the following four core values

- Passionate – we have deep passion for sports and outdoor, we are enthusiastic about our work, celebrating victories in good sportsmanship and we are eager to learn, develop and build competence
- Caring – we care about the environment, our customers and colleagues well-being, respecting and including each other
- Responsible – we take pride in being compliant, we are professional and deliver quality, we are trustworthy, keeping our promises
- Innovative – we lead the way in changed customer needs, retail environment and society to secure future growth , we lead the way in new technology and innovation to secure cost efficiency and better user experience, we involve our employees in processes of change

Our business is based on trust and for the community to feel confident about XXL, ethics and values must play a prominent role in all our operations. We believe that there is a positive correlation between being a sustainable company and doing profitable business.

Delivering growth and efficiency
Our strategy is to capitalize on the expected growth of the sports retail market and to improve the competitive position by taking advantage of the scalability of our operations and by having the customer in focus at all times. XXL aim at creating an omni-channel champion and should be perceived as

- The most attractive company for our employees
- The best and most efficient partner for our suppliers
- The most inspiring omni sports retailer for guests at all levels
- Will secure our shareholders a return on their investment
- Our ethical and environmental profile is fundamental for how we act

The strategy is to maintain and build on the Group's key strengths, including by:

- Developing new initiatives to drive E-commerce and omni-channel platform
- Continued focus on XXL's customer proposition to drive like-for-like growth
- Fine tuned store roll-out plan in existing markets
- Cost focus throughout the value chain
- Utilizing new technology and data
- Capturing new markets on the back of XXL's existing cost base and logistics

XXL has introduced several shorter term strategic initiatives including

- Reposition XXL as the sports retail specialist with the best prices
- Enhance our marketing approach and build the XXL brand
- Establish XXL as the omni-channel champion
- Improve in-store experience and make the stores fun again
- Enhance operations and efficiency and strengthen our customer orientation

Dividend policy
When proposing a dividend the Board of Directors will take into account legal restrictions, capital requirements and the overall financial position of the company. The Board of Directors will make an overall assessment in order to secure the Company a healthy capital base both for daily operations and for future growth. The Board of Directors will long term target a pay-out ratio of 40-50 per cent of annual net income.

Strategic goals
To be true to our vision we aim at creating the leading European sport specialist, by being in the top of customer rankings in the industry, securing a high level of employee satisfaction, always focusing on reducing our environmental footprint and delivering shareholder return above industry level over time.

Board of Directors' Report

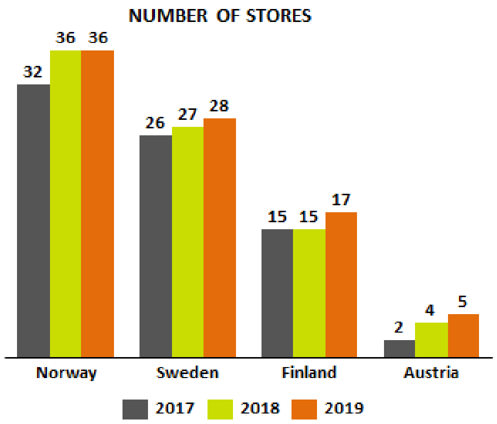
2019 proved to be a challenging year for XXL, and the Group posted for the first time in it's history negative sales growth. During 2019 the sports retail market in the Nordics has been challenging with negative growth, a buildup of inventory and heavy discount activities in the whole industry. XXL results in 2019 were significantly impacted by an extraordinary write down of the inventory of NOK 385 million in the fourth quarter. Total operating revenue was NOK 8 992 million (NOK 9 475 million) equaling 5.1 per cent decline, and Net Income was negative NOK 327 million (NOK 237 million).

Growth development

After several years of strong growth, XXL had sales decline for the first time it it's history. Total operating revenue in 2019 was NOK 8 992 million (NOK 9 475 million), a decline of 5.1 per cent. There was a like for like sales decline in total of 8.6 per cent, which in turn was offset by full year effects from stores that opened in 2018. The decline was in all markets.

XXL continued with store roll-outs in 2019 and opened a total of 4 new stores. XXL had a total of 86 stores in total by the end of the year

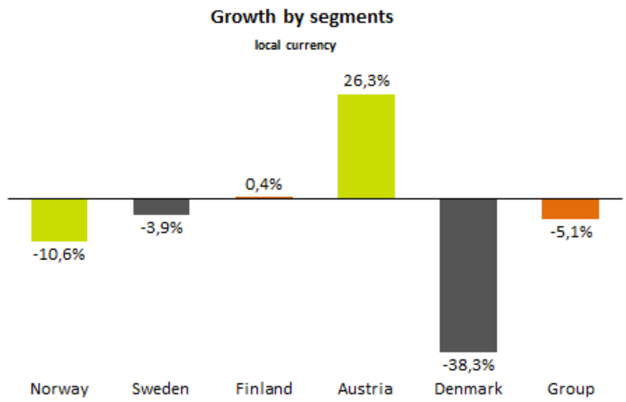
E-commerce had a negative growth of 6.5 per cent for the year. The revenue contribution from E-commerce for the Group corresponded to 16.1 per cent in 2019 (16.3 per cent).

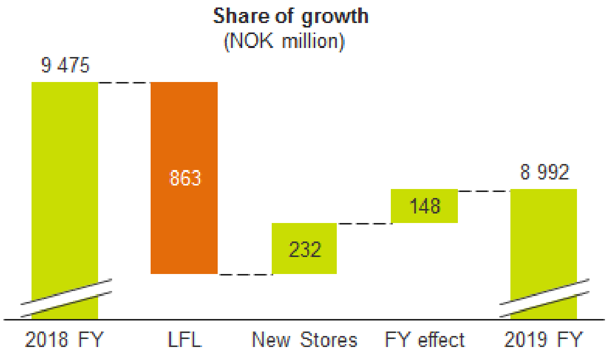


Trends

After several years of growth, the Nordic markets for sporting goods have been more challenging during 2019, with a decline in Norway, a more stable market in Sweden and a small decline in Finland. Slow-moving, and at times inactive and declining, markets have led to high inventory levels for several of the largest sport retailers in the Nordics, including XXL, and subsequently high promotion and discount activities.

The best known market figures are in Norway, Sweden and Finland. In Norway figures from "Sportsbransjen" (The Norwegian sports association) showed a market growth of minus 5.6 per cent for 2019 while XXL declined by 10.6 per cent, thus XXL had a loss of market shares in Norway during 2019. Sweden figures from SCB (Statistics Sweden) showed a market growth of 0.5 per cent while XXL declined by 3.9 per cent (in local currency). In Finland, figures from TMA (Finnish Fashion and Sports Commerce Association) which represents about 75 per cent of the total market, showed a growth of minus 0.3 per cent while XXL grew by 0.4 per cent.





Several of the XXL's largest competitors experienced weak or negative results in 2018, leading to continued store closures and bankruptcies in the sports retail industry in 2019. According to Statistics Norway, 24 sport retail companies went bankrupt in Norway in 2019, compared to 24 in 2018 and 21 in 2017.

The traditional sport retail market has experienced high competition from retailers in lower price segments. This is particularly the case in our two main markets, Norway and Sweden. In these markets we face particular competition from outlet store concepts, which in turn has shown a significant growth the last four to five years Furthermore, E-commerce is growing fast as a sales channel and continues to win customers who previously shopped in physical stores.

During 2019 the Group has continued to experience competition from pure players within E-commerce who only rely on digital sales and do not have any physical stores. These E-commerce players constitute the greatest competition for XXL.They offer other high-end brands and products than XXL has in its product range, and have within a short period of time gained significant market shares in some categories of sports and outdoors merchandise. This is in line with the trend that sales channels such as E-commerce, outlets and direct-to-consumer sales have gained market shares from the sports retail chains in recent years. According to Virke, sale from physical sport retail stores in Norway declined by 3.7% in 2019.

The challenging Norwegian market is partly due to factors affecting the broader retail industry. Growth in private consumption was lower in 2019 and lower than growth in real household disposable income. The latter is explained by higher saving ratio, due to higher interest rates, and potentially consumer debt regulation and new credit registers, which have helped restrain growth in consumer debt. In comparison, consumption grew faster than real household disposable income in the period from 2014 to 2018, driven by lower saving ratio (or increased debt).

XXL believes that E-commerce will continue to increase its' share of sport retail. It is therefore of most importance for XXL to be in front of this development and invest significantly in the future platform. While most of the sporting goods are convenient to shop online, some products need to be adjusted or fitted for best performance. As such, XXL believes that having the combination of E-commerce and stores is the future most convenient and winning model The customer can purchase online, but pick up and get the equipment fitted in store A lot of the sporting goods are most convenient to shop online while some products need to be adjusted or fitted for best performance. Further, stores are much closer to the customers than a warehouse far away, or even in another country. For example, for XXL customers it is easy to swap sizes or even model in the nearest stores of products bought online. During 2019 XXL launched a number of activities to support the omni-channel strategy.

XXL's most important competitive advantage in these challenging markets is to utilize it's scale of operations related to purchasing of goods, to have the lowest operating costs through a centralized model, and to fully take advantage of it's big-box store concept, in combination with a strong E-commerce base.

Organization, Working Conditions and the Environment

Operation

XXL is a sport retail chain, with stores and E-commerce in Norway, Sweden, Finland and Austria, and pure E-commerce in Denmark. The Groups headquarter is in Oslo (Norway), but the Group also has an office in Stockholm (Sweden), Helsinki (Finland), Copenhagen (Denmark), Vienna (Austria), as well as a purchase department in Lucerne (Switzerland). By year end 2019 XXL had 36 stores in Norway, 28 in Sweden, 17 in Finland and 5 in Austria, as well as a central warehouse at Gardermoen (Norway) and Örebro (Sweden).

The working environment and the employees

The Group has 5 568 employees (incl. full- and part time) at year end 2019 (5 290 in 2018). Leave of absence due to illness totaled at 4.6 per cent of total working hours in the Group in 2019 (5.6 per cent in 2018). No incidences or reporting of work related accidents resulting in significant material damage or personal injury have occurred during the year.

The Board of Directors in August 2019 initiated, in light of several negative media publications, among others related to working environment, an external investigation of these matters. The report revealed several inappropriate incidents, clearly in breach with our policies and code of conduct, but not broad based but not a dysfunctional culture. On the contrary it revealed the employees and their motivation as key success factor for the company. However, XXL has started the work of strengthening it's HR and communications functions, better routines and training of employees as well as improved compliance functions. Building a strong and efficient organization with clarified roles and responsibilities is a key priority.

Equal opportunities

The Group aims to be a workplace with equal opportunities and has included in its policies regulations to prevent gender discrimination regarding salary, promotion and recruiting.

The Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin color, language, religion and faith. XXL is working actively, determined and systematically to encourage the act's purpose within the business through recruiting, salary and working conditions, promotion, development opportunities and protection against harassment. The Group is actively investigating and analyzing sources of discrimination in the organization. Refer to the "Sustainability report" section

The Group has traditionally recruited from environments equally dominated by both men and women. Out of the Group 5 568 employees there are 2 255 female employees which equals 40.5 per cent.

Sustainability report

As a leader in the retail industry of sporting goods XXL recognizes the moral commitment to help sustain the environment as well as the opportunity to influence and set standards of excellence. XXL defines corporate responsibility as achieving commercial profitability in a way that is consistent with fundamental ethical values and with respect for individuals, the environment and society. We believe there is a positive correlation between being a sustainable company and doing profitable business.

Severe media attention, whistle blowing and an internal investigation conducted by DLA Piper ordered by the board of directors led, among other things, to a revision of the company's overarching strategy. This has affected large parts of the group and reinforced the need for a different approach to strategic sustainability work. We have performed a mapping of essential sustainability themes by conducting a broad stakeholder analysis and re-defining the materiality aspects in the group. This will assist the group in prioritizing the different aspects of our sustainability work and outline the relevant sustainability goals.

The group has committed to contributing to the achievement of the UN's Sustainability Goals by setting clear objectives linked to chosen sustainability goals, targets and indicators. XXL has organized this commitment into four prioritized strategic sustainability areas: 1: Good working environment and attractive jobs, 2: Sustainable products and circular business models, 3: sustainable production and value chain, and 4: In-house climate and environmental impact. Achievements of high, but realistic sustainable development goals will contribute to both economic growth and restored reputation.

In the day-to-day business in our stores, waste and energy reduction further promote opportunities of reducing waste disposal, less CO2 emissions and cost efficiency. The process of energy consumption mapping has taken a great leap forward by changing lighting to LED technology in all stores and the implementation of a EOS/SD system for automated control of energy consumption, heating and ventilation. In Norway 80% of the stores are converted to EOS, also leading to expected large cost savings. We are in the process of implementing the system to the remaining 20% of the stores in Norway. We are currently conducting testing in Sweden, with an expected implementation after the testing phase. We are already preparing implementation by mapping energy in Sweden to prevent deviations, develop better routines and systems. After implementation in Sweden, we will assess implementation in Finland and Austria as well

The amount of recycled waste was 72.6 per cent in 2019. The amount of energy-recovered waste in form of combustion in incinerators, mostly wooden pallets, biodegradable waste and MSW was 27.3 per cent, leaving only 0.1 per cent of total waste to landfills. Increased recycling result in both lower cost and lower CO2 emissions. The group has implemented measures to reduce the use of unnecessary packaging and increase the use of recycled material in both products and packaging. This is also a contribution to reduce the amount of waste and use of virgin raw materials. The shopping bags have been improved to contain 100 per cent recycled materials and as an effect to European Commissions new disposable plastic directive some member states implemented initiatives to reduce plastic bags, including a ban of plastic shopping bags in Austria and a SEK 3,- tax per plastic bag in Sweden. As a result of these initiatives XXL introduced of paper shopping bags and recycled reusable shopping nets.

The internal framework continuously updated to comply with regulations and requirements from the European Commission and national authorities.

The groups internal control system monitors all aspects of our product value chain. We have also conducted pre-purchase risk assessments, 78 in store internal control product audits, 72 pre-shipment inspections of a total of 201 purchasing orders (100 per cent from the groups own brands) and 104 on-site factory audits.
Our local sourcing agent in China commence local audit of factories for us. In total around 101 such fabrics and site audits were commenced in 2019, with an additional 16 improvement audits. XXL has terminated contract with two factories in 2019 due to cooperation problems, unacceptable payment terms and delivery deviations. Audits revealed no moderate or major violations to social or environmental requirements. Our Chinese sourcing agent performed 607 pre-shipment quality control inspections. Thirty nonconformities were discovered, mostly labelling deviations. All nonconformities were corrected and re-inspected before shipment.
A new system for value chain management acquired from CEMAsys in 2019, which provides opportunities for closer follow-up and document management in the value chain. Improved management tools will contribute to increased quality on social and environmental governance in the value chain.

Retail business experiences rapid changes. XXL needs to increase E-commerce sales but also make it more attractive to visit our stores. Highly competent and service-minded employees are vital to customer satisfaction. At the same time, XXL in 2019 experienced changes in consumer behavior and a damaged reputation. Attractive products and brands in addition to product quality and durability are requirements that are elementary considerations to take into account for our future purchasing practice. New circular business models are under development to meet requirements from new potential consumer groups in addition to reduce risks in forms of producer responsibility schemes.

Despite strategic and operational changes, our goal is to offer high standard of training and build strong corporate culture in all countries. To secure this we have established task force training and appointed head trainers responsible of our programs. Late 2019 XXL launched a new e-learning system covering on boarding, basic product training, routines, sales, leadership and compliance training. Test period is now completed and launch expected to second quarter of 2020. More than 400 e- learning modules are implemented in the system so far. The group conducted a number of 9868 training days, 14.08 average training hours per employee in 2019.

The number of employees was 5 568 as of December 2019. The annual average employee turnover rate is 25.9%, a 0.2% increase from 2018. The high turnover rate is mainly driven by a relatively young workforce in stores with an average age of 27.3 years in in addition to high proportion of part time workers (61.2%). Many students have part time work at XXL, and have a natural resignation from their employment as a result of completed studies.

In 2019 XXL had a strong partnership with the Norwegian Labor and Welfare Administration (NAV) in Norway and 109 candidates ended up with an employment contract in XXL during the year, making it a significant recourse for hiring new employees. Unfortunately, the cooperation was placed on hold due to severe negative media attention and investigation from governmental control bodies.

XXL implemented the new regulations on data protection (GDPR) in 2018. XXL is not aware of any complaints regarding breaches of customer privacy or any losses of customer data. XXL have not received any complaints from public authorities regarding loss of customer data.

The surplus from fee from XXL shopping bags is transferred to the XXL Children Foundation. This year XXL Children Foundation decided to contribute to a project constructing a new kitchen and dining hall on Mgahinga Community Junior School in Southwestern Uganda.

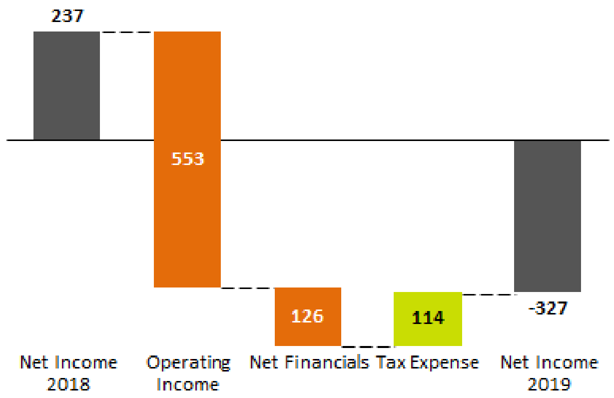
The Group does not pollute the environment significantly. For more information on XXL's corporate responsibility and environmental work, see XXL's Sustainability Report on http://www.xxlasa.com/corporate/corporate-responsibility/

Corporate Governance
XXL's guidelines for Corporate Governance are in accordance with the Norwegian Code of Practice for Corporate Governance, dated 17 October 2018 as required for all listed companies on the Oslo Stock Exchange. Furthermore, the guidelines meet the disclosure requirements of the Norwegian Accounting Act and Securities Trading Act. The guidelines are included separately in this annual report

Consolidated Income statement
Total operating revenue in 2019 was NOK 8 992 million (NOK 9 475 million), a negative growth of 5.1 per cent. There was a like for like negative growth in total of 8.6 per cent, which in turn was offset by full year effects from stores that opened in 2018. The decline was in all markets.. E-commerce is included in the like-for-like figure, but had a negative growth of 6.5 per cent to NOK 1 447 million (NOK 1 548 million) for the year. The revenue contribution from E-commerce for the Group corresponded to 16.1 per cent in 2019 (16.3 per cent). The decline in revenues was mainly explained by challenging market, but also loss of market shares in especially Norway and Sweden.

Operating margin decreased from NOK 352 million in 2018 to negative NOK 201 million in 2019. The reduction is mainly explained by weaker sales throughout the year, driven by challenging markets and lost market shares in Norway and Sweden. The operating margin decreased from 3.7 per cent to minus 3.2 per cent and is explained by both lower gross margins due to the extraordinary write down of inventory and higher operating expenses. The increase in operating expenses is mainly related to the negative like-for-like growth impacting the scale benefits of the operations and costs of establishing XXL in Austria.

The Group had net financial expenses of NOK 183 million in 2019 compared to NOK 57 million in 2018. The main increase is due to the implementation of IFRS 16 where the Group recorded an interest on the lease liability in 2019 which is not included in the 2018 figure. This amounted to NOK 95 million. Net interest expenses equaled NOK 73 million (NOK 43 million). Net financial expense include a positive currency effect of NOK 5 million compared to a negative currency effect of NOK 1 million in 2018. Other financial expenses amounted to NOK 21 million compared to NOK 14 million in 2018.



Profit before tax was negative NOK 384 million (NOK 295 million) and Net income (Profit for the year) was negative NOK 327million (positive NOK 237 million). Basic earnings per share were negative NOK 2.31 (NOK 1.72).

Consolidated Balance Sheet and Cash Flow Statement

Total assets were NOK 10 242 million at the end of 2019 (NOK 7 662 million). The increase is due to the implementation of IFRS 16 and right of use assets amounted to NOK 2 827 million. Inventory per store (incl. E-commerce) was NOK 31.2 million (NOK 37.1 million) which is a decrease of 15.9 per cent. Total trade and other receivables were NOK 260 million (NOK 354 million) which is a decrease of 26.6 per cent. Trade payables were NOK 980 million (NOK 861 million) which is an increase of 13.8 per cent.

Net interest bearing debt excluding IFRS 16 effects was NOK 1 224 million (NOK 1 881 million). Net cash position was NOK 433 million (NOK 194 million). Adding available credit facilities, the liquidity reserve was NOK 833 million (NOK 695 million) at the end of 2019. Net interest bearing debt (ex IFRS 16) / EBITDA (ex IFRS 16) was 2.9x (3.48x). Due to the poor results the Board of Directors propose that no dividend distribution will take place for the fiscal year 2019. XXL has clear ambitions of coming back to a dividend distribution and delivering on the dividend policy of at least distributing 40-50 per cent of net income annually to its shareholders.

Group equity was NOK 3 826 (NOK 3 710 million) resulting in an equity ratio of 37.4 per cent (48.4 per cent). The decrease is mainly related to the implementation of IFRS 16.

Cash flow provided by operating activities was NOK 938 million (NOK 460 million). Of this increase, NOK 547 million was due to the implementation of IFRS 16. The main reason for the negative development is reduced profit before income tax offset by decreased 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.

Cash used for investing activities was NOK 168 million which is down by 75 million compared to 2018. This is mainly related to investments in new stores, maintenance CAPEX on existing stores and investments in infrastructure.

Cash used by financing activities was NOK 526 (NOK 335 million), where of cash received of NOK 400 million is related to raise of new equity which were used as down payments of debt. In addition XXL sold own shares of NOK 77 million during 2019. Repayment of lease liabilities amounted to NOK 547 million in 2019 compared to none last year due to IFRS 16 implementation.

Going Concern

In accordance with Norwegian accounting regulations, the Board of Directors confirms that the prerequisites of a going concern have been met in the presentation of the annual financial statements.

Refer to section “outlook” and “Events after the balance sheet date” below for further analysis of XXL outlook, the effects of the Covid-19 pandemic and our updated financing situation.

Outlook

XXL is working on a number of initiatives to turn around the negative sales trend and to adjust its cost base to current sales volumes and market conditions. These initiatives are monitored by the Board of Directors, and a number of specific improvement projects have been identified. The improvement projects are expected to be implemented gradually, from 2020 throughout 2022. Such projects include an upgrade of existing stores, further improvement of product range, improvement of marketing effectiveness and reduced cost base. We will also continue our efforts to reduce inventory levels going forward.

Going forward XXL believes that there will be a better balance between supply and demand in the market driven by continued store closures, and consolidation of the market.

XXL has signed 4 new lease agreements for store openings in 2020, of which 1 is in Norway, 1 is in Sweden and 2 are located in Austria. Accordingly, XXL is planning for in total 4 new stores during 2020.

Total CAPEX for XXL Group in 2020 is expected to be around NOK 150-180 million. Going forward, XXL expects to slow down the pace of the store roll-out to 3-5 new stores per year, and primarily focus on opening new stores in Austria and some in Sweden. XXL will at the same time be downsizing several of its existing stores.

Risks

Financial risk

XXL uses bank loans and existing cash flow from operating activities as its main source of funding to secure capital for the growth. For commercial hedging purposes, the Group uses derivatives. XXL does not apply hedge accounting or use any financial instruments, including derivatives, for trading purposes. Procedures for risk management are approved by the Board. The main financial risks that the

Group is exposed to are interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and establishes guidelines for how they are handled.

Credit risk
The Group is mainly exposed to credit risk for trade and other receivables. The Group mitigates its exposure to credit risk by ensuring that all parties requiring credit, such as customers, are approved and subject to a credit check. The Group does not have significant credit risk associated with a single counterparty or counterparties which can be viewed as a Group due to similar credit risk. The Group has policies in place to ensure that sales are made to customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits. Maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet. The Group considers its maximum risk exposure to be the carrying amount of accounts receivable.

Interest risk
The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits.

Market risk
The Group faces substantial competition in the sports retail industry from a wide range of different concepts, including pure online players. Actions taken by competitors, as well as actions taken by the Group to maintain its competitiveness and reputation, will continue to put pressure on the pricing strategy, net sales growth and profitability.

Customer preferences and trends in the sports and outdoor equipment market are volatile and tend to change rapidly. The business of the Group is dependent upon being able to anticipate, identify and respond to changing trends and customer preferences. If not, the sales may be lower than predicted and the Group faced with an increased amount of unsold inventory. This could lead to the need of more promotional sales and may also impact the XXL brand image and customer recognition.

The business is subject to seasonal peaks and the Group must actively manage the purchase of inventory. Sports retail in general is also to some extent affected by periods of abnormal, severe and unseasonal weather conditions, such as unfavorable snow conditions. Efficient logistics of the Group provides for the ability to rapidly switch from winter to summer assortment.

The Group believes it is well-positioned with regards to relative price offerings in the markets, but consumer spending on sporting and outdoor goods may be adversely impacted by economic conditions such as consumer confidence, interest and tax rates, employment level, salary and wage levels, general business conditions, consumer credit and housing, energy and food costs.

Allocation of net income (Group)
Due to the poor results the Board of Directors propose that no dividend distribution will take place for the fiscal year 2019. XXL has clear ambitions of coming back to a dividend distribution and delivering on the dividend policy of at least distributing 40-50 per cent of net income annually to its shareholders.

Dividend payout	
Other equity	NOK -327 million
Total allocation	**NOK -327 million**

Events after the balance sheet date
The Group's performance is affected by the global economic conditions of the markets in which it operates. The global economy has been experiencing a period of uncertainty since the recent outbreak of the coronavirus SARS-CoV-2 (hereinafter referred to as "**Covid-19**"), which was recognized as a pandemic by the World Health Organization in March 2020. The global outbreak of Covid-19, and the extraordinary health measures and restrictions on a local and global basis imposed by authorities across the world, has and are expected to continue to cause, disruptions in the Group's value chain. The Covid-19 situation may adversely affect the Group's risk profile, including, but not limited to, risks relating to delays or cancellations in supply from the Group's suppliers. The Group has already been required to temporarily close some of its retail stores and implement temporary limitations in the opening hours of other retail stores. As a result, the Group has been required to temporarily lay off many of its talented employees. The Group are also in dialogue with landowners regarding payment terms on rent as well as a rent reduction during Covid-19.

However, the decrease of sales in stores has been partially offset by an increase in e-com sales. Despite of these factors we had an increase in sales during the first three months in 2020, mainly due to the large sale in February 2020, which in turn was reduced by a approximate 9% decrease of revenues in March compared to last year. As such, XXL is of the view that it so far has been less effected by Corvid-19 than society as a whole.

Governments in the countries in which we operate have also announced the implementation of government assistance measures, which may mitigate the impact of the Covid-19 outbreak on our results and liquidity. We are currently investigating the extent to which we can apply for such government assistance in the countries in where we operate.

Depending on the duration of the Covid-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur impairments on its assets in 2020. The exact impact on our activities in the remainder of 2020 and thereafter cannot be predicted. However, based on the current liquidity situation, the rights issue in the second quarter 2020 and the refinanced loan facilities as mentioned below the Group has sufficient liquidity to continue responsible operations going forward.

The Board of Directors together with the Administration follows the situation closely and will initiate more actions if needed.

XXL announced on the 1st. of April 2020 that it in the process of refinancing its current facilities arrangement with the New Loan Facilities with the Banks of NOK 1,450 million, together with an underwritten right issue of NOK 400 million. The main terms of the New Loan Facilities have been credit approved by the Banks, and the parties have agreed that completion of the refinancing of the Senior Facilities Agreement with the New Facilities Agreement shall occur no later than 10 May 2020 or at such later date at the lenders may approve. The Banks have agreed that the covenants shall not be tested or reported until the new financing is effective. If the parties fail to complete the refinancing by such deadline, an event of default will occur under the Senior Facilities Agreement. The Company is confident that the Senior Facilities Agreement will be refinanced prior to the end of agreed deadline, and since the Share Issue is fully underwritten by the Underwriters, it is also confident that the Share Issue will be successfully completed.

Responsibility Statement
We, The Board of Directors, confirm to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2019 have been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the Group taken as a whole, as well that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the Group, together with a description of the principal risks and uncertainties facing the entity and the Group.

Oslo, 28 April 2020
Board of Directors, XXL ASA

Hugo Lund Maurstad Chairman	Øivind Tidemandsen Board member	Kjersti Helen Krokeide Hobøl Board member
Ronny Blomseth Board member	Maria Anna Kristina Aas-Eng Board member	Pål Wibe CEO

Corporate governance at XXL ASA

1. Implementation and reporting on corporate governance
XXL believes that good corporate governance contributes to the best possible value creation and trustworthiness over time for all shareholders, the capital markets and for other key stakeholders. In order to secure strong and sustainable corporate governance, it is important to ensure good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the XXL Group.

XXL has governance documents setting out principles for how business should be conducted. These apply to all XXL units. The XXL governance regime is approved by the Board of Directors, which has the overall supervision for corporate responsibility at XXL and ensures that the Group implements sound corporate governance principles. The Board of Directors revises the governance documents on a yearly basis and has strengthened the documents during 2019.

The Norwegian Corporate Governance Board has for companies listed on the Oslo Stock Exchange issued the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). The Code of Practice is available on www.nues.no and was last amended on 17 October 2018. XXL comply with the Code of Practice. Details are included in this report with section numbers that refer to the Code of Practice's articles. XXL's corporate governance policy is based on the Code of Practice, and as such designed to establish a basis for good corporate governance, to support achievement of the Group's core objectives on behalf of our shareholders.

Deviation from the Code of Practice (NUES) - none

2. Business - XXL's objectives and activities
XXL believes good corporate governance involves openness and trustful cooperation between all stakeholders in the Group – the owners, the Board of Directors and the Executive Management, employees, customers, suppliers, creditors, public authorities, capital markets and society in general.

By pursuing the principles of corporate governance the Board of Directors and Executive Management shall contribute to achieving the following objectives:

- Openness – communication with the interest groups of XXL shall be based on openness in issues relevant to the evaluation of the development and position of the company.
- Independence – the relationship between the Board of Directors, the Executive Management and the owners shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- Equal treatment – one of XXL's objectives is equal treatment and equal rights for all shareholders.
- Control and management – good control and corporate governance mechanisms shall contribute to achieving predictability and reducing the level of risks for owners and other interest groups.

The improvements in the company's corporate governance principles are an on-going and important process that the Board of Directors focuses on. For 2019 this work was further strengthened with full due diligence of existing documents and the establishment of e-learning modules for all employees in XXL. This will be rolled-out throughout the organization before summer 2020.

XXL's vision is to be the leading European sports and outdoor specialist – a one-stop destination for products and services for everyone interested in sports, outdoors and wildlife. This is reflected in the Section 3 of the Articles of Association, which reads "The Company's business operation is trade business within sport and wilderness products and other business operations that are naturally related therewith. The business can be conducted by the company itself, by subsidiaries or through participation in, or in cooperation with, others".

XXL needs to interact in an open and responsible way with all the relevant stakeholders to be able to create a profitable business over time. Our corporate governance policies are designed in order to be true to this commitment, including the achievement of sustainable profitability for the stakeholders of XXL.

The Board of Directors set clear ambitions for the coming year in the budget process in December each year. Long term objectives, strategies and the risk profile are also evaluated once a year in connection with the work on strategy in October, or as necessary in connection with major events or structural changes during the year.

Deviation from the Code of Practice (NUES) - none

3. Equity and dividends
The company's equity will at all times be at a level appropriate to XXL's objectives, strategy and risk profile. Long term XXL has a dividend policy with a target pay-out ratio of 40-50 per cent of annual net income. When proposing a dividend the Board of Directors will take into account legal restrictions, capital requirements and the overall financial position of the Company. The Board of Directors will make an overall assessment in order to secure the Company a healthy capital base both for daily operations and for future growth. Dividend payments are subject to approval by the Annual General Meeting.

Authorization to increase the share capital of the Company will be restricted to defined purposes and will in general be limited in time to no longer than the time of the next Annual General Meeting. If the authorization is for different purposes, the Company will present the authorizations to the shareholders as separate items. Authorizations to acquire own shares will also be restricted to defined purposes and if the acquisition is for several purposes, the Company will present the authorization as separate items to the shareholders. Such authority will state the maximum and minimum amount payable for the shares and applies for no longer than the time of the next Annual General Meeting. The aggregate nominal value of treasury shares acquired by the Company must not exceed 10 percent of the total outstanding shares in the company.

In the Annual General Meeting held on 5 June 2019, the Board of Directors was granted authorization to increase the share capital of the Company by a maximum of NOK 1,112,768.40 representing up to 2 per cent of the share capital at that time. The purpose of the authorization is to secure delivery of shares under the Company's share incentive program. The authorization is valid until the Annual General Meeting in 2020, but no longer than to 30 June 2020.

The Board of Directors has also been granted authorization to repurchase the Company's own shares within a total nominal value of NOK 1,112,768.40 corresponding to up to 2 per cent of the Company's share capital. The main purpose of the authorization is to acquire own shares in order to use such shares in connection with XXL's share incentive schemes. To the extent the shares are not required for the share incentive program after all, the shares shall be deleted in connection with a later reduction of the registered share capital. The maximum amount that can be paid for each share is NOK 500 and the minimum is NOK 1. The authorization is valid until the Annual General Meeting in 2020, but no longer than 30 June 2020.

The two above mentioned authorizations must be view together so that the total utilization of both authorizations does not exceed 2 per cent of the Company's share capital.

Further, the Board of Directors has been granted authorization to repurchase the Company's own shares within a total nominal value of NOK 1,669,152.80 corresponding to 3 per cent of the Company's share capital. Shares in XXL acquired in accordance with this authorization are planned used as consideration, in full or in part, in connection with acquisition of other businesses. The maximum amount that can be paid for each share is NOK 500 and the minimum is NOK 1. The authorization is valid until the Annual General Meeting in 2020, but no longer than 30 June 2020.

In total XXL held 3,096,274 own shares in treasury, representing 2.23 per cent of the outstanding shares in XXL, until July 2020 when it was decided to sell the shares. The treasury shares were acquired by the Company pursuant to a board authorization granted by the General Meeting under which treasury shares may only be used in conjunction with the share incentive scheme for the Company's employees or cancelled in connection with a reduction of the share capital of the Company. A different use of the treasury shares consequently needed an approval from the general meeting. An Extraordinary General Meeting was convened and approved the sale of the treasury shares in July 2020. XXL sold the shares at a price of NOK 25.00 per share to Altor with the following rationale. In the period from 2010 to 2015 XXL was partly owned by EQT. In this period XXL developed strongly, gaining market leadership in Nordic sports retail, including a strong position online, together with solid financial results. XXL has accordingly 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. In addition the Company's sale of treasury shares yielded total proceeds to XXL in the amount of NOK 77 million and contributed to a strengthened liquidity situation for the Company. XXL has no own shares in XXL after this transaction.

Deviation from the Code of Practice (NUES) - none

4. Equal treatment of shareholders and transactions with close associates

Equal treatment of all our shareholders is core in how XXL approaches corporate governance. The Company has only one class of shares and all provide equal rights in the Company. Each of the shares carries one vote and is freely transferable. All shareholders are entitled to attend, speak, vote and deliver items to the agenda for General Meetings, which is the highest authority in the Company.

Where the Board of Directors resolves to carry out an increase in the share capital and waive the pre-emptive rights of the existing shareholders on the basis of a mandate granted to the Board of Directors, an explanation will be publicly disclosed in an announcement to the stock exchange in connection with the increase of the share capital. Such an increase in the share capital took place in November 2019 through a private placement directed at the largest shareholders of the Company and a subsequent offering directed at all other shareholders. The Board of Directors 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 was of the opinion that the transaction was in compliance with these requirements. The share issuance was carried out as a private placement in order to complete a transaction to strengthen the balance sheet following the publication of the preliminary Q3 2019 figures in an efficient manner. Further, the Company carried 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 market, the Company's need for equity funding, deal execution risk and possible alternatives, the Board of Directors 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 were deviated from. The share issuance was approved by an Extraordinary General Meeting. The Board of Directors also later in the process decided to allow for over-subscription in the subsequent offering.

There have been no significant transactions between the Company and closely related parties in 2019. If XXL should enter into agreements or transactions with closely related parties within the Company, or with companies in which a leading director or leading employee of XXL or close associates of these have a material direct or indirect interest, the agreements or transactions will immediately be notified to the Board of Directors. Any such agreements or transactions must be approved by the Board of Directors and be publicly disclosed if required. In the event of an agreement or transaction between the Company and closely related parties, the Board of Directors will arrange for an independent valuation overview from an independent third party, unless the agreement or transaction requires an approval of the General Meeting.

XXL has established instructions for handling inside information, rules for primary insiders and insider trading which is closely monitored.

Any transaction the Company carries out in its own shares will be carried out either through the stock exchange or at prevailing market prices if carried out in any other way. Such transaction will be publicly disclosed in a stock exchange announcement immediately.

For further information on closely related transactions, please see note 10 in the consolidated financial statements.

Deviation from the Code of Practice (NUES) – none

5. Shares and negotiability
There are no provisions in the Company's Articles of Association that limit the right to own, trade or vote for shares in the Company. The Articles of Association do not provide for any restrictions on the transfer of shares, or a right of first refusal for the Company. Share transfers are not subject to approval by the Board of Directors.

Deviation from the Code of Practice (NUES) - none

6. General meetings
Through the General Meeting, shareholders exercise supreme authority in the Company. In accordance with Norwegian law, the Annual General Meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of Annual General Meetings, setting forth the time of the venue and the agenda, to be sent to all shareholders with a known address no later than 21 days before the Annual General Meeting, unless the Articles of Association stipulates a longer deadline, which is not currently the case for the Company.

Apart from the Annual General Meeting, Extraordinary General Meetings of shareholders may be held if the Board of Directors considers it necessary. An Extraordinary General Meeting must also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 5 per cent of the share capital demands this in writing. The requirements for notice and admission to the Annual General Meeting also apply to Extraordinary General Meetings. However, the Annual General Meeting of a Norwegian public limited company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a General Meeting resolve that Extraordinary General Meetings may be convened with a 14 days notice period until the next Annual General Meeting provided that the company has procedures in place allowing shareholders to vote electronically.

According to the Articles of Association, documents relating matters to be dealt with by the Company's General Meeting, including documents which by law shall be included in or attached to the notice of the General Meeting, do not need to be sent to shareholders if such documents have been made available on the Company's website. A shareholder may nevertheless request that documents which relate to matters to be dealt with at the General Meeting are sent to him/her.

A shareholder may vote at the General Meeting either in person or by proxy appointed at their own discretion. In accordance with the requirements of the Norwegian Securities Trading Act, the Company will include the proxy form with the notice of General Meetings. All of the Company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the General Meeting, or who have otherwise reported and documented ownership to shares, are entitled to participate at General Meetings, without any requirement of pre-registration. The Company's Articles of Association does, however, include a provision requiring shareholders to pre-register in order to participate at General Meetings. The deadline for pre-registration cannot expire earlier than three days prior to the General Meeting. The shareholders may cast their votes in writing, including through electronic communication, in a period prior to the General Meeting. The Board of Directors can establish specific guidelines for such advance voting. The established guidelines must be stated in the notice of the General Meeting.

The Chairman of the Board of Directors, the Chairman of the Nomination Committee, the Chairman of the Audit Committee, the Chairman of the Remuneration Committee, the Group CEO and CFO as well as the auditor will under normal circumstances be present at the General Meeting in person.

The General Meeting elects the members of the Board of Directors, members of the Nomination Committee, determines the remuneration of the members of the Board of Directors and the members of the Nomination Committee, approves the annual accounts and the annual report, including distribution of dividend, and any other matters which are referred to the General Meeting by law or the Articles of Association.

Decisions that shareholders are entitled to make under the Norwegian law or the Company's Articles of Association may be made by a simple majority of the votes cast. In the case of elections or appointments, the person(s) who receive(s) the greatest number of votes cast are elected. The General Meeting will normally vote separately on each candidate for election for the Board of Directors or the Nomination Committee. Certain decisions, including resolutions to waive preemptive rights to subscribe in connection with any share issue in the company, to approve a merger or demerger of the company, to amend the Articles of Association, to authorize an increase or reduction in the share capital, to authorize an issuance of convertible loans or warrants by the company or to authorize the Board of Directors to purchase shares and hold them as treasury shares or to dissolve the company, must receive the approval of at least two-third of the aggregate number of votes cast as well as at least two-third of the share capital represented at a General Meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association. Decisions that would reduce the rights of some or all of the company's shareholders in respect of dividend payments or other rights to assets or restrict the transferability of the shares, require that at least 90 percent of the share capital represented at the General Meeting in question vote in favor of the resolution, as well as the majority required for amending the Articles of Association. There are no quorum requirements that apply to the General Meetings.

The minutes from the General Meeting will be posted on the Company's website no later than 15 days after the General Meeting was held, but generally as soon as possible after the end of the meeting. Information that a General Meeting has been held will also be made public through a stock exchange announcement as soon as possible after the end of the meeting.

The Annual General Meeting of 2019 was held in June 2019 and in addition the Company convened two Extraordinary General Meetings during the year, in July and November respectively.

Deviation from the Code of Practice (NUES) – NUES recommends that efforts should be made to make it possible to vote for individual candidates to the Board of Directors and the Nomination Committee. Elections are demanding because of the requirements of the composition of the Board of Directors including combined expertise, independence and gender requirements. The election is therefore organized such that the General Meeting votes on the Nomination Committee's overall recommendation.

7. Nomination committee
XXL has established a nomination committee pursuant to the Articles of Association and shall consist of two or three members who are shareholders or representatives of shareholders. The majority shall be independent of the Board of Directors and the Executive Management. Currently the Nomination Committee consists of three members, Ingar Solheim (Chairman), Robert Iversen and Vegard Søraunet. Ingar Solheim is elected for one year with effect from 5 June 2019 and Robert Iversen and Vegard Søraunet are elected for two years from the same date. The Nomination Committee shall give recommendations for the election of shareholder elected members of the Board of Directors, remuneration to the members of the Board of Directors including remuneration for subcommittees, the election of members to the Nomination Committee and remuneration to the members of the Nomination Committee. The General Meeting may adopt instructions for the Nomination Committee.

XXL has established an instruction for the Nomination Committee, which includes recommendations for the tasks described above. When nominating members to the Board of Directors, the Nomination Committee should look at competence and diversity, legal requirements, independence from the Executive Management and any significant business associates, at least two of the members should be independent of Company's principal shareholders and that members of the Executive Management should not be members of the Board of Directors. Remuneration of the Board of Directors should take into account the responsibility of the Board of Directors and that the proposal is suited to the character and time commitment of the tasks it carries out. According to the instruction for the Nomination Committee a certain amount of the annual remuneration is to be used to acquire shares in the Company. The recommendations from the Nomination Committee will be explained. The Nomination Committee must look actively to the shareholders and anchor the recommendation with the Company's largest shareholders. It must ensure that information is made available on the Company's website of any deadlines for proposing candidates or making suggestions to the Nomination Committee regarding elections of members to the Board of Directors and Nomination Committee. The recommendations should be given together with the notice of the General Meeting.

Deviation from the Code of Practice (NUES) - none

8. Board of Directors – composition and independence
XXL's Board of Directors shall consist of a minimum of three and a maximum of seven members. The Board of Directors is responsible for the management of the Company, including appointment of the CEO to assume the daily management of the company. The composition of the Board of Directors in XXL ASA is in compliance with the independence requirements meaning that the majority of the shareholder elected members of the Board of Directors is independent of the Company's Executive Management

and material business contacts. At the same time more than two of the elected members of the Board of Directors are independent of the Company's main shareholders, meaning shareholders holding more than 10 percent of the total outstanding shares in the Company. In the Company's view all the members of the Board of Directors are independent from the Executive Management and material business contacts. Chairman Hugo Maurstad represents the largest shareholder of the Company. Members of the Executive Management should not be a member of the Board of Directors. Currently, no Executive Manager is a Board Member. The term of office for members of the Board of Directors is maximum two years, but a member may be re-elected. Board member Øivind Tidemandsen had during the year a more active role in XXL and was involved in some of the daily operations as an advisor.

The members of the Board of Directors are encouraged to own shares in the company. Currently three of the members have shares, please see note 3 in the consolidated financial statement for the overview of share ownership and detailed background of the members of the Board of Directors.

Deviation from the Code of Practice (NUES) – none

9. The work of the Board of Directors
The conduct of the Board of Directors follows the adopted Board of Directors' rules of procedure, which states that the board members should perform their duties in a loyal manner, attending to the interests of the company. The Board of Directors prepares within 31 January each year a plan for the ordinary meetings for such year. The Board of Directors will meet several times a year and it will host additional meetings when required due to special circumstances. Between meetings, the chairman and the CEO have frequent contact on current matters and update the board members accordingly. The board meetings ensure that the Group's activities are organized in a prudent manner, maintaining systems, procedures and a corporate culture that promote high ethical conduct and in compliance with legal and regulatory requirements. Each board meeting includes a briefing by the CEO and a review of the latest financial development by the CFO. The Board of Directors keeps itself informed of the financial position of the company to ensure that the corporate accounts and asset management are subject to satisfactory controls.

The chairman of the Board of Directors ensures that board members are kept informed, convene and chair the board meetings and ensure that the matters are handled in accordance with applicable law and procedures. In the case of the chairman's absence, the Board of Directors elects a board member to chair the meeting. If the chairman of the Board of Directors is, or has been, personally involved in matters of material significance to the company, such matters will be chaired by some other member of the Board of Directors.

The Board of Directors has established a remuneration committee and an audit committee. The remuneration committee shall have at least two members of the Board of Directors and comprises for the time being of two members, Øivind Tidemandsen (chairman) and Ronny Blomseth. The primary purpose of the remuneration committee is to assist the Board of Directors in performing its duty relating to determining the compensation to the executive management. The remuneration committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations. The audit committee shall compose of at least two members of the Board of Directors and the current members are Kjersti Hobøl (chairman) and Ronny Blomseth. The primary purposes of the audit committee are to act as a preparatory and advisory committee for the Board of Directors in questions concerning accounting, audit and finance. The audit committee monitors the financial reporting process and internal control, reviews the independent auditor's qualifications and independence and the Group's compliance with applicable legal and regulatory requirements. The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

The Board of Directors carries out an annual evaluation of its performance. The evaluation report for the year 2019 has been presented to the nomination committee.

Deviation from the Code of Practice (NUES) - none

10. Risk management and internal control
The Board of Directors supervises the daily management and the activities and risks of the Company in general. XXL's risk management and internal control are an integral part of all daily business activities and are integrated in the business planning processes and corporate strategy. The day-to-day risk management is placed on the business segments and governed by the Executive Management team.

The Board of Directors carries out separate reviews of the most important risk exposures. The Audit Committee monitors on an ongoing basis the risk and control related to the financial situation including review and implementation of accounting principles and policies, the effectiveness of the Company's internal control, internal audit and risk management system. The Audit Committee has full access to all books, record and personnel of the Group, as well as the external auditor of the Company.
Instructions for the CEO's responsibilities and duties have been implemented by the Board of Directors to clarify the powers and responsibilities between the Board of Directors and the Executive Management team. The CEO has the right to represent the Company within the adopted budget and is responsible for implementing the resolutions adopted by the Board of Directors. It is the CEO's responsibility that the Company's book keeping and accounting are performed in accordance with the law and that the management of company's assets is conducted safely. The Board of Directors ensures that the CEO uses proper and effective management and control systems, including systems for risk management. The internal control systems also encompass the company's corporate values, ethical guidelines and corporate social responsibility.

XXL operates internationally and is exposed to various financial risks such as currency risk, interest rate risk, liquidity risk and credit risk. The CFO has the day to day responsibility for managing activities related to this. In order to manage foreign currency risk exposure, XXL hedge approximately 50 per cent of its purchases. The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits. The Group constantly monitors the interest rate level and uses derivatives to adjust the effective interest rate exposure when necessary. XXL monitors liquidity flows, short- and long-term, through reporting and forecasting, that better control the liquidity risk. The management of credit risk related to trade and other receivables is handled as part of business risk, and is continuously monitored by XXL's finance department. The Group mitigates this risk by ensuring that all parties requiring credit, such as customers, are approved and subject to credit check. Policies are in place to ensure that sales are made with customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits. XXL has agreements with third parties related to recoverability of trade receivables from online sales and supplier bonuses.

In order to comply with the arm's length principle as stated in applicable standards and laws and to maintain good control, XXL has established transfer pricing policy. The main purpose of this policy is to ensure that all significant intra group transactions are priced in accordance with the arm's length principle and relevant domestic tax regimes. It ensures a simple, coherent and logical transfer pricing methodology, and consistency and transparency on how the intra group prices are set and tested. It further minimizes the risk of double taxation and conflicts with the tax authorities and captures any relevant and significant issues and need for revisions.

The Group's accounting unit is responsible for the preparation of the financial statements and to ensure that they are in accordance with applicable laws, regulations and adopted accounting policies. The CFO and the controller functions are responsible for reporting to the Board of Directors and the Executive Management, as well as planning and coordinating the business plan process. The finance department prepares financial reporting and provides a set of procedures and processes detailing the requirements with which the local reporting units must comply. The Group has established processes and a variety of control measures that will ensure quality assurance in the financial reporting. The Group is reporting to the Board of Directors on a monthly basis. Several controls are established such as reconciliation, segregation of duties, management review and authorization. All monthly and quarterly reports are analyzed and assessed relative to budgets, forecasts, trends and the long-term business plan. The Executive Management comments on the financial results on a quarterly basis and the results are announced to the Oslo Stock Exchange.

The external auditor provides a description of the main elements in the audit, including opinions on internal control related to financial reporting. XXL is subject to a yearly external statutory audit.

XXL Board of Directors has also implemented ethical procedures in the company, subject to all employees and the members of the Board of Directors. These documents contain the basic principles of business practice, personal conduct, roles and responsibilities, covering topics including employee relations, anti-corruption, health, environment, human rights, anti-discrimination, handling business information, conflicts of interest, fair competition, money laundering.

Please also see the Sustainability report for 2019.

Deviation from the Code of Practice (NUES) - none

11. Remuneration of the Board of Directors
The remuneration of the Board of Directors will be proposed by the nomination committee and approved by the Annual General Meeting. The remuneration is a fixed annual fee and is not linked to the company's performance. It reflects the responsibility, qualifications, time commitment and complexity of the Company's activities in general and also separate fees for participation in committees of the Board. Members are not granted share options and none of them (or any company associated with such member) have specific assignments for the Company in addition to their duties as Board members except for Board Member Øivind Tidemandsen. XXL is required to have individual licenses to sell firearms for all stores in which firearms and ammunition are sold. The Group's applications for licenses in Norway are made by XXL Sport & Villmark AS with the Chairman Øivind Tidemandsen being registered as the individual responsible person. This duty is carried out on a non-pay basis and is known for all the other members of the Board of Directors. Currently three of the Board members have shares in the company.

The Annual General Meeting in June 2019 decided to change the instructions for the nomination committee so that parts of the remuneration to the members of the Board of Directors are subject to being invested in shares in the Company. This means that members of the Board of Directors shall utilize 1/3 of their annual gross board fee (excluding any fee for committee work) to purchase shares in XXL until they (including their related parties) own shares in XXL at a value equivalent to two times their gross board fee (excluding any fee for committee work). These shares must be retained as long as the member serves on the Board of Directors. The obligation to invest part of the board fee in shares in the Company will not apply to the Board of Directors who exits the Board in connection with the resolution of the board fee. It

For more information please see note 3 in the consolidated financial statements.

Deviation from the Code of Practice (NUES) - none

12. Remuneration of executive personnel
XXL Board of Directors has established a Remuneration Committee with a set of instructions for the Committee to follow. The Committee acts as preparatory and advisory body to the Board of Directors in relation to the Company's remuneration of Executive Management. The Board of Directors determines the remuneration of the CEO based on a proposal from the Remuneration Committee and approves the general terms of the Company's incentive plans for the Executive Management and key employees. The CEO determines the compensation to other members of XXL's Executive Management.

In accordance with the Norwegian Public Limited Companies Act, a statement related to the determination of salary and other benefits for the Executive Management will be prepared by the Board of Directors. The statement will be presented to the Annual General Meeting for voting and the statement will also be a separate appendix in the notice to the Annual General Meeting.

The Board of Directors has established guidelines for the remuneration to the CEO and members of the Executive Management. It is a policy to offer competitive remuneration based on current market standards, company and individual performance. The remuneration consists of a basic salary element combined with a performance based bonus program. The Executive Management participates in the Company's insurances and is entitled to certain other elements like benefits upon termination, car, internet access and phone expenses. Executives on expatriate contracts have various other costs covered by the Company. The annual salary adjustment for employees in Norway forms the basis for the XXL's Executive Management salary development. Members of the Executive Management do not receive separate remuneration for board membership in XXL subsidiaries.

The Group has established a bonus scheme for the Executive Management, which is based on elements such as the Group's results before tax exceeding the budget and certain KPIs. Under the bonus scheme, members of the Executive Management may be awarded an annual bonus of up to 50 per cent of the respective employee's gross base salary. The annual bonus for Executive Management will be communicated by the Board of Directors each year. The Group does not include bonus payments in the basis for calculation of holiday pay and pension.

The Group has established an equity-based long term investment program for members of the Executive Management. The main objective of the Program is to align the long-term interests of the Executive Management with those of the shareholders of XXL ASA. The Group has a defined contribution plan which covers all of the XXL's employees.

The guidelines to be presented at the Annual General Meeting in June 2020 are disclosed in note 3 in the consolidated financial statements. For information on salary and other benefits for 2019 for the Executive Management see note 3 in the consolidated financial statements. For additional information about the pension plans see note 3 in the consolidated financial statements.

Deviation from the Code of Practice (NUES) – none

13. Information and communications
XXL's communication with the financial market is based on openness and equal treatment of all shareholders. Investor Relations is a high priority and the Board of Directors has established an Investor Relations policy to build trust and awareness in the investor community. The XXL corporate website (www.xxlasa.com) includes an updated financial calendar, financial reports, announcements, contact details and other Investor Relations information. XXL regularly hosts meetings with investors and analysts, participates on investor conferences and arranges regular presentations and roadshows worldwide. To ensure all stakeholders have equal access to information at the same time, important events affecting the company are reported immediately to the Oslo Stock Exchange in accordance with applicable legislation and also at the same time on XXL's corporate website.

Deviation from the Code of Practice (NUES) - none

14. Take-overs
In accordance with the Norwegian Securities Trading Act and the Code of Practice, the Board of Directors has adopted guiding principles for how to act in the event of a take-over bid. The Board of Directors will not seek to hinder or obstruct any takeover bids. In a take-over process, the Board of Directors and executive management each have an individual responsibility to ensure that the Company's shareholders are treated equally and that there are no unnecessary interruptions to the Company's business activities. The Board of Directors will ensure that the shareholders have sufficient information and time to assess the offer and will not undertake any actions intended to give shareholders or others an unreasonable advantage at the expense of other shareholders.

Information about agreements entered into between the Company and the bidder that are material to the market's evaluation of the bid will be publicly disclosed no later than at the same time as the announcement that the bid will be made is published. Any agreements with the bidder that acts to limit the Company's ability to arrange other bids for Company's shares will only be entered into where the Board of Directors believes it is in the common interest of the Company and its shareholders.

If a take-over offer is made, the Board of Directors will obtain a valuation from an independent expert. On this basis, the Board of Directors will issue a statement making a recommendation as to whether shareholders should accept the offer or not. The valuation from the independent expert will be disclosed at the same time.

Deviation from the Code of Practice (NUES) - none

15. Auditor

The external auditor participates in meetings with the Audit Committee or the Board of Directors when matters falling within the scope of the external auditors responsibilities are considered. The external auditor provides to the Audit Committee a description of the main elements of the audit for the preceding financial year, including in particular the elements that caused the most discussions with the Executive Management and material weaknesses uncovered related to internal controls of the financial reporting process and proposals for improvement. The auditor participates in meetings of the Board of Directors and the Audit Committee that approves financial statements. Once a year the Board of Directors holds a meeting with the auditor and no member of the Executive Management participate.

Norwegian laws and regulations stipulate the type of non-audit services that external auditors can perform for XXL. The Board of Directors has established guidelines with respect to the use of the auditor by the company's executive personnel for services other than the audit. The Annual General Meeting is informed about the Company's engagement and remuneration of the auditor and for fees paid to the auditor for services other than the annual audit. Details are disclosed in note 3 to the consolidated financial statements.

Deviation from the Code of Practice (NUES) - none

The XXL share and shareholder information

XXL is committed to maintaining a consistent dialogue with the shareholders and potential investors. The communication with the financial market is based on openness and equal treatment of all shareholders. Good relations with the investor community contribute to building trust and reducing cost of capital. XXL gives high weight to providing accurate, clear, relevant, comprehensive and up-to-date information about the Company through stock exchange announcements, interim reports, annual reports, general meetings, presentations and meetings with investors and analysts.

The XXL share should be an attractive investment opportunity, providing competitive returns to the owners, both through dividends and by increasing the value of the equity through positive developments in the operations over time.

Extensive information about the Investor Relations policies and the XXL share could be found on www.xxlasa.com/investor

Financial calendar 2020:

- 29 April 2020 – Q1 2020 results
- 4 June 2020 – Annual General Meeting
- 16 July 2020 – Q2 2020 results
- 27 October 2020 – Q3 2020 results

The quarterly results presentations and the Annual General Meeting take place at the XXL head office, Alna Center, Strømsveien 245, Oslo.

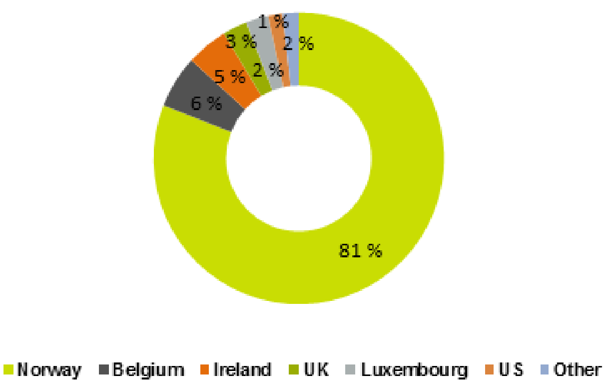
Share performance

The XXL share started the year at a price of NOK 26.10 and closed the year 2019 at NOK 16.75, giving a negative return of 36 per cent. XXL's market value as of year end 2019 was NOK 2.8 billion. The highest closing price was NOK 32.79 and the lowest was NOK 15.41. The average daily volume in 2019 was NOK 15.0 million or 572,166 shares. The Oslo Stock Exchange – OSEBX index – increased by around 17 per cent in 2019.

Shareholders
XXL ASA had on 31 December 2019 a total of 165,762,744 outstanding shares owned by 8,940 shareholders. Non-Norwegians amounted to 19.1 per cent of outstanding shares, with shareholders from Belgium representing 5.8 per cent and from the Ireland representing 4.6 per cent respectively of the outstanding shares. The largest shareholder was Altor Equity Partners AS with 20.46 per cent.

Annual General Meeting 2020
XXL ASA's Annual General Meeting is scheduled for Wednesday 4 June 2020 at 09.00 CET at the XXL head office, Alna Center, Strømsveien 245, Oslo. Attendance either in person or by proxy should be registered within 3 June 2020 at 15.00 CET. Shareholders may register by submitting a registration form or electronically on www.xxlasa.com or at the Norwegian Central Securities Depository investor services website (VPS – www.vps.no).

GEOGRAPHICAL SHAREHOLDER DISTRIBUTION



LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2019

Overview of the major shareholders of the Group as of 31.12.2019:	Total amount of shares	Ownership	Voting right
DOLPHIN MANAGEMENT AS	33 855 956	20,4 %	20,4 %
ALTOR INVEST 5 AS	16 960 065	10,2 %	10,2 %
ALTOR INVEST 6 AS	16 960 065	10,2 %	10,2 %
ODIN FUND MANAGEMENT	15 471 216	9,3 %	9,3 %
FERD AS	15 467 891	9,3 %	9,3 %
ARCTIC ASSET MANAGEMENT	8 365 451	5,1 %	5,1 %
SPORTS DIRECT INTERNATIONAL	6 750 000	4,1 %	4,1 %
SEB BANKEN, LUXEMBOURG	3 703 500	2,2 %	2,2 %
STAMINA II AS	2 624 566	1,6 %	1,6 %
DNB ASSET MANAGEMENT	2 519 241	1,5 %	1,5 %
FOLKETRYGDFONDET	2 359 176	1,4 %	1,4 %
GENI HOLDING AS	1 960 000	1,2 %	1,2 %
VANGUARD GROUP	1 785 091	1,1 %	1,1 %
UNITED NATIONS JOINT STAFF PENSION	1 607 425	1,0 %	1,0 %
BLACKROCK	1 552 500	0,9 %	0,9 %
ROBERT IVERSEN HOLDING AS	1 336 341	0,8 %	0,8 %
NORDEA ASSET MANAGEMENT	1 131 105	0,7 %	0,7 %
LAZARD FRERES BANQUE	1 022 990	0,6 %	0,6 %
WIPUNEN VARAINHALLINTA OY	1 000 000	0,6 %	0,6 %
MARIATORP	1 000 000	0,6 %	0,6 %
FJANSE HOLDING AS	960 106	0,6 %	0,6 %
Other	27 370 059	16,5 %	16,5 %
Sum	**165 762 744**	**100 %**	**100 %**

Consolidated financial statements - Group

Consolidated statement of total comprehensive income

XXL ASA

Amounts in NOK million	**Note**	**2019**	**2018**
Operating Revenue	2	**8 992**	**9 475**
Cost of Goods Sold		5 934	5 938
Personnel Expenses	3	1 652	1 615
Depreciation and Amortization	4,5,22	692	189
Other Operating Expenses	6,22	916	1 380
Operating Income		**-201**	**352**
Net Financial Expenses	19	-183	-57
Net Financial Income (Expense)		**-183**	**-57**
Income before tax		**-384**	**295**
Income Tax Expense	7	-57	58
Net Income		**-327**	**237**
Basic Earnings per share (NOK)	14	**-2,31**	**1,72**
Diluted Earnings per share (NOK)	14	**-2,31**	**1,72**
Statement of other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		-26	9
Total other comprehensive income		**-26**	**9**
Total comprehensive income		**-353**	**246**

Notes 1 to 23 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position – Assets

XXL ASA

ASSETS

Amounts in NOK million	Note	31.12.2019	31.12.2018
NONCURRENT ASSETS			
Intangible Assets			
Trademarks	5	194	198
Proprietary software	5	47	41
Software	5	12	12
Deferred tax asset	7	27	0
Goodwill	5	2 744	2 734
Total Intangible Assets		**3 024**	**2 985**
Property, Plant and Equipment			
Construction in progress	4	15	4
Machinery and equipment	4	62	75
Land and buildings	4	23	24
Transport and vehicles	4	1	1
Fixtures and fittings	4	755	804
Right-of-Use Assets	18	2 827	-
Total Property, Plant and Equipment		**3 683**	**909**
Financial Assets			
Other investments		0	9
Total Financial Assets		**0**	**9**
Total Non-current Assets		**6 706**	**3 903**
CURRENT ASSETS			
Inventory			
Inventories	8	2 843	3 211
Total Inventory		**2 843**	**3 211**
Trade and Other Receivables			
Trade receivables	12	153	258
Other receivables	12,20	107	96
Total Trade and Other Receivables		**260**	**354**
Cash and Cash Equivalents			
Cash and cash equivalents	11	433	194
Total Cash and Cash Equivalents		**433**	**194**
Total Current Assets		**3 536**	**3 760**
Total Assets		**10 242**	**7 662**

Notes 1 to 23 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position – Equity and Liabilities

XXL ASA

EQUITY AND LIABILITIES

Amounts in NOK million	Note	31.12.2019	31.12.2018
SHAREHOLDERS' EQUITY			
Paid-in Capital			
Share capital	13	66	56
Share premium	13	3 264	2 697
Other paid-in equity	13	29	37
Total Paid-in Capital	13	**3 360**	**2 790**
Retained Earnings			
Other equity		467	920
Total Retained Earnings		**467**	**920**
Total Shareholders' Equity		**3 826**	**3 710**
LIABILITIES			
Non-Current Liabilities			
Deferred tax liability	7	9	41
Non-Current interest bearing debt	21	767	1 081
Non-Current lease liabilities	18	2 428	-
Total Non-Current Liabilities		**3 204**	**1 122**
Current Liabilities			
Accounts payable and supplier finance	16	980	861
Current Lease liabilities	18	553	-
Current interest bearing debt	21	889	994
Tax payable	7	0	53
Public duties payable		385	385
Other current liabilities	17	405	538
Total Current Liabilities		**3 212**	**2 831**
Total Liabilities		**6 416**	**3 953**
Total Equity and Liabilities		**10 242**	**7 662**

Notes 1 to 23 are an integral part of the Consolidated Financial Statements

Oslo, 28 April 2020
Board of Directors, XXL ASA

Hugo Lund Maurstad Chairman	Øivind Tidemandsen Board member	Kjersti Helen Krokeide Hobøl Board member
Ronny Blomseth Board member	Maria Anna Kristina Aas-Eng Board member	Pål Wibe CEO

Consolidated statement of cash flows

XXL ASA

Amounts in NOK million	Note	2019	2018
Operating Activities			
Income before tax		-384	295
Income tax paid		-75	-113
Depreciation and amortization	4,5	692	189
Net financial expense		183	57
Changes in inventory		340	-89
Changes in accounts receivable		119	21
Changes in accounts payable and supplier financing		111	32
Other changes		-47	68
Cash provided (used) by operating activities		**938**	**460**
Investing Activities			
Investment in fixed assets	4,5	-163	-243
Payments/proceeds from acquisitions/disposals		-4	0
Cash provided (used) by investing activities		**-168**	**-243**
Financing Activities			
Sales/purchase of own shares/other equity transactions		477	-109
Payments/proceeds on long/short term debt	21	-387	86
Interest payments		-69	-36
Total leasing payments for the lease liability		-547	-
Dividend		-	-276
Cash provided (used) by financing activities		**-526**	**-335**
Net Change in Cash and Cash Equivalents		**244**	**-117**
Cash and cash equivalents - beginning of year	11	194	314
Effect of foreign currency rate changes on cash and equivalents		-6	-2
Cash and Cash Equivalents - End of Year		**433**	**194**

Notes 1 to 23 are an integral part of the Consolidated Financial Statements

Consolidated statement of Changes in Equity

XXL ASA

Amounts in NOK million	Share Capital	Share premium	Other Paid in Equity	Other Equity	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	-	-	-	-11	-	-11
Shareholders' Equity 01.01.18	**55**	**2 806**	**23**	**943**	**7**	**3 835**
Net income 2018				237		237
Foreign currency rate changes					9	9
Transaction with owners:						
Share options		-11				-11
Purchase of own shares		-150				-150
Issue of new shares	0	51				52
Employee share incentive programme			14			14
Dividend				-276		-276
Shareholders' Equity 31.12.18	**56**	**2 697**	**37**	**904**	**16**	**3 710**
Net income 2019				-327		-327
Foreign currency rate changes					-26	-26
Transactions with owners:						
Employee share incentive programme			-8			-8
Sale own shares		178		-100		77
Private Placement	11	389				400
Shareholders' Equity 31.12.2019	**66**	**3 264**	**29**	**476**	**-10**	**3 826**

Notes 1 to 23 are an integral part of the Consolidated Financial Statements

Notes to the financial statements

1.1 Organization
XXL ASA was founded 2000 and is incorporated and domiciled in Norway. The address of its registered office is Strømsveien 245, N-0668 Oslo, Norway.

XXL ASA's shares are listed on the Oslo Børs (OSL, Norway) with the ticker XXL.

The XXL is omni-channel sports retailer focusing on well-known quality brands at the best price of the market. XXL operates in Norway, Sweden, Finland, Denmark and Austria. XXL ASA is the ultimate parent of the group.

1.2 Basis of preparation
The Consolidated Financial Statements for XXL ASA ("the Group") are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as well as Norwegian disclosure requirements pursuant to the Accounting Act.

The Consolidated Financial Statements have been prepared in accordance with the historical cost convention, modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through other comprehensive income or the income statement.

The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and events under similar conditions.

Functional and presentation currency
Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at closing rates at the reporting date are recognized in the income statement. Non-monetary items are measured at historical cost translated using the exchange rates at the transaction date, except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

The presentation and functional currency is NOK. Group entities with a functional currency other than NOK are translated at the closing rate at the reporting date for balance sheet items, including goodwill, and at transaction rate for income and expenses. Monthly average rates are used as an approximation for transaction rates. Exchange differences are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity.

1.3 Basis of consolidation
The Consolidated Financial Statements include the parent company XXL ASA and all of its subsidiaries. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies.

All transactions and balances between Group companies are eliminated at consolidation, including unrealized gains and losses on transactions between Group companies.

Subsidiaries
Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.
The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

1.4 Significant accounting policies

Revenue recognition
The Group provides sporting goods and related equipment to its customers. Customers are individuals who shop at XXL stores and online.

Revenue is recognized when it transfers promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue excludes sales taxes, rebates, and trade discounts.
Each contract with a customer consist of one or more products, and each product or batch order of the same product constitute one performance obligation, since the customer can benefit from each good or batch on its own or together with other resources already available. The fixed transaction price, which represents the stand-alone selling price of each product, is separately stated for each product or batch of products within the contract.

The group recognises revenue from the sale of goods at the point in time when control of the goods is transferred to the customer. Control of an asset refers to the ability to direct the use of and obtain substantially all of the remaining benefits from the asset, and the ability to prevent others from directing the use of and receiving the benefits from the asset. The group therefore generally recognize revenue at the point of sale (retail) or delivery (internet sales). Payment within the retail sales channel takes place in the form of cash purchase or by the use of payment cards. Internet customers are invoiced either through debit/credit cards or through a 3. party sales finance provider (Klarna), in both cases the Group receives payment within a couple of days. Cash receivables through debit/credit cards or Klarna is included in the line item 'Cash and cash equivalents' in the consolidated balance sheet.

The Group's policy is to provide the customer with a right of return within 100 days. As a consequence, revenue is reduced by the right to return. The right to return goods is estimated based on historical information.The liability is recognized in the line item Other short-term liabilities in the consolidated balance sheet.

Customers can also purchase gift cards. At the point of sales of the gift card, a liability is recognized. Revenue is recognized at the point in time when the gift card is redeemed. Management estimates the expected value of gift cards that will expire unused based on historical information. The amount not expected to be redeemed is also recognized as revenue each month. The gift card liability is part of Other short-term liabilities in the consolidated balance sheet. Gift cards expires differently across the countries we operate, the lowest expiry time is two years and the highest is indefinite

Income tax
Tax expense recognized in the income statement comprises the sum of changes in deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claim from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Based on these evaluations, provisions for anticipated tax payments are made, as necessary.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets are recognized to the extent that it is probable that they will be utilized against future taxable income, based on the Group's forecast of future operating results which are adjusted for significant non-taxable income and expenses.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Fixed assets
Property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the difference between the proceeds and the carrying value of the assets is recognized as gain or loss.

The cost of fixed assets is the purchase price including taxes and expenses directly attributable to preparing the asset for use. Expenditures incurred after the asset has been put into operation, such as ongoing maintenance, are expensed, while other expenses that are expected to generate future economic benefits are capitalized. Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of buildings and equipment.

The following useful lives are applied:

Land and Buildings: 20 years
Transport and vehicles: 5 years
Machinery and equipment: 35years
Fixtures and fittings:10 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually. Gains or losses arising from the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the income statement within other income or other operating expenses.

Construction in progress is classified as a fixed asset and is recognized at cost until the asset is commissioned. Construction in progress is not depreciated until the asset is placed into service.

Right-of-use assets and lease liability:
In accordance with the implementation of IFRS 16, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group (the commencement date). Each lease payment is allocated between the liability and finance cost. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The corresponding liability is included as lease liability in the balance sheet.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• fixed payments (including in-substance fixed payments), less any lease incentives receivable
• variable lease payment that are based on an index or a rate
• amounts expected to be payable by the lessee under residual value guarantees
• the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
• payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the lessee's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:
• the amount of the initial measurement of lease liability
• any lease payments made at or before the commencement date less any lease incentives received
• any initial direct costs, and
• restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are assets with a purchase value below 50 000.

Impairment of assets
All assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such indications can be significant fall in market values; significant underperformance relative to historical or projected future operating results; significant changes in the use of the assets or the strategy for the overall business, including assets that are decided to be phased out or replaced and assets that are damaged or taken out of use; significant negative industry or economic trends; significant loss of market share; significant unfavourable regulatory and court decisions and significant cost overruns in the development of assets Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the income statement.

The recoverable amount is the higher of an asset's net selling price and value in use. Where there are circumstances and evidence that impairment recognized in previous years no longer exists or has decreased, reversals of impairment will be recognized except of goodwill.

Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is calculated as the sum of the consideration and the book value of non-controlling interest and the fair value of previously owned shares, minus net value of identifiable assets and liabilities at the acquisition date. Goodwill is not amortized, but is tested annually for impairment. Goodwill is carried at cost less accumulated impairments losses. In connection with impairment testing, goodwill is allocated to the related cash-generating units or groups of cash generating units.

Trade and other receivables
Trade and other receivables are initially and subsequently measured at the transaction price less expected credit losses.

Trade receivables are adjusted for provision for impairment in accordance with the expected credit loss model. The Group applies the simplified approach for trade receivables, measuring the loss allowance at an amount equal to lifetime expected credit losses. Impairment for expected credit losses is recognized in the income statement and updated at each reporting date. The impairment is calculated by taking into account the historic evidence of the level of bad debt experienced for customer types and the aging of the receivable balance

Intangible assets
Acquired intangible assets are capitalized on the basis of the costs incurred to acquire and put the asset into use. Intangible assets acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values.

Expenditure on the research phase of projects to develop new customized software for IT and telecommunication systems is recognized as an expense as incurred.

All intangible assets, including capitalized internally developed software, are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date.
Intangible assets with indefinite useful lives are tested for impairment annually, either individually or as part of a cash-generating unit.

Intangible assets with indefinite lives are not amortized. Management reviews annually to determine whether the indefinite life assumption can be justified. If not, a change to the predetermined useful life is made.

Brand/Trademark
Trademark allocated as part of the purchase price allocation in 2010 is capitalized and has undefined useful life.

Software - acquired and developed
Expenses related to the purchase of new software are capitalized as an intangible asset if these costs are not part of the original hardware cost. Software is depreciated over three years. Expenses incurred due to service or maintenance are expensed unless the changes in the

software increase the future economic benefits of the software.

Financial instruments

The Group has the following financial instruments: trade receivables, cash and cash equivalent, lease liabilities, debt, accounts payable and supplier finance and derivatives.

All financial instruments except for derivatives are measured at amortized cost. Trade receivables meet the SPPI criteria of IFRS 9.

For derivatives not traded on an active market, an appropriate valuation method is used in order to determine the fair value. Such valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, and referencing the current fair value of another instrument that is substantially the same, as well as a discounted cash flow analysis or other valuation models.

An analysis of financial instruments and their fair value measurement can be found in note 20.

FX derivatives used to secure purchases in foreign currency are measured at fair value and recognized in the P&L.

Impairment of non-financial assets
Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of nonfinancial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Inventories
Inventories are measured at the lower of cost and net realizable value. Net realizable value is estimated sales price less transaction cost. Se section *"Significant management judgment in applying accounting policies"* below.

Cost is reduced by any bonuses and cash discounts from suppliers. In the income statement, volume based market support is presented as a reduction of cost of goods sold, while sales support billed suppliers for joint marketing is presented as a reduction in marketing costs under other operating expenses. Any unused cash discounts deemed immaterial are presented in the income statement under financial expense. Inventory cost is recognized based on weighted average cost.

Cash and cash equivalents
Cash includes cash in hand and bank deposits. . Funds originally bound for more than three months are not included in cash and cash equivalents.

Bank overdrafts are presented in the statement of cash flows less cash and cash equivalents.

Stockholder's equity
Foreign currency rate changes
The translation reserve is comprised of foreign currency rate changes arising from the translation of financial statements of the Group's foreign entities into NOK.
Exchange differences on monetary items (assets or liabilities) which are in reality part of a company's net investment in a foreign entity are also included in the translation reserve.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (more likely than not) that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

Supplier financing
The Group has entered into a supplier financing arrangement with DNB. An accounts payable is derecognized and a supplier financing payable is recognized when the financial liability to the supplier has been extinguished by DNB paying the supplier on behalf of the Group and a new liability to the bank has been agreed in its stead. The accounts payable is also considered extinguished and derecognized if the rights under the trade receivable are acquired from the supplier by the bank, and the Group is given significantly different terms by the bank. This may be the case if the payment terms are extended for the group. A specification of accounts payable and supplier financing can be found in note 16.

Contingent liabilities and assets
In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized.
A contingent asset is not recognized in the financial statements but disclosed in notes if it is probable that the benefit will flow to the Group.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that make strategic decisions.

1.5 Changes in accounting policies
The following new and amended standards and interpretations have been implemented for the first time in 2019:

IFRS 16 - Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from previous accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

Effective 1 January 2019 the Group adopted IFRS 16 using the modified retrospective approach and accordingly comparative information has not been restated.

A summary of the changes and practical expedients applied is presented below:

Determining whether a contract is or contains a lease
On the transition to IFRS 16, the Group elected to not reassess whether a contract is, or contains a lease, as a practical expedient. The Group applied IFRS 16 only to contracts that were previously identified as leases. The Group's contracts that were not previously identified as leases were not reassessed for whether they contain a lease.

Specific software provider
For the IFRS 16 project, the Group has used a specific software provider for registering contracts and measuring implementation effects. The software will be used also for measurement subsequent to initial recognition.

The Group as a lessee
The Group previously classified leases as a finance lease if it transferred substantially all the risks and rewards incidental to ownership to the Group.

Leases previously classified as operating leases under IAS 17
At the date of initial application of IFRS 16, the Group recognized a lease liability for leases previously classified as operating leases after IAS 17 in accordance with the transition requirements. The Group measured the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2019.

The Group also recognized right-of-use assets on a lease-by-lease basis measured at either:
- Its carrying amount as if IFRS 16 had been applied since the commencement date, but discounted using it's incremental borrowing rate at the 1 January 2019, or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
The Group has applied the following practical expedients to leases previously classified as operating leases at the date on initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets. The Group has applied the threshold level of NOK equivalent of 5 000 USD.
- Excluded any initial direct costs from the measurement of the right-of-use asset
- Applied hindsight when determining the lease term for contracts containing options. Contracts with extension options that expire within the strategy period of the Group have been assessed qualitatively whether the option will be exercised or not.
- Variable lease payments that are not included in the measurement of the lease liability are recognized in profit or loss in the period in which the event or condition that triggers payment occurs. This includes variable rent above minimum rent.

Discount rate
In setting the discount rate, the incremental borrowing rate for the Group as a lessee is derived using the following model:

- Relevant borrowing rate (relevant Interbank Offering Rate + applicable Margin). Multicurrency loan.

Adjusted for;

- Lease term (the Group has adjusted for contractual differences in length)
- Security (adjusting relevant borrowing rate for ratio of secured/unsecured debt)
- Economic environment (adjustment if loan is in different currency than the lease liability)

With this approach the Group has obtained a matrix of borrowing rates that can be matched with the matrix of lease liabilities based on geography (currency) and length.

Leases previously classified as finance leases under IAS 17
For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 was determined to be the carrying amount of the lease asset and lease liability at the date if initial application of IFRS 16.

The implementation effects of IFRS 16 are presented in disclosure note 22.

Interpretation 23 (IFRIC 23) – Uncertainty over Income Tax Treatments
The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment came into effect 1 January 2019. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements. The interpretation did not have any effect on the financial statements
No other standards amendments and interpretations which are effective for the financial year beginning on 1 January 2020 is expected to have a material to the group except the one listed below.

Amendment of IAS 1 – Classification of Liabilities as Current or non-current"
IAS 1 was amended in with effect after 1. January 2022. The amendment is not expected to have an material effect on the financial statements.

Amendment of IAS 1 and IAS 8 – Definition of material
The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendment goes into effect 1 January 2020

1.6 Significant management judgment in applying accounting policies
When preparing the Consolidated Financial Statements, management undertakes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. Estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimated impairment of goodwill and trademark
The Group tests for impairment of goodwill and trademark as necessary, or at a minimum annually (note 5). The recoverable amount of cash-generating units is based on the value-in-use calculation. The cash-generating unit for goodwill and trademarks corresponds with our segment reporting. These calculations require the use of estimates (note 5).

Estimated impairment of Right-of-Use assets
For the purposes of assessing impairment for RoU assets, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units, "CGU"). Each store is considered a CGU.

Value in use must in part be based on management's evaluations, including determining the discount rate, estimates of future performance, revenue generating capacity of the assets, margins, required maintenance capex, overall costs and assumptions of the future market conditions. See note 18 for further detail.

Provision for obsolescence
The group makes provision for obsolescence. These provisions are based on a detailed assessment of (1) the age distribution of inventory items (2) rim sizes, (3) thin store distribution and (4) whether the goods are part of an active or expired product range. Write-down for obsolescence is made when the cost of the goods is higher than the expected net sales value. These provisions are estimate-based and require in-depth knowledge about goods and markets

Note 2 Operating Segments

The Group's business is the sale of sports and leisure equipment and leisure events. The Group's sales are made primarily from the Group's stores in Norway, Sweden, Finland, Austria and E-commerce in Denmark. The Company's performance is reviewed by the chief operating decision maker as five reportable geographical segments, and in addition HQ & Logistics. Internet sales are included in each geographic segment based on the geographic location of the consumer. HQ & Logistics includes Group HQ costs, such as IT, Finance, Training and Administration. Group HQ also includes costs related to wholesalers and central warehouses.

01.01.2019 - 31.12.2019

(Amounts in NOK million)	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	**4 148**	**2 558**	**1 766**	**49**	**470**		**8 992**
Gross profit[1]	1 524	816	577	10	131		3 058
EBITDA[2]	**676**	**99**	**139**	**-11**	**-55**	**-358**	**490**
Operating Income	**432**	**-91**	**27**	**-11**	**-97**	**-461**	**-201**

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]	1 841	980	600	12	102		3 536
EBITDA[2]	**765**	**168**	**99**	**-10**	**-70**	**-412**	**541**
Operating Income	**712**	**125**	**75**	**-10**	**-78**	**-472**	**352**

[1]Gross profit represent operating revenue less cost of goods sold

[2]Our EBITDA represents operating income plus depreciation and amortization.

Note 3 Personnel expenses

(Amounts in NOK million)

Employee benefit expenses	**2019**	**2018**
Wages, salaries	1 274	1 272
Social security costs	249	227
Pension expenses	77	73
Other benefits	52	44
Total	**1 652**	**1 615**
Average number of full time employees	3 442	3 220

Executive management remuneration
(Amounts in NOK Thousands)

The following benefits were provided to the members of the Executive Management for 2019:

Name	**Title**	Currency	Salary	Bonus	Other	Pension	**Total remuneration**	**Number of shares in XXL ASA**
Tolle Grøterud	Investor Relations / CEO	NOK	2 574	90	8	51	**2 672**	**48 137**
Rest of the members of the Executive Management*		NOK	12 968	639	196	259	**13 803**	**354 205**
Total remuneration		NOK	15 542	729	204	311	16 474	402 342

* Rest of the members of the Executive Management consists of 7 people

The following benefits were provided to the members of the Executive Management for 2018:

Name	**Title**	Currency	Salary	Bonus	Other	Pension	**Total remuneration**	**Number of shares in XXL ASA**
Fredrik Steenbuch	Chief Executive Officer	NOK	3 084	772	121	62	**4 039**	**2 834 566**
Tolle Grøterud	Investor Relations / CEO	NOK	1 580	852	7	32	**2 471**	**48 137**
Rest of the members of the Executive Management		NOK	10 815	3 309	818	417	**15 359**	**629 619**
Total remuneration		NOK	15 480	4 933	946	511	21 868	3 512 322

* Rest of the members of the Executive Management consists of 7 people

Remuneration report:

1. GUIDELINES
The Board of Directors has established guidelines for the remuneration to the members of the Executive Management. It is a policy of the Company to offer the Executive Management competitive remuneration based on current market standards, company- and individual performance. The remuneration consists of a basic salary element combined with a performance based bonus program as set forth below. The Executive Management participates in the Company's insurances and may be entitled to certain fringe benefits such as free newspaper, car and phone.

The Remuneration Committee is a sub-committee of the Board of Directors and its objective is to act as a preparatory and advisory body in relation to the Company's remuneration of the Executive Management and to ensure thorough and independent preparation of matters in relation to compensation of executive personnel.

2. BONUS PROGRAM
The Group has established a bonus scheme for the Executive Management, which is based on elements such as the Group's results before tax exceeding the budget and certain KPIs. Under the bonus scheme, members of the Executive Management may be awarded an annual bonus of up to 50 per cent of the respective employee's gross base salary. The annual bonus for Executive Management will be communicated by the Board of Directors each year. The Group does not include bonus payments in the basis for calculation of holiday pay and pension.

3. SHARE OPTION PROGRAMME
In order to strengthen the common interests between the Executive Management and other key employees and the shareholders of the company, the Board of Directors implemented a share option program for its executive management and other key employees (as defined by the CEO) by granting share options to such persons in 2017 and 2018. There was no new share option program in 2019 and there will be none in 2020. The share options from 2017 lapsed in February 2020 without any exercise for the participants. During 2019 XXL assessed that EBITDA targets for the remaining open share option programmes will not be possible to reach and all costs related to these option programmes have been reversed.

Options
(Amounts in Thousands)

	2019	Weighted Average Exercise price (NOK)	2018	Weighted Average Exercise price (NOK)
Outstanding at the beginning of the period	**1 473**	**89,2**	**2 128**	**90,3**
Exercised		-	584	-
Terminated	268	-	1 128	-
Granted		-	1 057	88,2
Outstanding at the end of the period	**1 206**	**89,2**	**1 473**	**89,2**

Options held by Board of Directors and Executive Management:	Title	Outstanding at the beginning of the period	Outstanding at the end of the period
Tolle Grøterud	Chief Executive Officer / Investor Relations	133 948	133 948
Espen Terland	IT and Omni-channel Director	133 948	133 948
Anders Kjellèn	Retail Director	133 948	133 948
Tom Erik Kjønø	Purchasing Director	133 948	133 948
Harald Borgen	Director Wholesale	133 948	133 948
Options held by others		803 688	535 792

4. PROGRAM FOR RESTRICTED SHARE UNITS
In order to further align the interests of the company and the employees and its shareholders, and to motivate the employees to contribute materially to the success and profitability of XXL, the Board of Directors has resolved to implement a program of Restricted Share Units ("RSUs"). This program will also enable the company to attract and retain such employees. RSUs were granted to employees in 2017, 2018 and in 2019 but there will be no allocation in 2020. In total 82,050 RSUs from 2017 were exercised by employees, corresponding to 82,050 ordinary shares, in February 2020.

The next RSU grant ("the 2021 Plan") could take place after the Q4 2020 results in February 2021 and will be related to individual contributions to XXL, position in the organization, competence, employment duration and the importance for XXL. Allocations are based on individual accomplishments. XXL has developed allocation levels according to different positions within the company, with some flexibility on individual adjustments and with the possibility of internal benchmarking. Each director in the executive management team proposes their recommendations to the CEO who commence the final allocation. The allocation price will be equal to the volume weighted average price in the market the five trading days after the Q4 2020 results presentation.

The RSUs are exercisable after three years subject to the holder at the time of exercise is employed in the company.

RSU	2019	2018
Outstanding at the beginning of the period	**241 117**	**281 856**
Exercised	79 216	86 310
Terminated	272	29 567
Granted	247 932	75 138
Outstanding at the end of the period	**409 561**	**241 117**

	2019	2018
RSU & Option program expensed for the year	**-7 572 ***	**15 032**
Reversal of cost of option programme from 2017 and 2018	-13 672	-
RSU & Option programme expensed for the year (excluding reversal)	6 100	15 032

*Due to the reversal of cost for previous option programmes not reaching EBITDA targets, the net amount recorded for Options and RSU in 2019 ended up as an income for the year.

5. LONG TERM INVESTMENT PROGRAM

The Group has established an equity-based long term investment program (the "Program") for members of the Executive Management. The main objective of the Program is to align the long-term interests of the Executive Management with those of the shareholders of XXL ASA.

Under the Program, Executive Management will be offered to invest in shares in an investment company (XXL Management Invest AS ("XMI")) which shall own shares in XXL Sport & Villmark AS, a wholly-owned subsidiary of XXL ASA. The shares in XMI will be subject to a three year lock-up (the "Lock-up"). The shares in XMI will be offered at market price, reflecting the Lock-up obligation (based on a Black & Scholes model) and a calculated market price for XXL Sport & Villmark AS. The calculated market price for the shares in XXL Sport & Villmark AS will be based on the volume weighted average XXL ASA share price in the market (the "XXL VWAP") during the 10 trading days prior to the acceptance of the offer unless XXL ASA in such period announces price sensitive information and this, in the opinion of the Board of Directors, requires that the XXL VWAP should be determined by applying a shorter period in order to give a fair expression of the market price for the XXL shares post such announcement, and the assets and liabilities of XXL ASA other than the shares in XXL Sport & Villmark AS.

After expiration of the Lock-up period, the Executive Management may for a period of 24 months require that XXL ASA acquires or exchanges the shares in XMI for shares in XXL ASA at market price. For a period of 12 months thereafter, XXL ASA will be entitled to acquire all of the Executive Management's shares in XMI at market price. The market price for the XMI shares shall in both of the aforementioned situations be based on the XXL VWAP during the 10 trading days prior to determination of the market price, XXL ASA's and XMI's respective ownership interest in XXL Sport & Villmark AS, as well as their assets and liabilities other than the shares in XXL Sport & Villmark AS, while the market price for the XXL ASA shares shall be equal to the XXL VWAP during the same 10 trading days.

The shares in XXL Sport & Villmark AS which are reserved for the Program will not exceed 5 per cent of the issued share capital of this company. XXL ASA may provide a loan to XMI of up to 50 per cent of the full market price for XMI's shares in XXL Sport & Villmark AS.
XXL ASA shall enter into agreements with the participants in the Program which will set out the terms and conditions for their participation in the Program, including with regard to dividend distribution and changes in the share capital, termination of employment, takeover situations and more.

The Extraordinary General Meeting of 29 January 2020 approved the Program.

Board of directors

Name	Title	Nationality	Born	Year elected	Professional background
Hugo Lund Maurstad	Chairman of the Board	Norwegian	1965	2019	Hugo Maurstad is partner in Altor Equity Partners and has been in the company since 2004. Maurstad is educated as a business economist from the Norwegian Business School ("BI"). Prior to joining Altor he worked 13 years in McKinsey & Company, among other things as the leader of McKinsey's office in Norway. He has several years of experience both as chairman and as board member in several private and public companies. Through Altor, Maurstad has also been responsible for several investments within sports and leisure. Hugo Maurstad is a Norwegian citizen and resides in Norway.
Øivind Lønnestad Tidemandsen	Board member	Norwegian	1961	2014	Øivind Tidemandsen is the founder of XXL. He has also founded or otherwise been instrumental in the build-up of other Norwegian retail groups, including the electric home appliance retail group Elkjøp AS and the home furniture groups Living and Home & Cottage. He is a significant shareholder of the electric home appliance retail group Expert AS and the home furniture group Home & Cottage AS. Øivind Tidemandsen is a Norwegian citizen and resides in Norway.
Ronny Blomseth	Board member	Norwegian	1968	2014	Ronny Blomseth is the CEO of POWER International AS. He has a degree in economics from BI. Before joining POWER, he was the CEO of Elkjøp Nordic AS. Ronny Blomseth is a Norwegian citizen and resides in Norway.
Kjersti Helen Krokeide Hobøl	Board member	Norwegian	1961	2019	Kjersti Helen Krokeide Hobøl is the CEO of Nille, a Norwegian retailer. She joined Nille after leading Kid Interiør for more than eight years. In both of these jobs, she has taken over the management in a demanding situation and demonstrated strong ability to drive change, develop and improve business. From 2001 to 2010, Kjersti worked for DNB in the corporate market division, where she among other things built up a unit for handling demanding engagements. Kjersti studied economics at BI, and had various roles within finance in COOP and DNB early in her career. Kjersti combines strong operational retail expertise with a solid background from the corporate treasury and financing. Kjersti Helen Krokeide Hobøl is a Norwegian citizen and resides in Norway.
Maria Anna Kristina Aas-Eng	Board member	Norwegian	1977	2019	Maria Anna Kristina Aas-Eng is the CEO of RED dentsu X in Norway, an agency that provides consultancy within digital marketing, search engine optimization and media and communication strategy. During her time as a leader, she has, among other things, led a sales process that resulted in RED being acquired by Dentsu in 2018. Maria has deep expertise in digital marketing and sales, and is an experienced leader within business development and change in the media sector. Maria started her career in online travel agency in the early 2000s, and has since 2005 had leading roles in various media consulting agencies, Outrider, Dinamo Digital and PHD Media, until she started in RED in 2015. She was a board member in Fjellsport Group AS for three and a half years until December 2018. Maria Anna Kristina Aas-Eng is a Swedish citizen and resides in Norway.

Board of directors remuneration 2019

(Amounts in NOK Thousands)

Name	Title	Number of shares in XXL ASA	Attendance Board meetings	Attendance Audit Committee	Total remuneration
Hugo Maurstad	Chairman of the Board (new in 2019)	-	100 %		**-**
Øivind Tidemandsen	Board member	33 855 956	100 %		**1 500**
Kjersti Hobøl	Board member and Chairman audit committee (new in 2019)	-	90 %	100 %	**-**
Ronny Blomseth	Board and audit committee member	231 266	93 %	100 %	**400**
Maria Aas-Eng	Board member (new in 2019)	-	90 %		**-**
Annette Mellbye	Former Board member (resigned in 2019)	-	100 %		**350**
Adele B. Norman Pran	Former Board member and former Chairman audit committee (resigned in 2019)	5 000	100 %	100 %	**410**
Anders Misund	Former Board member (resigned in 2019)	13 620	60 %		**350**
Ottar Haugerud	Election Committee	-			**50**
Robert Iversen	Election Committee	1 336 341			**50**
Ingar Solheim	Election Committee	-			**75**

Board of directors remuneration 2018

(Amounts in NOK Thousands)

Name	Title	Number of shares in XXL ASA	Attendance Board meetings	Attendance Audit Committee	Total remuneration
Øivind Tidemandsen	Chairman of the Board	34 050 000	100 %		**400**
Tore Valderhaug	Former board member and Chairman audit committee (resigned in 2018)	-	100 %	100 %	**310**
Ronny Blomseth	Board and audit committee member	231 266	100 %	75 %	**290**
Annette Mellbye	Board member	-	100 %		**250**
Anna Birgitta Attemark	Former Board member (resigned in 2018)	-	100 %		**250**
Adele B. Norman Pran	Board member and Chairman audit committee (new in 2018)	5 000	100 %	100 %	**-**
Anders Misund	Board member (new in 2018)	13 575	100 %		**-**
Ottar Haugerud	Election Committee	-			**50**
Robert Iversen	Election Committee	1 336 341			**50**
Ingar Solheim	Election Committee	-			**150**

There are no loans or guarantees to the Managing Director or other related parties.
The CEO and the Board do not have any agreement for compensation upon termination or change of employment / directorship.

Pension

The Group is required to have a compulsory pension in accordance with the Norwegian Accounting Act §7-30a. The Group has a pension plan that fulfills this requirement, which covers all employees and is a defined contribution plan.

Audit Fees

Divided by type of service (exclusive of VAT)

(Amounts in NOK Thousands)	2019	2018
Statutory audit	4 215	2 759
Tax related services	-	-
Other services	963	565
Total fees	**5 178**	**3 325**

Note 4 Property, Plant and Equipment

(Amounts in NOK Million)	Land and buildings	Transport and vehicles	Machinery and equipment	Fixtures and fittings	Construction in progress	Total
Balance 01.01.18	**11**	**3**	**251**	**1 153**	**7**	**1 424**
Additions	18	0	39	157	4	218
Reclassification of fixed assets*	-	-	-23	21	-	-2
Disposals (-) / transfer to oth. cat. of fixed assets (+/-)	-	-	-	-15	-7	-23
Net exchange differences	-	0	-8	-7	-	-14
Balance 31.12.18	**28**	**3**	**259**	**1 309**	**4**	**1 604**
Accumulated depreciation pr. 01.01.18	-3	-2	-146	-416	-	-566
Disposals	-	-	0	13	-	13
Depreciation	-1	0	-42	-117	-	-160
Net exchange differences	-	-	4	15	-	19
Accumulated depreciation pr. 31.12.18	-4	-2	-184	-505	-	-695
Carrying amount pr. 31.12.18	**24**	**1**	**75**	**804**	**4**	**909**
Balance 01.01.19	**28**	**3**	**259**	**1 309**	**4**	**1 604**
Additions	0	0	32	83	15	130
Disposals (-) / transfer to oth. cat. of fixed assets (+/-)	-	-	6	-2	-4	0
Net exchange differences	-	-	-21	-53	-	-74
Balance 31.12.19	**29**	**3**	**276**	**1 336**	**15**	**1 660**
Accumulated depreciation pr. 01.01.19	-4	-2	-184	-505	-	-695
Disposals	-	-	0	-	-	0
Depreciation	-1	-1	-43	-117	-	-162
Net exchange differences	-	-	13	40	-	53
Accumulated depreciation pr. 31.12.19	-5	-3	-214	-582	0	-804
Carrying amount pr. 31.12.19	**23**	**1**	**62**	**755**	**15**	**856**
Useful life	20 years	5 years	3-5 years	10 years		
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	None	

Note 5 Intangible assets

(Amounts in NOK Million)	Goodwill	Trademarks	Proprietary software	Software	Total
Balance 01.01.2018	**2 878**	**209**	**99**	**31**	**3 216**
Additions	-	-	24	2	25
Disposals	-	-	-	-	-
Balance 31.12.2018	**2 878**	**209**	**123**	**32**	**3 242**
Accumulated amortization pr. 01.01*	-144	-11	-56	-19	-230
Disposals	-	-	-	-	-
Amortization	-	0	-25	-2	-28
Accumulated amortization pr. 31.12	-144	-11	-82	-21	-257
Carrying amount pr. 31.12.2018	**2 734**	**198**	**41**	**12**	**2 985**
Balance 01.01.2019	**2 878**	**209**	**123**	**32**	**3 242**
Additions	10	-	35	3	47
Disposals	-	-4	-2	-	-5
Balance 31.12.2019	**2 888**	**206**	**155**	**35**	**3 284**
Accumulated amortization pr. 01.01	-144	-11	-82	-21	-258
Disposals	-	-	-	-	-
Amortization	-	-	-27	-2	-29
Accumulated amortization pr. 31.12	-144	-11	-109	-23	-287
Carrying amount pr. 31.12.2019	**2 744**	**194**	**47**	**12**	**2 997**

¹not including deferred tax

* Amortization of Goodwill and Trademark relates amortization performed prior to the company IFRS conversion

Useful life	Indefinite	Indefinite*	5 years	3-5 years	
Amortization method			Straight-line	Straight-line	

Trademark

*Trademark allocated as part of the purchase price allocation in 2010 (190 mNOK) and additions is capitalized and has indefinite life. Trademark is not amortized due to XXL's extensive spending on commercials and advertising, keeping the brand awareness growing.The value of trademark is tested annually for impairment.
The carriyng value is allocated to the group of cash generating units comprised of the shops in Norway (part of the operating segment Norway). The impairment assessment of trademark is included in the goodwill impairment test. See below.

Software - acquired and developed

Expenses related to the purchase of new software are capitalized as an intangible asset if these costs are not part of the original hardware cost. Software is depreciated over 3 years. Expenses incurred due to service or maintenance are expensed unless the changes in the software increase the future economic benefits of the software.

Goodwill

The Group's booked goodwill per 31 December 2019 is NOK 2 744 million. NOK 2 734 million of this amount is related to the acquisitions of XXL Sport og Villmark AS in 2010 and NOK 10 million is related to the acquisition of West Systems Norge AS in 2019. The carriyng value is allocated to the group of cash generating units comprised of the shops in Norway (part of the operating segment Norway). Goodwill is evaluated by management and monitored based on the performance on a operating segment level. The recoverable amount of each operating segment is calculated based on a value in use method.
Goodwill is not amortized, but tested annually for impairment.

The present value of the expected cash flows of each segment was determined using a discount rate of 7.0%, after tax. This is based on a risk free interest rate of 1.26%, plus a risk premium of 6%. The risk is based on observations of similar companies.
The recoverable amount of each segment was determined based on the following estimates:
• Future sales are estimates based on budget and long term plans
• For goodwill testing, management has used a 5 year period with a terminal value growth rate beyond this period of 2.0%
• Risk-free interest rate is the 10-year government bond yield
• Beta Value is set at 1.1 and is based on figures from comparable international companies listed on the stock exchange,

No impairment of goodwill was deemed necessary in 2018 or 2019.

Cash Generating Units (CGUs)

(Amounts in NOK Million)

Shops in Norway	**2019**	**2018**
Goodwill	2 744	2 734
Trademark	194	198
Impairment	-	-
Sensitivity		
Discount rate after tax	7,00 %	6,55 %
Increase in the discount rate before possible impairment of goodwill	1,2 p.p	2,2 p.p
Decrease in gross margin before possible impairment of goodwill	1.6 p.p	4.0 p.p

Note 6 Other operating expenses

Other operating expenses by nature

(Amounts in NOK Million)	2019	2018
Leasing and other cost of premises *	191	663
Marketing expenses	536	528
Other operating expenses (incl. IT licenses, maintenance, legal fees and other)	189	188
Sum	**916**	**1 380**

*See note 18 for leases and note 22 for IFRS 16 transition. The remaining balance relates mainly to leasing costs not included as IFRS 16 leasing costs and other cost of premises

Note 7 Tax

Income tax expense for the year

(Amounts in NOK Million)

Tax expense for the year	2019	2018
Tax payable in Norway	-	40
Tax payable in Finland	-	1
Tax payable in Switzerland	-	8
Tax payable in Denmark	-	1
Tax payable in Sweden	-	-
Tax payable in Austria	-	1
Change in deferred tax	-57	4
Exchange rate effect/other	-	3
Total income tax expense	**-57**	**58**
Effective tax rate	***15 %***	***20 %***

Current tax payable		
Tax payable in Norway	-	40
Tax payable in Finland	-	1
Tax payable in Switzerland	-	10
Tax payable in Denmark	-	1
Tax payable in Sweden	-	0
Tax payable in Austria	-	1
Total tax payable in the balance sheet	**-**	**53**

Explanation of difference between Norwegian statutory tax rate of 22% and the effective tax rate

Income before tax	**-384**	**295**
22 % tax of income before tax	-84	68
Permanent differences (22%)	2	-1
Effect of change of tax rate	-	-2
Differences in tax rates amongst the Group and other	25	-7
Income tax expense	**-57**	**58**

Specification of temporary differences

Asset (-)/liability	2019	2018	Change
Property, plant and equipment	223	262	39
Trade receivables	-6	-4	-2
Inventories	-335	-113	-222
Other current liabilites	-60	-38	-22
Trademarks	190	190	-
Amortization of loan expenses	5	5	-
Financial derivatives	-1	-	-1
Leasing	-55	-	-55
Total temporary differences	**-39**	**303**	**342**
Tax loss carried forward*	-89	0	-89
Basis for deferred tax	-128	303	-431
Deferred tax liability in the balance sheet	**9**	**41**	**-31**
Deferred tax asset in the balance sheet	**-27**	**0**	**-27**

***** the tax loss carried forward is located in different geographies and expire in line with local regulation. The expiery varies between 7 years (minimum) and indefinite

Deferred tax assets (-) / liabilities are presented net for the Norwegian entities.
Tax rate in Norway is 22%
Tax rate in Sweden is 22% for 2019, tax rate in Finland is 20% in 2019, tax rate in Switzerland is 8.6% in 2019.

Note 8 Inventories

(Amounts in NOK Million)	2019	2018
Goods purchased for resale	3 262	3 237
Goods in transit	5	11
Reserve for inventory obsolescence*	-423	-37
Total inventories	**2 843**	**3 211**

*The increase in the provision of NOK 385 millions from 2018 to 2019 was mainly due to a large increase of inventory and Stock Keeping Unit (SKU) in the previous years. Management changed strategy in 2019, focusing to significantly reduce number of SKU's and supplier in the future. As such is not expected to be re-occuring. Refer to note 2 for principles on the significant estimate related to inventory obsolesce.

Note 9 Investment in subsidiaries

The Group has an ownership interest in the following subsidiaries:

Subsidiaries	Year of incorporation	Business location	Ownership percentage
XXL Sport & Villmark AS	2000	Oslo	100 %
XXL Grossist Norge AS	2000	Oslo	100 %
XXL Adventure AS	2002	Oslo	100 %
XXL Sport og Vildmark AB	2005	Stockholm	100 %
XXL Sports & Outdoor OY	2013	Helsinki	100 %
XXL Sports & Outdoor ApS	2016	Copenhagen	100 %
XXL Sports & Outdoor Gmbh	2016	Wien	100 %
XXL Europe Holding Sarl	2013	Luxembourg	100 %
XXL Europe Gmbh	2013	Luzern	100 %
XXL Online Gmbh	2013	Luzern	100 %
Level2Invest AS	2016	Oslo	100 %
West System Norge AS	2019	Oslo	100 %

Investments in subsidiaries are consolidated in the Consolidated Financial Statements.

Note 10 Related party transactions

The Group's related parties include its key management, members of the board and majority shareholders.
The Board members represent 41.0% of the shares (voting rights) in the Group, in addition to the shares they hold personally they also represent Dolphin Managment AS, Altor Invest 5 AS and Altor Invest 6 AS. None of the Board members have been granted loans or guarantees. Furthermore, none of the Board members are included in the Group's pension or bonus plans.

Note 11 Cash and cash equivalents

Cash and equivalents include the following items:

(Amounts in NOK Million)	2019	2018
Bank deposits (restricted)*	5	5
Cash	32	39
Bank accounts (unrestricted)	396	150
Total cash and cash equivalents	**433**	**194**
Unused overdraft	200	200
Unused credit facility	300	300

The Group has a multi-currency cash-pool owned by XXL Sport & Villmark AS, a fully owned subsidiary of XXL ASA, and operated by Nordea. XXL Sport & Villmark AS presents total bank deposits in the international cash pool, while subsidiaries/parent who participate in the cash-pool present their share of the international cash pool as intra-group balances in their stand-alone financial statements. For consolidated group reporting the cash balances are shown as the net balance as either cash or as short-term bank loan.

The Group has undrawn credit facilities and overdraft with DnB/Nordea for NOK 500 million per year-end 2019 (2018: NOK 500 million).

Note 12 Trade and other receivables

(Amounts in NOK Million)	2019	2018
Trade receivables, gross	167	271
Allowance for credit losses	-14	-13
Trade receivables 31.12	**153**	**258**
Changes in allowance for credit losses		
Beginning balance	**-13**	**-10**
Amounts written off (uncollectible)	-	5
Recovery of written off items	-	0
Change in the allowance	-1	-8
Allowance for credit loss expense	**-1**	**-4**
FX effect reserve balance sheet/profit or loss	-	-
Ending balance 31.12	**-14**	**-13**

The table below shows the aging analysis of trade receivables per 31.12

Year	Total	Not yet due	>30 days	>60 days	>90 days
2019	167	135	22	4	6
2018	271	242	20	5	4

All of the Group's trade and other receivables have been reviewed for indicators of impairment and an allowance for credit losses has been reserved for amounts which are considered uncollectable.
Credit risk related to trade receivables is considered to be limited due to the high number of customers and the high number of cash sales.

Other receivables

(Amounts in NOK Million)	2019	2018
Accrued supplier bonus	52	40
Prepaid expenses	12	9
Other receivables	43	47
Other receivables 31.12	**107**	**96**

Note 13 Share capital and shareholder information

The share capital of XXL is NOK 66,305,097.60 consisting of 165,762,744 shares with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2019:	Total amount of shares	Ownership	Voting right
DOLPHIN MANAGEMENT AS	33 855 956	20,4 %	20,4 %
ALTOR INVEST 5 AS	16 960 065	10,2 %	10,2 %
ALTOR INVEST 6 AS	16 960 065	10,2 %	10,2 %
ODIN FUND MANAGEMENT	15 471 216	9,3 %	9,3 %
FERD AS	15 467 891	9,3 %	9,3 %
ARCTIC ASSET MANAGEMENT	8 365 451	5,1 %	5,1 %
SPORTS DIRECT INTERNATIONAL	6 750 000	4,1 %	4,1 %
SEB BANKEN, LUXEMBOURG	3 703 500	2,2 %	2,2 %
STAMINA II AS	2 624 566	1,6 %	1,6 %
DNB ASSET MANAGEMENT	2 519 241	1,5 %	1,5 %
FOLKETRYGDFONDET	2 359 176	1,4 %	1,4 %
GENI HOLDING AS	1 960 000	1,2 %	1,2 %
VANGUARD GROUP	1 785 091	1,1 %	1,1 %
UNITED NATIONS JOINT STAFF PENSION	1 607 425	1,0 %	1,0 %
BLACKROCK	1 552 500	0,9 %	0,9 %
ROBERT IVERSEN HOLDING AS	1 336 341	0,8 %	0,8 %
NORDEA ASSET MANAGEMENT	1 131 105	0,7 %	0,7 %
LAZARD FRERES BANQUE	1 022 990	0,6 %	0,6 %
WIPUNEN VARAINHALLINTA OY	1 000 000	0,6 %	0,6 %
MARIATORP	1 000 000	0,6 %	0,6 %
FJANSE HOLDING AS	960 106	0,6 %	0,6 %
Other	27 370 059	16,5 %	16,5 %
Sum	**165 762 744**	**100 %**	**100 %**

All shares have been fully paid.

Note 14 Earnings per share

(Amounts in NOK Million)	**2019**	**2018**
Net income	**-327**	237
Weighted average number of ordinary shares in issue	**141 329 081**	**137 969 167**
Number of shares outstanding	165 762 744	139 096 077
Total number of outstanding shares incl. share options	166 968 276	140 569 505
Adjustment for:		
Effect share options	409 561	241 117
Weighted number of ordinary shares in issue for diluted earnings per share	**141 738 642**	**138 210 284**
Basic Earnings per share (in NOK)	**-2,31**	**1,72**
Diluted Earnings per share (in NOK)	**-2,31**	**1,72**

Reconciliation weighted average number of ordinary shares

	2019	2018
Number of shares opening	**135 920 587**	**138 299 123**
Share issue	26 666 667	583 954
Purchases/Sales of own shares	3 096 274	-2 857 490
Transfer of shares RSU	79 216	-105 000
Number of shares closing	165 762 744	135 920 587
Weighted average	141 329 081	137 969 167
Effect share option	409 561	241 117
Basic Earnings per share (in NOK)	**-2,31**	**1,72**
Diluted Earnings per share (in NOK)	**-2,31**	**1,72**

Note 15 Security and guarantees

XXL ASA has a total loan engagement of NOK 1 972 millions with DNB and Nordea as of December 2019, consisting of a Term Loan of NOK 772 million and a Revolving Credit Facility of NOK 1 200 million in which NOK 300 millions are available. The loans are secured by a negative pledge from the participants.

Note 16 Accounts Payable and Supplier Financing

(Amounts in NOK Million)	2019	2018
Accounts payable	882	861
Supplier financing	98	-
Total other current liabilities	**980**	**861**

In 2019 the group entered into a supplier financing arrangement with DNB, whereas DNB purchases the payable from our Supplier and the group obtains an extended payment date for the payable. The Group pays only the set-up costs for this arrangement. The arrangement is limited towards 3 suppliers.

Note 17 Other current liabilities

(Amounts in NOK Million)	2019	2018
Credit notes / gift cards customers*	130	139
Accrued salary and bonus	65	56
Accrued holiday pay	146	138
Accrued investment contributions from landlords**	-	87
Other short term accruals and right of return	64	118
Total other current liabilities	**405**	**538**

* Gift cards expires differently across the countries we operate, the lowest expiry time is two years and the highest is indefinite

** This balance is reclassified to reduce Right-of-Use Assets under IFRS 16 01.01.2019

Note 18 Right-of-Use Assets and Lease Liabilities

Right-of-Use Assets

(Amounts in NOK million)	**Buildings, machinery and vehicles**
Aquisition cost 01.01.2019	**3 195**
Accrued investment contributions from landlords	-87
Additions	272
Change incentives	-27
Currency exchange differences	-
Aquisition costs 31.12.2019	**3 353**
Depreciation	-493
Impairment losses in the period	-
Disposals	-
Transfers and reclassifications	-
Currency exchange differences	-33
Accumulated depreciation and impairment 31.12.2019	**-526**
Total Right-of-Use Assets at 31.12.2019	**2 827**
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	272
Total leasing payments for the lease liability	-547
Interest expense on lease liabilities	95
Reassessment of the discount rate on previous lease liabilities	-
Currency exchange differences	-33
Total lease liabilities at 31.12.2019	**2 981**
whereof:	
Current lease liabilities < 1 year	553
Non-current lease liabilities > 1 year	2 428

For maturity profile of the lease liabilities, please refer to disclosure note 20 for this information.

	(Amounts in NOK thousands)
Expensed variable payments linked to performance or use [1]	-
Expenses related to contracts with exception for short term leases [2]	651
Expenses related to contracts with exception for low value assets (short term contract excluded) [2]	36

[1] All accrued expenses (any possible income substracted) related to transactions classified as "variable payment l linked to performance or use" is included
[2] All accrued expenses (any possible income substracted) for contracts is included

Note 19 Net Financial Expense

(Amounts in NOK million)	2019	2018
Other financial income	1	1
Net realized / unrealized foreign exchange gains	-	-
Total financial income	**1**	**1**
Interest expenses bank loans	66	36
Interest expenses on lease liabilities	95	-
Other interest expenses	7	7
Other financial expenses	21	15
Net realized / unrealized foreign exchange losses	-5	1
Total financial expenses	**184**	**58**
Net financial expenses	**-183**	**-57**

Note 20 Financial instruments

Financial risk

The Group uses financial instruments such as bank loans. The purpose of these financial instruments is to raise capital for investments that are necessary for the Group's business. In addition, the Group has financial instruments such as accounts receivable, accounts payable, etc. which are directly related to its daily operations. For commercial hedging purposes, the Group uses derivatives. The Group does not apply hedge accounting. The Group does not use financial instruments, including derivatives, for trading purposes. Procedures for risk management are approved by the Board. The financial risks that the Group is exposed to are interest rate risk, liquidity risk, currency risk and credit risk. The Group's management regularly evaluates these risks and establishes guidelines for how they are handled.

Credit risk

The Group is mainly exposed to credit risk for trade and other receivables. The Group mitigates its exposure to credit risk by ensuring that all parties requiring credit, such as customers, are approved and subject to a credit check. The Group does not have significant credit risk associated with a single counterparty or counterparties which can be viewed as a Group due to similar credit risk. The Group has policies in place to ensure that sales are made to customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits.
Maximum risk exposure is represented by the carrying amount of the financial assets in the balance sheet. The Group considers its maximum risk exposure to be the carrying amount of accounts receivable (see note 12).

Market risk - interest rate sensitivity

The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits. The Group constantly monitors the interest rate level and uses derivatives to adjust the effective interest rate exposure when deemed necessary.

The following table illustrates the sensitivity of the Group to potential interest rate changes.
The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates.

Interest rate sensitivity	Changes in interest rates in basis points	Effect on profit before tax (NOK 1 000)	Effect on equity (NOK 1 000)
2019	+50	-9 328	-7 276
	-50	9 328	7 276
2018	+50	-10 020	-7 875
	-50	10 020	7 875

The average effective interest rate of financial instruments were as follows:

	2019	2018
Overdraft	2,39 %	1,04 %
Bank syndicate	4,46 %	2,33 %

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's strategy for managing liquidity risk is to maintain sufficient liquid funds at all times to meet its financial obligations, both under normal and extraordinary circumstances, without risking unacceptable losses or damaging its reputation. The Group has large fluctuations related to restricted working capital due to seasonality and the timing of deliveries and payments.

Market risk - foreign currency sensitivity

Exposures to currency exchange rates arise from the Group's purchases denominated in USD. Currency exchange rate exposure in EUR and SEK are limited due to the Group's setup with distributors in Sweden, Finland and Austria and an European wholesale entity.

The following table shows currency effect on the Group's profit and equity if the exchange rates fluctuate with +/- 10% measured against NOK:

		2019		2018	
Foreign currency sensitivity	**Changes in currency**	**Effect on profit before tax (NOK 1 000)**	**Effect on equity (NOK 1 000)**	**Effect on profit before tax (NOK 1 000)**	**Effect on equity (NOK 1 000)**
EUR	+10%	27 848	21 722	9 100	7 007
	-10%	-27 848	-21 722	-9 100	-7 007
USD	+10%	-67 267	-52 469	-59 966	-46 173
	-10%	67 267	52 469	59 966	46 173

Furthermore, the carrying amount of its net investments in foreign companies fluctuates in Norwegian kroner compared to the local relevant currencies. Profit after tax for the Group is also affected by changes in exchange rates, as the results of foreign companies are translated into Norwegian kroner at the weighted average exchange rate for the period. The Group hedges its foreign currency in the form of forward contracts. Hedge accounting has not been applied. The contracts are settled continuously throughout the year and if the contract extends over the period end, it is recognized in the financial statements at fair value.

Determination of fair value

The carrying amount of cash and cash equivalents and bank overdrafts is fair value. Similarly, the carrying amount of accounts receivable and accounts payable approximates fair value as the impact of discounting is not significant.

The fair value of capital leases is calculated as the present value of estimated cash flows discounted at the interest rate applicable for the corresponding assets and liabilities at the balance sheet date.

The fair value of long-term debt is similar to the par value plus accrued interest.

The fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(All amounts in the tables below in NOK million)

The following categories of financial instruments are measured at fair value as of 31 December 2019.

Assets/Liabilities carried at fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss			
FX derivatives		-1	
Total	**0**	**-1**	**0**

The following categories of financial instruments are measured at fair value as of 31 December 2018.

Assets/Liabilities carried at fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss			
FX derivatives		0	
Total	**0**	**0**	**0**

Classification of financial assets and liabilities

The Group has the following classification of financial assets and liabilities. See note 1 for a description of the various categories.
(All amounts in the tables below in NOK million)

Financial instruments	2019	2018
Loans and receivables		
Trade receivables	153	258
Other receivables	52	40
Cash and cash equivalents	433	194
Total current financial assets	**637**	**493**
At fair value through profit or loss		
FX derivatives	-1	0
Total financial assets (+) / liabilities (-) at fair value through profit or loss	**-1**	**0**
Other Liabilities at amortised cost		
Interest bearing debt	1 656	2 075
Lease liability	2 981	0
Accounts payable and other short-term debt	1 385	1 399
Total other financial liabilities	**6 021**	**3 865**

Capital management policy and equity

The main objective of the Group's capital management is to ensure that the Group maintains strong credit ratings and thus affordable financing terms that are reasonable in relation to its activities. The Group manages its capital structure and makes necessary changes to it based on a current assessment of the financial condition of the business and prospects in the short and medium term.

Net debt is defined as interest-bearing debt (current and non-current), excluding lease liability, less cash. This definition is in line with our financial covenants.

Equity includes all capital and reserves, paid and earned.

(All amounts in NOK million)	2019	2018
Interest bearing debt excluding lease liability	1 656	2 075
Cash	-433	-194
Net debt	**1 224**	**1 881**
Equity	3 826	3 710
Total equity and net debt	**5 050**	**5 590**

Note 21 Interest bearing debt

(All amounts in the tables below in NOK million)

Non-Current Interest-Bearing Liabilities due > 1 year	2019	2018
Bank loan	772	1 086
- Amortisation of transaction costs of bank loan	-5	-6
Capital lease	-	1
Non-current lease liability	2 428	-
Sum Non-Current Interest-Bearing Liabilities	**3 195**	**1 081**

Current Interest-Bearing Liabilities due < 1 year	2019	2018
Current lease liability	553	-
Credit Facility	889	994
Sum Current Interest-Bearing Liabilities	**1 442**	**994**
Total Interest-Bearing debt, excluding Lease Liabilities	**1 656**	**2 075**
Total Interest-Bearing debt	**4 637**	**2 075**

The fair value of current and non-current debt approximately their carrying amount.

The Group has a long-term loan from a consortium of banks consisting of NORDEA BANK NORGE ASA and DNB BANK ASA amounting to NOK 2.0 billion as of 31 December 2019. The interest rate related to the bank loan is based on NIBOR, STIBOR and EURIBOR plus a margin contingent of the Group's leverage ratio (EBITDA/Net Debt). As of 31 December 2019 the margin is 3.0% The margin on the loan is regulated in the loan agreement and is adjusted quarterly in accordance with the loan terms.

The Group is measured on the following covenants as of 31 December 2019: Leverage ratio and Interest coverage ratio. As of 31 December 2019 the company is compliant with all covenants under the loan facilities.

The bank loans are denominated in NOK, SEK and EUR.

The following table shows the maturity schedule of the Group's financial liabilities based on undiscounted contractual payments. In cases where the other party can demand early redemption, the amount is included in the earliest period payment that can be demanded. If liabilities are redeemed on demand, they are included in the first column:

31.12.2019 — **Remaining period**

Financial liabilities	Under 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5	Total
Bank loan	889	772	-	-	-	-	1 661
- Amortisation of transaction costs of bank loan	-	-5	-	-	-	-	-5
Interest	61	28	-	-	-	-	90
Lease liabilities (undiscounted cashflows)	598	586	551	453	375	981	3 543
Total	**1 548**	**1 382**	**551**	**453**	**375**	**981**	**5 289**

31.12.2018 — **Remaining period**

Financial liabilities	Under 1 year	1-2 years	2-3 years	3-4 years	More than 5	Total
Bank loan	994	-	1 086	-	-	2 080
- Amortisation of transaction costs of bank loan	-	-	-6	-	-	-6
Interest	50	26	26	-	-	102
Capital lease	-	1	0	-	-	1
Total	**1 044**	**27**	**1 106**	-	-	**2 177**

Reconciliation of interest bearing debt	2019	2018
Total Opening Balance	**2 075**	**2 005**
Payments/proceeds from new short-term debts	2 583	100
Payment on capital lease	-1	-17
Amortisation of transaction cost of bank loan	-1	-
FX effects on bank loans	-19	-13
Total Closing Balance	**4 637**	**2 075**

Note 22 Transition note IFRS 16 – Leases

IFRS 16 was implemented for the Group with effect as of 01.01.2019.
On transition to IFRS 16, the Group will recognise NOK 3 195 Million in right-of-use assets and NOK 3 195 Million as lease liabilities. There will be no impact for the Group to the opening balance of retained earnings at transition.

The impact on the date of initial application is further presented below.

(All amounts in NOK million)

Reconciliation of lease commitments to lease liabilities	**01.01.2019**
Finance lease liabilities at 31 December 2018	1
+/- Short-term lease exemptions	-1
Non-cancellable operating lease commitments at 31 December 2018	3 868
- Lease commitments in excess of minimum lease	-57
+ Property tax and insurance considered as part of lease-component under IFRS 16	108
+ Extension options reasonably certain to be exercised	-
- Termination options reasonably certain to be exercised	-
- Practical expedient related to short-term leases	-
- Practical expedient related to low-value leases	-
- Discounting using the incremental borrowing rate	-724
Lease liabilities recognised as at 1 January 2019	**3 195**
The weighted average incremental borrowing rate applied:	2,87 %
whereof:	
Current lease liabilities < 1 year	524
Non-current lease liabilities > 1 year	2 671
Right-of-use assets recognised at initial application	**3 195**
Incentives	-87
Re-stated opening balance of Right-of-use assets	3 108

IFRS 16 effects on the income statement FY 2019

(+) positive effect (-) negative effekt

(Amounts in NOK million)	**Total**
Depreciation	-493
Leasehold cost recorded as operating expense	532
Effect on Operating income in the period	**39**
Interest expense on lease liabilities	-95
Effect on Profit before income tax in the period	**-55**
Tax	11
Effect on Profit for the period	**-44**
Currency exchange differences	0
Effect on other comprehensive income	**-44**

Note 23 Events after the balance sheet date

The Group's performance is affected by the global economic conditions of the markets in which it operates. The global economy has been experiencing a period of uncertainty since the recent outbreak of the coronavirus SARS-CoV-2 (hereinafter referred to as "Covid-19"), which was recognized as a pandemic by the World Health Organization in March 2020. The global outbreak of Covid-19, and the extraordinary health measures and restrictions on a local and global basis imposed by authorities across the world, has and are expected to continue to cause, disruptions in the Group's value chain. The Covid-19 situation may adversely affect the Group's risk profile, including, but not limited to, risks relating to delays or cancellations in supply from the Group's suppliers. The Group has already been required to temporarily close some of its retail stores and implement temporary limitations in the opening hours of other retail stores. As a result, the Group has been required to temporarily lay off many of its talented employees. The Group are also in dialogue with landowners regarding payment terms on rent as well as a rent reduction during Covid-19.

However, the decrease of sales in stores has been partially offset by an increase in e-com sales. Despite of these factors we had an increase in sales during the first three months in 2020, mainly due to the large sale in February 2020, which in turn was reduced by a approximate 9% decrease of revenues in March compared to last year. As such, XXL is of the view that it so far has been less effected by Corvid-19 than society as a whole.

Governments in the countries in which we operate have also announced the implementation of government assistance measures, which may mitigate the impact of the Covid-19 outbreak on our results and liquidity. We are currently investigating the extent to which we can apply for such government assistance in the countries in where we operate.

Depending on the duration of the Covid-19 crisis and continued negative impact on economic activity, the Group may experience further negative results, liquidity restraints and incur impairments on its assets in 2020. The exact impact on our activities in the remainder of 2020 and thereafter cannot be predicted. However, based on the current liquidity situation, the rights issue in the second quarter 2020 and the refinanced loan facilities as mentioned below the Group has sufficient liquidity to continue responsible operations going forward.

XXL announced on the 1st. of April 2020 that it in the process of refinancing its current facilities arrangement with the New Loan Facilities with the Banks of NOK 1,450 million, together with an underwritten right issue of NOK 400 million. The main terms of the New Loan Facilities have been credit approved by the Banks, and the parties have agreed that completion of the refinancing of the Senior Facilities Agreement with the New Facilities Agreement shall occur no later than 10 May 2020 or at such later date at the lenders may approve. The Banks have agreed that the covenants shall not be tested or reported until the new financing is effective. If the parties fail to complete the refinancing by such deadline, an event of default will occur under the Senior Facilities Agreement. The Company is confident that the Senior Facilities Agreement will be refinanced prior to the end of agreed deadline, and since the Share Issue is fully underwritten by the Underwriters, it is also confident that the Share Issue will be successfully completed.

Financial statements – XXL ASA

Statement of income

XXL ASA

Figures are stated in NOK million	Note	2019	2018
Personnel expenses	2	0	2
Other operating expenses		12	16
Total Operating Expenses		**13**	**19**
Operating Income		**-13**	**-19**
Interest income	6	0	0
Other financial income	5	46	126
Interest income group companies		8	4
Total Financial Income		**53**	**130**
Interest expense		43	24
Interest expense to group companies	6	3	5
Other financial expense		7	6
Total Financial Expense		**53**	**35**
Net Financial Income (Expense)		**0**	**95**
Income Before Income Taxes		**-12**	**76**
Tax expense	3	-3	18
Net Income		**-10**	**59**
Allocation of Net Income			
Other paid-in equity		-10	59
Total allocated		**-10**	**59**

Balance sheet – Assets

XXL ASA

ASSETS

Figures are stated in NOK million	Note	31.12.2019	31.12.2018
NONCURRENT ASSETS			
Intangible assets			
Deferred tax asset	3	2	0
Total intangible assets		**2**	**0**
Financial Assets			
Investment in subsidiaries	4	3 199	3 199
Total Financial Assets		**3 199**	**3 199**
Total Noncurrent Assets		**3 201**	**3 199**
CURRENT ASSETS			
Other receivables	5	746	693
Total Other Receivables		**746**	**693**
Cash and Cash Equivalents			
Cash and equivalents	7	0	0
Total Cash and Cash Equivalents		**0**	**0**
Total Current Assets		**746**	**693**
Total Assets		**3 947**	**3 892**

Balance sheet – Equity and Liabilities

XXL ASA

EQUITY AND LIABILITIES

Figures are stated in NOK million	Note	31.12.2019	31.12.2018
SHAREHOLDERS' EQUITY			
Paid-in Capital			
Share capital	8,10	66	56
Share premium	8,10	3 264	2 697
Total Paid-in Capital		**3 330**	**2 753**
Retained Earnings			
Other equity	10	-127	-17
Total Retained Earnings		**-127**	**-17**
Total Shareholders' Equity		**3 203**	**2 735**
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities	3	0	1
Interest bearing debt	9	0	295
Total Non-Current Liabilities		**0**	**296**
Current Liabilities			
Accounts payable		4	4
Current debt		695	800
Tax payable	3	0	17
Public duties payable		-3	-1
Other short-term debt	5	47	41
Total Current Liabilities		**744**	**860**
Total Liabilities		**744**	**1 157**
Total Equity and Liabilities		**3 947**	**3 892**

Oslo, 28 April 2020
Board of Directors, XXL ASA

Hugo Lund Maurstad
Chairman

Øivind Tidemandsen
Board member

Kjersti Helen Krokeide Hobøl
Board member

Ronny Blomseth
Board member

Maria Anna Kristina Aas-Eng
Board member

Pål Wibe
CEO

Statement of Cash Flow

XXL ASA

Figures are stated in NOK million	**2019**	**2018**
Operating Activities		
Income before income taxes	-12	76
Tax payable	-17	-75
Changes in accounts payable	0	2
Changes in other assets and liabilities	-48	282
Cash provided (used) by operating activities	**-77**	**286**
Financing Activities		
Sales/Purchase of own shares/other equity transactions	477	-109
Payments/proceeds on long/short-term debt	-400	100
Dividend	0	-276
Cash provided (used) by financing activities	**77**	**-286**
Net Change in Cash and Cash Equivalents	**0**	**0**
Cash and cash equivalents - beginning of year	0	0
Cash and Cash Equivalents - End of Year	**0**	**0**

Notes to the financial statements

Note 1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway.

Classification and valuation of balance sheet items
Assets intended for long term ownership or use have been classified as fixed assets. Assets expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle have been classified as current assets. Receivables are classified as current assets if they are expected to be realised within twelve months after the transaction date. Similar criteria apply to liabilities.
Current assets are valued at the lower of cost and fair value. Current liabilities are reflected at nominal value.
Fixed assets are carried at historical cost. Fixed assets are written down to net realizable value if a value reduction occurs which is not expected to be temporary. Except for accruals, non-current liabilities are reflected in the balance sheet at nominal value on the establishment date. Accruals are discounted to present value if the time value of money is material.

Foreign currency
Foreign currency transactions are translated into Norwegian kroner using the exchange rate prevailing at the date of the transaction (spot exchange rate), while monetary items denominated in foreign currencies are translated at the rate per the balance sheet date.

Trade receivables
Trade and other receivables are recorded at their nominal value less a provision for losses.

Tax
Tax expense in the income statement includes the change in the deferred tax asset. Deferred tax is calculated at 22% based on the temporary differences between accounting and tax values, as well as any tax loss carryforwards at the end of the financial year. Taxable and non-taxable temporary differences that reverse or may reverse in the same period are offset. Recognition of the deferred tax asset on net deductible temporary differences that are not offset and carried forward is based on estimated future earnings. If a deferred tax asset that can be recognized, it is classified in the balance sheet.

Deposits
Receivable/payable cash pooling arrangements are classified as balances with group companies.
All figures are stated in NOK million unless otherwise stated.

Note 2 Personnel expenses

The Company had no employees in 2019.
There were no loans or guarantees given to the CEO, Chairman of the Board or other related parties.
Description of the option program and other incentive programmes are disclosed in note 3 in the Group Consolidated Financial Statements.

Board of directors remuneration *(figures in NOK thousand)*

Name	Title	Fee	Total remuneration
Øivind Tidemandsen	Board member	1 500	**1 500**
Hugo Maurstad	Chairman of the Board (new in 2019)	0	**0**
Kjersti Hobøl	Board member and Chairman audit committee (new in 2019)	0	**0**
Ronny Blomseth	Board and audit committee member	400	**400**
Maria Aas-Eng	Board member (new in 2019)	0	**0**
Annette Mellbye	Former Board member (resigned in 2019)	350	**350**
Adele B. Norman Pran	Former Board member and former Chairman audit committee (resigned in 2019)	410	**410**
Anders Misund	Former Board member (resigned in 2019)	350	**350**
Ottar Haugerud	Election Committee	50	**50**
Robert Iversen	Election Committee	50	**50**
Ingar Solheim	Election Committee	75	**75**

Audit fees *(figures in NOK thousand)*
Divided by type of service (exclusive of VAT)

	2019	2018
Statutory audit	660	560
Other services	430	328
Total fees	**1 090**	**888**

Note 3 Tax

Income tax expense for the year

Basis for tax payable		**2019**	**2018**
Income before tax		-12	76
Permanent differences		0	0
Change in temporary differences		12	-1
Interest limitation rules		0	0
Basis for tax payable		**0**	**75**
Tax payable in the statement of income		**0**	**17**
Taxable income		**0**	**75**
Tax payable in the balance sheet		**0**	**17**
Tax expense for the year			
Tax payable		0	17
Change in deferred tax		-3	1
Total tax expense		**-3**	**18**
Explanation for why tax is not 23% of income before tax			
22 % tax of income before tax		-3	18
Permanent differences (22%)		0	0
Changes in deferred tax du to changes in tax rate		0	0
Expected tax expense		**-3**	**18**
Effective tax rate		22 %	23 %
Specification of temporary differences			
Asset (-)/liability	***Change***	**2019**	**2018**
Amortization of loan expenses	*0*	5	5
Tax loss carry forward		-12	0
Total temporary differences		**-8**	**5**
Basis for deferred tax assets/liability		-8	5
Deferred tax assets (+) / liability (-) in the balance sheet		**2**	**-1**
Reconciliation change in deferred tax			
Change in deferred tax in balance sheet		-3	0
Change in deferred tax in tax expense		-3	0

Tax rate in Norway is 22%

Note 4 Investment in subsidiaries

The Company has an ownership interest in the following subsidiary:

	Year of acquisition	**Business location**	**Ownership percentage**	**Equity (100%) 31.12.2019**	**Net income (100%) 31.12.2019**	**Book value 31.12.2019**
XXL Sport og Villmark AS	2015*	Oslo	100 %	418	(15)	3 199

The investment is booked using the cost method.
*The subsidiary Gigasport AS was merged into parent XXL ASA in 2015. XXL Sport og Villmark is now directly owned by XXL ASA.

Note 5 Balances with group companies

The Company has the following receivables and liabilities with group companies:

Liabilities	2019	2018
Other current liabilities	45	26
Cash pool arrangement	0	0
Accounts payables	4	4
Total liabilities	**48**	**30**

Receivables	2019	2018
Other non-current receivables from group companies	0	0
Cash pool arrangement	700	567
Group contribution	46	126
Total receivables	**745**	**693**

Note 6 Related party transactions

Management remuneration is included in note 2 and intercompany balances are discussed in note 5.

The Company's transactions with related parties are as follows:

Interest income	2019	2018
XXL Sport og Villmark AS	8	4
Total interest income	**8**	**4**

Interest expense	2019	2018
Cash pool interest expense	3	5
Total interest expense	**3**	**5**

Other operating expenses	2019	2018
Administrative services	4	12
Total operating expenses with related parties	**4**	**12**

Note 7 Cash and cash equivalents

Cash and cash equivalents include the following items:

	2019	2018
Deposits	0	0
Total cash and equivalents	**0**	**0**

The Company is a part of a cash pool arrangement with XXL Sport and Villmark AS.
The Company's share of the cash pool is NOK 700 million per the balance sheet date.
The Cash pool is classified as other short-term receivables in the balance sheet.

Note 8 Share capital and shareholder information

The share capital of XXL is NOK 66,305,097.60 consisting of 165,762,744 shares with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2019:

DOLPHIN MANAGEMENT AS	33 855 956	20,4 %
ALTOR INVEST 5 AS	16 960 065	10,2 %
ALTOR INVEST 6 AS	16 960 065	10,2 %
ODIN FUND MANAGEMENT	15 471 216	9,3 %
FERD AS	15 467 891	9,3 %
ARCTIC ASSET MANAGEMENT	8 365 451	5,1 %
SPORTS DIRECT INTERNATIONAL	6 750 000	4,1 %
SEB BANKEN, LUXEMBOURG	3 703 500	2,2 %
STAMINA II AS	2 624 566	1,6 %
DNB ASSET MANAGEMENT	2 519 241	1,5 %
FOLKETRYGDFONDET	2 359 176	1,4 %
GENI HOLDING AS	1 960 000	1,2 %
VANGUARD GROUP	1 785 091	1,1 %
UNITED NATIONS JOINT STAFF PENSION	1 607 425	1,0 %
BLACKROCK	1 552 500	0,9 %
ROBERT IVERSEN HOLDING AS	1 336 341	0,8 %
NORDEA ASSET MANAGEMENT	1 131 105	0,7 %
LAZARD FRERES BANQUE	1 022 990	0,6 %
WIPUNEN VARAINHALLINTA OY	1 000 000	0,6 %
MARIATORP	1 000 000	0,6 %
FJANSE HOLDING AS	960 106	0,6 %
Other	27 370 059	16,5 %
Sum	**165 762 744**	**100 %**

Shares held by Board of Directors & Chief Executive Officer:

	Title	Amount of shares
Tolle O. R. Grøterud	Chief Executive Officer / Investor Relations	48 137
Hugo Lund Maurstad	Chairman of the Board	0
Øivind Tidemandsen (Dolphin Management AS)	Board member	33 855 956
Ronny Blomseth	Board member	231 266
Kjersti Helen Krokeide Hobøl	Board member	0
Maria Anna Kristina Aas-Eng	Board member	0

Note 9 Current and non-current interest-bearing liabilities

Current liabilities

Current bank debt	700
Amortization borrowing costs	-5
Sum	**695**

Note 10 Shareholder's equity

Changes in shareholder's equity	Share capital	Share premium	Retained earnings	Total equity
Shareholder's equity 01.01.18	**56**	**2 697**	**-17**	**2 735**
Net income for the year			-10	-10
Sale own shares		178	-100	77
Private Placement	11	389		400
Shareholder's equity 31.12.18	**66**	**3 264**	**-127**	**3 203**

Footnotes/Definitions

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

	FY 19	FY 18
Operating Income	-201	352
+ Depreciation	692	189
= EBITDA	**490**	**541**

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.

EBITDA (adj.)

EBITDA (adj.) is used to describe EBITDA excluding extraordinary items. In 2019, this is represented by an extraordinary writedown of inventory amounting to NOK 385 million.

Reconciliation

	FY19	FY 18
EBITDA	490	541
+ Extraordinary writedown of inventory	385	-
= EBITDA (adj.)	**875**	**541**

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

	FY 19	FY 18
Operating revenue	8 992	9 475
÷ Cost of goods sold	5 934	5 938
= Gross profit	**3 058**	**3 536**
Gross margin	**34,0%**	**37,3%**

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, amortization and impairment of right-of-use assets.

Reconciliation

	FY 19	FY 18
Other operating expenses	916	1 380
+ Personnel expenses	1 652	1 615
= OPEX	**2 567**	**2 995**

Net interest bearing debt (NIBD)
Net interest bearing liabilities is defined as non-current interest bearing debt and current interest bearing liabilities less cash and cash equivalents. NIBD does not include lease liabilities due to IFRS 16. Net debt is a measure of the Group’s net indebtedness that provides an indicator of the overall balance sheet strength.

Reconciliation

	FY 19	FY 18
Non-Current Interest Bearing Debt	889	1 081
+ Current Interest Bearing Debt	767	994
÷ Cash and Cash Equivalents	433	194
= Net Interest Bearing Debt	**1 224**	**1 881**

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

	FY 19	FY 18
Cash and Cash Equivalents	433	194
+ Undrawn Credit Facilities	400	500
= Liquidity reserve	**833**	**695**

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.

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

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, and for some measurements can be useful for the readers of the financial statements to understand the effects of IFRS 16 in 2019 as this was the transition year, we present some measures excluding IFRS 16 effects. All IFRS 16 transition effects are also presented in total for the Group in Disclosure note 22 to the Annual report.

Reconciliation (example)

	FY 19	FY18
EBITDA	490	541
÷ IFRS 16 effects	532	-
= EBITDA (ex IFRS 16 effects)	**-42**	**541**

Pictures
All pictures in this report is with and by XXL employees

To the General Meeting of XXL ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of XXL ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2019, and the statement of income, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2019 and consolidated statement of total comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying financial statements present fairly, in all material respects, the financial position of the group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group's business activities are largely unchanged compared to last year. Following the Group's *Implementation of IFRS 16 – Leases*, which significantly impacted the Groups Profit and Loss Statement and key financial ratios, we spent some of our audit effort on this matter.

Key Audit Matter	How our audit addressed the Key Audit Matter
Inventories	
Inventory amounts to NOK 2 843 million in the Financial Statements. A total impairment provision of 423 million has been accounted for in 2019. Inventory is carried at the lower of cost and net realizable value. The valuation of inventory at net realizable value involves judgements made by management. The judgements are based on factors such as historical levels of obsolescence, management's considerations regarding the current stock profile, expected development in sports retail, age distribution and movements in inventory. We focus on this due to the importance of inventory to the business and the judgement involved in deciding net realizable value. See note 1.6 "Significant management judgement in applying accounting policies" and "Note 8 Inventories" where management explains how they account for inventories.	We reviewed management's policy for assessing the valuation of inventory. We verified management's assertions through a combination of audit procedures including reviewing documents that supported management's assessment, challenging management's assumptions, observed the inventory and performed analysis. We were present at several stocktakings, both in stores and in the central warehouses. In addition to observing the physical count, this allowed us to make our own observations of obsolete, damaged or ageing inventory. Our procedures included reviewing that management applied valuation policies consistently year on year. We obtained an overview of the ageing profile of the inventory, the distribution of rim sizes, an analysis of thin store distribution, and an assessment of whether the goods are part of an active or expired product range, all key inputs in management's estimation of net realizable value. Our audit procedures included testing of relevant inputs to supporting documentation, and challenging management on central assumptions used in the calculation. Finally, we recalculated the inventory impairment based on historical cost and the estimated net realizable value, assessed adequacy of historic provisions, and considered the adequacy of the financial statements disclosures. The results of our testing were satisfactory. We also reviewed the disclosures in note 8 and found them to be appropriate.

Supplier bonuses

The Group recognised a reduction in cost of sales and inventory as a result of expected supplier rebates. Management used judgement to estimate total purchases and supplier bonuses per supplier, based on the underlying agreements. The estimate required detailed understanding of the contractual arrangements and accurate understanding of source data to ensure a complete and accurate calculation.

Due to the level of management judgement involved in estimation and recognition of supplier bonuses and the inherent effect the judgement has on cost of sales and inventory valuation, we assessed this to be a Key Audit Matter

See "Note 1 Accounting policies" where management explains the basis for their accounting for Supplier bonuses.

We obtained management's calculation of estimated supplier bonuses. We read and understood a sample of supplier agreements to gain an understanding of key terms in these agreements.

Our audit procedures included testing of completeness and accuracy of inputs to the calculations. To challenge management on the assumed volumes in the estimates we looked at, among other things, purchase volumes and details from the agreements and historical accuracy. Further, we tested the recoverability of invoiced supplier bonuses including the supplier bonus accruals.

The results of our testing were satisfactory.

We also reviewed the disclosures in note 1 and found them to be appropriate.

Implementation of IFRS 16

XXL rents most of their retail stores. The group implemented IFRS 16 from 1.1.2019 by applying the modified retrospective approach. The implementation had a significant impact on the Group's statement of financial position. Total capital increased with 42 % as a result of identifying Right of Use Assets and Lease Liabilities. This also affected net results as both depreciation and finance expenses increased which in turn impacted key financial ratios such as equity rate and return on assets.

The process of identifying Right of Use Assets and Lease Liabilities involves assessing rental contracts up against requirements in IFRS 16. The process requires judgement both in order to assess length of rental period, type of rental costs and incremental borrowing rate. These are

We obtained management's calculation of the value of Right of Use Assets and Lease Liabilities. We assessed managements' implementation method against IFRS 16 and obtained explanations from management as to how the specific requirements of the standard were met.

To test whether the Group had identified all relevant lease contracts as a basis for their calculation of an implementation effect at 01.01.2019 we used our knowledge from the audit of rental costs of stores and other larger rentals, and assessed management's process of identifying relevant lease contracts. We found that all material contracts were included in the calculation.

The group used an IT support system for input of key data and calculations of Right of Use Assets and Lease Liability. To test the implementation effect, we verified that the IT system they used was from a reputable supplier, that the system contained all the relevant elements required of IFRS 16 and that the system performs mathematical calculations as expected from it. Further, we tested whether key data was correctly all elements used as a basis for discounting lease payments.

For more information see note 18 where management explains the calculation of Right of Use Assets and Lease Liabilities and the effects of the implementation.

entered into the IT system, such as length of contacts and costs, by tracing the inputs back to rental contracts. No significant deviations were found.

To evaluate management's assumptions related to the incremental borrowing rates, we compared the different input factors by comparing these input factors with observable market data and data used by industry comparable companies. We found that management's rate contains the elements required by IFRS, and that the different elements were in line with what we found in the marketplace and comparative companies.

We tested whether the resulting calculations and numbers from the IT support system reconciled against the Group's financial statements. No significant deviations were found.

We used checklists and judgement to consider whether IFRS disclosure requirements related to the IFRS 16 implementation were appropriate. We found that the disclosures were satisfactory and provided meaningful information about the Right of Use Asset and Leasing Liability and resulting implementation effects.

Impairment of goodwill

The goodwill balance of NOK 2 744 million is subject to annual impairment review required by IFRS. No impairment was recognised in 2019.

We consider goodwill to be a Key Audit Matter due to the necessary level of management judgement when performing an impairment review. Valuation of goodwill and the corresponding impairment tests are complex and require judgement related to future revenue, costs and the level of reinvestment needed.

See note 1.6 "Significant management judgement in applying accounting policies" and "Note 5 Intangible assets" where management explains how they account for goodwill and their impairment test.

We obtained management's impairment review. The review includes documentation about how management assessed cash generating units (CGUs). We satisfied ourselves that the impairment review contained the elements required by IFRS.

We challenged management's key assumptions used in the cash flow forecasts included within the impairment model. We challenged specifically future revenues, costs and level of reinvestments.

We tested the mathematical accuracy of cash flow models, and assessed relevant data to historical financial data, future budgets approved by management and other obtainable market information such as relevant benchmarks for growth estimates.

We evaluated the discount rate used by management by comparing its composition to empirical data for future interest rates, relevant risk premium and debt ratio. Key assumptions used were benchmarked against external data and our own internal data, including examining management's sensitivity analysis. Finally, we considered the adequacy of financial statements disclosures in note 5 and found them appropriate. Based on our audit procedures we found management's assumptions to be reasonable.

Other information

Management is responsible for the other information. The other information includes all the information in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company or the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate

Governance and other information in the annual report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 April 2020

PricewaterhouseCoopers AS

Vidar Lorentzen

State Authorised Public Accountant