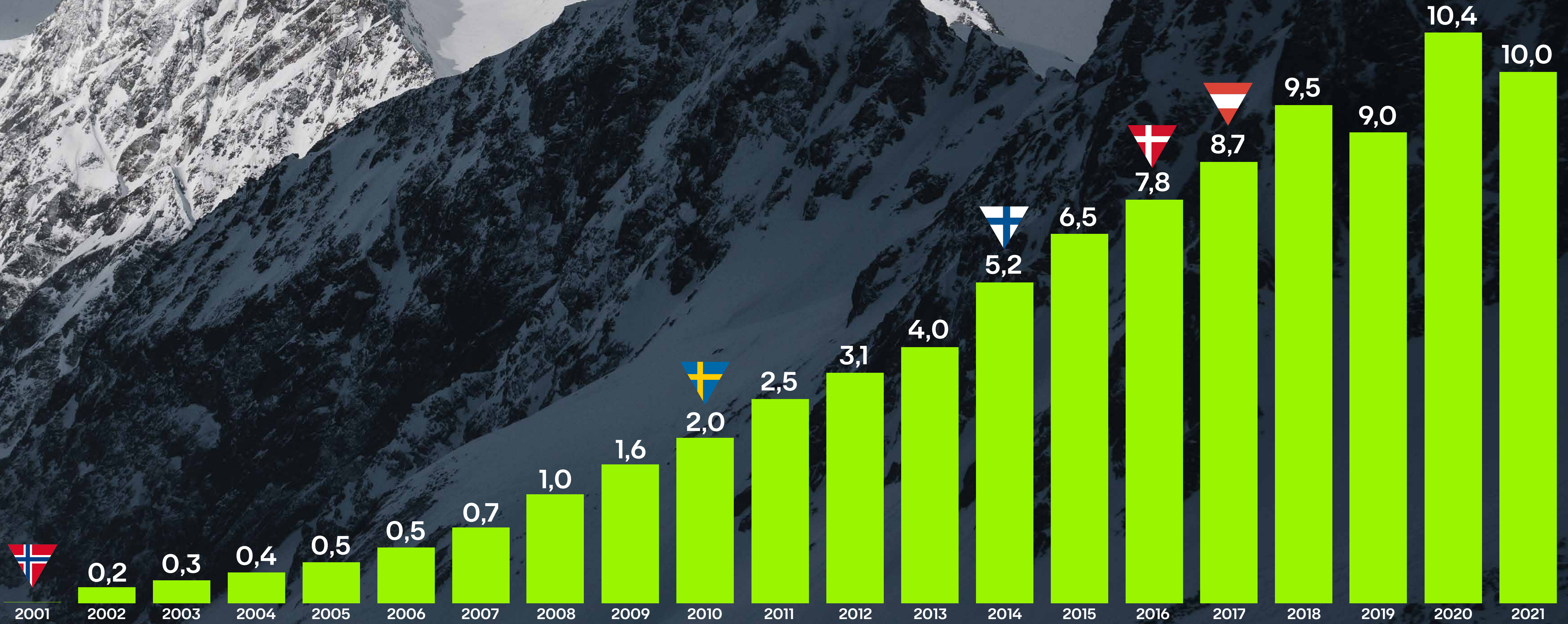




All sports united. Sports unite all.

Revenue Growth

(NOK Billion)



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Highlights

Total revenue of NOK 10 006 million (NOK 10 423 million)

EBITDA reported of NOK 1 338 million (NOK 1 117 million)

Net income of NOK 194 million (NOK 126 million)

Norway and Finland with strongest performance in XXL History

Strong balance sheet with net interest bearing debt of NOK 0.7 bn and liquidity reserves of NOK 1.1bn

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 (numbers in brackets are numbers for 2020 unless otherwise stated)

Growth

Revenue

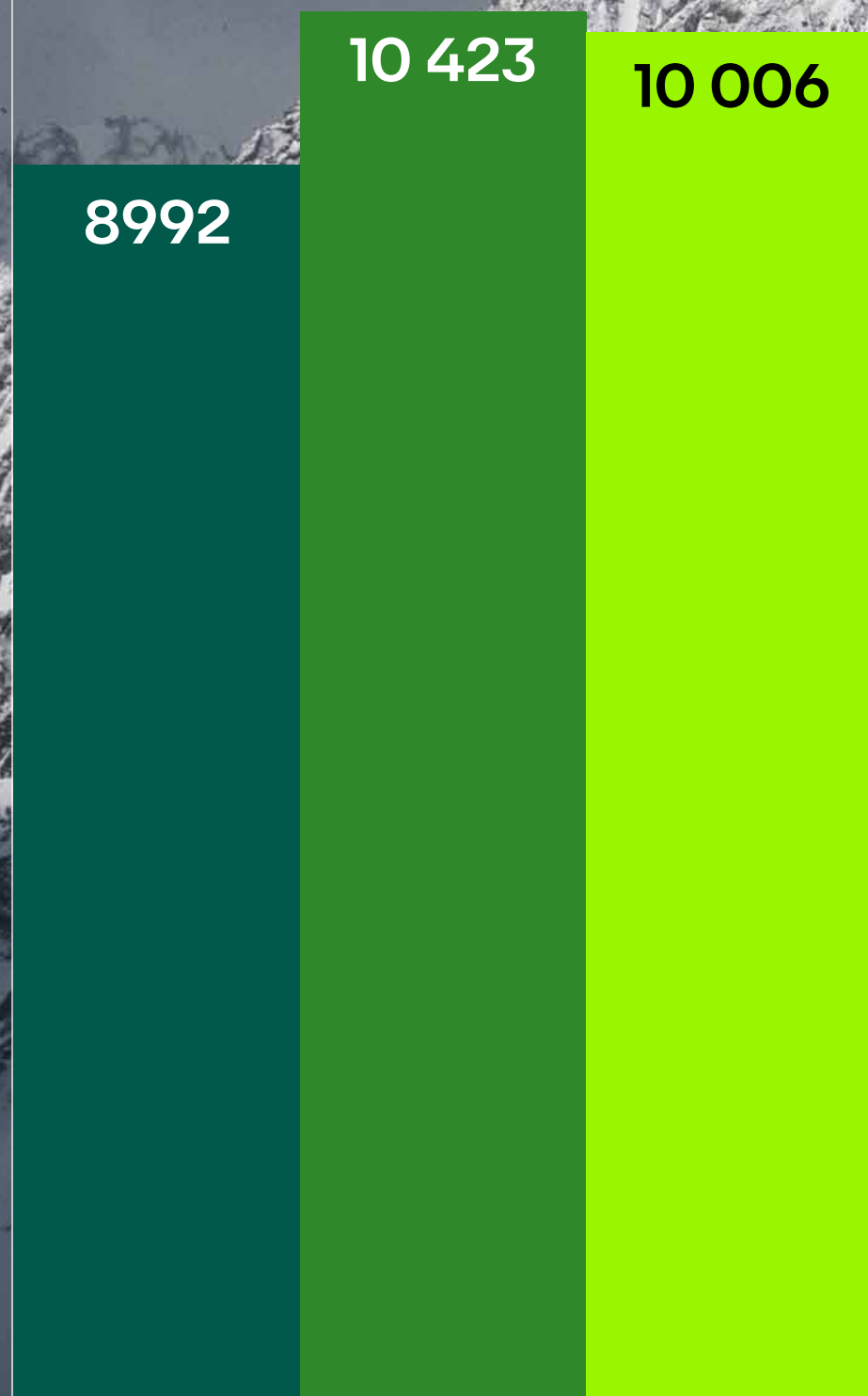
-4%

EBITDA

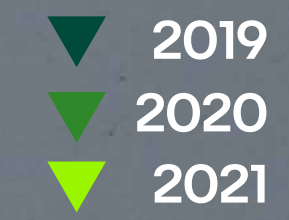
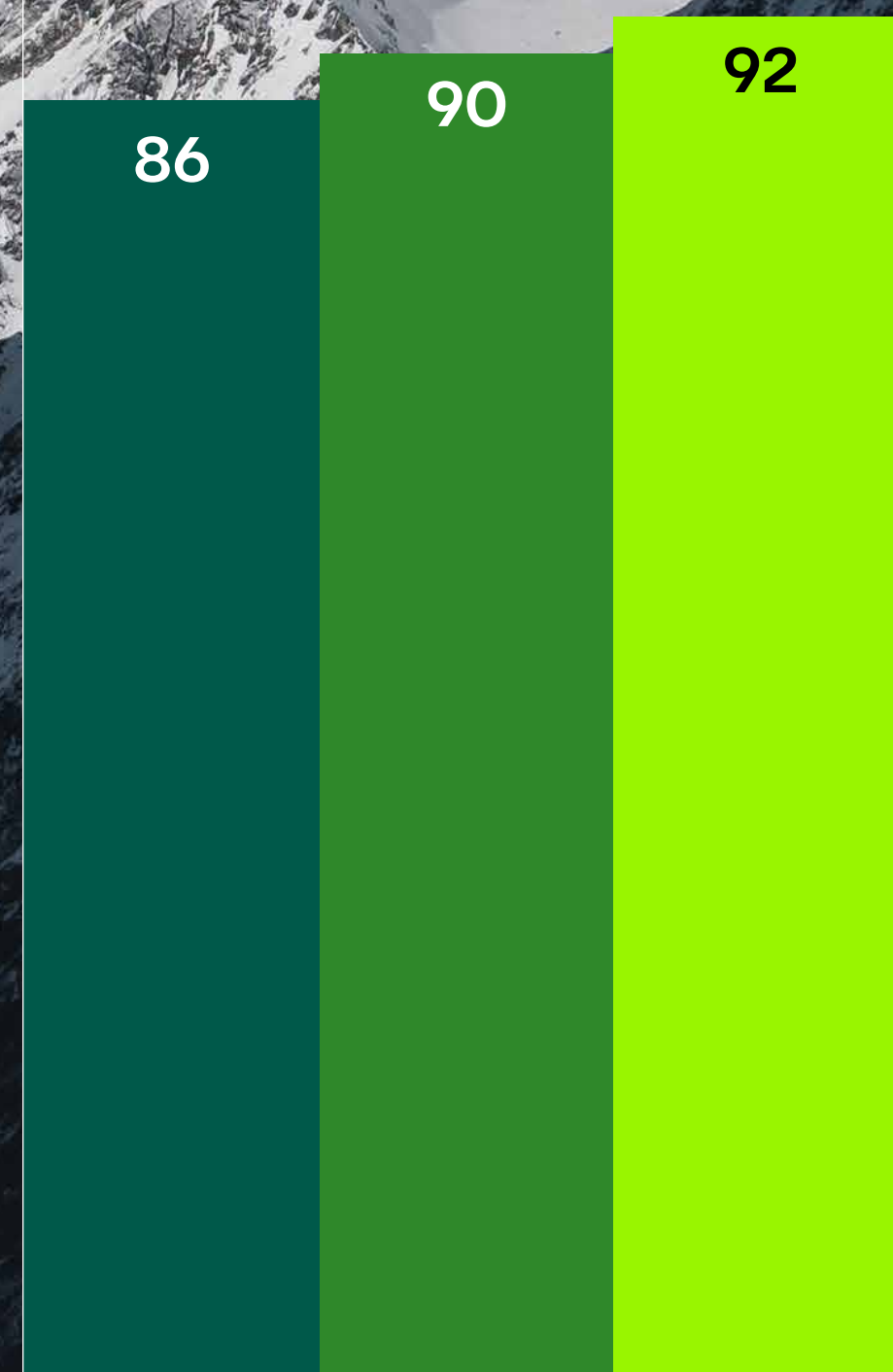
20%

Operating revenues

(Amounts in NOK)

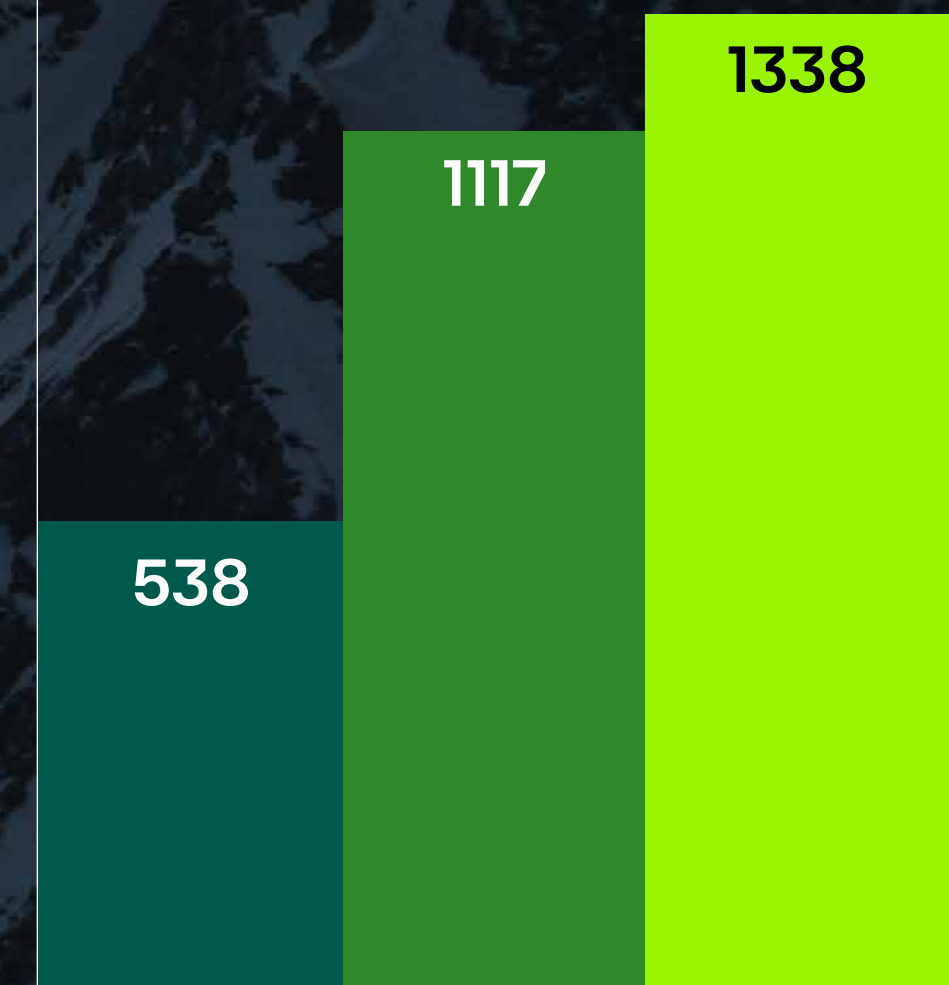


Numbers of stores



EBITDA

(Amounts in NOK)



Key figures / Group

(Amounts in
NOK million)

	FY 2021 (Audited)	FY 2020 (Audited)
Operating revenue	10 006	10 423
Growth (%)	-4,0 %	15,9 %
Gross profit	4 084	3 904
Gross margin (%)	40,8 %	37,5 %
OPEX %	27,4 %	26,7 %
EBITDA	1 338	1 117
EBITDA margin (%)	13,4 %	10,7 %
Operating Income	391	364
Operating Income margin	3,9 %	3,5 %
Net Income	194	126
**Basic Earning per share (NOK)	0,77	0,57
**Earning per share (adj)	1,31	0,57
**Average number of shares (1 000 shares)	252 437	218 952
Cash provided by operating activities	905	1 653
Like for like revenue growth	-2,6 %	12,5 %
Number of stores at period end	92	90
New stores in the period	2	4

**Earnings per share: See Note 14

Key figures / Segment

(Amounts in
NOK million)

	FY 2021 (Audited)	FY 2020 (Audited)
Norway		
Operating revenue	4 873	4 987
Growth (%)	-2,3 %	20,2 %
Gross profit	2 098	1 983
Gross margin (%)	43,1 %	39,8 %
OPEX %	19,4 %	18,5 %
EBITDA	1 154	1 062
EBITDA margin (%)	23,7 %	21,3 %
Number of stores at period end	37	37
New stores in the period	-	1
Sweden		
Operating revenue	2 961	2 974
Growth (%)	-0,4 %	16,2 %
Gross profit	1 148	1 055
Gross margin (%)	38,8 %	35,5 %
OPEX %	24,6 %	24,9 %
EBITDA	420	316
EBITDA margin (%)	14,2 %	10,6 %
Number of stores at period end	30	29
New stores in the period	1	1
Finland		
Operating revenue	1 744	1 950
Growth (%)	-10,6 %	10,4 %
Gross profit	696	708
Gross margin (%)	39,9 %	36,3 %
OPEX %	23,0 %	22,5 %
EBITDA	294	270
EBITDA margin (%)	16,9 %	13,8 %
Number of stores at period end	17	17
New stores in the period	-	-

Key figures / Segment

(Amounts in
NOK million)

	FY 2021 (Audited)	FY 2020 (Audited)
Denmark		
Operating revenue	20	27
Growth (%)	-28,1 %	-44,1 %
Gross profit	6	8
Gross margin (%)	31,7 %	29,5 %
OPEX %	25,9 %	30,8 %
EBITDA	1	0
EBITDA margin (%)	5,9 %	-1,3 %
Austria		
Operating revenue	409	484
Growth (%)	-15,5 %	3,0 %
Gross profit	135	150
Gross margin (%)	33,0 %	30,9 %
OPEX %	40,7 %	32,7 %
EBITDA	-31	-9
EBITDA margin (%)	-7,7 %	-1,8 %
Number of stores at period end	8	7
New stores in the period	1	2
HQ & logistics		
EBITDA	-501	-522
EBITDA margin (% of Group revenues)	-5,0 %	-5,0 %

CEO comment

The Snowball Effect

Retail is all about thinking of how to serve the customer needs in everything we do. This is why we have Customer First as one of our core values.



2021 was another rollercoaster year highly influenced by the pandemic. During the year, we suffered from closed stores multiple times in Austria and Norway and a supply crisis for bikes. At the same time, the “staycation” effect led to increased demand for some of our products. On top of this, we also completed a record-high number of development projects to prepare XXL for the future.

The last two years has been unlike anything else during my 25 years in retail. Crazy in many ways, but we have also learnt a lot. We have managed to be there for our customers both online and in stores. On behalf of XXL, I am proud of what we have achieved under difficult circumstances. XXL still stands firm in our markets. After a bumpy ride in 2018-2019, XXL is re-established as a company with satisfied customers.

When we talk about customer satisfaction, the most important factor is the feedback we get from customers every day through our “Happy Or Not” surveys. More than 4 million customers gave us feedback in stores and online during 2021. 93 percent of the customers were positive, while 7 percent were negative. Our Happy score is above the average for North-European retailers, which is always nice, although no reason to rest on our laurels. We also see that our score is highest in the markets where we first implemented the surveys. This is probably because we work systematically with the feedback to learn and improve.

XXL's brand and reputation is also solid and improving. In fact, XXL was the top improver among Norwegian retailers on YouGov's Brand Index last year. It means that more customers are happy and willing to recommend us to their families and friends. Other surveys, like Traction in Norway, show that XXL is considered as a company with a “good” reputation. This is a good fundament for our long-term work to take XXL to the next level.

Financially, the results are also solid after a strong Christmas campaign. We deliver an EBITDA of NOK 1 338 million, up NOK 221 million from 2020. Norway and Finland deliver their strongest results in XXL's history, while Sweden has its second-best year. In Austria we are still struggling with negative results in a tough market with five lockdowns the last two years. We have invested a lot to establish XXL as a preferred destination also in Austria. However, we need to stop the financial losses and have initiated several actions to turn things around.

This was the story about XXL in 2021. But what about 2022 and onwards? As I have stated many times before, the sports industry is well positioned for future growth. Health and well-being is a mega trend. Sports and outdoor activities play a major role in this trend. XXL's vision is to be the preferred sports and outdoor destination in Europe. Last year we launched our new Brand Platform that contains information about the direction we are heading in. It was launched after a thorough process with employees, management, board members and other stakeholders.

Our heart and soul is that we want sports and outdoor activities to be available to everyone. To make this happen, we offer a uniquely wide selection of great brands to great prices. We are present online and in highly accessible stores. And we make it our duty to share our expertise and passion to inspire people to get out and get into something new.

This is XXL. Great Brands. Great Expertise. Great Assortment. Great Accessibility. And Great Prices. Our competitors also have some of these elements, but the combination makes XXL unique. To be the preferred sports and outdoor destination in Europe, we need to demonstrate all the five Great's. It is the combination that makes us unique. These five value propositions are something I often ask my colleagues about. Do we deliver on the promises we have given to our customers?

“Plans are worthless, but planning is essential”, the American officer and statesman Dwight D. Eisenhower said once. When we make new plans for Supply, Marketing, Category and Operations we ask our colleagues to passionately strive to learn from each other. We urge our teams to always challenge ourselves on how we can be better than we were 12 months ago in all we do. This is the way to keep XXL unique – and to keep our customers happy. We are still on a retail transformation journey. In the beginning these journeys are all about getting the “snowball” to start rolling. Then after a while, it starts to roll faster and the customers start to sense more of the differences. With the long lead times in our industry, it happens more “under the hood” than what you see currently in our offering to customers.

One of the things that has happened in the “engine room”, is that we have improved our inventory processes. First of all, we have much better control of our stock compared to 2-3 years ago. We have also done fine-tuning in the replenishment of goods from our Central Warehouses to the stores. The trend in recent years has been that we keep more products in our CWs, for E-com sales and replenishment to stores with high sales. This is far more efficient than keeping high stock levels out in the stores.

However, it is also a balancing act, because we also need to avoid unnecessary stock-outs in stores. For Spring/Summer 2022 we will frontload more volumes ahead of the season, especially to the large stores, to make sure that we have enough of popular products like bikes and running shoes. We are also starting to work with space management in the stores for increased efficiency and to ensure that we always have a customer-friendly display of products.

On some of these areas we have come quite far. On other areas, we still have a lot of work to do.

XXL is the largest online sports retailer in the Nordics, with a leading position in all the Scandinavian countries. E-com is the area with highest growth in XXL, but also an area with large rooms for improvement. We have appointed a new Head of Digital Commerce and are looking to increase our market share in the years to come. We will strengthen our expertise on Digital Sales, Digital Customer Experience, Digital Analysis and Product Development during the next 6-12 months.

Our E-com growth story is also dependent on good execution from the Marketing & Category department. We have just started to streamline and simplify our processes and there is plenty of work left. XXL is a campaign machinery with Great Brands at Great Prices every week and we need structure and routines to keep this machine running.

The Christmas 2021 campaign showed some of the strength in our organization, but we still believe we can make the marketing wheel more commercial.

We also continue work to strengthen our relationship to brands and other suppliers. One example is the increased effort on Mountain Sports with brands like Mammut, Salewa, Mountain Hardware and Haglöfs. This allows us to reach out to even more outdoor enthusiasts to cover trends like hiking and climbing even better.

At the other end of the assortment diamond, we are also looking to develop our private label assortment further. We need good entry-level options to compete against outlets and online pure-players about the customer's wallet. We would like to give a boost to some sub-categories in this aspect. But the biggest part of XXL will always be the huge selection of well-known brands. Continued Category development is anyway definitely one of our “must win” battles in 2022, together with E-com and Campaigns.

As I said, there is a lot of things happening “under the hood”. Throughout the year I am convinced that we will make the “snowball” roll faster and that the customers will enjoy this.

Finally, I would like to thank all our employees for a tremendous effort during 2021. XXL has more than 5,500 employees and most of them work in our stores. We have taken care of each other and the customers through the pandemic. We have been there with a smile on our faces and a solution-oriented mindset.

As previously stated, I am proud of what we have achieved under difficult circumstances.

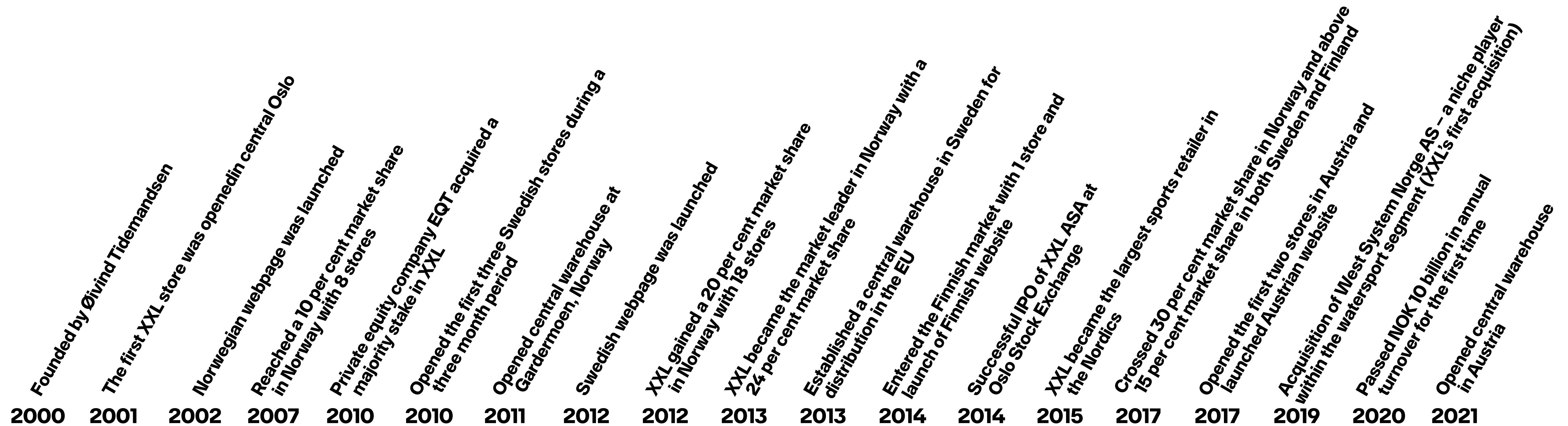
In 2022, I look forward to travel more and meet customer-oriented, knowledgeable, passionate and caring XXL-ers. The beauty of getting back to normal life is also that we can spend so much more time on training courses and expertise sharing together with our dedicated team members.
All Sports United – Sports Unite All



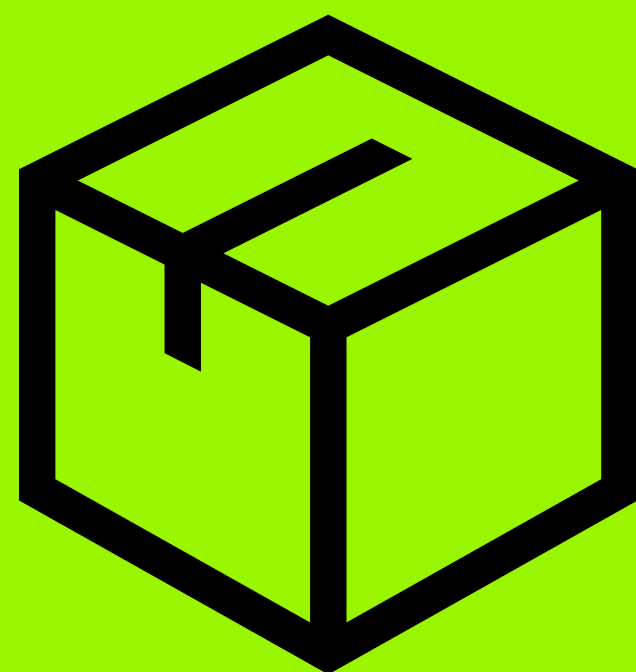
Pål Wibe, CEO XXL

Historical milestones

We have 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:



About us



We are 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 automation 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 2020 with the launch of XXL Reward, and has so far achieved to obtain more than 3 million members across the Nordics and Austria. 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 2021 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 continued during 2021 to roll out 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 continued to install self-service cashier solutions in many stores in the Nordics 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 2021 corresponded to 23.5 per cent, an increase compared to previous years, partly explained by changed shopping behavior among customers related to the pandemic situation. XXL has continued an upgraded online front-end on its webpages, with new design and features like search filters, new payment methods 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 in the Group during 2019/2020 has further ensured availability of products online.

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

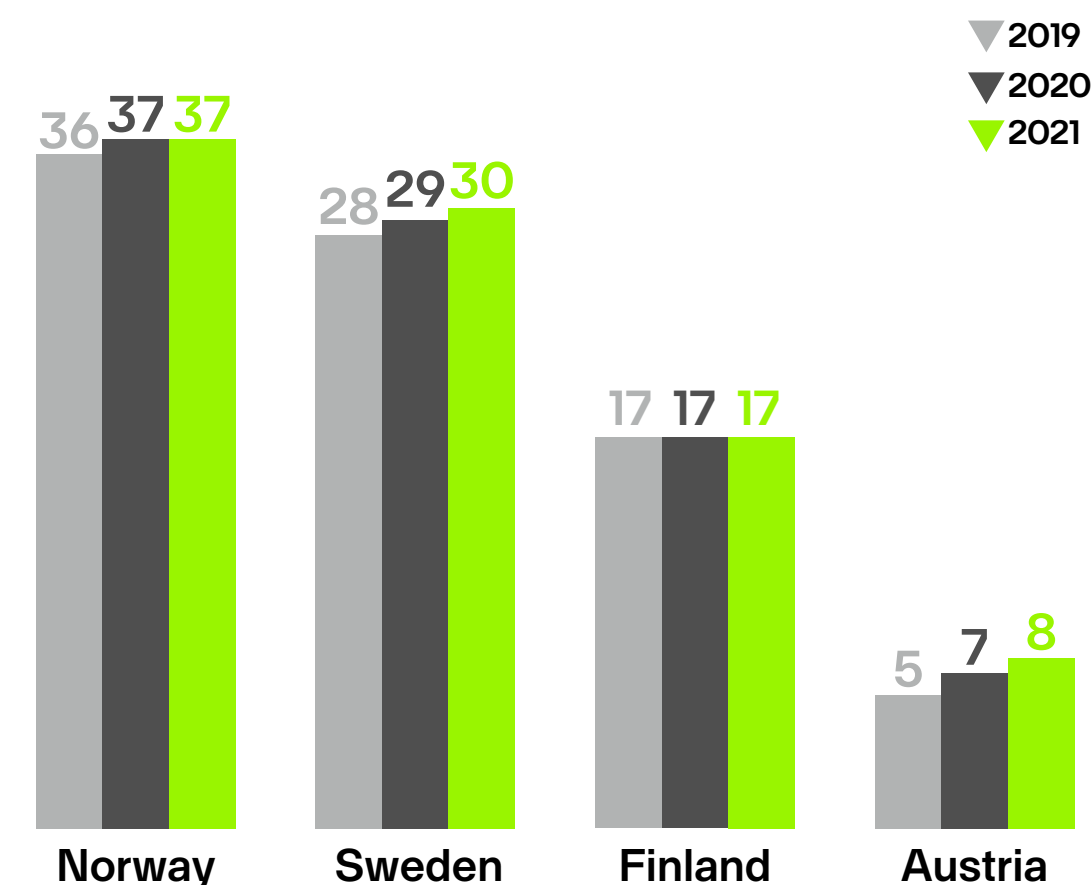
store locations. The websites feature a similar range of products as offered in the stores at generally the same prices as in the physical store. In the new store concept uses digital price tags. This allows for dynamic and flexible pricing and uses robotics to compare prices so that XXL is true to its 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) sport, running & training, 2) leisure & youth, 3) outdoor & hunting, 4) ski, bike & tech. 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 92 stores at the end of 2021, 37 stores in Norway, 30 stores in Sweden, 17 stores in Finland and 8 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 2021 were related to sales of private label goods.

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

1. Sport, Running & Training covers sports equipment and sportswear for a number of sports including running, 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. Leisure & Youth include a wide assortment of clothes for men, women and children for baselayers, outerwear, casual wear, sportswear and swimwear to name some. The sector also covers lifestyle shoes and wintershoes for both adults and children.

3. Outdoor & Hunting 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. It also include firearms and ammunition, clothes, binoculars, optics, knives and axes.

4. 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. The category also includes Sportstech that 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 three central warehouses, one at Gardermoen Norway (outside EU), one in Örebro Sweden and one in Vienna, Austria (inside EU). The Norwegian warehouse serves the Norwegian market, while the Swedish and Austrian serves Sweden, Finland, Denmark and Austria. All 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. XXL implemented in 2019/2020 a new data driven and algorithm based replenishment system with the result of 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 launched in 2019 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 the Group has developed several dashboards 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.

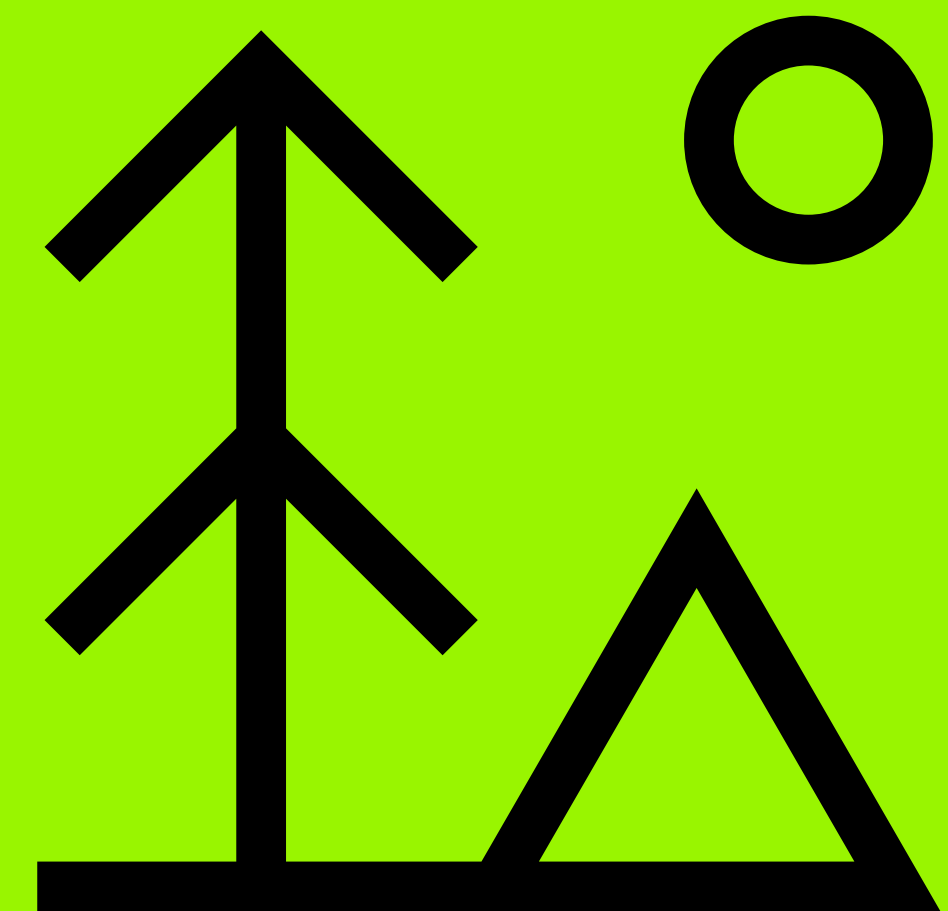
Drivers and trends

The outbreak of the covid-19 virus affected the markets differently in 2020 and 2021 with large fluctuations throughout the seasons and the year. Austria was negatively affected by several closures of retail trade during 2021, together with reduced tourism. The Nordics, on the other hand, experienced positive effects related to "staycation", and the consumer using more of their disposable income to buy sports- and outdoor equipment. All markets experienced an overall changed consumer behaviour towards the online channel.

Fluctuations in the sport retail market has also been the case in 2021, and a more normalization is not expected until 2023. The traditional sport retail market has, especially in Norway, Sweden and Finland, experienced high competition from retailers in lower price segments. This pertains particularly from outlet store concepts, which have grown significantly during the last five to six years. Further, E-commerce is growing fast as a sales channel and continues to gain customers who previously shopped in physical stores, and this escalated during the covid-19 situation in 2020 and 2021. 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.

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 Opinion 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. 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.



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.

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.

Executive Management Team



Board of Directors

Hugo Maurstad

Chairman

Hugo Maurstad is the Managing Partner of Monte Rosa Capital. Maurstad was partner in Altor Equity Partners in the period 2004-2021. Prior to Altor, he was 13 years with McKinsey & Company as a Senior Partner, including leading the McKinsey office in Norway. Maurstad has several years of experience both as chairman and as board member in several private and public companies. Maustad holds a MsC of General Economics from the Norwegian School of Management. Hugo Maurstad is a Norwegian citizen and resides in Norway.

Ronny Blomseth

Board Member

Ronny Blomseth is CEO of POWER International AS. Mr. Blomseth has a degree in economics from the Norwegian Business School BI. Before joining POWER, Mr. Blomseth was CEO of Elkjøp Nordic AS. Ronny Blomseth is a Norwegian citizen and resides in Norway.

Ulrikke Koehler

Board Member

Ulrike Koehler is an international senior executive, serving 30 years in the fast moving consumer goods – sports industry – in strategic and hands-on roles as Manager, General Manager and Vice President. Ulrike retired from Nike in September 2020 after 23 years. She is known as a catalyst for transforming businesses, marketplaces, teams and organizations. Koehler gained her experience with global and market leading iconic brands. Her working experience in multiple countries and regions have created a broad experience. Her latest responsibility at Nike assumed leading a USD 2.4 billion business with an integrated marketplace team of 1,900 employees in 9 countries. Ulrike Koehler's former employees include Hyde Inc and Asics HQ Europe, serving as an assistant to the European marketing director. She is a German citizen and resides in Germany.

Kai-Arne Nordhaug

Board member - employee representative

Kai-Arne Nordhaug is an elected employer representative from the central warehouse in Oslo, Gardermoen. He joined XXL in October 2016 and works with logistics in the goods receipt department at the central warehouse facility in Norway. Before joining XXL he was a board member and a department leader in Finsbråten AS. Kai-Arne Nordhaug is a Norwegian citizen and resides in Norway.

Kjersti Hobøl

Board Member

Kjersti Helen Krokeide Hobøl is CEO of Nille, a retailer with 360 stores, revenues of NOK 1.7 billion and 2,000 employees. She came to Nille from leading Kid Interiør over 8 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 Norwegian Business School, 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. She is a Norwegian citizen and resides in Norway.

Tor Andrin Jacobsen

Board member - employee representative

Tor Andrin Jacobsen is a sales leader in XXL's store in Åsane, Bergen, and has been in the company since January 2009. He has held various positions in the company, from part time worker in store to substitute store- and sales manager in Norway. From 2016 has he also been responsible for education of all outdoor departments in new stores, both in Norway and Austria. Tor Andrin is educated nutritionist and also studies business economics at the University of Tromsø. He is a Norwegian citizen and resides in Norway.

Cristina Moreno

Board member - employee representative

Cristina Moreno is SVP Store Experience at XXL ASA. Moreno holds a degree in retail from the Norwegian business school BI. Prior to XXL she worked as a manager for Sportshuset. Moreno started together with the founders of XXL in 2001, and was one of the first employees. Moreno has held important roles in the company from adirector. Through the history of XXL, she has been involved in all openings of XXL's stores in all countries. With over 25 years in the retail and sports industry, she possesses both strategic and operational knowledge. Cristina Moreno is a Norwegian citizen and resides in Norway.

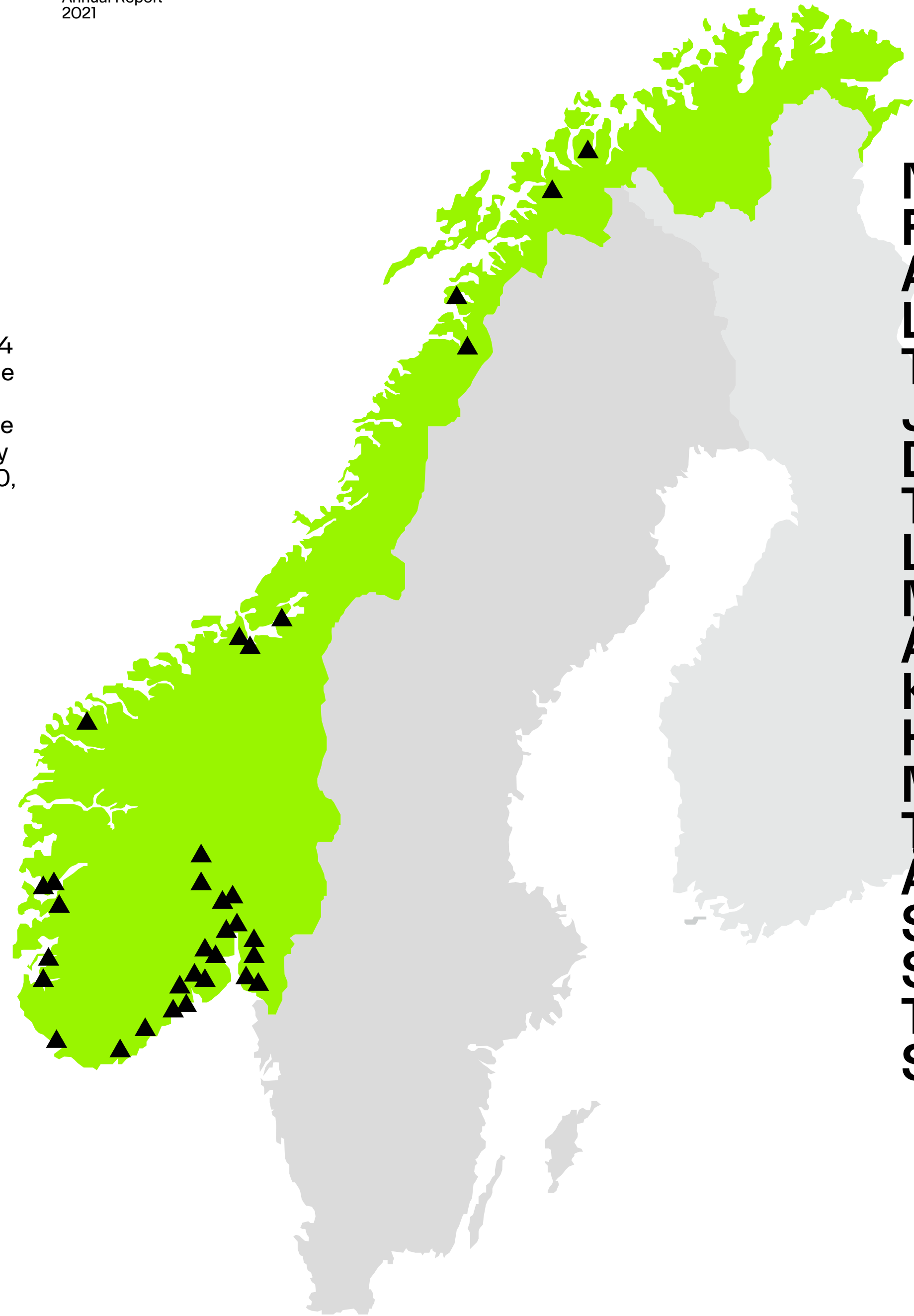
Øyvind Tidemansen

Board member

Øyvind 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 Power AS and the home furniture group Home & Cottage AS. Øyvind Tidemandsen is a Norwegian citizen and resides in Norway.

The Norwegian Market

XXL opened the first store in Norway in 2001, growing to 37 stores and E-commerce at the end of 2021 and revenues of NOK 4.9 billion for 2021. XXL's market share in 2021 was about 32 per cent. The market increased with above 3 per cent each year from 2014 to 2020, according to Sportsbransjen AS. In 2021 the market grew with 3.6 per cent, while XXL had in the same period a negative growth of 2.3 per cent, hence losing market shares. The negative growth was partly explained by a massive clearance campaign in 2020, as well as closed stores and a challenging delivery situation of bicycles in 2021.

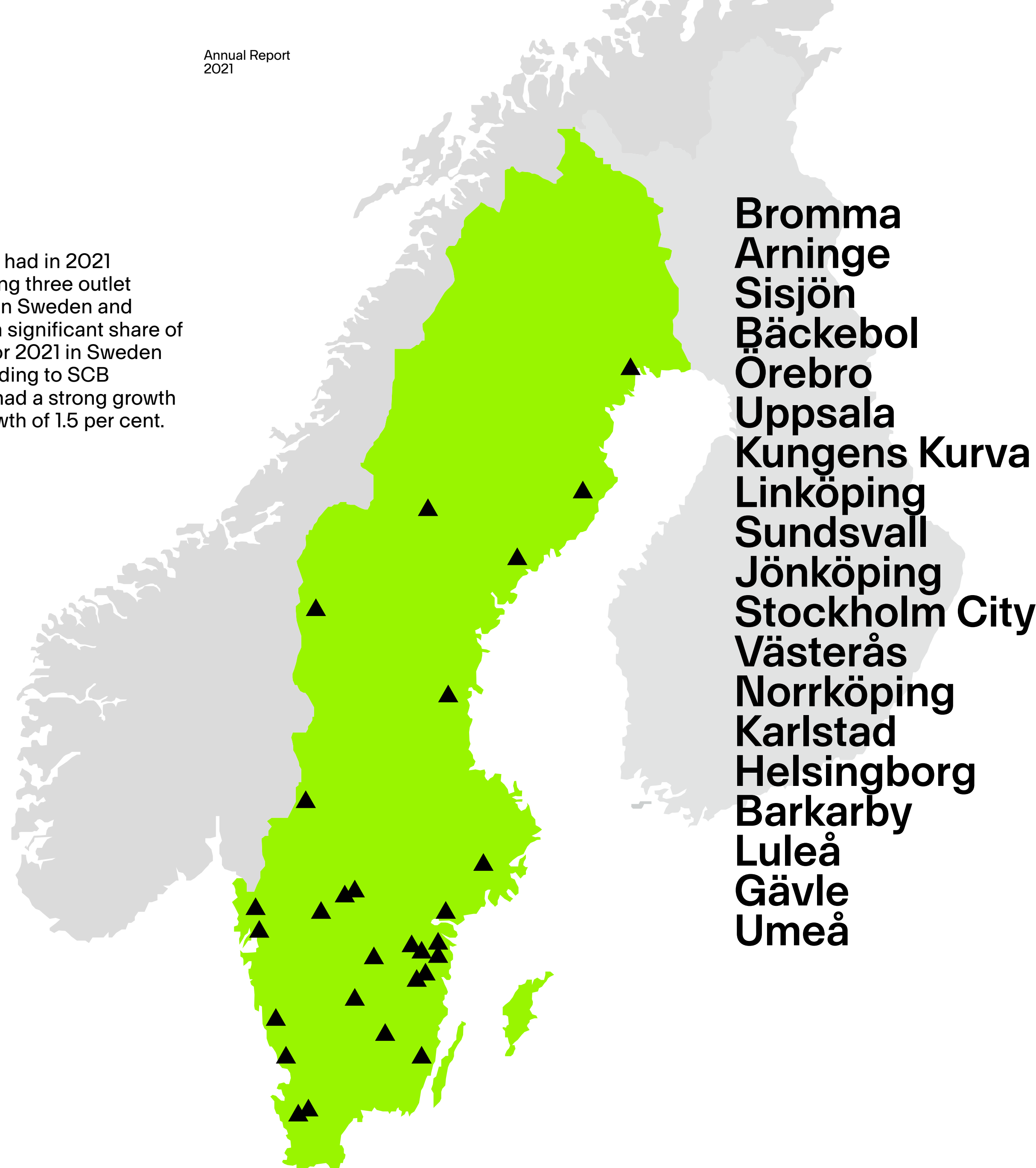


Naf-Huset
Forus
Alnabru
Lade
Tune
Jessheim
Drammen
Tiller
Lagunen
Majorstua
Asane
Kristiansand
Haugesund
Moss
Tromsø
Ålesund
Strømmen
Steinkjer
Tønsberg
Ski

Fredrikstad
Mo i Rana
Hamar
Bodø
Harstad
Sandefjord
Sartor
Skien
Lyngdal
Porsgrunn
Buskerud Storsenter
Sandvika Storsenter
Jessheim
Arendal
Bryne
Storo
Gjøvik
Hønefoss

The Swedish Market

In 2010 XXL started in Sweden and had in 2021 30 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 2021 in Sweden amounted to NOK 3.0 billion. According to SCB the Swedish sports market in 2021 had a strong growth of 7.5 per cent, while XXL had a growth of 1.5 per cent.



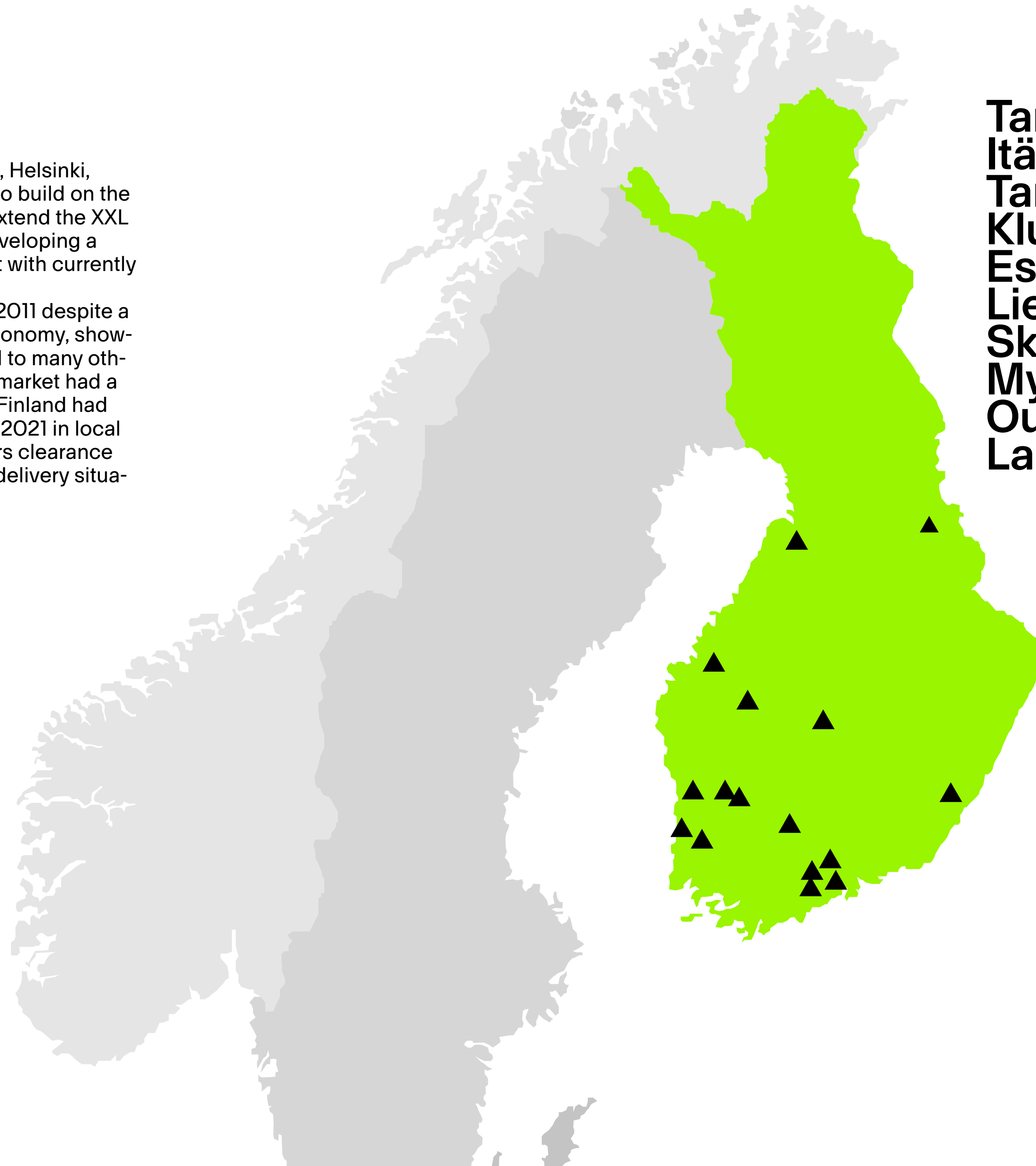
Bromma
 Arninge
 Sisjön
 Bäckebo
 Örebro
 Uppsala
 Kungens Kurva
 Linköping
 Sundsvall
 Jönköping
 Stockholm City
 Västerås
 Norrköping
 Karlstad
 Helsingborg
 Barkarby
 Luleå
 Gävle
 Umeå

Östersund
 Växjö
 Kalmar
 Länna
 Halmstad
 Malmö Trianglen
 Malmö Emporia
 Sickla
 Charlottenberg
 Nordby
 Töcksfors

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. The Finnish sports market had a strong growth of 10.8 per cent. XXL Finland had a negative growth of 6.0 per cent in 2021 in local currency, partly affected by last years clearance campaign, as well as a challenging delivery situation of bicycles in 2021.



Tammisto
Itäkeskus
Tampere Kaleva
Kluuvi
Espoo
Lielähti
Skanssi
Mylly
Oulu
Lahti

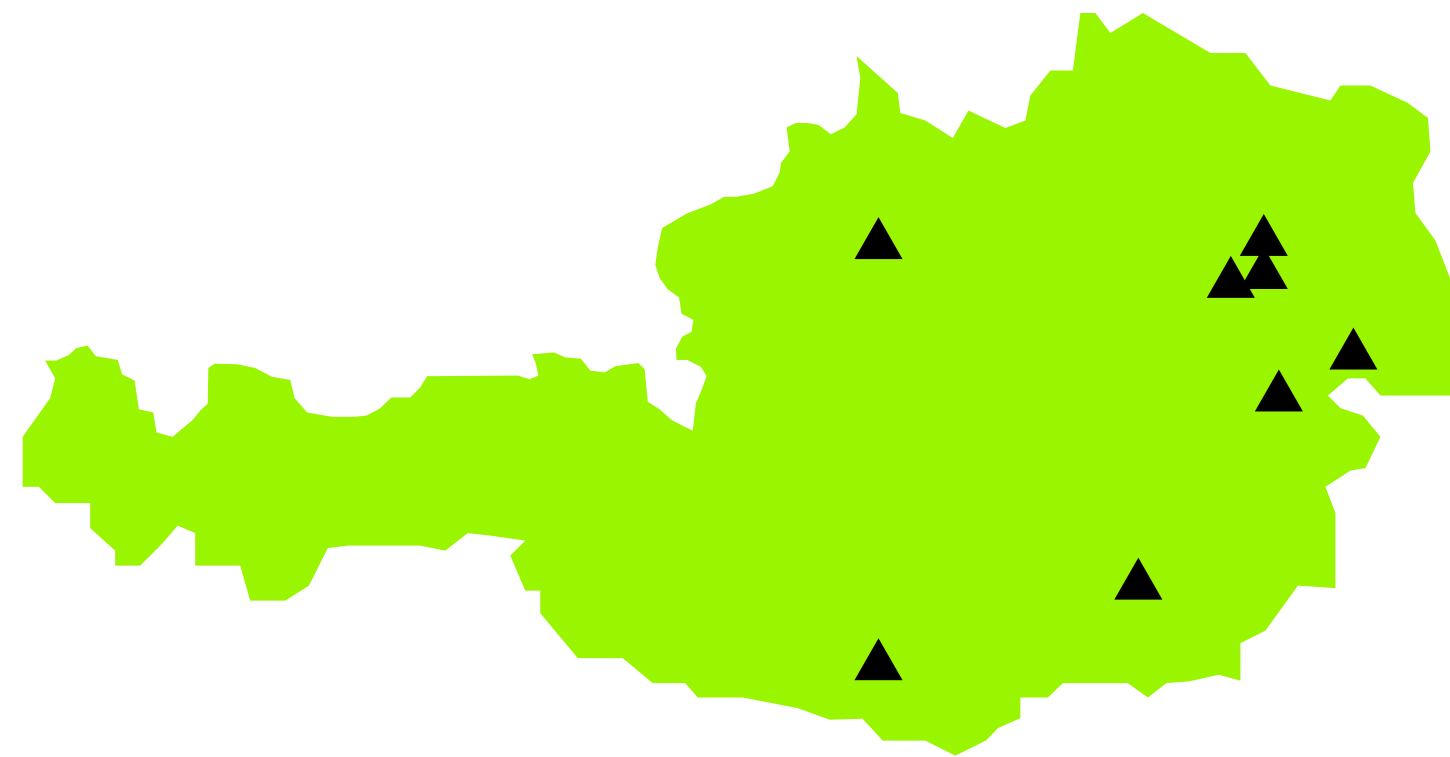
Vaasa
Lappeenranta
Jyväskylä
Kuopio
Pori
Redi
Seinäjoki

The Austrian Market

In 2017 XXL opened the first two stores and its E-commerce offering in Austria and currently operates 8 stores. The market is characterized by many small sports stores, spread all over the country and connected together through franchise models or buying unions. Market estimates consider the total market to be around EUR 3 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.

In 2021 the Austrian authorities imposed lock down of retail trade for several weeks, negatively affecting sales both for the sporting goods industry as well as for XXL. XXL had in 2021 a negative growth 11.4 per cent in local currency

**Shopping City Sd
Donau Zentrum
Linz
Graz
Mariahilfer
Wiener Neustadt
Parndorf
Klagenfurt**



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 successfully 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.



Our strategy

To strengthen customer experience & operational efficiency

Throughout 2021 the management of XXL has further developed and specified our strategy. The brand identity has been modernized and in parallel a comprehensive strategic program has been mobilized to improve operational performance both in the short- and long-term in addition to enable future growth. Many initiatives have been implemented during 2021 while others are in the pipeline for 2022. Altogether we will strengthen customer experience, operational efficiency in addition to our quality and control. Further on we will especially prioritize enhancing our omni-channel platform and establish closer collaboration and relationship with key suppliers.

In a difficult year heavily impacted by the COVID-19 situation XXL has prioritized to keep momentum on strategic initiatives and to accelerate where possible. This has been important to come out as a stronger company post-covid, but also to minimize the effect of the situation on our workforce during these months.

Our vision

To be the preferred destination for the sports and outdoor enthusiasts

XXL is in the sports and outdoor segments of the market. In this part of the market, we target the active people – the enthusiasts. Those who already find joy in sports and outdoor activities, and those who have just started. For our target group, we want to become a complete destination for sports and outdoor gear—a place they actively want to visit. In order to achieve that, we also need to become preferred in two other important dimensions - by our suppliers and by our employees.



Our purpose

All sports united. Sports unite all.

As a market leader within sports and outdoor gear, we feel we have a great responsibility to foster an active and healthy lifestyle. We believe in the idea of democratizing sports. Through our wide range of products and great prices we can make sports and outdoor activities accessible to the many. All in one place, all in one destination. And thereby make more people live more active lives. Sports and outdoor activities unite people.

Regardless of age, gender, skin color, geography or financial position, everyone can participate — on their own terms. This way, sports break down barriers and brings people together across the globe. In a common movement and a common spirit. At XXL, we are true believers of that spirit. We want even more people to discover the joy of being active. And doing what they love. By making our wide assortment of affordable sports and outdoor gear accessible to the many — we can make it happen.



Our value propositions

Our value propositions describe what we strive to offer in the continuous pursue to create the best value for our customers.

We offer all the brands and models expected from a true sports and outdoor destination — by our target group: the enthusiasts. Both within sports and outdoor - equipment and apparel.

Large purchasing volumes and efficient operations allow us to keep our prices down. Our prices are either better than our competitors, or on par with them. Never higher. At XXL, we offer our customers the best deals guaranteed.

Our breadth of categories and wide assortment within each category is unparallel to any other sports retailer. We offer the enthusiasts products at all relevant price ranges.

Great brands. Great prices. Great selection.
Great expertise. Great accessibility.

Investing more than others in staff training gives our customers access to the best trained employees in the industry. Both through our stores, e-com, workshops and service offering. Supportive self-service tools (on-and offline) complement our knowledgeable staff.

With big stores in great locations and our strong eCom platform, our wide assortment is always highly accessible to our many customers. Flexible and efficient delivery options is a given when shopping at XXL.

Our corporate values

In order to attain our wanted position, deliver on our value proposition and ultimately reach our vision we need to act in ways that support that. Our values guide us to the right behaviors.

Customer first₁
Knowledgeable₂
Passionate₃
Caring₄

1. At XXL, we always put our customer first. We all share the belief that this is what makes us profitable, which in turn lets us invest in our own business and people.

2. As a sports and outdoor specialist, our own know-how is key. We have relevant expertise in all categories we represent — and we are generous with our knowledge.

3. We have a deep passion for sports and outdoor. Helping our customers find just the gear, for their individual needs, is what makes us thrive.

4. We care genuinely about our customers, suppliers, the environment —and about each other. We honor great sportsmanship and celebrate as a team.

Ongoing strategic program

XXL mobilized in 2020 a comprehensive strategic program addressing all dimensions of the company and operations. 2021 was the year of implementation of several of these initiatives, like RFID, electronic price labels, new brand platform, as well as new store layout.

XXL is still in the phase of implementation of several of the strategic initiatives and projects. The key strategic focus is currently on developing an ambitious E-commerce growth plan, continue improving category strategy and plans, streamlining the campaign process as well as strengthening product availability.

At XXL we prioritize to offer personal development and learning for our employees through training and internal career opportunities. We have a comprehensive training program for all levels in the organization and launched in 2021 an internal leadership development program to nurture our future leaders and management. This work will continue in 2022.

XXL's overall strategic program is based on 5 strategic pillars to facilitate growth in both short and long-term perspective. These strategic pillars and belonging priorities are carried forward in 2022, with strengthened inhouse capabilities to support multiple strategic workstreams and implementation.

Strategic pillars

1. Strengthen our offering to support our target position as “a complete destination”

At XXL we offer great brands at great prices. Our broad assortment is truly one of our key differentiators. We are constantly optimizing our assortment finding the balance between providing a product range from novice to the trained enthusiasts. Close cooperation and strong relationships with our suppliers are important realizing this ambition

2. Enhance our marketing approach and build the XXL brand

XXL is a strong brand in the Nordic markets but we will revitalize our brand platform to modernize our communication and marketing. We target to be more segmented and personal in our customer communication to optimize relevance to our customer base. In parallel also differentiate our communication more to give customers inspiration and see the width of our value propositions

3. Establish XXL as omni-channel champion

Our strong eCom platform has throughout 2020 proven its scalability and efficiency. We are investing to both improve customer experience online as well as improving the customer journey across our online and physical retail. As a part of this ambition, we are investing on RFID and ESL technology to provide a flexible and robust omnichannel infrastructure. Flexible and efficient delivery options must be a given when shopping at XXL

4. Improve in-store experience, concept and service offering

Our highly accessible stores are a key asset to XXL and we will update and modernize the concept to improve the customer experience even further. We have during 2020 started to implement new zone structure across all stores to realize activity-based sectors that benefits our staff, customers and partners. Further investing in our highly trained staff and adding on relevant services are essential to providing a great customer experience.

5. Strengthen operational efficiency and our customer orientation

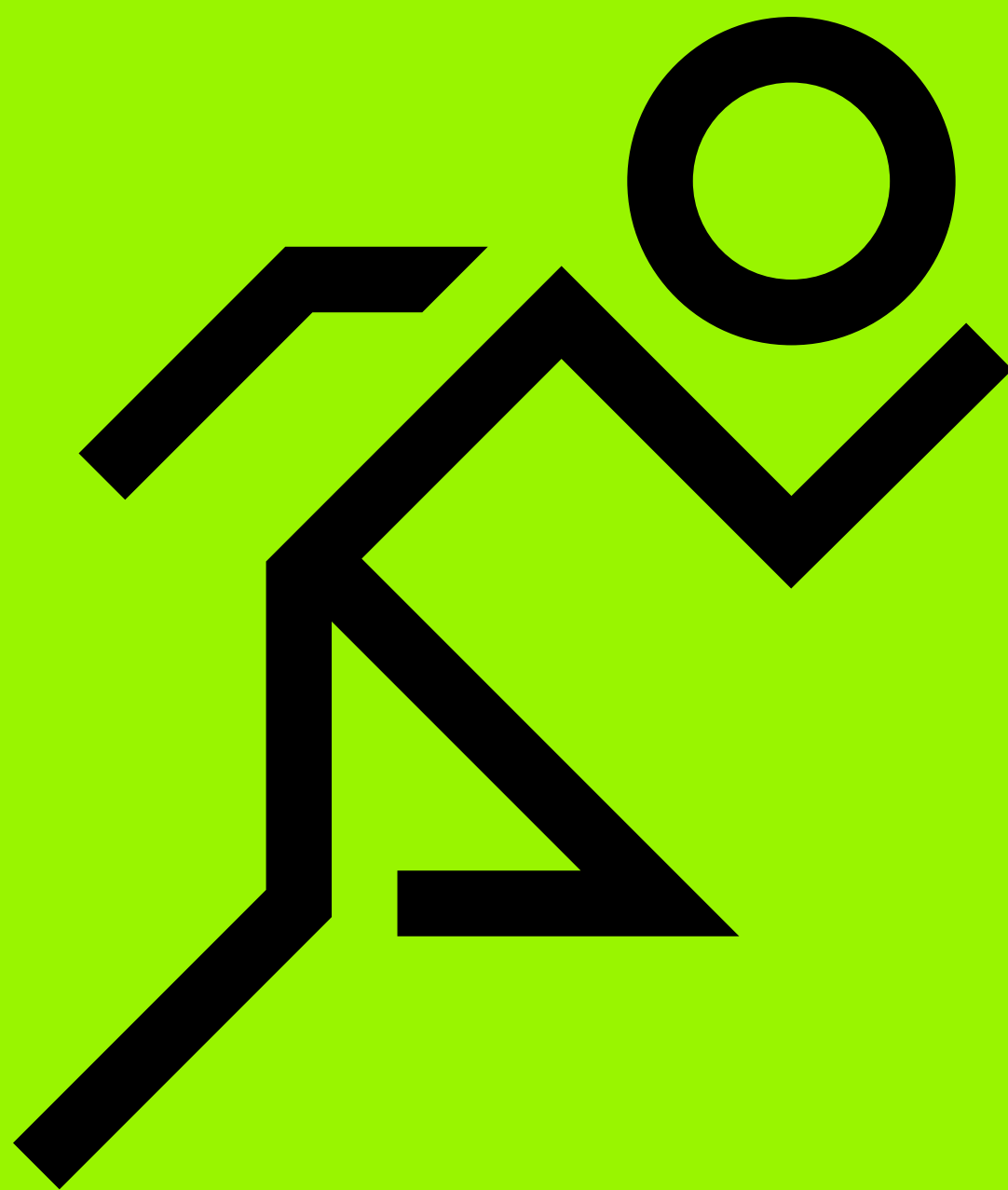
To succeed going forward we need to maintain our high efficiency but make it even more easy to do so. We need to standardize our way of working and that we have the best toolbox and systems for daily operations so that we all can maximize efforts spent towards our customers.

A project portfolio covering all strategic pillars are successfully launched and a program office structure in place to secure progress and safeguard results – several measures were implemented during 2021 and continues into 2022.

Strategic targets

Looking towards the landscape post Covid, we believe in more stable market dynamics and that XXL will capitalize on our strong business model and capabilities. Our strategic targets are:

- ▼ Our ambition is long-term market share gains in all markets and continue the growth within the e-com channel, a cornerstone of our strategy.
- ▼ We target a long term sustainable gross margin above 39 percent.
- ▼ We continue to invest in improved operational efficiency to decrease the cost ratio and increase quality.



Board of Directors' Report

XXL continued in 2021 the rollout of several strategic measures in order to secure both short- and long term improvement on top line and profitability. Despite another year impacted by the corona pandemic with both store closures and challenging delivery-situation of bicycles, we delivered improved results in all Nordic countries.

The financial position of the Group was strong with liquidity reserves amounting to NOK 1.1 billion. The Board of Directors therefore proposes a dividend of NOK 0.6 per share in addition to the extraordinary dividend of 1,98 per share that was paid in 2021.

The Group launched in the beginning of 2020 a comprehensive strategic program addressing all dimensions of the company and operations, and 2021 was the year where several of these strategic measures were taken into action.

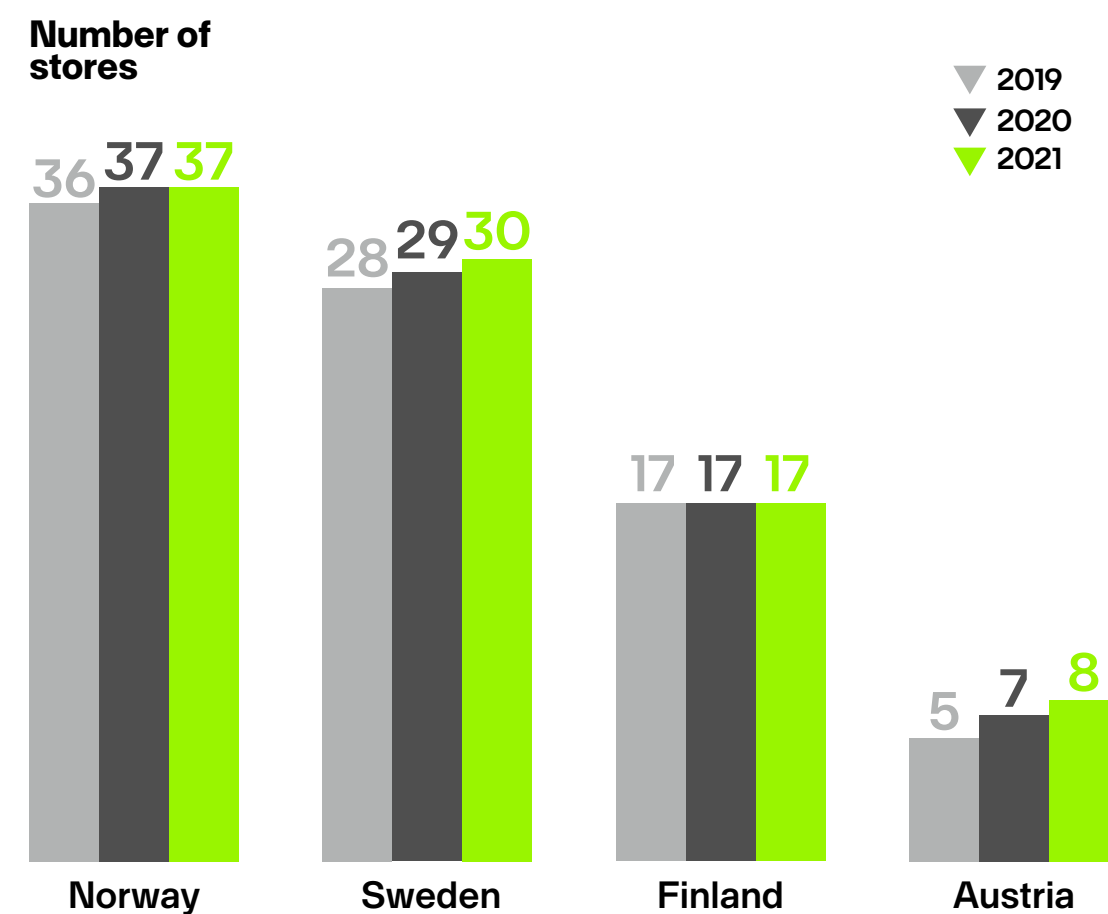
The work will continue into 2022 in order to improve operational efficiency and control. The Board believes that the strong financial situation with a solid balance sheet provides a foundation for longer term value creation and is certain that the implementation of the ongoing strategic projects will give positive effects going forward.

Growth development

Total operating revenue in 2021 was NOK 10 006 million (NOK 10 423 million), a decrease of 4 per cent. There was a negative like for like sales of 2.6 per cent. The decline vs 2020 were mainly closed stores due to the pandemic and a challenging delivery situation of bicycles.

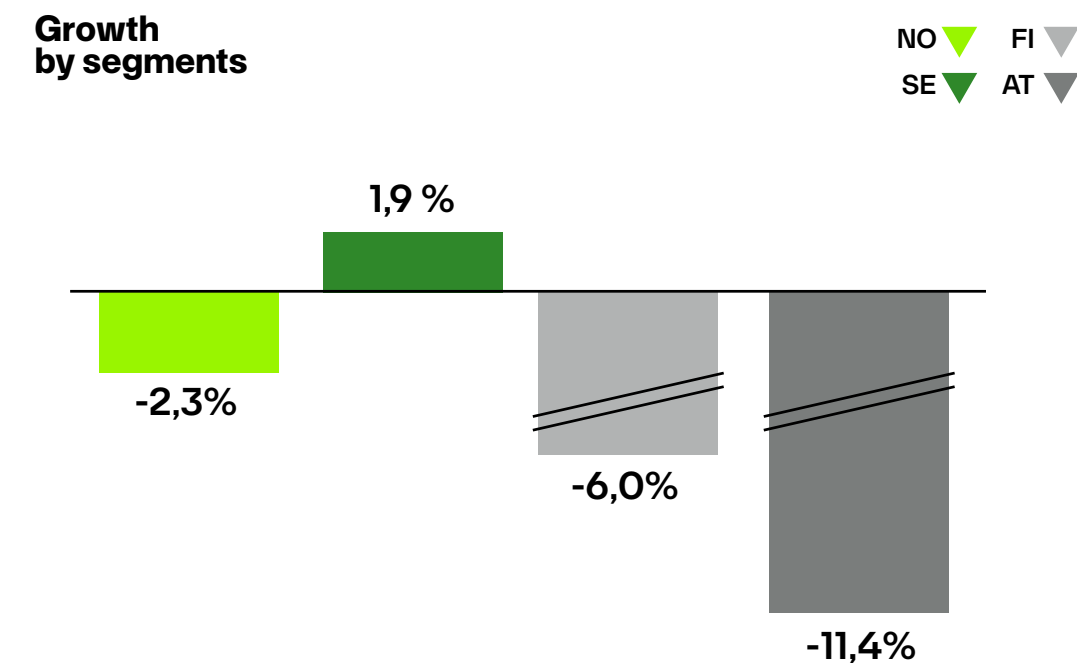
XXL continued with store roll-outs in 2021 and opened a total of 2 new stores. XXL had a total of 92 stores in total by the end of the year.

E-commerce had a growth of 14 per cent for the year. The revenue contribution from E-commerce for the Group corresponded to 23.5 per cent in 2021 (20 per cent). Total Sales from E-commerce ended at NOK 2352 million (NOK 2056 million in 2020).



Trends

In Norway figures from "Sportsbransjen" (The Norwegian sports association) showed a market growth of 3.6 per cent for 2021 while XXL decreased by 2.3 per cent, partly affected by store closures, a challenging delivery situation of bicycles, and a massive clearance campaign in 2020. Sweden figures from SCB (Statistics Sweden) showed a market growth of 7.5 per cent while XXL increased by 1.9 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 10.8 per cent while XXL had a negative growth of 6.0 per cent. Both Sweden and Finland was negatively affected by last years massive clearance campaign, as well as a challenging delivery situation of bicycles. Austria had a negative growth of 11.4 per cent, affected by both delivery situation of bicycles, as well as several store closures imposed by the local authorities due to the pandemic.



During 2021 the Group has continued to experience increased competition from pure players within E-commerce.

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 its platform. XXL believes that having the combination of E-commerce and stores is the most convenient and winning model.

XXL will continue to utilize its scale to have the lowest operating costs through a centralized model, and provide the broadest selection of attractive products at the best prices with the most qualified employees.

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 2021 XXL had 37 stores in Norway, 30 in Sweden, 17 in Finland and 8 in Austria, as well as a central warehouse at Gardermoen (Norway), Örebro (Sweden) and in Vienna (Austria).

The working environment and the employees

The Group has 5789 employees (incl. full- and part time) at year end 2021 (5363 in 2020). Leave of absence due to illness totaled at 7.2 per cent of total working hours in the Group in 2021 (8.6 per cent in 2020). No incidences or reporting of work related accidents resulting in significant material damage or personal injury have occurred during the year.

The Board would like to thank all the XXL employees for their dedication to the company and our concept. 2021 has been a challenging year and every one of our employees has been affected by the pandemic and the uncertainty it has brought. We appreciate all your hard work and dedication.

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.

The Group has traditionally recruited from environments equally dominated by both men and women. Out of the Group 5789 employees there are 3253 female employees which equals 44 per cent. We refer to the sustainability report for statement on gender equality and fulfilment of activity obligation.

Sustainability report

As a leader in the retail industry of sporting goods XXL is committed to combat climate change, conduct responsible business with respect to employees, consumers, suppliers and all parts of the value chain. The group can and will use its market power 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 have experienced the positive correlation between being a responsible company and doing profitable business.

Sustainability, which encompasses environmental, social, and governance concerns, increasingly positioned at the top of the board's agenda. Sustainability is now central to the group's competitiveness and ability to operate. The EU action plan on sustainable finance has led to a growing investor attention to sustainability. As part of this, the EU Taxonomy sets criteria's for what's considered a sustainable activity, and the group are preparing for the EU taxonomy disclosure and implementing measures to improve and align with the screening criteria's. In 2021, the group had emphasis on the governance and the board's fiduciary duty to oversee a company's strategy, risk, and capital allocation. Extensive risk management is central for expanding the group's consideration of those risks posed by environmental and societal trends as well as changing stakeholder expectations that can, and increasingly do, affect the group's ability to achieve its strategic objectives.

The supply chain integrity due diligence procedure in accordance with the OECD Guidelines for Multinational Enterprises is being piloted. An integration of ESG risks into broader risk management practices is a necessity to promote measurement and disclosure of meaningful ESG information and enable management and the board to assess overall resource needs and allocate capital more effectively.

The board of directors supervise the group's daily sustainability work and use their position to connect sustainability with XXL overall purpose and strategy. A broader universe of stakeholders ultimately drives value for shareholders, and the board of directors will use transparency to promote a more effective engagement with investors.

The group has committed to contributing to the achievement of the UN's Sustainability Goals by setting clear objectives linked to chosen sustainability objectives. 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**
4. **In-house climate and environmental impact**

Achievements of high, but realistic sustainable development goals will contribute to both economic growth and increased reputation.

Working conditions and work environment is defined as the group's most material sustainability aspect in our materiality analysis. Consequently, the material topics related to employees has been top priority throughout the year. According to the Norwegian Equality and Anti-Discrimination Act, all Norwegian employers are obliged to work actively, targeted and systematically to promote equality and prevent discrimination in the workplace. The HR department continuously works to improve the systems and to avoid adverse events related to our culture and working conditions. The group aim to develop an organization that promotes equality and prevents discrimination, among other things based on gender, pregnancy, maternity leave or adoption, care tasks, ethnicity, religion, beliefs, disabilities, sexual orientation, gender identity and gender expression and combinations thereof. The full statement of the activities to prevent discrimination and work to promote equality is published in its entirety in the group's sustainability report under the chapter Employees.

Code of conduct

XXL's Code of Conduct was revised in 2020 and is based on our four Core Values: **Customer First, Knowledgeable, Passionate and Caring**. These Values are the fundamental principles that characterize who we are and how we act. Our Code is a statement of the group's commitment to always conduct business and personal behaviour in accordance with the highest legal and ethical standards. In order to facilitate an effective implementation and compliant application of the standards and guidelines set in XXL Code of Conduct and Anti-Corruption Guide, a case-based e-learning training program has been provided to all XXL employees. XXL whistleblowing channel is available to all XXL employees, business partners and anyone who want to report breaches, detected or reasonably suspected, of any applicable laws and regulations as well as

XXL's Code of Conduct. XXL is committed to conducting our business in accordance with the highest ethical principles and endorse a speak-up culture and encourage stakeholders to report any concerns they may have and thereby contribute to the positive development of XXL.

XXL Childrens Foundation

50 per cent of the surplus from the fee from XXL shopping bags is transferred to the XXL Children's Foundation (the other 50 per cent of the surplus is to be used to other charity initiatives in XXL mobilizing the Sports Unite All dimension). This year XXL Children Foundation donated NOK 0.6 million to the organization Bring Children From Streets and their project First Lady School. The funds will be used primarily to agricultural machinery to harvest and refine the stock from the school's corn fields. In 2021 the school doubled its capacity, from 500 to 1000 pupils as well as established dormitories and several sports arenas. Some of the funds donated in 2021 were therefore used to complete the building work.

In the day-to-day business, waste and energy reduction further promote opportunities of reducing waste disposal, less CO2 emissions and cost efficiency. The group investigates new circular business models to reduce impact of material consumption and greenhouse gas emissions, in addition to meet requirements and expectations from stakeholders and to take advantage of the opportunities that these business models represents.

The groups internal control system monitors all aspects of our product value chain. Frequent pre-purchase risk assessments, in store internal control product audits, pre-shipment quality inspections and on-site factory audits are conducted in order to maintain high quality and eliminate risks. The internal framework for product compliance is continuously updated to comply with regulations and requirements from the European Commission and national authorities.

The group does not pollute the environment significantly from its own operations. However, we acknowledge the fact that the most significant sources of emissions comes from production and up-stream transportation of goods. The climate crisis poses a risk in terms of both physical hazards and socio-economic impacts while EU and domestic political and regulatory development such as pledges under the Paris agreement, new technology and changes in consumer trends poses transition risks. However, these changes also provide a spectrum of new opportunities. The board of directors will connect risk, strategy, and decision making and make the company more resilient and competitive.

For more information on XXL's corporate responsibility and ESG work, please find XXL's Sustainability Report and Carbon Accounting Report on 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 2021 was NOK 10 006 million (NOK 10 423 million), a decline of 4 per cent. There was a negative like for like growth in total of 2.6 per cent. The decline vs 2020 were mainly closed stores due to the pandemic and a challenging delivery situation of bicycles. E-commerce is included in the like-for-like figure. The revenue contribution from E-commerce for the Group corresponded to 23.5 per cent in 2020 (20.0 per cent).

Operating margin increased from NOK 364 million in 2020 to NOK 391 million in 2021, partly affected by an extraordinary write down of NOK 136 million. The change vs last year was mainly explained improved gross margins, as well as good cost control. The operating margin increased from 3.5 per cent to 3.9 per cent and is explained by both higher gross margins and lower operating costs.

The Group had net financial expenses of NOK 146 million in 2021 compared to NOK 172 million in 2020.

Profit before tax was NOK 246 million (NOK 191 million) and Net income (Profit for the year) was NOK 194 million (NOK 126 million), but was negatively affected by an extraordinary write down of NOK 136 million, mainly related to the Austrian stores. Basic earnings per share were NOK 0.77 (NOK 0.57), or NOK 1.31 when adjusted for the above mentioned write down.

Consolidated Balance Sheet and Cash Flow Statement

Total assets were NOK 9015 million at the end of 2021 (NOK 9375 million). The decrease is due to impairment losses and depreciation on right of use assets.

Net interest bearing debt was NOK 707 million (NOK 71 million). Net cash position was NOK 173 million (NOK 830 million). Adding available credit facilities, the liquidity reserve was NOK 1093 million (NOK 1 111 million) at the end of 2021.

Group equity was NOK 3753 (NOK 4185 million) resulting in an equity ratio of 41.6 per cent (44.6 per cent).

Cash flow provided by operating activities was NOK 905 million (NOK 1653 million). The decrease is mainly due to the increase of inventory of NOK 385 million.

Cash used for investing activities was NOK 261 million (NOK 159 million). This is mainly related to several investments in all stores in 2021 as part of the general improvement program of XXL.

Cash used by financing activities was NOK 1284 (NOK 1094 million). The change is mainly related to lower net level of debt repayments, offset by a dividend payment of NOK 483 million.

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.

Outlook

XXL is working on a number of initiatives to further improve operations.

XXL's ambitions going forward is to over time gain market shares in all markets, and continue the growth in the e-commerce channel. XXL targets to strengthen and stabilize the gross margin further above 39 per cent. In line with the existing strategy, XXL will continue to invest in operational efficiency, selectively new stores openings, E-commerce platform, existing stores, infrastructure and IT.

Total CAPEX for XXL Group in 2022 is expected to be around NOK 250-300 million. Going forward XXL expects the pace of the store roll-out to be 3-5 new stores per year. XXL has signed 3 new lease agreements for store openings in 2022 where of 1 in Norway and 2 in Sweden. XXL will close down two outlet stores, Töcksfors and Nordby in Sweden, during 2022. At the same time XXL will be downsizing several existing stores, mainly in Sweden. The Group will continue to focus on optimizing the store portfolio.

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.

Supply chain risk

Disruption to the supply chain leading to shortages of goods is a risk that has increased during the last years due to the increased challenging macro environment. The Group monitor the supply chain risk closely to make sure XXL take mitigating actions when necessary.

Allocation of net income (Group)

Long term XXL has a dividend policy with a target pay-out ratio of 40-50 per cent of annual net income. The Board of Directors proposes a dividend of NOK 0.6 per share for the year 2021. The dividend equals 77.9 per cent of net income, or 45.8 per cent, when adjusted for an extraordinary write down of assets of NOK 136 million.

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 2021 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.

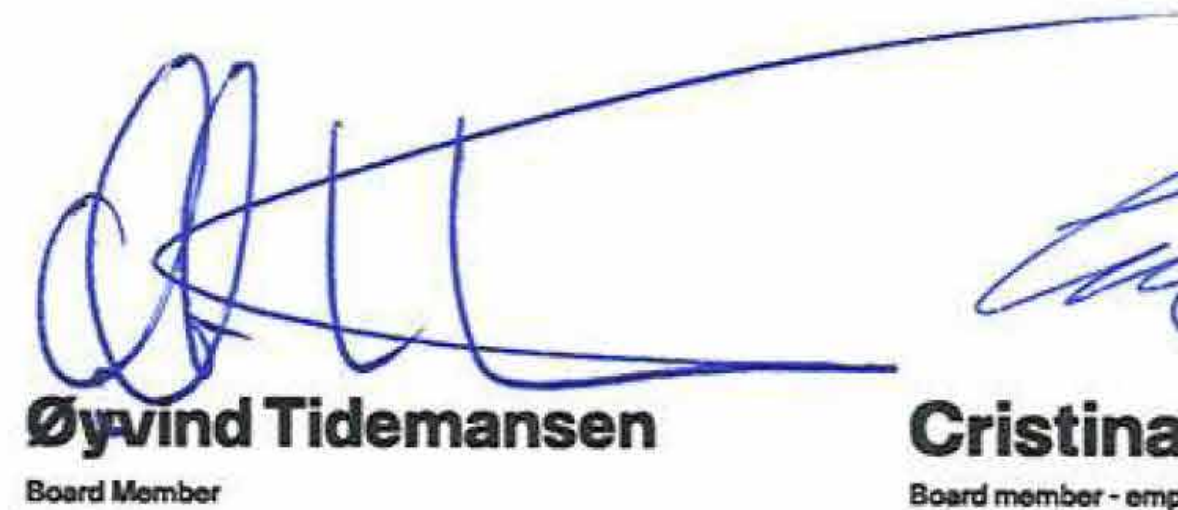
The board of Directors and Group leadership have "Directors and Officers Insurance". The insurance covers personal legal liabilities including defence- and legal costs.

Board of Directors

Oslo, 26 April 2022



Hugo Maurstad
Chairman



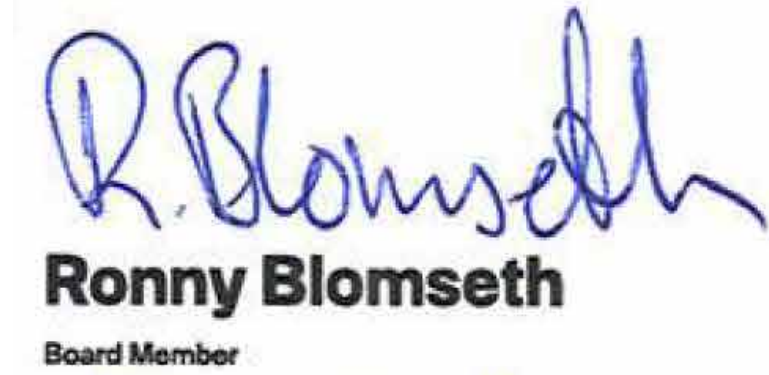
Øyvind Tidemansen
Board Member



Cristina Moreno
Board member - employee representative



Ulrikke Koehler
Board Member



Ronny Blomseth
Board Member



Kjersti Hobøl
Board Member



Kai-Arne Nordhaug
Board member - employee representative

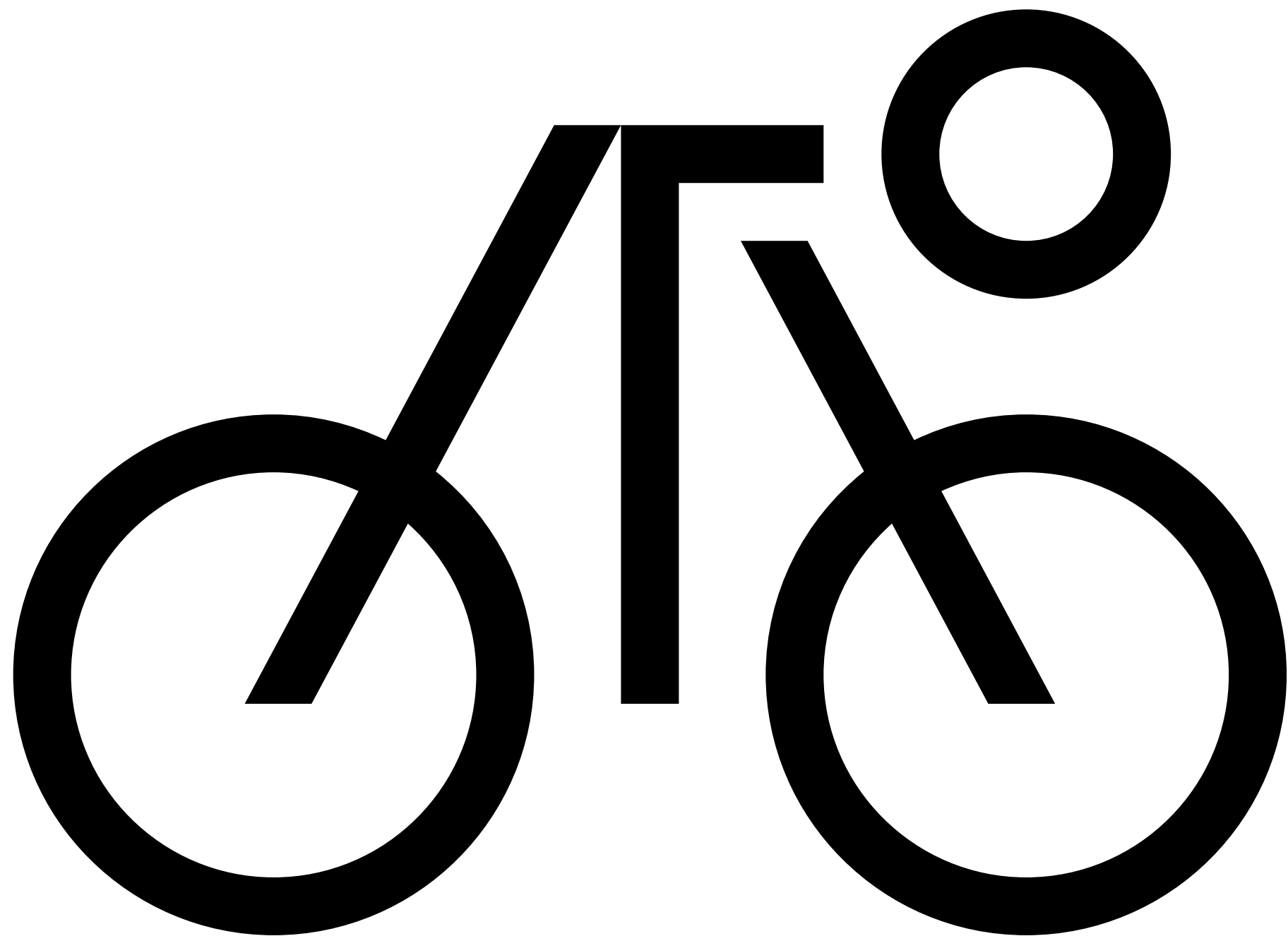


Tor Andrin Jacobsen
Board member - employee representative



Pål Wibe
CEO

Corporate governance



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.

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 14 October 2021. 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.

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 in light of the implementation of the MAR directive ("Markedsmisbruksforordningen") in Norway with effect from 1 March 2021 as well as the amended Code of Practice.

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.

XXL's vision is to be the preferred sports and outdoor destination in Europe. 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 each year. Long term objectives, strategies and the risk profile are also evaluated yearly in connection with the work on strategy or as necessary in connection with major events or structural changes during the year. Included in this is also the sustainability work of the Group which is linked to the overall strategy and evaluated yearly. XXL publishes an annual sustainability report covering the most important aspects of this work which is based on a broad stakeholder materiality analysis.

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 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 3 June 2021, the Board of Directors was granted authorization to increase the share capital of the Company by a maximum of NOK 10,097,466.32 representing up to 10 per cent of the share capital at that time. The purpose of the authorization is for general financing and strengthening of equity. The authorization is valid until the Annual General Meeting in 2022, but no longer than to 30 June 2022.

The Board of Directors was also granted authorization to increase the share capital of the Company by a maximum of NOK 5,048,733.16 representing up to 5 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 programs. The authorization is valid until the Annual General Meeting in 2022, but no longer than to 30 June 2022.

The Board of Directors has also been granted authorization to repurchase the Company's own shares within a total nominal value of NOK 5,048,733.16 corresponding to up to 5 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 programs. 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 2022, but no longer than 30 June 2022.

The two above mentioned authorizations must be view together so that the total utilization of both authorizations does not exceed 5 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 5,048,733.16 corresponding to up to 5 per cent of the Company's share capital. Shares in XXL acquired in accordance with this authorization are planned used in order to optimize the Company's share capital structure. 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 2022, but no longer than 30 June 2022.

Lastly, the Board of Directors has been granted authorization to repurchase the Company's own shares within a total nominal value of NOK 5,048,733.16 corresponding to up to 5 per cent of the Company's share capital. Shares in XXL acquired in accordance with this authorization are planned used as consideration shares with regards to 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 2022, but no longer than 30 June 2022.

In total XXL held 8,470,000 own shares in treasury, representing 3.36 per cent of the outstanding shares in XXL, at the end of the year 2021. The treasury shares were acquired by the Company pursuant to the authorization granted under which treasury shares may be used to cover for shares to a long term management investment program.

Deviation from the Code of Practice (NUES) - none

4. Equal treatment of shareholders

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.

XXL has established instructions for handling inside information, rules for primary insiders and insider trading which is closely monitored. They have recently been update in compliance with the new MAR legislations.

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.

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 to the Annual General Meeting also apply to Extraordinary General Meetings.

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. Furthermore, the Company will appoint a person, normally the Chairman of the Board of Directors, who may act as a proxy holder for the shareholders. 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. Shareholders are also able to participate and vote electronically.

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 and the Chairman of the Nomination Committee, the Group CEO and CFO as well as the auditor will under normal circumstances be present at the General Meeting in person. Other members of the Board of Directors and subcommittees are entitled to attend when necessary.

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. 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, as well as the register of participants at 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 2021 was held on 3 June 2021 and in addition the Company convened an Extraordinary General Meeting on 16 September 2021.

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 members should be independent of the Board of Directors and the Executive Management. Currently the Nomination Committee consists of two members, Øistein Widding (Chairman) and Robert Iversen. 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 any significant business associates, at least two of the members of the Board of Directors should be independent of the 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 respon-

sibility 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 in order to try to ensure that its recommendations have their support. In its work the Nomination Committee will monitor the need for changes to the composition of the Board of Directors and will pay specific attention to the annual appraisal report for the Board of Directors. In addition, the Nomination Committee will perform individual discussions with the members of the Board of Directors as well as the Group CEO. 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 shareholder elected members according to the decision of the General Meeting. In addition, the Board of Directors has employee elected representatives. Currently the Board consists of five shareholder elected members, three employee elected representatives as well as one observer. The Board of Directors is responsible for the management of the Company, including the 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 shareholder 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 shareholder elected members of the Board of Directors are independent from the Executive Management and material business contacts. 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 a maximum of two years, but a member may be re-elected. Information regarding each individual member of the Board of Directors could at all times be found on the Company's website as well as in the Annual Report.

The members of the Board of Directors are encouraged to own shares in the company. Currently four of the shareholder elected members have shares directly or through an investment in XXL management investment program, 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 a plan for the ordinary meetings for each calendar 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. A member of the Board of Directors or the CEO could not participate in the discussion or decision of issues of such special importance to the member in question or to any closely related party to that said member.

The Board of Directors' rules of procedure include instructions on how the Board of Directors and the Executive Management handle agreements with related parties and whether an independent valuation must be obtained. There have been no significant transactions between the Company and closely related parties in 2021. 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. Any such agreements will also be disclosed in the Annual Report.

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

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 2021 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 of own produced goods (private label products). 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.

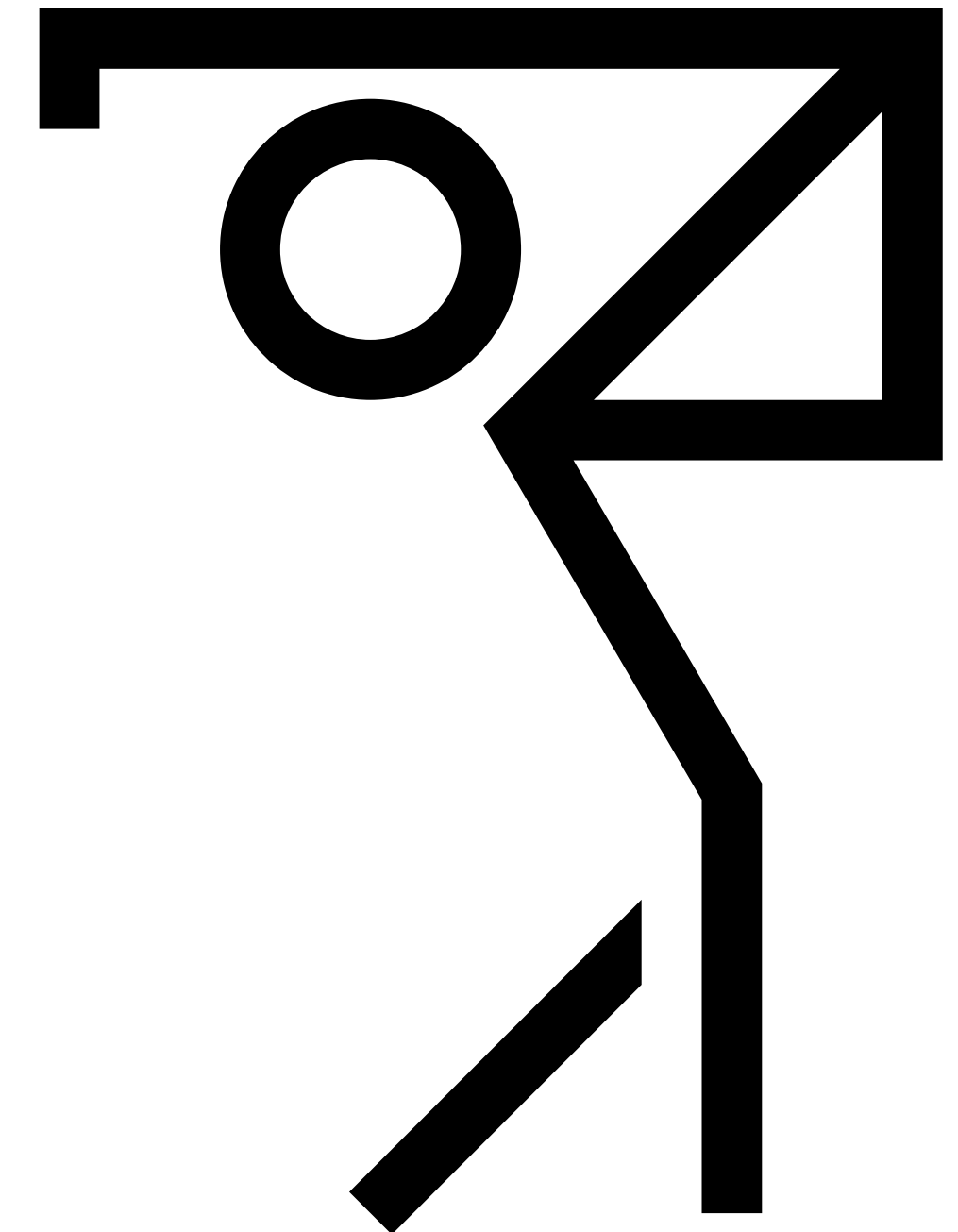
The Group's accounting unit is responsible for the preparation of the financial statements and to ensure that they are in accordance with applicable laws, regulations and adopted accounting policies. The CFO and the controller functions are responsible for reporting to the Board of Directors and the 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 2021.

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. Shareholder elected members are not granted share options but are considered for investing in the XXL management investment program, 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.

The Annual General Meeting in June 2019 decided that parts of the remuneration to the shareholder elected members of the Board of Directors are subject to being invested in shares in the Company. This means that shareholder elected 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. Currently four of the shareholder elected Board members have shares in the Company.

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, 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 2022 are disclosed in note 3 in the consolidated financial statements. For information on salary and other benefits for 2021 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 take-over 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

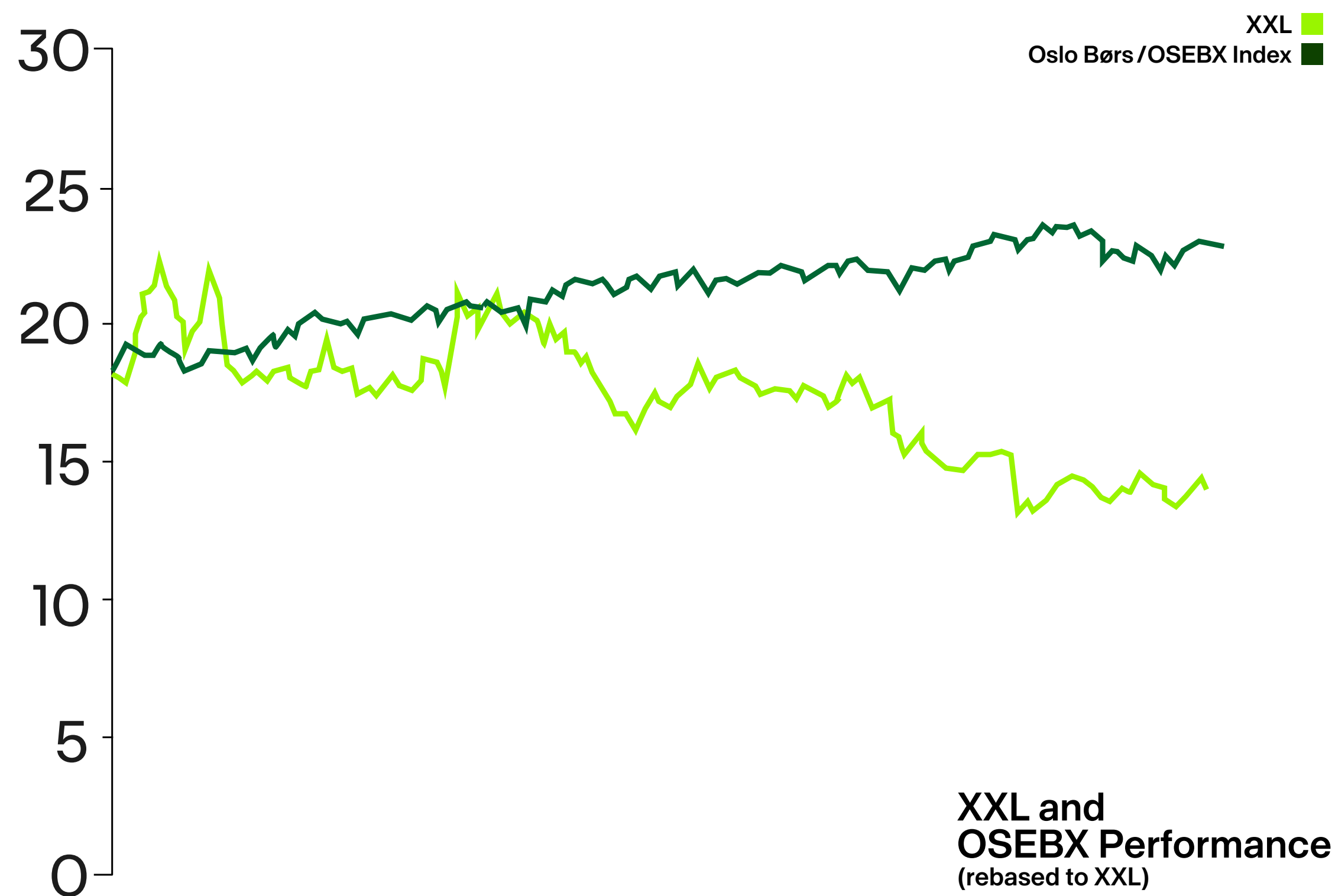
15. Auditor

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 participates.

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 2022

27. April	Q1 2022 results
02. June	Annual General Meeting
15. July	Q2 2022 results
27. October	Q3 2022 results

Share performance

The XXL share started the year at a price of NOK 18.40 and closed the year 2021 at NOK 14.03, giving a negative return of 24 per cent. When taking into consideration an extraordinary dividend payment of NOK 1.98 per share in H2 2021, the negative return was 13 per cent. XXL's market value as of year end 2021 was NOK 3.5 billion. The highest closing price was NOK 23.73 and the lowest was NOK 13.02. The average daily volume in 2021 was NOK 18.7 million or 1.0 million shares. The Oslo Stock Exchange – OSEBX index – increased by around 4.6 per cent in 2020.

Dividend policy

XXL ASA will over time target a dividend pay-out of at 40-50 per cent of the Group's 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 with a healthy capital base both for daily operations and for future growth. Due to the strong financial position of the Company an Extraordinary General Meeting decided to distribute extraordinary dividends for H2 2021 of NOK 1.98 per share.

Shareholders

XXL ASA had on 31 December 2021 a total of 252,436,658 outstanding shares owned by 15,736 shareholders. Non-Norwegians amounted to 14.7 per cent of outstanding shares, with shareholders from Ireland representing 6.6 per cent. The largest shareholder was Altor Equity Partners AS with 23.82 per cent.

Annual General Meeting 2022

XXL ASA's Annual General Meeting is scheduled for Thursday 2 June 2022 at 09.00 CET at the XXL head office, Alna Center, Strømsveien 245, Oslo. Attendance either in person, electronically or by proxy should be registered within 1 June 2022 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)

Overview of major shareholders

as of 31.12.2021

	Total amount of shares	Ownership	Voting right
Altor Equity Partners	60 118 964	23,8 %	23,8 %
Dolphin Management	34 500 000	13,7 %	13,7 %
Ferd AS	22 922 385	9,1 %	9,1 %
Odin forvaltning AS	21 872 210	8,7 %	8,7 %
Arctic Fund Management AS	12 245 433	4,9 %	4,9 %
XXL ASA	8 470 000	3,4 %	3,4 %
Dimensional Fund Advisors LP	2 548 717	1,0 %	1,0 %
Barclays Capital Securities LTD	2 236 126	0,9 %	0,9 %
Nordkronen II AS	2 220 000	0,9 %	0,9 %
Blackrock Fund Advisors	2 207 568	0,9 %	0,9 %
Robert Iversen Holding AS	1 956 403	0,8 %	0,8 %
Geni Holding AS	1 800 000	0,7 %	0,7 %
Carucel Holding AS	1 677 110	0,7 %	0,7 %
Arrowstreet Capital	1 595 117	0,6 %	0,6 %
BOFA Securities Europe SA	1 523 930	0,6 %	0,6 %
Stamina II AS	1 419 404	0,6 %	0,6 %
Norron AB	1 351 057	0,5 %	0,5 %
KLP Kapitalforvaltning AS	1 304 335	0,5 %	0,5 %
EVLI Fund management co. ltd	1 268 390	0,5 %	0,5 %
Ulsmo Finans	1 260 000	0,5 %	0,5 %
Other	67 939 509	26,9 %	26,9 %
Sum	252 436 658	100 %	100 %

Geographical shareholder distribution

Norway	84 %
Ireland	6 %
Luxemburg	3 %
USA	2 %
Sweden	2 %
Other	1 %



Consolidated Financial Statements

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Consolidated Statement of total comprehensive income

(Amounts in
NOK million)

	Note	2021	2020
Operating Revenue	2	10 006	10 423
Cost of Goods Sold		5 923	6 519
Personnel Expenses	3	1 886	1 863
Depreciation and Amortization	4,5	810	753
Impairment Losses	4,18	136	0
Other Operating Expenses	6,22	860	924
Operating Income		391	364
Net Financial Expenses	19	(146)	(172)
Net Financial Income (Expense)		(146)	(172)
Income before tax		246	191
Income Tax Expense	7	52	66
Net Income		194	126
Net income attributable to non-controlling interest		6	6
Net income attributable to owners of the parent		188	120
Basic Earnings per share (NOK)	14	0,77	0,57
Diluted Earnings per share (NOK)	14	0,77	0,57
Statement of other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		(61)	22
Total other comprehensive income		(61)	22
Total comprehensive income		133	148

Notes 1 to 22 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position / Assets

(Amounts in
NOK million)

	Note	31.12.2021	31.12.2020
NONCURRENT ASSETS			
Intangible Assets			
Trademarks	5	193	194
Proprietary software	5	50	50
Software	5	18	14
Deferred tax asset	7	64	18
Goodwill	5	2 744	2 744
Total Intangible Assets		3 069	3 019
Property, Plant and Equipment			
Construction in progress	4	17	18
Machinery and equipment	4	49	59
Land and buildings	4	21	22
Transport and vehicles	4	0	1
Fixtures and fittings	4	738	739
Right-of-Use Assets	18	2 126	2 569
Total Property, Plant and Equipment		2 952	3 408
Total Non-current Assets		6 020	6 427
CURRENT ASSETS			
Inventory			
Inventories	8	2 220	1 835
Total Inventory		2 220	1 835
Trade and Other Receivables			
Trade receivables	12	161	166
Other receivables	12,20	440	118
Total Trade and Other Receivables		601	284
Cash and Cash Equivalents			
Cash and cash equivalents	11	173	830
Total Cash and Cash Equivalents		173	830
Total Current Assets		2 994	2 949
Total Assets		9 015	9 375

Notes 1 to 22 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position / Equity and Liabilities

(Amounts in
NOK million)

	Note	31.12.2021	31.12.2020
SHAREHOLDERS' EQUITY			
Paid-in Capital			
Share capital	13	101	102
Share premium	13	3 049	3 609
Other paid-in equity	13	36	31
Non-Controlling Interest	13	30	26
Total Paid-in Capital	13	3 216	3 768
Retained Earnings			
Other equity		537	417
Total Retained Earnings		537	417
Total Shareholders' Equity		3 753	4 185
LIABILITIES			
Non-Current Liabilities			
Deferred tax liability	7	0	3
Non-Current interest bearing debt	21	485	483
Non-Current lease liabilities	18	1 925	2 180
Total Non-Current Liabilities		2 410	2 665
Current Liabilities			
Accounts payable and supplier finance	16	644	532
Current Lease liabilities	18	567	593
Current interest bearing debt	21	395	418
Tax payable	7	102	16
Public duties payable		544	391
Other current liabilities	17	600	574
Total Current Liabilities		2 852	2 524
Total Liabilities		5 262	5 190
Total Equity and Liabilities		9 015	9 375

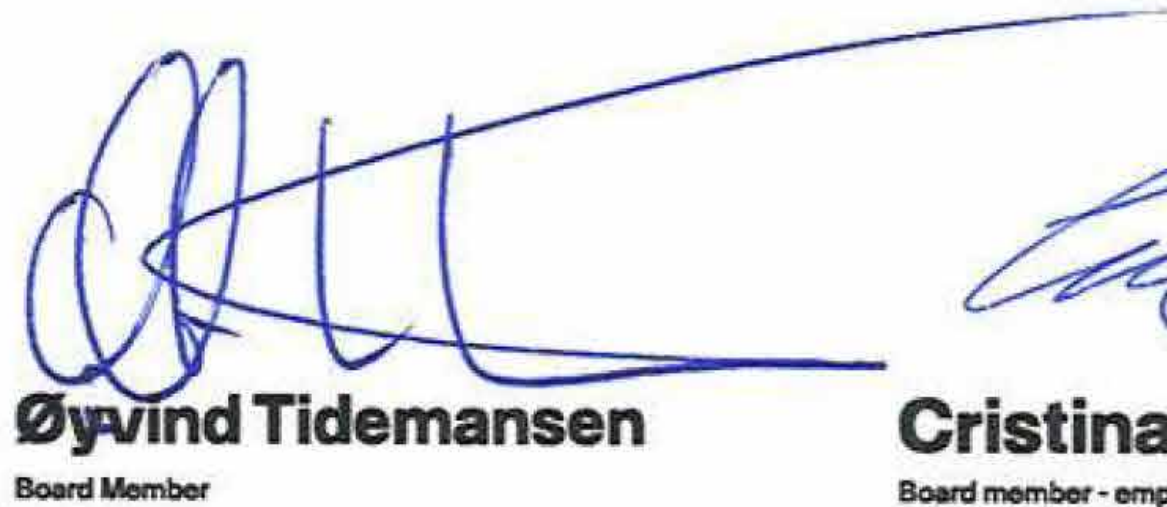
Notes 1 to 22 are an integral part of the Consolidated Financial Statements

Board of Directors

Oslo, 26 April 2022



Hugo Maurstad
Chairman



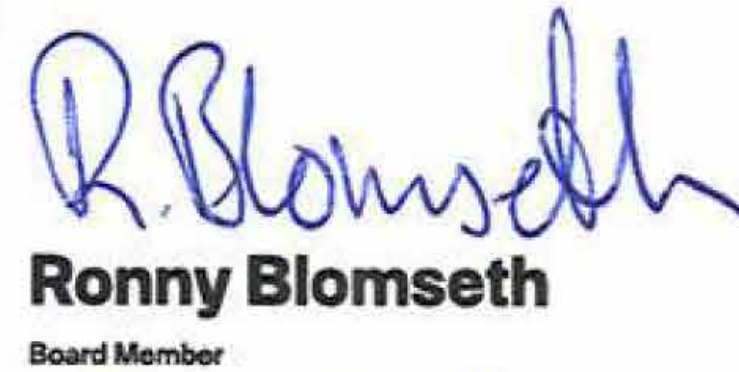
Øyvind Tidemansen
Board Member



Cristina Moreno
Board member - employee representative



Ulrikke Koehler
Board Member



Ronny Blomseth
Board Member



Kjersti Hobøl
Board Member



Kai-Arne Nordhaug
Board member - employee representative



Tor Andrin Jacobsen
Board member - employee representative



Pål Wibe
CEO

Consolidated Statement of Cash Flows

(Amounts in
NOK million)

	Note	2021	2020
Operating Activities			
Income before tax		246	191
Income tax paid		(16)	0
Depreciation and amortization	4,5	810	753
Impairment	4,18	136	0
Net financial expense		146	172
Changes in inventory		(385)	789
Changes in accounts receivable		(318)	(19)
Changes in accounts payable and supplier financing		111	(462)
Other changes		175	229
Cash provided (used) by operating activities		905	1 653
Investing Activities			
Investment in fixed assets	4,5	(261)	(181)
Payments/proceeds from acquisitions/disposals		0	22
Cash provided (used) by investing activities		(261)	(159)
Financing Activities			
Sales/(purchase) of own shares		(77)	(100)
Proceeds from share issue		0	500
Extraordinary dividends		(483)	0
Payment on debt	21	(1 006)	(2 366)
Proceeds on debt	21	993	1 546
Interest payments		(29)	3
Interest on lease liabilities	18	(82)	(95)
Total leasing payments for the lease liability	18	(600)	(582)
Cash provided (used) by financing activities		(1 284)	(1 094)
Net Change in Cash and Cash Equivalents		(641)	400
Cash and cash equivalents - beginning of year	11	830	433
Effect of foreign currency rate changes on cash and equivalents		(16)	(3)
Cash and Cash Equivalents - End of Year		173	830

Notes 1 to 22 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(Amounts in
NOK million)

	Share Capital	Share premium	Other Paid in Equity	Other Equity	Foreign Currency Rate Changes	Non- controlling interest	Total Share- holders' Equity
Shareholders' Equity 31.12.19 (Restated)	66	3 264	29	284	(8)	0	3 635
Net Income 2020	0	0	0	120	0	6	126
Foreign currency rate changes	0	0	0	0	22	0	22
Transaction with owners:							
Employee share incentive programme	0	0	2	0	0	0	2
Share Issue	35	446	0		0	0	481
Purchase of own shares	0	(101)	0	0	0	0	(101)
Transactions with non-controlling interest	0	0	0	0	0	20	20
Shareholders' Equity 31.12.20	101	3 609	31	404	14	26	4 185
Net income 2021	0	0	0	188	0	6	194
Foreign currency rate changes	0	0	0	0	(61)	0	(61)
Transactions with owners:							
Employee share incentive programme	0	0	5	0	0	0	5
Extraordinary Dividends	0	(484)	0	0	0	0	(484)
Purchase of own shares	0	(77)	0	0	0	0	(77)
Transactions with non-controlling interest	0	0	0	(9)	0	(2)	(11)
Shareholders' Equity 31.12.21	101	3 049	36	583	(47)	30	3 753

Notes 1 to 22 are an integral part of the Consolidated Financial Statements

The share capital as of 31.12.2021 is 101 million NOK

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.

The consolidated financial statements for XXL ASA, including notes, for the year 2021 were approved by the Board of Directors of XXL ASA on 26 April 2021.

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.

Restatement of previous years

As described in the 2019 Annual financial statements, volume-based market support has previously been recognized in the Consolidated income statement and presented as a reduction of Cost of goods sold upon delivery of the goods to XXL. In 2020, the Group determined that it would be more appropriate to account for volume-based market support as a reduction of the cost of inventory. Volume-based market support will only be recognized and presented as a reduction of an expense if it constitutes a refund of a specific expense. Please see note 24 for further information.

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, in both cases the Group receives payment within a couple of days. The group also has some business to business sales where it provides limited credit sales to the customers. This credit is mainly due 30 days after the purchase. Cash receivables through debit/credit cards or the sales finance provider 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	35 years
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:

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 Current lease liabilities 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 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 financial assets and non-financial assets

Financial 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 unfavorable 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. 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.

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 impair-

ments 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. See section "Significant management judgment in applying accounting policies" below.

Cost is reduced by discounts from suppliers, unless these are determined to be separate services that are delivered to the supplier or reimbursements for joint marketing or similar activities. Sales support billed to suppliers for joint marketing is presented as a reduction in marketing costs under other operating expenses. Inventory cost is recognized based on weighted average.

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 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, trademark, and Right of Use-Assets

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 are based on the value-in-use calculation. The cash-generating unit for goodwill and trademark corresponds with our segment reporting. The Group tests for impairment of the Right-of-Use Assets if there is any indication that an asset may be impaired. IAS 36 is applied to account for any impairment loss identified, and the calculations requires use of estimates.

Provision for obsolescence

The group makes provision for obsolescence. These provisions are based on a detailed assessment of the age distribution of inventory items and whether the goods are part of an active or expired product range. A provision for obsolescence is made when the net realizable value of the good is lower than the cost of the good. These provisions are estimate-based and require in-depth knowledge about goods and markets.

1.6 New IFRS standards

New standards and amendments – applicable 1 January 2021
The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2021. XXL has not identified any significant impact to the Group's consolidated financial statements as a result of the mentioned amendments:

IFRS 16 and COVID-19 - Extension of practical expedient

The extension permits a lessee to apply the practical expedient regarding COVID-19-related concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due before 30 June 2021). The extension requires a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021 and requires a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment (no restatement of comparatives).

Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9, IFRS 16, IFRS 4 and IAS 39 - Phase 2

Phase 2 amendments relate to issues that could affect financial reporting when an IBOR is replaced with an alternative benchmark interest rate. The amendments are relevant for entities with financial assets, financial liabilities or lease liabilities that are subject to the interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform. No changes have been made to any of the current accounting standards.

No changes have been made to any of the current accounting standards

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.

01.01.2021 - 31.12.2021

(Amounts in NOK million)

	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	4 873	2 961	1 744	20	409	0	10 006
Gross profit ¹	2 098	1 148	696	6	135	(0)	4 084
EBITDA ²	1 154	420	294	1	(31)	(501)	1 338
Operating Income	866	173	176	1	(191)	(634)	391

01.01.2020 - 31.12.2020

(Amounts in NOK million)

	Norway	Sweden	Finland	Denmark	Austria	HQ & Logistics	Total
Operating revenue	4 987	2 974	1 950	27	484	0	10 423
Gross profit ¹	1 983	1 055	708	8	150	0	3 904
EBITDA ²	1 062	316	270	(0)	(9)	(522)	1 117
Operating Income	816	101	142	(0)	(61)	(633)	364

¹Gross profit represent operating revenue less cost of goods sold.

²Our EBITDA represents operating income plus impairment losses, depreciation and amortization.

Note 3 Personnel expenses

(Amounts in NOK million)

Employee benefit expenses	2021	2020
Wages, salaries	1 502	1 461
Social security costs	279	276
Pension expenses	66	81
Other benefits	39	45
Total	1 886	1 863

Average number of full time employees

3 239 3 157

Executive management remuneration

The following benefits were provided to the members of the Executive Management for 2021:
(Amounts in NOK Thousands)

Name	Title	Currency	Salary	Bonus	Other	Pension	remuneration	Total	Number of shares in XXL ASA
Pål Wibe	CEO	NOK	5 000	1 561	7	22	6 591	2 220 000	
Rest of the members of the Executive Management*		NOK	21 476	5 766	696	1 219	29 157	182 388	
Total remuneration		NOK	26 476	7 327	703	1 241	35 748	2 402 388	

* Rest of the members of the Executive Management consists of 10 people

The following benefits were provided to the members of the Executive Management for 2020:

Name	Title	Currency	Salary	Bonus	Other	Pension	remuneration	Total	Number of shares in XXL ASA
Pål Wibe	CEO	NOK	3 277	0	4 518	66	7 794	2 220 000	
Rest of the members of the Executive Management*		NOK	18 651	7 825	178	373	26 655	179 289	
Total remuneration		NOK	21 928	7 825	4 696	439	34 449	2 399 289	

* Rest of the members of the Executive Management consists of 8 people

We refer to Remuneration Guidelines for determination of salary and other remuneration to the executive management and key employees. These can be found on the company's website.

Options	2021	Weighted Average Exercise price (NOK)	2020	Weighted Average Exercise price (NOK)
Outstanding at the end of the period	564	88,2	1 206	88,2
Exercised				
Terminated	564		642	
Granted				
Outstanding at the end of the period	0	0	564	88,2

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	EVP Human Resources, Communications and Sustainability	133 948	0
Espen Terland	EVP IT	133 948	0
Harald Borgen	EVP Supply Chain	133 948	0
Options held by others		162 002	0

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 2019 and 2021, but there was no allocation in 2020. In total 220,728 RSUs from 2019 were exercised by employees, corresponding to 220,728 ordinary shares, in February 2022.

The next RSU grant ("the 2022 Plan") took place after the Q4 2021 results in February 2022 and will be related to individual contributions to XXL, position in the organization, competence,

employment duration and the importance for XXL. Allocations will be 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 EVP 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 2021 results presentation.

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

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. The members of the Executive Management is entitled to invest in XXL Management Invest AS (XMI) which is entitled to invest in XXL Sport & Villmark AS.

The calculated market price for the shares in XXL Sport & Villmark AS is based on the volume weighted average price of the XXL-share during a 10 trading days period towards the time of transaction, adjusted for the assets and liabilities of XXL other than its shares in XXL Sport & Villmark AS. The shares subscribed for by the participants in XMI and by XMI in XXL Sport & Villmark AS is subject to a three-year lock-up (the "Lock-up") which entails an illiquidity discount of 25%.

The total investment of XMI in XXL Sport & Villmark AS is on the balance date NOK 69.4 million (after deduction of the illiquidity

discount) and XMI holds 34,583 ordinary shares in XXL Sport & Villmark AS. XXL ASA has provided XMI with a loan in the amount of NOK 46.8 million to fund a part of XMI's investment in XXL Sport & Villmark AS while the remaining amount will be contributed by the Investment Program participants. The loan carries an annual interest of 8%.

After expiration of the Lock-up period, the Executive Management as a group 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.

RSUs held by Board of Directors and Executive Management:	Title	Outstanding at the beginning of the period	Outstanding at the end of the period
Magnus Kreuger	Managing Director Austria	4 985	5 641
RSU		2021	2020
Outstanding at the beginning of the period		292 646	409 561
Exercised		63 376	82 050
Terminated		46 510	34 865
Granted		457 000	0
Outstanding at the end of the period		639 760	292 646
		2021	2020
RSU program expensed for the year		5 632	4 276

Board of Directors and Executive Management:	Title	Shares in XXL Management Invest AS	Indirect ownership of XXL Sport & Villmark AS
Pål Wibe	CEO	9 961	1,0%
Stein Eriksen	CFO	3 187	0,3%
Tolle Grøterud	EVP HR, Communications and Sustainability	3 187	0,3%
Andre Sjøsaet	EVP Strategy and Business Development	2 202	0,2%
Espen Terland	EVP IT	1 195	0,1%
Harald Borgen	EVP Supply Chain	1 195	0,1%
Kjersti Jamne	EVP Commercial	1 195	0,1%
Stine Trygg Hauger	Managing Director Norway	1 207	0,1%
Anders Lindblom	Managing Director Sweden	1 255	0,1%
Päsi Lämpsä	Managing Director Finland	1 195	0,1%
Magnus Kreuger	Managing Director Austria	796	0,1%
Kjersti Helen Krokeide Hobøl	Board Member	796	0,1%
Ronny Blomseth	Board Member	796	0,1%
Others		2 388	0,2%
Total number of shares in XMI held by Board of Directors and Executive Management		30 555	2,9%

Board of directors remuneration 2021

(Amounts in NOK Thousands)

Name	Title	Number of shares XXL ASA	Total remuneration
Hugo Maurstad	Chairman of the Board	500 000	400
Øivind Tidemandsen (Dolphin Management)	Board member	34 500 000	350
Kjersti Hobøl	Board member and Chairman audit committee	35 000	410
Ronny Blomseth	Board and audit committee member	342 719	390
Maria Aas-Eng	Board member (resigned in 2021)	0	350
Ulrike Koehler	Board member (new in 2021)	0	0
Christina Moreno	Board member (new in 2021, employee representative)	0	0
Tor Andrin Jacobsen	Board member (new in 2021, employee representative)	0	0
Kai-Arne Nordhaug	Board member (new in 2021, employee representative)	0	0
Robert Iversen	Election Committee	1 956 403	50
Ingar Solheim	Election Committee	0	75
Vegar Søråunet	Election Committee	0	50

Board of directors remuneration 2020

(Amounts in NOK Thousands)

Name	Title	Number of shares in XXL ASA	Total remuneration
Hugo Maurstad	Chairman of the Board	500 000	400
Øivind Tidemandsen (Dolphin Management)	Board member	34 500 000	1 500
Kjersti Hobøl	Board member and Chairman audit committee	35 000	410
Ronny Blomseth	Board and audit committee member	342 719	390
Maria Aas-Eng	Board member	0	350
Robert Iversen	Election Committee	1 956 403	50
Ingar Solheim	Election Committee	0	75
Vegar Søråunet	Election Committee	0	50

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)	2021	2020
Statutory audit	4 963	3 838
Other attestation services	101	80
Tax related services	388	647
Other services	431	872
Total fees	5 883	5 437

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 01.01.20 (Restated)	29	3	276	1 336	15	1 660
Additions	0	0	38	84	2	124
Disposals (-) / transfer to oth. cat. of fixed assets (+/-)	0	0	0	0	0	0
Net exchange differences	0	0	10	70	1	81
Balance 31.12.20	29	4	324	1 490	18	1 864
Accumulated depreciation pr. 01.01.20	-5	-3	-214	-582	0	-804
Disposals	0	0	0	0	0	0
Depreciation	-1	0	-46	-135	0	-182
Net exchange differences	0	0	-5	-34	0	-39
Accumulated depreciation pr. 31.12.20	-7	-3	-265	-751	0	-1 025
Carrying amount pr. 31.12.20	22	1	59	739	18	839
Balance 01.01.21	29	4	324	1 490	18	1 864
Additions	0	0	15	206	0	221
Disposals (-) / transfer to oth. cat. of fixed assets (+/-)	0	0	0	0	0	0
Net exchange differences	0	0	-7	-61	-1	-69
Balance 31.12.21	29	4	332	1 635	17	2 016
Accumulated depreciation pr. 01.01.21	-7	-3	-265	-751	0	-1 025
Impairment	0	0	0	-13	0	-13
Depreciation	-1	0	-23	-165	0	-189
Net exchange differences	0	0	5	32	0	38
Accumulated depreciation pr. 31.12.21	-8	-3	-283	-896	0	-1 190
Carrying amount pr. 31.12.21	21	1	49	738	17	826

Note 5 Intangible assets

(Amounts in NOK Million)	Goodwill	Trademarks	Proprietary software	Software	Total
Balance 01.01.2020 (Restated)	2 888	206	155	35	3 284
Additions	0	0	33	4	38
Disposals	0	0	0	0	0
Net exchange differences	0	0	0	0	1
Balance 31.12.2020	2 888	206	189	39	3 322
Accumulated amortization pr. 01.01	-144	-11	-109	-23	-287
Disposals	0	0	0	0	0
Amortization	0	-1	-30	-3	-33
Accumulated amortization pr. 31.12	-144	-12	-139	-25	-320
Carrying amount pr. 31.12.2020	2 744	194	50	14	3 002
Balance 01.01.2021	2 888	206	189	39	3 322
Additions	0	0	32	8	40
Disposals	0	0	0	0	0
Net exchange differences	0	0	0	-1	-1
Balance 31.12.2021	2 888	206	221	46	3 361
Accumulated amortization pr. 01.01	-144	-12	-139	-25	-320
Disposals	0	0	0	0	0
Amortization	0	-1	-32	-4	-36
Accumulated amortization pr. 31.12	-144	-13	-171	-29	-357
Net exchange differences	0	0	0	0	0
Carrying amount pr. 31.12.2021	2 744	193	50	18	3 004

*not including deferred tax

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

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 carrying 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 December 31.12.2021 is NOK 2 744 million. NOK 2 734 million of this amount is related to the acquisitions of XXL Sport & Villmark AS in 2010 and NOK 10 million is related to the acquisition of West Systems Norge AS in 2019. The carrying value is allocated to the group of cash generating units (CGU) comprised of the shops in Norway (part of the operating segment Norway). The management evaluates and monitors the goodwill based on the performance on an 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. In accordance with IFRS, we have used a 5-year budget period and terminal value in the impairment model. Both Goodwill and Trademark are included in the assessment for impairment. The impairment testing includes estimates such as gross margin, cash flows, growth rates and calculation of cost of capital. These estimates may change over time, and thus be difficult to predict.

Cash Generating Units (CGUs)

(Amounts in NOK million)

Shops in Norway	2021	2020
Goodwill	2 744	2 744
Trademark	193	194
Impairment	0	0
Sensitivity		
Discount rate after tax (WACC)	6,83%	6,78 %
Increase in the discount rate before possible impairment of goodwill	5.3 p.p	5.3 p.p
Decrease in the terminal value gross margin before possible impairment of goodwill	6.8 p.p	N/A

A brief summary of the most important assumptions and estimates is mentioned below.

Assumptions in the impairment test model**FUTURE CASH FLOWS**

The first year's cash flow is based on preliminary budgeted figures for 2022, while the consecutive years are calculated based on estimated growth rates. The budget is based on history and the group's strategy plan, and is approved by the Board of Directors.

GROWTH RATES AND MARGINS

Revenue growth is based on budgets for 2022, followed by a growth rate of 4-5 % in the years 2023-2026. The growth rate is based on both expected sales in both physical stores and E-com. The growth in E-commerce sales has been substantial prior years, and we expect most of the growth in the next 5 years to derive from the E-com channel. Long term growth for the terminal value is set to 2%, corresponding with expected inflation.

Gross margin and EBITDA margin is estimated based on the current margin level and expected future market developments. Both gross margin and EBITDA margin is expected to be on historical levels. We have used slightly lower margins in the terminal value in the model to take a conservative approach for the impairment test purposes.

COST OF CAPITAL

Future cash flows are discounted to present value using the weighted average cost of capital (WACC). The WACC is estimated to be 6.9 % pre tax (6.8 after tax), and is based on a risk free interest rate, a risk premium, and a beta value.

- Risk-free interest rate is set to the 10-year government bond yield.
- Risk premium of 5.8 %, based available market data and observation of similar companies.
- Beta value is set to 1.25 and based on a calculation of historical beta value for XXL ASA, as well as figures from comparable companies.

No impairment of goodwill is deemed necessary in 2020 or 2021.

Note 6 Other operating expenses**Other operating expenses by nature**

(Amounts in NOK million)	2021	2020
Cost of premises	153	181
Marketing expenses	488	482
Other operating expenses (incl. IT licenses, maintenance, legal fees and other)	219	261
Sum	860	924

Note 7 Tax**Income tax expense for the year**

(Amounts in NOK million)

Tax expense for the year	2021	2020
Tax payable	102	16
Change in deferred tax	-50	50
Exchange rate effect/other	0	0
Total income tax expense	52	66

Effective tax rate	21 %	34 %
---------------------------	-------------	-------------

Current tax payable

Tax payable	102	16
Total tax payable in the balance sheet	102	16

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

Income before tax	246	191
22 % tax of income before tax	54	42
Permanent differences (22%)	1	1
Change in unrecognised deferred tax assets	1	28
Effect of change of tax rate	0	0
Differences in tax rates amongst the Group and other	-4	-5
Income tax expense	52	66

Specification of temporary differences

Asset (-)/liability	2021	2020	Change
Property, plant and equipment	419	228	-191
Trade receivables	-6	-7	0
Inventories	-730	-339	-391
Other current liabilities	-56	-57	1
Trademarks	190	190	0
Amortization of loan expenses	2	2	0
Financial derivatives	6	0	6
Leasing	-280	-87	-193
Total temporary differences	-455	-70	385
Tax loss carried forward*	-283	-293	10
Basis for deferred tax	-738	-363	-375
Deferred tax assets not recognised	302	293	0
Basis for deferred tax recognised	-435	-70	0
Deferred tax liability in the balance sheet	0	3	-3
Deferred tax asset in the balance sheet	-64	-18	-47

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

Deferred tax assets are only capitalised to the extent that it is probable that there will be sufficient future taxable profit for the tax asset to be used, either because the entity recently reported a profit or because assets with excess value have been identified. If it is unlikely that future profits will be sufficient to absorb the tax-reducing temporary differences, deferred tax assets are not recognised.

Deferred tax assets (-) / liabilities are presented net for the Norwegian entities.

Tax rate in Norway is 22%. Tax rate in Sweden is 20.6% for 2021, tax rate in Finland is 20% in 2021, tax rate in Switzerland is 9.7% in 2021, tax rate in Austria is 25% in 2021.

Note 8 Inventories

(Amounts in NOK million)	2021	2020
Goods purchased for resale	2 301	2 015
Goods in transit	65	5
Reserve for inventory obsolescence	(145)	(185)
Total inventories	2 220	1 835

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 37.5% of the shares (voting rights) in the Group, in addition to the shares they hold personally they also represent Dolphin Management 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

(Amounts in NOK million)	2021	2020
Bank deposits (restricted)	5	5
Cash	10	17
Bank accounts (unrestricted)	158	808
Total cash and cash equivalents	173	830

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.

Note 12 Trade and other receivables

(Amounts in NOK million)	2021	2020
Trade receivables, gross	179	181
Allowance for credit losses	-18	-17
Trade receivables 31.12	161	165
Changes in allowance for credit losses		
Beginning balance	-17	-14
Change in the allowance	-1	-2
Allowance for credit loss expense	-1	-2
FX effect reserve balance sheet/profit or loss	-	-
Ending balance 31.12	-18	-17

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

Year	Total	Not yet due	>30 days	>60 days	>90 days
2021	161	113	13	10	25
2020	181	122	24	6	29

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.

Other receivables (Amounts in NOK million)	2021	2020
Accrued supplier bonus	105	64
Prepaid expenses	31	20
Other receivables	16	34
Public duties receivables	287	0
Other receivables 31.12	440	118

Note 13 Share capital and shareholder information

The share capital of XXL is NOK 100,974,663.20 consisting of 252,436,658 shares with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2021:	Total amount of shares	Ownership	Voting right
Altor Equity Partners	60 118 964	23,8 %	23,8 %
Dolphin Management	34 500 000	13,7 %	13,7 %
Ferd AS	22 922 385	9,1 %	9,1 %
Odin Forvaltning AS	21 872 210	8,7 %	8,7 %
Arctic Fund Management AS	12 245 433	4,9 %	4,9 %
XXL ASA	8 470 000	3,4 %	3,4 %
Dimensional Fund Advisors LP	2 548 717	1,0 %	1,0 %
Barclays Capital Securities Ltd	2 236 126	0,9 %	0,9 %
Nordkronen II AS	2 220 000	0,9 %	0,9 %
Blackrock Fund Advisors	2 207 568	0,9 %	0,9 %
Robert Iversen Holding AS	1 956 403	0,8 %	0,8 %
Geni Holding AS	1 800 000	0,7 %	0,7 %
Carucel Holding AS	1 677 110	0,7 %	0,7 %
Arrowstreet Capital	1 595 117	0,6 %	0,6 %
Bofa Securities Europe SA	1 523 930	0,6 %	0,6 %
Stamina II AS	1 419 404	0,6 %	0,6 %
Norron AB	1 351 057	0,5 %	0,5 %
Klp Kapitalforvaltning AS	1 304 335	0,5 %	0,5 %
Evli Fund Management Co. Ltd	1 268 390	0,5 %	0,5 %
Ulsmo Finans	1 260 000	0,5 %	0,5 %
Other	67 939 509	26,9 %	26,9 %
Sum	252 436 658	100 %	100 %

All shares have been fully paid.

Note 14 Earnings per share

(Amounts in NOK million)	2021	2020
Net income	194	126
Weighted average number of ordinary shares in issue	252 436 658	218 952 136
Number of shares outstanding	252 436 658	252 436 658
Total number of outstanding shares incl. share options	252 436 658	253 000 504

Adjustment for:

Effect share options	639 760	292 646
Weighted number of ordinary shares in issue for diluted earnings per share	253 076 418	219 244 782
Basic Earnings per share (in NOK)	0,77	0,57
Diluted Earnings per share (in NOK)	0,77	0,57

Reconciliation weighted average number of ordinary shares

	2021	2020
Number of shares opening	247 466 658	165 762 744
Share issue	-	86 673 914
Purchases/Sales of own shares	-3 500 000	-4 970 000
Purchase of shares RSU	-63 376	-82 050
Transfer of shares RSU	63 376	82 050
Number of shares closing (excluding own shares)	243 966 658	247 466 658
Weighted average	252 436 658	218 952 136
Effect share option	639 760	292 646
Basic Earnings per share (in NOK)	0,77	0,57
Diluted Earnings per share (in NOK)	0,77	0,57
Adjusted Earnings per share (in NOK)	1,31	0,57

Adjusted Earnings per share is adjusted for impairment losses in 2021.

Note 15 Security and guarantees

XXL ASA has a total loan engagement of NOK 1 800 millions with DNB and Nordea as of December 2021, consisting of a Overdraft of NOK 150 million and a Revolving Credit Facility of NOK 1 650 million in which NOK 770 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)	2021	2020
Accounts payable	599	470
Supplier financing	45	62
Total other current liabilities	644	533

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)	2021	2020
Credit notes / gift cards customers*	176	161
Accrued salary and bonus	161	151
Accrued holiday pay	160	158
Other short term accruals and right of return	103	105
Total other current liabilities	600	575

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

Note 18 Right-of-Use Assets and Lease Liabilities

(Amounts in NOK million)	Buildings, machinery and vehicles
Aquisition cost 01.01.2021	3 656
Additions and adjustments	328
Change incentives	-19
Net exchange differences	-92
Aquisition costs 31.12.2021	3 872
Accumulated depreciation and impairment losses 01.01.2021	-1 087
Depreciation	-578
Impairment losses in the period	-123
Disposals	0
Transfers and reclassifications	0
Currency exchange differences	41
Accumulated depreciation and impairment 31.12.2021	-1 747
Total Right-of-Use Assets at 31.12.2021	2 126
Lower of remaining lease term or economic life	0 - 13 years
Depreciation method	Linear

An impairment indicator was identified related to the Austria segment due to their negative trend and store closures due to COVID-19. In order to further evaluate the ROU assets and indication of a triggering event we have evaluated the store EBITDA on individual stores after allocating shared services (such as HQs and central warehouses). When EBITDA is positive we evaluate that no impairment trigger is necessary as it then by nature carries the cash flow of the rental cost of the stores.

A value-in-use calculation was performed for the stores which showed a negative EBITDA. The impairment testing include estimates like gross margin, cash flows, growth rates and calculation of cost of capital. A brief summary of the assumptions are listed below.

Future cash flow

An estimate for 2021 (calculation made in november 2020, but no material change for FY 2021 reported numbers) is used, while figures as of 2022 are equal to approved business case in Austria

Growth rates

In the impairment model, the revenue growth is set to 2,5 % per year.

Discount rate

The discount rate used was 7 %. A minimum level of healthy store economy is used as a terminal value.

The calculation showed that an impairment was needed. As such the Right of use assets related to the Austrian segment was impaired by NOK 123m.

Lease liabilities 2021

(Amounts in NOK million)

Summary of the lease liabilities in the financial statements

	Total
Total lease liabilities 01.01.2021	2 773
New lease liabilities recognised in the period	328
Total leasing payments for the lease liability	-600
Interest expense on lease liabilities	82
Reassessment of the discount rate on previous lease liabilities	0
Currency exchange differences	-91
Total lease liabilities at 31.12.2021	2 492

whereof:

Current lease liabilities < 1 year	567
Non-current lease liabilities > 1 year	1 925

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	0
Expenses related to contracts with exception for short term leases ²	0
Expenses related to contracts with exception for low value assets (short term contract excluded) ²	0

¹All accrued expenses (any possible income subtracted) related to transactions classified as “variable payment I linked to performance or use” is included

²All accrued expenses (any possible income subtracted) for contracts is included

Note 19 Net financial expenses

(Amounts in NOK million)

	2021	2020
Other financial income	0	0
Net realized / unrealized foreign exchange gains	0	5
Total financial income	0	5
Interest expenses bank loans	21	44
Interest expenses on lease liabilities	82	92
Other interest expenses	8	8
Other financial expenses	25	33
Net realized / unrealized foreign exchange losses	9	0
Total financial expenses	146	177
Net financial expenses	-146	-172

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)
2021	+50	-4 453	-3 473
	-50	4 453	3 473
2020	+50	-6 393	-4 986
	-50	6 393	4 986

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

	2021	2020
Overdraft	2,98 %	2,72%
Bank syndicate	3,41 %	4,81%

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:

Foreign currency sensitivity	Changes in currency	2021		2020	
		Effect on profit before tax (NOK 1 000)	Effect on profit on equity (NOK 1 000)	Effect on profit before tax (NOK 1 000)	Effect on profit on equity (NOK 1 000)
EUR	+10%	11 378	8 875	16 870	13 159
	-10%	-11 378	-8 875	-16 870	-13 159
USD	+10%	69 531	54 234	55 379	43 196
	-10%	-69 531	-54 234	-55 379	-43 196

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)

The following categories of financial instruments are measured at fair value as of 31 December 2021

(Amounts in NOK million)

Assets/Liabilities carried at fair value	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss			
FX derivatives	0	6	0
Total	0	6	0

The following categories of financial instruments are measured at fair value as of 31 December 2020

(Amounts in NOK million)

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

(Amounts in NOK million)

Financial instruments	2021	2020
Financial assets at amortized cost		
Trade receivables	161	166
Cash and cash equivalents	173	830
Total current financial assets	334	995
At fair value through profit or loss		
FX derivatives	6	-3
Total financial assets (+) / liabilities (-) at fair value through profit or loss	6	-3
Other Liabilities at amortised cost		
Interest bearing debt	880	901
Lease liability	2 491	2 773
Accounts payable and other short-term debt	1 244	1 106
Total other financial liabilities	4 615	4 779

Note 21 Capital management

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.

Dividend policy

The Board of Directors is targeting a payout ratio of 40-50 per cent of annual net income as the dividend policy.

(Amounts in NOK million)	2021	2020
Interest bearing debt excluding lease liability	880	901
Cash	-173	-830
Net debt	707	71
Equity	3 753	4 185
Total equity and net debt	4 459	4 256

Note 22 Interest bearing debt

(Amounts in NOK million)

Non-Current Interest-Bearing Liabilities due > 1 year	2021	2020
Bank loan	485	483
Non-current lease liability	1 925	2 180
Sum Non-Current Interest-Bearing Liabilities	2 410	2 662
Current Interest-Bearing Liabilities due < 1 year	2021	2020
Current lease liability	567	593
Credit Facility	395	418
Sum Current Interest-Bearing Liabilities	961	1 012
Total Interest-Bearing debt	3 371	3 674
Total Interest-Bearing debt, excluding Lease Liabilities	880	901

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 485 million as of 31 December 2021. The interest rate related to the bank loan is based on NIBOR, STIBOR and EURIBOR plus a margin. As of 31 December 2021 the margin is 1.5%. The margin on the loan is regulated in the loan agreement.

The Group is measured on the following covenants as of 31 December 2021: Net Interest Bearing Debt (excluding IFRS 16 effect on lease liabilities) divided by EBITDA. As of 31 December 2021 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:

Financial liabilities	Remaining period						Total
	Under 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	
Bank loan	395	485	0	0	0	0	880
Interest	13	7	0	0	0	0	20
Lease liabilities (undiscounted cashflows)	593	512	450	382	295	603	2 835
Total	1 001	1 004	450	382	295	603	3 736

Financial liabilities	Remaining period						Total
	Under 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	
Bank loan	418	483	0	0	0	0	901
Interest	41	22	0	0	0	0	62
Lease liabilities (undiscounted cashflows)	606	574	471	392	320	750	3 112
Total	1 065	1 079	471	392	320	750	4 076

Reconciliation of interest bearing debt

	2021	2020
Total Opening Balance	3674	4637
Payments on new short-term debts	(1 006)	(2 366)
Proceeds from new short-term debts	993	1 546
Total Leasing Payments for the lease liability	(600)	(594)
Interest expense on Lease Liabilities	82	92
Changes with Cash effect	(531)	(1 322)
New Lease Liabilities recognized in the period	328	161
Amortisation of transaction cost of bank loan	2	(17)
FX effects on bank loans + lease liabilities	(102)	214
Changes with non Cash effect	228	359
Total Closing Balance	3 371	3 674



Financial Statements XXL ASA

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Statement of income

(Amounts in
NOK million)

	Note	2021	2020
Personnel expenses	2	0	5
Other operating expenses		21	47
Total Operating Expenses		21	51
Operating Income		-21	-51
Interest income	6	0	0
Other financial income	5	0	0
Interest income group companies		6	5
Total Financial Income		6	6
Interest expense		0	13
Interest expense to group companies	6	2	-1
Other financial expense		10	13
Total Financial Expense		12	25
Net Financial Income (Expense)		-6	-20
Income Before Income Taxes		-27	-71
Tax expense	3	-6	-16
Net Income		-22	-55
Allocation of Net Income			
Other paid-in equity		-22	-55
Total allocated		-22	-55

Balance sheet

/ Assets

(Amounts in
NOK million)

	Note	31.12.2021	31.12.2020
NONCURRENT ASSETS			
Intangible assets			
Deferred tax asset	3	6	18
Total intangible assets		6	18
Financial Assets			
Investment in subsidiaries	4	3 611	3 602
Total Financial Assets		3 611	3 602
Total Noncurrent Assets		3 616	3 620
CURRENT ASSETS			
Other receivables	5	72	43
Total Other Receivables		72	43
Cash and Cash Equivalents			
Cash and equivalents	7	10	0
Total Cash and Cash Equivalents		10	0
Total Current Assets		82	43
Total Assets		3 699	3 662

Balance sheet

/ Equity and Liabilities

(Amounts in
NOK million)

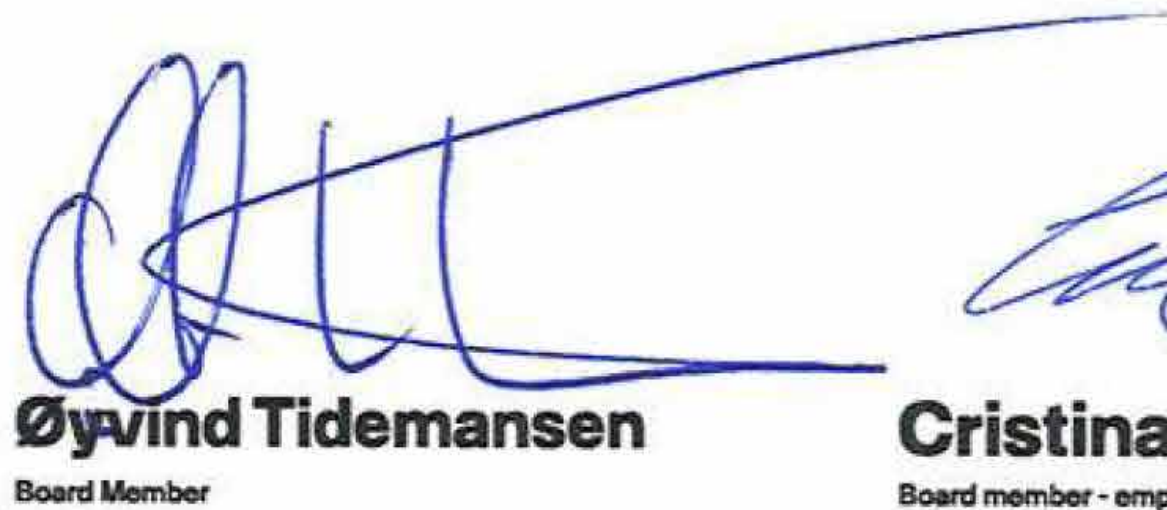
	Note	31.12.2021	31.12.2020
SHAREHOLDERS' EQUITY			
Paid-in Capital			
Share capital	8,10	101	101
Share premium	8,10	3 531	3 609
Total Paid-in Capital		3 632	3 710
Retained Earnings			
Other equity	10	-687	-182
Total Retained Earnings		-687	-182
Total Shareholders' Equity		2 945	3 528
LIABILITIES			
Non-Current Liabilities			
Deferred tax liabilities	3	0	0
Interest bearing debt	9	-2	0
Total Non-Current Liabilities		-2	0
Current Liabilities			
Accounts payable		0	0
Current debt		0	64
Tax payable	3	0	0
Public duties payable		0	-7
Other short-term debt	5	755	76
Total Current Liabilities		755	134
Total Liabilities		753	134
Total Equity and Liabilities		3 699	3 662

Board of Directors

Oslo, 26 April 2022



Hugo Maurstad
Chairman



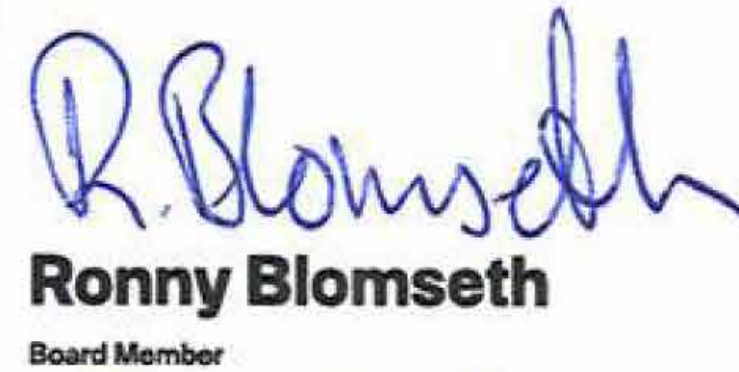
Øyvind Tidemansen
Board Member



Cristina Moreno
Board member - employee representative



Ulrikke Koehler
Board Member



Ronny Blomseth
Board Member



Kjersti Hobøl
Board Member



Kai-Arne Nordhaug
Board member - employee representative



Tor Andrin Jacobsen
Board member - employee representative



Pål Wibe
CEO

Statement of Cash Flows

(Amounts in
NOK million)

	31.12.2021	31.12.2020
Operating Activities		
Income before income taxes	-27	-71
Tax payable	0	0
Changes in accounts payable	0	-4
Changes in other assets and liabilities	656	721
Cash provided (used) by operating activities	628	647
Investing Activities		
Investment in subsidiaries	-9	-402
Received group contribution	18	7
Cash provided (used) by investing activities	9	-395
Financing Activities		
Sales/Purchase of own shares/other equity transactions	0	481
Payments on long-term debt	-78	-101
Purchase of own shares	-66	-631
Payments/proceeds on long/short-term debt	-483	0
Cash provided (used) by financing activities	-627	-251
Net Change in Cash and Cash Equivalents	10	0
Cash and cash equivalents - beginning of year	0	0
Cash and Cash Equivalents - End of Year	10	0

Notes to the financial statements

1. Accounting Principles

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. Short term 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, long term 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.

2. Personnel expenses

The Company had no employees in 2021.

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
Hugo Maurstad	Chairman of the Board	400	400
Øivind Tidemandsen	Board member	350	350
Kjersti Hobøl	Board member and Chairman audit committee	410	410
Ronny Blomseth	Board and audit committee member	390	390
Maria Aas-Eng	Board member (resigned in 2021)	350	350
Ulrike Koehler	Board member (new in 2021)		
Robert Iversen	Election Committee	50	50
Ingar Solheim	Election Committee	75	75
Vegar Søråunet	Election Committee	50	50

Audit fees (figures in NOK thousand)

Divided by type of service (exclusive of VAT)

	2021	2020
Statutory audit	995	1 088
Other services	422	950
Total fees	1 417	2 038

Note 3 Tax**Income tax expense for the year**

Basis for tax payable	2021	2020
Income before tax	-27	-71
Permanent differences	0	0
Change in temporary differences	27	73
Interest limitation rules	0	0
Basis for tax payable	0	2
Tax payable in the statement of income	0	0
Taxable income	0	2
Tax payable in the balance sheet	0	0
Tax expense for the year		
Tax payable	0	0
Change in deferred tax	-6	-16
Total tax expense	-6	-16

Explanation for why tax is not 23% of income before tax

22 % tax of income before tax	-6	-16
Permanent differences (22%)	0	0
Changes in deferred tax due to changes in tax rate	0	0
Expected tax expense	-6	-16
Effective tax rate	22 %	22 %

Specification of temporary differences

Asset (-)/liability	Change	2021	2020
Amortization of loan expenses	0	0	0
Tax loss carry forward		-27	-81
Total temporary differences		-27	-81

Basis for deferred tax assets/liability	-27	-81
Deferred tax assets (+) / liability (-) in the balance sheet	6	18

Reconciliation change in deferred tax		
Change in deferred tax in balance sheet	-6	-16
Change in deferred tax in tax expense	-6	-16

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%) 31.12.2021	Net income (100%) 31.12.2021	Book value 31.12.2021
XXL Sport og Villmark AS	2015*	Oslo	96 %	1 000	(156)	3 599

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	2021	2020
Other current liabilities	87	76
Cash pool arrangement	668	67
Accounts payables	0	0
Total liabilities	755	143
Receivables	2021	2020
Other non-current receivables from group companies	71	1
Cash pool arrangement	0	0
Group contribution	0	0
Total receivables	71	1

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	2021	2020
XXL Sport og Villmark AS	-2	3
Total interest income	-2	3
Interest expense	2021	2020
Cash pool interest expense	0	0
Total interest expense	0	0
Other operating expenses	2021	2020
Administrative services	11	31
Total operating expenses with related parties	11	31

Note 7 Cash and cash equivalents

Cash and cash equivalents include the following items:

	2021	2020
Deposits	10	0
Total cash and equivalents	10	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 668 million negative 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 100,974,663.20 consisting of 252,436,658 shares with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2021:	2021 Total amount of shares	2020 Ownership
Altor Equity Partners	60 118 964	23,8 %
Øivind Tidemandsen (Dolphin Management)	34 500 000	13,7 %
Ferd AS	22 922 385	9,1 %
Odin forvaltning AS	21 872 210	8,7 %
Arctic Fund Management AS	12 245 433	4,9 %
XXL ASA	8 470 000	3,4 %
Dimensional Fund Advisors LP	2 548 717	1,0 %
Barclays Capital Securities Ltd	2 236 126	0,9 %
Nordkronen II AS	2 220 000	0,9 %
Blackrock Fund Advisors	2 207 568	0,9 %
Robert Iversen Holding AS	1 956 403	0,8 %
Geni Holding AS	1 800 000	0,7 %
Carucel Holding AS	1 677 110	0,7 %
Arrowstreet Capital	1 595 117	0,6 %
BOFA Securities Europe SA	1 523 930	0,6 %
Stamina II AS	1 419 404	0,6 %
Norron AB	1 351 057	0,5 %
KLP Kapitalforvaltning AS	1 304 335	0,5 %
EVLI Fund management co. Ltd	1 268 390	0,5 %
Ulsmo finans	1 260 000	0,5 %
Other	67 939 509	26,9 %
Sum	252 436 658	100,0 %

Shares held by Board of Directors & Chief Executive Officer:

	Title	Amount of shares
Pål Wibe	Chief Executive Officer	2 220 000
Hugo Lund Maurstad	Chairman of the Board	500 000
Øivind Tidemandsen (Dolphin Management AS)	Board member	34 500 000
Ronny Blomseth	Board member	342 719
Kjersti Helen Krokeide Hobøl	Board member	35 000
Ulrike Koehler	Board member (new in 2021)	0

Note 9 Current and non-current interest-bearing liabilities

Current liabilities	2021	2020
Current bank debt	0	0
Amortization borrowing costs	0	-2
Sum	0	-2

Note 10 Shareholder's equity

Changes in shareholder's equity	Share capital	Share premium	Retained earnings	Total equity
Shareholder's equity 01.01.20	101	3 609	-182	3 528
Net income for the year	0	0	-22	-22
Extraordinary Dividends	0	0	-483	-483
Purchase of own shares	0	-78	0	-78
Shareholder's equity 31.12.21	101	3 531	-687	2 945

Footnotes / Definitions

Alternative Performance Measures (APM)

The Group has three central warehouses, one at Gardermoen Norway (outside EU), one in Örebro Sweden and one in Vienna, Austria (inside EU). The Norwegian warehouse serves the Norwegian market, while the Swedish and Austrian serves Sweden, Finland, Denmark and Austria. All 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. XXL implemented in 2019/2020 a new data driven and algorithm based replenishment system with the result of 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).

EBIT

Our EBIT represents operating income

EBITDA

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

	FY 21	FY 20
Operating Income	391	364
+ Depreciation	810	753
+ Impairment losses	136	----
= EBITDA	1338	1117

Reconciliation (example)

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.

Gross profit / Gross margin

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

	FY 21	FY 20
Operating revenue	10 006	10 423
÷ Cost of goods sold	5 923	6 519
= Gross profit	34 084	3 904
Gross margin	40,8%	37,5%

Reconciliation (example)

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.

	FY 21	FY 20
Other operating expenses	860	924
+ Personnel expenses	1 886	1 863
= OPEX	2 746	2 787

Reconciliation (example)

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

	FY 21	FY 20
Non-Current Interest Bearing Debt	485	483
+ Current Interest Bearing Debt	395	418
÷ Cash and Cash Equivalents	173	830
= Net Interest Bearing Debt	707	71

Reconciliation (example)

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.

	FY 21	FY 20
Cash and Cash Equivalents	173	830
+ Undrawn Credit Facilities	920	281
= Liquidity reserve	1093	1111

Reconciliation (example)

Footnotes / Definitions

Alternative Performance Measures (APM)

The Group has three central warehouses, one at Gardermoen Norway (outside EU), one in Örebro Sweden and one in Vienna, Austria (inside EU). The Norwegian warehouse serves the Norwegian market, while the Swedish and Austrian serves Sweden, Finland, Denmark and Austria. All 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.

Leverage ratio

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

E-commerce

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

Inventory per store

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

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

Imagery

All brand imagery and pictures in this report is with and by XXL employees.

IFRS 16 effects affecting EBITDA and EBIT

IFRS 16 was implemented for the Group 1 January 2019. EBITDA ex IFRS 16 effects and EBIT ex IFRS 16 effects represent our EBITDA and EBIT if IFRS 16 had not been implemented, respectively.

FY 21	XXL Group	Nor	Swe	Fin	Aut	Den	HQ & Logistics
EBITDA reported	1338	1338	420	294	-31	1	-501
IFRS 16	-600	-600	-169	-103	-42	-	-54
EBITDA ex IFRS 16 effects	737	737	251	191	-73	1	-555
EBIT Reported	391	391	172	176	-191	1	-634
IFRS 16 effects affecting EBIT	-106	-106	-21	-10	+100	-	-6
EBIT ex IFRS 16 effects	498	498	194	162	-90	1	-628

Reconciliation (example)



Sports unite all



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, which comprise:

- The financial statements of the parent company XXL ASA (the Company), which comprise the balance sheet as at 31 December 2021, the statement of income and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of XXL ASA and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2021, the statement of total comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, 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, and
- the financial statements give a true and fair view of the financial position of the Group as at 31 December 2021, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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. To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.



We have been the auditor of the Company for 11 years from the election by the general meeting of the shareholders on 3 February 2011 for the accounting year 2011.

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. Consequently, *Valuation of inventories*, *Recognition of supplier bonuses* and *Impairment of goodwill* carry the same risks as the previous year and continue to be in our focus.

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of inventories</i></p> <p>Inventory amounts to NOK 2 220 million in the Financial Statements. A total obsolescence write-down of NOK 145 million has been provided for in 2021.</p> <p>Inventory is carried at the lower of cost and net realizable value in accordance with IAS 2. The valuation of inventory at net realizable value involves judgment made by management. The judgment is based on detailed assessment of factors such as the age distribution of inventory items, whether the goods are part of an active or expired product range and historical levels of obsolescence.</p> <p>We consider valuation of inventory to be a key audit matter due to the high volume and heterogeneity of merchandise, the significance to the financial statements, as well as the judgment involved in deciding net realizable value.</p> <p>See “Note 1.4 Significant accounting policies - Inventories”, “Note 1.5 Significant management judgment in applying accounting policies – Provision for obsolescence” and “Note 8 Inventories” where management explains how they account for inventories.</p>	<p>We evaluated 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, observing the inventory and performing analysis. We were present at several stocktakes, 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 aging inventory.</p> <p>Our procedures included reviewing that management applied valuation policies consistently year on year. To assess management’s estimation of net realizable value, we obtained an overview of the aging profile of the inventory and performed an assessment of whether the goods are part of an active or expired product range. Our audit procedures included tracing relevant inputs used in the calculation to supporting documentation, and challenging management on central assumptions.</p> <p>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 statement disclosures. We also reviewed the disclosures in note 8 and found them to be appropriate.</p> <p>The results of our testing were satisfactory.</p>



Recognition of supplier bonuses

The Group receives various types of supplier bonuses from its suppliers, as further disclosed in “Note 1.4 Significant accounting policies - Inventories”. These allowances are a significant component of cost of sales. The supplier bonus receivable at year end amounts to NOK 105 million (Note 12 Trade and other receivables).

The supplier bonus agreements with suppliers contain volume-related bonuses, promotional and marketing allowances and various other fees and discounts received in connection with the purchase of goods for resale from those suppliers. The Group recognizes supplier bonuses as a reduction in cost of sales when the performance obligations associated with the allowances have been met, for example when the product has been sold, placed or when the marketing campaign has been held.

We consider this to be a key audit matter because of the magnitude of amounts involved and the judgment required from management to determine the nature and level of fulfilment of the Company’s obligations under the supplier agreements and to recognize the amounts in the correct period. This requires a detailed understanding of the contractual arrangements in addition to complete and accurate data to estimate purchase and sales volumes and fulfilment of promotional programs.

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’s judgement on the assumed volumes in the estimates we looked at, among other things, purchase volumes and details from the agreements and historical accuracy and held extensive discussions with management. Further, we tested the recoverability of invoiced supplier bonuses including the supplier bonus accruals.

We reviewed management’s technical assessment and method to calculate the part of volume-based supplier bonuses and whether they were classified as reduction of inventory in accordance with IAS 2. We performed substantive procedures of supplier contracts to verify correct classification and reviewed legal opinions regarding specific elements in supplier contracts.

We also reviewed the disclosures in note 1.4 and note 12 and found them to be appropriate.

The results of our testing were satisfactory.

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 2021.

We consider goodwill to be a key audit matter due to the significance to the financial statements and the necessary level

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, margins, costs and level of



of management judgment when performing an impairment review.

Valuation of goodwill and the corresponding impairment tests are complex and require judgment related to future revenue, costs and the level of reinvestment needed.

See "Note 1.4 Significant accounting policies – Goodwill", "Note 1.5 Significant management judgment in applying accounting policies" and "Note 5 Intangible assets – Estimated impairment of goodwill, trademarks, and Right of Use-Assets" where management explains how they account for goodwill and their impairment test.

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

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises 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 information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view of the consolidated 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 Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated 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 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 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's or 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 and 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 and 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 a true and fair view.
- 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 Audit Committee 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

Report on compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name 5967007LIEEXZXHCTC69-2021-12-31-en.zip have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Oslo, 26 April 2022

PricewaterhouseCoopers AS

A handwritten signature in blue ink, appearing to read 'Vidar Lorentzen', is written over a light blue horizontal line.

Vidar Lorentzen
State Authorised Public Accountant