ALL SPORTS UNITED

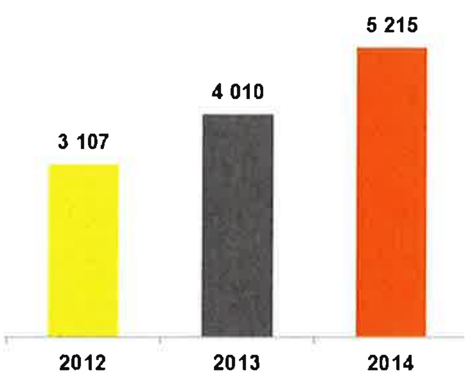
XXL ASA
ANNUAL REPORT 2014

Content

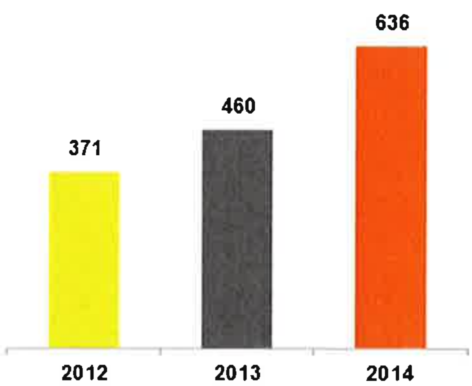
HIGHLIGHTS

- Became the largest sports retailer in the Nordics
- Successful establishment in Finland
- Total revenues of NOK 5 215 million (NOK 4 010 million), up 30 per cent
- E-commerce growth of 91 per cent
- Gross margin of 40.9 per cent, improvement in all markets
- EBITDA* increased by 38.4 per cent to NOK 636 million
- Opened nine new stores
- Successful IPO – XXL ASA listed at Oslo Stock Exchange

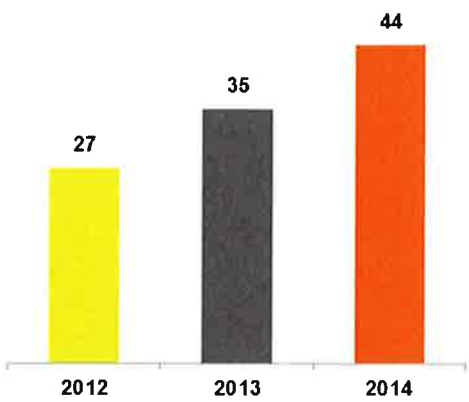
OPERATING REVENUES
(Amounts in MNOK)



EBITDA*
(Amounts in MNOK)



NUMBER OF STORES



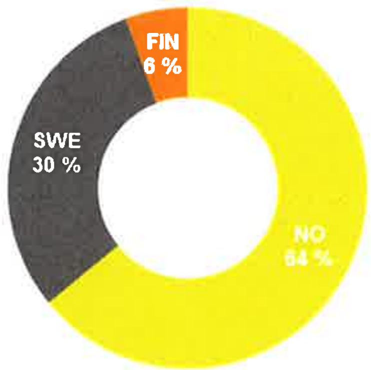
*EBITDA before One-Off costs

KEY FIGURES

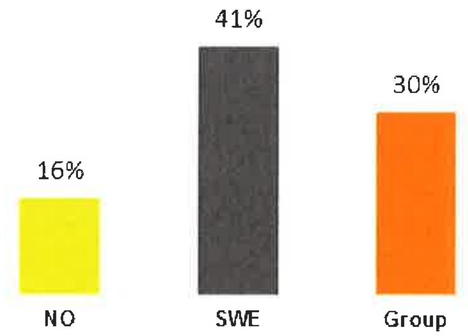
(Amounts in NOK million)	**2014 Audited**	2013 Audited
GROUP		
Operating revenue	**5 215**	4 010
Growth (%)	***30,1 %***	*29,1 %*
Gross profit[4]	**2 132**	1 611
Gross margin (%)	***40,9 %***	*40,2 %*
EBITDA[2]	**636**	460
EBITDA margin (%)	***12,2 %***	*11,5 %*
One-offs	**-36**	0
EBITDA[2] (incl. One-offs)	**601**	460
EBITDA margin (%) (incl.one-offs)	***11,5 %***	*11,5 %*
EBIT[1]	**521**	401
EBIT margin	***10,0 %***	*10,0 %*
**Basic Earnings per share (NOK)	**1,51**	0,11
**Average number of shares (1 000 shares)	171 434	1 094 450
Net cash flow from operating activites	**325**	407
Like for like revenue growth	**5,7 %**	3,0 %
Number of stores at quarter end	**44**	35
SEGMENT		
Norway		
Operating revenue	**3 341**	2 883
Growth (%)	***15,9 %***	*19,8 %*
Gross profit[4]	**1 449**	1 223
Gross margin (%)	**43,4 %**	42,4 %
EBITDA	**741**	588
EBITDA margin (%)	***22,2 %***	*20,4 %*
One-offs	**-15**	0
EBITDA[2] (incl. One-offs)	**726**	588
EBITDA margin (%) (incl.one-offs)	**21,7 %**	20,4 %
Number of stores at quarter end	23	22
Sweden		
Operating revenue	**1 582**	1 125
Growth (%)	***40,7 %***	*60,6 %*
Gross profit[4]	**592**	386
Gross margin (%)	**37,4 %**	34,3 %
EBITDA	**112**	26
EBITDA margin (%)	***7,1 %***	*2,3 %*
Number of stores at quarter end	17	13
Finland		
Operating revenue	**292**	0
Growth (%)	**N/A**	**N/A**
Gross profit[4]	**91**	0
Gross margin (%)	**31,2 %**	**0**
EBITDA	**-6**	-4
EBITDA margin (%)	***-2,2 %***	*0,0 %*
Number of stores at quarter end	4	0
HQ & logistics		
Operating revenue	**0**	2
EBITDA[2]	**-210**	-150
EBITDA margin (%)	***-4,0 %***	*-3,7 %*
One-offs	**-21**	0
EBITDA[2] (incl. One-offs)	**-231**	-150
EBITDA margin (%) (incl.one-offs)	***-4,4 %***	*-3,7 %*

**Earnings per share: See Note 14
Footnotes and definitions are described in the end of the report

REVENUE SPLIT 2014

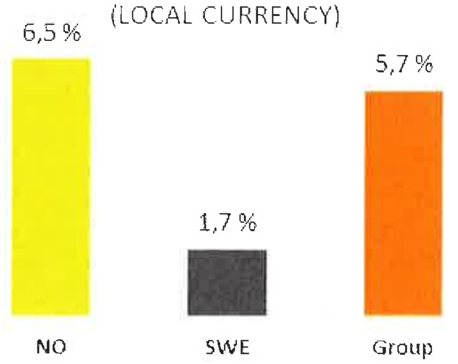


GROWTH BY COUNTRY



GROWTH BY COUNTRY, LIKE FOR LIKE

(LOCAL CURRENCY)



CEO comment

The mission of XXL is to be the leading Nordic sports retailer and a paradise for people with interest in sports, outdoors and wildlife. We create a sales oriented organization with a business culture that revolves around customer satisfaction and cost consciousness. All our trained, skilled and enthusiastic employees are collectively strengthening the market positions and the XXL brand every day. Our business is based on trust and for our stakeholders to feel confident about XXL, ethics and values have to play a prominent role in all our operations. In 2014, XXL became the largest sports retailer in the Nordics.

We opened our first store in Finland in April 2014 being the single most important event this year. Our Finnish team has delivered great results, surpassing our expectations. During the year we opened four stores in total. Combined with our e-commerce offering we have created a solid perception in the market. The expansion and store roll-out will continue in 2015, conquering new cities, communities and XXL customers.

In Sweden we opened four new stores during the year 2014, having the highest growth in the market and taking market shares. The new central warehouse that we opened in October 2013 has improved the supply chain and supported the expansion into Finland as well. Focus on costs and effects from the central warehouse increased the EBITDA-margin in Sweden from 2.3 per cent in 2013 to 7.1 per cent in 2014.

The Norwegian operations delivered yet another rock solid year, with like-for-like growth of 6.5 per cent and strengthening the market leader position even further.

XXL is continuously working on improvements in the online offering. Substantial changes in the team in 2014 revitalized the whole e-commerce organization. Despite delivering an impressive growth of 91 per cent in 2014, we have still many ongoing initiatives that will be visible in 2015.

XXL will continue to work on more efficient logistic solutions and new technologies for transportation both saving the environment and costs. We are committed to reducing the amount of waste, focusing on increasing the recovery rates even further, and creating a recycling economy. A separate project working on lighting in our facilities is under way, with a clear ambition of reducing the electricity usage.

For 2015 we have an ambition of conducting our own testing of products from a broad selection of our current assortment and with representation from different suppliers and from all categories. We also have a clear ambition to increase the number of supplier inspections and audits.

We will continue building our close relationship with the authorities and follow legislations and changes closely. We support the local communities, working every day to encourage healthy lifestyle and physical activity. We intend to inspire children and young people to participate in sports, play and be members of sporting teams. XXL Children Foundation intends to donate to a new project annually.

XXL invests in people, which is the most important factor. We will inspire and motivate our employees by education and training. Going forward we will raise awareness and understanding of our sustainability work. As an employee in XXL you receive a unique working environment with professional opportunities, the best training in the industry and attractive compensation and benefits. Our common motto is to be the best, make money and have fun!

Fredrik Steenbuch
CEO

About XXL ASA

XXL is a leading sports retailer of a wide range of branded sports equipment and apparel with stores and e-commerce in Norway, Sweden and Finland. We believe we are the fastest growing among the major sports retailers in the Nordics. XXL pursues a broad customer appeal, offering a one-stop shop experience with a wide range of products for sports, hunting, skiing, biking and other outdoor activities, as well as sportswear, shoes and health & fitness products. The XXL concept is to have the largest stores with the lowest prices and the widest assortment of products, focusing on branded products.

XXL has a strong, performance-based culture throughout the organization. The core objective revolves around customer satisfaction and cost consciousness and thereby maximization of the Group's profitability. Skilled and motivated employees are crucial to maximizing customer satisfaction. The vision of XXL is to be the paradise for people interested in sports, outdoors and wildlife.

XXL's objective is to be the leading distribution channel for a unique range of branded sports, outdoors and wilderness products at low prices. To meet this objective, our strategy is to capitalize on the expected growth of the sports retail market and improve its competitive position by taking advantage of the scalability of our operations – in terms of supply chain operations, IT systems and store concepts.

XXL expects to sustain continued like-for-like growth and believes in a potential to grow further in Norway, Sweden and Finland, both in respect of physical stores and e-commerce business. In addition, we believe that we have a strong potential to access physical and e-commerce markets in other European countries with similar consumer characteristics, climate and seasons. XXL's scalability is a critical factor in implementing these strategies. The strategy is to maintain and build on the Group's key strengths, including by:

- Continued store roll-out in existing markets
- Developing new initiatives to drive e-commerce and omni-channel platform
- Continued focus on XXL's customer proposition to drive like-for-like growth
- Focusing on cost throughout the value chain
- Focusing on improving profitability in Sweden and Finland
- Capturing new markets on the back of XXL's existing cost base and logistics

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.

XXL owns and operates all of our 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 merchandise to stores and oversee the replenishment of goods to the central warehouses. An integrated value chain means operations are simple and lean, which results in low costs.

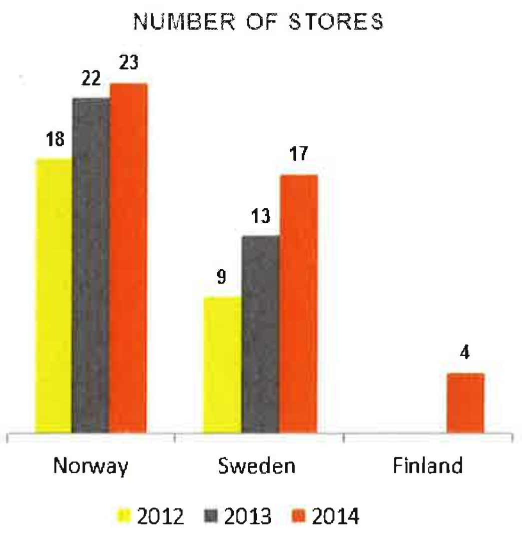
We have, and strives to maintain, lower operating expenses than the principal competitors. This is achieved by XXL's scale, integrated value chain and a continuous focus on costs whereby the Group exercises tight control over store-level expenses, central warehouse expenses, real estate costs and corporate overhead. The cost consciousness and low cost base is critical to XXL as it enables XXL to meet competition by delivering price leadership. Moreover, it has enabled XXL to have higher EBITDA margin than its principal Nordic competitors over time.

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 a specialist stores within a store concept for 1) sports, health & fitness, 2) shoes, 3) sportswear, 4) outdoor, 5) ski/bike and 6) hunting. 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 skilled category specialists for each section of the store.

XXL had in total 44 stores at the end of 2014, 23 stores in Norway, 17 stores in Sweden and 4 stores in Finland. XXL leases all of its stores. 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 has successfully opened new stores in city centers as well as suburban areas. In larger cities such as Oslo, Bergen, Stockholm and Helsinki, XXL has opened more than one store. This allows us to take advantage of local synergies for example in respect of marketing. Local transport 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.

Store development per country:



E-commerce and omni-channel
XXL operates websites for e-commerce in Norway, Sweden and Finland with xxl.no, xxl.se and xxl.fi. The websites are an extension of the XXL brand and the XXL stores and serves as direct channels and as platforms for marketing of the brand as well as product education. XXL uses multiple channels to drive traffic to the websites, including newspaper ads, marketing material in the retail stores, search engine marketing, internet ad placement, social media and email marketing such as weekly newsletters. The websites are also used to provide information on upcoming events, promotions, new products and store locations.

The websites feature a similar range of merchandise as offered in the stores at generally the same prices as in the physical store. However, due to the dynamics in the online market, certain prices may be reduced for online sale to meet competition and to enable XXL to keep its price promise.

We believe that the strong brand name and customer recognition offline is advantageous to the online offering. With our 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 the e-commerce expansion. Consequently, 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. Omni-channeling provides for a high degree of flexibility for the customer and also allows XXL to effectively use customer data to optimize marketing and facilitate cross-selling and up-selling. Currently, XXL has plans to expand and strengthen the omni-channel offering to drive visitors and transactions online. Amongst the steps in this process are further refinement of the webpages, increased product range offering, customer relationship set-up and customer service improvements, roll-out of pick up at store and optimizing logistics.

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 more than 400 suppliers, including well-known international brands and strong national brands. Our product ranges are tailored to meet national brand preferences and local conditions at low prices. We compare our prices to competitors on a daily basis and seek to offer customers the lowest 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 and clothing 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 in the stores 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 6% of the operating revenues in 2014 related to sales of private label goods.

The products are organized into six product categories to match the stores-in-store model.

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

  ✓ This category include brands such as Puma, Babolat, O'Neill, Tech, Wilson, Stiga, Nike, Bergans, Adidas, Bauer, CCM, Helly Hansen, Maxim

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

  ✓ Shoes includes brands such as Converse, Asics, Merrel, Nike, Puma, Adidas, Salomon, Scarpa, Sorel, Viking and Mizuno

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

  ✓ Sportswear products include brands such as Helly Hansen, Bergans, Haglofs, Swix, Craft, Nike, Casall and Adidas.

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

  ✓ Outdoor products include brands like Sølvkroken, Penn, Shimano, Helsport, Rider, Lundhags, Real Turmat, Meindl, Crispi, Scarpa, Bergans, Halti, Silv, Haglöfs and Abu Garcia.

- Skis & Bikes is the product category with the most seasonal fluctuations. This category covers skis and ski accessories, such as shoes, sticks, 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 vide range of bikes such as hybrid bikes, mountain bikes, city bikes and electric bikes.

  ✓ This category includes brands like Scott and Merida, DBS and Micro, Atomic, Fischer, Rossignol, Rottefella, Swix, Oakley, Madd, Giant, Head and Madshus.

- Hunting includes firearms and ammunition, clothes, binoculars, GPS equipment, knives and axes.

  Brands in this category include Garmin, Norma, Zeiss, Blauser, Chevalier, Bergans, Fiocchi, Umarex, Nikon, Commaster and Proequip.

Services
Keeping costs low is critical for XXL to be able to maintain its price strategy of having the lowest prices at all times. Due to the Group's scale and highly efficient logistics setup, XXL is able to offer low prices and a price promise. If a product is found at a lower price within 30 days of purchase of XXL, the customer is entitled to a refund of the difference. XXL also have 100 percent satisfaction guarantee in Norway and Finland 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 of purchase may be exchanged or fully refunded within 100 days of purchase (up to 365 days in Sweden).

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. XXL's marketing activities mainly focus on smart marketing across channels to build brand awareness, increase customer loyalty, attract new customers and facilitate entry into new markets with new stores. Marketing activities principally relate to the promotion of XXL's stores and websites. XXL employs a range of marketing tools with direct marketing through weekly newsletters as the backbone of the marketing strategy. XXL also uses newspaper ads, TV-commercials, different online marketing and direct mails as well as presences in social media.

Sourcing and purchasing
XXL operates with a category focused purchasing model across countries. The Group's purchasing managers have full responsibility and discretionary power over their product category, including in negotiations with suppliers. The purchasing manager is responsible for all products in his/her category throughout the value chain, also covering marketing and providing input on in-store placement. This makes the purchasing process efficient and flexible, enabling XXL to adapt to trends and meet demand for new products.

To ensure that the Group's product offerings are tailored to local market conditions and demand, the Group's purchasing managers regularly meet with the Group's vendors, review trade sales and evaluate merchandise offered by other sports retailers, in addition to frequently gathering feedback and new product reviews from store management and employees, as well as reviews submitted by the Group's customers.

XXL purchases goods form 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 in Norwegian stores and internet sales in Norway, and similar sold by XXL Europe GmbH to XXL Sport & Vildmark AB in Sweden and XXL Sport and Outdoors OY in Finland. The Group's private label products are produced by manufacturers abroad, mainly in Asia.

Logistics and distribution

XXL has centralized inventory management which employs a customized min-max system for in-store inventory levels to enable high inventory turnover and optimal in-store inventory levels. The central inventory management system performs continuous in-store inventory checks and redefines the min-max levels when needed.

The Group owns and operates all of its stores without joint ventures or franchise agreements, which allows for total control of the entire value chain. Further, the Group has two central warehouses, one in Gardermoen Norway (outside EU) and one in Ørebro Sweden (inside EU). The Norwegian warehouse serves the Norwegian market, the Swedish serves Sweden and Finland and has capacity of serving the first steps of entry into new European markets. Both warehouses are equipped with state of the art robotics (Autostore) which allow 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.

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

IT-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, which is critical to management's ability to drive strong store level performance.

Expansion opportunities
XXL believe we could increase the store base in the Nordics to around 80 stores in total in the coming years. With the Group's cost control, uniform store layout with six specialist stores-in-store and broad product ranges, XXL is able to take advantage of synergies during roll-outs of each store and open new stores with minimal incremental investments and costs at headquarters and central warehouses.

XXL has developed a rigorous process for entry into new countries which is based on a methodology with more than one thousand steps to be ticked off prior to new market entry. The preparations for entry into new countries take minimum two years from the market assessment, site visits, lease negotiations and signing, building business case, management decision and recruitment and training of store personnel. XXL's key criteria for such market entry are sports seasons (ideally four seasons markets), sporting goods spending per capita, competitive dynamics and most importantly XXL's ability to compete on cost and consequently on price.

Industry and Markets
XXL is currently serving the Norwegian, Swedish and Finnish sporting goods markets with an omni-channel offering through large unit stores and e-commerce. XXL is offering a full range of sporting equipment and apparel at low 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 Nordic market is companies operating under a franchise or buying group 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 G-Sport, Intersport and Sport 1 in Norway, Team Sportia in Sweden. Chains primarily relying on a franchising structure typically also have, to a varying degree, some stores operated by the chain.

Less prevalent in the Nordic market are stores that are operated by a single company, such as us, Stadium in Sweden and G-max in Norway. 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.

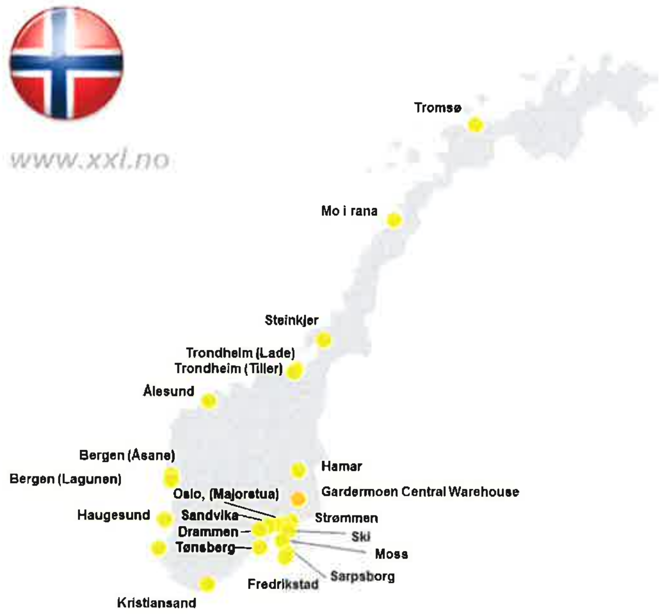
A number of discount and general retailers offer a range of sporting goods in addition to other general merchandise, and in many cases offer a wide range of products across the full spectrum of sport categories. Key players in the Nordics include Coop, Ullared, NK, Prisma and Citymarket.
With the rise of e-commerce, a number of pure online players focusing on sporting goods have emerged, including players that have started up in the Nordic market, including Sportamore and Outnorth. 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 pure online players have the advantage of avoiding costs related to physical stores. However, they have smaller operations that currently do not represent a significant part of the overall sporting goods market.

Drivers and trends
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 are all among the most prosperous in the world as measured by GDP per capita. OECD forecasts that the Norwegian, Swedish and Finnish economies will show GDP growth rates in the period 2015-2018. The economies of Norway, Sweden and Finland are also strong when considering unemployment rates as well as expectations for growth in private consumption. We believe that our strategy of offering attractive value to consumers has made the business resilient in the face of adverse macroeconomic conditions, as consumers become more price-sensitive, which have strengthened our position relative to competitors. Our entry into Finland serves as a good example of this.
- Health, wellness and trends in physical activity. The Nordic populations have always been perceived as physically active and sports are part of the Nordic everyday life. We believe health and wellness is a key trend and an increased wish among the consumers to identify themselves with an active lifestyle. Consequently, strong public promotion of, and a positive attitude towards, health and fitness is observable in all the Nordic markets.

- Participation in sports and competitions. The Nordic region has in recent years experienced a sharp popularity increase of larger sports competitions, especially within endurance based outdoor athletics such as running and bicycling in the summer season and cross-county skiing in the winter. The clear effect of this is that a broader share of the population becomes interested in sports.
- 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, GPD, heart rate monitors, wearable technology and cameras.
- Weather and seasonal patterns. Given the popularity of both winter and summer sports, the countries have a clear four season sporting environment which is a key characteristic affecting the sporting goods market. The demand for sports retail merchandise, and consequently the required store inventory, changes dependent on the time of the year. Although the local weather can impact local sales, sales across the Nordic region 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 shift merchandise to the regions with the highest demand.
- Fashion trends and retail industry fragmentation. Several of the categories we sell are heavily influenced by fashion trends and are increasingly becoming lifestyle products for the consumers. Sports shoes and sportswear are the clearest examples. The industry is expanding into products traditionally sold by specialist fashion and shoe retailers as well as other categories such as health & wellness and home products.

The Norwegian market
XXL opened the first store in Norway in 2001, growing to 23 stores at the end of 2014 and revenues of NOK 3.3 billion for 2014. The market share increased from 23.0 per cent in 2013 to 25.4 per cent at the end of 2014, according to Sportsbransjen AS.



From a demographic perspective, consumer interest in proactive health management is evident across all age groups but stronger among men than women. In addition, demand is growing among groups seeking to compete as teams. In particular, corporations and similar organizations are actively promoting a healthy lifestyle among their employees and use sports competitions as a team building activity both internally and in external relations. It has also become a sign of social status for families to be physically active. The very strong market growth from 2003 to 2010 of approximately 8.4 per cent CAGR slowed down in 2010 and from 2010 to 2013 the market grew by a more modest 1.8 per cent CAGR. The market growth in 2014 was 5.2 per cent according to Sportsbransjen AS.

The sports retail industry has experienced a long-term trend of declining number of stores characterized by an increase in chain formation 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, which led competitors to also establish larger stores at the expense of more traditional store formats.

The Swedish market

In 2010 XXL started in Sweden and currently has 17 stores. To date we have captured a significant share of the market and according to Sportfack reaching 9.3 per cent in 2014 up from 7.1 per cent in 2013, making XXL the fastest growing sports retailer in Sweden. The largest market incumbents have experienced flat to decreasing market shares over the same period. Our total revenues for 2014 in Sweden amounted to NOK 1.6 billion, a growth rate of 41 per cent.

Based on the official numbers provided by the Swedish industry association Sportfack, the Swedish sports retail market has experienced an expansion the last ten years. Most of the growth occurred in the four years leading up to 2010, a period in which total sales expanded with a CAGR of 6.4 per cent. In 2014 the market growth was a more modest 1.9 per cent.

The Swedish market has traditionally been dominated by the three chains Stadium, Intersport and Team Sportia. XXL has in a short period captured a considerable share of the market.

The Finnish market

Though still in the early stages, XXL's entry into the Finland is a success. The first store opened in 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. We opened three additional stores during 2014 and the total number of stores at year end equaled 4 stores. We believe we are developing a solid presence in the Finnish market with an estimated market share of 3.5 per cent at the end of 2014 (source Sporttimyyjä), after only 9 months of operation.

In the period between 2006 and 2013, the Finnish sports retail market grew at a CAGR of 4.2 per cent per year. The market has increased since 2011 despite a contraction of the overall Finnish economy, showing superior performance in comparison with many other retail sectors. In 2014 the market grew by 1.3 per cent.

As is the case with the other previously mentioned Nordic markets, the Finnish market is largely characterized by chains organized through franchisees and buying groups. In addition, hypermarkets are more prevalent in Finland and thus contribute to a slightly different competitive dynamic. Many international chains have been attracted to enter the Finnish market. Over the past 7 years, Intersport has been vastly dominant.

Board of Directors' Report

XXL is a leading sports retailer of a wide range of branded sports equipment and apparel with stores and e-commerce in Norway, Sweden and Finland. We are the fastest growing among the major sports retailers in the Nordics, and in 2014, XXL became the largest sports retailer in terms of revenues. XXL pursues a broad customer appeal, offering a one-stop shop experience with a wide range of products for sports, hunting, skiing, biking and other outdoor activities, as well as sportswear, shoes and health & fitness products. The XXL concept is to have the largest stores and the widest assortment of products, focusing on branded products. XXL had in total 44 stores at the end of 2014, 23 stores in Norway, 17 stores in Sweden, 4 stores in Finland, and e-commerce in all three markets.

The Groups headquarter is in Oslo (Norway), but the Group also has an office in Stockholm (Sweden) and Helsinki (Finland), as well as a purchase department in Lucerne (Switzerland).

The single most important happening in 2014 was the expansion into Finland. From April to December XXL has opened four stores and e-commerce with great success. As well, the new central warehouse in Sweden that opened October 2013 has improved the supply chain and margins in Sweden, and has made it easier to expand into Finland. Another big happening in 2014 was the IPO of the XXL share which was successfully noted at Oslo Stock Exchange the 3rd of October at a price of NOK 58 per share.

Delivering growth and efficiency

XXL's objective is to be the leading distribution channel for a unique range of branded sports, outdoors and wilderness products at the lowest prices in the market. To meet this objective, XXL's strategy is to capitalize on the expected growth of the sports retail market and improve its competitive position by taking advantage of the scalability of its operations in terms of supply chain operations, IT systems and store concepts. The strategy is to maintain and grow the Group's key strengths including:

- Continued store roll-out in existing markets
- Developing and improve the E-commerce and omni-channel platform
- Focusing on XXL's customer proposition to drive like-for-like growth
- Cost focus throughout the value chain

Enthusiastic and sales oriented organization

XXL has established a strong, performance-based culture throughout the organization. The culture revolves around customer satisfaction and cost consciousness. Competent and motivated employees are crucial to maximize customer satisfaction. The business is based on trained, skilled and enthusiastic employees strengthening the XXL brand every day.

For each store XXL opens additional ~50 employees are hired. For many of the latest stores there has been over 2 000 applicants for those ~50 positions, and indicates that XXL is an attractive place to work.

Market conditions

XXL operates in the three Nordic markets Norway, Sweden and Finland. The Nordic populations have a high degree of sports interests and are perceived as physically active and equipment focused. The markets are characterized by having the same climate and seasons but to some extent different economic strength and consumer behavior.

The wide range of sports undertaken by the Norwegian, Swedish and Finnish populations is driven by the climate conditions in the region and seasonal changes. The demand for sports goods, and consequently the store inventory, changes dependent on the time of the year. Unfavorable weather conditions can affect demand in certain regions and product categories. The fully integrated model of XXL with a central purchasing function is to some extent less exposed to these seasonal trends, having the ability to shift goods to the regions with highest demand and rapidly switching from winter to summer assortment. The fourth quarter 2014 was impacted by mild weather for October and November in the entire Nordic region, but with more cold in the latest part of December. Reporting like-for-like growth under difficult conditions proves that the XXL concept is dynamic and not dependent on perfect seasonal conditions.

Organisation, Working Conditions and the Environment

The working environment and the employees

The Group has 3 019 employees (incl. full- and part time) at year end 2014 (2 305 in 2013). Leave of absence due to illness totaled at 5.1 % of total working hours in the Group in 2014 (4.1 % in 2013). No incidences or reporting of work related accidents resulting in significant material damage or personal injury occurred during the year.

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 Group has traditionally recruited from environments equally dominated by both men and women. The Group has 3 019 employees, of which 1 105 are women.

Discrimination

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 our business. Included in the activities are recruiting, salary and working conditions, promotion, development opportunities and protection against harassment.

Environmental and sustainability report

The mission of XXL is to be the leading Nordic sports retailer and a paradise for people with interest in sports, outdoors and wildlife. As such, our mission supports an active and healthy lifestyle. Our business is based on trust and for our stakeholders to feel confident about XXL, ethics and values have to play a prominent role in all our operations. Ethical conduct is good business. Ethics is an everyday concern and every action taken by XXL and by each employee must at all times satisfy the highest possible ethical, moral and legal standards. XXL is committed to operating in accordance with responsible, ethical and sound corporate and business principles and in compliance with the applicable laws and public regulations. This requires the collective effort of all the employees of the Group. 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.

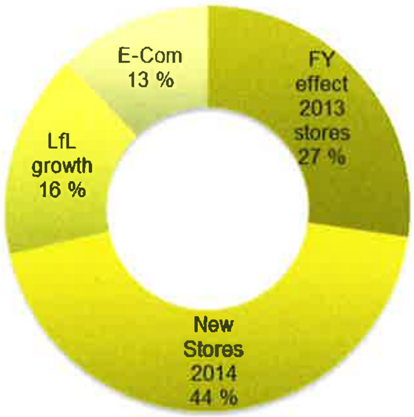
The XXL Group respects human and labor rights, establishes good environmental, health and safety standards, facilitates good dialogue with stakeholders and generally operates in accordance with applicable regulatory frameworks and good business practice.

For more information on XXL's corporate responsibility and environmental work, see XXL's Sustainability Report on http://www.xxlasa.com/investor

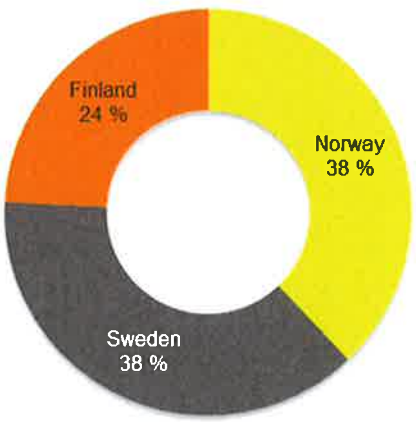
Consolidated Income statement

XXL had a total operating revenue of NOK 5 215 million (NOK 4 010 million) which is an increase of 30 per cent. The growth is driven by all three markets, and in both physical stores and e-commerce. During 2015 XXL opened four stores in both Sweden and Finland, and one store in Norway. The new stores equaled 44 % of the growth in 2014, where the rest of the growth is driven by full year effect of stores opened in 2013 as well as organic growth from existing stores and e-commerce. Existing stores before 2013 (Like for Like) increased by 5.7 per cent compared to 2013.

SHARE OF GROWTH BY MATURITY 2014



SHARE OF GROWTH BY GEOGRAPHY 2014



The gross margin ended at 40.9 per cent (40.2 per cent) which is an increase of 0.7 percentage points despite higher share of the growth outside Norway with lower margins. The most important driver for the increased margin is the new central warehouse in Sweden, opened in October 2013. Operating expenses without cost of goods and depreciations/amortization ended at 29.4 per cent of total operating revenue (28.7 percent) which is an increase of 0.7 percentage points. The increase is related to one off cost of the IPO process. Adjusted for one off costs the operating expenses was 28.7 per cent which is equal to 2013.

Operating income (EBIT) ended at NOK 521 million (NOK 401 million) which is an increase of 30 per cent. Adjusted for the one off cost the operating income ended at NOK 557 million, an increase of 38.9 per cent compared to 2013. Better gross margin and logistics are the most important drivers for the improvement.

Net financial expenses in 2014 were NOK 182 million (NOK 225 million). The improvement in net financial expenses is related to the repayment of the shareholder loan and the new bank loan signed in July 2014 with significantly better terms than the existing loan.

Profit before tax were NOK 339 million (NOK 176 million) and Profit for the year were NOK 262 million (NOK 125 million). Basic earnings per share were NOK 1.53 (NOK 0.46).

Consolidated Balance Sheet and Cash Flow Statement

Total assets were NOK 5 333 million at the end of 2014 (NOK 4 834 million) which is an increase of 10.3 per cent from 2013. The most important driver for the increase is additional nine new stores to the Group, but also growth in the existing stores has an impact on total assets. Inventory per store (Incl. e-commerce) were NOK 30.3 million (NOK 29.0 million) which is an increase of 4.7 per cent and is lower than the Like for Like and e-commerce growth. Total trade and other receivables were NOK 284 million (NOK 227 million) which is an increase of 25.5 per cent.

Net interest bearing debt was NOK 1 097 million (NOK 2 707 million). The decrease is related to the repayment of the shareholder loan at the IPO. Net cash position was NOK 222 million (NOK 170 million). Adding available credit facilities, the liquidity reserve was NOK 522 million at the end of 2014. Adjusted for the one off costs and net cash position the Net Interest Bearing Debt / EBITDA were 1.5 x. Total shareholders equity was NOK 3 219 (NOK 1 173 million) which gives and equity ratio of 60.4 per cent (24.3 per cent). The increase is mainly related to conversion of the shareholder loan to equity at the IPO.

From the Cash flow statement the Cash provided by operating activities was NOK 325 million (NOK 407 million). The most important reason for the decreased cash flow is periodization of accounts payables. An increase in inventory in late 2013 led to an increase in accounts payables. This increase in accounts payables in late 2013 had a negative cash effect for 2014, according to due payments.

Cash used for investing activities were NOK 142 million which is down by 10 million compared to 2013.
Included in financing activities is a transfer of NOK 10 million to XXL Children Foundation where the aim is to support activities targeted for children in difficult areas of the World.

Net change in cash and cash equivalents was NOK 52 (NOK 114 million) the decrease for 2013 is mainly related to change in the operating activities and accounts payables.

Together with the positive development of the income statement and the solid liquidity position the Board of Directors is strengthen in their view of going concern and further growth.

Outlook for 2015
Total operating revenue in Q1 2015 grew by 32.3 per cent, to NOK 1 369 million.

XXL has signed 7 new lease agreements for new store openings in 2015, and aims for 7-8 new stores in total. This is one less than last outlook and is related to one store that may be postponed to 2016 due to local regulations. The Group expects the new store openings to be back-end loaded. The first store opened in Finland on 24 March 2015 (Espoo – Helsinki west).

The main share of the growth will be outside Norway. Finland is still under establishment and it will be an achievement to deliver positive EBITDA in 2015. Sweden had a good improvement in the margin in 2014 due to the new central warehouse. Margin improvement going forward will not be in the same pace as in 2014.

The Group maintains the following long term objectives (as compared to 2013 figures):

- Like-for-like growth of mid-single digits over time
- E-commerce share of total revenues of low double digits
- Gross margins to be stable. For Norway maintained at the same level, increasing to high 30's in Sweden and Finland
- EBITDA-margin stable as a result of stable gross margins and operating expenses. In Norway at low 20's, in Sweden low double digits and in Finland high single digits.

Risks
Financial risk
The Group uses financial instruments such as bank loans and shareholder 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 revenue 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. The Group uses derivatives to hedge risks associated with fluctuations in interest rates.

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 and accrued income.

Market 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. The Group constantly monitors the interest rate level and uses derivatives to adjust the effective interest rate exposure when necessary.

Corporate 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 the competitiveness and reputation, will continue to put pressure on the pricing strategy, net sales growth and profitability.

Customer tastes 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 faced with an increased amount of unsold inventory. This could lead to the need of more promotional sales and could 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. XXL's results are also to some extent affected by periods of abnormal, severe and unseasonal weather conditions, such as unfavorable snow conditions. The efficient logistics of the Group provides for the ability to rapidly switch from winter to summer assortment. The XXL concept is dynamic and not dependent on perfect seasonal conditions.

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

Allocation of net income (Group)
The Board of Directors has proposed a dividend payout of NOK 2 per share due to the strong financial position of the Group. The dividend payout equals 79 per cent of adjusted net income, where the adjustment is related to the one off cost in the income statement. The dividend policy is still at around 40 per cent of Net profit.

Dividend payout	NOK 277 million
Other equity	NOK -15 million

Responsibility Statement
We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2014 has been prepared in accordance with current applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole, as well that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Oslo, 28 April 2015

Øivind Tidemandsen
Chairman of the Board

Ronny Blomseth
Board Member

Anders Misund
Board Member

Tore Thorstensen
Board Member

Fredrik Steenbuch
CEO

Anna Attemark
Board Member

Ingrid Osmundsen
Board Member

Mernosh Saatchi
Board Member

Corporate governance at XXL ASA

1. Implementation and reporting on corporate governance
XXL considers good corporate governance to be a prerequisite for value creation and trustworthiness and for access to capital. As a result, XXL is committed to maintaining high standards of corporate governance. In order to secure strong and sustainable corporate governance, it is important to ensure good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the XXL Group.

XXL has governance documents setting out principles for how business should be conducted. These apply to all XXL units. The XXL governance regime is approved by the Board of Directors, which has the overall supervision for corporate responsibility at XXL and ensures that the Group implements sound corporate governance principles.
The 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 30 October 2014. XXL comply with the Code of Practice and the compliance is detailed 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 is designed to establish a basis for good corporate governance, to support achievement of the Group's core objectives on behalf of our shareholders, including the achievement of sustainable profitability for the shareholders of XXL. The manner in which XXL is governed is vital to the development of XXL's value over time.

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

By pursuing the principles of corporate governance, approved by the Board of Directors of XXL, the Board of Directors and 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 prime objectives is equal treatment and equal rights for all shareholders.
- Control and management – good control and corporate governance mechanisms shall contribute to achieving predictability and reducing the level of risks for owners and other interest groups.

The development of, and improvements in, the company's corporate governance principles are an on-going and important process that the Board of Directors focuses on. XXL's vision is to be paradise for people interested in sports, outdoors and wildlife. This is reflected in the Section 3 of the Articles of Association, which reads "The company's business operation is trade business within sport and wilderness products and other business operations that are naturally related therewith. The business can be conducted by the company itself, by subsidiaries or through participation in, or in cooperation with, others". XXL needs to interact in an open and responsible way with all the relevant stakeholders to be able to create a profitable business over time. Our corporate governance policies are designed in order to be true to this commitment.

3. Equity and dividends
The company's equity capital is considered to be at a level appropriate to XXL's objectives, strategy and risk profile. XXL believe we have the capacity of combining strong growth and dividend distribution. When proposing a dividend the Board of Directors will take into account legal restrictions as set out in the Norwegian Public Limited Companies Act of 13 June 1997 no. 45, the company's capital requirements including capital expenditure requirements, its financial condition, general business conditions and contractual arrangements in place at the time of the dividend declaration that could limit the ability to pay out dividends and the financial flexibility. The target is a dividend pay-out ratio of at least 40 per cent of the Group's annual, normalized profit. For 2014 it will be adjusted for the interest expense and the impact on income tax expense related to a shareholder loan (that was converted to equity and paid down at the time of the IPO) and the non-recurring costs related to the IPO in October 2014. Due to the strong financial position of the company, the Board proposes a dividend of NOK 2.00 per share for the financial year 2014. This represents around 80 per cent of normalized profit for 2014. Dividend payments are subject to approval by the Annual General Meeting, the next to be held at 27May 2015.

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 a period of 18 months. XXL will however limit the duration for such authorizations to 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 Extraordinary General Meeting held on 15 September 2014, the Board of Directors was granted authorization to increase the share capital of the company by a maximum of NOK 54,722,400. The authorization is valid until the Annual General Meeting in 2015, but no longer than to 30 June 2015.

The Board of Directors has also been granted authorization to repurchase the company's own shares within a total nominal value of NOK 3,500,000. 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 2015, but no longer than 30 June 2015. The authorization can be used to acquire shares as the Board of Directors deem appropriate, provided, however, that acquisition of shares shall not be by subscription.

In March 2015, XXL bought in total 105,000 own shares, representing 0.08 per cent of the total outstanding shares in the company. This is to cover for shares in relation to a restricted share unit program for employees in XXL which vest in March 2018.

4. Equal treatment of shareholders and transactions with close associates

Equal treatment of all our shareholders is core in how XXL approach 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.

Any decision to waive the pre-emptive rights of existing shareholders to subscribe for shares in the event of an increase in the share capital will be explained. 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.

There have been no significant transactions between the company and closely related parties in 2014. If XXL should enter into agreements or transactions with closely related parties within the company, or with companies in which a leading director or leading employee of XXL or close associates of these have a material direct or indirect interest, the agreements or transactions will immediately be notified to the Board of Directors. Any such agreements or transactions must be approved by the Board of Directors and be publicly disclosed if required. In the event of an agreement or transaction between the company and closely related parties, the Board of Directors will arrange for an independent valuation overview from an independent third party, unless the agreement or transaction requires an approval of the General Meeting.

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

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

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

5. Freely negotiable shares

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.

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

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

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

The chairman of the Board of Directors, the chairman of the nomination committee, the Group CEO and CFO as well as the auditor will under normal circumstances be present at the General Meeting in person.

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

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

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

7. Nomination committee

XXL has established a nomination committee pursuant to the Articles of Association and shall consist of two or three members who are shareholders or representatives of shareholders. The majority shall be independent of the Board of Directors and the executive management. The members of the nomination committee, including the chairman, are elected by the General Meeting for a term of two years. With effect from the IPO in October 2014, the nomination committee consists of two members, Ingar Solheim (chairman) and Robert Iversen. Currently no member of the nomination committee is a member of the Board of Directors or the executive management. The nomination committee shall give recommendations for the election of shareholder elected members of the Board of Directors and remuneration to the members of the Board of Directors. The remuneration to the members of the nomination committee is determined by the General Meeting. The General Meeting may adopt instructions for the nomination committee.

XXL has established an instruction for the nomination committee, as adopted by the Extraordinary General Meeting of 15 September 2014, which includes recommendations for the tasks described above. When nominating members to the Board of Directors, the nomination committee should look at competence and diversity, legal requirements, independence from the executive management and any significant business associates, at least two of the members should be independent of company's principal shareholders and that members of the executive management should not be members of the Board of Directors. Remuneration of the Board of Directors should take into account the significance of the Board of Directors and that the suggestion is suited to the character and time commitment of the tasks it carries out. The recommendations from the nomination committee will be explained and how they fulfill the need of the shareholders and the company. The nomination committee must look actively to the shareholders and anchor the recommendation with the company's largest shareholders. It must ensure that information is made available on the company's website of any deadlines for proposing candidates or making suggestions to the nomination committee regarding elections of members to the Board of Directors and nomination committee. The recommendations should be given together with the notice of the General Meeting.

8. Corporate assembly and composition and independence of the Board of Directors
XXL's Board of Directors shall consist of a minimum of three and a maximum of seven members. The Board of Directors is responsible for the management of the company, including appointment of the CEO to assume the daily management of the company. The composition of the Board of Directors in XXL ASA is in compliance with the independence requirements meaning that the majority of the shareholder elected members of the Board of Directors is independent of the company's executive management and material business contacts. At the same time more than two of the elected members of the Board of Directors are independent of the company's main shareholders, meaning shareholders holding more than 10 percent of the total outstanding shares in the company. In the company's view all the members of the Board of Directors are independent from the executive management and material business contacts, and all except for chairman Øivind Tidemandsen and board member Anders Misund are independent from the main shareholders. 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 two years unless the General Meeting decides otherwise, but a member may be re-elected.

The members of the Board of Directors are encouraged to own shares in the company. Currently all members have shares, please see note 13 in the consolidated financial statement for the overview of share ownership.
XXL ASA has no corporate assembly.

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

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

The Board of Directors has established a remuneration committee and an audit committee. The remuneration committee shall have at least two members of the Board of Directors and comprises for the time being of two members, Øivind Tidemandsen (chairman) and Anders Misund. The primary purpose of the remuneration committee is to assist the Board of Directors in discharging 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 Anders Misund (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, 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 current composition of the Board of Directors has only been in place since the IPO of the company in October 2014. The Board of Directors will carry out its first evaluation of its performance for the financial year 2015. The evaluation report will be presented to the nomination committee.

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 is 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 and monitors 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 is responsible for managing activities related to this. In order to manage foreign currency risk exposure, XXL hedge approximately 50 per cent of its purchases. The Group is exposed to interest rate risk through its financial activities. The interest-bearing debt has floating rates, which means it is affected by changes in interest rates. The purpose of the Group's interest rate risk management is to reduce interest costs and at the same time keep the volatility of future interest payments within acceptable limits. The Group constantly monitors the interest rate level and uses derivatives to adjust the effective interest rate exposure when necessary. XXL monitors liquidity flows, short- and long-term, through reporting and forecasting, that better control the liquidity risk. The management of credit risk related to trade and other receivables is handled as part of business risk, and is continuously monitored by XXL's finance department. The Group mitigates this risk by ensuring that all parties requiring credit, such as customers, are approved and subject to credit check. Policies are in place to ensure that sales are made with customers who have not had significant problems with payment and the outstanding amount does not exceed the established credit limits. XXL has agreements with third parties related to recoverability of trade receivables from online sales and supplier bonuses. In order to comply with the arm's length principle as promulgated 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 the 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 numbers to the Board of Directors on a monthly basis, so reporting instructions are communicated each month following internal meetings after review to identify any significant misstatements. Based on the reported numbers from the reporting units, the finance department consolidates the Group numbers. 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, namely principles of corporate responsibility and Code of Conduct. 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 section Sustainability report.

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. Board members are not granted share options and none of them (or any company associated with such member) have specific assignments for the company in addition to their duties as board members except for the chairman 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 done on a non-pay basis and is known for all the other members of the Board of Directors. Currently all the board members have shares in the company.

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

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 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 for 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 components like benefits upon termination, car, internet access and phone expenses. Executives on expatriate contracts have various other costs covered by the company. The annual salary adjustment for employees in Norway forms the basis for the XXL's executive management salary development. Members of the executive management do not receive separate remuneration for board membership in XXL subsidiaries.

The Group has established a bonus scheme for the executive management, which is based on results before tax exceeding the budget and individual targets (personal or professional development). Maximum bonus under the scheme is 50 percent of the respective employee's gross base salary. Bonus with regards to results exceeding budget is paid with the NOK 50,000 per NOK 900,000 exceeding budget up to a maximum of 40 percent of the employee's gross base salary. Bonus relating to individual targets is calculated on the basis of the parameter awarded the different achieved targets, up to a maximum of 10 percent of the employee's gross base salary. The Group does not include bonus payments in the basis for calculation of holiday pay and pension.

In March 2015 the Group introduced the first share incentive program for the executive management and key employees by granting share options to such persons. This is in order to further strengthen the common interests with the shareholders. The options will vest after three years after grant, subject to key performance criteria being met and that the holder at the time of exercise is employed in the Group. The key performance criteria is equal to all and is an absolute EBITDA-target as defined by the future business plan. The company may honor options when exercised in shares or cash. The theoretical value of the share option program is NOK 8.25 million, calculated according to the Black-Scholes model.

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 27 May 2015 are disclosed in note 3 in the consolidated financial statements. For information on salary and other benefits for 2014 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.

13. Information and communications

XXL's communication with the financial market is based in 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 in Europa and the United States. 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.

14. Take-overs

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

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

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

15. Auditor
The external auditor participates in meetings with the audit committee or the Board of Directors when matters falling committee a description of the main elements of the audit for the preceding financial year, including in particular the elements that caused the most discussions with the executive management and material weaknesses uncovered related to internal controls of the financial reporting process and proposals for improvement. The auditor participates in meetings of the Board of Directors and the audit committee that approves financial statements. Once a year the Board of Directors holds a meeting with the auditor and no member of the executive management participate.

Norwegian laws and regulations stipulate the type of non-audit services that external auditors can perform for XXL.

within the scope of the external auditors responsibilities are considered. The external auditor provides to the audit

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.

Shareholder information

XXL ASA was listed on the Oslo Stock Exchange on 3 October 2014 at a price of NOK 58.00. The share price closed the year 2014 at NOK 73.30, giving a return of 26.4 percent.

There were 138,512,123 outstanding shares at the end of 2014. XXL had 3,436 registered shareholders as per the Norwegian Central Securities Depository (VPS). The largest shareholder was Xin Holding Guernsey Limited (EQT) with an ownership of 28.06 percent, followed by Dolphin Management AS (COB Øivind Tidemandesen) with 24.72 percent.

Financial calendar 2015:

- 29 April 2015 – Q1 2015 results
- 27 May 2015 – Annual General Meeting
- 23 July 2015 – Q2 2015 results
- 28 October 2015 – Q3 2015 results

Consolidated financial statements - Group

Statement of total comprehensive income

Figures are stated in NOK million	Note	2014	2013
Net sales	2	5 212	4 008
Other income		3	2
Total Operating Revenue		**5 215**	**4 010**
Cost of goods sold		3 083	2 399
Personnel expenses	3	799	606
Depreciation and amortization	4,5	80	59
Other operating expenses	6	732	544
Total Operating Expenses		**4 695**	**3 609**
Operating Income		**521**	**401**
Interest income		8	3
Other financial income	18	93	39
Total Financial Income		**101**	**42**
Interest expense		194	249
Other financial expense	18	88	18
Total Financial Expense		**283**	**267**
Net Financial Income (Expense)		**-182**	**-225**
Profit before income tax		**339**	**176**
Income tax expense	7	77	51
Profit for the year		**262**	**125**
Basic Earnings per share (NOK)	14	**1,53**	**0,46**
Diluted Earnings per share (NOK)	14	**1,53**	**0,46**
Consolidated statement of comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Foreign currency rate changes		0	1
Total Other Income and Expense		**0**	**1**
Total comprehensive income for the year net of tax		**262**	**126**

Notes 1 to 21 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position – Assets

Figures are stated in NOK million	Note	31.12.2014	31.12.2013
NONCURRENT ASSETS			
Intangible Assets			
Trademarks	5	191	190
Proprietary software	5	20	15
Software	5	10	9
Goodwill	5	2 734	2 734
Total Intangible Assets		**2 955**	**2 948**
Fixed Assets			
Construction in progress	4	3	6
Machinery and equipment	4	57	60
Land and buildings	4	8	9
Transportation and vehicles	4	1	1
Fixtures and fittings	4	404	338
Total Fixed Assets		**474**	**413**
Financial Assets			
Loan to associates	10	0	4
Other investments		0	0
Total Financial Assets		**0**	**4**
Total Noncurrent Assets		**3 429**	**3 365**
CURRENT ASSETS			
Inventory			
Inventories	8	1 397	1 073
Total Inventory		**1 397**	**1 073**
Trade and Other Receivables			
Trade receivables	12	93	152
Other receivables	12,19	192	74
Total Trade and Other Receivables		**284**	**227**
Cash and Cash Equivalents			
Cash and equivalents	11	222	170
Total Cash and Cash Equivalents		**222**	**170**
Total Current Assets		**1 904**	**1 469**
Total Assets		**5 333**	**4 834**

Notes 1 to 21 are an integral part of the Consolidated Financial Statements

Consolidated Statement of Financial Position – Equity and Liabilities

Figures are stated in NOK million	Note	31.12.2014	31.12.2013
SHAREHOLDERS' EQUITY			
Paid-in Capital			
Share capital		55	109
Share premium		2 834	986
Total Paid-in Capital		**2 890**	**1 096**
Retained Earnings			
Other equity		330	78
Total Retained Earnings		**330**	**78**
Total Shareholders' Equity		**3 219**	**1 173**
LIABILITIES			
Deferred tax liability	7	52	41
Total Provisions		**52**	**41**
Other Non-Current Debt			
Other non-current debt	16,20	1 097	1 038
Loan from shareholder	20	0	1 669
Total Other Non-Current Debt		**1 097**	**2 707**
Total Non-Current Debt		**1 149**	**2 747**
Current Debt			
Accounts payable		455	415
Current debt	16,20	6	139
Derivatives	19	0	4
Tax payable	7	75	48
Public duties payable		185	120
Other current debt	16	245	188
Total Current Debt		**966**	**913**
Total Liabilities		**2 114**	**3 661**
Total Equity and Liabilities		**5 333**	**4 834**

Notes 1 to 21 are an integral part of the Consolidated Financial Statements

Oslo, 28 April 2015

Øivind Tidemandsen
Chairman of the Board

Ronny Blomseth
Board Member

Tore Thorstensen
Board Member

Anders Misund
Board Member

Anna Attemark
Board Member

Mernosh Saatchi
Board Member

Ingrid Osmundsen
Board Member

Fredrik Steenbuch
CEO

Consolidated statement of cash flows

Figures are stated in NOK million	Note	2014	2013
Operating Activities			
Profit before income tax		339	176
Income tax paid		-48	-25
Depreciation	4,5	74	59
Impairment of non-current assets	4,5	6	1
Changes in inventory		-324	-295
Changes in accounts receivable		60	55
Changes in accounts payable		40	147
Interest payments		53	80
Interest expense on shareholder loan		125	152
Amortisation of capitalised transaction costs		8	8
Fair value movement of financial derivatives	20	-4	-8
Prepayments of financial leases	17	-7	40
Changes in other assets and liabilities		4	17
Cash provided (used) by operating activities		**325**	**407**
Investing Activities			
Acquisition of fixed assets	4,5	-147	-152
Proceeds from disposal of financial assets		5	0
Cash provided (used) by investing activities		**-142**	**-152**
Financing Activities			
Payments on long-term debt		-68	-60
Interest payments		-53	-80
Proceeds from issuance of shares		1 794	0
Payment of shareholder loan		-1 794	0
Gift to Foundation		-10	0
Cash provided (used) by financing activities		**-131**	**-140**
Net Change in Cash and Cash Equivalents		**52**	**114**
Cash and cash equivalents - beginning of year	11	170	57
Effect of foreign currency rate changes on cash and equivalents		1	-2
Cash and Cash Equivalents - End of Year		**222**	**170**

Notes 1 to 21 are an integral part of the Consolidated Financial Statements

Consolidated statement of Changes in Equity

Figures are stated in NOK million	Share Capital	Share premium	Other Equity	Foreign Currency Rate Changes	Total Stockholders' Equity
Stockholders' Equity 31.12.12	**109**	**986**	**-48**	**0**	**1 048**
Net Income 2013			125		125
Foreign currency rate changes				1	1
Stockholders' Equity 31.12.13	**109**	**986**	**77**	**1**	**1 173**
Net income 2014			262		262
Gift to Foundation*			-10		-10
Foreign currency rate changes				0	0
Transactions with owners:					
Reduction in share capital [1]	-74	-1 046			-1 120
Proceeds from shares issued (private placement) [1]	8	1 113			1 120
Proceeds from shares issued (private placement) [2]	4	596			600
Proceeds from shares issued (Initial public offering) [3]	8	1 186			1 194
Stockholders' Equity 31.12.14	**55**	**2 834**	**329**	**1**	**3 219**

Notes 1 to 21 are an integral part of the Consolidated Financial Statements

Dividend of NOK 2 per share proposed for FY14.

The share capital as of 31.12.2014 is 55.4 million NOK

** Contribution to XXL Children Foundation*

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

1) Restructuring of the company's share capital, including (i) the redemption of the Company's class C shares; (ii) a share capital increase in which holders of class C shares subscribed for new ordinary shares in which the redemption amount received for the class C shares was set off against the consideration for the new ordinary shares

2) Share capital increase in which XIN Holding Guernsey Limited (an entity controlled by EQT V Limited, advised by EQT Partners) subscribed for new shares for an amount equal to the interest portion of the Company's outstanding debt to EQT V and the consideration payable for such ordinary shares was settled by way of set off against EQT V's entitlement to such interest amount.

3) In the Offering, XXL issued a total of 20,595,620 new shares, of which 20,501,708 shares issued to investors at a subscription price of NOK 58 and 93,912 shares issued to employees at a subscription price of NOK 52.1860, each with a par value of NOK 0.40, in connection with completion of the Offering.

Notes to the financial statements

Note 1 Accounting policies

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 and required for the financial year beginning 1 January 2014 or later, as well as Norwegian disclosure requirements pursuant to the Accounting Act per 31 December 2014.
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 equity or the statement of income.
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 (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognized in the statement of income. Non-monetary items are no retranslated at year-end and 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.

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 on consolidation, including unrealized gains and losses on transactions between Group companies.
Subsidiaries
Subsidiaries are all entities (including structured 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 recognises 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 recognised amounts of acquiree's identifiable net assets.

Revenue recognition
Revenue is recognized when it is probable that transactions will generate future economic benefits that will flow to the entity and the revenue can be reliably estimated. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.
Sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership, generally when the customer has taken undisputed delivery of the goods. Payment for retail sales is usually in the form of cash or credit card payment. When selling to the end user, the Group's policy is to give the customer the right of return within 100 days.
Interest income is reported on an accrual basis using the effective interest method.

Internet Sales
Sale of goods over the Internet is recognized when the product is sold to the customer, which is when the goods are shipped. All sales are settled by credit card.

Gift cards
Revenue from gift cards are recognized when redeemed or if it is unused for 12 months.

Income tax
Tax expense recognized in the statement of income comprises the sum of 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. Management continuously reviews the positions that are claimed in the tax returns where the applicable tax regulation is subject to interpretation. Based on these evaluations, provisions for anticipated tax payments are made, as necessary.
Deferred income taxes are calculated using the liability
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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary differences and it is probable that they will reverse in the foreseeable future.
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 carrying value of the accounts and any gain or loss is recognized.
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:
Buildings: 20 years
Machinery and equipment: 5-10 years
Inventory and vehicles: 5-10 years
Material residual value estimates and estimates of useful life are updated as requires, 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 mount 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.

Leased assets
Capital leases
The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognized at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a capital liability. Direct costs relating to the lease are included in the asset's cost.
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.
In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.
Operating leases
All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognized as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

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 recognized at the original invoice amount (fair value), less an allowance for impairment.

Warehouse cost
Warehouse and storage cost are recognized as other operating expenses. Transportation and related costs are recognized as cost of goods sold.

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
Financial instruments are classified into the following categories:
Fair value through profit or loss (FVTPL), held-to-maturity (HTM), loans and receivables, available-for-sale (AFS) and other liabilities.

The Group has financial instruments in the following categories: loans and receivables, fair value through profit or loss and other financial liabilities.
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet the criteria conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments. Assets in this category are measured at fair value with gains or losses recognized in profit or loss.
Financial guarantee contracts are measured at the higher of the provisions as described by IAS 37 "Provisions, contingent liabilities and contingent assets" and IAS 18 "Revenue," unless the contracts qualify for and are designated as instruments at FVTPL.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment.
Financial liabilities that do not fall into the category of held for trading and are not designated at fair value through profit and loss are classified as other liabilities. Other liabilities, along with loans and receivables, are measured at amortized cost.
All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit and loss are included within financial income or financial expenses.
For financial instruments 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 17.

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

Inventories
Inventories are stated at the lower of cost and net realizable value. Cost includes all expenses directly attributable to the manufacturing process, based on normal operating capacity. Cost is reduced by any bonuses and cash discounts from suppliers. Market support is not included in the cost. In the statement of income, volume based market support is presented as a reduction of cost of goods sold, while sales support billed suppliers for marketing service is presented as a reduction in marketing costs under other operating expenses. Any unused cash discounts deemed immaterial are not presented in the statement of income under financial expense. Inventory cost is recognized based on weighted average cost.

Cash and cash equivalents
Cash includes cash in hand and bank deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash with a maximum term of three months. 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 translation reserve
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.
A provision for warranties is recognized when the underlying products or services are sold. The provision is based on

historical warranty data and an assessment of all possible outcomes and the accompanying probabilities.

Contingent liabilities and assets
Contingent liabilities are not recognized in the financial statements. 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.
All figures are stated in NOK 1 000 unless otherwise stated.

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.

Changes in accounting policies

No new or amended IFRS or IFRIC interpretations came into effect for the 2014 financial year that have a significant impact on the consolidated financial statements.

New and amended standards adopted by the Group:

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of "currently has legally enforceable right of set-off" and "simultaneous realisation and settlement". The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.
Amendments to IAS 36 Recovarable Amounts Disclosures for Non-Financial Assets The amendment removed certain disclosures of the recoverable amount of cash-generating unit (CGU) to which goodwill and other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new discloures include fair value hierachy, jey assumptions and valuation technicques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements. The applications of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting
The amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group consolidated financial statements as a result.

IFRIC 21 Levies
The interpretation sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The amendments have been applied retrospectively. The Group is not currently subjected to significant levies so the impact on the Group's consolidated financial statements is not material.
Standards, amendments and interpretations of existing standards that have not come into force and where the Group has not chosen early implementation:
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9 Financial Instruments
The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ""hedged ratio"" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess IFRS 9's full impact.

IFRS 15 Revenue from Contracts with Customers
The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

There are no other IFRS standards or IFRIC interpretations that have not yet come into effect that are expected to have a significant impact on the Group's consolidated financial statements.

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
The Group tests for impairment of goodwill as necessary, or at a minimum annually (note 5). The recoverable amount of cash-generating units is based on the value-in-use calculation. These calculations require the use of estimates (note 5).

Inventories
The Group reviews the aging distribution and movements in inventory to assess the provision for obsolescence. This calculation requires the use of estimates in part.

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 and Finland. The Company's performance is reviewed by the chief operating decision maker as three reportable geographical segments, and in addition HQ & Logistics. Internet sale is included in each geographic segment.

01.01.2014 - 31.12.2014

Amounts in NOK million	Norway	Sweden	Finland	HQ & Logistics	Total
Operating revenue	**3 341**	**1 582**	**292**	**0**	**5 215**
Gross profit	1 449	592	91	0	2 132
EBITDA²	**726**	**112**	**-6**	**-231**	**601**
Operating income	**693**	**89**	**-8**	**-252**	**521**

01.01.2013 - 31.12.2013

Amounts in NOK million	Norway	Sweden	Finland	HQ & Logistics	Total
Operating revenue	**2 883**	**1 125**	**0**	**2**	**4 010**
Gross profit	1 223	386	0	2	1 611
EBITDA²	**588**	**26**	**-4**	**-150**	**460**
Operating income	**560**	**8**	**-4**	**-163**	**401**

Note 3 Employee remuneration

Employee benefit expenses	**2014**	**2013**
Wages, salaries	641	480
Social security costs	103	79
Pension expenses	22	13
Other benefits	33	34
Total	**799**	**606**
Average number of employees	1 789	1 311

Senior management remuneration
Figures in NOK 1000

The following benefits were provided to the senior management:

Name	Title	Salary	Bonus	Other	Pension	Total remuneration
Fredrik Steenbuch	Chief Executive Officer	3 006	1 500	88	22	**4 616**

Remuneration report:

1. Guidelines
The Board of Directors has established guidelines for the remuneration to the members of the executive management. It is a policy of the company to offer the executive management competitive remuneration based on current market standards, company and individual performance. The remuneration consists of a basic salary element combined with a performance based bonus program as set forth below. The executive management participates in the company's insurances and is entitled to certain fringe benefits such as free newspaper, car and phone.
The remuneration committee is a sub-committee of the Board of Directors and its objective is to act as a preparatory and advisory body in relation to the Company's remuneration of executive management and to ensure thorough and independent preparation of matters in relation to compensation of executive personnel.

2. Bonus program
The Group has established a bonus scheme for the executive management, which is based on (i) results before tax exceeding the budget and (ii) individual targets (personal or professional development). Maximum bonus under the scheme is 50% of the respective employee's gross base salary. Bonus with regards to results exceeding budget is paid with NOK 50,000 per NOK 900,000 exceeding budget up to a maximum of 40% of the employee's gross base salary. Bonus relating to individual targets is calculated on the basis of the parameter awarded the different achieved targets, up to a maximum of 10% of the employee's gross base salary. The Group does not include bonus payments in the basis for calculation of holiday pay and pension.

3. Share option program
In order to strengthen the common interests between the executive management and other key employees and the shareholders of the company, the Board of Directors has resolved to implement a share option program for its executive management and other key employees (as defined by the CEO) by granting share options to such persons.
The next option grant ("the 2016 Plan") will take place after the Q4 2015 results in late February/early March 2016. The participants will receive options worth up to 50% of an average yearly salary. The strike price will be equal to the volume weighted average price in the market the five trading days after the Q4 2015 results presentation. The options are exercisable after three years, subject to a key performance criteria (EBITDA-target according to business plan) being met and subject to the holder at the time of exercise is employed in the company.
In total NOK 11.5 million worth of options could be distributed to the executive management and key employees under the 2016 plan.

4. Program of 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.
The next RSU grant ("the 2016 Plan") will take place after the Q4 2015 results in late February/early March 2016 and will be related to individual bonus agreements for each employee. The participants will receive RSUs worth up to 50% of the 2015 bonus amount. The allocation price will be equal to the volume weighted average price in the market the five trading days after the Q4 2015 results presentation. The RSUs are exercisable after three years subject to the holder at the time of exercise is employed in the company.
In total NOK 10 million worth of RSUs could be distributed to the employees under the 2016 plan.

Board of directors remuneration
Figures in NOK 1000

Name	Title	Fee	Total remuneration
Øivind Tidemandsen	Chairman of the Board		**0**
Anders Misund	Board member		**0**
Tore Thorstensen	Board member	100	**100**
Ronny Blomseth	Board member	100	**100**
Memosh Saatchi	Board member		**0**
Ingrid Osmundsen	Board member		**0**
Anna Birgitta Attemark	Board member		**0**

There are no loans or guarantees to the Managing Director or other related parties.
The Managing Director 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)

(figures in NOK 1 000)	**2014**	**2013**
Statutory audit	1 781	705
Other attestation services	0	20
Tax related services	0	25
Other services	4 766	184
Total fees	**6 547**	**933**

Note 4 Fixed assets

	Land and buildings	Transportation and vehicles	Machinery and equipment	Fixtures and fittings	Construction in progress	Total
Balance 01.01.13	**9**	**0**	**85**	**315**	**25**	**435**
Additions	1	1	21	124	6	152
Disposals/transfer to other category of fixed assets	0	0	0	0	-25	-25
Net exchange differences	0	0	-7	21	0	13
Balance 31.12.13	**10**	**1**	**99**	**459**	**6**	**576**
Accumulated depreciation pr. 01.01.13	-1	0	-24	-84	0	-110
Disposals/scrapping	0	0	0	0	0	0
Depreciation	0	0	-15	-37	0	-53
Accumulated depreciation pr. 31.12.13	-2	0	-39	-122	0	-163
Carrying amount pr. 31.12.13	**9**	**1**	**60**	**338**	**6**	**413**
Balance 01.01.14	**10**	**1**	**99**	**459**	**6**	**576**
Additions	0	0	20	112	-1	132
Disposals/transfer to other category of fixed assets	0	0	-6	-25	-2	-32
Net exchange differences	0	0	1	7	0	8
Balance 31.12.14	**10**	**2**	**114**	**554**	**3**	**684**
Accumulated depreciation pr. 01.01.14	-2	0	-39	-122	0	-163
Disposals/scrapping	0	0	0	20	0	21
Depreciation	0	0	-18	-54	0	-72
Accumulated depreciation pr. 31.12.14	-2	-1	-57	-150	0	-209
Carrying amount pr. 31.12.14	**8**	**1**	**57**	**404**	**3**	**474**
Useful life	20 years	5 years	3-5 years	10 years		
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	None	
Capital leases included in fixed assets			38			**38**
Depreciation on capital leases			5			**5**
Lease period			2014-2023			

See note 17 Leases for additional information on capital and operating leases.

Note 5 Intangible assets

	Goodwill	Trademarks	Proprietary software	Software	Total
Balance 01.01.2013	**2 878**	**200**	**4**	**17**	**3 098**
Additions		0	15	4	19
Dispolsals/scraping	0	0	0	0	0
Net exchange differences		0	0	0	0
Balance 31.12.2013	**2 878**	**200**	**19**	**20**	**3 118**
Accumulated amortization pr. 01.01	-144	-10	-2	-9	-165
Disposals/scrapping					0
Amortization		0	-2	-3	-5
Accumulated amortization pr. 31.12	-144	-10	-5	-11	-170
Net exchange differences		0	0	0	0
Carrying amount pr. 31.12.2013	**2 734**	**190**	**15**	**9**	**2 948**
Balance 01.01.2014	**2 878**	**200**	**19**	**20**	**3 118**
Additions		1	10	3	14
Disposals/scrapping		0		0	0
Net exchange differences				0	0
Balance 31.12.2014	**2 878**	**201**	**30**	**24**	**3 132**
Accumulated amortization pr. 01.01	-144	-10	-5	-11	-170
Disposals/scrapping				0	0
Amortization		0	-5	-2	-7
Accumulated amortization pr. 31.12	-144	-10	-9	-14	-177
Net exchange differences			0	0	0
Carrying amount pr. 31.12.2014	**2 734**	**191**	**20**	**10**	**2 955**
Useful life		10 years/indefinite*	5 years	3-5 years	
Amortization method		Straight-line	Straight-line	Straight-line	

Trademark

*Trademark allocated as part of the purchase price allocation in 2010 are capitalized and has indefinite life. The value is tested annually for impairment.
There are shops in Norway that are considered to be cash-generating units (CGU) used in the valuation of trademark. The impairment assessment of trademark is included in the goodwill impairment test. See below.

Software - acquired and developed

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

Goodwill

The Group's booked goodwill per 31 December 2014 is NOK 2 734 million. This amount is related to the acquisitions of XXL Sport og Villmark AS in 2010. Upon acquisition, the company operated mainly in Norway, then moved into Sweden. Shops in Norway are considered to be cash-generating units (CGU) used in the valuation of goodwill. Goodwill is evaluated by management and monitored based on the performance of the CGUs. The recoverable amount of each CGU is calculated based on a value in use method.

The present value of the expected cash flows of each segment was determined using a discount rate of 6.29%, after tax. This is based on a risk free interest rate of 1.77%, plus a risk premium of 5%. The risk is based on observations of similar companies.
The recoverable amount of each segment was determined based on the following estimates:
• Future sales are estimates based on budget and long term plans
• Long-term average growth rate is set at 2.0%
• Todays cost as a percentage of income is considered to reflect future projections
• For goodwill testing, management has used a 5 year period with a terminal value growth rate beyond this period of 2.0%
• Risk-free interest rate is the 10-year government bond yield
• Beta Value is based on figures from international companies listed on the stock exchange

No impairment of goodwill was necessary in 2010, 2011, 2012, 2013 or 2014.

Cash Generating Units (CGUs)

Shops in Norway	**2014**	**2013**
Goodwill	2 734	2 734
Trademark	200	200
Impairment	0	0

Sensitivity discount rate		
Discount rate after tax	6,29 %	9,77 %
Increase in the discount rate before possible impairment of goodwill	7,7 p.p	2,33 p.p
Decrease in gross margin before possible impairment of goodwill	11 p.p	5,5 p.p

Note 6 Other operating expenses

Other operating expenses by nature	2014	2013
Leasing and other cost of premises	325	269
Marketing expenses	277	209
Other operating expenses (incl. IT licenses, maintenance, legal fees and other)	131	67
Sum	**732**	**544**

Note 7 Tax

Income tax expense for the year

Tax expense for the year	2014	2013
Tax payable in Norway	72	48
Tax payable in Luxembourg	0	0
Tax payable in Switzerland	3	0
Change in deferred tax	11	3
Exchange rate effect/other	-9	0
Total income tax expense	**77**	**51**

Current tax payable		
Tax payable in Norway	72	48
Tax payable in Switzerland	3	0
Total tax payable in the balance sheet	**75**	**48**

Explanation of difference between Norwegian statutory tax rate of 27% and the effective tax rate

Income before tax	**339**	**176**
27 % tax of income before tax	92	49
Permanent differences (27%)	0	0
Differences in tax rates amongst the Group and other	-15	2
Income tax expense	**77**	**51**

Specification of temporary differences

Asset (-)/liability	2014	2013	Change
Fixed and intangible assets	40	22	-18
Accounts receivable	-3	-7	-4
Other receivables	0	-1	-1
Inventories	-92	-68	24
Accrued expenses	-19	-24	-5
Concept development Group	190	190	0
Fixed assets Sweden	51	19	-32
Amortization of loan expenses	18	19	1
Impairment of Group company	0	-1	-1
Financial derivatives	0	-4	-4
Interest limitation rules	-20	0	20
Total temporary differences	**165**	**145**	**-21**
Loss carryforward	-5		
Basis for deferred tax	161	145	-16
Deferred tax in the balance sheet	**52**	**41**	**11**

Of which:			
Deferred tax liabilities to be reversed after more than 12 months	51	39	
Deferred tax liabilities to be reversed within 12 months	0	2	
Tax effect of change in tax rate*	0	0	
Net change in deferred tax			**11**

Deferred tax assets (-) / liabilities are presented net for the Norwegian entities.
* Effective from 1 January 2014, the tax rate in Norway was reduced from 28% to 27%.
Tax rate in Sweden is 22% for 2014, tax rate in Finland is 20% in 2014, tax rate in Switzerland is 8.6% in 2014.

Note 8 Inventories

	2014	2013
Goods purchased for resale	1 376	1 061
Goods in transit	31	19
Reserve for inventory obsolescence	-11	-7
Total inventories	**1 397**	**1 073**

Note 9 Investment in subsidiaries and associates

The Group has an ownership interest in the following subsidiaries and associates:

Subsidiaries	Year of incorporation	Business location	Ownership percentage
Gigasport AS	2010	Oslo	100 %
Midsport AS	2014	Oslo	100 %
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 Europe Holding Sarl	2013	Luxembourg	100 %
XXL All Sports United Sarl	2013	Luxembourg	100 %
XXL Europe Gmbh	2013	Luzern	100 %
XXL Online Gmbh	2013	Luzern	100 %

Investments in subsidiaries are consolidated in the Consolidated Financial Statements.

Associates
The Groups 20% share of XXL Game Reserve Ltd was sold in 2014.

Note 10 Related party transactions

The Group's related parties include its associates, key management, members of the board and majority shareholders.
The Board members represent 42.4% of the shares (voting rights) in the Group. None of the Board members have been granted loans or guarantees in the current year. Furthermore, none of the Board members are included in the Group's pension or bonus plans.

Debt and interest due to related parties	2014	2013
Shareholder loan from Xin holding Guernsey	0	1 669
Accrued interest expense	0	152

The shareholder loan and accrued interests was paid in conjunction with the IPO in October 2014.

Loan receivable and interest from related parties	2014	2013
Loan to associate	0	4
Accrued interest income	0	0

Note 11 Cash and cash equivalents

Cash and equivalents include the following items:

	2014	2013
Bank deposits (restricted)*	14	8
Deposits	2	4
Cash	18	12
Bank deposits (unrestricted)	188	146
Total cash and cash equivalents	**222**	**170**
Unused overdraft	300	175

The Group has created a group account owned by XXL Sport og Villmark AS.
The Group has undrawn credit facilities with Nordea for NOK 300 million per year-end 2014 (2013: NOK 175 million).
*Restricted cash comprises of employee tax witheld

Note 12 Trade and other receivables

	2014	2013
Trade receivables, gross	104	162
Allowance for credit losses	-12	-9
Trade receivables 31.12	**93**	**162**
Accrued revenue	157	23
Prepaid expenses	5	43
Other receivables	29	9
Other receivables 31.12	**192**	**74**

Changes in allowance for credit losses

Beginning balance	**-9**	**-8**
Amounts written off (uncollectible)	1	2
Recovery of written off items	0	0
Change in the allowance	-1	-1
Allowance for credit loss expense	**1**	**1**
Exchange effect reserve balance sheet/profit or loss	-1	0
Ending balance 31.12	**-12**	**-9**

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

Year	Total	Not yet due	>30 days	>60 days	>90 days
2014	103	84	4	5	10
2013	162	115	31	3	13

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.

Note 13 Share capital and shareholder information

The share capital of XXL is NOK 55,404,849.20 consisting of 138,512,123 shares with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2014:	Total amount of shares	Ownership	Voting right
Xin Holding Guernsey Limitied	38 865 041	28,1 %	28,1 %
Dolphin Management AS	34 242 183	24,7 %	24,7 %
The Bank of New York Mellon SA/NV	3 859 953	2,8 %	2,8 %
J.P. Morgan Chase Bank N.A. London	3 485 732	2,5 %	2,5 %
Stamina AS	3 289 566	2,4 %	2,4 %
Skandinaviska Enskilda Banken AB A/C Clients Account	2 739 260	2,0 %	2,0 %
GENI Holding AS	2 633 915	1,9 %	1,9 %
Verdipapirfondet DNB Norge (IV)	2 064 785	1,5 %	1,5 %
Montague Place Custody Services	2 010 821	1,5 %	1,5 %
Folketrygdfondet	1 770 000	1,3 %	1,3 %
J.P. Morgan Chase Bank N.A. London	1 731 292	1,2 %	1,2 %
Anders Fjeld Holding AS	1 336 566	1,0 %	1,0 %
Skandinaviska Enskilda Banken AB	1 326 681	1,0 %	1,0 %
Goldman Sachs International Equity	1 279 693	0,9 %	0,9 %
Schroder International Selection	1 262 587	0,9 %	0,9 %
Robert Iversen Holding AS	1 198 841	0,9 %	0,9 %
Arctic Funds PLC BNY Mellon SA/NV	1 126 837	0,8 %	0,8 %
Verdipapirfondet DNB Norge Selektiv	1 086 018	0,8 %	0,8 %
UBS AG, London Branch	1 042 540	0,8 %	0,8 %
Credit Suisse Securities Clients	1 012 967	0,7 %	0,7 %
Other	31 146 845	22,5 %	22,5 %
Sum	**138 512 123**	**100 %**	**100 %**

All shares have been fully paid.

Shares held by Board of Directors, Chief Executive Officer and Executive Management:

	Title	Amount of shares
Fredrik Steenbuch (Stamina AS)	Chief Executive Officer	3 289 566
Øivind Tidemandsen (56,23% of Dolphin Management AS)	Chairman of the Board	19 254 380
Anders Misund (Xin Holding Guernsey Limitied)*	Board member	38 865 041
Tore Thorstensen (Vålerveien 229 AS)	Board member	415 535
Ronny Blomseth	Board member	231 266
Mernosh Saatchi	Board member	10 775
Ingrid Osmundsen	Board member	5 603
Anna Birgitta Attemark	Board member	1 724

*) Anders Misund is Partner in EQT and EQT V's repsonsible advisor to XXL. EQT V owns Xin Holding Guernsey Limited.

Note 14 Earnings per share

	YTD 2014	YTD 2013
Total profit	**262**	125
Weighted average number of ordinary shares in issue	**171 434 193**	273 612 375
Adjustment for:		
Weighted number of ordinary shares in issue for diluted earnings per share	**171 434 193**	273 612 375
Basic Earnings per share (in NOK)	**1,53**	0,46
Diluted Earnings per share (in NOK)	**1,53**	0,46

Reconciliation weighted average number of ordinary shares

	YTD 2014	YTD 2013
Number of shares opening	**1 094 449 501**	**1 094 449 501**
Share issue 15.09.2014	**43**	0
Share consolidation (4:1 ratio) 15.09.2014 *	**-820 837 158**	-820 837 126
Share capital reduction	**-185 355 705**	
Share issue private placement	**19 318 007**	
Share issue private placement	**10 341 815**	
Share issue Initial public offering	**20 595 620**	
Number of shares closing	**138 512 123**	273 612 375
Weighted average	**171 434 193**	273 612 375
Basic Earnings per share (in NOK)	**1,53**	**0,46**
Diluted Earnings per share (in NOK)	**1,53**	**0,46**

*) Due to the share consolidation in 2014, comparative figures has been recalculated accordingly

Note 15 Security and guarantees

Gigasport AS has a credit line for NOK 1 400 million with DnB and Nordea bank. The bank has received negative pledged as security for the loan.

XXL Sport og Villmark AS have a bank guarantee for rent totaling NOK 2 million.
On behalf of XXL Adventure AS, XXL Sport og Villmark AS has pledged collateral for The Norwegian Travel Guarantee Fund in the amount of NOK 1,5 million.

Note 16 Provisions

The group moved into a new, central warehouse in 2011. The future lease commitments related to the old premises (through 2015) were expensed in 2010. The premises are sublet, but losses on the sublease and potential renovation expenses have led to an onerous lease provision recognized at the balance sheet date. The lease conctract expires in july 2015, and part of the accrual was reversed 31.12.2014.
The provision is NOK 3.5 million at the balance sheet date.

The Group has changed store location in Kristiansand, Norway. The old premises are not sublet, and the future lease commitments has been expensed in 2014. The provision is NOK 15 million at the balance sheet date.

Class of provision	**Lease commitments**
Carrying amount 01.01.2014	**23**
Additional provision	15
Amounts used in period	-2
Reversed	-18
Carrying amount 31.12.2014	**18**

Note 17 Leases

Operating leases
The Group has office and warehouse buildings under operating leases in Norway, Sweden, Finland and Switzerland.
The calculation of the lease payment is based on a standard rental period, as specified in the individual contracts. The agreements contain assumptions about index rates.
The calculation does not take into account any changes in the liabilities associated with this type of adjustment.

Commitments

Shops/offices/central warehouse	2014	2013
Under 1 year	414	240
1 to 5 years	1 656	959
After 5 years	1 089	774
Total liabilities relating to operating leases	**3 158**	**1 972**

Net lease payments are recognized in profit or loss	232	194
Excl. joint costs, etc.		
Other operating lease expenses (company cars/trucks, etc.)	7	4

Capital leases

The Group's assets under capital leases includes furnishings, machinery and equipment. The lease periods vary from 5 to 10 years.

Assets under capital leases are as follows:	2014	2013
Furnishing stores	8	8
Machinery and equipment central warehouse	43	43
Total cost	**51**	**51**
Accumulated depreciation furnishings	-8	-7
Accumulated depreciation machinery and equipment	-6	-1
Net carrying amount	**38**	**43**

Summary of gross future minimum lease payments:	2014	2013
Under 1 year	7	6
1 to 5 years	29	23
After 5 years	3	20
Future finance charges on capital leases:	-6	-7
Present value of future minimum lease payments	**35**	**42**

Summary of net future minimum lease payments:	2014	2013
Under 1 year	6	5
1 to 5 years	26	22
After 5 years	2	15
Present value of future minimum lease payments:	**35**	**42**

Of which:		
- short-term debt	6	5
- long-term debt	28	36

Note 18 Other financial income and other financial expenses

	2014	2013
Realized foreign exchange gains	15	11
Unrealized foreign exchange gains	74	20
Other financial income	4	0
Change in derivatives at fair value through profit or loss	0	8
Total other financial income	**93**	**39**

Unrealized foreign exchange losses	51	1
Realized foreign exchange losses	21	16
Other financial expenses	17	1
Total other financial expenses	**88**	**18**

Note 19 Financial instruments

Financial risk

The Group uses financial instruments such as bank loans and shareholder 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 revenue 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. The Group uses derivatives to hedge risks associated with fluctuations in interest rates.

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. The Group has an agreement with Arvato Bertelsmann (former Gothia Finance) related to the recoverability of trade receivables. The agreement includes only recovery of claims, and does not qualify for extinguishment in accordance with IAS 39 and accounts receivable are still included as assets on the balance sheet.
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 and accrued income (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 necessary. The Group has had active interest rate derivatives in 2014, but all derivatives has expired as of 31.12.2014.

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)
2014	+50	5 435	3 968
	-50	-5 435	-3 968
2013	+50	3 024	2 177
	-50	-3 024	-2 177
2012	+50	-1 533	-1 104
	-50	1 533	1 104

Based on the financial instruments that existed per 31 December 2014, an increase of 0.5% would reduce the Group's profit before tax by TNOK 5 435 (2013: TNOK 3 024).

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

	2014	2013
Shareholder's loan	8,8 %	10 %
Overdraft	2,13 %	4,92 %
Bank syndicate	2,88 %	5,62 %
Capital leases	2,1 %	2,1 %

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 capital-intensive inventory in wholesalers and stores. 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 overseas purchases, which are primarily denominated in SEK, USD and EUR. 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 commercial hedges its foreign currency in the form of flexible forward contracts. Hedge accounting has not been applied. These contracts will take effect if the exchange rate fluctuates outside the strike rate and a maximum rate. The contracts are settled annually and if the contract goes over the period end, this is recognized in the financial statements at fair value. For 2014, these contracts amount to TNOK 249, and are recognized in the Consolidated Financial Statements.

The following table shows currencey effekt on the Group's profit and equity if the exchange rates fluctuate with +/- 10%:

		2014		2013	
Foreign currency sensitivity	**Changes in currency**	**Effect on profit before tax (NOK 1 000)**	**Effect on equity (NOK 1 000)**	**Effect on profit before tax (NOK 1 000)**	**Effect on equity (NOK 1 000)**
EUR/NOK	+10%	-2 936	-2 144	-200	-144
	-10%	2 936	2 144	200	144
SEK/NOK	+10%	-3 675	-2 683	-611	-440
	-10%	3 675	2 683	611	440

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 of interest rate swaps is determined using the forward exchange rate at the balance sheet date.

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 2014.

Assets/Liabilities carried at fair value (NOK 1000)	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss			
FX derivatives		249	
Total	**0**	**249**	**0**
Financial liabilities at fair value through profit or loss (NOK 1000)			
Interest rate swap		0	
Total	**0**	**0**	**0**

The following categories of financial instruments are measured at fair value as of 31 December 2013.

Liabilities carried at fair value (NOK 1000)	**Level 1**	**Level 2**	**Level 3**
Financial liabilities at fair value through profit or loss			
Interest rate swap		4 158	
Total	**0**	**4 158**	**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.

Financial instruments	2014	2013
Loans and receivables		
Trade receivables	93	152
Other receivables	192	74
Cash and cash equivalents	222	170
Loan to associates and other investments	0	4
Total financial assets	**507**	**400**
At fair value through profit or loss		
FX derivatives	0	0
Interest rate swap	0	4
Total financial liabilities	**0**	**4**
Other Liabilities		
Bank loan	1 069	1 135
Shareholder's loan	0	1 669
Capital lease	35	42
Accounts payable and other short-term debt	959	770
Total financial liabilities	**2 063**	**3 616**

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. By ensuring a good ratio between equity and debt, the Group will support the operational activities, thereby maximizing the value of its shares. 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 (short and long) and accounts payable less cash.
Equity includes all capital and reserves, paid and earned.

	2014	2013
Interest bearing debt	1 104	2 845
Accounts payable and other debt	455	415
Cash	-222	-170
Net debt	**1 336**	**3 090**
Equity	3 219	1 173
Total equity and net debt	**4 555**	**4 264**
Degree of debt	29,3 %	72,5 %

Note 20 Interest bearing debt

Long term liabilities due > 1 year	2014	2013
Bank loan	1 087	1 020
- Amortisation of transaction costs of bank loan	-18	-19
Shareholder's loan	0	1 669
Capital lease	28	36
Sum	**1 097**	**2 707**

Short term liabilities due < 1 year	2014	2013
Bank loan	0	100
Expansion facility	0	33
Capital lease	6	5
Sum	**6**	**139**

The fair value of current and non-current debt equals their carrying amount, as the impact of discounting is not significant.
The fair values are based on cash flows discounted using a rate based on the borrowing rate of 2.88% (2013:5.62%) and are within level 2 of the fair value hierarchy.

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 1 087 000 as of 31 December 2014. The interest rate related to the bank loan is based on NIBOR plus a margin contingent of the Groups leverage ratio (EBITDA/Net Debt). As of 31 December 2014 the margin is 1.05% The margin on the loan is regulated in the loan agreement and is adjusted quarterly in accordance with the loan terms.

The Group is measured on the following covenants as of 31 December 2014: Leverage ratio and Interest cover. As of 31 December 2014 all covenants are met with high margins.

The bank loans are denominated in NOK.

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 (under 1 month):

31.12.2014 — **Remaining period**

Financial liabilities (not derivatives)	Under 1 year	1-2 years	2-3 years	3-4 years	More than 5	Total
Shareholder's loan	0	0	0	0	0	0
Bank loan	0	0	0	1 087		1 087
Interest on bank loans	31	31	31	31	16	141
Capital lease	6	6	6	6	9	35
Accounts payable and other debt	959	0	0	0	0	959
Derivatives:						
Interest rate swap	0	0	0	0	0	0
Total	**997**	**38**	**38**	**1 125**	**24**	**2 221**

31.12.2013 — **Remaining period**

Financial liabilities (not derivatives)	Under 1 year	1-2 years	2-3 years	3-4 years	More than 5	Total
Shareholder's loan	0	0	0	0	1 669	1 669
Bank loan	133	168	852			1 154
Capital lease	5	5	5	5	20	42
Accounts payable and other debt	770					770
Derivatives:						
Interest rate swap	4					4
Total	**913**	**174**	**857**	**5**	**1 689**	**3 639**

Note 20 Subsequent events after the balance sheet date

XXL has received a notification of reassessment from the Norwegian tax office (Skatt Øst) regarding income year 2012 and 2013.
In the notification it is stated that the tax office is considering increasing the Groups income related to tax deductions for interest charges on loans to associated parties.
Potential increase in income is NOK 210 million. XXL does not agree with the tax office's position and has opposed the notification letter.
This is an ongoing case as described in the IPO-prospectus.

Financial statements – XXL ASA

Statement of income

Figures are stated in NOK 1 000	Note	2014	2013
Other Income		81	81
Total Operating Revenue		**81**	**81**
Other operating expenses		40 760	246
Total Operating Expenses		**40 760**	**246**
Operating Income		**-40 679**	**-164**
Interest income	6	164 208	152 262
Other financial income	3	3 519	0
Total Financial Income		**167 727**	**152 262**
Interest expense		125 554	151 695
Interest expense to group companies	6	0	58
Other financial expense		1 494	22
Total Financial Expense		**127 048**	**151 776**
Net Financial Income (Expense)		**40 679**	**486**
Income Before Income Taxes		**0**	**321**
Incomes Taxes	3	0	90
Net Income		**0**	**232**
Allocation of Net Income			
Other paid-in equity		0	232
Total allocated		**0**	**232**

Balance sheet – Assets

Figures are stated in NOK 1 000	Note	31.12.2014	31.12.2013
NONCURRENT ASSETS			
Financial Assets			
Investment in subsidiaries	4	1 142 634	1 077 634
Loan to group company	5,9	1 791 540	1 692 332
Total Financial Assets		**2 934 174**	**2 769 966**
Total Noncurrent Assets		**2 934 174**	**2 769 966**
CURRENT ASSETS			
Other Receivables			
Group contribution		3 519	0
Other receivables	5	83	174
Total Other Receivables		**3 602**	**174**
Cash and Cash Equivalents			
Cash and equivalents	7	0	0
Total Cash and Cash Equivalents		**0**	**0**
Total Current Assets		**3 602**	**174**
Total Assets		**2 937 776**	**2 770 140**

Balance sheet – Equity and Liabilities

Figures are stated in NOK 1 000	Note	31.12.2014	31.12.2013
SHAREHOLDERS' EQUITY			
Paid-in Capital			
Share capital	8,10	55 405	109 445
Share premium	8,10	2 834 103	986 238
Total Paid-in Capital		**2 889 508**	**1 095 683**
Retained Earnings			
Other equity	10	1 944	1 944
Total Retained Earnings		**1 944**	**1 944**
Total Shareholders' Equity		**2 891 452**	**1 097 627**
LIABILITIES			
Other Long-term Debt			
Loan from group company	9	0	1 668 675
Total Other Long-term Debt		**0**	**1 668 675**
Short-term Debt			
Accounts payable		1 887	0
Group Contribution	5	0	320
Other short-term debt	5	49 294	3 518
Total Short-term Debt		**51 182**	**3 839**
Total Liabilities		**51 182**	**1 672 513**
Total Equity and Liabilities		**2 942 634**	**2 770 140**

Oslo, 28 April 2015

Øivind Tidemandsen
Chairman of the Board

Ronny Blomseth
Board Member

Anders Misund
Board Member

Tore Thorstensen
Board Member

Fredrik Steenbuch
Managing Director

Anna Birgitta Attemark
Board Member

Ingrid Aina Jofrietta Osmundsen
Board Member

Mernosh Saatchi
Board Member

Statement of Cash Flow

Figures are stated in NOK 1 000	**2014**	**2013**
Operating Activities		
Income before income taxes	0	321
Changes in accounts payable	1 887	-752
Changes in other assets and liabilities	-1 888	2 241
Cash provided (used) by operating activities	**0**	**1 810**
Cash provided (used) by investing activities	**0**	**0**
Financing Activities		
Proceeds from issuance of shares	1 793 825	0
Payment of shareholder loan	-1 793 825	0
Payment of Group Contribution	0	-1 810
Cash provided (used) by financing activities	**0**	**-1 810**
Net Change in Cash and Cash Equivalents	**0**	**0**
Cash and cash equivalents - beginning of year	0	0
Cash and Cash Equivalents - End of Year	**0**	**0**

Notes to the financial statements

Note 1 Accounting policies

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

Classification and valuation of balance sheet items
Assets intended for long term ownership or use have been classified as fixed assets. Assets expected to be realised in, or is intended for sale or consumption in, the entity's normal operating cycle have been classified as current assets. Receivables are classified as current assets if they are expected to be realised within twelve months after the transaction date. Similar criteria apply to liabilities.
Current assets are valued at the lower of cost and fair value. Short term liabilities are reflected at nominal value.
Fixed assets are carried at historical cost. Fixed assets are written down to net realisable 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.

Revenue recognition
Revenue from the sale of goods is recognized upon delivery (transaction date). Services are recognized as they are performed.

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 27% 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.

Note 2 Employee remuneration

The Company had no employees in 2014.
There were no loans or guarantees given to the Managing Director, Chairman of the Board or other related parties.

Board of directors remuneration

Name	Title	Fee	Total remuneration
Øivind Tidemandsen	Chairman of the Board		**0**
Anders Misund	Board member		**0**
Tore Thorstensen	Board member	100	**100**
Ronny Blomseth	Board member	100	**100**
Mernosh Saatchi	Board member		**0**
Ingrid Osmundsen	Board member		**0**
Anna Birgitta Attemark	Board member		**0**

Audit fees
Divided by type of service (exclusive of VAT)

	2014	2013
Statutory audit*	405	36
Total fees	**405**	**36**

*) 2014 figures includes XXL ASA Group

Note 3 Tax

Income tax expense for the year

Basis for tax payable	2014	2013
Income before tax	0	321
Permanent differences	0	-1
Change in temporary differences		
Basis for tax payable	**0**	**320**
Tax payable in the statement of income	**0**	**90**
Recognized group contribution	-3 519	
Group contribution	3 519	-320
Taxable income	**0**	**0**
Tax payable in the balance sheet	**0**	**0**
Tax expense for the year		
Tax payable	0	0
Change in deferred tax		0
Group contribution tax effect	0	90
Total tax expense	**0**	**90**
Explanation for why tax is not 27% of income before tax		
27 % tax of income before tax	0	90
Permanent differences (27%)	0	0
Expected tax expense	**0**	**90**
Tax rate	27 %	28 %

Note 4 Investment in subsidiaries

The Company has an ownership interest in the following subsidiary:

	Year of acquisition	Business location	Ownership percentage	Equity (100%) 31.12.2014	Net income (100%) 31.12.2014	Book value 31.12.14
Gigasport AS	2010	Oslo	100 %	1 141 992	-3 169	1 142 634

The investment is booked using the cost method.

Note 5 Balances with group companies

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

Liabilities	2014	2013
Group contribution	0	320
Cash pool arrangement	48 849	2 893
Total liabilities	**48 849**	**3 214**

Receivables	2014	2013
Other short-term receivables from group companies	83	81
Long-term loan to Gigasport AS	1 791 540	1 692 332
Group contribution	3 519	0
Total receivables	**1 795 142**	**1 692 413**

Note 6 Related party transactions

Management remuneration is included in note 3 and intercompany balances are discussed in note 8.

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

Other revenue	2014	2013
Invoiced warranty cost	81	81
Total other revenue	**81**	**81**

Interest income	2014	2013
Gigasport AS	164 208	152 260
Total Interest income	**164 208**	**152 260**

Interest expense	2014	2013
Cash pool interest expense	399	58
Total interest expense	**399**	**58**

Note 7 Cash and cash equivalents

Cash and cash equivalents include the following items:

	2014	2013
Deposits	0	0
Total cash and equivalents	**0**	**0**

The Company is a part of a cash pool arrangement with XXL Sport and Villmark AS.
The Company's share of the cash pool is NOK -48 848 thousand per the balance sheet date.
The Cash pool is classified as other short-term debt in the balance sheet.

Note 8 Share capital and shareholder information

The share capital of XXL is NOK 55,404,849.20 consisting of 138,512,123 shares with a par value of NOK 0.40 each.

Overview of the major shareholders of the Group as of 31.12.2014:

	Total amount of shares	Ownership	Voting right
Xin Holding Guernsey Limitied	38 865 041	28,1 %	28,1 %
Dolphin Management AS	34 242 183	24,7 %	24,7 %
The Bank of New York Mellon SA/NV	3 859 953	2,8 %	2,8 %
J.P. Morgan Chase Bank N.A. London	3 485 732	2,5 %	2,5 %
Stamina AS	3 289 566	2,4 %	2,4 %
Skandinaviska Enskilda Banken AB A/C Clients Account	2 739 260	2,0 %	2,0 %
GENI Holding AS	2 633 915	1,9 %	1,9 %
Verdipapirfondet DNB Norge (IV)	2 064 785	1,5 %	1,5 %
Montague Place Custody Services	2 010 821	1,5 %	1,5 %
Folketrygdfondet	1 770 000	1,3 %	1,3 %
J.P. Morgan Chase Bank N.A. London	1 731 292	1,2 %	1,2 %
Anders Fjeld Holding AS	1 336 566	1,0 %	1,0 %
Skandinaviska Enskilda Banken AB	1 326 681	1,0 %	1,0 %
Goldman Sachs International Equity	1 279 693	0,9 %	0,9 %
Schroder International Selection	1 262 587	0,9 %	0,9 %
Robert Iversen Holding AS	1 198 841	0,9 %	0,9 %
Arctic Funds PLC BNY Mellon SA/NV	1 126 837	0,8 %	0,8 %
Verdipapirfondet DNB Norge Selektiv	1 086 018	0,8 %	0,8 %
UBS AG, London Branch	1 042 540	0,8 %	0,8 %
Credit Suisse Securities Clients	1 012 967	0,7 %	0,7 %
Other	31 146 845	22,5 %	22,5 %
Sum	**138 512 123**	**100 %**	**100 %**

Shares held by Board of Directors, Chief Executive Officer and Executive Management:

	Title	Amount of shares
Fredrik Steenbuch (Stamina AS)	Chief Executive Officer	3 289 566
Øivind Tidemandsen (Dolphin Management AS)	Chairman of the Board	34 242 183
Anders Misund (Xin Holding Guernsey)*	Board member	38 865 041
Tore Thorstensen (Vålerveien 229 AS)	Board member	415 535
Ronny Blomseth	Board member	231 266
Mernosh Saatchi	Board member	10 775
Ingrid Osmundsen	Board member	5 603
Anna Birgitta Attemark	Board member	1 724

*) Anders Misund is Partner in EQT and EQT V's repsonsible advisor to XXL. EQT V owns Xin Holding Guernsey Limited.

Note 9 Long-term liabilities and receivables

Liabilities

In connection with the IPO in October 2014, the Company has redeemed the shareholder loan from Xin Holding Guernsey Limited.

Receivables

The Company has provided a long-term loan to Gigasport AS of NOK 1 791 540 at the balance sheet date. The loan has an interest rate of 8.8%.

Note 10 Shareholder's equity

Changes in shareholder's equity	Share capital	Share premium	Retained earnings	Total equity
Shareholder's equity 01.01.14	**109 445**	**986 238**	**1 944**	**1 097 627**
Reduction in share capital [1]	-74 142	-1 046 304		-1 120 447
Proceeds from shares issued (private placement) [1]	7 727	1 112 719		1 120 447
Proceeds from shares issued (private placement) [2]	4 137	595 689		599 825
Proceeds from shares issued (Initial public offering) [3]	8 238	1 185 762		1 194 000
Net income for the year			0	0
Shareholder's equity 31.12.14	**55 405**	**2 834 103**	**1 944**	**2 891 452**

The share capital as of 31.12.2014 is 55.4 million NOK
** Contribution to XXL Children Foundation*
The accompanying notes are an integral part of the Condensed Consolidated Interim Financial Statements
1) Restructuring of the company's share capital, including (i) the redemption of the Company's class C shares; (ii) a share capital increase in which holders of class C shares subscribed for new ordinary shares in which the redemption amount received for the class C shares was set off against the consideration for the new ordinary shares
2) Share capital increase in which XIN Holding Guernsey Limited (an entity controlled by EQT V Limited, advised by EQT Partners) subscribed for new shares for an amount equal to the interest portion of the Company's outstanding debt to EQT V and the consideration payable for such ordinary shares was settled by way of set off against EQT V's entitlement to such interest amount.
3) In the Offering, XXL issued a total of 20,595,620 new shares, of which 20,501,708 shares issued to investors at a subscription price of NOK 58 and 93,912 shares issued to employees at a subscription price of NOK 52.1860, each with a par value of NOK 0.40, in connection with completion of the Offering.

Disclaimer

This report includes forward-looking statements which are based on our current expectations and projections about future events. All statements other than statements of historical facts included in this notice, including statements regarding our future financial position, risks and uncertainties related to our business, strategy, capital expenditures, projected costs and our plans and objectives for future operations, including our plans for future costs savings and synergies may be deemed to be forward-looking statements. Words such as "believe," "expect," "anticipate," "may," "assume," "plan," "intend," "will," "should," "estimate," "risk" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements. In addition any forward-looking statements are made only as of the date of this notice, and we do not intend and do not assume any obligation to update any statements set forth in this notice.

Footnotes/Definitions
Non – GAAP Measures
Certain financial measures and ratios related thereto in this quarterly report, including growth, gross profit, gross margin, EBIT, EBIT margin, EBITDA, EBITDA margin, working capital and net interest bearing debt (collectively, the "Non-GAAP Measures"), are not specifically defined under IFRS or any other generally accepted accounting principles. These measures are presented in this quarterly report because they are among the measures used by management to evaluate the cash available to fund ongoing, long-term obligations and they are frequently used by other interested parties for valuation purposes or as a common measure of the ability of a company to incur and meet debt service obligations. These measures may not be comparable to other similarly titled measures of other companies and are not measurements under IFRS or other generally accepted accounting principles, and you should not consider such items as alternatives to profit for the year, total operating revenues, operating income or any other performance measures derived in accordance with IFRS, and they may be different from similarly titled measures used by other companies.

[1)] **EBIT**
Our EBIT represents operating income.
[2)] **EBITDA**
Our EBITDA represents operating income plus depreciation.
[3)] **Like for Like**
Like for Like or Comparable stores are stores that have been open all months of the current year and all months of the previous year. Stores that have been relocated or significantly expanded are excluded from Like for Like stores.
[4)] **Gross profit**
Gross profit represents operating revenue less cost of goods sold.
[5)] **Working capital**
Working capital consists of accounts receivables, accounts payables, inventory, other receivables and other current liabilities.
[6)] **Net interest bearing debt**
Net interest bearing debt is defined as total other long-term debt and short-term borrowings less cash and cash equivalents
[*)] **EBITDA adjusted**
EBITDA before one off cost

www.xxlasa.com/investor

INVESTOR CONTACT

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To the Annual Shareholders' Meeting of XXL ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of XXL ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, and the income statement, and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for XXL ASA as at 31 December 2014, 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.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group XXL ASA as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statement on Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and in the statement on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 28 April 2015
Pricewaterhouse Coopers AS

Eivind Nilsen
State Authorised Public Accountant (Norway)