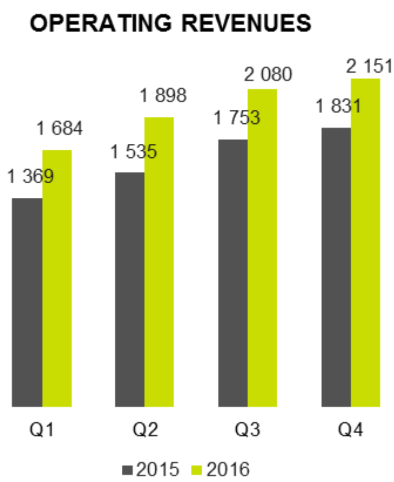
XXL
ALL SPORTS UNITED

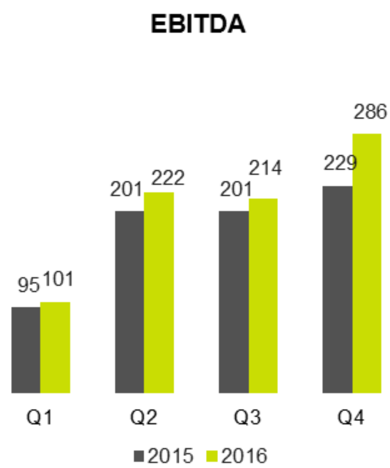
INTERIM REPORT Q4 2016
XXL ASA

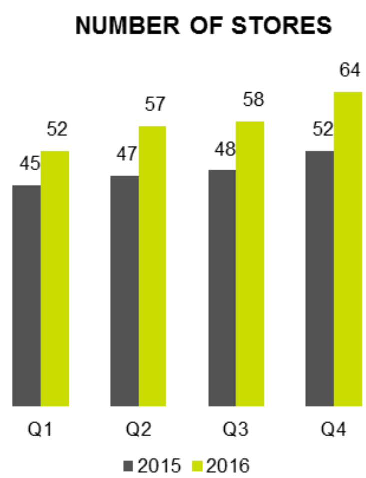
HIGHLIGHTS

- Total revenues of NOK 2 151 million (NOK 1 831 million), up 18 per cent
- Solid like-for-like growth in all markets
- EBITDA increased by 25 per cent to NOK 286 million
- Six new stores – three in Norway, one in Sweden and one in Finland
- Dividend proposal of NOK 2.00 per share for 2016

Q4 Growth	YTD Growth
Revenue +18%	Revenue +20%
EBITDA +25%	EBITDA +14%

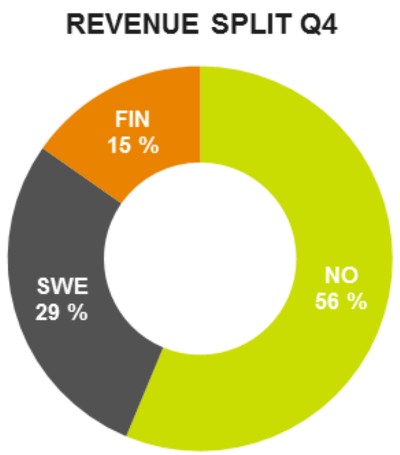


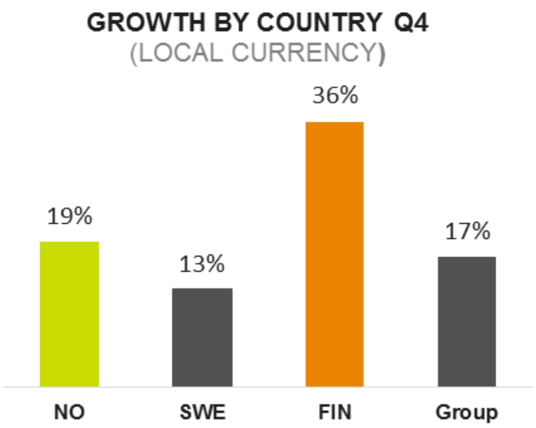


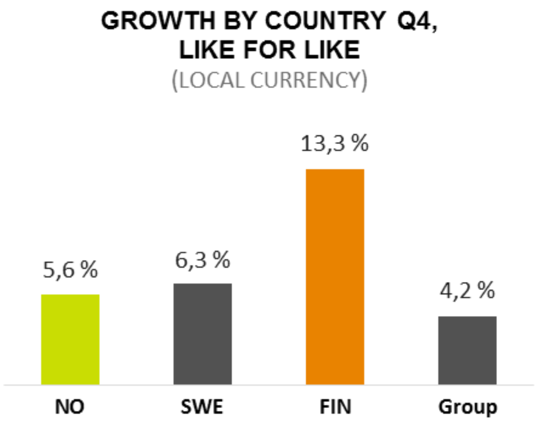


KEY FIGURES GROUP

(Amounts in NOK million)	**Q4 2016**	Q4 2015	**YTD 2016**	**FY 2015 Audited**
GROUP				
Operating revenue	**2 151**	1 831	**7 813**	6 487
Growth (%)	***17,5 %***	*20,5 %*	***20,4 %***	*24,4 %*
Gross profit[4]	**911**	751	**3 119**	2 579
Gross margin (%)	***42,4 %***	*41,0 %*	***39,9 %***	*39,8 %*
OPEX %[7]	***29,1 %***	*28,5 %*	***29,4 %***	*28,6 %*
EBITDA[2]	**286**	229	**824**	725
EBITDA margin (%)	***13,3 %***	*12,5 %*	***10,5 %***	*11,2 %*
EBIT[1]	**247**	203	**697**	634
EBIT margin	***11,5 %***	*11,1 %*	***8,9 %***	*9,8 %*
**Basic Earnings per share (NOK)	**1,35**	0,75	**3,62**	3,08
**Average number of shares (1 000 shares)	**138 512**	138 512	**138 512**	138 512
Net cash flow from operating activites	**4**	212	**31**	352
Like for like revenue growth[3]	**4,2 %**	4,5 %	**7,5 %**	7,7 %
Number of stores at quarter end	**64**	52	**64**	52







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

KEY FIGURES SEGMENTS

(Amounts in NOK million)	Q4 2016	Q4 2015	YTD 2016	FY 2015 Audited
SEGMENT				
Norway				
Operating revenue	**1 203**	1 007	**4 151**	**3 617**
Growth (%)	***19,5 %***	*10,6 %*	***14,7 %***	***8,3 %***
Gross profit[4]	**550**	442	**1 764**	**1 529**
Gross margin (%)	**45,7 %**	43,8 %	**42,5 %**	**42,3 %**
OPEX %[7]	**21,8 %**	20,7 %	**21,9 %**	**21,2 %**
EBITDA[2]	**287**	233	**857**	**763**
EBITDA margin (%)	***23,9 %***	*23,1 %*	***20,6 %***	***21,1 %***
Number of stores at quarter end	**31**	24	**31**	**24**
Sweden				
Operating revenue	**609**	578	**2 474**	**2 045**
Growth (%)	***5,2 %***	*24,2 %*	***21,0 %***	***29,2 %***
Gross profit[4]	**230**	225	**959**	**783**
Gross margin (%)	**37,8 %**	38,9 %	**38,8 %**	**38,3 %**
OPEX %[7]	**29,5 %**	29,8 %	**28,4 %**	**29,1 %**
EBITDA[2]	**51**	53	**257**	**188**
EBITDA margin (%)	***8,3 %***	*9,1 %*	***10,4 %***	***9,2 %***
Number of stores at quarter end	**22**	20	**22**	**20**
Finland				
Operating revenue	**326**	246	**1 161**	**825**
Growth (%)	***32,9 %***	*71,8 %*	***40,8 %***	***182,6 %***
Gross profit[4]	**130**	85	**392**	**268**
Gross margin (%)	**39,9 %**	34,6 %	**33,8 %**	**32,5 %**
OPEX %[7]	**29,5 %**	31,6 %	**30,3 %**	**30,2 %**
EBITDA[2]	**34**	7	**40**	**19**
EBITDA margin (%)	***10,4 %***	*3,0 %*	***3,5 %***	***2,3 %***
Number of stores at quarter end	**11**	8	**11**	**8**
Denmark				
Operating revenue	**13**	-	**27**	-
Gross profit[4]	**1**	-	**3**	-
Gross margin (%)	**10,9 %**	-	**11,2 %**	-
OPEX %[7]	**52,0 %**	-	**57,9 %**	-
EBITDA[2]	**-5**	-	**-13**	-
EBITDA margin (%)	***-41,1 %***	-	***-46,7 %***	-
HQ & logistics				
EBITDA[2]	**-81**	-64	**-318**	**-244**
EBITDA margin (% of Group revenues)	***-3,7 %***	*-3,5 %*	***-4,1 %***	***-3,8 %***

Footnotes and definitions are described in the end of the report

Eventful year completed by a solid quarter

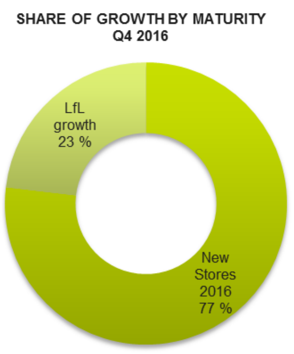
Oslo, 14 February 2017: In the fourth quarter 2016 XXL ASA delivered a growth of 18 per cent compared to the same quarter last year. Six new stores opened in the quarter and all markets delivered a solid like-for-like growth. EBITDA increased by 25 per cent in the quarter driven by higher gross margins in both Norway and Finland. Finland is overall standing out with good results, delivering a like-for-like growth of 13.3 per cent in local currency combined with significant improved margins.

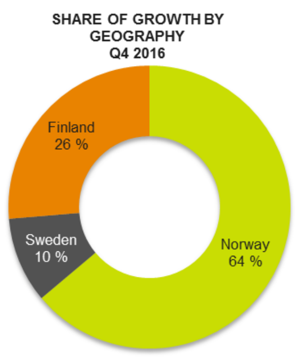
For the full year 2016 XXL ASA generated total revenues of NOK 7.8 billion, representing a growth rate of 20 per cent. The growth is driven by both stores and e-commerce and XXL is gaining market shares in all markets. The growth continues to be profitable increasing the net income by 17 per cent to NOK 501 million. The Board of Directors will propose a dividend of NOK 2.00 per share for 2016 representing 56 per cent of diluted Earnings Per Share. The year has been very busy with a XXL-record of 12 store openings, established an E-commerce operation in Denmark in 2016, expanded the warehouse capacity in the Group, upgraded the ERP platform, launched a new front-end website in all markets and signed the first two lease contracts for store openings in Austria. This makes a good platform for further growth in 2017.

Performance fourth quarter

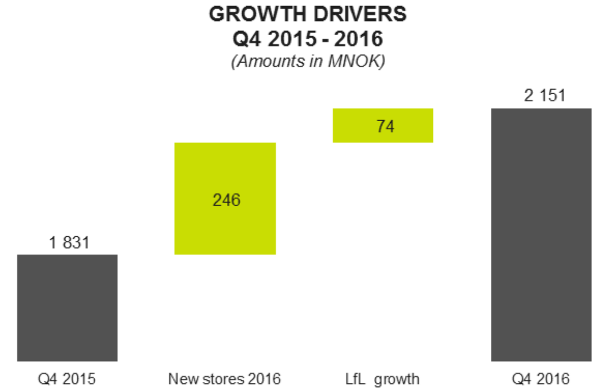
(Figures in brackets = same quarter previous year, unless otherwise specified)

Total operating revenues in the fourth quarter 2016 amounted to NOK 2 151 million (NOK 1 831 million), representing a growth 17.5 per cent. The sales volumes in all markets were positively impacted by good autumn conditions in October and a couple of weeks in early November with snow. December is the single most important month of the year and proved to be more challenging with lack of cold and snow in all major regions in the Nordics.





Norway delivered 19.5 per cent revenue growth in the quarter, while Sweden achieved 13.1 per cent and Finland 35.6 per cent in local currency. Denmark is showing progress in sales from quarter to quarter and the revenues from Denmark amounted to NOK 13 million in the Q4 2016. E-commerce had a growth of 52.2 per cent, representing 13.4 per cent (10.3 per cent) of the total operating revenues of the Group in the quarter. The reported revenue growth for the Group was driven by effects from new store openings and like-for-like growth. XXL opened twelve new stores during 2016, whereof six in the fourth quarter. The like-for-like growth was 4.2 per cent in the quarter with a good growth in all markets offset by negative currency effects. Norway had a like-for-like growth of 5.6 per cent despite some cannibalization effects, Sweden 6.3 per cent and Finland had a like-for-like growth of 13.3 per cent in local currency.



Gross margin for the Group improved from 41.0 per cent in Q4 2015 to 42.4 per cent in Q4 2016, where the improvements are driven by Norway and Finland. Especially the Black Friday activities proved more successful this year with better overall gross margins.

Operating expenses before depreciation as percentage of sales increased from 28.5 per cent in the fourth quarter 2015 to 29.1 per cent in the fourth quarter 2016. However, both Sweden and especially Finland improved. Many initiatives have been implemented through good craftsmanship and cost focus in the organization. For Norway the increased costs in the quarter were driven by digital marketing and three new store openings. In addition XXL has increased costs related to the central warehouses, after expanding the capacity both in Norway and Sweden, as well as costs of establishing an E-commerce operation in Denmark.

The Group EBITDA in the fourth quarter increased by 25.0 per cent to NOK 286 million (NOK 229 million). The EBITDA-margin was 13.3 per cent compared to 12.5 per cent in the same quarter last year. The main reason for the increased EBITDA-margin is the improvement in Norway and Finland.

The financial position of XXL is good. However, the inventory level is too high, increasing the net working capital and reducing the liquidity reserves. A number of ongoing and planned initiatives is expected to normalize the inventory during Q3 2017. Total liquidity reserves as of 31 December 2016 amounted to NOK 151 million. Total credit facilities equal NOK 700 million, whereof NOK 549 million was used as of 31 December 2016. The equity ratio ended at 53.8 per cent and the leverage ratio at 1.9x. Further, XXL has in February 2017 agreed with the existing bank syndicate an additional NOK 700 million revolving facility to handle short term inventory fluctuation and to secure further growth.

Performance 2016

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

XXL had a good year in 2016 with growth in operating revenues of 20.4 per cent to NOK 7 813 million. The growth is driven by new stores opened in 2016, full year effects from stores that opened in 2015 and like-for-like growth of 7.5 per cent. The revenue contribution from E-commerce for the Group corresponded to 10.9 per cent in 2016 and E-commerce delivered a growth of 59.8 per cent for the year. XXL opened 12 new stores in 2016 and operated 64 stores in total at the year end. In addition XXL established its operation in Denmark during 2016 with an E-commerce offering only.

Gross margin was stable for the year at 39.9 per cent (39.8 per cent) despite currency effects on the sourcing costs. Denmark is in a start-up phase with very low gross margins, but the three other markets all delivered improved gross margins compared to last year. However due to the increased digital marketing activity, expansion costs at the central warehouses and costs of establishing an E-commerce operation in Denmark and to open more stores in 2016, the operating expenses as percentage of sales increased from 28.6 per cent last year to 29.4 per cent this year. EBITDA for 2016 came in at NOK 824 million (NOK 725 million) corresponding to a margin of 10.5 per cent (11.2 per cent).

The Group had net financial expenses of NOK 55 million in 2016 compared to NOK 28 million in 2015. The Group had positive effects of currency in 2015 of NOK 23 million compared to negative currency effects of NOK 11 million in 2016. Net interest expenses in 2016 equaled NOK 26 million.

The XXL Group posted a preliminary consolidated net income of NOK 501 million for 2016 (NOK 427 million).

The Board of Directors will propose a dividend of NOK 2.00 per share for 2016, representing 55.7 per cent of diluted Earning per Share for 2016. Going forward the Board of Directors will target a pay-out ratio of 40-50 per cent of annual net income as the dividend policy. However, for 2016 the Board of Directors wishes to maintain the dividend per share at the same level as 2015 of NOK 2.00.

Operating segments

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

The Group's reporting structure comprises four operational segments based on XXL's operations in Norway, Sweden, Finland and Denmark, in addition to HQ and Logistics.

Norway

The Norwegian operations delivered a growth of 19.5 per cent in the fourth quarter 2016 compared to the same quarter last year. Total operating revenues ended at NOK 1 203 million (NOK 1 007 million). The like-for-like growth was 5.6 per cent in the quarter despite cannibalization effects in Tønsberg, Bergen and Drammen. The growth figure was 8.4 per cent when adjusting for cannibalization effects. In addition the growth was driven by new stores that opened during 2016. XXL opened three new stores in the quarter, in Buskerud Storsenter (Drammen) on 10 November 2016, Lyngdal on 24 November 2016 and Porsgrunn on 8 December 2016. Please note that all the new stores are smaller stores and will yield lower than average sales per store.

Overall the Norwegian market experienced good autumn conditions in October and early snow in November which contributed positively on the sales figures and margins. December turned out more challenging with unseasonably high temperatures and lack of snow, as last year. The Black Friday activities in the quarter proved more successful with better gross margins than last year. The overall gross margin increased from 43.8 per cent in Q4 2015 to 45.7 per cent in Q4 2016.

EBITDA increased to NOK 287 million (NOK 233 million) and the corresponding margin was 23.9 per cent (23.1 per cent). The increase in margin is due to the higher gross margin as described above. Operating expenses as percentage of sales increased from 20.7 per cent last year to 21.8 per cent this year driven by higher digital marketing costs and costs of opening three stores in the quarter.

For the year 2016 XXL delivered a growth of 14.7 per cent in Norway, driven by seven new store openings and a sound like-for-like growth of 4.9 per cent. Like-for-like growth adjusted for cannibalization effects equalled 6.3 per cent. XXL is pleased with the improved gross margin for the year of 42.5 per cent compared to 42.3 per cent last year, despite a challenging currency situation. On the other hand the operating expenses percentage for 2016 increased from 21.2 per cent last year to 21.9 per cent this year driven by more digital marketing and costs related to all the new store openings. The EBITDA-margin for 2016 came in at 20.6 per cent, down from 21.1 per cent in 2015.

Sweden

The volumes in the quarter were positively impacted by autumn conditions in October and early snow in the beginning of November. December was again negatively impacted by the lack of cold weather and snow. According to market figures from HUI Research the sale of sporting goods in Sweden increased by 9.6 per cent in October and 14.6 per cent in November but declined by 2.9 per cent in December 2016 compared to the same months last year. This should be compared to a growth rate of 13.1 per cent for XXL (in local currency) giving total operating revenues in the quarter of NOK 609 million (NOK 578 million). The main drivers were a like-for-like growth of 6.3 percent in local currency in the quarter and contributions from stores established during the year. On 23 November 2016 XXL established a store in a new city in Sweden, Kalmar.

The gross margin decreased from 38.9 per cent in Q4 2015 to 37.8 per cent in Q4 2016. However, XXL has revised the allocation method for distribution of wholesale margin between Sweden and Finland leading to a reclassification of gross profit. From this reclassification an effect of NOK 9 million from Sweden (-) to Finland (+) is related to previous periods this year. This has no effect for the full year numbers. Adjusted for this reclassification effect, the gross margin for Sweden in Q4 2016 improved to 39.3 per cent (38.9 per cent).

EBITDA amounted to NOK 51 million (NOK 53 million) and the EBITDA-margin declined from 9.1 per cent to 8.3 per cent. This is driven by the gross margin decrease as described above. Adjusted for the before mentioned reclassification effects on gross profit between Sweden and Finland, the EBITDA was NOK 60 million and the EBITDA-margin improved to 9.8 per cent. Operating expenses as percentage of sales improved from at 29.8 per cent in Q4 2015 to 29.5 pre cent in Q4 2016 through more cost efficient operations.

According to market figures from HUI Research for 2016 the sales of sporting goods in Sweden increased by 5.2 per cent and should be compared to 17.7 per cent growth for XXL in local currency in 2016. The like-for-like growth for 2016 was 7.2 per cent in local currency, also surpassing the market growth. For the year 2016 the Swedish operation delivered total operating revenues of NOK 2 474 million. Higher gross margin as well as cost efficiency and overall better store operations improved the EBITDA-margin from 9.2 per cent in 2015 to 10.4 per cent in 2016. The operating expenses as percentage of sales improved from 29.1 per cent in 2015 to 28.4 per cent in 2016. This reduction is achieved despite negative effects of increased social security tax for younger employees and more digital marketing costs.

Finland

The macro situation in Finland is still challenging and the market is slow. For the quarter, sales were positively affected by cold and rain in October and by the early snowfall in November, compensating for a slower December with no winter conditions in most of the regions. Total operating revenues amounted to NOK 326 million (NOK 246 million), representing a growth of 35.6 per cent in local currency. In the fourth quarter the Finnish operations delivered a like-for-like growth of 13.3 per cent in local currency driven by the E-commerce development. The growth was further driven by new stores that opened during the year. XXL opened two new stores in the quarter, both in new cities. First on 19 October 2016 in Lahti and secondly on 2 December in Vaasa. XXL is now present with eleven stores in the Finnish market.

It has been many initiatives to improve the overall profitability in the Finnish operation, which has given positive effects. Gross margin increased from 34.6 per cent in the fourth quarter last year to 39.9 per cent in the fourth quarter this year. Adjusted for the reclassification effects on gross profit between Sweden and Finland the gross margin was 37.1 per cent in the quarter (34.6 per cent). The improvement in gross margin is done by good craftsmanship throughout the organization, including sales and pricing strategies. Combined with cost consciousness and focus, the Finnish operations delivered an EBITDA of NOK 34 million in Q4 2016 (NOK 7 million) and a margin of 10.4 per cent (3.0 per cent). Adjusted for the reclassification effect on gross profit, the EBITDA was NOK 25 million and the corresponding EBITDA-margin was 7.7 per cent in Q4 2016. Operating expenses as percentage of sales improved with 2.1 percentage points to 29.5 per cent in the fourth quarter.

The challenging macro situation combined with unseasonably temperatures for the different seasons throughout the year impacted sales volumes negatively in 2016. The retail sale of sporting goods in Finland increased by 3.7 per cent in 2016 according to market figures from TMA. Total operating revenues of XXL in 2016 was NOK 1 161 million, representing a growth of 35.5 per cent in local currency. The like-for-like figure of 5.2 per cent for 2016 in local currency also surpassed the market growth. The positive like-for-like growth in 2016 was driven by E-commerce and as a result it was more challenging to achieve scale in the stores. The operating expenses as percentage of sales were stable at 30.3 per cent (30.2 per cent in 2015). However the EBITDA-margin improved to 3.5 per cent in 2016 compared to 2.3 per cent last year driven by improved gross margin. The gross margin lift is achieved through overall better store operations and better pricing strategies. The EBITDA in 2016 from Finland amounted to NOK 40 million.

Denmark

Total operating revenues in the fourth quarter 2016 amounted to NOK 13 million, a steady increase from the previous quarter. XXL is still in an early phase in the Danish market and continues to build brand awareness through low prices and many market campaigns, both leading to low margins. The gross margin was 10.9 per cent and the EBITDA was negative of NOK 5 million in the quarter.

XXL launched the E-commerce offering in Denmark on 27 May 2016, utilizing existing infrastructure in the XXL group. Being in operation for only seven months the Danish operation delivered total operating revenues of NOK 27 million for 2016. XXL has seen a positive revenue development during the year with good improvements in traffic and conversion rates. Four dedicated XXL employees in Copenhagen are exalting the brand and perception in the market every day, supported by the rest of the XXL organization. Logistics, delivery times and back office functions have surpassed expectations. The launch has been colored by aggressive pricing and high marketing spend leading to a low gross margin of 11.2 per cent and a negative EBITDA of NOK 13 million for the year 2016. However Denmark is going according to plan of being a small Swedish store in revenues and a pay-back time of 4-5 years.

E-commerce

Please note that E-commerce is not a separate segment in the financial reporting but is reported under each country segment. Currently XXL has an online offering in Norway, Sweden, Finland and Denmark through xxl.no, xxl.se, xxl.fi and xxl.dk respectively.

E-commerce sales comprised 13.4 per cent of total Group operating revenues in Q4 2016 compared to 10.3 per cent in Q4 2015. The fourth quarter 2016 proved to be another quarter with good growth and operating revenues increased by 52.2 per cent to NOK 288 million (NOK 189 million). All markets experienced high growth and in particular the Black Friday campaign was a big event with no technical disruptions. XXL moved the platform over to cloud services to secure scalability. The E-commerce organization has also focused on building the customer database in all markets.

2016 showed another year with strong growth and operating revenues from E-commerce increased by 59.8 per cent to NOK 851 million. The revenue contribution from E-commerce for the Group corresponded to 10.9 per cent in 2016 compared to 8.2 per cent in 2015. Many new initiatives have been introduced during the year to improve the user experience and increase sales. The most important event was the introduction of a new front-end website, on all platforms (mobile, tablets, desktop) and in all countries. This has improved the user experience with faster loading speeds, better mobile interface and personalization opportunities. XXL has also strengthened its content services with the establishment of XXL blogs in all markets. Further the E-commerce organization has commenced the work of building a robust digital customer database as well as an omni-channel customer service function for the XXL Group.

HQ and Logistics

The HQ and Logistics segment consists of costs related to the Group's headquarter and logistics operations, as well as costs related to the centralized E-commerce management and all financial income and financial expenses.

Operating expenses were NOK 81 million (NOK 64 million) in the quarter. This equals 3.7 per cent of total Group operating revenue. The corresponding figure for the fourth quarter last year was 3.5 per cent. The higher costs are related to increased capacity at both central warehouses in XXL. The expansion of the central warehouse in Sweden from 20 000 to 40 000 square meters was finalized and handed over in November 2015, while the expansion of the central warehouse in Norway from 24 000 to 32 000 square meters was finalized and handed over in November 2016. This resulted in higher rental and personnel costs in the fourth quarter 2016.

For 2016, the operating expenses amounted to NOK 318 million, up from NOK 244 million in 2015. This equaled 4.1 per cent of total operating revenues of the Group, an increase of 0.3 percentage points from 2015. This is driven by expansion projects at both central warehouses in XXL as described above. The infrastructure investments were NOK 48 million in 2016 of which NOK 11 million was booked in Q4 2016. Additional investments will be carried out in first half of 2017.

Financials

Consolidated income statement – Fourth quarter

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

Operating revenues increased by 17.5 per cent to NOK 2 151 million (NOK 1 831 million). The growth was driven by new stores that opened during 2016 and a like-for-like growth of 4.2 per cent. At the end of the quarter, XXL operated 64 stores compared to 52 stores at the end of the fourth quarter 2015.

Gross profit was NOK 911 million (NOK 751 million) this quarter, an increase of 21.3 per cent compared to the same period last year. The gross margin for the Group increased to 42.4 per cent (41.0 per cent) due to improved gross margins in Norway, Sweden and Finland. (Sweden also improved adjusted for the reclassification). Denmark is still delivering low gross margins.

Operating expenses excluding depreciation equaled NOK 625 million (NOK 522 million) in the fourth quarter. As percentage of total operating revenues of the Group, operating expenses increased from 28.5 per cent last year to 29.1 per cent this year. This is due to higher costs at both the Norwegian and the Swedish central warehouse after expending the capacity, more digital marketing costs, costs of opening more stores and costs related to establishing an E-commerce operation in Denmark.

Operating income equalled NOK 247 million (NOK 203 million).

Net financial expenses amounted to NOK 6 million for the fourth quarter (NOK 18 million). Net interest expenses equaled NOK 7 million in the quarter.

Tax expenses for the fourth quarter were NOK 53 million and the effective tax rate was 22.0 per cent.

Net profit ended at NOK 188 million (NOK 104 million).

Consolidated income statement – 2016

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

Operating revenues for the year 2016 were NOK 7 813 million (NOK 6 487 million), a growth of 20.4 per cent. The drivers behind the growth are full year effect of stores that opened during 2015, new stores that opened in 2016 and a like-for-like growth of 7.5 per cent.

Gross profit equalled NOK 3 119 million (NOK 2 579 million) this year, an increase of 20.9 per cent compared to last year as a result of higher operating revenues. The gross margin for the Group was stable at 39.9 per cent (39.8 per cent) and Norway, Sweden and Finland all delivered improved margins compared to last year. Denmark is in an early phase and the gross margin is very low.

Operating expenses excluding depreciation were NOK 2 295 million (NOK 1 854 million) in 2016. As percentage of total operating revenues of the Group, operating expenses increased from 28.6 per cent last year to 29.4 per cent this year. This is due to increased digital marketing costs, higher costs after expanding the capacity at both the central warehouse in Norway and in Sweden, costs of opening more stores compared to last year and the establishment of an E-commerce operation in Denmark in late May 2016.

Operating income equalled NOK 697 million (NOK 634 million).

Net financial expenses amounted to NOK 55 million for 2016 (NOK 28 million). The Group had positive currency effects in 2015 of NOK 23 million compared to negative currency effects of NOK 11 million in 2016. Net interest expenses equaled NOK 20 million for the year.

Tax expenses for 2016 were NOK 141 million and the effective tax rate was 22.0 per cent for the year. For the year 2015, XXL ASA reported tax expenses of NOK 179 million and an effective tax rate of 29.5 per cent, which included NOK 38 million related to a settlement of a tax case with the Norwegian tax authorities regarding the income tax for the years 2010-2013.

Net profit ended at NOK 501 million (NOK 427 million) as a result of the reasons stated above.

Consolidated cash flow

(Figures in brackets = same period previous year, unless otherwise specified. Cash flow commented on year to date basis)

Cash provided by operating activities ended at NOK 31 million in 2016 compared to NOK 352 million at the end of 2015. The main reason for the negative deviation is the inventory increase from NOK 1 928 million at the end of 2015 to 2 610 million at the end of 2016 due to growth, new stores and new products coming in for the next season. Inventory per store[8] (including E-commerce) equaled NOK 38.4 million (NOK 35.1 million). The inventory level is too high and is a combination of lower December sales than expected and a total purchase volume too high. There are a lot of initiatives to reduce the inventory to a normalized level by the end of Q3 2017. However, the product categories with high inventory level had the best growth of all categories. The inventory continues to be healthy and where the challenging categories with particularly high inventory level are related to fourth quarter purchase. In March 2016 XXL settled an agreement with Skatt Øst (Norwegian tax authorities) regarding the income tax for the years 2010-2013. Under the agreement the net tax effect was NOK 38 million which is included in the income tax paid for 2016, but included in tax cost for 2015.

Cash used by investing activities was NOK 248 million (NOK 169 million) in 2016. This is related to investments in new stores, maintenance CAPEX on existing stores, investments in central warehouses, ERP upgrade and purchase of own shares of NOK 9 million.

Cash provided from financing activities amounted to NOK 253 million in 2016 compared to use of NOK 319 million in 2015. This is due to a draw down of NOK 549 million on existing credit facility related to more store openings and dividend payment of NOK 277 million in early July 2016.

Financial position and liquidity

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

As of 31 December 2016, total assets amounted to NOK 6 673 million (NOK 5 839 million). Total equity was NOK 3 593 million (NOK 3 366 million), resulting in an equity ratio of 53.8Incra per cent (57.7 per cent). Net interest bearing debt increased to NOK 1 553 million (NOK 1 037 million) due to investments in new stores and infrastructure, increased net working capital, mainly from the high inventory level, and dividend payment.

The Group had cash and cash equivalents of NOK 115 million (NOK 87 million) as of 31 December 2016, of which NOK 28 million was restricted cash. The Group's liquidity reserves include total credit facilities of NOK 700 million whereof NOK 549 million was used as of 31 December 2016. Available liquidity reserves as of 31 December 2016 were NOK 151 million.

XXL has in February 2017 agreed with the existing bank syndicate an additional NOK 700 million revolving facility to handle short term inventory fluctuation and to secure further growth. The revolving facility expires together with the existing facilities in June 2019.

Changes in the Management team

Marketing Director, Mrs. Kine Bergseth, decided to leave her position in XXL. Mr. Jarle Bråten was appointed the new Marketing Director for the XXL Group and he started in his position on 1 December 2016. Prior to his new position he was responsible for coordinating all media buying for retail chains related to Dolphin Group, which include XXL, Expert, Skeidar and Home & Cottage. Jarle Bråten was the co-founder of XXL and he served as Sales, Marketing and Buying Director in XXL form year 2000 to 2010. Prior to his career in XXL he held the position as Nordic Purchase Director in the electronic retail chain Elkjøp.

Managing Director Sweden, Mr. Andreas Stenman, decided to leave his position in XXL. Ms. Janicke Blomsnes was appointed the new Managing Director Sweden and she started in her new position on 9 December 2016. She came from the position as Vice Managing Director Sweden and as Head of Nordic Training and Education in XXL Group. Janicke Blomsnes served as Acting Managing Director Sweden from April to September 2016. Prior to her roles in XXL Sweden she served as Store Manager and Sales Leader in XXL Norway.

XXL has appointed Mr. Robert Iversen as the Director of Training and Education. He started in his new position on 1 February 2017. Robert Iversen was the co-founder of XXL and he served as the first CEO of XXL from year 2000 to 2007. From year 2007 to 2011 he was responsible for Training in the XXL Group. Prior to his roles in XXL he held several positions in the electronic retail chain Elkjøp including Managing Director Norway and COO Norway and Finland (Elkjøp, Lefdal and Gigantti).

Outlook

Total operating revenues for the Group in January 2017 decreased by 8.1 per cent to NOK 600 million. The month was impacted by unusual poor winter conditions in all regions in the Nordics.

XXL has signed 10 new lease agreements for store openings for 2017 where of 1 in Norway, 4 in Sweden, 3 in Finland and 2 in Austria. The aim for 2017 is 10-12 new stores in total.

Regarding Austria both of the stores are in Vienna, giving synergies to marketing cost. The opening will be in late 2017, and in addition XXL will launch an E-commerce offering together with the first store. This is a new market area for XXL and it will be focus on branded goods at introduction prices and a significant footprint on marketing activities. It will also be added a local team for buying and support to establish XXL in the new area consisting of at least five employees. This organization will be scaled for the whole DACH-region (Germany, Austria and Switzerland). CAPEX per store will be in the range of EUR 1.7 -1.9 million and an average pay-back per store of 4-5 years. The average pay-back time is calculated after being 3 years in the market. Average sale per store is expected to be around EUR 12 million, while the gross margin and EBITDA-profile will be as in Sweden over time when excluding for the build up of a centralized organization. Hence, the start-up in Austria will have higher costs than the launch in Sweden, Finland and Denmark. XXL expects between 15-20 stores in total in the Austrian market.

To continue the growth strategy, in stores and E-commerce, in new markets and existing markets, XXL will invest in infrastructure, IT and training facilities. These investments are expected to be in the range of NOK 70-90 million for 2017. In addition XXL will refurbish at least two stores with CAPEX in the range of two new stores.

The Group maintains the following long term objectives (on full year basis):

- Like-for-like growth of mid-single digits over time including E-commerce
- Gross margins: In Norway at low 40's, high 30's in Sweden and between mid and high 30's in Finland. Due to the demanding macro in Finland the lift to high 30's may take longer time than in Sweden
- EBITDA-margins: In Norway at low 20's, in Sweden low double digits and in Finland high single digits. Due to the demanding macro in Finland the lift to high single digits may take longer time than in Sweden.
- Both gross margin and EBITDA-margin for the Group will be negatively affected by the establishment in new markets.

Oslo, 14 February 2017
Board of Directors, XXL ASA

Condensed consolidated financial statements

UNAUDITED, FOR THE PERIOD ENDED December 31, 2016

Condensed Consolidated Interim Income Statement

(Amounts in NOK million)	**Q4 2016**	Q4 2015	**YTD 2016**	FY 2015 Audited
Total Operating Revenue	**2 151**	1 831	**7 813**	6 487
Cost of goods sold	**1 240**	1 080	**4 694**	3 908
Personnel expenses	**335**	276	**1 240**	991
Depreciation	**39**	26	**127**	91
Other operating expenses	**290**	247	**1 055**	863
Total Operating Expenses	**1 904**	1 628	**7 116**	5 853
Operating Income	**247**	203	**697**	634
Net Financial Income (+) / Expense (-)	**-6**	-18	**-55**	-28
Profit before income tax	**240**	186	**642**	606
Income tax expense	**53**	81	**141**	179
Profit for the period	**188**	104	**501**	427
Basic Earnings per share (NOK)	**1,35**	0,75	**3,62**	3,08
Diluted Earnings per share (NOK)	**1,34**	0,75	**3,59**	3,07
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Foreign currency rate changes	**-2**	0	**3**	0
Total Other Income and Expense	**-2**	0	**3**	0
Total comprehensive income for the period	**186**	104	**504**	427

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

Condensed Consolidated Interim Statement of Financial Position

(Amounts in NOK million)	**31.12.16**	31.12 2015 Audited
NON CURRENT ASSETS		
Intangible Assets		
Goodwill	**2 734**	2 734
Other intangible assets	**253**	225
Total Intangible Assets	**2 987**	2 959
Fixed Assets	**681**	569
Total Non Current Assets	**3 670**	3 529
CURRENT ASSETS		
Inventory	**2 610**	1 928
Trade and Other Receivables	**277**	296
Cash and Cash Equivalents	**115**	87
Total Current Assets	**3 003**	2 310
TOTAL ASSETS	**6 673**	5 839
SHAREHOLDERS' EQUITY		
Paid-in Capital	**2 887**	2 886
Other equity	**707**	480
Total Shareholders' Equity	**3 593**	3 366
LIABILITIES		
Deferred tax liability	**49**	61
Total Provisions	**49**	61
Other long-term debt		
Interest bearing long-term debt	**1 119**	1 116
Total other long-term debt	**1 119**	1 116
Total long-term debt	**1 167**	1 177
Short-term debt		
Accounts payable	**639**	578
Short-term borrowings	**549**	8
Tax payable	**140**	193
Public duties payable	**255**	228
Other short-term debt	**329**	289
Total short-term debt	**1 913**	1 295
TOTAL LIABLILITIES	**3 080**	2 473
TOTAL EQUITY AND LIABILITIES	**6 673**	5 839

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

Condensed consolidated interim statement of cash flows

(Amounts in NOK million)	**Q4 2016**	Q4 2015	**YTD 2016**	FY 2015 Audited
Operating Activities				
Profit before income tax	**240**	187	**642**	606
Adjustments for:				
Income tax paid	**-118**	-27	**-182**	-73
Depreciation	**39**	26	**127**	91
Items classified as investments or financing	**5**	6	**19**	42
Amortisation of capitalised transaction costs	**0**	2	**7**	8
Fair value movement of financial derivatives	**0**	3	**1**	-1
Changes in working capital:				
Changes in inventory	**-270**	-178	**-777**	-531
Changes in accounts receivable	**12**	-46	**14**	-11
Changes in accounts payable	**-6**	127	**73**	124
Prepayments of financial leases	**-7**	-4	**-8**	-11
Changes in other assets and liabilities	**108**	116	**115**	108
Cash provided (used) by operating activities	**4**	212	**31**	352
Investing Activities				
Acquisition of fixed assets and intangible assets	**-79**	-71	**-239**	-162
Proceeds from disposal of financial assets	**0**	0	**0**	1
Purchase of own shares/other equity transactions	**0**	0	**-9**	-8
Cash provided (used) by investing activities	**-79**	-71	**-248**	-169
Financing Activities				
Payments on long/short term debt	**0**	-100	**0**	-787
Proceeds from new long/short-term debt	**135**	0	**549**	787
Interest payments	**-5**	-6	**-19**	-42
Dividend	**0**	0	**-277**	-277
Cash provided (used) by financing activities	**131**	-106	**253**	-319
Net Change in Cash and Cash Equivalents	**55**	35	**36**	-135
Cash and cash equivalents - beginning of period	**59**	52	**87**	222
Effect of foreign currency rate changes on cash and equivalent	**0**	0	**-8**	0
Cash and Cash Equivalents - End of Period	115	87	115	87

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

Condensed consolidated interim Statement of Changes in Equity

(Amounts in NOK million)	Paid-in Capital	Retained earnings	Foreign Currency Rate Changes	Total Shareholders' Equity
Shareholders' Equity 01.01.15	**2 890**	**329**	**1**	**3 219**
Net income YTD 2015		427		427
Purchase own shares	-8			-8
Employee share incentive program	4			4
Dividend		-277		-277
Foreign currency rate changes			0	0
Shareholders' Equity 31.12.15	**2 886**	**479**	**1**	**3 366**
Shareholders' Equity 01.01.16	**2 886**	**479**	**1**	**3 366**
Net income YTD 2016		501		501
Purchase own shares	-9			-9
Employee share incentive program	10			10
Dividend		-277		-277
Foreign currency rate changes			3	3
Shareholders' Equity 31.12.16	**2 886**	**703**	**4**	**3 593**

The share capital as of 31.12.2016 is 55.4 million NOK

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

Notes to the interim financial statements

Note 1 General information

XXL ASA and its subsidiaries' (together the "company" or the "Group") operating activities are related to the resale of sports and leisure equipment in the Nordic countries.
All amounts in the interim financial statements are presented in NOK million unless otherwise stated. Due to rounding, there may be differences in the summation columns.
These condensed interim financial statements have not been audited.

Note 2 Basis of preparation

These condensed interim financial statements for the six months ended 31 December 2016 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2015, which have been prepared in accordance with IFRS as adopted by the European Union ('IFRS').

Note 3 Accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial statements are consistent with those applied in the preparation of the annual IFRS financial statements for the year ended 31 December 2015.

Note 4 Estimates, judgments and assumptions

The preparation of interim financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.
In preparing these condensed interim financial statements, the significant judgments made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2015.

Note 5 Earnings per share

	Q4 2016	Q4 2015	**YTD 2016**	YE 2015
Total profit (in NOK million)	**188**	104	**501**	427
Weighted average number of ordinary shares in issue	**138 512 123**	138 512 123	**138 512 123**	138 512 123
Adjustment for:				
Effect share options	**1 055 790**	625 665	**1 055 790**	625 665
Weighted number of ordinary shares in issue for diluted earnings per share	**139 567 913**	139 137 788	**139 567 913**	139 137 788
Basic Earnings per share (in NOK)	**1,35**	0,75	**3,62**	3,08
Diluted Earnings per share (in NOK)	**1,34**	0,75	**3,59**	3,07

Note 6 Operating Segments

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

Q4 2016

Amounts in NOK million	Norway	Sweden	Finland	Denmark	HQ & Logistics	Total
Operating revenue	**1 203**	**609**	**326**	**13**	**-**	**2 151**
Gross profit	550	230	130	1	-	911
EBITDA²	**287**	**51**	**34**	**-5**	**-81**	**286**
Operating Income	**274**	**42**	**31**	**-5**	**-94**	**247**

Q4 2015

Amounts in NOK million	Norway	Sweden	Finland	Denmark	HQ & Logistics	Total
Operating revenue	**1 007**	**578**	**246**	**-**	**-**	**1 831**
Gross profit	442	225	85	-	-	751
EBITDA²	**233**	**53**	**7**	**-**	**-64**	**229**
Operating Income	**225**	**45**	**5**	**-**	**-71**	**203**

01.01.2016 - 31.12.2016

Amounts in NOK million	Norway	Sweden	Finland	Denmark	HQ & Logistics	Total
Operating revenue	**4 151**	**2 474**	**1 161**	**27**	**-**	**7 813**
Gross profit	1 764	959	392	3	-	3 119
EBITDA²	**857**	**257**	**40**	**-13**	**-318**	**824**
Operating Income	**819**	**224**	**27**	**-13**	**-360**	**697**

01.01.2015 - 31.12.2015

Amounts in NOK million	Norway	Sweden	Finland	Denmark	HQ & Logistics	Total
Operating revenue	**3 617**	**2 045**	**825**	**-**	**-**	**6 487**
Gross profit	1 529	783	268	-	-	2 579
EBITDA²	**763**	**188**	**19**	**-**	**-244**	**725**
Operating Income	**735**	**161**	**10**	**-**	**-272**	**634**

The reclassification effects of wholesale margin between Sweden and Finland is shown per quarter in the tables below, first after reclassification and then the actual reported figures.

Margin adjusted

Amounts in NOK million	Q1	Q2	Q3	Q4
Sweden Gross Margin %	**36,8 %**	**39,7 %**	**37,5 %**	**39,3 %**
Sweden EBITDA %	7,5 %	11,0 %	10,8 %	9,8 %
Finland Gross Margin %	**31,2 %**	**34,3 %**	**30,3 %**	**37,1 %**
Finland EBITDA %	-1,3 %	4,4 %	1,5 %	7,7 %

Margin reported

Amounts in NOK million	Q1	Q2	Q3	Q4
Sweden Gross Margin %	**37,3 %**	**40,1 %**	**38,0 %**	**37,8 %**
Sweden EBITDA %	8,1 %	11,5 %	11,3 %	8,3 %
Finland Gross Margin %	**29,9 %**	**33,2 %**	**29,1 %**	**39,9 %**
Finland EBITDA %	-2,6 %	3,3 %	0,4 %	10,4 %

Note 7 Related Party Transactions

The Group's related parties include its associates, key Management, members of the Board of Directors and majority shareholders.

There are no major related party transactions for XXL Group in Q4 2016. Further, none of the Board members have been granted loans or guarantees in the current year or are included in the Group’s pension or bonus plans.
All related party transactions are concluded on an arms-length basis.

Note 8 Fixed Assets and intangible assets

Property, plant and equipment and intangible assets

(Amounts in NOK million)	PPE	Goodwill	Other intangible assets
Balance 01.01.2016	**569**	**2 734**	**225**
Additions	199	0	39
Disposals and write-downs	0	0	0
Depreciation and amortisation	-109	0	-17
Net exchange differences	22	0	6
Balance 31.12.2016	**681**	**2 734**	**253**

Additions mainly related to purchase of fixtures and fittings in new and existing stores.

(Amounts in NOK million)	PPE	Goodwill	Other intangible assets
Balance 01.01.2015	**474**	**2 734**	**221**
Additions	148	0	14
Disposals and write-downs	-1	0	0
Depreciation and amortisation	-82	0	-10
Net exchange differences	29	0	0
Balance 31.12.2015	**569**	**2 734**	**225**

Additions mainly related to purchase of fixtures and fittings in new and existing stores.

Note 9 Risk Management

A description of main risk factors in XXL is included in Note 19 in the Annual Report for 2015.

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 include comparable stores and E-commerce. Comparable stores are stores that have been open all months of the current year and all months of the previous year. Stores that have been relocated or significantly expanded are excluded from Like for Like stores.
[4] **Gross profit**
Gross 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
[7] **OPEX**
OPEX is defined as other operating expenses including personnel expenses, but excluding depreciation and amortization
[8] **Inventory per store**
Total inventory divided on number of stores and number of E-commerce markets at end of period

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FINANCIAL CALENDAR	
Q1 2017 results	26.04.2017
Annual General Meeting:	07.06.2017
Q2 2017 and 1H 2017 results:	21.07.2017

INVESTOR CONTACT	
Contact person:	Tolle Grøterud
E-mail:	ir@xxlasa.com
Phone:	+4790272959