

MQ Holding AB Year-end report

Stable trend in a weak market

Fourth quarter (June 2011- August 2011)

- Net sales amounted to SEK 358 million (350), up 2.2 percent. Sales in comparable stores fell 2.8 percent. (The Swedish Retail Institute Index declined 5.2 percent).
- The gross margin was 54.8 percent (52.3).
- Operating profit amounted to SEK 21 million (24), corresponding to an operating margin of 5.8 percent (6.8).
- Profit after tax amounted to SEK 11 million (8), corresponding to SEK 0.32 (0.24) per share after dilution.
- Cash flow from operating activities was negative in the amount of SEK 4 million (neg: 17).

12-month period (September 2010-August 2011)

- Net sales amounted to SEK 1,487 million (1,435), up 3.6 percent. Sales in comparable stores fell 1.3 percent. (The Swedish Retail Institute Index declined 3.7 percent).
- The gross margin was 57.3 percent (57.9).
- Operating profit amounted to SEK 121 million (145), corresponding to an operating margin of 8.1 percent (10.1). The operating profit was impacted by severance pay for the former CEO and purchasing manager totalling SEK 8 million.
- Profit after tax amounted to SEK 77 million (72), corresponding to SEK 2.19 (2.86) per share after dilution.
- Cash flow from operating activities was SEK 103 million (108).
- The Board proposes a dividend of SEK 1.10 (1.02) per share, corresponding to 50 percent of the year's profit after tax.

Events during the fourth quarter

- A new store was opened in Skien, Norway.
- The new Dobber brand was launched.
- An Extraordinary General Meeting was held, where the Meeting resolved to adopt the Board's proposal to establish a long-term, share-based incentive programme, 2011/2014.

Events after the end of the reporting period

- Mats Gärdsell assumed the position of CEO on 3 October.
- Peter Karlson assumed the position of Head of Logistics and Sourcing on 3 October. Peter is a Board member.
- A new store was opened in Erikslund, Västerås.
- The incentive programme above, which was approved during the fourth quarter, came into effect after the end of the closing date. Accordingly, it had no impact on the September - August 2010/2011 financial accounts. For further information on the incentive programme, refer to page 4.

Key figures

SEK m	Q4 Jun-Aug 10/11	Q4 Jun-Aug 09/10	Financial year Sep-Aug 10/11	Financial year Sep-Aug 09/10
Net sales	358	350	1,487	1,435
Gross margin, %	54.8	52.3	57.3	57.9
Operating profit	21	24	121	145
Operating margin, %	5.8	6.8	8.1	10.1
Profit after financial items	17	16	107	96
Profit after tax	11	8	77	72
Earnings per share after dilution, SEK	0.32	0.24	2.19	2.86
Number of stores, end of period	113	106	113	106

CEO's statement

We deliver stable results which is positive in the current weak market environment. We increase our sales in total, and are stronger than the market (HUI) in comparable stores. The gross margin improved mainly due to the huge success of the sale of our spring/summer ranges, which enabled us to sell more autumn products at full price in August. The strong summer sales mean that we are exiting the period with a well-balanced inventories level.

Dobber was launched as a new brand during the period and was well received by our customers.

We are continuing our brand-positioning effort to provide customers with a more distinct and attractive offering. The changes implemented in the company pertaining primarily to range, product display and selling focus have generated positive results to date and we will continue striving to strengthen our offering.

As we enter the next financial year, it feels encouraging to hand over the reins to our new CEO, Mats Gärdsell, who with his extensive experience has the best possibilities to keep MQ on its successful path.



Tony Siberg, Deputy CEO and CFO



Mats Gärdsell, CEO

Operations

The MQ Group is a retailer of women's and men's fashion in the Swedish and Norwegian markets. The product portfolio, which focuses on fashion-conscious consumers, contains a mix of proprietary and external brands.

Store network

The stores are located in Ystad in the south to Luleå in the north of Sweden. MQ was launched in Norway in September 2010 and currently has one store in Oslo, one in Drammen and one in Skien. All stores sell both women's and men's fashions. At the end of the period, the total number of stores was 113. One store was opened during the fourth quarter.

Market

The Swedish clothing retail sector reported a weak period and the sales trend was negative during both the fourth quarter (June 2011 - August 2011) with a decline of 5.2 percent and the 12-month period (September 2010 - August 2011) with a decline of 3.7 percent.

Comments on financial performance

Net sales

Fourth quarter, June 2011 - August 2011

Net sales amounted to SEK 358 million (350) during the quarter, up 2.2 percent as a result of more stores. MQ's sales in comparable stores fell 2.8 percent during the fourth quarter compared with an overall market decline of 5.2 percent. Sales of women's fashion rose 2.5 percent to SEK 167 million (163) and men's fashion rose 2.1 percent to SEK 191 million (187).

12-month period, September 2010 - August 2011

Net sales amounted to SEK 1,487 million (1,435) during the 12-month period, up 3.6 percent as a result of more stores. Sales in comparable stores fell 1.3 percent compared with an overall market decline of 3.7 percent. Sales of women's fashion rose 6.3 percent to SEK 705 million (663) and men's fashion rose 1.3 percent to SEK 782 million (772).

Earnings

Fourth quarter, June 2011 - August 2011

Gross profit totalled SEK 196 million (183), corresponding to a gross margin of 54.8 percent (52.3). The gross margin was impacted positively by the selling out of our spring and summer inventories early in the period, thereby making room for our autumn products in August. This means that the inventories level at the end of the reporting period was well balanced.

Other external costs and personnel expenses for the quarter amounted to SEK 165 million (151). The cost increase was attributable to newly opened stores and standard cost increases for leases, salaries, etc.

Operating profit for the quarter was SEK 21 million (24), corresponding to an operating margin of 5.8 percent (6.8). Depreciation/amortisation according to plan amounted to SEK 11 million (12). Net financial items amounted to an expense of SEK 4 million (expense: 8) for the fourth quarter. The net financial items trend was primarily attributable to financial expenses in the preceding year in conjunction with the refinancing of the company before the introduction on the stock market in June 2010. Profit after financial items amounted to SEK 17 million (16).

12-month period, September 2010 – August 2011

Gross profit amounted to SEK 851 million (832), corresponding to a gross margin of 57.3 percent (57.9).

Operating profit for the 12-month period was SEK 121 million (145), corresponding to an operating margin of 8.1 percent (10.1). The operating profit for the period was impacted by severance pay for the former CEO and purchasing manager totalling SEK 8 million. Last year was impacted by IPO costs totalling 11 million. Depreciation and amortisation according to plan amounted to SEK 50 million (46). Net financial items amounted to an expense of SEK 14 million (expense: 49) for the 12-month period. The net financial items trend was attributable to lower interest costs in conjunction with the refinancing of the company before the introduction on the stock market. Profit after financial items amounted to SEK 107 million (96).

Expansion

Efforts to find new store locations, primarily in Norway but also in Sweden, continue according to plan.

Cash flow

MQ's cash flow from operating activities amounted to SEK 103 million (108) during the period. The cash flow was impacted adversely by the early delivery of autumn products. Cash flow after investments amounted to SEK 59 million (65).

Inventories

On 31 August 2011, the value of the company's inventories amounted to SEK 246 million (205). The increase was due primarily to the early delivery of autumn products compared with the year-earlier period, but also due to the increase in the number of stores. Early deliveries are due to an increased portion of direct purchasing from Asia, and the fact that autumn products were delivered

earlier this year. When the summer sales ended, the inventories level for the past season's products was lower than the year-earlier period. In general, the size and composition of the inventories were deemed to be at a satisfactory level.

Investments

Investments totalling SEK 44 million (43) were made during the period and pertained mainly to investments in new and existing stores. Seven stores were opened during the 12-month period, of which four in Sweden (Växjö, Bromma, Kungens Kurva, Åkersberga) and three in Norway (Oslo, Drammen, Skien). In addition, four stores were refurbished and adapted to MQ's new store concept, which generated an additional 750 square metres of space.

Financing and liquidity

Interest-bearing net debt as of 31 August 2011 amounted to SEK 334 million, compared with SEK 360 million in the year-earlier period. At the end of the period, cash and cash equivalents amounted to SEK 26 million (42). Interest-bearing net debt/EBITDA amounted to 1.9 for the rolling 12-month period, September 2010 - August 2011.

Events during the fourth quarter

MQ opened a new store during the fourth quarter in Skien, Norway. MQ Holding AB held an Extraordinary General Meeting on 23 August 2011 in Gothenburg. The Meeting resolved to adopt the Board's proposal to establish a long-term, share-based incentive programme, 2011/2014.

Events after the end of the period

Mats Gärdsell was appointed the new CEO of MQ. Mats assumed the position on 3 October. Peter Karlsson assumed the position of Head of Logistics and Sourcing on 3 October. A new store was opened in Erikslund, Västerås. The incentive programme above extends for three years and will include a total of seven senior executives and specialists in the Group and comprise a maximum of 525,000 shares in the company. The main purpose of the programme is to create opportunities for the Group to recruit and to retain competent senior executives and specialists, to generate commitment to the Group's long-term development and to link the interests of senior executives and specialists to shareholders' interests and stimulate share ownership. To ensure delivery of shares, a hedging agreement was signed with the bank.

Employees

The average number of full-time employees during the period amounted to 657, compared with 634 in the year-earlier period.

Transactions with related parties

No significant transactions were conducted with related parties during the period.

Risks and uncertainties

MQ's business is exposed to a number of risks that are fully or partially beyond the company's control, but that may have an impact on sales and earnings. The risks to which the company is exposed include economic trends, fluctuating fashion trends, interest risk and currency risk. MQ is dependent on consumer preferences with respect to trends, design and quality. The company makes conscious efforts to develop its trend monitoring, information systems, forecasts, goods supply and short production lead-times to minimise the risks associated with fluctuating fashion trends.

The increased purchasing power among Swedish consumers in recent years is one of the reasons for the strong growth in the retail sector. In particular, this has been an important factor underlying the growth in the upper price range collections with high fashion content in the specialised retail segment and among brand specialists. A slowing of economic growth in Sweden would have a negative impact on consumer purchasing power and thus also on growth in the retail sector.

The company's financial risks relate to fluctuations in the company's earnings and cash flow resulting from changes in exchange rates, interest rates, liquidity and credit risks. Management of the Group's financial risks is carried out by the Group's finance department, which is tasked with identifying and minimising the risk of negative effects on profits and improving the predictability of future profits. For more information on financial instruments and risk management, see the Directors' Report, Notes 23 and 24 in the 2009/2010 Annual Report.

Parent Company

The Parent Company's net sales during the 12-month period amounted to SEK 14 million (7) and a loss of SEK 6 million (loss: 14) after financial items was posted. The Parent Company did not implement any investments during the period.

Annual General Meeting

The Annual General Meeting will be held in Gothenburg on 31 January 2012. The Annual Report will be available at www.mq.se during week of 19 December 2011.

Dividend

At the Annual General Meeting, the Board of Directors intends to propose a dividend of SEK 1.10 (1.02) per share.

The Board of Directors and the Chief Executive Officer affirm that this year-end report provides a true and fair view of the Parent Company's and the Group's operations, position and performance, and describes the material risks and uncertainties faced by the Parent Company and the companies in the Group.

Gothenburg, 6 October 2011

Board of Directors
MQ Holding AB

Erik Olsson
Chairman of the Board

Göran Barsby
Board member, Vice Chairman

Christel Kinning
Board member

Jonas Lagerstedt
Board member

Thomas Nyberg
Board member

Eva Redhe Ridderstad
Board member

Mats Gärdsell
Chief Executive Officer

Analysts and media conference

At 8:30 a.m. today, MQ will hold an analyst and media conference for capital market players in the MQ store at the Sturegalleria mall in Stockholm.

Reporting schedule

Interim report, first quarter, September 2011 - November 2011	22 December 2011
Interim report, second quarter, December 2011- February 2012	23 March 2012
Interim report, third quarter, March 2012-May 2012	21 June 2012

Contact

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Corp. Reg. No. 556697-2211

This year-end report has not been reviewed by the company's auditors.

Consolidated income statement

Summarised consolidated income statement (SEK m)	Q4 Jun-Aug 2010/11	Q4 Jun-Aug 2009/10	Financial year Sep-Aug 2010/11	Financial year Sep-Aug 2009/10
Net sales	358	350	1487	1435
Other operating income	1	4	4	7
Total operating income	359	354	1,491	1,442
• Goods for resale	-162	-167	-635	-604
• Other external expenses	-77	-82	-330	-330
• Personnel expenses	-88	-69	-355	-317
• Depreciation/amortisation	-11	-12	-50	-46
Operating profit	21	24	121	145
• Financial income	0	2	-1	4
• Financial expenses	-4	-10	-13	-53
Profit after financial items	17	16	107	96
Tax on profit for the period	-6	-8	-30	-24
PROFIT FOR THE PERIOD attributable to owners of the Parent Company	11	8	77	72
Earnings per share before dilution (SEK)	0.32	0.25	2.19	2.94
Earnings per share after dilution ^{1 2} (SEK)	0.32	0.24	2.19	2.86
Average number of shares before dilution	35,156,507	32,537,339	35,156,507	24,424,733
Average number of shares after dilution ^{1 2}	35,156,507	32,808,382	35,156,507	25,145,721

Statement of comprehensive income for the Group

(SEK m)	Q4 Jun-Aug 2010/11	Q4 Jun-Aug 2009/10	Financial year Sep-Aug 2010/11	Financial year Sep-Aug 2009/10
Profit for the period	11	8	77	72
Translation difference for the period	0	0	0	0
Fair value of cash-flow hedging	7	-6	0	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	18	2	77	80

¹ Earnings per share after dilution were affected by outstanding warrants totalling 1,385, 330 during the 12-month period. When calculating the average number of shares after dilution, the total number of warrants was used without adjustment to the share price relative to the exercise price although the redemption took place 17 days into the period. There are no outstanding instruments that can result in future dilution as per 31 August 2011.

² Comparable figures for the number of shares and earnings per share were recalculated to make them comparable with the number of shares after split.

Consolidated balance sheet

Summarised consolidated balance sheet (SEK m)	31 August 2011	31 August 2010
ASSETS		
Fixed assets		
Intangible assets	1,205	1,206
Tangible fixed assets	98	105
Total fixed assets	1,303	1,311
Current assets		
Inventories	246	205
Current receivables	66	67
Cash and cash equivalents	26	42
Total current assets	338	314
TOTAL ASSETS	1,642	1,625
EQUITY AND LIABILITIES		
Equity	827	786
Liabilities		
Interest-bearing long-term liabilities	320	360
Non-interest-bearing long-term liabilities	203	197
Interest-bearing current liabilities	40	42
Non-interest-bearing current liabilities	252	240
TOTAL EQUITY AND LIABILITIES	1,642	1,625

Statement of changes in equity

Specification of changes in the Group's equity (SEK m)	Period Sep-Aug 2010/2011	Period Sep-Aug 2009/2010
Equity, opening balance	786	323
Total comprehensive income	77	80
Conversion of loans to shares	0	288
New share issue/offset issue	0	95
Dividend	-36	0
EQUITY, CLOSING BALANCE	827	786

Consolidated cash-flow statement

Summarised consolidated cash-flow statement (SEK m)	Q4 Jun-Aug 2010/11	Q4 Jun-Aug 2009/10	Financial year Sep-Aug 2010/11	Financial year Sep-Aug 2009/10
Cash flow from operating activities before changes in working capital	19	22	135	121
Changes in working capital	-23	-39	-32	-13
Cash flow from operating activities	-4	-17	103	108
Cash flow from investing activities	-13	-15	-44	-43
Cash flow after investing activities	-17	-32	59	65
Financing activities				
<i>New share issues</i>	0	92	0	95
<i>Borrowings</i>	0	460	0	533
<i>Repayment of debt</i>	-20	-719	-40	-746
<i>Dividend</i>	0	0	-36	0
Cash flow from financing activities	-20	-167	-76	-118
Cash flow for the period	-37	-200	-16	-53
Cash and cash equivalents at the beginning of the period	63	242	42	96
Cash and cash equivalents at the end of the period	26	42	26	42

Key figures

	Q4 Jun-Aug 2010/11	Q4 Jun-Aug 2009/10	Financial year Sep-Aug 2010/11	Financial year Sep-Aug 2009/10
Growth in net sales, %	2.2	5.7	3.6	3.6
Growth in net sales, comparable stores, %	-2.8	2.3	-1.3	-0.4
Gross margin, %	54.8	52.3	57.3	57.9
Operating profit, SEK m	21	24	121	145
Operating margin, %	5.8	6.8	8.1	10.1
Profit after financial items	17	16	107	96
Profit for the period	11	8	77	72
Total depreciation/amortisation, SEK m	11	12	50	46
Earnings per share, SEK	0.32	0.25	2.19	2.94
Interest-bearing net debt, SEK m	334	360	334	360
Interest-bearing net debt/EBITDA, multiple	1.9	1.9	1.9	1.9
Equity/assets ratio, %	50	48	50	48
Equity, SEK m	827	786	827	786
Average number of shares before dilution	35,156,507	32,537,339	35,156,507	24,424,733
Average number of shares after dilution	35,156,507	32,808,382	35,156,507	25,145,721

Shareholding structure

Largest shareholders as at 31 August 2011		
Name	No. of shares	Votes and capital, %
CapMan	9,244,989	26.3
Jaller Klädcenter AB	2,500,000	7.1
Länsförsäkringar Fondförvaltning AB	1,246,869	3.5
Carlson Fonder AB	901,715	2.6
Svenska Lärarfonder	875,151	2.5
Maneqb2005 AB	679,840	1.9
Ålandsbanken Fonder AB	575,000	1.6
Skandia Fonder	551,084	1.6
Catella Fondförvaltning	547,100	1.6
Försäkringsaktiebolaget, Avanza Pension	544,414	1.6
Handelsbanken Fonder	516,265	1.5
Parinvest Gruppen AB	454,818	1.3
JP Morgan Bank	436,957	1.2
Case Asset Management AB	430,304	1.2
Barclays Cap Sec Cayman Client	388,800	1.1
Total 15 largest	19,893,306	56.6
Others	15,263,201	43.4
Total	35,156,507	100.0

Parent Company income statement

Summarised Parent Company income statement (SEK m)	Q4	Q4	Financial year	Financial year
	Jun-Aug 2010/11	Jun-Aug 2009/10	2010/11	2009/2010
Net sales	1	1	14	7
Other operating income	0	0	0	0
Total operating income	1	1	14	7
Goods for resale	0	0	0	0
Other external expenses	-2	-4	-6	-13
Personnel expenses	-1	-2	-14	-8
Other operating expenses	0	0	0	0
Depreciation/amortisation	0	0	0	0
Operating loss	-2	-5	-6	-14
• Financial income	3	12	12	54
• Financial expenses	-3	-12	-12	-54
Loss after financial items	-2	-5	-6	-14
Tax on profit for the period	0	4	0	4
LOSS FOR THE PERIOD	-2	-1	-6	-10

Parent Company balance sheet

Summarised Parent Company balance sheet (SEK m)	31 August 2011	31 August 2010
ASSETS		
Fixed assets		
Intangible fixed assets	0	0
Tangible fixed assets	0	0
Financial fixed assets	1,110	1,110
Total fixed assets	1,110	1,110
Current assets		
Inventories	0	0
Current receivables	5	14
Cash and cash equivalents	0	0
Total current assets	5	14
TOTAL ASSETS	1,116	1,124
EQUITY AND LIABILITIES		
Equity	563	599
Liabilities		
Interest-bearing long-term liabilities	320	360
Interest-bearing current liabilities	40	40
Non-interest-bearing liabilities	193	125
TOTAL EQUITY AND LIABILITIES	1,116	1,124
Pledged assets		
Shares in subsidiaries	1,110	1,110
MQ brand	690	690
Contingent liabilities		
General surety, MQ Retail AB	63	29

Definitions

Gross margin

Net sales less costs for goods sold as a percentage of sales.

EBITDA

Operating profit excluding depreciation, amortisation and impairment.

Equity

Consists of share capital, other contributed capital, reserves and retained earnings, including the Group's profit for the year.

Equity per share

Equity divided by the number of shares on the closing date.

Comparable sales

All sales except sales in new stores are termed "comparable sales." A new store becomes comparable when it has been open for one year.

Interest-bearing net debt

Interest-bearing liabilities less cash and cash equivalents.

Interest-bearing net debt/EBITDA

Interest-bearing liabilities divided by EBITDA for the most recent 12-month period.

Operating margin

Operating profit as a percentage of the net sales for the period.

Equity/assets ratio

Equity as a percentage of sales.

Accounting policies

The summarised interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting and the applicable provisions in the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with Chapter 9 of the Annual Accounts Act. For the Group and Parent Company, the same accounting and valuation policies have been applied as in the latest annual report. Reporting policies that have gained force and apply for the 2011 financial year have not had any impact on the Group's financial reports.

MQ is one of Sweden's leading retailers of fashion brands. Through a select mix of proprietary and external brands, MQ offers men's and women's clothes with a high fashion content in attractive stores. The store chain currently comprises 113 stores and the aim is to establish MQ as the leading retailer of fashion brands in the Nordic region. The MQ share has been listed on NASDAQ OMX Stockholm since 18 June 2010. For more information, please visit our website at www.mq.se.