

MQ Holding AB - Interim Report

MQ continues to capture market shares

Second quarter (December 2011 - February 2012)

- Net sales amounted to SEK 422 million (414), up 1.9 percent. Sales in comparable stores fell 1.3 percent. (The Swedish Retail Institute Index was down 2.6 percent)
- Gross margin was 48.6 percent (48.5).
Operating profit totalled SEK 11 million (15), corresponding to an operating margin of 2.6 percent (3.4).
- Profit after tax amounted to SEK 6 million (5), corresponding to SEK 0.16 (0.13) per share after dilution.
- Cash flow from operating activities totalled SEK 12 million (46).

First six months (September 2011-February 2012)

- Net sales amounted to SEK 802 million (782), up 2.6 percent. Sales in comparable stores fell 1.2 percent. (The Swedish Retail Institute Index was down 5.4 percent)
- Gross margin was 55.2 percent (56.1).
Operating profit totalled SEK 53 million (69), representing an operating margin of 6.6 percent (8.8).
- Profit after tax amounted to SEK 34 million (42), corresponding to SEK 0.97 (1.21) per share after dilution.
- Cash flow from operating activities totalled SEK 46 million (69).

Events during the second quarter

- Five new brands were launched during the quarter; three for ladies: Dobber, Just Female and Won Hundred; two for men: Cottonfield and Mouli
- Two new Board members were appointed in conjunction with the Annual General Meeting in January: Bengt Jaller and Christina Ståhl

Events after the end of the reporting period

No significant events took place after the end of the reporting period.

Key figures

SEK m	Q2 Dec-Feb 11/12	Q2 Dec-Feb 10/11	Period Sep-Feb 11/12	Period Sep-Feb 10/11	Rolling 12 months mars11- feb12	Financial year Sep-Aug 10/11
Net sales	422	414	802	782	1,506	1,487
Gross margin, %	48.6	48.5	55.2	56.1	56.8	57.3
Operating profit	11	15	53	69	105	121
Operating margin, %	2.6	3.4	6.6	8.8	7.0	8.1
Profit after financial items	8	7	46	58	96	107
Profit for the period	6	5	34	42	68	77
Earnings per share before dilution, SEK	0.16	0.13	0.97	1.21	1.98	2.19
Earnings per share after dilution, SEK	0.16	0.13	0.97	1.21	1.98	2.19
Number of stores, end of period	115	111	115	111	115	113

CEO's statement

We boosted our total sales by 1.9 percent and continue to perform better than the market in comparable stores (according to the Swedish Retail Institute Index). The market remained weak during this quarter, with intensive price competition. We captured market shares and lost 1.3 percent compared with the overall market decline of 2.6 percent. The second quarter of 2011/2012 is the fourth consecutive quarter that MQ has captured market shares.

The past year's work to improve the internal processes in the sales and design organisation proceeded according to plan and efficiency is being enhanced continuously. It is very satisfying to see the improved offers in the stores!

It is also positive that we exited the period with a well-balanced inventory spread between the new and old seasons, with stocks of the past season's goods lower than in the preceding year. In conjunction with the improvement of our offer, we are striving to create a stronger focus and improved expression in stores by the start of the season, which will initially lead to higher inventory volumes than the preceding year and have an adverse impact on the period's cash flow. Next, we will be working to level out the flow of goods and thus reduce the inventory, which will have a positive effect on the cash flow.

We have identified a potential method for cutting our fixed costs by slightly more than SEK 30 million annually, which will mainly yield results during next financial year. The cost cuts will primarily come from a streamlining of staffing in stores and at the head office.

During the quarter, we launched two new brands for men, Cottonfield and Mouli, and three new brands for ladies, Dobber, Just Female and Won Hundred. These are exciting brands that fit well with our brand portfolio and have been well-received by our customers.



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 two stores 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 115.

Market

The Swedish clothing retail sector reported a weak period and the sales trend was negative during the both the second quarter (Dec 2011 - Feb 2012) with a decline of 2.6 percent and the 12-month period (Mar 2011 - Feb 2012) with a decline of 5.0 percent.

Comments on financial performance

Net sales

Second quarter, December 2011 - February 2012
Net sales amounted to SEK 422 million (414) during the quarter, up 1.9 percent as a result of more stores. MQ's sales in comparable stores fell 1.3 percent during the second quarter compared with an overall market decline of 2.6 percent. Sales of women's fashion fell 1.6 percent to SEK 182 million (185) and men's fashion rose 4.8 percent to SEK 240 million (229).

Six-month period, September 2011 - February 2012
Net sales totalled SEK 802 million (782) during the first six months, up 2.6 percent thanks to a larger number of stores. MQ's sales in comparable stores fell 1.2 percent compared with the overall market decline of 5.4 percent. Women's fashions raised their sales 1.4 percent to SEK 369 million (364) and men's fashions advanced 3.6 percent to SEK 433 million (418).

Earnings

Second quarter, December 2011 - February 2011
Gross profit totalled SEK 205 million (201), corresponding to a gross margin of 48.6 percent (48.5). Well-implemented sales activities led to the gross margin being maintained despite intense price competition. Stocks at the end of the reporting period were higher than the preceding year, but the balance of stocks is at a satisfactory level, with fewer goods from old seasons and more spring articles.

Other external costs and personnel expenses for the quarter amounted to SEK 185 million (173). The cost increase was attributable to newly opened

stores and standard cost increases for leases, salaries, etc.

Operating profit for the quarter totalled SEK 11 million (15), corresponding to an operating margin of 2.6 percent (3.4). Depreciation/amortisation according to plan amounted to SEK 11 million (13). Net financial items amounted to an expense of SEK 4 million (expense: 8) for the second quarter. Profit after financial items amounted to SEK 8 million (7).

Six-month period, September 2011 – February 2012
Gross profit was SEK 443 million (439), representing a gross margin of 55.2 percent (56.1).

Operating profit for the six-month period totalled SEK 53 million (69) or an operating margin of 6.6 percent (8.8). Scheduled depreciation amounted to SEK 22 million (26). Net financial items totalled a negative SEK 7 million (neg: 11) for the six-month period. Profit after financial items amounted to SEK 46 million (58).

Expansion

Efforts to find new store locations in Norway and Sweden are progressing according to plan.

Cash flow

MQ's cash flow from operating activities amounted to SEK 46 million (69) during the six-month period. The primary factor underlying the negative trend in cash flow was the higher value of inventories due to early deliveries of spring products. Cash flow after investments was SEK 34 million (42).

Inventories

On 29 February 2012, the value of the company's inventory amounted to SEK 244 million (203). The increase was due to the early delivery of spring products compared with the year-earlier period, and also due to the increase in the number of stores. In conjunction with the improvement of our offer, we are striving to create a stronger focus and improved expression in stores by the start of the season, which will initially lead to higher inventory volumes than the preceding year and adversely impact the period's cash flow. We will next be working to level out the flow of goods, which will affect the cash flow positively. One positive factor is that at the end of the sale in February, inventory levels for the past season's products were lower than the preceding year. In general, the size and composition of the inventory is deemed to be at a satisfactory level.

Investments

Investments of SEK 13 million (27) were completed during the period and primarily involved investments in new and existing stores. Two stores were opened during the six-month period, with one

in Sweden (Västerås) and one in Norway (Oslo). One store was also renovated and modified to match MQ's new store concept, resulting in increased floor space of 80 sq.m.

Financing and liquidity

At 29 February 2012, interest-bearing net debt totalled SEK 349 million compared with SEK 352 million on 28 February a year earlier. At period end, cash and cash equivalents were SEK 58 million (28). Interest-bearing net debt/EBITDA was 2.3 for the rolling twelve-month period March 2011 - February 2012.

Events during the second quarter

A total of five new brands were launched during the quarter; three for ladies: Dobber, Just Female and Won Hundred; and two for men: Cottonfield and Mouli. Two new Board members were appointed in conjunction with the Annual General Meeting in January: Bengt Jaller and Christina Ståhl.

Events after the end of the reporting period

No significant events took place after the end of the reporting period.

Employees

The average number of employees during the rolling twelve-month period (March 2011 - February 2012) totalled 682 compared with 651 in the corresponding year-earlier period.

Transactions with related parties

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

Risks and uncertainty factors

MQ's business is exposed to various risks that are fully or partly beyond the company's control, but which may impact on sales and earnings. The risks to which the company is exposed include economic trends, shifting fashion trends, interest risk and currency risk. MQ is dependent on consumer preferences in terms of trends, design and quality. The company works actively to develop its trend monitoring, information systems, forecasts, goods supply and short production lead-times to minimise risks associated with shifting fashion trends.

Higher purchasing power among Swedish consumers in recent years has been a precondition for the sharp growth in the retail sector. In particular, this has been a key factor underlying growth in the upper price range collections featuring a high fashion content in the specialised retail segment and among brand specialists. Any

slowing of economic growth in Sweden would negatively impact consumer purchasing power and thus retail sector growth.

Financial risk relates to fluctuations in the company's earnings and cash flow due to changes in exchange rates, interest rates, liquidity and credit risks. Management of the Group's financial risks is performed by the Group's finance department, which is tasked with identifying and minimising the risk of adverse effects on profits and improving the predictability of future earnings. For further information on financial instruments and risk management, refer to the Administration Report, Notes 22 and 23, in the 2011/2012 Annual Report.

Parent Company

The Parent Company's net sales for the six-month period totalled SEK 5 million (4) and the loss after financial items was SEK 2 million (loss: 3). The Parent Company did not conduct any investments during the period.

Accounting principles

This 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, with the exception of what is indicated below. Reporting policies that have gained force and apply for the 2011/2012 financial year have not had any impact on the Group's financial statements.

The CEO and other senior executives are encompassed by a combined share-matching and performance-share programme, which includes a requirement for personal investment and a three-year vesting period.

Participation in the programme requires that the participant actively purchases new shares in the company ("Saving Shares") at market price and locks in these Saving Shares over a three-year period. For each Saving Share acquired, the participant is allotted entitlement to receive one common share in MQ Holding AB (a "Matching Share") free of charge on a date set by the Board approximately three years after allotment, as well as entitlement to additional rights to receive additional shares in MQ Holding AB (a "Performance Share") free of charge on a date set by the Board approximately three years after allotment on condition that certain performance requirements have been fulfilled. The total number

of Matching and Performance Shares may amount to a maximum of 525,000 shares.

For the purpose of securing the delivery of shares, a hedging arrangement has been entered into with a bank. This is recognised as a share buyback against equity. The total cost of the programme is calculated at SEK 7 million, including social security expenses. The incentive programme is recognised in accordance with IFRS 2.

The fair value is calculated at the allotment date and distributed over the vesting period. The fair value is recognised as personnel expenses with corresponding increases in shareholders' equity. Provision is made for social security expenses based on the fair value at the time of reporting.

The Board of Directors and the Chief Executive Officer affirm that this interim 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, 22 March 2012

Board of Directors
MQ Holding AB

Erik Olsson
Chairman of the Board

Göran Barsby
Board member, Deputy Chairman

Thomas Nyberg
Board member

Eva Redhe Ridderstad
Board member

Bengt Jaller
Board member

Christina Sthål
Board member

Mats Gärdsell
CEO

Analysts and media meeting

At 8:30 am today, MQ will hold an analyst and media meeting for capital market players at the MQ store at the Sturegallerian mall, Stockholm. The presentation can also be followed through teleconferencing/webcast. To participate, please call Sweden + 46 8 505 201 14 or International + 44 203 043 24 36

Reporting schedule

Interim report, third quarter, March 2012 - May 2012	21 June 2012
Year-end report, September 2011 - August 2012	9 October 2012
Interim report, first quarter, September 2012 - December 2012	20 December 2012

Contact

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MQ Holding AB

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This interim report has been reviewed by the company's auditors.

Consolidated statement of comprehensive income

Summarised consolidated income statement (SEK m)	Q2 Dec-Feb 2011/12	Q2 Dec-Feb 2010/2011	Period Sep-Feb 2011/2012	Period Sep-Feb 2010/2011	Rolling 12 months Mar11-Feb12	Financial year Sep-Aug 2010/2011
Net sales	422	414	802	782	1,507	1,487
Other operating income	1	0	1	1	5	4
Total operating income	423	414	803	783	1,512	1,491
• Goods for resale	-217	-213	-359	-343	-651	-635
• Other external costs	-92	-87	-183	-172	-341	-330
• Personnel expenses	-93	-86	-187	-173	-369	-355
• Depreciation/amortisation	-11	-13	-22	-26	-46	-50
Operating profit	11	15	53	69	105	121
• Financial income	0	-5	1	-5	5	-1
• Financial expenses	-4	-3	-8	-6	-15	-13
Profit after financial items	8	7	46	58	95	107
Tax on profit for the period	-2	-2	-12	-16	-27	-30
PROFIT FOR THE PERIOD attributable to the owners of the Parent company	6	5	34	42	68	77
Other comprehensive income						
Translation difference for the period	0	0	0	0	0	0
Changes in fair value of cash-flow hedging	-7	-3	-4	-7	3	0
Buyback of our shares/incentive programme ¹	10	0	0	0	0	0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	9	2	30	35	71	77
Earnings per share before dilution (SEK)	0,16	0,13	0,97	1,21	1,98	2,19
Earnings per share after dilution (SEK)	0,16	0,13	0,97	1,21	1,98	2,19
Average number of shares before dilution	34,631,507	35,156,507	34,631,507	35,156,507	34,631,507	35,156,507
Average number of shares after dilution	34,646,710	35,156,507	34,646,710	35,156,507	34,646,710	35,156,507

¹ An adjustment has been effected from Q1 onward, since the results of the buyback of treasury shares/incentive programme are recognised under "Other comprehensive income" as negative 10. This should have been directly recognised under "Equity," hence an adjustment of +10 has been made under "Other comprehensive income" in Q2.

Consolidated balance sheet

Summarised consolidated balance sheet (SEK m)	29 February 2012	28 February 2011	31 August 2011
ASSETS			
Fixed assets			
Intangible fixed assets	1,205	1,205	1,205
Tangible fixed assets	90	107	98
Total fixed assets	1,295	1,312	1,303
Current assets			
Inventories	244	203	246
Current receivables	77	53	66
Cash and cash equivalents	58	28	26
Total current assets	379	284	338
TOTAL ASSETS	1,674	1,596	1,642
EQUITY AND LIABILITIES			
Equity	808	786	827
Liabilities			
Interest-bearing long-term liabilities	311	340	320
Non-interest-bearing long-term liabilities	202	193	203
Interest-bearing current liabilities	97	41	40
Non-interest-bearing current liabilities	256	236	252
TOTAL EQUITY AND LIABILITIES	1,674	1,596	1,642

Statement of changes in equity

Specification of changes in the Group's equity (SEK m)	Period Sep-Feb 2011/2012	Period Sep-Feb 2010/2011	Financial year Sep-Aug 2010/2011
Equity, opening balance	827	786	786
Total comprehensive income	30	35	77
Buyback of our shares/incentive programme	-10	0	0
Dividend	-39	-35	-36
EQUITY, CLOSING BALANCE	808	786	827

Consolidated cash-flow statement

Summarised consolidated cash-flow statement (SEK m)	Q2 Dec-Feb 2011/2012	Q2 Dec-Feb 2010/2011	Period Sep-Feb 2011/2012	Period Sep-Feb 2010/2011	Financial year Sep-Aug 2010/2011
Cash flow from operating activities before changes in working capital	11	14	61	75	135
Changes in working capital	1	32	-15	-6	-32
Cash flow from operating activities	12	46	46	69	103
Cash flow from investing activities					
Acquisition of intangible fixed assets	0	0	0	0	-1
Acquisition of tangible fixed assets	-1	-8	-13	-27	-43
Cash flow after investing activities	11	38	34	42	59
Financing activities					
Amortisation	-20	-20	-20	-20	-40
Dividend	-39	-35	-39	-35	-36
Utilisation of overdraft facility	57	0	57	0	0
Cash flow from financing activities	-2	-55	-2	-55	-76
Cash flow for the period	9	-17	32	-14	-16
Cash and cash equivalents at the beginning of the period	49	45	26	42	42
Cash and cash equivalents at the end of the period	58	28	58	28	26

Key figures

	Q2 Dec-Feb 2011/2012	Q2 Dec-Feb 2010/2011	Period Sep-Feb 2011/2012	Period Sep-Feb 2010/2011	Rolling 12 months March 11-Feb 12	Financial year Sep-Aug 2010/2011
Growth in net sales, %	1.9	0.5	2.6	2.1	3.8	3.6
Growth in net sales, comparable stores, %	-1.3	-4.0	-1.2	-2.6	-0.6	-1.3
Gross margin, %	48.6	48.5	55.2	56.1	56.8	57.3
Operating profit, SEK m	11	15	53	69	105	121
Operating margin, %	2.6	3.4	6.6	8.8	7.0	8.1
Profit after financial items	8	7	46	58	95	107
Profit for the period	6	5	34	42	68	77
Total depreciation/amortisation, SEK m	-11	-13	-22	-26	-46	-50
Earnings per share, SEK	0.16	0.13	0.97	1.21	1.98	2.19
Interest-bearing net debt, SEK m	349	352	349	352	349	334
Interest-bearing net debt/EBITDA, multiple	2.3	1.9	2.3	1.9	2.3	1.9
Equity/assets ratio, %	48	49	48	49	48	50
Equity, SEK m	808	786	808	786	808	827
Average number of shares before dilution	34,631,507	35,156,507	34,631,507	35,156,507	34,631,507	35,156,507
Average number of shares after dilution	34,646,710	35,156,507	34,646,710	35,156,507	34,646,710	35,156,507

Shareholding structure

Largest shareholder as of 29 February 2012		
Name	No. of shares	Votes and capital, %
CAPMAN	9,244,989	26.3
JALLER KLÄDCENTER AB	2,512,000	7.2
LÄNSFÖRSÄKRINGAR FONDFÖRVALTNING AB	1,246,869	3.5
DNB - CARLSON FONDER	1,200,016	3.4
HANDELSBANKEN FONDER	1,127,265	3.2
SVENSKA LÄRARFONDER	1,122,433	3.2
CATELLA FONDFÖRVALTNING	718,000	2.0
MANEQ2005AB	679,840	1.9
SKANDIA FONDER	659,109	1.9
FÖRSÄKRINGSAKTIEBOLAGET. AVANZA PENSION	547,636	1.6
CASE ASSET MANAGEMENT AB	486,035	1.4
TANGLIN ASSET MANAGEMENT AB	466,224	1.3
PARINVEST GRUPPEN AB	454,818	1.3
NORDEA BANK AB (NDS)	448,000	1.3
JP MORGAN BANK	436,957	1.2
Total 15 largest	21,350,191	60.7
Others	13,806,316	39.3
Total	35,156,507	100.0

Parent Company income statement

Summarised Parent Company income statement (SEK m)	Q2 Dec-Feb 2011/12	Q2 Dec-Feb 2010/11	Period Sep-Feb 2011/12	Period Sep-Feb 2010/11	Rolling 12 months March11-Feb12	Financial year Sep-Aug 2010/11
Net sales	3	2	5	4	15	14
Other operating income	0	0	0	0	0	0
Total operating income	3	2	5	4	15	14
• Goods for resale	0	0	0	0	0	0
• Other external costs	-1	-2	-2	-3	-5	-6
• Personnel expenses	-3	-2	-5	-4	-15	-14
• Other operating expenses	0	0	0	0	0	0
• Depreciation/amortisation	0	0	0	0	0	0
Operating loss	-1	-2	-2	-3	-5	-6
• Income from shares	39	0	39	0	39	0
• Financial income	4	3	7	5	13	12
• Financial expenses	-4	-3	-7	-5	-13	-12
Profit/loss after financial items	38	-2	37	-3	34	-6
Tax on net profit for the period	0	0	0	0	0	1
NET PROFIT/LOSS FOR THE PERIOD	38	-2	37	-3	34	-5

Parent Company balance sheet

Summarised Parent Company balance sheet (SEK m)	29 February 2012	28 February 2011	31 August 2011
ASSETS			
Fixed assets			
Intangible fixed assets	0	0	0
Tangible fixed assets	0	0	0
Financial fixed assets	1,110	1,110	1,110
Total fixed assets	1,110	1,110	1,110
Current assets			
Inventory	0	0	0
Current receivables	1	0	5
Cash and cash equivalents	1	0	0
Total current assets	1	0	5
TOTAL ASSETS	1,119	1,110	1,116
EQUITY AND LIABILITIES			
Equity	551	561	563
Liabilities			
Interest-bearing long-term liabilities	311	340	320
Interest-bearing current liabilities	40	40	40
Non-interest-bearing liabilities	217	169	193
TOTAL EQUITY AND LIABILITIES	1,119	1,110	1,116
Pledged assets			
Shares in subsidiaries	1,110	1,110	1,110
MQ brand	690	690	690
Contingent liabilities			
General surety, MQ Retail AB	147	29	63

Definitions

Gross margin

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

EBITDA

Earnings Before Interest, Taxes, Depreciation and Amortization.

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 net sales for the period.

Equity/assets ratio

Equity as a percentage of total assets.

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 115 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.