

MQ Holding AB – Year-end report

MQ reports a strong fourth quarter

Sales rose significantly and earnings improved further. MQ continues to capture market shares and the positive trend strengthened. MQ's customer offering is becoming increasingly stronger and the commercial impact is clear.

Fourth quarter (June 2015–August 2015)

- Net sales amounted to SEK 421 million (381), up 10.5 percent. Sales in comparable stores/online sales rose 11.2 percent (the market's like-for-like sales rose 3.5 percent according to the Swedish Retail Institute Index).
- The gross margin was 53.3 percent (54.9).
- Operating profit was SEK 47 million (35), equal to an operating margin of 11.2 percent (9.1).
- Profit after tax was SEK 36 million (26), equal to SEK 1.02 (0.74) per share after dilution.
- Cash flow from operating activities was SEK 22 million (34).

12-month period (September 2014–August 2015)

- Net sales amounted to SEK 1,557 million (1,520), up 2.4 percent. Sales in comparable stores/online sales rose 3.3 percent (the market's like-for-like sales declined 0.4 percent according to the Swedish Retail Institute Index).
- The gross margin was 55.8 percent (56.2).
- Operating profit was SEK 158 million (132), equal to an operating margin of 10.2 percent (8.7).
- Profit after tax was SEK 120 million (96), equal to SEK 3.42 (2.77) per share after dilution.
- Cash flow from operating activities totalled SEK 137 million (152).
- The Board proposes a dividend of SEK 1.75 (1.36) per share, corresponding to 51 percent of the year's profit after tax.



Events during the fourth quarter

- The external brand Hope was launched in 17 stores.
- Additional launches of external brands on MQ Shop Online: Rains, Saint Tropez, Stylein, Esprit Casual, Björn Borg Sport, Röhnisch, New Era Dam and Sätilla.

Events after the end of the reporting period

- MQ's first flagship store in Norway opened in Grensen, Oslo on 10 September.
- The external brand Mountain Works Men were launched in stores and on MQ Shop Online. The external brands Franklin & Marshall as well as Didriksons Men were launched on MQ Shop Online.
- MQ was nominated the Fashion Chain of the Year 2015 and also the eCommerce/omni Channel of the Year at the Swedish Fashion Gala (Habit).
- Inger West took office as the new Marketing Director on 7 September and Fredrika Erlandson as new Range and Purchasing Director on 1 October.

Key figures

SEK m	Q4 Jun- Aug 14/15	Q4 Jun-Aug 13/14	Financial year Sep-Aug 14/15	Financial year Sep-Aug 13/14
Net sales	421	381	1557	1520
Gross margin, %	53.3	54.9	55.8	56.2
Operating profit	47	35	158	132
Operating margin, %	11.2	9.1	10.2	8.7
Profit after financial items	46	33	155	123
Profit for the period	36	26	120	96
Earnings per share before dilution, SEK	1.02	0.74	3.42	2.77
Earnings per share after dilution, SEK	1.02	0.74	3.42	2.76
Number of stores, at the end of the period	120	121	120	121



Comments by the CEO

The positive trend with improved earnings, higher sales and the market shares captured by MQ strengthened additionally during the year.

In the fourth quarter, sales rose 11.2 percent for comparable stores/online sales, which can be compared with the market's increase of 3.5 percent according to the Swedish Retail Institute Index (HUI). For the full-year, the market declined 0.4 percent, while MQ rose 3.3 percent in like-for-like sales. Accordingly, MQ has increased its market share for the second consecutive year.

In terms of earnings, MQ delivered a strong boost in the quarter, with operating profit of SEK 47 million (35). The full-year operating profit of SEK 158 million (132) entails an earnings improvement of 20 percent and a profit margin of 10 percent. In two years, operating profit has increased from SEK 50 million to SEK 158 million.

MQ works in a structural and coordinated manner to develop the entire customer offering. The renewal rate is high throughout the Group, as is the willingness to change and the ambition. It is a team effort that is now bearing fruit. We see that customers are reacting positively to MQ's increasingly clearer concept, with a high fashion content and several strong brands.

Customer behaviour is changing with the increase in mobile use and the digitisation of the retail sector. MQ is way ahead in this and is working continuously to meet the behaviour and needs of customers. One example is the increase in the number of web-exclusive brands, which now amounts to about 30, in addition to the brand portfolio that is offered in the physical stores. The news value has been raised significantly and flexibility in relation to customers has increased, while the business risk is low. MQ's seamless offering, in which physical stores cooperate with MQ Shop Online, is a success factor.

The way we communicate, with updated imagery, has been taken a step further. After the fourth quarter, the new MQ Magazine was launched as a way to further strengthen the MQ image as the destination for fashion and fashion expertise. Clear guidance and assistance are provided to customers online and in the stores. MQ's position as a fashion player and spokesman has grown stronger.

The new store concept has been launched and was well received in our flagship store, MQ Grensen in Oslo, which opened on 10 September. This autumn, we will continue with key launches when MQ opens in the Mall of Scandinavia outside Stockholm, and in Norrtälje.

Our position in the market as Sweden's leading brand chain has been strengthened. We have staked out our direction and every step of the customer offering is clear. The commercial development work has been established and earnings generate both confidence and financial strength. We foresee continued major potential. MQ is on its way – we look forward to continuing the journey.



Christina Ståhl, President and CEO,
MQ Holding AB



Operations

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

Store network

The stores are located throughout Sweden from Ystad in the south to Luleå in the north. MQ was launched in Norway in September 2010 and currently has four stores located in Oslo, Jessheim, Drammen and Kristiansand. All stores sell both women's and men's fashions. At the end of the period, the total number of stores was 120.

Market

In Sweden, the market for ready-to-wear clothing trended positively during the quarter. Sales in the fourth quarter (June 2015-August 2015) increased 3.5 percent. The sales trend for the market for the 12-month period (September 2014-August 2015) declined 0.4 percent.

Comments on financial performance

Net sales

Fourth quarter, June 2015–August 2015

Net sales amounted to SEK 421 million (381) during the quarter, up 10.5 percent. MQ's like-for-like sales/online rose 11.2 percent during the fourth quarter, compared with a market increase of 3.5 percent.

The quarter's healthy sales derive from a combination of a strong range and good campaign management. Sales of women's fashion rose 15.0 percent to SEK 215 million (187) and sales of men's fashion were up 6.2 percent to SEK 206 million (194).

12-month period, September 2014–August 2015

Net sales amounted to SEK 1,557 million (1,520) during the 12-month period, up 2.4 percent. MQ's like-for-like sales/online rose 3.3 percent during the period, compared with the market decline of 0.4 percent. Sales of women's fashion rose 6.2 percent to SEK 793 million (747) and sales of men's fashion declined 1.2 percent to SEK 764 million (773).

Earnings

Fourth quarter, June 2015 - August 2015 Gross profit amounted to SEK 224 million (209), a gross margin of 53.3 percent (54.9).

Other external costs and personnel expenses for the quarter amounted to SEK 174 million (167). The cost level rose SEK 7 million, which derives from personnel expenses that increased through salary hikes and higher employer's contribution for employees under 26 years. The increase also comes from non-recurring costs relating from staff-cuts of the purchasing office in Bangladesh.

Operating profit during the quarter was SEK 47 million (35), corresponding to an operating margin of 11.2 percent (9.1). Depreciation/amortisation according to plan amounted to SEK 6 million (7). Net financial items for the fourth quarter totalled an expense of SEK 1 million (expense: 2). Profit after financial items was SEK 46 million (33). Profit after tax was SEK 36 million (26).

12-month period, September 2014–August 2015

Gross profit was SEK 869 million (854), equal to a gross margin of 55.8 percent (56.2).

Other external costs and personnel expenses for the 12-month period totalled SEK 695 million (693). Excluding re-invoiced costs, which had a positive impact on earnings under other operating income, the cost level was reduced by SEK 6 million. The cost reduction was attributable to a cost-conscious corporate culture.

Operating profit for the 12-month period was SEK 158 million (132), equal to an operating margin of 10.2 percent (8.7). Planned depreciation/amortisation totalled SEK 26 million (31). Net financial items for the 12-month period were an expense of SEK 3 million (expense: 9). Profit after financial items was SEK 155 million (123). Profit after tax was SEK 120 million (96).

Establishing stores

Efforts to find new store locations are proceeding as planned in both Sweden and Norway.

Cash flow

MQ's cash flow from operating activities amounted to SEK 137 million (152) during the 12-month period. The slightly lower cash flow was attributable to planned higher inventories at the start of the season. Cash flow after investments amounted to SEK 117 million (144).

Inventories

On 31 August 2015, the value of inventories was SEK 286 million (250). The increase in inventories resulted from planned higher inventories at the start of the season. In total, the composition of inventories is deemed to be at a highly satisfactory level.

Investments

Investments during the 12-month period totalled SEK 20 million (8) and pertained primarily to investments in existing stores and the new flagship store in Grensen, Oslo.

Financing and liquidity

At 31 August 2015, interest-bearing net debt amounted to SEK 103 million, compared with SEK 188 million at the same date in the preceding year. At the end of the period, cash and cash equivalents totalled SEK 23 million (40). Interest-bearing net debt/EBITDA was 0.6 (1.1) for the 12-month period September 2014 - August 2015.

Events during the fourth quarter

The attractive external brand, Hope, was launched in 17 stores. Additional launches of external brands on MQ Shop Online: Rains, Saint Tropez, Stylein, Esprit Casual, Björn Borg Sport, Röhmisch, New Era Dam and Sätilla.

Events after the end of the reporting period

MQ's first flagship store in Norway opened in Grensen, Oslo on 10 September. The external brand Mountain Works Men were launched in stores and on MQ Shop Online. The external brands Franklin & Marshall as well as Didriksons Men were launched on MQ Shop Online. MQ was nominated Fashion Chain of the Year 2015 and also eCommerce/omni channel of the year at the Swedish Fashion Gala (Habit). Inger West took office as the new Marketing Director on 7 September and Fredrika Erlandson as new Range and Purchasing Director on 1 October.

Employees

The average number of full-time employees during the 12-month period (September 2014–August 2015) was 590 compared with 608 in the year-earlier period.

Related-party transactions

There were no material related-party transactions during the period.

Risks and uncertainties

MQ's operations are exposed to a number of risks that are completely or partly beyond the company's control, but which could impact sales and earnings. The risks that the company is exposed to include the economic trend, shifts in fashion, and interest-rate and currency risks. MQ is dependent on consumer preferences with respect to trends, design and quality. MQ makes conscious

efforts to develop its trend monitoring, information systems, forecasts, supply chain management and to shorten lead times in the development of products to minimise the risks in fashion shifts. The purchasing power of Swedish consumers is a prerequisite for retail growth. This is particularly important for growth in the high price ranges, characterised by high fashion content among retailers and brand specialists. It is probable that a change in Sweden's economic growth would impact the purchasing power of consumers and thus growth in the retail sector. Financial risks pertain to fluctuations in the company's earnings and cash flow resulting from movements in exchange rates, interest rates, liquidity and credit risks. The Group's financial risks are managed by the Group's finance department, which is charged with identifying and minimising the risk of negative effects on earnings and improving the predictability of future earnings. For further information about financial instruments and risk management, refer to the Administration Report and Notes 23 and 24 of the Annual Report for the 2013/2014 financial year.

Parent Company

The Parent Company's net sales for the 12-month period amounted to SEK 13 million (12) and profit after financial items to SEK 43 million (10). No investments were made by the Parent Company during the period.

Annual General Meeting

The Annual General Meeting will be held in Gothenburg on 28 January 2016. The Annual Report will be available on www.mq.se as of the week commencing 21 December 2015.

Accounting policies

This condensed consolidated year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations of the Swedish Annual Accounts Act.

The year-end report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts, Interim Financial Reporting. For the Group and the Parent Company, the same accounting policies and measurement principles have been applied as in the most recent Annual Report.

Derivative instruments are measured at fair value, which amounted to SEK 6 million at 31 August 2015.

Determining the fair value of currency forward contracts is based on valuations made by credit institutes, if such figures are available. If these are not available, the fair value is calculated by discounting the difference between the agreed forward rate and the forward rate that can be

effected on the balance-sheet date for the remaining period of the contract. For other financial instruments, carrying amounts reflect their fair value.

According to IFRS 7, financial instruments must be categorised in three categories based on the input data used to measure the fair value.

The first category pertains to financial instruments listed in an active market. The second category to financial instruments that are not listed in an active market but where other market information can be used to obtain a measurement. The final category to measurements where there are no market listings or other market data. Techniques to obtain a valuation for level three mainly involve discounting cash flows. All of MQ's derivatives belong to the second category.



The Board of Directors and the CEO give their assurance that this year-end report provides a fair overview of the development of the Parent Company's and the Group's operations, financial position and performance, and also describes material risks and uncertainties facing the Parent Company and companies included in the Group.

Gothenburg, 6 October 2015

Board of Directors
MQ Holding AB

Claes-Göran Sylvén
Chairman of the Board

Annika Rost
Board Member

Bengt Jaller
Deputy Chairman

Michael Olsson
Board Member

Arthur Engel
Board Member

Mernosh Saatchi
Board Member

Anna Engebretsen
Board Member

Christina Ståhl
President and CEO

Meeting for analysts and media

Today at 08:30 a.m. (CET), MQ will be holding a press conference for analysts, the media and representatives of the capital markets at the MQ store in Sturegallerian, Stockholm, Sweden. It will also be possible to follow the presentation by teleconference/webcast. To participate, please call +46 (0)8 505 564 74.

Reporting calendar

Year-end report, first quarter, September 2015–November 2015	17 December 2015
Year-end report, second quarter, December 2015–February 2016	17 March 2016
Year-end report, third quarter, March 2016–May 2016	16 June 2016

This constitutes information that MQ Holding AB (publ) is legally obliged to publish under the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 7 October 2015 at 7:15 a.m.

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Corp. Reg. No. 556697-2211

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

Consolidated statement of earnings and other comprehensive income

Condensed consolidated statement of comprehensive income in (SEK m)	Q4 Jun-Aug 2014/15	Q4 Jun-Aug 2013/14	Financial year Sep-Aug 2014/15	Financial year Sep-Aug 2013/14
Net sales	421	381	1,557	1520
Other operating income	3	1	13	5
Total operating income	424	382	1,570	1525
• Goods for resale	-197	-172	-689	-666
• Other external costs	-87	-90	-356	-356
• Personnel expenses	-87	-76	-339	-337
• Other operating expenses	0	-1	-2	-1
• Depreciation/amortisation	-6	-7	-26	-31
Operating profit	47	35	158	132
• Financial income	0	0	1	0
• Financial expenses	-1	-2	-4	-9
Profit after financial items	46	33	155	123
Tax on profit for the period	-10	-8	-35	-28
PROFIT FOR THE PERIOD attributable to Parent Company shareholders	36	26	120	96
OTHER COMPREHENSIVE INCOME				
Items that have been restated or that can be restated in profit for the period				
Translation difference	-1	0	-1	-1
Changes in fair value of cash-flow hedging	-1	2	-1	2
Incentive programmes	-	-	16 ¹	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	34	28	135	97
Earnings per share before dilution (SEK)	1.02	0.74	3.42	2.77
Earnings per share after dilution (SEK)	1.02	0.74	3.42	2.76
Average number of shares before dilution	35,156,507	34,631,507	35,156,507	34,631,507
Average number of shares after dilution	35,156,507	34,738,145	35,156,507	34,667,053

¹ The incentive programme has been concluded and its impact on Other comprehensive income was SEK 16 million.

Consolidated balance sheet

Condensed consolidated balance sheet (SEK m)	31 August 2015	31 August 2014
ASSETS		
Fixed assets		
Intangible fixed assets	1,204	1,203
Tangible assets	46	56
Total fixed assets	1,250	1,259
Current assets		
Inventories	286	250
Current receivables	105	100
Cash and cash equivalents	23	40
Total current assets	415	390
TOTAL ASSETS	1,665	1,650
EQUITY AND LIABILITIES		
Equity	1,043	955
Liabilities		
Interest-bearing long-term liabilities	84	181
Non-interest-bearing long-term liabilities	190	182
Interest-bearing current liabilities	46	47
Non-interest-bearing current liabilities	302	285
TOTAL EQUITY AND LIABILITIES	1,665	1,650

Statement of changes in equity

Specification of changes in the Group's equity (SEK m)	Financial year Sep-Aug 2014/15	Financial year Sep-Aug 2013/14
Equity, opening balance	955	872
Total comprehensive income	135	97
Dividend	-48	-14
EQUITY, CLOSING BALANCE	1,043	955

Consolidated cash-flow statement

Condensed consolidated cash-flow statement (SEK m)	Q4 Jun-Aug 2014/15	Q4 Jun-Aug 2013/14	Financial year Sep-Aug 2014/15	Financial year Sep-Aug 2013/14
Cash flow from operating activities before changes in working capital	45	39	167	155
Changes in working capital	-23	-5	-29	-3
Cash flow from operating activities	22	34	137	152
Cash flow from investing activities				
Acquisition of intangible assets	-1	0	-2	-1
Acquisition of tangible assets	-5	-3	-18	-7
Cash flow after investing activities	16	31	117	144
Financing activities				
<i>Amortisation</i>	-70	-20	-90	-40
<i>Dividend</i>	0	0	-48	-14
<i>Utilisation of overdraft facility</i>	5	-7	4	-93
Cash flow from financing activities	-65	-27	-134	-146
Cash flow for the period	-49	4	-17	-2
Cash and cash equivalents at the beginning of the period	72	36	40	43
Cash and cash equivalents at the end of the period	23	40	23	40

Key figures

	Q4 Jun-Aug 2014/15	Q4 Jun-Aug 2013/14	Financial year Sep-Aug 2014/2015	Financial year Sep-Aug 2013/2014
Growth in net sales, %	10.5	9.2	2.4	3.9
Sales growth, comparable stores, %	11.2	7.9	3.3	2.6
Gross margin, %	53.3	54.9	55.8	56.2
Operating profit, SEK m	47	35	158	132
Operating margin, %	11.2	9.1	10.2	8.7
Profit after financial items	46	33	155	123
Profit for the period	36	26	120	96
Total depreciation/amortisation, SEK m	-6	-7	-26	-31
Earnings per share before dilution, SEK	1.02	0.74	3.42	2.77
Interest-bearing net debt, SEK m	103	188	103	188
Interest-bearing net debt/EBITDA, multiple	0.6	1.1	0.6	1.1
Equity/assets ratio, %	63	58	63	58
Equity, SEK m	1,043	955	1,043	955
Average number of shares before dilution	35,156,507	34,631,507	35,156,507	34,631,507
Average number of shares after dilution	35,156,507	34,738,145	35,156,507	34,738,145

Shareholder structure

Largest shareholders as of 31 August 2015

Name	Number of shares	Share capital, %
Öresund, Investment AB	6,057,170	17.2
Danske Capital Sweden AB	3,368,405	9.6
Jaller Klädcenter AB	3,062,000	8.7
Catella Fondförvaltning	1,188,883	3.4
DNB – Carlson Fonder	1,177,438	3.4
Unionen	1,100,000	3.1
Länsförsäkringar Fondförvaltning AB	990,209	2.8
Qviberg Engebretsen, Anna	971,836	2.8
Handelsbanken Fonder AB RE JPMEL	738,873	2.1
Qviberg, Eva	571,390	1.6
Försäkringsaktiebolaget, Avanza Pension	501,121	1.4
Qviberg, Jacob	500,000	1.4
Mellon US Tax Exempt Account	460,346	1.3
CBNY-Dfa-Int Sml Cap V	447,292	1.3
Second Swedish National Pension Fund	438,860	1.3
Total 15 largest	21,573,823	61.4
Other	13,582,684	38.6
Total	35,156,507	100

Parent Company income statement

Parent Company income statement in summary (SEK m)	Q4 Jun-Aug 2014/15	Q4 Jun-Aug 2013/14	Financial year Sep-Aug 2014/15	Financial year Sep-Aug 2013/14
Net sales	4	4	13	12
Other operating income	0	0	0	0
Total operating income	4	4	13	12
• Goods for resale	0	0	0	0
• Other external costs	-1	0	-5	-4
• Personnel expenses	-3	-4	-12	-12
• Other operating expenses	0	0	0	0
• Depreciation/amortisation	0	0	0	0
Operating profit/loss	0	0	-4	-4
• Income from shares	0	0	48	14
• Financial income	0	1	3	7
• Financial expenses	0	-1	-3	-7
Profit after financial items	0	0	43	10
Group contributions	4	4	4	4
Profit before tax	0	4	47	14
Tax on profit for the period	0	0	0	0
PROFIT AFTER TAX	4	4	47	14

Parent Company balance sheet

Parent Company balance sheet in summary (SEK m)	31 August 2015	31 August 2014
ASSETS		
Fixed assets		
Intangible assets	0	0
Tangible assets	0	0
Financial fixed assets	1,110	1,110
Total fixed assets	1,110	1,110
Current assets		
Current receivables	1	1
Cash and cash equivalents	1	0
Total current assets	2	1
TOTAL ASSETS	1,112	1,111
EQUITY AND LIABILITIES		
Equity	568	553
Liabilities		
Interest-bearing long-term liabilities	80	181
Interest-bearing current liabilities	40	40
Non-interest-bearing liabilities	424	337
TOTAL EQUITY AND LIABILITIES	1,112	1,111
Assets pledged as security		
Shares in subsidiaries	1,110	1,110
Contingent liabilities		
Guarantees related to subsidiaries' completion of leasing contracts	45	41
Guarantees related to MQ Retail AB	184	184
Total contingent liabilities	229	225

Definitions

Gross margin

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

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

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.

Like-for-like sales

The term "like-for-like sales" is used to designate all sales in Swedish stores, with the exception of sales in new stores. 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 Sweden's largest retailer 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 120 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 Stockholm since 18 June 2010. For more information, please visit our website at www.mq.se.