

MQ Holding AB – Interim report

Stable result under high pace of renewal

The MQ Group's repositioning to reach a broader target group in Sweden is continuing. Two strong retail brand chains are being formed to meet changed consumption patterns and a more digital future. The period was dominated by a high pace of renewal, while the Group delivered a stable result.

Joy is included in the consolidated statements starting from May 2016.

First quarter (September 2016-November 2016)

- Net sales amounted to SEK 433 million (382), up 13.4 percent. Like-for-like sales declined -5.4 percent (according to the Swedish Retail Institute Index, the market's comparable stores declined -2.1 percent).
- The gross margin was 63.0 percent (59.7).
- Operating profit was SEK 42 million (42), corresponding to an operating margin of 9.7 percent (10.9).
- Profit after tax was SEK 32 million (32), corresponding to SEK 0.91 (0.92) per share after dilution.
- Cash flow from operating activities was a negative SEK -10 million (pos: 3)

Events during the first quarter

- MQ's first Online Flagship Store was opened on Norrlandsgatan in Stockholm with integrated communications for online purchases in the store.
- MQ Hansa in Malmö and MQ Luleå were refurbished according to MQ's new store concept. The stores in Globen in Stockholm and in Örebro were updated through minor remodelling.
- The Flattered brand was launched on MQ Shop Online during the quarter.
- An agreement was signed for withdrawal from the store at Grensen in Oslo, implying a non-recurring cost of SEK 6 million in the second quarter and will result in a reduction in costs of SEK 2 million for the remainder of the financial year.
- Within Joy, the stores at Bromma Blocks in Stockholm, Frölunda Torg in Gothenburg and Allum in Partille were refurbished to a more up-to-date store concept. External brands were also introduced at Bromma Blocks in Stockholm and Frölunda Torg in Gothenburg.
- Joy's Familia store in Hyllinge was closed.
- During the quarter, the new brands Lee, Bondelid, Esprit and Saint Tropez were launched on Joy Shop Online.

Events after the end of the reporting period

- No events occurred after the end of the reporting period.





Comments by the CEO

During the period, the MQ Group took important steps to reach a broader target group. We are closing the unprofitable Norwegian stores and redirecting our focus toward the Swedish fashion market, where we are building two strong retail fashion chains. We are preparing the Group for a more digital future, while at the same time, we can see opportunities and potential in the new, larger target group brought about by the acquisition of Joy. This is a deliberate and rapid repositioning.

It is gratifying that, already during the first quarter, we have seen a positive performance from Joy. Sales are increasing in the chain's stores, as well as through e-shopping. The higher level of sales through Joy have been achieved with relatively limited effort. A new, effective, resource-efficient and scalable store concept has been developed at a low cost. The first concept store is already in place in the Bromma Blocks shopping centre in Stockholm, where we have seen a very strong trend in visitor numbers and sales. Remodelling has also taken place to varying degrees in the Joy stores at Frölunda Torg in Gothenburg and Allum in Partille to evaluate the optimal degree of conversion. The aim is a rapid upgrade of all of Joy's stores to indicate a higher fashion content and highlight the product range. Joy, which has previously only sold its own brands, is being further developed with the launch of external brands. This will provide the conditions to rapidly strengthen the image of Joy as a retail brand chain among its target group. In October, the external fashion brands were launched for Joy's online shopping, which had a positive impact on traffic and sales. External brands were launched successively in the stores as these were upgraded.



In MQ, work is continuing at the same time to refine and further strengthen the chain commercially. During the quarter, several key stores were reopened after an upgrade to the new chain concept. This includes the preparations for having an online shopping solution in place in all MQ stores during 2017. The store on Norrlandsgatan in Stockholm was reopened at the end of November as the Group's first Online Flagship Store. The store has a full-scale online shop, where customers are offered some 60 fashion brands in addition to those available in the store in a space and cost-efficient manner. This is a modern solution that enhances customer choice.



MQ had a weak start to the period in terms of earnings, but concluded it all the stronger. In a campaign-driven market, we have chosen to review the campaign plan in favour of higher customer value, which will lead to a higher gross margin and increased profitability.

At the same time, the work on closing our Norwegian business is continuing to plan. An agreement has now been signed for the store in Grensen in Oslo, which will enable closure in January 2017. The store is thus being vacated before the lease expires, which is in line with our ambition. As a result of the agreement on the Grensen store, the Norwegian operation will be entirely discontinued not later than December 2017. We do not anticipate any further nonrecurring costs.



The MQ Group continues to be characterised by a high pace of renewal and focus on growth. When consumption patterns change at a high rate, we draw our conclusions and establish new aggressive strategies. We foresee significant potential in our new, broader target group in the Swedish market. There is a major demand for and interest in fashion, which we are addressing through our strong position as Sweden's best omnichannel for fashion brands with a distinct quality profile. Opportunities are generated by a high level of accessibility in all channels and personal service.

The Group is being strongly developed by leveraging the experience from MQ and Joy. Based on a healthy, cost-conscious and nimble corporate culture, the customer offering is being continuously developed. This is how we are shaping the Group for long-term sustainable growth.

Christina Ståhl
President and CEO, MQ Holding AB

Group income and earnings

First quarter (September 2016-November 2016)

Net sales amounted to SEK 433 million (382) during the quarter, up 13.4 percent. The Group's like-for-like sales declined -5.4 percent during the first quarter, compared with a market decrease of -2.1 percent.

Gross profit was SEK 273 million (228), equal to a gross margin of 63.0 percent (59.7). Other external costs and personnel expenses for the quarter amounted to SEK 227 million (182), an increase in costs of SEK 45 million. Joy's expenses for the period were SEK 43 million.

Operating profit for the quarter totalled SEK 42 million (42), corresponding to an operating margin of 9.7 percent (10.9). Depreciation/amortisation according to plan amounted to SEK 7 million (6). Net financial items for the first quarter totalled an expense of SEK -1 million (expense: -1). Profit after financial items was SEK 41 million (41). Profit after tax was SEK 32 million (32).

Group key figures

| SEK m | Q1 Sep-Nov 16/17 | Q1 Sep-Nov 15/16 | Rolling 12 months Dec 15-Nov 16 | Financial year Sep-Aug 15/16 |
|--|------------------------|------------------------|---------------------------------------|------------------------------------|
| Net sales | 433 | 382 | 1,732 | 1,681 |
| Gross margin, % | 63.0 | 59.7 | 55.0 | 54.0 |
| Operating profit | 42 | 42 | 121 | 121 |
| Operating margin, % | 9.7 | 10.9 | 7.0 | 7.2 |
| Profit after financial items | 41 | 41 | 118 | 118 |
| Profit for the period | 32 | 32 | 95 | 95 |
| Earnings per share before dilution, SEK | 0.91 | 0.92 | 2.70 | 2.70 |
| Earnings per share after dilution, SEK | 0.91 | 0.92 | 2.70 | 2.70 |
| Number of stores, at the end of the period | 176 | 121 | 176 | 177 |



Business segment reporting

MQ Holding owns and operates fashion apparel stores and online shopping under two business areas, MQ and JOY. Acquisition of the unlisted company Joy Shop AB was completed on 2 May 2016. The acquisition is in line with the MQ Group's long-term strategy to generate growth and advance its position as a player in the fashion industry.



Founded in 1957, MQ currently operates 122 stores in Sweden and Norway as well as online shopping. MQ is Sweden's largest retailer of fashion brands today. Through a select mix of proprietary and external brands, MQ offers high-fashion menswear and womenswear in attractive stores.



JOY was founded in 1971 and today operates 54 wholly owned stores in Sweden as well as online shopping. JOY targets fashion-conscious women at midlife who desire excellent quality, fit and comfort. Customers are offered a well-coordinated product range with an inspiring variety of textiles, colours, patterns and prints to create a personal and unique fashion style.

Sales and Earnings per segment for the first quarter Sep-Nov 2016/17

| <i>Segment</i> | <i>Sales</i> | <i>Share, %</i> | <i>Operating profit</i> | <i>Stores</i> |
|----------------|------------------|-----------------|-------------------------|---------------|
| | SEK 362 m | 84% | SEK 34 m | 122 |
| | SEK 71 m | 16% | SEK 8 m | 54 |
| TOTAL | SEK 433 m | | SEK 42 m | 176 |

| | Q1 Sep-Nov 16/17 | Q1 Sep-Nov 15/16 | Rolling 12 months Dec 15-Nov 16 | Financial year Sep-Aug 15/16 |
|---|------------------------|------------------------|---------------------------------------|------------------------------------|
| Net sales and operating profit per segment (SEK m) | | | | |
| Net sales | | | | |
| MQ | 362 | 382 | 1,576 | 1,596 |
| JOY | 71 | - | 156 | 85 |
| Total net sales | 433 | 382 | 1,732 | 1,681 |
| Operating profit/loss | | | | |
| MQ | 34 | 42 | 112 | 120 |
| JOY | 8 | - | 9 | 1 |
| Total operating profit | 42 | 42 | 121 | 121 |



First quarter (September 2016-November 2016)

Net sales amounted to SEK 362 million (382) during the quarter, down -5.3 percent. MQ's like-for-like sales declined -7.4 percent during the first quarter, compared with a market decrease of -2.1 percent.

Gross profit was SEK 222 million (228), equal to a gross margin of 61.3 percent (59.7). Other external costs and personnel expenses for the quarter amounted to SEK 184 million (182).

Operating profit for the quarter totalled SEK 34 million (42), corresponding to an operating margin of 9.4 percent (10.9). Depreciation/amortisation according to plan amounted to SEK 6 million (6). Net financial items for the first quarter totalled an expense of SEK -1 million (expense: -1). Profit after financial items was SEK 33 million (41). Profit after tax was SEK 26 million (32).



Joy is included in reporting starting from May 2016.

First quarter (September 2016-November 2016)

Net sales amounted to SEK 71 million for the quarter, up 8.4 percent. Joy's sales in comparable stores increased 6.5 percent.

Gross profit was SEK 52 million, equal to a gross margin of 72.0 percent. Other external costs and personnel expenses for the quarter amounted to SEK 43 million.

Operating profit for the quarter amounted to SEK 8 million, which corresponds to an operating margin of 11.1 percent. Depreciation/amortisation according to plan amounted to SEK 1 million. Net financial items for the first quarter amounted to SEK 0 million and profit after financial items amounted to SEK 8 million. Profit after tax was SEK 6 million.



Group cash flow and financial performance

Cash flow

Cash flow from operating activities during the first quarter amounted to SEK -10 million (3). The negative effect of cash flow compared with the year-earlier period was attributable to a reduction in accounts payable, which is a periodisation effect. Cash flow after investments amounted to a negative SEK -20 million (-8). Cash flow after investments was affected by investments in stores of SEK 10 million (10).

Inventories

At 30 November 2016, the value of inventories was SEK 328 million (289). The higher level of inventories stems from a SEK 34 million increase in inventories from Joy and a certain USD impact. In total, the composition of inventories is deemed to be at a satisfactory level.

Investments

Investments totalling SEK 10 million (10) were made in the Group during the quarter and pertained to three new MQ stores and one Joy store. MQ's first Online Flagship Store was opened on Norrlandsgatan in Stockholm with integrated communications for online purchases in the store. MQ Hansa in Malmö and MQ Luleå were refurbished according to MQ's new store concept. Joy Bromma Blocks in Stockholm was also refurbished to a more up-to-date store concept. Investments were also made during the quarter, with the continued roll-out of tablets for online purchases in MQ stores.

Financing and liquidity

On 30 November 2016, the Group's interest-bearing net debt totalled SEK 191 million, compared with SEK 109 million on the same date in the preceding year. At the end of the period, cash and cash equivalents totalled SEK 20 million (18). Interest-bearing net debt/EBITDA totalled 1.3 (0.6) for the 12-month period of December 2015-November 2016.

Employees

The average number of full-time employees during the 12-month period (Dec 2015-Nov 2016) amounted to 810

compared with 585 in the year-earlier period, of whom 198 are full-time employees from Joy.

Risks and uncertainties

The MQ Group'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. The MQ Group is dependent on consumer preferences with respect to trends, design and quality. The MQ Group 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 2014/2015 financial year.

Parent Company

The Parent Company's net sales during the quarter totalled SEK 3 million (3) and the result after financial items amounted to a loss of SEK -1 million (loss: -1).

Annual General Meeting

The Annual General Meeting will be held in Gothenburg on 26 January 2017. The Annual Report will be available on www.mq.se as of the week commencing 19 December 2016.

The Board of Directors and the CEO give their assurance that this interim 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, 15 December 2016

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

Teleconference

A teleconference will be held at 09:00 a.m. on 16 December for analysts, investors and the media. The presentation will also be webcast directly on www.mq.se. To participate, please call Sweden +46 8 505 564 74.

Reporting calendar

| | |
|---|----------------|
| Interim report, second quarter, December 2016–February 2017 | 16 March 2017 |
| Interim report, third quarter, March 2016–May 2017 | 20 June 2017 |
| Year-end report, fourth quarter, June 2017–August 2017 | 5 October 2017 |

This constitutes information that MQ Holding AB (publ) is legally obliged to publish under the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on 16 December 2016 at 07:15 a.m. (CET).

Contact

For more information, please contact:

Christina Ståhl, President and CEO: +46 (0)31-388 80 10

Tony Siberg, Deputy CEO and CFO: +46 (0)31-388 84 01

MQ Holding AB

St. Eriksgatan 5

Box 119 19

SE-404 39 Gothenburg, Sweden

www.mq.se

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 (SEK m) | Q1 Sep-Nov 16/17 | Q1 Sep-Nov 15/16 | Rolling 12 months Dec 15-Nov 16 | Financial year Sep-Aug 15/16 |
|---|------------------------|------------------------|---------------------------------------|------------------------------------|
| Net sales | 433 | 382 | 1,732 | 1,681 |
| Other operating income | 3 | 1 | 11 | 9 |
| Total operating income | 436 | 383 | 1,743 | 1,690 |
| • Goods for resale | -160 | -154 | -780 | -773 |
| • Other external costs | -110 | -92 | -407 | -389 |
| • Personnel expenses | -117 | -90 | -409 | -382 |
| • Other operating expenses | 0 | 0 | -1 | -1 |
| • Depreciation/amortisation | -7 | -6 | -26 | -24 |
| Operating profit | 42 | 42 | 121 | 121 |
| • Financial income | 0 | 0 | 0 | 0 |
| • Financial expenses | -1 | -1 | -3 | -3 |
| Profit after financial items | 41 | 41 | 118 | 118 |
| Tax on profit for the period | -9 | -9 | -23 | -23 |
| PROFIT FOR THE PERIOD attributable to Parent Company shareholders | 32 | 32 | 95 | 95 |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items that have been restated or that can be restated in profit for the period | | | | |
| Translation difference | 3 | 0 | 4 | 1 |
| Changes in fair value of cash-flow hedging | 7 | 1 | 7 | 1 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS | 42 | 33 | 105 | 96 |
| Earnings per share before dilution (SEK) | 0.91 | 0.92 | 2.70 | 2.70 |
| Earnings per share after dilution (SEK) | 0.91 | 0.92 | 2.70 | 2.70 |
| Average number of shares before dilution | 35,156,507 | 35,156,507 | 35,156,507 | 35,156,507 |
| Average number of shares after dilution | 35,156,507 | 35,156,507 | 35,156,507 | 35,156,507 |

Consolidated balance sheet

| Condensed consolidated balance sheet (SEK m) | 30 November 2016 | 30 November 2015 | 31 August 2016 |
|---|---------------------|---------------------|-------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible fixed assets | 1,274 | 1,204 | 1,273 |
| Tangible assets | 71 | 51 | 68 |
| Total fixed assets | 1,344 | 1,254 | 1,341 |
| Current assets | | | |
| Inventories | 328 | 289 | 341 |
| Current receivables | 71 | 68 | 97 |
| Cash and cash equivalents | 20 | 18 | 28 |
| Total current assets | 418 | 375 | 465 |
| TOTAL ASSETS | 1,763 | 1,629 | 1,807 |
| EQUITY AND LIABILITIES | | | |
| Equity | 1,120 | 1,076 | 1,078 |
| Liabilities | | | |
| Interest-bearing long-term liabilities | 83 | 84 | 83 |
| Non-interest-bearing long-term liabilities | 207 | 190 | 203 |
| Interest-bearing current liabilities | 132 | 49 | 119 |
| Non-interest-bearing current liabilities | 221 | 230 | 324 |
| TOTAL EQUITY AND LIABILITIES | 1,763 | 1,629 | 1,807 |

Statement of changes in equity

| Specification of changes in the Group's equity (SEK m) | Period Sep-Nov 2016/17 | Period Sep-Nov 2015/16 | Financial year Sep-Aug 2015/16 |
|--|------------------------------|------------------------------|--------------------------------------|
| Equity, opening balance | 1,078 | 1,043 | 1,043 |
| Total comprehensive income | 42 | 33 | 96 |
| Dividend | - | - | -62 |
| EQUITY, CLOSING BALANCE | 1,120 | 1,076 | 1,078 |

Consolidated cash-flow statement

| Condensed consolidated cash-flow statement (SEK m) | Q1 Sep-Nov 16/17 | Q1 Sep- Nov 15/16 | Financial year Sep-Aug 15/16 |
|--|------------------------|----------------------------|------------------------------------|
| Cash flow from operating activities before changes in working capital | 42 | 30 | 94 |
| Changes in working capital | -52 | -27 | 1 |
| Cash flow from operating activities | -10 | 3 | 95 |
| Cash flow from investing activities | | | |
| Acquisition of intangible assets | -1 | 0 | -11 |
| Acquisition of tangible assets | -9 | -10 | -38 |
| Investments in subsidiaries | - | - | -31 |
| Cash flow after investing activities | -20 | -8 | 14 |
| Financing activities | | | |
| <i>Amortisation</i> | - | - | -43 |
| <i>Loans raised</i> | - | - | 40 |
| <i>Dividend</i> | - | - | -62 |
| <i>Utilisation of overdraft facility</i> | 12 | 3 | 54 |
| Cash flow from financing activities | 12 | 3 | -10 |
| Cash flow for the period | -8 | -5 | 4 |
| Cash and cash equivalents at the beginning of the period | 28 | 23 | 23 |
| Cash and cash equivalents at the end of the period | 20 | 18 | 28 |

The Group's key figures

| | Q1 Sep-Nov 16/17 | Q1 Sep-Nov 15/16 | Rolling 12 months dec15-nov16 | Financial year Sep-Aug 15/16 |
|---|------------------------|------------------------|-------------------------------------|------------------------------------|
| Growth in net sales, % | 13.4 | 7.0 | 9.4 | 8.0 |
| Sales growth, like-for-like, % | -5.4 | 7.1 | -1.7 | 1.7 |
| Gross margin, % | 63.0 | 59.7 | 55.0 | 54.0 |
| Operating profit, SEK m | 42 | 42 | 121 | 121 |
| Operating margin, % | 9.7 | 10.9 | 7.0 | 7.2 |
| Profit after financial items | 41 | 41 | 118 | 118 |
| Profit for the period | 32 | 32 | 95 | 95 |
| Total depreciation/amortisation, SEK m | -7 | -6 | -26 | -24 |
| Earnings per share before dilution, SEK | 0.91 | 0.92 | 2.70 | 2.70 |
| Interest-bearing net debt, SEK m | 191 | 109 | 191 | 172 |
| Interest-bearing net debt/EBITDA, multiples | 1.3 | 0.6 | 1.3 | 1.2 |
| Equity/assets ratio, % | 64 | 66 | 64 | 60 |
| Equity, SEK m | 1,120 | 1,076 | 1,120 | 1,078 |
| Average number of shares before dilution | 35,156,507 | 35,156,507 | 35,156,507 | 35,156,507 |
| Average number of shares after dilution | 35,156,507 | 35,156,507 | 35,156,507 | 35,156,507 |

Shareholder structure

Largest shareholders as of 30 November 2016

| Name | Number of shares | Share capital, % |
|---|---------------------|------------------|
| Öresund, Investment AB | 6,257,170 | 17.8 |
| Jaller Klädcenter AB | 3,062,000 | 8.7 |
| Swedbank Robur Fonder | 2,568,107 | 7.3 |
| DNB – Carlson Fonder | 1,511,240 | 4.3 |
| Unionen | 1,100,000 | 3.1 |
| Engebretsen, Anna | 1,021,836 | 2.9 |
| Qviberg, Eva | 850,000 | 2.4 |
| Försäkringsaktiebolaget, Avanza Pension | 800,421 | 2.3 |
| Danske Capital Sweden AB | 794,128 | 2.3 |
| Clients Account-Dcs | 749,505 | 2.1 |
| Qviberg, Jacob | 550,000 | 1.6 |
| Catella Fondförvaltning | 500,000 | 1.4 |
| CBNY-Dfa-Int Sml Cap V | 499,137 | 1.4 |
| Ohlin, Astrid | 370,000 | 1.1 |
| Qviberg, Mats | 350,000 | 1.0 |
| Total 15 largest | 20,983,544 | 59.7 |
| Other | 14,172,963 | 40.3 |
| Total | 35,156,507 | 100 |

Parent Company income statement

| Parent Company income statement in summary (SEK m) | Q1 Sep-Nov 16/17 | Q1 Sep-Nov 15/16 | Rolling 12 months dec15-nov16 | Financial year Sep-Aug 15/16 |
|---|------------------------|------------------------|-------------------------------------|------------------------------------|
| Net sales | 3 | 3 | 11 | 11 |
| Other operating income | - | - | - | - |
| Total operating income | 3 | 3 | 11 | 11 |
| • Goods for resale | - | - | - | - |
| • Other external costs | -1 | -1 | -4 | -4 |
| • Personnel expenses | -3 | -3 | -11 | -11 |
| • Other operating expenses | - | - | - | - |
| • Depreciation/amortisation | - | - | - | - |
| Operating profit/loss | -1 | -1 | -4 | -4 |
| • Income from shares | - | - | 61 | 61 |
| • Financial income | 0 | 0 | 1 | 1 |
| • Financial expenses | 0 | 0 | -1 | -1 |
| Profit/loss after financial items | -1 | -1 | 57 | 57 |
| Group contributions | - | - | 4 | 4 |
| Tax on profit for the period | - | 0 | 0 | 0 |
| PROFIT/LOSS AFTER TAX | -1 | -1 | 61 | 61 |

Parent Company balance sheet

| Parent Company balance sheet in summary (SEK m) | 30 November 2016 | 30 November 2015 | 31 August 2016 |
|---|---------------------|---------------------|-------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible assets | - | - | - |
| Tangible assets | - | - | - |
| Financial assets | 1,156 | 1,110 | 1,156 |
| Total fixed assets | 1,156 | 1,110 | 1,156 |
| Current assets | | | |
| Current receivables | 1 | 1 | 0 |
| Cash and cash equivalents | - | 0 | - |
| Total current assets | 1 | 1 | 0 |
| TOTAL ASSETS | 1,157 | 1,111 | 1,156 |
| EQUITY AND LIABILITIES | | | |
| Equity | 566 | 567 | 567 |
| Liabilities | | | |
| Interest-bearing long-term liabilities | 73 | 80 | 73 |
| Interest-bearing current liabilities | 45 | 40 | 45 |
| Non-interest-bearing long-term liabilities | 5 | - | 5 |
| Non-interest-bearing current liabilities | 468 | 424 | 466 |
| TOTAL EQUITY AND LIABILITIES | 1,157 | 1,111 | 1,156 |
| Pledged assets | | | |
| Shares in subsidiaries | 1,156 | 1,110 | 1,156 |
| Contingent liabilities | | | |
| Guarantees related to subsidiaries' completion of leasing contracts | 35 | 44 | 37 |
| Guarantees related to MQ Retail AB | 184 | 184 | 184 |
| Total contingent liabilities | 219 | 228 | 221 |

Reconciliation between IFRS and performance measures

In this report, MQ presents alternative performance measures, which is certain information that is not defined in accordance with IFRS. Company management believes that this information makes it easier for investors to analyse the Group's earnings trend and financial structure. Investors should consider this information to be a complement rather than a replacement of financial reporting in accordance with IFRS.

| | Q1 Sep-Nov 16/17 | Q1 Sep-Nov 15/16 | Rolling 12 months Dec 15-Nov 16 | Financial year Sep-Aug 15/16 |
|---------------------------|------------------------|------------------------|---------------------------------------|------------------------------------|
| Gross margin | | | | |
| <i>Operating income</i> | | | | |
| Net sales | 433 | 382 | 1,732 | 1,681 |
| <i>Operating expenses</i> | | | | |
| Goods for resale | -160 | -154 | -780 | -773 |
| Gross profit | 273 | 228 | 953 | 908 |
| Gross margin, % | 63.0 | 59.7 | 55.0 | 54.0 |

To calculate the gross profit margin, gross profit is first calculated by subtracting the cost of goods for resale from net sales. Gross profit is then divided by net sales to obtain the performance measure of "gross profit margin." The gross profit margin thus shows how large a share of net sales is carried over as profit after the cost of goods sold and is impacted by such factors as pricing, cost of goods for resale, impairment of inventory and currency trends.

| | Q1 Sep-Nov 16/17 | Q1 Sep-Nov 15/16 | Rolling 12 months Dec 15-Nov 16 | Financial year Sep-Aug 15/16 |
|----------------------------|------------------------|------------------------|---------------------------------------|------------------------------------|
| Operating margin | | | | |
| <i>Operating income</i> | | | | |
| Net sales | 433 | 382 | 1,732 | 1,681 |
| <i>Operating profit</i> | | | | |
| Operating profit | 42 | 42 | 121 | 121 |
| Operating margin, % | 9.7 | 10.9 | 7.0 | 7.2 |

| | Q1 Sep- Nov 16/17 | Q1 Sep-Nov 15/16 | Rolling 12 months Dec 15-Nov 16 | Financial year Sep-Aug 15/16 |
|--|----------------------------|------------------------|---------------------------------------|------------------------------------|
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | | | | |
| Operating profit (EBITA) | 42 | 42 | 121 | 121 |
| Depreciation/amortisation | 7 | 6 | 26 | 24 |
| Earnings before interest, taxes, depreciation and amortisation (EBITDA) | 49 | 48 | 147 | 145 |

| | 30 November 2016 | 30 November 2015 | 31 August 2016 |
|--|---------------------|---------------------|-------------------|
| Interest-bearing net debt (SEK m) | | | |
| Interest-bearing long-term liabilities | 81 | 80 | 81 |
| Overdraft facilities | 83 | 8 | 71 |
| Other interest-bearing current liabilities | 47 | 40 | 47 |
| Interest-bearing liabilities | 211 | 128 | 200 |
| Cash and cash equivalents | 20 | 18 | 28 |
| Interest-bearing assets | 20 | 18 | 28 |
| Net debt | 191 | 109 | 172 |

Net debt comprises interest-bearing liabilities less cash and cash equivalents and financial leases. EBITDA in the performance measure of "Interest-bearing net debt/EBITDA" pertains to the most recent twelve-month period.

| | 30 November 2016 | 30 November 2015 | 31 August 2016 |
|-------------------------------|---------------------|---------------------|-------------------|
| Equity/assets ratio | | | |
| Equity | 1,120 | 1,076 | 1,078 |
| Total assets | 1,763 | 1,629 | 1,807 |
| Equity/assets ratio, % | 63.5 | 66.1 | 59.7 |

Equity consists of share capital, other contributed capital, reserves and retained earnings, including the Group's profit for the year.
Equity/assets ratio is calculated by dividing equity by total assets and is thus a measure of the percentage of assets that are financed by equity.

Sales growth

The Group's total sales for the period compared with the year-earlier period.

Like-for-like sales

The term "like-for-like sales" is used to designate all sales in MQ, Joy and online in Sweden, with the exception of sales in new stores. A new store becomes comparable one year after its inauguration.

Disclosures in accordance with IAS 34.16A occur in the financial statements and the related notes, as well as elsewhere in parts of the interim report.

Note 1 Accounting Policies

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

The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts Act, 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.

Note 2 Fair value for financial instruments

Derivative instruments are measured at fair value, which amounted to SEK 15 million at 30 November 2016. Determining the fair value of currency contracts (currency forward contracts) is based on valuations made by credit institutions, 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 level relates to financial instruments quoted in an active market. The second level is for financial instruments that are not quoted in an active market for which the market value can be determined using other market data. The last level relates to valuations where no quoted market value or other market data is available. Techniques to obtain a valuation for level three mainly involve discounting cash flows. All of MQ's derivatives belong to the second level.

Note 3 Events after the end of the reporting period

No events occurred after the end of the reporting period.

Note 4 Related-party transactions

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

MQ Holding AB owns and operates fashion stores under two business areas: MQ and JOY. MQ is Sweden's largest retailer of fashion brands today. Through a select mix of proprietary and external brands, MQ offers high-fashion menswear and womenswear in attractive stores. JOY targets fashion-conscious women at midlife who desire excellent quality, fit and comfort. The two business areas currently comprise a total of 176 stores as well as online shopping. The MQ Holding share has been listed on Nasdaq Stockholm since 18 June 2010. For more information, see www.mq.se