

# MQ Holding AB - Interim report

## Focus on gross margin, cash flow and product portfolio

### Second quarter (December 2012-February 2013)

- Net sales amounted to SEK 396 million (422), down 6.2 percent. Sales in comparable stores fell 8.7 percent (The Swedish Retail Institute Index was down 3.0 percent).
- The gross margin was 49.5 percent (48.6).
- Operating profit totalled SEK 4 million (11), corresponding to an operating margin of 0.9 percent (2.6).
- Profit after tax amounted to SEK 1 million (6), corresponding to SEK 0.02 (0.16) per share after dilution.
- Cash flow from operating activities totalled SEK 34 million (12).

### First six months (September 2012-February 2013)

- Net sales amounted to SEK 760 million (802), down 5.2 percent. Sales in comparable stores fell 7.7 percent (The Swedish Retail Institute Index was down 1.3 percent).
- The gross margin was 54.8 percent (55.2).
- Operating profit totalled SEK 25 million (53), corresponding to an operating margin of 3.2 percent (6.6).
- Profit after tax amounted to SEK 14 million (34), corresponding to 0.40 SEK (0.97) per share after dilution.
- Cash flow from operating activities totalled SEK 29 million (46).

### Events during the second quarter

- A number of Swedish and Nordic institutions as well as Jaller Klädcenter AB invested in MQ after CapMan terminated its long-standing involvement in MQ in line with its investment policy.
- During the period, partnership agreements were signed with two new brands, Filippa K and Elvine, which will be launched at MQ during the late summer/autumn of 2013.

### Events after the end of the reporting period

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

## Key figures

SEK m	Period Dec-Feb 12/13	Period Dec-Feb 11/12	Period Sep-Feb 12/13	Period Sep-Feb 11/12	Rolling 12 months March 12- Feb 13	Financial year Sep-Aug 11/12
Net sales	396	422	760	802	1,493	1,534
Gross margin, %	49.5	48.6	54.8	55.2	55.4	55.6
Operating profit	4	11	25	53	71	98
Operating margin, %	0.9	2.6	3.2	6.6	4.7	6.4
Profit after financial items	1	8	18	46	56	84
Profit for the period	1	6	14	34	41	61
Earnings per share before dilution, SEK	0.02	0.16	0.40	0.97	1.19	1.76
Earnings per share after dilution, SEK	0.02	0.16	0.40	0.97	1.19	1.75
Number of stores, end of period	119	115	119	115	119	116

## CEO's statement

The weak sales trend in the quarter was driven, to a certain extent, by lower reduced-price sales, which had a positive impact on the gross margin. Macroeconomic uncertainty and the weak retail market also impacted visitor traffic during the quarter. A more even flow of goods led to a lower inventory level compared with the year-earlier period, which improved the cash flow from operating activities during the period. We are ending this interim period with a well-balanced inventory level.

Our savings programme is proceeding according to plan. Costs for the quarter are in line with the year-on-year period despite an increased investment in marketing, more stores and cost inflation. A total amount of SEK 40 million will be saved during the current financial year, of which SEK 25 million remains to be realised during the last six months.

The new growth strategy to establish smaller stores in Sweden has met with a positive response and, as a result, we will increase the pace of new store establishments. During March and April, three new stores will open in Sweden, (in Stockholm Globen, Stockholm Hornstull and Oskarshamn). Sales continued to increase for MQ Shop Online, which now offers delivery of ordered goods in stores. ‘

MQ signed an agreement with the Swedish women's magazine *Damernas Värld* concerning main sponsorship of the most prestigious fashion award in Sweden, Guldknappen. The prize is awarded to a Swedish fashion designer for promoting Swedish clothing design and strengthening MQ's association with fashion and brands.

Intensive efforts are continuing to improve the attractiveness and clarity of the product portfolio and to add new and attractive brands. During the period, a partnership agreement was signed with Filippa K, which will be launched as a new brand at MQ at the end of summer 2013. Many customers request the Filippa K brand and this partnership will further strengthen MQ's position as the stylish challenger. The Elvine brand will also be introduced in autumn 2013. Several new brands will be launched in stores and MQ Shop Online.



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 cities ranging from Ystad in the south to Luleå in the north of Sweden. MQ was launched in Norway in September 2010 and currently has six stores located in Oslo, Jessheim, Drammen, Skien and Kristiansand. All stores sell both women's and men's fashions. At the end of the period, the total number of stores was 119.

## Market

The Swedish clothing retail sector has experienced yet another period of weak sales. Both the second quarter (Dec 2012-Feb 2013) and the twelve-month period (March 2012 - Feb 2013) experienced a negative sales trend with a decline of 3.0 and 2.0 percent, respectively.

## Comments on financial performance

### Net sales

*Second quarter, December 2012 - February 2013*

Net sales amounted to SEK 396 million (422) during the quarter, down 6.2 percent. MQ's sales in comparable stores declined 8.7 percent during the second quarter compared with the market's decline of 3.0 percent. Sales of women's fashion declined 6.0 percent to SEK 171 million (182) and men's fashion declined 6.3 percent to SEK 225 million (240).

*Six-month period, September 2012 - February 2013*

During the first six months, net sales amounted to SEK 760 million (802), down 5.2 percent. MQ's sales in comparable stores declined 7.7 percent during the first six months, compared with the market's decline of 1.3 percent. Sales of women's fashion declined 4.9 percent to SEK 351 million (369) and men's fashion declined 5.5 percent to SEK 409 million (433).

### Earnings

*Second quarter, December 2012 - February 2013*

Gross profit totalled SEK 196 million (205), corresponding to a gross margin of 49.5 percent (48.6). Well-implemented sales activities led to a higher gross margin despite a weak market with intense price competition.

Other external costs and personnel expenses for the quarter amounted to SEK 185 million (185). The cost level was maintained despite increased investments in marketing, as well as new stores and inflation, a result of the ongoing program to save SEK 40 million during the current financial year.

Operating profit for the quarter totalled SEK 4 million (11), corresponding to an operating margin of 0.9 percent (2.6). Depreciation/amortisation according to plan amounted to SEK 10 million (11). Net financial items amounted to an expense of SEK 3 million (expense: 4) for the second quarter. Profit after financial items amounted to SEK 1 million (8).

*Six-month period, September 2012 - February 2013*

Gross profit was SEK 416 million (442), representing a gross margin of 54.8 percent (55.2).

Operating profit for the six-month period totalled SEK 25 million (53), or an operating margin of 3.2 percent (6.6). Scheduled depreciation/amortisation amounted to SEK 20 million (22). Net financial items totalled a negative SEK 7 million (neg: 7) for the six-month period. Profit after financial items amounted to SEK 18 million (46).

### Expansion

Efforts to find new store locations in Norway and Sweden are progressing according to plan. Further development of MQ Shop Online is underway.

### Cash flow

MQ's cash flow from operating activities amounted to SEK 29 million (46) during the six-month period. Lower sales are the main underlying factor for the negative trend in cash flow which, to a certain extent, was offset by a lower level of inventories compared with the year-earlier period. Cash flow after investments was SEK 11 million (34).

### Inventories

On 28 February 2013, the value of the company's inventory amounted to SEK 223 million (244). The decline was due to a lower and more even flow of goods. In general, the size and composition of the inventory is deemed to be at a satisfactory level.

### Investments

Investments of SEK 18 million (13) were implemented during the period and primarily involved investments in new and existing stores. Three stores were opened during the six-month period, of which two were in Sweden (Karlskoga, Malmö Emporia) and one in Norway (Jessheim). Two stores were renovated and moved to a better location, Vällingby and Hudiksvall. Another three new stores will open in Sweden during March and April (Stockholm Globen, Stockholm Hornstull and Oskarshamn).

## Financing and liquidity

On 28 February 2013, interest-bearing net debt amounted to SEK 332 million compared with SEK 349 million on 28 February 2012. At period end, cash and cash equivalents were SEK 27 million

(58). Interest-bearing net debt/EBITDA was 3.0 for the rolling twelve-month period March 2012 - February 2013.

### **Events during the second quarter**

A number of Swedish and Nordic institutions as well as Jaller Klädcenter AB invested in MQ after CapMan terminated its long-standing involvement in MQ in line with its investment policy. During the second quarter, partnership agreements were signed with two new brands, Filippa K and Elvine, which will be launched at MQ during the late summer/autumn of 2013.

### **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 full-time employees during the rolling twelve-month period (March 2012-Feb 2013) totalled 629, compared with 682 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 high fashion content in the specialised retail segment and among brand specialists. Any change in economic growth in Sweden would 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 23 and 24 in the 2011/2012 Annual Report.

### **Parent Company**

The Parent Company's net sales for the six-month period totalled SEK 6 million (5) and the profit after financial items amounted to SEK 28 million (37). The Parent Company did not implement any investments during the period.

### **Accounting policies**

This condensed 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, Interim reports, 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.

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, 21 March 2013

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 Ståhl  
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 8 506 307 79 or International + 44 1452 555 131.

## Reporting schedule

Interim report, third quarter, March 2013-May 2013  
Year-end report, September 2012-August 2013  
Interim report, first quarter, September 2013-November 2013

20 June 2013  
9 October 2013  
19 December 2013

## Contact

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Corp. Reg. No 556697-2211

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

## Consolidated statement of earnings and other comprehensive income

Summarised consolidated income statement (SEK m)	Period Dec-Feb 2012/13	Period Dec-Feb 2011/12	Period Sep-Feb 2012/13	Period Sep-Feb 2011/12	Rolling 12 months March 12- Feb 13	Financial year Sep-Aug 2011/12
Net sales	396	422	760	802	1493	1534
Other operating income	3	1	5	1	7	4
Total operating income	<b>399</b>	<b>423</b>	<b>765</b>	<b>803</b>	<b>1500</b>	<b>1538</b>
• Goods for resale	-200	-217	-344	-359	-666	-681
• Other external costs	-94	-92	-196	-183	-365	-351
• Personnel expenses	-91	-93	-180	-187	-358	-366
• Depreciation/amortisation	-10	-11	-20	-22	-40	-42
Operating profit	<b>4</b>	<b>11</b>	<b>25</b>	<b>53</b>	<b>71</b>	<b>98</b>
• Financial income	0	0	0	1	0	1
• Financial expenses	-3	-4	-7	-8	-15	-15
Profit after financial items	<b>1</b>	<b>8</b>	<b>18</b>	<b>46</b>	<b>56</b>	<b>84</b>
Tax on profit for the period	0	-2	-4	-12	-15	-23
<b>PROFIT FOR THE PERIOD attributable to the owners of the Parent Company</b>	<b>1</b>	<b>6</b>	<b>14</b>	<b>34</b>	<b>41</b>	<b>61</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
<b>Items that were transferred or can be transferred to profit for the period</b>						
Translation difference	0	0	0	0	0	0
Changes in fair value of cash-flow hedging	1	-7	2	-4	-1	-7
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>	<b>2</b>	<b>-1</b>	<b>16</b>	<b>30</b>	<b>40</b>	<b>54</b>
Earnings per share before dilution (SEK)	0.02	0.16	0.40	0.97	1.19	1.76
Earnings per share after dilution (SEK)	0.02	0.16	0.40	0.97	1.19	1.75
Average number of shares before dilution	34 631 507	34 631 507	34 631 507	34 631 507	34 631 507	34 631 507
Average number of shares after dilution	34 758 692	34 646 710	34 758 692	34 646 710	34 758 692	34 719 693

## Consolidated balance sheet

Summarised consolidated balance (SEK m)	28 February 2013	29 February 2012	31 August 2012
<b>ASSETS</b>			
Fixed assets			
Intangible fixed assets	1.205	1.205	1.205
Tangible fixed assets	88	90	90
<b>Total fixed assets</b>	<b>1.293</b>	<b>1.295</b>	<b>1.295</b>
Current assets			
Inventories	223	244	254
Current receivables	64	77	82
Cash and cash equivalents	27	58	38
<b>Total current assets</b>	<b>314</b>	<b>379</b>	<b>374</b>
<b>TOTAL ASSETS</b>	<b>1.607</b>	<b>1.674</b>	<b>1.669</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	820	808	834
Liabilities			
Interest-bearing long-term liabilities	271	311	291
Non-interest-bearing long-term liabilities	212	202	211
Interest-bearing current liabilities	88	97	61
Non-interest-bearing current liabilities	216	256	272
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1.607</b>	<b>1.674</b>	<b>1.669</b>

## Statement of changes in equity

Specification of changes in the Group's equity (SEK m)	Period Sep-Feb 2012/13	Period Sep-Feb 2011/12	Financial year Sep-Aug 2012/13
Equity, opening balance	834	827	827
Total comprehensive income	16	30	54
Buyback of our shares/incentive programme	0	-10	-9
Dividend	-30	-39	-38
<b>EQUITY, CLOSING BALANCE</b>	<b>820</b>	<b>808</b>	<b>834</b>

## Consolidated cash-flow statement

Summarised consolidated cash-flow statement (SEK m)	Period Dec-Feb 2012/13	Period Dec-Feb 2011/12	Period Sep-Feb 2012/13	Period Sep-Feb 2011/12	Financial year Sep-Aug 2011/12
Cash flow from operating activities before changes in working capital	8	11	30	61	111
Changes in working capital	26	1	-1	-15	-8
Cash flow from operating activities	34	12	29	46	103
Cash flow from investing activities					
Acquisition of intangible fixed assets	-1	0	-2	0	-1
Acquisition of tangible fixed assets	-3	-1	-16	-13	-32
Cash flow after investing activities	30	11	11	34	70
Financing activities					
<i>Amortisation</i>	-20	-20	-20	-20	-41
<i>Dividend</i>	-30	-39	-30	-39	-38
<i>Utilisation of overdraft facility</i>	23	57	27	57	20
Cash flow from financing activities	-27	-2	-23	-2	-57
Cash flow for the period	3	9	-11	32	11
Cash and cash equivalents at the beginning of the period	23	49	38	26	27
Cash and cash equivalents at the end of the period	27	58	27	58	38

## Key figures

	Period Dec-Feb 2012/13	Period Dec-Feb 2011/12	Period Sep-Feb 2012/13	Period Sep-Feb 2011/12	Rolling 12 months March 12-Feb 13	Financial year Sep-Aug 2011/2012
Growth in net sales, %	-6.2	1.9	-5.2	2.6	-1.1	3.2
Growth in net sales, comparable stores, %	-8.7	-1.3	-7.7	-1.2	-3.5	0.0
Gross margin, %	49.5	48.6	54.8	55.2	55.4	55.6
Operating profit, SEK m	4	11	25	53	71	98
Operating margin, %	0.9	2.6	3.2	6.6	4.7	6.4
Profit after financial items	1	8	18	46	56	84
Profit for the period	1	6	14	34	41	61
Total depreciation/amortisation, SEK m	-10	-11	-20	-22	-40	-42
Earnings per share, SEK	0.02	0.16	0.40	0.97	1.19	1.75
Interest-bearing net debt, SEK m	332	349	332	349	332	313
Interest-bearing net debt/EBITDA, multiple	3.0	2.3	3.0	2.3	3.0	2.2
Equity/assets ratio, %	51	48	51	48	51	50
Equity, SEK m	819	808	819	808	819	834
Average number of shares before dilution	34 631 507	34 631 507	34 631 507	34 631 507	34 631 507	34 631 507
Average number of shares after dilution	34 758 692	34 646 710	34 758 692	34 646 710	34 758 692	34 719 693



## Shareholding structure

Largest shareholders as of 28 February 2013		
Name	Number of shares	Votes and capital, %
JALLER KLÄDCENTER AB	2,662,000	7.6
DANSKE CAPITAL SVERIGE AB	2,600,000	7.4
LÄNSFÖRSÄKRINGAR FONDFÖRVALTNING AB	2,178,869	6.2
HANDELSBANKEN FONDER AB RE JPMEL	2,022,682	5.8
NORDEA INVESTMENT FUNDS	1,920,427	5.5
ÖRESUND, INVESTMENT AB	1,747,359	5.0
DNB - CARLSON FONDER	1,156,211	3.3
SVENSKA LÄRARFONDER	1,119,551	3.2
UNIONEN	1,100,000	3.1
CATELLA FUNDS	999,100	2.8
FOURTH SWEDISH NATIONAL PENSION FUND	806,771	2.3
SKANDIA FONDER	718,818	2.0
FÖRSÄKRINGSAKTIEBOLAGET, AVANZA PENSION	624,208	1.8
NORDEA BANK AB (PUBL.) - SECURITIES FINANCE	464,107	1.3
SECOND SWEDISH NATIONAL PENSION FUND	431,860	1.2
<b>Total 15 largest</b>	<b>20,551,963</b>	<b>58.5</b>
<b>Others</b>	<b>14,604,544</b>	<b>41.5</b>
<b>Total</b>	<b>35,156,507</b>	<b>100.0</b>

## Parent Company income statement

Summarised Parent Company income statement (SEK m)	Period Dec-Feb 2012/13	Period Dec-Feb 2011/12	Period Sep-Feb 2012/13	Period Sep-Feb 2011/12	Rolling 12 months March 12-Feb 13	Financial year Sep-Aug 2011/12
Net sales	3	3	6	5	12	12
Other operating income	0	0	0	0	0	0
<b>Total operating income</b>	<b>3</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>12</b>	<b>12</b>
• Goods for resale	0	0	0	0	0	0
• Other external costs	-2	-1	-3	-2	-5	-4
• Personnel expenses	-3	-3	-5	-5	-11	-12
• Other operating expenses	0	0	0	0	0	0
• Depreciation/amortisation	0	0	0	0	0	0
<b>Operating loss</b>	<b>-1</b>	<b>-1</b>	<b>-2</b>	<b>-2</b>	<b>-4</b>	<b>-4</b>
• Income from shares	31	39	31	39	31	39
• Financial income	3	4	6	7	13	14
• Financial expenses	-3	-4	-6	-7	-13	-14
<b>Profit after financial items</b>	<b>29</b>	<b>38</b>	<b>28</b>	<b>37</b>	<b>27</b>	<b>35</b>
Tax on profit for the period	0	0	0	0	0	3
<b>PROFIT FOR THE PERIOD</b>	<b>29</b>	<b>38</b>	<b>28</b>	<b>37</b>	<b>27</b>	<b>38</b>

## Parent Company balance sheet

Summarised Parent Company balance sheet (SEK m)	28 February 2013	29 February 2012	31 August 2012
<b>ASSETS</b>			
Fixed assets			
Intangible fixed assets	0	0	0
Tangible fixed assets	0	0	0
Financial fixed assets	1,111	1,110	1,111
<b>Total fixed assets</b>	<b>1,111</b>	<b>1,110</b>	<b>1,111</b>
Current assets			
Current receivables	1	0	9
Cash and cash equivalents	1	0	1
<b>Total current assets</b>	<b>2</b>	<b>0</b>	<b>9</b>
<b>TOTAL ASSETS</b>	<b>1,113</b>	<b>1,110</b>	<b>1,120</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	552	561	554
Liabilities			
Interest-bearing long-term liabilities	271	340	291
Interest-bearing current liabilities	40	40	40
Non- interest-bearing liabilities	250	169	236
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,113</b>	<b>1,110</b>	<b>1,120</b>
<b>Pledged assets</b>			
Shares in subsidiaries	1,110	1,110	1,111
MQ brand	690	690	690
<b>Contingent liabilities</b>			
Guarantees related to subsidiaries <sup>1</sup>			
completion of leasing contracts	33	38	35
General surety, MQ Retail AB <sup>1</sup>	96	100	99
<b>Total contingent liabilities</b>	<b>129</b>	<b>138</b>	<b>134</b>

<sup>1</sup> MQ Holding has given a general guarantee for the MQ Retail AB subsidiary, which amounted to SEK 96 million on the balance-sheet date

## 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 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 119 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](http://www.mq.se).