

MQ Holding AB – Interim Report

A weak quarter with important steps forward

The MQ Group looks back on a quarter with weak sales, driven by lower sales in the summery categories of the range. There has been a continued high level of campaign activity, both for us and the market, and this has continued to put pressure on margins. MQ's new online shopping platform was launched at the end of the quarter and generated good results from the outset. The structural action programme is running at full force with store closures, cost savings and the integration of employees from Joy's headquarters into MQ premises. The preference share issue continued during the quarter and it is pleasing to note a high level of participation among existing shareholders.

Third quarter (March – May 2019)

- Net sales amounted to SEK 380 million (413), down 8.2 per cent. Like-for-like sales declined 7.7 per cent (according to HUI Research like-for-like sales for the market as a whole declined by 4.8 per cent).
- The gross margin was 59.8 per cent (62.8).
- Operating profit/loss was SEK -4 million (28), which corresponds to an operating margin of -1.1 per cent (6.7).
- Profit/loss after tax for the period amounted to SEK -5 million (21), which equates to basic and diluted earnings per share of SEK -0.09 (0.42).
- Cash flow from operating activities was SEK -6 million (27).

Nine-month period (September 2018 – May 2019)

- Net sales amounted to SEK 1,205 million (1,290), down 6.6 per cent. Like-for-like sales declined 6.5 per cent (according to HUI Research like-for-like sales for the market as a whole declined by 3.4 per cent).
- The gross margin was 56.6 per cent (58.3).
- Operating profit/loss amounted to SEK -520 million (59), including a non-recurring item for writing down intangible assets of SEK -500 million and a non-recurring cost of SEK -17 (-7), which equates to an operating margin of -43.2 per cent (4.6).
- Operating profit/loss excluding write-down of intangible assets amounted to SEK -20 million (59), which equates to an operating margin of -1.7 per cent (4.6).
- Profit/loss for the period amounted to SEK -519 million (44), including a non-recurring item for writing down intangible assets of SEK -500 million, which equates to basic and diluted earnings per share of SEK -10.27 (0.91).
- Profit/loss for the period excluding write-down of intangible assets amounted to SEK -19 million (44), which equates to basic and diluted earnings per share of SEK -0.37 (0.91).
- Cash flow from operating activities was SEK -29 million (47).



Events during the third quarter

- A new long-term financing structure with a guaranteed preference issue, together with bank funding, was decided at the extraordinary general meeting on 24 April.
- New articles of association were adopted at the extraordinary general meeting.
- A prospectus for the preference issue was launched and the preference issue carried out.
- The Joy store in Avion, Umeå, closed as planned, in accordance with the structural action programme.
- As part of the programme, employees from Joy's headquarters in Mölndal moved into MQ's premises in Gothenburg.
- MQ and Joy opened stores in Kongahälla, Kungälv.
- MQ's new online shopping platform was launched at the end of the quarter.
- MQ launched a selected range from its proprietary brands on the Afound marketplace.
- MQ's stores in Skövde, the Västermalm mall in Stockholm and the Forum mall in Uppsala have been updated.
- MQ's store in Mirum, Norrköping, has been converted into an Outlet store.
- Joy's store in Burlöv has been converted into an Outlet store for clearance sales ahead of the closure of five Joy stores in June.
- A new personal shopper concept has been launched.

Events after the end of the reporting period

- The final payment from the preference issue has been received and as of the date of the report there are no outstanding credits to DNB Bank ASA, Sweden branch and DNB Sweden AB ("DNB"), the company only utilises the facility regarding guaranties.
- Concerning the high non-recurring items and weak development during the quarter, the company is in close dialogue with DNB regarding the financial facility commitments with DNB.





Comments by the CEO

Sales have been weak during the quarter and the high level of market activity regarding offers has continued. For our part, it is the summery categories in the range that have shown particularly weak development, and since these categories account for a high proportion of sales in this period, naturally this has affected all of our results.

Our initiatives within the framework of our structural action programme are proceeding at full force. Staff reductions, organisational changes and contract negotiations have been carried out and adapted so that we can meet the challenges and opportunities facing us in the best possible way. Furthermore, the Joy organisation has been integrated into our shared offices, four Joy stores have closed, five are closing in June and a further four stores will close in September. We are pursuing the structural action programme with high intensity so as to realise further cost savings and strengthen our profitability moving forward.

One key aspect of our digital development was the launch of our new online shopping platform for MQ.se. The development work has chiefly involved offering our customers a frictionless, inspiring shopping experience and laying the foundation for flexible, dynamic further development of our digital business. From day one our new online shopping platform has proven to represent a marked improvement in most areas, such as conversion and increased average purchase. We are confident that strong online shopping is a significant and decisive factor in our future success. In addition to the new MQ.se, at the end of the quarter we also launched selected parts of MQ's proprietary brands on the digital marketplace Afound, which is MQ's first marketplace collaboration.

As part of our focus on an improved customer experience, we are also changing the way we present our products in MQ's stores. This entails enhancing the customer experience by presenting our range in a clearer, more inspiring and modern way. In addition we will increase the number of features and opportunities for exciting, relevant pop-up collaborations in selected stores, as we can see interest and further potential in this.

A new media strategy has been launched with a clear focus on raising both awareness and preference among our customers. This work began back in autumn and intensified during the spring. As part of our efforts to reposition the MQ brand, we are also changing our brand portfolio to strengthen the offering in our range. Furthermore, we are making changes to design and purchasing so as to improve the quality of our products and range development.

Our preference share issue took place during the quarter according to plan, and it was very pleasing to see the high level of participation among existing shareholders. With our new management team and a new business plan in place, we are focusing all our efforts on swiftly continuing the transition to increased profitability.

A handwritten signature in blue ink, appearing to read 'Ingvar Larsson'.

Ingvar Larsson
President and CEO, MQ Holding AB

Group income and earnings

Third quarter, March – May 2019

Net sales amounted to SEK 380 million (413) during the quarter, down 8.2 per cent. The Group's like-for-like sales decreased 7.7 per cent during the third quarter, compared with a market decrease of 4.8 per cent in like-for-like sales.

Gross profit was SEK 227 million (260), equivalent to a gross margin of 59.8 per cent (62.8). Other external costs, employee benefit expenses and other operating expenses for the quarter amounted to SEK 227 million (227). Non-recurring costs burdened the quarter by SEK 9 million (7).

Operating profit/loss during the quarter totalled SEK -4 million (28), which equates to an operating margin of -1.1 per cent (6.7). Depreciation/amortisation according to plan amounted to SEK 7 million (7). Net financial items for the third quarter amounted to an expense of SEK 2 million (expense: 1). Profit/loss after financial items was SEK -7 million (26). Profit/loss for the period was SEK -5 million (21).

Nine-month period, September 2018 – May 2019

Net sales amounted to SEK 1,205 million (1,290) during the nine-month period, down 6.6 per cent. The Group's like-for-like sales for the period fell by 6.5 per cent, compared with the market decline of 3.4 per cent in like-for-like sales.

Gross profit was SEK 683 million (753), equivalent to a gross margin of 56.6 per cent (58.3). Other external costs, employee benefit expenses and other operating expenses for the nine-month period amounted to SEK 687 million (680). Non-recurring costs burdened the period by SEK 17 million (7), SEK 10 million of which related to the structural action programme.

Operating profit/loss for the nine-month period amounted to SEK -520 million (59), including a non-recurring item for writing down intangible assets of SEK -500 million, which equates to an operating margin of -43.2 per cent (4.6). Depreciation/amortisation according to plan amounted to SEK 22 million (21). Write-downs of intangible assets amounted to SEK -500 million (0). Net financial items for the nine-month period were an expense of SEK 4 million (expense: 2). Profit/loss after financial items was SEK -524 million (57). Profit/loss for the period amounted to SEK -519 million (44), including a non-recurring item for writing down intangible assets of SEK -500 million.

Group key figures

SEK m	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Rolling 12 months Jun 18 – May 19	Financial year Sep–Aug 17/18
Net sales	380	413	1,205	1,290	1,650	1,735
Gross margin, %	59.8	62.8	56.6	58.3	54.2	55.6
Operating profit/loss	-4	28	-520	59	-528	51
Operating margin, %	-1.1	6.7	-43.2	4.6	-32.0	2.9
Profit/loss after financial items	-7	26	-524	57	-527	54
Profit/loss for the period	-5	21	-519	44	-522	41
Basic and diluted earnings per share, SEK*	-0.09	0.42	-10.27	0.91	-10.43	0.85
Number of stores at the end of the period	171	174	171	174	171	174

* Historical periods have been adjusted by a factor of 1.3836 due to a new share issue with a bonus issue element carried out in May 2019

Business segment reporting

MQ Holding owns and operates fashion stores and online shopping under two business areas, MQ and Joy. The MQ Holding share has been listed on the NASDAQ OMX Stockholm since 18 June 2010.



Founded in 1957, MQ currently operates 121 stores in Sweden, as well as online shopping. MQ is Sweden's largest retailer of fashion brands today. Through a combination of proprietary and external brands, MQ offers high-fashion menswear and womenswear in attractive stores.



Joy was founded in 1971 and currently operates 50 stores in Sweden as well as online shopping. Joy targets fashion-conscious women in midlife who desire excellent quality, fit and comfort. Customers are offered a well co-ordinated 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 third quarter 2018/19

Segment	Sales	Share, %	Operating profit/loss	Stores
	SEK 319 m	84%	SEK 2 m	121
	SEK 61 m	16%	SEK -6 m	50
	SEK 380 m		SEK -4 m	171

Sales and earnings per segment for the nine-month period 2018/19

Segment	Sales	Share, %	Operating profit/loss	Stores
	SEK 1,023 m	85%	SEK 10 m	121
	SEK 182 m	15%	SEK -31 m	50
	SEK 1,205 m		SEK -20 m	171

Rounding differences may affect the totals

Net sales and operating profit/loss per segment

Net sales and operating profit/loss per segment (SEK m)	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Rolling 12 months Jun 18 – May 19	Financial year Sep–Aug 17/18
Net sales						
MQ	319	344	1,023	1,092	1,404	1,473
Joy	61	69	182	198	246	262
Total net sales	380	413	1,205	1,290	1,650	1,735
Operating profit/loss						
MQ	2	26	10	69	13	71
Joy	-6	2	-31	-10	-41	-20
Total operating profit/loss	-4	28	-20	59	-28	51

Rounding differences may affect the totals





Third quarter, March – May 2019

Net sales amounted to SEK 319 million (344) during the quarter, down 7.2 per cent. MQ's like-for-like sales decreased 7.5 per cent during the third quarter, compared with a market decrease of 4.8 per cent in like-for-like sales.

Gross profit was SEK 189 million (213), equivalent to a gross margin of 59.2 per cent (62.0). Other external costs, employee benefit expenses and other operating expenses for the quarter amounted to SEK 183 million (184). Non-recurring costs burden the quarter by SEK 4 million (7).

Depreciation/amortisation according to plan amounted to SEK 6 million (6).

Operating profit/loss during the quarter totalled SEK 2 million (26), which equates to an operating margin of 0.5 per cent (7.4).

Nine-month period, September 2018 – May 2019

Net sales amounted to SEK 1,023 million (1,092) during the nine-month period, down 6.3 per cent. MQ's like-for-like sales for the period fell by 6.6 per cent, compared with a market decrease of 3.4 per cent in like-for-like sales.

Gross profit was SEK 578 million (630), equivalent to a gross margin of 56.5 per cent (57.6). Other external costs, employee benefit expenses and other operating expenses for the period amounted to SEK 553 million (549). Non-recurring costs burden the period by SEK 8 million (7).

Depreciation/amortisation according to plan amounted to SEK 18 million (18). Operating profit for the nine-month period was SEK 10 million (69), which corresponds to an operating margin of 1.0 per cent (6.3).





Third quarter, March – May 2019

Net sales amounted to SEK 61 million (69) during the quarter, down 12.7 per cent. Joy's like-for-like sales decreased 8.8 per cent during the third quarter, compared with a market decrease of 4.8 per cent in like-for-like sales.

Gross profit was SEK 37 million (46), equivalent to a gross margin of 60.5 per cent (67.0). Other external costs and employee benefit expenses for the quarter amounted to SEK 42 million (43). Non-recurring costs for the structural action programme burdened the quarter by SEK 5 million.

Depreciation/amortisation according to plan amounted to SEK 1 million (1). Operating profit/loss during the quarter totalled SEK -6 million (2), which equates to an operating margin of -9.6 per cent (3.0).

Nine-month period, September 2018 – May 2019

Net sales amounted to SEK 182 million (198) during the nine-month period, down 8.0 per cent. Joy's like-for-like sales for the period fell by 6.1 per cent, compared with the market decline of 3.4 per cent in like-for-like sales.

Gross profit was SEK 103 million (123), equivalent to a gross margin of 56.6 per cent (62.3). Other external costs, other operating expenses and employee benefit expenses for the period amounted to SEK 133 million (130). Non-recurring costs for the structural action programme burdened the period by SEK 10 million.

Depreciation/amortisation according to plan amounted to SEK 4 million (4). Operating profit/loss for the nine-month period was SEK -31 million (-10), which corresponds to an operating margin of -16.9 per cent (-5.1).



Group cash flow and financial performance

Cash flow

The Group's cash flow from operating activities during the nine-month period amounted to SEK -29 million (47). The negative effect on cash flow compared with the previous year is primarily the result of the lower profit. Cash flow after investments amounted to SEK -56 million (24).

Inventories

On 31 May 2019, the value of the Group's inventories was SEK 301 million (320). In total, the composition of the inventories is deemed to be at a satisfactory level.

Investments

The Group made investments of SEK 27 million (23) during the nine-month period. These relate to a new online shopping platform for MQ and new/remodelled stores for MQ and Joy.

Financing and liquidity

On 31 May 2019, the Group's interest-bearing net debt totalled SEK 93 million, compared with SEK 193 million on the same date in the preceding year. At the end of the period, cash and cash equivalents totalled SEK 107 million (15). Interest-bearing net debt/EBITDA was 267.3 (1.6) for the 12-month period of June 2018 – May 2019. This performance metric is affected by the fact that the company had not received the whole payment for its share issue on 31 May 2019 and non-recurring items of SEK -18 million.

Employees

The average number of full-time employees in the Group for the 12-month period (June 2018 – May 2019) was 748, compared with 786 in the same period the previous year.

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 economic trends, shifts in fashion as well as 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 arising from shifts in fashion. The purchasing power of Swedish consumers is a prerequisite for retail growth. This is particularly important for growth in the higher price ranges with a high fashion content sold by specialised retailers and brand specialists. A change in Sweden's economic growth would probably impact the purchasing power of consumers and thus growth in the retail sector. Financial risks relate 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 24 and 25 of the Annual Report for the 2017/2018 financial year.

Parent Company

The Parent Company's net sales for the nine-month period amounted to SEK 12 million (16) and its profit/loss after financial items to SEK -502 million, including a non-recurring item for writing down participations in Group companies of SEK -500 million (59).

The Board of Directors and the CEO give their assurance that this interim report provides a fair overview 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, 18 June 2019

Board of Directors
MQ Holding AB

Claes-Göran Sylvén
Chairman of the Board

Annika Rost
Board Member

Bengt Jaller
Deputy Chairman

Therese Hillman
Board Member

Arthur Engel
Board Member

Mernosh Saatchi
Board Member

Anna Engebretsen
Board Member

Ingvar Larsson
President and CEO

Teleconference

A teleconference will be held at 09:00 CET on 19 June for analysts, investors and the media. The presentation will also be webcast directly on www.mq.se. To follow the presentation, please phone + 46 (0)8 56 64 26 51 and state conference code 36919339#.

Financial calendar

Year-end report, fourth quarter, June 2019 – August 2019

4 October 2019

Interim report, first quarter, September 2019 – November 2019

18 December 2019

Interim report, second quarter, December 2019 – February 2020

18 March 2020

Contact

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This information is information that MQ Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact people set out above, on 19 June 2019 at 07:15 CET.

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Corp. Reg. No. 556697-2211

This interim report has not been reviewed by the company's auditors.

Condensed consolidated statement of earnings and other comprehensive income

Condensed consolidated statement of comprehensive income (SEK m)	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Rolling 12 months Jun 18 – May 19	Financial year Sep–Aug 17/18
Net sales	380	413	1,205	1,290	1,650	1,735
Other operating income	3	2	6	7	6	7
Total operating income	383	416	1,211	1,297	1,656	1,743
• Goods for resale	-153	-154	-523	-537	-756	-771
• Other external costs	-110	-107	-332	-328	-439	-435
• Employee benefit expenses	-117	-120	-354	-352	-459	-457
• Other operating expenses	0	0	-1	0	-2	-1
• Depreciation/amortisation and write-downs	-7	-7	-522	-21	-529	-28
Operating profit/loss	-4	28	-520	59	-528	51
• Financial income	0	-1	1	0	7	6
• Financial expenses	-2	-1	-5	-2	-5	-2
Profit/loss after financial items	-7	26	-524	57	-527	54
Tax on profit for the period	1	-6	5	-13	5	-13
PROFIT/LOSS FOR THE PERIOD attributable to Parent Company shareholders	-5	21	-519	44	-522	41
OTHER COMPREHENSIVE INCOME						
Items that have been restated or that can be restated in profit/loss for the period						
Translation difference	-0	3	0	6	-32	0
Changes in fair value of cash flow hedging	-0	12	-12	27	14	27
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	-6	36	-531	77	-540	68
Basic earnings per share (SEK)*	-0.09	0.42	-10.27	0.91	-10.43	0.85
Diluted earnings per share (SEK)	-0.09	0.42	-10.27	0.91	-10.43	0.85
Average number of outstanding shares before dilution*	54,263,449	48,643,270	50,523,551	48,643,270	50,044,466	48,643,270
Average number of outstanding shares after dilution	54,263,449	48,643,270	50,523,551	48,643,270	50,044,466	48,643,270

* Historical periods have been adjusted by a factor of 1.3836 due to a new share issue with a bonus issue element carried out in May 2019

Rounding differences may affect the totals

Condensed consolidated balance sheet

Condensed consolidated balance sheet (SEK m)	31 May 2019	31 May 2018	31 August 2018
ASSETS			
Non-current assets			
Intangible assets	784	1,272	1,272
Property, plant and equipment	61	71	69
Total non-current assets	846	1,343	1,341
Current assets			
Inventories	301	320	333
Current receivables	111	81	99
Cash and cash equivalents	107	15	11
Total current assets	519	415	444
TOTAL ASSETS	1,364	1,758	1,785
EQUITY AND LIABILITIES			
Equity	729	1,105	1,096
Interest-bearing long-term liabilities	0	38	25
Non-interest-bearing long-term liabilities	207	210	210
Interest-bearing current liabilities	201	171	155
Non-interest-bearing current liabilities	228	234	299
TOTAL EQUITY AND LIABILITIES	1,364	1,758	1,785

Rounding differences may affect the totals

Condensed statement of changes in equity

Condensed specification of changes in the Group's equity (SEK m)	Period Sep–May 18/19	Period Sep–May 17/18	Financial year Sep–Aug 17/18
Equity, opening balance	1,096	1,089	1,089
Total comprehensive income	-531	77	68
New share issue	130	-	-
Unregistered share capital	34	-	-
Dividend	-	-62	-62
EQUITY, CLOSING BALANCE	729	1,105	1,096

Rounding differences may affect the totals

Condensed consolidated cash-flow statement

Condensed consolidated cash-flow statement (SEK m)	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Financial year Sep–Aug 17/18
Cash flow from operating activities before changes in working capital	-6	33	-13	72	66
Changes in working capital	0	-6	-16	-25	11
Cash flow from operating activities	-6	27	-29	47	78
Cash flow from investing activities					
Acquisition of intangible assets	-5	0	-14	-1	-2
Acquisition of property, plant and equipment	-3	-4	-12	-22	-27
Investments in subsidiaries	-	-	-	-	-
Cash flow after investing activities	-14	23	-56	24	49
Financing activities					
Repayments	-38	-	-51	-15	-30
Loans raised	-	-	-	-	-
Dividend	-	-	-	-62	-62
Utilisation of overdraft facility	19	-24	72	49	35
New share issue	130	-	130	-	-
Cash flow from financing activities	111	-24	152	-28	-57
Cash flow for the period	97	-1	96	-4	-7
Cash and cash equivalents at the beginning of the period	10	15	11	19	19
Cash and cash equivalents at the end of the period	107	15	107	15	11

Rounding differences may affect the totals

The Group's key figures

	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Rolling 12 months Jun 18 – May 19	Financial year Sep–Aug 17/18
Sales growth, %	-8.2	-2.6	-6.6	-4.7	-6.1	-4.7
Sales growth, like-for-like, %	-7.7	-4.3	-6.5	-6.0	-6.5	-6.0
Gross margin, %	59.8	62.8	56.6	58.3	54.2	55.6
Operating profit/loss, SEK m	-4	28	-520	59	-528	51
Operating margin, %	-1.1	6.7	-43.2	4.6	-32.0	2.9
Profit/loss after financial items	-7	26	-524	57	-527	54
Profit/loss for the period	-5	21	-519	44	-522	41
Total depreciation/amortisation, SEK m	-7	-7	-22	-21	-29	-28
Total write-downs, SEK m	-	-	-500	-	-500	-
Basic and diluted earnings per share, SEK	-0.09	0.42	-10.27	0.91	-10.43	0.85
Interest-bearing net debt, SEK m	93	193	93	193	93	168
Interest-bearing net debt/EBITDA, multiples	267.3	1.6	267.3	1.6	267.3	2.1
Equity/assets ratio, %	53	63	53	63	53	61
Equity, SEK m	729	1,105	729	1,105	729	1,096
Average number of outstanding shares*	54,263,449	48,643,270	50,523,551	48,643,270	50,044,466	48,643,270

* Historical periods have been adjusted by a factor of 1.3836 due to a new share issue with a bonus issue element carried out in May 2019

Shareholder structure

Largest shareholders as of 31 May 2019*

Name	Number of shares	Share capital, %
Swedbank Robur Fonder	10,190,898	11.4
Engebretsen, Anna	6,179,655	6.9
Öresund, Investment AB	5,550,000	6.2
Qviberg, Eva	4,617,600	5.2
Unionen	3,300,000	3.7
Jaller Klädcenter AB	3,062,000	3.4
Försäkringsaktiebolaget, Avanza Pension	2,753,309	3.1
Ohlin, Astrid	2,313,000	2.6
Nilsson, Magnus	2,192,540	2.5
Qviberg, Jacob	1,993,980	2.2
Qviberg, Mats	1,532,826	1.7
Nordea Livförsäkring Sverige AB	1,042,648	1.2
Bäckström, Leif Gunnar	1,037,531	1.2
Nordnet Pensionsförsäkring AB	980,340	1.1
Sycava AB	630,000	0.7
Total 15 largest	47,376,327	53.1
Others	41,877,574	46.9
Total	89,253,901	100

* Shares subscribed to without the support of subscription rights and guarantee commitments in the issue were registered in June 2019 and are not included in the table.

Parent Company income statement

Parent Company income statement (SEK m)	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Rolling 12 months Jun 18 – May 19	Financial year Sep–Aug 17/18
Net sales	5	8	12	16	15	18
Other operating income	-	0	-	0	-	0
Total operating income	5	8	12	16	15	18
• Goods for resale	-	-	-	-	-	-
• Other external costs	-2	-1	-4	-4	-7	-7
• Employee benefit expenses	-4	-7	-10	-14	-14	-18
• Other operating expenses	-	-	-	-	-	-
• Depreciation/amortisation and write-downs	-	-	-500	-	-500	-
Operating profit/loss	-1	0	-502	-3	-506	-6
• Income from shares	-	0	-	62	-	62
• Group contributions	-	-	-	-	5	5
• Financial income	0	0	1	1	1	1
• Financial expenses	0	0	-1	-1	-1	-1
Profit/loss after financial items	-1	0	-502	59	-501	60
Tax on profit for the period	-	-	-	-	-	0
PROFIT/LOSS FOR THE PERIOD	-1	0	-502	59	-501	60

Rounding differences may affect the totals

Condensed Parent Company balance sheet

Condensed Parent Company balance sheet (SEK m)	31 May 2019	31 May 2018	31 August 2018
ASSETS			
Non-current assets			
Intangible assets	-	-	-
Property, plant and equipment	-	-	-
Financial assets	656	1,156	1,156
Total non-current assets	656	1,156	1,156
Current assets			
Current receivables	41	1	1
Cash and cash equivalents	-	-	0
Total current assets	41	1	1
TOTAL ASSETS	697	1,157	1,156
EQUITY AND LIABILITIES			
Equity	227	563	565
Interest-bearing long-term liabilities	-	38	26
Interest-bearing current liabilities	-	28	25
Non-interest-bearing long-term liabilities	5	5	5
Non-interest-bearing liabilities	465	523	536
TOTAL EQUITY AND LIABILITIES	697	1,157	1,156

Rounding differences may affect the totals

Reconciliation between IFRS and performance measures

In this report, MQ presents alternative performance measures, which provide certain information that is not defined in accordance with IFRS. The Executive 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 to rather than a replacement for financial reporting in accordance with IFRS.

	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Rolling 12 months Jun 18 – May 19	Financial year Sep–Aug 17/18
Gross margin						
<i>Operating income</i>						
Net sales	380	413	1,205	1,290	1,650	1,735
<i>Operating expenses</i>						
Goods for resale	-153	-154	-523	-537	-756	-771
Gross profit	227	260	683	753	894	964
Gross margin, %	59.8	62.8	56.6	58.3	54.2	55.6

Rounding differences may affect the totals

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 gross profit margin. Gross profit margin therefore states the percentage of net sales that are converted into profit after cost of goods sold, and is impacted by such factors as pricing, the cost of raw materials and manufacturing, inventory impairment and exchange rate movements.

	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Rolling 12 months Jun 18 – May 19	Financial year Sep–Aug 17/18
Operating margin						
<i>Operating income</i>						
Net sales	380	413	1,205	1,290	1,650	1,735
<i>Operating profit/loss</i>						
Operating profit/loss	-4	28	-520	59	-528	51
Operating margin, %	-1.1	6.7	-43.2	4.6	-32.0	2.9

	Q3 Mar–May 18/19	Q3 Mar–May 17/18	Period Sep–May 18/19	Period Sep–May 17/18	Rolling 12 months Jun 18 – May 19	Financial year Sep–Aug 17/18
Earnings before interest, taxes, depreciation and amortisation (EBITDA)						
Operating profit/loss (EBITA)	-4	28	-520	59	-528	51
Depreciation/amortisation and write-downs	7	7	522	21	529	28
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	3	35	1	80	0	79

Rounding differences may affect the totals

	31 May 2019	31 May 2018	31 August 2018
Interest-bearing net debt (SEK m)			
Interest-bearing long-term liabilities	-	38	26
Overdraft facilities	201	143	129
Other interest-bearing current liabilities	-	28	25
Interest-bearing liabilities	201	208	179
Cash and cash equivalents	107	15	11
Interest-bearing assets	107	15	11
Net debt	93	193	168

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 12-month period.

	31 May 2019	31 May 2018	31 August 2018
Equity/assets ratio			
Equity	729	1,105	1,096
Total assets	1,364	1,758	1,785
Equity/assets ratio, %	53.5	62.8	61.4

Equity consists of share capital, other contributed capital, reserves and profit brought forward, including the Group's profit for the year.

The 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 corresponding period the previous year.

Like-for-like sales

The term "like-for-like sales" is used to designate all sales in MQ, Joy and online, except for sales in new/closed stores. A new store becomes comparable one year after its opening.



Disclosures in accordance with IAS 34.16A are provided in the financial statements and the related notes, as well as in other 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.

The Group has applied IFRS 9 since 1 September 2018. IFRS 9 affects the Group's financial statements, primarily with respect to requirements on note disclosures.

The Group has applied IFRS 15 since 1 September 2018. IFRS 15 means that income is recognised when the customer takes control of the good or service sold. IFRS 15 does not make a material difference for the Group in terms of income recognition.

IFRS 16 is a new standard on leases. Based on the analysis carried out, IFRS 16 will have a material effect on the Group's financial position since all leased assets, including rent for premises, will be recognised as assets and liabilities in the balance sheet. IFRS 16 will be applied for the Group for the financial year beginning 1 September 2019.

Note 2 Fair value for financial instruments

Derivative instruments are measured at fair value, which amounted to SEK 4.3 million at 31 May 2019. The fair value of currency contracts (currency forward contracts) is determined based on valuations made by credit institutions, if such figures are available. If they are not available, 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 into three levels based on the input data used to measure 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 but 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 for obtaining a valuation for level three mainly involve discounting cash flows. All of MQ's derivatives belong to the second level.

Note 3 Pledged assets and contingent liabilities

(SEK m)	31 May 2019	31 May 2018	31 Aug 2018
Pledged assets			
Shares in subsidiaries	656	1,156	1,156
Contingent liabilities			
Guarantees related to subsidiaries' completion of leasing contracts	11	19	20
Guarantees related to MQ Retail AB	297	183	207
Total contingent liabilities	308	202	227

Note 4 Preference issue

The extraordinary general meeting on 24 April 2019 resolved to approve a guaranteed new issue of shares with preferential rights for the company's shareholders of a maximum of 70,313,014 shares. Subscription price, SEK 2.50

Equity, opening balance	570
Total new share issue	176
Registered new share issue	136
Unregistered share capital	40
Expenses relating to new share issue	-11
Profit/loss for the period	-6
Equity, closing balance	729

Shares subscribed to with the support of subscription rights were registered on 27 May 2019, and new shares subscribed to without the support of subscription rights were registered on 4 June 2019.

Note 5 Events after the end of the reporting period

The final payment from the issue has been received. Bearing in mind the weak development during the quarter, the company is in close dialogue with DNB Bank ASA, Sweden branch and DNB Sweden AB ("DNB") regarding the financial commitments in the loan agreement with DNB.

Note 6 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 combination of proprietary and external brands, MQ offers high-fashion menswear and womenswear in attractive stores. Joy targets fashion-conscious women in midlife who desire excellent quality, fit and comfort. The two business areas currently comprise a total of 171 stores as well as online shopping. The MQ Holding share has been listed on the NASDAQ OMX Stockholm since 18 June 2010. For more information, see www.mq.se