

MQ Holding AB – Interim Report

Weak quarter with a focus on robust measures and the agreed right issue

It has been yet another challenging quarter for the Group and the period from December to February has been characterised by lower sales, chiefly due to the weaker development of our women's range. The gross margin for the quarter has been adversely affected by a campaign-intensive market and price cuts. The measures taken in our structural action programme are considerable and have had a positive impact during the quarter of SEK 11 million.

Second quarter (December 2019–February 2020)

- Net sales amounted to SEK 382 million (424), down 9.8 per cent. Like-for-like sales declined 5.9 per cent (according to HUI Research, like-for-like sales for the market as a whole increased by 0.1 per cent).
- The gross margin was 45.2 per cent (49.6).
- Operating profit/loss was SEK -287 million (-528), including a non-recurring item for writing down intangible assets of SEK -192 million (-500). Which corresponds to an operating margin of -75.2 per cent (-124.7).
- Profit/loss for the period amounted to SEK -232 million (-522), including a non-recurring item for writing down intangible assets of SEK -192 million (-500). Which equates to earnings per share of SEK -21.96 (-14.86).
- Cash flow from operating activities was SEK 13 million (-7). The stronger cash flow compared to the same quarter last year relates to the effects of IFRS 16.

First six months (September 2019–February 2020)

- Net sales amounted to SEK 755 million (826), down 8.6 per cent. Like-for-like sales declined 4.9 per cent (according to HUI Research like-for-like sales for the market as a whole declined by 1.2 per cent).
- The gross margin was 53.2 per cent (55.2).
- Operating profit/loss was SEK -275 million (-516), including a non-recurring item for writing down intangible assets of SEK -192 million (-500). Which corresponds to an operating margin of -36.4 per cent (-62.5).
- Profit for the period amounted to SEK -229 million (-514), including a non-recurring item for writing down intangible assets of SEK -192 million (-500). Which equates to earnings per share of SEK -21.70 (-14.61).
- Cash flow from operating activities was SEK 51 million (-23). The stronger cash flow compared to the same period last year relates to the effects of IFRS 16.
- On 1 September 2019, MQ Holding AB changed its accounting policy for leases when it began to apply IFRS 16 Leasing. MQ Holding AB has decided to apply the simplified transition approach and not to make any retroactive recalculations of earlier periods. For more information, see Note 1.

Events during the second quarter

- We held our Annual General Meeting during the quarter and approved a reverse share split, which has been implemented as planned.
- The structural action programme is continuing and boosted profit by SEK 11 million during the quarter.
- A decision was made to close the Joy store in Linden, Norrköping. The store was closed in accordance with the structural action programme.
- During the quarter a write-down of intangible assets has been identified and will entail a non-recurring costs of MSEK 192 which will burden the second quarter.

Events after the end of the reporting period

- After the end of the quarter we launched our new online shopping under the name marqetstores.se, which is a big part of our continued launch of MarQet. We also invested in a TV advertising campaign to coincide with the launch.
- After the end of the quarter the Board of Directors decided on a guaranteed rights issue of SEK 250 million, subject to approval at an extraordinary general meeting. The liquidity from the issue is intended to be used to reduce the company's existing credit and access continued loan financing, and also to create the financial scope to realise growth-promoting initiatives for increased profitability and competitiveness.
- The Board of Directors has also decided to invest in the parts of the business that are deemed to be profitable and have a positive cash flow. This means that the Board will apply for bankruptcy for our subsidiary Joy Shop AB.
- A final examination of the non-cash-cash amount that the subsidiary shares in Joy shall written down with, will happen during the third quarter.
- Linked to the development of the market may further impairment of intangible assets occur during the third quarter.



Comments by the CEO

This has been a very weak quarter with lower sales for the Group as a whole, down 9.8%, which affected the results significantly. The decrease in sales is chiefly within our proprietary women's range for MQ, and the decrease at JOY is mainly from a lower discounted volume, while the proportion of full-price sales increased.

There is a strong focus on developing our women's range, in particular increasing the quality and fashion content while reducing the number of options. We are also working on adding and offering new, relevant and carefully selected brands for our target group as a central part of our launch of MarQet. The changes to the range implemented at JOY have led to increased sales with a higher proportion of full-price sales and an improved margin. As planned, the total value of the Group's inventories is now SEK 23 million lower than last year, which creates the right conditions for a higher proportion of full-price sales and clearer product presentation in our stores.



After the launch of MarQet in our three pilot stores in autumn, the store concept has been evolved so as to increase inspiration and clarity in the way our products are presented. This experience has paved the way for the nationwide changes that we are starting in our stores in March. As we renew our brand position, we are stressing the importance of taking the best MQ has to offer and, by means of a gradual transformation, letting existing and new customers alike discover MarQet. At the beginning of March we launched our new marqetstores.se online shopping to enhance the customer experience. We are also adding new brands and relevant product categories to online shopping within the framework of our new concept.

The structural action programme is proceeding to plan with a profit-boosting effect equating to SEK 50 million; in total the measures have had an effect of SEK 21 million over the financial year. In addition to these measures, we are now strengthening our initiatives with a strong focus on increased full-price sales to improve profitability in our business where balanced purchase volumes are pivotal. The effect of coronavirus on our business to date has primarily manifested in minor delays in the supply chain. Naturally we are still unable to get an overall picture of the effect coronavirus will have on the market, but coupled with uncertainty at a macroeconomic level it is very likely to influence consumer behaviour.



We are operating in a challenging time with major transitions in the industry, where today the Board of Directors decided on a guaranteed rights issue, subject to approval at an extraordinary general meeting. The guaranteed rights issue will inject around SEK 250 million of liquidity into the company. This will be used to reduce the company's existing credit and access continued loan financing, and also to create the financial scope to realise our growth-promoting initiatives for increased profitability and competitiveness. In conjunction with this, the Board of Directors has also decided to invest in the parts of the business that are deemed to be profitable and have a positive cash flow. This means that we will apply for bankruptcy for Joy Shop AB. In parallel, intangible assets are being written down, which is expected to entail non-recurring costs of MSEK 192, which will burden the second quarter. At the same time, efforts related to the continued renewal of MQ's brand position and investment in MarQet, coupled with further streamlining of the operation, are being intensified. This is aimed at increasing our attractiveness and competitiveness. We are embarking on this journey together with great determination and faith in the future, where everything we do is about exceeding customers' expectations and thereby strengthening profitability and bucking the current trend in the company.

Ingvar Larsson
President and CEO, MQ Holding AB

Group income and earnings

Second quarter, December 2019–February 2020

Net sales amounted to SEK 382 million (424) during the quarter, down 9.8 per cent. The Group's like-for-like sales declined 5.9 per cent during the second quarter, compared with a market increase of 0.1 per cent in like-for-like sales. Online shopping accounted for 4.8 per cent of the Group's total sales during the period, and growth in online shopping was -9 per cent during the period, compared to the same period last year.

Gross profit was SEK 173 million (211), equivalent to a gross margin of 45.2 per cent (49.6). Other external costs, employee benefit expenses and other operating expenses for the quarter amounted to SEK 167 million (234). IFRS 16 affects the income statement because lease expenses are now categorised as depreciation and interest expense. Non-recurring items affect the quarter by SEK -1 million (7).

Operating profit/loss during the quarter totalled SEK -287 million (-528), including a non-recurring item for writing down intangible assets of SEK -195 million (-500). Which equates to an operating margin of -75.2 per cent (-124.7). Depreciation and amortisation amounted to SEK 52 million (7). Write-downs of intangible assets amounted to SEK -192 million (-500). Net financial items for the second quarter amounted to SEK -11 million (0). Profit/loss after financial items was SEK -298 million (-529). Profit/loss for the period was SEK -232 million (-522).

Six months, September 2019–February 2020

Net sales amounted to SEK 755 million (826) for the six months, down 8.6 per cent. The Group's like-for-like sales for the period fell by 4.9 per cent, compared with the market decline of 1.2 per cent in like-for-like sales. Online shopping accounted for 5.6 per cent of the Group's total sales during the six months, and growth in online shopping was 2.6 per cent during the period, compared to the same period last year.

Gross profit was SEK 401 million (456), equivalent to a gross margin of 53.2 per cent (55.2). Other external costs, employee benefit expenses and other operating expenses for the six months amounted to SEK 333 million (461). IFRS 16 affects the income statement because lease expenses are now categorised as depreciation and interest expense. Non-recurring items affect the six months by SEK +5 million (7).

Operating profit/loss during the six months totalled SEK -275 million (-516), including a non-recurring item for writing down intangible assets of SEK -192 million (-500). Which equates to an operating margin of -36.4 per cent (-62.5). Depreciation and amortisation amounted to SEK 104 million (14). Write-downs of intangible assets amounted to SEK -195 million (-500). Net financial items for the six months amounted to SEK -22 million (-1). Profit/loss after financial items was SEK -296 million (-517). Profit/loss for the period was SEK -229 million (-514).

Group key figures	Q2		Q2	Six months		Six months	Rolling	Financial
	Dec–Feb 19/20	Dec–Feb 19/20	Dec–Feb 18/19	Sep–Feb 19/20	Sep–Feb 19/20	Sep–Feb 18/19	12 months Mar 19– Feb 20	year Sep 18–Aug 19
SEK m	Incl. IFRS 16	Excl. IFRS 16	Excl. IFRS 16	Incl. IFRS 16	Excl. IFRS 16	Excl. IFRS 16	Excl. IFRS 16	Excl. IFRS 16
Net sales	382	382	424	755	755	826	1 540	1,611
Gross margin, %	45,2	45,2	49,6	53,2	53,2	55,2	53,4	54,4
Operating profit/loss	-287 ⁵⁾	-285 ⁵⁾	-528	-275 ⁵⁾	-275 ⁵⁾	-516 ¹⁾	-301 ⁵⁾	-543 ¹⁾
Operating margin, %	-75,2 ⁵⁾	-74,6 ⁵⁾	-124,7	-36,4 ⁵⁾	-36,4 ⁵⁾	-62,5	-19,6 ⁵⁾	-33,7
Profit/loss after financial items	-298 ⁵⁾	-287 ⁵⁾	-529	-296 ⁵⁾	-278 ⁵⁾	-517 ¹⁾	-327 ⁵⁾	-548 ¹⁾
Profit/loss for the period	-232 ⁵⁾	-225 ⁵⁾	-522	-229 ⁵⁾	-219 ⁵⁾	-514 ¹⁾	-252 ⁵⁾	-537 ¹⁾
Basic and diluted earnings per share, SEK	-21,96 ⁴⁾	-21,37 ⁴⁾	-14,86 ³⁾	-21,70 ⁴⁾	-20,73 ⁴⁾	-14,61 ²⁾	-27,24 ⁴⁾	-10,07 ²⁾
No. of stores, end of period	159	159	170	159	159	170	159	163

¹⁾ The figure includes the write-down of intangible assets of SEK 500 million and non-recurring items of SEK 19 million.

²⁾ 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.

³⁾ Earnings per share refers to basic earnings.

⁴⁾ A reverse share split (1:10) took place in February 2020 and changed the number of shares.

⁵⁾ The figure includes the write-down of intangible assets of SEK 192 million.

Business segment reporting

MQ Holding owns and operates fashion stores and online shopping under two business areas, MarQet and Joy. During 2020, all of MQ's stores will be converted into concept stores under the name MarQet. The MQ Holding share has been listed on the NASDAQ OMX Stockholm since 18 June 2010.



Founded in 1957, MQ currently operates 119 stores in Sweden, as well as online shopping. MarQet is a chain of concept stores offering men's and women's fashions, as well as exciting new product categories adapted to the flexible way of working in the modern age. During 2020, all of MQ's stores will be converted into concept stores under the name MarQet.



Joy was founded in 1971 and currently operates 40 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

Segment	Second quarter			Six months			Number of stores
	Sales	Share, %	Operating profit/loss	Sales	Share, %	Operating profit/loss	
	342	90%	-29	664	88%	-13	119
	40	10%	-14	91	12%	-17	40

Rounding differences may affect the totals

Net sales and operating profit/loss per segment	Q2 Dec–Feb 19/20	Q2 Dec–Feb 18/19	Six months Sep–Feb 19/20	Six months Sep–Feb 18/19	Rolling 12 months Mar 19– Feb 20	Financial year Sep–Aug 18/19
SEK m						
Net sales						
MQ	342	371	664	704	1 335	1375
JOY	40	53	91	122	206	236
Total net sales	382	424	755	826	1 540	1611
Operating profit/loss						
MQ	-29	-6	-13	9	-22	3
JOY	-14	-22	-17	-25	-35	-43
Total operating profit/loss	-43	-28	-30	-16	-57	-43

Rounding differences may affect the totals



Second quarter, December 2019–February 2020

Net sales amounted to SEK 342 million (371) during the quarter, down 7.8 per cent. MQ's like-for-like sales declined 5.4 per cent during the second quarter, compared with a market increase of 0.1 per cent in like-for-like sales.

Gross profit was SEK 153 million (187), equivalent to a gross margin of 44.6 per cent (50.3). Other external costs, employee benefit expenses and other operating expenses for the quarter amounted to SEK 142 million (187). Non-recurring items for the structural action programme affected the quarter by SEK - million (-2).

Depreciation/amortisation amounted to SEK 44 million (6). Operating profit/loss during the quarter totalled SEK -29 million (-6), which equates to an operating margin of -8.4 per cent (-1.6).

Six months, September 2019–February 2020

Net sales amounted to SEK 664 million (704) for the six months, down 5.7 per cent. MQ's like-for-like sales for the period fell by 4.1 per cent, compared with the market decline of 1.2 per cent in like-for-like sales.

Gross profit was SEK 350 million (389), equivalent to a gross margin of 52.7 per cent (55.3). Other external costs, employee benefit expenses and other operating expenses for the period amounted to SEK 279 million (371). Non-recurring items for the structural action programme affected the period by SEK -1 million (-2).

Depreciation/amortisation amounted to SEK 89 million (12). Operating profit/loss during the period totalled SEK -13 million (9), which equates to an operating margin of -2.0 per cent (1.2).





Second quarter, December 2019–February 2020

Net sales amounted to SEK 40 million (53) during the quarter, down 24.5 per cent. Joy's like-for-like sales declined 9.8 per cent during the second quarter, compared with a market increase of 0.1 per cent in like-for-like sales.

Gross profit was SEK 20 million (24), equivalent to a gross margin of 49.7 per cent (44.7). Other external costs, employee benefit expenses and other operating expenses for the quarter amounted to SEK 26 million (47). Non-recurring items for the structural action programme affected the quarter by SEK -1 million (-5).

Depreciation/amortisation amounted to SEK 8 million (1). Operating profit/loss during the quarter totalled SEK -14 million (-22), which equates to an operating margin of -34.9 per cent (-42.4).

Six months, September 2019–February 2020

Net sales amounted to SEK 91 million (122) for the six months, down 25.4 per cent. Joy's like-for-like sales for the period fell by 10.5 per cent, compared with the market decline of 1.2 per cent in like-for-like sales.

Gross profit was SEK 52 million (66), equivalent to a gross margin of 57 per cent (54.7). Other external costs, employee benefit expenses and other operating expenses for the period amounted to SEK 54 million (91). Non-recurring items for the structural action programme affected the period by SEK -1 million (-5).

Depreciation/amortisation for the six months amounted to SEK 15 million (2). Operating profit/loss during the period totalled SEK -17 million (-25), which equates to an operating margin of -18.9 per cent (-20.5).



Group cash flow and financial performance

Cash flow

Group cash flow from operating activities during the first six months amounted to SEK 51 million (-23). The stronger cash flow compared to last year primarily relates to the effects of IFRS 16. Cash flow for the six months was SEK -1 million (-1).

Inventories

On 29 February 2020, the value of the Group's inventories was SEK 304 million (327). In total, the composition of the inventories is deemed to be at a satisfactory level.

Investments

The Group made investments of SEK 5 million (19) during the second quarter. These relate to remodelling of MQ stores ahead of the transformation to MarQet and to the development of online shopping.

Financing and liquidity

On 29 February 2020, the Group's interest-bearing net debt totalled SEK 954 million, compared with SEK 209 million on the same date in the preceding year. The interest-bearing net debt has been influenced by the effects of IFRS 16 in the amount of SEK 834 million. At the end of the period, cash and cash equivalents totalled SEK 23 million (10). Interest-bearing net debt/EBITDA was -106 (6.6) for the 12-month period of March 2019–February 2020. This key figure is affected by non-recurring items of SEK 5 million (-14).

Employees

The average number of full-time employees in the Group for the 12-month period (March 2019–February 2020) was 685 compared with 766 in the same period the previous year.

Financial objectives

In August 2019 the Board of Directors approved new financial objectives to be achieved over time:

- Growth shall be ~5% annually over a business cycle.
- The operating margin shall be 5–8% on average over a business cycle.
- The net debt in relation to EBITDA excluding non-recurring items shall be <2.5.

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 2018/2019 financial year.

Parent Company

The Parent Company's net sales for the six months amounted to SEK 7 million (7). The Parent Company's loss after financial items was SEK -198 million (-502). Including a non-recurring item for writing down financial assets of SEK -192 million (-500).

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, 17 March 2020

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

Anna Engebretsen
Board Member

Ingvar Larsson
President and CEO

Teleconference

A teleconference will be held at 09:00 CET on 18 March 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 54745039#.

Financial calendar

Interim report, third quarter, March–May 2020

17 June 2020

Year-end report, fourth quarter, June 2020–August 2020

6 October 2020

Interim report, first quarter, September 2020–November 2020

16 Dec 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 person set out above, on 18 March 2020 at 07:15 CET.

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Corp. Reg. No. 556697-2211

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



Translation from the Swedish original

Review report

To the Board of Directors of MQ Holding AB (publ)
Corp. id. 556697-2211

Introduction

We have reviewed the condensed interim financial information (interim report) of MQ Holding AB (publ) as of 29 February 2020 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Göteborg 18 March 2020

KPMG AB

(Signature on original document)

Mathias Arvidsson

Authorized Public Accountant

Consolidated income statement	Q2 Dec–Feb 19/20	Q2 Dec–Feb 19/20	Q2 Dec–Feb 19/20	Q2 Dec–Feb 18/19
SEK m	Incl. IFRS 16	Effect of IFRS 16	Excl. IFRS 16	Excl. IFRS 16
Net sales	382	-	382	424
Other operating income	3	-	3	2
Total operating income	385	-	385	425
Goods for resale	-210	-	-210	-213
Other external costs	-62	42	-105	-113
Employee benefit expenses	-104		-104	-120
Other operating expenses	-1		-1	-1
EBITDA	9	42	-33	-22
Depreciation/amortisation and write-downs	-252 ⁵⁾		-252 ⁵⁾	-507
Depreciation of right-of-use assets	-44	-44	0	-
EBITA	-287	-2	-285	-528
Financial income	0		0	1
Financial expenses	-2		-2	-1
Financial expenses for lease assets	-9	-9	-	-
Profit/loss after financial items	-298	-11	-287	-529
Tax on profit for the period	66	5	61	6
PROFIT/LOSS FOR THE PERIOD attributable to Parent Company shareholders	-232	-6	-225	-522
OTHER COMPREHENSIVE INCOME				
Items that have been restated or that can be restated in profit/loss for the period				
Translation difference	0		0	0
Changes in fair value of cash flow hedging	1		1	-7
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	-231		-225	-529
Earnings per share (SEK)	-21,96 ⁴⁾		-21,37 ⁴⁾	-14,86
Average number of outstanding shares	10 546 952 ⁴⁾		10 546 952 ⁴⁾	35 156 507

Rounding differences may affect the totals

1) The figure includes the write-down of intangible assets of SEK 500 million and non-recurring items of SEK 19 million.

2) 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.

3) Earnings per share refer to basic earnings.

4) The reverse share split (1:10) took place in February 2020 and changed the number of shares.

5) The figure includes the write-down of intangible assets of SEK 192 million.

	Six months Sep–Feb 19/20	Six months Sep–Feb 19/20	Six months Sep–Feb 19/20	Six months Sep–Feb 18/19	Rolling 12 months Mar 19– Feb 20	Financial year Sep–Aug 18/19
	Incl. IFRS 16	Effect of IFRS 16	Excl. IFRS 16	Excl. IFRS 16	Incl. IFRS 16	Excl. IFRS 16
Consolidated income statement						
SEK m						
Net sales	755	-	755	826	1 540	1 611
Other operating income	5	-	5	3	9	6
Total operating income	760	-	760	829	1 549	1 617
Goods for resale	-353	-	-353	-370	-718	-735
Other external costs	-126	89	-214	-222	-345	-442
Employee benefit expenses	-207	-	-207	-238	-422	-452
Other operating expenses	-1	-	-1	-1	-1	-1
EBITDA	74	89	-15	-2	63	
Depreciation/amortisation and write-downs	-260 ⁵⁾	-	-260 ⁵⁾	-514 ¹⁾	-275 ⁵⁾	-530 ¹⁾
Depreciation of right-of-use assets	-89	-89	0	-	-89	-
EBITA	-275	0	-275	-516 ¹⁾	-301	-543 ¹⁾
Financial income	0	-	0	1	0	1
Financial expenses	-4	-	-4	-2	-8	-6
Financial expenses for lease assets	-18	-18	-	-	-18	0
Profit/loss after financial items	-296	-18	-278	-517 ¹⁾	-327	-548 ¹⁾
Tax on profit for the period	67	8	60	4	75	11
PROFIT/LOSS FOR THE PERIOD attributable to Parent Company shareholders	-229	-10	-219	-514 ¹⁾	-252	-537 ¹⁾
OTHER COMPREHENSIVE INCOME						
Items that have been restated or that can be restated in profit/loss for the period						
Translation difference	-	-	0	0	0	0
Changes in fair value of cash flow hedging	-4	-	-4	-12	-1	-8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	-233		-223	-525 ¹⁾	-253	-545 ¹⁾
Earnings per share (SEK)	-21,70		-20,73 ⁴⁾	-14,62	-27,24 ⁴⁾	-10,07 ²⁾
Average number of outstanding shares	10 546 952		10 546 952 ⁴⁾	35 156 507	9 258 269 ⁴⁾	53,294,382

Rounding differences may affect the totals

1) The figure includes the write-down of intangible assets of SEK 500 million and non-recurring items of SEK 19 million.

2) 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.

3) Earnings per share refer to basic earnings.

4) The reverse share split (1:10) took place in February 2020 and changed the number of shares.

5) The figure includes the write-down of intangible assets of SEK 192 million.

Consolidated balance sheet	29-feb 2020	29-feb 2020	29-feb 2020	28-feb 2019	31-aug 2019
SEK m	Incl. IFRS 16	16	Excl. IFRS 16	Excl. IFRS 16	Excl. IFRS 16
ASSETS					
Non-current assets					
Intangible assets	542	-	542	780	783
Property, plant and equipment	51	-	51	65	57
Financial assets	4	4	-		
Right-of-use assets	837	837	-	-	-
Total non-current assets	1 433	841	593	845	840
Current assets					
Inventories	304	-	304	327	336
Current receivables	74	-21	91	97	98
Cash and cash equivalents	23	-	23	10	23
Total current assets	401		418	434	457
TOTAL ASSETS	1 834	820	1 011	1279	1298
EQUITY AND LIABILITIES					
Equity	482	-10	492	571	715
Interest-bearing long-term liabilities	656	656	0	25	0
Non-interest-bearing long-term liabilities	142		142	207	195
Interest-bearing current liabilities	321	178	143	194	107
Non-interest-bearing current liabilities	233	-4	233	282	280
TOTAL EQUITY AND LIABILITIES	1 834	820	1 011	1279	1298

Rounding differences may affect the totals

Changes in equity	29-feb 2020	29-feb 2020	29-feb 2020	28-feb 2019	31-aug 2019
SEK m	Incl. IFRS 16	16	Excl. IFRS 16	Excl. IFRS 16	Excl. IFRS 16
Equity, opening balance	571	-	571	1 096	1 096
Total comprehensive income	-253	-10	-243	-525	-545
New share issue	165	-	165	0	165
Unregistered share capital	-	-	-	-	-
Dividend	-	-	-	-	-
EQUITY, CLOSING BALANCE	482	-10	492	571	715

Consolidated cash flow statement	Q2 Dec-Feb 19/20	Q2 Dec-Feb 19/20	Q2 Dec-Feb 19/20	Q2 Dec-Feb 18/19
SEK m	Inkl IFRS 16	IFRS 16 effekt	Exkl IFRS 16	Exkl IFRS 16
Cash flow from operating activities before changes in working capital	-1	34	-34	-20
Changes in working capital	13	5	8	13
CASH FLOW FROM OPERATING ACTIVITIES	13	38	-26	-7
Cash flow from investing activities				
Acquisition of intangible assets	-2	-	-2	-5
Acquisition of property, plant and equipment	-2	-	-2	-2
CASH FLOW FROM INVESTING ACTIVITIES	8	38	-30	-14
Financing activities				
Repayments	-38	-38	-	-13
Loans raised	-	-	-	-
Dividend	-	-	-	-
Utilisation of overdraft facility	17	-	17	23
New share issue	-	-	-	-
CASH FLOW FROM FINANCING ACTIVITIES	-21	-38	17	11
CASH FLOW FOR THE PERIOD	-13	0	-13	-4
Cash and cash equivalents at the beginning of the period	36		36	14
Cash and cash equivalents at the end of the period	23		23	10
Cash flow for the period	-13		-13	-4

Rounding differences may affect the totals

Key figures, Group	Q2 Dec-Feb 19/20	Q2 Dec-Feb 19/20	Q2 Dec-Feb 18/19
SEK m	Inkl IFRS 16	Exkl IFRS 16	Exkl IFRS 16
Sales growth, %	-9,8	-9,8	-5,4
Sales growth, like-for-like, %	-5,9	-5,9	-5,0
Gross margin, %	45,2	45,2	49,6
Operating profit/loss, SEK m	-287 ⁵⁾	-285 ⁵⁾	-528
Operating margin, %	-75,2	-74,6	-124,7
Profit/loss after financial items	-298 ⁵⁾	-287 ⁵⁾	-529
Profit/loss for the period	-232 ⁵⁾	-225 ⁵⁾	-522
Earnings per share, SEK	-21,96 ⁴⁾	-21,37 ⁴⁾	-14,86 ³⁾
Interest-bearing net debt, SEK m	954	121	209
Interest-bearing net debt/EBITDA, multiples	104,8	3,6	6,6
Equity/assets ratio, %	26	49	45
Equity, SEK m	482	492	571
Average number of outstanding shares	10 546 952 ⁴⁾	10 546 952 ⁴⁾	35 156 507

1) The figure includes the write-down of intangible assets of SEK 500 million and non-recurring items of SEK 19 million.

2) Historical periods have been adjusted by a factor of 1.3836 due to a new share issue with a bonus issue element carried out

3) Earnings per share refer to basic earnings.

4) The reverse share split (1:10) took place in February 2020 and changed the number of shares.

5) The figure includes the write-down of intangible assets of SEK 192 million.

	Six months Sep–Feb 19/20	Six months Sep–Feb 19/20	Six months Sep–Feb 19/20	Six months Sep–Feb 18/19	Financial year Sep–Aug 18/19
Consolidated cash flow statement		Effect of IFRS			
SEK m	Incl. IFRS 16	16	Excl. IFRS 16	Excl. IFRS 16	Excl. IFRS 16
Cash flow from operating activities before changes in working capital	49	71	-22	-7	-27
Changes in working capital	2	5	-3	-16	-24
CASH FLOW FROM OPERATING ACTIVITIES	51	76	-25	-23	-51
Cash flow from investing activities					
Acquisition of intangible assets	-7	-	-7	-10	-15
Acquisition of property, plant and equipment	-5	-	-5	-9	-15
CASH FLOW FROM INVESTING ACTIVITIES	39	76	-37	-41	-80
Financing activities					
Repayments	-76	-76	-	-13	-51
Loans raised	-	-	-	-	-
Dividend	-	-	-	-	-
Utilisation of overdraft facility	36	-	36	53	-22
New share issue	-	-	-	-	165
CASH FLOW FROM FINANCING ACTIVITIES	-40	-76	36	40	92
CASH FLOW FOR THE PERIOD	-1	0	-1	-1	12
Cash and cash equivalents at the beginning of the period	23		23	11	11
Cash and cash equivalents at the end of the period	23		23	10	23
Cash flow for the period	-1		-1	1	12

Rounding differences may affect the totals

	Six months Sep–Feb 19/20	Six months Sep–Feb 19/20	Six months Sep–Feb 18/19	Rolling 12 months March 19– Feb 20	Financial year Sep 18 – Aug 19
Key figures, Group	Incl. IFRS 16	Excl. IFRS 16	Excl. IFRS 16	Incl. IFRS 16	Excl. IFRS 16
SEK m					
Sales growth, %	-8,6	-8,6	-5,8	-8,6	-7,1
Sales growth, like-for-like, %	-4,9	-4,9	-6,0	-6,4	-6,9
Gross margin, %	53,2	53,2	55,2	53,4	54,4
Operating profit/loss, SEK m	-275 ⁵⁾	-275 ⁵⁾	-516 ¹⁾	-301 ⁵⁾	-543 ¹⁾
Operating margin, %	-36,4	-36,4	-62,5	-19,6	-33,7
Profit/loss after financial items	-296 ⁵⁾	-278 ⁵⁾	-517 ¹⁾	-327 ⁵⁾	-548 ¹⁾
Profit/loss for the period	-229 ⁵⁾	-219 ⁵⁾	-514 ¹⁾	-252 ⁵⁾	-537 ¹⁾
Earnings per share, SEK	-21,70 ⁴⁾	-20,73 ⁴⁾	-14,86 ²⁾	-27,24 ⁴⁾	-10,07 ²⁾
Interest-bearing net debt, SEK m	954	121	209	954	84
Interest-bearing net debt/EBITDA, multiples	9,2	-0,1	6,6	106	-6,4
Equity/assets ratio, %	26	49	45	26	55
Equity, SEK m	482	492	571	482	715
Average number of outstanding shares	10 546 952 ⁴⁾	10 546 952 ⁴⁾	35 156 507	9 258 269 ⁵⁾	53 294 382

1) The figure includes the write-down of intangible assets of SEK 500 million and non-recurring items of SEK 19 million.

2) Historical periods have been adjusted by a factor of

3) Earnings per share refer to basic earnings.

4) The reverse share split (1:10) took place in February 2020 and changed the number of shares.

5) The figure includes the write-down of intangible assets of SEK 192 million.

Shareholder structure

Largest shareholders as of 29 February 2020

Name	Number of shares	Share capital, %
Öresund, Investment AB	1 262 630	12,0%
Swedbank Robur Fonder	1 019 087	9,7%
Engebretsen, Anna	830 254	7,9%
Qviberg, Eva	674 049	6,4%
Nilsson, Magnus	608 858	5,8%
Qviberg, Jacob	340 924	3,2%
Qviberg, Mats	294 808	2,8%
Försäkringsaktiebolaget, Avanza Pension	252 165	2,4%
Ohlin, Astrid	231 300	2,2%
Nordnet Pensionsförsäkring AB	174 733	1,7%
Ellinger, Gunter	145 000	1,4%
Sycava AB	117 000	1,1%
Bäckström, Leif Gunnar	103 753	1,0%
Nordea Livförsäkring Sverige AB	90 882	0,9%
Burgess, Peter Sten	79 129	0,8%
Total 15 largest	6 224 572	59,0%
Others	4 322 380	41,0%
Total	10 546 952	100,0%

In February, MQ Holding AB carried out a reverse share split (1:10). The reverse share split means that 10 shares were merged into one (1) share, which has resulted in a change in the number of shares and votes in MQ Holding AB.

Parent Company income statement	Q2 Dec–Feb 19/20	Q2 Dec–Feb 18/19	Six months Sep–Feb 19/20	Six months Sep–Feb 18/19	Rolling 12 months Mar 19– Feb 20	Financial year Sep–Aug 18/19
SEK m						
Net sales	4	4	7	7	16	16
Other operating income	-	0	-	-	-	-
Total operating income	4	4	7	7	16	16
Goods for resale	-	-	-	-	-	-
Other external costs	-2	-2	-3	-3	-7	-7
Employee benefit expenses	-3	-3	-6	-6	-13	-13
Other operating expenses	-	-	-	-	-	-
Depreciation/amortisation and write-downs	-195	-500	-195	-500	-	-500
Operating profit/loss	-196	-501	-197	-502	-4	-504
Group contributions	-	-	-	-	4	4
Financial income	0	0	1	1	2	1
Financial expenses	-2	0	-2	-1	-2	-2
Profit/loss after financial items	-198	-501	-198	-502	-1	-501
Tax on profit for the period	0	-	0	-	-	-
PROFIT/LOSS FOR THE PERIOD	-198	-501	-198	-502	-1	-501

Rounding differences may affect the totals

The Parent Company has no leases and is therefore not affected by IFRS 16 and, as a result, there is no separate reporting of IFRS 16.

Parent Company balance sheet	29-feb 2020	28-feb 2019	31-aug 2019
SEK m			
ASSETS			
Non-current assets			
Intangible assets	-	-	-
Property, plant and equipment	-	-	-
Financial assets	461	656	656
Total non-current assets	461	656	656
Current assets			
Current receivables	2	1	2
Cash and cash equivalents	0	0	0
Total current assets	2	1	2
TOTAL ASSETS	463	657	658
EQUITY AND LIABILITIES			
Equity	34	63	229
Interest-bearing long-term liabilities	-	26	-
Non-interest-bearing long-term liabilities	5	13	-
Interest-bearing current liabilities	-	5	5
Non-interest-bearing current liabilities	425	550	424
TOTAL EQUITY AND LIABILITIES	463	657	658

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.

Gross margin	Q2 Dec–Feb 19/20	Q2 Dec–Feb 18/19	Six months Sep–Feb 19/20	Six months Sep–Feb 18/19	Rolling 12 months Mar 19– Feb 20	Financial year Sep–Aug 18/19
SEK m						
Operating income						
Net sales	382	424	755	826	1 540	1611
Operating expenses						
Goods for resale	-210	-213	-353	-370	-718	-735
GROSS PROFIT	173	211	401	456	822	876
GROSS MARGIN, %	45,2	49,6	53,2	55,2	53,4	54,4

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 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 rates movements.

Operating margin	Q2 Dec–Feb 19/20	Q2 Dec–Feb 18/19	Six months Sep–Feb 19/20	Six months Sep–Feb 18/19	Rolling 12 months Mar 19– Feb 20	Financial year Sep–Aug 18/19
SEK m						
Operating income						
Net sales	382	424	755	826	1 540	1 611
Earnings of the business						
EBITA	-287	-528	-275	-516	-301	-543
OPERATING MARGIN, %	-75,2	-124,7	-36,4	-62,5	-19,6	-33,7

Rounding differences may affect the totals

The company's results have been affected by IFRS 16 since 1 September 2019. The company has decided to apply a simplified transition approach and has therefore not made any retroactive recalculation.

EBITDA	Q2 Dec–Feb 19/20	Q2 Dec–Feb 18/19	Six months Sep–Feb 19/20	Six months Sep–Feb 18/19	Rolling 12 months Mar 19– Feb 20	Financial year Sep–Aug 18/19
SEK m						
EBITA	-287	-528	-275	-516	-301	-543
Depreciation/amortisation	296	507	349	514	364	530
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA)	9	-21	74	-2	63	-13

Rounding differences may affect the totals

The company's results have been affected by IFRS 16 since 1 September 2019. The company has decided to apply a simplified transition approach and has therefore not made any retroactive recalculation.

Interest-bearing net debt	29-feb	28-feb	31-aug
SEK m	2020	2019	2019
Interest-bearing long-term liabilities	656	26	-
Overdraft facilities	143	181	107
Other interest-bearing current liabilities	177	13	-
Interest-bearing liabilities	977	220	107
Cash and cash equivalents	23	10	23
Interest-bearing assets	23	10	23
NET DEBT	954	209	84

Rounding differences may affect the totals

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.

Equity/assets ratio	29-feb	28-feb	31-aug
SEK m	2020	2019	2019
Equity	482	571	715
Total assets	1834	1279	1298
EQUITY/ASSETS RATIO, %	26,3	44,6	55,1

Rounding differences may affect the totals

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.

On 1 September 2019, MQ Holding AB changed its accounting policy for leases when it began to apply IFRS 16 Leasing; this replaced IAS 17 Leasing and related interpretations. MQ Holding AB has decided to apply the simplified transition approach and not to make any retroactive recalculations of earlier periods.

IFRS 16 requires that the lessee recognise assets and liabilities related to all leases in the balance sheet, with a few exemptions (short-term leases of 12 months or less and leases of low-value assets worth less than USD 5,000). This recognition is based on the approach that the lessee has a right to use an asset during a specific time period, and also an obligation to pay for this right. This interim report has been prepared in accordance with the new standard, which means that assets and liabilities in the balance sheet have increased by right-of-use asset and lease liability (distributed across current and long-term liabilities). The change is reflected in the income statement in that the expense has been categorised as depreciation and interest expense. The implementation of IFRS 16 will affect EBITDA.

MQ Holding's leasing contracts comprise rental of store premises. When establishing a leasing period, MQ takes account of all relevant facts and circumstances that create a financial incentive to utilise an option to extend. Financial incentives include sales and footfall development for the store, strategic plans for the area, access to lease contracts and rent levels. There are many aspects to assessing whether an option to extend should be used.

Note 2 Fair value for financial instruments

Derivative instruments are measured at fair value, which amounted to SEK 2.9 million at 29 February 2020. 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)	29-feb 2020	28-feb 2019	31-aug 2019
Pledged assets			
Shares in subsidiaries	656	656	656
Contingent liabilities			
Guarantees related to subsidiaries' completion of leasing contracts	-	17	10
Guarantees related to MQ Retail AB	107	207	117
Total contingent liabilities	107	224	127

Note 4 Events after the end of the reporting period

The Board of Directors decided on a new rights issue, subject to approval at an extraordinary general meeting. The Board of Directors has decided to apply for bankruptcy for our subsidiary Joy Shop AB. After the end of the quarter we launched our new online shopping. Writing a final examination of the non-cash-cash amount that the subsidiary shares in Joy shall written down with, will happen during the third quarter. Linked to the development of the market may further impairment of intangible assets occur during the third quarter

Note 5 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: MarQet and Joy. MarQet is a chain of concept stores offering men's and women's fashions, as well as exciting new product categories adapted to the flexible way of working in the modern age. Joy targets fashion-conscious women in midlife who desire excellent quality, fit and comfort. The two business areas currently comprise a total of 159 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