

MQ Holding AB – Interim report

Strong sales growth in the quarter

MQ's sales trend was strong during the third quarter when sales in comparable stores/online increased 4.3 percent. According to the Swedish Retail Institute Index (HUI), the market for like-for-like sales declined 3.4 percent in the same period. Continued strengthening of the product range with more brands and a higher degree of fashion content have advanced MQ's fashion position. Earnings continue to develop positively and the net debt is historically low. It is gratifying to state that the development work is generating results on several levels.

Third quarter (March 2015–May 2015)

- Net sales amounted to SEK 363 million (350), up 3.7 percent. Sales in comparable stores/online rose 4.3 percent (the market's like-for-like sales declined 3.4 percent according to the Swedish Retail Institute Index).
- The gross margin was 60.1 percent (61.3).
- Operating profit amounted to SEK 47 million (42), corresponding to an operating margin of 12.8 percent (12.0).
- Profit after tax was SEK 36 million (31), corresponding to SEK 1.01 (0.90) per share after dilution.
- Cash flow from operating activities was SEK 46 million (63).

Nine-month period (September 2014-May 2015)

- Net sales amounted to SEK 1,137 million (1,139), down 0.2 percent. Sales in comparable stores/online rose 0.7 percent (the market's like-for-like sales declined 1.7 percent according to the Swedish Retail Institute Index).
- The gross margin was 56.7 percent (56.6).
- Operating profit amounted to SEK 111 million (97), corresponding to an operating margin of 9.8 percent (8.6).
- Profit after tax was SEK 84 million (70), corresponding to SEK 2.39 (2.02) per share after dilution.
- Cash flow from operating activities totalled SEK 115 million (118).



Events during the third quarter

- MQ Shop Online was launched in the Norwegian market in March.
- The external brands Part Two, Bruuns Bazaar BZR and Dry Lake were launched on MQ Shop Online.

Events after the end of the reporting period

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

Key figures

SEK m	Q3 Mar-May 14/15	Q3 Mar-May 13/14	Period Sep/May 14/15	Period Sep/May 13/14	Rolling 12 months Jun 14-May 15	Financial year Sep-Aug 13/14
Net sales	363	350	1,137	1,139	1,518	1520
Gross margin, %	60.1	61.3	56.7	56.6	56.2	56.2
Operating profit	47	42	111	97	146	132
Operating margin, %	12.8	12.0	9.8	8.6	9.6	8.7
Profit after financial items	46	40	108	90	141	123
Profit for the period	36	31	84	70	110	96
Earnings per share before dilution, SEK	1.01	0.90	2.39	2.02	3.13	2.77
Earnings per share after dilution, SEK	1.01	0.90	2.39	2.02	3.13	2.77
Number of stores, at the end of the period	120	121	120	121	120	121



Comments by the CEO

A commercially stronger MQ resulted in positive sales growth of 4.3 percent for comparable stores/online in the third quarter. According to the Swedish Retail Institute Index (HUI), the market for like-for-like sales declined 3.4 percent in the quarter. The spring and summer collection, with several new fashion brands, was well received by customers. This was a renewed expression for how MQ's communication also contributes to higher sales. The increase confirms that interest in MQ as a brand destination in fashion is gradually expanding.

Operating profit continues to improve compared with the year-earlier period. Costs have been kept at a low level and the net debt is historically low.

MQ's development work is currently concentrated to more distinct communication and campaigns, new store concepts and continuous store updates, as well as continued development of the product range and brands. The change effort is based on a clear structure and systematic approach, whereby we test, change and follow up.

The enhanced customer offering is now being communicated with renewed images in campaigns depicting both the joy of fashion and fashion knowledge. MQ's broader collections with several strong brands have raised the fashion content. A consistent PR effort in the Swedish fashion media has resulted in a higher frequency of MQ garments in trendsetting fashion magazines and blogs. This is now being taken further in Norway ahead of the establishment of new concept stores in Oslo starting in September.

A new store concept with a stronger commercial character, a change in pace and intensified product display, will be launched in two stores in the autumn. In addition to Oslo, the concept will also be launched in MQ's establishment in the new attractive shopping centre, the Mall of Scandinavia outside Stockholm, which will open in November this year. These are two key stores for MQ in which the brand portfolio and the new store concept will be in focus. The brand portfolio in the store will be further strengthened in August with the Hope brand.

During the third quarter, the product range at MQ Shop Online was strengthened with the external brands Part Two, Bruuns Bazaar BZR and Dry Lake. The platform for MQ Shop Online will be continuously enhanced to offer a broad product range, in line with our strategy for Omnichannel, which will also be available in the physical stores via e-shopping. In late summer, work will continue with the launch of the brands Rains, Saint Tropex, Stylein, Esprit Casual, Björn Borg Sport and Röhnisch. In this connection, sports fashion, which plays a key role in today's broad fashion culture, will become a new product category at MQ Shop Online. As part of the effort in Norway, MQ Shop Online was launched in the Norwegian market in March.

On the whole, the third quarter confirmed MQ's brand position and our long-term development and change effort. Work will now continue according to plan and all key commercial areas will be reviewed. This will enable us to strengthen MQ's position as the leading brand chain in the Nordic region.



Christina Ståhl President and CEO,
MQ Holding AB



Operations

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

Store network

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

Market

The market for ready-to-wear clothing in Sweden posted negative like-for-like sales in the third quarter (Mar 2015-May 2015), down 3.4 percent and the nine-month period (Sep 2014-May 2015) posted a negative trend of 1.7 percent.

Comments on financial performance

Net sales

Third quarter, March 2015 – May 2015

Net sales amounted to SEK 363 million (350) during the quarter. MQ's sales in comparable stores/online increased 4.3 percent during the third quarter, compared with a market decline of 3.4 percent in comparable stores. Sales of women's fashion rose 4.9 percent to SEK 191 million (182) and sales of men's fashion increased 2.4 percent to SEK 172 million (168).

Nine-month period, September 2014-May 2015

Net sales amounted to SEK 1,137 million (1,139) during the nine-month period, down 0.2 percent. MQ's sales in comparable stores/online rose 0.7 percent during the period, compared with the market decline of 1.7 percent. Sales of women's fashion rose 3.4 percent to SEK 579 million (560) and sales of men's fashion declined 3.6 percent to SEK 558 million (579).

Earnings

Third quarter, March 2015 – May 2015

Gross profit amounted to SEK 218 million (215), corresponding to a gross margin of 60.1 percent (61.3).

Other external costs and personnel expenses for the quarter amounted to SEK 167 million (166). The maintained level of costs was attributable to the preceding year's savings programme and a cost-conscious corporate culture.

Operating profit during the quarter amounted to SEK 47 million (42), corresponding to an operating margin of 12.8 percent (12.0).

Depreciation/amortisation according to plan amounted to SEK 6 million (8).

Net financial items for the third quarter amounted to an expense of SEK 1 million (expense: 2). Profit after financial items amounted to SEK 46 million (40). Profit after tax was SEK 36 million (31).

Nine-month period, September 2014-May 2015

Gross profit amounted to SEK 644 million (645), corresponding to a gross margin of 56.7 percent (56.6).

Other external costs and personnel expenses for the nine-month period amounted to SEK 521 million (527). The cost level decreased SEK 12 million excluding costs of SEK 6 million that were re-invoiced to the landlord and had a positive impact on earnings under other income. The decrease in costs was attributable to the preceding year's savings programme and a cost-conscious corporate culture.

Operating profit for the nine-month period was SEK 111 million (97), corresponding to an operating margin of 9.8 percent (8.6). Planned depreciation/amortisation totalled SEK 20 million (24). Net financial items for the nine-month period were an expense of SEK 3 million (expense: 8). Profit after financial items totalled SEK 108 million (90). Profit after tax was SEK 84 million (70).

Establishing stores

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

Cash flow

MQ's cash flow from operating activities amounted to SEK 115 million (118) during the nine-month period. Cash flow after investments amounted to SEK 101 million (113).

Inventories

At 31 May 2015, the value of inventories was SEK 233 million (214). In total, the composition of inventories is deemed to be at a satisfactory level.

Investments

Investments during the period totalled SEK 14 million (5) and pertained primarily to investments in existing stores.

Financing and liquidity

At 31 May 2015, interest-bearing net debt amounted to SEK 119 million, compared with SEK 214 million in the year-earlier period. At the end of the period, cash and cash equivalents totalled SEK 72 million (36). Interest-bearing net

debt/EBITDA was 0.7 (1.6) for the 12-month period of June 2014–May 2015.

Events during the third quarter

As part of the effort in Norway, MQ Shop Online was launched in the Norwegian market in March. The external brands Part Two, Bruuns Bazaar BZR and Dry Lake were launched on MQ Shop Online.

Events after the end of the reporting period

No events occurred after the end of the reporting period.

Employees

The average number of full-time employees during the 12-month period (June 2014-May 2015) was 574 compared with 584 in the year-earlier period.

Related-party transactions

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

Risks and uncertainties

MQ's operations are exposed to a number of risks that are completely or partly beyond the company's control, but which could impact sales and earnings.

The risks that the company is exposed to include the economic trend, shifts in fashion, and interest-rate and currency risks. MQ is dependent on consumer preferences with respect to trends, design and quality. MQ makes conscious efforts to develop its trend monitoring, information systems, forecasts, supply chain management and to shorten lead times in the development of products to minimise the risks in fashion shifts.

The purchasing power of Swedish consumers is a prerequisite for retail growth. This is particularly important for growth in the high price ranges, characterised by high fashion content among retailers and brand specialists. It is probable that a change in Sweden's economic growth would impact the purchasing power of consumers and thus growth in the retail sector. Financial risks pertain to fluctuations in the company's earnings and cash flow resulting from movements in exchange rates, interest rates, liquidity and credit risks. The Group's financial risks are managed by the Group's finance department, which is in charge of identifying and minimising the risk of negative effects on earnings and improving the predictability

of future earnings. For further information about financial instruments and risk management, refer to the Administration Report and Notes 23 and 24 of the Annual Report for the 2013/2014 financial year.

Parent Company

The Parent Company's net sales for the nine-month period amounted to SEK 9 million (8) and its profit after financial items to SEK 44 million (10). No investments were made by the Parent Company during the period.

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.

Derivative instruments are measured at fair value, which amounted to SEK 5 million at 31 May 2015. Determining the fair value of currency forward contracts is based on valuations made by credit institutes, if such figures are available. If these are not available, the fair value is calculated by discounting the difference between the agreed forward rate and the forward rate that can be effected on the balance-sheet date for the remaining period of the contract. For other financial instruments, carrying amounts reflect their fair value.

According to IFRS 7, financial instruments must be categorised in three categories based on the input data used to measure the fair value. The first category pertains to financial instruments listed in an active market. The second category to financial instruments that are not listed in an active market but where other market information can be used to obtain a measurement. The final category pertains to measurements where there are no market listings or other market data. Techniques to obtain a valuation for level three mainly involve discounting cash flows. All of MQ's derivatives belong to the second category.

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

Gothenburg, 15 June 2015

Board of Directors
MQ Holding AB

Claes-Göran Sylvén
Chairman of the Board

Annika Rost
Board Member

Bengt Jaller
Deputy Chairman

Michael Olsson
Board Member

Arthur Engel
Board Member

Mernosh Saatchi
Board Member

Anna Engebretsen
Board Member

Christina Ståhl
President

Teleconference

A teleconference will be held at 9:00 a.m. on 16 June for analysts, investors and the media. The presentation will also be webcast directly on www.mq.se. To participate, please call +46 (0)8 505 564 74.

Reporting calendar

Year-end report, June 2015 - August 2015

7 October 2015

Interim report, first quarter, September 2015–November 2015

17 December 2015

Interim report, second quarter, December 2015–February 2016

17 March 2016

This constitutes information that MQ Holding AB (publ) is legally obliged to publish under the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on 16 June 2015 at 7:15 a.m.

Contact

For further information, please contact:

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

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

MQ Holding AB

St. Eriksgatan 5

Box 119 19

SE-404 39 Gothenburg, Sweden

www.mq.se

Corp. Reg. No. 556697-2211

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

Consolidated statement of earnings and other comprehensive income

Condensed consolidated statement of comprehensive income in (SEK m)	Q3 Mar-May 14/15	Q3 Mar-May 13/14	Period Sep/May 14/15	Period Sep/May 13/14	Rolling 12 months Jun 14-May 15	Financial year Sep-Aug 13/14
Net sales	363	350	1,137	1,139	1,518	1520
Other operating income	2	1	10	4	11	5
Total operating income	365	351	1,147	1,143	1,529	1525
• Goods for resale	-145	-136	-492	-494	-664	-666
• Other external costs	-84	-83	-269	-266	-360	-356
• Personnel expenses	-83	-83	-252	-261	-329	-337
• Other operating expenses	0	0	-2	0	-3	-1
• Depreciation/amortisation	-6	-8	-20	-24	-28	-31
Operating profit	47	42	111	97	146	132
• Financial income	0	0	0	0	1	0
• Financial expenses	-1	-2	-3	-8	-5	-9
Profit after financial items	46	40	108	90	141	123
Tax on profit for the period	-10	-9	-24	-20	-31	-28
PROFIT FOR THE PERIOD attributable to Parent Company shareholders	36	31	84	70	110	96
OTHER COMPREHENSIVE INCOME						
Items that have been restated or that can be restated in profit for the period						
Translation difference	0	-1	0	0	-1	-1
Changes in fair value of cash-flow hedging	-2	1	0	0	2	2
Incentive programmes	-	-	16 ¹	-	16 ¹	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	34	31	100	70	127	97
Earnings per share before dilution (SEK)	1.01	0.90	2.39	2.02	3.13	2.77
Earnings per share after dilution (SEK)	1.01	0.90	2.39	2.02	3.13	2.77
Average number of shares before dilution	35,156,507	34,631,507	35,156,507	34,631,507	35,156,507	34,631,507
Average number of shares after dilution	35,156,507	34,759,371	35,156,507	34,759,371	35,156,507	34,667,053

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

Consolidated balance sheet

Condensed consolidated balance sheet (SEK m)	31 May 2015	31 May 2014	31 August 2014
ASSETS			
Fixed assets			
Intangible fixed assets	1,204	1,204	1,203
Tangible assets	47	58	56
Total fixed assets	1,251	1,262	1,259
Current assets			
Inventories	233	214	250
Current receivables	70	75	100
Cash and cash equivalents	72	36	40
Total current assets	375	325	390
TOTAL ASSETS	1,626	1,587	1,650
EQUITY AND LIABILITIES			
Equity	1,008	928	955
Liabilities			
Interest-bearing long-term liabilities	154	201	175
Non-interest-bearing long-term liabilities	183	180	182
Interest-bearing current liabilities	41	49	53
Non-interest-bearing current liabilities	240	229	285
TOTAL EQUITY AND LIABILITIES	1,626	1,587	1,650

Statement of changes in equity

Specification of changes in the Group's equity (SEK m)	Period Sep- May 2014/15	Period Sep- May 2013/14	Financial year Sep-Aug 2013/14
Equity, opening balance	955	872	872
Total comprehensive income	100	70	97
Dividend	-48	-14	-14
EQUITY, CLOSING BALANCE	1,008	928	955

Consolidated cash-flow statement

Condensed consolidated cash-flow statement (SEK m)	Q3 Mar-May 2014/15	Q3 Mar-May 2013/14	Period Sep-May 2014/15	Period Sep-May 2013/14	Financial year Sep-Aug 2013/14
Cash flow from operating activities before changes in working capital	42	42	121	116	155
Changes in working capital	4	21	-6	2	-3
Cash flow from operating activities	46	63	115	118	152
Cash flow from investing activities					
Acquisition of intangible assets	-1	0	-1	-1	-1
Acquisition of tangible assets	-4	0	-13	-4	-7
Cash flow after investing activities	41	63	101	113	144
Financing activities					
<i>Amortisation</i>	0	0	-20	-20	-40
<i>Dividend</i>	0	0	-48	-14	-14
<i>Utilisation of overdraft facility</i>	0	-49	-1	-86	-93
Cash flow from financing activities	0	-49	-69	-120	-146
Cash flow for the period	41	14	32	-7	-2
Cash and cash equivalents at the beginning of the period	31	23	40	43	43
Cash and cash equivalents at the end of the period	72	36	72	36	40

Key figures

	Q3 Mar-May 2014/15	Q3 Mar-May 2013/14	Period Sep-May 2014/15	Period Sep-May 2013/14	Rolling 12 months June 14-May 15	Financial year Sep-Aug 2013/2014
Growth in net sales, %	3.7	-1.1	-0.2	2.2	2.1	3.9
Sales growth, comparable stores/online, %	4.3	-0.7	0.7	0.9	2.9	2.6
Gross margin, %	60.1	61.3	56.7	56.6	56.2	56.2
Operating profit, SEK m	47	42	111	97	146	132
Operating margin, %	12.8	12.0	9.8	8.6	9.6	8.7
Profit after financial items	46	40	108	90	141	123
Profit for the period	36	31	84	70	110	96
Total depreciation/amortisation, SEK m	-6	-8	-20	-24	-28	-31
Earnings per share before dilution, SEK	1.01	0.90	2.39	2.02	3.13	2.77
Interest-bearing net debt, SEK m	119	214	119	214	119	188
Interest-bearing net debt/EBITDA, multiple	0.7	1.6	0.7	1.6	0.7	1.1
Equity/assets ratio, %	62	58	62	58	62	58
Equity, SEK m	1,008	928	1,008	928	1,008	955
Average number of shares before dilution	35,156,507	34,631,507	35,156,507	34,631,507	35,156,507	34,631,507
Average number of shares after dilution	35,156,507	34,759,371	35,156,507	34,759,371	35,156,507	34,667,053

Shareholder structure

Largest shareholders as of 31 May 2015

Name	Number of shares	Share capital, %
Öresund, Investment AB	6,000,000	17.1
Jaller Klädcenter AB	3,062,000	8.7
Danske Capital Sweden AB	3,037,953	8.6
Länsförsäkringar Fondförvaltning AB	1,589,549	4.5
Catella Fondförvaltning	1,188,883	3.4
Unionen	1,100,000	3.1
DNB – Carlson Fonder	1,051,859	3.0
Qviberg Engebretsen, Anna	971,836	2.8
Handelsbanken Fonder AB RE JPMEL	742,229	2.1
Skandia Fonder	659,724	1.9
Qviberg, Eva	571,390	1.6
Second Swedish National Pension Fund	563,860	1.6
Försäkringsaktiebolaget, Avanza Pension	507,482	1.4
Qviberg, Jacob	500,000	1.4
Mellon US Tax Exempt Account	454,762	1.3
Total 15 largest	22,001,527	62.6
Other	13,154,980	37.4
Total	35,156,507	100

Parent Company income statement

Parent Company income statement in summary (SEK m)	Q3 Mar-May 2014/15	Q3 Mar-May 2013/14	Period Sep-May 2014/15	Period Sep-May 2013/14	Rolling 12 months June 14-May 15	Financial year Sep-Aug 2013/2014
Net sales	3	2	9	8	13	12
Other operating income	0	0	0	0	0	0
Total operating income	3	2	9	8	13	12
• Goods for resale	0	0	0	0	0	0
• Other external costs	-2	-1	-4	-4	-4	-4
• Personnel expenses	-3	-3	-9	-8	-13	-12
• Other operating expenses	0	0	0	0	0	0
• Depreciation/amortisation	0	0	0	0	0	0
Operating loss	-2	-2	-4	-4	-4	-4
• Income from shares	0	0	48	14	48	14
• Group contributions received	0	0	0	0	4	4
• Financial income	2	2	3	6	4	7
• Financial expenses	-2	-2	-3	-6	-4	-7
Profit after financial items	-2	-2	44	10	48	13
Tax on profit for the period	0	0	0	0	0	0
PROFIT AFTER TAX	-2	-2	44	10	48	13

Parent Company balance sheet

Parent Company balance sheet in summary (SEK m)	31 May 2015	31 May 2014	31 August 2014
ASSETS			
Fixed assets			
Intangible assets	0	0	0
Tangible assets	0	0	0
Financial fixed assets	1,110	1,110	1,110
Total fixed assets	1,110	1,110	1,110
Current assets			
Current receivables	1	1	1
Cash and cash equivalents	1	1	0
Total current assets	2	2	1
TOTAL ASSETS	1,112	1,112	1,111
EQUITY AND LIABILITIES			
Equity	565	550	553
Liabilities			
Interest-bearing long-term liabilities	150	201	170
Interest-bearing current liabilities	40	40	51
Non-interest-bearing liabilities	357	320	337
TOTAL EQUITY AND LIABILITIES	1,112	1,112	1,111
Assets pledged as security			
Shares in subsidiaries	1,110	1,110	1,110
Contingent liabilities			
Guarantees related to subsidiaries' completion of leasing contracts	34	46	41
Guarantees related to MQ Retail AB	184	184	184
Total contingent liabilities	218	230	225

Definitions

Gross margin

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

EBITDA

Earnings before interest, taxes, depreciation and amortisation.

Equity

Consists of share capital, other contributed capital, reserves and retained earnings, including the Group's profit for the year.

Equity per share

Equity divided by the number of shares on the closing date.

Like-for-like sales

The term "like-for-like sales" is used to designate all sales in Swedish stores, with the exception of sales in new stores. A new store becomes comparable when it has been open for one year.

Interest-bearing net debt

Interest-bearing liabilities less cash and cash equivalents.

Interest-bearing net debt/EBITDA

Interest-bearing liabilities divided by EBITDA for the most recent twelve-month period.

Operating margin

Operating profit as a percentage of net sales for the period.

Equity/assets ratio

Equity as a percentage of total assets.



MQ is Sweden's leading brand chain. Through a select mix of proprietary and external brands, MQ offers men's and women's clothes with a high fashion content in attractive stores. The store chain currently comprises 120 stores and the aim is to establish MQ as the leading retailer of fashion brands in the Nordic region. The MQ share has been listed on NASDAQ Stockholm since 18 June 2010. For more information, please visit our website at www.mq.se.