

MQ Holding AB – Interim report

Focus on growth in Sweden

In order to concentrate on growth in Sweden, the decision was made to close the Norwegian operations. Concurrently, retail-clothing company Joy is now being integrated in the Group and digital activities are being intensified. The financially sluggish period is attributed to lower like-for-like sales, costs for the acquisition of Joy, remodelling of stores and more marketing communications. MQ is now taking vital steps to further develop the company.

Joy is included in the consolidated statements starting May 2016.

Third quarter (March 2016–May 2016)

- Net sales amounted to SEK 379 million (363), up 4.4 percent. Like-for-like sales declined 3.4 percent (according to the Swedish Retail Institute Index, the market's comparable stores grew 1.7 percent).
- Gross margin was 60.9 percent (60.1).
- Operating profit was SEK 32 million (47), corresponding to an operating margin of 8.5 percent (12.8).
- Profit after tax was SEK 24 million (36), corresponding to SEK 0.68 (1.01) per share after dilution.
- Cash flow from operating activities was SEK 8 million (46).

Nine-month period (September 2015–May 2016)

- Net sales amounted to SEK 1,194 million (1,137), an increase of 5.0 percent. Like-for-like sales increased 3.0 percent (according to the Swedish Retail Institute Index, the market's comparable stores grew 3.2 percent).
- Gross margin was 55.7 percent (56.7).
- Operating profit totalled SEK 90 million (111), corresponding to an operating margin of 7.5 percent (9.8).
- Profit after tax was SEK 68 million (84), corresponding to SEK 1.94 (2.39) per share after dilution.
- Cash flow from operating activities was 55 million (115).



Events during the third quarter

- Acquisition of retail-clothing company Joy was completed on 2 May and Joy Shop AB has now joined the MQ Group.
- MQ Group's CEO Christina Ståhl assumes the additional role as President of Joy in conjunction with completion of the acquisition process.
- During the quarter, two new MQ stores opened in Vetlanda and Bollnäs.
- Femman in Gothenburg and MQ Outlet in Ullared have been remodelled, while Strömpilen in Umeå has been reestablished and recently opened in Gallerian Avion.
- New labels such as American Vintage, Butterfly Twist, Maidenform and Selected Femme were launched on MQ Shop Online during the third quarter.

Events after the end of the reporting period

- The decision has been made to close MQ's Norwegian operations (four stores).
- To further reinforce our digital activities, the head of Omnichannel will also be in charge of the company's marketing communications. The department will subsequently assume total responsibility for promoting integrated communication and optimised media presence, featuring mq.se as the hub of all communication.





Comments by the CEO

The process of making the MQ Group commercially stronger continues. Earlier action programmes and sound cost control have made us financially strong and we are now investing in the future amidst a rapidly changing market. We see more aware and discerning customers who eagerly adopt new digital and mobile options. As a player in the fashion industry, we are required to maintain a steady pace and top access in all channels.

The acquisition of Joy was completed at the beginning of May. Via 55 new stores and online shopping, the MQ Group gains a further SEK 260 million in net sales per year. We are taking a larger share of the total fashion apparel market and reaching a broader target group through Joy's "women at midlife" strategy. Since completion of the acquisition, I have stepped in as President for Joy as well and initiated the process of drafting an action package that will develop the retail brand's potential in the short and long term. The target group of women who have strong buyer power, who are inclined to buy and who are fashion-conscious needs to be given better attention in terms of the product range and the stores' commercial approach.

Our investments in remodelling and reopening MQ's network of stores continue. We are also investing in improved online shopping to further reinforce MQ Shop Online, which is rapidly growing as a sales channel. With a new customer relationship management (CRM) system in place, we can exert more pressure on satisfying the needs of our digitally savvy customers. To further reinforce our digital activities, the head of Omnichannel will also be in charge of the company's marketing communications. The department will subsequently assume total responsibility for promoting integrated communication and optimised media presence, featuring mq.se as the hub of all communication.

At the same time, an organisational structure decision has been made to close the Norwegian operations comprising four stores, which combined have generated a loss. Through the acquisition of Joy, we instead opt to prioritise our activities in Sweden where we have a strong position and the potential to grow.

Our comparable quarterly growth is not on par with our expectations. However, sales did increase over the nine-month period (September 2015 – May 2016), both in total and in comparable stores. Our well-balanced marketing activities have allowed us to present a generally high campaign rate and unveil the spring's important eveningwear collections, where MQ had a strong offering.

The period's performance is affected by non-recurring costs for the acquisition of Joy, two store openings, remodelling of several stores and intensified marketing communication. The organisation has a good sense of cost awareness.

We continue to evolve along the course already set with the ambition of gaining a larger share of the fashion apparel market. With two retail brands, MQ and Joy, and a total of 178 stores and two online shopping sites, we address a considerably broader target group. We see vast potential in the development activities we have ahead of us, and have this quarter taken a few critical steps toward strengthening the company as we move forward.

Christina Ståhl
President and CEO, MQ Holding AB

Group income and earnings

Third quarter, March 2016 – May 2016

Net sales amounted to SEK 379 million (363) for the quarter, up 4,4 percent. The Group's like-for-like sales declined 3.4 percent during the third quarter, compared with a market increase of 1.7 percent.

Gross profit was SEK 231 million (218), equal to a gross margin of 60.9 percent (60.1). Other external costs and personnel expenses for the quarter amounted to SEK 196 million (167). Costs increased SEK 29 million, half of which stem from adding Joy's operations to the cost base. The rest of the increase is attributed to newbuilds and remodelling of MQ stores, salary increases, higher employer's contributions and costs associated with the acquisition of Joy.

Operating profit for the quarter totalled SEK 32 million (47), corresponding to an operating margin of 8.5 percent (12.8). Depreciation/amortisation according to plan amounted to SEK 6 million (6). Net financial items for the third quarter amounted to an expense of SEK 2 million (expense: 1). Profit after financial items was SEK 31 million (46). Profit after tax was SEK 24 million (36).

Nine-month period, September 2015 – May 2016

Net sales amounted to SEK 1,194 million (1,137) during the nine-month period, up 5.0 percent. The Group's like-for-like sales rose 3.0 percent year-on-year, compared with the market increase of 3.2 percent.

Gross profit amounted to SEK 665 million (644), corresponding to a gross margin of 55.7 percent (56.7). Other external costs and personnel expenses for the nine-month period amounted to SEK 566 million (521). The rest of the increase is attributed to the addition of Joy's cost base, newbuilds and remodelling of MQ stores, salary increases, higher employer's contributions and costs associated with the acquisition of Joy.

Operating profit for the nine-month period totalled SEK 90 million (111), corresponding to an operating margin of 7.5 percent (9.8). Depreciation/amortisation according to plan amounted to SEK 17 million (20). Net financial items for the nine-month period were an expense of SEK 3 million (expense: 3). Profit after financial items was SEK 87 million (108). Profit after tax was SEK 68 million (84).

Group key figures

SEK m	Q3 Mar– May 15/16	Q3 Mar–May 14/15	Period Sep–May 15/16	Period Sep–May 14/15	Rolling 12 months June–May 15/16	Financial year Sep–Aug 14/15
Net sales	379	363	1 194	1 137	1 615	1 557
Gross margin, %	60,9	60,1	55,7	56,7	55,1	55,8
Operating profit	32	47	90	111	137	158
Operating margin, %	8,5	12,8	7,5	9,8	8,5	10,2
Profit after financial items	31	46	87	108	134	155
Profit for the period	24	36	68	84	104	120
Earnings per share before dilution, SEK	0,68	1,01	1,94	2,39	2,96	3,42
Earnings per share after dilution, SEK	0,68	1,01	1,94	2,39	2,96	3,42
Number of stores, at the end of the period	178	120	178	120	178	119

Business segment reporting

MQ Holding owns and operates fashion apparel stores under two business areas, MQ and JOY. Acquisition of the unlisted company Joy Shop AB was completed on 2 May 2016. The acquisition is in line with the MQ Group's long-term strategy to generate growth and advance its position as a player in the fashion industry. Due to the acquisition, internal follow ups will include separate financial information for each business area, which means that segment information will be provided for two segments as of the third quarter 2015/2016. The MQ Holding share is listed on Nasdaq Stockholm since 18 June 2010.



Founded in 1957, MQ currently operates 123 stores in Sweden and Norway as well as online shopping. MQ is Sweden's largest retailer of fashion brands today. Through a select mix of proprietary and external brands, MQ offers high-fashion menswear and womenswear in attractive stores.



JOY was founded in 1971 and today operates 55 wholly owned stores in Sweden as well as online shopping. JOY targets fashion-conscious women at midlife who desire excellent quality, fit and comfort. Customers are offered a well-coordinated product range with an inspiring variety of textiles, colours, patterns and prints to create a personal and unique fashion style.

Sales and earnings per segment *(Joy's figures refer to the month of May only)*

<i>Segment</i>	<i>Sales</i>	<i>Share, %</i>	<i>Operating profit</i>	<i>Stores</i>
	SEK 354 m	93%	SEK 30 m	123
	SEK 25 m	7%	SEK 2 m	55
TOTAL	SEK 379 m		SEK 32 m	178

Net sales and operating profit per segment (SEK m)	Q3 Mar–May 15/16	Q3 Mar–May 14/15	Period Sep–May 15/16	Period Sep–May 14/15	Rolling 12 months June–May 15/16	Financial year Sep–Aug 14/15
Net sales						
MQ	354	363	1 169	1 137	1 590	1 557
JOY	25	-	25	-	25	-
Total net sales	379	363	1 194	1 137	1 615	1 557
Operating profit						
MQ	30	47	88	111	135	158
JOY	2	-	2	-	2	-
Total operating profit	32	47	90	111	137	158



Third quarter, March 2016 – May 2016

Net sales amounted to SEK 354 million (363) for the quarter, down 2,5 percent. MQ's like-for-like sales declined 3.8 percent during the third quarter, compared with a market increase of 1.7 percent. Womenswear sales declined 1.6 percent to SEK 188 million (191) and menswear sales by 3.5 percent to SEK 166 million (172).

Gross profit was SEK 213 million (218), equal to a gross margin of 60.2 percent (60.1). Other external costs and personnel expenses for the quarter amounted to SEK 181 million (167). An increase in costs in the amount of SEK 14 million is attributed to newbuilds and remodelling of MQ stores, salary increases, higher employer's contributions and costs associated with the acquisition of Joy.

Operating profit for the quarter totalled SEK 30 million (47), corresponding to an operating margin of 8.4 percent (12.8). Depreciation/amortisation according to plan amounted to SEK 6 million (6). Net financial items for the third quarter amounted to an expense of SEK 2 million (expense: 1). Profit after financial items was SEK 28 million (46). Profit after tax was SEK 22 million (36).

Nine-month period, September 2015 – May 2016

Net sales amounted to SEK 1,169 million (1,137) during the nine-month period, up 2.8 percent. MQs like-for-like sales rose 2.6 percent during the period, compared with the market increase of 3.2 percent. Womenswear sales increased 2.1 percent to SEK 591 million (579) and menswear sales by 3.8 percent to SEK 579 million (558).

Gross profit was SEK 648 million (644), equal to a gross margin of 55.4 percent (56.7). Other external costs and personnel expenses for the nine-month period amounted to SEK 551 million (521). Costs increased in the amount of SEK 30 million, due to newbuilds and remodelling of MQ stores, salary increases, higher employer's contributions and costs associated with the acquisition of Joy.

Operating profit for the nine-month period totalled SEK 88 million (111), corresponding to an operating margin of 7.4 percent (9.8). Depreciation/amortisation according to plan amounted to SEK 17 million (20). Net financial items for the nine-month period were an expense of SEK 3 million (expense: 3). Profit after financial items was SEK 85 million (108). Profit after tax was SEK 66 million (84).



Because Joy was acquired on 2 May 2016, no financial information for the segment is presented for the period.



Group cash flow and financial performance

Cash flow

The Group's cash flow from operating activities during the nine-month period amounted to SEK 55 million (115). The negative effect of cash flow compared with the year-earlier period was attributable to higher income tax paid during the period and higher inventories. Cash flow after investments amounted to a negative SEK 19 million (pos: 101). Cash flow after investments is affected by investments in subsidiaries of SEK 31 million and SEK 29 million in higher year-on-year investments in new and existing stores.

Inventories

On 31 May 2016, the value of the Group's inventories was SEK 310 million (233). The higher level of inventories stems from new MQ stores and a SEK 27 million increase in inventories in conjunction with the Group's acquisition of Joy Shop AB. Inventories are slightly higher than planned due to lower like-for-like sales, but in total, the composition of inventories is deemed to be at a satisfactory level.

Investments

Investments during the nine-month period totalled SEK 74 million (14) and pertained to investments in four new MQ stores in Norrtälje, Mall of Scandinavia, Vetlanda and Bollnäs as well as relocation of the stores in Grensen (in Oslo) and Falun. Investments were also made in the remodelling of two of MQ's largest and most important stores – MQ Gallerian in Stockholm and MQ Femman in Nordstan in Gothenburg. All new, relocated and remodelled stores have been updated to the new store concept. Investments were also affected in the amount of SEK 31 million through the acquisition of Joy Shop AB.

Financing and liquidity

On 31 May 2016, the Group's interest-bearing net debt totalled SEK 204 million, compared with SEK 119 million on the same date in the preceding year. Net debt was affected in the amount of SEK 40 million through new loans in conjunction with the acquisition of Joy Shop AB. At the end of the period, cash and cash equivalents totalled SEK 32 million (72). Interest-bearing net debt/EBITDA was 1.9 (0.7) for the 12-month period of June 2015–May 2016.

Employees

The average number of full-time employees during the 12-month period (June 2015–May 2016) was 773 compared with 574 in the year-earlier period, of which 187 are full-time employees from Joy.

Risks and uncertainties

The MQ Group's operations are exposed to a number of risks that are completely or partly beyond the company's control, but which could impact sales and earnings. The risks that the company is exposed to include the economic trend, shifts in fashion, and interest-rate and currency risks. The MQ Group is dependent on consumer preferences with respect to trends, design and quality. The MQ Group makes conscious efforts to develop its trend monitoring, information systems, forecasts, supply chain management and to shorten lead times in the development of products to minimise the risks in fashion shifts. The purchasing power of Swedish consumers is a prerequisite for retail growth. This is particularly important for growth in the high price ranges, characterised by high fashion content among retailers and brand specialists. It is probable that a change in Sweden's economic growth would impact the purchasing power of consumers and thus growth in the retail sector. Financial risks pertain to fluctuations in the company's earnings and cash flow resulting from movements in exchange rates, interest rates, liquidity and credit risks. The Group's financial risks are managed by the Group's finance department, which is charged with identifying and minimising the risk of negative effects on earnings and improving the predictability of future earnings. For further information about financial instruments and risk management, refer to the Administration Report and Notes 23 and 24 of the Annual Report for the 2014/2015 financial year.

Parent Company

The Parent Company's net sales for the nine-month period amounted to SEK 9 million (9) and its profit after financial items to SEK 58 million (44). The Parent Company made an investment for SEK 31 million through the acquisition of Joy Shop AB during the period.

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 2016

Board of Directors
MQ Holding AB

Claes-Göran Sylvén
Chairman of the Board

Annika Rost
Board Member

Bengt Jaller
Deputy Chairman

Michael Olsson
Board Member

Arthur Engel
Board Member

Mernosh Saatchi
Board Member

Anna Engebretsen
Board Member

Christina Ståhl
President

Teleconference

A teleconference will be held at 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 2016–August 2016	6 October 2016
Interim report, first quarter, September 2016–November 2016	15 December 2016
Interim report, second quarter, December 2016–February 2017	16 March 2017

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 2016 at 7:15 a.m.

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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 15/16	Q3 Mar–May 14/15	Period Sep–May 15/16	Period Sep–May 14/15	Rolling 12 months June–May 15/16	Financial year Sep–Aug 14/15
Net sales	379	363	1 194	1 137	1 615	1 557
Other operating income	4	2	8	10	11	13
Total operating income	383	365	1 202	1 147	1 626	1 570
• Goods for resale	-148	-145	-529	-492	-726	-689
• Other external costs	-99	-84	-287	-269	-373	-356
• Personnel expenses	-97	-83	-279	-252	-366	-339
• Other operating expenses	0	0	-1	-2	-1	-2
• Depreciation/amortisation	-6	-6	-17	-20	-24	-26
Operating profit	32	47	90	111	137	158
• Financial income	-1	0	-1	0	-1	1
• Financial expenses	-1	-1	-2	-3	-2	-4
Profit after financial items	31	46	87	108	134	155
Tax on profit for the period	-7	-10	-19	-24	-30	-35
PROFIT FOR THE PERIOD attributable to Parent Company shareholders	24	36	68	84	104	120
OTHER COMPREHENSIVE INCOME Items that have been restated or that can be restated in profit for the period						
Translation difference	1	0	1	0	-1	-1
Changes in fair value of cash-flow hedging	-4	-2	-6	0	-6	-1
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS	22	34	63	84	98	119
Earnings per share before dilution (SEK)	0,68	1,01	1,94	2,39	2,96	3,42
Earnings per share after dilution (SEK)	0,68	1,01	1,94	2,39	2,96	3,42
Average number of shares before dilution	35 156 507	35 156 507	35 156 507	35 156 507	35 156 507	35 156 507
Average number of shares after dilution	35 156 507	35 156 507	35 156 507	35 156 507	35 156 507	35 156 507

Consolidated balance sheet

Condensed consolidated balance sheet (SEK m)	31 May 2016	31 May 2015	31 August 2015
ASSETS			
Fixed assets			
Intangible fixed assets	1 261	1 204	1 204
Tangible assets	68	47	46
Total fixed assets	1 329	1 251	1 250
Current assets			
Inventories	310	233	286
Current receivables	64	70	105
Cash and cash equivalents	32	72	23
Total current assets	406	375	415
TOTAL ASSETS	1 735	1 626	1 665
EQUITY AND LIABILITIES			
Equity	1 044	1 008	1 043
Liabilities			
Interest-bearing long-term liabilities	100	154	84
Non-interest-bearing long-term liabilities	189	183	190
Interest-bearing current liabilities	140	41	46
Non-interest-bearing current liabilities	262	240	302
TOTAL EQUITY AND LIABILITIES	1 735	1 626	1 665

Statement of changes in equity

Specification of changes in the Group's equity (SEK m)	Period Sep–May 2015/16	Period Sep–May 2014/15	Financial year Sep–Aug 2014/15
Equity, opening balance	1 043	955	955
Total comprehensive income	63	84	119
Dividend	-61	-48	-48
Incentive programmes	-	16 ¹	16 ¹
EQUITY, CLOSING BALANCE	1 044	1 008	1 043

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

Consolidated cash-flow statement

Condensed consolidated cash-flow statement (SEK m)	Q3 Mar–May 2015/16	Q3 Mar–May 2014/15	Period Sep–May 2015/16	Period Sep–May 2014/15	Financial year Sep–Aug 2014/15
Cash flow from operating activities before changes in working capital	24	42	73	121	167
Changes in working capital	-15	4	-18	-6	-29
Cash flow from operating activities	8	46	55	115	137
Cash flow from investing activities					
Acquisition of intangible assets	-1	-1	-12	-1	-2
Acquisition of tangible assets	-11	-4	-31	-13	-18
Investments in subsidiaries	-31	-	-31	-	-
Cash flow after investing activities	-34	41	-19	101	117
Financing activities					
<i>Amortisation</i>	-	-	-20	-20	-90
<i>Loans raised</i>	40	-	40	-	-
<i>Dividend</i>	-	-	-61	-48	-48
<i>Utilisation of overdraft facility</i>	12	-	68	-1	4
Cash flow from financing activities	52	-	26	-69	-134
Cash flow for the period	18	41	8	32	-17
Cash and cash equivalents at the beginning of the period	14	31	23	40	40
Cash and cash equivalents at the end of the period	32	72	32	72	23

The Group's key figures

	Q3 Mar–May 15/16	Q3 Mar–May 14/15	Period Sep–May 15/16	Period Sep–May 14/15	Rolling 12 months June–May 15/16	Financial year Sep–Aug 14/15
Growth in net sales, %	4,4	3,7	5,0	-0,2	6,4	2,4
Sales growth, like-for-like, %	-3,4	4,3	3,0	0,7	5,4	3,3
Gross margin, %	60,9	60,1	55,7	56,7	55,1	55,8
Operating profit, SEK m	32	47	90	111	137	158
Operating margin, %	8,5	12,8	7,5	9,8	8,5	10,2
Profit after financial items	31	46	87	108	134	155
Profit for the period	24	36	68	84	104	120
Total depreciation/amortisation, SEK m	-6	-6	-17	-20	-24	-26
Earnings per share before dilution, SEK	0,68	1,01	1,94	2,39	2,96	3,42
Interest-bearing net debt, SEK m	204	119	204	119	204	103
Interest-bearing net debt/EBITDA, multiples	1,9	0,7	1,9	0,7	1,9	0,6
Equity/assets ratio, %	60	62	60	62	60	63
Equity, SEK m	1 044	1 008	1 044	1 008	1 044	1 043
Average number of shares before dilution	35 156 507	35 156 507	35 156 507	35 156 507	35 156 507	35 156 507
Average number of shares after dilution	35 156 507	35 156 507	35 156 507	35 156 507	35 156 507	35 156 507

Shareholder structure

Largest shareholders as of 31 May 2016

Name	Number of shares	Share capital, %
Öresund, Investment AB	6 057 170	17,2
Jaller Klädcenter AB	3 062 000	8,7
Danske Capital Sweden AB	2 489 092	7,1
DNB – Carlson Fonder	1 390 832	4,0
Unionen	1 100 000	3,1
Länsförsäkringar Fondförvaltning AB	1 015 209	2,9
Qviberg Engebretsen, Anna	971 836	2,8
Sijoitusrahasto Evli Ruotsi Pi	798 000	2,3
Clients Account-Dcs	797 865	2,3
Catella Fondförvaltning	754 573	2,1
Försäkringsaktiebolaget, Avanza Pension	654 735	1,9
Qviberg, Eva	600 000	1,7
CBNY-Dfa-Int Sml Cap V	503 773	1,4
Qviberg, Jacob	500 000	1,4
Skandia Fonder	397 318	1,1
Total 15 largest	21 092 403	60,0
Other	14 064 104	40,0
Total	35 156 507	100

Parent Company income statement

Parent Company income statement in summary (SEK m)	Q3 Mar– May 15/16	Q3 Mar– May 14/15	Period Sep– May 15/16	Period Sep–May 14/15	Rolling 12 months June-May 15/16	Financial year Sep–Aug 14/15
Net sales	3	3	9	9	13	13
Other operating income	-	-	-	-	-	-
Total operating income	3	3	9	9	13	13
• Goods for resale	-	-	-	-	-	-
• Other external costs	-1	-2	-3	-4	-5	-5
• Personnel expenses	-3	-3	-9	-9	-12	-12
• Other operating expenses	-	-	-	-	-	-
• Depreciation/amortisation	-	-	-	-	-	-
Operating profit	-1	-2	-3	-4	-4	-4
• Income from shares	0	0	61	48	61	48
• Financial income	1	2	1	3	1	3
• Financial expenses	-1	-2	-1	-3	-1	-3
Profit/loss after financial items	-1	-2	58	44	57	43
Group contributions	-	-	-	-	4	4
Tax on profit for the period	0	0	0	0	0	0
PROFIT/LOSS AFTER TAX	-1	-2	58	44	61	47

Parent Company balance sheet

Parent Company balance sheet in summary (SEK m)	31 May 2016	31 May 2015	31 August 2015
ASSETS			
Fixed assets			
Intangible assets	-	-	-
Tangible assets	-	-	-
Financial fixed assets	1 156	1 110	1 110
Total fixed assets	1 156	1 110	1 110
Current assets			
Current receivables	1	1	1
Cash and cash equivalents	2	1	1
Total current assets	3	2	2
TOTAL ASSETS	1 159	1 112	1 112
EQUITY AND LIABILITIES			
Equity	565	565	568
Liabilities			
Interest-bearing long-term liabilities	98	150	80
Interest-bearing current liabilities	43	40	40
Non-interest-bearing long-term liabilities	5	-	-
Non-interest-bearing liabilities	448	357	424
TOTAL EQUITY AND LIABILITIES	1 159	1 112	1 112
Pledged assets			
Shares in subsidiaries	1 156	1 110	1 110
Contingent liabilities			
Guarantees related to subsidiaries' completion of leasing contracts	43	34	45
Guarantees related to MQ Retail AB	185	184	184
Total contingent liabilities	228	218	229

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

Note 1 Accounting Policies

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

The interim report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts Act, Interim Financial Reporting. For the Group and the Parent Company, the same accounting policies and measurement principles have been applied as in the most recent Annual Report.

Due to the acquisition of Joy Shop AB, segment information will be provided for two segments as of the third quarter 2015/2016.

Note 2 Business combinations

On 2 May 2016, the Group acquired 100% of the shares in the unlisted company Joy Shop AB for SEK 38.5 million. The purchase price was paid in cash and financed by extending MQ's borrowings in the amount of SEK 40 million. Direct acquisition costs amounted to SEK 2 million and have been charged to "Other external costs" in the consolidated statement of earnings and other comprehensive income under the third quarter. Joy Shop AB is a nationwide retail-clothing company and there is great potential to develop the company as a strong retail concept for the women at midlife target group, which has strong buying power. The acquisition is in line with the MQ Group's long-term strategy to generate growth and advance its position as a player in the fashion industry. The acquisition has only contributed marginally to the company's income and EBITDA during the third quarter. The table below shows the preliminary acquisition analysis.

Acquired intangible assets (MSEK)	Fair value
Brands	44
Other intangible assets	3
Tangible assets	8
Inventories	27
Other current receivables	9
Provisions	-1
Current interest-bearing liabilities	-23
Current non-interest-bearing liabilities	-37
Acquired net assets	31
Purchase price	39
Less:	
Cash and cash equivalents	-8
Impact on the Group's cash and cash equivalents	31

Note 3 Fair value for financial instruments

Derivative instruments are measured at fair value, which amounted to SEK 1.8 million at 31 May 2016. Determining the fair value of currency contracts (currency forward contracts) is based on valuations made by credit institutions, if such figures are available. If these are not available, the fair value is calculated by discounting the difference between the agreed forward rate and the forward rate that can be effected on the balance-sheet date for the remaining period of the contract. For other financial instruments, carrying amounts reflect their fair value.

According to IFRS 7, financial instruments must be categorised in three categories based on the input data used to measure the fair value. The first level relates to financial instruments quoted in an active market. The second level is for financial instruments that are not quoted in an active market for which the market value can be determined using other market data. The last level relates to valuations where no quoted market value or other market data is available. Techniques to obtain a valuation for level three mainly involve discounting cash flows. All of MQ's derivatives belong to the second level.

Note 4 Events after the end of the reporting period

A decision has been made to close MQ's Norwegian operations. To further reinforce our digital activities, the head of Omnichannel will also be in charge of the company's marketing communications. The department will subsequently assume total responsibility for promoting integrated communication and optimised media presence, featuring mq.se as the hub of all communication.

Note 5 Related-party transactions

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

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 Holding AB owns and operates fashion stores under two business areas: MQ and JOY. MQ is Sweden's largest retailer of fashion brands today. Through a select mix of proprietary and external brands, MQ offers high-fashion menswear and womenswear in attractive stores. JOY targets fashion-conscious women at midlife who desire excellent quality, fit and comfort. The two business areas currently comprise a total of 178 stores as well as online shopping. The MQ Holding share has been listed on Nasdaq Stockholm since 18 June 2010. For more information, please visit our website at www.mq.se.