

# Interim Report 1-3/2014

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# Agenda

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## 1) **Key events during the period:**

Marimekko conducted consultative negotiations. The negotiations determined that the targeted savings could be achieved through markedly smaller reductions in staffing than had been estimated.

The company initiated an international recruitment process to seek a new Creative Director.

Three new Marimekko stores opened during the period under review.

## 2) **Net sales:**

Net sales fell by 6% relative to the same period last year. A downturn in wholesale sales in all market areas was the biggest factor in the decline. The decrease was mainly due to a change in the rhythm of deliveries.

## 3) **Operating profit:**

Profitability typically weak due to seasonality. Operating result excluding nonrecurring items improved in spite of the downturn in sales.

## 4) **Market outlook and growth targets, and financial guidance**

The main thrust in expansion is on openings of retailer-owned Marimekko stores. In 2014, the aim is to open a total of 15-25 new Marimekko stores and shop-in-shops, 1-3 of which would be company-owned.

Net sales and operating profit forecasts for the full year 2014 remain unchanged.

## 5) **Events after the review period:**

Anna Teurnell has been appointed as new Creative Director of Marimekko as of 15 July 2014.

Retailer-owned store opened in Hong Kong in April.



## Key events in Q1

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Reorganisations in Finland and the US: The negotiations determined that the targeted savings could be achieved through markedly smaller reductions in staffing than had been estimated. The arrangements in the US are still to some extent incomplete.

In order to strengthen the international competitiveness of its design management Marimekko decided in February 2014 to initiate an international recruitment process for a new Creative Director. Marimekko announced on 16 April 2014 that Anna Teurnell is appointed as the new Creative Director of Marimekko and member of the company's Management Group.

In the January-March period of 2014, three Marimekko stores were opened: a company-owned store in Ikaalinen, Finland, a retailer-owned store in Nishinomiya, Japan, and a shop-in-shop in New Zealand.

The winter/fall 2014 fashion show was held in Helsinki in March: the Allu-dress woven from a new Finnish birch fibre pulp was showcased.

# Consultative negotiations and reorganisation

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- Consultative negotiations that started in February 2014 ended in March.
- Results of the downsizing and working hours arrangements in Finland
  - elimination of 22 jobs
  - at most 35 employees' jobs were converted to part-time basis or working hours were reduced.
- The aim is to achieve annual cost savings of an estimated EUR 1.5 million
  - savings will be realised gradually as of Q2 2014
  - full impact as of Q4 2014.
- In connection with the downsizing, the company posted nonrecurring cost provision of EUR 0.7 million for Q1 2014.
- Arrangements in the US are still to some extent incomplete.





First special store for kids opened in Helsinki in February.

marimekko®





**New outlet store in Ikaalinen opened in March.**

**marimekko®**

# marimekko®



**New store in Nishinomiya, Japan opened in March.**

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**Shop-in-shop in Christchurch, New Zealand opened in March.**





**Autumn/winter 2014 fashion show was held at the Helsinki Central Railway Station in March 2014.**

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



## Allu-dress

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Marimekko showcased the Allu-dress at the autumn/winter 2014 fashion show in Helsinki Central Railway Station in March 2014. Allu-dress was created as a collaboration between Marimekko and Aalto-university. The dress is made from ecological Ioncell fibre that comes from a raw material of domestic birch-derived dissolving pulp obtained from Finnish pulp mills.

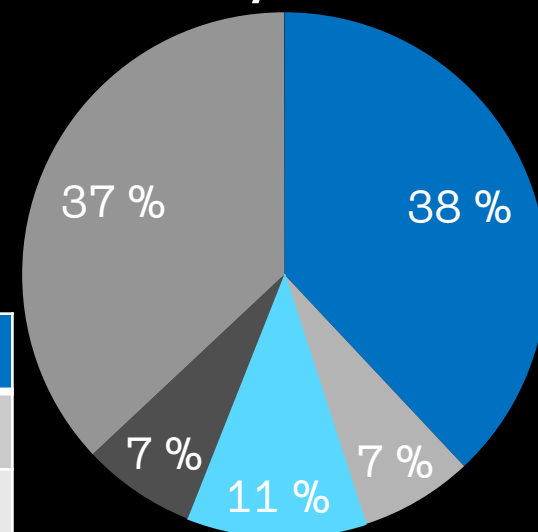
# Brand sales

Brand sales\* in January-March 2014 decreased by 10% to EUR 39.7 million (44.3). 62% of the sales came from abroad (63).

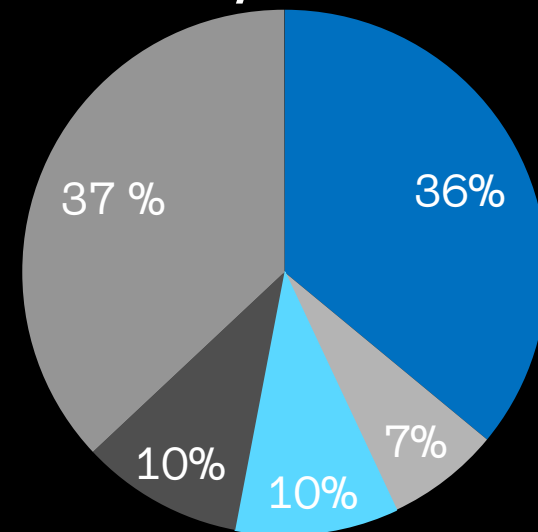
	(EUR 1,000)	1-3/2014	1-3/2013	Change,%
 Finland		15,272	16,203	-6
 Scandinavia		2,810	3,033	-7
 Central and Southern Europe		4,162	4,388	-5
 North America		2,715	4,347	-38
 Asia-Pacific		14,761	16,351	-10
	TOTAL	39,720	44,323	-10

\* Estimated sales of Marimekko products at consumer prices. Brand sales are calculated by adding together the company's own retail sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's actual wholesale sales to these retailers, is unofficial and does not include VAT. The figure is not audited.

**1-3/2014**



**1-3/2013**





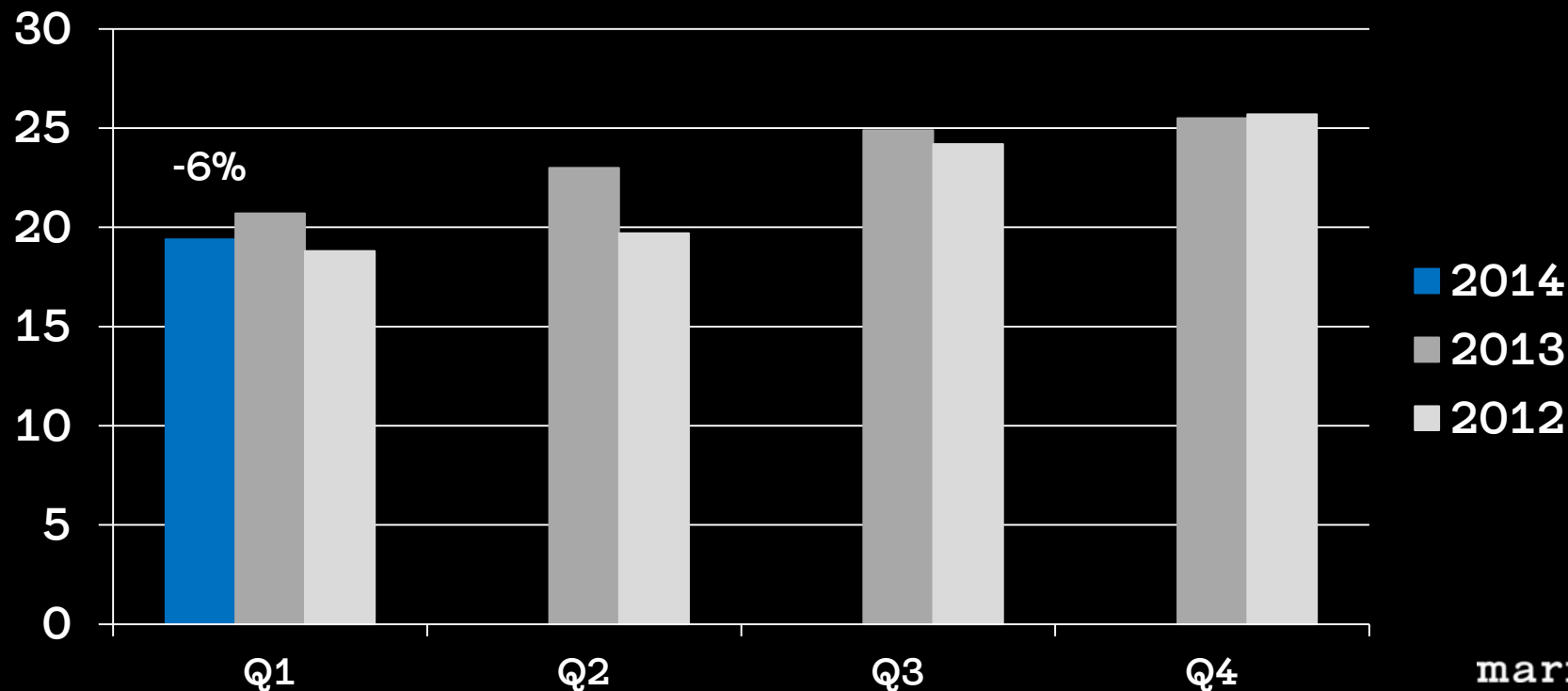
# Net sales

During Q1 net sales fell by 6% to EUR 19.4 million (20.7).

The decline is explained partly by a change in the rhythm of deliveries for wholesale: a large proportion of the products in the spring 2014 collection was delivered as early as December 2013, unlike the previous practice.

With the exception of Finland, retail sales grew in all market areas, which was partly due to additional sales generated by stores opened in 2013. Business climate for retail trade in Finland continued to be challenging, even more so than had been expected.

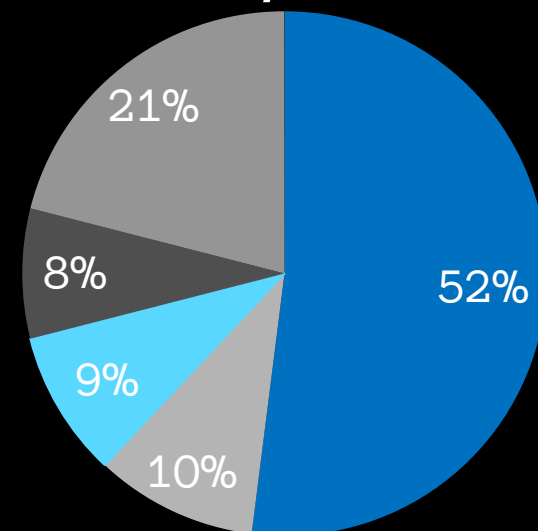
EUR million



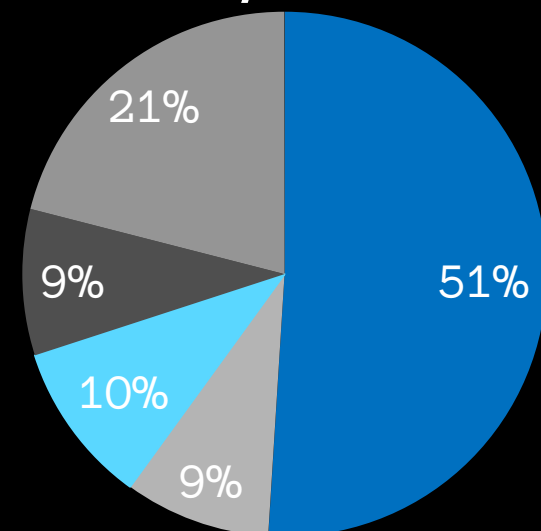
# Net sales by market area

	(EUR 1,000)	1-3/2014	1-3/2013	Change,%
Finland		10,037	10,486	-4
Scandinavia		1,907	1,879	1
Central and Southern Europe		1,837	2,001	-8
North America		1,511	1,871	-19
Asia-Pacific		4,084	4,473	-9
TOTAL		19,376	20,710	-6

1-3/2014



1-3/2013



# Net sales by market area

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Wholesale sales declined in all market areas: the decrease was mainly due to a change in the rhythm of deliveries of spring collection.

In Finland, net sales -4%: retail sales were on a par with the same period last year, wholesale sales -8%. Wholesale sales were impacted by retailers' cautiousness in addition to the change in the rhythm of deliveries. Comparable sales by company-owned stores fell by 2%.

In Scandinavia the sales were slightly stronger than in the same period last year: retail sales +32%, wholesale sales -21%. Retail sales were boosted by the two new Marimekko stores opened in 2013 as well as by the extension to Sweden and Denmark of online retailing. Comparable sales by company-owned stores rose by 2%.

In Central and Southern Europe, net sales -8%: retail sales +12%, wholesale sales -13%. Comparable sales grew by 13% and sales took a favourable trend particularly in Germany and the UK.

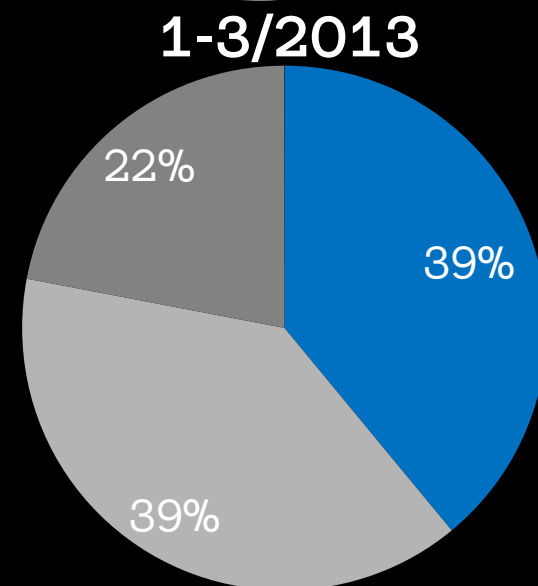
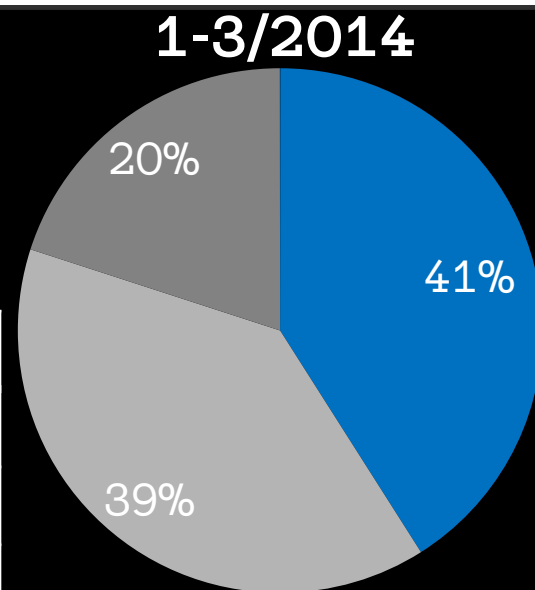
Net sales in North America fell by 19%: retail sales +2%, wholesale sales -51%. The shop-in-shop partnership with the Crate and Barrel will end in summer 2014, which showed up as a clear downturn in the number of products ordered.

Net sales in the Asia-Pacific region -9%: wholesale sales -10%, retail sales +2%. Wholesale sales were impacted by the change in the delivery rhythm for the spring collection.



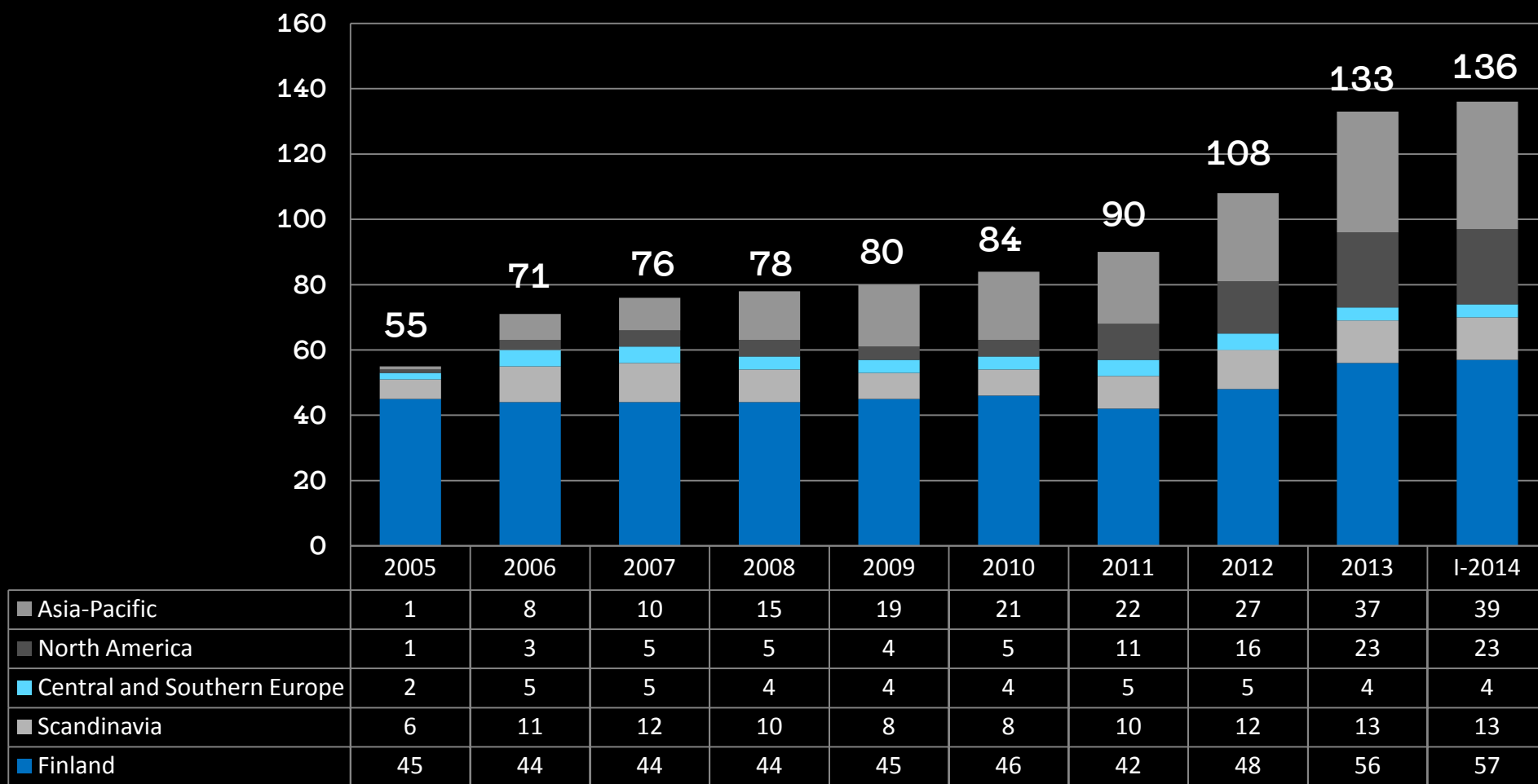
# Net sales by product line

	(EUR 1,000)	1-3/2014	1-3/2013	Change, %
Clothing		8,027	8,025	0
Interior Decoration		7,560	8,187	-8
Bags		3,789	4,498	-16
TOTAL		19,376	20,710	-6



# Marimekko stores

136 stores\* at the end of March 2014.



\*Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 52 at the end of March 2014 (47).

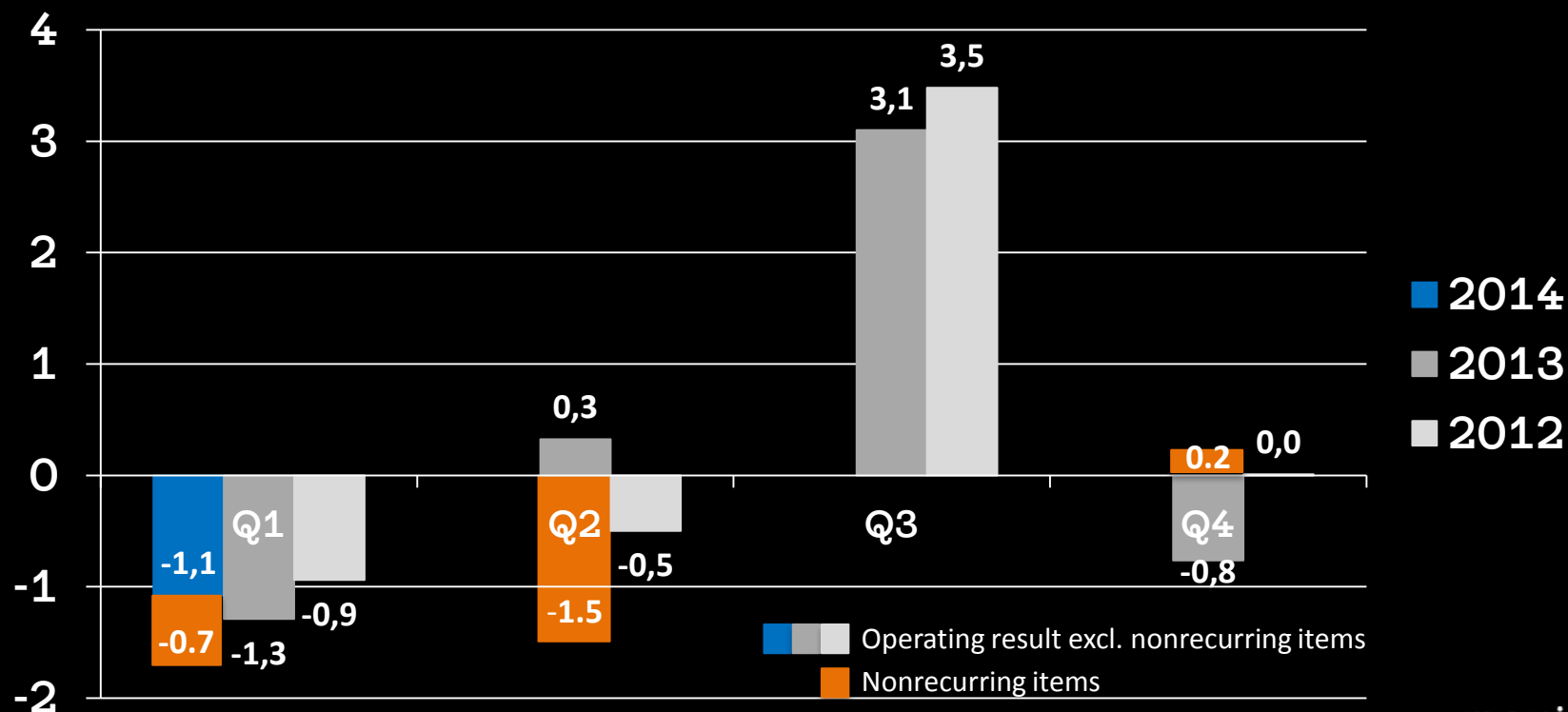
# Operating result

In Q1 2014, the operating result was EUR -1.7 million (-1.3).

Operating result excluding nonrecurring items was EUR -1.1 million (-1.3).

Operating result excluding nonrecurring items improved in spite of the downturn in sales. The improved result was due primarily to the savings arising from the closure of Sulkava and Kitee factories, from actions to streamline production at the fabric printing factory in Helsinki as well as from the reorganisations in Finland and in the US and writedowns of the company-owned stores.

EUR million

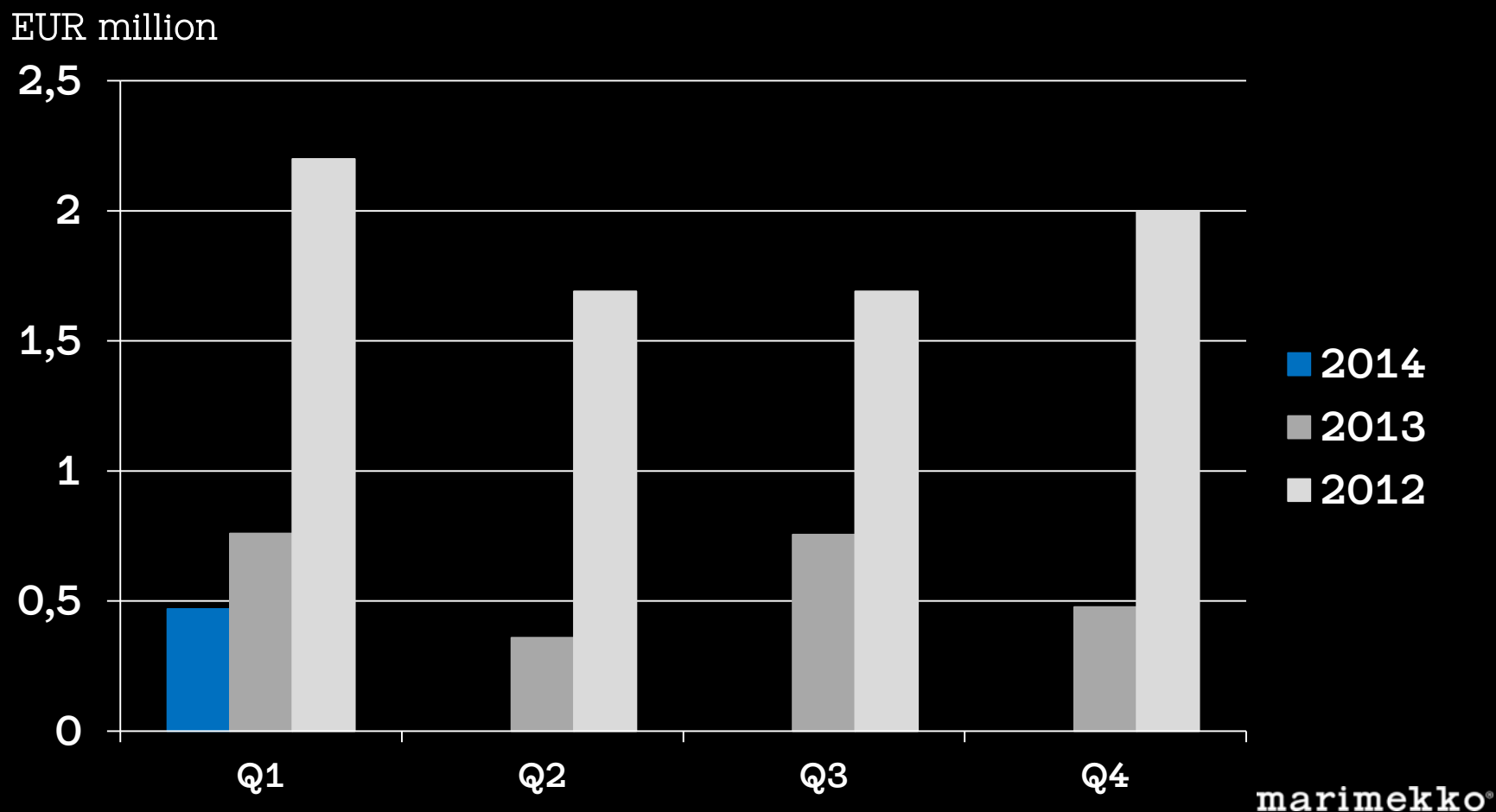




# Investments lower than in Q1 2013

Gross investments during Q1 2014 were EUR 0.5 million (0.8) representing 2% of net sales (4%).

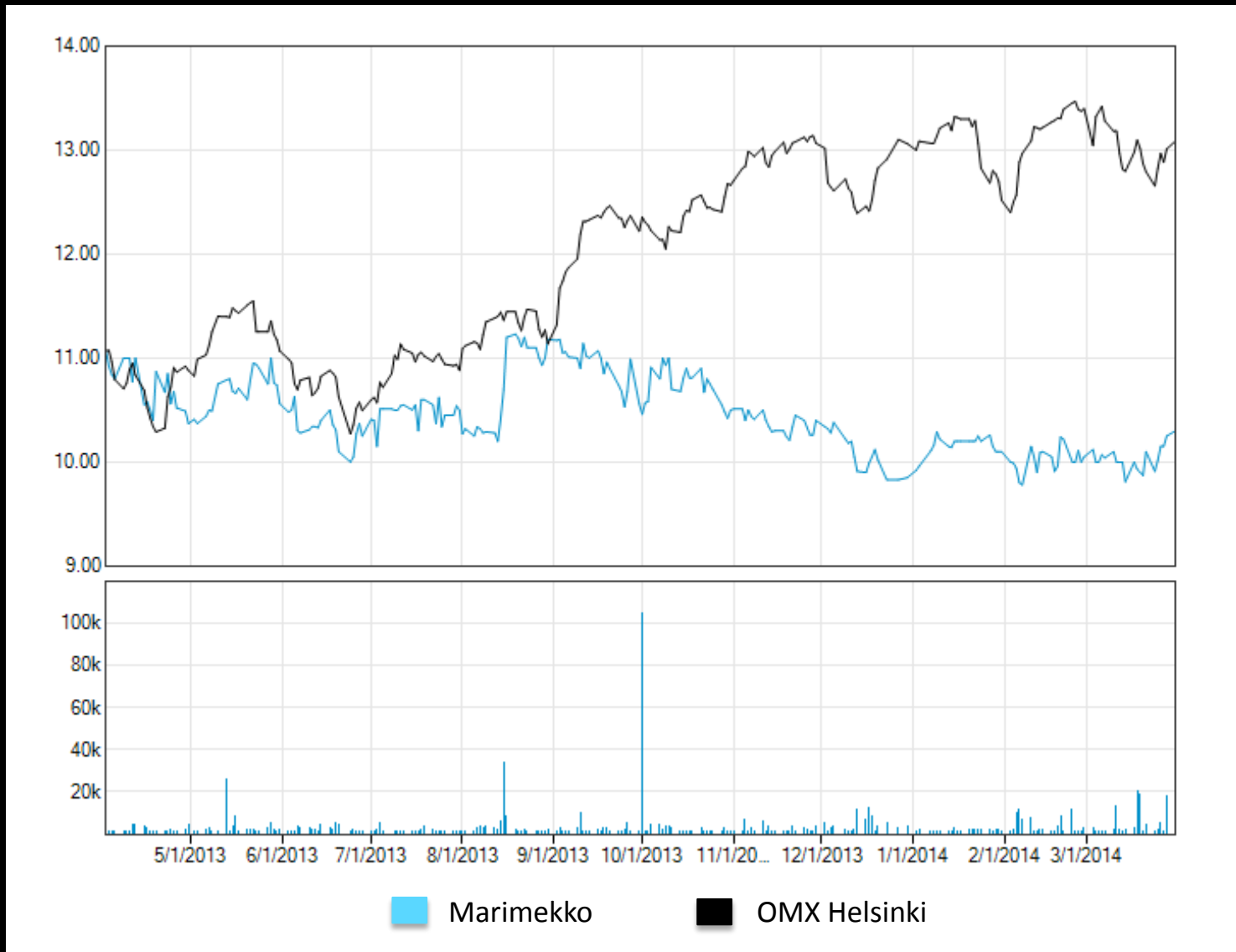
Most of the investments were devoted to building store premises and the procurement of furniture.



# Key figures

	1-3/2014	1-3/2013	Change, %	1-12/2013
Net sales, EUR 1,000	19,376	20,710	-6	94,007
International sales, EUR 1,000	9,339	10,224	-9	41,848
% of net sales	48	49		45
EBITDA, EUR 1,000	-666	-185	-260	6,854
Operating result, EUR 1,000	-1,748	-1,290	-36	82
Operating result margin, %	-9.0	-6.2		0.1
Result for the period, EUR 1,000	-1,498	-1,129		-955
Earnings per share, EUR	-0.19	-0.14	-36	-0.12
Cash flow from operating activities, EUR 1,000	-2,219	-2,296	3	5,424
Gross investments, EUR 1,000	539	761	-29	2,353
Return on investment (ROI), %	-18.1	-10.8		-1.1
Equity ratio, %	53.4	53.8		55.5
Gearing, %	44.4	43.8		31.7
Contingent liabilities, EUR 1,000	36,768	41,276	-11	37,365
Personnel at the end of the period	476	517	-8	502
outside Finland	111	96	16	124
Brand sales, EUR 1,000	39,720	44,323	-10	191,098
outside Finland, EUR 1,000	24,448	28,120	-13	115,060
proportion of international sales, %	62	63		60
Number of retail stores and shop-in-shops	136	108	26	133

# Share price previous 12 months



# Market outlook and growth targets in 2014

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Overall uncertainty in the global economy is forecast to continue, and this may impact consumers' purchasing behaviour in all of Marimekko's market areas.

The Asia-Pacific region was the driving force in Marimekko's sales growth in 2013 and the company still sees growing demand for its products in this market area. There are 27 retailer-owned Marimekko stores in Japan and the company's wholesale sales to Japan have been growing for several successive years. The rise of the euro against the yen and an increase in sales tax in Japan in April 2014 may, however, have a negative impact on Marimekko's wholesale sales.

The weak state of the retail market in Finland and the negative trend in comparable sales by Marimekko's company-owned Finnish stores which started in the second half of 2013 have continued as forecast during the current year. The relative trend in retail sales is expected to improve starting from the beginning of the third quarter due to the low level of sales in the comparison period. Low confidence in the retail trade trend and consumers' weaker purchasing power may be reflected in retailers' caution as they replenish their stocks during the remainder of the year as well.

Wholesale sales by Marimekko in the second half of the year will be boosted by considerable, nonrecurring promotional deliveries. The Banana Republic Marimekko Collection to be launched in May 2014 will boost Marimekko's royalty earnings in the second half of 2014.

# Market outlook and growth targets in 2014

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In 2014, the main thrust in expansion is on openings of retailer-owned Marimekko stores. The aim is to open a total of 15-25 new Marimekko stores and shop-in-shops. Of these, 1-3 would be company-owned. Furthermore, the company will concentrate on developing the operations of company-owned stores opened in recent years and on improving the overall profitability of business. During the January-March period of 2014, three Marimekko stores were opened.

The planned total investments for 2014 of the Marimekko Group are estimated at roughly EUR 3 million. The majority of investments will be directed at building new store premises and purchasing new furniture.



# Financial guidance for 2014

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The forecast for the whole of 2014 remains unchanged: On the basis of general market prospects, the company's growth targets and the agreed reorganisations, the net sales of the Marimekko Group in 2014 are forecast to grow by 3-8 percent relative to 2013. Operating profit excluding nonrecurring items is estimated at EUR 4-8 million.



## Events after the review period

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Marimekko is updating processes related in particular to design, product development and procurement.

Anna Teurnell is appointed as the new Creative Director of Marimekko as of 15 July 2014. Minna Kemell-Kutvonen, previous Creative Director of Marimekko, will continue in the design team with responsibility for print design.

Retailer-owned store opened in Hong Kong in April.

# New Creative Director

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- In February 2014, the company initiated an international recruitment process for a new Creative Director in order to strengthen the international competitiveness of its design management.
- Marimekko announced on 16 April 2014 the appointment of the new Creative Director. Anna Teurnell is appointed as the new Creative Director of Marimekko and member of the company's Management Group as of 15 July 2014.
- Minna Kemell-Kutvonen, previous Creative Director of Marimekko, will continue in the design team with responsibility for print design.

# The new Creative Director of Marimekko: Anna Teurnell

- Anna Teurnell (47)
- Head of Design for the fashion brand & Other Stories
- Responsible for the design of all fashion lines and leading the design teams in Paris and Stockholm
- Graduated from Beckmans College of Design
- Several key roles in brand management and design at the Hennes & Mauritz Group
- Experience also in print design for fashion







**New retailer-owned store opened in Taikoo Shing, Hong Kong in April.**

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