

Interim Report 1-6/2014

Mika Ihamuotila

14 August 2014

Agenda

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

Marimekko renews its processes related in particular to design, product development and procurement.

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

Marimekko's and Banana Republic's limited edition capsule collection was launched in May.

A partnership contract signed with BinHendi Enterprises, with the aim of opening a total of eight

Marimekko stores in the Middle East by the end of 2019.

Retailer-owned store opened in Hong Kong in April, one shop-in-shop in the US and one in Finland.

2) **Net sales:**

Net sales fell by 6% relative to the same period last year. The decline is explained by a downturn in wholesale sales in all market areas and a fall in retail sales in Finland.

3) **Operating result:**

Profitability typically weak due to seasonality. Despite the decline in net sales, operating result improved from the comparison period.

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

The main thrust in expansion is on openings of retailer-owned Marimekko stores. The number of stores to be opened in 2014 has been confirmed to 22: 4 company-owned stores, 10 retailer-owned stores and 8 shop-in-shops.

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

Our industry's current phenomena

- 1) New markets opened up by globalisation
- 2) Digitisation
- 3) Changes in consumer spending habits and values
 - ecological products
- 4) The weak state of the global economy and consumer market

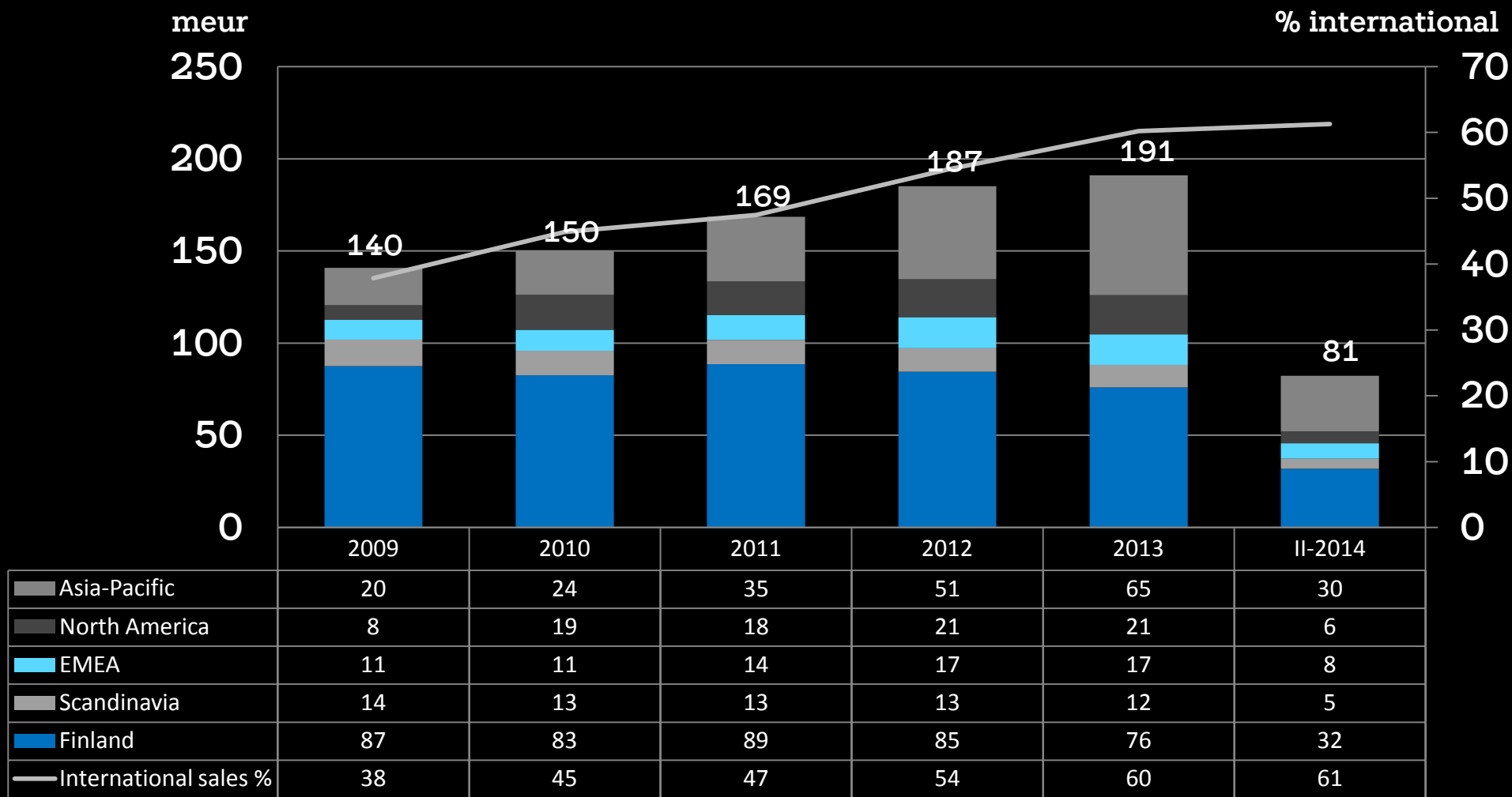


Wholesale and retail sales in Finland 2000-2015E



Source: Kauppalehti 5.8.2014

Marimekko brand sales 2009-H1/2014: +40%



Marimekko strategic focus areas

2008 – 12	2010 – 14	2014 – 18
Foundations	Global company	Profitable and global fashion & home brand with strong digital operations
		<ul style="list-style-type: none"> • From a "niche design cult brand" to much broader appeal for selected target customers • Fashion to a new level • Translating recent growth into stronger profitability • Strong store growth with special focus in Asia • New generation steps in digital and collaborations
	<ul style="list-style-type: none"> • Development of fashion • Launch of a global network of stores • Launch of US e-commerce and focus on digital communication • Efficiency improvements • Successful global collaborations • Launch of sustainability and CSR organization 	
<ul style="list-style-type: none"> • Crystallization of the brand • Building a professional organization • Corporate culture • New categories in home products • Store concept • New stores and teams in Asia and North-America 		



Key events in Q2

Marimekko renews its processes related in particular to design, product development and procurement.

Anna Teurnell was 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.

Marimekko's and Banana Republic's limited edition capsule collection launched at selected Banana Republic locations worldwide and online in May 2014.

Marimekko announced the signing of a partnership contract with BinHendi Enterprises, with the aim of opening a total of eight Marimekko stores in the Middle East by the end of 2019. The first store will open in Dubai in the fourth quarter of 2014, and the next two stores most likely next year.

Retailer-owned store opened in Hong Kong in April. Also one shop-in-shop opened in the US and one in Finland.



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

marimekko



Taikoo Shing, Hong Kong



EQ3's new Marimekko-shop-in-shop opened in San Francisco in May.



Marimekko-shop-in-shop, EQ3, San Francisco



Marimekko's and Banana Republic's limited edition capsule collection was launched around the world in May 2014.

marimekko®

Brand sales

Brand sales* in January-June 2014 fell by 11% to EUR 81.3 million (91.2).

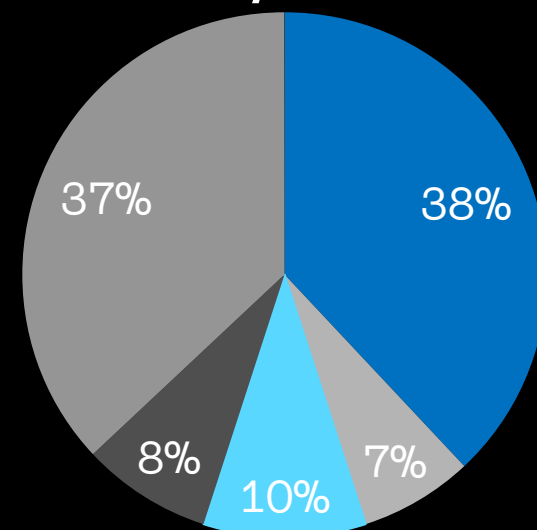
62% of the sales came from abroad (63).

	(EUR 1,000)	1-6/2014	1-6/2013	Change,%
Finland		30,873	33,433	-8
Scandinavia		5,473	5,488	0
EMEA**		8,346	8,526	-2
North America		6,390	11,932	-46
Asia-Pacific		30,255	31,857	-5
TOTAL		81,337	91,236	-11

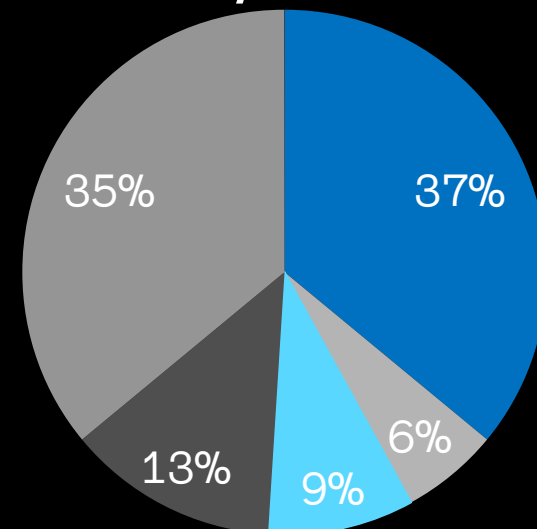
*Estimated sales of Marimekko products at consumer prices. Brand sales are calculated by adding together the company's own retail sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's actual wholesale sales to these retailers, is unofficial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

** The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area) as a result of the partnership initiated in the Middle East during the period under review.

1-6/2014



1-6/2013



marimekko®

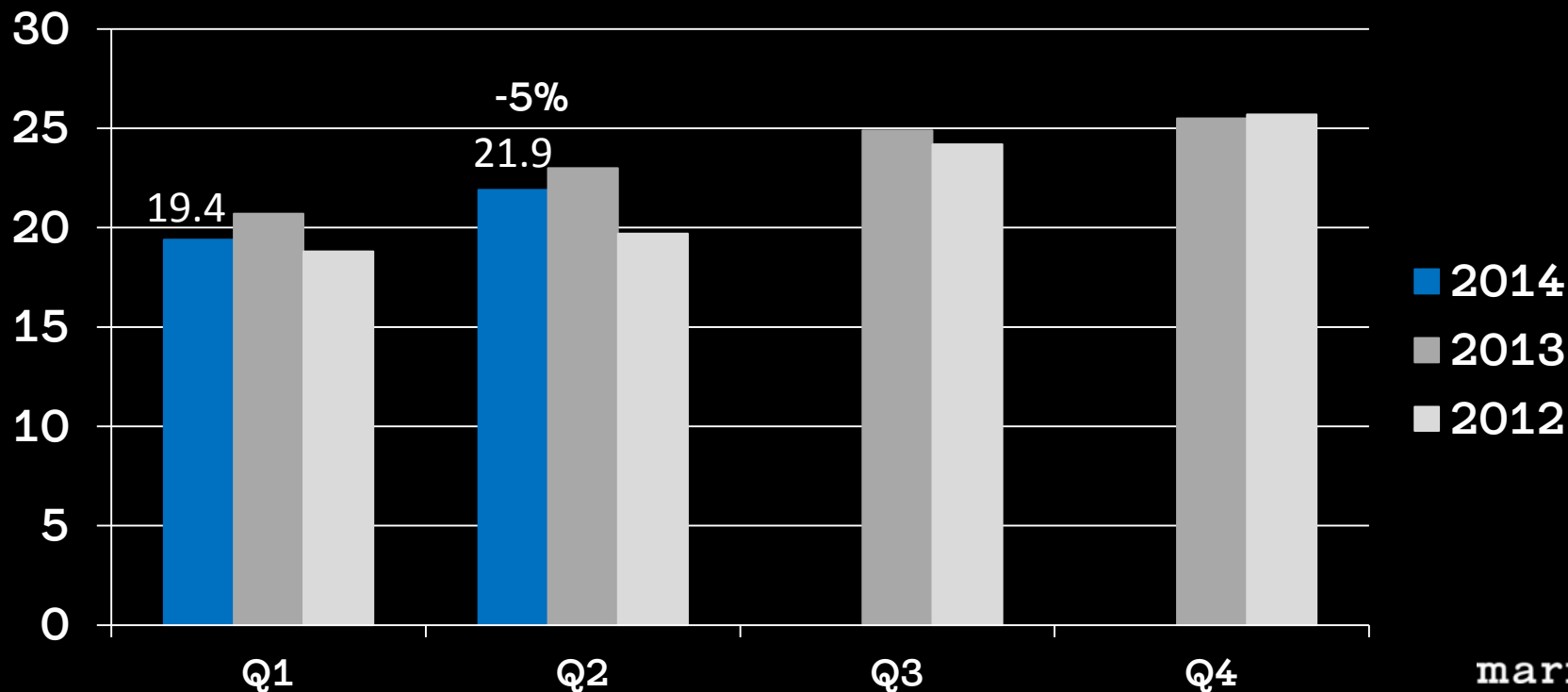
Net sales

In January-June 2014 net sales fell by 6% to EUR 41.3 million (43.7).

A downturn in wholesale sales in all market areas was the biggest factor in the decline in overall net sales. The decrease in wholesale sales was partly due to a change in the rhythm of deliveries in the first quarter of the year and the fact that a major part of the initial stock deliveries to new retailer-owned stores in North America and Asia in 2013 took place in the second quarter.

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.

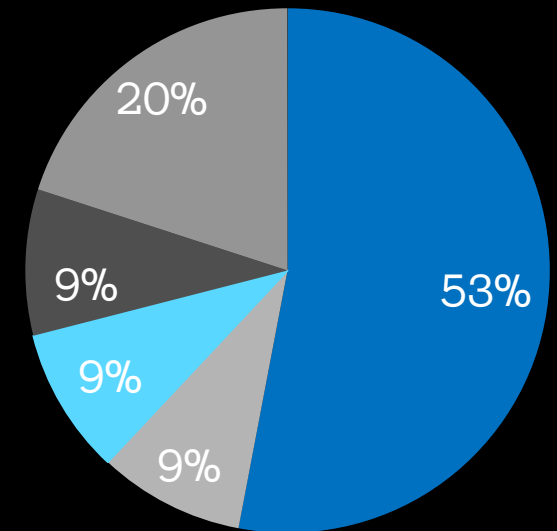
EUR million



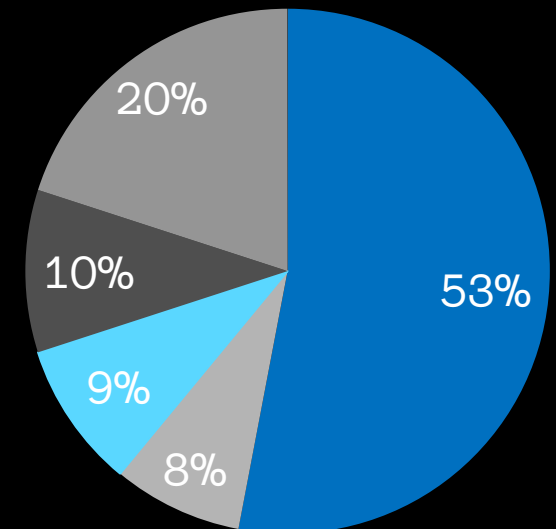
Net sales by market area

	(EUR 1,000)	1-6/2014	1-6/2013	Change,%
Finland		21,993	23,182	-5
Scandinavia		3,883	3,599	8
EMEA		3,739	3,922	-5
North America		3,551	4,275	-17
Asia-Pacific		8,083	8,688	-7
TOTAL		41,250	43,667	-6

1-6/2014



1-6/2013



Net sales by market area

In Finland, net sales -5%. Retail sales -3%. Comparable sales -2%. Wholesale sales -8%. A change in the rhythm of deliveries during the first quarter in 2014 and reduced levels of restocking deliveries to retailers compared to the previous year exerted a drag on wholesale sales.




In Scandinavia, net sales +8%. Retail sales +30%. 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 grew by 11 percent. A decrease of 15 percent in wholesale sales was affected by the change in the delivery rhythm for the spring collection.

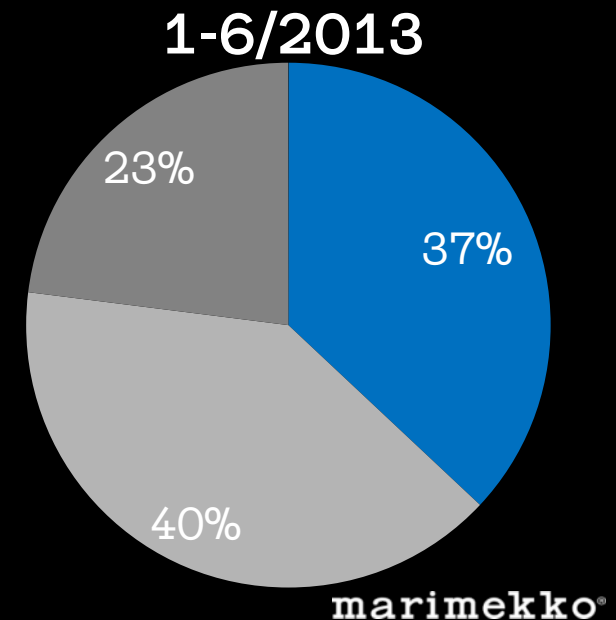
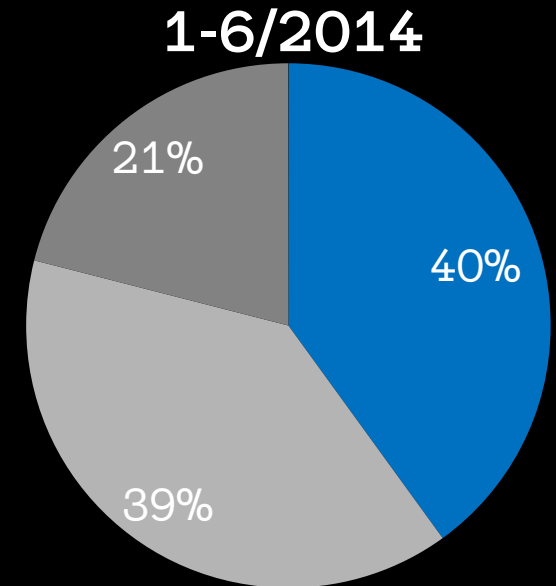
In EMEA, net sales -5%. Retail sales +14%. Wholesale sales -9%. The decrease in wholesale sales was affected by the change in the delivery rhythm for the spring collection.

Net sales in North America -17%. Retail sales +2%. Wholesale sales -44%. In terms of the sales currency (mostly the US dollar), sales fell by about 13 percent. The shop-in-shop partnership with the home furnishings retailer Crate and Barrel ended in summer 2014, which showed up as a clear downturn in the number of products ordered.

Net sales in the Asia-Pacific region -7%. Wholesale sales fell by 8 percent, affected by the change in the rhythm of deliveries for the spring collection during the first quarter of the year. In addition, the rise of the euro against the yen and an increase in sales tax in Japan in April 2014 had a negative impact on Marimekko's wholesale sales in Japan. Retail sales (the Sydney and Melbourne stores in Australia) grew by 1 percent. The weakening of the Australian dollar significantly reduced the sales growth. In terms of the sales currency (the Australian dollar), retail sales rose by 16 percent.

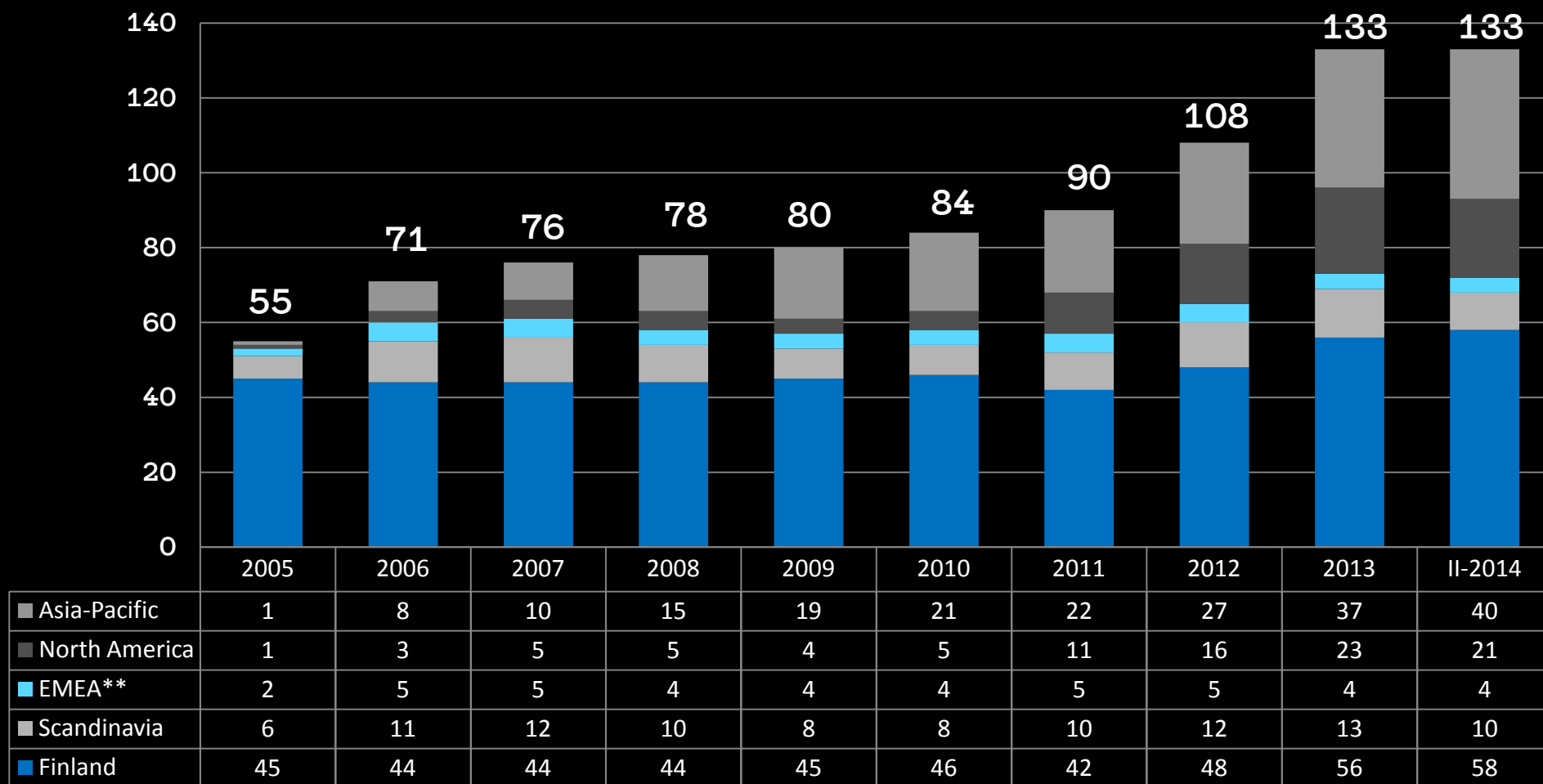
Net sales by product line

	(EUR 1,000)	1-6/2014	1-6/2013	Change,%
	Fashion	16,635	16,325	2
	Home	16,020	17,422	-8
	Bags & accessories	8,596	9,920	-13
	TOTAL	41,250	43,667	-6



Marimekko stores

133 stores* at the end of June 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 June 2014 (50).

** The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area) as a result of the partnership initiated in the Middle East during the period under review.

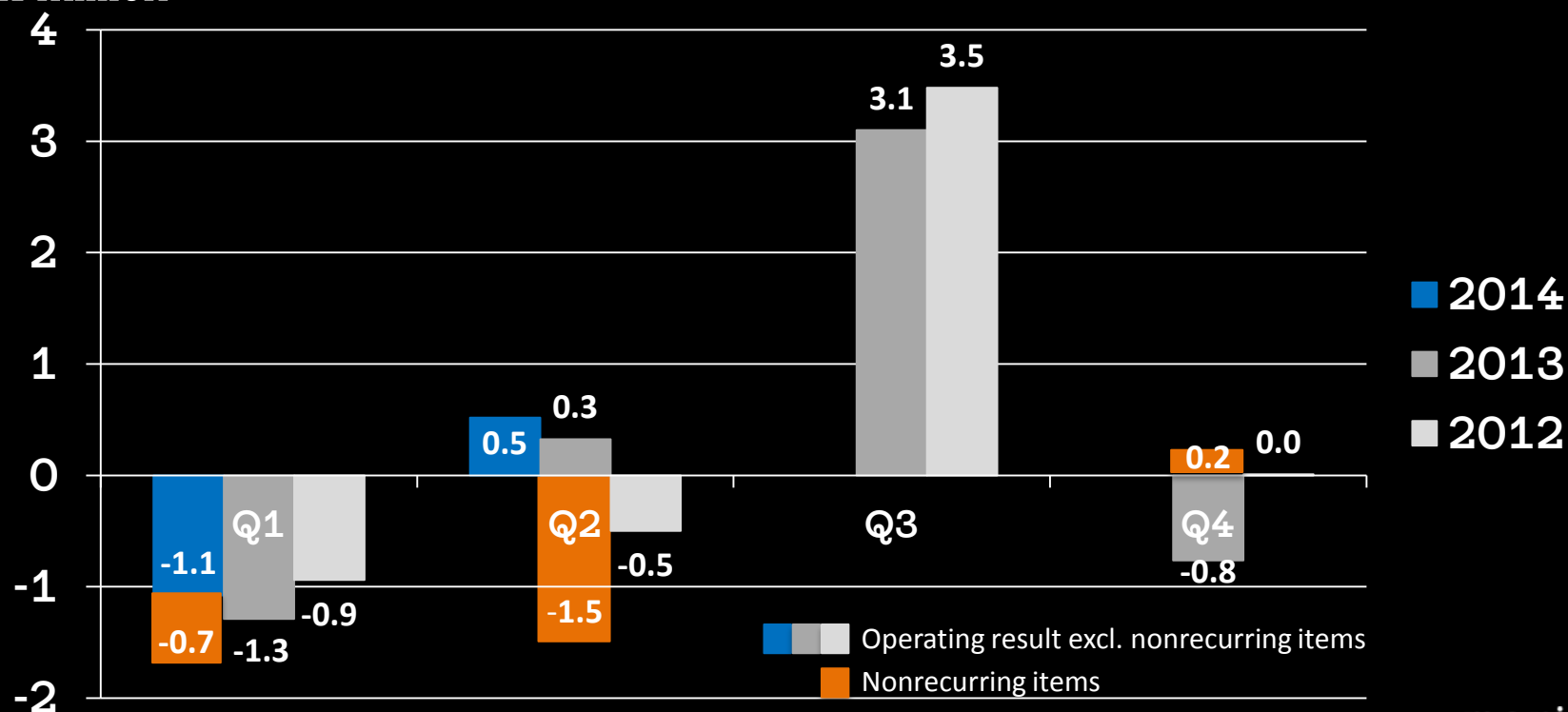
Operating result

In the second quarter, the operating profit was EUR 0.5 million (-1.2) and operating profit excluding nonrecurring items EUR 0.5 million (0.3).

In January-June 2014, the operating result was EUR -1.2 million (-2.4) and operating result excluding nonrecurring items EUR -0.6 million (-1.0).

Despite the decline in net sales, operating result improved from the comparison period. Reorganisations and cost savings implemented in Finland and the United States in 2013 and this year contributed to the improved result.

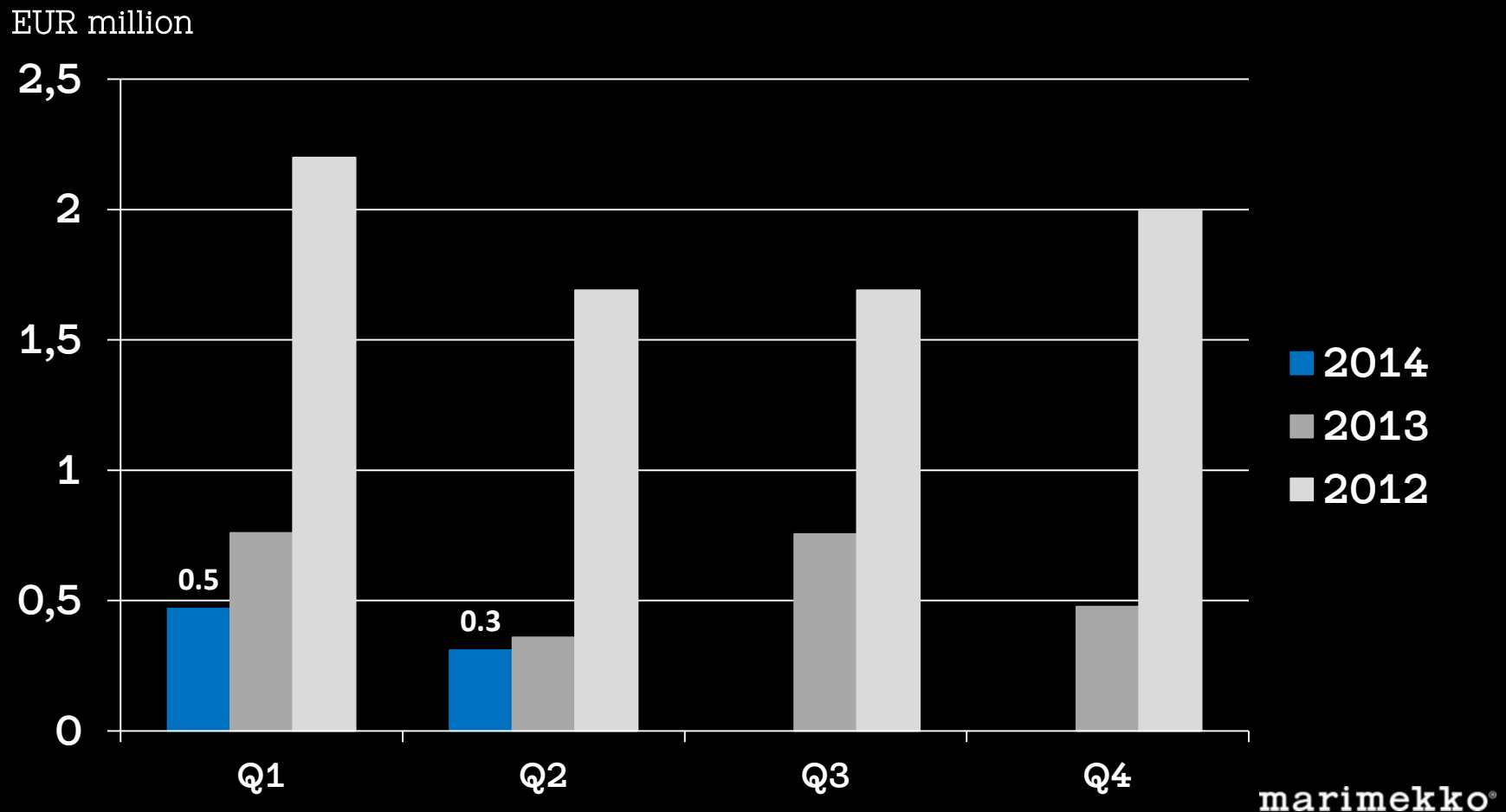
EUR million



Investments at the same level than in January-June 2013

Gross investments during January-June 2014 were EUR 0.8 million (1.1) representing 2% of net sales (3%).

Most of the investments were devoted to building store premises, IT systems and other building expenses related to business premises.



Key figures

	1-6/2014	1-6/2013	Change, %	1-12/2013
Net sales, EUR 1,000	41,250	43,667	-6	94,007
International sales, EUR 1,000	19,257	20,485	-6	41,848
% of net sales	47	47		45
EBITDA, EUR 1,000	929	43		6,854
Operating result, EUR 1,000	-1,229	-2,448	50	82
Operating result margin, %	-3.0	-5.6		0.1
Result for the period, EUR 1,000	-1,138	-2,203	48	-955
Earnings per share, EUR	-0.14	-0.27	48	-0.12
Cash flow from operating activities, EUR 1,000	-840	-2,254	63	5,424
Gross investments, EUR 1,000	785*	1,120	-30	2,353
Return on investment (ROI), %	-6.2	-12.1		-1.1
Equity ratio, %	49.7	46.3		55.5
Gearing, %	52.0	58.1		31.7
Contingent liabilities, EUR 1,000	35,363	40,425	-13	37,365
Personnel at the end of the period	485	559	-13	502
outside Finland	114	109	5	124
Brand sales, EUR 1,000	81,337	91,236	-11	191,050
outside Finland, EUR 1,000	50,464	58,756	-14	115,013
proportion of international sales, %	62	63		60
Number of retail stores and shop-in-shops	133	120	11	133

*Does not include machinery and equipment acquired under finance lease agreements (EUR 187 thousand).

Market outlook and growth targets in 2014

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. However, the rise of the euro against the yen and an increase in sales tax in Japan in April 2014 had a negative impact on Marimekko's wholesale sales in Japan during the first half of the year, and this is estimated to continue during the second half of the year.

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 are 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 launched in May 2014 will boost Marimekko's royalty earnings in the second half of 2014.

Market outlook and growth targets in 2014

In 2014, the main thrust in expansion is on openings of retailer-owned Marimekko stores. The number of new stores has so far been confirmed as 22. Four of these are company-owned stores. The majority of the stores are opened in the second half of the year; in January-June, six stores were opened. 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.

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 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.

marimekko®