

# Interim Report 1-9/2014

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6 November 2014

# Agenda

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

A company owned store opened in Australia, one retailer-owned store in Japan and one shop-in-shop in Finland.

Anna Teurnell started as Creative Director of Marimekko as of 15 July 2014.

Tiina Alahuhta-Kasko appointed as Chief Operational Officer as of 20 August 2014.

## 2) **Net sales:**

Net sales fell by 1 percent relative to the same period last year. The decline is explained by a downturn in the company's wholesale sales in North America, Scandinavia and EMEA, and a fall in retail sales in Finland.

## 3) **Operating profit:**

Despite difficult market conditions and the decline in net sales, operating profit 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 19: 4 company-owned stores, 7 retailer-owned stores and 8 shop-in-shops.

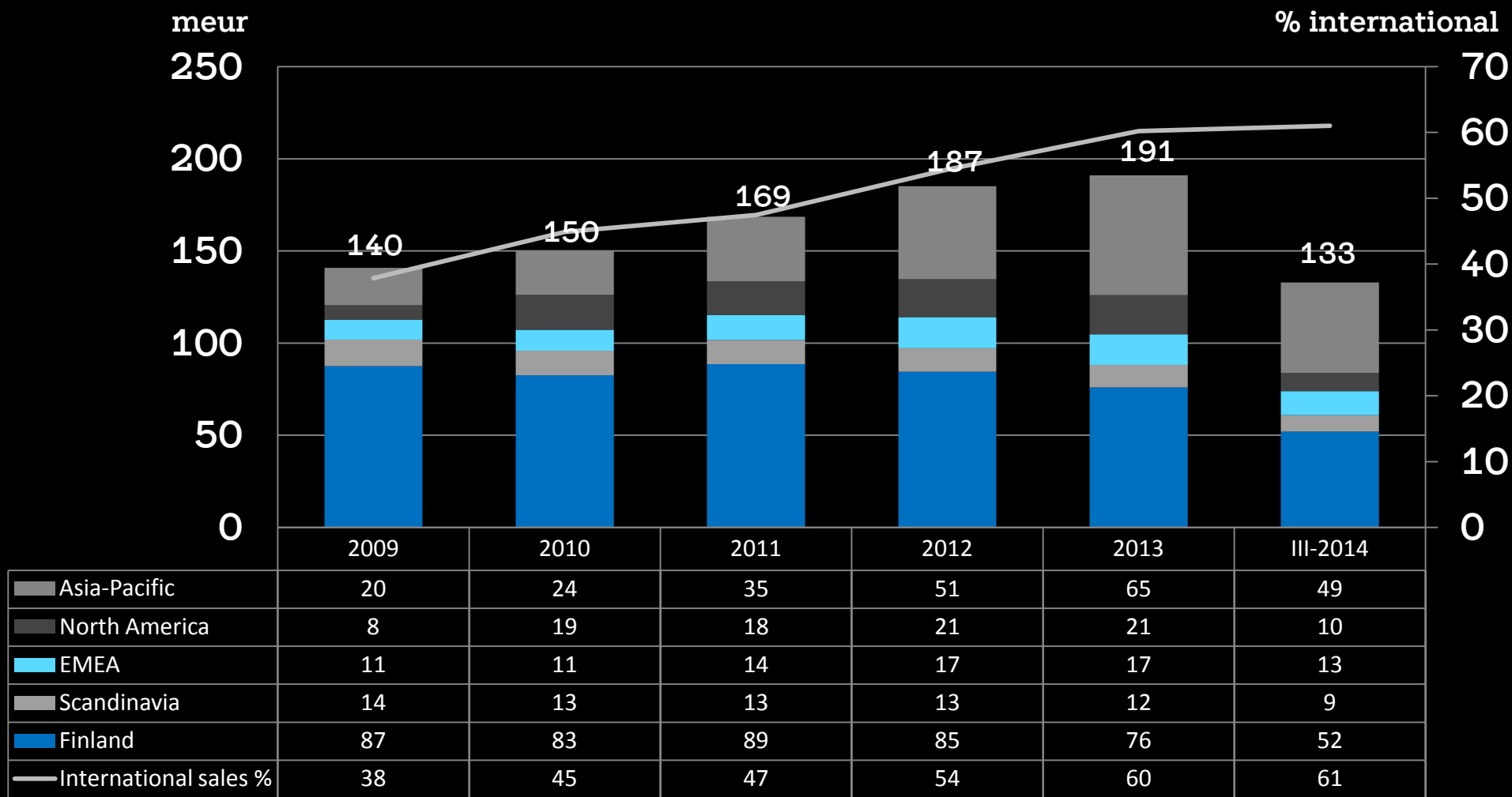
Financial guidance (amended on 21 Oct 2014): The net sales of the Marimekko Group in 2014 are forecast to be approximately at the same level as in 2013. Operating profit excluding nonrecurring items is estimated at EUR 4-8 million.

# Marimekko strategic focus areas

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

# Marimekko brand sales 2009-2013: +36%





Nagasaki, Japan

## Key events in Q3

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A company owned store opened in Australia, one retailer-owned store in Japan and one shop-in-shop in Finland.

Anna Teurnell started as Creative Director of Marimekko as of 15 July 2014.

Tiina Alahuhta-Kasko appointed as Chief Operational Officer as of 20 August 2014.

Marimekko's Spring/Summer 2015 fashion collection "Mindscales" was presented in Helsinki in September.





**Emporium Mall, Melbourne, Australia**





**Spring/Summer 2015 fashion show was held Helsinki in September 2014.**

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# Brand sales

Brand sales\* in July-September 2014 fell by 5% to EUR 132.9 million (139.6).

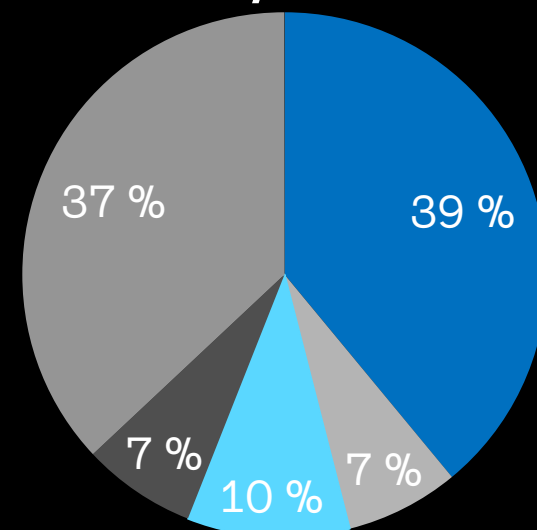
61% of the sales came from abroad (62).

	(EUR 1,000)	1-9/2014	1-9/2013	Change,%
Finland		52,017	52,992	-2
Scandinavia		8,894	8,933	0
EMEA**		12,955	12,964	0
North America		9,954	17,271	-42
Asia-Pacific		49,114	47,452	4
TOTAL		132,933	139,612	-5

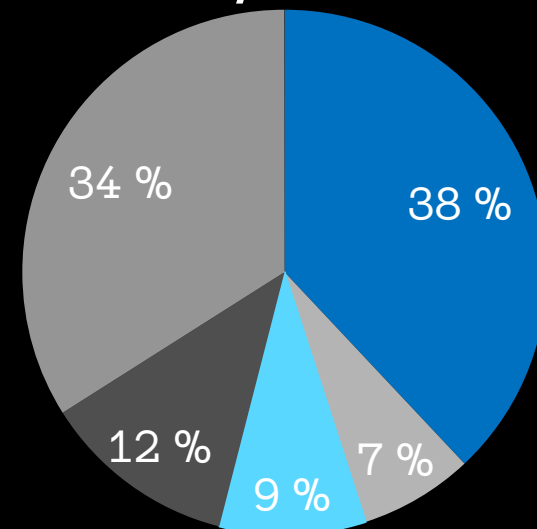
\*Estimated sales of Marimekko products at consumer prices. Brand sales are calculated by adding together the company's own retail sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's actual wholesale sales to these retailers, is unofficial 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 second quarter of the year.

1-9/2014



1-9/2013



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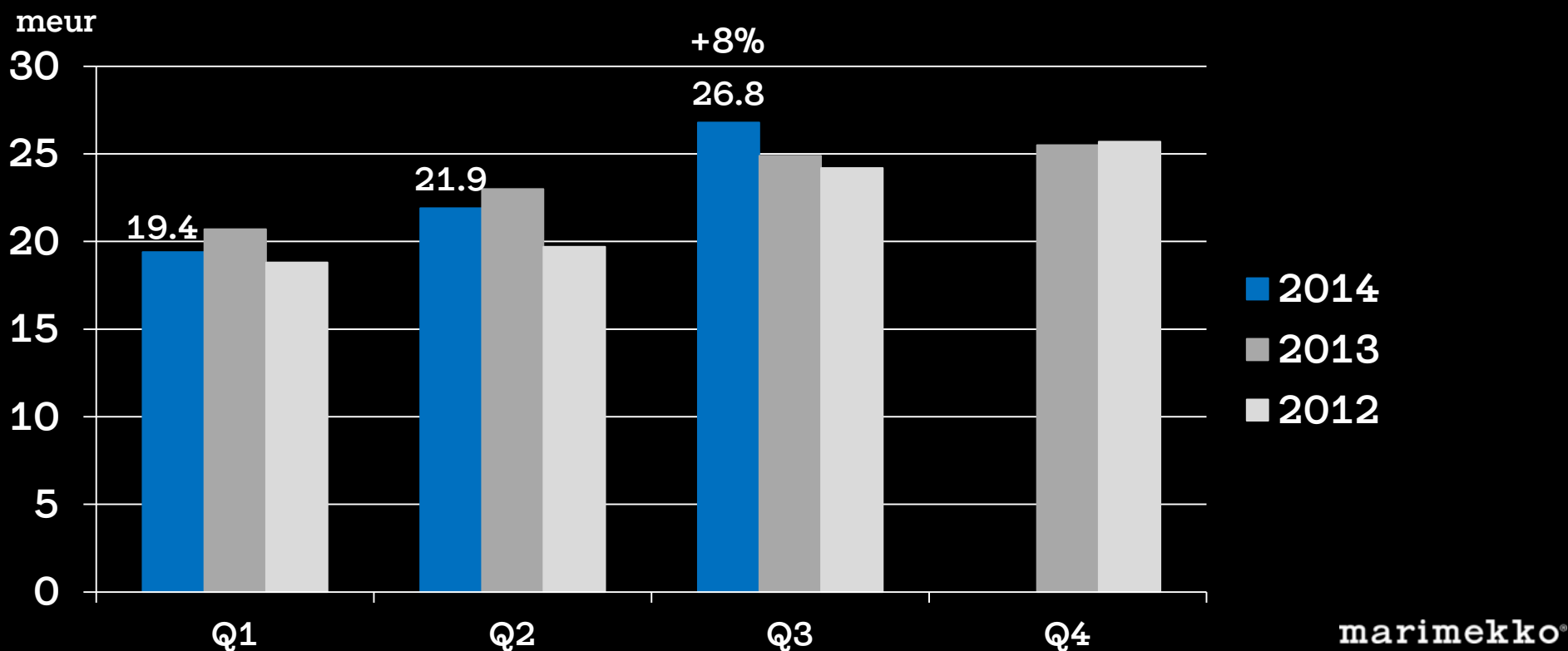


# Net sales

In January-September 2014 net sales fell by 1% to EUR 68.1 million (68.5).

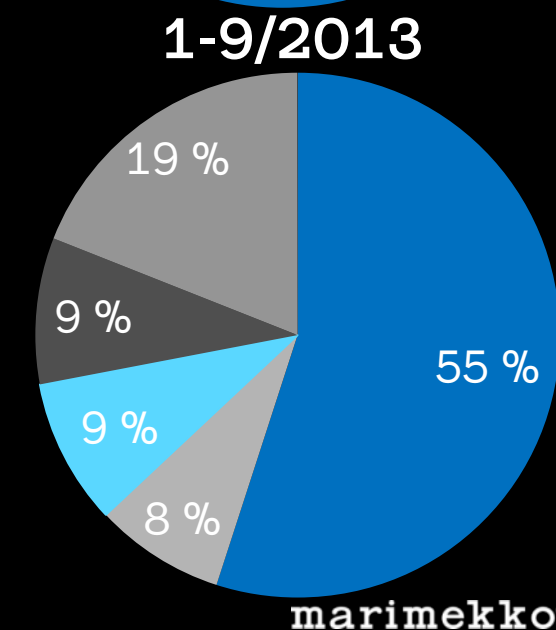
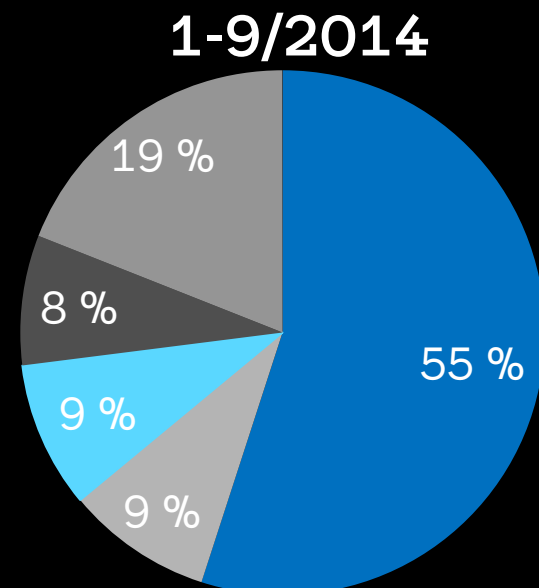
The decline in net sales is explained by a downturn in the company's wholesale sales in North America, Scandinavia and EMEA, and a fall in retail sales in Finland. The decrease in wholesale sales was partly due to a change in the rhythm of deliveries in the first quarter of the year.

In the July-September period, net sales grew by 8 percent due to one-time promotions in Finland and earlier timing of wholesale deliveries for winter collections in September.



# Net sales by market area

	(EUR 1,000)	1-9/2014	1-9/2013	Change,%
Finland		37,196	37,454	-1
Scandinavia		6,248	5,858	7
EMEA		5,819	5,932*	-2
North America		5,752	6,352	-9
Asia-Pacific		13,046	12,946*	1
TOTAL		68,061	68,542	-1



\* Previously reported comparison figures for net sales by market area have been adjusted because the market area of Central and Southern Europe referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area).

# Net sales by market area

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In Finland, net sales -1%. Retail sales -2%. Comparable sales -4%. Wholesale sales +2%.




In Scandinavia, net sales +7%. Retail sales +24%. 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 10 percent. A decrease of 12 percent in wholesale sales was affected by the change in the delivery rhythm for the spring collection.

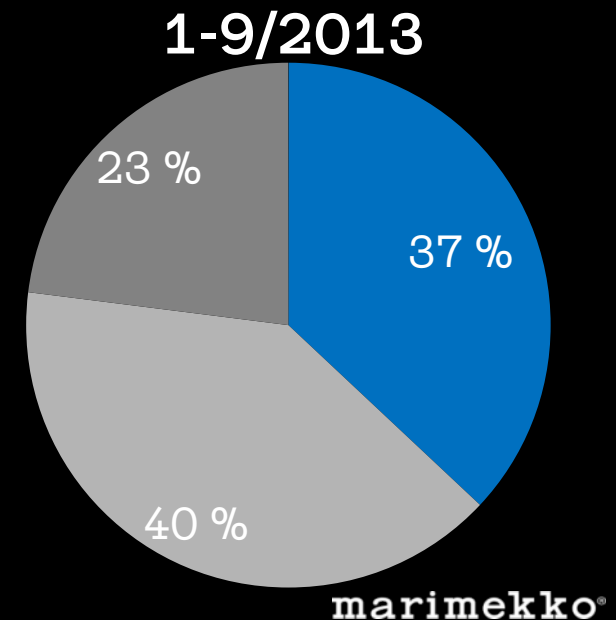
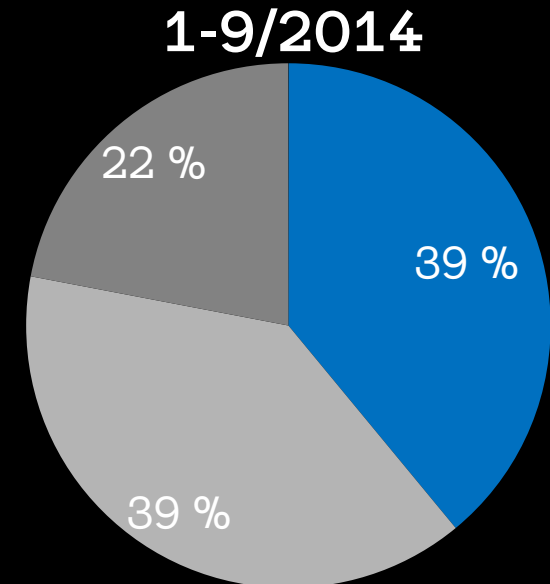
In EMEA, net sales -2%. Retail sales +15%. Wholesale sales -6%. The decrease in wholesale sales was affected by the change in the delivery rhythm for the spring collection.

Net sales in North America -9%. Retail sales +6%. Wholesale sales -34%. In terms of the sales currency (mostly the US dollar), sales fell by about 10 percent. The shop-in-shop partnership with the home furnishings retailer Crate and Barrel ended in summer 2014, which showed up as a significant downturn in the number of products delivered.

Net sales in the Asia-Pacific region +1%. Wholesale sales remained at the previous year's level, which was influenced by a change in the delivery rhythm for the spring collection during the first quarter. 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 Australian stores in Sydney and Melbourne) grew by 3%; comparable sales at company-owned stores were on a par with the previous year. In terms of the sales currency (the Australian dollar) retail sales rose by 5%.

# Net sales by product line

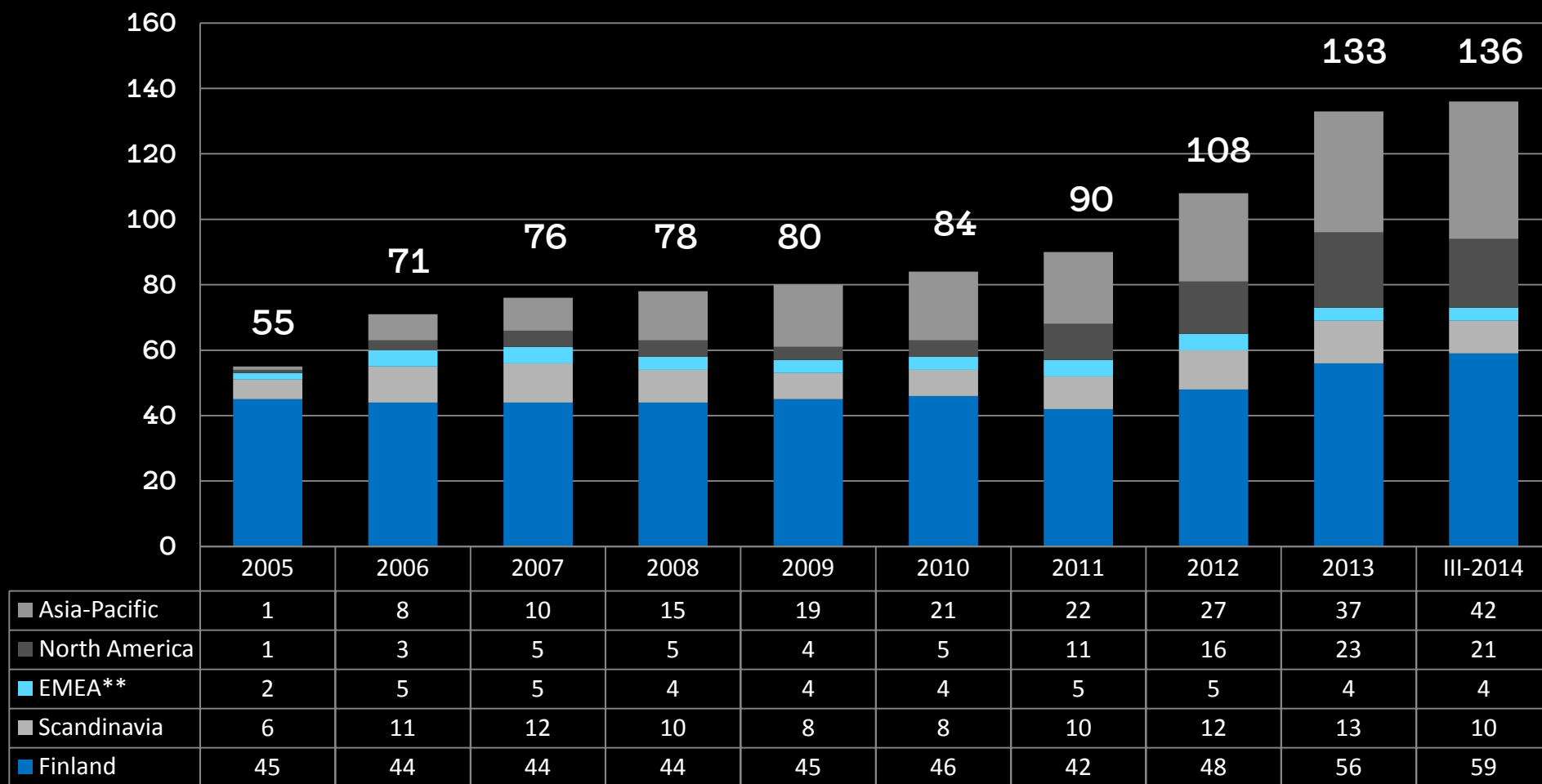
	(EUR 1,000)	1-9/2014	1-9/2013	Change,%
	Fashion	26,665	25,488	5
	Home	26,529	27,039	-2
	Bags & accessories	14,867	16,015	-7
	TOTAL	68,061	68,542	-1





# Marimekko stores

136 stores\* at the end of September 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 53 at the end of September 2014 (49).

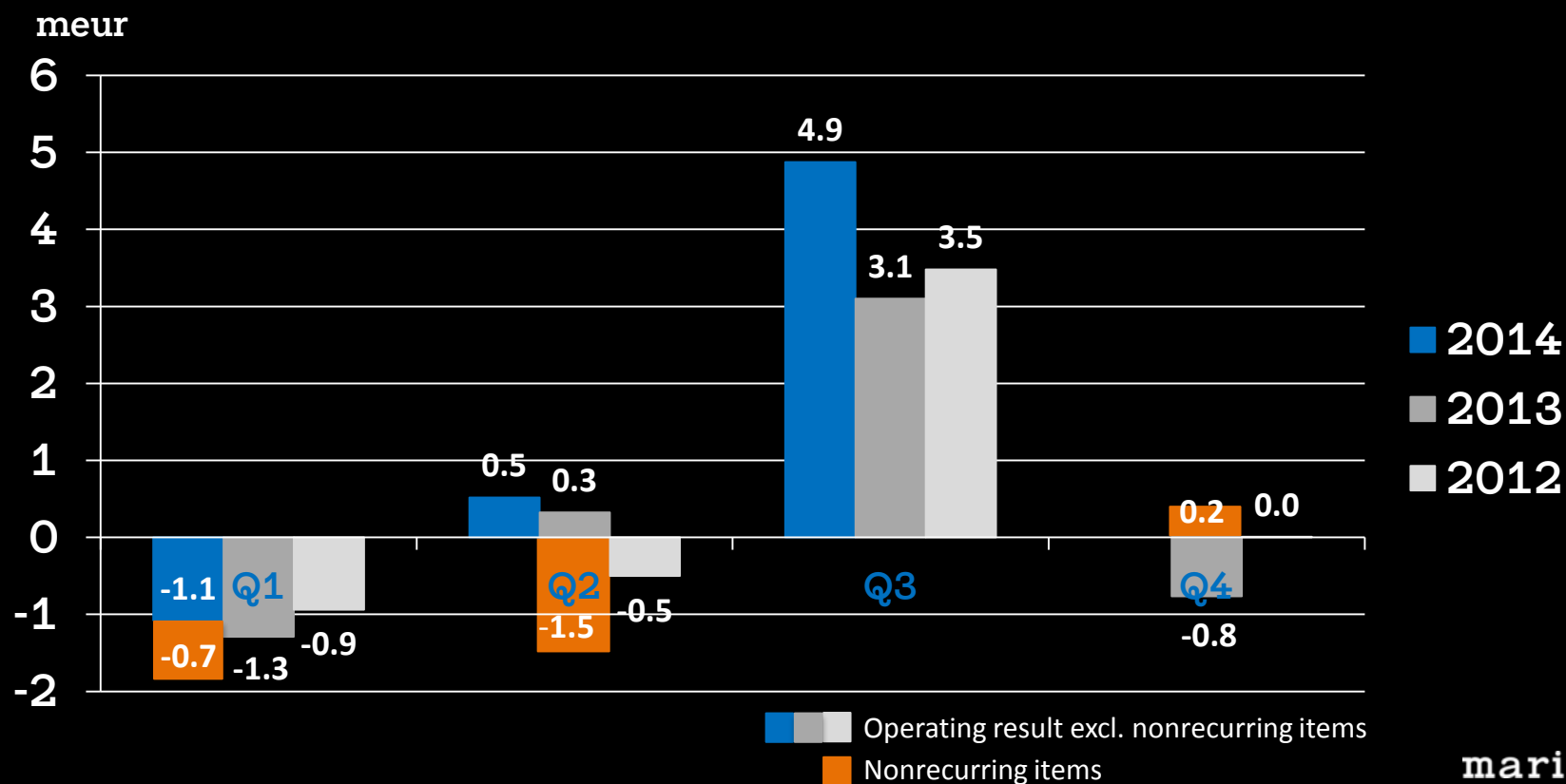
\*\* The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area).

# Operating profit

In January-September 2014, the operating profit was EUR 3.6 million (0.6) and operating profit excluding nonrecurring items EUR 4.3 million (2.1).

In the third quarter, the operating profit was EUR 4.9 million (3.1).

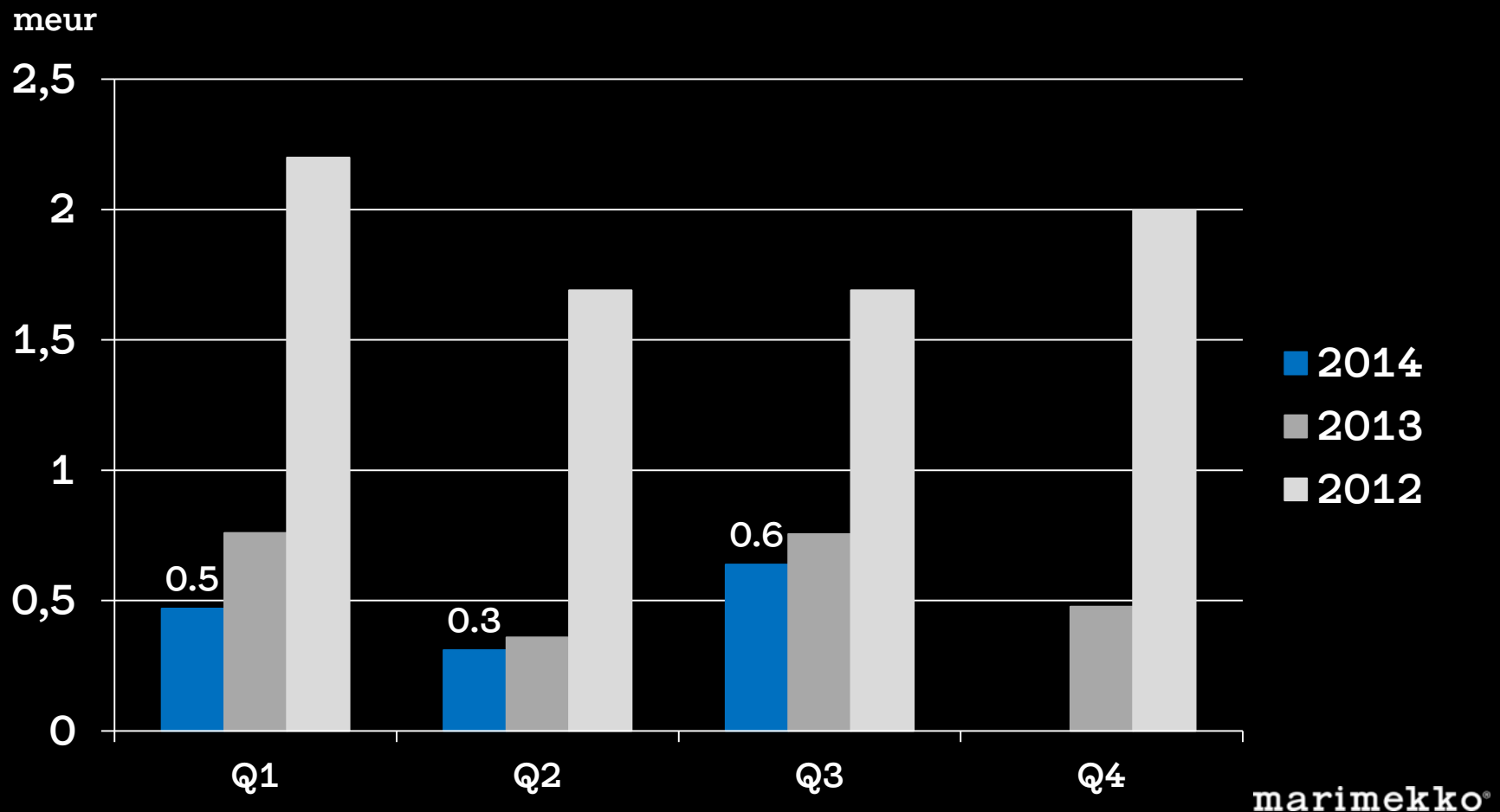
The result was boosted by reorganisations and cost savings implemented in Finland and the United States in 2013 and this year, one-time promotions in Finland, earlier timing of wholesale deliveries for winter collections in September, and gains on exchange rates due to the depreciation of the euro.



## Investments at the same level than in comparison period

Gross investments during January-September 2014 were EUR 1.4 million (1.9) 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.



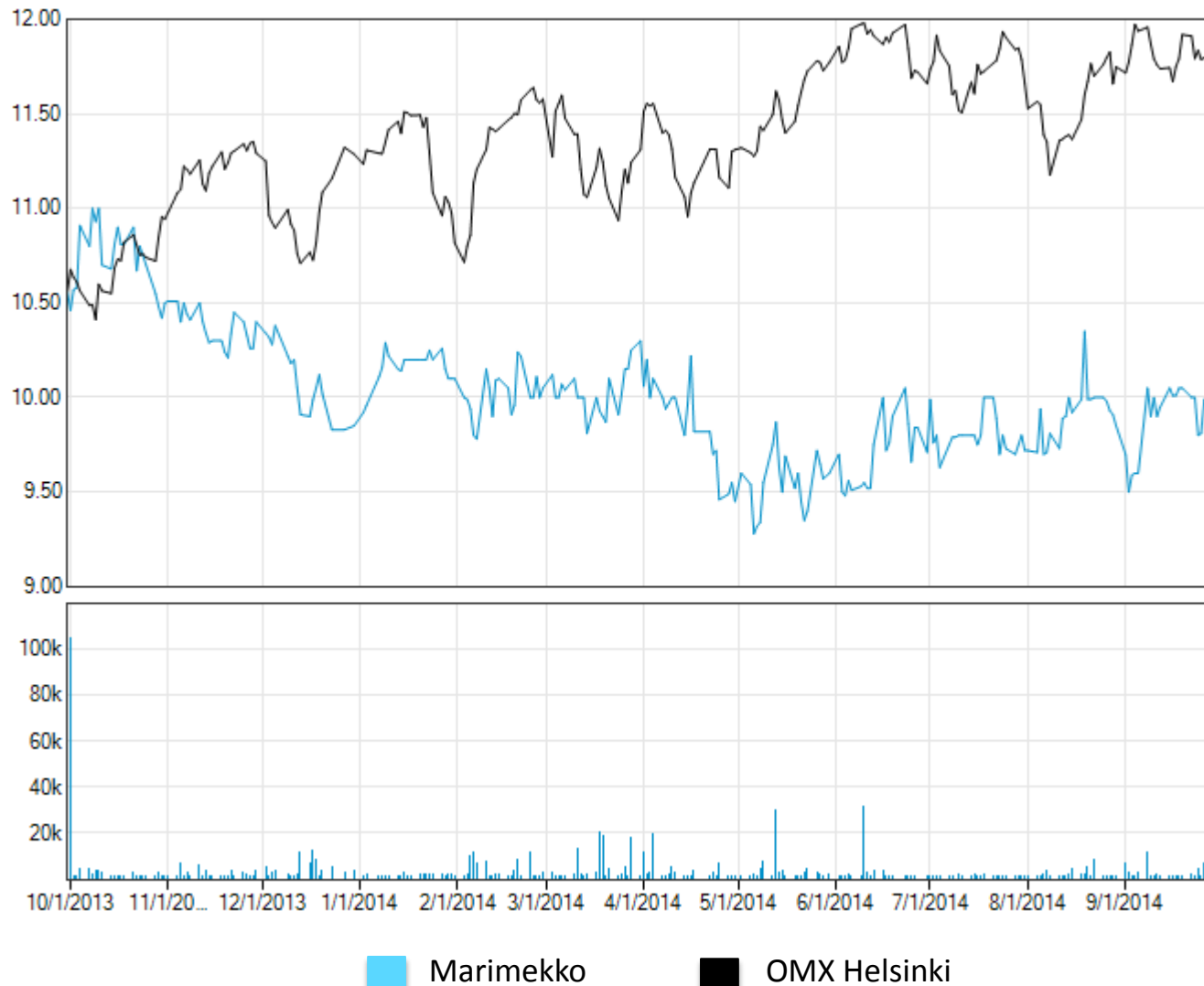
# Key figures

	1-9/2014	1-9/2013	Change, %	1-12/2013
Net sales, EUR 1,000	68,061	68,542	-1	94,007
International sales, EUR 1,000	30,864	31,088	-1	41,848
% of net sales	45	45		45
EBITDA, EUR 1,000	6,854	4,253	61	6,854
Operating profit, EUR 1,000	3,646	645		82
Operating profit margin, %	5.4	0.9		0.1
Result for the period, EUR 1,000	2,864	-410		-955
Earnings per share, EUR	0.35	-0.05		-0.12
Cash flow from operating activities, EUR 1,000	3,545	393		5,424
Gross investments, EUR 1,000	1,424*	1,876	-24	2,353
Return on investment (ROI), %	13.8	0.9		-1.1
Equity ratio, %	56.8	51.5		55.5
Gearing, %	31.4	47.3		31.7
Contingent liabilities, EUR 1,000	35,041	39,372	-11	37,365
Personnel at the end of the period	456	522	-13	502
outside Finland	121	110	10	124
Brand sales, EUR 1,000	132,933	139,612	-5	191,098
outside Finland, EUR 1,000	80,916	86,620	-7	115,060
proportion of international sales, %	61	62		60
Number of retail stores and shop-in-shops	136	128	6	133

\*Does not include machinery and equipment acquired under finance lease agreements (EUR 219 thousand).



# 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 28 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 in the second and third quarters, and this is forecast to continue during the final quarter of the year.

The business conditions for the retail market have continued to be challenging. However, the relative trend in Marimekko's retail sales especially in Finland has improved as forecast since 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 overshadow expectations for sales in the closing months of the year and are reflected in retailers' caution as they replenish their stocks.

Wholesale sales by Marimekko in the second half of the year are boosted by nonrecurring promotional deliveries in Finland. The Banana Republic Marimekko Collection for summer 2014 will boost Marimekko's royalty earnings in the final quarter of the year.

# 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 number of new stores has been confirmed as 19, 10 of which are in the Asia-Pacific region. Four of the stores opened this year are company-owned stores. 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 amended on 21 October 2014

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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 be approximately at the same level as in 2013. Operating profit excluding nonrecurring items is estimated at EUR 4-8 million.

In its interim report for the January-June period, issued on 14 August 2014, Marimekko estimated that the Group's full-year net sales would grow by 3-8 percent on 2013 and that operating profit excluding nonrecurring items would be EUR 4-8 million.





## Events after the review period

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Collaboration between Marimekko and Finnair continues: Finnair Airbus 330 features a previously unseen blue colorway of Marimekko's classic Unikko ("poppy") print.

Two retailer-owned stores opened in Seoul, South-Korea, two shop-in-shops in Mexico, and two company-owned stores and a shop-in-shop in Finland.



Parnas Mall, Seoul, South Korea

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**Lotte Avenuel Worldtower (in Jamsil)  
Seoul, South Korea**





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