

marimekko®

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# Interim Report 1-3/2011

3 May 2011

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# January – March 2011

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*During the January-March period, the Marimekko Group's net sales increased in line with expectations. Investments in distribution network and development of business operations caused operating profit to fall.*

- Net sales grew by 7.7% to EUR 17.2 million (EUR 16.0 million). Sales in Finland increased by 3.7% and international sales rose by 14.5%.
- Operating profit was EUR 0.4 million (EUR 1.2 million), which was down 70.6%. Operating profit for the period includes a non-recurring expense of EUR 0.2 million related to personnel reductions. Operating profit excluding non-recurring items decreased by 56.7% to EUR 0.5 million (EUR 1.2 million).
- Profit after taxes for the period was EUR 0.3 million (EUR 0.9 million).
- Earnings per share were EUR 0.04 (EUR 0.12).

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# January – March 2011

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*During the January-March period, the Marimekko Group's net sales increased in line with expectations. Investments in distribution network and development of business operations caused operating profit to fall.*

- Investments amounted to EUR 1.6 million (EUR 0.3 million)
- The full-year forecast for 2011 remains unchanged: the Group's net sales are estimated to grow by roughly 5-10%, but operating profit is forecast to decline by some 40-60% compared with the previous year.
- Brand sales\* of Marimekko products were EUR 38.9 million (EUR 34.4 million), up 13.0%.

\* 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 key figure is not audited.

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# Market situation

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- In Finland, the positive economic growth continues and Finland is one the stronger economies within the EU.
- Inflation has clearly accelerated both in Finland and elsewhere in the world.
- Led by Asian countries, economic trends have been favourable in the United States and Europe.
- The catastrophe in Japan is estimated to have a relatively minor effect on the world economy. The estimate is based on the fact that the significance of the catastrophe areas within the Japanese economy is small.
- The economic situation is predicted to remain strong at least until the end of the current year, but the debt crises of weak European countries are likely to turn even more severe.

(Source: Confederation of Finnish Industries EK: Economic Review, February 2011)

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# Net sales 1-3/2011

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- In the January-March period of 2011, the Marimekko Group's net sales rose by 7.7% to EUR 17.2 million (EUR 16.0 million) largely due to an increase in sales in Japan.
- Net sales in Finland increased by 3.7% to EUR 10.6 million (EUR 10.2 million).
- Sales grew strongly in Japan, Central and Southern Europe, and North America.
  - New stores opened at the end 2010 and early this year increased sales in these market areas.
  - In North America, net sales for the corresponding period of 2010 included some one-off royalty income. Excluding the negative impact of the fall in royalty income, net sales in North America rose noticeably, by about 10%.
- International sales rose by 14.5% to EUR 6.7 million (EUR 5.8 million), accounting for 38.7% (36.4%) of the Group's net sales.

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# Net sales by market area

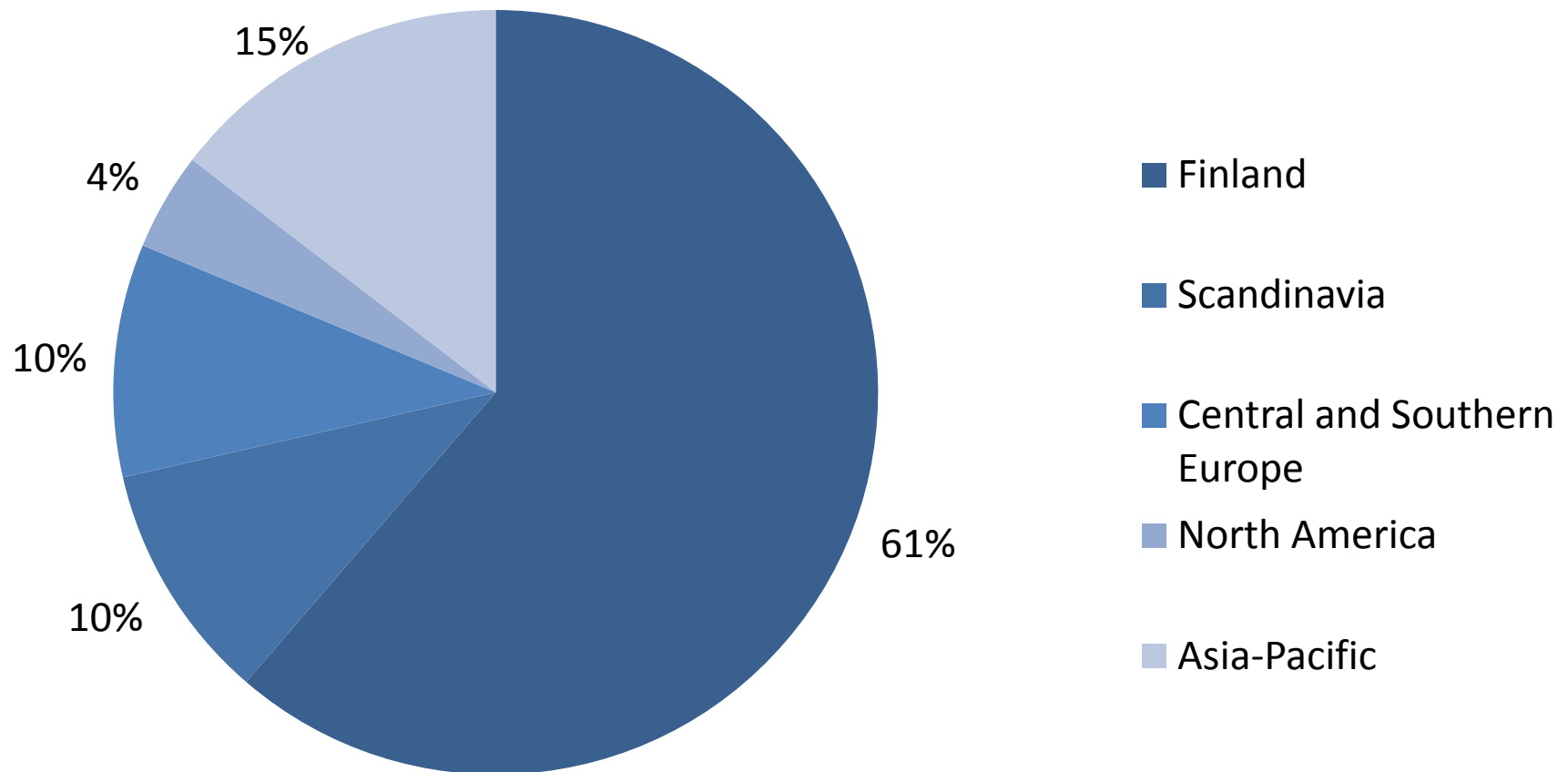
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(EUR 1,000)	1-3/2011	1-3/2010	Change, %
Finland	10,566	10,185	3.7
Scandinavia	1,744	1,986	-12.2
Central and Southern Europe	1,697	1,443	17.6
North America	713	732	-2.6
Asia-Pacific	2,514	1,662	51.3
TOTAL	17,234	16,008	7.7

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# Net sales by market area 1-3/2011

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# Net sales by product line

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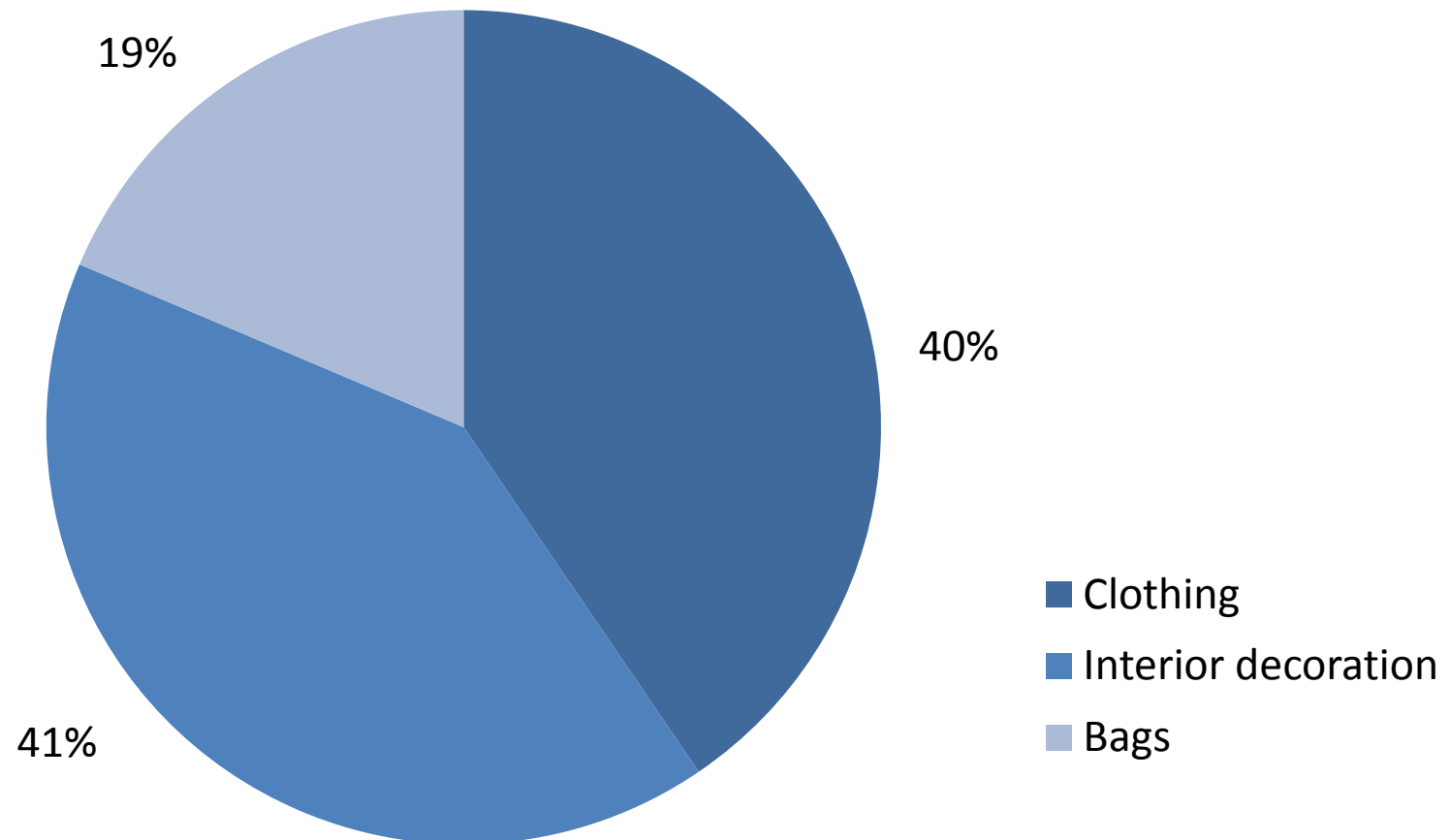
(EUR 1,000)	1-3/2011	1-3/2010	Change, %
Clothing	6,975	7,216	-3.3
Interior decoration	7,051	6,289	12.1
Bags	3,208	2,503	28.2
TOTAL	17,234	16,008	7.7



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# Net sales by product line 1-3/2011

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# Earnings 1-3/2011

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- In the January-March period of 2011, the Group's operating profit fell by 70.6% on the comparison period, amounting to EUR 0.4 million (EUR 1.2 million).
- Operating profit for the period includes a non-recurring expense of EUR 0.2 million related to personnel reductions. Operating profit excluding non-recurring items amounted to EUR 0.5 million (EUR 1.2 million), which was down 56.7% on the comparison period.
- Profit after taxes was EUR 0.3 million (EUR 0.9 million)
- Earnings per share were EUR 0.04 (EUR 0.12).
- Earnings were depressed by substantial investments in developing business operations and the distribution network in the United States. Increased personnel expenses and a decrease in royalty income also had a negative impact on profitability.
- In addition, marketing costs for the period were higher than in the comparison period: EUR 1.0 million (EUR 0.6 million), representing 6.1% (4.2%) of the Group's net sales. Marketing expenses in the comparison period were exceptionally low, while store openings and different events celebrating the company's anniversary raised marketing costs in the first quarter of the current year.
- Earnings were improved by increased sales in Japan, North America, Finland as well as Central and Southern Europe.

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# New Marimekko shops

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- New flagship store opened in Helsinki in February. The two-storey store named has a floor area of 620 sqm.
- Marimekko's distributor in Japan, Look Inc., opened its 21st Marimekko concept store in Sasebo.



New flagship store in Helsinki

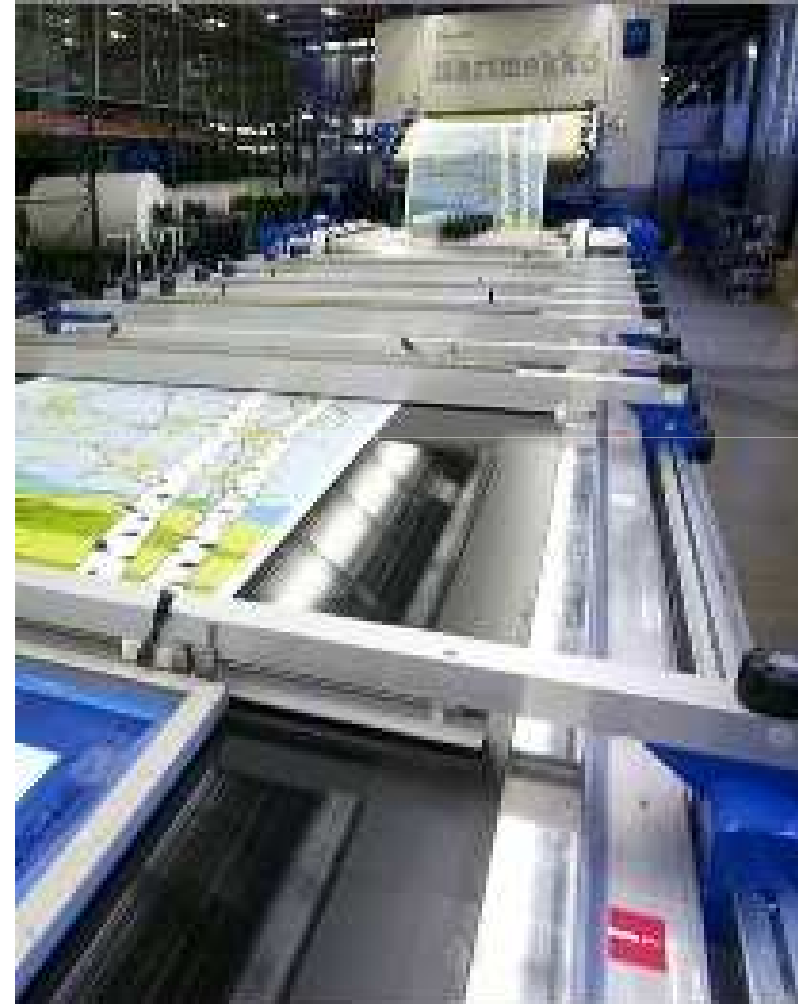




New flagship store in Helsinki

# Marimekko's printing factory's output capacity will triple

- Marimekko will invest in a new printing machine and screen-making equipment at the company's textile printing factory in Helsinki.
- The value of the investment will be roughly EUR 1.5 million.
- The investment will triple the textile printing factory's output capacity compared to present levels.
- In 2010, Marimekko's printing factory produced 1.1 million meters of fabric. The new machinery will come online towards the end of the year 2011, and the added capacity will be deployed in stages.
- The investment will also enable the company to prepare for higher demand in the long term.



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# International projects

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- Marimekko is expanding its cooperation with the home furnishings retailer Crate and Barrel. By the end of 2013, Crate and Barrel plans to open 22 new Marimekko shop-in-shops in its stores.
- In April 2011, Crate and Barrel opened a Marimekko shop on Madison Avenue in New York as well as launched an online shop specialising in Marimekko products within its website. New shop-in-shops in Chicago, Los Angeles and San Francisco will be opened in May.
- Marimekko is building international e-commerce. The first online shop will be opened in the United States in summer 2011. After that, it is intended to start e-commerce in Finland, currently planned for the beginning of 2012. The investment is valued this year at roughly EUR 1.0 million.
- Marimekko is opening its own flagship store in Manhattan, New York, during the autumn of 2011. The shop will be in one of the busiest blocks in Manhattan's Flatiron District at the intersection of Fifth Avenue and Broadway. The Marimekko showroom opened in New York last autumn will move during the summer to larger premises, near to the new shop.





Marimekko shop in New York

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# The global collaboration of Marimekko and Converse 2/2011

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In February, globally launched collaboration with the American Converse has been a commercial success and increased a huge visibility in international press.





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# Marimekko Tuotanto Oy's statutory employer-employee negotiations

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- Marimekko Tuotanto Oy's statutory employer-employee negotiations on permanent reductions in staffing regarding the warehousing operations have been concluded.
- The decision to start negotiations was made in the light of the operational changes required by the Marimekko Group's e-commerce project in Finland as well as measures aimed at enhancing the general cost-effectiveness of warehousing operations. At present, goods deliveries are handled by two main warehouses.
- The boosting of the efficiency of the warehousing operations and their consolidation in a single location will result in the elimination of 11 positions.
- The estimated overall need for permanent reductions in personnel in the negotiation proposal was at most 18 jobs. However, the number of different positions filled by transfers within the Group exceeded the original estimates.

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# Outlook for the remainder of 2011

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- In 2011, sales are forecast to continue on their growth track, and openings of new shops and other actions to develop the distribution network are expected to accelerate sales, particularly in the second half of the year. The planned measures and considerable investments in internationalisation, particularly in the United States, and in developing business operations and the distribution network are so extensive that they will make themselves felt in the form of a significant increase in fixed costs and they will exert a substantial drag on earnings this year. With these measures and investments, of which many occur predominantly during this year, the structure of Marimekko's business is transformed and a more solid foundation for long-term growth and improved profitability is laid.

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# Outlook for the remainder of 2011

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- Moreover, increases in the costs of raw materials and in particular the record price of cotton as well as the rise in overall cost levels put the company under pressure to raise prices. Revenues generated from deliveries for individual promotions are expected to be very low. By cutting down on price-led promotions, the company aims further to improve the average sales margin and the brand's pricing power.
- The total investments planned by the Marimekko Group for 2011 are estimated at about EUR 5 million. This includes the roughly EUR 1.5 million investment in machinery for the Helsinki textile printing factory, the roughly EUR 1 million investment in e-commerce, and the construction costs for the flagship store and the showroom in New York.
- The full-year estimate for 2011 remains unchanged: the Marimekko Group's net sales are estimated to grow by roughly 5-10%, but operating profit is forecast to decline by some 40-60% compared with the previous year.

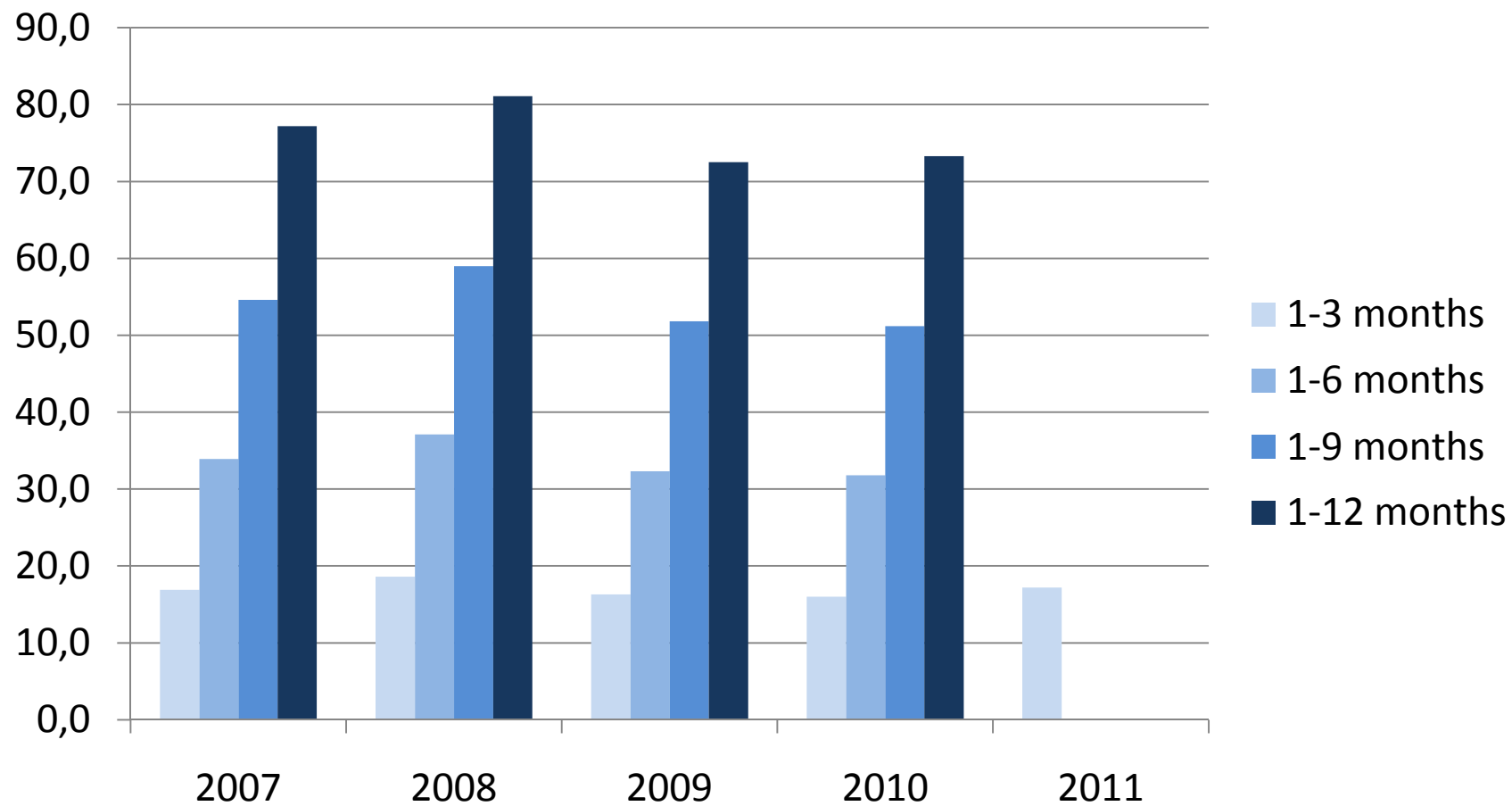
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# Key figures

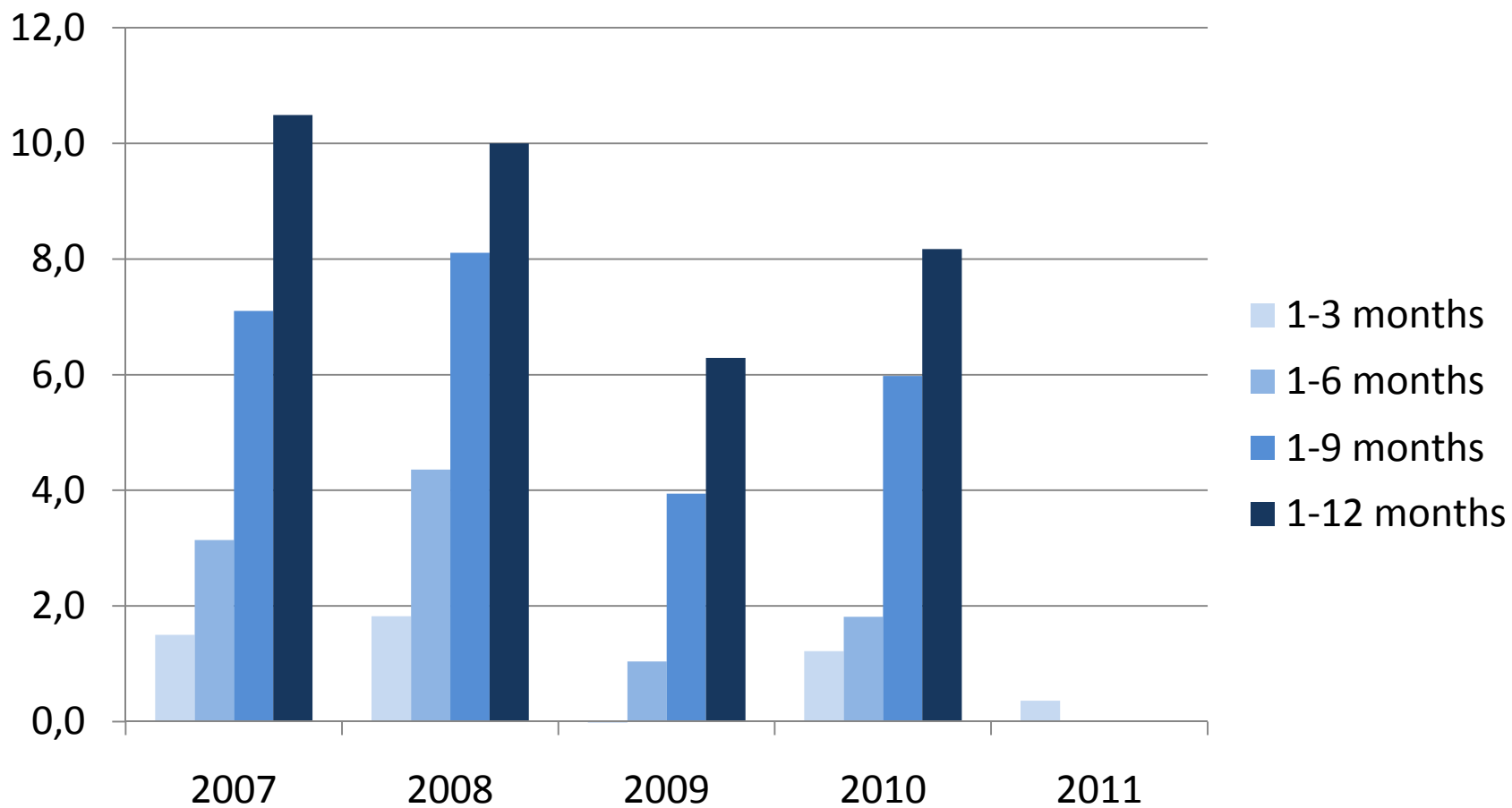
# Net sales

EUR million



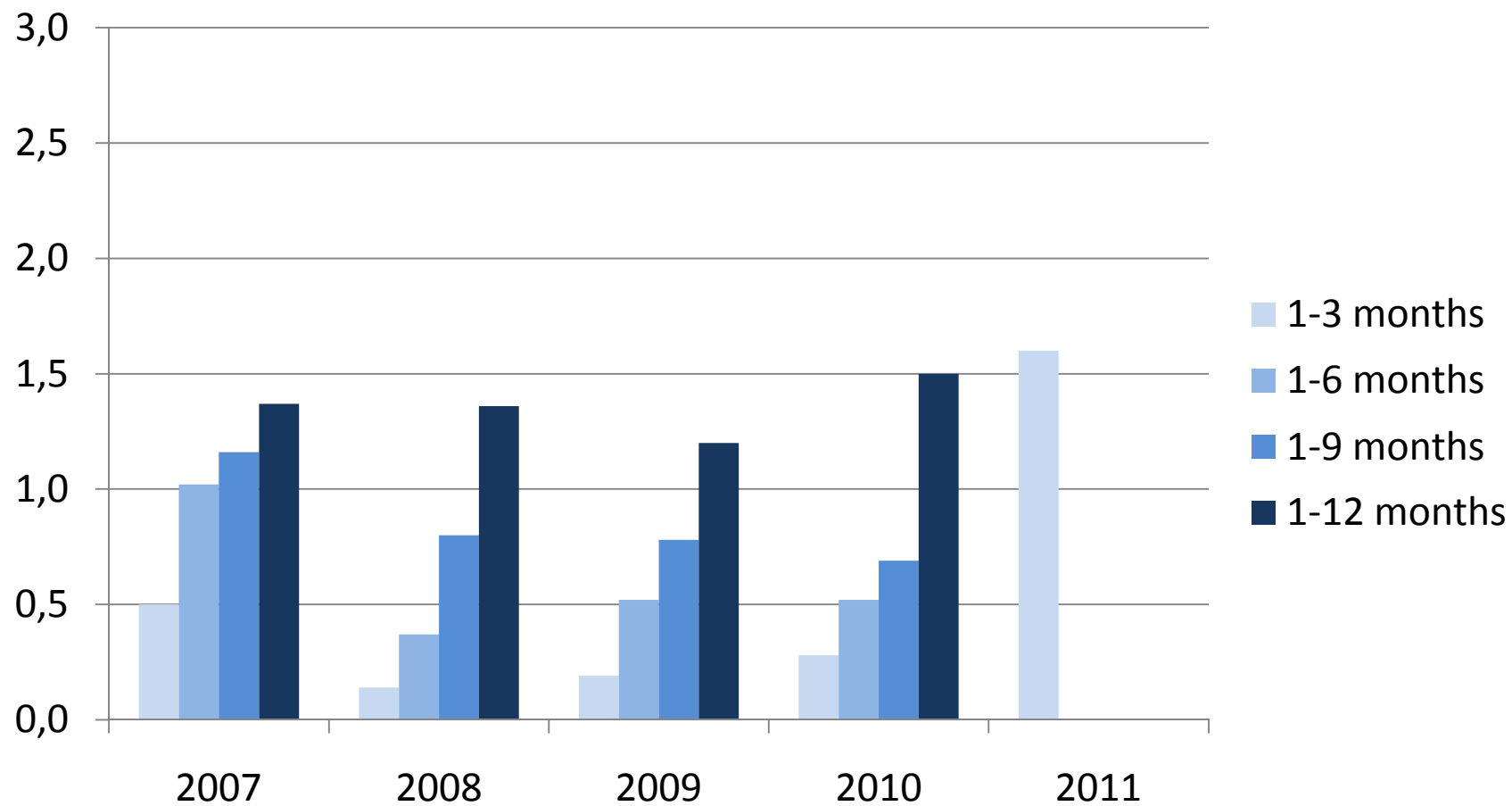
# Operating profit

EUR million



# Gross investments

EUR million



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# Key figures

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	1-3/2011	1-3/2010	Change, %
Earnings per share, EUR	0.04	0.12	-66.7
Equity per share, EUR	4.30	4.07	5.7
Return on equity (ROE), %	3.3	11.5	
Return on investment (ROI), %	3.5	15.1	
Equity ratio, %	78.6	78.8	
Gearing, %	-17.7	-24.5	
Gross investments, EUR 1,000	1,600	275	481.8
Gross investments, % of net sales	9.3	1.7	
Contingent liabilities, EUR 1,000	19,592	10,645	84.0
Average personnel	395	371	6.5
Personnel at the end of the period	396	370	7.0
Number of share at the end of the period (1,000)	8,040	8,040	
Number of shares outstanding, average (1,000)	8,040	8,040	



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