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Marimekko Corporation, Interim Report, 6 November 2014 at 8.30 a.m.

## INTERIM REPORT OF MARIMEKKO CORPORATION, 1 JANUARY - 30 SEPTEMBER 2014: EARNINGS IMPROVED IN A DIFFICULT MARKET

### Streamlined operations and continued growth in Asia contributed to the improved result

In January-September 2014, the Marimekko Group's net sales fell by 1 percent relative to the same period last year and amounted 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; sales were boosted by one-time promotions in Finland and earlier timing of wholesale deliveries for winter collections in September.

The trend in earnings for the January-September period was slightly better than forecast, and profits improved despite the decline in net sales: Operating profit was EUR 3.6 million (0.6) and operating profit excluding nonrecurring items was EUR 4.3 million (2.1). In the July-September period, operating profit was EUR 4.9 million (3.1). The results were 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.

The business climate for retail trade continued to be challenging especially in Finland. Actions taken to streamline operations supported the company's profit performance. As expected, the trend in retail sales started to level out at the beginning of the third quarter in Finland in particular due to the low level of sales during the comparison period. Retail and especially Christmas sales typically contribute a significant proportion of sales in the last quarter of the year.

Marimekko will continue to invest in growth while focusing on enhancing the operations of its stores, on improving the overall profitability of its business, and on creating even more attractive design and products.

### Key indicators

	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Net sales, EUR million	26.8	24.9	8	68.1	68.5	-1	94.0
International sales, EUR million	11.6	10.6	9	30.9	31.1	-1	41.8
% of net sales	43	43		45	45		45
EBITDA, EUR million	5.9	4.2	41	6.9	4.3	61	6.9
EBITDA excluding nonrecurring items, EUR million	5.9	4.2	41	7.5	5.5	36	7.9
Operating profit, EUR million	4.9	3.1	58	3.6	0.6		0.1
Operating profit excluding nonrecurring items, EUR million	4.9	3.1	58	4.3	2.1	103	1.4
Operating profit margin, %	18.2	12.4		5.4	0.9		0.1
Operating profit margin excluding nonrecurring items, %	18.2	12.4		6.3	3.1		1.4
Result for the period, EUR million	4.0	1.8	123	2.9	-0.4		-1.0
Earnings per share, EUR	0.49	0.22	125	0.35	-0.05		-0.12
Cash flow from operating activities, EUR million	4.4	2.6	66	3.5	0.4		5.4
Return on investment (ROI), %				13.8	0.9		-1.1
Equity ratio, %				56.8	51.5		55.5
Gross investments, EUR million	0.6	0.8	-15	1.4	1.9	-24	2.4
Personnel at the end of the period outside Finland				456	522	-13	502
				121	110	10	124
Brand sales*, EUR million	51.6	48.4	7	132.9	139.6	-5	191.1
outside Finland, EUR million	30.5	28.8	6	80.9	86.6	-7	115.1
proportion of international sales, %	59	60		61	62		60
Number of stores**				136	128	6	133

The change percentages in the table were calculated on exact figures before the amounts were rounded to millions of euros.

\*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.

\*\* 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). Information on changes is available in the section Internationalisation and changes in the store network.

#### **Mika Ihamuotila, President and CEO:**

"I am pleased that we succeeded in achieving a strong result despite the challenging business conditions in the retail market especially in Finland and the slight decline in our net sales. In January-September 2014, our operating profit was EUR 3.6 million (0.6), and operating profit excluding nonrecurring items doubled from the comparison period to EUR 4.3 million. The actions we have taken to streamline our operations have been effective, which is the most important factor in the marked improvement in our profitability.

"Our net sales fell by one percent relative to the same period last year and amounted to EUR 68.1 million. The decline was mainly due to a downturn in our wholesale sales in North America, Scandinavia and EMEA and decreased retail sales in Finland. However, the relative trend in retail sales especially in Finland started to level out at the beginning of the third quarter as expected. Our wholesale sales in Japan have been negatively impacted by the appreciation of the euro against the yen and by an increase in sales tax which came into effect in Japan in April 2014. This is forecast to continue in the remainder of the year, but the long-term prospects are nevertheless also positive in Japan.

"During the year, we have continued to reinforce our position in the Asia-Pacific region, where growth in the consumer market is strong. Ten new Marimekko stores, out of a total of 19, are opened this year in this important market area. The new retailer-owned stores that have already been opened are located in Japan, Hong Kong, South Korea and New Zealand. In Australia, our retail sales have developed better than was forecast, and we opened our third company-owned store there in September. In December, new retailer-owned stores will be opened in Hong Kong and Chengdu, China.

"The third quarter was a step in the right direction in achieving a good profit level. In the remainder of the year, we will continue to invest in growth and to improve the overall profitability of our business. The last quarter of 2014 will be boosted by royalty earnings from the Banana Republic Marimekko Collection and one-off promotional deliveries in Finland. We are currently updating our product design as well as our processes for product development and procurement.

"I believe that our investment in new design, growth in Asia and digitalisation together with streamlined operations will strengthen Marimekko even further."

#### **Financial guidance for 2014**

Guidance for 2014 amended on 21 October 2014: 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.

#### **Further information**

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## INTERIM REPORT OF MARIMEKKO CORPORATION, 1 JANUARY - 30 SEPTEMBER 2014

## MARKET REVIEW

The general uncertainty in the world economy has continued. Conditions in the Asia-Pacific region have remained relatively stable, although the impact of China on the global economy has diminished despite growth in the Chinese economy. Development in Europe is marked by uncertainty, and growth has slowed down. In the United States, economic growth is expected to continue steady. In Finland, conditions in the retail sector have remained difficult, and the outlook for the rest of the year is uncertain. The downbeat prospects are further clouded by the economic climate in Russia and the Ukrainian crisis (Confederation of Finnish Industries EK: Economic Review, 21 October 2014). In the January-September period of 2014, the value of retail sales in Finland fell by 0.6 percent and the volume of sales, which indicates real growth in sales, fell by 0.9 percent (Statistics Finland: Turnover of Trade, retail trade flash estimate, September 2014).

## INTERNATIONALISATION AND CHANGES IN THE STORE NETWORK

Marimekko is experiencing a dynamic phase of internationalisation. In 2014, the main thrust in expansion is on openings of retailer-owned Marimekko stores. Also, the company is concentrating on enhancing the operations of company-owned stores opened in recent years and improving their profitability.

In its interim report issued on 14 August 2014, the company stated that 22 new Marimekko stores would be opened this year. The openings of three retailer-owned stores have been postponed to the beginning of 2015 due to delays in the construction of the shopping centres. The number of openings has thus been confirmed as 19, 10 of which are in the Asia-Pacific region. The new Marimekko stores break down as follows: four company-owned and seven retailer-owned stores and eight shop-in-shops.

During the third quarter, three Marimekko stores were opened: a company-owned store in Melbourne, Australia, a retailer-owned store in Nagasaki, Japan, and a shop-in-shop in Finland. Since the end of the period under review, two company-owned stores and a shop-in-shop have been opened in Finland along with two retailer-owned stores in Seoul, South Korea, and two shop-in-shops in Mexico. In addition, three more stores will be opened in the final quarter of the year.

Number of stores & shop-in-shops*	30.9.2014	30.9.2013	31.12.2013
Finland	59	53	56
Company-owned stores	32	29	31
Scandinavia	10	14	13
Company-owned stores	8	8	8
EMEA**	4	4	4
Company-owned stores	4	4	4
North America	21	23	23
Company-owned stores	6	6	6
Asia-Pacific	42	34	37
Company-owned stores	3	2	2
<b>Total</b>	<b>136</b>	<b>128</b>	<b>133</b>
Company-owned stores	53	49	51

\* Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm.

\*\*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.

## NET SALES

In January-September 2014, the Group's net sales fell by 1 percent to EUR 68,061 thousand (68,542). Net sales in Finland fell by 1 percent. 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. Comparable sales by company-owned stores rose in particular in Scandinavia and in the rest of Europe. Net sales were boosted by one-time promotions in Finland during the third quarter. A downturn in wholesale sales in North America, Scandinavia and EMEA 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. Also, reduced levels compared to the previous year of restocking deliveries to retailers exerted a drag on wholesale sales in Finland. In addition, royalty income was at a lower level than in the comparison period.

In the July-September period, the Group's net sales rose by 8 percent to EUR 26,811 thousand (24,875). Net sales in Finland grew by 7 percent relative to the same period last year. International sales rose by 9 percent. Net sales in the third quarter were boosted by one-time promotions in Finland and earlier timing of wholesale deliveries for winter collections in September.

## Net sales by market area

(EUR 1,000)	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
<b>Finland</b>	<b>15,203</b>	14,272	7	<b>37,196</b>	37,454	-1	52,159
Retail sales	<b>9,809</b>	9,807	0	<b>24,812</b>	25,315	-2	35,107
Wholesale sales	<b>5,290</b>	4,375	21	<b>12,108</b>	11,821	2	16,491
Royalties	<b>103</b>	91	14	<b>276</b>	319	-13	562
<b>Scandinavia</b>	<b>2,365</b>	2,259	5	<b>6,248</b>	5,858	7	8,152
Retail sales	<b>1,374</b>	1,185	16	<b>3,767</b>	3,032	24	4,355
Wholesale sales	<b>990</b>	1,073	-8	<b>2,481</b>	2,826	-12	3,796
Royalties	-	-	-	-	-	-	-
<b>EMEA</b>	<b>2,080</b>	2,010*	3	<b>5,819</b>	5,932*	-2	7,702*
Retail sales	<b>379</b>	324	17	<b>1,096</b>	954	15	1,408
Wholesale sales	<b>1,664</b>	1,661*	0	<b>4,611</b>	4,903*	-6	6,194*
Royalties	<b>37</b>	25	50	<b>111</b>	75	49	100
<b>North America</b>	<b>2,201</b>	2,077	6	<b>5,752</b>	6,352	-9	8,534
Retail sales	<b>1,579</b>	1,366	16	<b>4,221</b>	3,966	6	5,587
Wholesale sales	<b>552</b>	609	-9	<b>1,336</b>	2,015	-34	2,511
Royalties	<b>70</b>	101	-31	<b>195</b>	371	-47	436
<b>Asia-Pacific</b>	<b>4,963</b>	4,258*	17	<b>13,046</b>	12,946*	1	17,460*
Retail sales	<b>530</b>	489	9	<b>1,546</b>	1,496	3	2,300
Wholesale sales	<b>4,432</b>	3,769*	18	<b>11,496</b>	11,448*	0	15,158*
Royalties	-	-	-	<b>5</b>	2	157	2
<b>International sales, total</b>	<b>11,608</b>	10,603	9	<b>30,864</b>	31,088	-1	41,848
Retail sales	<b>3,862</b>	3,364	15	<b>10,630</b>	9,448	13	13,651
Wholesale sales	<b>7,638</b>	7,113	7	<b>19,923</b>	21,192	-6	27,659
Royalties	<b>107</b>	126	-15	<b>311</b>	448	-30	538
<b>Total</b>	<b>26,811</b>	<b>24,875</b>	<b>8</b>	<b>68,061</b>	<b>68,542</b>	<b>-1</b>	<b>94,007</b>
Retail sales	<b>13,672</b>	13,170	4	<b>35,442</b>	34,763	2	48,757
Wholesale sales	<b>12,929</b>	11,488	13	<b>32,031</b>	33,013	-3	44,150
Royalties	<b>211</b>	217	-3	<b>587</b>	766	-23	1,100

All figures in the table have been individually rounded to thousands of euros, so there may be rounding differences in the totals.

\* 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).

## Finland

In the January-September period, sales in Finland fell by 1 percent to EUR 37,196 thousand (37,454). Retail sales declined by 2 percent; comparable sales fell by 4 percent. Wholesale sales grew by 2 percent.

During the third quarter, retail sales held steady at the previous year's level; comparable sales at company-owned stores slipped 2 percent. Wholesale sales grew by 21 percent. The increase in wholesale sales was influenced by one-time promotions as well as earlier timing of deliveries for winter collections in September.

## Scandinavia

In Scandinavia, sales during the January-September period grew by 7 percent compared to the same period last year, reaching EUR 6,248 thousand (5,858). Retail sales rose by 24 percent. 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 at company-owned stores rose by 10 percent. Wholesale sales fell by 12 percent, partly due to a change in the delivery rhythm for the spring collection.

During the third quarter, retail sales grew by 16 percent; comparable sales at company-owned stores rose by 7 percent. Wholesale sales fell by 8 percent.

## EMEA

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.

In this market area, net sales in the January-September period fell by 2 percent to EUR 5,819 thousand (5,932). Retail sales grew by 15 percent. Wholesale sales fell by 6 percent compared to the same period last year, affected by a change in the delivery rhythm for the spring collection.

During the third quarter, retail sales grew by 17 percent. Wholesale sales held steady at the previous year's level.

## North America

In North America, net sales for the January-September period fell by 9 percent to EUR 5,752 thousand (6,352). In terms of the sales currency (mostly the US dollar), sales fell by about 10 percent. Retail sales rose by 6 percent, whereas wholesale sales were 34 percent lower than in the comparison period. The ending of the shop-in-shop partnership between Marimekko and the home furnishings retailer Crate and Barrel in summer 2014 showed up as a significant downturn in the number of products delivered during the period under review.

During the third quarter, retail sales grew by 16 percent. Wholesale sales fell by 9 percent.

## Asia-Pacific

Net sales in the Asia-Pacific region rose in the January-September period by 1 percent to EUR 13,046 thousand (12,946). Wholesale sales remained at the previous year's level; sales were 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 percent; 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 percent.

During the third quarter, euro-denominated retail sales grew by 9 percent; comparable sales at company-owned stores were on a par with the previous year. In terms of the sales currency, retail sales in the stores in Australia grew by 11 percent. Wholesale sales grew by 18 percent.

## FINANCIAL RESULT

Due to the seasonal nature of Marimekko's business, the accrual of net sales and earnings tends towards the second half of the year. During the third quarter, the trend in earnings took a distinct turn for the better, as expected. In January-September 2014, the Group's operating profit was EUR 3,646 thousand (645). This figure includes a nonrecurring expense of EUR 669 thousand connected with downsizing resulting from the consultative negotiations completed in March 2014. Operating profit for the comparison period included EUR 1,485 thousand in nonrecurring expenses. Operating profit excluding nonrecurring items was EUR 4,315 thousand (2,130). In the July-September period, the Group's operating profit was EUR 4,875 thousand (3,093).

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 contributed to the improved result. Operating profit was weakened by a downturn in wholesale sales in North America, Scandinavia and EMEA.

Marketing expenses during the period under review totalled EUR 3,063 thousand (3,235), or 4 percent of the Group's net sales (5).

The Group's depreciation was EUR 3,208 thousand (3,607), representing 5 percent of net sales (5).

Operating profit margin for the January-September period of 2014 was 5.4 percent (0.9). The third-quarter operating

profit margin was 18.2 percent (12.4).

Net financial income was EUR 113 thousand (net financial expenses 554), or 0 percent of net sales (1).

Result for the review period before taxes was EUR 3,759 thousand (91). Result after taxes was EUR 2,864 thousand (-410) and earnings per share were EUR 0.35 (-0.05).

## BALANCE SHEET

The consolidated balance sheet total as of 30 September 2014 was EUR 48,768 thousand (53,796). Equity attributable to the equity holders of the parent company was EUR 27,646 thousand (27,692), or EUR 3.42 per share (3.42).

Non-current assets at the end of September 2014 were EUR 18,672 thousand (22,924).

At the end of the period under review, net working capital was EUR 17,901 thousand (17,995). Inventories were EUR 18,423 thousand (18,867).

## CASH FLOW AND FINANCING

In the January-September period, cash flow from operating activities was EUR 3,545 thousand (393), or EUR 0.44 per share (0.05). Cash flow before cash flow from financing activities was EUR 2,121 thousand (-1,483).

In the July-September period, cash flow from operating activities was EUR 4,384 thousand (2,647), or EUR 0.54 per share (0.33). Cash flow before cash flow from financing activities was EUR 495 thousand (1,891).

The Group's financial liabilities at the end of the period under review stood at EUR 11,383 thousand (16,547).

At the end of the period under review, the Group's cash and cash equivalents amounted to EUR 2,706 thousand (3,438). In addition, the Group had unused committed long- and short-term credit lines of EUR 18,057 thousand (12,794).

The Group's equity ratio at the end of the period under review was 56.8 percent (51.5). Gearing was 31.4 percent (47.3).

## INVESTMENTS

The Group's gross investments in January-September were EUR 1,424 thousand (1,876), or 2 percent of net sales (3). Most of the investments were devoted to building store premises, IT systems, and other building expenses related to business premises.

## PERSONNEL

In January-September 2014, the number of employees averaged 473 (531). At the end of the period, the Group had 456 (522) employees, of whom 121 (110) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 40 (35), EMEA 13 (14), North America 49 (49) and Asia-Pacific 19 (12). The personnel at company-owned stores totalled 233 at the end of the period (227).

## CHANGES IN MANAGEMENT

Anna Teurnell started as Marimekko's Creative Director and member of the company's Management Group on 15 July 2014. She leads Marimekko's design team and is responsible for the company's design strategy for fashion, bags and accessories as well as home products.

Marimekko's Chief Marketing Officer Tiina Alahuhta-Kasko was appointed the company's Chief Operating Officer (COO) as of 20 August 2014. This is a new post, intended to bind the company's operational activities together so that the products represent the brand more strongly and are in line with the strategy from the drawing board all the way to the consumer. Alahuhta-Kasko will also continue to be in charge of the company's marketing.

## RESOLUTIONS OF THE ANNUAL GENERAL MEETING

The resolutions of Marimekko Corporation's Annual General Meeting have been reported in the stock exchange release of 23 April 2014 and in the interim report of 8 May 2014.

## REORGANISATIONS IN THE UNITED STATES

In February 2014, Marimekko reported reorganisations concerning its operations in the United States. In respect of these, negotiations on the termination of the lease for the Beverly Hills store and on the possible relocation of the store are still in progress. The previously implemented actions on the country organisation as well as the store closure or relocation are aimed at a total of about EUR 1.0 million in annual savings.

## EXPANSION TO THE MIDDLE EAST

In June 2014, Marimekko announced the signing of a partnership contract with BinHendi Enterprises. The aim of the partnership is to open a total of eight Marimekko stores in the Middle East by the end of 2019. It was intended to open the first store in the new Al Wasl shopping mall in Dubai towards the end of 2014. Due to delays in the construction of the mall, the store opening has been rescheduled for early 2015.

## SHARE AND SHAREHOLDERS

### Share capital and number of shares

At the end of September 2014, the company's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000 and the number of shares totalled 8,089,610.

### Shareholdings

According to the book-entry register, Marimekko had 7,171 shareholders at the end of September 2014 (7,474). Of the shares, 21.8 percent were owned by nominee-registered or non-Finnish holders (21.2). The number of shares owned either directly or indirectly by members of the Board of Directors and the President and CEO of the company was 1,328,598 (1,343,930), representing 16.4 percent of the number and voting rights of the company's shares (16.6).

### The largest shareholders according to the book-entry register on 30 September 2014

		Number of shares and votes	Percentage of shares and votes
1.	Muotitila Ltd	1,297,700	16.04
2.	Semerca Investments SA Varma Mutual Employment Pension Insurance Company	850,377	10.51 4.77
3.	ODIN Finland	385,920	4.77
4.	Veritas Pension Insurance Company	344,251	4.26
5.	Ilmarinen Mutual Pension Insurance Company	220,000	2.72
6.	Keva	215,419	2.66
7.	OP-Finland Small Firm Fund	197,754	2.44
8.	Mutual Fund Tapiola Finland	151,197	1.87
9.	Mutual Fund Nordea Finland Small Cap	136,395	1.69
10.		103,819	1.28
	<b>Total</b>	<b>3,902,832</b>	<b>48.24</b>
	Nominee-registered and non-Finnish holders	1,762,698	21.79
	Others	2,424,080	29.97
	<b>Total</b>	<b>8,089,610</b>	<b>100.00</b>

### Share trading and the company's market capitalisation

In January-September 2014, a total of 517,892 Marimekko shares were traded, representing 6.4 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 5,117,355. The lowest price of the Marimekko share was EUR 9.13, the highest was EUR 10.50 and the average price was EUR 9.88. At the end of September, the closing price of the share was EUR 9.75. The company's market capitalisation on 30 September 2014 was EUR 78,873,698 (85,426,282).



## Authorisations

At the end of the period, the Board of Directors had no valid authorisations to carry out share issues or issue convertible bonds or bonds with warrants, or to acquire or surrender Marimekko shares.

## MAJOR RISKS AND FACTORS OF UNCERTAINTY

The key strategic risks for the near future are associated with overall economic trends and the consequent uncertainty in the operating environment, the management of the company's expansion as well as the digitisation of retail.

Marimekko products are sold in approximately 40 countries. The key markets are North America, Northern Europe and the Asia-Pacific region. There are Marimekko stores in 15 countries. In addition to Finland, Marimekko has company-owned stores in other Nordic countries, Germany, the United Kingdom, the United States and Australia. The global economic cycle and factors of uncertainty affect consumers' purchasing behaviour and buying power in all of the company's market areas. The downturn in economic conditions, which started from the severe problems of the international financial markets, continues to dampen the prospects for retail as well as Marimekko's prospects for growth and earnings.

Marimekko is undergoing a phase of extensive internationalisation and change. The distribution of products is being expanded in all key market areas. Growth is based on opening retailer-owned Marimekko stores and shop-in-shops as well as on setting up company-owned stores and expanding e-commerce. In recent years, expansion has called for larger or brand-new country organisations, which exerts a drag on the cost-effectiveness of the company. Expanding the network of company-owned stores and building international e-commerce have increased the company's investments, lease liabilities of store premises and inventories as well as the company's fixed costs. It also follows from this that a larger portion of Group net sales comes from sales by the company's own retail stores, which has increased the seasonality of the business as well as dependence on the success of new company-owned stores and has shifted the bulk of net sales and profit accumulation to the last quarter, thus having a negative impact on profitability in the first half of the year. Furthermore, partnerships and the choice of partners in the company's key market areas also involve risks.

The company's ability to design, develop and commercialise new products that meet consumers' expectations while maintaining profitable in-house production, sustainable sourcing and effective logistics has an impact on the company's sales and profitability. Moreover, intellectual property rights play a vital role in the company's success and the company's ability to manage these rights may have an impact on the company's value.

The company's operational risks prominently include those related to the management and success of expansion projects, the operational reliability of procurement and logistics processes, and changes in the prices of raw materials and other procurement items. As a result of new products, the share of in-house production has diminished, and the company uses subcontractors for its manufacturing to an increasing extent. Therefore, the company's dependence on the supply chain has increased. Any delays or disturbances in supply, or fluctuations in the quality of products, may have a momentary harmful impact on business. As the operations are being expanded and diversified, risks related to the management of inventories also increase.

Among the company's economic risks, those related to the structure of sales, increased investments, price trends for factors of production, changes in cost structure, increased operational costs, customers' liquidity, and changes in exchange rates (particularly the US dollar, Swedish krona and Australian dollar) may have an impact on the company's financial status.

## 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 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.

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**

Guidance for 2014 amended on 21 October 2014: 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.

Helsinki, 6 November 2014

MARIMEKKO CORPORATION  
Board of Directors

**INTERIM REPORT 1 JANUARY - 30 SEPTEMBER 2014, TABLE SECTION**

The information presented in the interim report has not been audited. There may be differences in totals due to rounding to the nearest thousand euros.

**APPENDICES**

Accounting principles  
Formulas for key figures  
Consolidated income statement and comprehensive consolidated income statement  
Consolidated balance sheet  
Consolidated cash flow statement  
Consolidated statement of changes in shareholders' equity  
Key figures  
Segment information  
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Net sales by product line  
Quarterly trend in net sales and earnings

**ACCOUNTING PRINCIPLES**

This interim report was prepared in accordance with IAS 34. The same accounting principles were applied as in the 2013 financial statements, although at the start of the financial year the company adopted certain new and amended IFRS standards as described in the financial statements for 2013. The adoption of new and updated standards has had no effect on the figures stated during the period under review.

**FORMULAS FOR KEY FIGURES**

Earnings per share (EPS), EUR:  
 $(\text{Profit before taxes} - \text{income taxes}) / \text{Number of shares (average for the financial year)}$

Equity per share, EUR:  
 $\text{Shareholders' equity} / \text{Number of shares, 30 September}$

Return on equity (ROE), %:  
 $(\text{Profit before taxes} - \text{income taxes}) \times 100 / \text{Shareholders' equity (average for the financial year)}$

Return on investment (ROI), %:  
 $(\text{Profit before taxes} + \text{interest and other financial expenses}) \times 100 / (\text{Balance sheet total} - \text{non-interest-bearing liabilities (average for the financial year)})$

Equity ratio, %:  
 $\text{Shareholders' equity} \times 100 / (\text{Balance sheet total} - \text{advances received})$

Gearing, %:  
 $\text{Interest-bearing net debt} \times 100 / \text{Shareholders' equity}$

Net working capital:  
 $\text{Inventories} + \text{trade and other receivables} + \text{current tax assets} - \text{trade and other payables} - \text{current tax liability}$

## CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
<b>NET SALES</b>	<b>26,811</b>	24,875	<b>68,061</b>	68,542	94,007
Other operating income	51	79	162	191	246
Increase or decrease in inventories of completed and unfinished products	-395	240	336	1,208	527
Raw materials and consumables	-9,199	-9,522	-24,383	-26,009	-33,547
Employee benefit expenses	-5,555	-5,590	-18,724	-20,351	-27,059
Depreciation and impairments	-1,050	-1,117	-3,208	-3,607	-6,772
Other operating expenses	-5,788	-5,871	-18,597	-19,327	-27,320
<b>OPERATING PROFIT</b>	<b>4,875</b>	3,093	<b>3,646</b>	645	82
Financial income	328	-6	374	40	67
Financial expenses	-100	-204	-261	-594	-953
	228	-210	113	-554	-886
<b>RESULT BEFORE TAXES</b>	<b>5,103</b>	2,883	<b>3,759</b>	91	-804
Income taxes	-1,101	-1,089	-895	-501	-151
<b>NET RESULT FOR THE PERIOD</b>	<b>4,002</b>	1,794	<b>2,864</b>	-410	-955
Distribution of net result to equity holders of the parent company	4,002	1,794	2,864	-410	-955
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.49	0.22	0.35	-0.05	-0.12

## COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Net result for the period	4,002	1,794	2,864	-410	-955
Items that could be reclassified to profit or loss at a future point in time					
Change in translation difference	-176	90	-185	128	-30
<b>COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>3,826</b>	1,884	<b>2,679</b>	-282	-985
Distribution of net result to equity holders of the parent company	3,826	1,884	2,679	-282	-985

## CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.9.2014	30.9.2013	31.12.2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	1,469	2,238	1,976
Tangible assets*	17,187	20,670	18,245
Available-for-sale financial assets	16	16	16
	<b>18,672</b>	<b>22,924</b>	<b>20,237</b>
<b>CURRENT ASSETS</b>			
Inventories	18,423	18,867	18,106
Trade and other receivables	8,967	8,481	6,622
Current tax assets	-	86	682
Cash and cash equivalents	2,706	3,438	3,001
	<b>30,096</b>	<b>30,872</b>	<b>28,411</b>
<b>ASSETS, TOTAL</b>	<b>48,768</b>	<b>53,796</b>	<b>48,648</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Share capital	8,040	8,040	8,040
Invested non-restricted equity reserve	502	502	502
Translation differences	-223	120	-38
Retained earnings	19,327	19,030	18,485
Shareholders' equity, total	<b>27,646</b>	<b>27,692</b>	<b>26,989</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	60	18	11
Provisions	190	101	101
Financial liabilities	4,943	7,206	8,234
Finance lease liabilities	3,276	3,270	3,252
	<b>8,469</b>	<b>10,594</b>	<b>11,598</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9,071	9,439	9,989
Current tax liabilities	418	-	-
Financial liabilities	3,000	6,000	-
Finance lease liabilities	164	71	72
	<b>12,654</b>	<b>15,510</b>	<b>10,061</b>
Liabilities, total	<b>21,122</b>	<b>26,104</b>	<b>21,659</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>	<b>48,768</b>	<b>53,796</b>	<b>48,648</b>

\* At the end of the review period, tangible assets included assets acquired under finance lease agreements in the amount of EUR 3,312 thousand (30 September 2013: 3,259; 31 December 2013: 3,229).

The Group has no liabilities resulting from derivative contracts, and there are no outstanding guarantees or any other contingent liabilities which have been granted on behalf of the management of the company or its shareholders.

## CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-9/2014	1-9/2013	1-12/2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net result for the period	2,864	-410	-955
Adjustments			
Depreciation and impairments	3,208	3,607	6,772
Other non-cash transactions	89	101	101
Financial income and expenses	-113	554	886
Taxes	895	501	151
Cash flow before change in working capital	6,943	4,353	6,954
Change in working capital	-2,764	-3,078	-1,667
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-1,811	-491	81
Increase (-) / decrease (+) in inventories	-317	80	396
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-636	-2,667	-2,144
Cash flow from operating activities before financial items and taxes	4,179	1,275	5,288
Paid interest and payments on other financial expenses	-260	-217	-353
Interest received	23	40	67
Taxes paid	-397	-703	422
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>3,545</b>	<b>393</b>	<b>5,424</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-1,424	-1,876	-2,353
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1,424</b>	<b>-1,876</b>	<b>-2,353</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Short-term loans drawn	3,000	6,000	-
Long-term loans paid	-3,291	-2,111	-1,083
Finance lease liabilities paid	-102	-52	-69
Dividends paid	-2,022	-2,022	-2,022
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-2,415</b>	<b>1,815</b>	<b>-3,175</b>
<b>Change in cash and cash equivalents</b>	<b>-295</b>	<b>332</b>	<b>-105</b>
Cash and cash equivalents at the beginning of the period	3,001	3,106	3,106
Cash and cash equivalents at the end of the period	2,706	3,438	3,001

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Equity attributable to equity holders of the parent company				
	Share capital	Invested non-restricted equity reserve	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity 1 January 2013	8,040	502	-8	21,462	29,996
Comprehensive result					
Net result for the period				-410	-410
Translation differences			128		128
Total comprehensive result for the period			128	-410	-282
Transactions with owners					
Dividends paid				-2,022	-2,022
Shareholders' equity 30 September 2013	8,040	502	120	19,030	27,692
Shareholders' equity 1 January 2014	8,040	502	-38	18,485	26,989
Comprehensive result					
Net result for the period				2,864	2,864
Translation differences			-185		-185
Total comprehensive result for the period			-185	2,864	2,679
Transactions with owners					
Dividends paid				-2,022	-2,022
Shareholders' equity 30 September 2014	8,040	502	-223	19,327	27,646

## KEY FIGURES

	1-9/2014	1-9/2013	Change, %	1-12/2013
Earnings per share, EUR	0.35	-0.05		-0.12
Equity per share, EUR	3.42	3.42	0	3.34
Return on equity (ROE), %	14.0	-1.9		-3.4
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
Gross investments, EUR 1,000	1,424*	1,876	-24	2,353
Gross investments, % of net sales	2	3		3
Contingent liabilities, EUR 1,000	35,041	39,372	-11	37,365
Average personnel	473	531	-11	526
Personnel at the end of the period	456	522	-13	502
Number of shares at the end of the period	8,089,610	8,089,610		8,089,610
Number of shares outstanding, average	8,089,610	8,089,610		8,089,610

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

## SEGMENT INFORMATION

(EUR 1,000)	1-9/2014	1-9/2013	Change, %	1-12/2013
Marimekko business				
Net sales	68,061	68,542	-1	94,007
Operating profit	3,646	645		82
Assets	48,768	53,796	-9	48,648

## NET SALES BY MARKET AREA

(EUR 1,000)	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Finland	15,203	14,272	7	37,196	37,454	-1	52,159
Retail sales	9,809	9,807	0	24,812	25,315	-2	35,107
Wholesale sales	5,290	4,375	21	12,108	11,821	2	16,491
Royalties	103	91	14	276	319	-13	562
Scandinavia	2,365	2,259	5	6,248	5,858	7	8,152
Retail sales	1,374	1,185	16	3,767	3,032	24	4,355
Wholesale sales	990	1,073	-8	2,481	2,826	-12	3,796
Royalties	-	-	-	-	-	-	-
EMEA	2,080	2,010*	3	5,819	5,932*	-2	7,702*
Retail sales	379	324	17	1,096	954	15	1,408
Wholesale sales	1,664	1,661*	0	4,611	4,903*	-6	6,194*
Royalties	37	25	50	111	75	49	100
North America	2,201	2,077	6	5,752	6,352	-9	8,534
Retail sales	1,579	1,366	16	4,221	3,966	6	5,587
Wholesale sales	552	609	-9	1,336	2,015	-34	2,511
Royalties	70	101	-31	195	371	-47	436
Asia-Pacific	4,963	4,258*	17	13,046	12,946*	1	17,460*
Retail sales	530	489	9	1,546	1,496	3	2,300
Wholesale sales	4,432	3,769*	18	11,496	11,448*	0	15,158*
Royalties	-	-	-	5	2	157	2
International sales, total	11,608	10,603	9	30,864	31,088	-1	41,848
Retail sales	3,862	3,364	15	10,630	9,448	13	13,651
Wholesale sales	7,638	7,113	7	19,923	21,192	-6	27,659
Royalties	107	126	-15	311	448	-30	538
<b>Total</b>	<b>26,811</b>	<b>24,875</b>	<b>8</b>	<b>68,061</b>	<b>68,542</b>	<b>-1</b>	<b>94,007</b>
Retail sales	13,672	13,170	4	35,442	34,763	2	48,757
Wholesale sales	12,929	11,488	13	32,031	33,013	-3	44,150
Royalties	211	217	-3	587	766	-23	1,100

All figures in the table have been individually rounded to thousands of euros, so there may be rounding differences in the totals.

\* 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 PRODUCT LINE

(EUR 1,000)	7-9/ 2014	7-9/ 2013	Change, %	1-9/ 2014	1-9/ 2013	Change, %	1-12/ 2013
Fashion	10,031	9,162	9	26,665	25,488	5	33,979
Home	10,509	9,617	9	26,529	27,039	-2	38,577
Bags & accessories	6,271	6,095	3	14,867	16,015	-7	21,452
<b>TOTAL</b>	<b>26,811</b>	<b>24,875</b>	<b>8</b>	<b>68,061</b>	<b>68,542</b>	<b>-1</b>	<b>94,007</b>



## QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	7-9/2014	4-6/2014	1-3/2014	10-12/2013
Net sales	26,811	21,874	19,376	25,465
Operating result	4,875	519	-1,748	-565
Earnings per share, EUR	0.49	0.05	-0.19	-0.07
(EUR 1,000)	7-9/2013	4-6/2013	1-3/2013	10-12/2012
Net sales	24,875	22,957	20,710	25,748
Operating result	3,093	-1,158	-1,290	13
Earnings per share, EUR	0.22	-0.13	-0.14	-0.04