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Marimekko Corporation, Interim Report, 5 November 2015 at 8.30 a.m.

INTERIM REPORT OF MARIMEKKO CORPORATION, 1 January – 30 September 2015: Net sales remained unchanged in spite of weak market conditions; operating profit declined markedly as expected

January-September in brief

- Net sales held steady at the previous year's level, at EUR 68.2 million (1-9/2014: 68.1).
- Net sales at comparable exchange rates fell by 4 percent.
- Net sales were mainly affected by a decline in wholesale sales in Finland, Scandinavia and the Asia-Pacific region. The decline was partly due to the postponement of deliveries of winter collections from September to October. Moreover, wholesale sales in the comparison period were increased by considerable nonrecurring promotional deliveries in Finland in the third quarter. Comparable retail sales at prime stores also declined in all market areas. Net sales were boosted by growth in discount-driven sales by outlet stores and online shop in Finland in the second and third quarters, as well as by the new stores opened in 2014 and 2015.
- Operating profit excluding nonrecurring items was EUR 0.2 million (4.3). The comparison period's operating profit was boosted by considerable nonrecurring promotional deliveries in Finland in the third quarter. Operating profit for the period under review was decreased by the considerable expenses related to the closure of the Beverly Hills store during the first quarter, a decline in wholesale sales in Finland, Scandinavia and the Asia-Pacific region, a downturn in relative wholesale margins, a deterioration in the profitability of retail sales in Finland occasioned by a fall in the sales of prime stores, and an increase in design and marketing expenses. Operating profit was improved, however, by an increase in royalty earnings in North America during the first and third quarters and by the additional sales of new stores.
- Marimekko continues to invest in long-term growth while focusing on enhancing the operations of its company-owned stores, developing online retail, improving the general profitability of its business, and creating even more attractive design and products.

The third quarter in brief

- Net sales fell by 8 percent to EUR 24.6 million (Q3/2014: 26.8).
- Net sales at comparable exchange rates declined by 15 percent.
- Retail sales were on a par with the previous year; wholesale sales fell by 20 percent. The fall in wholesale sales was partly due to the postponement of deliveries of winter collections from September to October. Moreover, wholesale sales were boosted last year by considerable nonrecurring promotional deliveries in Finland.
- Operating profit was EUR 1.2 million (4.9). The comparison period's operating profit was boosted by considerable nonrecurring promotional deliveries. Operating profit for the review period was decreased by a decline in wholesale sales in all market areas except North America, a downturn in relative wholesale margins, and an increase in design and marketing expenses. Operating profit was improved, however, by growth in discount-driven sales by outlet stores and online shop in Finland, the additional sales of new stores, and an increase in royalty earnings in North America.

Financial guidance for 2015

The full-year estimate for 2015 is unchanged: Based on the market outlook, estimated sales development in the company's market areas, especially in Finland, the company's growth targets as well as other estimated factors, the Marimekko Group's year 2015 net sales are forecast to be at the same level as in 2014 or lower. Operating profit excluding nonrecurring items in 2015 is estimated to be lower than in 2014.

President Tiina Alahuhta-Kasko:

"During the period under review, the situation in the retail trade in Marimekko's important domestic market became even more difficult, and uncertainty continued over the global economy, which impacted negatively on consumer spending behaviour in all markets. Our euro-denominated net sales were practically unchanged in the January-September period. Due to an increase in discount-driven sales by outlet stores and online shop, comparable retail sales in Finland grew by three percent, which was a fairly good result considering the general trend in the Finnish clothing and textile sector. Regardless of the weak market conditions, I am not satisfied with the development of our sales, especially in the third quarter of the year. This autumn we did not have such considerable nonrecurring promotional deliveries that boosted wholesale sales in Finland in the comparison period. The weak trend in sales was also reflected in the decreased operating profit. During the rest of the year, we will focus strongly on ensuring successful holiday sales, which are

important to Marimekko, and will further enhance cooperation with our international partners in order to develop the operations of Marimekko stores as well as our product range.

“In spite of difficult global market conditions, we are determined to continue our internationalisation and the long-term development of Marimekko. At the beginning of October, we took a historic step by presenting our point of view at the Paris Fashion Week for the first time. The spring and summer 2016 ready-to-wear collection we showed to the international fashion media, influencers and buyers was positively received. Our aim was to strengthen our awareness in the global fashion arena, and I believe we succeeded in this. It is important for us to reinforce our foothold in Western and Central Europe in addition to our main markets. We are aiming for this by seeking a stronger presence in select department and multi-brand stores and by expanding our online retailing.

“In September, we opened our renewed online store, and in connection with this, our e-commerce was extended to seven new countries in Europe. Enhancing the customer experience has been a focus area for us this year; our aim is to make the experience even more inspiring and seamless between online and offline stores.

“Also overall, our international expansion has advanced this year in accordance with our strategy, with the main thrust on the Asia-Pacific region. We have just opened our fourth, company-owned Australian store in Melbourne. During the year, new markets have been opened up in Bangkok and Singapore as well as Dubai in the Middle East. The Helsinki metropolitan area is an important region in the domestic market for Marimekko. In September, we opened a company-owned store in the renovated Forum mall. In mid-November, with the opening of a new flagship store based on our new store concept on Mikonkatu, our presence in Helsinki will be reinforced.”

Key indicators

	7-9/ 2015	7-9/ 2014	Change, %	1-9/ 2015	1-9/ 2014	Change, %	1-12/ 2014
Net sales, EUR million	24.6	26.8	-8	68.2	68.1	0	94.2
International sales, EUR million	10.6	11.6	-8	31.4	30.9	2	42.1
% of net sales	43	43		46	45		45
EBITDA, EUR million	2.4	5.9	-59	3.5	6.9	-48	9.9
EBITDA excluding nonrecurring items, EUR million	2.4	5.9	-59	3.5	7.5	-53	10.5
Operating profit, EUR million	1.2	4.9	-75	0.2	3.6	-95	5.6
Operating profit excluding nonrecurring items, EUR million	1.2	4.9	-75	0.2	4.3	-95	6.3
Operating profit margin, %	5.0	18.2		0.3	5.4		5.9
Operating profit margin excluding nonrecurring items, %	5.0	18.2		0.3	6.3		6.7
Result for the period, EUR million	0.6	4.0	-85	-0.4	2.9	-114	4.1
Earnings per share, EUR	0.08	0.49	-84	-0.05	0.35	-114	0.51
Cash flow from operating activities, EUR million	0.7	4.4	-84	0.7	3.5	-79	9.9
Return on investment (ROI), %				0.1	13.8		15.6
Equity ratio, %				54.7	56.8		61.6
Gross investments, EUR million	0.9	0.6	40	1.7	1.4	18	2.1
Personnel at the end of the period outside Finland				444	456		479
				114	121		129
Brand sales*, EUR million	51.1	51.6	-1	138.7	132.9	4	186.8
outside Finland, EUR million	32.6	30.5	7	88.9	80.9	10	114.6
proportion of international sales, %	64	59		64	61		61
Number of stores**				148	136	9	144

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 2015 (53). Information on changes is available in the section Internationalisation and changes in the store network.

Further information:

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INTERIM REPORT OF MARIMEKKO CORPORATION, 1 January – 30 September 2015

OPERATING ENVIRONMENT

Overall uncertainty in the global economy is forecast to continue. In the Chinese economy, a decline in foreign trade and lower inflation increase instability and may presage a slowdown in GDP growth. In the United States, growth recovered during the summer to its previous level, and consumer confidence also seems to be returning. The unsettled global conditions and the continuously growing number of refugees may reduce consumer confidence in Europe. Expectations for the continent have not improved in recent months.

In Finland, uncertain economic conditions continue and retailing has become even more challenging. Domestic demand deteriorated in the summer, and purchasing power is showing a sluggish trend, which is likely to reduce consumer demand in future as well. Expectations for sales are still modest, and the downturn in sales is forecast to continue. In August, retail trade confidence in Finland was the second weakest in the EU countries.

(Confederation of Finnish Industries EK: Economic Review, 20 October 2015; Confidence Indicators, September 2015; Business Tendency Survey, August 2015.)

In the January-September period of 2015, the value of retail sales in Finland fell by 1.2 percent and the volume of sales, which measures real growth, by 0.0 percent (Statistics Finland: Turnover of Trade, retail trade flash estimate, September 2015).

INTERNATIONALISATION AND CHANGES IN THE STORE NETWORK

Marimekko is undergoing a dynamic phase of internationalisation. In 2015, the main thrust in expansion has been on openings of retailer-owned Marimekko stores, particularly in the Asia-Pacific region. The goal is to open a total of 10-20 new Marimekko stores and shop-in-shops. Of these, 1-3 would be company-owned stores. The company also continues to enhance the operations of company-owned stores opened in recent years and to improve their profitability.

In the third quarter, Marimekko opened its own store in the renovated Forum mall in Helsinki and a retailer-owned shop-in-shop was opened in Stockholm. In mid-September, the Finnish flagship store in Helsinki was closed for the duration of its relocation; the new flagship store will open in mid-November on Mikonkatu street. During the period, one retailer-owned store and two shop-in-shops were closed in Finland. After the end of the period, a Marimekko-owned store has opened in Melbourne, Australia.

Number of stores & shop-in-shops*	30.9.2015	30.9.2014	31.12.2014
Finland	61	59	62
Company-owned stores	24	23	24
Company-owned outlet stores	11	9	10
Retailer-owned stores	16	17	17
Retailer-owned shop-in-shops	10	10	11
Scandinavia	11	10	10
Company-owned stores	8	8	8
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	3	2	2
EMEA	4	4	3
Company-owned stores	2	4	3
Company-owned outlet stores	-	-	-
Retailer-owned stores	2	-	-
Retailer-owned shop-in-shops	-	-	-
North America	23	21	23
Company-owned stores	4	5	5
Company-owned outlet stores	1	1	1
Retailer-owned stores	2	2	2
Retailer-owned shop-in-shops	16	13	15
Asia-Pacific	49	42	46
Company-owned stores	3	3	3
Company-owned outlet stores	-	-	-

Retailer-owned stores	43	37	39
Retailer-owned shop-in-shops	3	2	4
Total	148	136	144
Company-owned stores	41	43	43
Company-owned outlet stores	12	10	11
Retailer-owned stores	63	56	58
Retailer-owned shop-in-shops	32	27	32

* Includes shop-in-shops with an area exceeding 30 sqm.

In September, Marimekko's own distribution network in Europe was reinforced when the company's e-commerce was expanded to embrace France, the UK, Germany, Italy, Spain, the Netherlands and Belgium in addition to Finland, Sweden, Denmark and the United States. Following the expansion, Marimekko's online shop now reaches customers in 11 countries.

NET SALES

Retail market conditions continued to be uncertain during the period under review. Especially in Finland, consumer confidence and purchasing power remained weak. In the January-September period, consolidated net sales held steady at the previous year's level and were EUR 68,171 thousand (68,061). Net sales at comparable exchange rates fell by 4 percent. International sales rose by 2 percent; net sales in Finland were down 1 percent.

Retail sales grew by 4 percent. Sales were boosted by the additional sales of stores opened in 2014 and 2015, an increase in discount-driven sales by outlet stores and online shop in Finland, and the strong US dollar. Comparable sales by prime stores fell in all market areas.

Wholesale sales fell by 6 percent. Sales declined in Finland, Scandinavia and the Asia-Pacific region. The decline was partly due to the postponement of deliveries of winter collections from September to October. Moreover, wholesale sales in the comparison period were increased by considerable nonrecurring promotional deliveries in Finland in the third quarter. In North America, euro-denominated sales rose due to the strong dollar.

Royalty income grew markedly, especially due to a licensing agreement concluded in North America.

In the July-September period, consolidated net sales fell by 8 percent to EUR 24,590 thousand (26,811). Net sales at comparable exchange rates declined by 15 percent. International sales and net sales in Finland both fell by 8 percent. Retail sales were on a par with the previous year; wholesale sales declined by 20 percent. The decline in wholesale sales was partly due to the postponement of deliveries of winter collections from September to October. Moreover, wholesale sales were boosted last year by considerable nonrecurring promotional deliveries in Finland.

Net sales by market area

(EUR 1,000)	7-9/ 2015	7-9/ 2014	Change, %	Change, % In currency terms	1-9/ 2015	1-9/ 2014	Change, %	Change, % In currency terms	1-12/ 2014
Finland	13,966	15,203	-8	-8	36,750	37,196	-1	-1	52,034
Retail sales	10,230	9,809	4	4	26,314	24,812	6	6	35,363
Wholesale sales	3,649	5,290	-31	-31	10,171	12,108	-16	-16	16,245
Royalties	87	103	-16	-16	264	276	-4	-4	425
Scandinavia	1,853	2,365	-22	-18	5,645	6,248	-10	-6	8,452
Retail sales	1,218	1,374	-11	-8	3,540	3,767	-6	-3	5,151
Wholesale sales	635	990	-36	-34	2,105	2,481	-15	-12	3,301
Royalties	-	-	-	-	-	-	-	-	-
EMEA	1,611	2,080	-23	-23	6,024	5,819	4	4	7,554
Retail sales	245	379	-35	-35	857	1,096	-22	-22	1,509
Wholesale sales	1,299	1,664	-22	-22	5,029	4,611	9	9	5,882
Royalties	67	37	78	78	138	111	24	24	162

North America	2,404	2,201	9	-7	6,561	5,752	14	-5	8,584
Retail sales	1,351	1,579	-14	-27	4,161	4,221	-1	-19	5,983
Wholesale sales	652	552	18	-1	1,549	1,336	16	-3	1,957
Royalties	401	70			852	195			644
Asia-Pacific	4,755	4,963	-4	-8	13,191	13,046	1	0	17,527
Retail sales	587	530	11	22	2,023	1,546	31	30	2,675
Wholesale sales	4,168	4,432	-6	-13	11,168	11,496	-3	-6	14,847
Royalties	-	-			-	5			5
International sales, total	10,623	11,608	-8	-17	31,421	30,864	2	-5	42,116
Retail sales	3,401	3,862	-12	-10	10,581	10,630	0	-4	15,318
Wholesale sales	6,755	7,638	-12	-25	19,851	19,923	0	-8	25,987
Royalties	467	107			989	311			811
Total	24,590	26,811	-8	-15	68,171	68,061	0	-4	94,150
Retail sales	13,632	13,672	0	-5	36,895	35,442	4	0	50,682
Wholesale sales	10,404	12,929	-20	-29	30,022	32,031	-6	-11	42,232
Royalties	554	211	163	180	1,254	587	113	112	1,237

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

Finland

Consumer confidence and purchasing power remained low in Finland. In the January-September period, net sales fell by 1 percent to EUR 36,750 thousand (37,196), which was due to a 16 percent decline in wholesale sales. The decline was partly attributable to the postponement of deliveries of winter collections from September to October. Moreover, wholesale sales in the comparison period were increased by considerable nonrecurring promotional deliveries in the third quarter. Retail sales grew by 6 percent due to an increase in discount-driven sales by outlet stores and online shop in the second and third quarters. Retail sales were also boosted by the new stores opened in 2014 and 2015 plus a pop-up store opened at the Helsinki-Vantaa Airport for the summer season. Comparable retail sales were up by 3 percent; at prime stores, comparable sales fell by 5 percent.

In the third quarter, retail sales rose by 4 percent due to growth in discount-driven sales by outlet stores and online shop. Retail sales were also boosted by the new stores opened in 2014 and 2015. Comparable retail sales were on a par with the previous year; at prime stores, comparable sales fell by 6 percent. Wholesale sales declined by 31 percent. The decline was partly due to the postponement of deliveries of winter collections from September to October. Moreover, wholesale sales were boosted last year by considerable nonrecurring promotional deliveries.

Scandinavia

Net sales in Scandinavia fell in the January-September period by 10 percent to EUR 5,645 thousand (6,248). Net sales at comparable exchange rates declined by 6 percent. Retail sales in euros fell by 6 percent and at comparable exchange rates by 3 percent.

Wholesale sales declined by 12 percent. The decline was partly due to the postponement of deliveries of winter collections from September to October.

In the third quarter, retail sales in euros fell by 11 percent and wholesale sales by 36 percent. The postponement of deliveries of winter collections to October reduced wholesale sales.

EMEA

Net sales in EMEA grew in the January-September period by 4 percent to EUR 6,024 thousand (5,819). Wholesale sales rose by 9 percent due to growth in deliveries to Belgium, the UAE and France. Wholesale sales in the UAE were boosted by start-up stock deliveries for two retailer-owned stores. Retail sales declined by 22 percent due to the closure of two stores in London in November 2014 and in March 2015. Comparable retail sales were on a par with the previous year.

In the third quarter, retail sales fell by 35 percent; comparable retail sales fell by 4 percent. Wholesale sales declined by 22 percent as a result of a downturn in deliveries to Belgium, Germany and the UK. The decline in wholesale sales was also partly due to the postponement of deliveries of winter collections from September to October.

North America

In North America, net sales grew by 14 percent to EUR 6,561 thousand (5,752). Net sales at comparable exchange rates fell by 5 percent; both retail and wholesale sales declined. The downturn in retail sales was due to the closure of the Beverly Hills store in March and a 17 percent decline in sales in comparable stores.

In the third quarter, retail sales in euros fell by 14 percent and at comparable exchange rates by 27 percent. Sales were affected by construction works and changes in the vicinity of some of the stores, which reduced customer turnout. Also, the closure of the Beverly Hills store reduced total sales. Wholesale sales at comparable exchange rates declined by 1 percent.

Asia-Pacific region

Net sales in the Asia-Pacific region grew by 1 percent to EUR 13,191 thousand (13,046). Wholesale sales fell by 3 percent. The fall was partly due to the postponement of deliveries of winter collections from September to October. In the most important country in this market area, Japan, wholesale sales declined by 9 percent, which was partially attributable to reduced restocking orders as a result of an increase in sales tax in spring 2014. Retail sales (Australian stores in Sydney and Melbourne) grew due to the additional sales of the store opened at the Emporium mall in Melbourne in autumn 2014. Sales in comparable stores fell in euro terms by 6 percent and in terms of the currency of sales by 7 percent. The opening of a new store close to the other store in Melbourne had a negative impact on the trend in comparable retail sales.

In the third quarter, retail sales grew markedly due to the sales of the Emporium store in Melbourne. Comparable retail sales in euros fell by 11 percent and in terms of the currency of sales by 5 percent. Wholesale sales declined by 6 percent. Japanese wholesale sales fell by 20 percent. The fall in wholesale sales was partly due to the postponement of deliveries of winter collections from September to October.

FINANCIAL RESULT

In the January-September period of 2015, the Group's operating profit was EUR 197 thousand (3,646). Operating profit for the comparison period included EUR 669 thousand in nonrecurring expenses. The comparison period's operating profit excluding nonrecurring items was EUR 4,315 thousand, and it was boosted by considerable nonrecurring promotional deliveries in Finland in the third quarter. Operating profit for the period under review was decreased by the considerable expenses related to the closure of the Beverly Hills store during the first quarter, a decline in wholesale sales in Finland, Scandinavia and the Asia-Pacific region, a downturn in relative wholesale margins, a deterioration in the profitability of retail sales in Finland occasioned by a fall in the sales of prime stores, and an increase in design and marketing expenses. Operating profit was improved, however, by an increase in royalty earnings in North America during the first and third quarters and by the additional sales of new stores.

In the July-September period of 2015, the Group's operating profit was EUR 1,228 thousand (4,875). The comparison period's operating profit was boosted by considerable nonrecurring promotional deliveries. Operating profit for the review period was decreased by a decline in wholesale sales in all market areas except North America, a downturn in relative wholesale margins, and an increase in design and marketing expenses. The decline in wholesale sales was partly due to the postponement of deliveries of winter collections from September to October. Operating profit was improved, however, by growth in discount-driven sales by outlet stores and online shop in Finland and by the additional sales of new stores.

Marketing expenses for the January-September were EUR 3,734 thousand (3,063) or 5 percent of consolidated net sales (4).

The Group's depreciation and impairments totalled EUR 3,338 thousand (3,208) or 5 percent of net sales (5).

In the January-September period of 2015, operating profit margin was 0.3 percent (5.4). The comparison period's operating profit margin excluding nonrecurring items was 6.3 percent. In the July-September period, operating profit margin was 5.0 percent (18.2).

Net financial expenses were EUR 386 thousand (net financial income 113) or 1 percent of net sales (0). Foreign exchange changes recorded in net financial items amounted to EUR -187 thousand (350).

Result for the January-September period before taxes was EUR -189 thousand (3,759). Result after taxes was EUR -394 thousand (2,864) and earnings per share were EUR -0.05 (0.35).

BALANCE SHEET

The consolidated balance sheet total as of 30 September 2015 was EUR 47,573 thousand (48,768). Equity attributable to the equity holders of the parent company was EUR 25,992 thousand (27,646) or EUR 3.21 per share (3.42).

Non-current assets at the end of September 2015 were EUR 16,955 thousand (18,672).

At the end of the period under review, net working capital was EUR 16,406 thousand (17,901). Inventories were EUR 18,948 thousand (18,423).

CASH FLOW AND FINANCING

In the January-September period, cash flow from operating activities was EUR 746 thousand (3,545) or EUR 0.09 per share (0.44). Cash flow before cash flow from financing activities was EUR -939 thousand (2,121).

In the July-September period, cash flow from operating activities was EUR 717 thousand (4,384) or EUR 0.09 per share (0.54). Cash flow before cash flow from financing activities was EUR -178 thousand (495).

The Group's financial liabilities at the end of the period under review stood at EUR 10,703 thousand (11,383).

At the end of the period under review, the Group's cash and cash equivalents amounted to EUR 3,586 thousand (2,706). In addition, the Group had unused committed long- and short-term credit lines of EUR 11,824 thousand (18,057).

The Group's equity ratio at the end of the period was 54.7 percent (56.8). Gearing was 27.4 percent (31.4).

INVESTMENTS

The Group's gross investments in the January-September period were EUR 1,685 thousand (1,424) or 2 percent of net sales (2). Most of the investments were devoted to IT systems and building store premises.

PERSONNEL

In the January-September period of 2015, the number of employees averaged 460 (473). At the end of the period, the Group had 444 (456) employees, of whom 114 (121) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 42 (40), EMEA 8 (13), North America 45 (49) and Asia-Pacific 19 (19). The personnel at company-owned stores totalled 223 (233) at the end of the period.

SHARES AND SHAREHOLDERS

Share capital and number of shares

At the end of September 2015, 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 7,111 shareholders at the end of the period under review (7,171). Of the shares, 21.6 percent were owned by nominee-registered or non-Finnish holders (21.8). The number of shares owned either directly or indirectly by members of the Board of Directors and the President of the company was 1,325,806 (1,328,598), representing 16.5 percent of the number and voting rights of the company's shares (16.4).

Information about the largest shareholders can be found on the company's website company.marimekko.com under Investors/Share Information.

Share trading and the company's market capitalisation

In the January-September period of 2015, a total of 511,220 Marimekko shares were traded, representing 6.4 percent of the company shares outstanding. The total value of Marimekko's share turnover was EUR 5,136,986. The lowest price of the share was EUR 8.20, the highest was EUR 10.94 and the average price was EUR 10.05. At the end of September, the closing price of the share was EUR 8.48. The company's market capitalisation on 30 September 2015 was EUR 68,599,893 (78,873,698).

Authorisations

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

MAJOR RISKS AND FACTORS OF UNCERTAINTY

The major strategic risks for the near future are associated with the weakening of consumer confidence, overall economic trends, and the consequent uncertainty in the operating environment especially in Finland. Near-term strategic risks also include risks related to the management of the company's expansion, digitisation of retail, and changes in Marimekko's design and product assortment.

Marimekko products are sold in approximately 40 countries. The key markets are Northern Europe, North America and the Asia-Pacific region. There are Marimekko stores in 17 countries. In addition to Finland, Marimekko has company-owned stores in the other Nordic countries, Germany, 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 long-term problems in the global economy continue 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 totally new country organisations, which burdens 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. Furthermore, partnership agreements, the choice of partners as well as store lease agreements in the company's key market areas 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. Agreements with freelance designers and fees paid to designers based on these agreements are an essential part of the management of the intellectual property rights.

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 information systems, 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, changes in exchange rates (particularly the U.S. dollar, Swedish krona and Australian dollar), and taxation may have an impact on the company's financial status.

MARKET OUTLOOK AND GROWTH TARGETS IN 2015

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

In particular, the situation in the retail trade in Marimekko's important domestic market, Finland, has remained difficult. Deteriorating consumer confidence, declining purchasing power and rising unemployment cast a shadow over Marimekko's retail sales expectations for 2015 and are reflected in retailers' increasing reluctance to replenish their stocks. In the January-September period, comparable retail sales rose by 3 percent due to dynamic growth in discount-driven sales by outlet stores and the online store during the second and third quarters. In prime stores, comparable sales fell by 5 percent. Since the end of the period under review, comparable retail sales have risen by around 6 percent; sales by prime stores have fallen by roughly 11 percent. Changes in the array of stores in central Helsinki during the autumn will result in losses of retail sales in the final quarter: In September, Marimekko opened its own store in the renovated Forum mall and the Finnish flagship store closed for the period of its relocation. The new flagship store will be opened on Mikonkatu street in mid-November. No major nonrecurring promotional deliveries which would support wholesale sales as they did in 2014 are in sight for the remainder of the year.

The Asia-Pacific region, the company's second-biggest market, plays an important part in Marimekko's internationalisation, and the company sees a growing demand for its products in this area in the long run. In recent years, new markets have been opened up in China, Hong Kong and Taiwan, and the number of Marimekko stores in the region has more than doubled to nearly 50. In 2015, new markets have been opened up in Singapore and Thailand (Bangkok). In Australia, the outlook is bright, and Marimekko's retail sales have developed well, even better than forecast. Although sales in these countries are expected to grow, their combined share of Marimekko's net sales is still relatively small compared with Japan, which is clearly the most important single country for the company in this area. The appreciation of the euro against the yen and an increase in sales tax which came into force in spring last year have impacted negatively on Marimekko's Japanese wholesale sales. This year and in the years ahead, sales in Japan are forecast to develop more modestly than in past years. Potential sales growth in the Japanese market will increasingly be based on organic growth which will be supported by the development of the operations of Marimekko stores in Japan and by changes that will be made in the company's product range. New stores will be opened at an estimated rate of a few per year. In the January-September period, wholesale sales in Japan fell by 9 percent, and sales for this year as a whole are also forecast to deteriorate markedly relative to 2014. Mainly due to the downturn in Japanese sales, wholesale sales for the entire market area are estimated to decline this year compared to 2014.

In the United States, the economy as a whole has been growing, but Marimekko's comparable foreign-currency-denominated retail and wholesale sales in North America are estimated to fall in 2015 on the basis of a weaker than expected trend in sales during the January-September period. The appreciation of the US dollar is, however, expected to boost sales markedly in euro terms. Nevertheless, owing to the loss-making nature of Marimekko's North American business, the appreciation of the dollar will impact negatively on the company's operating result for 2015. The Beverly Hills store was closed in March, which resulted in substantial expenses during the first quarter. Royalty income has grown markedly in the market area in 2015 due to a licensing agreement concluded with a North American company. No significant royalty income is expected from the North American market area during the last quarter.

Sales expectations in Scandinavia are modest. Wholesale and retail sales for the whole year 2015 are forecast to decline.

In EMEA, sales for 2015 are boosted by deliveries to two new stores opened during the spring in Dubai in the UAE and by growth in wholesale deliveries to a few major retailers in Belgium and France.

In 2015, the main thrust in expansion has been on openings of retailer-owned Marimekko stores. The aim is to open a total of 10-20 new Marimekko stores and shop-in-shops. Of these, 1-3 would be company-owned. In the January-September period, 12 new stores and shop-in-shops were opened, of which 2 were company-owned.

The expenses of marketing measures scheduled for 2015 are expected to be higher than last year, meaning more than EUR 5 million (4.7). The total investments for 2015 of the Marimekko Group are estimated as being in excess of EUR 3 million (2.1). The majority of investments are directed at building new store premises and purchasing store fixtures as well as developing IT systems to support business operations.

FINANCIAL GUIDANCE FOR 2015

The full-year estimate for 2015 is unchanged: Based on the market outlook, estimated sales development in the company's market areas, especially in Finland, the company's growth targets as well as other estimated factors, the Marimekko Group's year 2015 net sales are forecast to be at the same level as in 2014 or lower. Operating profit excluding nonrecurring items in 2015 is estimated to be lower than in 2014.

Helsinki, 5 November 2015

MARIMEKKO CORPORATION
Board of Directors

INTERIM REPORT 1 JANUARY–30 SEPTEMBER 2015: 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
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Consolidated statement of changes in shareholders' equity
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ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with IAS 34. Marimekko has applied the same accounting principles as were applied in the 2014 financial statements in this interim report, although at the start of the financial year the company adopted certain new and amended IFRS standards as described in the financial statements for 2014. 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)	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
NET SALES	24,590	26,811	68,171	68,061	94,150
Other operating income	59	51	169	162	230
Increase or decrease in inventories of completed and unfinished products	853	-395	1,041	336	-692
Raw materials and consumables	-9,816	-9,199	-25,123	-24,383	-32,767
Employee benefit expenses	-5,952	-5,555	-19,264	-18,724	-25,543
Depreciation and impairments	-1,219	-1,050	-3,338	-3,208	-4,283
Other operating expenses	-7,288	-5,788	-21,459	-18,597	-25,503
OPERATING PROFIT	1,228	4,875	197	3,646	5,592
Financial income	3	328	23	374	252
Financial expenses	-268	-100	-409	-261	-360
	-264	228	-386	113	-108
RESULT BEFORE TAXES	964	5,103	-189	3,759	5,485
Income taxes	-353	-1,101	-206	-895	-1,370
NET RESULT FOR THE PERIOD	611	4,002	-394	2,864	4,114
Distribution of net result to equity holders of the parent company	611	4,002	-394	2,864	4,114
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.08	0.49	-0.05	0.35	0.51

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	7-9/2015	7-9/2014	1-9/2015	1-9/2014	1-12/2014
Net result for the period	611	4,002	-394	2,864	4,114
Items that could be reclassified to profit or loss at a future point in time					
Change in translation difference	45	-176	172	-185	-36
COMPREHENSIVE RESULT FOR THE PERIOD	656	3,826	-222	2,679	4,078
Distribution of net result to equity holders of the parent company	656	3,826	-222	2,679	4,078

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.9.2015	30.9.2014	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	2,221	1,469	1,561
Tangible assets*	14,718	17,187	16,702
Available-for-sale financial assets	16	16	16
	16,955	18,672	18,279
CURRENT ASSETS			
Inventories	18,948	18,423	17,558
Trade and other receivables	7,974	8,967	7,286
Current tax assets	110	-	-
Cash and cash equivalents	3,586	2,706	4,079
	30,618	30,096	28,924
ASSETS, TOTAL	47,573	48,768	47,203
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	8,040	8,040	8,040
Reserve for invested non-restricted equity	502	502	502
Translation differences	98	-223	-74
Retained earnings	17,352	19,327	20,577
Shareholders' equity, total	25,992	27,646	29,045
NON-CURRENT LIABILITIES			
Deferred tax liabilities	62	60	4
Provisions	190	190	190
Financial liabilities	7,176	4,943	3,696
Finance lease obligations	3,272	3,276	3,261
	10,700	8,469	7,150
CURRENT LIABILITIES			
Trade and other payables	10,626	9,071	10,053
Current tax liabilities	-	418	778
Finance liabilities	-	3,000	-
Finance lease liabilities	255	164	176
	10,880	12,654	11,008
Liabilities, total	21,581	21,122	18,158
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	47,573	48,768	47,203

* At the end of the review period, tangible assets included assets acquired under finance lease agreements in the amount of EUR 3,354 thousand (30 September 2014: 3,312; 31 December 2014: 3,298).

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)	1-9/2015	1-9/2014	1-12/2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	-394	2,864	4,114
Adjustments			
Depreciation and impairments	3,338	3,208	4,283
Other non-cash transactions		89	89
Financial income and expenses	386	-113	108
Taxes	206	895	1,370
Cash flow before change in working capital	3,535	6,943	9,965
Change in working capital	-2,435	-2,764	45
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-897	-1,811	-460
Increase (-) / decrease (+) in inventories	-1,390	-317	547
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-148	-636	-42
Cash flow from operating activities before financial items and taxes	1,100	4,179	10,010
Paid interest and payments on other financial expenses	-221	-260	-360
Interest received	23	23	45
Taxes paid	-156	-397	156
CASH FLOW FROM OPERATING ACTIVITIES	746	3,545	9,851
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-1,685	-1,424	-2,063
CASH FLOW FROM INVESTING ACTIVITIES	-1,685	-1,424	-2,063
CASH FLOW FROM FINANCING ACTIVITIES			
Short-term loans drawn		3,000	-
Long-term loans drawn	3,481		-
Long-term loans paid		-3,291	-4,538
Finance lease liabilities paid	-203	-102	-150
Dividends paid	-2,831	-2,022	-2,022
CASH FLOW FROM FINANCING ACTIVITIES	446	-2,415	-6,710
Change in cash and cash equivalents	-493	-295	1,078
Cash and cash equivalents at the beginning of the period	4,079	3,001	3,001
Cash and cash equivalents at the end of the period	3,586	2,706	4,079

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 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
Shareholders' equity 1 January 2015	8,040	502	-74	20,577	29,045
Comprehensive result					
Net result for the period				-394	-394
Translation differences			172		172
Total comprehensive result for the period			172	-394	-222
Transactions with owners					
Dividends paid				-2,831	-2,831
Shareholders' equity 30 September 2015	8,040	502	98	17,352	25,992

KEY FIGURES

	1-9/2015	1-9/2014	Change, %	1-12/2014
Earnings per share, EUR	-0.05	0.35	-114	0.51
Equity per share, EUR	3.21	3.42	-6	3.59
Return on equity (ROE), %	-1.9	14.0		14.7
Return on investment (ROI), %	0.1	13.8		15.6
Equity ratio, %	54.7	56.8		61.6
Gearing, %	27.4	31.4		10.5
Gross investments, EUR 1,000	1,685	1,424	18	2,063
Gross investments, % of net sales	2	2		2
Contingent liabilities, EUR 1,000	36,099	35,041	3	34,310
Average personnel	460	473	-3	473
Personnel at the end of the period	444	456	-3	479
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

SEGMENT INFORMATION

(EUR 1,000)	1-9/2015	1-9/2014	Change, %	1-12/2014
Marimekko business				
Net sales	68,171	68,061	0	94,150
Operating result	197	3,646	-95	5,592
Assets	47,573	48,768	-2	47,203

NET SALES BY MARKET AREA

(EUR 1,000)	7-9/ 2015	7-9/ 2014	Change, %	Change, % In currency terms	1-9/ 2015	1-9/ 2014	Change, %	Change, % In currency terms	1-12/ 2014
Finland	13,966	15,203	-8	-8	36,750	37,196	-1	-1	52,034
Retail sales	10,230	9,809	4	4	26,314	24,812	6	6	35,363
Wholesale sales	3,649	5,290	-31	-31	10,171	12,108	-16	-16	16,245
Royalties	87	103	-16	-16	264	276	-4	-4	425
Scandinavia	1,853	2,365	-22	-18	5,645	6,248	-10	-6	8,452
Retail sales	1,218	1,374	-11	-8	3,540	3,767	-6	-3	5,151
Wholesale sales	635	990	-36	-34	2,105	2,481	-15	-12	3,301
Royalties	0	0			0	0			0
EMEA	1,611	2,080	-23	-23	6,024	5,819	4	4	7,554
Retail sales	245	379	-35	-35	857	1,096	-22	-22	1,509
Wholesale sales	1,299	1,664	-22	-22	5,029	4,611	9	9	5,882
Royalties	67	37	78	78	138	111	24	24	162
North America	2,404	2,201	9	-7	6,561	5,752	14	-5	8,584
Retail sales	1,351	1,579	-14	-27	4,161	4,221	-1	-19	5,983
Wholesale sales	652	552	18	-1	1,549	1,336	16	-3	1,957
Royalties	401	70			852	195			644
Asia-Pacific	4,755	4,963	-4	-8	13,191	13,046	1	0	17,527
Retail sales	587	530	11	22	2,023	1,546	31	30	2,675
Wholesale sales	4,168	4,432	-6	-13	11,168	11,496	-3	-6	14,847
Royalties	0	0			0	5	-100		5
International sales, total	10,623	11,608	-8	-17	31,421	30,864	2	-5	42,116
Retail sales	3,401	3,862	-12	-10	10,581	10,630	0	-4	15,318
Wholesale sales	6,755	7,638	-12	-25	19,851	19,923	0	-8	25,987
Royalties	467	107			989	311			811
Total	24,590	26,811	-8	-15	68,171	68,061	0	-4	94,150
Retail sales	13,632	13,672	0	-5	36,895	35,442	4	0	50,682
Wholesale sales	10,404	12,929	-20	-29	30,022	32,031	-6	-11	42,232
Royalties	554	211	163	180	1,254	587	113	112	1,237

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

NET SALES BY PRODUCT LINE

(EUR 1,000)	7-9/ 2015	7-9/ 2014	Change, %	1-9/ 2015	1-9/ 2014	Change, %	1-12/ 2014
Fashion	10,414	10,031	4	28,573	26,665	7	36,256
Home	8,286	10,509	-21	23,517	26,529	-11	37,703
Bags & accessories	5,890	6,271	-6	16,081	14,867	8	20,191
TOTAL	24,590	26,811	-8	68,171	68,061	0	94,150

QUARTERLY DEVELOPMENT OF NET SALES AND EARNINGS

(EUR 1,000)	7-9/2015	4-6/2015	1-3/2015	10-12/2014
Net sales	24,590	23,446	20,135	26,089
Operating result	1,228	294	-1,325	1,946
Earnings per share, EUR	0.08	0.01	-0.14	0.15

(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