

marimekko



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Marimekko Corporation, Interim report, 3 November 2016 at 8.30 a.m.

INTERIM REPORT OF MARIMEKKO CORPORATION, 1 January - 30 September 2016: A positive trend in sales and operational streamlining boosted comparable operating profit in the third quarter

January-September in brief

- Net sales grew by 5 percent to EUR 71.4 million (1-9/2015: 68.2). Net sales at comparable exchange rates grew by 4 percent.
- Net sales were supported by a positive trend in retail sales in Finland and Australia as well as by growth in wholesale sales in Finland, EMEA and the Asia-Pacific region. Growth in wholesale sales in Finland was due to nonrecurring promotional deliveries.
- Operating profit grew markedly relative to the same period last year and was EUR 3.5 million (0.2), which includes a restructuring cost of EUR 0.8 million. Comparable operating profit was EUR 4.3 million (0.2).
- Operating profit was boosted by a lower cost level as well as growth in retail and wholesale sales in Finland. Growth in wholesale sales was due to nonrecurring promotional deliveries in Q3.

The third quarter in brief

- Net sales grew by 10 percent relative to the same period last year and were EUR 26.9 million (Q3/2015: 24.6).
- Net sales were supported by strong retail sales and nonrecurring promotional deliveries in Finland as well as by a positive trend in wholesale sales in EMEA.
- Comparable operating profit grew relative to the same period last year and was EUR 3.7 million (1.2).
- Operating profit was boosted by a lower cost level, nonrecurring promotional wholesale deliveries in Finland, and by growth in wholesale sales in EMEA. Operating profit was also improved by earlier timing of wholesale deliveries compared with the previous year.
- In the comparison period, operating profit was improved by royalty receipts from North America.

Financial guidance for 2016

The Marimekko Group's net sales for 2016 are forecast to be at the same level as in 2015. Operating profit excluding restructuring costs is expected to be higher than in the previous year.

Tiina Alahuhta-Kasko, President & CEO:

"For Marimekko, the current year is a year of building and improving efficiency. The third quarter of the year was even somewhat better than expected. This was due to strong wholesale sales in EMEA as well as earlier timing of wholesale deliveries compared with the previous year. In the January-September period of 2016, our net sales grew by 5 percent; our operating profit grew to EUR 3.5 million and our comparable operating profit was EUR 4.3 million (0.2). Our profitability was improved by lower cost levels combined with growth in retail and wholesale sales in Finland. Growth in wholesale sales was due to nonrecurring promotional deliveries in Q3. Our operating profit was weakened by discount-driven retail sales, which are typical in a price-sensitive market situation. Also, in the corresponding period of 2015, operating profit was boosted by royalty receipts from North America. I am pleased that we have succeeded in increasing both our net sales and our operating profit in challenging global market conditions.

"This year we have continued our international growth. Of the twelve new Marimekko stores opened by the end of September, nine are located in the important Asia-Pacific region. Our retail trade in Australia has developed well, and we will open our fifth company-owned store there in November.

"As we have previously reported, we are continuing to revamp our ready-to-wear collections and to optimise our assortment for different markets and distribution channels. The first revamped ready-to-wear collection hit the market in spring this year. On the basis of analysis of the collection structure, we will in the future fine-tune our price position in particular to correspond more closely to price-sensitive market conditions.

"At the beginning of October, we attended Paris Fashion Week for the third time. We presented our spring/summer 2017 ready-to-wear collection to the international fashion and lifestyle media, influencers and buyers, and once again we received a positive reception. Appearing at Paris Fashion Week helps us in the long-term cultivation of our international brand recognition. One indication of the interest stirred by our revamping work is that Marimekko's ready-to-wear

collection designed under Creative Director Anna Teurnell was awarded as the collection of the year at the Finnish Elle Style Awards 2016.

"In September, we started up the new washing machine at our textile printing factory in Helsinki, where we print about a million metres of fabric per year. Investments in our own printing factory are important because, as a unique player in our sector in Finland, we must ensure that the factory provides us with an ongoing and flexible ability to innovate. Consumers around the world are increasingly interested in knowing where, how and by whom their products have been made. The in-house printing factory helps to underpin our expertise in print design as a strong factor of differentiation and as an international competitive advantage.

"As is typical in our industry, the proportion of retail sales and particularly holiday sales in our net sales for the last quarter of the year is considerable. Towards the end of the year, we concentrate on securing holiday sales. We also continue with determination the long-term development of Marimekko. I am confident that our efforts to optimise our product range and to develop our procurement and the multichannel customer experience, combined with our streamlined operations, will further strengthen Marimekko."

Key figures

The guidelines on Alternative Performance Measures to be used by listed companies in their financial reporting, published by the European Securities and Markets Authority (ESMA), entered into force on 3 July 2016. As of the first quarter of 2016, Marimekko Corporation uses the term "comparable" instead of the previously used term "excluding nonrecurring items". In addition, the heading brand sales is given as an alternative non-IFRS key figure.

The items affecting comparability involve items not influencing ordinary business operations or cash flow, which are items adjusted for comparability if they arise from write-downs of assets, sales of assets, expenses of terminating business operations, reorganisation expenses, changes in legislation, or legal actions.

Brand sales are calculated by adding together the company's own retail net sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's realised wholesale sales and royalty income, is unofficial and does not include VAT.

EUR million	7-9/ 2016	7-9/ 2015	Change, %	1-9/ 2016	1-9/ 2015	Change, %	2015
Net sales	26.9	24.6	10	71.4	68.2	5	95.7
International sales	11.3	10.6	6	32.2	31.4	2	43.0
% of net sales	42	43	-	45	46	-	45
EBITDA	4.8	2.4	96	6.7	3.5	90	6.1
Comparable EBITDA	4.8	2.4	96	7.6	3.5	114	6.1
Operating result	3.7	1.2	199	3.5	0.2	-	1.5
Comparable operating result	3.7	1.2	199	4.3	0.2	-	1.5
Operating result margin, %	13.6	5.0	-	4.9	0.3	-	1.6
Comparable operating result margin, %	13.6	5.0	-	6.1	0.3	-	1.6
Result for the period	2.8	0.6	-	2.5	-0.4	-	0.8
Earnings per share, EUR	0.34	0.08	-	0.31	-0.05	-	0.10
Cash flow from operating activities	1.4	0.7	99	-1.6	0.7	-	6.3
Return on investment (ROI)*, %	-	-	-	12.7	5.4	-	4.5
Equity ratio, %	-	-	-	55.2	54.7	-	59.0
Gross investments	1.0	0.9	8	2.3	1.7	38	3.6
Personnel at the end of the period	-	-	-	416	444	-6	476
outside Finland	-	-	-	111	114	-3	126
Brand sales**	49.6	46.6	6	145.6	129.7	12	176.7
outside Finland	29.5	28.1	5	94.7	79.9	19	105.4
proportion of international sales, %	59	60	-	65	62	-	60
Number of stores***	-	-	-	159	148	11	153

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

* ROI and ROE are reported as 12-month rolling values as of the first review period of 2016. Figures for the comparison periods have been restated accordingly. This change improves comparability between review periods.

** 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 realised wholesale sales and royalty income, is

unofficial and does not include VAT. The key figure is not audited. The calculation method for 2015 figures has been restated to correspond to the licensing agreement terms.

*** 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 54 at the end of September 2016 (53). Information on changes is available in the section Changes in the Store Network.

Reconciliation of key figures to IFRS

EUR million	7-9/ 2016	7-9/ 2015	1-9/ 2016	1-9/ 2015	2015
Items affecting comparability					
Restructuring (employee benefit expenses)	-	-	-0.8	-	-
Restructuring (other operating expenses)	-	-	0.0	-	-
Items affecting comparability in operating result	-	-	-0.8	-	-
EBITDA	4.8	2.4	6.7	3.5	6.1
Items affecting comparability	-	-	-0.8	-	-
Comparable EBITDA	4.8	2.4	7.6	3.5	6.1
Operating result	3.7	1.2	3.5	0.2	1.5
Items affecting comparability in operating result	-	-	-0.8	-	-
Comparable operating result	3.7	1.2	4.3	0.2	1.5
Net sales	26.9	24.6	71.4	68.2	95.7
Operating result margin, %	13.6	5.0	4.9	0.3	1.6
Comparable operating result margin, %	13.6	5.0	6.1	0.3	1.6

Financial calendar for 2017

Marimekko Corporation's financial statements bulletin for 2016 will be issued on Thursday 9 February 2017 at 8.30 a.m. The financial statements for 2016 will be published in week 11 at the latest. The interim reports and the half-year financial report for 2017 will be issued as follows: January-March on Wednesday 10 May 2017 at 8.30 a.m., January-June on Thursday 10 August 2017 at 8.30 a.m., and January-September on Thursday 2 November 2017 at 8.30 a.m.

The Annual General Meeting is planned to be held on Thursday 6 April 2017 at 2.00 p.m.

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INTERIM REPORT OF MARIMEKKO CORPORATION, 1 January - 30 September 2016**OPERATING ENVIRONMENT**

Growth in global trade has slowed due to weakened demand in Asia, and the situation in the UK is expected to decelerate growth even further. Growth continues in the EU countries, although the Brexit vote outcome increases uncertainty. All in all, there is considerable uncertainty about the trend in the global economy due to the unpredictability of the political situation, for example.

The trend in the Finnish economy is more upbeat than before. In retail trade, however, the current situation is generally weaker than the average. In October, sales volume has remained almost at its previous level, and no substantial changes are expected in the next few months. Retail trade confidence in Finland reached its long-term average in October, but it is still lower than the EU average. Consumer confidence was slightly above the long-term average in October.

(Confederation of Finnish Industries EK: Economic Review, 4 October 2016; Confidence Indicators, October 2016; Business Tendency Survey, October 2016. Statistics Finland: Consumer Survey, October 2016.)

In the January-September period, the value of retail sales in Finland increased by 0.7 percent relative to the same period last year and the volume of sales, which measures real growth, rose by 1.8 percent. (Statistics Finland: Turnover of Trade, retail trade flash estimate, September 2016).

CHANGES IN THE STORE NETWORK

In 2016, the main thrust in expanding the Marimekko store network continues to be on openings of retailer-owned Marimekko stores. The goal is to open around 10-20 new Marimekko stores and shop-in-shops. Of these, 1-2 would be company-owned stores.

In the July-September period of 2016, two shop-in-shops were opened, one in Copenhagen and the other in Bangkok.

During the review period, a Marimekko-owned store was closed in Täby, Sweden. In addition, the shop-in-shop in the Magasin department store in Lyngby, Denmark, was downsized to less than 30 square metres, which is why it no longer is included in the total number of Marimekko stores.

Number of stores and shop-in-shops*	30.9.2016	30.9.2015	31.12.2015
Finland	63	61	62
Company-owned stores	25	24	25
Company-owned outlet stores	12	11	11
Retailer-owned stores	16	16	16
Retailer-owned shop-in-shops	10	10	10
Scandinavia	10	11	11
Company-owned stores	7	8	8
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	3	3	3
EMEA	3	4	4
Company-owned stores	1	2	2
Company-owned outlet stores	-	-	-
Retailer-owned stores	2	2	2
Retailer-owned shop-in-shops	-	-	-
North America	23	23	24
Company-owned stores	4	4	4
Company-owned outlet stores	1	1	1
Retailer-owned stores	1	2	2
Retailer-owned shop-in-shops	17	16	17
Asia-Pacific	60	49	52

Company-owned stores	4	3	4
Company-owned outlet stores	-	-	-
Retailer-owned stores	47	42	44
Retailer-owned shop-in-shops	9	4	4

Total	159	148	153
Company-owned stores	41	41	43
Company-owned outlet stores	13	12	12
Retailer-owned stores	66	62	64
Retailer-owned shop-in-shops	39	33	34

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

NET SALES

Net sales in January-September

In the January-September period, the Group's net sales grew by 5 percent and were EUR 71,440 thousand (68,171). Net sales in Finland rose by 7 percent and international sales by 2 percent relative to the same period last year. In retail sales, growth was 5 percent and in wholesale sales 6 percent. Retail sales were supported by an upward trend in sales in Finland and Australia. Growth in wholesale sales was due to nonrecurring promotional deliveries in Finland in Q3 as well as a positive trend in sales in EMEA and the Asia-Pacific region. Net sales were reduced by a weak trend in retail sales in North America. In the comparison period, net sales were improved by royalty receipts from North America.

Net sales in the third quarter

In the July-September period, the Group's net sales grew by 10 percent relative to the same period last year and were EUR 26,949 thousand (24,590). Net sales at comparable exchange rates rose by 9 percent. Net sales were supported by strong retail sales and nonrecurring promotional deliveries in Finland as well as by a positive trend in wholesale sales in EMEA. In the comparison period, net sales were improved by royalty receipts from North America.

Net sales by market area

(EUR 1,000)	7-9/ 2016	7-9/ 2015	Change %	Change % in cur- rency terms	1-9/ 2016	1-9/ 2015	Change %	Change % in cur- rency terms	2015
Finland	15,673	13,966	12	12	39,252	36,750	7	7	52,690
Retail sales	10,855	10,230	6	6	28,167	26,314	7	7	37,613
Wholesale sales	4,719	3,649	29	29	10,890	10,171	7	7	14,669
Royalties	99	87	14	14	196	264	-26	-26	408
Scandinavia	1,998	1,853	8	7	5,656	5,645	0	1	7,783
Retail sales	1,310	1,218	8	6	3,637	3,540	3	1	4,841
Wholesale sales	688	635	8	10	2,019	2,105	-4	-1	2,942
Royalties	-	-	-	-	-	-	-	-	-
EMEA	2,448	1,611	52	52	6,771	6,024	12	12	8,280
Retail sales	207	245	-15	-15	805	857	-6	-6	1,213
Wholesale sales	2,147	1,299	65	65	5,732	5,029	14	14	6,862
Royalties	94	67	40	40	235	138	70	70	205
North America	2,008	2,404	-16	-17	5,886	6,561	-10	-10	9,227
Retail sales	1,419	1,351	5	5	3,807	4,161	-9	-8	5,898
Wholesale sales	526	652	-19	-20	1,621	1,549	5	5	2,380
Royalties	64	401	-84	-84	459	852	-46	-46	949
Asia-Pacific	4,821	4,755	1	0	13,875	13,191	5	6	17,672
Retail sales	674	587	15	8	2,321	2,023	15	17	3,159
Wholesale sales	4,146	4,168	-1	-1	11,554	11,168	3	3	14,513
Royalties	-	-	-	-	-	-	-	-	-

International sales, total	11,276	10,623	6	6	32,188	31,421	2	2	42,962
Retail sales	3,610	3,401	6	6	10,570	10,581	0	1	15,111
Wholesale sales	7,508	6,755	11	9	20,925	19,851	5	3	26,696
Royalties	158	467	-66	-68	693	989	-30	-32	1,154
Total	26,949	24,590	10	9	71,440	68,171	5	4	95,652
Retail sales	14,465	13,632	6	6	38,736	36,895	5	4	52,724
Wholesale sales	12,227	10,404	18	16	31,815	30,022	6	6	41,365
Royalties	256	554	-54	-56	889	1,254	-29	-31	1,563

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

Finland

In the January-September period, net sales in Finland rose by 7 percent to EUR 39,252 thousand (36,750). Comparable retail sales grew by 4 percent; growth amounted to 15 percent in outlet stores, whereas net sales declined by 3 percent in other stores. Wholesale sales rose by 7 percent due to nonrecurring promotional deliveries in Q3.

In the July-September period, net sales in Finland grew by 12 percent to EUR 15,673 thousand (13,966). Comparable retail sales grew by 3 percent; growth amounted to 15 percent in outlet stores, whereas sales declined by 6 percent in other stores. Wholesale sales grew by 29 percent due to nonrecurring promotional deliveries.

Scandinavia

In the January-September period, net sales in Scandinavia were on a par with those of the comparison period at EUR 5,656 thousand (5,645). Euro-denominated retail sales grew by 3 percent; retail sales at comparable exchange rates rose by 1 percent. Wholesale sales in euros fell by 4 percent and at comparable exchange rates by 1 percent.

In the third quarter, net sales grew by 8 percent and were EUR 1,998 thousand (1,853). Euro-denominated retail sales rose by 8 percent on the comparison period; retail sales at comparable exchange rates grew by 6 percent. Wholesale sales in euros rose by 8 percent and at comparable exchange rates by 10 percent.

EMEA

In the January-September period, net sales rose by 12 percent and were EUR 6,771 thousand (6,024). Retail sales declined by 6 percent, whereas wholesale sales grew by 14 percent.

In the third quarter, net sales rose by 52 percent to EUR 2,448 thousand (1,611). Retail sales fell by 15 percent, whereas wholesale sales grew by 65 percent.

North America

In the January-September period, net sales in North America fell by 10 percent to EUR 5,886 thousand (6,561). Retail sales declined by 9 percent, whereas wholesale sales grew by 5 percent. The decline in retail sales was partly attributable to the absence of sales from the Beverly Hills store, which was closed towards the end of the first quarter of the comparison year, and to long-lasting construction works in the vicinity of some stores, including the flagship store in New York City, which continued to reduce footfall. Royalty income booked in the comparison period also contributed to the decrease in net sales.

In the July-September period, net sales in North America declined by 16 percent and were EUR 2,008 thousand (2,404). The biggest single contributory factor to the decline in net sales was the royalty income booked in the comparison period last year. Retail sales grew by 5 percent, but wholesale sales were down 19 percent.

Asia-Pacific region

Net sales in the Asia-Pacific region grew in the January-September period by 5 percent to EUR 13,875 thousand (13,191). The trend was upbeat in both wholesale and retail sales; wholesale sales improved by 3 percent and retail sales (Australia) by 15 percent. Sales by comparable stores in Australia in euros were on a par with the comparison period and grew by 2 percent in terms of the sales currency.

In the July-September period, net sales rose by 1 percent and were EUR 4,821 thousand (4,755). Wholesale sales declined by 1 percent, whereas retail sales (Australia) grew by 15 percent. Sales by comparable stores in Australia in euros were on a par with the comparison period, but fell by 7 percent in terms of the sales currency.

FINANCIAL RESULT

In the January-September period of 2016, the Group's operating profit grew markedly relative to the same period last year and was EUR 3,482 thousand (197), which includes a restructuring cost of EUR 847 thousand. Comparable operating profit was EUR 4,329 thousand (197). Operating result was boosted by a lower cost level as well as growth in retail and wholesale sales in Finland. Growth in wholesale sales was due to nonrecurring promotional deliveries in Q3. The comparison period's costs included considerable expenses related to the Beverly Hills store's closure. Operating profit growth was adversely affected by discount-driven retail sales as well as royalty receipts from North America booked in the comparison period.

In the July-September period, the Group's operating profit grew relative to the comparison period and amounted to EUR 3,670 thousand (1,228). Operating profit was boosted by a lower cost level, nonrecurring promotional wholesale deliveries in Finland, and growth in wholesale sales in EMEA. Operating profit was also improved by earlier timing of wholesale deliveries compared with the previous year. Moreover, a smaller proportion of marketing expenses was posted in the third quarter than in the comparison period. The comparison period's operating profit was improved by royalty receipts from North America.

Marketing expenses for the January-September period were EUR 2,971 thousand (3,734) or 4 percent of the Group's net sales (5). Marketing expenses for the whole year are expected to be on a par with or lower than in 2015.

The Group's depreciation and impairments totalled EUR 3,221 thousand (3,338) or 5 percent of net sales (5).

In the January-September period of 2016, operating profit margin was 4.9 percent (0.3) and comparable operating profit margin 6.1 percent (0.3). In the July-September period, operating profit margin was 13.6 percent (5.0).

Net financial expenses in the January-September period were EUR 275 thousand (386) or 0 percent of net sales (1). Foreign exchange rate changes recorded in net financial items amounted to EUR -97 thousand (-187).

Result for the January-September period before taxes was EUR 3,207 thousand (-189). Result after taxes was EUR 2,509 thousand (-394) and earnings per share were EUR 0.31 (-0.05).

BALANCE SHEET

The Group's balance sheet total as of 30 September 2016 was EUR 48,504 thousand (47,573). Equity attributable to the equity holders of the parent company was EUR 26,743 thousand (25,992) or EUR 3.31 per share (3.21).

Non-current assets at the end of September 2016 were EUR 15,846 thousand (16,955).

At the end of the period under review, net working capital was EUR 20,779 thousand (16,406). Inventories were EUR 23,135 thousand (18,948).

CASH FLOW AND FINANCING

In the January-September period of 2016, cash flow from operating activities was EUR -1,607 thousand (746) or EUR -0.20 per share (0.09). Cash flow before cash flow from financing activities was EUR -3,700 thousand (-939).

In the July-September period, cash flow from operating activities was EUR 1,425 thousand (717) or EUR 0.18 per share (0.09). Cash flow before cash flow from financing activities was EUR 916 thousand (-178).

The Group's financial liabilities at the end of the period under review stood at EUR 12,615 thousand (10,703).

At the end of the review period, the Group's cash and cash equivalents amounted to EUR 2,905 thousand (3,586). In addition, the Group had unused committed long- and short-term credit lines of EUR 7,780 thousand (11,824).

The Group's equity ratio at the end of September 2016 was 55.2 percent (54.7). Gearing was 36.3 percent (27.4).

INVESTMENTS

The Group's gross investments in the January-September period were EUR 2,322 thousand (1,685) or 3 percent of net sales (2). Most of the investments were devoted to renewal of the washing machine at the company's fabric printing factory in Helsinki, IT systems, and store premises.

PERSONNEL

In the January-September period, the number of employees averaged 447 (460). At the end of the period, the Group had 416 employees (444), of whom 111 (114) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 51 (42), EMEA 5 (8), North America 34 (45) and Asia-Pacific region 21 (19). The personnel at company-owned stores totalled 232 (223) at the end of September.

SHARES AND SHAREHOLDERS

Share capital and number of shares

At the end of September 2016, 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 7,345 shareholders at the end of the period under review (7,111). Of the shares, 10.0 percent were owned by nominee-registered or non-Finnish holders (21.6).

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

Share trading and the company's market capitalisation

In the January-September period 2016, a total of 1,725,430 Marimekko shares were traded, representing 21.3 percent of the shares outstanding. The total value of the share turnover was EUR 13,544,546. The lowest price of the share was EUR 6.06, the highest was EUR 8.70 and the average price was EUR 7.85. At the end of September 2016, the closing price of the share was EUR 7.50. The company's market capitalisation on 30 September 2016 was EUR 60,672,075 (68,599,893).

Authorisations

At the end of the review period, the 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.

CHANGES IN MANAGEMENT

On 15 September 2016, Marimekko announced its appointment of Päivi Paltola, M.Sc. (Econ.), as the company's Chief Marketing Officer (CMO) and member of the Management Group as of 30 January 2017. Until then, Chief Sales Officer Päivi Lonka will be in charge of the company's marketing organisation in close collaboration with Creative Director Anna Teurnell, as previously announced.

As part of reorganising its operations in spring 2016, Marimekko initiated a recruitment process for a Chief Supply Chain Officer. This autumn, Christina Ovansjö started as Acting Supply Chain Director. She has 20 years of international experience in sourcing, production and merchandising. She has previously worked for Gap International as VP Global Production after a career with H&M and Liz Claiborne, to name but a few. Due to her fixed-term contract, she is not a member of Marimekko's Management Group, but she will participate in the work of the group.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

The major strategic risks for the near future are associated with developments in consumer confidence, overall economic trends, and the consequent fluctuations 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 retailing, and changes in Marimekko's design, product assortment and the focal points of collections.

Marimekko products are sold in approximately 40 countries. The company's 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 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.

Marimekko is undergoing a phase of internationalisation and change. The distribution of products is being expanded in all key markets. Growth is based mainly 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 entirely 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, major partnership agreements, the selection of partners as well as store lease agreements in the company's key market areas involve risks. Maintaining competitiveness demands efficiency and the constant re-evaluation of operations.

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 also an essential part of the management of 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. The company primarily uses subcontractors for its manufacturing. The revamped collections have also brought new partners into the company's supply chain. 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 financial 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 US dollar, Swedish krona and Australian dollar), and taxation may have an impact on the company's financial status.

MARKET OUTLOOK AND GROWTH TARGETS IN 2016

General uncertainty in the global economy is forecast to continue, and this is reflected in consumers' purchasing behaviour and consumption habits in all of Marimekko's market areas. The main thrust in Marimekko's operations in 2016 is on improving efficiency and results. Securing competitiveness will facilitate stronger growth potential in future years. Growth is forecast to be modest in 2016 and to focus on retailer-owned Marimekko stores. Retailers' wariness towards additional purchases and in selecting new suppliers continues to be reflected in Marimekko's wholesale sales expectations also in 2016. Furthermore, the significance of developing the company's own online store and other online sales channels is expected to grow. The first collections created entirely under the direction of the new Creative Director were brought to the market at the beginning of 2016. With the updated collections Marimekko is reaching out also to new target groups in addition to the company's current customers.

The situation in retail trade in Marimekko's important domestic market Finland has remained clearly below the normal level. In spite of improvement in consumer confidence, weak purchasing power and uncertainty in the labour market are overshadowing prospects in 2016. Nonrecurring promotional deliveries will have a positive effect on the company's sales this year.

The Asia-Pacific region, Marimekko's second-biggest market, plays an important part in the company's internationalisation. In recent years, new markets have been opened up in China, Hong Kong, Taiwan, Singapore and Thailand. Although sales in new markets are expected to grow, their combined proportion of Marimekko's net sales is still relatively small compared with Japan, which is clearly the most important single market in this region to the company. This year and in the next few years, the trend in sales in Japan is expected to be more moderate than in the previous years. Sales are supported by developing the operations of Marimekko stores there and by optimising the product range. New stores will be opened in Japan at an estimated rate of a few stores per year. In addition, shop-in-shops located mainly in department stores are also planned to be opened in Japan. In Australia, the outlook is positive and the market is expected to grow through in-house retailing, quality department stores and the company's own online store. Most of the Marimekko stores to be opened in 2016 will be located in the Asia-Pacific region.

Marimekko's sales in North America are expected to fall short of the previous year's level. Long-lasting construction works in the vicinity of Marimekko's flagship store in New York, which plays a significant part in the company's sales, are still ongoing and continue to reduce footfall. The design collaboration carried out in the second quarter of the year with the US retail chain Target is expected to support the building of Marimekko's international brand recognition in the long term. The company will continue to work to improve the profitability of its existing stores and to lighten the operational cost structure while seeking new sales channels to compensate for possible changes in wholesale agreements.

Sales expectations in Scandinavia are lower than previously estimated. Marimekko's visibility in Sweden has increased and interest in the brand has grown, but this has not turned into sales yet. In Norway and Denmark, an update of the distribution channel structure is still under way. However, these markets are expected to offer potential for the brand in the long-term.

In EMEA, sales expectations are modest. In order to raise the global profile of the brand and to promote growth, Marimekko continues to focus on cooperation with well-known department stores and other distribution channels in this market area.

The main thrust in expansion in 2016 continues to be on openings of retailer-owned Marimekko stores. The aim is to open around 10-20 new Marimekko stores and shop-in-shops. Of these, 1-2 would be company-owned. Also, the company focuses strongly on the operational enhancement and the improvement of profitability of Marimekko stores opened in recent years. In the January-September period, 12 new stores and shop-in-shops were opened, and two of these were company-owned stores. Nine of the new retailer-owned stores are located in the Asia-Pacific region.

The expenses of marketing operations in 2016 are expected to be at the same level as or lower than in 2015 (EUR 5.1 million). The total investments for 2016 of the Marimekko Group are estimated at approximately EUR 3 million (3.2). Most of investments will be devoted to acquiring new washing machinery for the company's printing factory in Helsinki, building new store premises and purchases of fittings, as well as improving data systems supporting business operations.

FINANCIAL GUIDANCE FOR 2016

The Marimekko Group's net sales for 2016 are forecast to be at the same level as in 2015. Operating profit excluding restructuring costs is expected to be higher than in the previous year.

Helsinki, 2 November 2016

Marimekko Corporation
Board of Directors

INTERIM REPORT, 1 January - 30 September 2016: TABLE SECTION

The quarterly information for 2016 is not 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
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Net sales by product line
Quarterly trend in net sales and earnings

ACCOUNTING PRINCIPLES

This interim report was prepared in compliance with IAS 34. Marimekko has applied the same accounting principles in this report as were applied in the 2015 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 2015. The adoption of new and updated standards has had no effect on the figures stated for the period under review.

FORMULAS FOR KEY FIGURES

Comparable EBITDA:

Operating result - depreciation - impairments - items affecting comparability

Comparable operating result:

Operating result - items affecting comparability in operating result

Comparable operating result margin, %

Operating result - items affecting comparability in operating result x 100 / Net sales

Earnings per share (EPS), EUR:

(Profit before taxes - income taxes) / Adjusted number of shares (average for the financial year)

Equity per share, EUR:

Shareholders' equity / Number of shares, 30 September

Return on equity (ROE), %:

Rolling 12 months (Profit before taxes - income taxes) X 100 / Shareholders' equity (average for the financial year)

Return on investment (ROI), %:

Rolling 12 months (Profit before taxes + interest and other financial expenses) X 100 / Balance sheet total - non-interest-bearing liabilities (average for the financial year)

Equity ratio, %:

Shareholders' equity X 100 / (Balance sheet total - advances received)

Gearing, %:

Interest-bearing net debt X 100 / Shareholders' equity

Net working capital:

Inventories + trade and other receivables + current tax assets - tax liability - current provisions - trade and other payables

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	7-9/2016	7-9/2015	1-9/2016	1-9/2015	2015
NET SALES	26,949	24,590	71,440	68,171	95,652
Other operating income	51	59	290	169	335
Increase or decrease in inventories of completed and unfinished products	92	853	3,677	1,041	367
Raw materials and consumables	-9,918	-9,816	-29,376	-25,123	-35,208
Employee benefit expenses	-5,589	-5,952	-19,087	-19,264	-26,232
Depreciation and impairments	-1,132	-1,219	-3,221	-3,338	-4,511
Other operating expenses	-6,782	-7,288	-20,242	-21,459	-28,861
OPERATING RESULT	3,670	1,228	3,482	197	1,542
Financial income	23	3	26	23	49
Financial expenses	-153	-268	-301	-409	-297
	-130	-264	-275	-386	-247
RESULT BEFORE TAXES	3,540	964	3,207	-189	1,294
Income taxes	-758	-353	-698	-206	-491
NET RESULT FOR THE PERIOD	2,782	611	2,509	-394	803
Distribution of net result to equity holders of the parent company	2,782	611	2,509	-394	803
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.34	0.08	0.31	-0.05	0.10

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	7-9/2016	7-9/2015	1-9/2016	1-9/2015	2015
Net result for the period	2,782	611	2,509	-394	803
Items that could be reclassified to profit or loss at a future point in time	-	-	-	-	-
Change in translation difference	167	45	-64	172	112
COMPREHENSIVE RESULT FOR THE PERIOD	2,949	656	2,445	-222	915
Distribution of net result to equity holders of the parent company	2,949	656	2,445	-222	915

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.9.2016	30.9.2015	31.12.2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1,499	2,221	1,856
Tangible assets	14,324	14,718	15,486
Available-for-sale financial assets	16	16	16
Deferred tax assets	8	-	-
	15,846	16,955	17,359
CURRENT ASSETS			
Inventories	23,135	18,948	18,488
Trade and other receivables	6,618	7,974	5,966
Current tax assets	-	110	-
Cash and cash equivalents	2,905	3,586	4,249
	32,657	30,618	28,703
ASSETS, TOTAL	48,504	47,573	46,061
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	-26	98	38
Retained earnings	18,227	17,352	18,549
Shareholders' equity, total	26,743	25,992	27,129
NON-CURRENT LIABILITIES			
Deferred tax liabilities	-	62	9
Provisions	135	190	190
Financial liabilities	5,220	7,176	3,834
Finance lease liabilities	3,196	3,272	3,231
	8,550	10,700	7,264
CURRENT LIABILITIES			
Trade and other payables	8,580	10,626	11,189
Current tax liabilities	393	-	226
Provisions	38	-	-
Financial liabilities	4,000	-	-
Finance lease liabilities	200	255	253
	13,211	10,880	11,668
Liabilities, total	21,761	21,581	18,932
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	48,504	47,573	46,061

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)	1-9/2016	1-9/2015	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	2,509	-394	803
Adjustments			
Depreciation and impairments	3,221	3,338	4,511
Financial income and expenses	275	386	247
Taxes	698	206	491
Cash flow before change in working capital	6,703	3,535	6,054
Change in working capital	-7,793	-2,435	1,502
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-652	-897	1,216
Increase (-) / decrease (+) in inventories	-4,647	-1,390	-930
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-2,495	-148	1,216
Cash flow from operating activities before financial items and taxes	-1,090	1,100	7,556
Paid interest and payments on other financial expenses	-222	-221	-305
Interest received	10	23	49
Taxes paid	-305	-156	-986
CASH FLOW FROM OPERATING ACTIVITIES	-1,607	746	6,313
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-2,093	-1,685	-3,171
CASH FLOW FROM INVESTING ACTIVITIES	-2,093	-1,685	-3,171
CASH FLOW FROM FINANCING ACTIVITIES			
Short-term loans drawn	4,000	-	-
Long-term loans drawn	1,385	3,481	139
Finance lease liabilities paid	-198	-203	-280
Dividends paid	-2,831	-2,831	-2,831
CASH FLOW FROM FINANCING ACTIVITIES	2,356	446	-2,973
Change in cash and cash equivalents	-1,344	-493	170
Cash and cash equivalents at the beginning of the period	4,249	4,079	4,079
Cash and cash equivalents at the end of the period	2,905	3,586	4,249

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Equity attributable to equity holders of the parent company					
(EUR 1,000)	Share capital	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Shareholders' equity, total
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
Shareholders' equity 1 January 2016	8,040	502	38	18,549	27,129
Comprehensive result					
Net result for the period				2,509	2,509
Translation differences			-64		-64
Total comprehensive result for the period			-64	2,509	2,445
Transactions with owners					
Dividends paid				-2,831	-2,831
Shareholders' equity 30 September 2016	8,040	502	-26	18,227	26,743

KEY FIGURES

	1-9/2016	1-9/2015	Change, %	2015
Earnings, per share, EUR	0.31	-0.05	-	0.10
Equity per share, EUR	3.31	3.21	3	3.35
Return on equity (ROE), % *	14.2	3.2	-	2.9
Return on investment (ROI), % *	12.7	5.4	-	4.5
Equity ratio, %	55.2	54.7	-	59.0
Gearing, %	36.3	27.4	-	11.3
Gross investments, EUR 1,000	2,322	1,685	38	3,591
Gross investments, % of net sales	3	2	-	4
Contingent liabilities, EUR 1,000	31,553	30,575	3	36,252
Average personnel	447	460	-3	460
Personnel at the end of the period	416	444	-6	476
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

* ROI and ROE are reported as 12-month rolling values as of the first review period of 2016. Figures for comparison periods have been restated accordingly. The change improves comparability between review periods.

SEGMENT INFORMATION

(EUR 1,000)	1-9/2016	1-9/2015	Change, %	2015
Marimekko business				
Net sales	71,440	68,171	5	95,652
Operating result	3,482	197	-	1,542
Assets	48,504	47,573	2	46,061

NET SALES BY MARKET AREA

(EUR 1,000)	7-9/ 2016	7-9/ 2015	Change %	Change % in cur- rency terms	1-9/ 2016	1-9/ 2015	Change %	Change % in cur- rency terms	2015
Finland	15,673	13,966	12	12	39,252	36,750	7	7	52,690
Retail sales	10,855	10,230	6	6	28,167	26,314	7	7	37,613
Wholesale sales	4,719	3,649	29	29	10,890	10,171	7	7	14,669
Royalties	99	87	14	14	196	264	-26	-26	408
Scandinavia	1,998	1,853	8	7	5,656	5,645	0	1	7,783
Retail sales	1,310	1,218	8	6	3,637	3,540	3	1	4,841
Wholesale sales	688	635	8	10	2,019	2,105	-4	-1	2,942
Royalties	-	-	-	-	-	-	-	-	-
EMEA	2,448	1,611	52	52	6,771	6,024	12	12	8,280
Retail sales	207	245	-15	-15	805	857	-6	-6	1,213
Wholesale sales	2,147	1,299	65	65	5,732	5,029	14	14	6,862
Royalties	94	67	40	40	235	138	70	70	205
North America	2,008	2,404	-16	-17	5,886	6,561	-10	-10	9,227
Retail sales	1,419	1,351	5	5	3,807	4,161	-9	-8	5,898
Wholesale sales	526	652	-19	-20	1,621	1,549	5	5	2,380
Royalties	64	401	-84	-84	459	852	-46	-46	949
Asia-Pacific	4,821	4,755	1	0	13,875	13,191	5	6	17,672
Retail sales	674	587	15	8	2,321	2,023	15	17	3,159
Wholesale sales	4,146	4,168	-1	-1	11,554	11,168	3	3	14,513
Royalties	-	-	-	-	-	-	-	-	-
International sales, total	11,276	10,623	6	6	32,188	31,421	2	2	42,962
Retail sales	3,610	3,401	6	6	10,570	10,581	0	1	15,111
Wholesale sales	7,508	6,755	11	9	20,925	19,851	5	3	26,696
Royalties	158	467	-66	-68	693	989	-30	-32	1,154
Total	26,949	24,590	10	9	71,440	68,171	5	4	95,652
Retail sales	14,465	13,632	6	6	38,736	36,895	5	4	52,724
Wholesale sales	12,227	10,404	18	16	31,815	30,022	6	6	41,365
Royalties	256	554	-54	-56	889	1,254	-29	-31	1,563

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)	7-9/2016	7-9/2015	Change, %	1-9/2016	1-9/2015	Change, %	2015
Fashion	9,212	10,414	-12	27,253	28,573	-5	38,810
Home	10,293	8,286	24	25,114	23,517	7	34,715
Bags and accessories	7,444	5,890	26	19,073	16,081	19	22,127
Total	26,949	24,590	10	71,440	68,171	5	95,652

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	7-9/2016	4-6/2016	1-3/2016	10-12/2015
Net sales	26,949	23,543	20,948	27,481
Operating result	3,670	871	-1,059	1,345
Earnings per share	0.34	0.08	-0.12	0.15

(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	0.08	0.01	-0.14	0.15