

marimekko

ri  
na  
e  
a



ar  
ri  
re  
k

mekko® m

Marimekko Corporation, Financial Statements Bulletin, 10 February 2015, 8.30 AM

## FINANCIAL STATEMENTS BULLETIN OF MARIMEKKO CORPORATION, 1 JANUARY - 31 DECEMBER 2014: Strong results in difficult market conditions, net sales on par with the previous year

In 2014, the Marimekko Group's net sales were on a par with the previous year, being EUR 94.2 million (94.0). Retail sales grew in all market areas, which was partly due to additional sales by the stores opened during 2013 and 2014. Comparable retail sales were up particularly in Scandinavia and other parts of Europe. In Finland, comparable retail sales were boosted by growth in sales generated by e-commerce. A downturn in wholesale sales in all of the company's market areas exerted a drag on net sales. The downturn resulted partly from a change in the rhythm of deliveries of the spring collection during the first quarter. During the October-December period, net sales grew by 2 percent; net sales were boosted by the new stores opened during the year as well as by nonrecurring promotions in Finland.

The results for 2014 were improved in difficult market conditions: operating profit was EUR 5.6 million (0.1) and operating profit excluding nonrecurring items was EUR 6.3 million (1.4). The results were boosted by reorganisations and cost savings implemented in Finland and the United States in 2013 and 2014, nonrecurring promotions in Finland, and increased licensing income. Moreover, operating profit for the comparison year was weakened by write-downs on the tangible assets of the company-owned stores in Beverly Hills, Boston and Oslo during the final quarter, totalling EUR 1.5 million. During the October-December period, operating result was EUR 1.9 million (-0.6).

The business climate for retailing remained challenging throughout the year, particularly in Finland. The streamlining measures carried out supported the company's profit performance. The trend in retail sales levelled out, particularly in Finland, from the beginning of the second half of the year due to the low level of sales during the comparison period. However, the trend weakened again as of the beginning of November 2014 along with a drop in consumer confidence and the deterioration of the overall prospects for the economy.

In 2014, Marimekko continued to invest in growth while focusing on enhancing the operations of its stores, on improving the overall profitability of its business, and on creating even more attractive design and products.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.35 per share be paid for 2014 (0.25).

### Key indicators

	10-12/ 2014	10-12/ 2013	Change, %	1-12/ 2014	1-12/ 2013	Change, %
Net sales, EUR million	26.1	25.5	2	94.2	94.0	0
International sales, EUR million	11.3	10.8	5	42.1	41.8	1
% of net sales	43	42		45	45	
EBITDA, EUR million	3.0	2.6	16	9.9	6.9	44
EBITDA excluding nonrecurring items, EUR million	3.0	2.6	16	10.5	7.9	34
Operating result, EUR million	1.9	-0.6		5.6	0.1	
Operating result excluding nonrecurring items, EUR million	1.9	-0.6		6.3	1.4	
Operating result margin, %	7.5	-2.2		5.9	0.1	
Operating result margin excluding nonrecurring items, %	7.5	-2.2		6.7	1.4	
Result for the period, EUR million	1.3	-0.5		4.1	-1.0	
Earnings per share, EUR	0.15	-0.07		0.51	-0.12	
Cash flow from operating activities, EUR million	6.3	5.0	25	9.9	5.4	82
Return on investment (ROI), %				15.6	-1.1	
Equity ratio, %				61.6	55.5	
Gross investments, EUR million	0.6	0.5	34	2.1	2.4	-12
Personnel at the end of the period				479	502	-5
outside Finland				129	124	4
Brand sales*, EUR million	53.9	51.5	5	186.8	191.1	-2
outside Finland, EUR million	33.7	28.4	18	114.6	115.1	0
proportion of international sales, %	63	55		61	60	
Number of stores**				144	133	8

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 54 at the end of 2014 (51). Information on changes is available in the section Internationalisation and changes in the store network.

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

"Marimekko's trend in earnings in 2014 - also during the final quarter - was good. Particularly when taking into account the exceptionally weak state of the retail climate in our biggest market, Finland. We reached roughly the same level in net sales as in the previous year, but we succeeded in improving our bottom line considerably. Our profitability improved, thanks partly to the streamlining measures we put into effect in 2013 and 2014. The overall weak state of the market in Finland was compensated for by our international growth, which once again focused on Asia. In 2014, we opened a total of 19 new stores, half of which are located in Asia. Our online business also enjoyed a promising trend; comparable retail sales in Finland were boosted specifically by growth in sales generated by e-commerce trade. Earnings for the last quarter were also boosted by royalty income from Banana Republic's summer collection.

"Among the key themes for the current year is the development work in the field of design and product development which was launched by our new Creative Director in the autumn. We see especially many opportunities in making fashion, bags and accessories even more attractive than before. We are also continuing our investment in digital business, particularly online retailing and the multi-channel service experience.

"The main thrust in our international expansion continues to be on Asia. In Japan, our sales expectations are more cautious than in previous years due to the weak yen and an increase in sales tax which came into effect in spring 2014. We already have a very comprehensive store network there, and future sales growth will be largely organic; new stores will be opened at a rate of a few per year. However, I believe that our international growth will continue, all in all. This spring we will also be opening stores in markets totally new to us - Dubai, Singapore and Bangkok. By contrast, as regards Finland, I see no signs of strengthening, at least in the early months of the year, and if conditions continue to be difficult, it can easily cause weaker results than last year's figure. Our investment in the future also exerts a burden on our profitability."

### **Financial guidance for 2015**

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.

### **Briefing for the media and analysts**

A briefing for the media and analysts concerning this financial statements bulletin will be held today at 9 a.m. in Marimekko's flagship store at Pohjoisesplanadi 33, Helsinki. The presentation material is available on the company's website at [company.marimekko.com](http://company.marimekko.com) under Releases/Interim reports and financial statements.

### **Corporate governance statement**

The Corporate Governance Statement 2014 is available on the company's website at [company.marimekko.com](http://company.marimekko.com) under Investors/Management/Corporate governance.

### **Financial calendar 2015**

The 2014 financial statements will be published in week 12 at the latest. The Annual General Meeting will be held on 9 April 2015 at 2 p.m. The Annual General Meeting was earlier planned to be held on 21 April 2015. The following interim reports will be published in 2015: January to March, on Tuesday 12 May 2015 at 8.30 a.m.; January to June, on Wednesday 19 August 2015 at 8.30 a.m.; and January to September, on Thursday 5 November 2015 at 8.30 a.m.

### **Further information:**

Mika Ihamuotila, President and CEO, tel. +358 9 758 71

Thomas Ekström, CFO, tel. +358 9 758 7261

MARIMEKKO CORPORATION  
Corporate Communications

Piia Kumpulainen  
Tel. +358 9 758 7293  
piia.kumpulainen@marimekko.com

DISTRIBUTION:  
NASDAQ OMX Helsinki Ltd  
Key media

## FINANCIAL STATEMENTS BULLETIN OF MARIMEKKO CORPORATION, 1 JANUARY - 31 DECEMBER 2014

### MARKET REVIEW

Widespread uncertainty over the global economy continued in 2014 as in the previous year. A budding recovery in Europe ended in the autumn. Services and retailing deteriorated along with industry. However, growth is expected to start from export demand, which the depreciation of the euro will promote. The action to stimulate recovery initiated by the European Central Bank at the beginning of 2015 is also expected to improve the situation. However, growth will be sluggish. In the United States, consumer expectations have gained strength in spite of low corporate forecasts, and as a whole the economy is growing moderately. The pace of the global economy is being maintained by developing countries, mainly in Asia and South America.

In Finland, the economic trend faltered in the second half of the year and consumer confidence declined rapidly. Economic prospects have deteriorated and expectations of a fast turnaround have become muted. Domestic demand is on the decline as unemployment rises and purchasing power falls in other respects as well. In retailing, where confidence has fallen the most, the situation remained difficult, and this tendency appears to be continuing. Sales expectations are rather weak, and sales are forecast to decline during the spring. In December, retail trade confidence in Finland was clearly the lowest in the EU. The state of the domestic market is not forecast to pick up until 2016. (Confederation of Finnish Industries EK: Economic Review, 20 January 2015; Confidence Indicators, January 2015; Business Tendency Survey, November 2014.)

In 2014, the value of retail sales in Finland fell by 1 percent and the volume of sales - which measures real growth in sales - declined by 1.2 percent (Statistics Finland: Turnover of Trade, retail trade flash estimate, January 2015).

### INTERNATIONALISATION AND CHANGES IN THE STORE NETWORK

Marimekko is undergoing a dynamic phase of internationalisation. In 2014, the main thrust in expansion was on openings of retailer-owned Marimekko stores. During the year, 19 new Marimekko stores were opened, which are distributed as follows: four company-owned and seven retailer-owned stores plus eight shop-in-shops. In addition, the company concentrated on enhancing the operations and improving the profitability of company-owned stores opened in recent years.

During the final quarter, two company-owned stores and one shop-in-shop were opened in Finland along with four retailer-owned stores, of which two are in Seoul, South Korea, one in Hong Kong and one in Chengdu in mainland China. In addition, three shop-in-shops were opened, two in Mexico and one in Singapore. In November, Marimekko closed its company-owned store in the Boxpark mall in London. In Seoul, South Korea, a retailer-owned store was closed when the lease for the retail premises expired; a new location is being scouted for the store.

During the past three years, new markets have opened up in China, Hong Kong and Taiwan, and the number of Marimekko stores in Asia-Pacific has doubled to 46. The opportunities in the growing consumer markets of Asia play an important role in Marimekko's internationalisation, particularly as the state of the retail trade in the company's largest market area, Finland, is forecast to continue to be dire. Of the new Marimekko stores opened in 2014, half were in the Asia-Pacific region: two in Hong Kong, one in Chengdu in mainland China, two in Seoul in South Korea, and two in Japan. In Australia, Marimekko opened a company-owned store in Melbourne. A further two shop-in-shops were opened, one in New Zealand and one in Singapore. In 2015, Marimekko will continue its expansion in Asia, and at least Singapore and Thailand (Bangkok) will be opened as new markets.

This year, too, the main thrust in expansion will be on openings of retailer-owned Marimekko stores and shop-in-shops. 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 stores. Also, the company will continue the operational enhancement and the improvement of profitability of company-owned stores opened in recent years.

<b>Number of stores and shop-in-shops*</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Finland	62	56
Company-owned stores	34	31
Scandinavia	10	13
Company-owned stores	8	8
EMEA**	3	4
Company-owned stores	3	4
North America	23	23
Company-owned stores	6	6
Asia-Pacific	46	37
Company-owned stores	3	2
<b>Total</b>	<b>144</b>	<b>133</b>
Company-owned stores	<b>54</b>	<b>51</b>

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

\*\*The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area) as a result of the partnership initiated in the Middle East during the second quarter of 2014.

## NET SALES

In 2014, the Group's net sales were on a par with those of the previous year, being EUR 94,150 thousand (94,007). Net sales in Finland were at the same level as in 2013; international sales rose by 1 percent.

Retail sales grew in all market areas, which was partly due to additional sales by the stores opened during 2013 and 2014. Comparable retail sales were up particularly in Scandinavia and other parts of Europe. In Finland, comparable retail sales were boosted by growth in sales generated by e-commerce.

Wholesale sales fell in all of the company's market areas. The downturn was partly attributable to a change in the rhythm of deliveries of the spring collection during the first quarter. On the other hand, wholesale sales were boosted by nonrecurring promotions in Finland in the second half of the year.

A rise in earnings from licensing was due to royalty income from the Banana Republic Marimekko collection for summer 2014.

During the October-December period, the Group's net sales grew by 2 percent and were EUR 26,089 thousand (25,465). Net sales in Finland were up by 1 percent on the same period of the previous year, and international sales rose by 5 percent.

In the final quarter, retail sales grew in all market areas with the exception of EMEA. The increase was partly due to additional sales by the stores opened during 2014. Wholesale sales declined in all other market areas except North America. Wholesale sales were impacted negatively by earlier timing of deliveries for winter collections in September. On the other hand, nonrecurring promotions in Finland boosted wholesale sales for the final quarter.

A drastic depreciation of the euro against the US dollar boosted the euro-denominated wholesale and retail sales in dollars during the final quarter.

## Net sales by market area

(EUR 1,000)	10-12/ 2014	10-12/ 2013	Change, %	1-12/ 2014	1-12/ 2013	Change, %
<b>Finland</b>	<b>14,837</b>	<b>14,705</b>	<b>1</b>	<b>52,034</b>	<b>52,159</b>	<b>0</b>
Retail sales	10,551	9,792	8	35,363	35,107	1
Wholesale sales	4,137	4,670	-11	16,245	16,491	-1
Royalties	149	243	-39	425	562	-24
<b>Scandinavia</b>	<b>2,204</b>	<b>2,294</b>	<b>-4</b>	<b>8,452</b>	<b>8,152</b>	<b>4</b>
Retail sales	1,384	1,323	5	5,151	4,355	18
Wholesale sales	820	970	-15	3,301	3,796	-13
Royalties	-	-	-	-	-	-
<b>EMEA</b>	<b>1,735</b>	<b>1,770*</b>	<b>-2</b>	<b>7,554</b>	<b>7,702*</b>	<b>-2</b>
Retail sales	413	454	-9	1,509	1,408	7
Wholesale sales	1,272	1,291*	-1	5,882	6,194*	-5
Royalties	51	25	100	162	100	62
<b>North America</b>	<b>2,831</b>	<b>2,182</b>	<b>30</b>	<b>8,584</b>	<b>8,534</b>	<b>1</b>
Retail sales	1,762	1,621	9	5,983	5,587	7
Wholesale sales	621	496	25	1,957	2,511	-22
Royalties	449	65	-	644	436	48
<b>Asia-Pacific</b>	<b>4,481</b>	<b>4,514*</b>	<b>-1</b>	<b>17,527</b>	<b>17,460*</b>	<b>0</b>
Retail sales	1,130	804	41	2,675	2,300	16
Wholesale sales	3,351	3,710*	-10	14,847	15,158*	-2
Royalties	-	-	-	5	2	183
<b>International sales, total</b>	<b>11,252</b>	<b>10,760</b>	<b>5</b>	<b>42,116</b>	<b>41,848</b>	<b>1</b>
Retail sales	4,688	4,202	12	15,318	13,651	12
Wholesale sales	6,064	6,467	-6	25,987	27,659	-6
Royalties	500	90	-	811	538	51
<b>Total</b>	<b>26,089</b>	<b>25,465</b>	<b>2</b>	<b>94,150</b>	<b>94,007</b>	<b>0</b>
Retail sales	15,240	13,995	9	50,682	48,757	4
Wholesale sales	10,201	11,137	-8	42,232	44,150	-4
Royalties	649	333	95	1,237	1,100	12

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

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

## Finland

In 2014, sales in Finland were on a par with the previous year, at EUR 52,034 thousand (52,159). Retail sales rose by 1 percent; comparable retail sales were on a par with 2013. Wholesale sales fell by 1 percent in spite of considerable nonrecurring promotional deliveries during the second half of the year.

During the October-December period, retail sales grew by 8 percent; comparable retail sales rose by 4 percent due to growth in online sales. Excluding online trade, comparable retail sales fell by 2 percent. Wholesale sales fell by 11 percent in spite of considerable nonrecurring promotional deliveries. The downturn in wholesale sales was partly due to earlier timing of deliveries for winter collections in September.

## Scandinavia

In Scandinavia, sales in 2014 grew by 4 percent relative to the previous year and amounted to EUR 8,452 thousand (8,152). Retail sales rose by 18 percent. Retail sales were boosted by two new Marimekko stores opened in 2013 as well as the extension of Marimekko's e-commerce into Sweden and Denmark. Comparable growth in retail sales was 7 percent denominated in euros and 13 percent in terms of the sales currencies. Wholesale sales fell by 13 percent, partly due to a change in the rhythm of deliveries for the spring collection.

During the final quarter, retail sales grew by 5 percent; comparable growth in retail sales was 2 percent denominated in euros and 7 percent in terms of the sales currencies. Wholesale sales fell by 15 percent.

**EMEA**

The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has been changed to EMEA (Europe and Middle East Area) due to a partnership started in the Middle East during the second quarter.

In this market area, net sales in 2014 fell by 2 percent to EUR 7,554 thousand (7,702). Retail sales grew by 7 percent. Wholesale sales fell by 5 percent on the previous year, partly due to a change in the rhythm of deliveries for the spring collection.

During the final quarter, retail sales fell by 9 percent. Wholesale sales declined by 1 percent.

**North America**

In North America, net sales in 2014 grew by 1 percent and were EUR 8,584 thousand (8,534). In terms of the sales currency (mostly the US dollar), sales were on a par with the previous year. Retail sales rose in euro terms by 7 percent and in US dollar terms by 6 percent. The ending of the shop-in-shop partnership between Marimekko and the home furnishings retailer Crate and Barrel in summer 2014 made itself felt in the form of a marked downturn in the quantity of products delivered during the financial year.

During the final quarter, retail sales grew in euro terms by 9 percent; in terms of US dollars, retail sales were on a par with those of the same period in the previous year. Wholesale sales grew in euro terms by 25 percent and in terms of the sales currency by 17 percent.

**Asia-Pacific**

Net sales in the Asia-Pacific region in 2014 held steady at the previous year's level and were EUR 17,527 thousand (17,460). Wholesale sales fell by 2 percent, partly due to a change in the rhythm of deliveries for the spring collection during the first quarter. Moreover, the appreciation of the euro against the yen and an increase in sales tax which came into effect in Japan in spring 2014 exerted a drag on wholesale sales in Japan. Retail sales (Australian stores in Sydney and Melbourne) grew by 16 percent in euro terms; in terms of the sales currency (the Australian dollar), sales were up by 23 percent. Comparable retail sales fell in euro terms by 1 percent and rose in terms of the sales currency by 5 percent.

During the final quarter, euro-denominated retail sales grew by 41 percent; in Australian dollar terms, sales rose by 40 percent. Comparable retail sales fell in euro terms by 2 percent and in terms of the sales currency by 3 percent. Wholesale sales declined by 10 percent.

**FINANCIAL RESULT**

In 2014, the Group's operating profit was EUR 5,592 thousand (82). Operating profit includes a nonrecurring expense of EUR 669 thousand connected with downsizing resulting from the consultative negotiations completed in March 2014. Operating profit for the comparison period included EUR 1,276 thousand in nonrecurring expenses. Operating profit excluding nonrecurring items was EUR 6,261 thousand (1,358). Operating profit was boosted by reorganisations and cost-cutting effected in Finland and the United States in 2013 and 2014, nonrecurring promotional deliveries in Finland, and increased licensing income due to the Banana Republic Marimekko collection for summer 2014. A drag was exerted on operating profit by a downturn in wholesale sales in all market areas. Moreover, operating profit for the comparison year was weakened by write-downs on the tangible assets of the company-owned stores in Beverly Hills, Boston and Oslo during the final quarter, totalling EUR 1,480 thousand.

During the October-December period, the Group's operating result was EUR 1,946 thousand (-564). Operating result for the last quarter was boosted by operational reorganisations and cost-cutting carried out during the year in Finland and the United States, nonrecurring promotional deliveries in Finland, and increased royalty income. A drag on operating result was exerted by a downturn in wholesale sales in all market areas with the exception of North America. Wholesale sales in the last quarter were reduced by a shift in wholesale deliveries of winter collections to September. Moreover, operating profit for the comparison year was weakened by write-downs on the tangible assets of the company-owned stores in Beverly Hills, Boston and Oslo during the final quarter.

Marketing expenses for the year totalled EUR 4,674 thousand (4,179), or 5 percent of the Group's net sales (4).

The Group's depreciation and impairments totalled EUR 4,283 thousand (6,772), or 5 percent of net sales (7). The figure for 2013 includes write-downs on the tangible assets of company-owned stores in Beverly Hills, Boston and Oslo totalling

EUR 1,480 thousand. These write-downs reduced the Group's 2014 depreciation by roughly EUR 400 thousand. Depreciation was also reduced by smaller investments than in previous years.

Operating profit margin for 2014 was 5.9 percent (0.1); in the October-December period, operating result margin was 7.5 percent (-2.2).

Net financial expenses were EUR 108 thousand (886), or 0 percent of net sales (1). Foreign exchange gains recorded in net financial expenses amounted to EUR 204 thousand (foreign exchange losses EUR 584 thousand).

Result for the financial year before taxes was EUR 5,485 thousand (-804). Result after taxes was EUR 4,114 thousand (-955) and earnings per share were EUR 0.51 (-0.12).

## **BALANCE SHEET**

The consolidated balance sheet total as at 31 December 2014 was EUR 47,203 thousand (48,648). Equity attributable to the equity holders of the parent company was EUR 29,045 thousand (26,989), or EUR 3.59 per share (3.34).

Non-current assets at the end of 2014 were EUR 18,279 thousand (20,237).

At the end of the year, net working capital was EUR 14,013 thousand (15,421). Inventories were EUR 17,558 thousand (18,106).

## **CASH FLOW AND FINANCING**

In 2014, cash flow from operating activities was EUR 9,851 thousand (5,424), or EUR 1.22 per share (0.67). Cash flow before cash flow from financing activities was EUR 7,788 thousand (3,070).

During the October-December period, cash flow from operating activities was EUR 6,306 thousand (5,031), or EUR 0.78 per share (0.62). Cash flow before cash flow from financing activities was EUR 5,667 thousand (4,553).

The Group's financial liabilities at the end of the year stood at EUR 7,133 thousand (11,558).

At the end of the year, the Group's cash and cash equivalents amounted to EUR 4,079 thousand (3,001). In addition, the Group had unused committed long- and short-term credit lines of EUR 22,304 thousand (17,767).

The Group's equity ratio at the end of the year was 61.6 percent (55.5). Gearing was 10.5 percent (31.7).

## **INVESTMENTS**

The Group's gross investments in 2014 were EUR 2,063 thousand (2,353), or 2 percent of net sales (3). Most of the investments were devoted to building store premises, IT systems, and other building expenses.

## **PERSONNEL**

In 2014, the number of employees averaged 473 (526) and at the end of the year the total was 479 (502), of whom 129 (124) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 40 (38), EMEA 13 (15), North America 50 (55) and Asia-Pacific 26 (16). The personnel at company-owned stores totalled 233 (248) at the end of the year.

## **RESOLUTIONS OF THE ANNUAL GENERAL MEETING**

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

## **REORGANISATIONS IN THE UNITED STATES**

Marimekko reported in February 2014 on reorganisations of its operations in the United States. In respect of these, negotiations on the termination of the lease on the Beverly Hills store and the potential relocation of the store are still in progress. The adjustments to the country organisation already put into effect and the closure or relocation of the store are intended to combined achieve savings of roughly EUR 1.0 million annually.



**SHARES AND SHAREHOLDERS****Share capital and number of shares**

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

**Shareholdings**

According to the book-entry register, Marimekko had 7,112 shareholders at the end of 2014 (7,424). Of the shares, 21.5 percent were owned by nominee-registered or non-Finnish holders (21.0). The number of shares owned either directly or indirectly by members of the Board of Directors and the President and CEO of the company was 1,328,598 (1,343,930), representing 16.4 percent of the number and voting rights of the company's shares (16.6).

**The largest shareholders according to the book-entry register on 31 December 2014**

		Number of shares and votes	Percentage of shares and votes
1.	Muotitila Ltd	1,297,700	16.04
2.	Semerca Investments SA	850,377	10.51
3.	Varma Mutual Employment Pension Insurance Company	385,920	4.77
4.	ODIN Finland	344,251	4.26
5.	Veritas Pension Insurance Company	220,000	2.72
6.	Ilmarinen Mutual Pension Insurance Company	215,419	2.66
7.	Keva	197,754	2.44
8.	OP-Finland Small Firm Fund	151,197	1.87
9.	Mutual Fund Tapiola Finland	136,395	1.69
10.	Drumbo Ltd	85,000	1.05
	<b>Total</b>	<b>3,884,013</b>	<b>48.01</b>
	Nominee-registered and non-Finnish holders	1,735,850	21.46
	Others	2,469,747	30.53
	<b>Total</b>	<b>8,089,610</b>	<b>100.00</b>

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

In 2014, a total of 716,614 Marimekko shares were traded, representing 8.9 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 6,980,725. The lowest price of the Marimekko share was EUR 8.54, the highest was EUR 10.50 and the average price was EUR 9.74. At the end of the year, the closing price of the share was EUR 8.90. The company's market capitalisation on 31 December 2014 was EUR 71,997,529 (79,682,659).

**Authorisations**

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

**MAJOR RISKS AND FACTORS OF UNCERTAINTY**

The key strategic risks for the near future are associated with 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, digitalisation 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 16 countries. In addition to Finland, Marimekko has company-owned stores in other Nordic countries, Germany, the United Kingdom, the United States and Australia. The global economic cycle and factors of uncertainty affect consumers' purchasing behaviour and buying power in all of the company's market areas. The 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 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 US dollar, Swedish krona and Australian dollar), and taxation may have an impact on the company's financial status.

## RESEARCH AND DEVELOPMENT

Marimekko's product planning and development costs arise from the design of collections. Design costs are recorded in expenses.

## THE ENVIRONMENT, HEALTH AND SAFETY

Care for the environment is one of the cornerstones of Marimekko's business. The main environmental aspects of Marimekko's in-house manufacturing are related to the operations of the textile printing factory in Herttoniemi. The waste generated in Marimekko's manufacturing is handled and sorted appropriately. Operating methods are improved constantly for the monitoring of environmental impacts of manufacturing and other business operations. Subcontractors and other partners are contractually obligated to commit themselves to shouldering their environmental responsibilities. Marimekko seeks to mitigate climate change through energy efficiency and by using renewable energy sources, by reducing water consumption, and by minimising, recycling and repurposing waste. A considerable proportion of Marimekko's environmentally related operational monitoring is based on legislation and other official regulations. The goal is the constant reduction of environmental impacts. Results are achieved through close collaboration between design, product development and manufacturing.

Safety and well-being in the workplace are actively monitored and improved at Marimekko, in collaboration with the workplace safety committee and occupational healthcare. Occupational wellness is supported by promoting the employees' health, job and functional capacity as well as their quality of life in many ways. For instance, Marimekko applies an early-intervention model with the aim of promoting working fitness. Securing a safe working environment means the advance prevention of accidents as well as recognising and avoiding hazards and near-misses. In order to prevent potential hazards, personnel are trained in issues of occupational safety and safety risks are regularly monitored.

In 2014, Marimekko continued the long-term development of a corporate responsibility management system and initiated the drafting of a responsibility strategy for the period 2016-2020. The essential themes for Marimekko's responsibility work in 2014 were as follows: sustainable design, responsible sourcing, the environmental impacts of manufacturing, personnel wellness and skills, and responsible business. Marimekko reports in greater detail on its responsibility work and on issues of the environment, health and safety in a separate sustainability review issued annually. The next review will be issued in spring 2015 and can be read on the company's website [company.marimekko.com](http://company.marimekko.com) under the heading Corporate responsibility / Sustainability review. The basis for reporting is the 'core' level of the GRI G4 guidelines.

## MARKET OUTLOOK AND GROWTH TARGETS IN 2015

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

The situation has remained difficult in retailing in Finland, which is particularly important for Marimekko as its domestic market, and this trend appears to be continuing. In December and during the first weeks of the current year, comparable retail sales in Finland have declined by approximately 5 percent. Lower consumer confidence, a downturn in purchasing power, and rising unemployment cast a significant shadow over Marimekko's retail sales expectations for 2015 and make themselves felt in cautious restocking by retailers. No significant nonrecurring promotional deliveries are in sight which would support wholesale sales. On the other hand, sales are boosted by the stores opened in 2014.

The Asia-Pacific region, Marimekko's second biggest market, plays an important part in the company's internationalisation, and the company still sees growing demand for its products in this area. In recent years, new markets have opened up in China, Hong Kong and Taiwan, and the number of Marimekko stores in the region has doubled to 46. In 2015, at least Singapore and Thailand (Bangkok) will be opened as new markets. In Australia, the outlook is bright and Marimekko's retail sales have developed well, even exceeding expectations. Although sales in these countries 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 country in this region to the company. The appreciation of the euro against the yen and an increase in sales tax which came into effect in Japan in spring 2014 exerted a drag on Marimekko's wholesale sales in Japan in 2014. During the current year and in the next few years, sales in Japan are forecast to take a more modest trend than in recent years. Sales growth will be generated increasingly by organic growth, and new stores will be opened at a rate of a few per year.

The US economy is growing as a whole, but the trend in Marimekko's foreign-currency-denominated net sales in North America is expected to be roughly on a par with the previous year. The appreciation of the US dollar is expected to boost sales markedly in euro terms. Due to the loss-making nature of operations in North America, the appreciation of the dollar will have a negative impact on Marimekko's operating result in 2015, however. Efforts are being made to close the store in Beverly Hills this year, which if accomplished will mean considerable expenses.

Sales expectations in Scandinavia and EMEA are moderate. In the Middle East, two new stores will open in Dubai in spring 2015.

The main thrust in expansion in 2015 will be on openings of retailer-owned Marimekko stores. The aim is to open a total of 10-20 new Marimekko stores and shop-in-shops, 1-3 of which would be company-owned. Also, the company will continue the operational enhancement and the improvement of profitability of company-owned stores opened in recent years. Changes in business locations of company-owned stores may have a deleterious effect on sales during the current year.

The expenses of marketing operations scheduled for 2015 are expected to be markedly higher than in the previous year, that is approximately EUR 5.5 million (4.7). The total investments for 2015 of the Marimekko Group are estimated as being in excess of EUR 3 million. Most of the investments will be devoted to building new retail facilities and purchases of fittings as well as improving data systems supporting business operations.

## FINANCIAL GUIDANCE FOR 2015

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.

## THE BOARD OF DIRECTORS' PROPOSAL FOR THE DIVIDEND FOR THE 2014 FINANCIAL YEAR

On 31 December 2014, the parent company's distributable funds amounted to EUR 16,164,059.59; profit for the financial year was EUR 5,096,205.19. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.35 per share be paid for 2014. The Board will propose 13 April 2015 as the dividend record date, and 20 April 2015 for the dividend payout. A dividend of EUR 0.25 per share was paid for 2013 to a total of EUR 2,022,403.

Helsinki, 10 February 2015

MARIMEKKO CORPORATION

Board of Directors

## **FINANCIAL STATEMENTS BULLETIN 2014, TABLE SECTION**

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

### **APPENDICES**

Accounting principles

Formulas for key figures

Consolidated income statement and comprehensive consolidated income statement

Consolidated balance sheet

Consolidated cash flow statement

Consolidated statement of changes in shareholders' equity

Key figures

Segment information

Net sales by market area

Net sales by product line

Quarterly trend in net sales and earnings

### **ACCOUNTING PRINCIPLES**

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

### **FORMULAS FOR KEY FIGURES**

Earnings per share (EPS), EUR:

$(\text{Profit before taxes} - \text{income taxes}) / \text{Number of shares (average for the financial period)}$

Equity per share, EUR:

$\text{Shareholders' equity} / \text{Number of shares, 31 December}$

Return on equity (ROE), %:

$(\text{Profit before taxes} - \text{income taxes}) \times 100 / \text{Shareholders' equity (average for the financial period)}$

Return on investment (ROI), %:

$(\text{Profit before taxes} + \text{interest and other financial expenses}) \times 100 / (\text{Balance sheet total} - \text{non-interest-bearing liabilities (average for the financial period)})$

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:

$\text{Inventories} + \text{trade and other receivables} + \text{current tax assets} - \text{trade and other payables} - \text{current tax liabilities}$

## CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	10-12/2014	10-12/2013	1-12/2014	1-12/2013
<b>NET SALES</b>	<b>26,089</b>	25,465	<b>94,150</b>	94,007
Other operating income	69	55	230	246
Increase or decrease in inventories of completed and unfinished products	-1,028	-681	-692	527
Raw materials and consumables	-8,384	-7,537	-32,767	-33,547
Employee benefit expenses	-6,819	-6,708	-25,543	-27,059
Depreciation and impairments	-1,075	-3,164	-4,283	-6,772
Other operating expenses	-6,906	-7,993	-25,503	-27,320
<b>OPERATING RESULT</b>	<b>1,946</b>	-564	<b>5,592</b>	82
Financial income	25	27	252	67
Financial expenses	-245	-359	-360	-953
	-220	-332	-108	-886
<b>RESULT BEFORE TAXES</b>	<b>1,726</b>	-896	<b>5,485</b>	-804
Income taxes	-475	350	-1,370	-151
<b>NET RESULT FOR THE PERIOD</b>	<b>1,250</b>	-546	<b>4,114</b>	-955
Distribution of net result to equity holders of the parent company	1,250	-546	4,114	-955
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.15	-0.07	0.51	-0.12

## COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Net result for the period	1,250	-546	4,114	-955
Items that could be reclassified to profit or loss at a future point in time				
Change in translation difference	149	-158	-36	-30
<b>COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>1,399</b>	-705	<b>4,078</b>	-985
Distribution of net result to equity holders of the parent company	1,399	-705	4,078	-985

## CONSOLIDATED BALANCE SHEET

(EUR 1,000)	31.12.2014	31.12.2013
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets	1,561	1,976
Tangible assets*	16,702	18,245
Available-for-sale financial assets	16	16
	<b>18,279</b>	<b>20,237</b>
<b>CURRENT ASSETS</b>		
Inventories	17,558	18,106
Trade and other receivables	7,286	6,622
Current tax assets	-	682
Cash and cash equivalents	4,079	3,001
	<b>28,924</b>	<b>28,411</b>
<b>ASSETS, TOTAL</b>	<b>47,203</b>	<b>48,648</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>		
Share capital	8,040	8,040
Invested non-restricted equity reserve	502	502
Translation differences	-74	-38
Retained earnings	20,577	18,485
Shareholders' equity, total	<b>29,045</b>	<b>26,989</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	4	11
Provisions	190	101
Financial liabilities	3,696	8,234
Finance lease liabilities	3,261	3,252
	<b>7,150</b>	<b>11,598</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	10,053	9,989
Current tax liabilities	778	-
Finance lease liabilities	176	72
	<b>11,008</b>	<b>10,061</b>
Liabilities, total	<b>18,158</b>	<b>21,659</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>	<b>47,203</b>	<b>48,648</b>

\* At the end of the review period, tangible assets included assets acquired under finance lease agreements in the amount of EUR 3,312 thousand (31 December 2014: 3,297; 31 December 2013: 3,229).

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

## CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-12/2014	1-12/2013
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net result for the period	4,114	-955
Adjustments		
Depreciation and impairments	4,283	6,772
Other non-cash transactions	89	101
Financial income and expenses	108	886
Taxes	1,370	151
Cash flow before change in working capital	9,965	6,954
Change in working capital	45	-1,664
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-460	133
Increase (-) / decrease (+) in inventories	547	396
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-42	-2,193
Cash flow from operating activities before financial items and taxes	10,010	5,290
Paid interest and payments on other financial expenses	-360	-355
Interest received	45	67
Taxes paid	156	422
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>9,851</b>	<b>5,424</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in tangible and intangible assets	-2,063	-2,353
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-2,063</b>	<b>-2,353</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long-term loans paid	-4,538	-1,083
Finance lease liabilities paid	-150	-69
Dividends paid	-2,022	-2,022
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-6,710</b>	<b>-3,175</b>
<b>Change in cash and cash equivalents</b>	<b>1,078</b>	<b>-105</b>
Cash and cash equivalents at the beginning of the period	3,001	3,106
Cash and cash equivalents at the end of the period	4,079	3,001

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Equity attributable to equity holders of the parent company				Shareholders' equity, total
	Share capital	Invested non-restricted equity reserve	Translation differences	Retained earnings	
Shareholders' equity 1 January 2013	8,040	502	-8	21,462	29,996
Comprehensive result					
Net result for the period				-955	-955
Translation differences			-30		-30
Total comprehensive result for the period			-30	-955	-985
Transactions with owners					
Dividends paid				-2,022	-2,022
Shareholders' equity 31 December 2013	8,040	502	-38	18,485	26,989
Shareholders' equity 1 January 2014	8,040	502	-38	18,485	26,989
Comprehensive result					
Net result for the period				4,114	4,114
Translation differences			-36		-36
Total comprehensive result for the period			-36	4,114	4,078
Transactions with owners					
Dividends paid				-2,022	-2,022
Shareholders' equity 31 December 2014	8,040	502	-74	20,577	29,045

KEY FIGURES

	1-12/2014	1-12/2013	Change, %
Earnings per share, EUR	0.51	-0.12	
Equity per share, EUR	3.59	3.34	7
Return on equity (ROE), %	14.7	-3.4	
Return on investment (ROI), %	15.6	-1.1	
Equity ratio, %	61.6	55.5	
Gearing, %	10.5	31.7	
Gross investments, EUR 1,000	2,063	2,353	-12
Gross investments, % of net sales	2	3	
Contingent liabilities, EUR 1,000	34,310	37,365	-8
Average personnel	473	526	-10
Personnel at the end of the period	479	502	-5
Number of shares at the end of the period	8,089,610	8,089,610	
Number of shares outstanding, average	8,089,610	8,089,610	

SEGMENT INFORMATION

(EUR 1,000)	1-12/2014	1-12/2013	Change, %
Marimekko business			
Net sales	94,150	94,007	0
Operating result	5,592	82	
Assets	47,203	48,648	-3



## NET SALES BY MARKET AREA

(EUR 1,000)	10-12/ 2014	10-12/ 2013	Change, %	1-12/ 2014	1-12/ 2013	Change, %
<b>Finland</b>	<b>14,837</b>	<b>14,705</b>	<b>1</b>	<b>52,034</b>	<b>52,159</b>	<b>0</b>
Retail sales	10,551	9,792	8	35,363	35,107	1
Wholesale sales	4,137	4,670	-11	16,245	16,491	-1
Royalties	149	243	-39	425	562	-24
<b>Scandinavia</b>	<b>2,204</b>	<b>2,294</b>	<b>-4</b>	<b>8,452</b>	<b>8,152</b>	<b>4</b>
Retail sales	1,384	1,323	5	5,151	4,355	18
Wholesale sales	820	970	-15	3,301	3,796	-13
Royalties	-	-	-	-	-	-
<b>EMEA</b>	<b>1,735</b>	<b>1,770*</b>	<b>-2</b>	<b>7,554</b>	<b>7,702*</b>	<b>-2</b>
Retail sales	413	454	-9	1,509	1,408	7
Wholesale sales	1,272	1,291*	-1	5,882	6,194*	-5
Royalties	51	25	100	162	100	62
<b>North America</b>	<b>2,831</b>	<b>2,182</b>	<b>30</b>	<b>8,584</b>	<b>8,534</b>	<b>1</b>
Retail sales	1,762	1,621	9	5,983	5,587	7
Wholesale sales	621	496	25	1,957	2,511	-22
Royalties	449	65	-	644	436	48
<b>Asia-Pacific</b>	<b>4,481</b>	<b>4,514*</b>	<b>-1</b>	<b>17,527</b>	<b>17,460*</b>	<b>0</b>
Retail sales	1,130	804	41	2,675	2,300	16
Wholesale sales	3,351	3,710*	-10	14,847	15,158*	-2
Royalties	-	-	-	5	2	183
<b>International sales, total</b>	<b>11,252</b>	<b>10,760</b>	<b>5</b>	<b>42,116</b>	<b>41,848</b>	<b>1</b>
Retail sales	4,688	4,202	12	15,318	13,651	12
Wholesale sales	6,064	6,467	-6	25,987	27,659	-6
Royalties	500	90	-	811	538	51
<b>Total</b>	<b>26,089</b>	<b>25,465</b>	<b>2</b>	<b>94,150</b>	<b>94,007</b>	<b>0</b>
Retail sales	15,240	13,995	9	50,682	48,757	4
Wholesale sales	10,201	11,137	-8	42,232	44,150	-4
Royalties	649	333	95	1,237	1,100	12

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

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

## NET SALES BY PRODUCT LINE

(EUR 1,000)	10-12/ 2014	10-12/ 2013	Change, %	1-12/ 2014	1-12/ 2013	Change, %
Fashion	9,590	8,491	13	36,256	33,979	7
Home	11,174	11,538	-3	37,703	38,577	-2
Bags & accessories	5,324	5,436	-2	20,191	21,452	-6
<b>Total</b>	<b>26,089</b>	<b>25,465</b>	<b>2</b>	<b>94,150</b>	<b>94,007</b>	<b>0</b>

## QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	10-12/2014	7-9/2014	4-6/2014	1-3/2014
Net sales	26,089	26,811	21,874	19,376
Operating result	1,946	4,875	519	-1,748
Earnings per share, EUR	0.15	0.49	0.05	-0.19
(EUR 1,000)	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Net sales	25,465	24,875	22,957	20,710
Operating result	-565	3,093	-1,158	-1,290
Earnings per share, EUR	-0.07	0.22	-0.13	-0.14