Interim Report Q1 | 2014

Marimekko Corporation, Interim Report, 8 May 2014 at 8.30 a.m.

INTERIM REPORT OF MARIMEKKO CORPORATION, 1 JANUARY - 31 MARCH 2014: Efficiency measures supported a seasonally weak quarter

In the first quarter of 2014, the Marimekko Group's net sales fell by 6 percent relative to the same period last year and amounted to EUR 19.4 million (20.7). The decline in net sales is explained partly by a change in the rhythm of deliveries for wholesale: a large proportion of the products in the spring 2014 collection were delivered as early as December 2013, unlike the previous practice.

Operating result was EUR -1.7 million (-1.3). Operating result excluding nonrecurring items improved in spite of the downturn in sales and was EUR -1.1 million (-1.3). The closure of manufacturing operations located in Sulkava and Kitee, enhanced production efficiency at the textile printing factory in Helsinki as well as reorganisations in the United States and write-downs of company-owned stores contributed to the improved result.

The business climate for retail trade continued to be challenging, in Finland even more so than had been expected. In order to reinforce business competitiveness and to attain a more efficient organisational structure, during the period under review Marimekko conducted consultative negotiations concerning all operations in Finland with the exception of the personnel at the Helsinki textile printing factory. Arrangements were also made in the United States. Moreover, Marimekko initiated an international recruitment process for a new Creative Director for the company.

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

Key indicators

	1-3/2014	1-3/2013	Change, %	1-12/2013
Net sales, EUR million	**19.4**	20.7	-6	94.0
International sales, EUR million	**9.3**	10.2	-9	41.8
% of net sales	**48**	49		45
EBITDA, EUR million	**-0.7**	-0.2	-260	6.9
EBITDA excluding nonrecurring items, EUR million	**0.0**	-0.2	102	7.9
Operating result, EUR million	**-1.7**	-1.3	-36	0.1
Operating result excluding nonrecurring items, EUR million	**-1.1**	-1.3	16	1.4
Operating result margin, %	**-9.0**	-6.2		0.1
Operating result margin excluding nonrecurring items, %	**-5.6**	-6.2		1.4
Result for the period, EUR million	**-1.5**	-1.1	-33	-1.0
Earnings per share, EUR	**-0.19**	-0.14	-36	-0.12
Cash flow from operating activities, EUR million	**-2.2**	-2.3	3	5.4
Return on investment (ROI), %	**-18.1**	-10.8		-1.1
Equity ratio, %	**53.4**	53.8		55.5
Gross investments, EUR million	**0.5**	0.8	-29	2.4
Personnel at the end of the period	**476**	517	-8	502
outside Finland	**111**	96	16	124
Brand sales*, EUR million	**39.7**	44.3	-10	191.1
outside Finland, EUR million	**24.4**	28.1	-13	115.1
proportion of international sales, %	**62**	63		60
Number of stores**	**136**	108	26	133

* 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 52 at the end of March 2014 (47). Information on changes is available in the section Internationalisation and changes in the store network.

Mika Ihamuotila, President and CEO:

“The present-day business climate for retailing sets challenges for us as for other players in the trade. Consumer and corporate confidence has been low and, although a small upturn was detectable in March, consumers in Finland are still very cautious. The weak trend in Marimekko's retail business which started in the second quarter last year has continued in the early months of this year. I am, however, confident about growth in Asia in particular, and I am also pleased that our dependence on the domestic market has diminished.

“Our earnings trend is typically weak in the first quarter of the year as net sales are seasonally low relative to operating expenses. However, our operating result excluding nonrecurring items was an improvement on the figure for the same period in the previous year due to action taken last year to enhance profitability. Our wholesale sales were down by just over 10 percent, which is partly explained by a change in the delivery rhythm for the spring collection. Contrary to the previous practice, a large proportion of the deliveries were made as early as December. Low confidence in the retail trade trend and in consumer purchasing power is also reflected in retailers' caution as they replenish their stocks.

“The early months of 2014 have been an eventful time for Marimekko. The consultative negotiations which ended in March and our more efficient organisational structure enable us to strengthen our competitiveness in the long term and to develop our operations in such a way that we will be able in the future to respond even better to the challenges of a changing business climate and the needs of our international clientele. In spite of the difficult state of the global economy, in the past five years we have built Marimekko into a global design company with already more than 130 stores in Asia, Europe and North America. We are now moving on to the next stage in our strategy and we are updating processes related in particular to design, product development and procurement.

“In order to strengthen the international competitiveness of our design management, we decided in February 2014 to initiate an international recruitment process for a new Creative Director. After the end of the period under review, we reported that Anna Teurnell, who is currently Head of Design for the & Other Stories brand, has been appointed to be Marimekko's Creative Director and member of the Management Group as of 15 July 2014. At the heart of our updating process are even more attractive products and getting them from the drawing board and into the stores faster and more easily. I believe that Anna Teurnell's artistic vision, international experience and Nordic background are a good combination that is sure to be of help in achieving our ambitious goals.

“In consumers’ purchasing behaviour, a great transformation is currently taking place as a result of digitisation, and the development of multichannel business is of crucial importance to Marimekko as to others. Ecommerce continues steadily to expand its share of total sales, and we are seeking all the time to enhance consumers' shopping experience both online and in our stores.”

Financial guidance is unchanged

The forecast for the whole of 2014 remains unchanged: On the basis of general market prospects, the company's growth targets and the agreed reorganisations, the net sales of the Marimekko Group in 2014 are forecast to grow by 3-8 percent relative to 2013. Operating profit excluding nonrecurring items is estimated at EUR 4-8 million.

Financial calendar 2014

The interim report for January-June will be issued on Thursday, 14 August 2014 at 8.30 a.m., and for January-September on Thursday, 6 November 2014 at 8.30 a.m.

For additional information, contact:

Mika Ihamuotila, President and CEO, tel. +358 9 758 71
Thomas Ekström, CFO, tel. +358 50 381 9751

MARIMEKKO CORPORATION
Corporate Communications

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

DISTRIBUTION:
NASDAQ OMX Helsinki Ltd
Key media

Marimekko is a Finnish textile and clothing design company renowned for its original prints and colours. The company designs and manufactures high-quality interior decoration items ranging from furnishing fabrics to tableware as well as clothing, bags and other accessories. When Marimekko was founded in 1951, its unparalleled printed fabrics gave it a strong and unique identity. Marimekko products are sold in approximately 40 countries. In 2013, brand sales of Marimekko products worldwide amounted to approximately EUR 191 million and the company's net sales were EUR 94 million. The number of Marimekko stores totalled 133 at the year end. The key markets are North America, Northern Europe and the Asia-Pacific region. The Group employs around 500 people. The company’s share is quoted on NASDAQ OMX Helsinki Ltd. www.marimekko.com

INTERIM REPORT OF MARIMEKKO CORPORATION, 1 JANUARY - 31 MARCH 2014

MARKET REVIEW

The widespread uncertainty over the global economy continued during the period under review. The biggest risks in the global economy have shifted to emerging markets. Confidence indicators have risen in Europe, although recovery is still in its infancy and weak growth might well be impacted by the Ukrainian crisis. In the United States, economic recovery continues. There is still no clear turn for the better in Finnish economic conditions, but confidence is gradually returning. In the indicators of the Confederation of Finnish Industries EK, this shows in retail trade and in services in general. Consumers' purchasing behaviour in the January-March period continued to be very cautious. (Confederation of Finnish Industries EK: Economic Review, March and April 2014 and Business Tendency Survey, May 2014). In the January-March period of 2014, retail net sales in Finland fell by 0.5 percent, but the quantity of sales – which measures real growth in sales – declined by 1.3 percent (Statistics Finland: Turnover of trade, retail trade flash estimate, March 2014).

INTERNATIONALISATION AND CHANGES IN THE STORE NETWORK

Marimekko is experiencing a dynamic phase of internationalisation. In 2014, the main thrust in expansion is on openings of retailer-owned Marimekko stores. The aim is to open a total of 15-25 new Marimekko stores and shop-in-shops. Of these, 1-3 would be company-owned stores. Also, the company will concentrate on enhancing the operations of company-owned stores opened in recent years and improving their profitability.

During the period under review, three Marimekko stores were opened: a company-owned store in Ikaalinen, Finland, a retailer-owned store in Nishinomiya, Japan, and a shop-in-shop in New Zealand.

Number of stores & shop-in-shops*	31.3.2014	31.3.2013	31.12.2013
Finland	**57**	48	56
Company-owned stores	**32**	28	31
Scandinavia	**13**	12	13
Company-owned stores	**8**	7	8
Central and Southern Europe	**4**	5	4
Company-owned stores	**4**	4	4
North America	**23**	16	23
Company-owned stores	**6**	6	6
Asia-Pacific	**39**	27	37
Company-owned stores	**2**	2	2
Total	**136**	**108**	**133**
Company-owned stores	**52**	**47**	**51**

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

NET SALES

In the January-March period of 2014, the Group's net sales fell by 6 percent to EUR 19,376 thousand (20,710). Net sales in Finland fell by 4 percent. With the exception of Finland, retail sales grew in all market areas, which was partly due to additional sales generated by stores opened in 2013. In Australia and particularly in Germany and the UK, comparable sales by company-owned stores were also at a good level.

A downturn in wholesale sales in all market areas was the biggest factor in the decline in overall net sales. The decrease in wholesale sales was mainly due to a change in the rhythm of deliveries. A large proportion of the products in the spring 2014 collection were delivered as early as December 2013, unlike the previous practice. Also, reduced levels compared to the previous year of restocking deliveries to retailers exerted a drag on wholesale sales in Finland. In addition, royalty income was at a lower level in the first quarter of 2014 than in the comparison period.

Net sales by market area

(EUR 1,000)	1-3/2014	1-3/2013	Change, %	1-12/2013
Finland	**10,037**	10,486	-4	52,159
Retail sales	**6,205**	6,296	-1	35,107
Wholesale sales	**3,753**	4,070	-8	16,491
Royalties	**79**	120	-34	562
Scandinavia	**1,907**	1,879	1	8,152
Retail sales	**1,061**	805	32	4,355
Wholesale sales	**846**	1,074	-21	3,796
Royalties	**-**	-		-
Central and Southern Europe	**1,837**	2,001	-8	7,678
Retail sales	**319**	284	12	1,408
Wholesale sales	**1,480**	1,692	-13	6,170
Royalties	**38**	25	52	100
North America	**1,511**	1,871	-19	8,534
Retail sales	**1,129**	1,103	2	5,587
Wholesale sales	**320**	657	-51	2,511
Royalties	**62**	111	-44	436
Asia-Pacific	**4,084**	4,473	-9	17,484
Retail sales	**514**	504	2	2,300
Wholesale sales	**3,570**	3,969	-10	15,182
Royalties	**-**	-		2
International sales, total	**9,339**	10,224	-9	41,848
Retail sales	**3,023**	2,696	12	13,651
Wholesale sales	**6,216**	7,392	-16	27,659
Royalties	**100**	136	-27	538
Total	**19,376**	**20,710**	**-6**	**94,007**
Retail sales	**9,228**	8,992	3	48,757
Wholesale sales	**9,969**	11,462	-13	44,150
Royalties	**179**	256	-30	1,100

Finland

In the January-March period, sales in Finland fell by 4 percent to EUR 10,037 thousand (10,486). Retail sales were on a par with the same period last year, but an 8 percent fall in wholesale sales reduced overall sales. Wholesale sales were impacted by retailers' cautiousness as well as the change in the delivery rhythm for the spring collection. Also, reduced levels compared to the previous year of restocking deliveries to retailers exerted a drag on wholesale sales in Finland in the first quarter of the year.

In the course of 2013, nine new Marimekko stores were opened in Finland, of which four were company-owned. Comparable sales by company-owned stores (including ecommerce) fell by 2 percent, which also indicates the cautiousness of Finnish consumers and the downswing in purchasing power.

Scandinavia

In Scandinavia, sales during the January-March period were slightly stronger than in the same period last year, reaching EUR 1,907 thousand (1,879). Retail sales rose by 32 percent. Retail sales were boosted by the two new Marimekko stores opened in 2013 as well as by the extension to Sweden and Denmark of online retailing. Comparable sales by company-owned stores grew by 2 percent. A downturn of 21 percent in wholesale sales was affected by the change in the delivery rhythm for the spring collection.

Central and Southern Europe

In Central and Southern Europe, net sales for the January-March period fell by 8 percent to EUR 1,837 thousand (2,001). Retail sales grew by 12 percent. Wholesale sales fell by 13 percent relative to the same period last year due to the change in the rhythm of deliveries for the spring collection. Comparable sales rose by 13 percent, and particularly in Germany and the UK sales took a favourable trend.

North America

In North America, net sales for the January-March period fell by 19 percent to EUR 1,511 thousand (1,871). In terms of the sales currency (mostly the US dollar), sales fell by roughly 17 percent. Retail sales in North America rose by 2 percent. Wholesale sales were 51 percent lower than in the comparison period. The shop-in-shop partnership with the home furnishings retailer Crate and Barrel will end in summer 2014, which showed up during the period under review as a clear downturn in the number of products ordered.

Asia-Pacific

Net sales in the Asia-Pacific region fell in the January-March period by 9 percent to EUR 4,084 thousand (4,473). Wholesale sales fell by 10 percent, affected by the change in the rhythm of deliveries for the spring collection. Retail sales (the Sydney and Melbourne stores in Australia) grew by 2 percent.

FINANCIAL RESULT

The Group's financial result is typically weak during the first quarter because net sales are low relative to operating expenses for seasonal reasons. In the first quarter of 2014, the Group's operating result was EUR -1,748 thousand (-1,290). Operating result includes a nonrecurring expense of EUR 669 thousand connected with downsizing after the consultative negotiations which ended in March 2014.

Operating result excluding nonrecurring items was EUR -1,079 thousand (-1,290). The closure of manufacturing operations located in Sulkava and Kitee, enhanced production efficiency at the textile printing factory in Helsinki as well as reorganisations in the United States and write-downs of company-owned stores contributed to the improved result. Operating result was weakened by a downturn in wholesale sales in all market areas as well as a decline in comparable retail sales in Finland.

Marketing expenses during the period under review totalled EUR 1,001 thousand (939), or 5 percent of the Group's net sales (5).

The Group's depreciation was EUR 1,082 thousand (1,105), representing 6 percent of net sales (5).

Operating result margin was -9.0 percent (-6.2).

Net financial expenses were EUR 72 thousand (net financial income 35), or 0 percent of net sales (0).

Result for the review period before taxes was EUR -1,820 thousand (-1,255). Result after taxes was EUR -1,498 thousand (-1,129) and earnings per share were EUR -0.19 (-0.14).

BALANCE SHEET

The consolidated balance sheet total as of 31 March 2014 was EUR 47,796 thousand (53,686). Equity attributable to the equity holders of the parent company was EUR 25,495 thousand (28,865), or EUR 3.57 per share (3.34).

Non-current assets at the end of March 2014 were EUR 20,024 thousand (24,681).

At the end of the period under review, net working capital was EUR 16,970 thousand (16,990). Inventories were EUR 18,719 thousand (18,151).

CASH FLOW AND FINANCING

In the first quarter, cash flow from operating activities was EUR -2,219 thousand (-2,296), or EUR -0.27 per share (-0.28). Cash flow before cash flow from financing activities was EUR -2,684 thousand (-3,057).

The Group's financial liabilities at the end of the period under review stood at EUR 9,820 thousand (12,193).

At the end of the period under review, the Group's cash and cash equivalents amounted to EUR 1,885 thousand (2,926). In addition, the Group had unused committed long- and short-term credit lines of EUR 16,180 thousand (7,807).

The Group's equity ratio at the end of the period was 53.4 percent (53.8). Gearing was 44.4 percent (43.8).

INVESTMENTS

The Group's gross investments in the first quarter were EUR 466 thousand (761), or 2 percent of net sales (4). Most of the investments were devoted to building store premises and the procurement of furniture.

PERSONNEL

In the first quarter of 2014, the number of employees averaged 478 (521). At the end of the period, the Group had 476 (517) employees, of whom 111 (96) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 33 (27), Central and Southern Europe 14 (13), North America 50 (44) and Asia-Pacific 14 (12). The personnel at company-owned stores totalled 227 at the end of the period (222).

REORGANISATIONS IN FINLAND AND THE UNITED STATES

During the period under review, Marimekko started operational reorganisations then expected to lead to shedding an estimated maximum of 65 jobs in Finland and the United States and, if implemented to full effect, to yield annual savings in costs of roughly EUR 2.5 million and an improvement in operating result. On 27 March 2014, Marimekko announced the ending of the consultative negotiations in Finland. The negotiations determined that the targeted savings could be achieved through markedly smaller reductions in staffing than had been estimated. The operational reorganisation and streamlining led to the termination of 22 jobs. Also, the contracts of a maximum of 35 people at company-owned stores were changed to a part-time basis or the number of agreed working hours was reduced. Work was also reduced through the termination of fixed-term employment contracts. The negotiations involved 378 employees, 151 of whom worked at stores in Finland.

With the downsizing and working hour arrangements in Finland, the aim is to achieve annual cost savings of an estimated total of EUR 1.5 million. The savings will be realised gradually as of the second quarter of 2014, and the full impact of the profit improvement will show as of the final quarter of this year. In connection with the downsizing, the company posted a EUR 0.7 million nonrecurring provision for expenses for the first quarter of 2014. The arrangements in the United States are still to some extent incomplete.

Some new key positions in design, product development and sales have been assigned within the company as part of the operational reorganisation. Efforts will be made as far as possible to fill these positions through internal transfers within the Group.

SHARE AND SHAREHOLDERS

Share capital and number of shares

At the end of March 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 7,292 shareholders at the end of March 2014 (7,486). Of the shares, 21.2 percent were owned by nominee-registered or non-Finnish holders (20.9). 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 1,348,358 (1,338,930), representing 16.7 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 March 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.	Mutual Fund Nordea Finland Small Cap	**86,025**	1.06
	Total	**3,885,038**	**48.02**
	Nominee-registered and non-Finnish holders	**1,715,641**	21.21
	Others	**2,488,931**	30.77
	Total	**8,089,610**	**100.00**

Share trading and the company's market capitalisation

In the first quarter of 2014, a total of 209,263 Marimekko shares were traded, representing 2.6 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 2,100,083. The lowest price of the Marimekko share was EUR 9.75, the highest was EUR 10.43 and the average price was EUR 10.04. At the end of March, the closing price of the share was EUR 10.30. The company's market capitalisation on 31 March 2014 was EUR 83,322,983 (90,927,216).

Authorisations

At the end of the period, Marimekko's Board of Directors had an authorisation, granted by the Annual General Meeting of 17 April 2012, to decide on a directed offering of shares to the personnel, in deviation from the shareholders' pre-emptive right, in one or more offerings. The total number of new shares to be offered for subscription pursuant to the authorisation may not exceed 150,000 shares. Marimekko arranged a personnel share offering in 2012, in which a total of 49,610 new shares were subscribed for. The validity of the authorisation expired on 17 April 2014.

EVENTS AFTER THE END OF THE PERIOD UNDER REVIEW

Changes in management

Marimekko announced on 5 February 2014 that it will initiate an international recruitment process for a new Creative Director for the company. On 16 April 2014, the company announced the appointment of Anna Teurnell as Creative Director of Marimekko and member of the company's Management Group as of 15 July 2014. She will lead Marimekko's design team and be responsible for the company's design strategy for fashion, bags and accessories as well as home products. Minna Kemell-Kutvonen, previous Creative Director of Marimekko, will continue in the design team with responsibility for print design.

Resolutions of the Annual General Meeting

The Annual General Meeting of Marimekko Corporation on 23 April 2014 adopted the financial statements for 2013 and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting approved the Board of Directors' proposal to pay a dividend of EUR 0.25 per share for the 2013 financial year, totalling EUR 2,022,403. The dividend payment record date was 28 April 2014 and the dividend payment date was 7 May 2014.

The number of members of the Board of Directors was confirmed as six. Elina Björklund, Arthur Engel, Mika Ihamuotila, Joakim Karske and Pekka Lundmark were re-elected to the Board and Catharina Stackelberg-Hammarén was elected as a new member. Pekka Lundmark serves as chairman and Mika Ihamuotila as deputy chairman. The term in office of the members of the Board of Directors lasts until the closing of the Annual General Meeting following the one at which they were elected.

It was decided that the annual remuneration payable to the members of the Board would remain unchanged from the previous year and be as follows: EUR 30,000 to the chairman and EUR 20,000 to the other members. According to the resolution by the Annual General Meeting, approximately 40 percent of the annual remuneration will be paid in Marimekko Corporation’s shares acquired from the market and the remainder in cash. The shares will be acquired directly on behalf of the Board members within two weeks from the release of the interim report for January 1 - March 31, 2014 or, if this is not possible due to insider regulations, on the first possible date thereafter. It was also resolved that the President and CEO of the company will not receive any remuneration for membership of the Board of Directors.

The Annual General Meeting voted to re-elect PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor and that the auditor's fee would be paid as per invoice. Kim Karhu, Authorised Public Accountant, continues as chief auditor.

Management Group’s long-term bonus system

Marimekko has a long-term bonus system in order to encourage its Management Group and to enhance the Group’s commitment to the company. The earning periods of the current bonus system will terminate on 31 October 2014 and 28 February 2015. The Board of Directors of Marimekko Corporation decided on 7 May 2014 on a subsequent bonus system with terms corresponding to those of the current system. The purpose of the bonus system is to encourage the Management Group to operate with a business mentality and to add to the company's value in the long term in particular. The aim is to combine the owners’ and the Management Group’s targets in order to increase the company’s value and to elicit the Management Group’s commitment to the company in the span of several years.

The system is composed of two earnings periods, which are 8 May 2014 - 31 October 2017 and 8 May 2014 - 28 February 2018. The possible bonus for each earnings period will be based on the total yield on Marimekko Corporation’s shares, including dividends. The possible bonus will be paid in cash in two batches, one in autumn 2017 and the other in spring 2018. Earning the bonus requires that the person still works for the company at the time of the payment. When receiving the bonus, the person in question commits themselves to using 50 percent of the net value of the bonus for acquiring the company’s shares at transaction price within six months from receiving the bonus. The shares acquired with the bonus cannot be surrendered prior to two years from the time of acquiring the shares. The annual maximum value of the bonus paid to a member of the Management Group in the bonus system cannot exceed the approximate value of fixed annual salary. Marimekko’s Management Group comprises five persons at the moment.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

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

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

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

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

The company’s operational risks prominently include those related to the management and success of expansion projects, the operational reliability of procurement and logistics processes, and changes in costs 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 temporary harmful impact on business. As the operations are being expanded and diversified, risks related to the management of inventories also increase.

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

MARKET OUTLOOK AND GROWTH TARGETS IN 2014

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

The Asia-Pacific region was the driving force in Marimekko's sales growth in 2013 and the company still sees growing demand for its products in this market area. There are 27 retailer-owned Marimekko stores in Japan and the company's wholesale sales to Japan have been growing for several successive years. The rise of the euro against the yen and an increase in sales tax in Japan in April 2014 may, however, have a negative impact on Marimekko's wholesale sales.

The weak state of the retail market in Finland and the negative trend in comparable sales by Marimekko's company-owned Finnish stores which started in the second half of 2013 have continued as forecast during the current year. The relative trend in retail sales is expected to improve starting from the beginning of the third quarter due to the low level of sales in the comparison period. Low confidence in the retail trade trend and consumers’ weaker purchasing power may be reflected in retailers' caution as they replenish their stocks during the remainder of the year as well.

Wholesale sales by Marimekko in the second half of the year will be boosted by considerable, nonrecurring promotional deliveries. The Banana Republic Marimekko Collection to be launched in May 2014 will boost Marimekko's royalty earnings in the second half of 2014.

In 2014, the main thrust in expansion is on openings of retailer-owned Marimekko stores. The aim is to open a total of 15-25 new Marimekko stores and shop-in-shops. Of these, 1-3 would be company-owned. Furthermore, the company will concentrate on developing the operations of company-owned stores opened in recent years and on improving the overall profitability of business. During the January-March period of 2014, three Marimekko stores were opened.

The planned total investments for 2014 of the Marimekko Group are estimated at roughly EUR 3 million. The majority of investments will be directed at building new store premises and purchasing new furniture.

FINANCIAL GUIDANCE

The forecast for the whole of 2014 remains unchanged: On the basis of general market prospects, the company's growth targets and the agreed reorganisations, the net sales of the Marimekko Group in 2014 are forecast to grow by 3-8 percent relative to 2013. Operating profit excluding nonrecurring items is estimated at EUR 4-8 million.

Helsinki, 8 May 2014

MARIMEKKO CORPORATION
Board of Directors

INTERIM REPORT 1 JANUARY - 31 MARCH 2014, TABLE SECTION

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

APPENDICES

ACCOUNTING PRINCIPLES

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

FORMULAS FOR KEY FIGURES

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

Equity per share, EUR:
Shareholders’ equity / Number of shares, 31 March

Return on equity (ROE), %:
(Profit before taxes - income taxes) X 100 / Shareholders’ equity (average for the financial year)

Return on investment (ROI), %:
(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 - trade and other payables - current tax liability

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1-3/2014	1-3/2013	1-12/2013
NET SALES	**19,376**	20,710	94,007
Other operating income	**54**	56	246
Increase or decrease in inventories of completed and unfinished products	**705**	416	527
Raw materials and consumables	**-7,761**	-8,590	-33,547
Employee benefit expenses	**-6,777**	-6,193	-27,059
Depreciation and impairments	**-1,082**	-1,105	-6,772
Other operating expenses	**-6,263**	-6,583	-27,320
OPERATING RESULT	**-1,748**	-1,290	82
Financial income	**123**	72	67
Financial expenses	**-195**	-38	-953
	-72	35	-886
RESULT BEFORE TAXES	**-1,820**	-1,255	-804
Income taxes	**322**	126	-151
NET RESULT FOR THE PERIOD	**-1,498**	-1,129	-955
Distribution of net result to equity holders of the parent company	**-1,498**	-1,129	-955
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	**-0.19**	-0.14	-0.12

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1-3/2014	1-3/2013	1-12/2013
Net result for the period	**-1,498**	-1,129	-955
Items that could be reclassified to profit or loss at a future point in time			
Change in translation difference	**4**	-2	-30
COMPREHENSIVE RESULT FOR THE PERIOD	**-1,494**	-1,131	-985
Distribution of net result to equity holders of the parent company	**-1,494**	-1,131	-985

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	31.3.2014	31.3.2013	31.12.2012
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	**1,766**	2,535	1,976
Tangible assets*	**17,913**	21,759	18,245
Available-for-sale financial assets	**16**	16	16
Deferred tax assets	**330**	371	-
	20,024	24,681	20,237
CURRENT ASSETS			
Inventories	**18,719**	18,151	18,106
Trade and other receivables	**7,029**	7,694	6,622
Current tax assets	**140**	234	682
Cash and cash equivalents	**1,885**	2,926	3,001
	27,772	29,005	28,411
ASSETS, TOTAL	**47,796**	53,686	48,648
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	**8,040**	8,040	8,040
Invested non-restricted equity reserve	**502**	502	502
Translation differences	**-34**	-10	-38
Retained earnings	**16,987**	20,333	18,485
Shareholders' equity, total	**25,495**	28,865	26,989
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**-**	163	11
Provisions	**190**	-	101
Financial liabilities	**9,820**	12,193	8,234
Finance lease liabilities	**3,276**	3,306	3,252
	13,286	15,662	11,598
CURRENT LIABILITIES			
Trade and other payables	**8,918**	9,089	9,989
Finance lease liabilities	**97**	70	72
	9,016	9,159	10,061
Liabilities, total	**22,301**	24,821	21,659
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**47,796**	53,686	48,648

* At the end of the review period tangible assets included assets acquired under finance lease agreements amounting to EUR 3,268 thousand (31 March 2013: 3,316, 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)	1-3/2014	1-3/2013	1-12/2013
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	**-1,498**	-1,129	-955
Adjustments			
Depreciation and impairments	**1,082**	1,105	6,772
Other non-cash transactions	**89**	-	101
Financial income and expenses	**72**	-35	886
Taxes	**-322**	-126	151
Cash flow before change in working capital	**-577**	-185	6,954
Change in working capital	**-1,432**	-1,838	-1,059
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	**267**	315	666
Increase (-) / decrease (+) in inventories	**-613**	796	396
Increase (+) / decrease (-) in current non-interest-bearing liabilities	**-1,086**	-2,949	-2,121
Cash flow from operating activities before financial items and taxes	**-2,009**	-2,023	5,895
Paid interest and payments on other financial expenses	**-71**	-64	-961
Interest received	**-**	24	67
Taxes paid	**-139**	-234	422
CASH FLOW FROM OPERATING ACTIVITIES	**-2,219**	-2,296	5,424
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	**-466**	-761	-2,353
CASH FLOW FROM INVESTING ACTIVITIES	**-466**	-761	-2,353
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term loans drawn	**1,586**	2,876	-
Long-term loans paid	**-**	-	-1,083
Finance lease drawn/paid	**-18**	1	-69
Dividends paid	**-**	-	-2,022
CASH FLOW FROM FINANCING ACTIVITIES	**1,568**	2,877	-3,175
Change in cash and cash equivalents	**-1,116**	-180	-105
Cash and cash equivalents at the beginning of the period	**3,001**	3,106	3,106
Cash and cash equivalents at the end of the period	**1,885**	2,926	3,001

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Equity attributable to equity holders of the parent company				
	Share capital	Invested non-restricted equity reserve	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity 1 January 2013	8,040	502	-8	21,462	29,996
Comprehensive result					
Net result for the period				-1,129	-1,129
Translation differences			-2		-2
Total comprehensive result for the period			**-2**	**-1,129**	**-1,131**
Transactions with owners					
Dividends paid					
Shareholders' equity 31 March 2013	8,040	502	-10	20,333	28,865
Shareholders' equity 1 January 2014	8,040	502	-38	18,485	26,989
Comprehensive result					
Net result for the period				-1,498	-1,498
Translation differences			4		4
Total comprehensive result for the period			**4**	**-1,498**	**-1,494**
Transactions with owners					
Dividends paid					
Shareholders' equity 31 March 2014	8,040	502	-34	16,987	25,495

KEY FIGURES

	1-3/2014	1-3/2013	Change, %	1-12/2013
Earnings per share, EUR	**-0.19**	-0.14	-36	-0.12
Equity per share, EUR	**3.57**	3.34	-12	3.34
Return on equity (ROE), %	**-22.8**	-15.3		-3.4
Return on investment (ROI), %	**-18.1**	-10.8		-1.1
Equity ratio, %	**53.4**	53.8		55.5
Gearing, %	**44.4**	43.8		31.7
Gross investments, EUR 1,000	**466**	761	-39	2,353
Gross investments, % of net sales	**2**	4		3
Contingent liabilities, EUR 1,000	**36,768**	41,276	-11	37,365
Average personnel	**478**	521	-8	526
Personnel at the end of the period	**476**	517	-8	502
Number of shares at the end of the period	**8,089,610**	8,089,610		8,089,610
Number of shares outstanding, average	**8,089,610**	8,089,610		8,089,610

SEGMENT INFORMATION

(EUR 1,000)	1-3/2014	1-3/2013	Change, %	1-12/2013
Marimekko business				
Net sales	**19,376**	20,710	-6	94,007
Operating result	**-1,748**	-1,290	-36	82
Assets	**47,796**	53,686	-11	48,648

NET SALES BY MARKET AREA

(EUR 1,000)	1-3/2014	1-3/2013	Change, %	1-12/2013
Finland	**10,037**	10,486	-4	52,159
Retail sales	**6,205**	6,296	-1	35,107
Wholesale sales	**3,753**	4,070	-8	16,491
Royalties	**79**	120	-34	562
Scandinavia	**1,907**	1,879	1	8,152
Retail sales	**1,061**	805	32	4,355
Wholesale sales	**846**	1,074	-21	3,796
Royalties	**-**	-		-
Central and Southern Europe	**1,837**	2,001	-8	7,678
Retail sales	**319**	284	12	1,408
Wholesale sales	**1,480**	1,692	-13	6,170
Royalties	**38**	25	52	100
North America	**1,511**	1,871	-19	8,534
Retail sales	**1,129**	1,103	2	5,587
Wholesale sales	**320**	657	-51	2,511
Royalties	**62**	111	-44	436
Asia-Pacific	**4,084**	4,473	-9	17,484
Retail sales	**514**	504	2	2,300
Wholesale sales	**3,570**	3,969	-10	15,182
Royalties	**-**	-		2
International sales, total	**9,339**	10,224	-9	41,848
Retail sales	**3,023**	2,696	12	13,651
Wholesale sales	**6,216**	7,392	-16	27,659
Royalties	**100**	136	-27	538
TOTAL	**19,376**	**20,710**	**-6**	**94,007**
Retail sales	**9,228**	8,992	3	48,757
Wholesale sales	**9,969**	11,462	-13	44,150
Royalties	**179**	256	-30	1,100

NET SALES BY PRODUCT LINE

(EUR 1,000)	1-3/2014	1-3/2013	Change, %	1-12/2013
Clothing	**8,027**	8,025	0	33,979
Interior decoration	**7,560**	8,187	-8	38,577
Bags	**3,789**	4,498	-16	21,452
TOTAL	**19,376**	20,710	-6	94,007

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	1-3/2014	10-12/2013	7-9/2013	4-6/2013
Net sales	**19,376**	25,465	24,875	22,957
Operating result	**-1,748**	-565	3,093	-1,158
Earnings per share, EUR	**-0.19**	-0.07	0.22	-0.13

(EUR 1,000)	1-3/2013	10-12/2012	7-9/2012	4-6/2012
Net sales	20,710	25,748	24,214	19,701
Operating result	-1,290	13	3,486	-545
Earnings per share, EUR	-0.14	-0.04	0.31	-0.03