Interim Report Q3 | 2013

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INTERIM REPORT OF MARIMEKKO CORPORATION, 1 JANUARY - 30 SEPTEMBER 2013

In the January-September period of 2013, the Marimekko Group's net sales grew by 9 percent relative to the same period last year. International sales rose by 20 percent, mainly due to the stores opened in North America and the Asia-Pacific region during the period under review and in 2012. In the July-September period of 2013, the Group's net sales rose by 3 percent.

Operating profit for the January-September period of 2013 includes EUR 1.5 million in nonrecurring expenses due to arrangements arising from the statutory employer-employee negotiations concluded during the second quarter. Operating profit excluding nonrecurring items in the January-September period was EUR 2.1 million (2.0). In the July-September period, operating profit was EUR 3.1 million (3.5). Operating profit for the review period was boosted by growth in wholesale sales in the Asia-Pacific region, an improvement in the profitability of company-owned stores in Finland in spite of a fall in comparable sales, and by growth in the company's textile printing factory's operating rate as well as enhanced operational efficiency.

In the last quarter of 2013, Marimekko will continue to make moderate investments in growth, concentrating on improving profitability, particularly by enhancing the operations of the stores opened in 2012.

	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
Net sales, EUR million	**24.9**	24.2	3	**68.5**	62.7	9	88.5
International sales, EUR million	**10.6**	9.9	7	**31.1**	25.9	20	36.1
% of net sales	**43**	41		**45**	41		41
EBITDA, EUR million	**4.2**	4.4	-5	**4.3***	4.5	-6	5.6
EBITDA excluding nonrecurring items, EUR million*	**4.2**	4.4	-5	**5.5**	4.5	21	5.6
Operating profit, EUR million	**3.1**	3.5	-11	**0.6***	2.0	-68	2.0
Operating profit excluding nonrecurring items, EUR million*	**3.1**	3.5	-11	**2.1**	2.0	6	2.0
Operating profit margin, %	**12.4**	14.4		**0.9***	3.2		2.3
Operating profit margin excluding nonrecurring items, %*	**12.4**	14.4		**3.1**	3.2		2.3
Result for the period, EUR million	**1.8**	2.5	-27	**-0.4**	1.4	-128	1.1
Earnings per share, EUR	**0.22**	0.31	-29	**-0.05**	0.18	-128	0.14
Cash flow from operating activities, EUR million	**2.6**	3.1	-14	**0.4**	2.5	-85	8.6
Return on investment (ROI), %	**13.0**	28.9		**0.9**	6.0		4.1
Equity ratio, %				**51.5**	54.4		54.6
Gross investments, EUR million	**0.8**	1.7	-56	**1.9**	5.6	-67	7.6
Personnel at the end of the period	**522**	482	8	**522**	482	8	535
outside Finland	**110**	77	43	**110**	77	43	103
Brand sales**, EUR million	**48.4**	49.6	-2	**139.6**	132.8	5	187.2
outside Finland, EUR million	**28.8**	27.4	5	**86.6**	75.7	14	100.7
proportion of international sales, %	**60**	55		**62**	57		54
Number of stores***	**128**	102	25	**128**	102	25	108

* Operating profit includes EUR 1.5 million in nonrecurring expenses due to arrangements arising from the statutory employer-employee negotiations concluded during the second quarter of 2013. EUR 1.2 million of these nonrecurring expenses is included in EBITDA.

** 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 49 at the end of September 2013 (43). Information on changes is available in the section Internationalisation and changes in the store network.

Mika Ihamuotila, President and CEO:

"In the third quarter of the year, market conditions continued to be challenging in all our main market areas. In spite of this, we succeeded in boosting our net sales in the January-September period by 9 percent compared to last year. I am satisfied that our international sales grew during the period under review by 20 percent and in the July-September period by 7 percent. The challenging market conditions were particularly expressed in the form of a downturn in our wholesale sales in Scandinavia, Central and Southern Europe, and North America. This, combined with the loss-making operations of stores in the launch phase in the United States, weakened our operating profit for the third quarter, which was EUR 3.1 million. We are, however, pleased that our EBITDA for the period under review has improved as a result of investments in growth.

"A total of 14 new Marimekko stores were opened in the third quarter of the year - all, with the exception of one, in our international markets. The number of openings for the entire year will be 34, 25 of them outside Finland. The openings are part of the roll-out of our long-term internationalisation strategy, and I am convinced that the investments we have made in recent years will gradually show up both in our growing net sales and in improvements to our profitability. However, we must keep a close eye on the market trend and take care of our operational cost-effectiveness.

"We reported after the period under review that Taiwan's first Marimekko store is to open in Taipei in November. In our second-largest market, the Asia-Pacific region, this opens up yet another new and attractive area for us. The intention of the contract we have signed with our partner is to open a total of five Marimekko stores and shop-in-shops in Taiwan by the end of 2018. Our business trend in the Asia-Pacific region has continued to be positive, and I believe that the attractiveness of the Marimekko brand will further gain in strength in this market. We have also taken other important steps in Asia in the course of 2013: the first Marimekko stores in mainland China opened in Beijing and Shanghai, and in Japan our store network has now expanded to comprise 25 stores. I am pleased that we decided some years ago to invest heavily in Asia, where the growing consumer market is one of the key phenomena of the global economy today. I am also happy that our personnel's Asia-related expertise has greatly increased, as this is sure to boost our success in this enormous market."

Market outlook and growth targets

General uncertainty in the global economy is forecast to continue, and this may affect consumers' purchasing behaviour in all of Marimekko's market areas. The economic prospects for Europe are still gloomy, and growth is slow in the region. However, the economic outlook has taken a slight upturn. In the United States and Asia, economic forecasts are better than in Europe. In the United States, the growth prospects have, however, slightly weakened in the past months, but in Asia, the economic groth is anticipated to continue stronger than in other regions. In Finland, market conditions are weak, and economic forecasts by trade and industry for the next few months are clearly below normal. Economic conditions are also expected to remain weak, and retail sales are forecast to decline. (Confederation of Finnish Industries EK: Business Tendency Survey, November 2013). In Finland, consumer confidence continued to deteriorate in the third quarter of the year and the autumn was exceptionally warm. Consequently, the downturn in the comparable sales of Marimekko's own stores in Finland accelerated. The negative trend of company-owned stores in Finland also continued in October, casting a shadow over prospects in Finland for the end of the year and especially for Christmas trading which is important to Marimekko.

The stores opened in 2012 and other major investments in expanding the distribution network will bring a considerable increase in sales in 2013. The main thrust in expansion this year is on openings of retailer-owned Marimekko stores and shop-in-shops. The company will also invest in developing the operations of the stores it opened in 2012. Marimekko announced in January that the aim was to open 15 to 24 new stores this year. The number of stores to be opened has been confirmed as 34, of which 6 will be company-owned.

The planned total investments for 2013 of the Marimekko Group are estimated as being in excess of EUR 3 million. Most of the investments are devoted to building new retail facilities and purchases of fittings.

Financial guidance

Marimekko revised its estimate of the 2013 operating profit on 16 May 2013 due to the nonrecurring expenses arising from the statutory employer-employee negotiations conducted by the company. The company reiterates the estimate it announced on 16 May 2013, whereby the Marimekko Group's net sales are estimated to grow by over 5 percent and operating profit excluding nonrecurring items is forecast to be, at the most, at the same level as in 2012. The increased proportion of retail sales will further boost the seasonal nature of business, so the major portion of operating profit will, as is typical, accrue in the second half of the year.

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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 2012, brand sales of Marimekko products worldwide amounted to approximately EUR 187 million and the company's net sales were EUR 88 million. The number of Marimekko stores totalled 108 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 - 30 SEPTEMBER 2013

MARKET REVIEW

The widespread uncertainty over the global economy continued during the period under review and consumers' purchasing behaviour remained cautious. In Europe, the serious debt crisis of the EU states retreated somewhat, but the region's economic growth continued to be weak. In the United States and Asia, the situation was better, although growth was fairly slow. In Finland, market conditions continued to be worse than the average and the economic prospects deteriorated. The short-term economic outlook for trade and industry continued to be sluggish and has further weakened. Consumer confidence was low during the period under review and turned to deteriorate in the third quarter of the year. (Confederation of Finnish Industries EK: Business Tendency Survey, November 2013).

In the January- September period of 2013, retail net sales in Finland rose by 0.5 percent, but the quantity of sales - which measures real growth in sales - declined by 0.7 percent. (Statistics Finland: Turnover of trade, retail trade flash estimate, October 2013). From January to August 2013, retail sales of clothing (excluding sportswear) fell by 4.6 percent. Sales of women's clothing declined by 5.0 percent, menswear by 1.6 percent and children's clothing by 8.0 percent. Sales of bags fell by 0.1 percent (Textile and Fashion Industries TMA). In the January-July period of 2013, clothing (SITC 84) exports grew by 10 percent and imports were level with the previous year; imports and exports of textiles (SITC 65) declined by 5 percent each (National Board of Customs, monthly review, September 2013).

INTERNATIONALISATION AND CHANGES IN THE STORE NETWORK

In 2012, Marimekko invested more than before in expanding its network of company-owned stores in Northern Europe and the United States in order to raise its profile and to enhance prospects for the opening of retailer-owned Marimekko stores and shop-in-shops. This changed the ratio of wholesale to retail and tied up a larger proportion of the company's capital and resources than before.

In 2013, the main thrust in Marimekko's expansion is on openings of retailer-owned Marimekko stores and shop-in-shops. The company is also investing in enhancing the operations of the stores it opened in 2012. In January, Marimekko announced that the aim was to open 15 to 24 new stores this year. The number of stores to be opened has been confirmed as 34, of which 6 will be company-owned. During the third quarter of the year, 14 Marimekko stores were opened: a company-owned store in Copenhagen (Denmark), retailer-owned stores in Hämeenlinna (Finland), Kagoshima (Japan), Shanghai (China) and Pangyo (South Korea), as well as nine shop-in-shops, of which six are in Canada and the remaining three are in the United States, Denmark and Japan.

In August, Marimekko signed an import and distribution contract with the Taiwanese Yun San Corporation. The intention is to open a total of five Marimekko stores and shop-in-shops in Taiwan by the end of 2018. The first Marimekko store will be opened by Yun San in Taipei in November 2013.

A total of six Marimekko stores were closed during the third quarter of the year: company-owned stores in Finland and Sweden, retailer-owned stores in Denmark and Austria, and two shop-in-shops in the United States.

Number of stores and shop-in-shops*	30.9.2013	30.9.2012	31.12.2012
Finland	53	46	48
Company-owned stores	29	28	28
Scandinavia	14	12	12
Company-owned stores	8	7	7
Central and Southern Europe	4	5	5
Company-owned stores	4	4	4
North America	23	14	16
Company-owned stores	6	4	6
Asia-Pacific	34	25	27
Company-owned stores	2	-	2
Total	**128**	**102**	**108**
Company-owned stores	49	43	47

* 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-September period, the Group's net sales, boosted by international sales, rose by 9 percent to EUR 68,542 thousand (62,723). In Finland, net sales grew by 2 percent relative to the same period last year. International sales rose by 20 percent.

In the July-September period, the Group’s net sales rose by 3 percent, reaching EUR 24,875 thousand (24,214). In Finland, net sales were on a par with the same period last year. International sales rose by 7 percent.

Net sales by market area

(EUR 1,000)	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
Finland	**14,272**	14,278	0	**37,454**	36,789	2	52,344
Retail sales	**9,807**	9,768	0	**25,315**	23,904	6	34,000
Wholesale sales	**4,375**	4,350	1	**11,821**	12,456	-5	17,546
Royalties	**91**	160	-43	**319**	429	-26	798
Scandinavia	**2,259**	2,066	9	**5,858**	5,793	1	7,856
Retail sales	**1,185**	946	25	**3,032**	2,355	29	3,299
Wholesale sales	**1,073**	1,120	-4	**2,826**	3,435	-18	4,554
Royalties	**-**	-		**-**	3		3
Central and Southern Europe	**2,005**	2,167	-7	**5,915**	5,908	0	7,783
Retail sales	**324**	366	-12	**954**	1,066	-10	1,492
Wholesale sales	**1,656**	1,777	-7	**4,886**	4,763	3	6,185
Royalties	**25**	24	4	**75**	79	-5	106
North America	**2,077**	2,214	-6	**6,352**	4,934	29	7,743
Retail sales	**1,366**	1,198	14	**3,966**	2,278	74	4,020
Wholesale sales	**609**	915	-33	**2,015**	2,238	-10	3,193
Royalties	**101**	101	0	**371**	418	-11	530
Asia-Pacific	**4,263**	3,489	22	**12,963**	9,299	39	12,745
Retail sales	**489**	-		**1,496**	-		655
Wholesale sales	**3,774**	3,488	8	**11,465**	9,296	23	12,087
Royalties	**0**	1	-94	**2**	3	-41	3
International sales, total	**10,603**	9,936	7	**31,088**	25,934	20	36,127
Retail sales	**3,364**	2,510	34	**9,448**	5,699	66	9,466
Wholesale sales	**7,113**	7,300	-3	**21,192**	19,732	7	26,019
Royalties	**126**	126	0	**448**	503	-11	642
Total	**24,875**	**24,214**	**3**	**68,542**	**62,723**	**9**	**88,471**
Retail sales	**13,170**	12,278	7	**34,763**	29,603	17	43,466
Wholesale sales	**11,488**	11,650	-1	**33,013**	32,188	3	43,565
Royalties	**217**	286	-24	**766**	932	-18	1,440

Finland

In the January-September period, sales in Finland grew by 2 percent and reached EUR 37,454 thousand. Retail sales rose by 6 percent. Sales were boosted by three company-owned stores opened in 2012 as well as two company-owned stores opened in the second quarter of 2013. Comparable sales by company-owned stores fell by 5 percent. Wholesale sales fell by 5 percent.

In the third quarter of the year, consumers’ purchasing behaviour became more cautious. Retail sales remained at the level of the same period last year. Comparable sales by company-owned stores fell by 8 percent. Wholesale sales rose by 1 percent.

Scandinavia

In Scandinavia, sales in the January-September period grew by 1 percent relative to the same period last year and amounted to EUR 5,858 thousand. Retail sales rose by 29 percent. Retail sales were boosted by two company-owned stores opened in Sweden in 2012, the extension of Marimekko’s e-commerce into Sweden, as well as the opening of two company-owned stores in 2013, one in Sweden in June and the other in Denmark in August. Comparable sales growth for company-owned stores was 6 percent. Most of the growth was generated from the January sales. Wholesale sales fell in the January-September period by 18 percent. Consumers' purchasing behaviour continued to be cautious, especially in Sweden and Denmark, which affected wholesale sales in particular.

During the third quarter of the year, retail sales rose by 25 percent. Comparable sales by company-owned stores grew by 3 percent. Wholesale sales fell by 4 percent.

Central and Southern Europe

In Central and Southern Europe, net sales for the January-September period were on a par with the same period last year, amounting to EUR 5,915 thousand. Retail sales fell by 10 percent, whereas wholesale sales grew by 3 percent. Sales rose in Italy and Switzerland but fell in the UK, the Netherlands and Germany.

During the third quarter of the year, retail sales fell by 12 percent and wholesale sales by 7 percent.

North America

In North America, net sales for the January-September period grew by 29 percent and were EUR 6,352 thousand. In terms of the sales currency (mostly the US dollar), growth amounted to roughly 34 percent. The growth in net sales came from the four company-owned stores opened in the United States in the second half of 2012. Retail sales in the January-September period grew by 74 percent. Comparable sales by company-owned stores fell by 6 percent. Wholesale sales fell by 10 percent.

During the third quarter of the year, retail sales grew by 14 percent. Comparable sales by company-owned stores fell by 4 percent. Wholesale sales fell by 33 percent.

Asia-Pacific

Net sales in the Asia-Pacific region grew in the January-September period by 39 percent and were EUR 12,963 thousand. Wholesale sales rose by 23 percent. Wholesale sales were improved by the opening in 2012 of two new stores in Japan and one in Hong Kong, as well as investments in Australia, combined with store openings in China, South Korea and Japan during the period under review. Net sales were also boosted by two company-owned stores opened in Australia at the end of 2012.

In the third quarter of the year, wholesale sales rose by 8 percent.

FINANCIAL RESULT

The Group's financial result is typically weak during the first half of the year because net sales are low relative to operating expenses for seasonal reasons, in addition to which profits from retail operations in particular are generated predominantly in the second half of the year. In the January-September period of 2013, the Group’s operating profit was EUR 645 thousand (2,006). Operating profit includes EUR 1,485 thousand in nonrecurring expenses due to arrangements arising from the statutory employer-employee negotiations concluded during the second quarter. Operating profit excluding nonrecurring items was EUR 2,130 thousand (2,006). Operating profit was boosted by growth in wholesale sales in the Asia-Pacific region, an improvement in the profitability of company-owned stores in Finland in spite of a fall in comparable sales, and by growth in the company’s textile printing factory’s operating rate as well as enhanced operational efficiency. Operating profit was weakened by the loss posted by stores in the launch phase in the United States as well as by a downturn in wholesale sales in Scandinavia, Central and Southern Europe, and North America.

In the July-September period of 2013, the Group’s operating profit was EUR 3,093 thousand (3,486). The third quarter’s operating profit was boosted by growth in wholesale sales in the Asia-Pacific region and Finland and by improvement in the profitability of company-owned stores in Finland in spite of a fall in comparable sales. Operating profit was weakened by the loss posted by stores in the launch phase in the United States and by a downturn in wholesale sales in Scandinavia, Central and Southern Europe, and North America.

Marketing expenses during the period under review were EUR 3,235 thousand (3,657), or 5 percent of the Group's net sales (6).

The Group's depreciation grew due to considerable investments during the past few years and stood at EUR 3,607 thousand (2,529), representing 5 percent of net sales (4).

Operating profit margin for the January-September period of 2013 was 0.9 percent (3.2). In the July-September period, operating profit margin was 12.4 percent (14.4).

Net financial expenses in the January-September period were EUR 554 thousand (298), or 1 percent of net sales (1).

Result for the review period before taxes was EUR 91 thousand (1,708). Result after taxes was EUR -410 thousand (1,439) and earnings per share were EUR -0.05 (0.18).

BALANCE SHEET

The consolidated balance sheet total as at 30 September 2013 was EUR 53,796 thousand (54,536). Equity attributable to the equity holders of the parent company was EUR 27,692 thousand (29,689), or EUR 3.42 per share (3.69).

Non-current assets at the end of September 2013 were EUR 22,924 thousand (24,228). As of March 2012, tangible assets include a finance lease asset related to the new, 30-year land lease on the property of the Helsinki head office and printing factory. The book value of the finance lease asset at the end of the review period was EUR 3,258 thousand (3,460).

At the end of the period under review, net working capital was EUR 17,995 thousand (20,209). Inventories were EUR 18,867 thousand (19,456).

CASH FLOW AND FINANCING

In the January-September period, cash flow from operating activities was EUR 393 thousand (2,539), or EUR 0.05 per share (0.32). Cash flow before cash flow from financing activities was EUR -1,483 thousand (-3,070).

In the July-September period, cash flow from operating activities was EUR 2,647 thousand (3,069), or EUR 0.33 per share (0.38). Cash flow before cash flow from financing activities was EUR 1,891 thousand (1,350).

The Group's financial liabilities at the end of the period under review stood at EUR 16,547 thousand (16,498). As of March 2012, non-current liabilities also include a finance lease liability related to the new, 30-year land lease on the property of the Helsinki head office and printing factory. The present value of the finance lease liability at the end of the review period was EUR 3,341 thousand (3,460).

At the end of the period under review, the Group's cash and cash equivalents amounted to EUR 3,438 thousand (2,272). In addition, the Group had unused committed long- and short-term credit lines of EUR 5,794 thousand (6,912).

The Group's equity ratio at the end of the period was 51.5 percent (54.4). Gearing was 47.3 percent (47.9).

INVESTMENTS

The Group's gross investments in the January-September period were EUR 1,876 thousand (5,609), or 3 percent of net sales (9). Most of the investments were devoted to building store premises and to refurbishing the property in Herttoniemi.

PERSONNEL

In the January-September period of 2013, the number of employees averaged 531 (481). At the end of the period, the Group had 522 employees (482), of whom 110 worked outside Finland (77). The number of employees working outside Finland was broken down as follows: Scandinavia 35 (26), Central and Southern Europe 14 (12), North America 49 (37) and the Asia-Pacific region 12 (2). The personnel at company-owned stores totalled 227 at the end of the period (194).

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 2013 and in the interim report of 7 May 2013.

SHARES AND SHAREHOLDERS

Share capital and number of shares

At the end of September 2013, 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 7,474 shareholders at the end of September 2013 (6,999). Of the shares, 21.2 percent were owned by nominee-registered or non-Finnish holders (17.3). 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 1,343,930 (1,168,930), representing 16.6 percent of the number and voting rights of the company's shares (14.5).

The largest shareholders according to the book-entry register on 30 September 2013

		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.	Danske Fund Finnish Small Cap	155,000	1.92
9.	OP-Finland Small Firm Fund	151,197	1.87
10.	Mutual Fund Tapiola Finland	136,395	1.69
	Total	**3,954,013**	**48.88**
	Nominee-registered and non-Finnish holders	1,716,392	21.22
	Others	2,419,205	29.91
	Total	**8,089,610**	**100.00**

Share trading and the company's market capitalisation

In the January-September period of 2013, a total of 501,325 Marimekko shares were traded, representing 6.2 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 5,808,324. The lowest price of the Marimekko share was EUR 10.00, the highest was EUR 14.54 and the average price was EUR 11.59. At the end of September, the closing price of the share was EUR 10.56. The company's market capitalisation on 30 September 2013 was EUR 85,426,282 (113,605,200).

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. The authorisation is in effect for two years from the date of the Annual General Meeting's resolution. Marimekko arranged a personnel share offering in 2012, in which a total of 49,610 new shares were subscribed for.

THE PRESIDENT AND CEO'S SICK LEAVE

In 2011, Marimekko’s President and CEO Mika Ihamuotila underwent a minor repeat neurosurgical operation. The after-effects of these operations sometimes include epileptic symptoms which are treated with regular preventative medication. Ihamuotila was on sick leave from 6 August to 15 September 2013 to adjust to the epilepsy medication. For this time, his deputy was the company’s Chief Financial Officer Thomas Ekström, and Ihamuotila participated in the company’s decision-making on a part-time basis.

DISCUSSION IN FINLAND ABOUT MARIMEKKO'S PRINTS FROM THE PERSPECTIVE OF COPYRIGHT

In recent months, there has been discussion in Finland about some of Marimekko's prints from the perspective of copyright. It is difficult to assess the impact of this debate on Marimekko's business, especially as retail sales and its prospects in Marimekko's sector in Finland deteriorated markedly in the third quarter of the year. The company has initiated a number of actions to further improve its design process.

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 as well as the management of the company's expansion. 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 dynamic internationalisation and change. The distribution of products is being expanded in all key market areas. Unlike before, the focus of growth has increasingly been on opening company-owned stores outside Finland. This has called for larger or brand-new country organisations in these market areas, which exerts a drag on the cost-effectiveness of the company, especially now in the early stages of expansion. Moreover, expanding the network of company-owned stores has 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 and effective in-house production has an impact on the company's sales and profitability.

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 may have an impact on the company's financial status.

MARKET OUTLOOK AND GROWTH TARGETS

General uncertainty in the global economy is forecast to continue, and this may affect consumers' purchasing behaviour in all of Marimekko's market areas. The economic prospects for Europe are still gloomy, and growth is slow in the region. However, the economic outlook has taken a slight upturn. In the United States and Asia, economic forecasts are better than in Europe. In the United States, the growth prospects have, however, slightly weakened in the past months, but in Asia, the economic groth is anticipated to continue stronger than in other regions. In Finland, market conditions are weak, and economic forecasts by trade and industry for the next few months are clearly below normal. Economic conditions are also expected to remain weak, and retail sales are forecast to decline. (Confederation of Finnish Industries EK: Business Tendency Survey, November 2013). In Finland, consumer confidence continued to deteriorate in the third quarter of the year and the autumn was exceptionally warm. Consequently, the downturn in the comparable sales of Marimekko's own stores in Finland accelerated. The negative trend of company-owned stores in Finland also continued in October, casting a shadow over prospects in Finland for the end of the year and especially for Christmas trading which is important to Marimekko.

The stores opened in 2012 and other major investments in expanding the distribution network will bring a considerable increase in sales in 2013. The main thrust in expansion this year is on openings of retailer-owned Marimekko stores and shop-in-shops. The company will also invest in developing the operations of the stores it opened in 2012. Marimekko announced in January that the aim was to open 15 to 24 new stores this year. The number of stores to be opened has been confirmed as 34, of which 6 will be company-owned.

The planned total investments for 2013 of the Marimekko Group are estimated as being in excess of EUR 3 million. Most of the investments are devoted to building new retail facilities and purchases of fittings.

FINANCIAL GUIDANCE

Marimekko revised its estimate of the 2013 operating profit on 16 May 2013 due to the nonrecurring expenses arising from the statutory employer-employee negotiations conducted by the company. The company reiterates the estimate it announced on 16 May 2013, whereby the Marimekko Group's net sales are estimated to grow by over 5 percent and operating profit excluding nonrecurring items is forecast to be, at the most, at the same level as in 2012. The increased proportion of retail sales will further boost the seasonal nature of business, so the major portion of operating profit will, as is typical, accrue in the second half of the year.

Helsinki, 7 November 2013

MARIMEKKO CORPORATION
Board of Directors

INTERIM REPORT 1 JANUARY - 30 SEPTEMBER 2013, TABLE SECTION

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

APPENDICES

Accounting principles
Formulas for key figures
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ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with IAS 34. The same accounting principles were applied as in the 2012 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 2012. 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 period)

Equity per share, EUR:
Shareholders' equity / Number of shares, 30 September

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

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 period))

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 liabilities

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
NET SALES	**24,875**	24,214	**68,542**	62,723	88,471
Other operating income	**79**	33	**191**	42	97
Increase or decrease in inventories of completed and unfinished products	**240**	-977	**1,208**	-1,452	-2,192
Raw materials and consumables	**-9,522**	-7,522	**-26,009**	-20,764	-29,515
Employee benefit expenses	**-5,590**	-5,443	**-20,351**	-17,064	-24,384
Depreciation and impairments	**-1,117**	-930	**-3,607**	-2,529	-3,550
Other operating expenses	**-5,871**	-5,889	**-19,327**	-18,950	-26,908
OPERATING PROFIT	**3,093**	3,486	**645**	2,006	2,019
Financial income	**-6**	-107	**40**	31	48
Financial expenses	**-204**	-196	**-594**	-329	-654
	-210	-303	**-554**	-298	-606
RESULT BEFORE TAXES	**2,883**	3,183	**91**	1,708	1,413
Income taxes	**-1,089**	-710	**-501**	-269	-313
NET RESULT FOR THE PERIOD	**1,794**	2,473	**-410**	1,439	1,100
Distribution of net result to equity holders of the parent company	**1,794**	2,473	**-410**	1,439	1,100
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	**0.22**	0.31	**-0.05**	0.18	0.14

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
Net result for the period	**1,794**	2,473	**-410**	1,439	1,100
Items that could be reclassified to profit or loss at a future point in time					
Translation differences	**90**	40	**128**	9	10
COMPREHENSIVE RESULT FOR THE PERIOD	**1,884**	2,513	**-282**	1,448	1,110
Distribution of net result to equity holders of the parent company	**1,884**	2,513	**-282**	1,448	1,110

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.9.2013	30.9.2012	31.12.2012
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	**2,238**	2,515	2,663
Tangible assets	**20,670**	21,202	21,976
Available-for-sale financial assets	**16**	16	16
Deferred tax assets	**-**	495	322
	22,924	24,228	24,977
CURRENT ASSETS			
Inventories	**18,867**	19,456	18,502
Trade and other receivables	**8,481**	7,801	7,016
Current tax assets	**86**	779	1,360
Cash and cash equivalents	**3,438**	2,272	3,106
	30,872	30,308	29,984
ASSETS, TOTAL	**53,796**	54,536	54,961
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
Translation differences	**120**	-9	-8
Retained earnings	**19,030**	21,658	21,462
Shareholders' equity, total	**27,692**	29,689	29,996
NON-CURRENT LIABILITIES			
Deferred tax liabilities	**18**	522	480
Provisions	**101**	-	-
Financial liabilities	**7,206**	13,088	9,317
Finance lease liabilities	**3,270**	3,347	3,324
	10,594	16,957	13,121
CURRENT LIABILITIES			
Trade and other payables	**9,439**	7,827	11,775
Financial liabilities	**6,000**	-	-
Finance lease liabilities	**71**	63	69
	15,510	7,890	11,844
Liabilities, total	**26,104**	24,847	24,965
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**53,796**	54,536	54,961

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-9/2013	1-9/2012	1-12/2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	**-410**	1,439	1,100
Adjustments			
Depreciation and impairments	**3,607**	2,529	3,550
Other non-cash transactions	**101**	-	143
Financial income and expenses	**554**	298	606
Taxes	**501**	269	313
Cash flow before change in working capital	**4,353**	4,535	5,712
Change in working capital	**-2,694**	-210	4,674
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	**-117**	688	930
Increase (-) / decrease (+) in inventories	**80**	1,571	2,401
Increase (+) / decrease (-) in current non-interest-bearing liabilities	**-2,657**	-2,469	1,343
Cash flow from operating activities before financial items and taxes	**1,659**	4,325	10,386
Paid interest and payments on other financial expenses	**-602**	-188	-650
Interest received	**40**	-93	47
Taxes paid	**-703**	-1,505	-1,178
CASH FLOW FROM OPERATING ACTIVITIES	**393**	2,539	8,605
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	**-1,876**	-5,609	-7,572
CASH FLOW FROM INVESTING ACTIVITIES	**-1,876**	-5,609	-7,572
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from share issue	**-**	-	502
Short-term loans drawn	**6,000**	-	-
Long-term loans drawn	**-**	8,144	4,373
Payments of long-term loans	**-2,111**	-	-
Payments of finance lease liabilities	**-52**	-	-
Dividends paid	**-2,022**	-4,422	-4,422
CASH FLOW FROM FINANCING ACTIVITIES	**1,815**	3,722	453
Change in cash and cash equivalents	**332**	652	1,486
Cash and cash equivalents at the beginning of the period	**3,106**	1,620	1,620
Cash and cash equivalents at the end of the period	**3,438**	2,272	3,106

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 2012	8,040		-18	24,641	32,663
Comprehensive result					
Net result for the period				1,439	1,439
Translation differences			9		9
Total comprehensive result for the period			**9**	**1,439**	**1,448**
Transactions with owners					
Dividends paid				-4,422	-4,422
Shareholders' equity 30 September 2012	8,040		-9	21,658	29,689
Shareholders' equity 1 January 2013	8,040	502	-8	21,462	29,996
Comprehensive result					
Net result for the period				-410	-410
Translation differences			128		128
Total comprehensive result for the period			**128**	**-410**	**-282**
Transactions with owners					
Dividends paid				-2,022	-2,022
Shareholders' equity 30 September 2013	8,040	502	120	19,030	27,692

KEY FIGURES

	1-9/2013	**1-9/2012**	**Change, %**	**1-12/2012**
Earnings per share, EUR	**-0.05**	0.18	-128	0.14
Equity per share, EUR	**3.42**	3.69	-7	3.71
Return on equity (ROE), %	**-1.9**	6.2		3.5
Return on investment (ROI), %	**0.9**	6.0		4.1
Equity ratio, %	**51.5**	54.4		54.6
Gearing, %	**47.3**	47.9		32.0
Gross investments, EUR 1,000	**1,876**	5,609	-67	7,582
Gross investments, % of net sales	**3**	9		9
Contingent liabilities, EUR 1,000	**39,372**	37,321	5	39,986
Average personnel	**531**	481	10	497
Personnel at the end of the period	**522**	482	8	535
Number of shares at the end of the period	**8,089,610**	8,040,000		8,089,610
Number of shares outstanding, average	**8,089,610**	8,040,000		8,046,252

SEGMENT INFORMATION

(EUR 1,000)	**1-9/2013**	**1-9/2012**	**Change, %**	**1-12/2012**
Marimekko business				
Net sales	68,542	62,723	9	88,471
Operating result	645	2,006	-68	2,019
Assets	53,796	54,536	-1	54,961

NET SALES BY MARKET AREA

(EUR 1,000)	7-9/ 2013	7-9/ 2012	Change, %	1-9/ 2013	1-9/ 2012	Change, %	1-12/ 2012
Finland	**14,272**	14,278	0	**37,454**	36,789	2	52,344
Retail sales	**9,807**	9,768	0	**25,315**	23,904	6	34,000
Wholesale sales	**4,375**	4,350	1	**11,821**	12,456	-5	17,546
Royalties	**91**	160	-43	**319**	429	-26	798
Scandinavia	**2,259**	2,066	9	**5,858**	5,793	1	7,856
Retail sales	**1,185**	946	25	**3,032**	2,355	29	3,299
Wholesale sales	**1,073**	1,120	-4	**2,826**	3,435	-18	4,554
Royalties	**-**	-		**-**	3		3
Central and Southern Europe	**2,005**	2,167	-7	**5,915**	5,908	0	7,783
Retail sales	**324**	366	-12	**954**	1,066	-10	1,492
Wholesale sales	**1,656**	1,777	-7	**4,886**	4,763	3	6,185
Royalties	**25**	24	4	**75**	79	-5	106
North America	**2,077**	2,214	-6	**6,352**	4,934	29	7,743
Retail sales	**1,366**	1,198	14	**3,966**	2,278	74	4,020
Wholesale sales	**609**	915	-33	**2,015**	2,238	-10	3,193
Royalties	**101**	101	0	**371**	418	-11	530
Asia-Pacific	**4,263**	3,489	22	**12,963**	9,299	39	12,745
Retail sales	**489**	-		**1,496**	-		655
Wholesale sales	**3,774**	3,488	8	**11,465**	9,296	23	12,087
Royalties	**0**	1	-94	**2**	3	-41	3
International sales, total	**10,603**	9,936	7	**31,088**	25,934	20	36,127
Retail sales	**3,364**	2,510	34	**9,448**	5,699	66	9,466
Wholesale sales	**7,113**	7,300	-3	**21,192**	19,732	7	26,019
Royalties	**126**	126	0	**448**	503	-11	642
Total	**24,875**	**24,214**	**3**	**68,542**	**62,723**	**9**	**88,471**
Retail sales	**13,170**	12,278	7	**34,763**	29,603	17	43,466
Wholesale sales	**11,488**	11,650	-1	**33,013**	32,188	3	43,565
Royalties	**217**	286	-24	**766**	932	-18	1,440

NET SALES BY PRODUCT LINE

(EUR 1,000)	7-9/2013	7-9/2012	1-9/2013	1-9/2012	1-12/2012
Clothing	**9,162**	9,189	**25,488**	23,125	30,936
Interior decoration	**9,617**	9,146	**27,039**	25,422	38,122
Bags	**6,095**	5,879	**16,015**	14,176	19,413
TOTAL	**24,875**	24,214	**68,542**	62,723	88,471

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	7-9/2013	4-6/2013	1-3/2013	10-12/2012
Net sales	**24,875**	22,957	20,710	25,748
Operating result	**3,093**	-1,158	-1,290	13
Earnings per share, EUR	**0.22**	-0.13	-0.14	-0.04

(EUR 1,000)	7-9/2012	4-6/2012	1-3/2012	10-12/2011
Net sales	**24,214**	19,701	18,808	23,581
Operating result	**3,486**	-545	-935	1,645
Earnings per share, EUR	**0.31**	-0.03	-0.10	0.18