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Marimekko Corporation, Interim Report, 19 August 2015 at 8.30 a.m.

INTERIM REPORT OF MARIMEKKO CORPORATION, 1 January - 30 June 2015: Net sales grew; operating result fell as expected

January-June in brief

- Net sales grew by 6 percent to EUR 43.6 million (1-6/2014: 41.3).
- Net sales at comparable exchange rates grew by 3 percent.
- Net sales were increased by the additional sales of stores opened in 2014 and 2015, growth in discount-driven sales by outlet stores and online shop in Finland, and the strong dollar.
- Operating result excluding nonrecurring items was EUR -1.0 million (-0.6). Operating result was decreased by the considerable expenses related to the closure of the Beverly Hills store during the first quarter, a decline in the sales margins on wholesale sales, a downturn in the profitability of retail sales in Finland occasioned by a fall in the sales of prime stores, and an increase in design and marketing expenses. However, operating result was improved by an increase in royalty earnings in North America during the first quarter and by the additional sales of new stores.
- Marimekko continues to invest in growth while focusing on enhancing the operations of its company-owned stores, on developing online operations, on improving the general profitability of its business, and on creating even more attractive design and products.

The second quarter in brief

- Net sales grew by 7 percent to EUR 23.4 million (Q2/2014: 21.9).
- Net sales at comparable exchange rates grew by 3 percent.
- Operating profit excluding nonrecurring items was EUR 0.3 million (0.5). Operating profit was decreased by a decline in the sales margins on wholesale sales and by an increase in design and marketing expenses. However, operating profit was improved by growth in discount-driven sales by outlet stores and online shop in Finland and by the additional sales of new stores.

Financial guidance for 2015

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

President Tiina Alahuhta-Kasko:

"Marimekko's net sales in the first half of the year were slightly better than anticipated. Growth was seen in both our international sales and net sales in Finland. Although the state of retailing in Finland has continued to be challenging, as estimated at the beginning of the year, the trend in our retail sales during the second quarter was better than expected due to growth in discount-driven sales. The additional sales of new stores and the strong dollar also contributed to the growth in overall net sales.

"In the January-June period, the company's operating result excluding nonrecurring items was down relative to the same period last year as expected. Operating result was decreased by the considerable expenses related to the closure of the Beverly Hills store during the first quarter and a decline in the sales margins on wholesale sales. A fall in the sales of prime stores in Finland also weakened the result. Furthermore, investments in launching new collections and in digital communications increased design and marketing expenses. On the other hand, operating result was improved by an increase in royalty earnings in North America during the first quarter.

"We continue our expansion in line with our internationalisation strategy, particularly in the Asia-Pacific region. This year new markets have opened up in Bangkok and Singapore as well as Dubai in the Middle East. Deliveries to Japan and the rest of Asia were on a good level in the second quarter, although sales for the whole year are forecast to be lower than in 2014.

"The development of digital business is an important part of the current stage in our strategy. The trend in our online sales has continued to be positive and we will continue to focus on enhancing the customer experience to make it even more inspiring and more seamless between our online and offline stores. As part of this process, we are also updating our store and service concept.

"In June, the first store deliveries were made of our autumn collection, which represents an updated trend that we hope will appeal to a broader clientele around the world. In the past year, we have worked actively not only on combinability, materials and cuts of the clothing collection but also on optimising the structure of the range. The goal is to enhance our product range to even better meet the needs of consumers and distribution channels in the various market areas."

Key indicators

	4-6/ 2015	4-6/ 2014	Change, %	1-6/ 2015	1-6/ 2014	Change, %	1-12/ 2014
Net sales, EUR million	23.4	21.9	7	43.6	41.3	6	94.2
International sales, EUR million	10.4	9.9	5	20.8	19.3	8	42.1
% of net sales	44	45		48	47		45
EBITDA, EUR million	1.4	1.6	-14	1.1	0.9	17	9.9
EBITDA excluding nonrecurring items, EUR million	1.5	1.6	-4	1.2	1.6	-21	10.5
Operating result, EUR million	0.3	0.5	-43	-1.0	-1.2	16	5.6
Operating result excluding nonrecurring items, EUR million	0.3	0.5	-43	-1.0	-0.6	-48	6.3
Operating result margin, %	1.3	2.4		-2.4	-3.0		5.9
Operating result margin excluding nonrecurring items, %	1.9	2.4		-2.0	-1.4		6.7
Result for the period, EUR million	0.1	0.4	-75	-1.0	-1.1	12	4.1
Earnings per share, EUR	0.01	0.05	-78	-0.12	-0.14	11	0.51
Cash flow from operating activities, EUR million	1.7	-1.4		0.0	-0.8		9.9
Return on investment (ROI), %				-5.6	-6.2		15.6
Equity ratio, %				54.0	49.7		61.6
Gross investments, EUR million	0.5	0.3	64	0.8	0.8	1	2.1
Personnel at the end of the period outside Finland				475	485	-2	479
				114	114		129
Brand sales*, EUR million	42.5	41.1	3	87.6	81.3	8	186.8
outside Finland, EUR million	25.6	25.6	0	56.3	50.5	12	114.6
proportion of international sales, %	60	62		64	62		61
Number of stores**				150	133	13	144

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

* Estimated sales of Marimekko products at consumer prices. Brand sales are calculated by adding together the company's own retail sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's actual wholesale sales to these retailers, is unofficial and does not include VAT. The key figure is not audited.

** Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 53 at the end of June 2015 (52). Information on changes is available in the section Internationalisation and changes in the store network.

Financial calendar 2015

The interim report for January-September will be issued on Thursday 5 November 2015 at 8.30 a.m.

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INTERIM REPORT OF MARIMEKKO CORPORATION, 1 January - 30 June 2015**OPERATING ENVIRONMENT**

Growth estimates for the global economy this year have deteriorated due to problems in the countries which are the powerhouses of growth. However, these difficulties are believed to be temporary. In Europe, the economic outlook has improved in respect of services and consumers in particular, whereas in the United States growth is forecast to slow in spite of expectations at the beginning of the year. However, employment has further improved in the United States. In China, exports collapsed in the early months of the year and growth has slowed to its weakest for many years. The Chinese economy is decelerating, which combined with a downturn in the stock market is providing new grounds for concern. In Japan, the figures are even worse than in the euro zone, but the forecast for next year has been raised somewhat. Economic recovery in Finland has not yet reached a tangible level.

In Finland, retail trade confidence has taken another downturn after a small improvement in the spring. Confidence is strikingly low. Sales volume has continued to decline widely and expectations for sales are modest. The contraction of sales is expected to continue. Retail trade confidence in Finland was the weakest in the EU in May.

(Confederation of Finnish Industries EK: Economic Review, 16 June 2015; Confidence Indicators, June 2015; Business Tendency Survey, August 2015.)

In the January-June period of 2015, the value of retail sales in Finland fell by 1.3 percent and the volume of sales, which measures real growth, declined by 0.3 percent (Statistics Finland: Turnover of Trade, retail trade flash estimate, June 2015).

INTERNATIONALISATION AND CHANGES IN THE STORE NETWORK

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

In the second quarter, four Marimekko stores and two shop-in-shops were opened. Of the openings, retailer-owned Marimekko stores in Bangkok (Thailand), Singapore and Taiwan are in the Asia-Pacific region. In the Middle East, Dubai saw the opening of its second Marimekko store. During the period, a retailer-owned store in Guam and a shop-in-shop in Singapore were closed.

Number of stores & shop-in-shops*	30.6.2015	30.6.2014	31.12.2014
Finland	64	58	62
Company-owned stores	24	23	24
Company-owned outlet stores	11	9	10
Retailer-owned stores	17	17	17
Retailer-owned shop-in-shops	12	9	11
Scandinavia	10	10	10
Company-owned stores	8	8	8
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	2	2	2
EMEA	4	4	3
Company-owned stores	2	4	3
Company-owned outlet stores	-	-	-
Retailer-owned stores	2	-	-
Retailer-owned shop-in-shops	-	-	-
North America	23	21	23
Company-owned stores	4	5	5
Company-owned outlet stores	1	1	1
Retailer-owned stores	2	2	2
Retailer-owned shop-in-shops	16	13	15
Asia-Pacific	49	40	46
Company-owned stores	3	2	3
Company-owned outlet stores	-	-	-
Retailer-owned stores	43	36	39
Retailer-owned shop-in-shops	3	2	4

Total	150	133	144
Company-owned stores	41	42	43
Company-owned outlet stores	12	10	11
Retailer-owned stores	64	55	58
Retailer-owned shop-in-shops	33	26	32

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

NET SALES

In the January-June period, consolidated net sales grew by 6 percent to EUR 43,581 thousand (41,250). Net sales at comparable exchange rates grew by 3 percent. International sales rose by 8 percent; net sales in Finland were up 4 percent.

Retail sales grew by 7 percent. Sales were boosted by the additional sales of stores opened in 2014 and 2015, an increase in discount-driven sales by outlet stores and online shop in Finland, and the strong US dollar.

Wholesale sales rose by 3 percent. Sales grew mainly in EMEA. In North America, euro-denominated sales rose due to the strong dollar.

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

In the April-June period, consolidated net sales grew by 7 percent to EUR 23,446 thousand (21,874). Net sales at comparable exchange rates grew by 3 percent. International sales rose by 5 percent; net sales in Finland were up 9 percent. Retail sales grew by 9 percent and wholesale sales by 5 percent.

Net sales by market area

(EUR 1,000)			Change, % In currency terms				Change, % In currency terms		
	4-6/ 2015	4-6/ 2014	Change, %		1-6/ 2015	1-6/ 2014	Change, %		1-12/ 2014
Finland	13,076	11,957	9	9	22,784	21,993	4	4	52,034
Retail sales	9,878	8,798	12	12	16,084	15,003	7	7	35,363
Wholesale sales	3,113	3,065	2	2	6,522	6,817	-4	-4	16,245
Royalties	86	94	-9	-9	178	173	3	3	425
Scandinavia	1,980	1,976	0	3	3,792	3,883	-2	1	8,452
Retail sales	1,331	1,332	0	1	2,322	2,393	-3	-1	5,151
Wholesale sales	649	644	1	7	1,470	1,490	-1	4	3,301
Royalties	-	-	-	-	-	-	-	-	-
EMEA	2,145	1,876	14	14	4,413	3,739	18	18	7,554
Retail sales	269	399	-32	-32	612	718	-15	-15	1,509
Wholesale sales	1,846	1,460	26	26	3,730	2,947	27	27	5,882
Royalties	30	36	-17	-17	71	74	-4	-4	162
North America	2,054	2,040	1	-23	4,157	3,551	17	-4	8,584
Retail sales	1,522	1,513	1	-20	2,809	2,642	6	-14	5,983
Wholesale sales	493	464	6	-27	897	784	14	-5	1,957
Royalties	40	64	-37	-31	451	126	-	-	644
Asia-Pacific	4,190	4,025	4	6	8,436	8,083	4	5	17,527
Retail sales	726	501	45	40	1,436	1,015	41	35	2,675
Wholesale sales	3,465	3,501	-1	-1	7,000	7,064	-1	-1	14,847
Royalties	-	5	-100	-	-	5	-100	-	5
International sales, total	10,370	9,918	5	3	20,798	19,257	8	2	42,116
Retail sales	3,847	3,745	3	0	7,180	6,768	6	-1	15,318

Wholesale sales	6,453	6,069	6	6	13,096	12,285	7	5	25,987
Royalties	70	104	-33	-30	522	204			811
Total	23,446	21,874	7	3	43,581	41,250	6	3	94,150
Retail sales	13,725	12,542	9	5	23,264	21,770	7	3	50,682
Wholesale sales	9 565	9,134	5	-1	19 618	19,102	3	1	42,232
Royalties	156	198	-21	-22	700	377	85	78	1,237

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

Finland

In the January-June period, net sales in Finland rose by 4 percent to EUR 22,784 thousand (21,993), which was attributable to 7 percent growth in retail sales. Comparable retail sales rose by 3 percent due to an increase in discount-driven sales by outlet stores and online shop in the second quarter. Comparable sales at prime stores declined by 5 percent. Retail sales in January-June were also boosted by the new stores opened in 2014 and 2015 plus a pop-up store opened at the Helsinki-Vantaa Airport for the summer season. Wholesale sales declined by 4 percent.

In the second quarter, retail sales grew by 12 percent; comparable retail sales grew by 8 percent due to growth in discount-driven sales. Comparable sales at prime stores were on a par with the previous year's figure due to growth in June's discount sales. Also, the new stores boosted sales. Wholesale sales rose by 2 percent.

Scandinavia

Net sales in Scandinavia fell in the first half of the year by 2 percent to EUR 3,792 thousand (3,883). Net sales at comparable exchange rates rose by 1 percent due to 4 percent growth in wholesale sales. Retail sales fell in euro terms by 3 percent and at comparable exchange rates by 1 percent.

In the second quarter, retail sales were on a par with the previous year's figure. Wholesale sales rose in euro terms by 1 percent and at comparable exchange rates by 7 percent.

EMEA

Net sales in EMEA grew during the January-June period by 18 percent to EUR 4,413 thousand (3,739). Wholesale sales rose by 27 percent due to growth in deliveries to Belgium, the United Arab Emirates and France. Wholesale sales in the United Arab Emirates were boosted by start-up stock deliveries for two retailer-owned stores. Retail sales declined by 15 percent due to the closure of the company's two stores in London in November 2014 and in March 2015. Comparable retail sales rose by 1 percent.

In the second quarter, retail sales fell by 32 percent; comparable retail sales grew by 1 percent. Wholesale sales rose by 26 percent due to growth in deliveries to Belgium, the United Arab Emirates and France.

North America

In North America, net sales grew by 17 percent to 4,157 thousand (3,551). Net sales at comparable exchange rates fell by 4 percent; both retail and wholesale sales declined. The downturn in retail sales was due to the closure of the Beverly Hills store in March and an 11 percent decline in sales in comparable stores.

In the second quarter, retail sales grew by 1 percent in euro terms but fell by 20 percent at comparable exchange rates. Comparable sales by company-owned stores declined by 12 percent. Also, the closure of the Beverly Hills store reduced total sales. Wholesale sales at comparable exchange rates declined by 27 percent.

Asia-Pacific

Net sales in the Asia-Pacific region grew by 4 percent to 8,436 thousand (8,083). Wholesale sales fell by 1 percent. In the most important country in this market area, Japan, wholesale sales rose by 1 percent. Retail sales (Australian stores in Sydney and Melbourne) grew due to the additional sales of the store opened in the Emporium mall Melbourne in autumn 2014. Sales in comparable stores fell in euro terms by 4 percent and in terms of the currency of sales by 9 percent. The opening of a new store close to another Melbourne store impacted the comparable retail sales trend negatively.

In the second quarter, retail sales grew markedly thanks to the additional sales of the Emporium store in Melbourne. Comparable retail sales fell in euro terms by 1 percent and in terms of the currency of sales by 4 percent. Wholesale

sales fell by 1 percent. Japanese wholesale sales rose by 6 percent.

FINANCIAL RESULT

In the January-June period of 2015, the Group's operating result was EUR -1,031 thousand (-1,229). Operating result for the comparison period included EUR 669 thousand in nonrecurring expenses. The comparison period's operating result excluding nonrecurring items was EUR -560 thousand. Operating result was decreased by the considerable expenses related to the closure of the Beverly Hills store during the first quarter, a decline in the sales margins on wholesale sales, a downturn in the profitability of retail sales in Finland occasioned by a fall in the sales of prime stores, and an increase in design and marketing expenses. However, operating result was improved by an increase in royalty earnings in North America during the first quarter and by the additional sales of new stores.

In the April-June period of 2015, the Group's operating profit was EUR 294 thousand (519). Operating profit was decreased by a decline in the sales margins on wholesale sales and by an increase in design and marketing expenses. However, operating profit was improved by growth in discount-driven sales by outlet stores and online shop in Finland and by the additional sales of new stores.

Marketing expenses for the period under review were EUR 2,544 thousand (2,254) or 6 percent of consolidated net sales (5).

The Group's depreciation and impairments totalled EUR 2,119 thousand (2,158) or 5 percent of net sales (5).

In the January-June period of 2015, operating result margin was -2.4 percent (-3.0). The comparison period's operating result margin excluding nonrecurring items was -1.4 percent. In the April-June period, operating result margin was 1.3 percent (2.4).

Net financial expenses were EUR 121 thousand (115) or 0 percent of net sales (0). Foreign exchange changes recorded in net financial items amounted to EUR 3 thousand (23).

Result for the review period before taxes was EUR -1,152 thousand (-1,344). Result after taxes was EUR -1,006 thousand (-1,138) and earnings per share were EUR -0.12 (-0.14).

BALANCE SHEET

The consolidated balance sheet total as of 30 June 2015 was EUR 46,964 thousand (48,019). Equity attributable to the equity holders of the parent company was EUR 25,335 thousand (23,820) or EUR 3.13 per share (2.94).

Non-current assets at the end of June 2015 were EUR 17,433 thousand (19,268).

At the end of the period under review, net working capital was EUR 14,946 thousand (17,132). Inventories were EUR 18,561 thousand (18,583).

CASH FLOW AND FINANCING

In the January-June period, cash flow from operating activities was EUR 29 thousand (-840) or EUR 0.00 per share (-0.10). Cash flow before cash flow from financing activities was EUR -761 thousand (-1,625).

In the April-June period, cash flow from operating activities was EUR 1 668 thousand (1,379), or EUR 0.21 per share (0.17). Cash flow before cash flow from financing activities was EUR -1,146 thousand (1,059).

The Group's financial liabilities at the end of the period under review stood at EUR 10,503 thousand (14,550).

At the end of the period under review, the Group's cash and cash equivalents amounted to EUR 3,648 thousand (2,160). In addition, the Group had unused committed long- and short-term credit lines of EUR 12,015 thousand (14,899).

The Group's equity ratio at the end of the period was 54.0 percent (49.7). Gearing was 27.1 percent (52.0).

INVESTMENTS

The Group's gross investments in the January-June period were EUR 790 thousand (785) or 2 percent of net sales (2). Most of the investments were devoted to IT systems and building store premises.

PERSONNEL

In the January-June period of 2015, the number of employees averaged 458 (478). At the end of the period, the Group had 475 (485) employees, of whom 114 (114) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 41 (36), EMEA 9 (14), North America 44 (50) and Asia-Pacific 20 (14). The personnel at company-owned stores totalled 265 (249) at the end of the period.

CHANGES IN MANAGEMENT

On 11 June 2015, Marimekko announced the appointment of Lasse Lindqvist as the company's Chief Marketing Officer and member of the Management Group with effect from 10 August 2015. He succeeds in this post Tiina Alahuhta-Kasko, who has temporarily been in charge of the company's marketing in addition to her work as Marimekko's President.

The company announced another change in the company management on 15 June 2015: Chief Financial Officer Thomas Ekström is taking up new employment and will leave Marimekko on 30 October 2015.

After the end of the period under review, the company announced the appointment of Elina Aalto as Marimekko's Chief Financial Officer and member of the Management Group as of 11 December 2015.

SHARES AND SHAREHOLDERS

Share capital and number of shares

At the end of June 2015, the company's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000 and the number of shares totalled 8,089,610.

Shareholdings

According to the book-entry register, Marimekko had 7,120 shareholders at the end of the period under review (7,222). Of the shares, 22.0 percent were owned by nominee-registered or non-Finnish holders (21.8). The number of shares owned either directly or indirectly by members of the Board of Directors and the President of the company was 1,325,806 (1,328,598), representing 16.4 percent of the number and voting rights of the company's shares (16.4).

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

Share trading and the company's market capitalisation

In the January-June period of 2015, a total of 423,146 Marimekko shares were traded, representing 5.2 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 4,311,804. The lowest price of the Marimekko share was EUR 9.00, the highest was EUR 10.94 and the average price was EUR 10.19. At the end of June, the closing price of the share was EUR 9.65. The company's market capitalisation on 30 June 2015 was EUR 78,064,737 (78,550,113).

Authorisations

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

MAJOR RISKS AND FACTORS OF UNCERTAINTY

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

Marimekko products are sold in approximately 40 countries. The key markets are Northern Europe, North America and the Asia-Pacific region. There are Marimekko stores in 17 countries. In addition to Finland, Marimekko has company-owned stores in the other Nordic countries, Germany, the United States and Australia. The global economic cycle and factors of uncertainty affect consumers' purchasing behaviour and buying power in all of the company's market areas. The long-term problems in the global economy continue to dampen the prospects for retail as well as Marimekko's prospects for growth and earnings.

Marimekko is undergoing a phase of extensive internationalisation and change. The distribution of products is being expanded in all key market areas. Growth is based on opening retailer-owned Marimekko stores and shop-in-shops as well as on setting up company-owned stores and expanding e-commerce. In recent years, expansion has called for larger or totally new country organisations, which burdens the cost-effectiveness of the company. Expanding the network of company-owned stores and building international e-commerce have increased the company's investments, lease liabilities of store premises and inventories as well as the company's fixed costs. Furthermore, partnership agreements, the choice of partners as well as store lease agreements in the company's key market areas involve risks.

The company's ability to design, develop and commercialise new products that meet consumers' expectations while maintaining profitable in-house production, sustainable sourcing and effective logistics has an impact on the company's sales and profitability. Moreover, intellectual property rights play a vital role in the company's success, and the company's ability to manage these rights may have an impact on the company's value. Agreements with freelance designers and fees paid to designers based on these agreements are an essential part of the management of the intellectual property rights.

The company's operational risks prominently include those related to the management and success of expansion projects, the operational reliability of procurement and logistics processes and information systems, and changes in the prices of raw materials and other procurement items. As a result of new products, the share of in-house production has diminished, and the company uses subcontractors for its manufacturing to an increasing extent. Therefore, the company's dependence on the supply chain has increased. Any delays or disturbances in supply, or fluctuations in the quality of products, may have a momentary harmful impact on business. As the operations are being expanded and diversified, risks related to the management of inventories also increase.

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

MARKET OUTLOOK AND GROWTH TARGETS IN 2015

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

In particular, the situation in the retail trade in Marimekko's important domestic market, Finland, has remained difficult. Deteriorating consumer confidence, declining purchasing power and rising unemployment cast a shadow over Marimekko's retail sales expectations for 2015 and are reflected in retailers' increasing reluctance to replenish their stocks. In the first half of the year, comparable retail sales rose by 3 percent due to dynamic growth in discount-driven sales by outlet stores and the online store during the second quarter. In prime stores, comparable sales fell by roughly 5 percent. Since the end of the period under review, comparable retail sales have fallen by around 8 percent; comparable sales in prime stores have declined by around 12 percent. Changes taking place in autumn in the array of stores in Helsinki city centre will result in losses of retail sales during the second half of the year. No major nonrecurring promotional deliveries which would support wholesale sales are in sight for the remainder of the year. However, store openings in 2014 and 2015 are boosting sales.

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

In the United States, the economy as a whole has been growing, but Marimekko's comparable foreign-currency-denominated retail and wholesale sales in North America are estimated to fall in 2015 on the basis of a weaker than

expected trend in sales during the first half of the year. The appreciation of the US dollar will, however, boost sales markedly in euro terms. Nevertheless, owing to the loss-making nature of Marimekko's North American business, the appreciation of the dollar will impact negatively on the company's operating result in 2015. The Beverly Hills store was closed in March, which resulted in substantial expenses during the first quarter. Royalty income from North America is forecast to grow in 2015 due to a licensing agreement concluded with a North American company.

Sales expectations in Scandinavia are modest.

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

In 2015, the main thrust in expansion continues to 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. Of these, 1-3 would be company-owned. Furthermore, the company will continue the operational enhancement and the improvement of profitability of company-owned stores opened in recent years. Changes in the business locations of company-owned stores may affect sales negatively during the current year.

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

FINANCIAL GUIDANCE FOR 2015

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

Helsinki, 19 August 2015

MARIMEKKO CORPORATION
Board of Directors

INTERIM REPORT 1 JANUARY–30 JUNE 2015: TABLE SECTION

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

APPENDICES

Accounting principles
Formulas for key figures
Consolidated income statement and comprehensive consolidated income statement
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ACCOUNTING PRINCIPLES

This interim report was prepared in accordance with IAS 34. Marimekko has applied the same accounting principles as were applied in the 2014 financial statements in this interim report, although at the start of the financial year the company adopted certain new and amended IFRS standards as described in the financial statements for 2014. The adoption of new and updated standards has had no effect on the figures stated during the period under review.

FORMULAS FOR KEY FIGURES

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

Equity per share, EUR:
 $\text{Shareholders' equity} / \text{Number of shares, 30 June}$

Return on equity (ROE), %:
 $(\text{Profit before taxes} - \text{income taxes}) \times 100 / \text{Shareholders' equity (average for the financial year)}$

Return on investment (ROI), %:
 $(\text{Profit before taxes} + \text{interest and other financial expenses}) \times 100 / (\text{Balance sheet total} - \text{non-interest-bearing liabilities (average for the financial year)})$

Equity ratio, %:
 $\text{Shareholders' equity} \times 100 / (\text{Balance sheet total} - \text{advances received})$

Gearing, %:
 $\text{Interest-bearing net debt} \times 100 / \text{Shareholders' equity}$

Net working capital:
 $\text{Inventories} + \text{trade and other receivables} + \text{current tax assets} - \text{trade and other payables} - \text{current tax liability}$

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
NET SALES	23,446	21,874	43,581	41,250	94,150
Other operating income	52	56	110	111	230
Increase or decrease in inventories of completed and unfinished products	-1,073	25	187	731	-692
Raw materials and consumables	-7,376	-7,423	-15,307	-15,184	-32,767
Employee benefit expenses	-6,566	-6,392	-13,313	-13,169	-25,543
Depreciation and impairments	-1,072	-1,076	-2,119	-2,158	-4,283
Other operating expenses	-7,117	-6,546	-14,170	-12,809	-25,503
OPERATING RESULT	294	519	-1,031	-1,229	5,592
Financial income	20	49	23	46	252
Financial expenses	-275	-92	-144	-161	-360
	-254	-43	-121	-115	-108
RESULT BEFORE TAXES	40	476	-1,152	-1,344	5,485
Income taxes	50	-116	147	206	-1,370
NET RESULT FOR THE PERIOD	90	360	-1,006	-1,138	4,114
Distribution of net result to equity holders of the parent company	90	360	-1,006	-1,138	4,114
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.01	0.05	-0.12	-0.14	0.51

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	4-6/2015	4-6/2014	1-6/2015	1-6/2014	1-12/2014
Net result for the period	90	360	-1,006	-1,138	4,114
Items that could be reclassified to profit or loss at a future point in time					
Change in translation difference	47	-13	127	-9	-36
COMPREHENSIVE RESULT FOR THE PERIOD	137	347	-879	-1,147	4,078
Distribution of net result to equity holders of the parent company	137	347	-879	-1,147	4,078

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.6.2015	30.6.2014	31.12.2014
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1,643	1,634	1,561
Tangible assets*	15,597	17,401	16,702
Available-for-sale financial assets	16	16	16
Deferred tax assets	177	217	-
	17,433	19,268	18,279
CURRENT ASSETS			
Inventories	18,561	18,583	17,558
Trade and other receivables	7,217	7,739	7,286
Current tax assets	104	269	-
Cash and cash equivalents	3,648	2,160	4,079
	29,530	28,751	28,924
ASSETS, TOTAL	46,964	48,019	47,203
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	8,040	8,040	8,040
Reserve for invested non-restricted equity	502	502	502
Translation differences	53	-47	-74
Retained earnings	16,740	15,325	20,577
Shareholders' equity, total	25,335	23,820	29,045
NON-CURRENT LIABILITIES			
Deferred tax liabilities	-	-	4
Provisions	190	190	190
Financial liabilities	6,985	8,101	3,696
Finance lease obligations	3,275	3,297	3,261
	10,451	11,588	7,150
CURRENT LIABILITIES			
Trade and other payables	10,936	9,459	10,053
Current tax liabilities	-	-	778
Finance liabilities	-	3,000	-
Finance lease obligations	242	152	176
	11,178	12,611	11,008
Liabilities, total	21,629	24,199	18,158
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	46,964	48,019	47,203

* At the end of the review period, tangible assets included assets acquired under finance lease agreements in the amount of EUR 3,356 thousand (30 June 2014: 3,333; 31 December 2014: 3,298).

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-6/2015	1-6/2014	1-12/2014
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	-1,006	-1,138	4,114
Adjustments			
Depreciation and impairments	2,119	2,158	4,283
Other non-cash transactions	-	89	89
Financial income and expenses	121	115	108
Taxes	-147	-206	1,370
Cash flow before change in working capital	1,088	1,018	9,965
Change in working capital	-831	-1,474	45
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	72	-446	-460
Increase (-) / decrease (+) in inventories	-1,003	-477	547
Increase (+) / decrease (-) in current non-interest-bearing liabilities	100	-551	-42
Cash flow from operating activities before financial items and taxes	257	-456	10,010
Paid interest and payments on other financial expenses	-144	-139	-360
Interest received	20	23	45
Taxes paid	-104	-269	156
CASH FLOW FROM OPERATING ACTIVITIES	29	-840	9,851
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-790	-785	-2,063
CASH FLOW FROM INVESTING ACTIVITIES	-790	-785	-2,063
CASH FLOW FROM FINANCING ACTIVITIES			
Short-term loans drawn	-	3,000	-
Long-term loans drawn	3,289	-	-
Long-term loans paid	-	-133	-4,538
Finance lease liabilities paid	-128	-61	-150
Dividends paid	-2,831	-2,022	-2,022
CASH FLOW FROM FINANCING ACTIVITIES	330	784	-6,710
Change in cash and cash equivalents	-431	-841	1,078
Cash and cash equivalents at the beginning of the period	4,079	3,001	3,001
Cash and cash equivalents at the end of the period	3,648	2,160	4,079

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Equity attributable to equity holders of the parent company				
	Share capital	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity 1 January 2014	8,040	502	-38	18,485	26,989
Comprehensive result					
Net result for the period				-1,138	-1,138
Translation differences			-9		-9
Total comprehensive result for the period			-9	-1,138	-1,147
Transactions with owners					
Dividends paid				-2,022	-2,022
Shareholders' equity 30 June 2014	8,040	502	-47	15,325	23,820
Shareholders' equity 1 January 2015	8,040	502	-74	20,577	29,045
Comprehensive result					
Net result for the period				-1,006	-1,006
Translation differences			127		127
Total comprehensive result for the period			127	-1,006	-879
Transactions with owners					
Dividends paid				-2,831	-2,831
Shareholders' equity 30 June 2015	8,040	502	53	16,740	25,335

KEY FIGURES

	1-6/2015	1-6/2014	Change, %	1-12/2014
Earnings per share, EUR	-0.12	-0.14	11	0.51
Equity per share, EUR	3.13	2.94	6	3.59
Return on equity (ROE), %	-7.4	-9.0		14.7
Return on investment (ROI), %	-5.6	-6.2		15.6
Equity ratio, %	54.0	49.7		61.6
Gearing, %	27.1	52.0		10.5
Gross investments, EUR 1,000	790	785*	1	2,063
Gross investments, % of net sales	2	2		2
Contingent liabilities, EUR 1,000	33,755	35,363	-5	34,310
Average personnel	458	478	-4	473
Personnel at the end of the period	475	485	-2	479
Number of shares at the end of the period	8,089,610	8,089,610		8,089,610
Number of shares outstanding, average	8,089,610	8,089,610		8,089,610

*Does not include machinery and equipment acquired under finance lease agreements (EUR 209 thousand).

SEGMENT INFORMATION

(EUR 1,000)	1-6/2015	1-6/2014	Change, %	1-12/2014
Marimekko business				
Net sales	43,581	41,250	6	94,150
Operating result	-1,031	-1,229	16	5,592
Assets	46,964	48,019	-2	47,203

NET SALES BY MARKET AREA

(EUR 1,000)	4-6/ 2015	4-6/ 2014	Change, %	Change, % In currency terms	1-6/ 2015	1-6/ 2014	Change, %	Change, % In currency terms	1-12/ 2014
Finland	13,076	11,957	9	9	22,784	21,993	4	4	52,034
Retail sales	9,878	8,798	12	12	16,084	15,003	7	7	35,363
Wholesale sales	3,113	3,065	2	2	6,522	6,817	-4	-4	16,245
Royalties	86	94	-9	-9	178	173	3	3	425
Scandinavia	1,980	1,976	0	3	3,792	3,883	-2	1	8,452
Retail sales	1,331	1,332	0	1	2,322	2,393	-3	-1	5,151
Wholesale sales	649	644	1	7	1,470	1,490	-1	4	3,301
Royalties	-	-	-	-	-	-	-	-	-
EMEA	2,145	1,876	14	14	4,413	3,739	18	18	7,554
Retail sales	269	399	-32	-32	612	718	-15	-15	1,509
Wholesale sales	1,846	1,460	26	26	3,730	2,947	27	27	5,882
Royalties	30	36	-17	-17	71	74	-4	-4	162
North America	2,054	2,040	1	-23	4,157	3,551	17	-4	8,584
Retail sales	1,522	1,513	1	-20	2,809	2,642	6	-14	5,983
Wholesale sales	493	464	6	-27	897	784	14	-5	1,957
Royalties	40	64	-37	-31	451	126	-	-	644
Asia-Pacific	4,190	4,025	4	6	8,436	8,083	4	5	17,527
Retail sales	726	501	45	40	1,436	1,015	41	35	2,675
Wholesale sales	3,465	3,501	-1	-1	7,000	7,064	-1	-1	14,847
Royalties	-	5	-100	-	-	5	-100	-	5
International sales, total	10,370	9,918	5	3	20,798	19,257	8	2	42,116
Retail sales	3,847	3,745	3	0	7,180	6,768	6	-1	15,318
Wholesale sales	6,453	6,069	6	6	13,096	12,285	7	5	25,987
Royalties	70	104	-33	-30	522	204	-	-	811
Total	23,446	21,874	7	3	43,581	41,250	6	3	94,150
Retail sales	13,725	12,542	9	5	23,264	21,770	7	3	50,682
Wholesale sales	9,565	9,134	5	-1	19,618	19,102	3	1	42,232
Royalties	156	198	-21	-22	700	377	85	78	1,237

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

NET SALES BY PRODUCT LINE

(EUR 1,000)	4-6/ 2015	4-6/ 2014	Change, %	1-6/ 2015	1-6/ 2014	Change, %	1-12/ 2014
Fashion	9,314	8,608	8	18,159	16,635	9	36,256
Home	8,261	8,459	-2	15,232	16,020	-5	37,703
Bags & accessories	5,871	4,807	22	10,190	8,596	19	20,191
TOTAL	23,446	21,874	7	43,581	41,250	6	94,150

QUARTERLY DEVELOPMENT OF NET SALES AND EARNINGS

(EUR 1,000)	4-6/2015	1-3/2015	10-12/2014	7-9/2014
Net sales	23,446	20,135	26,089	26,811
Operating result	294	-1,325	1,946	4,875
Earnings per share, EUR	0.01	-0.14	0.15	0.49

(EUR 1,000)	4-6/2014	1-3/2014	10-12/2013	7-9/2013
Net sales	21,874	19,376	25,465	24,875
Operating result	519	-1,748	-565	3,093
Earnings per share, EUR	0.05	-0.19	-0.07	0.22