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Marimekko Corporation, Half-year financial report, 11 August 2016 at 8.30 a.m.

HALF-YEAR FINANCIAL REPORT OF MARIMEKKO CORPORATION, 1 January - 30 June 2016: Measures to improve efficiency boosted comparable operating result in the first half of the year; net sales also grew slightly

January-June in brief

- Net sales grew by 2 percent to EUR 44.5 million (1-6/2015: 43.6). Net sales at comparable exchange rates also grew by 2 percent.
- Net sales were supported by strong retail sales in Finland and by a favourable trend in total sales in the Asia-Pacific region.
- Comparable operating result grew relative to the same period last year and was EUR 0.7 million (-1.0).
- Operating result for the review period was EUR -0.2 million (-1.0), which includes a restructuring provision of EUR 0.8 million.
- Operating result was boosted by a lower cost level, growth in retail sales in Finland and Australia, and increased wholesale sales in the Asia-Pacific region and North America.

The second quarter in brief

- Net sales reached last year's level at EUR 23.5 million (Q2/2015: 23.4) in spite of the fact that the timing of large wholesale deliveries fell in the first quarter of the year, unlike in 2015.
- Net sales were supported by strong retail sales in Finland and Australia as well as increased royalties in North America.
- Net sales at comparable exchange rates rose by 1 percent.
- Comparable operating result grew relative to the same period last year and was EUR 0.9 million (0.3).
- Operating result for the review period was EUR 0.9 million (0.3).
- Operating result was boosted by a lower cost level, growth in retail sales in Finland and Australia as well as increased royalties in North America.
- A drag was exerted on operating result by a decrease in relative wholesale margins combined with the timing of large wholesale deliveries in the first quarter of the year, unlike in 2015.

Financial guidance for 2016

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

Tiina Alahuhta-Kasko, President & CEO:

"Marimekko's first half of 2016 was in line with our expectations. We were able both to increase our net sales and to improve our comparable operating result by EUR 1.7 million relative to the previous year. The growth in net sales was generated in our two main markets, Finland and the Asia-Pacific region. In Finland, our net sales continued to be boosted by growth in outlet store sales, which is typical in a price-sensitive market situation. In the Asia-Pacific region, both retail and wholesale sales rose in the January-June period.

"I am pleased that our efforts to underpin our profitability have gradually begun to bear fruit; thanks to a lower cost level, our comparable operating result improved in the first half of the year. In addition, operating result was improved by growth in retail sales in Finland and Australia, where we strengthened our foothold and multi-channel service concept in April by opening our own online store. Growth in wholesale sales in the Asia-Pacific region and North America also improved our operating result in the first half of the year.

"Our revamped ready-to-wear collections hit the market this spring. We will continue the long-term development of the collections with the aim of creating new, beloved classics for our customers, as well as to further strengthen the international competitiveness of our product portfolio. We are also constantly developing the overall brand experience and operations in our stores through our updated multi-channel store concept.

"The results of our brand development work have also begun to appear in earned media. With our revamped ready-to-wear collections, our products have had a stronger presence in both international and domestic channels focusing on

fashion and lifestyle. International interest in our brand was also indicated by the limited-edition collection which was available in the United States during the second quarter and which was created in collaboration with Target, one of the country's largest retail chains. The Marimekko for Target collection gained great visibility and strengthened the foundation from which we will continue to build our brand awareness in the long term, especially in the North American market."

Key figures

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

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

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

EUR million	4-6/ 2016	4-6/ 2015	Change, %	1-6/ 2016	1-6/ 2015	Change, %	2015
Net sales	23.5	23.4	0	44.5	43.6	2	95.7
International sales	10.1	10.4	-3	20.9	20.8	1	43.0
% of net sales	43	44	-	47	48	-	45
EBITDA	1.9	1.4	39	1.9	1.1	75	6.1
Comparable EBITDA	1.9	1.4	42	2.7	1.1	153	6.1
Operating result	0.9	0.3	196	-0.2	-1.0	82	1.5
Comparable operating result	0.9	0.3	-	0.7	-1.0	164	1.5
Operating result margin, %	3.7	1.3	-	-0.4	-2.4	-	1.6
Comparable operating result margin, %	3.9	1.3	-	1.5	-2.4	-	1.6
Result for the period	0.7	0.1	-	-0.3	-1.0	73	0.8
Earnings per share	0.08	0.01	-	-0.03	-0.12	73	0.10
Cash flow from operating activities	0.9	1.7	-44	-3.0	0.0	-	6.3
Return on investment (ROI)*, %	-	-	-	6.3	16.0	-	4.5
Equity ratio, %	-	-	-	48.3	54.0	-	59.0
Gross investments	1.2	0.5	123	1.4	0.8	72	3.6
Personnel at the end of the period	-	-	-	469	475	-1	476
outside Finland	-	-	-	115	114	1	126
Brand sales**	53.0	42.7	24	96.0	83.0	16	176.7
outside Finland	36.5	25.7	42	65.3	51.8	26	105.4
proportion of international sales, %	69	60	-	68	62	-	60
Number of stores***	-	-	-	158	150	5	153

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

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

** Estimated sales of Marimekko products at consumer prices. Brand sales are calculated by adding together the company's own retail sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's realised wholesale sales and royalty income, is unofficial and does not include VAT. The key figure is not audited. The calculation method for 2015 figures has been restated to correspond to the licensing agreement terms.

*** Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 54 at the end of June 2016 (53). Information on changes is available in the section Changes in the Store Network.

Reconciliation of key figures to IFRS

EUR million	4-6/ 2016	4-6/ 2015	1-6/ 2016	1-6/ 2015	2015
Items affecting comparability					
Restructuring (employee benefit expenses)	0.0	-	-0.8	-	-
Restructuring (other operating expenses)	0.0	-	0.0	-	-
Items affecting comparability in operating result	0.0	-	-0.8	-	-
EBITDA	1.9	1.4	1.9	1.1	6.1
Items affecting comparability	0.0	-	-0.8	-	-
Comparable EBITDA	1.9	1.4	2.7	1.1	6.1
Operating result	0.9	0.3	-0.2	-1.0	1.5
Items affecting comparability in operating result	0.0	-	-0.8	-	-
Comparable operating result	0.9	0.3	0.7	-1.0	1.5
Net sales	23.5	23.4	44.5	43.6	95.7
Operating result margin, %	3.7	1.3	-0.4	-2.4	1.6
Comparable operating result margin, %	3.9	1.3	1.5	-2.4	1.6

Financial calendar for 2016

The interim report for January-September will be issued on Thursday 3 November 2016 at 8.30 a.m.

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HALF-YEAR FINANCIAL REPORT OF MARIMEKKO CORPORATION, 1 January - 30 June 2016

OPERATING ENVIRONMENT

Risks in the global economy have increased, and growth estimates have been slightly lowered. Weakened demand in Asia has slowed down world trade, and it is believed that the unclear situation arising from the Brexit vote in the UK will further hamper growth and be reflected in consumer confidence.

In the Finnish economy, a more upbeat trend prevails. The trend in retail trade has improved, but the situation is still weaker than the average. Sales volume has increased slightly in recent months, and mildly upward growth is expected to continue for the rest of the year 2016. In June, retail trade confidence in Finland was only slightly lower than the EU average.

In Finland, consumer confidence improved in June to a level it last attained about five years ago. Ratings improved, particularly with regard to the country's economic development and employment expectations.

(Confederation of Finnish Industries EK: Economic Review, 13 July 2016; Confidence Indicators, July 2016; Business Tendency Survey, August 2016)

In the January-June period, the value of retail sales in Finland increased by 0.5 percent relative to the same period last year and the volume of sales, which measures real growth, rose by 1.7 percent. (Statistics Finland: Turnover of Trade, retail trade flash estimate, June 2016).

CHANGES IN THE STORE NETWORK

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

In the April-June period, two retailer-owned stores and one shop-in-shop were opened. The stores are located in Taiwan and Thailand; the shop-in-shop is in Tokyo, Japan. In addition, the company opened its own outlet store in Finland.

During the period under review, one retailer-owned Marimekko store in the United States became a multi-brand store, which is why it no longer is included in the total number of Marimekko stores.

Number of stores and shop-in-shops*	30.6.2016	30.6.2015	31.12.2015
Finland	62	64	62
Company-owned stores	24	24	25
Company-owned outlet stores	12	11	11
Retailer-owned stores	16	17	16
Retailer-owned shop-in-shops	10	12	10
Scandinavia	11	10	11
Company-owned stores	8	8	8
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	3	2	3
EMEA	3	4	4
Company-owned stores	1	2	2
Company-owned outlet stores	-	-	-
Retailer-owned stores	2	2	2
Retailer-owned shop-in-shops	-	-	-
North America	23	23	24
Company-owned stores	4	4	4
Company-owned outlet stores	1	1	1
Retailer-owned stores	1	2	2
Retailer-owned shop-in-shops	17	16	17

Asia-Pacific	59	49	52
Company-owned stores	4	3	4
Company-owned outlet stores	-	-	-
Retailer-owned stores	47	42	44
Retailer-owned shop-in-shops	8	4	4
Total	153	150	153
Company-owned stores	41	41	43
Company-owned outlet stores	13	12	12
Retailer-owned stores	66	63	64
Retailer-owned shop-in-shops	38	34	34

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

NET SALES

Net sales in January-June

In the January-June period, the Group's net sales grew by 2 percent and were EUR 44,492 thousand (43,581). Net sales in Finland grew by 3 percent and international sales by 1 percent relative to the same period last year. Retail sales growth was 4 percent and wholesale sales were on a par with the previous year's figures. Net sales were supported by strong retail sales in Finland and by a favourable trend in total sales in the Asia-Pacific region.

Net sales in the second quarter

In the April-June period the Group's net sales were EUR 23,543 thousand (23,446), reaching last year's level in spite of the fact that the timing of large wholesale deliveries fell in the first quarter of the year, unlike in 2015. Net sales at comparable exchange rates rose by 1 percent. Net sales were supported by strong retail sales in Finland and Australia as well as increased royalties in North America.

Net sales by market area

(EUR 1,000)			Change				Change,		2015
	4-6/ 2016	4-6/ 2015	Change , %	in cur- rency terms	1-6/ 2016	1-6/ 2015	Change , %	in cur- rency terms	
Finland	13,468	13,076	3	3	23,579	22,784	3	3	52,690
Retail sales	10,596	9,878	7	7	17,312	16,084	8	8	37,613
Wholesale sales	2,844	3,113	-9	-9	6,171	6,522	-5	-5	14,669
Royalties	28	86	-67	-67	97	178	-46	-46	408
Scandinavia	1,917	1,980	-3	-4	3,657	3,792	-4	-3	7,783
Retail sales	1,325	1,331	0	-3	2,327	2,322	0	-1	4,841
Wholesale sales	592	649	-9	-6	1,330	1,470	-9	-6	2,942
Royalties	-	-	-	-	-	-	-	-	-
EMEA	2,042	2,145	-5	-5	4,323	4,413	-2	-2	8,280
Retail sales	250	269	-7	-7	598	612	-2	-2	1,213
Wholesale sales	1,709	1,846	-7	-7	3,584	3,730	-4	-4	6,862
Royalties	83	30	177	177	141	71	99	99	205
North America	2,244	2,054	9	9	3,878	4,157	-7	-6	9,227
Retail sales	1,352	1,522	-11	-12	2,388	2,809	-15	-15	5,898
Wholesale sales	523	493	6	12	1,095	897	22	23	2,380
Royalties	368	40	-	-	395	451	-12	-13	949
Asia-Pacific	3,872	4,190	-8	-4	9,055	8,436	7	9	17,672
Retail sales	859	726	18	25	1,647	1,436	15	21	3,159
Wholesale sales	3,014	3,465	-13	-12	7,408	7,000	6	5	14,513
Royalties	-	-	-	-	-	-	-	-	-

International sales, total	10,076	10,370	-3	-3	20,912	20,798	1	-1	42,962
Retail sales	3,786	3,847	-2	-3	6,959	7,180	-3	-1	15,111
Wholesale sales	5,838	6,453	-10	-7	13,417	13,096	2	0	26,696
Royalties	451	70	-	-	536	522	3	1	1,154
Total	23,543	23,446	0	1	44,492	43,581	2	2	95,652
Retail sales	14,382	13,725	5	1	24,271	23,264	4	2	52,724
Wholesale sales	8,682	9,565	-9	-2	19,588	19,618	0	1	41,365
Royalties	479	156	-	191	633	700	-10	-10	1,563

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

Finland

In the January-June period, net sales in Finland grew by 3 percent to EUR 23,579 thousand (22,784). Comparable retail sales grew by 5 percent; growth by outlet stores was 15 percent, while sales in other stores fell by 2 percent. Wholesale sales were down by 5 percent.

In the April-June period, net sales in Finland grew by 3 percent to EUR 13,468 thousand (13,076). Comparable net sales grew by 4 percent; growth by outlet stores was 15 percent, while sales in other stores fell by 5 percent. Wholesale sales decreased by 9 percent.

Scandinavia

In the January-June period, net sales in Scandinavia fell by 4 percent and were EUR 3,657 thousand (3,792). Euro-denominated retail sales held steady at the previous year's level; retail sales at comparable exchange rates fell by 1 percent. Wholesale sales fell by 9 percent in euro terms and by 6 percent at comparable exchange rates.

In the second quarter, net sales fell by 3 percent and were EUR 1,917 thousand (1,980). Euro-denominated retail sales held steady at the previous year's level; retail sales at comparable exchange rates fell by 3 percent. Wholesale sales in euro terms fell by 9 percent and at comparable exchange rates by 6 percent.

EMEA

In the January-June period, net sales fell by 2 percent and were EUR 4,323 thousand (4,413). Retail sales declined by 2 percent and wholesale sales by 4 percent.

In the second quarter, net sales fell by 5 percent to EUR 2,042 thousand (2,145). Both retail and wholesale sales declined by 7 percent.

North America

In the January-June period, net sales in North America fell by 7 percent to EUR 3,878 thousand (4,157). Retail sales declined by 15 percent, but net sales were supported by 22 percent growth in euro-denominated wholesale sales. Wholesale sales at comparable exchange rates increased by 23 percent. The decline in retail sales was partly attributable to the absence of sales from the Beverly Hills store, which was closed towards the end of the first quarter of the comparison year, and to long-lasting construction works in the vicinity of some stores, including the flagship store in New York City, which still have further reduced footfall.

In the April-June period, net sales in North America rose by 9 percent and were EUR 2,244 thousand (2,054). The increase in net sales was largely due to higher royalties than in the comparison period, being EUR 368 thousand (40). Retail sales fell in euro terms by 11 percent and at comparable exchange rates by 12 percent. Retail sales continued to be adversely affected by long-lasting construction works in the vicinity of some stores. Wholesale sales grew by 6 percent in euro terms and by 12 percent at comparable exchange rates.

Asia-Pacific region

Net sales in the Asia-Pacific region grew in the January-June period by 7 percent to EUR 9,055 thousand (8,436). The trend was positive in both retail and wholesale sales. Retail sales (Australia) grew by 15 percent in euro terms and by 21 percent in terms of the sales currency. Sales by comparable stores rose in euro terms by 1 percent and in terms of the sales currency by 6 percent. Euro-denominated wholesale sales improved by 6 percent; at comparable exchange rates growth was 5 percent.

In the April-June period, net sales fell by 8 percent and were EUR 3,872 thousand (4,190). The decline in net sales was mainly due to the fact that the timing of large wholesale deliveries fell in the first quarter of the year, unlike in 2015. Wholesale sales fell by 13 percent in euro terms and by 12 percent at comparable exchange rates. Retail sales (Australia) grew by 18 percent in euro terms and by 25 percent in terms of the sales currency. Sales by comparable stores fell in euro terms by 4 percent and grew by 1 percent in terms of the sales currency.

FINANCIAL RESULT

In the January-June period of 2016, the Group's operating result grew relative to the same period last year and was EUR -188 thousand (-1,031), which includes a restructuring provision of EUR 847 thousand. Comparable operating result was EUR 659 thousand (-1,031). Operating result was boosted by a lower cost level and growth in retail sales in Finland and Australia combined with growth in wholesale sales in the Asia-Pacific region and North America. The comparison period's costs included considerable expenses related to the Beverly Hills store's closure. A drag was exerted on operating result by discount-driven retail sales, lower wholesale sales in Finland, reduced retail sales in North America, and by a decrease in relative wholesale margins.

In the April-June period, the Group's operating result grew to EUR 871 thousand (294). Comparable operating result was EUR 915 thousand (294). Operating result was boosted by a lower cost level and growth in Finnish and Australian retail sales as well as higher royalties in North America. A drag was exerted on operating result by a decrease in relative wholesale margins combined with the timing of large deliveries in the first quarter of the year, unlike in 2015.

Marketing expenses for the January-June period totalled EUR 2,084 thousand (2,544) or 5 percent of the Group's net sales (6).

The Group's depreciation and impairments in the first half of the year totalled EUR 2,089 thousand (2,119) or 5 percent of net sales (5).

In the January-June period of 2016, operating result margin was -0.4 percent (-2.4) and comparable operating result margin was 1.5 percent (-2.4). In the April-June period, operating result margin was 3.7 percent (1.3) and comparable operating result margin was 3.9 percent (1.3).

Net financial expenses in the January-June period were EUR 145 thousand (121) or 0 percent of net sales (0). Foreign exchange changes recorded in net financial items amounted to EUR -11 thousand (3).

Result for the first half of the year before taxes was EUR -333 thousand (-1,152). Result after taxes was EUR -273 thousand (-1,006) and earnings per share were EUR -0.03 (-0.12).

BALANCE SHEET

The consolidated balance sheet total as of 30 June 2016 was EUR 49,365 thousand (46,964). Equity attributable to the equity holders of the parent company was EUR 23,794 thousand (25,335) or EUR 2.94 per share (3.13).

Non-current assets at the end of June 2016 were EUR 16,482 thousand (17,433).

At the end of the period under review, net working capital was EUR 18,551 thousand (14,946). Inventories were EUR 22,145 thousand (18,561).

CASH FLOW AND FINANCING

In the January-June period of 2016, cash flow from operating activities was EUR -3,032 thousand (29) or EUR -0.37 per

share (0.00). Cash flow before cash flow from financing activities was EUR -4,616 thousand (-761).

In the April-June period, cash flow from operating activities was EUR 931 thousand (1,668) or EUR 0.12 per share (0.21). Cash flow before cash flow from financing activities was EUR -235 thousand (1,146).

The Group's financial liabilities at the end of the period under review stood at EUR 13,857 thousand (10,503).

At the end of the review period, the Group's cash and cash equivalents amounted to EUR 3,260 thousand (3,648). In addition, the Group had unused committed long- and short-term credit lines of EUR 6,451 thousand (12,015).

The Group's equity ratio at the end of June 2016 was 48.3 percent (54.0). Gearing was 44.5 percent (27.1).

INVESTMENTS

The Group's gross investments in the January-June period were EUR 1,358 thousand (790) or 3 percent of net sales (2). Most of the investments were devoted to renewal of the washing machine at the company's fabric printing factory in Helsinki, IT systems and building store premises.

PERSONNEL

In the January-June period, the number of employees averaged 467 (458). At the end of the period, the Group had 469 employees (475), of whom 115 (114) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 52 (41), EMEA 5 (9), North America 35 (44) and Asia-Pacific 23 (20). The personnel at company-owned stores totalled 263 (265) at the end of June.

SHARES AND SHAREHOLDERS

Share capital and number of shares

At the end of June 2016, the company's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000 and the number of shares totalled 8,089,610.

Shareholdings

According to the book-entry register, Marimekko had 7,350 shareholders at the end of the period under review (7,120). Of the shares, 9.8 percent were owned by nominee-registered or non-Finnish holders (22.0). The number of shares owned either directly or indirectly by members of the Board of Directors and the President & CEO of the company as at 30 June 2016 was 1,330,515 (1,325,806) or 16.5 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 at company.marimekko.com under Investors/Share information/Shareholders.

Share trading and the company's market capitalisation

In the January-June period, a total of 1,561,989 Marimekko shares were traded, representing 19.3 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 12,329,818. The lowest price of the Marimekko share was EUR 6.06, the highest was EUR 8.70 and the average price was EUR 7.89. At the end of June 2016, the closing price of the share was EUR 7.13. The company's market capitalisation on 30 June 2016 was EUR 57,678,919 (78,064,737).

Authorisations

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

CHANGES IN MANAGEMENT

Marimekko announced on 15 June 2016 that the company and its Chief Marketing Officer and member of the Management Group Lasse Lindqvist had mutually agreed that Lindqvist would stand down from his position on 15 June 2016. Marimekko has launched a recruitment process for a new Chief Marketing Officer for the company. During the recruitment process, Marimekko's Chief Sales Officer Päivi Lonka is in charge of the marketing organisation in close collaboration with Creative Director Anna Teurnell.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

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

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

Marimekko is undergoing a phase of internationalisation and change. The distribution of products is being expanded in all key markets. Growth is based mainly on opening retailer-owned Marimekko stores and shop-in-shops as well as on setting up company-owned stores and expanding e-commerce.

In recent years, expansion has called for larger or entirely new country organisations, which burdens the cost-effectiveness of the company. Expanding the network of company-owned stores and building international e-commerce have increased the company's investments, lease liabilities of store premises and inventories as well as the company's fixed costs. Furthermore, major partnership agreements, the selection of partners as well as store lease agreements in the company's key market areas involve risks. Maintaining competitiveness demands efficiency and the constant re-evaluation of operations.

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

The company's operational risks prominently include those related to the management and success of expansion projects, the operational reliability of procurement and logistics processes and information systems, and changes in the prices of raw materials and other procurement items. The company primarily uses subcontractors for its manufacturing. The revamped collections have also brought new partners into the company's supply chain. Any delays or disturbances in supply, or fluctuations in the quality of products, may have a momentary harmful impact on business. As the operations are being expanded and diversified, risks related to the management of inventories also increase.

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

MARKET OUTLOOK AND GROWTH TARGETS IN 2016

General uncertainty in the global economy is forecast to continue, and this is reflected in consumers' purchasing behaviour and consumption habits in all of Marimekko's market areas. The main thrust in Marimekko's operations in 2016 is on improving efficiency and results. Securing competitiveness will facilitate stronger growth potential in future years. Growth is forecast to be modest in 2016 and to focus on retailer-owned Marimekko stores. Retailers' wariness towards additional purchases and in selecting new suppliers continues to be reflected in Marimekko's wholesale sales

expectations also in 2016. Furthermore, the significance of developing the company's own online store and other online sales channels is expected to grow. The first collections created entirely under the direction of the new Creative Director were brought to the market at the beginning of 2016. With the updated collections Marimekko is reaching out also to new target groups in addition to the company's current customers.

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

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

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

Sales expectations in Scandinavia are modest. A positive trend can be seen in the Swedish market. In Norway and Denmark, an update of the distribution channel structure is still under way. However, these markets are expected to offer potential for the brand in the long term.

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

The main thrust in expansion in 2016 continues to be on openings of retailer-owned Marimekko stores. The aim is to open around 10-20 new Marimekko stores and shop-in-shops. Of these, 1-2 would be company-owned. Also, the company focuses strongly on the operational enhancement and the improvement of profitability of Marimekko stores opened in recent years.

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

FINANCIAL GUIDANCE FOR 2016

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

Helsinki, 10 August 2016

Marimekko Corporation
Board of Directors

HALF-YEAR FINANCIAL REPORT OF MARIMEKKO CORPORATION, 1 January - 30 June 2016: TABLE SECTION

The quarterly information for 2016 is not audited. There may be differences in totals due to rounding to the nearest thousand euros.

APPENDICES

Accounting principles
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ACCOUNTING PRINCIPLES

This half-year financial report was prepared in compliance with IAS 34. Marimekko has applied the same accounting principles in this report as were applied in the 2015 financial statements, although at the start of the financial year the company adopted certain new and amended IFRS standards as described in the financial statements for 2015. The adoption of new and updated standards has had no effect on the figures stated for the period under review.

FORMULAS FOR KEY FIGURES

Comparable EBITDA:

Operating result - depreciation - impairments - items affecting comparability

Comparable operating result:

Operating result - items affecting comparability in operating result

Comparable operating result margin, %

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

Earnings per share (EPS), EUR:

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

Equity per share, EUR:

Shareholders' equity / Number of shares, 30 June

Return on equity (ROE), %:

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

Return on investment (ROI), %:

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

Equity ratio, %:

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

Gearing, %:

Interest-bearing net debt X 100 / Shareholders' equity

Net working capital:

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

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015	2015
NET SALES	23,543	23,446	44,492	43,581	95,652
Other operating income	126	52	240	110	335
Increase or decrease in inventories of completed and unfinished products	786	-1,073	3,586	187	367
Raw materials and consumables	-9,603	-7,376	-19,458	-15,307	-35,208
Employee benefit expenses	-6,042	-6,566	-13,497	-13,313	-26,232
Depreciation and impairments	-1,022	-1,072	-2,089	-2,119	-4,511
Other operating expenses	-6,917	-7,117	-13,460	-14,170	-28,861
OPERATING RESULT	871	294	-188	-1,031	1,542
Financial income	3	20	3	23	49
Financial expenses	-20	-275	-147	-144	-297
	-17	-254	-145	-121	-247
RESULT BEFORE TAXES	854	40	-333	-1,152	1,294
Income taxes	-167	50	60	147	-491
NET RESULT FOR THE PERIOD	687	90	-273	-1,006	803
Distribution of net result to equity holders of the parent company	687	90	-273	-1,006	803
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.08	0.01	-0.03	-0.12	0.10

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	4-6/2016	4-6/2015	1-6/2016	1-6/2015	2015
Net result for the period	687	90	-273	-1,006	803
Items that could be reclassified to profit or loss at a future point in time	-	-	-	-	-
Change in translation difference	-228	47	-231	127	112
COMPREHENSIVE RESULT FOR THE PERIOD	459	137	-504	-879	915
Distribution of net result to equity holders of the parent company	459	137	-504	-879	915

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.6.2016	30.6.2015	31.12.2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1,921	1,643	1,856
Tangible assets	14,546	15,597	15,486
Available-for-sale financial assets	16	16	16
Deferred tax assets	-	177	-
	16,482	17,433	17,359
CURRENT ASSETS			
Inventories	22,145	18,561	18,488
Trade and other receivables	7,211	7,217	5,966
Current tax assets	267	104	-
Cash and cash equivalents	3,260	3,648	4,249
	32,882	29,530	28,703
ASSETS, TOTAL	49,365	46,964	46,061
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	8,040	8,040	8,040
Reserve for invested non-restricted equity	502	502	502
Translation differences	-193	53	38
Retained earnings	15,445	16,740	18,549
Shareholders' equity, total	23,794	25,335	27,129
NON-CURRENT LIABILITIES			
Deferred tax liabilities	134	-	9
Provisions	135	190	190
Financial liabilities	6,451	6,985	3,834
Finance lease liabilities	3,163	3,275	3,231
	9,882	10,451	7,264
CURRENT LIABILITIES			
Trade and other payables	11,071	10,936	11,189
Current tax liabilities	-	-	226
Provisions	374	-	-
Financial liabilities	4,000	-	-
Finance lease liabilities	243	242	253
	15,688	11,178	11,668
Liabilities, total	25,571	21,629	18,932
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	49,365	46,964	46,061

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-6/2016	1-6/2015	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	-273	-1,006	803
Adjustments			
Depreciation and impairments	2,089	2,119	4,511
Financial income and expenses	145	121	247
Taxes	-60	-147	491
Cash flow before change in working capital	1,901	1,088	6,054
Change in working capital	-4,522	-831	1,502
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-1,245	72	1,216
Increase (-) / decrease (+) in inventories	-3,657	-1,003	-930
Increase (+) / decrease (-) in current non-interest-bearing liabilities	380	100	1,216
Cash flow from operating activities before financial items and taxes	-2,620	257	7,556
Paid interest and payments on other financial expenses	-148	-144	-305
Interest received	3	20	49
Taxes paid	-267	-104	-986
CASH FLOW FROM OPERATING ACTIVITIES	-3,032	29	6,313
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-1,584	-790	-3,171
CASH FLOW FROM INVESTING ACTIVITIES	-1,584	-790	-3,171
CASH FLOW FROM FINANCING ACTIVITIES			
Short-term loans drawn	4,000	-	-
Long-term loans drawn	2,616	3,289	139
Finance lease liabilities	-158	-128	-280
Dividends paid	-2,831	-2,831	-2,831
CASH FLOW FROM FINANCING ACTIVITIES	3,627	330	-2,973
Change in cash and cash equivalents	-989	-431	170
Cash and cash equivalents at the beginning of the period	4,249	4,079	4,079
Cash and cash equivalents at the end of the period	3,260	3,648	4,249

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Equity attributable to equity holders of the parent company					
(EUR 1,000)	Share capital	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity 1 January 2015	8,040	502	-74	20,577	29,045
Comprehensive result					
Net result for the period				-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
Shareholders' equity 1 January 2016	8,040	502	38	18,549	27,129
Comprehensive result					
Net result for the period				-273	-273
Translation differences			-231		-231
Total comprehensive result for the period			-231	-273	-504
Transactions with owners					
Dividends paid				-2,831	-2,831
Shareholders' equity 30 June 2016	8,040	502	-193	15,445	23,794

KEY FIGURES

	1-6/2016	1-6/2015	Change, %	2015
Earnings per share, EUR	-0.03	-0.12	73	0.10
Equity per share, EUR	2.94	3.13	-6	3.35
Return on equity (ROE), % (*	6.3	17.3	-	2.9
Return on investment (ROI), % (*	6.3	16.0	-	4.5
Equity ratio, %	48.3	54.0	-	59.0
Gearing, %	44.5	27.1	-	11.3
Gross investments, EUR 1,000	1,358	790	72	3,591
Gross investments, % of net sales	3	2	-	4
Contingent liabilities, EUR 1,000	33,555	33,755	-1	36,252
Average personnel	467	458	2	460
Personnel at the end of the period	469	475	-1	476
Number of shares at the end of the period	8,089,610	8,089,610	-	8,089,610
Number of shares outstanding, average	8,089,610	8,089,610	-	8,089,610

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

SEGMENT INFORMATION

(EUR 1,000)	1-6/2016	1-6/2015	Change, %	2015
Marimekko business				
Net sales	44,492	43,581	2	95,652
Operating result	-188	-1,031	82	1,542
Assets	49,365	46,964	7	46,061

NET SALES BY MARKET AREA

(EUR 1,000)	4-6/2016	4-6/2015	Change, %	Change, % in currency terms	1-6/2016	1-6/2015	Change, %	Change, % in currency terms	2015
Finland	13,468	13,076	3	3	23,579	22,784	3	3	52,690
Retail sales	10,596	9,878	7	7	17,312	16,084	8	8	37,613
Wholesale sales	2,844	3,113	-9	-9	6,171	6,522	-5	-5	14,669
Royalties	28	86	-67	-67	97	178	-46	-46	408
Scandinavia	1,917	1,980	-3	-4	3,657	3,792	-4	-3	7,783
Retail sales	1,325	1,331	0	-3	2,327	2,322	0	-1	4,841
Wholesale sales	592	649	-9	-6	1,330	1,470	-9	-6	2,942
Royalties	-	-	-	-	-	-	-	-	-
EMEA	2,042	2,145	-5	-5	4,323	4,413	-2	-2	8,280
Retail sales	250	269	-7	-7	598	612	-2	-2	1,213
Wholesale sales	1,709	1,846	-7	-7	3,584	3,730	-4	-4	6,862
Royalties	83	30	177	177	141	71	99	99	205
North America	2,244	2,054	9	9	3,878	4,157	-7	-6	9,227
Retail sales	1,352	1,522	-11	-12	2,388	2,809	-15	-15	5,898
Wholesale sales	523	493	6	12	1,095	897	22	23	2,380
Royalties	368	40	-	-	395	451	-12	-13	949
Asia-Pacific	3,872	4,190	-8	-4	9,055	8,436	7	9	17,672
Retail sales	859	726	18	25	1,647	1,436	15	21	3,159
Wholesale sales	3,014	3,465	-13	-12	7,408	7,000	6	5	14,513
Royalties	-	-	-	-	-	-	-	-	-
International sales, total	10,076	10,370	-3	-3	20,912	20,798	1	-1	42,962
Retail sales	3,786	3,847	-2	-3	6,959	7,180	-3	-1	15,111
Wholesale sales	5,838	6,453	-10	-7	13,417	13,096	2	0	26,696
Royalties	451	70	-	-	536	522	3	1	1,154
Total	23,543	23,446	0	1	44,492	43,581	2	2	95,652
Retail sales	14,382	13,725	5	1	24,271	23,264	4	2	52,724
Wholesale sales	8,682	9,565	-9	-2	19,588	19,618	0	1	41,365
Royalties	479	156	-	191	633	700	-10	-10	1,563

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

NET SALES BY PRODUCT LINE

(EUR 1,000)	4-6/2016	4-6/2015	Change, %	1-6/2016	1-6/2015	Change, %	2015
Fashion	10,027	9,314	8	18,041	18,159	-1	38,810
Home	7,826	8,261	-5	14,821	15,232	-3	34,715
Bags & accessories	5,690	5,871	-3	11,629	10,190	14	22,127
Total	23,543	23,446	0	44,492	43,581	2	95,652

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	4-6/2016	1-3/2016	10-12/2015	7-9/2015
Net sales	23,543	20,948	27,481	24,590
Operating result	871	-1,059	1,345	1,228
Earnings per share, EUR	0.08	-0.12	0.15	0.08

(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