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Marimekko Corporation, Interim Report 15 August 2013 at 8.30 AM

## MARIMEKKO CORPORATION, INTERIM REPORT 1 January - 30 June 2013

In the January-June period of 2013, the Marimekko Group's net sales grew by 13 percent relative to the same period last year. International sales rose by 28 percent, particularly due to the stores opened in North America and the Asia-Pacific region in 2012 and during the period under review. In the April-June period of 2013, the Group's net sales rose by 17 percent, fuelled by international sales.

Operating result for the January-June 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 result excluding nonrecurring items was EUR -1.0 million (-1.5). In the April-June period of 2013, operating result excluding nonrecurring items was EUR 0.8 million higher than in the same period last year. Operating result was improved by growth in wholesale sales in the Asia-Pacific region and in Central and Southern Europe, 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 output as well as enhanced operational efficiency.

In 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.

### Key indicators

	4-6/ 2013	4-6/ 2012	Change, %	1-6/ 2013	1-6/ 2012	Change, %	1-12/ 2012
Net sales, EUR million	23.0	19.7	17	43.7	38.5	13	88.5
International sales, EUR million	10.3	7.4	38	20.5	16.0	28	36.1
% of net sales	45	38		47	42		41
EBITDA, EUR million	0.2	0.3	-19	0.0	0.1	-64	5.6
EBITDA excluding nonrecurring items, EUR million*	1.7	0.3	504	1.5	0.1	1,179	5.6
Operating result, EUR million	-1.2	-0.5	-112	-2.4	-1.5	-65	2.0
Operating result excluding nonrecurring items, EUR million*	0.3	-0.5		-1.0	-1.5	33	2.0
Operating result margin, %	-5.0	-2.8		-5.6	-3.8		2.3
Operating result margin excluding nonrecurring items, %*	1.4	-2.8		-2.2	-3.8		2.3
Result for the period, EUR million	-1.1	-0.2	-402	-2.2	-1.0	-113	1.1
Earnings per share, EUR	-0.13	-0.03	-333	-0.27	-0.13	-108	0.14
Cash flow from operating activities, EUR million	0.0	2.0	-98	-2.3	-0.5	-325	8.6
Return on investment (ROI), %	-13.2	-2.6		-12.1	-6.4		4.1
Equity ratio, %				46.3	49.7		54.6
Gross investments, EUR million	0.4	1.7	-76	1.1	3.9	-71	7.6
Personnel at the end of the period	559	493	13	559	493	13	535
outside Finland	109	75	45	109	75	45	103
Brand sales**, EUR million	46.9	40.7	15	91.2	83.2	10	187.2
outside Finland, EUR million	29.7	22.9	29	57.8	48.4	20	100.7
proportion of international sales, %	63	56		63	58		54
Number of stores***	120	94	28	120	94	28	108

\* Operating result 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.

\*\* 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 50 at the end of June 2013 (40). Information on changes is available in the section Internationalisation and changes in the store network.

**Mika Ihamuotila, President and CEO:**

“Our net sales continued to grow fairly strongly in spite of challenging market conditions in our main market areas. The investments we have made in recent years in line with our long-term internationalisation strategy are now beginning to make themselves felt. Net sales in the second quarter this year grew by 17 percent relative to the same period last year; net sales outside Finland were up by 38 percent. In 2013, a total of 30 to 35 new Marimekko stores are opening.

“Our operating result for the second quarter, excluding the nonrecurring expenses during the period, was EUR 0.3 million or EUR 0.8 million higher than in the same period last year. Growth in wholesale sales improved the operating result: sales increased especially in the Asia-Pacific region due to initial inventory purchases by new retailer-owned stores. The trend in wholesale sales was also fairly strong in Central and Southern Europe. Another important achievement is that the profitability of both our company-owned store network in Finland and our textile printing factory improved in the second quarter. We have recently invested particularly much in enhancing our operational efficiency, and it is great to see that these efforts are now also making a difference in the form of improving our profitability.

“I am pleased that we decided as part of our internationalisation strategy some years ago to target our growth on Asia in particular. I am optimistic about the growth prospects for Asian retail trade and about strengthening the attractiveness of the Marimekko brand in this region. The first Marimekko store in mainland China opened in Beijing during the second quarter, and at the beginning of August our network of stores also expanded to Shanghai. The profitability of the company-owned stores we have opened in the United States in the past few years has been lower than expected, but we have already seen that these stores have boosted our profile around the world and thus opened up new kinds of opportunities. An example of this is the design partnership with the clothing brand Banana Republic owned by Gap Inc., which we announced in the second quarter; the capsule collection will hit stores in summer 2014.

“The authenticity of two Marimekko designs has been under debate in recent months. This debate has had no impact on Marimekko's business. I require Marimekko to have an absolute zero tolerance with regard to creative authenticity; copyright infringements of any kind are unacceptable. Infringements of Marimekko's own copyright are regrettably common in many countries. I have decided to further tighten copyright control in our own design process as well as in respect of outside infringements of Marimekko's copyright.

“In spite of challenging market conditions, I see the prospects for growth by Marimekko as good, and I believe our long-term growth strategy will also result in an improvement in our profitability in the next few years.”

**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, but growth is anticipated to continue to be sluggish. In Finland, market conditions are moderate, but economic forecasts by trade and industry for the next few months have gone into a downturn. Economic conditions are expected to remain weak, and retail sales are forecast to decline. (Confederation of Finnish Industries EK: Business Tendency Survey, August 2013). The sluggish trend in Marimekko's own stores in Finland at the end of 2012 and a decline in comparable retail sales in the first half of 2013, combined with low consumer confidence, cast a shadow over prospects for this year in Finland.

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 30 to 35, 4 to 6 of which 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 will be devoted to building new retail facilities and purchases of fittings.

**Financial guidance**

Due to the current market conditions and the change undergone by the company recently, it is very difficult to forecast the financial result for 2013. 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 estimate of net sales for 2013 is unchanged. The company reiterates the estimate it announced on 16 May 2012,

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.

**Further information:**

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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](http://www.marimekko.com)

**INTERIM REPORT OF MARIMEKKO CORPORATION, 1 JANUARY – 30 JUNE 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, but this went into a cautious upswing during the summer. (Confederation of Finnish Industries EK: Business Tendency Survey, August 2013).

In the January-June period of 2013, retail net sales in Finland rose by 0.9 percent, but the quantity of sales – which measures real growth in sales – declined by 0.5 percent. (Statistics Finland: Turnover of trade, retail trade flash estimate, July 2013). From January to May 2013, retail sales of clothing (excluding sportswear) grew by 1.5 percent. Sales of women's clothing rose by 0.3 percent and menswear by 8.3 percent, while sales of children's clothing fell by 6.3 percent. Sales of bags grew by 0.5 percent (Textile and Fashion Industries TMA). In the January-May period of 2013, clothing (SITC 84) exports fell by 18 percent and imports by 1 percent; exports of textiles (SITC 65) declined by 8 percent and imports by 5 percent (National Board of Customs, monthly review, July 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 30 to 35, 4 to 6 of which will be company-owned. During the second quarter, 14 Marimekko stores were opened: company-owned stores in Oulu and Kotka in Finland and in Täby near Stockholm in Sweden, retailer-owned stores in Beijing and Guam, and three shop-in-shops in Finland, one in Denmark, four in Mexico and one in New Zealand.

During the second quarter, two Marimekko shop-in-shops closed down in the United States.

Since the end of the period under review, 11 new stores have been opened: a company-owned store in Copenhagen, Denmark, retailer-owned stores in Hämeenlinna, Finland, Shanghai, China, Pangyo near Seoul, South Korea, and Kagoshima, Japan, and six shop-in-shops, five of which are in Canada and one in the United States. Among the shops to be opened towards the end of the year are retailer-owned Marimekko stores in Hong Kong and in Tokyo and Osaka, Japan.

<b>Number of stores and shop-in-shops*</b>	<b>30.6.2013</b>	<b>30.6.2012</b>	<b>31.12.2012</b>
Finland	53	43	48
Company-owned stores	30	27	28
Scandinavia	14	12	12
Company-owned stores	8	7	7
Central and Southern Europe	5	5	5
Company-owned stores	4	4	4
North America	18	11	16
Company-owned stores	6	2	6
Asia-Pacific	30	23	27
Company-owned stores	2	-	2
<b>Total</b>	<b>120</b>	<b>94</b>	<b>108</b>
Company-owned stores	<b>50</b>	<b>40</b>	<b>47</b>

\* 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-June period of 2013, the Group's net sales, boosted by international sales, rose by 13 percent to EUR 43,667 thousand (38,509). In Finland, net sales grew by 3 percent relative to the same period last year. International sales rose by 28 percent.

In the April-June period, the Group's net sales rose by 17 percent, fuelled by international sales, reaching EUR 22,957 thousand (19,701). In Finland, net sales grew by 3 percent relative to the same period last year. International sales rose by 38 percent.

**Net sales by market area**

(EUR 1,000)	4-6/ 2013	4-6/ 2012	Change, %	1-6/ 2013	1-6/ 2012	Change, %	1-12/ 2012
<b>Finland</b>	<b>12,696</b>	12,283	3	<b>23,182</b>	22,511	3	52,344
Retail sales	<b>9,212</b>	8,320	11	<b>15,508</b>	14,136	10	34,000
Wholesale sales	<b>3,376</b>	3,836	-12	<b>7,446</b>	8,106	-8	17,546
Royalties	<b>108</b>	127	-15	<b>228</b>	269	-15	798
<b>Scandinavia</b>	<b>1,720</b>	1,825	-6	<b>3,599</b>	3,727	-3	7,856
Retail sales	<b>1,041</b>	873	19	<b>1,846</b>	1,409	31	3,299
Wholesale sales	<b>679</b>	952	-29	<b>1,753</b>	2,315	-24	4,554
Royalties	-	-	-	-	3	-	3
<b>Central and Southern Europe</b>	<b>1,909</b>	1,693	13	<b>3,910</b>	3,741	5	7,783
Retail sales	<b>347</b>	360	-4	<b>631</b>	700	-10	1,492
Wholesale sales	<b>1,538</b>	1,306	18	<b>3,230</b>	2,986	8	6,185
Royalties	<b>25</b>	27	-8	<b>50</b>	55	-9	106
<b>North America</b>	<b>2,404</b>	1,468	64	<b>4,275</b>	2,720	57	7,743
Retail sales	<b>1,497</b>	614	144	<b>2,600</b>	1,080	141	4,020
Wholesale sales	<b>749</b>	646	16	<b>1,406</b>	1,323	6	3,193
Royalties	<b>159</b>	208	-24	<b>270</b>	317	-15	530
<b>Asia-Pacific</b>	<b>4,227</b>	2,432	74	<b>8,700</b>	5,810	50	12,745
Retail sales	<b>504</b>	-	-	<b>1,008</b>	-	-	655
Wholesale sales	<b>3,722</b>	2,432	53	<b>7,691</b>	5,808	32	12,087
Royalties	<b>2</b>	-	-	<b>2</b>	2	-15	3
<b>International sales, total</b>	<b>10,261</b>	7,418	38	<b>20,485</b>	15,998	28	36,127
Retail sales	<b>3,388</b>	1,847	83	<b>6,084</b>	3,189	91	9,466
Wholesale sales	<b>6,687</b>	5,336	25	<b>14,079</b>	12,432	13	26,019
Royalties	<b>185</b>	235	-21	<b>321</b>	377	-15	642
<b>Total</b>	<b>22,957</b>	<b>19,701</b>	<b>17</b>	<b>43,667</b>	<b>38,509</b>	<b>13</b>	<b>88,471</b>
Retail sales	<b>12,600</b>	10,167	24	<b>21,592</b>	17,325	25	43,466
Wholesale sales	<b>10,063</b>	9,172	10	<b>21,525</b>	20,538	5	43,565
Royalties	<b>294</b>	362	-19	<b>550</b>	646	-15	1,440

**Finland**

In the January-June period, sales in Finland grew by 3 percent and reached EUR 23,182 thousand. Retail sales rose by 10 percent. Sales were boosted by three company-owned stores opened in 2012 as well as two stores opened in the second quarter of 2013. Comparable sales by company-owned stores fell by 3 percent. Wholesale sales fell by 8 percent.

During the second quarter, retail sales rose by 3 percent. Comparable sales by company-owned stores fell by 3 percent. Wholesale sales fell by 12 percent.

**Scandinavia**

In Scandinavia, sales in the January-June period fell by 3 percent relative to the same period last year and amounted to EUR 3,599 thousand. Retail sales rose by 31 percent. Retail sales were boosted by two company-owned stores opened in Sweden in 2012, the extension of Marimekko's e-commerce into Sweden, and a company-owned store opened at the beginning of June 2013. Comparable sales growth for company-owned stores was 9 percent. Most of the growth was

generated from the January sales. The trend in comparable sales was negatively impacted by the refurbishment of a company-owned store in Stockholm lasting for roughly one month, during which the store was closed. Wholesale sales fell in the January-June period by 24 percent. Consumers' purchasing behaviour continued to be cautious, especially in Sweden and Denmark, which affected wholesale sales in particular.

During the second quarter, retail sales rose by 19 percent. Comparable sales by company-owned stores were on a par with the same period last year. Wholesale sales fell by 29 percent.

### Central and Southern Europe

In Central and Southern Europe, net sales for the January-June period rose by 5 percent, reaching EUR 3,910 thousand. Retail sales fell by 10 percent. Wholesale sales grew by 8 percent. Sales rose in Italy and Switzerland but fell in the UK, France and Belgium.

During the second quarter, retail sales fell by 4 percent. Wholesale sales grew by 18 percent.

### North America

In North America, net sales for the January-June period grew by 57 percent and were EUR 4,275 thousand. In terms of the sales currency (mostly the US dollar), growth amounted to roughly 58 percent. The growth in net sales came from the four company-owned stores opened in the United States in the second half of 2012 and four shop-in-shops opened in Mexico during the period under review. Retail sales grew by 141 percent. Comparable sales by company-owned stores fell by 6 percent. Wholesale sales grew by 6 percent, mainly due to the shop-in-shops opened in Mexico. Initial inventory purchases by shop-in-shops opened in Canada and the United States after the period under review also boosted wholesale sales.

During the second quarter, retail sales rose by 144 percent. Comparable sales by company-owned stores fell by 4 percent. Wholesale sales grew by 16 percent.

### Asia-Pacific region

Net sales in the Asia-Pacific region grew in the January-June period by 50 percent and were EUR 8,700 thousand. Wholesale sales rose by 32 percent. 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. Initial inventory purchases by stores opened in China, South Korea and Japan after the period under review also increased wholesale sales. Net sales were also boosted by two company-owned stores opened in Australia at the end of 2012.

During the second quarter, wholesale sales rose by 53 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. This was emphasised during the period under review, as a larger proportion of net sales than before came from retail. In the January-June period of 2013, the Group's operating result was EUR -2,448 thousand (-1,480). Operating result includes EUR 1,485 thousand in nonrecurring expenses due to arrangements arising from the statutory employer-employee negotiations concluded during the second quarter. Operating result excluding nonrecurring items was EUR -963 thousand (-1,480). Operating result was improved by growth in wholesale sales in the Asia-Pacific region and in Central and Southern Europe, 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 output as well as enhanced operational efficiency. Wholesale sales were boosted particularly by initial inventory purchases by new stores in the second quarter. Operating result 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 Finland and Scandinavia.

In the April-June period of 2013, the Group's operating result was EUR -1,158 thousand (-545). Operating result excluding nonrecurring items was EUR 326 thousand (-545). The second quarter's operating result was improved by growth in wholesale sales in the Asia-Pacific region and in Central and Southern Europe, 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 output as well as enhanced operational efficiency. Operating result 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 Finland.

Marketing expenses during the period under review were EUR 2,235 thousand (1,998), or 5 percent of the Group's net sales (5).

The Group's depreciation grew due to considerable investments during the past few years and stood at EUR 2,491 thousand (1,599), representing 6 percent of net sales (4).

Operating result margin for the January-June period of 2013 was -5.6 percent (-3.8). The second-quarter operating result margin was -5.0 percent (-2.8).

Net financial expenses were EUR 343 thousand (-5), or 1 percent of net sales (0).

Result for the review period before taxes was EUR -2,791 thousand (-1,475). Result after taxes was EUR -2,203 thousand (-1,034) and earnings per share were EUR -0.27 (-0.13).

## **BALANCE SHEET**

The consolidated balance sheet total as at 30 June 2013 was EUR 55,708 thousand (54,687). Equity attributable to the equity holders of the parent company was EUR 25,809 thousand (27,176), or EUR 3.19 per share (3.38).

Non-current assets at the end of June 2013 were EUR 23,730 thousand (23,316). 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 3,288 thousand (3,402).

At the end of the period under review, net working capital was EUR 17,380 thousand (19,821). Inventories were EUR 18,963 thousand (20,405).

## **CASH FLOW AND FINANCING**

In the January-June period, cash flow from operating activities was EUR -2,254 thousand (-530), or EUR -0.28 per share (-0.07). Cash flow before cash flow from financing activities was EUR -3,374 thousand (-4,420).

In the April-June period, cash flow from operating activities was EUR 42 thousand (1,988), or EUR 0.01 per share (0.25). Cash flow before cash flow from financing activities was EUR -317 thousand (317).

The Group's financial liabilities at the end of the period under review stood at EUR 18,293 thousand (17,141). 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 3,359 thousand (3,426).

At the end of the period under review, the Group's cash and cash equivalents amounted to EUR 3,292 thousand (1,548). In addition, the Group had unused committed long- and short-term credit lines of EUR 11,066 thousand (6,286).

The Group's equity ratio at the end of the period was 46.3 percent (49.7). Gearing was 58.1 percent (57.1).

## **INVESTMENTS**

The Group's gross investments in the January-June period were EUR 1,120 thousand (3,890), or 3 percent of net sales (10). Most of the investments were devoted to building store premises and to refurbishing the property in Herttoniemi.

## **PERSONNEL**

In the January-June period of 2013, the number of employees averaged 529 (475). At the end of the period, the Group had 559 employees (493), of whom 109 worked outside Finland (75). The number of employees working outside Finland was broken down as follows: Scandinavia 34 (26), Central and Southern Europe 14 (12), North America 51 (35) and the Asia-Pacific region 10 (2). The personnel at company-owned stores totalled 255 at the end of the period (203).



## STATUTORY EMPLOYER-EMPLOYEE NEGOTIATIONS REGARDING MARIMEKKO'S OPERATIONS IN SULKAVA AND KITEE

During the period, Marimekko conducted statutory employer-employee negotiations on permanent staff reductions concerning the personnel of its manufacturing operations located in Sulkava and Kitee, Finland, as well as the adjacent factory outlets. The personnel of the production plant in Helsinki was not affected by the negotiations. As a result of the negotiations, Marimekko decided to close down its production plants in Kitee and Sulkava as well as the adjacent factory outlets. The arrangements will result in the loss of a total of 60 jobs.

The reductions in staffing and other actions to be effected are expected to bring an approximate total of EUR 1.0 million in annual cost savings. The savings will be realised gradually from the beginning of 2014, and the full impact of the profit improvement will start to be felt in the third quarter of 2014. The aim of the actions is to make it possible to manufacture even more profitable products and to secure business competitiveness also in the future. Due to the arrangements, the company incurred nonrecurring expenses in the amount of EUR 1,485 thousand in the second quarter of 2013.

## COLLABORATION BETWEEN MARIMEKKO AND BANANA REPUBLIC

During the period under review, Marimekko announced it had signed an agreement with the clothing brand Banana Republic, which is owned by Gap Inc., to collaborate and design a capsule collection for summer 2014. The collection will be sold in select Banana Republic stores and online channels worldwide. The collaboration is expected to significantly boost Marimekko's royalty earnings in the final quarter of 2014.

## 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 June 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 7,528 shareholders at the end of June 2013 (6,979). Of the shares, 21.1 percent were owned by nominee-registered or non-Finnish holders (27.8). 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 1,338,930 (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 June 2013

		Number of shares and votes	Percentage of shares and votes
1.	Muotitila Ltd	1,297,700	16.04
2.	Semerca Investments SA Varma Mutual Employment Pension Insurance Company	850,377	10.51 4.77
3.	Company	385,920	
4.	ODIN Finland	344,251	4.26
5.	Keva	220,845	2.73
6.	Veritas Pension Insurance Company	219,710	2.72
7.	Ilmarinen Mutual Pension Insurance Company	215,419	2.66
8.	Danske Fund Finnish Small Cap	155,000	1.92
9.	OP-Finland Small Firm Fund	150,414	1.86
10.	Mutual Fund Tapiola Finland	136,395	1.69
	<b>Total</b>	<b>3,976,031</b>	<b>49.15</b>
	Nominee-registered and non-Finnish holders	1,706,446	21.09
	Others	2,407,133	29.76
	<b>Total</b>	<b>8,089,610</b>	<b>100.00</b>

## Share trading and the company's market capitalisation

In the January-June period of 2013, a total of 351,717 Marimekko shares were traded, representing 4.3 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 4,211,197. The lowest price of the Marimekko share was EUR 10.00, the highest was EUR 14.54 and the average price was EUR 11.97. At the end of June, the closing price of the share was EUR 10.25. The company's market capitalisation on 30 June 2013 was EUR 82,918,503 (103,716,000).

## 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.

## EVENTS AFTER THE END OF THE PERIOD UNDER REVIEW

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. Marimekko announced on 6 August 2013 that Ihamuotila will be taking sick leave, estimated at 4 to 6 weeks, to adjust to epilepsy medication. For this time, his deputy is the company's Chief Financial Officer Thomas Ekström, and Ihamuotila will participate in the company's decision-making on a part-time basis.

## 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 severe problems of the international financial markets continue to dampen the prospects for retail sales as well as Marimekko's growth and earnings outlook.

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 calls for larger or brand-new country organisations in these market areas, which will exert a drag on the cost-effectiveness of the company, especially in the early stages of expansion. Moreover, expanding the network of company-owned stores will increase the company's investments, lease liabilities of store premises, inventories, and the company's fixed costs. It follows from this that a larger portion of Group net sales will come from sales by the company's own retail stores, which will add to the seasonality of the business and shift 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 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 of expansion projects, the operational reliability of procurement and logistics processes, and changes in cost 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, 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, but growth is anticipated to continue to be sluggish. In Finland, market conditions are moderate, but economic forecasts by trade and industry for the next few months have gone into a downturn. Economic conditions are expected to remain weak, and retail sales are forecast to decline. (Confederation of Finnish Industries EK: Business Tendency Survey, August 2013). The sluggish trend in Marimekko's own stores in Finland at the end of 2012 and a decline in comparable retail sales in the first half of 2013, combined with low consumer confidence, cast a shadow over prospects for this year in Finland.

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 30 to 35, 4 to 6 of which 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 will be devoted to building new retail facilities and purchases of fittings.

**FINANCIAL GUIDANCE**

Due to the current market conditions and the change undergone by the company recently, it is very difficult to forecast the financial result for 2013. 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 estimate of net sales for 2013 is unchanged. The company reiterates the estimate it announced on 16 May 2012, 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, 15 August 2013

MARIMEKKO CORPORATION  
Board of Directors

**INTERIM REPORT 1 JANUARY - 30 JUNE 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  
Consolidated income statement and comprehensive consolidated income statement  
Consolidated balance sheet  
Consolidated cash flow statement  
Consolidated statement of changes in shareholders' equity  
Key figures  
Segment information  
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Net sales by product line  
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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:  
 $(\text{Profit before taxes} - \text{income taxes}) / \text{Number of shares (average for the financial year)}$

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)	4-6/2013	4-6/2012	1-6/2013	1-6/2012	1-12/2012
<b>NET SALES</b>	<b>22,957</b>	19,701	<b>43,667</b>	38,509	88,471
Other operating income	56	8	112	9	97
Increase or decrease in inventories of completed and unfinished products	552	-475	968	-475	-2,192
Raw materials and consumables	-7,897	-6,179	-16,487	-13,242	-29,515
Employee benefit expenses	-8,568	-5,918	-14,761	-11,621	-24,384
Depreciation and impairments	-1,386	-828	-2,491	-1,599	-3,550
Other operating expenses	-6,873	-6,854	-13,456	-13,061	-26,908
<b>OPERATING RESULT</b>	<b>-1,159</b>	-545	<b>-2,448</b>	-1,480	2,019
Financial income	-26	132	46	138	48
Financial expenses	-351	78	-389	-133	-654
	-377	210	-343	5	-606
<b>RESULT BEFORE TAXES</b>	<b>-1,536</b>	-335	<b>-2,791</b>	-1,475	1,413
Income taxes	462	121	588	441	-313
<b>NET RESULT FOR THE PERIOD</b>	<b>-1,074</b>	-214	<b>-2,203</b>	-1,034	1,100
Distribution of net result to equity holders of the parent company	-1,074	-214	-2,203	-1,034	1,100
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	-0.13	-0.03	-0.27	-0.13	0.14

## COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	4-6/2013	4-6/2012	1-6/2013	1-6/2012	1-12/2012
Net result for the period	-1,074	-214	-2,203	-1,034	1,100
Items that could be reclassified to profit or loss at a future point in time					
Translation differences	40	-3	38	-31	10
<b>COMPREHENSIVE RESULT FOR THE PERIOD</b>	<b>-1,034</b>	-217	<b>-2,165</b>	-1,065	1,110
Distribution of net result to equity holders of the parent company	-1,034	-217	-2,165	-1,065	1,110

## CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.6.2013	30.6.2012	31.12.2012
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	2,382	1,620	2,663
Tangible assets	20,887	21,336	21,976
Available-for-sale financial assets	16	16	16
Deferred tax assets	446	344	322
	<b>23,730</b>	23,316	24,977
<b>CURRENT ASSETS</b>			
Inventories	18,963	20,405	18,502
Trade and other receivables	9,254	8,410	7,016
Current tax assets	469	1,008	1,360
Cash and cash equivalents	3,292	1,548	3,106
	<b>31,978</b>	31,371	29,984
<b>ASSETS, TOTAL</b>	<b>55,708</b>	54,687	54,961
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>			
Share capital	8,040	8,040	8,040
Invested non-restricted equity reserve	502	-	502
Translation differences	30	-49	-8
Retained earnings	17,237	19,185	21,462
Shareholders' equity, total	<b>25,809</b>	27,176	29,996
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities	-	368	480
Provisions	101	-	-
Financial liabilities	8,934	13,715	9,317
Finance lease liabilities	3,288	3,358	3,324
	<b>12,323</b>	17,441	13,121
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11,506	10,002	11,775
Finance lease liabilities	6,000	-	-
Current tax liabilities	71	68	69
	<b>17,576</b>	10,070	11,844
Liabilities, total	<b>29,899</b>	27,511	24,965
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>	<b>55,708</b>	54,687	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)	1-6/2013	1-6/2012	1-12/2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net result for the period	-2,203	-1,034	1,100
Adjustments			
Depreciation and impairments	2,491	1,599	3,550
Other non-cash transactions	101	-	143
Financial income and expenses	343	-5	606
Taxes	-588	-441	313
Cash flow before change in working capital	144	119	5,712
Change in working capital	-1,579	-1,086	4,674
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-864	-1,034	930
Increase (-) / decrease (+) in inventories	-15	564	2,401
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-700	-616	1,343
Cash flow from operating activities before financial items and taxes	-1,435	-967	10,386
Paid interest and payments on other financial expenses	-396	-112	-650
Interest received	46	138	47
Taxes paid	-469	411	-1,178
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>-2,254</b>	<b>-530</b>	<b>8,605</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investments in tangible and intangible assets	-1,120	-3,890	-7,572
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1,120</b>	<b>-3,890</b>	<b>-7,572</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue	-	-	502
Short-term loans drawn	6,000	-	-
Long-term loans drawn	-	8,770	4,373
Payments of long-term loans	-383	-	-
Payments of finance lease liabilities	-35	-	-
Dividends paid	-2,022	-4,422	-4,422
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>3,560</b>	<b>4,348</b>	<b>453</b>
<b>Change in cash and cash equivalents</b>	<b>186</b>	<b>-72</b>	<b>1,486</b>
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	3,292	1,548	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
<b>Comprehensive result</b>					
Net result for the period				-1,034	-1,034
Translation differences			-31		-31
<b>Total comprehensive result for the period</b>			<b>-31</b>	<b>-1,034</b>	<b>-1,065</b>
<b>Transactions with owners</b>					
Dividends paid				-4,422	-4,422
<b>Shareholders' equity 30 June 2012</b>	<b>8,040</b>	<b>502</b>	<b>-49</b>	<b>19,185</b>	<b>27,176</b>
Shareholders' equity 1 January 2013	8,040	502	-8	21,462	29,996
<b>Comprehensive result</b>					
Net result for the period				-2,203	-2,203
Translation differences			38		38
<b>Total comprehensive result for the period</b>			<b>38</b>	<b>-2,203</b>	<b>-2,165</b>
<b>Transactions with owners</b>					
Dividends paid				-2,022	-2,022
<b>Shareholders' equity 30 June 2013</b>	<b>8,040</b>	<b>502</b>	<b>30</b>	<b>17,237</b>	<b>25,809</b>

KEY FIGURES

	1-6/2013	1-6/2012	Change, %	1-12/2012
Earnings per share, EUR	-0.27	-0.13	-108	0.14
Equity per share, EUR	3.19	3.38	-6	3.71
Return on equity (ROE), %	-15.8	-6.9		3.5
Return on investment (ROI), %	-12.1	-6.4		4.1
Equity ratio, %	46.3	49.7		54.6
Gearing, %	58.1	57.1		32.0
Gross investments, EUR 1,000	1,120	3,890	-71	7,582
Gross investments, % of net sales	3	10		9
Contingent liabilities, EUR 1,000	40,425	26,029	55	39,986
Average personnel	529	475	11	497
Personnel at the end of the period	559	493	13	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)	1-6/2013	1-6/2012	Change, %	1-12/2012
Marimekko business				
Net sales	43,667	38,509	13	88,471
Operating result	-2,448	-1,480	-65	2,019
Assets	55,708	54,687	2	54,961

NET SALES BY MARKET AREA



(EUR 1,000)	4-6/2013	4-6/2012	1-6/2013	1-6/2012	1-12/2012
<b>Finland</b>	<b>12,696</b>	12,283	<b>23,182</b>	22,511	52,344
Retail sales	9,212	8,320	15,508	14,136	34,000
Wholesale sales	3,376	3,836	7,446	8,106	17,546
Royalties	108	127	228	269	798
<b>Scandinavia</b>	<b>1,720</b>	1,825	<b>3,599</b>	3,727	7,856
Retail sales	1,041	873	1,846	1,409	3,299
Wholesale sales	679	952	1,753	2,315	4,554
Royalties	-	-	-	3	3
<b>Central and Southern Europe</b>	<b>1,909</b>	1,693	<b>3,910</b>	3,741	7,783
Retail sales	347	360	631	700	1,492
Wholesale sales	1,538	1,306	3,230	2,986	6,185
Royalties	25	27	50	55	106
<b>North America</b>	<b>2,404</b>	1,468	<b>4,275</b>	2,720	7,743
Retail sales	1,497	614	2,600	1,080	4,020
Wholesale sales	749	646	1,406	1,323	3,193
Royalties	159	208	270	317	530
<b>Asia-Pacific</b>	<b>4,227</b>	2,432	<b>8,700</b>	5,810	12,745
Retail sales	504	-	1,008	-	655
Wholesale sales	3,722	2,432	7,691	5,808	12,087
Royalties	2	-	2	2	3
<b>International sales, total</b>	<b>10,261</b>	7,418	<b>20,485</b>	15,998	36,127
Retail sales	3,388	1,847	6,084	3,189	9,466
Wholesale sales	6,687	5,336	14,079	12,432	26,019
Royalties	185	235	321	377	642
<b>TOTAL</b>	<b>22,957</b>	<b>19,701</b>	<b>43,667</b>	<b>38,509</b>	<b>88,471</b>
Retail sales	12,600	10,167	21,592	17,325	43,466
Wholesale sales	10,063	9,172	21,525	20,538	43,565
Royalties	294	362	550	646	1,440

## NET SALES BY PRODUCT LINE

(EUR 1,000)	4-6/2013	4-6/2012	1-6/2013	1-6/2012	1-12/2012
Clothing	8,300	6,958	16,325	13,936	30,936
Interior decoration	9,235	8,443	17,422	16,276	38,122
Bags	5,422	4,300	9,920	8,297	19,413
<b>TOTAL</b>	<b>22,957</b>	<b>19,701</b>	<b>43,667</b>	<b>38,509</b>	<b>88,471</b>

## QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	4-6/2013	1-3/2013	10-12/2012	7-9/2012
Net sales	22,957	20,710	25,748	24,214
Operating result	-1,158	-1,290	13	3,486
Earnings per share, EUR	-0.13	-0.14	-0.04	0.31
(EUR 1,000)	4-6/2012	1-3/2012	10-12/2011	7-9/2011
Net sales	19,701	18,808	23,581	19,812
Operating result	-545	-935	1,645	2,321
Earnings per share, EUR	-0.03	-0.10	0.18	0.21