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Marimekko Corporation, Interim Report, 14 August 2014 at 8.30 a.m.

INTERIM REPORT OF MARIMEKKO CORPORATION, 1 JANUARY - 30 JUNE 2014: EARNINGS IMPROVED IN THE SECOND QUARTER DESPITE DIFFICULT MARKET CONDITIONS

In January-June 2014, the Marimekko Group's net sales fell by 6 percent relative to the same period last year and amounted to EUR 41.3 million (43.7). The decline in net sales is explained by a downturn in wholesale sales in all market areas and a fall in retail sales in Finland. The decrease in wholesale sales was partly due to a change in the rhythm of deliveries in the first quarter of the year and the fact that a major part of the initial stock deliveries to new retailer-owned stores in North America and Asia in 2013 took place in the second quarter.

Despite the decline in net sales, operating result improved from the comparison period. Operating profit for the second quarter was EUR 0.5 million (-1.2); operating profit excluding nonrecurring items was EUR 0.5 million (0.3). In the January-June period of 2014, operating result was EUR -1.2 million (-2.4), and operating result excluding nonrecurring items was EUR -0.6 million (-1.0). Reorganisations and cost savings implemented in Finland and the United States in 2013 and this year contributed to the improved result.

The business climate for retail trade continued to be challenging especially in Finland. Actions taken to streamline operations supported the first half of the year. As is typical of the trade, net sales in the first half of the year were low relative to operating expenses for seasonal reasons. Therefore, operating profit will be primarily generated during the second half of the year.

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

Key indicators

	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/ 2013
Net sales, EUR million	21.9	23.0	-5	41.3	43.7	-6	94.0
International sales, EUR million	9.9	10.3	-3	19.3	20.5	-6	41.8
% of net sales	45	45		47	47		45
EBITDA, EUR million	1.6	0.2		0.9	0.0		6.9
EBITDA excluding nonrecurring items, EUR million	1.6	1.4	10	1.6	1.3	27	7.9
Operating result, EUR million	0.5	-1.2	145	-1.2	-2.4	50	0.1
Operating result excluding nonrecurring items, EUR million	0.5	0.3	59	-0.6	-1.0	42	1.4
Operating result margin, %	2.4	-5.0		-3.0	-5.6		0.1
Operating result margin excluding nonrecurring items, %	2.4	1.4		-1.4	-2.2		1.4
Result for the period, EUR million	0.4	-1.1	134	-1.1	-2.2	48	-1.0
Earnings per share, EUR	0.05	-0.13	138	-0.14	-0.27	48	-0.12
Cash flow from operating activities, EUR million	1.4	0.0		-0.8	-2.3	63	5.4
Return on investment (ROI), %				-6.2	-12.1		-1.1
Equity ratio, %				49.7	46.3		55.5
Gross investments, EUR million	0.3	0.4	-11	0.8	1.1	-30	2.4
Personnel at the end of the period				485	559	-13	502
outside Finland				114	109	5	124
Brand sales*, EUR million	41.1	46.9	-12	81.3	91.2	-11	191.1
outside Finland, EUR million	25.6	29.7	-14	50.5	57.8	-13	115.1
proportion of international sales, %	62	63		62	63		60
Number of stores**				133	120	11	133

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

** Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 52 at the end of June 2014 (50). Information on changes is available in the section Internationalisation and changes in the store network.

Mika Ihamuotila, President and CEO:

"In spite of the difficult retail market conditions, we believe our net sales will increase this year as well and that we will post a good profit, as we have advised. I am pleased that, in recent years, we have built Marimekko into a global company with more than 130 stores in Asia, Europe and America. Without this work the company would be much more dependent on Finland, where the outlook for the entire retail trade is now poor. I am also happy that we invested particularly heavily in Asia in good time ahead of the challenging economic trend in Finland and Europe, as growth in the consumer market is strong in Asia.

"Our net sales declined by six percent in the first half of the year, which was due to a downturn in wholesale sales in all of the company's market areas, combined with a fall in retail sales in Finland. While the relative share of Marimekko's own retail sales has grown in recent years, both net sales and profits accrue later in the year, as is the case for many international companies in the sector. I am pleased that the action on streamlining that we took last year and in spring 2014 supported the first half of the year and that our operating result improved in spite of the decline in net sales.

"The trend in our business operations during the first half of the year was as we anticipated, and the relative trend in retail sales appears, as forecast, to be levelling out after the start of the third quarter. In Finland, the trend has actually been slightly better than was estimated. The openings of new stores are focused particularly on the second half of the year. Our sales in new markets have started up in a promising way, and I am very confident of growth, particularly in the Asia-Pacific region. In Australia, our retail sales have developed better than was forecast, and we will be opening our third company-owned store there in the autumn. Wholesale in Japan was negatively impacted by the appreciation of the euro against the yen and by an increase in sales tax which came into effect in Japan in April 2014. This is forecast to continue in the latter part of the year, but the long-term prospects are nevertheless also positive in Japan.

"There is a great deal of discussion in the sector about the impact of digitisation on retail trade. I believe that it is an opportunity for a canny pioneer, not a threat. My view is that Marimekko will benefit from the change in consumers' purchasing behaviour, partly because we were on the move in time. We began with building our international online trade in the United States, and the importance of digitisation has gained in strength all the time in our marketing strategy. The share of web-based trade in our total sales is continuing to grow steadily, and especially in Finland the trend in online sales has been positive. Although e-commerce partially cannibalises other sales, we see enormous potential in it. Marimekko is a globally known brand, but we still have a fairly small company-owned store network. Through digitisation we can reach a much larger clientele, serving them profitably in an entirely new way. I believe that the winners in this sector will combine digitisation with an inspiring bricks-and-mortar experience in an adventurous way.

"We are moving into a new stage in our strategy and we are updating our processes for design, product development and procurement in particular. Anna Teurnell, who started her job as our Creative Director in mid-July, is currently concentrating with her team on creating even more attractive design and products and on getting them from the drawing board and into stores faster and more smoothly. I see particularly great possibilities in fashion, for which Marimekko once made its name widely. Due to the duration of the design process, the updates will only begin to be seen in collections in autumn 2015. In the latter half of the year, we will continue to invest in growth and to improve the overall profitability of our business. Net sales and operating result for the second half of the year will be boosted by significant one-off promotional deliveries and by the royalty earnings from the Banana Republic Marimekko Collection which was launched in May."

Financial guidance is unchanged

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

Financial calendar 2014

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

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Key media

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

INTERIM REPORT OF MARIMEKKO CORPORATION, 1 JANUARY - 30 JUNE 2014

MARKET REVIEW

The general uncertainty in the world economy has continued and the economy of many developing countries has slowed this year. The latest economic figures in Europe indicate a continuing cautious recovery, but the economic climate in Russia and the Ukrainian crisis overshadow budding growth. In the United States, by contrast, economic growth in the second quarter was stronger than forecast. In Finland, the current economic conditions are below average in all main sectors, and the trend for the remainder of the year is forecast to be very muted. In the trade sector, business conditions went back into decline. In the confidence indicators of the Confederation of Finnish Industries, this was particularly visible for the retail trade, in which sales expectations for the remainder of the year have deteriorated markedly (Confederation of Finnish Industries EK: Business Tendency Survey, August 2014 and Confidence Indicators, July 2014). In the January-June period of 2014, the value of retail sales in Finland fell by 0.4 percent and the volume of sales, which describes the real growth in sales, fell by 0.7 percent (Statistics Finland: Turnover of Trade, retail trade flash estimate, June 2014).

INTERNATIONALISATION AND CHANGES IN THE STORE NETWORK

Marimekko is experiencing a dynamic phase of internationalisation. In 2014, the main thrust in expansion is on openings of retailer-owned Marimekko stores. Also, the company will concentrate on enhancing the operations of company-owned stores opened in recent years and improving their profitability. In February, Marimekko announced that the aim was to open 15 to 25 new stores and shop-in-shops this year. During the first half of the year, six stores were opened, and 16 of the openings planned for the second half of the year have so far been confirmed. Of these 22 new Marimekko stores, four are company-owned stores, ten retailer-owned stores and eight shop-in-shops.

In the second quarter, a retailer-owned store was opened in Hong Kong as well as shop-in-shops in the United States and Finland. Three shop-in-shops in Crate and Barrel stores in the United States were closed down during the period under review. In Norway, three retailer-owned stores included other brands in their selection, and are no longer counted as Marimekko stores.

Number of stores & shop-in-shops*	30.6.2014	30.6.2013	31.12.2013
Finland	58	53	56
Company-owned stores	32	30	31
Scandinavia	10	14	13
Company-owned stores	8	8	8
EMEA**	4	5	4
Company-owned stores	4	4	4
North America	21	18	23
Company-owned stores	6	6	6
Asia-Pacific	40	30	37
Company-owned stores	2	2	2
Total	133	120	133
Company-owned stores	52	50	51

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

** The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area) as a result of the partnership initiated in the Middle East during the period under review.

NET SALES

In the January-June period of 2014, the Group's net sales fell by 6 percent to EUR 41,250 thousand (43,667). Net sales in Finland fell by 5 percent. With the exception of Finland, retail sales grew in all market areas, which was partly due to additional sales generated by stores opened in 2013. Comparable sales by company-owned stores rose in particular in Scandinavia and in the rest of Europe. A downturn in wholesale sales in all market areas was the biggest factor in the decline in overall net sales. The decrease in wholesale sales was partly due to a change in the rhythm of deliveries in the first quarter of the year and the fact that a major part of the initial stock deliveries to new retailer-owned stores in North America and Asia in 2013 took place in the second quarter. Also, reduced levels compared to the previous year of restocking deliveries to retailers exerted a drag on wholesale sales in Finland. In addition, royalty income was at a lower level in the first half of 2014 than in the comparison period.

In the April-June period, the Group's net sales fell by 5 percent to EUR 21,874 thousand (22,957). Net sales in Finland decreased by 6 percent relative to the same period last year. International sales fell by 3 percent.

Net sales by market area

(EUR 1,000)	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/2013
Finland	11,957	12,696	-6	21,993	23,182	-5	52,159
Retail sales	8,798	9,212	-4	15,003	15,508	-3	35,107
Wholesale sales	3,065	3,376	-9	6,817	7,446	-8	16,491
Royalties	94	108	-13	173	228	-24	562
Scandinavia	1,976	1,720	15	3,883	3,599	8	8,152
Retail sales	1,332	1,041	28	2,393	1,846	30	4,355
Wholesale sales	644	679	-5	1,490	1,753	-15	3,796
Royalties	-	-	-	-	-	-	-
EMEA	1,876	1,915*	-2	3,739	3,922*	-5	7,702*
Retail sales	399	347	15	718	631	14	1,408
Wholesale sales	1,460	1,544*	-5	2,947	3,242*	-9	6,194*
Royalties	36	25	44	74	50	48	100
North America	2,040	2,404	-15	3,551	4,275	-17	8,534
Retail sales	1,513	1,497	1	2,642	2,600	2	5,587
Wholesale sales	464	749	-38	784	1,406	-44	2,511
Royalties	64	159	-60	126	270	-53	436
Asia-Pacific	4,025	4,220*	-5	8,083	8,688*	-7	17,460*
Retail sales	501	504	-1	1,015	1,008	1	2,300
Wholesale sales	3,501	3,716*	-6	7,064	7,679*	-8	15,158*
Royalties	5	2	166	5	2	166	2
International sales, total	9,918	10,261	-3	19,257	20,485	-6	41,848
Retail sales	3,745	3,388	11	6,768	6,084	11	13,651
Wholesale sales	6,069	6,687	-9	12,285	14,080	-13	27,659
Royalties	104	185	-44	204	321	-36	538
Total	21,874	22,957	-5	41,250	43,667	-6	94,007
Retail sales	12,542	12,600	0	21,770	21,592	1	48,757
Wholesale sales	9,134	10,063	-9	19,102	21,525	-11	44,150
Royalties	198	294	-33	377	550	-31	1,100

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

* Previously reported comparison figures for net sales by market area have been adjusted because the market area of Central and Southern Europe referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area).

Finland

In the January-June period, sales in Finland fell by 5 percent to EUR 21,993 thousand (23,182). Retail sales fell by 3 percent. Comparable sales decreased by 2 percent. Wholesale sales fell by 8 percent. A change in the rhythm of deliveries during the first quarter in 2014 and reduced levels of restocking deliveries to retailers compared to the previous year exerted a drag on wholesale sales.

During the second quarter, retail sales fell by 4 percent; comparable sales by company-owned stores fell by 2 percent. Wholesale sales declined by 9 percent.

Scandinavia

In Scandinavia, sales during the January-June period rose by 8 percent compared to the same period last year, reaching EUR 3,883 thousand (3,599). Retail sales rose by 30 percent. Retail sales were boosted by the two new Marimekko stores opened in 2013 as well as by the extension to Sweden and Denmark of online retailing. Comparable sales by company-owned stores grew by 11 percent. A decrease of 15 percent in wholesale sales was affected by the change in the delivery rhythm for the spring collection.

During the second quarter, retail sales rose by 28 percent; comparable sales by company-owned stores grew by 20

percent. Wholesale sales fell by 5 percent.

EMEA

The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area) as a result of the partnership initiated in the Middle East during the period under review.

In this market area, net sales in the January-June period fell by 5 percent to 3,739 thousand (3,922). Retail sales rose by 14 percent. Wholesale sales fell by 9 percent compared to the same period last year, affected by the change in the delivery rhythm for the spring collection.

During the second quarter, retail sales rose by 15 percent. Wholesale sales fell by 5 percent.

North America

In North America, net sales for the January-June period fell by 17 percent to EUR 3,551 thousand (4,275). In terms of the sales currency (mostly the US dollar), sales fell by about 13 percent. Retail sales in North America rose by 2 percent, whereas wholesale sales were 44 percent lower than in the comparison period. The shop-in-shop partnership with the home furnishings retailer Crate and Barrel ended in summer 2014, which showed up during the period under review as a clear downturn in the number of products ordered.

During the second quarter, retail sales rose by 1 percent. Wholesale sales fell by 38 percent.

Asia-Pacific

Net sales in the Asia-Pacific region fell in the January-June period by 7 percent to EUR 8,083 thousand (8,688). Wholesale sales fell by 8 percent, affected by the change in the rhythm of deliveries for the spring collection during the first quarter of the year. In addition, the rise of the euro against the yen and an increase in sales tax in Japan in April 2014 had a negative impact on Marimekko's wholesale sales in Japan. Retail sales (the Sydney and Melbourne stores in Australia) grew by 1 percent. The weakening of the Australian dollar significantly reduced the sales growth. In terms of the sales currency (the Australian dollar), retail sales rose by 16 percent.

During the second quarter, euro-denominated retail sales fell by 1 percent. In terms of the sales currency, retail sales in the stores in Australia rose by 9 percent. Wholesale sales fell by 6 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 January-June 2014, the Group's operating result was EUR -1,229 thousand (-2,448). Operating result for the period under review includes a nonrecurring expense of EUR 669 thousand connected with downsizing after the consultative negotiations which ended in March 2014. Operating result for the comparison period included EUR 1,485 thousand in nonrecurring expenses.

Operating result excluding nonrecurring items was EUR -560 thousand (-963). Reorganisations and cost savings implemented in Finland and the United States in 2013 and this year contributed to the improved result. Operating result was weakened by a downturn in wholesale sales in all market areas as well as a decline in comparable retail sales in Finland.

In April-June 2014, the Group's operating result was EUR 519 thousand (-1,158). Operating result excluding nonrecurring items was EUR 519 thousand (326).

Marketing expenses during the period under review totalled EUR 2,254 thousand (2,235), or 5 percent of the Group's net sales (5).

The Group's depreciation was EUR 2,158 thousand (2,491), representing 5 percent of net sales (6).

Operating result margin for the January-June period of 2014 was -3.0 percent (-5.6). In the April-June period, operating

result margin was 2.4 percent (-5.0).

Net financial expenses were EUR 115 thousand (343), or 0 percent of net sales (1).

Result for the review period before taxes was EUR -1,344 thousand (-2,791). Result after taxes was EUR -1,138 thousand (-2,203) and earnings per share were EUR -0.14 (-0.27).

BALANCE SHEET

The consolidated balance sheet total as of 30 June 2014 was EUR 48,019 thousand (55,708). Equity attributable to the equity holders of the parent company was EUR 23,820 thousand (25,809), or EUR 2.94 per share (3.19).

Non-current assets at the end of June 2014 were EUR 19,268 thousand (23,730).

At the end of the period under review, net working capital was EUR 17,132 thousand (17,180). Inventories were EUR 18,583 thousand (18,963).

CASH FLOW AND FINANCING

In January-June 2014, cash flow from operating activities was EUR -840 thousand (-2,254), or EUR -0.10 per share (-0.28). Cash flow before cash flow from financing activities was EUR -1,625 thousand (-3,374).

In April-June 2014, cash flow from operating activities was EUR 1,379 thousand (42), or EUR 0.17 per share (0.01). Cash flow before cash flow from financing activities was EUR 1,059 thousand (-317).

The Group's financial liabilities at the end of the period under review stood at EUR 14,550 thousand (18,293).

At the end of the period under review, the Group's cash and cash equivalents amounted to EUR 2,160 thousand (3,292). In addition, the Group had unused committed long- and short-term credit lines of EUR 14,899 thousand (11,066).

The Group's equity ratio at the end of the period was 49.7 percent (46.3). Gearing was 52.0 percent (58.1).

INVESTMENTS

The Group's gross investments in January-June were EUR 785 thousand (1,120), or 2 percent of net sales (3). Most of the investments were devoted to building store premises, IT systems, and other building expenses related to business premises.

PERSONNEL

In January-June 2014, the number of employees averaged 478 (529). At the end of the period, the Group had 485 (559) employees, of whom 114 (109) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 36 (34), EMEA 14 (14), North America 50 (51) and Asia-Pacific 14 (10). The personnel at company-owned stores totalled 249 at the end of the period (255).

CHANGES IN MANAGEMENT

Marimekko announced on 16 April 2014 the appointment of Anna Teurnell as Creative Director and member of the company's Management Group as of 15 July 2014. She leads Marimekko's design team and is responsible for the company's design strategy for fashion, bags and accessories as well as home products. Minna Kemell-Kutvonen, previous Creative Director of Marimekko, continues in the design team with responsibility for print design.

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 2014 and in the interim report of 8 May 2014.

MANAGEMENT GROUP'S LONG-TERM BONUS SYSTEM

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

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

REORGANISATIONS IN THE UNITED STATES

In February 2014, Marimekko reported reorganisations concerning its operations in the United States. In respect of these, negotiations on the termination of the lease for the Beverly Hills store and on the possible relocation of the store are still in progress. The previously implemented actions on the country organisation as well as the store closure or relocation are aimed at a total of about EUR 1.0 million in annual savings.

EXPANSION TO THE MIDDLE EAST

During the second quarter, Marimekko announced the signing of a partnership contract with BinHendi Enterprises, with the aim of opening a total of eight Marimekko stores in the Middle East by the end of 2019. The first store will open in Dubai in the fourth quarter of 2014 and the next two stores most likely in 2015. It is intended to extend operations in the years ahead to include Kuwait, Qatar and Saudi Arabia.

As a result of the partnership, the market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area) starting from this interim report.

SHARE AND SHAREHOLDERS

Share capital and number of shares

At the end of June 2014, the company's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000 and the number of shares totalled 8,089,610.

Shareholdings

According to the book-entry register, Marimekko had 7,222 shareholders at the end of June 2014 (7,528). Of the shares, 21.8 percent were owned by nominee-registered or non-Finnish holders (21.1). 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 1,328,598 (1,338,930), representing 16.4 percent of the number and voting rights of the company's shares (16.6).

The largest shareholders according to the book-entry register on 30 June 2014

		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
3.	ODIN Finland	385,920	4.77
4.	Veritas Pension Insurance Company	344,251	4.26
5.	Ilmarinen Mutual Pension Insurance Company	220,000	2.72
6.	Keva	215,419	2.66
7.	OP-Finland Small Firm Fund	197,754	2.44
8.	Mutual Fund Tapiola Finland	151,197	1.87
9.	Mutual Fund Nordea Finland Small Cap	136,395	1.69
10.		111,638	1.38
	Total	3,910,651	48.34
	Nominee-registered and non-Finnish holders	1,761,354	21.77
	Others	2,417,605	29.89
	Total	8,089,610	100.00

Share trading and the company's market capitalisation

In January-June 2014, a total of 408,548 Marimekko shares were traded, representing 5.1 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 4,038,386. The lowest price of the Marimekko share was EUR 9.13, the highest was EUR 10.43 and the average price was EUR 9.88. At the end of June, the closing price of the share was EUR 9.71. The company's market capitalisation on 30 June 2014 was EUR 78,550,113 (82,918,503).

Authorisations

At the end of the period, the Board of Directors had no valid authorisations to carry out share issues or issue convertible bonds or bonds with warrants, or to acquire or surrender Marimekko shares. The validity of the authorisation granted by the Annual General Meeting of 17 April 2012 to Marimekko's Board of Directors to decide on a directed offering of shares to the personnel, in deviation from the shareholders' pre-emptive right, in one or more offerings expired on 17 April 2014.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

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

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

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

The company's ability to design, develop and commercialise new products that meet consumers' expectations while maintaining profitable in-house production, sustainable sourcing and effective logistics has an impact on the company's

sales and profitability. Moreover, intellectual property rights play a vital role in the company's success and the company's ability to manage these rights may have an impact on the company's value.

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

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

MARKET OUTLOOK AND GROWTH TARGETS IN 2014

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

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

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

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

In 2014, the main thrust in expansion is on openings of retailer-owned Marimekko stores. The number of new stores has so far been confirmed as 22. Four of these are company-owned stores. The majority of the stores are opened in the second half of the year; in January-June, six stores were opened. Furthermore, the company will concentrate on developing the operations of company-owned stores opened in recent years and on improving the overall profitability of business.

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

FINANCIAL GUIDANCE

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

Helsinki, 14 August 2014

MARIMEKKO CORPORATION
Board of Directors

INTERIM REPORT 1 JANUARY - 30 JUNE 2014, TABLE SECTION

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

APPENDICES

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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 2013 financial statements, although at the start of the financial year the company adopted certain new and amended IFRS standards as described in the financial statements for 2013. The adoption of new and updated standards has had no effect on the figures stated during the period under review.

FORMULAS FOR KEY FIGURES

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

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)	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
NET SALES	21,874	22,957	41,250	43,667	94,007
Other operating income	56	56	111	112	246
Increase or decrease in inventories of completed and unfinished products	25	552	731	968	527
Raw materials and consumables	-7,423	-7,897	-15,184	-16,487	-33,547
Employee benefit expenses	-6,392	-8,568	-13,169	-14,761	-27,059
Depreciation and impairments	-1,076	-1,386	-2,158	-2,491	-6,772
Other operating expenses	-6,546	-6,873	-12,809	-13,456	-27,320
OPERATING RESULT	519	-1,158	-1,229	-2,448	82
Financial income	126	-26	249	46	67
Financial expenses	-169	-351	-364	-389	-953
	-43	-377	-115	-343	-886
RESULT BEFORE TAXES	476	-1,536	-1,344	-2,791	-804
Income taxes	-116	462	206	588	-151
NET RESULT FOR THE PERIOD	360	-1,074	-1,138	-2,203	-955
Distribution of net result to equity holders of the parent company	360	-1,074	-1,138	-2,203	-955
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.05	-0.13	-0.14	-0.27	-0.12

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	4-6/2014	4-6/2013	1-6/2014	1-6/2013	1-12/2013
Net result for the period	360	-1,074	-1,138	-2,203	-955
Items that could be reclassified to profit or loss at a future point in time					
Change in translation difference	-13	40	-9	38	-30
COMPREHENSIVE RESULT FOR THE PERIOD	347	-1,034	-1,147	-2,165	-985
Distribution of net result to equity holders of the parent company	347	-1,034	-1,147	-2,165	-985

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.6.2014	30.6.2013	31.12.2013
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1,634	2,382	1,976
Tangible assets*	17,401	20,887	18,245
Available-for-sale financial assets	16	16	16
Deferred tax assets	217	446	-
	19,268	23,730	20,237
CURRENT ASSETS			
Inventories	18,583	18,963	18,106
Trade and other receivables	7,739	9,254	6,622
Current tax assets	269	469	682
Cash and cash equivalents	2,160	3,292	3,001
	28,751	31,978	28,411
ASSETS, TOTAL	48,019	55,708	48,648
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	8,040	8,040	8,040
Invested non-restricted equity reserve	502	502	502
Translation differences	-47	30	-38
Retained earnings	15,325	17,237	18,485
Shareholders' equity, total	23,820	25,809	26,989
NON-CURRENT LIABILITIES			
Deferred tax liabilities	-	-	11
Provisions	190	101	101
Financial liabilities	8,101	8,934	8,234
Finance lease liabilities	3,297	3,288	3,252
	11,588	12,323	11,598
CURRENT LIABILITIES			
Trade and other payables	9,459	11,506	9,989
Financial liabilities	3,000	6,000	-
Finance lease liabilities	152	71	72
	12,611	17,576	10,061
Liabilities, total	24,199	29,899	21,659
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	48,019	55,708	48,648

* At the end of the review period, tangible assets included assets acquired under finance lease agreements amounting to EUR 3,359 thousand (30 June 2013: 3,287; 31 December 2013: 3,229).

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-6/2014	1-6/2013	1-12/2013
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	-1,138	-2,203	-955
Adjustments			
Depreciation and impairments	2,158	2,491	6,772
Other non-cash transactions	89	101	101
Financial income and expenses	115	343	886
Taxes	-206	-588	151
Cash flow before change in working capital	1,018	144	6,954
Change in working capital	-1,474	-1,579	-1,059
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-446	-864	666
Increase (-) / decrease (+) in inventories	-477	-15	396
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-551	-700	-2,121
Cash flow from operating activities before financial items and taxes	-456	-1,435	5,895
Paid interest and payments on other financial expenses	-139	-396	-961
Interest received	23	46	67
Taxes paid	-269	-469	422
CASH FLOW FROM OPERATING ACTIVITIES	-840	-2,254	5,424
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-785	-1,120	-2,353
CASH FLOW FROM INVESTING ACTIVITIES	-785	-1,120	-2,353
CASH FLOW FROM FINANCING ACTIVITIES			
Short-term loans drawn	3,000	6,000	-
Long-term loans paid	-133	-383	-1,083
Finance lease liabilities paid	-61	-35	-69
Dividends paid	-2,022	-2,022	-2,022
CASH FLOW FROM FINANCING ACTIVITIES	784	3,560	-3,175
Change in cash and cash equivalents	-841	186	-105
Cash and cash equivalents at the beginning of the period	3,001	3,106	3,106
Cash and cash equivalents at the end of the period	2,160	3,292	3,001

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Equity attributable to equity holders of the parent company				
	Share capital	Invested non-restricted equity reserve	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity					
1 January 2013	8,040	502	-8	21,462	29,996
Comprehensive result					
Net result for the period				-2,203	-2,203
Translation differences			38		38
Total comprehensive result for the period			38	-2,203	-2,165
Transactions with owners					
Dividends paid				-2,022	-2,022
Shareholders' equity					
30 June 2013	8,040	502	30	17,237	25,809
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

KEY FIGURES

	1-6/2014	1-6/2013	Change, %	1-12/2013
Earnings per share, EUR	-0.14	-0.27	48	-0.12
Equity per share, EUR	2.94	3.19	-8	3.34
Return on equity (ROE), %	-9.0	-15.8		-3.4
Return on investment (ROI), %	-6.2	-12.1		-1.1
Equity ratio, %	49.7	46.3		55.5
Gearing, %	52.0	58.1		31.7
Gross investments, EUR 1,000	785*	1,120	-30	2,353
Gross investments, % of net sales	2	3		3
Contingent liabilities, EUR 1,000	35,363	40,425	-13	37,365
Average personnel	478	529	-10	526
Personnel at the end of the period	485	559	-13	502
Number of shares at the end of the period	8,089,610	8,089,610		8,089,610
Number of shares outstanding, average	8,089,610	8,089,610		8,089,610

*Does not include machinery and equipment acquired under finance lease agreements (EUR 187 thousand).

SEGMENT INFORMATION

(EUR 1,000)	1-6/2014	1-6/2013	Change, %	1-12/2013
Marimekko business				
Net sales	41,250	43,667	-6	94,007
Operating result	-1,229	-2,448	50	82
Assets	48,019	55,708	-14	48,648

NET SALES BY MARKET AREA

(EUR 1,000)	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/2013
Finland	11,957	12,696	-6	21,993	23,182	-5	52,159
Retail sales	8,798	9,212	-4	15,003	15,508	-3	35,107
Wholesale sales	3,065	3,376	-9	6,817	7,446	-8	16,491
Royalties	94	108	-13	173	228	-24	562
Scandinavia	1,976	1,720	15	3,883	3,599	8	8,152
Retail sales	1,332	1,041	28	2,393	1,846	30	4,355
Wholesale sales	644	679	-5	1,490	1,753	-15	3,796
Royalties	-	-	-	-	-	-	-
EMEA*	1,876	1,915**	-2	3,739	3,922**	-5	7,702**
Retail sales	399	347	15	718	631	14	1,408
Wholesale sales	1,460	1,544**	-5	2,947	3,242**	-9	6,194**
Royalties	36	25	44	74	50	48	100
North America	2,040	2,404	-15	3,551	4,275	-17	8,534
Retail sales	1,513	1,497	1	2,642	2,600	2	5,587
Wholesale sales	464	749	-38	784	1,406	-44	2,511
Royalties	64	159	-60	126	270	-53	436
Asia-Pacific	4,025	4,220**	-5	8,083	8,688**	-7	17,460**
Retail sales	501	504	-1	1,015	1,008	1	2,300
Wholesale sales	3,501	3,716**	-6	7,064	7,679**	-8	15,158**
Royalties	5	2	166	5	2	166	2
International sales, total	9,918	10,261	-3	19,257	20,485	-6	41,848
Retail sales	3,745	3,388	11	6,768	6,084	11	13,651
Wholesale sales	6,069	6,687	-9	12,285	14,080	-13	27,659
Royalties	104	185	-44	204	321	-36	538
Total	21,874	22,957	-5	41,250	43,667	-6	94,007
Retail sales	12,542	12,600	0	21,770	21,592	1	48,757
Wholesale sales	9,134	10,063	-9	19,102	21,525	-11	44,150
Royalties	198	294	-33	377	550	-31	1,100

* The market area of Central and Southern Europe previously referred to in Marimekko's financial disclosures has changed to EMEA (Europe and Middle East Area) as a result of the partnership initiated in the Middle East during the period under review.

** Previously reported comparison figures for net sales by market area have been adjusted due to the above-mentioned change in market areas.

NET SALES BY PRODUCT LINE

(EUR 1,000)	4-6/ 2014	4-6/ 2013	Change, %	1-6/ 2014	1-6/ 2013	Change, %	1-12/ 2013
Fashion	8,608	8,300	4	16,635	16,325	2	33,979
Home	8,459	9,235	-8	16,020	17,422	-8	38,577
Bags & accessories	4,807	5,422	-11	8,596	9,920	-13	21,452
TOTAL	21,874	22,957	-5	41,250	43,667	-6	94,007

QUARTERLY TREND IN NET SALES AND EARNINGS

(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
(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