

marimekko

A woman with short brown hair is wearing a black and white vertically striped dress. She is looking down and to the side, with her head tilted. The dress has a buttoned placket and a gathered waist. The background is a bright, cloudy sky.

Interim Report 1-3/2018

9 May 2018
Tiina Alahuhta-Kasko



Q1/2018 in brief

- + Net sales grew by 7% and international sales by 14%.
- + Growth in net sales was generated primarily by Finnish wholesale sales as well as wholesale sales and royalties in the Asia-Pacific region.
 - Wholesale sales in Finland grew due to nonrecurring promotional deliveries.
- + Operating profit improved, boosted by growth in net sales.
- Retail sales in Finland fell due to a change in the timing of the company's biannual sales promotion.
- Operating profit was weakened by a decline in relative sales margin, due mainly to an increase in the share of wholesale sales of net sales.

Key events

Worldwide launch of two limited edition collaboration collections: one with the Japanese clothing brand Uniqlo and the other with the cosmetics brand Clinique

New Marimekko stores in Shanghai, China and Takamatsu, Japan; opening of Marimekko's revamped flagship store in Stockholm, Sweden

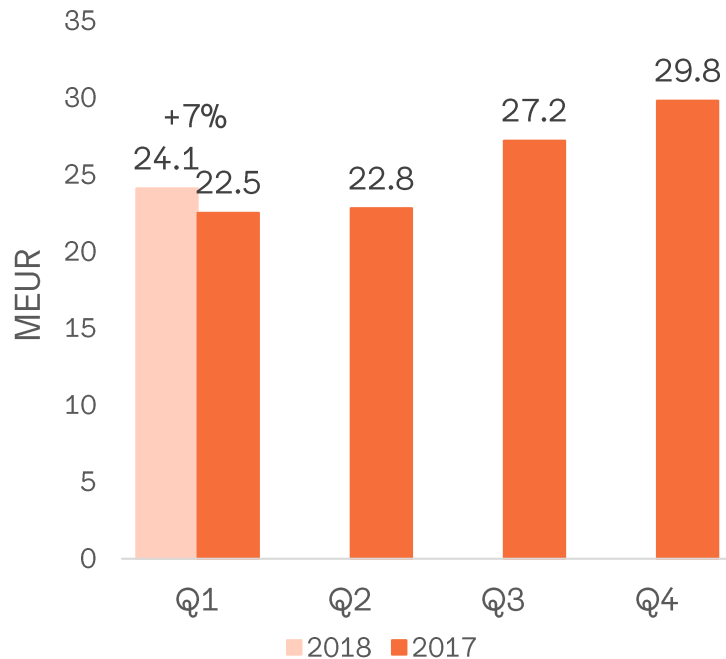
Presentation of Marimekko's fall/winter 2018 ready-to-wear collection at Paris Fashion Week

Key figures

- Net sales EUR 24.1 million (22.5)
- Brand sales EUR 57.6 million (44.7)
- EBITDA EUR 1.9 million (1.7)
- Comparable EBITDA EUR 1.9 million (2.0)
- Operating profit EUR 1.2 million (0.9)
- Comparable operating profit EUR 1.2 million (1.1)
- Earnings per share EUR 0.08 (0.07)

**Net sales and
operating result**

Net sales Q1/2018



Net sales +7% to EUR 24.1 million (22.5)

- retail sales -4%
- wholesale sales +15%

International sales +14% to EUR 12.2 million (10.7)

- retail sales -3%
- wholesale sales +16%

Sales in Finland +1% to EUR 11.9 million (11.8)

- retail sales -5% (like-for-like -10%*)
- wholesale sales +13%

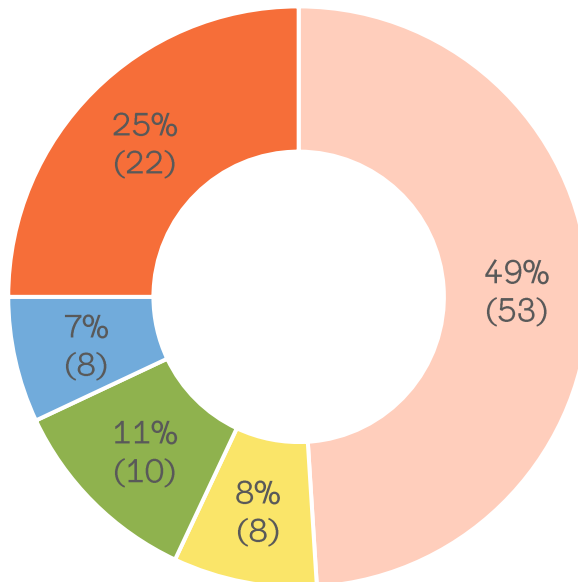
MEUR	1-3/2018	1-3/2017	Change, %
Finland	11.9	11.8	1
Scandinavia	1.9	1.8	8
EMEA	2.6	2.1	22
North America	1.6	1.7	-8
Asia-Pacific	6.1	5.1	20
TOTAL	24.1	22.5	7

*Includes both bricks-and-mortar and online sales.

Net sales by market area and by product line

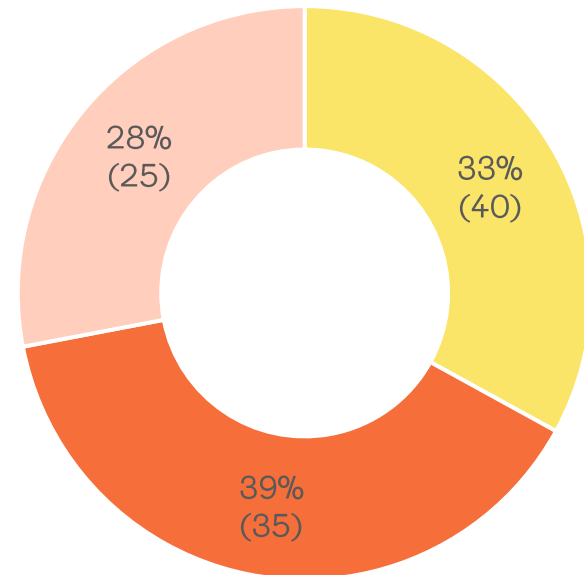
Net sales by market area
Q1/2018

Finland Scandinavia EMEA
North America Asia-Pacific

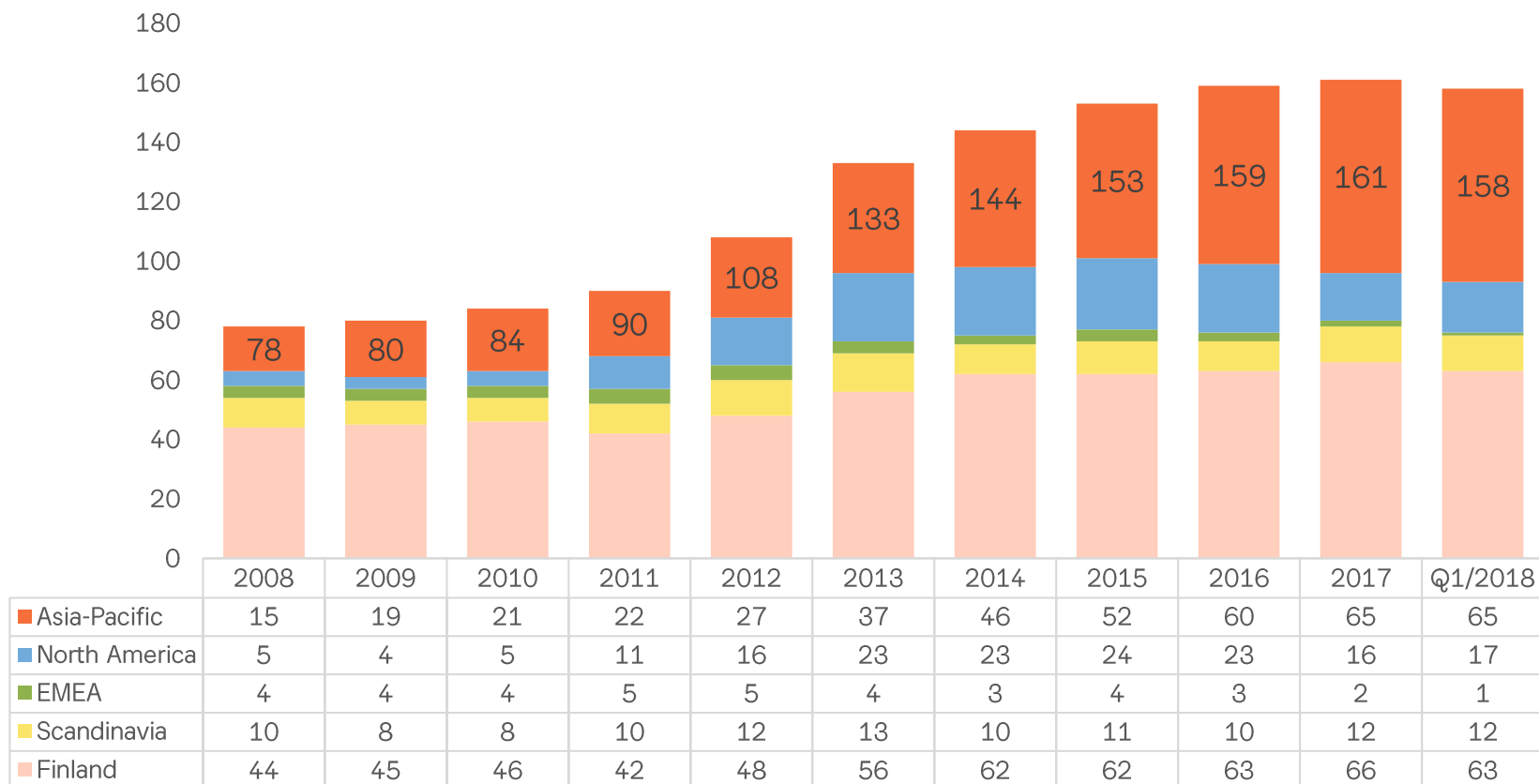


Net sales by product line
Q1/2018

Fashion Home Bags & Accessories



158 stores* at the end of March 2018

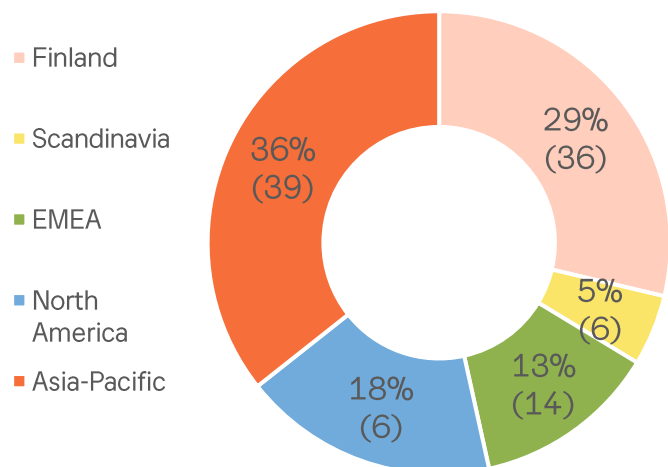


*Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 56 at the end of March 2018 (55).

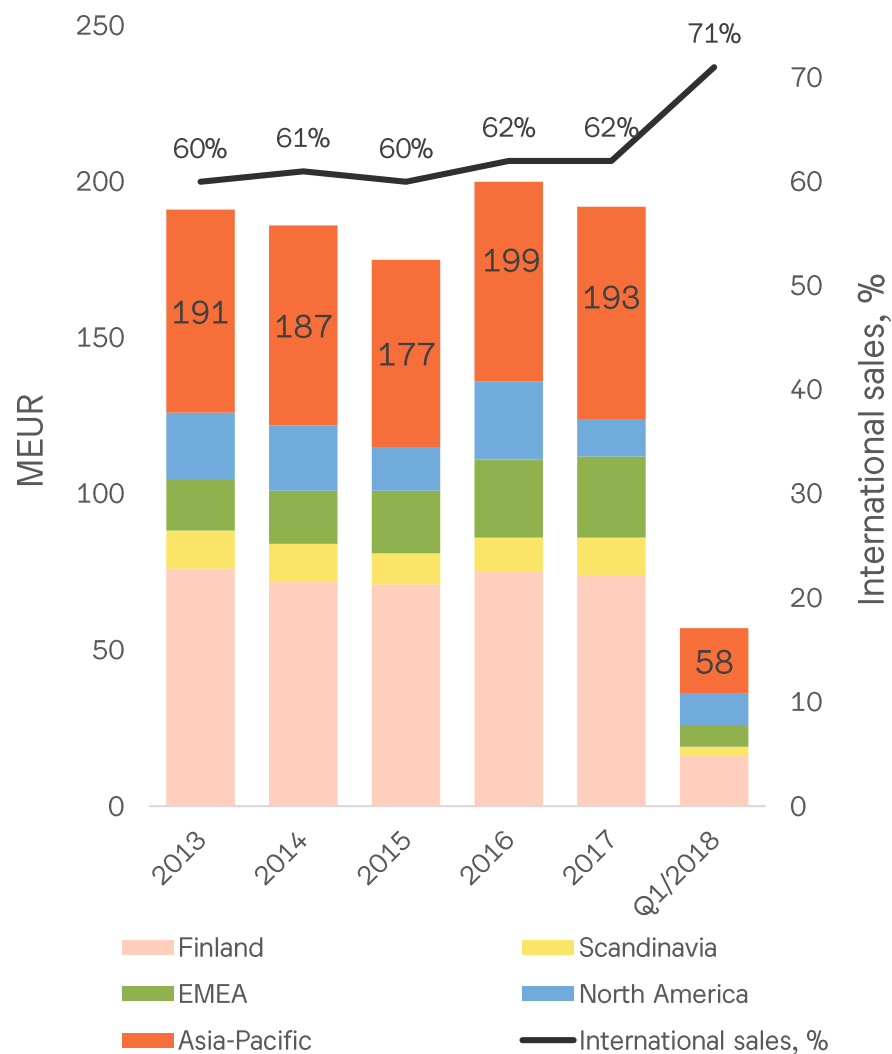
Marimekko brand sales

In Q1, 71% of the brand sales came from abroad (64)

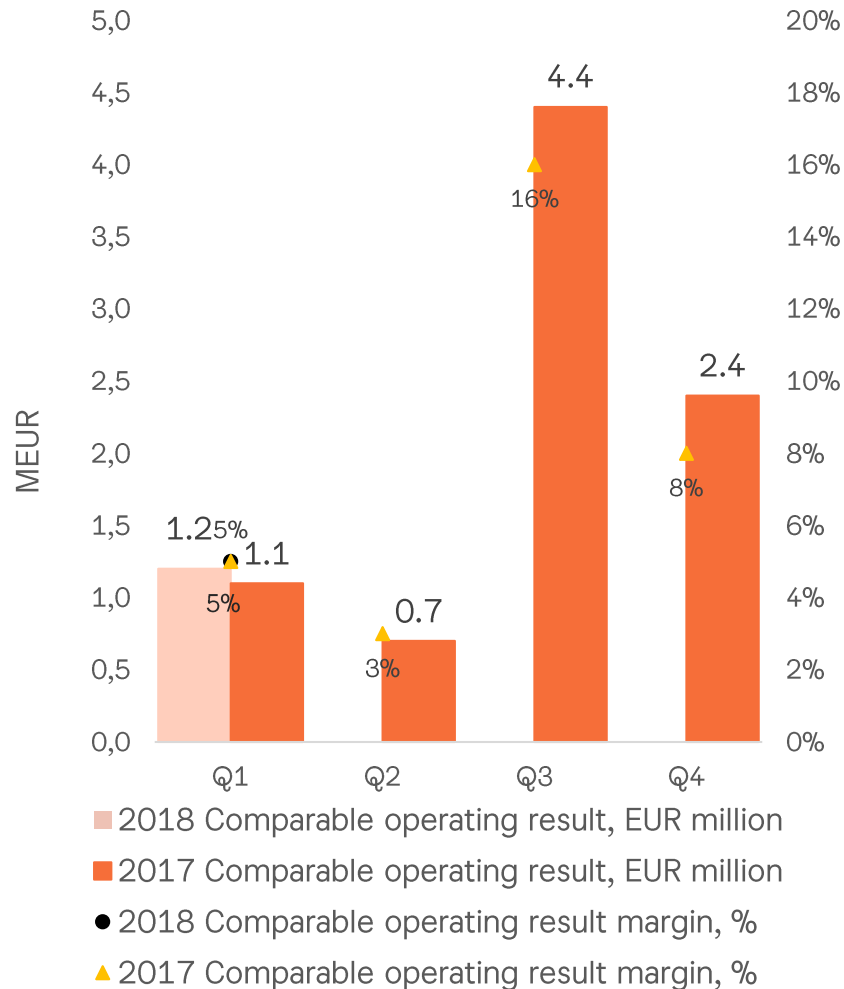
Brand sales by market area
Q1/2018



MEUR	Q1/2018	Q1/2017	Change, %
Finland	16.4	16.3	1
Scandinavia	2.8	2.5	13
EMEA	7.3	6.1	19
North America	10.3	2.6	293
Asia-Pacific	20.7	17.2	20
TOTAL	57.6	44.7	29



Operating profit Q1/2018



Operating profit EUR 1.2 million (0.9)

Comparable operating profit EUR 1.2 million (1.1)

- + Growth in net sales
- Decline in relative sales margin
 - share of wholesale sales of net sales higher than in the comparison period

Key figures

	1-3/2018	1-3/2017	Change, %	2017
Net sales, EUR million	24.1	22.5	7	102.3
International sales, EUR million	12.2	10.7	14	46.6
<i>% of net sales</i>	51	47		46
EBITDA, EUR million	1.9	1.7	11	11.7
Comparable operating result, EUR million	1.2	1.1	3	8.6
<i>Comparable operating result margin, %</i>	4.8	5.0		8.4
Result for the period, EUR million	0.6	0.6	11	5.7
Earnings per share, EUR	0.08	0.07	11	0.70
Cash flow from operating activities, EUR million	-1.9	-1.1	64	9.8
<i>Return on investment (ROI), %</i>	20.9	20.0		21.6
<i>Equity ratio, %</i>	66.9	62.5		65.2
<i>Gearing, %</i>	-2.1	13.5		-9.4
Gross investments, EUR million	0.4	0.3	37	1.2
Contingent liabilities, EUR million	24.3	35.3	-31	25.7
Personnel at the end of the period	416	414	0	446
outside Finland	103	99	4	122

**Events during
the period**



Marimekko and prestige cosmetic brand Clinique announced their collaboration. The Marimekko for Clinique Limited Edition Collection was launched worldwide in January/February.



New Marimekko stores were opened in Shanghai, China and Takamatsu, Japan. Also, Marimekko's revamped flagship store in Stockholm opened its doors.



At the end of March 2018, Marimekko and UNIQLO, a Japanese global apparel retailer, launched a limited edition collaboration collection.



Marimekko successfully presented its fall/winter ready-to-wear collection at Paris Fashion Week in March 2018.



Events after the end of the review period

In April 2018, Marimekko announced that it has sold its head office building in Herttoniemi, Helsinki to the Finnish Real Estate Fund Finland III Ky, a fund of OP Financial Group. Marimekko also signed a long-term lease agreement and will remain as a tenant in the building.

The cash and debt free selling price was EUR 10.4 million. As a result of the transaction, Marimekko will book a non-recurring taxable capital gain of about EUR 6 million in the second quarter of 2018, and the estimated cash flow impact before taxes will be about EUR 9 million. In addition, OP has committed to invest in renovating the building.

As a result of the transaction, Marimekko's expenses are estimated to increase by about EUR 1 million and depreciation to decrease by about EUR 0.5 million annually.

Market outlook and growth targets for 2018

Finland

- Finland represents about half of the company's net sales.
- Growth in retail trade in Finland is forecast to be at a fairly good level.
- Nonrecurring promotional deliveries will have a positive impact on the company's sales in 2018. About half of the deliveries are due in the second quarter and the remainder is fairly evenly distributed over the other quarters of the year.
- Marimekko's sales in Finland are expected to grow in 2018.

The Asia-Pacific region


- The Asia-Pacific region, Marimekko's second-biggest market, plays a significant part in the company's internationalisation.
- Japan is clearly the most important country to Marimekko in this region; the other countries' combined share of the company's net sales is still relatively small, as operations in these markets are in fairly early stages.
- Sales in Japan are supported by enhancing the operations of stores and by optimising the product range.
- Sales in the Asia-Pacific region in 2018 are forecast to grow, and the company sees increasing demand for its products in this area especially in the longer term.

Also

- Royalty income in 2018 is expected to be roughly on a par with the previous year.
- The expenses of marketing operations in 2018 are forecast to be higher than in 2017 (EUR 4.5 million). The total investments are estimated to grow relative to the previous year (EUR 1.2 million).
- Due to the seasonal nature of Marimekko's business, the major portion of the company's net sales and earnings are traditionally generated during the last two quarters of the year. The share of holiday sales, in particular, of the company's net sales for the last quarter is considerable and the outcome of the holiday season has a significant impact on results for the whole year.

Growth targets for 2018

- The main thrust in expansion remains on openings of retailer-owned Marimekko stores.
- The company's own e-commerce and other online sales channels are forecast to continue to grow.
- The aim is to open around 10–15 new Marimekko stores and shop-in-shops.
- The company will continue the enhancement of the operations of Marimekko stores opened in recent years.



Financial guidance for 2018 (unchanged)

The Marimekko Group's net sales and comparable operating profit for 2018 are forecast to be at the same level as or higher than in the previous year.

Share price, previous 12 months



■ Marimekko Corporation ■ Nasdaq Helsinki

Appendices

Income statement

MEUR	1-3/2018	1-3/2017
NET SALES	24.1	22.5
Other operating income	0.1	0.1
Use of materials and consumables*	-9.0	-7.8
Employee benefit expenses	-6.3	-6.2
Depreciation and impairments	-0.8	-0.9
Other operating expenses	-7.0	-6.8
OPERATING PROFIT	1.2	0.9
Net financial items	-0.4	-0.2
RESULT BEFORE TAXES	0.8	0.7
Income taxes	-0.2	-0.2
NET RESULT	0.6	0.6

*Sum of "Increase/decrease in inventories of completed and unfinished products" and "Raw materials and consumables".

Balance sheet

MEUR	31.3.2018	31.3.2017	MEUR	31.3.2018	31.3.2017
Non-current assets	12.9	15.1	Equity	31.3	28.9
Inventories	21.0	21.7	Financial liabilities and finance lease liabilities	3.1	6.4
Other current assets	9.0	6.8	Other non-current liabilities	-	-
Cash and cash equivalents	4.0	2.7	Current liabilities	12.5	11.0
TOTAL ASSETS	46.9	46.3	SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	46.9	46.3

Cash flow statement

MEUR	1-3/2018	1-3/2017
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGE IN WORKING CAPITAL	1.9	1.7
Change in working capital	-3.2	-2.7
CASH FLOW FROM OPERATING ACTIVITIES BEFORE FINANCIAL ITEMS AND TAXES	-1.4	-1.0
Financial items and taxes	-0.5	-0.2
CASH FLOW FROM OPERATING ACTIVITIES	-1.9	-1.1
Cash flow from investing activities	-0.3	-0.2
CASH FLOW BEFORE FINANCING ACTIVITIES	-2.1	-1.4
Net change in long-term loans and payment of finance lease liabilities	-0.1	0.6
CHANGE IN CASH AND CASH EQUIVALENTS	-2.2	-0.7
Cash and cash equivalents at the beginning of the period	6.2	3.5
Cash and cash equivalents at the end of the period	4.0	2.7

Largest shareholders, 31 March 2018

Quoted on Nasdaq Helsinki - Consumer goods

- 1999, I list
- 2002, main list

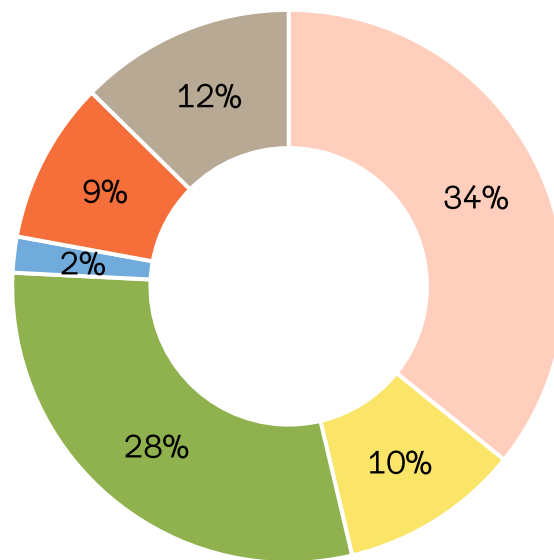
Market cap ~ EUR 107.2 million

7,763 shareholders

Largest shareholders, 31 March 2018	No. of shares and votes	%
Muotitila Oy	1,297,700	16.04
Moomin Characters Oy Ltd	615,000	7.60
Ehnröoth Anna Sophia	400,377	4.95
Varma Mutual Pension Insurance Company	385,920	4.77
Oy Etra Invest Ab	236,823	2.93
Odin Finland	231,301	2.86
Veritas Pension Insurance Company Ltd.	220,000	2.72
Ilmarinen Mutual Pension Insurance Company	215,419	2.66
Aktia Europe Small Cap Equity Fund	138,900	1.72
Taaleri Micro Markka Equity Fund	100,000	1.24

Ownership by sector,
31 March 2018

- Households
- Financial and insurance corporations
- Non-financial corporations and housing corporations
- Non-profit institutions
- General government
- Nominee-registered and non-Finnish holders





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