



marimekko

Half-year Financial Report 1-6/2018

Marimekko Corporation, Half-year Financial Report, 9 August 2018 at 8.30 a.m.

The second quarter was strong: net sales grew by 24 percent and comparable operating profit improved markedly

The second quarter in brief

- Net sales grew by 24 percent to EUR 28.2 million (Q2/2017: 22.8). The growth was generated primarily by retail and wholesale sales in Finland and by wholesale sales in the Asia-Pacific region. In Finland, retail sales growth was partly attributable to a change in the timing of the annual spring sales promotion; wholesale sales rose due to nonrecurring promotion deliveries. About half of the full-year nonrecurring promotional deliveries took place in the second quarter. In the Asia-Pacific region, wholesale sales grew by 32 percent. Part of the growth was due to deliveries for the third quarter being transferred to the period under review.
- Operating profit grew to EUR 9.1 million (0.7). Operating profit included a EUR 6.0 million nonrecurring taxable capital gain from the sale of the company's head office. Comparable operating profit was EUR 3.1 million (0.7).
- Earnings were boosted by growth in net sales. A drag was exerted on results by a decline in relative sales margin, which was mainly due to wholesale sales accounting for a larger share of net sales than in the comparison period.
- The sale of the head office strengthened the company's financial position, and in the autumn the Board of Directors will examine various options to use the funds obtained from the transaction.

January-June in brief

- Net sales grew by 16 percent and were EUR 52.3 million (1-6/2017: 45.3). Sales rose in all market areas. In Finland, retail sales grew by 11 percent and wholesale sales by 27 percent. The growth in wholesale sales came from nonrecurring promotional deliveries; of the full-year promotional deliveries, part took place in the first quarter and roughly half were in the second quarter. In the Asia-Pacific region, wholesale sales rose by 22 percent. Part of the growth was due to deliveries for the third quarter being transferred to the preceding quarter.
- Operating profit improved to EUR 10.3 million (1.6) with the capital gain from the sale of the company's head office. Comparable operating profit was EUR 4.3 million (1.8).
- Operating profit was boosted by growth in sales, particularly in Finland and the Asia-Pacific region. A drag was exerted on results by a decline in relative sales margin, which was mainly due to wholesale sales accounting for a larger share of net sales than in the comparison period. Fixed costs were also higher and depreciation lower than in the comparison period.

Financial guidance for 2018 (specified)

Marimekko specifies its net sales estimate for 2018: net sales are forecast to be higher than in the previous year. The estimate of comparable operating profit remains unchanged.

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

In its interim report of 9 May 2018, the company estimated that the Group's net sales and comparable operating profit for 2018 would be at the same level as or higher than in the previous year.

KEY FIGURES

(EUR million)	4-6/ 2018	4-6/ 2017	Change, %	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Net sales	28.2	22.8	24	52.3	45.3	16	102.3
International sales	12.1	10.4	17	24.2	21.0	15	46.6
<i>% of net sales</i>	43	45		46	46		46
EBITDA	9.8	1.5		11.7	3.3		11.7
Comparable EBITDA	3.7	1.5	142	5.7	3.5	61	11.9
Operating result	9.1	0.7		10.3	1.6		8.4
Comparable operating result	3.1	0.7		4.3	1.8	136	8.6
<i>Operating result margin, %</i>	32.4	3.1		19.7	3.5		8.2
<i>Comparable operating result margin, %</i>	11.1	3.1		8.2	4.0		8.4
Result for the period	7.3	0.1		7.9	0.7		5.7
Earnings per share, EUR	0.90	0.01		0.98	0.08		0.70
Cash flow from operating activities	5.6	-1.6		3.7	-2.7		9.8
<i>Return on investment (ROI), %</i>				45.9	17.4		21.6
<i>Equity ratio, %</i>				68.9	54.0		65.2
Gross investments	0.4	0.4	0	0.8	0.7	15	1.2
Personnel at the end of the period				456	452	1	446
outside Finland				104	109	-5	122
Brand sales ¹	85.5	40.9	109	143.0	85.6	67	192.7
outside Finland	65.4	24.6	166	106.5	53.1	101	118.6
<i>proportion of international sales, %</i>	76	60		74	62		62
Number of stores				156	163	-4	161

The change percentages in the table were calculated on exact figures before the amounts were rounded to millions of euros. Reconciliation of key figures to IFRS can be found in the table section of this half-year financial report.

¹ Brand sales are given as an alternative non-IFRS key figure. Brand sales, consisting of estimated sales of Marimekko products at consumer prices, are calculated by adding together the company's own retail net sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's realised wholesale sales and royalty income, is unofficial and does not include VAT. The key figure is not audited.

TIINA ALAHUHTA-KASKO
President and CEO

“Our net sales grew by 24 percent and our international sales by 17 percent in the second quarter of 2018. Our comparable operating profit improved markedly. I think we can be quite pleased with the positive trend in our net sales, which was also partly strengthened by timing-related factors.



“In the April-June period of 2018, our net sales rose to EUR 28.2 million (22.8). Growth in retail and wholesale sales in Finland and a favourable trend in wholesale sales in the Asia-Pacific region were key factors behind the strong quarter. Our operating profit grew to EUR 9.1 million (0.7), which included a EUR 6.0 million nonrecurring taxable capital gain from the sale of our head office. Our comparable operating profit was EUR 3.1 million (0.7). We reported in April that we had sold our head office to a fund of OP Financial Group. As a result of this transaction, our expenses will grow by roughly EUR 1 million and depreciation will decline by about EUR 0.5 million annually. The sale of the head office strengthened our financial position, and in the autumn the Board of Directors will examine various options to use the funds obtained from the transaction.

“In the January-June period of 2018, our net sales grew by 16 percent and our operating profit rose to EUR 10.3 million (1.6) with the capital gain from the sale of our head office. Our comparable operating profit was EUR 4.3 million (1.8). All in all, the first half of the year was strong and our net sales grew in all market areas. In Finland, the general recovery in retailing continued. Our retail sales grew by 11 percent, and I think it is excellent that this growth was faster than the overall trend in the sector. Our wholesale sales in Finland were positively affected by nonrecurring promotional deliveries. Of the full-year promotional deliveries, roughly half took place in the second quarter and the remainder is spread fairly evenly throughout the rest of the year. Wholesale sales in the Asia-Pacific region also showed gratifying growth. Part of the growth was due to the fact that deliveries for the third quarter were transferred to the preceding quarter.

“In the first half of the year, signs were visible that the new direction for our collections and our brand was working well. This encourages us to continue the long-term work by which we seek clearly stronger growth than before. Our core objective is for our products to appeal to a wider customer base. The key drivers of our growth are e-commerce, partner-led retail in Asia, and boosting sales per square metre in Marimekko stores. I am pleased that we have taken steps in the right direction in all these areas. The worldwide launch of the limited-edition collaboration collections with the clothing brand Uniqlo and the cosmetics brand Clinique has this year increased our international visibility and brand sales to an exceptional degree.

“Towards the end of the year, we will enhance our own investment in marketing and raising our brand profile in China. Our aim is to start online selling of Marimekko products so that we can, together with our local partner, offer our customers an omnichannel experience in this market as well. For this reason, we set up a subsidiary in China in July. China is one of the world’s most advanced and rapidly developing online marketplaces. Launching online sales there will give us a real vantage point and provide valuable lessons for all our online operations in the future development of digital business.”

OPERATING ENVIRONMENT

Uncertainty over the global economy continues, due partly to the unpredictability of the political situation. Growth is picking up speed, but at the same time the risks are increasing. The global economy is forecast to grow at a rate of almost 4 percent in 2018. In the euro area, growth is estimated to slow slightly and confidence is softening. In the US, political uncertainty continues but growth is expected to strengthen in the next few months. The risks of an end to growth have increased, however, as growth in the US has been ongoing for a long time. In Asia, growth is forecast to continue to be brisk. China's economy is still strong but indebtedness is causing concern.

The Finnish economy has remained buoyant. Exports continue at a good pace and growth in fixed investments has been strong. Current economic conditions are better than the average, and growth is expected to continue for the next few months. In retail trade, growth accelerated in early summer and is forecast to continue at the same rate for the rest of the year. Retail trade confidence strengthened in April 2018 and in June it was above the average for the EU countries. In the May-July period, consumer confidence continued to be strong. Consumers' expectations for both their own and the Finnish economy are still good.

(Confederation of Finnish Industries EK: Economic Review, June 2018; Business Tendency Survey, May 2018 and August 2018; Confidence Indicators, July 2018. Statistics Finland: Consumer Survey, July 2018.)

In the January-June period of 2018, the value of retail sales in Finland rose by 3.2 percent and the volume of sales grew by 2.4 percent on the same period last year. In May sales were up by 5.5 and in June by 1.2 percent. (Statistics Finland: Turnover of Trade, May 2018 and June 2018)

NET SALES

Net sales in the second quarter

In the April-June period of 2018, the Group's net sales rose by 24 percent relative to the same period last year and were EUR 28,213 thousand (22,769). Retail sales grew by 22 percent and wholesale sales by 31 percent. Net sales grew in all of the company's market areas; sales in Finland rose by 30 percent and international sales by 17 percent.

Net sales in Finland were EUR 16,153 thousand (12,418). Retail sales rose by 25 percent and comparable retail sales by 30 percent². The growth in retail sales was partly attributable to a change in the timing of the annual spring sales promotion. This year the promotion took place entirely within the second quarter, whereas last year it was held at the turn of March and April. Also, the relocation of the main warehouse in the same period last year resulted in lost sales. Wholesale sales grew by 45 percent due to nonrecurring promotional deliveries. Roughly half of the nonrecurring promotional deliveries for the full year took place in the second quarter

In the company's second-largest market, the Asia-Pacific region, net sales grew by 24 percent to EUR 5,147 thousand (4,163). Wholesale sales in the region grew by 32 percent. In Japan, which is the most important country for Marimekko in this market area, wholesale sales rose by no less than 39 percent; successful product range optimisation was one of the factors contributing to the good sales trend. Part of the growth was due to the fact that deliveries for the third quarter were transferred to the period under review. Retail sales (Australia) fell by 5 percent. This was due to a clearance promotion in the comparison period, which was not carried out this year.

² Includes both bricks-and-mortar and online sales.

Net sales in the January-June period

In the January-June period of 2018, the Group's net sales grew by 16 percent to EUR 52,302 thousand (45,263). Retail sales rose by 10 percent and wholesale sales by 22 percent. Net sales in Finland grew by 16 percent and international sales by 15 percent.

Net sales in Finland rose to EUR 28,064 thousand (24,239). Retail sales grew by 11 percent and comparable retail sales also by 11 percent². Wholesale sales rose by 27 percent due to nonrecurring promotional deliveries. Of the full-year promotional deliveries, part took place in the first quarter and roughly half were in the second quarter.

In the Asia-Pacific region, net sales rose by 22 percent to EUR 11,224 thousand (9,213). Wholesale sales in the region grew by 22 percent. In Japan, wholesale sales rose by 20 percent, partly due to successful product range optimisation. Part of the growth was also due to deliveries for the third quarter being transferred to the preceding quarter. Retail sales (Australia) fell by 2 percent.

NET SALES BY MARKET AREA

(EUR 1,000)	4-6/ 2018	4-6/ 2017	Change, %	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Finland	16,153	12,418	30	28,064	24,239	16	55,690
Scandinavia	2,215	1,851	20	4,122	3,618	14	8,469
EMEA	2,274	2,256	1	4,887	4,400	11	9,743
North America	2,424	2,080	17	4,005	3,794	6	8,261
Asia-Pacific	5,147	4,163	24	11,224	9,213	22	20,161
International sales, total	12,060	10,350	17	24,238	21,025	15	46,635
Total	28,213	22,769	24	52,302	45,263	16	102,324

All figures in the table have been individually rounded to thousands of euros, so there may be rounding differences in the totals. A more comprehensive table with breakdown into retail sales, wholesale sales and royalties by market area can be found in the table section of this half-year financial report.

FINANCIAL RESULT

In the April-June period of 2018, the Group's operating profit grew relative to the comparison period and was EUR 9,145 thousand (698). Operating profit included a nonrecurring taxable capital gain of EUR 6,027 thousand from the sale of the company's head office. Comparable operating profit was EUR 3,118 thousand (698). The result was boosted especially by growth in retail and wholesale sales in Finland as well as by increased wholesale sales in the Asia-Pacific region. The growth in Finnish wholesale sales was attributable to nonrecurring promotional deliveries. Of the full-year nonrecurring promotional deliveries, roughly half took place in the second quarter. A drag was exerted on results by a decline in relative sales margin, which was mainly due to wholesale sales accounting for a larger share of net sales than in the comparison period. Fixed costs were also higher and depreciation lower than in the comparison period.

In the January-June period of 2018, the Group's operating profit grew relative to the comparison period and reached EUR 10,299 thousand (1,577). Operating profit included a nonrecurring taxable capital gain of EUR 6,027 thousand from the sale of the company's head office. In 2017, the corresponding period's operating profit included a restructuring expense of EUR 237 thousand. Comparable operating profit was EUR 4,272 thousand (1,813). Operating profit was improved by growth in retail and wholesale sales in Finland as well as by increased wholesale sales in the Asia-Pacific region. The growth in Finnish wholesale sales was attributable to nonrecurring promotional deliveries. Of the full-year promotional deliveries, part

took place in the first quarter and roughly half were in the second quarter. A drag was exerted on results by a decline in relative sales margin, which was mainly due to wholesale sales accounting for a larger share of net sales than in the comparison period. Fixed costs were also higher and depreciation lower than in the comparison period.

In the January-June period, marketing expenses were EUR 2,590 thousand (2,288), or 5 percent of the Group's net sales (5).

The Group's depreciation and impairments in the first half of the year amounted to EUR 1,382 thousand (1,696), or 3 percent of net sales (4).

In the January-June period, operating profit margin was 19.7 percent (3.5) and comparable operating profit margin 8.2 percent (4.0). In the second quarter of the year, operating profit margin was 32.4 percent (3.1) and comparable operating profit margin 11.1 percent (3.1).

Net financial expenses in the January-June period were EUR 114 thousand (710), or 0 percent of net sales (2). Foreign exchange changes recorded in net financial items were EUR -48 thousand (-596).

Result for the first half of the year before taxes was EUR 10,185 thousand (866). Result after taxes was EUR 7,925 thousand (664) and earnings per share were EUR 0.98 (0.08).

BALANCE SHEET

The consolidated balance sheet total as at 30 June 2018 was EUR 50,483 thousand (47,903). Equity attributable to the equity holders of the parent company was EUR 34,398 thousand (25,819), or EUR 4.25 per share (3.19).

Non-current assets at the end of June 2018 stood at EUR 5,421 thousand (14,540). The change was due to the sale of the company's head office in the second quarter.

At the end of the period under review, net working capital was EUR 13,949 thousand (20,480). Inventories were EUR 20,991 thousand (22,437).

CASH FLOW AND FINANCING

In the April-June period of 2018, cash flow from operating activities was EUR 5,552 thousand (-1,612), or EUR 0.69 per share (-0.20). Cash flow before cash flow from financing activities was EUR 15,772 thousand (-1,954). This was boosted by the sale of the company's head office in Finland.

In the January-June period, cash flow from operating activities was EUR 3,690 thousand (-2,746), or EUR 0.46 per share (-0.34). Cash flow before cash flow from financing activities was EUR 13,629 thousand (-3,318). This was boosted by the sale of the company's head office in Finland in the second quarter.

The Group's financial liabilities at the end of the period under review were EUR 399 thousand (12,021).

At the end of the review period, the Group's cash and cash equivalents amounted to EUR 15,460 thousand (2,861). In addition, the Group had unused committed long- and short-term credit lines of EUR 13,000 thousand (9,348).

The Group's equity ratio at the end of the period was 68.9 percent (54.0). Gearing was -43.8 percent (35.5).

INVESTMENTS

The Group's gross investments in the January-June period were EUR 780 thousand (680), or 1 percent of net sales (2). Most of the investments were devoted to the company's IT systems and store premises.

STORE NETWORK

At the end of the period under review, there were 156 Marimekko stores and shop-in-shops and the company's online store reached customers in 30 countries. E-commerce is of growing importance in the company's business. In addition to its own online store, the company also has distribution through other online channels. However, the proportion of online sales is not reported separately, as the integration of e-commerce and in-store retailing is growing constantly with digital service solutions.

STORES AND SHOP-IN-SHOPS

	30.6.2018	30.6.2017	31.12.2017
Finland	63	65	66
Scandinavia	11	11	12
EMEA	1	2	2
North America	17	21	16
Asia-Pacific	64	64	65
Total	156	163	161

A more comprehensive table with breakdown into the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops can be found in the table section of this half-year financial report.

PERSONNEL

In the January-June period of 2018, the number of employees averaged 431 (423). At the end of the period, the Group had 456 employees (452), of whom 104 (109) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 38 (42), EMEA 5 (5), North America 32 (36) and the Asia-Pacific region 29 (26). The personnel at company-owned stores totalled 257 (262) at the end of the period.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

The resolutions of Marimekko Corporation's Annual General Meeting 2018 have been reported in the stock exchange release of 12 April 2018 and in the interim report of 9 May 2018.

SHARES AND SHAREHOLDERS

Share capital and number of shares

At the end of the period under review, 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 7,800 shareholders at the end of the period under review (7,320). Of the shares, 10.3 percent were owned by nominee-registered or non-Finnish holders (10.9).

Marimekko Corporation held 7,412 of its own shares as at 30 June 2018. These shares accounted for 0.1 percent of the total number of the company's shares. Marimekko shares held by the company carry no voting rights and no entitlement to dividends.

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

Share trading and the company's market capitalisation

In the January-June period of 2018, a total of 743,089 Marimekko shares were traded, representing 9.2 percent of the shares outstanding. The total value of the share turnover was EUR 9,646,484. The lowest price of the share was EUR 9.92, the highest was EUR 15.00 and the average price was EUR 12.98. At the end of the period, the closing price of the share was EUR 14.90. The company's market capitalisation on 30 June 2018 was EUR 120,424,750, excluding the Marimekko shares held by the company (84,131,944).

Authorisations

The Annual General Meeting held on 12 April 2018 authorised the Board of Directors to decide on the acquisition of a maximum of 100,000 of the company's own shares. The authorisation is valid until 12 October 2019. The shares would be acquired with funds from the company's unrestricted equity, which means that the acquisition would reduce funds available for distribution. The shares would be acquired otherwise than in proportion to the shareholdings of the shareholders through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares would be acquired to be used as a part of the company's incentive compensation program, to be transferred for other purposes or to be cancelled. The authorisation includes the right of the Board of Directors to decide on all of the other terms and conditions of the acquisition of the shares.

In its stock exchange release of 18 May 2018, Marimekko announced that the company's Board of Directors had decided to start acquiring the company's own shares pursuant to the authorisation granted by the Annual General Meeting on 12 April 2018. The maximum number of shares to be acquired will be 20,000, representing about 0.25 percent of the total number of the company's shares. The shares are acquired through public trading on Nasdaq Helsinki at the market price prevailing at the time of acquisition. Purchases started on 1 June 2018 and will be concluded by the end of 2018. As at 30 June 2018, Marimekko held 7,412 of its own shares, representing 0.1 percent of the total number of the company's shares.

The General Meeting of 12 April 2018 also authorised the Board of Directors to decide on a share issue, against consideration in deviation from the shareholders' pre-emptive right, directed to the company's personnel or other personnel groups designated by the Board, including the company's freelance designers. The authorisation is valid until 12 October 2019. The total number of new shares to be offered for subscription pursuant to the authorisation may not exceed 150,000 shares. The authorisation includes the right of the Board of Directors to decide on all of the other terms and conditions of the share issue.

At the end of the review period, the Board of Directors had no valid authorisations to issue convertible bonds or bonds with warrants.

SALE AND LEASEBACK OF THE COMPANY'S HEAD OFFICE BUILDING IN HELSINKI

In its stock exchange release published on 11 April 2018, Marimekko announced that it had sold its head office building in Herttoniemi, Helsinki to the Finnish Real Estate Fund Finland III Ky, a fund of OP Financial Group. The building with total lettable area of approximately 11,000 square metres houses

Marimekko's head office, textile printing factory, and retail space of two stores. Marimekko has signed a long-term lease agreement and will continue to operate in its current premises.

Marimekko booked a EUR 6.0 million nonrecurring taxable capital gain on the transaction for the second quarter of 2018; the cash flow impact before taxes was EUR 10.5 million. In addition, OP has committed to invest in renovating the building. As a result of the transaction, Marimekko's expenses will increase by about EUR 1 million and depreciation will decrease by about EUR 0.5 million annually.

The sale of the head office strengthened the company's financial position, and in the autumn the Board of Directors will examine various options to use the funds obtained from the transaction.

EVENTS AFTER THE END OF THE REVIEW PERIOD

Marimekko set up a subsidiary in China in July 2018. The aim is to start online selling of Marimekko products in this market as well.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

Factors of uncertainty over the global economic trend affect the retail trade and consumer confidence in all of the company's market areas. The company's major strategic risks are associated with changes in consumers' purchasing behaviour and buying power, especially in Finland and Japan, which are the company's biggest single countries for business.

Near-term strategic risks include risks related to changes in the company's design, product assortment and product pricing. Digitisation in retail trade and the intensified competition and rapidly changing operating environment that this entails also bring risks. The company's ability to design, develop and commercialise new products that meet consumers' expectations while ensuring effective production, sourcing and logistics has an impact on the company's sales and profitability. International e-commerce increases the options available to consumers and multichannel business is of growing importance in the retail trade. Maintaining competitiveness in a rapidly changing operating environment being revolutionised by digitisation demands agility, efficiency and the constant re-evaluation of operations.

The company's growth is based primarily on opening retailer-owned Marimekko stores and shop-in-shops and expanding e-commerce as well as setting up company-owned stores and concession shop-in-shops in the company's main market areas. The Asia-Pacific region is Marimekko's second-biggest market, and it plays an important role in the company's growth and internationalisation. Changes in distribution channel solutions may impact the company's sales and profitability. Major partnership choices, partnering contracts and other collaboration agreements involve considerable risks. Store lease agreements in Finland and abroad also contain risks.

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 value and reputation of the company. Agreements with freelance designers and fees paid to designers based on these agreements are also an essential part of the management of intellectual property rights.

The company's operational risks prominently include those related to the management and success of modernisation and internationalisation, changes in procurement and logistics processes, and changes in the prices of raw materials and other procurement items. Information system functionality and reliability also involve risks; malfunctions, for example in data communications or in the company's own online store, can disrupt business momentarily. The company primarily uses subcontractors to manufacture its products. Of the sustainability aspects of manufacturing, those related to the supply chain and enhancing its transparency, in particular, are of growing significance to customers. Compliance with sustainable business methods is important in maintaining customers' confidence; any failures or errors in this area

will involve reputation risks. Any delays or disturbances in supply, or fluctuations in the quality of products, may have a harmful impact on business. As product distribution is expanded and operations are diversified, risks associated with inventory management also grow. As Marimekko is a small company, ongoing modernisation and development projects increase risks related to key personnel.

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

MARKET OUTLOOK AND GROWTH TARGETS FOR 2018

Uncertainty in the global economy is forecast to continue, partly because of the unpredictability of the political situation. Consumer demand forecasts vary among Marimekko's different market areas.

Finland, Marimekko's important domestic market, represents about half of the company's net sales. Growth in retail trade is forecast to be at a fairly good level. Sales in 2018 are positively impacted by nonrecurring promotional deliveries; about half of the deliveries took place in the second quarter and the remainder is fairly evenly distributed over the other quarters of the year. In 2017 there were no similarly large deliveries. Marimekko's sales in Finland are expected to grow in 2018.

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 in this region to Marimekko; 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. Japan already has a very comprehensive network of Marimekko stores, and new ones are being opened at a rate of a few stores per year. Sales are supported by enhancing the operations of stores and by optimising the product range. Sales in the Asia-Pacific region this year are forecast to grow. The company sees increasing demand for its products in this area especially in the longer term.

In 2018, the main thrust in expansion remains on openings of retailer-owned Marimekko stores, and continuing growth is expected in the company's own e-commerce and other online sales channels. 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.

Royalty income is forecast 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. In 2018, net sales and earnings for the second quarter were to some extent boosted by timing-related factors. Sales growth in Finland was partly attributable to a change in the timing of the annual spring sales promotion, in addition to nonrecurring promotional deliveries, and part of the growth in wholesale sales in the Asia-Pacific region was due to deliveries for the third quarter being transferred to the preceding quarter. 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.

FINANCIAL CALENDAR FOR 2018

The interim report for the January-September period will be issued on Thursday 1 November 2018 at 8.30 a.m.

Helsinki, 8 August 2018

Marimekko Corporation
Board of Directors

The quarterly results for 2018 are unaudited. There may be differences in totals due to rounding to the nearest thousand euros.

ACCOUNTING PRINCIPLES

This half-year financial report was prepared in compliance with IAS 34. Marimekko has applied the same accounting principles in this report as were applied in its 2017 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 2017. The adoption of the IFRS 15 and IFRS 9 standards has had no effect on the Group's revenue recognition principles or, hence, on the figures stated for the financial year. Review of the impacts of the IFRS 16 standard will continue for the next half-year.

APPENDICES

Consolidated income statement and comprehensive consolidated income statement
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Consolidated cash flow statement
Consolidated statement of changes in shareholders' equity
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Reconciliation of key figures to IFRS
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Stores and shop-in-shops
Net sales by product line
Quarterly trend in net sales and earnings
Formulas for key figures

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	4-6/2018	4-6/2017	1-6/2018	1-6/2017	1-12/2017
NET SALES	28,213	22,769	52,302	45,263	102,324
Other operating income	6,106	127	6,221	233	406
Increase (-) or decrease (+) in inventories of completed and unfinished products	139	1,311	164	1,961	294
Raw materials and consumables	-10,900	-9,258	-19,896	-17,742	-37,401
Employee benefit expenses	-6,250	-6,113	-12,599	-12,356	-24,543
Depreciation and impairments	-617	-845	-1,382	-1,696	-3,308
Other operating expenses	-7,546	-7,292	-14,511	-14,086	-29,413
OPERATING RESULT	9,145	698	10,299	1,577	8,360
Financial income	45	2	67	3	39
Financial expenses	202	-557	-181	-714	-1,269
	247	-555	-114	-710	-1,230
RESULT BEFORE TAXES	9,392	144	10,185	866	7,130
Income taxes	-2,094	-45	-2,260	-202	-1,470
NET RESULT FOR THE PERIOD	7,299	98	7,925	664	5,660
Distribution of net result to equity holders of the parent company	7,299	98	7,925	664	5,660
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.90	0.01	0.98	0.08	0.70

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Net result for the period	7,299	98	7,925	664	5,660
Items that could be reclassified to profit or loss at a future point in time					
Change in translation difference	-77	75	-55	75	-71
COMPREHENSIVE RESULT FOR THE PERIOD	7,222	173	7,870	739	5,589
Distribution of net result to equity holders of the parent company	7,222	173	7,870	739	5,589

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	30.6.2018	30.6.2017	31.12.2017
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	809	1,073	1,145
Tangible assets	4,596	13,254	12,107
Available-for-sale financial assets	16	16	16
Deferred tax assets	-	198	66
	5,421	14,540	13,333
CURRENT ASSETS			
Inventories	20,991	22,437	20,921
Trade and other receivables	8,608	7,997	6,647
Current tax assets	2	68	0
Cash and cash equivalents	15,460	2,861	6,212
	45,061	33,363	33,780
ASSETS, TOTAL	50,483	47,903	47,113
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	8,040	8,040	8,040
Reserve for invested non-restricted equity	502	502	502
Treasury shares	-96	-	-
Translation differences	-103	98	-47
Retained earnings	26,055	17,179	22,175
Shareholders' equity, total	34,398	25,819	30,669
NON-CURRENT LIABILITIES			
Deferred tax liabilities	16	-	-
Financial liabilities	-	6,652	-
Finance lease liabilities	212	3,130	3,097
	228	9,782	3,097
CURRENT LIABILITIES			
Trade and other payables	14,430	10,021	12,519
Current tax liabilities	1,222	-	552
Provisions	18	42	32
Financial liabilities	-	2,000	-
Finance lease liabilities	187	239	244
	15,856	12,302	13,347
Liabilities, total	16,085	22,084	16,444
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	50,483	47,903	47,113

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)	1-6/2018	1-6/2017	1-12/2017
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	7,925	664	5,660
Adjustments			
Depreciation and impairments	1,382	1,696	3,308
Capital gains on fixed assets	-6,073	-	-
Financial income and expenses	114	710	1,230
Taxes	2,260	202	1,470
Cash flow before change in working capital	5,608	3,272	11,668
Change in working capital	-222	-4,678	416
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-1,897	-239	1,027
Increase (-) / decrease (+) in inventories	-71	-1,079	437
Increase (+) / decrease (-) in current non-interest-bearing liabilities	1,746	-3,360	-1,047
Cash flow from operating activities before financial items and taxes	5,386	-1,406	12,084
Paid interest and payments on other financial expenses	-196	-217	-433
Interest received	15	24	22
Taxes paid	-1,514	-1,147	-1,863
CASH FLOW FROM OPERATING ACTIVITIES	3,690	-2,746	9,810
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-581	-571	-978
Proceeds from sale of tangible and intangible assets	10,508		
Sale of other investments	11		
CASH FLOW FROM INVESTING ACTIVITIES	9 938	-571	-978
CASH FLOW FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	-96	-	-
Short-term loans drawn	-	2,000	2,000
Short-term loans paid	-	-	-2,000
Net change in long-term loans	-	4,058	-2,594
Finance lease liabilities paid	-240	-126	-273
Dividends paid	-4,045	-3,236	-3,236
CASH FLOW FROM FINANCING ACTIVITIES	-4,381	2,697	-6,103
Change in cash and cash equivalents	9,247	-621	2,730
Cash and cash equivalents at the beginning of the period	6,212	3,482	3,482
Cash and cash equivalents at the end of the period	15,460	2,861	6,212

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)		Equity attributable to equity holders of the parent company				
	Share capital	Reserve for invested non-restricted equity	Treasury shares	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity 1 January 2017	8,040	502		24	19,751	28,316
Comprehensive result						
Net result for the period					664	664
Translation differences				75		75
Total comprehensive result for the period				75	664	739
Transactions with owners						
Dividends paid					-3,236	-3,236
Shareholders' equity 30 June 2017	8,040	502		98	17,179	25,819
Shareholders' equity 1 January 2018	8,040	502		-47	22,175	30,669
Comprehensive result						
Net result for the period					7,925	7,925
Translation differences				-55		-55
Total comprehensive result for the period				-55	7,925	7,870
Transactions with owners						
Dividends paid					-4,045	-4,045
Acquisition of treasury shares			-96			-96
Shareholders' equity 30 June 2018	8,040	502	-96	-103	26,055	34,398

KEY FIGURES

	1-6/2018	1-6/2017	Change, %	1-12/2017
Earnings per share, EUR	0.98	0.08		0.70
Equity per share, EUR	4.25	3.19	33	3.79
Return on equity (ROE), %	42.9	20.0		19.2
Return on investment (ROI), %	45.9	17.4		21.6
Equity ratio, %	68.9	54.0		65.2
Gearing, %	-43.8	35.5		-9.4
Gross investments, EUR 1,000	780	680	15	1,210
Gross investments, % of net sales	1	2		1
Contingent liabilities, EUR 1,000	45,970	33,721	36	25,709
Average personnel	431	423	2	425
Personnel at the end of the period	456	452	1	446
Number of shares outstanding at the end of the period	8,082,198	8,089,610		8,089,610
Average number of shares outstanding	8,088,953	8,089,610		8,089,610

RECONCILIATION OF KEY FIGURES TO IFRS

(EUR million)	4-6/ 2018	4-6/ 2017	1-6/ 2018	1-6/ 2017	1-12/ 2017
Items affecting comparability					
Employee benefit expenses	-	-	-	-0.2	-0.2
Other operating income	6.0	-	6.0	-	-
Items affecting comparability in operating result	6.0	-	6.0	-0.2	-0.2
EBITDA	9.8	1.5	11.7	3.3	11.7
Items affecting comparability	6.0	-	6.0	-0.2	-0.2
Comparable EBITDA	3.7	1.5	5.7	3.5	11.9
Operating result	9.1	0.7	10.3	1.6	8.4
Items affecting comparability in operating result	6.0	-	6.0	-0.2	-0.2
Comparable operating result	3.1	0.7	4.3	1.8	8.6
Net sales	28.2	22.8	52.3	45.3	102.3
Operating result margin, %	32.4	3.1	19.7	3.5	8.2
Comparable operating result margin, %	11.1	3.1	8.2	4.0	8.4

NET SALES BY MARKET AREA

(EUR 1,000)	4-6/ 2018	4-6/ 2017	Change, %	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Finland	16,153	12,418	30	28,064	24,239	16	55,690
Retail sales	11,833	9,434	25	19,499	17,490	11	40,845
Wholesale sales	4,274	2,938	45	8,471	6,660	27	14,648
Royalties	46	45	1	95	88	8	197
Scandinavia	2,215	1,851	20	4,122	3,618	14	8,469
Retail sales	1,555	1,231	26	2,524	2,241	13	5,076
Wholesale sales	660	620	6	1,598	1,377	16	3,393
Royalties	-	-	-	-	-	-	-
EMEA	2,274	2,256	1	4,887	4,400	11	9,743
Retail sales	363	245	48	748	491	52	1,139
Wholesale sales	1,810	1,925	-6	3,939	3,738	5	8,279
Royalties	101	86	17	199	171	16	325
North America	2,424	2,080	17	4,005	3,794	6	8,261
Retail sales	1,383	1,338	3	2,335	2,498	-6	5,262
Wholesale sales	911	390	134	1,441	907	59	2,490
Royalties	130	353	-63	229	389	-41	509
Asia-Pacific	5,147	4,163	24	11,224	9,213	22	20,161
Retail sales	895	942	-5	1,781	1,821	-2	4,007
Wholesale sales	4,252	3,221	32	9,040	7,392	22	15,540
Royalties	-	-	-	403	-	-	614
International sales, total	12,060	10,350	17	24,238	21,025	15	46,635
Retail sales	4,196	3,756	12	7,389	7,050	5	15,485
Wholesale sales	7,632	6,155	24	16,018	13,414	19	29,702
Royalties	231	439	-47	831	560	48	1,448
Total	28,213	22,769	24	52,302	45,263	16	102,324
Retail sales	16,030	13,191	22	26,887	24,541	10	56,330
Wholesale sales	11,906	9,093	31	24,489	20,074	22	44,350
Royalties	277	485	-43	926	648	43	1,644

STORES AND SHOP-IN-SHOPS

	30.6.2018	30.6.2017	31.12.2017
Finland	63	65	66
Company-owned stores	25	25	25
Company-owned outlet stores	12	12	12
Retailer-owned stores	13	16	16
Retailer-owned shop-in-shops	13	12	13
Scandinavia	11	11	12
Company-owned stores	7	8	8
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	4	3	4
EMEA	1	2	2
Company-owned stores	1	1	1
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	1	1
Retailer-owned shop-in-shops	-	-	-
North America	17	21	16
Company-owned stores	4	4	4
Company-owned outlet stores	1	1	1
Retailer-owned stores	1	1	1
Retailer-owned shop-in-shops	11	15	10
Asia-Pacific	64	64	65
Company-owned stores	4	5	5
Company-owned outlet stores	-	-	-
Retailer-owned stores	48	47	47
Retailer-owned shop-in-shops	12	12	13
Total	156	163	161
Company-owned stores	41	43	43
Company-owned outlet stores	13	13	13
Retailer-owned stores	62	65	65
Retailer-owned shop-in-shops	40	42	40

Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 54 at the end of June 2018 (56).

NET SALES BY PRODUCT LINE

(EUR 1,000)	4-6/ 2018	4-6/ 2017	Change, %	1-6/ 2018	1-6/ 2017	Change, %	1-12/ 2017
Fashion	10,654	8,133	31	18,607	17,046	9	36,014
Home	10,310	7,844	31	19,729	15,721	25	37,668
Bags and accessories	7,249	6,791	7	13,967	12,496	12	28,642
Total	28,213	22,769	24	52,302	45,263	16	102,324

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	4-6/2018	1-3/2018	10-12/2017	7-9/2017
Net sales	28,213	24,089	29,841	27,220
Operating result	9,145	1,154	2,382	4,400
Earnings per share, EUR	0.90	0.08	0.21	0.41

(EUR 1,000)	4-6/2017	1-3/2017	10-12/2016	7-9/2016
Net sales	22,769	22,495	28,174	26,949
Operating result	698	878	1,767	3,670
Earnings per share, EUR	0.01	0.07	0.19	0.34

FORMULAS FOR KEY FIGURES

Comparable EBITDA:

Operating result - depreciation - impairments - items affecting comparability

Comparable operating result:

Operating result - items affecting comparability in operating result

Comparable operating result margin, %

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

Earnings per share (EPS), EUR:

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

Equity per share, EUR:

Shareholders' equity / Number of shares, 30 June

Return on equity (ROE), %:

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

Return on investment (ROI), %:

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

Equity ratio, %:

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

Gearing, %:

Interest-bearing net debt x 100 / Shareholders' equity

Net working capital:

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