



marimekko

Interim Report 1-3/2019

Marimekko Corporation, Interim Report, 16 May 2019 at 8.30 a.m.

Net sales grew by 13 percent and comparable operating profit doubled, supported by the timing of wholesale deliveries and Finnish retail sales

The first quarter in brief

- Net sales rose by 13 percent to EUR 27.1 million (Q1/2018: 24.1). Net sales grew in all markets. Sales in Finland rose by 7 percent and international sales by 18 percent.
- Growth in net sales was generated primarily by wholesale sales in the Asia-Pacific region and Finnish retail sales. Sales in the Asia-Pacific were substantially boosted by wholesale deliveries that were transferred to the period under review from the final quarter of 2018. Sales in EMEA also performed well.
- Operating profit rose to EUR 2.6 million (1.2). Comparable operating profit was also EUR 2.6 million (1.2). The strong result was due to sales growth and an increase in relative sales margin. A favourable trend in regular-priced sales contributed to the improvement in relative sales margin.

Financial guidance for 2019

The Marimekko Group's net sales for 2019 are forecast to be higher than in the previous year and comparable operating profit is estimated to be approximately at the same level as the year before.

KEY FIGURES

(EUR million)	1–3/2019	1–3/2018	Change, %	1–12/2018
Net sales	27.1	24.1	13	111.9
International sales	14.3	12.2	18	48.3
<i>% of net sales</i>	53	51		43
EBITDA	5.7	1.9	196	20.2
Comparable EBITDA	5.7	1.9	196	14.7
Operating profit	2.6	1.2	125	17.7
Comparable operating profit	2.6	1.2	125	12.2
<i>Operating profit margin, %</i>	9.6	4.8		15.8
<i>Comparable operating profit margin, %</i>	9.6	4.8		10.9
Result for the period	1.9	0.6		13.7
Earnings per share, EUR	0.24	0.08		1.70
Cash flow from operating activities	3.0	-1.9		12.2
<i>Return on investment (ROI), %</i>	18.0	20.9		47.6
<i>Equity ratio, %</i>	43.4	66.9		70.0
Gross investments	0.5	0.4	34	1.3
Personnel at the end of the period	426	416	2	445
outside Finland	94	103	-9	102
Brand sales ¹	59.6	57.6	4	248.4
outside Finland	40.1	41.1	-3	167.2
<i>proportion of international sales, %</i>	67	71		67
Number of stores	148	158	-6	153

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 interim report.

IFRS 16 had an impact on the change in comparable EBITDA, cash flow from operating activities, and equity ratio.

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

“The year got off to an excellent start. The strong figures in the first quarter were driven by a change in the timing of wholesale deliveries and a favourable trend in Finnish retail sales.

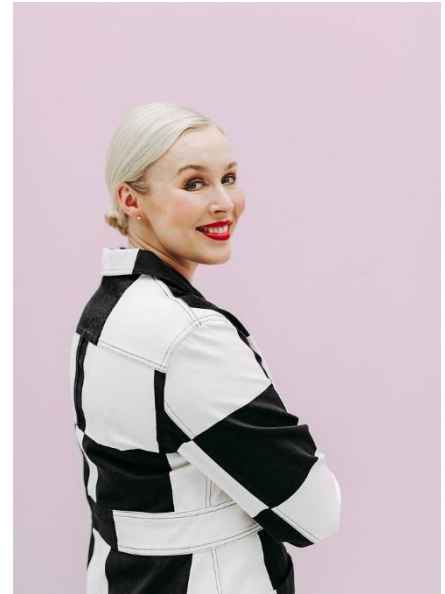
“In the January-March period of 2019, our net sales grew by 13 percent, reaching EUR 27.1 million (24.1). There was growth in all market areas. In Finland, sales rose by 7 percent. The results of our brand's new direction and the work we have done to update our collections are visible more rapidly in our strong domestic market. International sales grew by 18 percent, substantially supported by a shift in wholesale deliveries in the Asia-Pacific region from the last quarter of 2018 to the period under review.

“Our comparable operating profit doubled to EUR 2.6 million (1.2) due to sales growth and an increase in relative sales margin. A favourable trend in regular-priced sales contributed to the improvement in sales margin. All in all, I feel we can be pleased with the first quarter. However, it is good to note that our domestic wholesale sales in 2018 were positively impacted by nonrecurring promotional deliveries, and this year there will be no deliveries on a similar scale. The largest promotional deliveries took place in the second and final quarters of last year.

“The expansion of e-commerce plays an important part as one of our growth drivers. This spring, we have continued our investment in building brand recognition and in online sales in China. Since online sales in China are still in a very early stage, we will incur expenses this year. In addition to our own e-commerce, we are also seeking growth through other online sales channels. In February, the online retailer Zalando began selling our products in Finland and Germany. Zalando reaches a massive number of consumers and will enhance the availability of our products, also boosting our profile.

“We want to challenge the traditional way of doing retail business and to blend the physical and digital worlds into an inspiring and easy customer experience. We piloted a totally new kind of service during Milan Design Week – in the heart of the city, we set up a shoppable Marimekko home, in which customers could purchase individual products or, if they preferred, even the entire décor including furniture through an online app.

“We reported previously on a share issue directed to our personnel and freelance designers in Finland. The personnel share issue was carried out during the period under review, and half of those entitled to subscribe took part in it. I am delighted that a large proportion of Marimekko employees are company shareholders and will thus play a part in building our future also as owners. Our main objective for the strategy period extending to 2022 is to appeal to a wider clientele and thereby enhance growth and profitability. We are just starting out on our strategy period, and I think this was a natural time for the personnel share issue as committed and motivated employees are key to building our success.”



OPERATING ENVIRONMENT

The prospects for the global economy this year are still cautious. In the United States, political uncertainty continues and the long upswing has come to a close with fiscal stimulus. This year, growth in the global economy is supported by Chinese stimulus measures, although great uncertainty prevails. In the financial markets, the early months of the year have been exceptionally strong following the heavy downswing at the end of 2018.

In Finland, the overall picture of economic conditions is good, but the prospects have remained weak in line with the general economic trend. Growth in retail sales slowed slightly in April. However, sales expectations for the months ahead are still positive. Retail trade confidence in March was slightly below the EU average. Consumer confidence in the economy has held steady at a fair level for half a year or so. Consumers' confidence in their own finances weakened somewhat in April, but nevertheless remained good. The picture of the Finnish economy still looked fairly pessimistic.

(Confederation of Finnish Industries EK: Business Tendency Survey, January and May 2019; Confidence Indicators, April 2019. Statistics Finland: Consumer Survey, April 2019.)

The working-day-adjusted turnover of Finnish retail trade was up by 1.4 percent on the previous year's January-March period; the volume of sales rose by 1.1 percent. In March 2019, sales grew by 1.5 percent and sales volume by 1.0 percent. (Statistics Finland: Turnover of Trade, retail trade flash estimate, March 2019.)

NET SALES

In the January-March period of 2019, the Group's net sales rose by 13 percent relative to the same period last year and were EUR 27,116 thousand (24,089). Retail sales grew by 11 percent and wholesale sales by 15 percent. Net sales in Finland rose by 7 percent; international sales were up 18 percent. Growth was recorded in all market areas.

Net sales in Finland were EUR 12,786 thousand (11,911). Retail sales rose by 12 percent and comparable retail sales² likewise by 12 percent. Regular-priced sales performed well, and the favourable trend in the domestic market is an indication of the effectiveness of the new direction in our collections and our brand. Wholesale sales fell by 1 percent. Wholesale sales for the corresponding period of the previous year included nonrecurring promotional deliveries, of which there were none this year.

In the company's second-biggest market, the Asia-Pacific region, net sales grew by 12 percent to EUR 6,795 thousand (6,077). Wholesale sales in the region rose by 21 percent, which was mainly due to the fact that deliveries for the final quarter of 2018 were transferred to the period under review. In the most important country of the market area, Japan, sales grew by 18 percent. Retail sales were up 13 percent.

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

NET SALES BY MARKET AREA

(EUR 1,000)	1–3/2019	1–3/2018	Change, %	1–12/2018
Finland	12,786	11,911	7	63,537
Scandinavia	2,124	1,907	11	9,017
EMEA	3,477	2,613	33	10,321
North America	1,934	1,581	22	8,193
Asia-Pacific	6,795	6,077	12	20,811
International sales, total	14,330	12,178	18	48,342
Total	27,116	24,089	13	111,879

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 interim report.

FINANCIAL RESULT

In the January-March period of 2019, the Group's operating profit grew relative to the comparison period and was EUR 2,591 thousand (1,154). Comparable operating profit was also EUR 2,591 thousand (1,154). The result was underpinned by growth in net sales and an improved relative sales margin. Growth in net sales was generated primarily by wholesale sales in the Asia-Pacific region and Finnish retail sales. Sales in the Asia-Pacific were substantially boosted by wholesale deliveries that were transferred to the period under review from the final quarter of 2018. Sales in EMEA also performed well. A favourable trend in regular-priced sales contributed to the improvement in relative sales margin. A drag was exerted on results by higher fixed costs, in particular the estimated effects of the long-term, share-based incentive scheme for management, the expenses of the personnel share issue, and marketing costs. With the adoption of IFRS 16, rental expenses decreased and depreciation correspondingly increased markedly. During the period under review, the net effect of IFRS 16 on operating result was EUR +125 thousand.

Marketing expenses for the period under review were EUR 1,393 thousand (1,229), or 5 percent of the Group's net sales (5).

As a result of the adoption of IFRS 16, the Group's depreciation increased to EUR 3,087 thousand (765), representing 11 percent of net sales (3).

Operating profit margin was 9.6 percent (4.8) and comparable operating profit margin was also 9.6 percent (4.8).

Net financial expenses were EUR 135 thousand (361), or 1 percent of net sales (2). Financial items include exchange rate differences amounting to EUR 110 thousand (-329). The impact of IFRS 16 on interest expenses was EUR -240 thousand.

Result for the period under review before taxes was EUR 2,455 thousand (793). Result after taxes was EUR 1,939 thousand (626) and earnings per share were EUR 0.24 (0.08).

BALANCE SHEET

The consolidated balance sheet total as at 31 March 2019 was EUR 98,793 thousand (46,900). Equity attributable to the equity holders of the parent company was EUR 42,838 thousand (31,317), or EUR 5.31 per share (3.87).

Non-current assets at the end of the review period stood at EUR 44,048 thousand (12,934). The adoption of IFRS 16 has increased assets by EUR 39,342 thousand. It should further be noted that the sale of the company's head office in the second quarter of 2018 reduced non-current assets.

At the end of the period, net working capital was EUR 14,237 thousand (17,751). Inventories were EUR 23,020 thousand (21,022).

CASH FLOW AND FINANCING

In the January-March period of 2019, cash flow from operating activities was EUR 3,019 thousand (-1,862), or EUR 0.37 per share (-0.23). Cash flow before cash flow from financing activities was EUR 2,648 thousand (-2,144). In the cash flow statement, the adoption of IFRS 16 increased cash flow from operating activities and reduced cash flow from financing activities by EUR 2,537 thousand.

With the adoption of IFRS 16, the Group's financial liabilities rose to EUR 39,458 thousand (3,342).

At the end of the review period, the Group's cash and cash equivalents amounted to EUR 24,011 thousand (3,992). The increase is due, among other things, to the sale of the company's head office in the second quarter of 2018. In addition, the Group had unused committed credit lines of EUR 13,000 thousand (13,000).

The Group's equity ratio at the end of the period was 43.4 percent (66.9). Gearing was 36.1 percent (-2.1). Due to the adoption of IFRS 16, the ratio of net debt to EBITDA at year end (a new long-term financial goal) will be reported for the first time at the end of the financial year 2019.

INVESTMENTS

The Group's gross investments in the January-March period of 2019 were EUR 482 thousand (360), or 2 percent of net sales (1). Most of the investments were devoted to revamping the company's headquarter premises, to IT systems and to store premises.

STORE NETWORK

At the end of the period, there were 148 Marimekko stores and shop-in-shops and online store reached customers in 32 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.

Marimekko does not report the proportion of online sales separately as digital service solutions are constantly increasing the integration of e-commerce and in-store retailing. The company's own e-commerce net sales are included in retail sales and sales through other online channels in wholesale sales.

STORES AND SHOP-IN-SHOPS

	31.3.2019	31.3.2018	31.12.2018
Finland	63	63	65
Scandinavia	10	12	11
EMEA	1	1	1
North America	6	17	6
Asia-Pacific	68	65	70
Total	148	158	153

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 interim report.

PERSONNEL

In the January-March period of 2019, the number of employees averaged 427 (419). At the end of the period, the Group had 426 employees (416), of whom 94 (103) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 30 (34), EMEA 5 (5), North America 33 (36) and the Asia-Pacific region 26 (28). The personnel at company-owned stores totalled 240 (225) at the end of the period.

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 9,205 shareholders at the end of the period (7,763). Of the shares, 12.9 percent were owned by nominee-registered or non-Finnish holders (11.8).

Marimekko Corporation held 20,000 of its own shares as at 31 March 2019. These shares accounted for 0.25 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-March period of 2019, a total of 375,045 Marimekko shares were traded, representing 4.6 percent of the shares outstanding. The total value of the share turnover was EUR 9,684,958. The lowest price of the share was EUR 20.80, the highest was EUR 29.40 and the average price was EUR 25.82. At the end of the period, the closing price of the share was EUR 26.80. The company's market capitalisation on 31 March 2019 was EUR 216,265,548, excluding the Marimekko shares held by the company (31 March 2018: 107,187,333).

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 May 2018, the Board decided to make use of the authorisation granted to it. As at 31 March 2019, Marimekko Corporation held 20,000 of its own shares, representing 0.25 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. Pursuant to the authorisation obtained, the Board decided to arrange a directed share issue to the company's personnel and freelance designers in Finland in March 2019.

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

PERSONNEL SHARE ISSUE

In its stock exchange release of 27 February 2019, Marimekko announced that the Board of Directors has decided on the detailed terms and conditions as well as schedule of the company's personnel share issue. The complete terms and conditions of the share issue are attached to the stock exchange release.

EVENTS AFTER THE END OF THE REVIEW PERIOD

Personnel share issue

In its stock exchange release of 1 April 2019, the company announced that the Board of Directors had approved a total of 40,224 subscriptions for new shares. The total subscription price of the new shares was EUR 725,988. The shares subscribed for in the share issue represent 0.50 percent of the company's existing shares and the voting rights carried by the existing shares before the share issue.

In the share issue, a maximum total of 150,000 new shares in the company were offered for subscription. The subscription price was EUR 11.45 per share for the first fifty shares (50 percent discount from the average share price in January) and EUR 20.60 per share for the shares subscribed for after the first fifty shares (10 percent discount from the average share price in January).

Half of those entitled to subscribe took part in the share issue. Subscriptions were made by a total of 229 company employees and freelance designers out of 472 who were entitled.

The shares approved in the share issue were entered into the Trade Register on 11 April 2019 and admitted to public trading on Nasdaq Helsinki Ltd on 12 April 2019. After the registration of the new shares, the number of shares in Marimekko Corporation totals 8,129,834.

The personnel share issue has been accounted for in accordance with IFRS 2. The subscription price paid

by the subscribers, totalling EUR 725,988.00, has been recorded in the reserve for invested non-restricted equity, and the discount granted by the company to the subscribers has been recorded as expense and in retained earnings. The amount recorded in employee benefit expenses and in retained earnings is EUR 194,851.52.

Resolutions of the Annual General Meeting

Marimekko Corporation's Annual General Meeting held on 17 April 2019 adopted the financial statements for 2018 and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting approved the Board of Directors' proposal to pay a regular dividend of EUR 0.60 per share plus an additional dividend of EUR 1.25 per share for the 2018 financial year, adding up to a total of EUR 1.85 per share. The dividend payout record date was 23 April 2019 and the dividend payout date was 30 April 2019.

The General Meeting resolved that the company's Board of Directors consist of seven members. Rebekka Bay, Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen, Helle Priess and Catharina Stackelberg-Hammarén were re-elected as members of the Board of Directors. Their term of office ends at the conclusion of the next Annual General Meeting.

The annual remuneration payable to the members of the Board was approved as follows: EUR 48,000 to the Chairman, EUR 35,000 to the Vice Chairman and EUR 26,000 to the other members of the Board. According to the resolution by the Annual General Meeting, approximately 40 percent of the annual remuneration of the Board members will be paid in Marimekko Corporation's shares acquired from the market and the rest in cash. The shares will be acquired directly on behalf of the Board members within two weeks from the release of the interim report for 1 January–31 March 2019 or, if this is not possible due to insider rules, as soon as possible thereafter. The annual remuneration will be paid entirely in cash, if the Board member on the date of the Annual General Meeting, 17 April 2019, holds the company's shares worth more than EUR 500,000. It was further resolved that a separate remuneration be paid for committee work to persons elected to a committee as follows: EUR 2,000 per meeting to Chairman and EUR 1,000 per meeting to members.

It was decided to re-elect KPMG Oy Ab, Authorised Public Accountants, as the company's auditor, with Virpi Halonen, Authorised Public Accountant, as the auditor with principal responsibility. It was also resolved that the auditor's fee will be paid as per invoice approved by the company.

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 distribution and pricing. Digitisation in retail trade and the intensified competition and rapidly changing operating environment that this entails also bring risks and new revenue generation models. 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 expanding e-commerce, on partner-led retail in Asia, as well as on increasing the sales per square metre of existing stores 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. With the company's internationalisation and the growing interest in its brand, risks related to grey exports have increased, which may have an impact on the company's sales and profitability. 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 and protect 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. As the company internationalises, the risks of infringements of its intellectual property rights may increase, particularly in Asia.

Prominent among the company's operational risks are those related to internationalisation and digitisation. There are risks associated with information system reliability, dependability and compatibility. With digitisation, various risks related to cybersecurity have also increased. Malfunctions in data communications or, for example, in the company's own online store, may disrupt business or result in lost sales. There are also risks associated with procurement and logistics processes and price fluctuations for raw materials and procurements. 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.

Climate change is expected to bring an increase in various extreme phenomena such as floods, typhoons and hurricanes. Marimekko has stores in areas in which such extreme phenomena may occur, and if they damage stores or cause momentary changes in consumers' purchasing behaviour, it may result in lost sales as well as expenses. Extreme phenomena may also affect the availability of products if they cause damage to the company's suppliers' factories. Furthermore, climate change or extreme weather may cause droughts, soil depletion or other changes in growth conditions, which could impact the availability and price of Marimekko's most used raw material, cotton.

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 2019

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. Sales in Finland are expected to be roughly on a par with the previous year. Wholesale sales in 2018 were boosted by nonrecurring promotional deliveries; there were promotional deliveries in each quarter and the largest deliveries took place in the second and final quarters. There will be no promotional deliveries of comparable size in 2019.

The Asia-Pacific region is Marimekko's second-largest market and it 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 countries are at an early stage compared with Japan. Japan already has a very comprehensive network of Marimekko stores. Sales growth is supported by developing the operations of existing stores, optimising the product range and increasing online sales. This year, net sales in the Asia-Pacific region are forecast to grow. The company sees increasing demand for its products in this area especially in the longer term.

Marimekko has become aware of cases of grey exports and has taken due action. The control of the cases may have a weakening impact on the company's sales and earnings.

The key drivers of the company's growth are its own e-commerce and other online sales channels, partner-led retail in Asia, and increasing the sales per square metre of existing stores in Finland and the international markets. The main thrust in new openings is on retailer-owned Marimekko stores and other wholesale channels. The aim is to open approximately 10 new Marimekko stores and shop-in-shops in 2019.

Royalty income is forecast to be roughly on a par with the previous year.

The expenses of marketing operations in 2019 are forecast to be higher than in 2018 (EUR 6.3 million³). Total investments are estimated to grow significantly relative to the previous year (EUR 1.3 million). Most of the investments will be used to revamp the store network and the company's headquarter premises as well as to improve IT systems to underpin digital business. The expenses of the personnel share issue and estimated effects of the long-term bonus system targeted at the company's Management Group are expected to exert a drag on the company's results. The effects will depend on the trend in the price of the company's share during the year.

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, and this is expected to be the case in 2019 as well. 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 an impact on results for the whole year.

FINANCIAL CALENDAR FOR 2019

The half-year financial report will be issued on Thursday 15 August 2019 at 8.30 a.m. and the interim report for the January-September period on Wednesday 6 November 2019 at 8.30 a.m.

Helsinki, 15 May 2019

Marimekko Corporation
Board of Directors

³ The classification method for marketing expenses has changed in 2019; to maintain comparability, the figures for 2018 have been restated accordingly.

The quarterly results for 2019 are unaudited. There may be differences in totals due to rounding to the nearest thousand euros.

ACCOUNTING PRINCIPLES

This interim report was prepared in compliance with IAS 34. Marimekko has applied the same accounting principles in this report as were applied in its 2018 financial statements, although at the start of the financial year the company adopted the IFRS 16 standard as described in the financial statements for 2018.

Marimekko has adopted the new standard IFRS 16 Leases for the financial year starting on 1 January 2019. The Group has decided to apply a modified retrospective transition approach for leases existing at the date of transition, and information for the comparative financial year has not been restated. Thus, the adoption of the standard has had no impact on retained earnings. The Group applies exemptions allowed in the standard to exclude short-term leases and leases where the underlying asset is of low value. Marimekko is a lessee. Lease contracts include headquarter and printing facilities in Helsinki, retail stores in Finland and other countries where Marimekko operates as well as company housing and leasing cars. In general, lease contracts vary from 1 year to 15 years.

At the end of the review period, the impact of IFRS 16 on the company's non-current assets was EUR 39.3 million. Correspondingly, non-current and current interest-bearing liabilities in the consolidated balance sheet include a total of EUR 39.4 million in lease liabilities. The adoption of IFRS 16 has also impacted key ratios which are based on balance sheet such as net debt as it has substantially increased both the Group's interest-bearing net debt and its non-current assets and will improve the Group's EBITDA by approximately EUR 10 million annually. During the period under review, the company recorded EUR 2.7 million in IFRS 16 depreciation, adjusted rental expense of EUR 2.8 million in other operating expenses and EUR 0.2 million in interest expenses. Therefore, key figures such as EBITDA are not comparable with the figures for the year before. The impact on EPS is not significant. In the cash flow statement, the adoption of IFRS 16 increased cash flow from operating activities and reduced cash flow from financing activities by EUR 2.5 million.

The personnel share issue has been accounted for in accordance with IFRS 2.

APPENDICES

- Consolidated income statement and comprehensive consolidated income statement
- Consolidated balance sheet
- 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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CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1-3/2019	1-3/2018	1-12/2018
NET SALES	27,116	24,089	111,879
Other operating income	187	114	6,522
Change in inventories of finished goods and work in progress	719	25	1,169
Raw materials and consumables	-10,196	-8,995	-42,086
Employee benefit expenses	-6,896	-6,349	-26,188
Depreciation and impairments	-3,087	-765	-2,501
Other operating expenses	-5,252	-6,965	-31,075
OPERATING PROFIT	2,591	1,154	17,721
Financial income	170	21	178
Financial expenses	-305	-382	-346
	-135	-361	-168
RESULT BEFORE TAXES	2,455	793	17,552
Income taxes	-516	-166	-3,855
NET RESULT FOR THE PERIOD	1,939	626	13,698
Distribution of net result to equity holders of the parent company	1,939	626	13,698
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.24	0.08	1.70

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1-3/2019	1-3/2018	1-12/2018
Net result for the period	1,939	626	13,698
Items that could be reclassified to profit or loss at a future point in time			
Change in translation difference	-27	22	-2
COMPREHENSIVE RESULT FOR THE PERIOD	1,912	648	13,696
Distribution of net result to equity holders of the parent company	1,912	648	13,696

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	31.3.2019	31.3.2018	31.12.2018
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	1,036	896	342
Tangible assets	42,709	11,934	4,438
Other financial assets	16	16	16
Deferred tax assets	288	88	114
	44,048	12,934	4,910
CURRENT ASSETS			
Inventories	23,020	21,022	22,114
Trade and other receivables	7,714	8,948	6,916
Current tax assets	-	5	-
Cash and cash equivalents	24,011	3,992	23,174
	54,744	33,967	52,204
ASSETS, TOTAL	98,793	46,900	57,114

(EUR 1,000)	31.3.2019	31.3.2018	31.12.2018
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
Share issue	726	-	-
Treasury shares	-315	-	-315
Translation differences	-77	-26	-49
Retained earnings	33,961	22,801	31,827
Shareholders' equity, total	42,838	31,317	40,005
NON-CURRENT LIABILITIES			
Financial liabilities	29,274	3,094	202
	29,274	3,094	202
CURRENT LIABILITIES			
Trade and other payables	15,008	11,806	15,574
Current tax liabilities	1,489	418	1,128
Provisions	-	18	-
Financial liabilities	10,185	248	206
	26,681	12,489	16,908
Liabilities, total	55,955	15,583	17,110
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	98,793	46,900	57,114

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)	1–3/2019	1–3/2018	1–12/2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net result for the period	1,939	626	13,698
Adjustments			
Depreciation and impairments	3,087	765	2,501
Capital gains on fixed assets	-	-	-6,095
Financial income and expenses	135	361	168
Taxes	516	166	3,855
Cash flow before change in working capital	5,677	1,919	14,127
Change in working capital	-2,140	-3,329	1,549
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-971	-2,327	-317
Increase (-) / decrease (+) in inventories	-906	-101	-1,194
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-263	-900	3,059
Cash flow from operating activities before financial items and taxes	3,537	-1,410	15,675
Paid interest and payments on other financial expenses	-190	-134	-315
Interest received	-3	15	191
Taxes paid	-324	-332	-3,327
CASH FLOW FROM OPERATING ACTIVITIES	3,019	-1,862	12,225
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-371	-282	-1,073
Proceeds from sale of tangible and intangible assets	-	-	10,508
Sale of other investments	-	-	11
CASH FLOW FROM INVESTING ACTIVITIES	-371	-282	9,446
CASH FLOW FROM FINANCING ACTIVITIES			
Acquisition of treasury shares	-	-	-315
Proceeds from share issue	726	-	-
Leasing payments	-2,537	-77	-349
Dividends paid	-	-	-4,045
CASH FLOW FROM FINANCING ACTIVITIES	-1,811	-77	-4,709
Change in cash and cash equivalents	837	-2,220	16,962
Cash and cash equivalents at the beginning of the period	23,174	6,212	6,212
Cash and cash equivalents at the end of the period	24,011	3,992	23,174

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	Share issue	Treasury shares	Translation differences	Retained earnings	Shareholder's equity, total
Shareholders' equity 1 Jan. 2018	8,040	502	-	-	-47	22,175	30,669
Comprehensive result							
Net result for the period						626	626
Translation differences					22		22
Total comprehensive result for the period					22	626	648
Shareholders' equity 31 March 2018	8,040	502	-	-	-26	22,801	31,317
Shareholders' equity 1 Jan. 2019	8,040	502	-	-315	-49	31,827	40,005
Comprehensive result							
Net result for the period						1,939	1,939
Translation differences					-27		-27
Total comprehensive result for the period					-27	1,939	1,912
Transactions with owners							
Personnel share issue			726*				726
Share-based transactions, personnel share issue						195	195
Shareholders' equity 31 March 2019	8,040	502	726	-315	-77	33,961	42,838

* The 40,224 shares subscribed for were registered in the Trade Register on 11 April 2019 and the total subscription price has been recorded in the reserve for invested non-restricted equity.

KEY FIGURES

	1–3/2019	1–3/2018	Change, %	1–12/2018
Earnings per share, EUR	0.24	0.08		1.70
Equity per share, EUR	5.31	3.87	37	4.96
Return on equity (ROE), %	40.5	19.0		38.8
Return on investment (ROI), %	18.0	20.9		47.6
Equity ratio, %	43.4	66.9		70.0
Gearing, %	36.1	-2.1		-56.9
Gross investments, EUR 1,000	482	360	34	1,280
Gross investments, % of net sales	2	1		1
Contingent liabilities, EUR 1,000	596	24,278	-98	48,062
Average personnel	427	419	2	433
Personnel at the end of the period	426	416	2	445
Number of shares outstanding at the end of the period	8,069,610	8,089,610		8,069,610
New shares approved in personnel share issue (registered on 11 April 2019)	40,224	-		-
Treasury shares	20,000	-		20,000
Average number of shares outstanding during the period*	8,070,951	8,089,610		8,080,095

* Includes the new shares approved in personnel share issue, which were registered in the Trade Register on 11 April 2019 and admitted to public trading on 12 April 2019.

RECONCILIATION OF KEY FIGURES TO IFRS

(EUR million)	1–3/2019	1–3/2018	1–12/2018
Items affecting comparability			
Employee benefit expenses	-	-	-0.5
Other operating income	-	-	6.0
Items affecting comparability in operating result	-	-	5.5
EBITDA	5.7	1.9	20.2
Items affecting comparability	-	-	5.5
Comparable EBITDA	5.7	1.9	14.7
Operating result	2.6	1.2	17.7
Items affecting comparability in operating result	-	-	5.5
Comparable operating result	2.6	1.2	12.2
Net sales	27.1	24.1	111.9
Operating profit margin, %	9.6	4.8	15.8
Comparable operating profit margin, %	9.6	4.8	10.9

NET SALES BY MARKET AREA

(EUR 1,000)	1–3/2019	1–3/2018	Change, %	1–12/2018
Finland	12,786	11,911	7	63,537
Retail sales	8,549	7,665	12	45,062
Wholesale sales	4,150	4,197	-1	18,299
Royalties	86	49	74	176
Scandinavia	2,124	1,907	11	9,017
Retail sales	1,164	969	20	5,283
Wholesale sales	960	938	2	3,733
Royalties	-	-	-	-
EMEA	3,477	2,613	33	10,321
Retail sales	373	385	-3	1,493
Wholesale sales	2,994	2,130	41	8,426
Royalties	111	98	13	401
North America	1,934	1,581	22	8,193
Retail sales	995	952	4	5,222
Wholesale sales	632	530	19	2,664
Royalties	307	98	-	307
Asia-Pacific	6,795	6,077	12	20,811
Retail sales	1,004	886	13	4,024
Wholesale sales	5,791	4,788	21	16,384
Royalties	-	403	-	403
International sales, total	14,330	12,178	18	48,342
Retail sales	3,536	3,192	11	16,023
Wholesale sales	10,377	8,386	24	31,207
Royalties	417	599	-30	1,112
Total	27,116	24,089	13	111,879
Retail sales	12,085	10,858	11	61,085
Wholesale sales	14,527	12,583	15	49,506
Royalties	503	649	-22	1,288

STORES AND SHOP-IN-SHOPS

	31.3.2019	31.3.2018	31.12.2018
Finland	63	63	65
Company-owned stores	23	25	24
Company-owned outlet stores	12	12	12
Retailer-owned stores	13	13	13
Retailer-owned shop-in-shops	15	13	16
Scandinavia	10	12	11
Company-owned stores	7	8	7
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	3	4	4
EMEA	1	1	1
Company-owned stores	1	1	1
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	-	-	-
North America	6	17	6
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	-
Asia-Pacific	68	65	70
Company-owned stores	4	5	4
Company-owned outlet stores	-	-	-
Retailer-owned stores	52	48	54
Retailer-owned shop-in-shops	12	12	12
Total	148	158	153
Company-owned stores	39	43	40
Company-owned outlet stores	13	13	13
Retailer-owned stores	66	62	68
Retailer-owned shop-in-shops	30	40	32

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 March 2019 (56).

NET SALES BY PRODUCT LINE

(EUR 1,000)	1–3/2019	1–3/2018	Change, %	1–12/2018
Fashion	9,726	7,953	22	39,107
Home*	9,543	9,857	-3	46,395
Bags and accessories*	7,846	6,279	25	26,377
Total	27,116	24,089	13	111,879

* As of the beginning of 2019, the product category of cosmetic bags is included in the home product line instead of bags and accessories. To maintain comparability, the figures for 2018 have been restated accordingly.

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	1–3/2019	10–12/2018	7–9/2018	4–6/2018
Net sales	27,116	29,740	29,836	28,213
Operating profit	2,591	1,237	6,185	9,145
Earnings per share, EUR	0.24	0.11	0.60	0.90

(EUR 1,000)	1–3/2018	10–12/2017	7–9/2017	4–6/2017
Net sales	24,089	29,841	27,220	22,769
Operating profit	1,154	2,382	4,400	698
Earnings per share, EUR	0.08	0.21	0.41	0.01

FORMULAS FOR KEY FIGURES

Comparable EBITDA, EUR:

Operating result - depreciation - impairments - items affecting comparability

Comparable operating result, EUR:

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, 31 March

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, EUR:

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