

A photograph of two people sitting in a forest. On the left, a woman with dark skin and short hair is wearing a white top and a large orange shawl. On the right, a man with light skin and short blonde hair is wearing a light-colored quilted jacket over a striped shirt and dark pants. They are both looking off to the side. In the foreground, a white teapot and some bread are on a tree stump. An orange tent is partially visible on the right.

marimekko

Half-year Financial Report 1-6/2020

TIINA ALAHUHTA-KASKO, 13 AUGUST 2020

Good performance despite a decline in net sales

- As a result of the coronavirus pandemic, the global fashion industry and specialty retail sector faced the worst crisis in decades, and the majority of the Marimekko stores around the world were temporarily closed during the period under review.
- Substantial growth in online sales to a large extent offset the lost sales from the company's own retail stores. Temporary logistics challenges were solved after the review period and delivery times are now normal.
- Long-term partnerships and strong cooperation kept wholesale sales at a good level.
- Better-than-expected trend in licensing income in the Asia-Pacific region, which speaks to the international appeal of the Marimekko brand, supported net sales.
- Marimekko was able to quickly adjust its operations and promptly implemented an extensive cost-saving program.
- In addition, numerous measures to mitigate the negative impacts of the coronavirus situation, including the reopening of stores with elevated health and safety measures in place, ensuring supply chain reliability as well as active purchase, product flow and inventory management, new financing facilities and substantial cuts in investment plans.
- After the review period, to strengthen its long-term competitiveness in the new environment, the company decided to initiate consultative negotiations in Finland and corresponding processes in its organizations in Scandinavia, North America and Australia in order to reorganize and streamline operations.



Key figures

EUR million	4-6/2020	4-6/2019	Change, %	1-6/2020	1-6/2019	Change, %	1-12/2019
Net sales	23.3	29.1	-20	48.2	56.3	-14	125.4
International sales	11.9	12.4	-3	23.2	26.7	-13	54.3
% of net sales	51	42		48	47		43
Comparable EBITDA	5.8	6.8	-15	10.2	12.5	-19	29.7
Operating profit	2.7	3.7	-28	3.9	6.3	-38	17.1
Comparable operating profit	2.7	3.7	-28	3.9	6.3	-38	17.1
Comparable operating profit margin, %	11.4	12.7		8.0	11.2		13.6
Comparable earnings per share, EUR *	0.27	0.32	-16	0.29	0.56	-48	1.61
Cash flow from operating activities	4.0	7.2	-44	-0.4	10.2	-104	29.0
Return on investment (ROI), %				19.5	26.3		17.9
Equity ratio, %				40.7	35.5		40.2
Net debt / EBITDA (rolling 12 months) **				0.53			0.35
Gross investments ***	0.4	0.4	-3	0.9	0.9	-5	2.6
Personnel at the end of the period				432	453	-5	450

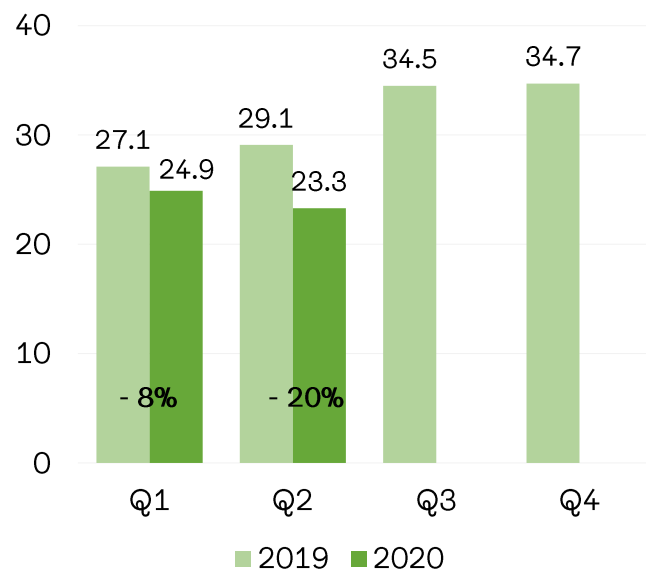
* Taking account of similar items as in comparable operating profit; tax effect included.
 ** Due to the adoption of IFRS 16, the ratio of net debt to EBITDA was reported for the first time at the end of the financial year 2019.
 The key figure is calculated based on comparable rolling 12-month EBITDA.
 *** The figures for gross investments do not include the impact of IFRS 16.

Net sales and operating profit

Net sales -20% to EUR 23.3 million (29.1)

SUBSTANTIAL GROWTH IN ONLINE SALES TO A LARGE EXTENT OFFSET THE LOST SALES FROM THE COMPANY'S OWN RETAIL STORES THAT WERE TEMPORARILY CLOSED DUE TO THE PANDEMIC

Quarterly net sales, EUR million



EUR million	Q2 2020	Q2 2019	Change %
Finland	11.4	16.8	-32
Scandinavia	1.9	2.1	-10
EMEA	3.3	3.2	3
North America	1.5	2.0	-25
Asia-Pacific	5.3	5.1	4
International sales	11.9	12.4	-3
TOTAL	23.3	29.1	-20

- retail sales -37%
- wholesale sales -3%

Sales in Finland -32%

- retail sales -41% (like-for-like -20%*)
- wholesale sales +3%

International sales -3%

- retail sales -23%
- wholesale sales -6%
- licensing income significantly higher

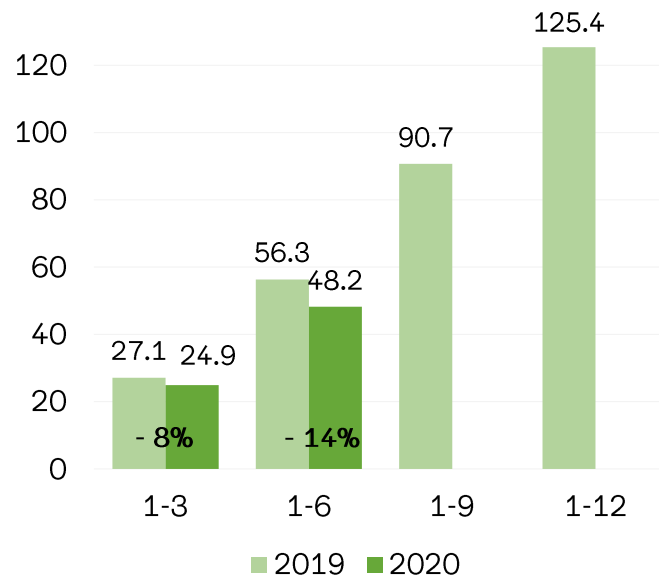
The majority of Marimekko's own stores were closed for most of the second quarter due to the pandemic. However, online sales increased substantially, which to a large extent offset the impact of store closures and reduced footfall.

Net sales were weakened especially by a decline in retail sales in Finland, North America and Scandinavia as well as a decrease in wholesale sales in the Asia-Pacific region. On the other hand, higher-than-expected licensing income in the Asia-Pacific region boosted net sales.

Net sales -14% to EUR 48.2 million (56.3)

SUBSTANTIAL GROWTH IN ONLINE SALES TO A LARGE EXTENT OFFSET THE LOST SALES FROM THE COMPANY'S OWN RETAIL STORES THAT WERE TEMPORARILY CLOSED DUE TO THE PANDEMIC

Cumulative net sales, EUR million



EUR million	1-6/ 2020	1-6/ 2019	Change %
Finland	25.0	30.0	-16
Scandinavia	3.9	4.2	-7
EMEA	6.0	6.6	-10
North America	3.1	3.9	-20
Asia-Pacific	10.2	11.9	-14
International sales	23.2	26.7	-13
TOTAL	48.2	56.3	-14

- retail sales -22%
- wholesale sales -9%

Sales in Finland -16%

- retail sales -23% (like-for-like -10%*)
- wholesale sales +8%

International sales -13%

- retail sales -17%
- wholesale sales -15%
- licensing income +122%

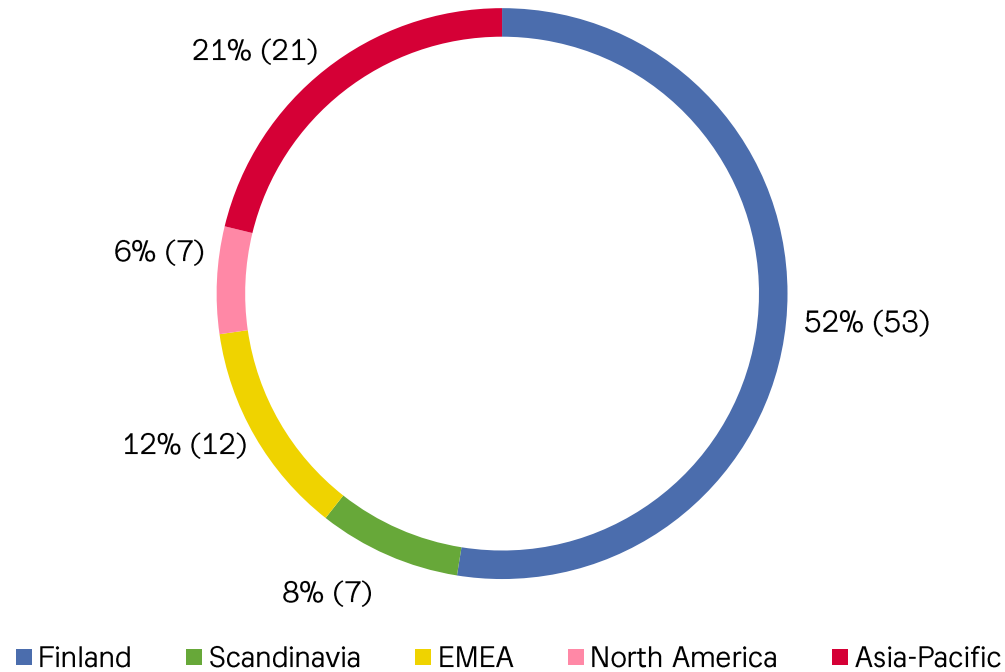
Temporary closure of stores and a significant decline in customer numbers decreased net sales, although online sales performed very well and supported retail sales.

Net sales were weakened especially by a decline in retail sales in Finland, North America and Scandinavia as well as a decrease in wholesale sales in the Asia-Pacific region and EMEA. In the Asia-Pacific region, the decline was partly due to an exceptional delivery pattern in the comparison period: a part of wholesale deliveries for the final quarter of 2018 took place in the first quarter of 2019. Increased licensing income in the Asia-Pacific and growth in wholesale sales in Finland boosted net sales.

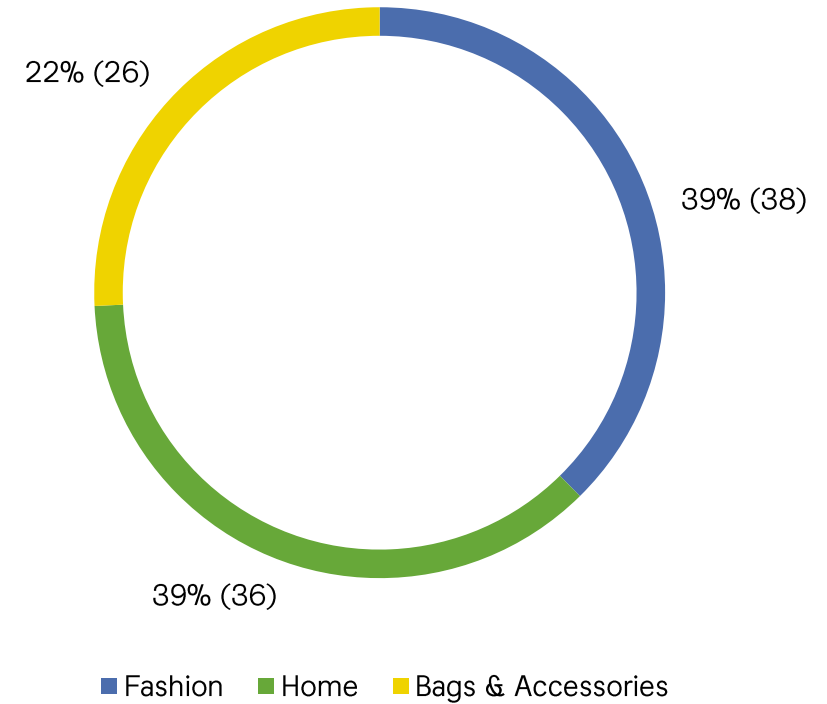
* Includes both bricks-and-mortar and online sales

Home market Finland represents about half of net sales, the Asia-Pacific region second biggest market

Net sales by market area,
1-6/2020 (1-6/2019)



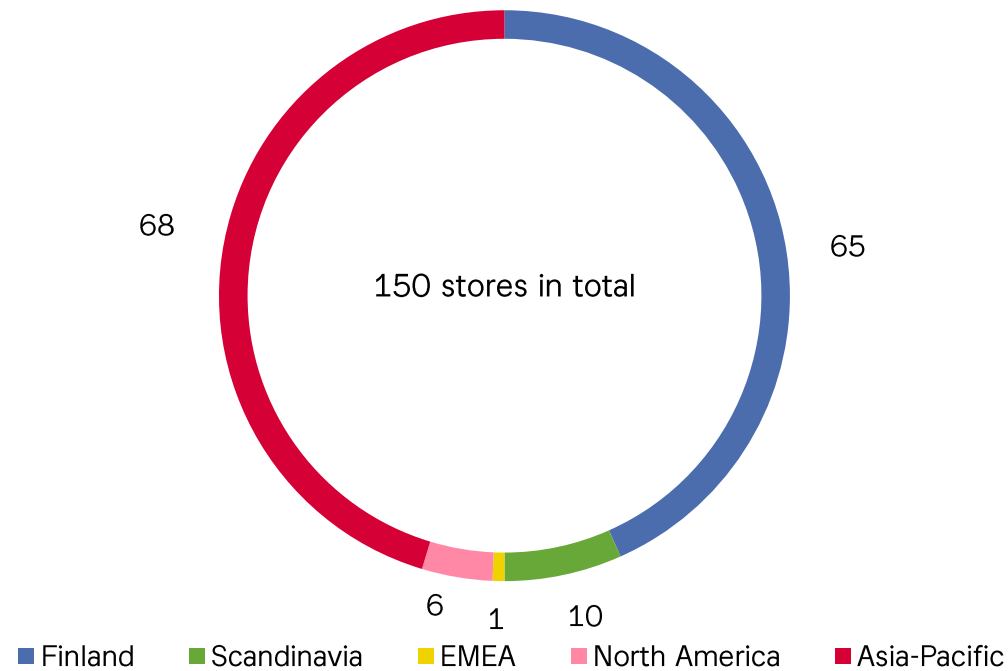
Net sales by product line,
1-6/2020 (1-6/2019)



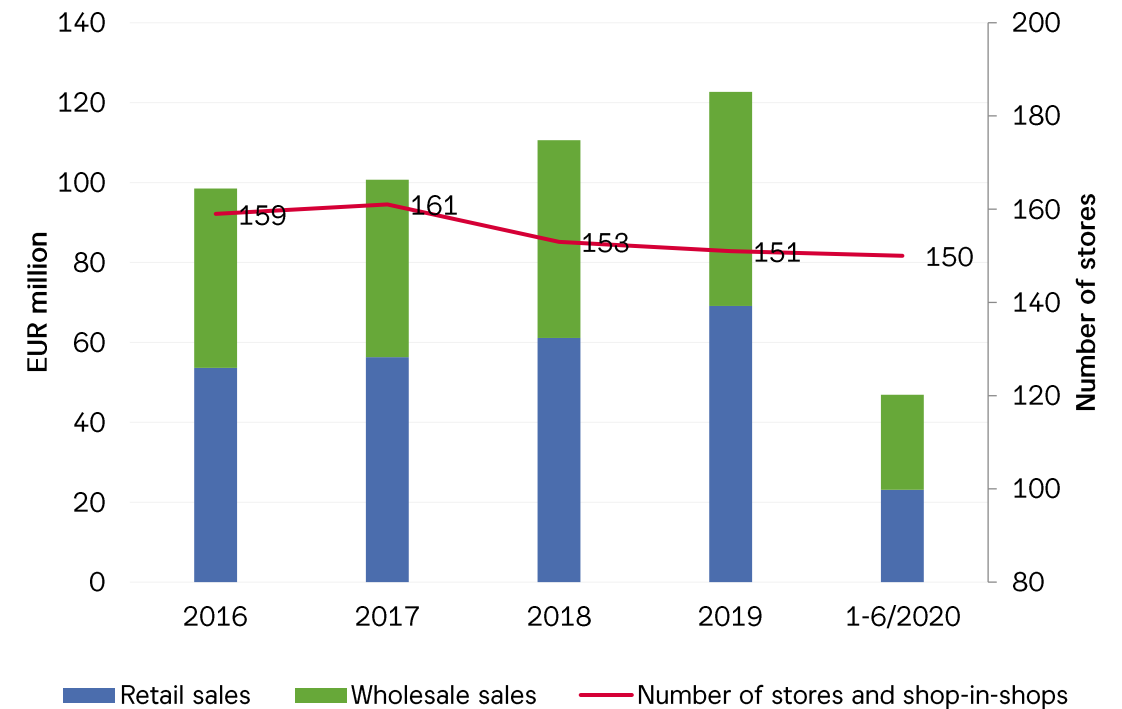
Global footprint

57% OF MARIMEKKO STORES AND SHOP-IN-SHOPS LOCATED OUTSIDE HOME MARKET FINLAND
150 STORES IN 15 COUNTRIES, E-COMMERCE REACHING CUSTOMERS IN 32 COUNTRIES

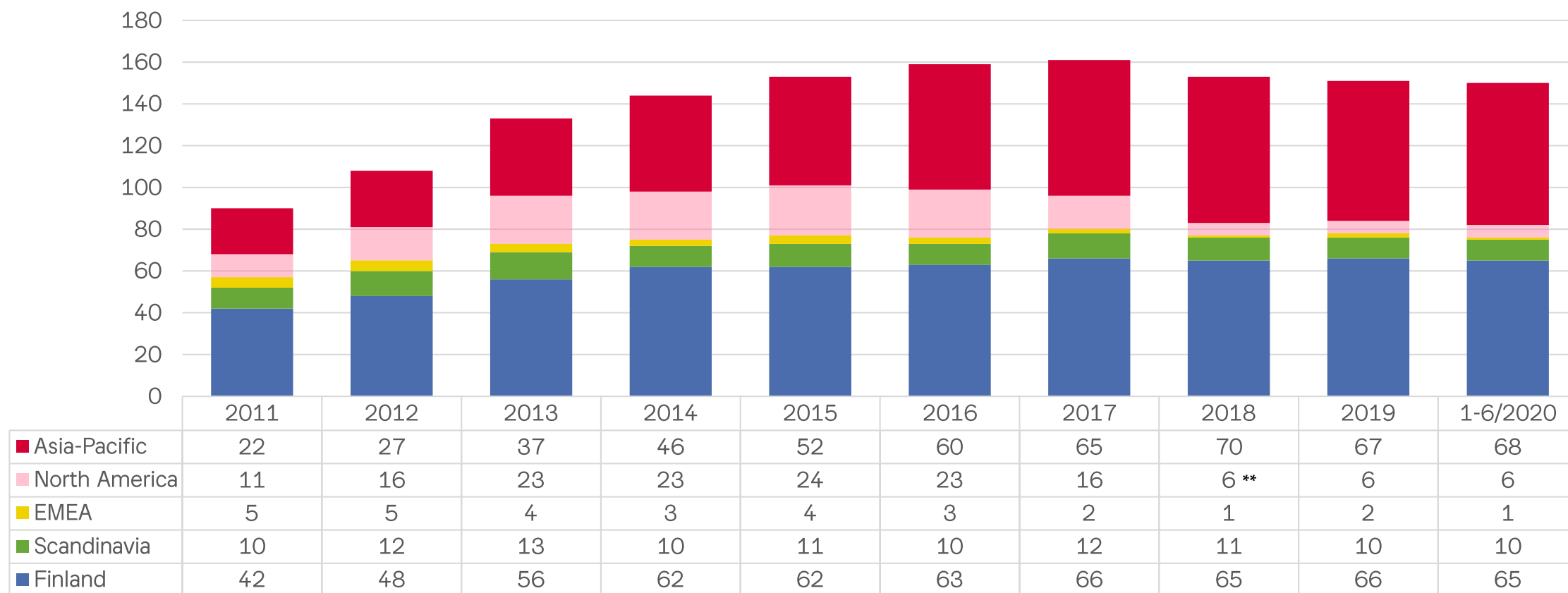
Global retail footprint 1-6/2020



Net sales by channel, e-commerce included



150 Marimekko stores* on 30 June 2020



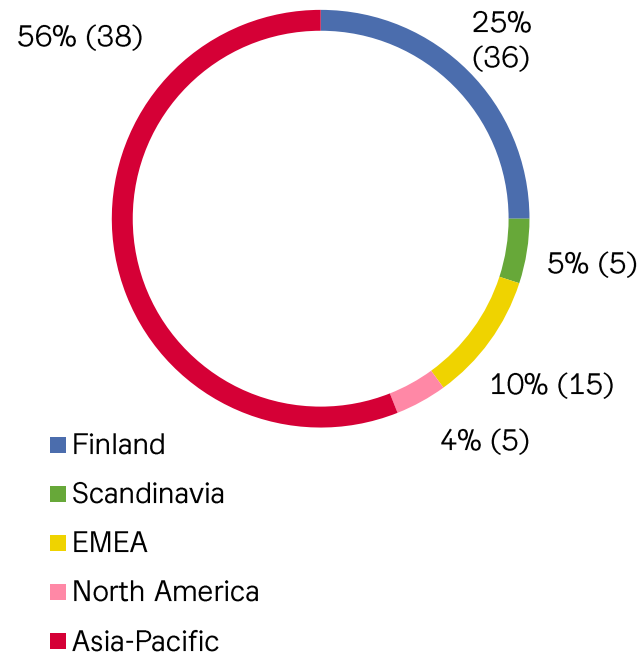
* Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 53 at the end of Q2/2020 (52).

** The company corrected the number of stores in North America in 2018 by reducing 11 shop-in-shops. These shops have an area of less than 30 sqm and so are below the reporting limit. The change had no effect on reported North American wholesale sales.

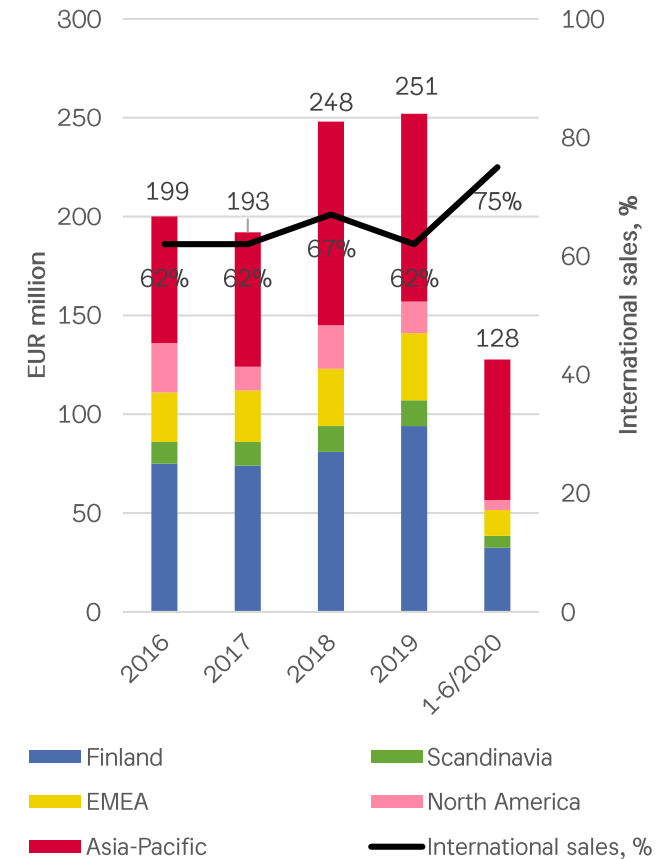
Marimekko brand sales +13% to EUR 127.6 million (112.5)

IN Q2, 74% OF BRAND SALES OUTSIDE HOME MARKET (60)

Brand sales by market area,
1-6/2020 (1-6/2019)



EUR million	1-6/ 2020	1-6/ 2019	Change %
Finland	32.5	40.5	-20
Scandinavia	5.9	5.9	1
EMEA	13.0	17.3	-25
North America	5.1	6.0	-14
Asia-Pacific	71.1	42.8	66
International sales	95.1	71.9	32
TOTAL	127.6	112.5	13

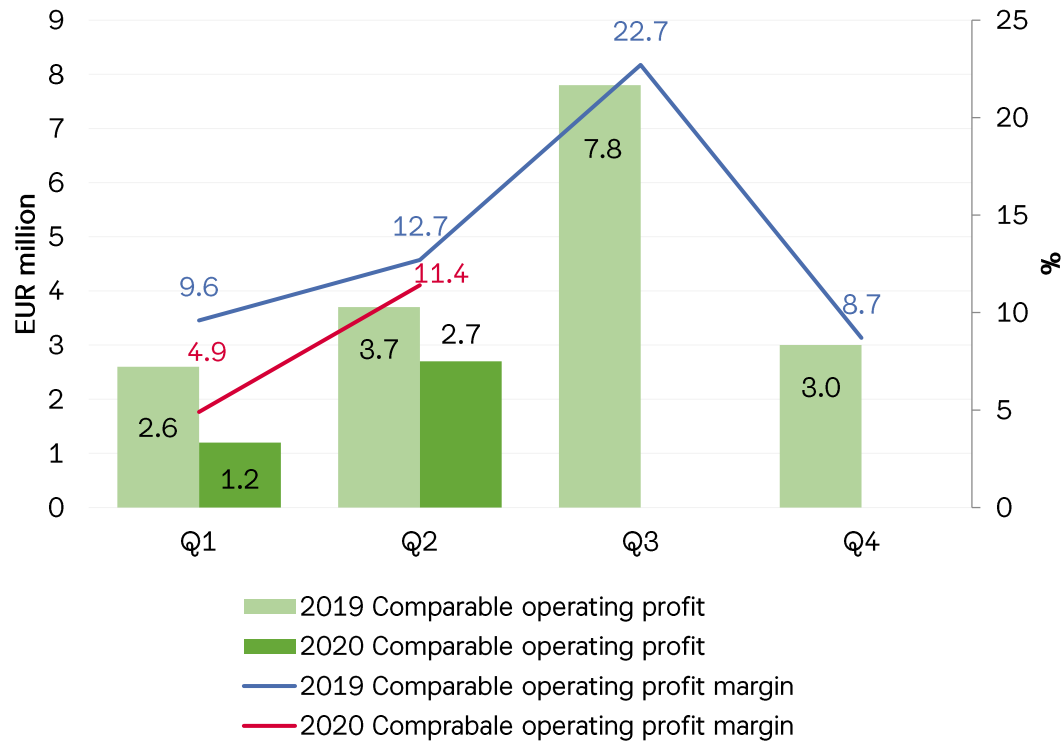


Brand sales, consisting of estimated sales of Marimekko products at consumer prices, are calculated by adding together the company's own retail net sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's realized wholesale sales and royalty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

Operating profit at a good level considering the difficult circumstances

EARNINGS WERE WEAKENED BY REDUCED SALES AND A DECLINE IN RELATIVE SALES MARGIN, BUT WERE BOOSTED BY COST SAVINGS

Comparable operating profit

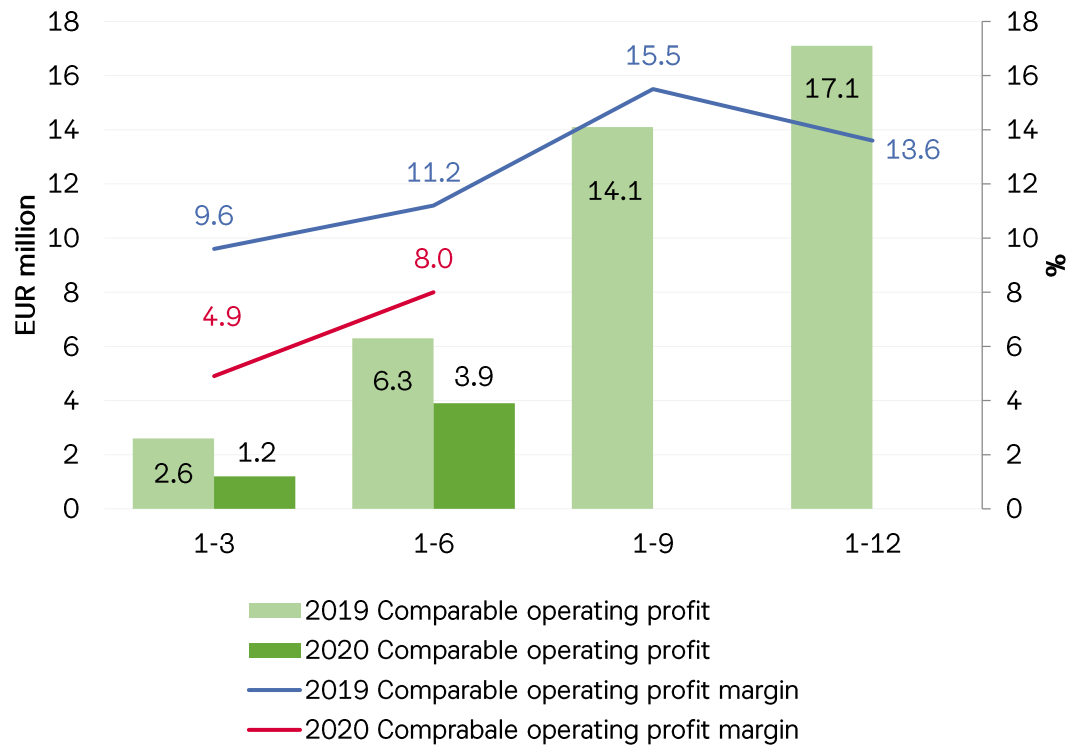


- Operating profit and comparable operating profit EUR 2.7 million (3.7), -28%
- Reduced net sales and a decline in relative sales margin had a weakening impact on results. The decline in relative sales margin was attributable, in particular, to increased logistics costs due to substantial growth in online sales and bigger discounts than in the comparison period, whereas higher licensing income and good margins per product, achieved through product portfolio optimization, supported the relative sales margin.
- Earnings were boosted by a noticeable decrease in fixed costs as a result of Marimekko's ambitious saving program.

Operating profit at a good level considering the difficult circumstances

EARNINGS WERE WEAKENED BY REDUCED SALES AND A DECLINE IN RELATIVE SALES MARGIN, BUT WERE BOOSTED BY COST SAVINGS

Comparable operating profit



- Operating profit and comparable operating profit EUR 3.9 million (6.3), -38%
- Reduced net sales and a decline in relative sales margin had a weakening impact on results. The decline in relative sales margin was attributable, in particular, to increased logistics costs due to substantial growth in online sales and bigger discounts than in the comparison period. On the other hand, higher licensing income and good margins per product, achieved through product portfolio optimization, supported the relative sales margin.
- Earnings were boosted by a noticeable decrease in fixed costs as a result of Marimekko's ambitious saving program.

Key events in Q2



Digital runway
open for everyone



Annual public fashion show moved digital and everyone was invited to participate

- Marimekko's public open-air fashion show has since 1992 gathered thousands of people in Helsinki city center to celebrate together the beginning of summer.
- This year the event was organized virtually and Marimekko invited its global community to participate and model the show themselves on Instagram – the open-for-everyone runway further strengthened our important values of inclusivity and equality.
- The show was a great success: Marimekko fans in some ten different countries shared content during the digital runway event.
- The event, spreading joy to everyday life, was watched on Instagram over 3.5 million times.

Rebekka Bay appointed Creative Director

- The visionary Rebekka Bay was appointed as Marimekko's Creative Director and a member of the Management Group as of 1 September 2020.
- Rebekka's ability to combine a strong creative vision with commercial thinking as well as her versatile international experience and knowledge of the Asian markets will support Marimekko's creative community in developing the appeal of our collections even further.
- In connection with the appointment, Rebekka Bay resigned her position as a member of the Board of Directors of Marimekko.





Progress in all our sustainability targets

- Marimekko's Sustainability Review 2019 detailing our sustainability work was published in June.
- During 2019, we took major steps, for example, in increasing the share of more sustainable materials in our products and packaging as well as in projects aiming at developing new, more sustainable materials.
- We continued our work to extend the life of our products, to reduce our environmental impacts and to improve the sustainability of our supply chain, among other things.
- We started to map our carbon footprint in more detail.
- During 2020, we will publish our new and even more ambitious sustainability strategy.

A fashion photograph featuring two models against a light, textured background. The model on the left is a Black woman with dark hair pulled back, wearing a bright orange, long-sleeved, belted tunic with a white scarf tied around her neck. The model on the right is a white woman with short blonde hair adorned with a small white flower, wearing a white button-down shirt with a large floral pattern over a horizontally striped t-shirt. The text "Outlook for 2020" is centered over the image in a large, bold, black font.

Outlook for 2020

Market outlook and growth targets for 2020

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- The coronavirus that spread rapidly all over the world during the first quarter of 2020 created the worst crisis experienced by the global fashion industry and specialty retail sector in decades.
- It has taken uncertainty over the global economy to a completely new level and has an impact on consumers' purchasing behavior.
- The exceptional circumstances have an impact on Marimekko's sales, profitability and cash flow. Furthermore, the global crisis may affect the operational reliability of the company's value chain.
- The duration of the pandemic, possible new infection waves and the way the crisis is handled by different countries influence the depth of the economic recession in different markets.

Market outlook and growth targets for 2020

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Finland

- Finland traditionally represents about half of the company's net sales.
- To take care of the health of its personnel and customers, Marimekko decided in March to temporarily close its own retail stores in Finland. The stores, with a few exceptions, were reopened in stages in May and June.
- Demand for products in Marimekko's online store increased significantly over the spring and summer.
- Domestic wholesale sales in 2020 will be boosted by nonrecurring promotional deliveries, the total value of which will be substantially higher than last year. A vast majority of the deliveries will take place in the second half of the year.
- The outlook for Marimekko's domestic market and the company's consolidated net sales and earnings essentially depend on the trend in customer numbers in retail stores during the rest of the year and whether there will be new major coronavirus infection waves in the fall.

The Asia-Pacific region

- The Asia-Pacific region is Marimekko's second-largest market and it plays a significant part in the company's internationalization. All Marimekko stores in Asia are partner-owned.
- 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 earlier stage than in Japan. Japan already has a very comprehensive network of Marimekko stores.
- Most of the Marimekko stores in the Asia-Pacific region were temporarily closed at different times during the first half of the year. At the end of the period under review, all Marimekko stores in Asia were open, partly with limited hours. Some of Marimekko's own retail stores in Australia have been closed again due to regulations made after the end of the review period.
- The temporary closure of Marimekko stores in Asia, possible new infection waves and the impacts of the pandemic on consumer sentiment affect the company's outlook for wholesale sales in the region.
- Despite the pandemic, the company continues to see increasing demand for its products in the Asia-Pacific region in the longer term.

Market outlook and growth targets for 2020

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Also

- Marimekko has taken due action to control cases of grey exports, which will have a clear weakening impact on sales and earnings in 2020.
- Licensing income in 2020 is forecast to be approximately at the same level as in the previous year thanks to better-than-expected estimated development.
- The importance of e-commerce in the company's business has continued to grow in 2020, and online sales are expected to perform well in the second half of the year as well.
- The full-year outlook for retail sales essentially depends on the return of customer flows to stores during the rest of the year in each market as well as possible new infection waves which may require temporary closures of Marimekko's own retail stores.
- The company's wholesale partners' and customers' recovery from the crisis can impact their replenishment orders during the remainder of the year, and so Marimekko's full-year outlook as well. Full-year wholesale sales will be substantially supported by nonrecurring promotional deliveries in Finland.
- The company's aim is still to open approximately 10 new Marimekko stores and shop-in-shops in 2020. The main thrust in new openings is on retailer-owned Marimekko stores.
- The exceptional circumstances have so far only had a minor impact on the supply chain.
- Continued strong growth in demand for products in the online store and wholesale delivery problems caused by the pandemic posed challenges to Marimekko's logistics in the early part of the year. As a result of growth in online sales, the company expects full-year logistics costs to increase on 2019.
- The effects of the ambitious fixed-cost saving program were clearly evident especially in the second quarter. Fixed costs are expected to decrease in the second half of the year as well, but more moderately than in the early part of year.
- Marketing expenses are estimated to be substantially lower than in the previous year (2019: EUR 7.4 million).
- The company expects its total investments to be lower than in the previous year (2019: EUR 2.6 million).
- The estimated effects of the long-term bonus system targeted at the company's Management Group will depend on the trend in the price of the company's share during the year.



Financial guidance for 2020

On 25 March 2020, Marimekko withdrew its earlier financial guidance for 2020 solely due to the estimated impacts of the coronavirus pandemic. As Marimekko stated on 14 May 2020 in its interim report, the coronavirus pandemic will have a significant negative impact on Marimekko's net sales and profitability in 2020. As the situation is changing rapidly, it is still not possible to give any precise estimate of the impacts of the pandemic on business.

Appendices

Income statement

EUR million	4-6/2020	4-6/2019	1-6/2020	1-6/2019	1-12/2019
Net sales	23.3	29.1	48.2	56.3	125.4
Other operating income	0.1	0.2	0.3	0.4	0.6
Change in inventories of finished goods and work in progress	3.8	-0.7	5.7	0.0	0.4
Raw materials and consumables	-13.2	-9.6	-24.3	-19.8	-45.4
Employee benefit expenses	-5.2	-6.7	-11.2	-13.6	-27.8
Depreciation and impairments	-3.1	-3.1	-6.3	-6.2	-12.5
Other operating expenses	-3.1	-5.4	-8.5	-10.7	-23.6
Operating profit	2.7	3.7	3.9	6.3	17.1
Net financial items	0.1	-0.5	-0.8	-0.7	-1.0
Result before taxes	2.8	3.2	3.0	5.6	16.2
Income taxes	-0.6	-0.6	-0.7	-1.1	-3.1
Net result	2.2	2.6	2.3	4.5	13.0

Balance sheet

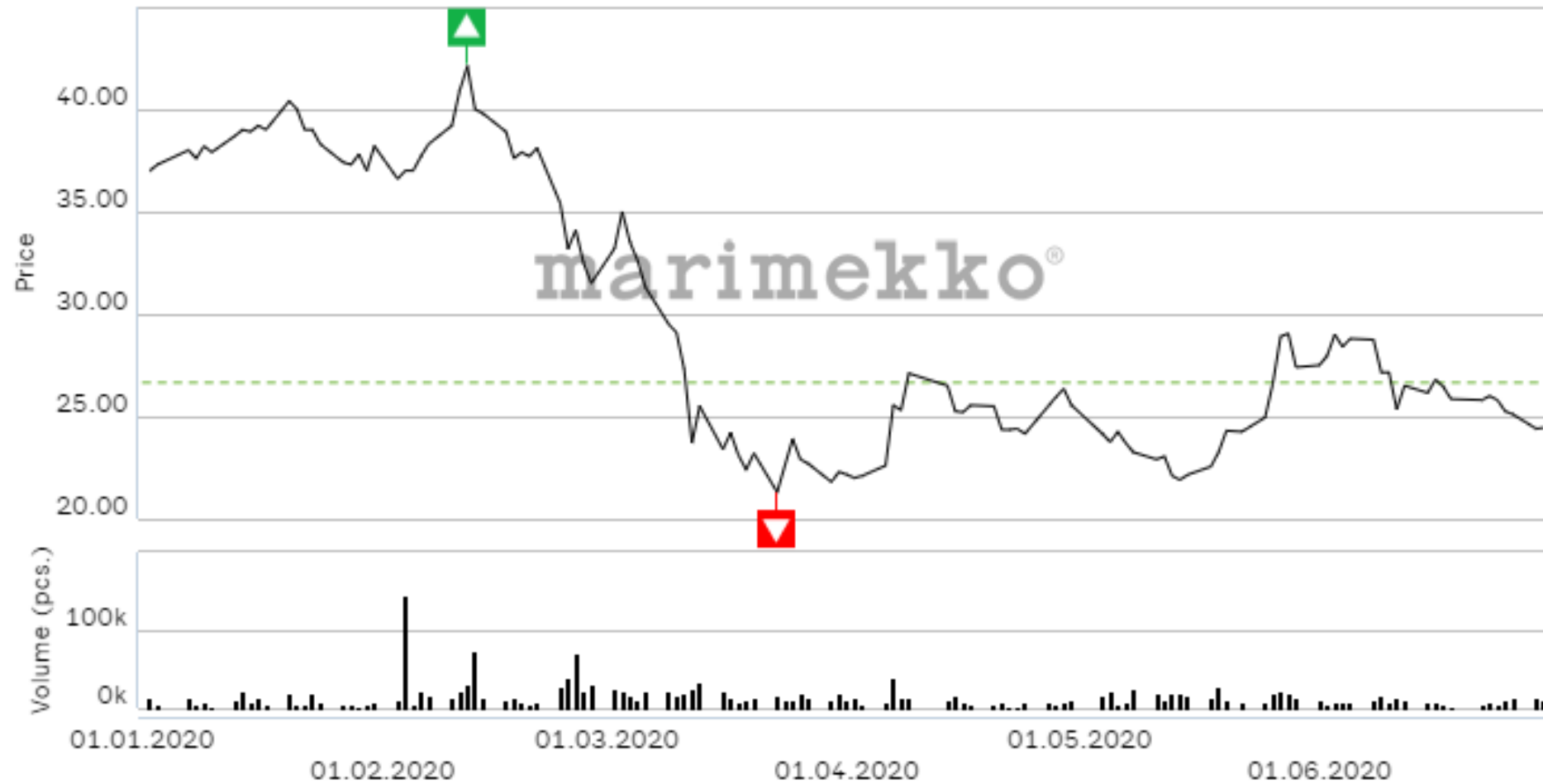
EUR million	30.6.2020	30.6.2019	31.12.2019
Non-current assets	38.5	42.6	41.6
Inventories	28.2	22.3	22.6
Other current assets	9.5	8.0	6.6
Cash and cash equivalents	25.1	12.8	26.1
Assets, total	101.3	85.8	96.9
Shareholders' equity	41.3	30.4	38.9
Non-current liabilities	25.1	29.0	27.6
Current liabilities	35.0	26.3	30.4
Shareholders' equity and liabilities, total	101.3	85.8	96.9

Cash flow statement

EUR million	1-6/2020	1-6/2019	1-12/2019
Cash flow from operating activities before change in working capital	10.2	12.5	29.7
Change in working capital	-6.3	-1.1	2.9
Cash flow from operating activities before financial items and taxes	3.8	11.4	32.5
Financial items and taxes	-4.3	-1.2	-3.6
Cash flow from operating activities	-0.4	10.2	29.0
Cash flow from investing activities	-1.5	-1.2	-1.6
Cash flow before cash flow from financing activities	-1.9	9.0	27.4
Short-term loans drawn	6.2	-	0.3
Personnel share issue	-	0.7	0.7
Leasing payments	-5.4	-5.1	-10.4
Dividends paid	-	-15.0	-15.0
Cash flow from financing activities	0.8	-19.4	-24.5
Change in cash and cash equivalents	-1.1	-10.4	3.0
Cash and cash equivalents at the beginning of the period	26.1	23.2	23.2
Cash and cash equivalents at the end of the period	25.1	12.8	26.1

In addition, Marimekko has unused committed credit lines of EUR 17.4 million (13.0).
The company has also secured a short-term revolving credit facility worth EUR 10 million as well as a long-term revolving credit facility, increased from EUR 2.5 million to EUR 5 million, which includes a covenant.

Share price trend



Largest shareholders

AS AT 30 JUNE 2020

Quoted on Nasdaq Helsinki

Consumer goods

- 1999, I list

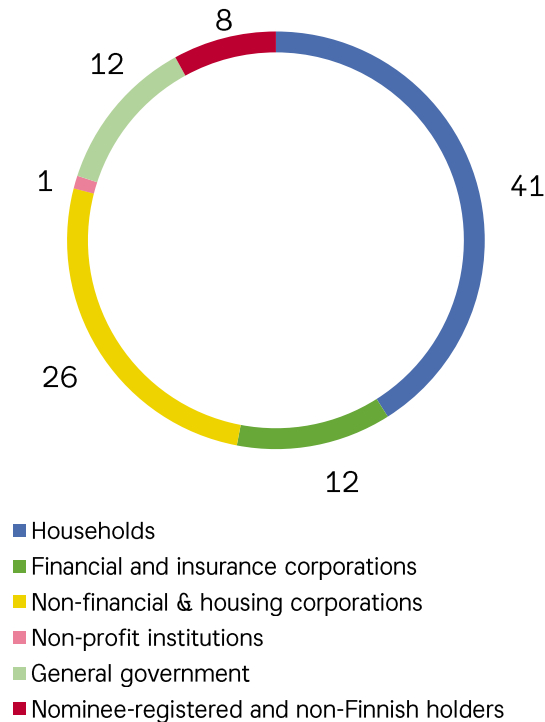
- 2002, main list

Market cap:

~ EUR 198 million

17,535 shareholders

Ownership by sector, %



Shareholder	No. of shares and votes	%
PowerBank Ventures Ltd (Mika Ihamuotila)	1,017,700	12.52
Moomin Characters Oy Ltd	453,740	5.58
Ilmarinen Mutual Pension Insurance Company	395,419	4.86
Varma Mutual Pension Insurance Company	385,920	4.75
Ehrnrooth Anna Sophia	340,377	4.19
Evli Finnish Small Cap Fund	240,000	2.95
Nordea Nordic Small Cap Fund	199,885	2.46
Veritas Pension Insurance Company	154,838	1.91
Oy Etra Invest Ab	148,000	1.82
Oy Talcom Ab	101,000	1.24

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