

A photograph of two women standing against a white, draped fabric background. The woman on the left is wearing a colorful patterned headscarf, orange-tinted sunglasses, a dark turtleneck, and a sweater with bold horizontal stripes in white, red, and black. She has a black puffer jacket slung over her shoulder. The woman on the right is wearing a long-sleeved top with vertical stripes in pink, white, orange, and black. Both women are smiling. The Marimekko logo is visible in the top left corner.

marimekko

Interim Report 1-9/2020

TIINA ALAHUHTA-KASKO, 4 NOVEMBER 2020

Marimekko increased its net sales and improved its results despite challenging circumstances

- The coronavirus pandemic continues to heavily impact the fashion industry and specialty retail sector all over the world.
- A good trend in wholesale sales and prompt adjustment measures helped Marimekko increase its net sales and improve its results in a challenging operating environment.
- In managing the exceptional crisis, in addition to an ability to react quickly and an internationally attractive and relevant brand, Marimekko's strengths have been a comprehensive range of lifestyle products and a diverse business and distribution channel model.
- The pandemic impacted customer numbers in stores in the third quarter as well, but continued strong online sales supported retail sales. Nearly all company-owned stores were open, partly with limited hours.
- Rapid adjustment measures and an increase in net sales improved results. Fixed costs were also reduced by subsidies granted in various countries to mitigate the negative business impacts of the coronavirus pandemic.
- New, even more customer-centric organization based on omnichannel thinking will improve Marimekko's operating capabilities in the transforming market.



Key figures

EUR million	7-9/2020	7-9/2019	Change, %	1-9/2020	1-9/2019	Change, %	1-12/2019
Net sales	38.0	34.5	10	86.2	90.7	-5	125.4
International sales	15.0	14.8	2	38.3	41.5	-8	54.3
<i>% of net sales</i>	<i>40</i>	<i>43</i>		<i>44</i>	<i>46</i>		<i>43</i>
Comparable EBITDA	13.6	11.0	24	23.8	23.5	1	29.7
Operating profit	10.5	7.8	34	14.4	14.1	2	17.1
Comparable operating profit	10.5	7.8	34	14.4	14.1	2	17.1
<i>Comparable operating profit margin, %</i>	<i>27.7</i>	<i>22.7</i>		<i>16.7</i>	<i>15.5</i>		<i>13.6</i>
Comparable earnings per share, EUR *	0.98	0.79	25	1.27	1.34	-6	1.61
Cash flow from operating activities	12.6	10.9	15	12.2	21.2	-42	29.0
<i>Return on investment (ROI), %</i>				<i>20.7</i>	<i>17.3</i>		<i>17.9</i>
<i>Equity ratio, %</i>				<i>44.6</i>	<i>39.8</i>		<i>40.2</i>
Net debt / EBITDA (rolling 12 months) **				0.15			0.35
Gross investments ***	0.4	0.4	-8	1.2	1.3	-6	2.6
Personnel at the end of the period				428	437	-2	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

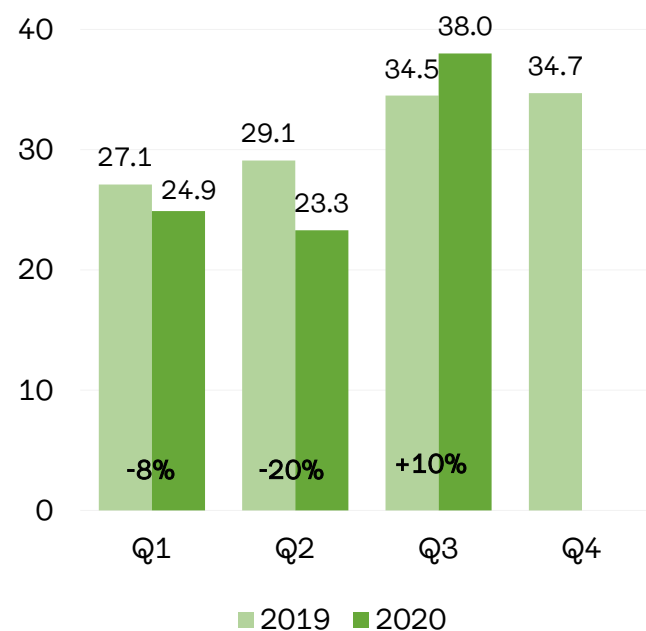


Net sales and operating profit

Net sales +10% to EUR 38.0 million (34.5)

ESPECIALLY WHOLESALE SALES IN FINLAND AND EMEA PERFORMED WELL

Quarterly net sales, EUR million



EUR million	Q3 2020	Q3 2019	Change %
Finland	23.0	19.7	17
Scandinavia	2.8	2.5	13
EMEA	4.0	2.8	44
North America	1.6	2.3	-29
Asia-Pacific	6.6	7.2	-9
International sales	15.0	14.8	2
TOTAL	38.0	34.5	10

- retail sales -5%
- wholesale sales +37%

Sales in Finland +17%

- retail sales 0% (like-for-like -9%*)
- wholesale sales +66%

International sales +2%

- retail sales -21%
- wholesale sales +20%
- licencing income -41%

Net sales were boosted especially by a favorable trend in wholesale sales in Finland and EMEA. The increase in Finnish wholesale sales was partly due to nonrecurring promotional deliveries.

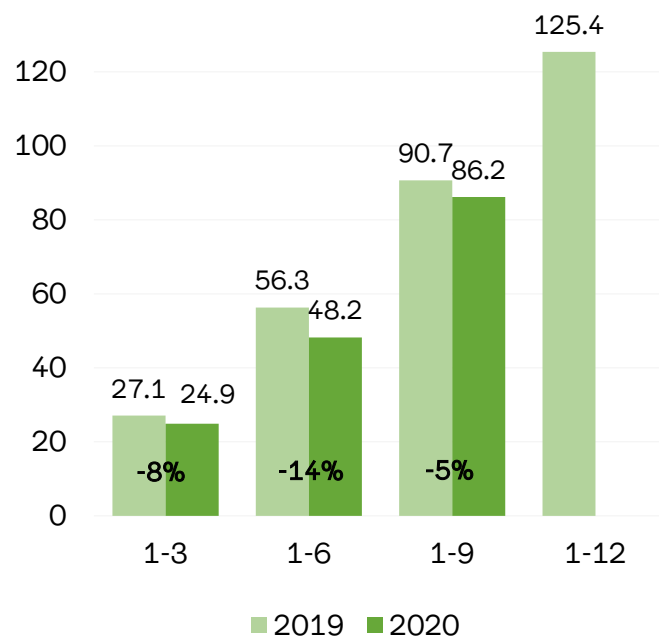
Footfall in the stores was noticeably lower than in the comparison period due to the pandemic. However, Marimekko's retail sales declined moderately considering the circumstances, as online sales continued to perform well and retail sales in Finland remained on a par with the comparison period. Also, retail sales include about a million euros in sales which were left unrecognized as revenue in the second quarter due to logistic challenges posed by the pandemic situation.

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

Net sales -5% to EUR 86.2 million (90.7)

BOOMING ONLINE SALES AND A STRONG TREND IN FINNISH WHOLESALE SALES
OFFSET SOME OF THE DECLINE IN NET SALES CAUSED BY THE PANDEMIC

Cumulative net sales, EUR million



EUR million	1-9/ 2020	1-9/ 2019	Change %
Finland	47.9	49.2	-3
Scandinavia	6.7	6.7	0
EMEA	10.0	9.4	6
North America	4.8	6.2	-23
Asia-Pacific	16.8	19.1	-12
International sales	38.3	41.5	-8
TOTAL	86.2	90.7	-5

- retail sales -15%
- wholesale sales +7%

Sales in Finland -3%

- retail sales -14% (like-for-like -10%*)
- wholesale sales +31%

International sales -8%

- retail sales -18%
- wholesale sales -4%
- licensing income +7%

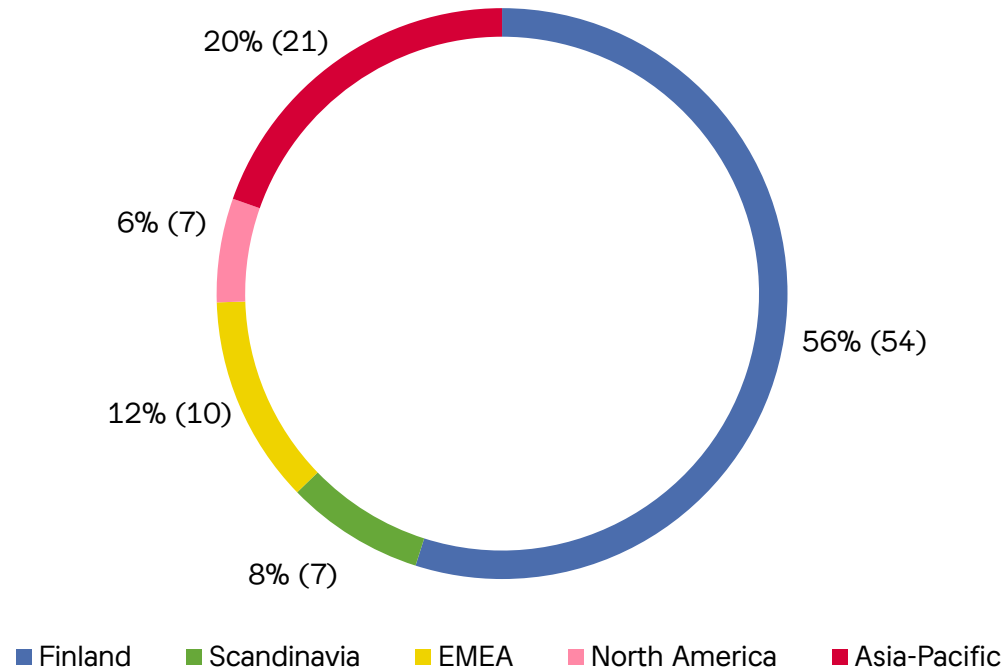
Net sales were weakened especially by a decline in retail sales in Finland and North America as well as a decrease in wholesale sales in the Asia-Pacific region, where an exceptional delivery pattern in the comparison period also had a negative impact on wholesale sales.

Temporary closure of stores and a significant decline in customer numbers had a clear effect on retail sales.

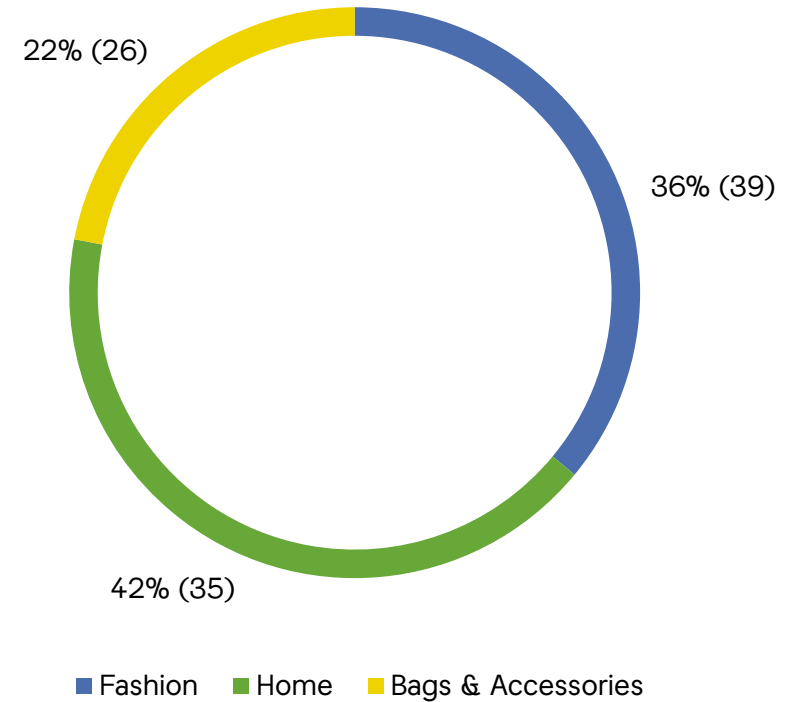
Booming online sales as well as a strong trend in Finnish wholesale sales, partly due to nonrecurring promotional deliveries, offset some of the decline in net sales.

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

Net sales by market area,
1-9/2020 (1-9/2019)



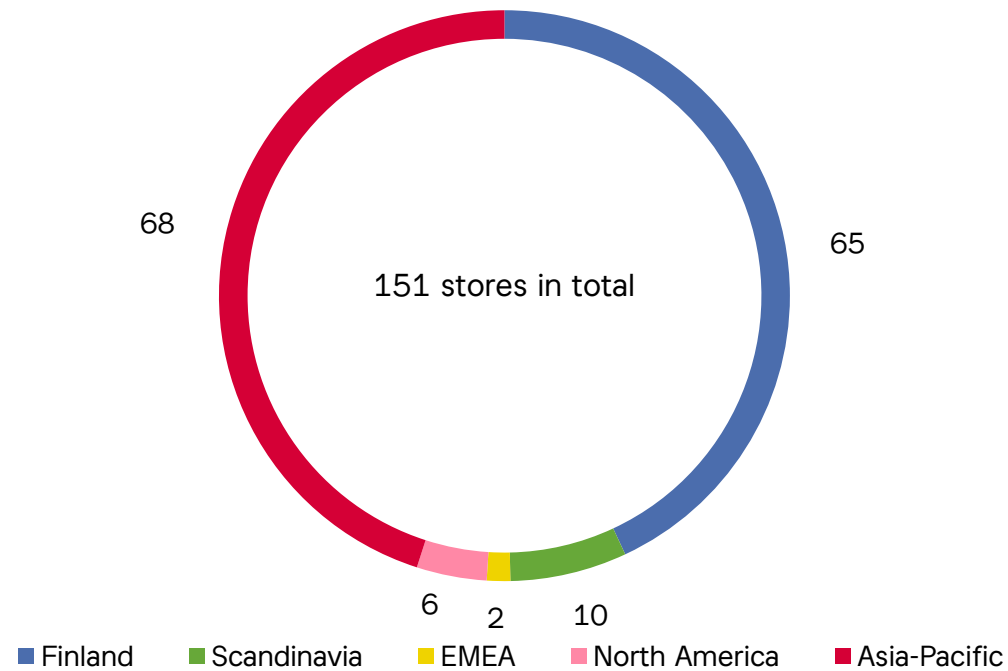
Net sales by product line,
1-9/2020 (1-9/2019)



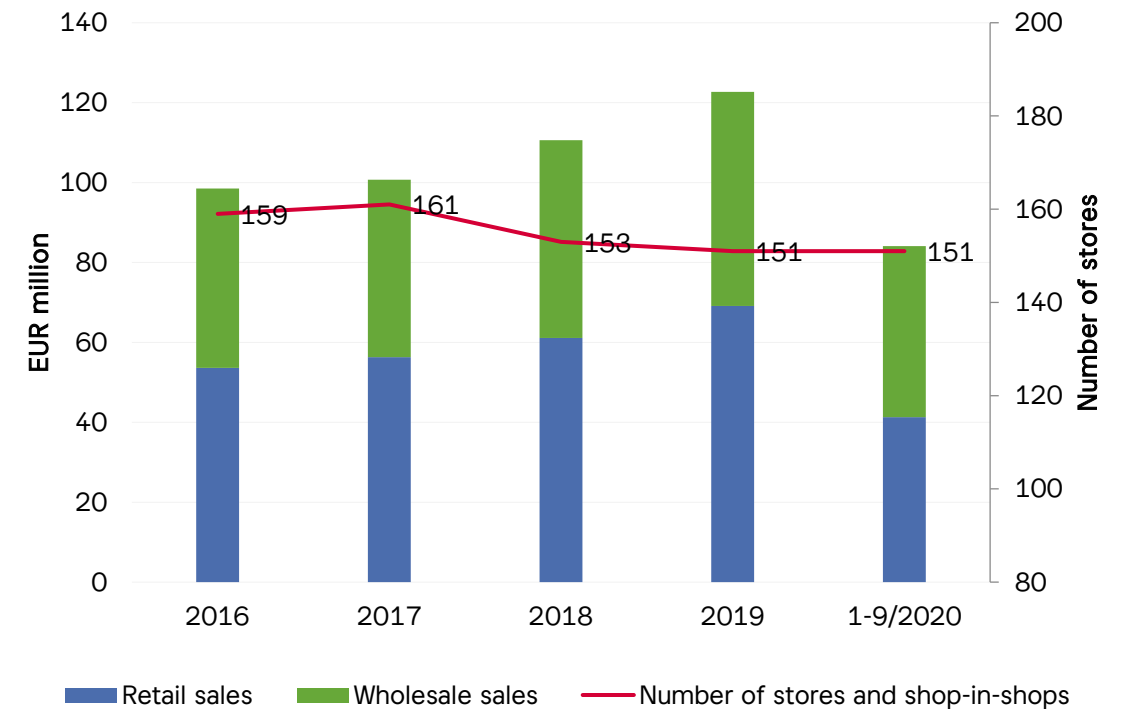
Global footprint

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

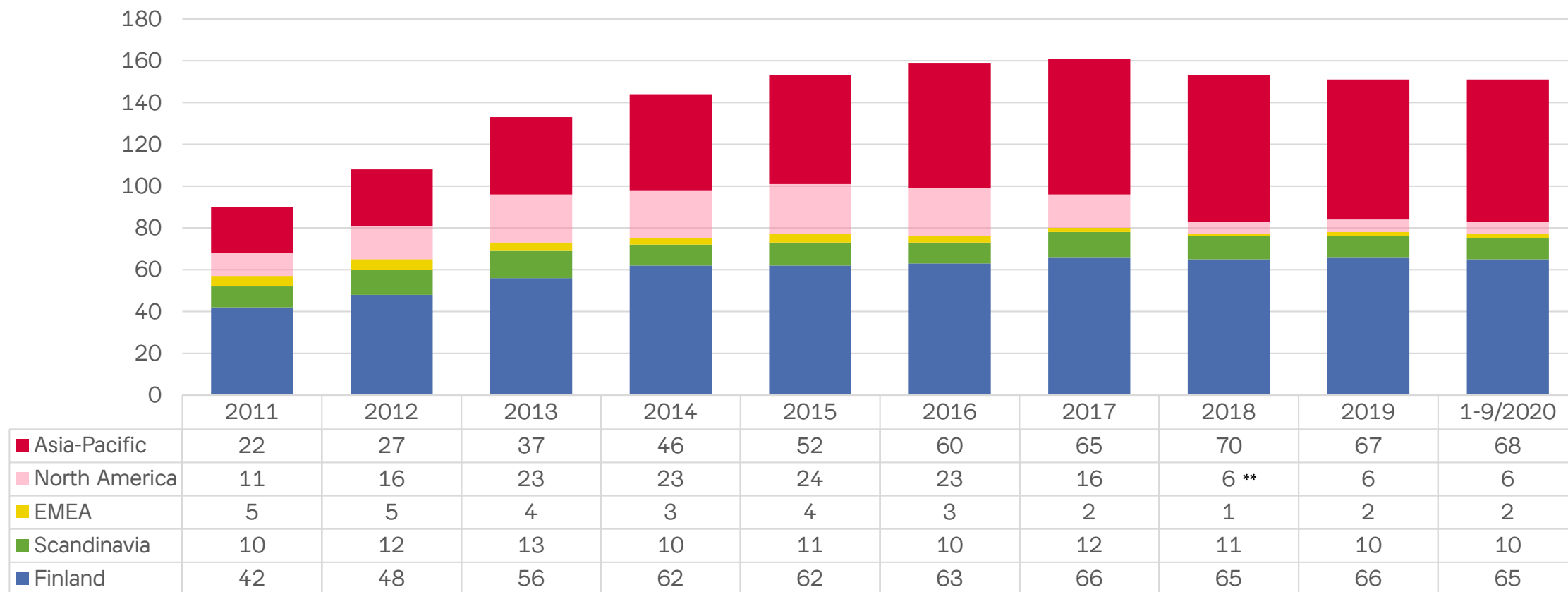
Global retail footprint 1-9/2020



Net sales by channel, e-commerce included



151 Marimekko stores* on 30 September 2020



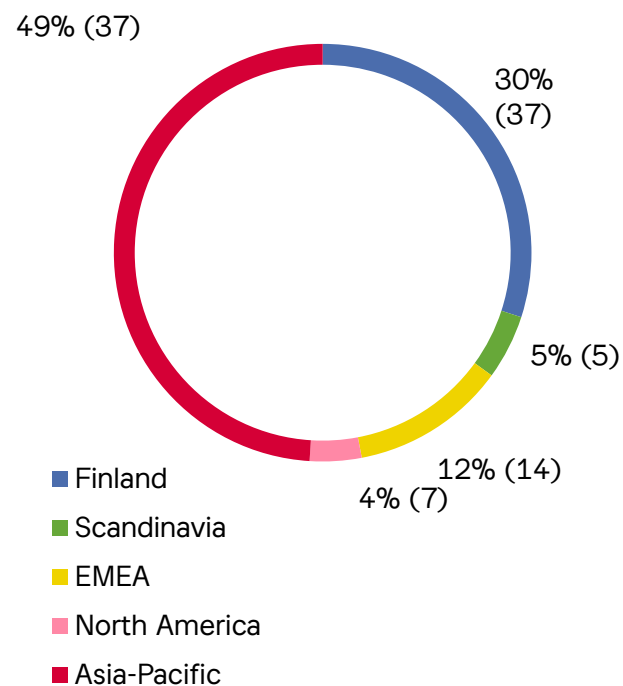
* Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 53 at the end of Q3/2020 (52).

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

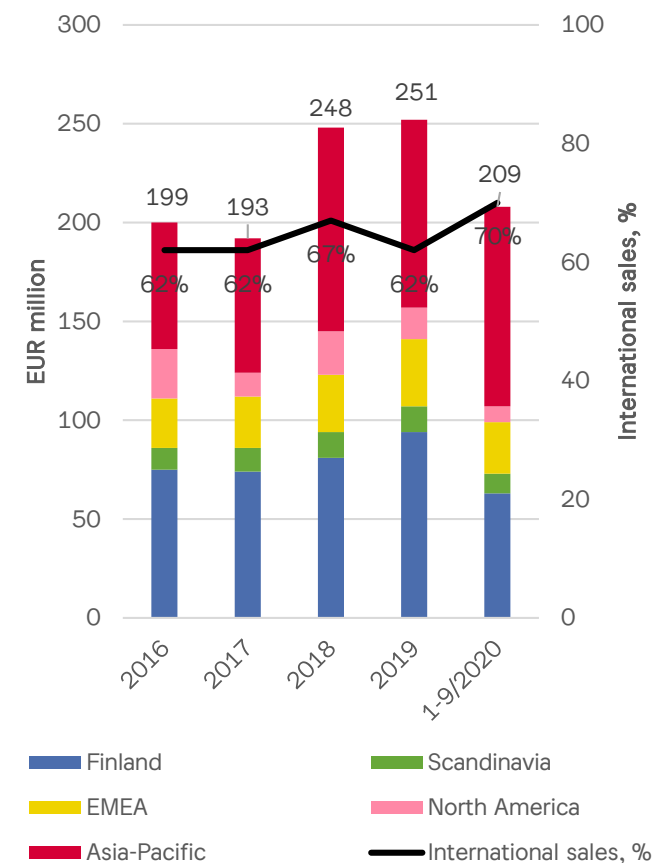
Marimekko brand sales +18% to EUR 209.1 million (176.8)

IN Q3, 62% OF BRAND SALES OUTSIDE HOME MARKET (61)

Brand sales by market area,
1-9/2020 (1-9/2019)



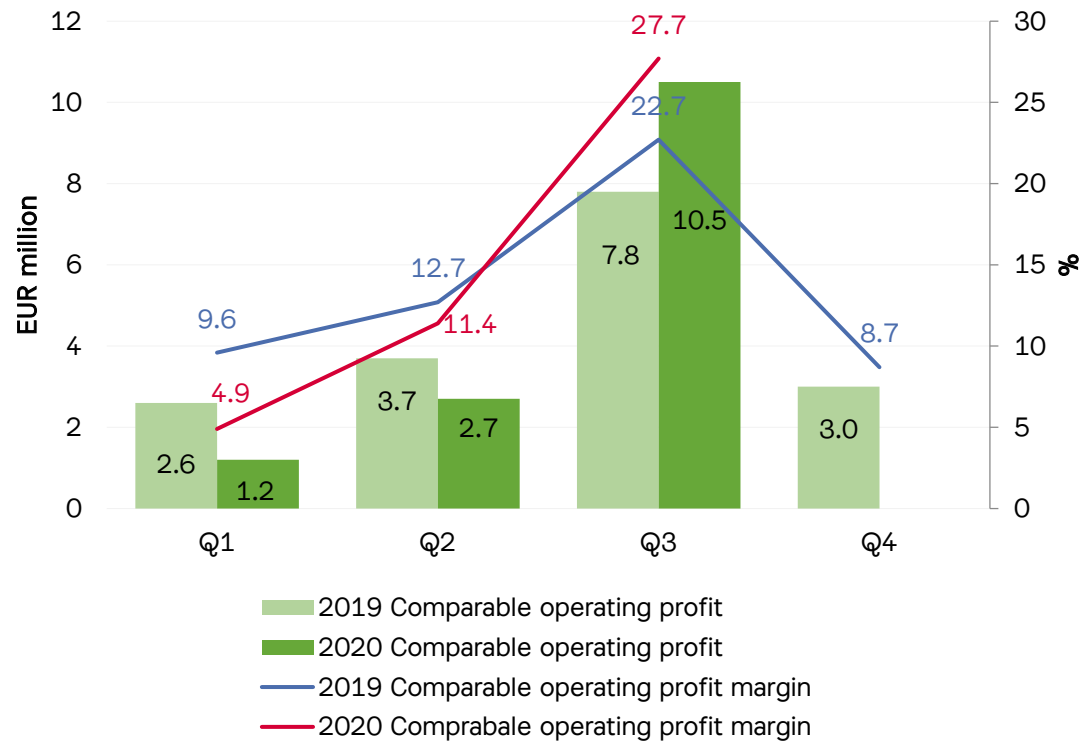
EUR million	1-9/ 2020	1-9/ 2019	Change %
Finland	63.3	65.4	-3
Scandinavia	10.1	9.2	9
EMEA	26.1	24.8	5
North America	8.2	12.8	-36
Asia-Pacific	101.5	64.5	57
International sales	145.8	111.4	31
TOTAL	209.1	176.8	18



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 licensing income, is unofficial and does not include VAT. The key figure is not audited.

Operating profit improved thanks to prompt adjustment measures and increased wholesale sales

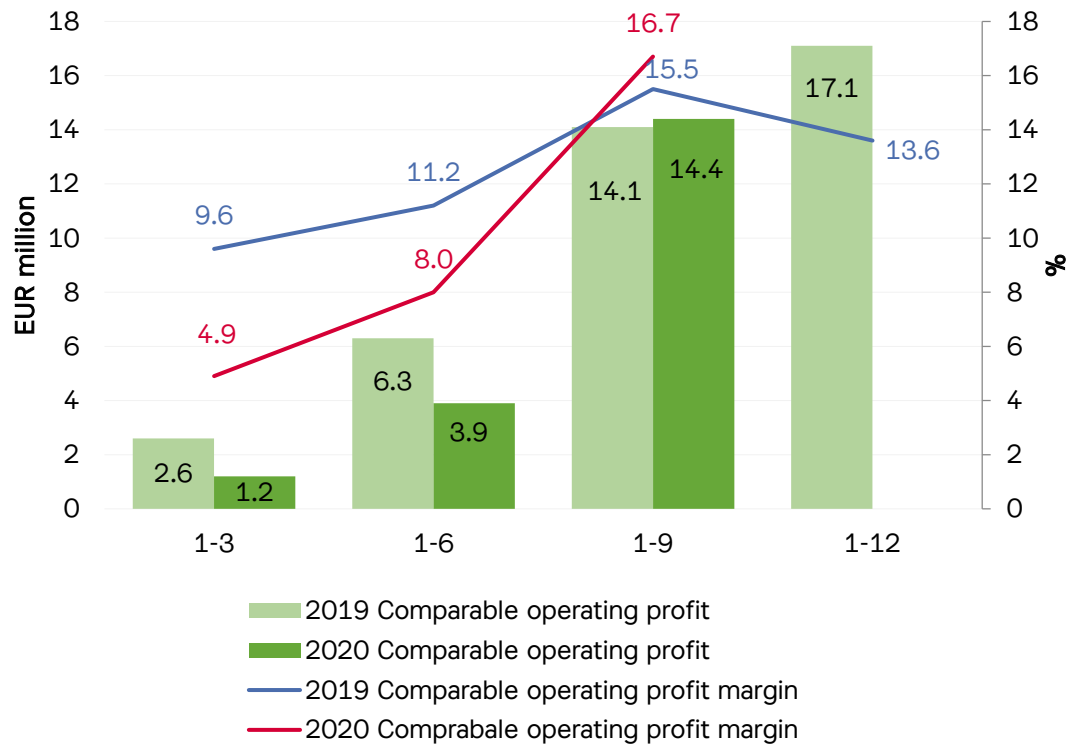
Comparable operating profit



- Operating profit and comparable operating profit EUR 10.5 million (7.8), +34%
- Earnings were boosted by a noticeable decrease in fixed costs due to adjusted operations as well as by increased net sales. Fixed costs were also reduced by subsidies (about a million euros) granted in various countries to mitigate the negative business impacts of the coronavirus pandemic.
- A decline in relative sales margin, largely due to higher logistics costs resulting from an increase in online sales, had a weakening impact on results.

Profitability improved in challenging circumstances

Comparable operating profit



- Operating profit and comparable operating profit EUR 14.4 million (14.1), +2%
- Earnings were boosted by a noticeable decrease in fixed costs as a result of Marimekko's prompt adjustment measures.
- A decline in relative sales margin, mainly due to higher logistics costs resulting from an increase in online sales, as well as reduced net sales had a weakening impact on results.

Q3/2020

Key events in Q3

Marimekko at Copenhagen Fashion Week

- Marimekko launched its 70th anniversary year celebrations with a digital presentation of its pre-spring 2021 collection at Copenhagen Fashion Week, which is currently one of the forerunning global fashion events.
- The presentation was filmed in Marimekko's textile printing factory in Helsinki. The digital format offered an excellent opportunity to present the collection not only to media and industry professionals but also to Marimekko's consumer customers, and thus further strengthen our important values of inclusivity and equality.
- Marimekko is truly committed to timeless and sustainable design, and thus the Copenhagen presentation looks also featured a selection of unique Marimekko vintage gems from past decades.





**FAST COMPANY'S
INNOVATION BY DESIGN
AWARDS
2020 HONOREE**

marimekko



Spinnova

Work to develop sustainable fabrics recognized in Fast Company's Innovation by Design Awards

- Collaboration between Marimekko and the Finnish fiber technology company Spinnova was chosen as a finalist in Fast Company's prestigious Innovation by Design Awards, which recognizes people, teams and companies solving problems through design.
- The Marimekko prototype outfits produced as part of the collaboration, the first ever printed clothes and bags made of Spinnova's fiber, were introduced in February 2020. The Spinnova fiber represents a very promising new sustainable material innovation that will enable the fashion and textile industry to significantly reduce its environmental impacts in the future.

Reorganization and streamlining of operations

- Marimekko initiated consultative negotiations in Finland and corresponding processes in its organizations in Scandinavia, North America and Australia in August with an aim to reorganize and streamline its operations.
- Following the consultative negotiations and the corresponding processes, a new, even more customer-centric organization based on omnichannel thinking was created. It will improve Marimekko's operating capabilities in the transforming market as well as strengthen its long-term competitiveness and financial position.
- At the same time, Marimekko made changes in its Management Group: Dan Trapp started as CSO and a member of the Management Group on 2 November 2020 and Sanna-Kaisa Niikko became CMO and member of the Management Group on 8 October 2020.





Outlook for 2020

Market outlook and growth targets for 2020

1 / 3

- 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 can 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, 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

2 / 3

Finland

- Finland traditionally represents about half of the company's net sales.
- The outlook for the domestic market and the company's consolidated net sales and earnings are influenced by the trend in customer numbers in retail stores during the rest of the year and whether online sales continue to perform well. Several of Marimekko's significant sales campaigns take place in the final quarter of the year.
- Domestic wholesale sales in 2020 are boosted by nonrecurring promotional deliveries, the total value of which is substantially higher than last year. A vast majority of the deliveries take place in the second half of the year.

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.
- Possible new infection waves and the speed of recovery from the pandemic in different countries can affect especially the company's sales outlook for the coming year in the Asia-Pacific region.
- Despite the pandemic, the company continues to see increasing demand for its products in the region in the longer term.

Market outlook and growth targets for 2020

3 / 3

Also

- In 2019, Marimekko became aware of cases of grey exports and has taken due action. The control of the cases has a clear weakening impact on the company's sales and earnings in 2020.
- Licensing income in 2020 is forecast to be higher than 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 final quarter 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.
- Full-year wholesale sales will be 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. Net sales and earnings for the rest of the year essentially depend on maintaining the operational reliability of distribution centers and logistics in the pandemic situation. As a result of growth in online sales, the company expects full-year logistics costs to increase noticeably on 2019.
- Fixed costs are expected to continue to decrease during the remainder of the year compared with 2019.
- 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

The Marimekko Group's net sales for 2020 are expected to be lower than in the previous year and comparable operating profit is estimated to be approximately at the same level as or lower than the year before.

Appendices

Income Statement

EUR million	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
Net sales	38.0	34.5	86.2	90.7	125.4
Other operating income	0.0	0.2	0.3	0.5	0.6
Change in inventories of finished goods and work in progress	-2.3	1.5	3.4	1.5	0,4
Raw materials and consumables	-12.3	-13.0	-36.6	-32.8	-45.4
Employee benefit expenses	-6.2	-6.5	-17.4	-20.2	-27.8
Depreciation and impairments	-3.1	-3.2	-9.4	-9.4	-12.5
Other operating expenses	-3.6	-5.6	-12.1	-16.3	-23.6
Operating profit	10.5	7.8	14.4	14.1	17.1
Net financial items	-0.6	0.0	-1.4	-0.7	-1.0
Result before taxes	10.0	7.8	13.0	13.5	16.2
Income taxes	-2.0	-1.5	-2.7	-2.6	-3.1
Net result	8.0	6.4	10.3	10.9	13.0

Balance sheet

EUR million	30.9.2020	30.9.2019	31.12.2019
Non-current assets	38.1	40.4	41.6
Inventories	26.2	23.9	22.6
Other current assets	11.8	7.0	6.6
Cash and cash equivalents	34.6	20.9	26.1
Assets, total	110.7	92.3	96.9
Shareholders' equity	49.4	36.7	38.9
Non-current liabilities	23.4	27.3	27.6
Current liabilities	37.9	28.3	30.4
Shareholders' equity and liabilities, total	110.7	92.3	96.9

Cash flow statement

EUR million	1-9/2020	1-9/2019	1-12/2019
Cash flow from operating activities before change in working capital	23.8	23.5	29.7
Change in working capital	-6.6	0.7	2.9
Cash flow from operating activities before financial items and taxes	17.2	24.2	32.5
Financial items and taxes	-5.0	-3.0	-3.6
Cash flow from operating activities	12.2	21.2	29.0
Cash flow from investing activities	-2.0	-1.4	-1.6
Cash flow before cash flow from financing activities	10.1	19.8	27.4
Short-term loans drawn	6.3	-	0.3
Personnel share issue	-	0.7	0.7
Leasing payments	-8.0	-7.8	-10.4
Dividends paid	-	-15.0	-15.0
Cash flow from financing activities	-1.7	-22.0	-24.5
Change in cash and cash equivalents	8.4	-2.3	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	34.6	20.9	26.1

In addition, Marimekko has unused committed credit lines of EUR 17.3 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 of EUR 5 million, which includes a covenant.

Share price trend



Largest shareholders

AS AT 30 SEPTEMBER 2020

Quoted on

Nasdaq Helsinki

- 1999, I list

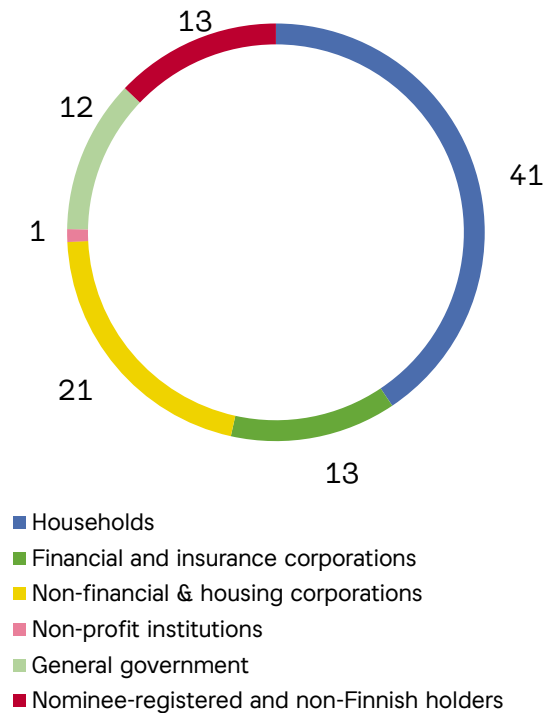
- 2002, main list

Market cap:

~ EUR 301 million

17,876 shareholders

Ownership by sector, %



Shareholder

No. of
shares
and votes
%

PowerBank Ventures Ltd (Mika Ihamuotila)	1,017,700	12.52
Ilmarinen Mutual Pension Insurance Company	395,419	4.86
Varma Mutual Pension Insurance Company	385,920	4.75
Ehnrooth Anna Sophia	340,377	4.19
Evli Finnish Small Cap Fund	264,000	3.25
Nordea Nordic Small Cap Fund	199,885	2.46
Veritas Pension Insurance Company	159,434	1.96
Sijoitusrahasto Taaleritehdas Mikro Markka	120,000	1.48
Oy Talcom Ab	101,000	1.24
Oy Etra Invest Ab	100,000	1.23

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