

Half-year Financial Report 1-6/2023

Tiina Alahuhta-Kasko

President & CEO

Net sales grew and operating profit improved in the second quarter 2023

- Our net sales increased by 6% from the record-high comparison period and totaled EUR 40.3 million (38.0).
- The increase in net sales was driven particularly by growth in international wholesale sales and licensing income.
- Finnish retail sales grew, but total net sales in Finland decreased by 3% when weakened general consumer demand lowered domestic wholesale sales. International sales grew by 21%.
- Our comparable operating profit totaled EUR 6.8 million (5.7) equaling to 16.8 percent of net sales (15.0).
- Operating profit was boosted especially by increased net sales and improved relative sales margin. On the other hand, an increase in fixed costs had a weakening impact on result.



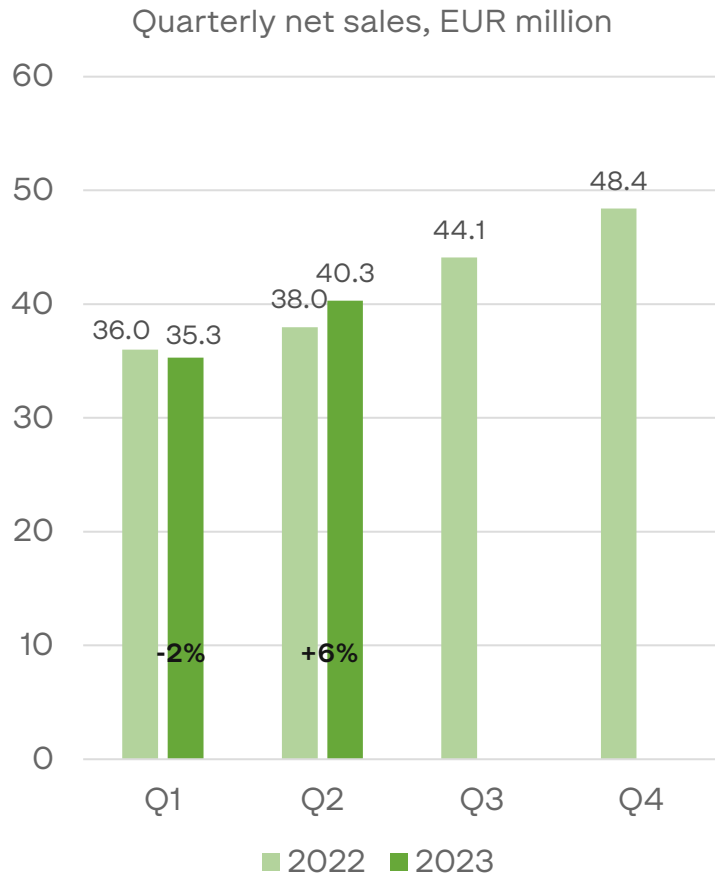
Marimekko's key figures in the second quarter

EUR million	4-6/2023	4-6/2022	Change, %	1-6/2023	1-6/2022	Change, %	1-12/2022
Net sales	40.3	38.0	6	75.6	74.0	2	166.5
International sales	18.1	15.0	21	35.4	32.5	9	68.3
% of net sales	45	39		47	44		41
Comparable EBITDA	9.0	8.1	11	15.2	17.3	-12	40.0
Operating profit	6.6	5.7	16	10.4	12.3	-16	30.2
Comparable operating profit	6.8	5.7	19	10.6	12.3	-14	30.4
Comparable operating profit margin, %	16.8	15.0		14.0	16.6		18.2
Comparable earnings per share, EUR	0.12	0.12	1	0.18	0.24	-25	0.56
Cash flow from operating activities	5.0	4.4	12	2.9	1.4	115	20.1
Return on Capital Employed (ROCE), %				34.4	42.3		31.5
Equity ratio, %				47.4	44.6		49.2
Net debt / EBITDA (rolling 12 months)				0.43	0.29		0.03
Gross investments	0.5	0.1	310	0.7	0.3	166	1.0
Personnel at the end of the period				484	460	5	459

Net sales and operating profit

Net sales increased +6 % to EUR 40.3 million (38.0)

The increase in net sales was driven particularly by growth in international wholesale sales and licensing income.



EUR million	Q2/ 2023	Q2/ 2022	Change %
Finland	22.2	23.0	-3
Scandinavia	3.0	3.0	1
EMEA	3.8	3.2	19
North America	2.6	2.0	28
Asia-Pacific	8.8	6.8	28
International sales	18.1	15.0	21
TOTAL	40.3	38.0	6

- retail sales +2%
- wholesale sales +4%
- licensing income increased significantly

Sales in Finland -3%

- retail sales +3% (like-for-like -1%)
- wholesale sales -19%
- licensing income -24%

International sales +21%

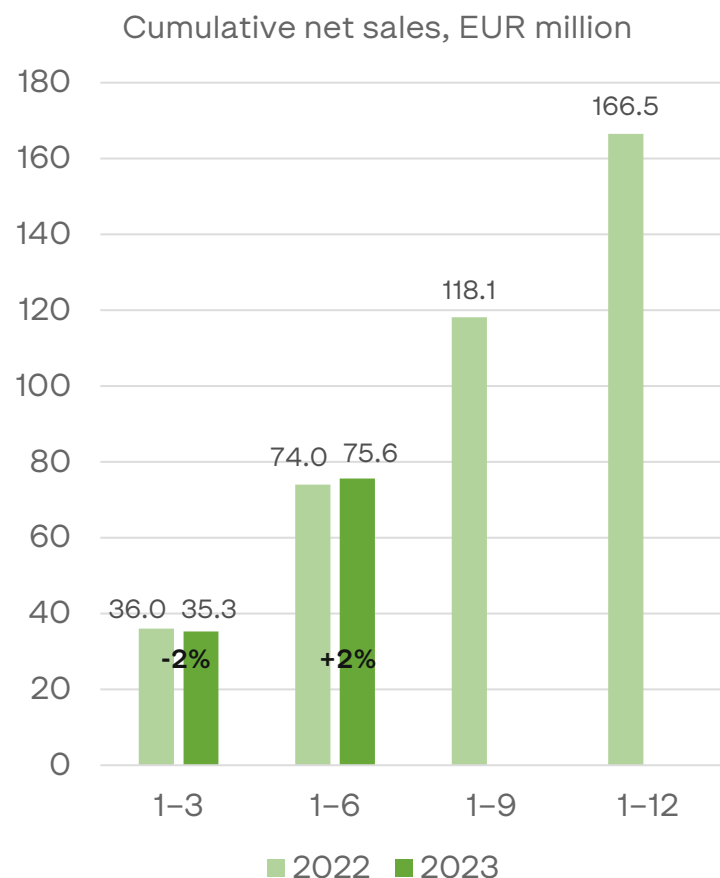
- retail sales on a par with comparison period
- wholesale sales +18%
- licensing income increased significantly

The increase in net sales was driven particularly by growth in international wholesale sales and licensing income. On the other hand, net sales were weakened by lower wholesale sales in Finland resulting from weakened general consumer demand. Retail sales in Finland continued to grow.

In the company’s second-biggest market, the Asia-Pacific region, net sales increased as both wholesale sales and licensing income in the region grew.

Net sales increased +2% to EUR 75.6 million (74.0)

Net sales were boosted by increased international wholesale sales and a favorable trend in retail sales in Finland.



EUR million	1-6/ 2023	1-6/ 2022	Change %
Finland	40.2	41.5	-3
Scandinavia	6.5	6.0	8
EMEA	7.5	8.6	-13
North America	4.2	3.8	10
Asia-Pacific	17.2	14.1	22
International sales	35.4	32.5	9
TOTAL	75.6	74.0	2

- retail sales +5%
- wholesale sales on a par with comparison period
- licensing income on a par with comparison period

Sales in Finland -3%

- retail sales +6% (like-for-like +1%)
- wholesale sales -20%
- licensing income -10%

International sales +9%

- retail sales on a par with comparison period
- wholesale sales +13%
- licensing income on a par with comparison period

Net sales were boosted by increased international wholesale sales and a favorable trend in retail sales in Finland.

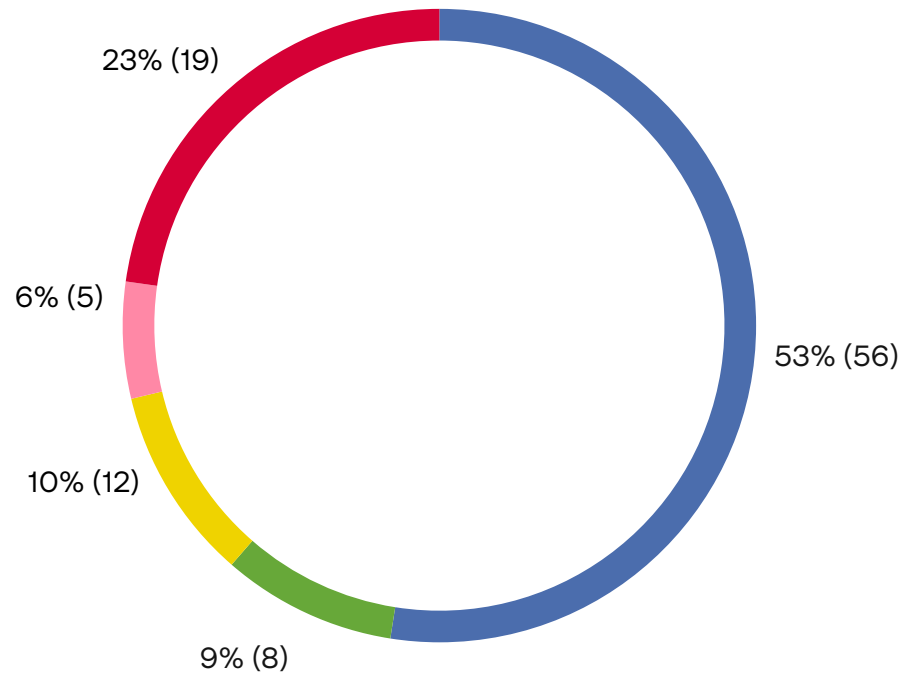
Weakened general consumer demand lowered wholesale sales in Finland. International sales grew despite actions to control gray exports weakening wholesale sales in the EMEA region.

Especially growth in wholesale sales and licensing income increased net sales in the Asia-Pacific region, the company's second-biggest market. In the comparison period, wholesale sales in the region were boosted by some of the wholesale deliveries in the fourth quarter of 2021 being transferred to the first quarter of 2022.

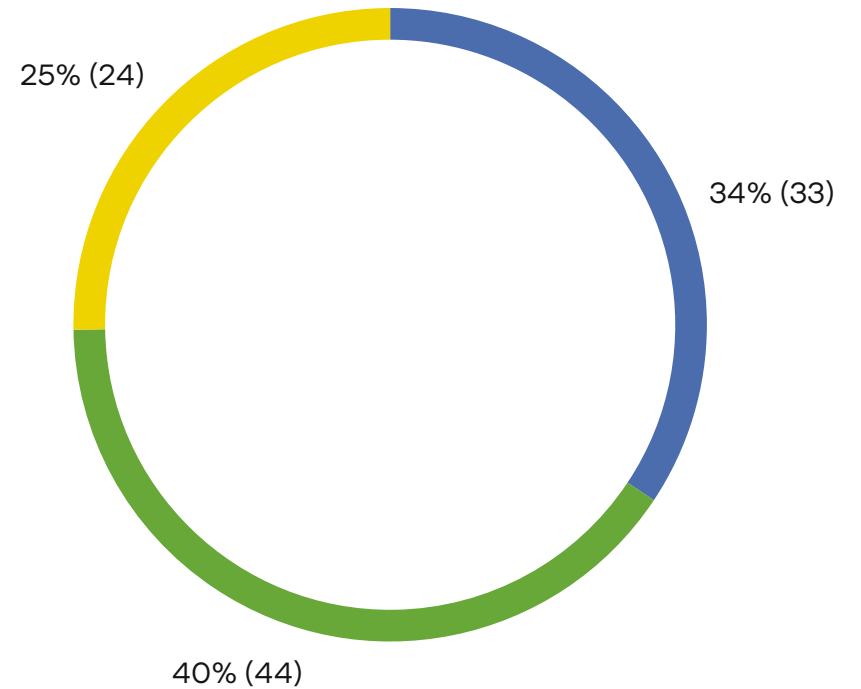
Net sales in the strategically important Asia-Pacific region +22%

Of the total sales, the share of fashion and bags & accessories grew.

Net sales by market area, 1-6/2023 (1-6/2022)



Net sales by product line, 1-6/2023 (1-6/2022)

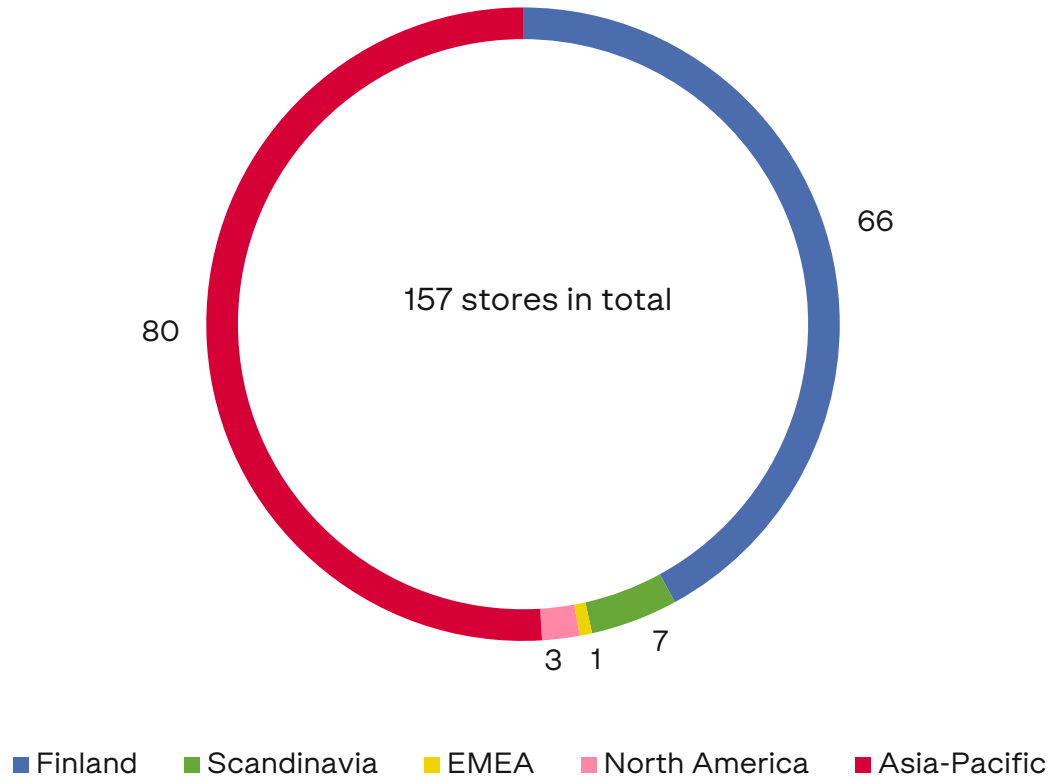


■ Finland ■ Scandinavia ■ EMEA ■ North America ■ Asia-Pacific

■ Fashion ■ Home ■ Bags & Accessories

The Asia-Pacific region has the greatest number of stores.
Online store serving customers in 35 countries already.

Global retail footprint 1-6/2023

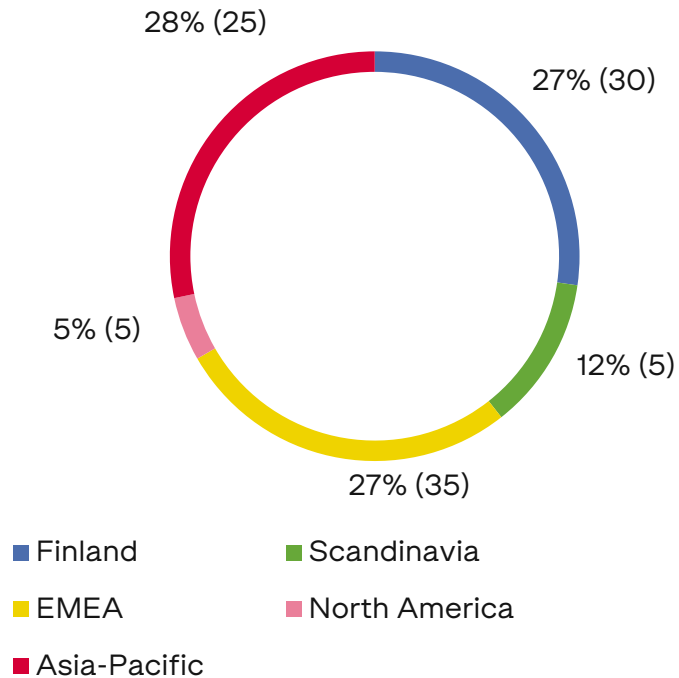


Net sales by channel, e-commerce included

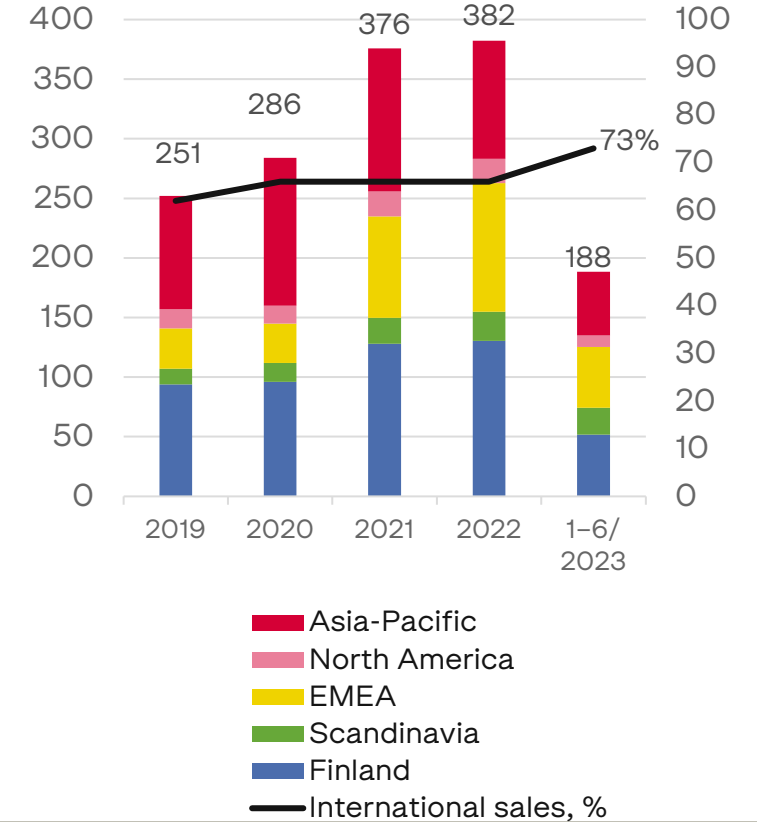


Marimekko cumulative brand sales EUR 188.5 million (190.1)

In the second quarter, 74% of brand sales outside home market (71)

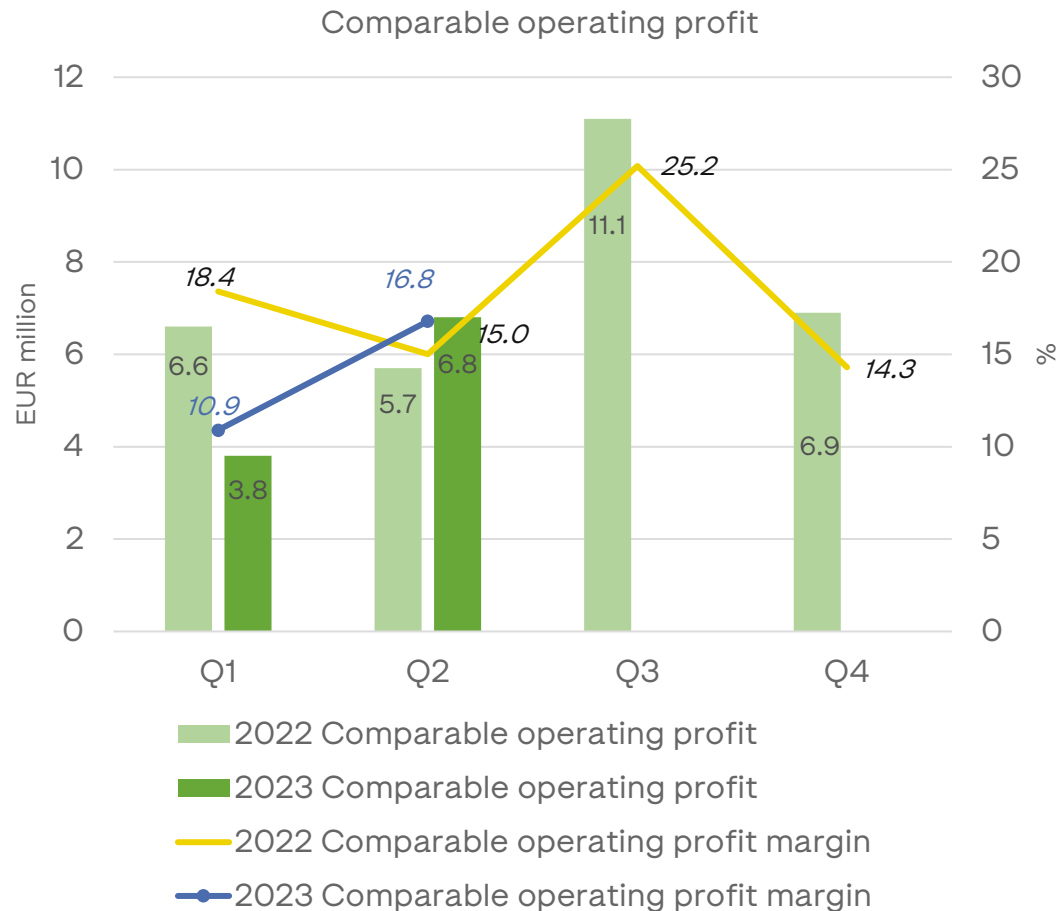


EUR million	1-6/ 2023	1-6/ 2022	Change %
Finland	51.7	56.1	-8
Scandinavia	22.7	10.3	120
EMEA	50.8	65.6	-23
North America	9.8	10.4	-5
Asia-Pacific	53.5	47.7	12
International sales	136.8	134.0	2
TOTAL	188.5	190.1	-1



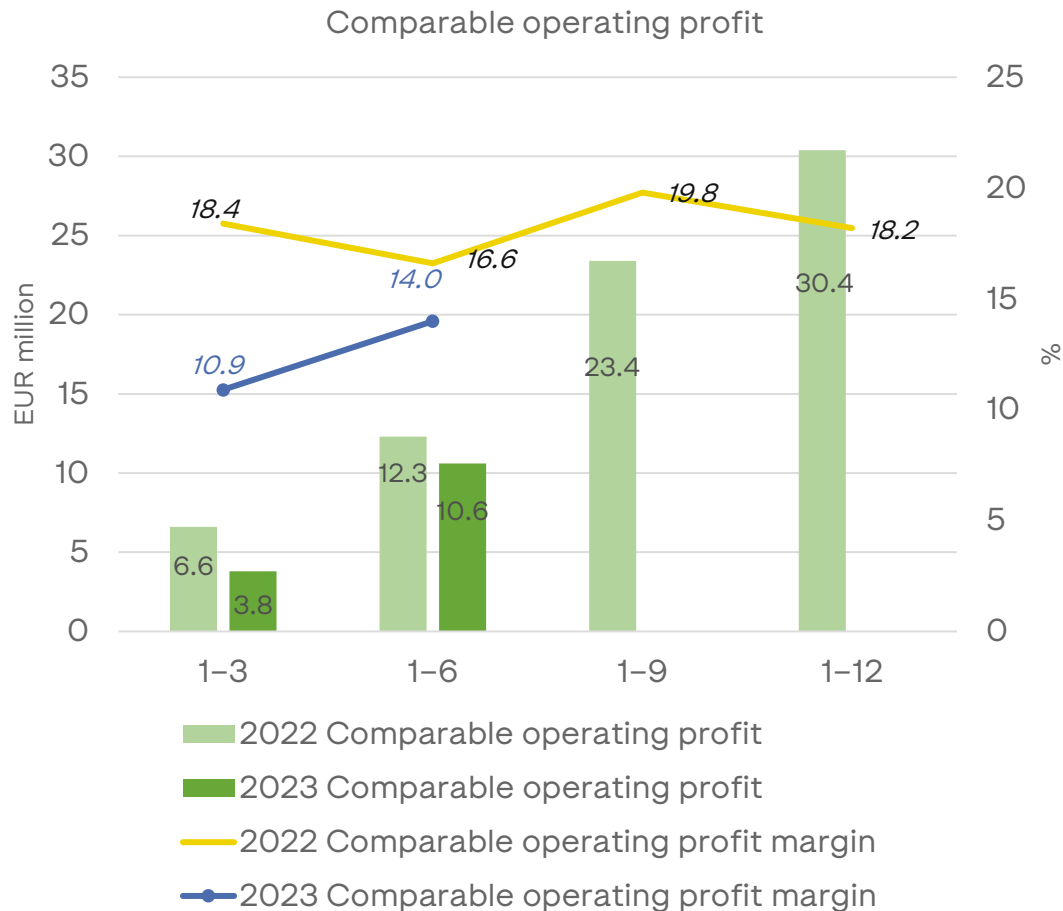
Brand sales represent the reach of the Marimekko brand through different distribution channels. An unofficial estimate of sales of Marimekko products at consumer prices, brand sales are calculated by adding together the company’s own retail net sales and the estimated retail value of Marimekko products sold by other retailers. The estimated retail value is based on the company’s realized wholesale sales and licensing income. Brand sales do not include VAT, and the key figure is not audited. Some licensees provide exact retail figures, in which case these figures are used in reporting brand sales. For other licensing agreements, Marimekko’s own retail coefficients for different markets are used.

Comparable operating profit improved clearly in the second quarter



- Operating profit was EUR 6.6 million (5.7).
- Comparable operating profit totaled EUR 6.8 million (5.7) and was 16.8 percent of net sales (15.0).
- Operating profit was boosted especially by increased net sales and improved relative sales margin. On the other hand, an increase in fixed costs had a weakening impact on result.
- Fixed costs grew particularly due to higher employee benefit costs, resulting from investments in the building blocks of international growth as well as higher personnel costs in the stores. Relative sales margin was strengthened by significantly increased licensing income.

Cumulative comparable operating profit at a good level while below comparison period

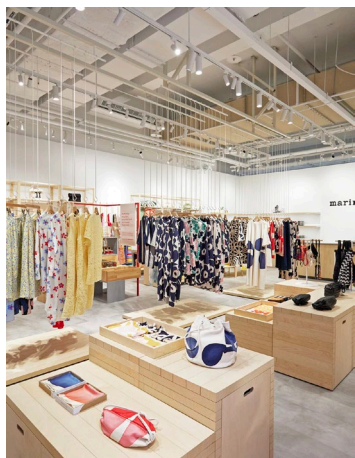
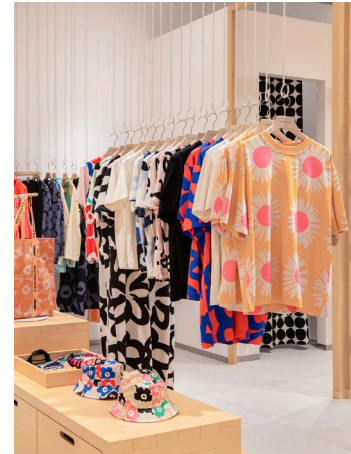


- Operating profit was EUR 10.4 million (12.3).
- Comparable operating profit totaled EUR 10.6 million (12.3) and was 14.0 percent of net sales (16.6).
- Operating profit was decreased by higher fixed costs and lower relative sales margin. On the other hand, increased net sales improved operating profit.
- Fixed costs increased due to earlier recruitments made to strengthen the building blocks of international growth as well as higher personnel costs in the stores. Relative sales margin was weakened especially by higher discounts than in the comparison period. On the other hand, lower transport costs supported relative sales margin.

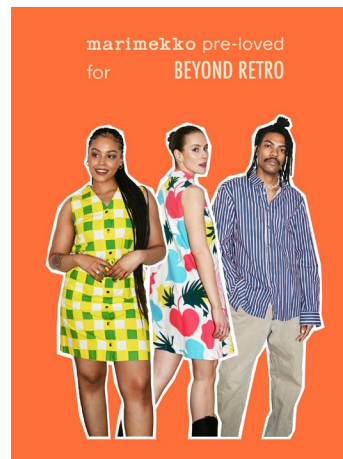
Key events in Q2

Omnichannel Marimekko store network strengthened further

In the second quarter, four stores were opened in Asia and one in Finland.



Pop-up stores and collaborations brought visibility in different markets



Marimekko presented its new collection at the Milan Design Week

We presented our home collection, arriving on the market in the fall, at the internationally influential Milan Design Week in April, and announced the most recent artist collaboration containing ceramics and household textiles with Sabine Finkenauer and a new glassware series designed by Matti Klenell.

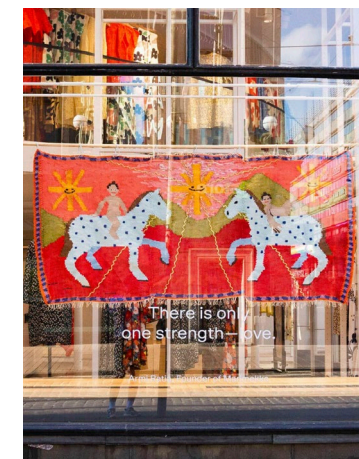


On Marimekko Day, we celebrated the beginning of summer with our community and opened our summer terrace in the Helsinki city center



Pride collaborations in Helsinki, New York and Bangkok delighted friends of Marimekko

Marimekko's core values: a sense of community, equality and inclusion were visible in our collaboration with Helsinki Pride 2023 and in our store window artworks celebrating Pride Month in Helsinki, Bangkok and New York.



Personalized products from Marimekko Studio

In June, we launched Marimekko Studio. Marimekko Studio brings artistic expression accessible to everyone as our customers in Finland and in other European countries can customize a mix of products with our signature letters, bold prints and colors.



Toward a more sustainable future, step by step

In May, we joined the Ellen MacArthur Foundation Network to support our circular economy journey.

In June, we launched our first products partly utilizing the closed loop clothing production. The aim of this pilot project is to explore ways to reduce the environmental impact of textile production.

We reported on our previous steps in our sustainability journey in our extensive Sustainability Review published in May.



Outlook 2023



Market outlook and growth targets for 2023: In general

- The uncertainties related to the general development of the global economy, such as the risk of an economic recession, general cost inflation, increasing interest rates, and the energy crisis as well as geopolitical tensions influence consumer confidence, purchasing power and behavior and, as a result, can have an impact on Marimekko's business in 2023, especially in the important domestic market of Finland.
- Different exceptional situations, such as Russia's war against Ukraine, may cause even significant disruptions in production and logistics chains, and may thus have a negative impact on the company's sales, profitability and cash flow.
- Marimekko is closely monitoring the general economic situation, and the development of consumer confidence and purchasing power, as well as the impacts of Russia's war against Ukraine and possible other exceptional situations, and the company will adjust its operations and plans according to the circumstances.

Market outlook and growth targets for 2023: Net sales development

Finland

- Finland traditionally represents about half of the company's net sales.
- Sales in Finland are expected to grow on the previous year.
- The Finnish wholesale sales in 2023 will be positively affected by non-recurring promotional deliveries, the total value of which is estimated to be substantially higher than the year before. A vast majority of the deliveries will take place in the second half of the year.

- In 2023, the aim is to open approximately 15 to 20 new Marimekko stores and shop-in-shops, and most of the planned openings will be in Asia.

Asia-Pacific

- The Asia-Pacific region is Marimekko's second-largest market and it plays a significant part in the company's international growth. Japan is clearly the most important country in this region to Marimekko and already has a very comprehensive network of Marimekko stores. All brick-and-mortar Marimekko stores and most online stores in Asia are partner-owned.
- Net sales in the Asia-Pacific region are expected to increase in 2023, as are total international sales.

Market outlook and growth targets for 2023: Seasonality

- Because of the seasonal nature of Marimekko's business, the major portion of the company's euro-denominated net sales and operating result are traditionally generated during the second half of the year.
- In 2023, Marimekko's net sales are expected to grow. As estimated, net sales in the first quarter of the year were lower than in the comparison period following the weaker outlook at the beginning of the year for the wholesale sales in Finland as well as lower licensing income. Furthermore, net sales in the first quarter of 2022 were boosted by some of the wholesale deliveries in the Asia-Pacific region in fourth quarter of 2021 being transferred to the first quarter of 2022.
- For the full year 2023, licensing income is forecasted to grow from the record level of 2022.

Market outlook and growth targets for 2023: Growth investments and costs

- Marimekko develops its business with a long-term view and aims to scale its growth especially in international markets during the strategy period of 2023–2027.
- In 2023, fixed costs are expected to be up on the previous year.
- Marketing expenses are expected to grow (2022: EUR 9.2 million).
- The general cost inflation continues to also affect Marimekko in 2023. Marimekko’s early commitment to product orders from supplier partners, which is typical of the industry, means that changes in costs affect the company with a delay.
- These early commitments have been further emphasized by the exceptional situations, undermining the company’s ability to optimize product orders and respond to rapid changes in demand and consumer behavior, which also increases risks related to inventory management and relative profitability. The domestic non-recurring promotional deliveries also raise inventory risks.
- Marimekko works actively to mitigate the negative impacts of disruptions in production and logistics chains as well as increased costs, and to enhance inventory management.

Financial guidance for 2023

The Marimekko Group's net sales for 2023 are expected to grow from the previous year (2022: EUR 166.5 million). Comparable operating profit margin is estimated to be approximately some 16–19 percent (2022: 18.2 percent). Development of consumer confidence and purchasing power, global supply chain disruptions and the general inflation development, in particular, cause volatility to the outlook for 2023.

Uncertainties related to the development of net sales and result are described in more detail in the Major risks and factors of uncertainty section of the Half-year Financial Report.



Appendices

Income statement

EUR million	4-6/2023	4-6/2022	1-6/2023	1-6/2022	1-12/2022
Net sales	40.3	38.0	75.6	74.0	166.5
Other operating income	0.0	0.0	0.1	0.0	0.1
Change in inventories of finished goods and work in progress	3.4	4.0	2.8	4.7	7.7
Raw material and consumables	-18.0	-18.3	-31.5	-32.3	-72.1
Employee benefit expenses	-8.7	-7.5	-16.5	-14.6	-30.8
Depreciation and impairments	-2.2	-2.4	-4.6	-4.9	-9.7
Other operating expenses	-8.2	-8.2	-15.6	-14.6	-31.5
Operating profit	6.6	5.7	10.4	12.3	30.2
Net financial items	-0.5	0.3	-1.4	0.2	-1.1
Result before taxes	6.1	6.0	9.0	12.5	29.1
Income taxes	-1.3	-1.2	-1.9	-2.7	-6.4
Net result	4.8	4.8	7.2	9.8	22.7

Balance sheet

EUR million	30.6.2023	30.6.2022	31.12.2022
Non-current assets	35.1	34.3	36.1
Inventories	36.7	30.8	33.8
Trade and other receivables	16.3	13.2	12.0
Current tax assets	1.1	0.2	-
Cash and cash equivalents	16.2	19.4	32.7
Assets, total	105.5	97.9	114.6
Shareholders' equity	49.2	42.8	55.4
Non-current liabilities	24.7	22.7	25.3
Current liabilities	31.7	32.4	33.9
Shareholders' equity and liabilities, total	105.5	97.9	114.6

Cash flow statement

EUR million

	1-6/2023	1-6/2022	1-12/2022
Cash flow from operating activities before change in working capital	15.2	17.9	40.6
Change in working capital	-7.9	-11.0	-11.2
Cash flow from operating activities before financial items and taxes	7.3	6.9	29.4
Financial items and taxes	-4.3	-5.5	-9.3
Cash flow from operating activities	2.9	1.4	20.1
Investments in tangible and intangible assets	-0.7	-0.3	-1.0
Cash flow before cash flow from financing activities	2.2	1.1	19.1
Short-term loans drawn	0.2	0.7	1.0
Short-term loans repaid	-0.9	-0.6	-0.7
Payments of lease liabilities	-3.6	-4.6	-8.5
Acquisition of own shares	-	-	-0.5
Dividends paid	-13.8	-37.4	-37.4
Cash flow from financing activities	-18.1	-41.9	-45.9
Change in cash and cash equivalents	-15.9	-40.8	-26.8
Cash and cash equivalents at the end of the period	16.2	19.4	32.7

In addition, Marimekko has unused committed credit lines of EUR 31.2 million (15.0).

Share price trend

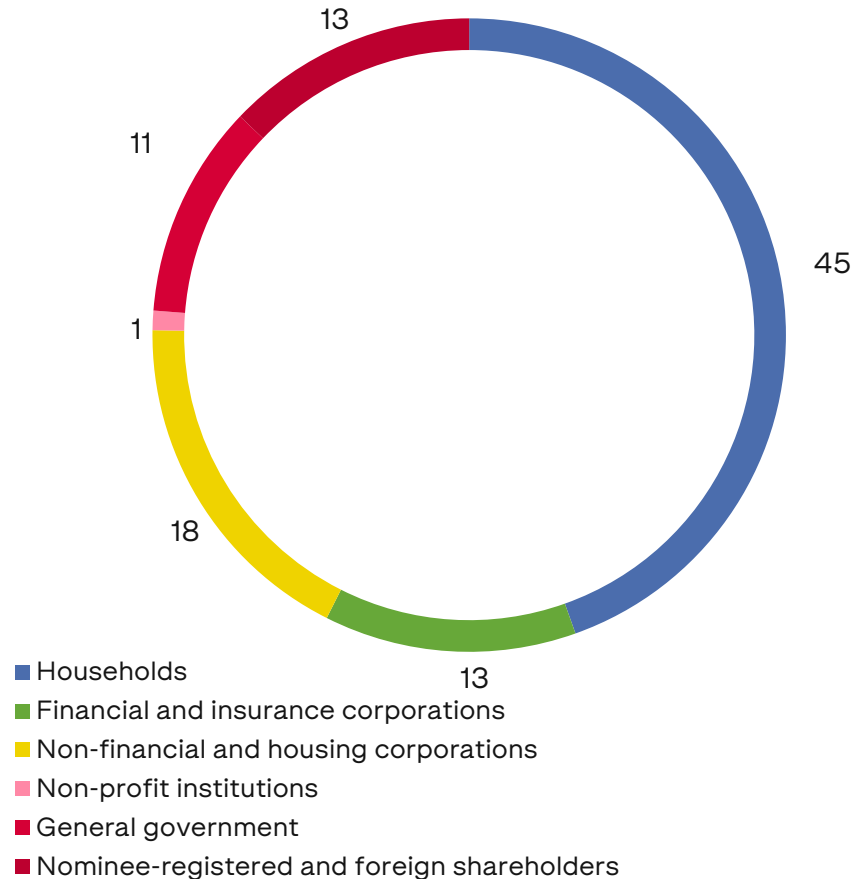
The Marimekko share (MEKKO) is quoted on the main list of Nasdaq Helsinki in the Consumer Products and Services Sector.

Market cap on 30 June 2023: 368.8 million.



A total of 39,118 shareholders

Ownership by sector, % of shares



Largest shareholders

(excl. foreign nominee-registered holders, 12.31% of total)

Shareholder	Shares and votes, %
PowerBank Ventures Oy (Mika Ihamuotila)	12.52
Varma Mutual Pension Insurance Company	4.75
Ilmarinen Mutual Pension Insurance Company	4.74
Ehrnrooth Anna Sophia	4.06
Nordea Nordic Small Cap Fund	2.46
Evli Finnish Small Cap Fund	2.21
Oy Talcom Ab	1.24
Oy Etra Invest Ab	1.23
Alahuhta Matti	1.04
Veritas Pension Insurance Company	0.92

For more information

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