



marimekko

Interim Report

1-3/2021

Marimekko Corporation, Interim Report, 20 May 2021 at 8.00 a.m.

In the first quarter, Marimekko's net sales were up by 17 percent and operating profit improved significantly. International sales increased noticeably.

The first quarter in brief

- ✦ The coronavirus pandemic continues to heavily impact the fashion industry and specialty retail sector all over the world. Despite the challenging situation, Marimekko's net sales grew by 17 percent to EUR 29.1 million (24.9). Net sales in Finland rose by 7 percent; international sales were up by 29 percent.
- ✦ Net sales were boosted especially by a favorable trend in wholesale sales in the Asia-Pacific region, Finland and Scandinavia as well as increased licensing income in EMEA. Sales growth in the Asia-Pacific was partly due to the transfer of some of the wholesale deliveries for the final quarter of 2020 to the first quarter of the current year. In Finland, nonrecurring promotional deliveries in particular contributed to an increase in wholesale sales.
- ✦ The increasingly difficult pandemic situation and tighter restrictions in several markets continued to reduce footfall in stores. Good growth in online sales, however, supported retail sales, which only declined slightly considering the circumstances.
- ✦ Operating profit improved significantly, reaching EUR 5.6 million (1.2). Comparable operating profit was also EUR 5.6 million (1.2).
- ✦ Earnings were boosted by increased net sales, improved relative sales margin, as well as a decrease in fixed costs, which was partly due to the timing of expenses and temporary cost savings.

Financial guidance for 2021 (as revised on 12 May 2021)

The Marimekko Group's net sales for 2021 are expected to be higher than in the previous year (2020: EUR 123.6 million). Comparable operating profit margin is estimated to be approximately on a par with or higher than in the previous year (2020: 16.3 percent).

However, the instability caused by the coronavirus pandemic in Marimekko's markets continues, and therefore there are significant uncertainties associated with the trend in net sales and earnings. These uncertainties are described in the Major risks and factors of uncertainty section of this interim report.

KEY FIGURES

(EUR million)	1-3/2021	1-3/2020	Change, %	1-12/2020
Net sales	29.1	24.9	17	123.6
International sales	14.6	11.3	29	52.4
% of net sales	50	45		42
EBITDA	8.7	4.4	99	31.9
Comparable EBITDA	8.7	4.4	99	32.7
Operating profit	5.6	1.2		19.3
Operating profit margin, %	19.3	4.9		15.7
Comparable operating profit	5.6	1.2		20.2
Comparable operating profit margin, %	19.3	4.9		16.3
Result for the period	4.4	0.2		13.8
Earnings per share, EUR	0.55	0.02		1.70
Comparable earnings per share, EUR	0.55	0.02		1.78
Cash flow from operating activities	1.8	-4.5		28.1
Return on investment (ROI), %	29.0	18.3		22.5
Equity ratio, %	47.0	41.3		46.6
Net debt / EBITDA (rolling 12 months)	0.08	0.56		-0.10
Gross investments *	0.4	0.5	-14	2.1
Personnel at the end of the period	416	441	-6	422
outside Finland	79	89	-11	84
Brand sales ¹	67.4	73.0	-8	286.4
outside Finland	46.8	54.4	-14	190.3
proportion of international sales, %	69	75		66
Number of stores	154	149	3	154

The change percentages in the table were calculated on exact figures before the amounts were rounded to millions of euros. The figure for comparable earnings per share takes account of similar items as comparable operating profit; tax effect included. Reconciliation of alternative key figures to IFRS and management's discretion regarding items affecting comparability are presented in the table section of this interim report.

* The figures for gross investments do not include the impact of IFRS 16.

¹ Brand sales are given as an alternative non-IFRS key figure, representing 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. At the beginning of 2021, the coefficients used to calculate brand sales were adjusted, and the figures for the comparison year have been restated accordingly. 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.

TIINA ALAHUHTA-KASKO

President and CEO

“Successful wholesale sales in particular contributed to an increase in our net sales in the first quarter. International sales grew markedly. Thanks to higher net sales, a stronger relative sales margin and reduced fixed costs, our results improved significantly.



“Marimekko did well in the first quarter. Our attractive collections and the growing interest in home decoration, the lessons and new operating practices we learned during the exceptional circumstances and our long-term work to develop our brand and omnichannel business helped us achieve good growth.

“Our net sales in the January-March period rose by 17 percent to EUR 29.1 million (24.9) due especially to a favorable trend in wholesale sales in the Asia-Pacific region, Finland and Scandinavia and increased licensing income in EMEA. Growth in our wholesale sales in the Asia-Pacific was partly attributable to the transfer of some of the wholesale deliveries for the final quarter of 2020 to the first quarter of the current year. In Finland, nonrecurring promotional deliveries in particular contributed to an increase in wholesale sales. Our licensing income in EMEA rose as a result of an agreement signed in spring 2021.

“Marimekko stores around the world were open in the first quarter with a few exceptions but, in many markets, the increasingly difficult pandemic situation and tighter restrictions continued to reduce footfall in stores. Good growth in online sales, however, supported our omnichannel retail. All in all, net sales in Finland grew by 7 percent, while international sales increased by 29 percent.

“Our comparable operating profit in the January-March period rose to EUR 5.6 million (1.2), representing 19.3 percent of net sales (4.9). Results improved significantly as our sales increased, the relative sales margin strengthened, and our fixed costs decreased. The decrease in fixed costs was partly due to the timing of expenses and temporary cost savings.

“At Copenhagen Fashion Week in February, our digital presentation highlighted our timeless design philosophy and original approach to printmaking in celebration of our 70th anniversary. Copenhagen Fashion Week’s focus on sustainability makes it one of the most interesting global events in the industry and a natural opportunity for Marimekko to build international awareness. The Zalando Sustainability Award competition was organized as part of the event, with Marimekko being awarded second place in recognition of its long-term work to promote sustainability.

“In the early months of the year, we also continued to increase our visibility in the Asian markets, which are especially important for us in the next phase of our international growth. Pop-up stores showcasing our anniversary and our Co-Created collections in major Asian cities introduced new audiences to our brand. In addition, the world’s first Marimekko Kiosk store

was opened in Japan. Marimekko Kioski streetwear is especially popular among younger consumers. We believe that the significance of these kinds of creative retail concepts as part of a seamless omnichannel customer experience will grow in the post-pandemic new reality. Our revamped online store will also open during the summer.

“This year, we are investing in strengthening the building blocks of our long-term international growth: in addition to our digital business and a seamless omnichannel customer experience, we are continuing to develop our sustainability and brand awareness. Changes in consumer behavior as a result of the growing significance of digitization and sustainability present unique growth opportunities for Marimekko, and we are willing to boldly seize those opportunities. We are of course closely monitoring the development of the pandemic situation in each of our market areas and will adjust our plans as necessary.

“Our 70th anniversary provides us with excellent opportunities to speak to our existing loyal customers as well as new fans of Marimekko. Our goal for this milestone year is to, together with our customers, make the Marimekko phenomenon even more meaningful while continuing to bring joy to people’s everyday lives around the world.”

Operating environment

The following outlook information is based on materials published by Confederation of Finnish Industries EK and Statistics Finland.

The world economy is expected to recover from the coronavirus pandemic at a rate of approximately six percent in 2021. The recovery will take place at highly differing rates around the world and in different sectors, and it involves major uncertainties due to virus variants and the availability of vaccines, among other things.

The economic outlook for Finland is improving, but it still remains fairly weak. Differences between industries continue to be high. The economy can be expected to recover at a similar rate with the rest of the world, but there is still uncertainty in Finland as well. The confidence indicator for the retail trade increased in April and was above the long-term average. Sales expectations have improved, and sales are estimated to grow in the next few months. The April figures for consumer confidence were at the strongest level in nearly three years. Estimates of the current state of personal finances and the trend in both personal and Finland's economy improved noticeably year-on-year.

(Confederation of Finnish Industries EK: Business Tendency Survey, April 2021; Confidence Indicators, April 2021. Statistics Finland: Consumer Confidence 2021, April).

The working-day-adjusted turnover of Finnish retail trade in March grew by 6.8 percent on the previous year, and the volume of sales was up by 3.8 percent. The cumulative working-day-adjusted turnover of retail trade in the first quarter rose by 4.5 percent and the volume of sales increased by 3.3 percent. (Statistics Finland: Turnover of Trade, March 2021).

Net sales

In the January-March period of 2021, the Group's net sales grew by 17 percent relative to the same period the year before and were EUR 29,103 thousand (24,872). Net sales were boosted especially by a favorable trend in wholesale sales in the Asia-Pacific region, Finland and Scandinavia as well as increased licensing income in EMEA. Net sales in Finland rose by 7 percent; international sales were up by 29 percent.

Nearly all of Marimekko's own stores were open in the first quarter, but footfall in the stores was noticeably lower than in the comparison period due to the pandemic. Online sales continued to grow, which partly offset the impacts of reduced footfall, and overall omnichannel retail sales only decreased by 4 percent. Wholesale sales continued to perform well and grew by 30 percent in the January-March period.

Net sales in Finland were EUR 14,534 thousand (13,574). Due to the continuing pandemic situation and partly tightened recommendations, customer numbers in the stores declined noticeably relative to the comparison period, in which the pandemic did not begin to impact footfall until towards the end of the period. However, thanks to strong growth in online sales, retail sales only decreased by 4 percent. Comparable retail sales fell by 2 percent. Wholesale sales in Finland grew by 27 percent. Wholesale sales were supported especially by nonrecurring promotional deliveries, the total value of which was substantially higher than the year before.

In the company's second-biggest market, the Asia-Pacific region, net sales rose by 35 percent to EUR 6,602 thousand (4,906). Wholesale sales and retail sales both grew. Wholesale sales in the entire region increased by 40 percent and in Japan, the most important country to Marimekko in this market area, by 37 percent. The upward trend in sales in different countries was partly due to the transfer of some of the wholesale deliveries for the final quarter of 2020 to the first quarter of the current year. Retail sales in the Asia-Pacific region grew by 6 percent.

NET SALES BY MARKET AREA

(EUR 1,000)	1-3/ 2021	1-3/ 2020	Change, %	1-12/ 2020
Finland	14,534	13,574	7	71,145
International sales	14,569	11,298	29	52,424
Scandinavia	2,435	2,058	18	9,883
EMEA	4,090	2,691	52	13,961
North America	1,443	1,643	-12	6,466
Asia-Pacific	6,602	4,906	35	22,114
Total	29,103	24,872	17	123,568

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 licensing income by market area can be found in the table section of this interim report.

Financial result

In the January-March period of 2021, the Group's operating profit grew substantially, reaching to EUR 5,624 thousand (1,208). There were no items affecting comparability in the period under review, which was also the case in the previous year, and comparable operating profit was also EUR 5,624 thousand (1,208). Earnings were boosted by increased net sales, improved relative sales margin, as well as a decrease in fixed costs, which was partly due to the timing of expenses and temporary cost savings.

The relative sales margin was strengthened by improved margins per product as well as significantly higher licensing income than in the comparison period. Bigger discounts than in the comparison period had a negative impact on the relative sales margin. Fixed costs were mainly reduced by lower credit loss provisions, the timing of marketing investments as well as the temporary rent reductions granted to the company and the fact that some rents are linked to turnover. Employee benefit expenses grew, because a rise in Marimekko's share price increased the estimated effects of the long-term, share-based incentive scheme for management and the personnel were paid a one-off bonus. Temporary layoffs that continue in the retail store chain as well as savings achieved through the reorganization of operations and streamlining of cost structure in fall 2020, on the other hand, decreased employee benefit expenses.

Marketing expenses for the review period were EUR 1,040 thousand (1,362), or 4 percent of the Group's net sales (5).

The Group's depreciation amounted to EUR 3,039 thousand (3,153), representing 10 percent of net sales (13).

Operating profit margin was 19.3 percent (4.9) and comparable operating profit margin was also 19.3 percent (4.9).

Net financial expenses were EUR 114 thousand (971), or 0 percent of net sales (4). Financial items include exchange rate differences amounting to EUR 147 thousand (-743), of which EUR 263 thousand (-619) were unrealized. The impact of IFRS 16 on interest expenses was EUR -191 thousand (-201).

Result for the period under review before taxes was EUR 5,510 thousand (237). Net result for the period was EUR 4,429 thousand (177) and earnings per share were EUR 0.55 (0.02).

Balance sheet

The consolidated balance sheet total as at 31 March 2021 was EUR 107,418 thousand (94,797). Equity attributable to the equity holders of the parent company was EUR 49,809 thousand (39,157), or EUR 6.14 per share (4.83).

Non-current assets at the end of the review period stood at EUR 41,119 thousand (38,792). Lease liabilities amounted to EUR 34,983 thousand (33,535), and financial liabilities were EUR 965 thousand (6,373). In addition, the Group had unused committed credit lines of EUR 16,967 thousand (15,041).

At the end of the period, net working capital was EUR 11,504 thousand (17,443). Inventories were EUR 24,031 thousand (24,732).

Cash flow and financing

In the January-March period of 2021, cash flow from operating activities was EUR 1,784 thousand (-4,474), or EUR 0.22 per share (-0.55). In the comparison period, the pandemic situation, among other things, had an impact on cash flow from operating activities. Cash flow before cash flow from financing activities was EUR 689 thousand (-5,617). Dividends paid in the review period totaled EUR 6,322 thousand (0). Taxes related to the dividends were paid after the end of the review period, in April.

The Group's cash and cash equivalents at the end of the period amounted to EUR 33,135 thousand (23,960). In addition to improved results, refraining from paying dividends in 2020 contributed to the increase in cash and cash equivalents. The amount of interest-bearing credit facilities drawn down was EUR 965 thousand (6,373). In addition, the Group had unused committed credit lines of EUR 16,967 thousand (15,041) as well as a long-term revolving credit facility of EUR 5 million, which includes a covenant. Marimekko secured additional financing in spring 2020 in a situation of a very weak view of the duration and impacts of the pandemic.

The Group's equity ratio at the end of the period was 47.0 percent (41.3). Gearing was 5.6 percent (40.7). The ratio of net debt to 12-month rolling EBITDA was 0.08 (0.56), i.e. well below the maximum of 2 which is the company's long-term goal.

Investments

The Group's gross investments in the January-March period of 2021 were EUR 391 thousand (453), or 1 percent of net sales (2). The investments were mainly devoted to IT systems. In 2021, most of the investments will be devoted to IT systems in order to strengthen the company's digital business.

Store network

Good store locations that cater for its target audience are essential for Marimekko. The operations and efficiency of the store network are continuously assessed and developed. During the first quarter, one store was opened in Thailand and one in Japan. One store was closed both in the United States and in South Korea. In addition, there were different kinds of pop-up stores in major Asian cities during the review period. At the end of March, there were a total of 154 Marimekko stores and shop-in-shops around the world. The stores' net sales in each market are primarily generated from sales to local customers, although sales to tourists make up a significant portion of the sales of certain central stores especially during holiday seasons.

Marimekko stores around the world were open in the first quarter with a few exceptions, partly with limited hours. In many markets, the increasingly difficult pandemic situation and tighter restrictions continued to reduce footfall in stores. After the end of the review period, the pandemic situation in Japan worsened, and some of the stores were closed temporarily due to tightened restrictions at the end of April. In mid-May, part of the temporarily closed stores were reopened with limited hours.

E-commerce plays an important role in Marimekko's omnichannel retail, and online sales grew well in the first quarter of the year. The company's own and partner-operated Marimekko webstores reach customers in as many as 34 countries. In addition, Marimekko also has distribution through other online channels.

Digital service solutions are constantly increasing the integration of e-commerce and in-store retailing. For this reason, Marimekko continues to report its own e-commerce net sales as part of retail sales and sales through other online channels as part of wholesale sales. Marimekko focuses major efforts on creating a seamless customer experience between different channels and develops its IT systems to strengthen its digital business. Accelerated by the pandemic, the importance of online sales in the company's business will grow even more, and the shift to digital sales channels among customers will influence Marimekko's distribution channel choices in the future.

STORES AND SHOP-IN-SHOPS

	31 March 2021	31 March 2020	31 Dec. 2020
Finland	65	64	65
Scandinavia	8	10	8
EMEA	2	2	2
North America	5	6	6
Asia-Pacific	74	67	73
Total	154	149	154

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 2021, the number of employees, expressed as full-time equivalents, averaged 414 (442). At the end of the period, the Group had 416 (441) employees,

of whom 79 (89) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 24 (25), EMEA 0 (3), North America 32 (31) and the Asia-Pacific region 23 (30). The personnel at company-owned stores, expressed as full-time equivalents, totaled 203 (240) at the end of the period. Some temporary layoffs still continue in the retail store chain due to the coronavirus situation.

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 totaled 8,129,834.

Shareholdings

According to the book-entry register, Marimekko had 19,822 shareholders (14,652) at the end of March. Of the shares, 14.1 percent (10.7) were owned by nominee-registered or non-Finnish holders.

Marimekko Corporation held 20,000 of its own shares as at 31 March 2021. 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.

Monthly updated 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 capitalization

In the January-March period of 2021, a total of 436,843 Marimekko shares (1,204,042) were traded on Nasdaq Helsinki, representing 5.4 percent (15.0) of the shares outstanding. The total value of the share turnover was EUR 21,435,368 (40,345,930). The lowest price of the share was EUR 44.50 (21.30), the highest was EUR 54.70 (42.50) and the average price was EUR 49.07 (33.50). At the end of March, the closing price of the share was EUR 48.40 (22.30).

The company's market capitalization on 31 March 2021 was EUR 392,515,966, excluding the Marimekko shares held by the company (180,849,298).

Authorizations

The Annual General Meeting held on 8 April 2020 authorized the Board of Directors to decide on the payment of a maximum dividend of EUR 0.90 per share in one or several instalments at a later stage. On 18 February 2021, the Board made use of the authorization and decided that a dividend of EUR 0.90 per share be paid for 2019 in one instalment. The dividend record date was 22 February 2021, and the dividend payout date was 1 March 2021.

The AGM also authorized the Board of Directors to decide on the acquisition of a maximum of 100,000 of the company's own shares, in one or more instalments, to be used as a part of the company's incentive compensation program, to be transferred for other purposes or to be cancelled. The quantity represents approximately 1.2 percent of the total number of the company's shares at the time of the proposal. The shares would be acquired with funds from the company's non-restricted 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 and in accordance with the rules and regulations of

Nasdaq Helsinki Ltd. The authorization was not used in the review period. The authorization ended on 14 April 2021.

Furthermore, the AGM authorized the Board of Directors to decide on the issuance of new shares and the transfer of the company's own shares in one or more instalments. The total number of shares to be issued or transferred pursuant to the authorization may not exceed 120,000 new or treasury shares, which represents approximately 1.5 percent of the total number of the company's shares at the time of the proposal. Pursuant to the authorization, the Board may decide on a directed share issue in deviation from the shareholders' pre-emptive right for a weighty financial reason. The share issue may be subject to a charge or free. The subscription price of the new shares and the amount paid for the company's own shares would be recorded in the company's reserve for invested non-restricted equity. The Board of Directors is authorized to decide on all of the other terms and conditions of the share issue. The authorization was not used in the review period. The authorization ended on 14 April 2021.

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

Events after the end of the review period

Resolutions of the Annual General Meeting

Marimekko Corporation's AGM was held on 14 April 2021 under exceptional meeting procedures. The AGM adopted the financial statements for 2020 and discharged the members of the Board of Directors and the President and CEO from liability. As proposed by the Board of Directors, the AGM authorized the Board to decide on the payment of a maximum dividend of EUR 1.00 per share in one or several instalments at a later stage. The authorization is valid until the next AGM. The company will publish the possible decision on dividend payment separately and, at the same time, confirm the pertinent record and payment dates.

The AGM resolved that the company's Board of Directors consist of seven members. Elina Björklund, Mika Ihamuotila, Mikko-Heikki Inkeroinen and Catharina Stackelberg-Hammarén were re-elected to the Board and Carol Chen, Jussi Siitonen and Tomoki Takebayashi were elected as new members of the Board of Directors. The Board's term of office ends at the conclusion of the next AGM.

It was decided that the remuneration of the members of the Board of Directors remain unchanged, and they will be paid an annual remuneration as follows: EUR 48,000 to the Chairman, EUR 35,000 to the Vice Chairman and EUR 26,000 to the other Board members. In accordance with the resolution by the AGM, approximately 40 percent of the annual remuneration of the members of the Board of Directors 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 2021 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 a Board member on the date of the AGM, 14 April 2021, holds the company's shares worth more than EUR 1,000,000. It was further resolved to continue to pay a separate remuneration for committee work as follows: EUR 2,000 per meeting to the committee Chairman and EUR 1,000 per meeting to members.

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

The AGM authorized the Board of Directors to decide on the acquisition of a maximum of 100,000 of the company's own shares, which represents approximately 1.2 percent of the total number of the company's shares at the time of the proposal, in one or more instalments. The shares would be acquired with funds from the company's non-restricted 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 and in accordance with the rules and regulations of Nasdaq Helsinki Ltd. 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 Board of Directors is authorized to decide on all of the other terms and conditions of the acquisition of the shares. The authorization is valid until 14 October 2022, and it supersedes the authorization granted by the 2020 AGM.

The AGM also authorized the Board of Directors to decide on the issuance of new shares and the transfer of the company's own shares in one or more instalments. The total number of shares to be issued or transferred pursuant to the authorization may not exceed 120,000 new or treasury shares, which represents approximately 1.5 percent of the total number of the company's shares at the time of the proposal. Pursuant to the authorization, the Board may decide on a directed share issue in deviation from the shareholders' pre-emptive right for a weighty financial reason, such as the company's incentive compensation plan, developing the company's capital structure, using the shares as consideration in possible company acquisitions or carrying out other business transactions. The share issue may be subject to a charge or free. A directed share issue can be free of charge only if there is a particularly weighty financial reason taking into account the interests of all of the company's shareholders. The subscription price of the new shares and the amount paid for the company's own shares would be recorded in the company's reserve for invested non-restricted equity. The Board of Directors is authorized to decide on all of the other terms and conditions of the share issue. The authorization is valid until 14 October 2022, and it supersedes the authorization granted by the 2020 AGM.

Changes in management

On 6 May 2021, Jussi Siitonen announced that he will immediately resign from his position as a member of the Board of Directors of Marimekko. Siitonen has been appointed CFO of Fiskars, starting on 3 November 2021 at the latest, which creates a conflict of interest with his duties as a Board member at Marimekko.

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 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. The pandemic impacts the global economic trend in many ways, and it has taken uncertainty to a completely new level. The coronavirus pandemic and other exceptional circumstances, especially if prolonged, can have significant impacts on Marimekko's sales, profitability, cash flow and the operational reliability of the company's value chain. They can have both short-term and long-term impacts on consumers' preferences, purchasing behavior and buying power. Changes in these especially in Finland and Japan, which are the company's biggest single countries for business, pose considerable strategic risks to the company. The economic recession and a rise in unemployment can affect the company's sales outlook and increase consumers' price sensitivity.

Other strategic risks include risks related to changes in the company's design, product assortment and product distribution and pricing. Digitization in retail trade has gathered pace in the past few years and will further accelerate as a result of the coronavirus pandemic, which can have an impact on the company's distribution channel solutions and choices, sales and profitability as well as create new revenue generation models. The importance of omnichannel business in the retail trade is emphasized. International e-commerce increases the options available to consumers and the significance of big e-commerce operators. The coronavirus pandemic has also intensified the financial difficulties of many traditional wholesale customers in the fashion sector, such as department stores and multi-brand retailers, which may have an impact on Marimekko's business and distribution channel choices. Maintaining competitiveness in a rapidly changing operating environment being revolutionized by digitization demands agility, efficiency, flexibility and the constant re-evaluation of operations. The company's ability to design, develop and commercialize new products that meet consumers' expectations while ensuring effective, quickly reacting and sustainable production, sourcing and logistics also has an impact on the company's sales and profitability.

The company's growth in the longer term is based primarily on omnichannel retail: on increasing e-commerce, on partner-led retail in Asia, as well as on enhancing the sales per square meter 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 internationalization. Major partnership choices, partnering contracts and other collaboration agreements involve considerable risks. With the company's internationalization and the growing interest in its brand, risks related to gray 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 internationalizes, the risks of infringements of its intellectual property rights may increase.

Prominent among the company's operational risks are those related to internationalization, digitization, sustainability as well as the supply and logistics chain. As Marimekko is a small company, risks related to key personnel can also be significant. The coronavirus pandemic increases operational risks related especially to taking care of the health and safety of customers and employees, production, supply and logistics chain reliability and efficiency, inventory and product flow management as well as cybersecurity and information system reliability as the importance of e-commerce is further emphasized. Early commitment to product orders from subcontractors, which is typical of the industry, weakens the company's possibilities to respond to rapid changes in demand especially in exceptional situations. For example, a rapid increase in demand can pose challenges in the availability of products.

In normal circumstances, too, there are risks associated with information system reliability, dependability and compatibility. With digitization, various risks related to cybersecurity and personal data protection have also increased. DoS attacks, malfunctions in data communications or, for example, in the company's own online store, may disrupt business or result in lost sales. Data leakage can lead to claims for damages and reputation risks.

Operational risks related to Marimekko's supply chain are associated especially with procurement and logistics processes and their flexibility and efficiency as well as price

fluctuations for raw materials and procurements. As product distribution is expanded and operations are diversified, risks associated with inventory management also grow. Substantial nonrecurring promotions can also increase these risks. Enhancing sustainability is increasingly important for competitiveness in the industry, which can have an impact on the company's sales and profitability. The company primarily uses subcontractors to manufacture its products. Of the sustainability elements of manufacturing, especially social aspects related to the supply chain (including human rights, working conditions and remuneration) and environmental aspects (for example production methods as well as raw materials and chemicals used) as well as transparent communications on these subjects are of growing significance to customers. These sustainability elements apply to Marimekko's own production and sourcing as well as licensed products. 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. Business and reputation risks are prevented by taking care of product safety as well as through continuous quality control and sustainability work.

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 behavior, 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. The coronavirus pandemic has significantly increased risks related to customers' liquidity.

Market outlook and growth targets for 2021

The coronavirus pandemic has created the worst crisis experienced by the global fashion industry and specialty retail sector in decades, and it will heavily impact the sector in 2021 as well. It has taken uncertainty over the global economy to a completely new level and is changing 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 virus variants as well as the way the crisis is handled by different countries influence the depth of the economic recession in different markets.

Finland, Marimekko's important domestic market, traditionally represents about half of the company's net sales. Sales in Finland are expected to grow on the previous year. Domestic wholesale sales in 2021 will be boosted by nonrecurring 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.

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. The other Asian countries' combined share of the company's net sales is still noticeably smaller, but

operations in these countries are constantly growing. All Marimekko stores in Asia are partner-owned. Net sales in the Asia-Pacific region are expected to increase in 2021. The aim is to open approximately 5 to 10 new Marimekko stores and shop-in-shops in 2021, and most of the planned openings will be in Asia.

Both the company's own and its Asian partners' omnichannel Marimekko retail is the key driver of Marimekko's growth. Nonrecurring promotional wholesale deliveries in Finland are also estimated to have a significant impact on the company's growth in 2021, and they can increase Marimekko's inventory risks. The development of the coronavirus situation, vaccine coverage and possible tightening restrictions in different market areas, on the other hand, influence customer numbers in stores and hence the outlook for both retail and wholesale, including nonrecurring wholesale promotions. Rapid fluctuations in demand due to the pandemic can have an impact, for example, on the availability of products and consequently on net sales. Net sales and earnings also essentially depend on maintaining the operational reliability and efficiency of distribution centers and logistics in the exceptional situation. Marimekko will continue actions to control gray exports, which will have a clear weakening impact on the company's sales and earnings in 2021. Licensing income is forecast to be lower than in the previous year.

Marimekko plans to accelerate its long-term international growth in 2021 and to invest especially in digital business, seamless omnichannel customer experience, sustainability and brand awareness. Fixed costs are expected to be up on the previous year. In 2020, fixed costs were reduced by partly temporary cost savings as well as subsidies granted in different countries to mitigate the negative business impacts of the coronavirus pandemic. Marketing expenses are expected to grow (2020: EUR 5.3 million). Total investments are estimated to be approximately at the same level as the year before (2020: EUR 2.1 million). Most of the investments will be devoted to IT systems in order to strengthen the company's digital business. 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.

The instability caused by the coronavirus pandemic continues. Marimekko is closely monitoring the development of the pandemic situation in each of its market areas and will adjust its operations and plans according to the situation.

Because of the seasonal nature of Marimekko's business, the major portion of the company's euro-denominated net sales and earnings are generated during the last two quarters of the year.

Financial calendar for 2021

Marimekko's half-year financial report for 2021 will be issued on Thursday 19 August 2021 at 8.00 a.m. and interim report for the January-September period on Wednesday 3 November 2021 at 8.00 a.m.

Helsinki, 19 May 2021

Marimekko Corporation

Board of Directors

The quarterly results for 2021 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 2020 financial statements.

Appendices

Consolidated income statement and comprehensive consolidated income statement

Consolidated balance sheet

Consolidated cash flow statement

Consolidated statement of changes in shareholders' equity

Intangible and tangible assets

Key figures

Reconciliation of alternative key figures to IFRS

Net sales by market area

Net sales by product line

Quarterly trend in net sales and earnings

Stores and shop-in-shops

Formulas for key figures

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1-3/2021	1-3/2020	1-12/2020
NET SALES	29,103	24,872	123,568
Other operating income	19	138	341
Change in inventories of finished goods and work in progress	1,560	1,862	-361
Raw materials and consumables	-11,837	-11,111	-48,237
Employee benefit expenses	-6,582	-6,068	-25,334
Depreciation and impairments	-3,039	-3,153	-12,556
Other operating expenses	-3,600	-5,332	-18,076
OPERATING PROFIT	5,624	1,208	19,345
Financial income	271	57	592
Financial expenses	-385	-1,028	-2,375
	-114	-971	-1,783
RESULT BEFORE TAXES	5,510	237	17,562
Income taxes	-1,082	-59	-3,798
NET RESULT FOR THE PERIOD	4,429	177	13,765
Distribution of net result to equity holders of the parent company	4,429	177	13,765
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.55	0.02	1.70

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1-3/2021	1-3/2020	1-12/2020
NET RESULT FOR THE PERIOD	4,429	177	13,765
Items that could be reclassified to profit or loss at a future point in time			
Change in translation difference	-102	55	92
COMPREHENSIVE RESULT FOR THE PERIOD	4,327	232	13,857
Distribution of the result to equity holders of the parent company	4,327	232	13,857

CONSOLIDATED BALANCE SHEET

(EUR 1,000)

31 March 2021 31 March 2020 31 Dec. 2020**ASSETS****NON-CURRENT ASSETS**

Intangible assets	1,514	468	1,077
Tangible assets	38,632	37,873	41,269
Other financial assets	16	16	16
Deferred tax assets	957	436	860
	41,119	38,792	43,222

CURRENT ASSETS

Inventories	24,031	24,732	22,436
Trade and other receivables	9,132	6,152	8,126
Current tax assets	-	1,161	-
Cash and cash equivalents	33,135	23,960	41,045
	66,298	56,005	71,607

ASSETS, TOTAL**107,418** **94,797** **114,830**

CONSOLIDATED BALANCE SHEET

(EUR 1,000)

31 March 2021 31 March 2020 31 Dec. 2020**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	1,228	1,228	1,228
Treasury shares	-315	-315	-315
Translation differences	-75	-11	26
Retained earnings	40,931	30,215	43,802
Shareholders' equity, total	49,809	39,157	52,781

NON-CURRENT LIABILITIES

Lease liabilities	25,064	23,878	26,996
Other non-current liabilities	-	1,130	1,476
	25,064	25,008	28,472

CURRENT LIABILITIES

Trade and other payables	21,457	14,602	22,160
Current tax liabilities	203	-	534
Lease liabilities	9,919	9,657	10,158
Financial liabilities	965	6,373	725
	32,544	30,632	33,577

Liabilities, total	57,608	55,640	62,048
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SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	107,418	94,797	114,830
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CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)

1-3/2021 1-3/2020 1-12/2020

CASH FLOW FROM OPERATING ACTIVITIES

Net result for the period	4,429	177	13,765
Adjustments			
Depreciation and impairments	3,039	3,153	12,556
Financial income and expenses	114	971	1,783
Taxes	1,082	59	3,798
Cash flow before change in working capital	8,663	4,361	31,902
Change in working capital	-5,014	-5,425	3,310
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-1,089	559	-1,591
Increase (-) / decrease (+) in inventories	-1,529	-2,168	65
Increase (+) / decrease (-) in current non-interest-bearing liabilities	-2,395	-3,816	4,836
Cash flow from operating activities before financial items and taxes	3,649	-1,064	35,212
Paid interest and payments on other financial expenses	-379	-204	-1,463
Interest received and payments on other financial income	8	51	78
Taxes paid	-1,495	-3,257	-5,740
CASH FLOW FROM OPERATING ACTIVITIES	1,784	-4,474	28,087

CASH FLOW FROM INVESTING ACTIVITIES

Investments in tangible and intangible assets	-1,094	-1,143	-2,846
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CASH FLOW FROM INVESTING ACTIVITIES	-1,094	-1,143	-2,846
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CASH FLOW FROM FINANCING ACTIVITIES

Short-term loans drawn	204	6,122	6,488
Short-term loans repaid	-	-	-6,000
Payments of lease liabilities	-2,619	-2,679	-10,729
Dividends paid	-6,322	-	-

CASH FLOW FROM FINANCING ACTIVITIES	-8,737	3,443	-10,241
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Change in cash and cash equivalents	-8,048	-2,174	14,999
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Cash and cash equivalents at the beginning of the period	41,045	26,133	26,133
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Effects of exchange rate fluctuations	138	-	-87
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Cash and cash equivalents at the end of the period	33,135	23,960	41,045
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In addition, Marimekko has unused committed credit lines of EUR 16,967 thousand (15,041) as well as a long-term revolving credit facility of EUR 5 million, which includes a covenant.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Equity attributable to equity holders of the parent company					
	Share capital	Reserve for invested non-restricted equity	Treasury shares	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity, 1 Jan. 2020	8,040	1,228	-315	-66	30,037	38,925
Comprehensive result						
Net result for the period					177	177
Translation differences				55		55
Total comprehensive result for the period				55	177	232
Shareholders' equity, 31 March 2020	8,040	1,228	-315	-11	30,215	39,157
Shareholders' equity, 1 Jan. 2021	8,040	1,228	-315	26	43,802	52,781
Comprehensive result						
Net result for the period					4,429	4,429
Translation differences				-102		-102
Total comprehensive result for the period				-102	4,429	4,327
Transactions with owners						
Dividends paid					-7,299	-7,299
Shareholders' equity, 31 March 2021	8,040	1,228	-315	-75	40,931	49,809

INTANGIBLE AND TANGIBLE ASSETS

(EUR 1,000)	Intangible assets		Tangible assets	
		Right-of-use assets	Other	Total
Acquisition cost, 1 Jan. 2020	10,453	46,598	28,209	74,808
Translation differences	-	-512	23	-489
Increases	3	418	430	848
Acquisition cost, 31 March 2020	10,455	46,505	28,662	75,167
Accumulated depreciation, 1 Jan. 2020	9,860	10,833	23,544	34,376
Translation differences	30	-159	21	-138
Depreciation during the period	98	2 746	308	3,055
Accumulated depreciation, 31 March 2020	9,988	13,420	23,873	37,293
Book value, 31 March 2020	468	33,084	4,789	37,873
Book value, 1 Jan. 2020	593	35,766	4,665	40,431
Book value, 31 March 2020	468	33,084	4,789	37,873
Acquisition cost, 1 Jan. 2021	11,196	58,129	29,120	87,249
Translation differences	-34	416	218	634
Increases	387	290	4	294
Transfers between categories	160	-	-160	-160
Acquisition cost, 31 March 2021	11,710	58,835	29,181	88,016
Accumulated depreciation, 1 Jan. 2021	10,118	21,562	24,418	45,981
Translation differences	-34	263	213	476
Depreciation during the period	111	2,690	238	2,928
Accumulated depreciation, 31 March 2021	10,196	24,515	24,869	49,385
Book value, 31 March 2021	1,514	34,320	4,312	38,632
Book value, 1 Jan. 2021	1,077	36,567	4,702	41,269
Book value, 31 March 2021	1,514	34,320	4,312	38,632

KEY FIGURES

	1-3/2021	1-3/2020	Change, %	1-12/2020
Earnings per share, EUR	0.55	0.02		1.70
Equity per share, EUR	6.14	4.83	27	6.51
Return on equity (ROE), %	40.5	27.5		30.0
Return on investment (ROI), %	29.0	18.3		22.5
Equity ratio, %	47.0	41.3		46.6
Gearing, %	5.6	40.7		-6.0
Gross investments, EUR 1,000	391	453	-14	2,143
Gross investments, % of net sales	1.3	1.8		1.7
Contingent liabilities, EUR 1,000	627	717	-13	662
Average personnel	414	442	-6	434
Personnel at the end of the period	416	441	-6	422
Number of shares outstanding at the end of the period	8,109,834	8,109,834		8,109,834
Average number of shares outstanding	8,109,834	8,109,834		8,109,834

The figures for gross investments do not include the impact of IFRS 16.

RECONCILIATION OF ALTERNATIVE KEY FIGURES TO IFRS

(EUR million)	1-3/2021	1-3/2020	1-12/2020
Items affecting comparability			
Restructuring costs	-	-	-0.8
Items affecting comparability in operating profit	-	-	-0.8
EBITDA			
EBITDA	8.7	4.4	31.9
Restructuring costs	-	-	0.8
Comparable EBITDA	8.7	4.4	32.7
Operating profit			
Operating profit	5.6	1.2	19.3
Restructuring costs	-	-	0.8
Comparable operating profit	5.6	1.2	20.2
Net sales			
Net sales	29.1	24.9	123.6
Operating profit margin, %			
Operating profit margin, %	19.3	4.9	15.7
Comparable operating profit margin, %	19.3	4.9	16.3

Items affecting comparability are exceptional transactions that are not related to the company's regular business operations. These include, among other things, costs associated with restructuring of operations. The Group's management exercises its discretion when making decisions regarding the classification of items affecting comparability.

NET SALES BY MARKET AREA

(EUR 1,000)	1-3/2021	1-3/2020	Change, %	1-12/2020
Finland	14,534	13,574	7	71,145
Retail sales	8,579	8,905	-4	45,928
Wholesale sales	5,913	4,640	27	25,058
Licensing income	42	30	41	158
Scandinavia	2,435	2,058	18	9,883
Retail sales	657	1,041	-37	4,311
Wholesale sales	1,778	1,018	75	5,572
Licensing income	-	-		-
EMEA	4,090	2,691	52	13,961
Retail sales	442	359	23	2,160
Wholesale sales	2,681	2,247	19	11,400
Licensing income	967	86		401
North America	1,443	1,643	-12	6,466
Retail sales	1,024	955	7	3,952
Wholesale sales	312	657	-52	2,268
Licensing income	107	30		247
Asia-Pacific	6,602	4,906	35	22,114
Retail sales	906	855	6	3,609
Wholesale sales	5,664	4,051	40	16,495
Licensing income	31	-		2,010
International sales, total	14,569	11,298	29	52,424
Retail sales	3,029	3,210	-6	14,032
Wholesale sales	10,435	7,973	31	35,734
Licensing income	1,105	116		2,658
Total	29,103	24,872	17	123,568
Retail sales	11,608	12,115	-4	59,960
Wholesale sales	16,348	12,612	30	60,792
Licensing income	1,146	145		2,816

Wholesale net sales are recognized according to the geographical location of the wholesale customer.

NET SALES BY PRODUCT LINE

(EUR 1,000)	1-3/2021	1-3/2020	Change, %	1-12/2020
Fashion	9,735	9,343	4	39,740
Home	12,522	9,127	37	56,262
Bags and accessories	6,846	6,403	7	27,566
Total	29,103	24,872	17	123,568

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	1-3/2021	10-12/2020	7-9/2020	4-6/2020
Net sales	29,103	37,358	38,011	23,327
Operating profit	5,624	4,963	10,514	2,661
Earnings per share, EUR	0.55	0.43	0.98	0.27

(EUR 1,000)	1-3/2020	10-12/2019	7-9/2019	4-6/2019
Net sales	24,872	34,716	34,451	29,137
Operating profit	1,208	3,013	7,823	3,691
Earnings per share, EUR	0.02	0.26	0.79	0.32

STORES AND SHOP-IN-SHOPS

	31 March 2021	31 March 2020	31 Dec. 2020
Finland	65	64	65
Company-owned stores	25	25	25
Company-owned outlet stores	12	12	12
Retailer-owned stores	13	13	13
Retailer-owned shop-in-shops	15	14	15
Scandinavia	8	10	8
Company-owned stores	5	7	5
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	3	3	3
EMEA	2	2	2
Company-owned stores	-	1	-
Company-owned outlet stores	-	-	-
Retailer-owned stores	-	-	-
Retailer-owned shop-in-shops	2	1	2
North America	5	6	6
Company-owned stores	3	4	4
Company-owned outlet stores	1	1	1
Retailer-owned stores	1	1	1
Retailer-owned shop-in-shops	-	-	-
Asia-Pacific	74	67	73
Company-owned stores	4	4	4
Company-owned outlet stores	-	-	-
Retailer-owned stores	59	52	58
Retailer-owned shop-in-shops	11	11	11
Total	154	149	154
Company-owned stores	37	41	38
Company-owned outlet stores	13	13	13
Retailer-owned stores	73	66	72
Retailer-owned shop-in-shops	31	29	31

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 50 at the end of March 2021 (54).

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 period under review)

Comparable earnings per share (EPS), EUR:

(Comparable profit before taxes - income taxes on comparable profit) / Adjusted number of shares (average for the period under review)

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 period under review)

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 period under review)

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

Net debt / EBITDA:

Interest-bearing net debt / Comparable rolling 12-month EBITDA