



marimekko

Financial Statements Bulletin 2018

Marimekko Corporation, Financial Statements Bulletin, 27 February 2019 at 8.30 a.m.

A successful year – net sales grew by 9 percent and comparable operating profit by 42 percent

The fourth quarter in brief

- Net sales were on a par with the previous year at EUR 29.7 million (Q4/2017: 29.8). Net sales were boosted by growth in retail and wholesale sales in Finland. Retail sales were positively impacted by successful holiday sales; wholesale sales included nonrecurring promotional deliveries. A drag was exerted on the period's net sales by the fact that part of the wholesale deliveries to the Asia-Pacific region took place after the beginning of 2019.
- As expected, operating profit fell short of the comparison period, as most of the earnings for 2018 were generated during the second and third quarters, contrary to the normal situation. Operating profit for the period was EUR 1.2 million (2.4) and comparable operating profit was EUR 1.6 million (2.4). The main reasons for the decline in operating profit were a change in the delivery pattern in the Asia-Pacific region and higher fixed costs than in the comparison period.

2018 in brief

- Net sales grew by 9 percent and were EUR 111.9 million (2017: 102.3). Sales rose in all market areas with the exception of North America, where net sales were on a par with the previous year. Growth came primarily from retail and wholesale sales in Finland and from wholesale sales in the Asia-Pacific region. In Finland, retail sales rose by 10 percent and growth was stronger than the overall trend for the sector. The 25 percent increase in Finnish wholesale sales was mostly due to nonrecurring promotional deliveries.
- Operating profit rose to EUR 17.7 million (8.4) with the capital gain from the sale of the company's head office. Comparable operating profit was EUR 12.2 million (8.6).
- Growth in sales, particularly in Finland and the Asia-Pacific region, as well as a good relative sales margin, which was partly due to a favourable level of regular-priced sales, contributed to the strong comparable operating profit. A drag was exerted on results by higher fixed costs, especially personnel, marketing and rental expenses. Depreciation was also lower.

The Board of Directors' proposal for the 2018 dividend and for an additional dividend

- The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2018. The Board will also propose the payment of an additional dividend of EUR 1.25 per share. As announced on 1 November 2018, the decision to propose the payment of an additional dividend was made because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position.
- The proposal by the Board of Directors is based on earnings per share (EPS) and takes into consideration the total of the proposed dividends, EUR 1.85 per share.

Financial guidance for 2019

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

KEY FIGURES

(EUR million)	10-12/ 2018	10-12/ 2017	Change, %	1-12/ 2018	1-12/ 2017	Change, %
Net sales	29.7	29.8	0	111.9	102.3	9
International sales	11.4	13.4	-15	48.3	46.6	4
<i>% of net sales</i>	38	45		43	46	
EBITDA	1.8	3.2	-44	20.2	11.7	73
Comparable EBITDA	2.2	3.2	-32	14.7	11.9	23
Operating result	1.2	2.4	-48	17.7	8.4	112
Comparable operating result	1.6	2.4	-32	12.2	8.6	42
<i>Operating result margin, %</i>	4.2	8.0		15.8	8.2	
<i>Comparable operating result margin, %</i>	5.4	8.0		10.9	8.4	
Result for the period	0.9	1.7	-47	13.7	5.7	142
Earnings per share, EUR	0.11	0.21	-47	1.70	0.70	142
Cash flow from operating activities	5.8	8.9	-35	12.2	9.8	25
<i>Return on investment (ROI), %</i>				47.6	21.6	
<i>Equity ratio, %</i>				70.0	65.2	
Gross investments	0.2	0.3	-31	1.3	1.2	6
Personnel at the end of the period				445	446	0
outside Finland				102	122	-16
Brand sales ¹	50.5	58.0	-13	248.4	192.7	29
outside Finland	27.6	36.2	-24	167.2	118.6	41
<i>proportion of international sales, %</i>	55	62		67	62	
Number of stores				153	161	-5

The change percentages in the table were calculated on exact figures before the amounts were rounded to millions of euros. Reconciliation of key figures to IFRS can be found in the table section of this financial statements bulletin.

¹ Brand sales are given as an alternative non-IFRS key figure. Brand sales, consisting of estimated sales of Marimekko products at consumer prices, are calculated by adding together the company's own retail net sales and the estimated retail value of Marimekko products sold by other retailers. The estimate, based on Marimekko's realised wholesale sales and royalty income, is unofficial and does not include VAT. The key figure is not audited.

TIINA ALAHUHTA-KASKO

President and CEO

"The year 2018 was strong for Marimekko. Our long-term work to build international success continues.

"Our net sales grew by 9 percent and our comparable operating profit by 42 percent. The growth figures for the comparison year were also good, so the past year was a strong demonstration of the effectiveness of the new direction in our collections and our brand. However, we are just starting out on our strategy period extending to 2022, and much work needs to be done as we seek markedly stronger growth and profitability.

"As we forecasted previously, most of our earnings for 2018 were generated during the second and third quarters, which was contrary to the normal situation. The last quarter's net sales were on a par with the previous year, and the period's most important season, holiday sales, performed well. In the Asia-Pacific region, part of the period's wholesale deliveries took place after the start of 2019. This change in the delivery pattern and the fact that a substantial portion of our fixed costs occurred in the final quarter were the main reasons why our comparable operating profit fell short of the same period last year. In the October-December period of 2018, our net sales were EUR 29.7 million (29.8) and our comparable operating profit was EUR 1.6 million (2.4).

"Our net sales for the full year 2018 rose to EUR 111.9 million (102.3) and our operating profit to EUR 17.7 million (8.4) with the capital gain from the sale of our head office in the second quarter. Our comparable operating profit was EUR 12.2 million (8.6). Growth in retail and wholesale sales in Finland as well as increased wholesale sales in the Asia-Pacific region were among the main factors behind the strong result. Growth in wholesale sales in Finland was generated mainly by nonrecurring promotional deliveries. It was also gratifying that our relative sales margin was at a favourable level and regular-priced sales performed well.

"All in all, it was a very eventful year. In our sector, boosting international brand recognition is one of the main prerequisites for success. The limited-edition collaboration collections launched in the early months of the year with the Japanese clothing brand Uniqlo and the cosmetics brand Clinique gave us a lot of international visibility alongside our own marketing actions. We also invested in our store network: the Marimekko flagship stores in Stockholm, Tokyo and Sydney were revamped during the year. The flagship stores play a central role as the most prominent embodiment of our brand in the world.

"In November, we announced that part of the funds obtained from the sale of our head office in the spring would be used for development of strategically important business areas. By this we aim to accelerate growth. In the same connection, we also revised our long-term financial goals.

"Towards the end of the year, we devoted greater efforts to marketing and boosting our brand recognition in China. This year, we have taken the first steps to launch online sales of Marimekko products in WeChat and Tmall. Our aim is to so improve the availability of our products and, together with our local partner, to offer an omnichannel experience to our customers in this market, which is strategically important to us. Our partner is responsible for the operation of the Marimekko stores in China and we ourselves are responsible for online sales. Since online sales are still very much in the early stages, it will incur expenses for us this year. I am convinced that we will gain valuable lessons in the future of digital business, as China is one of the world's most advanced and rapidly developing online marketplaces.

"Personnel are a key asset in building our success and in carrying out our international growth strategy. We reported earlier today that Marimekko's Board of Directors has decided on the terms and conditions as well as schedule of the personnel share issue we are going to arrange in Finland. I think that now, in the early stages of our new strategy period, is a logical time for the personnel share issue. I am pleased with the opportunity this



offers Marimekko employees to increase their holdings or to become new owners of our company, thus taking part in building our common future also in the role of shareholders.

“In 2019, we will invest considerably more in growth than in the past year. We will revamp our store network and improve IT systems to underpin our digital business. The new owner of our head office has started renovating the building and enhancing its energy efficiency. We will also modernise our work spaces to increase employee well-being. Another reason for the renovation is to provide visitors to our building with a more impressive experience and to attract new customers. The Marimekko house accommodates our company's head office, design functions and textile printing factory as well as two retail stores and a restaurant under one roof. The building already attracts over 100,000 visitors per year.”

OPERATING ENVIRONMENT

The prospects for the global economy are more cautious than before, and growth forecasts are being corrected downwards because the outlook has deteriorated in all economic areas. In the United States, political uncertainty continues and the risk has increased of economic growth drying up. A long upswing is forecast to be coming to an end. China's economic growth will become muted, at 6–7 percent due to exports and growth in investment slowing in 2018 and 2019. This will also be reflected in Europe. The trade war, Brexit, slowing economic growth in China and tighter monetary policy have created swings on the financial markets.

In Finland, the overall picture of economic conditions is good, but the prospects have deteriorated. Growth in retail sales has been fair, but the pace is expected to slacken in the next half-year. Sales expectations for the next few months are, however, somewhat more positive than in the survey results for the previous month. Retail trade confidence stood almost unchanged in January and in December was slightly higher than the EU average. Consumers' confidence in their own finances was strong in January, but the picture of the Finnish economy looked fairly pessimistic.

(Confederation of Finnish Industries EK: Economic Review, November 2018; Business Tendency Survey, January 2019; Confidence Indicators, January 2019. Statistics Finland: Consumer Survey, January 2019.)

In 2018, the value of retail sales in Finland rose by 2.7 percent on the previous year; the volume of sales decreased by 0.1 percent in December. In January 2019, sales were on a par with the previous year; the volume of sales decreased by 1.3 percent. (Statistics Finland: Turnover of Trade, December 2018; Turnover of Trade, retail trade flash estimate, January 2019)

NET SALES

Net sales in the fourth quarter

In the October-December period of 2018, the Group's net sales were on a par with the previous period, EUR 29,740 thousand (29,841). Retail sales grew by 7 percent, whereas wholesale sales fell by 10 percent. Net sales grew in Finland and Scandinavia; in Finland, sales were up by 12 percent. International sales fell by 15 percent. The decline in wholesale sales and international sales is explained by the fact that part of the wholesale deliveries to the Asia-Pacific region took place after the beginning of 2019.

Net sales in Finland were EUR 18,298 thousand (16,392). The favourable trend in retail sales which had boosted sales all year continued into the fourth quarter and holiday sales performed well. Retail sales were up by 8 percent and comparable retail sales by 6 percent². Wholesale sales grew by 22 percent, primarily due to nonrecurring promotional deliveries. A good holiday season also boosted wholesale sales.

In the company's second-biggest market, the Asia-Pacific region, net sales fell by 26 percent to EUR 4,071 thousand (5,493) due to a change in the delivery pattern. Part of the period's wholesale deliveries took place after the start of 2019. Wholesale sales in the region fell by 35 percent. In the most important country of the market area, Japan, wholesale sales fell by 47 percent because of a change in the delivery pattern. Retail sales (Australia) rose by 2 percent.

Net sales in 2018

In 2018, the Group's net sales grew by 9 percent and were EUR 111,879 thousand (102,324). Retail sales

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

increased by 8 percent and wholesale sales by 12 percent. Sales rose in all market areas except North America, where net sales were on a par with the previous year. Net sales in Finland grew by 14 percent and international sales by 4 percent.

Net sales in Finland rose to EUR 63,537 thousand (55,690). Retail sales grew by 10 percent and comparable retail sales by 9 percent². The growth in retail sales was better than the overall trend for the sector, and the proportion of regular-priced sales was at a favourable level throughout the year. Wholesale sales rose by 25 percent, primarily due to nonrecurring promotional deliveries. There were promotional deliveries in each quarter, and the largest deliveries took place in the second and final quarters. Successful holiday sales boosted both retail and wholesale sales in the final quarter of the year.

In the Asia-Pacific region, net sales rose by 3 percent to EUR 20,811 thousand (20,161). Wholesale sales in the region grew by 5 percent. Part of the last quarter's deliveries took place after the start of 2019. In Japan, wholesale sales grew by 1 percent; a change in the delivery pattern had a weakening impact. Retail sales (Australia) were on a par with the previous year.

NET SALES BY MARKET AREA

(EUR 1,000)	10-12/ 2018	10-12/ 2017	Change, %	1-12/ 2018	1-12/ 2017	Change, %
Finland	18,298	16,392	12	63,537	55,690	14
Scandinavia	2,604	2,581	1	9,017	8,469	6
EMEA	2,783	3,127	-11	10,321	9,743	6
North America	1,984	2,247	-12	8,193	8,261	-1
Asia-Pacific	4,071	5,493	-26	20,811	20,161	3
International sales, total	11,442	13,449	-15	48,342	46,635	4
Total	29,740	29,841	0	111,879	102,324	9

All figures in the table have been individually rounded to thousands of euros, so there may be rounding differences in the totals. A more comprehensive table with breakdown into retail sales, wholesale sales and royalties by market area can be found in the table section of this financial statements bulletin.

FINANCIAL RESULT

In the October-December period of 2018, the Group's operating profit fell short of the comparison period, as expected, declining to EUR 1,237 thousand (2,382). Comparable operating profit was EUR 1,615 thousand (2,382). Most of the earnings for 2018 were generated during the second and third quarters, contrary to the normal situation. A drag was exerted on results by higher fixed costs than in the comparison period as well as a change in the delivery pattern in the Asia-Pacific region; part of the deliveries took place after the start of 2019. Operating profit was boosted by growth in retail and wholesale sales in Finland as well as successful holiday sales, which had an impact on all sales in Finland. Finnish wholesale sales rose primarily due to nonrecurring promotional deliveries. The result was also improved by an increase in relative sales margin, which was mostly due to a favourable trend in retail sales plus growth in regular-priced sales. Moreover, depreciation was lower than in the comparison period, which also boosted the result.

In 2018, the Group's operating profit grew to EUR 17,721 thousand (8,360). Operating profit included a nonrecurring taxable capital gain of EUR 6,027 thousand on the sale of the company's head office plus nonrecurring expenses. Comparable operating profit was EUR 12,199 thousand (8,596). Operating profit was boosted by growth in retail and wholesale sales in Finland as well as by growth in wholesale sales in the Asia-

Pacific region. In Finland, growth in retail sales was better than the overall trend for the sector and the proportion of regular-priced sales was at a favourable level throughout the year. Growth in wholesale sales was generated principally by nonrecurring promotional deliveries. There were promotional deliveries in all quarters, and the largest deliveries took place in the second and last quarters. The result was also boosted by lower depreciation than in the previous year. A drag was exerted on results by higher fixed costs, especially personnel, marketing and rental expenses.

Marketing expenses for the year 2018 were EUR 5,791 thousand (4,498), or 5 percent of the Group's net sales (4).

The Group's depreciation and impairments amounted to EUR 2,501 thousand (3,308), or 2 percent of net sales (3).

Operating profit margin for 2018 was 15.8 percent (8.2) and comparable operating profit margin was 10.9 percent (8.4). In the October-December period, operating profit margin was 4.2 percent (8.0) and comparable operating profit margin 5.4 percent (8.0).

Net financial expenses were EUR 168 thousand (1,230), or 0 percent of net sales (1). Financial items include exchange rate differences amounting to EUR -64 thousand (-1,034).

Result for 2018 before taxes was EUR 17,552 thousand (7,130). Result after taxes was EUR 13,698 thousand (5,660) and earnings per share were EUR 1.70 (0.70).

BALANCE SHEET

The consolidated balance sheet total as at 31 December 2018 was EUR 57,114 thousand (47,113). Equity attributable to the equity holders of the parent company was EUR 40,005 thousand (30,669), or EUR 4.96 per share (3.79).

Non-current assets at the end of 2018 stood at EUR 4,910 thousand (13,333). The change is due to the sale of the company's head office in the second quarter.

At the end of 2018, net working capital was EUR 12,328 thousand (14,496). Inventories were EUR 22,114 thousand (20,921).

CASH FLOW AND FINANCING

In the October-December period of 2018, cash flow from operating activities was EUR 5,769 thousand (8,929), or EUR 0.72 per share (1.10). Cash flow before cash flow from financing activities was EUR 5,477 thousand (8,744).

In 2018, cash flow from operating activities was EUR 12,225 thousand (9,810), or EUR 1.51 per share (1.21). Cash flow before cash flow from financing activities was EUR 21,671 thousand (8,833). This was boosted by the sale of the company's head office in Finland in the second quarter.

The Group's financial liabilities at the end of the year were EUR 408 thousand (3,341).

At the end of the year, the Group's cash and cash equivalents amounted to EUR 23,174 thousand (6,212). In addition, the Group had unused committed credit lines of EUR 13,000 thousand (18,000).

The Group's equity ratio at the end of the year was 70.0 percent (65.2). Gearing was -56.9 percent (-9.4).

INVESTMENTS

The Group's gross investments in 2018 were EUR 1,280 thousand (1,210), or 1 percent of net sales (1). Most of the investments were devoted to the company's IT systems and store premises.

STORE NETWORK

In the course of 2018, a total of 12 Marimekko stores and shop-in-shops were opened. Nine of the new stores are located in the company's growth market in the Asia-Pacific region: two each in Japan, China and Thailand, and one in South Korea, Hong Kong and Taiwan.

In November, Marimekko's flagship store in Sydney reopened after a total facelift in a new location. The company's Stockholm flagship as well as the flagship store in Tokyo's popular Omotesando district were also revamped in 2018. The flagship stores play a central role as the most prominent embodiment of the Marimekko brand in the world. In the October-December period of 2018, retailer-owned stores were opened in China, Hong Kong and Thailand.

In its interim report of 1 November 2018, the company corrected the number of stores in North America. The 11 Marimekko shop-in-shops located in the stores of Canadian home furnishings company EQ3 have an area of less than 30 sqm and so are below the reporting limit, and the shops are not included in the total number of Marimekko stores. The change had no effect on reported North American wholesale sales.

At the end of the year, there were 153 Marimekko stores and shop-in-shops and the company's online store reached customers in 30 countries. E-commerce is of growing importance in the company's business. In addition to its own online store, the company also has distribution through other online channels.

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

STORES AND SHOP-IN-SHOPS

	31.12.2018	31.12.2017
Finland	65	66
Scandinavia	11	12
EMEA	1	2
North America	6	16
Asia-Pacific	70	65
Total	153	161

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 financial statements bulletin.

PERSONNEL

In 2018, the number of employees averaged 433 (425). At the end of the year, the Group had 445 employees (446), of whom 102 (122) worked outside Finland. The number of employees working outside Finland was broken down as follows: Scandinavia 38 (49), EMEA 5 (5), North America 33 (34) and the Asia-Pacific region 26 (34). The personnel at company-owned stores totalled 253 (259) at the end of the year.

CHANGES IN MANAGEMENT

The following changes in the company's management took place in 2018. Marimekko's Head of Business Development Riika Wikberg was appointed a member of the Management Group as of 15 February 2018. Päivi Paltola, Chief Marketing Officer (CMO) and member of the Management Group, left her position on 12 October 2018. Morten Israelsen started as Marimekko's Chief Sales Officer (CSO) and member of the Management Group on 29 October 2018, when Päivi Lonka, Chief Sales Officer and member of the Management Group stepped down from her position. She continued in the company until the end of November 2018 to ensure a smooth transition.

In its stock exchange release of 12 October 2018, Marimekko announced that it was looking to recruit a new leader for its marketing team. Since 12 December 2018, Sanna-Kaisa Niikko has been responsible for Marimekko's creative brand marketing and Hanna Kauste has been in charge of the company's global omnichannel marketing. Both report to the President and CEO.

At the end of 2018, the company's Management Group comprised Tiina Alahuhta-Kasko as Chairman and Elina Anckar (Chief Financial Officer), Tina Broman (Chief Supply Chain and Product Officer), Kari Härkönen (Chief Digital Officer), Morten Israelsen (Chief Sales Officer), Tanya Strohmayer (Human Resources Director) and Riika Wikberg (Head of Business Development) as members.

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

The resolutions of Marimekko Corporation's Annual General Meeting for 2018 have been reported in the stock exchange release of 12 April 2018 and in the interim report of 9 May 2018.

BOARD DECISIONS REGARDING ACCELERATION OF PROFITABLE GROWTH, IMPROVEMENT OF CAPITAL EFFICIENCY, ADDITIONAL DIVIDEND AND FINANCIAL GOALS

In its half-year financial report published on 9 August 2018, Marimekko stated that the sale of its head office strengthened the company's financial position and that, in the autumn, the Board of Directors will examine various options to use the funds obtained from the transaction. In its stock exchange release of 1 November 2018, the company announced that the Board focused in its evaluation on accelerating profitable growth and improving capital efficiency. The Board decided that part of the funds will be used for development of strategically important business areas and that a proposal for the payment of an additional dividend of EUR 1.25 per share will be made to the Annual General Meeting to be held in spring 2019. At the same time, the Board examined the company's long-term financial goals and decided to revise the goals related to profitability and capital structure. The new goals are as follows: operating profit margin 15 percent (earlier: 10 percent) and the ratio of net debt to EBITDA at year end max. 2. The goals related to net sales growth and dividends remained unchanged.

SUBSIDIARY IN CHINA

Marimekko set up a subsidiary in China in July 2018. The purpose of the subsidiary is to increase marketing efforts and to start online selling of Marimekko products in this market.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement for 2018 will be issued separately from the report of the Board of Directors in week 13 at the latest. It will be available on the company's website at company.marimekko.com.

SHARES AND SHAREHOLDERS

Share capital and number of shares

At the end of 2018, the company's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000 and the number of shares totalled 8,089,610.

Shareholdings

According to the book-entry register, Marimekko had 8,335 shareholders at the end of the year (7,575). Of the shares, 12.1 percent were owned by nominee-registered or non-Finnish holders (11.4).

Marimekko Corporation held 20,000 of its own shares as at 31 December 2018. These shares accounted for 0.25 percent of the total number of the company's shares. Marimekko shares held by the company carry no voting rights and no entitlement to dividends.

Information on the largest shareholders can be found on the company's website at company.marimekko.com under Investors/Share information/Shareholders.

Share trading and the company's market capitalisation

In 2018, a total of 1,455,424 Marimekko shares were traded, representing 18.0 percent of the shares outstanding. The total value of the share turnover was EUR 23,348,024. The lowest price of the share was EUR 9.92, the highest was EUR 23.50 and the average price was EUR 16.04. At the end of the year, the closing price of the share was EUR 20.80. The company's market capitalisation on 31 December 2018 was EUR 167,847,888, excluding the Marimekko shares held by the company (81,705,061).

Authorisations

The Annual General Meeting held on 12 April 2018 authorised the Board of Directors to decide on the acquisition of a maximum of 100,000 of the company's own shares. The authorisation is valid until 12 October 2019. The shares would be acquired with funds from the company's unrestricted equity, which means that the acquisition would reduce funds available for distribution. The shares would be acquired otherwise than in proportion to the shareholdings of the shareholders through public trading on Nasdaq Helsinki Ltd at the market price prevailing at the time of acquisition. The shares would be acquired to be used as a part of the company's incentive compensation program, to be transferred for other purposes or to be cancelled. The authorisation includes the right of the Board of Directors to decide on all of the other terms and conditions of the acquisition of the shares.

In its stock exchange release of 18 May 2018, Marimekko announced that the company's Board of Directors had decided to start acquiring the company's own shares pursuant to the authorisation granted to it, and that the maximum number of shares to be acquired would be 20,000, representing about 0.25 percent of the total number of the company's shares. Purchases started on 1 June 2018 and were concluded on 14 August 2018. At the end of the year, Marimekko held 20,000 of its own shares, representing 0.25 percent of the total number of the company's shares. The shares were acquired through public trading on Nasdaq Helsinki at the market price prevailing at the time of acquisition.

The General Meeting of 12 April 2018 also authorised the Board of Directors to decide on a share issue, against consideration in deviation from the shareholders' pre-emptive right, directed to the company's personnel or other personnel groups designated by the Board, including the company's freelance designers. The

authorisation is valid until 12 October 2019. The total number of new shares to be offered for subscription pursuant to the authorisation may not exceed 150,000 shares. The authorisation includes the right of the Board of Directors to decide on all of the other terms and conditions of the share issue.

In its stock exchange release of 1 November 2018, the company announced that Marimekko Corporation's Board of Directors had, pursuant to the authorisation granted to it, decided to arrange a personnel share issue in Finland, in which new shares in the company are offered for subscription to the personnel and to designers employed by the company on a freelance basis. The company also announced that the Board will decide on the detailed terms and conditions as well as schedule of the personnel share issue in early 2019.

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

RESEARCH AND DEVELOPMENT

Marimekko's product planning and development costs arise from the design of collections and collaboration on new materials. Design costs are recorded in expenses.

SUSTAINABILITY

Sustainability management at Marimekko is part of everyday leadership and operational development. Among the principal themes of Marimekko's sustainability strategy are sustainable and timeless design, engagement of stakeholders and staff, a responsible supply chain, resource efficiency, and caring for the environment and personnel. In the next few years, the company will focus on improving the transparency of the supply chain as well as increasing the proportion of more sustainably produced cotton and other more sustainable raw materials in its products. The company's sustainability strategy extends to the year 2020. The preparation of the sustainability strategy for the next strategy period will begin in 2019.

The company has a Code of Conduct specifying the way of working for all employees and management. Marimekko's supplier partners also have to commit themselves to compliance with the guidelines drawn up for them, which among other things include a prohibition on child labour and forced labour. Towards the end of 2018, a human rights survey was carried out among Marimekko's direct suppliers to assess the impacts of human rights and related risks.

Marimekko reports in greater detail on its sustainability work and on issues of the environment, health and safety in a separate sustainability review issued annually. The report can be read on the company's website at company.marimekko.com under Sustainability/Sustainability review. The next review will be published in summer 2019.

EVENTS AFTER THE END OF THE REVIEW PERIOD

Personnel share issue

In its stock exchange release of 27 February 2019, Marimekko announced that the Board of Directors has decided on the detailed terms and conditions as well as schedule of the company's personnel share issue. The complete terms and conditions of the share issue are attached to the stock exchange release. A maximum total of 150,000 new shares in the company will, in deviation from the shareholders' pre-emptive right, be offered for subscription to Marimekko's employees and freelance designers in Finland.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

Factors of uncertainty over the global economic trend affect the retail trade and consumer confidence in all of the company's market areas. The company's major strategic risks are associated with changes in consumers' purchasing behaviour and buying power, especially in Finland and Japan, which are the company's biggest single countries for business.

Near-term strategic risks include risks related to changes in the company's design, product assortment and product distribution and pricing. Digitisation in retail trade and the intensified competition and rapidly changing operating environment that this entails also bring risks and new revenue generation models. The company's ability to design, develop and commercialise new products that meet consumers' expectations while ensuring effective production, sourcing and logistics has an impact on the company's sales and profitability. International e-commerce increases the options available to consumers and multichannel business is of growing importance in the retail trade. Maintaining competitiveness in a rapidly changing operating environment being revolutionised by digitisation demands agility, efficiency and the constant re-evaluation of operations.

The company's growth is based primarily on expanding e-commerce, on partner-led retail in Asia, as well as on increasing the sales per square metre of existing stores in the company's main market areas. The Asia-Pacific region is Marimekko's second-biggest market, and it plays an important role in the company's growth and internationalisation. Changes in distribution channel solutions may impact the company's sales and profitability. Major partnership choices, partnering contracts and other collaboration agreements involve considerable risks. Store lease agreements in Finland and abroad also contain risks.

Intellectual property rights play a vital role in the company's success, and the company's ability to manage and protect these rights may have an impact on the value and reputation of the company. Agreements with freelance designers and fees paid to designers based on these agreements are also an essential part of the management of intellectual property rights. As the company internationalises, the risks of infringements of its intellectual property rights may increase, particularly in Asia.

Prominent among the company's operational risks are those related to internationalisation and digitisation. There are risks associated with information system reliability, dependability and compatibility. Malfunctions in data communications or, for example, in the company's own online store, may disrupt business or result in lost sales. There are also risks associated with procurement and logistics processes and price fluctuations for raw materials and procurements. The company primarily uses subcontractors to manufacture its products. Of the sustainability aspects of manufacturing, those related to the supply chain and enhancing its transparency, in particular, are of growing significance to customers. Compliance with sustainable business methods is important in maintaining customers' confidence; any failures or errors in this area will involve reputation risks. Any delays or disturbances in supply, or fluctuations in the quality of products, may have a harmful impact on business. As product distribution is expanded and operations are diversified, risks associated with inventory management also grow. As Marimekko is a small company, ongoing modernisation and development projects increase risks related to key personnel.

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

Among the company's financial risks, those related to the structure of sales, price trends for factors of production, changes in cost structure, changes in exchange rates (particularly the US dollar, Swedish krona and Australian dollar), taxation, and customers' liquidity may have an impact on the company's financial status.

MARKET OUTLOOK AND GROWTH TARGETS FOR 2019

Uncertainty in the global economy is forecast to continue, partly because of the unpredictability of the political situation. Consumer demand forecasts vary among Marimekko's different market areas.

Finland, Marimekko's important domestic market, represents about half of the company's net sales. Sales in Finland are expected to be roughly on a par with the previous year. Wholesale sales in 2018 were boosted by nonrecurring promotional deliveries; there were promotional deliveries in each quarter and the largest deliveries took place in the second and final quarters. There will be no promotional deliveries of comparable size in 2019.

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

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

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

The expenses of marketing operations in 2019 are forecast to be higher than in 2018 (EUR 5.8 million). Total investments are estimated to grow significantly relative to the previous year (EUR 1.3 million). Most of the investments will be used to revamp the store network and the company's headquarter premises as well as to improve IT systems to underpin digital business. The expenses of the personnel share issue and estimated effects of the long-term bonus system targeted at the company's Management Group are expected to exert a drag on the company's results. The effects will depend on the trend in the price of the company's share during the year.

Due to the seasonal nature of Marimekko's business, the major portion of the company's net sales and earnings are traditionally generated during the last two quarters of the year, and this is expected to be the case in 2019 as well. The share of holiday sales in particular of the company's net sales for the last quarter is considerable and the outcome of the holiday season has an impact on results for the whole year.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

On 31 December 2018, the parent company's distributable funds amounted to EUR 29,959,907.71; profit for the financial year was EUR 15,125,007.73.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2018. The Board will also propose the payment of an additional dividend of EUR 1.25 per share. As announced on 1 November 2018, the decision to propose the payment of an additional dividend was made because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position. The

proposal by the Board is based on earnings per share (EPS) and takes into consideration the total of the proposed dividends, EUR 1.85 per share.

The Board will propose 23 April 2019 as the dividend record date, and 30 April 2019 for the dividend payout. A dividend of EUR 0.50 per share was paid for 2017 to a total of EUR 4,044,805.

FINANCIAL CALENDAR FOR 2019

The financial statements for 2018 will be published in week 13 at the latest. The interim reports and the half-year financial report for 2019 will be issued as follows: January-March on Thursday 16 May 2019 at 8.30 a.m., January-June on Thursday 15 August 2019 at 8.30 a.m., and January-September on Wednesday 6 November 2019 at 8.30 a.m.

The Annual General Meeting is planned to be held on Wednesday 17 April 2019 at 2.00 p.m.

Helsinki, 26 February 2019

Marimekko Corporation
Board of Directors

The quarterly results for 2018 are unaudited. There may be differences in totals due to rounding to the nearest thousand euros.

ACCOUNTING PRINCIPLES

This financial statements bulletin was prepared in compliance with IAS 34. Marimekko has applied the same accounting principles in this report as were applied in its 2017 financial statements, although at the start of the financial year the company adopted certain new and amended IFRS standards as described in the financial statements for 2017.

The adoption of the IFRS 15 and IFRS 9 standards on 1 January 2018 has had no significant effect on the Group's revenue recognition principles or recognition and measurement of financial instruments.

Marimekko will adopt the IFRS 16 Leases standard for the financial year starting on 1 January 2019. Marimekko has decided to apply a modified retrospective transition approach for leases existing at the date of transition, and information for the comparative financial year will not be restated. Marimekko will apply exemptions allowed in the standard to exclude short-term leases and leases where the underlying asset is of low value. Marimekko is a lessee. Lease contracts include headquarter and printing facilities in Helsinki, retail stores in Finland and other countries where Marimekko operates as well as company housing and leasing cars. In general, lease contracts vary from 1 year to 15 years.

Marimekko is prepared for the implementation of the IFRS 16 standard and has assessed impacts on the financial statements. Adoption of the IFRS 16 standard will impact key ratios which are based on balance sheet such as net debt as it will, according to information available at the time of transition, increase Marimekko's interest-bearing net debt and right-of-use asset, both by approximately EUR 40 million, and improve the Group's EBITDA by approximately EUR 10 million annually. The amendment will affect the income statement, as the total expense arising from a lease is typically higher during the first years of the lease and lower during later years. The rental expense recognised in other operating expenses will be replaced by interest expense and depreciation, meaning that key figures, such as EBITDA, will change. The impact on EPS will not be significant. Cash flow from operating activities will increase due to the fact that the proportion related to the financial liability arising from rental payments will be classified as part of cash flow from financing activities. Only the share of interest of rental payments will continue to be included in cash flow from operating activities.

APPENDICES

Consolidated income statement and comprehensive consolidated income statement
Consolidated balance sheet
Consolidated cash flow statement
Consolidated statement of changes in shareholders' equity
Key figures
Reconciliation of key figures to IFRS
Net sales by market area
Stores and shop-in-shops
Net sales by product line
Quarterly trend in net sales and earnings
Formulas for key figures

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	10-12/2018	10-12/2017	1-12/2018	1-12/2017
NET SALES	29,740	29,841	111,879	102,324
Other operating income	203	84	6,522	406
Change in inventories of finished goods and work in progress	-275	-900	1,169	294
Raw materials and consumables	-11,038	-10,705	-42,086	-37,401
Employee benefit expenses	-7,591	-6,756	-26,188	-24,543
Depreciation and impairments	-544	-778	-2,501	-3,308
Other operating expenses	-9,258	-8,403	-31,075	-29,413
OPERATING RESULT	1,237	2,382	17,721	8,360
Financial income	52	15	178	39
Financial expenses	-13	-232	-346	-1,269
	39	-217	-168	-1,230
RESULT BEFORE TAXES	1,276	2,165	17,552	7,130
Income taxes	-372	-455	-3,855	-1,470
NET RESULT FOR THE PERIOD	904	1,711	13,698	5,660
Distribution of net result to equity holders of the parent company	904	1,711	13,698	5,660
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	0.11	0.21	1.70	0.70

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1, 000)	10-12/2018	10-12/2017	1-12/2018	1-12/2017
Net result for the period	904	1,711	13,698	5,660
Items that could be reclassified to profit or loss at a future point in time				
Change in translation difference	60	-198	-2	-71
COMPREHENSIVE RESULT FOR THE PERIOD	964	1,513	13,696	5,589
Distribution of net result to equity holders of the parent company	964	1,513	13,696	5,589

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	31.12.2018	31.12.2017
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	342	1,145
Tangible assets	4,438	12,107
Other financial assets	16	16
Deferred tax assets	114	66
	4,910	13,333
CURRENT ASSETS		
Inventories	22,114	20,921
Trade and other receivables	6,916	6,647
Cash and cash equivalents	23,174	6,212
	52,204	33,780
ASSETS, TOTAL	57,114	47,113
(EUR 1,000)	31.12.2018	31.12.2017
SHAREHOLDERS' EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Share capital	8,040	8,040
Reserve for invested non-restricted equity	502	502
Treasury shares	-315	-
Translation differences	-49	-47
Retained earnings	31,827	22,175
Shareholders' equity, total	40,005	30,669
NON-CURRENT LIABILITIES		
Finance lease liabilities	202	3,097
	202	3,097
CURRENT LIABILITIES		
Trade and other payables	15,574	12,519
Current tax liabilities	1,128	552
Provisions	-	32
Finance lease liabilities	206	244
	16,908	13,347
Liabilities, total	17,110	16,444
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	57,114	47,113

The Group has no liabilities resulting from derivative contracts, and there are no outstanding guarantees or any other contingent liabilities which have been granted on behalf of the management of the company or its shareholders.

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-12/2018	1-12/2017
CASH FLOW FROM OPERATING ACTIVITIES		
Net result for the period	13,698	5,660
Adjustments		
Depreciation and impairments	2,501	3,308
Capital gains on fixed assets	-6,095	-
Financial income and expenses	168	1,230
Taxes	3,855	1,470
Cash flow before change in working capital	14,127	11,668
Change in working capital	1,549	416
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-317	1,027
Increase (-) / decrease (+) in inventories	-1,194	437
Increase (+) / decrease (-) in current non-interest-bearing liabilities	3,059	-1,047
Cash flow from operating activities before financial items and taxes	15,675	12,084
Paid interest and payments on other financial expenses	-315	-433
Interest received	191	22
Taxes paid	-3,327	-1,863
CASH FLOW FROM OPERATING ACTIVITIES	12,225	9,810
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1,073	-981
Proceeds from sale of tangible and intangible assets	10,508	-
Sale of other investments	11	3
CASH FLOW FROM INVESTING ACTIVITIES	9,446	-978
CASH FLOW FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	-315	-
Short-term loans drawn	-	2,000
Short-term loans paid	-	-2,000
Net change in long-term loans	-	-2,594
Finance lease liabilities paid	-349	-273
Dividends paid	-4,045	-3,236
CASH FLOW FROM FINANCING ACTIVITIES	-4,709	-6,103
Change in cash and cash equivalents	16,962	2,730
Cash and cash equivalents at the beginning of the period	6,212	3,482
Cash and cash equivalents at the end of the period	23,174	6,212

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. 2017	8,040	502		24	19,751	28,316
Comprehensive result						
Net result for the period					5,660	5,660
Translation differences				-71		-71
Total comprehensive result for the period				-71	5,660	5,589
Transactions with owners						
Dividends paid					-3,236	-3,236
Shareholders' equity 31 Dec. 2017	8,040	502		-47	22,175	30,669
Shareholders' equity 1 Jan. 2018	8,040	502		-47	22,175	30,669
Comprehensive result						
Net result for the period					13,698	13,698
Translation differences				-2		-2
Total comprehensive result for the period				-2	13,698	13,696
Transactions with owners						
Dividends paid					-4,045	-4,045
Acquisition of treasury shares			-315			-315
Shareholders' equity 31 Dec. 2018	8,040	502	-315	-49	31,827	40,005

KEY FIGURES

	1-12/2018	1-12/2017	Change, %
Earnings per share, EUR	1.70	0.70	142
Equity per share, EUR	4.96	3.79	31
Return on equity (ROE), %	38.8	19.2	
Return on investment (ROI), %	47.6	21.6	
Equity ratio, %	70.0	65.2	
Gearing, %	-56.9	-9.4	
Gross investments, EUR 1,000	1,280	1,210	6
Gross investments, % of net sales	1	1	
Contingent liabilities, EUR 1,000	48,062	25,709	87
Average personnel	433	425	2
Personnel at the end of the period	445	446	0
Number of shares outstanding at the end of the period	8,069,610	8,089,610	
Average number of shares outstanding	8,080,095	8,089,610	

RECONCILIATION OF KEY FIGURES TO IFRS

(EUR million)	10-12/ 2018	10-12/ 2017	1-12/ 2018	1-12/ 2017
Items affecting comparability				
Employee benefit expenses	-0.4	-	-0.5	-0.2
Other operating income	-	-	6.0	-
Items affecting comparability in operating result	-0.4	-	5.5	-0.2
EBITDA	1.8	3.2	20.2	11.7
Items affecting comparability	-0.4	-	5.5	-0.2
Comparable EBITDA	2.2	3.2	14.7	11.9
Operating result	1.2	2.4	17.7	8.4
Items affecting comparability in operating result	-0.4	-	5.5	-0.2
Comparable operating result	1.6	2.4	12.2	8.6
Net sales	29.7	29.8	111.9	102.3
Operating result margin, %	4.2	8.0	15.8	8.2
Comparable operating result margin, %	5.4	8.0	10.9	8.4

NET SALES BY MARKET AREA

(EUR 1,000)	10-12/ 2018	10-12/ 2017	Change, %	1-12/ 2018	1-12/ 2017	Change, %
Finland	18,298	16,392	12	63,537	55,690	14
Retail sales	13,011	12,029	8	45,062	40,845	10
Wholesale sales	5,248	4,301	22	18,299	14,648	25
Royalties	40	62	-36	176	197	-10
Scandinavia	2,604	2,581	1	9,017	8,469	6
Retail sales	1,417	1,396	1	5,283	5,076	4
Wholesale sales	1,187	1,185	0	3,733	3,393	10
Royalties	-	-	-	-	-	-
EMEA	2,783	3,127	-11	10,321	9,743	6
Retail sales	405	359	13	1,493	1,139	31
Wholesale sales	2,255	2,694	-16	8,426	8,279	2
Royalties	123	74	65	401	325	23
North America	1,984	2,247	-12	8,193	8,261	-1
Retail sales	1,526	1,370	11	5,222	5,262	-1
Wholesale sales	418	839	-50	2,664	2,490	7
Royalties	39	38	3	307	509	-40
Asia-Pacific	4,071	5,493	-26	20,811	20,161	3
Retail sales	1,334	1,311	2	4,024	4,007	0
Wholesale sales	2,736	4,182	-35	16,384	15,540	5
Royalties	-	-	-	403	614	-34
International sales, total	11,442	13,449	-15	48,342	46,635	4
Retail sales	4,683	4,436	6	16,023	15,485	3
Wholesale sales	6,597	8,900	-26	31,207	29,702	5
Royalties	162	113	44	1,112	1,448	-23
Total	29,740	29,841	0	111,879	102,324	9
Retail sales	17,693	16,465	7	61,085	56,330	8
Wholesale sales	11,845	13,201	-10	49,506	44,350	12
Royalties	202	175	15	1,288	1,644	-22

STORES AND SHOP-IN-SHOPS

	31.12.2018	31.12.2017
Finland	65	66
Company-owned stores	24	25
Company-owned outlet stores	12	12
Retailer-owned stores	13	16
Retailer-owned shop-in-shops	16	13
Scandinavia	11	12
Company-owned stores	7	8
Company-owned outlet stores	-	-
Retailer-owned stores	-	-
Retailer-owned shop-in-shops	4	4
EMEA	1	2
Company-owned stores	1	1
Company-owned outlet stores	-	-
Retailer-owned stores	-	1
Retailer-owned shop-in-shops	-	-
North America	6	16
Company-owned stores	4	4
Company-owned outlet stores	1	1
Retailer-owned stores	1	1
Retailer-owned shop-in-shops	-	10
Asia-Pacific	70	65
Company-owned stores	4	5
Company-owned outlet stores	-	-
Retailer-owned stores	54	47
Retailer-owned shop-in-shops	12	13
Total	153	161
Company-owned stores	40	43
Company-owned outlet stores	13	13
Retailer-owned stores	68	65
Retailer-owned shop-in-shops	32	40

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 2018 (56).

NET SALES BY PRODUCT LINE

(EUR 1,000)	10-12/ 2018	10-12/ 2017	Change, %	1-12/ 2018	1-12/ 2017	Change, %
Fashion	9,553	8,806	8	39,113	36,014	9
Home	13,276	12,895	3	43,911	37,668	17
Bags and accessories	6,911	8,141	-15	28,855	28,642	1
Total	29,740	29,841	0	111,879	102,324	9

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	10-12/2018	7-9/2018	4-6/2018	1-3/2018
Net sales	29,740	29,836	28,213	24,089
Operating result	1,237	6,185	9,145	1,154
Earnings per share, EUR	0.11	0.60	0.90	0.08

(EUR 1,000)	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Net sales	29,841	27,220	22,769	22,495
Operating result	2,382	4,400	698	878
Earnings per share, EUR	0.21	0.41	0.01	0.07

FORMULAS FOR KEY FIGURES

Comparable EBITDA, EUR:

Operating result - depreciation - impairments - items affecting comparability

Comparable operating result, EUR:

Operating result - items affecting comparability in operating result

Comparable operating result margin, %

Operating result - items affecting comparability in operating result x 100 / Net sales

Earnings per share (EPS), EUR:

(Profit before taxes - income taxes) / Adjusted number of shares (average for the financial year)

Equity per share, EUR:

Shareholders' equity / Number of shares, 31 December

Return on equity (ROE), %:

Rolling 12 months (Profit before taxes - income taxes) x 100 / Shareholders' equity (average for the financial year)

Return on investment (ROI), %:

Rolling 12 months (Profit before taxes + interest and other financial expenses) x 100 / Balance sheet total - non-interest-bearing liabilities (average for the financial year)

Equity ratio, %:

Shareholders' equity x 100 / (Balance sheet total - advances received)

Gearing, %:

Interest-bearing net debt x 100 / Shareholders' equity

Net working capital, EUR:

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