marimekko

Financial Statements 2017

Colour and joy for everyday life

Marimekko is a Finnish lifestyle design company whose original prints and colours have brought joy to people's everyday lives since 1951. Our product portfolio includes high-quality clothing, bags and accessories as well as home décor items ranging from textiles to tableware. Timelessness, quality and functionality are the cornerstones on which our recognisable design has always been built.

When Marimekko was founded, its unparalleled printed fabrics gave it a strong and unique identity. Even today, we have our own printing factory in Helsinki that produces around a million metres of fabric every year. The printing mill serves both as a factory and as an innovative hub for our design and product development team.

Our products are sold in about 40 countries. In 2017, brand sales of the products worldwide amounted to 193 million euros and our net sales were 102 million euros. Roughly 160 Marimekko stores serve customers around the globe. Our key markets are Northern Europe, North America and the Asia-Pacific region. We employ about 450 people. The Marimekko share is quoted on Nasdaq Helsinki Ltd.

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[1] Part of the report of the Board of Directors.

From the President and CEO

Marimekko has behind it an eventful year filled with work. I am particularly pleased that we succeeded in 2017 in reinforcing our international competitiveness and improving our profitability in line with our objectives. Our net sales grew by 3 percent to EUR 102.3 million (99.6) and our operating profit rose to EUR 8.4 million (5.2). Our comparable operating profit grew by 41 percent to EUR 8.6 million (6.1). Also, EBITDA, cash flow from operating activities and equity ratio improved. A successful holiday season crowned the closing months of the year – as is typical in our sector, the proportion of holiday sales is particularly significant in the fourth quarter.

Our results were boosted by growth in net sales, generated primarily by retail sales in Finland and Australia, international wholesale sales, and royalties in the Asia-Pacific region. In addition, our relative sales margin was an improvement on the previous year; this was thanks, among other factors, to growth in regular-priced sales. Our operating profit was also improved by reduced depreciation and personnel expenses. A drag was exerted on results by a decline in wholesale sales in Finland. This was due to the fact that wholesale sales for the second half of the previous year included nonrecurring promotional deliveries, of which there were none in 2017.

All in all, I think we can be pleased with the steps we have recently taken. Our financial trend in 2017 is an indication that our long-term work has begun to bear fruit. We are well poised to continue as, in the years ahead, we seek distinctly stronger growth than before. Expanding the customer base, enhancing operational efficiency and utilising the new opportunities afforded by digitisation will play a central role in this work. The key drivers of our growth will be e-commerce and partner-led retail in Asia.

Digitisation is currently the biggest of the revolutionary megatrends in our sector, and the role of online business in our internationalisation strategy is constantly growing. Of central importance to our online business are digital transformation management as well as the development of omnichannel operations and related digital solutions. In 2017, we extended our own e-commerce to 17 new countries in Europe and today our online store already reaches customers in 30 countries.

The building of a new direction for our collections and our brand continued in 2017. Our design and product development team focused in particular on revamping our ready-to-wear collections. Progress was also made in refining our product range and pricing strategies as well as in enhancing the efficiency of our procurement chain. This year, we are continuing to develop a product portfolio that will appeal to an even broader customer base. Our design team was strengthened in January 2018 when Satu Maaranen took up her duties as head designer of Marimekko's ready-to-wear, bags and accessories. Her highly international profile and experience and – above all – her fresh and modern perspective were clinching factors in her appointment.

It is crucial to raise our profile through means such as social media, PR and brand partnerships as we seek a broader international customer base. Among our most important efforts every year is the presentation of our ready-to-wear collection at Paris Fashion Week, which is one of the top global events in our sector. In October 2017, we were happy that our bold prints and colours were also shown in Paris in Junya Watanabe's spring/summer 2018 collection for Comme des Garçons. In November and December, we gained positive visibility in Japan when two notable Tokyo galleries opened Marimekko Spirit exhibitions. In November, we also reported the start of cooperation between Marimekko and the Finnish fibre technology company Spinnova on the development and commercialisation of new, wood-based textiles. In addition, as a result of international collaboration, Marimekko-patterned accessories for Microsoft's Surface devices hit the market.

I think it is great that Marimekko's net sales topped the 100-million-euro mark in the hundredth year of Finland's independence. It was gratifying to see in how many and such different, creative ways and events the Finns celebrated their country together.

”Our hard work was rewarded and we succeeded in improving on the previous year as measured by several indicators.”

Also here at Marimekko, our theme for the centenary year – bold patterns for Finland – was strongly grounded in doing things together. One of our partnership events was the international Marimekko Designathon competition, which we arranged together with Slush, Europe's leading event for technology and start-ups, and Junction, the largest hackathon in Europe.

The year 2018 also promises a wide variety of interesting events. For example, we will be celebrating the 50th anniversary of the striped Tasaraita pattern. This Marimekko classic and symbol of equality was designed by Annika Rimala in 1968 for everyone regardless of age or gender. Timelessness is one of the foundation stones of our design philosophy and the uninterrupted popularity of Tasaraita expresses this superbly.

This year began with a splash when we announced in January two limited edition collaboration collections, one with the Japanese clothing brand Uniqlo and the other with the cosmetics brand Clinique. Both are globally renowned and prestigious operators. Partnerships like this are of great value to us as they play a significant part in underpinning our international profile and in reaching new target groups.

Tiina Alahuhta-Kasko

2017 in a nutshell

In 2017, our comparable operating profit grew by 41 percent and our net sales by 3 percent. Also, EBITDA, cash flow from operating activities and equity ratio improved.

Net sales
102.3
million euros (99.6)

Comparable operating profit
8.6
million euros (6.1)

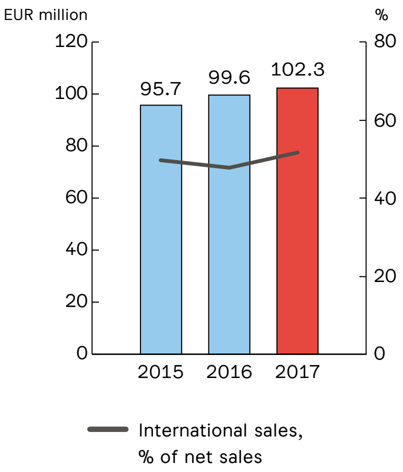
EBITDA
11.7
million euros (9.4)

Cash flow from operating activities
9.8
million euros (6.1)

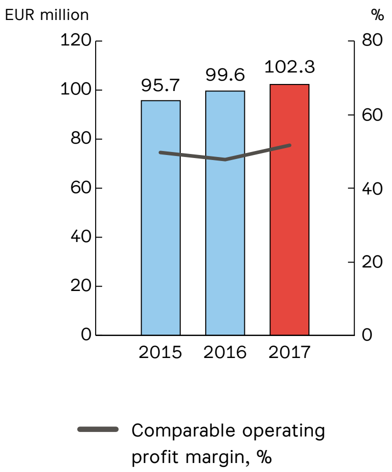
Equity ratio
65.2
% (58.5)

- **Our products are sold** in about 40 countries
- **Our key markets** Northern Europe, North America and the Asia-Pacific region
- **Marimekko stores** number more than 160 worldwide
- **Flagship stores** in New York, Tokyo, Hong Kong, Sydney, Helsinki and Stockholm
- **We employ** about 450 people
- **Our share is quoted on** Nasdaq Helsinki Ltd

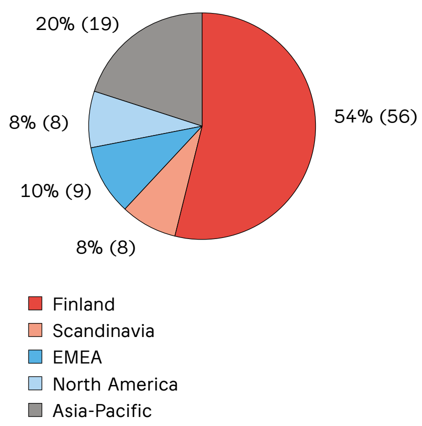
Net sales



Comparable operating profit



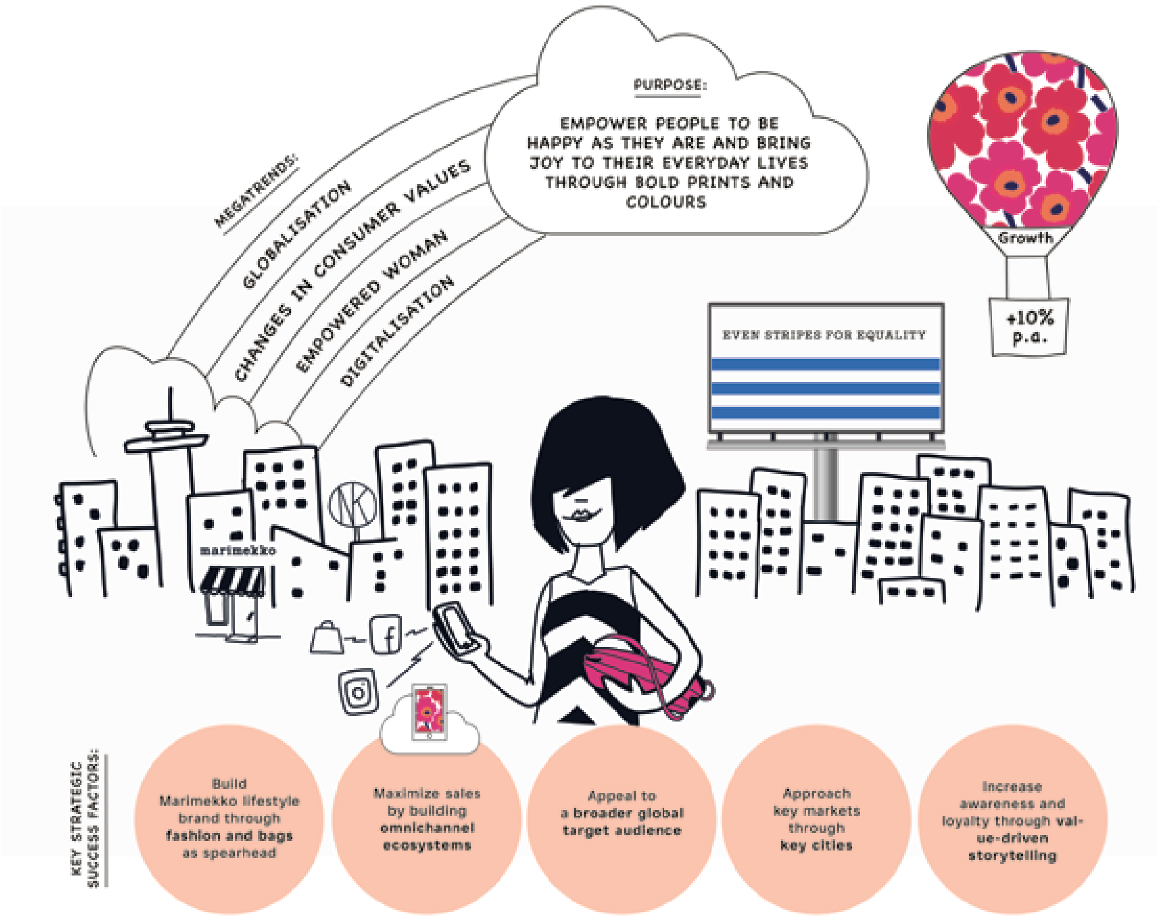
Net sales by market area 2017



Strategy

Our vision is to be the world's most inspiring lifestyle design brand renowned for bold prints.

Marimekko has a long-term international growth strategy. In recent years, we have focused in particular on enhancing our profitability and international competitiveness. The main objective of our strategy for 2018–2022 is to build a broader target audience and grow. To reach this goal, we have defined five strategic success factors.



For details about the focus areas of our strategy, please visit our website company.marimekko.com
> About Marimekko
> Strategy & financial goals

Report of the Board of Directors

2017 IN BRIEF

In 2017, the Marimekko Group's net sales grew by 3 percent on the previous year and were EUR 102.3 million (2016: 99.6; 2015: 95.7). Retail sales rose by 5 percent, whereas wholesale sales fell by 1 percent. Wholesale sales in 2016 included nonrecurring promotional deliveries, of which there were none in 2017. Net sales in Finland remained on a par with the previous year at EUR 55.7 million (55.8; 52.7). International sales were EUR 46.6 million (43.8; 43.0). Growth in net sales was generated primarily by retail sales in Finland and Australia, by international wholesale sales and by royalties in the Asia-Pacific region. In the final months of the year, net sales were boosted by an upswing in retail sales driven by a successful holiday season, especially in Finland. It is typical in Marimekko's sector that the proportion of holiday sales is particularly significant in the fourth quarter. Brand sales[1] of Marimekko products fell by 3 percent to EUR 192.7 million (199.3; 176.7).

Marimekko's operating profit grew relative to the previous year and was EUR 8.4 million (5.2; 1.5). Operating profits for 2016 and 2017 included restructuring expenses of EUR 0.8 million and EUR 0.2 million respectively. Comparable operating profit grew by 41 percent and was EUR 8.6 million (6.1; 1.5). Operating profit was improved by growth in net sales, a better sales margin than in the previous year, and reduced depreciation and personnel expenses. A drag was exerted on results by a downturn in wholesale sales in Finland, which was due to the fact that wholesale sales in the second half of 2016 included nonrecurring promotional deliveries, of which there were none in 2017. Results were also impacted by higher other fixed costs than in the previous year. Profit after tax for the financial year was EUR 5.7 million (4.0; 0.8) and earnings per share were EUR 0.70 (0.50; 0.10). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.50 per share be paid for 2017 (0.40; 0.35).

OPERATING ENVIRONMENT

Uncertainty over the global economy continues, due partly to the unpredictability of the political situation. Growth is picking up speed, but at the same time the risks are increasing. The global economy is forecast to grow at a rate of almost 4 percent in 2018. In Europe, the situation is on the whole very strong. In the US, political uncertainty continues but growth is expected to remain steady. Confidence indicators point to a strengthening rate of growth, but the likelihood of a recession is increased by the fact that growth in the US has continued since 2009. In Asia, growth is forecast to continue to be brisk. China's economic growth continues, but corporate indebtedness is a significant risk.

The Finnish economy has bottomed out. Export markets have strengthened, competitiveness has improved and there is growing confidence in the future. Current economic conditions are better than the average, and growth is expected to continue for at least the next half year. In retail trade, growth is forecast to continue to be at a fairly good level. Retail trade confidence remained good in January 2018 and it was above the average for the EU countries. The consumer confidence indicator was at a record high figure, and consumers' expectations for their own finances and for the Finnish economy were very optimistic.

(Confederation of Finnish Industries EK: Economic Review, December 2017; Business Tendency Survey, January 2018; Confidence Indicators, January 2018. Statistics Finland: Consumer Survey, January 2018.)

In 2017, the volume of retail sales in Finland grew by 2.3 percent on the previous year. In December, sales were growing at a rate of 3.5 percent. (Statistics Finland: Turnover of Trade, retail trade flash estimate, December 2017).

NET SALES

In 2017, the Group's net sales grew by 3 percent and were EUR 102.3 million (99.6; 95.7). Retail sales rose by 5 percent, whereas wholesale sales fell by 1 percent. In Finland, net sales were on a par with the previous year; international sales grew by 6 percent.

Net sales in Finland amounted to EUR 55.7 million (55.8; 52.7). Retail sales grew by 5 percent and comparative retail

[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. The calculation method for 2017 figures has been restated for the coefficients used; to maintain comparability, the change also applies to the figures for 2016.

sales[2] by 4 percent. The rise in sales was partly attributable to growth in regular-priced sales. Wholesale sales fell by 12 percent. The decline was due to the fact that wholesale sales in the third and fourth quarters of the previous year included nonrecurring promotional deliveries, of which there were none in 2017. A successful holiday season boosted both retail and wholesale sales in the last quarter.

In the company's second-biggest market, the Asia-Pacific region, net sales grew by 7 percent to EUR 20.2 million (18.8; 17.7). Wholesale sales rose by 1 percent. In the market area's main country, Japan, sales grew by 4 percent; the growth was due to royalties received under a new licensing agreement in the third quarter. Retail sales (Australia) rose by 16 percent due to a clearance promotion carried out in the second quarter and the additional sales of a store opened in November 2016.

FINANCIAL RESULT

In 2017, the Group's operating profit improved on the previous year and was EUR 8.4 million (5.2; 1.5). Operating profits for 2016 and 2017 included restructuring expenses of EUR 0.8 million and EUR 0.2 million respectively. Comparable operating profit for 2017 was EUR 8.6 million (6.1; 1.5). Results were improved by growth in net sales, which was generated primarily by retail sales in Finland and Australia, international wholesale sales, and royalties in the Asia-Pacific region. Furthermore, relative sales margin was an improvement on the previous year; this was thanks, among other

Net sales by market area

(EUR million)	**2017**	**2016**	**Change, %**
Finland	55.7	55.8	0
Retail sales	40.8	38.9	5
Wholesale sales	14.6	16.6	-12
Royalties	0.2	0.3	-22
Scandinavia	8.5	7.8	8
Retail sales	5.1	5.0	2
Wholesale sales	3.4	2.9	18
Royalties	-	-	
EMEA	9.7	9.2	5
Retail sales	1.1	1.1	5
Wholesale sales	8.3	7.8	6
Royalties	0.3	0.3	-1
North America	8.3	7.9	4
Retail sales	5.3	5.2	1
Wholesale sales	2.5	2.2	14
Royalties	0.5	0.5	2
Asia-Pacific	20.2	18.8	7
Retail sales	4.0	3.5	16
Wholesale sales	15.5	15.4	1
Royalties	0.6	-	
International sales, total	46.6	43.8	6
Retail sales	15.5	14.8	5
Wholesale sales	29.7	28.3	5
Royalties	1.4	0.8	75
Total	102.3	99.6	3
Retail sales	56.3	53.6	5
Wholesale sales	44.4	44.9	-1
Royalties	1.6	1.1	52

All figures in the table have been individually rounded to millions of euros, so there may be rounding differences in the totals. The change percentages have been calculated on exact figures before rounding.

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

factors, to growth in regular-priced sales. Operating profit was also boosted by lower depreciation and personnel expenses. A drag was exerted on results by a downturn in wholesale sales in Finland. This was due to the fact that wholesale sales in the third and fourth quarters of the previous year included nonrecurring promotional deliveries, of which there were none in 2017. Results were also impacted by higher other fixed costs than in the previous year.

Marketing expenses for the year 2017 were EUR 4.5 million (4.4; 5.1), or 4 percent of the Group's net sales (4; 5).

The Group's depreciation and impairments totalled EUR 3.3 million (4.1; 4.5), or 3 percent of net sales (4; 5).

Operating profit margin was 8.2 percent (5.3; 1.6) and comparable operating profit margin was 8.4 percent (6.1; 1.6).

Net financial expenses were EUR 1.2 million (0.1; 0.2), or 1 percent of net sales (0; 0). Foreign exchange changes recorded in net financial items amounted to EUR -1.0 million (0.1; 0.0).

Result for 2017 before taxes was EUR 7.1 million (5.2; 1.3). Result after taxes was EUR 5.7 million (4.0; 0.8) and earnings per share were EUR 0.70 (0.50; 0.10).

BALANCE SHEET

The consolidated balance sheet total as of 31 December 2017 was EUR 47.1 million (48.5; 46.1). Equity attributable to the equity holders of the parent company was EUR 30.7 million (28.3; 27.1), or EUR 3.79 per share (3.50; 3.35).

Non-current assets at the end of 2017 stood at EUR 13.3 million (15.6; 17.4).

At the end of the year, net working capital was EUR 14.5 million (15.3; 13.0). Inventories were EUR 20.9 million (21.4; 18.5).

CASH FLOW AND FINANCING

In 2017, cash flow from operating activities was EUR 9.8 million (6.1; 6.3), or EUR 1.21 per share (0.76; 0.78). Cash flow before cash flow from financing activities was EUR 8.8 million (3.6; 3.1).

The Group's financial liabilities at the end of the year were EUR 3.3 million (6.0; 7.3).

At the end of the year, the Group's cash and cash equivalents amounted to EUR 6.2 million (3.5; 4.2). In addition, the Group had unused committed long- and short-term credit lines of EUR 18.0 million (14.4; 15.2).

The Group's equity ratio at the end of 2017 was 65.2 percent (58.5; 59.0). Gearing was -9.4 percent (8.8; 11.3).

INVESTMENTS

The Group's gross investments were EUR 1.2 million (2.7; 3.6), or 1 percent of net sales (3; 4). Most of the investments were devoted to the company's IT systems and store premises.

STORE NETWORK

In 2017, the main thrust in expanding the Marimekko store network continued to be on openings of retailer-owned Marimekko stores. The company achieved its aim of opening around 10–20 new Marimekko stores and shop-in-shops.

In the course of the year, a total of 12 stores were opened, one of which was company-owned, four were retailer-owned Marimekko stores, and seven were shop-in-shops. Of the stores opened, seven were located in the company's growth market in the Asia-Pacific region. Marimekko's own e-commerce was extended to 17 new countries in Europe; at the end of the year, the company's online store reached customers in 30 countries.

A total of 10 Marimekko stores and shop-in-shops were closed in 2017. The seven shop-in-shops located in El Palacio de Hierro's department stores in Mexico were closed due to changes in the stores' assortment concept. The impact of these shop closures on wholesale sales in North America was very small.

SHARES AND SHAREHOLDERS

Shares and share capital

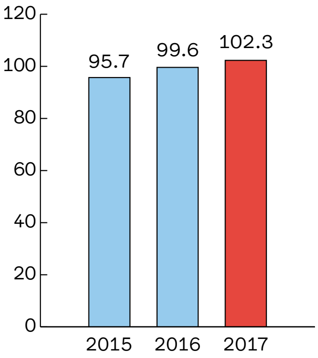
Marimekko Corporation's share is quoted in the Consumer Goods sector of Nasdaq Helsinki Ltd. The company has one series of shares, each conferring the same voting rights to their holders. At the end of the financial year, the company's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000 and the number of shares totalled 8,089,610.

Shareholdings

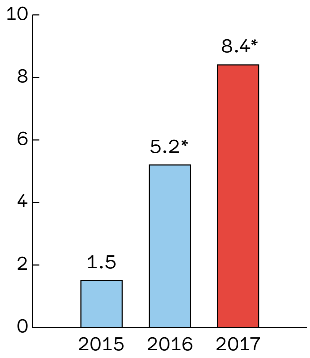
According to the book-entry register, Marimekko had 7,575 shareholders at the end of 2017 (7,270; 7,084). Of the shares, 11.4 percent were owned by nominee-registered or non-Finnish holders (10.5; 20.1). The breakdown of Finnish ownership by owner group was as follows: households 40.0 percent, non-financial corporations and housing corporations 32.6 percent, general government 10.2 percent, financial and insurance corporations 3.9 percent, and non-profit institutions 1.9 percent.

At the end of the year, the number of shares owned either directly or indirectly by members of the Board

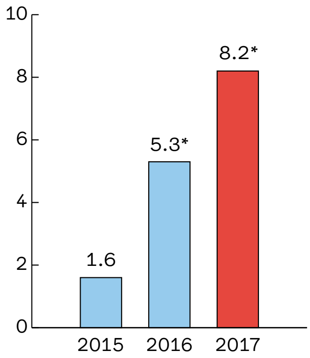
Net sales (EUR million)



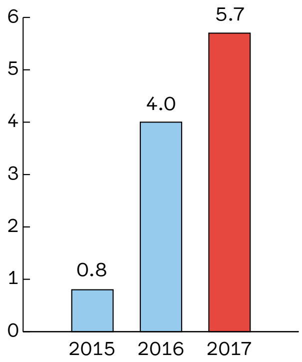
Operating profit (EUR million)



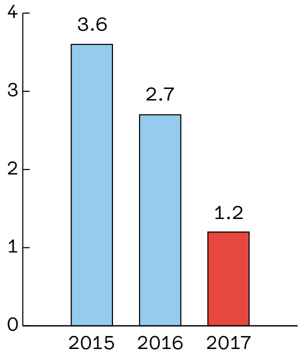
Operating profit margin (%)



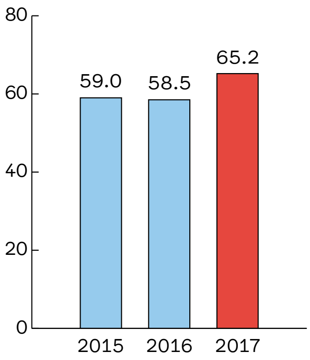
Result after taxes (EUR million)



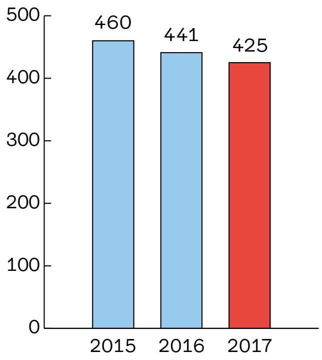
Gross investments (EUR million)



Equity ratio (%)



Average personnel



* Operating profits for 2016 and 2017 included restructuring expenses of EUR 0.8 million and EUR 0.2 million respectively.

of Directors and the Management Group of the company was 1,335,295, representing 16.5 percent of the number and voting rights of the company's shares.

Marimekko has neither made nor is aware of any shareholder agreements concerning the company's shares or other commitments agreeing on the company's ownership or the use of voting rights. Information on the largest shareholders can be found on the company's website at company.marimekko.com under Investors/Share information/Shareholders. Further details of shareholdings are available on pages 58–61 of these financial statements.

Share trading and the company's market capitalisation

In 2017, a total of 796,964 Marimekko shares were traded (2,112,657; 1,062,373), representing 9.9 percent of the shares outstanding (26.1; 13.1). The total value of the share turnover was EUR 8,042,982. The lowest price of the Marimekko share was EUR 9.10, the highest was EUR 10.99 and the average price was EUR 10.09. At the end of the year, the closing price of the share was EUR 10.10. The company's market capitalisation on 31 December 2017 was EUR 81,705,061 (76,689,503; 67,143,763).

Flaggings

Marimekko did not receive any flagging notifications in 2017.

Authorisations

At the end of the year, the Board of Directors had no valid authorisations to carry out share issues or to issue convertible bonds or bonds with warrants, or to acquire or surrender Marimekko shares. Marimekko Corporation holds none of its own shares.

PERSONNEL

In 2017, the number of employees averaged 425 (441; 460). At the end of the year, the Group had 446 employees (431; 476), of whom 122 (111; 126) worked outside Finland. Salaries, wages and bonuses paid to personnel amounted to EUR 19.4 million (19.8; 20.4).

During the year, personnel work focused on assessing the efficiency and needs of different HR practices with an eye to the future of an even more international Marimekko. The emphasis was on developing managerial work as well as planning and implementing a new performance management model. The model was piloted in Marimekko's own retail stores. A comprehensive survey was conducted to measure employee job satisfaction and engagement. The results of the survey were reviewed collectively, and every team held a workshop to enhance the team's operations. Also, key competence descriptions were defined during 2017 in order to harmonise the company's operations in different countries. All these measures were aimed at building a more consistent and stronger basis for Marimekko's international operations, the cornerstones of which are committed and skilled personnel, and effective practices.

In 2017, the turnover of employees leaving was 20.8 percent (16.1; 9.2.).

SUSTAINABILITY

Sustainability management at Marimekko is part of everyday leadership and operational development. Among the principal themes of Marimekko's sustainability strategy extending to the year 2020 are sustainable and timeless design, engagement of stakeholders, 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 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.

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 2018.

Non-financial information

As Marimekko has less than 500 employees, the company is not required to prepare a non-financial information statement.

THE ENVIRONMENT, HEALTH AND SAFETY

The environment

Care for the environment is one of the cornerstones of Marimekko's business. Subcontractors are also contractually obligated to commit themselves to shouldering their environmental responsibilities. The environmental aspects of the company's in-house manufacturing are related to the operations of the textile printing factory in Herttoniemi, Helsinki. Marimekko seeks to reduce the environmental impacts of its operations, to cut its carbon footprint and to improve its resource efficiency, among other means, by using renewable energy sources and optimising logistics, by decreasing water consumption, and by minimising, recycling and repurposing waste.

Health and safety

Safety and well-being in the workplace are monitored and enhanced at Marimekko in collaboration with human resources, the workplace safety committee and occupational healthcare. Occupational wellness is supported by promoting the employees' health, job and functional capacity as well as their quality of life in many ways. For instance, Marimekko applies an early-intervention model which provides support for the working community. Securing a safe working environment means the advance prevention of accidents as well as recognising and avoiding hazards and near-misses. In order to prevent potential hazards, personnel are trained in issues of occupational safety and safety risks are regularly monitored. During 2017, the sickness absence percentage based on theoretical regular working hours was 2.9 percent (2.6; 2.5) among Marimekko's employees in Finland.

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.

MANAGEMENT

Board of Directors, management and auditors

Marimekko Corporation's Board of Directors are elected by the Annual General Meeting. According to the Articles of Association, the Board of Directors shall consist of four to seven ordinary members. Their term of office ends at the conclusion of the next Annual General Meeting. The Board elects a Chairman from amongst its members.

The duties and responsibilities of the Board of Directors are determined primarily by the Articles of Association and the Finnish Companies Act. The Board deliberates on all matters that are significant to the Marimekko Group's business operations. These include approving strategic policies, budgets and operating plans, and deciding on significant investments, mergers and acquisitions. The Articles of Association do not provide the Board of Directors or the President and CEO with any powers other than those that are customary. Decisions to amend the Articles of Association or to increase the share capital are made pursuant to the provisions of the Finnish Companies Act in force.

The Annual General Meeting of 6 April 2017 appointed seven members to the company's Board of Directors. Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen and Catharina Stackelberg-Hammarén were re-elected. Rebekka Bay and Helle Priess were elected as new members of the Board of Directors. The Board is chaired by Mika Ihamuotila and vice-chaired by Elina Björklund.

From among its members, the Board of Directors elected Elina Björklund as Chairman and Mikko-Heikki Inkeroinen and Catharina Stackelberg-Hammarén as members of the Audit and Remuneration Committee.

The Annual General Meeting resolved that the annual remuneration payable to the members of the Board of Directors be as follows: EUR 40,000 to the Chairman, EUR 30,000 to the Vice Chairman and EUR 22,000 to the other members of the Board. According to the resolution by the Annual General Meeting, approximately 40 percent of the annual remuneration were to be paid in Marimekko Corporation's shares acquired from the market and the rest in cash. In addition, the Annual General Meeting resolved that in case a member of the Board held the company's shares worth more than EUR 500,000 on the date of the Meeting, 6 April 2017, the remuneration would be paid entirely in cash. The Annual General Meeting further resolved that no separate remuneration be paid for committee work to persons elected to any committee. In the remuneration payable to the Vice Chairman of the Board, chairing the Audit and Remuneration Committee has been taken into account.

The Board of Directors elects the company's President and CEO and decides on the President and CEO's salary and other remuneration on the basis of a proposal drawn up by the Audit and Remuneration Committee. The duties of the President and CEO are set down in the Finnish Companies Act. The post of Marimekko Corporation's President and CEO is held by Tiina Alahuhta-Kasko.

The following changes in the company's management took place in 2017. Päivi Paltola started as the company's Chief Marketing Officer (CMO) on 30 January 2017, Tanya Strohmayer became Human Resources Director on 10 February 2017 and Tina

Broman took up duties as Chief Supply Chain Officer (CSCO) on 2 October 2017. All of the aforementioned are also members of Marimekko's Management Group. The company's Chief Digital Officer (CDO) Kari Härkönen was appointed to the Management Group as of 14 December 2017. Creative Director and Management Group member Anna Teurnell stood down from her post on 27 February 2017. Marimekko reported on 7 December 2017 of its decision to transform its operational model in respect of design management and of its appointment of Satu Maaranen as head designer of ready-to-wear, bags and accessories from 8 January 2018.

At the end of 2017, the company's Management Group comprised Tiina Alahuhta-Kasko as Chairman and Elina Aalto, Tina Broman, Kari Härkönen, Päivi Lonka, Päivi Paltola and Tanya Strohmayer as members.

The Annual General Meeting re-elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the company's auditor. Ylva Eriksson, Authorised Public Accountant, continued as chief auditor. It was decided that the auditor's fee will be paid as per invoice approved by the company.

Corporate governance statement

The corporate governance statement for 2017 can be found on the company's website at company.marimekko.com under Investors/Management/Corporate governance.

OTHER EVENTS DURING 2017

Enquiries concerning the company's premises in Helsinki

In its half-year financial report of 10 August 2017, Marimekko announced that it was investigating the option of the sale and leaseback of the building owned by the Marimekko Group in the Herttoniemi district of Helsinki housing the company's head office and textile printing factory and two of its stores.

Any decisions on the matter will be reported separately in due time.

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 pricing. Digitisation in retail trade and the intensified competition and rapidly changing operating environment that this entails also bring risks. 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 opening retailer-owned Marimekko stores and shop-in-shops and expanding e-commerce as well as setting up company-owned stores and concession shop-in-shops 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 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.

The company's operational risks prominently include those related to the management and success of modernisation and internationalisation, changes in procurement and logistics processes, and changes in the prices of raw materials and other procurement items. Information system functionality and reliability also involve risks; malfunctions, for example in data communications or in the company's own online store, can disrupt business momentarily. 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.

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 2018

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. Growth in retail trade is forecast to be at a fairly good level. Sales in 2018 will be impacted positively by nonrecurring promotional deliveries; in 2017 there were no similarly large deliveries. Marimekko's sales in Finland are expected to grow in 2018.

The Asia-Pacific region, Marimekko's second-biggest market, 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 markets are in fairly early stages. Japan already has a very comprehensive network of Marimekko stores, and new ones are being opened at a rate of a few stores per year. Sales are supported by enhancing the operations of stores and by optimising the product range. Sales in the Asia-Pacific region this year are forecast to grow. The company sees increasing demand for its products in this area especially in the longer term.

In 2018, the main thrust in expansion remains on openings of retailer-owned Marimekko stores, and continuing growth is expected in the company's own e-commerce and other online sales channels. The aim is to open around 10–15 new Marimekko stores and shop-in-shops. The company will continue the enhancement of the operations of Marimekko stores opened in recent years.

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

The expenses of marketing operations in 2018 are forecast to be higher than in 2017 (EUR 4.5 million). The total investments are estimated to grow relative to the previous year (EUR 1.2 million).

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. 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 a significant impact on results for the whole year.

FINANCIAL GUIDANCE FOR 2018

The Marimekko Group's net sales and comparable operating profit for 2018 are forecast to be at the same level as or higher than in the previous year.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

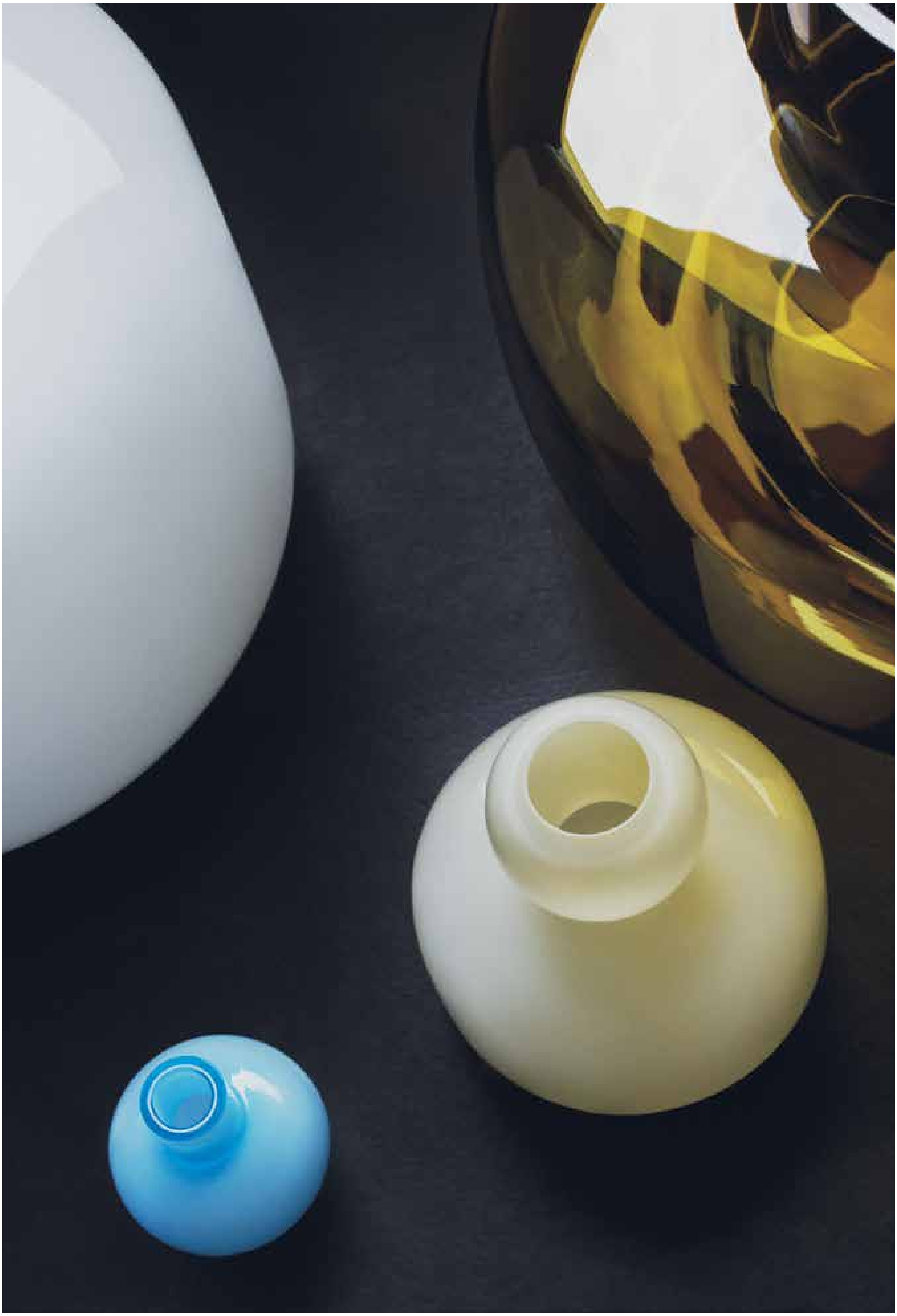
On 31 December 2017, the parent company's distributable funds amounted to EUR 19,194,424.94; profit for the financial year was EUR 4,948,190.32. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.50 per share be paid for 2017 to a total of EUR 4,044,805 and that the remaining funds be retained in equity. The Board will propose 16 April 2018 as the dividend record date, and 23 April 2018 for the dividend payout. No substantial changes in the company's financial position have occurred after the end of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardise the company's solvency.

ANNUAL GENERAL MEETING

Marimekko Corporation's Annual General Meeting will be held on Thursday 12 April 2018 from 2 p.m. onwards at the company's head office, Puusepänkatu 4, 00880 Helsinki, Finland.

Helsinki, 14 February 2018

Marimekko Corporation
Board of Directors



Consolidated financial statements, IFRS

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	Note	1 Jan.–31 Dec. 2017	1 Jan.–31 Dec. 2016
NET SALES	1.	**102,324**	**99,614**
Other operating income	2.	406	376
Increase (-) / decrease (+) in inventories of completed and unfinished products		294	2,960
Raw materials and consumables	3.	-37,401	-40,199
Employee benefit expenses	4.	-24,543	-25,671
Depreciation and impairments	5.	-3,308	-4,114
Other operating expenses	6.	-29,413	-27,716
OPERATING PROFIT		**8,360**	**5,249**
Financial income	7.	39	164
Financial expenses	8.	-1,269	-243
		-1,230	-79
RESULT BEFORE TAXES		**7,130**	**5,170**
Income taxes	9.	-1,470	-1,138
NET RESULT FOR THE PERIOD		**5,660**	**4,032**
Distribution of net result to equity holders of the parent company		5,660	4,032
Basic and diluted earnings per share calculated on the result attributable			
to equity holders of the parent companyt, EUR	10.	0.70	0.50

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1 Jan.–31 Dec. 2017	1 Jan.–31 Dec. 2016
Net result for the period	5,660	4,032
Items that could be reclassified to profit or loss at a future point in time		
Change in translation difference	-71	-14
COMPREHENSIVE RESULT FOR THE PERIOD	**5,589**	**4,018**
Distribution of net result to equity holders of the parent company	5,589	4,018

The notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	Note	31 Dec. 2017	31 Dec. 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11.1	1,145	1,493
Tangible assets	11.2	12,107	13,902
Available-for-sale financial assets	11.4	16	16
Deferred tax assets	14.1	66	222
		13,333	15,633
CURRENT ASSETS			
Inventories	12.1	20,921	21,357
Trade and other receivables	12.2	6,647	8,020
Current tax assets		0	
Cash and cash equivalents		6,212	3,482
		33,780	32,860
ASSETS, TOTAL		**47,113**	**48,493**

(EUR 1,000)	Note	31 Dec. 2017	31 Dec. 2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	13.1	8,040	8,040
Reserve for invested non-restricted equity		502	502
Translation differences		-47	24
Retained earnings		22,175	19,751
Shareholders' equity, total		30,669	28,316
NON-CURRENT LIABILITIES			
Provisions	14.2		71
Financial liabilities	14.3		2,594
Finance lease liabilities	15.2	3,097	3,171
		3,097	5,836
CURRENT LIABILITIES	15.1		
Trade and other payables		12,519	13,156
Current tax liabilities		552	945
Provisions		32	26
Finance lease liabilities	15.2	244	214
		13,347	14,341
Liabilities, total		16,444	20,177
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**47,113**	**48,493**

The notes are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	Note	1 Jan.–31 Dec. 2017	1 Jan.–31 Dec. 2016
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		5,660	4,032
Adjustments			
Depreciation and impairments		3,308	4,114
Financial income and expenses		1,230	79
Taxes		1,470	1,138
Cash flow before change in working capital		11,668	9,363
Change in working capital		416	
Increase (-) / decrease (+) in current non-interest-bearing trade receivables		1,027	-2,224
Increase (-) / decrease (+) in inventories		437	-2,803
Increase (+) / decrease (-) in current non-interest-bearing liabilities		-1,047	2,445
Cash flow from operating activities before financial items and taxes		12,084	6,781
Paid interest and payments on other financial expenses		-433	-169
Interest received		22	33
Taxes paid		-1,863	-520
CASH FLOW FROM OPERATING ACTIVITIES		**9,810**	**6,125**
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of available-for-sale financial assets		3	
Investments in intangible assets		-701	-573
Investments in tangible assets		-280	-1,986
CASH FLOW FROM INVESTING ACTIVITIES		**-978**	**-2,559**
CASH FLOW FROM FINANCING ACTIVITIES			
Payments of long-term loans	21.	-2,594	-1,240
Short-term loans drawn		2,000	4,000
Payments of short-term loans		-2,000	-4,000
Payments of finance lease liabilities	21.	-273	-261
Dividends paid		-3,236	-2,831
CASH FLOW FROM FINANCING ACTIVITIES		**-6,103**	**-4,332**
Change in cash and cash equivalents		2,730	-766
Cash and cash equivalents at the beginning of the period		3,482	4,249
Cash and cash equivalents at the end of the period		6,212	3,482

The notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Equity attributable to equity holders of the parent company

(EUR 1,000)	Share capital	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity 1 Jan. 2016	**8,040**	**502**	**38**	**18,549**	**27,129**
Comprehensive result					
Net result for the period				4,032	4,032
Translation differences			-14		-14
Total comprehensive result for the period			**-14**	**4,032**	**4,018**
Transactions with owners					
Dividends paid				-2,831	-2,831
Shareholders' equity 31 Dec. 2016	**8,040**	**502**	**24**	**19,751**	**28,316**
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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

COMPANY PROFILE

Marimekko Corporation is a Finnish clothing and textile company. Marimekko Corporation and its subsidiaries form a Group that designs, manufactures and markets clothing, interior decoration products and bags.

Marimekko Corporation's shares are quoted on Nasdaq Helsinki Ltd. The company is domiciled in Helsinki, and its registered address is Puusepänkatu 4, 00880 Helsinki, Finland. The financial year of all Group companies is the calendar year.

Copies of the consolidated financial statements are available at company.marimekko.com and the head office of the Group's parent company at Puusepänkatu 4, 00880 Helsinki, Finland.

Marimekko Corporation's Board of Directors approved these financial statements for publication at its meeting on 14 February 2018. According to the Finnish Companies Act, shareholders have the right to accept or reject the financial statements at the Annual General Meeting held after the publication. The Annual General Meeting may also amend the financial statements.

ACCOUNTING POLICY APPLIED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Accounting policy

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), complying with the IAS and IFRS standards as well as the SIC and IFRIC interpretations in force as at 31 December 2017. In the Finnish Accounting Act and the provisions laid down pursuant to the Act, International Financial Reporting Standards refer to the standards approved for use in the EU in accordance with the procedures laid down in IAS Regulation (EC) 1606/2002 of the European Parliament, and the interpretations of these standards. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation which complements IFRS regulations.

The financial statements have been prepared at historical cost. Financial statement information is presented in thousands of euros.

Accounting estimates and judgments

The preparation of financial statements in accordance with IFRS calls for the management to use estimates and assumptions with regard to the future. The estimates and assumptions included in the financial statements are based on the best knowledge of the management as at the closing of the books. These estimates and assumptions affect the value of tangible and intangible assets in the balance sheet and the income and expenses for the year in the income statement. Discretion also has to be exercised when the accounting conventions for the financial statements are selected and applied, and estimates have to be made, for example, of depreciation periods, any impairments, valuation of inventories, income taxes, deferred tax assets and provisions (including credit loss provisions). The actual figures may deviate from these estimates.

Principles of consolidation

Marimekko's consolidated financial statements include the accounts of the parent company Marimekko Corporation and its subsidiaries. Subsidiaries are companies in which the Group has the right to determine the financial and operating principles of the undertaking or business operations, usually by virtue of a shareholding that entitles to more than half of the voting rights. Intra-Group share ownership has been eliminated using the acquisition cost method. Acquired subsidiaries are consolidated in the Group's financial statements as of the date on which the Group acquired a controlling interest and divested subsidiaries until the date when such control ceases. Intra-Group business transactions, intra-Group profit margins related to inventories and fixed assets, intra-Group receivables and liabilities and intra-Group distribution of profit have been eliminated.

Segment reporting

The Group's business segment is the Marimekko business. The segment information presented by the Group is based on internal reporting to the chief operational decision-maker, in which the management's assessment of the segment's profitability is based on monitoring the segment's operating profit and in which the valuation principles for assets and liabilities are in accordance with IFRS regulations.

The President and CEO of the company acts as the chief operational decision-maker.

Translation of items denominated in foreign currency

The results and financial position of Group units are measured in the currency used in the primary business environment of the unit in question (functional currency). The consolidated financial statements are presented in euros, the functional and presentation currency of the parent company.

Transactions in foreign currencies are recognised in the functional currency at the exchange rate on the date of transaction. The foreign-currency-denominated receivables and liabilities of the parent company and its Finnish subsidiaries have been converted to euro amounts using the exchange rates quoted by the European Central Bank on the closing date. The foreign-currency-denominated receivables and liabilities of foreign subsidiaries have been converted at the exchange rate of the country in question on the closing date. Foreign exchange differences in business operations are booked in the corresponding income statement accounts above operating profit and foreign exchange differences on financial items in financial income and expenses.

The foreign-currency-denominated income statements of subsidiaries are converted to euro amounts using the average exchange rate for the financial year and the balance sheets at the average rate on the closing date. Differences arising from translation and translation differences in shareholders' equity are recorded as a separate item in shareholders' equity.

Revenue recognition and net sales

Most of the Group's income is comprised of wholesale and retail sales of products plus royalties. Sales of products are recognised as income when the significant risks and rewards incident to the ownership of goods have been transferred to the buyer. The Group then relinquishes oversight and control of the product. In wholesale, this is mainly the moment when the goods are handed over to the customer as set forth in the agreed delivery clause. In retail where cash or a credit card is used as means of payment, the income is recognised at the time of sale. The revenue recognition of licensing and royalty income is handled in accordance with the clauses of the agreement between Marimekko and the licensee. The clauses in the licensing agreements mainly provide for royalties payable to Marimekko for sales of products covered by the agreement, based either on a percentage rate or the number of items. At least the minimum annual royalty as stipulated in the agreement is payable by some of the licensees.

In the calculation of net sales, sales proceeds are adjusted with indirect taxes and sales adjusting items such as discounts granted. The distribution costs of products sold are recognised in other operating expenses in the income statement.

Other operating income

Other operating income includes, for example, rental income from lease agreements classified as other lease agreements, insurance payouts and sales proceeds of fixed assets.

Operating profit

IAS 1 Presentation of Financial Statements does not contain a definition of operating profit. The Group has defined this concept as follows: operating profit is the net amount of net sales and other operating income less the purchase expenses adjusted with the expenses incurred due to the increase or decrease in inventories or completed and unfinished products and production for own use, employee benefit expenses, depreciation, possible impairment loss and other operating expenses. Any income statement items other than the above are presented below the operating profit. Foreign exchange differences are included in the operating profit, provided they are attributable to items related to business operations. Otherwise they are recognised in financial items.

Employee benefits

Pension commitments

The pension security of the personnel of the Group's Finnish companies has been arranged under the Finnish statutory employee pension plan (TyEL) through an external pension insurance company. Foreign subsidiaries have arranged pensions for their personnel in accordance with local legislation. The Group's pension cover is arranged wholly under defined contribution schemes. Under a defined contribution arrangement, the Group pays contributions to publicly or privately managed pension insurances. These contributions are either compulsory, based on an agreement or voluntary. The Group does not have any payment obligations other than these contributions. The contributions are recognised as employee benefit expenses at the time when they become due. Any contributions paid in advance are included in the assets on the balance sheet, insofar as they are recoverable as future refunds or future reductions of contributions.

Share-based payments

The long-term bonus systems granted to the Management Group by the Board of Directors are valued at fair value at each closing date and the change in fair value is recorded as an employee benefit expense in the income statement to the extent the share-based payments have been vested. The possible bonus will be paid in cash.

The bonus systems are described in greater detail in note 4 to the consolidated financial statements.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised as income when the right to dividends is established.

Income taxes
Taxes on the Group companies' financial results for the period, taxes from previous periods and the change in deferred taxes are recorded as the Group's taxes. Taxes on the taxable income for the period are calculated on taxable income in accordance with the tax rate in force in the country in question. Deferred taxes are calculated on all temporary differences between the book value and the taxable value. However, a deferred tax liability is not accounted for if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable income. In taxation deferred tax is not recognised for non-deductible goodwill and deferred tax is not recognised for distributable earnings of subsidiaries where it is probable that the difference will not reverse in the foreseeable future. The largest temporary differences are due to the amortisation of fixed assets. Deferred taxes are calculated using the tax rates set by the closing date. Deferred tax assets are recognised to the extent that it is probable that future taxable profit, against which the temporary difference can be utilised, will be available.

Earnings per share
The basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent company by the weighted average of shares outstanding. The weighted average number of shares used to calculate the diluted earnings per share takes into account the diluting effect of the conversion of potential common shares into actual shares during the period. There are no potential shares outstanding at the moment.

Intangible assets
Intangible assets with finite useful lives are recognised in the balance sheet at original cost less depreciation. Depreciation of intangible assets is carried out on a straight-line basis over their estimated useful life.

The estimated useful lives are as follows:
· intangible rights 5–10 years
· computer software 3–5 years.

The major intangible asset items are trademarks. Other intangible assets are computer software and information systems. The Group has not had any such development expenditure that should be recognised as assets under IAS 38 and recorded as amortised expense over their useful life.

Tangible assets
Tangible assets mainly consist of buildings, machinery and equipment. Tangible assets also include expenditures on conversions and renovations of leased premises comprising, for example, completion work on business interiors in rented premises. Tangible assets are recorded in the balance sheet at original cost less depreciation. Depreciation of tangible assets is carried out on a straight-line basis over their estimated useful life.

The estimated useful lives are as follows:
· buildings and structures 40 years
· machinery and equipment 3–15 years.

The residual value and useful life of tangible assets are reviewed at the end of each financial year and if necessary adjusted to reflect changes in the expectation of economic benefit.

If a tangible asset consists of several parts with different useful lives, each part is treated as a separate asset. Significant cost of replacing a part is capitalised when the company will derive economic benefit from the asset. Other expenses such as regular maintenance, repair and servicing costs are entered as expenses in the income statement when they are incurred.

Investment aid is recognised as a reduction to investments and the aid recorded in the income statement is booked in other operating income.

Borrowing costs
Borrowing costs are recognised as expenses during the financial year in which they were incurred. Borrowing costs have not been recognised as part of the acquisition cost of assets.

Provisions and contingent liabilities
A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A restructuring provision is recognised when the Group has compiled a detailed restructuring plan, launched its implementation or informed the parties concerned.

A contingent liability is a potential liability based on previous events. It depends on the realisation of an uncertain future event beyond the Group's control. Contingent liabilities also include obligations which will most likely not lead to a payment or the amount of which cannot be reliably determined. Contingent liabilities are disclosed in the notes.

Impairment
On each closing date, asset items are assessed for indications of impairment. If there are such indications, the recoverable amount of said asset item is estimated. The impairment recognised is the amount by which the book value

of the asset item exceeds its recoverable amount, which is the higher of its net selling price or value in use. Value in use is based on discounted future net cash flows as a rule.

Lease agreements

In accordance with IAS 17 Leases, lease agreements in which the Group assumes substantially all the risks and rewards incident to ownership of the asset are classified as finance lease agreements. Assets acquired under finance lease agreements, less accumulated depreciation, are recognised in tangible or intangible assets, and the obligations of the agreements are recognised in interest-bearing liabilities. A financial lease is booked in the balance sheet and recognised at fair value of the asset at the time of entering into the lease agreement or, if lower, at the present value of future minimum lease payments. Tangible or intangible fixed assets acquired under finance lease agreements are depreciated in line with the Group's depreciation policy over their useful life or lease period, whichever is shorter, and any impairment loss is recognised. Rents payable under lease agreements are divided into financial expenses and debt repayment.

Lease agreements in which the risks and rewards incident to ownership are retained by the lessor are treated as other lease agreements. Rents payable under other lease agreements are expenses in the income statement on a straight-line basis over the lease period.

Inventories

Inventories are presented at the acquisition cost or at the lower probable net realisation value. The acquisition cost of manufactured inventories includes not only purchase expenditure on materials, direct labour and other direct costs, but also a share of the fixed and variable general costs of production. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs for completion and selling expenses.

Financial assets

The Group classifies its financial assets in the following categories: loans and other receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired and is determined at initial recognition by the management.

Loans and receivables consist of trade receivables, other receivables and cash and cash equivalents.

Available-for-sale financial assets comprise shares and they are included in non-current assets, unless it is intended that they will be held for less than 12 months from the closing date, in which case they are included in current assets. Available-for-sale financial assets are measured at fair value or, where the fair value cannot be reliably determined, at acquisition cost. Available-for-sale financial assets on the closing date comprise unlisted shares measured at historical cost less any impairment. The company does not intend to dispose of these shares for the present.

Loans and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method. An impairment of trade receivables is recognised when there is objective evidence that the Group will not receive all of the benefits on the original terms. Indications of the impairment of trade receivables include the significant financial difficulties of the debtor, the likelihood of bankruptcy, failure to make payments, or a delay of over 90 days in paying. Impairment loss is recognised under other operating expenses in the income statement.

Cash and cash equivalents

The Group's cash and cash equivalents include cash at hand and at banks. The Group does not have any other items classified as cash and cash equivalents.

Dividends, shareholders' equity and treasury shares

The Board of Directors' proposal for dividend distribution has not been recognised in the financial statements; the dividends will only be recognised on the basis of the Annual General Meeting's approval.

Outstanding common shares are presented as share capital. Costs related to the granting or acquisition of the company's own equity instruments are presented as equity allowance. If the company purchases its own shares, the price including direct costs is recognised as decrease in equity.

Financial liabilities

Financial liabilities are initially recognised at fair value including transaction costs and subsequently at amortised cost using the effective interest method. Financial liabilities are non-current, unless they are repayable on demand or the Group intends to repay them within the next 12 months.

New standards and interpretations

In preparing these consolidated financial statements, the Group has followed the same accounting policies as in the financial statements for 2016 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2017. The new standards, interpretations and amendments to existing standards have had no impact on the consolidated financial statements.

- IAS 7 (amendment) "Cash flow statements". The amendment aims at entities to provide disclosures on changes in liabilities arising from financing activities.

- IAS 12 (amendment) "Income Taxes". The amendment aims at clarifying the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value.

Below is a list of standards, interpretations and amendments that have been issued and are effective for periods after 1 January 2017. They will be adopted by the Group in 2018 or later. The impacts of each change on the consolidated financial statements are commented separately.

- IFRS 15 ”Revenue from Contracts with Customers”. The new standard provides a comprehensive framework for recognising revenue and the amount and timing of the revenue. IFRS 15 replaces the effective guidelines for recognition, such as IAS 18 ”Revenue” and IAS 11 ”Construction Contracts”. According to IFRS 15, revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will increase the amount of disclosure information related to customer contracts and significant judgements made. The Group has made a decision to use a modified retrospective approach. The standard must be adopted from 1 January 2018.

- The Group sells design products in Marimekko’s retail stores and online store, and through wholesale trade both in Finland and overseas. The goods are handed over to the customer one item or several items at a time in the stores or by a carrier. The customer can utilise each sold product separately and the products are not dependent on other products sold by Marimekko. In recent years, the Group has had no service or project business and less than two percent of revenue has consisted of royalty revenues. In wholesale trade, the terms of delivery determine the point of time when the customer obtains control of the goods. Determining the separately identifiable performance obligations is uncomplicated. The fulfilling of the obligations is verifiable by the payment receipts or transportation documents. In compliance with IFRS 15, the contributions by the customers are allocated to distinct goods and recognised as revenue by the Group when the goods are handed over to the customer in the store or when the wholesale customer obtains control of the goods according to the terms of delivery. The Group has made an analysis on implementing IFRS 15 on recognising revenues from retail, wholesale and licensing. Based on this analysis, the implementation of IFRS 15 will not have an impact on the consolidated financial statements of the Group.

- IFRS 9 ”Financial instruments”. The new standard replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard’s requirements related to general hedge accounting have also been revised. IAS 39’s requirements for recognition and derecognition of financial instruments have been retained. Implementing the standard will not have a material impact on the consolidated income statement or balance sheet.

- IFRS 16 "Leases". The new standard requires lessees to recognise a liability reflecting the future rental payments and an asset related to authority to use the asset, for almost all leases. Lessees cease to classify leases as finance leases or operating leases. The standard contains an optional exemption for certain short-term leases and leases of low-value assets. Applying IFRS 16 will increase the amount of assets and liabilities recognised in the Group’s balance sheet, related to leases of store premises. Leases of store premises are currently classified as operating leases. The change will also have an impact on the consolidated income statement, as the rental expense will be replaced by depreciation of the leased asset and interest expense on the finance lease liability.

1. SEGMENT INFORMATION

The operational segments are reported in the same way as internal reporting to the chief operational decision-maker. The chief operational decision-maker monitors Marimekko's business as a whole. The company is domiciled in Finland. Net sales from external customers in Finland totalled EUR 55,690 thousand and from external customers in other countries EUR 46,635 thousand.

The total amount of non-current assets in Finland excluding financial instruments and deferred tax assets (the Group has no assets arising from employee benefits or insurance contracts) was EUR 12,579 thousand (14,913) and the total amount of corresponding non-current assets in other countries was EUR 688 thousand (498).

(EUR 1,000)	**2017**	**2016**
Net sales		
Finland	55,690	55,770
Other countries	46,635	43,844
Total	102,324	99,614
Assets		
Finland	39,660	39,332
Other countries	7,453	9,161
Total	47,113	48,493
Investments		
Finland	954	2,327
Other countries	256	394
Total	1,210	2,721
Net sales		
Product sales	100,680	98,532
Licence income	1,644	1,082
Total	102,324	99,614

2. OTHER OPERATING INCOME

(EUR 1,000)	**2017**	**2016**
Rental income	282	313
Other income	124	63
Total	406	376

3. RAW MATERIALS AND CONSUMABLES

(EUR 1,000)	**2017**	**2016**
Materials and supplies		
Purchases during the financial year	23,161	26,777
Increase (-) / decrease (+) in inventories	687	-135
Total	23,847	26,643
External services	13,553	13,556
Total	37,401	40,199

Exchange rate differences included in raw materials and consumables

Exchange rate gains (-) / losses (+) of purchases	75	50

4. EMPLOYEE BENEFIT EXPENSES

(EUR 1,000)	2017	2016
Salaries, wages and bonuses	19,366	19,807
Share-based payments (cash settled)	-67	30
Pension expenses – defined contribution plans	2,491	2,742
Other indirect social expenditure	2,753	3,092
Total	24,543	25,671

Average number of employees

	2017	2016
Salaried employees	401	417
Non-salaried employees	24	24
Total	425	441

Share-based payments

During the financial year, the Marimekko Group had a long-term bonus system targeted at the Management Group.

On 7 May 2014, the Board of Directors of Marimekko Corporation agreed on establishing a long-term bonus system targeted at the company's Management Group. The system is composed of two earnings periods, which are 8 May 2014–31 October 2017 and 8 May 2014–28 February 2018. The possible bonus for each earnings period is based on the total yield on Marimekko Corporation's shares, including dividends. At the end of the first earnings period, on 31 October 2017, the value of the share was below the target price. The second earnings period ends in spring 2018. Earning the bonus requires that the person still works for the company at the time of the payment. When receiving the bonus, the person in question commits themselves to using 50% of the net value of the bonus for acquiring the company's shares at transaction price within six months from receiving the bonus. The shares acquired with the bonus cannot be surrendered prior to two years from the time of acquiring the shares. The annual maximum value of the bonus paid to a member of the Management Group in the bonus system equals the approximate value of annual gross salary. The system encompasses seven Management Group members, including the President and CEO.

The fair value of granted share-based payments has been determined using the binary cash-or-nothing call option valuation model. The significant measurement parameters in the model are the share price at the commencement date of the earnings period, EUR 9.55 added with 10% resulting in EUR 10.50, and volatility 28%. The grant date of the share-based payments is the date of the Board resolution. The fair value of the share-based payments on the grant date was on average EUR 1.05/option whereby the total fair value of the plan amounted to EUR 313 thousand. Granted share-based payments will be subsequently valued at fair value at each closing date and the change in fair value will be recorded in the income statement to the extent the payments are vested. Each member to the plan will be compensated for the earnings period with an amount equivalent to 1.5 months' gross salary for each one (1) euro, with which the closing share price (inclusive of dividends) exceeds the initial share value of EUR 10.50. Gross salary is defined for the purposes of the plan as the fixed monthly salary, inclusive of fringe benefits, prevailing at the commencement of the plan in May 2014. At the end of 2017, the fair value of the share-based payments vested and booked as current liabilities was EUR 13 thousand (81). This EUR 67 thousand decrease in the fair value of the share-based payments was booked in employee benefit expenses in the 2017 consolidated income statement.

5. DEPRECIATION AND IMPAIRMENTS

(EUR 1,000)	2017	2016
Intangible assets		
Intangible rights	150	194
Computer software	936	606
Total	1,086	800
Tangible assets		
Land	115	115
Buildings and structures	1,035	1,759
Machinery and equipment	1,072	1,439
Total	2,222	3,314
Total	3,308	4,114

6. OTHER OPERATING EXPENSES

(EUR 1,000)	2017	2016
Leases	10,873	10,638
Marketing	4,498	4,440
Management and maintenance of business premises	1,466	1,429
Administration	6,889	5,655
Other expenses	5,686	5,554
Total	29,413	27,716

Exchange rate differences included in other operating expenses

Exchange rate gains (-) / losses (+) of sales	11	-76

Auditor’s fee

(EUR 1,000)	2017	2016
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit	101	75
Other services	18	48
Total	119	123
Others		
Audit	0	5
Total	0	5

Remuneration to PricewaterhouseCoopers Oy on other services to Marimekko Group companies: EUR 17 thousand.

7. FINANCIAL INCOME

(EUR 1,000)	2017	2016
Interest income on loans and other receivables	22	43
Other financial income	16	122
Total	39	164

Exchange rate gains included in financial income	16	122

8. FINANCIAL EXPENSES

(EUR 1,000)	2017	2016
Interest expenses on financial liabilities measured at amortised cost	-84	-86
Interest expenses on finance lease liability	-117	-119
Other financial expenses	-1,068	-38
Total	-1,269	-243

Exchange rate losses included in financial expenses	1,034	

9. INCOME TAXES

(EUR 1,000)	2017	2016
Taxes on taxable earnings for the period	1,279	1,368
Taxes from previous periods	29	
Deferred taxes	162	-230
Total	1,470	1,138

Reconciliation statement of taxes calculated on the basis of tax expenses in the income statement and the Group's Finnish tax rate (20% in 2017 and 20% in 2016)

Profit before taxes	7,130	5,170

Taxes calculated at the Finnish tax rate	1,426	1,034
Different tax rates of foreign subsidiaries	-4	-22
Non-recognised deferred income tax on taxable losses for the period	15	47
Taxes from previous periods	29	32
Non-deductible expenses	5	47
Taxes in the income statement	1,470	1,138

10. EARNINGS PER SHARE

	2017	2016
Net result for the period, EUR 1,000	5,660	4,032
Weighted average number of shares, 1,000	8,090	8,090
Basic and dilluted earnings per share, EUR	0.70	0.50

11. NON-CURRENT ASSETS

11.1 Intangible assets

2017

(EUR 1,000)	Intangible rights	Computer software	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2017	2,360	5,913	131	8,403
Translation differences	-4	-21		-25
Increases	37	664		701
Transfers		131	-131	
Acquisition cost, 31 Dec. 2017	2,394	6,686	0	9,080
Accumulated depreciation, 1 Jan. 2017	2,045	4,866		6,910
Translation differences	-2	-59		-61
Depreciation during the financial year	150	936		1,086
Accumulated depreciation, 31 Dec. 2017	2,192	5,743		7,935
Book value, 31 Dec. 2017	202	943	0	1,145
Book value, 1 Jan. 2017	428	1,161	268	1,856
Book value, 31 Dec. 2017	202	943	0	1,145

2016

(EUR 1,000)	Intangible rights	Computer software	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2016	2,278	7,628	268	10,174
Translation differences	1	6		7
Increases	81	315	177	573
Decreases		-2,208	-142	-2,350
Transfers		171	-171	
Acquisition cost, 31 Dec. 2016	2,360	5,913	131	8,403
Accumulated depreciation, 1 Jan. 2016	1,851	6,467		8,317
Translation differences	1	0		1
Accumulated depreciation of decreases		2,208		2,208
Depreciation during the financial year	194	606		800
Accumulated depreciation, 31 Dec. 2016	2,045	4,866		6,910
Book value, 31 Dec. 2016	315	1,047	131	1,493
Book value, 1 Jan. 2016	428	1,161	268	1,856
Book value, 31 Dec. 2016	315	1,047	131	1,493

11.2 Tangible assets

2017

(EUR 1,000)	Land	Buildings and structures	Machinery and equipment	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2017	3,515	20,673	20,826	60	45,074
Translation differences		-865	-545		-1,410
Increases		1	509		510
Transfers		60		-60	0
Acquisition cost, 31 Dec. 2017	3,515	19,870	20,789	0	44,174
Accumulated depreciation, 1 Jan. 2017	577	13,247	17,348		31,172
Translation differences		-763	-564		-1,327
Depreciation during the financial year	115	1,035	1,072		2,222
Accumulated depreciation, 31 Dec. 2017	692	13,519	17,856	0	32,068
Book value, 31 Dec. 2017	2,823	6,351	2,933	0	12,107
Book value, 1 Jan. 2017	3,054	8,594	3,520	318	15,486
Book value, 31 Dec. 2017	2,823	6,351	2,933	0	12,107
Book value of production machinery, 31 Dec. 2017			1,694		

2016

(EUR 1,000)	Land	Buildings and structures	Machinery and equipment	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2016	3,515	20,060	19,400	318	43,292
Translation differences		18	28		46
Increases		595	1,124	62	1,782
Decreases		-1		-46	-46
Transfers			274	-274	0
Acquisition cost, 31 Dec. 2016	3,515	20,673	20,826	60	45,074
Accumulated depreciation, 1 Jan. 2016	460	11,466	15,880		27,806
Translation differences		22	30		52
Depreciation during the financial year	115	1,759	1,439		3,314
Accumulated depreciation, 31 Dec. 2016	577	13,247	17,348		31,172
Book value, 31 Dec. 2016	2,938	7,426	3,477	60	13,902
Book value, 1 Jan. 2016	3,054	8,594	3,520	318	15,486
Book value, 31 Dec. 2016	2,938	7,426	3,477	60	13,902
Book value of production machinery, 31 Dec. 2016			2,058		

11.3 Finance lease agreements

Land as well as machinery and equipment in tangible assets include the following assets acquired under finance lease agreements. The finance lease assets relate to the land lease agreement of the property of the Helsinki head office and printing factory as well as machinery and equipment leased under a finance lease agreement since 1 January 2014.

2017

(EUR 1,000)	Land	Machinery and equipment	Total
Acquisition cost, 1 Jan. 2017	3,460	755	4,215
Increases		229	229
Acquisition cost, 31 Dec. 2017	3,460	984	4,444
Accumulated depreciation, 1 Jan. 2017	577	472	1,049
Depreciation during the financial year	115	196	311
Accumulated depreciation, 31 Dec. 2017	692	668	1,360
Book value, 31 Dec. 2017	2,768	316	3,084
Book value, 1 Jan. 2017	2,883	283	3,166
Book value, 31 Dec. 2017	2,768	316	3,084

2016

(EUR 1,000)	Land	Machinery and equipment	Total
Acquisition cost, 1 Jan. 2016	3,460	588	4,048
Increases		167	167
Acquisition cost, 31 Dec. 2016	3,460	755	4,215
Accumulated depreciation, 1 Jan. 2016	461	286	747
Depreciation during the financial year	115	186	302
Accumulated depreciation, 31 Dec. 2016	577	472	1,049
Book value, 31 Dec. 2016	2,883	283	3,166
Book value, 1 Jan. 2016	2,999	302	3,301
Book value, 31 Dec. 2016	2,883	283	3,166

11.4 Available-for-sale financial assets

(EUR 1,000)	2017	2016
Available-for-sale shares		
Acquisition cost, 1 Jan.	16	16
Decreases	0	
Acquisition cost, 31 Dec.	16	16
Book value, 31 Dec.	16	16
Financial assets, total	16	16

Available-for-sale financial assets comprise unlisted shares, which are presented at cost because their fair values are not reliably known.

12. CURRENT ASSETS

12.1 Inventories

(EUR 1,000)	2017	2016
Raw materials and consumables	4,968	5,037
Incomplete products		55
Finished products/goods	15,953	16,265
Total	20,921	21,357

Impairment of inventories	-337	

12.2 Trade and other receivables

(EUR 1,000)	2017	2016
Trade receivables	5,095	5,799
Prepayments for inventory purchases	396	1,065
Other receivables	559	194
Prepaid expenses and accrued income	596	962
Total	6,647	8,020

Prepaid expenses and accrued income		
Royalty receivables	207	273
Employee benefits	20	27
Other prepaid expenses and accrued income	370	662
Total	596	962

Impairment of trade receivables	2	23

Analysis of trade receivables by age

(EUR 1,000)	2017	Impairment loss	Net 2017	2016	Impairment loss	Net 2016
Undue trade receivables	3,184		3,184	4,458		4,458
Overdue						
less than 30 days	1,300		1,300	1,003		1,003
30–60 days	375		375	206		206
more than 60 days	237	-2	234	155	-23	132
Total	5,095	-2	5,093	5,822	-23	5,799

13. SHAREHOLDERS' EQUITY

13.1 Share capital and reserve for invested non-restricted equity

	Number of shares	Share capital, EUR	Reserve for invested non-restricted equity, EUR	Total, EUR
1 Jan. 2016	8,089 610	8,040,000	501,969	8,541,969
31 Dec. 2016	8,089 610	8,040,000	501,969	8,541,969
1 Jan. 2017	8,089 610	8,040,000	501,969	8,541,969
31 Dec. 2017	8,089 610	8,040,000	501,969	8,541,969

Marimekko Corporation's Articles of Association do not specify maximum share capital. Marimekko Corporation has one series of shares; the shares do not have a nominal value. All shares in issue have been paid in full. The Group does not posses any of its own shares. The Group does not have any share option schemes. After the closing date, the Board of Directors has proposed that a dividend of EUR 0.50 per share be paid for 2017 (0.40).

The reserve for invested non-restricted equity contains other equity-like investments and the share subscription price to the extent that this is not entered in share capital under a specific decision.

14. NON-CURRENT LIABILITIES

14.1 Deferred tax assets and liabilities

Deferred tax assets and liabilities are offset against each other where the Group has a legally enforceable right to offset deferred tax assets and liabilities based on taxable earnings for the period against each other and where they relate to income taxes levied by the same taxation authority on the same taxpayer or different taxpayers and the intention is to settle on a net basis. The amounts offset against each other are as follow:

Changes in deferred taxes in 2017

(EUR 1,000)	1 Jan. 2017	Recognised in the income statement	31 Dec. 2017
Deferred tax assets			
Internal margin of inventories	557	-175	382
Deferred tax assets on management compensation	16	-15	1
Provisions	20	-14	6
Total	593	-203	390
Offsetting deferred tax assets and liabilities			
Deferred tax asset	593	-203	390
Deferred tax liabilities			
Accumulated depreciation difference	-290	50	-240
Fixed costs included in inventories	-125	-11	-135
Finance lease	44	8	51
Total	-371	46	-324
Offsetting deferred tax assets and liabilities			390
Deferred tax liability	-371	46	-324
Deferred tax liability, net			66

Confirmed losses are recognised as deferred tax assets to the extent that the tax benefit is likely to be received based on future taxable earnings. Deferred tax assets amounting to EUR 15 thousand (47) have not been recognised.

Changes in deferred taxes in 2016

(EUR 1,000)	1 Jan. 2016	Recognised in the income statement	31 Dec. 2016
Deferred tax assets			
Internal margin of inventories	407	150	557
Deferred tax assets on management compensation	10	6	16
Provisions	38	-18	20
Total	455	138	593
Offsetting deferred tax assets and liabilities			
Deferred tax asset	455	138	593
Deferred tax liabilities			
Accumulated depreciation difference	-345	55	-290
Fixed costs included in inventories	-155	30	-125
Finance lease	37	7	44
Total	-463	92	-371
Offsetting deferred tax assets and liabilities			593
Deferred tax liability	-463	92	-371
Deferred tax liability, net			222

14.2 Non-current provisions

(EUR 1,000)	2017	2016
Provision for restructuring cost		
Book value, 1 Jan.	71	190
Decreases	-39	-119
Transfer to short-term provisions	-32	
Book value, 31 Dec.	0	71

The non-current provisions relate to the company's possible future obligation to pay the employer's liability component within the unemployment insurance contribution. This future payment obligation to the Unemployment Insurance Fund was born as a result of the redundancies following consultative negotiations in Finland in 2013, 2014 and 2015. The payment obligation materialises for the most part within two years after the ending of the employment of the employee meeting the requirements of the employer's liability component.

14.3 Interest-bearing non-current liabilities

(EUR 1,000)	2017	2016
Financial liabilities		2,594
Finance lease liabilities	3,097	3,171
Total	3,097	5,765

The interest rate of the financial liabilities was 0.3–0.9% (0.2–1.3%). All financial liabilities were euro denominated.

15. CURRENT LIABILITIES

15.1 Current liabilities

(EUR 1,000)	**2017**	**2016**
Trade and other payables		
Trade payables	5,554	5,018
Other payables	2,192	2,611
Accrued liabilities and deferred income	4,447	5,527
Provisions	32	26
Finance lease liabilities	244	214
Current tax liabilities	552	945
Total	13,021	14,341

Accrued liabilities and deferred income		
Employee benefits	3,126	3,079
Other accrued liabilities and deferred income	1,321	2,447
Total	4,447	5,527

15.2 Finance lease liabilities

Assets are classified as assets leased under a finance lease agreement, if the risks and rewards incidental to ownership of the assets are substantially assumed by the Group. The lease liabilities have efficient security, since the lessor regains the right to the leased asset, if lease payments are neglected. The Group's finance lease liabilities relate to the land lease of the property of the Helsinki head office and printing factory as well as machinery and equipment leased under a finance lease agreement since 1 January 2014.

Gross amount of finance lease liabilities – minimum lease payments by due date:

(EUR 1,000)	**2017**	**2016**
No later than 1 year	393	356
Later than 1 year – no later than 5 years	961	946
Later than 5 years	3,574	3,762
Total	4,928	5,064
Future financial expenses	-1,588	-1,678
Current value of the finance lease liabilities	3,341	3,385

The current value of the finance lease liabilities matures as follows:

No later than 1 year	244	214
Later than 1 year – no later than 5 years	518	497
Later than 5 years	2,579	2,674
Current value of the finance lease liabilities	3,341	3,385

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The company's financial assets consist of short-term trade and other receivables as well as cash and cash equivalents. Therefore the book value of these asstes is a fair assumption of their fair value. The book value of trade and other payables is also a fair assumption of their fair value.

Book values and fair values of financial liabilities and finance lease liabilities

(EUR 1,000)	Book value 2017	Fair value 2017	Book value 2016	Fair value 2016
Financial liabilities			2,594	2,594
Finance lease liabilities	3,341	3,341	3,385	3,385

The company has determined the fair value based on the discounted cash flows using the market rate and credit risk premium at the end of the financial period. The fair values have been classified at level 3 of the fair value hierarchy as they include the management's estimates. The levels of the fair value hierarchy are presented below:
- quoted prices in active markets for identical assets and liabilities (level 1).
- inputs other than quoted prices included in level 1 that are observable for the asset or liability (level 2).
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

17. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(EUR 1,000)	2017	2016
Other own liabilities and commitments		
Lease liabilities for machinery and equipment	313	361
Liabilities relating to lease agreements for business premises	25,395	32,348
Commitments, total	25,709	32,709
Other lease agreements		
The Group as lessee		
Minimum lease payments under other non-cancellable lease agreements		
No later than 1 year	9,516	9,761
Later than 1 year – no later than 5 years	16,150	21,204
Later than 5 years	43	1,744
Total	25,709	32,709

The Group has leased several of its store, office and warehouse premises. These lease agreements are valid either for a fixed period or for the time being. The rent icrease index, renewal and other terms of the agreements vary. The 2017 income statement includes EUR 10,873 thousand (10,638) in rental expenses paid on the basis of other non-cancellable lease agreements.

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.

18. RELATED PARTY TRANSACTIONS

The Group's related parties include the members of the Board of Directors and Management Group as well as the parent company and subsidiaries.

The following members of the Board of Directors and Management Group were related parties to the Group in 2017:

Mika Ihamuotila, Chairman of the Board
Elina Björklund, Vice Chairman of the Board
Rebekka Bay, member of the Board from 6 April 2017
Arthur Engel, member of the Board
Mikko-Heikki Inkeroinen, member of the Board
Joakim Karske, member of the Board until 6 April 2017
Helle Priess, member of the Board from 6 April 2017
Catharina Stackelberg-Hammarén, member of the Board
Tiina Alahuhta-Kasko, President and CEO, member of the Management Group
Elina Aalto, CFO and member of the Management Group
Tina Broman, CSCO and member of the Management Group from 2 October 2017
Kari Härkönen, CDO and member of the Management Group from 14 December 2017
Päivi Lonka, CSO and member of the Management Group
Päivi Paltola, CMO and member of the Management Group from 30 January 2017
Tanya Strohmayer, HRD and member of the Management Group from 28 February 2017
Anna Teurnell, Creative Director and member of the Management Group until 27 February 2017

The following members of the Board of Directors and Management Group were related parties to the Group in 2016:

Mika Ihamuotila, Chairman of the Board
Elina Björklund, Vice Chairman of the Board
Arthur Engel, member of the Board
Mikko-Heikki Inkeroinen, member of the Board
Joakim Karske, member of the Board
Catharina Stackelberg-Hammarén, member of the Board
Tiina Alahuhta-Kasko, President and CEO and member of the Management Group (President until 11 April 2016, President and CEO from 11 April 2016)
Elina Aalto, CFO and member of the Management Group
Lasse Lindqvist, CMO and member of the Management Group until 15 June 2016
Päivi Lonka, CSO and member of the Management Group
Niina Nenonen, CPO and member of the Management Group until 15 March 2016
Anna Teurnell, Creative Director and member of the Management Group

The relationships of the Group's parent company and subsidiaries are as follows:

Parent company

Marimekko Corporation, Helsinki, Finland

Subsidiaries

Company and domicile	Group's holding, %	Share of voting rights, %
Keskinäinen Kiinteistö Oy Marikko, Helsinki, Finland	100	100
Marimekko Services Oy, Helsinki, Finland	100	100
Marimekko AB, Stockholm, Sweden *)	100	100
Marimekko Australia PTY Ltd, Victoria, Australia	100	100
Marimekko GmbH, Frankfurt am Main, Germany	100	100
Marimekko North America LLC, Delaware, United States	100	100
Marimekko North America Retail LLC, Delaware, United States	100	100
Marimekko North America Holding Co, Delaware, United States	100	100
Marimekko UK Ltd, London, United Kingdom	100	100

*) Marimekko AB has branches in Norway and Denmark.

The following transactions were carried out with related parties:

Management's employee benefits

Emoluments

Employee benefits of the President and CEO as well as other members of the Management Group in 2017

(EUR 1,000)	**Salaries and bonuses**	**Share-based bonus system *)**	**Total**
Mika Ihamuotila, full-time Chairman of the Board	111		111
Tiina Alahuhta-Kasko, President and CEO	316		316
Other members of the Management Group	864		864
Total	1,291		1,291

Remuneration to the Board of Directors in 2017

(EUR 1,000)	
Rebekka Bay [1]	54
Elina Björklund	30
Arthur Engel [2]	30
Mika Ihamuotila	40
Mikko-Heikki Inkeroinen	22
Helle Priess [3]	42
Catharina Stackelberg-Hammarén	22
Total	241
Employee benefits of the management in 2017, total	**1,532**

*) The change in fair value of the cash-settled plan was negative.
1 Board remuneration EUR 22 thousand and payments for consulting services EUR 32 thousand.
2 Board remuneration EUR 22 thousand and payments for consulting services EUR 8 thousand.
3 Board remuneration EUR 22 thousand and payments for consulting services EUR 20 thousand.

Employee benefits of the President and CEO as well as other members of the Management Board in 2016

(EUR 1,000)	**Salaries and bonuses**	**Share-based bonus system *)**	**Total**
Mika Ihamuotila, Chairman of the Board [1]	171		
Tiina Alahuhta-Kasko, President and CEO [2]	232		
Other members of the Management Group	609		
Total	1,012	30	1,042

Remuneration to the Board of Directors in 2016

(EUR 1,000)	
Elina Björklund	30
Arthur Engel [3]	47
Mika Ihamuotila [1]	40
Mikko-Heikki Inkeroinen	22
Joakim Karske	22
Catharina Stackelberg-Hammarén	22
Total	183
Employee benefits of the management in 2016, total	**1,225**

*) Change in fair value of the cash-settled plan.
1 CEO and Chairman of the Board until 11 April 2016, full-time Chairman of the Board from 11 April 2016.
2 President until 11 April 2016, President and CEO from 11 April 2016.
3 Board remuneration EUR 22 thousand and payments for consulting services EUR 25 thousand.

The pension benefits include only statutory pension payments. The management does not have additional pension benefits.

Related parties are among beneficiaries of share-based bonus systems. The management's long-term bonus systems are presented in greater detail under note 4 to the financial statements.

Other related party transactions

In 2016, Marimekko Corporation paid consultancy fees amounting to EUR 13 thousand to Oy H Ihamuotila Ab Ltd, a company owned by Helena Ihamuotila, wife of Mika Ihamuotila, full-time Chairman of the Board. The consultancy consisted of separately determined PR assignments.

19. FINANCIAL RISK MANAGEMENT

During the normal course of its business operations, the Marimekko Group is exposed to financial risks. The principal financial risks are liquidity risk, credit risk, foreign currency risk and interest rate risk.

The company's Board of Directors has confirmed the principles, responsibilities and organisation of risk management for the Group. The Board of Directors also monitors the success of risk management. According to its risk management principles, Marimekko classifies its risks as strategic, operational, economic and accident risks. Economic risks include financial risks. Responsibility for the implementation of risk management measures concerning financial risks lies with the Group's CFO. The main objective of financial risk management is to ensure reasonably-priced financing in all circumstances, and thereby minimise the unfavourable effects, if any, on the Group's financial performance. Marimekko has not used derivative instruments when hedging against risks.

Liquidity risk

The Group continuously seeks to assess and monitor the amount of funding required by the business operations to ensure that sufficient liquid funds are available for the daily business and repayment of maturing debts. The assessment is based on monthly cash flow and liquidity forecasts. The Group aims to maintain a high liquidity level at all times in order to eliminate liquidity risk. In order to minimise liquidity risk, the Group's near-term and next few years' financing needs can be covered by liquid funds as well as committed long-term or short-term credit facilities or credit facilities valid until further notice. At the end of the financial period, the Group had access to credit facilities totalling EUR 18 million, out of which EUR 13 million were valid until further notice. No committed credit facilities were drawn at the end of the financial period.

The Marimekko Group's borrowing is unsecured. However, the committed credit facilities include two financial covenants: the ratio of net debt excluding finance lease debt to EBITDA as well as the Group's equity ratio. The conditions in the loan agreements have been met during the financial year.

Maturity analysis for the Group's financial liabilities; the figures are not discounted, and they include both interest payments and capital repayments:

31 Dec. 2017

(EUR 1,000)	**Less than 1 year**	**1–2 years**	**3–5 years**	**Over 5 years**
Finance lease liabilities	393	527	592	3,386
Trade and other payables	12,519			
Total	12,912	527	592	3,386

31 Dec. 2016

(EUR 1,000)	**Less than 1 year**	**1–2 years**	**3–5 years**	**Over 5 years**
Financial liabilities	13	2,607		
Finance lease liabilities	414	536	597	3,575
Trade and other payables	13,156			
Total	13,583	3,143	597	3,575

Credit risk

The trade receivables generated in the Group's wholesale operations are associated with a credit risk, which is reduced by the Group's broad and geographically diverse clientele. Marimekko continuously monitors the credit limits, credit history and financial situation of its customers. The Group has a centralised process in place for this purpose. Responsibility for the credit monitoring process lies with the Group's CFO. The credit risk related to the wholesale business is also reduced by means of advance payments, bank guarantees and letters of credit. During the 2017 financial year, credit loss recognised through profit or loss amounted to EUR -2 thousand (-34).

Retail customers pay for their purchases using cash or the most common credit cards.

Note 12.2 (Trade and other receivables) to the consolidated financial statements includes an analysis of trade receivables by age.

Foreign currency risk

The Group's currency risk consists of sales and purchases made in foreign currency as well as balance sheet items and foreign-currency-denominated net investments in units abroad.

Transaction risk

The Marimekko Group's transaction risk derives from currency flows connected with wholesale and retail sales as well as purchases and operating expenses of the Group's business units, and from loans and receivables denominated in foreign currency. The Group's principal sales currency is the euro. The other significant sales and invoicing currencies are the US dollar, Swedish krona, Danish krone, Norwegian krone, Australian dollar and Canadian dollar. The principal currencies used for purchases are the euro and, to a lesser extent, the US dollar. In 2017, foreign-currency-denominated sales accounted for approximately 7.9 percent (6.7) of the Group's total sales and foreign-currency-denominated purchases made up about 4.0 percent (5.0) of the Group's purchases.

Marimekko protects itself against the transaction risk of sales by taking account of the estimated exchange rate changes at the time of sales when carrying out wholesale and retail pricing of products. Foreign subsidiaries are financed primarily in local currency, whereby the foreign subsidiary does not incur significant transaction risk.

The Group's transaction exposure

The foreign-currency-denominated assets and liabilities (cash and cash equivalents, trade receivables and trade payables) converted to euro amounts using the exchange rates quoted on the closing date are as follows:

(EUR 1,000)		**2017**			**2016**	
	USD	SEK	AUD	USD	SEK	AUD
Current assets	513	1,417	3,029	1,445	1,081	2,636
Current liabilities	-279	-264	-73	-90	-23	-13
Foreign currency exposure in the balance sheet	234	1,154	2,956	1,355	1,058	2,622

Sensitivity analysis, effect on result after taxes

The strengthening or weakening of the euro against the US dollar, the Swedish krona or the Australian dollar would, given that all other factors remain unchanged, impact the Group's result after taxes as follows. The impact portrays the Group's transaction risk:

		2017			**2016**	
	USD	SEK	AUD	USD	SEK	AUD
Change in exhange rate, +10% *)	10	10	10	10	10	10
Effect on result after taxes, EUR 1,000	154	257	171	15	-75	165

*) Strengthening of the euro (+)

Translation risk

The Marimekko Group incurs translation risk when the financial statements of foreign subsidiaries are translated into euro amounts in the consolidated financial statements. For foreign-currency-denominated net investments, the effects of changes in foreign exchange rates appear as translation differences in the Group's equity. For the time being, Marimekko has not hedged against translation risk for equity, as the subsidiary sales and net investments are small from the Group's perspective.

Interest rate risk
The Group's interest rate risk primarily results from changes in the interest on cash and cash equivalents and on current and non-current interest-bearing liabilities due to changes in market rates. The changes in the interest rates of these assets and liabilities have an impact on the Group's profit.

(EUR 1,000)	2017	2016
Cash and cash equivalents	6,212	3,482
Interest-bearing liabilities		2,594
Finance lease liabilities	3,341	3,385

The Group's interest-bearing liabilities at the end of the financial year consisted of drawn credit facilities and finance lease liabilities. The Group had access to credit facilities totalling EUR 18 million, of which EUR 13 million were committed long-term credit facilities or valid until futher notice. The credit facilities are denominated in euros and have variable interest rates. At the end of the 2017 financial year, no credit facilities were drawn; at the end of 2016, facilities valid until further notice amounting to EUR 2.6 million were drawn.

20. CAPITAL MANAGEMENT

The purpose of capital management is to maintain a capital structure that optimally supports the Group's strategic objectives. Efficient capital management measures ensure normal operating conditions for the business and increase the shareholder value in the long term. The principal factors affecting the capital structure are profitability, dividend distribution and investments. The capital managed equals the shareholders' equity shown on the consolidated balance sheet. No external capital requirements are applied to the Group.

The Group continuously monitors the development of its capital structure by means of the equity ratio and gearing. The Group's strategic objective is to maintain the equity ratio at the minimum of 50 percent. At the end of 2017, the Group's net liabilities amounted to EUR -2,871 thousand (2,497) and gearing was -9.4 percent (8.8).

Gearing

(EUR 1,000)	2017	2016
Financial liabilities		2,594
Finance lease liabilities	3,341	3,385
Deducting cash and cash equivalents	-6,212	-3,482
Net liabilities	-2,871	2,497
Shareholders' equity, total	30,669	28,316
Gearing, %	-9.4	8.8

21. NOTES TO CASH FLOW STATEMENT

	Balance sheet 31 Dec. 2017	Cash flow statement 1 Jan.–31 Dec. 2017	Balance sheet 1 Jan. 2017
Financial liabilities			
Long-term overdraft account		-2,594	2,594
Finance lease liabilities			
Finance lease liabilities, increases during 2017	229		
Finance lease liabilities	3,112	-273	3,385
Financial liabilities, total	3,341	-2,867	5,979

22. EVENTS AFTER THE CLOSING DATE

The management of the company is not aware of any significant events after the closing date.

Parent company financial statements, FAS

PARENT COMPANY INCOME STATEMENT

(EUR 1,000)	Note	1 Jan.–31 Dec. 2017	1 Jan.–31 Dec. 2016
NET SALES	1.	**94,469**	**94,287**
Increase (+) or decrease (-) in inventories of completed and unfinished products		569	2,544
Other operating income	2.	292	373
Materials and services	3.	-38,277	-40,559
Personnel expenses	4.	-17,291	-18,495
Depreciation and impairments	5.	-2,007	-2,189
Other operating expenses	6.	-30,758	-29,756
OPERATING PROFIT		**6,997**	**6,204**
Financial income and expenses	7.	-872	528
RESULT BEFORE APPROPRIATIONS AND TAXES		**6,125**	**6,732**
Appropriations	8.	57	126
Income taxes	9.	-1,234	-1,282
NET RESULT FOR THE PERIOD		**4,948**	**5,577**

PARENT COMPANY BALANCE SHEET

(EUR 1,000)	Note		31 Dec. 2017		31 Dec. 2016
ASSETS					
FIXED ASSETS	11.				
Intangible assets	11.1		2,457		3,204
Tangible assets	11.2		2,398		2,932
Investments	11.3				
Participations in Group companies		3,630		3,630	
Other shares and participations		16	3,646	16	3,646
FIXED ASSETS, TOTAL			**8,501**		**9,782**
CURRENT ASSETS					
Inventories	12.		18,668		19,122
Current receivables	13.		17,798		20,508
Cash in hand and at banks			3,926		758
CURRENT ASSETS, TOTAL			**40,392**		**40,389**
ASSETS, TOTAL			**48,893**		**50,171**

(EUR 1,000)	Note	31 Dec. 2017	31 Dec. 2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	14.		
Share capital		8,040	8,040
Reserve for invested non-restricted equity		502	502
Retained earnings		13,744	11,403
Net profit for the period		4,948	5,577
SHAREHOLDERS' EQUITY, TOTAL		**27,234**	**25,522**
ACCUMULATED APPROPRIATIONS	15.	**1,373**	**1,430**
PROVISIONS	16.		
Other mandatory provisions		32	76
LIABILITIES	17.		
Non-current liabilities	17.1	0	2,594
Current liabilities	17.2	20,254	20,549
LIABILITIES, TOTAL		**20,254**	**23,143**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**48,893**	**50,171**

PARENT COMPANY CASH FLOW STATEMENT

(EUR 1,000)	**1 Jan.–31 Dec. 2017**	**1 Jan.–31 Dec. 2016**
CASH FLOW FROM OPERATIONS		
Net result for the period	4,948	5,577
Adjustments		
Depreciation according to plan	2,007	2,189
Change in depreciation difference	-57	-126
Financial income and expenses	872	-528
Taxes	1,234	1,282
Cash flow before change in working capital	9,004	8,393
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	2,331	-5,190
Increase (-) / decrease (+) in inventories	454	-3,089
Increase (+) / decrease (-) in current non-interest-bearing liabilities	25	6,159
Cash flow from operations before financial items and taxes	11,814	6,274
Paid interest and payments on other operational financial expenses	-251	-150
Interest received	174	168
Taxes paid	-1,626	-495
CASH FLOW FROM OPERATIONS	**10,111**	**5,796**
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-726	-2,024
Loans granted	-387	-461
CASH FLOW FROM INVESTMENTS	**-1,113**	**-2,485**
CASH FLOW FROM FINANCING		
Long-term loans repaid	-2,594	-1,240
Short-term loans drawn	2,000	4,000
Short-term loans repaid	-2,000	-4,000
Dividends paid	-3,236	-2,831
CASH FLOW FROM FINANCING	**-5,830**	**-4,072**
Change in cash and cash equivalents	3,168	-761
Cash and cash equivalents at the beginning of the financial year	758	1,519
Cash and cash equivalents at the end of the financial year	3,926	758

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING POLICY

Marimekko Corporation's financial statements have been prepared in accordance with the legislation and regulations that are in force in Finland. The financial year of the company is the calendar year.

Measurement of fixed assets
Fixed assets are recorded in the balance sheet at the original acquisition cost less depreciation according to plan. Depreciation according to plan has been calculated using straight-line depreciation on the estimated useful life of the fixed assets.

Periods of depreciation:
- intangible rights 5–10 years
- other capitalised expenditure 3–10 years
- machinery and equipment 5–15 years.

Inventories
Inventories are presented at the acquisition cost or at the lower probable net realisation value. The value of inventories does not include any share of fixed purchasing and manufacturing costs.

Pension commitments
The pension security of the company's personnel has been arranged under the statutory employee pension plan (TyEL) through a pension insurance company.

Items denominated in foreign currency
The foreign-currency-denominated receivables and liabilities of the company have been converted to euro amounts using the exchange rate quoted by the European Central Bank on the closing date.

Leasing
Leasing payments are treated as rental expenditures.

Appropriations
On the basis of local legislation and accounting practices, companies in Finland and Sweden can, in their separate financial statements, record in appropriations the depreciation difference and the change in voluntary reserves, which are items that mainly have an effect on taxation.

Taxes
Recorded as direct taxes are the direct taxes calculated from the taxable result of the company.

NOTES TO THE INCOME STATEMENT

1. NET SALES BY MARKET AREA

(EUR 1,000)	2017	2016
Finland	55,658	55,565
Other countries	38,811	38,722
Total	94,469	94,287

2. OTHER OPERATING INCOME

(EUR 1,000)	2017	2016
Rental income	282	313
Other income	10	60
Total	292	373

3. MATERIALS AND SERVICES

(EUR 1,000)	2017	2016
Materials and supplies		
Purchases during the financial year	23,342	26,640
Increase (-) / decrease (+) in inventories	687	-135
Total	24,029	26,505
External services	14,248	14,054
Total	38,277	40,559

4. PERSONNEL EXPENSES

(EUR 1,000)	2017	2016
Salaries, wages and bonuses	14,273	14,800
Pension and pension insurance payments	2,453	2,671
Other indirect social expenditure	565	1,024
Total	17,291	18,495
Salaries and bonuses for management		
Members of the Board of Directors and the President and CEO	668	586
Itemised in the note 18 to the consolidated financial statements.		
Average number of employees		
Salaried employees	291	305
Non-salaried employees	24	24
Total	315	329

5. DEPRECIATION AND IMPAIRMENTS

(EUR 1,000)	2017	2016
Intangible assets		
Intangible rights	137	181
Other capitalised expenditure	1,171	1,105
Total	1,308	1,286
Tangible assets		
Buildings and structures	12	12
Machinery and equipment	687	892
Total	699	903
Total	2,007	2,189

6. OTHER OPERATING EXPENSES

(EUR 1,000)	2017	2016
Leases	7,378	7,160
Marketing	10,054	10,802
Other expenses	13,326	11,793
Total	30,758	29,756

7. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	2017	2016
Other interest and financial income		
From Group companies	165	164
From others	21	162
Total	186	326
Interest and other financial expenses		
Impairment of Group receivables	0	-350
To others	1,058	148
Total	1,058	-202
Financial income and expenses, total	-872	528
Financial income and expenses include exchange rate differences (net)		
From others	951	119
Total	951	119

8. APPROPRIATIONS

(EUR 1,000)	2017	2016
Change in depreciation difference	57	126

9. INCOME TAXES

(EUR 1,000)	2017	2016
Income taxes on operations	1,234	1,282
Total	1,234	1,282

10. AUDITOR'S FEE

(EUR 1,000)	2017	2016
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit	84	75
Other services	17	48
Total	101	123

NOTES TO THE BALANCE SHEET

11. FIXED ASSETS

11.1 Intangible assets

2017

(EUR 1,000)	Intangible rights	Computer software	Other capitalised expenditure	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2017	1,682	5,464	6,896	132	14,174
Increases	37	393	130		560
Transfers between groups		132		-132	
Acquisition cost, 31 Dec. 2017	1,719	5,989	7,026		14,734
Accumulated depreciation, 1 Jan. 2017	1,384	4,866	4,720		10,970
Depreciation during the financial year	137	623	548		1,308
Accumulated depreciation, 31 Dec. 2017	1,521	5,489	5,268		12,278
Book value, 31 Dec. 2017	199	500	1,758		2,457

2016

(EUR 1,000)	Intangible rights	Computer software	Other capitalised expenditure	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2016	1,601	5,292	6,187	269	13,350
Increases	81		567	177	825
Transfers between groups		171	142	-314	
Acquisition cost, 31 Dec. 2016	1,682	5,464	6,896	132	14,174
Accumulated depreciation, 1 Jan. 2016	1,203	4,260	4,222		9,684
Depreciation during the financial year	181	606	498		1,286
Accumulated depreciation, 31 Dec. 2016	1,384	4,866	4,720		10,970
Book value, 31 Dec. 2016	299	598	2,176	132	3,204

11.2 Tangible assets

2017

(EUR 1,000)	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2017	38	417	14,084	28		14,568
Increases			165			165
Acquisition cost, 31 Dec. 2017	38	417	14,249	28		14,733
Accumulated depreciation, 1 Jan. 2017		295	11,340			11,635
Depreciation during the financial year		12	687			699
Accumulated depreciation, 31 Dec. 2017		307	12,027			12,334
Book value, 31 Dec. 2017	38	110	2,222	28		2,398

2016

(EUR 1,000)	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2016	38	417	12,886	28	317	13,687
Increases			924		2	926
Transfers between groups			274		-274	
Decreases					-46	-46
Acquisition cost, 31 Dec. 2016	38	417	14,084	28		14,568
Accumulated depreciation, 1 Jan. 2016		260	10,472			10,732
Depreciation during the financial year		35	868			903
Accumulated depreciation, 31 Dec. 2016		295	11,340			11,635
Book value, 31 Dec. 2016	38	122	2,744	28		2,932

Book value of production machinery and equipment	
31 Dec. 2017	1,694
31 Dec. 2016	2,058

11.3 Investments

2017

(EUR 1,000)	Shares in Group companies	Other shares and participations	Total
Acquisition cost, 1 Jan. 2017	3,921	16	3,937
Acquisition cost, 31 Dec. 2017	3,921	16	3,937
Accumulated depreciation, 31 Dec. 2017	290		290
Book value, 31 Dec. 2017	3,631	16	3,646

2016

(EUR 1,000)	Shares in Group companies	Other shares and participations	Total
Acquisition cost, 1 Jan. 2016	3,921	16	3,937
Acquisition cost, 31 Dec. 2016	3,921	16	3,937
Accumulated depreciation, 31 Dec. 2016	290		290
Book value, 31 Dec. 2016	3,631	16	3,647

Group companies

Company and domicile	Parent company's holding, %	Share of voting rights, %
Keskinäinen Kiinteistö Oy Marikko, Helsinki, Finland	100	100
Marimekko Services Oy, Helsinki, Finland	100	100
Marimekko AB, Stockholm, Sweden *)	100	100
Marimekko Australia PTY Ltd, Victoria, Australia	100	100
Marimekko GmbH, Frankfurt am Main, Germany	100	100
Marimekko North America LLC, Delaware, United States	100	100
Marimekko North America Retail LLC, Delaware, United States	100	100
Marimekko North America Holding Co, Delaware, United States	100	100
Marimekko UK Ltd, London, United Kingdom	100	100

*) Marimekko AB has branches in Norway and Denmark.

12. INVENTORIES

(EUR 1,000)	2017	2016
Raw materials and consumables	4,835	4,982
Incomplete products	133	55
Finished products/goods	13,304	13,364
Advance payments	396	721
Total	18,668	19,122

13. CURRENT RECEIVABLES

(EUR 1,000)	2017	2016
Trade receivables	4,971	5,714
Receivables from Group companies		
Trade receivables	3,490	4,789
Loan receivables	8,819	9,211
Prepaid expenses and accrued income	18	140
Total	12,327	14,140
Other receivables	41	41
Prepaid expenses and accrued income	459	612
Total	17,798	20,508

Prepaid expenses and accrued income		
Royalty receivables	207	273
Tax assets	0	3
Other prepaid expenses and accrued income	252	336
Total	459	612

In 2016, Marimekko Corporation reversed impairment bookings made in 2013 amounting to EUR 350 thousand. The impairment reversal was made on loan receivables from the Swedish subsidiary.

14. SHAREHOLDERS' EQUITY

(EUR 1,000)	2017	2016
Share capital, 1 Jan.	8,040	8,040
Share capital, 31 Dec.	8,040	8,040
Reserve for invested non-restricted equity, 1 Jan.	502	502
Reserve for invested non-restricted equity, 31 Dec.	502	502
Retained earnings, 1 Jan.	16,980	14,235
Dividends paid	-3,236	-2,831
Retained earnings, 31 Dec.	13,744	11,403
Net result for the period	4,948	5,577
Shareholders' equity, total	27,234	25,522

Calculation of distributable funds, 31 Dec.

(EUR 1,000)	2017	2016
Retained earnings	13,744	11,403
Net result for the period	4,948	5,577
Reserve for invested non-restricted equity	502	502
Total	19,194	17,482

15. ACCUMULATED APPROPRIATIONS

(EUR 1,000)	2017	2016
Accumulated depreciation difference		
Intangible rights	50	68
Other capitalised expenditure	796	739
Machinery and equipment	385	482
Buildings and structures	141	141
Total	1,372	1,430

16. PROVISIONS

(EUR 1,000)	2017	2016
Provision for restructuring cost		
Book value, 1 Jan. 2013	71	190
Decreases	39	119
Book value, 31 Dec. 2013	32	71

17. LIABILITIES

17.1 Interest-bearing and non-interest-bearing liabilities

(EUR 1,000)	2017	2016
Interest-bearing liabilities		
Non-current		2,594
Total		2,594
Non-interest-bearing liabilities		
Current	20,254	20,549
Total	20,254	20,549

17.2 Current liabilities

(EUR 1,000)	2017	2016
Advances received	270	
Trade payables	5,219	4,541
Debts to Group companies		
Trade payables	2,156	549
Accrued liabilities and deferred income	6,334	7,503
Other current liabilities	1,755	2,193
Accrued liabilities and deferred income	4,520	5,762
Total	20,254	20,549
Accrued liabilities and deferred income		
Wages and salaries with social security contributions	2,796	2,915
Accrued income tax liabilities	546	938
Other accrued liabilities and deferred income	1,178	1,909
Total	4,520	5,762

18. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(EUR 1,000)	2017	2016
For the liabilities of the Group company		
Guarantees	12,452	11,677
Other own liabilities and commitments		
Leasing liabilities		
Payments due in the following financial year	377	365
Payments due later	350	356
Total	727	722
Liabilities relating to lease agreements		
Payments due in the following financial year	5,644	5,738
Payments due later	10,161	14,320
Total	15,806	20,057

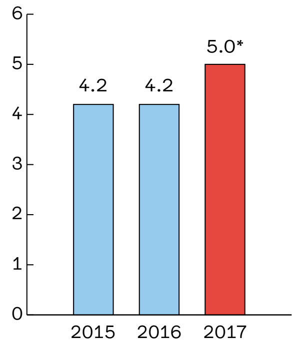
Key figures of the Group

Per-share key figures [1]

	2017	2016	2015
Earnings per share (EPS), EUR	0.70	0.50	0.10
Equity per share, EUR	3.79	3.50	3.35
Dividend per share, EUR	*) 0.50	0.40	0.35
Dividend per profit, %	*) 71.4	80.2	352.5
Effective dividend yield, %	*) 5.0	4.2	4.2
P/E ratio	14.4	19.0	83.6
Share issue adjusted average			
number of shares	8,089,610	8,089,610	8,089,610
Share issue adjusted number of shares			
at the end of the period	8,089,610	8,089,610	8,089,610

*) The Board of Directors' proposal to the Annual General Meeting.

Effective dividend yield (%)



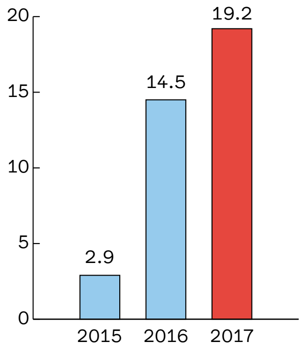
* The Board of Directors' proposal to the Annual General Meeting.

Key financial figures [1]

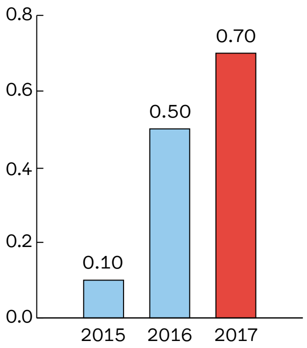
	2017	2016	2015
Net sales, EUR 1,000	102,324	99,614	95,652
Change in net sales, %	2.7	4.1	1.6
Operating profit, EUR 1,000	8,360	5,249	1,542
% of net sales	8.2	5.3	1.6
Comparable operating profit, EUR 1,000	8,596	6,096	1,542
% of net sales	8.4	6.1	1.6
Financial income, EUR 1,000	39	164	49
Financial expenses, EUR 1,000	-1,269	-243	-297
Result before taxes, EUR 1,000	7,130	5,170	1,294
% of net sales	7.0	5.2	1.4
Taxes, EUR 1,000	1,470	1,138	491
Result after taxes, EUR 1,000	5,660	4,032	803
Balance sheet total, EUR 1,000	47,113	48,493	46,061
Net working capital, EUR 1,000	14,496	15,277	13,039
Interest-bearing liabilities, EUR 1,000	3,341	5,979	7,318
Shareholders' equity, EUR 1,000	30,669	28,316	27,129
Return on equity (ROE), %	19.2	14.5	2.9
Return on investment (ROI), %	21.6	15.8	4.5
Equity ratio, %	65.2	58.5	59.0
Gearing, %	-9.4	8.8	11.3
Gross investments, EUR 1,000	1,210	2,721	3,591
% of net sales	1.2	2.7	3.3
Employee salaries,			
wages and bonuses, EUR 1,000	19,366	19,807	20,392
Average personnel	425	441	460
Personnel at the end of the financial year	446	431	476

[1] Part of the report of the Board of Directors.

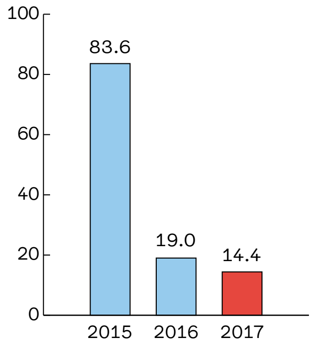
Return on equity (ROE, %)



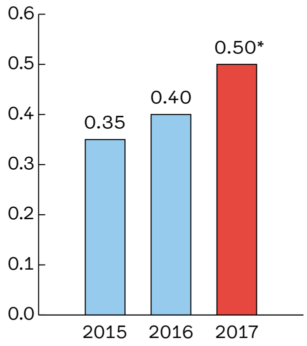
Earnings per share (EUR)



P/E ratio



Dividend per share (EUR)



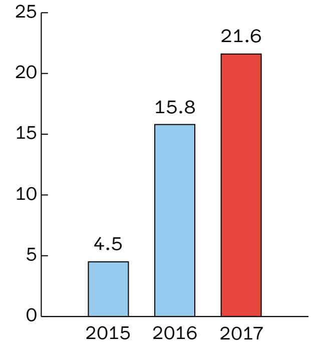
* The Board of Directors' proposal to the Annual General Meeting.

FINANCIAL GOALS

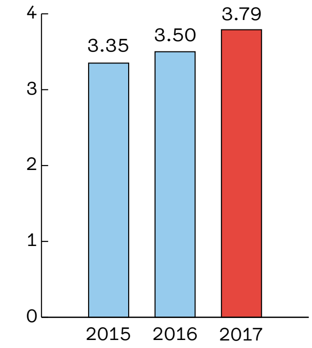
Marimekko's financial goals focus on securing the company's profitable growth.
The company's financial goals are as follows:

- annual growth in consolidated net sales over 10%
- operating profit margin 10%
- return on equity (ROE) over 15%
- equity ratio 50%.

Return on investment (ROI, %)



Equity per share (EUR)



Formulas for the 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, %	$\frac{\text{Operating result – items affecting comparability in operating result}}{\text{Net sales}} \times 100$
RETURN ON EQUITY (ROE), %	$\frac{\text{Profit before taxes – income taxes}}{\text{Shareholders' equity (average for the financial year)}} \times 100$
RETURN ON INVESTMENT (ROI), %	$\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Balance sheet total – non-interest-bearing liabilities (average for the financial year)}} \times 100$
EQUITY RATIO, %	$\frac{\text{Shareholders' equity}}{\text{Balance sheet total – advances received}} \times 100$
EARNINGS PER SHARE (EPS), EUR	$\frac{\text{Profit before taxes – income taxes}}{\text{Share issue adjusted average number of shares}}$
EQUITY PER SHARE, EUR	$\frac{\text{Shareholders' equity}}{\text{Number of shares, 31 Dec.}}$
DIVIDEND PER SHARE, EUR	$\frac{\text{Dividend paid for the financial year}}{\text{Number of shares, 31 Dec.}}$
DIVIDEND PER PROFIT, %	$\frac{\text{Dividend per share}}{\text{Earnings per share (EPS), share issue adjusted}} \times 100$
EFFECTIVE DIVIDEND YIELD, %	$\frac{\text{Dividend per share}}{\text{Adjusted share price, 31 Dec.}} \times 100$
P/E RATIO	$\frac{\text{Adjusted share price, 31 Dec.}}{\text{Earnings per share (EPS), share issue adjusted}}$
NET WORKING CAPITAL, EUR	Inventories + trade and other receivables + current tax assets – tax liabilities – current provisions – trade and other payables
INTEREST-BEARING NET DEBT, EUR	Interest-bearing liabilities – cash in hand and at banks – interest-bearing loan receivables
GEARING, %	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity}} \times 100$

Share and shareholders

Share
Marimekko Corporation's share is quoted in the Consumer Goods sector of Nasdaq Helsinki Ltd. Marimekko Corporation was listed on the I List of the Helsinki Stock Exchange in March 1999 and on the main list on 27 December 2002. The company has one series of shares, each conferring the same voting rights to their holders. The company's shares have been included in the book-entry register since 17 February 1999.

Share capital and number of shares
At the end of 2017, Marimekko Corporation's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000, and the number of shares was 8,089,610.

Authorisations
At the end of 2017, the Board of Directors had no valid authorisations to carry out share issues or issue convertible bonds or bonds with warrants, or to acquire or surrender Marimekko shares.

Shareholder agreements
Marimekko has neither made nor is aware of any shareholder agreements concerning the company's shares or other commitments agreeing on the company's ownership or the use of voting rights.

Dividend policy
Marimekko aims to pay a regular dividend every year. The dividends to be paid and their amount and the payout date depend on the company's financial result, financial situation, equity ratio, need for working capital and other factors. Marimekko intends to follow a stable and active dividends policy that by and large reflects the company's earnings trend. Marimekko's goal is to distribute as dividends at least half of earnings per share annually.

Dividend for 2016
A dividend of EUR 0.40 per share to a total of EUR 3,235,844 was paid for 2016 in accordance with the decision of the Annual General Meeting held on 6 April 2017. The dividend was paid out on 19 April 2017.

Proposal for the dividend for 2017
The Board of Directors will propose to the Annual General Meeting that the dividend to be paid for the 2017 financial year be EUR 0.50 per share to a total of EUR 4,044,805. The Board will propose 16 April 2018 as the dividend record date and 23 April 2018 as the dividend payout date.

Shareholders
According to the book-entry register, Marimekko Corporation had 7,575 registered shareholders at the end of 2017. Of the shares, 11.4 percent were owned by nominee-registered or non-Finnish holders at the year end.

Flaggings
Marimekko did not receive any flagging notifications during 2017.

Management's shareholding
At the end of 2017, members of the Board of Directors and the Management Group of the company either directly or indirectly owned 1,335,295 shares, i.e. 16.5 percent of the number and voting rights of the company's shares.

Largest shareholders according to the book-entry register, 31 December 2017

	Number of shares and votes	Percentage of holding and votes
1. Muotitila Ltd	1,297,700	16.04
2. Moomin Characters Oy Ltd	585,000	7.23
3. Ehrnrooth Anna Sophia	400,377	4.95
4. Varma Mutual Pension Insurance Company	385,920	4.77
5. Oy Etra Invest Ab	236,823	2.93
6. Odin Finland	231,301	2.86
7. Veritas Pension Insurance Company Ltd.	220,000	2.72
8. Ilmarinen Mutual Pension Insurance Company	215,419	2.66
9. Aktia Europe Small Cap Equity Fund	168,900	2.09
10. Taaleritehdas Mikro Markka Equity Fund	100,000	1.24
Total	3,841,440	47.49
Nominee-registered and non-Finnish holders	923,805	11.42
Others	3,324,365	41.09
Total	8,089,610	100.00

Marimekko shares owned directly or indirectly by members of the Board of Directors and the Management Group, 31 December 2017

	Number of shares and votes	Percentage of holding and votes
Mika Ihamuotila	1,297,700	16.04
Rebekka Bay	816	0.01
Elina Björklund	10,368	0.13
Arthur Engel	12,374	0.15
Mikko-Heikki Inkeroinen	3,302	0.04
Helle Priess	816	0.01
Catharina Stackelberg-Hammarén	3,569	0.04
Tiina Alahuhta-Kasko	5,450	0.07
Elina Aalto	0	0.00
Tina Broman	0	0.00
Kari Härkönen	0	0.00
Päivi Lonka	900	0.01
Päivi Paltola	0	0.00
Tanya Strohmayer	0	0.00
Total	1,335,295	16.50

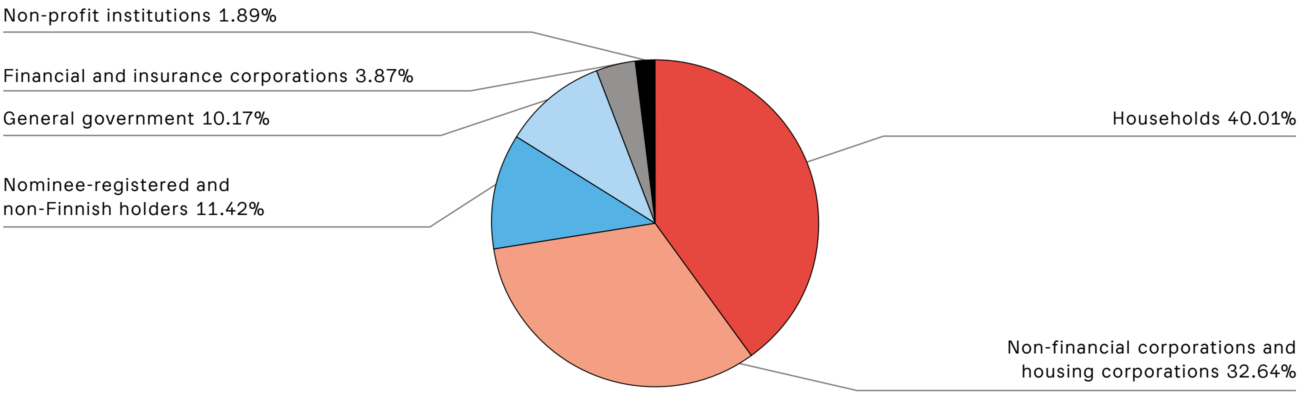
Ownership by size of holding, 31 December 2017

Number of shares	Number of shareholders	%	Number of shares and votes	Percentage of holding and votes
1–100	3,969	52.40	207,750	2.57
101–1,000	3,078	40.63	1,098,656	13.58
1,001–10,000	478	6.31	1,233,908	15.25
10,001–100,000	39	0.51	1,283,940	15.87
100,001–500,000	9	0.12	2,382,656	29.45
500,001–	2	0.03	1,882,700	23.27
Total	7,575	100.00	8,089,610	100.00

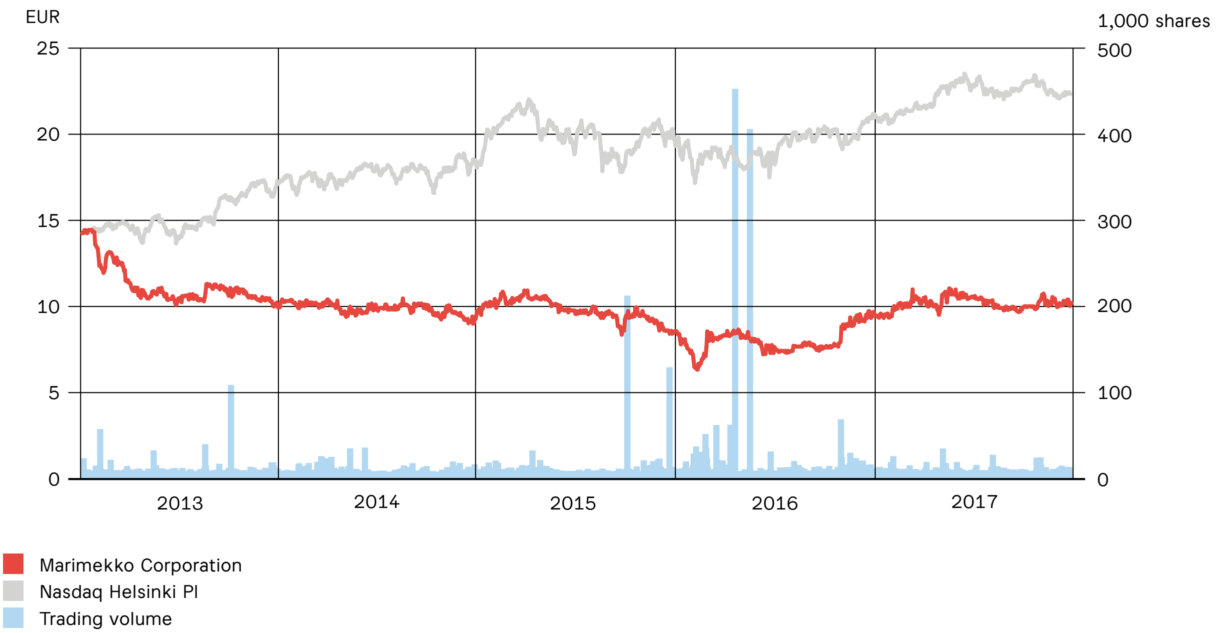
Breakdown of ownership by sector, 31 December 2017

Owner	Number of shares and votes	Percentage of holding and votes
Households	3,236,720	40.01
Financial and insurance corporations	313,417	3.87
Non-financial corporations and housing corporations	2,640,385	32.64
Non-profit institutions	152,544	1.89
General government	822,739	10.17
Nominee-registered and non-Finnish holders	923,805	11.42
Total	8,089,610	100.00

Breakdown of ownership by sector, 31 December 2017



Share price trend



Share price trend

	2017	2016	2015
Low, EUR	9.10	6.06	8.20
High, EUR	10.99	9.73	10.94
Average, EUR	10.09	8.01	9.50
Closing price (31 Dec.), EUR	10.10	9.48	8.30

Share turnover and market capitalisation

	2017	2016	2015
Share turnover, no. of shares	796,964	2,112,657	1,062,373
Share turnover, % of the shares outstanding	9.9	26.1	13.1
Market capitalisation, EUR	81,705,061	76,689,503	67,143,763

Share data

Exchange:	Nasdaq Helsinki Ltd
Trading code:	MMO1V
ISIN code:	FI0009007660
List:	Nordic List
Sector:	Consumer Goods
Listing date:	I list, 12 March 1999,
	Main list, 27 December 2002

Signatures to the financial statements and the report of the Board of Directors

Helsinki, 14 February 2018

Mika Ihamuotila
Chairman of the Board

Elina Björklund
Vice Chairman of the Board

Rebekka Bay
Member of the Board

Arthur Engel
Member of the Board

Mikko-Heikki Inkeroinen
Member of the Board

Helle Priess
Member of the Board

Catharina Stackelberg-Hammarén
Member of the Board

Tiina Alahuhta-Kasko
President and CEO

THE AUDITORS' NOTE

Our auditor's report has been issued today.

Helsinki, 7 March 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Auditor’s report

(Translation of the Finnish Original)

TO THE ANNUAL GENERAL MEETING OF MARIMEKKO CORPORATION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion
- the consolidated financial statements give a true and fair view of the group’s financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit and Remuneration Committee.

What we have audited
We have audited the financial statements of Marimekko Corporation (business identity code 0111316-2) for the year ended 31 December 2017. The financial statements comprise:
- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company’s balance sheet, income statement, statement of cash flows and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

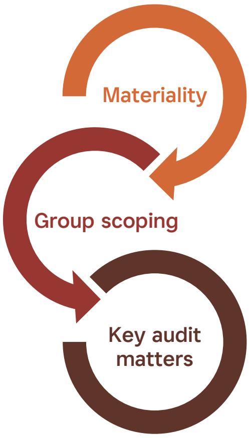
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 6 to the Financial Statements.

OUR AUDIT APPROACH

Overview



Materiality
- We have applied an overall group materiality of € 0.6 million.

Audit Scope
- The group audit focused on the companies in Finland covering the majority of the Group's net sales, assets and liabilities.

Key audit matters
- Revenue recognition
- Valuation and existence of the inventory

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 0.6 million
How we determined it	Net sales and profit before tax
Rationale for the materiality benchmark applied	We chose the combination of net sales and profit before tax as the benchmark because, in our view, the performance of the Group is most commonly measured by users of the financial statements by using these criteria, and they are generally accepted benchmarks.

How we tailored our group audit scope
We tailored the scope of our audit, taking into account the structure of the Marimekko Group, the accounting processes and controls, and the industry in which the group operates.

We focused our group audit on the Finnish companies covering the majority of the Group's revenues, assets and liabilities. In addition, we performed analytical procedures on the foreign sales companies.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition We refer to the income statement of the Group and to the notes "Principles for revenue recognition and net sales". The Group's revenue is generated from wholesale and retail sales of clothes, bags, accessories and home décor items, and from royalties. The wholesale contracts include different delivery terms, which determine when the significant risks and rewards have been transferred to the buyer. Retail sales generally consist of small transactions paid by cash or payment card and revenue is recognised at the time of the transaction. Revenue from royalties is recognised in accordance with the terms of the agreement with the licensee. Revenue recognition include a risk that revenue is not recorded in the correct period or that recorded sales transactions have not occurred. Therefore, this was a focus area in our audit.	The audit of different revenue streams included both testing of the company's key controls, as well as substantive audit procedures. The substantive testing included, among other things, the following procedures: • We selected a sample of sales invoices recorded during the financial period and compared them to the delivery notes and payments received. • We checked that sales transactions had been recorded in the right financial period by comparing sales invoices recorded before and after year-end to the dates of delivery notes and to delivery terms, and by testing credit invoices made in January 2018. • For retail sales we tested reconciliations of cash and payment card payments and selected a sample of sales transactions and compared them with payments received. • We inspected the terms of selected licencing agreements and tested that royalty income was recorded in accordance with the terms of the agreements.
Valuation and existence of inventory We refer to the balance sheet of the Group and to the notes "Inventory". Inventory consists of fabrics and other raw-materials as well as of half-finished and finished goods, which include clothes, bags, accessories and home décor items. Inventories are valued at the lower of acquisition cost or probable net realisable value. The Group capitalises certain directly attributable overheads within the cost of manufactured inventories. Inventory constitutes a significant part of the Group's assets. The inventory accounting includes manual work processes, among other things, relating to valuation and compiling the inventory balances, which increases the risk for errors. Therefore, valuation and existence of inventory were focus areas in our audit.	We tested the company's key controls relating to inventory balances and valuation. In addition, we performed, among other things, the following: • We attended physical stock counting in selected stores and other inventory locations. We analysed the results of the company's own inventory counts and how the company had resolved any inventory differences. • We tested, on a sample basis, inventory items and compared the values with latest purchase invoices and cost calculations. In addition, we used system based data-analytics to identify unexpected variances in the values of inventory items during the year and we investigated the reasons for such variances. • We compared the book value of selected inventory items to their probable sales prices to ensure that the inventory is not overvalued.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company’s and the group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company’s or the group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company’s or the group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

APPOINTMENT

We were first appointed as auditors by the annual general meeting on 3 April 2008. Our appointment represents a total period of uninterrupted engagement of 10 years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 7 March 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Corporate governance

APPLICABLE PROVISIONS

Marimekko Corporation is a Finnish public limited company, which applies the Finnish Companies Act, other regulations concerning public listed companies, Marimekko Corporation's Articles of Association and Nasdaq Helsinki Ltd's rules and regulations in its decision-making and administration. In addition, Marimekko Corporation complies with the Finnish Corporate Governance Code for listed companies, in force since 1 January 2016, according to the comply-or-explain principle without deviating from individual recommendations.

Group structure

The Marimekko Group comprises Marimekko Corporation and its subsidiaries. The company's registered office is in Helsinki, Finland.

GENERAL MEETING

Shareholders exercise the highest decision-making authority in Marimekko Corporation through the General Meeting. General Meetings are either Annual General Meetings or Extraordinary General Meetings. The Annual General Meeting shall be held every year within six months of the close of the financial year on the day set by the Board of Directors.

Extraordinary General Meetings are convened when necessary. According to the Companies Act, an Extraordinary General Meeting must be held when the Board of Directors considers it advisable or when shareholders representing at least one-tenth of the company's shares request in writing that a meeting be held to deliberate on a specified matter. Shareholders have the right to have items included on the agenda of the General Meeting, provided they present their demand in writing to the Board of Directors well in advance, so that the item can be included in the Notice of Meeting.

The company discloses on its website the date by which a shareholder must notify the company's Board of Directors of an issue that he or she demands to be addressed at the Annual General Meeting. The date is published no later than by the end of the financial period preceding the Annual General Meeting, and it cannot be earlier than the date four weeks prior to the publishing of the Notice of the Meeting. The Annual General Meeting deliberates on matters set out in Article 10 of the Articles of Association as being the business of Annual General Meetings, and other proposals, if any, made to the General Meeting. The company's Board of Directors prepares an agenda for the meeting.

In accordance with the Finnish Companies Act, the Annual General Meeting takes decisions on matters such as:

- adopting the financial statements
- the distribution of profit
- the number of Board members, their election and remuneration
- the election of auditors and their remuneration
- amendments to the Articles of Association.

Convening a General Meeting

Shareholders are invited to the General Meeting through a Notice of the General Meeting published on the company's website not earlier than three months and not later than three weeks before the Meeting, but in any case at least nine days prior to the General Meeting's record date. In addition, the Board of Directors may decide to publish the Notice of the General Meeting in one or more newspapers. The Notice of the General Meeting and the Board's proposals to the General Meeting are also published in a stock exchange release. The following information is also made available on the company's website at least three weeks before the General Meeting:

- the documents to be submitted to the General Meeting
- draft resolutions to the General Meeting.

Right to attend a General Meeting

Shareholders registered in the company's Shareholder Register, held by Euroclear Finland Ltd on behalf of the Board of Directors of Marimekko Corporation, on the record date of the General Meeting, announced separately by the company, have the right to attend a General Meeting. Shareholders wishing to attend the General Meeting must inform the company of their intention to do so by the deadline specified in the Notice of the Meeting.

Shareholders may attend the Meeting themselves or through a representative by proxy, who must present a power of attorney or other reliable proof of their authority to represent the shareholder.

Shareholders can exercise their right to speak and to vote at a General Meeting. Shareholders are entitled to cast the total number of votes conferred by their shareholding as on the record date. One share confers one vote in all matters addressed at the General Meeting. Decisions are made by a simple or qualified majority of votes as provided by law and the Articles of Association.

Record of proceedings at General Meetings

The company prepares minutes of the General Meeting, which, together with voting results and the appendices to the minutes that are part of a decision made by the Meeting, are made available to the shareholders on the company's website within two weeks of the General Meeting. The documents related to the General Meeting will be available on the company's website at least for five years after the Meeting. The company also announces any decisions taken at the General Meeting in a stock exchange release issued promptly after the Meeting.

Presence of administrative bodies at a General Meeting

The Chairman and all of the members of the Board of Directors and the President and CEO shall be present at the General Meetings. The company's auditor shall attend the Annual General Meeting, and candidates up for election to the Board for the first time shall be present at the Meeting in which the election is held.

BOARD OF DIRECTORS

Composition and term of office

The members of Marimekko Corporation's Board of Directors are elected at the Annual General Meeting. The proposal for the composition of the Board of Directors is prepared by the major shareholders of the company. The term of office of the Board of Directors expires at the close of the Annual General Meeting following their election. According to the Articles of Association, the Board of Directors comprises a minimum of four and a maximum of seven ordinary members. The number of Marimekko Corporation's Board members is set in proportion to the company's size. The Articles of Association do not set an upper age limit for Board members, restrict the number of their terms of office or in any other way restrict the General Meeting's authority in the election of Board members. There is no particular order governing the appointment of Board members. The Board of Directors elects a Chairman from amongst its members. The company's President and CEO cannot be elected to serve as the Chairman of the Board of Directors.

Diversity of the Board of Directors

When preparing the proposal for the composition of the Board of Directors, the major shareholders take account of the company's business requirements and trends as well as the strategy of the company. The main objective is to ensure that the composition of the Board of Directors supports the company's business operations, strategy and customer-orientated approach in an optimal manner. The diversity of the Board of Directors ensures the realisation of the aforementioned objective. The diversity of the Board is reviewed from different perspectives. The most important factors for the company are the mutually complementary experience, education and know-how from different fields and different geographic areas as well as the personal attributes of the directors. The diversity of the Board of Directors is promoted in particular by the gender and age diversity of the directors. Also taken into account in the composition of the Board of Directors are the long-term objectives of the company as well as succession planning.

Members of the Board of Directors

Marimekko Corporation's Annual General Meeting held on 6 April 2017 elected seven members to the Board of Directors for a term beginning on 6 April 2017 and ending at the close of the 2018 Annual General Meeting. Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen and Catharina Stackelberg-Hammarén were re-elected as members of the Board of Directors. Rebekka Bay and Helle Priess were elected as new members of the Board of Directors. The Board is chaired by Mika Ihamuotila and vice-chaired by Elina Björklund.

The Board members are presented on pages 78–79 and on the company's website under Investors/Management.

Independence evaluation

The Corporate Governance Code states that the majority of Board members shall be independent of the company. A person without any significant connection to the company other than Board membership is considered independent of the company. In addition, at least two of the directors representing this majority shall be independent of significant shareholders of the company. The Board evaluates the independence of its members annually. Among the members of Marimekko Corporation's

Board of Directors, Rebekka Bay, Elina Björklund, Arthur Engel, Mikko-Heikki Inkeroinen, Helle Priess and Catharina Stackelberg-Hammarén are independent of the company and its significant shareholders.

Mika Ihamuotila has acted as full-time Chairman of the Board since 11 April 2016 pursuant to a separate executive service agreement governing his full-time chairmanship. Before the above date, Mika Ihamuotila's executive service agreement also included the duties of the CEO. The Audit and Remuneration Committee of the company handles and prepares matters related to the executive service agreement's terms and Mika Ihamuotila's remuneration.

Duties and responsibilities of the Board of Directors

The Board of Directors is responsible for the proper organisation of the company's administration, operations, accounting and asset management. In addition to the duties specified in the Finnish Companies Act and the Articles of Association, the written rules of procedure adopted by the Board contain further provisions concerning the Board's operating principles and principal duties. The Board reviews and confirms the rules of procedure annually at its constitutive meeting, held following the Annual General Meeting. The Board reviews all matters that are significant to or have long-term effects on the company's business operations.

According to the rules of procedure, the Board addresses issues such as the following:

- specifying and confirming strategic objectives and policies for the Group and the various business areas
- reviewing and confirming operating plans and budgets for the Group and the various business areas
- reviewing and approving interim reports, the consolidated financial statements and the Report of the Board of Directors
- expanding and downsizing business operations
- considering mergers, acquisitions and demergers and restructuring arrangements

BOARD OF DIRECTORS

	Position	Board member since	Independent of the company and its significant shareholders	Attendance
Mika Ihamuotila	Chairman since 2015	2008	No	10/10
Elina Björklund	Vice Chairman since 2015	2011	Yes	10/10
Rebekka Bay	Member	2017	Yes	7/10
Arthur Engel	Member	2011	Yes	10/10
Mikko-Heikki Inkeroinen	Member	2015	Yes	10/10
Joakim Karske*)	Member	2008	Yes	3/10
Helle Priess	Member	2017	Yes	7/10
Catharina Stackelberg-Hammarén	Member	2014	Yes	10/10

*) Member of the Board until 6 April 2017.

AUDIT AND REMUNERATION COMMITTEE

	Position	Committee member since	Independent of the company and its significant shareholders	Attendance
Elina Björklund	Chairman since 2015	2015	Yes	5/5
Mikko-Heikki Inkeroinen	Member	2017	Yes	4/5
Joakim Karske*)	Member	2015	Yes	1/5
Catharina Stackelberg-Hammarén	Member	2015	Yes	5/5

*) Member of the Audit and Remuneration Committee until 6 April 2017.

- deciding on investments and the acquisition and sale of assets that are either strategically or financially significant
- deciding on financial policy and contingent liabilities related to financing arrangements
- approving the Group's reporting, risk management procedures and internal control procedures and audit and control systems
- approving the audit plan
- appointing the company's President and CEO and the members of the Management Group and deciding on their remuneration
- providing instructions for the President and CEO.

In 2017, the Board focused, among other things, on the following subjects:

- development of Marimekko Corporation's strategy as well as confirming strategic objectives for the various business areas
- development of a strategy for the international expansion of physical retail and e-commerce
- strategic development of the product portfolio as well as measures to improve productivity in the medium term
- reviewing the design and brand strategy
- reviewing and confirming operating plans and budgets.

Meeting procedures and decision-making

The Chairman of the Board is responsible for convening and chairing Board meetings. The Board has not assigned responsibility for monitoring any particular aspects of the business to individual Board members. The Board evaluates its performance annually each January under the direction of the Chairman. In 2017, the Board convened ten times. The Board members' attendance rate at meetings was 100%.

Committees

The Board of Directors elected by the Annual General Meeting on 6 April 2017 appointed an Audit and Remuneration Committee from among its members. The Board elected Elina Björklund as Chairman and Mikko-Heikki Inkeroinen and Catharina Stackelberg-Hammarén as members of the Audit and Remuneration Committee.

The Board of Directors has not established any other committees.

The Audit and Remuneration Committee handles and prepares matters relating to the terms and remuneration of Marimekko's executive management as well as other tasks and supervision typically assigned to audit and remuneration committees. These include, for example, the following:

- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control and internal audit, if applicable, and risk management systems
- reviewing the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the statutory auditor or audit firm and especially the related services offered to the company
- preparation of the proposal for resolution on the election of the auditor
- reviewing, overseeing and verifying outcomes of management compensation plans and programmes.

In 2017, the Audit and Remuneration Committee held five meetings. The Committee members' attendance rate at meetings was 100%.

Marimekko does not have a Supervisory Board.

MANAGEMENT OF THE GROUP

President and CEO

The Board of Directors elects the company's President and CEO and decides on the terms of the President and CEO's employment agreement. The terms are specified in a written contract which is approved by the Board of Directors. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the employment agreement and the remuneration of the President and CEO. The President and CEO is responsible for the day-to-day management and development of the Group in accordance with the instructions and orders of the Board of Directors. The President and CEO is also responsible for keeping the Board up to date with regard to the development of the company's business and financial situation.

Tiina Alahuhta-Kasko has been the company's President since 9 April 2015 and President and CEO since 11 April 2016.

Subsidiary administration

The members of the subsidiaries' Boards of Directors are elected from amongst the Marimekko Group's executive management.

Management Group

The company's business operations have been divided into a number of responsibility areas, the directors of which form the company's Management Group. The company's President and CEO acts as the Chairman of the Management Group. The Board of Directors appoints the members of the Management Group and decides on their remuneration. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the employment agreements and remuneration of the Management Group. The Management Group has no authority based on law or the Articles of Association.

The Management Group reviews business matters and procedures affecting the entire Group. The Management Group also reviews the operating plans and business development of the various business areas. The Management Group convenes every two weeks on average. Information on the members is presented on page 79 and on the company's website under Investors/ Management.

REMUNERATION

The main objectives of remuneration at Marimekko Corporation are to promote competitiveness and long-term financial success of the company, contribute to the favourable development of shareholder value and increase the commitment of the company's key persons.

Remuneration of the members of the Board of Directors

The Annual General Meeting decides on the remuneration payable to the Board of Directors. The Audit and Remuneration Committee of the company handles and prepares matters related to the remuneration payable to the Board of Directors. All members of the Audit and Remuneration Committee are independent of the company and its significant shareholders. A person serving the company under an employment or service agreement receives no fee for the membership of the Board of a Marimekko subsidiary.

According to the resolution by the Annual General Meeting of 6 April 2017, approximately 40 percent of the annual remuneration to the Board of Directors in 2017 was paid in Marimekko Corporation's shares acquired from the market and the rest in cash. In case a member of the Board held the company's shares worth more than EUR 500,000 on the date of the Annual General Meeting, 6 April 2017, the remuneration was paid entirely in cash. According to the decision of the Annual General Meeting, the shares were acquired directly on behalf of the Board members within two weeks from the release of the interim report for 1 January–31 March 2017 or if this was not possible due to insider rules, as soon as possible thereafter. There are no special rules applying to the Board of Directors concerning the ownership of shares received as remuneration. The Board is not, as a rule, entitled to any other financial benefits in addition to the fixed annual payment. Marimekko has not issued monetary loans to the Board members or guarantees or other contingent liabilities on their behalf.

In 2017, the Annual General Meeting resolved that the annual remuneration payable to the members of the Board be as follows: EUR 40,000 to the Chairman, EUR 30,000 to the Vice Chairman and EUR 22,000 to the other members of the Board. The Board members receive no additional fee for attending Board meetings. Committee members receive no additional remuneration for committee work, nor any additional fee for attending committee meetings. The remuneration of the Vice Chairman of the Board includes chairing the Audit and Remuneration Committee.

In addition to the annual remuneration of the Chairman of the Board decided on by the Annual General Meeting, Mika Ihamuotila, full-time Chairman of the Board, has been paid a monthly fee of EUR 8,800 pursuant to a separate full-time executive service agreement with the company. No other fees, such as annual bonuses or benefits, in addition to the above-mentioned, have been paid to Mr Ihamuotila. His pension is determined by the statutory employee pension plan (TyEL). The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the executive service agreement and remuneration of the full-time Chairman of the Board.

Remuneration of the President and CEO

The Board of Directors of Marimekko Corporation decides on the salary and remuneration payable to the President and CEO. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the service contract and remuneration of the President and CEO. All members of the Audit and Remuneration Committee are independent of the company and its significant shareholders.

The remuneration of the President and CEO consists of a regular salary and fringe benefits, an annual bonus as well

REMUNERATION STATEMENT

Fees to members of Marimekko's Board of Directors 2016–2017

	Fee for Board work		Other financial benefits		Total compensation in the financial year	
(EUR 1,000)	2017	2016	2017	2016	2017 ****)	2016 ***)
Mika Ihamuotila	40	40	111*)	81*)	151*****)	121*****)
Elina Björklund	30	30	-	-	30	30
Rebekka Bay	22	-	32**)	-	54	-
Arthur Engel	22	22	8**)	25**)	30	47
Mikko-Heikki Inkeroinen	22	22	-	-	22	22
Joakim Karske******)	-	22	-	-	-	22
Helle Priess	22	-	20**)	-	42	-
Catharina Stackelberg-Hammarén	22	22	-	-	22	22
Total	180	158	171	106	352	264

*) Monthly fee paid under the full-time executive service agreement since 11 April 2016.
**) Consultancy compensation.
***) In accordance with the resolution by the Annual General Meeting on 11 April 2016 regarding the annual remuneration of the Board of Directors, the Vice Chairman of the Board received 1,472 shares and the other members 1,079 shares each as part of their annual remuneration.
****) In accordance with the resolution by the Annual General Meeting on 6 April 2017 regarding the annual remuneration of the Board of Directors, the Vice Chairman of the Board received 1,113 shares and the other members 816 shares each as part of their annual remuneration.
*****) In accordance with the resolution by the Annual General Meeting, the remuneration of the Chairman of the Board was paid entirely in cash, as Mika Ihamuotila held the company's shares worth more than EUR 500,000 on the date of the Annual General Meeting.
******) Member of the Board until 6 April 2017.

Salaries and bonuses paid to the President and CEO 2016–2017

	Salary		Annual bonus		Long-term bonus		Other financial benefits		Total compensation in the financial year	
(EUR 1,000)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
CEO*)	-	90	-	-	-	-	-	-	-	90
President**)	252	232	63	-	-	-	-	-	316	232
Total	252	322	63	-	-	-	-	-	316	322

*) Mika Ihamuotila, Chairman of the Board and CEO until 11 April 2016, full-time Chairman of the Board since 11 April 2016.
**) Tiina Alahuhta-Kasko, President until 11 April 2016, President and CEO since 11 April 2016.

Salaries and bonuses paid to other management 2016–2017

	Salary		Annual bonus		Long-term bonus		Other financial benefits		Total compensation in the financial year	
(EUR 1,000)	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Management Group	825	506	39	-	-	-	-	-	864	506
Total	825	506	39	-	-	-	-	-	864	506

as a so-called long-term bonus system targeted at the company's Management Group, including the President and CEO. Under the contract between the company and Tiina Alahuhta-Kasko, the President and CEO is, in addition to her regular salary, entitled to an annual bonus, the maximum amount of which corresponds to her regular salary for four months. The principles determining the bonus are confirmed annually by the Board of Directors based on a proposal by the Audit and Remuneration Committee. The President and CEO's pension is determined by the statutory employee pension plan (TyEL). If the President and CEO resigns of her own accord, her term of notice is six months and she is entitled to a remuneration corresponding to her regular salary for six months. If the company terminates the contract, the term of notice is six months and the President and CEO is entitled to a remuneration corresponding to her regular salary for six months. The remuneration in case of termination is tied to a fixed-term non-compete obligation.

Remuneration of other management
The Board of Directors of Marimekko Corporation decides on the salary and remuneration payable to the members of the Management Group. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the service contracts and remuneration of senior management. All members of the Audit and Remuneration Committee are independent of the company and its significant shareholders.

The remuneration of the Management Group members consists of a regular salary and fringe benefits, an annual bonus as well as a so-called long-term bonus system. The annual bonus is based on the growth of the company's consolidated net sales, operating result and individual objectives separately determined by the Board of Directors. The members of the Management Group fall within the scope of the statutory employee pension plan (TyEL).

The Board of Directors decided on 7 May 2014 on establishing a long-term bonus system targeted at the company's Management Group. The purpose of the bonus system is to encourage the Management Group to operate with a business mentality and to add to the company's value in the long term in particular. The aim is to combine the owners' and the Management Group's targets in order to increase the company's value and to elicit the Management Group's commitment to the company over a span of several years.

The system is composed of two earnings periods, which are 8 May 2014–31 October 2017 and 8 May 2014–28 February 2018. The possible bonus for each earnings period is based on the total yield on Marimekko Corporation's shares, including dividends. The possible bonus is determined to be paid in cash in two instalments. The first instalment would have been due in autumn 2017, and the possible second instalment will be due in spring 2018. Earning the bonus requires that the person still works for the company at the time of the payment. When receiving the bonus, the person in question commits themselves to using 50 percent of the net value of the bonus for acquiring the company's shares at transaction price within six months from receiving the bonus. The shares acquired with the bonus cannot be surrendered prior to two years from the time of acquiring the shares. The annual maximum value of the bonus paid to a member of the Management Group in the bonus system equals the approximate value of annual gross salary. The system encompasses seven Management Group members, including the President and CEO.

AUDIT

According to the Articles of Association, the company must have one auditor and, if the auditor is not an audit firm, one deputy auditor. The auditor and deputy auditor must be authorised by the Finnish Central Chamber of Commerce. The auditors are appointed in the Annual General Meeting.

The Annual General Meeting held on 6 April 2017 elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as auditor for the Marimekko Group and the Group companies, with Ylva Eriksson, Authorised Public Accountant, as chief auditor. The Annual General Meeting also decided that the auditor's fee will be paid as per invoice approved by the company.

The remuneration paid for audit services in 2017 was EUR 101 thousand. The remuneration paid to the auditor for non-audit services in 2017 was EUR 18 thousand.

The auditor issues an auditor's report in connection with the company's financial statements to the Board of Directors and, as required by law, an audit report to the shareholders. The auditor is present at the Board meeting where the annual financial statements are reviewed and, if needed, at the meetings of the Audit and Remuneration Committee.

RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT

Risk management, internal control and internal auditing are crucial elements of Marimekko's administration and management. The Board of Directors and the President and CEO bear responsibility for organising controls. The Audit and Remuneration Committee handles and prepares matters relating to risk management.

Risk management and risks
Marimekko Corporation's risk management is based on the risk management policy confirmed by the company's Board of Directors, which defines the principles, objectives and responsibilities of risk management, as well as the organisation and control of the risk management process.

Risk management principles
Marimekko Corporation's risk management aims to safeguard the smooth continuity of business operations and ensure stable profit development for the company. Comprehensive risk management is an ongoing, systematic process which involves identifying and evaluating risks associated with the company's operations and operating environment. The company's key risks comprise risks which could prevent the company from exploiting business opportunities or jeopardise or prevent the achievement of the strategic objectives of the Group or a Group company, or the continuity of operations or would otherwise have significant consequences for the company, its personnel or stakeholders. Risk management is an integral element of the company's management and decision-making process, covering all of the Group's functions.

A more detailed description of Marimekko's risk management process is available on the company's website under Investors/Management. The most significant risks are also described in the report of the Board of Directors on pages 15–16.

Internal control and internal audit
Marimekko applies internal control principles and an operating plan for the execution and monitoring of internal control. In the Marimekko Group, internal control is a process, for which the Board of Directors and the President and CEO are responsible.

The objective of internal control is to provide reasonable assurance that:

- the company's operations are effective and aligned with strategy
- financial reporting and management information is reliable
- the Group is in compliance with applicable laws and regulations
- a Code of Conduct and ethical values are established.

Marimekko's Board of Directors focuses on increasing shareholder value and, in accordance with good corporate governance, ensures that the company has defined internal control principles. The Board's Audit and Remuneration Committee is responsible for monitoring the efficiency of the company's internal control and risk management.

The system of internal control of Marimekko Corporation is based on the Committee of Sponsoring Organizations' (COSO) framework, which consists of five key components: control environment, risk assessment, control activities, information and communications, and monitoring.

Considering the nature and extent of the company's business, Marimekko Corporation has not found it necessary to establish a separate internal audit function. When necessary, the Board may purchase internal audit services from an external service provider.

INSIDER ADMINISTRATION

Marimekko Corporation's insider policy, based on the Guidelines for Insiders of Nasdaq Helsinki Ltd and the Market Abuse Regulation (MAR), describes the main obligations of insiders of Marimekko Corporation as well as the trade reporting of managers and their closely associated persons under MAR and related regulations and guidance. The Board of Directors of Marimekko Corporation confirms the policy.

A more detailed description of the company's insider administration is available on the company's website under Investors/Management/Corporate governance.

CORPORATE GOVERNANCE STATEMENT

The corporate governance statement is issued separately from the report of the Board of Directors. It can be found on the company's website under Investors/Management/Corporate governance.

Board of Directors and management, 31. Dec. 2017

BOARD OF DIRECTORS

Mika Ihamuotila born 1964
Chairman of the Board
Ph.D. (Econ.)
Principal occupation: Executive Chairman of the Board of Marimekko Corporation, 2016–

Primary work experience and key positions of trust:
Chairman of the Board and CEO of Marimekko Corporation, 2015–2016; President and CEO of Marimekko Corporation and Vice Chairman of the Board, 2008–2015; President and CEO of Sampo Bank plc, 2001–2007; President and CEO of Mandatum Bank Plc, 2000–2001; Executive Director of Mandatum Bank Plc, 1998–2000; Partner of Mandatum & Co Ltd, 1994–1998; Visiting scholar of Yale University (USA), 1992–1993; Member of the Board of Sanoma Corporation, 2013–; Member of the Board of Rovio Entertainment Ltd, 2013– and Chairman of the Board, 2017–; Chairman of the Board of the Mannerheim Foundation, 2017–

Elina Björklund born 1970
Vice Chairman of the Board
Chairman of the Audit and Remuneration Committee
M.Sc. (Econ.), IDBM Pro
Principal occupation: CEO of Reima Ltd, 2012–

Primary work experience and key positions of trust:
Partner and Director of BIetBI Advisors (Shanghai, China), 2011–2012;
Vice President Marketing in Fiskars Corporation's Home division and Member of Executive Board, 2009–2010; several executive positions and Member of Executive Board in Iittala Group Ltd, 2005–2009 and Development Manager, 2004–2005; CEO of Ebit Ltd, 2001–2004; Deputy Managing Director of Merita Securities Ltd (current Nordea), 1998–1999 and Chief Equity Analyst, 1996–1999; Equity Analyst of Kansallis-Osake-Pankki Equity Research, 1994–1995; Member of the Board of Directors and Audit Committee of Finnair Plc 2009–2012; Member of the Board of the HSE Foundation, 2013–; Member of the Board of the Finnish-Russian Chamber of Commerce, 2016–; Member of EVA Supervisory Board, 2016–

Rebekka Bay born 1969
Member of the Board
BA (Hons) in Fashion
Principal occupation: Creative Director of Uniqlo Global Innovation Center Inc., 2017–

Primary work experience and key positions of trust:
Head of Design and Product of Everlane (New York), 2015–2017; Creative Director EVP of Gap Global Design, Gap Inc. (New York), 2012–2015; Creative Director of Bruuns Bazaar (Copenhagen), 2011–2012;
Creative Director of COS (London), 2006–2011

Arthur Engel born 1967
Member of the Board
Economics degree
Principal occupation: non-executive board member; independent advisor and investor at Hilaritas AB, 2013–

Primary work experience and key positions of trust:
CEO of Björn Borg AB, 2008–2013; CEO of Gant Company AB, 2001–2007 and COO, 2000–2001; CEO and several executive positions at Leo Burnett Advertising Agency, 1994–2000; Statoil Svenska AB, 1991–1994; Chairman of the Board of Directors of Caliroots AB, 2013–; Member of the Board of Directors of MQ, 2014–; Member of the Advisory Board for Economic Studies at the University of Stockholm; Chairman of the Board of Directors of Rapunzel of Sweden, 2015–; Chairman of the Board of Directors of OnePiece AS, 2015–; Chairman of the Board of Directors of Five AB, 2016–; Member of the Board of Directors of Eton AB, 2016–

Mikko-Heikki Inkeroinen born 1987
Member of the Board
Member of the Audit and Remuneration Committee
M.Soc.Sc.
Principal occupation: Head of Digital Commerce of Expert AS, 2015–

Primary work experience and key positions of trust:
Marketing & E-commerce Manager and member of company steering group of Expert ASA Oy, 2010–2015; Member of the Board of Finnish Recycling Corporation Ltd, 2014–2015; Member of the Board of the Finnish Conscript Union, 2008–2009; Member of the Board of the Union of Upper Secondary School Students in Finland, 2006–2007

Helle Priess born 1976
Member of the Board
BA (Chinese studies)
Principal occupation: Owner & CEO of Priess Ltd., 2009–

Primary work experience and key positions of trust:
CEO of BTX Far East Asia / BTX China, 2005–2008; CEO of Emborg Foods China, 2002–2005; Retail Business Development Manager of Bestseller Fashion Group (Beijing), 1998–2001; Member of the Board of Universal Robots (Singapore) Pte, Ltd., 2015–2017; Member of the Board of Universal Robots (Shanghai) Ltd., 2013–2017; Advisory Board Member of Björn Borg (China) Limited, 2012–2014

Catharina Stackelberg-Hammarén born 1970
Member of the Board
Member of the Audit and Remuneration Committee
M.Sc. (Econ.)
Principal occupation: Founder and Managing Director of Marketing Clinic, 2004–

Primary work experience and key positions of trust:
Managing Director of Coca-Cola Finland, 2003–2004 and 2000–2002; Managing Director of Coca-Cola AB, 2002–2003; Marketing Director of Coca-Cola Nordic & Baltic Division (Copenhagen, Denmark), 2000; Consumer Marketing Manager of Coca-Cola Finland, 1996–2000; Marketing Manager of Sentra plc, 1994–1996; Member of the Board of Mint of Finland Ltd, 2004–2011; Member of the Board of Tradedoubler Ltd, 2006–2007; Member of the Board of EQ Plc, 2011–2012; Member of the Board of Cision AB, 2013–2014; Member of the Board of Jokerit Hockey Club Oy, 2013–2014; Member of the Board of Scan Securities Ab, 1996–; Member of the Board of Alma Media Corporation, 2009–; Member of the Board of Stiftelsen Svenska Handelshögskolan, 2011–; Member of the Board of Aktia Bank p.l.c., 2012–

MANAGEMENT GROUP

Chairman:
Tiina Alahuhta-Kasko born 1981
President and CEO
Employed by the company since 2005

Members:
Elina Aalto born 1968
Chief Financial Officer (CFO)
Employed by the company since 2015

Tina Broman born 1969
Chief Supply Chain Officer (CSCO)
Employed by the company since 2017

Kari Härkönen born 1981
Chief Digital Officer (CDO)
Employed by the company since 2016

Päivi Lonka born 1962
Chief Sales Officer (CSO)
Employed by the company since 2004

Päivi Paltola born 1971
Chief Marketing Officer (CMO)
Employed by the company since 2017

Tanya Strohmayer born 1970
Human Resources Director
Employed by the company since 2017

For additional information, see the Report of the Board of Directors, Management on pages 14–15.

Information on the Board and Management Group members' shareholdings in Marimekko Corporation on 31 December 2017 is provided on page 59.

Information for shareholders

Schedule for financial reporting in 2018

- Financial Statements Bulletin 2017, Thursday, 15 February 2018
- Financial Statements 2017, week 12 at the latest
- Interim Reports
  - January–March, Wednesday, 9 May 2018
  - January–June, Thursday, 9 August 2018
  - January–September, Thursday, 1 November 2018

Annual General Meeting

Marimekko Corporation's Annual General Meeting will be held from 2 p.m. onwards on Thursday, 12 April 2018 at Marimekko Corporation's head office, Puusepänkatu 4, 00880 Helsinki, Finland. Shareholders who have been registered by the Annual General Meeting's record date of 29 March 2018 at the latest in the company's Shareholder Register, held by Euroclear Finland Ltd on behalf of the Board of Directors of Marimekko Corporation, have the right to attend the Annual General Meeting. The shareholder in whose name the shares are registered is automatically entered in the company's Shareholder Register.

Shareholders who wish to attend the Annual General Meeting must notify the company of their intention to do so before 4 p.m. on Monday, 9 April 2018 at the latest:

- by filling in the registration form on the company's website company.marimekko.com under Investors/Management/General Meeting;
- by email to yk@marimekko.com;
- by telephone on +358 20 770 6893.

A holder of nominee-registered shares may participate in the Annual General Meeting with those shares under which the holder would be entitled to be registered in the company's Shareholder Register, held by Euroclear Finland Ltd on behalf of the Board of Directors of Marimekko Corporation, on 29 March 2018. Additionally, participation requires that the holder of nominee-registered shares is temporarily registered in the Shareholder Register no later than 9 April 2018 at 10 a.m. Temporary registration in the Shareholder Register shall be deemed to be a registration for the Annual General Meeting. A holder of nominee-registered shares is advised to request the necessary instructions regarding the temporary registration in the Shareholder Register, the issuing of proxy documents and registration for the General Meeting from their custodian bank well in advance. The account management organisation of the custodian bank will register a holder of nominee-registered shares, who wants to participate in the Annual General Meeting, to be temporarily entered into the company's Shareholder Register by the above-mentioned time.

Any proxy documents should be sent in original to the company before the registration deadline. Notice of the Annual General Meeting and further information is provided on the company's website under Investors/Management/General Meeting.

Dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.50 per share be paid for 2017. The dividend will be paid to shareholders who are registered on the dividend payout record date of 16 April 2018 in the company's Shareholder Register held by Euroclear Finland Ltd on behalf of the Board of Directors of Marimekko Corporation. The Board of Directors will propose to the Annual General Meeting that the dividend be paid on 23 April 2018.

Principles of investor relations

Marimekko Corporation complies with the principles of equity in its investor communications and publishes all its investor information primarily on its website in Finnish and English.

Information sessions and silent period

Information sessions are held at least twice a year for analysts and the media, always when the financial statements and half-year results are released as well as when necessary in connection with the disclosure of other significant matters. Marimekko has a four-week silent period before the publication of earnings reports.

Analysts

A list of banks and securities brokers that actively follow Marimekko's development is available on the company's website under Investors/Marimekko as an investment/Analysts.

Financial reports

Marimekko Corporation's financial statements and interim reports are published in Finnish and English. Printed financial statements 2017 are available upon request. Interim reports are also sent upon request to the address provided by the subscriber. Financial information is posted on the company's website under Releases and publications.

To order publications, contact:

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