# marimekko

Financial Statements 2018

## 10 years of Oiva

The Oiva tableware is celebrating its 10th anniversary. Designed by Sami Ruotsalainen, Oiva (superb) is a contemporary classic at the heart of Marimekko's tabletop collection.

”A form must be new and timeless at the same time, and the union between form and pattern is essential – at their best they combine to strengthen each other.”
– Sami Ruotsalainen

Tableware patterns in the picture by Maija Louekari.

# Renowned for bold prints

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 has been the cornerstone of our design since the very beginning. Marimekko is not about fast fashion. We aim to offer our customers long-lived products that they will not want to throw away. In best cases, our products are passed on from one generation to the next.

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.

In 2018, brand sales of our products worldwide amounted to 248 million euros and our net sales were 112 million euros. There are roughly 150 Marimekko stores in 15 countries, and online store serves customers in 32 countries. Flagship stores are located in Helsinki, Stockholm, New York, Tokyo and Sydney. Our key markets are Northern Europe, North America and the Asia-Pacific region, and we approach them through key cities. 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

The year 2018 was strong and very eventful for Marimekko. During the preceding couple of years, we focused on improving our profitability and international competitiveness. In 2018, we began seeking markedly stronger growth. Our main objective for the strategy period 2018–2022 is to appeal to a wider and wider clientele and thereby enhance growth and profitability. I am glad that the period got off to a good start: our net sales grew by 9 percent and our comparable operating profit by 42 percent. The growth figures for the comparison year were also solid, so the past year was a clear demonstration of the effectiveness of the new direction in our collections and our brand. However, we are just starting out on our strategy period, and there is still much work to be done.

Our net sales rose to EUR 111.9 million (102.3) and our operating profit to EUR 17.7 million (8.4) with the capital gain from the sale of our head office. Our comparable operating profit was EUR 12.2 million (8.6). Growth in retail and wholesale sales in Finland as well as increased wholesale sales in the Asia-Pacific region were among the main factors behind the strong result. In Finland, growth in wholesale sales was primarily due to nonrecurring promotional deliveries. There were promotional deliveries in each quarter, and the largest deliveries took place in the second and final quarters. As we forecasted previously, most of our earnings for 2018 were generated during the second and third quarters, which was contrary to the normal situation. Looking at the whole year, it was also gratifying that our relative sales margin was at a favourable level and regular-priced sales performed well. Furthermore, our holiday sales, which represent a particularly important season for us, were successful.

The year started in style, as the limited-edition collaboration collections launched globally with the Japanese clothing brand Uniqlo and the cosmetics brand Clinique gave us a lot of visibility alongside our own marketing actions. In our sector, building brand awareness is one of the main prerequisites for international success. We also invested in our store network: the Marimekko flagship stores in Stockholm, Tokyo and Sydney were revamped during the year. The flagship stores play a central role as spearheads of our brand in the world.

In spring, we sold our head office building in Helsinki to a fund of OP Financial Group. At the same juncture, we signed a long-term lease and we will continue to operate in our current premises. We booked a nonrecurring taxable capital gain of EUR 6.0 million on the transaction for the second quarter of 2018; the cash flow impact before taxes was EUR 10.5 million. I am pleased with this arrangement as the sale and leaseback of the head office provides us with the opportunity to focus fully on building growth in the years ahead. Owning real estate is not part of our core business. As a result of the transaction, our expenses will increase by roughly EUR 1 million and depreciation will decrease by about EUR 0.5 million annually.

The sale of the head office strengthened our financial position and, during the autumn, Marimekko's Board of Directors examined various options to use the funds obtained from the transaction. At the beginning of November, we announced the Board's decisions regarding acceleration of profitable growth, improvement of capital efficiency, additional dividend and revised long-term financial goals. Part of the funds obtained from the sale of the head office will be used for developing strategically important business areas. We aim to accelerate customer base expansion by continuing the development of the brand and the collections and by investing in digital business, omnichannel operations, IT systems and growth in Asia. Our goals related to profitability and capital structure were revised – the new goals are as follows: operating profit margin 15 percent (earlier: 10 percent) and the ratio of net debt to EBITDA at year end max. 2. The goals related to net sales growth and dividends remained unchanged. The financial goals are presented in their entirety on page 5.

Towards the end of the year, we devoted greater efforts to marketing and boosting our brand recognition in China. This year, we have taken the first steps to launch online sales of Marimekko products in WeChat and Tmall. Our aim is to so improve the availability of our products and, together with our local partner, to offer an omnichannel experience to our customers in this market, which is strategically important to us. Our partner is responsible for the operation of the Marimekko stores in China and we ourselves are responsible for online sales. Since our online sales in China are still very much in the early stages, it will incur expenses for us in 2019. I am convinced that we will gain

”2018 was a strong year for Marimekko – our net sales grew by 9 percent and our comparable operating profit by 42 percent. Our long-term work to build international success continues.”

valuable lessons in the future of digital business, as China is one of the world's most advanced and rapidly developing online marketplaces.

Personnel are a key asset in building our success. Marimekko's Board of Directors has decided to arrange a personnel share issue in Finland, the terms and conditions as well as schedule of which were published in a stock exchange release at the end of February. I think that now, in the early stages of our new strategy period, is a logical time for the personnel share issue. I am pleased with the opportunity this offers Marimekko employees to increase their holdings or to become new owners of our company, thus taking part in building our common future also in the role of shareholders.

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

We have begun the year 2019 with a confident mind, and our recent accomplishments have strengthened our will to succeed and build Marimekko into an even more appealing phenomenon internationally. We do business in one of the most competed sectors in the world, where succeeding requires continuous learning and the ability to maintain competitiveness in a rapidly changing operating environment. These prerequisites and doing things together are our cornerstones when building Marimekko's future.

**Tiina Alahuhta-Kasko**

# 2018 in a nutshell

2018 was a successful year for Marimekko. Our net sales grew to 111.9 million euros and operating profit to 17.7 million euros with the capital gain from the sale of our head office. Our comparable operating profit was 12.2 million euros.

Sales rose in all market areas with the exception of North America, where net sales were on a par with the previous year. Growth came primarily from our two biggest markets: Finland and the Asia-Pacific region. In Finland, the 10 percent increase in retail sales was stronger than the overall trend for the sector; growth in wholesale sales was mostly due to nonrecurring promotional deliveries. Sales growth was the main factor behind the strong result.

In terms of the number of Marimekko stores, the Asia-Pacific region surpassed our home market, Finland.

**Net sales**
**111.9**
million euros (102.3)

**Comparable operating profit**
**12.2**
million euros (8.6)

**Comparable operating profit margin**
**10.9**
% (8.4)

**Comparable EBITDA**
**14.7**
million euros (11.9)

**Cash flow from operating activities**
**12.2**
million euros (9.8)

**Our key markets**
Northern Europe, North America and the Asia-Pacific region

**Around 150 Marimekko stores**
in 15 countries

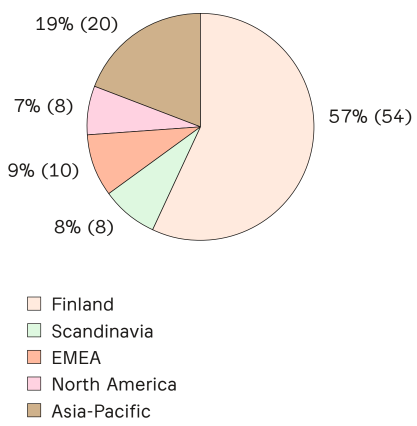
**Online store**
reaches our customers in 32 countries

**Flagship stores**
in Helsinki, Stockholm, New York, Tokyo and Sydney

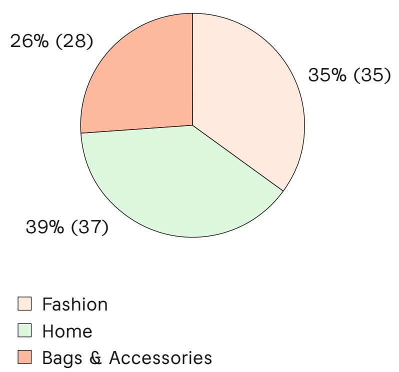
**We employ**
about 450 people

**Our share is quoted on**
Nasdaq Helsinki Ltd

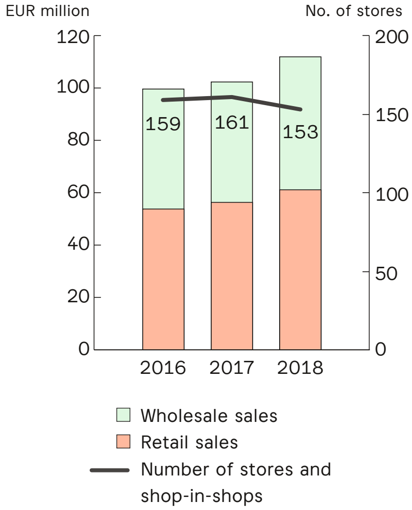
**Net sales by market area 2018**




**Net sales by product line 2018**




**Net sales by channel incl. e-commerce**

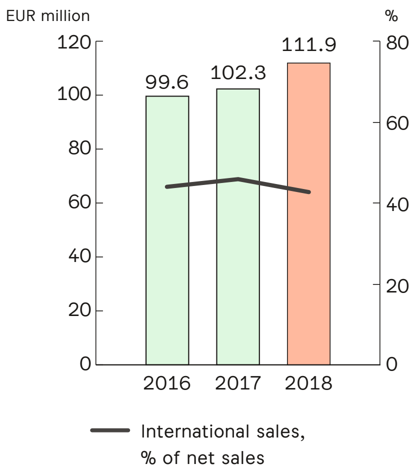


## REVISED LONG-TERM FINANCIAL GOALS

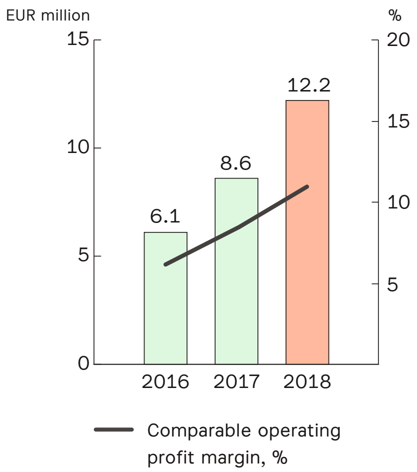
In 2018, we revised our goals related to profitability and capital structure. The goals related to net sales growth and dividends remained unchanged.

- Annual growth in net sales over 10% (unchanged)
- Operating profit margin 15% (earlier: 10%)
- Ratio of net debt to EBITDA at year end max. 2 (new)
- The intention is to pay a yearly dividend; percentage of earnings per share allocated to dividends at least 50% (unchanged)

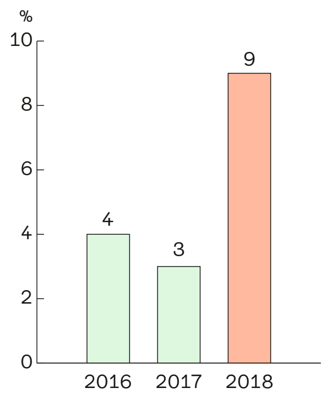
**Net sales**



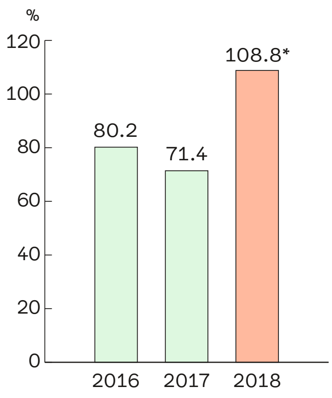

**Comparable operating profit**




**Growth in net sales, %**




**Dividend per profit, %**



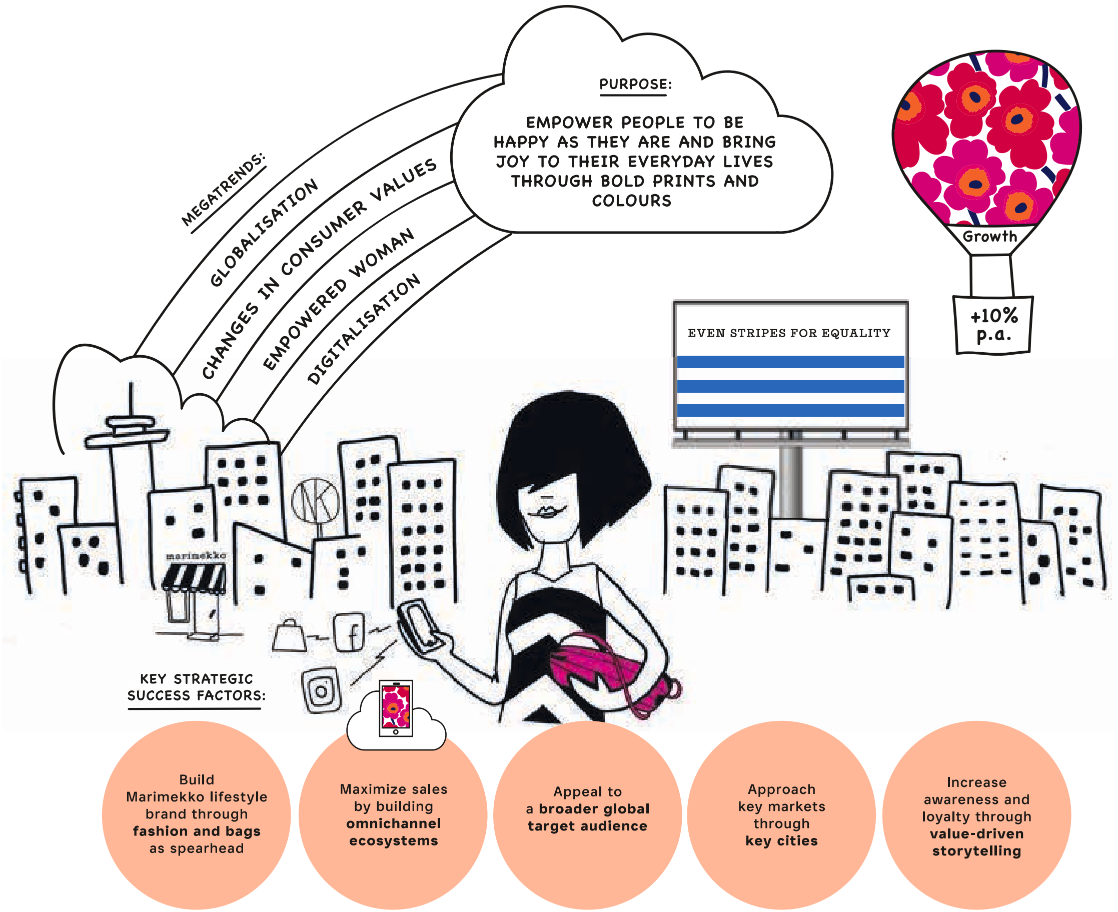

* The Board of Directors' proposal to the Annual General Meeting. The proposed dividend includes a regular dividend of EUR 0.60 per share and an additional dividend of EUR 1.25 per share.

# Strategy

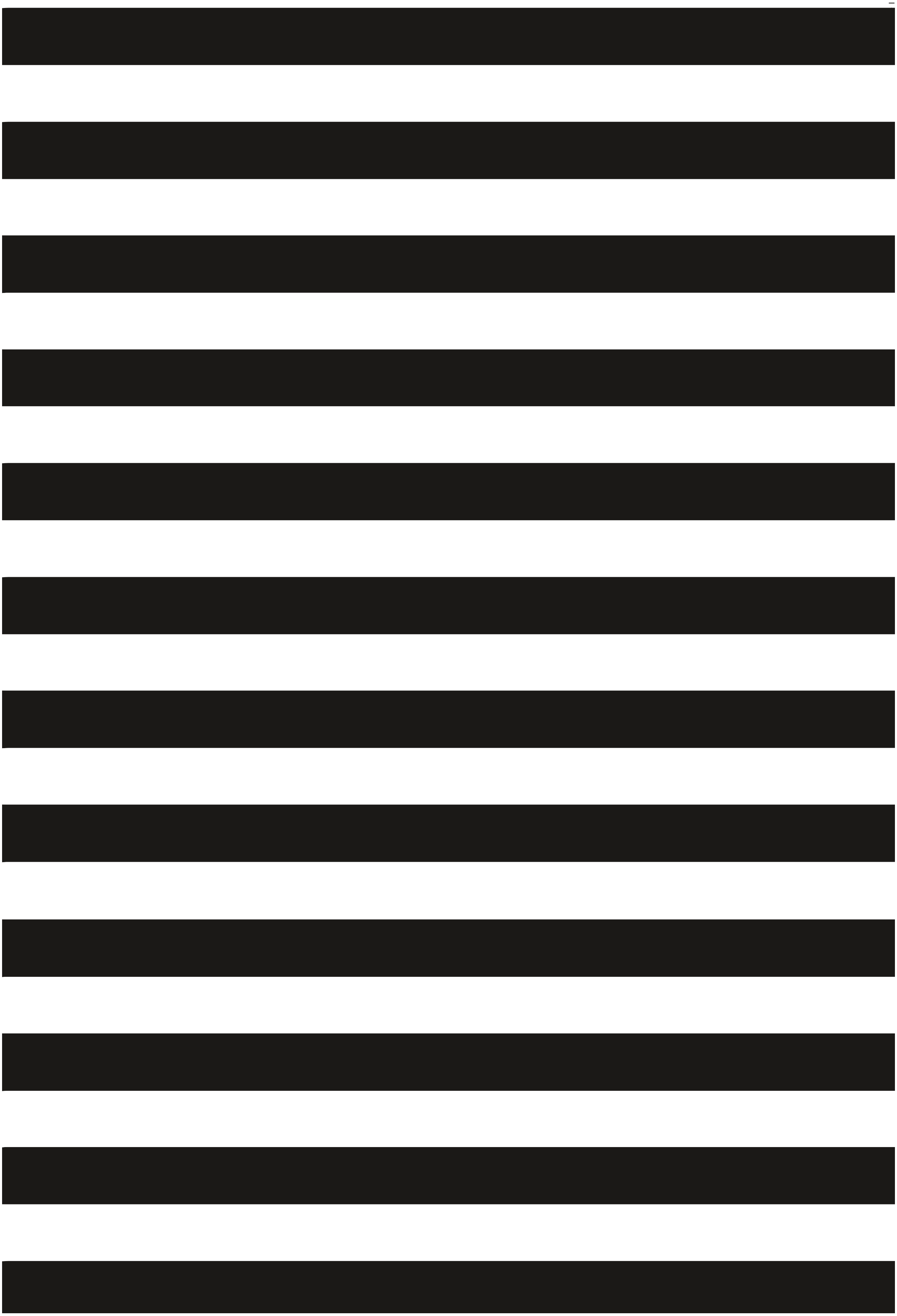
Our vision is to be the world's most inspiring lifestyle design brand renowned for bold prints.

Marimekko has a long-term international growth strategy. In 2016 and 2017, we focused in particular on enhancing our profitability and international competitiveness. We are now in the early stages of our strategy period 2018–2022.

The growth figures for 2018 were good, and the year was a strong demonstration of the effectiveness of the new direction in our collections and our brand. Our long-term work to build international success continues. Our main objective is to appeal to 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

## 2018 IN BRIEF

2018 was a strong year for Marimekko: the Group's net sales grew by 9 percent on the previous year and were EUR 111.9 million (2017: 102.3; 2016: 99.6). Retail sales rose by 8 percent and wholesale sales by 12 percent. Sales grew in all market areas with the exception of North America, where net sales were on a par with the previous year. Net sales in Finland grew by 14 percent and were EUR 63.5 million (55.7; 55.8). International sales rose by 4 percent to EUR 48.3 million (46.6; 43.8). Brand sales[1] of Marimekko products amounted to EUR 248.4 million (192.7; 199.3).

Growth in net sales came primarily from retail and wholesale sales in Finland and from wholesale sales in the Asia-Pacific region. In Finland, retail sales rose by 10 percent and growth was stronger than the overall trend for the sector. The 25 percent increase in Finnish wholesale sales was mostly due to nonrecurring promotional deliveries. There were promotional deliveries in each quarter, and the largest deliveries took place in the second and final quarters. The most important season of the fourth quarter, holiday sales, performed well. It is typical in Marimekko's sector that the proportion of holiday sales is particularly significant in the fourth quarter.

In 2018, operating profit rose to EUR 17.7 million (8.4; 5.2) with a nonrecurring taxable capital gain of EUR 6.0 million on the sale of the company's head office. Comparable operating profit grew by 42 percent and was EUR 12.2 million (8.6; 6.1). Growth in sales, particularly in Finland and the Asia-Pacific region, as well as a good relative sales margin, which was partly due to a favourable level of regular-priced sales, contributed to the strong comparable operating profit. A drag was exerted on results by higher fixed costs, especially personnel, marketing and rental expenses. Depreciation was also lower. Most of the earnings for 2018 were generated during the second and third quarters, contrary to the normal situation. Profit after tax for the financial year was EUR 13.7 million (5.7; 4.0) and earnings per share were EUR 1.70 (0.70; 0.50).

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

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2018 (0.50; 0.40). The Board will also propose the payment of an additional dividend of EUR 1.25 per share. As announced on 1 November 2018, the decision to propose the payment of an additional dividend was made because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position. The proposal by the Board is based on earnings per share (EPS) and takes into consideration the total of the proposed dividends, EUR 1.85 per share.

## OPERATING ENVIRONMENT

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

In Finland, the overall picture of economic conditions is good, but the prospects have deteriorated. Growth in retail sales has been fair, but the pace is expected to slacken in the next half-year. Sales expectations for the next few months are, however, somewhat more positive than in the survey results for the previous month. Retail trade confidence stood almost unchanged in January and in December was slightly higher than the EU average. Consumers' confidence in their own finances was strong in January, but the picture of the Finnish economy looked fairly pessimistic. (Confederation of Finnish Industries EK: Economic Review, November 2018; Business Tendency Survey, January 2019; Confidence Indicators, January 2019. Statistics Finland: Consumer Survey, January 2019.)

In 2018, the value of retail sales in Finland rose by 2.7 percent on the

[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.

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

## NET SALES

In 2018, the Group's net sales grew by 9 percent and were EUR 111.9 million (102.3; 99.6). Retail sales increased by 8 percent and wholesale sales by 12 percent. Sales rose in all market areas except North America, where net sales were on a par with the previous year. Net sales in Finland grew by 14 percent and international sales by 4 percent.

Net sales in Finland rose to EUR 63.5 million (55.7; 55.8). Retail sales grew by 10 percent and comparable retail sales[2] by 9 percent. The growth in retail sales was better than the overall trend for the sector, and the proportion of regular-priced sales was at a favourable level throughout the year. Wholesale sales rose by 25 percent, primarily due to nonrecurring promotional deliveries. There were promotional deliveries in each quarter, and the largest deliveries took place in the second and final quarters. Successful holiday sales boosted both retail and wholesale sales in the final quarter of the year.

In the company's second-biggest market, the Asia-Pacific region, net sales rose by 3 percent to EUR 20.8 million (20.2; 18.8). Wholesale sales in the region grew by 5 percent.

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

**Net sales by market area**

| (EUR million) | 2018 | 2017 | Change, % |
|---|---|---|---|
| Finland | 63.5 | 55.7 | 14 |
| Retail sales | 45.1 | 40.8 | 10 |
| Wholesale sales | 18.3 | 14.6 | 25 |
| Royalties | 0.2 | 0.2 | -10 |
| | | | |
| Scandinavia | 9.0 | 8.5 | 6 |
| Retail sales | 5.3 | 5.1 | 4 |
| Wholesale sales | 3.7 | 3.4 | 10 |
| Royalties | - | - | |
| | | | |
| EMEA | 10.3 | 9.7 | 6 |
| Retail sales | 1.5 | 1.1 | 31 |
| Wholesale sales | 8.4 | 8.3 | 2 |
| Royalties | 0.4 | 0.3 | 23 |
| | | | |
| North America | 8.2 | 8.3 | -1 |
| Retail sales | 5.2 | 5.3 | -1 |
| Wholesale sales | 2.7 | 2.5 | 7 |
| Royalties | 0.3 | 0.5 | -40 |
| | | | |
| Asia-Pacific | 20.8 | 20.2 | 3 |
| Retail sales | 4.0 | 4.0 | 0 |
| Wholesale sales | 16.4 | 15.5 | 5 |
| Royalties | 0.4 | 0.6 | -34 |
| | | | |
| International sales, total | 48.3 | 46.6 | 4 |
| Retail sales | 16.0 | 15.5 | 3 |
| Wholesale sales | 31.2 | 29.7 | 5 |
| Royalties | 1.1 | 1.4 | -23 |
| | | | |
| Total | 111.9 | 102.3 | 9 |
| Retail sales | 61.1 | 56.3 | 8 |
| Wholesale sales | 49.5 | 44.4 | 12 |
| Royalties | 1.3 | 1.6 | -22 |

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.

Part of the last quarter's deliveries took place after the start of 2019. In the most important country of the market area, Japan, wholesale sales grew by 1 percent; the change in the delivery pattern had a weakening impact. Retail sales (Australia) were on a par with the previous year.

**FINANCIAL RESULT**

In 2018, the Group's operating profit grew to EUR 17.7 million (8.4; 5.2). Operating profit included a nonrecurring taxable capital gain of EUR 6.0 million on the sale of the company's head office plus nonrecurring expenses. Comparable operating profit was EUR 12.2 million (8.6; 6.1). Operating profit was boosted by growth in retail and wholesale sales in Finland as well as by growth in wholesale sales in the Asia-Pacific region. In Finland, growth in retail sales was better than the overall trend for the sector and the proportion of regular-priced sales was at a favourable level throughout the year. Growth in wholesale sales was generated principally by nonrecurring promotional deliveries. There were promotional deliveries in all quarters, and the largest deliveries took place in the second and last quarters. The result was also boosted by lower depreciation than in the previous year. A drag was exerted on results by higher fixed costs, especially personnel, marketing and rental expenses.

Marketing expenses for the year 2018 were EUR 5.8 million (4.5; 4.4), or 5 percent of the Group's net sales (4; 4).

The Group's depreciation and impairments amounted to EUR 2.5 million (3.3; 4.1), or 2 percent of net sales (3; 4).

Operating profit margin was 15.8 percent (8.2; 5.3) and comparable operating profit margin was 10.9 percent (8.4: 6.1).

Net financial expenses were EUR 0.2 million (1.2; 0.1), or 0 percent of net sales (1; 0). Financial items include exchange rate differences amounting to EUR -0.1 million (-1.0; 0.1).

Result for 2018 before taxes was EUR 17.6 million (7.1; 5.2). Result after taxes was EUR 13.7 million (5.7; 4.0) and earnings per share were EUR 1.70 (0.70; 0.50).

**BALANCE SHEET**

The consolidated balance sheet total as at 31 December 2018 was EUR 57.1 million (47.1; 48.5). Equity attributable to the equity holders of the parent company was EUR 40.0 million (30.7; 28.3), or EUR 4.96 per share (3.79; 3.50).

Non-current assets at the end of 2018 stood at EUR 4.9 million (13.3; 15.6). The change is due to the sale of the company's head office in the second quarter.

At the end of the year, net working capital was EUR 12.3 million (14.5; 15.3). Inventories were EUR 22.1 million (20.9; 21.4).

**CASH FLOW AND FINANCING**

In 2018, cash flow from operating activities was EUR 12.2 million (9.8; 6.1), or EUR 1.51 per share (1.21; 0.76). Cash flow before cash flow from financing activities was EUR 21.7 million (8.8; 3.6). This was boosted by the sale of the company's head office in Finland in the second quarter.

The Group's financial liabilities at the end of the year were EUR 0.4 million (3.3; 6.0).

At the end of the year, the Group's cash and cash equivalents amounted to EUR 23.2 million (6.2; 3.5). In addition, the Group had unused committed credit lines of EUR 13.0 million (18.0; 14.4).

The Group's equity ratio at the end of 2018 was 70.0 percent (65.2; 58.5). Gearing was -56.9 percent (-9.4; 8.8).

**INVESTMENTS**

The Group's gross investments were EUR 1.3 million (1.2; 2.7), or 1 percent of net sales (1; 3). Most of the investments were devoted to the company's IT systems and store premises.

**STORE NETWORK**

In 2018, the main thrust in expanding the Marimekko store network continued to be on openings of retailer-owned 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. Nine of the new stores are located in the company's growth market in the Asia-Pacific region: two each in Japan, China and Thailand, and one in South Korea, Hong Kong and Taiwan.

The Marimekko flagship stores in Stockholm and in Tokyo's popular Omotesando district were revamped in 2018. The company's Sydney flagship reopened after a total facelift in a new location. The flagship stores play a central role as the most prominent embodiment of the Marimekko brand in the world.

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

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

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

## 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 8,335 shareholders at the end of 2018 (7,575; 7,270). Of the shares, 12.1 percent were owned by nominee-registered or non-Finnish holders (11.4; 10.5). The breakdown of Finnish ownership by owner group was as follows: households 38.4 percent, non-financial corporations and housing corporations 28.6 percent, general government 9.8 percent, financial and insurance corporations 9.5 percent, and non-profit institutions 1.6 percent.

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

At the end of the year, the number of shares owned either directly or indirectly by members of the Board of Directors and the Management Group of the company was 1,341,763, representing 16.6 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 2018, a total of 1,455,424 Marimekko shares were traded (796,964; 2,112,657), representing 18.0 percent of the shares outstanding (9.9; 26.1). The total value of the share turnover was EUR 23,348,024. The lowest price of the Marimekko share was EUR 9.92, the highest was EUR 23.50 and the average price was EUR 16.04. At the end of the year, the closing price of the share was EUR 20.80. The company's market capitalisation on 31 December 2018 was EUR 167,847,888, excluding the Marimekko shares held by the company (81,705,061; 76,689,503).

### Flaggings

Marimekko did not receive any flagging notifications in 2018.

### Authorisations

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

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

The General Meeting of 12 April 2018 also authorised the Board of Directors to decide on a share issue, against consideration in deviation from the shareholders' pre-emptive right, directed to the company's personnel or other personnel groups designated by the Board, including the company's freelance designers. The authorisation is valid until 12 October 2019. The total number of new shares to be offered for subscription pursuant to the authorisation may not exceed 150,000 shares. The authorisation includes the right of the Board of Directors to decide on all of the other terms and conditions of the share issue.

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

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

## PERSONNEL

In 2018, the number of employees averaged 433 (425; 441). At the end of the year, the Group had 445 employees (446; 431), of whom 102 (122; 111) worked outside Finland. Salaries, wages and bonuses paid to personnel amounted to EUR 20.0 million (19.4; 19.8).

A new performance management model was adopted throughout the company at the beginning of the year. By means of the model, the work of every Marimekko employee can be closely linked to the company's strategy. Goals related to both work performance and behaviour were set for all employees, and attention was paid, among other things, to compliance with Marimekko's values and common competence descriptions when assessing the results. During the year, training was provided in line with the model for managers in how to assess the achievement of the set goals. In general, development of managerial work played a central role in personnel work, and various indicators were used to monitor performance quality. A wide-ranging personnel survey was carried out in November; the survey's PeoplePower index, which measures employee commitment, for example, rose on the previous year and Marimekko reached the second-highest level. Committed staff keen to develop their own expertise as well as Group-wide effective, consistent practices are cornerstones for the continued development of Marimekko's growing international operations.

In 2018, the average voluntary turnover[3] of permanent employees was 11.4 percent for office and production staff and 22.3 percent for store personnel. As is typical in the company's sector, the turnover of store personnel is somewhat higher than the average.

## SUSTAINABILITY

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

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

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

### 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.

[3] Average turnover replaces the key figure used in the previous years: turnover of employees leaving (20.8; 16.1).

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 energy and 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 2018, the sickness absence percentage based on theoretical regular working hours was 2.9 percent (2.9; 2.6) 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 12 April 2018 appointed seven members to the company's Board of Directors. Rebekka Bay, Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen, Helle Priess and Catharina Stackelberg-Hammarén were re-elected. 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 euros on the date of the Meeting, 12 April 2018, 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 2018. Marimekko's Head of Business Development Riika Wikberg was appointed a member of the Management Group as of 15 February 2018. Päivi Paltola, Chief Marketing Officer (CMO) and member of the Management Group, left her position on 12 October 2018. Morten Israelsen started as Marimekko's Chief Sales Officer (CSO) and member of the Management Group on 29 October 2018, when Päivi Lonka, Chief Sales Officer and member of the Management Group stepped down from her position. She continued in the company until the end of November 2018 to ensure a smooth transition.

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

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

The Annual General Meeting elected KPMG Oy Ab, Authorised Public Accountants, as the company's auditor, with Virpi Halonen, Authorised Public Accountant, as the auditor with principal responsibility. It was decided that the auditor's fee will be paid as per invoice approved by the company.

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

**Corporate governance statement**
The corporate governance statement for 2018 is issued separately from the report of the Board of Directors. It can be found on the company's website at company.marimekko.com under Investors/Management/Corporate governance.

## OTHER EVENTS DURING 2018

**Sale and leaseback of the company's head office building in Helsinki**
In its stock exchange release published on 11 April 2018, Marimekko announced that it had sold its head office building in Herttoniemi, Helsinki to the Finnish Real Estate Fund Finland III Ky, a fund of OP Financial Group. The building with total lettable area of approximately 11,000 square metres houses Marimekko's head office, textile printing factory, and retail space of two stores. Marimekko has signed a long-term lease agreement and will continue to operate in its current premises.

Marimekko booked a EUR 6.0 million nonrecurring taxable capital gain on the transaction for the second quarter of 2018; the cash flow impact before taxes was EUR 10.5 million. In addition, OP has committed to invest in renovating the building. As a result of the transaction, Marimekko's expenses will increase by about EUR 1 million and depreciation will decrease by about EUR 0.5 million annually.

**Board decisions regarding acceleration of profitable growth, improvement of capital efficiency, additional dividend and financial goals**
In its half-year financial report published on 9 August 2018, Marimekko stated that the sale of its head office strengthened the company's financial position and that, in the autumn, the Board of Directors will examine various options to use the funds obtained from the transaction. In its stock exchange release of 1 November 2018, the company announced that the Board focused in its evaluation on accelerating profitable growth and improving capital efficiency. The Board decided that part of the funds will be used for development of strategically important business areas and that a proposal for the payment of an additional dividend of EUR 1.25 per share will be made to the Annual General Meeting to be held in spring 2019.

At the same time, the Board examined the company's long-term financial goals and decided to revise the goals related to profitability and capital structure. The new goals are as follows: operating profit margin 15 percent (earlier: 10 percent) and the ratio of net debt to EBITDA at year end max. 2. The goals related to net sales growth and dividends remained unchanged.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

**Personnel share issue**
On 26 February 2019, the Board of Directors decided on the detailed terms and conditions as well as schedule of the company's personnel share issue. The complete terms and conditions of the share issue are attached to the stock exchange release regarding the decision. A maximum total of 150,000 new shares in the company will, in deviation from the shareholders' pre-emptive right, be offered for subscription to Marimekko's employees and freelance designers in Finland.

## MAJOR RISKS AND FACTORS OF UNCERTAINTY

Factors of uncertainty over the global

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

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

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

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

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

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

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

## MARKET OUTLOOK AND GROWTH TARGETS FOR 2019

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

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

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

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

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

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

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

## FINANCIAL GUIDANCE FOR 2019

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

## THE BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFIT

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

The Board of Directors will propose to the Annual General Meeting that a regular dividend of EUR 0.60 per share plus an additional dividend of EUR 1.25 per share be paid for 2018, adding up to a total of EUR 1.85 per share. The proposed dividends total EUR 14,928,778.50, and the remaining funds are to be retained in equity.
As announced on 1 November 2018, the decision to propose the payment of an additional dividend was made because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position. The proposal by the Board is based on earnings per share (EPS) and takes into consideration the total of the proposed dividends.

The Board will propose 23 April 2019 as the dividend record date, and 30 April 2019 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 Wednesday 17 April 2019 from 2 p.m. onwards in Finlandia Hall, Mannerheimintie 13e, 00100 Helsinki, Finland.

Helsinki, 26 February 2019

Marimekko Corporation
Board of Directors

# Consolidated financial statements, IFRS

## CONSOLIDATED INCOME STATEMENT

| (EUR 1,000) | Note | 1 Jan.–31 Dec. 2018 | 1 Jan.–31 Dec. 2017 |
|---|---|---|---|
| **NET SALES** | 1. | **111,879** | **102,324** |
| Other operating income | 2. | 6,522 | 406 |
| Change in inventories of finished goods and work in progress | | 1,169 | 294 |
| Raw materials and consumables | 3. | -42,086 | -37,401 |
| Employee benefit expenses | 4. | -26,188 | -24,543 |
| Depreciation and impairments | 5. | -2,501 | -3,308 |
| Other operating expenses | 6. | -31,075 | -29,413 |
| **OPERATING PROFIT** | | **17,721** | **8,360** |
| Financial income | 7. | 178 | 39 |
| Financial expenses | 8. | -346 | -1,269 |
| | | -168 | -1,230 |
| **RESULT BEFORE TAXES** | | **17,552** | **7,130** |
| Income taxes | 9. | -3,855 | -1,470 |
| **NET RESULT FOR THE PERIOD** | | **13,698** | **5,660** |
| Distribution of net result to equity holders of the parent company | | 13,698 | 5,660 |
| Basic and diluted earnings per share calculated on the result | | | |
| attributable to equity holders of the parent company, EUR | 10. | 1.70 | 0.70 |

## COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

| (EUR 1,000) | 1 Jan.–31 Dec. 2018 | 1 Jan.–31 Dec. 2017 |
|---|---|---|
| Net result for the period | 13,698 | 5,660 |
| Items that could be reclassified to profit or loss at a future point in time | | |
| Change in translation difference | -2 | -71 |
| **COMPREHENSIVE RESULT FOR THE PERIOD** | **13,696** | **5,589** |
| Distribution of net result to equity holders of the parent company | 13,696 | 5,589 |

The notes are an integral part of the financial statements.

## CONSOLIDATED BALANCE SHEET

| (EUR 1,000) | Note | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Intangible assets | 11.1 | 342 | 1,145 |
| Tangible assets | 11.2 | 4,438 | 12,107 |
| Other financial assets | 11.4 | 16 | 16 |
| Deferred tax assets | 14.1 | 114 | 66 |
| | | 4,910 | 13,333 |
| CURRENT ASSETS | | | |
| Inventories | 12.1 | 22,114 | 20,921 |
| Trade and other receivables | 12.2 | 6,916 | 6,647 |
| Cash and cash equivalents | 16. | 23,174 | 6,212 |
| | | 52,204 | 33,780 |
| **ASSETS, TOTAL** | | **57,114** | **47,113** |

| (EUR 1,000) | Note | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|---|
| 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 |
| Treasury shares | | -315 | - |
| Translation differences | | -49 | -47 |
| Retained earnings | | 31,827 | 22,175 |
| Shareholders' equity, total | | 40,005 | 30,669 |
| NON-CURRENT LIABILITIES | | | |
| Finance lease liabilities | 14.2 | 202 | 3,097 |
| | | 202 | 3,097 |
| CURRENT LIABILITIES | 15.1 | | |
| Trade and other payables | | 15,574 | 12,519 |
| Current tax liabilities | | 1,128 | 552 |
| Provisions | | - | 32 |
| Finance lease liabilities | 15.2 | 206 | 244 |
| | | 16,908 | 13,347 |
| Liabilities, total | | 17,110 | 16,444 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL** | | **57,114** | **47,113** |

The notes are an integral part of the financial statements.

## CONSOLIDATED CASH FLOW STATEMENT

| (EUR 1,000) | 1 Jan.–31 Dec. 2018 | 1 Jan.–31 Dec. 2017 |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net profit for the period | 13,698 | 5,660 |
| Adjustments | | |
| Depreciation and impairments | 2,501 | 3,308 |
| Capital gains on fixed assets | -6,095 | - |
| Financial income and expenses | 168 | 1,230 |
| Taxes | 3,855 | 1,470 |
| Cash flow before change in working capital | 14,127 | 11,668 |
| Change in working capital | 1,549 | 416 |
| Increase (-) / decrease (+) in current non-interest-bearing trade receivables | -317 | 1,027 |
| Increase (-) / decrease (+) in inventories | -1,194 | 437 |
| Increase (+) / decrease (-) in current non-interest-bearing liabilities | 3,059 | -1,047 |
| Cash flow from operating activities before financial items and taxes | 15,675 | 12,084 |
| Paid interest and payments on other financial expenses | -315 | -433 |
| Interest received | 191 | 22 |
| Taxes paid | -3,327 | -1,863 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | **12,225** | **9,810** |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | |
| Investments in tangible and intangible assets | -1,073 | -981 |
| Proceeds from sale of tangible and intangible assets | 10,508 | - |
| Sale of other investments | 11 | 3 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | **9,446** | **-978** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Acquisition of treasury shares | -315 | - |
| Change in long-term loans | - | -2,594 |
| Short-term loans drawn | - | 2,000 |
| Short-term loans paid | - | -2,000 |
| Finance lease liabilities paid | -349 | -273 |
| Dividends paid | -4,045 | -3,236 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **-4,709** | **-6,103** |
| Change in cash and cash equivalents | 16,962 | 2,730 |
| Cash and cash equivalents at the beginning of the period | 6,212 | 3,482 |
| Cash and cash equivalents at the end of the period | 23,174 | 6,212 |

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

The notes are an integral part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## COMPANY PROFILE

Marimekko Corporation is a Finnish clothing and textile design company. Marimekko Corporation and its subsidiaries form a Group that designs, sources, sells and markets clothing, bags and accessories, and interior decoration products. In addition, the company produces printed fabrics in its own textile printing factory.

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 26 February 2019. 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 2018. 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. 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**

The Group sells products in Marimekko's retail stores and online store, and through wholesale channels in Finland and abroad. Most of the Group's income is comprised of wholesale and retail sales of products plus royalties.

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 utilisation of a single product is not dependent on other products sold by Marimekko. Revenue is recognised when the buyer obtains control of the product – that is when the significant risks and rewards of ownership have been transferred to the buyer. 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 wholesale and export trade, the terms of delivery determine the point of time when the customer obtains control of the goods. In retail where cash or a credit card is used as means of payment, the income is recognised at the time of sale.

Sales revenues are recognised at the amount to which Marimekko expects to be entitled in exchange for transferring the promised goods to the customer, except for amounts collected on behalf of third parties, such as indirect taxes. Discounts granted are taken into account when determining the revenue to be recognised. The fulfilment of performance obligations is verifiable from payment receipts or transportation documents. In compliance with IFRS 15, customer contributions 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 a wholesale customer obtains control of the goods according to the terms of delivery.

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.

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 purchase expenses adjusted with change in inventories of finished goods and work in progress and the expenses incurred due to production for own use, less 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 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. Deferred tax is not recognised for non-tax-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. 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 recognised as 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**

Financial assets are classified based on the Group's financial asset management business model and their contractual cash flow characteristics into the following categories: measured at amortised cost and measured at fair value through profit or loss.

Financial assets measured at amortised cost consist of trade receivables, other receivables and cash and cash equivalents. They are initially recognised at fair value and subsequently at amortised cost using the effective interest method.

For the estimation of expected credit losses on trade receivables, the so-called simplified approach permitted by IFRS 9 is used, according to which credit losses are recorded at an amount equal to lifetime expected credit losses. Expected credit losses are estimated based on historical credit losses, and the model also takes into account the information available on future financial conditions at the time of review. Expected credit losses are recognised in other operating expenses in the income statement.

A final 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 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.

Financial assets measured at fair value through profit or loss 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. The other financial assets comprise unlisted shares.

**Cash and cash equivalents**

The Group's cash and cash equivalents include cash on 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; dividends are only 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**

These consolidated financial statements have been prepared using the same accounting policies as were applied in the 2017 financial statements except for the changes required by the adoption of the following new standards, interpretations and amendments to existing standards on 1 January 2018. The new standards, interpretations and amendments to existing standards have had no significant impact on the consolidated financial statements.

- IFRS 15 Revenue from Contracts with Customers. The new standard provides a comprehensive framework for recognising revenue and the amount and timing of revenue recognition. 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. Control refers to the customer's ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 increases the amount of disclosure information related to customer contracts and significant judgements made.

The Group sells products in Marimekko's retail stores and online store, and through wholesale channels in Finland and abroad. In recent years, the Group has had no service or project business, and less than two percent of revenue has consisted of royalty revenues. The Group has made an analysis of applying IFRS 15 to recognising revenues from retail, wholesale and licensing. Based on this analysis, the implementation of IFRS 15 had no impact on the Group's revenue recognition principles. The Group adopted the standard on 1 January 2018, using a modified retrospective approach.

- 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 other comprehensive income, and fair value through profit or loss. 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. The IAS 39 requirements for recognition and derecognition of financial instruments have been retained. Implementing the standard has not had a material impact on the consolidated income statement or balance sheet.

The Group will adopt future standards and interpretations from the effective date of each standard and interpretation or, if the effective date is other than the first day of the financial year, from the beginning of the financial year following the effective date.

- IFRS 16 Leases. For almost all leases, the new standard requires lessees to recognise a lease liability reflecting future rental payments and an asset representing the right to use the leased asset. 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.

The Group will adopt IFRS 16 for the financial year starting on 1 January 2019. Marimekko has decided to apply a modified retrospective transition approach for leases existing at the date of transition, and information for the comparative financial year will not be restated. Marimekko will apply exemptions allowed in the standard to exclude short-term leases and leases where the underlying asset is of low value.

Marimekko is a lessee. Lease contracts include headquarter and printing facilities in Helsinki, retail stores in Finland and other countries where Marimekko operates as well as company housing and leasing cars. In general, lease contracts vary from 1 year to 15 years.

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

Other new or amended standards or interpretations have no impact on the Group's financial statements.

## 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 63,537 thousand (55,690) and from external customers in other countries EUR 48,342 thousand (46,635).

The total amount of assets in Finland was EUR 48,003 thousand (39,660), of which the amount of non-current assets excluding financial instruments and deferred tax assets (the Group has no assets arising from employee benefits or insurance contracts) was EUR 4,088 thousand (12,579). The amount of assets in other countries was EUR 9,111 thousand (7,453), of which non-current assets accounted for EUR 708 thousand (688). Marimekko has no individual customers representing 10 percent or more of the Group's total income.

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| Net sales | | |
| Finland | 63,537 | 55,690 |
| Other countries | 48,342 | 46,635 |
| Total | 111,879 | 102,324 |
| | | |
| Assets | | |
| Finland | 48,003 | 39,660 |
| Other countries | 9,111 | 7,453 |
| Total | 57,114 | 47,113 |
| | | |
| Investments | | |
| Finland | 952 | 954 |
| Other countries | 328 | 256 |
| Total | 1,280 | 1,210 |
| | | |
| Net sales | | |
| Product sales | 110,591 | 100,680 |
| Licence income | 1,288 | 1,644 |
| Total | 111,879 | 102,324 |

## 2. OTHER OPERATING INCOME

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| Rental income | 233 | 282 |
| Sale of property | 6,095 | - |
| Other income | 194 | 124 |
| Total | 6,522 | 406 |

## 3. RAW MATERIALS AND CONSUMABLES

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| Materials and supplies | | |
| Purchases during the financial year | 27,636 | 23,161 |
| Increase (-) / decrease (+) in inventories | -39 | 687 |
| Total | 27,597 | 23,847 |
| | | |
| External services | 14,489 | 13,553 |
| Total | 42,086 | 37,401 |

Exchange rate differences included in raw materials and consumables

| | | |
|---|---|---|
| Exchange rate gains (-) / losses (+) on purchases | 117 | 75 |

## 4. EMPLOYEE BENEFIT EXPENSES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Salaries, wages and bonuses | 19,989 | 19,366 |
| Share-based payments | 592 | -67 |
| Pension expenses – defined contribution plans | 2,823 | 2,491 |
| Other indirect social expenditure | 2,784 | 2,753 |
| Total | 26,188 | 24,543 |

Average number of employees

| | 2018 | 2017 |
|---|---|---|
| Salaried employees | 408 | 401 |
| Production personnel | 25 | 24 |
| Total | 433 | 425 |

**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. The system was composed of two earnings periods, which were 8 May 2014–31 October 2017 and 8 May 2014–28 February 2018. The possible bonus for each earnings period was 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 ended on 28 February 2018, and a total of EUR 177 thousand was paid in bonuses in spring 2018. Earning the bonus required that the person was still working for the company at the time of the payment and that the person in question committed 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. At the time of its conclusion, the system encompassed eight Management Group members, including the President and CEO.

On 14 February 2018, the Board of Directors of Marimekko Corporation agreed on establishing a new long-term bonus system. The system is composed of two earnings periods, which are 1 April 2018–30 September 2021 and 1 April 2018–31 January 2022. The possible bonus for each earnings period is based on the total yield on Marimekko Corporation's shares, including dividends. The bonus is planned to be paid half in company shares and half in cash. The shares received as part of the bonus are subject to a two-year transfer restriction. Earning the bonus requires that the person is still working for the company at the time of the payment. The annual maximum value of the bonus paid to a member of the Management Group under the bonus system equals the approximate value of annual gross salary. The system encompasses seven Management Group members, including the President and CEO. The company has the option of paying the bonus entirely in cash by a decision of the Board of Directors.

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 an initial share value of EUR 14.21, i.e. EUR 12.92, which is the weighted average share price between 1 and 31 March 2018, plus 10 percent, and a volatility of 27 percent. The grant date of the share-based payments is the date of the Board resolution. The fair value of the payments at the end of the grant month was EUR 1.76/option, so the total fair value of the plan amounted to EUR 813 thousand. Granted share-based payments are subsequently valued at fair value at each closing date and the change in fair value is recorded in the income statement to the extent the payments are vested. The bonus payable for an earnings period is 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 14.21. Gross salary is defined for the purposes of the plan as the fixed monthly salary, inclusive of fringe benefits, paid at the beginning of the earnings period. At the end of 2018, the fair value of the share-based payments vested and booked as current liabilities was EUR 415 thousand. The EUR 415 thousand increase in fair value, calculated as described above, was booked in employee benefit expenses in the 2018 consolidated income statement.

## 5. DEPRECIATION AND IMPAIRMENTS

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Intangible assets | | |
| Intangible rights | 96 | 150 |
| Computer software | 1,247 | 936 |
| Total | 1,343 | 1,086 |
| | | |
| Tangible assets | | |
| Land | - | 115 |
| Buildings and structures | 144 | 1,035 |
| Machinery and equipment | 1,014 | 1,072 |
| Total | 1,158 | 2,222 |
| | | |
| Total | 2,501 | 3,308 |

## 6. OTHER OPERATING EXPENSES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Leases | 11,808 | 10,873 |
| Marketing | 5,791 | 4,498 |
| Management and maintenance of business premises | 1,348 | 1,466 |
| Administration | 5,920 | 6,889 |
| Other expenses | 6,208 | 5,686 |
| Total | 31,075 | 29,413 |

Exchange rate differences included in other operating expenses

| | | |
|---|---|---|
| Exchange rate gains (-) / losses (+) on sales | 308 | 11 |

**Auditor's fee**

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| KPMG | | |
| Audit | 74 | - |
| Other services | 33 | - |
| PricewaterhouseCoopers | | |
| Audit | - | 122 |
| Other services | - | 18 |
| Total | 107 | 140 |
| | | |
| Others | | |
| Audit | 5 | 5 |
| Total | 5 | 5 |

Remuneration to KPMG Oy Ab on other services to Marimekko Group companies: EUR 11 thousand

## 7. FINANCIAL INCOME

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Interest income on loans and other receivables | 28 | 22 |
| Other financial income | 150 | 16 |
| Total | 178 | 39 |

| | | |
|---|---|---|
| Exchange rate gains included in financial income | 149 | 16 |

## 8. FINANCIAL EXPENSES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Interest expenses on financial liabilities measured at amortised cost | -57 | -84 |
| Interest expenses on finance lease liability | -38 | -117 |
| Other financial expenses | -251 | -1,068 |
| Total | -346 | -1,269 |

| | | |
|---|---|---|
| Exchange rate losses included in financial expenses | 214 | 1,034 |

## 9. INCOME TAXES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Taxes on taxable earnings for the period | 3,888 | 1,279 |
| Taxes from previous periods | 15 | 29 |
| Deferred taxes | -49 | 162 |
| Total | 3,855 | 1,470 |

Reconciliation statement of taxes calculated on the basis of tax expenses in the income statement and the Group's Finnish tax rate (20 percent in both 2018 and 2017)

| | | |
|---|---|---|
| Profit before taxes | 17,552 | 7,130 |

| | | |
|---|---|---|
| Taxes calculated at the Finnish tax rate | 3,510 | 1,426 |
| Different tax rates of foreign subsidiaries | -1 | -4 |
| Non-recognised deferred income tax on taxable losses for the period | 96 | 15 |
| Taxes from previous periods | 17 | 29 |
| Non-deductible expenses | 233 | 5 |
| Taxes in the income statement | 3,855 | 1,470 |

## 10. EARNINGS PER SHARE

| | 2018 | 2017 |
|---|---|---|
| Net result for the period, EUR 1,000 | 13,698 | 5,660 |
| Weighted average number of shares, 1,000 | 8,080 | 8,090 |
| Basic and dilluted earnings per share, EUR | 1.70 | 0.70 |

## 11. NON-CURRENT ASSETS

### 11.1 Intangible assets

**2018**

| (EUR 1,000) | Intangible rights | Computer software | Advance payments and acquisitions in progress | Total |
|---|---|---|---|---|
| Acquisition cost, 1 Jan. 2018 | 2,394 | 6,686 | | 9,080 |
| Translation differences | 1 | 284 | | 285 |
| Increases | 8 | 249 | | 257 |
| Acquisition cost, 31 Dec. 2018 | 2,403 | 7,219 | | 9,622 |
| Accumulated depreciation, 1 Jan. 2018 | 2,192 | 5,743 | | 7,935 |
| Translation differences | 1 | | | 1 |
| Depreciation during the financial year | 96 | 1,247 | | 1,343 |
| Accumulated depreciation, 31 Dec. 2018 | 2,290 | 6,990 | | 9,280 |
| Book value, 31 Dec. 2018 | 113 | 229 | | 342 |
| | | | | |
| Book value, 1 Jan. 2018 | 202 | 943 | | 1,145 |
| Book value, 31 Dec. 2018 | 113 | 229 | | 342 |

**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 between categories | | 131 | -131 | |
| Acquisition cost, 31 Dec. 2017 | 2,394 | 6,686 | | 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 | | 1,145 |
| | | | | |
| Book value, 1 Jan. 2017 | 315 | 1,047 | 131 | 1,493 |
| Book value, 31 Dec. 2017 | 202 | 943 | | 1,145 |

### 11.2 Tangible assets

**2018**

| (EUR 1,000) | Land | Buildings and structures | Machinery and equipment | Advance payments and acquisitions in progress | Total |
|---|---|---|---|---|---|
| Acquisition cost, 1 Jan. 2018 | 3,515 | 19,870 | 20,789 | | 44,174 |
| Translation differences | | -1,328 | 920 | | -408 |
| Increases | | | 919 | 104 | 1,023 |
| Decreases | -3,460 | -13,109 | -391 | | -16,960 |
| Transfers between categories | | | 21 | -21 | |
| Acquisition cost, 31 Dec. 2018 | 55 | 5,433 | 22,259 | 83 | 27,830 |
| Accumulated depreciation, 1 Jan. 2018 | 692 | 13,519 | 17,856 | | 32,068 |
| Accumulated depreciation of decreases | -692 | -8,085 | -98 | | -8,875 |
| Translation differences | | -1,693 | 734 | | -959 |
| Depreciation during the financial year | | 144 | 1,014 | | 1,158 |
| Accumulated depreciation, 31 Dec. 2018 | | 3,885 | 19,506 | | 23,392 |
| Book value, 31 Dec. 2018 | 55 | 1,548 | 2,752 | 83 | 4,438 |
| | | | | | |
| Book value, 1 Jan. 2018 | 2,823 | 6,351 | 2,933 | | 12,107 |
| Book value, 31 Dec. 2018 | 55 | 1,548 | 2,752 | 83 | 4,438 |
| | | | | | |
| Book value of production machinery, 31 Dec. 2018 | | | 1,320 | | |

**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 between categories | | 60 | | -60 | |
| Acquisition cost, 31 Dec. 2017 | 3,515 | 19,870 | 20,789 | | 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 | | 32,068 |
| Book value, 31 Dec. 2017 | 2,823 | 6,351 | 2,933 | | 12,107 |
| | | | | | |
| Book value, 1 Jan. 2017 | 2,938 | 7,426 | 3,477 | 60 | 13,902 |
| Book value, 31 Dec. 2017 | 2,823 | 6,351 | 2,933 | | 12,107 |
| | | | | | |
| Book value of production machinery, 31 Dec. 2017 | | | 1,694 | | |

### 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 machinery and equipment leased under a finance lease agreement since 1 January 2014. Land value has decreased due to sale of property on a rented site.

**2018**

| (EUR 1,000) | Land | Machinery and equipment | Total |
|---|---|---|---|
| Acquisition cost, 1 Jan. 2018 | 3,460 | 984 | 4,444 |
| Increases | | 371 | 371 |
| Decreases | -3,460 | | -3,460 |
| Acquisition cost, 31 Dec. 2018 | | 1,355 | 1,355 |
| Accumulated depreciation, 1 Jan. 2018 | 692 | 668 | 1,360 |
| Accumulated depreciation of decreases | -692 | | -692 |
| Depreciation during the financial year | | 286 | 286 |
| Accumulated depreciation, 31 Dec. 2018 | | 954 | 954 |
| Book value, 31 Dec. 2018 | | 401 | 401 |
| | | | |
| Book value, 1 Jan. 2018 | 2,768 | 316 | 3,084 |
| Book value, 31 Dec. 2018 | | 401 | 401 |

**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 |

### 11.4 Other financial assets

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Other financial assets | | |
| Acquisition cost, 1 Jan. | 16 | 16 |
| Acquisition cost, 31 Dec. | 16 | 16 |
| Book value, 31 Dec. | 16 | 16 |
| | | |
| Financial assets, total | 16 | 16 |

Other non-current financial assets comprise unlisted shares, which are presented at cost, i.e. the management's best estimate of fair value.

## 12. CURRENT ASSETS

### 12.1 Inventories

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Raw materials and consumables | 4,747 | 4,968 |
| Finished products/goods | 17,367 | 15,953 |
| Total | 22,114 | 20,921 |

| | | |
|---|---|---|
| Impairments recognised on inventories | -286 | -337 |

### 12.2 Trade and other receivables

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Trade receivables | 4,878 | 5,095 |
| Prepayments for inventory purchases | 714 | 396 |
| Other receivables | 478 | 559 |
| Prepaid expenses and accrued income | 847 | 596 |
| Total | 6,916 | 6,647 |

| | | |
|---|---|---|
| Prepaid expenses and accrued income | | |
| Royalty receivables | 187 | 207 |
| Employee benefits | 20 | 20 |
| Other prepaid expenses and accrued income | 640 | 370 |
| Total | 847 | 596 |

### Analysis of trade receivables by age

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Trade receivables not past due | 3,772 | 3,184 |
| Past due | | |
| less than 30 days | 765 | 1,300 |
| 30–60 days | 108 | 375 |
| more than 60 days | 233 | 237 |
| Total | 4,878 | 5,095 |

The amount of credit losses recognised on the Group’s trade receivables is not significant.
The expected credit loss risk is not material due to the small amount of invoiced sales.

## 13. SHAREHOLDERS' EQUITY

### 13.1 Share capital, reserve for invested non-restricted equity and treasury shares

| | Number of shares | Share capital, EUR | Reserve for invested non-restricted equity, EUR | Number of treasury shares | Treasury shares, EUR | Total, EUR |
|---|---|---|---|---|---|---|
| 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 |
| | | | | | | |
| 1 Jan. 2018 | 8,089,610 | 8,040,000 | 501,969 | - | - | 8,541,969 |
| Acquisition of treasury shares | | | | 20,000 | -314,720 | -314,720 |
| 31 Dec. 2018 | 8,069,610 | 8,040,000 | 501,969 | 20,000 | -314,720 | 8,227,249 |

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. As at 31 December 2018, Marimekko Corporation held 20,000 treasury shares. The Group does not have any share option schemes. After the closing date, the Board of Directors has proposed that a regular dividend of EUR 0.60 per share (0.50) plus an additional dividend of EUR 1.25 per share (0.00) be paid for 2018, adding up to a total of EUR 1.85 per share.

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 by 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 follows:

**Changes in deferred taxes in 2018**

| (EUR 1,000) | 1 Jan. 2018 | Recognised in the income statement | 31 Dec. 2018 |
|---|---|---|---|
| Deferred tax assets | | | |
| Internal margin of inventories | 382 | -13 | 369 |
| Employee benefits | 1 | 81 | 82 |
| Provisions | 6 | 3 | 9 |
| Total | 390 | 71 | 461 |
| | | | |
| Deferred tax liabilities | | | |
| Accumulated depreciation difference | -240 | 26 | -214 |
| Fixed costs included in inventories | -135 | 2 | -133 |
| Finance lease | 51 | -51 | |
| Total | -324 | -23 | -347 |
| | | | |
| Offsetting deferred tax assets and liabilities | | | |
| Deferred tax assets | 390 | 71 | 461 |
| Deferred tax liabilities | -324 | -23 | -347 |
| Deferred tax assets, net | 66 | | 114 |

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 39 thousand (15) have not been recognised.

**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 |
| Employee benefits | 16 | -15 | 1 |
| Provisions | 20 | -14 | 6 |
| Total | 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 | | | |
| Deferred tax assets | 593 | -203 | 390 |
| Deferred tax liabilities | -371 | 46 | -324 |
| Deferred tax assets, net | 222 | | 66 |

**14.2 Interest-bearing non-current liabilities**

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Finance lease liabilities | 202 | 3,097 |
| Total | 202 | 3,097 |

## 15. CURRENT LIABILITIES

### 15.1 Current liabilities

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Trade and other payables | | |
| Trade payables | 6,148 | 5,554 |
| Other payables | 2,588 | 2,192 |
| Accrued liabilities and deferred income | 6,014 | 4,447 |
| Advances received | 824 | 326 |
| Provisions | - | 32 |
| Finance lease liabilities | 206 | 244 |
| Current tax liabilities | 1,128 | 552 |
| Total | 16,908 | 13,347 |

| | | |
|---|---|---|
| Accrued liabilities and deferred income | | |
| Employee benefits | 3,942 | 3,126 |
| Other accrued liabilities and deferred income | 2,072 | 1,321 |
| Total | 6,014 | 4,447 |

### 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 machinery and equipment leased under a finance lease agreement since 1 January 2014. The decrease in liabilities is due to sale of property on a rented site, whereby the land lease was transferred to the buyer.

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

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| No later than 1 year | 268 | 393 |
| Later than 1 year – no later than 5 years | 281 | 961 |
| Later than 5 years | - | 3,574 |
| Total | 549 | 4,928 |
| Future financial expenses | -141 | -1,588 |
| Current value of finance lease liabilities | 408 | 3,341 |

The current value of finance lease liabilities matures as follows:

| | | |
|---|---|---|
| No later than 1 year | 202 | 244 |
| Later than 1 year – no later than 5 years | 206 | 518 |
| Later than 5 years | - | 2,579 |
| Current value of finance lease liabilities | 408 | 3,341 |

## 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. The book value of these assets 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 assets and finance lease liabilites

| (EUR 1,000) | Book value 2018 | Fair value 2018 | Book value 2017 | Fair value 2017 |
|---|---|---|---|---|
| Other financial assets | 16 | 16 | 16 | 16 |
| Finance lease liabilities | 408 | 408 | 3,341 | 3,341 |

The company has determined the fair value based on discounted cash flows using the market interest rate and credit risk premium at the end of the financial year. 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) | 2018 | 2017 |
|---|---|---|
| Other own liabilities and commitments | | |
| Lease liabilities for machinery and equipment | 280 | 313 |
| Liabilities related to lease agreements for business premises | 47,782 | 25,395 |
| Commitments, total | 48,062 | 25,709 |
| | | |
| Other lease agreements | | |
| The Group as lessee | | |
| Minimum lease payments under other non-cancellable lease agreements | | |
| No later than 1 year | 11,322 | 9,516 |
| Later than 1 year – no later than 5 years | 21,517 | 16,150 |
| Later than 5 years | 15,223 | 43 |
| Total | 48,062 | 25,709 |

The Group has leased most of its store, office and warehouse premises. These lease agreements are valid for a fixed period or until further notice. The rent increase index, renewal and other terms of the agreements vary. The 2018 income statement includes EUR 11,808 thousand (10,873) in rental expenses paid on the basis of other non-cancellable lease agreements.

Liabilities related to lease agreements for business premises have increased due to sale of property. Marimekko has rented the premises it owned before.

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 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, member of the Management Group
Elina Anckar (formerly Aalto), Chief Financial Officer and member of the Management Group
Tina Broman, Chief Supply Chain and Product Officer and member of the Management Group
Kari Härkönen, Chief Digital Officer and member of the Management Group
Morten Israelsen, Chief Sales Officer and member of the Management Group from 29 October 2018
Päivi Lonka, Chief Sales Officer and member of the Management Group until 29 October 2018
Päivi Paltola, Chief Marketing Officer and member of the Management Group until 12 October 2018
Tanya Strohmayer, Human Resources Director and member of the Management Group
Riika Wikberg, Head of Business Development and member of the Management Group from 15 February 2018

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, Chief Financial Officer and member of the Management Group
Tina Broman, Chief Supply Chain Officer and member of the Management Group from 2 October 2017
Kari Härkönen, Chief Digital Officer and member of the Management Group from 14 December 2017
Päivi Lonka, Chief Sales Officer and member of the Management Group
Päivi Paltola, Chief Marketing Officer and member of the Management Group from 30 January 2017
Tanya Strohmayer, Human Resources Director 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 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 **) | - | - |
| 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 Trading (Shanghai) Co., Ltd, Shanghai, China | 100 | 100 |
| Marimekko UK Ltd, London, United Kingdom | 100 | 100 |

*) Marimekko Corporation has a branch in France.
**) Consolidated until 11 April 2018.
***) 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 2018

| (EUR 1,000) | **Salaries and bonuses** | **Share-based bonus system** | **Total** |
|---|---|---|---|
| Mika Ihamuotila, full-time Chairman of the Board | 123 | - | 123 |
| Tiina Alahuhta-Kasko, President and CEO | 330 | 73 | 403 |
| Other members of the Management Group | 1,023 | 104 | 1,127 |
| Total | 1,476 | 177 | 1,653 |

Remuneration to the Board of Directors in 2018

| (EUR 1,000) | |
|---|---|
| Rebekka Bay [1] | 28 |
| Elina Björklund | 30 |
| Arthur Engel [2] | 26 |
| Mika Ihamuotila | 40 |
| Mikko-Heikki Inkeroinen | 22 |
| Helle Priess [3] | 102 |
| Catharina Stackelberg-Hammarén | 22 |
| Total | 270 |
| **Employee benefits of the management in 2018, total** | **1,923** |

[1] Board remuneration EUR 22 thousand and payments for consulting services EUR 6 thousand.
[2] Board remuneration EUR 22 thousand and payments for consulting services EUR 4 thousand.
[3] Board remuneration EUR 22 thousand and payments for consulting services EUR 80 thousand.

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** |

*) 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.

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 the 2018 financial year, the company paid EUR 150 thousand in expert fees related to marketing, among other things, to its related party companies.

## 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 for business operations to ensure that sufficient liquid funds are available for 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 year, the Group had access to credit facilities totalling EUR 13 million, valid until further notice. No committed credit facilities were drawn at the end of the financial year.

The Marimekko Group's credit facilities are 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 of 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. 2018

| (EUR 1,000) | **Less than 1 year** | **1–2 years** | **3–5 years** | **Over 5 years** |
|---|---|---|---|---|
| Finance lease liabilities | 202 | 183 | 23 | - |
| Trade and other payables | 15,574 | - | - | - |
| Total | 15,776 | 183 | 23 | - |

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 |

**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 wholesale operations is also reduced by means of advance payments, bank guarantees and letters of credit.

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 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 2018, foreign-currency-denominated sales accounted for approximately 20 percent (21*) of the Group's total sales and foreign-currency-denominated purchases made up about 15 percent (16*) of the Group's purchases.

* The comparative figure has been restated to correspond to the calculation method used in 2018.

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

The Group's transaction exposure

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

| (EUR 1,000) | | 2018 | | | 2017 | |
|---|---|---|---|---|---|---|
| | USD | SEK | AUD | USD | SEK | AUD |
| Current assets | 1,131 | 3,084 | 1,161 | 513 | 1,417 | 3,029 |
| Current liabilities | -785 | -384 | -178 | -279 | -264 | -73 |
| Foreign currency exposure in the balance sheet | 346 | 2,700 | 983 | 234 | 1,154 | 2,956 |

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 reflects the Group's transaction risk.

| | | 2018 | | | 2017 | |
|---|---|---|---|---|---|---|
| | USD | SEK | AUD | USD | SEK | AUD |
| Change in exchange rate, +10% *) | | | | | | |
| Effect on result after taxes, EUR 1,000 | 73 | 266 | 150 | 154 | 257 | 171 |

*) 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. Marimekko has so far 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 interest rates on cash and cash equivalents and on current and non-current interest-bearing liabilities due to changes in market rates. Changes in the interest rates on these assets and liabilities have an impact on the Group's profit.

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| Cash and cash equivalents | 23,174 | 6,212 |
| Finance lease liabilities | 408 | 3,341 |

The Group's interest-bearing liabilities at the end of the financial year consisted of finance lease liabilities. At the end of the financial year, the Group had access to credit facilities totalling EUR 13 million, valid until further notice. The credit facilities are denominated in euros and have variable interest rates. No credit facilities were drawn at the end of the 2018 and 2017 financial years.

## 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 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 its capital structure through the equity ratio and gearing. The Group's strategic objective is to keep the ratio of net debt to EBITDA at or below 2. At the end of 2018, the Group's net liabilities amounted to EUR -22,766 thousand (-2,871) and gearing was -57 percent (-9).

Gearing

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| Finance lease liabilities | 408 | 3,341 |
| Deducting cash and cash equivalents | -23,174 | -6,212 |
| Net liabilities | -22,766 | -2,871 |
| | | |
| Shareholders' equity, total | 40,005 | 30,669 |
| | | |
| Gearing, % | -57 | -9 |

## 21. 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. 2018 | 1 Jan.–31 Dec. 2017 |
|---|---|---|---|
| **NET SALES** | 1. | **104,896** | **94,469** |
| Change in inventories of finished goods and work in progress | | 1,207 | 569 |
| Other operating income | 2. | 7,105 | 292 |
| Materials and services | 3. | -42,565 | -38,277 |
| Personnel expenses | 4. | -19,482 | -17,291 |
| Depreciation and impairments | 5. | -1,763 | -2,007 |
| Other operating expenses | 6. | -30,843 | -30,758 |
| **OPERATING PROFIT** | | **18,555** | **6,997** |
| Financial income and expenses | 7. | 103 | -872 |
| **RESULT BEFORE APPROPRIATIONS AND TAXES** | | **18,658** | **6,125** |
| Appropriations | 8. | 300 | 57 |
| Income taxes | 9. | -3,833 | -1,234 |
| **NET RESULT FOR THE PERIOD** | | **15,125** | **4,948** |

## PARENT COMPANY BALANCE SHEET

| (EUR 1,000) | Note | | 31 Dec. 2018 | | 31 Dec. 2017 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **FIXED ASSETS** | 11. | | | | |
| Intangible assets | 11.1 | | 1,621 | | 2,457 |
| Tangible assets | 11.2 | | 2,040 | | 2,398 |
| Investments | 11.3 | | | | |
| Participations in Group companies | | 1,706 | | 3,630 | |
| Other shares and participations | | 16 | 1,722 | 16 | 3,646 |
| **FIXED ASSETS, TOTAL** | | | **5,383** | | **8,501** |
| **CURRENT ASSETS** | | | | | |
| Inventories | 12. | | 20,244 | | 18,668 |
| Current receivables | 13. | | 16,772 | | 17,798 |
| Cash on hand and at banks | | | 19,661 | | 3,926 |
| **CURRENT ASSETS, TOTAL** | | | **56,677** | | **40,392** |
| **ASSETS, TOTAL** | | | **62,060** | | **48,893** |

| (EUR 1,000) | Note | 31 Dec. 2018 | 31 Dec. 2017 |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **SHAREHOLDERS' EQUITY** | 14. | | |
| Share capital | | 8,040 | 8,040 |
| Reserve for invested non-restricted equity | | 502 | 502 |
| Treasury shares | | -315 | - |
| Retained earnings | | 14,648 | 13,744 |
| Net profit for the period | | 15,125 | 4,948 |
| **SHAREHOLDERS' EQUITY, TOTAL** | | **38,000** | **27,234** |
| **ACCUMULATED APPROPRIATIONS** | 15. | 1,072 | 1,373 |
| **PROVISIONS** | 16. | | |
| Other mandatory provisions | | - | 32 |
| **LIABILITIES** | 17. | | |
| Current liabilities | | 22,987 | 20,254 |
| **LIABILITIES, TOTAL** | | **22,987** | **20,254** |
| **SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL** | | **62,060** | **48,893** |

## PARENT COMPANY CASH FLOW STATEMENT

| (EUR 1,000) | 1 Jan.–31 Dec. 2018 | 1 Jan.–31 Dec. 2017 |
|---|---|---|
| **CASH FLOW FROM OPERATIONS** | | |
| Net result for the period | 15,125 | 4,948 |
| Adjustments | | |
| Depreciation and impairments | 1,763 | 2,007 |
| Capital gains on fixed assets | -6,095 | - |
| Change in depreciation difference | -300 | -57 |
| Financial income and expenses | -103 | 872 |
| Taxes | 3,833 | 1,234 |
| Cash flow before change in working capital | 14,224 | 9,004 |
| Change in working capital | | |
| Increase (-) / decrease (+) in current non-interest-bearing trade receivables | -1,179 | 2,331 |
| Increase (-) / decrease (+) in inventories | -1,576 | 454 |
| Increase (+) / decrease (-) in current non-interest-bearing liabilities | 2,195 | 25 |
| Cash flow from operations before financial items and taxes | 13,664 | 11,814 |
| Paid interest and payments on other financial expenses | -138 | -251 |
| Interest received | 191 | 174 |
| Taxes paid | -3,189 | -1,626 |
| **CASH FLOW FROM OPERATIONS** | **10,528** | **10,111** |
| **CASH FLOW FROM INVESTMENTS** | | |
| Investments in tangible and intangible assets | -552 | -726 |
| Purchase of subsidiary shares | -400 | - |
| Sale of subsidiary shares | 10,508 | - |
| Increase in loan receivables | - | -387 |
| Sale of other investments | 11 | - |
| **CASH FLOW FROM INVESTMENTS** | **9,567** | **-1,113** |
| **CASH FLOW FROM FINANCING** | | |
| Acquisition of treasury shares | -315 | - |
| Long-term loans repaid | - | -2,594 |
| Short-term loans drawn | - | 2,000 |
| Short-term loans repaid | - | -2,000 |
| Dividends paid | -4,045 | -3,236 |
| **CASH FLOW FROM FINANCING** | **-4,360** | **-5,830** |
| Change in cash and cash equivalents | 15,735 | 3,168 |
| Cash and cash equivalents at the beginning of the financial year | 3,926 | 758 |
| Cash and cash equivalents at the end of the financial year | 19,661 | 3,926 |

# 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 on the taxable result of the company.

## NOTES TO THE INCOME STATEMENT

### 1. NET SALES BY MARKET AREA

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Finland | 63,537 | 55,658 |
| Other countries | 41,359 | 38,811 |
| Total | 104,896 | 94,469 |

### 2. OTHER OPERATING INCOME

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Rental income | 233 | 282 |
| Capital gain on sale of subsidiary shares | 6,704 | - |
| Other income | 167 | 10 |
| Total | 7,105 | 292 |

### 3. MATERIALS AND SERVICES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Materials and supplies | | |
| Purchases during the financial year | 27,512 | 23,342 |
| Increase (-) / decrease (+) in inventories | -40 | 687 |
| Total | 27,472 | 24,029 |
| | | |
| External services | 15,093 | 14,248 |
| Total | 42,565 | 38,277 |

### 4. PERSONNEL EXPENSES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Salaries, wages and bonuses | 16,086 | 14,273 |
| Pension and pension insurance payments | 2,830 | 2,453 |
| Other indirect social expenditure | 565 | 565 |
| Total | 19,482 | 17,291 |
| | | |
| Salaries and bonuses for management | | |
| Members of the Board of Directors and the President and CEO | 796 | 668 |
| Itemised in note 18 to the consolidated financial statements. | | |
| | | |
| Average number of employees | | |
| Salaried employees | 305 | 291 |
| Production personnel | 25 | 24 |
| Total | 330 | 315 |

### 5. DEPRECIATION AND IMPAIRMENTS

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Intangible assets | | |
| Intangible rights | 94 | 137 |
| Other capitalised expenditure | 1,093 | 1,171 |
| Total | 1,187 | 1,308 |
| | | |
| Tangible assets | | |
| Buildings and structures | 12 | 12 |
| Machinery and equipment | 565 | 687 |
| Total | 576 | 699 |
| | | |
| Total | 1,763 | 2,007 |

### 6. OTHER OPERATING EXPENSES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Leases | 7,582 | 7,378 |
| Marketing | 10,532 | 10,054 |
| Other expenses | 12,730 | 13,326 |
| Total | 30,843 | 30,758 |

### 7. FINANCIAL INCOME AND EXPENSES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Other interest and financial income | | |
| From Group companies | 141 | 165 |
| From others | 27 | 21 |
| Total | 168 | 186 |
| | | |
| Interest and other financial expenses | | |
| To others | 66 | 1,058 |
| Total | 66 | 1,058 |
| | | |
| Financial income and expenses, total | 103 | -872 |
| | | |
| Financial income and expenses include exchange rate differences (net) | | |
| From others | -23 | 951 |
| Total | -23 | 951 |

## 8. APPROPRIATIONS

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Change in depreciation difference | 300 | 57 |

## 9. INCOME TAXES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Income taxes on operations | 3,833 | 1,234 |

## 10. AUDITOR'S FEE

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| KPMG | | |
| Audit | 60 | - |
| Other services | 11 | - |
| PricewaterhouseCoopers | | |
| Audit | - | 104 |
| Other services | - | 17 |
| Total | 71 | 121 |

## NOTES TO THE BALANCE SHEET

### 11. FIXED ASSETS

#### 11.1 Intangible assets

**2018**

| (EUR 1,000) | Intangible rights | Computer software | Other capitalised expenditure | Advance payments and acquisitions in progress | Total |
|---|---|---|---|---|---|
| Acquisition cost, 1 Jan. 2018 | 1,719 | 5,989 | 7,026 | | 14,734 |
| Increases | 8 | 221 | 19 | 104 | 352 |
| Transfers between categories | | 21 | | -21 | |
| Acquisition cost, 31 Dec. 2018 | 1,727 | 6,231 | 7,045 | 83 | 15,086 |
| Accumulated depreciation, 1 Jan. 2018 | 1,521 | 5,489 | 5,268 | | 12,278 |
| Depreciation during the financial year | 94 | 603 | 490 | | 1,187 |
| Accumulated depreciation, 31 Dec. 2018 | 1,615 | 6,092 | 5,758 | | 13,465 |
| Book value, 31 Dec. 2018 | 113 | 139 | 1,287 | 83 | 1,621 |

**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 categories | | 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 |

#### 11.2 Tangible assets

**2018**

| (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. 2018 | 38 | 417 | 14,249 | 28 | | 14,733 |
| Increases | | | 219 | | | 219 |
| Acquisition cost, 31 Dec. 2018 | 38 | 417 | 14,468 | 28 | | 14,952 |
| Accumulated depreciation, 1 Jan. 2018 | | 307 | 12,027 | | | 12,334 |
| Depreciation during the financial year | | 12 | 565 | | | 577 |
| Accumulated depreciation, 31 Dec. 2018 | | 319 | 12,592 | | | 12,911 |
| Book value, 31 Dec. 2018 | 38 | 98 | 1,876 | 28 | | 2,040 |

| | |
|---|---|
| Book value of production machinery and equipment, 31 Dec. 2018 | 1,320 |

**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 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Book value of production machinery and equipment, 31 Dec. 2017 | | | 1,694 | | | |

**11.3 Investments**

**2018**

| (EUR 1,000) | Shares in Group companies | Other shares and participations | Total |
|---|---|---|---|
| Acquisition cost, 1 Jan. 2018 | 3,921 | 16 | 3,937 |
| Increases | 400 | | 400 |
| Decreases | 2,325 | | 2,325 |
| Acquisition cost, 31 Dec. 2018 | 1,996 | 16 | 2,012 |
| Accumulated depreciation, 31 Dec. 2018 | 290 | | 290 |
| Book value, 31 Dec. 2018 | 1,706 | 16 | 1,722 |

**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 |

**Group companies**

| Company and domicile | Parent company's holding, % | Share of voting rights, % |
|---|---|---|
| Keskinäinen Kiinteistö Oy Marikko, Helsinki, Finland *) | - | - |
| 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 Trading (Shanghai) Co., Ltd, Shanghai, China | 100 | 100 |
| Marimekko UK Ltd, London, United Kingdom | 100 | 100 |

*) Sold on 11 April 2018.
**) Marimekko AB has branches in Norway and Denmark.
Marimekko Corporation has a branch in France.

## 12. INVENTORIES

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| Raw materials and consumables | 4,607 | 4,835 |
| Incomplete products | 140 | 133 |
| Finished products/goods | 14,783 | 13,304 |
| Advance payments | 714 | 396 |
| Total | 20,244 | 18,668 |

## 13. CURRENT RECEIVABLES

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| Trade receivables | 4,379 | 4,971 |
| Receivables from Group companies | | |
| Trade receivables | 4,955 | 3,490 |
| Loan receivables | 6,638 | 8,819 |
| Prepaid expenses and accrued income | 17 | 18 |
| Total | 11,610 | 12,327 |
| Other receivables | 51 | 41 |
| Prepaid expenses and accrued income | 732 | 459 |
| Total | 16,772 | 17,798 |

| | | |
|---|---|---|
| Prepaid expenses and accrued income | | |
| Royalty receivables | 187 | 207 |
| Other prepaid expenses and accrued income | 545 | 252 |
| Total | 732 | 459 |

### 14. SHAREHOLDERS' EQUITY

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| 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 |
| | | |
| Treasury shares, 1 Jan. | - | - |
| Acquisition of treasury shares | -315 | - |
| Treasury shares, 31 Dec. | -315 | - |
| | | |
| Retained earnings, 1 Jan. | 18,692 | 16,980 |
| Dividends paid | -4,045 | -3,236 |
| Retained earnings, 31 Dec. | 14,648 | 13,744 |
| | | |
| Net result for the period | 15,125 | 4,948 |
| | | |
| Shareholders' equity, total | 38,000 | 27,234 |

**Calculation of distributable funds, 31 Dec.**

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Retained earnings | 14,648 | 13,744 |
| Net result for the period | 15,125 | 4,948 |
| Acquisition of treasury shares | -315 | - |
| Reserve for invested non-restricted equity | 502 | 502 |
| Total | 29,960 | 19,194 |

### 15. PROVISIONS

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Accumulated depreciation difference | | |
| Intangible rights | 33 | 50 |
| Other capitalised expenditure | 581 | 796 |
| Machinery and equipment | 318 | 385 |
| Buildings and structures | 140 | 141 |
| Total | 1,072 | 1,372 |

### 16. LIABILITIES

| (EUR 1,000) | 2018 | 2017 |
|---|---|---|
| Provision for restructuring cost | | |
| Book value, 1 Jan. | 32 | 71 |
| Decreases | 32 | 39 |
| Book value, 31 Dec. | - | 32 |

## 17. LIABILITIES

### 17.1 Interest-bearing and non-interest-bearing liabilities

**Current liabilities**

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| Advances received | 765 | 270 |
| Trade payables | 5,607 | 5,219 |
| Debts to Group companies | | |
| Trade payables | 2,209 | 2,156 |
| Accrued liabilities and deferred income | 5,931 | 6,334 |
| Other current liabilities | 2,300 | 1,755 |
| Accrued liabilities and deferred income | 6,175 | 4,520 |
| Total | 22,987 | 20,254 |

| | | |
|---|---|---|
| Accrued liabilities and deferred income | | |
| Wages and salaries with social security contributions | 3,196 | 2,796 |
| Accrued income tax liabilities | 1,190 | 546 |
| Other accrued liabilities and deferred income | 1,789 | 1,178 |
| Total | 6,175 | 4,520 |

## 18. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

| (EUR 1,000) | **2018** | **2017** |
|---|---|---|
| For the liabilities of a Group company | | |
| Guarantees | 13,210 | 12,452 |

Other own liabilities and commitments

| | | |
|---|---|---|
| Leasing liabilities | | |
| Payments due in the following financial year | 426 | 377 |
| Payments due later | 402 | 350 |
| Total | 828 | 727 |

| | | |
|---|---|---|
| Liabilities related to lease agreements | | |
| Payments due in the following financial year | 7,030 | 5,644 |
| Payments due later | 30,379 | 10,161 |
| Total | 37,410 | 15,806 |

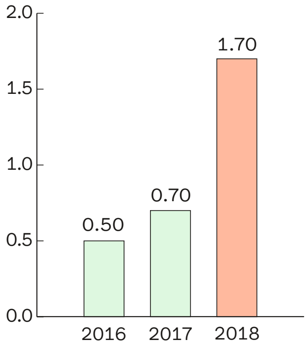
# Key figures of the Group

**Per-share key figures** [1]

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Earnings per share (EPS), EUR | 1.70 | 0.70 | 0.50 |
| Equity per share, EUR | 4.96 | 3.79 | 3.50 |
| Dividend per share, EUR | *) 1.85 | 0.50 | 0.40 |
| Dividend per profit, % | *) 108.8 | 71.4 | 80.2 |
| Effective dividend yield, % | *) 8.9 | 5.0 | 4.2 |
| P/E ratio | 12.2 | 14.4 | 19.0 |
| Share issue adjusted average | | | |
| number of shares | 8,080,095 | 8,089,610 | 8,089,610 |
| Share issue adjusted number of shares | | | |
| at the end of the financial year | 8,069,610 | 8,089,610 | 8,089,610 |

*) The Board of Directors' proposal to the Annual General Meeting. The proposed dividend includes a regular dividend of EUR 0.60 per share and an additional dividend of EUR 1.25 per share.

**Earnings per share** (EUR)

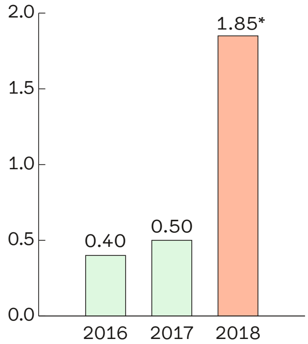



**Key financial figures** [1]

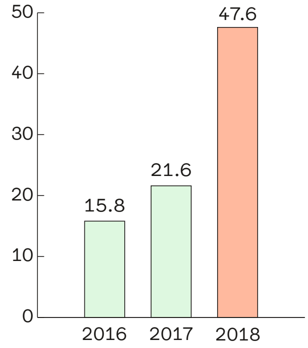
| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Net sales, EUR 1,000 | 111,879 | 102,324 | 99,614 |
| Change in net sales, % | 9.3 | 2.7 | 4.1 |
| Operating profit, EUR 1,000 | 17,721 | 8,360 | 5,249 |
| % of net sales | 15.8 | 8.2 | 5.3 |
| Comparable operating profit, EUR 1,000 | 12,199 | 8,596 | 6,096 |
| % of net sales | 10.9 | 8.4 | 6.1 |
| Financial income, EUR 1,000 | 178 | 39 | 164 |
| Financial expenses, EUR 1,000 | -346 | -1,269 | -243 |
| Result before taxes, EUR 1,000 | 17,552 | 7,130 | 5,170 |
| % of net sales | 15.7 | 7.0 | 5.2 |
| Taxes, EUR 1,000 | 3,855 | 1,470 | 1,138 |
| Result after taxes, EUR 1,000 | 13,698 | 5,660 | 4,032 |
| Balance sheet total, EUR 1,000 | 57,114 | 47,113 | 48,493 |
| Net working capital, EUR 1,000 | 12,328 | 14,496 | 15,277 |
| Interest-bearing liabilities, EUR 1,000 | 408 | 3,341 | 5,979 |
| Shareholders' equity, EUR 1,000 | 40,005 | 30,669 | 28,316 |
| Return on equity (ROE), % | 38.8 | 19.2 | 14.5 |
| Return on investment (ROI), % | 47.6 | 21.6 | 15.8 |
| Equity ratio, % | 70.0 | 65.2 | 58.5 |
| Gearing, % | -56.9 | -9.4 | 8.8 |
| Gross investments, EUR 1,000 | 1,280 | 1,210 | 2,721 |
| % of net sales | 1.1 | 1.2 | 2.7 |
| Employee salaries, wages and | | | |
| bonuses, EUR 1,000 | 19,989 | 19,366 | 19,807 |
| Average personnel | 433 | 425 | 441 |
| Personnel at the end of the financial year | 445 | 446 | 431 |

[1] Part of the report of the Board of Directors for 1 Jan.–31 Dec. 2018

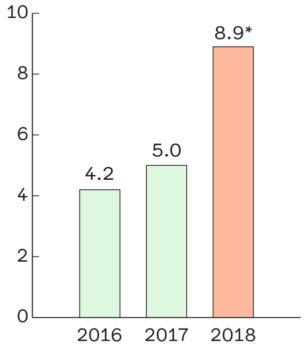
**Dividend per share** (EUR)



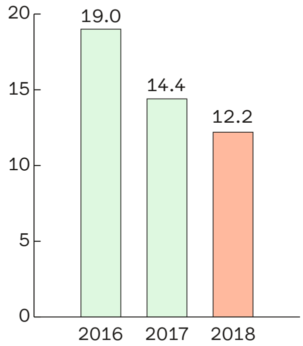

**Return on investment** (ROI, %)



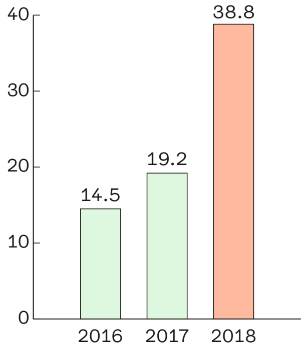
**Effective dividend yield** (%)




**P/E ratio**




**Return on equity** (ROE, %)




## 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 on hand and at banks – interest-bearing loan receivables |
| GEARING, % | $\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity}} \times 100$ |

* The Board of Directors' proposal to the Annual General Meeting. The proposed dividend includes a regular dividend of EUR 0.60 per share and an additional dividend of EUR 1.25 per share.

# Share and shareholders[1]

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

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

The General Meeting of 12 April 2018 also authorised the Board of Directors to decide on a share issue, against consideration in deviation from the shareholders' pre-emptive right, directed to the company's personnel or other personnel groups designated by the Board, including the company's freelance designers. The authorisation is valid until 12 October 2019. The total number of new shares to be offered for subscription pursuant to the authorisation may not exceed 150,000 shares. The authorisation includes the right of the Board of Directors to decide on all of the other terms and conditions of the share issue.

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

At the end of 2018, the Board of Directors had no valid authorisations to issue convertible bonds or bonds with warrants.

**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 2017**
A dividend of EUR 0.50 per share to a total of EUR 4,044,805 was paid for 2017 in accordance with the decision of the Annual General Meeting held on 12 April 2018. The dividend was paid out on 23 April 2018.

**Proposal for the 2018 dividend and for an additional dividend**
The Board of Directors will propose to

[1] Part of the report of the Board of Directors for 1 Jan.–31 Dec. 2018

**Largest shareholders according to the book-entry register, 31 December 2018**

| | Number of shares and votes | Percentage of holding and votes |
|---|---|---|
| 1. PowerBank Ventures Ltd (Mika Ihamuotila) | 1,297,700 | 16.04 |
| 2. Moomin Characters Oy Ltd | 615,240 | 7.61 |
| 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. Ilmarinen Mutual Pension Insurance Company | 215,419 | 2.66 |
| 8. Veritas Pension Insurance Company Ltd. | 190,470 | 2.36 |
| 9. Nordea Nordic Small Cap Fund | 189,885 | 2.35 |
| 10. Taaleritehdas Mikro Markka Equity Fund | 93,987 | 1.16 |
| Total | 3,857,122 | 47.69 |
| Nominee-registered and non-Finnish holders | 978,488 | 12.10 |
| Others | 3,254,000 | 40.21 |
| 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 2018**

| | Number of shares and votes | Percentage of holding and votes |
|---|---|---|
| Mika Ihamuotila | 1,297,700 | 16.04 |
| Rebekka Bay | 1,446 | 0.02 |
| Elina Björklund | 11,227 | 0.14 |
| Arthur Engel | 13,004 | 0.16 |
| Mikko-Heikki Inkeroinen | 3,932 | 0.05 |
| Helle Priess | 1,446 | 0.02 |
| Catharina Stackelberg-Hammarén | 4,199 | 0.05 |
| Tiina Alahuhta-Kasko | 6,965 | 0.09 |
| Elina Anckar | 640 | 0.01 |
| Tina Broman | 160 | 0.00 |
| Kari Härkönen | 350 | 0.00 |
| Morten Israelsen | - | - |
| Tanya Strohmayer | 624 | 0.01 |
| Riika Wikberg | 70 | 0.00 |
| Total | 1,341,763 | 16.59 |

the Annual General Meeting that a dividend of EUR 0.60 per share be paid for 2018. The Board will also propose the payment of an additional dividend of EUR 1.25 per share. The proposed dividends total EUR 14,928,778.50. The Board will propose 23 April 2019 as the dividend record date and 30 April 2019 as the dividend payout date.

As announced on 1 November 2018, the decision to propose the payment of an additional dividend was made because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position. The proposal by the Board is based on earnings per share (EPS) and takes into consideration the total of the proposed dividends, EUR 1.85 per share.

**Shareholders**

According to the book-entry register, Marimekko Corporation had 8,335 registered shareholders at the end of 2018. Of the shares, 12.1 percent were owned by nominee-registered or non-Finnish holders at the year end.

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

**Flaggings**

Marimekko did not receive any flagging notifications during 2018.

**Management's shareholding**

At the end of 2018, members of the Board of Directors and the Management Group of the company either directly or indirectly owned 1,341,763 shares, i.e. 16.6 percent of the number and voting rights of the company's shares.

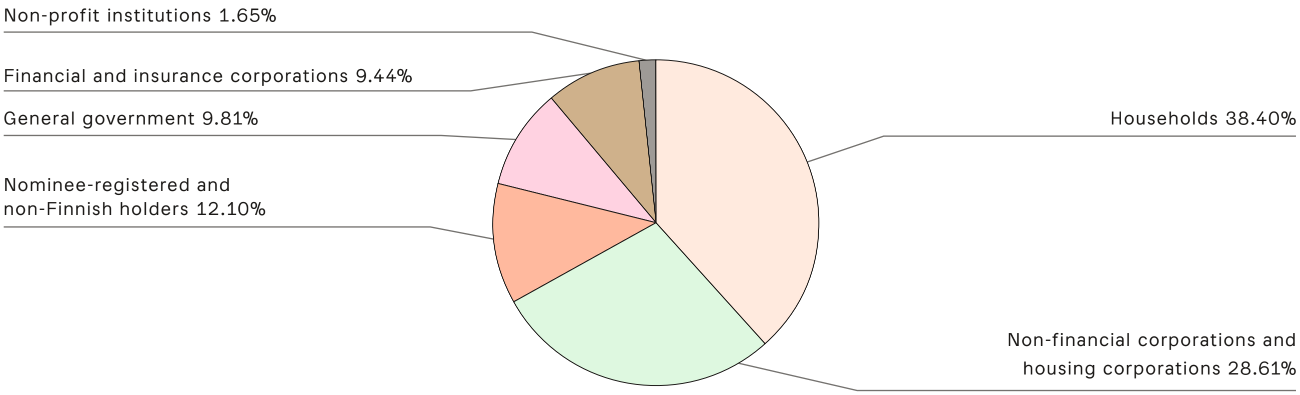
**Ownership by size of holding, 31 December 2018**

| Number of shares | Number of shareholders | % | Number of shares and votes | Percentage of holding and votes |
|---|---|---|---|---|
| 1–100 | 4,778 | 57.33 | 223,144 | 2.76 |
| 101–1,000 | 3,048 | 36.57 | 1,062,945 | 13.14 |
| 1,001–10,000 | 454 | 5.45 | 1,162,838 | 14.37 |
| 10,001–100,000 | 44 | 0.52 | 1,293,271 | 15.99 |
| 100,001–500,000 | 9 | 0.11 | 2,434,472 | 30.09 |
| 500,001– | 2 | 0.02 | 1,912,940 | 23.65 |
| Total | 8,335 | 100.00 | 8,089,610 | 100.00 |

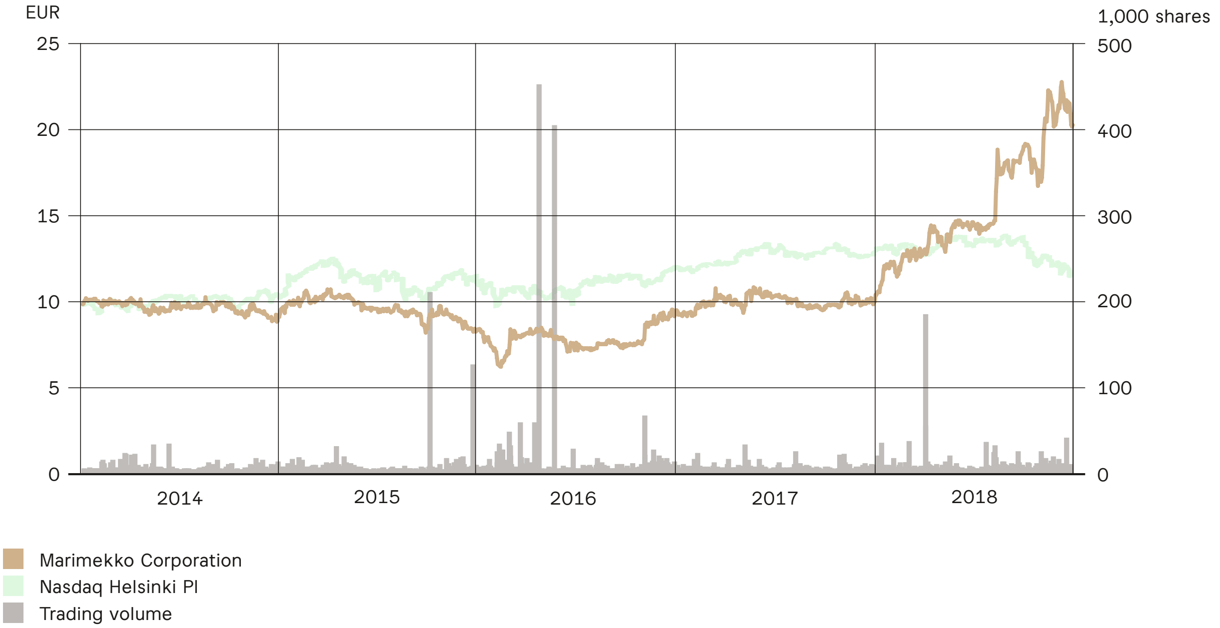
**Breakdown of ownership by sector, 31 December 2018**

| Owner | Number of shares and votes | Percentage of holding and votes |
|---|---|---|
| Households | 3,106,679 | 38.40 |
| Financial and insurance corporations | 763,561 | 9.44 |
| Non-financial corporations and housing corporations | 2,314,475 | 28.61 |
| Non-profit institutions | 133,198 | 1.65 |
| General government | 793,209 | 9.81 |
| Nominee-registered and non-Finnish holders | 978,488 | 12.10 |
| Total | 8,089,610 | 100.00 |

**Breakdown of ownership by sector, 31 December 2018**



### Share price trend




### Share price trend

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Low, EUR | 9.92 | 9.10 | 6.06 |
| High, EUR | 23.50 | 10.99 | 9.73 |
| Average, EUR | 16.04 | 10.09 | 8.01 |
| Closing price (31 Dec.), EUR | 20.80 | 10.10 | 9.48 |

### Share turnover and market capitalisation

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Share turnover, no. of shares | 1,455,424 | 796,964 | 2,112,657 |
| Share turnover, % of the shares outstanding | 18.0 | 9.9 | 26.1 |
| Market capitalisation, EUR | 167,847,888[2] | 81,705,061 | 76,689,503 |

[2] Market capitalisation on 31 Dec. 2018, excluding the Marimekko shares held by the company

### 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, 26 February 2019**

**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 AUDITOR'S NOTE**

A report on the audit performed has been issued today.

Helsinki, 26 February 2019

KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant

# Auditor’s report

(This document is an English translation of the Finnish auditor’s report. Only the Finnish version of the report is legally binding)

**TO THE ANNUAL GENERAL MEETING OF MARIMEKKO CORPORATION**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Marimekko Corporation (business identity code 0111316-2) for the year ended 31 December 2018. 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, as well as the parent company’s balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position, 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 financial statements in Finland and comply with statutory requirements.

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

### 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 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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 6 to the consolidated financial statements.

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

### Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

**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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

| THE KEY AUDIT MATTER | HOW THE MATTER WAS ADDRESSED IN THE AUDIT |
|---|---|
| **Revenue recognition (”Revenue recognition and net sales” and “New standards and interpretations” in the consolidated accounting principles and note 1)** | |
| Marimekko Group’s revenue is generated from wholesale and retail sales of clothes, bags and accessories, and interior decoration products as well as licensing income. Group’s net sales, EUR 111.9 million, is a significant item in the financial statements consisting of a large number of transactions from different revenue streams as well as diverse sales contracts and terms with customers.<br><br>Wholesale contracts include several different delivery terms, which determine when the ownership of the product is transferred to the customer. Retail sales mainly consists of small transactions paid by cash or payment cards and the revenue is recognized when the product is sold to the customer. Revenue from licensing is recognised in accordance with the terms of the contract.<br><br>Revenue recognition is a key audit matter due to a large number of transactions as well as for a risk that revenue is recognised in an incorrect period. | In our audit of net sales and different revenue streams we have tested company’s key controls related to sales and performed substantive audit procedures, among others with data-analytics methods.<br>• We have formed an understanding of accounting principles and practices in different revenue streams and evaluated the appropriateness of the revenue recognition principles in relation to IFRS.<br>• We have tested revenue, discounts, campaign discounts and margins in both wholesale and retail sales with data-analytics methods.<br>• For wholesale we have selected a sample of sales transactions comparing them to sales invoices, contracts, delivery notes and payments received.<br>• For retail sales we have reviewed sales processes and reconciliation routines for cash and payment card transactions in selected retail stores.<br>• We have checked that the revenue has been recognised in the right financial period by comparing sales transactions, invoices and delivery terms to actual deliveries as well as by checking credit invoices made in 2019.<br>• We have also compared selected accounts receivables to the confirmations received from counterparties.<br>• We have reviewed the most significant licensing contracts and that the revenue has been recognised in accordance with the contract terms. |

**Valuation and existence of inventory ("Inventories" in the consolidated accounting principles and note 12.1)**

Marimekko purchases, manufactures and sells consumer goods and is subject to changing consumer demands. Inventory consists of fabrics and other raw materials as well as half-finished and finished goods including clothes, bags, accessories and interior decoration products.

Inventories are valued at the lower of acquisition cost or probable net realisable value. Manufactured inventories include directly attributable fixed and variable overhead costs.

Inventory is a significant item in Marimekko's balance sheet and inventories are located in several locations. Inventory accounting includes manual processes in valuation and compiling the inventory balances and it increases, therefore, the risk for human errors. In addition, inventory may include management's judgement on probable net realisable value.

Due to these reasons valuation and existence of inventories have been key audit matter in our audit.

In our audit valuation and existence of inventories we have tested the company's key controls related to inventories and performed substantive audit procedures, among others with data-analytics methods.

- We have attended physical stock takings in selected inventory locations. We have analysed company's own results of inventory differences and how they have been resolved.
- We have compared the value of selected inventory items to the latest purchase invoices.
- We have tested slow-moving inventory items as well as exceptional values in inventory accounting with data analytics methods.
- We have compared the unit prices of selected inventory items to their sales prices.

**Responsibilities of the Board of Directors and the President and CEO for the Financial Statements**

The Board of Directors and the President and CEO 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 President and CEO 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 President and CEO are responsible for assessing the parent company's and the group's ability to continue as 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 cease operations, or there is no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance on 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism 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 President and CEO’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 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

### Information on Our Audit Engagement

We were first appointed as auditors by the Annual General Meeting on 12 April 2018.

### Other Information

The Board of Directors and the President and CEO 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 and 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, 26 February 2019

KPMG OY AB

Virpi Halonen
Authorised Public Accountant, KHT

# 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 year 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. The Notice of the General Meeting and the Board's proposals to the General Meeting are also published in a stock exchange release. In addition, the Board of Directors may decide to publish the Notice of the General Meeting in one or more newspapers. 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 majority or a qualified majority 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 directors' mutually complementary know-how, education and experience in different fields and different geographic areas significant for the company's business as well as their personal attributes. 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 12 April 2018 elected seven members to the Board of Directors for a term beginning on 12 April 2018 and ending at the close of the 2019 Annual General Meeting. Rebekka Bay, Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen, Helle Priess and Catharina Stackelberg-Hammarén were re-elected as 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, half-year financial 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
- 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 and internal control

BOARD OF DIRECTORS

| | Position | Board member since | Independent of the company and its significant shareholders | Attendance |
|---|---|---|---|---|
| Mika Ihamuotila | Chairman since 2015 | 2008 | No | 10/11 |
| Elina Björklund | Vice Chairman since 2015 | 2011 | Yes | 11/11 |
| Rebekka Bay | Member | 2017 | Yes | 9/11 |
| Arthur Engel | Member | 2011 | Yes | 11/11 |
| Mikko-Heikki Inkeroinen | Member | 2015 | Yes | 10/11 |
| Helle Priess | Member | 2017 | Yes | 9/11 |
| Catharina Stackelberg-Hammarén | Member | 2014 | Yes | 10/11 |

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 | 5/5 |
| Catharina Stackelberg-Hammarén | Member | 2015 | Yes | 5/5 |

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 2018, 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
- strategic development of the international expansion of the store network 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
- assessing the new long-term financial goals
- sale and leaseback of the company's head office and consequent improvement of capital structure
- strengthening market position in Asia, especially in China.

**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 2018, the Board convened 11 times. The Board members' attendance rate at meetings was 94.8 percent.

**Committees**

The Board of Directors elected by the Annual General Meeting on 12 April 2018 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 2018, the Audit and Remuneration Committee held five meetings. The Committee members' attendance rate at meetings was 100 pecent.

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 senior management. 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 12 April 2018, approximately 40 percent of the annual remuneration to the Board of Directors in 2018 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, 12 April 2018, 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 2018 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 2018, 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 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

## REMUNERATION STATEMENT

### Fees to members of Marimekko's Board of Directors 2017–2018

| | Fee for Board work | | Other financial benefits | | Total compensation in the financial year | |
|---|---|---|---|---|---|---|
| (EUR 1,000) | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Mika Ihamuotila | 40 | 40 | 123*) | 111*) | 163 | 151 |
| Elina Björklund | 30 | 30 | - | - | 30 | 30 |
| Rebekka Bay | 22 | 22 | 6**) | 32**) | 28 | 54 |
| Arthur Engel | 22 | 22 | 4**) | 8**) | 26 | 30 |
| Mikko-Heikki Inkeroinen | 22 | 22 | - | - | 22 | 22 |
| Helle Priess | 22 | 22 | 80**) | 20**) | 102 | 42 |
| Catharina Stackelberg-Hammarén | 22 | 22 | - | - | 22 | 22 |
| Total | 180 | 180 | 213 | 171 | 393 | 352 |

*) Monthly fee paid under a full-time executive service agreement.
**) Consultancy compensation.

In accordance with the resolutions by the Annual General Meeting on 6 April 2017 and 12 April 2018, part of the annual remuneration to the Board of Directors was paid in Marimekko Corporation's shares:

- In 2017, the Vice Chairman of the Board received 1,113 shares and the other members 816 shares each.
- In 2018, the Vice Chairman of the Board received 859 shares and the other members 630 shares each.

In accordance with the resolution by the Annual General Meeting, the remuneration of the Chairman of the Board was paid entirely in cash in both 2017 and 2018 as Mika Ihamuotila held the company's shares worth more than EUR 500,000 on the dates of the Annual General Meeting.

### Salaries and bonuses paid to the President and CEO 2017–2018

| | Salary | | Annual bonus | | Personnel share issue | | Long-term bonus system | | Total compensation in the financial year | |
|---|---|---|---|---|---|---|---|---|---|---|
| (EUR 1,000) | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Tiina Alahuhta-Kasko | 292 | 252 | 38 | 63 | - | - | 73*) | - | 403 | 316 |
| Total | 292 | 252 | 38 | 63 | - | - | 73 | - | 403 | 316 |

*) 50 percent of the net value of the bonus used for acquiring the company's shares at transaction price.

### Salaries and bonuses paid to other management 2017–2018

| | Salary | | Annual bonus | | Personnel share issue | | Long-term bonus system | | Total compensation in the financial year | |
|---|---|---|---|---|---|---|---|---|---|---|
| (EUR 1,000) | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Management Group | 961 | 825 | 62 | 39 | - | - | 104*) | - | 1,127 | 864 |
| Total | 961 | 825 | 62 | 39 | - | - | 104 | - | 1,127 | 864 |

*) 50 percent of the net value of the bonus used for acquiring the company's shares at transaction price.

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 of Marimekko Corporation 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 profitability and to elicit the Management Group's commitment to the company over a span of several years.

The system was composed of two earnings periods, which were 8 May 2014–31 October 2017 and 8 May 2014–28 February 2018. The possible bonus for each earnings period was based on the total yield on Marimekko Corporation's shares, including dividends. The bonus was determined to be paid in cash in two instalments. The first instalment would have been due in autumn 2017 and the second instalment became due in spring 2018. A total of EUR 177 thousand was paid in bonuses in spring 2018. Earning the bonus required that the person was still working for the company at the time of the payment and committed themselves to using 50 percent of the net value of the bonus for acquiring the company's shares at transaction price. The shares acquired with the bonus cannot be surrendered prior to two years from the time of acquiring the shares. At the time of its conclusion, the system encompassed eight Management Group members, including the President and CEO.

On 14 February 2018, the Board of Directors decided on establishing a new bonus system targeted at the company's Management Group. The system is composed of two earnings periods, which are 1 April 2018–30 September 2021 and 1 April 2018–31 January 2022. The possible bonus for each earnings period will be based on the total yield on Marimekko Corporation's shares, including dividends. The bonus is planned to be paid half in company shares and half in cash in two instalments. The possible first instalment will become due in autumn 2021 and the second instalment in spring 2022. The shares received as part of the bonus are subject to a two-year transfer restriction. Earning the bonus requires that the person is still working for the company at the time of the payment. The annual maximum value of the bonus paid to a member of the Management Group under 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 12 April 2018 elected KPMG Oy Ab, Authorised Public Accountants, as auditor for the Marimekko Group and the Group companies, with Virpi Halonen, Authorised Public Accountant, as the auditor with principal responsibility. 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 2018 was EUR 74 thousand. The remuneration paid to the auditor for non-audit services in 2018 was EUR 33 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 key 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 14–15.

**Internal control and internal audit**
Marimekko applies the company's internal control principles and 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 are 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, and other related regulations and guidance under MAR. The company's Board of Directors 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. 2018

## 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– and Vice Chairman of the Board, 2018–; Member of the Board of the Finnish-Russian Chamber of Commerce, 2016– and Vice Chairman of the Board, 2018–; Member of EVA Supervisory Board, 2016–; Member of the Board of Business Finland, 2018–

**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 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: Chief Digital Officer of Kamux Corporation, 2018–

Primary work experience and key positions of trust:
Head of Digital Commerce of Power International AS, 2015–2018; 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 OIKIO Digital Performance Agency Oy, 2018–

**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; Advisory Board Member of Björn Borg (China) Limited, 2012–2014; Member of the Board of Universal Robots (Shanghai) Ltd., 2013–2017; Member of the Board of Universal Robots (Singapore) Pte, Ltd., 2015–2017; Member of the Board of OnRobot A/S, 2018–

**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 Stiftelsen Svenska Handelshögskolan, 2011–2016; 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 Aktia Bank Plc, 2012–

## MANAGEMENT GROUP

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

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

**Tina Broman** born 1969
Chief Supply Chain and Product Officer
Employed by the company since 2017

**Kari Härkönen** born 1981
Chief Digital Officer
Employed by the company since 2016

**Morten Israelsen** born 1973
Chief Sales Officer
Employed by the company since 2018

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

**Riika Wikberg** born 1981
Head of Business Development
Employed by the company since 2017

For additional information, see the report of the Board of Directors, Management on pages 13–14.

Information on the Board and Management Group members' shareholdings in Marimekko Corporation on 31 December 2018 is provided on page 59.

# Information for shareholders

## Schedule for financial reporting in 2019

- financial statements bulletin 2018, Wednesday 27 February 2019
- financial statements 2018, week 13 at the latest
- interim reports
  - January–March, Thursday 16 May 2019
  - January–June, Thursday 15 August 2019
  - January–September, Wednesday 6 November 2019

## Silent period

Marimekko has a four-week silent period before the publication of earnings reports.

**Annual General Meeting**

Marimekko Corporation's Annual General Meeting will be held from 2 p.m. onwards on Wednesday 17 April 2019 in Finlandia Hall (Congress Wing, Hall B), Mannerheimintie 13e, 00100 Helsinki, Finland. Shareholders who are registered on the Annual General Meeting's record date of 5 April 2019 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. A shareholder whose shares are registered on their personal book-entry account is registered 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 Friday 12 April 2019 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 (weekdays before 4 p.m. EET).

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 regular dividend of EUR 0.60 per share plus an additional dividend of EUR 1.25 per share be paid for 2018, adding up to a total of EUR 1.85 per share. As announced on 1 November 2018, the decision to propose the payment of an additional dividend was made because the sale of Marimekko's head office in spring 2018 strengthened the company's financial position. The proposal by the Board is based on earnings per share (EPS) and takes into consideration the total of the proposed dividends. The dividend will be paid to shareholders who are registered on the dividend payout record date of 23 April 2019 in the company's Shareholder Register held by Euroclear Finland Ltd on behalf of the Board of Directors of Marimekko Corporation. The dividend payout date is 30 April 2019.

**Financial reports**

Marimekko Corporation's financial statements and interim reports are published in Finnish and English. Printed financial statements are sent upon request to the address provided by the subscriber. Financial reports and releases can be found and ordered on the company's website under Releases and publications.

**Contacts**

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