Financial Statements 2016

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Colour and joy for everyday life

Marimekko is a Finnish 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. Quality, functionality and timelessness are the cornerstones on which our recognisable design has always been built.

When Marimekko was founded, its unparalleled printed fabrics gave it a strong and unique identity. Textile printing continues to be at the core of our operations, and today our printing factory in Helsinki produces around a million metres of fabric every year.

Our products are sold in about 40 countries. In 2016, brand sales of the products worldwide amounted to 194 million euros and our net sales were close to 100 million euros. Roughly 160 Marimekko stores serve customers around the globe. Our key markets are Northern Europe, North America and the Asia-Pacific region. We employ about 400 people. The Marimekko share is quoted on Nasdaq Helsinki Ltd.

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From the President and CEO

For Marimekko, the year 2016 was a year of building and improving profitability. We succeeded in restoring our profitability to a good level. Our trend in profits in the final quarter and all in all for the second half of the year was very good in comparison with the previous year. The trend was supported by the reorganisation carried out in the early months of the year. Our net sales for the whole year grew by 4 percent to 99.6 million euros (95.7); our operating profit improved to 5.2 million euros (1.5), and our comparable operating profit was 6.1 million euros (1.5).

We continued our moderate international expansion with the main thrust on openings of retailer-owned Marimekko stores. Of the 14 new stores opened during the year, 11 are located in the important Asia-Pacific region. In Australia, we opened our fifth company-owned store in November; our online store opened there in April as part of our continued efforts to develop our digital business. In January 2017, we announced that we have improved the availability of our products in Europe by extending our e-commerce to 16 new countries. At the moment, our online store reaches customers in 29 countries.

In September 2016, a new washing machine worth around a million euros came online at our textile printing factory in Helsinki, where we print about a million metres of fabric per year. Investments in our own printing factory are important because we want to ensure that the factory provides us with an ongoing and flexible ability to innovate. Consumers around the world are increasingly interested in knowing where, how and by whom their products have been made. The in-house printing factory helps to underpin our expertise in print design as a strong factor of differentiation and as an international competitive advantage.

The revamp of our collections and our brand progressed, and this long-term development work still continues. Our strengths in intense competition include the uniqueness of our brand and our recognisable design language. Since the beginning of our company, we have remained true to our mission of bringing joy to people's everyday lives. Building on Marimekko's original, positive and colourful design philosophy, we are now going to enhance the commercial prospects of our collections and seek markedly stronger growth than before.

We have decided to move on to the next stage in our design and product development work. Anna Teurnell, our creative director for the past two and a half years, stepped down from her position in February 2017, and I want to thank Anna for her important contribution to the development of our collections in particular within the ready-to-wear line. We have modernised the line by improving combinability and introducing versatility in materials, which has resulted in increased international interest in our brand. Having reached this point, our design and product development team is well poised to continue the development of our ready-to-wear collections to serve an even wider group of customers around the world.

”Since the beginning of our company, we have remained true to our mission of bringing joy to people’s everyday lives.”

There are signs of recovery in the overall state of the retail market, but the uncertainty over the global economy that has overshadowed our sector for years does not look like easing up this year either. Consumers in all markets are increasingly price-conscious. In Finland, retailing has gone into a slight upswing after several weaker years, but the trend is forecast to be moderate.

I am confident that the implemented reorganisation and enhanced efficiency of operations will improve our chances for growth in the coming years, and I want to thank our skilled and committed personnel for doing an excellent job in a challenging operating environment. We are now continuing our long-term work towards profitable growth and reinforced competitiveness.

This year, we have good reason to celebrate as independent Finland has its 100th anniversary. Our centenary theme, “bold patterns for Finland”, is strongly based on doing things together, and throughout the year, we will organise events encouraging people to view traditional things from new and unusual perspectives. A successful future for Finland will be built by doing things together and crossing boundaries open-mindedly. Collaboration cultivates an atmosphere of openness and trust – a prerequisite for boldness and creativity.

Tiina Alahuhta-Kasko

Report of the Board of Directors

2016 IN BRIEF

In 2016, the Marimekko Group's net sales grew by 4 percent on the previous year and were EUR 99.6 million (95.7). In Finland, net sales amounted to EUR 55.8 million (52.7). International sales were EUR 43.8 million (43.0). Net sales were improved by growth in wholesale sales in Finland, EMEA and the Asia-Pacific region. Growth in wholesale sales in Finland was due to nonrecurring promotional deliveries taking place in the second half of the year. Net sales were also boosted by growth in retail sales in Finland and Australia. All in all, retail sales grew by 2 percent and wholesale sales by 9 percent. Brand sales[1] of Marimekko products rose by 10 percent to EUR 194.4 million (176.7).

Marimekko's operating profit grew in comparison with the previous year and was EUR 5.2 million (1.5), including a restructuring expense of EUR 0.8 million. Comparable operating profit was EUR 6.1 million (1.5). Operating profit was improved by a reduced cost level including lower marketing expenses than in the comparison year. Also, operating profit was boosted by growth in retail and wholesale sales in Finland as well as growth in wholesale sales in EMEA and the Asia-Pacific region. Growth in wholesale sales in Finland was due to nonrecurring promotional deliveries. A drag was exerted on operating profit by discount-driven retail sales and a downturn in relative sales margin. Profit after tax was EUR 4.0 million (0.8) and earnings per share were EUR 0.50 (0.10). The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid for 2016 (0.35).

OPERATING ENVIRONMENT

All in all, there is considerable uncertainty over the global economy, due partly to the unpredictability of the political situation. There are several risk factors, and concern has been growing over the proliferation of barriers to trade. Risks are increased, above all, by uncertainty about the direction of US economic policy. However, world GDP is expected to grow at its average rate of slightly over three percent. Average growth in the EU countries appears to be continuing at a fairly modest rate. Consumers in all markets are increasingly price-conscious.

In the Finnish economy, a more positive vibe than before is prevailing, but exports have not recovered. Retailing has gone into a slight upswing after several weaker years and growth is forecast to continue at a slow pace. In January, retail trade confidence picked up somewhat and is now near the long-term average. Consumer confidence in the Finnish economy gained strength in January; the last time it was equally strong was more than six years ago.

(Confederation of Finnish Industries EK: Economic Review, 19 December 2016; Confidence Indicators, January 2017; Business Tendency Survey, February 2017. Statistics Finland: Consumer Survey, January 2017.)

In 2016, the value of retail sales in Finland grew by 0.7 percent on the previous year and the volume of sales, which measures real growth, rose by 1.6 percent (Statistics Finland: Turnover of Trade, retail trade flash estimate, December 2016).

CHANGES IN THE STORE NETWORK

In 2016, the main thrust in expanding the Marimekko store network continued to be on openings of retailer-owned Marimekko stores. The company attained its goal of opening around 10–20 new Marimekko stores and shop-in-shops. The company also continued to enhance the operations of Marimekko stores opened in recent years.

In the course of 2016, a total of 14 stores were opened, of which three were company-owned, four retailer-owned, and seven shop-in-shops. Of the stores opened, 11 were located in the company's growth market of the Asia-Pacific region.

During the year, a total of eight Marimekko stores and shop-in-shops were closed. Of these, three were company-owned, and they were located in Helsinki (children's wear), Berlin, and Täby, Sweden.

At the end of 2016, the number of Marimekko stores and shop-in-shops totalled 159 (153)[2]. Of these, 55 (55) were company-owned stores.

[1] Estimated sales of Marimekko products at consumer prices. Brand sales are calculated by adding together the company's own retail 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. This key figure is not audited. The calculation method for 2015 figures has been restated to correspond to licensing agreement terms.

[2] Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm.

In addition, Marimekko opened an online store in Australia; at the end of the year, the company's e-commerce reached customers in 13 countries.

NET SALES

In 2016, the Group's net sales grew by 4 percent on the previous year and were EUR 99.6 million (95.7). Net sales in Finland rose by 6 percent to EUR 55.8 million (52.7); international sales grew by 2 percent to EUR 43.8 million (43.0).

Retail sales rose by 2 percent to EUR 53.6 million (52.7). Retail sales were supported by growth in sales in Finland and Australia. Growth was due primarily to the additional sales by stores opened in 2015 and 2016 and an increase in discount-driven sales by Finnish outlet stores and the online store. Comparable sales were on a par with the previous year in Finland, but fell in all other market areas. A weak trend in retail sales in North America reduced net sales.

Wholesale sales grew by 9 percent to EUR 44.9 million (41.4). This growth was due to nonrecurring promotional deliveries taking place in the second half of the year in Finland as well as a positive trend in sales in EMEA and the Asia-Pacific region.

Royalty income from North America was significantly lower than in the previous year.

International sales represented 44 percent of the Group's net sales (45). As for brand sales, 63 percent of the sales were generated abroad (60). Net sales by market area were: Finland 56 percent, Scandinavia 8 percent, EMEA 9 percent, North America 8 percent, and Asia-Pacific 19 percent. The breakdown of the Group's net sales by product line was as follows: fashion 36 percent, home 38 percent, and bags & accessories 26 percent.

Net sales by market area

(EUR million)	**2016**	**2015**
Finland	55.8	52.7
Retail sales	38.9	37.6
Wholesale sales	16.6	14.7
Royalties	0.3	0.4
Scandinavia	7.8	7.8
Retail sales	5.0	4.8
Wholesale sales	2.9	2.9
Royalties	-	-
EMEA	9.2	8.3
Retail sales	1.1	1.2
Wholesale sales	7.8	6.9
Royalties	0.3	0.2
North America	7.9	9.2
Retail sales	5.2	5.9
Wholesale sales	2.2	2.4
Royalties	0.5	0.9
Asia-Pacific	18.8	17.7
Retail sales	3.5	3.2
Wholesale sales	15.4	14.5
Royalties	-	-
International sales, total	43.8	43.0
Retail sales	14.8	15.1
Wholesale sales	28.3	26.7
Royalties	0.8	1.2
Total	99.6	95.7
Retail sales	53.6	52.7
Wholesale sales	44.9	41.4
Royalties	1.1	1.6

All figures in the table have been individually rounded to millions of euros, so there may be rounding differences in the totals.

NET SALES BY MARKET AREA

Finland

In 2016, net sales in Finland rose by 6 percent to EUR 55.8 million (52.7). Comparable retail sales were on a par with the previous year; sales grew by 9 percent in outlet stores, but fell by 5 percent in other stores. Wholesale sales rose by 13 percent due to nonrecurring promotional deliveries taking place in the second half of the year.

Scandinavia

Net sales in Scandinavia held steady at the previous year's level and were EUR 7.8 million (7.8). Euro-denominated retail sales grew by 3 percent; retail sales at comparable exchange rates rose by 1 percent. Wholesale sales in euro terms fell by 2 percent, while sales at comparable exchange rates were on a par with the previous year.

EMEA

In EMEA, net sales rose by 12 percent and were EUR 9.2 million (8.3). Retail sales declined by 10 percent, whereas wholesale sales grew by 14 percent.

North America

Net sales in North America fell by 14 percent to EUR 7.9 million (9.2). Retail sales declined by 11 percent and wholesale sales by 9 percent. The decline in retail sales was partly attributable to the absence of sales by the Beverly Hills store, which was closed towards the end of the first quarter of the comparison year, and to protracted construction works in the vicinity of some stores, including the New York flagship store. The higher royalty income booked in the previous year than in 2016 also contributed to the decrease in net sales.

Asia-Pacific region

Net sales in the Asia-Pacific region grew by 7 percent to EUR 18.8 million (17.7). Wholesale sales improved by 6 percent. In Japan, which is the most important country in this market area, sales rose by 6 percent, and in other countries too, the trend was mostly positive. Retail sales (Australia) grew by 10 percent, principally due to additional sales by stores opened in 2015 and 2016. Sales by comparable stores in Australia fell by 3 percent both in euro terms and in terms of the sales currency.

FINANCIAL RESULT

In 2016, the Group's operating profit grew in comparison with the previous year and was EUR 5.2 million (1.5), including a restructuring expense of EUR 0.8 million. Comparable operating profit was EUR 6.1 million (1.5). Operating profit was improved by a reduced cost level including lower marketing expenses than in the comparison year. The costs for the comparison year also included the considerable expenses associated with the closure of the store in Beverly Hills. Operating profit was further boosted by growth in retail and wholesale sales in Finland as well as growth in wholesale sales in EMEA and the Asia-Pacific region. In Finland, growth in wholesale sales was due to nonrecurring promotional deliveries taking place in the second half of the year. A drag was exerted on operating profit by discount-driven retail sales and a downturn in relative sales margin. Operating profit was also adversely affected by the royalty income from North America booked in the previous year, which was higher than in 2016.

Marketing expenses for the year 2016 were EUR 4.4 million (5.1) or 4 percent of the Group's net sales (5).

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

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

Net financial expenses were EUR 0 million (0.2) or 0 percent of net sales (0). Foreign exchange gains recorded in net financial items amounted to EUR 0.1 million (0.0).

Result for 2016 before taxes was EUR 5.2 million (1.3). Result after taxes was EUR 4.0 million (0.8) and earnings per share were EUR 0.50 (0.10).

BALANCE SHEET

The consolidated balance sheet total as of 31 December 2016 was EUR 48.5 million (46.1). Equity attributable to the equity holders of the parent company was EUR 28.3 million (27.1) or EUR 3.50 per share (3.35).

Non-current assets at the end of 2016 stood at EUR 15.6 million (17.4).

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

CASH FLOW AND FINANCING

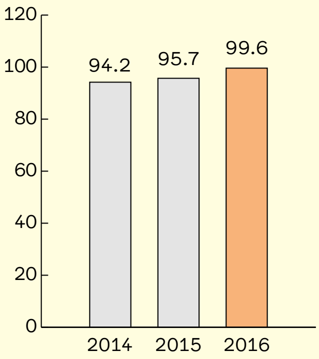
In 2016, cash flow from operating activities was EUR 6.1 million (6.3) or EUR 0.76 per share (0.78). Cash flow before cash flow from financing activities was EUR 3.6 million (3.1).

The Group's financial liabilities at the end of 2016 were EUR 6.0 million (7.3).

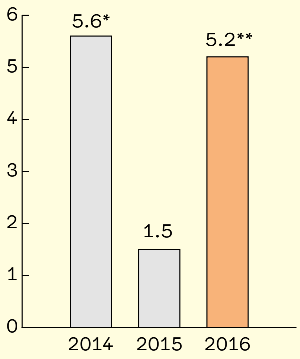
At the end of the year, the Group's cash and cash equivalents amounted to EUR 3.5 million (4.2). In addition, the Group had unused committed long- and short-term credit lines of EUR 14.4 million (15.2).

The Group's equity ratio at the end of 2016 was 58.5 percent (59.0). Gearing was 8.8 percent (11.3).

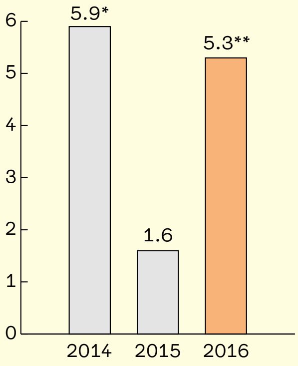
Net sales (EUR million)



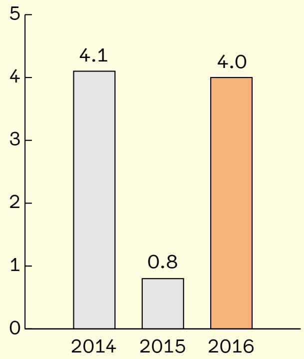
Operating profit (EUR million)



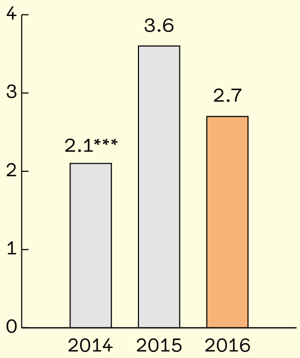
Operating profit margin (%)



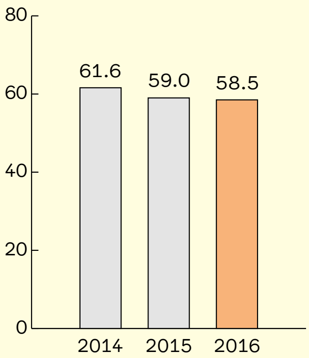
Result after taxes (EUR million)



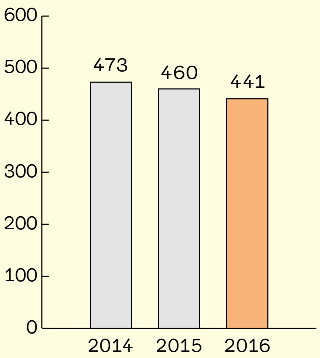
Gross investments (EUR million)



Equity ratio (%)



Average personnel



* Includes a nonrecurring expense of EUR 0.7 million connected with downsizing resulting from the statutory consultative negotiations completed in March 2014.

** Includes a nonrecurring expense of EUR 0.8 million connected with downsizing resulting from the statutory consultative negotiations completed in March 2016.

*** Excluding finance lease investments.

INVESTMENTS

The Group's gross investments were EUR 2.7 million (3.6) or 3 percent of net sales (4). Most of the investments were devoted to renewal of the washing machinery at the company's fabric printing factory in Helsinki, IT systems, and store premises.

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 was 8,089,610.

Shareholdings

According to the book-entry register, Marimekko had 7,270 shareholders at the end of 2016 (7,084). Of the shares, 10.5 percent were owned by nominee-registered or non-Finnish holders (20.1). The breakdown of Finnish ownership by owner group was as follows: households 40.4 percent, non-financial corporations and housing corporations 32.8 percent, general government 10.1 percent, financial and insurance corporations 4.7 percent, and non-profit institutions 1.6 percent.

At the end of 2016, members of the Board of Directors and the Management Group of the company either directly or indirectly owned 1,334,973 shares, i.e. 16.5 percent of the number and voting rights of the company's shares.

Marimekko has neither made nor is aware of any shareholder agreements concerning the company's shares or other commitments agreeing on the company's ownership or the use of voting rights. Further information about shareholdings is available under Share and shareholders on pages 54–57.

Share trading and the company's market capitalisation

In 2016, a total of 2,112,657 Marimekko shares were traded (1,062,373), representing 26.1 (13.1) percent of the shares outstanding. The total value of the share turnover was EUR 16,917,306. The lowest price of the Marimekko share was EUR 6.06, the highest was EUR 9.73 and the average price was EUR 8.01. At the end of 2016, the closing price of the share was EUR 9.48. The company's market capitalisation on 31 December 2016 was EUR 76,689,503 (67,143,763).

Flaggings

Moomin Characters Oy Ltd's share of Marimekko Corporation's shares and voting rights exceeded five percent as a result of a transaction conducted on 27 April 2016. After the transaction, the holding of Moomin Characters Oy Ltd was 585,000 shares which equals 7.23 percent of the number and voting rights of the company's shares.

Semerca Investments S.A.'s share of Marimekko Corporation's shares and voting rights fell below thresholds of ten percent and five percent as a result of a transaction conducted on 27 April 2016. After the transaction, the holding of Semerca Investments S.A. was 400,377 shares which equals 4.95 percent of the number and voting rights of the company's shares.

Authorisations

At the end of the year, the Board of Directors had no valid authorisations to carry out share issues or issue convertible bonds or bonds with warrants, or to acquire or surrender Marimekko shares. Marimekko Corporation does not own any Marimekko shares.

PERSONNEL

In 2016, the number of employees averaged 441 (460). At the end of the year, the Group had 431 (476) employees, of whom 111 (126) worked abroad. Salaries, wages and bonuses paid to personnel amounted to EUR 19.8 million (20.4).

During the year, personnel work focused on training, on-the-job wellness and cooperation with occupational healthcare as well as ensuring processes and procedures that are appropriate and cost-effective. Training programmes for managers as well as long-term training programmes for sales personnel continued. Training was also organised for office staff. All these measures are aimed at ensuring that Marimekko employees are well, fit for work and able to achieve results. In 2016, the turnover of employees leaving was 16.1 (9.2) percent.

SUSTAINABILITY

In 2016, Marimekko published its sustainability strategy extending to the year 2020, the key themes of which are sustainable and timeless design, engagement of stakeholders, 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. 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 core level of the GRI G4 guidelines provides the basis for reporting. The next review will be issued in spring 2017.

THE ENVIRONMENT, HEALTH AND SAFETY

The environment

Care for the environment is one of the cornerstones of Marimekko's business. The environmental aspects of Marimekko's in-house manufacturing are related to the operations of the textile printing factory in Herttoniemi, Helsinki. Operating methods are improved constantly for the monitoring and minimising of environmental impacts of manufacturing and other business operations. Subcontractors are contractually obligated to commit themselves to shouldering their environmental responsibilities. Marimekko seeks to mitigate climate change through energy efficiency and by using renewable energy sources, by reducing water consumption, and by minimising, recycling and repurposing waste. The goal is to continuously reduce environmental impacts and to enhance resource efficiency. Results are achieved through close collaboration between design, product development and manufacturing.

Health and safety

Safety and well-being in the workplace are actively monitored and improved at Marimekko in collaboration with 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 2016, the sickness absence percentage based on theoretical regular working hours was 2.6 (2.5) percent among Marimekko's employees in Finland.

RESEARCH AND DEVELOPMENT

Marimekko's product planning and development costs arise from the design of collections. 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 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 appointed six members to the company's Board of Directors. Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen, Joakim Karske 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 Joakim Karske 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 will 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. Approximately 40 percent of the annual remuneration would be paid in Marimekko Corporation's shares acquired from the market and the rest in cash. In addition, the Annual General Meeting resolved that the remuneration will be paid entirely in cash if the Board member on the date of the Annual General Meeting, 11 April 2016, held the company's shares worth more than EUR 500,000. It was further decided that no separate remuneration will be paid for committee work to persons elected to any committee. In the remuneration payable to the Vice Chairman of the Board, charing the Audit and Remuneration Committee has been taken into account.

The Board of Directors elects the President and CEO and decides on the President and CEO's salary and other remuneration on the basis of the proposal of 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 took place in the company's management in 2016. Chief Product Office (CPO) Niina Nenonen resigned her membership of the Management Group on 15 March 2016; she continues with the company as Head of Global Partner Sales, being responsible for the strategically important partner markets especially in Asia. Lasse Lindqvist resigned as Chief Marketing Officer (CMO) and member of the Management Group on 15 June 2016. Marimekko announced on 15 September 2016 that Päivi Paltola has been appointed as the company's new Chief Marketing Officer (CMO) and Management Group member; she started in her post on 30 January 2017. Also, the company announced on 29 November 2016 that Tanya Strohmayer has been appointed as the company's new HR Director and member of the Management Group; she will start in her post on 10 February 2017.

At the end of the year, the composition of the company's Management Group was as follows: Tiina Alahuhta-Kasko as Chairman and Elina Aalto (finance and administration), Päivi Lonka (sales) and Anna Teurnell (design) as members.

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

Changes in governance model

On 22 February 2016, Marimekko Corporation's Board of Directors resolved to change Marimekko's governance model, in which the duties of the CEO and the President were separate. Following the change, President Tiina Alahuhta-Kasko's role also includes the duties of the CEO, involving among other things responsibility for developing and implementing Marimekko's strategy together with the Management Group as well as managing the company's financial affairs and stakeholder relations. Tiina Alahuhta-Kasko has served as President of Marimekko since 9 April 2015. Mika Ihamuotila, who previously held the post of CEO, continues to be employed by the company pursuant to his full-time executive service agreement. Marimekko's Annual General Meeting elected him as a member of the Board of Directors and, from among its members, the Board elected him as its chairman. Thereafter his post has been full-time Chairman of the Board. These changes came into effect after the Annual General Meeting of 11 April 2016.

Corporate governance statement

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

OTHER EVENTS DURING 2016

Consultative negotiations and streamlining of operations

In early 2016, Marimekko conducted consultative negotiations in order to improve profitability and to streamline the company's operations and cost structure. The negotiations included all operations in Finland with the exception of the personnel in company-owned retail stores. There were 195 employees within the scope of the negotiations. The negotiations reached the conclusion that operations can be streamlined with fewer personnel reductions than estimated, and they led to the termination of 35 jobs.

All of the company's fixed costs were also scrutinised. Annual savings from streamlining and reorganising operations are approximately EUR 2.1 million. Most of the profit improvement resulting from the cost savings was visible as of the second quarter of 2016. In connection with the downsizing, the company posted a restructuring expense of EUR 0.8 million for 2016.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

The global economic cycle and factors of uncertainty affect consumers' purchasing behaviour and buying power in all of the company's market areas. The major strategic risks for the near future are associated with the trend in consumer confidence and overall economic trends especially in Finland and Japan, which are the company's biggest single countries for business.

Near-term strategic risks also include risks related to changes in the company's design, the focal points of collections, the product assortment and product pricing, as well as increased competition arising from the digitisation of retailing. 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. Strengthening competitiveness in a rapidly changing operating environment being revolutionised by digitisation demands agility, efficiency and constant re-evaluation of operations.

The distribution of Marimekko products is being expanded in all key market areas. Growth is based primarily on opening retailer-owned

Marimekko stores and shop-in-shops and expanding e-commerce as well as setting up company-owned stores. Changes in distribution channel solutions may impact the company's sales and profitability. Expanding the network of company-owned stores and building international e-commerce have increased the company's investments, lease liabilities of store premises and inventories as well as the company's fixed costs. Furthermore, major partnership agreements, the selection of partners, and store lease agreements in Finland and abroad involve risks.

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

The company's operational risks prominently include those related to the management and success of modernisation and internationalisation, the operational reliability of procurement and logistics processes and information systems, and changes in the prices of raw materials and other procurement items. 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 importance to customers. Any delays or disturbances in supply, or fluctuations in the quality of products, may have a harmful impact on business. As product distribution is expanded and operations are diversified, risks associated with inventory management also grow. As Marimekko is a small company, ongoing modernisation and development projects increase risks related to key personnel.

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

A more detailed description of Marimekko's risk management process is available on the company's website under Investors/Management/Risk management and risks.

MARKET OUTLOOK AND GROWTH TARGETS

The general uncertainty in the global economy is forecast to continue, and the estimated consumer demand varies in Marimekko's market areas. Retailers are exercising caution in their additional purchases and in selecting new suppliers, which is expected to impact Marimekko's wholesale sales also in 2017.

Finland, Marimekko's important domestic market, accounts for about half of the company's net sales. There are signs of a more positive vibe for retailing, and the trend is forecast to be moderate. Nonrecurring promotional deliveries had a positive impact on the company's sales in 2016, but no similarly large deliveries are in sight for 2017. Marimekko's sales in Finland, excluding income from nonrecurring promotional deliveries, are expected to be roughly on a par with the previous year.

The Asia-Pacific region, Marimekko's second-biggest market, plays a significant part in the company's internationalisation. Japan is clearly the most important country in this region to Marimekko; the other countries' combined share of the company's net sales is still relatively small, as operations in these markets are in fairly early stages. Japan already has a very comprehensive network of Marimekko stores, and new ones are being opened at a rate of a few stores per year. Sales are supported by enhancing the operations of stores and by optimising the product range. Sales in the Asia-Pacific region this year are forecast to be roughly on a par with the previous year. Most of the Marimekko stores and shop-in-shops to be opened in 2017 will be in the Asia-Pacific region, and the company sees growing demand for its products in this area especially in the longer term. In Australia, prospects are expected to continue to be positive.

In 2017, the main thrust in expansion will continue to be on openings of retailer-owned Marimekko stores. The aim is to open around 10–20 new Marimekko stores and shop-in-shops. The majority of the new stores will be shop-in-shops. Furthermore, the company will continue the enhancement of the operations of Marimekko stores opened in recent years. The company's own e-commerce and other online sales channels are forecast to continue to grow.

Royalty income from North America is expected to increase slightly due to a licensing agreement concluded with a North American company.

The expenses of marketing operations in 2017 are forecast to be higher than in 2016 (EUR 4.4 million). The total investments are estimated at approximately EUR 2 million (2.7).

FINANCIAL GUIDANCE FOR 2017

The Marimekko Group's net sales and comparable operating profit for 2017 are forecast to be at the same level as in the previous year.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DIVIDEND FOR THE 2016 FINANCIAL YEAR

On 31 December 2016, the parent company's distributable funds amounted to EUR 17,482,078.62; profit for the financial year was EUR 5,576,900.81. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid for 2016 to a total of EUR 3,235,844 and that the remaining funds be retained in equity. The Board will propose 10 April 2017 as the dividend record date, and 19 April 2017 for the dividend payout. No substantial changes in the company's financial position have occurred after the end of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardise the company's solvency.

ANNUAL GENERAL MEETING

Marimekko Corporation's Annual General Meeting will be held on Thursday, 6 April 2017 from 2 p.m. onwards at the company's head office, Puusepänkatu 4, 00880 Helsinki, Finland.

Helsinki, 8 February 2017

Marimekko Corporation
Board of Directors

Consolidated financial statements, IFRS

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)		1 Jan.–31 Dec. 2016	1 Jan.–31 Dec. 2015
NET SALES	1.	**99,614**	**95,652**
Other operating income	2.	376	335
Increase (-) / decrease (+) in inventories of completed and unfinished products		2,960	367
Raw materials and consumables	3.	-40,199	-35,208
Employee benefit expenses	4.	-25,671	-26,232
Depreciation and impairments	5.	-4,114	-4,511
Other operating expenses	6.	-27,716	-28,861
OPERATING PROFIT		**5,249**	**1,542**
Financial income	7.	164	49
Financial expenses	8.	-243	-297
		-79	-247
RESULT BEFORE TAXES		**5,170**	**1,294**
Income taxes	9.	-1,138	-491
NET RESULT FOR THE PERIOD		**4,032**	**803**
Distribution of net result to equity holders of the parent company		4,032	803
Basic and diluted earnings per share calculated on the result attributable			
to equity holders of the parent company, EUR	10.	0.50	0.10

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	1 Jan.–31 Dec. 2016	1 Jan.–31 Dec. 2015
Net result for the period	4,032	803
Items that could be reclassified to profit or loss at a future point in time		
Change in translation difference	-14	112
COMPREHENSIVE RESULT FOR THE PERIOD	**4,018**	**915**
Distribution of net result to equity holders of the parent company	4,018	915

The notes are an integral part of the financial statements.

CONSOLIDATED BALANCE SHEET

(EUR 1,000)		31 Dec. 2016	31 Dec. 2015
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	11.1	1,493	1,856
Tangible assets	11.2	13,902	15,486
Available-for-sale financial assets	11.4	16	16
Deferred tax assets	14.1	222	
		15,633	17,359
CURRENT ASSETS			
Inventories	12.1	21,357	18,488
Trade and other receivables	12.2	8,020	5,966
Cash and cash equivalents		3,482	4,249
		32,860	28,703
ASSETS, TOTAL		**48,493**	**46,061**

(EUR 1,000)		31 Dec. 2016	31 Dec. 2015
SHAREHOLDERS’ EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY			
Share capital	13.1	8,040	8,040
Invested unrestricted equity fund		502	502
Translation differences		24	38
Retained earnings		19,751	18,549
Shareholders’ equity, total		28,316	27,129
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14.1		9
Provisions	14.2	71	190
Finance liabilities	14.3	2,594	3,834
Financial lease obligations	15.2	3,171	3,231
		5,836	7,264
CURRENT LIABILITIES	15.1		
Trade and other payables		13,156	11,189
Current tax liabilities		945	226
Provisions		26	
Financial lease	15.2	214	253
		14,341	11,668
Liabilities, total		20,177	18,932
SHAREHOLDERS’ EQUITY AND LIABILITIES, TOTAL		**48,493**	**46,061**

The notes are an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)		1 Jan.–31 Dec. 2016	1 Jan.–31 Dec. 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the period		4,032	803
Adjustments			
Depreciation and impairments		4,114	4,511
Other non-cash transactions			0
Financial income and expenses		79	247
Taxes		1,138	491
Cash flow before change in working capital		9,363	6,054
Change in working capital			
Increase (-) / decrease (+) in current non-interest-bearing trade receivables		-2,224	1,216
Increase (-) / decrease (+) in inventories		-2,803	-930
Increase (+) / decrease (-) in current non-interest-bearing liabilities		2,445	1,216
Cash flow from operating activities before financial items and taxes		6,781	7,556
Paid interest and payments on other financial expenses		-169	-305
Interest received		33	49
Taxes paid		-520	-986
CASH FLOW FROM OPERATING ACTIVITIES		**6,125**	**6,313**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in intangible assets	11.1.	-573	-1,036
Investments in tangible assets	11.2.	-1,986	-2,136
CASH FLOW FROM INVESTING ACTIVITIES		**-2,559**	**-3,171**
CASH FLOW FROM FINANCING ACTIVITIES			
Net change in long-term loans		-1,240	139
Short-term loans drawn		4,000	-
Payments of short-term loans		-4,000	-
Payments of finance lease liabilities		-261	-280
Dividends paid		-2,831	-2,831
CASH FLOW FROM FINANCING ACTIVITIES		**-4,332**	**-2,973**
Change in cash and cash equivalents		-766	170
Cash and cash equivalents at the beginning of the period		4,249	4,079
Cash and cash equivalents at the end of the period		3,482	4,249

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	Invested non-restricted equity reserve	Translation differences	Retained earnings	Shareholders' equity, total
Shareholders' equity 1 Jan. 2015	**8,040**	**502**	**-74**	**20,577**	**29,045**
Comprehensive result					
Net result for the period				803	803
Translation differences			112		112
Total comprehensive result for the period			**112**	**803**	**915**
Transactions with owners					
Dividends paid				-2,831	-2,831
Shareholders' equity 31 Dec. 2015	**8,040**	**502**	**38**	**18,549**	**27,129**
Shareholders' equity 1 Jan. 2016	**8,040**	**502**	**38**	**18,549**	**27,129**
Comprehensive result					
Net result for the period				4,032	4,032
Translation differences			-14		-14
Total comprehensive result for the period			**-14**	**4,032**	**4,018**
Transactions with owners					
Dividends paid				-2,831	-2,831
Shareholders' equity 31 Dec. 2016	**8,040**	**502**	**24**	**19,751**	**28,316**

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

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

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

Marimekko Corporation's Board of Directors approved these financial statements for publication at its meeting on 8 February 2017. 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 2016. In the Finnish Accounting Act and the provisions laid down pursuant to the Act, International Financial Reporting Standards refer to the standards approved for use in the EU in accordance with the procedures laid down in IAS Regulation (EC) 1606/2002 of the European Parliament, and the interpretations of these standards. The notes to the consolidated financial statements also comply with Finnish accounting and company legislation which complements IFRS regulations.

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

Accounting estimates and judgments

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

Principles of consolidation

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

Segment reporting

The Group's business segment is the Marimekko business. The segment information presented by the Group is based on internal reporting to the chief operational decision-maker, in which the management's assessment of the segment's profitability is based on monitoring of 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 rates on the date of transaction. The foreign-currency denominated receivables and liabilities of the parent company and its Finnish subsidiary have been converted to euro amounts using the exchange rates quoted by the European Central

Bank on the closing date. The foreign currency-denominated receivables and liabilities of foreign subsidiaries have been converted at the exchange rate of the country in question on the closing date. Foreign exchange differences in business operations are booked in the corresponding income statement accounts above operating profit and foreign exchange differences on financial items in financial income and expenses.

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

Revenue recognition and net sales

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

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

Other operating income

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

Operating profit

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

Employee benefits

Pension commitments

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

Share-based payments

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

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

Interest income

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

Dividend income

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

Income taxes

Taxes on the Group companies' financial results for the period, taxes from previous periods and the change in deferred taxes are recorded as the

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

Earnings per share

The basic earnings per share are calculated by dividing the profit for the period attributable to equity holders of the parent company by the weighted average of shares outstanding. The weighted average number of shares used to calculate the diluted earnings per share takes into account the diluting effect of the conversion of potential common shares into actual shares during the period.

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 checked in connection with closing 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 the 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. Financial lease agreements in accordance with IAS 17 are recognised in the balance sheet and are depreciated in line with the Group's depreciation policy over their useful life or lease period, whichever is shorter and any impairment loss is recognised. Rents payable under lease agreements are divided into financial expenses and debt repayment.

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

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

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

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

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

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

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

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

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

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

New standards and interpretations
In preparing these consolidated financial statements, the Group has followed the same accounting policies as in the annual financial statements for 2015 except for the effect of changes required by the adoption of the following new standards, interpretations and amendments to existing standards and interpretations on 1 January 2016. The new standards, interpretations and amendments to existing standards have not had a material impact on the consolidated financial statements.

- IFRS 11 (amendment) "Joint arrangements". This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.

- IAS 16 (amendment) ”Property, plant and equipment” and IAS 38, ”Intangible assets”. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- IASB published the following improvements to standards and interpretations as part of the 2012–2014.

- IAS 1 (amendment) "Disclosure Initiative”. The amendment aims at preparers exercising their judgement in presenting their financial reports.

Below is a list of standards, interpretations and amendments that have been issued and are effective for periods after 1 January 2016. They will be adopted by the Group in 2017 or later. The impacts on the consolidated financial statements are commented by each change separately.

- IFRS 15 ”Revenue from Contracts with Customers”. The new standard provides a comprehensive framework for recognizing revenue and the amount and timing of the revenue. IFRS 15 replaces the effective guidelines for recognition, such as IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. According to IFRS 15, revenue is recognised when a customer obtains control of a good or service. The control is obtained when the customer has the ability to direct the use of and get the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will increase the amount of disclosure information related to customer contracts and significant judgements made. In the transition to IFRS 15 there are three alternative approaches: 1) Full retrospective approach, 2) Retrospective with practical expedient approach or 3) Cumulative effect method. IFRS 15 shall be applied starting 1 January 2018.

- The Group sells design products in Marimekko stores, online stores, and through wholesale trade both in Finland and overseas. The goods are delivered to the customer one by one or several items at a time, in the stores or by the carrier. The customer can utilize each sold product separately and the products are not dependent on other products sold by Marimekko. In the recent years, the Group has had no service or project business and less than two percent of the revenue has been consisted of royalty revenues. In wholesale trade, the terms of delivery determine the point of time when the customer obtains control of the goods. Determining the separately identifiable performance obligations is uncomplicated. Fulfilling of the obligations are verifiable by the payment receipts or transportation documents. In compliance with IFRS 15, the contributions by the customers are allocated to distinct goods and recognised as revenue by the Group, when the goods are granted to the customer in the store or when the wholesale customer obtains control of the goods according to the terms of delivery. The Group is performing a more comprehensive analysis on implementing IFRS 15. Based on above stated, IFRS 15 is not expected to have a significant impact on the consolidated financial statements of the Group. At this stage, the Group can not give any estimate on quantitative impacts of applying IFRS 15. The Group has not made any decision between the alternative approaches for implementing IFRS 15 or the expedients.

- IFRS 9 ”Financial instruments”. The new standard replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard’s requirements related to general hedge accounting have also been revised. IAS 39’s requirements for recognition and derecognition of financial instruments have been retained.

- IFRS 16 "Leases”. The new standard requires lessees to recognise a liability reflecting the future rental payments and an asset related to authority to use the asset, for almost all leases. Lessees cease to classify leases as finance leases or operating leases. The standard contains an optional exemption for assets with a lease term of 12 months or less or the underlying asset having a low value. Applying IFRS 16 will increase the amount of assets and liabilities recognised to the Group’s consolidated balance sheet, related to rental agreements of store premises. Rental agreements of store premises are currently classified as operating leases. The change will also have an impact on the consolidated balance sheet, as the rental expense will be replaced by depreciations of the leased asset and interest expense on the finance lease liability. *)

*) This standard, interpretation or amendment is still subject to EU endorsement.

1. SEGMENT INFORMATION

The operational segments are reported to the chief operational decision-maker in the same way as in internal reporting. The chief operational decision-maker monitors Marimekko's business as a whole. The company is domiciled in Finland. Net sales from external customers in Finland totalled EUR 55,770 thousand and from external customers in other countries EUR 43,844 thousand.

The total amount of non-current assets in Finland excluding financial instruments and deferred tax liabilities (the Group has no assets arising from employee benefits or insurance contracts) was EUR 14,913 thousand (15,382) and the total amount of corresponding non-current assets in other countries was EUR 498 thousand (1,977).

(EUR 1,000)	**2016**	**2015**
Net sales		
Finland	55,770	52,690
Other countries	43,844	42,962
Total	99,614	95,652
Assets		
Finland	39,332	37,677
Other countries	9,161	8,384
Total	48,493	46,061
Investments		
Finland	2,327	2,772
Other countries	394	399
Total	2,721	3,171

(EUR 1,000)	**2016**	**2015**
Net sales		
Product sales	98,532	94,089
Licence income	1,082	1,563
Total	99,614	95,652

2. OTHER OPERATING INCOME

(EUR 1,000)	**2016**	**2015**
Rental income	313	248
Other income	63	87
Total	376	335

3. RAW MATERIALS AND CONSUMABLES

(EUR 1,000)	**2016**	**2015**
Materials and supplies		
Purchases during the financial year	26,777	23,092
Increase (-) / decrease (+) in inventories	-135	-323
Total	26,643	22,769
External services	13,556	12,440
Total	40,199	35,208

Exchange rate differences included in raw materials and consumables

(EUR 1,000)	**2016**	**2015**
Exchange rate gains (-) / losses (+) of purchases	50	93

4. EMPLOYEE BENEFIT EXPENSES

(EUR 1,000)	2016	2015
Salaries, wages and bonuses	19,807	20,392
Share-based payments (cash settled)	30	12
Pension expenses – defined contribution plans	2,742	3,053
Other indirect social expenditure	3,092	2,774
Total	25,671	26,232

Average number of employees

	2016	2015
Salaried employees	417	430
Non-salaried employees	24	30
Total	441	460

Share based payments

Management Group's long-term bonus systems

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

On 7 May 2014, the Board of Directors of Marimekko Corporation agreed on establishing a long-term bonus system targeted at the company's Management Group. The system is composed of two earnings periods, which are 8 May 2014–31 October 2017 and 8 May 2014–28 February 2018. The possible bonus for each earnings period will be based on the total yield on Marimekko Corporation's shares, including dividends. The possible bonus will be paid in cash in two batches, one in autumn 2017 and the other in spring 2018. Earning the bonus requires that the person still works for the company at the time of the payment. When receiving the bonus, the person in question commits themselves to using 50% of the net value of the bonus for acquiring the company's shares at transaction price within six months from receiving the bonus. The shares acquired with the bonus cannot be surrendered prior to two years from the time of acquiring the shares. The annual maximum value of the bonus paid to a member of the Management Group in the bonus system cannot exceed the approximate value of fixed annual salary. The system encompasses the Management Group members excluding the Creative Director, a total of three persons.

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 were share price at the commencement date of the earning period, EUR 9.55 added with 10% resulting to EUR 10.50, and volatility 28%. The grant date of the share-based payments is the date of the Board resolution. The fair value of the share-based payments were on average EUR 1.05/option on the grant date whereby the total fair value of the plan amounted to EUR 313 thousand. Granted share-based payments will be subsequently valued at fair value at each closing date and the change in fair value will be recorded in the income statement to the extent they are vested. Each member to the plan will be compensated for the earnings period with an amount equivalent to 1.5 months' gross salary for each one (1) euro which the closing share price (inclusive of dividends) exceeds the share value of EUR 10.50 at the date of commencement of the plan. Gross salary is defined for the purposes of the plan as the fixed monthly salary, inclusive of fringe benefits, prevailing at the commencement of the plan in May 2014. At the end of 2016 the fair value of share based payments booked as current liabilities to the extent they are vested, was EUR 81 (51) thousand. This EUR 30 thousand increase in fair value of the share based payments in 2016, was booked an an increase in employee benefit expenses in the consolidated income statement.

5. DEPRECIATION AND IMPAIRMENTS

(EUR 1,000)	2016	2015
Intangible assets		
Intangible rights	194	203
Computer software	606	674
Total	800	877
Tangible assets		
Land	115	115
Buildings and structures	1,759	2,027
Machinery and equipment	1,439	1,492
Total	3,314	3,634
Total	4,114	4,511
Impairments on non-current assets:		
Buildings and structures	-	-
Machinery and equipment	-	-
Total	-	-

6. OTHER OPERATING EXPENSES

(EUR 1,000)	2016	2015
Leases	10,638	10,573
Marketing	4,440	5,063
Management and maintenance of business premises	1,429	1,834
Administration	5,655	5,661
Other expenses	5,554	5,730
Total	27,716	28,861

Exchange rate differences included in other operating expenses

(EUR 1,000)	2016	2015
Exchange rate gains (-) / losses (+) of sales	-76	-318

Auditor's fee *)

(EUR 1,000)	2016	2015
PricewaterhouseCoopers		
Audit	75	119
Other services	48	98
Total	123	217
Others		
Audit	5	44
Total	5	44

*) Included in other expenses in the item other expenses.

7. FINANCIAL INCOME

(EUR 1,000)	2016	2015
Interest income on loans and other receivables	43	49
Other financial income	122	0
Total	164	49

Exchange rate gains included in financial income	122	8

8. FINANCIAL EXPENSES

(EUR 1,000)	2016	2015
Interest expenses on financial liabilities measured at amortised cost	-86	-74
Interest expenses on financial lease obligation	-119	-124
Other financial expenses	-38	-98
Total	-243	-297

9. INCOME TAXES

(EUR 1,000)	2016	2015
Taxes on taxable earnings for the period	1,368	485
Deferred taxes	-230	6
Total	1,138	491

Reconciliation statement of taxes calculated on the basis of tax expenses in the income statement and the Group’s Finnish tax rate (20% in 2016 and 20% in 2015)

(EUR 1,000)	2016	2015
Profit before taxes	5,170	1,294
Taxes calculated at the Finnish tax rate	1,034	259
Different tax rates of foreign subsidiaries	-22	-61
Unrecognised deferred tax assets from losses in taxation	47	133
Taxes from previous years	32	
Non-deductible expenses	47	160
Taxes in the income statement	1,138	491

10. EARNINGS PER SHARE

	2016	2015
Net result for the period, EUR 1,000	4,032	803
Weighted average number of shares, 1,000	8,090	8,090
Basic and diluted earnings per share, EUR	0.50	0.10

11. NON-CURRENT ASSETS

11.1 Intangible assets

2016

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

2015

(EUR 1,000)	Intangible rights	Computer software	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2015	2,001	6,362	458	8,822
Translation differences	192	179	-1	370
Increases	85	328	617	1,030
Decreases			-48	-48
Transfers		759	-759	0
Acquisition cost, 31 Dec. 2015	2,278	7,628	268	10,174
Accumulated depreciation, 1 Jan. 2015	1,494	5,766		7,260
Translation differences	154	26		180
Depreciation during the financial year	203	674		877
Accumulated depreciation, 31 Dec. 2015	1,851	6,467		8,317
Book value, 31 Dec. 2015	428	1,161	268	1,856
Book value, 1 Jan. 2015	507	596	458	1,561
Book value, 31 Dec. 2015	428	1,161	268	1,856

11.2 Tangible assets

2016

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

2015

(EUR 1,000)	Land	Buildings and structures	Machinery and equipment	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2015	3,515	18,076	18,572	176	40,339
Translation differences		453	134		587
Increases		1,531	693	228	2,453
Decreases				-86	-86
Acquisition cost, 31 Dec. 2015	3,515	20,060	19,400	318	43,292
Accumulated depreciation, 1 Jan. 2015	345	9,083	14,209		23,637
Translation differences		356	179		535
Depreciation during the financial year	115	2,027	1,492		3,634
Accumulated depreciation, 31 Dec. 2015	460	11,466	15,880		27,806
Book value, 31 Dec. 2015	3,054	8,594	3,520	318	15,486
Book value, 1 Jan. 2015	3,169	8,993	4,363	176	16,702
Book value, 31 Dec. 2015	3,054	8,594	3,520	318	15,486
Book value of production machinery 31 Dec. 2015			1,473		

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 constitute the land lease agreement of the property of the Helsinki head office and printing factory as well as machinery and equipment leased as finance leases since 1 January 2014.

2016

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

2015

(EUR 1,000)	Land	Machinery and equipment	Total
Acquisition cost, 1 Jan. 2015	3,460	261	3,721
Increases		327	327
Acquisition cost, 31 Dec. 2015	3,460	588	4,048
Accumulated depreciation, 1 Jan. 2015	346	78	424
Depreciation during the financial year	115	208	324
Accumulated depreciation, 31 Dec. 2015	461	286	747
Book value, 31 Dec. 2015	2,999	302	3,301
Book value, 1 Jan. 2015	3,114	183	3,297
Book value, 31 Dec. 2015	2,999	302	3,301

11.4 Available-for-sale financial assets

(EUR 1,000)	2016	2015
Available-for-sale shares		
Acquisition cost, 1 Jan.	16	16
Acquisition cost, 31 Dec.	16	16
Book value, 31 Dec.	16	16
Financial assets, total	16	16

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

12. CURRENT ASSETS

12.1 Inventories

(EUR 1,000)	**2016**	**2015**
Raw materials and consumables	5,037	5,334
Incomplete products	55	103
Finished products/goods	16,265	13,052
Total	21,357	18,488

No impairment was recognised on inventories.

12.2 Trade and other receivables

(EUR 1,000)	**2016**	**2015**
Trade receivables	5,799	4,414
Prepayments for inventory purchases	1,065	310
Other reveivables	194	33
Prepaid expenses and accrued income	962	1,208
Total	8,020	5,966

Prepaid expenses and accrued income		
Royalty receivables	273	267
Employee benefits	27	229
Other prepaid expenses and accrued income	662	713
Total	962	1,208

Impairment of trade receivables	23	99

Analysis of trade receivables by age

(EUR 1,000)	**2016**	**Impairment loss**	**Net 2016**	**2015**	**Impairment loss**	**Net 2015**
Undue trade receivables	4,458		4,458	3,061		3,061
Overdue						
less than 30 days	1,003		1,003	1,029		1,029
30–60 days	206		206	281		281
more than 60 days	155	-23	132	143	-99	44
Total	5,822	-23	5,799	4,513	-99	4,414

13. SHAREHOLDERS' EQUITY

13.1 Share capital and invested unrestricted equity fund

	Number of shares	Share capital, EUR	Invested unrestricted equity fund, EUR	Total, EUR
1 Jan. 2015	8,089,610	8,040,000	501,969	8,541,969
31 Dec. 2015	8,089,610	8,040,000	501,969	8,541,969
1 Jan. 2016	8,089,610	8,040,000	501,969	8,541,969
31 Dec. 2016	8,089,610	8,040,000	501,969	8,541,969

Marimekko Corporation's Articles of Association do not specify maximum share capital. Marimekko Corporation has one series of shares; the shares do not have a nominal value. All shares in issue have been paid in full. The Group does not posses any of its own shares. The group does not have any share option schemes. After the closing date, the Board of Directors has proposed that a dividend of EUR 0.40 per share be paid for 2016 (0.35).

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

14. NON-CURRENT LIABILITIES

14.1 Deferred tax assets and liabilities

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

Changes in deferred taxes in 2016

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

Confirmed losses are recognised as deferred tax assets to the extent that the tax benefit is likely too be received based on future taxable earnings. Deferred tax assets amounting to EUR 47 thousand have not been recognised (133).

Changes in deferred taxes in 2015

(EUR 1,000)	1 Jan. 2015	Recognised in the income statement	31 Dec. 2015
Deferred tax assets			
Internal margin of inventories	509	-102	407
Deferred tax assets on management compensation	6	4	10
Provisions	38		38
Total	553	-98	455
Offsetting deferred tax assets and liabilities			-455
Deferred tax asset	553	-98	
Deferred tax liabilities			
Accumulated depreciation difference	-440	96	-345
Fixed costs included in inventories	-144	-11	-155
Financial lease	28	9	37
Total	-557	94	-463
Offsetting deferred tax assets and liabilities			455
Deferred tax liability	-557	94	-463
Deferred tax liability, net			-9

14.2 Non-current provisions

(EUR 1,000)	2016	2015
Provision for restructuring cost		
Book value, 1 Jan.	190	190
Increases		0
Decreases	-119	
Book value, 31 Dec.	71	190

The non-current provisions are related to the company’s possible future obligation to pay the employer’s liability component within the unemployment insurance contribution. This future payment obligation to the Unemployment Insurance Fund was born when the company dismissed employees in Finland in connection with the restructuring negotiations held in 2013 and 2014 and 2015. The payment obligation materializes for the most part within two years after the ending of the employment of the employee meeting the requirements of the employer’s liability component.

14.3 Interest-bearing non-current liabilities

(EUR 1,000)	2016	2015
Financial liabilities	2,594	3,834
Finance lease obligations	3,171	3,231
Total	5,765	7,065

The interest rate of the financial liabilities was 0.218–1.250% (0.348–0.964%). All financial liabilities were euro denominated.

15. CURRENT LIABILITIES

15.1 Current liabilities

(EUR 1,000)	2016	2015
Trade and other payables		
Trade payables	5,018	5,342
Other payables	2,611	2,429
Accrued liabilities and deferred income	5,527	3,418
Provisions	26	
Finance lease obligations	214	253
Current tax liabilities	945	226
Total	14,341	11,668

Accrued liabilities and deferred income		
Employee benefits	3,079	2,954
Other accrued liabilities and deferred income	2,447	464
Total	5,527	3,418

15.2 Finance lease obligations

Assets are classified as assets leased under finance lease agreement, if the risks and rewards incidental to ownership of the assets substantially remain with the Group. The lease obligations have efficient security, since the lessor regains the right to the leased asset, if lease payments are neglected. The Group finance lease obligations relates to the land lease of the Helsinki head office and printing factory property as well as machinery and equipment leased as finance leases since 1 January 2014.

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

(EUR 1,000)	2016	2015
No later than 1 year	356	417
Later than 1 year – no later than 5 years	946	918
Later than 5 years	3,762	3,951
Total	5,064	5,285
Future financial expenses	-1,678	-1,801
Current value of the finance lease obligations	3,385	3,484

The current value of the financial lease obligations matures as follows:

(EUR 1,000)	2016	2015
No later than 1 year	214	253
Later than 1 year – no later than 5 years	497	466
Later than 5 years	2,674	2,765
Current value of the financial lease obligations	3,385	3,484

16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

The book values and fair values of financial lease liabilites are presented below.

(EUR 1,000)	Book value 2016	Fair value 2016	Book value 2015	Fair value 2015
Financial liabilities	2,594	2,594	3,834	3,834
Financial lease obligations	3,385	3,385	3,484	3,484

The company has determined the fair value based on the discounted cash flows using the market rate and credit risk premium at the end of the financial period. The fair values have been classified at level 3 of the fair value hierarchy as they include management's judgement. The levels of the fair value hierarchy ar 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)	2016	2015
Other own liabilities and commitments		
Lease liabilities for machinery and equipment	361	558
Liabilities relating to lease agreements for business premises	32,348	35,693
Commitments, total	32,709	36,252
Other lease agreements		
The Group as lessee		
Minimum lease payments under other non-cancellable lease agreements		
No later than 1 year	9,761	9,691
Later than 1 year – no later than 5 years	21,204	22,825
Later than 5 years	1,744	3,735
Total	32,709	36,252

The Group has leased several of its store, office and warehouse premises. These lease agreements are valid either for a fixed period or for the time being. The rent icrease index, renewal and other terms of the agreements vary. The 2016 income statement includes EUR 10,638 (10,573) thousand in rental expenses paid on the basis of other non-cancellable lease agreements.

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

18. RELATED PARTY TRANSACTIONS

The Group's related party constitute 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 2016:

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

The following members of the Board of Directors and Management Group were related parties to the Group in 2015:

Mika Ihamuotila, Chairman of the Board starting 9 April 2015
Pekka Lundmark, Chairman of the Board until 9 April 2015
Elina Björklund, Vice Chairman of the Board starting 9 April 2015
Arthur Engel, member of the Board
Mikko-Heikki Inkeroinen, member of the Board starting 9 April 2015
Joakim Karske, member of the Board
Catharina Stackelberg-Hammarén, member of the Board
Tiina Alahuhta-Kasko, President starting 9 April 2015 and member of the Management Group
Elina Aalto, CFO and member of the Management Group starting 11 December 2015
Thomas Ekström, CFO and member of the Management Group until 30 October 2015
Lasse Lindqvist, CMO and member of the Management Group starting 10 August 2015
Päivi Lonka, CSO and member of the Management Group
Niina Nenonen, CPO and member of the Management Group
Anna Teurnell, Creative Director and member of the Management Group

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

Parent company
Marimekko Corporation, Helsinki, Finland

Subsidiaries

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

*) Marimekko AB has branches in Norway and Denmark.

The following transactions were carried out with related parties:

Management's employee benefits

Emoluments

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

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

Remuneration to the Board of Directors in 2016:

(EUR 1,000)	Fixed annual remuneration
Elina Björklund	30
Arthur Engel [3]	47
Mika Ihamuotila [1]	40
Mikko-Heikki Inkeroinen	22
Joakim Karske	22
Catharina Stackelberg-Hammarén	22
Total	183

Employee benefits of the management in 2016, total	1,225

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

Employee benefits of the President and CEO as well as other members of the Management Board in 2015:

(EUR 1,000)	Salaries, wages and bonuses	Share-based bonus system *)	Total
Mika Ihamuotila, CEO and Chairman of the Board [1]	478		
Tiina Alahuhta-Kasko, President [2]	178		
Other members of the Management Group	676		
Total	1,333	12	1,345

Remuneration to the Board of Directors in 2015:

(EUR 1,000)	Fixed annual remuneration
Elina Björklund	30
Arthur Engel [3]	61
Mika Ihamuotila [1]	0
Mikko-Heikki Inkeroinen	22
Joakim Karske	22
Pekka Lundmark [4]	8
Catharina Stackelberg-Hammarén	22
Total	165

Employee benefits of the management in 2015, total	1,510

*) Change in fair value of the cash settled plan in 2015
1 President and CEO until 9 April 2015, CEO and Chairman of the Board starting 9 April 2015
2 Chief Operating Officer until 9 April 2015, President starting 9 April 2015
3 Board remuneration EUR 22 thousand and payments for consulting services EUR 39 thousand
4 Chairman of the Board until 9 April 2015

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

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

Other related party transactions

Marimekko Corporation paid consultancy fees amounting to EUR 13 thousand to Oy H Ihamuotila Ab Ltd in 2016 (2015: 52). Oy H Ihamuotila Ab Ltd is owned by Helena Ihamuotila, wife of President and CEO Mika Ihamuotila. The consultancy assignments constituted separately determined PR assignments.

19. FINANCIAL RISK MANAGEMENT

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

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

Liquidity risk
The Group continuously seeks to assess and monitor the amount of funding required by the business operations to ensure that sufficient liquid funds are available for the daily business and repayment of maturing debts. The assessment is based on monthly cash flow and liquidity forecasts. The Group aims to maintain a high liquidity level at all times in order to eliminate liquidity risk. In order to minimize the Group's liquidity risk the Group's near term and next few years' financing need can be covered by liquid funds as well as long term commited credit facilities or credit facilities valid until further notice. The Group had at the end of the financial period access to credit facilities totalling EUR 17 million out of which EUR 4 million where committed credit facilities and EUR 13 million facilities valid until further notice. The committed credit facilities of EUR 4 million are due in 2017. At the end of the financial period, facilities valid until further notice amounting to EUR 2.6 million were drawn. No committed credit facilities were drawn at the end of the financial period.

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

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

31 Dec. 2016

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

31 Dec. 2015

(EUR 1,000)	Less than 1 year	1–2 years	3–5 years	Over 5 years
Finance liabilities	27	3,848		
Finance lease obligations	430	455	564	3,763
Trade and other payables	11,189			
Total	11,646	4,302	564	3,763

Credit risk
The trade receivables generated in the Group's wholesale operations are associated with a credit risk, which is reduced by the Group's broad and geographically diverse clientele. Marimekko continuously monitors the credit limits, credit history and financial situation of its customers. The Group has a centralised process in place for this purpose. Responsibility for the credit monitoring process lies with the Group's CFO. The credit risk related to the wholesale business is also reduced by means of advance payments, bank guarantees and letters of credit. During the 2016 financial year, credit loss recognised through profit or loss amounted to EUR -34 thousand (99).

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 also foreign-currency-denominated net investments in units abroad.

Transaction risk

Marimekko Group's transaction risk derives from currency flows connected with wholesale and retail sales as well as purchases and operative expenses of the Group's business units as well as from 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 2016 foreign-currency-denominated sales accounted for approximately 19.9 percent (2015: 23.8 percent) of the Group's entire sales and foreign-currency-denominated purchases with a transaction risk made up 18.4 percent (2015: 16.9 percent) of the Group's purchases.

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

Group's transaction exposure

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

(EUR 1,000)	2016			2015		
	USD	SEK	AUD	USD	SEK	AUD
Current assets	1,445	1,081	2,636	5,821	2,665	2,114
Current liabilities	-90	-23	-13	-96	-9	-18
Foreign currency exposure in the balance sheet	1,355	1,058	2,622	5,725	2,656	2,096

Sensitivity analysis, effect on result after taxes

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

	2016			2015		
	USD	SEK	AUD	USD	SEK	AUD
Change in exchange rate, +10 % *)	10	10	10	10	10	10
Effects on result after taxes, EUR 1,000	15	-75	165	33	213	202

*) 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 the translation difference in the Group's equity. For the time being Marimekko has not hedged translation risk for equity, as the subsidiary sales and net investments are small from the Group's perspective.

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

(EUR 1,000)	2016	2015
Cash and cash equivalents	3,482	4,249
Interest-bearing liabilities	2,594	3,834
Finance lease obligations	3,385	3,484

The Group's interest-bearing liabilities at the end of the financial year consisted of drawn credit facilities and finance lease obligations. The Group has access to variable-interest-rate long-term commited credit facilities or credit facilities valid until further notice totalling EUR 17 million of which EUR 13 million were valid until futher notice. At the end of the financial period facilities valid until further notice amounting to EUR 2.6 (3.8) million were drawn. A rise of one percentage point in market interest rates would have an imputed effect on Marimekko's profit after taxes of EUR -0.0 million (-0.0). Correspondingly, a decline of one percentage point in market interest rates would have an imputed effect on Marimekko's profit after taxes of EUR +0.0 million (+0.0).

20. CAPITAL MANAGEMENT

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

The Group continuously monitors the development of its capital structure by means of the equity ratio and gearing. The Group's strategic objective is to maintain the equity ratio at the minimum of 50 percent. At the end of 2016, the Group's net liabilities amounted to EUR 2,497 thousand (3,070) and gearing was 8.8 percent (11.3).

Gearing

(EUR 1,000)	2016	2015
Interest-bearing liabilities	2,594	3,834
Financial lease obligations	3,385	3,484
Deducting cash and cash equivalents	-3,482	-4,249
Net liabilities	2,497	3,070
Shareholders' equity, total	28,316	27,129
Equity, total	30,813	30,199
Gearing, %	8.8	11.3

22. EVENTS AFTER THE CLOSING DATE

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

Parent company financial statements, FAS

PARENT COMPANY INCOME STATEMENT

(EUR 1,000)		1 Jan.–31 Dec. 2016	1 Jan.–31 Dec. 2015
NET SALES	1.	**94,287**	**88,110**
Increase (+) or decrease (-) in inventories of completed and unfinished products		2,544	367
Other operating income	2.	373	278
Materials and services	3.	-40,559	-35,354
Personnel expenses	4.	-18,495	-18,084
Depreciation and impairment	5.	-2,189	-2,373
Other operating expenses	6.	-29,756	-31,510
OPERATING PROFIT		**6,204**	**1,434**
Financial income and expenses	7.	528	26
RESULT BEFORE APPROPRIATIONS AND TAXES		**6,732**	**1,459**
Appropriations	8.	126	355
Income taxes	9.	-1,282	-410
NET RESULT FOR THE PERIOD		**5,577**	**1,404**

PARENT COMPANY BALANCE SHEET

(EUR 1,000)			31 Dec. 2016		31 Dec. 2015
ASSETS					
FIXED ASSETS	11.				
Intangible assets	11.1		3,204		3,665
Tangible assets	11.2		2,932		2,955
Investments	11.3				
Participations in Group companies		3,630		3,630	
Other shares and participations		16	3,646	16	3,646
FIXED ASSETS, TOTAL			**9,782**		**10,267**
CURRENT ASSETS					
Inventories	12.		19,122		16,033
Current receivables	13.		20,508		14,201
Cash in hand and at banks			758		1,519
CURRENT ASSETS, TOTAL			**40,389**		**31,753**
ASSETS, TOTAL			**50,171**		**42,020**

(EUR 1,000)		31 Dec. 2016	31 Dec. 2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	14.		
Share capital		8,040	8,040
Invested non-restricted equity reserve		502	502
Retained earnings		11,403	12,831
Net profit for the period		5,577	1,404
SHAREHOLDERS' EQUITY, TOTAL		**25,522**	**22,777**
ACCUMULATED APPROPRIATIONS	15.	**1,430**	**1,556**
PROVISIONS	16.		
Other mandatory provisions		76	190
LIABILITIES	17.		
Non-current liabilities	17.1	2,594	3,834
Current liabilities	17.2	20,549	13,663
LIABILITIES, TOTAL		**23,143**	**17,497**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**50,171**	**42,020**

PARENT COMPANY CASH FLOW STATEMENT

(EUR 1,000)	1 Jan.–31 Dec. 2016	1 Jan.–31 Dec. 2015
CASH FLOW FROM OPERATIONS		
Net result for the period	5,577	1,404
Adjustments		
Depreciation according to plan	2,189	2,373
Change in depreciation difference	-126	-355
Financial income and expenses	-528	-26
Taxes	1,282	410
Cash flow before change in working capital	8,393	3,807
Change in working capital		
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	-5,190	-1,967
Increase (-) / decrease (+) in inventories	-3,089	-190
Increase (+) / decrease (-) in current non-interest-bearing liabilities	6,159	4,562
Cash flow from operating activities before financial items and taxes	6,274	6,212
Paid interest and payments on other operational financial expenses	-150	-162
Interest received	168	47
Taxes paid	-495	-986
CASH FLOW FROM OPERATIONS	**5,796**	**5,110**
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-2,024	-2,759
Loans granted	-461	
CASH FLOW FROM INVESTMENTS	**-2,485**	**-2,759**
CASH FLOW FROM FINANCING		
Long-term loans drawn		139
Long-term loans repaid	-1,240	
Short-term loans drawn	4,000	
Short-term loans repaid	-4,000	
Dividends paid	-2,831	-2,831
CASH FLOW FROM FINANCING	**-4,072**	**-2,692**
Change in cash and cash equivalents	-761	-342
Cash and cash equivalents at the beginning of the financial year	1,519	1,861
Cash and cash equivalents at the end of the financial year	758	1,519

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING POLICY

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

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

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

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

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

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

Leasing
Leasing payments are treated as rental expenditures.

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

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

NOTES TO THE INCOME STATEMENT

1. NET SALES BY MARKET AREA

(EUR 1,000)	**2016**	**2015**
Finland	55,565	52,690
Other countries	38,722	35,420
Total	94,287	88,110

2. OTHER OPERATING INCOME

(EUR 1,000)	**2016**	**2015**
Rent income	313	248
Other income	60	30
Total	373	278

3. MATERIALS AND SERVICES

(EUR 1,000)	**2016**	**2015**
Materials and supplies		
Purchases during the financial year	26,640	22,953
Increase (-) / decrease (+) in inventories	-135	-109
Total	26,505	22,844
External services	14,054	12,510
Total	40,559	35,354

4. PERSONNEL EXPENSES

(EUR 1,000)	**2016**	**2015**
Salaries, wages and bonuses	14,800	14,610
Pension and pension insurance payments	2,671	2,629
Other indirect social expenditure	1,024	844
Total	18,495	18,084
Salaries and bonuses for management		
Members of the Board of Directors and the President and CEO	586	773
Itemised in the note 18 to the consolidated financial statements.		
Average number of employees		
Salaried employees	305	312
Non-salaried employees	24	30
Total	329	342

5. DEPRECIATION AND IMPAIRMENT

(EUR 1,000)	2016	2015
Intangible assets		
Intangible rights	181	193
Other capitalised expenditure	1,105	1,177
Total	1,286	1,370
Tangible assets		
Buildings and structures	12	3
Machinery and equipment	892	1,000
Total	903	1,003
Total	2,189	2,373

6. OTHER OPERATING EXPENSES

(EUR 1,000)	2016	2015
Leases	7,160	6,961
Marketing	10,802	12,451
Other expenses	11,793	12,098
Total	29,756	31,510

7. FINANCIAL INCOME AND EXPENSES

(EUR 1,000)	2016	2015
Other interest and financial income		
From Group companies	164	115
From others	162	55
Total	326	170
Interest and other financial expenses		
Impairment of non-current assets		643
Impairment of group receivables	-350	-661
To others	148	162
Total	-202	144
Financial income and expenses, total	528	26
Financial income and expenses include exchange rate differences (net)		
From others	119	8
Total	119	8

8. APPROPRIATIONS

(EUR 1,000)	2016	2015
Change in depreciation difference	126	355

9. INCOME TAXES

(EUR 1,000)	2016	2015
Income taxes on operations	1,282	410
Total	1,282	410

10. AUDITOR'S FEE

(EUR 1,000)	2016	2015
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit	75	119
Other services	48	98
Total	123	217

NOTES TO THE BALANCE SHEET

11. FIXED ASSETS

11.1 Intangible assets

2016

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

2015

(EUR 1,000)	Intangible rights	Computer software	Other capitalised expenditure	Advance payments and acquisitions in progress	Total
Acquisition cost, 1 Jan. 2015	1,517	4,206	4,839	459	11,021
Increases	85	328	1,348	616	2,377
Transfers between groups		758		-758	
Decreases				-48	-48
Acquisition cost, 31 Dec. 2015	1,601	5,292	6,187	269	13,350
Accumulated depreciation, 1 Jan. 2015	1,010	3,612	3,692		8,314
Depreciation during the financial year	193	648	530		1,370
Accumulated depreciation, 31 Dec. 2015	1,203	4,260	4,222		9,684
Book value, 31 Dec. 2015	399	1,033	1,965	269	3,665

11.2 Tangible assets

2016

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

2015

(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. 2015	38	417	12,664	28	156	13,303
Increases			222		161	383
Acquisition cost, 31 Dec. 2015	38	417	12,886	28	317	13,687
Accumulated depreciation, 1 Jan. 2015		257	9,472			9,729
Depreciation during the financial year		3	1,000			1,003
Accumulated depreciation, 31 Dec. 2015		260	10,472			10,732
Book value, 31 Dec. 2015	38	157	2,414	28	317	2,955

Book value of production machinery and equipment	
31 Dec. 2016	2,058
31 Dec. 2015	1,473

11.3 Investments

2016

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

2015

(EUR 1,000)	Shares in Group companies	Other shares and participations	Total
Acquisition cost, 1 Jan. 2015	4,564	16	4,580
Impairments	-643		-643
Acquisition cost, 31 Dec. 2015	3,921	16	3,937
Accumulated depreciation, 31 Dec. 2015	290		290
Book value, 31 Dec. 2015	3,631	16	3,647

The 2015 impairments on shares in Group companies are related to Marimekko Corporation's investments in the Group's US subsidiary.

Group companies

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

*) Marimekko AB has branches in Norway and Denmark.

12. INVENTORIES

(EUR 1,000)	2016	2015
Raw materials and consumables	4,982	5,334
Incomplete products	55	103
Finished products/goods	13,364	10,287
Advance payments	721	310
Total	19,122	16,033

13. CURRENT RECEIVABLES

(EUR 1,000)	2016	2015
Trade receivables	5,714	4,248
Receivables from Group companies		
Trade receivables	4,789	579
Loan receivables	9,211	5,672
Prepaid expenses and accrued income	140	2,879
Total	14,140	9,130
Other receivables	41	22
Prepaid expenses and accrued income	612	801
Total	20,508	14,201

Prepaid expenses and accrued income		
Royalty receivables	273	267
Statutory employee pension plan accrual		124
Tax assets	3	105
Other prepaid expenses and accrued income	336	306
Total	612	801

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

In 2015, Marimekko Corporation reversed impairment bookings made in 2013 amounting to EUR 661 thousand. The impairment reversal was made on trade receivables, loan receivables and prepaid expenses and accrued income from the US, UK and Swedish subsidiaries.

14. SHAREHOLDERS' EQUITY

(EUR 1,000)	2016	2015
Share capital, 1 Jan.	8,040	8,040
Share capital, 31 Dec.	8,040	8,040
Invested non-restricted equity reserve, 1 Jan.	502	502
Invested non-restricted equity reserve, 31 Dec.	502	502
Retained earnings, 1 Jan.	14,235	15,662
Dividends paid	-2,831	-2,831
Retained earnings, 31 Dec.	11,403	12,831
Net result for the period	5,577	1,404
Shareholders' equity, total	25,522	22,777

Calculation of distributable funds, 31 Dec.

(EUR 1,000)	2016	2015
Retained earnings	11,403	12,831
Net result for the period	5,577	1,404
Invested non-restricted equity reserve	502	502
Total	17,482	14,737

15. ACCUMULATED APPROPRIATIONS

(EUR 1,000)	2016	2015
Accumulated depreciation difference		
Intangible rights	68	84
Other capitalised expenditure	739	690
Machinery and equipment	482	642
Buildings and structures	141	139
Total	1,430	1,556

16. NON-CURRENT PROVISIONS

(EUR 1,000)	2016	2015
Provision for restructuring cost		
Book value, 1 Jan.	190	190
Increases		0
Decreases	119	
Book value, 31 Dec.	71	190

17. LIABILITIES

17.1 Interest-bearing and non-interest bearing liabilities

(EUR 1,000)	2016	2015
Interest-bearing liabilities		
Non-current	2,594	3,834
Total	2,594	3,834
Non-interest-bearing liabilities		
Current	20,549	13,663
Total	20,549	13,663

17.2 Current liabilities

(EUR 1,000)	2016	2015
Trade payables	4,541	4,800
Debts to Group companies		
Trade payables	549	541
Accrued liabilities and deferred income	7,503	3,403
Other current liabilities	2,193	1,887
Accrued liabilities and deferred income	5,762	3,032
Total	20,549	13,663
Accrued liabilities and deferred income		
Wages and salaries with social security contributions	2,915	2,526
Accrued income tax liabilities	938	151
Other accrued liabilities and deferred income	1,909	355
Total	5,762	3,032

18. GUARANTEES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

(EUR 1,000)	2016	2015
For the liabilities of the Group company		
Guarantees	11,677	11,357
Other own liabilities and commitments		
Leasing liabilities		
Payments due in the following financial year	365	448
Payments due later	356	505
Total	722	953
Liabilities relating to lease agreements		
Payments due in the following financial year	5,738	5,600
Payments due later	14,320	16,166
Total	20,057	21,765

The parent company has no liabilities from derivative contracts.

Key figures of the Group

Per-share key figures

	2016	2015	2014
Earnings per share (EPS), EUR	0.50	0.10	0.51
Equity per share, EUR	3.50	3.35	3.59
Dividend per share, EUR	*) 0.40	0.35	0.35
Dividend per profit, %	*) 80.2	352.5	68.6
Effective dividend yield, %	*) 4.2	4.2	3.9
P/E ratio	19.0	83.6	17.5
Share issue adjusted average			
number of shares	8,089,610	8,089,610	8,089,610
Share issue adjusted number of shares			
at the end of the period	8,089,610	8,089,610	8,089,610

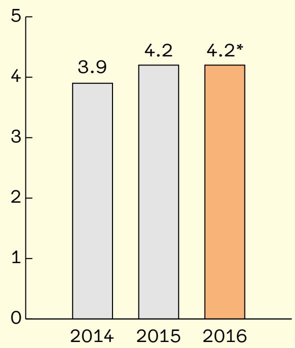
*) The Board of Directors's proposal to the Annual General Meeting.

Key financial figures

	2016	2015	2014
Net sales, EUR 1,000	99,614	95,652	94,150
Change in net sales, %	4.1	1.6	0.2
Operating profit, EUR 1,000	5,249	1,542	5,592
Operating profit margin, %	5.3	1.6	5.9
Financial income, EUR 1,000	164	49	252
Financial expenses, EUR 1,000	-243	-297	-360
Result before taxes, EUR 1,000	5,170	1,294	5,485
% of net sales	5.2	1.4	5.8
Taxes, EUR 1,000	1,138	491	1,370
Result after taxes, EUR 1,000	4,032	803	4,114
Balance sheet total, EUR 1,000	48,493	46,061	47,203
Net working capital, EUR 1,000	15,277	13,039	14,013
Interest-bearing liabilities, EUR 1,000	5,979	7,318	7,133
Shareholders' equity, EUR 1,000	28,316	27,129	29,045
Return on equity (ROE), %	14.5	2.9	14.7
Return on investment (ROI), %	15.8	4.5	15.6
Equity ratio, %	58.5	59.0	61.6
Gearing, %	8.8	11.3	10.5
Gross investments, EUR 1,000	2,721	3,591	*) 2,063
% of net sales	2.7	3.3	2.2
Employee salaries, wages and			
bonuses, EUR 1,000	19,807	20,392	19,475
Average personnel	441	460	473
Personnel at the end of the financial year	431	476	479

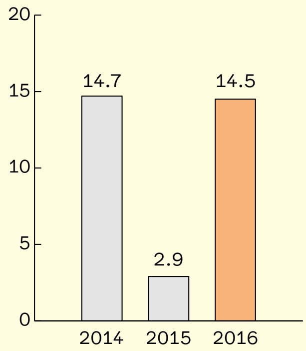
*) Excluding finance lease investments.

Effective dividend yield (%)

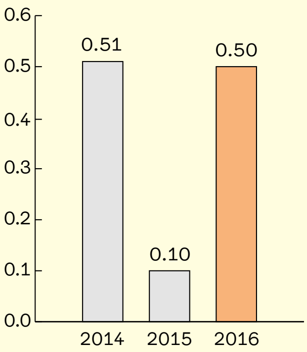


* The Board of Directors' proposal to the Annual General Meeting

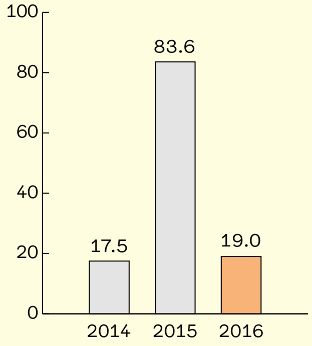
Return on equity (ROE, %)



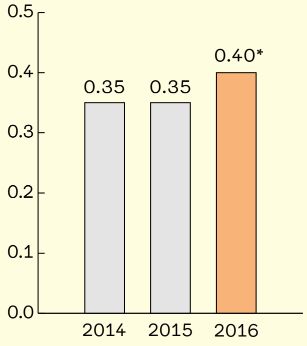
Earnings per share (EUR)



P/E ratio



Dividend per share (EUR)



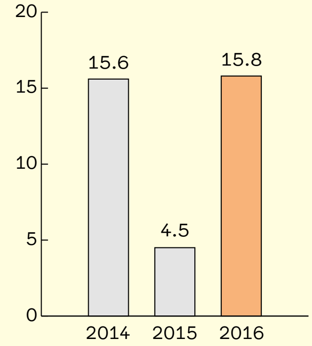
* The Board of Directors' proposal to the Annual General Meeting

FINANCIAL GOALS FOR 2017

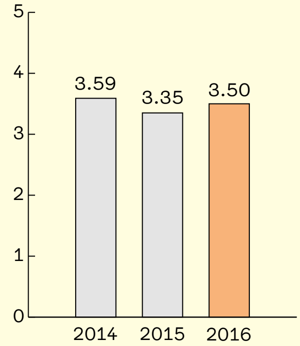
Marimekko's financial goals focus on securing the company's profitable growth. The company's most important financial goals are as follows:

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

Return on investment (ROI, %)



Equity per share (EUR)



Formulas for the key figures

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 – current tax liabilities – trade and other payables
INTEREST-BEARING NET DEBT, EUR	Interest-bearing liabilities – cash in hand and at banks – interest-bearing loan receivables
GEARING, %	$\frac{\text{Interest-bearing net debt}}{\text{Shareholders' equity}} \times 100$

Share and shareholders

Share
Marimekko Corporation's share is quoted in the Consumer Goods sector of Nasdaq Helsinki Ltd. Marimekko Corporation was listed on the I List of the Helsinki Stock Exchange in March 1999 and on the main list on 27 December 2002.

The company has one series of shares, each conferring the same voting rights to their holders. The company's shares have been included in the book-entry register since 17 February 1999.

Share capital and number of shares
At the end of 2016, Marimekko Corporation's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000, and the number of shares was 8,089,610.

Authorisations
At the end of 2016, the Board of Directors had no valid authorisations to carry out share issues or issue convertible bonds or bonds with warrants, or to acquire or surrender Marimekko shares.

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

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

Dividend for 2015
A dividend of EUR 0.35 per share to a total of EUR 2,831,364 was paid for 2015 in accordance with the decision of the Annual General Meeting held on 11 April 2016. The dividend was paid out on 20 April 2016.

Proposal for the dividend for 2016
The Board of Directors will propose to the Annual General Meeting that the dividend to be paid for the 2016 financial year be EUR 0.40 per share to a total of EUR 3,235,844. The Board will propose 10 April 2017 as the dividend record date and 19 April 2016 as the dividend payout date.

Shareholders
According to the book-entry register, Marimekko Corporation had 7,270 registered shareholders at the end of 2016. Of the shares, 10.5 percent were owned by nominee-registered or non-Finnish holders at the year end.

Flaggings
Moomin Characters Oy Ltd's share of Marimekko Corporation's shares and voting rights exceeded five percent as a result of a transaction conducted on 27 April 2016. After the transaction, the holding of Moomin Characters Oy Ltd was 585,000 shares which equals 7.23 percent of the number and voting rights of the company's shares.

Semerca Investments S.A.'s share of Marimekko Corporation's shares and voting rights fell below thresholds of ten percent and five percent as a result of a transaction conducted on 27 April 2016. After the transaction, the holding of Semerca Investments S.A. was 400,377 shares which equals 4.95 percent of the number and voting rights of the company's shares.

Management's shareholding
At the end of 2016, members of the Board of Directors and the Management Group of the company either directly or indirectly owned 1,334,973 shares, i.e. 16.5 percent of the number and voting rights of the company's shares.

Largest shareholders according to the book-entry register, 31 December 2016

	Number of shares and votes	Percentage of holding and votes
1. Muotitila Ltd	1,297,700	16.04
2. Moomin Characters Oy Ltd	585,000	7.23
3. Ehrnrooth Anna Sophia	400,377	4.95
4. Varma Mutual Pension Insurance Company	385,920	4.77
5. Oy Etra Invest Ab	236,823	2.93
6. Odin Finland	231,601	2.86
7. Veritas Pension Insurance Company Ltd.	219,217	2.71
8. Ilmarinen Mutual Pension Insurance Company	215,419	2.66
9. Aktia Europe Small Cap Equity Fund	168,900	2.09
10. Taaleri Micro Markka Equity Fund	100,000	1.24
Total	3,840,957	47.48
Nominee-registered and non-Finnish holders	845,430	10.45
Others	3,403,223	42.07
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 2016

	Number of shares and votes	Percentage of holding and votes
Mika Ihamuotila	1,297,700	16.04
Elina Björklund	9,255	0.11
Arthur Engel	11,558	0.14
Mikko-Heikki Inkeroinen	2,486	0.03
Joakim Karske	9,871	0.12
Catharina Stackelberg-Hammarén	2,753	0.03
Tiina Alahuhta-Kasko	450	0.00
Elina Aalto	0	0.00
Päivi Lonka	900	0.01
Anna Teurnell	0	0.00
Total	1,334,973	16.48

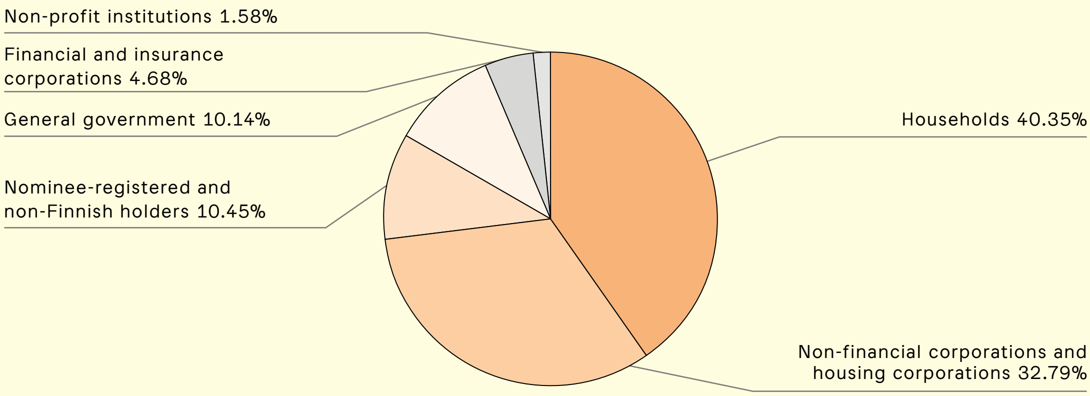
Ownership by size of holding, 31 December 2016

Number of shares	Number of shareholders	%	Number of shares and votes	Percentage of holding and votes
1–100	3,613	49.70	197,956	2.45
101–1,000	3,112	42.80	1,123,701	13.89
1,001–10,000	497	6.84	1,309,443	16.19
10,001–100,000	37	0.51	1,253,324	15.49
100,001–500,000	9	0.12	2,322,486	28.71
500,001–	2	0.03	1,882,700	23.27
Total	7,270	100.00	8,089,610	100.00

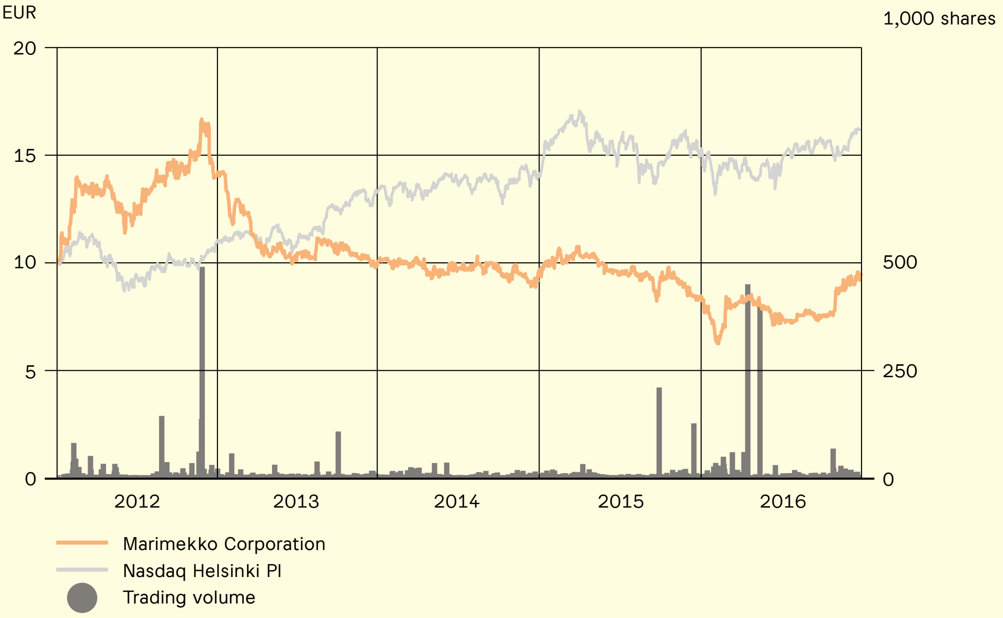
Breakdown of ownership by sector, 31 December 2016

Owner	Number of shares and votes	Percentage of holding and votes
Households	3,264,558	40.35
Financial and insurance corporations	378,500	4.68
Non-financial corporations and housing corporations	2,652,638	32.79
Non-profit institutions	127,928	1.58
General government	820,556	10.14
Nominee-registered and non-Finnish holders	845,430	10.45
Total	8,089,610	100.00

Breakdown of ownership by sector, 31 December 2016



Share price trend



Share price trend

	2016	2015	2014
Low, EUR	6.06	8.20	8.54
High, EUR	9.73	10.94	10.50
Average, EUR	8.01	9.50	9.74
Closing price (31 Dec.), EUR	9.48	8.30	8.90

Share turnover and market capitalisation

	2016	2015	2014
Share turnover, no. of shares	2,112,657	1,062,373	716,614
Share turnover, % of the shares outstanding	26.1	13.1	8.9
Market capitalisation, EUR	76,689,503	67,143,763	71,997,529

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, 8 February 2017

Mika Ihamuotila
Chairman of the Board

Elina Björklund
Vice Chairman of the Board

Arthur Engel
Member of the Board

Mikko-Heikki Inkeroinen
Member of the Board

Joakim Karske
Member of the Board

Catharina Stackelberg-Hammarén
Member of the Board

Tiina Alahuhta-Kasko
President and CEO

THE AUDITORS' NOTE

Our auditors' report has been issued today.

Helsinki, 2 March 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Auditor's report

(Translation from the Finnish Original)

TO THE ANNUAL GENERAL MEETING OF MARIMEKKO CORPORATION

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

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

What we have audited

We have audited the financial statements of Marimekko Corporation (Business ID: 0111316-2) for the year ended 31 December 2016. The financial statements comprise:
- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

BASIS FOR OPINION

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

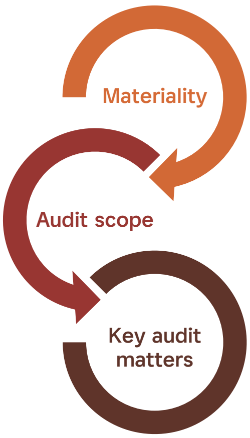
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

OUR AUDIT APPROACH

Overview



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

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

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

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

Materiality

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

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

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

How we tailored our group audit scope

The group audit scope was tailored to take into account the structure of the Marimekko Group, the industry in which the Group operates and the financial reporting related processes and controls.

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue recognition We refer to the income statement of the Group and to the notes "Principles for revenue recognition and net sales". The Group's revenue is generated from wholesale and retail sales of clothes, bags, accessories and home décor items, and from royalties. The wholesale contracts include different delivery terms, which determine when the significant risks and rewards have been transferred to the buyer. Retail sales generally consist of small transactions paid by cash or payment card and revenue is recognised at the time of the sale transaction. Revenue from royalties is recognised in accordance with the terms of the agreement with the licensee. Revenue recognition include a risk that revenue is not recorded in the correct period or that recorded sales transactions have not occurred. Therefore, this was a focus area in our audit.	The audit of different revenue streams included both testing of the company's key controls, as well as substantive audit procedures. The substantive testing included, among other things, the following procedures: • We used system based data-analytics to obtain a thorough understanding of the revenue postings and to target our detailed tests on the entries that include a higher risk of errors. • We selected a sample of sales invoices recorded during the financial period and compared them to the delivery notes and payments received. • We checked that sales transactions had been recorded in the right financial period by comparing sales invoices recorded before and after year-end to the dates of delivery notes and to delivery terms, and by testing credit invoices made in January 2017. • For retail sales we tested reconciliations of cash and payment card payments. • We inspected the terms of selected licencing agreements and tested that royalty income was recorded in accordance with the terms of the agreements.
Valuation and existence of inventory We refer to the balance sheet of the Group and to the notes "Inventory". Inventory consists of fabrics and other raw-materials as well as of half-finished and finished goods which include clothes, bags, accessories and home décor items. Inventories are valued at the lower of acquisition cost or probable net realisable value. The Group capitalises certain directly attributable overheads within the cost of manufactured inventories. Inventory constitutes a significant part of the group's assets. The inventory accounting includes manual work processes, among other things, relating to valuation and compiling the inventory balances, which increases the risk for errors. Therefore, valuation and existence of inventory were focus areas in our audit.	We tested the company's key controls relating to inventory balances and valuation. In addition, we performed, among other things, the following: • We attended physical stock counting in selected stores and other inventory locations. We analysed the results of the company's own inventory counts and how the company had resolved any inventory differences. • We used system based data-analytics to identify unexpected variances in the values of inventory items during the year and we investigated the reasons for such variances. • We tested, on a sample basis, inventory items and compared the values with latest purchase invoices. • We compared the book value of selected inventory items to their probable sales prices to ensure that the inventory is not overvalued.

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

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

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters related 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 THE FINANCIAL STATEMENTS

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

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

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

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

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

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

OTHER REPORTING REQUIREMENTS

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor’s report thereon. We 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 the 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 Board of Directors has been prepared in accordance with the applicable legal requirements.

In our opinion,

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

If, based on the work we have performed on the information included in the report of the Board of Directors, 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, 2 March 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Corporate governance

APPLICABLE PROVISIONS

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.

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

GENERAL MEETING

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

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

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

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

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

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

The following information is also made available on the company's website at least three weeks before the General Meeting:

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

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

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

Shareholders can exercise their right to speak and to vote at a General

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

Record of proceedings at General Meetings

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

Presence of administrative bodies at a General Meeting

The Chairman and all of the members of the Board of Directors and the President 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 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 aforementioned objectives. The diversity of the Board is reviewed from different perspectives. The most important factors for the company are the mutually complementary experience, education and know-how from different fields and different geographic areas as well as the personal attributes of the directors. The diversity of the Board of Directors is promoted in particular by the gender and age diversity of the directors. Also taken into account in the composition of the Board of Directors are the long-term objectives of the company as well as succession planning.

Members of the Board of Directors

Marimekko Corporation's Annual General Meeting held on 11 April 2016 elected six members to the Board of Directors for a term beginning on 11 April 2016 and ending at the close of the 2017 Annual General Meeting. Elina Björklund, Arthur Engel, Mika Ihamuotila, Mikko-Heikki Inkeroinen, Joakim Karske 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 the pages 74–75 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, Elina Björklund, Arthur Engel, Mikko-Heikki Inkeroinen, Joakim Karske 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 on the basis of a separate executive service agreement governing his full-time chairmanship. Before the above date, Mika Ihamuotila's executive service agreement also included the duties of the CEO. The Audit and Remuneration Committee of the company handles and prepares matters related to the executive service agreement's terms and Mika Ihamuotila's remuneration.

Duties and responsibilities of the Board of Directors

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

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

- specifying and confirming strategic objectives and policies for the Group and the various business areas
- reviewing and confirming operating plans and budgets for the Group and the various business areas
- reviewing and approving interim reports, the consolidated financial statements and the Report of the Board of Directors
- expanding and downsizing business operations
- considering mergers, acquisitions and demergers and restructuring arrangements
- deciding on investments and the acquisition and sale of assets that are either strategically or financially significant
- deciding on financial policy and contingent liabilities related to financing arrangements
- approving the Group's reporting, risk management procedures and internal control procedures and audit and control systems
- approving the audit plan
- appointing the company's President and the members of the Management Group and deciding on their remuneration
- providing instructions for the President.

In 2016, the Board was focusing on e.g. the following subjects:

- development of Marimekko Corporation's strategy as well as confirming strategic objectives for the various business areas
- reorganisation of the operations of the company
- monitoring the challenging market situation, and adapting the company's cost level to the current market conditions
- reviewing and confirming operating plans and budgets.

Meeting procedures and decision-making

The Chairman of the Board is responsible for convening and chairing Board meetings. The Board has not assigned responsibility for monitoring any particular aspects of the business to individual Board members. The Board evaluates its performance annually each January under the direction of the Chairman. In 2016, the Board convened nine times. The Board members' attendance rate at meetings was 98.2%.

Committees

The Board of Directors elected by the Annual General Meeting on 11 April 2016 appointed from among its

BOARD OF DIRECTORS

	Position	Board member since	Independent of the company and its significant shareholders	Attendance
Mika Ihamuotila	Chairman since 2015	2008	No	9/9
Elina Björklund	Vice Chairman since 2015	2011	Yes	9/9
Arthur Engel	Member	2011	Yes	8/9
Mikko-Heikki Inkeroinen	Member	2015	Yes	9/9
Joakim Karske	Member	2008	Yes	9/9
Catharina Stackelberg-Hammarén	Member	2014	Yes	9/9

COMMITTEES

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

members the Audit and Remuneration Committee. The Board elected Elina Björklund as the Chairman and Joakim Karske 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 2016, the Audit and Remuneration Committee held five meetings. The Committee members' attendance rate at meetings was 94.4%.

MANAGEMENT OF THE GROUP

President

The Board of Directors elects the company's President and decides on the terms of the President'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. The President 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 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. Since 11 April 2016, her role has also included the duties of the CEO, which were earlier included in the executive service agreement of the full-time Chairman of the Board, Mika Ihamuotila.

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 acts as the Chairman of the Management Group. The Board of Directors appoints the members of the Management Group and decides on their remuneration. The Audit and Remuneration Committee of the company handles and prepares matters related to the terms of the employment agreements and remuneration of the Management Group. The Management Group has no authority based on law or the Articles of Association.

The Management Group reviews business matters and procedures affecting the entire Group. The Management Group also reviews the operating plans and business development of the various business areas. The Management Group convenes every two weeks on average. Information on the members is presented on page 75 and on the company's website under Investors/ Management/Management Group.

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 11 April 2016, approximately 40 percent of the annual remuneration to the Board of Directors in 2016 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, 11 April 2016, 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 2016 or if this was not possible taken into account the insider rules, as soon as possible thereafter. There are no special rules applied 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 2016, 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; EUR 22,000 to the other members of the Board. The Board members receive no additional fee for attending board meetings. The members of the Audit and Remuneration Committee receive no additional remuneration for the committee work, nor any additional fee for attending the committee meetings. The fee of the Vice Chairman of the Board includes chairing the Audit and Remuneration Committee.

The full-time Chairman of the Board, Mika Ihamuotila, had a full-time executive service agreement with the company, including the duties of the CEO, until 11 April 2016. The remuneration of the CEO consisted of a regular salary and fringe benefits, an annual bonus as well as a so-called long-term bonus system. Under the contract between the company and Mr Ihamuotila, the CEO was, in addition to his regular salary, entitled to an annual bonus, the maximum amount of which corresponded to his regular salary for twelve months. The principles determining the bonus were confirmed by the Board based on a proposal by the Audit and Remuneration Committee. Since 11 April 2016, in addition to the annual remuneration of the Chairman of the Board resolved by the Annual General Meeting, Mika Ihamuotila has been paid EUR 8,800 as a monthly fee under 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 and remuneration of the full-time executive service agreement 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 and remuneration of the service contract 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 based on a proposal by the Audit and Remuneration Committee. The 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 President and CEO's term of notice is six months and she 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 and remuneration of the service contracts of the 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 consists of a regular salary and fringe benefits, an annual bonus as well as a so-called long-term bonus system. The annual bonus is based on the growth of the company's consolidated net sales, operating result and individual objectives separately determined by the Board of Directors. The members of the Management Group fall within the scope of the statutory employee pension plan (TyEL).

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

The system is composed of two earnings periods, which are 8 May 2014–31 October 2017 and 8 May

REMUNERATION STATEMENT

Fees to members of Marimekko's Board of Directors 2015–2016

(EUR 1,000)	Fee for Board work 2016	Fee for Board work 2015	Other financial benefits 2016	Other financial benefits 2015	Total compensation in the financial year 2016 ****)	Total compensation in the financial year 2015 ***)
Mika Ihamuotila	40	-	81 *)	-	121	-
Elina Björklund	30	30	-	-	30	30
Arthur Engel	22	22	25 **)	39 **)	47	61
Mikko-Heikki Inkeroinen	22	22	-	-	22	22
Joakim Karske	22	22	-	-	22	22
Catharina Stackelberg-Hammarén	22	22	-	-	22	22
Total	158	118	106	39	264	157

*) Monthly fee paid under the full-time executive service agreement since 11 April 2016.
**) Consultancy compensation
***) In accordance with the resolution regarding the annual remuneration to the Board of Directors by the Annual General Meeting 9 April 2015, the Vice Chairman of the Board received 1,141 shares and the other members 837 shares each as part of their annual remuneration.
****) In accordance with the resolution regarding the annual remuneration to the Board of Directors by the Annual General Meeting 11 April 2016, the Vice Chairman of the Board received 1,472 shares and the other members 1,079 shares each as part of their annual remuneration.

Salaries and bonuses paid to the President and CEO 2015–2016

(EUR 1,000)	Salary 2016	Salary 2015	Annual bonus 2016	Annual bonus 2015	Long-term bonus 2016	Long-term bonus 2015	Other financial benefits 2016	Other financial benefits 2015	Total compensation in the financial year 2016	Total compensation in the financial year 2015
CEO *)	90	331	-	147	-	-	-	-	90	478
President **)	232	168	-	12	-	-	-	-	232	178
Total	322	499	-	159	-	-	-	-	322	658

*) Mika Ihamuotila Chairman of the Board and the CEO until 11 April 2016, since 11 April 2016 full-time Chairman of the Board (until 9 April 2015 President and CEO, since 9 April 2015 CEO)
**) Tiina Alahuhta-Kasko President until 11 April 2016, since 11 April 2016 President and CEO

Salaries and bonuses paid to other management 2015–2016

(EUR 1,000)	Salary 2016	Salary 2015	Annual bonus 2016	Annual bonus 2015	Long-term bonus 2016	Long-term bonus 2015	Other financial benefits 2016	Other financial benefits 2015	Total compensation in the financial year 2016	Total compensation in the financial year 2015
Management Group	506	648	-	28	-	-	-	-	506	676
Total	506	648	-	28	-	-	-	-	506	676

2014–28 February 2018. The possible bonus for each earnings period will be based on the total yield on Marimekko Corporation's shares, including dividends. The possible bonus will be paid in cash in two batches, one in autumn 2017 and the other in spring 2018. Earning the bonus requires that the person still works for the company at the time of the payment. When receiving the bonus, the person in question commits themselves to using 50 percent of the net value of the bonus for acquiring the company's shares at transaction price within six months from receiving the bonus. The shares acquired with the bonus cannot be surrendered prior to two years from the time of acquiring the shares. The annual maximum value of the bonus paid to a member of the Management Group in the bonus system equals the approximate value of fixed annual salary. On 31 December 2016, the system encompassed the Management Group members including the President and CEO but excluding the Creative Director, a total of three persons.

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 11 April 2016 elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as auditor for the Marimekko Group and the Group companies, with Ylva Eriksson, Authorised Public Accountant, as chief auditor. The Annual General Meeting also decided that the auditor's fee will be paid by invoice.

The remuneration paid for audit services in 2016 was EUR 75 thousand. The remuneration paid to the auditor for non-audit services in 2016 was EUR 48 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.

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

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

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

Risk management principles
Marimekko Corporation's risk management aims to safeguard the smooth continuity of business operations and ensure stable profit development for the company.

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

A more detailed description of Marimekko's risk management process and the most significant risks is available on pages 11–12.

Internal control and internal audit
Marimekko applies internal control principles and an operating plan for the execution and monitoring of internal control. Considering the nature and extent of the company's business, Marimekko has not found it necessary to establish a separate internal audit function. The Audit and Remuneration Committee is responsible for monitoring the efficiency of internal controls and risk management and reporting to the Board at least once a year. The Board verifies the level of internal control. Where necessary, the Board may purchase internal audit services from an external service provider.

In the Marimekko Group, internal control is a process, for which the Board of Directors and the President and CEO are responsible.

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

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

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

INSIDER ADMINISTRATION

Marimekko's insider policy

Marimekko Corporation's insider policy is based on the Guidelines for Insiders of Nasdaq Helsinki Ltd., the Market Abuse Regulation (MAR), which entered into force on 3 July 2016, and other related regulation and guidance. Marimekko's insider policy reflects the main obligations of insiders of Marimekko Corporation as well as describes the trade reporting of managers and their closely associated persons under MAR and related regulation and guidance.

The Board of Directors of Marimekko Corporation confirms the policy.

Insider lists and trading restrictions

Marimekko is obligated to draw up and maintain a list of all persons who have access to inside information and who are working for Marimekko under a contract of employment, or otherwise performing tasks through which they have access to inside information (such as advisers, accountants or credit rating agencies). Marimekko has decided not to maintain a list of permanent insiders. Consequently, all persons having inside information will be identified as deal-specific insiders for the relevant projects. Establishment of each such project/event is determined simultaneously with the decision to delay the disclosure of information. Deal-specific insider lists are not public. Marimekko's Insider Administration is responsible for the maintenance of the insider lists. Persons entered in the deal-specific insider list of Marimekko are not allowed to trade in the company's financial instruments during the validity of the project.

Preparation of periodic disclosure (interim reports, financial statement bulletin) or regular access to unpublished financial information is not regarded as an insider project, nor does the company resolve to delay disclosure in relation thereto. However, due to the sensitive nature of unpublished information on the company's financial results, the company applies principles stated in the policy, such as maintaining a list of persons who have authorised access to unpublished financial result information and a closed period before the publishing of annual and/or interim results.

Trading in financial instruments relating to Marimekko is always prohibited when a person holds inside information concerning Marimekko or its financial instruments.

Transactions of managers and their closely associated persons

Managers (Members of the Board of Directors and Management Group) and their closely associated persons are required to notify Marimekko and the Finnish Financial Supervisory Authority of every transaction conducted on their own account relating to the financial instruments of Marimekko. Promptly upon receipt of the notification, Marimekko is required to disclose such information as a stock exchange release.

Each manager shall identify the persons closely associated to him/her and notify the company in writing of the names and other required information of such persons. According to MAR, the obligations of the managers, such as trading restrictions and the obligation to notify the company of every transaction, also apply to persons closely associated to the managers.

Closed period

Marimekko applies a closed period of 30 days before the publishing of annual and interim results. During the closed period, the members of the company's Board of Directors or members of the Management Group are prohibited from trading in the shares or other financial instruments linked to Marimekko. The closed period also applies to persons participating in the preparation of annual and interim results and to the persons determined by the company having, based on their position or access rights, access to the unpublished financial result information.

Supervision of the insider policy

The General Counsel of the company is responsible for the insider administration. Marimekko's employees may report actual or potential infringements of this policy or financial market regulation in accordance with the internal anonymous procedure of Marimekko.

INVESTOR RELATIONS

The Chief Financial Officer is responsible for Marimekko Corporation's investor relations and the content of financial information. Corporate Communications is responsible for the company's stock exchange releases, investor and analyst meeting arrangements and the company's online investor information. Marimekko publishes all of its investor information in Finnish and English.

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. 2016

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–

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

Arthur Engel born 1967
Member of the Board of Directors
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 in Leo Burnett Advertising Agency, 1994–2000; Statoil Svenska AB, 1991–1994; Chairman of the Board of Directors of Caliroots AB, 2013–; Member of the Board of Directors of MQ, 2014–; Member of the Advisory Board for Economic studies at the University of Stockholm; Chairman of the Board of Directors of Rapunzel of Sweden 2015–; Chairman of the Board of Directors of OnePiece AS, 2015–; Chairman of the Board of Directors of Five AB, 2016–; Member of the Board of Directors of Eton AB, 2016–

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

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

Joakim Karske born 1963
Member of the Board of Directors
Member of the Audit and Remuneration Committee
Master of Arts
Principal occupation: Senior Vice President, Brands & customer experience, OP Financial Group, 2014–

Primary work experience and key positions of trust:
Interim head of the Nokia brand, 2014; Head of Design Strategy at Nokia, 2009–2013; Nokia Mobile Phones and Vertu, Head of Design, 2006–2008; various designer and chief designer positions: Volvo Strategic Design (Barcelona, Spain), 2001–2005; DaimlerChrysler Advanced Design Centre (Tokyo, Japan), 1999–2001; Mercedes-Benz AG (Stuttgart, Germany), 1998–1999; Volvo Cars (Gothenburg, Sweden) 1995–1998; Member of the Board of Korpinen Oy, 2012–2015; Association of Finnish Work, board member 2015–

Catharina Stackelberg-Hammarén
born 1970
Member of the Board of Directors
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 & 2000–2002; Managing Director of Coca-Cola AB, 2002–2003; Marketing Director of Coca-Cola Nordic & Baltic Division (Copenhagen, Denmark), 2000; Consumer Marketing Manager of Coca-Cola Finland, 1996–2000; Marketing Manager of Sentra plc, 1994–1996; Member of the Board of Mint of Finland Ltd, 2004–2011; Member of the Board of Tradedoubler Ltd, 2006–2007; Member of the Board of EQ Plc, 2011–2012; Member of the Board of Cision AB, 2013–2014; Member of the Board of Jokerit Hockey Club Oy, 2013–2014; Member of the Board of Scan Securities Ab 1996–; Member of the Board of Alma Media Corporation, 2009–; Member of the Board of Stiftelsen Svenska Handelshögskolan, 2011–; Member of the Board of Aktia Bank p.l.c., 2012–

MANAGEMENT GROUP

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

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

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

Anna Teurnell born 1966
Creative Director
Employed by the company since 2014

On 15 March 2016, 15 June 2016, 15 September 2016 and 29 November 2016, the company announced changes in its management. For additional information see the Report of the Board of Directors, Management at page 11.

Information on the shareholdings in Marimekko Corporation by the members of the Board of Directors and the Management Group on 31 December 2016 is provided on the page 55.

Information for shareholders

Schedule for financial reporting in 2017

– Financial Statements Bulletin 2016, Thursday, 9 February 2017
– Financial Statements 2016, week 11, at the latest
– Interim Reports
  - January–March, Wednesday, 10 May 2017
  - January–June, Thursday, 10 August 2017
  - January–September, Thursday, 2 November 2017

Annual General Meeting

Marimekko Corporation's Annual General Meeting will be held from 2 p.m. onwards on Thursday, 6 April 2017 at Marimekko Corporation's head office, Puusepänkatu 4, 00880 Helsinki, Finland. Shareholders who have been registered by the Annual General Meeting's record date of 27 March 2017 at the latest in the company's Shareholder Register kept by Euroclear Finland Ltd have the right to attend the Annual General Meeting. The shareholder in whose name the shares are registered is automatically entered in the company's Shareholder Register.

Shareholders who wish to attend the Annual General Meeting must notify the company of their intention to do so before 4 p.m. on Monday, 3 April 2017 at the latest:

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

A holder of nominee-registered shares may participate in the Annual General Meeting with those shares under which the holder would be entitled to be registered in the company's Shareholder Register on 27 March 2017. Additionally, participation requires that the holder of nominee-registered shares is temporarily registered in the Shareholder Register no later than 3 April 2017 at 10 a.m. Temporary registration in the Shareholder Register shall be deemed to be a registration for the Annual General Meeting. A holder of nominee-registered shares is advised to request necessary instructions regarding the temporary registration in the Shareholder Register, the issuing of proxy documents and registration for the General Meeting from their custodian bank well in advance. The account management organisation of the custodian bank will register a holder of nominee-registered shares, who wants to participate in the Annual General Meeting, to be temporarily entered into the company's Shareholder Register by the above-mentioned date.

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

Dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.40 per share be paid for 2016. The dividend will be paid to shareholders who are registered on the dividend payout record date of 10 April 2017 in the company's Shareholder Register kept by Euroclear Finland Ltd. The Board of Directors will propose to the Annual General Meeting that the dividend be paid on 19 April 2017.

Principles of investor relations

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

Information sessions and silent period

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

Analysts

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

Financial reports

Marimekko Corporation's financial statements and interim reports are published in Finnish and English. Printed financial statements 2016 are available upon request. Interim reports are also sent upon request to the address provided by the subscriber. Financial information is posted on the company's website under Releases and publications.

To order publications, contact:

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Investor relations

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