Financial Statements Bulletin | 2013

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FINANCIAL STATEMENTS BULLETIN OF MARIMEKKO CORPORATION, 1 JANUARY - 31 DECEMBER 2013: International growth continued despite difficult market conditions

In 2013, the Marimekko Group's net sales grew by 6 percent from the previous year. International sales rose by 16 percent, mainly due to the stores opened in North America and the Asia-Pacific region during 2012 and 2013. In the October-December period of 2013, the Group's net sales fell by 1 percent.

Operating profit for 2013 amounted to EUR 0.1 million (2.0). Operating profit includes EUR 1.3 million in nonrecurring expenses due to arrangements arising from the statutory employer-employee negotiations, concluded during the second quarter, on the company's manufacturing operations located in Sulkava and Kitee. Operating profit excluding nonrecurring items in 2013 was EUR 1.4 million (2.0). The 2013 EBITDA excluding nonrecurring items increased markedly, reaching EUR 7.9 million (5.6). In the October-December period, the Group's operating result was EUR -0.6 million (0.0).

In 2014, Marimekko will continue to invest in growth while focusing on enhancing the operations of its stores, on improving the overall profitability of business and on creating even more attractive design and products.

Key indicators

	10-12/ 2013	10-12/ 2012	Change, %	1-12/ 2013	1-12/ 2012	Change, %
Net sales, EUR million	**25.5**	25.7	-1	**94.0**	88.5	6
International sales, EUR million	**10.8**	10.2	6	**41.8**	36.1	16
% of net sales	**42**	40		**45**	41	
EBITDA, EUR million	**2.6**	1.0	116	**6.9***	5.6	23
EBITDA excluding nonrecurring items, EUR million	**2.6**	1.0	116	**7.9**	5.6	41
Operating result, EUR million	**-0.6**	0.0		**0.1***	2.0	-96
Operating result excluding nonrecurring items, EUR million	**-0.6**	0.0		**1.4**	2.0	-22
Operating result margin, %	**-2.2**	0.1		**0.1***	2.3	
Operating result margin excluding nonrecurring items, %	**-2.2**	0.1		**1.4**	2.3	
Result for the period, EUR million	**-0.5**	-0.3	-61	**-1.0**	1.1	
Earnings per share, EUR	**-0.07**	-0.04	-75	**-0.12**	0.14	
Cash flow from operating activities, EUR million	**5.0**	6.1	-17	**5.4**	8.6	-37
Return on investment (ROI), %				**-1.1**	4.1	
Equity ratio, %				**55.5**	54.6	
Gross investments, EUR million	**0.5**	2.0	-76	**2.4**	7.6	-69
Personnel at the end of the period	**502**	535	-6	**502**	535	-6
outside Finland	**124**	103	20	**124**	103	20
Brand sales**, EUR million	**51.5**	54.4	-5	**191.1**	187.2	2
outside Finland, EUR million	**28.4**	25.0	14	**115.1**	100.7	14
proportion of international sales, %	**55**	46		**60**	54	
Number of stores***	**133**	108	23	**133**	108	23

* Operating result includes EUR 1.3 million in nonrecurring expenses due to arrangements arising from the statutory employer-employee negotiations concluded during the second quarter of 2013. EUR 1.0 million of these nonrecurring expenses is included in EBITDA.

** 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 actual wholesale sales to these retailers, is unofficial and does not include VAT. The key figure is not audited.

*** Includes the company's own retail stores, retailer-owned Marimekko stores and shop-in-shops with an area exceeding 30 sqm. The company's own retail stores numbered 51 at the end of 2013 (47). Information on changes is available in the section Internationalisation and changes in the store network.

Mika Ihamuotila, President and CEO:

“In 2013, we succeeded in boosting our net sales by 6 percent over the previous year although the market conditions were challenging in all our main market areas and our sectors of business. The driving force of growth continued to be our international markets: net sales outside Finland grew by 16 percent and in the Asia-Pacific region growth was 37 percent compared to the previous year. The challenging market conditions made themselves felt particularly in the form of a downturn in our wholesale sales in Scandinavia, Central and Southern Europe and North America, which negatively impacted the 2013 operating profit. The losses posted by our stores in the United States which are still partly in the launching phase were also detrimental to our profitability. Because of the poor profitability of our company-owned stores in Beverly Hills, Boston and Oslo, we booked write-downs on their tangible assets to a total of EUR 1.5 million, which contributed to the downturn in our operating profit. Sales in the last months of the year were poor, particularly in Finland due to low consumer confidence and a prolonged period of exceptionally warm weather during the autumn. However, I am pleased that our EBITDA improved noticeably on the previous year.

“We continued to implement our long-term internationalisation strategy: during the year, a total of 34 new Marimekko stores were opened, 25 of which were outside Finland. Our store network expanded, particularly in the Asia-Pacific region, where we took important steps forward with the opening of the first Marimekko stores in mainland China and Taiwan. The prospects for the economy and retail trade are good in Asia, and we believe that there is growing demand in the region for our products. We will also continue from now on to devote effort to growth in all our main market areas. The main thrust in our expansion this year will be on openings of retailer-owned stores and shop-in-shops inside classy department stores. Our intention is to open a total of 15-25 Marimekko stores and shop-in-shops in 2014, 1-3 of which would be company-owned.

“We reported earlier today that we intend to carry out a reorganisation of our operations in Finland and the United States. These arrangements are aimed at achieving lower costs and a more efficient corporate operating model. Another aim is to create even more attractive products and design for our increasingly international customer base. If implemented in full, the reorganisations will yield annual savings in costs amounting to roughly EUR 2.5 million. These actions, combined with the streamlining we carried out in 2013, will improve this year's operating result. This year, we are paying particularly close attention to our operational efficiency while continuing our work aimed at international growth in line with our strategy.

”In spite of the difficult market conditions, I am confident that Marimekko is on the right track. The planned reorganisations, together with international growth, are expected to form a basis for building a more profitable and attractive company.”

Market outlook and growth targets in 2014

The general uncertainty in the global economy is forecast to continue, and this may impact consumers’ purchasing behaviour in all of Marimekko’s market areas. The prospects for the European economic trend are still poor, although hopes for an improvement have risen slightly recently. In the United States and Asia, economic forecasts are better than in Europe. The United States has seen stronger growth than Europe and the economy is gradually normalising. In Asia, economic growth is forecast to continue to outstrip other regions, although a slowdown in growth in China has stirred concern in the stock market. (Confederation of Finnish Industries EK: Economic Review, December 2013 and January 2014). The Asia-Pacific region was the driving force in Marimekko's sales growth in 2013 and the company sees growing demand for its products in this market area. Japan has 26 retailer-owned Marimekko stores and the company's wholesale sales to Japan have grown for several successive years. The appreciation of the euro relative to the yen and a forthcoming increase in sales tax in Japan in April 2014 could have a negative impact on Marimekko's wholesale sales.

In Finland, the retail market environment is extremely weak at the moment, and no turnaround for the better is in sight. Retail trade confidence indicators levelled out in December 2013 but went back into decline in January 2014. According to economic polls conducted by trade and industry, Finland's economic winter will continue. (Confederation of Finnish Industries EK: Economic Review and Confidence Indicators, January 2014). The extremely weak retail market situation and the negative trend in comparable sales by Marimekko-owned stores in Finland at the end of 2013 cast a shadow over this year's prospects in Finland.

The main thrust in expansion in 2014 will be on openings of retailer-owned Marimekko stores and shop-in-shops. The aim is to open a total of 15-25 new Marimekko stores and shop-in-shops, 1-3 of which would be company-owned. Also, the company will concentrate on enhancing the operations of company-owned stores opened in recent years and on improving the overall profitability of business.

The planned total investments for 2014 of the Marimekko Group are estimated as being approximately EUR 3 million. Most of the investments are devoted to building new retail facilities and purchases of fittings.

Financial guidance for 2014

On the basis of general market prospects, the company's growth targets and the planned reorganisation, the Marimekko Group's net sales for 2014 are forecast to grow by 3-8 percent relative to 2013. Operating profit excluding nonrecurring items is estimated at EUR 4-8 million.

Briefing for the media and analysts

A briefing for the media and analysts will be held concerning this financial statements bulletin today at 9 a.m. in Marimekko's flagship store at Pohjoisesplanadi 33, Helsinki. The presentation material is available on the company's website at company.marimekko.com under Releases/Interim reports and financial statements.

Corporate governance statement

The Corporate Governance Statement 2013 is available on the company's website at company.marimekko.com under Investors/Management/Corporate governance.

Financial calendar 2014

The 2013 financial statements will be published in week 14 at the latest. The Annual General Meeting is planned to be held on 23 April 2014 at 2 p.m. The following interim reports will be published in 2014: January to March, on Thursday 8 May 2014 at 8.30 a.m.; January to June, on Thursday 14 August 2014 at 8.30 a.m.; and January to September, on Thursday 6 November 2014 at 8.30 a.m.

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FINANCIAL STATEMENTS OF MARIMEKKO CORPORATION, 1 JANUARY - 31 DECEMBER 2013

MARKET REVIEW

The widespread uncertainty over the global economy continued during 2013 and consumers' purchasing behaviour remained cautious. In Europe, the serious debt crisis of the EU states retreated somewhat, but the region's economic growth continued to be weak. In the United States and Asia, the situation was better, although growth was fairly slow. In Finland, market conditions continued to be worse than the average and the economic prospects deteriorated. The short-term economic outlook for trade and industry continued to be sluggish and has further weakened. Consumer confidence was low during 2013, but rose slightly at the end of the year. (Confederation of Finnish Industries EK: Business Tendency Survey, November 2013 and Statistics Finland: Consumer survey, January 2014).

In 2013, retail net sales in Finland rose by 0.3 percent, but the quantity of sales - which measures real growth in sales - declined by 0.8 percent. (Statistics Finland: Turnover of trade, retail trade flash estimate, January 2014). In 2013, retail sales of clothing (excluding sportswear) fell by 4.8 percent. Sales of women's clothing declined by 5.5 percent, menswear by 2.7 percent and children's clothing by 6.0 percent. Sales of bags fell by 0.2 percent (Textile and Fashion Industries TMA). In the January-November period of 2013, clothing (SITC 84) exports grew by 5 percent and imports were level with the previous year; imports and exports of textiles (SITC 65) declined by 4 percent each (National Board of Customs, monthly review, January 2014).

INTERNATIONALISATION AND CHANGES IN THE STORE NETWORK

In 2012, Marimekko invested more than before in expanding its network of company-owned stores in Northern Europe and the United States in order to raise its profile and to enhance prospects for the opening of retailer-owned Marimekko stores and shop-in-shops. This changed the ratio of wholesale to retail and tied up a larger proportion of the company's capital and resources than before.

In 2013, the main thrust in Marimekko's expansion was on openings of retailer-owned Marimekko stores and shop-in-shops. The company also invested in enhancing the operations of the stores it opened in 2012. During 2013, a total of 34 new Marimekko stores and shop-in-shops were opened, 25 of them outside Finland. These stores are divided as follows: 6 company-owned, 9 retailer-owned stores, and 19 shop-in-shops. New stores were opened in all of the company's main market areas. During 2013, a total of 8 Marimekko stores were closed down: company-owned stores in Finland and Sweden, retailer-owned stores in Denmark and Austria, and four Crate and Barrel shop-in-shops in the United States. Also, a retailer-owned store in Copenhagen included other brand products into its range, so it is no longer counted as a Marimekko store.

In the final quarter of 2013, 6 Marimekko stores were opened: company-owned stores in Helsinki and Vantaa; retailer-owned stores in Hong Kong, Taipei and Osaka; and a shop-in-shop in Kuopio, Finland. A retailer-owned store in Copenhagen has included other brand products into its range, so it is no longer counted as a Marimekko store.

Number of stores and shop-in-shops*	31.12.2013	31.12.2012
Finland	**56**	48
Company-owned stores	**31**	28
Scandinavia	**13**	12
Company-owned stores	**8**	7
Central and Southern Europe	**4**	5
Company-owned stores	**4**	4
North America	**23**	16
Company-owned stores	**6**	6
Asia-Pacific	**37**	27
Company-owned stores	**2**	2
Total	**133**	**108**
Company-owned stores	**51**	47

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

NET SALES

In 2013, the Group's net sales, boosted by international sales, rose by 6 percent to EUR 94,007 thousand (88,471). In Finland, net sales were on a par with the previous year. International sales rose by 16 percent.

In the October-December period, the Group's net sales fell by 1 percent, reaching EUR 25,465 thousand (25,748). In Finland, net sales fell by 5 percent relative to the same period the year before. International sales rose by 6 percent.

Net sales by market area

(EUR 1,000)	10-12/ 2013	10-12/ 2012	Change, %	1-12/ 2013	1-12/ 2012	Change, %
Finland	**14,705**	15,555	-5	52,159	52,344	0
Retail sales	**9,792**	10,096	-3	35,107	34,000	3
Wholesale sales	**4,670**	5,090	-8	16,491	17,546	-6
Royalties	**243**	369	-34	562	798	-30
Scandinavia	**2,294**	2,063	11	8,152	7,856	4
Retail sales	**1,323**	944	40	4,355	3,299	32
Wholesale sales	**970**	1,119	-13	3,796	4,554	-17
Royalties	**-**	-		-	3	
Central and Southern Europe	**1,763**	1,875	-6	7,678	7,783	-1
Retail sales	**454**	426	7	1,408	1,492	-6
Wholesale sales	**1,284**	1,422	-10	6,170	6,185	0
Royalties	**25**	27	-6	100	106	-5
North America	**2,182**	2,809	-22	8,534	7,743	10
Retail sales	**1,621**	1,742	-7	5,587	4,020	39
Wholesale sales	**496**	955	-48	2,511	3,193	-21
Royalties	**65**	112	-42	436	530	-18
Asia-Pacific	**4,521**	3,446	31	17,484	12,745	37
Retail sales	**804**	655	23	2,300	655	251
Wholesale sales	**3,717**	2,791	33	15,182	12,087	26
Royalties	**-**	-		2	3	-41
International sales, total	**10,760**	10,193	6	41,848	36,127	16
Retail sales	**4,202**	3,767	12	13,651	9,466	44
Wholesale sales	**6,467**	6,287	3	27,659	26,019	6
Royalties	**90**	139	-35	538	642	-16
Total	**25,465**	**25,748**	**-1**	**94,007**	**88,471**	**6**
Retail sales	**13,995**	13,863	1	48,757	43,466	12
Wholesale sales	**11,137**	11,377	-2	44,150	43,565	1
Royalties	**333**	508	-34	1,100	1,440	-24

Finland

In 2013, sales in Finland were on a par with the previous year, with EUR 52,159 thousand. Retail sales rose by 3 percent. Sales were boosted by three company-owned stores opened in 2012 as well as four company-owned stores opened in 2013. Comparable sales by company-owned stores fell by 6 percent. Wholesale sales fell by 6 percent.

In the last quarter of the year, consumers' purchasing behaviour continued to be cautious and net sales declined by 5 percent relative to the same period the year before. Retail sales fell by 3 percent; comparable sales by company-owned stores declined by 9 percent. Wholesale sales fell by 8 percent.

Scandinavia

In Scandinavia, sales in 2013 grew by 4 percent relative to the previous year and amounted to EUR 8,152 thousand. Retail sales rose by 32 percent. Retail sales were boosted by two company-owned stores opened in Sweden in 2012, the extension of Marimekko's e-commerce into Sweden and Denmark, as well as the opening of two company-owned stores in 2013, one in Sweden and the other in Denmark. Comparable sales growth for company-owned stores was 6 percent. In 2013, wholesale sales fell by 17 percent. Consumers' purchasing behaviour continued to be cautious, especially in Sweden and Denmark, which affected wholesale sales in particular.

During the last quarter of the year, retail sales rose by 40 percent. Comparable sales by company-owned stores grew by 5 percent. Wholesale sales fell by 13 percent. The downturn in wholesale sales was partly due to a shift favouring the third quarter in the timing of autumn deliveries.

Central and Southern Europe

In Central and Southern Europe, net sales in 2013 fell by 1 percent, amounting to EUR 7,678 thousand. Retail sales fell by 6 percent, whereas wholesale sales were on a par with the previous year.

During the last quarter of the year, retail sales rose by 7 percent. Wholesale sales fell by 10 percent. The downturn in wholesale sales was partly due to a shift favouring the third quarter in the timing of autumn deliveries.

North America

In North America, net sales in 2013 grew by 10 percent and were EUR 8,534 thousand. In terms of the sales currency (mostly the US dollar), growth amounted to roughly 11 percent. The growth in net sales came from the four company-owned stores opened in the United States in the second half of 2012. Retail sales in 2013 grew by 39 percent. Comparable sales by company-owned stores fell by 3 percent. Wholesale sales fell by 21 percent.

During the last quarter of the year, retail sales fell by 7 percent. Comparable sales by company-owned stores rose by 3 percent. Wholesale sales fell by 48 percent. The downturn in wholesale sales was partly due to a shift favouring the third quarter in the timing of autumn deliveries.

Asia-Pacific

Net sales in the Asia-Pacific region grew in 2013 by 37 percent and were EUR 17,484 thousand. Wholesale sales rose by 26 percent. Wholesale sales were improved by the stores opened in 2012, as well as investments in Australia, combined with store openings in China, South Korea, Japan and Taiwan during 2013. Net sales were also boosted by two company-owned stores opened in Australia at the end of 2012.

In the last quarter of the year, retail sales rose by 23 percent and wholesale sales by 33 percent.

FINANCIAL RESULT

In 2013, the Group’s operating profit was EUR 82 thousand (2,019). Operating profit includes EUR 1,276 thousand in nonrecurring expenses due to arrangements arising from the statutory employer-employee negotiations, concluded during the second quarter, on the company’s manufacturing operations located in Sulkava and Kitee. Operating profit excluding nonrecurring items was EUR 1,358 thousand (2,019). A drag was exerted on operating profit by write-downs on the tangible assets of the company-owned stores in Beverly Hills, Boston and Oslo, totalling EUR 1,480 thousand. A further drag on operating profit was exerted by the loss posted by the stores in the United States and by a downturn in wholesale sales in Scandinavia, Central and Southern Europe and North America. Operating profit was boosted by growth in wholesale sales in the Asia-Pacific region, by markedly reduced marketing costs, by an increase in the utilisation rate and streamlining of the company's textile printing factory, and by the closure of the production plants in Sulkava and Kitee.

In the October-December period of 2013, the Group’s operating result was EUR -564 thousand (13). The final quarter's operating result was weakened by write-downs on the tangible assets of the company-owned stores in Beverly Hills, Boston and Oslo, totalling EUR 1,480 thousand, as well as a downturn in wholesale sales in Finland, Scandinavia, Central and Southern Europe, and North America. Operating result was improved by growth in wholesale sales in the Asia-Pacific region, the closure of the production plants in Sulkava and Kitee, by an increase in the utilisation rate and streamlining of the company's textile printing factory, and by reduced marketing costs.

Marketing expenses for the year totalled EUR 4,179 thousand (5,132), or 4 percent of the Group's net sales (6).

Operating profit margin for 2013 was 0.1 percent (2.3). In the October-December period, operating result margin was -2.2 percent (0.1).

Net financial expenses in 2013 were EUR 886 thousand (606), or 1 percent of net sales (1).

Result for the financial year before taxes was EUR -804 thousand (1,413). Result after taxes was EUR -955 thousand (1,100) and earnings per share were EUR -0.12 (0.14).

Depreciation and impairments

The Group's depreciation and impairments totalled EUR 6,772 thousand (3,550), or 7 percent of net sales (4). The Group’s depreciation grew due to considerable investments during the past few years.

In 2013, the Group booked write-downs totalling EUR 1,480 thousand on the tangible assets of the company-owned stores in Beverly Hills, Boston and Oslo. The write-downs were due to these stores' poor profitability and they will reduce annual depreciation by some EUR 400 thousand from 2014 onwards.

In the same connection, Marimekko booked write-downs in the separate financial statements of the Group's parent company totalling EUR 5,424 thousand on the book value of subsidiary shares, loan receivables and trade receivables. The write-downs concern the company’s subsidiaries in the United States and Sweden. These write-downs booked in the parent company's separate financial statements will have no effect on Marimekko's consolidated financial statements. At the end of 2013, the shareholders' equity of the parent company was EUR 21,130 thousand and its distributable funds were EUR 13,090 thousand.

BALANCE SHEET

The consolidated balance sheet total as at 31 December 2013 was EUR 48,648 thousand (54,961). Equity attributable to the equity holders of the parent company was EUR 26,989 thousand (29,996), or EUR 3.34 per share (3.71).

Non-current assets at the end of 2013 were EUR 20,237 thousand (24,977). As of March 2012, tangible assets include a finance lease asset related to the 30-year land lease on the property of the Helsinki head office and printing factory. The book value of the finance lease asset at the end of the year was EUR 3,229 thousand (3,324).

At the end of the year, net working capital was EUR 15,421 thousand (15,103). Inventories were EUR 18,106 thousand (18,502).

CASH FLOW AND FINANCING

In 2013, the Group’s cash flow from operating activities was EUR 5,424 thousand (8,605), or EUR 0.67 per share (1.06). Cash flow from operating activities before change in working capital grew markedly, to EUR 6,954 thousand (5,712). Cash flow before cash flow from financing activities was EUR 3,070 thousand (1,033).

In the October-December period, cash flow from operating activities was EUR 5,031 thousand (6,066), or EUR 0.62 per share (0.75). Cash flow from operating activities before change in working capital was EUR 2,601 thousand (1,177). Cash flow before cash flow from financing activities was EUR 4,553 thousand (4,103).

The Group's financial liabilities at the end of the year stood at EUR 11,558 thousand (12,710). As of March 2012, non-current and current liabilities also include a finance lease liability related to the 30-year land lease on the property of the Helsinki head office and printing factory. The present value of the finance lease liability at the end of the review period totalled EUR 3,324 thousand (3,393).

At the end of the year, the Group's cash and cash equivalents amounted to EUR 3,001 thousand (3,106). In addition, the Group had unused committed long- and short-term credit lines of EUR 17,767 thousand (10,683).

The Group's equity ratio at the end of the year was 55.5 percent (54.6). Gearing was 31.7 percent (32.0).

INVESTMENTS

The Group's gross investments in 2013 were EUR 2,353 thousand (7,582), or 3 percent of net sales (9). Most of the investments were devoted to building store premises and to refurbishing the property in Herttoniemi.

PERSONNEL

In 2013, the number of employees averaged 526 (497). At the end of the year, the Group had 502 employees (535), of whom 124 worked outside Finland (103). The number of employees working outside Finland was broken down as follows:

Scandinavia 38 (24), Central and Southern Europe 15 (14), North America 55 (53) and the Asia-Pacific region 16 (12). The personnel at company-owned stores totalled 248 at the end of the year (235).

RESOLUTIONS OF THE ANNUAL GENERAL MEETING

The resolutions of Marimekko Corporation's Annual General Meeting have been reported in the stock exchange release of 23 April 2013 and in the interim report of 7 May 2013.

SHARES AND SHAREHOLDERS

Share capital and number of shares

At the end of 2013, the company's fully paid-up share capital, as recorded in the Trade Register, amounted to EUR 8,040,000 and the number of shares totalled 8,089,610.

Shareholdings

According to the book-entry register, Marimekko had 7,424 shareholders at the end of 2013 (7,417). Of the shares, 21.0 percent were owned by nominee-registered or non-Finnish holders (20.9). The number of shares owned either directly or indirectly by members of the Board of Directors and the President and CEO of the company was 1,343,930 (1,338,930), representing 16.6 percent of the number and voting rights of the company's shares (16.6).

The largest shareholders according to the book-entry register on 30 December 2013

		Number of shares and votes	Percentage of shares and votes
1.	Muotitila Ltd	1,297,700	16.04
2.	Semerca Investments SA	850,377	10.51
3.	Varma Mutual Employment Pension Insurance Company	385,920	4.77
4.	ODIN Finland	344,251	4.26
5.	Veritas Pension Insurance Company	219,000	2.71
6.	Ilmarinen Mutual Pension Insurance Company	215,419	2.66
7.	Keva	197,754	2.44
8.	OP-Finland Small Firm Fund	151,197	1.87
9.	Mutual Fund Tapiola Finland	136,395	1.69
10.	Nordea Nordic Small Cap Fund	101,500	1.25
	Total	3,899,513	48.20
	Nominee-registered and non-Finnish holders	1,701,899	21.04
	Others	2,488,198	30.76
	Total	**8,089,610**	**100.00**

Share trading and the company's market capitalisation

In 2013, a total of 760,976 Marimekko shares were traded, representing 9.4 percent of the shares outstanding. The total value of Marimekko's share turnover was EUR 8,502,075. The lowest price of the Marimekko share was EUR 9.82, the highest was EUR 14.54 and the average price was EUR 11.17. At the end of the year, the closing price of the share was EUR 9.85. The company's market capitalisation on 31 December 2013 was EUR 79,682,659 (115,681,423).

Authorisations

At the end of the year, Marimekko's Board of Directors had an authorisation, granted by the Annual General Meeting of 17 April 2012, to decide on a directed offering of shares to the personnel, in deviation from the shareholders' pre-emptive right, in one or more offerings. The total number of new shares to be offered for subscription pursuant to the authorisation may not exceed 150,000 shares. The authorisation is in effect for two years from the date of the Annual General Meeting's resolution. Marimekko arranged a personnel share offering in 2012, in which a total of 49,610 new shares were subscribed for.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Consultative negotiations and reorganisation

Marimekko has decided to initiate consultative negotiations on all operations in Finland with the exception of the personnel at the textile printing factory in Helsinki. Reorganisations will also be carried out in the United States. The planned actions are expected to result in an estimated reduction of a maximum of 65 personnel in Finland and the United States. The other offices outside Finland are not within the scope of the reorganisations. If implemented to its full extent, the reorganisation will yield annual savings in costs estimated at roughly EUR 2.5 million and an improvement in operating result.

In Finland, the need to downsize personnel is estimated at a maximum of 55 employees. In addition, part of the jobs in company-owned stores may be converted to part-time positions or the agreed number of working hours may be reduced as a result of the planned reorganisations. During the consultative negotiations, it will be determined whether part of any personnel reductions could take the form of pension arrangements or similar.

The expansion of business in North America and the opening of company-owned stores in the United States made it necessary to establish a new country organisation in 2011. In the initial stage of the expansion, the country organisation was led by the brand management specialist C2Group, whose contract expired at the end of 2013. At the same time, a new country manager started with the company. In the next few years, the main thrust will be on expanding wholesale, and the country organisation will be adapted to this goal.

Marimekko has six company-owned stores in the United States which are still partly in the launching phase. The purpose of the stores is also to reinforce the brand and to attract the interest in the company's products of high-quality department stores and other retailers. Effort was put into developing the stores' business last year, but in some of the stores improving profitability has proven more challenging than forecast and sales have been weaker than expected. Marimekko is negotiating for the termination of the lease on the store in Beverly Hills and examining the possibility of moving the store to a new location with better accessibility for the target public.

In the United States, the planned arrangements are estimated to result in eliminating a maximum of 10 jobs in the Beverly Hills store and the country organisation.

Changes in management

As part of a broader review of its operations, Marimekko has decided to initiate an international recruitment process for a new Creative Director for the company. The aim is to reinforce the international competitiveness of Marimekko's design management. The current Creative Director Minna Kemell-Kutvonen resigns her membership of the company’s Management Group as of 5 February 2014 and continues with the company in other design-related executive duties which will be specified later. For the duration of the recruitment process, Chief Marketing Officer Tiina Alahuhta-Kasko will handle the duties of the Creative Director with the assistance of Kemell-Kutvonen.

MAJOR RISKS AND FACTORS OF UNCERTAINTY

The key strategic risks for the near future are associated with overall economic trends and the consequent uncertainty in the operating environment as well as the management of the company's expansion. The global economic cycle and factors of uncertainty affect consumers' purchasing behaviour and buying power in all of the company's market areas. The downturn in economic conditions, which started from the severe problems of the international financial markets, continues to dampen the prospects for retail as well as Marimekko's prospects for growth and earnings.

Marimekko is undergoing a phase of dynamic internationalisation and change. The distribution of products is being expanded in all key market areas. Unlike before, the focus of growth in recent years has increasingly been on opening company-owned stores outside Finland. This has called for larger or brand-new country organisations in these market areas, which exerts a drag on the cost-effectiveness of the company, especially in the early stages of expansion. Moreover, expanding the network of company-owned stores has increased the company's investments, lease liabilities of store premises, inventories, and the company's fixed costs. It also follows from this that a larger portion of Group net sales comes from sales by the company's own retail stores, which has increased the seasonality of the business as well as dependence on the success of new company-owned stores and has shifted the bulk of net sales and profit accumulation to the last quarter, thus having a negative impact on profitability in the first half of the year. Furthermore, partnerships and the choice of partners in the company's key market areas also involve risks.

The company's ability to design, develop and commercialise new products that meet consumers' expectations while maintaining profitable and effective in-house production has an impact on the company's sales and profitability.

The company's operational risks prominently include those related to the management and success of expansion projects, the operational reliability of procurement and logistics processes, and changes in costs of raw materials and other procurement items. As a result of new products, the share of in-house production has diminished, and the company uses subcontractors for its manufacturing to an increasing extent. Therefore, the company's dependence on the supply chain has increased. Any delays or disturbances in supply or fluctuations in the quality of products may have a temporary harmful impact on business. As the operations are being expanded and diversified, risks related to the management of inventories also increase.

Among the company's economic risks, those related to the structure of sales, increased investments, price trends for factors of production, changes in cost structure, increased operational costs, customers' liquidity, and changes in exchange rates may have an impact on the company's financial status.

RESEARCH AND DEVELOPMENT

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

THE ENVIRONMENT, HEALTH AND SAFETY

Responsibility for the environment and nature is an integral aspect of Marimekko's business. The company's environmental monitoring is largely based on legislation and other regulations. The waste materials formed in Marimekko’s manufacturing are handled and sorted appropriately. In the interest of monitoring the environmental impact of production and other business operations, the company develops its operating models and conducts regular tests on the materials used in products. Cooperation agreements require Marimekko’s subcontractors and other partners to commit themselves to shouldering their environmental responsibilities. The company seeks to save energy by developing its production methods, investing in energy-efficient machinery and equipment, and monitoring energy consumption. Safety and well-being in the workplace are actively monitored and improved at Marimekko, in collaboration with the workplace safety committee and occupational healthcare.

In 2013, Marimekko continued the long-term development of a corporate social responsibility management system. The company has chosen sourcing and design as the key areas for the next few years. Marimekko’s Yearbook contains a more extensive report on environmental, health and safety issues. The framework for reporting is provided by the G3 guidelines of the Global Reporting Initiative (GRI).

MARKET OUTLOOK AND GROWTH TARGETS IN 2014

The general uncertainty in the global economy is forecast to continue, and this may impact consumers’ purchasing behaviour in all of Marimekko’s market areas. The prospects for the European economic trend are still poor, although hopes for an improvement have risen slightly recently. In the United States and Asia, economic forecasts are better than in Europe. The United States has seen stronger growth than Europe and the economy is gradually normalising. In Asia, economic growth is forecast to continue to outstrip other regions, although a slowdown in growth in China has stirred concern in the stock market. (Confederation of Finnish Industries EK: Economic Review, December 2013 and January 2014). The Asia-Pacific region was the driving force in Marimekko's sales growth in 2013 and the company sees growing demand for its products in this market area. Japan has 26 retailer-owned Marimekko stores and the company's wholesale sales to Japan have grown for several successive years. The appreciation of the euro relative to the yen and a forthcoming increase in sales tax in Japan in April 2014 could have a negative impact on Marimekko's wholesale sales.

In Finland, the retail market environment is extremely weak at the moment, and no turnaround for the better is in sight. Retail trade confidence indicators levelled out in December 2013 but went back into decline in January 2014. According to economic polls conducted by trade and industry, Finland's economic winter will continue. (Confederation of Finnish Industries EK: Economic Review and Confidence Indicators, January 2014). The extremely weak retail market situation and the negative trend in comparable sales by Marimekko-owned stores in Finland at the end of 2013 cast a shadow over this year's prospects in Finland.

The main thrust in expansion in 2014 will be on openings of retailer-owned Marimekko stores and shop-in-shops. The aim is to open a total of 15-25 new Marimekko stores and shop-in-shops, 1-3 of which would be company-owned. Also, the company will concentrate on enhancing the operations of company-owned stores opened in recent years and on improving the overall profitability of business.

The planned total investments for 2014 of the Marimekko Group are estimated as being approximately EUR 3 million. Most of the investments are devoted to building new retail facilities and purchases of fittings.

FINANCIAL GUIDANCE FOR 2014

On the basis of general market prospects, the company's growth targets and the planned reorganisation, the Marimekko Group's net sales for 2014 are forecast to grow by 3-8 percent relative to 2013. Operating profit excluding nonrecurring items is estimated at EUR 4-8 million.

THE BOARD OF DIRECTORS' PROPOSAL FOR THE DIVIDEND FOR THE 2013 FINANCIAL YEAR

A dividend of EUR 0.25 per share was paid for 2012 to a total of EUR 2,022,403. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.25 per share be paid for 2013. On 31 December 2013, the parent company's distributable funds amounted to EUR 13,090,256.90; result for the financial year was EUR -4,939,160.04. The Board will propose 28 April 2014 as the dividend record date, and 7 May 2014 as the dividend payout date.

Helsinki, 5 February 2014

MARIMEKKO CORPORATION
Board of Directors

FINANCIAL STATEMENTS BULLETIN 2013, TABLE SECTION

The information presented in the financial statements bulletin has not been audited. There may be differences in totals due to rounding to the nearest thousand euros.

APPENDICES

ACCOUNTING PRINCIPLES

This financial statements bulletin was prepared in accordance with IAS 34. The same accounting principles were applied as in the 2012 financial statements, although at the start of the financial year the company adopted certain new and amended IFRS standards as described in the financial statements for 2012. The adoption of new and updated standards has had no effect on the figures stated during the financial year.

FORMULAS FOR KEY FIGURES

Earnings per share (EPS), EUR:
(Profit before taxes - income taxes) / Number of shares (average for the financial period)

Equity per share, EUR:
Shareholders' equity / Number of shares, 31 December

Return on equity (ROE), %:
(Profit before taxes - income taxes) X 100 / Shareholders' equity (average for the financial period)

Return on investment (ROI), %:
(Profit before taxes + interest and other financial expenses) X 100 / (Balance sheet total - non-interest-bearing liabilities (average for the financial period))

Equity ratio, %:
Shareholders' equity X 100 / (Balance sheet total - advances received)

Gearing, %:
Interest-bearing net debt X 100 / Shareholders' equity

Net working capital:
Inventories + trade and other receivables + current tax assets - trade and other payables - current tax liabilities

CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	10-12/2013	10-12/2012	1-12/2013	1-12/2012
NET SALES	**25,465**	25,748	**94,007**	88,471
Other operating income	**55**	55	**246**	97
Increase or decrease in inventories of completed and unfinished products	**-681**	-740	**527**	-2,192
Raw materials and consumables	**-7,537**	-8,751	**-33,547**	-29,515
Employee benefit expenses	**-6,708**	-7,320	**-27,059**	-24,384
Depreciation and impairments	**-3,164**	-1,021	**-6,772**	-3,550
Other operating expenses	**-7,993**	-7,958	**-27,320**	-26,908
OPERATING RESULT	**-564**	13	**82**	2 019
Financial income	**27**	17	**67**	48
Financial expenses	**-359**	-325	**-953**	-654
	-332	-308	**-886**	-606
RESULT BEFORE TAXES	**-896**	-295	**-804**	1,413
Income taxes	**350**	-44	**-151**	-313
NET RESULT FOR THE PERIOD	**-546**	-339	**-955**	1,100
Distribution of net result to equity holders of the parent company	**-546**	-339	**-955**	1,100
Basic and diluted earnings per share calculated on the result attributable to equity holders of the parent company, EUR	**-0.07**	-0.04	**-0.12**	0.14

COMPREHENSIVE CONSOLIDATED INCOME STATEMENT

(EUR 1,000)	10-12/2013	10-12/2012	1-12/2013	1-12/2012
Net result for the period	**-546**	-339	**-955**	1,100
Items that could be reclassified to profit or loss at a future point in time				
Translation differences	**-158**	1	**-30**	10
COMPREHENSIVE RESULT FOR THE PERIOD	**-705**	-338	**-985**	1,110
Distribution of net result to equity holders of the parent company	**-705**	-338	**-985**	1,110

CONSOLIDATED BALANCE SHEET

(EUR 1,000)	31.12.2013	31.12.2012
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	**1,976**	2,663
Tangible assets	**18,245**	21,976
Available-for-sale financial assets	**16**	16
Deferred tax assets	**-**	322
	20,237	24,977
CURRENT ASSETS		
Inventories	**18,106**	18,502
Trade and other receivables	**6,622**	7,016
Current tax assets	**682**	1,360
Cash and cash equivalents	**3,001**	3,106
	28,411	29,984
ASSETS, TOTAL	**48,648**	54,961
SHAREHOLDERS' EQUITY AND LIABILITIES		
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Share capital	**8,040**	8,040
Invested non-restricted equity reserve	**502**	502
Translation differences	**-38**	-8
Retained earnings	**18,485**	21,462
Shareholders' equity, total	**26,989**	29,996
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**11**	480
Provisions	**101**	-
Financial liabilities	**8,234**	9,317
Finance lease liabilities	**3,252**	3,324
	11,598	13,121
CURRENT LIABILITIES		
Trade and other payables	**9,989**	11,775
Finance lease liabilities	**72**	69
	10,061	11,844
Liabilities, total	**21,659**	24,965
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**48,648**	54,961

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

CONSOLIDATED CASH FLOW STATEMENT

(EUR 1,000)	1-12/2013	1-12/2012
CASH FLOW FROM OPERATING ACTIVITIES		
Net result for the period	**-955**	1,100
Adjustments		
Depreciation and impairments	**6,772**	3,550
Other non-cash transactions	**101**	143
Financial income and expenses	**886**	606
Taxes	**151**	313
Cash flow before change in working capital	**6,954**	5,712
Change in working capital	**-1,059**	4,674
Increase (-) / decrease (+) in current non-interest-bearing trade receivables	**666**	930
Increase (-) / decrease (+) in inventories	**396**	2,401
Increase (+) / decrease (-) in current non-interest-bearing liabilities	**-2,121**	1,343
Cash flow from operating activities before financial items and taxes	**5,895**	10,386
Paid interest and payments on other financial expenses	**-961**	-650
Interest received	**67**	47
Taxes paid	**422**	-1,178
CASH FLOW FROM OPERATING ACTIVITIES	**5,424**	8,605
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	**-2,353**	-7,572
CASH FLOW FROM INVESTING ACTIVITIES	**-2,353**	-7,572
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	**-**	502
Long-term loans drawn	**-**	4,373
Payments of long-term loans	**-1,083**	-
Payments of finance lease liabilities	**-69**	-
Dividends paid	**-2,022**	-4,422
CASH FLOW FROM FINANCING ACTIVITIES	**-3,175**	453
Change in cash and cash equivalents	**-105**	1,486
Cash and cash equivalents at the beginning of the period	**3,106**	1,620
Cash and cash equivalents at the end of the period	**3,001**	3,106

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Equity attributable to equity holders of the parent company				
	Share capital	**Invested non-restricted equity reserve**	**Translation differences**	**Retained earnings**	**Shareholders' equity, total**
Shareholders' equity 1 January 2012	8,040		-18	24,641	32,663
Comprehensive result					
Net result for the period				1,100	1,100
Translation differences			10		10
Total comprehensive result for the period			**10**	**1,100**	**1,110**
Transactions with owners					
Share issue		502			502
Share-based transactions, personnel share issue				143	143
Dividends paid				-4,422	-4,422
Shareholders' equity 31 December 2012	8,040	502	-8	21,462	29,996
Shareholders' equity 1 January 2013	8,040	502	-8	21,462	29,996
Comprehensive result					
Net result for the period				-955	-955
Translation differences			-30		-30
Total comprehensive result for the period			**-30**	**-955**	**-985**
Transactions with owners					
Dividends paid				-2,022	-2,022
Shareholders' equity 31 December 2013	8,040	502	-38	18,485	26,989

KEY FIGURES

	1-12/2013	**1-12/2012**	**Change, %**
Earnings per share, EUR	**-0.12**	0.14	
Equity per share, EUR	**3.34**	3.71	-10
Return on equity (ROE), %	**-3.4**	3.5	
Return on investment (ROI), %	**-1.1**	4.1	
Equity ratio, %	**55.5**	54.6	
Gearing, %	**31.7**	32.0	
Gross investments, EUR 1,000	**2,353**	7,582	-69
Gross investments, % of net sales	**3**	9	
Contingent liabilities, EUR 1,000	**37,365**	39,986	-7
Average personnel	**526**	497	6
Personnel at the end of the period	**502**	535	-6
Number of shares at the end of the period	**8,089,610**	8,089,610	
Number of shares outstanding, average	**8,089,610**	8,046,252	

SEGMENT INFORMATION

(EUR 1,000)	1-12/2013	1-12/2012	Change, %
Marimekko business			
Net sales	**94,007**	88,471	6
Operating result	**82**	2,019	-96
Assets	**48,648**	54,961	-11

NET SALES BY MARKET AREA

(EUR 1,000)	10-12/ 2013	10-12/ 2012	Change, %	1-12/ 2013	1-12/ 2012	Change, %
Finland	**14,705**	15,555	-5	**52,159**	52,344	0
Retail sales	**9,792**	10,096	-3	**35,107**	34,000	3
Wholesale sales	**4,670**	5,090	-8	**16,491**	17,546	-6
Royalties	**243**	369	-34	**562**	798	-30
Scandinavia	**2,294**	2,063	11	**8,152**	7,856	4
Retail sales	**1,323**	944	40	**4,355**	3,299	32
Wholesale sales	**970**	1,119	-13	**3,796**	4,554	-17
Royalties	**-**	-		**-**	3	
Central and Southern Europe	**1,763**	1,875	-6	**7,678**	7,783	-1
Retail sales	**454**	426	7	**1,408**	1,492	-6
Wholesale sales	**1,284**	1,422	-10	**6,170**	6,185	0
Royalties	**25**	27	-6	**100**	106	-5
North America	**2,182**	2,809	-22	**8,534**	7,743	10
Retail sales	**1,621**	1,742	-7	**5,587**	4,020	39
Wholesale sales	**496**	955	-48	**2,511**	3,193	-21
Royalties	**65**	112	-42	**436**	530	-18
Asia-Pacific	**4,521**	3,446	31	**17,484**	12,745	37
Retail sales	**804**	655	23	**2,300**	655	251
Wholesale sales	**3,717**	2,791	33	**15,182**	12,087	26
Royalties	**-**	-		**2**	3	-41
International sales, total	**10,760**	10,193	6	**41,848**	36,127	16
Retail sales	**4,202**	3,767	12	**13,651**	9,466	44
Wholesale sales	**6,467**	6,287	3	**27,659**	26,019	6
Royalties	**90**	139	-34	**538**	642	-16
Total	**25,465**	**25,748**	**-1**	**94,007**	**88,471**	**6**
Retail sales	**13,995**	13,863	1	**48,757**	43,466	12
Wholesale sales	**11,137**	11,377	-2	**44,150**	43,565	1
Royalties	**333**	508	-34	**1,100**	1,440	-24

NET SALES BY PRODUCT LINE

(EUR 1,000)	10-12/ 2013	10-12/ 2012	Change, %	1-12/ 2013	1-12/ 2012	Change, %
Clothing	**8,491**	7,811	9	**33,979**	30,936	10
Interior decoration	**11,538**	12,700	-9	**38,577**	38,122	1
Bags	**5,436**	5,237	4	**21,452**	19,413	11
TOTAL	25,465	25,748	-1	94,007	88,471	6

QUARTERLY TREND IN NET SALES AND EARNINGS

(EUR 1,000)	10-12/2013	7-9/2013	4-6/2013	1-3/2013
Net sales	**25,465**	24,875	22,957	20,710
Operating result	**-565**	3,093	-1,158	-1,290
Earnings per share, EUR	**-0.07**	0.22	-0.13	-0.14

(EUR 1,000)	10-12/2012	7-9/2012	4-6/2012	1-3/2012
Net sales	25,748	24,214	19,701	18,808
Operating result	13	3,486	-545	-935
Earnings per share, EUR	-0.04	0.31	-0.03	-0.10