



sagafurs®

Interim Report
1.11.2013-31.1.2014

SAGA FURS OYJ
INTERIM REPORT FOR 1 November 2013 to 31 January 2014

Vantaa, 26 March 2014 at 15:00

Result for the first quarter of Saga Fur Oyj's financial year showed a clear loss

- As a result of the change in the company's financial year end date, the company's operations in the first quarter of the financial year differ substantially from before: in November–January, the focus of operations is on pelt grading, whereas in September–November, it was on the preparations for grading. The comparison details of the previous financial year have been changed so that they correspond with the interim report period.
- The value of sales for Saga Furs Oyj for 1 November 2013 to 31 January 2014 decreased by 76 per cent, totalling EUR 33.9 million (143.5 million) mainly due to the low sales percentage of the December auction.
- The company auctioned a total of 0.5 million pelts in the review period (1.6 million).
- The price level of both mink and fox pelts decreased compared with the previous corresponding period.
- Consolidated net turnover decreased 58 per cent year-on-year, standing at EUR 5.4 million (12.8 million).
- The consolidated operating profit/loss showed a loss of EUR 8.9 million (-270,000).
- Consolidated net financial income was EUR 850,000 (1.2 million) and loss before taxes was EUR 8.1 million (880,000).
- Earnings per share amounted to EUR -1.80 (EUR 0.19 in the previous corresponding period).

Consolidated key figures	11/13-1/14 3 mo	11/12-1/13 3 mo	9/12-10/13 14 mo
Total sales, MEUR	33,9	143,5	980,6
Total amount of skins sold, 1.000 pcs	496	1 579	10 277
Net turnover, MEUR	5,4	12,8	78,5
Operating profit/loss, MEUR	-8,9	-0,3	24,9
Profit before taxes, MEUR	-8,1	0,9	29,7
Earnings per share, EUR	-1,80	0,19	6,20
Return on equity, (ROE) %	-7,0 %	0,8 %	25,6 %
Return on investment, (ROI) %	-5,1 %	0,8 %	22,6 %

Accounting principles

This Interim Report has been prepared in accordance with the IFRS recognition and valuation principles, but not all presentation requirements referred to in IAS 34 Interim Financial Reporting have been complied with in preparing it.

On 1 November 2013, the Group adopted the following new or amended standards and interpretations, which have not had a significant effect on the interim report:

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities

- IFRS 13 Fair Value Measurement

The new Securities Market Act no longer includes a requirement to present future prospects in interim reports. Future prospects are presented in the annual report in accordance with the Accounting Act. However, the company has decided to continue to present future prospects in its interim reports for the time being. Any changes to this practice will be communicated separately.

In other respects, this report has been prepared in accordance with the same accounting principles as the financial statements for 1 September 2012 to 31 October 2013. The information presented in this interim report is unaudited.

Sales for the period 1 November 2013 to 31 January 2014

The first auction of the financial year was held on 19–22 December 2013, and 1.2 million mink pelts, 280,000 fox pelts, 22,000 Finnraccoon pelts and 260,000 Karakul lamb pelts were offered for sale (compared to 1.0 million mink pelts, 320,000 fox pelts, 28,000 Finnraccoon pelts and 350,000 Karakul lamb pelts at a corresponding auction in the previous year). The increase in the world market price for pelts to a record-breaking high level in the previous sales season, the mild early winter in the main market areas and the resulting slow start to retail sales are reflected in the results of the auction. The prices of the mink and fox pelts on offer was at the same level as in the corresponding auction in the previous year, but the sales remained at approximately 25 per cent. Approximately 400 buyers from Europe and Russia participated in the auction, and the value of sales at the four-day auction was EUR 34 million (compared with EUR 143 million at the December 2012 auction).

Auction	Sales 1,000 pelts 2013/2014	Value EUR 1,000 2013/2014	Sales 1,000 pelts 2012/2013	Value EUR 1,000 2012/2013
December	494	33 779	1 579	143 468
Warehouse sales	2	103	1	67
Total	496	33 883	1 579	143 535

Financial performance

Consolidated net turnover in the first quarter of the financial year amounted to EUR 5.4 million (12.8 million). Net turnover fell by 58 per cent on the previous corresponding review period due to the lower number of pelts sold. Other operating income amounted to EUR 72,000 (49,000). Operating expenses grew by ten per cent compared to the previous corresponding period, totalling EUR 14.4 million (13.1 million). The operating profit/loss for the period showed a loss of EUR 8.9 million (-270,000).

Consolidated net financial income decreased by 27 per cent compared to the previous corresponding period, totalling EUR 850,000 (1.2 million). In the review period, the loss before taxes was EUR 8.1 million (+880,000) and the loss for the period was EUR 6.5 million (+670,000). Return on equity for the review period was -7.0 per cent (0.8 per cent), with earnings per share amounting to EUR -1.80 (0.19).

The Group's liquidity remained at a healthy level throughout the review period.

Capital expenditure and development

Consolidated gross capital expenditure totalled EUR 2.4 million (1.1 million) during the review period, equalling 45 percent (9 percent) of net turnover. Of the capital expenditure, 86 per cent was spent on tangible and 14 per cent on intangible assets.

In January, 2014 Saga Furs Oyj purchased the property rented by its subsidiary, the pelting company Furfix Oy, from a development company owned by the municipality of Kaustinen. In the review period, the expansion of the property was begun in order to respond to the increasing demand for pelting services.

Shares and share performance

Saga Furs Oyj's share capital totalled EUR 7,200,000 at the end of the review period and the number of shares stood at 3,600,000, of which 900,000 were Series A shares and 2,700,000 Series C shares.

The value of shares traded during the review period totalled EUR 19.6 million and the volume was 500,000 shares, accounting for 19 per cent of the company's Series C shares. The highest price of the share during the period was EUR 49.48 and the lowest price was EUR 28.50, with the average price being EUR 39.17. The shares closed at EUR 32.45. The company's market capitalisation stood at EUR 116.8 million on 31 January 2014.

Personnel

The number of permanent Group staff in the review period averaged 154 (146) and fixed-term employees 309 (289). At the end of the review period, the Group had 524 employees (501).

Seasonal variation

Saga Furs Oyj holds four auctions over the course of the 12-month sales period. The timing and volumes on sale at auctions vary from one year to the next. Due to this variation, significant differences may also occur from one financial year to the next, since the number of auctions arranged during the reference period may or may not be the same. Therefore, fluctuations in the value of sales, net turnover and costs compared with the reference period may not provide an accurate picture of the development over an entire financial year.

Business risks and uncertainties

The most significant business risks and uncertainties are described in the Board of Directors' report for the financial year 1 September 2012 to 31 October 2013. Financial risk management is explained in section 24 of the notes to the consolidated financial statements. As a result of the decrease in the pelt price level, the risks related to breeding and pelt advances paid by the company to pelt suppliers have increased but not been realised.

Significant events after the review period

Saga Furs Oyj arranged an auction in cooperation with the North American auction houses American Legend and Fur Harvesters Auction Inc. on 11–21 March 2014. Each of the three companies graded its own goods and sold them under its own brand name at Saga Furs' premises in Vantaa. Nearly 1,000 buyers participated in the

auction, which is more than in any auction arranged by the company before. The value of Saga Furs Oyj's sales at the auction totalled EUR 238 million (368 million). A total of 3.1 million mink pelts (2.6 million at the corresponding auction in the previous year), 730,000 fox pelts (800,000), 110,000 Karakul lamb pelts (180,000) and 48,000 Finn raccoon pelts (54,000) were sold at the auction.

Prospects for the rest of the financial year

Saga Furs Oyj aims to offer 4.0 million mink pelts and 1.2 million fox pelts at the auctions held in June and September 2014.

The mild winter weather that has lasted a long time in all market areas excluding North America and consequently clearly weaker retail sales when compared to previous years, particularly China, the company's main market area, and in the retail of mink garments, are reflected in the current year's fur trade. At the end of the retail sales season, the unsold garment inventories in China were clearly above those of the previous years, which reduces the customers' interest in purchasing as well as their ability to pay.

Economic development in the company's other significant market area, Russia, has deteriorated, decreasing the value of the ruble against the euro, and consequently, Russian customers are not expected to increase their purchases significantly although pelt and garment inventories are low there.

The exceptionally good profitability of mink farming that has continued for several years has led to a strong increase in the mink production globally. During the 2013–2014 sales season, the production volume to be marketed was again clearly higher than in the previous season. The increasing number of pelts, together with the challenging market situation, intensifies the auction companies' competition for customers significantly.

The sales season for fox pelt garments was better than that of mink garments, and the unsold pelt and garment inventories were not substantially higher than in the previous years. However, the decrease in the price level of mink, the main article of the global fur trade, is also reflected in the price level of fox pelts. As a result, activeness on the part of Chinese buyers is ultimately the decisive factor in the development of mink and fox pelt auction prices for the remainder of the financial year.

The Group's costs are expected to grow on the previous financial year due to an increase in the number of pelts to be sold. As the customers' ability to pay is now weaker than in the previous years, the company tries to promote the auction sales by offering customers longer payment periods, for instance. This decreases the company's net financial income. The consolidated profit is expected to remain clearly lower than that of the previous financial year but still show a profit.

Consolidated statement of financial position, IFRS

EUR 1.000

ASSETS	31 Jan 2014	31 Jan 2013	31 Oct 2013
Non-current assets			
Property, plant and equipment	30 152	28 927	28 906
Intangible assets	4 111	3 673	3 952
Available-for-sale investments	634	523	539
Long-term receivables from fur breeders	6 885	4 035	6 516
Non-current assets, total	<u>41 782</u>	<u>37 158</u>	<u>39 913</u>
Current assets			
Inventories	2 219	1 230	2 010
Interest-bearing receivables from buyers	19 921	20 653	35 597
Interest-bearing receivables from fur breeders	99 496	60 466	41 381
Non-interest-bearing receivables	9 556	24 447	30 768
Tax assets based on taxable income for the period	1 451	0	0
Cash and cash equivalents	5 691	8 761	25 071
Current assets, total	<u>138 335</u>	<u>115 557</u>	<u>134 827</u>
Total assets	<u><u>180 117</u></u>	<u><u>152 715</u></u>	<u><u>174 741</u></u>
SHAREHOLDERS' EQUITY AND LIABILITIES	31 Jan 2014	31 Jan 2013	31 Oct 2013
Equity attributable to parent company's shareholders			
Share capital	7 200	7 200	7 200
Share premium account	254	254	254
Other funds	17 370	17 370	17 370
Translation difference	55	56	57
Fair value reserve	211	192	203
Retained earnings	63 857	50 942	70 327
Shareholders' equity, total	<u>88 948</u>	<u>76 014</u>	<u>95 411</u>
Non-current liabilities			
Deferred tax liabilities	1 002	2 651	2 620
Current liabilities			
Interest-bearing liabilities	71 704	46 705	54 417
Trade and other payables	16 786	27 345	20 503
Deferred taxes based on the taxable income	1 678	0	1 789
Current liabilities, total	<u>90 168</u>	<u>74 050</u>	<u>76 709</u>
Total liabilities	<u>91 169</u>	<u>76 702</u>	<u>79 329</u>
Total shareholders' equity and liabilities	<u><u>180 117</u></u>	<u><u>152 715</u></u>	<u><u>174 741</u></u>

Consolidated statement of comprehensive income

EUR 1.000	1 Nov 2013- 31 Jan 2014 3 mo	1 Nov 2012- 31 Jan 2013 3 mo	1 Sep 2012- 31 Oct 2013 14 mo
Continuous operations			
Net turnover	5 377	12 809	78 475
Other operating income	72	49	364
Materials and supplies	-1 297	-559	-5 427
Employee benefits	-6 348	-5 699	-19 561
Depreciation and impairment loss	-886	-892	-4 025
Other operating expenses	-5 851	-5 977	-24 877
Operating profit/loss	-8 933	-268	24 949
Financial income	1 032	1 236	5 608
Financial expenses	-187	-84	-827
Profit/loss before tax	-8 088	884	29 730
Income tax	1 617	-216	-7 418
Net profit/loss for the reporting period	-6 471	667	22 312
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Available-for-sale investments	10	16	27
Translation differences	0	-3	-2
Income tax effect	-2	-4	-7
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	8	9	18
Total comprehensive income/expense	-6 462	676	22 330
Earnings per share, EUR, basic (EUR) *)	-1,80	0,19	6,20
*) There are no factors diluting the key performance indicator			

Consolidated statement of cash flows

EUR 1.000	1.11.2013- 31.1.2014 3 mo	1.11.2012- 31.1.2013 3 mo	1.9.2012- 31.10.2013 14 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	50 643	151 931	994 097
Cash received from other operating income	70	48	343
Cash paid for other operating expenses	-98 836	-176 676	-984 340
Cash flow from operating activities before financial items and taxes	-48 123	-24 697	10 100
Interests, paid	-68	-105	-812
Other financial expenses	-76	-17	-139
Interest, received	1 638	1 525	5 436
Other financial income	16	11	245
Dividend income	0	0	22
Direct taxes paid	158	-2 145	-6 691
Net cash flow from operating activities (A)	-46 455	-25 428	8 161
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-2 328	-1 115	-5 268
Proceeds from sale of tangible and intangible assets	37	0	49
Investments in other assets	-88	-4	0
Net cash flow from investments activities (B)	-2 379	-1 119	-5 220
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	29 453	14 230	4 018
Dividends paid	0	-2	-6 011
Net cash flow from financing activities (C)	29 453	14 228	-1 993
Change in cash flows (A+B+C) increase (+) / decrease (-)	-19 380	-12 319	948
Cash and cash equivalents, 31 Jan / 31 Oct	5 691	8 761	25 071
./. Cash and cash equivalents, 1 Nov / 1 Sep	25 071	21 080	24 124
Net change in cash and cash equivalents	-19 380	-12 319	948

Consolidated statement of changes in shareholders' equity 1.11.2012 - 31.1.2013

	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Total
Shareholders' equity, 1 Nov 2012	7 200	254	15 700	57	179	58 066	81 457	0	81 457
Result for the reporting period						667	667		667
Other comprehensive income/expense				-1	12	-2	9		9
Dividend						-6 120	-6 120		-6 120
Transfer to counter-cyclical budgetary fund			1 670			-1 670	0		0
Shareholders' equity, 31 Jan 2013	7 200	254	17 370	56	192	50 941	76 014	0	76 014

Consolidated statement of changes in shareholders' equity 1.11.2013 - 31.1.2014

Shareholders' equity, 1 Nov 2013	7 200	254	17 370	57	204	70 326	95 411	0	95 411
Result for the reporting period						-6 471	-6 471		-6 471
Other comprehensive income/expense				-2	8	1	7		7
Dividend							0		0
Transfer to counter-cyclical budgetary fund							0		0
Shareholders' equity, 31 Jan 2014	7 200	254	17 370	55	211	63 857	88 948	0	88 948

Key performance indicators

	2013/2014	2012/2013	2012/2013
	3 mo	3 mo	14 mo
Total sales, EUR 1,000	33 779	143 535	980 610
Net turnover, EUR 1,000	5 377	12 809	78 475
Operating profit/loss, EUR 1,000	-8 933	-268	24 949
% of net turnover	-166,1%	-2,1 %	31,8 %
Profit before taxes, EUR 1,000	-8 088	884	29 730
% of net turnover	-150,4 %	6,9 %	37,9 %
Earnings per share, EUR	-1,80	0,19	6,20
Equity per share, EUR	24,71	21,11	26,50
Return on equity (ROE)-%	-7,0 %	0,8 %	25,6 %
Return on investment (ROI)-%	-5,1 %	0,8 %	22,6 %
Equity-to-assets ratio, %	50,7 %	53,8 %	57,1 %
Gearing	0,74	0,50	0,31
Gross capital expenditure, EUR 1,000	2 415	1 115	5 268
% of net turnover	44,9 %	8,7 %	6,7 %
Average number of personnel	463	435	304

Principles for calculating key performance indicators:

Return on equity (ROE)-%	= Profit/Loss for the financial period x 100 / shareholders' equity *)
Return on investment (ROI)-%	= (Profit/Loss before taxes + interests and other financial costs - credit losses) x 100 / (balance sheet total - non-interest-bearing short-term liabilities) *)
Equity-to-assets ratio, %	= Shareholders' equity x 100 / (balance sheet total - advances received)
Gearing	= (Interest-bearing borrowed capital - cash and securities and financial securities) / shareholders' equity
Earnings per share, EUR	= Profit/Loss for the financial period / adjusted average number of shares
Equity per share, EUR	= Shareholders' equity / adjusted number of shares on the balance sheet date

*) The divisor applied to the key performance indicators is calculated as the average of the numbers in the balance sheet of the financial period and of the previous financial period.

Commitments and contingencies

EUR 1.000 31 Jan 2014 31 Jan 2013 31 Oct 2013

Mortgages given and receivables pledged in security for dept

Loans from financial institutions	40 318	19 923	8 066
Mortgages on property	54 071	54 071	54 071
Mortgages on company assets	2 691	2 691	2 691
Pledges given	791	0	791

Derivative contracts

Forward exchange agreements	1 924	8 192	12 223
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Property investments

The group is obliged to check the VAT deductions made on real estate investments completed in 2007 and 2008 if taxable use of the real estate decreases during the inspection period. The maximum amount of liability is EUR 28.000 and the last year of inspection is 2019.

Related Party Transactions

EUR 1.000 2013/2014 2012/2013 2012/2013
3 mo 3 mo 14 mo

Transactions with related parties:

<i>Net turnover</i>			
- other related party	50	58	256
<i>Other operating income</i>			
- parent company	12	11	50
<i>Other operating expenses</i>			
- parent company	-5	-3	-13
<i>Financial income</i>			
- other related party	6	4	16
<i>Financial expenses</i>			
- parent company	-5	-11	-44
- other related party	-1	-2	-10
<i>Related party receivables</i>			
- other related party	1 238	346	8
<i>Related party liabilities</i>			
- parent company	-3 560	-4 396	-4 469
- other related party	-1 203	-1 145	-1 543

Management compensation	2013/2014 3 mo	2012/2013 3 mo	2012/2013 14 mo
Remuneration and other short-term employee benefits	415	390	1 368

Management consists of the Board of Directors, the Managing Director, the Managing Director's Deputy and the rest of the groups Management Group.

Vantaa, 26 March 2014

Board of Directors