



sagafurs.

Interim Report
1.11.2013-31.7.2014

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

Vantaa, 22 September 2014 at 12:20 p.m.

The nine-month result of Saga Furs Oyj shows a profit

- As a result of the change in the company's financial year end date, the company's operations in the third quarter differ from before: only half of the period from May to July is grading season while the entire period from March to May was grading season. The auctions held in March and June are also different in terms of their offerings. 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 the review period 1 May to 31 July 2014 decreased by 43 per cent, totalling EUR 156.9 million (273.2 MEUR) due to the decrease in pelt prices. The value of sales from November to July was EUR 429.2 million (784.7 MEUR).
- The company auctioned a total of 4.1 million pelts in the review period (3.3 million pelts). Between November and July, the company auctioned a total of 8.6 million pelts (8.5 million pelts).
- The price level of mink pelts in EUR decreased by 55 per cent and the price level of fox pelts by 31 per cent from the corresponding period last year.
- Consolidated net turnover fell by 27 per cent year-on-year, standing at EUR 15.6 million (21.4 MEUR). Net turnover for November to July was EUR 41.9 million (63.0 MEUR).
- Operating expenses declined by 24 per cent, totalling EUR 9.6 million (12.6 MEUR). Operating expenses for November to July grew compared to the previous corresponding period, totalling EUR 41.0 million (40.0 MEUR).
- Consolidated operating profit was EUR 6.0 million (8.8 MEUR) for the review period. Operating profit from November to July was EUR 1.1 million (23.1 MEUR).
- Consolidated net financial income for the review period was EUR 620,000 (690,000) and profit before taxes was EUR 6.6 million (9.5 MEUR). Consolidated net financial income for November to July was EUR 2.5 million (3.1 MEUR), and profit before taxes was EUR 3.6 million (26.2 MEUR).
- Earnings per share amounted to EUR 1.47 (1.99) for the review period and EUR 0.77 (5.50) for November to July.

Consolidated key figures	5/14-7/14 3 mo	11/13-7/14 9 mo	5/13-7/13 3 mo	11/12-7/13 9 mo	9/12-10/13 14 mo
Total sales, MEUR	156,9	429,2	273,2	784,7	980,6
Total amount of skins sold, 1.000 pcs	4 111	8 570	3 256	8 496	10 277
Net turnover, MEUR	15,6	41,9	21,4	63,0	78,5
Operating profit/loss, MEUR	6,0	1,1	8,8	23,1	24,9
Profit before taxes, MEUR	6,6	3,6	9,5	26,2	29,7
Earnings per share, EUR	1,47	0,77	1,99	5,50	6,20
Return on equity, (ROE) %	6,0 %	3,0 %	7,8 %	22,4 %	25,6 %
Return on investment, (ROI) %	4,2 %	3,0 %	6,3 %	19,2 %	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 were complied with.

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 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 July 2014

Saga Furs Oyj held one auction in the third quarter of the financial year (1 May–31 July 2014), which took place from 1 to 12 June 2014. Saga Furs Oyj arranged the auction in cooperation with the North American auction houses American Legend and Fur Harvesters. In the challenging market situation, Saga Furs Oyj was able to sell nearly the entire volume available at the June auction. The mink markets' uncertainty that prevailed before the auction was also reflected in fox pelt sales, and the price level was significantly lower than at Saga Furs' March auction. However, trust in the markets was reinforced during the auction, and the company was able to turn the decrease in mink pelt prices, which began in Copenhagen in April and continued in Toronto in May, back into an increase. The versatile selection of pelts attracted more than 600 buyers to the auction. A total of 3.5 million mink pelts (2.7 million at the corresponding auction in the previous year), 620,000 fox pelts (520,000), 12,000 Karakul lamb pelts (25,000) and 16,000 Finnraccoon pelts (24,000) were sold at the auction by Saga Furs Oyj. The value of sales was EUR 157 million (273 MEUR).

Between November and July, a total of 6.7 million mink pelts (6.3 million), 1.4 million fox pelts (1.6 million), 310,000 Karakul lamb pelts (420,000) and 86,000 Finnraccoon pelts (110,000) were sold. Due to the decreased price level, the value of sales fell by 45 per cent, totalling EUR 429 million (785 MEUR).

Auction	Sales	Value	Sales	Value
	1,000 pelts 2013/2014	EUR 1,000 2013/2014	1,000 pelts 2012/2013	EUR 1,000 2012/2013
December	494	33 779	1 579	143 468
March	3 959	238 071	3 658	367 699
June	4 109	156 676	3 253	272 884
Warehouse sales	9	720	7	689
Total	8 570	429 246	8 496	784 740

Financial performance

Consolidated net turnover in the third quarter of the financial year amounted to EUR 15.6 million (21.4 MEUR). Net turnover fell by 27 per cent on the previous corresponding review period due to the decreased pelt price level. Net turnover for November to July declined by 34 per cent year-on-year, totalling EUR 41.9 million (63.0 MEUR). Of the net turnover, 60 per cent was made up of commission fees collected from buyers, 23 per cent from those collected from producers and 13 per cent from sales of pelting services and animals.

Operating expenses decreased 24 per cent during the third quarter compared with the previous corresponding period, amounting to EUR 9.6 million (12.6 MEUR). Operating expenses grew by three per cent between November and July, totalling EUR 41.0 million (40.0 MEUR).

Consolidated operating profit amounted to EUR 6.0 million (8.8 MEUR) for the third quarter of the financial year and EUR 1.1 million (23.1 MEUR) for November to July.

Consolidated net financial income decreased in the third quarter of the financial year, owing to the company's efforts to promote sales by offering customers longer interest-free payment time, for instance. Net financial income was EUR 620,000 (690,000). Net financial income for November to July was EUR 2.5 million (3.1 MEUR).

Profit before tax for the third quarter of the financial year was EUR 6.6 million (9.5 MEUR) profit after tax EUR 5.3 million (7.2 MEUR). Return on equity for the third quarter was 6.0 per cent (7.8 per cent), with earnings per share amounting to EUR 1.47 (1.99). Profit before tax for November to July was EUR 3.6 million (26.2 MEUR) and profit after tax EUR 2.8 million (19.2 MEUR). Return on equity for November to July was 3.0 per cent (22.4 per cent), with earnings per share amounting to EUR 0.77 (5.50).

The Group's equity ratio at the end of the review period was 52.7 per cent (54.6 per cent at the end of July 2013, 57.1 per cent on the closing date of 31 October 2013). The Group's liquidity remained at a healthy level throughout the review period. The consolidated balance sheet total was EUR 181.1 million (181.3 MEUR on 31 July 2013, 174.7 MEUR on 31 October 2013). Equity per share was EUR 25.23 (EUR 26.43 on 31 July 2013, EUR 26.50 on 31 October 2013).

Capital expenditure and development

Consolidated gross capital expenditure totalled EUR 6.9 million (2.1 MEUR) between November and July, equalling 17 per cent (three per cent) of net turnover. Of the capital expenditure, 87 per cent was spent on tangible and 13 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. The expansion of the property was initiated in order to respond to the increasing demand for pelting services. The expansion will be completed in autumn 2014. In June, the company initiated a renovation of its auction center (Fur Center), and the revamped premises will be completed by the March 2015 auction.

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 in November to July totalled EUR 29.1 million and the volume was 820,000 shares, representing 30 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 25.02, with the average price being EUR 35.48. The company's market capitalisation stood at EUR 92.3 million on 31 July 2014.

A list of the company's largest shareholders as of 31 July 2014 is available for viewing on the company's website.

Personnel

The number of permanent Group staff in the review period averaged 157 (147 in the previous corresponding period) and fixed-term employees 250 (229). At the end of the period the Group had 176 employees (163).

Samantha Vesala took up her post as Head of Business Operations in charge of Asian operations and Member of the Management Group of Saga Furs on 1 June 2014.

General Meetings

The Annual General Meeting of Saga Furs Oyj held on 24 April 2014 approved the financial statements for the financial period ending on 31 October 2013 and decided to distribute a dividend of EUR 2.05/share, totalling EUR 7,380,000, and to transfer EUR 2,220,000 to the counter-cyclical budgetary fund.

Fur breeders Kenneth Ingman, Lasse Joensuu, Jorma Kauppila, Pentti Lipsanen, Christer Nordmyr, Hannu Sillanpää and Rainer Sjöholm and Managing Director of Artek Oy Ab Mirkku Kullberg were elected to the Board of Directors. Following the AGM, Jorma Kauppila was elected Chair and Kenneth Ingman Deputy Chair of the Board of Directors at the first meeting of the Board. Ernst & Young Oy was elected as the company's auditor.

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 and in the interim report for 1 November 2013 to 30 April 2014. Financial risk management is explained in section 24 of the notes to the consolidated financial statements.

Prospects for the rest of the financial year

The last auction held by Saga Furs Oyj during the financial year began on 18 September and ends on 22 September. In this auction, 640,000 fox pelts and 750,000 mink pelts, most of which representing a weaker quality, were offered. After the June auction, there has been an upward trend in the international price level of mink pelts. The price level of fox pelts also rose slightly at the September auction.

Operating expenses for the financial year are expected to remain largely the same as for the comparative period, excluding recorded credit losses for receivables from buyers, despite the increase in pelt handling and storage costs.

The furs sold at the March and June auctions were delivered at quite a rapid speed. Fur producers have used the advance financing offered by the Group more actively during the summer and early autumn than in past years. The total consolidated net financial income is expected to remain below the previous financial year's level. 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 July 2014	31 July 2013	31 Oct 2013
Non-current assets			
Property, plant and equipment	32 561	28 067	28 906
Intangible assets	4 271	3 788	3 952
Available-for-sale investments	676	501	539
Long-term receivables from fur breeders	3 911	6 291	6 516
Non-current assets, total	<u>41 419</u>	38 646	39 913
Current assets			
Inventories	2 385	1 437	2 010
Interest-bearing receivables from buyers	16 858	85 376	35 597
Interest-bearing receivables from fur breeders	41 587	9 516	41 381
Non-interest-bearing receivables	72 135	22 176	30 768
Tax assets based on taxable income for the period	990		
Cash and cash equivalents	5 713	24 160	25 071
Current assets, total	<u>139 668</u>	142 665	134 827
Total assets	<u><u>181 087</u></u>	181 311	174 741
SHAREHOLDERS' EQUITY AND LIABILITIES	31 July 2014	31 July 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	19 590	17 370	17 370
Translation difference	57	57	57
Fair value reserve	243	175	203
Retained earnings	63 501	70 079	70 327
Shareholders' equity, total	<u>90 846</u>	95 135	95 411
Non-current liabilities			
Deferred tax liabilities	2 643	2 639	2 620
Current liabilities			
Interest-bearing liabilities	60 525	58 807	54 417
Trade and other payables	26 341	21 922	20 503
Deferred taxes based on the taxable income	733	2 808	1 789
Current liabilities, total	<u>87 598</u>	83 537	76 709
Total liabilities	<u>90 241</u>	86 176	79 329
Total shareholders' equity and liabilities	<u><u>181 087</u></u>	181 311	174 741

Consolidated statement of comprehensive income

EUR 1.000	1 May 2014- 31 Jul 2014 3 mo	1 Nov 2013- 31 Jul 2014 9 mo	1 May 2013- 31 Jul 2013 3 mo	1 Nov 2012- 31 Jul 2013 9 mo	1 Sep 2012- 31 Oct 2013 14 mo
Continuous operations					
Net turnover	15 563	41 856	21 389	62 956	78 475
Other operating income	15	261	65	201	364
Materials and supplies	-609	-3 507	-1 641	-3 897	-5 427
Employee benefits	-3 703	-15 766	-4 551	-14 785	-19 561
Depreciation and impairment loss	-980	-2 827	-853	-2 625	-4 025
Other operating expenses	-4 292	-18 933	-5 590	-18 719	-24 877
Operating profit/loss	5 994	1 085	8 820	23 130	24 949
Financial income	1 077	3 366	1 038	3 617	5 608
Financial expenses	-461	-882	-352	-520	-827
Profit/loss before tax	6 610	3 568	9 506	26 228	29 730
Income tax	-1 335	-794	-2 329	-6 426	-7 418
Net profit/loss for the reporting period	5 275	2 774	7 177	19 802	22 312
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Available-for-sale investments	-2	50	29	-7	27
Translation differences	2	0	2	1	-2
Income tax effect	0	-10	-7	2	-7
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	0	40	23	-5	18
Total comprehensive income/expense	5 275	2 815	7 201	19 797	22 330
Earnings per share, EUR, basic (EUR) *)	1,47	0,77	1,99	5,50	6,20
*) There are no factors diluting the key performance indicator					

Consolidated statement of cash flows

EUR 1.000	1.11.2013- 31.7.2014 9 mo	1.11.2012- 31.7.2013 9 mo	1.9.2012- 31.10.2013 14 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	389 174	718 567	994 097
Cash received from other operating income	231	198	343
Cash paid for other operating expenses	-404 524	-706 567	-984 340
Cash flow from operating activities before financial items and taxes	-15 119	12 198	10 100
Interests, paid	-443	-484	-812
Other financial expenses	-338	-66	-139
Interest, received	3 750	3 725	5 436
Other financial income	151	178	245
Dividend income	21	22	22
Direct taxes paid	-2 676	-4 630	-6 691
Net cash flow from operating activities (A)	-14 653	10 943	8 161
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-6 834	-2 103	-5 268
Proceeds from sale of tangible and intangible assets	54	3	49
Investments in other assets	-88	0	0
Net cash flow from investments activities (B)	-6 868	-2 098	-5 220
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	9 413	245	4 018
Dividends paid	-7 251	-6 009	-6 011
Net cash flow from financing activities (C)	2 162	-5 765	-1 993
Change in cash flows (A+B+C) increase (+) / decrease (-)	-19 358	3 080	948
Cash and cash equivalents, 31 Jul / 31 Oct	5 713	24 160	25 071
./. Cash and cash equivalents, 1 Nov/1 Sep	25 071	21 080	24 124
Net change in cash and cash equivalents	-19 358	3 080	948

Consolidated statement of changes in shareholders' equity 1.11.2012-31.7.2013

	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						19 802	19 802		19 802
Other comprehensive income/expense				-1	-5	1	-5		-5
Dividend						-6 120	-6 120		-6 120
Transfer to counter-cyclical budgetary fund			1 670			-1 670	0		0
Shareholders' equity, 31 Jul 2013	7 200	254	17 370	57	175	70 079	95 135	0	95 135

Consolidated statement of changes in shareholders' equity 1.11.2013-31.7.2014

Shareholders' equity, 1 Nov 2013	7 200	254	17 370	57	204	70 327	95 411	0	95 411
Result for the reporting period						2 774	2 774		2 774
Other comprehensive income/expense				1	40	-1	40		40
Dividend						-7 380	-7 380		-7 380
Transfer to counter-cyclical budgetary fund			2 220			-2 220	0		0
Shareholders' equity, 31 Jul 2014	7 200	254	19 590	57	243	63 501	90 846	0	90 846

Key performance indicators

	2013/2014 9 mo	2012/2013 9 mo	2012/2013 14 mo
Total sales, EUR 1,000	429 246	784 740	980 610
Net turnover, EUR 1,000	41 856	62 956	78 475
Operating profit/loss, EUR 1,000	1 085	23 130	24 949
% of net turnover	2,6%	36,7 %	31,8 %
Profit before taxes, EUR 1,000	3 568	26 228	29 730
% of net turnover	8,5 %	41,7 %	37,9 %
Earnings per share, EUR	0,77	5,50	6,20
Equity per share, EUR	25,23	26,43	26,50
Return on equity (ROE)-%	3,0 %	22,4 %	25,6 %
Return on investment (ROI)-%	3,0 %	19,2 %	22,6 %
Equity-to-assets ratio, %	52,7 %	54,6 %	57,1 %
Gearing	0,6	0,36	0,31
Gross capital expenditure, EUR 1,000	6 922	2 103	5 268
% of net turnover	16,5 %	3,3 %	6,7 %
Average number of personnel	407	376	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 Jul 2014	31 Jul 2013	31 Oct 2013
Mortgages given and receivables pledged in security for debt			
Loans from financial institutions	17 002	4 883	8 066
Mortgages on property	54 071	54 071	54 071
Mortgages on company assets	2 691	2 691	2 691
Pledges given	791	791	791
Derivative contracts			
Forward exchange agreements	38 119	72 316	12 223

Property investments

The group is obliged to check the VAT deductions made on real estate investments if taxable use of the real estate decreases during the inspection period. The maximum amount of liability is EUR 348.000 and the last year of inspection is 2023.

Related Party Transactions

EUR 1.000	2013/2014 9 mo	2012/2013 9 mo	2012/2013 14 mo
Transactions with related parties:			
<i>Net turnover</i>			
- other related party	298	247	256
<i>Other operating income</i>			
- parent company	24	32	50
<i>Other operating expenses</i>			
- parent company	-14	-11	-13
<i>Financial income</i>			
- other related party	35	13	16
<i>Financial expenses</i>			
- parent company	-5	-11	-44
- other related party	-10	-4	-10
<i>Related party receivables</i>			
- other related party	717	5	8
<i>Related party liabilities</i>			
- parent company	-3 921	-4 395	-4 469
- other related party	-1 714	-2 172	-1 543

	2013/2014	2012/2013	2012/2013
Management compensation	9 mo	9 mo	12 mo
Remuneration and other short-term employee benefits	1 009	954	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, 22 September 2014

Board of Directors