

SAGA FURS OYJ
INTERIM REPORT FOR 1 November 2014 to 31 January 2015

Vantaa, 26 March 2015 at 3:10 p.m.

Saga Furs Oyj's Q1 loss narrows

- The value of sales for Saga Furs Oyj for 1 November 2014 to 31 January 2015 grew by 47 per cent, totalling EUR 49.9 million (EUR 33.9 million on previous corresponding period).
- The company auctioned a total of 0.8 million pelts in the reporting period (0.5 million).
- Consolidated net turnover rose by 38 per cent year-on-year, amounting to EUR 7.4 million (EUR 5.4 million).
- Consolidated operating loss was EUR 7.7 million (EUR -8.9 million).
- Consolidated net financial income was EUR 1.6 million (EUR 850,000) and loss before taxes was EUR 6.1 million (EUR -8.1 million).
- Earnings per share amounted to EUR -1.39 (EUR -1.80).

Consolidated key figures	11/14-1/15 3 mo	11/13-1/14 3 mo	11/13-10/14 12 mo
Total sales, MEUR	49,9	33,9	505,4
Total amount of skins sold, 1.000 pcs	799	496	9 797
Net turnover, MEUR	7,4	5,4	49,8
Operating profit/loss, MEUR	-7,7	-8,9	-1,1
Profit before taxes, MEUR	-6,1	-8,1	2,1
Earnings per share, EUR	-1,39	-1,80	0,41
Return on equity, (ROE) %	-5,7 %	-7,0 %	1,6 %
Return on investment, (ROI) %	-3,0 %	-5,1 %	1,7 %

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.

The accounting principles for this interim report were the same as those for the financial statements dated 31 October 2014, apart from certain new and amended IFRSs adopted at the beginning of the financial period, as specified in the said financial statements. The adoption of the new and amended standards has had no impact on the figures presented.

The Securities Markets Act does not include a requirement to present future prospects in interim reports. In accordance with the Accounting Act, future prospects are only presented in the annual report. 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 dated 31 October 2014. The information presented in this interim report is unaudited.

Sales for the period 1 November 2014 to 31 January 2015

The first auction of the 2014–2015 financial year was held on 18–21 December 2014 at the Scandic Park Helsinki hotel, due to the renovation of Saga Congress Center. Auctioned items included 790,000 sagafurs® mink pelts (790,000), 230,000 mink pelts of Eastern European origin (370,000), 230,000 fox pelts (280,000), 23,000 Finnraccoon pelts (22,000) and 430,000 Karakul lamb pelts from Afghanistan (260,000). At the time of the auction, the market situation was challenging. The economic uncertainty in Russia influenced the sales results for several types of pelts. The cold December weather perked up the Chinese market, improving the results for blue and shadow fox pelts and female mink pelts. Of the sagafurs® mink pelts and sagafurs® fox pelts on offer, 60 per cent and more than 80 per cent, respectively, were sold. The total value of sales at the auction came to EUR 49 million (EUR 34 million in December 2013). More than 300 buyers from all market areas attended the auction.

Auction	Sales 1,000 pelts 2014/2015	Value EUR 1,000 2014/2015	Sales 1,000 pelts 2013/2014	Value EUR 1,000 2013/2014
December	795	49 480	494	33 779
Warehouse sales	4	414	2	103
Total	799	49 894	496	33 883

Financial performance

Consolidated net turnover grew by 38 per cent year-on-year in the first quarter of the financial year, due to the increase in the number of pelts traded. The sales of pelting services by Group company Furfix Oy were up by 26 per cent compared to the previous corresponding period. Consolidated net turnover totalled EUR 7.4 million (EUR 5.4 million). Other operating income amounted to EUR 93,000 (EUR 72,000). Operating expenses increased by six per cent compared to the previous corresponding period, standing at EUR 15.3 million (EUR 14.4 million). Consolidated operating loss was EUR 7.7 million (EUR -8.9 million).

Consolidated net financial income rose by 91 per cent year-on-year, to EUR 1.6 million (EUR 850,000). A significant increase was seen in both net interest income and exchange rate gains compared to the previous corresponding period. Loss before taxes for the period fell to EUR 6.1 million year-on-year (EUR -8.1 million). Loss for the period came to EUR 5.0 million (EUR -6.5 million). Return on equity for the period was -5.7 per cent (-7.0%), with earnings per share amounting to EUR -1.39 (EUR -1.80).

The Group's receivables were influenced by the increase in advance financing granted to producers as a result of significantly lower pelt prices in the previous financial year as well as the slower delivery pace of pelts, which began in the previous financial year. The Group's receivables from fur breeders amounted to EUR 123.3 million (EUR 106.4 million) at the end of the review period, representing 51 per cent of the balance sheet total (59%). The Group's receivables from buyers stood at EUR 59.3 million (EUR 22.2 million) at the end of the period, or 24 per cent of the balance sheet total (12%). Of these, interest-bearing receivables from buyers accounted for EUR 45.9 million (EUR 19.9 million). The Group's liquidity remained at a healthy level throughout the review period.

Capital expenditure and development

Consolidated gross capital expenditure during the period totalled EUR 3.6 million (EUR 2.4 million), or 48 per cent (45%) of net turnover. Of the capital expenditure, 85 per cent was spent on the parent company's tangible and intangible assets and 15 per cent on tangible assets of other Group companies. The renovation of Saga Congress Center was continued during the review period. Additionally, investments were made in grading automation and machinery in Vantaa and in pelting machinery in Kaustinen.

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 period totalled EUR 3.4 million and the volume amounted to 150,000 shares, accounting for 5 per cent of the company's Series C shares. The highest price of the share during the period was EUR 25.70 and the lowest price was EUR 20.40, with the average price being EUR 23.07. The shares closed at EUR 23.15. The company's market capitalisation stood at EUR 83.3 million on 31 January 2015.

Personnel

The number of permanent Group staff in the review period averaged 161 (154 in the previous corresponding period) and fixed-term employees 341 (309). At the end of the period, the Group employed 567 individuals (524).

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 year to year. Due to this variation, significant differences may also occur from one financial year to the next, since the number of auctions arranged during the comparative period may not be the same. Consequently, fluctuations in the value of sales, net turnover and costs relative to the comparative 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 November 2013 to 31 October 2014. Financial risk management is explained in Note 25 to the consolidated financial statements.

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 10–20 March 2015. Each of the three companies graded its own goods and sold them under its own brand name at Saga Congress Center in Vantaa, Finland. This was the most important auction to the company in the ongoing financial year, and it was a great success: the value of the sales totalled EUR 308 million (EUR 238 million a year ago). More than 800 buyers from all market areas attended the auction. A total of 3.6 million mink

pelts (3.1 million at the corresponding auction in the previous year), 780,000 fox pelts (730,000), 97,000 Karakul lamb pelts (110,000) and 45,000 Finn raccoon pelts (48,000) were sold at the auction. As a result of this success, the company issued a positive profit warning, projecting a significant increase in its full-year earnings compared to the 2013–2014 financial period.

Prospects for the rest of the financial year

The production volume of Western mink pelts continued to grow in 2014, since the decrease in prices in the previous selling season did not yet influence production. As a result, the mink pelt volumes to be offered at international auctions over the course of the entire 2014–2015 selling season and at the remaining auctions will be record high. Judging from the first results of the sales season, Western production is expected to continue growing.

The 2014–2015 retail sales season was successful in China, the company's main market. It was longer than the previous season because the Chinese New Year was celebrated in late February, and the cold winter weather prevailed from early December until the end of the season. This influenced the international auctions held in January–March. In the Chinese market, uncertainty may, however, be created by the termination at the end of June 2015 of duty-free temporary imports of undressed fur pelts for garment manufacturing. From then on, depending on the pelt type, a duty of 10 to 15 per cent will be levied on Western pelts imported to China for dressing.

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

In the West, fur continues to be in vogue, and once again, more than 70 per cent of the autumn/winter 2015–2016 collections of the most important fashion weeks contain fur. The sales of fur garments in Europe have been reasonably good despite the tough economic climate. In North America, the retail sales season was successful, and this positive trend is expected to continue.

Saga Furs Oyj aims to offer 4.7 million mink pelts and 1.2 million fox pelts at the auctions to be held in June and September 2015.

The international price level of fur pelts continues to be largely determined in US dollars, and the substantial weakening of the euro over the last two months will have a positive impact on prices in euros and the company's turnover. The company expects to see a significant increase in its full-year earnings compared to the 2013–2014 financial year.

Consolidated statement of financial position, IFRS

EUR 1.000

ASSETS	31 Jan 2015	31 Jan 2014	31 Oct 2014
Non-current assets			
Property, plant and equipment	40 050	30 152	37 463
Intangible assets	4 250	4 111	4 314
Available-for-sale investments	720	634	684
Long-term receivables from fur breeders	4 060	6 885	4 405
Non-current assets, total	<u>49 080</u>	<u>41 782</u>	<u>46 866</u>
Current assets			
Inventories	1 730	2 219	2 547
Interest-bearing receivables from buyers	45 854	19 921	58 256
Interest-bearing receivables from fur breeders	119 261	99 496	85 371
Non-interest-bearing receivables	19 583	9 556	21 930
Tax assets based on taxable income for the period	1 311	1 451	0
Cash and cash equivalents	6 377	5 691	4 059
Current assets, total	<u>194 116</u>	<u>138 335</u>	<u>172 162</u>
Total assets	<u><u>243 195</u></u>	<u><u>180 117</u></u>	<u><u>219 028</u></u>
SHAREHOLDERS' EQUITY AND LIABILITIES	31 Jan 2015	31 Jan 2014	31 Oct 2014
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	19 590
Translation difference	59	55	60
Fair value reserve	284	211	262
Retained earnings	57 554	63 857	62 565
Shareholders' equity, total	<u>84 941</u>	<u>88 948</u>	<u>89 931</u>
Provisions for liabilities and charges	266	0	266
Non-current liabilities			
Deferred tax liabilities	945	1 002	2 168
Current liabilities			
Interest-bearing liabilities	118 673	71 704	99 367
Trade and other payables	37 807	16 786	26 751
Deferred taxes based on the taxable income	563	1 678	546
Current liabilities, total	<u>157 044</u>	<u>90 168</u>	<u>126 664</u>
Total liabilities	<u>157 989</u>	<u>91 169</u>	<u>128 832</u>
Total shareholders' equity and liabilities	<u><u>243 195</u></u>	<u><u>180 117</u></u>	<u><u>219 028</u></u>

Consolidated statement of comprehensive income

EUR 1.000	1 Nov 2014- 31 Jan 2015 3 mo	1 Nov 2013- 31 Jan 2014 3 mo	1 Nov 2013- 31 Oct 2014 12 mo
Continuous operations			
Net turnover	7 433	5 377	49 783
Other operating income	93	72	416
Materials and supplies	-1 537	-1 297	-4 525
Employee benefits	-6 665	-6 348	-19 239
Depreciation and impairment loss	-1 060	-886	-3 893
Other operating expenses	-6 009	-5 851	-23 596
Operating profit/loss	-7 744	-8 933	-1 054
Financial income	1 952	1 032	4 821
Financial expenses	-335	-187	-1 682
Profit/loss before tax	-6 128	-8 088	2 085
Income tax	1 116	1 617	-612
Net profit/loss for the reporting period	-5 012	-6 471	1 473
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Available-for-sale investments	28	10	70
Translation differences	0	0	5
Income tax effect	-6	-2	-12
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	22	8	63
Total comprehensive income/expense	<u>-4 990</u>	<u>-6 462</u>	<u>1 536</u>
Earnings per share, EUR, basic (EUR) *)	-1,39	-1,80	0,41
*) There are no factors diluting the key performance indicator			

Consolidated statement of cash flows

EUR 1.000	1.11.2014- 31.1.2015 3 mo	1.11.2013- 31.1.2014 3 mo	1.11.2013- 31.10.2014 12 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	63 602	50 643	487 583
Cash received from other operating income	68	70	337
Cash paid for other operating expenses	-84 257	-98 836	-545 324
Cash flow from operating activities before financial items and taxes	-20 587	-48 123	-57 404
Interests, paid	-212	-68	-731
Other financial expenses	-54	-76	-970
Interests, received	1 613	1 638	4 535
Other financial income	224	16	285
Dividend income	0	0	21
Direct taxes paid	-127	158	-1 890
Net cash flow from operating activities (A)	-19 142	-46 455	-56 154
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-3 583	-2 328	-12 859
Proceeds from sale of tangible and intangible assets	2	37	88
Investments in other assets	-8	-88	-87
Net cash flow from investments activities (B)	-3 589	-2 379	-12 858
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	25 049	29 453	55 250
Dividends paid	0	0	-7 250
Net cash flow from financing activities (C)	25 049	29 453	48 000
Change in cash flows (A+B+C) increase (+) / decrease (-)	2 318	-19 380	-21 012
Cash and cash equivalents, 31 Jan / 31 Oct	6 377	5 691	4 059
./. Cash and cash equivalents, 1 Nov	4 059	25 071	25 071
Net change in cash and cash equivalents	2 318	-19 380	-21 012

Consolidated statement of changes in shareholders' equity 1.11.2013 - 31.1.2014

	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Total
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

Consolidated statement of changes in shareholders' equity 1.11.2014 - 31.1.2015

Shareholders' equity, 1 Nov 2014	7 200	254	19 590	60	262	62 565	89 931	0	89 931
Result for the reporting period						-5 012	-5 012		-5 012
Other comprehensive income/expense				-1	22	1	22		22
Dividend							0		0
Transfer to counter-cyclical budgetary fund							0		0
Shareholders' equity, 31 Jan 2015	7 200	254	19 590	59	284	57 554	84 941	0	84 941

Key performance indicators

	2014/2015 3 mo	2013/2014 3 mo	2013/2014 12 mo
Total sales, EUR 1,000	49 894	33 779	505 418
Net turnover, EUR 1,000	7 433	5 377	49 783
Operating profit/loss, EUR 1,000	-7 744	-8 933	-1 054
% of net turnover	-104,2%	-166,1 %	-2,1 %
Profit before taxes, EUR 1,000	-6 128	-8 088	2 085
% of net turnover	-82,4 %	-150,4 %	4,2 %
Earnings per share, EUR	-1,39	-1,80	0,41
Equity per share, EUR	23,59	24,71	24,98
Return on equity (ROE)-%	-5,7 %	-7,0 %	1,6 %
Return on investment (ROI)-%	-3,0 %	-5,1 %	1,7 %
Equity-to-assets ratio, %	38,0 %	50,7 %	43,5 %
Gearing	1,32	0,74	1,06
Gross capital expenditure, EUR 1,000	3 591	2 415	12 946
% of net turnover	48,3 %	44,9 %	26,0 %
Average number of personnel	502	463	353

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 2015 31 Jan 2014 31 Oct 2014

Mortgages given and receivables pledged in security for dept

Loans from financial institutions	89 436	40 318	63 021
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	28 041	1 924	29 268
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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 838.291 and the last year of inspection is 2023.

Related Party Transactions

EUR 1.000 2014/2015 2013/2014 2013/2014
3 mo 3 mo 12 mo

Transactions with related parties:

Net turnover

- other related party	143	50	317
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Other operating income

- parent company	12	12	32
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Other operating expenses

- parent company	-1	-5	-13
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Financial income

- other related party	17	6	40
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Financial expenses

- parent company	-5	-5	-29
- other related party	-1	-1	-13

Related party receivables

- other related party	1 436	1 238	988
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Related party liabilities

- parent company	-4 355	-3 560	-4 222
- other related party	-1 121	-1 203	-1 633

Management compensation	2014/2015 3 mo	2013/2014 3 mo	2013/2014 12 mo
Remuneration and other short-term employee benefits	447	415	1 316

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

Vaasa, 26 March 2015
Board of Directors