

## SAGA FURS OYJ

### FINANCIAL STATEMENTS BULLETIN FOR THE FINANCIAL PERIOD 1 SEPTEMBER 2012–31 OCTOBER 2013

Vantaa, 27 December 2013 at 5:00 p.m.

#### Saga Furs Oyj made record profits thanks to the high prices of the previous selling season

- As a result of an increase in both the mink pelt prices and the number of pelts traded, Saga Furs Oyj's sales reached a record value for the fourth consecutive time in the 14-month financial year between 1 September 2012 and 31 October 2013. The total value of sales in the financial period increased by 41 per cent and amounted to EUR 981 million (MEUR 876 for the first 12 months of the financial period and MEUR 695 for the previous 12-month financial period).
- The company traded a total of 10.3 million pelts in the period (9.6 million during the first 12 months of the financial year and 9.3 million during the previous 12-month financial year).
- Thanks to the high demand, the prices of mink pelts went up by 20 per cent and the prices of fox pelts by 34 per cent.
- The increased prices and number of pelts traded increased the Group's turnover by 31 per cent to EUR 78.5 million (MEUR 71.1 for the first 12 months of the financial year and MEUR 60.1 for the previous 12-month financial year).
- The Group's operating result turned out to exceed the estimates set at the beginning of the financial year: the operating profit grew to EUR 24.9 million (MEUR 24.0 for the first 12 months of the financial year and MEUR 17.2 for the previous 12-month financial year).
- Earnings per share were EUR 6.20 (EUR 5.86 for the first 12 months of the financial year and EUR 4.69 for the previous 12-month financial year).
- The Board of Directors will propose to the Annual General Meeting, convening on 24 April 2014, that a dividend of EUR 2.05 per share (totalling EUR 7,380,000) be paid to shareholders from the distributable funds for 1 September 2012–31 October 2013 and that EUR 2,220,000 be transferred to the counter-cyclical budgetary fund.

Consolidated key figures	9/13-10/13 2 months	9/12-10/13 14 months	9/12-8/13 12 months	9/11-8/12 12 months
Total sales, MEUR	104.4	980.6	876.1	695.2
Number of pelts traded, 1,000 pcs	633	10,277	9,644	9,259
Net turnover, MEUR	7.4	78.5	71.1	60.1
Operating profit/loss, MEUR	0.9	24.9	24.0	17.2
Profit before taxes, MEUR	1.6	29.7	28.1	22.5
Earnings per share, EUR	0.34	6.20	5.86	4.69
Return on equity (ROE), %	1.3%	25.6%	24.3%	23.1%
Return on investment (ROI), %	1.2%	22.6%	21.6%	21.7%

#### Accounting principles

The information in this Financial Statements Bulletin is based on the financial statements (will be published in Finnish on the company website [www.sagafurs.com](http://www.sagafurs.com) on 28 January 2014 by 4:00 p.m.) and the Report of the Board of the Directors. The financial statements bulletin was prepared

in accordance with IAS 34 Interim Financial Reporting. The information presented in this financial statement bulletin is unaudited.

On 1 September 2012, the Group adopted the following new or amended standards and interpretations:

- *IFRS 7 Financial Instruments: Disclosures*. The amendment provides greater transparency regarding the disclosure requirements for transactions involving transfers of the financial instruments and increases the understanding of risks associated with financial instruments and the effect of those risks on the financial position of the entity, particularly those involving securitisation of financial assets.
- *IAS 12 Income Taxes*. IAS 12 previously required an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through continuous use (i.e. rental income) or sale. According to the amendment, certain assets measured at fair value are expected to recover their carrying amount basically through sale. This is applicable to deferred taxes accrued from investment properties, property, plant and equipment and intangible assets valued using the current value method or revaluation method.
- *IAS 1 Presentation of Financial Statements*. The main change is the requirement for grouping items in 'other comprehensive income' based on whether they are potentially reclassifiable to profit or loss in subsequent periods as certain conditions are fulfilled.
- *IAS 19 Employee Benefits*. The amendments state that all actuarial gains and losses are immediately recognised through other comprehensive income, in other words, the corridor approach is eliminated and financial cost is determined on net funding basis.

These amendments have not significantly affected the consolidated financial statements.

## **Business overview**

The financial year of Saga Furs Oyj began on 1 September 2012 and comprised 14 months, as the Annual General Meeting held in January 2013 decided to extend the financial year to end on 31 October henceforth. Therefore, this financial year includes two September auctions' sales.

The concluded financial year was the fourth consecutive record-breaking financial year. The value of sales from the March 2013 auction totalled EUR 368 million, which is the highest auction sales value for the company of all time. The positive trend in the global fur market continued in the June auction, after which the company issued a positive profit warning on 13 June 2013. Due to the increased price level of pelts and the increased number of pelts traded, the total value of sales in the financial year increased by 41 per cent to EUR 981 million (MEUR 695 in the previous financial year). Due to the good market situation, sold furs were delivered at record speed during the entire financial year.

The average exchange rate of the US dollar, weighted on the basis of auction sales, remained at the previous financial year's level. Thanks to the high demand, the prices of mink pelts went up approximately by 20 per cent and the prices of fox pelts by 35 per cent.

Saga Furs Oyj held a total of five auctions during the financial year, selling 7.0 million mink pelts (6.4 million in the previous financial year). Of these, 93 per cent were in the Saga collections. The company sold 500,000 Eastern European mink pelts as separate collections. A total of 2.6 million fox pelts (2.3 million), 500,000 Karakul lamb pelts from Afghanistan (400,000) and 170,000 Finnraccoon pelts (160,000) were sold.

Aiming at top quality of products is an essential part of the company's strategy. For several years, the Group company Furfix Oy has been providing breeding animals for Finnish fur producers in order to ensure the diversity of animal populations and improve the quality of mink pelts traded by Saga Furs Oyj. During this financial period, these activities were transferred from Furfix Oy to

another Group company, Lumi Mink Oy. In conjunction with this transaction, the fur animals' quarantine premises was also transferred to Lumi Mink Oy's ownership. The number of breeding animals traded during the financial year was clearly higher than in the previous financial year. In the future, Furfix Oy will focus on mink and fox pelting services. A new software system for choosing breeding animals, WebSampo, was introduced during the financial year.

In September, Saga Furs Oyj signed a sales cooperation agreement with two North American auction houses, American Legend and Fur Harvesters Auction Inc., with regard to Saga Furs' March and June 2014 fur auctions. With the agreement, these auctions to be held in the Vantaa Fur Center are expected to be among the largest fur auctions in the world in the next selling season, in terms of volume and the number of customers. The collection of Saga® fox, mink and Finraccoon pelts is complemented with the North American Blackglama®- and American Legend® mink pelts, as well as a wide range of various game fur pelts. The agreement does not involve any ownership arrangements.

During the financial year, the Group strengthened its producer service organisation in order to enhance its ability to respond to the competition between auction companies. Cooperation with Skinpolex Sp. z o.o. of Poland was discontinued, and now the Group is responsible for its producer services and pelt collection in all of its key market areas apart from Norway, where cooperation with the auction company Oslo Skinnauksjoner continues.

### **Sales during the financial year 1 September 2012 – 31 October 2013**

#### *Review period 1 September–31 October 2013*

The value of sales at the auction arranged by Saga Furs Oyj on 17 to 20 September 2013 amounted to EUR 104 million (91 million in the previous year). The pelt price level increased from previous quotations more than expected, even though the world market price for pelts was already at a high level. More than 350 buyers participated in the auction, and a total of 65,000 mink pelts (630,000 at the previous corresponding auction), 510,000 fox pelts (430,000) and 33,000 Finraccoon pelts (34,000) were sold there.

#### *Financial year 1 September 2012–31 October 2013*

Saga Furs Oyj held a total of five auctions during the financial year, selling 7.0 million mink pelts (6.4 million in the previous financial year). Of these, 93 per cent were in the Saga collections. The company sold 500,000 Eastern European mink pelts as separate collections. A total of 2.6 million fox pelts (2.3 million), 500,000 Karakul lamb pelts from Afghanistan (400,000) and 170,000 Finraccoon pelts (160,000) were sold.

The strong growth of the Chinese market was reflected in Saga Furs Group's results for this financial year. In addition to the already strong garment export industry, major growth in demand also took place in the Chinese domestic market. This growth was supported by the trend of increased use of fur materials in the Chinese textile and fashion industry. The prices of mink pelts increased 22 per cent in US dollars and 20 per cent in euros. The price level of fox pelts increased clearly, 35 per cent in US dollars and 34 per cent in euros. The average exchange rate of the US dollar, weighted on the basis of auction sales, remained at the previous financial year's level. The number of pelts traded—10.3 million pelts—represents an 11 per cent increase on the previous financial year (9.3 million pelts). Thanks to the higher price level and increased number of pelts traded, the value of sales increased by 41%, totalling EUR 981 million (MEUR 695).

Auction	Sales	Value	Sales	Value	Sales	Value
	1,000 pelts 2012/2013	EUR 1,000 2012/2013	1,000 pelts 2011/2012	EUR 1,000 2011/2012	1,000 pelts 2010/2011	Value EUR 1,000 2010/2011
September	1,144	91,348	1,537	98,680	1,605	102,943
December	1,579	143,468	1,489	98,240	1,416	79,843
March	3,658	367,699	3,469	305,236	3,395	251,787
June	3,253	272,884	2,720	191,388	2,639	157,704
September 2013	630	104,357	0	0	0	0
Warehouse sales	14	854	44	1,647	41	2,400
<b>Total</b>	<b>10,277</b>	<b>980,610</b>	<b>9,259</b>	<b>695,191</b>	<b>9,096</b>	<b>594,677</b>

## Net turnover

*Review period 1 September–31 October 2013*

This financial year exceptionally contained a fifth quarter of two months due to changing the time of closing the accounts. During the last quarter of the financial year, the Group's sales value was EUR 104 million and turnover EUR 7.4 million.

*Financial year 1 September 2012–31 October 2013*

Thanks to the increased price level and increased number of pelts traded, the Group's turnover increased by 31 per cent year-on-year, amounting to EUR 78.5 million (MEUR 60.1). The bulk of net turnover, 90 per cent (93%), consisted of commission fees collected from fur breeders and buyers. The commission fees from producers accounted for 18 per cent (23%) and the commission fees from buyers for 72 per cent (70%) of the Group's net turnover. The remainder was generated from sales of pelting services and breeding animals to producers, as well as restaurant and congress service sales. Of the net turnover, 10.4 per cent (16.4%) were generated in the first quarter of the financial year, 16.3 per cent (16.4%) in the second quarter, 36.1 per cent (40.9%) in the third quarter, 27.9 per cent (26.2%) in the fourth quarter and 9.4 per cent during the fifth quarter of the financial year.

## Financial performance

*Review period 1 September–31 October 2013*

Other operating income for the last quarter of the financial period totalled EUR 51,000. Operating expenses were EUR 6.5 million, and the Group's operating profit totalled EUR 920,000. Net financial income was EUR 730,000. Consolidated profit before taxes for the final quarter stood at EUR 1.6 million.

*Financial year 1 September 2012–31 October 2013*

In the past 14-month financial year, operating expenses totalled EUR 54.0 million, whereas the corresponding sum for the previous 12-month financial period was EUR 43.2 million. Of the expenses, 16.3 per cent (19.2%) were generated in the first quarter of the financial year, 25.9 per cent (31.5%) in the second quarter, 27.9 per cent (29.5%) in the third quarter, 17.8 per cent

(19.8%) in the fourth quarter and 12.1 per cent during the fifth quarter of the financial year. Employee benefits expenses totalled EUR 19.6 million (MEUR 15.7). However, the figures for the reference period included non-recurring items related to pension expenses and changes in holiday pay liabilities, among other things, that reduced expenses. In addition, as the objectives of the Group's annual bonus scheme were achieved to a larger extent than in the previous financial year, expenses incurred by employee benefits increased. The clear growth in providing animals increased the Group's expenses. Other operating expenses totalled EUR 24.9 million (MEUR 21.3). In addition, the Group invested EUR 4.4 million (MEUR 3.0) in lobbying work through the International Fur Federation IFF (formerly known as the International Fur Trade Federation, IFTF) with the goal of securing political operational preconditions and defending free trade. Due to the changed time of closing the accounts, the expenses include pelt packaging and other delivery material costs from two selling seasons. Due to the improvement in the price level of fur pelts, the consolidated operating profit was better than expected at the beginning of the financial year: it rose to EUR 24.9 million (MEUR 17.2).

Net financial income decreased by 10 per cent to EUR 4.8 million (5.3 million). During the previous financial year, the Group was able to redeem credit losses to breeders recorded for the 2008–2009 financial year after legal proceedings that lasted nearly three years. Net interest income was EUR 4.6 million (MEUR 4.1) and exchange rate profits were EUR 130,000 (EUR 430,000). Consolidated profit before tax for the entire financial year stood at EUR 29.7 million (MEUR 22.5) and profit for the period was EUR 22.3 million (MEUR 16.9).

Return on equity for the financial period was 25.6 per cent (23.1%), and earnings per share were EUR 6.20 (EUR 4.69). Equity per share was EUR 26.50 (EUR 22.00). The Group's equity-to-assets ratio was 57.1 per cent (58.1 per cent).

## Capital expenditure

Consolidated gross capital expenditure during the financial year totalled EUR 5.3 million (MEUR 5.0), equalling 7 per cent (8%) of net turnover. Of the capital expenditure, 76 per cent was spent on tangible and intangible assets of the parent company and 24 per cent on those of subsidiaries. The largest investments were related to the renovation of the Fur Center property, sorting systems and equipment and software development.

## Personnel

During the financial year, the company employed an average of 304 persons. The majority of the staff are fixed-term employees, engaging in various jobs relating to the handling of fur pelts.

The number of staff employed by the parent company and the Group was as follows:

	Parent company			Group		
	2012/2013	2011/2012	2010/2011	2012/2013	2011/2012	2010/2011
Average number of personnel	230	249	258	304	315	309
- permanent staff	108	107	109	146	141	130
- fixed-term staff	122	142	149	158	174	179
Number of staff at the end of financial period on 31 October /31 August	120	113	174	182	154	197

## Share trade and share performance

The company's Series C shares are publicly quoted. Saga Furs is a Small Cap company belonging to the Industrial and Consumer services sectors of NASDAQ OMX Helsinki. The value of shares traded during the financial year totalled EUR 33.3 million and the volume came to 1.2 million shares, representing 43 per cent of the company's Series C shares. The highest price of the share during the period was EUR 45.49 and the lowest price was EUR 16.88, with the average price being EUR 28.52. The Series C share closed at EUR 44.05, while a year earlier, it closed at EUR 16.95. The market capitalisation totalled EUR 158.6 million (MEUR 61.0 on 31 Aug. 2012) at the end of the financial year, on 31 October.

## General Meeting

The Annual General Meeting (AGM) of Saga Furs Oyj held on 24 January 2013 approved the financial statements for the financial year ending on 31 August 2012. The AGM decided to distribute a dividend of EUR 1.70 per share, totalling EUR 6,120,000, and transfer EUR 1,670,000 to the counter-cyclical budgetary fund. The dividend was paid out on 5 February 2013.

The AGM of 24 January 2013 decided that the company's Board of Directors shall comprise six members. Fur breeders **Jorma Kauppila, Markku Koski, Pentti Lipsanen, Rainer Sjöholm** and **Hannu Sillanpää** as well as **Mirja-Leena (Mirkku) Kullberg**, Managing Director of Artek Oy Ab, were appointed to the Board of Directors. Following the AGM, Jorma Kauppila was elected Chair and Markku Koski was elected Deputy Chair of the Board of Directors at the first meeting of the Board. Upon the AGM's decision, **Ernst & Young Oy** will continue as the company's auditor with Certified Public Auditor **Johanna Winqvist-Iikka** as the main auditor.

## Business risks and uncertainties

The risks associated with the business of Saga Furs Oyj include business risks, property and damage risks, financial risks and operational risks. The most significant risks and uncertainty factors are all considered business risks and financial risks. The company aims to manage and limit the possible effects of risks. If, however, these risks were realised, they could considerably impair the business, financial position and financial performance of Saga Furs Oyj.

## Risks related to supply and demand

Pelt prices can fluctuate strongly according to the financial cycle. As fur farming follows an annual cycle, Saga Furs Oyj needs at least six months to adapt to the price changes. These elements involve considerable risks with respect to the company's financial performance. The bulk of pelts offered during a financial year are sold at the auctions held in March and June, when the demand is highest. At this point, most of the costs have already been incurred.

A possible decrease in the use of furs in the fashion industry is clearly a risk for the company. The sharp increase in pelt price levels increases the risk that the fashion industry will start looking for less expensive alternatives to Saga furs. The company is engaged in active marketing and product development of Saga furs in order to influence the choices of the international world of fashion. The goal is to modernise fur as material and find new uses for fur in order to establish a stable position in the world of fashion.

As a result of the increase of prices, vigorous growth of mink pelt production in different parts of the world may eventually lead to overproduction. China has again become the leading fox pelt producer in the world, and production in China may still increase, in particular if good breeding

animals are sold to China. Currently the Chinese are focusing on mink pelt production, and China has become the biggest mink pelt producer in the world. The Chinese government is supporting domestic production among other things by imposing high import duties and enforcing their payment with increasingly strict control. The IFF has been negotiating alleviations to these duties, and reduced rates will become effective as of the beginning of 2014.

Purchases by China and Hong Kong-based customers are currently dominating the global fur trade. If a sudden slump in demand was to take place in this market region, other regions would not be able to compensate, which would lead to oversupply of pelts. As a result of the focus of global fur trade shifting to China and Hong Kong, the pelt dressing capacity has also concentrated on this region. Dressing has become a significant bottleneck in the industry, and an interruption at a single major dressing plant would essentially disturb the global fur trade.

Pelt production costs continued to rise drastically, as the rapid growth of production clearly increased feed prices. This also hinders fur production's tolerance for trend fluctuations. If costs of European fur production continue to grow, for example, due to changes in legislation, this may have a considerable impact on the extent of fur production in Western Europe. This would affect the number of pelts collected by the company.

Concentration of pelt production to larger units means higher financial risks for Saga Furs Oyj. It entails an increase in individual financial risks, and a growth rate that is potentially too quick can also deteriorate the units' tolerance for fluctuations. On the other hand, the change in customer base will improve the company's opportunities to increase the number of pelts sold. This will enhance the company's financial position and, consequently, the company's ability to survive in the event that risks are realised.

### **Changes in exchange rates**

Weakening of the US dollar and other currencies tied to it poses a risk to the company's business. Most of the pelts sold by Saga Furs Oyj are exported outside the euro zone, and the world market price for pelts is determined in USD even when the company's currency of sale is the euro. On the other hand, strengthening of the US dollar considerably improves the company's business outlook. Management of currency risks is described in detail in the Notes to the consolidated financial statements.

### **Image risks and political risks**

The image risks and political risks associated with furs are important for the company, because it would be impossible to stay in business if the breeding of fur animals and trading in pelts were not allowed.

#### *Risks associated with fur farming*

The risks associated with the justification of fur farming remain considerable. The majority of political decision-makers are still in favour of fur farming in countries with the highest production volumes, such as Finland and Denmark. The government programme approved in Finland in June 2011 includes a section supporting fur farming. In Finland, the first citizen initiative to ban fur farming was rejected in the Parliament in June 2013, with a great majority voting against it. In Poland, which is an important fur producer for Saga Furs Oyj with significant volumes, the political

climate has grown stricter, and Poland has been targeted by political movements aiming to ban fur farming lately.

The image of fur farming is of paramount importance for the company. The activities of animal rights organisations aim to create a negative image of fur farming, and social media outside the reach of source criticism provides even greater opportunity for this. On the level of impression, the often one-sided image conveyed through social media, for example, affects European decision-makers who are not familiar with the industry. Providing sufficient and truthful information and thereby reducing the risk of legislation being introduced that would make fur farming unprofitable, virtually impossible or illegal, is a continuous challenge.

It is essential with regard to protecting Saga Furs Oyj and the entire industry from image and political risks that the production process of fur pelts is continuously improved and intervention takes place quickly should any mistakes and neglect be found in fur farms. Operations must be transparent from the setting of goals and measurement of progress until the reporting of results and dialogue with different groups of stakeholders.

Certification of fur farms is an even more integral part of the Saga Furs brand. It is a quality assurance and environmental system that emphasises responsibility, traceability and transparency and covers all parts of the fur farming process. The company promotes the implementation of certification systems in producer countries relevant to the company. In Finland, the Finnish Fur Breeders' Association (ProFur) is in charge of developing the certification system, and in October 2013, certification covered more than 90 per cent of Finnish fur production. In Norway, the local producers' association requires certification from all of its members.

Since the selling season 2012–2013, the company has only accepted Finnraccoon pelts from certified farms. In the selling season 2013–2014, the company also introduced separate selections for certified fox pelts.

#### *Risks associated with pelt trade*

The markets for pelts are largely located in areas where trading habits, administration and regulations are very different to what we are used to in the EU and the United States. In particular, this applies to China and Russia, where changes are also difficult to predict.

Since the removal of the enforcement decree promoting the ban on fox trading and included in an entity of bills that had already been passed in the Netherlands as the result of strong opposition by ten EU member states and the European Commission, the risks of limiting trade by means of legislation have declined.

Saga Furs Oyj aims to reduce trade-related risks in co-operation with IFF, amongst others.

#### **Main events following the end of the financial year**

At the first auction of the financial year, which took place 19-22 December, supply was at the same level as it was at the corresponding auction in the previous year. A little over 790,000 Saga mink pelts (730,000), nearly 370,000 mink pelts of Eastern European origin (300,000), a little over 280,000 Saga fox pelts (320,000), 22,000 Finnraccoon pelts (28,000) and nearly 350,000 Karakul lamb pelts (260,000) were offered at the auction. For the first time, fully certified fox pelt selections were also offered. The value of sales at the four-day auction was EUR 34 million (compared with



MEUR 143.5 at the December 2012 auction). Approximately 400 buyers participated in the auction. The unusually warm weather in the most important retail region, China, was reflected in the auction as great uncertainty. The retail sales period will continue until February, and the company decided to refrain from selling pelts for prices lower than those paid at the previous year's corresponding auction until the end of the retail sales period. Consequently, approximately 25 per cent of the offered pelts were sold.

In mid-November, Saga Furs Oyj agreed on purchasing the property rented by its subsidiary, the pelting company Furfix Oy, from a development company owned by the municipality of Kaustinen. In December, a decision was made to expand the property and increase the pelting capacity to meet the increased demand for pelting services.

### **Estimate on business development in the new financial year**

In addition to the December 2013 auction, Saga Furs Oyj will arrange auctions on 11–21 March, 1–11 June and 19–22 September 2014. In the previous financial year, which exceptionally comprised 14 months, the company arranged one additional auction. The company aims to offer a total of 7.0 million mink pelts, 2.1 million fox pelts, 110,000 Finnraccoon pelts and 350,000 Karakul lamb pelts in the selling season's auctions.

The March and June auctions in 2014 will be arranged in cooperation with the North American auction houses American Legend and Fur Harvesters Auction Inc. Each of the three companies will sort its own goods and sell them under its own brand name at Saga Furs' premises in Vantaa. In total, the companies aim to offer 5.5 million mink pelts, 900,000 fox and Finnraccoon pelts and 500,000 wild fur pelts in March and 4.6 million mink pelts, 500,000 fox and Finnraccoon pelts and 400,000 wild fur pelts in June. The auction to be held in March is expected to become the largest fur auction in the world in the next selling season, in terms of volume and the number of customers.

World production of mink pelts is estimated to have increased clearly from the previous year, now amounting to more than 70 million pelts. Production has increased in China and Central Europe in particular. More than half of all mink pelts are produced in Northern and Central Europe and one third are produced in China. The mink pelt production costs are equal in China and Europe. World production of fox pelts is estimated to exceed seven million pelts. Approximately one third of the world production originates from Finland and two thirds from China. However, the quality of pelts produced in China is not as high as the quality of pelts produced in Finland and Western Europe. The majority of fox pelts traded by the company originate from certified farms.

The current fur garments' retail sales season had a slower start than the previous season, and it will also be shorter than the previous season, due to when the Chinese New Year falls. As a result of the previous selling season's record-high pelt prices, the retail prices of fur garments have gone up, and at the same time, supply volumes are high, so the remaining winter needs to be cold in order for the selling season to be successful. The season's results will be known by the auction round of February and March, and they will determine the trends of pelt demand and prices during the current season.

The clear increase in pelt prices during the past four selling seasons has created excessive dependency on one market region. The high demand in China has pushed garment prices too high from the perspective of other market regions. Nevertheless, fur still has a strong role in fashion. Therefore, any price decreases are expected to increase demand in other market regions.

The Group's costs are expected to grow when compared to the previous financial period. The challenging market situation calls for additional action in different market regions. The company has participated in negotiations aiming at concentrating the European lobbying by IFF and the activities of the EFBA into one organisation, Fur Europe. This will improve the efficiency of lobbying

and reduce the company's lobbying costs. The consolidated profit before taxes is expected to remain clearly lower than the profit for the previous financial year, which comprised 14 months.

## **Board of directors' proposal for the distribution of profit**

On 31 October 2013, the parent company's distributable assets were as follows:

- retained earnings	43,938,231.33
- profit for the financial period	22,187,440.23
- to be transferred to the counter-cyclical budgetary fund in accordance with the Articles of Association	<u>-2,218,744.02</u>
	63,906,927.54

The Board of Directors will propose to the Annual General Meeting that

- a dividend of EUR 2.05 per share (totalling EUR 7,380,000) be paid to shareholders from the distributable funds for 1 September 2012–31 October 2013 and that EUR 2,220,000 be transferred to the counter-cyclical budgetary fund.

The suggested dividend pay-out date is 7 May 2014.

## Consolidated statement of financial position, IFRS

EUR 1.000

<b>ASSETS</b>	<b>31 Oct 2013</b>	<b>31 Aug 2012</b>
<b>Non-current assets</b>		
Property, plant and equipment	28 906	28 356
Intangible assets	3 952	3 301
Available-for-sale investments	539	512
Long-term receivables from fur breeders	6 516	2 682
Non-current assets, total	<u>39 913</u>	<u>34 850</u>
<b>Current assets</b>		
Inventories	2 010	1 493
Interest-bearing receivables from buyers	35 597	45 540
Interest-bearing receivables from fur breeders	41 381	26 539
Non-interest-bearing receivables	30 682	12 886
Tax assets based on taxable income for the period	86	0
Cash and cash equivalents	25 071	24 124
Current assets, total	<u>134 827</u>	<u>110 582</u>
Total assets	<u><u>174 741</u></u>	<u><u>145 432</u></u>
 <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
	<b>31 Oct 2013</b>	<b>31 Aug 2012</b>
<b>Equity attributable to parent company's shareholders</b>		
Share capital	7 200	7 200
Share premium account	254	254
Other funds	17 370	15 700
Translation difference	57	59
Fair value reserve	203	183
Retained earnings	70 327	55 805
Shareholders' equity, total	<u>95 411</u>	<u>79 201</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	2 620	2 652
<b>Current liabilities</b>		
Interest-bearing liabilities	54 417	41 355
Trade and other payables	20 503	21 186
Deferred taxes based on the taxable income	1 789	1 038
Current liabilities, total	<u>76 709</u>	<u>63 579</u>
Total liabilities	<u>79 329</u>	<u>66 231</u>
Total shareholders' equity and liabilities	<u><u>174 741</u></u>	<u><u>145 432</u></u>

## Consolidated statement of comprehensive income

EUR 1.000	1 Sep 2013- 31 Oct 2013 2 mo	1 Sep 2012- 31 Oct 2013 14 mo	1 Sep 2012- 31 Aug 2013 12 mo	1 Sep 2011- 31 Aug 2012 12 mo
<b>Continuous operations</b>				
Net turnover	7 398	78 475	71 078	60 076
Other operating income	51	364	313	311
Materials and supplies	-196	-5 427	-5 231	-3 012
Employee benefits	-1 639	-19 561	-17 923	-15 668
Depreciation and impairment loss	-547	-4 025	-3 478	-3 299
Other operating expenses	-4 146	-24 877	-20 731	-21 253
Operating profit/loss	920	24 949	24 028	17 155
Financial income	835	5 608	4 773	6 395
Financial expenses	-109	-827	-718	-1 092
Profit/loss before tax	1 646	29 730	28 084	22 458
Income tax	-434	-7 418	-6 984	-5 564
Net profit/loss for the reporting period	1 212	22 312	21 100	16 894
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Available-for-sale investments	42	27	-15	34
Translation differences	-1	-2	-1	1
Income tax effect	-10	-7	4	-5
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	31	18	-12	30
Total comprehensive income/expense	1 242	22 330	21 088	16 924
Earnings per share, EUR, basic (EUR) *)	0,34	6,20	5,86	4,69

\*) There are no factors diluting the key performance indicator

## Consolidated statement of cash flows

EUR 1.000	<b>1.9.2012- 31.10.2013</b> 14 mo	1.9.2011- 31.8.2012 12 mo
<i>Cash flow from operating activities</i>		
Payments received for selling on commission	<b>994 097</b>	689 050
Cash received from other operating income	<b>345</b>	259
Cash paid for other operating expenses	<b>-984 340</b>	-667 966
Cash flow from operating activities before financial items and taxes	<b>10 102</b>	21 343
Interests, paid	<b>-812</b>	-850
Other financial expenses	<b>-139</b>	-230
Interests, received	<b>5 436</b>	4 571
Other financial income	<b>245</b>	1 364
Dividend income	<b>22</b>	28
Direct taxes paid	<b>-6 691</b>	-6 800
Net cash flow from operating activities (A)	<b>8 163</b>	19 426
<i>Cash flow from investment activities</i>		
Investments in tangible and intangible assets	<b>-5 268</b>	-5 001
Proceeds from sale of tangible and intangible assets	<b>49</b>	119
Investments in other assets	<b>0</b>	-10
Net cash flow from investments activities (B)	<b>-5 220</b>	-4 892
<i>Cash flow from financing activities</i>		
Proceeds from short-term borrowings	<b>4 018</b>	4 080
Dividends paid	<b>-6 011</b>	-5 128
Net cash flow from financing activities (C)	<b>-1 995</b>	-1 047
Change in cash flows (A+B+C) increase (+) / decrease (-)	<b>948</b>	13 487
Cash and cash equivalents, 31 Aug	<b>25 071</b>	24 124
./. Cash and cash equivalents, 1 Sep	<b>24 124</b>	10 637
Net change in cash and cash equivalents	<b>948</b>	13 487

## Consolidated statement of changes in shareholders' equity

	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Total
Shareholders' equity, 1 Sep 2011	7 200	254	14 320	58	154	45 390	<b>67 376</b>	0	<b>67 376</b>
Result for the reporting period						16 894	<b>16 894</b>		<b>16 894</b>
Other comprehensive income/expense				1	29		<b>30</b>		<b>30</b>
Other change *)						121	<b>121</b>		<b>121</b>
Dividend						-5 220	<b>-5 220</b>		<b>-5 220</b>
Transfer to counter-cyclical budgetary fund			1 380			-1 380	<b>0</b>		<b>0</b>
Shareholders' equity, 31 Aug 2012	7 200	254	15 700	59	183	55 805	<b>79 201</b>	0	<b>79 201</b>

\*) Resulting from the change in tax base related to items that were recorded directly as profits during the IFRS transition

Shareholders' equity, 1 Sep 2012	7 200	254	15 700	59	183	55 805	<b>79 201</b>	0	<b>79 201</b>
Result for the reporting period						22 312	<b>22 312</b>		<b>22 312</b>
Other comprehensive income/expense				-2	20	0	<b>18</b>		<b>18</b>
Dividend						-6 120	<b>-6 120</b>		<b>-6 120</b>
Transfer to counter-cyclical budgetary fund			1 670			-1 670	<b>0</b>		<b>0</b>
Shareholders' equity, 31 Oct 2013	7 200	254	17 370	57	203	70 327	<b>95 411</b>	0	<b>95 411</b>

## Key performance indicators

	<b>2012/2013</b>	2011/2012
	<b>14 mo</b>	12 mo
Total sales, EUR 1,000	<b>980 610</b>	695 191
Net turnover, EUR 1,000	<b>78 475</b>	60 076
Operating profit/loss, EUR 1,000	<b>24 949</b>	17 155
% of net turnover	<b>31,8%</b>	28,6 %
Profit before taxes, EUR 1,000	<b>29 730</b>	22 458
% of net turnover	<b>37,9 %</b>	37,4 %
Earnings per share, EUR	<b>6,20</b>	4,69
Equity per share, EUR	<b>26,50</b>	22,00
Return on equity (ROE)-%	<b>25,6 %</b>	23,1 %
Return on investment (ROI)-%	<b>22,6 %</b>	21,7 %
Equity-to-assets ratio, %	<b>57,1 %</b>	58,1 %
Gearing	<b>0,31</b>	0,22
Gross capital expenditure, EUR 1,000	<b>5 268</b>	5 011
% of net turnover	<b>6,7 %</b>	8,3 %
Average number of personnel	<b>304</b>	315

### 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 Oct 2013 31 Aug 2012

### Mortgages given and receivables pledged in security for dept

Loans from financial institutions	8 066	6 877
Mortgages on property	54 071	54 071
Mortgages on company assets	2 691	2 691
Pledges given	791	0

### Derivative contracts

Forward exchange agreements	12 223	28 150
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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 348.000 and the last year of inspection is 2023.

## Related Party Transactions

EUR 1.000

2012/2013  
14 mo

2011/2012  
12 mo

### Transactions with related parties:

<i>Net turnover</i>		
- other related party	256	265
<i>Other operating income</i>		
- parent company	50	48
<i>Other operating expenses</i>		
- parent company	-13	-28
- associates	0	-752
<i>Financial income</i>		
- other related party	16	15
<i>Financial expenses</i>		
- parent company	-44	-23
- other related party	-10	-18
<i>Related party receivables</i>		
- other related party	8	9
<i>Related party liabilities</i>		
- parent company	-4 469	-1 828
- other related party	-1 543	-1 623

	<b>2012/2013</b>	2011/2012
<b>Management compensation</b>	<b>14 mo</b>	12 mo
Remuneration and other short-term employee benefits	<b>1 368</b>	1 096

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

Vantaa, 27 December 2013

SAGA FURS OYJ  
Board of Directors