



# Half-year financial report

## 1 November 2019–30 April 2020

29 June 2020

**SAGA FURS OYJ'S HALF-YEAR FINANCIAL REPORT H1 2019/2020****The coronavirus pandemic impeded auction operations, turnover and the results were significantly weakened**

- The total value of Saga Furs Oyj's brokerage sales in the half-year period ending on 30 April 2020 decreased by 65 per cent compared to the previous corresponding period and amounted to EUR 45 million (MEUR 127 for the previous corresponding period).
- The company auctioned a total of 1,6 million pelts during the reporting period (3,3 million).
- The number of minks auctioned decreased by 40 per cent and that of foxes by approximately 80 per cent.
- The Group's sales were significantly reduced by the coronavirus pandemic. The travel and gathering restrictions imposed due to the pandemic prevented the organisation of the March-April auction. Instead, pelts were sold in the online auction that was now organised for the first time.
- Consolidated net turnover decreased 53 per cent compared to the previous corresponding period, amounting to EUR 10 million (21 MEUR).
- Consolidated costs declined by 10 per cent compared to the previous corresponding period, totalling EUR 22,5 million (MEUR 24,9).
- Consolidated operating loss was EUR -12,5 million (MEUR -3,8).
- Consolidated net financial income decreased 16 per cent totalling EUR 1,7 million (MEUR 2,0).
- Consolidated loss before taxes stood at a loss of EUR 10,8 million (a loss of MEUR 1,8).
- Earnings per share were EUR -2,44 (EUR -0,42).

**Business outlook for the financial year**

- Saga Furs does not forecast the results of future auctions but the company estimates that the turnover for the financial year will remain lower than in the previous year and that the company's result will be clearly at loss.

<b>Consolidated key figures</b>	<b>11/19 - 4/20</b>	11/18 - 4/19	11/18 - 10/19
	<b>6 mo</b>	6 mo	12 mo
Total sales, MEUR	<b>45,3</b>	126,6	296,9
Total amount of skins sold, million pcs	<b>1,6</b>	3,3	8,8
Net turnover, MEUR	<b>9,7</b>	20,7	44,7
Operating profit/loss, MEUR	<b>-12,5</b>	-3,8	-2,4
Profit before taxes, MEUR	<b>-10,8</b>	-1,8	-0,7
Earnings per share, EUR	<b>-2,44</b>	-0,42	-0,19
Return on equity, (ROE) %	<b>-10,6 %</b>	-1,7 %	-0,8 %
Return on investment, (ROI) %	<b>-5,5 %</b>	-0,9 %	0,2 %

## CEO Review

Magnus Ljung, CEO:

“The first half-year of Saga Furs’ financial year 2019/2020 was historic in many ways. At the beginning of the financial year, the market outlook was cautiously optimistic as the global reduction of mink pelt production might turn the price level up after the weak economic cycle that had continued since mid-2010s. As a result of the COVID-19 pandemic, optimism changed into a full-blown crisis in the spring of 2020.

The travel and gathering restrictions imposed due to the coronavirus pandemic prevented our normal auction operations. Even though the online auction that we rapidly organised was successful in terms of technology, and even as the relative importance of online sales channels continues to increase, the number of pelts sold remained clearly lower than our goal. Due to the exceptional situation and to protect the price level, we left some of the pelts unsold. Based on the auction results, we transferred more than 2 million ungraded mink and fox pelts to be sold during the next financial year. During the first six months of the financial year, we sold only approximately half of the pelts compared to the normal sales volumes.

Saga Furs’ turnover for the first half decreased by 53 per cent from the previous year. The adaptation actions that had been decided did not yet impact our expenses significantly, and the pre-tax result for the review period was a loss of EUR 10,8 million.

The coronavirus pandemic has caused a serious market disturbance for the entire fashion industry and, at the same time, the industry based on fur breeding. The crisis is also an opportunity to return pelt prices to a sustainable level, but this requires a reduction of fur production.

Saga Furs sent a clear message to fur farmers in the spring: fur production must be cut significantly because of the fall in demand. I believe that the pelt price level will start to increase again after production has been reduced and that fur farmers with a sound economic basis will make it through the crisis.

Under the current conditions, we have to revise our strategy and adapt our operations. In line with our original purpose, Saga Furs focuses on its core operations: the collection, grading, sales and marketing of pelts as well as supporting these activities by financing of producers and buyers.

Saga Furs started a comprehensive cost savings programme in May with the aim to achieve cost savings amounting to more than one third of the previous financial year’s cost level. Of the approximately EUR 15 million savings targeted, half will probably result from variable costs linked to the number of pelts sold, whereas the other half consists of active cost reductions. We will also negotiate on the adaptation of staff numbers as a part of these active savings actions. We will also assess the cost structure of overlapping functions in the various sectoral organisations. The full impact of the cost savings programme is likely to be seen only during the financial year 2021–22.

Saga Furs’ operations are guided by sustainability that we continue to improve in cooperation with our entire value chain. I believe that responsibly acting operators are the ones who will cope best with the adaptation period lasting several months or even years. I also believe that the basic demand for fur still exists, also because naturally and responsibly produced fur is part of the fashion industry’s seeking of more sustainability in its methods of operation and materials.”

## Business overview

The reporting period 1 November 2019 – 30 April 2020 was characterised by the weaker demand for pelt due to the warm winter in our main market areas, and the COVID-19 pandemic. Furthermore, the globally imposed restrictions on travel and gatherings prevented Saga Furs to organise the traditional spring auction.

The company organised its first online auction in this exceptional situation. This was received well, but pelts were only bought for immediate need, and some of the pelts remained unsold.

Saga Furs reduced its profit forecast for the financial year in March due to the financial impacts of the coronavirus pandemic. The company’s Board of Directors also proposed to the General Meeting that no dividend be paid in this situation. At that time, the company estimated that the number of pelts exceeding the previous financial year’s level would be transferred for sale in the financial year 2020/2021 and that the company’s result for the current financial year would be negative. In order to reduce the negative financial impacts of the pandemic, Saga Furs Oyj started statutory cooperation negotiations with the personnel on temporary fixed-term layoffs. The negotiations concerned the entire group’s staff and led to the decision to temporarily lay off all of the group’s personnel for one month during the financial year. The temporary layoffs and other cost cutting measures are estimated to bring more than EUR 3 million of savings during the financial year with a clear emphasis on the second half-year.

During the six-month period the company auctioned a total of 1,6 million pelts ((3,3 million pelts) in two auctions and private treaty sales between the auctions. Of the pelts sold, 1,4 million were mink pelts (11/2018–4/2019: 2.2 million pelts), 190,000 fox pelts (930,000), 39,000 Finn raccoon pelts (89,000) and 38,000 Karakul lamb pelts (59,000). A significant number of mink and fox pelts were moved for sale in the following auctions. The value of the Group’s brokerage sales was EUR 45 million (MEUR 127) and net turnover totalled EUR 10 million (MEUR 21).

During the period, Saga Furs got a significant number of new mink producer customers as a result of the agreement signed with North American Fur Auctions Inc. (NAFA) in October 2019. The agreement ensured NAFA’s former producer customers in Europe and North America a strong sales channel at Saga Furs’ auctions. It will also considerably boost Saga Furs’ market share in high-quality mink pelts during the 2019/2020 financial year. Saga Furs also signed an agreement on the right to use the Blackglama label to market its high-quality black mink. North American mink pelts are graded by the grading centre operating in Wisconsin, USA.

During the period, the company started a project to renew its ERP system. The project is a part of the company’s strategy that includes a programme to improve the efficiency of logistics and grading, among other things.

Saga Furs continued its active sustainability work in cooperation with FIFUR, Fur Europe and International Fur Federation in line with the expectations of customers, fashion brand representatives and other stakeholders. The company started a project for creating, during the financial year, a comprehensive corporate responsibility integrated with the business for several years to come to continue Saga Furs’ earlier sustainability work. The programme takes into account all the phases of the pelt value chain, including fur production, the company’s own processes and the processing of pelts in the fashion industry as well as the overall management of corporate responsibility.

## Brokerage sales and revenue

### Financial half-year 1 November–30 April 2020

Saga Furs Oyj held the first auction of the review period from 19 to 20 December 2019. Approximately 250,000 fox and 34,000 Finn raccoon pelts were on offer in the auction. Karakul sheep pelts and sable pelts were also offered. More than 200 buyers from all important market areas attended the auction, and as is typical of December auctions, the purchases were replenishment purchases. The value of brokerage sales totalled EUR 12 million (12/2018: MEUR 20). Approximately half of the fox pelts were sold and the price level of the pelts decreased by approximately 5 per cent from the autumn auction of 2019. A warm early winter and the economic slowdown in China, the main market for blue fox, had an impact on auction sales, and some of the higher-quality pelts were left unsold. All the Finn raccoon pelts offered were sold at an almost stable price level.

Saga Furs had to postpone its March-April auction to April due to the restrictions on travel and gatherings

imposed in order to control the coronavirus pandemic. As the restrictions were extended, the company organised its first online pelt auction from 23 March to 9 April 2020 instead of the traditional auction. This gave the customers the opportunity to purchase raw materials for the immediate needs of garment manufacturers. The online auction worked well and attracted more than 150 buyers, mainly from the Asian markets. In the online auction 1.3 million mink pelts or approximately half of the offering were sold, as well as 75,000 fox pelts, corresponding to approximately 15 per cent of the offering. The value of sales at the auction was EUR 31 million. A significant part of the pelts sold in the online auction were delivered rapidly in spite of the logistics challenges caused by the pandemic.

In November–April, the company sold 1.4 million mink pelts (11/2018–4/2019: 2.2 million pelts), 190,000 fox pelts (930,000), 39,000 Finn raccoon pelts (89,000) and 38,000 Karakul lamb pelts (59,000). The value of sales decreased by 65 per cent during the review period, totalling EUR 45 million (MEUR 127).

Consolidated net turnover decreased by 53 per cent compared to the previous corresponding period, amounting to EUR 10 million (MEUR 21).

### The value of brokerage sales by auction

Auction	Sales		Value	
	1,000 pelts	EUR 1,000	1,000 pelts	EUR 1,000
	2019/2020	2019/2020	2018/2019	2018/2019
December	197	11 629	320	19 602
March	1 360	31 865	2 919	106 226
Private treaty	77	1 820	19	776
Total	1 635	45 313	3 257	126 604

## Result and financial position

During the review period, the company's consolidated costs declined by 10 per cent compared to the previous corresponding period, totalling EUR 22,5 million (MEUR 24,9). Since Saga Furs does not own the pelts it sells, the majority of the collection and grading costs are realised regardless of the time of sale. Due to this, the company's costs were not reduced at the same rate as sales during the review period.

Personnel expenses declined by 16 per cent year-on-year, totalling EUR 8,1 million (MEUR 9,7). Other operating expenses totalled EUR 11,1 million (MEUR 12,2).

The consolidated operating profit for the review period was EUR -12,5 million (MEUR -3,8). The operating profit declined due to the decreased turnover resulting from the drop in sales.

Consolidated net financial income declined by 16 per cent, totalling EUR 1,7 million (MEUR 2,0). The decline was mainly due to an increase in credit losses recorded for receivables from producers.

Consolidated net result before taxes stood at a loss of EUR 10,8 million (a loss of MEUR 1,8). Direct taxes, including the change in deferred taxes, improved the result for the half-year by EUR 2 191 000 (EUR 349 000).

Consolidated result stood at a loss of EUR 8,6 million (a loss of MEUR 1,5).

Return on equity was -10,6 % (-1,7 %), with earnings per share amounting to EUR -2,44 (-0,42).

The Group's equity ratio at the end of the review period was 31,8 % per (56,5 % on 30 April 2019). The company's solvency has decreased clearly as a result of the postponed sales of pelts due to the coronavirus pandemic. The company's own operations have taken up more financing than previously, and fur farmers have raised exceptionally high advance payments from the company. At the end of the half-year, receivables from fur breeders were EUR 167 million (EUR 80 million). Receivables from buyers were EUR 37 million (EUR 40 million).

The consolidated balance sheet total was EUR 262,8 million (MEUR 167,9 on 30 Apr 2019 and MEUR 174,1 on 31 October 2019). The comparable balance sheet total before the adjustments due to IFRS 16 stood at EUR 259 million on 30 April 2020.

Equity per share was EUR 21,94 (EUR 24,16 on 30 Apr 2019 and EUR 24,38 on 31 October 2019).

Consolidated gross capital expenditure in November–April increased to EUR 1 million (EUR 0.5 million) mainly due to the equipment investments required by higher number of mink pelts.

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## Personnel

The number of permanent Group staff in the review period averaged 180 (160 in the previous corresponding period) and that of fixed-term employees 269 (292). At the end of the period, the Group employed 360 individuals.

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## Share trade 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. These include a total of 63,088 Series A and C shares held by the company.

The value of shares traded during the period of 1 November 2019–30 April 2020 totalled EUR 2.0 million and the volume amounted to 220,000 shares, accounting for 8 per cent of the company's Series C shares. The highest price of the share during the period was EUR 12.50 and the lowest price was EUR 6.10, with the average price being EUR 9.34. The shares closed at EUR 6.88. The company's market capitalisation stood at EUR 24 million on 30 April 2020.

A list of the company's largest shareholders as of 30 April 2020 is available for viewing on the company's website.

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## General Meeting

Saga Furs Oyj's General Meeting was held on 29 April 2020 with special arrangements. The General Meeting confirmed the company's financial statements for the financial year 1 November 2018–31 October 2019. The General Meeting approved the Board of Directors' proposal that no dividend will be paid to the shareholder, and the Board of Directors was authorised to decide on a dividend of maximum EUR 0.50 per share at a later time. The authorisation will be valid until the next Annual General Meeting.

The General Meeting did not confirm the remuneration policy of the bodies. The policy will be prepared further and presented to the General Meeting at the next Annual General Meeting at the latest.

Kenneth Ingman (deputy Marcus Nordmyr), Jari Iso-saari (Arto Isopahkala), Lasse Joensuu (Markku Kujanen), Anders Kulp (Daniel Blomqvist), Virve Kuusela (Marja Tiura), Isto Kärkäinen (Mikko Nordberg), Magnus Ljung (Kaj Wik) and Kennet Myllykoski (Hermann Kankaanpää) were elected to the Board of Directors of Saga Furs. Following the AGM, Jari Iso-saari was elected Chair and Kenneth Ingman Deputy Chair of the Board of Directors at the first meeting of the Board.

The General Meeting re-elected KPMG Oy Ab as the company's auditor, with Jukka Rajala, Authorised Public Accountant, as the auditor with principal responsibility.

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## Changes in company management

Saga Furs announced a change in the company's management on 6 May 2020. Pertti Fallenius who has been the company's CEO since 2009 stepped down from the company's operational management, and Magnus Ljung started as the new CEO. Juha Huttunen continues as the company's deputy managing director and the CEO's substitute.

In addition to Ljung and Huttunen, the company's management group consists of Sales Director Mikko Hovén, Production Director Sameli Mäkelä, HR Director Marjatta Paunonen as well as Business Directors Tia Rantanen (fashion), Julio Suarez Christiansen (producer services) and Samantha Vesala (trade services).

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## Business risks and uncertainties

Saga Furs' risks are managed in a systematic and predictive way so that the company is able to estimate and manage business-related risks, threats and opportunities.

The risks associated with Saga Furs Oyj's business are divided into business and strategy risks, financial risks and operational risks. As the operating environment is changing, the risks associated with strategic choices increase, but the company aims to manage and limit the possible effects of risks. If, however, these risks were realised, they could considerably impair the business and financial position of the company and weaken its financial performance or value. Other risks that are not currently considered to be significant or that the company is not currently aware of may also become significant.

The company operates in a cyclical industry, and it takes time before responses to changes become visible. The demand for fur is not steady throughout the year, since fur is primarily used during the winter season. Prices may fluctuate greatly, depending on the demand at the time of auction and on global production volumes. Being an important operator, Saga Furs aims to level out price fluctuations by moving products for sale at following auctions.

### **Most significant business and strategy risks**

Restrictions on travel and gatherings imposed due to the coronavirus pandemic or similar infectious diseases would harm or prevent the organisation of Saga Furs' auctions and decrease sales. The company seeks to minimise such impacts in part by, for example, organising online auctions and transferring other customer interface operations to Internet.

Failure to foresee changes in the operating environment and in strategic choices could impair the company's competitiveness or profitability and reduce its market share. The fur trade is sensitive to cyclical fluctuations, and a downturn in the global economy could lead to a weaker market situation and increased competition. Any overproduction of fur pelts would accelerate the development. Changes in the economic or political situation of individual countries, as well as saturation of an individual market area or other considerable change in the company's operating environment could have a significant impact on Saga Furs' business. A change in the resale network of a major market area, and new operators, unfamiliar with the fur trade, entering the industry could affect the company's business. The impact would be particularly severe should one of the above-mentioned things take place in China, as it is the company's most important market.

A stronger-than-expected decline in the fashion and textile industry's fur sales and use of fur in general or a long-term weakness following from, for example, changes in consumer demand due to the pandemic could lead to a decreasing business volume and delays in pelt sales. What is more, this would further reduce the availability of financing in the fur trade.

A decline in Finnish production could hamper the business of service providers in the fur value chain and weaken regional employment. Digitalisation and new competing business models could have a major impact on the company's customer base, and losing important producer-customers could affect its business. The viability of business could also be impaired by a significant improvement in the quality of a competing production area's pelts, which could have an impact on the demand in the company's auctions.

Saga Furs operates internationally, and the industry is affected by various local laws and regulations as well as the cost level in different areas. Changes in these fields could lead to an increase in production costs or changes in the market environment, which, in turn, might have a negative impact on the company's profitability. In addition, limitations on free trade, changes in the geopolitical situation or stronger protectionist measures could result in a more challenging market environment.

Saga Furs has a strong reputation and trademark. However, challenges related to the image of the company and the industry could have an impact on the company's business and financial performance. Animal well-being and health play a key role in responsibility and sustainability measures, certification and pelt quality, all of which are part of the company's brand. The realisation of these risks could impair the company's operations.

### **Most significant financial risks**

The business of the Saga Furs group involves different kinds of financial risks: credit and other counterparty risks, country, solvency, currency, interest rate and commodity risks. These risks are taken because of commercial reasons, such as the credit loss risk that is accepted in order to increase the pelt volumes received or sold or to increase the pelt prices. The financial and economic departments are responsible for financial risk management in the Saga Furs group, and the business units seek to reduce the indirect impacts of financial risks on the company's financial result according to the instructions given by the company's Board of Directors. The company seeks to balance its financial risks in proportion to the company's equity, distributable assets and result before taxes. These risks and how they are managed are described in more detail in note 25 to the consolidated financial statements.

### **Operational and other risks**

Major accidents in the company's production facilities, such as fires, machine breakdowns or severe defects in information systems could interrupt the company's business activities. The company has prepared contingency plans in case of the realisation of these risks, and its business is insured in this respect.

## **Corporate responsibility**

The strong corporate sustainability culture of Saga Furs helps it to build a reputation and improve transparency in the pelt value chain. Sustainability is a business prerequisite that, at the same time, improves the company's profitability and minimises its risks. The company continued to develop its sustainability programme during the first half-year. The programme covers the entire value creation chain from the farms to retail trade. The

programme is expected to be finalised during the financial year, and it will allow us to describe the impacts, set goals and report progress, for example, more systematically than before. The company also believes that the sustainability work will improve its employer image and employee retention.

Since 2019, Saga Furs has required that all European farms that send pelts to Saga Furs for brokerage, must have met the assessments of the WelFur certification system measuring animal welfare in three different stages of the breeding season. Saga Furs verifies the WelFur certification of all the farms providing pelts and does not accept pelts from uncertified farms. FIFUR, the Finnish Fur Breeders' Association, uses a farm certification programme verified by an independent auditor. This programme covers the environmental matters of fur farms and the operations of the farm, and the WelFur system measuring animal welfare is a part of the programme. Saga Furs does not accept fox or Finnraccoon pelts from producers who have not passed the above farm certification programme.

The possibility to trace the origin of pelts sold until the fur farm is an important part of Saga Furs' sustainability. In order to improve the traceability, the company is researching different kinds of identifier tags that could withstand the processing of the pelt, thereby improving traceability even further over the entire chain from the producer until retail trade. The company piloted the use of traceability tags during financial year 2019/2020.

The Code of Conduct of Saga Furs has been in use since 2017. The Code of Conduct discusses the observation of legislation and regulations, conflicts of interest, bribery, human rights, non-disclosure obligations and good business practice, among other things. Saga Furs has shown its commitment to the UN Global Compact initiative since 2008. Saga Furs supports UN's sustainable development goals and has identified the most relevant goals in terms of corporate sustainability.

## **Events after the reporting period**

The Board of Directors of Saga Furs Oyj announced on 6 May 2020 that it has appointed M.Sc. Magnus Ljung as the company's new CEO. At the same time, Pertti Fallenius, who had been the company's CEO since 2009 stepped down from the company's operational management. Juha Huttunen continues as the company's deputy managing director and the CEO's substitute.

On 13–15 May 2020, Saga Furs offered the possibility to make supplementary purchases of the pelts that remained unsold in the online auction to those customers who had not been able to participate in April due to the restrictions caused by the coronavirus pandemic. The demand was low.

On 19 May 2020, the company announced that it will move its customary June fur auction to the end of June and beginning of July, 29 June–7 July 2020. The sales programme for the auction comprises approximately 5 million mink pelts, 850,000 fox pelts, 50,000 Finnraccoon pelts, 26,000 sable pelts and 140,000 Karakul sheep pelts.

On 20 May 2020, Saga Furs announced that it will begin new statutory cooperation negotiations to improve its profitability and to adjust the number of personnel and the production capacity. The statutory cooperation negotiations are a part of a more extensive cost savings programme and cover the entire group, including the international organisation. It was estimated that the statutory cooperation negotiations would be completed by mid-July.

The company's solvency has decreased clearly as a result of the postponed sales of pelts due to the coronavirus pandemic. The company's own operations have taken up more financing than previously, and producers

have raised exceptionally large amounts of advance payments from the company. In order to cover the increased working capital needs, Saga Furs applied for the loan guarantee granted due to the COVID-19 pandemic from Finnvera but was not granted one. To safeguard its solvency the company decided on 13 May 2020 to suspend advance payments to producers until the June-July auction.

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## Market development in the main market areas

At the end of 2019, the global production volumes of both fox and mink pelts had been decreasing for several consecutive years. The reduction in mink pelt production in the West was particularly large: while the production for the season 2015/2016 was more than 50 million mink pelts, only 30 million pelts were produced for the season 2019/2020. The reduced production was expected to remedy the imbalance between supply and demand and thereby increase the price level slightly in the pelt auctions of spring 2020.

The coronavirus epidemic that expanded into a pandemic in early spring prevented the fur-using fashion and garment industry from purchasing pelts. At the same time, the travel restrictions imposed in almost all the countries of the world (lockdown) caused the demand to collapse.

Western fashion houses have reacted in various ways to the declining demand caused by the coronavirus pandemic. Some fashion houses have announced a radical reduction in the number of collections published annually and that they will focus their participation in fewer fashion events than before.

Innovative online solutions in the fashion industry are renewing the operating methods in the sector and highlight the opportunities of fur to consumers even in these exceptional circumstances. The sales volumes of fur garments resulting from these solutions have not been able to compensate for the decline in normal trade.

Due to the coronavirus pandemic and the fashion industry's production cycles, the global demand for pelts is likely to remain low until the end of the season and only start improving in the 2020/2021 season. Pelt production will likely be cut to almost half in the 2020/2021 season, which is likely to improve the sales of pelts that remained unsold during this season and to support a higher price level.

Chinese consumers making purchase decisions in the next winter season are critical for the sales of fur. China continues to be the most important market for the mink and fox pelts sold by Saga Furs. Other major markets areas for pelts include South Korea, Russia and the fashion markets in Western Europe and North America.

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## Business outlook

There is still significant uncertainty regarding the price level of pelts. The price level of mink pelts is likely to remain at the level of spring 2020 during this season's auctions. The price level of fox pelts is expected to be determined in Saga Furs' July auction at the earliest.

Depending on the results of the auction, Saga Furs will transfer a significant part of its pelt offering for the financial year to be sold in the financial year 2020/2021. The actions aimed at the improvement of operations and cost savings will be significantly reflected in the company's key figures only in the financial year 2020/2021. As the problems with pelt sales continue, the level of receivables

from fur breeders remains high, and the company's financial position tight.

Saga Furs does not forecast the results of future auctions, but the company estimates that the turnover for the financial year will remain lower than in the previous year and that the company's result will be clearly negative.

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## Accounting principles

This interim report was prepared in accordance with the IAS 34 Interim Financial Reporting standard.

The half-year financial report has been prepared according to the IFRS standards published by IASB and approved for use in the EU. This report has been prepared in accordance with the same accounting principles as the financial statements dated 31 October 2019 with the exception of the adjustments resulting from the introduction of IFRS 16, Leases.

### *IFRS 16 Leases*

IFRS 16 standard was published in January 2016. It describes the principles for the recording, valuation and presentation of leases as well as the information presented in the financial statements. According to the standard, the leases of all lessees are processed in a similar manner: the lessee records the fixed assets items and lease liabilities of all leases with a lease period of more than 12 months in the consolidated balance sheet.

The group adopted IFRS 16 on 1 November 2019 according to the simplified method. As instructed in the implementation instructions of IFRS 16, the comparison data has not been adjusted. The relevant estimates and considerations concerning the application of the standard are mainly related to the assessment of the lease period and the use of the discount rate.

The Group's business premises are mainly owned by the Group. However, the introduction of IFRS 16 increased the value of assets and liabilities recognised in terms of the previous office and other leases, included in the operating leases.

The tables on the following pages present the adjustments made for each applicable line of the consolidated balance sheet.

The Securities Markets 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.

The information presented in this half-year financial report is unaudited.

## Consolidated statement of financial position, IFRS

EUR 1,000

	Apr 30,2020	Apr 30,2019	Oct 31,2019
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	32 949	31 504	30 111
Intangible assets	2 706	2 892	2 718
Deferred tax assets (net)	613		
Investments	358	355	358
Long-term receivables	8 508	14 375	8 508
Non-current assets, total	<b>45 133</b>	49 127	41 695
Current assets			
Inventories	3 722	1 429	1 288
Interest-bearing receivables from buyers	19 174	15 350	21 292
Interest-bearing receivables from fur breeders	162 669	70 519	87 639
Non-interest-bearing receivables	26 490	26 205	21 428
Tax assets based on taxable income for the period	26	38	37
Cash and cash equivalents	5 556	5 233	757
Current assets, total	<b>217 638</b>	118 773	132 440
Total assets	<b>262 771</b>	167 900	174 135
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Equity attributable to parent company's shareholders			
Share capital	7 200	7 200	7 200
Share premium account	254	254	254
Other funds	21 105	21 105	21 105
Translation difference	53	55	50
Retained earnings	48 975	56 825	57 623
Shareholders' equity, total	<b>77 588</b>	85 439	86 233
Compulsory reservations			68
Non-current liabilities			
Deferred tax liabilities (net)		1 477	1 593
Current liabilities			
Interest-bearing liabilities	146 056	46 602	59 992
Trade and other payables	38 969	34 325	26 081
Deferred taxes based on the taxable income	159	58	167
Current liabilities, total	<b>185 184</b>	80 984	86 241
Total liabilities	<b>185 184</b>	82 461	87 835
Total shareholders' equity and liabilities	<b>262 771</b>	167 900	174 135

## Consolidated statement of comprehensive income

EUR 1,000	1.11.2019- 30.4.2020 6 mo	1.11.2018- 30.4.2019 6 mo	1.11.2018- 31.10.2019 12 mo
<b>Continuous operations</b>			
Net turnover	9 690	20 686	44 677
Other operating income	294	402	758
Materials and supplies	-450	-1 006	-2 385
Employee benefits	-8 126	-9 746	-18 761
Depreciation and impairment loss	-2 856	-2 001	-3 825
Other operating expenses	-11 087	-12 184	-22 851
Operating profit/loss	-12 534	-3 849	-2 386
Financial income	3 281	2 594	5 218
Financial expenses	-1 584	-574	-3 536
Profit/loss before tax	-10 837	-1 828	-705
Income tax	2 191	349	25
Net profit/loss for the reporting period	-8 646	-1 480	-680
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Translation differences	1	-1	-6
Total comprehensive income/expense	-8 645	-1 481	-688
Earnings per share, EUR, basic (EUR) *)	-2,44	-0,42	-0,19

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

## Consolidated statement of cash flows

EUR 1,000	1.11.2019- 30.4.2020 6 mo	1.11.2018- 30.4.2019 6 mo	1.11.2018- 31.10.2019 12 mo
<b>Cash flow from operating activities</b>			
Payments received for selling on commission	50 213	134 649	305 877
Cash received from other operating income	174	144	471
Cash paid for other operating expenses	-132 158	-125 714	-310 541
Cash flow from operating activities before financial items and taxes	-81 771	9 079	-4 192
Interests, paid	-568	-164	-446
Other financial expenses	-691	-50	-2 745
Interest, received	3 006	2 476	4 964
Other financial income	-136	39	169
Direct taxes paid	-11	-8	-211
<i>Net cash flow from operating activities (A)</i>	<b>-80 171</b>	11 373	-2 461
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-958	-541	-880
Proceeds from sale of tangible and intangible assets	59	108	204
Investments in other assets	0	0	-3
Proceeds from investments	0	246	246
<i>Net cash flow from investments activities (B)</i>	<b>-899</b>	-188	-433
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	85 869	0	2 126
Re-payments of short-term borrowings	0	-9 373	-130
Dividends paid	0	0	-1 768
<i>Net cash flow from financing activities (C)</i>	<b>85 869</b>	-9 373	228
Change in cash flows (A+B+C) increase (+) / decrease (-)	<b>4 799</b>	1 812	-2 666
Cash and cash equivalents, 30 Apr / 31 Oct	<b>5 556</b>	5 233	757
./. Cash and cash equivalents, 1 Nov	<b>757</b>	3 423	3 423
Net change in cash and cash equivalents	<b>4 799</b>	1 811	-2 666

## Consolidated statement of changes in shareholders' equity

### Consolidated statement of changes in shareholders' equity

Nov 1,2018-Apr 30,2019

EUR 1,000	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Total
Shareholders' equity, Nov	7 200	254	21 105	52	0	60 322	<b>88 933</b>	0	<b>88 933</b>
Implementation of IFRS 9 - standard						-1 359	<b>-1 359</b>		<b>-1 359</b>
Implementation of IFRS 15 - standard						1 114	<b>1 114</b>		<b>1 114</b>
Shareholders' equity, Nov	7 200	254	21 105	52	0	60 077	<b>88 688</b>	0	<b>88 688</b>
Result for the reporting period						-1 480	<b>-1 480</b>		<b>-1 480</b>
Other comprehensive				3		-3	<b>0</b>		<b>0</b>
Dividend						-1 769	<b>-1 769</b>		<b>-1 769</b>
Transfer to counter-cyclical						0	<b>0</b>		<b>0</b>
Shareholders' equity, Apr	7 200	254	21 105	55	0	56 825	<b>85 439</b>	0	<b>85 439</b>

### Consolidated statement of changes in shareholders' equity

Nov 1,2019-Apr 30,2020

EUR 1,000	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Total
Shareholders' equity, Nov	7 200	254	21 105	50	0	57 623	<b>86 233</b>	0	<b>86 233</b>
Result for the reporting period						-8 646	<b>-8 646</b>		<b>-8 646</b>
Other comprehensive				3		-2	<b>1</b>		<b>1</b>
Shareholders' equity, Apr	7 200	254	21 105	53	0	48 975	<b>77 588</b>	0	<b>77 588</b>

## Adoption of IFRS 16

EUR 1,000

<b>ASSETS</b>	<b>30.4.2020</b>	IFRS 16 adjustment	30.4.2020 Before IFRS 16 adjustment
Non-current assets			
Property, plant and equipment	32 949	3 655	29 294
Intangible assets	2 706		2 706
Deferred tax assets (net)	613		613
Investments	358		358
Long-term receivables	8 508		8 508
Non-current assets, total	<b>45 133</b>	3 655	41 478
Current assets			
Inventories	3 722		3 722
Interest-bearing receivables from buyers	19 174		19 174
Interest-bearing receivables from fur breeders	162 669		162 669
Non-interest-bearing receivables	26 490		26 490
Tax assets based on taxable income for the period	26		26
Cash and cash equivalents	5 556		5 556
Current assets, total	<b>217 638</b>		217 638
Total assets	<b>262 771</b>	3 655	259 116
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>30.4.2020</b>	IFRS 16	30.4.2020
Equity attributable to parent company's shareholders			
Share capital	7 200		7 200
Share premium account	254		254
Other funds	21 105		21 105
Translation difference	53		53
Retained earnings	48 975	-13	48 988
Shareholders' equity, total	<b>77 588</b>	-13	77 600
Compulsory reservations			
Non-current liabilities			
Deferred tax liabilities (net)	0		
Current liabilities			
Interest-bearing liabilities	146 056	3 668	142 388
Trade and other payables	38 969		38 969
Deferred taxes based on the taxable income	159		159
Current liabilities, total	<b>185 184</b>	3 668	181 516
Total liabilities	<b>185 184</b>	3 668	181 516
Total shareholders' equity and liabilities	<b>262 771</b>	3 655	259 116

**Adoption of IFRS 16**

EUR 1,000	1.11.2019- 30.4.2020	IFRS 16 adjustment	1.11.2019- 30.4.2020 Before IFRS 16 adjustment
	6 mo		6 mo
<b>Continuous operations</b>			
Net turnover	9 690	0	9 690
Other operating income	294	0	294
Materials and supplies	-450	0	-450
Employee benefits	-8 126	0	-8 126
Depreciation and impairment loss	-2 856	1 100	-1 756
Other operating expenses	-11 087	-1 117	-12 205
Operating profit/loss	-12 534	-18	-12 552
Financial income	3 281	0	3 281
Financial expenses	-1 584	31	-1 553
Profit/loss before tax	-10 837	13	-10 825
Income tax	2 191	0	2 191
Net profit/loss for the reporting period	-8 646	13	-8 633
<b>Other comprehensive income</b>			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Translation differences	1	0	1
Total comprehensive income/expense	<b>-8 645</b>	13	<b>-8 632</b>
Earnings per share, EUR, basic (EUR) *)	<b>-2,44</b>	0,00	-2,44

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

## Key performance indicators

	11/19-4/20	11/18-4/19	11/18-10/19
	6 mo	6 mo	12 mo
Total sales, MEUR	45,3	126,6	296,9
Net turnover, MEUR	9,7	20,7	44,7
Operating profit/loss, MEUR	-12,5	-3,8	-2,4
% of net turnover	-130%	-19%	-5,3 %
Profit before taxes, MEUR	-10,8	-1,8	-0,7
% of net turnover	-110%	-8,8 %	-1,6 %
Earnings per share, EUR	-2,44	-0,42	-0,19
Equity per share, EUR	21,94	24,16	24,38
Return on equity (ROE)-%	-10,6 %	-1,7 %	-0,8 %
Return on investment (ROI)-%	-5,5 %	-0,9 %	0,2 %
Equity-to-assets ratio, %	31,8 %	56,5 %	55,1 %
Gearing	1,81	0,48	0,69
Gross capital expenditure, MEUR	1,0	0,5	0,9
% of net turnover	9,9 %	2,6 %	2,0 %
Average number of personnel	448	452	345

### 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 / average number of outstanding shares
Equity per share, EUR	= Shareholders' equity / number of outstanding 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	Apr 30,2020	Apr 30,2019	Oct 31,2019
<b>Mortgages given and receivables pledged in security for debt</b>			
Loans from financial institutions	122 616	27 636	35 816
Mortgages on property	54 071	54 071	54 071
Mortgages on company assets	2 691	2 691	2 691
Pledges given	791	791	791
<b>Derivative contracts</b>			
Forward exchange agreements	0	450	0

Forward exchange agreements are not classified as hedging instruments because the Group does not apply hedge accounting.

The position of the parent company's forward exchange agreements which were effective at the end of the interim period was -1 843 533 euro.

### 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 2.1 million and the last year of inspection is 2026.

### Termination of Executive agreement

Board of Directors has terminated the executive agreement and director's contract with former Managing Director Pertti Fallenius to be discontinued at July 31, 2020. Mr Fallenius will then receive a one-time compensatory payment of 350 000 EUR.

## Related Party Transactions

EUR 1.000	2019/2020 6 mo	2018/2019 6 mo	2018/2019 12 mo
<b>Transactions with related parties:</b>			
<i>Net turnover</i>			
- parent company	1	1	4
- other related party	253	139	353
<i>Other operating income</i>			
- parent company	22	22	43
<i>Purchase of materials and supplies</i>			
- other related party	0	-1	0
<i>Other operating expenses</i>			
- parent company	-6	-33	-22
<i>Financial income</i>			
- other related party	59	27	49
<i>Financial expenses</i>			
- parent company	0	-1	-1
- other related party	0	-2	-1
<i>Related party receivables</i>			
- other related party	3 995	1 158	1 169
<i>Related party liabilities</i>			
- parent company	-83	-591	-376
- other related party	-36	-1 088	-1 007
<b>Management compensation</b>			
Remuneration and other short-term employee benefits	733	699	1 405

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

Vantaa, 29 June 2020

Board of Directors