

A woman with long dark hair is lying on her side in a field of purple flowers. She is wearing a white lace dress and a grey and white fur stole. Her eyes are closed, and she has a peaceful expression. The background is a dense field of purple flowers.

sagafurs®

Interim Report

1 September 2012 – 30 November 2012

SAGA FURS OYJ

INTERIM REPORT FOR 1 September 2012 – 30 November 2012

Vantaa, 30 January 2013 at 1:55 p.m.

Result for the first quarter of Saga Furs Oyj's financial year continued to show a profit

- The value of sales for Saga Furs Oyj during the reporting period 1 September 2012 – 30 November 2012 decreased by eight per cent to EUR 91.4 million (EUR 99.1 million) due to the smaller number of pelts than in the reference period.
- The company auctioned a total of 1.1 million pelts in the reporting period (1.6 million).
- The price level of both mink and fox pelts strengthened clearly compared with the previous corresponding period.
- Consolidated net turnover decreased by 18 per cent from the previous corresponding period, totalling EUR 8.1 million (EUR 9.9 million).
- Consolidated operating result showed a loss of EUR 620,000 (profit of EUR 1.6 million).
- Consolidated net financial income amounted to EUR 830,000 (EUR 1.5 million) and profit/loss before tax to EUR 210,000 (EUR 3.1 million).
- Earnings per share stood at EUR 0.04 (compared with EUR 0.64).

Consolidated key figures	9/12-11/12 3 mo	9/11-11/11 3 mo	9/11-8/12 12 mo
Total sales, MEUR	91,4	99,1	695,2
Total amount of skins sold, 1.000 pcs	1 148	1 568	9 259
Net turnover, MEUR	8,12	9,86	60,1
Operating profit/loss, MEUR	-0,62	1,63	17,2
Profit before taxes, MEUR	0,21	3,14	22,5
Earnings per share, EUR	0,04	0,64	4,69
Return on equity, (ROE) %	0,2 %	3,4 %	23,1 %
Return on investment, (ROI) %	0,3 %	3,3 %	21,7 %

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 in preparing it.

As of 1 September 2012, the Group has applied the following new and amended standards and interpretations which have not significantly affected the Interim Report:

- IFRS 7 Financial Instruments: Disclosures
- IAS 12 Income Taxes
- IAS 1 Presentation of Financial Statements
- IAS 19 Employee Benefits

The new Securities Markets Act (SMA) entered into force on 1 January 2013. The 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 requirements of the Accounting Act. However, the company has decided to continue presenting future prospects in its interim reports for the time being. A potential change in the practice to present future prospects will be communicated separately.

In other respects, the same accounting principles have been applied to this report as in the financial statements for 1 September 2011 – 31 August 2012. The data in this Interim Report are based on unaudited figures.

Sales during the period 1 September 2012 – 30 November 2012

The first auction of the financial year was held on 20–24 September 2012, and 630,000 mink pelts, 430,000 fox pelts and 35,000 Finn raccoon pelts were offered for sale there (compared with 820,000 mink pelts, 730,000 fox pelts and 53,000 Finn raccoon pelts at a corresponding auction in the previous year). The lower volumes on offer compared with the corresponding auction in the previous year contributed to strengthening the prices. Close to 500 buyers from all market areas participated in the auction, and the value of sales at the five-day auction totalled EUR 91.3 million (EUR 98.7 million at the September 2011 auction). Warehouse sales remained lower than in the reference period, and the value of sales over the entire reporting period totalled EUR 91.4 million (EUR 99.1 million).

Auction	Sales 1 000 pelts 2012/2013	Value EUR 1 000 2012/2013	Sales 1 000 pelts 2011/2012	Value EUR 1 000 2011/2012
September	1 144	91 348	1 537	98 680
Warehouse sales	4	73	32	468
Total	1 148	91 421	1 568	99 147

Financial performance

Consolidated net turnover for the first quarter of the financial year amounted to EUR 8.1 million (EUR 9.9 million). Net turnover fell by 18 per cent on the reference period due to the lower number of pelts. Other operating income amounted to EUR 62,000 (EUR 90,000). Operating expenses increased by six per cent compared to previous corresponding period, amounting to EUR 8.8 million (EUR 8.3 million). Operating profit/loss for the period showed a loss of EUR 620,000 (profit of EUR 1.6 million).

Consolidated net financial income fell by 45 per cent compared to previous corresponding period and stood at EUR 830,000 (EUR 1.5 million). The decrease in net financial income is due to the decrease in net interest income resulting from the record high pace of receiving payment for sold pelts and the fact that exchange rate gains were not accrued to the Group as in the previous corresponding period. Profit before tax for the reporting period amounted to EUR 210,000 (EUR 3.1 million) and profit to EUR 160,000 (EUR 2.3 million). Return on equity stood at 0.2 per cent (3.4 per cent) and earnings per share at EUR 0.04 (EUR 0.64).

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

Capital expenditure and development

Consolidated gross capital expenditure totalled EUR 1.7 million (EUR 1.4 million) during the period, or 21 per cent (15 per cent) of net turnover. Of the capital expenditure, 75 per cent was spent on tangible and 15 per cent on intangible assets.

Shares and share performance

Saga Furs Oyj's share capital totalled EUR 7,200,000 at the end of the 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 3.9 million and the volume amounted to 190,000 shares, accounting for seven per cent of the company's Series C shares. The period high was EUR 23.97, its low EUR 16.88 and its average EUR 19.94. The share closed at EUR 23.60. The market capitalisation totalled EUR 85.0 million on 30 November 2012.

Human resources

The number of permanent Group staff in the period under review averaged 145 (140) and fixed-term employees 63 (66). At the end of the period, the Group employed 503 individuals (499).

Periodic fluctuation

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

with the reference period may not provide an accurate picture of the development over an entire financial year.

Business risks and uncertainties

The most significant business risks and uncertainties have been described in the Board of Directors' report for the financial year from 1 September 2011 to 31 August 2012. Management of financial risks is explained in the notes to the consolidated financial statements in section 24. There have been no substantial changes in the risks during the period under review.

Significant events following the end of the period under review

The cold winter weather and well launched retail sales in the main market areas were seen at the auction held on 18–20 December, at which pelts were still bought for the needs of the current retail season. The prices of both mink and fox pelts broke new records. The growth in the number of buyers continued, and close to 600 customers participated in the opening auction of the season; of these, as many as 250 were Chinese. The share of Hong Kong/China in the purchases continued to grow: they accounted for approximately 70 per cent compared with 60 per cent at the corresponding auction in the previous year. A total of 1 million mink pelts (990,000), 320,000 fox pelts (260,000), 28,000 Finnraccoon pelts (20,000) and 220,000 Karakul lamb pelts (220,000) were sold at the auction. The value of sales at the three-day auction totalled EUR 143 million (EUR 98.2 million in December 2011).

The Annual General Meeting of Saga Furs Oyj held on 24 January 2013 adopted the company's financial statements for the financial year ended on 31 August 2012 and, in deviation from the Board of Directors' proposal and in accordance with counterproposal of the Finnish Fur Breeders' Association, decided to distribute a dividend of EUR 1.70 per share, or a total of EUR 6,120,000, and transfer EUR 1,670,000 to the counter-cyclical budgetary fund. Fur breeders Jorma Kauppila, Markku Koski, Pentti Lipsanen, Hannu Sillanpää and Rainer Sjöholm and Mircku Kulberg, managing director of Artek Oy Ab, were re-elected to the company's Board of Directors. At the constituent Board meeting following the Annual General Meeting, Jorma Kauppila was elected Chair and Markku Koski Deputy Chair of the Board of Directors. Ernst & Young Oy was elected as the company's auditor. The Annual General Meeting decided to amend Section 11 of the Articles of Association so that the company's financial year begins on 1 November and ends on 31 October. The current financial year will end on 31 October 2013.

Prospects for the rest of the financial year

Saga Furs Oyj aims to offer 5.5 million mink pelts and 1.7 million fox pelts at the auctions held in March, June and September 2013, or 77 per cent of mink pelts and 70 per cent of fox pelts for the whole financial period.

The cold winter weather that has lasted long in all main market areas excluding North America and the good retail sales in China functioned as the drivers of trade in mink. The product development work by Saga Furs Design Centre has increased the ways of using fox pelts, and pelt production volumes have not grown at the same pace as demand.

The extremely high price level of pelts may decrease the demand in market areas other than China, as retail sellers find it hard to accept the current price level.

Quality-conscious Chinese consumers demand top-quality pelts produced in Europe, as China's own pelt production does not quite achieve the same quality level. As a result, activeness on the part of Chinese buyers is ultimately the decisive factor in the development of auction prices for the remaining financial year. Expectations for the current sales period are still good, and the demand for both mink and fox pelts will probably continue to be strong.

The Group's costs are expected to grow from the previous financial year. If the pace at which payments are made for sold pelts continues to be high, the company's net financial income will decrease. The majority of this financial period's pelts will be put on sale at the remaining auctions, and the profit for the financial year will depend on the performance of these auctions.

Consolidated statement of financial position, IFRS

EUR 1.000

ASSETS	30 Nov 2012	30 Nov 2011	31 Aug 2012
Non-current assets			
Property, plant and equipment	28 952	27 816	28 356
Intangible assets	3 581	2 855	3 301
Available-for-sale investments	504	491	512
Long-term receivables from fur breeders	3 959	3 749	2 682
Non-current assets, total	36 996	34 910	34 850
Current assets			
Inventories	1 123	593	1 493
Interest-bearing receivables from buyers	15 948	28 458	45 540
Interest-bearing receivables from fur breeders	57 603	52 899	26 539
Non-interest-bearing receivables	5 027	7 457	12 886
Cash and cash equivalents	27 450	1 394	24 124
Current assets, total	107 151	90 801	110 582
Total assets	144 146	125 712	145 432
SHAREHOLDERS' EQUITY AND LIABILITIES			
	30 Nov 2012	30 Nov 2011	31 Aug 2012
Equity attributable to parent company's shareholders			
Share capital	7 200	7 200	7 200
Share premium account	254	254	254
Other funds	15 700	14 320	15 700
Translation difference	56	59	59
Fair value reserve	177	171	183
Retained earnings	55 959	47 711	55 805
Shareholders' equity, total	79 347	69 715	79 201
Non-current liabilities			
Deferred tax liabilities	2 647	2 813	2 652
Current liabilities			
Interest-bearing liabilities	42 830	33 024	41 355
Trade and other payables	18 350	17 975	21 186
Deferred taxes based on the taxable income	973	2 185	1 038
Current liabilities, total	62 153	53 184	63 579
Total liabilities	64 800	55 997	66 231
Total shareholders' equity and liabilities	144 146	125 712	145 432

Consolidated statement of comprehensive income

EUR 1.000	1 Sep 2012- 30 Nov 2012 3 mo	1 Sep 2011- 30 Nov 2011 3 mo	1 Sep 2011- 31 Aug 2012 12 mo
Continuous operations			
Net turnover	8 124	9 863	60 076
Other operating income	62	90	311
Materials and supplies	-622	-494	-3 012
Employee benefits	-3 130	-2 736	-15 668
Depreciation and impairment loss	-856	-767	-3 299
Other operating expenses	-4 195	-4 321	-21 253
Operating profit/loss	-618	1 635	17 155
Financial income	983	1 682	6 395
Financial expenses	-156	-180	-1 092
Profit/loss before tax	209	3 137	22 458
Income tax	-54	-818	-5 564
Net profit/loss for the reporting period	155	2 319	16 894
Other comprehensive income			
Available-for-sale investments	-8	23	34
Translation differences	-4	3	1
Taxes included in other items in comprehensive profit/loss	2	-6	-5
Other comprehensive income/expense, net of tax	-10	20	30
Total comprehensive income/expense	145	2 339	16 924
Earnings per share, EUR, basic (EUR) *)	0,04	0,64	4,69

*) There are no factors diluting the key performance indicator

Consolidated statement of cash flow

EUR 1.000	1.9.2012- 30.11.2012 3 mo	1.9.2011- 30.11.2011 3 mo	1.9.2011- 31.8.2012 12 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	127 724	112 334	689 050
Cash received from other operating income	62	59	259
Cash paid for other operating expenses	-128 614	-124 949	-667 966
Cash flow from operating activities before financial items and taxes	-828	-12 556	21 343
Interests, paid	-179	-172	-850
Other financial expenses	-14	-18	-230
Interest, received	1 034	590	4 571
Other financial income	4	254	1 364
Dividend income	0	7	28
Direct taxes paid	-1 165	-741	-6 800
Net cash flow from operating activities (A)	-1 148	-12 637	19 426
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-1 732	-1 447	-5 001
Proceeds from sale of tangible and intangible assets	0	69	99
Investments in other assets	0	0	10
Proceeds from sale of other investments	2	0	0
Net cash flow from investments activities (B)	-1 730	-1 378	-4 892
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	6 205	4 772	4 080
Dividends paid	-1	0	-5 128
Net cash flow from financing activities (C)	6 204	4 772	-1 047
Change in cash flows (A+B+C) increase (+) / decrease (-)	3 327	-9 242	13 487
Cash and cash equivalents, 30 Nov / 31 Aug	27 451	1 394	24 124
./. Cash and cash equivalents, 1 Sep	24 124	10 637	10 637
Net change in cash and cash equivalents	3 327	-9 242	13 487

Consolidated statement of changes in shareholders' equity

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, 1 Sep 2011	7 200	254	14 320	58	153	45 391	67 376		67 376
Result for the reporting period						2 319	2 319		2 319
Other comprehensive income/expense				2	17	1	20		20
Shareholders' equity, 30 Nov 2011	7 200	254	14 320	60	170	47 711	69 715		69 715
Shareholders' equity, 1 Sep 2012	7 200	254	15 700	59	183	55 805	79 201		79 201
Result for the reporting period						155	155		155
Other comprehensive income/expense				-3	-6	-1	-10		-10
Shareholders' equity, 30 Nov 2012	7 200	254	15 700	56	177	55 959	79 347		79 347

Key performance indicators

	2012/2013 3 mo	2011/2012 3 mo	2011/2012 12 mo
Total sales, EUR 1,000	91 420	99 147	695 191
Net turnover, EUR 1,000	8 124	9 863	60 076
Operating profit/loss, EUR 1,000	-618	1 634	17 155
% of net turnover	-7,6%	16,6 %	28,6 %
Profit before taxes, EUR 1,000	209	3 137	22 458
% of net turnover	2,6 %	31,8 %	37,4 %
Earnings per share, EUR	0,04	0,64	4,69
Equity per share, EUR	22,04	19,37	22,00
Return on equity (ROE)-%	0,2 %	3,4 %	23,1 %
Return on investment (ROI)-%	0,3 %	3,3 %	21,7 %
Equity-to-assets ratio, %	55,0 %	59,4 %	58,1 %
Gearing	0,19	0,45	0,22
Gross capital expenditure, EUR 1,000	1 732	1 447	5 011
% of net turnover	21,3 %	14,7 %	8,3 %
Average number of personnel	208	206	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 30 Nov 2012 30 Nov 2011 31 Aug 2012

Mortgages given and receivables pledged in security for debt

Loans from financial institutions	10 312	7 914	6 877
Mortgages on property	54 071	54 071	54 071
Mortgages on company assets	2 691	2 691	2 691

Derivative contracts

Forward exchange agreements	2 926	4 397	28 150
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Property investments

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

Related Party Transactions

EUR 1.000 2012/2013 2011/2012 2011/2012
3 mo 3 mo 12 mo

Transactions with related parties:

<i>Net turnover</i>			
- other related party	9	28	265
<i>Other operating income</i>			
- parent company	12	12	48
<i>Other operating expenses</i>			
- parent company	-2	-5	-28
- associates	0	-10	-752
<i>Financial income</i>			
- other related party	2	3	15
<i>Financial expenses</i>			
- parent company	0	0	-23
- other related party	-4	-2	-18
<i>Related party receivables</i>			
- other related party	531	482	9
<i>Related party liabilities</i>			
- parent company	-4 172	-1 173	-1 828
- other related party	-1 427	-971	-1 623

Management compensation	2012/2013 3 mo	2011/2012 3 mo	2011/2012 12 mo
Remuneration and other short-term employee benefits	271	262	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 30 January 2013

Board of Directors