



sagafurs®

Interim Report for
1 September 2011 –
30 November 2011

SAGA FURS OYJ
INTERIM REPORT FOR 1 September 2011 - 30 November 2011

Vantaa, 30 January 2012 at 13:00

Result for the first quarter of Saga Furs Oyj's financial year at nearly the same level as in the previous corresponding review period

- The value of sales for Saga Furs Oyj during the review period 1 September 2011 – 30 November 2011 decreased by four percent to EUR 99.1 million (MEUR 103.7 in the previous corresponding period) due to a smaller amount of fox pelts than in the previous corresponding period.
- The Company auctioned a total of 1.6 million pelts in the period under review (1.6 million).
- The price of mink pelts remained at the same level as in the previous corresponding period, while the price of fox pelts was strengthened by around ten percent.
- The consolidated net turnover decreased by five percent compared to the previous corresponding period, totalling EUR 9.9 million (MEUR 10.4 million).
- The consolidated operating profit was EUR 1.63 million, i.e. 16.6 percent of turnover (compared with 2.65 MEUR or 25.6 percent of turnover in the previous corresponding period).
- Earnings per share stood at EUR 0.64 (compared with EUR 0.70).

Consolidated key figures	9/11-11/11 3 months	9/10-11/10 3 months	9/10-8/11 12 months
Total sales, MEUR	99.1	103.7	594.7
Amount of skins sold, 1,000 pcs	1,568	1,623	9,097
Net turnover, MEUR	9.86	10.4	54.1
Operating profit/loss, MEUR	1.63	2.65	15.1
Profit before taxes, MEUR	3.14	3.41	18.7
Earnings per share, EUR	0.64	0.70	3.84
Return on equity (ROE), %	3.4%	4.3%	22.2%
Return on investment (ROI), %	3.3%	3.8%	20.6%

Accounting principles

This Interim Report has been prepared in accordance with the IFRS recognition and valuation principles, but not all presentation requirements referred to in IAS 34 Interim Financial Reporting have been complied with in preparing it.

As of 1 September 2011, the Group has applied the following new and amended standards and interpretations which have not significantly affected the Interim Report:

- Amended IAS 24 Related Party Disclosures in the financial statements.
- Amendment IFRS 7 Financial Instruments
- Improvements in the IFRS standards (May 2010)

In other respects, the same accounting policies have been applied to this report as in the financial statements for 1 September 2010 – 31 August 2011. The data in this Interim Report are based on unaudited figures.

Sales during the period 1 September 2011 - 30 November 2011

In the last auction held under the name Finnish Fur Sales from 22 to 26 September 2011, slightly over 820,000 Saga mink pelts, nearly 730,000 fox pelts and 46,000 Finn raccoon pelts were offered for auction. The demand for fur pelts remained at a high level and the price level stayed high despite the uncertainty in global economy. The decline of blue fox prices since the March 2011 auction continued, however, with a decrease of some 10 percent while 95 percent of the collection was sold. The value of sales in the five-day auction was EUR 98.7 million (MEUR 103 in the September 2010 auction).

Total sales in the review period amounted to 800,000 mink pelts, mainly graded in the previous financial period (720,000 in the corresponding period in 2010), 690,000 fox pelts (830,000), 17,000 Karakul lamb pelts (21,000) and 53,000 Finn raccoon pelts (41,000). Sales value fell by four percent to total EUR 99.1 million (103.7 MEUR).

Auction	Sales	Value	Sales	Value
	1,000 pelts 2011/2012	EUR 1,000 2011/2012	1,000 pelts 2010/2011	EUR 1,000 2010/2011
September	1,537	98,680	1,605	102,943
Warehouse sales	32	468	17	723
Total	1,568	99,147	1,622	103,665

Financial performance

The consolidated net turnover for the first quarter of the financial year was EUR 9.9 million (EUR 10.4 million). Turnover fell by five percent from the previous corresponding period due to the smaller amount of fox pelts. Other operating income amounted to just EUR 90,000 (430,000 EUR), as the majority of the credit losses to customers recorded for the 2008–2009 financial year were redeemed by the end of the 2010–2011 financial year. Operating expenses increased two per cent compared with the corresponding period, amounting to EUR 8.3 million (EUR 8.1 million). The operating profit for the period was EUR 1.6 million (EUR 2.6 million), representing a decrease of 38 percent.

Net financial income nearly doubled from the previous corresponding period, amounting to EUR 1.5 million (760,000). The increase in net financial income was mainly due to growth in net interest yield. Profit before tax for the quarter was EUR 3.1 million (3.4 MEUR) and profit for the period was EUR 2.3 million (2.5 MEUR). Return on equity stood at 3.4 per cent (4.3 per cent) and earnings per share at EUR 0.64 (EUR 0.70).

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

Capital expenditure and development

Consolidated gross capital expenditure totalled EUR 1.4 million (770,000) during the period under review, or 15 percent (7 percent) of net turnover. Of the capital expenditure, 62 per cent was spent on tangible and 38 percent 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 1.9 million and the volume amounted to 120,000 shares, accounting for five per cent of the Company's Series C shares. The period high was EUR 16.72, its low EUR 13.25 and its average EUR 15.38. The share closed at EUR 15.68. The market capitalisation totalled EUR 57.1 million on 30 November 2011.

Human resources

Key personnel of the Saga cooperative became employees of the Group on 1 September 2011, and at the same time Jan Erik Carlson, Managing Director of the cooperative, started as Marketing Director and Member of the Management Group. Combining auction operations and the product development and fashion expertise of the Saga Furs Design Centre under the Saga Furs brand supports the company's main area of operations, sales of Saga mink, fox and Finnraccoon pelts.

The number of permanent Group staff in the review period averaged 140 (133 a year ago) and fixed-term employees 66 (65). At the end of the period the Group employed 499 individuals (479).

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 accounting period 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 period.

Business risks and uncertainties

The most significant business risks and uncertainties are described in the Board of Directors' report for the financial year from 1 September 2010 to 31 August 2011. Management of financial risks has been explained in section 26 of the notes to the consolidated financial statements. There have been no significant changes in the risks during the period under review.

Significant events following the end of the reporting period

The uncertainty in the global economy was not reflected in the auction held on 19–22 December. Instead, the auction marked the opening of the 2011–2012 pelt sales season at a very strong price level. International fashion favours fur, and its possibilities for use have become diversified thanks to continuous product development. Small pelt stocks in all major markets also supported the price. The largest purchases were made for the Chinese, Russian, Greek and Italian markets, and a record number of over 500 buyers participated in the auction. A total of 990,000 mink (880,000), 260,000 fox (250,000), 20,000 Finnraccoon (17,000) and 220,000 Karakul lamb pelts (260,000) were sold at the auction. Sales value at the four-day auction amounted to EUR 98.2 (79.8 MEUR in December 2010).

The Annual General Meeting of Saga Furs Oyj held on 19 January 2012 approved the financial statements for the financial period ending on 31 August 2011 and decided to distribute a dividend of EUR 1.45/share, totalling EUR 5,220,000, and to transfer EUR 1,380,000 to the counter-cyclical budgetary fund. Fur breeders Jorma Kauppila, Markku Koski, Pentti Lipsanen, Hannu Sillanpää and Rainer Sjöholm were appointed to the Board of Directors. M.Sc. (Eng.) Helena Walldén, who was no longer available during the new term, was replaced by Mirja-Leena Kullberg, Managing Director of Artek Oy Ab. In 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 were appointed as accountants.

Prospects for the rest of the financial year

Saga Furs Oyj aims to offer 5.0 million mink pelts and 1.3 million fox pelts at the auctions held in March and June 2012, or 73 percent of mink pelts and 58 percent of fox pelts for the whole financial year. A total of 4.7 million mink pelts and 1.2 million fox pelts were offered at the corresponding auctions during the previous financial year.

The prospects for fur sales during the current sales season are relatively positive despite economic threats, as fashion continues to favour fur and fur features prominently in the 2012/2013 winter collections. However, the rise in pelt prices to the very high current level during the two previous sales seasons may motivate buyers to seek more affordable options for materials. Fashion weeks and fur exhibitions held in early spring have a significant impact on the prices at the main auctions.

However, activeness on the part of Chinese buyers is ultimately the decisive factor in the development of auction prices. The retail sales period for the current winter got off to a slow start in China, and was shorter than usual this year as the Chinese New Year that ends the retail season was already at the end of January. As a result, a larger than average number of mink garments will likely remain unsold this year. On the other hand, fur fashion is expanding into new areas in China, and the constant establishment of new business is believed to support demand.

The uncertainty in the global economy is likely to be reflected in fur trade as well to some extent. The majority of this financial year's pelts will be put on sale in the remaining auctions, and the profit for the financial year will depend on the performance of these auctions as well as on exchange rate developments.

Consolidated statement of financial position, IFRS

EUR 1,000

ASSETS	30 Nov 2011	30 Nov 2010	31 Aug 2011
Non-current assets			
Property, plant and equipment	27,816	23,327	27,632
Intangible assets	2,855	794	2,415
Available-for-sale investments	491	475	468
Long-term receivables from fur breeders	3,749	1,657	1,804
Non-current assets, total	34,910	26,254	32,320
Current assets			
Inventories	593	434	851
Interest-bearing receivables from buyers	28,458	25,118	40,291
Interest-bearing receivables from fur breeders	52,899	39,306	27,823
Non-interest-bearing receivables	7,457	4,167	7,476
Deferred taxes based on the taxable income	0	28	0
Cash and cash equivalents	1,394	20,812	10,637
Current assets, total	90,802	89,865	87,077
Total assets	125,712	116,119	119,396
SHAREHOLDERS' EQUITY AND LIABILITIES			
	30 Nov 2011	30 Nov 2010	31 Aug 2011
Equity attributable to parent company's shareholders			
Share capital	7,200	7,200	7,200
Share premium account	254	254	254
Other funds	14,320	13,470	14,320
Translation difference	59	58	58
Fair value reserve	171	160	154
Retained earnings	47,711	38,760	45,390
Shareholders' equity, total	69,715	59,901	67,376
Non-current liabilities			
Deferred tax liabilities	2,813	2,867	2,832
Current liabilities			
Interest-bearing liabilities	33,024	34,743	29,457
Trade and other payables	17,975	16,316	17,589
Deferred taxes based on the taxable income for the financial year	2,185	2,291	2,142
Current liabilities, total	53,184	53,350	49,188
Total liabilities	55,997	56,218	52,020
Total shareholders' equity and liabilities	125,712	116,119	119,396

Consolidated statement of comprehensive income

EUR 1,000	1 Sep 2011- 30 Nov 2011 3 months	1 Sep 2010- 30 Nov 2010 3 months	1 Sep 2010- 31Aug 2011 12 months
Continuous operations			
Net turnover	9,863	10,362	54,094
Other operating income	90	431	1,146
Materials and supplies	-494	-628	-2,437
Employee benefits	-2,736	-2,542	-15,964
Depreciation and impairment losses	-767	-680	-2,811
Other operating expenses	-4,321	-4,294	-18,912
Operating profit/loss	1,635	2,650	15,117
Financial income	1,682	983	4,386
Financial expenses	-180	-219	-796
Profit/loss before tax	3,137	3,413	18,707
Income tax	-818	-887	-4,885
Net profit/loss for the reporting period	2,319	2,526	13,823
Other comprehensive income			
Available-for-sale investments	23	-7	-15
Translation differences	3	-2	-1
Taxes included in other items in comprehensive profit/loss	-6	2	4
Other comprehensive income/expense, net of tax	20	-7	-12
Total comprehensive income/expense	2,339	2,519	13,810
Earnings per share, EUR, basic (EUR) *)	0.64	0.70	3.84

*) There are no factors diluting the key performance indicator

Consolidated statement of cash flow

EUR 1.000	1.9.2011- 30.11.2011 3 mo	1.9.2010- 30.11.2010 3 mo	1.9.2010- 31.8.2011 12 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	112 334	130 677	606 120
Cash received from other operating income	59	70	293
Cash paid for other operating expenses	-124 949	-115 108	-577 921
Cash flow from operating activities before financial items and taxes	-12 556	15 639	28 492
Interests, paid	-172	-199	-666
Other financial expenses	-18	-41	-106
Interest, received	590	895	3 982
Other financial income	254	139	227
Dividend income	7	8	23
Direct taxes paid	-741	-40	-4 257
Net cash flow from operating activities (A)	-12 637	16 400	27 695
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-1 447	-771	-8 865
Proceeds from sale of tangible and intangible assets	69	21	99
Net cash flow from investments activities (B)	-1 378	-750	-8 766
<i>Cash flow from financing activities</i>			
Re-payments of short-term borrowings	0	-1 005	-10 671
Dividends paid	0	0	-3 789
Net cash flow from financing activities (C)	4 772	-1 005	-14 460
Change in cash flows (A+B+C) increase (+) / decrease (-)	-9 242	14 645	4 470
Cash and cash equivalents, 30 Nov / 31 Aug	1 394	20 812	10 637
./. Cash and cash equivalents, 1 Sep	10 637	6 167	6 167
Net change in cash and cash equivalents	-9 242	14 645	4 470

Consolidated statement of changes in shareholders' equity 1 September 2010 – 30 November 2010

	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Shareholders' equity, total
Shareholders' equity, 1 Sep 2010	7,200	254	13,470	59	165	36,234	57,382	0	57,382
Net profit/loss for the reporting period						2,526	2,526		2,526
Other comprehensive income/expense				-1	-5	-1	-7		-7
Shareholders' equity, 31 Nov 2010	7,200	254	13,470	58	160	38,760	59,901	0	59,901

Consolidated statement of changes in shareholders' equity 1 September 2011 – 30 November 2011

Shareholders' equity, 1 Sep 2011	7,200	254	14,320	58	153	45,391	67,376	0	67,376
Net profit/loss 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	59	171	47,711	69,715	0	69,715

Key performance indicators

	2011/2012	2010/2011	2010/2011
	3 mo	3 mo	12 mo
Total sales, EUR 1,000	99 147	103 665	594 677
Net turnover, EUR 1,000	9 863	10 362	54 094
Operating profit/loss, EUR 1,000	1 634	2 650	15 117
% of net turnover	16,6%	25,6 %	27,9 %
Profit before taxes, EUR 1,000	3 137	3 413	18 707
% of net turnover	31,8 %	32,9 %	34,6 %
Earnings per share, EUR	0,64	0,70	3,84
Equity per share, EUR	19,37	16,64	18,72
Return on equity (ROE)-%	3,4 %	4,3 %	22,2 %
Return on investment (ROI)-%	3,3 %	3,8 %	20,6 %
Equity-to-assets ratio, %	59,4 %	54,7 %	59,1 %
Gearing	0,45	0,23	0,28
Gross capital expenditure, EUR 1,000	1 447	771	8 865
% of net turnover	14,7 %	7,4 %	16,4 %
Average number of personnel	206	198	309

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 2011	30 Nov 2010	31 Aug 2011
Mortgages given and receivables pledged in security for debt			
Loans from financial institutions	7,914	13,621	3,455
Mortgages on property	54,071	54,071	54,071
Mortgages on company assets	2,691	2,691	2,691
Derivative contracts			
Forward exchange agreements	4,397	4,078	14,533

Property investments

The Group is obliged to revise 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 49,000 and the last year of inspection is 2019.

Related Party Transactions

EUR 1,000	2011/2012 3 months	2010/2011 3 months	2010/2011 12 months
Transactions with related parties:			
<i>Net turnover</i>			
- associates	0	1	8
- other related party	28	39	308
<i>Other operating income</i>			
- parent company	12	11	43
<i>Materials and supplies</i>			
- associates	0	0	-271
<i>Other operating expenses</i>			
- parent company	-5	-8	-28
- associates	-10	-771	-3 331
<i>Financial income</i>			
- other related party	3	2	16
<i>Financial expenses</i>			
- parent company	0	0	-19
- other related party	-2	-5	-10
<i>Investments in tangible assets</i>			
- associates	0	0	-3 746

	2011/2012 3 months	2010/2011 3 months	2010/2011 12 months
<i>Investments in intangible assets</i>			
- associates	0	0	-1 500
<i>Related party receivables</i>			
- other related party	482	577	275
<i>Related party liabilities</i>			
- parent company	-1 173	-975	-1 001
- associates	0	0	0
- other related party	-971	-794	-1 165

Management compensation

Remuneration and other short-term employee benefits	262	219	1 130
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Management consists of the Board of Directors, the Managing Director, the Managing Director's Deputy and the rest of the parent company's Management Group.

Vantaa, 30 January 2012
Board of Directors