



sagafurs®

Interim Report for
1 September 2011 –
29 February 2012

SAGA FURS OYJ
INTERIM REPORT FOR 1 September 2011 – 29 February 2012

Vantaa, 26 April 2012 at 13:45

Saga Furs Oyj's turnover increases, rise in operating expenses weakens result

- The value of sales for Saga Furs Oyj increased during the review period 1 December 2011 – 29 February 2012 by 23 per cent from the previous corresponding period to EUR 98.6 million (80.2 MEUR) due to a rise in price level and the increased number of pelts. The value of sales from September to February was EUR 197.7 million (183.9 MEUR).
- The Company auctioned a total of 1.5 million pelts in the review period 1 December 2011 – 29 February 2012 (1.4 million). The number of pelts auctioned by the Company between September and February was 3.1 million pelts (3.0 million pelts).
- The consolidated net turnover increased by 11 per cent during the review period 1 December 2011 – 29 February 2012, totalling EUR 9.9 million (8.9 MEUR). The consolidated net turnover from September to February was EUR 19.7 million (19.3 MEUR).
- Operating expenses in the second quarter for the financial year were up 24 per cent compared to the previous corresponding review period, totalling EUR 13.6 million (11.0 MEUR). Expenses from September to February increased by 15 per cent from the previous corresponding review period, totalling EUR 21.9 million (19.1 MEUR).
- The consolidated operating profit for the review period 1 December 2011 – 29 February 2012 was EUR -3.7 million (-1.6 MEUR). The operating profit from September to February was EUR -2.1 million (+1.1 MEUR).
- Earnings per share stood at EUR -0.60 (-0.19 EUR) for the review period 1 December 2011 – 29 February 2012 and at EUR 0.04 (0.52 EUR) for September to February.

Consolidated key figures	12/11-2/12 3 months	9/11-2/12 6 months	12/10-2/11 3 months	9/10-2/11 6 months	9/10-8/11 12 months
Total sales, MEUR	98.6	197.7	80.2	183.9	594.7
Number of skins sold, 1,000 pcs	1 492	3 060	1 423	3 045	9 097
Net turnover, MEUR	9.9	19.7	8.9	19.3	54.1
Operating profit/loss, MEUR	-3.7	-2.1	-1.6	1.1	15.1
Profit before taxes, MEUR	-2.7	0.4	-0.9	2.5	18.7
Earnings per share, EUR	-0.60	0.04	-0.19	0.52	3.84
Return on equity (ROE), %	-3.3%	0.2%	-1.2%	3.3%	22.2%
Return on investment (ROI), %	-2.3%	0.8%	-0.7%	3.2%	20.6%

Accounting principles

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

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 Monetary 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 – 29 February 2012

Saga Furs Oyj held one auction during the second quarter (1 December 2011 – 29 February 2012) from 19 to 22 December 2011. The uncertainty in the global economy was not reflected in sales at the auction in question. On the contrary, the auction opened the 2011 – 2012 sales season with 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 level. The largest purchases were made for the Chinese, Russian, Greek and Italian markets, and a record number of over 500 purchasers participated in the auction. A total of 990,000 mink pelts, 260,000 fox pelts, 220,000 Karakul lamb pelts and 20,000 Finn raccoon pelts were sold at the auction. The value of sales at the four-day auction was EUR 98.2 million (compared with 79.8 MEUR at the December 2010 auction).

Between September and February a total of 1,800,000 mink pelts (compared with 1,600,000 in the previous corresponding review period), 1,000,000 fox pelts (1,100,000), 240,000 Karakul lamb pelts (280,000) and 73,000 Finn raccoon pelts (58,000) were sold. The value of sales grew by eight per cent, totalling EUR 197.7 million (183.9 MEUR).

Auction	Sales 1,000 pelts 2011/2012	Value EUR 1,000 2011/2012	Sales 1,000 pelts 2010/2011	Value EUR 1,000 2010/2011
September	1 537	98 680	1 605	102 943
December	1 489	98 240	1 416	79 843
Warehouse sales	34	814	24	1 065
Total	3 060	197 733	3 045	183 850

Financial performance

The consolidated net turnover during the second quarter was 11 per cent higher than that of the previous corresponding review period due to the rise in price level and the growth in the number of pelts sold at the December auction. The net turnover was EUR 9.9 million (8.9 MEUR). Net turnover for September to February grew by two per cent from the previous corresponding period, totalling EUR 19.7 million (19.3 MEUR). Of the net turnover, 64 per cent was made up of commission fees collected from buyers, 26 from those collected from producers and nine per cent from sales of pelting services and breeding animals.

Other operating profits amounted to EUR 59,000 (510,000 EUR) in the second quarter of the financial year and to EUR 150,000 (940,000 EUR) from September to February. The decrease in other operating profits is due to the fact that the credit losses to customers recorded for the 2008-2009 financial year were no longer redeemed, as they had been in 2010-2011.

Operating expenses in the second quarter for the financial year were up 24 per cent compared to the previous corresponding review period, totalling EUR 13.6 million (11.0 MEUR). Expenses from September to February increased by 15 per cent from the previous corresponding review period, totalling EUR 21.9 million (19.1 MEUR). The incorporation of the Saga Furs Design Centre's operations into the business activities of the Company increased expenses during the transition phase, due to the sizeable renewal of the website, among other things. Renovations of a broader scale than before were carried out in the properties owned by the Group. In addition, the Group devoted itself more than before to its lobbying work through the International Fur Trade Federation (IFTF) with the goal of securing political operational preconditions and defending free trade.

The operating profit for the second quarter of the fiscal year was EUR -3.7 million (-1.6 MEUR) and for the September-February period EUR -2.1 million (+1.1 MEUR).

Net financial income grew by 45 per cent in the second quarter compared to the previous corresponding review period, totalling EUR 980,000 (680,000 EUR) due to the growth in net interest yield and exchange rate profits. Net financial income for the September-February period grew by 72 per cent, totalling EUR 2.5 million (1.4 MEUR).

The result for the second quarter was EUR -2.7 million (-890,000 EUR) before taxes and EUR -2.2 million (-670,000 EUR) after taxes. Return on equity stood at -3.3 per cent (-1.2%) at the end of the second quarter and the results per share were at EUR -0.60 (-0.19 EUR). The result for the September-February period was EUR 420,000 (2.5 MEUR) before taxes and EUR 150,000 (1.9 MEUR) after taxes. Return on equity stood at 0.2 per cent (3.3 per cent) during the September-February period, with earnings per share at EUR 0.04 (EUR 0.52).

The Group's gearing ratio at the end of the review period was 50.1 per cent (53.8 per cent at the end of February 2011 and 59.1 per cent on the balance sheet date of 31 August 2011). The Group's liquidity remained at a healthy level throughout the reporting period. The Group balance sheet total was EUR 135.4 million (112.3 MEUR on 28 February 2011 and 119.4 MEUR on 31 August 2011). Equity per share was EUR 17.32 (EUR 15.40 on 28 February 2011 and EUR 18.72 on 31 August 2011).

Capital expenditure and development

Consolidated gross capital expenditure totalled EUR 2.4 million (1,3 MEUR) during the period under review, or 12 percent (7 percent) of net turnover. Of the capital expenditure, 86 per cent was spent on tangible and intangible assets of the parent company and 14 per cent on those of subsidiaries. The largest investments were targeted at a new reception line for mink pelts, the renewal of the extranet for breeders and buyers in connection with the website renewal, the renovation of the Fur Center property and the breeding animal trade aimed at improving the quality of mink pelts.

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 8.1 million and the volume amounted to 510,000 shares, accounting for 19 per cent of the Company's Series C shares. The period high was EUR 17.89, its low EUR 13.25 and its average EUR 15.96. The share closed at EUR 15.88. The market capitalisation totalled EUR 57.2 million on 29 February 2012.

A list of the Company's largest shareholders as of 29 February 2012 is available for viewing on the Company's web site.

Human resources

The number of permanent Group staff in the review period averaged 141 (132 a year ago) and fixed-term employees 205 (204). At the end of the period the Group employed 450 individuals (436). The increase in the number of staff is due to key members of the Saga Furs of Scandinavia Cooperative transferring to the service of the Group on 1 September 2011.

General Meetings

The extraordinary general meeting of Finnish Fur sales held on 13 September 2011 decided to change the company name to Saga Furs Oyj. The change was registered on 30 September 2011.

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. The dividend was paid out on 31 January 2012.

Fur breeders Jorma Kauppila, Markku Koski, Pentti Lipsanen, Rainer Sjöholm and Hannu Sillanpää as well as Marja-Liisa Kullberg, Managing Director of Artek Oy Ab, were appointed to the Board of

Directors. 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.

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 uncertainty factors of business operations 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 auction organised on 14–19 March 2012 was the largest in company history both in terms of sales value and number of buyers. The value of sales at the six-day auction was EUR 305 million (252 MEUR), with as many as 800 buyers participating. A total of 2.5 million mink pelts (2.5 million at the corresponding auction from the previous year), 820,000 fox pelts (720,000), 140,000 Karakul lamb pelts (100,000) and 50,000 Finnraccoon pelts (65,000) were sold at the auction. Payments for pelts sold at the auction have been proceeding exceptionally quickly. The quick speed of payment reduces risks associated with receivables from buyers, but it also reduces the Company's net financial income.

Prospects for the rest of the financial year

The Group's operating expenses are expected to increase in the second half of the financial year compared to the corresponding period in the previous year. Among other expenses, the renovation of the Fur Center property will continue and the Group will invest in lobbying work through the IFTF more than in the previous financial year, as it has done in the first half of this year.

Saga Furs Oyj will hold the last auction of the current financial year from 8 to 13 June 2012. Nearly 2.3 million mink pelts (2.2 million at the corresponding auction in the previous year) and around 530,000 fox pelts (580,000) will be on offer at the auction. The good situation of the fur market is expected to continue, although the high price of pelts may have an impact on demand in the June auction. The number of pelts sold during the whole financial year is expected to increase to the level of the previous financial year and the value of sales and turnover are expected to be larger than in the previous financial year.

Consolidated statement of financial position, IFRS

EUR 1,000

ASSETS	29 Feb 2012	28 Feb 2011	31 Aug 2011
Non-current assets			
Property, plant and equipment	27 756	23 138	27 632
Intangible assets	3 085	796	2 415
Available-for-sale investments	507	498	468
Long-term receivables from fur breeders	3 280	2 095	1 804
Non-current assets, total	<u>34 628</u>	<u>26 527</u>	<u>32 320</u>
Current assets	1 184	632	851
Inventories	24 087	25 663	40 291
Interest-bearing receivables from buyers	64 404	52 022	27 823
Interest-bearing receivables from fur breeders	6 133	3 418	7 476
Non-interest-bearing receivables			
Deferred taxes based on the taxable income	1 307	0	0
Cash and cash equivalents	3 686	4 001	10 637
Current assets, total	<u>100 801</u>	<u>85 736</u>	<u>87 077</u>
Total assets	<u><u>135 429</u></u>	<u><u>112 263</u></u>	<u><u>119 396</u></u>
SHAREHOLDERS' EQUITY AND LIABILITIES	29 Feb 2012	28 Feb 2011	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	15 700	14 320	14 320
Translation difference	60	57	58
Fair value reserve	183	176	154
Retained earnings	38 942	33 423	45 390
Shareholders' equity, total	<u>62 339</u>	<u>55 430</u>	<u>67 376</u>
Non-current liabilities			
Deferred tax liabilities	2 815	2 871	2 832
Current liabilities			
Interest-bearing liabilities	47 756	34 497	29 457
Trade and other payables	22 326	18 765	17 589
Deferred taxes based on the taxable income for the financial year	193	699	2 142
Current liabilities, total	<u>70 275</u>	<u>53 961</u>	<u>49 188</u>
Total liabilities	73 090	56 832	52 020
Total shareholders' equity and liabilities	<u><u>135 429</u></u>	<u><u>112 263</u></u>	<u><u>119 396</u></u>

Consolidated statement of comprehensive income

EUR 1,000	1 Dec 2011- 29 Feb 2012 3 months	1 Sept 2011- 29 Feb 2012 6 months	1 Dec 2010- 28 Feb 2011 3 months	1 Sept 2010- 28 Feb 2011 6 months	1 Sept 2010- 31 Aug 2011 12 months
Continuous operations					
Net turnover	9 873	19 736	8 912	19 275	54 094
Other operating income	59	149	506	937	1 146
Materials and supplies	-592	-1 087	-448	-1 076	-2 437
Employee benefits	-5 280	-8 016	-5 300	-7 842	-15 964
Depreciation and impairment losses	-790	-1 557	-680	-1 360	-2 811
Other operating expenses	-6 968	-11 289	-4 553	-8 847	-18 912
Operating profit/loss	-3 698	-2 063	-1 563	1 087	15 117
Financial income	1 215	2 897	902	1 885	4 386
Financial expenses	-235	-415	-225	-444	-796
Profit/loss before tax	-2 718	420	-886	2 527	18 707
Income tax	549	-269	216	-671	-4 885
Net profit/loss for the reporting period	-2 169	150	-670	1 856	13 823
Other comprehensive income					
Available-for-sale investments	16	39	22	15	-15
Translation differences	0	3	-1	-2	-1
Taxes included in other items in comprehensive profit/loss	-4	-10	-6	-4	4
Other comprehensive income/expense, net of tax	12	32	16	9	-12
Total comprehensive income/expense	-2 157	182	-654	1 865	13 810
Earnings per share, EUR, basic (EUR) *)	-0.60	0.04	-0.19	0.52	3.84

*) There are no factors diluting the key performance indicator

Consolidated statement of cash flow

EUR 1,000	1.9.2011- 29.2.2012 6 months	1.9.2010- 28.2.2011 6 months	1.9.2010- 31.8.2011 12 months
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	218 295	214 831	606 120
Cash received from other operating income	120	127	293
Cash paid for other operating expenses	-237 715	-215 474	-577 921
Cash flow from operating activities before financial items and taxes	-19 300	-517	28 492
Interest, paid	-405	-349	-666
Other financial expenses	-44	-80	-106
Interest, received	2 375	2 257	3 982
Other financial income	294	1	227
Dividend income	7	8	23
Direct taxes paid	-3 513	-1 411	-4 257
Net cash flow from operating activities (A)	-20 586	-90	27 695
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-2 408	-1 285	-8 865
Proceeds from sale of tangible and intangible assets	67	82	99
Net cash flow from investments activities (B)	-2 341	-1 203	-8 766
<i>Cash flow from financing activities</i>			
Withdrawal of short-term borrowings	21 102	2 662	0
Re-payments of short-term borrowings		0	-10 671
Dividends paid	-5 126	-3 535	-3 789
Net cash flow from financing activities (C)	15 976	-873	-14 460
Change in cash flows (A+B+C) increase (+) / decrease (-)	-6 951	-2 166	4 470
Cash and cash equivalents, 29 Feb/31 August	3 686	4 001	10 637
./. Cash and cash equivalents, 1 Sep	10 637	6 167	6 167
Net change in cash and cash equivalents	-6 951	-2 166	4 470

Consolidated statement of changes in shareholders' equity 1 September 2010 – 28 February 2011

	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						1 856	1 856		1 856
Other comprehensive income				-1	11	-1	9		9
Dividend						-3 816	-3 816		-3 816
Transfer to counter-cyclical budgetary fund			850			-850	0		0
Shareholders' equity 28 Feb 2011	7 200	254	14 320	57	176	33 423	55 431	0	55 431

Consolidated statement of changes in shareholders' equity 1 September 2011 – 29 February 2012

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						150	150		150
Other comprehensive income				2	29	1	32		32
Dividend						-5 220	-5 220		-5 220
Transfer to counter-cyclical budgetary fund			1 380			-1 380	0		0
Shareholders' equity 29 Feb 2012	7 200	254	15 700	60	183	38 942	62 339	0	62 339

Key performance indicators

	2011/2012 6 months	2010/2011 6 months	2010/2011 12 months
Total sales, EUR 1,000	197 733	183 850	594 677
Net turnover, EUR 1,000	19 736	19 275	54 094
Operating profit/loss, EUR 1,000	-2 063	1 087	15 117
% of net turnover	-10.5%	5.7%	27.9%
Profit before taxes, EUR 1,000	420	2 527	18 707
% of net turnover	2.1%	13.2%	34.6%
Earnings per share, EUR	0.04	0.52	3.84
Equity per share, EUR	17.32	15.40	18.72
Return on equity (ROE), %	0.2%	3.3%	22.2%
Return on investment (ROI), %	0.8%	3.2%	20.6%
Equity-to-assets ratio, %	50.1%	53.8%	59.1%
Gearing	0.71	0.55	0.28
Gross capital expenditure, EUR 1,000	2 408	1 285	8 865
% of net turnover	12.2%	6.7%	16.4%
Average number of personnel	346	336	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
Shareholders' 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 29 Feb 2012 28 Feb 2011 31 Aug 2011

Mortgages given and receivables pledged in security for debt

Loans from financial institutions	24 328	16 412	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	1 437	3 687	14 533
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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 2010/2011 2010/2011
6 months 6 months 12 months

Transactions with related parties:

Net turnover

- associates	0	3	8
- other related party	79	106	308

Other operating income

- parent company	24	21	43
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Materials and supplies

- associates	0	0	-271
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Other operating expenses

- parent company	-15	-18	-28
- associates	-674	-1 114	-3 331

Financial income

- other related party	7	7	16
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Financial expenses

- parent company	-8	-5	-19
- other related party	-16	-17	-10

Investments in tangible assets

- associates	0	0	-3 746
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Investments in intangible assets

- associates	0	0	-1 500
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	2011/2012 6 months	2010/2011 6 months	2010/2011 12 months
<i>Related party receivables</i>			
- other related party	668	625	275
<i>Related party liabilities</i>			
- parent company	-1 016	-953	-1 001
- associates	-239	-1	
- other related party	-993	-817	-1 165

Management compensations

Remuneration and other short-term employee benefits	613	572	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, 26 April 2012
SAGA FURS OYJ
Board of Directors