



sagafurs®

Interim Report
for
1.9.2011-31.5.2012

SAGA FURS OYJ
INTERIM REPORT FOR 1 September 2011 – 31 May 2012

Vantaa, 10 July 2012 at 11:30

Saga Furs Oyj's result improved significantly in the third quarter of the financial year

- The value of sales for Saga Furs Oyj increased during the review period 1 March – 31 May 2012 by 21 per cent from the previous corresponding period to EUR 305.8 million (252.8 MEUR) mainly due to a rise in price level. The value of sales from September to May was EUR 503.6 million (436.6 MEUR).
- The Company auctioned a total of 3.5 million pelts in the review period 1 March – 31 May 2012 (3.4 million). The number of pelts auctioned by the Company between September and May was 6.5 million pelts (6.5 million pelts).
- The consolidated net turnover increased by 18 per cent during the review period 1 March – 31 May 2012, totalling EUR 24.6 million (20.8 MEUR). The consolidated net turnover from September to May was EUR 44.3 million (40.1 MEUR).
- The consolidated operating profit for the review period 1 March – 31 May 2012 was EUR 11.9 million (9.2 MEUR). The consolidated net turnover from September to May was EUR 9.9 million (10.3 MEUR).
- Earnings per share stood at EUR 2.77 (2.10 EUR) for the review period 1 March – 31 May 2012 and at EUR 2.81 (2.62 EUR) for September to May.

Consolidated key figures	3/12-5/12 3 mo	9/11-5/12 9 mo	3/11-5/11 3 mo	9/10-5/11 9 mo	9/10-8/11 12 mo
Total sales, MEUR	305,8	503,6	252,8	436,6	594,7
Total amount of skins sold, 1.000 pcs	3 476	6 537	3 409	6 454	9 097
Net turnover, MEUR	24,6	44,3	20,8	40,1	54,1
Operating profit/loss, MEUR	11,9	9,9	9,2	10,3	15,1
Profit before taxes, MEUR	13,6	14,0	10,3	12,8	18,7
Earnings per share, EUR	2,77	2,81	2,10	2,62	3,84
Return on equity, (ROE) %	14,8 %	14,5 %	12,8 %	15,7 %	22,2 %
Return on investment, (ROI) %	12,4 %	14,0 %	11,3 %	14,3 %	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 – 31 May 2012

Saga Furs Oyj held one auction during the third quarter (1 March – 31 May 2012) from 14 to 19 March 2012. The auction 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, with as many as 800 buyers participating. A highlight of the auction was the launch of Saga Lumi Royal, a new top-of-the-line quality level ranking above the previous quality levels.

Total sales in the third quarter amounted to 2.5 million mink pelts (2.5 million in the previous corresponding review period), 830,000 fox pelts (720,000), 140,000 Karakul lamb pelts (100,000) and 52,000 Finn raccoon pelts (67,000). The value of sales was EUR 306 million (253 MEUR).

Between September and May a total of 4.3 million mink pelts (compared with 4.1 million in the previous corresponding review period), 1.8 million fox pelts (1.8 million), 370,000 Karakul lamb pelts (380,000) and 120,000 Finn raccoon pelts (120,000) were sold. The value of sales was EUR 504 million (437 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
December	1 489	98 240	1 416	79 843
March	3 469	305 236	3 395	251 787
Warehouse sales	42	1 402	37	2 040
Total	6 537	503 557	6 454	436 613

Financial performance

The consolidated net turnover during the third quarter was EUR 24.6 million (20.8 MEUR). The 18 per cent increase in net turnover from that of the previous corresponding review period was mainly due to the rise in price level. Net turnover for September to May grew by 11 per cent from the previous corresponding period, totalling EUR 44.3 million (40.1 MEUR). Of the net turnover, 69 per cent was made up of commission fees collected from buyers, 22 from those collected from producers and 9 per cent from sales of pelting services and breeding animals.

Other operating income amounted to EUR 100,000 (87,000 EUR) in the third quarter of the financial year and EUR 250,000 (1.0 MEUR) from September to May. The decrease in other operating income 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 grew in the third quarter by 9 per cent to EUR 12.7 million (11.7 MEUR). Expenses from September to May increased by 13 per cent from the previous corresponding review period, totalling EUR 34.7 million (30.8 MEUR). The incorporation of the Saga Furs Design Centre's operations into the business activities of the Company increased expenses 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 consolidated operating profit amounted to EUR 11.9 million (9.2 MEUR) in the third quarter of the financial year and EUR 9.9 million (10.3 MEUR) from September to May.

Net financial income increased by 50 per cent in the third quarter to EUR 1.6 million (1.1 MEUR), as the Group was able to redeem credit losses to breeders recorded for the 2008–2009 financial year after legal proceedings that lasted nearly three years. The Group is no longer expected to redeem any such

aforementioned credit losses to breeders. Net financial income for the September–May period grew by 63 per cent to EUR 4.1 million (2.5 MEUR) due to the redeemed credit losses and increased net interest yield.

The profit for the third quarter was EUR 13.6 million (10.3 MEUR) before taxes and EUR 10.0 million (7.6 MEUR) after taxes. Return on equity stood at 14.8 per cent (12.8 per cent) at the end of the third quarter, with earnings per share at EUR 2.77 (2.10 EUR). The profit for the September–May period was EUR 14.0 million (12.8 MEUR) before taxes and EUR 10.1 million (9.4 MEUR) after taxes. Return on equity stood at 14.5 per cent (15.7 per cent) during the September–May period, with earnings per share at EUR 2.81 (2.62 EUR).

The Group's gearing ratio at the end of the review period was 55.1 per cent (55.8 per cent at the end of May 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 143.5 million (118.5 MEUR on 31 May 2011 and 119.4 MEUR on 31 August 2011). Equity per share was EUR 20.08 (17.50 EUR on 31 May 2011 and 18.72 EUR on 31 August 2011).

Capital expenditure and development

Consolidated gross capital expenditure totalled EUR 3.7 million (1.8 MEUR), or 8 per cent (4 per cent) of net turnover, during the review period 1 September 2011 – 31 May 2012. Of the capital expenditure, 76 per cent was spent on tangible and intangible assets of the parent company and 24 per cent on those of subsidiaries. The largest investments were 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.

Changes in Group structure

The former Saga Furs of Scandinavia cooperative, an associate of the Group, ended operations during the review period. Poland-based Saga Furs Polska Sp. z.o.o. and Finland-based Lumi Mink Oy, which engages in sales of breeding animals, started operations as the Group's subsidiaries during the review period.

Shares and share performance

Saga Furs Oyj's share capital totalled EUR 7,200,000 at the end of the period 1 September 2011 – 31 May 2012 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 1 September 2011 – 31 May 2012 totalled EUR 11.0 million and the volume amounted to 690,000 shares, accounting for 26 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 15.99. The share closed at EUR 14.91. The market capitalisation totalled EUR 53.7 million on 31 May 2012.

A list of the Company's largest shareholders as of 31 May 2012 is available for viewing on the Company's web site.

Human resources

The number of permanent Group staff in the review period 1 September 2011 – 31 May 2012 averaged 140 (131 a year ago) and fixed-term employees 215 (216). At the end of the period the Group employed 292 individuals (288). The Group's new producer service organisation came into operation on 1 April 2012.

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 Mirja-Leena Kullberg, Managing Director of Artek Oy Ab, were appointed to the Board of Directors. In the constituent 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.

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 the notes to the consolidated financial statements, in section 26. There have been no substantial changes in the risks during the period under review.

Significant events following the end of the reporting period

At the auction held by Saga Furs Oyj from 8 to 13 June 2012, a total of 2.1 million mink pelts (2.1 million at the corresponding auction in the previous year), 510,000 fox pelts (460,000), 28,000 Karakul lamb pelts (12,000) and 31,000 Finnraccoon pelts (45,000) were sold. Despite the uncertainty in the global economy, the price levels remained steady and almost 100 per cent of the pelts on offer were sold. The value of sales at the six-day auction was EUR 191 million (158 MEUR), with over 600 buyers participating from all market areas.

Prospects for the rest of the financial year

The number of pelts sold during the whole financial year is expected to amount to 9.3 million pelts (9.1 million in the previous financial year) and the value of sales is expected to be EUR 695 million (595 MEUR). Due to the successful June auction, the Company's result will be better than anticipated and is expected to exceed the result of the previous financial year.

Consolidated statement of financial position, IFRS

EUR 1.000

ASSETS	31 May 2012	31 May 2011	31 Aug 2011
Non-current assets			
Property, plant and equipment	27 978	22 799	27 632
Intangible assets	3 178	952	2 415
Available-for-sale investments	486	477	468
Long-term receivables from fur breeders	3 407	2 866	1 804
Non-current assets, total	35 049	27 094	32 320
Current assets			
Inventories	1 525	604	851
Interest-bearing receivables from buyers	31 481	34 559	40 291
Interest-bearing receivables from fur breeders	25 969	18 794	27 823
Non-interest-bearing receivables	24 331	10 169	7 476
Deferred taxes based on the taxable income	7	8	0
Cash and cash equivalents	25 166	27 291	10 637
Current assets, total	108 479	91 426	87 077
Total assets	143 528	118 520	119 396
SHAREHOLDERS' EQUITY AND LIABILITIES			
	31 May 2012	31 May 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	167	161	154
Retained earnings	48 898	41 000	45 390
Shareholders' equity, total	72 280	62 993	67 376
Non-current liabilities			
Deferred tax liabilities	2 811	2 852	2 832
Current liabilities			
Interest-bearing liabilities	40 192	31 709	29 457
Trade and other payables	26 913	18 940	17 589
Deferred taxes based on the taxable income for the financial year	1 333	2 025	2 142
Current liabilities, total	68 438	52 675	49 188
Total liabilities	71 249	55 527	52 020
Total shareholders' equity and liabilities	143 528	118 520	119 396

Consolidated statement of comprehensive income

EUR 1.000	1 Mar 2012- 31 May 2012 3 mo	1 Sep 2011- 31 May 2012 9 mo	1 Mar 2011- 31 May 2011 3 mo	1 Sep 2010- 31 May 2011 9 mo	1 Sep 2010- 31 Aug 2011 12 mo
Continuous operations					
Net turnover	24 577	44 313	20 796	40 070	54 094
Other operating income	100	250	87	1 024	1 146
Materials and supplies	-660	-1 747	-527	-1 603	-2 437
Employee benefits	-5 367	-13 383	-4 660	-12 486	-15 964
Depreciation and impairment loss	-887	-2 443	-658	-2 017	-2 811
Other operating expenses	-5 823	-17 112	-5 848	-14 694	-18 912
Operating profit/loss	11 940	9 877	9 191	10 294	15 117
Financial income	1 896	4 793	1 220	3 105	4 386
Financial expenses	-276	-690	-138	-583	-796
Profit/loss before tax	13 560	13 980	10 273	12 816	18 707
Income tax	-3 604	-3 874	-2 712	-3 383	-4 885
Net profit/loss for the reporting period	9 956	10 106	7 561	9 433	13 823
Other comprehensive income					
Available-for-sale investments	-21	18	-20	-5	-15
Translation differences	1	4	0	-2	-1
Taxes included in other items in comprehensive profit/loss	5	-5	5	1	4
Other comprehensive income/expense, net of tax	-15	18	-15	-6	-12
Total comprehensive income/expense	9 941	10 124	7 547	9 427	13 810
Earnings per share, EUR, basic (EUR) *)	2,77	2,81	2,10	2,62	3,84

*) There are no factors diluting the key performance indicator

Consolidated statement of cash flow

EUR 1.000	1.9.2011- 31.5.2012 9 mo	1.9.2010- 31.5.2011 9 mo	1.9.2010- 31.8.2011 12 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	504 558	451 079	606 120
Cash received from other operating income	202	186	293
Cash paid for other operating expenses	-483 648	-412 113	-577 921
Cash flow from operating activities before financial items and taxes	21 113	39 153	28 492
Interests, paid	-583	-519	-666
Other financial expenses	-87	-74	-106
Interest, received	3 593	3 100	3 982
Other financial income	1 233	181	227
Dividend income	28	23	23
Direct taxes paid	-4 685	-2 839	-4 257
Net cash flow from operating activities (A)	20 612	39 025	27 695
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-3 635	-1 775	-8 865
Proceeds from sale of tangible and intangible assets	111	99	99
Net cash flow from investments activities (B)	-3 524	-1 676	-8 766
<i>Cash flow from financing activities</i>			
Withdrawal of short-term borrowings	2567	0	0
Re-payments of short-term borrowings	0	-12 435	-10 671
Dividends paid	-5 126	-3 789	-3 789
Net cash flow from financing activities (C)	-2 559	-16 224	-14 460
Change in cash flows (A+B+C) increase (+) / decrease (-)	14 529	21 124	4 470
Cash and cash equivalents, 31 May / 31 Aug	25 166	27 291	10 637
./. Cash and cash equivalents, 1 Sep	10 637	6 167	6 167
Net change in cash and cash equivalents	14 529	21 124	4 470

Consolidated statement of changes in shareholders' equity 1 September 2010 - 31 May 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		57 382
Result for the reporting period						9 433	9 433		9 433
Other comprehensive income/expense				-1	-4	-1	-6		-6
Dividend						-3 816	-3 816		-3 816
Transfer to counter-cyclical budgetary fund			850			-850	0		0
Shareholders' equity, 31 May 2011	7 200	254	14 320	57	161	41 000	62 993	0	62 993

Consolidated statement of changes in shareholders' equity 1 September 2011 - 31 May 2012

Shareholders' equity, 1 Sep 2011	7 200	254	14 320	58	153	45 391	67 376		67 376
Result for the reporting period						10 106	10 106		10 106
Other comprehensive income/expense				2	13	2	18		18
Dividend						-5 220	-5 220		-5 220
Transfer to counter-cyclical budgetary fund			1 380			-1 380	0		0
Shareholders' equity, 31 May 2012	7 200	254	15 700	60	167	48 898	72 280	0	72 280

Key performance indicators

	2011/2012 9 mo	2010/2011 9 mo	2010/2011 12 mo
Total sales, EUR 1,000	503 557	436 613	594 677
Net turnover, EUR 1,000	44 313	40 070	54 094
Operating profit/loss, EUR 1,000	9 877	10 294	15 117
% of net turnover	22,3%	25,7 %	27,9 %
Profit before taxes, EUR 1,000	13 980	12 816	18 707
% of net turnover	31,5 %	32,0 %	34,6 %
Earnings per share, EUR	2,81	2,62	3,84
Equity per share, EUR	20,08	17,50	18,72
Return on equity (ROE)-%	14,5 %	15,7 %	22,2 %
Return on investment (ROI)-%	14,0 %	14,3 %	20,6 %
Equity-to-assets ratio, %	55,1 %	55,8 %	59,1 %
Gearing	0,21	0,07	0,28
Gross capital expenditure, EUR 1,000	3 635	1 775	8 865
% of net turnover	8,2 %	4,4 %	16,4 %
Average number of personnel	355	347	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	31 May 2012	31 May 2011	31 Aug 2011
Mortgages given and receivables pledged in security for debt			
Loans from financial institutions	5 027	1 708	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	22 414	15 711	14 533

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 49 000 and the last year of inspection is 2019.

Related Party Transactions

EUR 1.000	2011/2012 9 mo	2010/2011 9 mo	2010/2011 12 mo
Transactions with related parties:			
<i>Net turnover</i>			
- associates	0	8	8
- other related party	204	238	308
<i>Other operating income</i>			
- parent company	36	32	43
<i>Materials and supplies</i>			
- associates	0	0	-271
<i>Other operating expenses</i>			
- parent company	-25	-27	-28
- associates	-752	-2 529	-3 331
<i>Financial income</i>			
- other related party	12	13	16
<i>Financial expenses</i>			
- parent company	-8	-5	-19
- other related party	-5	-18	-10
Investments in tangible assets			
- associates	0	0	-3 746
Investments in intangible assets			
- associates	0	0	-1 500
<i>Related party receivables</i>			
- other related party	369	317	275
<i>Related party liabilities</i>			

- parent company	-1 108	-990	-1 001
- associates		-1	0
- other related party	-1 622	-1 291	-1 165

Management compensation

Remuneration and other short-term employee benefits	741	880	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, 10 July 2012
SAGA FURS OYJ
Board of Directors