

SAGA FURS OYJ
INTERIM REPORT for 1 September 2012 to 31 May 2013

Vantaa, 9 July 2013 at 10.30 a.m.

Improved result for the Saga Furs Group in the third quarter of the financial year

- The value of sales for Saga Furs Oyj for 1 March to 31 May 2013 (the third quarter of the financial year) increased by 20 per cent from the previous corresponding period, totalling EUR 368 million (306 million). The increase was mainly due to a rise in the price level. The value of sales for September to May was EUR 603 million (504 million).
- The company auctioned a total of 3.7 million pelts in the third quarter of the financial year (3.5 million). Between September and May, the company auctioned a total of 6.4 million pelts (6.5 million).
- Consolidated net turnover increased by 15 per cent year-on-year in the third quarter of the financial year, standing at EUR 28.3 million (24.6 million). Consolidated net turnover for September to May was EUR 49.2 million (44.3 million).
- Consolidated operating profit was EUR 13.3 million (11.9 million) for the third quarter of the financial year and EUR 11.6 million (9.9 million) for September to May.
- Earnings per share amounted to EUR 3.01 (2.77) for the third quarter of the financial year and EUR 3.05 (2.81) for September to May.

Consolidated key figures	3/13-5/13 3 mo	9/12-5/13 9 mo	3/12-5/12 3 mo	9/11-5/12 9 mo	9/11-8/12 12 mo
Total sales, MEUR	368,0	602,9	305,8	503,6	695,2
Total amount of skins sold, 1.000 pcs	3 661	6 387	3 476	6 537	9 259
Net turnover, MEUR	28,3	49,2	24,6	44,3	60,1
Operating profit/loss, MEUR	13,3	11,6	11,9	9,9	17,2
Profit before taxes, MEUR	14,4	14,6	13,6	14,0	22,5
Earnings per share, EUR	3,01	3,05	2,77	2,81	4,69
Return on equity, (ROE) %	13,8 %	13,4 %	14,8 %	14,5 %	23,1 %
Return on investment, (ROI) %	12,1 %	12,2 %	12,4 %	14,0 %	21,7 %

Accounting principles

This interim report has been prepared in accordance with the IFRS recognition and valuation principles but not with all of the presentation requirements of IAS 34 *Interim Financial Reporting*.

On 1 September 2012, the Group adopted the following new or amended standards and interpretations, which have not had a significant effect on 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 took effect 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 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.

In other respects, this report has been prepared in accordance with the same accounting principles as the financial statements for 1 September 2011 to 31 August 2012. The information presented in this interim report is unaudited.

Sales for the period 1 September 2012 to 31 May 2013

Saga Furs held one auction in the third quarter of the financial year, which took place from 13 to 18 March 2013. It was the largest auction in the history of the company in terms of sales value, with more than 700 buyers participating. The value of sales at the auction totalled EUR 368 million (305 million).

Total sales in the third quarter amounted to 2.6 million mink pelts (2.5 million in the previous corresponding period), 800,000 fox pelts (830,000), 180,000 Karakul lamb pelts (140,000) and 54,000 Finnraccoon pelts (52,000). The value of sales was EUR 368 million (306 million).

Between September and May a total of 4.3 million mink pelts (4.3 million), 1.5 million fox pelts (1.8 million), 450,000 Karakul lamb pelts (370,000) and 120,000 Finnraccoon pelts (120,000) were sold. The value of sales was EUR 603 million (504 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
December	1 579	143 468	1 489	98 240
March	3 658	367 699	3 469	305 236
Warehouse sales	6	422	42	1 402
Total	6 387	602 937	6 537	503 557

Financial performance

Consolidated net turnover was EUR 28.3 million (24.6 million) for the third quarter of the financial year. The 15 per cent increase was mainly due to a rise in the price level and an increase in the trade in breeding animals. Net turnover for September to May grew by 11 per cent year-on-year, totalling EUR 49.2 million (44.3 million). Commission fees collected from buyers constituted 72 per cent (69 per cent) of the net turnover. Commission fees from producers represented 17 per cent (22 per cent) and sales of pelting services and breeding animals represented 10 per cent (9 per cent) of the total.

Operating expenses grew by 18 per cent in the third quarter of the financial year, totalling EUR 15.0 million (12.7 million). Expenses for September to May increased by 9 per cent year-on-year, totalling EUR 37.8 million (34.7 million). The use of materials and supplies increased by 83 per cent, mainly because of an increase in the trade in breeding animals. Employee benefits increased 9 per cent year-on-year. However, the figures for the reference period included non-recurring items related to pension expenses and changes in holiday pay liabilities, among others, that reduced expenses.

Consolidated operating profit amounted to EUR 13.3 million (11.9 million) for the third quarter of the financial year and EUR 11.6 million (9.9 million) for September to May.

Consolidated net financial income decreased by 36 per cent in the third quarter, totalling EUR 1.0 million (1.6 million). Net financial income for September to May decreased by 28 per cent to EUR 3.0 million (4.1 million). In the corresponding period of the previous year, the Group redeemed more than EUR 800,000 in previously recorded credit losses. Exchange rate gains were lower than in the previous corresponding period.

Profit for the third quarter of the financial year was EUR 14.4 million (13.6 million) before taxes and EUR 10.8 million (10.0 million) after taxes. Return on equity for the third quarter was 13.8 per cent (14.8 per cent), with earnings per share amounting to EUR 3.01 (2.77). Profit for September to May was EUR 14.6 million (14.0 million) before taxes and EUR 11.0 million (10.1 million) after taxes. Return on equity for September to May stood at 13.4 per cent (14.5 per cent), with earnings per share amounting to EUR 3.05 (2.81).

The Group's equity-to-assets ratio at the end of the review period was 57.4 per cent (55.1 per cent at the end of May 2012, 58.1 per cent on the balance sheet date of 31 August 2012). The Group's liquidity remained at a healthy level throughout the review period. The consolidated balance sheet total was EUR 157.8 million (EUR 143.5 million on 31 May 2012, EUR 145.4 million on 31 August 2012). Equity per share was EUR 23.34 (EUR 20.08 on 31 May 2012, EUR 22.00 on 31 August 2012).

Capital expenditure and development

Consolidated gross capital expenditure totalled EUR 3.1 million (EUR 3.7 million) for September to May, equalling 6 per cent (8 per cent) of net turnover. Of the capital expenditure, 83 per cent was spent on tangible and intangible assets of the parent company and 17 per cent on those of subsidiaries. The largest investments were related to the renovation of the Fur Center property, sorting systems and equipment and the WebSampo breeding software.

Shares and share performance

Saga Furs' share capital totalled EUR 7,200,000 on 31 May 2013 and the number of shares stood at 3,600,000, of which 900,000 were Series A shares and 2,700,000 were Series C shares.

The value of shares traded in September to May totalled EUR 15.3 million and the volume was 650,000 shares, representing 24 per cent of the company's Series C shares. The highest price of the share during the period was EUR 27.96 and the lowest price was EUR 16.88, with the average price being EUR 23.46. The shares closed at EUR 23.90. The company's market capitalisation stood at EUR 89.6 million on 31 May 2013.

A list of the company's largest shareholders on 31 May 2013 is available on its website.

Personnel

The number of permanent Group staff for September to May averaged 147 (140), and the number of temporary employees was 221 (215). On 31 May 2013, the Group had 345 employees (292).

General Meetings

The Annual General Meeting (AGM) of 24 January 2013 approved the financial statements for the financial period ending on 31 August 2012. The AGM decided to distribute a dividend of EUR 1.70 per share, totalling 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 Managing Director of Artek Oy Ab Mirkku Kullberg were re-elected to the Board of Directors. Following the AGM, Jorma Kauppila was elected Chair and Markku Koski Deputy Chair of the Board of Directors at the first meeting of the Board. Ernst & Young Oy was elected as the company's auditor.

The AGM 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 present financial year will end on 31 October 2013.

Business risks and uncertainties

The most significant business risks and uncertainties are described in the Board of Directors' report for the financial year 1 September 2011 to 31 August 2012. Financial risk management is explained in section 24 of the notes to the consolidated financial statements. The risks have not changed substantially during the review period.

Significant events after the review period

At the auction held by Saga Furs on 6 to 13 June 2013, a total of 2.7 million mink pelts (2.1 million at the corresponding auction in the previous year), 520,000 fox pelts (510,000), 25,000 Karakul lamb pelts (28,000) and 24,000 Finnraccoon pelts (31,000) were sold. The auction was the largest June auction in the history of the company. The price level was higher than expected, and the value of sales increased to EUR 273 million (EUR 191 million). The value of sales at auctions held between September 2012 and June 2013 totalled EUR 876 million (695 million). The company issued a positive profit warning after the auction on 13 June 2013. Due to the increase in the value of sales, the company is expecting to record a better result than previously estimated, reaching at least the previous financial year's level.

Prospects for the rest of the financial year

Saga Furs will hold one more auction (17 to 20 September 2013) during the present financial year, which exceptionally runs for 14 months from 1 September 2012 to 31 October 2013. A total of 490,000 fox pelts, 60,000 Karakul lamb pelts, 56,000 mink pelts and 29,000 Finnraccoon pelts will be available at the auction.

Consolidated statement of financial position, IFRS

EUR 1.000

ASSETS	31 May 2013	31 May 2012	31 Aug 2012
Non-current assets			
Property, plant and equipment	28 313	27 978	28 356
Intangible assets	3 810	3 178	3 301
Available-for-sale investments	476	486	512
Long-term receivables from fur breeders	5 739	3 407	2 682
Non-current assets, total	38 339	35 049	34 850
Current assets			
Inventories	1 454	1 525	1 493
Interest-bearing receivables from buyers	49 973	31 481	45 540
Interest-bearing receivables from fur breeders	19 395	25 969	26 539
Non-interest-bearing receivables	8 073	24 331	12 886
Tax assets based on taxable income for the period	63	7	0
Cash and cash equivalents	40 504	25 166	24 124
Current assets, total	119 462	108 479	110 582
Total assets	157 801	143 528	145 432
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to parent company's shareholders			
Share capital	7 200	7 200	7 200
Share premium account	254	254	254
Other funds	17 370	15 700	15 700
Translation difference	57	60	59
Fair value reserve	156	167	183
Retained earnings	58 984	48 898	55 805
Shareholders' equity, total	84 021	72 280	79 201
Non-current liabilities			
Deferred tax liabilities	2 633	2 811	2 652
Current liabilities			
Interest-bearing liabilities	42 438	40 192	41 355
Trade and other payables	28 542	26 913	21 186
Deferred taxes based on the taxable income	167	1 333	1 038
Current liabilities, total	71 146	68 438	63 579
Total liabilities	73 780	71 249	66 231
Total shareholders' equity and liabilities	157 801	143 528	145 432

Consolidated statement of comprehensive income

EUR 1.000	1 Mar 2013- 31 May 2013 3 mo	1 Sep 2012- 31 May 2013 9 mo	1 Mar 2012- 31 May 2012 3 mo	1 Sep 2011- 31 May 2012 9 mo	1 Sep 2011- 31 Aug 2012 12 mo
Continuous operations					
Net turnover	28 291	49 208	24 577	44 313	60 076
Other operating income	67	211	100	250	311
Materials and supplies	-1 900	-3 203	-660	-1 747	-3 012
Employee benefits	-5 276	-14 581	-5 367	-13 383	-15 668
Depreciation and impairment loss	-865	-2 632	-887	-2 443	-3 299
Other operating expenses	-6 978	-17 376	-5 823	-17 112	-21 253
Operating profit/loss	13 338	11 628	11 940	9 877	17 155
Financial income	1 210	3 514	1 896	4 793	6 395
Financial expenses	-176	-548	-276	-690	-1 092
Profit/loss before tax	14 372	14 593	13 560	13 980	22 458
Income tax	-3 528	-3 627	-3 604	-3 874	-5 564
Net profit/loss for the reporting period	10 844	10 967	9 956	10 106	16 894
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Available-for-sale investments	-24	-35	-21	18	34
Translation differences	2	0	1	4	1
Income tax effect	6	9	5	-5	-5
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-16	-26	-15	18	30
Total comprehensive income/expense	10 828	10 940	9 941	10 124	16 924
Earnings per share, EUR, basic (EUR) *)	3,01	3,05	2,77	2,81	4,69
*) There are no factors diluting the key performance indicator					

Consolidated statement of cash flows

EUR 1.000	1.9.2012- 31.5.2013	1.9.2011- 31.5.2012	1.9.2011- 31.8.2012
	9 mo	9 mo	12 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	612 864	504 558	689 050
Cash received from other operating income	209	202	259
Cash paid for other operating expenses	-588 847	-483 648	-667 966
Cash flow from operating activities before financial items and taxes	24 225	21 113	21 343
Interests, paid	-538	-583	-850
Other financial expenses	-64	-87	-230
Interest, received	4 085	3 593	4 571
Other financial income	222	1 233	1 364
Dividend income	22	28	28
Direct taxes paid	-4 488	-4 685	-6 800
Net cash flow from operating activities (A)	23 464	20 612	19 426
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-3 114	-3 635	-5 001
Proceeds from sale of tangible and intangible assets	7	111	99
Investments in other assets	0	0	10
Net cash flow from investments activities (B)	-3 108	-3 524	-4 892
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	2 034	2 567	4 080
Dividends paid	-6 010	-5 126	-5 128
Net cash flow from financing activities (C)	-3 976	-2 559	-1 047
Change in cash flows (A+B+C) increase (+) / decrease (-)	16 380	14 529	13 487
Cash and cash equivalents, 31 May / 31 Aug	40 504	25 166	24 124
./. Cash and cash equivalents, 1 Sep	24 124	10 637	10 637
Net change in cash and cash equivalents	16 380	14 529	13 487

Consolidated statement of changes in shareholders' equity

	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	154	45 390	67 376	0	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
Shareholders' equity, 1 Sep 2012	7 200	254	15 700	59	183	55 805	79 201	0	79 201
Result for the reporting period						10 967	10 967		10 967
Other comprehensive income/expense				-2	-27	3	-26		-26
Dividend						-6 120	-6 120		-6 120
Transfer to counter-cyclical budgetary fund			1 670			-1 670	0		0
Shareholders' equity, 31 May 2013	7 200	254	17 370	57	156	58 984	84 022	0	84 022

Key performance indicators

	2012/2013	2011/2012	2011/2012
	9 mo	9 mo	12 mo
Total sales, EUR 1,000	602 937	503 557	695 191
Net turnover, EUR 1,000	49 208	44 313	60 076
Operating profit/loss, EUR 1,000	11 628	9 877	17 155
% of net turnover	23,6 %	22,3 %	28,6 %
Profit before taxes, EUR 1,000	14 593	13 980	22 458
% of net turnover	29,7 %	31,5 %	37,4 %
Earnings per share, EUR	3,05	2,81	4,69
Equity per share, EUR	23,34	20,08	22,00
Return on equity (ROE)-%	13,4 %	14,5 %	23,1 %
Return on investment (ROI)-%	12,2 %	14,0 %	21,7 %
Equity-to-assets ratio, %	57,4 %	55,1 %	58,1 %
Gearing	0,02	0,21	0,22
Gross capital expenditure, EUR 1,000	3 114	3 635	5 011
% of net turnover	6,3 %	8,2 %	8,3 %
Average number of personnel	368	355	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 31 May 2013 31 May 2012 31 Aug 2012

Mortgages given and receivables pledged in security for dept

Loans from financial institutions	5 419	5 027	6 877
Mortgages on property	54 071	54 071	54 071
Mortgages on company assets	2 691	2 691	2 691
Pledges given	791	0	0

Derivative contracts

Forward exchange agreements	32 846	22 414	28 150
-----------------------------	--------	--------	--------

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
9 mo 9 mo 12 mo

Transactions with related parties:

<i>Net turnover</i>			
- other related party	183	204	265
<i>Other operating income</i>			
- parent company	36	36	48
<i>Other operating expenses</i>			
- parent company	-12	-25	-28
- associates	0	-752	-752
<i>Financial income</i>			
- other related party	13	12	15
<i>Financial expenses</i>			
- parent company	-11	-8	-23
- other related party	-7	-5	-18
<i>Related party receivables</i>			
- other related party	419	369	9
<i>Related party liabilities</i>			
- parent company	-4 171	-1 108	-1 828
			-1 623
- other related party	-1 669	-1 622	

	2012/2013	2011/2012	2011/2012
Management compensation	9 mo	9 mo	12 mo
Remuneration and other short-term employee benefits	888	741	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 9 July 2013

Saga Furs Oyj

Board of Directors