

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 fur stole. Her eyes are closed, and she has a serene expression. The background is a dense field of purple flowers.

sagafurs.

Interim Report

1.9.2012 – 31.8.2013

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

Vantaa, 31 October 2013 at 11:15

**Improved result for Saga Furs Oyj**

- The value of sales for Saga Furs Oyj for 1 June to 31 August 2013 increased by 43 per cent compared to the previous corresponding period, totalling EUR 273 million (192 million). The increase was due to a rise in price level and the increased number of pelts. The value of sales for September to August was EUR 876 million (695 million).
- The company auctioned a total of 3.3 million pelts in the review period (2.7 million). Between September and August, the company auctioned a total of 9.6 million pelts (9.3 million).
- Consolidated net turnover increased 39 per cent year-on-year, standing at EUR 21.9 million (15.8 million). Consolidated net turnover for September to August was EUR 71.1 million (60.1 million).
- Operating expenses grew in the review period by 12 per cent compared to the previous corresponding period, totalling EUR 9.6 million (8.5 million). Expenses for September to August increased by 10 per cent year-on-year, totalling EUR 47.4 million (43.2 million).
- Consolidated operating profit was EUR 12.4 million (7.3 million) for the review period and EUR 24.0 million (17.2 million) for September to August.
- Consolidated net financial income for the review period was EUR 1.1 million (1.2 million). Net financial income for September to August was EUR 4.1 million (5.3 million).
- Earnings per share amounted to EUR 2.81 (1.89) for the review period and at EUR 5.86 (4.69) for September to August.

Consolidated key figures	<b>6/13-8/13</b> 3 mo	<b>9/12-8/13</b> 12 mo	6/12-8/12 3 mo	9/11-8/12 12 mo
Total sales, MEUR	<b>273,2</b>	<b>876,1</b>	191,6	695,2
Total amount of skins sold, 1.000 pcs	<b>3 256</b>	<b>9 644</b>	2 722	9 259
Net turnover, MEUR	<b>21,9</b>	<b>71,1</b>	15,8	60,1
Operating profit/loss, MEUR	<b>12,4</b>	<b>24,0</b>	7,3	17,2
Profit before taxes, MEUR	<b>13,5</b>	<b>28,1</b>	8,5	22,5
Earnings per share, EUR	<b>2,81</b>	<b>5,86</b>	1,89	4,69
Return on equity, (ROE) %	<b>11,4 %</b>	<b>24,3 %</b>	9,0 %	23,1 %
Return on investment, (ROI) %	<b>10,1 %</b>	<b>21,6 %</b>	7,5 %	21,7 %

## Accounting principles

This interim report was prepared in accordance with the 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 August 2013

Saga Furs Oyj held one auction in the fourth quarter of the financial year (1 June – 31 August 2013), which took place from 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 Finn raccoon pelts (31,000) were sold at the auction. The increase in the number of mink pelts resulted from the company's decision to offer all unsold mink pelts at the June auction, unlike in the previous financial year. 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 (191 million).

Between September and August a total of 7.0 million mink pelts (6.4 million), 2.1 million fox pelts (2.3 million), 470,000 Karakul lamb pelts (400,000) and 140,000 Finn raccoon pelts (160,000) were sold. The value of sales for September to August totalled EUR 876 million (695 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
June	3 253	272 884	2 720	191 388
Warehouse sales	10	741	44	1 647
Total	9 644	876 140	9 259	695 191

## **Financial performance**

Consolidated net turnover in the fourth quarter of the financial year was 39 per cent higher than that of the previous corresponding review period. The increase was especially due to a rise in the price level and an increase in the number of pelts sold. Net turnover was EUR 21.9 million (15.8 million). Net turnover for September to August grew by 18 per cent year-on-year, totalling EUR 71.1 million (60.1 million). Commission fees collected from buyers on the basis of the pelt price level and the number of pelts sold constituted 72 per cent (70 per cent) of the net turnover. Commission fees collected from producers mainly on the basis of the number of pelts sold represented 18 per cent (23 per cent) and sales of pelting services and animals represented 10 per cent (7 per cent) of the total.

Operating expenses grew by 12 per cent in the fourth quarter of the financial year compared to the previous corresponding period, totalling EUR 9.6 million (8.5 million). Expenses for September to August increased by 10 per cent year-on-year, totalling EUR 47.4 million (43.2 million). Employee benefits increased 14 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. In addition, as the objectives of the Group's annual bonus scheme were achieved to a larger extent than in the previous financial year, expenses incurred by employee benefits increased. The clearly growing sales of animals increased the Group's expenses related to the use of materials and supplies.

Consolidated operating profit amounted to EUR 12.4 million (7.3 million) for the fourth quarter of the financial year and EUR 24.0 million (17.2 million) for September to August.

Consolidated net financial income decreased by 9 per cent in the fourth quarter of the financial year compared to the previous corresponding period, totalling EUR 1.1 million (1.2 million). As a result of the quick speed of payment for pelts, net interest income decreased. Net financial income for September to August decreased by 24 per cent, totalling EUR 4.1 million (5.3 million).

Profit for the fourth quarter of the financial year was EUR 13.5 million (8.5 million) before taxes and EUR 10.1 million (6.8 million) after taxes. Return on equity for the fourth quarter was 11.4 per cent (9.0 per cent), with earnings per share amounting to EUR 2.81 (1.89). Profit for September to August was EUR 28.1 million (22.5 million) before taxes and EUR 21.1 million (16.9 million) after taxes. Return on equity for September to August stood at 24.3 per cent (23.1 per cent), with earnings per share amounting to EUR 5.86 (4.69).

The Group's equity-to-assets ratio at the end of the review period was 57.3 per cent (58.1 per cent). The Group's liquidity remained at a healthy level throughout the review period. The consolidated balance sheet total was EUR 172.0 million (145.4 million). Equity per share was EUR 26.16 (22.00).

## **Capital expenditure and development**

Consolidated gross capital expenditure totalled EUR 3.7 million (5.0 million) for September to August, equalling 5 per cent (8 per cent) of net turnover. Of the capital expenditure, 79 per cent was spent on tangible and intangible assets of the parent company and 21 per cent on those of subsidiaries. The largest investments were related to the renovation of the Fur Center property, sorting systems and equipment and software development.

## **Shares and share performance**

Saga Furs Oyj's share capital totalled EUR 7,200,000 at the end of the review 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 in September to August totalled EUR 21.2 million and the volume was 860,000 shares, representing 32 per cent of the company's Series C shares. The highest price of the share during the period was EUR 32.51 and the lowest price was EUR 16.88, with the average price being EUR 24.55. The shares closed at EUR 32.30. The company's market capitalisation stood at EUR 116.3 million on 31 August 2013.

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

## **Personnel**

The number of permanent Group staff for September to August averaged 146 (141), and the number of temporary employees was 178 (174). At the end of the review period, the Group had 160 employees (154).

## **General Meetings**

The Annual General Meeting (AGM) of 24 January 2013 approved the financial statements for the financial year 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**

Saga Furs Oyj signed a sales cooperation agreement with two auction houses, the Seattle-based American Legend and the Canadian company Fur Harvesters Auction Inc., with regard to Saga Furs' March and June 2014 fur auctions. With the agreement, the auction to be held in March is expected to become the largest fur auction in the world in the next selling season when measured in volume and the number of customers. Each of the three companies will sort its own goods and sell them under its own brand name at Saga Furs' premises in Vantaa. The agreement does not involve any ownership arrangements and is not expected to have a significant impact on the company's result.

The value of sales at the auction arranged by Saga Furs Oyj on 17 to 20 September 2013 amounted to EUR 104 million (91 million in the previous year). The pelt price level increased from previous quotations more than expected, even though the world market price for pelts was already at a high level. More than 350 buyers participated in the auction, and a total of 65,000 mink pelts (630,000 at the previous corresponding auction), 510,000 fox pelts (430,000) and 33,000 Finnraccoon pelts (34,000) were sold there.

### **Prospects for the rest of the financial year**

In the present financial year, the value of the Group's sales amounted to EUR 980 million (695 million in the previous financial year). As a result of the change of the financial year end date, the present financial year is 14 months long and includes sales of two September auctions. As the September auction was better than expected, the net turnover for the financial year will exceed earlier estimates. Costs for the financial year are estimated to remain lower than previously anticipated. Profit for the financial year is expected to grow and be clearly better than in the previous financial year.

## Consolidated statement of financial position, IFRS

EUR 1.000

<b>ASSETS</b>	<b>31 Aug 2013</b>	31 Aug 2012
<b>Non-current assets</b>		
Property, plant and equipment	28 075	28 356
Intangible assets	3 806	3 301
Available-for-sale investments	497	512
Long-term receivables from fur breeders	6 566	2 682
Non-current assets, total	<u>38 945</u>	34 850
<b>Current assets</b>		
Inventories	1 428	1 493
Interest-bearing receivables from buyers	36 665	45 540
Interest-bearing receivables from fur breeders	18 635	26 539
Non-interest-bearing receivables	28 978	12 886
Cash and cash equivalents	47 257	24 124
Current assets, total	<u>132 962</u>	110 582
Total assets	<u><u>171 906</u></u>	<u>145 432</u>
 <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
	<b>31 Aug 2013</b>	31 Aug 2012
<b>Equity attributable to parent company's shareholders</b>		
Share capital	7 200	7 200
Share premium account	254	254
Other funds	17 370	15 700
Translation difference	56	59
Fair value reserve	172	183
Retained earnings	69 117	55 805
Shareholders' equity, total	<u>94 169</u>	79 201
<b>Non-current liabilities</b>		
Deferred tax liabilities	2 635	2 652
<b>Current liabilities</b>		
Interest-bearing liabilities	52 046	41 355
Trade and other payables	20 724	21 186
Deferred taxes based on the taxable income	2 332	1 038
Current liabilities, total	<u>75 102</u>	63 579
Total liabilities	77 737	66 231
Total shareholders' equity and liabilities	<u><u>171 906</u></u>	<u>145 432</u>

## Consolidated statement of comprehensive income

EUR 1.000	1 Jun 2013- 31 Aug 2013 3 mo	1 Sep 2012- 31 Aug 2013 12 mo	1 Jun 2012- 31 Aug 2012 3 mo	1 Sep 2011- 31 Aug 2012 12 mo
<b>Continuous operations</b>				
Net turnover	21 870	71 078	15 763	60 076
Other operating income	102	313	61	311
Materials and supplies	-2 028	-5 231	-1 265	-3 012
Employee benefits	-3 342	-17 923	-2 285	-15 668
Depreciation and impairment loss	-846	-3 478	-856	-3 299
Other operating expenses	-3 355	-20 731	-4 140	-21 253
Operating profit/loss	12 401	24 028	7 278	17 155
Financial income	1 259	4 773	1 602	6 395
Financial expenses	-170	-718	-402	-1 092
Profit/loss before tax	13 490	28 084	8 479	22 458
Income tax	-3 357	-6 984	-1 691	-5 564
Net profit/loss for the reporting period	10 133	21 100	6 788	16 894
<b>Other comprehensive income</b>				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Available-for-sale investments	20	-15	15	34
Translation differences	-1	-1	-3	1
Income tax effect	-5	4	0	-5
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	14	-12	12	30
Total comprehensive income/expense	10 147	21 088	6 800	16 924
Earnings per share, EUR, basic (EUR) *)	2,81	5,86	1,89	4,69

\*) There are no factors diluting the key performance indicator

## Consolidated statement of cash flows

EUR 1.000	1.9.2012- 31.8.2013 12 mo	1.9.2011- 31.8.2012 12 mo
<i>Cash flow from operating activities</i>		
Payments received for selling on commission	892 012	689 050
Cash received from other operating income	310	259
Cash paid for other operating expenses	-859 618	-667 966
Cash flow from operating activities before financial items and taxes	32 704	21 343
Interests, paid	-666	-850
Other financial expenses	-80	-230
Interest, received	5 093	4 571
Other financial income	257	1 364
Dividend income	22	28
Direct taxes paid	-5 703	-6 800
Net cash flow from operating activities (A)	31 627	19 426
<i>Cash flow from investment activities</i>		
Investments in tangible and intangible assets	-3 730	-5 001
Proceeds from sale of tangible and intangible assets	18	99
Investments in other assets	4	10
Net cash flow from investments activities (B)	-3 708	-4 892
<i>Cash flow from financing activities</i>		
Proceeds from short-term borrowings	1 225	4 080
Dividends paid	-6 010	-5 128
Net cash flow from financing activities (C)	-4 785	-1 047
Change in cash flows (A+B+C) increase (+) / decrease (-)	23 133	13 487
Cash and cash equivalents, 31 Aug	47 257	24 124
./. Cash and cash equivalents, 1 Sep	24 124	10 637
Net change in cash and cash equivalents	23 133	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	<b>67 376</b>	0	<b>67 376</b>
Result for the reporting period						16 894	<b>16 894</b>		<b>16 894</b>
Other comprehensive income/expense				1	29		<b>30</b>		<b>30</b>
Other change *)						121	<b>121</b>		<b>121</b>
Dividend						-5 220	<b>-5 220</b>		<b>-5 220</b>
Transfer to counter-cyclical budgetary fund			1 380			-1 380	<b>0</b>		<b>0</b>
Shareholders' equity, 31 Aug 2012	7 200	254	15 700	59	183	55 805	<b>79 201</b>	0	<b>79 201</b>
Shareholders' equity, 1 Sep 2012	7 200	254	15 700	59	183	55 805	<b>79 201</b>	0	<b>79 201</b>
Result for the reporting period						21 100	<b>21 100</b>		<b>21 100</b>
Other comprehensive income/expense				-3	-11	2	<b>-12</b>		<b>-12</b>
Dividend						-6 120	<b>-6 120</b>		<b>-6 120</b>
Transfer to counter-cyclical budgetary fund			1 670			-1 670	<b>0</b>		<b>0</b>
Shareholders' equity, 31 Aug 2013	7 200	254	17 370	56	172	69 117	<b>94 169</b>	0	<b>94 169</b>

\*) Resulting from the change in tax base related to items that were recorded directly as profits during the IFRS transition

## Key performance indicators

	<b>2012/2013</b>	2011/2012
	<b>12 mo</b>	12 mo
Total sales, EUR 1,000	<b>876 140</b>	695 191
Net turnover, EUR 1,000	<b>71 078</b>	60 076
Operating profit/loss, EUR 1,000	<b>24 029</b>	17 155
% of net turnover	<b>33,8%</b>	28,6 %
Profit before taxes, EUR 1,000	<b>28 084</b>	22 458
% of net turnover	<b>39,5 %</b>	37,4 %
Earnings per share, EUR	<b>5,86</b>	4,69
Equity per share, EUR	<b>26,16</b>	22,00
Return on equity (ROE)-%	<b>24,3 %</b>	23,1 %
Return on investment (ROI)-%	<b>21,6 %</b>	21,7 %
Equity-to-assets ratio, %	<b>57,3 %</b>	58,1 %
Gearing	<b>0,05</b>	0,22
Gross capital expenditure, EUR 1,000	<b>3 730</b>	5 011
% of net turnover	<b>5,2 %</b>	8,3 %
Average number of personnel	<b>324</b>	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 Aug 2013    31 Aug 2012

### Mortgages given and receivables pledged in security for dept

Loans from financial institutions	<b>4 878</b>	6 877
Mortgages on property	<b>54 071</b>	54 071
Mortgages on company assets	<b>2 691</b>	2 691

### Derivative contracts

Forward exchange agreements	<b>36 796</b>	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  
12 mo    12 mo

### Transactions with related parties:

<i>Net turnover</i>		
- other related party	<b>255</b>	265
<i>Other operating income</i>		
- parent company	<b>47</b>	48
<i>Other operating expenses</i>		
- parent company	<b>-13</b>	-28
- associates	<b>0</b>	-752
<i>Financial income</i>		
- other related party	<b>16</b>	15
<i>Financial expenses</i>		
- parent company	<b>-11</b>	-23
- other related party	<b>-8</b>	-18
<i>Related party receivables</i>		
- other related party	<b>10</b>	9
<i>Related party liabilities</i>		
- parent company	<b>-4 338</b>	-1 828
- other related party	<b>-2 192</b>	-1 623

	<b>2012/2013</b>	2011/2012
<b>Management compensation</b>	<b>12 mo</b>	12 mo
Remuneration and other short-term employee benefits	<b>1 081</b>	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 31<sup>st</sup> October 2013

Saga Furs Oyj

Board of Directors