

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

sagafurs®

Interim Report
1.9.2012 – 28.2.2013

SAGA FURS OYJ
INTERIM REPORT FOR 1 September 2012 – 28 February 2013

Vantaa, 29 April 2013 at 11:45 a.m.

Saga Furs Oyj's turnover increases

- The value of sales for Saga Furs Oyj increased during the reporting period 1 December 2012 – 28 February 2013 by 46 per cent from the previous corresponding period to EUR 143.5 million (EUR 98.6 million) due to a rise in price level and the increased number of pelts. The value of sales from September to February was EUR 234.9 million (EUR 197.7 million).
- The company auctioned a total of 1.6 million pelts in the reporting period (1.5 million). The number of pelts auctioned by the company between September and February was 2.7 million pelts (3.1 million pelts).
- The consolidated net turnover was 30 per cent up year-on-year at EUR 12.8 million (EUR 9.9 million). The consolidated net turnover from September to February was EUR 20.9 million (EUR 19.7 million).
- Operating expenses in the reporting period were up two per cent compared to the previous corresponding period, totalling EUR 14.0 million (EUR 13.6 million). Expenses from September to February increased by four per cent from the previous corresponding period, totalling EUR 22.8 million (EUR 21.9 million).
- The consolidated operating profit/loss for the reporting period was EUR -1.1 million (EUR -3.7 million). The operating profit/loss for September–February was EUR -1.7 million (EUR -2.1 million).
- Consolidated net financial income for the reporting period was EUR 1.1 million (EUR 1.0 million). Net financial income for September–February was EUR 1.9 million (EUR 2.5 million).
- Earnings per share stood at EUR -0.01 (EUR -0.60) for the reporting period and at EUR 0.03 (0.04 EUR) for September to February.

Consolidated key figures	12/12-2/13 3 mo	9/12-2/13 6 mo	12/11-2/12 3 mo	9/11- 2/12 6 mo	9/11-8/12 12 mo
Total sales, MEUR	143,5	234,9	98,6	197,7	695,2
Total amount of skins sold, 1.000 pcs	1 579	2 727	1 492	3 060	9 259
Net turnover, MEUR	12,8	20,9	9,9	19,7	60,1
Operating profit/loss, MEUR	-1,1	-1,7	-3,7	-2,1	17,2
Profit before taxes, MEUR	0,0	0,2	-2,7	0,4	22,5
Earnings per share, EUR	-0,01	0,03	-0,60	0,04	4,69
Return on equity, (ROE) %	0,0 %	0,2 %	-3,3 %	0,2 %	23,1 %
Return on investment, (ROI) %	0,2 %	0,5 %	-2,3 %	0,8 %	21,7 %

Accounting principles

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

As of 1 September 2012, the Group has applied the following new and amended standards and interpretations which have not significantly affected 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 (SMA) entered into force 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 requirements of the Accounting Act. However, the company has decided to continue presenting future prospects in its interim reports for the time being. A potential change in the practice to present future prospects will be communicated separately.

In other respects, the same accounting principles have been applied to this report as in the financial statements for 1 September 2011 – 31 August 2012. The data in this Interim Report is based on unaudited figures.

Sales during the period 1 September 2012 – 28 February 2013

Saga Furs Oyj held one auction during the second quarter (1 December 2012 – 28 February 2013) from 18 to 20 December 2012. The auction opened the sales season 2012–2013 with extremely good quotations. The price level of mink pelts sold at the auction rose by approximately ten per cent and that of fox pelts by more than ten per cent from the highest quotations of the previous sales season. The largest purchases were made for the Hong Kong/Chinese, Russian, Greek and Italian markets, and nearly 600 purchasers participated in the auction. A total of 1.0 million mink pelts (compared with 1.0 million mink pelts at a corresponding auction in the previous year), 320,000 fox pelts (260,000), 220,000 Karakul lamb pelts (220,000) and 28,000 Finn raccoon pelts (20,000) were sold at the auction. The value of sales at the three-day auction totalled EUR 143 million (EUR 98.2 million).

Between September and February a total of 1.7 million mink pelts (compared with 1.8 million in the previous corresponding period), 740,000 fox pelts (960,000), 270,000 Karakul lamb pelts (240,000) and 62,000 Finn raccoon pelts (73,000) were sold. Thanks to the higher price level, the value of sales increased by 19%, totalling EUR 235 million (EUR 198 million).

Auction	Sales	Value	Sales	Value
	1,000 pelts 2012/2013	EUR 1,000 2012/2013	1,000 pelts 2011/2012	EUR 1,000 2011/2012
September	1 144	91 348	1 537	98 680
December	1 579	143 468	1 489	98 240
Warehouse sales	4	120	34	814
Total	2 727	234 936	3 060	197 733

Financial performance

The consolidated net turnover for the second quarter was 30 per cent higher than that of the previous corresponding period, mainly due to the rise in the price level. The net turnover was EUR 12.8 million (EUR 9.9 million). The net turnover for September to February grew by six per cent from the previous corresponding period, totalling EUR 20.9 million (EUR 19.7 million). Of the net turnover, 67 per cent was made up of commission fees collected from buyers, 20 per cent from those collected from producers and 12 per cent from sales of pelting services and animals.

Operating expenses in the second quarter of the financial year were up two per cent compared to the previous corresponding period, totalling EUR 14.0 million (EUR 13.6 million). Expenses from September to February increased by four per cent from the previous corresponding period, totalling EUR 22.8 million (EUR 21.9 million). Employee benefits increased 16 per cent from the reference period. However, the figures for the reference period included non-recurring items that reduce expenses and are related among other things to changes in pension expenses and holiday pay liabilities. Other operating expenses decreased by eight per cent from the reference period; the non-recurring expenses from the incorporation of the Saga Furs Design Centre's operations into the business activities of the Group increased expenses in the reference period.

The consolidated operating loss for the second quarter of the fiscal year was EUR -1.1 million (EUR -3.7 million) and for the September–February period EUR -1.7 million (EUR -2.1 million).

Consolidated net financial income grew by 13 per cent in the second quarter compared to the previous corresponding period, totalling EUR 1.1 million (EUR 1.0 million). The growth resulted from the redemption of the credit losses recorded for the previous financial year. However, net financial income for the September–February period decreased by 22 per cent, totalling EUR 1.9 million (EUR 2.5 million).

The profit/loss for the second quarter was EUR 12,000 (EUR -2.7 million) before taxes and EUR -33,000 (EUR -2.2 million) after taxes. Return on equity stood at 0.0 per cent (-3.3%) at the end of the second quarter and earnings per share were at EUR -0.01 (EUR -0.60). The profit for the September–February period was EUR 220,000 (EUR 420,000) before taxes and EUR 120,000 (EUR 150,000) after taxes. Return on equity stood at 0.2 per cent (0.2 per cent) during the September–February period, with earnings per share at EUR 0.03 (EUR 0.04).

The Group's equity-to-assets ratio at the end of the reporting period was 56.5 per cent (50.1 per cent at the end of February 2012 and 58.1 per cent on the balance sheet date of 31 August 2012). The Group's liquidity remained at a healthy level throughout the reporting period. The Group balance sheet total was EUR 141.9 million (EUR 135.4 million on 29 February 2012 and EUR 145.4 million on 31 August 2012). Equity per share was EUR 20.33 (EUR 17.32 on 29 February 2012 and EUR 22.00 on 31 August 2012).

Capital expenditure and development

Consolidated gross capital expenditure totalled EUR 2.6 million (EUR 2.4 million) during the period, or 12 per cent (12 per cent) of net turnover. Of the capital expenditure, 84 per cent was spent on tangible and intangible assets of the parent company and 16 per cent on those of subsidiaries. The largest investments were targeted at the renovation of the Fur Center property, systems and equipment related to sorting and the WebSampo breeding software.

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 12.6 million and the volume amounted to 540,000 shares, accounting for 20 per cent of the company's Series C shares. The period high was EUR 27.96, its low EUR 16.88 and its average EUR 23.34. The shares closed at EUR 24.90. The market capitalisation totalled EUR 89.6 million on 28 February 2013.

A list of the company's largest shareholders as of 28 February 2013 is available for viewing on the company's website.

Human resources

The number of permanent Group staff in the reporting period averaged 143 (141) and fixed-term employees 210 (205). At the end of the period, the Group employed 465 individuals (450).

General Meetings

The Annual General Meeting of Saga Furs Oyj, held on 24 January 2013, adopted the company's financial statements for the financial year ending on 31 August 2012 and, in deviation from the Board of Directors' proposal and in accordance with counterproposal of the Finnish Fur Breeders' Association, decided to distribute a dividend of EUR 1.70 per share, or a total of 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, Rainer Sjöholm and Mirkku Kulberg, Managing Director of Artek Oy Ab, were re-elected to the company's Board of Directors. At 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 was elected as the company's auditor.

The Annual General Meeting 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 current financial year will end on 31 October 2013.

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 financial year to the next, since the number of auctions arranged during 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 year.

Business risks and uncertainties

The most significant business risks and uncertainties have been described in the Board of Directors' report for the financial year from 1 September 2011 to 31 August 2012. Management of financial risks is explained in the notes to the consolidated financial statements in section 24. There have been no substantial changes in the risks during the period under review.

Significant events following the end of the period under review

The value of sales at the auction arranged by Saga Furs Oyj on 13–18 March 2013 amounted to EUR 368 million (EUR 305 million in the previous year). The auction was the largest in company history in terms of sales value, and more than 700 buyers participated in it. A total of 2.6 million mink pelts (2.5 million at the corresponding auction from the previous year), 800,000 fox pelts (820,000), 180,000 Karakul lamb pelts (140,000) and 54,000 Finnraccoon pelts (50,000) were sold at the auction. As in the previous year, 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

In the sales season 2012/2013, Saga Furs Oyj will hold two more auctions, both of which will take place in the current 14-month financial year. The auctions will be held on 6–13 June 2013 and on 19–23 September 2013. A total of 2.7 million mink pelts (2.8 million in the sales season 2011/2012) and approximately 960,000 fox pelts (940,000) will be on offer at the remaining auctions of the sales season.

The good situation of the fur market is expected to continue, although the high price of pelts may have an impact on demand at the June and September auctions. Unlike in the sales season 2011/2012, the company will offer all unsold mink pelts at the June auction. Consequently, the 12-month result will improve from the anticipated level, but the profit/loss for the entire financial year will probably be weaker than the 12-month result. In addition, the profit/loss for the entire financial year is estimated to be weaker than the record-breaking profit of the previous financial year.

Consolidated statement of financial position, IFRS

EUR 1.000

ASSETS	28 Feb 2013	29 Feb 2012	31 Aug 2012
Non-current assets			
Property, plant and equipment	28 745	27 756	28 356
Intangible assets	3 710	3 085	3 301
Available-for-sale investments	500	507	512
Long-term receivables from fur breeders	4 073	3 280	2 682
Non-current assets, total	37 028	34 628	34 850
Current assets			
Inventories	1 283	1 184	1 493
Interest-bearing receivables from buyers	11 911	24 087	45 540
Interest-bearing receivables from fur breeders	70 705	64 404	26 539
Non-interest-bearing receivables	13 267	6 133	12 886
Tax assets based on taxable income for the period	2 305	1 307	0
Cash and cash equivalents	5 397	3 686	24 124
Current assets, total	104 868	100 801	110 582
Total assets	141 896	135 429	145 432
SHAREHOLDERS' EQUITY AND LIABILITIES			
	28 Feb 2013	29 Feb 2012	31 Aug 2012
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	174	183	183
Retained earnings	48 138	38 942	55 805
Shareholders' equity, total	73 193	62 339	79 201
Non-current liabilities			
Deferred tax liabilities	2 642	2 815	2 652
Current liabilities			
Interest-bearing liabilities	41 455	47 756	41 355
Trade and other payables	24 506	22 326	21 186
Deferred taxes based on the taxable income	100	193	1 038
Current liabilities, total	66 061	70 275	63 579
Total liabilities	68 703	73 090	66 231
Total shareholders' equity and liabilities	141 896	135 429	145 432

Consolidated statement of comprehensive income

EUR 1.000	1 Dec 2012- 28 Feb 2013 3 mo	1 Sep 2012- 28 Feb 2013 6 mo	1 Dec 2011- 29 Feb 2012 3 mo	1 Sep 2011- 29 Feb 2012 6 mo	1 Sep 2011- 31 Aug 2012 12 mo
Continuous operations					
Net turnover	12 792	20 916	9 872	19 736	60 076
Other operating income	82	144	59	149	311
Materials and supplies	-681	-1 303	-592	-1 087	-3 012
Employee benefits	-6 175	-9 305	-5 280	-8 016	-15 668
Depreciation and impairment loss	-910	-1 766	-790	-1 557	-3 299
Other operating expenses	-6 203	-10 398	-6 968	-11 289	-21 253
Operating profit/loss	-1 093	-1 711	-3 697	-2 063	17 155
Financial income	1 321	2 304	1 215	2 897	6 395
Financial expenses	-216	-372	-235	-415	-1 092
Profit/loss before tax	12	221	-2 717	420	22 458
Income tax	-45	-99	549	-269	-5 564
Net profit/loss for the reporting period	-33	122	-2 169	150	16 894
Other comprehensive income					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Available-for-sale investments	-3	-11	16	39	34
Translation differences	2	-2	0	3	1
Income tax effect	1	3	-4	-10	-5
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	0	-10	12	32	30
Total comprehensive income/expense	-33	112	-2 157	182	16 924
Earnings per share, EUR, basic (EUR) *)	-0,01	0,03	-0,60	0,04	4,69
*) There are no factors diluting the key performance indicator					

Consolidated statement of cash flows

EUR 1.000	1.9.2012- 28.2.2013 6 mo	1.9.2011- 29.2.2012 6 mo	1.9.2011- 31.8.2012 12 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	272 423	218 295	689 050
Cash received from other operating income	141	120	259
Cash paid for other operating expenses	-295 249	-237 715	-667 966
Cash flow from operating activities before financial items and taxes	-22 684	-19 300	21 343
Interests, paid	-375	-405	-850
Other financial expenses	-39	-44	-230
Interest, received	3 119	2 375	4 571
Other financial income	112	294	1 364
Dividend income	0	7	28
Direct taxes paid	-3 249	-3 513	-6 800
Net cash flow from operating activities (A)	-23 116	-20 586	19 426
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-2 562	-2 408	-5 001
Proceeds from sale of tangible and intangible assets	0	67	99
Investments in other assets	0	0	10
Net cash flow from investments activities (B)	-2 562	-2 341	-4 892
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	12 491	21 102	0
Re-payments of short-term borrowings	0	0	4 080
Dividends paid	-5 540	-5 126	-5 128
Net cash flow from financing activities (C)	6 951	15 976	-1 047
Change in cash flows (A+B+C) increase (+) / decrease (-)	-18 727	-6 951	13 487
Cash and cash equivalents, 28 Feb / 31 Aug	5 397	3 686	24 124
./. Cash and cash equivalents, 1 Sep	24 124	10 637	10 637
Net change in cash and cash equivalents	-18 727	-6 951	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						150	150		150
Other comprehensive income/expense				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
Shareholders' equity, 1 Sep 2012	7 200	254	15 700	59	183	55 805	79 201	0	79 201
Result for the reporting period						122	122		122
Other comprehensive income/expense				-2	-8		-10		-10
Dividend						-6 120	-6 120		-6 120
Transfer to counter-cyclical budgetary fund			1 670			-1 670	0		0
Shareholders' equity, 28 Feb 2013	7 200	254	17 370	57	174	48 137	73 193	0	73 193

Key performance indicators

	2012/2013 6 mo	2011/2012 6 mo	2011/2012 12 mo
Total sales, EUR 1,000	234 936	197 733	695 191
Net turnover, EUR 1,000	20 916	19 736	60 076
Operating profit/loss, EUR 1,000	-1 711	-2 063	17 155
% of net turnover	-8,2%	-10,5 %	28,6 %
Profit before taxes, EUR 1,000	221	420	22 458
% of net turnover	1,1 %	2,1 %	37,4 %
Earnings per share, EUR	0,03	0,04	4,69
Equity per share, EUR	20,33	17,32	22,00
Return on equity (ROE)-%	0,2 %	0,2 %	23,1 %
Return on investment (ROI)-%	0,5 %	0,8 %	21,7 %
Equity-to-assets ratio, %	56,5 %	50,1 %	58,1 %
Gearing	0,49	0,71	0,22
Gross capital expenditure, EUR 1,000	2 562	2 408	5 011
% of net turnover	12,2 %	12,2 %	8,3 %
Average number of personnel	353	346	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	28 Feb 2013	29 Feb 2012	31 Aug 2012
Mortgages given and receivables pledged in security for dept			
Loans from financial institutions	15 471	24 328	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	2 361	1 437	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 6 mo	2011/2012 6 mo	2011/2012 12 mo
Transactions with related parties:			
<i>Net turnover</i>			
- other related party	66	79	265
<i>Other operating income</i>			
- parent company	27	24	48
<i>Other operating expenses</i>			
- parent company	-10	-15	-28
- associates	0	-674	-752
<i>Financial income</i>			
- other related party	6	7	15
<i>Financial expenses</i>			
- parent company	-11	-8	-23
- other related party	-6	-16	-18
<i>Related party receivables</i>			
- other related party	712	668	9
<i>Related party liabilities</i>			
- parent company	-4 398	-1 016	-1 828
- associates	0	-239	0
- other related party	-1 115	-993	-1 623

Management compensation

Remuneration and other short-term employee benefits	627	613	1 096
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Management consists of the Board of Directors, the Managing Director, the Managing Director's Deputy and the rest of the groups Management Group.

Vantaa 29 April 2013

Saga Furs Oyj

Board of Directors