

## FINNISH FUR SALES

### FINANCIAL REPORT FOR THE PERIOD 1.9.2002-31.05.2003

#### Development of the Group

During the preview period 1.9.2002-31.05.2003 Finnish Fur Sales organized four auctions. In the auctions and private treaties during the autumn, 2.9 million mink skins (2.8 million during the previous corresponding period), 1.5 million fox skins (1.5 million during the previous period) and 440.000 karakul lamb skins (440.000 during the previous period) were sold. USD price level for mink skins remained seven percent lower than during previous corresponding period. Due to the weakening of USD, EUR price level decreased by 22 percent. USD price level for fox skins decreased by 35 percent and Euro prices by 45 percent of prices of previous corresponding period. The value of Sales under Commission decreased by 33 percent to EUR 176 million. Net sales of the group remained 12 percent lower than during previous corresponding period and was EUR 18,2 million. Reasons for the decrease were mainly a decrease in the international price level and also lower commissions due to the weakening of USD.

The value of sales and accounts receivables from the auction day 31.5.2003 in the financial period's last auction (31.5-4.6) are not included in the preview periods value of sales and turnover. This is done to maintain the comparability to the previous corresponding period. The 2001-2002 financial period's corresponding auction was held 1-5.6.2002.

Auction	Sales 1.000 pcs 2002/03	Sales 1.000 pcs 2001/02	Value EUR 1.000 2002/03	Value EUR 1.000 2001/02
September	333	276	17.064	29.958
December I		120		11.698
December II	934	1.077	29.413	53.876
January-February	1.308	1.373	47.983	79.388
March-April	2.195	1.838	74.654	85.268
Warehouse sale	169	77	6.663	1.819
Total	4.939	4.762	175.777	262.008

Operating expenses of the group increased by 4 percent to EUR 21.9 million. The operating loss of the group during the period under review was EUR 3.5 million when it the year before was EUR 330.000 million on profit.

The net financial income of the group was EUR 1.9 million, which is 12 percent lower than during the previous corresponding period under review. Interest income of accounts receivable remained lower than during previous corresponding period due to a decrease in the value of sales. Loss before appropriations and taxes was EUR 1.5 million, when it was EUR 2.5 million on profit previous year. Loss per share was EUR 0.3.

At the end of the period under review the group's equity ratio was 58.6 percent (at the end of May 2002 it was 46.6 percent and when making the financial report on 31.8.2002 it was 52.9 percent).

## Seasonal variation

During the 12 month long selling season Finnish Fur Sales organizes 4-6 auctions. Auction dates and offering amounts vary from year to year. During the financial period there may be quarters when no auctions are arranged. Due to the seasonal variation differences may also occur between financial periods, so that during the comparison period an equal number of auctions have/have not been organized. Due to this the changes in sales value and net turnover in comparison with previous periods do not necessarily give a correct picture of the development of the whole accounting period.

The accounting period 1.9.2002-31.8.2003 deviates from the previous period by that Finnish Fur Sales organized in December 2002 only one auction, when it organized two auctions in December 2001.

## Investments and development

The gross investments of the group were EUR 2.2 million during the period under review (EUR 4.5 million during the previous period). Nearly two thirds of the investments focused on tangible assets and well over one third on intangible assets, in other words on developing IT software. Of investments on tangible assets well over half was due to increasing storage capacity at the pelting centre in Kaustinen, Furfix Oy and the other smaller half was due to investments of the parent company in partial renewing of storage systems, automation of sorting and IT-technology. An optical machine for measuring the size of fox skins started to operate in the beginning of December 2002, as well as a measuring machine for clarity of fox skins.

## Items in foreign currencies

The receivables and liabilities in foreign currencies indicated in the parent company's balance sheet have been converted into Euro at the rate quoted by the European Central Bank on the closing date of the interim report, with the exception of those account receivables that are covered by futures contracts. These are shown based on the futures rates. The exchange rate differences are entered in the profit and loss account.

## Personnel

The number of permanent staff during the period under review was on average 115 (114 during the previous period) and seasonal staff was 236 (231 respectively).

## Summary of all stock exchange notices issued during the period under review

On **September 9th** the company announced that it will offer new production for sale first during the auction beginning on December 18th, and not during beginning of December as has done during several previous years. The auction, were well over half a million fox skins, received during previous accounting period, will be organized 11-12 September.

On **September 11th** the company announced that at the first auction of this accounting period were almost half of the offering of 400.000 blue foxes sold to Hong Kong/China, Russia and Turkey and that the price level obtained in USD was 5-10 lower than during June auction.

On **September 12th** the company announced that the average price for blue fox skins of normal quality leveled to EUR 74,14 at the auction that was characterized as cautious. The rate

development of the dollar, the partly overheated price level of the previous season and the delay of the retail season due to a record warm summer were reasons behind the decreased prices.

On **October 18th** the company gave a result warning. The company expects that the amount of skins to be collected will remain on the same level as during last season, but estimates that the net profit of this accounting period will be significantly weaker than during last period and might even turn into a loss due to the unstable market situation of blue fox skins.

On **November 22nd** the company officially published the financial statements for the financial period 1.9.2001-31.8.2002. The company's net turnover increased and the value of sold skins rose, but the increased amount of collected skins and investments took their parts of the net result.

On **December 17th** the company informed that the opening auction for selling season 2002/2003 will begin on Wednesday December 18th and end on Friday December 20th. At the auction nearly 900.000 mink and well over 250.000 fox skins will be offered. Some 200 international buyers are expected to attend.

On **December 18th** the company informed that the mutation foxes and Finnracons offered on the opening day were sold to 100 percent for the price level determined on the auctions of the early half of the year. There were also offered mutation minks, for example Sapphire and White, with a selective demand.

On **December 19th** the company informed buyers of Scanblack minks were cautious and that Mahogany, Scanbrown and Scanglow minks, of the brown color group, were sold to 90 percent for the same price level as in Copenhagen's auction held the previous weekend. There were offered well over 400.000 minks of the main color groups and the main buyers came from Russia, Hong Kong and Greece.

On **December 20th** the company reported that the well over 200.000 blue fox skins offered on the closing day of the auction were sold to 80 percent to an average price of EUR 51 to Hong Kong/China, Turkey and Western Europe. The company estimated the world market price to barely cover the production costs. The auction was attended by 250 international buyers and the total sales were round EUR 30 million.

On **January 17th 2003** the company announced that at the ordinary stockholders' meeting held in Vaasa the company's financial statement for period 1.9.2001-31.8.2002 was confirmed and that the Board of Directors' proposal for dividend payment was approved. Of the profit of the financial year EUR 0.65/ share was decided to be divided as dividend to the stockholders. Fur farmer Jorma Kauppila, Chairman of the Fur Breeders Association of Northern Finland, was voted as replacement for Heino Hanhikoski, who stepped away, as Chairman of the Board, at the Board of Directors' meeting after the ordinary stockholders' meeting.

On **January 24th** the company announced that the Auction will start on Monday January 27th and end on January 29th, where well over one million mink and nearly 400.000 fox skins will be offered. Only male skins of Scanbrown, mahogany and black minks will be offered as they are favored by the trimming industry. In addition over 400.000 karakul lamb skins will be offered.

On **January 27th** the company informed that of the offering of 250.000 western mutation minks 75 percent was sold to the international price level of December auction. Strengthening of the

shared currency was visible in the around 5 percent weakening of the EUR prices. In addition to Russians, also Hong Kong, Italian, Greek and Korean customers were buying actively.

On **January 28th** the company informed that the offered 350.000 blue fox skins were sold to 100 percent for the average price of EUR 47,86 to all markets, China, Russia, Korea, Japan, Turkey, North America and Western Europe. The international price level is on the same level as in December and the price for shadow foxes was mildly strengthened. In addition to offering blue and shadow foxes, also silver fox was offered, for the first time during this accounting period starting on 1.9.2002 and the average price for Finnish silver foxes was as high as EUR 114,50. Also the international price level of Finn raccoon strengthened from the notation of December.

On **January 29th** the company informed that stable sale of brown mahogany, Scanbrown and Scanglow minks ended the auction. The price level followed December and the sales percent was 90. Demand for the offered black male minks was also this time restraining and a major part of the offering remained unsold. The most important buyers came from Russia, Greece, Hong Kong/ China and Italy. All together there were 300 buyers present and the value of sales of the three-day auction was EUR 48 million.

On **January 30th** the company published the interim report for time period 1.9.2002-30.11.2002. It was estimated in the report that the company's net income will remain considerably weaker than during last accounting period and perhaps turn into a loss. During the first quarter the group's net sales was EUR 2.2 million what is 7 percent lower than during last corresponding period. The value of sales was merely EUR 21 million. The operating loss of the period under review was EUR 910.000 higher than during previous corresponding period, EUR 3.8 million. Loss before appropriations and taxes was EUR 2.9 million.

On **April 4th** the company informed that the fourth, and one of the biggest and collection wise most versatile auction will start on Saturday April 5th and end on Tuesday April 8th. At the auction nearly 1.6 million mink skins and well over 500.000 fox skins were offered. Also karakul lamb skins and Finn raccoon skins were offered. Some 300 buyers from all market areas are expected to attend.

On **April 5th** the company informed the fox skin offering of the opening day, round 50.000 silver and mutation foxes, were sold for high prices mainly to Italy, China, Russia, Greece and the Korean Republic. The offered 17.000 Finn raccoon skins were sold to 100 percent in average for EUR 117.

On **April 6th** the company published that the offered nearly half a million mutation minks were sold almost to 100 percent to Hong Kong/China, Russia, Greece, Italy and the Korean Republic. The price level for mutation minks strengthened slightly from the auction held in Copenhagen last week.

On **April 7th** the company informed that the offering of over one million minks of the brown and black color group was sold to all important market areas. Scanbrown and Scanglow minks of the brown group were sold even to higher prices than obtained during Copenhagen's auction held last week. Prices for black mink skins were on the same level. Average price for all Western European mink skins sold during this auction was EUR 23.40.

On **April 8th** the company published that the offering of nearly half a million blue fox skins was sold to 100 percent in average for EUR 51.22 to Hong Kong/China, Russia, Greece, Italy and the Korean Republic. The price level was round 7 percent higher than during January auction. The offering of well over 50.000 blue shadow foxes was sold in average for EUR 63.57, which is over 10 percent higher than during January auction. The four-day auction was attended by 350 customers from all market areas and the value of sales of the auction was EUR 75 million.

On **April 29th** the company published the interim report for time period 1.9.2002-28.02.2003. It estimated that the net income of the accounting period ending on 31.8.2003 will remain considerably weaker than during previous accounting period and that the net income is very dependent upon sales results of May/June auction. During the first half of the accounting period the group's net sales was EUR 10.4 million which is 24 percent lower than during the previous corresponding period. The value of sales remained at EUR 101 million. The operating loss was EUR 4.0 million higher than during previous corresponding period, EUR 4.3 million. Loss before appropriations and taxes was EUR 3.2 million.

On **May 30th** the company announced that at the auction beginning on Saturday May 31st, well over 1.8 million mink and 500.000 fox skins will be offered. Some 250 buyers representing all market areas are expected to attend.

On **May 31st** the company informed that the price level in USD for silver fox, blue frost fox and Finn raccoon sold during the opening day, remarkably rose from the previous auction held in April. The weakening of the dollar compared to euro from the previous auction decreases euro price level by 10 percent. The average price for Finnish silver foxes of normal quality was EUR 96 and for blue frost foxes EUR 99.

### **Review of the remainder of the financial period**

Finnish Fur Sales organized one auction May 31st - June 4th 2003 during the last quarter of the accounting period.

At the May/June auction nearly 1.8 million mink and 450.000 fox skins were sold. The average price for sold mink skins was EUR 17,65 and for fox skins EUR 47,70. The value of Sales under commission was EUR 58.4 million.

The value of net sales of the company is expected to decrease from previous accounting period due to a lower price level than during previous period, even though the amount of skins handled will increase from previous period. The pelting center established in Kaustinen will still weaken the net income of the group, but less than during previous accounting period. The Fur Breeders Association in Denmark dissociated from Saga cooperation in June with a two-year notice is not expected to influence in the net income/loss of Finnish Fur Sales for this accounting period. It is expected that there will be a net operating loss. Price level is lower than during previous period and therefore net interest income is expected to decline. Despite an increase in net sales, the company expects the net sales of the group remain weaker than during previous accounting period. The company estimates that the net income of this accounting period will be significantly lower than during the previous period and that it might turn into a net loss.

## Profit and loss account 1.9.2002- 31.5.2003

(EUR 1.000)	1.9.2002- 31.5.2003 9 kk	1.9.2001- 31.5.2002 9 kk	1.9.2001- 31.8.2002 12 kk
Net turnover	18 195	20 613	27 884
Other operating income	261	747	1 034
Operating expenses			
Raw Material and services	-487	-948	-1 504
Personnel expenses	-9 377	-8 937	-10 729
Depreciation and value adjustments	-2 937	-2 753	-3 686
Other operating expenses	-9 113	-8 394	-10 394
Operating Income (+)/Loss(-)	-3 458	328	2 605
Financial income and expenses	1 941	2 212	3 197
Loss before appropriations and taxes	-1 517	2 540	5 802
Income taxes 1)	442	-765	-1 723
Loss for the financial period	<b>-1 075</b>	<b>1 775</b>	<b>4 079</b>

1) The income taxes for the financial period 1.9.2002- 31.5.2003 include a change in deferred tax liability connected to depreciation difference belonging to the review period's loss.

## Balance Sheet 31.5.2003

(EUR 1.000)

<b>Assets</b>	<b>31.5.2003</b>	31.5.2002	31.8.2002
Fixed assets			
Intangible assets	4 610	5 853	5 413
Tangible assets 2)	29 200	28 768	29 151
Investments	284	284	284
Current assets			
Stocks	534	497	511
Tax receivables	453	0	0
Receivables	61 914	90 226	77 182
Bank and cash	2 612	4 346	5 007
Total Assets	<b>99 607</b>	<b>129 974</b>	<b>117 548</b>

2) A revaluation of 8 million euro of the real estate in Varistorna is included in the tangible assets

<b>Liabilities</b>	<b>31.5.2003</b>	31.5.2002	31.8.2002
Shareholders' equity	<b>51 697</b>	52 806	55 111
Liabilities			
Deferred tax liability	<b>2 120</b>	2 112	2 120
Short-term liabilities	<b>45 790</b>	75 056	60 317
Total liabilities	<b>99 607</b>	129 974	117 548
<b>Financial statements</b>			
(EUR 1.000)	<b>1.9.2002- 31.5.2003</b>	1.9.2001- 31.5.2002	1.9.2001- 31.8.2002
<i>Operating cash flow:</i>			
Income from sales	<b>29.681</b>	12.559	26.188
Payments from other operating income	<b>259</b>	745	1.026
Payments for operating expenses	<b>-21.691</b>	-25.187	-26.177
Operating cash flow before financing items and taxes	<b>8.249</b>	-11.883	1.037
Interests and payments disbursed on financing costs of operation	<b>-1.077</b>	-1.200	-1.582
Accrued interests and other financing income from operation	<b>3.628</b>	3.788	4.759
Disbursed direct taxes	<b>-2.050</b>	-2.279	-2.550
Cash flow from operation (A)	<b>8.750</b>	-11.574	1.664
<i>Investments cash flow:</i>			
Investments on tangible and non-tangible assets	<b>-2.206</b>	-4.512	-5.439
Transfer income from tangible and non-tangible assets	<b>23</b>	8	21
Transfer income from other investments	<b>0</b>	8	8
Investments cash flow (B)	<b>-2.183</b>	-4.496	-5.410
<i>Financing cash flow:</i>			
Taking out of short-term loans	<b>0</b>	18.349	6.687
Reimbursements of short-term loans	<b>-6.671</b>	0	0
Reimbursements of long-term loans	<b>0</b>	-336	-336
Change in conversion difference	<b>0</b>	1	1
Disbursed dividends	<b>-2.292</b>	-2.822	-2.823
Financing cash flow (C)	<b>-8.963</b>	15.191	3.529
Change in cash flows (A+B+C)	<b>-2.395</b>	-879	-217
	<b>1.9.2002-</b>	1.9.2001-	1.9.2001-

	31.5.2003	31.5.2002	31.8.2002
Financial resources 31.5/31.8	2.612	4.346	5.007
Financial resources 1.9.	-5.007	-5.224	-5.225
	<b>-2.395</b>	<b>-878</b>	<b>-217</b>

### Average number of employees

Permanent staff	115	114	115
Seasonal employees	236	231	183
	<b>351</b>	<b>345</b>	<b>298</b>

### Gross investments in fixed assets (EUR 1.000)

	2 206	4 513	5 439
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### Assurances, guarantee engagements and other liabilities

(EUR 1.000)	31.5.2003	31.5.2002	31.8.2002
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#### Debts with mortgages and impawned receivables as collateral security

Loans from credit institutions	3 208	21 542	10 325
Mortgaged buildings	55 318	54 072	55 318
Mortgaged businesses	2 691	2 691	2 691
Impawned receivables	8 549	4 190	7 868
Total mortgages used as collaterals	58.009	56.763	58.009
Total impawned receivables	8 549	4 190	7 868

#### Other guarantees

Guarantee liabilities	539	538	539
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#### Option contracts

Forward contracts	20 639	42 239	42 408
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2002/2003 9 kk	2001/2002 9 kk	2001/2002 12 kk
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Earnings per share	-0,30	0,49	1,13
Shareholders' equity per share	14,36	14,67	15,31

Vantaa, 10.7.2003

The Board of Directors