

# FINNISH FUR SALES

## Managing Director's Review

The financial year 2004/2005 marked a major milestone in Finnish Fur Sales' history, as we achieved our goal of being a leading raw-material supplier to the international fashion industry. Our sales agreement with Norges Pelsdyrslag, the Norwegian Fur Breeders' Association, and Oslo Fur Auctions Ltd, an auction house, got off to a good start when the first lot of Norwegian fox pelts for 18 years was sold at our December 2004 auction. This highly welcome agreement made Finnish Fur Sales a centre for the world's fox pelt trade.

The Saga Furs – *Exclusively at Finnish Fur Sales in Co-operation with Oslo Fur Auctions* – theme combined three major players sharing three different corporate cultures. Intensifying this co-operation and streamlining operations are still underway. The Saga co-operative is co-owned by the Finnish Fur Breeders' Association and the Norwegian Fur Breeders' Association. The Finnish Fur Breeders' Association has given us full authorisation to act as a Saga partner in international pelt marketing operations, which is manifested in Finnish Fur Sales' and Saga's joint presentation at all major fur-trade events in the main markets – China, Russia and the USA – and in haute couture centres. The creation of this stronger joint SAGA brand image was targeted at our key customers in particular. For example, using the SAGA trademark reflects the values of many leading department-store chains.

New operating models and well-structured co-operation fostered our goal of providing pelt buyers with everything they need on a one-stop-shopping basis. With respect to long-haired furs, we have already met this goal. Finnish Fur Sales boasts the most extensive range of fox and Finn raccoon pelts worldwide. The wide range of products and in-depth knowledge of raw materials, combined with SAGA design and product-development excellence, form undisputable advantages in the dialogue with the fashion industry in its never-ending search of new applications and innovations.

Fox pelt world-market prices are determined at the company's auctions. China has already outstripped Finland in terms of production volumes, presenting challenges to us and Finnish fur breeders. Chinese

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auction-goers' buying behaviour is having a wide influence on the atmosphere within the international fur trade community, not only due to their spending spree but also in terms of apathy affecting other players. The Chinese market is only gradually emerging as a marketplace for furs as end products. On the other hand, fur farming forms an important rural industry supported by the Chinese government.

Finnish Fur Sales and Saga hold a challenger's position in the market for mink pelts. Record-high world-market prices and brisk demand have boosted production, especially in the new EU countries and China. Therefore, we must further strengthen our position as a sales channel in Poland and the Baltic countries located close to us.

These rapidly developing EU entrants lag behind other EU countries in terms of their credit rating. Maintaining fur-production competitiveness in Finland forms a solid basis for Finnish Fur Sales' efforts to conquer new markets. In co-operation with Finnish Fur Sales' largest owner, Finnish Fur Breeders' Association, we aim to make continuous efforts to keep Finnish mink-fur production at least at the current level or even increase it.

Although China and Russia increasingly form our main market areas, retaining the legitimacy of fur farming and the fur trade within the EU is vital to Finnish Fur Sales' business. The passage of a bill introduced in Sweden, making mink-fur production an unprofitable business, constitutes a ban on farming. This law, if enforced, would conflict with current EU legislation, in both spirit and letter. Although an increase in other EU countries' and China's production may fill this vacuum left by Sweden, such unconventional legislation will be reflected in business opportunities elsewhere too.

As a genuine part of this international industry characterised by long traditions, Finnish Fur Sales is thriving, thanks to fashion and increasing prosperity in emerging markets. Raw-material applications have undergone an unprecedented transformation. Fur-industry value-chain members range from fur farmers in the province of Pohjanmaa to, say, Jennifer Lopez, an American megastar and Saga partner. The high degree of our internationalisation is reflected not only in our auctions with representation from dozens of nations,

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but also our staff. The majority of our seasonal staff are expatriates, who take the main responsibility for managing the flow of around eight million pelts and creating homogeneous lots for auction.

It gives me great pleasure to thank all our personnel, customers, producers, buyers, shareholders and other partners for their contribution to the success of our company and the industry as a whole.

Pirkko Rantanen-Kervinen

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## Board of Directors' Report

### Pelt Volumes and Sales

During the financial year, Finnish Fur Sales collected almost five million mink pelts, a record figure over more than 20 years, and 2.6 million fox pelts. A major source of this growth stemmed from Finnish Fur Sales' entry into a sales partnership with Norges Pelsdyrslag, the Norwegian Fur Breeders' Association, and Oslo Fur Auctions Ltd, an auction house. Norwegian mink pelts supplemented the range of intersorted SAGA pelts. Some Norwegian fox pelts were intersorted with the SAGA pelts on offer, while others sorted in Norway were auctioned as a separate lot. Central Europe showed a marked increase in the number of pelts collected by the company. The company occupies a strong position as a pelt sales channel in new EU countries, especially in Poland where mink production is growing vigorously. US dollar prices and euro prices for mink pelts were nine per cent and five per cent higher than in the previous financial year, respectively, while average euro prices for fox pelts were ten per cent lower than a year ago, due to lower blue fox pelt prices.

The volume of Finnraccoon pelts delivered to the company rose by 19 per cent on a year earlier. Finnraccoon pelts delivered in the previous financial year were also on offer at the September 2004 auction. Finnraccoon prices were 28 per cent lower than in the previous financial year.

Finnish Fur Sales held five auctions during the financial year. At the first auction on 12–14 September 2004, demand for both fox and mink pelts was brisk, with higher prices quoted for the best grades than at the June auction. As a result of the autumn and early winter being warm, retail sales in the main market areas in China, Russia and the USA got off to a slow start and the new sales season's first auctions on 20–22 December 2004 and January 26–28 2005 did not meet expectations. Consequently, the remaining unsold pelts were rescheduled for subsequent auctions. In particular, demand for blue fox pelts remained weaker than expected, due to the early-season sluggishness in Chinese fur retailing, growth in the country's fox production and the government policy favouring domestic production. However, cold weather in January–

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February gave some impetus to a retail season that began tepidly. Eventually, the shorter-than-usual season generated rather good results, especially in China and Russia. Furthermore, successful international trade fairs in the main market areas and the strong presence of furs in new fashion collections contributed to prices advancing and pelts selling well at the company's main auction held on 11–15 April 2005. A positive tone continued in the second biggest auction of the financial year held on 2-6 June 2005.

During the financial year, the volume of mink pelts sold through Finnish Fur Sales totalled 4,948,000 (4,628,000 in the previous financial year), that of fox pelts 2,433,000 (2,481,000), that of Karakul lamb pelts from Afghanistan 290,000 (440,000) and that of Finnraccoon pelts 120,000 (70,000). Sales totalled EUR 297 million, remaining at the previous financial year's levels. Sales by auction were as follows:

Auction	Sales 1,000 items 2004/2005	Sales 1,000 items 2003/2004	Value EUR 1,000 2004/2005	Value EUR 1,000 2003/2004
September	702	649	35,430	27,518
December	1,020	1,413	30,174	46,225
January–February	1,050	1,233	42,742	52,994
March–April	2,737	2,169	106,675	84,643
May–June	2,291	2,131	80,253	84,141
Reported private treaty sales	68	56	1,755	1,211
<b>Total</b>	<b>7,869</b>	<b>7,651</b>	<b>297,030</b>	<b>296,732</b>

## Marketing and Protecting Industry Interests

Since the withdrawal of Dansk Pelsdyravlereforening (DP), the Danish Fur Breeders' Association, from Saga on 1 October 2004, Finnish Fur Sales has had the exclusive right to auction pelts under the SAGA trademark. As a result of this narrower ownership base, the company's marketing expenditure increased over the previous financial year. The use of the SAGA trademark and services now requires pelt purchases at Finnish Fur Sales' auctions, which is why the year saw an increase in Finnish Fur Sales' and Saga's joint presentation in various market areas, trade fairs and industry workshops, mainly targeted at the company's

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key customers. The company widened the range of pelts eligible for the SAGA trademark by supplementing the current SAGA Royal and SAGA grades with the SAGA I grade, while including Finnraccoon pelts in the SAGA range.

Finnish Fur Sales, the Finnish Fur Breeders' Association, Fur Finland and the International Fur Trade Federation joined forces to protect industry interests with the aim of retaining the legitimacy of fur farming and the fur trade. Originating in a resolution based on a narrowly won vote at the Swedish Social Democratic Party's rally four years ago, a legislative initiative, practically marking an end to mink farming, proceeded to its preparation stage. Given that Finnish Fur Sales is the market leader as a sales channel for Swedish mink pelts and it auctioned more than half a million Swedish mink pelts within the SAGA range during the financial year, it is important for the company that this Swedish legislation does not enter into force in its proposed form.

## Financial Performance and Capital Expenditure

### *Financial Performance*

Total sales reported by Finnish Fur Sales came to EUR 297 million, remaining at the previous financial year's levels, while the volume of auctioned pelts grew by 3 per cent, to 7.9 million. The auction-weighted average of the US dollar against the euro was 4 per cent weaker than a year ago. The Group posted a consolidated turnover of EUR 33.0 million.

Operating expenses increased by 8 per cent, to EUR 31.1 million, on the year before, with SAGA marketing expenses included in other operating expenses growing by 79 per cent. Consolidated operating profit totalled EUR 2.1 million, down by 50 per cent year on year.

Net financial income came to EUR 2.1 million, showing a year-on-year fall of 23 per cent. Exchange rate gains declined by EUR 400,000 and interest income by EUR 280,000. Consolidated profit before appropriations and taxes fell by 39 per cent from the previous financial year, to EUR 4.3 million.

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Equity-to-assets ratio stood at 52 per cent (54 per cent), while liquidity remained at a healthy level throughout the financial year.

## Capital Expenditure

Gross capital expenditure for the financial year totalled EUR 2.2 million (EUR 1.3 million), 27 per cent being spent on intangible assets and 73 per cent on tangible assets, such as a partial storage-system upgrade, sorting automation and information technology.

The financial year saw the completion of the first stage involved in changes in the storage system for fox pelts, aimed at lowering costs based on greater space utilisation. The soon-to-be-completed second stage will take effect at the beginning of the new sales season in December 2005.

## Adoption of IFRS (IAS)

Finnish Fur Sales is preparing its IFRS-compliant consolidated financial statements as of the financial year starting on 1 September 2005.

## Human Resources

The number of Group employees grew by two per cent over the previous financial year, the majority working on a fixed-term basis in a variety of duties related to pelt processing.

Based on the volume of pelts collected and the return-on-equity ratio, the company applied an annual bonus system to its employees during the financial year, covering its permanent staff and, after a certain period of service, seasonal employees.

The table below shows the number of parent-company and Group employees (previous financial year's figures in brackets):

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	Parent company	Group
Average number of employees	268 (261)	311 (305)
– permanent staff	97 (94)	117 (112)
– seasonal staff	171 (167)	194 (193)
Number of permanent staff on 31 Aug. 2005 (31 Aug 2004)	96 (97)	117 (116)

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The number of Finnish Fur Sales' employees reached its peak in December 2004 when the parent company had a total maximum staff of 594, 98 of whom represented permanent employees, 319 seasonal employees and 167 auction assistants. The average age of the permanent employees was 46 and their average years of service 15. With the aim of promoting its employees' working capacity, the company supported independent keep-fit training and staged info briefings.

Wages and salaries paid by the parent company during the financial year totalled EUR 8,804,246.13, the Board of Directors, the Managing Director and her deputy accounting for EUR 313,905.98, while the respective figures paid by the Group were EUR 10,120,504.60 and EUR 510,054.41.

## Group Administration and Shareholding

### Annual General Meeting

The Annual General Meeting (AGM) of Finnish Fur Sales on 16 December 2004 decided to distribute a per-share dividend of EUR 0.65 and enter EUR 530,000 in the contingency fund, as proposed by the Board of Directors.

The Board of Directors has no valid authorisation to issue shares, convertible bonds or bonds with warrants, or buy back own shares.

### Board of Directors and Auditors

The AGM of 16 December 2004 decided that the Board of Directors comprise six members. It elected

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the following Board members for a term ending upon the next AGM: Jorma Kauppila, fur farmer; Markku Koski, fur farmer; Erik Karls, fur farmer; Leena Pitkänen, fur farmer; Pentti Rantakangas, fur farmer; and Helena Walldén, bank manager. At its first meeting following the AGM, the Board of Directors elected from among its members Jorma Kauppila as Chairman and Markku Koski as Vice-Chairman.

The AGM elected Ernst & Young Oy, Authorised Public Accountants, as the company's auditor, with Jan Rönnerberg, Authorised Public Accountant, acting as the chief auditor.

### Shareholding

Shareholding by sector, based on the shareholders' register on 7 November 2005:

	No. of shareholders	% of shareholders	% of shares	% of votes
Finnish non-banking corporate sector	267	13.9 %	7.7 %	2.1 %
Financial institutions and insurance companies	5	0.3 %	2.9 %	0.8 %
Public-sector organisations	1	0.1 %	0.1 %	0.0 %
Households	1,621	84.6 %	20.8 %	6.0 %
Non-profit organisations	16	0.8 %	56.0 %	87.7 %
Foreigners	5	0.3 %	10.6 %	2.8 %
Not entered in the book- entry securities register			2.0 %	0.7 %
Total	1,915	100.0 %	100.0 %	100.0 %

Shareholding by number of shares held, based on shareholders' register on 7 November 2005:

	No. of shareholders	% of shareholders	% of shares	% of votes
1-10	62	3.2 %	0.0 %	0.0 %
11-100	713	37.2 %	1.1 %	0.3 %
101-1,000	964	50.3 %	9.6 %	2.7 %
1,001-10,000	152	7.9 %	11.8 %	3.5 %
10,001-100,000	18	0.9 %	14.3 %	6.8 %
100,001-1,000,000	5	0.3 %	31.2 %	24.4 %
1,000,001-	1	0.1 %	30.0 %	61.7 %
Not entered in the book- entry securities register			2.0 %	0.7 %
Total	1,915	100.0 %	100.0 %	100.0 %

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Largest shareholders by vote, based on shareholders' register on 7 November 2005:

	Votes	% of votes
Finnish Fur Breeders' Association	8,333,085	61.7 %
Uudenmaan-Hämeen Turkiseläinten Kasvattajat	1,054,342	7.8 %
Lounais-Suomen Turkiseläin Kasvattajat	737,013	5.5 %
Svenska Österbottens Pälsdjursodlarförening r.f.	585,643	4.3 %
Pohjois-Suomen Turkiseläinten Kasvattajat	576,585	4.3 %
Odin förvaltning	340,800	2.5 %
Satakunnan turkiseläinten kasvattajat	194,187	1.4 %
Ålands Pälsodlarförening rf	155,505	1.2 %
Savo Karjalan turkistarhaajat	147,336	1.1 %
Tapiola General Mutual Insurance Company	80,000	0.6 %
Veikko Laine Oy	75,300	0.6 %
Koivisto Timo	46,116	0.3 %
Carafe Investment Company Ltd.	39,118	0.3 %
Siuko Taavi	30,600	0.2 %
Liikesivistysrahaston kannatusyhdistys r.y.	30,000	0.2 %
Vitapol Oy Ab	25,000	0.2 %
Nordea Bank Finland Plc	21,090	0.2 %
Ab Farmanda Oy	20,000	0.1 %
Viherto Tero	15,448	0.1 %
Kantola Harri	15,000	0.1 %

Largest shareholders by holding, based on shareholders' register on 7 November 2005:

	No. of shares	% of shares
Finnish Fur Breeders' Association	1,080,950	30.0 %
Odin förvaltning	340,800	9.5 %
Pohjois-Suomen Turkiseläinten Kasvattajat	233,605	6.5 %
Svenska Österbottens Pälsdjursodlarförening r.f.	232,433	6.5 %
Uudenmaan-Hämeen Turkiseläinten Kasvattajat	201,567	5.6 %
Lounais-Suomen Turkiseläin Kasvattajat	115,293	3.2 %
Tapiola General Mutual Insurance Company	80,000	2.2 %
Veikko Laine Oy	75,300	2.1 %
Satakunnan turkiseläinten kasvattajat	41,727	1.2 %
Carafe Investment Company Ltd.	39,118	1.1 %
Siuko Taavi	30,600	0.9 %
Liikesivistysrahaston kannatusyhdistys r.y.	30,000	0.8 %
Ålands Pälsodlarförening rf	28,785	0.8 %
Vitapol Oy Ab	25,000	0.7 %
Savo karjalan turkistarhaajat	24,576	0.7 %
Nordea Bank Finland Plc	21,090	0.6 %

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Ab Farmanda Oy	20,000	0.6 %
Viherto Tero	15,448	0.4 %
Kantola Harri	15,000	0.4 %
Ukko-Hanni Oy	15,000	0.4 %

*Finnish Fur Sales' Board of Directors, Managing Director and Deputy Managing Director hold a total of 2,694 company shares, accounting for 0.07 per cent of shares and 0.02 per cent of votes.*

## Business Prospects for 2005/2006

Mink pelt production is growing not only in Finland but also worldwide. Total fox pelt production is also on the rise although Finland will show declining figures. Due to low blue fox pelt prices, Finnish production will be over 20 per cent lower than in the previous year although production of other fox types will grow, the resulting total fall in Finnish fox production coming to 10 per cent. With China showing the most rapid growth in mink and fox pelt production, Europe can compete successfully only by producing pelts that China is unable to, at least in the short term, such as mutation foxes and minks, as well as the SAGA Royal–SAGA I grades in their main types. High-quality animal husbandry and advanced legislation also form competitive advantages in this respect.

In November 2004, the Danish Fur Breeders' Association, Dansk Pelsdyravlerforening DP, summoned Saga to the arbitration court, demanding that Saga pay DP EUR 2 million, as estimated by DP, for the Saga Design Center property. On 2 November 2005, the Danish arbitration court unanimously dismissed the case as violating the agreement concluded between the parties. As a result of this ruling, Saga can now focus on its core business, namely marketing of SAGA mink, fox and Finnraccoon pelts, and the aim is to promote and create a name for the SAGA trademark, upgraded in the autumn of 2005, throughout the trade sector and at trade fairs.

Fashion and distribution channels will play an increasing role as trendsetters in the fur trade, and versatile fur trims and garments seem to be accounting for a growing share of collections during the current financial year. Last autumn's weather was warmer than usual in all the main market areas, which has slowed

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down the traditional garment business. The weather should become rapidly colder in China, where the retail season will end earlier than usual, given that the country will celebrate New Year in late January 2006.

The international fur trade has undergone changes in its purchase cycles, with bulk pelt purchases being rescheduled for the period following international fashion exhibitions when data on the preceding winter's retail sales performance is also available. In response to these changes, Finnish Fur Sales will increase and diversify its offerings in its March auction and discontinue its January auction. The timing of China's New Year was also the rationale behind the decision not to hold an auction in January during the current financial year.

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## Cash Flow Statement

	Group 2004/2005	Group 2003/2004	Parent company 2004/2005	Parent company 2003/2004
<b>Cash flow from operating activities:</b>				
Income from sales	31,716,994	18,023,872	30,098,241	16,386,342
Cash receipts from other operating income	242,153	259,110	315,970	332,928
Cash paid to suppliers and employees	-34,752,759	-29,196,860	-31,818,233	-27,959,702
Cash flow from operating activities before financial items and taxes	-2,793,612	-10,913,877	-1,404,022	-11,240,432
Interest and other financial expenses	-1,623,117	-897,396	-1,620,889	-873,326
Interest and other financial income	3,679,925	3,152,645	3,578,484	3,118,943
Dividends received	7,250	1,014	107,250	191,155
Income taxes paid	-1,947,248	-1,315,695	-1,897,947	-1,327,557
Net cash flow from operating activities (A)	-2,676,803	-9,973,310	-1,237,123	-10,131,216
<b>Cash flow from investing activities:</b>				
Investments in tangible and intangible assets	-2,211,708	-1,300,326	-2,119,754	-1,164,038
Proceeds from sale of tangible and intangible assets	104,081	84,892	25,747	29,235
Investments in financial assets	0	0	0	-403,334
Net cash flow from investing activities (B)	-2,107,626	-1,215,434	-2,094,007	-1,538,137
<b>Cash flow from financing activities:</b>				
Proceeds from short-term borrowings	7,661,600	13,925,637	6,819,932	14,279,312
Change in conversion difference	-2,180	-643		
Dividends paid	-2,303,689	-2,117,261	-2,303,022	-2,117,022
Group contributions	0	0	-310,000	-70,000
Net cash flow from financing activities (C)	5,355,731	11,807,733	4,206,910	12,092,289
Change in cash flows (A+B+C), increase (+) / decrease (-)	571,301	618,989	875,780	422,935
Liquid assets 31 Aug.	4,041,498	3,470,197	3,963,864	3,125,197
Liquid assets 1 Sept.	-3,470,197	-2,851,209	-3,088,083	-2,702,262
Change in liquid assets	571,301	618,989	875,780	422,935

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## Key Performance Indicators

	2004/2005 12 months	2003/2004 12 months	2002/2003 12 months	2001/2002 12 months	2000/2001 12 months
Total sales	297,029,872	296,732,309	234,326,998	346,092,996	329,391,671
Net turnover	32,969,451	32,619,144	26,226,336	30,463,037	27,936,490
Operating profit / loss	2,131,568	4,250,966	-2,280,683	2,605,361	5,219,248
% net turnover	6.5 %	13.0 %	-8.7 %	8.6 %	18.7 %
Profit before extraordinary items, appropriations and taxes	4,276,996	7,039,804	232,085	5,802,158	9,098,746
% net turnover	13.0 %	21.6 %	0.9 %	19.0 %	32.6 %
Profit before appropriations and taxes, EUR	4,276,996	7,039,804	232,085	5,802,158	9,098,746
% net turnover	13.0 %	21.6 %	0.9 %	19.0 %	32.6 %
Return on equity, %	5.6 %	9.5 %	0.2 %	7.5 %	12.4 %
Return on capital invested, %	5.3 %	8.2 %	1.5 %	7.0 %	11.8 %
Gearing ratio, % *)	52.1 %	53.9 %	61.8 %	52.9 %	57.2 %
Gearing	0.90	0.83	0.54	0.87	0.68
Gross capital expenditure, EUR	2,211,708	1,300,326	2,430,314	5,438,930	3,079,616
% net turnover	6.7 %	4.0 %	9.3 %	17.9 %	11.0 %
Average number of employees	311	305	305	298	267

Return on equity, %	= (Profit/loss before extraordinary items, appropriations and taxes – taxes, incl. change in deferred tax liability) × 100 / (shareholders' equity + depreciation difference – deferred tax liability) *)
Return on capital invested, %	= (Profit/loss before extraordinary items, appropriations and taxes + interest expenses + other financial expenses) × 100 / (average balance sheet total – average non-interest-bearing *)
Gearing ratio, %	= (shareholders' equity + depreciation difference – deferred tax liability) × 100 / (balance sheet total – advances received)
Gearing	= (Interest-bearing liabilities – cash and bank, and securities under financial assets) / (shareholders' equity + depreciation difference – deferred tax liability)

\*) The ratios' divisor is based on the average of the balance sheet values calculated for the financial year and the previous financial year.

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## Per-share Figures and Ratios

	2004/2005 12 months	2003/2004 12 months	2002/2003 12 months	2001/2002 12 months	2000/2001 12 months
Earnings per share	<b>0.87</b>	1.44	0.03	1.13	1.79
Equity per share	<b>15.73</b>	15.51	14.68	15.31	14.98
Dividend per share					
Series A shares	<b>0.65</b>	0.65	0.60	0.65	0.80
Series C shares	<b>0.65</b>	0.65	0.60	0.65	0.80
Payout ratio					
Series A shares	<b>74.7%</b>	45.1 %	2000.0 %	57.5 %	44.7 %
Series C shares	<b>74.7%</b>	45.1 %	2000.0 %	57.5 %	44.7 %
Effective dividend yield					
Series A shares	<b>8.2%</b>	8.2 %	8.6 %	7.8 %	10.0 %
Series C shares	<b>8.2%</b>	8.2 %	8.6 %	7.8 %	10.0 %
Price-earnings ratio (P/E)	<b>9.1</b>	5.5	233.3	7.4	4.5
High	<b>9.85</b>	8.25	9.00	10.00	8.00
Low	<b>7.05</b>	6.70	5.00	7.70	6.51
Average	<b>8.05</b>	7.52	6.57	8.61	7.09
Market capitalisation	<b>28,620,000</b>	28,620,000	25,200,000	30,132,000	28,800,000
Trading volume of C shares	<b>197,870</b>	368,214	310,008	193,659	141,364
% of all C shares	<b>7.3 %</b>	13.6 %	11.5 %	7.2 %	5.2 %
Average no. of shares during financial year					
Series A shares	<b>900,000</b>	900,000	900,000	900,000	900,000
Series C shares	<b>2,700,000</b>	2,700,000	2,700,000	2,700,000	2,700,000
No. of shares at period-end					
Series A shares	<b>900,000</b>	900,000	900,000	900,000	900,000
Series C shares	<b>2,700,000</b>	2,700,000	2,700,000	2,700,000	2,700,000

Earnings per share	= (Profit/loss before extraordinary items, appropriations and taxes – taxes, incl. change in deferred tax liability) / Average no. of issue-adjusted shares for financial year
Equity per share	= (Shareholders' equity + voluntary provisions + depreciation difference – deferred tax liability) / no. of issue-adjusted shares on the balance sheet date
Dividend per share	= Dividend for financial year/no. of issue-adjusted shares
Effective dividend yield	= Dividend per share/trade-weighted average price of an issue-adjusted share on the closing date of the financial year
Price-earnings ratio (P/E)	= Trade-weighted average price of an issue-adjusted share on the closing date of the financial year / earnings per share
Market capitalisation	= Trade-weighted average price of an issue-adjusted share on the closing date of the financial year x no. of shares

## SAGA FURS

EXCLUSIVELY AT  
FINNISH FUR SALES

# FINNISH FUR SALES

## Profit and Loss Account (1 Sept. 2004 – 31 Aug. 2005)

	NOTE	Group 2004/2005 12 months	Group 2003/2004 12 months	Parent company 2004/2005 12 months	Parent company 2003/2004 12 months
<b>Net turnover</b>	2	<b>32,969,451</b>	32,619,144	<b>31,288,466</b>	30,985,618
Other operating income		259,373	350,036	330,490	423,853
Materials and services					
Materials and supplies					
Purchases		-1,239,152	-1,134,328	-707,840	-611,663
Change in inventory		16,179	-4,418	36,478	794
External services		-17,870,30	-21,964,89		
Personnel expenses	3,4				
Wages and salaries		-9,776,244	-9,679,346	-8,477,314	-8,368,168
Social expenses					
Pensions	5	-1,591,738	-1,423,243	-1,399,088	-1,321,019
Other social expenses		-956,025	-828,740	-871,607	-765,948
Depreciation and writedown	7				
Planned depreciation / amortisation		-3,043,693	-3,783,368	-2,548,827	-3,304,838
Other operating expenses	8	-14,488,713	-11,842,806	-15,191,360	-12,792,348
<b>Operating profit</b>		<b>2,131,568</b>	4,250,966	<b>2,459,398</b>	4,246,281
Financial income and expenses	10				
Income from holdings in Group companies				100,000	190,141
Other interest and financial income					
From Group companies				129,848	173,900
From other companies		3,773,685	3,714,178	3,542,397	3,506,576
Interest and other financial expenses					
Other interest and financial expenses		-1,628,256	-925,340	-1,626,029	-901,269
<b>Profit before extraordinary items</b>		<b>4,276,996</b>	7,039,804	<b>4,605,614</b>	7,215,629
Extraordinary items					
Extraordinary expenses		0	0	-310,000	-70,000
<b>Profit before appropriations and taxes</b>		<b>4,276,996</b>	7,039,804	<b>4,295,614</b>	7,145,629
Appropriations					
Change in depreciation difference				-1,407	170,669
Change in deferred tax assets / liabilities		-23,330	235,919		
Income tax		-1,131,458	-2,097,131	-1,082,157	-2,108,993
<b>Net profit for the financial year</b>		<b>3,122,208</b>	5,178,592	<b>3,212,050</b>	5,207,306

## SAGA FURS

EXCLUSIVELY AT  
FINNISH FUR SALES

# FINNISH FUR SALES

## Balance Sheet (31 August 2005)

Assets	NOTE	Group 31 Aug. 2005	Group 31 Aug. 2004	Parent company 31 Aug. 2005	Parent company 31 Aug. 2004
<b>Fixed assets</b>					
Intangible assets	11				
Other long-term expenditures		1,630,102	2,521,372	1,544,503	2,385,228
Advance payments		294,663	125,620	294,663	125,620
		<u>1,924,765</u>	<u>2,646,993</u>	<u>1,839,166</u>	<u>2,510,848</u>
Tangible assets	12				
Land and water		1,595,872	1,595,872	1,183,018	1,183,018
Buildings and structures		21,029,693	21,688,654	18,665,804	19,103,930
Machinery and equipment		4,593,020	4,101,510	3,541,113	2,872,747
Advances paid and construction in progress		315,396	344,561	309,170	308,029
		<u>27,533,981</u>	<u>27,730,597</u>	<u>23,699,105</u>	<u>23,467,724</u>
Long-term investments	13				
Holdings in Group companies				3,401,428	3,401,428
Other shares and holdings		283,601	283,602	283,088	283,088
		<u>283,601</u>	<u>283,602</u>	<u>3,684,516</u>	<u>3,684,516</u>
<b>Current assets</b>					
Stocks					
Materials and supplies		440,972	430,597	367,799	337,125
Pelts		16,557	10,753	16,557	10,753
		<u>457,529</u>	<u>441,350</u>	<u>384,356</u>	<u>347,878</u>
Receivables					
Accounts receivable	14	50,530,816	51,655,757	50,448,681	51,635,853
Consignor receivables	15	29,239,492	25,584,424	24,403,038	20,805,240
Receivables from Group companies				5,194,145	6,574,800
Loan receivables		20,544	19,415	20,544	19,415
Other receivables		375,467	756,909	111,678	522,288
Pre-payments and Accrued income		2,526,935	1,857,223	2,405,420	1,804,430
		<u>82,693,254</u>	<u>79,873,729</u>	<u>82,583,505</u>	<u>81,362,026</u>
Cash and bank		4,041,498	3,470,197	3,963,864	3,125,197
<b>Total assets</b>		<u><u>116,934,628</u></u>	<u><u>114,446,468</u></u>	<u><u>116,154,511</u></u>	<u><u>114,498,189</u></u>

## SAGA FURS

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Liabilities and shareholders' equity	NOTE	Group 31 Aug. 2005	Group 31 Aug. 2004	Parent company 31 Aug. 2005	Parent company 31 Aug. 2004
<b>Shareholders' equity</b>	16				
Share capital		7,200,000	7,200,000	7,200,000	7,200,000
Share premium account		254,264	254,264	254,264	254,264
Revaluation reserve		3,128,295	3,128,295	3,128,295	3,128,295
Contingency fund		11,905,000	11,375,000	11,905,000	11,375,000
Conversion difference		57,034	59,214		
Retained earnings		30,964,997	28,657,072	25,398,705	23,061,399
Net profit for the financial year		3,122,208	5,178,592	3,212,050	5,207,306
		<b>56,631,799</b>	<b>55,852,438</b>	<b>51,098,315</b>	<b>50,226,264</b>
<b>Appropriations</b>					
Accumulated depreciation difference				7,607,494	7,606,088
<b>Liabilities</b>	17				
Deferred tax liability	18	1,917,312	1,893,983		
<b>Short-term liabilities</b>					
Loans from financial institutions		25,380,667	18,198,391	24,538,999	18,198,391
Advanced received	14	8,166,860	10,773,055	8,166,860	10,773,055
Trade creditors		1,320,123	1,233,400	1,260,107	1,176,979
Payables to Group companies				149,470	250,865
Payables to consignors	19	14,682,844	17,296,175	14,682,844	17,296,175
Other short-term liabilities		6,936,530	6,198,608	6,887,269	6,157,293
Accrued expenses and deferred income		1,898,492	3,000,419	1,763,154	2,813,079
		<b>58,385,517</b>	<b>56,700,048</b>	<b>57,448,702</b>	<b>56,665,837</b>
Total liabilities		<b>60,302,829</b>	<b>58,594,030</b>	<b>57,448,702</b>	<b>56,665,837</b>
<b>Total liabilities and shareholders' equity</b>		<b>116,934,628</b>	<b>114,446,468</b>	<b>116,154,511</b>	<b>114,498,189</b>

## SAGA FURS

EXCLUSIVELY AT  
FINNISH FUR SALES

# FINNISH FUR SALES

## Accounting Principles

### Fixed Assets and Depreciation

Fixed assets are stated at cost less planned depreciation, but to the extent that the balance sheet value of buildings and structures includes the revaluation stated in Note 12. Planned depreciation is recorded on a straight-line basis over the expected useful lives of the assets. The parent company applies the following depreciation periods:

Buildings	50 years
Equipment within buildings	20 years
Warehouse and office equipment	10 years
Computer hardware and office IT	3 years
Vehicles	5 years
Other non-current assets	5 years

### Inventories

Under the parent company's terms of sale, pelts are included in the fur producer's inventories – not in the Group's inventories – directly entered in the buyer's inventories upon the transaction. Pelts entered in the Group's inventories are those bought by Finnish Fur Sales.

Inventories are stated at the lower of acquisition cost or likely net realisable value.

### Pensions

Pension expenses are presented in compliance with each country's legislation. Statutory employee pension schemes for Group companies in Finland are funded through contributions to Turkistarhaajien Eläkekassa (Finnish Fur Breeders' Pension Fund).

### Items Denominated in Foreign Currencies

Parent company receivables and payables denominated in foreign currencies are translated into euros at the rate quoted by the European Central Bank on the balance sheet date, with the exception of those receivables which have been hedged based on forward contracts. These are presented at forward rates. Exchange rate differences are entered in the profit and loss account.

### Consolidated Financial Statements

The consolidated financial statements include the accounts of all Finnish Fur Sales' subsidiaries. More detailed information on Group companies is available below under 'Group Companies' in Notes to the Profit and Loss Account. Finnish Fur Sales Group has no associated companies.

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Foreign subsidiaries' accounts are translated into euros at the official rate quoted by the European Central Bank on the balance sheet date. Using this official rate for translating profit-and-loss-account items into euros, instead of the average rate for the financial year, does not generate a fundamentally different result. The acquisition cost method is used to eliminate intra-Group shareholdings and the resulting exchange-rate differences are stated as conversion differences under shareholders' equity on the consolidated balance sheet. The consolidation difference allocated to the site amounted to EUR 90,000 and EUR 1.1 million to the buildings and structures. The consolidation difference allocated to buildings will be amortised as planned on a 5-per-cent basis. Intra-Group transaction and receivables and payables are eliminated during the preparation of the financial statements.

## Notes to the Profit and Loss Account

	Parent company 2004/2005 EUR 1,000		Parent company 2003/2004 EUR 1,000	
		%		%
<b>1. Total sales of Finnish Fur Sales by market area</b>				
Far East	170,524	57%	151,775	51%
Europe	84,720	29%	85,254	29%
North America	10,053	3%	17,202	6%
Other (incl. Russia)	31,732	11%	42,502	14%
	<b>297,030</b>	<b>100%</b>	<b>296,732</b>	<b>100%</b>
	<b>Group 2004/2005</b>	<b>Group 2003/2004</b>	<b>Parent company 2004/2005</b>	<b>Parent company 2003/2004</b>
<b>2. Net turnover</b>				
Commission income				
Consignor commissions	11,233,475	10,609,612	11,233,475	10,609,612
Buyer commissions	20,000,138	20,315,099	20,000,138	20,315,099
Other commissions	51,362	19,197	18,218	14,575
Total commission income	<b>31,284,975</b>	<b>30,943,908</b>	<b>31,251,831</b>	<b>30,939,286</b>
Pelt sales	36,635	46,333	36,635	46,333
Pelting services	1,358,138	1,253,329	0	0
Other lines of business	289,702	375,574	0	0
Total net turnover	<b>32,969,451</b>	<b>32,619,144</b>	<b>31,288,466</b>	<b>30,985,619</b>
<b>3. Managing Director's and Deputy Managing Director's remuneration and Board emoluments</b>				
Managing Director's and Deputy Managing Director's remuneration and Board emoluments	510,054	456,881	313,906	281,692
<b>4. Average number of Group and parent company employees</b>				
Permanent employees	117	112	97	94

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Seasonal employees	194	193	171	167
	311	305	268	261

## 5. Board members' and Managing Director's pension commitments

The agreed retirement age of 60–67 years applies to the Group companies' managing directors. The parent company's Managing Director and Deputy Managing Director may retire at the age of 60, as agreed.

## 6. Loans to Immediate Circle

No loans have been granted to the company's and the Group's immediate circle.

7. Depreciation and writedown	Group 2004/2005	Group 2003/2004	Parent company 2004/2005	Parent company 2003/2004
Depreciation on tangible assets and amortisation on intangible assets				
Buildings and structures	-664,301	-664,168	-443,466	-443,333
Machinery and equipment	-1,056,119	-1,074,642	-832,633	-868,017
Other non-current assets	-1,323,273	-2,044,558	-1,272,727	-1,993,488
	<b>-3,043,693</b>	<b>-3,783,368</b>	<b>-2,548,827</b>	<b>-3,304,838</b>

## 8. Other operating expenses

Rental expenses	-1,097,262	-669,892	-1,220,986	-800,041
Property expenses	-1,641,746	-1,498,066	-1,372,958	-1,291,384
SAGA marketing	-3,567,708	-1,995,509	-3,567,708	-1,995,509
Other expenses	-8,181,997	-7,679,338	-9,029,708	-8,705,413
	<b>-14,488,713</b>	<b>-11,842,805</b>	<b>-15,191,360</b>	<b>-12,792,348</b>

## 9. SAGA marketing

Since its foundation, Saga Furs of Scandinavia (SAGA) has acted as a co-operative society, initially jointly owned by four Nordic fur producer central organisations, responsible for managing mink and fox pelt marketing to consumers and various fur-trade distribution channels. Within the framework of the so-called SAGA agreement, Nordic fur auction houses agree to finance the co-operative's business. Any of the central organisations may be discharged from contractual obligations to SAGA at two years' notice from the closing date of the SAGA financial year (1 July–30 June).

The Danish Fur Breeders' Association, Dansk Pelsdyravlerforening (DP), withdrew from the SAGA agreement on 1 October 2004 and Sveriges Pälsdjursuppfödarens Riksförbund (SPR), the Swedish Fur Breeders' Association, gave notice on the SAGA agreement in May 2004 to take effect as of 30 June 2006.

Finnish Fur Sales' contribution to SAGA during the SAGA financial year 1 July 2005–30 June 2006 amounts to EUR 3.6 million, of which EUR 616,000 is included in other operating expenses for Finnish Fur Sales' financial year ending on 31 August 2005. Finnish Fur Sales' preliminary contribution to SAGA during the SAGA financial year 1 July 2006–30 June 2007 amounts to EUR 3.8 million.

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	Group 2004/2005	Group 2003/2004	Parent company 2004/2005	Parent company 2003/2004
<b>10. Financial income and expenses</b>				
<b>Interest and other financial income</b>				
Dividend income from Group companies			100,000	190,141
Interest income from Group companies			129,847	173,900
Interest income from other short-term investments	3,617,804	3,139,168	3,386,516	2,931,566
Exchange rate gains	112,454	516,021	112,454	516,021
Other financial income	43,427	58,989	43,427	58,989
	<b>3,773,685</b>	<b>3,714,178</b>	<b>3,542,397</b>	<b>3,506,576</b>
Total financial income	<b>3,773,685</b>	<b>3,714,178</b>	<b>3,772,243</b>	<b>3,870,617</b>
<b>Impairment of investments</b>				
Credit losses	-39,619	-21,817	-39,619	-21,817
<b>Interest and other financial expenses</b>				
Other interest expenses	-1,496,679	-734,876	-1,494,560	-710,805
Other financial expenses	-91,959	-168,647	-91,850	-168,647
	<b>-1,588,638</b>	<b>-903,523</b>	<b>-1,586,410</b>	<b>-879,452</b>
Total financial expenses	<b>-1,628,257</b>	<b>-925,340</b>	<b>-1,626,028</b>	<b>-901,269</b>

## Notes to the Balance Sheet

	Group 2004/2005	Group 2003/2004	Parent company 2004/2005	Parent company 2003/2004
<b>11. Intangible assets</b>				
<i>Other non-current assets</i>				
Acquisition cost 1 Sept.	13,803,247	13,411,934	13,531,154	13,144,402
Increases 1 Sept.–31 Aug.	432,003	391,313	432,003	386,753
Conversion difference	0	0	0	0
Acquisition cost 31 Aug.	<b>14,235,249</b>	<b>13,803,247</b>	<b>13,963,157</b>	<b>13,531,154</b>
Accrued amortisation 1 Sept.	-11,281,874	-9,237,316	-11,145,927	-9,152,438
Amortisation 1 Sept.–31 Aug.	-1,323,273	-2,044,558	-1,272,727	-1,993,488
Conversion difference	0	0	0	0
Accumulated amortisation 31 Aug.	<b>-12,605,148</b>	<b>-11,281,874</b>	<b>-12,418,654</b>	<b>-11,145,927</b>

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Book value 31 Aug.	1,630,102	2,521,372	1,544,503	2,385,228
<i>Advances paid</i>				
Advances paid 1 Sept.	125,620	0	125,620	0
Increases 1 Sept.–31 Aug.	294,663	125,620	294,663	125,620
Entry in other non-current assets 1 Sept.–31 Aug.	-125,620	0	-125,620	0
Advances paid 31 Aug.	294,663	125,620	294,663	125,620

### 12. Tangible assets

<i>Land and water</i>				
Book value 1 Sept.–31 Aug.	1,595,872	1,595,872	1,183,018	1,183,018
<i>Buildings and structures</i>				
Acquisition cost 1 Sept.	26,250,899	26,250,899	22,003,285	22,003,285
Increases 1 Sept.–31 Aug.	5,340	0	5,340	0
Acquisition cost 31 Aug.	26,256,239	26,250,899	22,008,625	22,003,285
Accumulated depreciation 1 Sept.	-12,635,264	-11,971,097	-10,972,374	-10,529,042
Depreciation 1 Sept.–31 Aug.	-664,301	-664,168	-443,466	-443,333
Accumulated depreciation 31 Aug.	-13,299,565	-12,635,265	-11,415,840	-10,972,374
Revaluation 1 Sept.–31 Aug.	8,073,020	8,073,020	8,073,020	8,073,020
Book value 31 Aug.	21,029,693	21,688,654	18,665,804	19,103,931
<i>Machinery and equipment</i>				
Acquisition cost 1 Sept.	14,350,830	13,805,047	12,438,796	11,975,629
Increases 1 Sept.–31 Aug.	1,637,206	630,669	1,512,227	492,402
Decreases 1 Sept.–31 Aug.	-104,081	-84,892	-25,747	-29,235
Conversion difference	-125	6	0	0
Acquisition cost 31 Aug.	15,883,831	14,350,830	13,925,276	12,438,796
Accumulated depreciation 1 Sept.	-10,249,321	-9,195,328	-9,566,049	-8,718,685
Accumulated depreciation on decreases	14,519	20,654	14,519	20,654
Depreciation 1 Sept.–31 Aug.	-1,056,119	-1,074,642	-832,633	-868,017
Conversion difference	108	-5	0	0
Accumulated depreciation 31 Aug.	-11,290,812	-10,249,321	-10,384,163	-9,566,049
Book value 31 Aug.	4,593,019	4,101,509	3,541,113	2,872,747
<i>Advances paid and construction in progress</i>				
Advances paid 1 Sept.	344,560	191,837	308,029	148,766
Increases 1 Sept.–31 Aug.	309,170	344,561	309,170	308,029

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Entry in machinery and equipment 1 Sept.–31 Aug.	-338,335	-191,837	-308,029	-148,766
Advances paid and construction in progress 31 Aug.	315.395	344.560	309.169	308.029

## Revaluation

Buildings and structures				
Value 1 Sept.–31 Aug.	8.073.020	8.073.020	8.073.020	8.073.020

Revaluation criteria have been revised on the basis of square-metre costs related to expansion investment completed in August 1997, taking account of the differences between the premises by age and end-use. The previous revaluation reversals amounted to EUR 36 million and EUR 31 million on the balance sheet dates of 31 July 1995 and 31 August 1996, respectively. Should the building subject to revaluation be sold, the company would incur EUR 2.1 million in capital gains tax, calculated on the amount of revaluation.

	Group 2004/2005	Group 2003/2004	Parent company 2004/2005	Parent company 2003/2004
<b>13. Long-term investments</b>				
<i>Intra-Group holdings</i>				
Book value 1 Sept.			3,401,428	2,998,094
Increases 1 Sept.–31 Aug.				403,334
Book value 31 Aug.			3,401,428	3,401,428
<i>Other shares and holdings</i>				
Book value 1 Sept.=31 Aug.	283,602	283,602	283,088	283,088

On the balance sheet date, the fair value of the Elisa Corporation Series A shares held by the parent company totalled EUR 245,421 while their book value came to EUR 59,645.

## Group Companies

	Group holding %	Parent company holding %	Based on the latest financial statements	
			Shareholders' equity	Net profit/ loss
FFS International A/S, Denmark	100%	100%	1,048,883	62,835
Finnish Fur Sales International BV, Netherlands	100%	100%	42,321	0
Saga-Systems Oy, Helsinki	100%	100%	43,024	0
Ab Finnish Fur Center Oy, Vantaa	100%	100%	96,761	-1,505
Kiinteistö Oy T, Vantaa	100%	100%	1,213,958	3,216
Furfix Oy, Kaustinen	100%	100%	56,769	4,526

## 14. Accounts receivable and advances received

Under Finnish Fur Sales' terms of sale, a 21-day interest-free grace period applies to buyers as of the auction closing date. For

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each auction, Finnish Fur Sales renders accounts to fur producers for sales in one or several instalments within a month or so of the auction closing date, irrespective of whether the buyer has or has not paid for the pelts. Any unpaid pelts remain with the company in security for accounts receivable until the payment is settled or the company receives a commitment to pay from the buyer.

On the balance sheet date, accounts receivable related to auction sales accounted for 17 per cent (17 per cent) of all auction sales. Advances received in security for accounts receivable accounted for 16 per cent (21 per cent) of all accounts receivable. Some accounts receivable have also been collateralised.

Accounts receivable reached their peak, EUR 133.2 million (EUR 127.5 million in June 2004), in June 2005.

## 15. Consignor receivables

Finnish Fur Sales concludes consignment agreements with Finnish and foreign fur producers who undertake to supply an agreed quantity of pelts for sale. The fur farmer receives advance financing before the delivery of pelts against this agreement and any collateral, under the terms agreed at the time. The fur farmer may also receive advance financing upon the delivery of pelts to Finnish Fur Sales. Finnish Fur Sales sets off advances paid to fur farmers against rendered consignment accounts at auctions, subject to an interest charge based on three-month market rates fixed in advance.

	Group 2004/2005	Group 2003/2004	Parent company 2004/2005	Parent company 2003/2004
<b>16. Shareholders' equity</b>				
Share capital 1 Sept.=31 Aug.	7,200,000	7,200,000	7,200,000	7,200,000
Share premium account 1 Sept.=31 Aug.	254,264	254,264	254,264	254,264
Revaluation reserve 1 Sept. 31 Aug.	3,128,295	3,128,295	3,128,295	3,128,295
Contingency fund 1 Sept.	11,375,000	11,355,000	11,375,000	11,355,000
Transfer from retained earnings	530,000	20,000	530,000	20,000
Contingency fund 31 Aug.	11,905,000	11,375,000	11,905,000	11,375,000
Conversion difference 1 Sept.	59,214	59,857	0	0
Change	-2,180	-643	0	0
	57,034	59,214	0	0
Retained earnings 1 Sept.	33,835,665	30,837,310	28,268,705	25,241,399
Conversion difference	-667	-237	0	0
Dividend distribution	-2,340,000	-2,160,000	-2,340,000	-2,160,000
Transfer to contingency fund	-530,000	-20,000	-530,000	-20,000
Retained earnings 31 Aug.	30,964,997	28,657,073	25,398,705	23,061,399
Net profit for the financial year	3,122,208	5,178,592	3,212,050	5,207,306
Total shareholders' equity	56,631,799	55,852,438	51,098,315	50,226,264

## SAGA FURS

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## Calculation of distributable retained profits

Retained earnings	30,964,998	28,657,073	25,398,705	23,061,399
Net profit for the financial year	3,122,208	5,178,592	3,212,050	5,207,306
Conversion difference	38,268	38,754	0	0
Transfer to contingency fund	-321,205	-520,731	-321,205	-520,731
Amount due to depreciation difference entered in shareholders' equity	-5,732,463	-5,734,079	0	0
Profit attributable to shareholders 31 Aug.	28,071,807	27,619,610	28,289,550	27,747,974

## Parent company share capital by class of shares:

	31 Aug. 2005		31 Aug. 2004	
	No. of shares	EUR	No. of shares	EUR
Series A shares (12 votes/share)	900,000	1,800,000	900,000	1,800,000
Series C shares (1 vote/share)	2,700,000	5,400,000	2,700,000	5,400,000
	3,600,000	7,200,000	3,600,000	7,200,000

## 17. Liabilities

The Group and the parent company have no long-term liabilities with a maturity of five years or beyond.

The Board of Directors has no authorisation to issue shares, convertible bonds or bonds with warrants.

## 18. Deferred tax liability

Deferred tax liability results from the depreciation difference being entered in shareholders' equity and deferred tax liability.

## 19. Payables to consignors

Under its sales terms, Finnish Fur Sales shall render accounts to fur producers for auction sales on the due date specifically agreed for each auction, irrespective whether the buyer has or has not paid for pelts. However, Finnish Fur Sales has provided Finnish fur producers with the opportunity, at their own discretion, to deposit their settled accounts or part of them with the company. Finnish Fur Sales pays interest on such deposited money, based on the short-term market rates valid at the time.

## Other Notes

	Group 2004/2005	Group 2003/2004	Parent company 2004/2005	Parent company 2003/2004
20. Pledges, guarantees and other contingent liabilities				
<i>Mortgages given and receivables pledged in security for debt</i>				
Loans from financial institutions	25,380,667	18,198,391	24,538,999	18,198,391
Mortgage on property	54,070,754	54,071,678	50,875,184	50,876,107
Mortgage on company assets	2,690,996	2,690,996	2,690,996	2,690,996
Pledged receivables	13,781,427	13,014,650	13,781,427	13,014,650

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Total mortgages given as security	56,761,750	56,762,674	53,566,179	53,567,103
<i>Security given on behalf of Group companies</i>				
Guarantee liabilities			536,322	537,779
<i>Leasing liabilities</i>				
Payable next financial year	108,068	129,682	108,068	129,682
Payable in subsequent financial years	0	108,068	0	108,068
<i>Derivative contracts</i>				
Forward contracts	43,523,528	24,441,999	43,523,528	24,441,999

The position is closed for the parent company's forward contracts effective on the balance sheet date.

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# FINNISH FUR SALES

## Proposal for Profit Allocation

Profit attributable to shareholders on the consolidated balance sheet totals EUR 28,071,806.79. Finnish Fur Sales' separate balance sheet shows the following profit attributable to shareholders:

- Retained earnings	25,398,704.53
- Net profit for the financial year	3,212,050.24
- Entry in the contingency fund under the Articles of Association	<u>-321,205.02</u>
	28,289,549.75

The Board of Directors proposes to the Annual General Meeting (AGM) that

- A per-share dividend of EUR 0.65 be paid to shareholders for the financial year 1 September 2004–31 August 2005, using the profit attributable to shareholders, totalling EUR 2,340,000;
- EUR 325,000.00 be entered in the contingency fund and
- The remainder remain in retained earnings.

Should the AGM approve the Board's proposal, the company's shareholders equity after the dividend distribution will be as follows:

Share capital	7,200,000.00
Share premium account	254,264.00
Revaluation reserve	3,128,295.00
Contingency fund	12,230,000.00
Retained earnings	<u>25,945,754.77</u>
	48,758,313.77

Vantaa, 23 November 2005

Board of Directors

**SAGA FURS**

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**FINNISH FUR SALES**

# FINNISH FUR SALES

## Auditors' Report

### To the Shareholders of Finnish Fur Sales

We have audited the accounting, the financial statements and the corporate governance of Finnish Fur Sales for the financial year 1 September 2004–31 August 2005. Prepared by the Board of Directors and the Managing Director, the financial statements include the Board of Directors' report, consolidated and parent-company profit and loss accounts, balance sheets and notes to the financial statements. Based on our audit, we express our opinion of these financial statements and corporate governance.

We have conducted our audit in accordance with Finnish Auditing Standards. These standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the financial statements' overall presentation. The purpose of the audit of corporate governance is to examine that members of the Board of Directors and the Managing Director have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. As defined in the Accounting Act, the financial statements give a true and fair view of the consolidated and parent-company financial performance and position. The financial statements, including consolidated financial statements, can be adopted and the members of the Board of Directors and the Managing Director can be discharged from liability for the period audited by us. The Board's proposal for profit allocation is in compliance with the Companies Act.

Vantaa, 28 November 2005

ERNST & YOUNG OY  
Authorised Public Accountants

Jan Rönnerberg  
Authorised Public Accountant

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