

FINNISH FUR SALES

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Financial Statements Bulletin for the Financial Year 1 September 2008 – 31 August 2009
Vantaa, 27 November 2009

Finnish Fur Sales' Result Showed a Loss

During the financial year starting on 1 September 2008 and ending on 31 August 2009, Finnish Fur Sales sold on commission 8.7 million fur pelts (9.4 million in the previous financial year). As a result of the weakened price level and of a reduction in the number of pelts offered, the sales went down by 24 per cent, amounting to MEUR 248.4 for the financial year (325.7 million for the previous financial year).

Compared to the previous financial year, the average exchange rate of the US dollar, weighed with the auction sales, became nine per cent stronger. The dollar price level of mink pelts went down by 29 per cent and EUR price level by 21 per cent from the previous financial year's level. The dollar price level of fox pelts went down by 14 per cent and EUR price level by 7 per cent from the previous financial year's level.

The earnings per share were EUR -0.47 (EUR 0.89).

The operating loss was MEUR 3.9, accounting for 12.5 per cent of the net turnover (MEUR 1.0 and 2.8 per cent profitable).

Consolidated key figures

	2008/2009	2007/2008
Total sales MEUR	248.4	325.7
Net turnover, MEUR	31.2	37.3
Operating profit/loss, MEUR	-3.9	1.0
Profit before taxes, MEUR	-2.2	4.4
Earnings per share, EUR	-0.47	0.89
Return on equity (ROE), %	-3.1	5.7
Return on investment (ROI), %	0.5	6.7
Dividend proposed by the Board, EUR	0.42	0.70

Business Overview

During the last quarter of the financial year (1 June - 31 August 2009), one auction was held (3 - 9 June 2009). In the June action, as a result of large purchases by the Chinese, nearly all offering was sold at escalating prices. Fox pelt sales percentages remained at 90, but the prices for all pelt types went up, those of Blue fox even by 20 per cent. During the last quarter of the financial year, the sales amounted to MEUR 90.0, i.e., two per cent lower compared to the last quarter of the previous financial year (MEUR 92.3).

During the financial year, furs had a strong presence in international fashion. However, the international financial crisis that started in September 2008 put a mark on the financial period. Purchases by Russians and by manufacturers making garments for the Russian market went strongly down. In Italy, the domestic demand died down and import deliveries diminished. But, the growth of the Hong Kong/China market continued and partly replaced the reduced purchases by

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the other markets.

During the entire financial year, 6.5 million mink pelts (6.6 million in the previous financial year), 1.8 million fox pelts (2.2 million), 110,000 Finnraccoon pelts (140,000), and 280,000 Afghan Karakul pelts (510,000) were sold. The sales per auction were as follows:

Auction	Sales 1,000 ea 2008/2009	Sales 1,000 ea 2007/2008	Value EUR 1,000 ea 2008/2009	Value EUR 1,000 ea 2007/2008
September	1,512	1,584	52,512	52,140
December	397	1,241	12,765	38,969
January	39	117	2,488	7,474
March	3,367	3,485	89,475	134,034
June	3,327	2,960	89,887	91,996
Warehouse sales during the financial year	47	56	1,291	1,063
Total	8,689	9,444	248,418	325,676

In May 2009, Norwegian auction company Oslo Skinnauksjoner SL, its owner, Norwegian fur breeders' association Norges Pelsdyrslag and Finnish Fur Sales signed a new four-year collaboration agreement, which entered into force on 1 November 2009.

The new bylaws adopted in November 2008 at the Annual General Meeting of Saga Furs of Scandinavia expanded the membership of the cooperative. At the same time, the bases for determining the Saga marketing fee were also changed, which, compared to the level in two previous financial years, essentially reduced the Saga costs for the financial year.

The quality and traceability of the pelts as well as ethical fur production play an important part in the company's strategy. Incentive schemes for Finnish producer clients were further developed. The incentive schemes are based on the fur farm certification system initiated by the Finnish Fur Breeders' Association. In August 2009, it was decided that, starting from the 2009/1010 selling season, only certified Finnraccoon pelts are sold in the SAGA assortments.

Mrs. Pirkko Rantanen-Kervinen, the Managing Director of Finnish Fur Sales, turned 60 in April 2009. According to her contract, she had the right to retire. However, she continued in the position as the company's Managing Director until the end of the financial year, i.e., 31 August 2009.

Net Turnover

During the last quarter of the financial year, the Group's net turnover was MEUR 10.8, i.e., five per cent higher compared to the corresponding quarter of the previous financial year. The number of pelts sold in the June 2009 auction was 12 per cent higher than that in the corresponding auction a year earlier. As a result of the reduction in the number of pelts and in the price level, the entire financial year's net turnover MEUR 31.2 (MEUR 37.3) was 16 per cent lower than that of the previous financial year. Most of the net turnover, i.e., 92 per cent, consisted of the commission fees collected from the fur breeders and buyers. The share of the commission fees collected from the producers accounted for 37 per cent and that of the buyers accounted for 55 per cent of the Group's net turnover. The balance consisted of selling pelting services and breeder animals to fur breeders, of selling restaurant and congress services, and of profits from selling pelts owned by the company. The share of the commission fees collected from domestic customers, both from fur breeders and buyers, was 18 per cent and that of foreign customers 74 per cent. Of the net turnover, 19.6 per cent (9.6 %) was collected during the first quarter, 11.0 per cent (18.7 %) during the second quarter, 34.9 per cent (41.7 %) during the third quarter, and 34.6 per cent (30.0 %) during the last quarter of the financial year.

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Financial Performance

The result for the last quarter of the financial year was MEUR 2.3 (MEUR 3.2). The result for the entire financial year was a loss of MEUR 1.7 (MEUR 3.2 profitable). The return on equity for the financial year was -3.1 per cent (5.7 per cent) and the earnings per share EUR -0.47 (EUR 0.89). The equity per share was EUR 14.33 (EUR 15.52).

Compared to the corresponding period during the previous financial year, during the last quarter of the financial year, there was a 19 per cent increase in the operating costs, amounting to MEUR 8.2 (MEUR 6.9). But, compared to the previous financial year, during the entire financial year, there was a three per cent decrease in the costs amounting to MEUR 35.4 (MEUR 36.5). Of the costs, 21.0 per cent (20.5 %) was generated during the first quarter, 28.4 per cent (30.1 %) during the second quarter, 27.5 per cent (30.6 %) during the third quarter, and 23.2 per cent (18.8 %) during the last quarter of the financial year. In June 2008, the bases for determining the Saga marketing fee were changed, and, during the financial year, MEUR 3.2 (MEUR 4.8) was used for SAGA marketing. As a result of the economic difficulties in Russia, a total of MEUR 1.1 in customer credit losses was posted. The Group's operating loss totalled MEUR 3.9 (MEUR 1.0 profitable).

During the last quarter of the financial year, the Group's net financial income decreased by 45 percent, totalling MEUR 0.5 (MEUR 0.9). During the financial year, the net financial income went down by 50 per cent, totalling MEUR 1.7 (MEUR 3.3). The net interest income amounted to MEUR 2.8 (MEUR 3.1), the exchange rate gain to MEUR 0.5 (MEUR 0.4), and the credit losses on the financing extended to the fur breeders to MEUR 1.6 (MEUR 0.1). For the financial year, the loss before taxes totalled MEUR 2.2.

The Group's gearing ratio was 46.5 per cent (48.1 per cent). The solvency remained good for the entire financial year.

Capital Expenditure

The consolidated gross capital expenditure totalled MEUR 2.0 (MEUR 4.2 for the previous financial year), accounting for 6.6 per cent (12.2 per cent) of the company's net turnover, with 61 per cent of the capital expenditure targeted at pelt handling and warehousing. A part of the Stage I of the FFS property, completed in 1977, was renovated.

Human Resources

During the financial year, the Group employed an average of 320 persons, six less than during the previous financial year. The majority of the staff are fixed-term employees working in tasks related to fur skin handling. The Group's salaries and wages for the financial year amounted to MEUR 11.1 and those of the parent company MEUR 9.4 (MEUR 11.4 and MEUR 9.8 for the previous financial year).

The number of staff for the financial year employed by the Group was as follows:

	2008/2009	2007/2008	2006/2007
Average number of staff	320	326	323
- Permanent staff	134	134	119
- Fixed-term staff	186	192	204
Number of staff at financial year end on 31 August	176	201	193

During the financial year, the company applied to its employees an annual incentive scheme, which is based partly on the number of pelts collected and partly on the return-on-equity ratio. After a certain period of employment, the incentive scheme covers the Group's entire staff.

Share Performance

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The company's Series C share is quoted on the NASDAQ OMX Helsinki Ltd list in the Small Cap segment under the Industries and Services sector. During the financial year, a total of 99,000 shares, amounting to EUR 750,000, i.e., four per cent of the company's Series C shares, were exchanged. At the end of the financial year, the share rate of the Series C share was EUR 8.33, compared to EUR 8.50 a year before. On 31 August 2009, the market value of the company's portfolio was MEUR 30.0 (MEUR 30.6).

Decisions Taken by the Annual General Meeting

The Annual General Meeting of Finnish Fur Sales, held on 20 January 2009, adopted the financial statements, discharged the members of the Board of Directors and the Managing Director from liability, and decided, in accordance with the Board's proposal, to distribute a dividend of EUR 0.70 per share and transfer EUR 270,000 to the counter-cyclical budgetary fund.

The Board of Directors has no valid authorisation to make rights issues or to issue convertible bonds or option rights.

Main Events after the End of the Financial Year

On 1 September 2009, Pertti Fallenius started as the company's Managing Director. At the same time, the composition of the new Management Group and the new organisation were announced. In addition to Pertti Fallenius, the new Management Group includes Arto Honkanen, Production and Sales Director, Juha Huttunen, Deputy Managing Director, Päivi Mononen-Mikkilä, Director of Communications and CSR, Marjatta Paunonen, Personnel Director, and Heikki Varis, Business Director in charge of the services for producers. Furthermore, Anne Rossinen, Business Director in charge of business services, who started with the company on 9 November 2009, was nominated to the Management Group.

In the September auction of Finnish Fur Sales, held 21 – 25 September 2009, the buying was mainly for the Chinese market. The total value of the sales was MEUR 40.4, of which the purchases by the Chinese accounted for ca. two thirds. During the auction, 880,000 mink pelts, 510,000 fox pelts, 44,000 Finnraccoon pelts, and 130,000 Karakul pelts were sold. For the future of the Finnish fur production, a significant turn took place in the auction: the price level of an assortment of more than 250,000 Blue fox pelts went up by nearly 30 per cent, and all the pelts were sold. The heavy decrease in the Blue fox production in China and the fashion trend favouring Blue fox contributed to the increase in the price level.

The statutory pension security of Finnish Fur Sales' domestic staff is organised through the Finnish Fur Breeders' Pension Fund. In September, the extraordinary meeting of the Fur Breeders' cash meeting approved the transfer of the pension liability to the Ilmarinen Mutual Pension Insurance Company, effective 31 December 2009. The old-age, unemployment, and disability pensions funded through the Fur Breeders' Pension Fund have been processed as benefit-based pension arrangements. In this respect, the pension insurance classification of the Finnish Fur Sales Group will change from benefit-based to pay-based during the financial year 1 September 2009 - 31 August 2010. However, the decision requires the Financial Supervisory Authority's approval.

In September, the Finnish Fur Breeders' Association and Finnish Fur Sales carried out a noticeable media campaign through the largest newspapers in Finland, titled "In addition to furs, they also want to ban many other things in your life." This campaign wanted to show the real goal of the animal rights organisations, i.e., the banning of all animal-originated production, and to present the strengths within the industry, such as employment, taking care of the welfare of animals, and the product's ecological sustainability. According to a survey conducted by Taloustutkimus Oy, based on the opinion poll, the majority of Finns, i.e., 82 per cent, have a neutral or positive attitude toward the industry.

Estimate of Business Developments during the Financial Year Commenced

In addition to the auction held in September 2009, during the financial year commenced, Finnish Fur Sales will organise auctions during the period 21 – 23 December 2009, 1 February 2010, 22 – 27 March 2010, and 6 – 11 June 2010. The goal of the company is to offer 5.8 million mink pelts,

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1.5 million fox pelts, and 90,000 Finn raccoon pelts as well as 400,000 Karakul pelts. The offering includes the 130,000 fox pelts transferred from, and sorted during, the previous financial year.

The September auction already showed signs especially of improvements in the market situation of Blue fox pelts. The recovery measures that followed the international financial crisis seem to have been successful especially in China. Credit extension for business operations and investments has been relaxed, and citizens have been advised to consume. In Europe and in the United States, there are faint signs of a turn in the economic trend. Russians believe that the worst is already over, and the rouble has become stronger along with the rise in oil price. Although there are positive signals in many markets, economists disagree on whether the recession in the world economy is over or whether the crisis could even become deeper.

International fashion favours furs, which adds to the positive basic trend. As a result of a decrease in production in China, the global production of fur pelts has decreased, which especially improves the balance of the fox pelt supply and demand.

During the financial year having ended, the buyers coming from Hong Kong/China were by far the largest buyer group. The downside to this is that being dependent on one market also entails considerable risks to the company. In the December auction, the buyers mainly make complementary purchases for the retail season's needs or for fair collections, and the auction results do not disclose sufficient information about the developments during the entire season. More than before, garment manufacturing has shifted by China. The production timetables of local factories contribute to the fact that the bulk of material purchases are made in the March and June auctions.

During the financial year commenced, the importance of strategic work in the company has been shifted up. Along with the strategic work, the company has started a long-term development programme for making business operations more efficient and for managing costs. The stabilisation of the market situation possibly reduces credit losses during the financial year commenced. It is believed that, compared to the financial year having ended, the US dollar will be weaker in relation to the EUR. The result for the entire financial year is anticipated to become profitable.

The Board of Director's Proposal for the Distribution of Dividends

On 31 August 2009, the parent company's distributable assets were as follows:

- Retained earnings	28 466 770.81
- Result/loss for the financial year	-2 058 287.46
- To be transferred to the counter-cyclical budgetary fund in line with the Articles of Association	<u>0.00</u>
	26 408 483.35

The Board proposes that

- EUR 0.42 per share, totalling EUR 1,512,000, be distributed to the shareholders as dividends from the distributable assets of the financial year 1 September 2008 – 31 August 2009 and the balance left in Retained earnings.

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CONSOLIDATED BALANCE SHEET IFRS

TEUR	31 Aug 2009	31 Aug 2008
ASSETS		
Non-current assets		
Property, plant and equipment	24 278	25 334
Intangible assets	1 091	927
Available-for-sale investments	451	465
Non-current receivables	654	204
Deferred tax assets	7	13
Non-current assets, total	26 482	26 943
Current assets		
Inventories	649	675
Deferred tax assets	522	0
Customer receivables and other receivables	83 599	84 457
Cash and cash equivalents	3 579	5 357
Current assets, total	88 349	90 490
Assets, total	114 831	117 433
LIABILITIES AND SHAREHOLDERS' EQUITY		
Equity attributable to parent company's shareholders		
Share capital	7 200	7 200
Share premium account	254	254
Other funds	13 470	13 200
Translation difference	59	57
Fair value reserve	125	136
Retained earnings	30 488	35 016
Shareholders' equity, total	51 597	55 863
Long-term liabilities		
Deferred tax liabilities	2 999	3 088
Interest-bearing liabilities	15	82
Long-term liabilities, total	3 013	3 170
Short-term liabilities		
Interest-bearing liabilities	47 600	48 295
Trade and other payables	12 621	10 106
Short-term liabilities, total	60 221	58 401
Liabilities, total	63 235	61 571
Liabilities and shareholders' equity, total	114 831	117 433

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CONSOLIDATED INCOME STATEMENT

TEUR	06/2009- 08/2009 3 mo	06/2008- 08/2008 3 mo	09/2008- 08/2009 12 mo	09/2007- 08/2008 12 mo
Net turnover	10 771	10 303	31 158	37 295
Other operating income	62	56	294	257
Materials and supplies	-654	-1 022	-1 631	-2 346
Employee benefits	-2 220	-1 902	-13 697	-13 901
Depreciation and impairment loss	-784	-688	-2 890	-2 642
Other operating expenses	-4 531	-3 268	-17 133	-17 627
The operating profit/loss	2 644	3 479	-3 899	1 036
Financial income and expenses	493	902	1 662	3 335
Profit/loss before tax	3 137	4 382	-2 236	4 371
Income tax	-841	-1 148	553	-1 172
Net profit/loss for the financial/report year	2 296	3 233	-1 684	3 199
Earnings per share, EUR	0.64	0.90	-0.47	0.89

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

TEUR	Share capital	Share premium account	Other funds	Translation differences	Fair value reserve	Retained earnings	Shareholders' equity, total
Shareholders' equity, 1 September 2007	7 200	254	12 960	58	208	36 234	56 914
Pension receivables							
Actuarial losses						-766	-766
Off-balance-sheet receivables under IAS 19.58						-891	-891
Available-for-sale investments							
Profit/loss from valuation at fair value					-72		-72
Net profit/loss recognised directly to shareholders' equity					-72	-1 657	-1 729
Net profit for the financial year						3 199	3 199
Total profits/losses					-72	1 542	1 470
Dividend distribution						-2 520	-2 520
Transfer to counter-cyclical budgetary fund			240			-240	0
Translation differences				-1			-1
Shareholders' equity, 31 August 2008	7 200	254	13 200	57	136	35 016	55 863

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TEUR	Share capital	Share premium account	Other funds	Translation differences	Fair value reserve	Retained earnings	Shareholders' equity, total
Shareholders' equity, 1 September 2008	7 200	254	13 200	57	136	35 016	55 863
Pension receivables							
Actuarial losses						-220	-220
Off-balance-sheet receivables under IAS 19.58						165	165
Available-for-sale investments							0
Profit/loss from valuation at fair value							0
					-10		-10
Net profit/loss recognised directly to shareholders' equity					-10	-55	-65
Net profit for the financial year						-1 684	-1 684
Total profits/losses					-10	-1 739	-1 749
Dividend distribution						-2 520	-2 520
Transfer to counter-cyclical budgetary fund			270			-270	0
Translation differences				2		1	3
Shareholders' equity, 31 August 2009	7 200	254	13 470	59	126	30 490	51 597

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CONSOLIDATED CASH FLOW STATEMENT

(TEUR)	2008/2009	2007/2008
Cash flow from operating activities:		
Proceeds from sales and auctions	253 324	331 188
Cash receipts from other operating income	280	237
Cash paid to suppliers and employees	-254 887	-315 614
Cash flow from operating activities before financial items and taxes, EUR		
Interest and other financial expenses	-4 501	-2 934
Interest and other financial income	6 171	6 552
Dividend income	10	47
Income tax paid	425	-936
Net cash flow from operating activities (A)	823	18 539
Cash flow from investment activities:		
Purchase of property, plant and equipment, and intangible assets	-2 044	-4 213
Proceeds from sale of tangible and intangible assets	59	42
Investments in other assets		
Proceeds from investments in other assets	0	2
Net cash flow from investment activities (B)	-1 984	-4 170
Cash flow from financing activities:		
Proceeds from short-term borrowings	1 977	0
Repayments of short-term borrowings	0	-10 885
Proceeds from long-term borrowings	0	132
Repayments of long-term borrowings	-67	-50
Change in translation difference	3	-2
Dividends paid	-2 528	-2 473
Net cash flow from financing activities (C)	-616	-13 278
Change in cash flows (A+B+C) increase (+) / decrease (-)	-1 778	1 091
Cash and cash equivalents, 31 August	3 579	5 357
Cash and cash equivalents, 1 September	-5 357	-4 266
Net change in cash and cash equivalents	-1 778	1 091

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Finnish Fur Sales 2004/2005 - 2008/2009

CONSOLIDATED KEY PERFORMANCE INDICATORS

	2004/2005 FAS	2004/2005 IFRS	2005/2006 IFRS	2006/2007 IFRS	2007/2008 IFRS	2008/2009 IFRS
Total sales, TEUR	297.030	297.030	407.252	322.914	325.676	248 418
Net turnover, TEUR	32.969	32.969	42.066	34.625	37.295	31 158
Operating profit, TEUR	2.132	2.497	7.673	497	1.036	-3 900
% of net turnover	6.5 %	7.6 %	18.2 %	1.4 %	2.8%	-12.5 %
Profit before tax, TEUR	4.277	4.639	10.389	3.688	4.371	-2 236
% of net turnover	13.0 %	14.1 %	24.7 %	10.7 %	11.7%	-7.2 %
Dividends, TEUR	2.340	2.340	3.420	2.520	2.520	1 512
Return on equity (ROE), %	5.6 %	6.3 %	13.5 %	4.7 %	5.7%	-3.1 %
Return on capital invested (ROI), %	5.3 %	6.7 %	12.1 %	5.6 %	6.7%	0.5 %
Gearing ratio, %	52.1 %	49.9 %	44.9 %	44.8 %	48.1%	46.5 %
Gearing	0.90	0.69	0.87	0.98	0.77	0.85
Gross capital investments, TEUR	2.212	2.212	1.789	2.707	4.216	2 044
% of net turnover	6.7 %	6.7 %	4.3 %	7.8 %	11.3%	6.6 %
Average number of employees	311	311	309	323	326	320

OTHER NOTES

Pledges, guarantees, and other contingent liabilities

(TEUR)	31 August 2009	31 August 2008
<i>Mortgages given and receivables pledged in security for debt</i>		
Loans from financial institutions	32 423	29.606
Mortgages on property	54 071	54.071
Mortgages on company assets	2 691	2.691
Pledged receivables	16 030	17.417
<i>Other contingent liabilities</i>		
Guarantees on behalf of others	5 302	5.854
<i>Derivative contracts</i>		
Forward exchange agreements	29 856	41.330

The data presented in the Financial Statements Bulletin have not been audited.

For
Finnish Fur Sales
Board of Directors

Päivi Mononen-Mikkilä
Director of Communications and CSR
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Finnish Fur Sales is an international fur auction company. Its most important task is to sell on commission raw fur pelts in the fur auctions mainly organised five times a year.

Finnish Fur Sales is the Group's parent company, and its Series C shares are quoted on the NASDAQ OMX Helsinki Ltd list in the Small Cap segment under the Industries and Services sector. The parent company's domicile is Vantaa, Finland, and its registered address is Martinkyläntie 48, 01720 Vantaa, Finland.