

## FINNISH FUR SALES

### INTERIM REVIEW FOR 1 SEPTEMBER–30 NOVEMBER 2008

This Interim Report has been prepared in accordance with IFRS compliant recognition and measurement principles and the same accounting policies have been applied to this as in the financial statements for 1 September 2007–31 August 2008. Data in this Interim Report are based on unaudited figures.

#### Sales during the Review Period 1 September–30 November 2008

During the reporting period of 1 September–30 November 2008, Finnish Fur Sales held one auction in September 2008. The sales volumes at the auction and through the period's private treaty sales totalled 880,000 mink pelts (760,000 in the same period a year earlier), 560,000 fox pelts (780,000), 37,000 Karakul lamb pelts (23,000) and 33,000 Finnraccoon pelts (22,000), graded mainly in the previous financial period. Pelt prices were, on average, 5 per cent higher than for the same reporting period a year ago. Due to the smaller volume of fox pelts traded, the total value of sales, EUR 52.6 million, was only one per cent higher year-on-year (EUR 52.3 million).

Auction	Sales 1,000 pelts 2008/2009	Sales 1,000 pelts 2007/2008	Value EUR 1,000 2008/2009	Value EUR 1,000 2007/2008
September	1,512	1,584	52,512	52,140
Private treaty	3	3	85	162
Total	1,515	1,587	52,597	52,302

#### Financial Position and Performance

Consolidated net turnover for the first quarter of the financial year, EUR 6.1 million, was three per cent lower year-on-year, due to a five per cent decline in the volume of pelts traded. Operating expenses, EUR 7.4 million, remained at the previous corresponding review period's level. Staff expense increased by five and depreciation and impairment losses by 15 per cent on a year earlier. There was a marked decline in the SAGA marketing fees included in other operating expenses, whereas repair-related expenses increased as the renovation of the Fur Center began. Operating loss for the period amounted to EUR 1.3 million (EUR -1.1 million).

Net financial income doubled from the previous year, to EUR 840,000 (EUR 410,000), due to a marked increase in interest income from accounts receivable. Loss before appropriations and taxes amounted to EUR 420,000 (EUR -700,000). Return on equity stood at -0.6 per cent (-0.9 per cent) and earnings per share showed a loss of EUR 0.09 (EUR -0.15).

On 30 November 2008, the equity-to-assets ratio stood at 45.8 per cent (48.1 per cent on 30 November 2007 and 48.1 per cent on the balance sheet date, 31 August 2008). The consolidated balance sheet total amounted to EUR 125.3 million (EUR 119.2 million on 30 November 2007 and EUR 131.7 million on 31 August 2007).

The Group's liquidity remained at a healthy level throughout the reporting period.

## **Capital Expenditure and Development**

Group gross capital expenditure totalled EUR 880,000 (EUR 2.1 million), accounting for 14 per cent (34 per cent) of net turnover, 69 per cent and 31 per cent allocated to the parent company's and subsidiaries' PPE (property, plant and equipment) and intangible assets, respectively.

## **Shares and Share Performance**

Finnish Fur Sales' share capital totalled EUR 7,200,000 at the end of the period and number of shares 3,600,000, of which 900,000 were Series A shares and 2,700,000 Series C shares.

The value of shares traded in the review period totalled EUR 260,000 and the volume came to 32,000, accounting for one per cent of the company's Series C shares. The period high was EUR 8.99, its low EUR 7.00 and its average EUR 7.91. The share closed at EUR 7.41. The market capitalisation totalled EUR 26.9 million on 30 November 2008.

## **Personnel**

The number of permanent Group staff averaged 132 (134 a year ago) and fixed-term employees numbered 76 (80). At the end of the period, the Group employed 502 staff (493).

## **Seasonal Variations**

Finnish Fur Sales holds 4 to 6 auctions during the 12-month auction period. The auction schedules and supply vary each financial year, and there may be quarters when no auctions are held. Seasonal variations may also cause differences between financial periods in such a way that during the comparison period an equal number of auctions have or have not been held. Therefore, differences in the value of sales, net turnover and costs between the review and comparison period do not necessarily give a true picture of the entire financial period's performance.

## **Risks and Business Uncertainties**

The most significant business risks and uncertainties have been reported in the Board of Directors' Annual Report for the financial period 1 September 2007–31 August 2008. Management of financial risks is explained in the notes to the consolidated financial statements, in the section 25. The economic recession that followed the global financial crisis raises uncertainty in the international fur trade, which increases the credit risk related to buyer and consignor receivables. The weakening of the external value of the Russian and Ukrainian currencies might decrease the consumer demand for furs in those significant market areas.

## **Prospects for the Rest of the Financial Year**

In accordance with the preliminary offering programme, Finnish Fur Sales aims to offer 6.1 million mink pelts, 1.6 million fox pelts, 120,000 Finnraccoon pelts and 500,000 Karakul

lamb pelts at the auctions held between December 2008 and August 2009. Uncertainty created by the international financial crisis was reflected to the sales result of the auction held between 19–22 December and only 25 per cent of the pelts offered were sold. Mink pelt prices in US dollar terms went down by about 30 per cent over the September auction. At the December auction, 240,000 mink pelts (830,000 at the December 2007 auction), 71,000 fox pelts (170,000), 78,000 Karakul lamb pelts (230,000) and 10,000 Finnraccoon pelts (22,000) were sold. Total sales generated by the auction were 67 per cent lower than the total sales of the December 2007 auction, at EUR 12.8 million (EUR 39.00 million).

Because of the prevailing uncertainty, buyers were waiting for fur retail sales results before making significant purchase decisions. Therefore, the results of the first auction of the sales season do not provide enough information on the development of the whole season, but the situation is expected to become clearer at the round of auctions in the spring. However, pelt prices might remain lower than at corresponding auctions in the previous financial year. The results of the sales season's first auctions also affect to what extent fur producers take pelts to be sold and to what extent they decide to store them. With regard to certain pelt types, this might have a significant impact on how many pelts of this type the company will obtain for sale.

The change in the basis of assessments of the Saga marketing fee will lower the Saga costs substantially in the current financial period when compared with the levels of the two previous financial periods. The part of the Fur Center that was built in 1978 is under renovation during the current financial year. If the demand for pelts continues to be low and unsold pelts are rescheduled from one auction to another, the company's space requirement will grow which will increase both renting and pelt processing expenses. In addition, rescheduling potentially unsold pelts for the next financial period will weaken the result of the current financial period.

Profit for the period is expected to be substantially weaker than in the previous period.

## Consolidated balance sheet IFRS

EUR 1,000

<b>ASSETS</b>	<b>30 Nov. 2008</b>	30 Nov. 2007	31 Aug. 2008
<b>Non-current assets</b>			
Property, plant and equipment	25,336	25,533	25,334
Intangible assets	1,102	692	927
Available-for-sale investments	410	579	465
Non-current receivables	204	450	204
Deferred tax assets	12	17	13
Pension receivables	0	1,536	0
Total non-current assets	<b>27,064</b>	28,808	26,943
<b>Current assets</b>			
Inventories	458	901	675
Deferred tax assets	108	200	0
Customer receivables and other receivables	93,027	85,953	84,457
Cash and cash equivalents	4,636	3,288	5,357
Total current assets	<b>98,229</b>	90,342	90,490
Total assets	<b>125,293</b>	119,150	117,433
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Equity attributable to parent company shareholders</b>			
Share capital	7,200	7,200	7,200
Share premium account	254	254	254
Other funds	13,200	12,960	13,200
Translation difference	57	57	57
Fair value reserve	95	219	136
Retained earnings	34,654	35,705	35,016
Total shareholders' equity	<b>55,461</b>	56,395	55,862
<b>Long-term liabilities</b>			
Deferred tax liabilities	3,061	3,537	3,088
Interest-bearing liabilities	65	132	82
Total long-term liabilities	<b>3,126</b>	3,668	3,170
<b>Short-term liabilities</b>			
Interest-bearing liabilities	53,294	50,325	48,295
Trade and other payables	13,412	8,762	10,106
Total short-term liabilities	<b>66,706</b>	59,087	58,401
Total liabilities	<b>69,832</b>	62,755	61,571
Total liabilities and shareholders' equity	<b>125,293</b>	119,150	117,433

## Consolidated income statement

EUR 1,000	<b>2008/2009</b> <b>3 mths</b>	2007/2008 3 mths	2007/2008 12 mths
Net turnover	<b>6,103</b>	6,276	37,295
Other operating income	<b>59</b>	69	257
Materials and supplies	<b>-466</b>	-623	-2,346
Employee benefits	<b>-2,294</b>	-2,180	-13,901
Depreciation and impairment loss	<b>-679</b>	-590	-2,642
Other operating expenses	<b>-3,980</b>	-4,064	-17,627
Operating profit/loss	<b>-1,259</b>	-1,112	1,036
Financial income and expenses	<b>842</b>	409	3,335
Profit/loss before tax	<b>-417</b>	-703	4,371
Income tax	<b>103</b>	174	-1,172
Net profit/loss	<b>-315</b>	-529	3,199
Earnings per share, EUR	<b>-0.09</b>	-0.15	0.89

## Consolidated cash flow statement

EUR 1,000

	<b>2008/2009</b>	2007/2008	2007/2008
	<b>3 mths</b>	3 mths	12 mths
<i>Cash flow from operating activities</i>			
Proceeds from auctions and sales	<b>65 977</b>	71 506	331 188
Cash receipts from other operating income	<b>59</b>	60	237
Cash paid to suppliers and employees	<b>-73 577</b>	-63 305	-315 614
Cash flow from operating activities before financial items and taxes	<b>-7 542</b>	8 260	15 811
Interest and other financial expenses paid	<b>-1 068</b>	-952	-2 934
Interest and other financial income received	<b>1 551</b>	1 455	6 552
Dividend income	<b>0</b>	17	47
Income tax paid	<b>-162</b>	-667	-936
Net cash flow from operating activities (A)	<b>-7 220</b>	8 113	18 539
<i>Cash flow from investing activities</i>			
Purchase of property, plant and equipment, and intangible assets	<b>-883</b>	-2 111	-4 213
Proceeds from sale of property, plant and equipment, and intangible assets	<b>26</b>	22	42
Proceeds from other assets	<b>14</b>	0	2
Net cash used in investing activities (B)	<b>-842</b>	-2 088	-4 170
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	<b>7 405</b>	0	0
Repayments of short-term borrowings	<b>0</b>	-7 133	-10 885
Proceeds from long-term borrowings	<b>0</b>	137	132
Repayments of long-term borrowings	<b>-16</b>	-5	-50
Change in translation difference	<b>1</b>	-2	-2
Dividends paid	<b>-48</b>	0	-2 473
Net cash flow used in financing activities (C)	<b>7 341</b>	-7 003	-13 278
Change in cash flows (A+B+C), increase (+) / decrease (-)	<b>-721</b>	-978	1 091
Cash and cash equivalents 31 Aug./30 Nov.	<b>4 636</b>	3 288	5 357
Cash and cash equivalents 1 Sept.	<b>-5 357</b>	-4 266	-4 266
Net change in cash and cash equivalents	<b>-721</b>	-978	1 091

## Statement of changes in shareholders' equity

EUR 1,000	Share capital	Share premium reserve	Other funds	Translation differences	Fair value reserve	Retained earnings	Shareholders' equity total
Shareholders' equity 1 Sept. 2007	7 200	254	12 960	58	207	36 234	56 914
Pension receivables							
Actuarial losses							0
Off-balance-sheet receivables under IAS 19.58							0
Available-for-sale investments							
Profit/loss from valuation at fair value					12		12
Net profit/loss recognized directly to shareholders' equity					12		12
Net profit/loss						-529	-529
Change in translation difference				-1			-1
Shareholders' equity 30 Nov. 2007	7 200	254	12 960	57	219	35 705	56 395
Shareholders' equity 1 Sept. 2008	7 200	254	13 200	57	136	35 016	55 862
Pension receivables							
Actuarial losses							0
Off-balance-sheet receivables under IAS 19.58						-49	-49
Available-for-sale investments							
Profit/loss from valuation at fair value					-41		-41
Net profit/loss recognized directly to shareholders' equity					-41	-49	-89
Net profit/loss						-315	-315
Change in translation difference						2	2
Shareholders' equity 30 Nov. 2008	7 200	254	13 200	57	95	34 654	55 461

## Key figures and ratios

	<b>2008/2009</b>	2007/2008	2007/2008
	<b>3 mths</b>	3 mths	12 mths
Total sales, EUR 1,000	<b>52,597</b>	52 140	325 676
Net turnover, EUR 1,000	<b>6 103</b>	6 276	37 295
Operating profit/loss, EUR 1,000	<b>-1 259</b>	-1 112	1 036
% net turnover	<b>-20.6 %</b>	-17.7 %	2.8 %
Profit/loss before tax, EUR 1,000	<b>-417</b>	-703	4 371
% net turnover	<b>-6.8 %</b>	-11.2 %	11.7 %
Earnings per share, EUR	<b>-0.09</b>	-0.15	0.89
Equity per share, EUR	<b>15.41</b>	15.67	15.52
Return on equity (ROE), %	<b>0.6 %</b>	0.9 %	5.7 %
Return on investment (ROI), %	<b>0.7 %</b>	0.3 %	6.7 %
Equity-to-assets ratio, %	<b>45.8 %</b>	48.1 %	48.1 %
Gearing	<b>0.88</b>	0.84	0.77
Gross capital expenditure, EUR 1,000	<b>883</b>	2 110	4 216
% net turnover	<b>14.5 %</b>	33.6 %	11.3 %
Average personnel	<b>208</b>	214	326

The principles for calculating key figures and ratios, and comparative figures from previous financial periods are outlined in the financial statements for 31 August 2008.

## Pledges, guarantees and other contingent liabilities

EUR 1,000 **30 Nov. 2008** 30 Nov. 2007 31 Aug. 2008

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

Loans from financial institutions	<b>37,651</b>	34,111	29,606
Mortgage on property	<b>54,071</b>	54,071	54,071
Mortgage on company assets	<b>2,691</b>	2,691	2,691
Pledged receivables	<b>23,521</b>	23,103	17,417

### Other contingent liabilities

Guarantees on other's behalf	<b>5,004</b>	4,425	5,854
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### Derivative contracts

Forward contracts	<b>37,794</b>	23,034	41,330
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Vantaa, 28 January 2009

FINNISH FUR SALES

Board of Directors

For further information, please contact: Päivi Mononen-Mikkilä, Director of Communications and CRS, tel. +358 50 512 0322