

FINNISH FUR SALES

INTERIM REPORT FOR 1 SEPTEMBER 2008 – 31 MAY 2009

This Interim Report has been prepared in accordance with IFRS standards. 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.

Changes to the Profit Forecast

Due to a decline in pelt prices and a decrease in the volume of pelts traded, net turnover will remain clearly lower than in the previous financial period. Prices lower than in the last financial period weaken the company's profitability and bad debts increase financial expenses. Profit for the period is estimated to be negative.

Sales during the Review Period 1 September 2008–31 May 2009

During the third quarter of the financial year (1 March–31 May 2009), Finnish Fur Sales held one auction in March. Mink pelts offered for sale at the auction were almost sold out with Chinese buyers setting the pace, whereas the caution of Russian buyers slowed down fox pelt sales. Prices of both mink and fox pelts were clearly lower than at the corresponding auction a year ago. In the third quarter of the financial year, the total value of sales came to EUR 90.5 million, which is 33 per cent lower year-on-year (EUR 134.6 million).

The sales volumes during September to May totalled 3,900,000 mink pelts (4,300,000 in the same period a year earlier), 1,200,000 fox pelts (1,700,000), 220,000 Karakul lamb pelts (430,000) and 81,000 Finnraccoon pelts (100,000). Pelt prices were, on average, 18 per cent lower than for the same reporting period a year ago. Due to the decrease in the volume of pelts traded and the decline in prices, the total value of sales, at EUR 158.4 million, was 32 per cent lower year-on-year (EUR 233.4 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
December	397	1,241	12,765	38,969
January	39	117	2,488	7,474
March	3,367	3,485	89,474	134,034
Private treaty	42	46	1,154	770
Total	5,357	6,474	158,394	233,386

Financial Position and Performance

Consolidated net turnover for the third quarter of the financial year was 24 per cent lower than in the same reporting period a year ago, resulting mainly from the March auction's price level that was lower than last year. Net turnover for March-May totalled EUR 10.9 million (EUR 14.3 million). Net turnover for September-May declined by 24 per cent, to EUR 20.4 million (EUR 27.0 million). Of the net turnover, 54 per cent consists of sales commissions from buyers, 33 per cent of sales commissions from fur breeders and 11 per cent of the sale of pelting services and breeding animals.

Operating expenses during the third quarter of the financial year were EUR 9.7 million (EUR 11.1 million). Expenses for September-May decreased by eight per cent on a year earlier, to EUR 27.2 million (EUR 29.6 million). Staff expenses decreased by four and other operating expenses by 12

per cent. The SAGA marketing fees included in other operating expenses declined by 47 per cent on a year earlier, to EUR 2.0 million (EUR 3.7 million), thanks to the change in the basis of assessments of the marketing fee. Group depreciation and amortisation grew by eight per cent.

Operating profit for the third quarter of the financial year amounted to EUR 1.2 million (EUR 3.2 million). Operating loss for September-May amounted to EUR 6.5 million (EUR -2.4 million).

Group financial expenses for the third quarter of the financial year were EUR 180,000 higher than financial income due to write-offs of bad debts. Net financial income for the same reporting period a year ago came to EUR 1.2 million. Net financial income for September-May decreased by 52 per cent on a year earlier, to EUR 1.2 million (EUR 2.4 million).

Profit before taxes for the third quarter of the financial year amounted to EUR 1.1 million (EUR 4.4 million). Loss before taxes for September-May amounted to EUR 5.4 million (EUR +67,000). Return on equity for September-May stood at -7.6 per cent (+0.04 per cent) and earnings per share showed a loss of EUR 1.11 (EUR +0.01).

On 31 May 2009, the equity-to-assets ratio stood at 45.4 per cent (51.6 per cent on 31 May 2008 and 48.1 per cent on the balance sheet day 31 August 2008). The consolidated balance sheet total amounted to EUR 113.0 million (EUR 107.7 million on 31 May 2008 and EUR 117.4 million on 31 August 2008). Equity per share was EUR 13.66 (EUR 15.09 on 31 May 2008 and EUR 15.52 on 31 August 2008).

Sales receivables amounted to EUR 36.4 million which accounts for 23.0 per cent of the value of auction sales (EUR 38.6 million and 16.5 per cent of the value of auction sales) on 31 May 2009. Because the sales volumes at the December, January and March auctions were substantially lower than a year earlier, working capital financing granted by the Group to producers increased and receivables from fur breeders amounted to EUR 41.4 million (EUR 30.3 million) on 31 May 2009. Bank loans taken out to finance sales and fur breeder receivables amounted to EUR 31.5 million (EUR 17.8 million) on 31 May 2009. The Group's liquidity remained at a healthy level throughout the reporting period.

Capital Expenditure and Development

Group gross capital expenditure for September-May totalled EUR 1.7 million (EUR 3.8 million in the same period a year earlier) accounting for eight per cent (14 per cent) of net turnover, with 24 per cent of capital expenditure targeted at properties owned by the Group, and 32 per cent at other pelt processing operations and storage.

Sales Partnership between Finnish Fur Sales and Oslo Fur Auctions Ltd

On 28 May 2009, the Norwegian auction company Oslo Fur Auctions Ltd, its owner the Norwegian Fur Breeders' Association and Finnish Fur Sales signed a new four-year sales agreement taking effect on 1 November 2009.

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 September-May totalled EUR 640,000 and the volume came to 85,000, accounting for three per cent of the company's Series C shares. The period high was EUR 8.99, its low EUR 6.12 and its average EUR 7.57. The share closed at EUR 7.80. The market capitalisation totalled EUR 28.1 million on 31 May 2009.

At a meeting held on 27 March, Finnish Fur Sales' Board of Directors defined that the company pursues an active dividend policy, which aims at paying out at least 50 per cent of the distributable net profits for the financial year in dividends. However, the company's future prospects and the maintenance of the equity-to-assets ratio at a good level are taken into account in the distribution.

Personnel

The number of permanent Group staff in September-May averaged 134 (133 a year ago) and fixed-term employees 233 (237). At the end of the period, the Group employed 323 staff (348).

According to her contract, Finnish Fur Sales' Managing Director has the right to retire at the age of 60. Managing Director Pirkko Rantanen-Kervinen turned 60 on 18 April 2009. However, she will continue to serve as Managing Director until the end of the current financial year on 31 August 2009. After that she will be responsible for special tasks assigned to her by the company's Board of Directors and Managing Director until April 2010. Pertti Fallenius has been appointed as Finnish Fur Sales' new Managing Director with effect from 1 September 2009 and Juha Huttunen has been appointed as Deputy Managing Director.

Annual General Meeting

The Annual General Meeting (AGM) of Finnish Fur Sales on 20 January 2009 decided to distribute a per-share dividend of EUR 0.70, totalling EUR 2,520,000, and enter EUR 270,000 in the counter-cyclical budgetary fund, as proposed by the Board of Directors. The dividend payment date was 30 January 2009.

The AGM elected the following Board members for a term ending upon the next AGM: Jorma Kauppila, fur producer; Markku Koski, fur producer; Pentti Lipsanen, fur producer; Esa Rantakangas, fur producer; Rainer Sjöholm, fur producer; and Helena Walldén, M.Sc. (Tech.). At its first meeting following the AGM, the Board of Directors elected Jorma Kauppila Board Chairman and Markku Koski Vice Chairman. The AGM re-elected Ernst & Young Oy, Authorised Public Accountants, the company's auditor, with Jan Rönnerberg, Authorised Public Accountant, acting as the chief auditor.

Risk Management and the Most Significant Risks

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 has been explained in the notes to the consolidated financial statements, in the section 25. The economic recession that followed the global financial crisis is still felt in the international fur trade, which increases the credit risk related to buyer and fur breeder receivables.

Significant Events Following the End of the Reporting Period and Prospects for the Rest of the Financial Year

Finnish Fur Sales' last auction in the financial period 1 September 2008–31 August 2009 was held between 2 and 8 June 2009. Almost the entire offering of pelts was sold at increasing prices. The auction was characterized by the predominance of Chinese customers, but also the Russian market seems to be recovering. At the auction, 2.7 million mink pelts (2.4 million at the same auction a year earlier), 580,000 fox pelts (490,000), 53,000 Karakul lamb pelts (77,000) and 32,000 Finnraccoon pelts (37,000) were sold. The US dollar was 12 per cent stronger than during the corresponding auction in the previous financial period. Total value of sales came to EUR 89.9 million (EUR 92.0 million).

The volume of pelts sold during the entire financial period is expected to come to 8.7 million pelts (9.4 million in the last financial period) and value of sales to EUR 248 million (EUR 326 million). Due to the decline in pelt prices and the decrease in the volume of pelts traded, net turnover will remain clearly lower than in the previous financial period. Prices lower than in the last financial period weaken the company's profitability and bad debts increase financial expenses. Profit for the period is estimated to be negative.

Consolidated balance sheet IFRS

EUR 1,000

ASSETS	31.5.2009	31.5.2008	31.8.2008
Non-current assets			
Property, plant and equipment	24 583	25 660	25 334
Intangible assets	1 179	855	927
Available-for-sale investments	397	460	465
Non-current receivables	564	472	204
Deferred tax assets	9	15	13
Pension receivables	0	1 782	0
Total non-current assets	<u>26 732</u>	<u>29 244</u>	<u>26 943</u>
Current assets			
Inventories	584	885	675
Deferred tax assets	1 401	24	0
Customer receivables and other receivables	80 706	73 015	84 457
Cash and cash equivalents	3 546	4 556	5 357
Total current assets	<u>86 237</u>	<u>78 480</u>	<u>90 490</u>
Total assets	<u><u>112 969</u></u>	<u><u>107 724</u></u>	<u><u>117 433</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity attributable to parent company shareholders			
Share capital	7 200	7 200	7 200
Share premium account	254	254	254
Other funds	13 470	13 200	13 200
Translation difference	58	57	57
Fair value reserve	85	132	136
Retained earnings	28 101	33 497	35 016
Shareholders' equity total	<u>49 169</u>	<u>54 340</u>	<u>55 862</u>
Long-term liabilities			
Deferred tax liabilities	3 034	3 544	3 088
Interest-bearing liabilities	39	99	82
Total long-term liabilities	<u>3 073</u>	<u>3 643</u>	<u>3 170</u>
Short-term liabilities			
Interest-bearing liabilities	45 972	36 408	48 295
Trade and other payables	14 755	13 333	10 106
Total short-term liabilities	<u>60 727</u>	<u>49 741</u>	<u>58 401</u>
Total liabilities	<u>63 800</u>	<u>53 384</u>	<u>61 571</u>
Total liabilities and shareholders' equity	<u><u>112 969</u></u>	<u><u>107 724</u></u>	<u><u>117 433</u></u>

Consolidated income statement

EUR 1,000	1.3.2009 31.5.2009 3 mths	1.9.2008- 31.5.2009 9 mths	1.3.2008 31.5.2008 3 mths	1.9.2007- 31.5.2008 9 mths	1.9.2007- 31.8.2008 12 mths
Net turnover	10 864	20 387	14 295	26 992	37 295
Other operating income	82	232	70	201	257
Materials and supplies	-212	-977	-564	-1 324	-2 346
Employee benefits	-4 166	-11 478	-4 163	-11 921	-13 901
Depreciation and impairment loss	-749	-2 106	-698	-1 954	-2 642
Other operating expenses	-4 581	-12 601	-5 716	-14 359	-17 627
Operating profit/loss	1 236	-6 543	3 224	-2 365	1 036
Financial income and expenses	-184	1 170	1 160	2 433	3 335
Profit/loss before tax	1 053	-5 373	4 384	67	4 371
Income tax	-279	1 394	-1 153	-44	-1 172
Net profit/loss	774	-3 980	3 231	23	3 199
Earnings per share, EUR	0.21	-1.11	0.90	0.01	0.89

Statement of changes in shareholders' equity

EUR 1,000	Share capital	Share premium fund	Other funds	Translation differences	Fair value reserve	Retained earnings	Shareholders' equity total
Shareholders' equity 1 September 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					-75		-75
Net profit/loss recognized directly to shareholders' equity					-75	0	-75
Net profit/loss						23	23
Total profits/losses					-75	23	-52
Dividend distribution						-2 520	-2 520
Transfer to counter-cyclical budgetary fund			240			-240	0
Change in translation difference				-1		0	-2
Shareholders' equity 31 May 2008	7 200	254	13 200	57	132	33 497	54 340

EUR 1,000

	Share capital	Share premium fund	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	55 862
Pension receivables							
Actuarial losses							0
Off-balance-sheet receivables under IAS 19.58						-147	-147
Available-for-sale investments							
Profit/loss from valuation at fair value					-50		-50
Net profit/loss recognized directly to shareholders' equity					-50	-147	-197
Net loss for the reporting period						-3 980	-3 980
Total profits/losses					-50	-4 126	-4 177
Dividend distribution						-2 520	-2 520
Transfer to counter-cyclical budgetary fund			270			-270	0
Change in translation difference				1		2	3
Shareholders' equity 31 May 2009	7 200	254	13 470	58	85	28 101	49 169

Consolidated cash flow statement

EUR 1,000

	2008/2009 9 mths	2007/2008 9 mths	2007/2008 12 mths
<i>Cash flow from operating activities</i>			
Proceeds from auctions and sales	170,330	247,082	331 188
Cash receipts from other operating income	220	177	237
Cash paid to suppliers and employees	-170,342	-218,953	-315 614
Cash flow from operating activities before financial items and taxes	207	28,305	15 811
Interest and other financial expenses paid rahoituskuluista	-4,245	-2,362	-2 934
Interest and other financial income received toiminnasta	5,720	5,324	6 552
Dividend income	10	47	47
Income tax paid	-791	-2,040	-936
Net cash flow from operating activities (A)	902	29,273	18 539
<i>Cash flow from investing activities</i>			
Purchase of property, plant and equipment, and intangible assets	-1,654	-3,780	-4 213
Proceeds from sale of property, plant and equipment, and intangible assets	59	42	42
Investments in other assets	16	54	2
Net cash used in investing activities (B)	-1,578	-3,684	-4 170
<i>Cash flow from financing activities</i>			
Proceeds from short-term borrowings	1,524	0	0
Repayments of short-term borrowings	0	-22,923	-10 885
Proceeds from long-term borrowings	0	135	132
Repayments of long-term borrowings	-42	-37	-50
Change in translation difference	3	-2	-2
Dividends paid	-2,620	-2,473	-2 473
Net cash flow used in financing activities (C)	-1,135	-25,299	-13 278
Change in cash flows (A+B+C), increase (+) / decrease (-)	-1,811	290	1 091
Cash and cash equivalents 31 May/31 Aug.	3,546	4,556	5 357
Cash and cash equivalents 1 Sep.	-5,357	-4,266	-4 266
Net change in cash and cash equivalents	-1,811	290	1 091

Key figures and ratios

	2008/2009	2007/2008	2007/2008
	9 mths	9 mths	12 mths
Total sales, EUR 1,000	158,394	233,386	325 676
Net turnover, EUR 1,000	20,387	26,992	37 295
Operating profit/loss, EUR 1,000	-6,543	-2,365	1 036
% net turnover	-32.1%	-8.7%	2.8 %
Profit/loss before tax, EUR 1,000	-5,373	67	4 371
% net turnover	-26.4%	0.3%	11.7 %
Earnings per share, EUR	-1.11	0.01	0.89
Equity per share, EUR	13.66	15.09	15.52
Return on equity (ROE), %	-7.6%	0.04%	5.7 %
Return on investment (ROI),%	-1.2%	2.4%	6.7 %
Equity-to-assets ratio, %	45.4%	51.6 %	48.1 %
Gearing	0.86	0.59	0.77
Gross capital expenditure, EUR 1,000	1,654	3,780	4 216
% net turnover	8.1%	14.0 %	11.3 %
Average personnel	367	370	326

Principles for calculating key figures and ratios:

Return on equity (ROE), %	=	profit/loss for the financial period x 100 / shareholders' equity *)
Return on investment (ROI),%	=	(profit/loss before tax + interest and other financing costs) x 100 / (balance sheet total – non-interest-bearing short-term liabilities) *)
Equity-to-assets ratio, %	=	shareholders' equity x 100 / (balance sheet total – advances received)
Gearing	=	(interest-bearing borrowed capital - cash and securities) / shareholders' equity
Earnings per share, EUR	=	profit/loss for the financial period / adjusted average number of shares
Equity per share, EUR	=	shareholders' equity / adjusted number of shares on the balance sheet date

Pledges, guarantees and other contingent liabilities

EUR 1,000 **31.5.2009** **31.5.2008** 31.8.2008

Mortgages given and receivables pledged in security for debt

Loans from financial institutions	31,542	17,814	29,606
Mortgage on property	54,071	54,071	54,071
Mortgage on company assets	2,691	2,691	2,691
Pledged receivables	18,651	14,027	17,417

Other contingent liabilities

Guarantees on other's behalf	4,171	1,753	5,854
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Derivative contracts

Forward contracts	31,522	33,596	41,330
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Vantaa, 8 July 2009
Board of Directors