



FINNISH FUR SALES
Interim report
1 September 2010 – 31 May 2011

FINNISH FUR SALES INTERIM REPORT 1 SEPTEMBER 2010 – 31 MAY 2011

Vantaa, Finland 7 July 2011 11:40 am

Finnish Fur Sales's result for the first nine months of the financial year showed significant improvement

- Finnish Fur Sales's intermediary sales grew by 35 percent during the review period 1/3 – 31/5/2011 compared with the previous corresponding review period, to EUR 252.8 million (EUR 187.0 million) due to the rise in price levels. Intermediary sales between September and May were valued at EUR 436.6 million (EUR 278.4 million).
- During the review period 1/3 – 31/5/2011, the company sold 3.4 million pelts (3.7 million in the previous corresponding review period). The total number of pelts sold by the company between September and May was 6.5 million (6.5 million).
- The Group's turnover grew by 20 percent during the review period 1/3 – 31/5/2011 compared with the previous corresponding review period, and was EUR 20.8 million (EUR 17.3 million). Between September and May the turnover was EUR 40.1 million (EUR 29.5 million).
- The Group's operating profit for the review period 1/3 – 31/5/2011 was EUR 9.2 million (EUR 6.8 million). Between September and May the operating profit was EUR 10.3 million (EUR 830,000).
- Earnings per share for the review period 1/3 – 31/5/2011 were EUR 2.10 (EUR 1.59) and between September and May they were EUR 2.62 (EUR 0.66).

Consolidated key figures	3/11-5/11 3 months	9/10-5/11 9 months	3/10-5/10 3 months	9/09-5/10 9 months	9/09-8/10 12 months
Total sales, MEUR	252,8	436,6	187,0	278,4	441,8
Total amount of skins sold, 1.000 pcs	3 409	6 454	3 701	6 452	9 648
Net turnover, MEUR	20,8	40,1	17,3	29,5	45,0
Operating profit/loss, MEUR	9,2	10,3	6,8	0,8	7,3
Profit before taxes, MEUR	10,3	12,8	7,8	3,3	10,6
Earnings per share, EUR	2,10	2,62	1,59	0,66	2,17
Return on equity, (ROE) %	12,8 %	15,7 %	11,6 %	4,6 %	14,4 %
Return on investment, (ROI) %	11,3 %	14,3 %	8,8 %	5,0 %	12,6 %

Accounting Principles

This interim report has been compiled in observance of the IFRS standard Recognition and Valuation principles; however, it has not been compiled in accordance with all IAS 34 Interim Financial Reporting – presentation requirements.

Since 1/9/2010 the Group has applied the following new or revised standards and interpretations, which have not had any significant bearing on the interim report:

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Annual revisions made to IFRS standards (April 2010)
- Amendment to IAS 32 Financial Instruments: Presentation – Classification of share, warrant and subscription right issues:
- Revised IAS 24 Related Party Disclosures.

In other respects, the report has been compiled in observance of the same valuation principles as those used for the financial statements for the period 1/9/2009 – 31/8/2010. The details presented in the interim report have not been audited.

Intermediary sales during the review period 1/9/2010 – 31/5/2011

Finnish Fur Sales held one auction, 20–25 March 2011, during the third quarter of the financial period (1/3 – 31/5/2011). The auction was the biggest the company has ever seen, both in terms of the value of intermediary sales and the number of buyers. The value of intermediary sales was almost EUR 252 million, which is more than the intermediary sales in the entire financial period (2008/2009) two years prior (EUR 248 million). The company's marketing and product development work, overseen by Saga Furs, has borne fruit and international fashion is now promoting furs more than ever before. The auction also indicated that Finnish Saga® fox pelts are of unrivalled quality.

During the third quarter of the financial period, a total of 2,500,000 mink pelts (2,800,000 were sold in the previous corresponding review period), 720,000 fox pelts (660,000), 100,000 karakul lamb skins (150,000) and 67,000 finnraccoon pelts (47,000) were sold on. Intermediary sales were valued at EUR 252.8 million (EUR 187.0 million).

Between September and February a total of 4,100,000 mink pelts (4,400,000 were sold in the previous corresponding review period), 1,800,000 fox pelts (1,500,000), 380,000 karakul lamb skins (430,000) and 120,000 finnraccoon pelts (110,000) were sold on. Intermediary sales were valued at EUR 436.6 million (EUR 278.4 million).

Auction	Sales 1,000 pelts 2010/2011	Value EUR 1,000 2010/2011	Sales 1,000 pelts 2009/2010	Value EUR 1,000 2009/2010
September	1 605	102 943	1 560	42 633
December	1 416	79 843	1 070	42 025
January/February	0	0	92	5 996
March	3 395	251 787	3 695	186 675
Private Treaty	37	2 040	35	1 025
Total	6 454	436 613	6 452	278 355

Financial position and profits

The Group's turnover of EUR 20.8 million was a 20 percent improvement on the corresponding period of the previous year (EUR 17.3 million) thanks to the rise in price levels during the third quarter of the financial period. Turnover from September to May grew by 36 percent year-on-year and came to EUR 40.1 million (EUR 29.5 million). Of the total turnover, 68 percent came from commission charged to buyers, 23 percent came from commission charged to suppliers and 8 percent came from the sale of fur production services and breeder animals.

Other profits in the third quarter totalled EUR 87,000 (EUR 153,000). Meanwhile other operating income between September and May grew by 82 percent to EUR 1.0 million (EUR 560,000), mainly thanks to the recovery of customer credit losses recorded in the 2008/2009 financial period. The majority of customer credit losses recorded in the 2008/2009 financial period was recovered by the end of February 2011.

Operating expenses grew during the third quarter of the financial period by 10 percent and came to EUR 11.7 million (EUR 10.6 million). Expenses between September and May grew 5 percent year-on-year and totalled EUR 30.8 million (EUR 29.2 million).

The Group's operating profit for the third quarter of the financial period was EUR 9.2 million (EUR 6.8 million), while for the September to May period it was EUR 10.3 million (EUR 830,000).

The Group's net financial income grew 8 percent year-on-year in the third quarter of the financial period. Between September and May the net financial income was EUR 2.5 million (EUR 2.5 million).

Profit before taxes in the third quarter of the financial period came to EUR 10.3 million (EUR 7.8 million) and profit after taxes came to EUR 7.6 million (EUR 5.7 million). Return on equity in the third quarter of the financial period was 12.8 percent (11.6 percent) and earnings per share were EUR 2.10 (EUR 1.59). Profit before taxes in the September to May period came to EUR 12.8 million (EUR 3.3 million) and profit after taxes came to EUR 9.4 million (EUR 2.4 million). Return on equity in the September to May period was 15.7 percent (4.6 percent) and earnings per share were EUR 2.62 (EUR 0.66).

The Group's equity ratio at the end of the review period was 55.8 percent (at the end of May 2010 it was 53.7 percent and on the closing date of the financial period, 31.8.2010, it was 53.2 percent). The Group's solvency remained strong throughout the entire review period. The total amount of the consolidated balance sheet was EUR 118.5 million (at 31/5/2010 it was EUR 102.9 million and at 31/8/2010 EUR 111.3 million). Shareholder's equity per share was EUR 17.50 (at 31/5/2010 it was EUR 14.60 and at 31/8/2010 EUR 15.94).

Investment and development

The Group's gross investment during the review period September to May was EUR 1.8 million (EUR 710,000), or 4 percent (2 percent) of turnover. Of the total investment, 86 percent came from the parent company's tangible and intangible assets while the remaining 14 percent came from the tangible and intangible assets of affiliated companies. The biggest private investment was the Fur Center property, the renovation of which continued this period.

Shares and price development

At the close of the review period, Finnish Fur Sales's share capital was EUR 7,200,000 and there were 3,600,000 shares, of which 900,000 were A-shares and 2,700,000 were C-shares.

The exchange of shares during the review period September to May came to EUR 9.2 million and 650,000 shares, or 24 percent of the company's C-shares. The highest share price during the period was EUR 16.10, the lowest share price was EUR 9.30 and the average share price was EUR 14.90. The closing price of the period was EUR 15.04. The market value of the company's share capital at 31/5/2011 was EUR 54.1 million.

A list of the company's biggest shareholders at 31/5/2011 can be seen on the company's website.

Personnel

During the review period, the average number of full-time staff members in the Group was 131 (compared with 136 during the previous corresponding review period) and there were 216 part-time staff members (209). At the close of the review period, there were 288 persons employed by the Group (290).

Annual General Meeting

The annual general meeting held by Finnish Fur Sales on 21 January 2011 approved the company's financial statements for the financial period ending 31/8/2010. The annual general meeting decided that a dividend of EUR 1.06 per share, or a total of EUR 3,816,000, should be distributed to shareholders, who together represent 10.8 percent of all company shares, on the basis of the minority dividend requirement of the Companies Act 13:7. The dividends were paid out on 2/2/2011. In addition, the Annual General Meeting decided, as proposed by the Board, that EUR 850,000 of retained earnings should be transferred into a counter-cyclical budgetary fund and that the rest should be left in the retained earnings account.

Fur producers Jorma Kauppila, Markku Koski, Pentti Lipsanen, Rainer Sjöholm and Hannu Sillanpää, as well as M.Sc. (Tech.) Helena Walldén, were elected to be members of the Board until the following annual general meeting. At its organisational meeting, the Board elected Jorma Kauppila as its chairman and Markku Koski as its vice chairman. Ernst & Young Oy were chosen as the company's auditors.

Risks and business uncertainty

Significant business-related risks and uncertainties are described in the Board's annual report for the financial period 1/9/2009 - 31/8/2010. Financial risk management is described under section 26 of the appendices attached to the Group's financial statements. With the exception of the increased overall market risk due to the rise in price levels, there were no significant changes to risks during the review period.

Significant events since the conclusion of the review period

On 10 June 2011 the Group's acquired the Design Center property for EUR 4 million and the Saga® trademarks for EUR 1.5 million at the spot price from its associated company, the Danish 'Saga Furs of Scandinavia' cooperative association (Saga Furs). At the same time, Saga Furs and its members agreed on certain other collaboration-related changes. With the aid of adjustments, the Group will be able to capitalise on the brand's value, which has been built over decades, and will be able to get the Saga Design Center product development to increasingly support its main business, which is the intermediary sales of Saga's mink, fox and finnraccoon pelts. With regard to this, Finnish Fur Sales registered 'Saga Furs' as its auxiliary business name alongside 'Finnish Fur Sales' in June. The adjustments have not affected the forecasts given for the current financial period or the company's financial reporting.

At the auction organised by Finnish Fur Sales for 8–13 June 2011, 2.1 million mink pelts (2.4 million at the previous year's corresponding auction), 460,000 fox pelts (710,000), 12,000 karakul lamb skins (21,000) and 45,000 finnraccoon pelts (31,000) were sold. The price of mink pelts remained high at the auction. However, the price rise of more than 30 percent during the March auction proved to be too high and only 70 percent of the blue fox pelts on offer were sold as the price level fell by 15–20 percent. Intermediary sales during the six-day auction were valued at EUR 158 million (EUR 163 million). There were more than 550 buyers representing all market areas. The fox pelts which went unsold in June will be offered again at the September auction.

Review of the rest of the financial period

During the entire financial period 9.1 million pelts (9.6 million during the previous financial period) are expected to be sold on and intermediary sales are expected to total EUR 595 million (EUR 442 million).

The Group's turnover is expected to rise by nearly 20 percent on last year's EUR 45 million. Profits for the full financial period are expected to be significantly better than those for the previous financial period.

Consolidated statement of financial position, IFRS

EUR 1,000

ASSETS	31 May 2011	31 May 2010	31 Aug 2010
Non-current assets			
Property, plant and equipment	22 799	23 016	23 212
Intangible assets	952	913	833
Available-for-sale investments	477	450	482
Long-term receivables from fur breeders	2 866	959	788
Non-current assets, total	27 094	25 337	25 316
Current assets			
Inventories	604	1 015	697
Interest-bearing receivables from buyers	34 559	38 195	46 029
Interest-bearing receivables from fur breeders	18 794	22 797	25 072
Non-interest-bearing receivables	10 169	10 841	8 070
Tax assets based on taxable income for the period	8	302	0
Cash and cash equivalents	27 291	4 405	6 167
Current assets, total	91 426	77 554	86 034
Total assets	118 520	102 891	111 350
SHAREHOLDERS' EQUITY AND LIABILITIES	31 May 2011	31 May 2010	31 Aug 2010
Equity attributable to parent company's shareholders			
Share capital	7 200	7 200	7 200
Share premium account	254	254	254
Other funds	14 320	13 470	13 470
Translation difference	57	59	59
Fair value reserve	161	141	165
Retained earnings	41 000	31 439	36 234
Shareholders' equity, total	62 993	52 563	57 382
Non-current liabilities			
Deferred tax liabilities	2 852	2 964	2 893
Current liabilities			
Interest-bearing liabilities	31 709	31 844	35 543
Trade and other payables	18 940	15 412	14 079
Deferred taxes based on the taxable income for the period	2 025	108	1 452
Current liabilities, total	52 675	47 363	51 074
Total liabilities	55 527	50 327	53 967
Total shareholders' equity and liabilities	118 520	102 891	111 350

Consolidated statement of comprehensive income

EUR 1.000

**1 Mar 2011-
31 May 2011** **1 Sep 2010-
31 May 2011** 1 Mar 2010-
31 May 2010 1 Sep 2009-
31 May 2010 1 Sep 2009-
31 Aug 2010

3 months **9 months** 3 months 9 months 12 months

Continuous operations

Net turnover	20 796	40 070	17 287	29 463	45 038
Other operating income	87	1 024	153	563	551
Materials and supplies	-527	-1 603	-83	-998	-2 121
Employee benefits	-4 660	-12 486	-4 378	-12 560	-15 511
Depreciation and impairment loss	-658	-2 017	-710	-2 105	-2 821
Other operating expenses	-5 848	-14 694	-5 454	-13 534	-17 833
Operating profit/loss	9 191	10 294	6 816	831	7 303
Financial income and expenses	1 082	2 522	1 001	2 464	3 303
Profit/loss before tax	10 273	12 816	7 817	3 294	10 605
Income tax	-2 712	-3 383	-2 078	-918	-2 785
Net profit/loss for the reporting period	7 561	9 433	5 739	2 377	7 820

Other comprehensive income

Actuarial losses	0	0	-481	-481	-481
Off-balance sheet receivables under IAS 19.58	0	0	564	597	597
Available-for-sale investments	-20	-5	-5	21	53
Translation differences	0	-2	1	1	0
Taxes included in other items in comprehensive profit/loss	5	1	-20	-35	-44
Other comprehensive income/expense, net of tax	-15	-6	59	102	125
Total comprehensive income/expense	7 547	9 427	5 798	2 479	7 945

Earnings per share, EUR, basic (EUR) *)

2,10 **2,62** 1,59 0,66 2,17

*) There are no factors diluting the key performance indicator

Consolidated statement of cash flow

EUR 1.000

	1.9.2010- 31.5.2011 9 months	1.9.2009- 31.5.2010 9 months	1.9.2009- 31.8.2010 12 months
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	451 079	276 029	433 197
Cash received from other operating income	186	194	234
Cash paid for other operating expenses	-412 113	-255 101	-411 038
Cash flow from operating activities before financial items and taxes	39 153	21 121	22 392
Interests, paid	-519	-924	-1 122
Other financial expenses	-74	-455	-542
Interest, received	3 100	3 573	4 685
Other financial income	181	0	2
Dividend income	23	0	0
Direct taxes paid	-2 839	-805	-1 086
Net cash flow from operating activities (A)	39 025	22 509	24 329
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-1 775	-713	-1 548
Proceeds from sale of tangible and intangible assets	99	56	62
Proceeds from investments in other assets	0	22	22
Net cash flow from investments activities (B)	-1 676	-635	-1 464
<i>Cash flow from financing activities</i>			
Repayments of short-term borrowings	-12 435	-19 549	-18 183
Repayments of long-term borrowings	0	-15	-15
Dividends paid	-3 789	-1 485	-2 080
Net cash flow from financing activities (C)	-16 224	-21 049	-20 278
Change in cash flows (A+B+C) increase (+) / decrease (-)	21 124	826	2 587
Cash and cash equivalents, 31 May / 31 Aug	27 291	4 405	6 167
./. Cash and cash equivalents, 1 Sep	6 167	3 579	3 579
Net change in cash and cash equivalents	21 124	826	2 587

Consolidated statement of changes in shareholders' equity

	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Total
Shareholders' equity, 1 Sep 2009	7 200	254	13 470	59	125	30 488	51 597		51 597
Result for the reporting period						2 377	2 377		2 377
Other comprehensive income/expense				0	15	86	102		102
Dividend distribution						-1 512	-1 512		-1 512
Shareholders' equity, 31 May 2010	7 200	254	13 470	59	140	31 439	52 563	0	52 563
Shareholders' equity, 1 Sep 2010	7 200	254	13 470	59	165	36 234	57 382		57 382
Result for the reporting period						9 433	9 433		9 433
Other comprehensive income/expense					-4	-1	-6		-6
Dividend distribution						-3 816	-3 816		-3 816
Transfer to counter-cyclical budgetary fund						-850	0		0
Shareholders' equity, 31 May 2011	7 200	254	14 320	57	161	41 000	62 993	0	62 993

Key performance indicators

	2010/2011 9 months	2009/2010 9 months	2009/2010 12 months
Total sales, EUR 1,000	436 613	278 355	441 813
Net turnover, EUR 1,000	40 070	29 463	45 038
Operating profit/loss, EUR 1,000	10 294	831	7 303
% of net turnover	25.7%	2.8 %	16.2 %
Profit before taxes, EUR 1,000	12 816	3 294	10 605
% of net turnover	32.0 %	11.2 %	23.5 %
Earnings per share, EUR	2,62	0,66	2,17
Equity per share, EUR	17.5	14.60	15.94
Return on equity (ROE)-%	15.7 %	4.6 %	14.4 %
Return on investment (ROI)-%	14.3 %	5.0 %	12.6 %
Equity-to-assets ratio, %	55.8 %	53.7 %	53.2 %
Gearing	0.07	0,52	0,51
Gross capital expenditure, EUR 1,000	1 775	713	1 548
% of net turnover	4.4 %	2.4 %	3.4 %
Average number of personnel	347	345	307

Principles for calculating key performance indicators:

Return on equity (ROE)-%	= Profit/Loss for the financial period x 100 / shareholders' equity *)
Return on investment (ROI)-%	= (Profit/Loss before taxes + interests and other financial costs - credit losses) 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 and financial 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

*) The divisor applied to the key performance indicators is calculated as the average of the numbers in the balance sheet of the financial period and of the previous financial period.

Commitments and contingencies

EUR 1.000 **31 May 2011** 31 May 2010 31 Aug 2010

Mortgages given and receivables pledged in security for debt

Loans from financial institutions	1 708	12 952	14 370
Mortgages on property	54 071	54 071	54 071
Mortgages on company assets	2 691	2 691	2 691
Pledged receivables	0	0	1 700

Other contingent liabilities

Guarantees on behalf of others	0	1 299	0
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Derivative contracts

Forward exchange agreements	15 711	30 565	29 495
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Property investments

The group is obliged to check the VAT deductions made on real estate investments completed in 2007 and 2008 if taxable use of the real estate decreases during the inspection period. The maximum amount of liability is EUR 135 000 and the last year of inspection is 2019.

Related Party Transactions

EUR 1,000

	2010/2011 9 months	2009/2010 9 months	2009/2010 12 months
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Transactions with related parties:

Net turnover

- associates	8	3	3
- other related party	238	228	317

Other operating income

- parent company	32	32	43
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Other operating expenses

- parent company	-27	-24	-25
- associates	-2 529	-2 182	-3 520

Financial income

- other related party	13	17	21
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Financial expenses

- parent company	-5	-8	-17
- other related party	-18	-19	-27

	2010/2011 9 months	2009/2010 9 months	2009/2010 12 months
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Related party receivables

- other related party	317	622	252
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Related party liabilities

- parent company	-990	-1 261	-1 004
- associates	-1	-1	0
- other related party	-1 291	-1 826	-1 779

Management compensation

Remuneration and other short-term employee benefits

	880	651	857
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Management consists of the Board of Directors, the Managing Director, the Managing Director's Deputy and the rest of the parent company's Management Group.

Vantaa 7 July 2011
FINNISH FUR SALES
Board of Directors