

FINNISH FUR SALES

Interim report

1 September 2010 – 28 February 2011

**FINNISH FUR SALES
INTERIM REPORT 1 SEPTEMBER 2010 – 28 FEBRUARY 2011**

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Finnish Fur Sales' result for the first six months of the financial year was clearly profitable.

- The value of sales increased during the review period (1 December 2010 – 28 February 2011) by 65 percent from the corresponding period last financial year to EUR 80.2 million (EUR 48.5 million) due to the increased price levels and volume of pelts. The value of sales between September and February totalled EUR 183.9 million (EUR 91.3 million).
- The company sold 1.4 million pelts during the review period (1 December 2010 – 28 February 2011) (compared to 1.2 million during the corresponding review period last year). The volume of pelts sold by the company between September and February totalled 3.0 million pelts (2.8 million pelts).
- The Group's net turnover increased during the review period (1 December 2010 – 28 February 2011) by 40 percent from the corresponding period last financial year, totalling EUR 8.9 million (EUR 6.4 million). The net turnover between September and February totalled EUR 19.3 million (EUR 12.2 million).
- The Group's operating loss for the review period (1 December 2010 – 28 February 2011) totalled EUR -1.5 million (EUR -4.6 million). The operating profit between September and February totalled EUR 1.1 million (EUR -6.0 million).
- The earnings per share for the review period (1 December 2010 – 28 February 2011) amounted to EUR -0.18 (EUR -0.86), whilst between September and February it was EUR 0.52 (EUR -0.93).

Group's key figures	12/10-2/11 3 months	9/10-2/11 6 months	12/09-02/10 3 months	9/09-2/10 6 months	9/09-8/10 12 months
Value of sales (million EUR)	80.2	183.9	48.5	91.3	441.8
Volume of pelts sold (1,000 pelts)	1,423	3,045	1,174	2,750	9,648
Net turnover (million EUR)	8.9	19.3	6.4	12.2	45.0
Operating profit/loss (million EUR)	-1.5	1.1	-4.6	-6.0	7.3
Profit/loss before taxes (million EUR)	-0.9	2.5	-4.1	-4.5	10.6
Earnings per share (EUR)	-0.18	0.52	-0.86	-0.93	2.17
Return on equity (ROE) %	-1.1 %	3.3 %	-6.3 %	-6.8 %	14.4 %
Return on investment (ROI) %	-0.7 %	3.2 %	-3.7 %	-3.6 %	12.6 %

Accounting policies

This interim report has been prepared in accordance with the IAS 34 Interim Financial Reporting Standard.

As of 1 September 2010, the Group has applied the following new or amended standards as well as interpretations which have not significantly affected the interim report:

- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Annual improvements to IFRS standards (April 2010)
- Amendment IAS 32 Financial Instruments: Presentation – Classification of share issues, stock options and subscription rights
- Amended IAS 24 Related Party Disclosures in financial statements

In other respects, the same accounting policies have been applied to this report as in the financial statements for 1 September 2009 – 31 August 2010. The interim report figures are unaudited.

Sales during review period 1 September 2010 – 28 February 2011

During the second quarter (1 December 2010 – 28 February 2011) of the financial year, Finnish Fur Sales held one auction between the 20 and 22 December 2010. The strong position of furs in fashion lines, the cold weather in the main market areas and the clear recovery of the Russian market created the strong demand seen at this auction, the second auction for the current financial year. During the second quarter of the financial year, Finnish Fur Sales sold a total of 880,000 mink pelts (700,000 during the previous corresponding period), 260,000 fox pelts (300,000), 260,000 Karakul lamb pelts (150,000) and 17,000 Finnraccoon pelts (20,000). The total value of sales was EUR 80.2 million, which was 65 percent more than the previous year (EUR 48.5 million).

Between September and February, Finnish Fur Sales sold a total of 1,600,000 mink pelts (1,600,000 during the corresponding period), 1,100,000 fox pelts (820,000), 280,000 Karakul lamb pelts (280,000) and 58,000 Finnraccoon pelts (64,000). The value of sales totalled EUR 183.9 million (EUR 91.3 million).

Auction	Sales	Value	Sales	Value
	1,000 pcs 2010/2011	EUR 1,000 2010/2011	1,000 2009/2010	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
Warehouse sales	24	1,065	28	692
Total	3,045	183,850	2,750	91,347

Financial position and performance

The Group's net turnover for the second quarter of the financial year increased by 40 percent from the previous year's corresponding period due to the increase in price levels and the volume of pelts sold at the December auction. The net turnover totalled EUR 8.9 million (EUR 6.4 million). The net turnover between September and February increased by 58 percent from the previous year, totalling EUR 19.3 million (EUR 12.2 million). Sales commissions from buyers accounted for 64 percent of the net turnover, sales commissions from fur breeders accounted for 25 percent of the net turnover and sales from pelting services and breeding animals accounted for 9 percent.

Other operating income increased during the second quarter by 48 percent when compared to the same period from the previous year, amounting to EUR 510,000 (EUR 340,000), mainly due to the recovery of credit losses recorded during the financial year 2008/2009. Other operating income increased during the September-February period by 128 percent when compared to the same period of the previous year, amounting to EUR 940,000 (EUR 410,000). The majority of the customer credit losses recorded during the financial year 2008/2009 were recovered by the end of February 2011.

The operating expenses for the second quarter totalled EUR 11.0 million (EUR 11.3 million). The expenses from September to February increased from the corresponding review period of the previous year by 3 percent, amounting to EUR 19.1 million (EUR 18.6 million).

The group's operating profit/loss for the second quarter totalled EUR -1.5 million (EUR -4.6 million), while the profit/loss for the period of September through February equalled EUR 1.1 million (EUR -6.0 million).

The Group's net financial income increased during the second quarter by 41 percent in comparison to the previous corresponding period. The net financial income between September and February totalled EUR 1.4 million (EUR 1.5 million).

The result before tax for the second quarter amounted to EUR -870,000 (EUR -4.1 million), while the after-tax result equalled EUR -650,000 (EUR -3.1 million). The return on equity for the second quarter stood at -1.1 percent (-6.3 %) and the earnings per share at EUR -0.18 (EUR -0.86). The result before

tax for the period of September through February amounted to EUR 2.5 million (EUR -4.5 million), whilst the result after tax equalled EUR 1.9 million (EUR -3.4 million). The return on equity for the period of September through February stood at 3.3 percent (-6.8 %) and the earnings per share at EUR 0.52 (EUR -0.93).

The Group's equity ratio stood at 53.8 percent at the end of the review period (41.7 % at the end of February 2010 and 53.2 % on the closing date 31 August 2010). The Group's liquidity remained strong throughout the review period. The consolidated balance sheet total amounted to EUR 112.3 million (EUR 118.1 million on 28 February 2010 and EUR 111.3 million on 31 August 2010). Equity per share stood at EUR 15.40 (EUR 12.99 on 28 February 2010 and EUR 15.94 on 31 August 2010).

Investments and development

The Group's investments totalled EUR 1.3 million (EUR 530,000), accounting for 7 percent (4 %) of the net turnover. 86 percent of the investments were allocated to the parent company's tangible and intangible assets, while 14 percent was allocated to those of the subsidiaries. The single largest investment was made in the Fur Center, whose renovation continued.

Shares and share performance

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

The value of shares traded during the review period totalled EUR 6.1 million, while the volume equalled 440,000, accounting for 16 percent of the company's C shares. The high for the period was EUR 15.95, the low EUR 9.30 and the average EUR 13.63. The share value closed at EUR 13.85. The company's market capitalization totalled EUR 49.9 million on 28 February 2011.

The list of the company's largest shareholders as of 28 February 2010 is available on the company's website.

Personnel

During the review period, the average number of permanent employees working for the Group was 132 (137 the previous year), while fixed-term employees totalled 197 (213). At the end of the period, the Group employed 436 people (433).

Annual General Meeting

Finnish Fur Sales' Annual General Meeting, held on 21 January 2011, adopted the financial statements for the financial year which ended on 31 August 2010. Based on the demand for a minority dividend by the shareholders representing a total of 10.8 % of the company's shares (chapter 13, section 7 of the Limited Liability Companies Act), the Annual General Meeting decided to distribute a dividend of EUR 1.06 per share, totalling EUR 3,816,000. The dividends were paid on 2 February 2011. Furthermore, as proposed by the Board of Directors, the Annual General Meeting decided to transfer EUR 850,000 of the retained earnings to the counter-cyclical budgetary fund and leave the rest in the retained earnings account.

The following people were elected as Board members until the next Annual General Meeting: fur breeders Jorma Kauppila, Markku Koski, Pentti Lipsanen, Rainer Sjöholm and Hannu Sillanpää as well as M.Sc. (Tech.) Helena Walldén. At its first meeting, the Board of Directors elected Jorma Kauppila as the chairman and Markku Koski as the vice chairman. Ernst & Young Oy was elected as the company's auditor.

Seasonal variation

Finnish Fur Sales holds 4 to 5 auctions during a 12-month sales period. The times and volumes of the auctions vary each year. Due to the seasonal variations, there may be differences between financial periods in such a way that there may not be an equal number of auctions held during the comparison period. Therefore, the differences in the value of sales, net turnover and costs between the periods may not provide a true picture of the performance during the entire financial period.

Business risks and uncertainties

The most significant business risks and uncertainties have been reported in the Board of Directors' Annual Report for the financial period of 1 September 2009 – 31 August 2010. The management of financial risks has been explained in the notes to the consolidated financial statements (section 26). Apart from the higher general market risk caused by the increase in price levels, there has been no substantial change to the risks during the review period.

Significant events following the end of the review period

At an auction held between 20 and 25 March 2011, Finnish Fur Sales sold 2.5 million mink pelts (2.8 million at the previous year's corresponding auction), 720,000 fox pelts (650,000), 100,000 Karakul lamb pelts (150,000) and 65,000 Finnraccoon pelts (46,000). There was a strong increase in the price level of both mink and fox pelts. The auction was the largest in the company's history, measured in terms of both the value of sales and number of buyers. The value of sales from the six-day auction totalled EUR 252 million. The total number of buyers was over 700 and they represented all market areas.

Outlook for the rest of the financial year

Finnish Fur Sales will hold the last auction of the current financial year between 8 and 13 June 2011, and will offer nearly 2.3 million mink pelts (compared with 2.5 million at the previous year's auction) and approximately 560,000 fox pelts (700,000). The total volume of pelts sold during the entire financial year will be slightly lower than the previous year, but the value of sales and net turnover will increase clearly from the previous year.

The fur market conditions are expected to remain good, although the rapid increase in prices to a high level may affect the demand and further increase the market risk. The results for the entire financial year are estimated to be clearly better than the previous year.

Consolidated balance sheet IFRS

EUR 1,000

ASSETS	28 Feb 2011	28 Feb 2010	31 Aug 2010
Non-current assets			
Tangible assets	23,138	23,469	23,212
Intangible assets	796	1,001	833
Available-for-sale investments	498	477	482
Long-term receivables from fur breeders	2,095	990	788
Total non-current assets	26,527	25,937	25,316
Current assets			
Inventories	632	619	697
Interest-bearing receivables from buyers	25,663	17,475	46,029
Interest-bearing receivables from fur breeders	52,022	58,831	25,072
Non-interest-bearing receivables	3,411	11,401	8,070
Tax assets based on taxable income for the period	0	463	0
Cash equivalents	4,001	3,410	6,167
Total current assets	85,729	92,199	86,034
Total assets	112,255	118,136	111,350

EQUITY AND LIABILITIES	28 Nov 2011	28 Feb 2010	31 Aug 2010
Capital and reserved attributable to equity holders of the parent company			
Share capital	7,200	7,200	7,200
Share premium reserve	254	254	254
Other funds	14,320	13,470	13,470
Translation difference	57	59	59
Fair value reserve	176	144	165
Retained earnings	33,439	25,639	36,234
Total equity	55,446	46,766	57,382
Non-current liabilities			
Deferred tax liabilities	2,871	1,298	2,893
Current liabilities			
Interest-bearing liabilities	34,497	55,646	35,543
Trade and other payables	18,742	14,404	14,079
Tax assets based on taxable income for the period	699	22	1,452
Total current liabilities	53,938	70,072	51,074
Total liabilities	56,809	71,370	53,967
Total equity and liabilities	112,255	118,136	111,350

Consolidated income statement

EUR 1,000

	1 Dec 2010- 28 Feb 2011 3 months	1 Sep 2010- 28 Feb 2011 6 months	1 Dec 2009- 28 Feb 2010 3 months	1 Sep 2009- 28 Feb 2010 6 months	1 Sep 2009- 31 Aug 2010 12 months
Net turnover	8,912	19,275	6,361	12,176	45,038
Other operating income	506	937	342	410	551
Materials and supplies	-448	-1,076	-416	-914	-2,121
Employee benefits	-5,284	-7,826	-5,741	-8,181	-15,511
Depreciation and impairment	-680	-1,360	-703	-1,395	-2,821
Other operating expenses	-4,553	-8,847	-4,472	-8,080	-17,833
Operating profit	-1,547	1,103	-4,629	-5,985	7,303
Financial income and expenses	677	1,440	479	1,463	3,303
Profit/loss before tax	-871	2,543	-4,150	-4,522	10,605
Income tax	216	-671	1,069	1,160	-2,785
Profit/loss for the review period	-654	1,872	-3,081	-3,362	7,820
Other comprehensive income					
Actuarial losses	0	0	0	0	-481
Off-balance sheet receivables under IAS 19.58	0	0	8	33	597
Available-for-sale investments	22	15	15	25	53
Translation differences	-1	-2	0	0	0
Taxes included in other items in comprehensive profit/loss	-6	-4	-6	-15	-44
Other comprehensive income/expense, after taxes	16	9	17	43	125
Total comprehensive income/expense	-639	1,881	-3,063	-3,319	7,945
Basic earnings per share (EUR) *)	-0.18	0.52	-0.86	-0.93	2.17

*) There are no factors diluting the key performance indicator

Consolidated cash flow statement

EUR 1,000	1 Sep 2010- 28 Feb 2011 6 months	1 Sep 2009- 28 Feb 2010 6 months	1 Sep 2009- 31 Aug 2010 12 months
<i>Cash flows from operations</i>			
Payments received for selling on commission	214,831	107,548	433,197
Payments from other operating income	127	134	234
Payments for operating expenses	-215,474	-117,207	-411,038
Cash flow from operating activities before financial items and taxes	-517	-9,525	22,392
Interest, paid	-349	-668	-1,122
Other financial expenses	-80	-262	-542
Interest received from operating activities	2,257	2,459	4,685
Other financial income	1	0	2
Dividends received from operating activities	8	0	0
Direct taxes paid	-1,411	-534	-1,086
Cash flow from operating activities (A)	-90	-8,531	24,329
<i>Cash flow from investing activities</i>			
Investments in tangible and intangible assets	-1,285	-529	-1,548
Sale of tangible and intangible assets	82	37	62
Sale of other investments	0	7	22
Cash flow from investing activities (B)	-1,203	-485	-1,464
<i>Cash flow from financing activities</i>			
Current loans withdrawn	2,662	10,249	0
Current loans repaid	0	0	-18,183
Repayments on long-term loans	0	-15	-15
Dividends paid	-3,535	-1,387	-2,080
Cash flow from financing activities (C)	-873	8,847	-20,278
Change in cash flow (A+B+C), increase (+) / decrease (-)	-2,166	-169	2,587
Cash and cash equivalents 28 Feb/31 Aug	4,001	3,410	6,167
./. Cash and cash equivalents 1 Sep	6,167	3,579	3,579
Change in cash and cash equivalents	-2,166	-169	2,587

Consolidated statement of changes in shareholders' equity

	Share capital	Share premium reserve	Other funds	Translation difference	Fair value reserve	Retained earnings	Share of parent company's owners	Minority interests	Total equity
Shareholders' equity 1 Sep 2009	7,200	254	13,470	59	125	30,488	51,597	0	51,597
Profit/loss for the review period						-3,362	-3,362		-3,362
Other comprehensive income				0	19	24	43		43
Dividend distribution						-1,512	-1,512		-1,512
Shareholders' equity 28 Feb 2010	7,200	254	13,470	59	144	25,639	46,766	0	46,766

Consolidated statement of changes in shareholders' equity

Shareholders' equity 1 Sep 2010	7,200	254	13,470	59	165	36,234	57,382	0	57,382
Profit/loss for the review period						1,872	1,872		1,872
Other comprehensive income				-1	11	-1	9		9
Dividend distribution						-3,816	-3,816		-3,816
Transfer to counter-cyclical budgetary fund			850			-850	0		0
Shareholders' equity 28 Feb 2011	7,200	254	14,320	57	176	33,439	55,446	0	55,446

Key performance indicators

	2010/2011	2009/2010	2009/2010
	6 months	6 months	12 months
Total sales, EUR 1,000	183,850	91,347	441,813
Net turnover, EUR 1,000	19,275	12,176	45,038
Operating profit/loss, EUR 1,000	1,103	-5,981	7,303
% of net turnover	5.7%	-49.1%	16.2%
Profit/loss before taxes, EUR 1,000	2,543	-4,522	10,605
% of net turnover	13.2 %	-37.1%	23.5%
Earnings per share, EUR	0.52	-0.93	2.17
Equity per share, EUR	15.40	12.99	15.94
Return on equity (ROE), -%	3.3 %	-6.8%	14.4%
Return on investment (ROI), -%	3.2 %	-3.6%	12.6%
Equity ratio, %	53.8 %	41.7%	53.2%
Gearing	0.55	1.12	0.51
Gross investments, EUR 1,000	1,285	529	1,548
% of net turnover	6.7 %	4.3%	3.4%
Personnel, average	336	334	307

Principles for calculating key performance indicators:

Return on equity (ROE), -%	= Profit/loss for the period x 100 / shareholders' equity *)
Return on investment (ROI), -%	= (Profit/loss before taxes + interests and other financial expenses - credit losses) x 100 / (balance sheet total - non-interest-bearing short-term liabilities) *)
Equity 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 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 figures in the balance sheet of the financial period and of the previous financial period.

Commitments and contingencies

EUR 1,000	28 Feb 2011	28 Feb 2010	31 Aug 2010
Mortgages given and receivables pledged in security for debts			
Loans from financial institutions	16,412	42,874	14,370
Mortgages on property	54,071	54,071	54,071
Mortgages on company assets	2,691	2,691	2,691
Receivables pledged	0	0	1,700
Other contingent liabilities			
Guarantees on behalf of others	0	6,700	0
Derivative contracts			
Forward exchange agreements	3,687	18,305	29,495
Real estate investments			

The group is obliged to check the VAT deductions made on the 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. The last year of inspection is 2019.

Related party transactions

EUR 1,000	2010/2011 6 months	2009/2010 6 months	2009/2010 12 months
Transactions with related parties			
<i>Net turnover</i>			
- associated companies	3	1	3
- other related parties	106	76	317
<i>Other operating income</i>			
- parent company	21	21	43
<i>Other operating expenses</i>			
- parent company	-18	-19	-25
- associated companies	-1,114	-1,003	-3,520
<i>Financial income</i>			
- other related parties	7	11	21
<i>Financial expenses</i>			
- parent company	-5	-8	-17
- other related parties	-17	-24	-27

	2010/2011 6 months	2009/2010 6 months	2009/2010 12 months
<i>Related party receivables</i>			
- other related parties	625	875	252
<i>Related party liabilities</i>			
- parent company	-953	-996	-1,004
- associated companies	-1	0	0
- other related parties	-817	-753	-1,779
Management compensation			
Remuneration and other short-term employee benefits	572	418	857

The 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 29 April 2011
FINNISH FUR SALES
Board of Directors