

# TURKISTUOTTAJAT OYJ

## FINANCIAL REPORT FOR THE PERIOD 1.9.2003-29.02.2004

### Development of the group

During the preview period 1.9.2003-29.2.2004 Finnish Fur Sales organized three auctions. Almost 1.7 million mink skins (1.4 million during the previous corresponding period), 1.2 million fox skins (930 000 during the previous period), and 380 000 Karakul lamb skins (320 000 during the previous period) were sold at the auctions and through the private treaty sales. The USD price level for mink skins was 30 percent higher than during previous corresponding period. Because of the weakened dollar level, the euro price level went up only by 11 percent. Prices for fox skins in USD rose by 11 percent, but the prices in EUR remained 4 percent lower compared to prices during the previous corresponding period. The value of sales rose by 27 percent to EUR 128 million.

The consolidated sales rose by 37 percent, to EUR 14.3 million.

Auction	Sales 1.000 pcs 2003/2004	Sales 1.000 pcs 2002/2003	Value EUR 1.000 2003/2004	Value EUR 1.000 2002/2003
September	649	333	27 518	17 064
December	1 413	934	46 225	29 413
January-February	1 233	1 308	52 994	47 984
Warehouse sale	43	154	935	6 428
Total	3 338	2 729	127 672	100 888

Operating expenses of the group increased by 4 percent to EUR 15.5 million. The operating loss of the group during the period under review was EUR 1.1 million, EUR 3.2 million less than a year before.

The net financial income of the group was EUR 1.2 million, which is 11 percent higher than during the previous corresponding period under review. Profit before appropriations and taxes was EUR 120 000, which is EUR 3.3 million higher than the year before. Loss per share were EUR 0.01.

The equity to assets ratio of the group weakened during the review period from 61.8 percent to 52.2 percent at the end of this period (at the end of February 2003, 50.6 percent).

### Seasonal variation

During the 12 month long selling season Finnish Fur Sales organizes 4-6 auctions. Auction dates and offering amounts vary from year to year. During the financial period there may be quarters when no auctions are arranged. Due to the seasonal variation differences may also occur

between financial periods, so that during the comparison period an equal number of auctions have/have not been organized. Due to this, the changes in sales value and net turnover in comparison with previous periods do not necessarily give a correct picture of the development of the whole accounting period.

### **Investments and development**

Gross investments of the group during the period under review were EUR 600 000 (EUR 1.8 million during the previous corresponding period). Almost 60 percent of the investments were tangible assets and about 40 percent intangible assets used for development of the main IT-software applications. An optical machine for measuring the size of mink skins was taken into use during the financial period.

### **Items in foreign currencies**

The receivables and liabilities in foreign currencies indicated in the parent company's balance sheet have been converted into euros at the rate quoted by the European Central Bank on the closing date of the interim report. The exchange rate differences for unmatured forward contracts are calculated based on the exchange rate noted by the European Central Bank on the date of the interim report. The exchange rate differences are entered in the profit and loss account.

### **Personnel**

The amount of permanent staff during the period under review was in average 112 (during the previous period 116) and seasonal staff was 226 (227 respectively).

### **Summary of all stock exchange notices issued during the period under review**

On **15 September** Finnish Fur Sales announced that the first auction for the new financial period, that started September 1, 2003, will be arranged September 16-17, 2003. Almost a half million fox skins and 130 000 mink skins will be offered. About 200 buyers from all market areas were expected participate the auction.

On **16 September** the company announced that the auction gave marks of the recovering of the fur markets. The price of Blue foxes of normal quality was EUR 49.22, which is 13 percent higher than on the June auction. Skins were sold at 100 percent. The amount sold skins include also the 100 000 Blue Fox skins that the company decided to move from the spring 2003 to September auction due to the marketing problems caused by SARS. The main buyers came from China and Russia.

On **17 September** the company announced that total sales value of the two-day long auction was EUR 27.3 million. On the last auction day the company offered 36 000 Blue Shadow fox skins and small amount of Blue Frost and Silver foxes as well as mutation foxes. All skins were

sold at advancing prices to Chinese, Russian and Turkish buyers. The company referred to the information given by Finnish Fur Breeders' Association, that the production of Blue foxes will decrease slightly in December 2003, whereas the production of Blue Frost and mutation foxes will increase.

On **19 November** the company officially published the financial statement for the financial period 1 September, 2002 - 31 August, 2003. A drop of the price of Blue fox and the weak dollar cast a shadow over the operating result. The profit of the company remained to EUR 120 000.

On **19 December** the company announced that the first auction for the sales season 2003/2004 and the second auction for the financial period, that started 1 September 2003, will be held on the 20-22 December. More than 900 000 mink skins and about 300 000 will be offered at the auction. About 250 international buyers were expected to the auction.

On **20 December** the company announced that the average price for Blue Frost foxes was EUR 73.11, which increased the price level received in Copenhagen auction one week ago. Almost the whole offering were sold to Russia, Greece, Turkey and Italy. Small amount of unusual mutation foxes were sold to high average prices EUR 106-117, mainly to international fashion houses and Finn raccoon were sold to Italy for an average price of EUR 87.53. According to the company the world market price is almost at the same level as one year ago, but the prices in euro has decreased due to the weakening of the dollar.

On **21 December** the company announced that 700 000 West-European mink skins were sold almost for 100 percent to Russia, Greece, Italy and to Hong Kong/China almost for the same price and sometimes even higher prices than at the Copenhagen auction one week ago. The prices of male mink skins rose about 20 percent and the price increase for female skins was 35-40 percent compared with the auction one year ago. Also the euro prices of female skins rose.

On **22 December** the company announce that 230 000 Blue foxes and 18 000 Silver foxes were sold at 100 percent to Russia and China. The average price of Blue foxes was EUR 55.95, which is 10 percent higher than at the September auction. There was a 20 percent increase at the international price level, because the dollar has decreased by 9 percent from September. The most significant buyers, of total 300, at three day long auction came from Russia, China, Greece, Italy and Turkey. The basis price for the West-European minks was EUR 26.67 and for foxes EUR 58.76. The total sales valued to EUR 46.2 million.

On **23 January** the company informed that the ordinary Annual General Meeting in Vasa, Finland verified the company's Financial Statements for the Financial Period September 1, 2002 - August 31, 2003 and in accordance with the proposal of the Board of Directors the meeting decided that EUR 0.60 per share will be divided as dividend. The following persons were elected to the Board of Directors; Mr. Jorma

Kauppila (deputy Martti Ollila), Markku Koski (deputy Ulf Enroth), Pentti Rantakangas (deputy Leena Pitkänen) and Pirkko Rantanen-Kervinen (deputy Pertti Fallenius). Ernst & Young Oy were chosen for the auditor.

On **30 January** the company published its interim report for the period 1.9-30.11.2003. The operating loss were half smaller than during the previous corresponding period, amounted to EUR 1.9 million. The company estimates that its turnover will increase and therefore the result for the financial period that ends on the 31 August 2004, will be better than one year ago.

On **30 January** the company announced that the third auction for the financial period will be held 1-3 February, 2004- About 800 000 mink skins and almost 480 000 fox skins, of which 350 000 are Blue foxes, will be offered. Only male mink skins were offered at the auction. The company expected 300 buyers from all market areas to attend the auction.

On **1 February** the company informed that all 130 000 mutation mink skins were sold mainly to Russia, Hong Kong/China and Greece. The price level strenghtened slightly compered to the December auction.

On **2 February** the company announced that it had sold almost 100 percent of all offered mink skins belonging to the brown color types as well as Black to December price level. The main bueyrs came from Russia, Hong Kong/China, Greece and Italy. The average price of all sold minks was EUR 32.60. The increased production of Finnraccoons and Blue Frost foxes hold down the interest. The first offering of Silver foxes were sold 60 percent. The offering of Blue Shadow foxes were sold 100 percent, for higher price than at the December auction.

On **3 February** the company announced that the whole offering of 350 000 Blue foxes were sold for 100 percent to China, Russia, Japan and Italy. The average price of was EUR 56.37. The average price of all fox skins was EUR 59.93. There was hard competition of the skins, but the margin was nonexistent. The sales value of the three-day auction was EUR 53 million and over 300 buyers from all market areas attended the auction.

### **Review of the remainder of the financial period**

After the end of the review period, Finnish Fur Sales has organized one auction in the end of March 2004. During the auction 1.5 million mink skins and 250 000 fox skins were sold. Both mink and fox skins were sold clearly for higher prices from the corresponding auction last year. Due to the increased price level the sales value of the auction increased 13 percent compared with the corresponding auction last year.

Finnis Fur Sales will arrange the last auction for this financial period in the beginning of June, 2004. Almost 1.4 million mink skins and 670 000 fox skins will be offered at the auction. The demand for skins is

expected to continue to be good and the sales value is expected to increase well compared with the corresponding auction last year.

The company believes that the amount sold skins will increase from last financial period. Turnover is expected to rise from the previous year because the amount skins has increased as well as the price level. The Group estimated that the operating income will be profitable and the financial period's results will be considerably better than last year.

## FINANCIAL REPORT FOR THE PERIOD 1.9.2003-29.02.2004

### FINNISH FUR SALES

#### Profit and loss account 1.9.2003-29.02.2004

(EUR 1.000)	<b>1.9.2003- 29.02.2004 6 months</b>	1.9.2002- 28.02.2003 6 months	1.9.2002- 31.8.2003 12 months
Net turnover	<b>14 261</b>	10 498	25 041
Other operating income	<b>141</b>	121	240
Operating expenses			
Materials and services	<b>-433</b>	-426	-1 202
Personnel expenses	<b>-6 210</b>	-6 128	-11 325
Depreciations and reduction in value	<b>-1 887</b>	-1 907	-3 975
Other operating expenses	<b>-6 998</b>	-6 464	-11 061
Operating loss	<b>-1 126</b>	-4 306	-2 282
Financial income and expenses	<b>1 243</b>	1 119	2 513
Profit/loss before appropriations and taxes	<b>118</b>	-3 187	231
Income taxes 1)	<b>-80</b>	929	-111
Profit/loss for the financial period	<b>38</b>	-2 258	120

1) Income taxes in the interim report include a change in deferred tax receivables connected to the loss in the interim report 1.9.2002-28.2.2003. Income taxes in the annual report include a change in deferred tax liability connected to depreciation difference.

## Balance Sheet 29.02.2004

(EUR 1.000)

<b>Assets</b>	<b>29.02.2004</b>	28.02.2003	31.8.2003
Fixed assets			
Intangible assets	<b>3 424</b>	4 908	4 175
Tangible assets 2)	<b>28 201</b>	29 540	28 808
Investments	<b>284</b>	284	284
Current assets			
Current stocks	<b>384</b>	455	446
Deferred tax	<b>0</b>	937	0
receivables			
Receivables	<b>62 592</b>	65 643	54 741
Bank and cash	<b>12 010</b>	5 593	2 851
Total assets	<b>106 894</b>	107 360	91 303

2) A revaluation of 8 million euro of the real estate in Varisto is included in the tangible assets

<b>Liabilities</b>	<b>29.02.2004</b>	28.02.2003	31.8.2003
Shareholders' equity	<b>50 768</b>	50 513	52 892
Liabilities			
Deferred tax liability	<b>2 130</b>	2 120	2 130
Short-term liabilities	<b>53 997</b>	54 727	36 282
Total liabilities	<b>106 894</b>	107 360	91 303

## Cash flow statement

	<b>1.9.2003- 29.02.2004</b>	1.9.2002- 28.02.2003	1.9.2002- 31.8.2003
<i>Cash flow from operating activities:</i>			
Income from sales	<b>16 445</b>	29 859	41 043
Cash receipts from other operating income	<b>102</b>	121	235
Cash paid to suppliers and employees	<b>-11 052</b>	-36 196	-36 090
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Cash generated from operations	<b>5 495</b>	-6 216	5 188
Interest paid	<b>-419</b>	-810	-1 334
Interest received	<b>1 977</b>	2 628	4 384
Dividends received	<b>1</b>	0	0
Income taxes paid	<b>-846</b>	-1 321	-54
Net cash from operating activities (A)	<b>6 209</b>	-5 719	8 184
<i>Cash flow from investing activities:</i>			
Gross investments	<b>-600</b>	-1 814	-2 430
Transfer income from fixed assets	<b>69</b>	23	24
Cash flow from investing activities (B)	<b>-530</b>	-1 791	-2 407
<i>Cash flow from financing activities:</i>			
Proceeds from short-term borrowings	<b>5 598</b>	10 387	0
Payments of short-term borrowings	<b>0</b>	0	-5 641
Change in conversion difference	<b>-1</b>	0	0
Dividends paid	<b>-2 117</b>	-2 291	-2 292
Cash flow from financing activities (C)	<b>3 479</b>	8 096	-7 933
Change in cash flows (A+B+C)	<b>9 159</b>	586	-2 156
Financial resources 29.02/31.8	<b>12 010</b>	5 593	2 851
Financial resources 1.9	<b>-2 851</b>	-5 007	-5 007
	<hr/> <b>9 159</b>	<hr/> 586	<hr/> -2 156



	<b>1.9.2003- 29.02.2004</b>	1.9.2002- 28.02.2003	1.9.2002- 31.8.2003
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### **Average number of employees**

permanent employees	<b>112</b>	116	116
fixed-term employees	<b>226</b>	227	189
	<b>338</b>	343	305

### **Gross investments in fixed assets**

(EUR 1.000)	<b>600</b>	1 814	2 430
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### **Assurances, guarantee engagements and other liabilities**

(EUR 1.000)	<b>29.2.2004</b>	28.2.2003	31.8.2003
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### *Debts with mortgages and impawned receivables as collateral security*

Loans from credit institutions	<b>10 188</b>	20 364	4 802
Mortgaged buildings	<b>54 072</b>	55 318	54 072
Mortgaged businesses	<b>2 691</b>	2 691	2 691
Impawned receivables	<b>18 703</b>	17 540	11 931
Total mortgages used as collaterals	<b>56 763</b>	58 009	56 763
Total impawned receivables	<b>18 703</b>	17 540	11 931

### *Other guarantees*

Guarantee liabilities	<b>537</b>	538	539
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### *Amount to be paid for leasing agreements*

During under the financial period 2003/2004	<b>65</b>	0	130
During consequent financial periods	<b>238</b>	0	238

### *Option contracts*

Forward contracts	<b>20 784</b>	17 344	22 238
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## PARAMETERS DESCRIBING FINANCIAL DEVELOPMENT

	<b>2003/2004</b> <b>6 months</b>	2002/2003 6 months	2002/2003 12 months
Earnings per share	<b>0,01</b>	-0,63	0,03
Shareholders' equity per share	<b>14,10</b>	14,03	14,69

Vantaa, April 27, 2004  
the Board of Directors