

## FINNISH FUR SALES

### FINANCIAL REPORT FOR THE PERIOD 1.9.2003-30.11.2003

#### Development of the group

Finnish Fur Sales' last auction for the selling season 2002/2003 was organized in September. During the auction and in private sales during the fall the company sold 85,000 mink skins (respectively 79,000 skins during the previous corresponding period), 519,000 fox skins (292,000) and 65,000 karakul lamb skins (31,000), which had been sorted during the previous season. The value of sales rose with 31 percent to EUR 28 million, since the amount skins offered had increased. The US dollar was 14 percent lower during the September auction than during the previous corresponding period. The net turnover of the group increased by 57 percent to EUR 3.5 million.

Auction	Sales 1.000 pcs 2003/04	Sales 1.000 pcs 2002/03	Value EUR 1.000 2003/04	Value EUR 1.000 2002/03
September	649	333	27.518	17.064
Private treaty	26	84	589	4.413
Total	675	417	28.107	21.477

Operating expenses of the group decreased by 10 percent to EUR 5.5 million. The operating loss of the group during the period under review was EUR 1.9 million, a half lower than the previous corresponding period.

The net financial income of the group decreased by 25 percent from the previous corresponding period to EUR 717.000. During the whole review period the receivables were clearly on a lower level than a year ago. Loss before appropriations and taxes was EUR 1.2 million, which is 57 percent less than a year ago.

The equity to assets ratio of the group was 63,3 percent at the end of this period, when it was 60.6 percent at the end of November 2002 and 61,8 percent at the end of august 2003.

#### 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 organised. 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 325.000 (EUR 1.3 million during the previous corresponding period). A little more than 1/2 of the investments were tangible assets and a little less than 1/2 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 117) and seasonal staff was 61 (63 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 49,22 euros, 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 27,3 million euros. 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 120.000 euros.

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

After the end of the review period, Finnish Fur Sales has organized one auction in December. During the auction 860.000 mink skins, 290.000 fox skins and 250.000 Karakul-lamb skins were sold. The amount offered skins rose 51 percent from the corresponding auction last year. Due to the increased price level the sales value of the auction increased 57 percent compared with the corresponding auction last year.

During this financial period Finnish Fur Sales organizes auctions in the beginning of February, in the end of March and in the beginning of June. The company has good opportunities to increase its market share in offering European fur skins and increase the amount skins from last financial period. Turnover is expected to rise from the previous year. The company has aimed to intensify its operations by developing the pelting process in Furfix Oy and by developing the storing of fox skin in Fur Center. The weakening of dollar has continued and during the December auction, dollar was on a 20 percent lower level than a year ago. Additional expenses are expected during this financial period because of the Danes decision to withdraw from the SAGA co-operation. The Group estimated that the financial period's results will be better than last year.

**FINANCIAL REPORT FOR THE PERIOD 1.9.-30.11.2003**

**FINNISH FUR SALES**

## Profit and loss account 1.9-30.11.2003

(EUR 1.000)	<b>1.9.2003- 30.11.2003 3 months</b>	1.9.2002- 30.11.2002 3 months	1.9.2002- 31.8.2003 12 months
Net turnover	<b>3 511</b>	2 236	25 041
Other operating income	<b>55</b>	54	240
Operating expenses			
Materials and services	<b>-309</b>	-424	-1 202
Personnel expenses	<b>-1 561</b>	-1 631	-11 325
Depreciation according to plan	<b>-947</b>	-1 010	-3 975
Other operating expenses	<b>-2 685</b>	-3 042	-11 061
Operating loss	<b>-1 936</b>	-3 817	-2 282
Financial income and expenses	<b>717</b>	951	2 513
Profit/loss before appropriations and taxes	<b>-1 219</b>	-2 866	231
Income taxes 1)	<b>364</b>	834	-111
Profit/loss for the financial period	<b>-855</b>	-2.032	120

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

## Balance Sheet 30.11.2003

(EUR 1.000)

<b>Assets</b>	<b>30.11.2003</b>	30.11.2002	31.8.2003
Fixed assets			
Intangible assets	<b>3 836</b>	5 222	4 175
Tangible assets 2)	<b>28 524</b>	29 606	28 808
Investments	<b>284</b>	284	284
Current assets			
Current stocks	<b>241</b>	243	446
Deferred tax receivables	<b>366</b>	837	0
Receivables	<b>44 621</b>	52 779	54 741
Bank and cash	<b>7 843</b>	3 499	2 851
Total assets	<b>85 715</b>	92 470	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>30.11.2003</b>	30.11.2002	31.8.2003
Shareholders' equity	<b>52 036</b>	53 079	52 892
Liabilities			
Deferred tax liability	<b>2 130</b>	2 120	2 130
Short-term liabilities	<b>31 549</b>	37 271	36 282
Total liabilities	<b>85 715</b>	92 470	91 303

<b>Financial statements</b>	<b>1.9.2003- 30.11.200 3</b>	1.9.2002- 30.11.200 2	1.9.2002- 31.8.200 3
<i>Cash flow from operating activities:</i>			
Income from sales	<b>23 661</b>	32 052	41 043
Payments from other operating income	<b>55</b>	133	235
Payments from operating expenses	<b>-20 235</b>	-28 720	-36 090
Cash flow from operating activities before financing items and taxes	<b>3 481</b>	3 465	5 188
Interests and payments disbursed of financing costs of operation	<b>-61</b>	-373	-1 334
Accrued interests and other financing income from operation	<b>1 366</b>	1 895	4 384
Disbursed direct taxes	<b>-424</b>	-660	-54
Cash flow from operating activities (A)	<b>4 362</b>	4 327	8 184
<i>Cash flow from investing activities:</i>			
Gross investments	<b>-325</b>	-1 283	-2 430
Transfer income form fixed assets	<b>0</b>	9	24
Cash flow from investing activities (B)	<b>-325</b>	-1 274	-2 407
<i>Cash flow from financing activities:</i>			
Taking out of short-term loans	<b>956</b>	0	0
Reimbursements of short-term loans	<b>0</b>	-4 561	-5 641
Change in conversion difference	<b>-1</b>	0	0
Disbursed dividends	<b>0</b>	0	-2 292
Cash flow from financing activities (C)	<b>955</b>	-4 561	-7 933
Change in cash flows (A+B+C)	<b>4 992</b>	-1 508	-2 156
Financial resources 30.11/31.8	<b>7 843</b>	3 499	2 851
Financial resources 1.9	<b>-2 851</b>	-5 007	-5 007
	<b>4 992</b>	-1 508	-2 156

	<b>2003/2004</b>	2002/2003	2002/2003
	<b>3 months</b>	3 months	12 months
<b>Average number of employees</b>	<b>173</b>	180	305
<b>Gross investments in fixed assets</b>			
(EUR 1.000)	<b>325</b>	1 283	2 430
<b>Assurances, guarantee engagements and other liabilities</b>			
(EUR 1.000)	<b>30.11.2003</b>	30.11.2002	31.8.2003
<i>Debts with mortgages and impawned receivables as collateral security</i>			
Loans from credit institutions	<b>6 272</b>	6 512	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>25 911</b>	18 727	11 931
Total mortgages used as collaterals	<b>56 763</b>	58 009	56 763
Total impawned receivables	<b>25 911</b>	18 727	11 931
<i>Other guarantees</i>			
Guarantee liabilities	<b>538</b>	539	539
<i>Amount to be paid for leasing agreements</i>			
During under the financial period			
2003/2004	<b>97</b>	0	130
During consequent financial periods	<b>238</b>	0	238
<i>Option contracts</i>			
Forward contracts	<b>7 670</b>	12 290	22 238
	<b>2003/2004</b>	2002/2003	2002/2003
	<b>3 months</b>	3 months	12 months
Earnings per share	<b>-0,24</b>	-0,56	0,03
Shareholders' equity per share	<b>14,45</b>	14,74	14,69

Vantaa, January 30, 2004  
the Board of Directors