



FINNISH FUR SALES
Interim Report
for
1 September 2010 – 30 November 2010

FINNISH FUR SALES INTERIM REPORT FOR 1 September 2010 – 30 November 2010

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The first quarter of Finnish Fur Sales' financial year shows clear profit

- The total value of auction sales by Finnish Fur Sales from 1 September 2010 to 30 November 2010 rose to EUR 103.7 million (compared with EUR 42.9 a year ago) due to an increase in pelt prices and significantly higher number of fox pelts sold compared with the corresponding period in 2009.
- The Company auctioned a total of 1.6 million pelts in the period under review (1.6 million).
- Due to hefty demand the general price level of both mink and fox pelts clearly increased from the corresponding period a year ago: the US dollar price of mink pelts went up 55 per cent and the euro price 69 per cent, while the US dollar price of fox pelts rose 80 per cent and the euro price 98 per cent.
- The consolidated net turnover was 78 per cent up year-on-year at EUR 10.4 million (EUR 5.8 million).
- The consolidated operating profit was EUR 2.7 million, i.e. 25.6 per cent of turnover (compared with an operating loss of EUR 1.4 million, i.e. 23.3 per cent of turnover).
- Earnings per share stood at EUR 0.70 (EUR -0.08).

Key figures of the group	2010/2011 3 mo	2009/2010 3 mo	2009/2010 12 mo
Total value of auction sales, MEUR	103,7	42,9	441,8
Net turnover, MEUR	10,4	5,8	45,0
Consolidated operating profit, MEUR	2,7	-1,4	7,3
Profit/loss before tax, MEUR	3,4	-0,4	10,6
Earnings per share, EUR (EPS)	0,70	-0,08	2,17
Return of equity, (ROE) %	4,3	-0,5	14,4
Return on investment, (ROI) %	3,8	0,0	12,6

Accounting principles

This Interim Report has been prepared in accordance with the IFRS recognition and valuation principles, but not all presentation requirements referred to in IAS 34 Interim Financial Reporting have been complied with in preparing it.

As of 1 September 2010, the Group has applied the following new and amended standards and 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 the financial statements.

In other respects, the same accounting policies have been applied to this report as in the financial statements for 1 September 2008 – 31 August 2009.

The data in this Interim Report are based on unaudited figures.

Sales during the period 1 September 2010 – 30 November 2010

The sole auction of the review period from 1 September 2010 to 30 November 2011 was arranged on 20–25 September 2010. It was the Company's largest fox auction in 20 years: nearly 830,000 fox pelts were sold in this auction, 61 per cent more than in the corresponding auction held in 2009. The increase was due to additional pelts, which had been kept in frozen storage, being offered for sale, in addition to normal production. The price level of blue fox rose from the June auction despite the ten per cent weakening of the US dollar. In addition, more than 700,000 mink pelts, 40,000 Finn raccoon pelts and 20,000 Karakul lamb pelts were sold. The value of sales was EUR 103 million, more than double the value of sales in the corresponding auction a year earlier.

Total sales in the review period amounted to 720,000 mink pelts, mainly graded in the previous financial period (890,000 in the corresponding period in 2009), 830,000 fox pelts (520,000), 21,000 Karakul lamb pelts (130,000) and 41,000 Finn raccoon pelts (44,000). The total value of sales increased by 142 per cent, amounting to EUR 103.7 million (EUR 42.9 million).

Auction	Sales 1.000 pcs 2010/2011	Value EUR 1.000 2010/2011	Sales 1.000 pcs 2009/2010	Value EUR 1.000 2009/2010
September	1 605	102 943	1 560	42 633
Warehouse sales	17	723	16	237
Total	1 623	103 665	1 576	42 870

Financial performance

The consolidated net turnover for the first quarter of the financial year was EUR 10.4 million (EUR 5.8 million). The turnover increased by 78 per cent due to a higher price level and a markedly higher volume of fox pelts compared with the corresponding period a year earlier. Operating expenses increased 12 per cent compared with the corresponding period, amounting to EUR 8.1 million (EUR 7.2 million). The most notable increases were seen in marketing, sales promotion and representation costs. The operating profit for the period was EUR 2.7 million (EUR -1.4 million).

Net financial income fell 22 per cent from the corresponding period in 2009 and stood at EUR 760,000 (EUR 980,000). The decrease of net financial income was mainly due to a decrease in interest-bearing receivables from buyers and breeders following quick turnover at auctions and decreased financing demand by breeders. Profit before tax for the quarter was EUR 3.4 million (-370,000) and profit for the period was EUR 2.5 million (-280,000). Return on equity stood at 4.3 per cent (-0.5 per cent) and earnings per share at EUR 0.70 (-0.08).

The Group's liquidity remained at a healthy level throughout the reporting period.

Capital expenditure and development

Group gross capital expenditure during the period under review was EUR 770,000 (340,000), accounting for 7 per cent (6 per cent) of net turnover. Of the capital expenditure, 85 per cent was spent on tangible and intangible assets of the parent company and 15 per cent on those of subsidiaries.

Shares and share performance

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

The value of shares traded during the period totalled EUR 1.2 million and the volume came to 109,000 shares, accounting for 4 per cent of the Company's Series C shares. The period high was EUR 13.35, its low EUR 9.30 and its average EUR 11.14. The share closed at EUR 12.33. The market capitalisation totalled EUR 44.4 million on 30 November 2010.

Personnel

The number of permanent Group staff in the review period averaged 133 (136 a year ago) and fixed-term employees 65 (64). At the end of the period the Group employed 479 individuals (450).

Periodic fluctuation

Finnish Fur Sales organises four or five auctions in each 12-month sales period. The timing and volumes on sale at auctions vary from one year to the next. Due to this fluctuation significant differences may also occur from one accounting period to the next, since the number of auctions arranged in the reference period may or may not be the same. Therefore fluctuations in the value of sales, net turnover and costs compared with the reference period may not provide an accurate picture of the development over an entire financial period.

Business risks and uncertainties

The most significant business risks and uncertainties have been described in the Board of Directors' report for the financial year from 1 September 2009 to 31 August 2010. Management of financial risks has been explained in the notes to the consolidated financial statements, in section 26. There have been no substantial changes in the risks during the period under review.

Significant events following the end of the reporting period

The strong position of furs in fashion lines, cold weather in the main market areas and the clear recovery of the Russian market created a strong demand in the opening auction of the 2010–2011 sales period of Finnish Fur Sales in December. Due to the richly varied supply a record number of buyers, nearly 450, attended the auction, and sales were more evenly distributed among all market areas than usual. The total value of sales at the auction rose to EUR 80 million (42 million in December 2009). A total of 880,000 mink pelts (700,000 in December 2009), 250,000 fox pelts (220,000), 17,000 Finnraccoon pelts (10,000) and 260,000 Karakul lamb pelts (140,000) were auctioned. The mink pelts were sold at a high international price level. The price of fox pelts rose significantly; for instance, the price level of blue fox pelts rose some 10 per cent from the September auction.

The Annual General Meeting of Finnish Fur Sales held on 21 January 2011 approved the financial statements for the financial period ending on 31 August 2010 and decided to distribute a dividend of EUR 1.06 / share, in total EUR 3,816,000, and to transfer EUR 850,000 to the counter-cyclical budgetary fund. Fur breeders Jorma Kauppila, Markku Koski, Pentti Lipsanen, Hannu Sillanpää and Rainer Sjöholm were appointed to the Board of Directors along with M.Sc. (Eng.) Helena Walldén. In the constituent Board meeting following the Annual General Meeting, Jorma Kauppila was elected Chair and Markku Koski Deputy Chair of the Board of Directors. Ernst & Young Oy were appointed as accountants.

Prospects for the rest of the financial year

Finnish Fur Sales aims to offer 1.3 million fox and Finnraccoon pelts for sale in its March and June auctions in 2011. The volume of fox pelts on offer at the September auction, to take place after the period under review, will be significantly lower than last September. The market outlook for fox pelts is fairly good despite the high volumes on sale in the spring auctions, since the international fashion industry is now using more fox pelts than before. The Beijing Fur Show in January 2011, which mainly focused on export, also showed a much more versatile use of fox pelts than what has been seen until now.

The Company strives to put 5.2 million mink pelts on offer in the remaining auctions in this financial year, accounting for 75 per cent of total mink pelt sales this year. This winter's retail sales are expected to fall slightly behind last year's figures in China, the most important market for the Company, despite strong economic growth. The winter there has been milder than last year's and the rise of retail prices following the sharp increase in mink pelt auction prices has affected demand. The price level of mink pelts in the auctions held in March and June 2011 will largely depend on the results of the current retail season.

Need for external financing among fur breeders has declined following the high price level. In the latest auctions, breeders have received payment for sold pelts quickly, and market performance will dictate how swiftly payments will proceed in the remaining auctions in the financial year. Net financial income for the financial year is likely to remain below that of the previous year. The swift price hike to the current very high level has brought along an increased market risk. The majority of this financial year's pelts will be put on sale in the remaining auctions, and the profit for the financial year will depend on the performance of these auctions as well as on exchange rate developments.

Consolidated statement of financial position, IFRS

EUR 1.000

ASSETS	30 Nov 2010	30 Nov 2009	31 Aug 2010
Non-current assets			
Property, plant and equipment	23 327	23 944	23 212
Intangible assets	794	1 072	833
Available-for-sale investments	475	461	482
Long-term receivables from fur breeders	1 657	654	788
Non-current assets, total	26 254	26 132	25 316
Current assets			
Inventories	434	456	697
Interest-bearing receivables from buyers	25 118	21 332	46 029
Interest-bearing receivables fur breeders	39 306	46 273	25 072
Non-interest-bearing receivables	4 167	11 410	8 070
Tax assets based on taxable income for the period	28	228	0
Cash and cash equivalents	20 812	2 582	6 167
Current assets, total	89 865	82 281	86 034
Total assets	116 119	108 413	111 350

SHAREHOLDERS' EQUITY AND LIABILITIES

	30 Nov 2010	30 Nov 2009	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	13 470	13 470	13 470
Translation difference	58	59	59
Fair value reserve	160	133	165
Retained earnings	38 760	30 225	36 234
Shareholders' equity, total	59 901	51 341	57 382
Non-current liabilities			
Deferred tax liabilities	2 867	2 386	2 893
Current liabilities			
Interest-bearing liabilities	34 743	42 352	35 543
Trade and other payables	16 316	12 309	14 079
Deferred taxes based on the taxable income for the period	2 291	25	1 452
Current liabilities, total	53 350	54 686	51 074
Total liabilities	56 218	57 072	53 967
Total shareholders' equity and liabilities	116 119	108 413	111 350

Consolidated statement of comprehensive income

EUR 1.000	1 Sep 2010- 30 Nov 2010 3 mo	1 Sep 2009- 30 Nov 2009 3 mo	1 Sep 2009- 31 Aug 2010 12 mo
Net turnover	10 362	5 815	45 038
Other operating income	431	69	551
Materials and supplies	-628	-498	-2 121
Employee benefits	-2 542	-2 440	-15 511
Depreciation and impairment loss	-680	-693	-2 821
Other operating expenses	-4 294	-3 608	-17 833
Operating profit/loss	2 650	-1 356	7 303
Financial income and expenses	764	984	3 303
Profit/loss before tax	3 413	-372	10 605
Income tax	-887	91	-2 785
Net profit/loss for the reporting period	2 526	-282	7 820
Other comprehensive income			
Actuarial losses	0	0	-481
Off-balance sheet receivables under IAS 19.58	0	25	597
Available-for-sale investments	-7	10	53
Translation differences	-2	0	0
Taxes included in other items in comprehensive profit/loss	2	-9	-44
Other comprehensive income/expense, net of tax	-7	26	125
Total comprehensive income/expense	2 519	-256	7 945
Earnings per share, EUR, basic (EUR) *)	0,70	-0,08	2,17

*) There are no factors diluting the key performance indicator

Consolidated statement of cash flow

EUR 1.000	1.9.2010- 30.11.2010 3 mo	1.9.2009- 30.11.2009 3 mo	1.9.2009- 31.8.2010 12 mo
<i>Cash flow from operating activities</i>			
Payments received for selling on commission	130 677	54 424	433 197
Cash received from other operating income	70	60	234
Cash paid for other operating expenses	-115 108	-52 328	-411 038
Cash flow from operating activities before financial items and taxes	15 639	2 156	22 392
Interests, paid	-159	-367	-1 121
Other financial expenses	-81	-25	-502
Interest, received	895	1 552	4 685
Other financial income	139	204	2
Dividend income	8	7	0
Direct taxes paid	-40	-183	-1 086
Net cash flow from operating activities (A)	16 400	3 344	24 370
<i>Cash flow from investment activities</i>			
Investments in tangible and intangible assets	-771	-340	-1 548
Proceeds from sale of tangible and intangible assets	21	0	62
Proceeds from investments in other assets	0	0	22
Net cash flow from investments activities (B)	-750	-340	-1 464
<i>Cash flow from financing activities</i>			
Withdrawal of short-term borrowings	0	0	0
Re-payments of short-term borrowings	-1 005	-3 986	-18 183
Re-payments of long-term borrowings	0	-15	-15
Dividends paid	0	-1	-2 121
Net cash flow from financing activities (C)	-1 005	-4 002	-20 319
Change in cash flows (A+B+C) increase (+) / decrease (-)	14 645	-997	2 587
Cash and cash equivalents, 28 Feb / 31 Aug	20 812	2 582	6 167
./. Cash and cash equivalents, 1 Sep	-6 167	-3 579	-3 579
Net change in cash and cash equivalents	14 645	-997	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						-282	-282		-282
Other comprehensive income/expense				0	8	18	26		26
Shareholders' equity, 30 Nov 2009	7 200	254	13 470	59	133	30 225	51 341	0	51 341
Shareholders' equity, 1 Sep 2010	7 200	254	13 470	59	165	36 234	57 382		57 382
Result for the reporting period						2 526	2 526		2 526
Other comprehensive income/expense					-5	-1	-7		-7
Shareholders' equity, 30 Nov 2010	7 200	254	13 470	58	160	38 760	59 901	0	59 901

Key performance indicators

	2010/2011	2009/2010	2009/2010
	3 mo	3 mo	12 mo
Total sales, EUR 1,000	103 665	42 870	441 813
Net turnover, EUR 1,000	10 362	5 815	45 038
Operating profit/loss, EUR 1,000	2 650	-1 356	7 303
% of net turnover	25,6%	-23,3 %	16,2 %
Profit before taxes, EUR 1,000	3 413	-372	10 605
% of net turnover	32,9 %	-6,4 %	23,5 %
Earnings per share, EUR	0,70	-0,08	2,17
Equity per share, EUR	16,64	14,26	15,94
Return on equity (ROE)-%	4,3 %	-0,5 %	14,4 %
Return on investment (ROI)-%	3,8 %	0,0 %	12,6 %
Equity-to-assets ratio, %	54,7 %	50,3 %	53,2 %
Gearing	0,23	0,77	0,51
Gross capital expenditure, EUR 1,000	771	340	1 548
% of net turnover	7,4 %	5,8 %	3,4 %
Average number of personnel	198	200	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 30 Nov 2010 30 Nov 2009 31 Aug 2010

Mortgages given and receivables pledged in security for dept

Loans from financial institutions	13 621	29 076	14 370
Mortgages on property	54 071	54 071	54 071
Mortgages on company assets	2 691	2 691	2 691

Other contingent liabilities

Guarantees on behalf of others	0	6 771	0
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Derivative contracts

Forward exchange agreements	4 078	19 523	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.

Vantaa, January 28th 2011
FINNISH FUR SALES
The Board of Directors