

FINNISH FUR SALES

INTERIM REPORT FOR 1 SEPTEMBER 2005 – 31 MAY 2006

Group Performance

During the review period from 1 September 2005 to 31 May 2006, Finnish Fur Sales organised three auctions, one fewer than during the corresponding period a year ago. The value of sales increased by 32 per cent, to EUR 285.8 million (216.7 million in the previous corresponding period), mainly due to higher prices. The sales volume reported at auctions and through private treaty sales during the period totalled 3.4 million mink pelts (3.4 million), 1.8 million fox pelts (1.7 million), 420,000 Karakul lamb pelts (280,000), and 84,000 Finnraccoon pelts (95,000). The USD price level for mink pelts was 25 per cent higher and the EUR price level 35 per cent higher than a year ago. The USD prices of fox pelts increased by 10 per cent and the EUR prices by 17 per cent.

Auction	Sales	Sales	Value	Value
	1,000 pcs 2005/2006	1,000 pcs 2004/2005	EUR 1,000 2005/2006	EUR 1,000 2004/2005
September	968	702	42,398	35,430
December	1,394	1,020	65,994	30,174
January–February		1,051		42,742
March–April	3,320	2,737	176,062	106,675
Warehouse sale	35	52	1,327	1,708
Total	5,717	5,562	285,781	216,730

The Group's consolidated turnover increased by 23 per cent from the previous corresponding period, to EUR 29.3 million (23.9 million). Operating expenses increased by ten per cent on a year earlier, to EUR 27.5 million (24.9 million), and the operating profit for the period was EUR 2.1 million (a loss of EUR 0.9 million).

The Group's net financial income increased by 13 per cent on a year earlier, to EUR 1.8 million (1.6 million), and loss before appropriations and taxes was EUR 3.9 million (0.8 million). Profit per share was EUR 0.79 (EUR 0.15).

The Group's equity-to-assets ratio was 51.4 per cent at the end of the period (47.5 per cent at the end of May 2005 and 52.1 per cent on the balance sheet day of 31 August 2005). Consolidated balance sheet total was EUR 123.8 million (EUR 123.0 million on 31 May 2005 and EUR 116.9 million on 31 August 2005), and equity per share EUR 15.87 (EUR 15.01 on 31 May 2005 and EUR 15.73 on 31 August 2005).

Capital Expenditure and Development

The Group's gross capital expenditure totalled EUR 1.3 million (EUR 1.9 million during the previous corresponding period), accounting for four per cent (eight per cent) of net turnover. A total of 63 per cent of investments was allocated to pelt storage and handling by the parent company, including an extension to the new fox pelt storage system.

Items Denominated in Foreign Currencies

Parent company receivables and liabilities denominated in foreign currencies are translated into euros at the rate quoted by the European Central Bank on the balance sheet date of the interim report, with the exception of accounts receivable hedged based on forward contracts. These are presented at forward rates. Exchange rate differences are entered in the profit and loss account.

Shares and Share Performance

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

The value of shares traded in the review period totalled EUR 5.1 million and the volume 540,000, representing 15 per cent of the company's Series C shares. The period high was EUR 12.10, low EUR 7.80 and average EUR 9.57. The share closed at EUR 11.50. The market capitalisation totalled EUR 40.4 million on 31 May 2006.

Human Resources

The number of permanent Group staff averaged 114 (117 a year ago) and seasonal staff numbered 232 (240). At the end of the period, the Group employed 307 staff (436).

Annual General Meeting

The Annual General Meeting of Finnish Fur Sales on 14 December 2005 decided to distribute a per-share dividend of EUR 0.65, totalling EUR 2,340,000 and enter EUR 325,000 in the contingency fund, as proposed by the Board of Directors. Dividends were paid on 27 December 2005.

The following Board members were elected for a term ending upon the next AGM: Jorma Kauppila, fur farmer; Markku Koski, fur farmer; Erik Karls, fur farmer; Leena Pitkänen, fur farmer; Esa Rantakangas, fur farmer; and Helena Walldén, bank manager. At its first meeting following the AGM, the Board of Directors elected Jorma Kauppila as Chairman and Markku Koski as Vice Chairman. Ernst & Young Oy, Authorised Public Accountants, will continue as the company's auditor, with Jan Rönnerberg, Authorised Public Accountant, acting as the chief auditor.

Adoption of IFRS (IAS)

Finnish Fur Sales Group is preparing IFRS-compliant consolidated financial statements for the 2005/2006 financial year. The Group will publish its first IFRS-compliant interim report for September–November 2006 in January 2007. Information on the effects of the transition on financial figures will be provided in November 2006 at the latest.

Events after the Review Period

Extraordinary General Meeting on 8 June 2006

An extraordinary general meeting of Finnish Fur Sales was held in Kokkola on 8 June 2006. The meeting decided unanimously, as proposed by the Board of Directors, to establish a trade cycle fund within non-restricted equity for the purpose of use to be specified at a later general meeting, and to amend section 3, paragraph 7 to read as follows: "In the general meeting confirming the financial

statements, ten (10) per cent of the result for the financial year shall be undistributed and transferred to a trade cycle fund within non-restricted equity. The rest of the result is at the disposal of the general meeting." It was also decided at the general meeting that the decisions are subject to Finnish Parliament's approval of the Government Bill for the new Companies Act (HE 109/2005 vp) substantially in accordance with the Bill.

The Parliament has since approved the Companies Act substantially in accordance with the Government's Bill.

Prospects for the Rest of the Financial Year

After the end of the review period, the company held one auction, on 14–19 June 2006. At the auction, 2.1 million mink pelts (1.5 million at the previous year's corresponding auction), 890,000 fox pelts (750,000), 13,000 Karakul lamb pelts (8,400), and 38,000 Finnraccoon pelts (21,000) were sold. Demand for pelts remained at a good level and their price level exceeded that of the previous year's corresponding auction. The growing number of pelts and higher prices raised the value of sales at the auction by 51 per cent year-on-year, totalling EUR 121.1 million (EUR 80.3 million).

The number of sold skins will increase to 8.7 million skins (7.9 million), and the value of sales will increase to almost EUR 407 million (297 million). Turnover is expected to grow significantly from the previous financial year and the result for the financial year to clearly outperform the previous period.

FINANCIAL REPORT FOR THE PERIOD
I SEPTEMBER 2005–31 MAY 2006

(EUR 1,000)	1.9.2005– 31.5.2006	1.9.2004– 31.5.2005	1.9.2004– 31.8.2005
Net turnover	29,345	23,869	32,969
Other operating income	194	173	259
Operating expenses			
Materials and services	–1,119	–524	–1,241
Personnel expenses	–10,267	–10,279	–12,324
Depreciation and writedown	–2,129	–2,280	–3,044
Other operating expenses	–13,974	–11,824	–14,489
OPERATING LOSS/PROFIT	2,052	–864	2,131
Financial income and expenses	1,839	1,633	2,145
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES	3,890	770	4,277
Income taxes ¹	–1,046	–247	–1,155
NET PROFIT / LOSS FOR THE FINANCIAL PERIOD	<u>2,845</u>	<u>522</u>	<u>3,122</u>

¹ Income taxes for the financial year include a change in deferred tax liability related to depreciation difference.

CONSOLIDATED BALANCE SHEET ON
31 MAY 2006

ASSETS (EUR 1,000)	31.5.2006	31.5.2005	31.8.2005
Fixed and other non-current assets			
Intangible assets	1,205	2,203	1,925
Tangible assets ²	27,334	27,781	27,534
Long-term investments	284	284	284
Current assets			
Stocks	721	468	458
Receivables	91,183	87,250	82,693
Cash and bank	3,108	5,007	4,041
TOTAL ASSETS	<u>123,834</u>	<u>122,993</u>	<u>116,935</u>

² A revaluation of EUR 8 million for the Varisto property is included in tangible assets.

	31.5.2006– 31.5.2006	31.5.2005– 31.5.2005	31.8.2005– 31.8.2005
Shareholders' equity	57,137	54,034	56,632
Liabilities			
Deferred tax liability	1,917	1,894	1,917
Short-term liabilities	64,780	67,065	58,386
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	123,834	122,993	116,935

CASH FLOW STATEMENT

EUR 1,000	1.9.2005– 31.5.2006	1.9.2004– 31.5.2005	1.9.2004– 31.8.2005
Cash flow from operating activities:			
Income from sales	19,900	15,358	31,717
Payments from other operating income	194	173	242
Cash paid to suppliers and employees	-12,267	-22,381	-34,753
Cash flow from operating activities before financial items and taxes, EUR	7,827	-6,850	-2,794
Interest and charges paid for<0} financial expenses from operations	-1,582	-995	-1,623
Interest and other financial	3,738	2,761	3,680
Dividends received	19	7	7
Income taxes paid	-1,470	-1,686	-1,947
Net cash flow from operating activities (A)	8,532	-6,763	-2,677
Cash flow from investing activities:			
Gross capital expenditure, EUR	-1,270	-1,942	-2,212
Proceeds from sale of assets	62	56	104
Net cash flow from investing activities (B)	-1,209	-1,886	-2,108
Cash flow from financing activities:			
Proceeds from short-term borrowings	0	12,489	7,662
Repayments of short-term borrowings	-5,963	0	0
Change in conversion difference	0	0	-2
Dividends paid	-2,295	-2,303	-2,304
Net cash flow form financing activities (C)	-8,257	10,186	5,356
Change in cash flows (A+B+C), increase (+) / decrease (-)	-934	1,537	571
Liquid assets 31 May/31 Aug.	-3,108	5,007	4,041
Liquid assets 1 Sept.	4,041	-3,470	-3,470
Change in liquid assets	934	1,537	571

Average number of employees	1.9.2005– 31.5.2006	1.9.2004– 31.5.2005	1.9.2004– 31.8.2005
Permanent employees	114	117	117
Seasonal employees	232	240	194
	346	357	311
Gross capital expenditure	1,270	1,942	2,212
Pledges, guarantees and other contingent liabilities (EUR 1,000)			
	31.5.2006	31.5.2005	31.8.2005
Mortgages given and receivables pledged in security for debt			
Loans from financial institutions	19,158	29,550	25,381
Mortgage on property	54,071	54,072	54,072
Mortgage on company assets	2,691	2,691	2,691
Pledged receivables	9,409	10,488	13,781
Total mortgages given as security	56,762	56,763	56,763
Total pledged receivables	9,409	10,488	13,781
Security given on behalf of Group companies			
Guarantee liabilities	536	537	536
Leasing liabilities			
Payable next financial year	11	32	108
Payable in subsequent financial years	0	108	0
Derivative contracts			
Forward contracts	45,609	45,414	43,524
	2005/2006 9 months	2004/2005 9 months	2004/2005 12 months
Earnings per share	0.79	0.15	0.87
Equity per share	15.87	15.01	15.73

Data in this interim report are based on unaudited figures.

Vantaa, 18 July 2006
Board of Directors