

FINNISH FUR SALES

INTERIM REPORT FOR 1 SEPTEMBER 2006–28 FEBRUARY 2007

This Interim Report is based on IFRS, complying with IAS 34 *Interim Financial Reporting*, and accounting policies applied in the consolidated financial statements on 31 August 2006, except for standards and interpretations (IFRS 7 and IAS 1 with respect to notes to the disclosure of equity, and IFRIC 4–10) which, however, has no major effect on Group figures for the reporting period. Data in this Interim Report are based on unaudited figures.

Group Performance

During the reporting period of 1 September 2006–28 February 2007, Finnish Fur Sales held two auctions, one in September and the other in December. Thanks to an increase in the volume and prices of pelts sold, sales improved by 16 per cent, to EUR 127 million (EUR 109.3). The sales volume reported at auctions and through private treaty sales during the period totalled 1.3 million mink pelts (1.1 million), 1.0 million fox pelts (930,000), 240,000 Karakul lamb pelts (320,000) and 35,000 Finn raccoon (41,000) pelts. The US dollar was five per cent weaker against the euro during the September auction and 12 per cent weaker during the December auction, compared with the same auctions a year ago. USD prices for mink pelts were 18 per cent higher and euro prices 27 per cent higher than a year ago. Fox pelt prices in US dollar terms rose by 14 per cent and in euro terms by six per cent.

Auction	Sales 1,000 pelts 2006/2007	Sales 1,000 pelts 2005/2006	Value EUR 1,000 2006/2007	Value EUR 1,000 2005/2006
September	1,072	968	56,493	42,398
December	1,497	1,394	70,153	65,994
Private treaty	10	26	334	899
Total	2,580	2,388	126,980	109,291

Consolidated net turnover improved by 12 per cent, to EUR 13.5 million (EUR 12.0 million) and operating expenses increased by 12 per cent on a year earlier, to EUR 18.4 million (EUR 16.5 million). Reported operating loss came to EUR 4.8 million (a loss of EUR 4.3 million).

Net financial income grew by 50 per cent year on year, to EUR 1.6 million (EUR 1.1 million). Loss before appropriations and tax was EUR 3.3 million (a loss of EUR 3.3 million). Earnings per share showed a loss of EUR 0.67 (a loss of EUR 0.68).

On 28 February 2007, the equity-to-assets ratio stood at 48.5 per cent (51.3 per cent on 28 February 2006 and 45.1 per cent on the balance sheet day of 31 August 2006). Consolidated balance sheet total amounted to EUR 113.5 million (EUR 100.3 million on 28 February 2006 and EUR 133.3 million on 31 August 2006) and equity per share was EUR 14.93 (EUR 13.74 on 28 February 2006 and EUR 16.53 on 31 August 2006).

Capital Expenditure and Development

Group gross capital expenditure totalled EUR 1.5 million (EUR 1.0 million), accounting for 11 per cent (9 per cent) of net turnover, 70 per cent of which was allocated to pelt storage and handling by the parent company, including an extension to the new fox pelt storage system. The Group also made the decision to extend its mink pelt grading centre.

Shares and Share Performance

On the balance sheet date, Finnish Fur Sales' share capital totalled EUR 7,200,000 and the number of shares 3,600,000, 900,000 of which represented Series A shares and 2,700,000 Series C shares.

The value of shares traded in the review period totalled EUR 6.6 million and the volume 527,000, representing 20 per cent of the company's Series C shares. The period high was EUR 14.20, its low EUR 10.75 and its average EUR 12.50. The share closed at EUR 10.96. The market capitalisation totalled EUR 39.5 million on 28 February 2007.

Personnel

The number of permanent Group staff averaged 116 (115 a year ago) and fixed-term employees numbered 233 (213). At the end of the period, the Group employed 449 staff (426).

Annual General Meeting

The Annual General Meeting (AGM) of Finnish Fur Sales on 11 January 2007 decided to distribute a per-share dividend of EUR 0.95, totalling EUR 3,420,000, and enter EUR 3,420,000 in the counter-cyclical budgetary fund, as proposed by the Board of Directors. The dividend payment date was 23 January 2007.

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

Seasonal Variations

Finnish Fur Sales holds 4 to 6 auctions during the 12-month auction period, the auction schedules and supply varying each financial year. There may be quarters when no auctions are held. Seasonal variations may also cause differences between financial periods in such a way that during the comparison period an equal number of auctions have or have not been held. For this reason, differences in the value of sales, net turnover and costs between the review and comparison period do not necessarily give a true picture of the entire financial period's performance.

Prospects for the Rest of the Financial Year

Following the reporting period, Finnish Fur Sales held one auction between 25 and 30 March 2007, auctioning a total of 2.2 million mink pelts (2.3 million at the previous year's corresponding auction), 590,000 fox pelts (860,000), 86,000 Karakul lamb pelts (100,000) and 27,000 Finnraccoon pelts (43,000). Due to market conditions becoming uncertain, pelt prices remained lower than those quoted in the previous year's corresponding auction, with some of the pelts offered remaining unsold. As a result of the lower volumes and prices of pelts, the auction recorded a 44 per cent fall in sales, amounting to EUR 99.4 million (EUR 176.1 million) over the previous year's corresponding auction.

Finnish Fur Sales' last auction of the financial year, between 31 May and 5 June 2007, will offer a total of 2.3 mink pelts (2.3 million at the previous year's corresponding auction) and 860,000 fox pelts (940,000) for sale.

The auctioned pelt volume, sales and net turnover are expected to decrease from those recorded for the previous financial year. The June auction's sales performance will largely determine whether the company shows a profit for the full financial year.

Consolidated balance sheet (IFRS) EUR 1,000

ASSETS	28 Feb. 2007	28 Feb. 2006	31 Aug. 2006
Non-current assets			
Property, plant and equipment	24,279	24,153	23,837
Intangible assets	579	1,243	783
Available-for-sale investments	596	506	488
Non-current receivables	576	1,069	872
Deferred tax assets	23	45	27
Pension receivables	3,859	3,442	3,482
Total non-current assets	29,911	30,458	29,488
Current assets			
Inventories	611	1,429	524
Deferred tax assets	918	965	0
Customer receivables and other receivables	80,947	65,286	93,713
Cash and cash equivalents	1,063	2,196	9,610
Total current assets	83,539	69,876	103,847
Total assets	113,450	100,334	133,335
LIABILITIES AND SHAREHOLDERS' EQUITY	28 Feb. 2007	28 Feb. 2006	31 Aug. 2006
Equity attributable to parent company shareholders			
Share capital	7,200	7,200	7,200
Share premium	254	254	254

Other funds	12,960	12,230	12,230
Translation difference	58	57	57
Fair value reserve	231	165	151
Retained earnings	33,062	29,562	39,627
Total shareholders' equity	53,765	49,468	59,519
Long-term liabilities			
Deferred tax liabilities	4,173	4,058	4,069
Short-term liabilities			
Interest-bearing liabilities	44,698	36,488	60,904
Trade and other payables	10,814	10,319	8,843
	55,512	46,807	69,747
Total liabilities	59,685	50,865	73,816
Total liabilities and shareholders' equity	113,450	100,334	133,335

Consolidated income statement	1 Dec.	1 Sept.	1 Dec.	1 Sept.	1 Sept.
	2006–	2006–	2005–	2005–	2005–
EUR 1,000	28 Feb.	28 Feb.	28 Feb.	28 Feb.	31 Aug.
	2007	2007	2006	2006	2006
	3 months	6 months	3 months	6 months	12 months
Net turnover	7,953	13,452	7,387	12,022	42,066
Other operating income	88	157	69	128	338
Materials and supplies	8	-574	137	-243	-1,849
Employee benefits	-5,047	-6,993	-4,439	-6,064	-12,757
Depreciation/amortisation and impairment loss	-645	-1,272	-751	-1,487	-3,017
Other operating expenses	-5,264	-9,597	-4,634	-8,691	-17,109
Operating profit/loss	-2,907	-4,827	-2,231	-4,335	7,673
Financial income and expenses	955	1,574	443	1,052	2,716
Profit/loss before tax	-1,952	-3,252	-1,788	-3,283	10,389
Income tax	503	838	463	850	-2,757
Net profit/loss	-1,450	-2,415	-1,325	-2,433	7,632
Earnings per share, EUR	-0.40	-0.67	-0.37	-0.68	2.12

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Share capital	Share premium rahasto	Other funds	Translation differences	Fair value reserve	Retained earnings varat	Shareholders' equity total
Balance 1 Sept. 2005	7,200	254	11,905	57	137	34,660	54,213
Net profit/loss						-2,433	-2,433
Dividend distribution						-2,340	-2,340
Other funds			325			-325	0
Change in translation difference				1			1
Fair value reserve					27		27
Balance 28 Feb. 2006	7,200	254	12,230	58	164	29,562	49,468
Balance 1 Sept. 2006	7,200	254	12,230	57	151	39,627	59,519
Net profit/loss						-2,415	-2,415
Dividend distribution						-3,420	-3,420
Other funds			730			-730	0
Change in translation difference				1			1
Fair value reserve					80		80
Balance 28 Feb. 2007	7,200	254	12,960	58	231	33,062	53,765

Consolidated cash flow statement

EUR 1,000	2006/2007 6 months	2005/2006 6 months	2005/2006 12 months
Cash flow from operating activities:			
Proceeds from auctions and sales	165,944	141,481	390,144
Cash receipts from other operating income	141	128	285
Cash paid to suppliers and employees	-161,292	-136,671	-391,430
Cash flow from operating activities before financial items			
and taxes	4,792	4,939	-1,001
Interest and other financial expenses paid	-1,188	-940	-2,553
Interest and other financial income received	3,454	2,788	4,988
Dividend income	0	7	19
Income tax paid	-611	-932	-2,524
Net cash flow from operating activities (A)	6,448	5,862	-1,072
Cash flow from investing activities:			
Purchase of property, plant and equipment, and intangible assets	-1,523	-1,023	-1,789
Proceeds from sale of property, plant and equipment, and intangible assets	29	37	103

Net cash used in investing activities (B)	-1,494	-986	-1,686
Cash flow from financing activities:			
Proceeds from short-term borrowings	0	0	10,624
Repayments of short-term borrowings	-10,147	-4,427	0
Change in translation difference	1	0	0
Dividends paid	-3,356	-2,294	-2,297
Net cash flow used in financing activities (C)	-13,502	-6,721	8,327
Change in cash flows (A+B+C), increase (+) / decrease (-)	-8,548	-1,845	5,569
Cash and cash equivalents at period-end	1,063	2,196	9,610
Cash and cash equivalents at period-start	-9,610	-4,041	-4,041
Net change in cash and cash equivalents	-8,548	-1,845	5,569

Key figures and ratios

	2006/2007	2005/2006	2005/2006
	6 months	6 months	12 months
Total sales, EUR 1,000	126,980	109,291	407,252
Net turnover, EUR 1,000	13,452	12,022	42,066
Operating profit/loss, EUR 1,000	-4,827	-4,335	7,673
Profit/loss before tax, EUR 1,000	-3,252	-3,283	10,389
Earnings per share, EUR	-0.67	-0.68	2.12
Equity per share	14.93	13.74	16.53
Return on equity (ROE), %	-4.3%	-4.7%	13.4%
Return on investment (ROI), %	-1.9%	-2.6%	11.9%
Equity-to-assets ratio, %	48.5%	51.3%	45.1%
Gearing	0.81	0.69	0.86
Gross capital expenditure, EUR 1,000	1,523	1,023	1,789
% net turnover	11.3%	8.5%	4.3%
Average personnel	349	328	309

Pledges, guarantees and other contingent liabilities

Mortgages given and receivables pledged in security for debt

	28 Feb. 2007	28 Feb. 2006	31 Aug. 2006
EUR 1,000			
Loans from financial institutions	25,227	20,789	35,705
Mortgage on property	54,071	54,071	54,071
Mortgage on company assets	2,691	2,691	2,691
Pledged receivables	25,246	21,813	13,574

Other contingent liabilities			
Guarantees on others' behalf	2,845	0	2,597
Derivative contracts			
Forward contracts	21,717	12,665	57,186

Vantaa, 27 April 2007
Board of Directors