

FINNISH FUR SALES

INTERIM REPORT FOR 1 SEPTEMBER 2006–31 MAY 2007

This Interim Report's financial statements are based on IFRS-compliant recognition and measurement principles, applying the same accounting policies as in the financial statements for 1 September 2005–31 August 2006. Data in this Interim Report are based on unaudited figures.

Group Performance

During the reporting period of 1 September 2006–31 May 2007, Finnish Fur Sales organised a total of three auctions, the first in September, the second in December and the third in March. In addition, the first sales day of the May–June auction occurred during the reporting period. Due to the decrease in prices, the value of auction sales dropped by 14 per cent, amounting to EUR 245.1 million (285.8), although the volume of pelts sold was six per cent higher than a year ago. The sales volume reported at auctions and through private treaty sales during the period totalled 4.1 million mink pelts, of which 630,000 were sold on 31 May 2007, the first sales day of the May–June auction (3.4 million a year ago). A total of 1.6 million fox pelts (1.8 million), 330,000 Karakul lamb pelts (420,000) and 62,000 Finn raccoon pelts (84,000) were also sold during the reporting period. The US dollar was five per cent weaker against the euro during the September auction, 11 per cent weaker during the December auction and 10 per cent weaker during the March auction, compared with the same auctions a year ago. The USD price level for mink pelts was 16 per cent lower and the EUR price level 24 per cent lower than a year ago. Fox pelt prices in US dollar terms decreased by one per cent and in euro terms by nine 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
March	2,857	3,320	99,363	176,062
May–June, sales on 31 May	630	0	18,367	0
Private treaty	25	35	774	1,327
Total	6,081	5,717	245,150	285,781

Consolidated net turnover fell by 12 per cent to EUR 25.8 million (EUR 29.3 million) and operating expenses increased by four per cent on a year earlier to EUR 28.0 million (EUR 26.9 million). Reported operating loss came to EUR 2.0 million (operating profit of EUR 2.6 million a year ago).

Net financial income grew by 28 per cent year on year to EUR 2.4 million (EUR 1.8 million). Profit before appropriations and taxes came to EUR 330,000 (EUR 4.5 million). Earnings per share were EUR 0.06 (EUR 0.91).

On 31 May 2007, the equity-to-assets ratio stood at 46.4 per cent (50.1 per cent on 31 May 2006 and 45.1 per cent on the balance sheet day of 31 August 2006). The consolidated balance sheet total amounted to EUR 124.5 million (EUR 111.3 million on 31 May 2006 and EUR 133.3 million on 31 August 2006) and equity per share was EUR 15.66 (EUR 15.32 on 31 May 2006 and EUR 16.53 on 31 August 2006).

Capital Expenditure and Development

Group gross capital expenditure totalled EUR 1.9 million (EUR 1.3 million), accounting for 7 per cent (4 per cent) of net turnover, 60 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

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 900,000 represented Series A shares and 2,700,000 Series C shares.

The value of shares traded in the review period totalled EUR 7.8 million and the volume 640,000, representing 24 per cent of the company's Series C shares. The period high was EUR 14.20, its low EUR 10.52 and its average EUR 12.26. The share closed at EUR 11.10. The market capitalisation totalled EUR 40.0 million on 31 May 2007.

Personnel

The number of permanent Group staff averaged 117 (114 a year ago) and fixed-term employees numbered 252 (232). At the end of the period, the Group employed 472 staff (307).

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.

It 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, bank manager. 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 reporting 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

Finnish Fur Sales' final auction during the financial year 1 September 2006 to 31 August 2007 was organised on 31 May–5 June 2007 (the last auction of the previous financial year was organised 14–19 June 2006). Of the 2.1 million mink pelts sold at the auction (2.1 million in the corresponding auction a year ago), a total of 630,000 were sold on 31 May 2007. In the auction, a total of 740,000 fox pelts (890,000), 21,000 Karakul lamb pelts (13,000) and 50,000 Finn raccoon pelts (38,000) were also sold. As a result of the lower volumes and prices of pelts, the auction recorded a 21 per cent fall in sales, amounting to EUR 95.5 million (EUR 121.1 million) over the previous year's corresponding auction. A total of EUR 18.4 million was generated on 31 May 2007.

The auctioned pelt volume during the full financial year is expected to amount to 8.4 million pelts (8.8 million a year ago), and the auction sales are anticipated to be EUR 323 million (EUR 407 million). Net turnover will remain significantly lower than a year ago. The financial year is anticipated to show profit, but to remain clearly under the previous year's levels.

Consolidated balance sheet (IFRS) EUR 1,000

ASSETS	31 May 2007	31 May 2006	31 Oct. 2006
Non-current assets			
Property, plant and equipment	24,090	23,842	23,837
Intangible assets	533	1,013	783
Available-for-sale investments	581	477	488
Non-current receivables	929	1,069	872
Deferred tax assets	21	36	27
Pension receivables	4,047	3,649	3,482
Total non-current assets	30,201	30,086	29,488
Current assets			
Inventories	1,008	721	524
Deferred tax assets	17	0	0
Customer receivables and other receivables	88,231	77,381	93,713
Cash and cash equivalents	5,069	3,108	9,610
Total current assets	94,325	81,210	103,847
Total assets	124,527	111,296	133,335
LIABILITIES AND SHAREHOLDERS' EQUITY			
	31 May 2007	31 May 2006	31 Oct. 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	220	143	151
Retained earnings	35,698	35,264	39,627
Total shareholders' equity	56,390	55,149	59,519
Long-term liabilities			
Deferred tax liabilities	4,205	4,091	4,069
Short-term liabilities			
Interest-bearing liabilities	40,621	41,303	60,904
Trade and other payables	23,311	10,753	8,843
	63,932	52,056	69,747
Total liabilities	68,136	56,147	73,816
Total liabilities and shareholders' equity	124,527	111,296	133,335

Consolidated income statement	1 March	1 Sept.	1 March	1 Sept.	1 Sept.
	2007–	2006–	2006–	2005–	2005–
EUR 1,000	31 May	31 May	31 May	31 May	31 Oct.
	2007	2007	2006	2006	2006
	3 months	9 months	3 months	9 months	12 months
Net turnover	12,336	25,788	17,324	29,345	42,066
Other operating income	70	227	66	193	338
Materials and supplies	-209	-783	-876	-1,119	-1,849
Employee benefits	-3,973	-10,966	-3,580	-9,644	-12,757
Depreciation/amortisation and impairment loss	-639	-1,911	-765	-2,252	-3,017
Other operating expenses	-4,788	-14,385	-5,208	-13,899	-17,109
Operating profit/loss	2,797	-2,030	6,961	2,626	7,673
Financial income and expenses	785	2,359	786	1,838	2,716
Profit/loss before tax	3,582	330	7,747	4,464	10,389
Income tax	-947	-109	-2,045	-1,195	-2,757
Net profit/loss	2,635	220	5,702	3,269	7,632
Earnings per share, EUR	0,73	0,06	1,58	0,91	2,12

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Share capital	Share premium reserve	Other funds	Translation differences	Fair value reserve	Retained earnings	Share holders' equity total
Balance 1 Sept. 2005	7,200	254	11,905	57	137	34,660	54,213
Net profit/loss						3,269	3,269
Dividend distribution						-2,340	-2,340
Other funds			325			-325	0
Fair value reserve					6		6
Balance 31 May 2006	7,200	254	12,230	57	143	35,264	55,149
Balance 1 Sept. 2006	7,200	254	12,230	57	151	39,627	59,519
Net profit/loss						220	220
Dividend distribution						-3,420	-3,420
Other funds			730			-730	0
Change in translation difference				1			1
Fair value reserve					69		69

Balance 31 May 2007	7,200	254	12,960	58	220	35,698	56,390
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Consolidated cash flow statement

EUR 1,000	2006/2007 9 months	2005/2006 9 months	2005/2006 12 months
Cash flow from operating activities:			
Proceeds from auctions and sales	253,829	277,437	390,144
Cash receipts from other operating income	211	194	285
Cash paid to suppliers and employees	-241,536	-269,804	-391,430
Cash flow from operating activities before financial items and taxes	12,504	7,827	-1,001
Interest and other financial expenses paid	-1,887	-1,582	-2,553
Interest and other financial income received	4,629	3,738	4,988
Dividend income	25	19	19
Income tax paid	-1,440	-1,470	-2,524
Net cash flow from operating activities (A)	13,831	8,532	-1,072
Cash flow from investing activities:			
Purchase of property, plant and equipment, and intangible assets	-1,929	-1,270	-1,789
Proceeds from sale of property, plant and equipment, and intangible assets	31	62	103
Net cash used in investing activities (B)	-1,898	-1,209	-1,686
Cash flow from financing activities:			
Proceeds from short-term borrowings	0	0	10,624
Repayments of short-term borrowings	-13,118	-5,963	0
Change in translation difference	1	0	0
Dividends paid	-3,357	-2,295	-2,297
Net cash flow used in financing activities (C)	-16,474	-8,257	8,327
Change in cash flows (A+B+C), increase (+) / decrease (-)	-4,541	-934	5,569
Cash and cash equivalents at period-end	5,069	3,108	9,610
Cash and cash equivalents at period-start	-9,610	-4,041	-4,041
Net change in cash and cash equivalents	-4,541	-934	5,569

Key figures and ratios

	2006/2007	2005/2006	2005/2006
	9 months	9 months	12 months
Total sales, EUR 1,000	245,150	285,781	407,252
Net turnover, EUR 1,000	25,788	29,345	42,066
Operating profit/loss, EUR 1,000	-2,030	2,626	7,673
Profit/loss before tax, EUR 1,000	330	4,464	10,389
Earnings per share, EUR	0,06	0,91	2,12
Equity per share	15,66	15,32	16,53
Return on equity (ROE), %	0.4%	6.0%	13.4%
Return on investment (ROI), %	2.0%	6.5%	11.9%
Equity-to-assets ratio, %	46.4%	50.1%	45.1%
Gearing	0.63	0.69	0.86
Gross capital expenditure, EUR 1,000	1,929	1,270	1,789
% net turnover	7.5%	4.3%	4.3%
Average personnel	117	114	309

Pledges, guarantees and other contingent liabilities

Mortgages given and receivables pledged in security for debt

	31 May 2007	31 May 2006	31 Oct. 2006
EUR 1,000			
Loans from financial institutions	21,964	19,158	35,705
Mortgage on property	54,071	54,071	54,071
Mortgage on company assets	2,691	2,691	2,691
Pledged receivables	17,880	9,409	13,574
Other contingent liabilities			
Guarantees on others' behalf	1,092	0	2,597
Derivative contracts			
Forward contracts	27,763	45,609	57,186