

FINNISH FUR SALES' TOTAL SALES UP BY ALMOST 40 PER CENT

Finnish Fur Sales Group Financial Year 2005/2006

Total sales reported by Finnish Fur Sales for the financial year 1 September 2005–31 August 2006 came to EUR 407.3 million, up 37 per cent over the previous financial year, while the volume of pelts sold grew to 8.8 million, or by 11 per cent. The auction-weighted average of the US dollar against the euro was 4 per cent higher than a year ago.

The volume of auctioned mink pelts hit an all-time high, and prices were also at record-high levels: in US dollars 20 per cent and in euros 26 per cent higher than in the previous financial year. US dollar prices and euro prices for fox pelts were 13 and 17 per cent higher year on year, respectively.

Earnings per share soared by 125 per cent to EUR 2.12 (EUR 0.94), and consolidated operating profit tripled to EUR 7.7 million, representing 18 per cent of net turnover (EUR 2.5 million and 8 per cent).

Group key figures	2005 / 2006	2004 / 2005
Total sales, EUR million	407.25	297.03
Net turnover, EUR million	42.1	33.0
Operating profit, EUR million	7.7	2.5
Profit before tax, EUR million	10.4	4.6
Net profit for the financial year, EUR million	7.6	3.4
Earnings per share	2.12	0.94
Return on equity (ROE), %	13.4	6.3
Return on capital invested (ROI), %	11.4	6.0
Dividend proposed by the Board, €	0.95	0.65

Market Overview

The volume of mink pelts received by the company from the European Economic Area outstripped growth in production volumes in the area, with Poland posting particularly high growth figures. In June, FFS concluded a long-term partnership agreement with Skinpalex, a company owned by Polish fur breeder, for the purpose of strengthening its position in Poland. Volumes of fox pelts offered for sale increased, primarily from Finland and Norway, with Finnish farmers sending not only their annual production but also pelts placed in storage.

Finnish Fur Sales organised four auctions during the financial year, offering a total of 5.5 million mink pelts for sale (4.9 million in the previous financial year), 2.7 million fox pelts (2.4 million), 440,000 Karakul lamb pelts from Afghanistan, and 120,000 (120,000) Finn raccoon pelts. The volume of mink pelts auctioned was the highest in the company's history.

Mink pelt sales were spread evenly through all markets in the financial year, but Hong Kong/China's share increased in particular. Due to high world market prices, quality became more important as a price determinant, with exceptionally high prices paid for mutation mink pelts produced in low volumes compared with the primary colour shades.

The position of Hong Kong/China as the largest buyer of fox pelts weakened as a consequence of both rapidly increased production volumes in China and import regulations strongly in favour of domestic production. Therefore, more fox pelts were sold to Russia and Turkey, which increased demand for lightweight pelts suitable as material for collars and jackets. Mutation fox and Finn raccoon pelts were mainly sold to international

fashion houses. Prices of blue and shadow fox pelts remained low in comparison with those paid for mutation fox and Finnracon pelts.

Net Turnover

Consolidated net turnover came to EUR 42.1 million, up 28 per cent year on year, with the majority of net turnover, 93 per cent, comprising sales commissions collected from fur farmers and buyers. Fur farmers' commissions accounted for 33 per cent and buyers' commissions 60 per cent of consolidated net turnover, while the remainder was generated from sales of pelting services to fur farmers, sales proceeds of own pelts, and sales of restaurant and congress services. Domestic customers, both fur farmers and buyers, accounted for 25 per cent of net turnover, while the share of international customers totalled 74 per cent.

Financial Performance

Profit after tax increased by EUR 4.2 million, to EUR 7.6 million (EUR 3.4 million), and return on equity was 13.4 per cent (6.3 per cent) while equity per share stood at EUR 16.53 (EUR 15.06).

Operating expenses grew by 13 per cent to EUR 34.7 million, or 83 per cent of net turnover (EUR 30.7 million and 93 per cent). A total of EUR 3.7 million (EUR 3.6 million) was spent on SAGA marketing during the financial year.

Group depreciation and amortisation came to EUR 3.0 million, representing 7 per cent of net turnover (EUR 3.2 million and 10 per cent). Operating profit tripled to EUR 7.7 million (EUR 2.5 million) due to higher pelt prices and reasonable cost levels.

Net financial income increased to EUR 2.7 million (EUR 2.1 million), while net interest income was EUR 2.2 million (EUR 2.1 million) and exchange rate gains came to EUR 550,000 (EUR 110,000). Profit before tax was EUR 10.4 million (EUR 4.6 million).

Equity-to-assets ratio stood at 50 per cent (54 per cent).

Capital Expenditure

Group gross capital expenditure totalled EUR 1.8 million (EUR 2.2 million during the previous financial year), accounting for 4 per cent (7 per cent) of net turnover, 65 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 new storage system enhances space utilisation. The financial year also saw the launch of mink pelt storage system modernisation, and the new system is due for adoption during the next financial year.

Human Resources

The number of Group employees declined by one per cent over the previous financial year, the majority working on a fixed-term basis on a variety of duties related to pelt processing. Remuneration and emoluments totalled EUR 10.4 million (EUR 9.8 million).

The table below shows the number of Group employees (previous financial year's figures in brackets):

Average number of employees	309 (311)
- permanent staff	115 (117)
- fixed-term staff	194 (194)
Number of staff on 31 Aug. 2006 (31 Aug. 2005)	183 (117)

The number of employees working abroad totalled 12.

Based on the volume of pelts collected and the return-on-equity ratio, the company applied an annual bonus system to its employees during the financial year, covering its permanent staff and fixed-term employees, after a certain period of service.

Adoption of IFRS

Finnish Fur Sales' consolidated financial statements for the financial year 1 September 2005–31 August 2006 were prepared in compliance with the International Financial Reporting Standards (IFRS) and comparatives for the financial year 1 September 2004–31 August 2005 have been changed to comply with IFRS.

Finnish Fur Sales' primary segment reporting format is the business segment – sorting and sales of pelts – specified in compliance with IFRS. The secondary segment reporting format is the geographic segment, comprising four areas in which the Group operates: the Far East, Europe, North America and other areas (incl. Russia).

The most significant effects of Finnish Fur Sales' IFRS adoption relate to property, plant and equipment (tangible assets), employee benefits (pensions), receivables and short-term liabilities, but this adoption will not have any material effect on the Group's shareholders' equity. Details on the effects of the adoption of IFRS can be found in Note 5.

Share Performance

Series C shares (75 per cent of the total number of shares) of the parent company, Finnish Fur Sales - Turkistuottajat Oyj, are listed on the I list of the Helsinki Stock Exchange. The value of shares traded in the financial year totalled EUR 5.7 million and the volume 590,000, representing 22 per cent of the company's Series C shares. Series C shares closed at EUR 10.80 (EUR 7.95) at the end of the financial year, and the market capitalisation totalled EUR 38.9 million on 31 August 2006.

Decisions by the Annual and Extraordinary General Meeting

The Annual General Meeting (AGM) of Finnish Fur Sales on 14 December 2005 decided to distribute a per-share dividend of EUR 0.65 and enter EUR 325,000 in the contingency fund, as proposed by the Board of Directors.

The Board of Directors has no valid authorisation to issue shares, convertible bonds or bonds with warrants, or buy back treasury shares.

As proposed by the Board of Directors, the Extraordinary General Meeting (EGM) held on 8 June 2006 took a unanimous decision to establish a counter-cyclical budgetary fund under non-restricted equity for a purpose to be specified by a later shareholders' meeting, and to alter Article 3, Paragraph 7 of the Articles of Association as follows: "The shareholders' meeting adopting the Financial Statements shall leave ten (10) per cent of net profit undistributed and transfer it to the counter-cyclical budgetary fund under non-restricted equity. The remaining profit is at the disposal of the shareholders' meeting". The EGM also decided that these decisions were conditional on Parliament passing the Government's bill for a new Companies Act (HE 109/2005 vp) fundamentally in compliance with the proposal. Later on, Parliament passed the Companies Act fundamentally in compliance with the Government bill.

The Board's proposal for profit allocation

On 31 August 2006, the Parent Company's profit attributable to shareholders was as follows:

- Retained earnings	25,945,754.77
- Net profit for the financial year	7,227,021.13
- Entry in the counter-cyclical budgetary fund under the Articles of Association	-722,702.11
	32,450,073.79

The Board of Directors proposes that

- A per-share dividend of EUR 0.95 be paid to shareholders for the financial year 1 September 2005–31 August 2006, using the profit attributable to shareholders, totalling EUR 3,420,000;
- EUR 730,000 be entered in the counter-cyclical budgetary fund and the remainder remain in retained earnings.

Business Prospects

Mink pelt production is still increasing in all major producing countries. So too is global production of fox pelts, due to higher production volumes in China. Breeding animals and fur farming know-how are being imported from Europe to China on a continuous basis, which will enhance the opportunities for raising production animals there and weaken the operating conditions for fur farming in Europe. High import duties imposed by China favour its domestic production and are hampering the marketing of Saga Furs sold by Finnish Fur Sales. Therefore, Finnish Fur Sales will continue co-operation with IFTF (the International Fur Trade Federation) to lobby for changes in Chinese customs policies.

Animal welfare is an increasingly important factor in selling pelts, and FFS is participating in the IFTF's new Origin Assured programme. Pelts included in the programme are produced in countries which either follow the recommendations issued by the European Council or North-American standards applicable to fur farming. We also encourage fur breeders to improve and develop their production methods further. Therefore, FFS will introduce a new bonus system in the 2006/2007 sales period, aimed at motivating Finnish producers to certify their production. No other fur-producing country applies a similar certification procedure.

Emphasis on the fur origin will strengthen the role of the SAGA brand. In the current financial year, SAGA will focus more heavily on product development while promoting the SAGA brand throughout the trade sector. These efforts have already borne fruit as new customer groups have participated in FFS auctions, and we are confident that this positive trend will continue.

The September auction, the first for the financial year and the last for the 2005/2006 sales period, succeeded beyond expectations. The volume of fox pelts offered, 670,000, was exceptionally high for the moment, but prices nevertheless increased over the June auction. The September prices of mink pelts are generally considered too high for retailers, which is why prices are expected to fall closer to the June level.

Fashion favours the more versatile use of fur in both garments and accessories, and fur sales expectations for the sales period starting in December are quite positive. The Group aims to continue increasing its market share while diversifying and increasing the pelt volumes on offer at its March and June auctions. The share of mutation fox types, important to the competitiveness of both the company and European fur breeding, will increase slightly amongst the overall offerings. Customers have rescheduled their pelt purchases for the period following international fashion fairs when data on the preceding winter's retail sales performance is also available. Hence, price variations in pelts may be considerable during any single sales period.

Finnish Fur Sales
Board of Directors

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Finnish Fur Sales is an international fur auction company, primarily engaged in sales of raw material pelts in international fur auctions, usually arranged four to six times a year.

The Group's parent company Turkistuottajat Oyj - Finnish Fur Sales' series C shares are listed on the I List of the Helsinki Stock Exchange. The Parent Company's registered domicile is Vantaa, Finland, and its official registered address is Martinkyläntie 48, FI-01720 Vantaa.

Copies of the consolidated Financial Statements will be available as of week 50 on the Internet at www.ffs.fi or from the Group Parent Company HQ at P.O.Box 4, FI-01601 Vantaa.

APPENDICES:

1. Consolidated balance sheet
2. Consolidated income statement
3. Consolidated cash flow statement
4. Statement of changes in consolidated shareholders' equity
5. Information on the adoption of IFRS-compliant financial statements
6. Key figures on Group financial performance 2001–2006

NOTE: CONSOLIDATED BALANCE SHEET

Consolidated balance sheet (EUR 1,000)

31 August 2006

31 August 2005

ASSETS

Non-current assets

Property, plant and equipment	23,837	24,237
Intangible assets	783	1,661
Available-for-sale investments	488	469
Non-current receivables	872	1,069
Deferred tax assets	27	63
Pension receivables	3,482	3,027
Total non-current assets	<u>29,488</u>	<u>30,525</u>

Current assets

Inventories	524	458
Customer receivables and other receivables	93,713	74,503
Cash and cash equivalents	9,610	4,041
Total current assets	<u>103,847</u>	<u>79,002</u>

Total assets 133,335 109,527

LIABILITIES AND SHAREHOLDERS' EQUITY

31 August 2006

31 August 2005

Equity attributable to parent company shareholders

Share capital	7,200	7,200
Share premium fund	254	254
Other funds	12,230	11,905
Translation difference	57	57
Fair value reserve	151	137
Retained earnings	39,627	34,660
Total shareholders' equity	<u>59,519</u>	<u>54,214</u>

Long-term liabilities

Deferred tax liabilities	4,069	3,967
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	31 August 2006	31 August 2005
Short-term liabilities		
Interest-bearing liabilities	60,904	44,143
Trade and other payables	8,843	7,203
	<u>69,747</u>	<u>51,346</u>
Total liabilities	73,816	55,313
Total liabilities and shareholders' equity	133,335	109,527

NOTE 2: CONSOLIDATED INCOME STATEMENT

Consolidated income statement (EUR 1,000)	2005/2006	2004/2005
Net turnover	42,066	32,969
Other operating income	338	259
Change in finished goods inventory and work in progress	67	16
Materials and supplies	-1,916	-1,257
Employee benefits	-12,757	-11,749
Depreciation and impairment loss	-3,017	-3,232
Other operating expenses	-17,109	-14,510
Operating profit	7,673	2,497
Financial income	5,301	3,774
Financial expenses	-2,585	-1,632
Profit before tax	10,389	4,639
Income tax	-2,757	-1,249
Net profit	7,632	3,390
Attributable to:		
Parent company shareholders	7,632	3,390
Earnings per shares attributable to parent company shareholders, EUR	2.12	0.94

NOTE 3: CONSOLIDATED CASH FLOW STATEMENT

Consolidated cash flow statement

(EUR 1,000)	2005/2006	2004/2005
Cash flow from operating activities:		
Proceeds from sales and auctions	390,144	296,148
Cash receipts from other operating income	285	242
Cash paid to suppliers and employees	-391,430	-299,084
Cash flow from operating activities before financial items and taxes	-1,001	-2,694
Interest and other financial expenses	-2,553	-1,627
Interest and other financial income	4,988	3,680
Dividend income	19	7
Income tax paid	-2,525	-1,947
Net cash flow from operating activities (A)	-1,072	-2,580
Cash flow from investing activities:		
Purchase of property, plant and equipment, and intangible assets	-1,789	-2,212
Proceeds from sale of property, plant and equipment, and intangible assets	103	104
Investments in other assets		0
Net cash used in investing activities (B)	-1,686	-2,108
Cash flow from financing activities:		
Proceeds from short-term borrowings	10,624	7,648
Repayments of long-term borrowings	0	-82
Change in translation difference	0	-2
Dividends paid	-2,297	-2,304
Net cash flow used in financing activities (C)	8,327	5,260
Change in cash flows (A+B+C), increase (+) /decrease (-)	5,569	571
Cash and cash equivalents, 31 Aug.	9,610	4,041
Cash and cash equivalents, 1 Sept.	-4,041	-3,470
Net change in cash and cash equivalents	5,569	571

NOTE 4: CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(EUR 1,000)	Share capital	Share premium fund	Other funds	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 31 Aug. 2004	7,200	254	12,404	59	0	33,836	53,753
Effect of IFRS adoption			-1,029		76	305	-648
Adjusted shareholders' equity 1 Sept. 2004	7,200	254	11,375	59	76	34,141	53,106
Net profit						3,390	3,390
Dividend distribution						-2,340	-2,340
Transfer to contingency fund			530			-530	0
Change in translation difference				-2		-1	-3
Fair value reserve					61		61
Shareholders' equity 31 Aug. 2005	7,200	254	11,905	57	137	34,660	54,214
Net profit						7,632	7,632
Dividend distribution						-2,340	-2,340
Transfer to contingency fund						-325	0
Change in translation difference						0	0
Fair value reserve					13		13
Shareholders' equity 31 Aug. 2006	7,200	254	12,230	57	151	39,627	59,519

NOTE 5: REPORT ON IFRS ADOPTION

COMPARATIVES OF FINNISH FUR SALES' IFRS-COMPLIANT FINANCIAL STATEMENTS FOR 1 SEPTEMBER 2004–31 AUGUST 2005

In the preparation of its consolidated financial statements for 1 September 2005–31 August 2006, Finnish Fur Sales switched from the Finnish Accounting Standards (FAS) to the International Financial Reporting Standards (IFRS). Information below is aimed at describing the effects of the IFRS adoption on the consolidated balance sheet, the consolidated income statement and key figures and ratios for the comparison period 1 September 2004–31 August 2005.

The most significant effects of Finnish Fur Sales' IFRS adoption relate to property, plant and equipment (tangible assets), employee benefits (pensions), receivables and short-term liabilities, whereas no major differences exist between the IFRS-compliant and FAS-compliant cash flow statements.

As a result of the IFRS adoption, Finnish Fur Sales' profit for 1 September 2004–31 August 2005 improved by EUR 270,000. The balance sheet total on the transition date of 1 September 2004 fell by EUR 9.4 million and that on 31 August 2005 by EUR 7.4 million. Shareholders' equity on 1 September 2004 decreased by EUR 650,000 and that on 31 August 2005 by EUR 320,000.

The tables below show changes resulting from the IFRS adoption on the consolidated balance sheet, income statement, shareholders' equity and key figures and ratios. FAS-compliant comparatives in these tables are consistent with earlier financial statements, with the exception that EUR 2.1 million in income tax on sales of a revalued asset, calculated on the amount of revaluation, has been transferred from shareholders' equity to deferred tax liability under long-term liabilities. IFRS-compliant comparatives for each quarter of 1 September 2005–31 August 2006 will be published in each interim report during the financial year 1 September 2006–31 August 2007.

OPENING BALANCE SHEET 1 SEPTEMBER 2004

ASSETS

(EUR 1,000)	Note	FAS 1 Sept. 2004	Adjustments	IFRS 1 Sept. 2004
Non-current assets				
Property, plant and equipment	1	27,731	–3,001	24,730
Intangible assets	1	2,647	–251	2,396
Available-for-sale investments	2	284	103	386
Deferred tax assets	3	0	60	60
Pension receivables	4	0	2,452	2,452
Total non-current assets		30,661	–637	30,024
Current assets				
Inventories		441		441
Customer receivables and other receivables	5	79,874	–8,798	71,075
Cash and cash equivalents		3,470		3,470
Total current assets		83,785	–8,798	74,987
TOTAL ASSETS		114,446	–9,436	105,011

LIABILITIES AND SHAREHOLDERS' EQUITY

(EUR 1,000)

	Note	FAS 1 Sept. 2004	Adjustments	IFRS 1 Sept. 2004
Equity attributable to parent company shareholders				
Share capital		7,200		7,200
Share premium fund		254		254
Other funds	1	12,404	-1,029	11,375
Translation differences		59		59
Fair value reserve	2	0	76	76
Retained earnings		33,836	305	34,141
Total shareholders' equity		53,753	-648	53,106
Long-term liabilities				
Deferred tax liabilities		3,993	-167	3,825
Interest-bearing liabilities	1	0	82	82
Total long-term liabilities		3,993	-85	3,908
Short-term liabilities				
Interest-bearing liabilities	1	39,013	96	30,476
Trade and other payables	5	17,687	-8,798	17,522
Total short-term liabilities		56,700	-8,702	47,998
Total liabilities		60,693	-8,788	51,905
Total liabilities and shareholders' equity		114,446	-9,436	105,011

CONSOLIDATED BALANCE SHEET 31 AUGUST 2005

ASSETS

(EUR 1,000)

	Note	FAS 31 Aug. 2005	Adjustments	IFRS 31 Aug. 2005
Non-current assets				
Property, plant and equipment	1	27,534	-3,297	24,237
Intangible assets	1	1,925	-264	1,661
Available-for-sale investments	2	284	186	469
Non-current receivables		0	1,069	1,069
Deferred tax assets	3	0	63	63
Pension receivables	4	0	3,027	3,027
Total non-current assets		29,742	783	30,525

	Note	FAS 31 Aug. 2005	Adjustments	IFRS 31 Aug. 2005
Current assets				
Inventories		458		458
Customer receivables and other receivables	5	82,693	-8,190	74,503
Cash and cash equivalents		4,041		4,041
Total current assets		87,192	-8,190	79,002
TOTAL ASSETS		116,935	-7,407	109,527
LIABILITIES AND SHAREHOLDERS' EQUITY				
(EUR 1,000)				
Equity attributable to parent company shareholders				
Share capital		7,200		7,200
Share premium fund		254		254
Other funds	1	12,934	-1,029	11,905
Translation differences		57		57
Fair value reserve	2	0	137	137
Retained earnings		34,087	573	34,660
Total shareholders' equity		54,533	-319	54,214
Long-term liabilities				
Deferred tax liabilities		4,016	-49	3,967
Interest-bearing liabilities		0	0	0
Total long-term liabilities		4,016	-49	3,967
Short-term liabilities				
Interest-bearing liabilities	1	44,061	82	44,143
Trade and other payables	5	14,324	-7,121	7,203
Total short-term liabilities		58,386	-7,039	51,346
Total liabilities		62,402	-7,088	55,313
Total liabilities and shareholders' equity		116,935	-7,407	109,527

RECONCILIATION OF SHAREHOLDERS' EQUITY | SEPTEMBER 2004 AND 31 AUGUST 2005

(EUR 1,000)	1.9.2004	31.8.2005
Shareholders' equity, FAS	53,753	54,533
IFRS First-time Adoption of IFRS	-2,367	-2,517
IAS 39 Financial Instruments	76	137
IAS 38 Intangible Assets	-169	-177
IAS 17 Leases	-2	-2
IAS 19 Employee Benefits (Pensions)	1,814	2,240
Total IFRS adjustments	-648	-319
Shareholders' equity, IFRS	53,106	54,214

RECONCILIATION OF NET PROFIT | SEPTEMBER 2004–31 AUGUST 2005

(EUR 1,000)	31 August 2005
Net profit under FAS	3,122
IAS 19 Employee Benefits (Pensions)	575
IAS 38 Intangible Assets	-11
IAS 16 Property, Plant and Equipment	-203
IAS 17 Leases	1
IAS 12 Income Taxes	-94
Total IFRS adjustments	268
Net profit under IFRS	3,390

CONSOLIDATED INCOME STATEMENT FOR 1 SEPTEMBER 2004–31 AUGUST 2005

(EUR 1,000)	Note	FAS 2004/2005	Adjustments	IFRS 2004/2005
NET TURNOVER		32,969		32,969
Other operating income		259		259
Change in finished goods inventory and work in progress		16		16
Materials and supplies		-1,257		-1,257
Employee benefits	4	-12,324	575	-11,749
Depreciation/amortisation	1	-3,044	-188	-3,232
Other operating expenses	1	-14,489	-21	-14,510
OPERATING PROFIT		2,132	365	2,497
Financial income		3,774	0	3,774
Financial expenses	1	-1,628	-4	-1,632
PROFIT BEFORE TAX		4,277	362	4,639
Income tax		-1,155	-94	-1,249
Net profit for the financial year		3,122	268	3,390

KEY FIGURES AND RATIOS

	FAS 2004/2005	IFRS 2004/2005
Earnings per share, EUR	0.87	0.94
Equity per share, EUR	15.73	15.06
Return on equity (ROE), %	5.6%	6.3%
Return on capital invested (ROI), %	5.3%	6.0%
Gearing ratio, %	52.1%	53.5%

NOTES TO THE RECONCILIATION OF SHAREHOLDERS' EQUITY ON 1 SEPTEMBER 2004 AND 31 AUGUST 2005 AND PROFIT FOR 1 SEPTEMBER 2004–31 AUGUST 2005

1. Property, plant and equipment, and intangible assets

In measuring its property, plant and equipment, Finnish Fur Sales applies the cost model under IAS 16 (Property, Plant and Equipment). Increases in the fair value of buildings have been part of the carrying amount under FAS and regarded as part of deemed cost for the transition period, in accordance with IFRS 1. The increases in the buildings' fair values have been subject to depreciation over the assets' useful lives under IFRS and the recognition of deferred tax liabilities.

Leases are classified as finance leases if substantially all the risks and rewards are passed to the company, as specified in IAS 17 Leases. Assets leased under the finance lease, less accumulated depreciation, are presented

in property, plant and equipment and contractual obligations in interest-bearing liabilities. Under FAS, these leases were presented in leasing liabilities in the Notes to the Financial Statements.

Website development costs capitalised under FAS are charged as annual expenses under IFRS.

Balance-sheet items have been re-classified in compliance with IFRS. Leased premises' renovation costs under intangible assets have been re-classified as property, plant and equipment in accordance with IAS 16.

2. Available-for-sale investments

Under IFRS, Group investments in shares, classified as available-for-sale investments, are measured at fair value. The fair value of publicly quoted shares equals their market price on the balance sheet date. Any changes in fair value are recognised in the fair value reserve under shareholders' equity. Shares not quoted publicly are recognised at cost, since their fair values cannot be measured reliably.

3. Deferred tax assets and tax liabilities

Deferred tax assets and liabilities are calculated on temporary differences between the taxable values of assets and liabilities and their IFRS-compliant carrying amounts, under IAS 12 (Income Taxes).

4. Pension receivables

The Group's pension schemes are classified as defined contribution plans or defined benefit plans (IAS 19). Under the defined contribution plan, pension contributions are charged to expenses in the income statement for the period during which such contributions are made. Under the defined benefit plan, liabilities or assets may remain with the Group after the payment for the financial year.

Statutory (the Employees' Pensions Act) retirement, unemployment and disability pensions funded through Turkistarhaajien Eläkekassa (Finnish Fur Breeders' Pension Fund) are treated as defined benefit pension plans. IAS 19.130 applies to accounting for the disability pension funded through the pension fund based on the Finnish employees' pensions legislation. Accordingly, the resulting pension expenses are recognised when the accident causing disability has occurred, i.e. the disability pension liability is not recognised as a liability against future events. Any actuarial gains or losses are recognised in the IFRS opening balance as specified in IFRS 1. An item presented as pension receivables in the balance sheet equals the amount of the plan's assets in excess of the plan's liabilities. In addition, the Group applies the so-called corridor approach, i.e. a certain amount of actuarial gains and losses remains unrecognised.

5. Customer receivables and other receivables

Under IAS 32, a financial asset and a financial liability must be offset and the net amount reported in the balance sheet, provided that the entity has a legally enforceable right to set off the amount and intends to settle on a net basis. Accounts receivable and advances received from customers are presented on a net basis in the IFRS-compliant balance sheet.

Segments

Finnish Fur Sales uses pelt sorting and sales – the Group's business – as its primary segment reporting format and the Far East, Europe, North America and other areas (incl. Russia) as its secondary segment reporting format.