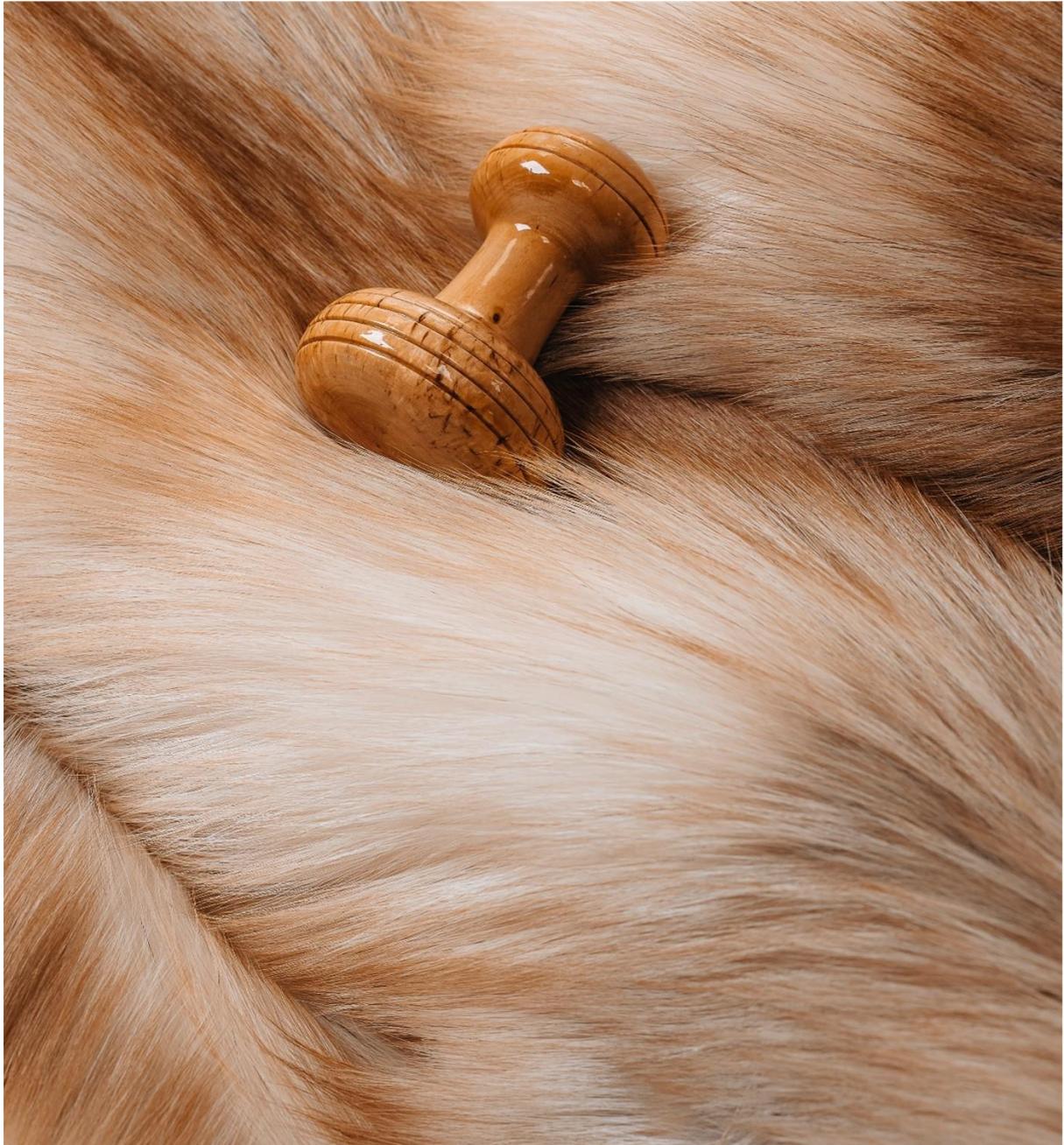


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Brokerage sales and net turnover increased significantly, strong performance improvement

Financial Statements Bulletin 1 November 2020–31 October 2021

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SAGA FURS OYJ

FINANCIAL STATEMENTS BULLETIN 1 NOV 2020–31 OCT 2021

Brokerage sales increased by 150 per cent, strong growth of net turnover and profit

- Thanks to the higher price level and increased number of pelts sold, Saga Furs' brokerage sales increased by 150 per cent from the previous financial year, totalling EUR 392 million (2019–2020: MEUR 157).
- The company's key performance indicators and financial position strengthened significantly.
- Consolidated net turnover increased by 81 per cent, amounting to EUR 51 million (MEUR 28).
- Operating expenses remained at the level of the comparison period, amounting to EUR 43 million (MEUR 43).
- Consolidated operating profit increased to EUR 11 million (MEUR –13).
- Consolidated net financial income increased to EUR 5.6 million (MEUR 2.2).
- Consolidated profit before tax stood at EUR 17 million (a loss of MEUR –10).
- Earnings per share were EUR 3.63 (–2.37).
- The Board of Directors proposes to the Annual General Meeting that a total dividend of EUR 1.00 per A share and EUR 1.28 per C share be paid.

Growth in brokerage sales accelerated in the second half of the financial year

- During the half-year period 1 May 2021–31 October 2021, the company's brokerage sales increased to EUR 248 million (MEUR 112 for the comparable period).
- Consolidated net turnover increased by 62 per cent, amounting to EUR 30 million (MEUR 18 million).
- Operating expenses increased to EUR 25 million (MEUR 20).
- Consolidated operating profit increased to EUR 7.2 million (–50,000).
- Consolidated profit before taxes increased to EUR 9.0 million (MEUR 0.5)

Business outlook

- Saga Furs expects to offer 12.5 million mink, 1.6 million fox and 110,000 Finnraccoon pelts in the auctions of the financial year 2021–2022. These volumes include the previously graded 1.6 million mink, 420,000 fox and 31,000 Finnraccoon pelts which were carried over from the previous financial year.
- Due to the COVID-19 situation, it is premature to assess the development of Saga Furs' net turnover in the financial year 2021–2022. Personnel costs are expected to increase as a result of the increase in the number of pelts to be graded. The Group's costs are also increased by higher energy prices and transport costs. The projected decrease in the financial volume will significantly reduce the Group's consolidated net financial income. Due to the uncertainty of the market situation, the company is not providing a forecast of the result for the financial year.

Consolidated key figures	5/21-10/21	11/20-10/21	5/20-10/20	11/19-10/20
	6 mo	12 mo	6 mo	12 mo
Total sales, MEUR	247.8	391.9	111.6	156.9
Total amount of skins sold, million pcs	6.2	10.0	6.4	8.0
Net turnover, MEUR	29.9	51.0	18.5	28.2
Operating profit/loss, MEUR	7.2	11.0	0.0	-12.6
Profit before taxes, MEUR	9.0	16.6	0.5	-10.4
Earnings per share, EUR	1.90	3.63	0.07	-2.37
Return on equity, (ROE) %	7.7 %	15.3 %	0.3 %	-10.2 %
Return on investment, (ROI) %	8.6 %	13.5 %	1.3 %	-5.0 %

Business overview

In the context of the COVID–19 pandemic that continued during the financial year of 2020–2021, Saga Furs Oyj focused on its core business that consists of collecting, grading and brokering fur pelts to customers, mainly through auctions.

The pelt collecting, grading and storage activities proceeded almost as normal. The number of collected mink pelts was almost at a record level (around 10 million pelts), while the number of collected fox pelts, around 840,000, remained only at half of the normal amount due to the decrease in fox fur production. The pelts were supplied by both European and North American fur farmers. In accordance with its sustainability policy, Saga Furs received mink, fox and Finn raccoon pelts only from fur farms for which the certification related to the welfare of the production animals was valid. Pelt grading was increasingly concentrated on the second half of the financial year. The quantity of pelts to be graded and auctioned during future sales seasons remained at a relatively high level during the period. Compared to the previous financial year, a smaller number of graded mink and fox pelts were transferred to be stored and sold in the next financial year.

Saga Furs' brokerage of North American mink pelts remained significant. Most North American mink pelts were offered as a separate collection, and they were graded in the grading centre operating in Wisconsin, USA.

In Saga Furs' main market Asia, particularly in China and South Korea, the normalisation of the fur garments market continued to suffer from the pandemic restrictions during the winter season 2020–2021. The retail volumes were clearly lower than before, and the price level of garments fell. Despite this, the local fashion houses actively organised new events presenting fur clothing collections, some of which Saga Furs also participated in. Saga Furs collaborated with both European and Chinese designers in the design of the Fur Vision 2022 collection, which was presented in autumn 2021.

Also, in other important market areas in Europe and North America, the fashion industry was still in difficulty in the winter season 2020–2021, and the business of customers using fur in their collections was smaller than usual due to the COVID–19 pandemic.

Saga Furs exclusively continued to use the BLACKGLAMA trademark for the marketing and sale of high-quality North American black mink. Marketing measures were taken in China in particular. The development of BLACKGLAMA pelt sales was good during the financial year.

The travel and gathering restrictions that continued during the financial year effectively prevented the organisation of auctions based on attendance. For this reason, Saga Furs continued to conduct online auctions that have proven to be effective and have earned the trust of the parties. During the uncertain market situation, online auctions also reduced costs for market participants and thus facilitated the recovery from the negative economic impact of the pandemic.

A total of 10 million pelts were sold at Saga Furs' auctions in the 2020–2021 financial year (2019–2020: 8 million pelts). 8.2 million of the sold pelts were mink, 1.6 million fox, 98,000 Finn raccoon and 54,000 Karakul lamb. Demand for pelts recovered during the period from the collapse of the previous financial year and, for example, the price level of mink pelts doubled. The purchases of fox and Finn raccoon pelts remained selective throughout the financial year, and the price level increased more cautiously compared to mink pelts.

Based on the results of the first two auctions of the period, Saga Furs issued a positive profit warning, according to which the company expected its result for the financial year to show a profit. In connection with the half-year financial report, the company estimated that the result for the financial year would be significantly better than previously estimated and clearly profitable. Following the September auction, the company announced that the sales for the financial year had risen clearly above the pre-pandemic level. The value of brokerage sales increased to EUR 392 million (MEUR 157) and net turnover totalled EUR 51 million (MEUR 28).

Saga Furs' financial position improved during the financial year as a result of increased pelt sales. Although more pelts were sold and at rising prices in the auctions of the financial year compared to the previous financial year, the need for buyer financing clearly decreased as buyers tried to redeem the pelts as quickly as possible. As a result of the acceleration in pelt sales and changes in the competitive situation, less prepayments were made to producers than in the previous financial year. The Group's liquidity remained good during the financial year.

Brokerage sales and turnover

During the financial year, the value of auction brokerage sales more than doubled and rose well above the pre-pandemic level. This increase was influenced both by the increase in the number of pelts sold and, in particular, by the doubling of the price level of mink pelts during the financial year.

All four auctions of the financial year were conducted online and were attended by buyers from all main markets. The pelts were sold mainly to China, but also to South Korea, the European fashion industry and Russia.

Due to the increased number of pelts sold and higher price level, Saga Furs' brokerage sales increased by 150 per cent from the previous financial year, totaling EUR 392 million (MEUR 157). During the financial year, the company brokered a total of 10 million fur pelts (2019–2020: 8 million pelts), of which 8.2 million were mink (7.4 million pelts), 1.6 million fox

(0.5 million pelts), and 98,000 Finn raccoon pelts (160,000 pelts). A significant number of mink and fox pelts were transferred for sale in the following financial year.

The Group's consolidated net turnover increased by 81 per cent during the financial year, amounting to EUR 51 million (MEUR 28 million) due to the increase in the value of brokerage sales.

Auctions

The value of the brokerage sales of the first auction of the financial year in December was EUR 28 million (12/2019: MEUR 12). More than 80 per cent of the more than 800,000 mink pelts on auction were sold, and the price level increased by approximately 50 per cent on average compared to the previous period. 100 per cent of the 120,000 Blue and Shadow fox pelts offered were sold, and the price level increased by approximately 20 per cent. Of the 100,000 mutation and Silver fox pelts offered, only one fifth was sold while the price level was steady.

In the March auction, the value of brokerage sales increased to EUR 104 million (04/2020: MEUR 32). More than 90 per cent of the 2.5 million certified mink pelts and 70 per cent of the 660,000 certified Saga® fox and Finn raccoon pelts on offer were sold at the auction. Strong demand continued to support the continued increase in the price level of mink pelts.

The value of brokerage sales in the June auction increased to EUR 188 million (07/2020: MEUR 20), which clearly exceeded the value of sales for the whole of the previous financial year (EUR 157 million). Nearly 3.6 million mink pelts were sold in the June auction, and their price level rose significantly. Approximately 95 per cent of the auctioned 590,000 certified Saga® fox and Finn raccoon pelts offered were sold.

The value of brokerage sales in the September auction was EUR 59 million (9/2020: MEUR 72). The company's sales policy for mink pelts was based on defending the price level and aiming to stabilise the market after a strong price increase during the period. As a result, the sales percentages of the lower quality mink pelts on auction were higher than the sales percentages of the higher quality mink pelts. 70 per cent of the 2.5 million auctioned mink pelts were sold, and their price doubled compared to the auction of the previous year. More than half of the 580,000 auctioned fox and Finn raccoon pelts were sold. One-third of the higher quality Blue fox and Shadow fox pelts were sold almost at the price level of the June auction, but nearly 80 per cent of the lower quality level pelts were sold. Blue Frost fox pelts were all sold at rising prices.

Brokerage sales in the half-year period 1 May–31 October 2021

Between May and October 2021, the company sold a total of 6.2 million pelts (5/2020–10/2020: 6.4 million pelts). Of the pelts sold, 5.3 million were mink pelts (6.0 million), 0.8 million fox pelts (270,000), 49,000 Finn raccoon pelts (37,000) and 25,000 Karakul lamb pelts (12,000). During the review period, the value of sales grew by 121 per cent, totalling EUR 248 million (MEUR 112).

Value of brokerage sales by auction

Auction	Sales		Value		Sales		Value	
	1,000 pelts	EUR 1,000	1,000 pelts	EUR 1,000	1,000 pelts	EUR 1,000	1,000 pelts	EUR 1,000
	2020/2021	2020/2021	2019/2020	2019/2020	2018/2019	2018/2019	2018/2019	2018/2019
December	831	28 315	197	11 629	320	19 602		
March	2 755	103 536	1 360	31 865	2 919	106 226		
June	4 115	188 430	1 173	24 583	3 347	99 498		
September	2 050	58 889	4 442	71 528	2 211	69 697		
Private Treaty	211	12 760	830	17 341	34	1 335		
Total	9 962	391 931	8 002	156 944	8 830	296 357		

Financial position, result and key performance indicators

During the financial year 2020–2021, the number of pelts sold increased by one quarter from the previous financial year, totaling 10 million pelts (8 million pelts in the previous financial year) due to the improvement in the demand for pelts. The exchange rate of the US dollar against the euro, weighed with auction sales, increased by 4,0 per cent from the previous financial year. The euro-denominated prices of fox pelts increased by 14 per cent and those of mink pelts by 105 per cent from the previous financial year. Thanks to the higher price level and increased number of pelts sold, brokerage sales increased by 150 per cent from the previous financial year, totaling EUR 392 million (MEUR 157).

During the financial year, the Group's consolidated net turnover increased by 81 per cent to EUR 51 million (MEUR 28). The bulk of the net turnover, 91 per cent (87%), consisted of commission fees collected for pelt brokerage. The commission fees from producers accounted for 27 per cent (38%) and the commission fees from buyers for 64 per cent (50%) of the consolidated net turnover. The remainder was generated, among others from sales of pelting services to producers. The share of commission fees collected from Finnish customers, both producers and buyers, was 13 per cent (8%) and the share of commission fees collected from international customers was 79 per cent (80%). Other operating income increased due to restored customer credit losses, totaling EUR 2.7 million (MEUR 1.9).

The Group's operating expenses remained at the level of the comparison period despite the increase in the number of pelts sold. Personnel expenses increased by 5 per cent year-on-year, totaling EUR 16 million (MEUR 15). Comparable depreciation in light of the IFRS 16 standard decreased from EUR 6.0 million to EUR 5.7 million. Other operating expenses were EUR 19 million (MEUR 20). This includes credit losses of EUR 0.3 million (1.6 MEUR) recorded for receivables from buyers.

Consolidated operating profit in the financial year was EUR 11 million (a loss of MEUR -13).

Credit losses for advances paid to producers decreased and totaled EUR 1.2 million (MEUR 3.6), which increased the Group's consolidated net financial income by 154 per cent to EUR 5.6 million (MEUR 2.2). Net financial income was also improved by lower interest expenses.

Consolidated profit before tax stood at EUR 17 million (a loss of MEUR -10). Consolidated profit stood at EUR 13 million (a loss of MEUR -8.4).

Return on equity was 15.3 per cent (-10.2%), with earnings per share amounting to EUR 3.63 (EUR -2.37).

The Group's equity ratio at the end of the financial year was 75.2 per cent (31 October 2020: 42.9%). At the end of the financial year, the company had no net debt, as its cash and cash equivalents were EUR 3.7 million higher than its liabilities. At the end of the financial year, the receivables from fur producers were EUR 23 million (MEUR 103), as producers took significantly fewer advances due to a smooth sales season. Receivables from buyers were EUR 14 million (MEUR 31) due to the rapid pace of redeeming the pelts throughout the financial year.

The consolidated balance sheet total was EUR 130 million (31 October 2020: MEUR 186). Equity per share was EUR 25,48 (31 October 2020: EUR 22,01 and 31 October 2019: EUR 24,38).

Financial performance for the half-year period 1 May to 31 October 2021

Consolidated net turnover increased by 62 per cent compared to the comparison period, amounting to EUR 30 million (MEUR 18 million). The growth of net turnover continued thanks to lively brokerage sales.

Operating expenses increased to EUR 25 million (MEUR 20). Consolidated operating profit in the second half of the financial year improved, amounting to EUR 7.2 million (a loss of EUR -50,000). Net interest income decreased to EUR 1.6 million (MEUR 3.7). Credit losses recorded for receivables from producers decreased to EUR 1.5 million (MEUR 2.9). Other financial income was EUR 1.7 million (EUR 34,000), of which the share of producer credit losses was EUR 1.2 million (EUR 34,000). Net financial income increased to EUR 1.8 million (MEUR 0.5).

Consolidated profit before tax stood at EUR 9.0 million (MEUR 0.5) in the second half of the financial year.

Personnel

The number of permanent Group staff in the financial year averaged 147 persons (171 in the comparable period) and that of fixed-term employees 106 (161). The majority of the Group's fixed-term employees work on a seasonal basis in various duties in grading and processing of pelts.

At the end of the financial year, the Group employed 220 individuals (156). Of them, 147 (149) were permanent employees, of whom 37 (33) worked abroad.

Of the permanent staff members, 56 per cent (55%) were male and 44 per cent (45%) female. The average age was 47 years (47) and the median age was 49 years. 51 per cent of the Group's personnel were male and 49 per cent female. During the financial year, the company employed citizens of 18 countries.

The time of service of permanent staff averaged 12.9 (12.3) years. On average, seasonal employees were employed on a fixed-term basis for 3 (5) months in the parent company, and for 4 (4) months in Furfix Oy, the pelting centre located in Kaustinen, Finland.

Saga Furs has an incentive bonus scheme for all employees of the Group, valid after six months of employment. The annual bonus scheme is based on four Group-level objectives. The remuneration of the company's Board of Directors and executives is explained in the Remuneration Report, available on the company's website. Wages and salaries for the financial year totaled EUR 12 million in the Group and EUR 10 million in the parent company (2019–2020: MEUR 15 and MEUR 12).

Due to the COVID-19 pandemic, Saga Furs continued to take exceptional measures to improve personnel safety, including instructing personnel to work remotely, where possible, to reduce the risk of infection. During the financial year,

sick leaves decreased by over one percentage point and corresponded to around 3 per cent of working hours. The amount of overtime worked almost halved in the financial year 2020–2021 compared to the previous financial year.

Share trade and share performance

At the end of the financial year 2020–2021, the share capital of Saga Furs Oyj amounted to EUR 7,200,000 and the number of shares stood at 3,600,000 shares, of which 900,000 were Series A shares and 2,700,000 Series C shares. These include a total of 63,088 Series A and C shares held by the company.

Between 1 November 2020 and 31 October 2021, a total of 990,000 Series C shares of the company were traded, accounting for approximately 37 per cent of the total number of Series C shares. The value of shares traded totaled EUR 12.3 million. The highest price of the share during the period was EUR 19.50, the lowest price was EUR 5.12, and the average price was EUR 12.44. The shares closed at EUR 13.37. During the financial year, the price of the company's publicly traded Series C share increased by approximately 150 per cent.

The company's market capitalization stood at EUR 48 million (MEUR 19) on 31 October 2021.

A list of the company's largest shareholders as of 31 October 2021 is available for viewing on the company's website.

Annual General Meeting

Saga Furs Oyj's General Meeting of 29 April 2021 confirmed the company's financial statements for the financial year 1 November 2019–31 October 2020. The General Meeting approved the Board of Directors' proposal that no dividend be paid to the shareholders. The Board of Directors was authorised to later decide on the distribution of dividends up to a maximum of EUR 0.50 per Series A share and EUR 0.64 per Series C share. The authorisation will be valid until the next Annual General Meeting.

The General Meeting did not approve the re-prepared and presented remuneration policy. The policy will be prepared further and presented to the General Meeting at the next Annual General Meeting at the latest.

The General Meeting authorised the Board of Directors to decide on a share issue based on the disposal of treasury shares. The authorisation concerns a maximum of 1,630 Series A shares and 61,458 Series C shares, representing no more than approximately 1.76 per cent of the total number of shares in the company. Based on the authorisation, the Board of Directors may decide on a directed share issue, and the authorisation can be used in one or more rounds.

Business risks and uncertainties

The risks of Saga Furs Oyj are managed in a systematic and predictive way so that the company is able to estimate and manage business-related risks, threats and opportunities.

The risks associated with Saga Furs Oyj's business are divided into business and strategy risks, financial risks and operational risks. As the operating environment is changing, the risks associated with strategic choices may increase, but the company aims to manage and limit the possible effects of risks. If, however, these risks were realised, they could considerably impair the business and financial position of the company and weaken its financial performance or value. In addition, other risks that are not currently considered to be significant or that the company is not currently aware of may become significant.

The company operates in a cyclical industry, and it takes time before responses to changes become visible in the business. The demand for fur is not steady throughout the year, since fur is primarily used during the winter season. Pelt prices may fluctuate greatly, depending on the demand at the time of the auction and on global production volumes. Being an important operator, Saga Furs aims to level out price fluctuations by moving pelts sale at following auctions, and even in the following financial year.

Most significant business and strategy risks

Failure to foresee changes in the operating environment and in strategic choices could impair the company's competitiveness or profitability and reduce its market share. The fur trade is sensitive to cyclical fluctuations, and a downturn in the global economy could lead to a weaker market situation and increased competition. Changes in the economic or political situation of individual countries, as well as saturation of an individual market area could have a significant impact on Saga Furs' business. A significant change in the retail structure of a key market area, and new operators, unfamiliar with the fur trade, entering the industry could affect the company's business. The impact would be particularly severe should one of the above-mentioned take place in China, the company's most important market.

Restrictions on travel and gatherings imposed due to the prolonged COVID-19 pandemic or similar infectious diseases could harm the organisation of Saga Furs' auctions and impair brokerage sales. The company seeks to minimise such impacts by, for example, organising online auctions and transferring other customer service operations to the internet. If infectious diseases were to spread in fur farms, key export countries might take precautions and impose restrictions on the import of raw pelts. This could impair brokerage sales, even if the import of dressed pelts remained unchanged. According to studies by the European Centre for Disease Prevention and Control ECDC, the coronavirus cannot survive on raw pelts for any long periods of time. The risk of the virus being present in raw pelts is eliminated securely through the storage process at the company.

Mink pelt production has decreased drastically due to the COVID-19 pandemic. If the developed mink vaccines do not meet expectations in terms of efficacy and deployment coverage, the risks associated with fears of virus transmission could limit the availability of funding for producers and further reduce production. A ban on mink farming in the largest producer countries would have a major effect on the company's business, and a ban on the trade of fur products in the major selling countries would also be counterproductive.

A sharp rise in the price of mink pelts can lead manufacturers to look for cheaper, substitute materials. A stronger-than-expected decline in the fashion and textile industry's fur sales following from, for example, changes in consumer demand due to general attitudes, or an infectious disease, could lead to delays in pelt sales and decreasing business volumes. This might further impair the availability of financing in the fur trade.

A decline in Finnish production could hamper the business of service providers in the fur trade value network and weaken regional employment. Digitalisation and new competing business models could have a major impact on the company's customer base, and the loss of important producer-customers could affect its business.

Saga Furs operates internationally, and the industry is affected by various local laws and regulations as well as the relative competitive ability of various areas. Changes in these fields could lead to an increase in production costs or changes in the market environment, which, in turn, might have a negative impact on the company's profitability. The disturbance of the social stability of an important market area, limitations on free trade, changes in the geopolitical situation or stronger protectionist measures could result in a complicated market environment.

Saga Furs has a strong reputation and trademark. However, negative image influencing targeted at the company and fur trade could reflect negatively on the company's business and financial development. This could also have an impact on personnel retention and the success of recruitments. Animal welfare and health play a key role in responsibility and sustainability measures, third-party certification and pelt quality, all of which are part of the company's brand. The realisation of these risks could impair the company's operations.

Most significant financial risks

The business of the Saga Furs group involves different kinds of financial risks: credit and other counterparty risks, country, solvency, currency, interest rate and commodity risks. These risks are taken because of commercial reasons, such as the credit loss risk that is accepted in order to increase the pelt volumes received or sold or to increase the pelt prices. The financial and economic departments are responsible for financial risk management in the Saga Furs group, and the business units seek to reduce the indirect impacts of financial risks on the company's financial result according to the instructions given by the company's Board of Directors. The company seeks to balance its financial risks in proportion to the company's equity, distributable assets and result before taxes. These risks and how they are managed are described in more detail in note 25 to the consolidated financial statements.

Operational and other risks

Major accidents in the company's production facilities, such as fires, machine breakdowns or severe defects in information systems could interrupt the company's business activities. The company has prepared contingency plans in case of the realisation of these risks, and its business is insured in this respect. A failed selection of technology or delay in the major ongoing ICT project could have a negative impact on business and lead to a significant overshooting of the cost estimate.

Sustainability

The business of Saga Furs Oyj is based on purchasing fur pelts from fur producers and selling them to pelt retailers and garment manufacturers. Saga Furs has operated as a fur auction company since 1938, which demonstrates the long-term and responsible development of the company's business. The company has based its operations on the brokering of high-quality pelts and the formation of long-term customer relationships with companies in the fashion industry. Sustainability has long been an integral part of these foundations. Success as a partner of demanding fashion houses requires high standards of quality and sustainability as well as continuous improvement.

Principles of sustainability management

Sustainability is seen as part of the core of Saga Furs' business operations and the provision of operational preconditions. The company also actively cooperates internationally with the International Fur Federation (IFF). The company's sustainability work is guided by the following principles:

Environmental responsibility

- The company only brokers fur skins from European and North American animal welfare-certified fur farms. The company develops and maintains solutions that enable the traceability of the origin of fur.
- The company minimises the environmental impacts of its own operations through, for example, transport optimisation and energy choices.

Social responsibility

- As the world's largest fur broker, Saga Furs aims to even out the price fluctuations of fur pelts and thus take responsibility for the long-term economic success of the various parties of the industry. In many countries, the fur industry is a significant source of employment and tax revenue in the rural areas.
- The company provides employment to both its permanent personnel and a diverse group of seasonal employees. At the same time, the company also trains fur trade professionals.
- In Finland and in other countries, Saga Furs supports influencing work that promotes the maintenance of fur farming as a vibrant primary production sector.

Governance

- As a listed company, Saga Furs bases its operations on transparency and compliance with administrative and financial reporting. In addition, the company is preparing for the entry into force of a corporate responsibility reporting regulation of the EU by improving its reporting on non-financial matters.
- The employees of Saga Furs are committed to complying with the company's Code of Conduct in all their operations. Saga Furs is committed to applying and promoting the principles of its Code of Conduct also with its partners.

Key sustainability themes

- Animal welfare
- Climate and environment
- Reliable employer and partner
- Fur as a natural material

Sustainability of business

Saga Furs' services are located in the middle of the fur trade value chain, which begins with fur farming and continues as the recycling of a finished garment at the other end of its life cycle. Saga Furs does not own the pelts at any point in the value chain but acts as an intermediary between the producer and the next step in the value chain.

At the beginning of the value chain, Saga Furs is involved in ensuring the supervision and verification of fur farming and the closely related animal welfare, in cooperation with the relevant industry associations. In accordance with its sustainability policy, Saga Furs only accepts mink, fox and Finnraccoon pelts from fur farms with valid production animal welfare certifications. In practice, Saga Furs ensures the validity of the certification of European producers by maintaining a farm register.

All of Saga Furs' mink, fox and Finnraccoon producer customers in Europe adhere to the animal welfare-focused WelFur certification programme, which is verified by an independent auditor and requires the farm to pass metric assessments in three different stages of the breeding season. In addition, Finland has a Finnish fur farm certification programme for environmental matters, verified by an independent auditor, of which the WelFur programme for measuring animal welfare is a part. North American mink farmers have country programmes similar to WelFur.

The company's sustainability work continues in the value chain also after the auction. The single most important service for fur buyers, dressers and dyers, fashion houses and consumers is traceability information of origin.

The importance of data protection and security for Saga Furs' business has been emphasised since online auctioning became the prevailing commercial practice for the sale of pelts in the pandemic conditions. Saga Furs complies with the requirements of the General Data Protection Regulation of the EU (GDPR) and became aware of some minor regulatory development needs during the financial year.

Environmental responsibility

In 2021, the International Fur Federation commissioned a study on the lifecycle environmental footprint of fur pelts. According to the Product Environmental Footprint analysis, the feeding of fur animals accounts for the majority, about 70 per cent, of the environmental impact. Auctioning accounts for less than 1 per cent of the footprint.

The environmental impacts of Saga Furs' own operations are mainly caused by transport related to the collection of pelts and the energy consumption of properties, a large part of which is related to the storage of pelts.

The company's largest property and the most important production building Fur Center is located in Vantaa, Finland. Heating the space required for grading pelts and the cooling required for storing them accounts for a large part of the property's energy consumption. In recent years, the company has taken a number of measures that have led to improved energy efficiency. As a result, the consumption of electricity and district heat has increased by only 5 per cent

during the previous two financial years, despite the introduction of the additional space required by the increase in the number of pelts. Energy consumption has decreased in relation to the area and volume of the properties. Saga Furs has acquired the electric power it uses at Fur Center as zero emissions energy since the beginning of the financial year 2021–2022, and district heating since 2016.

Saga Furs collects pelts from Finland and other parts of Europe mainly by road to Vantaa, Finland, where the pelts are graded. The environmental load of collection transport has been reduced, for example, by optimising driving routes. North American pelts are graded mainly in the United States, packaged by pelt type and then transferred by air freight to be sold at auctions organised in Vantaa, Finland. Reducing transport-related emissions is one of Saga Furs' own sustainability development priorities.

Other environmental impacts of the company's own operations arise from water consumption and waste management.

Main events after the end of the financial year

The first auction of Saga Furs for the financial year 2021–2022 was held online on 14–16 December 2021 and attended by almost 80 buyers. Purchases of mink, fox and Finnraccoon pelts were directed to Russia, South Korea, Turkey, Greece and the Western fashion industry. By contrast, purchases in the company's main market in China remained limited. Of the 840,000 mink pelts on auction, a little over one fifth were sold. Half of the 210,000 fox pelts on auction were sold. The supply of 20,000 Finnraccoon pelts was sold in full. The value of brokerage sales in the auction was EUR 11 million (12/2020: MEUR 28).

In January 2022, the company's grading operations in Wisconsin, USA, moved to a new modern sorting centre leased under a long-term contract.

In January 2022, the company sold the property company Kiinteistö Oy Tiilitaso, which previously operated as the company's mink grading facility and which in recent years has operated as a pelt warehouse. The transaction in question is a sale and lease back arrangement. The company records a gain on the sale of MEUR 2.1, which is recognised as income in the beginning of the financial year.

Future outlook

Market development estimate

The poor sales in the financial year 2019–2020 led to a clear decrease in the number of breeding animals carried over to 2021, both mink and fox. In addition, mink production was not allowed in Denmark and Sweden during 2021, and mink farming in the Netherlands ceased altogether when the transitional period ended. Consequently, the number of mink and fox puppies nearly halved in the western hemisphere in 2021 compared to the previous year. Despite the increase in price levels, volatility in the market will also reduce the number of breeding animals in 2022.

Although, in addition to the mink pelts produced in 2021, so many previously collected and stored pelts are being offered in the financial year 2021–2022 that the global supply is estimated to be higher than in the previous year, the offering of several types of pelts is still lower than in the previous year. The offering of Finnish fox pelts is estimated to remain at the level of the previous financial year or to decrease slightly as the prices are not profitable for producers. The price level of the auctions in this financial year determines the possibilities for many producers to continue operating.

During the financial year 2021–2022, the COVID-19 pandemic will continue to have a very significant impact on market demand. For market development, the most important aspect is consumer demand in China and South Korea. The risks presented by COVID-19 to the fur trade and Saga Furs are described in the Risks section of this bulletin.

During the first months of the financial year 2021–2022, several major cities in China, Saga Furs' primary market area, have been subject to restrictions on movement. This has limited operations in most areas where fur clothing manufacturing and retail are centered. The restrictions are expected to remain in place at least over the Chinese New Year and the Winter Olympics.

The retail of fur garments in winter 2021–2022 in China has started more poorly than in the previous year, while sales in South Korea and other major market areas have started at a busier pace than last winter.

The depreciation of the euro in relation to the currencies in Saga Furs' major export markets, China and the USA, supports the demand for pelts. The rouble has also strengthened as the rise in oil prices supports the Russian economy.

Business outlook

In addition to the December 2021 auction, Saga Furs Oyj will arrange auctions in March, April, June and September 2022, if the COVID-19 restrictions allow. The company expects its market position to remain strong and estimates that its auctions during this financial year will offer nearly 12.5 million mink, more than 1.6 million fox and 110,000

Finnraccoon pelts. These volumes include the previously graded 1.6 million mink, 420,000 fox and 31,000 Finnraccoon pelts which were carried over from the previous financial year.

It is premature to estimate the sales of auctions in the 2021–2022 financial year on the basis of the December 2021 auction. The average auction prices in December 2021 were lowered by the purchases being concentrated on lower quality pelts, which were not offered at all in the corresponding auction one year ago. The price level of higher quality pelts improved clearly from the auction in December 2020. The results of the main selling season of fur pelts depend, first and foremost, on the development of the fur sales in China, the main market area of Saga Furs.

The recent decrease in the global supply of mink pelts and the recovery of demand provided the conditions for a rapid increase in the average price of mink pelts in the previous financial year. However, the doubling of the price level over a short period of time has hampered fur garment trade. If a significant amount of garments is not sold during the ongoing retail season, this may have a negative impact on the results of the spring auctions. The sales volumes and price level of fox and Finnraccoon pelts are expected to remain at the level of the previous season. However, significant uncertainty factors, particularly those associated with the COVID-19 pandemic, still remain on the markets.

Due to the COVID-19 situation, it is premature to assess the development of Saga Furs' net turnover in the financial year 2021–2022. Personnel costs are expected to increase as a result of the growth of the number of pelts to be graded. The Group's costs are also increased by higher energy prices and transport costs. The projected decrease in the financial volume will significantly reduce the Group's consolidated net financial income. Due to the uncertainty of the market situation, the company is not providing a forecast of the result for the financial year.

Accounting principles

The information in this financial statements bulletin is based on the report of the Board of Directors and the audited financial statements to be published at www.sagafurs.com by 28 January 2022 at 16:00. The financial statements bulletin was prepared in accordance with the IAS 34 Interim Financial Reporting standard.

Changes to standards that came into effect on 1 January 2020 did not have an impact on the reported figures.

The International Financial Reporting Standards Interpretations Committee (IFRIC) has issued a new agenda decision on the interpretation of the IAS 38 standard. On the basis of the agenda decision, Saga Furs has concluded that, to the extent that cloud services software (SaaS) is managed by the service provider, this software do not meet the criteria for intellectual property rights. Therefore, the costs of deployment projects must be recognised as an expense of the financial year during the project.

Saga Furs has adjusted the costs of information systems and projects activated for the acquisition costs of intellectual property rights. The comparative data have not been adjusted, and the impact of deferred tax on the adjustment has not been taken into account. The impact of the adjustment on the profit for the financial year that ended on 31 October 2020 is EUR –158,000 and EUR –452,000 for the balance sheet total.

Consolidated statement of financial position, IFRS

EUR 1,000

ASSETS	31.10.2021	31.10.2020
Non-current assets		
Property, plant and equipment	29,318	31,653
Intangible assets	2,449	2,879
Deferred tax assets	177	3,834
Investments	358	358
Long-term receivables	11,063	12,486
Non-current assets, total	43,365	51,211
Current assets		
Inventories	8,875	3,991
Interest-bearing receivables from buyers	5,674	13,666
Interest-bearing receivables from fur breeders	17,707	97,299
Non-interest-bearing receivables	10,663	19,481
Tax assets based on taxable income for the period	104	36
Cash and cash equivalents	43,958	415
Current assets, total	86,980	134,888
Total assets	130,345	186,099
SHAREHOLDERS' EQUITY AND LIABILITIES	31.10.2021	31.10.2020
Equity attributable to parent company's shareholders		
Share capital	7,200	7,200
Share premium account	254	254
Other funds	21,105	21,105
Translation difference	56	51
Retained earnings	61,498	49,227
Shareholders' equity, total	90,113	77,838
Compulsory reservations	0	26
Non-current liabilities	5,132	5,170
Deferred tax liabilities	3,017	3,417
Current liabilities		
Interest-bearing liabilities	11,292	78,556
Trade and other payables	20,267	21,038
Deferred taxes based on the taxable income	524	54
Current liabilities, total	32,084	99,648
Total liabilities	40,233	108,234
Total shareholders' equity and liabilities	130,346	186,099

Consolidated statement of comprehensive income

EUR 1,000	1.5.2021- 31.10.2021 6 mo	1.11.2020- 31.10.2021 12 mån	1.5.2020- 31.10.2020 6 mo	1.11.2019- 31.10.2020 12 mo
Net turnover	29,908	50,951	18,491	28,181
Other operating income	2,117	2,654	1,582	1,876
Materials and supplies	-1,782	-2,039	-942	-1,392
Employee benefits	-8,954	-15,678	-6,868	-14,994
Depreciation and impairment loss	-2,854	-5,652	-3,179	-6,035
Other operating expenses	-11,274	-19,213	-9,134	-20,221
Operating profit/loss	7,161	11,023	-50	-12,584
Financial income	3,799	8,249	5,375	8,516
Financial expenses	-2,000	-2,670	-4,873	-6,316
Profit/loss before tax	8,960	16,602	453	-10,385
Income tax	-2,256	-3,765	-204	1,987
Net profit/loss for the reporting period	6,704	12,836	249	-8,397
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods				
Translation differences		5		2
Total comprehensive income/expense	6,704	12,841	249	-8,395
Earnings per share, EUR, basic (EUR) *)	1.90	3.63	0.07	-2.37

*) There are no factors diluting the key performance indicator

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Consolidated statement of cash flows

EUR 1,000	1.11.2020- 31.10.2021 12 mo	1.11.2019- 31.10.2020 12 mo
Cash flow from operating activities		
Payments received for selling on commission	419,389	155,005
Cash received from other operating income	1,394	1,723
Cash paid for other operating expenses	-310,287	-191,435
Cash flow from operating activities before financial items and taxes	110,496	-34,706
Interests, paid	-760	-2,535
Other financial expenses	-1,614	-4,075
Interest, received	5,694	8,136
Other financial income	2,439	37
Direct taxes paid	-106	-135
<i>Net cash flow from operating activities (A)</i>	116,150	-33,279
<i>Cash flow from investment activities</i>		
Investments in tangible and intangible assets	-1,045	-1,411
Proceeds from sale of tangible and intangible assets	121	3,513
Investments in other assets		
Proceeds from investments		
<i>Net cash flow from investments activities (B)</i>	-924	2,101
<i>Cash flow from financing activities</i>		
Proceeds from short-term borrowings		35,001
Re-payments of short-term borrowings	-69,127	-1,613
Re-payments of IFRS 16 borrowings	-2,556	-2,551
Dividends paid		
<i>Net cash flow from financing activities (C)</i>	-71,683	30,837
Change in cash flows (A+B+C) increase (+) / decrease (-)	43,543	-341
Cash and cash equivalents at end of period	43,958	415
./ Cash and cash equivalents at the beginning of the period	415	757
Net change in cash and cash equivalents	43,543	-341

Consolidated statement of changes in shareholders' equity

Consolidated statement of changes in shareholders' equity Nov 1,2019-Oct 31,2020

EUR 1,000	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Total
Shareholders' equity, Oct 31,2019	7,200	254	21,105	50	0	57,623	86,233	0	86,233
Result for the reporting period						-8,397	-8,397		-8,397
Other comprehensive income/expense				2		1	2		2
Shareholders' equity, Oct 31,2020	7,200	254	21,105	52	0	49,227	77,838	0	77,838

Consolidated statement of changes in shareholders' equity Nov 1,2020-Oct 31,2021

EUR 1,000	Share capital	Share premium account	Other funds	Translation difference	Fair value reserve	Retained earnings	Before minority interests	Minority interests	Total
Shareholders' equity, Oct 31,2020	7,200	254	21,105	52	0	49,227	77,838	0	77,838
IAS / 38 SaaS adjustment						-565	-565		-565
Shareholders' equity, Nov 1,2020	7,200	254	21,105	52	0	48,662	77,273		77,273
Result for the reporting period						12,836	12,836		12,836
Other comprehensive income/expense				5			5		5
Dividend							0		0
Transfer to counter-cyclical budgetary fund							0		0
Shareholders' equity, Oct 31,2021	7,200	254	21,105	56	0	61,498	90,113	0	90,113

Key performance indicators

	11/20-10/21	11/19-10/20
	12 mo	12 mo
Total sales, EUR 1,000	391,931	156,945
Net turnover, EUR 1,000	50,951	28,181
Operating profit/loss, EUR 1,000	11,023	-12,584
% of net turnover	21.6%	-44.7%
Profit before taxes, EUR 1,000	16,602	-10,385
% of net turnover	32.6%	-36.8%
Earnings per share, EUR	3.63	-2.37
Equity per share, EUR	25.48	22.01
Return on equity (ROE)-%	15.3%	-10.2%
Return on investment (ROI)-%	13.5%	-5.0%
Equity-to-assets ratio, %	75.2%	42.9%
Gearing	-0.31	1.07
Gross capital expenditure, EUR 1,000	1,045	1,457
% of net turnover	2.1%	5.2%
Average number of personnel	253	332

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 / average number of outstanding shares
Equity per share, EUR	= Shareholders' equity / number of outstanding 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	31.10.2021	31.10.2020
Mortgages given and receivables pledged in security for debt		
Loans from financial institutions	0	68,266
Mortgages on property	50,875	50,875
Mortgages on company assets	203,027	203,027
Pledges given	54,590	47,911
Derivative contracts		
Forward exchange agreements	0	9,831

Forward exchange agreements are not classified as hedges because the Group does not apply hedge accounting.

The Group's foreign exchange position at the end of the financial year is -3 305 974 euros.

Property investments

The Group is obliged to revise the VAT deductions made on real estate investments if taxable use of the real estate decreases during the inspection period. The maximum amount of liability is 1 021 256 euros and the last year of inspection is 2029.

Related Party Transactions

EUR 1.000	2020/2021	2019/2020
	12 mo	12 mo
Transactions with related parties:		
<i>Net turnover</i>		
- parent association	0	2
- other related party	465	263
<i>Other operating income</i>		
- parent association	64	35
<i>Purchase of materials and supplies</i>		
- other related party	0	0
<i>Other operating expenses</i>		
- parent association	-78	-34
- other related party	-2	
<i>Financial income</i>		
- other related party	101	195
<i>Financial expenses</i>		
- parent association	0	0
- other related party	0	0
<i>Related party receivables</i>		
- parent association	14	14
- other related party	784	3458
<i>Related party liabilities</i>		
- parent association	-210	-83
- other related party	-90	-1
Management compensation		
Remuneration and other short-term employee benefits	1,052	1890

Management consists of the Board of Directors, the Managing Director, the Managing Director's Deputy and the rest of the group's Management Group.

Vantaa, 26 January 2022

Board of Directors