Saga Furs Oyj Half-Year Financial Report
29 June 2023 at 11.10 EET

This is a translation of the summary of the official half-year (1 Nov 2022 to 30 April 2023) financial report of Saga Furs Oyj (ltd) published on 29 June 2023. The full report is available at www.sagafurs.com in Finnish and in Swedish.

Improved profitability as a result of strong brokerage sales

- The lifting of COVID-19 lock-downs in China turned brokerage sales to growth.
- The value of brokerage sales increased by 240 percent compared to H1/2022 and was EUR 149 million (1.11.2021–30.4.2022: EUR 44 million).
- Group net sales more than doubled to EUR 19.8 million (EUR 8.8 million).
- Consolidated costs increased to EUR 20.5 million (EUR 15.0 million).
- Operating profit improved and was EUR 0.1 million (EUR -2.3 million loss).
- Net financial income was EUR 1.8 million (EUR 0.7 million).
- Pre-tax profit was EUR 1.9 million (EUR -1.7 million loss).
- Earnings per share were EUR 0.43 (EUR -0.85).

Consolidated key figures	**11/22–4/23 6 mo**	**11/21–4/22 6 mo**	**11/21–10/22 12 mo**
Total brokerage sales, MEUR	**149.4**	43.7	272.7
Total amount of skins sold, million pcs	**4.8**	1.2	9.3
Net sales, MEUR	**19.8**	8.8	38.8
Operating result, MEUR	**0.1**	-2.3	-0.3
Profit before taxes, MEUR	**1.9**	-1.7	1.2
Earnings per share, EUR	**0.43**	-0.85	0.29
Return on equity, (ROE) %	**1.8 %**	-3.5 %	1.2 %
Return on investment, (ROI) %	**2.2 %**	-1.2 %	1.9 %

Review of CEO Markus Gotthardt:

"Saga Furs' business developed positively during the past six months and our brokerage sales more than tripled from the comparison period. Our Chinese customers were finally able to travel to our auctions after most of the country's COVID-19 restrictions were lifted in December. The amount of fur pelts brokered in the only auction of the half-year period in March was higher than in any auction at the same time. In terms of volume, sales at the March auction exceeded our expectations, and there was also demand for mink pelts in our June auction held after the review period. However, there is still not enough demand so that the price level would be satisfactory for the seller.

China's economic recovery from the long pandemic has been slower than expected, and caution is setting the tone for the market. The time required to rectify the consequences of the COVID-19 in the Chinese economy is difficult to estimate. The assessment of the market outlook is further complicated by Russia's attack on Ukraine, as the effects of the war and inflation are also holding back fur production and trade on markets other than Russia.

Demands for verifiable responsibility, and sustainability and recyclability of materials are transforming the fashion industry globally. In addition to certification, Western fashion brands require transparency and traceability throughout the fur value chain. After years of development, we launched during the spring Saga Trac, a solution which now serves both top brands and smaller manufacturers. The innovation, based on RFID technology, provides information that extends to the individual pelt from the fur farm through various stages of manufacturing to the finished product. It is easy for the consumer to trace the entire process by pointing their smartphone to the identifier on the final product. Saga Trac is the first commercially ready and scalable traceability solution in the fashion industry. It will also enable fashion brands to meet the requirements of the upcoming regulation on digital product passports.

Saga Furs' strategy work is progressing with the aim of securing the company's position as the most sought-after marketplace for responsibly produced fur. The structures of the industry will change in the next few years, as the number of pelts and producers continues to decline due to the spillover effects of the COVID-19. During the pandemic, pelts accumulated in warehouses, so the decreasing production volume will not be directly reflected in our offerings for a couple of years. This change will also have an impact on the sector's infrastructure, such as feed kitchens and equipment manufacturers. We are developing Saga Furs' business model to respond to the future.

During the current financial year, Saga Furs celebrates its 85th anniversary. The industry is cyclical by nature, and also in the past our ability to create solutions required by the changing operating environment has been needed and successfully implemented.”

Events after the reporting period

Saga Furs held its second fur auction for the financial year 2022–2023 on 8–16 June 2023 in Vantaa, Finland. The value of brokerage sales in the auction rose to EUR 111 million, which was more than one-fifth higher than the sales in the corresponding auction in the previous financial year. More than 230 buyers participated in the auction, and sales were mostly directed to the company's main market, China, as was the case during the March auction. Purchases were also made by South Korean and Turkish buyers and for the Western fashion industry. At the June auction, 3.8 million mink pelts were sold, i.e., almost 80% of the offering. About 60% of the 500,000 fox and Finnraccoon pelts on offer were sold. On average, prices decreased by 8% for mink and 17% for fox pelts from the March auction levels, 5 percentage points of which was due to the depreciation of the Chinese yuan.

Business outlook

Saga Furs estimates that the value of brokerage sales and net sales during the financial year will grow from the levels of previous financial year (2021–2022: brokerage sales EUR 273 million; net sales EUR 39 million). Operating profit for the financial year depends largely on the result of the company’s September auction which remains difficult to foresee in the current market situation.

Vantaa 29 June 2023

SAGA FURS OYJ

BOARD OF DIRECTORS

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