



Musti
— GROUP —

Interim report

Q1/2020

1 October–31 December 2019



Interim Report 1 October–31 December 2019

Profitable growth in all segments

October–December 2019

- Group net sales totalled EUR 70.3 million (64.1 million), an increase of 9.7%.
- Like-for-like sales growth was 7.7%.
- Adjusted EBITA was EUR 7.8 (6.0) million, up by 30.0%.
- Adjusted EBITA margin was 11.1% (9.3%).
- Operating profit increased by 60.8% to EUR 5.4 (3.3) million, representing 7.7% (5.2%) of net revenue.
- Profit for the period totalled EUR 3.7 (1.1) million.
- Earnings per share was EUR 0.13 (0.04).
- Number of stores grew to 281 (272 at 31 December 2018). Number of loyal customers grew to 1,052 thousand (917 thousand).

The figures in parenthesis refer to the comparison period, i.e. the same period in the previous year, unless stated otherwise.
Musti's financial year is from 1 October to 30 September.

Key figures

EUR millions or as indicated	Q1 10–12/19	Q1 10–12/18	Change %	FY2019
Net sales	70.3	64.1	9.7	246.6
Net sales growth, %	9.7%	22.1%		14.1%
LFL sales growth, %	7.7%	10.2%		11.2%
LFL store sales growth, %	7.2%	6.5%		7.8%
Online share, %	19.5%	19.8%		20.7%
Gross margin, %	45.4%	44.5%		44.3%
EBITA	6.8	4.7	45.5	18.1
Adjusted EBITA	7.8	6.0	30.0	21.9
Adjusted EBITA margin, %	11.1%	9.3%		8.9%
Operating profit	5.4	3.3	60.8	12.5
Operating profit margin, %	7.7%	5.2%		5.1%
Profit/loss for the period	3.7	1.1	242.3	3.0
Earnings per share, basic and diluted, EUR	0.13	0.04		0.10
Cash flows from operating activities	14.7	14.8	-1.1	39.5
Investments	2.5	1.6	55.7	6.4
Gearing, %	123.6%	141.6%		135.4%
Net debt / LTM adjusted EBITDA	3.1	4.6		3.5
Number of loyal customers, thousands	1,052	917	14.6	1,018
Number of stores at the end of the period	281	272	3.3	277
of which directly operated	212	198	7.1	206

CEO's comments

This interim report is an important milestone for us as it is our first one as a listed company. I am very proud of the work everyone at Musti Group has done in growing and developing the company from a strong Finnish retail concept into the leading Nordic pet care company.

We are pleased with Musti's strong first quarter of the financial year 2020. Our net sales grew by 9.7 percent to EUR 70.3 million compared to the corresponding period last year. The growth was mainly driven by the increased number of customers. The strong performance showed especially in the like-for-like store sales growth of 7.2 percent. Our online growth was impacted by the planned online platform change of Peten Koiratarvike in Q1, but the investment is important for the further efficiency improvement of the group's online operations. We also continued to develop our digital customer platform to increase the level of personalization of our customer communications.

Musti is focusing on profitable growth, supported by the scalable platform and efficient cost control. This work showed in profitability development in Q1 as our operating profit grew by 60.8 percent to EUR 5.4 million with an operating cash flow of EUR 14.7 million. The adjusted EBITA margin improved from 9.3 percent (Q1/19) to 11.1 percent driven by strong operating performance in Sweden. The adjusted EBITA margin is typically higher in Q1 than in other quarters.

All three segments – Finland, Sweden and Norway – showed strong like-for-like store sales growth and improved adjusted EBITA margins in Q1. We will continue to focus on further improving profitability in all countries, especially in Sweden and Norway.

At the end of the reporting period, Musti had 1,052 thousand loyal customers (917 thousand in Q1 2019). People are increasingly treating their dogs and cats like members of their family, and choosing more premium food, as well as a more diverse range of products and services. These "pet parents" prefer shopping at pet specialists like Musti. We aim to grow our market share by winning new customers with expert advice, high-quality offering and total shopping convenience.

During Q1, the positive market development continued and there were no significant changes in the competitive landscape. We expect the Nordic pet care market to grow steadily due to several favourable tailwinds, such as the pet parenting megatrend and the pet population growth. We believe that Musti is also set to benefit from global consumer megatrends like consumers' desire for convenience, demand for services and focus on health and wellness.

Finally, I want to warmly welcome our more than 4,000 new shareholders to the next stage in Musti's journey. Our shareholders and the capital raised in the IPO will further support the successful execution of our strategy during this financial year as well as in the coming years.

David Rönnerberg
CEO

Financial targets and outlook

Musti Group does not publish its short-term outlook. However, Musti Group's Board of Directors has set the following long-term financial targets:

Growth	Sales to reach at least EUR 350 million by the financial year 2023 by continuation of strong customer acquisition momentum.
Profitability	Mid- to long-term adjusted EBITA margin of 10-12 percent with steadily improving profile. Margin increase is expected to be realised through steady gross margin and improving operating leverage.
Capital structure	Maintain net debt in relation to adjusted EBITDA below 2.5x in the long term.
Dividend policy	To pay a dividend corresponding to 60-80 percent of net profit. Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.

Market outlook

Musti Group (Musti) operates in the Nordic pet care market, broadly defined as the sale of pet food, treats, products, services and veterinary care across Finland, Sweden and Norway. According to Euromonitor, the market is estimated to be worth approximately EUR 2.8 billion, with Sweden as the largest market, accounting for approximately EUR 1.2 billion, and Finland and Norway estimated to be similar in size, at approximately EUR 820 million and approximately EUR 790 million respectively.

The market is expected to grow at around 4 percent CAGR (Compound Annual Growth Rate) to 2023 at which point it is estimated that the total Nordic pet care market will be worth approximately EUR 3.4 billion.¹ The Nordic pet population is expected to continue growing at CAGR of 0.7 percent to 5.4 million pets in 2023 (3.2 million cats and 2.2 million dogs).

The rise of "Pet Parenting" refers to the increasing tendency of people to treat their pets like family members. As a result of this trend, people are spending more on higher quality and more premium food, as well as a more diverse range of products and services. Musti believes it is able to continue its strong performance, as it is focused on the high-quality products and services the Pet Parents seek.

The pet care market is resilient, underpinned by non-discretionary purchasing behaviour. Non-discretionary categories such as food, cat litter and veterinary services make up approximately 76 percent of total market spend and are characterised by repeat purchasing behaviour that is consistent through the cycle. Consumers display a willingness to sustain spend on pet care through economic downturns, preferring to cut expenditure on alternative spend categories.

¹ Source: A study ordered by Musti from an international consulting company.

Group performance

Net sales

EUR million	10-12/19	10-12/18	Change %	FY2019
Net sales				
Group	70.3	64.1	9.7	246.6
Finland	34.6	32.1	7.8	122.8
Sweden	29.9	28.2	6.2	107.5
Norway	5.8	3.9	50.2	16.4

October–December 2019

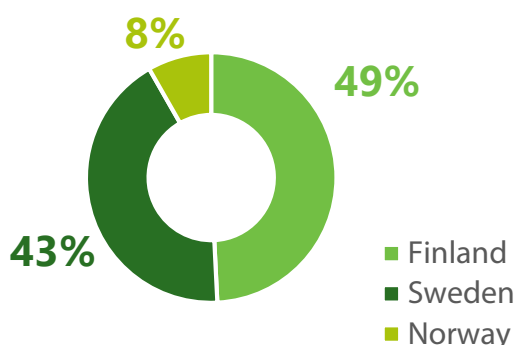
The Group's net sales increased by 9.7% to EUR 70.3 million (EUR 64.1 million). The increase was largely due to like-for-like growth in all countries, mainly driven by increasing number of new customers. Like-for-like growth amounted to 7.7% (10.2%).

Store sales increased by 10.4% to EUR 53.1 million (EUR 48.1 million), driven by like-for-like store sales growth in all countries. Like-for-like store sales growth amounted to 7.2% (6.5%). Online sales increased by 8.2% to EUR 13.7 million (EUR 12.7 million). Online sales accounted for 19.5% (19.8%) of total net sales. Online sales growth was impacted by focus on profitable growth and the planned online platform change of Peten Koiratarvike.

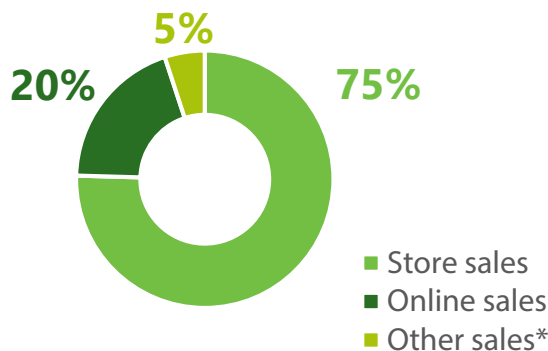
Net sales in Finland increased by 7.8% driven by like-for-like growth of 4.0% and growth from three new stores opened and acquired in FY19. Net sales in Sweden increased by 6.2% driven by strong like-for-like growth of 10.5%. The weakened SEK rate and closure of three stores during FY19 had a negative impact on growth. Net sales in Norway increased by 50.2% driven by strong like-for-like growth of 21.7% and ramp-up of the 11 stores opened during FY19. Three stores were opened in Norway during the reporting period.

Number of loyal customers increased to 1,052 thousand during the reporting period (917 thousand on 31 December 2018). Rolling 12 months average spend per customer increased to EUR 175.9 in October–December 2019 (EUR 173.6 in October–December 2018), driven by increased average order value.

Net sales by segment



Net sales by channel



*Other sales include franchise fees and wholesale.

Result

October–December 2019

The Group's adjusted EBITA increased by 30.0% to EUR 7.8 million (EUR 6.0 million). Adjusted EBITA margin was 11.1% (9.3%). The improvement was mainly due to an increase in sales combined with slightly higher gross margin and operating leverage. Gross margin increased to 45.4% (44.5%) due to more efficient campaigning and supply chain management. The share of employee benefit and other operating expenses as percentage of sales decreased to 29.9% (31.3%) driven by operating leverage.

Depreciation amounted to EUR 4.2 million (EUR 4.0 million) and amortisation amounted to EUR 1.5 million (EUR 1.4 million).

Adjustments to EBITA were EUR 0.9 million (EUR 1.3 million). The adjustments were related to the IPO process.

Operating profit increased by 60.8% to EUR 5.4 million (EUR 3.3 million).

Profit before taxes increased by EUR 3.3 million to EUR 4.7 million (EUR 1.4 million). Financial income and expenses (net) decreased from EUR -1.9 million to EUR -0.7 million due to unrealised foreign exchange gains.

Profit for the period was EUR 3.7 million (EUR 1.1 million) and earnings per share was 0.13 (0.04).

Financial position and cash flow

In October–December, net cash flow from operating activities totalled EUR 14.7 million (EUR 14.8 million). Cash and cash equivalents at the end of the period amounted to EUR 13.0 million (30 Sep 2019: EUR 8.7 million). Total consolidated assets amounted to EUR 285.7 million (30 Sep 2019: EUR 279.5 million). The increase was due to increased cash and cash equivalents driven by strong cash flow.

Equity attributable to owners of the parent company totalled EUR 102.2 million (30 Sep 2019: EUR 98.3 million). The increase was due to improved profitability.

Gearing at the end of the reporting period was 123.6% (30 Sep 2019: 135.4%) and net debt amounted to EUR 126.3 million (30 Sep 2019: EUR 133.3 million). At the end of the period, the lease liability included in net debt amounted to EUR 51.2 million (30 Sep 2019: EUR 52.0 million).

After the reporting period, Musti Group arranged a share issue of EUR 45 million in connection with its IPO. The share issue and refinancing arrangements after the IPO are discussed in Significant events after the reporting period.

Investments

Investments amounted to EUR 2.5 million (EUR 1.6 million). Investments related mainly to new and relocated stores and development projects of IT and digital platforms.

Business segment performance

Musti Group's reporting segments are based on geographical regions, and they are Finland, Sweden and Norway. The segment structure is based on geographical division where Finland, Sweden and Norway are separated to individual operating segments

based on how the chief operating decision-maker monitors the business operations. In other items, Musti Group reports the Group functions, including the operations of the headquarters and the central warehouse.

Finland

Finland is Musti's most mature country. Musti held a 32 percent of the total pet food and products market share in 2018. Regardless of strong market presence in Finland, the company's management continues to see opportunity to expand store network in selected locations, such as new hypermarkets and malls. Musti's brands in Finland include Musti ja Mirri (store and omnichannel) and Peten Koiratarvike (online).

In Finland, Musti will continue to focus on serving existing customers better in order to increase share of wallet and winning new customers, both of which will support positive like-for-like development.

October–December

EUR million or as indicated	10–12/19	10–12/18	Change %	FY2019
Net sales	34.6	32.1	7.8	122.8
Net sales growth	7.8%	10.6%		10.8%
LFL segment sales growth, %	4.0%	9.1%		8.8%
EBITA	8.7	7.9	10.1	29.8
EBITA margin, %	25.1%	24.5%		24.2%
Adjusted EBITA	8.7	7.9	10.0	29.7
Adjusted EBITA margin, %	25.1%	24.6%		24.2%
Number of stores	127	123		126
of which directly operated	110	104		108

Net sales in Finland increased by 7.8% to EUR 34.6 million (EUR 32.1 million) driven by like-for-like growth of 4.0% and growth from three new stores opened or acquired in FY19. Online sales growth was impacted by the planned online platform change of Peten Koiratarvike.

EBITA increased by 10.1% to EUR 8.7 million (EUR 7.9 million). Adjusted EBITA increased by 10.0% to EUR 8.7 million (EUR 7.9 million). This was due to more efficient campaigning and supply chain management. Adjusted EBITA margin was 25.1% (24.6%).

One new store was opened in Finland during the reporting period, and one franchise store was acquired.

Sweden

In Sweden, Musti's focus is on further expansion and convergence in efficiency towards Finnish levels. Musti, through its multiple brands, is the overall market leader with a combined 28 percent market share (2018). Through VetZoo and Animail, Musti has a strong online presence in Sweden with 56 percent market share in online sales. Musti's store and omnichannel brands in Sweden are Arken Zoo and Djurmagazinet.

Musti's goal in Sweden is to continue strong like-for-like growth across all channels, store network expansion and strong margin improvement momentum. Regarding store expansion, focus will be turned towards store roll-out especially in big cities, where Musti is currently under-represented. Key growth and margin drivers in Sweden include increasing O&E share of sales towards Finnish levels through staff promotion and educational marketing, converging store cost efficiency towards Finnish levels by store personnel efficiency actions and being selective in network expansion while acquiring selected franchised stores.

October–December

EUR million or as indicated	10–12/19	10–12/18	Change %	FY2019
Net sales	29.9	28.2	6.2	107.5
Net sales growth	6.2%	27.2%		10.9%
LFL segment sales growth, %	10.5%	10.0%		12.4%
EBITA	3.9	2.4	59.6	9.0
EBITA margin, %	12.9%	8.6%		8.4%
Adjusted EBITA	3.9	2.7	44.4	9.9
Adjusted EBITA margin, %	12.9%	9.5%		9.2%
Number of stores	121	123		121
of which directly operated	69	68		68

Net sales in Sweden increased by 6.2% to EUR 29.9 million driven by like-for-like growth of 10.5% partly offset by weakening SEK rate and closure of three stores during FY19.

EBITA increased by 59.6% to EUR 3.9 million (EUR 2.4 million). Adjusted EBITA increased by 44.4% to EUR 3.9 million (EUR 2.7 million). This was due to more efficient campaigning and supply chain management. Adjusted EBITA margin was 12.9%.

During the reporting period, one new store was opened in Sweden, one store was closed and one franchise store was acquired.

Norway

In Norway, Musti's focus is on store rollout and increasing country profitability. Unlike Finland and Sweden, there are no clear dominant players within the pet specialty segment with Musti, Buddy, Zoo-1 and Pets all accounting for roughly 5–10 percent of specialty share (including online) in 2018. Musti's brands in Norway are Musti (store and omnichannel) and VetZoo and Animail (online).

In Norway, the focus is on continuing the expansion of store network and store ramp-up in line with historical development, as well as strong margin improvement momentum as 29 stores are still in ramp-up phase. Ramp-up of the Norwegian stores has progressed according to Musti's plans and profitability development of new store openings has followed similar patterns as observed e.g. in Finland.

October–December

EUR million or as indicated	10–12/19	10–12/18	Change %	FY2019
Net sales	5.8	3.9	50.2	16.4
Net sales growth	50.2%	185.9%		97.0%
LFL segment sales growth, %	21.7%	35.1%		30.7%
EBITA	0.6	0.1	564.3	0.4
EBITA margin, %	10.3%	2.3%		2.6%
Adjusted EBITA	0.6	0.1	368.5	0.6
Adjusted EBITA margin, %	10.3%	3.3%		3.8%
Number of stores	33	26		30
of which directly operated	33	26		30

Net sales in Norway increased by 50.2% to EUR 5.8 million driven by strong like-for-like growth of 21.7% and ramp-up of the 11 stores opened during FY19. Three new stores were opened in Norway during the reporting period.

EBITA amounted to EUR 0.6 million (EUR 0.1 million). Adjusted EBITA amounted to EUR 0.6 million (EUR 0.1 million). This was driven by operating leverage of the increasing net sales and increased store efficiency as stores start to reach the mature phase or the end of the ramp-up curve. Adjusted EBITA margin was 10.3%.

Group functions

Group functions consist of costs relating to head office and central warehouse operations. EBITA was EUR -6.3 million (EUR -5.7 million). Adjusted EBITA was EUR -5.3 million (EUR -4.7 million). The decrease was due to higher personnel and other costs in the head office and, driven by higher volumes, in the central warehouse.

Personnel

In October–December 2019, the average number of personnel was 1,113 (1,074). At the end of the reporting period, the number of personnel was 1,121 (1,080), of whom 590 (552) were employed in Finland and 531 (528) outside Finland.

Governance

Musti held an Extraordinary General Meeting (EGM) on 30 October 2019 in Helsinki. The EGM resolved to transfer the company's shares to the book-entry system maintained by Euroclear Finland Ltd. The EGM also resolved to amend Musti's Articles of Association and to notify the amendments for registration immediately after the EGM. In connection with the amendment of Articles of Association, the EGM resolved to amend some of the company's share classes.

In December 2019, Jarkko Murtoaro and Alex Lindbom resigned as members of the Board of Directors. On 13 December 2019, by a unanimous resolution of all shareholders, Jeffrey David, Lisa Farrar, Ingrid Jonasson Blank and Vesa Koskinen were elected as new members of the Board.

In its meeting on 13 December 2019, Musti's Board of Directors appointed an Audit Committee from among its members, with Ingrid Jonasson Blank as its Chairman and Lisa Farrar and Juho Frilander as the other members of the Audit Committee as well as a Remuneration Committee with Jeffrey David as its Chairman and Vesa Koskinen and Juho Frilander as the other members of the Remuneration Committee. The Board of Directors also approved certain corporate governance documentation, conditional upon the IPO, including the Charters of the Board of Directors, the Remuneration Committee and Audit Policy, as well as the company's insider guidelines and disclosure policy. The Board of Directors also resolved to establish a long-term incentive plan, and to define and confirm the detailed content and terms at a later stage.

Shares and shareholders

At the end of the reporting period, Musti had twenty-one share classes, which carried different voting rights in the company and different rights to distributions of funds. The company's registered share capital was EUR 11,001,853.68 and the company had 1,300,737 fully paid shares, of which 123,187 were A1 class shares, 58,739 were A2 class shares, 32,585 were A3 class shares, 489,116 were P1 class shares, 94,127 were P1B class shares, 169,938 were P2 class shares, 457 were P2D class shares, 66,689 were P3 class shares, 630 were P3A class shares, 2,163 were P3D class shares, 114,684 were P1E class shares, 57,811 were P2F class shares, 1,070 were P2A1 class shares, 5,460 were P2A2 class shares, 220 were P2C1 class shares, 82,961 were P2C2 class shares, 600 were P3C1 class shares and 300 were P3C2 class shares.

Shares and shareholders after the IPO are discussed in Significant events after the reporting period.

Current incentive schemes

The Board of Directors decides on Musti Group's remuneration schemes and plans, such as short- and long-term incentive schemes as well as pension arrangements upon the recommendation of the Remuneration Committee and in accordance with the company's effective remuneration policy. Musti will present a remuneration policy for approval to the shareholders for the first time at the Annual General Meeting 2021.

Bonus scheme

The company operates a bonus scheme, which is determined by the Board of Directors of the company upon the recommendation of the Remuneration Committee and in accordance with the company's effective remuneration policy. The CEO and the members of the management team are eligible to participate in the bonus scheme in accordance with the company's bonus policy. The payment of annual bonuses is conditional upon attainment of key performance targets of the company.

The bonuses of the CEO and the management team are based on personal targets and certain profitability targets set for the financial year. The maximum performance bonus is equivalent to an eight months' full salary for the CEO and a four months' full salary for the management team.

Long-term incentives

The company values competitive compensation for management and employees and it will further develop the compensation and incentive schemes as a part of company's everyday business. The Board of Directors of the company has discussed on a long-term incentive scheme and has decided to establish a long-term incentive program after the IPO. The incentive program is expected to correspond with market practices of listed companies of Musti's size and business profile.

Responsibility

Musti is committed to develop its responsibility policies and best practices on a long-term basis, and it is committed to be a responsible forerunner in its industry. Musti is the only pet specialty company to have committed to the United Nations Global Compact. The company is in the process of building a robust responsibility foundation and setting targets and key performance indicators to measure the results.

Conducting operations in a sustainable, responsible and environmentally friendly way requires focused and purposeful actions at all levels of the organization. The basis of all Musti's social responsibility is a responsible supply chain, diminishing environmental impact and good governance and high ethics. In addition, the company has identified three particular focus areas in order to communicate with its stakeholders: pets and their parents, employees and communities. The most important themes under pets and their parents are high-quality and safe products and services as well as satisfied and loyal customers. Under employees, the most important themes are thriving experts and well-being at work, and under communities working for the common good and openness for new inventions.

Musti sets high standards for quality, safety and expertise, putting the welfare of pets, people and the environment first. The company has already taken concrete actions to this end, having been a member of amfori Business Social Compliance Initiative (amfori BSCI) since 2017. The company also expects its suppliers to commit to Musti's requirements on responsible business practices. Following the Musti Supplier Code of Conduct and all national laws and regulations is imperative. The company's dedicated employee team visits the supplier sites in Europe, and also the BSCI visits the company's supplier sites. Furthermore, the company has a third-party partner in China who visits and audits the sites in Asia. The company has initiated more systematic

processes for supply chain sustainability especially in high-risk countries and set the target of having all tier one suppliers in high-risk countries audited.

Risks and uncertainties

Musti's risk profile follows the general risk level of the retail and grocery trade. The industry is not particularly cyclical and not subject to rapid changes. The company regularly monitors changes in the risks and their impact on the business. The company implements risk management continuously and systematically according to a scheduled process. The risk management process ensures that risks related to the Group are identified, estimated and controlled in a proactive way and the management of risks is monitored. The company's risk management includes, among others: identification and review of risks, risk assessment, determining and implementing control measures for the identified risks, and monitoring and reporting of risks.

The most material risks to Musti's business, results of operations, financial position and future prospects are risks related to macroeconomic developments, Musti's operations and business activities, the pet products and services industry, IT systems and intellectual property, management and employees, compliance, taxes as well as certain financial risks.

Musti's net sales and operating profit are impacted by general economic conditions. As the company's net sales and operating profits are generated in Finland, Sweden and Norway, the company is vulnerable to negative economic developments in these core markets. Although the pet care market has proven to be resilient to economic downturns in the past, this may not be the case in the future.

Particularly due to the recent market fluctuations, the company is exposed to potential increases in its costs of financing in the event of fluctuating interest rates. The fact that a significant share of the company's purchases is made in US dollars and British pounds also exposes Musti to risks related to fluctuating currency exchange rates. The foreign exchange fluctuations of these currencies are however partly hedged by foreign exchange forwards.

Musti's risk management and risks related to the company's operations are described in more detail in the company listing prospectus and on the company website at <https://www.mustigroup.com/investors/corporate-governance/risk-management/>.

Seasonality

Musti's business is characterized by a generally limited seasonality effect, with a high share of recurring food and stable products of net sales translating into low seasonality within years. However, there are certain intra-year fluctuations that affect cash flows, sales and profitability, which are made evident by Musti's financial year being from 1 October to 30 September. Usually, the period between July to December has higher sales compared to January to June driven by higher sales of accessories and other seasonal products. There are no significant quarterly differences in profitability margins.

The volumes and timing of Musti's sales may somewhat vary due to weather conditions, with sales of pet clothing being primarily impacted. Cold winters and rainy weather generally result in higher sales of coats and shoes for pets.

Significant events after the reporting period

In January 2020, Millan Holding S.à.r.l notified the company about converting 387 977 of its shares in accordance with the Articles of Association, which was registered on 20 January 2020. On 16 January, the Board of Directors approved certain corporate governance documents, including the company's risk management policy, principles of internal audit, whistleblowing policy and conduct for reporting on related party transactions. Musti Group's Annual General Meeting (AGM) was held on 23 January 2020. The AGM resolved to adopt the company's annual accounts for the financial period 1 October 2018–30 September 2019, not to distribute a dividend, and to discharge the members of the Board of Directors from liability. The AGM also resolved that the remuneration of the Chairman of the Board is EUR 60,000 per year and the remuneration of other members of the Board is EUR 30,000 per year. However, Board members Juho Frilander and Vesa Koskinen shall not be paid any fees from the Board activities. If the listing was not carried out, the remuneration would have remained as it was. The AGM resolved that the number of Board members shall be five (5), and resolved to re-elect Jeffrey David, Juho Frilander, Lisa Farrar, Ingrid Johansson Blank and Vesa Koskinen as members of the Board of Directors. Ernst & Young Oy was elected as the company's auditor, with Johanna Winqvist-Ilkka as the auditor with principal responsibility.

Conditional upon the execution of Musti's listing. The AGM resolved to authorise the Board of Directors to amend the company's articles of association, decide on a share issue without consideration to combine all share classes into a share class, decide on the issuance of shares in the IPO as well as other measures in connection with the listing of the company.

As part of the execution of Musti Group's initial public offering (IPO) and listing of its shares on the official list of Nasdaq Helsinki Ltd, the Board of Directors of Musti Group resolved on 6 February 2020 on a directed share issue without consideration of 10,511,039 new shares based on the authorization granted by Musti's AGM held on 23 January 2020. In the share issue without consideration, 5,571,790 new A2 shares and 4,939,249 new A3 shares were issued to the shareholders owning A2 and A3 shares in proportion to their existing shareholdings so that forty-nine (49) new A2 or A3 shares were issued against one (1) existing A2 or A3 share. The new shares were issued in deviation from the shareholders' pre-emptive right to new shares. The total number of the company's shares after the share issue without consideration was 11,811,776 shares.

The IPO of Musti Group was oversubscribed and the listing was completed as planned. The listing consisted of a share issue and a share sale. Musti Group raised about EUR 45 million in gross proceeds by issuing a total of 5,159,672 new shares in the share issue. In addition, Millan Holding S.à.r.l (EQT Mid Market Fund) and certain other shareholders of the company sold a total of 12,949,476 company shares (including the over-allotment option of 2,716,372 shares granted by Millan Holding S.à.r.l (EQT Mid Market Fund)). The final subscription price per share was EUR 8.75 per share in the institutional offering and the public offering, and 10 per cent lower in the personnel offering being EUR 7.88 per share, which in total corresponds to a market capitalization of the company of approximately EUR 293 million immediately following the offering. Demand in the offering was strong from both Finnish and international investors and the offering was multiple times oversubscribed. Trading of the company's share commenced on the Prelist of Nasdaq Helsinki Ltd on 13 February 2020 and on the Official List on 17 February. The trading code of the shares in Musti Group is MUSTI. Musti Group has been classified as a mid-cap company in the retail sector.

19,656,401 shares were allocated to institutional investors in Finland and internationally in the institutional offering, with the over-allotment option having been exercised in full, and 1,000,000 shares were allocated to private individuals and entities in Finland in the public offering. In addition, 169,119 shares were allocated in the personnel offering to employees who were in full- or part-time permanent employment with Musti or its subsidiaries as well as employees with a fixed-term employment relationship with Musti or its subsidiaries at the start of the subscription period on 3 February 2020 in Finland, Sweden and Norway, as well as to management team and CEO of the company. The total number of shareholders rose to more than 4,000 shareholders.

In connection with the completion of the IPO, the Board of Directors of the company decided on 12 February 2020 on the execution of the combination of the company's share classes. To execute the combination of the share classes, A1 and A2 share class shares and P share class shares in their entirety were converted into A3 share class shares. In addition, the company's Board of Directors resolved on a share issue without consideration of 16,564,005 new A3 share class shares to the shareholders owning P share class shares prior to the combination of the shares in deviation from the shareholders' pre-emptive right to new shares. The share issue was used as a consideration for the payment of preferred proceeds to the shareholders of preferred shares. The above-mentioned number of new shares in the share issue also included shares due to share fractions. The above-mentioned share fractions were sold on a regulated market, and the payment for the fractions were distributed pro rata between shareholders of fractional shares. After the combination each share gives one vote in a general meeting of the company and equal right to dividends and other distribution of the company's assets. The share conversions did not affect the company's share capital.

On 13 February 2020, Musti Group's share capital was EUR 11,001,853.68 and total number of shares outstanding was 33,535,453. The company has one share class. Each share carries one vote and entitles to the same dividend. The company does not hold any treasury shares. A list of the largest shareholders is available on the company's website at www.mustigroup.com.

The following table sets forth the ten largest shareholders of Musti Group as at 17 February 2020. It is based on the shareholder register maintained by Euroclear Finland Oy.

Shareholder ¹	Number of shares	Percentage of shares and votes ²
Millan Holding S.à.r.l	8,080,469	24.1%
The Capital Group Companies, Inc. ("CGC")	1,900,000	5.7%
Mandatum Life Insurance Company Limited	1,714,285	5.1%
Investering & Tryghed A/S	1,142,857	3.4%
Investment AB Öresund	1,140,000	3.4%
Vaaka Partners Buyout I Ky	1,022,186	3.0%
David Rönnerberg	867,300	2.6%
Braganza AB	696,634	2.1%
DNCA Finance Luxembourg	450,000	1.3%
EVLI Asset Management	450,000	1.3%
Ten largest registered shareholders, in total	17,463,731	52.1
Other shareholders	16,071,722	47.9%
In total	33,535,453	100.0 %

¹ The table shows the foreign owners and nominee registered holdings whose publication has been authorized.
² The company has a single series of shares, and each share entitles its holder to one vote in the General Meeting of shareholders of the company. Percentages are rounded numbers.

In connection with the IPO, Musti refinanced its existing loans with the share issue of EUR 45 million and a new loan agreement of EUR 60 million, consisting of a EUR 50 million term loan and a EUR 10 million revolving credit facility. The repayment date of the facilities is in 2023. The loan agreement contains two financial covenants: leverage and gearing. The EUR 50 million term loan was drawn to refinance the existing loans. The revolving credit facility has not yet been drawn.

In February 2020, the Finnish Tax Administration informed Musti that it would conduct a tax audit of Musti Group Finland Oy.

Financial calendar

Half-year Financial Report October–March

6 May 2020

Interim Report October–June

4 August 2020

Press conference for analysts and media

A press conference for analysts and media, combined with a live webcast and international telephone conference, will be arranged on 3 March 2020 at 10:00 EET at Glo Hotel Kluuvi, Kluuvikatu 4, 00100 Helsinki, Finland. The event will be held in English. The report will be presented by CEO David Rönnerberg and CFO Robert Berglund.

The press conference can also be followed through a live webcast at <https://mustigroup.videosync.fi/q1-results>. A recording of the webcast will be available later at the company's website at www.mustigroup.com/investors/reports-and-presentations/.

You can also participate in the news conference by calling:

FI: +358981710310

SE: +46 856642651

UK: +44 3333000804

US: +18558570686

The participants joining the news conference will be asked to provide the following PIN code: 20644217#

Helsinki, 2 March 2020

Board of Directors

The information in this interim report is unaudited.

Further information:

David Rönnerberg, CEO, tel. +46 70 896 6552

Robert Berglund, CFO, tel. +358 50 534 8657

Distribution:

Nasdaq Helsinki

Main media

www.mustigroup.com

Musti Group in brief

Musti makes the life of pets and their owners easier, safer and more fun. We are the leading Nordic pet care company and we operate an omnichannel business model to cater for the needs of pets and their owners across Finland, Sweden and Norway. We offer a wide, curated assortment of pet products. We also provide pet care services such as grooming, training and veterinary services in selected locations.

Musti Group's net sales were EUR 247 million in the financial year 2019. At the end of the financial year 2019, the company had 1,100 employees, over one million loyal customers and 277 stores.

Condensed financial information for October–December 2019

Condensed consolidated statement of income

EUR thousand	1 Oct 2019 – 31 Dec 2019	1 Oct 2018 – 31 Dec 2018	1 Oct 2018 – 30 Sept 2019
Net sales	70 319	64 126	246 648
Other operating income	197	248	1 126
Share of profit of a joint venture	0	0	118
Materials and services	-38 408	-35 620	-137 266
Employee benefit expenses	-12 536	-11 458	-45 573
Other operating expenses	-8 517	-8 596	-30 726
Depreciation, amortisation and impairment	-5 670	-5 350	-21 830
Operating profit	5 385	3 350	12 496
Financial income and expenses, net	-710	-1 944	-8 492
Profit before taxes	4 675	1 406	4 004
Income tax expense	-1 007	-334	-988
Profit/loss for the period	3 668	1 072	3 016
Attributable to:			
Owners of the parent	3 658	1 057	2 971
Non-controlling interest	10	15	45
Earnings per share (EUR) for profit attributable to owners of the parent			
Basic and diluted EPS (EUR)	0.13	0.04	0.10

Consolidated statement of comprehensive income

EUR thousand	1 Oct 2019 – 31 Dec 2019	1 Oct 2018 – 31 Dec 2018	1 Oct 2018 – 30 Sept 2019
Profit/loss for the period	3 668	1 072	3 016
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	5	-47	76
Other comprehensive income, net of tax	5	-47	76
Total comprehensive income	3 672	1 024	3 092
Attributable to:			
Owners of the parent	3 662	1 010	3 048
Non-controlling interest	10	15	45

Consolidated statement of financial position

EUR thousand	31 Dec 2019	31 Dec 2018	30 Sept 2019
ASSETS			
Non-current assets			
Goodwill	144 929	145 282	143 995
Other intangible assets	22 045	24 523	22 668
Right-of-use assets	46 462	46 658	47 296
Property, plant and equipment	10 617	9 384	9 608
Investments in joint ventures	320	202	320
Deferred tax assets	7 171	8 054	7 271
Other non-current receivables	332	89	218
Total non-current assets	231 877	234 192	231 377
Current assets			
Inventories	33 403	34 001	32 533
Trade and other receivables	6 205	8 986	5 733
Loan receivables	8	20	4
Derivative financial instruments	193	57	179
Income tax receivables	1 048	2 490	1 057
Cash and cash equivalents	12 960	7 228	8 629
Total current assets	53 817	52 783	48 134
TOTAL ASSETS	285 694	286 974	279 511
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11 002	11 002	11 002
Other reserves	122 412	122 412	122 412
Translation differences	-78	-207	-83
Retained earnings	-31 305	-37 106	-35 012
Total equity attributable to owners of the parent	102 030	96 101	98 319
Equity attributable to non-controlling interest	125	89	101
Total equity	102 155	96 190	98 420
Non-current liabilities			
Loans from credit institutions	28 964	77 591	74 800
Lease liability	36 646	37 916	37 969
Deferred tax liabilities	2 159	2 236	2 179
Other non-current interest-bearing liabilities	10 597	9 655	10 574
Total non-current liabilities	78 366	127 399	125 522
Current liabilities			
Loans from credit institutions	48 428	4 524	4 697
Lease liability	14 554	13 569	14 013
Trade and other payables	40 035	42 915	36 364
Derivative financial instruments	230	203	61
Income tax liabilities	1 815	2 174	305
Provisions	110	0	129
Total current liabilities	105 173	63 386	55 569
Total liabilities	183 539	190 785	181 091
TOTAL EQUITY AND LIABILITIES	285 694	286 974	279 511

Consolidated statement of changes in equity

EUR thousand	Attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital	Other reserves	Translation differences	Retained earnings	Total		
Equity at 1 Oct 2019	11 002	122 412	-83	-35 012	98 319	101	98 420
Other changes				49	49	12	61
Profit/loss for the period				3 658	3 658	10	3 668
Translation differences			5		5	1	7
Total comprehensive income	0	0	5	3 658	3 662	10	3 672
Share issue							
Equity at 31 Dec 2019	11 002	122 412	-78	-31 305	102 030	125	102 155

EUR thousand	Attributable to owners of the parent					Non-controlling interest	Total equity
	Share capital	Other reserves	Translation differences	Retained earnings	Total		
Equity at 1 Oct 2018	11 002	122 412	-159	-38 163	95 091	74	95 165
Other changes					0		0
Profit/loss for the period				1 057	1 057	15	1 072
Translation differences			-47		-47	0	-47
Total comprehensive income	0		-47	1 057	1 010	15	1 024
Share issue							
Equity at 31 Dec 2018	11 002	122 412	-207	-37 106	96 101	89	96 190

Consolidated statement of cash flows

EUR thousand	1 Oct 2019- 31 Dec 2019	1 Oct 2018- 31 Dec 2018	1 Oct 2018 – 30 Sept 2019
Cash flows from operating activities			
Profit before taxes	4 675	1 406	4 004
Adjustments			
Depreciation, amortisation and impairment	5 670	5 350	21 830
Financial income and expenses, net	710	1 944	8 492
Other adjustments	296	-412	1 574
Cash flows before changes in working capital	11 351	8 287	35 900
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	-472	109	3 362
Increase (-) / decrease (+) in inventories	-521	3 395	4 885
Increase (+) / decrease (-) in trade and other payables	3 724	3 006	-3 815
Cash flows from operating activities before financial items and taxes	14 083	14 797	4 432
Interest and other financial income received	50	44	441
Received dividend	0	0	67
Income taxes paid	530	-17	-1 345
Net cash flow from operating activities	14 663	14 823	39 495
Cash flows from investing activities			
Investments in tangible and intangible assets	-2 471	-1 587	-6 369
Acquisition of subsidiaries and business acquisitions, net of cash acquired	-188	0	-183
Net cash flow from investing activities	-2 660	-1 587	-6 552
Cash flows from financing activities			
Repayments of current loans	-2 460	-2 890	-5 270
Repayments of lease liabilities	-3 567	-3 252	-13 468
Interest and other financial expenses paid	-1 645	-1 829	-7 540
Net cash flow from financing activities	-7 672	-7 971	-26 278
Net change in cash and cash equivalents	4 332	5 265	6 666
Cash and cash equivalents at start of period	8 629	1 963	1 963
Cash and cash equivalents at end of period	12 960	7 228	8 629

Basis of preparation and accounting policies

The Group's consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as implemented within the EU.

The Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as implemented within the EU.

The interim report of 1.10.–31.12.2019 has been prepared in accordance with the IAS 34 Interim Financial Reporting -standard and the accounting principles applied in the interim report are the same as in the financial statement of 2019.

The figures of the interim report have not been audited.

The Group's consolidated financial statements are prepared in euros, which is the company's operating currency and the company's and the Group's reporting currency. The interim report is presented in thousand euros unless otherwise stated.

Critical accounting estimates and judgments

An IFRS-compliant interim report requires the Group's management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and other information such as the amounts of income and expense.

Although these estimates are based on the management's best knowledge at the time, it is possible that actual results differ from the estimates used in the interim reports.

There have not been any major changes regarding the uncertainty requiring the Group's management to exercise judgment and make estimates and assumptions compared to the financial statement of 2019.

Events after the reporting period

After the reporting period the IPO of Musti Group was oversubscribed, and the listing was completed as planned. The listing consisted of a share issue and a share sale. Musti Group raised about EUR 45 million in gross assets by issuing a total of 5,159,672 new shares in the share issue. In addition, Millan Holding S.à.r.l (EQT) and certain other shareholders of the company sold a total of 12,949,476 company shares (including the over-allotment option of 2,716,372 shares granted by EQT). On 13 February 2020, Musti Group's share capital was EUR 11,001,853.68 and total number of shares outstanding was 33,535,453. Additional information on the IPO is provided in the Interim report under Significant events after the reporting date.

After the reporting period, in connection with the IPO, Musti refinanced its existing loans with the share issue of EUR 45 million and a new loan agreement of EUR 60 million, consisting of a EUR 50 million term loan and a EUR 10 million revolving credit facility. The repayment date of the facilities is in 2023. The loan agreement contains two financial covenants: leverage and gearing. The EUR 50 million term loan was drawn to refinance the existing loans. The revolving credit facility has not yet been drawn.

In February 2020, the Finnish Tax Administration informed Musti that it would conduct a tax audit of Musti Group Finland Oy.

Segments

EUR thousand	Finland	Sweden	Norway	Group functions	Group
Oct-Dec 2019					
Net sales *	34 606	29 892	5 821	0	70 319
% split of net sales between segments	49%	43%	8%	0%	100%
EBITDA	10 499	5 345	1 137	-5 927	11 055
Adjustments	0	0	0	942	942
Adjusted EBITDA	10 499	5 345	1 137	-4 985	11 997
Depreciation and impairment of right-of-use assets and tangible assets	-1 825	-1 490	-538	-364	-4 217
EBITA	8 674	3 855	599	-6 291	6 838
Adjustments	0	0	0	942	942
Adjusted EBITA	8 674	3 855	599	-5 349	7 780
Amortisation and impairment of intangible assets					-1 453
Operating profit					5 385
Financial income and expenses, net					-710
Profit before taxes					4 675
Income tax expense					-1 007
Profit/loss for the period					3 668

* Net sales include sales of products and services to external customers. There are no internal net sales between the segments.

EUR thousand	Finland	Sweden	Norway	Group functions	Group
Oct-Dec 2018					
Net sales *	32 092	28 157	3 877	0	64 126
% split of net sales between segments	50 %	44 %	6 %	0 %	100 %
EBITDA	9 529	4 012	482	-5 323	8 700
Adjustments	8	214	38	984	1 244
Adjusted EBITDA	9 537	4 226	519	-4 339	9 944
Depreciation and impairment of right-of-use assets and tangible assets	-1 652	-1 597	-392	-361	-4 000
EBITA	7 878	2 415	90	-5 684	4 699
Adjustments	8	254	38	984	1 284
Adjusted EBITA	7 885	2 669	128	-4 699	5 983
Amortisation and impairment of intangible assets					-1 350
Operating profit					3 350
Financial income and expenses, net					-1 944
Profit before taxes					1 406
Income tax expense					-334
Profit/loss for the period					1 072

* Net sales comprise sales of goods and services to external customers. There are no internal net sales between segments.

EUR thousand	Finland	Sweden	Norway	Group functions	Group
Oct 2018–Sep 2019					
Net sales *	122 780	107 463	16 406	0	246 648
% split of net sales between segment	50 %	44 %	7 %	0 %	100 %
EBITDA	36 631	15 124	2 241	-19 670	34 326
Adjustments	-30	833	188	2 790	3 779
Adjusted EBITDA	36 600	15 956	2 429	-16 880	38 106
Depreciation and impairment of right-of-use assets and tangible assets	-6 859	-6 143	-1 812	-1 434	-16 249
EBITA	29 771	8 980	429	-21 104	18 077
Adjustments	-30	873	188	2 790	3 819
Adjusted EBITA	29 741	9 853	617	-18 314	21 897
Amortisation and impairment of intangible assets					-5 581
Operating profit					12 496
Financial income and expenses, net					-8 492
Profit before taxes					4 004
Income tax expense					-988
Profit/loss for the period					3 016

* Net sales include sales of products and services to external customers. There are no internal net sales between the segments

Business combinations and changes in Group composition

During the interim period, Musti Group acquired two pet stores, one in Finland and one in Sweden. The acquisitions were not material to the Group. Musti Group also sold one subsidiary, Djurfriskvård Västerås AB in Sweden. The change was not material to the Group.

Personnel on average and at the end of the reporting period

Personnel	31 Dec 2019	31 Dec 2018	30 Sep 2019
Personnel on average	1 113	1 074	1 084
Personnel at the end of period	1 121	1 080	1 120

Goodwill, intangible assets and property, plant and equipment

EUR thousand	31 Dec 2019	31 Dec 2018	30 Sept 2019
Acquisition cost at beginning of financial period	176 272	179 486	179 486
Amortisation and depreciation	-2 175	-1 931	-8 087
Additions	2 471	1 587	6 976
Disposals and closing of stores	-69	-52	-230
Exchange differences	1 093	98	-1 873
Acquisition cost at end of financial period	177 592	179 188	176 272

Leases

Right-of-use assets

EUR thousand	Buildings and structures	Machinery and equipment	Total
31 Dec 2019			
Net book value at 1 Oct 2019	46 816	481	47 296
Additions	2 636	24	2 661
Depreciation	-3 456	-39	-3 495
Net book value at 31 Dec 2019	45 996	466	46 462
31 Dec 2018			
Net book value at 1 Oct 2018	44 525	783	45 309
Additions	4 727	0	4 730
Depreciation	-3 300	-80	-3 380
Net book value at 31 Dec 2018	45 952	706	46 658
30 Sep 2019			
Net book value at 1 Oct 2018	44 525	783	45 309
Additions	15 751	-20	15 731
Depreciations	-13 461	-282	-13 743
Net book value at 30 Sep 2019	46 816	481	47 296

Lease liability

EUR thousand	31 Dec 2019	31 Dec 2018	30 Sep 2019
Lease liability at the beginning of the reporting period	51 982	50 188	50 188
Additions	2 786	4 675	15 510
Rent expenses	-4 192	-3 985	-16 262
Interest expense	624	607	2 546
Lease liability at the end of the reporting period	51 200	51 485	51 982
Non-current lease liability	36 646	37 916	37 969
Current lease liability	14 554	13 569	14 013
Total	51 200	51 485	51 982

Lease contracts in the income statement

EUR thousands	1 Oct 2019-31 Dec 2019	1 Oct 2018-31 Dec 2018	1 Oct 2018-30 Sep 2019
Expenses from short-term and rental agreements with minor value	-660	-669	-2 600
Depreciation of right-of-use assets	-3 495	-3 380	-13 743
Interest expenses from lease liability	-624	-607	-2 546
Total	-4 778	-4 656	-18 889

Financial assets and liabilities and fair value hierarchy

Financial assets

EUR thousand	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Book value	Fair value	Fair value hierarchy
31 Dec 2019						
Non-current assets						
Other non-current assets			332	332	332	Level 2
Total			332	332	332	
Current assets						
Trade and other receivables			3 801	3 801	3 801	Level 2
Loan receivables			8	8	8	Level 2
Derivative financial instruments	193			193	193	Level 2
Cash and cash equivalents			12 960	12 960	12 960	Level 2
Total	193		16 769	16 962	16 962	
Financial assets, total	193		17 101	17 294	17 294	
31 Dec 2018						
Non-current assets						
Other non-current assets			89	89	89	Level 2
Total			89	89	89	
Current assets						
Trade and other receivables			4 896	4 896	4 896	Level 2
Loan receivables			20	20	20	Level 2
Derivative financial instruments	57			57	57	Level 2
Cash and cash equivalents			7 228	7 228	7 228	Level 2
Total	57		12 145	12 202	12 202	
Financial assets, total	57		12 234	12 291	12 291	
30 Sep 2019						
Non-current assets						
Other non-current assets			218	218	218	Level 2
Total			218	218	218	
Current assets						
Trade and other receivables			3 890	3 890	3 890	Level 2
Loan receivables			4	4	4	Level 2
Derivative financial instruments	179			179	179	Level 2
Cash and cash equivalents			8 629	8 629	8 629	Level 2
Total	179		12 523	12 701	12 701	
Financial assets, total	179		12 741	12 920	12 920	

Financial liabilities

EUR thousand	Financial liabilities at fair value through profit and loss	Financial liabilities at fair value through other comprehensive income	Financial liabilities at amortised cost	Book value	Fair value	Fair value hierarchy
31 Dec 2019						
Non-current liabilities						
Loans from credit institutions			28 964	28 964	28 964	Level 2
Lease liability			36 646	36 646	36 646	Level 2
Other non-current liabilities			10 597	10 597	10 597	Level 2
Total			76 207	76 207	76 207	
Current liabilities						
Loans from credit institutions			48 428	48 428	48 428	Level 2
Lease liability			14 554	14 554	14 554	Level 2
Trade and other payables			28 051	28 051	28 051	Level 2
Derivative financial instruments	230			230	230	Level 2
Total	230		91 033	91 263	91 263	
Financial liabilities total	230		167 240	167 470	167 470	
31 Dec 2018						
Non-current liabilities						
Loans from credit institutions			77 591	77 591	77 591	Level 2
Lease liability			37 916	37 916	37 916	Level 2
Other non-current liabilities			9 655	9 655	9 655	Level 2
Total			125 162	125 162	125 162	
Current liabilities						
Loans from credit institutions			4 524	4 524	4 524	Level 2
Lease liability			13 569	13 569	13 569	Level 2
Trade and other payables			32 759	32 759	32 759	Level 2
Derivative financial instruments	203			203	203	Level 2
Total	203		50 852	51 055	51 055	
Financial liabilities total	203		176 014	176 218	176 218	
30 Sep 2019						
Non-current liabilities						
Loans from credit institutions			74 800	74 800	74 800	Level 2
Lease liability			37 969	37 969	37 969	Level 2
Other non-current liabilities			10 574	10 574	10 574	Level 2
Total			123 343	123 343	123 343	
Current liabilities						
Loans from credit institutions			4 697	4 697	4 697	Level 2
Lease liability			14 013	14 013	14 013	Level 2
Trade and other payables			25 245	25 245	25 245	Level 2
Derivative financial instruments	61			61	61	Level 2
Total	61		43 955	44 016	44 016	
Financial liabilities, total	61		167 298	167 359	167 359	

Level 1: Quoted unadjusted prices at the balance sheet date in active markets. The market prices are readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. The quoted market price used for financial assets is the current bid price. Level 1 financial instruments include investments in funds classified as financial instruments at fair value through profit and loss. Musti Group does not have Level 1 financial instruments.

Level 2: The fair value of financial instruments in Level 2 is determined using valuation techniques. These techniques utilize observable market data readily and regularly available from an exchange, dealer, broker, market information service system, pricing service or regulatory agency. Musti Group has classified derivatives at fair value according to the Level 2.

Level 3: A financial instrument is categorized into Level 3, if the calculation of the fair value cannot be based on observable market data. Musti Group has no such financial instruments.

During the reporting period there has not been any transfers between the levels of the fair value hierarchy.

Contingent liabilities

No major changes to financial year end.

Related party transactions

Musti Group's related parties include its parent, subsidiaries, joint venture and its owners EQT Mid Market Fund, Vaaka Partners, Braganza AB and Ludv. G Braathens Rederi AS. The related parties also include Musti Group Holding Oy's Board of Directors, Musti Group Oy's (operating) Board of Directors and the members of the management team, including the CEO, as well as their family members.

Loans from the owners

EUR thousand	31 Dec 2019	31 Dec 2018	30 Sep 2019
Other non-current interest-bearing liabilities	10 422	9 649	10 225

Other related party transactions

EUR thousand	31 Dec 2019	31 Dec 2018	30 Sep 2019
Purchases of goods and services	672	754	3 133
Receivables	0	0	0
Payables	369	477	174

Related party transactions are executed with the arms-length principle, and their terms and conditions correspond to transactions carried out with independent parties. No loans have been granted to the management, and no other transactions have been conducted with the management.

Financial ratios and alternative performance measures

EUR million or as indicated	Q1 10-12/19	Q1 10-12/18	Change %	FY19
Net sales	70.3	64.1	9.7	246.6
Net sales growth, %	9.7%	22.1%		14.4%
LFL sales growth, %	7.7%	10.2%		11.2%
LFL store sales growth, %	7.2%	6.5%		7.8%
Online share of net sales, %	19.5%	19.8%		20.7%
Gross margin, %	45.4%	44.5%		44.3%
EBITDA	11.1	8.7	27.1	34.3
EBITDA margin	15.7%	13.6%		13.9%
Adjusted EBITDA	12.0	9.9	20.7	38.1
Adjusted EBITDA margin, %	17.1%	15.5%		15.4%
EBITA	6.8	4.7	45.5	18.1
EBITA margin	9.7%	7.3%		7.3%
Adjusted EBITA	7.8	6.0	30.0	21.9
Adjusted EBITA margin, %	11.1%	9.3%		8.9%
Operating profit	5.4	3.3	60.8	12.5
Operating profit margin, %	7.7%	5.2%		5.1%
Profit/loss for the period	3.7	1.1	242.3	3.0
Earnings per share, EUR	0.13	0.04		0.10
Cash flows from operating activities	14.7	14.8	-1.1	39.5
Investments	2.5	1.6	55.7	6.4
Net debt	126.3	136.2	-7.3	133.3
Gearing, %	123.6%	141.6%		135.4%
Net debt / LTM Adjusted EBITDA	3.1			3.5
Equity ratio %	35.8%	33.5%		35.2%
Number of loyal customers, thousands	1,052	917	14.6	1,018
Number of stores at end of period	281	272	3.3	277
of which directly operated	212	198	7.1	206
Own & Exclusive share, %	52.7%	53.7%		51.7%

EUR million or as indicated	10-12/19	10-12/18	Change %	FY19
Finland				
Net sales	34.6	32.1	7.8	122.8
Net sales growth, %	7.8%	10.6%		10.8%
LFL sales growth, %	4.0%	9.1 %		8,8%
EBITDA	10.5	9.5	10.2	36.6
EBITDA margin, %	30.3%	29.7%		29.8%
Adjusted EBITDA	10.5	9.5	10.1	36.6
Adjusted EBITDA margin, %	30.3%	29.7%		29.8%
EBITA	8.7	7.9	10.1	29.8
EBITA margin, %	25.1%	24.5%		24.2%
Adjusted EBITA	8.7	7.9	10.0	29.7
Adjusted EBITA margin, %	25.1%	24.6%		24.4%
Number of stores at end of period	127	123	3.3	126
of which directly operated	110	104	5.8	108
Sweden				
Net sales	29.9	28.2	6.2	107.5
Net sales growth, %	6.2%	27.2%		10.9%
LFL sales growth, %	10.5%	10.0%		12.4%
EBITDA	5.3	4.0	33.2	15.1
EBITDA margin, %	17.9%	14.2%		14.1%
Adjusted EBITDA	5.3	4.2	26.5	16.0
Adjusted EBITDA margin, %	17.9%	15.0%		14.8%
EBITA	3.9	2.4	59.6	9.0
EBITA margin, %	12.9%	8.6%		8.4%
Adjusted EBITA	3.9	2.7	44.4	9.9
Adjusted EBITA margin, %	12.9%	9.5%		9.2%
Number of stores at end of period	121	123	-1.6	121
of which directly operated	69	68	1.5	68
Norway				
Net sales	5.8	3.9	50.2	16.4
Net sales growth, %	50.2%	185.9%		97.0%
LFL sales growth, %	21.7%	35.1%		30.7%
EBITDA	1.1	0.5	136.0	2.2
EBITDA margin, %	19.5%	12.4%		13.7%
Adjusted EBITDA	1.1	0.5	118.9	2.4
Adjusted EBITDA margin, %	19.5%	13.4%		14.8%
EBITA	0.6	0.1	564.3	0.4
EBITA margin, %	10.3%	2.3%		2.6%
Adjusted EBITA	0.6	0.1	368.5	0.6
Adjusted EBITA margin, %	10.3%	3.3%		3.8%
Number of stores at end of period	33	26	26.9	30
of which directly operated	33	26	26.9	30

Calculation of financial ratios and alternative performance measures

Measure	Calculation
Gross profit	Net sales - Materials and services
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	Operating profit + Depreciation, amortisation and impairment
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)	Operating profit + Depreciation, amortisation and impairment + adjustments
Earnings before interest, taxes and amortisation (EBITA)	Operating profit + Amortisation and impairment of intangible assets
Adjusted earnings before interest, taxes and amortisation (Adjusted EBITA)	Operating profit + Amortisation and impairment of intangible assets + Adjustments
Earnings per share, basic	$\frac{\text{Profit/loss for the period} - \text{Non-controlling interests}}{\text{Average number of shares}}$
Earnings per share, diluted	$\frac{\text{Profit/loss for the period} - \text{Non-controlling interests}}{\text{Average diluted number of shares}}$
Net Debt	Interest bearing liabilities - Loan receivables - Derivative financial instruments - Cash and cash equivalents
Gearing, %	$\frac{\text{Net debt}}{\text{Equity}}$
Net debt/LTM (last twelve months) Adjusted EBITDA	$\frac{\text{Net Debt}}{\text{LTM adjusted EBITDA}}$
Equity ratio, %	$\frac{\text{Total equity}}{\text{Total assets} - \text{Advances received}}$
LFL (Like-for-like) sales growth, %	$\frac{\text{Sales of online channels and stores that have been open more than 13 months}}{\text{Sales from corresponding online channels and stores in the same time period}}$
Own & Exclusive share, %	$\frac{\text{Sales of own and exclusive product sales}}{\text{Product sales in own channels}}$
Online share, %	$\frac{\text{Online sales}}{\text{Net sales}}$

Reconciliation of key performance indicators

EUR millions	1 Oct 2019– 30 Dec 2019	1 Oct 2018– 30 Dec 2018	1 Oct 2018– 30 Sep 2019
Gross profit			
Net sales	70.3	64.1	246.6
Material and services	-38.4	-35.6	-137.3
Gross profit	31.9	28.5	109.4
Gross margin (%)	45.4%	44.5%	44.3%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)			
Operating profit	5.4	3.4	12.5
Depreciation, Amortisation and Impairment	5.7	5.4	21.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	11.1	8.7	34.3
EBITDA margin (%)	15.7%	13.6%	13.9%
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)			
Operating profit	5.4	3.4	12.5
Depreciation, Amortisation and Impairment	5.7	5.4	21.8
Adjustments	0.9	1.2	3.8
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)	12.0	9.9	38.1
Adjusted EBITDA margin (%)	17.1%	15.5%	15.4%
Adjustments (EBITDA)			
Restructuring related expenses	0.0	0.0	0.3
Acquisition/IPO related expenses	0.9	0.9	2.2
Other items affecting comparability	0.0	0.3	1.3
Adjustments (EBITDA)	0.9	1.2	3.8
Earnings before interest, taxes and amortisation (EBITA)			
Operating profit	5.4	3.4	12.5
Amortisation and impairment of intangible assets	1.5	1.4	5.6
Earnings before interest, taxes and amortisation (EBITA)	6.8	4.7	18.1
EBITA margin (%)	9.7%	7.3%	7.3%
Adjusted earnings before interest, taxes and depreciation (Adjusted EBITA)			
Operating profit/loss	5.4	3.4	12.5
Amortisation and impairment of intangible assets	1.5	1.4	5.6
Adjustments total	0.9	1.3	3.8
Adjusted earnings before interest, taxes and depreciation (Adjusted EBITA)	7.8	6.0	21.9
Adjusted EBITA margin (%)	11.1%	9.3%	8.9%
Adjustments (Operating profit)			
Restructuring related expenses	0.0	0.0	0.4
Acquisition/IPO related expenses	0.9	1.0	2.2
Other items affecting comparability	0.0	0.3	1.3
Adjustments (Operating profit)	0.9	1.3	3.8
Earnings per share, basic (and diluted)			
Profit/loss for the period	3.7	1.1	3.0

Non-controlling interest	0.0	0.0	0.0
Average number of shares *)	28.4	28.4	28.4
Earnings per share, basic (and diluted)	0.13	0.04	0.10
*) Number of shares before share issue of 5,159,672 shares.			
Net debt			
Interest bearing liabilities	139.4	143.5	142.1
Loan receivables	0.0	0.0	0.0
Derivative financial instruments	0.2	0.1	0.2
Cash and cash equivalents	13.0	7.2	8.6
Net debt	126.3	136.2	133.3
Gearing (%)			
Net Debt	126.3	136.2	133.3
Equity	102.2	96.2	98.4
Gearing (%)	123.6%	141.6%	135.4%
Net debt/LTM Adjusted EBITDA			
Net debt	126.3	136.2	133.3
LTM adjusted EBITDA	40.2	29.6	38.1
Net debt/LTM Adjusted EBITDA	3.1	4.6	3.5
Equity ratio (%)			
Total equity	102.2	96.2	98.4
Total assets	285.7	287.0	279.5
Advances received	0.3	0.2	0.1
Equity ratio (%)	35.8%	33.5%	35.2%
LFL sales growth (%)			
Net sales	70.3	64.1	246.6
Net sales growth %	9.7%	22.1%	14.1%
Other growth %	2.0%	11.9%	3.0%
LFL sales growth (%)	7.7%	10.2%	11.2%
LFL store sales growth (%)			
Store sales	53.1	48.1	182.4
Store sales total growth %	10.4%	8.6%	10.0%
Other growth %	3.2%	2.1%	2.2%
LFL store sales growth (%)	7.2%	6.5%	7.8%
Net sales			
Store sales	53.1	48.1	182.4
Online sales	13.7	12.7	51.1
Other sales	3.5	3.4	13.1
Net sales	70.3	64.1	246.6
Online share (%)			
Net sales	70.3	64.1	246.6
Online sales	13.7	12.7	51.1
Online share (%)	19.5%	19.8%	20.7%