Musti GROUP

October 2019-September 2020 Financial Statements Release Q4/2020

1 October 2019 – 30 September 2020

Financial statements release 1 October 2019 – 30 September 2020

Continued strong momentum

July–September 2020

- Group net sales totalled EUR 76.9 million (64.5 million), an increase of 19.2%.
- Like-for-like sales growth was 12.2%.
- Adjusted EBITA was EUR 10.1 (7.0) million, up by 44.6%.
- Adjusted EBITA margin was 13.1% (10.8%).
- Operating profit increased by 63.5% to EUR 7.8 (4.8) million, representing 10.2% (7.4%) of net revenue.
- Profit for the period totalled EUR 5.9 (2.3) million.
- Earnings per share, basic was EUR 0.18 (0.08).
- Four directly operated stores were opened and one franchise store was acquired.

October 2019 – September 2020

- Group net sales totalled EUR 284.4 million (246.6 million), an increase of 15.3%.
- Like-for-like sales growth was 11.5%.
- Adjusted EBITA was EUR 29.8 (21.9) million, up by 36.2%.
- Adjusted EBITA margin was 10.5% (8.9%).
- Operating profit increased by 56.5% to EUR 19.6 (12.5) million, representing 6.9% (5.1%) of net revenue.
- Profit for the period totalled EUR 11.8 (3.0) million.
- Earnings per share, basic was EUR 0.37 (0.10).
- Number of stores grew to 293 (277).
- Number of loyal customers grew to 1,151 thousand (1,018 thousand).
- The Board of Directors proposes to the AGM that shareholders will be paid a capital return of EUR 0.38 per share.

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

Key figures

EUR million or as indicated	7-9/2020	7-9/2019	Change %	10/2019–9/2020	10/2018–9/2019	Change %
Net sales	76.9	64.5	19.2	284.4	246.6	15.3
Net sales growth, %	19.2%	15.9%		15.3%	14.1%	
LFL sales growth, %	12.2%	12.7%		11.5%	11.2%	
LFL store sales growth, %	7.9%	11.3%		7.3%	7.8%	
Online share, %	22.1%	20.2%		22.5%	20.7%	
Gross margin, %	44.0%	45.2%		43.8%	44.3%	
EBITA	9.4	6.2	50.3	25.5	18.1	41.3
Adjusted EBITA	10.1	7.0	44.6	29.8	21.9	36.2
Adjusted EBITA margin, %	13.1%	10.8%		10.5%	8.9%	
Operating profit	7.8	4.8	63.5	19.6	12.5	56.5
Operating profit margin, %	10.2%	7.4%		6.9%	5.1%	
Profit/loss for the period	5.9	2.3	160.9	11.8	3.0	289.7
Earnings per share, basic, EUR	0.18	0.08		0.37	0.10	
Net cash flow from operating activities	20.6	10.0	105.7	42.3	39.5	7.1
Investments in tangible and intangible assets	1.9	1.2	53.7	8.9	6.4	40.0
Gearing, %	61.8%	135.4%		61.8%	135.4%	
Net debt / LTM adjusted EBITDA	2.0	3.5	-43.7	2.0	3.5	-43.7
Number of loyal customers, thousands	1,151	1,018	13.1	1,151	1,018	13.1
Number of stores at the end of the period	293	277	5.8	293	277	5.8
of which directly operated	231	206	12.1	231	206	12.1

CEO's comments

I am very proud to conclude our first financial year as a listed company with the results we have published today. Over the past few quarters we have witnessed how individuals, businesses and societies everywhere in the world have adapted to a new way of living due to the COVID-19 pandemic. During the pandemic, our top priorities have been to keep our staff and customers safe and to maintain our ability to deliver high-quality support to our customers under exceptional circumstances.

We have been able to deliver high-quality service to our customers under exceptional circumstances and grow profitably in a challenging environment. Throughout this financial year, the commitment and efforts by the entire Musti team have been outstanding. I am also very grateful for the trust our customers have shown us and the ability of our staff to develope new opportunities in this environment. The fourth quarter of July-September continued to demonstrate again the strengths and resilience of Musti Group's business model.

- Group net sales increased by 19.2% to EUR 76.9 million (EUR 64.5 million). The increase was largely due to like-for-like growth in all countries, mainly driven by the increasing number of new customers, and an increased number of directly operated stores.
- Store sales increased by 17.3% to EUR 56.3 million, driven by the increased number of stores and strong like-for-like store sales growth. Like-for-like store sales growth amounted to 7.9%.
- Online sales increased by 30.0% to EUR 17.0 million. Online sales accounted for 22.1% of total net sales in the quarter. The channel shift impact from stores to online sales from COVID-19 was lower compared to the third quarter and we have started to see online shift to stores, bringing the channel mix back towards normal levels.
- Net cash flow from operating activities was strong in the quarter and totaled EUR 20.6 million (EUR 10.0 million)
- Musti Group's underlying growth has continued strong after the fourth quarter.

Following of the ongoing strong pet parenting trend accelerated by the COVID-19 period, the number of pets in Musti Group's operating markets has been seen to grow throughout the year as a result of increased registration of puppies. The number of Musti Group's new puppy customers has increased by 22 per cent during the fourth quarter compared to the third quarter and the number of puppy customers is outgrowing our market share. Musti Group has a wide range of different initiatives, campaigns and activities planned to best serve the important phase of the puppy and kitten first year. The continued increase in puppy customers during the financial year 2020 will continue to support growth in a long-term and as we see growth opportunities geographically in all countries, we estimate to increase the number of own stores by 25-35 during the reporting year 2021, as we expect the favorable momentum in the market to continue also during 2021. Increasing the number of own stores allows us to reach even more customers through utilizing our omnichannel business model.

Musti Group is focusing on profitable growth, supported by the scalable, cost efficient platform. This work continued strong in the fourth quarter profitability development as Musti Group's adjusted EBITA increased by 44.6% to EUR 10.1 million from the corresponding quarter previous year. Gross margin decreased to 44.0% (45.2%) mainly due to the higher distribution costs driven by increased share of online sales, lower share of sales of own and exclusive brands and non-recurring items relating to the ongoing warehouse consolidation project. Operating profit increased by 63.5% to EUR 7.8 million.

Sweden and Norway are approaching the profitability level of Finland faster than expected, with adjusted EBITA margin increasing to 14.8% in Sweden and to 15.4% in Norway in the fourth quarter. In Finland, adjusted EBITA margin remained approximately at previous year's level at 26.0%. The platform change in Vetzoo and the warehouse consolidation in Sweden, both to be finalized during the first quarter of the financial year 2021, are expected to increase efficiency in Sweden and Norway in the long term.

We have been agile and have updated the concept to meet the higher market growth expectations. We warmly welcome all the new pet customers to join the Musti pack, and we intend to pay a lot of attention to the continuous development of our services and products to even better serve our customers in the Nordics. We are in an excellent position going into the financial year 2021.

David Rönnberg,
CEO

Financial targets

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 per cent** 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 per cent of net profit.** Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.

The financial targets are forward-looking statements and are not guarantees of future financial performance.

Market outlook

Musti Group 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. The market was estimated to be worth approximately EUR 2.9 billion (in 2019), 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 0.9 billion and approximately EUR 0.8 billion, respectively.

"Pet Parenting" refers to the 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. This underlying trend that drives the long-term structural growth of the pet care market remains robust, shifting spend towards higher quality nutrition, a more diverse range of accessories and wider adoption of services. The COVID-19 pandemic has affected market dynamics since spring 2020 mainly through an increased number of puppies and kittens, in line with historical evidence of developments during economic downturns, and increased temporarily demand in online channels.

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 75% of total market spend and are characterised by repeat purchasing behaviour that is consistent through the cycle. Consumers display willingness to sustain spending on non-discretionary pet care purchases even while expenditure on alternative categories has been affected.

Group performance

Net sales

EUR million	7-9/2020	7-9/2019	Change %	10/2019–9/2020	10/2018–9/2019	Change %
Net sales						
Group	76.9	64.5	19.2	284.4	246.6	15.3
Finland	36.0	32.3	11.5	135.8	122.8	10.6
Sweden	33.4	27.6	21.3	123.2	107.5	14.7
Norway	7.5	4.7	59.8	25.4	16.4	54.6

July–September 2020

The Group's net sales increased by 19.2% to EUR 76.9 million (EUR 64.5 million). The increase was largely due to like-for-like growth in all countries, mainly driven by the increasing number of new customers, and an increased number of directly operated stores. Like-for-like growth amounted to 12.2% (12.7%).

Store sales increased by 17.3% to EUR 56.3 million (EUR 48.0 million), driven by an increased number of stores and strong like-for-like store sales growth especially in Sweden and Norway, partly offset by the continued impact of the COVID-19 on selected stores. Like-for-like store sales growth amounted to 7.9% (11.3%). Online sales increased by 30.0% to EUR 17.0 million (EUR 13.0 million). Online sales accounted for 22.1% (20.2%) of total net sales. Online sales growth was driven by a channel shift towards online sales due to the COVID-19 pandemic and a focus on growth in all countries. However, the impact from COVID-19 was lower compared to Q3.

Net sales in Finland increased by 11.5% driven by like-for-like growth of 9.7% and growth from the new stores opened and acquired during the latest twelve months. One franchise store was acquired in Finland during Q4. Net sales in Sweden increased by 21.3% driven by strong like-for-like growth of 11.5%. In addition, the strengthened SEK rate compared to Q4 FY19 had a positive impact on the sales growth. During Q4, two directly operated stores were opened in Sweden. Net sales in Norway increased by 59.8% driven by strong like-for-like growth of 35.3% and the ramp-up of the stores opened during the latest twelve months. The weakened NOK rate compared to Q4 FY19 and closure of one store during FY20 had a negative impact on growth. One directly operated store was opened in Norway during Q4.

The number of loyal customers increased to 1,151 thousand during the reporting period (1,018 thousand on 30 September 2019). Rolling 12 months average spend per loyal customer increased to EUR 178.5 on 30 September 2020 (EUR 174.5 on 30 September 2019), driven by an increased average purchase value.

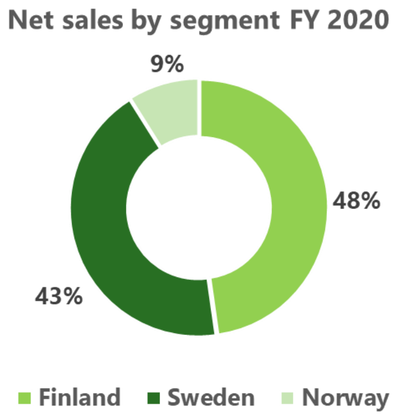
October 2019 – September 2020

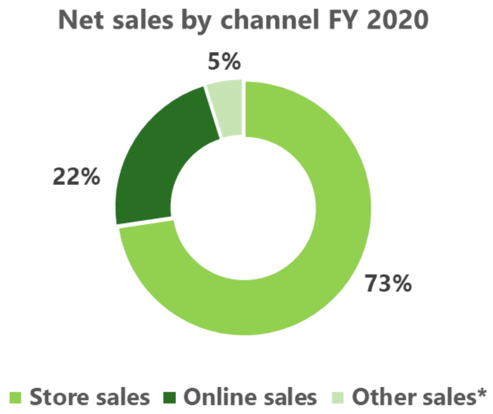
The Group's net sales increased by 15.3% to EUR 284.4 million (EUR 246.6 million). The increase was largely due to like-for-like growth in all countries, mainly driven by the increasing number of new customers. Like-for-like growth amounted to 11.5% (11.2%).

Store sales increased by 13.2% to EUR 206.6 million (EUR 182.4 million), driven by like-for-like store sales growth in all countries. Like-for-like store sales growth amounted to 7.3% (7.8%). Online sales increased by 25.3% to EUR 64.1 million (EUR 51.1 million). Online sales growth recovered during Q2 after the platform change in Peten Koiratarvike in Q1. In addition, the COVID-19 pandemic had a positive impact on the share of online sales in Q3. In Q4, the impact from COVID-19 was lower compared to Q3. Online sales accounted for 22.5% (20.7%) of total net sales.

Net sales in Finland increased by 10.6% driven by like-for-like growth of 7.4% and growth from new stores opened during the latest twelve months. During the reporting period, two new directly operated stores and one new franchise store were opened, and two franchise store were acquired. Net sales in Sweden increased by 14.7% driven by strong like-for-like growth of 13.4%. During the reporting period, ten directly operated stores were opened in Sweden, six franchise stores were closed, and two franchise stores were acquired. Net sales in Norway increased by 54.6% driven by strong like-for-like growth of 33.3% and the ramp-up of stores opened during the latest twelve months. The weakened NOK rate in FY20 compared to FY19 and closing-down of one store during FY20 had a negative impact on growth. Ten directly operated stores were opened and one store was closed in Norway during the reporting period.

The number of loyal customers increased to 1,151 thousand during the reporting period (1018 thousand on 30 September 2019). Rolling 12 months average spend per loyal customer increased to EUR 178.5 on 30 September 2020 (EUR 176.1 on 30 September 2019), driven by an increased average purchase value.





*Other sales include franchise fees and wholesale.

Result

July–September 2020

The Group's adjusted EBITA increased by 44.6% to EUR 10.1 million (EUR 7.0 million). Adjusted EBITA margin was 13.1% (10.8%). The improvement was mainly due to an increase in sales, partly offset by slightly lower gross margin. Gross margin decreased to 44.0% (45.2%) mainly due to the higher distribution costs driven by an increased share of online sales, the lower share of sales of own and exclusive brands as well as non-recurring items relating to the ongoing warehouse consolidation project. The share of employee benefits and other operating expenses as percentage of sales decreased to 25.9% (29.7%), mainly driven by operating leverage as well as lower working hours in our stores and lower operating costs from adapting to the lower store volumes due to the COVID-19. Marketing expenses in relation to sales were slightly lower compared to the corresponding quarter last year. Depreciation amounted to EUR 4.9 million (EUR 4.2 million) and amortisation amounted to EUR 1.6 million (EUR 1.5 million).

Adjustments to EBITA were EUR 0.7 million (EUR 0.7 million). The adjustments consist of non-recurring items relating to the ongoing warehouse consolidation project.

Operating profit increased by 63.5% to EUR 7.8 million (EUR 4.8 million).

Profit before taxes increased to EUR 6.4 million (EUR 3.0 million). Financial income and expenses (net) decreased from EUR -1.8 million to EUR -1.4 million mainly due to lower interest expenses due to the refinancing in connection with the IPO, partly offset by unrealised foreign exchange losses.

Profit for the period was EUR 5.9 million (EUR 2.3 million) and earnings per share, basic was 0.18 (0.08). Income tax expense decreased due to the utilization of tax losses carried forward in Sweden and Norway.

October 2019 – September 2020

The Group's adjusted EBITA increased by 36.2% to EUR 29.8 million (EUR 21.9 million). Adjusted EBITA margin was 10.5% (8.9%). The improvement was mainly due to an increase in sales combined with operating leverage. Gross margin decreased to 43.8% (44.3%) due to a higher share of online sales, a lower share of sales of own and exclusive brands as well as non-recurring items relating to the ongoing warehouse consolidation project., offset by more efficient marketing campaigns and supply chain management. The share of employee benefit and other operating expenses as percentage of sales decreased to 28.9% (30.9%) driven by operating leverage as well as lower working hours in our stores and lower operating costs from adapting to the lower store volumes due to the COVID-19. During the third quarter of 2020 Musti Group received some Covid-19 related financial assistance under governmental scheme in Sweden and Norway. However, the amount of the assistance was not material from a Group perspective.

Depreciation amounted to EUR 18.2 million (EUR 16.2 million) and amortisation amounted to EUR 6.0 million (EUR 5.6 million).

Adjustments to EBITA were EUR 4.3 million (EUR 3.8 million). The adjustments mainly related to the IPO process and non-recurring items relating to the ongoing warehouse consolidation project.

Operating profit increased by 56.5% to EUR 19.6 million (EUR 12.5 million).

Profit before taxes increased to EUR 13.7 million (EUR 4.0 million). The impact of financial income and expenses (net) on profit before taxes decreased from EUR -8.5 million to EUR -5.9 million, mainly due to lower interest expenses due to the refinancing in connection with the IPO, party offset by foreign exchange losses related to a weaker SEK exchange rate.

Musti is currently subject to a tax audit of Musti Group Oyj, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018-2020.

Profit for the period was EUR 11.8 million (EUR 3.0 million) and earnings per share, basic was 0.37 (0.10). Income tax expense was positively impacted by the utilization of tax losses carried forward in Sweden and Norway. The effective tax rate was 14%.

Financial position and cash flow

In July–September, net cash flow from operating activities totalled EUR 20.6 million (EUR 10.0 million). During the quarter, net working capital decreased by EUR 6.5 million due to lower accounts payables driven by the timing of payments and lower inventory levels. In October–September, net cash flow from operating activities totalled EUR 42.3 million (EUR 39.5 million). Cash and cash equivalents at the end of the period amounted to EUR 21.6 million (30 September 2019: EUR 8.6 million). Total consolidated assets amounted to EUR 312.3 million (30 September 2019: EUR 279.5 million). The increase was driven by right-of-use assets from a higher number of rental contracts as well as higher inventory levels.

Equity attributable to owners of the parent company totalled EUR 153.1 million (30 September 2019: EUR 98.3 million). The increase was due to the profit for the period and the share issue in connection with the IPO. The net impact of the share issue was EUR 42.9 million.

Gearing at the end of the reporting period was 61.8% (30 September 2019: 135.4%) and net debt amounted to EUR 94.7 million (30 September 2019: EUR 133.3 million). The decrease was mainly due to the refinancing in connection with the IPO, partly offset by increased lease liabilities due to adjusted rental periods and an increased number of rental contracts. At the end of the period, the lease liabilities included in net debt amounted to EUR 66.5 million (30 September 2019: EUR 52.0 million).

In connection with the IPO, Musti Group 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 bullet repayment date of the facilities is in January 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.

Musti Group focuses on maintaining sufficient liquidity in the group. In addition to the cash and cash equivalients of EUR 21.6 million at the end of the period, Musti Group has an unutilized EUR 4.0 million credit limit and an undrawn EUR 10.0 million revolving credit facility.

Investments

In July-September investments in tangible and intangible assets amounted to EUR 1.9 million (EUR 1.2 million). In October–September investments in tangible and intangible assets amounted to EUR 8.9 million (EUR 6.4 million). The investments were mainly related to new and relocated stores, especially in Sweden and Norway, as well as IT and digital platform development projects. In addition, EUR 1.4 million relates to acquisitions of franchise stores. EUR 0.6 million relates to investments in joint ventures Premium Petfood Suomi Oy to partly finance a new production site.

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 Group's most mature country. Musti Group held 30% of the total pet food and products market share in 2019. Regardless of the strong market presence in Finland, the company's management continues to see opportunities to expand the store network in selected locations, such as high traffic hypermarkets. Musti's brands in Finland include Musti ja Mirri (store and omnichannel) and Peten Koiratarvike (online).

In Finland, Musti Group 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.

EUR million or as indicated	7-9/2020	7-9/2019	Change %	10/2019–9/2020	10/2018–9/2019	Change %
Net sales	36.0	32.3	11.5	135.8	122.8	10.6
Net sales growth, %	11.5 %	20.8 %		10.6 %	10.8 %	
LFL segment sales growth, %	9.7 %	11.2 %		7.4 %	8.8 %	
EBITA	9.3	8.7	6.8	32.8	29.8	10.2
EBITA margin, %	25.8 %	26.9 %		24.2 %	24.2 %	
Adjusted EBITA	9.4	8.6	8.5	33.0	29.7	10.8
Adjusted EBITA margin, %	26.0 %	26.7 %		24.3 %	24.2 %	
Number of stores	129	126	2.4	129	126	2.4
of which directly operated	112	108	3.7	112	108	3.7

July–September 2020

Net sales in Finland increased by 11.5% to EUR 36.0 million (EUR 32.3 million) driven by like-for-like growth of 9.7% and growth from the stores opened or acquired during the latest twelve months. Online sales continued to be positively impacted by COVID-19 and a focus on growth. However, the impact from COVID-19 was lower compared to Q3.

EBITA increased by 6.8% to EUR 9.3 million (EUR 8.7 million). Adjusted EBITA increased by 8.5% to EUR 9.4 million (EUR 8.6 million). This was due to operating leverage as well as lower working hours in our stores and lower operating costs from adapting to the lower store volumes due to the COVID-19. Adjusted EBITA margin decreased to 26.0% (26.7%).

One franchise store was acquired in Finland during Q4.

October 2019 – September 2020

Net sales in Finland increased by 10.6% to EUR 135.8 million (EUR 122.8 million) driven by like-for-like growth of 7.4% and growth from the stores opened or acquired during the latest twelve months.

EBITA increased by 10.2% to EUR 32.8 million (EUR 29.8 million). Adjusted EBITA increased by 10.8% to EUR 33.0 million (EUR 29.7 million). This was due to operating leverage, more efficient marketing campaigns and supply chain management, offset by the increased share of online sales. In addition, store efficiency in Q3 and Q4 was positively impacted by lower working hours in our stores adapting to the lower store volumes due to the COVID-19. Adjusted EBITA margin was 24.3% (24.2%).

During the reporting period, two new directly operated stores and one new franchise store were opened, and two franchise store were acquired.

Sweden

In Sweden, Musti Group'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 29% market share (2019). Through VetZoo and Animail, Musti Group has a strong online presence in Sweden with approximately 50% market share in online sales. Musti Group'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 the store network 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 own and exclusive brands' share of sales towards Finnish levels through staff promotion and educational marketing, converging store cost-efficiency towards Finnish levels through store personnel efficiency measures and being selective in network expansion while acquiring selected franchised stores.

EUR million or as indicated	7-9/2020	7-9/2019	Change %	10/2019–9/2020	10/2018–9/2019	Change %
Net sales	33.4	27.6	21.3 %	123.2	107.5	14.7 %
Net sales growth, %	21.3 %	5.3 %		14.7 %	10.9 %	
LFL segment sales growth, %	11.5 %	12.9 %		13.4 %	12.4 %	
EBITA	4.6	2.7	69.3 %	14.5	9.0	61.1 %
EBITA margin, %	13.8 %	9.9 %		11.7 %	8.4 %	
Adjusted EBITA	4.9	2.9	70.8 %	14.9	9.9	51.1 %
Adjusted EBITA margin, %	14.8 %	10.5 %		12.1 %	9.2 %	
Number of stores	125	121	3.3 %	125	121	3.3 %
of which directly operated	80	68	17.6 %	80	68	17.6 %

July-September 2020

Net sales in Sweden increased by 21.3% to EUR 33.4 million (EUR 27.6 million) driven by like-for-like growth of 11.5%. Both stores and online generated strong like-for-like growth driven by the increased number of customers. In addition, the strengthened SEK exchange rate compared to Q419 had a positive impact on the sales growth.

EBITA increased by 69.3% to EUR 4.6 million (EUR 2.7 million). Adjusted EBITA increased by 70.8% to EUR 4.9 million (EUR 2.9 million). This was due to operating leverage and more efficiency marketing campaigns, partly offset by the increased share of online sales. In addition, store efficiency was positively impacted by lower working hours in our stores adapting to the lower store volumes due to the COVID-19. Adjusted EBITA margin was 14.8% (10.5%).

During Q4, two directly operated stores were opened in Sweden.

October 2019 – September 2020

Net sales in Sweden increased by 14.7% to EUR 123.2 million (EUR 107.5 million) driven by like-for-like growth of 13.4%. The average SEK rate weakened slightly in FY20 compared to FY19. This had a small negative impact on the sales growth. The sales growth was strong in both stores and online, driven by the increased number of customers.

EBITA increased by 61.1% to EUR 14.5 million (EUR 9.0 million). Adjusted EBITA increased by 51.1% to EUR 14.9 million (EUR 9.9 million). This was due to operating leverage and more efficient marketing campaigns, partly offset by the increased share of online sales. In addition, store efficiency in Q3 and Q4 was positively impacted by lower working hours in our stores from adapting to the lower store volumes due to the COVID-19. Adjusted EBITA margin was 12.1% (9.2%).

During the reporting period, ten directly operated stores were opened in Sweden, six franchise stores were closed, and two franchise stores were acquired.

Norway

In Norway, Musti Group's focus is on store roll-out and on increasing country profitability. Unlike in Finland and Sweden, there are no clear dominant players within the pet specialty segment, with Musti covering for roughly 8% of the total pet food and products market in 2019. Musti Group's brands in Norway are Musti (store and omnichannel) and VetZoo (online).

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

EUR million or as indicated	7-9/2020	7-9/2019	Change %	10/2019–9/2020	10/2018–9/2019	Change %
Net sales	7.5	4.7	59.8 %	25.4	16.4	54.6 %
Net sales growth, %	59.8 %	67.7 %		54.6 %	97.0 %	
LFL segment sales growth, %	35.3 %	27.0 %		33.3 %	30.7 %	
EBITA	1.1	0.3	255.5 %	2.9	0.4	575.1 %
EBITA margin, %	15.2 %	6.8 %		11.4 %	2.6 %	
Adjusted EBITA	1.1	0.3	257.8 %	2.9	0.6	374.5 %
Adjusted EBITA margin, %	15.4 %	6.9 %		11.5 %	3.8 %	
Number of stores	39	30	30.0 %	39	30	30.0 %
of which directly operated	39	30	30.0 %	39	30	30.0 %

July–September 2020

Net sales in Norway increased by 59.8% to EUR 7.5 million (EUR 4.7 million), driven by strong like-for-like growth of 35.3% and ramp-up of new stores. The weakened NOK exchange rate compared to Q419 and closure of one store during FY20 had a negative impact on growth. One directly operated store was opened in Norway during Q4.

EBITA amounted to EUR 1.1 million (EUR 0.3 million). Adjusted EBITA amounted to EUR 1.1 million (EUR 0.3 million). This was driven by operating leverage and increased store efficiency, as stores are starting to reach the mature phase or the end of the ramp-up curve. In addition, store efficiency was positively impacted by lower working hours in stores. Adjusted EBITA margin was 15.4% (6.9%).

October 2019 – September 2020

Net sales in Norway increased by 54.6% to EUR 25.4 million (EUR 16.4 million), driven by strong like-for-like growth of 33.3% and ramp-up of the stores opened during the latest twelve months. The weakened NOK exchange rate in FY20 compared to FY19 and the closing-down of one store during FY20 had a negative impact on growth. Ten new stores were opened and one store was closed in Norway during the reporting period.

EBITA amounted to EUR 2.9 million (EUR 0.4 million). Adjusted EBITA amounted to EUR 2.9 million (EUR 0.6 million). This was driven by operating leverage and increased store efficiency, as stores are starting to reach the mature phase or the end of the ramp-up curve. In addition, store efficiency in Q3 was positively impacted by lower working hours in our stores adapting to the lower store volumes due to the COVID-19. In Q4, the impact from COVID-19 was lower compared to Q3. Adjusted EBITA margin was 11.5% (3.8%).

Group functions

July-September 2020

Group functions consist of costs relating to head office and central warehouse operations. EBITA was EUR -5.6 million (EUR -5.5 million). Adjusted EBITA was EUR -5.4 million (EUR -4.9 million). The decrease was due to higher personnel and other costs in the head office and, driven by higher volumes, in the central warehouse. Adjusted EBITA margin was 7.0% (7.4%).

October 2019 – September 2020

The EBITA impact of Group functions was EUR -24.6 million (EUR -21.1 million). Adjusted EBITA was EUR -21.0 million (EUR -18.3 million). The decrease was due to higher personnel and other costs in the head office and, driven by higher volumes, in the central warehouse. Adjusted EBITA margin was 7.4% (7.4%).

Personnel

In October 2019 – September 2020, the average number of personnel was 1,145 (1,084). At the end of the reporting period, the number of personnel was 1,162 (1,120), of whom 566 (583) were employed in Finland and 597 (538) outside Finland.

Changes in Group management

Anton Jacobsson, Head of eCommerce and Omnichannel, resigned from his position in Musti Group and his last day of employment at Musti Group was 30 September 2020. As a result of the change, the responsibility for the omnichannel development was divided to each country director in Finland, Sweden and Norway.

Juhana Lamberg, Country Director, Finland resigned from his position in Musti Group and his last operational day of employment at Musti Group was 31 October 2020.

The new Country Director, Finland, Timo Tervo started in his position in Musti Group on 1 September 2020.

Governance

Musti Group 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 Group's Articles of Association and to notify the amendments for registration immediately after the EGM. In connection with the amendment of the 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 Group'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 Internal 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.

On 16 January 2020, 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 for their 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. 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.

Shares and shareholders

Initial Public Offering

On 20 January, 2020 Musti Group Holding Oy (which was renamed Musti Group Oyj), announced that it is planning an initial public offering (IPO) and a listing of its shares on the official list of Nasdaq Helsinki.

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 approximately 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 (excluding 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% lower in the personnel offering at EUR 7.88 per share, which in total corresponds to a market capitalisation 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 oversubscribed multiple times. 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 2020. 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 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 Oyj or its subsidiaries as well as employees with a fixed-term employment relationship with Musti Oyj or its subsidiaries at the start of the subscription period on 3 February 2020 in Finland, Sweden and Norway, as well as to the management team and CEO of the company. The total number of shareholders rose to more than 4,000 shareholders.

Issued shares and share capital

In connection with Musti Group's IPO and listing of its shares on the official list of Nasdaq Helsinki Ltd, the company's share classes were combined and the total number of outstanding shares in the company increased to 33,535,453.

At the end of the reporting period on 30 September 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.

Trading of shares

Trading of Musti Group's share commenced on the Prelist of Nasdaq Helsinki Ltd on 13 February 2020 and on the Official List on 17 February 2020.

The opening price of the share was EUR 16.05 on the first trading day of the fourth quarter on 1 July 2020. The closing price of the share on the last trading day of the reporting period on 30 September 2020 was EUR 20.80. The highest price of the share during the fourth quarter 2020 was EUR 20.94, the lowest EUR 15.55 and the average price was EUR 16.39. Share turnover on Nasdaq Helsinki during the fourth quarter was approximately 12.26 million shares. The value of the share turnover was approximately EUR 203.4 million.

Musti Group's market capitalization was EUR 698 million on 30 September 2020.

Treasury shares and authorisations of the Board of Directors

The company does not hold any treasury shares.

Conditional upon the execution of Musti Group's listing, Musti Group's Annual General Meeting (AGM) held on 23 January 2020 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 authorisation granted by Musti Group's AGM held on 23 January 2020. 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. In addition, the 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 AGM also resolved to authorise the Board of Directors to decide on a share issue as well as the issuance of special rights entitling to shares. The Board of Directors may, based on the authorisation, decide on the issuance of shares and the issuance of special rights entitling to shares referred to in Chapter 10 Section 1 of the Finnish Companies Act. The authorisation concerns both the issuance of new shares as well as the transfer of treasury shares. The total number of shares to be issued shall not exceed 1,500,000 shares. The authorisation will be effective until the end of the next Annual General Meeting, however no longer than until 23 July 2021.

The AGM resolved to authorise the Board of Directors to decide on the acquisition of the company's own shares. Based on the authorisation, the total number of shares to be acquired may not exceed 1,500,000 shares. The authorisation will be effective until the end of the next Annual General Meeting, however no longer than until 23 July 2021.

Shareholders and flagging notifications

At the end of the reporting period, the number of registered shareholders was 6,199. The proportion of nominee-registered and foreign shareholders was 68.6% of the company's shares. The 20 largest shareholders registered in the book-entry register maintained by Euroclear Finland Oy held a total of 21.73% of Musti Group's shares and votes at the end of the review 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. The conversion was registered on 20 January 2020.

During October 2019-September 2020, Musti Group received the following announcements under Chapter 9, Section 5 of the Securities Markets Act:

EQT's indirect holding of the shares and votes of Musti Group decreased to 24.10% and EQT's holding through financial instruments increased above the threshold of 5% on 17 February 2020.

SMALLCAP World Fund, Inc's holding of the shares and votes of Musti Group increased above the threshold of 5% on 13 February 2020.

The Capital Group Companies, Inc's indirect holding of the shares and votes of the Musti Group increased above the threshold of 5% on 13 February 2020.

EQT's indirect holding of the shares and votes of Musti Group totalled 24.10% and EQT's holding through financial instruments decreased below the threshold of 5% on 21 February 2020.

EQT's indirect holding of the shares and votes of Musti Group decreased below 10% on 13 August 2020.

Investment AB Öresund's holding of the shares and votes of Musti Group increased above 5% on 13 August 2020.

FMR LLC's holding of the shares and votes of Musti Group increased above 5% on 13 August 2020.

A list of the largest shareholders is available on the company's website at www.mustigroup.com/investors

Managers' transactions

Musti Group's managers' transactions as of the listing have been published as stock exchange releases, and they are available on the company's website at www.mustigroup.com

Remuneration 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 Group 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 members of the management team.

Long-term incentives

In May 2020, Musti Group Plc's Board decided on two new share-based long-term incentive plans for the management team and key employees. The plans consist of a performance share plan (PSP) as the main structure, and of a restricted share plan (RSP), which is a complementary share plan for special situations. The new share-based compensation schemes were communicated in a stock exchange release on 7 May 2020. The plans will form a part of Musti Group plc's remuneration programs for its key employees, and the aim of the PSP is to align the objectives of the shareholders and key employees for increasing the value of the Company in the long-term, to commit the key employees to the Company and to offer them competitive incentive schemes that are based on earning and accumulating shares.

The performance share plan consists of three performance periods of three years each 2020-2022, 2021-2023 and 2022-2024. The Board of Directors will decide separately for each performance period the plan participants, performance criteria, and the related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment.

The Restricted Share Plan (RSP) consists of plans on which the vesting period is 12-36 months based on decisions made by the Board of Musti Group Plc. The possible rewards are paid partly in Musti Group Plc's shares and partly in cash. As of 30 September 2020, there were no participants added to the RSP plan.

In the first performance period, the plan has 11 participants at most and the targets for the long-term PSP incentive plan relate to the Group's total shareholder return (TSR) and adjusted EBITA. The maximum number of shares to be paid based on the first performance period is approximately 250,000 Musti Group Plc's shares, which corresponds to approximately EUR 3.0 million calculated with the volume weighted average share price on the trading day preceding the Board's decision. The number of shares represents gross earning, from which the withholding tax and possible other applicable contributions are deducted, and the remaining net amount is paid in shares. However, the company has the right to pay the reward fully in cash under certain circumstances. Potential rewards from the first performance period will be paid out during the autumn of 2022.

For the financial year ending 30 September 2020, EUR 276 thousand has been recognized as an expense from long-term incentives on the statement of income.

Responsibility

Musti Group is committed to developing its responsibility policies and best practices on a long-term basis, and it is committed to being a responsible forerunner in its industry. Musti Group 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 Group's social responsibility is a responsible supply chain, diminishing environmental impact as well as 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 Group 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 Group 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 also 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.

Musti Group's first Non-Financial Information Report will be published together with the Finacial Statements and Board of Directors' Report on 18 December 2020.

Risks and uncertainties

Musti Group'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 following describes the risks and uncertainties that are considered significant for Musti Group.

Risks relating to the macroeconomic environment

Musti Group's net sales and operating profit are impacted by general economic conditions, which are influenced by many factors beyond Musti Group's control. As Musti Group's net sales and operating profits are generated in Finland, Sweden and Norway, the company is vulnerable to negative economic developments, including recession and depression, in these core markets. Although the pet care market has proven to be resilient to economic downturns in the past, and so far during the COVID-19 pandemic, there can be no assurance that this would be the case in the future. Adverse changes in the Nordic markets could result from e.g. deterioration in business or consumer confidence leading to low customer spending, fluctuations in currency rates, changing customer preferences or employment levels, lower availability of credit, rising interest rates or inflation or changes in taxation or in the local political landscape.

The COVID -19 has exposed Musti Group's risk management to a new challenge. Musti Group is actively working on minimising disruptions on a longer term and implementing precautionary measures to be able to manage diverse future scenarios. To date, the pandemic has not had any significant negative impacts on Musti Group, as the company has successfully managed the risks related to e.g. disruptions in the logistics chain, suppliers and employees. However, the pandemic can result in long-term effects with risks related to higher unemployment and recession in the society.

Risks relating to changes in the competitive environment

Pet products and services retail industry is increasingly competitive due to the presence of online merchandisers and specialty retailers' in the pet food and products market. Also, the expansion of pet-related product offerings by certain grocery stores and other general retail merchandisers has increased competition. Musti Group competes with a number of other participants in the Nordic pet care market, which includes pet food, pet products and pet services. Musti Group's competitors are large grocery retailers, smaller pet specialist stores, online competitors (including general online stockists and internet pure-plays), home and garden stores, pet service providers, as well as veterinary clinics.

Risks relating to quality of products and services

Musti Group's brand is an important asset to the company. Maintaining the reputation of, and value associated with, Musti Group's brand, is central to the success of its business, and Musti Group could be adversely affected if customers lose confidence in the safety and quality of the food, accessories and services sold or provided by the company. The real or perceived sale of contaminated pet food or defective accessory products by Musti Group could result in product recalls, product liability claims against Musti Group or its suppliers, investigations by authorities and loss of customer confidence. In addition, Musti Group may also be subjected to complaints from its customers, employees, competitors or other third parties in social media channels, alleging injury, health, environmental, safety or operational concerns, negligence or failure to comply with applicable laws and regulations. Any such complaints and claims, even if successfully resolved without direct adverse financial effect, could have a material adverse effect on Musti Group's brand and reputation.

Risks relating to changes in customer preferences

Musti Group has identified a mega-trend refered to as Pet Parenting where customers increasingly treat their pets as family members. The increasing development of the Pet Parenting trend and growth in spend per pet has opened markets for Musti Group's high-quality food products with high nutritional value, broader range of products and services with a rising emphasis on wellness. Musti Group's success depends in part on its ability to identify and respond to evolving customer preference trends in all of its product areas, and on ability to translate customer preferences into appropriate, sellable merchandise offerings with appropriate levels of inventory.

Risks relating to sourcing of products

As Musti Group does not operate through own factories, it relies on domestic and foreign external suppliers to source its own products. For third-party products, Musti Group is dependent on its relationships with suppliers of third-party brand products to maintain a broad product offering and sufficient inventories. Musti Group focuses on the authenticity of its sources of supply and the quality of its products and seeks to maintain high standards of sustainable sourcing of products in its supply chain. Any loss of significant suppliers or the inability to source products from such suppliers that meet Musti Group's standards and requirements or a supply reduction or cost increases demanded by suppliers could have a material adverse effect on the customer relationships and competitive position.

Risks relating warehouse operations

A disruption or malfunction in Musti Group's warehouses or sourcing, difficulties in successful managing of Musti Group's inventory, or difficulties in predicting the product demand may raise the costs related to warehouses and require the selling of products with discounts reducing the profitability. Such discuptions or malfunctions may have an adverse effect on the inventory of Musti Group's and franchisees' stores, and Musti Group's business could be substantially interrupted. Interruptions may in turn limit Musti Group's ability to perform its obligations towards its customers, which may result in claims for financial compensation based on non-delivery of orders and damage Musti Group's reputation as a reliable trading partner.

Risks relating IT systems

The timely development, implementation and uninterrupted performance of Musti Group's hardware, network, websites, ordering platforms and other IT systems, including those which may be provided by third parties or which may be hosted online or in the “cloud”, are critical factors for the smooth functioning of Musti Group's operations and are, thus, critical to Musti Group's success. Musti Group uses various software to assist in efficiently managing supply flows, orders, customer handling, warehousing, distribution, replenishment, operational data, customer- and employee-related data as well as other management and financial information. Even though Musti Group has recently completed its IT system renewal and is not expecting any larger upgrades in the near future, any future upgrades of existing IT systems or the implementation of new IT systems, may cause organizational disruptions within Musti Group.

Musti Group depends on the continuous availability and reliability of its IT platforms, which, in turn, depend on the functioning of its IT hardware. This includes operational risks, such as the occurrence of equipment and software failures, power interruptions and unlawful conduct by third parties or human error. Musti Group's IT systems are also exposed to cyber security risks relating to, for example, viruses, malware, hacking phishing attacks, penetrating or bypassing security measures in order to gain unauthorized access to Musti Group's networks and systems.

Musti Group strives to comply with all applicable laws and regulations relating to privacy and data protection. However, it is possible that such requirements may be interpreted and applied by the company in a manner that is unforeseeable or may conflict with the current interpretations or practices of the EU or the Finnish authorities. In addition, non-compliance or data breaches through cyber-attacks or otherwise may result in fines, damages, orders to stop processing personal data as well as damage to the Company's reputation, and otherwise have a negative impact on the company's business.

Risks relating management and employess

Musti Group’s success is largely dependent upon the continued service, skills and experience of its existing management team and Board members, having valuable knowledge of the pet products and services industry. Furthermore, Musti Group relies on its trained and passionate sales personnel in the stores striving to provide tailored, knowledgeable service and guidance to Musti Group's customers. Losses of key management or a significant number of employees could adversely affect the daily operations of Musti Group as well as its ability to develop its business successfully.

Musti Group’s ability to support its overall strategy may be limited by Musti Group's ability to recruit, train, motivate and retain qualified staff. As Musti Group relies on skilled personnel, its success depends partly on its ability to continue to attract, motivate and retain qualified personnel who understand and appreciate Musti Group’s corporate culture, customers and merchandise, and are able to adequately and effectively represent this culture.

Risks relating to regulation and compliance

Inadequate compliance with the regulations regarding Musti Group’s operations and products or with the corporate social responsibility requirements could result in sanctions or harm Musti Group's public image among its key customer groups.

Musti Group processes customer and employee data and collecting its customer data has a significant role in Musti Group’s business and strategy. Therefore, Musti Group's operations are subject to laws relating to data protection and privacy, including the EU General Data Protection Regulation ((EU) 2016/679, the “GDPR”), which replaced the EU Data Protection Directive (95/46/EC) in May 2018, as well as other national data protection laws.

Risks relating to taxation

Changing tax legislation, unexpected changes in interpretations of current tax regulations, and administrative processes related to taxation may cause significant costs to Musti. Musti is currently subject to a tax audit of Musti Group Oyj, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018-2020..

Musti Group’s central warehouse located in Eskiltuna, Sweden, supplies a significat number of products to all of Musti Group’s operating countries. This centralized operation generates a significant number of intra-group and cross-border transactions. Therefore, interpretations concerning transfer pricing may have a significant impact on the group level business results.

Risks relating to currency fluctuations

Musti Group’s results can be affected by fluctuations in currency exchange rates as Musti Group is exposed to foreign exchange rate risks in the form of translation risks and transaction risks arising from fluctuations in currency exchange rates. Musti Group's purchases are primarily conducted in euros, with currency exposure to Swedish krona, Norwegian krone, Brittish pound sterling and US dollar. Transactions risks relating to Brittish pound sterling and US dollar are partly hedged. Financial items are subject to translation risks of internal loans and receivables in Swedish krona and Norwegian krone.

Risks relating to interest rate fluctuations

Musti Group's current loans are subject to variable interest rates and, therefore, exposed to movements in interest rates. An increase in the interest rate level may have a material adverse effect on the cost of financing and Musti Group's financial costs. In addition, the interest rate level is dependent on the covenenants of the financing agreement.

Risks relating to liquidity

Musti Group's business requires, and will require the availability of a sufficient funding. Sufficient funding is a condition for the development and expansion of the business through opening of new stores and possible acquisitions. To mitigate potential liquidity risks Musti Group has an unutilized EUR 4.0 million credit limit and an undrawn EUR 10.0 million revolving credit facility.

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

Seasonality

Musti Group's business is characterised by a generally limited seasonality effect, with the 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 Group'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 Group's sales may somewhat vary somewhat 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

There were no significant events after the reporting period.

Outlook for the financial year 2021

The underlying trend of Pet Parenting that drives the long-term structural growth of the pet care market remains robust. Musti Group believes it is able to continue its performance aligned with strategy and financial targets focusing on the high-quality products and services the Pet Parents seek.

Board of Directors' proposal for profit distribution and capital return

The Board of Directors of Musti Group plc proposes to the Annual General Meeting on 21 January 2021 that shareholders will be paid a capital return of EUR 0.38 per share to be distributed from the invested unrestricted equity reserve totalling approximately EUR 12.7 million and that no dividend will be paid for the financial year ended 30 September 2020. The profit distribution corresponds to approximately 80% of the profit of the period excluding the impact of adjustments to EBITA of EUR 4.3 million. The capital return corresponds to approximately 80% of the profit for the financial year before non-recurring adjustments of EUR 4.3 million.

The parent company's distributable funds total EUR 167,909,159.28, of which loss for the financial year is EUR -128,875.23.

The capital return shall be paid to the shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the capital return record date of 25 January 2021. The Board proposes that the capital return pay date will be 2 February 2021.

Financial calendar

Musti Group's Financial Stetements and Board of Directors' Report for October 2019-September 2020 will be published on 18 December together with Musti Group's Corporate Governance Statement, Remuneration Statement and Non-Financial Information Report.

Musti Group's Annual General Meeting will be held on 21 January 2021.

Interim Report for October 2020-December 2020 will be pubished on 9 February 2021.

Webcast for analysts and media

A live webcast for analysts and media will be arranged on 12 November 2020 at 14:00 EET. The event will be held in English. The report will be presented by CEO David Rönnberg and CFO Robert Berglund.

The webcast can be followed at https://mustigroup.videosync.fi/2020-q4-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 participate in the telephone conference by calling:

Finland: +358981710310
United Kingdom: +44 3333000804
Sweden: +46 856642651
United States: +1 6319131422

The participants will be asked to provide the following PIN code: 31683059#

Helsinki, 12 November 2020

Board of Directors

The information in this financial statement release is unaudited.

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Condensed financial information

Condensed consolidated statement of income

EUR thousand	7-9/2020	7-9/2019	10/2019–9/2020	10/2018–9/2019
Net sales	**76 903**	**64 524**	**284 397**	**246 648**
Other operating income	347	254	1 283	1 126
Share of profit of a joint venture	69	118	117	118
Materials and services	-43 083	-35 372	-159 717	-137 266
Employee benefit expenses	-12 005	-11 647	-48 364	-45 573
Other operating expenses	-7 939	-7 492	-33 924	-30 726
Depreciation, amortisation and impairment	-6 477	-5 604	-24 238	-21 830
Operating profit	**7 815**	**4 780**	**19 554**	**12 496**
Financial income and expenses, net	-1 434	-1 773	-5 894	-8 492
Profit before taxes	**6 382**	**3 007**	**13 661**	**4 004**
Income tax expense	-480	-745	-1 907	-988
Profit/loss for the period	**5 902**	**2 262**	**11 754**	**3 016**
Attributable to:				
Owners of the parent	5 889	2 269	11 712	2 971
Non-controlling interest	12	-7	42	45
Earnings per share (EUR) for profit attributable to owners of the parent				
Basic EPS (EUR)	0.18	0.08	0.37	0.10
Diluted EPS (EUR)	0.17	0.08	0.37	0.10

Consolidated statement of comprehensive income

EUR thousand	7-9/2020	7-9/2019	10/2019–9/2020	10/2018–9/2019
Profit/loss for the period	5 902	2 262	11 754	3 016
Other comprehensive income				
Items that may be reclassified to profit or loss in subsequent periods:				
Translation differences	-135	-5	-76	76
Other comprehensive income, net of tax				
Total comprehensive income	**5 767**	**2 257**	**11 678**	**3 092**
Attributable to:				
Owners of the parent	5 755	2 264	11 635	3 048
Non-controlling interest	12	-7	42	45

Consolidated statement of financial position

EUR thousand	30 Sep 2020	30 Sep 2019
ASSETS		
Non-current assets		
Goodwill	145 434	143 995
Other intangible assets	20 480	22 668
Right-of-use assets	62 014	47 296
Property, plant and equipment	11 304	9 608
Investments in joint ventures	960	320
Deferred tax assets	5 914	7 271
Other non-current receivables	345	218
Total non-current assets	**246 452**	**231 377**
Current assets		
Inventories	36 376	32 533
Trade and other receivables	6 466	5 733
Loan receivables	15	4
Derivative financial instruments	0	179
Income tax receivables	1 378	1 057
Cash and cash equivalents	21 606	8 629
Total current assets	**65 840**	**48 134**
TOTAL ASSETS	**312 292**	**279 511**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	11 002	11 002
Other reserves	167 412	122 412
Translation differences	- 159	-83
Retained earnings	-25 132	-35 012
Total equity attributable to owners of the parent	**153 122**	**98 319**
Equity attributable to non-controlling interest	157	101
Total equity	**153 279**	**98 420**
Non-current liabilities		
Loans from credit institutions	49 781	74 800
Lease liability	50 538	37 969
Deferred tax liabilities	2 168	2 179
Other non-current interest-bearing liabilities	0	10 574
Total non-current liabilities	**102 486**	**125 522**
Current liabilities		
Loans from credit institutions	0	4 697
Lease liability	15 957	14 013
Trade and other payables	40 264	36 364
Derivative financial instruments	53	61
Income tax liabilities	233	305
Provisions	20	129
Total current liabilities	**56 527**	**55 569**
Total liabilities	**159 013**	**181 091**
TOTAL EQUITY AND LIABILITIES	**312 292**	**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**
Profit/loss for the period				11 712	11 712	42	**11 754**
Translation differences			-76		-76	1	**76**
Total comprehensive income	**0**	**0**	**-76**	**11 712**	**11 635**	**42**	**11 678**
Other changes				20	20	13	**32**
Share issue		45 000			45 000		**45 000**
Expenses related to the share issue				-2 275	-2 275		**-2 275**
Discount related to the personnel				147	147		**147**
Share-based incentive plan				276	276		**276**
Equity at 30 Sep 2020	**11 002**	**167 412**	**-159**	**-25 132**	**153 122**	**157**	**153 279**

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**
Profit/loss for the period				2 971	2 971	45	**3 016**
Translation differences			76		76	-1	**75**
Total comprehensive income	**0**	**0**	**76**	**2 971**	**3 048**	**45**	**3 092**
Other changes				179	179	-16	**164**
Share issue							
Equity at 30 Sep 2019	**11 002**	**122 412**	**-83**	**-35 012**	**98 319**	**101**	**98 420**

Consolidated statement of cash flows

EUR thousand	7-9/2020	7-9/2019	10/2019–9/2020	10/2018–9/2019
Cash flows from operating activities				
Profit before taxes	6 382	3 007	13 661	4 004
Adjustments				
Depreciation, amortisation and impairment	6 477	5 604	24 238	21 830
Financial income and expenses, net	1 434	1 773	5 894	8 492
Other adjustments	-225	-197	-300	1 574
Cash flows before changes in working capital	14 068	10 187	43 493	35 900
Change in working capital				
Increase (-) / decrease (+) in trade and other receivables	-53	1 507	-693	3 362
Increase (-) / decrease (+) in inventories	1 558	361	-3 659	4 885
Increase (+) / decrease (-) in trade and other payables	5 141	-2 319	3 486	-3 815
Cash flows from operating activities before financial items and taxes	20 714	9 737	42 627	40 332
Interest and other financial income received	238	301	445	441
Received dividend	0	0	0	67
Income taxes paid	-340	-12	-762	-1 345
Net cash flow from operating activities	**20 612**	**10 025**	**42 310**	**39 495**
Cash flows from investing activities				
Investments in tangible and intangible assets	-1 875	-1 220	-8 914	-6 369
Acquisition of subsidiaries and business acquisitions, net of cash acquired	-87	0	-1 361	-183
Investments in joint ventures	0	0	-600	0
Increase in non-current receivables	10	0	-97	0
Net cash flow from investing activities	**-1 952**	**-1 220**	**-10 972**	**-6 552**
Cash flows from financing activities				
Proceeds from share issues	0	0	45 000	0
Costs from share issue recognised in equity	-147	0	-2 844	0
Proceeds from non-current loans	0	0	50 000	0
Repayments of non-current loans	-248	0	-84 879	0
Repayments of current loans	248	0	-5 031	-5 270
Repayments of lease liabilities	-3 857	-3 423	-14 819	-13 468
Interest and other financial expenses paid	-807	-1 228	-5 788	-7 540
Net cash flow from financing activities	**-4 811**	**-4 650**	**-18 360**	**-26 278**
Net change in cash and cash equivalents	**13 848**	**4 155**	**12 977**	**6 666**
Cash and cash equivalents at start of period	7 758	4 474	8 629	1 963
Cash and cash equivalents at end of period	**21 606**	**8 629**	**21 606**	**8 629**

Basis of preparation and accounting policies

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

The financial statements release of 1 October 2019 – 30 September 2020 has been prepared in accordance with the IAS 34 Interim Financial Reporting standard and the accounting principles applied in the financial statements release are the same as in the financial statement.

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 financial statements release is presented in thousand euros unless otherwise stated.

Critical accounting estimates and judgments

An IFRS-compliant financial statements release 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 financial statements release.

Key accounting considerations related to COVID-19

During the third quarter of 2020 Musti Group received some Covid-19 related financial assistance under governmental scheme in Sweden and Norway. However, the amount of the assistance was not material from a Group perspective. The group also negotiated some rent reductions during the second and third quarter of 2020 for which the group has not applied the IFRS 16 Covid-19 amendment. The Group's management has assessed COVID-19 impacts by reviewing the carrying values of the balance sheet items, the review did not indicate need for asset impairments.

Events after the reporting period

No significant events after the reporting period.

Segments

EUR thousand	Finland	Sweden	Norway	Group functions	Group
7/2020–9/2020					
Net sales *	35 981	33 446	7 476	0	76 903
% split of net sales between segments	47%	43%	10%	0%	100%
EBITDA	**11 282**	**6 422**	**1 797**	**-5 208**	**14 293**
Adjustments	76	343	14	261	694
Adjusted EBITDA	**11 358**	**6 766**	**1 811**	**-4 947**	**14 987**
Depreciation and impairment of right-of-use assets and tangible assets	-2 006	-1 824	-661	-422	-4 912
EBITA	**9 276**	**4 599**	**1 136**	**-5 630**	**9 380**
Adjustments	76	343	14	261	694
Adjusted EBITA	**9 352**	**4 942**	**1 149**	**-5 370**	**10 074**
Amortisation and impairment of intangible assets					-1 565
Operating profit					**7 815**
Financial income and expenses, net					-1 434
Profit before taxes					**6 382**
Income tax expense					**-480**
Profit/loss for the period					**5 902**

* 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
7/2019–9/2019					
Net sales *	32 275	27 570	4 679	0	64 524
% split of net sales between segments	50%	43%	7%	0%	100%
EBITDA	**10 480**	**4 209**	**817**	**-5 122**	**10 384**
Adjustments	-59	177	2	605	725
Adjusted EBITDA	**10 421**	**4 386**	**819**	**-4 517**	**11 109**
Depreciation and impairment of right-of-use assets and tangible assets	-1 798	-1 493	-498	-354	-4 143
EBITA	**8 683**	**2 716**	**319**	**-5 477**	**6 242**
Adjustments	-59	177	2	605	725
Adjusted EBITA	**8 623**	**2 893**	**321**	**-4 871**	**6 966**
Amortisation and impairment of intangible assets					-1 461
Operating profit					**4 780**
Financial income and expenses, net					-1 773
Profit before taxes					**3 007**
Income tax expense					-745
Profit/loss for the period					**2 262**

* 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
10/2019–9/2020					
Net sales *	135 795	123 244	25 358	0	**284 397**
% split of net sales between segments	48%	43%	9%	0%	100%
EBITDA	**40 472**	**21 181**	**5 301**	**-23 161**	**43 792**
Adjustments	162	419	29	3 656	4 266
Adjusted EBITDA	**40 633**	**21 600**	**5 329**	**-19 505**	**48 058**
Depreciation and impairment of right-of-use assets and tangible assets	-7 677	-6 716	-2 403	-1 448	-18 244
EBITA	**32 795**	**14 465**	**2 898**	**-24 610**	**25 548**
Adjustments	162	419	29	3 656	4 266
Adjusted EBITA	**32 957**	**14 884**	**2 927**	**-20 953**	**29 814**
Amortisation and impairment of intangible assets					-5 994
Operating profit					**19 554**
Financial income and expenses, net					-5 894
Profit before taxes					**13 661**
Income tax expense					-1 907
Profit/loss for the period					**11 754**

* 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
10/2018–9/2019					
Net sales *	122 780	107 463	16 406	0	**246 648**
% split of net sales between segments	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 comprise sales of goods and services to external customers. There are no internal net sales between segments.

Business combinations and changes in Group composition

During the reporting period Musti Group acquired pet stores, two in Finland and three in Sweden. The total purchase price of the stores was approximately EUR 1.4 million and the resulting goodwill EUR 1.2 million. Goodwill is based on synergies from the acquisitions. The resulting goodwill is deductible in taxation The store acquisitions increased the Group's net sales by EUR 2.4 million and increased operating profit by EUR 0.4 million for the period 1 October 2019 – 30 September 2020. The effect on the Group's net sales would have been approximately EUR 3.8 million and on the operating profit EUR 0.6 million for the period ended September 30, 2020 if the acquisitions had been consolidated from the beginning of the financial year.

Musti Group also increased its ownership in the joint venture Premium Pet Food Suomi Oy during the reporting period from 40.0 % to 49.0 % by converting a capital loan of 0.6 million to new shares. 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	30 Sep 2020	30 Sep 2019
Personnel on average	1 145	1 084
Personnel at the end of period	1 162	1 120

Goodwill, intangible assets and property, plant and equipment

EUR thousand	30 Sep 2020	30 Jun 2019
Acquisition cost at beginning of reporting period	176 272	179 486
Amortisation and depreciation	-9 323	-8 087
Additions	10 348	6 976
Disposals and closing of stores	-183	-230
Exchange differences	105	-1 873
Acquisition cost at end of reporting period	**177 218**	**176 272**

Leases

Right-of-use assets

EUR thousand	Buildings and structures	Machinery and equipment	Total
30 Sep 2020			
Net book value at 1 Oct 2019	**46 816**	**481**	**47 296**
Net increases	29 443	190	29 633
Depreciation	-14 743	-173	-14 915
Net book value at 30 Sep 2020	**61 516**	**498**	**62 014**
30 Sep 2019			
Net book value at 1 Oct 2018	**44 525**	**783**	**45 309**
Net increases	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	30 Sep 2020	30 Sep 2019
Lease liability at the beginning of the reporting period	**51 982**	**50 188**
Net increases	29 354	15 510
Rent expenses	-17 237	-16 262
Interest expense	2 395	2 546
Lease liability at the end of the reporting period	**66 494**	**51 982**
Non-current lease liability	50 538	37 969
Current lease liability	15 957	14 013
Total	**66 494**	**51 982**

Lease contracts in the income statement

EUR thousand	7-9/2020	7-9/2019	10/2019-9/2020	10/2018-9/2019
Expenses from short-term and rental agreements with minor value	-551	-410	-1 697	-1 869
Depreciation of right-of-use assets	-3 977	-3 481	-14 915	-13 743
Interest expenses from lease liability	-575	-629	-2 395	-2 546
Total	**-5 103**	**-4 520**	**-19 008**	**-18 158**

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
30 Sep 2020						
Non-current assets						
Other non-current assets			345	345	345	Level 2
Total			**345**	**345**	**345**	
Current assets						
Trade and other receivables *)			4 803	4 803	4 803	Level 2
Loan receivables			15	15	15	Level 2
Derivative financial instruments	0			0	0	Level 2
Cash and cash equivalents			21 606	21 606	21 606	Level 2
Total	**0**		**26 423**	**26 423**	**26 423**	
Financial assets, total	**0**		**26 768**	**26 768**	**26 768**	
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
30 Sep 2020						
Non-current liabilities						
Loans from credit institutions			49 781	49 781	49 781	Level 2
Lease liability			50 538	50 538	50 538	Level 2
Other non-current liabilities			0	0	0	Level 2
Total			**100 318**	**100 318**	**100 318**	
Current liabilities						
Loans from credit institutions			0	0	0	Level 2
Lease liability			15 957	15 957	15 957	Level 2
Trade and other payables *)			28 777	28 777	28 777	Level 2
Derivative financial instruments	53			53	53	Level 2
Total	**53**		**44 734**	**44 787**	**44 787**	
Financial liabilities total	**53**		**145 052**	**145 105**	**145 105**	
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**	

*) Other receivables and other payables includes only items classified as financial assets or liabilities.

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.

Group's commitments

In connection with the IPO in February 2020, Musti refinanced its existing loans with the share issue and a new loan agreement of EUR 60 million, which consists of an EUR 50 million term loan and an 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. In connection with the repayments of the loans enterprise mortgages and pledges were released. The EUR 50 million term loan was drawn to refinance the existing loans. The revolving credit facility has not yet been drawn.

EUR thousand	30 Sep 2020	30 Sep 2019
Pledges given on behalf of Group companies and joint ventures		
Collateral relating to rental payments	0	140
Guarantees relating to rental payments	3 759	4 456
Other commitments	2 388	315
Total	**6 360**	**4 911**
Other commitments		
Lease liabilities for leases not recognised in the balance sheet	2 009	3 125
Total	**2 009**	**3 125**

Lease liabilities not recognised in the balance sheet includes the nominal amount of low-value and short-term lease liabilities and the liability for agreements that will enter into force in the future.

Related party transactions

Musti Group's related parties include its subsidiaries, joint venture, Board of Directors and the members of the management team, including the CEO, as well as their family members. Until the IPO in February the related parties also included its owners EQT Mid Market Fund, Vaaka Partners, Braganza AB and Ludv. G Braathens Rederi AS as well as Musti Group Finland Oy's (previously named Musti Group Oy's) (operating) Board of Directors. After the IPO EQT Mid Market Fund's indirect holding was 24.1 % and on 13 August 2020 the indirect holding decreased to 5.6 %.

Loans from the owners

EUR thousand	30 Sep 2020	30 Sep 2019
Other non-current interest-bearing liabilities	0	10 225

Other related party transactions

EUR thousand	30 Sep 2020	30 Sep 2019
Purchases of goods and services	2 737	3 133
Receivables	76	0
Payables	145	174
Guarantees given on behalf of joint ventures	2 000	0

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	7-9/2020	7-9/2019	Change %	10/2019–9/2020	10/2018–9/2019	Change %
Net sales	76.9	64.5	19.2	284.4	246.6	15.3
Net sales growth, %	19.2%	15.9%		15.3%	14.1%	
LFL sales growth, %	12.2%	12.7%		11.5%	11.2%	
LFL store sales growth, %	7.9%	11.3%		7.3%	7.8%	
Online share of net sales, %	22.1%	20.2%		22.5%	20.7%	
Gross margin, %	44.0%	45.2%		43.8%	44.3%	
EBITDA	14.3	10.4	37.6	43.8	34.3	27.6
EBITDA margin	18.6%	16.1%		15.4%	13.9%	
Adjusted EBITDA	15	11.1	34.9	48.1	38.1	26.1
Adjusted EBITDA margin, %	19.5%	17.2%		16.9%	15.4%	
EBITA	9.4	6.2	50.3	25.5	18.1	41.3
EBITA margin	12.2%	9.7%		9.0%	7.3%	
Adjusted EBITA	10.1	7.0	44.6	29.8	21.9	36.2
Adjusted EBITA margin, %	13.1%	10.8%		10.5%	8.9%	
Operating profit	7.8	4.8	63.5	19.6	12.5	56.5
Operating profit margin, %	10.2%	7.4%		6.9%	5.1%	
Profit/loss for the period	5.9	2.3	160.9	11.8	3.0	289.7
Earnings per share, basic, EUR	0.18	0.08		0.37	0.10	
Earnings per share, diluted, EUR	0.17	0.08		0.37	0.10	
Cash flows from operating activities	20.6	10.0	105.7	42.3	39.5	6.2
Investments in tangible and intangible asstes	1.9	1.2	53.7	8.9	6.4	40.0
Net debt	94.7	133.3	-29.0	94.7	133.3	-29.0
Gearing, %	61.8%	135.4%		61.8%	135.4%	
Net debt / LTM Adjusted EBITDA	2.0	3.5	-43.7	2.0	3.5	-43.7
Equity ratio, %	49.1%	35.2%		49.1%	35.2%	
Number of loyal customers, thousands	1,151	1,018	13.1	1,151	1,018	13.1
Number of stores at end of period	293	277	5.8	293	277	5.8
of which directly operated	231	206	12.1	231	206	12.1
Own & Exclusive share, %	50.4%	51.4%		50.3%	51.7%	

EUR million or as indicated	7-9/2020	7-9/2019	Change %	10/2019–9/2020	10/2018–9/2019	Change %
Finland						
Net sales	36.0	32.3	11.5	135.8	122.8	10.6
Net sales growth, %	11.5%	20.8%		10.6%	10.8%	
LFL sales growth, %	9.7%	11.2%		7.4%	8.8%	
EBITDA	11.3	10.5	7.6	40.5	36.6	10.5
EBITDA margin, %	31.4%	32.5%		29.8%	29.8%	
Adjusted EBITDA	11.4	10.4	9.0	40.6	36.6	11.0
Adjusted EBITDA margin, %	31.6%	32.3%		29.9%	29.8%	
EBITA	9.3	8.7	6.8	32.8	29.8	10.2
EBITA margin, %	25.8%	26.9%		24.2%	24.2%	
Adjusted EBITA	9.4	8.6	8.5	33.0	29.7	10.8
Adjusted EBITA margin, %	26.0%	26.7%		24.3%	24.2%	
Number of stores at end of period	129	126	2.4	129	126	2.4
of which directly operated	112	108	3.7	112	108	3.7
Sweden						
Net sales	33.4	27.6	21.3	123.2	107.5	14.7
Net sales growth, %	21.3%	5.3%		14.7%	10.9%	
LFL sales growth, %	11.5%	12.9%		13.4%	12.4%	
EBITDA	6.4	4.2	52.6	21.2	15.1	40.0
EBITDA margin, %	19.2%	15.3%		17.2%	14.1%	
Adjusted EBITDA	6.8	4.4	54.3	21.6	16.0	35.4
Adjusted EBITDA margin, %	20.2%	15.9%		17.5%	14.8%	
EBITA	4.6	2.7	69.3	14.5	9.0	61.1
EBITA margin, %	13.8%	9.9%		11.7%	8.4%	
Adjusted EBITA	4.9	2.9	70.8	14.9	9.9	51.1
Adjusted EBITA margin, %	14.8%	10.5%		12.1%	9.2%	
Number of stores at end of period	125	121	3.3	125	121	3.3
of which directly operated	80	68	17.6	80	68	17.6
Norway						
Net sales	7.5	4.7	59.8	25.4	16.4	54.6
Net sales growth, %	59.8%	67.7%		54.6%	97.0%	
LFL sales growth, %	35.3%	27.0%		33.3%	30.7%	
EBITDA	1.8	0.8	119.8	5.3	2.2	136.5
EBITDA margin, %	24.0%	17.5%		20.9%	13.7%	
Adjusted EBITDA	1.8	0.8	121.1	5.3	2.4	119.4
Adjusted EBITDA margin, %	24.2%	17.5%		21.0%	14.8%	
EBITA	1.8	0.3	255.5	2.9	0.4	575.1
EBITA margin, %	15.2%	6.8%		11.4%	2.6%	
Adjusted EBITA	1.1	0.3	257.8	2.9	0.6	374.5
Adjusted EBITA margin, %	15.4%	6.9%		11.5%	3.8%	
Number of stores at end of period	39	30	30	39	30	30.0
of which directly operated	39	30	30	39	30	30.0

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	Profit/loss for the period – Non-controlling interests / Average number of shares
Earnings per share, diluted	Profit/loss for the period – Non-controlling interests / Average diluted number of shares
Net Debt	Interest bearing liabilities - Loan receivables - Derivative financial instruments - Cash and cash equivalents
Gearing, %	Net debt / Equity
Net debt/LTM (last twelve months) Adjusted EBITDA	Net Debt / LTM adjusted EBITDA
Equity ratio, %	Total equity / Total assets - Advances received
LFL (Like-for-like) sales growth, %	Sales of online channels and stores that have been open more than 13 months / Sales from corresponding online channels and stores in the same time period
Own & Exclusive share, %	Sales of own and exclusive product sales / Product sales in own channels
Online share, %	Online sales / Net sales

Reconciliation of key performance indicators

EUR million or as indicated	7-9/2020	7-9/2019	10/2019–9/2020	10/2018–9/2019
Gross profit				
Net sales	76.9	64.5	284.4	246.6
Material and services	-43.1	-35.4	-159.7	-137.3
Gross profit	**33.8**	**29.2**	**124.7**	**109.4**
Gross margin, %	**44.0%**	**45.2%**	**43.8%**	**44.3 %**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)				
Operating profit	7.8	4.8	19.6	12.5
Depreciation, Amortisation and Impairment	6.5	5.6	24.2	21.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**14.3**	**10.4**	**43.8**	**34.3**
EBITDA margin, %	**18.6%**	**16.1%**	**15.4%**	**13.9 %**
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)				
Operating profit	7.8	4.8	19.6	12.5
Depreciation, Amortisation and Impairment	6.5	5.6	24.2	21.8
Adjustments	0.7	0.7	4.3	3.8
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)	**15.0**	**11.1**	**48.1**	**38.1**
Adjusted EBITDA margin, %	**19.5%**	**17.2%**	**16.9%**	**15.4 %**
Adjustments (EBITDA)				
Restructuring related expenses	0.0	0.2	0.0	0.3
Acquisition/IPO related expenses	0.0	0.3	3.4	2.2
Other items affecting comparability	0.7	0.2	0.9	1.3
Adjustments (EBITDA)	**0.7**	**0.7**	**4.3**	**3.8**
Earnings before interest, taxes and amortisation (EBITA)				
Operating profit	7.8	4.8	19.6	12.5
Amortisation and impairment of intangible assets	1.6	1.5	6.0	5.6
Earnings before interest, taxes and amortisation (EBITA)	**9.4**	**6.2**	**25.5**	**18.1**
EBITA margin, %	**12.2%**	**9.7%**	**9.0%**	**7.3 %**
Adjusted earnings before interest, taxes and depreciation (Adjusted EBITA)				
Operating profit/loss	7.8	4.8	19.6	12.5
Amortisation and impairment of intangible assets	1.6	1.5	6.0	5.6
Adjustments total	0.7	0.7	4.3	3.8
Adjusted earnings before interest, taxes and depreciation (Adjusted EBITA)	**10.1**	**7.0**	**29.8**	**21.9**
Adjusted EBITA margin, %	**13.1%**	**10.8%**	**10.5%**	**8.9 %**
Adjustments (Operating profit)				
Restructuring related expenses	0.0	0.2	0.0	0.4
Acquisition/IPO related expenses	0.0	0.3	3.4	2.2
Other items affecting comparability	0.7	0.3	0.9	1.3
Adjustments (Operating profit)	**0.7**	**0.7**	**4.3**	**3.8**

EUR million or as indicated	7-9/2020	7-9/2019	10/2019–9/2020	10/2018–9/2019
Earnings per share, basic				
Profit/loss for the period	5.9	2.3	11.8	3.0
Non-controlling interest	0.0	0.0	0.0	0.0
Average number of shares *)	33.5	28.4	31.7	28.4
Earnings per share, basic	**0.18**	**0.08**	**0.37**	**0.10**
*) Number of shares before share issue of February 2020 was 28,375,781 and after share issue 33,535,453.				
Earnings per share, diluted				
Profit/loss for the period	5.9	2.3	11.8	3.0
Non-controlling interest	0.0	0.0	0.0	0.0
Average number of shares *)	33.7	28.4	31.8	28.4
Earnings per share, diluted	**0.17**	**0.08**	**0.37**	**0.10**
*) Includes shares from Restricted Share Plan (PSP)				
Net debt				
Interest bearing liabilities	116.3	142.1	116.3	142.1
Loan receivables	0.0	0.0	0.0	0.0
Derivative financial instruments	0.0	0.2	0.0	0.2
Cash and cash equivalents	21.6	8.6	21.6	8.6
Net debt	**94.7**	**133.3**	**94.7**	**133.3**
Gearing, %				
Net Debt	94.7	133.3	94.7	133.3
Equity	153.3	98.4	153.3	98.4
Gearing, %	**61.8%**	**135.4%**	**61.8%**	**135.4 %**
Net debt/LTM Adjusted EBITDA				
Net debt	94.7	133.3	94.7	133.3
LTM adjusted EBITDA	48.1	38.1	48.1	38.1
Net debt/LTM Adjusted EBITDA	**2.0**	**3.5**	**2.0**	**3.5**
Equity ratio, %				
Total equity	153.3	98.4	153.3	98.4
Total assets	312.3	279.5	312.3	279.5
Advances received	0.2	0.1	0.2	0.1
Equity ratio, %	**49.1%**	**35.2%**	**49.1%**	**35.2 %**
LFL sales growth, %				
Net sales	76.9	64.5	284.4	246.6
Net sales growth, %	19.2%	15.9%	15.3%	14.1 %
Other growth, %	7.0%	3.2%	3.8%	3.0 %
LFL sales growth, %	**12.2%**	**12.7%**	**11.5%**	**11.2 %**
LFL store sales growth, %				
Store sales	56.3	48.0	206.6	182.4
Store sales total growth, %	17.3%	13.5%	13.2%	10.0 %
Other growth, %	9.4%	2.2%	5.9%	2.2 %
LFL store sales growth, %	**7.9%**	**11.3%**	**7.3%**	**7.8 %**
Net sales				
Store sales	56.3	48.0	206.6	182.4
Online sales	17.0	13.0	64.1	51.1
Other sales	3.6	3.4	13.8	13.1
Net sales	**76.9**	**64.5**	**284.4**	**246.6**

EUR million or as indicated	7-9/2020	7-9/2019	10/2019–9/2020	10/2018–9/2019
Online share, %				
Net sales	76.9	64.5	284.4	246.6
Online sales	17.0	13.0	64.1	51.1
Online share, %	**22.1%**	**20.2%**	**22.5%**	**20.7 %**