Board of Directors' Report and Financial Statements

2021

Musti
GROUP

Board of Directors’ Report

Board of Directors' Report

for the Financial Year 1 October 2020 – 30 September 2021

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 3.1 billion (in 2020), with Sweden as the largest market, accounting for approximately EUR 1.3 billion, Finland approximately EUR 1.0 billion and Norway approximately EUR 0.9 billion.

"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 demand in online channels.

The pet care market is resilient, underpinned by non-discretionary purchasing behavior. Non-discretionary categories such as food, cat litter and veterinary services make up approximately 75% of total market spend and are characterized by repeat purchasing behavior 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

Group Key Figures

EUR million or as indicated	10/2020-9/2021	10/2019-9/2020	Change %
Net sales	340.9	284.4	19.9
Net sales growth, %	19.9%	15.3%	
LFL sales growth, %	11.8%	11.5%	
LFL store sales growth, %	8.8%	7.3%	
Online share, %	23.1%	22.5%	
Gross margin, %	45.7%	43.8%	
EBITA	34.9	25.5	36.6
Adjusted EBITA	36.8	29.8	23.4
Adjusted EBITA margin, %	10.8%	10.5%	
Operating profit	28.4	19.6	45.1
Operating profit margin, %	8.3%	6.9%	
Profit/loss for the period	20.9	11.8	77.8
Earnings per share, basic, EUR	0.62	0.37	69.0
Net cash flow from operating activities *)	54.9	41.9	31.3
Investments in tangible and intangible assets	12.9	8.9	44.5
Net debt / LTM adjusted EBITDA	1.9	2.0	-2.3
Adjusted EBITDA	58.8	48.1	22.4
Number of loyal customers, thousands	1,297	1,151	12.6
Number of stores at the end of the period	312	293	6.5
of which directly operated	280	231	21.2

* Interest and other finance income received has been reclassified from net cash flow operating activities to net cash flow from financing activities

Group net sales

EUR million	10/2020-9/2021	10/2019-9/2020	Change %
Net sales			
Group	340.9	284.4	19.9
Finland	152.6	135.8	12.4
Sweden	147.5	123.2	19.7
Norway	40.7	25.4	60.6

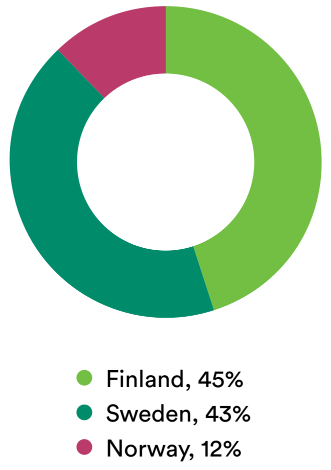
The Group's net sales increased by 19.9% to EUR 340.9 million (EUR 284.4 million). The increase was largely due to like-for-like growth in all countries and the increasing number of new customers and an increased number of directly operated stores. Like-for-like growth amounted to 11.8% (11.5%). Strengthened SEK exchange rate increased sales by EUR 5.6 million (EUR -0.6 million), whereas strengthened NOK exchange rate increased sales by EUR 1.2 million (EUR -2.2 million).

Store sales increased by 21.1% to EUR 250.1 million (EUR 206.6 million), driven by an increased number of stores and strong like-for-like store sales growth. Like-for-like store sales growth increased to 8.8% (7.3%). Online sales increased by 22.8% to EUR 78.7 million (EUR 64.1 million). Online sales accounted for 23.1% (22.5%) of total net sales. In FY 2020, online sales growth was positively impacted by the channel shift towards online sales due to the COVID-19 pandemic and a focus on growth in all countries.

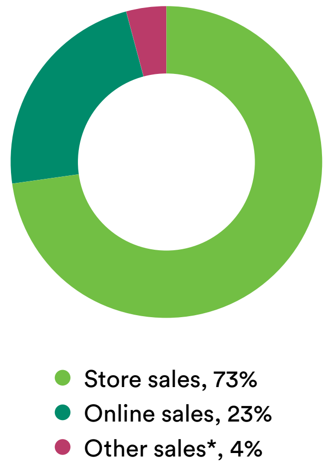
Net sales in Finland increased by 12.4% driven by like-for-like growth of 10.6% and growth from the new stores opened and acquired during the latest twelve months. During the financial year, six directly operated stores were opened and 17 franchise stores was acquired in Finland. In addition, one directly operated store was closed. Net sales in Sweden increased by 19.7% driven by good like-for-like growth of 9.2%. Online sales growth in Sweden was lower due to lower campaign activities in connection with the warehouse consolidation project in Q1/2021. In addition, the strengthened SEK rate compared to the corresponding financial year FY20 had a positive impact on the sales growth. During the financial year, seven directly operated stores was opened and ten franchise stores were acquired in Sweden. In addition, one directly opened store was closed and three franchise agreements were terminated. Net sales in Norway increased by 60.6% driven by strong like-for-like growth of 30.0% and the ramp-up of the stores opened during the latest twelve months. The strengthened NOK rate compared to the corresponding reporting period in FY20 had a positive impact on growth. During the financial year, ten directly operated stores were opened and one store was acquired in Norway.

The number of loyal customers increased to 1,297 thousand during the financial year (1,151 thousand on 30 September 2020). Rolling 12 months average spend per loyal customer increased to EUR 188.3 as per 30 September 2021 (EUR 178.5 as per 30 September 2020), driven by an increased average purchase value.

Net sales by segment FY 2021



Net sales by channel FY 2021



*Other sales include franchise fees and wholesale.

Group result

The Group's adjusted EBITA increased by 23.4% to EUR 36.8 million (EUR 29.8 million). Adjusted EBITA growth was partially offset by additional costs of EUR 1.5 million during the financial year due to low efficiency in Eskilstuna driven by the warehouse consolidation project. Adjusted EBITA margin was 10.8% (10.5%). The improvement was mainly due to an increase in sales and strong gross margin development, partly offset by additional costs driven by lower efficiency in the central warehouse in Eskilstuna due to the warehouse consolidation project, focus on sales growth in order to utilize the strong momentum and to develop an ecosystem for pet parents to further increase attractiveness and customer loyalty.

Gross margin increased to 45.7% (43.8%) due to more efficient marketing campaigns, favourable product mix and partly offset by higher share of online sales. Share of sales of own and exclusive brands levelled to 51.0% (50.3%). The share of employee benefit and other operating expenses as percentage of sales increased to 29.6% (28.9%) driven by efficient store operations, partly offset by by additional costs driven by lower efficiency in the central warehouse in Eskilstuna due to the warehouse consolidation project that was completed in Q1, focus on sales growth and to develop an ecosystem for pet parents to further increase attractiveness and customer loyalty.

Depreciation amounted to EUR 22.0 million (EUR 18.2 million) and amortisation amounted to EUR 6.5 million (EUR 6.0 million).

Adjustments to EBITA were EUR 1.9 million (EUR 4.3 million). The adjustments related to the warehouse consolidation project, reorganization of customer services and other non-recurring structural changes.

Operating profit increased by 45.1% to EUR 28.4 million (EUR 19.6 million) and was 8.3% (6.9%) of net revenue.

Profit before taxes increased to EUR 26.9 million (EUR 13.7 million). The impact of financial income and expenses (net) on profit before taxes was EUR 1.5 million negative (EUR 5.9 million negative), mainly due to lower impact on foreign exchange gains and losses and lower interest expenses due to the refinancing in connection with the IPO.

Profit for the period was EUR 20.9 million (EUR 11.8 million) and basic earnings per share was 0.62 (0.37). The effective tax rate was 22.3%.

Financial Position and Cashflow

In October 2020–September 2021, net cash flow from operating activities totalled EUR 55.0 million (EUR 41.9 million). Cash and cash equivalents at the end of the period amounted to EUR 13.0 million (30 September 2020: EUR 21.6 million). Total consolidated assets amounted to EUR 337.5 million (30 September 2020: EUR 312.3 million). The increase was due to increased right-of-use assets and property, plant and equipment due to increased number of stores, increased goodwill driven by business combinations and stronger SEK exchange rate, as well as inventories in stores and the central warehouse.

Equity attributable to owners of the parent company totalled EUR 156.9 million (30 September 2020: EUR 153.1 million). Equity was increased due to the profit of the period, partly offset by the payment of the capital return of EUR 0.38 per share. During the fourth quarter Musti Group acquired 61.000 own shares totalling EUR 2.0 million which decreased equity.

Gearing at the end of the financial year was 72.2% (30 September 2020: 61.8%) and net debt amounted to EUR 113.3 million (30 September 2020: EUR 94.7 million). The increase was mainly due to increased lease liabilities. At the end of the period, the lease liabilities included in net debt amounted to EUR 76.5 million (30 September 2020: EUR 66.5 million).

Musti Group focuses on maintaining sufficient liquidity in the group. In addition to the cash and cash equivalents of EUR 13.0 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 October 2020-September 2021, investments in tangible and intangible assets amounted to EUR 12.9 million (EUR 8.9 million). The investments were mainly related to new and relocated stores, as well as IT and digital platform development projects. In addition, EUR 4.0 million relates to acquisitions of 16 franchise stores in Finland, two franchise stores in Sweden and acquisition of 100% of the shares of Celato AS, which operates a pet store in Norway. During the financial year Musti Group acquired 26 pet stores, 17 in Finland and nine in Sweden as business acquisitions and 100 % of the shares of Calida AB, Lomiwa AB and Celato AB, which operates pet stores in Sweden and Norway. The acquisitions correspond to additional EUR 10.3 million. After the acquisition of the Finnish franchise stores all stores in Finland are directly operated.

Strategy and Financial Targets

Our core strategy is to continue developing our value proposition and to better serve our customers in the Nordic markets, with focus on Pet Parents.

Winning new customers

Musti Group is well-positioned to continue winning new customers from the large Nordic pet pool of 5.4 million pets.

Financial year 2021 saw an exceptional increase in pet adoption both globally and across Nordics. This has led to an increased number of pet-owning households which, in turn, expands the market opportunity for years to come. In parallel, the underlying long term pet parenting trend continues strong.

Given the strong underlying market development, we utilized the momentum and invested heavily into initiatives driving customer acquisition. Our investments into early stages of the pet parenting journey such as the novel puppy and kitten clubs are paying off, capturing more than our share of new pet parents. Success in new customer acquisition is a key element in continued market share gains across all of our markets. This is supported by our concept, leading brand, customer focus – all helping us benefit from the global trend towards pet parenting continuing into financial year 2022 and beyond.

The number of loyal customers, Friends of Musti, increased by 13% to 1,297 thousand during the financial year.

Grow share of wallet

Growing the share of wallet within our base of 1.3 million loyal customers is a clear opportunity for Musti Group. There is significant upside from educating many Pet Parents about the nutritional benefits of premium food and encouraging them to conduct most of their pet related purchases at Musti Group. To widen our reach and further deepen the engagement of our customers, Musti is developing an ecosystem approach targeting Nordic Pet Parents targeting further increase in spend and customer loyalty.

Rolling 12 months average spend per loyal customer increased to EUR 188.3 in the financial year 2021 (EUR 178.5 on 30 September 2020).

Expand store network and number of service points

We aim to continue rolling out further stores to win new customers through our strong concept and increased convenience, attracting customers to switch to the Musti Group platform. Through the largest footprint in the Nordic countries, Musti Group can continue to gain further market share in the growing pet care market. Operating through own stores enables Musti Group to provide the customers with the same award-winning store experience in any Musti Group store they wish to visit. It also improves the efficiency of operations and enables the best possible synergies within Musti Group.

The number of directly operated stores increased by 49 during the financial year 2021. This included conveniently located greenfield stores and was supported by the acquisition of all 17 stores operating under franchising agreement in Finland and 10 stores operating under franchising agreement in Sweden.

Focus on driving gross margins through increased O&E share and leveraging scale

A core element of Musti Group's strategy is growing the share of sales of own and exclusive products sold only in Musti Group's channels. Own and exclusive products are of high quality and developed together with Musti experts. Musti Group has strong historical track record in driving gross margin improvement and is well-equipped to continue that going forward. Own and exclusive brands typically have 10-15 percentage points higher gross margins compared to global brands. In addition, we focus on leveraging scale in procurement, pricing and category management.

In the financial year 2021, gross margin increased to 45.7% (43.8%) mainly due to favorable changes in product mix and efficient category management. Musti Group continued to further strengthen its own and exclusive brands' selection by for example investing in pet food factory in Lieto, Finland and agreeing on exclusive distribution for VAFO Group's biggest brand Brit Care in Sweden. Share of sales of own and exclusive brands increased to 51.0% (50.3%) during the year.

Leverage broadly invested platform to drive operating leverage and scale benefits

Significant investments to Musti Group's IT, digital platforms and warehouses are expected to drive increased operating leverage and scale benefits to further increase Musti Group's profitability as topline growth is expected to continue while fixed costs can be spread across larger net sales.

Financial Targets

The long-term financial targets updated by the Board of Directors on 3 May 2021 are:

	Long-term financial target	Outcome in financial year 2021
Growth	**Net sales to reach at least EUR 500 million** by the financial year 2024 **by continuation of strong customer acquisition momentum and increasing share of wallet.**	**Net sales EUR 341 million, growth 20%.**
Profitability	Mid- to long-term **adjusted EBITA margin of at least 13%** with **steadily improving profile**. Margin increase is expected to be realised through steady gross margin and improving operating leverage.	**Adjusted EBITA margin 10.8%.**
Capital structure	**Maintain net debt in relation to adjusted EBITDA below 2.5x** in the long term.	**Net debt/ LTM adjusted EBITDA 1.9.**
Dividend policy	**To pay a dividend corresponding to 60-80% of net profit**. Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.	**The capital return corresponds to approximately 70%* of the group's profit for the financial year.**

The financial targets are forward-looking statements and are not guarantees of future financial performance.
*Board of Directors' proposal to the Annual General Meeting held on 27 Janury 2022.

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 holds 31% of the total pet food and products market share in Finland. Regardless of the strong market presence in Finland, we continue to see opportunities to expand both the store network in selected locations, such as high traffic hypermarkets, and online business. Musti's brands in Finland include Musti ja Mirri and Peten Koiratarvike.
In Finland, Musti Group will continue to focus on refining the concept further and 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	10/2020–10/2021	10/2019–10/2020	Change %
Net sales	152.6	135.8	12.4
Net sales growth, %	12.4%	10.6%	
LFL segment sales growth, %	10.6%	7.4%	
EBITA	36.0	32.8	9.9
EBITA margin, %	23.6%	24.2%	
Adjusted EBITA	36.1	33.0	9.5
Adjusted EBITA margin, %	23.7%	24.3%	
Number of stores	134	129	3.9
of which directly operated	134	112	19.6

Net sales in Finland increased by 12.4% to EUR 152.6 million (EUR 135.8 million) driven by like-for-like growth of 10.6% and growth from the stores opened or acquired during the latest twelve months.

EBITA increased by 9.9% to EUR 36.0 million (EUR 32.8 million). Adjusted EBITA increased by 9.5% to EUR 36.1 million (EUR 33.0 million). This was due to growing sales and store efficiency continued to be on a good level. However, July-September 2020 was to some extent positively impacted by cost savings in relation to the COVID-19 pandemic. Adjusted EBITA margin was 23.7% (24.3%).

During the financial year, six directly operated stores were opened and 17 franchise stores were acquired in Finland. In addition, one directly operated store was closed in Finland.

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 31% market share (2020). Through VetZoo and Animail, Musti Group has a strong online presence in Sweden. 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 development. 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	10/2020–10/2021	10/2019–10/2020	Change %
Net sales	147.5	123.2	19.7
Net sales growth, %	19.7%	14.7%	
LFL segment sales growth, %	9.2%	13.4%	
EBITA	21.4	14.5	47.6
EBITA margin, %	14.5%	11.7%	
Adjusted EBITA	21.7	14.9	46.1
Adjusted EBITA margin, %	14.7%	12.1%	
Number of stores	128	125	2.4
of which directly operated	96	80	20.0

Net sales in Sweden increased by 19.7% to EUR 147.5 million (EUR 123.2 million) driven by like-for-like growth of 9.2%. The average SEK rate strengthened compared to the corresponding financial year FY20. This had a EUR 5.6 million positive impact on net sales. The sales growth was strong in both stores and online, driven by the increased number of customers. Online sales were lower due to lower campaign activities in connection with the warehouse consolidation project.

EBITA increased by 47.6% to EUR 21.4 million (EUR 14.5 million). Adjusted EBITA increased by 46.1% to EUR 21.7 million (EUR 14.9 million). This was due to operating leverage and more efficient marketing campaigns, partly offset by the increased share of online sales. Store efficiency continued to be on a high level. Adjusted EBITA margin was 14.7 (12.1%).

During the financial year, seven directly operated store was opened and ten franchise stores were acquired in Sweden. In addition, one directly operated store was closed and three franchise agreements were terminated.

Norway

In Norway, Musti Group's focus is on store roll-out and on contnuing country profitability ramp-up. Unlike in Finland and Sweden, there are no clear dominant players within the pet specialty segment, with Musti covering for roughly 11% of the total pet food and products market in 2020. 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 development 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	10/2020–10/2021	10/2019–10/2020	Change %
Net sales	40.7	25.4	60.6
Net sales growth, %	60.6%	54.6%	
LFL segment sales growth, %	30.0%	33.3%	
EBITA	6.7	2.9	132.1
EBITA margin, %	16.5%	11.4%	
Adjusted EBITA	6.8	2.9	130.7
Adjusted EBITA margin, %	16.6%	11.5%	
Number of stores	50	39	28.2
of which directly operated	50	39	28.2

Net sales in Norway increased by 60.6% to EUR 40.7 million (EUR 25.4 million), driven by strong like-for-like growth of 30.0% and ramp-up of the stores opened during the latest twelve months. The strengthened NOK exchange rate in FY21 compared to FY20 had a EUR 1.2 million positive impact on net sales.

EBITA increased by 132.1% to EUR 6.7 million (EUR 2.9 million). Adjusted EBITA increased by 130.7% to EUR 6.8 million (EUR 2.9 million). This was driven by operating leverage and increased store efficiency, as more stores are reaching the mature phase or the end of the ramp-up curve. Store efficiency continued to be on a good level. Adjusted EBITA margin was 16.6% (11.5%).

During the financial year, ten directly operated store were opened and one store was acquired in Norway.

Group functions

The EBITA impact of Group functions was EUR -29.2 million (EUR -24.6 million). Adjusted EBITA was EUR -27.8 million (EUR -21.0 million). The decrease was mainly due to increased headcount in the head office, and higher costs in the central warehouse driven by higher volumes. Musti Group has focused on sales growth in order to utilize the strong momentum and to develop an ecosystem for pet parents to further increase attractiveness and customer loyalty. These projects have generated additional costs during Q4 FY21. In addition, lower efficiency increased personnel and other costs in Eskilstuna due to the warehouse consolidation project. Adjusted EBITA margin from the group's total net sales was -8.2% (-7.4%).

Personnel

At the end of the financial year on 30 September 2021, the number of personnel was 1,397 (1,162), of whom 616 (566) were employed in Finland and 781 (597) outside Finland. Wages and salaries were in total EUR 47.5 million for the financial year 2021 (EUR 38.0 million).

Personnel

	1 Oct 2020 - 30 Sep 2021	1 Oct 2019 - 30 Sep 2020	1 Oct 2018 - 30 Sep 2019	1 Oct 2017 - 30 Sep 2018
Personnel by average	1,284	1,145	1,084	1,004

Personnel by area

	30 Sep 2021	30 Sep 2020	30 Sep 2019	30 Sep 2018
Finland	583	566	583	537
Sweden	522	438	425	415
Norway	179	158	112	94
Total	**1,284**	**1,162**	**1,120**	**1,046**

Wages and salaries

	1 Oct 2020 - 30 Sep 2021	1 Oct 2019 - 30 Sep 2020	1 Oct 2018 - 30 Sep 2019	1 Oct 2017 - 30 Sep 2018
Wages and salaries total	47,489	38,042	35,756	33,128

More information on the remunerations of the personnel is available for reading at the **Remuneration Report** published in accordance with the Financial Statements and the Board of Directors' Report.

Information contained in the notes to the financial statements

Related party transactions are disclosed in note 6.1.

Governance

Musti Group is committed to good corporate governance through compliance with laws and regulations in all its operations and to implementing recommendations for good corporate governance. The governance of the Musti Group complies with the Company's Articles of Association, Finnish and EU laws and regulations, the Finnish Companies Act, the Accounting Act, securities markets regulations and other decrees and regulations relevant to the governance of a public limited liability company. Furthermore, Musti Group's operations are guided by values and internal operating principles ratified by the Company. In its governance, Musti Group also complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association in 2020. If Musti Group deviates from a recommendation of the Code, it will specify the deviation and justify it. The Code is available on the Internet at **www.cgfinland.fi**.

The governance of Musti Group is described in more detail in the **Corporate Governance Statement** published in accordance with the Financial Statements and the Board of Directors' Report.

AGM decisions

Musti Group plc's Annual General Meeting was held on 21 January 2021 at Musti Group headquarters in Helsinki, Finland. Shareholders and their proxy representatives could participate in the Annual General Meeting and exercise their rights only by voting in advance and by making counterproposals and presenting questions in advance. It was not possible to participate at the meeting venue in person. The Annual General Meeting was arranged in accordance with an exceptional meeting procedure based on the temporary legislation to limit the spread of the COVID-19 pandemic approved by the Finnish Parliament.

The Annual General Meeting adopted the financial statements for the financial year 1 October 2019 – 30 September 2020, discharged the Company's management from liability and resolved to support the remuneration policy for governing bodies.

The Annual General Meeting decided in accordance with the proposal of the Board of Directors that shareholders be paid a capital return of EUR 0.38 per share to be distributed from the invested unrestricted equity reserve. The capital return was paid to the shareholders who were registered in the shareholders' register of Musti Group maintained by Euroclear Finland Ltd. on the capital return record date of 25 January 2021. The capital return payment date was 2 February 2021.

The Annual General Meeting decided in accordance with the proposal of the Board of Directors that the members of the Board of Directors be paid the following annual remuneration:

- Chairman of the Board: EUR 60,000;
- Vice-Chairman of the Board: EUR 35,000; and
- Other members of the Board of Directors: EUR 30,000.

In addition, members of the Audit Committee and the Remuneration Committee of Board of Directors will be paid the following annual remuneration:

- Chairman of the Committee: EUR 5,000; and
- Other Committee members: EUR 2,500.

The Annual General Meeting decided that the number of members of the Board of Directors shall be four. Jeffrey David, Ingrid Jonasson Blank and Juho Frilander were re-elected as members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. Further, Ilkka Laurila was elected as the new member of the Board of Directors for a corresponding term of office.

Ernst & Young Oy, Authorized Public Accountants, was re-elected auditor of the company for a term of office ending at the end of the next Annual General Meeting. Ernst & Young Oy has notified that Johanna Winqvist-Ilkka, Authorized Public Accountant, will act as responsible auditor. It was decided that the remuneration to the auditor shall be paid against a reasonable invoice approved by the Audit Committee.

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the Musti Group's own shares and/or on the acceptance as pledge of the company's own shares. The number of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 3,185,000 shares in total, which corresponds to approximately 9.5 per cent of all of the shares in Musti Group. The authorization is effective until the next Annual General Meeting, however, no longer than until 21 July 2022.

The Annual General Meeting also authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act as follows. The number of shares to be issued based on this authorization shall not exceed 3,185,000 shares, which corresponds to approximately 9.5 per cent of all of the shares in Musti Group. The authorization covers both the issuance of new shares as well as the transfer of own shares held by the company. The authorization cancels previous unused authorizations to decide on the issuance of shares as well as on the issuance of special rights entitling to shares. The authorization is effective until the next Annual General Meeting, however, no longer than until 21 July 2022.

Musti Group's Annual General meeting 2022 will be held on 27 January 2022.

Changes in Group Composition

On 1 January 2021, Musti Group acquired Calida AB and Lomiwa AB, which operate two franchise stores in Sweden. The acquisitions complement Musti Group's existing Arken Zoo chain in Sweden.

In April 2021, Musti Group sold its ownership in the Swedish subsidiaries Anivet AB, Carnia AB, Tasso i Malmö AB and ZooZoocom AB.

On 30 April 2021 Musti Group's Swedish subsidiaries Calida AB, Lomiwa AB and VetZoo AB were merged into Musti Group's Swedish subsidiary Arken Zoo AB (former Arken Zoo Nord AB).

On 10 June 2021 Musti Group's Swedish subsidiaries Aeris Hund & Häst AB, Animail AB, Djurintressenterna i Sverige AB and Grizzly Zoo AB were merged into Musti Group's Swedish subsidiary Arken Zoo Syd AB.

On 5 July 2021 Musti Group acquired Celato AS, which operate a pet store in Norway. The acquisition complements Musti Group's existing Musti chain in Norway. On 14 September 2021 Celato AS was merged into Musti Group's Norwegian subsidiary Musti Norge AS.

On 30 September 2021 Musti Group's Finnish subsidiary Musti Group Finland Oy was merged into Musti Group plc.

Changes in Group Management

On 16 April Musti Group announced, that Robert Berglund, CFO and member of the Management Team of Musti Group, left the Group and his last operational working day in Musti Group was 3 September 2021.

On 2 June Musti Group announced the appointment of Toni Rannikko as a new CFO and member of the Management Team of Musti Group as of 1 September 2021.

Shares and Shareholders

Issued Shares and Share Capital

At the end of the financial year on 30 September 2021, 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 closing price of the share was EUR 20.80 on 1 October 2020. The closing price of the share on the last trading day of the financial year on 30 September 2021 was EUR 30.90. The highest price of the share during the financial year was EUR 37.22, the lowest EUR 18.41. The average closing price during the financial year was EUR 28.06 and the average volume per day was 95,977 shares.

Musti Group's market capitalization was EUR 1.04 billion on 30 September 2021.

Musti Group's share price development
17 February 2020 – 30 September 2021

Own shares

On 30 September 2021 Musti Group held 244,000 (0) own shares representing 0.73% (0.00%) of the total number of shares and votes. During the financial year Musti Group exercised the authorisation granted by the AGM on 21 January 2021 to the Board of Directors to acquire own shares.

Authorizations of the Board of Directors

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the Musti Group's own shares and/or on the acceptance as pledge of the company's own shares. The number of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 3,185,000 shares in total, which corresponds to approximately 9.5 per cent of all of the shares in Musti Group. However, the company together with its subsidiaries cannot at any moment own and/or hold as pledge more than 10 per cent of all the shares.

Own shares can be repurchased only using the unrestricted equity of the company at a price formed in public trading on the date of the repurchase or otherwise at a price determined by the markets. The Board of Directors decides on all other matters related to the repurchase and/or acceptance as pledge of own shares. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). This authorization cancels previous unused authorizations to repurchase the Company's own shares and/or to accept the Company's own shares as pledge. The authorization is effective until the next Annual General Meeting, however, no longer than until 21 July 2022.

The Annual General Meeting also authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act as follows. The number of shares to be issued based on this authorization shall not exceed 3,185,000 shares, which corresponds to approximately 9.5 per cent of all of the shares in Musti Group.

The authorization covers both the issuance of new shares as well as the transfer of own shares held by the company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). This authorization cancels previous unused authorizations to decide on the issuance of shares as well as on the issuance of special rights entitling to shares. The authorization is effective until the next Annual General Meeting, however, no longer than until 21 July 2022.

Shareholders

At the end of the financial year, the number of registered shareholders was 10,889. The proportion of nominee-registered and foreign shareholders was 71.59% of the company's shares. The 20 largest shareholders registered in the book-entry register maintained by Euroclear Finland Oy held a total of 19.80% of Musti Group's shares and votes at the end of the reporting period.

Shareholders, Musti Group, 30 September 2021

	Number of shares	% of shares
1. Mandatum Life Insurance Company Limited	968,558	2.89
2. Varma Mutual Pension Insurance Company	745,000	2.22
3. OP-Finland Fund	669,640	2.00
4. Ilmarinen Mutual Pension Insurance Company	503,682	1.50
5. Evli Finnish Small Cap Fund	500,000	1.49
6. Nordea Fennia Fund	464,705	1.39
7. OP-Finland Small Firms Fund	326,691	0.97
8. Evli Finland Select Fund	270,000	0.81
9. SEB Finland Small Cap Investment Fund	265,000	0.79
10. Sijoitusrahasto Aktia Capital	260,000	0.78
10 shareholders total	4,973,276	14.84
100 largest registered shareholders total	8,113,211	24.19
Nominee registered total	24,008,517	71.60
Number of shares total	**33,535,453**	**100.00**

Major shareholders by sectors, 30 September 2021

Shareholders by sector	Number of shares	% of shares
Public sector	1,460,691	15.33
Financial and insurance corporations	5,321,191	55.85
Households	1,490,473	15.65
Non-financial corporations	941,480	9.88
Non-profit institutions	232,838	2.44
Rest of the world	80,263	0.84
Nominee registered	24,008,517	71.60
Number of shares total	**33,535,453**	**100.00**

Shareholders by number of shares held, Musti Group, 30 September 2021

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1-100	7,800	71.63	277,213	0.83
101-500	2,510	23.05	559,929	1.67
501-1,000	293	2.69	226,105	0.67
1,001-5,000	197	1.81	405,376	1.21
5,001-10,000	24	0.22	184,126	0.55
10,001-50,000	30	0.28	660,151	1.97
50,001-100,000	10	0.09	757,502	2.26
100,001-500,000	18	0.17	4,147,480	12.37
500,001-& above	7	0.06	26,315,571	78.47
Total	**10,889**	**100.00**	**33,535,453**	**100.00**

During October 2020-September 2021, Musti Group received the following announcement under Chapter 9, Section 5 of the Securities Markets Act:

- On 16 November 2020 Musti Group plc received a notification according to which Millan Holding S.à.r.l., a company ultimately owned by EQT and its co-investors, had sold a total number of 1,878,862 company's shares. As a result of the share sale, EQT's indirect holding of the shares and votes of the Musti Group decreased below 5 percent and totalled to 0 shares and votes in the company.

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

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

The objective of Musti Group's remuneration program is to promote the company's competitiveness and to support the execution of the company's strategy. Furthermore, the remuneration programs aim to retain key persons and the whole staff and create long-term commitment in order to achieve shared goals and to create shareholder value.

The remuneration in Musti Group is described in more detail in the Remuneration Report published in accordance with the Financial Statements and the Board of Directors' Report.

Corporate 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 Non-Financial Information Report for the financial year 2021 has been published on 17 December 2021 in accordance with the Financial Statements and Board of Directors' Report.

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 minimizing 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 and in the long-term have effects with risks related to logistics chains and procurement.

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 referred 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, exempt its minority share of one pet food factory in Finland, 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 disruptions 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 employees

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 Group. Musti Group was subject to a tax audit of Musti Group plc, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018-2020. Musti Group plc received in October 2021 a tax audit report from the Finnish tax authorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.9 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit. The company is to be reassessed in accordance with the interpretations set out in the tax audit report but the company will file a claim for adjustment to the Finnish Tax Administration’s

Assessment Adjustment Board. To avoid possible additional tax increases Musti Group plc has in November 2021 paid the EUR 0.9 million subsequent taxes and tax increases. There were no repercussions of the tax audit for the financial years 2018-2020 of Musti Group Finland Oy and Musti Group Nordic Oy.

Musti Group's central warehouse located in Eskilstuna, Sweden, supplies a significant 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 (SEK), Norwegian krone (NOK) , British pound (GBP) and US dollar (USD). Transactions risks relating to Swedish krona, Norwegian krone, British pound 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 covenants 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.

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 and profitability margins compared to January to June, driven by higher sales of accessories and other seasonal products.

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 Financial year

There were no significant events after the financial year.

Outlook for the Financial Year 2022

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 27 January 2022 that shareholders will be paid a capital return of EUR 0.44 per share to be distributed from the invested unrestricted equity reserve totalling approximately EUR 14.6 million and that no dividend will be paid for the financial year ended 30 September 2021.The capital return corresponds to approximately 70% of the group's profit for the financial year.

The parent company's distributable funds total EUR 155,078,491.02, of which profit for the financial year is EUR 6,799,917.88.

The Board proposes that the capital return is to be paid in two instalments. The first capital return instalment of EUR 0.22 per share would be paid to the shareholders who are registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date of the first capital return instalment on 31 January 2022. The Board of Directors proposes that the first capital return instalment would be paid on 8 February 2022. The second capital return instalment of EUR 0.22 per share would be paid in August 2022 to shareholders who are registered in the shareholders' register of the Company maintained by Euroclear Finland Ltd on the record date of the second capital return instalment on 10 August 2022. The Board of Directors proposes that the second capital return instalment would be paid on 18 August 2022.

Helsinki, 17 December 2021
Board of Directors

Financial ratios and alternative performance measures

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
Net sales	340.9	284.4	246.6
Net sales growth, %	19.9%	15.3%	14.1%
LFL sales growth, %	11.8%	11.5%	11.2%
LFL store sales growth, %	8.8%	7.3%	7.8%
Online share of net sales, %	23.1%	22.5%	20.7%
Gross margin, %	45.7%	43.8%	44.3%
EBITDA	56.9	43.8	34.3
EBITDA margin, %	16.7%	15.4%	13.9%
Adjusted EBITDA	58.8	48.1	38.1
Adjusted EBITDA margin, %	17.3%	16.9%	15.4%
EBITA	34.9	25.5	18.1
EBITA margin, %	10.2%	9.0%	7.3%
Adjusted EBITA	36.8	29.8	21.9
Adjusted EBITA margin, %	10.8%	10.5%	8.9%
Operating Profit	28.4	19.6	12.5
Operating Profit margin, %	8.3%	6.9%	5.1%
Profit/loss for the period	20.9	11.8	3.0
Cash flow from operating activities	54.9	42.8	39.5
Investments in tangible and intangible assets	12.9	8.9	6.4
Net debt	113.3	94.7	133.3
Gearing, %	72.2%	61.8%	135.4%
Net debt / LTM Adjusted EBITDA	1.9	2.0	3.5
Equity ratio %	46.5%	49.1%	35.2%
Nr of loyal customers, thousands	1 297	1 151	1 018
Number of stores at end of period	312	293	277
of which directly operated	280	231	206
Own & Exclusive share, %	51.0%	50.3%	51.7%

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
Share performance indicators			
Earnings per share, basic, EUR	0.62	0.37	0.10
Earnings per share, diluted, EUR	0.62	0.37	0.10
Equity per share, EUR	4.68	4.57	3.46
Dividend payout per share and capital return total	0.44	0.38	n.a.
Dividend payout and return of capital, total of result, %	70.6%	108.4%	n.a.
Effective dividend yield, %	1.4%	1.8%	n.a.
Price/earnings ratio (P/E)	49.46	56.21	n.a.
Highest share price, EUR	37.22	20.94	n.a.
Lowest share price, EUR	18.41	7.00	n.a.
Share price as at 30 September 2021	30.9	20.80	n.a.
Market capitalisation	1,036.2	697.5	n.a.
Share turnover during the financial year, %	72.1%	n.a.	n.a.
Shares outstanding at the end of the period	33,535,453	33,535,453	28,375,781
Shares outstanding at the end of the period, diluted	33,576,033	33,722,953	28,375,781
Weighted average adjusted number of shares during the financial period, basic	33,410,411	31,652,469	28,375,781
Weighted average adjusted number of shares during the financial period, diluted	33,655,418	31,730,594	28,375,781

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
Finland			
Net sales	152.6	135.8	122.8
Net sales growth, %	12.4%	10.6%	10.8%
LFL sales growth, %	10.6%	7.4%	8.8%
EBITDA	44.4	40.5	36.6
EBITDA margin, %	29.1%	29.8%	29.8%
Adjusted EBITDA	44.4	40.6	36.6
Adjusted EBITDA margin, %	29.1%	29.9%	29.8%
EBITA	36.0	32.8	29.8
EBITA margin, %	23.6%	24.2%	24.2%
Adjusted EBITA	36.1	33.0	29.7
Adjusted EBITA margin, %	23.7%	24.3%	24.2%
Number of stores at end of period	134	129	126
of which directly operated	134	112	108

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
Sweden			
Net sales	147.5	123.2	107.5
Net sales growth, %	19.7%	14.7%	10.9%
LFL sales growth, %	9.2%	13.4%	12.4%
EBITDA	29.7	21.2	15.1
EBITDA margin, %	20.2%	17.2%	14.1%
Adjusted EBITDA	30.1	21.6	16.0
Adjusted EBITDA margin, %	20.4%	17.5%	14.8%
EBITA	21.4	14.5	9.0
EBITA margin, %	14.5%	11.7%	8.4%
Adjusted EBITA	21.7	14.9	9.9
Adjusted EBITA margin, %	14.7%	12.1%	9.2%
Number of stores at end of period	128	125	121
of which directly operated	96	80	68

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
Norway			
Net sales	40.7	25.4	16.4
Net sales growth, %	60.6%	54.6%	97.0%
LFL sales growth, %	30.0%	33.3%	30.7%
EBITDA	10.0	5.3	2.2
EBITDA margin, %	24.5%	20.9%	13.7%
Adjusted EBITDA	10.0	5.3	2.4
Adjusted EBITDA margin, %	24.6%	21.0%	14.8%
EBITA	6.7	2.9	0.4
EBITA margin, %	16.5%	11.4%	2.6%
Adjusted EBITA	6.8	2.9	0.6
Adjusted EBITA margin, %	16.6%	11.5%	3.8%
Number of stores at end of period	50	39	30
of which directly operated	50	39	30

Calculation of financial ratios and alternative performance measures

Measure	Calculation
Gross profit	Net sales - Materials and services
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	Operating profit + Depreciation, amortisation and impairment
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)	Operating profit + Depreciation, amortisation and impairment +adjustments
Earnings before interest, taxes and amortisation (EBITA)	Operating profit + Amortisation and impairment of intangible assets
Adjusted earnings before interest, taxes and amortisation (Adjusted EBITA)	Operating profit + Amortisation and impairment of intangible assets + Adjustments
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

Measure	Calculation
Own & Exclusive share, %	Sales of own and exclusive product sales
	Product sales in own channels
Online share, %	Online sales
	Net sales
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
Equity per share, EUR	Equity attributable to equity holders of the parent
	Adjusted number of shares at the balance sheet date
Dividend payout and return of capital, total of result, %	(Dividend/share)+(return of capital/share) x 100
	(Earnings/share)
Effective dividend yield, %	(Dividend/share) x 100
	Share price at balance sheet date
Market capitalization, EUR million	Share price at balance sheet date x Number of shares
Price/earnings ratio (P/E)	Share price at balance sheet date
	Earnings per share, basic

Reconciliation of key performance indicators

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
Gross profit			
Net sales	340.9	284.4	246.6
Material and services	-185.2	-159.7	-137.3
Gross profit	**155.6**	**124.7**	**109.4**
Gross margin, %	**45.7%**	**43.8%**	**44.3%**
Earnings before interest, taxes, depreciation and amortisation (EBITDA)			
Operating profit	28.4	19.6	12.5
Depreciation, amortisation and impairment	28.6	24.2	21.8
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	**56.9**	**43.8**	**34.3**
EBITDA margin, %	**16.7%**	**15.4%**	**13.9%**
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)			
Operating profit	28.4	19.6	12.5
Depreciation, amortisation and impairment	28.6	24.2	21.8
Adjustments	1.9	4.3	3.8
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)	**58.8**	**48.1**	**38.1**
Adjusted EBITDA margin, %	**17.3%**	**16.9%**	**15.4%**
Adjustments (EBITDA)			
Restructuring related expenses	0.0	0.0	0.3
Acquisition/IPO related expenses	0.0	3.4	2.2
Other items affecting comparability	1.9	0.9	1.3
Adjustments (EBITDA)	**1.9**	**4.3**	**3.8**
Earnings before interest, taxes and amortisation (EBITA)			
Operating profit	28.4	19.6	12.5
Amortisation and impairment of intangible assets	6.5	6.0	5.6
Earnings before interest, taxes and amortisation (EBITA)	**34.9**	**25.5**	**18.1**
EBITA margin, %	**10.2%**	**9.0%**	**7.3%**

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
Adjusted earnings before interest, taxes and amortisation (Adjusted EBITA)			
Operating profit	28.4	19.6	12.5
Amortisation and impairment of intangible assets	6.5	6.0	5.6
Adjustments	1.9	4.3	3.8
Adjusted earnings before interest, taxes and amortisation (Adjusted EBITA)	**36.8**	**29.8**	**21.9**
Adjusted EBITA margin, %	**10.8%**	**10.5%**	**8.9%**
Adjustments (Operating profit)			
Restructuring related expenses	0.0	0.0	0.4
Acquisition/IPO related expenses	0.0	3.4	2.2
Other items affecting comparability	1.9	0.9	1.3
Adjustments (Operating profit)	**1.9**	**4.3**	**3.8**
Earnings per share, basic			
Profit/loss for the period	20.9	11.8	3.0
Non-controlling interest	0.0	0.0	0.0
Average number of shares *)	33.4	31.7	28.4
Earnings per share, basic	**0.62**	**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	20.9	11.8	3.0
Non-controlling interests	0.0	0.0	0.0
Average diluted number of shares *)	33.7	31.8	28.4
Earnings per share, diluted	**0.62**	**0.37**	**0.10**

* Includes shares from Performance Share Plan (PSP)

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
Net debt			
Interest bearing liabilities	126.3	116.3	142.1
Loan receivables	0.0	0.0	0.0
Derivative financial instruments	0.0	0.0	0.2
Cash and cash equivalents	13.0	21.6	8.6
Net debt	**113.3**	**94.7**	**133.3**
Gearing, %			
Net Debt	113.3	94.7	133.3
Equity	157.0	153.3	98.4
Gearing, %	**72.2%**	**61.8%**	**135.4%**
Net debt/LTM Adjusted EBITDA			
Net debt	113.3	94.7	133.3
LTM adjusted EBITDA	58.8	48.1	38.1
Net debt/LTM adjusted EBITDA	**1.9**	**2.0**	**3.5**
Equity ratio, %			
Total equity	157.0	153.3	98.4
Total assets	337.5	312.3	279.5
Advances received	0.3	0.2	0.1
Equity ratio, %	**46.5%**	**49.1%**	**35.2%**
LFL sales growth, %			
Net sales	340.9	284.4	246.6
Net sales growth, %	19.9%	15.3%	14.1%
Other growth, %	8.1%	3.8%	2.9%
LFL sales growth, %	**11.8%**	**11.5%**	**11.2%**

EUR million or as indicated	10/2020–9/2021	10/2019–9/2020	10/2018–9/2019
LFL store sales growth, %			
Store sales	250.1	206.6	182.4
Store sales total growth, %	21.1%	13.2%	10.0%
Other growth, %	12.3%	5.9%	2.2%
LFL store sales growth, %	**8.8%**	**7.3%**	**7.8%**
Net sales			
Store sales	250.1	206.6	182.4
Online sales	78.7	64.1	51.1
Other sales	12.1	13.8	13.1
Net sales	**340.9**	**284.4**	**246.6**
Online share, %			
Net sales	340.9	284.4	246.6
Online sales	78.7	64.1	51.1
Online share, %	**23.1%**	**22.5%**	**20.7%**

Financial Statements

Musti Group plc

Financial Statements 30 September 2021

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Group financial statements, IFRS

Consolidated statement of income, IFRS

EUR thousand	Note	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Net sales	2.1	**340,856**	**284,397**
Other operating income	2.2	2,270	1,283
Share of profit of a joint venture	3.4	30	117
Materials and services	4.1	-185,239	-159,717
Employee benefit expenses	2.3	-61,828	-48,364
Other operating expenses	2.3	-39,147	-33,924
Depreciation, amortisation and impairment	3.2, 3.3, 3.5, 3.6	-28,565	-24,238
Operating profit		**28,377**	**19,554**
Financial income	5.4	5,780	14,420
Financial expenses	5.4	-7,275	-20,314
Financial income and expenses, net		-1,495	-5,894
Profit before taxes		**26,882**	**13,661**
Income tax expense	6.2	-5,988	-1,907
Profit/loss for the period		**20,895**	**11,754**
Attributable to:			
Owners of the parent		20,872	11,712
Non-controlling interest		23	42
Earnings per share (EUR) for profit attributable to owners of the parent			
Basic EPS (EUR)		0.62	0.37
Diluted EPS (EUR)		0.62	0.37

Consolidated statement of comprehensive income, IFRS

EUR thousand	Note	1 Oct 2020–31 Mar 2021	1 Oct 2019–30 Sep 2020
Profit/loss for the period		20,895	11,754
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences		1,138	-76
Other comprehensive income, net of tax		1,138	-76
Total comprehensive income		**22,033**	**11,678**
Attributable to:			
Owners of the parent		22,006	11,635
Non-controlling interest		27	42

Consolidated statement of financial position, IFRS

EUR thousand	Note	30 Sep 2021	30 Sep 2020
ASSETS			
Non-current assets			
Goodwill	3.1, 3.2, 3.3	157,831	145,434
Other intangible assets	3.2	18,705	20,480
Right-of-use assets	3.6	71,745	62,014
Property, plant and equipment	3.5	15,759	11,304
Investments in joint ventures	1.4, 3.4	990	960
Deferred tax assets	6.2	5,008	5,914
Other non-current receivables		109	345
Total non-current assets		**270,148**	**246,452**
Current assets			
Inventories	4.1	44,297	36,376
Trade and other receivables	4.2, 5.1	9,322	6,466
Loan receivables	5.2	0	15
Derivative financial instruments	5.2	484	0
Income tax receivables	6.3	281	1,378
Cash and cash equivalents	5.2	13,013	21,606
Total current assets		**67,397**	**65,840**
TOTAL ASSETS		**337,545**	**312,292**

EUR thousand	Note	30 Sep 2021	30 Sep 2020
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	5.6	11,002	11,002
Other reserves	5.6	154,691	167,412
Own shares	5.6	-6,910	0
Translation differences	5.6	975	-159
Retained earnings		-2,891	-25,132
Total equity attributable to owners of the parent		**156,867**	**153,122**
Equity attributable to non-controlling interest		110	157
Total equity		**156,977**	**153,279**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	5.2	49,872	49,781
Lease liability	3.6	56,713	50,538
Deferred tax liabilities	6.2	2,684	2,168
Other liabilities	5.2	14	0
Total non-current liabilities		**109,283**	**102,486**
Current liabilities			
Loans from credit institutions	5.2	0	0
Lease liability	3.6	19,759	15,957
Trade and other payables	4.3	46,827	40,264
Derivative financial instruments	5.2	441	53
Income tax liabilities	6.2	4,257	233
Provisions	3.7	0	20
Total current liabilities		**71,285**	**56,527**
Total liabilities		**180,567**	**159,013**
TOTAL EQUITY AND LIABILITIES		**337,545**	**312,292**

Consolidated statement of changes in equity

EUR thousand	Attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Other reserves	Own shares	Translation differences	Retained earnings	Total		
Equity at 1 Oct 2020	**11,002**	**167,412**	**0**	**-159**	**-25,132**	**153,122**	**157**	**153,279**
Profit/loss for the period					20,872	20,872	23	20,895
Translation differences				1,134		1,134	4	1,138
Total comprehensive income	**0**	**0**	**0**	**1,134**	**20,872**	**22,006**	**27**	**22,033**
Capital returns		-12,720				-12,720		-12,720
Dividends						0	-74	-74
Acqusition of own shares			-6,910			-6,910		-6,910
Share-based incentive plan					1,370	1,370		1,370
Equity at 30 Sep 2021	**11,002**	**154,691**	**-6,910**	**975**	**-2,890**	**156,867**	**110**	**156,977**

EUR thousand	Attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Other reserves	Own shares	Translation differences	Retained earnings	Total		
Equity at 1 Oct 2019	**11,002**	**122,412**	**0**	**-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**	**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 share issue					147	147		147
Share-based incentive plan					276	276		276
Equity at 30 Sep 2020	**11,002**	**167,412**	**0**	**-159**	**-25,132**	**153,122**	**157**	**153,279**

Consolidated statement of cash flows, IFRS

EUR thousand	Note	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Cash flows from operating activities			
Profit before taxes		26,882	13,661
Adjustments			
Depreciation, amortisation and impairment		28,565	24,238
Financial income and expenses, net		1,495	5,894
Other adjustments		1,466	-300
Cash flows before changes in working capital		58,409	43,493
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	4.2	-2,782	-693
Increase (-) / decrease (+) in inventories	4.1	-6,653	-3,659
Increase (+) / decrease (-) in trade and other payables	4.3	5,269	3,486
Cash flows from operating activities before financial items and taxes		54,243	42,627
Income taxes paid		706	-762
Net cash from operating activities		**54,950**	**41,864**

EUR thousand	Note	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Cash flows from investing activities			
Investments in tangible and intangible assets	3.2, 3.5	-12,878	-8,914
Acquisition of subsidiaries and business acqusitions, net of cash acquired	3.1	-10,330	-1,361
Investments in joint ventures	3.4	0	-600
Increase/decrease in non-current receivables		230	-97
Increase/decrease in current receivables		10	0
Net cash from investing activities		**-22,969**	**-10,972**
Cash flows from financing activities			
Proceeds from share issues	5.6	0	45,000
Capital returns paid	5.6	-12,720	0
Dividends paid	5.2	-75	0
Costs from share issue recognised in equity	5.2	0	-2,844
Acqusition of own shares	5.2	-6,910	0
Proceeds from non-current loans		0	50,000
Repayments of non-current loans		0	-84,879
Repayments of current loans		0	-5,031
Repayments of lease liabilities		-17,297	-14,819
Interest and other financial expenses paid		-5,190	-5,788
Interest and other finance income received		1,620	445
Net cash flow from financing activities		**-40,573**	**-17,915**
Net change in cash and cash equivalents		**-8,592**	**12,977**
Cash and cash equivalents at start of period	5.1, 5.2	21,606	8,629
Cash and cash equivalents at end of period		**13,013**	**21,606**

Notes to Musti Group plc's financial statements

1. BASIS OF PREPARATION

This section presents the accounting principles applied by the Group for the part that they are not presented in other notes. These principles have been applied consistently for all the periods under review, unless otherwise stated. The notes contain the relevant financial information as well as a description of the accounting policies and key estimates and judgements applied for the topics of the individual note.

How should I read the accounting principles of the Musti Group?

The accounting principles used for the financial statements of Musti Group are described at the beginning of each note to help understand each area of the financial statements. The following table summarizes the notes to each accounting policy and the relevant IFRS standard related to the note.

Accounting principle	Note	IFRS standard
Segment information and net sales	2.1 Segment information and net sales	IFRS 8, IFRS 15
Employee benefits and share-based payments	2.3 Operating expenses 2.4 Share-based payments	IAS 19, IFRS 2
Business combinations	3.1 Business combinations	IFRS 3
Intangible assets	3.2 Intangible assets 3.3 Group goodwill and impairment testing	IAS 36, IAS 38
Joint ventures	3.4 Investments in joint ventures	IFRS 11
Property, plant and equipment	3.5 Property, plant and equipment	IAS 16, IAS 36
Leases	3.6 Leases	IFRS 16
Inventories	4.1 Inventories	IAS 2
Financial assets and liabilities	5.2 Financial assets and liabilities	IAS 32, IFRS 7, IFRS 9, IFRS 13
Financial risk management	5.1 Financial risk management	IAS 32, IFRS 7, IFRS 9, IFRS 13
Operating leases	5.3 Commitments and contingent liabilities	IAS 37
Equity	5.6 Shareholders' equity	IAS 1
Related party transactions	6.1 Related party transactions	IAS 24
Taxes	6.2 Taxes	IAS 12

1.1 General information

Musti Group's line of business is retail sales of pet products in Finland, Sweden and Norway. Furthermore, the Group provides pet grooming services in some of its stores, as well as veterinary services in Sweden. The Group's parent company is Musti Group plc, domiciled in Helsinki, Finland, and its registered address is Mäkitorpantie 3 B, FI-00620 Helsinki, Finland. The parent company's shares are listed on Nasdaq OMX Helsinki Stock Exchange. A copy of the consolidated financial statements is available at the Group's website www.mustigroup.com or at the company's headquarters Mäkitorpantie 3 B, FI-00620 Helsinki, Finland.

The Board of Directors of Musti Group plc has approved the financial statements for publication on 17 December 2021. Under the Finnish Limited Liability Companies Act, the shareholders may accept or reject the financial statement in the Annual General meeting of the shareholders held after the publication. The Annual General Meeting is also entitled to amend the consolidated financial statements.

1.2 Accounting principles

Musti Group's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted in the European Union, including IAS and IFRS standards and their SIC and IFRIC interpretations in effect on 30 September 2021. In the Finnish Accounting Act and ordinances based on its provisions, IFRS refer to the standards and their interpretations adopted for application in the EU in accordance with the procedures as set in regulation (EC) No 1606/2002. The notes to the consolidated financial statements also satisfy the requirements of the Finnish accounting and corporate legislation that complements the IFRS standards.

Consolidated financial statements are presented in thousand euros and figures have been rounded to the nearest thousand, and due to this, the total sum of the presented individual figures may differ from the presented total sum. The consolidated financial statements have been prepared based on initial acquisition costs, except for financial instruments described later that are measured at fair value through profit and loss.

The company's operating currency is euro, which is also the company's and the Group's reporting currency.

Translation of items in foreign currencies

The items in the financial statements of the Group companies are valued in the currency of each company's main economical operating environment (operating currency). The figures presented in the consolidated financial statements are in thousand euros, unless stated otherwise.

Transactions conducted in foreign currencies are converted to the operating currency using exchange rates prevailing on the transaction date. Exchange rate gains and losses arising from payments related to these transactions and conversion of monetary assets and liabilities nominated in foreign currencies using the exchange rates prevailing at the end of the period are recognized through profit and loss.

In the consolidated financial statements, the profit and loss statements of the foreign subsidiaries have been converted into euros using the average rate of the financial year, and the balance sheet items have been translated using the exchange rates prevailing on the balance sheet date. The translation differences arising from this and the translation of the equity of the subsidiaries are presented in the equity as a separate item.

1.3 Material accounting estimates and determinations based on the management's judgement

The Group's material accounting principles are mainly described in the note that relates to the matter in question. Preparation of Musti Group's consolidated financial statements requires estimates, judgement and assumptions that may impact the application of the accounting principles and the amounts presented in the balance sheet as at its date. In addition, they impact on the amount of income and costs recognized for the financial year. The actual amounts may differ from previous estimates and determinations based on the management's judgement.

The estimates and determinations based on judgement are reviewed regularly. Changes in accounting estimates are recognized for the period when the estimate was adjusted, as well as for all subsequent periods.

Sources of uncertainty and determinations based on the management's judgement, which have been identified in the Group and are deemed to satisfy these criteria, are presented in connection with the items that are deemed to be affected by them. The table below sets forth the most significant situations where estimates or the management's judgement have been applied, as well as references to their descriptions.

Accounting estimates and management judgement	Note
Net sales	2.1
Business combinations	3.1
Goodwill impairment testing	3.3
Inventory valuation	4.1
Leases	3.6
Contractual liabilities	4.3

1.4 Group information

The following note summarizes the general accounting principles, as well as the principles and accompanying notes relating to the consolidation of a group. The consolidation package includes notes to help you understand the overall structure of the group and its computing environment. The notes provide information on the classification of holdings and the principles of consolidation.

The table below sets forth details of the parent company and the Group's subsidiaries and associated companies as at 30 September 2021. Unless stated otherwise, their entire share capital consists of shares held directly by the Group, and the ownership share corresponds to the voting rights of the Group. The registration country of the companies is also their main operating area.

Subsidiaries

Companies controlled by the Group are subsidiaries. Control exists when the Group has more than half of the voting rights of a subsidiary or otherwise exerts control over the subsidiary. The Group controls a company when it is exposed, or has rights, to variable returns from its involvement with the company and can affect those returns through its power over the company. Subsidiaries are consolidated from the date on which the Group gains control.

Mutual shareholding is eliminated by using the acquisition cost method. The cost of assets acquired is determined based on the fair value of the acquired assets as at the acquisition date, the issued equity instruments and liabilities resulting from or assumed on the date of the exchange transaction. The identifiable assets, liabilities and contingent liabilities acquired are measured at the fair value at the acquisition date, gross of non-controlling interest.

Intragroup transactions, receivables and payables, unrealized profits and internal distributions of profits are eliminated. The financial statements of the subsidiaries are adjusted to comply with the accounting principles applied by the company, if necessary.

Subsidiaries 30 September 2021

	Country of origin	Group ownership, %
Musti Group Nordic Oy	Finland	100.0
Musti ja Mirri Oy	Finland	100.0
Peten Koiratarvike Oy	Finland	100.0
Arken Zoo Syd AB	Sweden	100.0
Arken Zoo AB (Arken Zoo Nord AB)	Sweden	100.0
Arken Zoo Holding AB	Sweden	100.0
Zoo Support Scandinavia AB	Sweden	100.0
Djurfriskvård Borlänge AB	Sweden	100.0
Djurfriskvård Falun AB	Sweden	70.0
Musti Norge AS	Norway	100.0

Investments in joint ventures

Joint arrangements are arrangements in which the sharing of joint control has been contractually agreed between two or more parties. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in joint ventures are accounted for using the equity method, and on initial recognition, they are recognized at cost. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group's share of profits or losses of the joint venture is recognized as a separate item.

Investments in joint ventures

	Country of origin	Group ownership, %
Premium Pet Food Suomi Oy	Finland	49.20

1.5 New and amended IFRS standards and IFRIC interpretations

Amendments and annual improvements to IFRS standards

Musti Group has applied amendments and annual improvements to IFRS standards effective from the beginning of October 2020. The amended standards are: IFRS 3 Business Combinations, IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates, IFRS 16 Leases and The Conceptual Framework for Financial Reporting. Amendments and annual improvements have not had a major impact on the financial statements.

New and amended standards to be applied

At the date of authorisation of these financial statements, Musti Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective for the financial year beginning 1 Oct 2021.

- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IFRS 17 Insurance Contracts
- Classification of Liabilities as Current or Non-current - Amendments to IAS 1
- Definition of Accounting Estimates – Amendments to IAS 8
- Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
- Sale or Contribution of Assets between and investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The adoption of the standards listed above is not expected to have a significant impact on Musti Group's financial statements in future periods.

2. OPERATING RESULTS

This section focuses on financial results of Musti Group. In the notes on the following pages, the operating profit of the group is explained by component.

Musti Group provides pet food products and accessories to its customers, as well as various welfare and veterinary services in its specialised stores and pet clinics. Pet food products and accessories are available in stores and online. Musti Group's chain included 312 stores on 30 September 2021 (30 September 2020: 293), of which own stores amounted to 280 (30 September 2020: 231).

2.1 Segment reporting and net sales

Reporting segment

Musti Group's reporting segments are based on geographical regions, and they are Finland, Sweden and Norway. Segments are not combined to reporting segments.

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.

Segment information is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Group's Management Team, including the CEO. The Management Team is responsible for allocation of resources and reviewing performance, considering its composition and active involvement in material strategic and operative decision-making. The net sales of the reporting segments are derived from retail sales, as well as franchising sales and wholesales in Finland, Sweden and Norway. In addition, the segments include ecommerce sales, which are targeted to the sales of the country where the ecommerce products are ordered. The Finnish franchise customers part of the external net sales and attributable direct costs are allocated from Sweden to the Finnish segment.

Country directors of the geographical regions are responsible for their business area, and they are members of the Group's Management Team. Decisions on the offering, product pricing and marketing measures are determined at the country level. The business needs vary among the countries, as their maturity is very different. Finland is a very stable and mature market; Sweden is growing, and Norway is still in a strong ramp-up phase, and as such, their investment needs and profitability differ significantly from each other.

The Group's Management Team reviews the results of the segments based on net sales, adjusted EBITDA and operating profit before amortisation of intangible assets (EBITA). Transactions outside the scope of the ordinary course of business is treated as items impacting comparability, and they are allocated to the segments. For other parts, the management monitors performance in accordance with IFRS. Financial income and expenses are not allocated to the segments, as the Group Treasury manages the Group's cash and cash equivalents and financial liabilities. Similarly, share of profits in associates and income taxes are not allocated to the segments.

In its reporting, the Group's Management Team does not allocate balance sheet items to the segments, and as such, they are not allocated to segments this Note.

Segments 2021

EUR thousand	Finland	Sweden	Norway	Group functions	Group
Net sales *	152,616	147,511	40,730	0	**340,856**
% split of net sales between segment	45%	43%	12%	0%	100%
EBITDA	**44,375**	**29,729**	**9,974**	**-27,135**	**56,942**
Adjustments	48	389	26	1,428	1,892
Adjusted EBITDA	**44,424**	**30,118**	**10,000**	**-25,707**	**58,834**
Depreciation and impairment of right-of use assets and tangible assets	-8,326	-8,376	-3,247	-2,101	-22,049
EBITA	**36,050**	**21,352**	**6,727**	**-29,236**	**34,893**
Adjustments	48	389	26	1,428	1,892
Adjusted EBITA	**36,098**	**21,741**	**6,753**	**-27,808**	**36,785**
Amortisation and impairment of intangible assets					-6,516
Operating profit					**28,377**
Financial income					5,780
Financial expenses					-7,275
Profit before taxes					**26,882**
Income tax expense					-5,988
Profit/loss for the period					**20,895**

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

Segments 2020

EUR thousand	Finland	Sweden	Norway	Group functions	Group
Net sales *	135,795	123,244	25,358	0	**284,397**
% split of net sales between segment	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					14,420
Financial expenses					-20,314
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.

Revenue recognition

Accounting principles

IFRS 15 establishes a five-step model that is applied to the amount and timing of recognition of sales revenue. Under the standard, revenue is recognized when the entity satisfies its performance obligation, meaning that the customer obtains control of the goods or services. Control is transferred either over time or at a certain moment, and the revenue is recognized in an amount that reflects the consideration to which the entity expects to be entitled for those goods or services. IFRS 15 principles are applied using the following five-step model:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue

The standard requires the entity to exercise judgement when applying the five-step model to contracts with its customers. When exercising judgement, material facts and circumstances used for determining if the performance obligation has been satisfied and the revenue is to be recognized are taken into consideration.

Significant determinations based on the management's judgement

Musti Group's management has utilized significant judgement in connection with the right to return products and the Loyalty club bonuses. The amount of the consideration to which Musti Group expects to be entitled may vary based on the above-mentioned sub-areas. These sub-areas based on the management's judgement are addressed more in detail in the section for recognition below.

Sales of goods and revenue recognition (stores, online and franchising stores)

Majority of the Group's sales revenue originates from retail sales of goods in its stores. The goods sold in the stores comprise pet food and accessories. The sales are mainly carried out in cash or using credits cards, and the revenue from the sales of goods is recognized at the time of transfer when the customer gains control on the goods.

Customers may also purchase gift cards and use them for paying goods in the stores. At the time of selling a gift card, Musti Group recognizes a corresponding liability in its balance sheet. Sales revenue is recognized when the customer uses the gift card.

Revenue from orders made online and sales to franchising partners is recognized when all products related to the order have been delivered to the customer or the franchising partner, and control on the goods is transferred to the buyer at a specific moment of time. A liability is recorded on the goods in transit delivered from online stores. The provision on goods in transit is included in the contractual liabilities.

Net sales are measured at the fair value of the consideration received or to be received. Net sales include proceeds from the sales of goods and franchising fees at the price which the company expects to receive adjusted with the indirect taxes, actual and estimated product returns, campaign discounts, Loyalty club bonuses and indirect taxes, as well as translation differences from sales in foreign currencies.

Contingent considerations: right to return products

Goods sold directly to consumers in stores and online include a right to return products within a period of 14 days in Finland and 30 days in Sweden and Norway. Net sales are adjusted by the expected amount of returns. For more information of the return policy, see Note 4.3 Trade and other liabilities. In addition, a customer may receive a discount, for example, in the form of campaign discounts.

For the right to return products, Musti Group estimates the amount of the consideration that it is entitled to receive against the transfer of promised goods to the customer.

Musti Group includes in the transaction price the estimated amount of the contingent consideration only to the extent that it is very likely that the recognized sales revenue is not required to be reversed significantly when the uncertainty related to the contingent consideration ceases to exist at a later moment of time. Musti Group estimates the contingent consideration based on the most likely amount of money.

Franchising fees

Musti Group carries out franchising operations in Finland and Sweden, the franchising fees are based on an upfront fee and a fee based on the franchising stores net sales. Fees related to franchising agreements are recognized over time.

Sales of services and revenue recognition

Musti Group provides welfare, veterinary and trimming services. A customer benefits from these services when it is provided, and as such, the revenue is recognized over time when Musti Group satisfies its performance obligation.

Net sales by channel

EUR thousand	1 Oct 2020–30 Sep 2021	%	1 Oct 2019–30 Sep 2020	%
Store sales	250,118	73.4	206,552	72.6
Online sales	78,669	23.1	64,059	22.5
Other sales	12,068	3.5	13,786	4.8
Total	**340,856**	**100.0**	**284,397**	**100.0**

Sales of services are included in the retail store sales. The share of services in the net sales is not significant, and as such, it is not presented separately. Other sales items include franchising fees and wholesales. Franchising fees are recognized over time. Musti Group does not have any individual customer with a share of over 10 per cent of Musti Group's total net sales.

Customer loyalty programs

Companies in the Musti ja Mirri chain in Finland and companies in the Arken Zoo chain in Sweden operate a loyalty program where the members accrue bonuses from their purchases made in the stores and online. The net sales of these companies are adjusted with the customer refunds in the loyalty program as a part of the sales transaction. Corresponding sales in recognized when the customer refunds are used, or they expire. The expected refunds of the loyalty program bonuses are based on historical information. Musti updates the estimate quarterly.

Similar loyalty programs are not available in other group companies in Finland and Sweden, or in Norway.

Contractual amounts recorded in balance sheet

The Groups recognizes in trade receivables the expected considerations to which it is entitled when goods are transferred, or services provided to a customer before the customer pays the consideration (see Note 4.2 Trade and other receivables).

Correspondingly, a liability is presented in Note 4.3 Trade and other liabilities when a customer pays the consideration before the goods are transferred or services provided to the customer. In addition, the contractual liabilities include liabilities related to gift cards, Loyalty club bonuses, right to return products and goods in transit.

2.2 Other operating income

Accounting principles

Other operating income includes income that does not relate to the income from regular sales operations. Other operating income includes, among others, received marketing contributions and subsidies, insurance compensations, capital gains on fixed assets and rental income.

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.

Other operating income

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Rental income	356	216
Marketing contribution	1,244	660
Received contributions and benefits for personnel	377	260
Other items	293	407
Total	**2,270**	**1,543**

2.3 Other operating expenses

Accounting principles

Other operating expenses include other expenses than cost of goods sold. The main items included in the other operating expenses relate to personnel costs, sales, marketing and premises.

All Musti Group's pension plans are defined contribution plans. In defined contribution plans, the Group pays fixed contributions to the pension insurances. The Group does not have legal or factual obligations to pay any additional amounts, if the insurance does not include sufficient assets for paying to all employees all benefits based on their service during the present and previous financial periods. The Group's pension plans in Finland, Sweden and Norway are defined contribution plans.

Number of personnel

Personnel	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Personnel on average	1,283	1,145
Personnel at the end of period	1,397	1,162

Employee benefit expenses

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Wages and salaries	47,489	38,042
Pension costs - defined contribution plans	5,111	4,098
Share based payments	1,370	276
Other employee benefit expenses	7,858	5,948
Total	**60,458**	**48,364**

Other operating expenses

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Rental expenses	6,786	5,498
Maintenance, IT and Equipment expense	5,348	4,628
Sales and marketing	14,274	12,071
Travel costs	683	904
Voluntary staff expenses	1,391	1,150
Other business expense *	10,665	9,673
Total	**39,147**	**33,924**

* Other expenses include, among other, maintenance costs related to the administration of the company and the premises

Auditor´s fees

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Ernst & Young		
Audit fees	340	468
Tax advisory	132	240
Other services	173	1,484
Other companies		
Audit fees	0	0
Other services	0	0
Total	**645**	**2,192**

2.4 Share-based payments

The Note below provides description and information on effects of the Group’s share-based incentive plans. More information on share-based personnel bonus plans can be found in the separate Remuneration statement.

Accounting principles

The fair value of share-based payments is measured on the day which the share-based payment plan is agreed upon between the counterparties and will be recognized as an expense over the vesting period. The settlement, if the set targets are met, is a combination of shares and cash. The component settled in shares is recognized in shareholders’ equity and the payment settled in cash in liabilities. However, for awards with net settlement features, the cash-settled component for withholding tax payment is treated as equity-settled and recognized in shareholders’ equity. At each statement of financial position date, the Group revises its estimates of the number of shares that are expected to be distributed. The impact of the revision of the original estimates, are recognized in the statement of income.

Significant determinations based on management’s judgement

At each balance sheet date, the management revises its estimates for the number of shares that are expected to vest. As part of its evaluation, Musti Group considers the expected turnover of the personnel benefiting from the incentive plan and other pertinent information impacting the number of shares to be vested. In addition, the measurement of the fair value for the arrangement and the parameters used in the measurement of the fair value requires judgement from the management.

Share-based commitment and incentive scheme

The Boards of Directors of Musti Group plc decided on 7 May 2020 on two share-based long-term incentive plans for the management team and key employees. The primary share-based compensation plan is the Performance Share Plan (PSP) and the second is a Restricted Share Plan (RSR) for special situations.

The aim of a share-based compensation plan is to align the objectives of the shareholders and key employees for increasing the value of the company in the long-term. The plan is also 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, covering the financial years of 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 at the beginning of a performance period.

The Restrictive 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 2021, 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 Performance Share Plan (PSP) relates 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.

The total expense for the share-based payments is recognized over the vesting period, which is 29 months in the plan commencing 2020–2022. For the plan commencing 2020–2022, the compensation is measured during performance period in cash, and only after performance period at grant date translated into shares. The expense recognized for 2021 amounted to 947 thousand euros (276 thousand euros). The cost related to share-based payments is recognized in staff costs. The share price at the grant date of the PSP was EUR 11.78. The fair value of the share plan at the grant date was in total EUR 1.6 million. The fair value of the share plan was determined from Musti Group's share price at the grant date less the present value of dividends expected to be paid during the performance period. Performance conditions and service conditions were accounted for by adjusting the number of instruments.

In the second performance period, the plan has 30 participants at most and the targets for the Performance Share Plan (PSP) relates to the Group's total shareholder return (TSR) and adjusted EBITA. The maximum number of shares to be paid based on the second performance period is approximately 137.600 Musti Group plc's shares, which corresponds to approximately EUR 2.9 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 second performance period will be paid out during the autumn of 2023.

The total expense for the share-based payments is recognized over the vesting period, which is 36 months in the plan commencing 2021–2023. For the plan commencing 2021–2023, the compensation is measured during performance period in cash, and only after performance period at grant date translated into shares. The expense recognized for 2021 amounted to 423 thousand euros. The cost related to share-based payments is recognized in staff costs. The share price at the grant date of the PSP was EUR 21.04. The fair value of the share plan at the grant date was in total EUR 1.4 million. The fair value of the share plan was determined from Musti Group's share price at the grant date less the present value of dividends expected to be paid during the performance period. Performance conditions and service conditions were accounted for by adjusting the number of instruments.

Assumptions applied in determining the fair value of share award

	Performance period FY2020 PSP	Performance period FY2021 PSP
Number of share awards granted, maximum, pcs	250,000	137,600
Number of plan participants at end of financial year	11	30
Share price at balance sheet date, EUR	30.90	30.90
Assumed fulfilment of performance criteria, %	50.0%	50.0%
Estimated number of share awards returned prior to the end of commitment period, %	15.0%	15.0%

* Gross number of shares from which the applicable withholding tax is deducted, and the remaining net amount is paid in shares.

3. CAPITAL EXPENDITURES

This section describes assets that are needed in business operations, as well as business acquisition carried out by Musti Group. Information on net working capital is presented in section 4.

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.

3.1 Business combinations

Musti Group utilizes business acquisitions to accelerate the implementation of its strategy. In the financial year 2021 and 2020 Musti Group carried out share deals and asset deals where it acquired stores from franchisees.

Accounting principles

Acquired subsidiaries and businesses are consolidated in the consolidated financial statements from the date when Musti Group gained control over the acquired entity. Acquisition cost method is applied to the business combinations. The consideration transferred in the acquisition of a subsidiary includes the fair value of the transferred assets, incurred liabilities towards the previous owners of the acquired entity and the shares issued by the Group. Transferred consideration also includes the fair value of the asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and identifiable liabilities assumed in business combinations are initially valued at the fair value on the acquisition date. The identifiable assets include both tangible and intangible assets, such as customer relations, brands and technology.

Expenses related to the acquisitions are recognized when they incur, and they are presented in the profit and loss statement in the other operating expenses.

Accounting estimates and the management's judgement

Net assets acquired in business combinations are measured at fair value. The fair value of acquired net assets is determined based on the market value of similar assets (tangible fixed assets) or an estimate of the expected cash flows (intangible assets). The valuation is based on the current repurchase values, expected cash flows or estimated selling prices, and it requires management's judgement and assumptions. The management believes that the estimates and assumptions used are sufficiently reliable for determination of the fair value.

Acquisitions 1 Oct 2020-30 Sep 2021

Musti Group's subsidiary Arken Zoo AB (former Arken Zoo Nord AB) acquired the entire capital stock of Calida AB and Lomiwa AB, which operate two franchise stores in Sweden, on 1 January 2021. The acquisitions complement Musti Group's existing Arken Zoo chain in Sweden. The final consideration paid was EUR 1.2 million in cash, and the amount of cash and cash equivalents obtained was EUR 0.2 million. According to the acquisition cost calculation the assets acquired amounted to EUR 0.4 million, liabilities amounted to EUR 0.3 million and goodwill amounted to EUR 1.1 million.

Musti Group's subsidiary Musti Norge AS acquired the entire capital stock of Celato AS, which operates a pet stores in Norway, on 5 July 2021. The acquisitions complement Musti Group's existing Musti chain in Norway. The final consideration paid was EUR 1.4 million in cash, and the amount of cash and cash equivalents obtained was EUR 0.1 million. According to the preliminary acquisition cost calculation the assets acquired amounted to EUR 0.3 million, liabilities amounted to EUR 0.2 million and goodwill amounted to EUR 1.3 million.

The table below sets forth the purchase prices paid for Calida AB, Lomiwa AB and Celato AS, values of the acquired assets and assumed liabilities on the acquisition date, as well as the cash flow impact of the acquired business operations:

Business combinations

EUR thousand	Calida AB and Lomiwa AB stores	Celato AS store	Total
Purchase price			
Purchase price paid in cash	1,216	1,356	2,573
Fair value of net identifiable assets acquired			
Non-current assets			
Machinery and equipment	6	8	15
Deferred tax assets	0	0	0
Current assets			
Inventories	160	173	333
Deferred tax assets		21	21
Trade and other receivables	53	5	59
Cash and cash equivalents	188	88	276
Total assets	**408**	**295**	**704**
Current liabilities			
Trade and other payables	302	200	503
Total liabilities	**302**	**200**	**503**
Total net assets acquired	**106**	**95**	**201**
Goodwill	**1,110**	**1,261**	**2,372**
Cash flow impact			
Purchase price paid in cash	-1,216	-1,356	-2,573
Cash and cash equivalents of the acquired company	188	88	276
Expenses related to the acquisition	0	0	0
Impact on cash flows	**-1,028**	**-1,268**	**-2,296**

The acquisitions of Calida AB, Lomiwa AB and Celato AS increased the Group's net sales by EUR 1.8 million and increased operating profit by EUR 0.3 million for the period 1 January 2021 – 30 September 2021. The effect on the Group's net sales would have been approximately EUR 3.4 million and on the operating profit EUR 0.5 million for the period ended 30 September 2021 if the acquisitions had been consolidated from the beginning of the financial year.

During the financial year 2021 Musti Group acquired 26 pet stores, 17 in Finland and nine in Sweden as business acquisitions. The total purchase price of the stores was approximately EUR 9.1 million and the resulting goodwill EUR 3.0 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 5.2 million and increased operating profit by EUR 1.1 million for the financial year 1 October 2020 – 30 September 2021. The effect on the Group's net sales would have been approximately EUR 15.0 million and on the operating profit EUR 3.1 million for the financial year ended 30 September 2021 if the acquisitions had been consolidated from the beginning of the financial year.

Acquisitions 1 Oct 2019-30 Sep 2020

During the financial year 2020 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 49.2 % by converting a capital loan of 0.6 million to new shares.

Sales 1 Oct 2020-30 Sep 2021

In April 2021 the Group has sold four subsidiaries in Sweden: Anivet AB, Carnia AB, ZooZoocom AB and Tasso i Malmö AB. The sales were not material to the Group.

Sales 1 Oct 2019-30 Sep 2020

During the financial year 2020 the Group has sold one subsidiary, Djurfriskvård Västerås AB in Sweden. The sale was not material to the Group.

Mergers 1 Oct 2020-30 Sep 2021

On 30 April 2021 Musti Group's Swedish subsidiaries Calida AB, Lomiwa AB and VetZoo AB were merged into Musti Group's Swedish subsidiary Arken Zoo AB (former Arken Zoo Nord AB).

On 10 June 2021 Musti Group's Swedish subsidiaries Aeris Hund & Häst AB, Animail AB, Djurintressenterna i Sverige AB and Grizzly Zoo AB were merged into Musti Group's Swedish subsidiary Arken Zoo Syd AB.

On 14 September 2021 Musti Group's Norwegian subsidiary Celato AS was merged into Musti Group's Norwegian subsidiary Musti Norge AS.

On 30 September 2021 Musti Group's Finnish subsidiary Musti Group Finland Oy was merged into Musti Group plc.

3.2 Intangible assets

The tables below set forth the changes in intangible assets during the financial years covered by the financial statements.

Accounting principles

Goodwill

Goodwill arises from the acquisition of subsidiaries, and it corresponds to the amount that the acquisition consideration exceeds the fair value of identifiable net assets.

Goodwill acquired in business combinations is allocated for impairment testing to the cash generating units that are expected to gain benefit from the synergies created by the combination. Goodwill is allocated to the unit at the company's lowest level where the goodwill is monitored internally for the management purposes.

Goodwill is reviewed for impairment annually or whenever events or changes in circumstances indicate to a possible impairment. The carrying amount of the cash-generating unit including goodwill is compared to the recoverable amount that is higher of the value in use or the fair value net of selling expenses. Possible impairment is recognized as an expense with immediate effect, and it will not be reversed later.

Other intangible assets

Other intangible assets include developments costs related to webstores, software and information technology, as well as licenses and customer relations. Intangible assets are recorded in the balance sheet when the accounting requirements of IAS 38 standard are satisfied. Intangible assets with a limited useful life are valued in the original acquisition cost and they are amortised with the straight-line method over their estimated useful life. Intangible assets are amortised over 5-10 years. Intangible assets with indefinite useful life are not amortised but tested annually for impairment. Except for goodwill, Musti Group does not have intangible assets with indefinite useful life.

EUR thousand	Goodwill	Other intangible assets	Advance payments	Total
2021				
Cost 1 Oct 2020	**145,796**	**38,354**	**1,485**	**185,635**
Business combinations				0
Additions	10,568	4,873	-322	15,119
Disposals and closing of stores		-124		-124
Reclassifications	0	-78	0	-78
Exchange differences	1,954	515	2	2,471
Cost 30 Sep 2021	**158,318**	**43,540**	**1,165**	**203,023**
Accumulated amortisation and impairment at 1 Oct 2020	**-362**	**-19,358**	**0**	**-19,720**
Amortisation		-6,543		-6,543
Impairment and closing of stores	0			0
Reclassifications	0	185		185
Exchange differences	-124	-283		-407
Accumulated amortisation and impairment at 30 Sep 2021	**-487**	**-26,000**	**0**	**-26,486**
Net book value at 1 Oct 2020	**145,434**	**18,995**	**1,485**	**165,914**
Net book value at 30 Sep 2021	**157,831**	**17,540**	**1,165**	**176,536**

EUR thousand	Goodwill	Other intangible assets	Advance payments	Total
2020				
Cost 1 Oct 2019	**144,315**	**35,530**	**478**	**180,323**
Business combinations				0
Additions	1,244	2,938	1,006	5,188
Disposals and closing of stores	-58		0	-58
Reclassifications		-220		-220
Exchange differences	295	107	1	402
Cost 30 Sep 2020	**145,796**	**38,354**	**1,485**	**185,635**
Accumulated amortisation and impairment at 1 Oct 2019	**-320**	**-13,340**	**0**	**-13,660**
Amortisation		-5,994		-5,994
Impairment and closing of stores	-19			-19
Reclassifications		22		22
Exchange differences	-23	-47		-70
Accumulated amortisation and impairment at 30 Sep 2020	**-362**	**-19,358**	**0**	**-19,720**
Net book value at 1 Oct 2019	**143,995**	**22,190**	**478**	**166,664**
Net book value at 30 Sep 2020	**145,434**	**18,995**	**1,485**	**165,914**

3.3 Goodwill and impairment testing

Accounting estimates and determinations based on the management's judgement

The management uses significant estimates and determinations based on judgement for deciding the level where goodwill is allocated, as well as for determining whether there are indications of impairment of goodwill.

The recoverable amount of a cash generating unit is determined on the basis of value-in-use calculations requiring estimates. The calculations use cash flow projections based on budgets and financial estimates approved by management covering a four-year period. Cash flow forecasts are based on the Group's actual results and the management's best estimates on future sales, cost development, general market conditions and applicable tax rates. Cash flows estimates include budgets and rolling estimates for a period of four years, and cash flows beyond the four-year period are extrapolated using the estimated growth rates stated above. The growth rates are based on the management's estimates on future growth in the business. Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this Note.

To carry out impairment testing, the management monitors goodwill at the level of Finland, Sweden and Norway as the cash generating units (CGU). The CGU level is based on how the management follow the operative business. The recoverable amount of cash generating units have been determined based on value in-use calculations using the projected discounted cash flows. These calculations use cash flow projections based on the budgets and forecasts approved by management covering a four-year period.

The table below sets forth the allocation of consolidated goodwill to the Group's cash generating units:

Goodwill from business combinations

EUR thousand	30 Sep 2021	30 Sep 2020
Finland	94,486	93,840
Sweden	60,801	50,437
Norway	2,545	1,158
Total	**157,831**	**145,434**

Key assumptions in the projections are the development of net sales and key cost items, the discount rate used in the calculation as well as the cash flow growth rate after the four-year forecast period. The projections have been prepared to reflect the past performance and expectations for the future considering the Group's market position and the general economic environment. Cash flows beyond the four-year period are extrapolated using the estimated growth rates of 1% (1%). The discount rate used in the impairment testing is weighted average cost of capital (WACC). The discount rate reflects the total cost of equity and debt and the market risks related to the Group. Discount rate applied in Finland was 8.2% (2020: 8.1%), in Sweden 7.9 % (2020: 7.5%) and in Norway 8.1% (2020: 7.6%).

As result of the impairment tests performed no impairment loss has been recognized for any period presented. In 2021 the recoverable amount calculated on the basis on value-in use exceeded the carrying value by EUR 183.1 million in Finland, EUR 134.0 in Sweden and EUR 163.6 million in Norway (2020: EUR 113.9 million in Finland, EUR 69.5 million in Sweden and 43.3 in Norway).

Sensitivity analysis

The management of Musti Group has estimated that it is unlikely that a somewhat possible change in key assumptions will cause the carrying amount of the cash-generating unit to exceed its recoverable amount. The key assumptions are based on past experience and reflects the management's perception of developments of cost and revenue. The long-term EBITDA margin assumption used for the impairment testing of goodwill is based on past experience about EBITDA margins and reflects the management's perception of developments in sales prices and sales volumes during the forecast period.

3.4 Investments in joint ventures

Companies controlled by the Group together another party and where significant decisions require the consent of the both parties, are treated as joint ventures due to their nature. The Group has one joint venture Premium Pet Food Suomi Oy, domiciled in Paimio, which produces pet foods. Musti Group increased its ownership in the joint venture Premium Pet Food Suomi Oy during the financial year 2020 from 40% to 49.2% by converting a capital loan of 0.6 million to new shares. The book value of the investments is EUR 990 thousand on 30 September 2021 (30 September 2020: EUR 960 thousand). The financial statements of the joint venture are prepared according to Finnish Accounting Standards and the joint venture is consolidated in the consolidated financial statements with the equity method. If the financial statements of the joint venture were prepared in accordance with IFRS, the consolidation would not result in a material difference compared to the consolidation with FAS. Musti Group is entitled to Premium Pet Food Suomi Oy's net assets based on the shareholder agreements and the legal form of the company.

The investment in Premium Pet Food Suomi Oy involves a risk relating to the raw material supply. However, Musti Group estimates that this risk is not material, and the risk has not changed significantly.

Premium Pet Food Suomi Oy's financial year ends at 30 June, which differs from Musti Group's financial year that ends at 30 September. Consolidation with the Group's financial statements has been carried out using the figures in Premium Pet Food Suomi Oy's financial statements for the financial period ended on 30 June, as the Group's estimates that the difference is not significant as compared to carrying out the consolidation on the basis of actual figures on 30 September. The tables below summarize Premium Pet Food Suomi Oy's balance sheet and profit and loss statement as at 30 June.

Summarised balance sheet

EUR thousand	30 Sep 2021	30 Sep 2020
Total non-current assets	**8,033**	**4,222**
Current assets		
Cash	86	1,512
Other current assets	1,250	749
Total current assets	**1,336**	**2,261**
Total assets	**9,369**	**6,483**
Non-current liabilities		
Financial liabilities	6,688	4,200
Other non-current liabilities	100	600
Total non-current liabilities	**6,788**	**4,800**
Current liabilities		
Financial liabilities	512	58
Other liabilities	735	803
Total current liabilities	**1,246**	**861**
Total liabilities	**8,035**	**5,661**
Equity	**1,335**	**822**
Group's share of equity	**654**	**403**

Summarised statement of profit or loss

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Net sales	4,177	3,455
Depreciation and amortisation	-519	-100
Financial income and expenses	-194	-44
Profit before tax	**-87**	**389**
Appropriations	98	-17
Income tax expense	0	-81
Profit (loss) for the year	**11**	**291**
Group's share of profit for the year	**5**	**143**
Dividends received	**0**	**76**

Changes in the carrying amount of the joint venture:

EUR thousand	30 Sep 2021	30 Sep 2020
Book value at the beginning of the financial year	**960**	**320**
Additions	0	600
Share of profit	30	117
Dividends received	0	-76
Book value at the end of the financial year	**990**	**960**

3.5 Property, plant and equipment

The tables below set forth changes in property, plant and equipment during the financial years covered by the financial statements.

Musti Group's machinery and equipment mainly comprise store and office equipment. Other tangible assets mainly include refurbishment costs of leased premises. The right-of-use items based on lease agreements and recognized under IFRS 16 are included in the tangible assets in the balance sheet. The right-of-use items and accounting principles applied to them are presented in the Note 3.6 Leases.

Accounting principles

Property, plant and equipment are presented at acquisition cost less depreciation and potential impairment losses. Subsequent costs are included in the carrying amount when they can be measured reliably, and there is an economic benefit to the company.

Significant leasehold improvements are included in the asset's carrying amount or are separated as a separate asset when it is probable that they will be economically useful in the future and the costs incurred can be distinguished from normal repair and maintenance costs.

Machinery and equipment as well as other tangible assets are depreciated over their useful lives. Useful lives are based on estimates of the period over which the assets will generate revenue. Depreciation is recognized on a straight-line basis based on the cost of the assets and estimated useful lives. Impairment tests for depreciable non-current assets are performed if there are indications of impairment at the balance sheet date.

Useful lives of the asset's categories are:

- Machinery and equipment 3-7 years
- Right-of-use assets (IFRS 16 Leases) 3-15 years
- Renewal and refurbishment investments in lease premises 5-10 years

The Group estimates on each balance sheet date, if there is any indication that an asset may be impaired. If such indication exists, the relevant asset is tested for impairment. The impairment test estimates the asset's recoverable amount.

The recoverable amount is higher of the asset's fair value after selling costs or the use value based on cash flow. If the recoverable amount cannot be determined on the asset level, the need for impairment is estimated at the level of the smallest cash generating unit that is for its main parts independent from other units and has cash flows that can be separated from the cash flows of other similar units.

EUR thousand	Machinery and equipment	Other tangible assets	Advance payments	Total
2021				
Cost 1 Oct 2020	**13,730**	**10,934**	**49**	**24,713**
Business combinations				0
Additions	3,868	4,483	40	8,391
Disposals				0
Reclassifications	-131	-17		-148
Exchange differences	298	481	0	779
Cost 30 September 2021	**17,765**	**15,881**	**89**	**33,736**
Accumulated depreciation at 1 Oct 2020	**-9,095**	**-4,314**	**0**	**-13,409**
Depreciation	-2,195	-2,193		-4,388
Impairment				0
Disposals		0		0
Reclassifications	131	17		148
Exchange differences	-185	-143		-328
Accumulated depreciation at 30 Sep 2021	**-11,344**	**-6,633**	**0**	**-17,977**
Net book value at 1 Oct 2020	**4,635**	**6,620**	**49**	**11,304**
Net book value at 30 Sep 2021	**6,421**	**9,248**	**89**	**15,758**

EUR thousand	Machinery and equipment	Other tangible assets	Advance payments	Total
2020				
Cost 1 Oct 2019	**12,451**	**7,286**	**24**	**19,761**
Business combinations				0
Additions	1,507	3,628	25	5,160
Disposals		-118		-118
Reclassifications	-172	393		221
Exchange differences	-56	-255	0	-312
Cost 30 September 2020	**13,730**	**10,934**	**49**	**24,713**
Accumulated depreciation at 1 Oct 2019	**-7,406**	**-2,747**	**0**	**-10,153**
Depreciation	-1,748	-1,581		-3,329
Impairment				0
Disposals				0
Reclassifications	27	-38		-11
Exchange differences	32	52		84
Accumulated depreciation at 30 Sep 2020	**-9,095**	**-4,314**	**0**	**-13,409**
Net book value at 1 Oct 2019	**5,045**	**4,539**	**24**	**9,608**
Net book value at 30 Sep 2020	**4,635**	**6,620**	**49**	**11,304**

3.6 Leases

The Group has leased store premises and office and warehouse spaces with lease agreements that are included in the scope of IFRS 16 Leases. In addition, the Group has leased parking spaces, vehicles, IT and other equipment and advertising spaces. The lease agreements have a fixed term, or they can be terminated with a notice. The Group does not have service agreements containing commodities that should be recognized as right-of-use assets under IFRS 16.

Accounting principles

Right-of-use assets

Musti Group recognizes a right-of-use asset and a lease liability on the date when the agreement comes into effect, excluding short-term lease agreements and leases of low value assets (see below).

The right-of-use asset is initially measured at cost, and it includes the initial valuation of the lease liability, the lease amounts paid by the date when the agreement comes into effect net of any incentives received in connection with the lease agreement, any initial direct costs incurred to Musti Group and an estimate on costs that will incur to Musti Group from reversal and removal of the asset or the remediation of the premises to the condition defined in the lease agreement.

Lease liability

on the date when the lease agreement comes into effect. The value of the lease liability on the date when the lease agreement comes into effect includes payments that have not been paid on the date when the lease agreement comes into effect, including fixed payments, variable rents linked to an index or a price level, execution price of an call option, it is reasonably certain that Musti Group will exercise the option, and payment of sanctions resulting from termination of the lease, if the term of the lease takes into account that Musti Group will exercise the option to terminate the lease.

Musti Group uses the minimum rents specified in the lease agreement for estimating the fixed payments. The non-lease components are separated from the lease payments when they can be determined reliably. Musti Group also has lease agreements that include variable payments determined based on net sales. Only minimum payments have been included in the lease liability for such agreements, and variable payments based on the net sales are measured as a cost in the profit and loss statement for the period when they incur.

Lease liability is remeasured when the lease term or lease payments are amended. Musti Group uses the interest rate for additional loans for determining the interest rate of the lease liability, as no internal interest rates for the lease agreements are available.

Short-term agreements and leases of low value assets

Musti Group recognizes in its profit and loss statement any lease payments on short-term leases with a term of 12 months or less, as well as on lease agreements where leased asset is of low value. Leases for low value assets are agreements where the leased asset would cost less than EUR 5,000 if it were purchased as new. The expenses from such agreements are presented in this Note below.

Sublease agreements

Musti Group has subleased intra-group commodities relating to store premises and fixtures. They have no impact on the consolidated figures.

Accounting estimates and management judgment

The management uses judgement for estimating the term of lease agreements with an option for extension, termination or acquisition. When Musti Group is reasonably certain that the option for extension, termination or acquisition will be exercised, the option is considered in the determination of the lease period. If the exercise of the option is uncertain, the option is not included in the determination of the lease term, right-of-use asset and lease liability.

The management uses judgement for estimating the term of lease agreements in effect until further notice. The management's estimates are based on the company's strategic situation and market conditions, as well the costs that would incur if the leased commodity would be replaced by another commodity.

Determination of the interest rate for additional credit also requires management's judgement. The interest rate for additional credit is determined based on the Group's financing agreements taking into account the fluctuation of interest rates for riskless assets in each country. The company applies single discounting rate for the portfolio comprising lease agreements with similar characteristics.

The group also negotiated some rent reductions during the second and third quarter of 2020 for which the group didn't apply the IFRS 16 COVID-19 amendment.

The tables set forth the amounts of right-of-use assets in the balance sheet and their impact on the profit and loss statement.

Right-of-use assets

EUR thousand	Buildings and structures	Machinery and equipment	Total
2021			
Net book value at 1 Oct 2020	**61,516**	**498**	**62,014**
New contracts	13,140	203	13,343
Contracts terminated prematurely	-1,274	-4	-1,278
Revaluations and modifications	13,286	56	13,342
Exchange rate differences	1,925	18	1,943
Depreciation	-17,370	-251	-17,620
Net book value at 30 Sep 2021	**71,225**	**520**	**71,745**

EUR thousand	Buildings and structures	Machinery and equipment	Total
2020			
Net book value at 1 Oct 2019	**46,816**	**481**	**47,296**
New contracts	13,329	194	13,522
Contracts terminated prematurely	-1,601	-25	-1,625
Revaluations and modifications	18,245	16	18,260
Exchange rate differences	-529	5	-524
Depreciation	-14,743	-173	-14,915
Net book value at 30 Sep 2020	**61,516**	**498**	**62,014**

Lease liability

EUR thousand	30 Sep 2021	30 Sep 2020
Lease liability at 1 Oct	66,494	**51,982**
Net increases	27,385	29,354
Rent expenses	-19,679	-17,237
Interest expense	2,272	2,395
Lease liability at 30 Sep	**76,472**	**66,494**

EUR thousand	30 Sep 2021	30 Sep 2020
Non-current lease liability	56,713	50,538
Current lease liability	19,759	15,957
Total	**76,472**	**66,494**

The maturity distribution of lease liabilities is presented in Note 5.1 Financial risk management.

Lease contracts in the income statement

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Expenses from short-term rental agreements, leasing agreements with minor value and variable rental costs, that are not included in the lease liability	-1,470	-1,697
Depreciation of right of use assets	-17,620	-14,915
Interest expenses from lease liability *	-2,272	-2,395
Total	**-21,362**	**-19,008**

* Included in the Note for financial expenses, see Note 5.4 Financial income and expenses

Repayments of lease liabilities amounted to EUR 17,297 for the financial year 2021 and 14,819 thousand for the financial year 2020.

The weighted average interest used in the calculation of interest expenses was 3.0% (3.6%).

3.7 Provisions

Accounting principles

A provision is recognized when the Group has a legal or factual obligation based on a previous event, the realisation of a payment obligation is probable, and the amount of the obligation can be reliably estimated. The amount of the provisions is measured on each closing date and modified according to the best estimate at the time of assessment. Changes in provisions are recognized in the income statement at the same amount as the initial recognition of the provision. The Group's provisions are mainly related to the warranties granted to the products sold by the Group and restructuring provisions, as well as unprofitable leases.

A restructuring provision is recognized when the Group has compiled a detailed restructuring plan and launched its implementation or has disclosed the plan. A warranty provision is recognized when a product covered by warranty provisions is sold.

EUR thousand	Restructuring provisions	Other provisions	Total
2021			
1 Oct 2020	0	20	20
New provisions			0
Used provisions	0	-20	-20
Exchange differences			0
30 Sep 2021	**0**	**0**	**0**
Short-term	0	0	0

EUR thousand	Restructuring provisions	Other provisions	Total
2020			
1 Oct 2019	-129	0	-129
New provisions	0	20	20
Used provisions	129	0	129
Exchange differences			0
30 Sep 2020	**0**	**20**	**20**
Short-term	0	0	20

4. NET WORKING CAPITAL

This section describes the items included in the net working capital. Net working capital comprises inventory, trade and other receivables, as well as trade and other payables

EUR thousand	30 Sep 2021	30 Sep 2020
Net working capital		
Inventories	44,297	36,376
Trade and other receivables	9,322	6,466
Excluding financial items in other receivables	0	0
Trade and other payables	-46,827	-40,264
Excluding financial items in other liabilities	256	249
Total	**7,048**	**2,826**
Change of net working capital in the balance sheet	-4,222	-744
Items that are not included in the change of net working capital as presented in the cash flow statement, with their impact included elsewhere in the cash flow statement *	56	-122
Change of net working capital in the cash flow statement **	-4,166	-866

* The major items are related to business combinations.
** An increase in the net working capital decreases the cash flow, and a decrease in the net working capital increases the cash flow.

4.1 Inventories

The Group's inventory mainly consists of purchased pet food and other products. The Group does not carry out production activities.

Accounting principles

Musti Group's inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less direct costs necessary to make the sale.

The acquisition cost of inventory is determined using the FIFO method. The acquisition cost comprises all costs incurred from delivering the inventory to the location and condition at time of the review.

Inventory is recognized as a cost for the same period when the corresponding sales is recognized. Impairment and obsolescence of inventory are recorded as costs at the time they incur. In addition, Musti Group records continuously a provision for losses on the inventory.

A possible reversal of a write-down is recognized in the period in which the change in value is recognized.

Accounting estimates

The Group regularly reviews inventories for obsolescence and turnover, and for possible reduction of net realizable value below cost and records an impairment as necessary.

Inventories

EUR thousand	30 Sep 2021	30 Sep 2020
Finished goods	39,580	34,720
Advance payments	4,717	1,656
Total	**44,297**	**36,376**
Inventories recognised as expenses, for which the carrying amount of inventories was reduced to the net relisable value	4,867	4,068

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
The amount of inventories recognized as an expense during the period	186,465	137,488

4.2 Trade and other receivables

Trade and other receivables comprise trade receivables, other receivables (mainly Value Added Tax receivables) and deferred receivables. Income tax receivables are presented as a separate item in the balance sheet.

Payment terms of trade receivables vary according to the customer type and credit rating. In the online stores, the customers pay their purchases in advance. Impairment of trade and other receivables, as well as the Group's exposure to credit risk are described in the Note 5.1.

Accounting principles

Trade receivables are receivables resulting from selling products or providing services to customers in the course of ordinary business. Receivables that are expected to be paid within one year from the end of the financial year are classified as current assets. Otherwise, they are presented as non-current assets. Trade receivables usually fall due within 14 or 30 days, and as such, all of them are classified as current assets. Note 5.1 describes principles applied to impairment of trade and other receivables, as well as other accounting principles applied to them.

Other receivables mainly comprise prepayments and accrued income generated in the course of the Group's ordinary business.

The Group's receivables are financial assets not included in the derivatives with fixed or determined payments that are not quoted on active markets. They are included in the current assets, except for items maturing over 12 months after the end of the reporting period. Group's receivables consist of 'Trade receivables and other receivables' and 'cash at hand'.

The table below set forth the items included in the trade and other receivables:

Trade and other receivables

EUR thousand	30 Sep 2021	30 Sep 2020
Trade receivables *	3,597	3,483
Prepayments and accrued income	4,615	1,663
Other receivables	1,110	1,319
Total	**9,322**	**6,466**

* Credit card receivables are included in the trade receivables.

Of the trade receivables, a total of EUR 79 thousand has been recognized as a credit loss in the statement of profit and loss in 2021. During 2020 there was a positive effect of EUR 75 thousand as a result of the decrease in the credit loss reservation.

The credit loss risk is described in more detail in the Note 5.1 Financial risk management.

4.3 Trade and other payables

Accounting principles

Trade payables are payment obligations towards suppliers and service providers arising from products and services acquired in the ordinary course of business. Trade payables are classified as current liabilities if they fall due for payment within one year from the balance sheet date. Trade payables are initially measured at fair value, and subsequently at amortised cost using the effective interest rate method. Trade and other payables are classified as other financial liabilities and measured at amortised cost.

Customers are entitled to return their purchases within 14 days in Finland and within 30 days in Sweden and Norway. For products sold, that have a repayment period at the end of the financial year, an obligation is recorded as a corresponding contractual liability. Contractual liability includes all costs incurred in settling an existing obligation. The management estimates the amount of this liability based on previous claims and any recent developments indicating that the number of claims may differ from the previous claims in the future. For online sales, products in transit result in a contractual liability.

Accounting estimates

Determination of the liability resulting from the right to return products involves uncertainty, as the actual amount of returned goods may differ from the estimates. Estimates and assumptions are reviewed quarterly. Differences between estimated and actual product returns may impact the amount of future contractual liabilities recorded, in accrued expenses.

The tables below set forth items included in trade and other payables:

Trade and other payables

EUR thousand	30 Sep 2021	30 Sep 2020
Trade payables	23,794	20,730
Advances received	269	232
Other liabilities	9,261	9,456
Accrued expenses	13,503	9,846
Total	**46,827**	**40,264**

Material items included in accrued expenses

EUR thousand	30 Sep 2021	30 Sep 2020
Personnel related costs	9,020	7,129
Accrued interests	256	249
Other items	4,227	2,468
Total	**13,503**	**9,846**

Material items included in other liabilities

EUR thousand	30 Sep 2021	30 Sep 2020
VAT liabilities	5,967	6,283
Payroll taxes	2,133	1,526
Loyalty program	1,131	1,641
Other items	30	6
Total	**9,261**	**9,456**

Trade and other payables comprise trade payables, other payables, advance payments and accrued expenses incurring in the ordinary course of business of the Group.

Contractual liabilities comprise rights to return products, as well as products in transit.

The valuation and revenue recognition of the loyalty program requires management's judgment, particularly in determining the fair value of bonuses and the expiration of bonuses. The bonus liability consists of quarterly bonuses accrued to the loyal customer account (see Note 2.1 Segment reporting and net sales) less the estimated expiration date of the bonuses based on historical information.

5. CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

5.1 Financial risk management

This Note describes Musti Group's exposure to financial risks and how these risks may in the future impact Musti Group's financial results. Information on the result for the period is presented in relevant parts as background for the matter in hand.

The focus of the Group's general risk management program is on the poor visibility of the financial markets, with the aim to minimise the unfavourable impact on the Group's financial results. Certain risks are hedged using derivatives.

Financial risk management aims to protect the company from unfavourable changes in financial markets, thereby contributing to safeguarding the company's profit performance and shareholders' equity and to ensure sufficient sources of finance. The financial administration is responsible for the Group's risk management according the instructions issued by the Board of Directors. The financial administration identifies, estimates and hedges financial risks in cooperation with the Group's business units.

Exchange rate risk

Foreign exchange risk means the uncertainty in cash flows and financial performance arising from exchange rate fluctuations. The Group's most significant transaction currency risks arise from Swedish krona (SEK), Norwegian krone (NOK), US dollar (USD) and British pound (GBP).

International purchasing and foreign currency financing of subsidiaries expose the Group to transaction risks in different currencies. The exchange rate risk related to the subsidiaries outside the Euro zone arises mainly from the trade receivables and liabilities against these subsidiaries in connection with the business operations of the Group companies. The risk is managed commercially, for example by transferring exchange rate changes to sales prices. Subsidiaries report their own currency positions to Group Finance on a monthly basis.

As regards to exchange rate risk, the Group has hedged some of its purchases in Norwegian krones, US dollars and British pounds in Sweden using exchange rate derivatives against the Swedish krona. Significant appreciation of Norwegian krone, US dollar and British pound will have a negative impact on the company's purchases, meaning that the euro value of the purchases will increase. The group has also hedged some of its sales in Norwegian krones in Sweden against Swedish krones. Exchange rate hedges are classified as derivatives that are measured at fair value through profit and loss.

The Group's foreign currency positions (in euros) at the end of the reporting period

EUR thousand	30 Sep 2021	30 Sep 2020
Trade payables	1,980	2,338
Forecasted purchases in the neext 6 months	21,551	19,591
Cash and cash equivalents	0	0
Total	**23,531**	**21,929**
Currency derivatives *	13,961	-889
Poistion, total	**37,492**	**21,041**

* The Group has 1 October 2020 renewed the currency derivative agreements. The Group hedges Swedish krona and Norwegian krone as well as British pounds and US dollars.

This Group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. Assuming euro to appreciate or depreciate 10 percent against all other currencies, the impact on cash flows, net of taxes, would be:

	30 Sep 2021			
EUR thousand	**SEK**	**NOK**	**USD**	**GBP**
EUR +/- 10 %	+/- 4,011	+/- 1,226	+/- 83	+/- 109

	30 Sep 2020			
EUR thousand	**SEK**	**NOK**	**USD**	**GBP**
EUR +/- 10 %	+/- 3,840	+/- 1,058	+/- 26	+/- 144

The sensitivity analysis as required by IFRS 7, includes financial instruments, such as trade and other receivables, trade and other payables, interest-bearing liabilities, deposits, non-current receivables, cash and cash equivalents and derivative financial instruments.

The following items related to exchange rates were recognized for the period through profit and loss:

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Items recognised through profit and loss		
Net exchange rate gains/losses included in the financial income/expenses	1,605	-865
Exchange rate gains/losses recognised in the result for the period, total (net)	**1,605**	**-865**

Translation risk

Translation risk arises when the currency denominated income and balance sheet items of group companies located outside the euro area are consolidated into euro. The most significant translation risk currencies are Swedish krona (SEK) and Norwegian krone (NOK). As on 30 September 2021 the total non-EUR denominated equity, goodwill and fair value step up of the subsidiaries were EUR 85.2 million (EUR 56.4 million).

The translation risk is not material in relation to the volume of the Group's operations and the size of the balance sheet. A change of +/- 10 percent in EUR against other currencies would have an impact of +/- EUR 8.52 million. Musti Group is currently not hedging any equity exposure.

Interest rate risk

Interest rate risk means the cash flow, financial performance and balance sheet uncertainty arising from interest rate fluctuations.

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, which consists of an EUR 50 million term loan and an EUR 10 million revolving credit facility. The repayment date of the facilities is 14 February 2023. The refinanced liabilities include a variable interest rate linked to EURIBOR and a fixed interest rate. At the negative EURIBOR interest rate as of 30 September 2021, the loans include only the fixed interest component.

During the financial year ended 30 September 2021, interest rate risk items in the balance sheet included interest-bearing assets EUR 0 thousand (EUR 15 thousand) and interest-bearing liabilities EUR 127 million (EUR 116 million). Of the interest-bearing liabilities 61% (65%) is denominated in euros.

Sensitivity of interest expenses on changes in market rates has been calculated by assuming permanent one percentage unit change in market rates and assuming no change in the net debt during the year. The calculated impact on the company's interest expenses is +/- EUR 0.5 million (+/- EUR 0.9 million).

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fail to meet its contractual obligations. The Group's credit risks arise principally from trade and factoring receivables. The Group's customer base is very diversified, and the Group does not have significant credit risk concentrations related to trade receivables. Credit risk arising from liquid assets is limited as the counterparties are banks with high international credit ratings.

The Group companies analyse solvency of new invoicing customers locally. Payment methods mitigating credit risk, such as advance payments, are applied to customers with high risk. The maximum exposure to credit risk corresponds to the book values of the financial assets presented below.

The procedure under IFRS 9 is applied for credit loss provisions where the amount of the provision corresponds to the expected credit losses over the whole lifetime of the receivable. Credit loss provision on the expected credit losses are recognized based on the customers' payment history and expectations on the credit losses. The Group's trade receivables have short maturities and the time value of the money does not have significant impact when estimating the amount expected of credit losses.

EUR thousand	Expected credit loss rate	Trade receivables (gross)		Deduction related to losses		Trade receivables (net)	
The table below sets forth the maturity distribution of receivables and provisions for impairment based on credit risk estimates.	%	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
Unmatured	0.5%	1,781	2,323	9	12	1,772	2,311
<30 days	1%	20	41	0	0	20	40
30-60 days	5%	192	69	10	3	182	65
61-180 days	10%	95	3	9	0	85	2
180-360 days	50%	-2	101	-1	50	-1	50
over 360 days	100%	45	27	45	27	0	0
Total		2,131	2,563	72	93	2,059	2,469
Credit card receivables	0.5%	1,547	1,019	8	5	1,539	1,014
Total		**3,677**	**3,582**	**80**	**98**	**3,597**	**3,483**

The groups other receivables do not contain impaired or delayed items. Based on the credit history of other groups, the receivables will be paid when they fall due. The Group has no guarantee for these receivables.

Liquidity risk

Liquidity risk refers to the risk of the Group not being able to fulfil its payment obligations. Musti Group monitors the Group's liquidity needs monthly to ensure that sufficient funds are available for the business needs.

The objective of the liquidity risk management is to at all times maintain sufficient liquid assets and credit limits to ensure the adequacy of the Group's business financing. In order to manage liquidity risk, the Group has an undrawn revolving credit facility of EUR 10 million and an undrawn credit limit of EUR 4 million to ensure financial flexibility. At the yearend 30 September 2021, the cash and cash equivalent totalling EUR 13.0 million (EUR 21.6 million).

The Group can secure external financing within the limits of its present financing agreements or use the bank overdraft, see Section Interest-bearing loans, if the cash flows from operating activities are not sufficient. The covenants included in the external financing need to be considered in the planning of the financing structure. Liquidity risk management aims to ensure that the Group can fulfil its payment obligations and its financial position and reputation are not harmed. The Group aims to assess and monitor the level of financing required by its business operations in order to ensure that the Group has sufficient amounts of liquid funds for financing business operations and investments, as well as for repayment of loans when they mature.

The Group's financing agreements contains for the financial years 2021 and 2020 covenants relating to gearing and the ratio of net debt to EBITDA (leverage). Violation of covenant terms may increase financial costs or lead to loan termination. The covenants are reviewed and reported to the bank's quarterly. During the financial years 2021 and 2020, all quarterly covenant conditions were either met or waived.

The table below sets forth the Group's financial labilities under the relevant maturity groups based on the time remaining until the contractual maturity as at the balance sheet date. The figures presented in the table are contractual undiscounted amounts.

Contractual maturities of financial liabilities

	30 Sep 2021						
EUR thousand	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027-**	**Total**
Non-current liabilities							
Loans from credit institutions		49,872					49,872
Lease liability		19,340	14,903	8,891	4,997	8,582	56,713
Other non-current interest-bearing liabilities	0						0
Current liabilities							
Loans from credit institutions	0						0
Lease liability	19,759						19,759
Trade and other payables *	23,794						23,794
Total	**43,553**	**69,212**	**14,903**	**8,891**	**4,997**	**8,582**	**150,138**
Interest payments	2,922	1,932	1,110	668	403	255	7,538

	30 Sep 2020						
EUR thousand	**FY2021**	**FY2022**	**FY2023**	**FY2024**	**FY2025**	**FY2026-**	**Total**
Non-current liabilities							
Loans from credit institutions			49,781				49,781
Lease liability		16,855	14,541	9,893	5,468	3,781	50,538
Other non-current interest-bearing liabilities							0
Current liabilities							
Loans from credit institutions							0
Lease liability	15,957						15,957
Trade and other payables *	20,730						20,730
Total	**36,687**	**16,855**	**64,322**	**9,893**	**5,468**	**3,781**	**137,005**
Interest payments	3,044	2,469	1,460	689	333	136	8,131

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

The Group's loans from credit institutions on 30 September 2021 amounted to EUR 49.9 million (EUR 49.8 million). The loans mature on 14 February 2023.

Fair value hierarchy

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 had no such financial instruments in 2021 or 2020.

Fair value hierarchy

	30 Sep 2021		
EUR thousand	**Level 1**	**Level 2**	**Level 3**
Assets			
Financial assets at amortised cost			
Other non-curret assets		109	
Trade and other receivables *		3,597	
Loan receivables		0	
Cash and cash equivalents		13,013	
Financial assets at fair value through profit and loss			
Derivative financial instruments		484	
Total		**17,204**	

	30 Sep 2020		
EUR thousand	**Level 1**	**Level 2**	**Level 3**
Assets			
Financial assets at amortised cost			
Other non-curret assets		345	
Trade and other receivables *		3,483	
Loan receivables		15	
Cash and cash equivalents		21,606	
Financial assets at fair value through profit and loss			
Derivative financial instruments		0	
Total		**25,449**	

	30 Sep 2021		
EUR thousand	**Level 1**	**Level 2**	**Level 3**
Liabilities			
Financial liabilities at amortised cost			
Other non-current liablities		0	
Loans from credit institutions		49,872	
Lease liability		76,472	
Trade and other payables *		23,794	
Financial assets at fair value through profit and loss			
Derivative financial instruments		441	
Total		**150,579**	

	30 Sep 2020		
EUR thousand	**Level 1**	**Level 2**	**Level 3**
Liabilities			
Financial liabilities at amortised cost			
Other non-current liablities		0	
Loans from credit institutions		49,781	
Lease liability		66,494	
Trade and other payables *		20,730	
Financial assets at fair value through profit and loss			
Derivative financial instruments		53	
Total		**137,058**	

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

5.2 Financial assets and liabilities

Accounting principles

Musti Group classifies financial assets and liabilities according to IFRS 9 based on the cash flow properties of the contracts related to them and their original purpose of use in line with the business model at the time of the acquisition. The classification is changed only if the business model applied in the investment activities is amended. Financial assets or liabilities are presented as a non-current item, if the remaining maturity is over 12 months from the end of the period, and as a current item if the remaining maturity is under 12 months from the end of period. Financial assets and liabilities are classified as follows:

Under IFRS 9, financial assets are classified into the following categories:

I. financial assets at amortised cost
II. financial assets at fair value through profit and loss
III. financial assets at fair value through other comprehensive income

Financial assets

Financial assets and amortised cost

Financial assets are classified as financial assets at amortised cost, if the following criteria are met:

I. the financial asset is held to generate cash flows based on the business mode; and

II. the cash flows are contractual capital returns and interest accrued on the capital.

Financial assets at amortised cost are valued using the effective interest rate method. Impairment is considered in the valuation. Gains and losses are recognized though profit and loss when the financial asset is reclassified or changed or its value decreases. Interest income is recognized in finance income.

Financial assets at amortised cost include term deposits, interest-bearing loans and other receivables, trade receivables and non-interest-bearing receivables.

Expected credit loss under IFRS 9 impacts the valuation of financial assets at amortised cost. Musti Group applies to the valuation of trade receivables the simplified model under IFRS 9 where a provision for credit losses is recognized in the trade receivables based on the expected credit losses. See Note 5.1 Financial risk management.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss are financial assets acquired for trading purposes.

Financial assets at fair value through profit and loss are derivatives not eligible for hedge accounting. Changes in fair value, as well as profit and loss in connection derecognition, are presented in the profit and loss statement.

Financial assets at fair value through other comprehensive income

Financial assets are classified as financial assets at fair value through other comprehensive income, if the following criteria are met:

I. according to the business model, the financial asset is held to generate cash flows based on a contract or it is available for sale; and

II. the cash flows are contractual capital returns and interest accrued on the capital.

Financial liabilities

Under IFRS 9, financial liabilities are classified into the following categories:

I. financial liabilities at amortised cost

II. financial liabilities at fair value through profit and loss

Financial liabilities at amortised cost

Musti Group's loans from financial institutions and trade and other payables are recognized at the time on acquisition at fair value net of transaction costs. Loans are subsequently measured using the effective interest rate method. The interest expenses of the loans are recorded in the profit and loss statement. Trade and other payables are non-interest-bearing current unpaid payables.

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss are financial liabilities acquired for trading purposes.

Financial liabilities measured at fair value through profit and loss are derivatives not eligible for hedge accounting. Changes in fair value, as well as profit and loss in connection derecognition, are presented in the profit and loss statement.

Financial assets and liabilities

The table below sets forth the classification of financial assets and liabilities and their book values:

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
30 Sep 2021					
Non-current assets					
Other non-current assets			109	109	109
Total			**109**	**109**	**109**
Current assets					
Trade and other receivables			3,597	3,597	3,597
Loan receivables			0	0	0
Derivative financial instruments	484			484	484
Cash and cash equivalents			13,013	13,013	13,013
Total	**484**		**16,611**	**17,094**	**17,094**
Financial assets, total	**484**		**16,720**	**17,204**	**17,204**

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
30 Sep 2020					
Non-current assets					
Other non-current assets			345	345	345
Total			**345**	**345**	**345**
Current assets					
Trade and other receivables			3,483	3,483	3,483
Loan receivables			15	15	15
Derivative financial instruments	0			0	0
Cash and cash equivalents			21,606	21,606	21,606
Total	**0**		**25,103**	**25,103**	**25,103**
Financial assets, total	**0**		**25,449**	**25,449**	**25,449**

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
30 Sep 2021					
Non-current liabilities					
Loans from credit institutions			49,872	49,872	49,872
Lease liability			56,713	56,713	56,713
Other non-current liabilities			0	0	0
Total			**106,586**	**106,586**	**106,586**
Current liabilities					
Loans from credit institutions			0	0	0
Lease liability			19,759	19,759	19,759
Trade and other payables			23,794	23,794	23,794
Derivative financial instruments	441			441	441
Total	**441**		**43,553**	**43,994**	**43,994**
Financial liabilities, total	**441**		**150,138**	**150,579**	**150,579**

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
30 Sep 2020					
Non-current liabilities					
Loans from credit institutions			49,781	49,781	49,781
Lease liability			50,538	50,538	50,538
Other non-current liabilities			0	0	0
Total			**100,318**	**100,318**	**100,318**
Current liabilities					
Loans from credit institutions			0	0	0
Lease liability			15,957	15,957	15,957
Trade and other payables			20,730	20,730	20,730
Derivative financial instruments	53			53	53
Total	**53**		**36,687**	**36,740**	**36,740**
Financial liabilities, total	**53**		**137,005**	**137,058**	**137,058**

Changes in financial liabilities

EUR thousand	1 Oct 2020	Cash flows	New leases	Foreign exchange movement	Change in fair values	Other non-cash movements	30 Sep 2021
Current interest-bearing loans and borrowings (excluding items listed below)	**0**	0		0		0	0
Current lease liability	**15,957**	-17,297	3,167	445		17,487	19,759
Non-current interest-bearing loans and borrowings (excluding items listed below)	**49,781**					91	49,872
Non-current lease liability	**50,538**		10,176	1,499		-5,498	56,713
Derivative financial instruments	**53**	-53				441	441
Total liabilities from financing activities	**116,328**	**-17,350**	**13,343**	**1,943**	**0**	**12,522**	**126,786**

EUR thousand	1 Oct 2019	Cash flows	New leases	Foreign exchange movement	Change in fair values	Other non-cash movements	30 Sep 2020
Current interest-bearing loans and borrowings (excluding items listed below)	**4,697**	-5,031		23		311	0
Current lease liability	**14,013**	-14,819	2,381	-67		14,449	15,957
Non-current interest-bearing loans and borrowings (excluding items listed below)	**85,374**	-34,879		-744		29	49,781
Non-current lease liability	**37,969**		11,141	-457		1,885	50,538
Derivative financial instruments	**61**				-8		53
Total liabilities from financing activities	**142,114**	**-54,729**	**13,522**	**-1,245**	**-8**	**16,674**	**116,328**

Liquid funds

Deposits with a maturity of up to 3 months from the year end are classified as liquid funds and are measured at amortised cost. Cash and cash equivalents include readily available cash and bank deposits, as well as fixed-term deposits.

Liquid funds are regularly assessed for impairment, but the risk is limited due to their high credit rating and short maturity.

Liquid funds

EUR thousand	30 Sep 2021	30 Sep 2020
Cash and cash equivalents	13,013	21,606
Total	**13,013**	**21,606**

Derivative financial instruments

Accounting principles

Derivatives are initially recorded at their fair value on the date of the contract, and they are subsequently valued at their fair value. Derivatives a classified as instruments held for trading and recorded at fair value through profit and loss.

The Group utilizes derivatives for hedging operative exchange risks. In the beginning of financial year 2020 the Group utilized derivatives for hedging interest rate risk. The company does not apply hedge accounting.

The nominal and fair values of the derivatives at the end of the financial period:

EUR thousand	Nominal value	Receivables at fair value	Payables at fair value	Net fair value
30 Sep 2021				
Forward exchange contracts	20,332	484	-441	42
Total	**20,332**	**484**	**-441**	**42**

EUR thousand	Nominal value	Receivables at fair value	Payables at fair value	Net fair value
30 Sep 2020				
Forward exchange contracts	889	0	-53	-53
Total	**889**	**0**	**-53**	**-53**

Maturity distribution of derivates (at nominal value)

Maturity distribution of derivatives at 30 September 2021

EUR thousand	FY2022	FY2023	FY2024	FY2025	FY2026
Forward exchange contracts	18,957	1,375	0	0	0
Total	**18,957**	**1,375**	**0**	**0**	**0**

Maturity distribution of derivatives at 30 September 2020

EUR thousand	FY2021	FY2022	FY2023	FY2024	FY2025
Forward exchange contracts	889	0	0	0	0
Total	**889**	**0**	**0**	**0**	**0**

Interest-bearing liabilities

Net debt is the total amount of loans from credit institutions and shareholder loans included in the current and non-current liabilities less cash and bank deposits. The targeted net debt and the ratio of net debt to EBITDA are linked to the covenants included in the financing agreements.

Net debt

EUR thousand	30 Sep 2021	30 Sep 2020
Non-current interest-bearing liabilities	106,586	100,318
Current interest-bearing liabilities	20,200	16,010
Loan receivables	0	-15
Derivative financial instruments	-484	0
Cash and cash equivalents	-13,013	-21,606
Net debt	**113,289**	**94,708**

Interest-bearing liabilities

	Balance sheet values		Fair values	
EUR thousand	**30 Sep 2021**	**30 Sep 2020**	**30 Sep 2021**	**30 Sep 2020**
Loans from credit institutions	49,872	49,781	49,872	49,781
Lease liability	56,713	50,538	56,713	50,538
Other non-current liabilities	0	0	0	0
Total interest-bearing non-current liabilities	**106,586**	**100,318**	**106,586**	**100,318**
Loans from credit institutions	0	0	0	0
Lease liability	19,759	15,957	19,759	15,957
Derivative financial instruments	441	53	441	53
Total interest-bearing current liabilities	**20,200**	**16,010**	**20,200**	**16,010**
Total interest-bearing liabilities	**126,786**	**116,328**	**126,786**	**116,328**

In addition, Musti has entered into a revolving credit facility and bank overdraft agreement. As at the balance sheet dates, the revolving credit facility amounted to EUR 10 million (EUR 10 million) and the total amount of the agreed overdraft limit was EUR 4 million (EUR 4 million). At the financial year ends the revolving credit facility and bank overdraft were undrawn

5.3 Commitments and contingencies

This Note presents information on items not included in calculations when preparing the financial statements, as they do not satisfy accounting requirements yet. These items include guarantees, pledges and contingent liabilities.

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.

Credit Facilities

The Group has a revolving credit facility of EUR 10 million and a bank overdraft of 4 EUR million. At the balance sheet dates, the facilities have not been utilized.

Compliance with covenant conditions

The Group's financing agreements contains for the financial years 2021 and 2020 covenants relating to gearing and the ratio of net debt to EBITDA (leverage). Violation of covenant terms may increase financial costs or lead to loan termination. The covenants are reviewed and reported to the bank's quarterly. During the financial years 2021 and 2020, all quarterly covenant conditions were either met or waived.

Other commitments

During the periods presented in the financial statements, Musti Group has not been involved in legal proceedings, arbitration or administrative proceedings that could have a significant impact on the Group's financial position or profitability.

EUR thousand	30 Sep 2021	30 Sep 2020
Other guarantees given on own behalf		
Guarantees relating to rental payments	4,619	3,759
Other commitments	129	388
Total	**4,748**	**4,147**

EUR thousand	30 Sep 2021	30 Sep 2020
Other commitments		
Other guarantees	2,929	2,000
Lease liabilities for leases not recognised in the balance sheet	4,984	2,009
Total	**7,913**	**4,009**

Lease liabilities not recognized 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.

Contingent liabilities

Musti Group was subject to a tax audit of Musti Group plc, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018-2020. Musti Group plc received in October 2021 a tax audit report from the Finnish tax authorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.9 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit. The company is to be reassessed in accordance with the interpretations set out in the tax audit report but the company will file a claim for adjustment to the Finnish Tax Administration's Assessment Adjustment Board. To avoid possible additional tax increases Musti Group plc has in November 2021 paid the EUR 0.9 million subsequent taxes and tax increases. There were no repercussions of the tax audit for the financial years 2018-2020 of Musti Group Finland Oy and Musti Group Nordic Oy.

5.4 Financial income and expenses

This Note presents the Group's financial income and expenses. The Group has entered into interest rate swap agreements to protect itself from the changes of interest of bank loans with variable interest rates, as well as exchange rate hedges for its purchases in US dollars and British pounds in Sweden.

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Financial income		
Interest income	3	8
Exchange gains	5,750	14,412
Gain from changes in the fair value of derivatives	0	0
Other financial income	28	1
Total	**5,780**	**14,420**
Financial expenses		
Interest expenses on loans valued to amortised cost	-788	-2,531
Interest expenses from lease liability	-2,272	-2,395
Exchange losses	-4,145	-15,277
Loss from changes in the fair value of derivatives	0	0
Other financial expenses	-70	-111
Total	**-7,275**	**-20,314**
Financial income and expenses, net	**-1,495**	**-5,894**

The Group's interest income and other financial income mainly relate to exchange rate gains and interest income and changes in the fair value of derivatives. Financial expenses mainly relate to loans from credit institutions and other loans, as to valuation losses from derivatives and exchange rate losses.

5.5 Capital Management

The company's Board of Directors is responsible for the capital management strategy. The aim of capital management is to maintain sufficient equity ratio and to comply with requirements set for equity and gearing rates in financing agreements. Capital sources include operating cash flows, equity financing from shareholders and external loans. Covenants included in financing agreements place requirements relating to gearing and the ratio of net debt to EBITDA (leverage). Other terms and conditions on external capital are not applied to the Group. In capital management, the Group's equity consists of equity and loans shown in the balance sheet.

With capital management, the Group aims to safeguard its continuous operations in order to provide yield to the shareholders and increase the value of the capital that they have invested. The Group monitors the adjusted EBITA margin, % and margin and the net debt ratio to last twelve months adjusted EBITDA.

EUR thousand	Target level	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Adjusted EBITA margin, %	≥13%	10.8%	10.5%
Net debt / LTM Adjusted EBITDA	<2.5x	1.9	2.0

5.6 Equity

This Note describes items included in the equity of Musti Group.

Accounting principles

The Group's equity includes instruments that evidences a residual interest in the assets of an entity after deducting all its liabilities and contains no contractual obligation for the issuer to deliver cash or other financial asset to another entity. Costs that relate to the issue or repurchase of own equity instruments are recognized as a deduction in equity.

All company shares are reported as share capital. Any repurchase of its own shares by the company is deducted from equity.

The total equity consists of the share capital, the invested unrestricted equity reserve, translation differences and accumulated profits.

Share capital

On 30 September 2021 the share capital of Musti Group amounted to EUR 11,001,853.68 and the number of shares was 33,535,453. The company has one share class. Each share entitles its holder to one vote at the general meeting and an equal dividend. The company owned 244,000 own shares on 30 September 2021.

The shareholders of the company decided by unanimous decision to transform the company form on 23 January 2020 into a public limited company.

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 one 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.

As a result of the company's IPO and personnel issue, the number of shares increased with 32,234,716 in February 2020. All shares have been paid in full.

The AGM held 23 January 2020 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 held 23 January 2020 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.

The AGM held 21 January 2021 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 3,185,000 shares. The authorisation revokes the previous unused authorisations for the share issue and the issuance of special rights entitling to shares. The authorisation will be effective until the end of the next Annual General Meeting, however no longer than until 21 July 2022.

The AGM held 21 January 2021 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 3,185,000 shares. The authorisation revokes previous unused authorisations to acquire and / or pledge the company's own shares. The authorisation will be effective until the end of the next Annual General Meeting, however no longer than until 21 July 2022.

Changes in share capital and invested unrestricted equity reserve

	Number of outstanding shares	Own shares held by the parent company	Total number of shares	Share capital	Invested unrestricted equity
				EUR thousand	EUR thousand
1 Oct 2020	**33,535,453**	**0**	**33,535,453**	**11,002**	**167,412**
Capital return	0	0	0	0	-12,720
Acqusition of own shares	0	-244,000	-244,000	0	-6,910
30 Sep 2021	**33,535,453**	**-244,000**	**33,291,453**	**11,002**	**147,781**
1 Oct 2019	**1,300,737**	**0**	**1,300,737**	**11,002**	**122,412**
Share issue	32,065,597	0	32,065,597	0	43,667
Personnel issue	169,119	0	169,119	0	1,333
30 Sep 2020	**33,535,453**	**0**	**33,535,453**	**11,002**	**167,412**

Earnings per share

The basic earnings per share figure is calculated by dividing the result for the financial year attributable to the parent company's shareholders by the weighted average number of shares outstanding during the financial year. When calculating the earnings per share adjusted by dilution, the weighted average of the number of shares takes into account the diluting effect resulting from changing into shares all potentially diluting shares, such as shares from the share-based incentive plan.

Earnings per share

	30 Sep 2021	30 Sep 2020
Earnings per share, basic		
Net profit attributable to equity owners of the parent company, EUR thousand	20,872	11,712
Weighted average number of shares	33,410,411	31,652,469
Basic earnings per share, EUR	**0.62**	**0.37**
Earnings per share, diluted		
Net profit attributable to equity owners of the parent company, EUR thousand	20,872	11,712
Weighted average number of shares	33,395,338	31,652,469
Adjustments:		
Average number of treasury shares it is possible to be issued on the basis of the share-based payments	260,080	187,500
Weighted average number of shares for diluted earnings per share	33,655,418	31,839,969
Diluted earnings per share, EUR	**0.62**	**0.37**

Dividend and profit distribution

The Board of Directors of Musti Group plc proposes to the Annual General Meeting on 27 January 2022 that shareholders will be paid a capital return of EUR 0.44 per share to be distributed from the invested unrestricted equity reserve totalling approximately EUR 14.6 million and that no dividend will be paid for the financial year ended 30 September 2021. For the financial year 2020 a capital return of EUR 0.38 per share was paid totalling EUR 12.7 million, no dividend has been distributed from the 2020 results.

Musti Group plc's distributable funds

EUR thousand	30 Sep 2021
Retained earnings at the end of financial year	498
Unrestricted equity	154,691
Own shares	-6,910
Result for the financial year	6,800
Distributable equity total	**155,078**

Invested unrestricted equity reserve

Under the Finnish Companies Act, the subscription price of new shares is credited to the share capital, unless it is provided in the share issue resolution that it is to be credited in full or in part to the invested unrestricted equity reserve. Contributions to the reserve for invested unrestricted equity can also be made without share issues.

In connection with the listing, the company carried out an offering which consisted of a public offering in Finland, an institutional offering to institutional investors in Finland and in accordance with applicable laws, internationally; and personnel offering to employees of the group. With the share issue, the company raised gross proceeds of approximately EUR 45,000 thousand that was recognized to the invested unrestricted equity reserve.

During financial year 2020, the company has recognized as expenses in connection with the offering against the received assets of the invested unrestricted equity reserve in total EUR 2,844 thousand, net of EUR 569 thousand deferred taxes.

Translation differences

Translation differences arising on the translation of subsidiaries' financial statements into euros are recognized in other comprehensive income and accumulated in equity.

6. OTHER NOTES

6.1 Related party transactions

Parties are considered to be related if one party has the ability to control or exercise significant influence on the other party, or if the parties exercise joint control in making financial and operating decisions. 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 2020 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 %. EQT Mid Market Fund relinquished its ownership on 16 September 2020.

Loans from the owners

EUR thousand	30 Sep 2021	30 Sep 2020
Other non-current interest-bearing liabilities	0	0

The following transactions were carried out with joint ventures:

EUR thousand	30 Sep 2021	30 Sep 2020
Purchases of goods and services	3,476	2,737
Receivables	76	76
Payables	160	145
Guarantees given	2,929	2,000

Related party transactions are executed with the arm's length principle, and their terms and conditions correspond to transactions carried out with independent parties. The management's remuneration is presented in the table below. No loans have been granted to the management, and no other transactions have been conducted with the management.

Management compensation

The CEO and Management Team remuneration

EUR thousand	CEO	Management team	Total 2021	CEO	Management team	Total 2020
Salaries and other short-term employee benefits	448	1,687	**2,135**	419	1,488	1,907
Short-term incentives	107	306	**413**	171	235	406
Pension costs - defined contribution plans	60	393	**453**	64	304	368
Total	**614**	**2,386**	**3,001**	**654**	**2,027**	**2,681**

The remuneration of the CEO and the members of the Management Team is presented according to accrual basis. The Group management remuneration is described more in detail in the separate Remuneration Statement and Note 2.4 Share-based payments.

Renumeration paid to Board of Directors

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Jeffrey David	65	60
Ingrid Jonasson Blank	43	30
Juho Frilander (as of September 1, 2018)	0	0
Ilkka Laurila (as of January 21, 2021)	33	0
Lisa Farrar (as of December 1, 2018 - January 21, 2021)	0	30
Vesa Koskinen (December 13, 2019 - January 21, 2021)	0	0
Jarkko Murtoaro (until December 31, 2019)	0	0
Erik Lindgren (until December 10, 2019)	0	45
Geir Stormorken (until December 10, 2019)	0	0
Ilari Haataja (September 1, 2018 - June 30, 2019)	0	0
Alex Lindbom (July 1, 2019 - December 31, 2019)	0	0
Total	**140**	**165**

The remuneration of the Board of the Directors is presented according to accrual basis. According to the decision of the 2021 Annual General Meeting, the annual fees paid to the Board members were: Chairman of the Board EUR 60,000, the Vice-Chairman of the Board EUR 35,000 and other Board members EUR 30,000. The annual fees paid to the members of the Committees were: Chairman of the Committee EUR 5,000 and other Committee members EUR 2,500. However, Board members Juho Frilander and Vesa Koskinen have not been paid any remuneration for their Board activities. The remunerations for the financial year 2021 have been paid September 2021. During the financial year 2021 a total Board fee of EUR 140 thousand, decided by the Annual General Meeting 2020, have been paid. During the financial year 2020 a total Board fee of EUR 146 thousand, decided by the Annual General Meeting 2019, and a total Board fee of EUR 80 thousand, decided by the Annual General Meeting, 2018, have been paid.

6.2 Taxes

Income taxes

Accounting principles

The taxes recognized in the consolidated income statement include the Group companies' taxes on current net profits on an accrual basis, prior period tax adjustments and changes in deferred taxes. The Group companies' taxes have been calculated from the taxable income of each company determined by local jurisdiction. The country of registration of each group company is presented in Note 1.4 Group information.

Income tax expenses

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Current tax:		
Current tax on profits for the year	-4,387	-900
Taxes for prior years	-23	135
Total current tax expense	-4,411	-765
Deferred tax:		
Change in deferred taxes	-1,577	-1,142
Income taxes	**-5,988**	**-1,907**

Reconciliation of income tax expense and taxes calculated at the Finnish tax rate 20%

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Profit before tax	26,882	13,661
Tax calculated at Finnish tax rate 20%	-5,376	-2,732
Effect of other tax rates for foreign subsidiaries	-243	-53
Expenses not deductible for tax purposes	-238	-401
Income not subject to tax	6	39
Utilisation of previously unrecognised tax losses	-139.1	1,108
Taxes for prior years	-23	135
Other items	-251.8	-2
Taxes in income statement	**-5,988**	**-1,907**

Deferred tax assets and liabilities

Accounting policy

Deferred tax assets and liabilities are recognized on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities. The most significant temporary differences arise from taxable losses. Deferred tax liability has not been calculated on goodwill insofar as goodwill is not tax deductible. Deferred tax on subsidiaries' undistributed earnings is not recognized unless a distribution of earnings is probable, causing tax implications. A deferred income tax asset is recognized to the extent that it is probable that it can be utilized against future taxable income.

Deferred tax has been determined using the tax rates enacted at the balance sheet date, and as the rates changed, at the known new rate. A deferred income tax asset is recognized to the extent that it is probable that it can be utilized against future taxable income. The Group's deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority. Deferred taxes relating to IFRS 16 right-of-use assets and lease liabilities have been netted on the consolidated balance sheet but in the specification of the changes below, the gross amounts to the deferred taxes have been presented.

Determinations based on the management's judgement

Determining to which extent deferred tax assets can be recognized requires management's judgement. The management of Musti Group has used judgement when determining if deferred tax asset is recognized for an unused tax loss carry forward or unused tax credits. Recognition is done only to the extent that it is probable that future taxable profits will be available against which the loss or credit carry forward can be utilized. The Group estimates positions taken in tax return with respect to situations in which applicable tax regulation is subject to interpretation. If necessary, the booked amounts are adjusted to correspond to amounts expected to be paid to the tax authorities.

Musti Group was subject to a tax audit of Musti Group plc, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018-2020. Musti Group plc received in October 2021 a tax audit report from the Finnish tax authorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.9 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit. The company is to be reassessed in accordance with the interpretations set out in the tax audit report but the company will file a claim for adjustment to the Finnish Tax Administration's Assessment Adjustment Board. To avoid possible additional tax increases Musti Group plc has in November 2021 paid the EUR 0.9 million subsequent taxes and tax increases. There were no repercussions of the tax audit for the financial years 2018-2020 of Musti Group Finland Oy and Musti Group Nordic Oy.

Changes in deferred taxes during financial year 2021

EUR thousand	1 Oct 2020	Recognised in profit or loss	Recognised in equity	Business acqusitions	Exchange rate differences	30 Sep 2021
Deferred tax assets						
Tax losses	2,892	-1,083			151	1,959
Intangible and tangible assets	1,175	-166			47	1,056
Inventories	898	88			0	986
Lease liability	12,862	1,001			439	14,301
Other items	11	0			1	12
Total	**17,838**	**-161**	**0**	**0**	**637**	**18,314**

EUR thousand	1 Oct 2020	Recognised in profit or loss	Recognised in equity	Business acqusitions	Exchange rate differences	30 Sep 2021
Deferred tax liabilities						
Intangible and tangible assets	1,713	-34			55	1,735
Right-of-use assets	11,923	974			409	13,306
Other items	455	475			18	949
Total	**14,091**	**1,416**	**0**	**0**	**483**	**15,990**
Net deferred taxes 30 Sept 2021	**-3,747**	**1,577**	**0**	**0**	**-155**	**-2,325**

Changes in deferred taxes during financial year 2020

EUR thousand	1 Oct 2019	Recognised in profit or loss	Recognised in equity	Business acqusitions	Exchange rate differences	30 Sep 2020
Deferred tax assets						
Tax losses	4,156	-1,071	-124		-69	2,892
Intangible and tangible assets	1,319	-160			15	1,175
Inventories	785	113			0	898
Lease liability	10,891	2,089			-118	12,862
Other items	34	-22			-1	11
Total	**17,185**	**949**	**-124**	**0**	**-173**	**17,838**

EUR thousand	1 Oct 2019	Recognised in profit or loss	Recognised in equity	Business acqusitions	Exchange rate differences	30 Sep 2020
Deferred tax liabilities						
Intangible and tangible assets	1,669	25			19	1,713
Right-of-use assets	9,914	2,124			-115	11,923
Other items	510	-58			3	455
Total	**12,093**	**2,091**	**0**	**0**	**-92**	**14,091**
Net deferred taxes 30 Sept 2020	**-5,092**	**1,142**	**124**	**0**	**80**	**-3,747**

On 30 September 2021, the Group had no temporary differences on which no deferred tax assets were booked (30 September 2020: EUR 83 thousand), for which it is uncertain if they will be realized. Most of the unrecognized deferred tax assets were related to cumulative tax losses. The cumulative tax losses on which deferred tax assets have been booked will never expire.

Accrued losses can be used only if the Group generates future taxable income covering the losses. The Group's ability to produce taxable income is dependent on the general economic, competitive, financial, legislative and other factors that are beyond the Group's control. The management estimates that most of the tax losses can be utilized within 1-5 years.

6.3 Subsequent events

No significant events after the financial year.

7. PARENT COMPANY FINANCIAL STATEMENT, FAS

Musti Group plc income statement

EUR thousand	Note	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Other operating income	7.2	**14,578**	**20,609**
Employee benefit expenses	7.3	-1,509	-913
Depreciation, amortisation and impairment		0	0
Other operating expenses	7.4	-6,928	-23,217
Operating profit/loss		**6,142**	**-3,521**
Financial income	7.5	4,345	1,578
Financial expenses	7.5	-2,449	-843
Profit/loss before appropriations and taxes		**8,038**	**-2,786**
Appropriations	7.6	0	2,660
Income tax expense	7.7	-1,238	-3
Profit/loss for the period		**6,800**	**-129**

Musti Group plc balance sheet

EUR thousand	Note	30 Sep 2021	30 Sep 2020
ASSETS			
Non-current assets			
Intangible assets	7.8	0	16
Investments	7.9	132,410	109,049
Total non-current assets		**132,410**	**109,065**
Current assets			
Long-term receivables	7.10	44,252	24,552
Short-term receivables	7.10	57,613	113,720
Cash and cash equivalents		12,152	1
Total current assets		**114,017**	**138,272**
TOTAL ASSETS		**246,427**	**247,337**

EUR thousand	Note	30 Sep 2021	30 Sep 2020
EQUITY AND LIABILITIES			
Equity			
Share capital	7.11	11,002	11,002
Other reserves	7.11	154,691	167,412
Own shares	7.11	-6,910	0
Retained earnings	7.11	498	626
Profit/loss for the fiscal period		6,800	-129
Total equity		**166,080**	**178,911**
Liabilities			
Non-current liabilities	7.12	49,872	49,781
Current liabilities	7.13	30,475	18,645
Total current liabilities		**80,347**	**68,425**
TOTAL EQUITY AND LIABILITIES		**246,427**	**247,337**

Musti Group plc cash flow statement

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Cash flows from operating activities		
Profit before appropriations and taxes	8,038	-2,786
Depreciations	0	0
Finance income and expenses	-1,896	-735
Other adjustments	-907	-49
Operating profit before change in working capital	5,235	-3,570
Change in working capital		
Increase (-) / decrease (+) of current receivables	9,335	-22,099
Increase (+) / decrease (-) of current non-interest bearing liabilities	-11,612	18,396
Cash flows from operating activities before financial items and taxes	**2,958**	**-7,273**
Interests paid and other finance costs	-755	-515
Interests received	2,141	1,532
Direct income taxes paid	0	-171
Net cash from operating activities	**4,344**	**-6,427**
Cash flows from investing activities		
Purchases of property, plant, equipment and intangible assets	0	-16
Long-term receivables, increase (-)/decrease (+)	-19,178	-96
Net cash fom investing activities	**-19,178**	**-112**

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Cash flows from financing activities		
Capital returns paid	-12,720	0
Acqusition of own shares	-6,910	0
Proceeds from non-current liabilities	0	45,000
Proceeds from equity issues	0	50,000
Repayments of non-current loans	0	0
Change in internal bank account receivables/ liabilities	43,956	-88,461
Received group contributions	2,660	0
Net cash fom financing activities	**26,986**	**6,539**
Change in cash and cash equivalents	**12,152**	**1**
Cash and cash equivalents at the beginning of the period	0	0
Cash and cash equivalents at the end of the period	12,152	1

Notes to Musti Group plc financial statements

7.1 Accounting principles

Basis of preparation

Musti Group plc is the parent company of Musti Group, domiciled in Helsinki, Finland. The financial statements of Musti Group plc have been prepared in euros in accordance with the relevant acts and regulations in force in Finland (Finnish Accounting Standards, FAS).

When preparing the financial statements, the management of the company needs to make estimates and assumptions that affects the financial statements valuations. Actual figures may differ from the estimates made.

Valuation and accruing principles and methods

Non-current assets

Intangible assets are recognized at the acquisition cost less the depreciation according to plan. Acquisition costs consists of direct costs of the acquisition. The depreciation has been calculated straight-line basis over the financial use of the asset. The depreciation period of intangible assets is 5 years.

Investments in subsidiaries are recognized either at acquisition cost or at net realizable value, if the investments value has declined permanently.

Receivables

Receivables are recognized either at the acquisition cost or at current market value if the current market value is lower than the acquisition cost.

Pension plans

The statutory pension liability of the Finnish personnel and any additional pensions have been arranged through a pension insurance company.

Income tax expense

Income tax includes tax calculated on the profit for the current financial year as well as tax adjustments for previous financial years. No deferred taxes have been booked in the parent company.

Foreign currency items

Foreign currency business transactions are booked using the exchange rate of the transaction date. At the end of the fiscal year all open foreign currency transactions are valued using the exchange rate of the transaction date.

7.2 Other operating income

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Service fee's from group companies	13,356	20,490
Merger profit	1,032	0
Other income from group companies	190	119
Total	**14,578**	**20,609**

7.3 Employee benefit expenses

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Salaries and fees	-1,212	-751
Social security costs	-236	-102
Pension costs	-54	-57
Other social security costs	-6	-2
Total	**-1,509**	**-913**
Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors		
Chief Excecutive Officer	555	590
Board of Directors	140	110
Personnel on average	2	2

7.4 Other operating expenses

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Expenses related to the share issue	0	-4,593
Administration	-6,848	-16,815
Other expenses	-80	-1,809
Total	**-6,928**	**-23,217**
Auditors' fees		

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Authorised Public Accountants E&Y		
Audit	213	67
Tax consultation	132	91
Other services	0	0
Total	**345**	**158**

7.5 Financial income and expenses

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Other interest and financial income		
From Group companies		
Interest income	2,114	1,240
From others		
Other financial income	2,231	339
Total	**4,345**	**1,578**
Interest and other financial expenses		
To Group companies		
Interest expenses	0	0
To others		
Interest expenses	-692	-411
Other financial expenses	-1,757	-432
Total	**-2,449**	**-843**
Financial income and expenses total	**1,896**	**735**

7.6 Approriations

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Group contributions received	0	2,660
Total	**0**	**2,660**

7.7 Income taxes

EUR thousand	1 Oct 2020–30 Sep 2021	1 Oct 2019–30 Sep 2020
Income tax for the financial year	-1,238	0
Income tax for prior financial years	0	-3
Total	**-1,238**	**-3**

7.8 Intangible assets

EUR thousand	30 Sep 2021	30 Sep 2020
Intangible rights		
Acquisition cost 1 Oct	16	0
Additions	0	16
Disposals	-16	0
Acquisition cost 30 Sep	**0**	**16**
Accumulated amortisation 1 Oct	0	0
Amortisations for the financial year	0	0
Accumulated amortisation 30 Sep	**0**	**0**
Book value 30 Sep	**0**	**16**

7.9 Investments

EUR thousand	30 Sep 2021	30 Sep 2020
Investments in Group companies		
Acquisition cost 1 Oct	109,049	109,049
Increases	132,410	0
Decreases	-109,049	0
Acquisition cost 30 Sep	**132,410**	**109,049**
Group companies 30 Sep 2021	**Share of parent company %**	
Musti Group Nordic Oy	100	

The Group's subsidiaries and investments in associates are presented in Note 5.2 in the Consolidated Financial Statements.

7.10 Receivables

Long-term receivables

Receivables from Group companies

EUR thousand	30 Sep 2021	30 Sep 2020
Loan receivables	44,168	24,456
Total	**44,168**	**24,456**

Receivables from others

EUR thousand	30 Sep 2021	30 Sep 2020
Other receivables	85	96
Total	**85**	**96**
Long-term receivables total	**44,252**	**24,552**

Short-term receivables

Receivables from Group companies

EUR thousand	30 Sep 2021	30 Sep 2020
Trade receivables	212	10,965
Group contribution receivables	0	2,660
Group bank account receivables	44,835	88,821
Prepayments and accrued income	12,418	10,451
Total	**57,465**	**112,897**

Receivables from others

EUR thousand	30 Sep 2021	30 Sep 2020
Prepayments and accrued income		
Income taxes	0	126
Value added tax receivables	0	568
Other	147	129
Total	**147**	**823**
Short-term receivables total	**57,613**	**113,720**

7.11 Equity

EUR thousand	Share capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Equity total
Equity 1 Oct 2020	**11,002**	**167,412**	**0**	**498**	**178,911**
Capital return		-12,720			-12,720
Acqusition of own shares			-6,910		-6,910
Result for the financial year				6,800	6,800
Equity 30 Sep 2021	**11,002**	**154,691**	**-6,910**	**7,298**	**166,080**
Equity 1 Oct 2019	**11,002**	**122,412**	**0**	**626**	**134,040**
Share issue		45,000			45,000
Result for the financial year				-129	-129
Equity 30 Sep 2020	**11,002**	**167,412**	**0**	**498**	**178,911**

Distibutable equity

EUR thousand	30 Sep 2021	30 Sep 2020
Reserve for invested unrestricted equity	154,691	167,412
Treasury shares	-6,910	0
Retained earnings	498	626
Net result for the financial period	6,800	-129
Total	**155,078**	**167,909**

7.12 Non-current liabilities

Liabilities to others

EUR thousand	30 Sep 2021	30 Sep 2020
Loans from financial institutions	49,872	49,781
Total	**49,872**	**49,781**
Non-current liabilities total	**49,872**	**49,781**

7.13 Current liabilities

Liabilities to Group companies

EUR thousand	30 Sep 2021	30 Sep 2020
Trade payables	184	11,838
Group bank account payables	23,152	0
Other liabilities	5,008	5,940
Total	**28,345**	**17,778**

Liabilities to others

EUR thousand	30 Sep 2021	30 Sep 2020
Trade payables	55	190
Other liabilities		
Value added tax payables	74	161
Other liabilities total	74	161
Accruals and deferred income		
Employee benefit expenses	596	265
Interest liabilities	256	249
Incom tax payables	1,135	
Other accruals and deferred income	14	3
Accruals and deferred income total	2,001	516
Total	**2,130**	**867**
Current liabilitites total	**30,475**	**18,645**

7.14 Collaterals

EUR thousand	30 Sep 2021	30 Sep 2020
Pledges given on behalf of group companies		
Pledges given on behalf of group companies	23	0
Total	**23**	**0**

Musti Group plc has given letter of guarantees for the following group companies: Zoo Support Scandinavia AB, Arken Zoo AB and Arken Zoo Holding AB.

Contingent liabilities

Musti Group was subject to a tax audit of Musti Group plc, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018-2020. Musti Group plc received in October 2021 a tax audit report from the Finnish tax authorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.9 million, relating to the VAT deductibility of IPO related costs. The company disagrees with the interpretation made in the tax audit. The company is to be reassessed in accordance with the interpretations set out in the tax audit report but the company will file a claim for adjustment to the Finnish Tax Administration's Assessment Adjustment Board. To avoid possible additional tax increases Musti Group plc has in November 2021 paid the EUR 0.9 million subsequent taxes and tax increases. There were no repercussions of the tax audit for the financial years 2018-2020 of Musti Group Finland Oy's and Musti Group Nordic Oy's.

Musti Group plc's Board of Directors' proposal to the Annual General Meeting for the distribution of distributable funds and signing of the financial statements and Board of Directors' review

Musti Group plc's distributable funds on 30 September 2021 amounts to EUR 155,078,491.02, of which profit for the financial year 2021 is EUR 6,799,917.88.

The Board of Directors of Musti Group plc proposes to the Annual General Meeting on 27 January 2021 that a capital return of EUR 0.44 per share will be distributed from the invested unrestricted equity reserve totalling approximately EUR 14.6 million and that no dividend will be paid for the financial year ended 30 September 2021.

There have been no material changes in the company's financial position since 30 September 2021. The liquidity of the company remains good, and the proposed capital return does not risk the solvency of the company.

Helsinki, 17 December 2021

Jeffrey David

Ingrid Jonasson Blank

Juho Frilander

Ilkka Laurila

David Rönnberg
CEO

The Auditor's note

Our auditor's report has been issued today

Helsinki, 17 December 2021

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accountant

Auditors report (Translation of the Finnish original)

Report on the Audit of the Financial Statements To the Annual General Meeting of Musti Group plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Musti Group plc (business identity code 2659161-1) for the year ended 30 September 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial performance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.3 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of Goodwill *We refer to the notes 3.2 and 3.3.* The value of goodwill at the date of the financial statements amounted to 157.8 million euros, representing 47% of total assets and 101% of equity. Valuation of goodwill is based on management's estimates about the value-in-use calculations of cash generating units. There are a number of underlying assumptions used to determine the value-in-use of cash generating units, including the development of revenue and profitability as well as the discount rate applied on cash flows. The estimated value-in-use of cash generating units may vary significantly when the underlying assumptions change. Changes in the above-mentioned individual assumptions may result in an impairment of goodwill. The valuation of goodwill was a key audit matter because the assessment process includes judgment, and it is based on assumptions relating to market or economic conditions extending to the future and because the amount of goodwill is significant to the financial statements. Valuation of goodwill was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement regarding the valuation of goodwill our audit procedures included among others: • involving EY valuation specialists to assist us in evaluating the methodologies, impairment calculations and underlying assumptions applied by management in impairment testing; • comparing the principles applied by management in the impairment tests to the requirements set in the standard IAS 36 Impairment of assets; • ensuring the mathematical accuracy of the impairment calculations; and • comparing the key assumptions applied by management in the impairment tests to approved budgets and long-term forecasts, information available in external sources, as well as our independently calculated industry averages for example in the case of the weighted average cost of capital used in discounting cashflows. In addition, we compared the outcome of management's impairment test to Musti Group Plc's market capitalization. We also assessed the Group's disclosures in respect of impairment testing.
Revenue Recognition *We refer to the Group's accounting policies and the note 2.1.* Musti Group's revenue is generated from sales of products and services in retail stores and in online platforms as well as from sales to franchise stores. The Group's net sales amounted to 340.9 million euros. Revenue recognition was a key audit matter due to the high volume of transactions, the management judgement involved in accounting for right of return and loyalty club bonus, and the extensive network of stores. In addition, the Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of goods or services has transferred to the customer. Revenue recognition was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement regarding revenue recognition our audit procedures included among others: • assessing the Group's accounting policies over revenue recognition, including principles relating to right of return accounting and loyalty club bonuses in relation to applicable accounting standards; • testing revenue, product returns, loyalty club bonuses and margins with data analytics; • testing selected samples of sales transactions by comparing them to payments received; • reviewing the sales processes and reconciliation routines for cash and payment card transactions in selected retail stores; • analyzing the timing of revenue recognition of online sales based on delivery lead times; and • comparing selected accounts receivable balances to confirmations received from counterparties. We also assessed the Group's disclosures in respect of revenues.
Valuation of inventories *We refer to the Group's accounting policies and the note 4.1.* The total value of inventories at the date of the financial statements amounted to 44.3 million euros. Musti Group's inventories are valued at the lower of cost or net realizable value. Inventories are presented net of an impairment loss recognized for obsolete and slow-moving inventories. Valuation of inventories was a key audit matter because the carrying value of inventories is material to the financial statements and because valuation of inventories and the level of allowance for obsolete and slow-moving inventories requires management judgment relating to the future sales of the goods. Valuation of inventories was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement regarding valuation of inventories our audit procedures included among others: • assessing the Group's accounting policies regarding inventories, including compliance with applicable accounting standards; • attending physical stock takings in selected stores and central warehouses in order to, among other things, observe the potential obsolescence of goods; • comparing unit prices of selected inventory items to latest purchase invoices and to sales prices; and • testing slow-moving inventory items as well as exceptional values in inventory accounting with data analytics. We also assessed the Group's disclosures in respect of inventory.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by Annual General Meeting on 29 March 2018, and our appointment represents a total period of uninterrupted engagement of four years. Musti Group plc has been a public interest entity (PIE) since initial public offering on February 13, 2020.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 17.12.2021

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accountant

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