9047879/23

Arken Zoo Holding AB
556747-5651

20230314112792

Fastställelseintyg

Undertecknad styrelseledamot i Arken Zoo Holding AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämma 2022-12-15.

Årsstämman beslutade att godkänna styrelsens förslag till resultatdisposition.

Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Stockholm 2022-12-15

Toni Rannikko
Styrelseledamot

Jag intygar att denna kopia
stämmer med originalet,

MIKKO KANGASALUSTA

20230203063399

Årsredovisning för

Arken Zoo Holding AB

556747-5651

Räkenskapsåret
2021-10-01 - 2022-09-30

Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET42F-13QKC-BO1AK

Arken Zoo Holding AB
556747-5651

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Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET4ZF-13QKC-BO1AK

Förvaltningsberättelse

Styrelsen och verkställande direktören för Arken Zoo Holding AB avger följande årsredovisning för räkenskapsåret 2021–10–01 – 2022–09–30.

Årsredovisningen är upprättad i svenska kronor, SEK. Om inte annat särskilt anges, redovisas alla belopp i tusentals kronor (Tkr). Uppgifter inom parentes avser föregående år.

Information om verksamheten

Butikverksamheten har under november 2017 till mars 2018 förvärvats av koncernbolaget Arken Zoo AB genom inkråmsförvärv. Detta innebär att all koncernägd butikverksamhet i Sverige numera bedrivs i ArkenZoo AB. Bolget bedriver ingen egen verksamhet.

Företaget har sitt säte i Stockholms län, Stockholms kommun.

Väsentliga händelser under räkenskapsåret

Bolagets ledning har beaktat hur effekterna av Covid-19 och kriget i Ukraina har påverkat bolaget. Kriget har inga direkta effekter på bolagets verksamhet, eftersom bolaget inte har någon verksamhet eller några leverantörer i varken Ryssland eller Ukraina. De indirekta effekterna som kriget förorsakat är osäkerheten i den globala leveranskedjan, förlängda leveranstider samt konsumenternas försvagade förtroende. Angående detta har ledningen granskat värderingen av balanspostrena. Bedömningen har inte påverkat värderingen av tillgångarna.

Koncernuppgifter

Företaget är ett helägt dotterföretag till Musti Group Nordic Oy, med säte i Helsingfors som in sin tur är dotterbolag till Musti Group Oyj med säte i Helsingfors. Koncernredovisning upprättas av Musti Group Oyj som är moderföretag för hela Musti Group-koncernen.

Med stöd av ÅRL 7:2 upprättas därför ingen koncernredovisning.

Flerårsöversikt

	Belopp i kkr				
	2022-09-30	*2021-09-30*	*2020-09-30*	*2019-09-30*	*2018-09-30*
Nettoomsättning	-	-	18	2	77 504
Rörelseresultat	- 79	- 122	- 13	25	2 111
Resultat efter finansiella poster i kkr	- 1 705	- 481	2 365	89	1 265
Balansomslutning	179 177	179 571	275 705	247 489	218 151
Soliditet i %	69,7	70,5	41,3	33,5	38,0

Förändring av eget kapital

	Aktiekapital	Erhållna aktieägartillskott	Överkurs-fond	Balanserat resultat	Årets resultat	*Belopp i kkr*
Belopp vid årets ingång	10200	50649	78387	-25384	12665	*126517*
Disposition enligt beslut av årets årsstämma:						*0*
Erhållna aktieägartillskott				12665	-12665	*0*
Årets resultat					*-1705*	*-1705*
Belopp vid årets utgång	10200	50649	78387	-12719	-1705	124812

Villkorlig återbetalningsskyldighet för aktieägartillskott uppgick till 8 255 100 kr (8 255 100 kr)

Resultatdisposition

	Belopp i kkr
Styrelsen föreslår att till förfogande stående medel:	
balanserat resultat	116 317
årets resultat	-1 705
Totalt	114 612
disponeras så att	
i ny räkning överföres	114 612
Summa	

Färetagets resultat och ställning i övrigt framgår av eferföljande resultat- och balansräkning med noter.

Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET42F-13QKC-BO1AK

20230203064401

Resultaträkning

Tkr	Not	2021-10-01 -2022-9-30	2020-10-01 -2021-09-30
Nettoomsättning		0	0
Övriga rörelseintäkter		0	0
		0	0
Rörelsens kostnader			
Övriga externa kostnader	2	-79	-122
Övriga rörelsekostnader		0	0
		-79	-122
Rörelseresultat	3	-79	-122
Resultat från finansiella poster			
Övriga ränteintäkter och liknande resultatposter	4	0	1 619
Räntekostnader och liknande resultatposter	5	-1 626	-1 978
		-1 626	-359
Resultat efter finansiella poster		-1 705	-481
Bokslutsdispositioner	6	0	13 200
Resultat före skatt		-1 705	12 719
Skatt på årets resultat		0	-54
Årets resultat		-1 705	12 665

Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET42F-13QKC-BO1AK

Balansräkning

	Not	2022-09-30	2021-09-30
Tkr			
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	7,8	165 977	165 977
Andra långfristiga fordringar		0	0
		165 977	165 977
Summa anläggningstillgångar		165 977	165 977
Omsättningstillgångar			
Kortfristiga fordringar			
Kundfordringar		0	0
Fordringar hos koncernföretag		13 200	13 525
Övriga fordringar		1	70
Förutbetalda kostnader och upplupna intäkter		0	0
		13 201	13 595
Summa omsättningstillgångar		13 201	13 595
SUMMATILLGÅNGAR		179 177	179 571

Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET42F-13QKC-BO1AK

20230203064402

Balansräkning

	Not	2022-09-30	2021-09-30
Tkr			
EGET KAPITAL OCH SKULDER			
Eget kapital	9		
Bundet eget kapital			
Aktiekapital		10 200	10 200
		10 200	10 200
Fritt eget kapital			
Fri överkursfond		78 387	78 387
Balanserad vinst eller förlust		37 930	25 266
Årets resultat		-1 705	12 665
		114 612	116 317
Summa eget kapital		124 812	126 517
Avsättningar			
Uppskjuten skatteskuld	10	0	0
Summa avsättningar		0	0
Långfristiga skulder			
Skulder till koncernföretag		53 000	53 000
Summa långfristiga skulder		53 000	53 000
Kortfristiga skulder			
Skulder till koncernföretag		2	0
Aktuella skatteskulder		0	54
Övriga skulder		1 363	0
Summa kortfristiga skulder		1 365	54
SUMMA EGET KAPITAL OCH SKULDER		179 177	179 571

Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET42F-13QKC-BO1AK

Noter
Tkr

Not 1 Redovisnings- och värderingsprinciper

Allmänna upplysningar
Årsredovisningen är upprättad i enlighet med årsredovisningslagen och BFNAR 2012:1 Årsredovisning och koncernredovisning (K3). Redovisningsprinciperna är oförändrade jämfört med föregående år.

Intäktsredovisning
Intäkter har tagits upp till verkligt värde av vad som erhållits eller kommer att erhållas och redovisas i och den omfattning det är sannolikt att de ekonomiska fördelarna kommer att tillgodogöras bolaget intäkterna kan beräknas på ett tillförlitligt sätt.

Andelar i dotterföretag
Andelar i dotterföretag redovisas till anskaffningsvärde efter avdrag för eventuella nedskrivningar. I anskaffningsvärdet ingår köpeskillingen som erlagts för aktierna samt förvärvskostnader. Eventuella kapitaltillskott läggs till anskaffningsvärdet när de uppkommer.

Nedskrivningsprövning av finansiella anläggningstillgångar
Vid varje balansdag bedöms om det finns indikationer på nedskrivningsbehov av någon av de finansiella anläggningstillgångarna. Nedskrivning sker om värdenedgången bedöms vara bestående och prövas individuellt.

Samtliga finansiella instrument värderas och redovisas utifrån verkligt värde i enlighet med reglerna i kapitel 12 i BFNAR 2012:1 (K3).

Uppskjuten skatt
Uppskjuten skatt är inkomstskatt som avser framtida räkenskapsår till följd av tidigare händelser. Redovisning sker enligt balansräkningsmetoden. Enligt denna metod redovisas uppskjutna skatteskulder och uppskjutna skattefordringar på temporära skillnader som uppstår mellan bokförda respektive skattemässiga värden för tillgångar och skulder samt för övriga skattemässiga avdrag eller underskott.

Uppskjutna skattefordringar nettoredovisas mot uppskjutna skatteskulder endast om de kan betalas med ett nettobelopp. Uppskjuten skatt beräknas utifrån gällande skattesats på balansdagen. Effekter av förändringar i gällande skattesatser resultatförs i den period förändringen lagstadgats. Uppskjuten skattefordran redovisas som finansiell anläggningstillgång och uppskjuten skatteskuld som avsättning.

Uppskjuten skattefordran avseende underskottsavdrag eller andra framtida skattemässiga avdrag redovisas i den omfattning det är sannolikt att avdragen kan avräknas mot framtida skattemässiga överskott.

På grund av sambandet mellan redovisning och beskattning särredovisas inte den uppskjutna skatteskulden som är hänförlig till obeskattade reserver.

Koncernbidrag
Erhållna och lämnade koncernbidrag redovisas som bokslutsdispositioner.

Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET42F-13QKC-8O1AK

20230203064403

Nyckeltalsdefinitioner

Nettoomsättning
Rörelsens huvudintäkter, fakturerade kostnader, sidointäkter samt intäktskorrigeringar.

Rörelseresultat
Resultat efter avskrivningar men före finansiella intäkter och kostnader.

Resultat efter finansiella poster
Resultat efter finansiella intäkter och kostnader men före bokslutsdispositioner och skatter.

Balansomslutning
Företagets samlade tillgångar.

Soliditet (%)
Justerat eget kapital (eget kapital och obeskattade reserver med avdrag för uppskjuten skatt) i procent av balansomslutning.

Not 2 Arvodetillrevisorer
Med revisionsuppdrag avses granskning av årsredovisningen och bokföringen samt styrelsens och verkställande direktörens förvaltning, övriga arbetsuppgifter som det ankommer på bolagets revisor att utföra samt rådgivning eller annat biträde som föranleds av iakttagelser vid sådan granskning eller genomförandet av sådana övriga arbetsuppgifter.

	2021-10-01 -2022-9-30	2020-10-01 -2021-09-30
Ernst&YoungAB		
Revisionsuppdrag	0	8
	0	8

Not3 Koncerninternatransaktioner
Av årets försäljning avser 0 (1 025) tkr försäljning till koncernbolag och årets inköp 0 (0) tkr från koncernbolag.

Not 4 Övriga ränteintäkter och liknande resultatposter

	2021-10-01 -2022-9-30	2020-10-01 -2021-09-30
Ränteintäkter från koncernföretag	0	1 619
Övriga ränteintäkter	0	0
	0	1619

Not 5 Räntekostnader och liknande resultatposter

	2021-10-01 -2022-9-30	2021-10-01 -2022-9-30
Räntekostnader till koncernföretag	1624	1978
Övriga räntekostnader	2	0
	1626	1978

Not 6 Bokslutsdispositioner
Årets mottagna koncernbidrag uppgår till 0 (13 200 000) kr.

	2021-10-01 -2022-9-30	2020-10-01 -2021-09-30
Mottagna koncernbidrag	0	13200
	0	13200

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Not 7 Andelar i koncernföretag

	2022-09-30	**2021-09-30**
Vid årets början	165977	165977
Utgående ackumulerade anskaffningsvärden	165977	165977
Utgåenderedovisatvärde	**165977**	**165977**

Not 8 Specifikation andelar i koncernföretag

Namn	**Kapital-andel**	**Antal andelar**	**Bokfört värde**
Zoo Support Scandinavia AB	100	278537	165977
			165977

	Org.nr	**Säte**
Zoo Support Scandinavia AB	556582-6269	Täby

Not 9 Antal aktier och kvotvärde

Namn	Antal aktier	Kvot-värde
Antal A-Aktier	51000	200
	51000	

Not 10 Uppskjuten skatteskuld

Bolagets skattemässiga underskott uppgår till tkr 27 903 (14 521). Redovisad uppskjuten skattefordran hänförlig till underskottsavdrag uppgår till tkr 0 (0).

Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET42F-13QKC-BO1AK

20230203064404

Underskrifter

Stockholm 2022-12-15

David Rönnberg
Styrelseorförande och verkställande direktör

Daniel Pettersson
Styrelseledamot

Toni Rannikko
Styrelseledamot

Vår revisionsberättelse har lämnats 2022-12-15

Ernst&YoungAB

Jens Bertling
Auktoriserad revisor

Penneo dokumentnyckel: 2H820-JWNDM-GL0U0-ET42F-13QKC-BO1AK

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Årsredovisning Arken Zoo Holding 2022.pdf

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Jag intygar att denna kopia stämmer med originalet,

MIKKO KANGASALUOSTA

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20230203064406

Revisionsberättelse

Till bolagsstämman i Arken Zoo Holding AB, org.nr 556747-5651

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för Arken Zoo Holding AB för räkenskapsåret 2021-10-01-2022-09-30.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av Arken Zoo Holding ABs finansiella ställning per den 30 september 2022 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Arken Zoo Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om beslut har fattats om att avveckla verksamheten.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla iakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

Penneo dokumentnyckel: Q1P0D-E5MSJ-UAVE8-WO8T7-VY728-Z3Q1J

Building a better working world

Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning för Arken Zoo Holding AB för räkenskapsåret 2021-10-01-2022-09-30 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till Arken Zoo Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Örebro den dag som framgår av vår elektroniska signatur

Ernst & Young AB

Jens Bertling
Auktoriserad revisor

Penneo dokumentnyckel: Q1P0D-E5MSJ-UAVE8-WO8T7-VY728-Z3O1J

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Annual Report 2022

Musti GROUP

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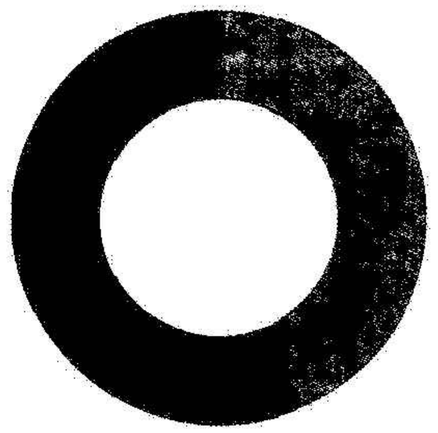
This is Musti Group

Musti Group is the leading Nordic pet care specialist operating in Finland, Sweden and Norway. Our mission is to make the life of pets and their parents easier, safer and more fun throughout the whole lifespan of the pet. In addition to the product offering, we want to provide the customers with full experience of services – both physical and digital. We believe the end-to-end ecosystem presents a unique value proposition enhancing and strengthening sticky customer relationships and differentiating us from the competitors.

Musti Group's net sales were EUR 391.1 million in the financial year 2022. At the end of the financial year 2022, the company had 1,587 employees, 1,454 thousand loyal customers and 335 stores.

Net sales by country, %



- Finland, 43%
- Sweden, 42%
- Norway, 14%

Net sales in financial year 2022

EUR 391.1 million

Directly operated

319 stores

Franchise

16 stores

Finland

140 stores

Sweden

129 stores

Norway

66 stores

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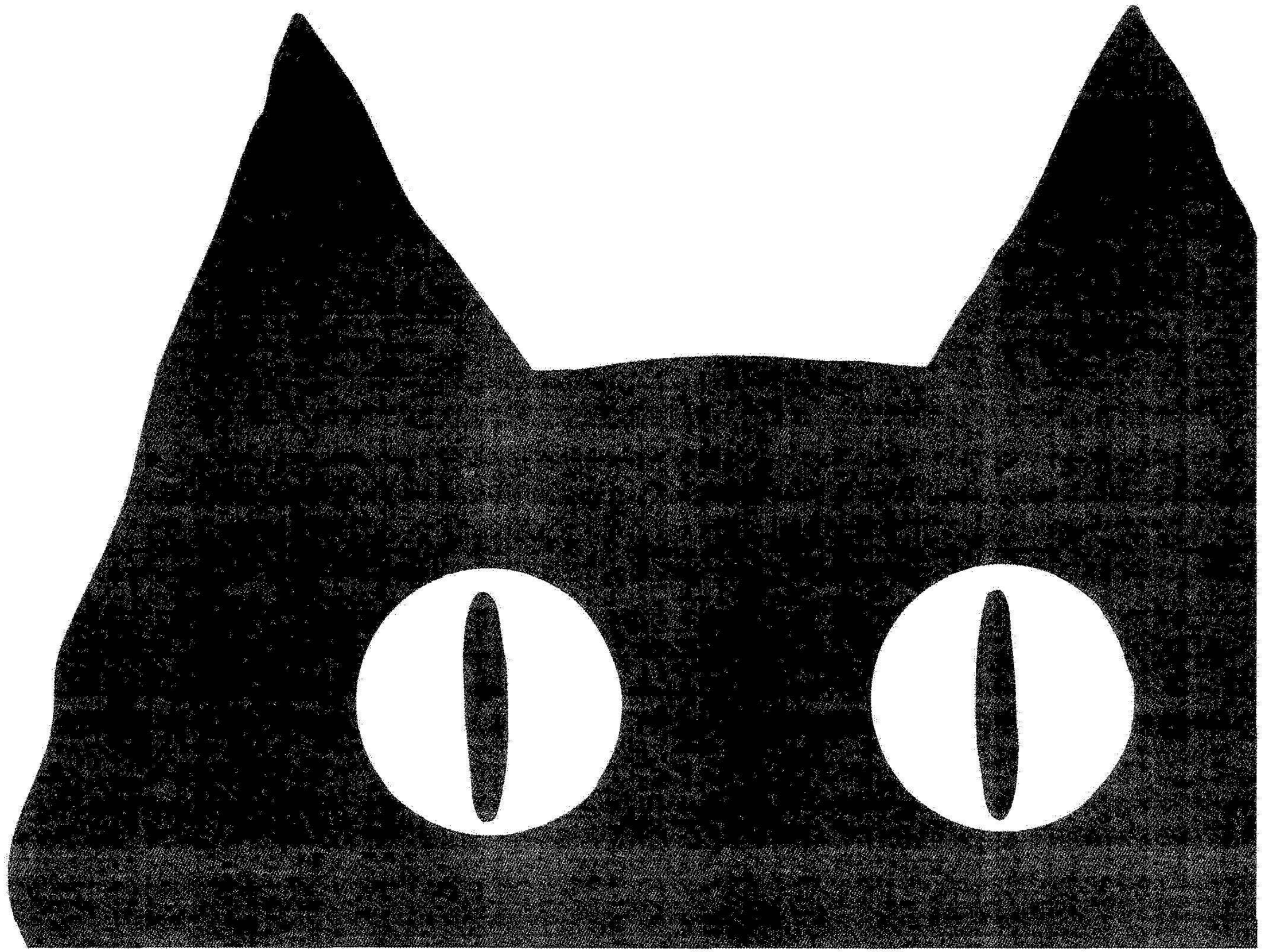
Musti's Year



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Key figures

Key figures

EUR million or as indicated	10/2021–9/2022	10/2020–9/2021
Net sales	391.1	340.9
Adjusted EBITA	38.8	36.8
Adjusted EBITA margin, %	9.9	10,8
Operating profit	30.9	28.4
Earnings per share, basic, EUR	0.67	0.62
Net debt / LTM adjusted EBITDA	2.1	1.9
Number of loyal customers, thousands	1,454	1,297
Number of stores at the end of the period	335	312

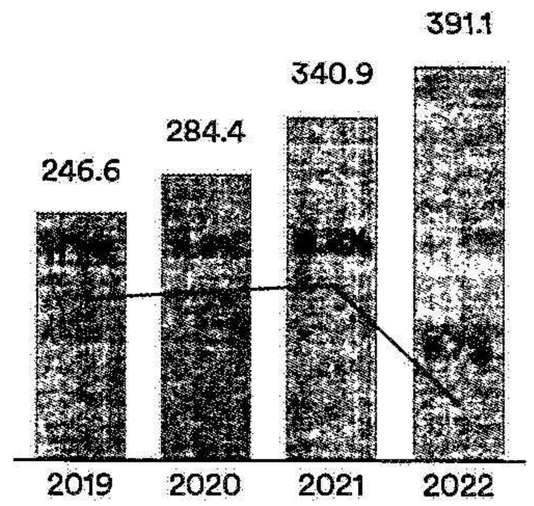
1,454 thousand
Loyal customers on 30 September 2022 (1,297 thousand)

52.7%
Own & Exclusive share (51.0%)

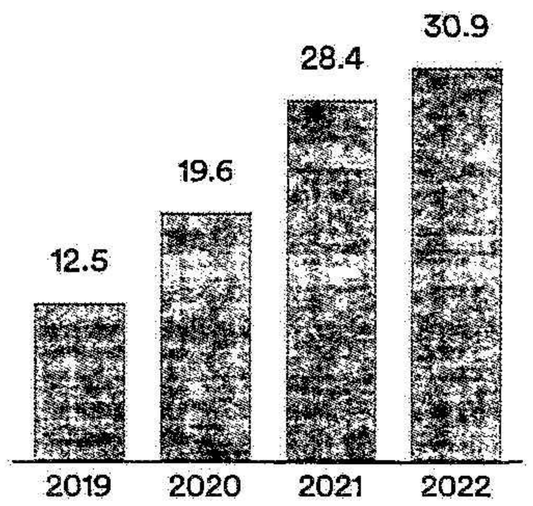
22.2%
Online share of net sales (23.1%)

1,587
Personnel on 30 September 2022 (1,397)

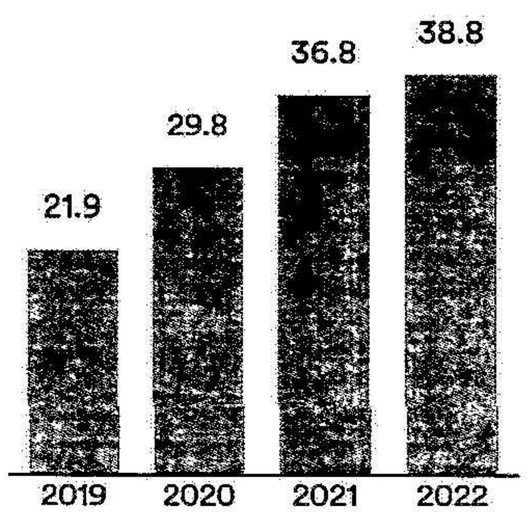
Net sales, EUR million and like-for-like sales growth, %



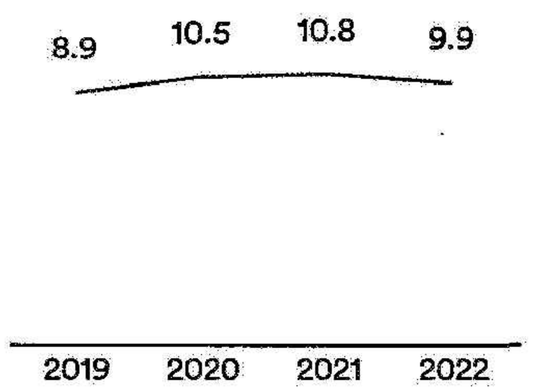
Operating profit, EUR million



Adjusted EBITA, EUR million



Adjusted EBITA margin, %



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Events during the financial year 2022

27 January 2022

Musti Group held its Annual General Meeting 2022. The Annual General Meeting was arranged in accordance with an exceptional meeting procedure based on the temporary legislation approved by the Finnish Parliament.
Read more

8 February 2022

Musti Group reported a historically strong first quarter earnings with both sales and profitability climbing into new records, proving the agility of the company, resilience to global challenges and the strength of the Musti concept despite difficult business environment.
Read more

4 March 2022

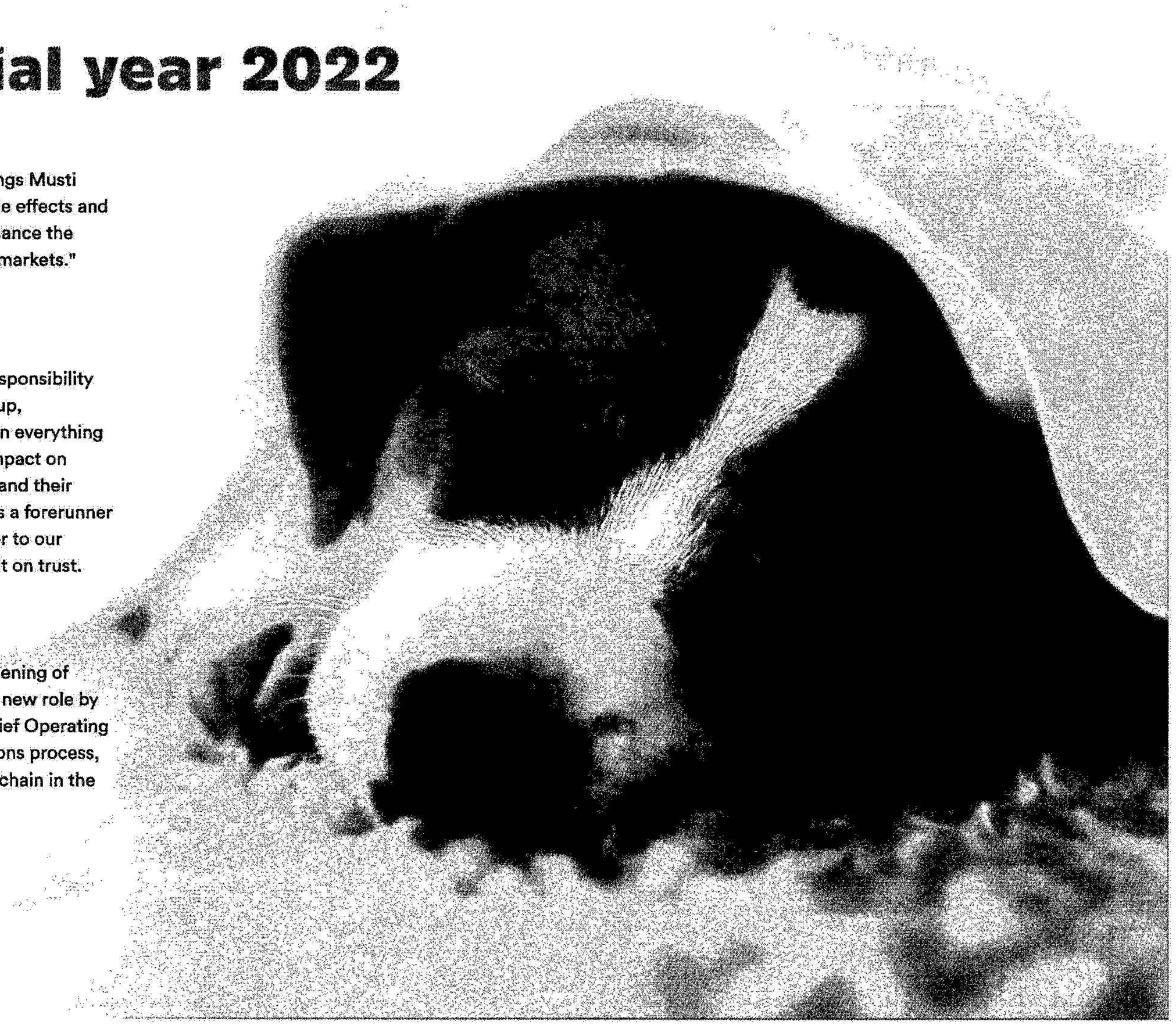
Musti group announced the restructuring of the Group Management Team; Daniel Pettersson to take responsibility for Sweden and Finland markets, Erik Ringen Skjærstad for Norway and new markets and Annamaija Hujala for pureplay online business. CEO David Rönnberg: "I am extremely confident that reorganizing and consolidating the management team duties together with the strong concept brings Musti Group possibilities both to reach scale effects and improve efficiency and to further enhance the customer focus orientation in all our markets."
Read more

8 June 2022

Musti Group launched its updated responsibility approach and targets. For Musti Group, responsibility means high standards in everything we do. We aim to have a pawsitive impact on the society and make the life of pets and their parents easier, safer and more fun. As a forerunner in the market, we are a valued partner to our stakeholders, and our business is built on trust.
Read more

10 June 2022

Musti Group announced the strengthening of the Group Management Team with a new role by appointing Pamela Nelimarkka as Chief Operating Officer to head the sales and operations process, sourcing, and the end-to-end supply chain in the company.
Read more



CEO's review

The team and I are extremely proud of our double-digit topline growth of 15% to EUR 391.1 million and adjusted EBITDA growth of 13.7% to EUR 66.9 million during a period when accelerating inflation has placed incremental pressure on both our consumers and ourselves. It highlights once again the unique defensive growth characteristics of the pet category and our business. I want to express my gratitude and thanks to the entire Musti team for their passionate commitment to our mission, purpose, and the delivery of an outstanding result.

During 2022 we capitalized effectively on the growth boost that came from increased consumer pet ownership and spending during the pandemic, growing our share of new puppy customers further enabling us to increase our customer base. Hence, I have firm confidence in our resilient multibrand, multichannel, broad assortment business model and our ability to adapt to a changing environment enabling us to secure our long-term growth. We are progressing as planned in executing our long-term financial targets.

I am also pleased to report that during the 2022 financial year:

- we increased gross margin to 46.4% from 45.7%
- we added 39 new directly operated stores to our network
- share of sales of own and exclusive brands increased to 52.7% (51.0%) - a great achievement
- Group adjusted EBITA increased by 5.4% to EUR 38.8 million as a result of strong seasonal sales growth and the improved gross margin.

We continue succeeding in winning new customers and increasing the stickiness of the existing customers by strengthening our ecosystem. Puppy acquisition continues at all-time high pace and the retention of puppy customers is solid. Close to 70% of our new Musti puppies join the Puppy Club and those who join the club, spend significantly more. To further boost our market share of Nordic puppies, we have upgraded our popular Breeder Club during the second half of the financial year based on feedback and needs of the breeder community. Breeders are a key channel to reach new pet parents, and highly influential in early stages especially on pet nutrition choices.

Building a one-stop-shop ecosystem and a Musti community is a strategic differentiator to drive growth going forward. The end-to-end ecosystem presents a unique value proposition enhancing and strengthening sticky customer relationships and differentiating us from the competitors. When customers spend more time in our ecosystem, learning more of our differentiated support, their commitment to Musti grows and they shop more of our product categories and channels growing their spend.

Over 70% of our products are non-discretionary products such as food and cat litter, characterized by repeat purchasing behavior that is consistent through a pet's lifecycle. We continue to win more than our market share of the new puppies, and customers display a willingness to sustain spending on non-discretionary pet care purchases even while expenditure on discretionary categories has been affected.

I am confident of our long-term growth outlook and look forward to new opportunities the financial year 2023 has to bring.

David Rönnberg,
CEO

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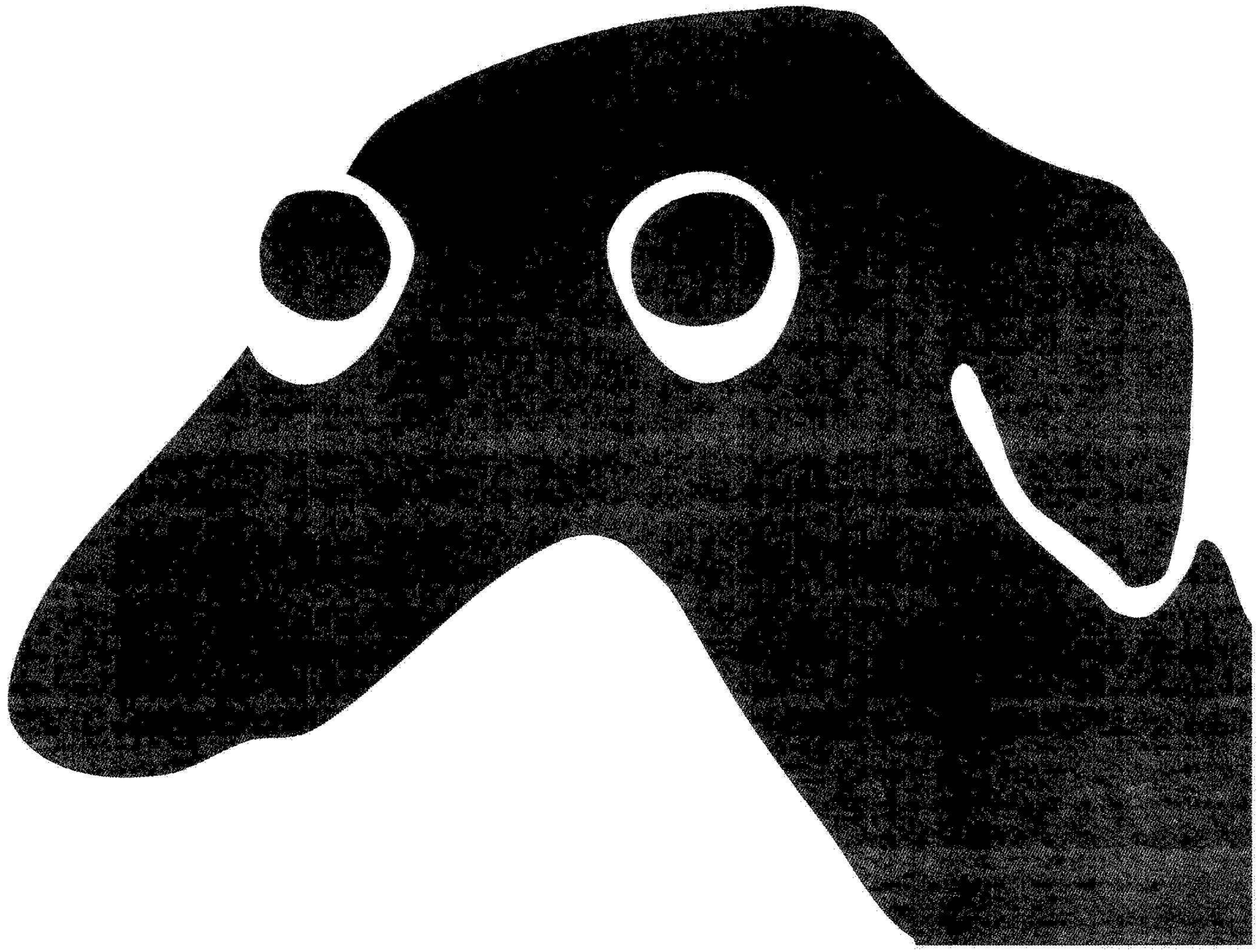
Musti's Direction



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Strategy and financial targets

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

Winning new customers

Musti Group is well positioned to continue our track record of winning new customers from the large and growing Nordic pool of 5.7 million pets.

Succeeding in new customer acquisition, especially acquisition of puppies and kittens, is a key driver of continued market share gain across our Nordic markets. This is supported by our concept, our leading brand awareness, and customer focus. The underlying pet parenting trend, favoring Musti Group's concept, continues strong.

Financial year 2022 continued with above average pet adoption levels, a trend seen since 2021 driven by the COVID-19 pandemic. This period has led to higher rates of pet ownership, with many new first time pet parents. While growth in the number of new puppies and kittens in our society shows indications of stabilizing, this period of higher pet adoption has a long tail benefit as it has expanded our Nordic market opportunity.

Over the same period, Musti Group has gained share of new puppies. Our share has been augmented by two initiatives, the new puppy and kitten clubs launched in financial year 2020 followed by an upgraded breeder club launched in financial year 2022. These investments in the early stages of the pet parenting journey are paying off.

The number of loyal customers, Friends of Musti, increased by 12% to 1,454 thousand during the financial year 2022 continuing the steady growth of earlier years. Our pet loyalty club is the largest in the Nordics.

Growing share of wallet

Growing the share of wallet within our base of 1.5 million loyal customers is a clear opportunity for Musti Group. To deepen the engagement of our customers, Musti is developing an ecosystem approach for Nordic pet parents with the aim to further increase share of wallet and loyalty, with an 'All you need is Musti' mentality across the pet lifecycle.

Selected initiatives driving increased engagement advanced during the financial year 2022. Initiatives included developing our puppy and kitten related concepts, with our recently launched puppy and kitten clubs ramping up, supported by our newly updated breeder club and adding wider services to our offering. In addition, Musti Group launched live shopping online events in fiscal year 2022.

Rolling 12 months average spend per loyal customer was EUR 181.5 in financial year 2022 (EUR 188.3 on 30 September 2021) stabilizing from the pandemic levels and affected by the unfavorable exchange rate fluctuations.

Expanding store network and number of service points

We 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.

Musti Group has the largest footprint in the Nordic countries, enabling us to gain further market share in the growing pet care market. Operating through our own stores, complemented by our omnichannel offering, enables Musti Group to provide its customers with the same award-

Did you know?

A happy pup

Many different gestures can signify a happy dog. The mouth is often slightly open, the tongue may hang out loosely and, depending on the breed, the dog might even seem as if they are smiling. The expression is open, and the eyes and gaze are bright. The ears are raised at the base (floppy ears) or slightly, casually curled at the sides (pointed ears).

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winning store experience in any Musti Group store they wish to visit, and online.

Over the financial years 2021 and 2022, Musti Group has had an elevated focus on increasing the coverage of its directly operated network. This investment comes with longer term benefits, as a significant share of our network is currently at the ramp-up stage. We aim to continue investing in our network at a more stabilized pace going forward, while continuing to see ample room for expansion especially in the Norwegian market to support further market share gains by entering new local communities.

The number of directly operated stores increased by net 39 stores during financial year 2022. This included new greenfield stores adding convenience to our existing network and acquisitions of 16 stores, mostly formerly operating under franchising agreements in Sweden.

Focusing 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. This comes with three main benefits of the uniqueness of our offering, loyalty especially in food and other consumable categories, and higher gross margin profile.

Musti Group has strong historical track record in driving gross margin improvement. Own and exclusive brands are a cornerstone of our high gross margins as these brands typically carry 10–15 percentage points higher margins compared to global brands. In addition, we focus on leveraging scale in procurement supported by pricing and category management.

In the financial year 2022, gross margin increased to 46.4% mainly driven by the increased share of own and exclusive brands, efficient campaigning, and favorable product mix developments. Musti Group continued initiatives to further strengthen both own and exclusive brands and gross margins. The key initiatives in the financial year 2022 included ramping up dry food production in our pet food factory in Lieto (Finland) and launching Smaak line of own pet food and treats.

Share of sales of own and exclusive brands increased to 52.7% (51.0) during the year.

Leveraging 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 may be spread across larger net sales. In financial year 2022, we were especially pleased with the improved performance of our Eskilstuna central warehouse operations.

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 2022
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 391 million, growth 15%.**
Profitability	Mid- to long-term **adjusted EBITA margin of at least 13 per cent** with **steadily improving profile.** Margin increase is expected to be realised through steady gross margin and improving operating leverage.	**Adjusted EBITA margin 9.9%.**
Capital structure	**Maintain net debt in relation to adjusted EBITDA below 2.5x** in the long term.	**Net debt / LTM adjusted EBITDA 2.1.**
Dividend policy	**To pay a dividend corresponding to 60–80 per cent of net profit.** Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.	**The capital return corresponds to approximately 75%* 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 planned to be held on 30 January 2023.

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Countries of operation

Finland

Finland is Musti Group's most mature market. Musti Group holds approximately 31% share of the total pet food and products market. Musti's network has nationwide coverage, and a vast majority of Finnish pet parents are within convenient reach of a Musti store, which are typically located at high traffic locations such as large hypermarkets and popular retail areas. Management continues to see opportunities in further optimizing the network to meet customer needs mainly through relocations, uplifts and adding service points, and through improved omnichannel features.

In Finland, Musti Group focus is both on serving existing customers better to increase share of wallet and to continue winning new customers, both of which support like-for-like growth. Musti's brands in Finland include Musti ja Mirri (store and omnichannel) and Peten Koiratarvike (online focus complemented by select stores).

Sweden

In Sweden, Musti Group's focus is on further expansion and increasing efficiency. Musti is the overall market leader with approximately 29% market share. Musti Group's main store and omnichannel brand in Sweden is Arken Zoo, complemented by Djurmagazinet. Through VetZoo, Musti Group has a strong online presence in Sweden.

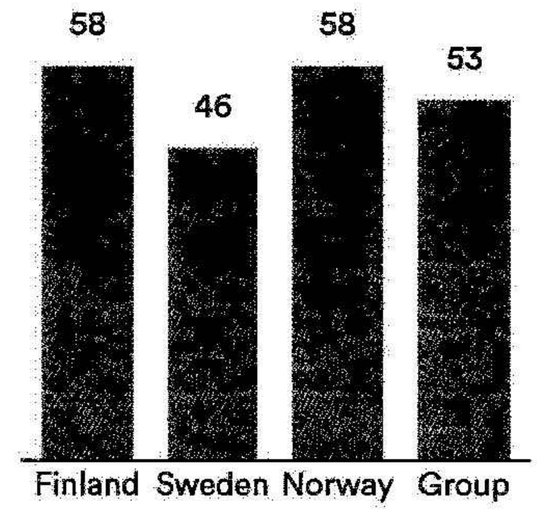
Musti's goal in Sweden is to continue strong like-for-like growth across all channels through customer acquisition and gaining share of wallet, continued network expansion and strong margin improvement. Significant network expansion has taken place in FY20 to FY22, taking directly operated store count from 68 at end of FY19 to 113 by end of FY22 and strengthening our position across Swedish cities. Ramping up newer store cohorts is a key growth and margin driver, along with increasing own and exclusive brands share of sales towards Finnish levels and cost efficiency measures.

Norway

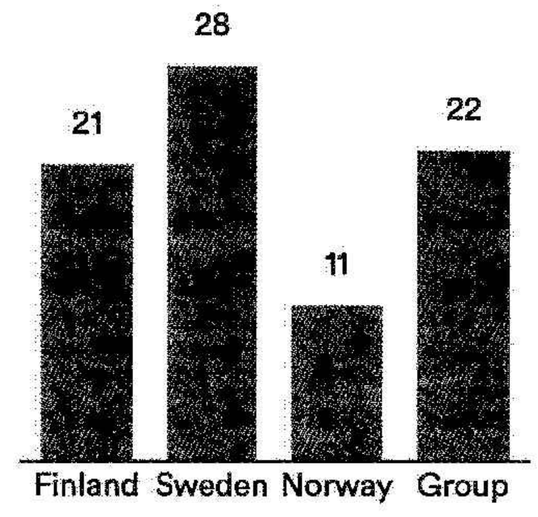
In Norway, Musti Group's focus is on market share gain through continued customer acquisition supported by store roll-out, and on increasing country profitability. Norway remains a more fragmented market compared to Finland and Sweden with Musti holding approximately 13% share of the total pet food and products market. Musti Group's brands in Norway are Musti (store and omnichannel) and VetZoo (online).

Musti entered Norway in October 2016, and majority of the 66 stores (at end of FY22) are still in ramp-up mode. Ramp-up has progressed according to Musti Group's plans and in line with historical patterns. Therefore, the maturation of the network continues to be a key driver of growth and country profitability.

Own & Exclusive share of net sales, %



Online share of net sales, %



Musti Group as an investment

Clear market leader in the resilient Nordic pet care market

Musti Group is the market leader in the growing Nordic pet care market. Musti Group has achieved market leadership through its multibrand, multichannel, broad assortment business model and the ability to offer expert advice and better convenience combined with an enjoyable shopping experience that caters to Pet Parents' needs.

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.

Winning concept

Our mission is to make the life of pets and their parents easier, safer and more fun throughout the whole lifespan of the pet. In addition to the product offering, we want to provide the customers with full experience of services – both physical and digital. We believe the end-to-end ecosystem presents a unique value proposition enhancing and strengthening sticky customer relationships and differentiating us from the competitors.

Our omnichannel business model combines the convenience of both store and online purchases. The experts' advice offered by our store personnel is at the core of our concept. We differentiate in breadth and quality of our assortment, and we have a clear strategy of focusing on own and exclusive brands.

Strong customer focus

Musti Group's Loyalty Club is designed to serve as a platform for engaging with customers and providing them with better customer service and the possibility to become part of the Musti ecosystem. Through the Loyalty Club, Musti Group is able to leverage data to truly understand its customers' behavior and provide them with relevant, targeted communication.

Did you know?

The trust of a cat

A common way for cats to gesture friendliness is by closing their eyes. Staring is often unpleasant for cats, but when looking at a cat and slowly blinking your eyes at the same time, the cat usually follows and does the same thing. In cat language, this is a common sign of trust.

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The number of loyal customers has grown steadily annually. During the financial year 2022, the number of loyal customers increased by 12.2% to 1,454 thousand.

Passionate personnel led by an experienced management team

The highly engaged, motivated and well-trained Musti Experts are a key element of Musti Group's culture and are fundamental to the success of the company's business model as well as an important competitive advantage. Musti Group's management team has an impressive depth of knowledge with strong retail experience.

Share information

Market
Nasdaq Helsinki

Symbol
MUSTI

Listing date
13/02/2020

ISIN
FI4000410758

List
Mid cap

Reuters symbol
MUSTI.HE

Sector
Consumer Services

Bloomberg symbol
MUSTI

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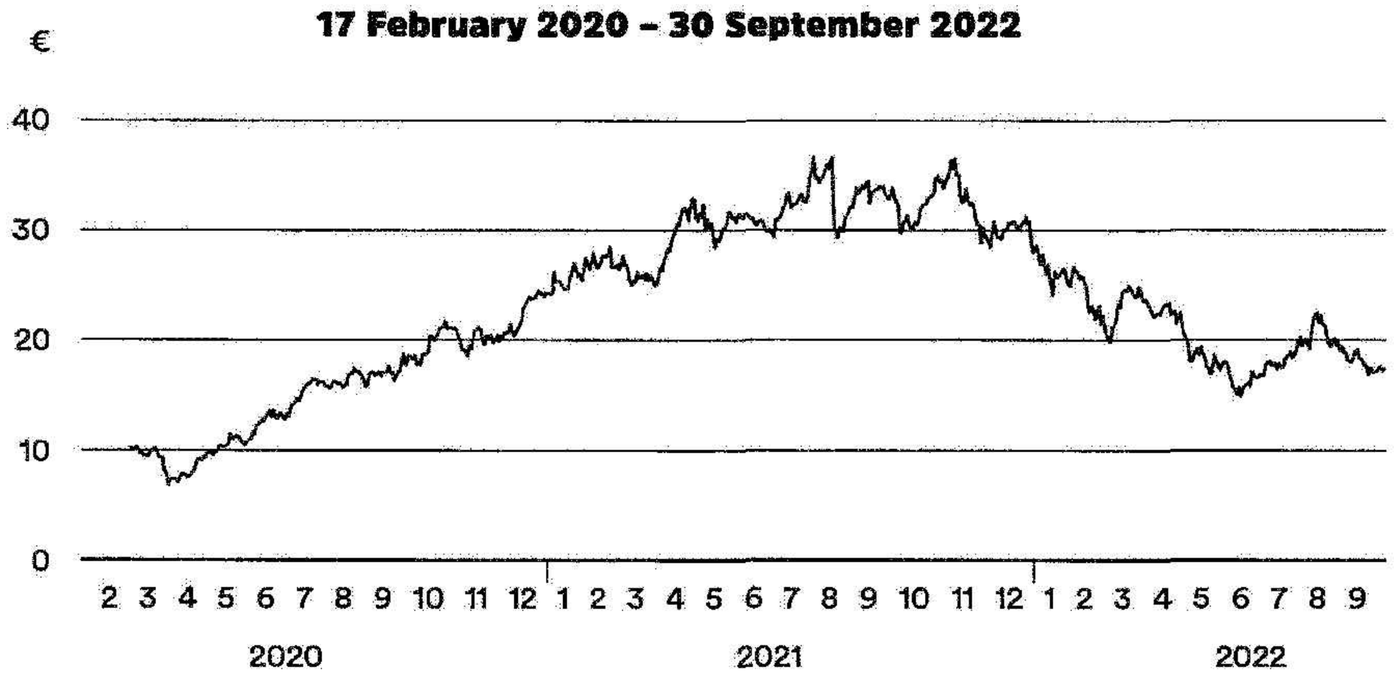
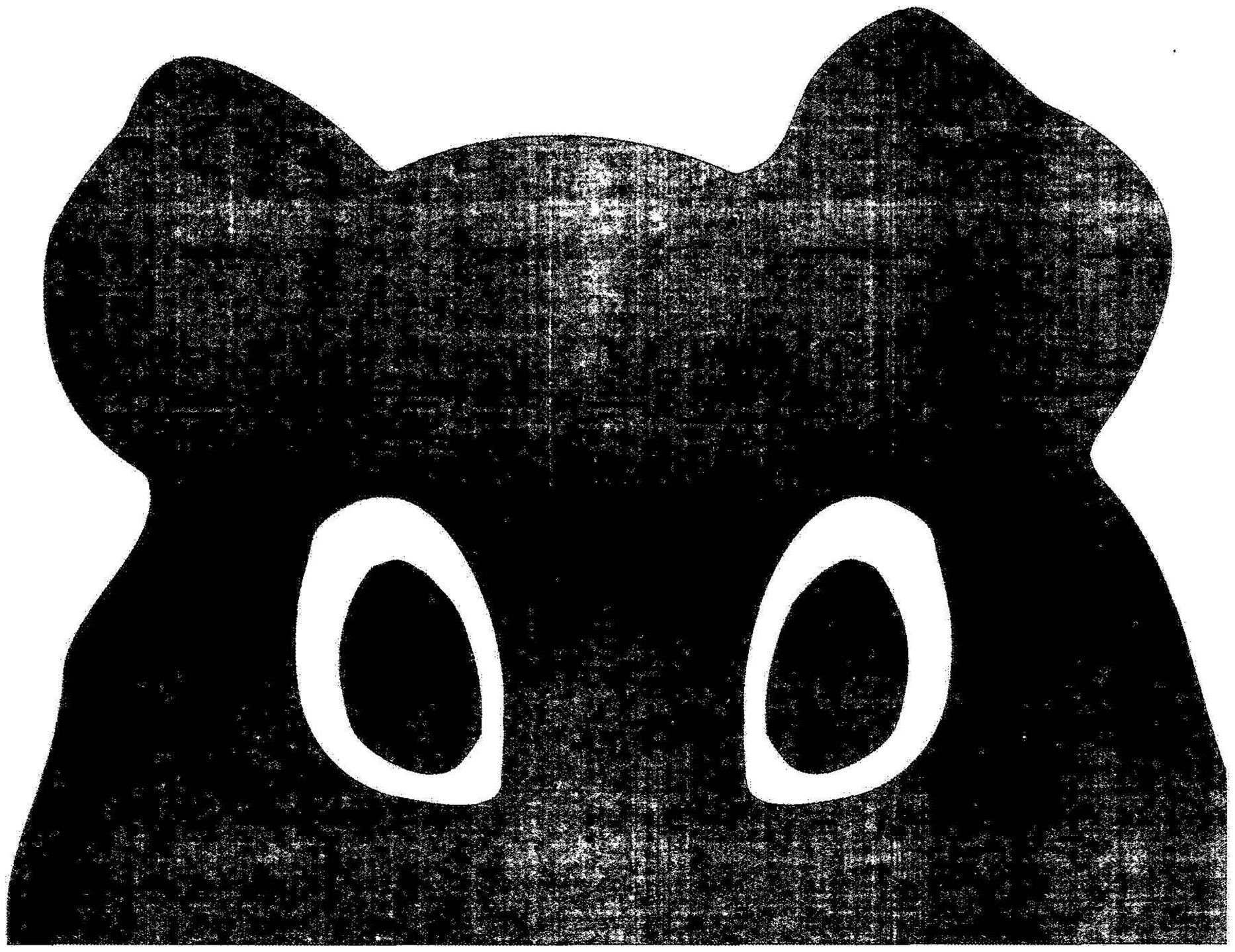
Musti Group's share price development
17 February 2020 – 30 September 2022



Responsible Musti



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Introduction to corporate responsibility

At Musti Group, corporate responsibility means putting the welfare of pets and people first, high quality and safety standards, uncompromising professionalism, and the development of increasingly sustainable practices.

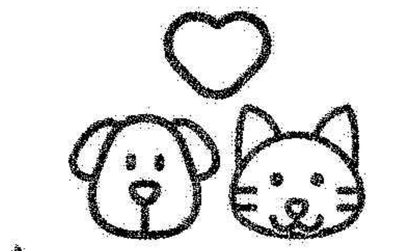
We updated our sustainability objectives and our sustainability approach in June 2022 based on the stakeholder analysis carried out in the financial year 2021. Our sustainability approach is called Trusty as our operations are built on trust, and we are a valued partner to our stakeholders. Our work on corporate responsibility is divided into six areas. Pets and their parents, Employees and working with different Communities are the main themes of the Trusty approach. Our activities are based on a Responsible supply chain, Reducing environmental impact, and Good governance and high ethics.

Read more about Musti Group's corporate responsibility and its management: Non-Financial Information Report.

Trusty

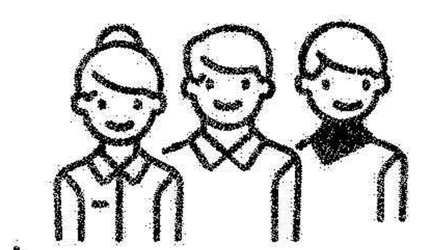
The Musti responsibility approach

THEMES



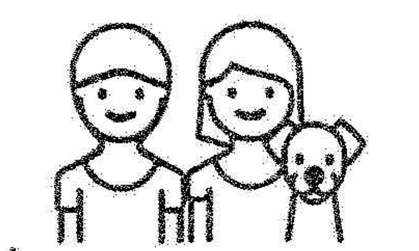
Pets and their parents

High quality and safe products and services
+
Satisfied and loyal customers
+
Customer privacy



Employees

Thriving experts
+
Well-being at work



Communities

Working for the common good
+
Openness for new inventions

BASIS

Responsible supply chain

Suppliers committed to Musti's requirements on responsible business practices
+
Transparency of supply chain

Reducing environmental impact

CO_2 emissions and energy management
+
Recycling and waste management

Good governance and high ethics

Compliance with policies and principles

Pets and their parents

Always putting the welfare of pets and their parents first.

Musti Group is committed to the well-being of pets and their parents by providing safe and high-quality products and services. We design our product range and services together with our customers, who know their pets' needs and preferences best. We constantly monitor the quality of our products and packaging in cooperation with our suppliers and through regular quality and performance testing. We carefully select our new suppliers, and all our products are tested either by our expert team or by our customer panel.

Our extensive pet food range includes global, own, and exclusive brands. Our aim is to ensure that all our suppliers adhere to Musti's ethical principles, which are in-line with the UN Global Compact. Our team regularly visits suppliers' facilities in Europe, where 94% of our range of dry, wet, and raw dog food is produced (excluding dog treats).

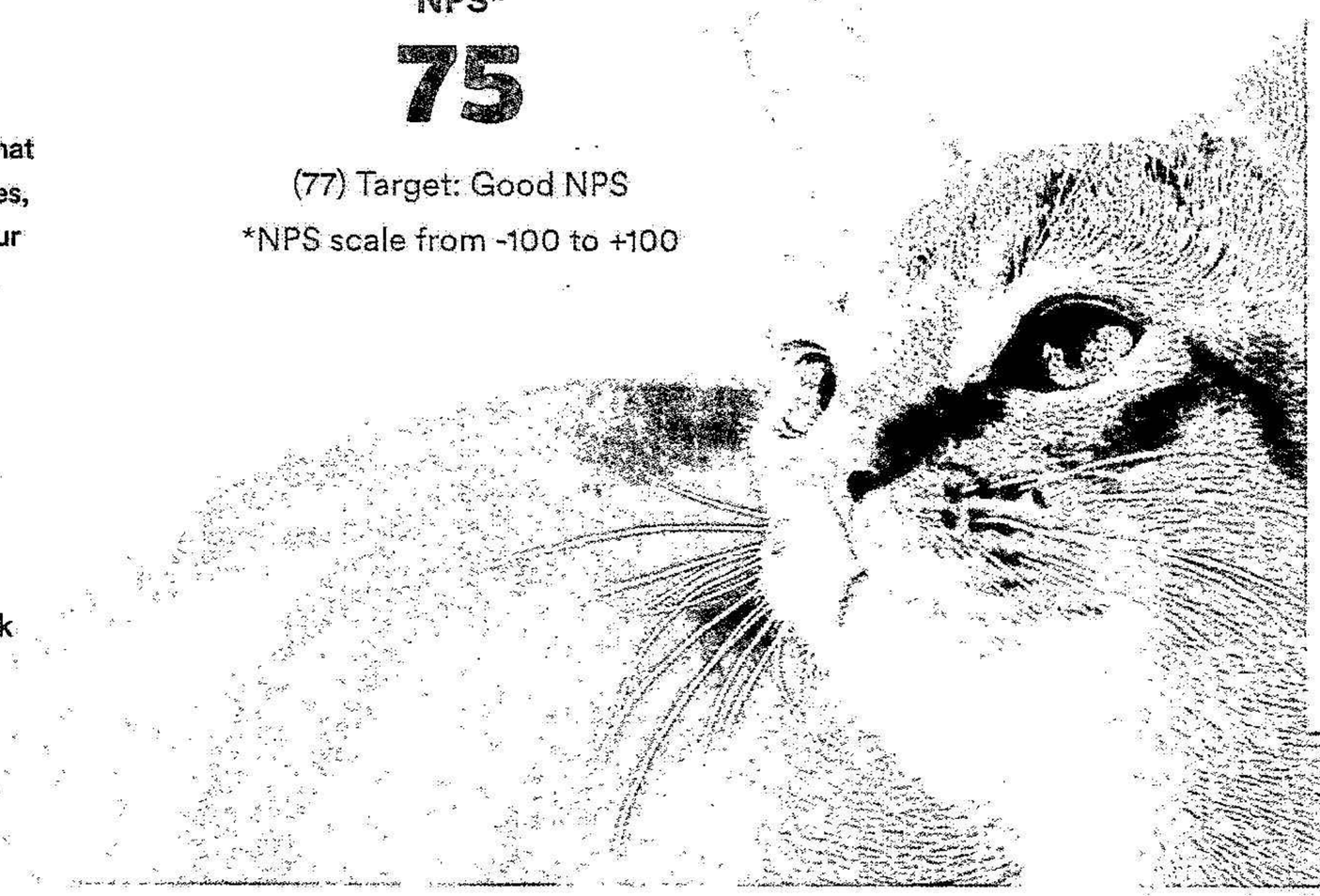
Our aim is to provide pet parents with reliable advice on a daily basis. Customer advice, a high-quality range, the convenience of omni-channel shopping, and a growing range of services form a responsible concept for the needs of modern pet parents. In financial year 2022, customer feedback on products and services had an impact of +10,9 points on the overall NPS score. The overall NPS score was 75 (on a scale of -100 to +100). Musti Group is also developing a consumer complaint index, the data which we will start using in the next steps of our sustainability path in the financial year 2023. In 2022, we launched a pilot version of the complaint application, which allows us to collect valuable feedback from customers.

NPS*

75

(77) Target: Good NPS

*NPS scale from -100 to +100



CASE

Tasty and nutritious Smaak novelties for cats' individual needs

The energy requirements of cats vary depending on whether the animal has been neutered or spayed. However, less energy in food does not mean less taste. Smaak cat foods have been developed in collaboration with pet care and nutrition experts. The dry food ingredients are Nordic, and the recipes are simple. The grain-free option may be suitable for cats with allergies or sensitive stomachs.

"The palatability of food is incredibly important for cats. The right mouthfeel is also essential, so we've made all SMAAK's snacks crunchy and tasty," says Product Group Manager **Miia Montonen**.

The Musti Group is the first pet food company worldwide to sign the UN Global Compact, to which Smaaki's production and supply chain are also committed.

Read more

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Employees

Musti Group aims to create diverse work communities where employees are heard and can develop their skills.

The Musti Group employs more than 1,500 experts in the Nordic countries. We care deeply about animals, but we also want to ensure that our human herd thrives. To meet this need, we created the Musti Pawcademy, a competence development concept, that brings together the different areas of Musti's human development. Training ensures that our employees are pet experts and their skills are always up to date.

We updated our induction objectives: all our employees complete a personal training pathway within 4 months of starting work. We measure employee satisfaction three times a year with the eNPS survey, and once a year with a yearly survey.

Our success is built on inclusion and respect for individuality – where everyone can be seen and heard as themselves. There is always room for improvement, but it is important for us to celebrate the community we have built and the milestones we have reached.

Employee turnover

17%

(15%) Target: employee turnover below 17%

Job satisfaction

81%

(73%, GPTW, not comparable) Target: Musti Employee Survey ≥ 70%

CASE

Pets are welcome in Musti's offices and stores, to the delight of all parties

For Musti Group, it's not enough for our employees to be happy in their workplace, their pets should be happy too. Pets are welcome in all Musti's offices and stores.

In the office, pets can reduce stress for staff, pet owners and pets alike.

"When I have Saga with me at work, I'm also more efficient," says **Grande Arntzen**, regional sales manager for Musti's Norway division. "I take micro-breaks to take care of her, and I don't have to worry about her redecorating our home. This helps me stay focused throughout the workday."

At Musti Group, we always state in our job advertisements that we have pets in our offices and stores. This way, people who want to work in a job with pets know to apply for vacancies.

Read more

Communities

Musti Group wants to leave a positive pawprint on the communities we are part of.

We do important community work with our partners, customers, and employees. Musti has lent a helping paw to animal welfare associations large and small, and to various initiatives that have brought animals and people together in a joyful way. We also want to offer our customers easy ways to support important organizations. In Sweden, for example, our customers can support the Svenska Djurambulansen animal ambulance with their purchases in the Arken Zoo online shop. All donations go in-full towards supporting the volunteer work of the animal ambulance.

Musti Group wants to be a full-service provider for our customers – both physically and digitally. Musti Group believes that our full-service ecosystem provides a unique value proposition that enhances and strengthens good customer relationships and differentiates us from our competitors. Digital services, such as live lectures, have been added to the selection to support pet parents. This helps Pet Parents to have a healthy and lengthy relationship with their pet.

We are constantly exploring new ways to make a positive impact on the communities we live and work in. We also listen carefully to our employees' and customers' suggestions for development, and opportunities for collaboration.

Examples of the Musti Group's work for communities:

- Official partnership with the Red Cross in Norway: Besøksvenn med hund (visit a friend with a dog)
- Supporting Svenska Djurambulansen (Animal ambulance) in Sweden
- SEY Animal Welfare Finland in Finland
- The Hot Dog campaign, in cooperation with SEY, will also continue. Bumper stickers and information about dogs' needs in the summer heat will be distributed in our stores.
- The campaign for abandoned cats, launched with SEY in 2020, will continue.
- Food donations through SEY and its sub-associations to those in need, such as Ukraine or local animal shelters.
- Donating broken package and best-before-day products from stores to local cat/dog shelters in Finland, Sweden, and Norway.
- Official partnership with Finnish Pride.
- A business partnership with Mieli Ry and a sales channel for the Mielinauha in Finland.
- Red Cross collaboration to support Ukraine through both corporate donations and by enabling customers to donate via us.

CASE

Live lectures for pet parents and social impact

The Musti Group's live lectures are a new concept to reach a large number of people, share the latest information, and help pet families to take better care of their pets. The lectures have an important social impact: ultimately, we can prevent cases where people want to pass on a pet if the pet's family does not feel they can cope with the animal.

Musti's lectures offer customers the opportunity to learn and discuss with an expert in a specific field, such as a trainer or a veterinarian.

"Our goal is to make information more accessible to more people through more channels, not just in our stores," says **Malin Nygren**, Customer Director at Musti Group. "In addition to selling high-quality food and equipment, we offer reliable expertise at all stages of a pet's life."

Read more

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Foundation

Musti Group's corporate responsibility is based on a responsible supply chain, reducing environmental impact, good governance, and high ethics.

Responsible supply chain

We require our suppliers to commit to Musti's responsible business practices, to comply with the Supplier Code of Conduct, and to comply with applicable laws and regulations. Musti has been collaborating with the amfori BSCI since 2016, and Musti has taken the decision to extend our approach to include amfori BEPI. Our goal is to cover 50% of tier one suppliers in high-risk countries by 2025 with BEPI.

Reducing environmental impacts

Musti Group is committed to sustainability, both in its own operations and in its supply chain and with partners. We have started the baseline calculation of the emissions from our own operations (Scopes 1 and 2). By 2025, we aim to reduce the usage of packaging material and recycle or reuse 100% of all packaging material generated by our operations.

Good governance and high ethics

We follow fair business practices and sell and market our products in a responsible and ethical manner.

Musti is the only pet food specialty chain committed to the UN Global Compact and its ten principles on human rights, labour, environment, and anti-corruption. To support the work in anti-corruption and to take regulatory changes into account, Musti Group renewed its whistleblowing channel during FY 2022.

Coverage of amfori BSCI audits in high-risk countries

100%

(95%) Target: 100% of tier1 suppliers in high-risk countries audited by amfori BSCI

60%

of our employees have completed ethics training

(53%) Target: 100% of our employees will have completed ethics training by the end of 2025.

Reused or recycled packaging material

31%

Did you know?

A mind-reader

Dogs spend the majority of their time observing people. They are masters of understanding how their two-legged friends communicate – usually they can pick up on human emotions even quicker than humans do! Dogs might even be able to smell the changing chemical state of the human body, such as the hormonal changes that occur when a person is stressed.

Corporate Governance

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Board of Directors

as of 30 September 2022

Jeffrey David

Chairman of the Board

b. 1964, Australian citizen

Member of the Board of Directors since 2016 and Chairman of the Board of Directors since 2017. Member of the Remuneration Committee since 2022.

Independent of the company and its major shareholders.

Ingrid Jonasson Blank

Vice-Chairman of the Board

b. 1962, Swedish citizen

Bachelor's degree in Business and Economics

Member of the Board of Directors since 2014 and Vice-Chairman of the Board of Directors since 2020. Chairman of the Audit Committee since 2019. Member of the Remuneration Committee since 2022.

Independent of the company and its major shareholders.

Johan Dettel

Member of the Board

b. 1978, Swedish citizen

Master's degree in Industrial Engineering & Management

Member of the Board of Directors since 2022. Member and Chair of the Remuneration Committee since 2022.

Independent of the company and its major shareholders.

Inka Mero

Member of the Board

b. 1976, Finnish citizen

Master's degree in Economics

Member of the Board of Directors since 2022. Member of the Audit Committee since 2022.

Independent of the company and its major shareholders.

Ilkka Laurila

Member of the Board

b. 1977, Finnish citizen

Master's degree in Economics and Master's degree in Forestry

Member of the Board of Directors since 2021. Member of the Audit Committee since 2021.

Independent of the company and its major shareholders.

Management Team

as of 30 September 2022

David Rönnberg

Chief Executive Officer

b. 1977

Master's degree in Finance

Toni Rannikko

Chief Financial Officer

b. 1979

Master's degree in Economics

Sami Tanner

Head of Strategy

b. 1981

Master's degree in Economics, CEMS Master's degree in International Management

Daniel Petterson

Head of Sweden and Finland

b. 1977

Bachelor's degree in Industrial Economics

Erik Ringen Skjærstad

Head of Norway and new markets

b. 1974

Bachelor's degree in Organisation Psychology

Annamaija Hujala

Head of Pureplay

b. 1969

Master's degree in Philosophy

Ellinor Persdotter Nilsson

Chief Commercial Officer

b. 1979

Master's degree in Economics

Pamela Nelimarkka

Chief Operating Officer

b. 1982

Master's degree in Business Administration

Nanna Martin-Löf

Head of Human Resources

b. 1977

Bachelor's degree in Personnel, Work and Organisation as well as a degree in selected Law studies

Malin Nygren

Chief Customer Officer

b. 1974

Master's degree in Business and Economics, Master's degree in Computer Science

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Corporate Governance Statement

I. Introduction

Musti Group plc ('Musti Group' or 'Company') 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, in particular 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 internal operating principles.

In its governance, Musti Group also complies with the Finnish Corporate Governance Code for listed companies ('Code') issued by the Securities Market Association in 2020. Musti Group has not deviated from the recommendations of the Code. The Code is available on the Internet at www.cgfinland.fi.

This Corporate Governance Statement has been prepared in accordance with the recommendations of the Code. The Audit Committee of Musti Group's Board of Directors has reviewed this Corporate Governance Statement. The Company's external auditor has reviewed that this Corporate Governance Statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with the financial statements.

II. Descriptions concerning corporate governance

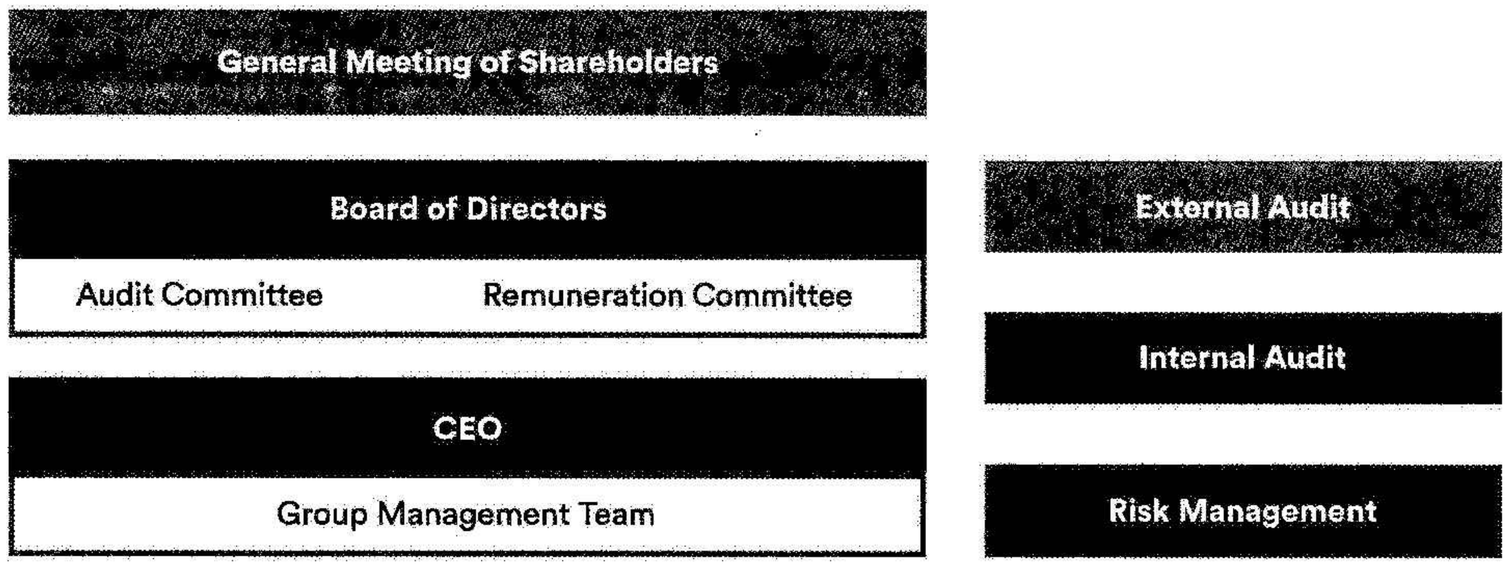
Musti Group is a company founded in Finland and is registered in the Finnish Trade Register maintained by the Finnish Patent and Registration Office as a public limited liability company. Musti Group operates under Finnish law and is listed on the official list of Nasdaq Helsinki.

The group consists of its parent company Musti Group plc and several group companies in Finland, Sweden and Norway ("Group"). The parent company is responsible for the management and governance of the Group, and the group companies are responsible for operative actions.

Musti Group's reporting segment structure is based on a geographical division. On this basis, Finland, Sweden, and Norway have been designated as their own operating segments.

The management and control of Musti Group is divided between the General Meeting of shareholders, the Board of Directors, and the Chief Executive Officer ("CEO"). General Meeting of the shareholders is the ultimate decision-making authority. Every shareholder has the right to attend the General Meeting and participate in decision making by voting. Each share entitles the holder to one vote. Decisions at the General Meetings are primarily made by a simple majority of votes, except in certain cases specified by the Finnish Companies Act (e.g. amending the Articles of Association).

Musti Group governance bodies



1. General Meeting

A General Meeting is convened by the Board of Directors. According to the Articles of Association, the Annual General Meeting ("AGM") shall be held in Helsinki within six months from the close of the financial year on a date decided by the Board of Directors. Usually, AGM is held at the end of January. At the Annual General Meeting, the shareholders resolve on the adoption of the financial statements, decide on the distribution of dividend, elect the members of the Board of Directors and the external auditor, and determine their remuneration, as well as decide on amendments to the Articles of Association if necessary.

AGM 2022 was held on 27 January 2022. The AGM 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. In line with the requirements of the temporary legislation, shareholders and their proxy representatives were to participate in the AGM 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 minutes of the AGM 2022 are available on Musti Group's website.

2. Board of Directors

Composition, diversity and shareholding of the Board of Directors

According to Musti Group's Articles of Association, the Board of Directors consists of a minimum of 3 and a maximum of 10 ordinary members. The term of office of the Board of Directors expires at the end of the first Annual General Meeting of shareholders following the election. The Board of Directors prepares the proposal for the composition of the Board of Directors to the General Meeting of shareholders based on the discussions between the major shareholders and the Chair of the Board of Directors.

When preparing the proposal for the composition of the Board of Directors, the Board of Directors takes into account the Company's business requirements and development and the Company's strategy. The main objective is to ensure that the composition of the Board of Directors supports the Company's business operations and strategy in the best possible way. Diversity of the Board of Directors supports reaching this objective. Diversity is considered from different angles. The most relevant factors for the Company are the members' mutually complementary know-how, education, and experience in different fields of business as well as the personal attributes of the members. Musti Group aims to have both genders equally represented in the Board, and to have members with experience from different geographical areas. The progress in achieving the objectives is reviewed regularly. A candidate elected to the Board of Directors must have the required competence for the position, and a sufficient amount of time for attending to the duties of the position.

AGM 2022 re-elected Jeffrey David, Ingrid Jonasson Blank and Ilkka Laurila as members of the Board of Directors. In addition, Inka Mero and Johan Dettel were elected as new members of the Board of Directors. In its organizing meeting on 27 January 2022, the Board of Directors elected Jeffrey David as the Chair of the Board of Directors and Ingrid Jonasson Blank as the Vice Chair of the Board of Directors.

Composition and shareholdings of the Board of Directors on 30 September 2022:

Name	Year of birth	Position	Board member since	Attendance	Shareholding
Jeffrey David	1964	Chair	2016	11/12	214,997[1]
Ingrid Jonasson Blank	1962	Vice Chair	2014	12/12	60,058
Ilkka Laurila	1977	Member	2021	12/12	1,749
Johan Dettel	1978	Member	2022	8/9	12,796[2]
Inka Mero	1976	Member	2022	9/9	1,374

[1]Includes shares held by Prebest Pty Limited atf The Jeffrey David Discretionary Trust.
[2]Includes shares held by Vaser Invest AB and Vaser Fastighets AB.

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JEFFREY DAVID is a board professional, and he has been a member of the Board of Directors since 2016 and Chair of the Board of Directors since 2017. In addition, Mr. David is Chairman of Independent Pet Partners USA and a Board member of Greencross Limited Australia. Mr. David is an Australian citizen.

INGRID JONASSON BLANK is a board professional, and she has been a member of the Board of Directors since 2014 and Vice-Chair of the Board of Directors since 2020. Ms. Jonasson Blank is also a Board member of Bilia AB, Forenom Group Oy, Astrid Lindgrens AB, City Gross AB and Meds AB. In addition, she acts as a Chair of the Board of Haypp Group AB and Kjell Group AB and Aim Apparell AB. Ms. Jonasson Blank holds a Bachelor's degree in Business and Economics, and she is a Swedish citizen.

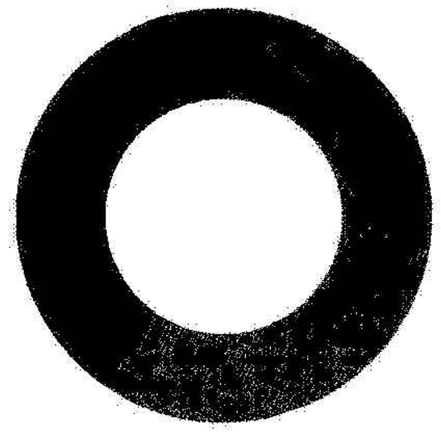
ILKKA LAURILA has been a member of the Board of Directors since 2021. Mr. Laurila worked at Terveystalo as CFO and Member of the Management Team since 2015 until July 2022. Mr. Laurila is also a Member of the Board of Directors of Hurtti-Paino Oy. He holds a Master's in Economics and a Master's in Forestry, and he is a Finnish citizen.

JOHAN DETTEL is an investor and board professional, and he has been a member of the Board of Directors since 2022. Mr. Dettel is also a board member of Iver Group AB, Market Art Fair Intressenter AB, Arte Collectum AB, Sadelns Samfällighetsförening, Iver Management AB, Art Mile Holding AB and Art Lithe Holding AB. Mr Dettel holds Master's degree in Science in Industrial Engineering and Management and he is a Swedish citizen.

INKA MERO has been a member of the Board of Directors since 2022. Ms. Mero is the Founder and Managing Partner of deep tech focused Voima Ventures I & II VC Fund since 2019. Ms. Mero acts as Chair of the Board of KoppiCatch Oy, Voima Ventures Oy, KuvaSpace Oy and Adamant Health Oy. She is also a member of the Board of Directors at Nokian Tyres plc, Betolar plc, Dispelix Oy, Elfys Oy, Tactotek Oy and Skyfora Oy. Ms. Mero holds a Master's degree in Economics and she is a Finnish citizen.

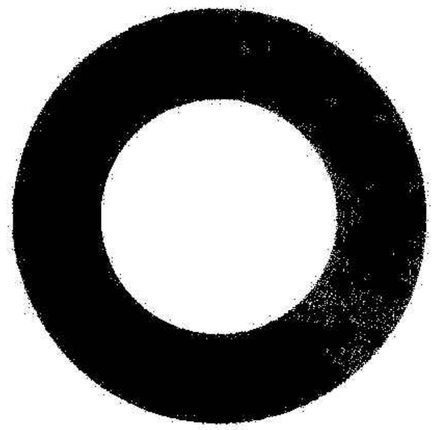
Board diversity

Gender



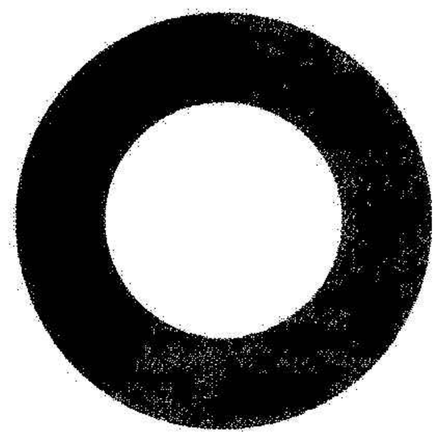
- Male, 60%
- Female, 40%

Nationality



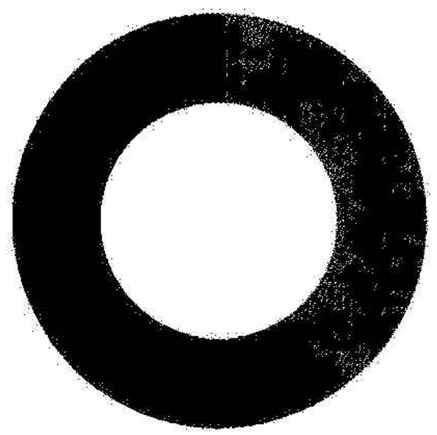
- Finnish, 40%
- Swedish, 40%
- Australian, 20%

Age



- 41–50 years, 60%
- 51–60 years, 40%

Tenure



- Less than 1 year, 40%
- 1–2 years, 20%
- Over 5 years, 40%

Evaluation of the independence of the Board of Directors

It is the duty of the Board of Directors to evaluate the independence of its members. A majority of members of the Board of Directors must be independent of the Company. At least two members independent of the Company must also be independent of significant shareholders of the Company.

According to the independence assessment, all members of Musti Group's Board of Directors are deemed to be independent of the Company and its significant shareholders.

Self-evaluation of the Board of Directors

The performance of the Board of Directors is evaluated annually. The results of the assessment are considered when preparing a proposal for a new composition for the Board of Directors. The self-assessment was conducted by way of a survey that was followed by a discussion among the members of the Board of Directors about the results and further actions.

Duties of the Board of Directors

In addition to the specific duties defined in Finnish Companies Act and the Company's Articles of Association, Musti Group's Board of Directors shall, among others:

- annually approve the Company's strategy, budget and business plan and supervise their execution
- arrange the control, supervision and audit of the Company's accounts and finances
- review and approve interim reports, financial statements, and the annual report
- define the Company's financial targets and dividend policy
- appoint and discharge from his/her duties the CEO and the group management team member
- resolve on the remuneration and incentives of the CEO and the group management team in accordance with the Company's remuneration policy
- steer the operations of the Company and supervise and monitor the CEO
- confirm the Group's organizational structure and decide on any material organizational changes
- decide on large and strategically significant investments, acquisitions, and divestments and on any other matters that are of material importance to Company
- annually assess the performance of the Board of Directors, including its activities and working methods, and its individual members;
- summon the General Meetings of Shareholders and prepare proposals on matters to be considered in the meetings and
- decide on the establishment of the communication strategy and related policy as well as the publication of important information concerning the Musti Group and its activities

During the financial year 2022, the Board of Directors paid particular attention to:

- monitoring the execution of the Company's growth strategy
- inflation and assessing its impact on the business
- strengthening the Company's re-financing and net working capital position
- development of the Company's sustainability strategy

Committees of the Board of Directors

The Board of Directors delegates some of its functions to the Audit Committee and Remuneration Committee. The Board of Directors appoints the chairs and members to the Committees from among its members.

Each Committee meets regularly and reports on its work to the Board. The Committees have no decision-making authority independent of the Board, except where expressly authorized by the Board.

Audit Committee

In its organizing meeting on 27 January 2022, the Board of Directors elected Ingrid Jonasson Blank as Chair and Ilkka Laurila and Inka Mero as members to the Audit Committee.

Prior to AGM 2022, Ingrid Jonasson Blank (Chairman), Ilkka Laurila and Juho Frilander were members of the Audit Committee.

Audit Committee held six meetings during the financial year (twice before the AGM 2022 and four times after AGM 2022). The attendance rate was 100%.

The responsibilities of the Audit Committee include, among other things:

- Monitoring the financial position of the Company
- Monitoring and assessing the financing and reporting system
- Monitoring the reporting process of financial statements
- Monitoring the statutory audit of the financial statements and consolidated financial statements
- Preparing for the Board of Directors the proposal for resolution on the election of the auditor
- Monitoring and evaluating the independence of the statutory auditor and, in particular, the offering of services other than auditing services by the auditor

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- Monitoring and assessing the efficiency of the Company's internal control, internal audit, compliance and risk management systems
- Reviewing the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the Company's Corporate Governance Statement
- Reviewing the risk management principles, monitoring material risks and uncertainties, including but not limited to financial, funding, IT-security related risks as well as tax risks and principles
- Assessing the scope and quality of the internal audit, approving the internal audit plan and resourcing, and reviewing audit reports
- Monitoring and assessing legal compliance and business ethics compliance
- Establishment of principles concerning the monitoring and assessment of related party transactions
- Monitoring and assessing how agreements and other legal acts between the company and its related parties meet the requirements of the ordinary course of business and arm'slength terms

Remuneration Committee

In its organizing meeting on 27 January 2022, the Board of Directors elected Johan Dettel as Chair of the Remuneration Committee and Jeffrey David and Ingrid Jonasson Blank as members to the Remuneration Committee. The Remuneration Committee met twice during the fiscal year 2022 and the attendance rate was 100%.

The responsibilities of the Remuneration Committee are to prepare the following decisions for the Board of Directors to decide:

- prepare for the nomination of the CEO and his/her deputy
- review and prepare for the nominations of the members of group management team and other officers reporting to the CEO and
- from time-to-time review and prepare a proposal on the overall compensation policies applicable to the member of the group management team
- review and prepare a proposal to the Board of Directors on the compensation of the members of the group management team and other officers reporting to the CEO including each of the components thereof
- ensure that the members of the group management team are rewarded appropriately for their contributions to the Company's growth and profitability and that such compensation policies are aligned with the Company's business strategy, long-term financial success, and shareholder interests
- review and prepare a proposal to the Board of Directors on the Company's goals and objectives relevant to the compensation of the CEO
- evaluate the performance of the CEO in light of the above-referenced goals and objectives
- prepare a proposal to the Board of Directors on the compensation of the CEO (including its components thereof) based on the above-referenced evaluation and
- in determining the long-term incentive component of the CEO's compensation, the Committee should consider the Company's development and relative shareholder return, the value of similar incentive awards to CEOs at other companies comparable to the Company and awards given to the CEOs in past years
- review and prepare a recommendation to the Board of Directors on at least an annual basis evaluating the Company's compensation and other benefit plans, including incentive compensation and equity-based plans and programs
- review and prepare a recommendation to the Board of Directors on the granting of options, restricted stock, stock appreciation rights and other equity-based grants to the members of the Group management team consistent with the Company's incentive compensation plans and programs and compensation strategy and
- ensure that the Company's compensation structure is competitive and make recommendations as necessary
- prepare the Company's policy concerning the remuneration of the Company's Board of Directors, CEO, and possible deputy CEO ("Remuneration Policy") for the Board at least every four years
- prepare the Company's report concerning the remuneration of the Company's Board of Directors, CEO, and possible deputy CEO ("Remuneration Report")

3. The CEO and Group Management Team

The CEO

The Board of Directors appoints the CEO and decides on the terms of the CEO's service. The CEO is responsible for the supervision and control of the Company's day-to-day operations in accordance with the Finnish Companies Act, the Company's Code of Conduct and authorizations and guidelines issued by the Board of Directors.

David Rönnberg has acted as Company's Chief Executive Officer since 2017.

Group Management Team

The CEO leads the group management team's work and makes decisions pertaining to the operations in consultation with the group management team. Meetings are held weekly, and the focus is on strategic and operative monitoring and development.

Composition and shareholding of the Group Management Team

The following changes in the group management team took place in the financial year 2022:

- Timo Tervo, Country Director, Finland resigned and his last operational working day was 31 March 2022
- Daniel Pettersson (formerly Country Director, Sweden) was appointed Head of Sweden and Finland effective of 1 April 2022
- Erik Ringen Skjærstad (formerly Country Director, Norway) was appointed Head of Norway and new markets effective 1 April 2022
- Annamaija Hujala (formerly Managing Director, Peten Koiratarvike), was appointed as Head of Pureplay effective 1 April 2022
- Pamela Nelimarkka was appointed Chief Operating Officer effective on 9 September 2022

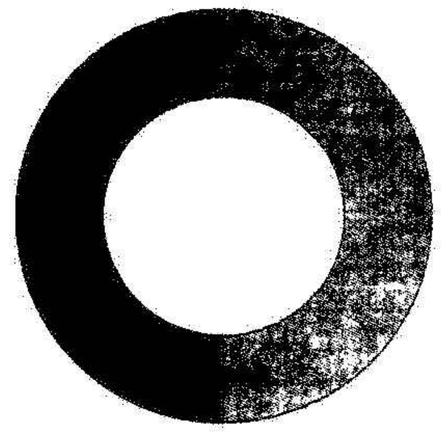
On 30 September 2022, the group management team of Musti Group comprised the following members:

Name	Year of birth	Position	Member since	Shareholding
David Rönnberg	1977	Chief Executive Officer	2017	570,000[1]
Toni Rannikko	1979	Chief Financial Officer	2021	1,391
Sami Tanner	1981	Head of Strategy	2016	3,234[2]
Daniel Pettersson	1977	Head of Sweden and Finland	2018	19,001
Erik Ringen Skjærstad	1974	Head of Norway and New Markets	2016	10,000
Annamaija Hujala	1969	Head of Pureplay	2022	0
Ellinor Nilsson	1979	Chief Commercial Officer	2018	13,103
Nanna Martin-Löf	1977	Head of Human Resources	2018	1,500
Malin Nygren	1974	Chief Customer Officer	2019	0
Pamela Nelimarkka	1982	Chief Operating Officer	2022	0

[1]Includes shares held by Rönnberg Consulting AB.
[2]Shares held by Tanner Advisory Oy.

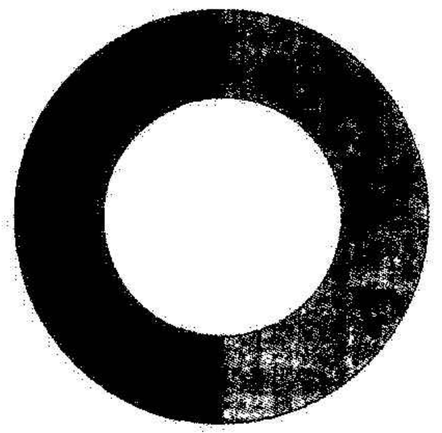
Group Management Team diversity

Gender



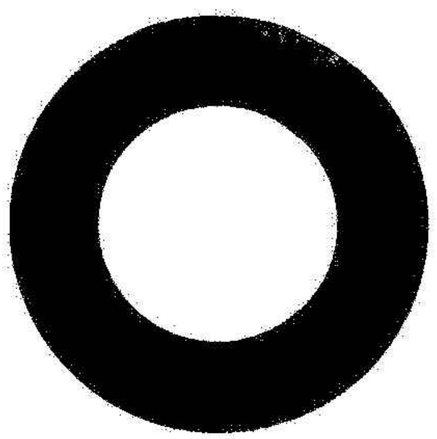
- Male, 50%
- Female, 50%

Nationality



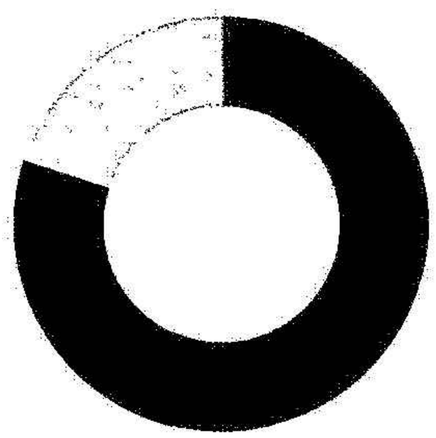
- Swedish, 50%
- Finnish, 40%
- Norwegian, 10%

Age



- 31–40 years, 10%
- 41–50 years, 80%
- 51–50 years, 10%

Tenure



- Less than 1 year, 20%
- 1–2 years, 10%
- 3–5 years, 50%
- Over 5 years, 20%

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III. Descriptions of internal control procedures and the main features of risk management systems

Musti Group prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards, as adopted by the EU, the Finnish Securities Markets Act as well as the appropriate Finnish Financial Supervisory Authority Standards and Nasdaq Helsinki's rules. The Report of the Board of Directors of Musti Group and parent company financial statements are prepared in accordance with the Finnish Accounting Act and the recommendations and guidelines of the Finnish Accounting Board.

Musti Group's financial reporting process is managed internally, and the process is supported by external service providers. The internal control and risk management systems and practices described in more detail below are designed to ensure that financial reporting concerning the Company as well as its group companies is reliable.

The group management team evaluates results of the segments based on net sales, adjusted EBITDA and adjusted EBITA. Events outside the ordinary course of business are treated as items affecting comparability and have been allocated to the segments. In all other respects monitoring of results by management corresponds with IFRS reporting.

It is the duty of the Company's Audit Committee to monitor the reporting process of financial statements reporting and to review with the external auditor the annual financial statements and interim reports before submission to the Board of Directors for final approval, as well as to review internal controls and monitor the effectiveness of the Company's procedures for internal control over financial reporting. In addition, the Audit Committee assesses principles related to internal controls and risk management of the Company's financial reporting processes, monitors and reviews the effectiveness of the Company's risk management system, including the risk profile of Musti Group, and makes such recommendations as the Committee considers desirable. The Company's Board of Directors reviews and approves the Company's interim reports, financial statements and annual reports.

1. Internal control

Internal control refers to measures and procedures aiming to ensure that the Company meets is goals and targets, the Group's resources are utilized economically and efficiently, risks relating to operations are managed appropriately and financial and other information is reliable and correct. In addition, internal control aims to ensure continuity of business operations and compliance with the Company's internal policies and processes, as well as with the requirements, legislation and regulations applied in the operating environment. Efficient internal control and risk management promote the Company's performance and reaching of targets, and they are a material part of Musti Group's corporate governance.

Musti Group's operating model of internal control and risk management related to financial reporting aims to provide sufficient assurance regarding the reliability of financial reporting and that the financial statements have been prepared in accordance with the applicable laws and regulations, accepted accounting principles (IFRS), and other requirements for listed companies. The principal components of internal control are control environment, risk assessment, control activities, communications, and monitoring. Musti Group has defined and documented internal control activities related to its business and reporting processes. Approval mechanisms, access rights, segregation of duties, authorizations, verifications, reconciliations, and follow-up of financial reporting are essential internal activities. The monitoring, development and communication related to internal controls is the responsibility of the CFO who regularly reports the results to the Audit Committee.

All employees of the Group must act according to the ethical principles determined in the Company's Code of Conduct. The principles are based on the ten principles of the UN Global Compact. The Company has committed to include these principles in all of its operations, company culture and strategy. In addition, Musti Group has committed to communicating the principles to its employees, owners, suppliers, and other partners.

The Group utilizes a whistleblowing reporting channel aiming to support compliance with laws and Musti Group's internal guidelines, policies, and values. Employees and other stakeholders may report suspected misconduct or non-compliance with corporate policies according to the whistleblowing procedure.

2. Risk management

The Board of Directors has approved the priciples of the risk management of the Company. The target of the Company's risk management is to collect information on and to review and manage opportunities, threats and risks arising from the Company's operations in order that the Company will reach its targets and carry out its operations without disruptions. As such, the risk management aims to promote for its own part implementation of the strategy, reaching of financial targets, satisfying customer proposition, capability to distribute dividends, utilization of responsible practices and business continuity.

The Company's risk management comprises risk management targets, risk management process and its implementation, monitoring and reporting. Risk management is systematic activity aiming to ensure appropriate identification, review, management, and monitoring of risks. It is a part of the Company's planning and governance process, decision-making, management, and operations, as well as control and reporting procedures. Risk management is implemented systematically, proactively, and comprehensively, and it covers all operations in the entire Group.

Risks are assessed and managed with a comprehensive approach based on the business. Implementation of review and management shall be implemented in a way that ensures that material risks are identified, assessed, managed, monitored, and reported as a part of the reporting based on the governance system and the business. In addition, risk management is developed continuously as a part the Company's operations.

Risk management is implemented according to the principles below:

- The management carries out a comprehensive risk review and updates the risk charts during the third quarter.
- The risk review comprises identification of risks, assessment of their relevance and planning of risk management activities. The group management team continuously monitors the execution of the activities
- Results of the risk review are reported to the Audit Committee during the fourth quarter. The Audit Committee addresses the most significant risks and measures to control them, as well as reviews the efficiency and operation of the risk management. The Audit Committee reports to the Board of Directors in accordance with its Charter
- The CFO reports annually to the Audit Committee the risks identified and measures to manage risks, as well as any changes in them
- The Company discloses risks, uncertainties, and risk management to its stakeholders in accordance with the principles presented in the Finnish Corporate Governance Code

The CFO with the assistance of the group management team is responsible for the preparation of the Risk Management Policy and the systematic and appropriate implementation of the risk management. The CFO shall ensure appropriate coverage of the Company's risk management and assess the implementation of the risk management. The CFO reports on the risk management to the Board of Directors.

The members of the group management team are responsible for the planning, implementation and follow-up of the risk management measures in their own area. The functions and franchisees are responsible for the operational risk management in their own area by identifying and assessing risks in their own area and defining risk control measures, and their implementation shall be monitored systematically.

3. Internal audit

The Board of Directors has not found it necessary to date to establish a separate internal audit function. The Company's Finance function has instead been adapted to also deal with internal audit duties. Audit Committee re-evaluates annually whether to establish a separate internal audit function. Furthermore, Audit Committee continuously evaluates material risks and control activities. Where necessary, the Board of Directors may purchase internal audit services from an external service provider. During the financial year 2022, internal audit services were provided by an external service provider on 1 October 2021 – 30 June 2022.

IV. Other information

1. Related party transactions

The Company maintains records of its related parties and adheres to the responsibilities set out in the Finnish Companies Act and the Code when monitoring and evaluating related party transactions.

The Board of Directors evaluates, and monitors transactions concluded between the Company and its related parties to ensure that any conflicts of interest are taken into account appropriately in the decision-making of the Company. Related party transactions that are not concluded in the ordinary course of business or on customary commercial terms are subject to approval by the Board of Directors. The Company's Finance function monitors related party transactions as part of the normal control activities and reporting procedure and reports related party transactions to the Audit Committee. Related party transactions are disclosed as required annually in the notes to the Company's financial statements. Material related party transactions are disclosed in accordance with the Securities Market Act.

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2. Insider administration

Musti Group's insider policy, based on the Guidelines for Insiders of Nasdaq Helsinki Ltd and the Market Abuse Regulation, describes the main obligations of insiders in the Company as well as the trade reporting of managers and their closely associated persons, and other related regulations and guidance under the Market Abuse Regulation. The Board of Directors confirms the insider policy.

The Company draws up and maintains project-specific insider lists only. Project-specific insider lists are not public. Persons entered in a project-specific insider list are not allowed to trade on Musti Group's financial instruments during the term of the insider project.

The members of the Board of Directors, the CEO, and the members of the group management team of Musti Group and their closely associated persons are required to notify the Company and the Finnish Financial Supervisory Authority of transactions conducted on their own account relating to the Company's financial instruments. The Company publishes the information it has received in a stock exchange release promptly after receipt of the notification. The member of the Board of Directors, the CEO, and the members of the group management team each shall identify the persons closely associated with them and notify the Company in writing of required information. During the financial year 2022, a total of 20 notifications on transactions by PDMRs published. These are available on the Musti Group's website.

The Board of Directors, the group management team, and selected employees ("Closed Period Employees") may not trade on Musti Group's financial instruments during a minimum period of 30 days prior to the publication of interim reports and financial statements, or on the date of publication ("Closed Period"). The Closed Period Employees are individuals who have more information about the Company than the market due to their work duties, such as preparation of the Company's interim reports and financial statements, or responsibilities related to the Company's finances, financial reporting or communication. In addition, persons who have access to the said information for the purpose of carrying out their work duties, and certain individuals in executive positions, are considered by the Company as Closed Period Employees.

The General Counsel of the Company is responsible for the insider administration. The Company's employees may report actual or potential infringements of the insider policy or financial market regulation in accordance with the anonymous whistleblower channel.

3. External auditor

The General Meeting resolves on the election of the auditor and the auditor's remuneration. According to the Articles of Association, the Company must have one external auditor that shall be an Authorized Public Accountant Firm approved by the Finnish Patent and Registration Office. The auditor's term of office ends at the close of the Annual General Meeting following the election.

The AGM 2022 re-elected Ernst & Young Oy, Authorized Public Accountants, as external auditor of the Company with Johanna Winqvist-Ilkka, Authorized Public Accountant, acting as the auditor with principal responsibility. Johanna Winqvist-Ilkka has acted as the Company's auditor with principal responsibility since 2018.

The remuneration paid for audit and non-audit services is set out below.

(EUR thousand)	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Auditing fees	340	340
Fees for non-audit services	126	305

Remuneration Report 2022

This Remuneration Report has been prepared in compliance with Musti Group plc's Remuneration Policy, which was adopted at Musti Group plc's Annual General Meeting on 21 January 2021 ('Remunera-tion Policy') and has been in force during the financial year 1 October 2021 – 30 September 2022 ('FY2022'). The Remuneration Report provides information on the remuneration paid to the Board of Directors and the CEO during the financial year. The remuneration and other financial benefits are reported on a cash basis. The Remuneration Report has been prepared in accordance with the section 'Remuneration Reporting' of the Finnish Corporate Governance (CG) Code 2020.

Overview of remuneration in the financial year 1 October 2021 – 30 September 2022

This is the second Remuneration Report for governing bodies applied within Musti Group plc ("Musti Group" or "Company") and it complies with the CG Code. The CG Code 2020 is available in full on the website of the Securities Market Association at www.cgfinland.fi. This Remuneration Report concerns the remuneration of the members of Musti Group's Board of Directors as well as the CEO of Musti Group in FY2022. The Remuneration Policy will be reviewed in January 2025 the latest.

The Remuneration Committee of Musti Group's Board of Directors prepared this Remuneration Report, and the Board of Directors approved it on 15 December 2022. Musti Group's auditor, Ernst & Young Oy, has audited this Remuneration Report to confirm that it contains the information referred to in the Ministry of Finance Decree on the remuneration policy and remuneration report of a share issuer (608/2019). This remuneration report will be reviewed by Musti Group's 2023 Annual General Meeting.

This Remuneration Report is available on Musti Group's website at www.mustigroup.com/investors/corporate-governance/remuneration.

In financial year 1 October 2021 – 30 September 2022 Group net sales increased by 14.7% to EUR 391.1 million and group adjusted EBITA by 5.4% to EUR 38.8 million in an environment, where accelerating inflation placed incremental pressure on both the consumers and Musti Group. This highlights the unique defensive growth characteristics of the pet category. During FY2022 Musti Group capitalized effectively on the growth boost that came from increased consumer pet ownership and spending during the pandemic, growing the share of new puppy customers further enabling Musti Group to increase the customer base and the share of sales of own and exclusive products further.

The purpose of remunerations paid by the Company is to drive its strategy and create long-term, sustainable performance with increased shareholder value. The structure of the remuneration of the Company's Board of Directors and the CEO and the decision-making order in FY2022 complied with Musti Group's Remuneration Policy for the governing bodies.

In FY2022 the Board members were paid a fixed annual fee. The amount of the fees paid depended on their duties in the Board of Directors – Chair and member of the Board of Directors, and Chair and member of a committee of the Board of Directors. The fees paid are disclosed under 'Remuneration of the Board of Directors'.

The total remuneration paid to the CEO in FY2022 consisted of fixed monthly salary, fringe benefits, short-term bonus, and long-term incentive plan. The purpose of the short-term bonus is to promote the Company's strategy through the achievement of annual targets. The aim of a share-based incentive plan is to align the objectives of the shareholders and key employees for increasing the value of the Company in the long-term. Musti Group has one share-based long-term incentive plan consisting of three performance periods, the performance periods financial year 2020–2022 and 2021–2023 and 2022–2024 were in place during FY2022. The remuneration paid and incentive plans to the CEO are disclosed under 'Remuneration of the CEO'.

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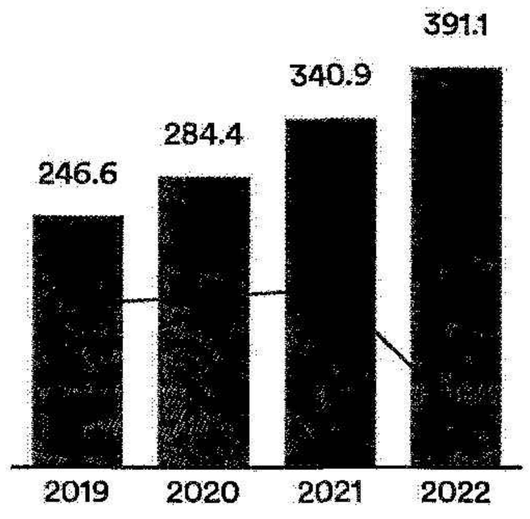
Development of Musti Group's financial performance and remuneration

The table below presents the development of the Board of Directors and the CEO's remuneration compared to the development of the average remuneration of Musti Group's employees and Musti Group's financial development during the last five financial years. Board remuneration numbers include both Board fees and Committee fees.

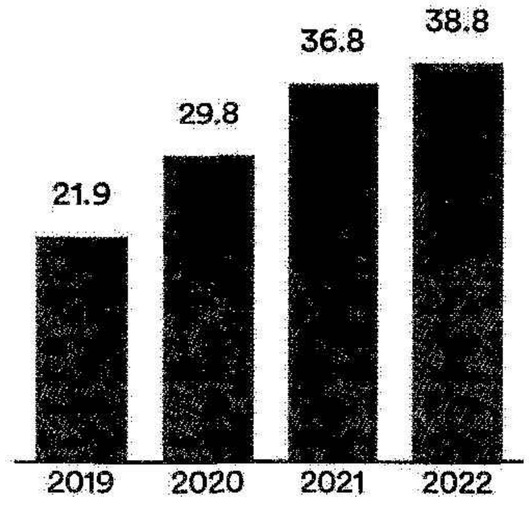
Compensation (EUR thousand)	FY2022	FY2021	FY2020	FY2019	FY2018
Chair of the Board	70,000	65,000	60,000	60,000	50,000
Vice-Chair of the Board	47,500	42,500	30,000	30,000	15,000
Other members of the Board (average)	40,833	32,500	30,000	26,250	15,000
CEO	659,740	614,456	653,754	412,264	580,724
Average Musti Group employee*	47,824	47,963	42,405	42,107	42,169

*The average compensation in this table is the paid-out compensation during the year. The remuneration of the average Musti Group employee is based on all personnel.

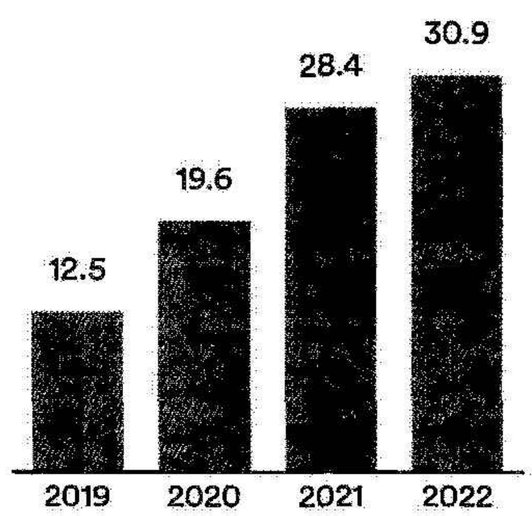
Net sales, EUR million and like-for-like sales growth, %



Adjusted EBITA, EUR million



Operating profit, EUR million



Remuneration of the Board of Directors

The Annual General Meeting 2022 confirmed the following fixed annual fees for the members of the Board of Directors:

	EUR
Chair of the Board	65,000
Members of the Board	35,000

The Annual General Meeting 2022 confirmed the following annual fees for the members of the Committees:

	EUR
Chair of the Committee	7,500
Committee members	5,000

The Annual General Meeting 2022 decided that the annual remuneration for the members of the Board of Directors will be paid in Company shares and cash so that 50% of the annual remuneration will be used to purchase Company shares in the name and on behalf of the members of the Board of Directors from the market at a price determined in public trading, and the rest of the annual remuneration will be paid in cash.

Board members are not compensated separately for attending the Board meetings. Travel expenses resulting from Board meetings are compensated in accordance with the Company's travelling compensation regulations. Remuneration for the Board members does not include pension payments.

Members of the Board of Directors are not included in Musti Group's short- or long-term incentive programs.

Fees paid to the Board members in the financial year 1 October 2021 – 30 September 2022

Remuneration of the Board of Directors 1 Oct 2021 – 30 Sep 2022 (in EUR)	Committee Membership	Board Annual Fee in total	Committee Fee	Total
Jeffrey David, Chair	Member of the Remuneration Committee	65,000	5,000	70,000
Ingrid Jonasson Blank, Vice-Chair	Chair of the Audit Committee Member of the Remuneration Committee	35,000	12,500	47,500
Johan Dettel	Chair of the Remuneration Committee	35,000	7,500	42,500
Ilkka Laurila	Member of the Audit Committee	35,000	5,000	40,000
Inka Mero	Member of the Audit Committee	35,000	5,000	40,000

Remuneration of the CEO

The Company's CEO was David Rönnberg throughout the financial year 1 October 2021 – 30 September 2022.

The remuneration of the CEO consists of fixed monthly salary, fringe benefits, annually set bonus potential (short-term incentive plan) and long-term incentive plan. The retirement age of the CEO is 63 years under current legislation. The CEO is entitled to a life insurance and supplementary pension payments on behalf of Musti Group in accordance with a pension agreement concluded with the Company. The CEO receives the supplementary pension at the age of 63.

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Short-term performance bonus

The CEO is eligible to participate in the bonus scheme in accordance with the company's bonus policy. The purpose of the short-term bonus is to promote the company's strategy through the achievement of annual targets. The terms of the bonus are decided annually by Musti Group's Board of Directors. The bonus of the CEO is based on personal targets and certain profitability targets set for the financial year. For the financial year 1 October 2020 – 30 September 2021, the maximum performance bonus was equivalent to a six months' full salary for the CEO. The performance criteria for the bonus are adjusted EBITA. The fulfilment of the bonus criteria is evaluated after the year end 30 September 2022 and possible rewards are paid in December 2022.

Long-term incentive plan

Musti Group has one share-based long-term incentive plan consisting of three performance periods, the performance periods financial year 2020–2022 and 2021–2023 and 2022–2024 were in place during FY2022. 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 Board of Directors decides separately for each performance period the performance criteria, and the related targets, as well as the minimum, target, and maximum reward potentially payable based on tar-get attainment at the beginning of a performance period. The potential reward based on the plan will be paid partly in the Company's shares and partly in cash after the end of each performance period. The cash proportion is intended to cover taxes and tax-related expenses arising from the reward to a participant. No reward is paid, if the participant's employment or service terminates for reasons related to the participant before the reward payment unless the Board of Directors decides otherwise.

The CEO is obliged to hold at least 50% of the net number of shares paid on the basis of the plan, until the value of his or her total shareholding in the Company equals to 100% of his or her annual base salary. Such number of shares must be held as long as the CEO's service contract continues.

Remuneration paid to the CEO in the financial year 1 October 2021 – 30 September 2022

Fixed salary, including benefits	Short-term bonus*	Long-term incentive**	Additional pension	Total remuneration
426,576	177,740	0	0	**604,316**

*Earned based on performance in the financial year 1 October 2020 – 30 September 2021, paid in December 2021.
**No long-term incentive periods with payment due in financial year 1 October 2021 – 30 September 2022.

Long-term incentive plan in place in the financial year 1 October 2021 – 30 September 2022

Performance period	Grant date, EUR	Grant date share price, EUR	Earnings criteria	Criteria outcome (out of maximum level)	Number of shares received in payment	Payment in cash, EUR	Payment date	Share price on payment date, EUR
FY2020-FY2022	7 May 2020	11.78	Total shareholder return (TSR) and adjusted EBITA	To be confirmed at the latest in January 2023	-	-	January 2023	-
FY2021-FY2023	26 November 2020	21.04	Total shareholder return (TSR) and adjusted EBITA	To be confirmed at the latest in January 2024	-	-	January 2024	-
FY2022-FY2024	27 January 2022	26.06	Total shareholder return (TSR) and adjusted EBITA	To be confirmed at the latest in January 2025	-	-	January 2025	-

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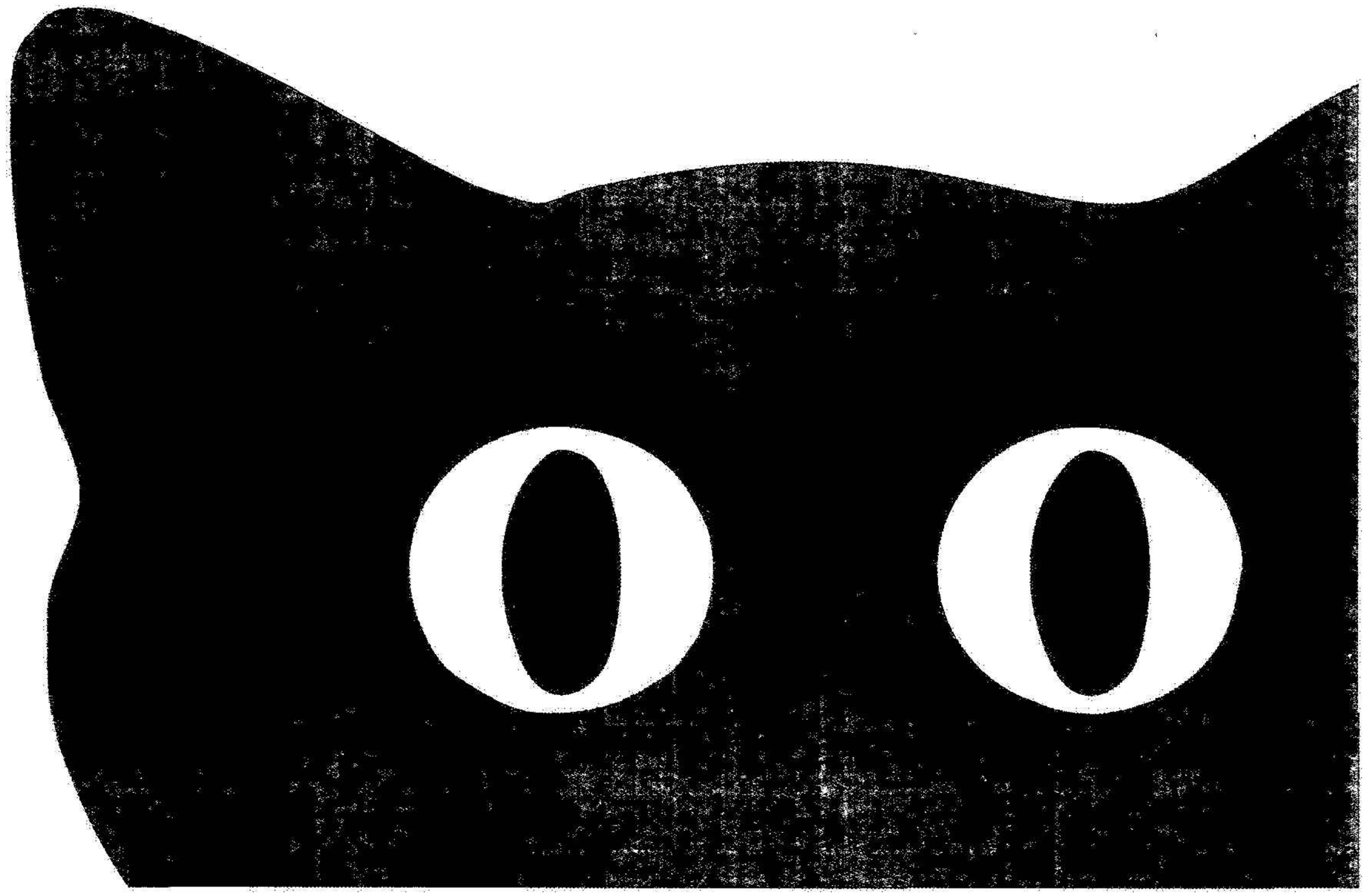

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Board of Directors' Report

for the financial year October 2021 – September 2022

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 3.4 billion (in 2021), with Sweden as the largest market, accounting for approximately EUR 1.4 billion, Finland approximately EUR 1.0 billion and Norway approximately EUR 1.0 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 pet care market was positively affected by the COVID-19 pandemic over 2020 and 2021, mainly through increased adoption of puppies and kittens and to some extent higher spending on discretionary categories, such as accessories. Puppy adoption rates began normalizing from these peak levels over 2022, while still above long-term averages. The pandemic period resulted in a step-up of Nordic pet ownership rates which increases the addressable market size for future years as the pandemic gains are expected to have a long tail effect.

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	10/2021–9/2022	10/2020–9/2021	Change %
Net sales	391.1	340.9	14.7%
Net sales growth, %	14.7%	19.9%	
LFL sales growth, %	6.7%	11.8%	
LFL store sales growth, %	4.2%	8.8%	
Online share, %	22.2%	23.1%	
Gross margin, %	46.4%	45.7%	
EBITDA	65.4	56.9	14.9%
EBITDA margin, %	16.7%	16.7%	
Adjusted EBITDA	66.9	58.8	13.7%
Adjusted EBITDA margin, %	17.1%	17.3 %	
EBITA	37.3	34.9	6.9%
EBITA margin, %	9.5%	10.2%	
Adjusted EBITA	38.8	36.8	5.4%
Adjusted EBITA margin, %	9.9%	10.8%	
Operating profit	30.9	28.4	8.8%
Operating profit margin, %	7.9%	8.3%	
Profit/loss for the period	22.3	20.9	6.9%
Earnings per share, basic, EUR	0.67	0.62	7.3%
Net cash flow from operating activities	46.1	54.9	-16.0%
Investments in tangible and intangible assets	14.2	12.9	10.4%
Net debt / LTM adjusted EBITDA	2.1	1.9	11.3%
Number of loyal customers, thousands	1,454	1,297	12.2%
Number of stores at the end of the period	335	312	7.4%
of which directly operated	319	280	13.9%

Group net sales

EUR million	10/2021–9/2022	10/2020–9/2021	Change %
Net sales			
Group	391.1	340.9	14.7%
Finland	169.7	152.6	11.2%
Sweden	164.9	147.5	11.8%
Norway	56.5	40.7	38.7%

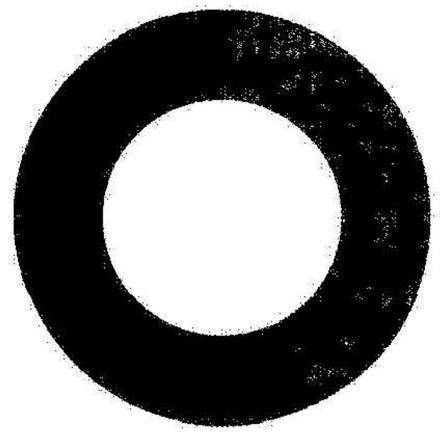
Group net sales increased by 14.7% to EUR 391.1 million (EUR 340.9 million). The increase was largely due to the increasing number of customers together with an increased number of directly operated stores. Like-for-like growth amounted to 6.7% (11.8%). Like-for-like growth was affected by the high number of new directly operated stores. New stores are calculated in the like-for-like growth after they have been operating for 12 months. The weakened SEK exchange rate decreased sales by EUR 4.5 million bringing 1.3 %-points headwind to growth, whereas the NOK exchange rate increased sales by EUR 1.9 million bringing 0.6 %-points tailwind to growth.

Store sales increased by 20.1% to EUR 300.3 million (EUR 250.1 million), driven by an increased number of stores as we added net 39 directly operated stores year to date to our network. Like-for-like store sales growth was to 4.2% (8.8%). Online sales increased by 10.6% to EUR 87.0 million (EUR 78.7 million). Online sales accounted for 22.2% (23.1%) of total net sales.

Net sales in Finland increased by 11.2% with like-for-like growth of 2.7%. Opening new stores also caused some overlapping sales decreasing sales growth by 3 %-points. During the reporting period, six directly operated stores were opened in Finland. Net sales in Sweden increased by 11.8% considering 3.0%-points headwind from weakening SEK to Sweden's growth. Like-for-like growth in Sweden was 8.9%. During the reporting period, five directly operated stores were opened and 15 stores were acquired in Sweden. Two directly operated stores were closed and two franchise stores left the chain. Net sales in Norway increased by 38.7% with strong like-for-like growth of 13.9% and the ramp-up of the stores opened during the latest twelve months. The NOK rate compared to FY21 had a tailwind of 4.7%-points in Norway's growth. During the reporting period, 14 directly operated stores were opened and two stores acquired in Norway.

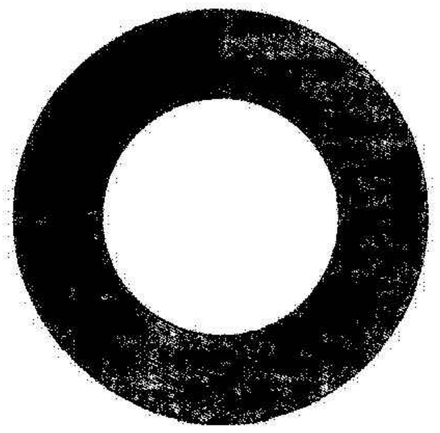
The number of loyal customers increased by 12.2% to 1,454 thousand (1,297 thousand on 30 September 2021). Rolling 12 months average spend per loyal customer was EUR 181.5 as per 30 September 2022 (EUR 188.3 as per 30 September 2021).

Net sales by segment FY 2022



- Finland, 43%
- Sweden, 42%
- Norway, 14%

Net sales by channel FY 2022



- Store sales, 77%
- Online sales, 22%
- Other sales*, 1%

*Other sales include franchise fees and wholesale.

Group result

Group adjusted EBITA increased by 5.4% to EUR 38.8 million (EUR 36.8 million) as a result of a strong seasonal sales growth and improved gross margin. Adjusted EBITA margin was 9.9% (10.8%).

Gross margin increased to 46.4% (45.7%) mainly due to successful campaign pressure, higher share of sales of the own and exclusive products and favorable product mix. The positive development was slightly burdened by increasing freight costs, especially from Asia and outbound freights and general inflation. The share of sales of own and exclusive brands increased to 52.7% (51.0%). The share of employee benefit and other operating expenses as percentage of sales increased to 30.3% (29.6%) driven by focus on topline growth due to favorable market conditions and still lower efficiency in the central warehouse in Eskilstuna during the beginning of the financial year, that was driven by both internal and external factors, like congestion in global supply chain and filling up our inventory levels to maintain high availability. During the second half of the financial year, cost development was more favorable.

Depreciation amounted to EUR 28.2 million (EUR 22.0 million) and amortization amounted to EUR 6.4 million (EUR 6.5 million). Main driver is the growing store network via IFRS 16 impact.

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Adjustments to EBITA were EUR 1.5 million (EUR 1.9 million). These were mainly related to our end-to-end supply chain development project together with other non-recurring structural changes related costs.

Operating profit increased by 8.8% to EUR 30.9 million (EUR 28.4 million).

Profit before taxes was EUR 28.4 million (EUR 26.9 million). The impact of financial income and expenses (net) on profit before taxes was EUR 2.4 million negative (EUR 1.5 million negative), mainly due to interest expenses on leases and unrealized gains on derivative financial instruments. Profit for the period was EUR 22.3 million (EUR 20.9 million) and basic earnings per share was 0.67 (0.62).

Musti Group has been subject to a tax audit of Musti Group Oyj, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018–2020. Musti Group Oyj has in October 2021 received 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. Tax and increases of EUR 0.9 million were booked as receivable and paid in November 2021. The company disagrees with the interpretation made in the tax audit. The company has been reassessed in accordance with the interpretations set out in the tax audit report, but the company has filed a claim for adjustment to the Finnish Tax Administration's Assessment Adjustment Board. 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.

Financial position and cashflow

Net cash flow from operating activities for FY22 amounted to EUR 46.1 million (EUR 54.9 million). Cash flow used in investing activities amounted to EUR 33.0 million (EUR 23.0 million) for the full year. Cash and cash equivalents at the end of the period amounted to EUR 10.0 million (30 September 2021: EUR 13.0 million). Total consolidated assets amounted to EUR 371.4 million (30 September 2021: EUR 337.6 million). The increase was due to increased right-of-use assets and property, plant and equipment due to the increased number of stores and increased goodwill driven by business combinations, as well as inventories in stores and the central warehouse.

Equity attributable to owners of the parent company totaled EUR 160.3 million (30 September 2021: EUR 156.9 million). Musti Group acquired no own shares during the financial year.

Gearing at the end of the reporting period was 89.4% (30 September 2021: 72.2%) and net debt amounted to EUR 143.4 million (30 September 2021: EUR 113.3 million). At the end of the period, the interest-bearing loans and commercial papers included in net debt amounted to EUR 74.8 million (30 September 2021: EUR 49.9 million) and lease liabilities EUR 80.7 million (30 September 2021: EUR 76.5 million).

Musti Group focuses on maintaining sufficient liquidity in the group. In addition to the cash and cash equivalents of EUR 10.0 million at the end of the period, Musti Group had an unutilized EUR 10.0 million credit limit, EUR 50 million commercial paper program of which EUR 35 million undrawn and an undrawn EUR 40.0 million revolving credit facility.

During the first quarter of the financial year, Musti Group re-arranged its long-term financing into a new bilateral term loan.

On 15 July 2022, Musti Group announced it will diversify and strengthen its financing base by establishing EUR 50 million domestic commercial paper program and signing a new EUR 20 million revolving credit facility. On 17 August 2022, Musti Group announced it has finalized the financing package initiated in July 2022 by signing a new committed EUR 20 million revolving credit facility.

Investments

In the financial year 2022 investments in tangible and intangible assets amounted to EUR 14.2 million (EUR 12.9 million). Investments were mainly related to new and relocated stores, as well as IT and digital platform development projects and warehouse development and maintenance investments. During the financial year Musti Group acquired 17 pet stores, 15 in Sweden and two in Norway as business acquisitions.

Strategy and financial targets

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

Winning new customers

Musti Group is well positioned to continue our track record of winning new customers from the large and growing Nordic pool of 5.7 million pets.

Succeeding in new customer acquisition, especially acquisition of puppies and kittens, is a key driver of continued market share gain across our Nordic markets. This is supported by our concept, our leading brand awareness, and customer focus. The underlying pet parenting trend, favoring Musti Group's concept, continues strong.

Financial year 2022 continued with above average pet adoption levels, a trend seen since 2021 driven by the COVID-19 pandemic. This period has led to higher rates of pet ownership, with many new first time pet parents. While growth in the number of new puppies and kittens in our society shows indications of stabilizing, this period of higher pet adoption has a long tail benefit as it has expanded our Nordic market opportunity.

Over the same period, Musti Group has gained share of new puppies. Our share has been augmented by two initiatives, new puppy and kitten clubs launched in financial year 2020 followed by an upgraded breeder club launched in financial year 2022. These investments into early stages of the pet parenting journey are paying off.

The number of loyal customers, Friends of Musti, increased by 12% to 1,454 thousand during the financial year 2022 continuing the steady growth of earlier years. Our pet loyalty club is the largest in the Nordics.

Grow share of wallet

Growing the share of wallet within our base of 1.5 million loyal customers is a clear opportunity for Musti Group. To deepen the engagement of our customers, Musti is developing an ecosystem approach for Nordic pet parents with the aim to further increase share of wallet and loyalty, with an 'All you need is Musti' mentality across the pet lifecycle.

Selected initiatives driving increased engagement advanced during the financial year 2022. Initiatives included developing our puppy and kitten related concepts, with our recently launched puppy and kitten clubs ramping up, supported by our newly updated breeder club and adding wider services to our offering. In addition, Musti Group launched live shopping online events in fiscal year 2022.

Rolling 12 months average spend per loyal customer was EUR 181.5 in financial year 2022 (EUR 188.3 on 30 September 2021) stabilizing from the pandemic levels and affected by the unfavorable exchange rate fluctuations.

Expand store network and number of service points

We 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.

Musti Group has the largest footprint in the Nordic countries, enabling us to gain further market share in the growing pet care market. Operating through our own stores, complemented by our omnichannel offering, enables Musti Group to provide its customers with the same award-winning store experience in any Musti Group store they wish to visit, and online.

Over the financial years 2021 and 2022, Musti Group has had elevated focus on increasing the coverage of its directly operated network. This investment comes with longer term benefits, as a significant share of our network is currently at ramp-us stage. We aim to continue investing in our network at a more stabilized pace going forward, while continuing to see ample room for expansion especially in the Norwegian market to support further market share gains by entering new local communities.

The number of directly operated stores increased by net 39 stores during financial year 2022. This included new greenfield stores adding convenience to our existing network and acquisitions of 17 stores, mostly formerly operating under franchising agreements in Sweden.

Focusing 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. This comes with three main benefits of the uniqueness of our offering, loyalty especially in food and other consumable categories, and higher gross margin profile.

Musti Group has strong historical track record in driving gross margin improvement. Own and exclusive brands are a cornerstone of our high gross margins as these brands typically carry 10-15 percentage points higher margins compared to global brands. In addition, we focus on leveraging scale in procurement supported by pricing and category management.

In financial year 2022, gross margin increased to 46.4% mainly driven by increased share of own and exclusive brands, efficient campaigning, and favorable product mix developments. Musti Group continued initiatives to further strengthen both own and exclusive brands and gross margins. Key initiatives in the financial year 2022 included ramping up dry food production in our pet food factory in Lieto (Finland) and launching Smaak line of own pet food and treats.

Share of sales of own and exclusive brands increased to 52.7% (51.0%) during the year.

Leveraging 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 may be spread across larger net sales. In the financial year 2022, we were especially pleased with the improved performance of our Eskilstuna central warehouse operations.

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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 2022
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 391 million, growth 15%.**
Profitability	Mid- to long-term **adjusted EBITA margin of at least 13 per cent** with **steadily improving profile.** Margin increase is expected to be realised through steady gross margin and improving operating leverage.	**Adjusted EBITA margin 9.9%.**
Capital structure	**Maintain net debt in relation to adjusted EBITDA below 2.5x** in the long term.	**Net debt / LTM adjusted EBITDA 2.1.**
Dividend policy	**To pay a dividend corresponding to 60–80 per cent of net profit.** Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.	**The capital return corresponds to approximately 75%* 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 planned to be held on 30 January 2023.

Business segment performance

Musti Group's reporting segments are based on geographical regions 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 market. Musti Group holds approximately 31% share of the total pet food and products market. Musti's network has nationwide coverage, and a vast majority of Finnish pet parents are within convenient reach of a Musti store, which are typically located at high traffic locations such as large hypermarkets and popular retail areas. Management continues to see opportunities in further optimizing the network to meet customer needs mainly through relocations, uplifts and adding service points, and through improved omnichannel features.

In Finland, Musti Group focus is both on serving existing customers better to increase share of wallet and to continue winning new customers, both of which support like-for-like growth. Musti's brands in Finland include Musti ja Mirri (store and omnichannel) and Peten Koiratarvike (online focus complemented by select stores).

EUR million or as indicated	10/2021–9/2022	10/2020–9/2021	Change %
Net sales	169.7	152.6	11.2%
Net sales growth. %	11.2%	12.4%	
LFL segment sales growth, %	2.7%	10.6%	
EBITDA	44.5	44.4	0.2%
EBITDA margin. %	26.2%	29.1%	
Adjusted EBITDA	44.5	44.4	0.2%
Adjusted EBITDA margin. %	26.2%	29.1%	
EBITA	34.2	36.0	-5.0%
EBITA margin. %	20.2%	23.6%	
Adjusted EBITA	34.3	36.1	-5.1%
Adjusted EBITA margin. %	20.2%	23.7%	
Number of stores	140	134	4.5%
of which directly operated	140	134	4.5%

Net sales in Finland increased by 11.2% to EUR 169.7 million (EUR 152.6 million). Sales growth was supported by the stores opened or acquired during the latest 12 months underpinned by healthy inflow of new customers, partly offset by increased uncertainty in the economic environment affecting the consumer behavior during the year. Like-for-like growth was 2.7%. Opening new stores also caused some overlapping sales decreasing sales growth by 3 %-points. Like-for-like growth was also affected

by the higher number of new directly operated stores. New stores are calculated in the like-for-like growth after they have been operating for 12 months.

EBITA decreased by 5.0% to EUR 34.2 million (EUR 36.0 million). Adjusted EBITA decreased by 5.1% to EUR 34.3 million (EUR 36.1 million). Adjusted EBITA margin was 20.2% (23.7%). The decrease in profitability was mainly due to increased personnel costs and weakened store efficiency.

During the reporting period, six directly operated stores were opened.

Sweden

In Sweden, Musti Group's focus is on further expansion and increasing efficiency. Musti is the overall market leader with approximately 29% market share. Musti Group's main store and omnichannel brand in Sweden is Arken Zoo, complemented by Djurmagazinet. Through VetZoo, Musti Group has a strong online presence in Sweden.

Musti's goal in Sweden is to continue strong like-for-like growth across all channels through customer acquisition and gaining share of wallet, continued network expansion and strong margin improvement. Significant network expansion has taken place in FY20 to FY22, taking directly operated store count from 68 at end of FY19 to 113 by end of FY22 and strengthening our position across Swedish cities. Ramping up newer store cohorts is a key growth and margin driver, along with increasing own and exclusive brands share of sales towards Finnish levels and cost efficiency measures.

EUR million or as indicated	10/2021–9/2022	10/2020–9/2021	Change %
Net sales	164.9	147.5	11.8%
Net sales growth. %	11.8%	19.7%	
LFL segment sales growth. %	8.9%	9.2%	
EBITDA	37.3	29.7	25.4%
EBITDA margin. %	22.6%	20.2%	
Adjusted EBITDA	37.3	30.1	23.8%
Adjusted EBITDA margin. %	22.6%	20.4%	
EBITA	26.9	21.4	26.2%
EBITA margin. %	16.3%	14.5%	
Adjusted EBITA	26.9	21.7	23.9%
Adjusted EBITA margin. %	16.3%	14.7%	
Number of stores	129	128	0.8%
of which directly operated	113	96	17.7%

Net sales in Sweden increased by 11.8% to EUR 164.9 million (EUR 147.5 million) driven by like-for-like growth of 8.9% and new stores opened or acquired. The sales growth was strong in both stores and online, driven by the increased number of customers. The weakened SEK exchange rate decreased sales by EUR 4.5 million.

EBITA increased by 26.2% to EUR 26.9 million (EUR 21.4 million). Adjusted EBITA increased by 23.9% to EUR 26.9 million (EUR 21.7 million) due to the increased number of directly operated stores. Adjusted EBITA margin increased to 16.3% (14.7%).

During the reporting period, five directly operated stores were opened and 15 stores were acquired in Sweden. Two directly operated stores were closed and two franchise stores left the chain.

Norway

In Norway, Musti Group's focus is on market share gain through continued customer acquisition supported by store roll-out, and on increasing country profitability. Norway remains a more fragmented market compared to Finland and Sweden with Musti holding approximately 13% share of the total pet food and products market. Musti Group's brands in Norway are Musti (store and omnichannel) and VetZoo (online).

Musti entered Norway in October 2016, and majority of the 66 stores (at end of FY22) are still in ramp-up mode. Ramp-up has progressed according to Musti Group's plans and in line with historical patterns. Therefore, the maturation of the network continues to be a key driver of growth and country profitability.

EUR million or as indicated	10/2021–9/2022	10/2020–9/2021	Change %
Net sales	56.5	40.7	38.7%
Net sales growth. %	38.7%	60.6%	
LFL segment sales growth. %	13.9%	30.0%	
EBITDA	14.6	10.0	46.2%
EBITDA margin. %	25.8%	24.5%	
Adjusted EBITDA	14.6	10.0	45.9%
Adjusted EBITDA margin. %	25.8%	24.6%	
EBITA	9.9	6.7	47.8%
EBITA margin. %	17.6%	16.5%	
Adjusted EBITA	9.9	6.8	47.2%
Adjusted EBITA margin. %	17.6%	16.6%	
Number of stores	66	50	32.0%
of which directly operated	66	50	32.0%

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Net sales in Norway increased by 38.7% to EUR 56.5 million (EUR 40.7 million), driven by like-for-like growth of 13.9%. The changes in NOK exchange rate in the reporting period had EUR 1.9 million positive impact on net sales.

EBITA increased by 47.8% to EUR 9.9 million (EUR 6.7 million). Adjusted EBITA increased by 47.2% to EUR 9.9 million (EUR 6.8 million). The increase 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 and latest vintages are developing faster towards maturity than before. EBITA was somewhat burdened by salary inflation and increased premise cost compared to the corresponding period previous year. Adjusted EBITA margin was 17.6% (16.6%).

During the reporting period, 14 directly operated stores were opened and two stores acquired in Norway.

Group functions

The EBITA impact of Group functions was EUR -33.8 million (EUR -29.2 million). Adjusted EBITA was EUR -32.4 million (EUR -27.8 million). Group functions cost in relation to group net sales remained at the previous year's level at 8.6% (8.6%).

Personnel

At the end of the financial year on 30 September 2022, the number of personnel was 1,587 (1,397), of whom 664 (616) were employed in Finland, 650 (578) in Sweden and 274 (203) in Norway. Wages and salaries were in total EUR 56.3 million for the financial year 2022 (EUR 47.5 million).

Personnel

	1 Oct 2021–30 Sep 2022	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	1,523	1,284	1,145	1,084	1,004

Personnel by area

	30 Sep 2022	30 Sep 2021	30 Sep 2020	30 Sep 2019	30 Sep 2018
Finland	664	616	566	583	537
Sweden	650	578	438	425	415
Norway	274	203	158	112	94
Total	**1,587**	**1,397**	**1,162**	**1,120**	**1,046**

Wages and salaries

	1 Oct 2021–30 Sep 2022	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	56,303	47,489	38,042	35,756	33,128

More information on the remunerations 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 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 27 January 2022 at 3:00 p.m. at the company's headquarters in Helsinki, Finland. Shareholders and their proxy representatives could participate in the Annual General Meeting and exercise shareholder rights only through advance voting 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 procedure for the meeting based on the legislative act concerning temporary deviations from the Finnish Companies Act approved by the Finnish Parliament.

The Annual General Meeting adopted the financial statements for the financial year 1 October 2020 – 30 September 2021, discharged the persons who have acted as members of the Board of Directors and as CEO during the financial year from liability and resolved to approve the remuneration report for governing bodies.

The Annual General Meeting decided, in accordance with the proposal of the Board of Directors, that the profit for the financial year 1 October 2020 – 30 September 2021 be added to retained earnings and that no dividend will be paid. In addition, the Annual General Meeting decided that shareholders will be paid a capital return of EUR 0.44 per share from the invested unrestricted equity reserve, and that the capital return will be paid in two instalments.

The first capital return instalment of EUR 0.22 per share was paid to the shareholders who were 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 first capital return instalment was paid on 8 February 2022. The second capital return instalment of EUR 0.22 per share was 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 second capital return instalment will be paid on 18 August 2022. The Annual General Meeting also authorized the Board of Directors to resolve, if necessary, on a new record date and date of payment for the second instalment of the capital return, should the rules of Euroclear Finland Ltd or statues applicable to the Finnish book-entry system change or otherwise so require.

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 65,000; and
- Other members of the Board of Directors: EUR 35,000.

The Annual General Meeting also decided, in accordance with the proposal of the Board of Directors, that the annual remuneration for the members of the Board of Directors be paid in company shares and cash so that 50 per cent of the annual remuneration will be used to purchase company shares in the name and on behalf of the members of the Board of Directors from the market at a price determined in public trading, and the rest of the annual remuneration will be paid in cash. The shares will be purchased within two weeks of the publication of the interim report for the period 1 October 2021–31 December 2021 or as soon as possible in accordance with applicable legislation. The company will pay any costs and transfer tax related to the purchase of company shares. In case the remuneration cannot be paid in company shares due to legal or other regulatory restrictions or due to other reasons related to the company or a member of the Board of Directors, the annual remuneration will be paid fully in cash. A member of the Board of Directors may not transfer the shares received as remuneration before his/her membership in the Board of Directors has ended.

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 7,500; and
- Other Committee members: EUR 5,000.

The Annual General Meeting decided that the number of members of the Board of Directors shall be five (5). Jeffrey David, Ingrid Jonasson Blank and Ilkka Laurila 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. In addition, Inka Mero and Johan Dettel were elected as new members 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 the auditor with principal responsibility. 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 company's own shares and/or on the acceptance as pledge of the company's own shares as follows. 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 the shares in the company. 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 in the company.

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 the shares in the company. The authorization covers both the issuance of new shares as well as the transfer of treasury shares held by the company.

Musti Group's Annual General meeting 2023 is planned to be held on 30 January 2023.

Changes in Group structure

There were no changes in Group structure during October 2021 – September 2022.

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Changes in Group management

On 16 November 2021 Musti Group announced that Tobias Nilsson Vo, Chief Supply Officer and member of the Management Team of Musti Group, will leave the company at the end of year 2021.

On 4 March 2022 Musti Group announced changes in the Group Management Team. The following changes were announced:

Timo Tervo, member of the Group Management Team and Country Director, Finland had resigned from his position in Musti Group. Tervo's last working day at Musti Group was 30 June 2022 and he was a member of the Group Management Team until 31 March 2022.

Daniel Pettersson was appointed as Head of Sweden and Finland (previously Country Director, Sweden). In his expanded role, Pettersson is responsible for management and the ongoing development of the company's store operations in Sweden and Finland commencing 1 April 2022.

Erik Ringen Skjærstad was appointed as Head of Norway and new markets (previously Country Director, Norway). In his expanded role Ringen Skjærstad is responsible for the continuing development of Musti Group's business in Norway as well as leading the development of new initiatives in support of Musti Group's growth aspirations commencing 1 April 2022.

Annamaija Hujala was appointed as Head of Pureplay and member of the Group Management Team (previously Managing Director, Peten Koiratarvike). In her expanded role, Hujala is responsible for the management and continuing development of the pureplay online business groupwide commencing 1 April 2022.

On 10 June 2022 Musti Group announced, that Pamela Nelimarkka has been appointed Musti Group's Chief Operating Officer as of 9 September 2022, to head the sales and operations process, sourcing and the end-to-end supply chain in Musti Group. She will be a member of the Group Management Team and report to CEO David Rönnberg.

Shares and shareholders

Issued shares and share capital

At the end of the reporting period on 30 September 2022, 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.

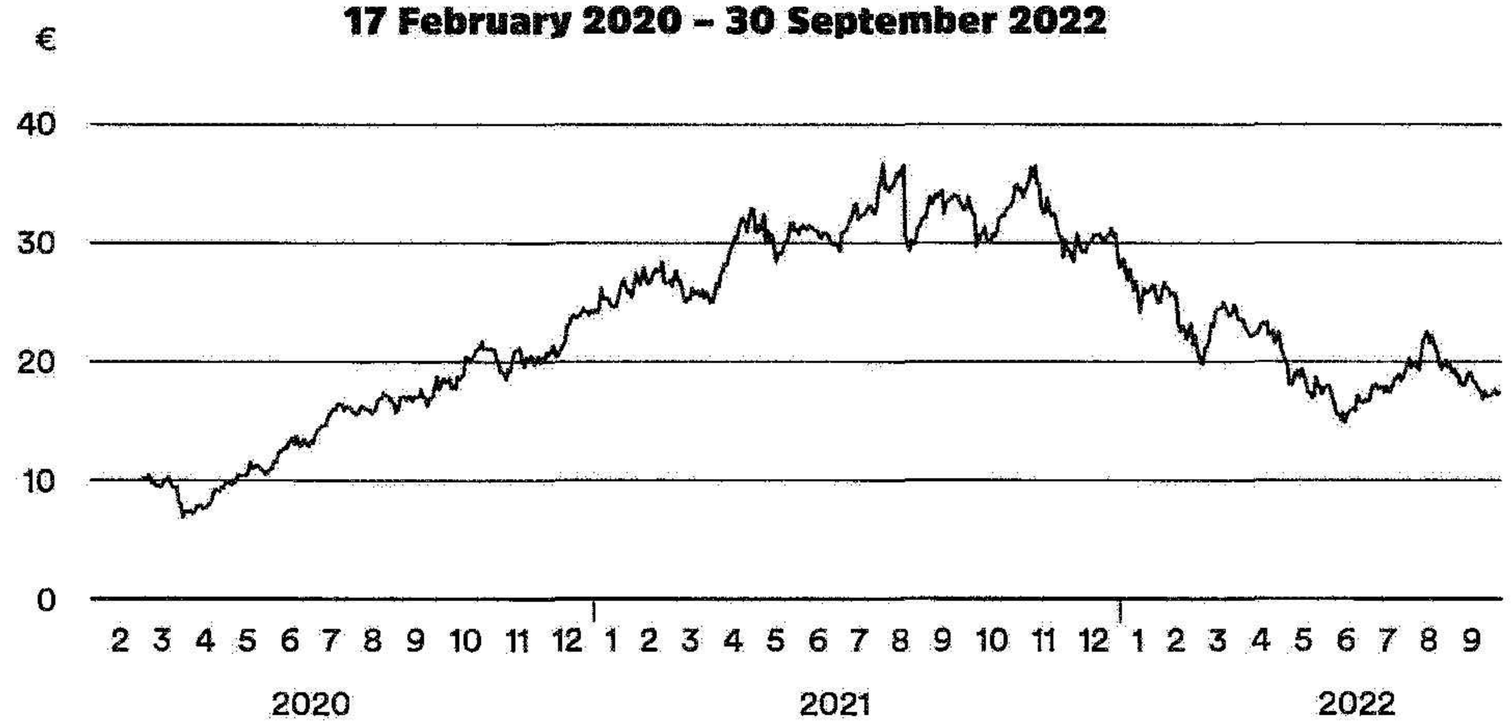
Trading of shares

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 31.00 on 1 October 2021. The closing price of the share on the last trading day of the reporting period on 30 September 2022 was EUR 17.82. The highest price of the share during the financial year was EUR 36.64, the lowest EUR 15.35. The average closing price during the financial year was EUR 23.99 and the average volume per day was 64,610 shares.

Musti Group's market capitalization was EUR 598 million on 30 September 2022.

Musti Group's share price development
17 February 2020 – 30 September 2022



Own shares

On 30 September 2022 Musti Group held 244,000 (244,000) own shares representing 0.73% (0.73%) of the total number of shares and votes. During the reporting period Musti Group did not purchase own shares.

Authorizations of the Board of Directors

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares and/or on the acceptance as pledge of the company's own shares as follows. 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 the shares in the company. 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 in the company.

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 cancelled the authorization given by the Annual General Meeting held on 21 January 2021 to decide on the 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 27 July 2023.

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 the shares in the company. The authorization covers both the issuance of new shares as well as the transfer of treasury 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 cancelled the authorization given by the Annual General Meeting held on 21 January 2021 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 27 July 2023.

Shareholders

At the end of the reporting period, the number of registered shareholders was 11,781. The proportion of nominee-registered shareholders was 70.48% of the company's shares. The 20 largest shareholders registered in the book-entry register maintained by Euroclear Finland Oy held a total of 22.43% of Musti Group's shares and votes at the end of the financial year.

Shareholders, Musti Group, 30 September 2022

	Number of shares	% of shares
1. Varma Mutual Pension Insurance Company	1,415,744	4.22
2. Mandatum Life Insurance Company Limited	1,401,882	4.18
3. Danske Invest Finnish Equity Fund	683,207	2.04
4. Ilmarinen Mutual Pension Insurance Company	682,519	2.04
5. Nordea Finnish Stars Fund	509,643	1.52
6. Elo Mutual Pension Insurance Company	451,000	1.35
7. Evli Finnish Small Cap Fund	437,000	1.30
8. Kaleva Mutual Insurance Company	301,284	0.90
9. Sijoitusrahasto Aktia Capital	260,000	0.78
10. Musti Group Oyj	244,000	0.73
10 shareholders total	6,386,279	19.04
100 largest registered shareholders total	8,505,838	25.36
Nominee registered total	23,634,797	70.48
Number of shares total	**33,535,453**	**100.00**

Shareholders by number of shares held, Musti Group, 30 September 2022

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	8,514	72.27	295,984	0.88
101–500	2,702	22.94	596,834	1.78
501–1,000	304	2.58	228,752	0.68
1,001–5,000	184	1.56	367,860	1.10
5,001–10,000	22	0.19	153,757	0.46
10,001–50,000	26	0.22	542,396	1.62
50,001–100,000	10	0.09	775,503	2.31
100,001–500,000	11	0.09	2,525,108	7.53
500,001–& above	8	0.07	28,049,259	83.64
Total	**11,781**	**100.00**	**33,535,453**	**100.00**

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Shareholders by sector, Musti Group, 30 September 2022

Shareholders by sector	Number of shares	% of shares
Public sector	2,640,227	26.67
Financial and insurance corporations	4,610,863	46.57
Households	1,365,233	13.79
Non-financial corporations	967,642	9.77
Non-profit institutions	306,846	3.10
Rest of the world	9,845	0.10
Total	9,900,656	100.00
Nominee registered	23,634,797	70.50
Number of shares total	**33,535,453**	**100.00**

During October 2021–September 2022, Musti Group received the following announcements under Chapter 9, Section 5 of the Securities Markets Act:

- On 9 December 2021 Musti Group plc received a notification in accordance with Chapter 9, Section 10 of the Finnish Securities Market Act, according to which the total direct and indirect holdings of Ameriprise Financial, Inc. had on 9 December 2021 increased above 5 per cent of the company's shares and votes. According to the notification, the shares are held in portfolios and funds managed on a discretionary basis by Threadneedle Asset Management Limited, and the shares are held through certain nominee companies.
- On 15 February 2022 Musti Group plc received a notification in accordance with Chapter 9, Section 10 of the Finnish Securities Market Act, according to which the total direct and indirect holdings of Grandeur Peak Global Advisors, LLC had on 15 February 2022 increased above 5 per cent of the company's shares and votes.
- On 9 March 2022 Musti Group plc received a notification in accordance with Chapter 9, Section 10 of the Finnish Securities Market Act, according to which the total direct and indirect holdings of Ameriprise Financial, Inc. had on 9 March 2022 decreased below 5 per cent of the company's shares and votes. According to the notification, the shares are held in portfolios and funds managed on a discretionary basis by Threadneedle Asset Management Limited, and the shares are held through certain nominee companies.

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

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 has built a strong responsibility foundation and key performance indicators to measure the results and revises responsibility program and targets regularly as part of a continuous improvement to stay relevant in the responsibility work.

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 responsibility approach is a responsible supply chain, reducing environmental impact as well as good governance and high ethics. In addition, the company has identified three particular focus areas, themes, 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 major suppliers to commit to Musti Group's requirements regarding responsible business practices. Following the Musti Group Supplier Code of Conduct and all national laws and regulations is imperative. The company is conducting visits to the supplier sites in Europe, also the BSCI visits the company's supplier sites in high-risk countries. 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 in high-risk countries 100% of our tier one suppliers have been audited.

On 8 June 2022 Musti Group published updated responsibility approach and targets. The updated targets are available at https://www.mustigroup.com/responsibility/responsibility-targets/.

Musti Group's Non-Financial Information Report for the financial year 2022 has been published together with the Financial Statements and the 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 and inflation

Increasing geopolitical instability could have a significant impact on the global economy and business environment. The European economies have been predicted to shrink or drift into a recession in 2022-2023 partly due to the war in Ukraine and energy crises. Although Musti Group sells products, a recession may have a negative impact on consumer confidence and sales.

General cost level has risen in 2022 following price increases in energy, raw materials, and freights. Musti Group's cost level has increased accordingly and is reflected in higher retail prices to maintain profitability. Higher inflation will also contribute to higher interest rates. These may have an impact on consumer behavior and price competition.

Risks relating to changes in the competitive environment

Pet products and services retail industry has become increasingly competitive. Musti Group's competitors include 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. Many are competing for the same customers with similar offerings, and it is easy to make comparisons between competitors. If Musti Group fails in this competition, its sales and profitability would decrease.

Risks relating to quality of products and services

A failure in product safety control or supply chain quality assurance may result in financial losses, loss of customer trust or in the worst case, a health hazard to a pet. Customers or employees may also make allegations against Musti Group publicly concerning the quality of the company's product or services. This could result in a reputational loss for Musti Group.

Risks relating to changes in customer preferences

Customers' buying patterns may change more rapidly than what the company has anticipated. With the rising trend of online shopping customers expect a simple and consistent shopping experience and fast delivery regardless of the sales channel. Brick-and-mortar stores are expected to offer experiences, a place to meet, and information. Various sustainability aspects in products and services are increasingly important to customers. If the company fails to address the new purchasing patterns and sustainability requirements, there is a risk that the investment in assortment, sales channels and services will not generate the intended results.

Risks relating to sourcing of products

A loss of significant supplier or an 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 may have a material adverse effect on the customer relationships and competitive position.

Risks relating to inventories

A lot of the company's capital may be tied up in carrying the inventory if the company is unable to forecast accurately customer demand. Operative difficulties in managing the inventory and obsolescence may increase costs of inventory or result in selling the goods at discount which may have a negative impact on profitability.

Risks relating to logistics

The company's distribution center in Eskilstuna is its distribution hub. Most goods from suppliers are delivered to Eskilstuna and then distributed to shops and online customers. Collecting the logistics in one location carries certain risks, for example, disruptions to communications and information technology infrastructure, as well as fire and strikes, which may result in business discontinuity or lower sales.

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Risks relating cybercrimes

The frequency of professional cybercrimes is growing. This has increased the risk relating to business continuity and loss of critical information. Cyber-attacks may target, for example, data systems critical for business continuity, or personal data. Cyber-attacks may result in disruptions in sales, personal data leakages, financial losses, compensation for damages or reputational damages.

Risks relating to employees

If Musti Group is not perceived as an attractive and sustainable employer brand, the company may not be able to safeguard skilled and motivated employees. The COVID-19 pandemic has made the workforce more mobile and lowered the threshold of changing jobs. The prerequisite for execution of strategy and reaching the set targets is to be able to maintain insightful and motivated employees.

Risks relating to currency fluctuations

As a significant part of Musti Group's business is in countries outside the eurozone, Musti Group's balance sheet and results are exposed to fluctuations in foreign currency exchange rates. The main transaction exposure currencies are USD and GBP in which Musti Group of companies has outflows related to purchases. Translation exposure arises from subsidiaries reporting in SEK and NOK as results and balance sheet items are consolidated to Musti Group level.

Seasonality

Musti Group's business is characterized 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 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 2023

The underlying trend of pet parenting that drives the long-term structural growth of the pet care market remains robust. The pet space has proven to be resilient in economic downturns. Musti Group expects 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 that shareholders will be paid a capital return of EUR 0.50 per share from the invested unrestricted equity reserve totalling approximately EUR 16.7 million and that no dividend will be paid for the financial year that ended on 30 September 2022. The capital return corresponds approximately 75 % of Musti Group's profit for the financial year.

The parent company's distributable funds total EUR 144,049,079.54 of which the profit for the financial year is EUR 3,618,827.84.

The Board of Directors proposes that the capital return be paid in two instalments. The first instalment of EUR 0.25 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 1 February 2023. The Board of Directors proposes that the first capital return instalment would be paid on 8 February 2023.

The second capital return instalment of EUR 0.25 per share would be paid in August 2023. The second instalment would be paid 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 22 August 2023. The Board of Directors proposes that the second capital return instalment would be paid on 29 August 2023.

The Board of Directors also proposes that the Annual General Meeting would authorize the Board of Directors to resolve, if necessary, on a new record date and date of payment for the second capital return instalment should the rules of Euroclear Finland Ltd or statues applicable to the Finnish book-entry system change or otherwise so require.

Helsinki, 15 December 2022
Board of Directors

Financial ratios and alternative performance measures

EUR million or as indicated	10/2021–9/2022	10/2020–9/2021	10/2019–9/2020
Net sales	391.1	340.9	284.4
Net sales growth, %	14.7%	19.9%	15.3%
LFL sales growth, %	6.7%	11.8%	11.5%
LFL store sales growth, %	4.2%	8.8%	7.3%
Online share of net sales, %	14.7%	23.1%	22.5%
Gross margin, %	46.4%	45.7%	43.8%
EBITDA	65.4	56.9	43.8
EBITDA margin, %	16.7%	16.7%	15.4%
Adjusted EBITDA	66.9	58.8	48.1
Adjusted EBITDA margin, %	17.1%	17.3%	16.9%
EBITA	37.3	34.9	25.5
EBITA margin, %	9.5%	10.2%	9.0%
Adjusted EBITA	38.8	36.8	29.8
Adjusted EBITA margin, %	9.9%	10.8%	10.5%
Operating Profit	30.9	28.4	19.6
Operating Profit margin, %	7.9%	8.3%	6.9%
Profit/loss for the period	22.3	20.9	11.8
Cash flow from operating activities	46.1	54.9	42.3
Investments in tangible and intangible assets	14.2	12.9	8.9
Net debt	143.4	113.3	94.7
Gearing, %	89.4%	72.2%	61.8%
Net debt / LTM Adjusted EBITDA	2.1	1.9	2.0
Equity ratio %	43.2%	46.5%	49.1%
Number of loyal customers, thousands	1,454	1,297	1,151
Number of stores at end of period	335	312	293
of which directly operated	319	280	231
Own & Exclusive share, %	52.7%	51.0%	50.3%

EUR million or as indicated	10/2021–9/2022	10/2020–9/2021	10/2019–9/2020
Share performance indicators			
Earnings per share, basic, EUR	0.67	0.62	0.37
Earnings per share, diluted, EUR	0.66	0.62	0.37
Equity per share, EUR	4.78	4.68	4.57
Dividend payout per share and capital return total	0.50	0.44	0.38
Dividend payout and return of capital, total of result, %	75.1%	70.6%	108.4%
Effective dividend yield, %	2.8%	1.4%	1.8%
Price/earnings ratio (P/E)	26.6	49.46	56.21
Highest share price, EUR	36.64	37.22	20.94
Lowest share price, EUR	15.35	18.41	7.00
Share price as at 30 September	17.82	30.9	20.80
Market capitalisation	597.6	1,036.2	697.5
Share turnover during the financial year, %	48.7%	72.1%	n.a.
Shares outstanding at the end of the period	33,535,453	33,535,453	33,535,453
Shares outstanding at the end of the period, diluted	33,623,919	33,576,033	33,722,953
Weighted average adjusted number of shares during the financial period, basic	33,337,805	33,410,411	31,652,469
Weighted average adjusted number of shares during the financial period, diluted	33,578,629	33,655,418	31,730,594

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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
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	10/2021–9/2022	10/2020–9/2021	
Gross profit			
Net sales	391.1	340.9	284.4
Material and services	-209.6	-185.2	-159.7
Gross profit	**181.5**	**155.6**	**124.7**
Gross margin (%)	**46.4%**	**45.7%**	**43.8%**
Earnings before interest, taxes, depreciation and amortization (EBITDA)			
Operating profit	30.9	28.4	19.6
Depreciation, Amortization and Impairment	34.5	28.5	24.2
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**65.4**	**56.9**	**43.8**
EBITDA margin (%)	**16.7%**	**16.7%**	**15.4%**
Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)			
Operating profit	30.9	28.4	19.6
Depreciation, amortization and Impairment	34.5	28.5	24.2
Adjustments	1.5	1.9	4.3
Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)	**66.9**	**58.8**	**48.1**
Adjusted EBITDA margin (%)	**17.1%**	**17.3%**	**16.9%**
Adjustments (EBITDA)			
Restructuring related expenses	0.0	0.0	0.0
Acquisition/IPO related expenses	0.0	0.0	3.4
Other items affecting comparability	1.5	1.9	0.9
Adjustments (EBITDA)	**1.5**	**1.9**	**4.3**
Earnings before interest, taxes and amortization (EBITA)			
Operating profit	30.9	28.4	19.6
amortization and impairment	6.4	6.5	6.0
Earnings before interest, taxes and amortization (EBITA)	**37.3**	**34.9**	**25.5**
EBITA margin (%)	**9.5%**	**10.2%**	**9.0%**

EUR million or as indicated	10/2021–9/2022	10/2020–9/2021	
Adjusted earnings before interest, taxes and depreciation (Adjusted EBITA)			
Operating profit	30.9	28.4	19.6
Amortization and impairment of intangible assets	6.4	6.5	6.0
Adjustments	1.5	1.9	4.3
Adjusted earnings before interest, taxes and depreciation (Adjusted EBITA)	**38.8**	**36.8**	**29.8**
Adjusted EBITA margin (%)	**9.9%**	**10.8%**	**10.5%**
Adjustments (Operating profit)			
Restructuring related expenses	0.0	0.0	0.0
Acquisition/IPO related expenses	0.0	0.0	3.4
Other items affecting comparability	1.5	1.9	0.9
Adjustments (Operating profit)	**1.5**	**1.9**	**4.3**
Earnings per share, basic			
Profit/loss for the period	22.3	20.9	11.8
Non-controlling interest	0.0	0.0	0.0
Average number of shares	33.3	33.4	31.7
Earnings per share, basic	**0.67**	**0.62**	**0.37**
Earnings per share, diluted			
Profit/loss for the period	22.3	20.9	11.8
Non-controlling interest	0.0	0.0	0.0
Average number of shares*	33.6	33.7	31.8
Earnings per share, diluted	**0.66**	**0.62**	**0.37**

*Includes shares from Restricted Share Plan (PSP)

Net debt			
Interest-bearing liabilities	155.5	126.3	116.3
Derivative financial instruments	-2.1	0.0	0.0
Cash and cash equivalents	10.1	13.0	21.6
Net debt	**143.4**	**113.3**	**94.7**

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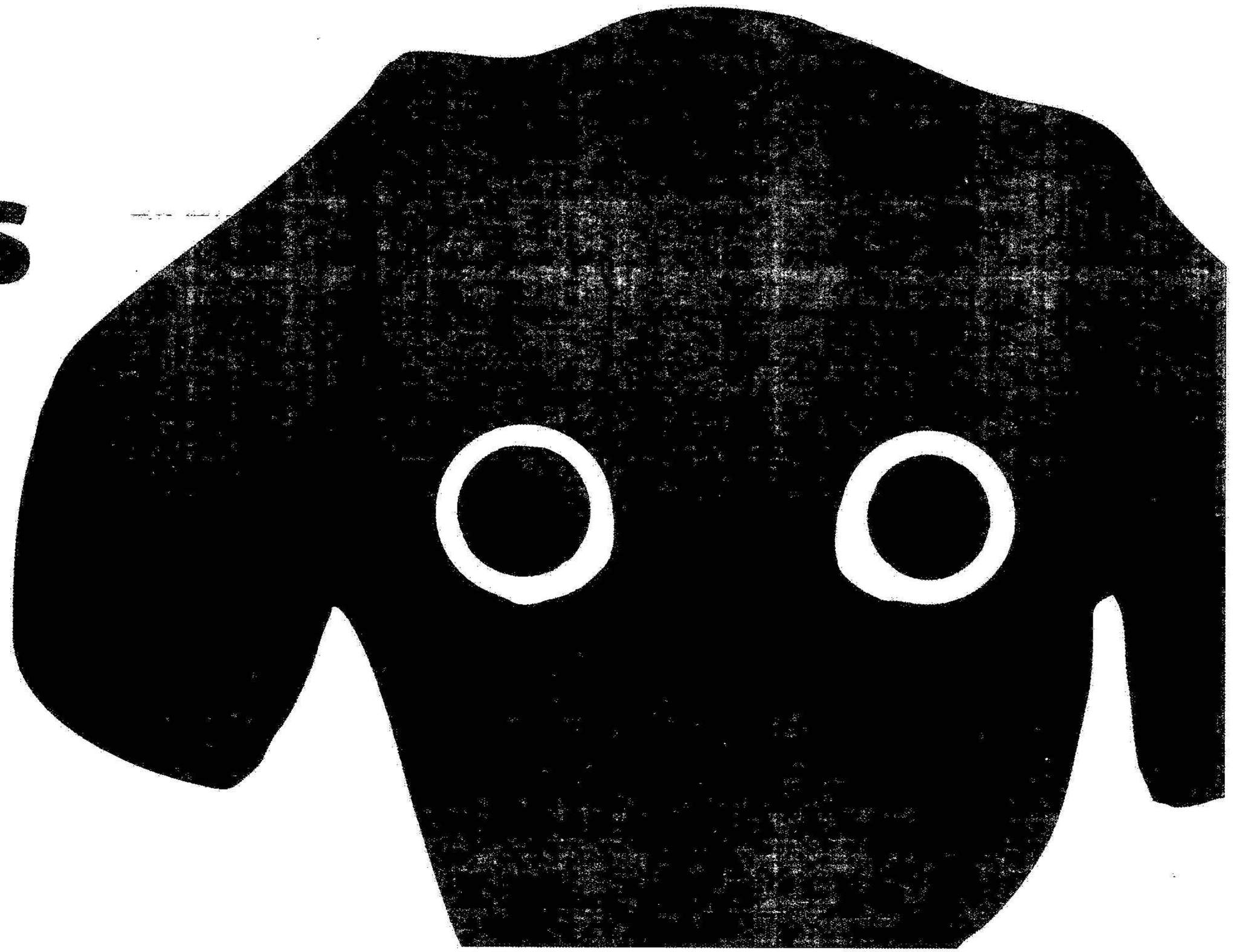
EUR million or as indicated	10/2021–9/2022	10/2020–9/2021	
Gearing (%)			
Net Debt	143.4	113.3	94.7
Equity	160.4	157.0	153.3
Gearing (%)	**89.4%**	**72.2%**	**61.8%**
Net debt/LTM Adjusted EBITDA			
Net debt	143.4	113.3	94.7
LTM adjusted EBITDA	66.9	58.8	48.1
Net debt/LTM adjusted EBITDA	**2.1**	**1.9**	**2.0**
Equity ratio (%)			
Total equity	160.4	157.0	153.3
Total assets	371.4	337.5	312.3
Advances received	0.3	0.3	0.2
Equity ratio (%)	**43.2%**	**46.5%**	**49.1%**
LFL sales growth (%)			
Net sales	391.1	340.9	284.4
Net sales growth %	14.7%	19.9%	15.3 %
Other growth %	8.1%	8.1%	3.8 %
LFL sales growth (%)	**6.7%**	**11.8%**	**11.5%**
LFL store sales growth (%)			
Store sales	300.3	250.1	206.6
Store sales total growth %	20.1%	21.1%	13.2 %
Other growth %	15.9%	12.3%	5.9 %
LFL store sales growth (%)	**4.2%**	**8.8%**	**7.3%**
Net sales			
Store sales	300.3	250.1	206.6
Online sales	87.0	78.7	64.1
Other sales	3.8	12.1	13.8
Net sales	**391.1**	**340.9**	**284.4**
Online share (%)			
Net sales	391.1	340.9	284.4
Online sales	87.0	78.7	64.1
Online share (%)	**22.2%**	**23.1%**	**22.5%**

Financial Statements



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Musti Group plc

Financial Statements 30 September 2022

No assurance has been obtained for the ESEF tagging of the digital financial statements.

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Consolidated statement of income, IFRS

EUR thousand	Note	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Net sales	2.1	**391,122**	**340,856**
Other operating income	2.2	2,516	2,270
Share of profit of a joint venture	3.4	84	30
Materials and services	4.1	-209,626	-185,239
Employee benefit expenses	2.3	-72,592	-61,828
Other operating expenses	2.3	-46,078	-39,147
Depreciation, amortization and impairment	3.2, 3.3, 3.5, 3.6	-34,542	-28,565
Operating profit		**30,882**	**28,377**
Financial income	5.4	6,395	5,780
Financial expenses	5.4	-8,837	-7,275
Financial income and expenses, net		-2,443	-1,495
Profit before taxes		**28,440**	**26,882**
Income tax expense	6.2	-6,109	-5,988
Profit/loss for the period		**22,330**	**20,895**
Attributable to:			
Owners of the parent		22,328	20,872
Non-controlling interest		2	23
Earnings per share (EUR) for profit attributable to owners of the parent			
Basic EPS (EUR)		0.67	0.62
Diluted EPS (EUR)		0.66	0.62

Consolidated statement of comprehensive income, IFRS

EUR thousand	Note	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Profit/loss for the period		22,330	20,895
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences		-6,148	1,138
Tax on items that may be reclassified to profit or loss		512	0
Total comprehensive income		**16,695**	**22,033**
Attributable to:			
Owners of the parent		16,705	22,006
Non-controlling interest		-10	27

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Consolidated statement of financial position, IFRS

EUR thousand	Note	30 Sep 2022	30 Sep 2021
ASSETS			
Non-current assets			
Goodwill	3.1, 3.2, 3.3	170,505	157,831
Other intangible assets	3.2	16,896	18,705
Right-of-use assets	3.6	76,227	71,745
Property, plant and equipment	3.5	18,538	15,759
Investments in joint ventures	1.4, 3.4	1,074	990
Deferred tax assets	6.2	4,351	5,008
Other non-current receivables		154	109
Total non-current assets		**287,744**	**270,148**
Current assets			
Inventories	4.1	61,401	44,297
Trade and other receivables	4.2, 5.1	9,486	9,322
Loan receivables	5.2	0	0
Derivative financial instruments	5.2	2,135	484
Income tax receivables	6.2	625	281
Cash and cash equivalents	5.2	10,054	13,013
Total current assets		**83,702**	**67,397**
TOTAL ASSETS		**371,446**	**337,545**

EUR thousand	Note	30 Sep 2022	30 Sep 2021
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	5.6	11,002	11,002
Other reserves	5.6	140,043	154,691
Own shares	5.6	-6,910	-6,910
Translation differences	5.6	-5,161	975
Retained earnings		21,318	-2,891
Total equity attributable to owners of the parent		**160,292**	**156,867**
Equity attributable to non-controlling interest		75	110
Total equity		**160,367**	**156,977**
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	5.2	59,898	49,872
Lease liability	3.6	57,776	56,713
Deferred tax liabilities	6.2	3,265	2,684
Other liabilities	5.2	0	14
Total non-current liabilities		**120,940**	**109,283**
Current liabilities			
Commercial papers	5.2	14,950	0
Lease liability	3.6	22,905	19,759
Trade and other payables	4.3	48,571	46,827
Derivative financial instruments	5.2	73	441
Income tax liabilities	6.2	3,640	4,257
Total current liabilities		**90,139**	**71,285**
Total liabilities		**211,079**	**180,567**
TOTAL EQUITY AND LIABILITIES		**371,446**	**337,545**

Consolidated statement of changes in equity

EUR thousand	Attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Other reserves	Treasury shares	Translation differences	Retained earnings	Total		
Equity at 1 Oct 2021	**11,002**	**154,691**	**-6,910**	**975**	**-2,890**	**156,867**	**110**	**156,977**
Profit/loss for the period					22,328	22,328	2	22,330
Translation differences				-6,136		-6,136	-13	-6,148
Tax on other comprehensive income					512	512		512
Total comprehensive income	**0**	**0**	**0**	**-6,136**	**22,840**	**16,705**	**-10**	**16,695**
Other changes					19	19	-10	9
Capital returns		-14,648				-14,648		-14,648
Dividends						0	-15	-15
Acqusition of own shares			0			0		0
Share-based incentive plan					1,349	1,349		1,349
Equity at 30 Sep 2022	**11,002**	**140,043**	**-6,910**	**-5,161**	**21,318**	**160,292**	**75**	**160,367**

EUR thousand	Attributable to owners of the parent						Non-controlling interest	Total equity
	Share capital	Other reserves	Treasury 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**
Other changes								
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**

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Consolidated statement of cash flows, IFRS

EUR thousand	Note	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Cash flows from operating activities			
Profit before taxes		28,440	26,882
Adjustments			
Depreciation, amortization and impairment		34,542	28,565
Financial income and expenses, net		2,443	1,495
Other adjustments		1,296	1,466
Cash flows before changes in working capital		66,720	58,409
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	4.2	-764	-2,782
Increase (-) / decrease (+) in inventories	4.1	-16,301	-6,653
Increase (+) / decrease (-) in trade and other payables	4.3	1,678	5,269
Cash flows from operating activities before financial items and taxes		51,333	54,243
Income taxes paid		-5,199	706
Net cash from operating activities		**46,135**	**54,950**

EUR thousand	Note	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Cash flows from investing activities			
Investments in tangible and intangible assets	3.2, 3.5	-14,216	-12,878
Acquisition of subsidiaries and business acqusitions, net of cash acquired	3.1	-18,735	-10,330
Increase/decrease in non-current receivables		0	230
Increase/decrease in current receivables		0	10
Net cash from investing activities		**-32,951**	**-22,969**
Cash flows from financing activities			
Capital returns paid	5.6	-14,630	-12,720
Dividends paid	5.2	-15	-75
Acqusition of own shares	5.2	0	-6,910
Proceeds from non-current loans		60,000	0
Repayments of non-current loans		-50,000	0
Issuance of commercial papers	3.6	14,946	0
Repayments of lease liabilities		-22,114	-17,297
Interest and other financial expenses paid		-7,089	-5,190
Interest and other finance income received		2,759	1,620
Net cash flow from financing activities		**-16,143**	**-40,573**
Net change in cash and cash equivalents		**-2,959**	**-8,592**
Cash and cash equivalents at start of period	5.1, 5.2	13,013	21,606
Cash and cash equivalents at end of period		**10,054**	**13,013**

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 wellbeing 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 15 December 2022. 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 2022. 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.

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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 subsidiary net investments and non-current subsidiary loans without agreed settlement dates are recognized through Other Comprehensive Income (OCI) to cumulative translation adjustments under equity. The Group classified certain intercompany loans as net investments in the second quarter of the financial year 2022 and the translation differences arising from them are recorded in OCI.

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 and contractual liabilities	2.1 and 4.3
Business combinations	3.1
Goodwill impairment testing	3.3
Inventory valuation	4.1
Leases	3.6

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 of 30 September 2022. 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 2022

	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 Holding AB	Sweden	100.0
Arken Zoo 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.

	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 2021. The amendments include Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) and COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16). Amendments and annual improvements have not had a major impact on the financial statements.

The Group will apply the new or amended standards as they become effective. Musti Group estimates that IFRS standards or IFRIC interpretations that are published at the time when these financial statements have been prepared and will become effective in the future, will not have a material impact on the Group's financial statements.

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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 335 stores on 30 September 2022 (30 September 2021: 312), of which own stores amounted to 319 (30 September 2021: 280).

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. Online sales of Vetzoo is reported fully under Sweden.

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 growth 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 2022

EUR thousand	Finland	Sweden	Norway	Group functions	Group
Net sales*	**169,704**	**164,905**	**56,512**	**0**	**391,122**
% split of net sales between segment	43%	42%	14%	0%	100%
EBITDA	**44,486**	**37,273**	**14,586**	**-30,920**	**65,425**
Adjustments	39	0	0	1,424	1,463
Adjusted EBITDA	**44,525**	**37,273**	**14,586**	**-29,497**	**66,888**
Depreciation and impairment of right-of use assets and tangible assets	-10,252	-10,335	-4,644	-2,892	-28,124
EBITA	**34,234**	**26,938**	**9,941**	**-33,813**	**37,300**
Adjustments	39	0	0	1,424	1,463
Adjusted EBITA	**34,273**	**26,938**	**9,941**	**-32,389**	**38,763**
Amortization and impairment of intangible assets					-6,418
Operating profit					**30,882**
Financial income					6,395
Financial expenses					-8,837
Profit before taxes					**28,440**
Income tax expense					-6,109
Profit/loss for the period					**22,330**

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

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**

Amortization 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.

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 on the next page.

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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 credit cards, and the revenue from the sales of goods is recognized at the time of transfer when the customer gains control of 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 of 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 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 2021–30 Sep 2022	%	1 Oct 2020–30 Sep 2021	%
Store sales	300,291	76.8	250,118	73.4
Online sales	86,996	22.2	78,669	23.1
Other sales	3,834	1.0	12,068	3.5
Total	**391,122**	**100.0**	**340,856**	**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 Finland and Sweden operate a loyalty program where the members accrue bonuses from their purchases made in the stores. The net sales of these companies are adjusted with the customer refunds in the loyalty program as a part of the sales transaction. Simultaneously, accrued liability on bonus is recognized on the balance sheet. 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.

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.

Other operating income

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Rental income	349	356
Marketing contribution	1,360	1,244
Other received contribution	471	377
Other items	337	293
Total	**2,516**	**2,270**

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 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Personnel on average	1,523	1,283
Personnel at the end of period	1,587	1,397

Employee benefit expenses

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Wages and salaries	56,303	47,489
Pension costs – defined contribution plans	12,709	5,111
Share based payments	1,349	1,370
Other employee benefit expenses	2,231	7,858
Total	**72,592**	**61,828**

Other operating expenses

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Rental expenses	9,068	6,786
Maintenance, IT and equipment expense	6,245	5,348
Sales and marketing	15,887	14,274
Travel costs	1,240	683
Voluntary staff expenses	1,731	1,391
Other business expense*	11,907	10,665
Total	**46,078**	**39,147**

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

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Auditor's fees

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Ernst & Young		
Audit fees	340	340
Tax advisory	83	132
Other services	44	173
Total	**466**	**645**

2.4 Share-based payments

The Note below provides information and describes the impacts of the Group's share-based incentive plans. More information on share-based incentive 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 new 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 2022, 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 winter of 2023.

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 2022 amounted to 796 thousand euros (947 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 winter of 2024.

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 2022 amounted to EUR 490 thousand (2021: EUR 423 thousand). 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.

In the third performance period, the plan has 37 participants at most and the targets for the performance period relates to company's total shareholder return (TSR) and adjusted EBITA. The maximum number of shares to be paid based on the performance period is approximately 104,400 Musti Group plc's shares. The number of shares represents gross earning, from which the withholding of 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 performance period will be paid out during winter of 2025.

The total expense for the share-based payments is recognized over the vesting period, which is 36 months in the plan commencing 2022–2024. For the plan commencing 2022–2024, the compensation is measured during performance period in cash, and only after performance period at grant date translated into shares. The expense recognized for 2022 amounted to EUR 63 thousand. The cost related to share-based payments is recognized in staff costs. The share price at the grant date of the PSP was EUR 26.06. The fair value of the share plan at the grant date was in total EUR 0.7 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 FY2020–22	Performance period FY2021–23	Performance period FY2022–24
Number of share awards granted, maximum, pcs*	250,000	137,600	104,400
Number of plan participants at end of financial year	10	27	31
Share price at balance sheet date, EUR	17.82	17.82	17.82
Assumed fulfilment of performance criteria, %	100.0%	100.0%	15.0%
Estimated number of share awards returned prior to the end of commitment period, %	9.0%	11.0%	14.0%

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

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3. CAPITAL EMPLOYED

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 the impacts of COVID-19 and the war in Ukraine 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. During 2022 Musti Group acquired stores from its franchisees and independent entrepreneurs in Sweden and Norway as asset deals.

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 2021–30 Sep 2022

During the period 1 October 2021 – 30 September 2022 Musti Group acquired 15 pet stores in Sweden and 2 in Norway as business acquisitions. The total purchase price of the stores was approximately EUR 18.7 million and the resulting goodwill EUR 17.5 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 10.9 million and increased operating profit by EUR 1.8 million for the period 1 October 2021 – 30 September 2022. The effect on the Group's net sales would have been approximately EUR 18.3 million and on the operating profit EUR 3.0 million for the period ended 30 September 2022 if the acquisitions had been consolidated from the beginning of the financial year.

Acquisitions 1 Oct 2020–30 Sep 2021

Musti Group's subsidiary Arken Zoo 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 period 1 October 2020 – 30 September 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, of which EUR 3.8 million was for business acquisitions during Q4 2021, 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 period 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 period ended 30 September 2021 if the acquisitions had been consolidated from the beginning of the financial year.

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.

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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 3–10 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
2022				
Cost 1 Oct 2021	**158,318**	**43,540**	**1,165**	**203,023**
Business combinations				0
Additions	17,541	5,231	-351	22,420
Disposals and closing of stores		0		0
Reclassifications	0	0	0	0
Exchange differences	-5,236	-1,006	-9	-6,251
Cost 30 Sep 2022	**170,623**	**47,765**	**805**	**219,192**
Accumulated amortisation and impairment at 1 Oct 2021	**-487**	**-26,000**	**0**	**-26,486**
Amortisation		-6,425		-6,425
Impairment and closing of stores	0			0
Reclassifications	0	0		0
Exchange differences	369	751	0	1,120
Accumulated amortisation and impairment at 30 Sep 2022	**-117**	**-31,674**	**0**	**-31,792**
Net book value at 1 Oct 2021	**157,831**	**17,540**	**1,165**	**176,536**
Net book value at 30 Sep 2022	**170,505**	**16,090**	**805**	**187,401**
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**

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 based on value-in-use calculations requiring estimates. The calculations use cash flow projections based on budgets and financial estimates approved by management covering a three-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 three years, and cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rates are based on the management's prudent estimates on future growth in the business. Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described 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 three-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 2022	30 Sep 2021
Finland	94,486	94,486
Sweden	71,397	60,801
Norway	4,622	2,545
Total	**170,505**	**157,831**

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 three-year forecast period. The projections have been prepared to reflect the past performance and conservative expectations for the future considering the Group's market position and the general economic environment. Cash flows beyond the three-year period are extrapolated using the estimated growth rates of 2% (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 10.7% (2021: 8.2%), in Sweden 9.6% (2021: 7.9%) and in Norway 9.6% (2021: 8.1%).

As result of the impairment tests performed no impairment loss has been recognized for any period presented. In 2022 the recoverable amount calculated on the basis on value-in use exceeded the carrying value by EUR 72.8 million in Finland, EUR 52.9 million in Sweden and EUR 95.9 million in Norway (2021: EUR 183.1 million in Finland, EUR 134.0 million in Sweden and EUR 163.6 million 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 average revenue growth used for the forecast period has been 10.4%. 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 both parties, are treated as joint ventures due to their nature. The Group has one joint venture, Premium Pet Food Suomi Oy, which produces pet foods. The book value of the investments is EUR 1,074 thousand on 30 September 2022 (30 September 2021: EUR 990 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

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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.

Summarized balance sheet

EUR thousand	30 Sep 2022	30 Sep 2021
Total non-current assets	**8,903**	**8,033**
Current assets		
Cash	-67	86
Other current assets	2,703	1,250
Total current assets	**2,636**	**1,336**
Total assets	**11,539**	**9,369**
Non-current liabilities		
Financial liabilities	7,927	6,688
Other non-current liabilities	0	100
Total non-current liabilities	**7,927**	**6,788**
Current liabilities		
Financial liabilities	600	512
Other liabilities	1,335	735
Total current liabilities	**1,935**	**1,246**
Total liabilities	**9,862**	**8,035**
Equity	**1,677**	**1,335**
Group's share of equity	**822**	**654**

Summarized statement of profit or loss

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Net sales	7,672	4,177
Depreciation and amortisation	-707	-519
Financial income and expenses	-199	-194
Profit before tax	**536**	**-87**
Appropriations	-119	98
Income tax expense	-69	0
Profit (loss) for the year	**348**	**11**
Group's share of profit for the year	**171**	**5**
Dividends received	**0**	**0**

Changes in the carrying amount of the joint venture

EUR thousand	30 Sep 2022	30 Sep 2021
Book value at the beginning of the financial year	990	960
Share of profit	84	30
Book value at the end of the financial year	**1,074**	**990**

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
2022				
Cost 1 Oct 2021	**17,765**	**15,881**	**89**	**33,736**
Business combinations				0
Additions	3,283	6,515	-29	9,770
Disposals		-70		-70
Reclassifications	0	0		0
Exchange differences	-542	-924	0	-1,467
Cost 30 September 2022	**20,507**	**21,403**	**60**	**41,969**
Accumulated depreciation at 1 Oct 2021	**-11,344**	**-6,633**	**0**	**-17,977**
Depreciation	-2,826	-3,334		-6,159
Impairment				0
Disposals		65		65
Reclassifications				0
Exchange differences	357	281		638
Accumulated depreciation at 30 Sep 2022	**-13,813**	**-9,620**	**0**	**-23,433**
Net book value at 1 Oct 2021	**6,421**	**9,248**	**89**	**15,758**
Net book value at 30 Sep 2022	**6,694**	**11,783**	**60**	**18,536**

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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**

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 the next page).

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

Musti Group determines the value of the lease liability on the date when the lease agreement comes into effect. The value of the lease liability 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 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
2022			
Net book value at 1 Oct 2021	**71,225**	**520**	**71,745**
New contracts	21,778	417	22,195
Contracts terminated prematurely	-1,396	-70	-1,466
Revaluations and modifications	8,715	63	8,778
Exchange rate differences	-3,029	-29	-3,058
Depreciation	-21,688	-278	-21,966
Net book value at 30 Sep 2022	**75,604**	**623**	**76,227**

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**

Lease liability

EUR thousand	30 Sep 2022	30 Sep 2021
Lease liability at 1 Oct	**76,472**	**66,494**
Net increases	26,173	27,385
Rent expenses	-24,197	-19,679
Interest expense	2,233	2,272
Lease liability at 30 Sep	**80,681**	**76,472**

EUR thousand	30 Sep 2022	30 Sep 2021
Non-current lease liability	57,776	56,713
Current lease liability	22,905	19,759
Total	**80,681**	**76,472**

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 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Expenses from short-term rental agreements, leasing agreements with minor value and variable rental costs, that are not included in the lease liability	-1,181	-1,470
Depreciation of right of use assets	-21,966	-17,620
Interest expenses from lease liability*	-2,233	-2,272
Total	**-25,380**	**-21,362**

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

Repayments of lease liabilities in the financing cash flow amounted to EUR 22,114 (17,297) thousand.
The weighted average interest used in the calculation of interest expenses was 2.8% (3.0%).

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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 2022	30 Sep 2021
Net working capital		
Inventories	61,401	44,297
Trade and other receivables	9,486	9,322
Excluding financial items in other receivables	0	0
Trade and other payables	-48,571	-46,827
Excluding financial items in other liabilities	29	256
Total	**22,345**	**7,048**
Change of net working capital in the balance sheet	-15,297	3,700
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*	-90	-7,865
Change of net working capital in the cash flow statement**	-15,387	-4,166

*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 2022	30 Sep 2021
Finished goods	56,785	39,580
Advance payments	4,616	4,717
Total	**61,401**	**44,297**

Inventories recognised as expenses, for which the carrying amount of inventories was reduced to the net relisable value	3,295	4,867

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
The amount of inventories recognized as an expense during the period	224,993	186,465

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 ordinary course of 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 ordinary course of the Group's 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 on right set forth the items included in the trade and other receivables:

Trade and other receivables

EUR thousand	30 Sep 2022	30 Sep 2021
Trade receivables*	2,660	3,597
Prepayments and accrued income	4,214	4,615
Other receivables	2,612	1,110
Total	**9,486**	**9,322**

*Credit card receivables are included in the trade receivables.

Of the trade receivables, a total of EUR 84 thousand has been recognized as a credit loss in the statement of profit and loss in 2022. During 2021 the credit loss in the statement of profit and loss was EUR 79 thousand.

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 amortized cost using the effective interest rate method. Trade and other payables are classified as other financial liabilities and measured at amortized 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.

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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 2022	30 Sep 2021
Trade payables	24,263	23,794
Advances received	287	269
Other liabilities	10,841	9,261
Accrued expenses	13,180	13,503
Total	**48,571**	**46,827**

Material items included in accrued expenses

EUR thousand	30 Sep 2022	30 Sep 2021
Personnel related costs	9,280	9,020
Accrued interests	29	256
Other items	3,871	4,227
Total	**13,180**	**13,503**

Material items included in other liabilities

EUR thousand	30 Sep 2022	30 Sep 2021
VAT liabilities	7,005	5,967
Payroll taxes	2,300	2,133
Loyalty program	1,381	1,131
Other items	156	30
Total	**10,841**	**9,261**

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 bonuses or stamp card discounts accrued to the loyal customer account (see Note 2.1 Segment reporting and net sales) less the estimated expiration date of the bonuses or discounts based on historical information.

5. CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

This Note describes Musti Group's exposure to financial risks, how these risks may impact Musti Group's financial results and how the management identifies and mitigates exposures.

5.1 Financial risk management

The purpose of the risk management is to ensure access to cost efficient funding and to decrease the negative impacts on the Group's profit and balance sheet caused by financial markets.

The financial risk management of the Group is governed by the Treasury Policy. The Chief Financial Officer presents the policy to the Board of Directors for approval. The implementation of the policy including funding, identification of exposures and hedging is delegated to the Group Treasurer.

Foreign exchange rate risk

Foreign exchange risk is defined as the uncertainty in cash flows, equity and financial performance arising from currency exchange rate volatility.

The Group is subject to foreign exchange rate risk arising from subsidiary financing, commercial cash flows and intra-group invoicing. The Group's most significant transaction currency risks arise from the Norwegian Krone (NOK), the US dollar (USD) and the British Pound (GBP).

Transaction risk

Transaction risk arises from commercial cashflows in foreign denominated currency (purchases and sales) and balance sheet items in foreign denominated currency (such as loans, deposits, and interest flows).

Forecasted commercial cash flows are hedged up to 12 months in advance. Finnish and Swedish subsidiaries have hedged forecasted USD and GBP outflows using currency derivative agreements. Additionally, receivables denominated in NOK and purchases in EUR have been hedged in one of the Swedish subsidiaries. Significant strengthening of the USD and GBP in relation to EUR and SEK and weakening of the NOK in relation to SEK has a negative impact on the value of the forecasted cashflows.

Intra-group funding is granted in local currency of the subsidiary and is fully hedged with currency forward agreements excluding loans classified as net investments in foreign subsidiaries.

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

	30 Sep 2022			
EUR thousand	**SEK**	**NOK**	**USD**	**GBP**
Trade payables	-203	0	-211	-1,241
Trade receivables		722		
Interest-bearing receivables	642			
Cash and cash equivalents	130	212	44	-6
Currency derivatives*	-2,640	-7,398	5,878	3,817
Position, total	**-2,071**	**-6,465**	**5,711**	**2,569**

	30 Sep 2021			
EUR thousand	**SEK**	**NOK**	**USD**	**GBP**
Trade payables	-1,811	-1	-850	-1,130
Trade receivables		474	18	
Interest-bearing receivables	40,724	3,443		
Cash and cash equivalents	1,570	-991		44
Currency derivatives*	0	-6,552	7,419	6,542
Position, total	**40,484**	**-3,626**	**6,587**	**5,456**

*The Group has entered into foreign exchange derivative agreements to hedge forecasted cashflows in SEK (vs EUR), NOK, USD and GBP.

This Group level currency exposure is the basis for the sensitivity analysis of foreign exchange risk. Assuming euro to appreciate 10% against all other currencies, the impact would be:

	30 Sep 2022			
EUR thousand	**SEK**	**NOK**	**USD**	**GBP**
EUR +10%	207	646	-571	-257

	30 Sep 2021			
EUR thousand	**SEK**	**NOK**	**USD**	**GBP**
EUR +10%	-4,048	363	-659	-546

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Assuming euro to depreciate 10% against all other currencies, the impact would be the same magnitude but opposite. 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 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Items recognised through profit and loss		
Net exchange rate gains/losses included in the financial income/expenses	-3,001	1,605
Exchange rate gains/losses recognised in the result for the period, total (net)	**-3,001**	**1,605**

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 the Swedish krona (SEK) and the Norwegian krone (NOK). As on 30 September 2022 the total non-EUR denominated equity, goodwill and fair value step up of the subsidiaries was EUR 112.2 million (EUR 85.2 million). In addition, the group had intra-group loans classified as net investments amounting to EUR 40.6 million (EUR 0.0 million).

Musti Group is currently not hedging any translation exposure.

Interest rate risk

Changes in interest rates impact the average interest rate of the Group's loan portfolio, financial expenditure and hence the profitability of the group. The Group is currently hedging interest rate risk using interest rate derivatives.

During the financial year ended 30 September 2022, interest-bearing financial assets were EUR 0 thousand (EUR 0 thousand) and interest-bearing liabilities EUR 156 million (EUR 127 million). Of the interest-bearing liabilities 64% (61%) is denominated in euros. For all interest-bearing liabilities, the ratio of fixed rate paying liabilities in relation to all interest-bearing liabilities was 71% (60%). Excluding leasing agreements, the ratio of fixed rate paying liabilities was 40% (0%).

Sensitivity of interest expenses has been calculated by assuming a one-off, +1% (100 basis points) increase in the interest rates of interest-bearing financial liabilities 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 0.5 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 receivables and the market value of financial derivatives. The Group's customer base is very diversified, and the Group does not have significant credit risk concentrations related to trade receivables.

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.

Counterparty risk relating to financial assets and derivatives is mitigated by diversification of exposures between pre-approved, high creditworthy counterparties. The Chief Financial Officer and the Group Treasurer review annually the creditworthiness of financial counterparties using a framework taking into account credit rating (Moody's, S&P) and sustainability rating (Sustainalytics ESG).

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 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
Unmatured	0.5%	915	1,781	5	9	910	1,772
<30 days	1%	61	20	1	0	60	20
30–60 days	5%	14	192	1	10	13	182
61–180 days	10%	35	95	3	9	31	85
180–360 days	50%	16	-2	8	-1	8	-1
over 360 days	100%	59	45	59	45	0	0
Total		1,100	2,131	76	72	1,024	2,059
Credit card receivables	0.5%	1,640	1,547	8	8	1,632	1,539
Total		**2,740**	**3,677**	**84**	**80**	**2,656**	**3,597**

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 and refinancing risk

Liquidity risk refers to the risk of the Group not being able to fulfil its payment obligations and refinancing risk refers to the risk of the Group not being able to refinance its maturing liabilities.

The Treasury Policy governs the mitigation of refinancing and liquidity risk by setting requirements on refinancing, the amount of committed credit facilities and the level of liquid assets to be kept available. Group Treasury monitors and forecasts the short and long term needs of the Group and ensures that sufficient liquidity and credit facilities are available.

As of 30 September 2022 the Group's liquidity and refinancing position was good. The amount of cash and cash equivalent was EUR 10.0 million (EUR 13.0 million) and the Group has EUR 40 million of undrawn revolving credit facilities (maturing in 2025) in place. Additionally, the Group has a 10 million EUR cash pool overdraft limit and EUR 50 million commercial paper programme of which 30% was utilized as of 30 September 2022.

The Group's financing agreements contain covenants relating to the net debt to EBITDA (leverage) ratio. 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 year 2022, all quarterly covenant conditions were met.

The table below sets forth the Group's financial liabilities 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.

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Contractual maturities of financial liabilities

	30 Sep 2022						
EUR thousand	**FY2023**	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**FY2028-**	**Total**
Non-current liabilities							
Loans from credit institutions			59,898				59,898
Lease liability		20,577	15,501	8,529	4,966	8,202	57,776
Other non-current interest-bearing liabilities							0
Current liabilities							
Commercial papers	14,950						14,950
Lease liability	22,905						22,905
Trade and other payables*	24,386						24,386
Total	**62,241**	**20,577**	**75,400**	**8,529**	**4,966**	**8,202**	**179,915**
Interest payments	3,076	2,404	1,217	600	364	227	7,890

	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**

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

The Group's loans from credit institutions on 30 September 2022 amounted to EUR 59.9 million (EUR 49.9 million). The non-current loans from credit institutions mature on 23 December 2024.

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 2022 or 2021.

Fair value hierarchy

	30 Sep 2022		
EUR thousand	**Level 1**	**Level 2**	**Level 3**
Assets			
Financial assets at amortised cost			
Other non-curret assets		154	
Trade and other receivables*		2,660	
Cash and cash equivalents		10,054	
Financial assets at fair value through profit and loss			
Derivative financial instruments		2,135	
Total		**15,004**	

	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	
Cash and cash equivalents		13,013	
Financial assets at fair value through profit and loss			
Derivative financial instruments		484	
Total		**17,204**	

	30 Sep 2022		
EUR thousand	**Level 1**	**Level 2**	**Level 3**
Liabilities			
Financial liabilities at amortised cost			
Loans from credit institutions		59,898	
Commercial papers		14,950	
Lease liability		80,681	
Trade and other payables*		24,386	
Financial assets at fair value through profit and loss			
Derivative financial instruments		73	
Total		**179,989**	

	30 Sep 2021		
	Level 1	**Level 2**	**Level 3**
Liabilities			
Financial liabilities at amortised cost			
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**	

*Other receivables and other payables include 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 amortized cost
II. financial assets at fair value through profit and loss
III. financial assets at fair value through other comprehensive income

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Financial assets

Financial assets and amortized cost

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

I. the financial asset is held to generate cash flows based on the business model; and
II. the cash flows are contractual capital returns and interest accrued on the capital.

Financial assets at amortized 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 amortized 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 amortized 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 amortized cost
II. financial liabilities at fair value through profit and loss

Financial liabilities at amortized cost

Musti Group's loans from financial institutions, commercial papers 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 amortized cost	Book value	Fair value
30 Sep 2022				
Non-current assets				
Other non-current assets		154	154	154
Total		**154**	**154**	**154**
Current assets				
Trade and other receivables		2,660	2,660	2,660
Derivative financial instruments	2,135		2,135	2,135
Cash and cash equivalents		10,054	10,054	10,054
Total	**2,135**	**12,714**	**14,850**	**14,850**
Financial assets, total	**2,135**	**12,869**	**15,004**	**15,004**

EUR thousand	Financial assets at fair value through profit and loss	Financial assets at amortized 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
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**

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Financial liabilities

EUR thousand	Financial assets at fair value through profit and loss	Financial assets at amortized cost	Book value	Fair value
30 Sep 2022				
Non-current liabilities				
Loans from credit institutions		59,898	59,898	59,898
Lease liability		57,776	57,776	57,776
Total		**117,674**	**117,674**	**117,674**
Current liabilities				
Commercial papers		14,950	14,950	14,950
Lease liability		22,905	22,905	22,905
Trade and other payables		24,386	24,386	24,386
Derivative financial instruments	73		73	73
Total	**73**	**62,241**	**62,314**	**62,314**
Financial liabilities, total	**73**	**179,915**	**179,989**	**179,989**

EUR thousand	Financial assets at fair value through profit and loss	Financial assets at amortized 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
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**

Changes in financial liabilities

Changes in liabilities arising from financing activities

EUR thousand	1 Oct 2021	Cash flows	New leases	Foreign exchange movement	Other non-cash movements	30 Sep 2022
Current interest-bearing loans and borrowings (excluding items listed below)	**0**	14,946		0	4	**14,950**
Current lease liability	**19,759**	-22,114	5,400	-817	20,677	**22,905**
Non-current interest-bearing loans and borrowings (excluding items listed below)	**49,872**	10,000			26	**59,898**
Non-current lease liability	**56,713**		16,795	-2,241	-13,491	**57,776**
Derivative financial instruments	**441**	-441			73	**73**
Total liabilities from financing activities	**126,786**	**2,391**	**22,195**	**-3,058**	**7,290**	**155,603**

EUR thousand	1 Oct 2020	Cash flows	New leases	Foreign exchange movement	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**	**12,522**	**126,786**

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Liquid funds

Deposits with a maturity of up to 3 months from the year end are classified as liquid funds and are measured at amortized 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 2022	30 Sep 2021
Cash and cash equivalents	10,054	13,013
Total	**10,054**	**13,013**

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 and 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 2022				
Forward exchange contracts	19,733	584	-73	511
Interest rate swaps	30,000	1,551		1,551
Total	**49,733**	**2,135**	**-73**	**2,062**

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**

Maturity distribution of derivates (at nominal value)

Maturity distribution of derivatives at 30 September 2022

EUR thousand	FY2023	FY2024	FY2025	FY2026	FY2027
Forward exchange contracts	19,733	0	0	0	0
Interest rate swaps	0	0	30,000	0	0
Total	**19,733**	**0**	**30,000**	**0**	**0**

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**

Interest-bearing liabilities

Net debt is the total amount of loans from credit institutions and lease liabilities 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 2022	30 Sep 2021
Non-current interest-bearing liabilities	117,674	106,586
Current interest-bearing liabilities	37,928	20,200
Derivative financial instruments	-2,062	-484
Cash and cash equivalents	-10,054	-13,013
Net debt	**143,487**	**113,289**

Interest-bearing liabilities

	Balance sheet values		Fair values	
EUR thousand	**30 Sep 2022**	**30 Sep 2021**	**30 Sep 2022**	**30 Sep 2021**
Loans from credit institutions	59,898	49,872	59,898	49,872
Lease liability	57,776	56,713	57,776	56,713
Other non-current liabilities	0	0	0	0
Total interest-bearing non-current liabilities	**117,674**	**106,586**	**117,674**	**106,586**
Commercial papers	14,950	0	14,950	0
Lease liability	22,905	19,759	22,905	19,759
Derivative financial instruments	73	441	73	441
Total interest-bearing current liabilities	**37,928**	**20,200**	**37,928**	**20,200**
Total interest-bearing liabilities	**155,603**	**126,786**	**155,603**	**126,786**

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.

Compliance with covenant conditions

Musti re-arranged its long-term financing into a new bilateral loan agreement of EUR 60 million during the financial year. The loan agreements contain financial covenant relating to the Group's leverage (net debt to EBITDA) which is evaluated quarterly. Violation of covenant terms may increase financial costs or lead to loan termination. The covenant has been fulfilled during the financial year. Also, during the financial year 2021, the covenants relating to the previous financing arrangement were met.

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 2022**	**30 Sep 2021**
Other guarantees given on own behalf		
Guarantees relating to rental payments	4,455	4,619
Other commitments	43	129
Total	**4,498**	**4,748**

EUR thousand	**30 Sep 2022**	**30 Sep 2021**
Other commitments		
Guarantees given on behalf of joint ventures	5,177	2,929
Lease liabilities for leases not recognised in the balance sheet	1,570	4,984
Total	**6,747**	**7,913**

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 has been subject to a tax audit of Musti Group Oyj, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018–2020. Musti Group Oyj has in October 2021 received 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. Tax and increases of EUR 0.9 million were booked as receivable and paid in November 2021. The company disagrees with the interpretation made in the tax audit. The company has been reassessed in accordance with the interpretations set out in the tax audit report, but the company has filed a claim for adjustment to the Finnish Tax Administration's Assessment Adjustment Board. 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.

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5.4 Financial income and expenses

This Note presents the Group's financial income and expenses. The Group has entered into an interest rate swap agreement 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 Dollar and British Pound in Finland and Sweden.

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Financial income		
Interest income	31	3
Exchange gains	2,495	5,266
Gain from changes in the fair value of derivatives	2,135	484
Other financial income	1,733	28
Total	**6,395**	**5,780**
Financial expenses		
Interest expenses on loans valued to amortized cost	-782	-788
Interest expenses from lease liability	-2,233	-2,272
Exchange losses	-5,496	-3,704
Loss from changes in the fair value of derivatives	-73	-441
Other financial expenses	-254	-70
Total	**-8,837**	**-7,275**
Financial income and expenses, net	**-2,443**	**-1,495**

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 lease liabilities, and 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 leverage 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 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 liabilities as presented 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, EBITDA margin-% and the net debt ratio to last twelve months adjusted EBITDA.

EUR thousand	Target level	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Adjusted EBITA margin, %	≥13%	9.9%	10.8%
Net debt / LTM Adjusted EBITDA	<2.5x	2.1	1.9

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 2022 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 holds 244,000 own shares.

The Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares and/or on the acceptance as pledge of the company's own shares as follows. 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 the shares in the company. 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 in the company.

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 cancelled the authorization given by the Annual General Meeting held on 21 January 2021 to decide on the repurchase of 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 27 July 2023.

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 the shares in the company. The authorization covers both the issuance of new shares as well as the transfer of treasury 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 cancelled the authorization given by the Annual General Meeting held on 21 January 2021 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 27 July 2023.

Changes in share capital and invested unrestricted equity reserve

EUR thousand	Number of outstanding shares	Own shares held by the parent company	Total number of shares	Share capital EUR thousand	Invested unrestricted equity
1 Oct 2021	**33,535,453**	**-244,000**	**33,291,453**	**11,002**	**147,781**
Capital return	0	0	0	0	-14,648
Acqusition of own shares	0	0	0	0	0
30 Sep 2022	**33,535,453**	**-244,000**	**33,291,453**	**11,002**	**133,133**
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**

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.

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Earnings per share

	30 Sep 2022	30 Sep 2021
Earnings per share, basic		
Net profit attributable to equity owners of the parent company, EUR thousand	22,328	20,872
Weighted average number of shares	33,337,805	33,410,411
Basic earnings per share, EUR	**0.67**	**0.62**
Earnings per share, diluted		
Net profit attributable to equity owners of the parent company, EUR thousand	22,328	20,872
Weighted average number of shares	33,337,805	33,395,338
Adjustments:		
Average number of treasury shares it is possible to be issued on the basis of the share-based payments	240,824	260,080
Weighted average number of shares for diluted earnings per share	33,578,629	33,655,418
Diluted earnings per share, EUR	**0.66**	**0.62**

Dividend and profit distribution

The Board of Directors of Musti Group plc proposes to the Annual General Meeting that shareholders will be paid a capital return of EUR 0.50 per share to be distributed from the invested unrestricted equity reserve totalling approximately EUR 16.7 million and that no dividend will be paid for the financial year ended 30 September 2022. For the financial year 2021 a capital return was paid totalling EUR 14.6 million, no dividend has been distributed from the 2021 results.

Musti Group plc's distributable funds

EUR thousand	30 Sep 2022
Retained earnings at the end of financial year	7,298
Unrestricted equity	140,043
Own shares	-6,910
Result for the financial year	3,619
Distributable equity total	**144,049**

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.

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 and entities controlled by these individuals.

The following transactions were carried out with joint ventures:

EUR thousand	30 Sep 2022	30 Sep 2021
Purchases of goods and services	4,430	3,476
Receivables	76	76
Payables	96	160
Other receivables	0	150
Guarantees given	5,177	2,929

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 2022	CEO	Management team	Total 2021
Salaries and other short-term employee benefits	448	1,480	**1,928**	448	1,687	2,135
Short-term incentives	36	206	**242**	107	306	413
Pension costs - defined contribution plans	0	306	**306**	60	393	453
Total	**483**	**1,992**	**2,476**	**614**	**2,386**	**3,001**

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

Remuneration paid to Board of Directors

EUR thousand	Paid FY2022 1 Oct 2021–30 Sep 2022	Paid FY2021 1 Oct 2020–30 Sep 2021
Jeffrey David	69	65
Ingrid Jonasson Blank	47	43
Ilkka Laurila (as of January 21, 2021)	40	33
Johan Dettel (as of January 27, 2022)	42	0
Inka Mero (as of January 27, 2022)	40	0
Total	**238**	**140**

The remuneration of the Board of the Directors is presented on accrual basis. According to the decision of the 2022 Annual General Meeting, the annual fees paid to the Board members were: Chairman of the Board EUR 65,000 and other Board members EUR 35,000. The annual fees paid to the members of the Committees were: Chairman of the Committee EUR 7,500 and other Committee members EUR 5,000.

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.

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Income tax expenses

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Current tax:		
Current tax on profits for the year	-4,837	-4,387
Taxes for prior years	-40	-23
Total current tax expense	**-4,877**	**-4,411**
Deferred tax:		
Change in deferred taxes	-1,232	-1,577
Income taxes	**-6,109**	**-5,988**

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

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Profit before tax	28,440	26,882
Tax calculated at Finnish tax rate 20%	-5,688	-5,376
Effect of other tax rates for foreign subsidiaries	-112	-243
Expenses not deductible for tax purposes	-444	-238
Income not subject to tax	17	6
Utilisation of previously unrecognised tax losses	0	139
Taxes for prior years	-40	-23
Change of tax rates	29	0
Other items	130	-252
Taxes in income statement	**-6,109**	**-5,988**

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 right-of-use assets and corresponding liabilities. 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.

Changes in deferred taxes during financial year 2022

EUR thousand	1 Oct 2021	Recognized in profit or loss	Exchange rate differences	30 Sep 2022
Deferred tax assets				
Tax losses	1,959	-600	-70	1,289
Intangible and tangible assets	1,056	-174	-36	846
Inventories	986	315		1,301
Lease liability	14,301	1,366	-698	14,969
Other items	12		-1	11
Total	**18,314**	**907**	**-805**	**18,416**

EUR thousand	1 Oct 2021	Recognized in profit or loss	Exchange rate differences	30 Sep 2022
Deferred tax liabilities				
Intangible and tangible assets	1,735	118	9	1,861
Right-of-use assets	13,306	1,330	-823	13,813
Other items	949	691	16	1,656
Total	**15,990**	**2,139**	**-798**	**17,330**
Net deferred taxes 30 Sep 2022	**-2,325**	**1,232**	**7**	**-1,085**

Changes in deferred taxes during financial year 2021

EUR thousand	1 Oct 2020	Recognized in profit or loss	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**	**637**	**18,314**

EUR thousand	1 Oct 2020	Recognized in profit or loss	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**	**483**	**15,990**
Net deferred taxes 30 Sep 2021	**-3,747**	**1,577**	**-155**	**-2,325**

The Group had no temporary differences on which no deferred tax assets were booked for which it is uncertain if they will be realized as at 30 September 2022 or 30 September 2021. Most of the cumulative tax losses for 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

There has not been significant events after the end of the financial year.

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7. PARENT COMPANY FINANCIAL STATEMENT, FAS

Musti Group plc income statement

EUR thousand	Note	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Other operating income	7.2	**12,528**	**14,578**
Employee benefit expenses	7.3	-1,353	-1,509
Other operating expenses	7.4	-6,398	-6,928
Operating profit/loss		**4,777**	**6,142**
Financial income	7.5	7,900	4,345
Financial expenses	7.5	-8,145	-2,449
Profit/loss before appropriations and taxes		**4,532**	**8,038**
Income tax expense	7.6	-913	-1,238
Profit/loss for the period		**3,619**	**6,800**

Musti Group plc balance sheet

EUR thousand	Note	30 Sep 2022	30 Sep 2021
ASSETS			
Non-current assets			
Investments	7.8	132,410	132,410
Total non-current assets		**132,410**	**132,410**
Current assets			
Long-term receivables	7.10	40,787	44,252
Short-term receivables	7.10	56,953	57,613
Cash and cash equivalents		9,218	12,152
Total current assets		**106,958**	**114,017**
TOTAL ASSETS		**239,368**	**246,427**

EUR thousand	Note	30 Sep 2022	30 Sep 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	7.11	11,002	11,002
Other reserves	7.11	140,043	154,691
Own shares	7.11	-6,910	-6,910
Retained earnings	7.11	7,298	498
Profit/loss for the fiscal period		3,619	6,800
Total equity		**155,051**	**166,080**
Liabilities			
Non-current liabilities	7.12	59,898	49,872
Current liabilities	7.13	24,418	30,475
Total current liabilities		**84,317**	**80,347**
TOTAL EQUITY AND LIABILITIES		**239,368**	**246,427**

Musti Group plc cash flow statement

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Cash flows from operating activities		
Profit before appropriations and taxes	4,532	8,038
Unrealised foreign exchange gains and losses	2,836	0
Finance income and expenses	-2,591	-1,896
Other adjustments	0	-907
Operating profit before change in working capital	**4,777**	**5,235**
Change in working capital		
Increase (-) / decrease (+) of current receivables	867	9,335
Increase (+) / decrease (-) of current non-interest bearing liabilities	-2,453	-11,612
Cash flows from operating activities before financial items and taxes	**3,191**	**2,958**
Interests paid and other finance costs	-1,267	-755
Interests received	2,079	2,141
Direct income taxes paid	-1,141	0
Net cash from operating activities	**4,804**	**4,344**
Cash flows from investing activities		
Long-term receivables, increase (-)/decrease (+)	0	-19,178
Net cash fom investing activities	**0**	**-19,178**
Cash flows from financing activities		
Capital returns paid	-14,648	-12,720
Acqusition of own shares	0	-6,910
Proceeds from non-current loans	60,000	0
Repayments of non-current loans	-50,000	0
Commercial papers issued	14,977	0
Change in internal bank account receivables	-16,125	43,956
Received group contributions	0	2,660
Net cash from operating activities	**-5,797**	**26,986**
Change in cash and cash equivalents	**-2,934**	**12,152**
Cash and cash equivalents at the beginning of the period	12,152	0
Cash and cash equivalents at the end of the period	9,218	12,152

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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 value of the investments has declined permanently.

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 closing date.

Financial instruments

Financial instruments are valued at fair value in accordance with the chapter 5, paragraph 2a of the Finnish Accounting Act. The company classifies financial instruments 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:

Financial assets are classified into the following categories:

I. financial assets at amortized cost
II. financial assets at fair value through profit and loss

Financial assets

Financial assets at amortized cost

Financial assets are classified as financial assets at amortized 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 amortized 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 amortized cost include term deposits, interest-bearing loans and other receivables, trade receivables and non-interest-bearing receivables.

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 liabilities

Financial liabilities are classified into the following categories:

I. financial liabilities at amortized cost
II. financial liabilities at fair value through profit and loss

Financial liabilities at amortized 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.

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 Company utilizes derivatives for hedging interest rate risk. The company does not apply hedge accounting.

7.2 Other operating income

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Service fee's from group companies	11,552	13,356
Merger profit	0	1,032
Other income from group companies	976	190
Total	**12,528**	**14,578**

7.3 Employee benefit expenses

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Salaries and fees	-1,085	-1,212
Social security costs	-168	-236
Pension costs	-99	-54
Other social security costs	-2	-6
Total	**-1,353**	**-1,509**
Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors		
Chief Excecutive Officer	626	555
Board of Directors	238	140
Personnel on average	2	2

7.4 Other operating expenses

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Administration	-6,313	-6,848
Other expenses	-84	-80
Total	**-6,398**	**-6,928**

Auditors' fees

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Authorised Public Accountants E&Y		
Audit	80	76
Tax advisory	83	132
Total	**163**	**208**

7.5 Financial income and expenses

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Other interest and financial income		
From Group companies		
Interest income	2,049	2,114
From others		
Other financial income	5,851	2,231
Total	**7,900**	**4,345**
Interest and other financial expenses		
To others		
Interest expenses	-615	-692
Other financial expenses	-7,530	-1,757
Total	**-8,145**	**-2,449**
Financial income and expenses total	**-245**	**1,896**

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7.6 Income taxes

EUR thousand	1 Oct 2021–30 Sep 2022	1 Oct 2020–30 Sep 2021
Income tax for the financial year	-907	-1,238
Income tax for prior financial years	-6	0
Total	**-913**	**-1,238**

7.7 Intangible assets

EUR thousand	30 Sep 2022	30 Sep 2021
Intangible rights		
Acquisition cost 1 Oct	0	16
Additions	0	0
Disposals	0	-16
Acquisition cost 30 Sep	**0**	**0**
Accumulated amortisation 1 Oct	0	0
Amortisations for the financial year	0	0
Accumulated amortisation 30 Sep	**0**	**0**
Book value 30 Sep	**0**	**0**

7.8 Investments

EUR thousand	30 Sep 2022	30 Sep 2021
Investments in Group companies		
Acquisition cost 1 Oct	132,410	109,049
Increases	0	132,410
Decreases	0	-109,049
Acquisition cost 30 Sep	**132,410**	**132,410**

Group companies 30 Sep 2022	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.

7.9 Fair value hierarchy

	30 Sep 2022		
EUR thousand	Level 1	Level 2	Level 3
Assets			
Financial assets at amortised cost			
Other non-curret assets		129	
Trade and other receivables*		43,127	
Loan receivables		41,300	
Cash and cash equivalents		9,218	
Financial assets at fair value through profit and loss			
Derivative financial instruments		1,551	
Total		**95,325**	

	30 Sep 2021		
EUR thousand	Level 1	Level 2	Level 3
Assets			
Financial assets at fair value through profit and loss			
Other non-curret assets		85	
Trade and other receivables*		45,048	
Loan receivables		44,168	
Cash and cash equivalents		12,152	
Financial assets at fair value through profit and loss			
Derivative financial instruments		0	
Total		**101,452**	

	30 Sep 2022		
EUR thousand	**Level 1**	**Level 2**	**Level 3**
Liabilities			
Financial assets at fair value through profit and loss			
Other non-current liablities		0	
Loans from credit institutions		59,898	
Commercial papers		14,950	
Trade and other payables*		5,198	
Financial assets at fair value through profit and loss			
Derivative financial instruments		0	
Total		**80,047**	

	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	
Trade and other payables *		23,391	
Financial assets at fair value through profit and loss			
Derivative financial instruments		0	
Total		**73,263**	

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

Level 1

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

Level 2

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

Level 3

A financial instrument is categorized into Level 3,if the calculation of the fair value cannot be based on observable market data. Musti Group had no such financial instruments in 2022 or 2021.

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7.10 Receivables

Long-term receivables

Receivables from Group companies

EUR thousand	30 Sep 2022	30 Sep 2021
Loan receivables	40,658	44,168
Total	**40,658**	**44,168**

Receivables from others

EUR thousand	30 Sep 2022	30 Sep 2021
Other receivables	129	85
Total	**129**	**85**
Long-term receivables total	**40,787**	**44,252**

Short-term receivables

Receivables from Group companies

EUR thousand	30 Sep 2022	30 Sep 2021
Loan receivables	642	0
Trade receivables	233	212
Group bank account receivables	42,894	44,835
Prepayments and accrued income	10,391	12,418
Total	**54,161**	**57,465**

Receivables from others

EUR thousand	30 Sep 2022	30 Sep 2021
Prepayments and accrued income		
Value added tax receivables	133	0
Other	2,659	147
Total	**2,793**	**147**
Short-term receivables total	**56,953**	**57,613**

7.11 Equity

EUR thousand	Share capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Equity total
Equity 1 Oct 2021	**11,002**	**154,691**	**-6,910**	**7,298**	**166,080**
Capital return		-14,648			-14,648
Acqusition of own shares			0		0
Result for the financial year				3,619	3,619
Equity 30 Sep 2022	**11,002**	**140,043**	**-6,910**	**10,916**	**155,051**

Equity 1 Oct 2020	**11,002**	**167,412**	**0**	**498**	**178,911**
Capital return		-12,720			-12,720
Acquisition 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**

Distributable equity

EUR thousand	30 Sep 2022	30 Sep 2021
Reserve for invested unrestricted equity	140,043	154,691
Own shares	-6,910	-6,910
Retained earnings	7,298	498
Net result for the financial period	3,619	6,800
Total	**144,049**	**155,078**

7.12 Non-current liabilities

Liabilities to others

EUR thousand	30 Sep 2022	30 Sep 2021
Loans from financial institutions	59,898	49,872
Total	**59,898**	**49,872**
Non-current liabilities total	**59,898**	**49,872**

7.13 Current liabilities

Liabilities to Group companies

EUR thousand	30 Sep 2022	30 Sep 2021
Trade payables	1	184
Group cash pool payables	5,085	23,152
Other liabilities	3,140	5,008
Total	**8,226**	**28,345**

Liabilities to Group companies

EUR thousand	30 Sep 2022	30 Sep 2021
Commercial papers	14,950	0
Trade payables	112	55
Other liabilities		
Value added tax payables	0	74
Other liabilities total	0	74
Accruals and deferred income		
Employee benefit expenses	167	596
Interest liabilities	29	256
Incom tax payables	907	1,135
Other accruals and deferred income	27	14
Accruals and deferred income total	1,130	2,001
Total	**16,192**	**2,130**
Current liabilitites total	24,418	30,475

7.14 Commitments and contingent liabilities

EUR thousand	30 Sep 2022	30 Sep 2021
Pledges given on behalf of group companies		
Pledges given on behalf of group companies	23	23
Total	**23**	**23**

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.

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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 2022 amounts to EUR 144,049,079.54, of which profit for the financial year 2022 is EUR 3,618,827.84.

The Board of Directors of Musti Group plc proposes to the Annual General Meeting that a capital return of EUR 0.50 per share will be distributed from the invested unrestricted equity reserve totalling approximately EUR 16.7 million and that no dividend will be paid for the financial year ended 30 September 2022.

There have been no material changes in the company's financial position since 30 September 2022. The liquidity of the company remains good, and the proposed capital return does not risk the solvency of the company.

Helsinki, 15 December 2022

Jeffrey David

Ingrid Jonasson Blank

Johan Dettel

Ilkka Laurila

Inka Mero

David Rönnberg
CEO

The Auditor's note

Our auditor's report has been issued today

Helsinki, 15 December 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accountant

Auditor's report (Translation of the Finnish original)

To the Annual General Meeting of Musti Group Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Musti Group Oyj (business identity code 2659161-1) for the year ended 30 September 2022. 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 practices 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.

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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 170.5 million euros, representing 46% of total assets and 106% 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 391.1 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 61.4 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.

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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 five years. Musti Group Oyj has been a public interest entity (PIE) since initial public offering on 13 February 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, 15 December 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Johanna Winqvist-Ilkka
Authorized Public Accountant

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Our annual report is available in electronic format and is published annually. To reduce the usage of printing materials, the report is available only in digital format.

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