

Annual Report 2023



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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 entire lifespan of the pet. It is an honor and a privilege to offer a comprehensive and high-quality range of products for the everyday life of pets. In addition, we want to be a full-service operator, both physically and digitally. We believe that our end-to-end ecosystem improves and strengthens our customer relationships and differentiates us from our competitors.

Musti Group's net sales were EUR 425.7 million in the financial year 2023. At the end of the financial year 2023, the company had 1,643 employees, 1,543 thousand loyal customers and 342 stores.

Net sales by country, %



- Finland, 45%
- Sweden, 40%
- Norway, 15%

Net sales in financial year 2023

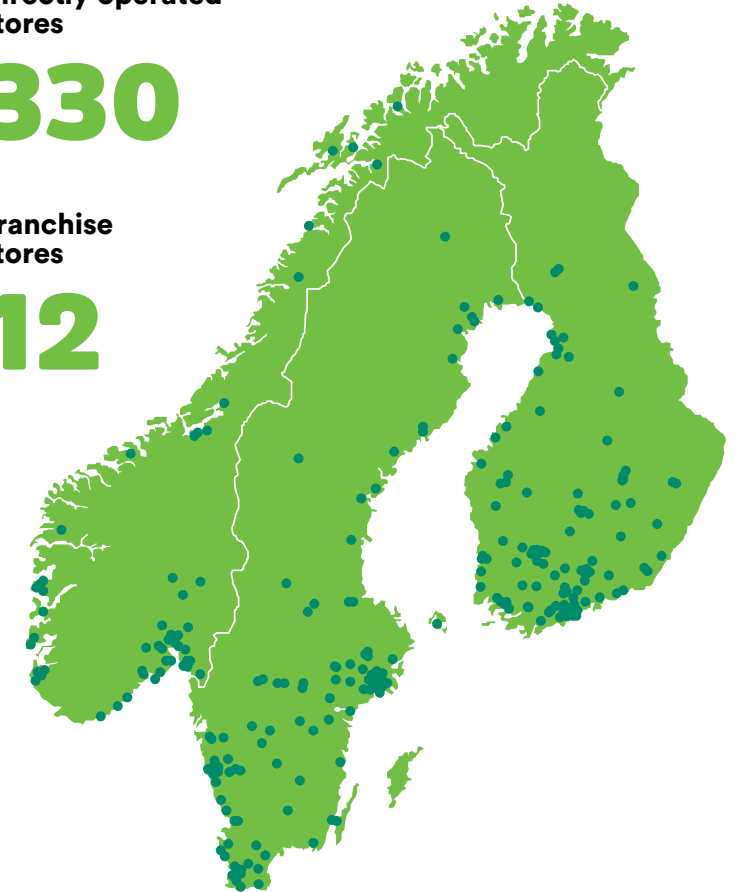
EUR
425.7
million

Directly operated stores

330

Franchise stores

12



Finland

136
stores

Sweden

131
stores

Norway

75
stores

Musti's Year

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Up to 67% of pet owners
celebrate their pet's birthdays
either every year or occasionally.



Key figures

Key figures

EUR millions or as indicated	10/2022–9/2023	10/2021–9/2022
Net sales	425.7	391.1
Adjusted EBITA	42.6	38.8
Adjusted EBITA margin, %	10.0	9.9
Operating profit	37.8	30.9
Earnings per share, basic, EUR	0.79	0.67
Net debt / LTM adjusted EBITDA	1.9	2.1
Number of loyal customers, thousands	1,543	1,454
Number of stores at the end of the period	342	335

1,543
thousand

Loyal customers on
September 30, 2023
(1,454 thousand)

52.4%

Own and Exclusive share
(52.7%)

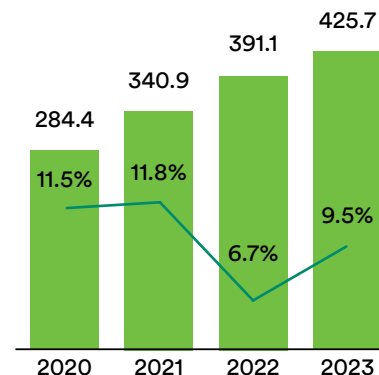
23.0%

Online share of net sales
(22.2%)

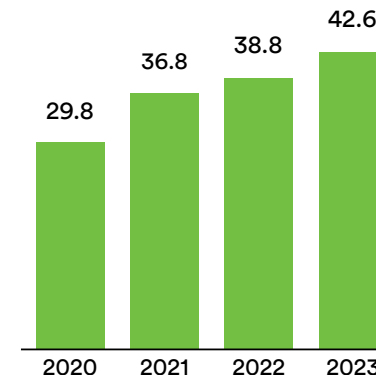
1,643

Personnel on
September 30, 2023
(1,587)

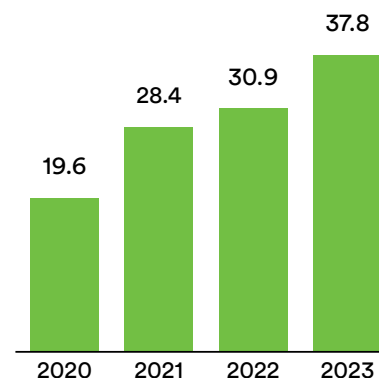
Net sales, EUR million
and like-for-like sales
growth, %



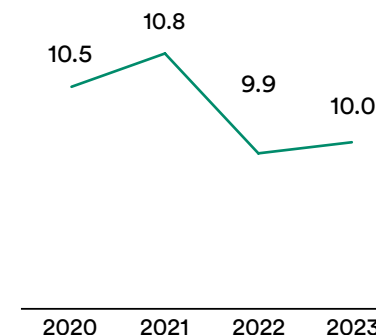
Adjusted EBITA, EUR million



Operating profit, EUR million



Adjusted EBITA margin, %



Events during the financial year 2023

16 December 2022

Musti Group decided on a new performance share plan for the company's key employees. The objective of the plan is to align the objectives of shareholders and key employees in order to increase the value of the company, strengthen the commitment of key employees to the company, and offer them a competitive incentive scheme.

[Read more](#)

3 April 2023

Musti Group acquired full ownership of Premium Pet Food Suomi Oy, a pet food factory located in Lieto, Finland, thus responding to the growing demand for locally and sustainably produced pet food. The raw materials for the Lieto factory come mainly from local producers, and Musti is able to trace their origin all the way to the farms.

[Read more](#)

24 May 2023

Musti's factory in Lieto was awarded the FSSC 22000 (Food Safety System Certificate), which is used worldwide to ensure food safety standards and processes, and the environmental certificate ISO 14001, which is the most widely recognized and globally-used environmental management system standard.

[Read more](#)

31 January 2023

Musti Group's interim report showed that sales and cash flow reached new records. The result was excellent, especially considering the very strong comparison period of the previous year and the challenging macroeconomic operating environment.

[Read more](#)

4 May 2023

In its half-year financial report, Musti reported its strongest second quarter ever. Net sales for the half-year increased by 10.2%, in local currencies. Both services, in-store sales, and online sales grew by double digits.

[Read more](#)

10 August 2023

Musti reported a solid third quarter in its interim report. Comparable quarterly growth was 10.2%, resulting in our adjusted EBITA margin improving to 9.5%, and cash flow reaching a new quarterly record of EUR 22.1 million.

[Read more](#)

CEO's review



The team and I are proud of financial year 2023 especially the continuous improvement in financial performance quarter over quarter. Our relentless implementation of our strategic choices is bearing fruit despite the headwinds arising from currency volatility, inflation, and low consumer confidence.

Improving profitability is bringing us closer to the financial targets we have set ourselves, and I am confident that this performance will continue into the new financial year. FY2023 group adjusted EBITA increased to 10.0% for FY2023 despite the unfavorable performance of the local currencies SEK and NOK. The negative impact of the local currencies was EUR -3.1 million for the financial year. Hedging of currency exposure was booked in financial income and expense and offsets partly the negative impact of the local currencies. FY2023 sales were EUR 425.7 (391.1) million, local currencies SEK and NOK had a negative impact of EUR -22.6 million on the topline. Growth was due to a higher number of customers, price increases and the acquisition of the second half of our pet food manufacturing factory in Lieto, Finland.

Stable growth in such a volatile operating environment is a great achievement and pinpoints the resilience of the pet care sector

and the strength of our ecosystem providing pet food, accessories, and services to our Pet Parent customers.

Food and consumables, that make up over 70% of our sales, remained strong sales pillars throughout the financial year. Pet Parents are not sacrificing their pets' needs by trading down, and we are maintaining a high level of new puppy customers coming to Musti for advice and support for their new family member and adding to the membership numbers of our Musti loyalty program.

The team and I are pleased to report that our relentless focus and effort to improve the productivity and scalability of our operating model is bearing fruit. The Eskilstuna central warehouse is reaching the efficiency level set for it resulting in significant improvements in our end-to-end supply chain efficiency and hence a lower level of net working capital. The integration of our food manufacturing factory in Lieto, Finland is progressing very well. The benefits, both financial and operational, are already visible.

The investment in the factory has strengthened our commitment to sustainably produced products and will be a key success driver going forward. We see that the factory brings us many possibilities and we will

continue to focus on improving the safety and quality of the factory to provide pets with higher quality and safer products.

Musti Group heads into FY2024 in a position to continue to deliver great value to our Pet Parents and other stakeholders. We continue to gain market share in our core markets and are actively seeking additional value creation opportunities suitable for our ecosystem / business model. Our ability to combine a growing portfolio of products, services, and advice into convenient propositions for Pet Parents is unique and will be the key enabler of future success.

Our primary focus is and always will be to provide the best possible advice and support to our Pet Parent customers. We recognize that without their trust and loyalty we would not be where we are today.

To our almost 2,500 team members - on behalf of our shareholders, our Board, our Group management team and myself, thank you for your tireless commitment to support our customers and their pets.

David Rönnerberg
CEO

Musti's Direction

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Even 90% of pet owners talk to their pets. 15% share secrets with their pet and 13% tell them jokes. 18% even ponder life crises with their furry friend.



Strategy and financial targets

Our strategy is to continue developing the Musti concept and 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 5.8 million dogs and cats.

Success in new customer acquisition is a key driver of continued market share gain across our Nordic markets. Acquisition of puppies and kittens is especially important from a lifetime value perspective. 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.

Musti has gained share of new puppies over the recent years 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. Both concepts have been continuously improved since their launch. These investments into early stages of the pet parenting journey continue to pay off.

The number of loyal customers, Friends of Musti, increased by 6.1% to 1,543 thousand across the Nordic countries.

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 an 'All you need is Musti' mentality across the pet lifecycle. Supported by data we are able to customize our value proposition to individual needs of Nordic pets and their parents.

Rolling 12 months average spend per loyal customer increased to EUR 182.7 in financial year 2023 (EUR 181.5 on 30 September 2022), despite unfavorable currency exchange rate effects.

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, with local presence in Nordic communities enabling customers to switch to the Musti Group platform. This is complemented by a strong online offering, representing 23.0% (22.2%) of sales.

CASE

We are lending a helping paw for the common good

We have been working together with the non-profit SEY Animal Welfare Finland since 2021, giving our customers the possibility to donate to SEY when they make a purchase. In addition, we have made food donations, shared information on the "Hot Dog" -campaign and sold "cat ribbons", to raise awareness of abandoned cats.

In Sweden, with the help of volunteer drivers, a free-of-charge ambulance service responds to over 3,000 emergencies each year. Musti

customers have had the opportunity to support the Swedish Animal Ambulance by donating when they make a purchase.

In Norway, Musti has joined forces with Red Cross and their "A visiting friend with a dog" campaign, where volunteers and their dogs visit hospitals, nursing homes and private homes, meeting with people who might feel lonely.

[Read more](#)

Musti Group has the largest pet specialty store footprint in the Nordic countries. Expansion investments come with long term benefits, as the number of directly operated stores has increased from 231 end of financial year 2020 to 330 after financial year 2023, a significant share of our network is currently at ramp-up stage. We continue to see ample room for expansion especially in the Norwegian market to support further market share gains through the added convenience of local presence.

Along with expanding the store network, Musti Group has invested into adding services to our network. At current, over 100 stores have a dedicated service point, bringing physical services to the reach of most cities across the Nordics. With this platform, Musti is clearly the largest grooming operator in the Nordic countries along with other services such as lighter nail clipping available in most stores.

The number of directly operated stores increased by net 11 stores during financial year 2023.

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

A core element of Musti Group's strategy is developing the offering 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%-points higher margins compared to global brands.

In financial year 2023, gross margin decreased to 45.7% (46.4%) Gross margin was negatively impacted by increased inflation and unfavorable currency exchange rate development, despite the positive development in supply chain performance and production integration during the second half of the financial year.

Increasing Musti Group's ownership of Premium Pet Food Suomi Oy factory in Lieto (Finland) to 100% was a key event of 2023. Full ownership of the 'Musti kitchen' allows Musti to respond to increased demand for locally and sustainably produced pet food. Having our own production asset directly supports developing our own branded food offering, and further investments to increase capacity are underway.

Share of sales of own and exclusive brands continued stable at 52.4% (52.7%) during the year.

Leveraging broadly invested platform to drive operating leverage and scale benefits

Significant investments to Musti Group's IT, digital platforms, warehouse and production facility 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 2023, group functions cost excluding the impact of the

acquisition Premium Pet Food Suomi Oy (group overheads and Eskilstuna central warehouse) brought clear operating leverage, supporting Group profitability.

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 2023
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 425,7 million, growth 8.9%.
Profitability	Mid- to long-term adjusted EBITA margin of at least 13% with steadily improving profile. Margin increase is expected to be realized through steady gross margin and improving operating leverage.	Adjusted EBITA margin 10.0%.
Capital structure	Maintain net debt in relation to adjusted EBITDA below 2.5x in the long term.	Net debt / LTM adjusted EBITDA 1.9.
Dividend policy	To pay a dividend corresponding to 60–80% of net profit. Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.	The capital return corresponds to approximately 76%* 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 31 January 2024.

Musti Group ecosystem – All you need is Musti

LOYALTY CLUB

 BREEDER CLUB

 PUPPY CLUB

 PUPPY DATES

 PET SPA

 TRAINING

 VET CARE

 INSURANCE



PREMIUM FOOD 

ACCESSORIES 

CONVENIENT SHOPPING 

FAST DELIVERIES 

TRUSTED EXPERT ADVISE

Trusty
The Musti responsibility approach



Countries of operation

Finland

Finland is Musti Group's most mature market, where Musti Group holds an approximately 32% share of the total pet food and products market. In 2023, Musti Group acquired the pet food factory Premium Pet Food Suomi Oy, which responds to the increased demand for locally and sustainably produced pet food.

Our network has nationwide coverage, and the 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 continuously seeks opportunities to further optimize convenience to better meet the needs of pet parents.

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

Sweden

In Sweden, our focus is on further expansion and increasing efficiency. Musti is the Swedish market leader, with approximately 28% market share. Musti Group's brands in Sweden are Arken Zoo (store and omnichannel) and VetZoo (online focus). Musti Group's main store and omnichannel brand in Sweden is Arken Zoo. Through VetZoo, Musti Group has a strong online presence in Sweden.

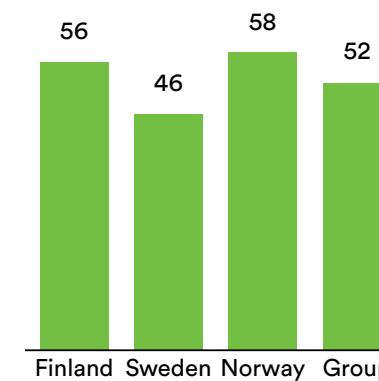
Our goal in Sweden is continuous, strong like-for-like growth across all channels through customer acquisition and gaining share of wallet, continued network expansion and strong margin improvement. Significant network expansion has taken place between FY2020 to FY2023, almost doubling the directly operated store count from 68 at the end of FY2019 to 119 by the end of FY2023, strengthening our position across Swedish cities. Ramping up these newer store cohorts is a key growth and margin driver, along with increasing own and exclusive brands' share of sales and online channel profitability towards levels seen in Finland.

Norway

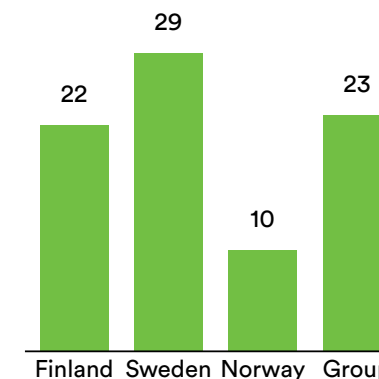
In Norway, our focus is on market share gain through continued customer acquisition supported by store roll-out, and on increasing in-country profitability. Norway remains a more fragmented market compared to Finland and Sweden with Musti Group holding an approximately 16% market share. Our brands in Norway are Musti (store and omnichannel) and VetZoo (online).

Musti entered Norway in October 2016, and average age profile of the 75 stores (at end of FY2023) is young, with many currently stores in ramp-up mode. Ramping-up has progressed according to Musti Group's plans, and the maturation of the network continues to be a key driver of growth and in-country profitability.

Own & Exclusive share of net sales, %



Online share of net sales, %



Musti Group as an investment

Musti Group's growth surpasses the growth rate of the overall operating market

Musti Group is the market leader in the growing Nordic pet care market. Musti Group has achieved market leadership through its multi-brand, multichannel, broad assortment business model, and its ability to offer expert advice and better convenience, all combined with an enjoyable shopping experience. Our work towards increasing the productivity and scalability of our business model has borne fruit.

Pet food and consumer products - which account for more than 70% of our sales - will comprise a strong pillar throughout the review period. Our central warehouse in Eskilstuna is on track to reach its efficiency targets, which will improve the efficiency of our entire supply chain. With the acquisition of our own factory in Lieto, we are able to strengthen our commitment to offering locally and responsibly produced products.

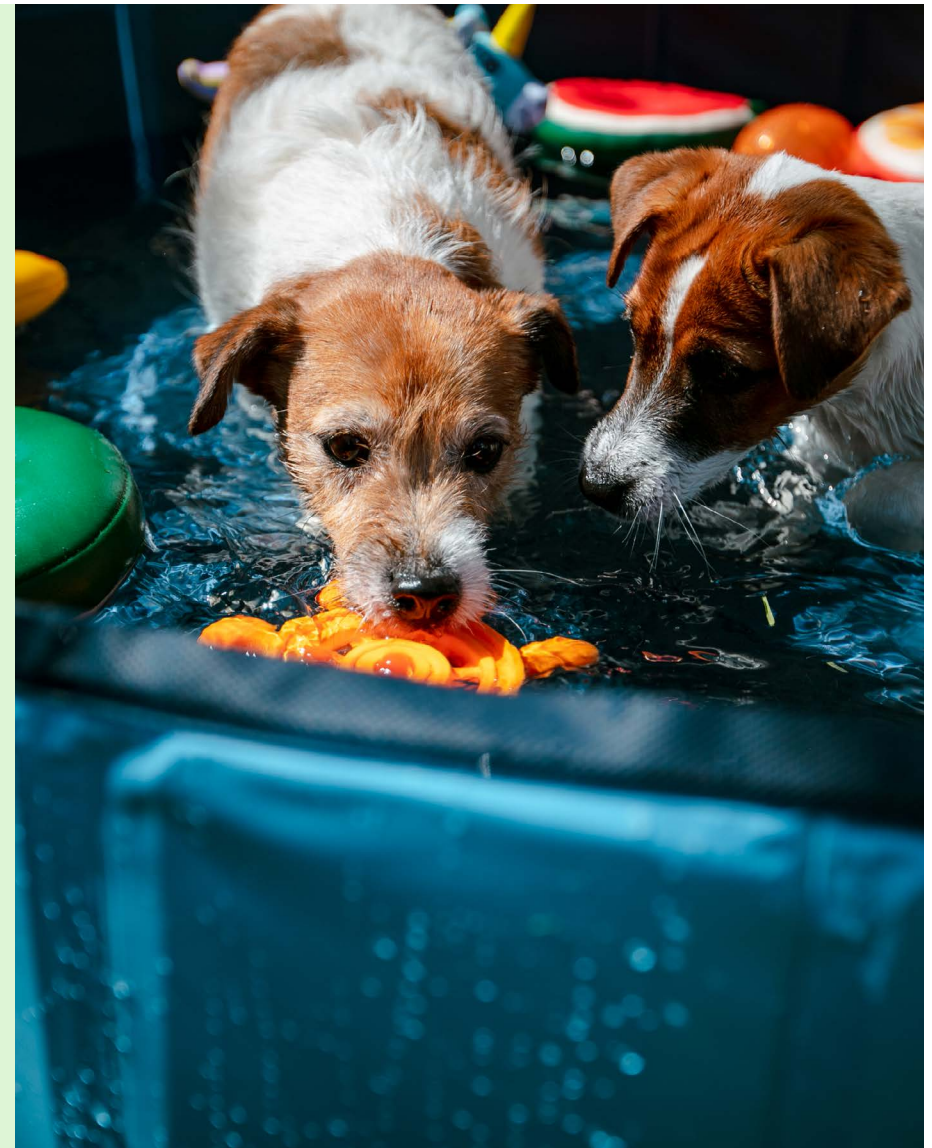
CASE

Sustainability throughout the supply chain

Sustainability lies at the core of everything we do, and we are constantly seeking more sustainable ways to develop our business. We closely monitor our CO₂ emissions and explore optimal methods to curtail them. Our energy efficiency standards for warehouses are stringent. We procure green electricity and meticulously gauge energy consumption.

We utilize district heating, and have invested in efforts to recycle wasted heat. In addition, we have committed to sustainable and local pet food production, which, in turn, contributes to us achieving our goals in reducing emissions and enhancing energy efficiency. The pet food factory we acquired in Lieto, Finland, this year - Premium Pet Food Suomi Oy - contributes to our selection of local and sustainably produced products.

[Read more](#)



End-to-end ecosystem

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

Our omnichannel business model combines the convenience of both in-store and online purchases. The expert advice offered by our in-store personnel is at the core of our concept. We differentiate via the 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 a 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. The number of loyal customers has grown steadily year-on-year. During the 2023 financial year, the number of loyal customers increased by 6.1% to 1,543 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	Symbol
Nasdaq Helsinki	MUSTI
Listing date	ISIN
13/02/2020	FI4000410758
List	Reuters symbol
Mid cap	MUSTI.HE
Sector	Bloomberg symbol
Consumer Services	MUSTI

Investor contacts

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**Musti Group's share price development
 17 February 2020 – 29 September 2023**



Corporate Governance

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Nearly 70% of pet owners feel that an animal increases their happiness and 22% say that a pet also reduces their anxiety.



Board of directors

as of 30 September 2023

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. Member 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. Chairman 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. Chairman of the Audit Committee since 2023.

Independent of the company and its major shareholders.

Management Team

as of 30 September 2023

David Rönnerberg



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

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

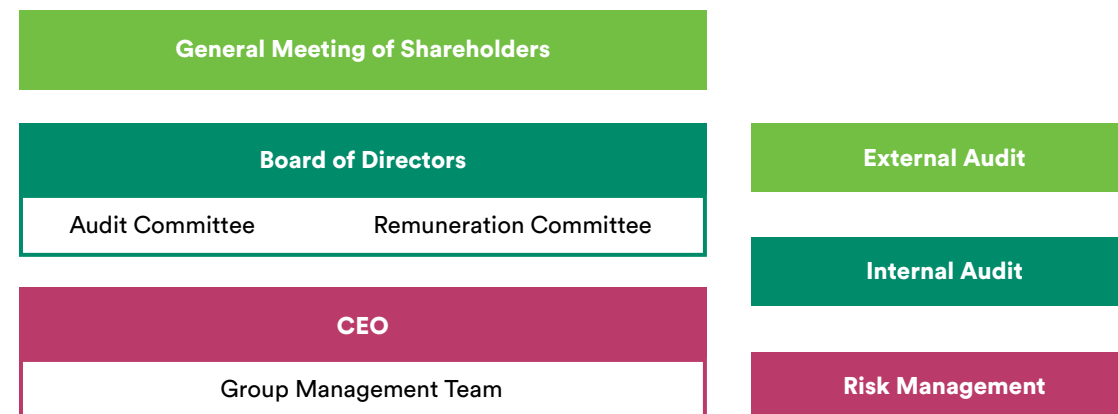
Musti Group is a company founded in Finland and is registered in the Finnish Trade Register maintained by the Finnish Patent and Registration Office as a public limited liability company. Musti Group operates under Finnish law and is listed on the official list of Nasdaq Helsinki.

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 30 January 2023. Shareholders were also able to exercise their voting rights by voting in advance or by way of proxy representation.

The minutes of the AGM 2023 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, Johan Dettel, Ilkka Laurila and Inka Mero as members of the Board of Directors. In its organizing meeting on 30 January 2023, 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 2023:

Name	Year of birth	Position	Board member since	Attendance	Shareholding
Jeffrey David	1964	Chair	2016	10/11	217,136 ¹
Ingrid Jonasson Blank	1962	Vice Chair	2014	11/11	61,433
Ilkka Laurila	1977	Member	2021	11/11	5,799
Johan Dettel	1978	Member	2022	11/11	14,095 ²
Inka Mero	1976	Member	2022	10/11	5,096

¹Includes shares held by Prebest Pty Limited atf The Jeffrey David Discretionary Trust.

²Includes shares held by Vaser Invest AB and Vaser Fastighets AB.



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, Orkla ASA, Forenom Group Oy, Astrid Lindgrens AB and CityGross AB. In addition, she also acts as a Chairman of the Board of Haypp Group AB, Aim Apparel AB and Kjell Group AB. Previously, during the last five years, she has also been a Board member of Ambea AB, Fiskars Oyj, Stor & Liten AB, Matse Holding AB, Norm AB, Matas AS, bhg AB, ZetaDisplay AB, Nordic Morning Group Oyj and Royal Unibrew AS. Ms. Jonasson Blank holds a Bachelor's degree in Business and Economics from University of Gothenburg, and she is a Swedish citizen.



ILKKA LAURILA has been a member of the Board of Directors since 2021. Mr. Laurila works as the CFO of Plugit Finland Oy. Mr. Laurila worked at Terveystalo as CFO and Member of the Management Team from 2015 to 2022. In addition, Mr. Laurila's career includes work at Terveystalo as Head of Treasury and Finance and Head of Procurement, at Rahoituksen neuvontapalvelut Inspira Oy as Associate Director, and at Ernst & Young Oy in managerial positions. Additionally, Laurila is a Chairman of the Board of Directors of Adamant Health Oy and Penni-Invest Oy and a Member of the Board of Directors of Nightingale Health Oyj, Hurtti-Paino Oy and Temepa Infra Oy. Mr. Laurila holds a Master's in Economics and a Master's in Forestry, and he is a Finnish citizen.



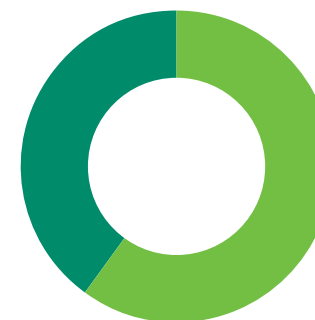
JOHAN DETTEL is an investor and board professional, and he has been a member of the Board of Directors since 2022. Mr. Dettel is also a Board member of IP-Only, Iver Group AB, Market Art Fair Intressenter AB, Arte Collectum AB, Sadelns Samfällighetsförening, Iver Management AB, Art Mile Holding AB and Art Lithe Holding AB. In addition, during the last five years he has been a Board member of Epidemic Sound, Musti Group and Adamo Telecom. Mr. Dettel holds a Master of Science degree in Industrial Engineering & Management from the Linköping Institute of Technology, and he is a Swedish citizen.



INKA MERO has been a member of the Board of Directors since 2022. Ms. Mero is a Managing Partner and Founder of Voima Ventures I & II VC Fund. She acts as a Chairman of the Board at KoppiCatch Oy, Voima Ventures Oy and KuvaSpace Oy. In addition, Ms. Mero is a Board member of Adamant Health Oy, Betolar plc, Dispelix Oy, Elfys Oy and Tactotek Oy. Ms. Mero holds a Master of Science 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, 20%
- 61–70 years, 20%

Tenure



- 1–2 years, 40%
- 3–5 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 2023, 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 30 January 2023, the Board of Directors elected Ilkka Laurila as Chair and Ingrid Jonasson Blank and Inka Mero as members to the Audit Committee.

Prior to AGM 2023, Ingrid Jonasson Blank (Chairman), Ilkka Laurila and Inka Mero were members of the Audit Committee.

Audit Committee held six meetings during the financial year (twice before the AGM 2023 and four times after AGM 2023). 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
- 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's length terms

Remuneration Committee

In its organizing meeting on 30 January 2023, 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 three times during the fiscal year 2023 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 Rönberg 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

On 30 September 2023, the group management team of Musti Group comprised the following members:

Name	Year of birth	Position	Member since	Shareholding
David Rönberg	1977	Chief Executive Officer	2017	614,750 ¹
Toni Rannikko	1979	Chief Financial Officer	2021	1,391
Sami Tanner	1981	Head of Strategy	2016	9,366 ²
Daniel Pettersson	1977	Head of Sweden and Finland	2018	24,416
Erik Ringen Skjærstad	1974	Head of Norway and New Markets	2016	15,963
Annamaija Hujala	1969	Head of Pureplay	2022	0
Ellinor Nilsson	1979	Chief Commercial Officer	2018	18,586
Nanna Martin-Löf	1977	Head of Human Resources	2018	6,338
Malin Nygren	1974	Chief Customer Officer	2019	3,709
Pamela Nelimarkka	1982	Chief Operating Officer	2022	0

¹Includes shares held by Rönberg Consulting AB.

²Shares held by Tanner Advisory Oy.

Group Management Team diversity

Gender



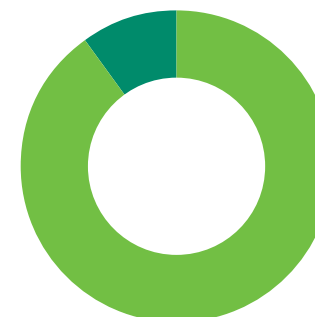
- Male, 50%
- Female, 50%

Nationality



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

Age



- 41-50 years, 90%
- 51-60 years, 10%

Tenure



- 1-2 years, 20%
- 3-5 years, 50%
- Over 5 years, 30%

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 its 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 principles 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 of 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.

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.

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 2023, a total of 16 notifications on transactions by persons discharging managerial responsibilities were 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 CFO 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 2023 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 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Auditing fees	345	340
Fees for non-audit services	42	126

Remuneration Report 2023

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. The Remuneration Policy has been in force during the financial year 1 October 2022 – 30 September 2023 ('FY2023'). 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 2022 – 30 September 2023

This is the third 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 FY2023. The Remuneration Policy will be reviewed in January 2025 at the latest.

The Remuneration Committee of Musti Group's Board of Directors prepared this Remuneration Report, and the Board of Directors approved it on 14 December 2023. 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 at Musti Group's 2024 Annual General Meeting.

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

FY2023 net sales were EUR 425.7 (391.1) million, local currencies SEK and NOK had a negative impact of EUR -22.6 million on the topline. Growth was due to a higher number of customers, price increases and the acquisition of the second half of our pet food manufacturing factory in Lieto, Finland. FY2023 group adjusted EBITA increased by 23.7% in Q4 and by 10.0% for FY2023 despite the unfavorable performance of the local currencies SEK and NOK. Stable growth in such a volatile operating

environment is a great achievement and pinpoints the resilience of the pet care sector and the strength of our ecosystem providing pet food, accessories, and services to our Pet Parent customers.

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 FY2023 complied with Musti Group's Remuneration Policy for the governing bodies.

In FY2023 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 FY2023 consisted of fixed monthly salary, fringe benefits, short-term bonus, and long-term incentive plan. 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. The remuneration paid and incentive plans to the CEO are disclosed under 'Remuneration of the CEO'.

Musti Group has two share-based long-term incentive plans ("Musti Performance Share plan"), each consisting of three consecutive performance periods.

The Performance Share Plan FY2020–2023 consists of three consecutive performance periods, covering the financial years 2020–2022, 2021–2023 and 2022–2024. The 2020–2022 program was paid out in January 2023. The programs 2021–2023 and 2022–2024 were in vesting/waiting period during FY2023.

The Performance Share Plan FY2023–2027 consists of three consecutive performance periods, covering the financial years 2023–2025, 2024–2026 and 2025–2027. The 2023–2025 program had performance (measurement) period during FY2023. The other two programs were not yet launched during FY2023.

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 target 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 company's group management team member is obliged to hold at least 50% of the net number of shares paid to the member based on the plan, until the value of his or her total shareholding in the company equals to 50% (100% for the CEO) of his or her annual base salary. Such number of shares must be held as long as the membership in the group management team continues.

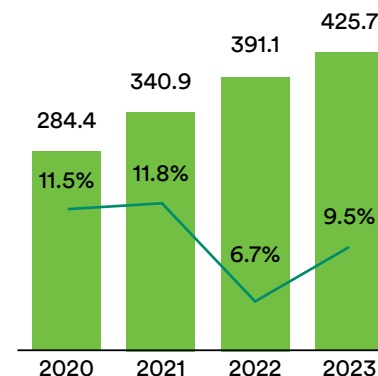
Development of Musti Group's financial performance and remuneration

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.

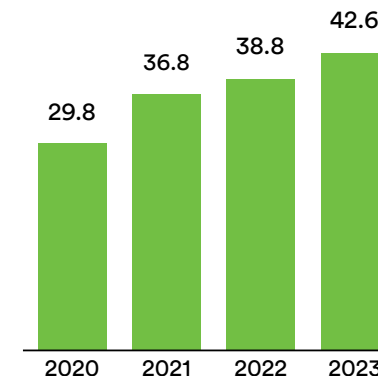
Compensation EUR thousand	FY2023	FY2022	FY2021	FY2020	FY2019
Chair of the Board	70,000	70,000	65,000	60,000	60,000
Vice-Chair of the Board	45,000	47,500	42,500	30,000	30,000
Other members of the Board (average)	41,667	40,833	32,500	30,000	26,250
CEO	533,576	659,740	614,456	653,754	412,264
Average Musti Group employee*	47,334	47,824	47,963	42,405	42,107

*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.

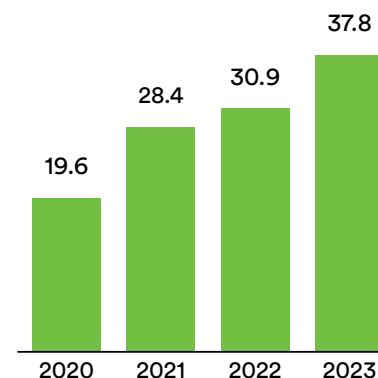
Net sales, EUR million and like-for-like sales growth, %



Adjusted EBITA, EUR million



Operating profit, EUR million



Remuneration of the Board of Directors

The Annual General Meeting 2023 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 2023 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 2023 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 travel 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 2022 – 30 September 2023

Remuneration of the Board of Directors 1 Oct 2022–30 Sep 2023 (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	Member of the Audit Committee and the Remuneration Committee	35,000	10,000	45,000
Johan Dettel	Chair of the Remuneration Committee	35,000	7,500	42,500
Ilkka Laurila	Chair of the Audit Committee	35,000	7,500	42,500
Inka Mero	Member of the Audit Committee	35,000	5,000	40,000

Remuneration of the CEO

The Company's CEO was David Rönberg throughout the financial year 1 October 2022 – 30 September 2023.

The remuneration of the CEO consists of a fixed monthly salary, fringe benefits, an annual 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 life insurance and supplementary pension payments on behalf of Musti Group in accordance with a pension agreement concluded with the Company. The CEO receives a supplementary pension at the age of 63.

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 (STI) 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 financial targets set for the financial year. For the financial year 1 October 2022 – 30 September 2023, the maximum performance bonus was equivalent to a six months' full salary. The performance criteria for the bonus are Group EBITA, Group EBITDA and Group Sales. The fulfilment of the bonus criterions is evaluated after the year end 30 September 2023 and rewards are paid in December 2023.

Long-term incentive plan

Musti Group has two share-based long-term incentive plans ("Musti Performance Share plan"), each consisting of three performance periods. 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 FY2020–2023 includes the performance periods financial year 2020–2022, 2021–2023 and 2022–2024. The plan FY2023–2027 includes the performance periods of the financial years 2023–2025, 2024–2026 and 2025–2027. The CEO is part of all currently valid long-term incentive plans.

The CEO is obliged to hold at least 50% of the net number of shares paid based on the plan, until the value of his or her total shareholding in the Company equals 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 2022 – 30 September 2023

Fixed salary, including benefits	Short-term bonus*	Long-term incentive	Additional pension	Total remuneration
444,350	35,528	817,489	0	1,265,367

*Earned based on performance in the fiscal year 1 October 2021 – 30 September 2022, paid in December 2022.

Long-term incentive plan in place in the financial year 1 October 2022 – 30 September 2023

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	71%	96,434	1,256,658	January 2023	16.03
FY2021–FY2023	26 November 2020	21.04	Total shareholder return (TSR) and adjusted EBITA	To be confirmed latest in January 2024	-	-	January 2024	-
FY2022–FY2024	27 January 2022	26.06	Total shareholder return (TSR) and adjusted EBITA	0%	-	-	January 2025	-
FY2023–FY2025	12 January 2023	15.50	Total shareholder return (TSR) and adjusted EBITA	To be confirmed latest in January 2026	-	-	January 2026	-

Board of Directors' Report



More than 50% of us feel less lonely thanks to our four-legged friend, and 54% feel that a pet enhances their well-being.



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Board of Directors' Report

for the financial year October 2022 – September 2023

Market outlook

Musti Group operates in the Nordic pet care market, broadly defined as the sale of pet food, products, services and veterinary care across Finland, Sweden and Norway. Musti Group's core market consisting of pet food and products was estimated by Euromonitor at approximately EUR 2.1 billion in 2022, with Sweden as the largest market, accounting for approximately EUR 0.8 billion, Finland approximately EUR 0.7 billion and Norway approximately EUR 0.6 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 pet parenting trend that drives the long-term structural growth of the pet care market remains robust, shifting spend towards higher quality nutrition, more diverse range of accessories and wider adoption of services.

The COVID-19 pandemic period resulted in a period with increased number of new puppies and kitten across the Nordic markets. While the number of new puppies and kittens has thereafter stabilized closer to long term average levels, the larger cohorts 2020–2022 are visible as a step-change in the pet population and have thus increased the addressable market size for future years with a long tail effect.

Our latest fiscal year proves that the pet care market is by nature resilient, underpinned by non-discretionary purchasing behavior. Non-discretionary categories such as food and cat litter sum up to majority of total market spend and are characterized by repeat purchasing behavior. Consumers display willingness to sustain spending on non-discretionary pet care purchases even under times of economic pressure when expenditure on alternative retail categories have been affected.

Group performance

Group key figures

EUR million or as indicated	10/2022–9/2023	10/2021–9/2022	Change %
Net sales	425.7	391.1	8.9%
Net sales growth, %	8.9%	14.7%	
LFL sales growth, %	9.5%	6.7%	
LFL store sales growth, %	6.7%	4.2%	
Online share, %	23.0%	22.2%	
Gross margin, %	45.7%	46.4%	
EBITDA	74.6	65.4	14.0%
EBITDA margin, %	17.5%	16.7%	
Adjusted EBITDA	73.6	66.9	10.1%
Adjusted EBITDA margin, %	17.3%	17.1%	
EBITA	43.6	37.3	16.8%
EBITA margin, %	10.2%	9.5%	
Adjusted EBITA	42.6	38.8	10.0%
Adjusted EBITA margin, %	10.0%	9.9%	
Operating profit	37.8	30.9	22.4%
Operating profit margin, %	8.9%	7.9%	
Profit/loss for the period	26.5	22.3	18.6%
Earnings per share, basic, EUR	0.79	0.67	18.7%
Net cash flow from operating activities	79.6	46.1	72.4%
Investments in tangible and intangible assets	11.9	14.2	-16.6%
Net debt / LTM adjusted EBITDA	1.9	2.1	-12.6%
Number of loyal customers, thousands	1,543	1,454	6.1%
Number of stores at the end of the period	342	335	2.1%
of which directly operated	330	319	3.4%

Group net sales

EUR million	10/2022–9/2023	10/2021–9/2022	Change %
Net sales			
Group	425.7	391.1	8.9%
Finland	189.9	169.7	11.9%
Sweden	170.9	164.9	3.6%
Norway	64.9	56.5	14.9%

Group net sales increased by 8.9% to EUR 425.7 (391.1) million. The increase was largely due to the increasing number of customers together with an increased number of directly operated stores and was significantly affected negatively by currency exchange rate fluctuations. The acquisition of Premium Pet Food Suomi Oy increased the net sales by EUR 4.2 million.

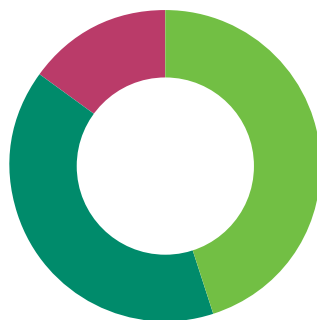
Currency exchange rate changes affected the growth negatively by 8.5%-points. Weakened SEK exchange rate decreased sales by EUR 14.4 million bringing 3.7%-points headwind to growth. Weakened NOK exchange rate decreased sales by EUR 8.2 million bringing 2.1%-points headwind to the growth. Group net sales growth excluding the changes in the currency exchange rates was 14.6%.

The impact of price increases was 7.7%. Like-for-like growth, which is calculated in local currencies, amounted to 9.5% (6.7%), with higher growth in food and consumables than in discretionary categories.

Store sales increased by 7.3% to EUR 322.3 (300.3) million. We added a net 11 directly operated stores during the last 12 months to our network. Like-for-like store sales growth was 6.7% (4.2%). Online sales increased by 12.4% to EUR 97.8 (87.0) million. Like-for-like online sales growth was 19.0% (14.7%). Online sales accounted for 23.0% (22.2%) of total net sales.

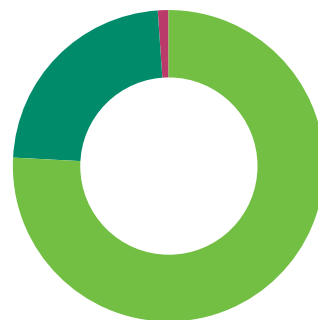
The number of loyal customers increased by 6.1% to 1,543 thousand (1,454 thousand on 30 September 2022). Rolling 12 months average spend per loyal customer was EUR 182.7 as per 30 September 2023 (EUR 181.5 as per 30 September 2022). Excluding the currency exchange rate fluctuations, the development was clearly positive.

Net sales by segment FY 2023



- Finland, 45%
- Sweden, 40%
- Norway, 15%

Net sales by channel FY 2023



- Store sales, 76%
- Online sales, 23%
- Other sales*, 1%

*Other sales include franchise fees and wholesale.

Premium Pet Food Suomi Oy, which was acquired in April, EUR 0.5 million restructuring costs and EUR 0.4 million value added taxes for IPO costs that were recognized as expense relating to tax audit.

Operating profit increased by 22.4% to EUR 37.8 (30.9) million, affected negatively by EUR 3.1 million by the currency exchange rates.

Profit before taxes amounted to EUR 33.7 (28.4) million. The main contributor was a fair value gain of EUR 2.4 million on the previously held share of Premium Pet Food Suomi Oy, which was acquired in April. The impact of financial income and expenses (net) on profit before taxes was EUR 4.1 million negative (EUR 2.4 million negative), as hedging partly offset the unfavorable currency rates and increased interest rates. Profit for the period was EUR 26.5 (22.3) million and basic earnings per share was 0.79 (0.67).

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 have been 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 filed a claim for adjustment to the Finnish Tax Administration's Assessment Adjustment Board. In May 2023, the Board issued a decision remitting the decision to the Tax Administration for reconsideration. Based on the decision of the Board of Adjustment and the latest court rulings, the company made a new estimate of the amount of deductible VAT and, on that basis, recognized EUR 0.4 million of it as an expense. The case is still pending with the tax administration. 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

The net cash flow from operating activities totaled EUR 79.6 (46.1) million during the financial year. Change in net working capital had an impact of EUR 14.7 (-15.4) million to the cash flow during the financial year. Cash flow used in investing activities during the financial year amounted to EUR 18.6 (33.0) million.

Cash and cash equivalents at the end of the period amounted to EUR 22.0 (10.0) million. Total consolidated assets amounted to EUR 394.2 (371.4) million.

Equity attributable to owners of the parent company totaled EUR 164.3 (160.3) million.

Group result

Group adjusted EBITA increased by 10.0% to EUR 42.6 (38.8) million. Recent movements of the local currencies SEK and NOK had a negative impact of EUR 3.1 million on adjusted EBITA (EUR 0.6 million negative in the comparison period). The acquisition of Premium Pet Food Suomi Oy increased the EBITA by EUR 0.9 million. Adjusted EBITA margin was 10.0% (9.9%).

Gross margin decreased to 45.7% (46.4%). Gross margin was negatively impacted by increased inflation and unfavorable currency exchange rate development, despite the positive development in supply chain performance and production integration during the second half of the financial year. The share of sales of own and exclusive brands was 52.4% (52.7%). The share of employee benefits and other operating expenses as percentage of sales was 29.4% (30.3%).

Depreciation amounted to EUR 31.0 (28.2) million and amortization amounted to EUR 5.8 (6.4) million. Main driver is the growing store network via IFRS 16 impact.

There were EUR 0.9 million (EUR 1.5 million positive) negative adjustments to EBITA in the reporting period. The adjustments include a fair value gain of EUR 2.4 million on the previously held share of

Gearing at the end of the reporting period was 83.9% (89.4%) and net debt amounted to EUR 137.9 (143.4) million. At the end of the period, the interest-bearing loans and commercial papers included in net debt amounted to EUR 79.4 (74.8) million and lease liabilities EUR 79.8 (80.7) million.

Musti Group focuses on maintaining sufficient liquidity in the group. In addition to the cash and cash equivalents of EUR 22.0 million at the end of the period, Musti Group had an unutilized EUR 5.0 million bank overdraft, a EUR 50 million commercial paper program of which EUR 40.5 million undrawn and an undrawn EUR 40.0 million revolving credit facility.

Investments

In October 2022 – September 2023, investments in tangible and intangible assets amounted to EUR 11.9 (14.2) million. Investments were mainly related to new and relocated stores, production equipment, as well as IT and digital platform development projects.

Musti Group acquired the full ownership of the pet food manufacturer Premium Pet Food Suomi Oy on 3 April 2023 and the company became a fully owned subsidiary of Musti Group. Prior to the transaction, Musti Group held 49.2% of the shares in the company. In addition, in October 2022 – September 2023 EUR 4.7 million were invested in business acquisitions of stores in Sweden and Norway. Musti Group acquired 6 pet stores, 5 in Sweden and one in Norway as business acquisitions during the financial year.

Strategy and financial targets

Our strategy is to continue developing the Musti concept and 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 5.8 million dogs and cats.

Success in new customer acquisition is a key driver of continued market share gain across our Nordic markets. Acquisition of puppies and kittens is especially important from a lifetime value perspective. 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.

Musti has gained share of new puppies over the recent years 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. Both concepts have been continuously improved since their launch. These investments into early stages of the pet parenting journey continue to pay off.

The number of loyal customers, Friends of Musti, now stands at 1.5 million across the Nordic countries.

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 an 'All you need is Musti' mentality across the pet lifecycle. Supported by data we are able to customize our value proposition to individual needs of Nordic pets and their parents.

Rolling 12 months average spend per loyal customer increased to EUR 182.7 in financial year 2023 (EUR 181.5 on 30 September 2022), despite unfavorable currency exchange rate effects.

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, with local presence in Nordic communities enabling customers to switch to the Musti Group platform. This is complemented by a strong online offering, representing 23.0% (22.2%) of sales.

Musti Group has the largest pet specialty store footprint in the Nordic countries. Expansion investments come with long term benefits, as the number of directly operated stores has increased from 231 end of financial year 2020 to 330 after financial year 2023, a significant share of our network is currently at ramp-up stage. We continue to see ample room for expansion especially in the Norwegian market to support further market share gains through the added convenience of local presence.

Along with expanding the store network, Musti Group has invested into adding services to our network. At current, over 100 stores have a dedicated service point, bringing physical services to the reach of most cities across the Nordics. With this platform, Musti is clearly the largest grooming operator in the Nordic countries along with other services such as lighter nail clipping available in most stores.

The number of directly operated stores increased by net 11 stores during financial year 2023.

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

A core element of Musti Group's strategy is developing the offering 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%-points higher margins compared to global brands.

In financial year 2023, gross margin decreased to 45.7% (46.4%) affected by the unfavorable development of local currencies SEK and NOK. This trend stabilized towards the last quarter of the fiscal year with a year-on-year improvement in gross margin.

Increasing Musti Group's ownership of Premium Pet Food Suomi Oy factory in Lieto (Finland) to 100% was a key event of 2023. Full ownership of the 'Musti kitchen' allows Musti to respond to increased demand for locally and sustainably produced pet food. Having our own production asset directly supports developing our own branded food offering, and further investments to increase capacity are underway.

Share of sales of own and exclusive brands continued stable at 52.4% (52.7%) during the year.

Leveraging broadly invested platform to drive operating leverage and scale benefits

Significant investments to Musti Group's IT, digital platforms, warehouse and production facility 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 2023, group functions cost, excluding the impact of the acquired pet food factory, brought clear operating leverage, supporting Group profitability.

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 2023
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 425.7 million, growth 8.9%.
Profitability	Mid- to long-term adjusted EBITA margin of at least 13% with steadily improving profile. Margin increase is expected to be realized through steady gross margin and improving operating leverage.	Adjusted EBITA margin 10.0%.
Capital structure	Maintain net debt in relation to adjusted EBITDA below 2.5x in the long term.	Net debt / LTM adjusted EBITDA 1.9.
Dividend policy	To pay a dividend corresponding to 60–80% of net profit. Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.	The capital return corresponds to approximately 76%* 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 31 January 2024.

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, the central warehouse and the production facility.

Finland

Finland is Musti Group's most mature market. Musti Group holds approximately 32% 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 continuously seeks opportunities to further optimize convenience to meet the needs of pet parents.

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	10/2022–9/2023	10/2021–9/2022	Change %
Net sales	189.9	169.7	11.9%
Net sales growth, %	11.9%	11.2%	
LFL segment sales growth, %	9.7%	2.7%	
EBITDA	52.6	44.5	18.2%
EBITDA margin, %	27.7%	26.2%	
Adjusted EBITDA	52.6	44.5	18.2%
Adjusted EBITDA margin, %	27.7%	26.2%	
EBITA	41.5	34.2	21.1%
EBITA margin, %	21.8%	20.2%	
Adjusted EBITA	41.5	34.3	21.1%
Adjusted EBITA margin, %	21.9%	20.2%	
Number of stores	136	140	-2.9%
of which directly operated	136	140	-2.9%

Net sales in Finland increased by 11.9% to EUR 189.9 (169.7) million. Sales growth was a result of steady growth in both online channels and stores underpinned by good traffic and price increases and the acquisition of Premium Pet Food Suomi Oy pet food factory. Like-for-like growth was 9.7%.

EBITA increased by 21.1% to EUR 41.5 (34.2) million. Adjusted EBITA increased by 21.1% to EUR 41.5 (34.3) million. The increase in profitability was mainly due to healthy gross margin development, the acquisition of Premium Pet Food Suomi Oy pet food factory and cost control, despite the inflationary environment. Adjusted EBITA margin was 21.9% (20.2%).

During the financial year, one directly operated store was merged to another store and three directly operated stores were closed. No new 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 28% market share. Musti's brands in Sweden are Arken Zoo (store and omnichannel) and VetZoo (online focus).

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 FY2020 to FY2023, taking directly operated store count from 68 at end of FY2019 to 119 by end of FY2023 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 and online channel profitability towards the levels in Finland.

EUR million or as indicated	10/2022–9/2023	10/2021–9/2022	Change %
Net sales	170.9	164.9	3.6%
Net sales growth, %	3.6%	11.8%	
LFL segment sales growth, %	8.6%	8.9%	
EBITDA	36.3	37.3	-2.7%
EBITDA margin, %	21.2%	22.6%	
Adjusted EBITDA	36.5	37.3	-2.1%
Adjusted EBITDA margin, %	21.4%	22.6%	
EBITA	25.5	26.9	-5.3%
EBITA margin, %	14.9%	16.3%	
Adjusted EBITA	25.7	26.9	-4.5%
Adjusted EBITA margin, %	15.0%	16.3%	
Number of stores	131	129	1.6%
of which directly operated	119	113	5.3%

Net sales in Sweden increased by 3.6% to EUR 170.9 (164.9) million. The weakened SEK exchange rate decreased sales by EUR 15.2 million. The growth excluding the adverse effect from the currency exchange rate change was 12.8%. The like-for-like growth, which is calculated in local currencies, was 8.6%.

EBITA decreased by 5.3% to EUR 25.5 (26.9) million. Adjusted EBITA decreased by 4.5% to EUR 25.7 (26.9) million. The decrease was due to gross margin pressure and negative development of the currency exchange rate. Adjusted EBITA margin decreased to 15.0% (16.3%).

During the reporting period, three franchise stores and two third party stores were acquired in Sweden. One new directly operated store was opened and one franchise store 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 16% 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 average age profile of the 75 stores (at end of FY2023) is young with many stores in ramp-up mode. Ramp-up has progressed according to Musti Group's plans and maturation of the network continues to be a key driver of growth and country profitability.

EUR million or as indicated	10/2022–9/2023	10/2021–9/2022	Change %
Net sales	64.9	56.5	14.9%
Net sales growth, %	14.9%	38.7%	
LFL segment sales growth, %	11.3%	13.9%	
EBITDA	15.1	14.6	3.3%
EBITDA margin, %	23.2%	25.8%	
Adjusted EBITDA	15.1	14.6	3.5%
Adjusted EBITDA margin, %	23.2%	25.8%	
EBITA	9.4	9.9	-5.4%
EBITA margin, %	14.5%	17.6%	
Adjusted EBITA	9.4	9.9	-5.2%
Adjusted EBITA margin, %	14.5%	17.6%	
Number of stores	75	66	13.6%
of which directly operated	75	66	13.6%

Net sales in Norway increased by 14.9% to EUR 64.9 (56.5) million, driven by like-for-like growth of 11.3% and ramp-up of the stores opened during the latest twelve months. The NOK exchange rate in the reporting period had a EUR 7.3 million negative impact on net sales. The growth excluding the adverse effect from the currency exchange rate change was 27.9%.

EBITA decreased by 5.4% to EUR 9.4 (9.9) million and adjusted EBITA decreased by 5.2% to EUR 9.4 (9.9) million. The decrease was mainly due to a negative gross margin development caused by currency exchange rates with an increasing adverse impact during the second half of the financial year. Adjusted EBITA margin was 14.5% (17.6%).

During the reporting period, nine directly operated stores were opened, one third party store was acquired, and one directly operated store was closed in Norway.

Group functions

The EBITA impact of the Group functions was EUR -32.8 (-33.8) million. Adjusted EBITA was EUR -34.0 (-32.4) million. The adjustments include a fair value gain of EUR 2.4 million on the previously held share of Premium Pet Food Suomi Oy, which was acquired in April. Adjusted Group functions cost in relation to group net sales improved to 8.0% (8.3%). The improvement was driven by the scalability achieved in the Group head office and the improved efficiency in the central warehouse. During the second half of the financial year the integration of production added to the Group functions costs.

Personnel

At the end of the reporting period on 30 September 2023, the number of personnel was 1,643 (1,587) of whom 664 (664) were employed in Finland, 664 (650) in Sweden and 316 (274) in Norway.

Personnel

	1 Oct 2022– 30 Sep 2023	1 Oct 2021– 30 Sep 2022	1 Oct 2020– 30 Sep 2021	1 Oct 2019– 30 Sep 2020	1 Oct 2018– 30 Sep 2019
Personnel by average	1,640	1,523	1,284	1,145	1,084

Personnel by area

	30 Sep 2023	30 Sep 2022	30 Sep 2021	30 Sep 2020	30 Sep 2019
Finland	664	664	616	566	583
Sweden	664	650	578	438	425
Norway	316	274	203	158	112
Total	1,643	1,587	1,397	1,162	1,120

Wages and salaries

	1 Oct 2022– 30 Sep 2023	1 Oct 2021– 30 Sep 2022	1 Oct 2020– 30 Sep 2021	1 Oct 2019– 30 Sep 2020	1 Oct 2018– 30 Sep 2019
Wages and salaries total	59,370	56,303	47,489	38,042	35,756

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 (the "Company") Annual General Meeting was held on 30 January 2023 in Helsinki.

The Annual General Meeting adopted the annual accounts for the financial year 1 October 2021 – 30 September 2022, discharged the persons who have acted as the members of the Board of Directors and CEO during the financial year from liability, and resolved to approve the remuneration report for the governing bodies.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, that the profit for the financial year 1 October 2021 – 30 September 2022 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 0.50 per share from the invested unrestricted equity reserve, and

that the capital return will be paid in two instalments. The first capital return instalment was paid on 8 February 2023 and the second capital return instalment was paid on 29 August 2023.

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:

- Chair of the Board of Directors: EUR 65,000
- 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% 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 2022 – 31 December 2022 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.

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

- Chair of the Committee: EUR 7,500
- 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, Ilkka Laurila, Inka Mero and Johan Dettel 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.

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. Johanna Winqvist-Ilkka, Authorized Public Accountant, acts 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% 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% 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% 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 Annual General Meeting decided, in accordance with the proposal of the Board of Directors, that an addition will be made to section 7 § of the Articles of Association to include the possibility by the the Board of Directors, at their discretion, to arrange a General Meeting as a hybrid meeting. In addition, the amendment will enable arranging a General Meeting as a virtual meeting without a meeting venue.

Pursuant to the resolution by the Annual General Meeting, section 7 § of the Articles of Association will read as follows after the amendment:

"7 § The shareholders exercise their power of decision in the company's affairs at the General Meeting.

The Annual General Meeting of shareholders shall be held annually within six (6) months of the expiration of the financial year. An Extraordinary General Meeting of shareholders shall be held when the Board of Directors considers it necessary or when the law so requires.

The Board of Directors convenes the General Meeting and decides on the place, manner of arrangement and time of the General Meeting. The notice of the General Meeting shall be delivered to the shareholders no earlier than three (3) months and no later three (3) weeks prior to the General Meeting, however, no later than nine (9) days before the record date of the General Meeting. The notice shall be delivered to shareholders by means of a notice published on the company's website or at least in one national daily newspaper designated by the Board of Directors. To be entitled to attend the General Meeting, a shareholder must register with the company no later than on the date specified in the notice of the General Meeting, which date may not be earlier than ten (10) days prior to the General Meeting.

The Board of Directors may decide that shareholders may participate in the General Meeting in a manner whereby shareholders exercise their full decision-making powers during the General Meeting using telecommunications and technical means (hybrid meeting).

The Board of Directors may decide that the General Meeting is arranged without a meeting venue in a manner whereby shareholders exercise their full decision-making powers in real time during the General Meeting using telecommunications and technical means (virtual meeting)."

Musti Group's Annual General meeting 2024 is planned to be held on 31 January 2024.

Changes in Group structure

Musti Group acquired full ownership of the pet food factory Premium Pet Food Suomi Oy in Lieto, Finland on 3 April 2023.

Changes in Group management

There were no changes in Group management during October 2022 – September 2023.

Shares and shareholders

Issued shares and share capital

At the end of the reporting period on 30 September 2023, 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 18.02 on 3 October 2022. The closing price of the share on the last trading day of the financial year on 29 September 2023 was EUR 18.00. The highest price of the share during the financial year was EUR 20.50, the lowest EUR 14.36. The average closing price during the financial year was EUR 17.44 and the average volume per day was 54,548 shares.

Musti Group's market capitalization was EUR 603.6 million on 29 September 2023.

**Musti Group's share price development
17 February 2020 – 29 September 2023**



Own shares

On 30 September 2023 Musti Group held 147,566 (244,000) own shares representing 0.44% (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% 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% 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 27 January 2022 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 31 March 2024.

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% 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 27 January 2022 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 31 March 2024.

Shareholders

At the end of the reporting period, the number of registered shareholders was 11,899. The proportion of nominee-registered shareholders was 68.02% of the company's shares. The 20 largest shareholders registered in the book-entry register maintained by Euroclear Finland Oy held a total of 23.61% of Musti Group's shares and votes at the end of the financial year.

Shareholders, Musti Group, 29 September 2023

	Number of shares	% of shares
1 Varma Mutual Pension Insurance Company	2,057,020	6.13
2 Ilmarinen Mutual Pension Insurance Company	944,988	2.82
3 Evli Finnish Small Cap Fund	705,000	2.10
4 Elo Mutual Pension Insurance Company	639,000	1.91
5 Nordea Finland Investment Fund	443,758	1.32
6 Mandatum Life Insurance Company Limited	434,598	1.30
7 Säästöpankki Kotimaa investment fund	415,779	1.24
8 Säästöpankki Small Cap investment fund	352,846	1.05
9 Aktia Capital investment fund	260,000	0.78
10 Kaleva Mutual Insurance Company	259,077	0.77
10 largest total	6,512,066	19.42
100 largest total	9,204,800	27.45
Nominee registered total	22,810,946	68.02
Number of shares total	33,535,453	100.00

Shareholders by number of shares held, Musti Group, 29 September 2023

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	8,458	71.08	290,607	0.87
101–500	2,803	23.56	621,454	1.85
501–1000	349	2.93	258,832	0.77
1001–5000	206	1.73	432,364	1.29
5001–10000	26	0.22	177,061	0.53
10001–50000	26	0.22	662,863	1.98
50001–100000	8	0.07	609,937	1.82
100001–500000	16	0.13	358,3514	10.69
500001–	7	0.06	2,689,8821	80.21
Total	11,899	100.00	33,535,453	100.00

Shareholders by sector, Musti Group, 29 September 2023

Shareholders by sector	Number of shares	% of shares
Public sector	3,746,835	34.94
Financial and insurance corporations	3,626,302	33.81
Households	1,438,518	13.41
Non-financial corporations	1,461,117	13.62
Non-profit institutions	436,899	4.07
Rest of the world	14,836	0.14
Total	10,724,507	100.00
Nominee registered	22,810,946	68.02
Number of shares total	33,535,453	100.00

During October 2022–September 2023, Musti Group received the following announcement under Chapter 9, Section 5 of the Securities Markets Act:

- On 14 April 2023 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 Varma Mutual Pension Insurance Company had on 14 April 2023 increased above 5% of the company's shares and votes.

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 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 risk countries and in risk countries 100% of our tier one suppliers have been audited.

Musti Group's responsibility targets are available at <https://www.mustigroup.com/responsibility/responsibility-targets/>.

Musti Group's Non-Financial Information Report for the financial year 2023 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. Although Musti Group sells products, a recession may have a negative impact on consumer confidence and sales.

General cost level has risen in 2023 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. The large share of own and exclusive products partly mitigates this risk. 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. In 2023, Musti Group acquired the pet food manufacturer Premium Pet Food Suomi Oy. The production processes are subject to risks, such as equipment breakdown, raw material availability, accidents, damage, and interruption risks. These risks are managed through certifications and continuous EHSQ work.

Customers 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.

Risks relating to cybercrimes

The frequency of professional cybercrimes is growing especially after the war in Ukraine begun. 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 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

The company has withdrawn three batches of SMAAK pet food following customer claims during the first and second week of November. The high concentration of glycoalkaloids in a batch of imported potato flakes was identified as the reason for the symptoms caused by the withdrawn products. At the moment the company estimates that the incident might have a minor impact on the company's net sales or profitability. In addition, the Company will recognize impairment charges, estimated approximately EUR 0.3–0.4 million to inventory in fiscal year 2024 as a result of the case.

The Company will incur some costs for the investigation of the matter, the product recall and the customer claims, for which the Company expects to receive at least partial insurance compensation.

A consortium comprising Sonae, Jeffrey David, Johan Dettel and David Rönberg announced a recommended public tender offer through Flybird Holding Oy for all shares in Musti Group Plc on 29 November 2023. The Board of Directors of the Company, represented by a quorum comprising the non-conflicted members of the Board of Directors who are not members of the Consortium, has unanimously decided to recommend that the shareholders of the Company accept the tender offer. The consortium expects to publish a tender offer document with detailed information on the tender offer on or about 15 December 2023. The offer period under the tender offer is expected to commence on or about 18 December 2023, and to expire on or about 12 February 2024. The offer price under the tender offer is EUR 26.00 for each share. The completion of the tender offer is not expected to have any immediate material effects on the operations, or the position of the management or employees, of the Company. Further information on the tender offer is available in the stock exchange release published on 29 November 2023.

Outlook for the financial year 2024

The underlying trend of pet parenting that drives the long-term structural growth of the pet care market remains robust. During 2023 the pet space has again proven to be resilient in challenging economic times. 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 0.60 per share from the invested unrestricted equity reserve totaling approximately EUR 20.0 million and that no dividend will be paid for the financial year that ended on 30 September 2023. The capital return corresponds approximately 76% of Musti Group's profit for the financial year.

The parent company's distributable funds total EUR 131,026,903.86 of which the profit for the financial year is EUR 3,671,767.82.

The Board of Directors proposes that the capital return be paid in two instalments. The first instalment of EUR 0.30 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 2 February 2024. The Board of Directors proposes that the first capital return instalment would be paid on 9 February 2024.

The second capital return instalment of EUR 0.30 per share would be paid in August 2024. 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 2024. The Board of Directors proposes that the second capital return instalment would be paid on 29 August 2024.

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 statutes applicable to the Finnish book-entry system change or otherwise so require.

Helsinki, 14 December 2023

Board of Directors

Financial ratios and alternative performance measures

EUR millions or as indicated	10/2022–9/2023	10/2021–9/2022	Change %
Net sales	425.7	391.1	8.9%
Net sales growth, %	8.9%	14.7%	
LFL sales growth, %	9.5%	6.7%	
LFL store sales growth, %	6.7%	4.2%	
LFL online sales growth, %	19.0%	14.7%	
Store sales	322.3	300.3	7.3%
Online sales	97.8	87.0	12.4%
Online share of net sales, %	23.0%	22.2%	
Gross margin, %	45.7%	46.4%	
EBITDA	74.6	65.4	14.0%
EBITDA margin, %	17.5%	16.7%	
Adjusted EBITDA	73.6	66.9	10.1%
Adjusted EBITDA margin, %	17.3%	17.1%	
EBITA	43.6	37.3	16.8%
EBITA margin, %	10.2%	9.5%	
Adjusted EBITA	42.6	38.8	10.0%
Adjusted EBITA margin, %	10.0%	9.9%	
Operating Profit	37.8	30.9	22.4%
Operating Profit margin, %	8.9%	7.9%	
Profit/loss for the period	26.5	22.3	18.6%
Earnings/Share, basic, EUR	0.79	0.67	18.3%
Earnings/Share, diluted, EUR	0.79	0.66	18.4%
Cash flow from operating activities	79.6	46.1	72.4%
Investments in tangible and intangible assets	11.9	14.2	-16.6%
Net debt	137.9	143.4	-3.8%
Gearing, %	83.9%	89.4%	
Net debt / LTM Adjusted EBITDA	1.9	2.1	-12.6%
Equity ratio, %	41.7%	43.2%	
Number of loyal customers, thousands	1,543	1,454	6.1%
Number of stores at end of period	342	335	2.1%
of which directly operated	330	319	3.4%
Own & Exclusive share, %	52.4%	52.7%	

Share performance indicators

EUR millions or as indicated	10/2022–9/2023	10/2021–9/2022	10/2020–9/2021
Earnings per share, basic, EUR	0.79	0.67	0.62
Earnings per share, diluted, EUR	0.79	0.66	0.62
Equity per share, EUR	4.90	4.78	4.68
Dividend payout per share and capital return total	0.60	0.50	0.44
Dividend payout and return of capital, total of result, %	76.0%	75.1%	70.6%
Effective dividend yield, %	3.3%	2.8%	1.4%
Price/earnings ratio (P/E)	22.71	26.60	49.46
Highest share price, EUR	20.46	36.64	37.22
Lowest share price, EUR	14.63	15.35	18.41
Share price as at 30 September	18.00	17.82	30.9
Market capitalisation	603,638,154	597,601,772	1,036,245,498
Share turnover during the financial year, %	40.7%	48.7%	72.1%
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	33,644,244	33,623,919	33,576,033
Weighted average adjusted number of shares during the financial period, basic	33,374,823	33,337,805	33,410,411
Weighted average adjusted number of shares during the financial period, diluted	33,598,167	33,578,629	33,655,418

Calculation formulas of key performance indicators

Key Performance Indicator	Definition
Gross profit	Net sales - Material and services
Earnings before interest, taxes, depreciation and amortization (EBITDA)	Operating profit + Depreciation, amortization and impairment
Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)	Operating profit + Depreciation, amortization and impairment + adjustments
Earnings before interest, taxes and amortization (EBITA)	Operating profit + amortization and impairment of intangible assets
Adjusted earnings before interest, taxes and amortization (Adjusted EBITA)	Operating profit + amortization 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

Key Performance Indicator	Definition
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, %	$(\text{Dividend/share}) + (\text{return of capital/share}) \times 100$
	(Earnings/share)
Effective dividend yield, %	$(\text{Dividend/share}) \times 100$
	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 millions or as indicated	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Gross profit		
Net sales	425.7	391.1
Material and services	-231.3	-209.6
Gross profit	194.5	181.5
Gross margin (%)	45.7%	46.4%
Earnings before interest, taxes, depreciation and amortization (EBITDA)		
Operating profit	37.8	30.9
Depreciation, Amortization and Impairment	36.8	34.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	74.6	65.4
EBITDA margin (%)	17.5%	16.7%
Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)		
Operating profit	37.8	30.9
Depreciation, amortization and Impairment	36.8	34.5
Adjustments	-0.9	1.5
Adjusted earnings before interest, taxes, depreciation and amortization (Adjusted EBITDA)	73.6	66.9
Adjusted EBITDA margin (%)	17.3%	17.1%
Adjustments (EBITDA)		
Restructuring related expenses	0.5	0.0
Acquisition/IPO related expenses	0.4	0.0
Other items affecting comparability	-1.4	1.5
Adjustments (EBITDA)	-0.9	1.5
Earnings before interest, taxes and amortization (EBITA)		
Operating profit	37.8	30.9
amortization and impairment	5.8	6.4
Earnings before interest, taxes and amortization (EBITA)	43.6	37.3
EBITA margin (%)	10.2%	9.5%

EUR millions or as indicated	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Adjusted earnings before interest, taxes and depreciation (Adjusted EBITA)		
Operating profit	37.8	30.9
amortization and impairment of intangible assets	5.8	6.4
Adjustments	-0.9	1.5
Adjusted earnings before interest, taxes and depreciation (Adjusted EBITA)	42.6	38.8
Adjusted EBITA margin (%)	10.0%	9.9%
Adjustments (Operating profit)		
Restructuring related expenses	0.5	0.0
Acquisition/IPO related expenses	0.4	0.0
Other items affecting comparability	-1.4	1.5
Adjustments (Operating profit)	-0.9	1.5
Earnings per share, basic		
Profit/loss for the period	26.5	22.3
Non-controlling interest	0.0	0.0
Average number of shares	33.4	33.3
Earnings per share, basic	0.79	0.67
Earnings per share, diluted		
Profit/loss for the period	26.5	22.3
Non-controlling interest	0.0	0.0
Average number of shares*	33.6	33.6
Earnings per share, diluted	0.79	0.66
*Includes shares from Restricted Share Plan (PSP)		
Net debt		
Interest-bearing liabilities	161.2	155.5
Derivative financial instruments	-1.3	-2.1
Cash and cash equivalents	22.0	10.1
Net debt	137.9	143.4

EUR millions or as indicated	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Gearing (%)		
Net Debt	137.9	143.4
Equity	164.4	160.4
Gearing (%)	83.9%	89.4%
Net debt/LTM Adjusted EBITDA		
Net debt	137.9	143.4
LTM adjusted EBITDA	73.6	66.9
Net debt/LTM adjusted EBITDA	1.9	2.1
Equity ratio (%)		
Total equity	164.4	160.4
Total assets	394.2	371.4
Advances received	0.3	0.3
Equity ratio (%)	41.7%	43.2%
LFL sales growth (%)		
Net sales	425.7	391.1
Net sales growth %	8.9%	14.7%
Other growth %	-0.6%	8.1%
LFL sales growth (%)	9.5%	6.7%
LFL store sales growth (%)		
Store sales	322.3	300.3
Store sales total growth %	7.3%	20.1%
Other growth %	0.6%	15.9%
LFL store sales growth (%)	6.7%	4.2%

EUR millions or as indicated	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Net sales		
Store sales	322.3	300.3
Online sales	97.8	87.0
Other sales	5.7	3.8
Net sales	425.7	391.1
Online share (%)		
Net sales	425.7	391.1
Online sales	97.8	87.0
Online share (%)	23.0%	22.2%

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Musti Group plc

Financial Statements 30 September 2023

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

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Group Financial Statements, IFRS

Consolidated statement of income, IFRS

EUR thousand	Note	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Net sales	2.1	425,740	391,122
Other operating income	2.2	5,052	2,516
Share of profit of a joint venture	3.4	324	84
Materials and services	4.1	-231,252	-209,626
Employee benefit expenses	2.3	-76,782	-72,592
Other operating expenses	2.3	-48,527	-46,078
Depreciation, amortization and impairment	3.2, 3.3, 3.5, 3.6	-36,756	-34,542
Operating profit		37,800	30,882
Financial income	5.4	6,522	6,395
Financial expenses	5.4	-10,605	-8,837
Financial income and expenses, net		-4,083	-2,443
Profit before taxes		33,717	28,440
Income tax expense	6.2	-7,229	-6,109
Profit/loss for the period		26,487	22,330
Attributable to:			
Owners of the parent		26,448	22,328
Non-controlling interest		39	2
Earnings per share (EUR) for profit attributable to owners of the parent			
Basic EPS (EUR)		0.79	0.67
Diluted EPS (EUR)		0.79	0.66

Consolidated statement of comprehensive income, IFRS

EUR thousand	Note	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Profit/loss for the period		26,487	22,330
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences		-5,562	-6,148
Tax on items that may be reclassified to profit or loss		450	512
Total comprehensive income		21,375	16,695
Attributable to:			
Owners of the parent		21,338	16,705
Non-controlling interest		37	-10

Consolidated statement of financial position, IFRS

EUR thousand	Note	30 Sep 2023	30 Sep 2022
ASSETS			
Non-current assets			
Goodwill	3.1, 3.2, 3.3	174,375	170,505
Other intangible assets	3.2	18,413	16,896
Right-of-use assets	3.6	75,771	76,227
Property, plant and equipment	3.5	27,570	18,538
Investments in joint ventures	1.4, 3.4	0	1,074
Deferred tax assets	6.2	2,824	4,351
Derivative financial instruments	5.2	1,257	0
Other non-current receivables		111	154
Total non-current assets		300,322	287,744
Current assets			
Inventories	4.1	58,385	61,401
Trade and other receivables	4.2, 5.1	11,575	9,486
Derivative financial instruments	5.2	394	2,135
Income tax receivables	6.2	1,612	625
Cash and cash equivalents	5.2	21,954	10,054
Total current assets		93,920	83,702
TOTAL ASSETS		394,242	371,446

EUR thousand	Note	30 Sep 2023	30 Sep 2022
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	5.6	11,002	11,002
Other reserves	5.6	123,349	140,043
Own shares	5.6	-5,340	-6,910
Translation differences	5.6	-10,721	-5,161
Retained earnings		46,009	21,318
Total equity attributable to owners of the parent		164,299	160,292
Equity attributable to non-controlling interest		88	75
Total equity		164,387	160,367
LIABILITIES			
Non-current liabilities			
Loans from credit institutions	5.2	69,943	59,898
Lease liability	3.6	55,518	57,776
Deferred tax liabilities	6.2	4,881	3,265
Other liabilities	5.2	2,031	0
Total non-current liabilities		132,372	120,940
Current liabilities			
Commercial papers	5.2	9,412	14,950
Lease liability	3.6	24,307	22,905
Trade and other payables	4.3	61,725	48,571
Derivative financial instruments	5.2	306	73
Income tax liabilities	6.2	1,711	3,640
Provisions		21	0
Total current liabilities		97,482	90,139
Total liabilities		229,855	211,079
TOTAL EQUITY AND LIABILITIES		394,242	371,446

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 2022	11,002	140,043	-6,910	-5,161	21,318	160,292	75	160,367
Profit/loss for the period					26,448	26,448	39	26,487
Translation differences				-5,560		-5,560	-2	-5,562
Tax on other comprehensive income					450	450		450
Total comprehensive income	0	0	0	-5,560	26,898	21,338	37	21,375
Other changes					24	24	-24	0
Capital returns		-16,694				-16,694		-16,694
Acquisition of own shares			1,570			1,570		1,570
Share-based incentive plan					-2,231	-2,231		-2,231
Equity at 30 Sep 2023	11,002	123,349	-5,340	-10,721	46,009	164,299	88	164,387

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
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

Consolidated statement of cash flows, IFRS

EUR thousand	Note	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Cash flows from operating activities			
Profit before taxes		33,717	28,440
Adjustments			
Depreciation, amortization and impairment		36,756	34,542
Financial income and expenses, net		4,083	2,443
Other adjustments		-2,174	1,296
Cash flows before changes in working capital		72,381	66,720
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	4.2	-522	-764
Increase (-) / decrease (+) in inventories	4.1	2,127	-16,301
Increase (+) / decrease (-) in trade and other payables	4.3	13,096	1,678
Cash flows from operating activities before financial items and taxes		87,082	51,333
Income taxes paid		-7,532	-5,199
Net cash from operating activities		79,550	46,135

EUR thousand	Note	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Cash flows from investing activities			
Investments in tangible and intangible assets	3.2, 3.5	-11,863	-14,216
Acquisition of subsidiaries and business acquisitions, net of cash acquired	3.1	-6,715	-18,735
Net cash from investing activities		-18,578	-32,951
Cash flows from financing activities			
Capital returns paid	5.6	-16,770	-14,630
Dividends paid		0	-15
Proceeds from non-current loans		10,044	60,000
Repayments of non-current loans		-8,427	-50,000
Issuance of commercial papers	5.2	-6,138	14,946
Repayments of lease liabilities		-24,427	-22,114
Interest and other financial expenses paid		-4,147	-7,089
Interest and other finance income received		1,209	2,759
Net cash flow from financing activities		-48,655	-16,143
Net change in cash and cash equivalents			
Cash and cash equivalents at start of period	5.1, 5.2	10,054	13,013
Foreign exchange differences and cash of acquired subsidiary		-417	0
Cash and cash equivalents at end of period		21,954	10,054

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	IAS 19, IFRS 2
	2.4 Share-based payments	
Business combinations	3.1 Business combinations	IFRS 3
Intangible assets	3.2 Intangible assets,	IAS 36, IAS 38
	3.3 Group goodwill and impairment testing	
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 14 December 2023. 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 2023. In the Finnish Accounting Act and ordinances based on its provisions, IFRS refer to the standards and their interpretations adopted for application in the EU in accordance with the procedures as set in regulation (EC) No 1606/2002. The notes to the consolidated financial statements also satisfy the requirements of the Finnish accounting and corporate legislation that complements the IFRS standards.

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

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

Translation of items in foreign currencies

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

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

In the consolidated financial statements, the profit and loss statements of the foreign subsidiaries have been converted into euros using the average rate of the financial year, and the balance sheet items have been translated using the exchange rates prevailing on the balance sheet date. The translation differences arising from 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 2023. 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 2023

	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
Premium Pet Food Suomi 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.

Until 31 March 2023 the Group had a joint venture Premium Pet Food Suomi Oy, of which the Group owned 49.2%. After that the Group acquired the full ownership in the company and it became a fully owned subsidiary.

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 2022. 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.

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 342 stores on 30 September 2023 (30 September 2022: 335), of which own stores amounted to 330 (30 September 2022: 319).

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 the headquarters and the central warehouse as well as production.

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 2023

EUR thousand	Finland	Sweden	Norway	Group functions	Group
Net sales*	189,908	170,899	64,933	0	425,740
% split of net sales between segment	45%	40%	15%	0%	100%
EBITDA	52,569	36,282	15,072	-29,368	74,555
Adjustments	68	215	23	-1,239	-933
Adjusted EBITDA	52,637	36,497	15,095	-30,607	73,623
Depreciation and impairment of right-of use assets and tangible assets	-11,116	-10,781	-5,667	-3,416	-30,980
EBITA	41,453	25,500	9,405	-32,783	43,575
Adjustments	68	215	23	-1,239	-933
Adjusted EBITA	41,521	25,716	9,428	-34,023	42,643
Amortization and impairment of intangible assets					-5,776
Operating profit					37,800
Financial income					6,522
Financial expenses					-10,605
Profit before taxes					33,717
Income tax expense					-7,229
Profit/loss for the period					26,487

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

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.

Revenue recognition

Accounting principles

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

to which the entity expects to be entitled for those goods or services. IFRS 15 principles are applied using the following five-step model:

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

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

Significant determinations based on the management's judgement

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

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

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

Revenue from contract manufacturing of pet food is recognized at the time of transfer when the customer gains control of the goods.

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 2022–30 Sep 2023	%	1 Oct 2021–30 Sep 2022	%
Store sales	322,278	75.7	300,291	76.8
Online sales	97,808	23.0	86,996	22.2
Other sales	5,653	1.3	3,834	1.0
Total	425,740	100.0	391,122	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% 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 is 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 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Rental income	437	349
Marketing contribution	1,835	1,360
Other received contribution	220	471
Fair value gains on acquisition	2,440	0
Other items	120	337
Total	5,052	2,516

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 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Personnel on average	1,640	1,523
Personnel at the end of period	1,643	1,587

*Full time equivalent

Employee benefit expenses

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Wages and salaries	59,370	56,303
Pension costs - defined contribution plans	13,942	12,709
Share based payments	590	1,349
Other employee benefit expenses	2,880	2,231
Total	76,782	72,592

Other operating expenses

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Rental expenses	10,447	9,068
Maintenance, IT and equipment expense	6,353	6,245
Sales and marketing	16,511	15,887
Travel costs	1,581	1,240
Voluntary staff expenses	2,194	1,731
Other business expense*	11,440	11,907
Total	48,527	46,078

*Other expenses include, among other, expenses related to the administration and the support functions of the company.

Auditor's fees

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Ernst & Young		
Audit fees	345	340
Tax advisory	16	83
Other services	26	44
Total	387	466

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 schemes

The Board of Directors of Musti Group plc decided on 7 May 2020 on a share-based long-term incentive plan for the management team and the key employees, the Performance Share Plan (PSP) 2020–2024. On 16 December 2022, the Board of Directors of Musti Group plc decided to launch a new share-based incentive plan for Musti Group's key employee, the Performance Share Plan (PSP) 2023–2027.

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 2020–2024 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 Performance Share Plan 2023–2027 consists of three consecutive performance periods, covering the financial years of 2023–2025, 2024–2026 and 2025–2027. The Board of Directors decides on the plan's performance criteria and targets to be set for each criterion at the beginning of each performance period.

The potential reward based on the plans 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 for covering taxes and tax-related costs arising from the reward to a participant.

In performance period 2020–2022 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 were paid out during the winter of 2023.

The total expense for the share-based payments has been recognized over the vesting period, which was 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 2023 amounted to 0 thousand euros (2022: 796 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 performance period 2021–2023, 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 2023 amounted to EUR 349 (490) 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 performance period 2022–2024, 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 2023 amounted to EUR 13 (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.

The rewards to be paid based on the performance period 2023–2025 correspond to the value of an approximate maximum total of 171,000 Musti Group plc shares, including the proportion to be paid in cash. During the performance period 2023–2025, approximately 35 persons, including the group management team members, are included in the target group of the plan. During the performance period 2023–2025, the reward is based on the company's adjusted EBITA and total shareholder return during financial year 2023. 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 2026.

The total expense for the share-based payments is recognized over the vesting period, which is 36 months in the plan commencing 2023–2025. For the plan commencing 2023–2025, the compensation is measured during performance period in cash, and only after performance period at grant date translated into shares. The expense recognized for 2023 amounted to EUR 227 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 15.50. 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 FY2021–23	Performance period FY2022–24	Performance period FY2023–25
Number of share awards granted, maximum, pcs*	137,600	104,400	171,000
Number of plan participants at end of financial year	27	31	34
Share price at grant date, EUR	21.04	26.06	15.50
Assumed fulfilment of performance criteria, %	100.0%	0.0%	50.0%
Estimated number of share awards returned prior to the end of commitment period, %	11.0%	10.0%	10.0%

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

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 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 2023 Musti Group acquired stores from its franchisees and independent entrepreneurs in Sweden and Norway as asset deals. In addition, the Group acquired the full ownership in the pet food manufacturer Premium Pet Food Suomi Oy.

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 2022–30 Sep 2023

During the financial year 2023 Musti Group acquired 5 pet stores in Sweden and one in Norway as business acquisitions. The total purchase price for the stores was approximately EUR 4.7 million and the resulting goodwill EUR 4.4 million. Goodwill is based on synergies from the acquisitions. The acquisitions did not have a material impact on Group's net sales or result.

Musti Group acquired the full ownership of the pet food manufacturer Premium Pet Food Suomi Oy on 3rd of April 2023 and the company became a fully owned subsidiary of Musti Group. Goodwill resulting from the acquisition amounted to approximately EUR 3.6 million that is based on several factors: we can respond to increased demand for locally and sustainably produced pet food as well as support developing our own branded food offering. Prior to the transaction, Musti Group held 49.2% of the shares in the company.

The company's net sales from its previous financial year July 2021 – June 2022 was EUR 7.7 million and FAS EBITDA EUR 1.4 million. Musti Group recognized a fair value gain of EUR 2.4 million relating to the previously held share of the company in Q3 2023. The acquisition cost includes an estimated contingent consideration amounting to EUR 2.0 million. The consideration is subject to the operative effectiveness and production capabilities of the company and is maximum EUR 3.0 million. If the company had been acquired already in the beginning of the financial year 2023, the Group's net sales would have been EUR 4.0 million higher, EBIT 0.2 million higher and profit for the period EUR 0.1 million higher than reported.

The preliminary purchase price allocation for the acquisition is presented below:

EUR thousand	Premium Pet Food Suomi Oy
Acquisition cost	
Purchase price paid in cash	2,000
Contingent consideration	1,957
Fair value of the previously held share of the company	3,838
Fair value of net identifiable assets acquired	
Non-current assets	
Property, plant and equipment	10,445
Intangible assets	2,161
Current assets	
Inventories	1,462
Derivative financial instruments	335
Trade and other receivables	2,109
Cash and cash equivalents	-449
Total assets	16,063
Non-current liabilities	
Deferred tax liabilities	505
Financial liabilities	8,821
Current liabilities	
Financial liabilities	702
Trade and other payables	1,847
Total liabilities	11,874
Net assets acquired	4,189
Goodwill	3,606
Cash flow impact	
Purchase price paid in cash	-2,000
Cash and cash equivalents of the acquired company	-449
Expenses related to the acquisition	-77
Impact on cash flows	-2,526

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.

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	Development expenditure	Goodwill	Other intangible assets	Advance payments	Total
2023					
Cost 1 Oct 2022	0	170,623	47,765	805	219,192
Business combinations	124	3,606	2,037		5,767
Additions		4,465	4,038	1,266	9,769
Exchange differences		-4,483	-812	-14	-5,308
Cost 30 Sep 2023	124	174,210	53,028	2,058	229,420
Accumulated amortisation and impairment at 1 Oct 2022					
	0	-117	-31,674	0	-31,792
Amortisation	-19		-5,747		-5,766
Exchange differences		282	643		925
Accumulated amortisation and impairment at 30 Sep 2023	-19	164	-36,778	0	-36,633
Net book value at 1 Oct 2022	0	170,505	16,090	805	187,401
Net book value at 30 Sep 2023	105	174,375	16,249	2,058	192,787
2022					
Cost 1 Oct 2021	0	158,318	43,540	1,165	203,023
Additions		17,541	5,231	-351	22,420
Exchange differences		-5,236	-1,006	-9	-6,251
Cost 30 Sep 2022	0	170,623	47,765	805	219,192
Accumulated amortisation and impairment at 1 Oct 2021					
	0	-487	-26,000	0	-26,486
Amortisation			-6,425		-6,425
Exchange differences		369	751		1,120
Accumulated amortisation and impairment at 30 Sep 2022	0	-117	-31,674	0	-31,792
Net book value at 1 Oct 2021	0	157,831	17,540	1,165	176,536
Net book value at 30 Sep 2022	0	170,505	16,090	805	187,401

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 five-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 five years, and cash flows beyond the five-year period are extrapolated using the estimated growth rates stated above. 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 above in this Note.

To carry out impairment testing, the management monitors goodwill at the level of Finland, Sweden and Norway as the cash generating units (CGU). The CGU level is based on how the management follow the operative business. The recoverable amount of cash generating units have been determined based on value in-use calculations using the projected discounted cash flows. These calculations use cash flow projections based on the budgets and forecasts approved by management covering a five-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 2023	30 Sep 2022
Finland	99,009	94,486
Sweden	69,750	71,397
Norway	5,616	4,622
Total	174,375	170,505

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 five-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

five-year period are extrapolated using the estimated growth rates of 2% (2%). 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 9.0% (10.7%), in Sweden 8.4% (9.6%) and in Norway 8.5% (9.6%). Impairment test is not fully comparable with the prior year as the IFRS 16 impact was included in the calculation of the discount rate in the reporting period. Also, the projections used in the calculations covered a five-year period compared to a three-year period in the prior year. As the changes in the assumptions affect the present value of the discounted cash flows, they have a direct impact on the recoverable amounts of the CGUs.

As result of the impairment tests performed no impairment loss has been recognized for any period presented. In 2023 the recoverable amount calculated on the basis on value-in use exceeded the carrying value by EUR 286.1 (72.8) million in Finland, EUR 181.5 (52.9) million in Sweden and EUR 149.2 (95.9) 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 8.8%. 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 with another party and where significant decisions require the consent of both parties, are treated as joint ventures due to their nature. The Group had one joint venture, pet food manufacturer Premium Pet Food Suomi Oy, until 31 March 2023 when the Group acquired the full ownership of the company. Prior to the transaction, Musti Group held 49.2% of the shares in the company.

Consolidation with the Group's financial statements has been carried out using Premium Pet Food Suomi Oy's figures for the reporting period ended on 31 March 2023. As the balance sheet is presented as of 30 September, the current reporting period figures are presented as nil since the Group did not

have any joint arrangement in place at the end of the financial year. The tables below summarize the former joint venture Premium Pet Food Suomi Oy's balance sheet as of 30 September from the Group's perspective and profit and loss statement from the period before acquisition 1 October 2022 – 31 March 2023.

Summarized balance sheet

EUR thousand	30 Sep 2023	30 Sep 2022
Total non-current assets	0	8,903
Current assets		
Cash	0	-67
Other current assets	0	2,703
Total current assets	0	2,636
Total assets	0	11,539
Non-current liabilities		
Financial liabilities	0	7,927
Other non-current liabilities	0	0
Total non-current liabilities	0	7,927
Current liabilities		
Financial liabilities	0	600
Other liabilities	0	1,335
Total current liabilities	0	1,935
Total liabilities	0	9,862
Equity	0	1,677
Group's share of equity	0	822

Summarized statement of profit or loss

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Net sales	8,779	7,672
Depreciation and amortisation	-369	-707
Financial income and expenses	-110	-199
Profit before tax	717	536
Appropriations	0	-119
Income tax expense	-58	-69
Profit (loss) for the year	659	348
Group's share of profit for the year	324	171

Changes in the carrying amount of the joint venture

EUR thousand	30 Sep 2023	30 Sep 2022
Book value at the beginning of the financial year	1,074	990
Disposals	-1,398	
Share of profit	324	84
Book value at the end of the financial year	0	1,074

3.5 Property, plant and equipment

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

Musti Group's land and buildings and structures consist of pet food production facilities. 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.

Buildings and structures, 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. Depreciation is not recognized on land, except for leased land, as the useful life is considered indefinite.

Useful lives of the asset's categories are:

- Buildings and structures 30 years
- 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	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
2023						
Cost 1 Oct 2022	0	0	20,507	21,403	60	41,969
Business combinations	192	6,104	3,646		7	9,950
Additions		46	2,521	3,783	199	6,549
Disposals			-26			-26
Reclassifications			-29			-29
Exchange differences			-468	-977	-1	-1,446
Cost 30 September 2023	192	6,150	26,151	24,208	265	56,967
Accumulated depreciation at 1 Oct 2022	0	0	-13,813	-9,620	0	-23,433
Depreciation		-131	-2,716	-3,867		-6,714
Impairment			-10			-10
Exchange differences			345	414		759
Accumulated depreciation at 30 Sep 2023	0	-131	-16,193	-13,073	0	-29,398
Net book value at 1 Oct 2022	0	0	6,694	11,783	60	18,536
Net book value at 30 Sep 2023	192	6,019	9,958	11,135	265	27,570

EUR thousand	Land	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
2022						
Cost 1 Oct 2021	0	0	17,765	15,881	89	33,736
Additions			3,283	6,515	-29	9,770
Disposals				-70		-70
Exchange differences			-542	-924	0	-1,467
Cost 30 September 2022	0	0	20,507	21,403	60	41,969
Accumulated depreciation at 1 Oct 2021	0	0	-11,344	-6,633	0	-17,977
Depreciation			-2,826	-3,334		-6,159
Disposals				65		65
Exchange differences			357	281		638
Accumulated depreciation at 30 Sep 2022	0	0	-13,813	-9,620	0	-23,433
Net book value at 1 Oct 2021	0	0	6,421	9,248	89	15,758
Net book value at 30 Sep 2022	0	0	6,694	11,783	60	18,536

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 right-of-use asset classified as land and water during the financial year consists of lease agreement for the land of the acquired pet food factory. 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 a call option, if 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 or 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	Land and water	Buildings and structures	Machinery and equipment	Total
2023				
Net book value at 1 Oct 2022	0	75,604	623	76,227
New contracts	0	7,732	369	8,101
Acquisitions through business combinations	181	0	315	496
Terminated contracts	0	-1,470	-30	-1,500
Revaluations and modifications	0	19,384	118	19,502
Exchange rate differences	0	-2,764	-25	-2,789
Depreciation	-2	-23,937	-327	-24,266
Net book value at 30 Sep 2023	179	74,550	1,043	75,771

EUR thousand	Land and water	Buildings and structures	Machinery and equipment	Total
2022				
Net book value at 1 Oct 2021	0	71,225	520	71,745
New contracts	0	21,778	417	22,195
Terminated contracts	0	-1,396	-70	-1,466
Revaluations and modifications	0	8,715	63	8,778
Exchange rate differences	0	-3,029	-29	-3,058
Depreciation	0	-21,688	-278	-21,966
Net book value at 30 Sep 2022	0	75,604	623	76,227

Lease liability

EUR thousand	30 Sep 2023	30 Sep 2022
Lease liability at 1 Oct	80,681	76,472
Net increases	23,553	26,173
Rent expenses	-26,743	-24,197
Interest expense	2,334	2,233
Lease liability at 30 Sep	79,825	80,681

EUR thousand	30 Sep 2023	30 Sep 2022
Non-current lease liability	55,518	57,776
Current lease liability	24,307	22,905
Total	79,825	80,681

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 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Expenses from short-term rental agreements, leasing agreements with minor value and variable rental costs, that are not included in the lease liability	-1,054	-1,181
Depreciation of right of use assets	-24,266	-21,966
Interest expenses from lease liability*	-2,334	-2,233
Total	-27,654	-25,380

*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 24,427 (22,114) thousand.

The weighted average interest used in the calculation of interest expenses was 2.9% (2.8%).

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 2023	30 Sep 2022
Net working capital		
Inventories	58,385	61,401
Trade and other receivables	11,575	9,486
Excluding financial items in other receivables	0	0
Trade and other payables	-61,725	-48,571
Excluding financial items in other liabilities	213	29
Total	8,448	22,345
Change of net working capital in the balance sheet	13,897	-15,297
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*	804	-90
Change of net working capital in the cash flow statement**	14,700	-15,387

*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's production activities are carried out at the wholly owned pet food factory Premium Pet Food Suomi Oy in Lieto, Finland. At the end of the reporting period, the inventory of the production factory amounted to EUR 1.7 million.

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 2023	30 Sep 2022
Finished goods	58,085	56,785
Advance payments	300	4,616
Total	58,385	61,401
Inventories recognised as expenses, for which the carrying amount of inventories was reduced to the net realisable value	3,650	3,295
EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
The amount of inventories recognized as an expense during the period	242,117	224,993

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 and other receivables' and 'Cash and cash equivalents'.

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

Trade and other receivables

EUR thousand	30 Sep 2023	30 Sep 2022
Trade receivables*	6,050	2,660
Prepayments and accrued income	4,132	4,214
Other receivables	1,393	2,612
Total	11,575	9,486

*Credit card receivables are included in the trade receivables.

Of the trade receivables, a total of EUR 13 thousand has been recognized as a credit loss in the statement of profit and loss in 2023. During 2022 the credit loss in the statement of profit and loss was EUR 84 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.

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 2023	30 Sep 2022
Trade payables	35,958	24,263
Advances received	287	287
Other liabilities	11,553	10,841
Accrued expenses	13,927	13,180
Total	61,725	48,571

Material items included in accrued expenses

EUR thousand	30 Sep 2023	30 Sep 2022
Personnel related costs	10,050	9,280
Accrued interests	213	29
Other items	3,664	3,871
Total	13,927	13,180

Material items included in other liabilities

EUR thousand	30 Sep 2023	30 Sep 2022
VAT liabilities	7,640	7,005
Payroll taxes	2,198	2,300
Loyalty program	1,546	1,381
Other items	169	156
Total	11,553	10,841

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 Swedish Krona (SEK), 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, sales 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 foreign currency positions (in euros) of the segments at the end of the reporting period

Finland

30 Sep 2023				
EUR thousand	SEK	NOK	USD	GBP
Trade payables	-205		-278	-630
Trade receivables				
Interest-bearing receivables				
Cash and cash equivalents	155	44	23	2
Currency derivatives*			987	1,843
Position, total	-50	44	732	1,214

30 Sep 2022				
EUR thousand	SEK	NOK	USD	GBP
Trade payables	-40		-102	-621
Trade receivables	184			
Interest-bearing receivables	642			
Cash and cash equivalents	130	211	23	9
Currency derivatives*			267	1,268
Position, total	916	211	187	657

Sweden

30 Sep 2023				
EUR thousand	EUR	NOK	USD	GBP
Trade payables	-9,901	-7	-1,853	-838
Trade receivables	734	483		
Cash and cash equivalents	13	-163	25	18
Currency derivatives*	2,150	-11,462	8,939	1,932
Position, total	-7,004	-11,149	7,111	1,111

30 Sep 2022				
EUR thousand	EUR	NOK	USD	GBP
Trade payables	-7,596	-4	-108	-621
Trade receivables	899	743		
Cash and cash equivalents	-85	1	21	-15
Currency derivatives*	2,640	-7,398	5,611	2,548
Position, total	-4,143	-6,658	5,524	1,912

Norway

30 Sep 2023				
EUR thousand	EUR	SEK	USD	GBP
Trade payables	-56	-398		
Position, total	-56	-398	0	0

30 Sep 2022				
EUR thousand	EUR	SEK	USD	GBP
Trade payables	-264	-163		
Position, total	-264	-163	0	0

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

This segment 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:

Finland

30 Sep 2023				
EUR thousand	SEK	NOK	USD	GBP
EUR +10%	5	-4	-73	-121

30 Sep 2022				
EUR thousand	SEK	NOK	USD	GBP
EUR +10%	-92	-21	-19	-66

Sweden

30 Sep 2023				
EUR thousand	EUR	NOK	USD	GBP
EUR +10%	700	1,115	-711	-111

30 Sep 2022				
EUR thousand	EUR	NOK	USD	GBP
EUR +10%	414	666	-552	-191

Norway

30 Sep 2023				
EUR thousand	EUR	SEK	USD	GBP
EUR +10%	6	40	0	0

30 Sep 2022				
EUR thousand	EUR	SEK	USD	GBP
EUR +10%	26	16	0	0

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 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Items recognised through profit and loss		
Net exchange rate gains/losses included in the financial income/expenses	-720	-3,001
Exchange rate gains/losses recognised in the result for the period, total (net)	-720	-3,001

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 2023 the total non-EUR denominated equity, goodwill and fair value step up of the subsidiaries was EUR 95.0 (112.2) million. In addition, the group had intra-group loans classified as net investments amounting to EUR 38.4 (40.6) 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 2023, interest-bearing financial assets were EUR 0 (0) thousand and interest-bearing liabilities EUR 162 (156) million. Of the interest-bearing liabilities 66% (67%) is denominated in euros. For all interest-bearing liabilities, the ratio of fixed rate paying liabilities in relation to all interest-bearing liabilities was 69% (71%). Excluding leasing agreements, the ratio of fixed rate paying liabilities was 38% (40%).

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. ISDA Master agreements have been signed with counterparties when transacting in derivative agreements. 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)	
		30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
The table below sets forth the maturity distribution of receivables and provisions for impairment based on credit risk estimates.							
	%						
Unmatured	0.5%	2,391	915	12	5	2,379	910
1–30 days	1%	256	61	3	1	254	60
31–60 days	5%	-32	14	-2	1	-31	13
61–180 days	10%	11	35	1	3	10	31
180–360 days	50%	46	16	23	8	23	8
over 360 days	100%	26	59	26	59	0	0
Total		2,697	1,100	63	76	2,635	1,024
Credit card receivables	0.1%	3,418	1,640	3	8	3,415	1,632
Total		6,116	2,740	66	84	6,050	2,656

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 2023 the Group's liquidity and refinancing position was good. The amount of cash and cash equivalent was EUR 22.0 (10.0) million and the Group has EUR 40 million of undrawn revolving credit facilities (maturing in 2025) in place. Additionally, the Group has a 5 million EUR bank overdraft limit and a EUR 50 million commercial paper programme which 19% was utilized as of 30 September 2023.

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 2023, all quarterly covenant conditions were met.

The table on the next page 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.

Contractual maturities of financial liabilities

30 Sep 2023							
EUR thousand	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029-	Total
Non-current liabilities							
Loans from credit institutions		59,943	10,000				69,943
Lease liability		20,481	13,422	8,379	5,546	7,691	55,518
Other non-current interest-bearing liabilities			2,031				2,031
Current liabilities							
Loans from credit institutions	9,412						9,412
Lease liability	24,307						24,307
Trade and other payables*	36,078						36,078
Total	69,798	80,424	25,452	8,379	5,546	7,691	197,289
Interest payments	4,680	2,542	1,366	632	387	225	9,832

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							
Loans from credit institutions	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

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

The Group's loans from credit institutions on 30 September 2023 amounted to EUR 69.9 (59.9) million. EUR 60 million of the non-current loans from credit institutions mature on 23 December 2024 and EUR 10 million mature on 29 May 2026.

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 has classified earn-out liabilities on level 3 of the fair value hierarchy.

Fair value hierarchy

30 Sep 2023				
EUR thousand	Level 1	Level 2	Level 3	
Assets				
Financial assets at amortised cost				
Other non-current assets		111		
Trade and other receivables*		6,050		
Cash and cash equivalents		21,954		
Financial assets at fair value through profit and loss				
Derivative financial instruments		1,651		
Total		29,766		

30 Sep 2022				
EUR thousand	Level 1	Level 2	Level 3	
Assets				
Financial assets at amortised cost				
Other non-current 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 2023				
EUR thousand	Level 1	Level 2	Level 3	
Liabilities				
Financial liabilities at amortised cost				
Loans from credit institutions		69,943		
Commercial papers		9,412		
Lease liability		79,825		
Trade and other payables*		36,078		
Earn-out liability			2,031	
Financial assets at fair value through profit and loss				
Derivative financial instruments		306		
Total		195,565		2,031

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		

*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

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 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 through 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 amortised cost	Book value	Fair value
30 Sep 2023				
Non-current assets				
Derivative financial instruments	1,257		1,257	1,257
Other non-current assets		111	111	111
Total	1,257	111	1,369	1,369
Current assets				
Trade and other receivables		6,050	6,050	6,050
Derivative financial instruments	394		394	394
Cash and cash equivalents		21,954	21,954	21,954
Total	394	28,004	28,398	28,398
Financial assets, total	1,651	28,115	29,766	29,766
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

Financial liabilities

EUR thousand	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised cost	Book value	Fair value
30 Sep 2023				
Non-current liabilities				
Loans from credit institutions		69,943	69,943	69,943
Lease liability		55,518	55,518	55,518
Other non-current liabilities		2,031	2,031	2,031
Total		127,492	127,492	127,492
Current liabilities				
Commercial papers		9,412	9,412	9,412
Lease liability		24,307	24,307	24,307
Trade and other payables		36,078	36,078	36,078
Derivative financial instruments	306		306	306
Total	306	69,798	70,104	70,104
Financial liabilities, total	306	197,289	197,596	197,596

EUR thousand	Financial liabilities at fair value through profit and loss	Financial liabilities at amortised 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
Other non-current liabilities		0	0	0
Total		117,674	117,674	117,674
Current liabilities				
Loans from credit institutions		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

Changes in financial liabilities

Changes in liabilities arising from financing activities

EUR thousand	1 Oct 2022	Cash flows	New leases	Foreign exchange movement	Change in fair values	Other non-cash movements	30 Sep 2023
Current interest-bearing loans and borrowings (excluding items listed below)	14,950	-6,138				600	9,412
Current lease liability	22,905	-24,427	1,756	-717		24,791	24,307
Non-current interest-bearing loans and borrowings (excluding items listed below)	59,898	1,618				8,427	69,943
Non-current lease liability	57,776		6,841	-2,071		-7,028	55,518
Derivative financial instruments	73	-73				306	306
Earn-out liability	0					2,031	2,031
Total liabilities from financing activities	155,603	-29,021	8,597	-2,789	0	29,128	161,517

EUR thousand	1 Oct 2021	Cash flows	New leases	Foreign exchange movement	Change in fair values	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
Earn-out liability	0						0
Total liabilities from financing activities	126,786	2,391	22,195	-3,058	0	7,290	155,603

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 2023	30 Sep 2022
Cash and cash equivalents	21,954	10,054
Total	21,954	10,054

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 are 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 2023				
Forward exchange contracts	34,537	394	-306	87
Interest rate swaps	30,000	1,257		1,257
Total	64,537	1,651	-306	1,345

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

Maturity distribution of derivatives (at nominal value)

Maturity distribution of derivatives at 30 September 2023

EUR thousand	FY2024	FY2025	FY2026	FY2027	FY2028
Forward exchange contracts	34,537	0	0	0	0
Interest rate swaps	0	30,000	0	0	0
Total	34,537	30,000	0	0	0

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

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 2023	30 Sep 2022
Non-current interest-bearing liabilities	127,492	117,674
Current interest-bearing liabilities	33,719	37,855
Derivative financial instruments	-1,345	-2,062
Cash and cash equivalents	-21,954	-10,054
Net debt	137,912	143,413

Interest-bearing liabilities

EUR thousand	Balance sheet values		Fair values	
	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
Loans from credit institutions	69,943	59,898	69,943	59,898
Lease liability	55,518	57,776	55,518	57,776
Other non-current liabilities	2,031	0	2,031	0
Total interest-bearing non-current liabilities	127,492	117,674	127,492	117,674
Commercial papers	9,412	14,950	9,412	14,950
Lease liability	24,307	22,905	24,307	22,905
Total interest-bearing current liabilities	33,719	37,855	33,719	37,855
Derivate financial instruments	306	73	306	73
Total interest-bearing liabilities	161,517	155,603	161,517	155,603

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 Group has EUR 60 million and EUR 10 million non-current loans from credit institutions. 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 lead to loan termination. The covenants have been fulfilled during the financial years 2023 and 2022.

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 2023	30 Sep 2022
Other guarantees given on own behalf		
Guarantees relating to rental payments	3,846	4,455
Other commitments	23	43
Total	3,870	4,498

EUR thousand	30 Sep 2023	30 Sep 2022
Other commitments		
Guarantees given on behalf of joint ventures	0	5,177
Lease liabilities for leases not recognised in the balance sheet	1,939	1,570
Total	1,939	6,747

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.

Musti Group's subsidiary Premium Pet Food Suomi Oy has an obligation to adjust the VAT deductions of its real property investment completed in 2020, if the taxable use of the real property decreases during the adjustment period. The last adjustment year is 2029. The related VAT liability of the real property investment is EUR 457,274.

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 have been 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 filed a claim for adjustment to the Finnish Tax Administration's Assessment Adjustment Board. In May 2023, the Board issued a decision remitting the decision to the Tax Administration for reconsideration. Based on the decision of the Board of Adjustment and the latest court rulings, the company made a new estimate of the amount of deductible VAT and, on that basis, recognized EUR 0.4 million of it as an expense. The case is still pending with the tax administration. 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.

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 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Financial income		
Interest income	1,209	31
Exchange gains	1,398	2,495
Exchange gains from derivatives	2,237	0
Gain from changes in the fair value of derivatives	1,651	2,135
Other financial income	26	1,733
Total	6,522	6,395
Financial expenses		
Interest expenses on loans valued to amortised cost	-3,027	-782
Interest expenses from lease liability	-2,334	-2,233
Exchange losses	-2,999	-5,496
Exchange losses from derivatives	-1,356	0
Loss from changes in the fair value of derivatives	-600	-73
Other financial expenses	-290	-254
Total	-10,605	-8,837
Financial income and expenses, net	-4,083	-2,443

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 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Adjusted EBITA margin, %	≥13%	10.0%	9.9%
Net debt / LTM Adjusted EBITDA	<2.5x	1.9	2.1

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 2023 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 147,566 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% 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% 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 27 January 2022 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 31 March 2024.

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% 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 27 January 2022 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 31 March 2024.

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	Invested unrestricted equity
1 Oct 2022	33,535,453	-244,000	33,291,453	11,002	133,133
Capital return	0	0	0	0	-16,694
Acquisition of own shares	0	0	0	0	0
Shares delivered on the basis of the share-based payments	0	96,434	96,434	0	1,570
30 Sep 2023	33,535,453	-147,566	33,387,887	11,002	118,009
1 Oct 2021	33,535,453	-244,000	33,291,453	11,002	147,781
Capital return	0	0	0	0	-14,648
Acquisition of own shares	0	0	0	0	0
Shares delivered on the basis of the share-based payments	0	0	0	0	0
30 Sep 2022	33,535,453	-244,000	33,291,453	11,002	133,133

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.

Earnings per share

	30 Sep 2023	30 Sep 2022
Earnings per share, basic		
Net profit attributable to equity owners of the parent company, EUR thousand	26,448	22,328
Weighted average number of shares	33,374,823	33,337,805
Basic earnings per share, EUR	0.79	0.67
Earnings per share, diluted		
Net profit attributable to equity owners of the parent company, EUR thousand	26,448	22,328
Weighted average number of shares	33,374,823	33,337,805
Adjustments:		
Average number of treasury shares it is possible to be issued on the basis of the share-based payments	223,344	240,824
Weighted average number of shares for diluted earnings per share	33,598,167	33,578,629
Diluted earnings per share, EUR	0.79	0.66

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 0.60 per share to be distributed from the invested unrestricted equity reserve totalling approximately EUR 20.0 million and that no dividend will be paid for the financial year ended 30 September 2023. For the financial year 2022 a capital return was paid totalling EUR 16.7 million, no dividend has been distributed from the 2022 results.

Musti Group plc's distributable funds

EUR thousand	30 Sep 2023
Retained earnings at the end of financial year	9,346
Unrestricted equity	123,349
Own shares	-5,340
Result for the financial year	3,672
Distributable equity total	131,027

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 2023	30 Sep 2022
Purchases of goods and services	4,638	4,430
Receivables	0	76
Payables	0	96
Guarantees given	0	5,177

Related party transactions are executed with the arm's length principle, and their terms and conditions correspond to transactions carried out with independent parties.

During the financial year the Group had a joint venture Premium Pet Food Suomi Oy, of which the Group acquired the full ownership on 3 April 2023, and it became a fully owned subsidiary. Prior to the transaction, Musti Group held 49.2% of the shares in the company, therefore, transactions and balances with Premium Pet Food Suomi Oy have been included in the presentation of related party transactions. From 3 April 2023 onwards the intercompany transactions with Premium Pet Food Suomi Oy are not included anymore in the related party transactions table presented above.

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 2023	CEO	Management team	Total 2022
Salaries and other short-term employee benefits	444	1,574	2,019	448	1,480	1,928
Short-term incentives	107	238	345	36	206	242
Pension costs - defined contribution plans	0	417	417	0	306	306
Total	551	2,230	2,781	483	1,992	2,476

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 FY2023 1 Oct 2022–30 Sep 2023	Paid FY2022 1 Oct 2021–30 Sep 2022
Jeffrey David	70	69
Ingrid Jonasson Blank	45	47
Ilkka Laurila (as of January 21, 2021)	43	40
Johan Dettel (as of January 27, 2022)	43	42
Inka Mero (as of January 27, 2022)	40	40
Total	240	238

The remuneration of the Board of the Directors is presented on accrual basis. According to the decision of the 2023 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.

Income tax expenses

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Current tax:		
Current tax on profits for the year	-3,934	-4,837
Taxes for prior years	-172	-40
Total current tax expense	-4,106	-4,877
Deferred tax:		
Change in deferred taxes	-3,123	-1,232
Income taxes	-7,229	-6,109

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

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Profit before tax	33,717	28,440
Tax calculated at Finnish tax rate 20%	-6,743	-5,688
Effect of other tax rates for foreign subsidiaries	-110	-112
Expenses not deductible for tax purposes	-218	-444
Income not subject to tax	553	17
Taxes for prior years	-172	-40
Temporary differences in taxation	-447	0
Change of tax rates	0	29
Other items	-92	130
Taxes in income statement	-7,229	-6,109

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 2023

EUR thousand	1 Oct 2022	Recognized in profit or loss	Business acquisitions	Exchange rate differences	30 Sep 2023
Deferred tax assets					
Tax losses	1,289	-1,232		-57	0
Intangible and tangible assets	846	-148		-45	653
Inventories	1,301	21			1,322
Lease liability	14,969	517		-592	14,894
Other items	11	3		-5	9
Total	18,416	-839	0	-699	16,878

EUR thousand	1 Oct 2022	Recognized in profit or loss	Business acquisitions	Exchange rate differences	30 Sep 2023
Deferred tax liabilities					
Intangible and tangible assets	1,861	713	407	-89	2,892
Right-of-use assets	13,813	549		-308	14,054
Other items	1,656	572	98	-338	1,988
Total	17,330	1,835	505	-735	18,935
Net deferred taxes 30 Sept 2023	-1,085	2,674	505	-36	2,057

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	0	-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	0	17,330
Net deferred taxes 30 Sept 2022	-2,325	1,232	0	-1,085

At the end of financial year 2023 the Group had no cumulative tax losses for which deferred tax assets had been booked. Neither the Group had temporary differences on which no deferred tax assets were booked for which it is uncertain if they will be realized as at 30 September 2023 nor 30 September 2022.

6.3 Subsequent events

The Company has withdrawn three batches of SMAAK pet food following customer claims during the first and second week of November 2023. The high concentration of glycoalkaloids in a batch of imported potato flakes was identified as the reason for the symptoms caused by the withdrawn products. At the moment the company estimates that the incident might have a minor impact on the Company's net sales or profitability. In addition, the Company will recognize impairment charges, estimated approximately EUR 0.3–0.4 million, to inventory in fiscal year 2024 as a result of the case. The Company will incur some costs for the investigation of the matter, the product recall and the customer claims, for which the Company expects to receive at least partial insurance compensation.

A consortium comprising Sonae, Jeffrey David, Johan Dettel and David Rönnerberg announced a recommended public tender offer through Flybird Holding Oy for all shares in Musti Group Plc on 29 November 2023. The Board of Directors of the Company, represented by a quorum comprising the non-conflicted members of the Board of Directors who are not members of the Consortium, has unanimously decided to recommend that the shareholders of the Company accept the tender offer. The consortium expects to publish a tender offer document with detailed information on the tender offer on or about 15 December 2023. The offer period under the tender offer is expected to commence on or about 18 December 2023, and to expire on or about 12 February 2024. The offer price under the tender offer is EUR 26.00 for each share. The completion of the tender offer is not expected to have any immediate material effects on the operations, or the position of the management or employees, of the Company. Further information on the tender offer is available in the stock exchange release published on 29 November 2023.

7. PARENT COMPANY FINANCIAL STATEMENT, FAS

Musti Group plc income statement

EUR thousand	Note	1 Oct 2022– 30 Sep 2023	1 Oct 2021– 30 Sep 2022
Net sales		7,888	11,552
Other operating income	7.2	946	976
Employee benefit expenses	7.3	-1,676	-1,353
Other operating expenses	7.4	-6,715	-6,398
Operating profit/loss		444	4,777
Financial income	7.5	8,987	7,900
Financial expenses	7.5	-5,945	-8,145
Profit/loss before appropriations and taxes		3,487	4,532
Appropriations	7.6	200	0
Income tax expense	7.7	-15	-913
Profit/loss for the period		3,672	3,619

Musti Group plc balance sheet

EUR thousand	Note	30 Sep 2023	30 Sep 2022
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	39,755	40,787
Short-term receivables	7.10	63,871	56,953
Cash and cash equivalents		21,101	9,218
Total current assets		124,727	106,958
TOTAL ASSETS		257,137	239,368

EUR thousand	Note	30 Sep 2023	30 Sep 2022
EQUITY AND LIABILITIES			
Equity			
Share capital	7.11	11,002	11,002
Other reserves	7.11	123,349	140,043
Own shares	7.11	-5,340	-6,910
Retained earnings	7.11	9,346	7,298
Profit/loss for the fiscal period		3,672	3,619
Total equity		142,029	155,051
Liabilities			
Non-current liabilities	7.12	69,943	59,898
Current liabilities	7.13	45,165	24,418
Total current liabilities		115,108	84,317
TOTAL EQUITY AND LIABILITIES		257,137	239,368

Musti Group plc cash flow statement

EUR thousand	1 Oct 2022– 30 Sep 2023	1 Oct 2021– 30 Sep 2022
Cash flows from operating activities		
Profit before appropriations and taxes	3,487	4,532
Unrealised foreign exchange gains and losses	2,065	2,836
Finance income and expenses	-5,108	-2,591
Cash flow before change in working capital	444	4,777
Change in working capital		
Increase (-) / decrease (+) of current receivables	4,051	867
Increase (+) / decrease (-) of current non-interest bearing liabilities	821	-2,453
Cash flows from operating activities before financial items and taxes	5,317	3,191
Interests paid and other finance costs	-3,055	-1,267
Interests received	4,901	2,079
Direct income taxes paid	-2,340	-1,141
Net cash from operating activities	4,822	4,804
Cash flows from investing activities		
Dividends received	3,740	0
Long-term receivables, increase (-) / decrease (+)	642	0
Net cash fom investing activities	4,382	0
Cash flows from financing activities		
Capital returns paid	-16,694	-14,648
Proceeds from non-current loans	10,044	60,000
Repayments of non-current loans	0	-50,000
Commercial papers issued	-5,538	14,977
Change in internal bank account receivables	14,866	-16,125
Net cash fom financing activities	2,678	-5,797
Change in cash and cash equivalents	11,883	-2,934
Cash and cash equivalents at the beginning of the period	9,218	12,152
Cash and cash equivalents at the end of the period	21,101	9,218

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.

There is a change in the presentation of the income statement from the financial year 2023. Service fee's from group companies are presented as net sales instead of other operating income. The comparison period figures from the financial year 2022 are also corrected, so the figures of net sales and other operating income are comparable.

Valuation and accruing principles and methods

Non-current assets

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 through 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 are 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 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Other income from group companies	946	976
Total	946	976

7.3 Employee benefit expenses

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Salaries and fees	-1,406	-1,085
Social security costs	-234	-168
Pension costs	-33	-99
Other social security costs	-2	-2
Total	-1,676	-1,353
Salary and bonus expenses of Chief Executive Officer and Members of the Board of Directors		
Chief Executive Officer	551	626
Board of Directors	240	238
Personnel on average	2	2

7.4 Other operating expenses

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Administration	-6,627	-6,313
Other expenses	-88	-84
Total	-6,715	-6,398

Auditors' fees

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Authorised Public Accountants E&Y		
Audit	80	80
Tax consultation	16	83
Other services	12	0
Total	108	163

7.5 Financial income and expenses

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Other interest and financial income		
From Group companies		
Interest income	3,702	2,049
Dividend income	3,740	0
From others		
Other financial income	1,545	5,851
Total	8,987	7,900
Interest and other financial expenses		
To Group companies		
Interest expenses	-42	0
To others		
Interest expenses	-2,864	-615
Other financial expenses	-3,039	-7,530
Total	-5,945	-8,145
Financial income and expenses total	3,042	-245

7.6 Appropriations

EUR thousand	1 Oct 2022–30 Sep 2023	1 Oct 2021–30 Sep 2022
Group contributions received	200	0
Total	200	0

7.7 Income taxes

EUR thousand	30 Sep 2023	30 Sep 2022
Income tax for the financial year	-5	-907
Income tax for prior financial years	-10	-6
Total	-15	-913

7.8 Investments

EUR thousand	30 Sep 2023	30 Sep 2022
Investments in Group companies		
Acquisition cost 1.10.	132,410	132,410
Increases	0	0
Decreases	0	0
Acquisition cost 30.9.	132,410	132,410
Group companies 30 Sep 2023	Share of parent company %	
Musti Group Nordic Oy	100	

The Group's subsidiaries and investments in associates are presented in Note 1.4 in the Consolidated Financial Statements.

7.9 Fair value hierarchy

EUR thousand	30 Sep 2023		
	Level 1	Level 2	Level 3
Assets			
Financial assets at amortised cost			
Other non-current assets		87	
Trade and other receivables*		54,735	
Loan receivables		38,410	
Cash and cash equivalents		21,101	
Financial assets at fair value through profit and loss			
Derivative financial instruments		1,257	
Total		115,591	

EUR thousand	30 Sep 2022		
	Level 1	Level 2	Level 3
Assets			
Financial assets at amortised cost			
Other non-current 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	

EUR thousand	30 Sep 2023		
	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities at amortised cost			
Loans from credit institutions		69,943	
Commercial papers		9,412	
Trade and other payables*		31,597	
Total		110,952	

EUR thousand	30 Sep 2022		
	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities at amortised cost			
Loans from credit institutions		59,898	
Commercial papers		14,950	
Trade and other payables*		5,198	
Total		80,047	

*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 plc 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 plc 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 plc does not have Level 3 financial instruments.

7.10 Receivables

Long-term receivables

Receivables from Group companies

EUR thousand	30 Sep 2023	30 Sep 2022
Loan receivables	38,410	40,658
Total	38,410	40,658

Receivables from others

EUR thousand	30 Sep 2023	30 Sep 2022
Other receivables	1,345	129
Total	1,345	129

Long-term receivables total	39,755	40,787
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Short-term receivables

Receivables from Group companies

EUR thousand	30 Sep 2023	30 Sep 2022
Loan receivables	0	642
Trade receivables	139	233
Group contribution receivables	200	0
Group bank account receivables	54,397	42,894
Prepayments and accrued income	6,912	10,391
Total	61,648	54,161

Receivables from others

EUR thousand	30 Sep 2023	30 Sep 2022
Prepayments and accrued income		
Income taxes	1,418	0
Value added tax receivables	158	133
Other	648	2,659
Total	2,224	2,793

Short-term receivables total	63,871	56,953
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7.11 Equity

EUR thousand	Share capital	Unrestricted equity reserve	Treasury shares	Retained earnings	Equity total
Equity 1 Oct 2022	11,002	140,043	-6,910	10,916	155,051
Capital return		-16,694			-16,694
Acquisition of own shares			1,570	-1,570	0
Result for the financial year				3,672	3,672
Equity 30 Sep 2023	11,002	123,349	-5,340	13,018	142,029
Equity 1 Oct 2021	11,002	154,691	-6,910	7,298	166,080
Capital return		-14,648			-14,648
Acquisition 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

Distributable equity

EUR thousand	30 Sep 2023	30 Sep 2022
Reserve for invested unrestricted equity	123,349	140,043
Own shares	-5,340	-6,910
Retained earnings	9,346	7,298
Net result for the financial period	3,672	3,619
Total	131,027	144,049

7.12 Non-current liabilities

Liabilities to others

EUR thousand	30 Sep 2023	30 Sep 2022
Loans from financial institutions	69,943	59,898
Total	69,943	59,898

Non-current liabilities total	69,943	59,898
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7.13 Current liabilities

Liabilities to Group companies

EUR thousand	30 Sep 2023	30 Sep 2022
Trade payables	0	1
Group bank account payables	31,454	5,085
Other liabilities	3,761	3,140
Total	35,215	8,226

Liabilities to Group companies

EUR thousand	30 Sep 2023	30 Sep 2022
Commercial papers	9,412	14,950
Trade payables	143	112
Accruals and deferred income		
Employee benefit expenses	155	167
Interest liabilities	213	29
Income tax payables	0	907
Other accruals and deferred income	26	27
Accruals and deferred income total	395	1,130
Total	9,950	16,192

Current liabilities total	45,165	24,418
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7.14 Commitments and contingent liabilities

EUR thousand	30 Sep 2023	30 Sep 2022
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.

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 2023 amounts to EUR 131,026,903.86, of which profit for the financial year 2023 is EUR 3,671,767.82.

The Board of Directors of Musti Group plc proposes to the Annual General Meeting that a capital return of EUR 0.60 per share will be distributed from the invested unrestricted equity reserve totalling approximately EUR 20.0 million and that no dividend will be paid for the financial year ended 30 September 2023.

There have been no material changes in the company's financial position since 30 September 2023. The liquidity of the company remains good, and the proposed capital return does not risk the solvency of the company.

Helsinki, 14 December 2023

Jeffrey David

Ingrid Jonasson Blank

Johan Dettel

Ilkka Laurila

Inka Mero

David Rönnerberg
CEO

The Auditor's note

Our auditor's report has been issued today

Helsinki, 14 December 2023

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 2023. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

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

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

Key Audit Matters

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

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter	Key Audit Matter	How our audit addressed the Key Audit Matter	Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of Goodwill We refer to the notes 3.2 and 3.3.</p> <p>The value of goodwill at the date of the financial statements amounted to 174.4 million euros, representing 44% of total assets and 106% of equity.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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).</p>	<p>To address the risk of material misstatement regarding the valuation of goodwill our audit procedures included among others:</p> <ul style="list-style-type: none"> • 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. <p>In addition, we compared the outcome of management's impairment test to Musti Group Plc's market capitalization.</p> <p>We also assessed the Group's disclosures in respect of impairment testing.</p>	<p>Revenue Recognition We refer to the Group's accounting policies and the note 2.1.</p> <p>Musti Group's revenue is generated from sales of products and services in retail stores and online platforms as well as from sales to franchise stores. The Group's net sales amounted to 425.7 million euros.</p> <p>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.</p> <p>Revenue recognition was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).</p>	<p>To address the risk of material misstatement regarding revenue recognition our audit procedures included among others:</p> <ul style="list-style-type: none"> • 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; • understanding 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. <p>We also assessed the Group's disclosures in respect of revenues.</p>	<p>Valuation of inventories We refer to the Group's accounting policies and the note 4.1.</p> <p>The total value of inventories at the date of the financial statements amounted to 58.4 million euros.</p> <p>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.</p> <p>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.</p> <p>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).</p>	<p>To address the risk of material misstatement regarding valuation of inventories our audit procedures included among others:</p> <ul style="list-style-type: none"> • 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. <p>We also assessed the Group's disclosures in respect of inventory.</p>

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by Annual General Meeting on 29 March 2018, and our appointment represents a total period of uninterrupted engagement of six years. Musti Group Oyj has been a public interest entity (PIE) since 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, 14 December 2023

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.