



October 2021 –
December 2021
Interim Report
Q1/2022

1 October 2021 –
31 December 2021

Interim Report 1 October 2021 – 31 December 2021

Record sales and EBITDA

October 2021 – December 2021

- Group net sales totalled EUR 101.3 million (84.3 million), an increase of 20.2%.
- Like-for-like sales growth was 9.2%.
- Adjusted EBITDA was EUR 19.8 (15.7) million, up by 26.5%.
- Adjusted EBITDA margin was 19.6% (18.6%).
- Adjusted EBITA was EUR 13.3 (10.6) million, up by 25.4%.
- Adjusted EBITA margin was 13.1% (12.6%).
- Operating profit increased by 21.2% to EUR 10.2 (8.4) million, representing 10.1% (10.0%) of net sales.
- Profit for the period totalled EUR 6.8 (7.8) million.
- Earnings per share, basic was EUR 0.20 (0.24).
- Number of stores grew to 320 (300).
- Number of loyal customers grew to 1,340 thousand (1,189 thousand).

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

Key figures

EUR million or as indicated	10-12/2021	10-12/2020	Change %	10/2020-9/2021
Net sales	101.3	84.3	20.2%	340.9
Net sales growth, %	20.2%	19.9%		19.9%
LFL sales growth, %	9.2%	13.1%		11.8%
LFL store sales growth, %	6.6%	8.0%		8.8%
Online share, %	21.5%	21.6%		23.1%
Gross margin, %	47.5%	46.1%		45.7%
EBITDA	18.4	15.1	21.9%	56.9
Adjusted EBITDA	19.8	15.7	26.5%	58.8
Adjusted EBITDA margin, %	19.6%	18.6%		17.3%
EBITA	11.8	10.0	18.3%	34.9
Adjusted EBITA	13.3	10.6	25.4%	36.8
Adjusted EBITA margin, %	13.1%	12.6%		10.8%
Operating profit	10.2	8.4	21.2%	28.4
Operating profit margin, %	10.1%	10.0%		8.3%
Profit/loss for the period	6.8	7.8	-11.9%	20.9
Earnings per share, basic, EUR	0.20	0.24	-13.0%	0.62
Net cash flow from operating activities	12.7	15.9	-20.2%	54.9
Investments in tangible and intangible assets	10.2	4.6	126.4%	23.5
Net debt / LTM adjusted EBITDA	1.9	1.8	7.2%	1.9
Number of loyal customers, thousands	1,340	1,189	12.7%	1,297
Number of stores at the end of the period	320	300	6.7%	312
of which directly operated	294	242	21.5%	280

CEO's comments

I couldn't be happier to present the first quarter results today with record-breaking sales and profitability performance. December quarter proved our agility, resilience to global challenges and the strength of our concept in a difficult business environment colored by the supply chain challenges impacting global trade, and the new rapidly spreading wave of the COVID-19 variant. We managed to stay unaffected during the very important Christmas period, adapting our operations to be able to continue providing our segment leading levels of pet care to customers with an excellent availability of products on shelves and online.

Front end* continues to deliver with 20% growth in the first quarter. We are seeing better performance also in the back end** but our bar for excellence is high and there are yet many opportunities to reach. During the first quarter we had a comprehensive efficiency project ongoing in the Eskilstuna central warehouse and more widely the whole end-to-end supply chain, and the measures that have been taken are starting to bear fruit targeting scale effects going forward in the quarters to come. With over 40% 2-year growth and global supply chain issues, managing the volumes and securing availability has been priority and that has been a big success – we see clear opportunity to work on the cost base going forward for example in the procurement and group functions area through more process-oriented ways of working, automation and making sure our back-end scales well.

Growth was strong in the first quarter:

- Group net sales increased by 20.2% to EUR 101.3 million (EUR 84.3 million). The increase was largely due to the increasing number of customers together with an increased number of directly operated stores. Like-for-like growth amounted to 9.2%.
- Store sales increased by 24.9% to EUR 77.9 million (EUR 62.4 million), driven by an increased number of stores as we added net 14 directly operated stores to our network and continued like-for-like store sales growth amounting to 6.6%.
- Online sales increased by 19.6% to EUR 21.8 million (EUR 18.2 million). Online sales accounted for 21.5% (21.6%) of total net sales in the first quarter.

The development was good in all the main indicators supporting our profitable growth:

- We increased the number of our loyal customers by 13%. What is most important, we continuously increase our proportion of the new puppies coming into the market and win close to 60% of the new puppies as our customers.
- We grew the average spend per loyal customer to EUR 187.0 from 183.3 a year ago.
- We are in good speed in the network expansion, as we added net 14 directly operated stores to our network during the first quarter. During Q1, five franchise stores were acquired in Sweden and we will continue the franchise acquisitions in Sweden according to the strategy. The target is to increase the net number of directly operated stores by 30-35 stores during the financial year.
- We increased the share of own and exclusive products to 53.6% during the quarter leading to a very strong gross margin development.

Group adjusted EBITA increased to EUR 13.3, up by 25.4%. The adjusted EBITDA increased by 26.5% to EUR 19.8 million and was the best quarterly adjusted EBITDA in Musti Group history. The increase in profit was supported by strong season sales growth and improved gross margin. Gross margin increased to 47.5% (46.1%) mainly due to increased number of directly operated stores and favorable product mix. The positive development was slightly burdened by increasing freight costs, especially from Asia. Operating profit increased by 21.2% to EUR 10.2 million.

I am very proud of the progress we are making. Our unique ability to combine a growing portfolio of products, services and advice into convenient propositions for Pet Parents is a key enabler of how we consistently outgrow the market in which we operate. I am sincerely grateful to all our employees across the Group for their tireless work and dedication. Employee satisfaction will be in the focus going forward too, and together we will continue to support and safeguard the furry everyday life of pet lovers in the Nordics and deliver according to our strategy for long-term profitable growth.

David Rönnerberg,
CEO

*Front end = customer facing operations, stores and online **Back end = supply chain management and group functions

Financial targets

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

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.
Profitability	Mid- to long-term adjusted EBITA margin of at least 13 per cent with steadily improving profile. Margin increase is expected to be realised through steady gross margin and improving operating leverage.
Capital structure	Maintain net debt in relation to adjusted EBITDA below 2.5x in the long term.
Dividend policy	To pay a dividend corresponding to 60-80 per cent of net profit. Any potential dividend shall take into account acquisitions, the company's financial position, cash flow and future growth opportunities.

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

Market outlook

Musti Group operates in the Nordic pet care market, broadly defined as the sale of pet food, treats, products, services and veterinary care across Finland, Sweden and Norway. The market was estimated to be worth approximately EUR 3.1 billion (in 2020), with Sweden as the largest market, accounting for approximately EUR 1.3 billion, Finland approximately EUR 1.0 billion and Norway approximately EUR 0.9 billion.

"Pet Parenting" refers to the tendency of people to treat their pets like family members. As a result of this trend, people are spending more on higher quality and more premium food, as well as a more diverse range of products and services. This underlying trend that drives the long-term structural growth of the pet care market remains robust, shifting spend towards higher quality nutrition, a more diverse range of accessories and wider adoption of services. The COVID-19 pandemic has affected market dynamics since spring 2020 mainly through an increased number of puppies and kittens, in line with historical evidence of developments during economic downturns, and increased demand in online channels.

The pet care market is resilient, underpinned by non-discretionary purchasing behavior. Non-discretionary categories such as food, cat litter and veterinary services make up approximately 75% of total market spend and are characterized by repeat purchasing behavior that is consistent through the cycle. Consumers display willingness to sustain spending on non-discretionary pet care purchases even while expenditure on alternative categories has been affected.

Group performance

Net sales

EUR million	10-12/2021	10-12/2020	Change %	10/2020-9/2021
Net sales				
Group	101.3	84.3	20.2%	340.9
Finland	43.8	39.1	12.1%	152.6
Sweden	43.0	35.7	20.5%	147.5
Norway	14.6	9.6	52.3%	40.7

October – December 2021

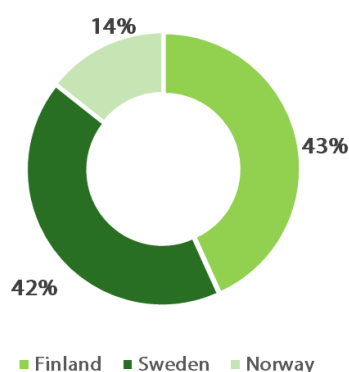
Group net sales increased by 20.2% to EUR 101.3 million (EUR 84.3 million). The increase was largely due to the increasing number of customers together with an increased number of directly operated stores. Like-for-like growth amounted to 9.2% (13.1%). Strengthened SEK exchange rate increased sales by EUR 0.1 million, whereas strengthened NOK exchange rate increased sales by EUR 1.1 million.

Store sales increased by 24.9% to EUR 77.9 million (EUR 62.4 million), driven by an increased number of stores as we added net 14 directly operated stores to our network and continued like-for-like store sales growth amounting to 6.6% (8.0%). Online sales increased by 19.6% to EUR 21.8 million (EUR 18.2 million). Online sales accounted for 21.5% (21.6%) of total net sales.

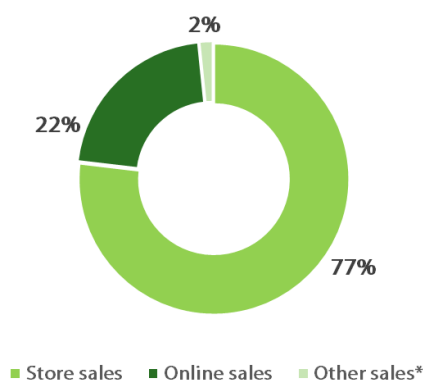
Net sales in Finland increased by 12.1% with like-for-like growth of 4.1%. During Q1, five directly operated stores were opened. Net sales in Sweden increased by 20.5% with strong like-for-like growth of 11.6%. During Q1, one directly operated store was opened and five franchise stores were acquired in Sweden. One directly operated store was closed and one franchise store left the chain. Net sales in Norway increased by 52.3% with very strong like-for-like growth of 20.8% and the ramp-up of the stores opened during the latest twelve months. The strengthened NOK rate compared to Q1 FY21 had a positive impact on growth. During Q1, four directly operated stores were opened in Norway.

The number of loyal customers increased by 12.7% to 1,340 thousand (1,189 thousand on 31 December 2020). Rolling 12 months average spend per loyal customer increased to EUR 187.0 as per 31 December 2021 (EUR 183.3 as per 31 December 2020).

Net sales by segment 10/2021-12/2021



Net sales by channel 10/2021-12/2021



*Other sales include franchise fees and wholesale.

Result

October – December 2021

The Group's adjusted EBITA increased by 25.4% to EUR 13.3 million (EUR 10.6 million). Adjusted EBITA was the best quarterly adjusted EBITA in Musti Group history. The increase was due to strong season sales growth and improved gross margin. Adjusted EBITA margin was 13.1% (12.6%).

Gross margin increased to 47.5% (46.1%) mainly due to increased number of directly operated stores and favorable product mix. The positive development was slightly burdened by increasing freight costs, especially from Asia. Share of sales of own and

exclusive brands increased to 53.6% (52.5%). The share of employee benefit and other operating expenses as percentage of sales increased to 30.1% (28.8%) driven by focus on topline growth due to favorable market conditions and still lower efficiency in the central warehouse in Eskilstuna that was driven by both internal and external factors.

Depreciation amounted to EUR 6.5 million (EUR 5.1 million) and amortization amounted to EUR 1.6 million (EUR 1.6 million). Main driver is the growing store network via IFRS 16 impact.

Adjustments to EBITA were EUR 1.5 million (EUR 0.6 million). These were mainly related our end-to-end supply chain development project together with other non-recurring structural changes related costs. Operating profit increased by 21.2% to EUR 10.2 million (EUR 8.4 million).

Profit before taxes decreased to EUR 9.0 million (EUR 9.5 million). The impact of financial income and expenses (net) on profit before taxes was EUR 1.2 million negative (EUR 1.1 million positive), mainly due to foreign exchange impact from group internal loans and partially from operative side currency changes prior to high sales Christmas period. During comparison period currency changes were into opposite direction. Profit for the period was EUR 6.8 million (EUR 7.8 million) and basic earnings per share was 0.20 (0.24).

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

In October-December, net cash flow from operating activities totaled EUR 13.2 million (EUR 15.9 million). Compared to previous year, cash flow was burdened during the quarter as net working capital increased by EUR 5.4 million. This was mainly due to EUR 8.4 million higher inventory than in the comparison period, enabling to secure the important Christmas season. Cash and cash equivalents at the end of the period amounted to EUR 14.1 million (30 September 2021: EUR 13.0 million). Total consolidated assets amounted to EUR 358.0 million (30 September 2021: EUR 337.6 million). The increase was due to increased right-of-use assets and property, plant and equipment due to increased number of stores and increased goodwill driven by business combinations, as well as inventories in stores and the central warehouse.

Equity attributable to owners of the parent company totaled EUR 164.0 million (30 September 2021: EUR 156.9 million). Equity was increased due to the profit of the period. During the first quarter Musti Group acquired no own shares.

Gearing at the end of the reporting period was 72.3% (30 September 2021: 72.2%) and net debt amounted to EUR 118.6 million (30 September 2021: EUR 113.3 million). At the end of the period, the lease liabilities included in net debt amounted to EUR 77.9 million (30 September 2021: EUR 76.4 million).

Musti Group focuses on maintaining sufficient liquidity in the group. In addition to the cash and cash equivalents of EUR 14.1 million at the end of the period, Musti Group has an unutilized EUR 4.0 million credit limit, undrawn EUR 5.0 million term loan and an undrawn EUR 10.0 million uncommitted revolving credit facility. During the quarter Musti Group re-arranged its long-term financing into a new bilateral term loan, full year impact on loan margin savings is approximately EUR 0.5 million.

Investments

In October-December investments in tangible and intangible assets amounted to EUR 10.2 million (EUR 4.6 million). EUR 4.7 million were mainly related to new and relocated stores, as well as IT and digital platform development projects and warehouse development and maintenance investments. In addition, EUR 5.5 million related to business acquisitions of five franchise stores in Sweden.

Business segment performance

Musti Group's reporting segments are based on geographical regions, and they are Finland, Sweden and Norway. The segment structure is based on geographical division where Finland, Sweden and Norway are separated to individual operating segments based on how the chief operating decision-maker monitors the business operations. In other items, Musti Group reports the Group functions, including the operations of the headquarters and the central warehouse.

Finland

Finland is Musti Group's most mature country. Musti Group held 31% of the total pet food and products market share in 2020. Regardless of the strong market presence in Finland, the company's management continues to see opportunities to expand the store network in selected locations, such as high traffic hypermarkets. Musti's brands in Finland include Musti ja Mirri (store and omnichannel) and Peten Koiratarvike (online).

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

EUR million or as indicated	10-12/2021	10-12/2020	Change %	10/2020-9/2021
Net sales	43.8	39.1	12.1%	152.6
Net sales growth, %	12.1%	12.9%		12.4%
LFL segment sales growth, %	4.1%	11.8%		10.6%
EBITDA	12.8	12.0	6.4%	44.4
EBITDA margin, %	29.1%	30.7%		29.1%
Adjusted EBITDA	12.8	12.0	6.7%	44.4
Adjusted EBITDA margin, %	29.2%	30.7%		29.1%
EBITA	10.4	10.0	3.8%	36.0
EBITA margin, %	23.7%	25.6%		23.6%
Adjusted EBITA	10.4	10.0	4.2%	36.1
Adjusted EBITA margin, %	23.7%	25.6%		23.7%
Number of stores	139	131	6.1%	134
of which directly operated	139	115	20.9%	134

October – December 2021

Net sales in Finland increased by 12.1% to EUR 43.8 million (EUR 39.1 million) with like-for-like growth of 4.1% against high comparable figures from Q1/21. Growth was supported by the stores opened or acquired during the latest twelve months underpinned by healthy inflow of new customers.

EBITA increased by 3.8% to EUR 10.4 million (EUR 10.0 million). Adjusted EBITA increased by 4.2% to EUR 10.4 million (EUR 10.0 million). Store efficiency continued to be on a good level. Adjusted EBITA margin was 23.7% (25.6%). Main driver was large number of acquired franchise stores which created impact through topline driven internal cost allocation between group segments.

During Q1, five directly operated stores were opened.

Sweden

In Sweden, Musti Group's focus is on further expansion and increasing efficiency. Musti, through its multiple brands, is the overall market leader with a combined 31% market share (2020). Through VetZoo Musti Group has a strong online presence in Sweden. Musti Group's store and omnichannel brands in Sweden are Arken Zoo and Djurmagazinet.

Musti's goal in Sweden is to continue strong like-for-like growth across all channels, store network expansion and strong margin improvement development. Regarding the store network expansion focus is on enhancing presence in big cities. Key growth and margin drivers in Sweden include increasing own and exclusive brands' share of sales towards Finnish levels through staff promotion and educational marketing, converging store cost-efficiency towards Finnish levels through store personnel efficiency measures and being selective in network expansion while acquiring selected franchised stores.

EUR million or as indicated	10-12/2021	10-12/2020	Change %	10/2020-9/2021
Net sales	43.0	35.7	20.5%	147.5
Net sales growth, %	20.5%	19.3%		19.7%
LFL segment sales growth, %	11.6%	9.5%		9.2%
EBITDA	10.4	7.1	46.9%	29.7

EBITDA margin, %	24.3%	19.9%		20.2%
Adjusted EBITDA	10.4	7.5	39.9%	30.1
Adjusted EBITDA margin, %	24.3%	20.9%		20.4%
EBITA	8.0	5.2	53.7%	21.4
EBITA margin, %	18.7%	14.6%		14.5%
Adjusted EBITA	8.0	5.6	43.9%	21.7
Adjusted EBITA margin, %	18.7%	15.6%		14.7%
Number of stores	127	126	0.8%	128
of which directly operated	101	84	20.2%	96

October – December 2021

Net sales in Sweden increased by 20.5% to EUR 43.0 million (EUR 35.7 million) driven by improved like-for-like growth of 11.6% and new stores opened or acquired. The sales growth was strong in both stores and online, driven by the increased number of customers.

EBITA increased by 53.7% to EUR 8.0 million (EUR 5.2 million). Adjusted EBITA increased by 43.9% to EUR 8.0 million (EUR 5.6 million). This was due to operating leverage and growing sales, partly offset by the increased share of online sales. Store efficiency continued to be on a good level. Adjusted EBITA margin was 18.7% (15.6%).

During Q1, one directly operated store was opened and five franchise stores were acquired in Sweden. One directly operated store was closed and one franchise store left the chain.

Norway

In Norway, Musti Group's focus is on store roll-out and on increasing country profitability. Unlike in Finland and Sweden, there are no clear dominant players within the pet specialty segment, with Musti covering for roughly 11% of the total pet food and products market in 2020. Musti Group's brands in Norway are Musti (store and omnichannel) and VetZoo (online).

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

EUR million or as indicated	10-12/2021	10-12/2020	Change %	10/2020-9/2021
Net sales	14.6	9.6	52.3%	40.7
Net sales growth, %	52.3%	64.2%		60.6%
LFL segment sales growth, %	20.8%	40.4%		30.0%
EBITDA	4.0	2.5	60.5%	10.0
EBITDA margin, %	27.7%	26.3%		24.5%
Adjusted EBITDA	4.0	2.5	58.9%	10.0
Adjusted EBITDA margin, %	27.7%	26.5%		24.6%
EBITA	3.0	1.8	68.6%	6.7
EBITA margin, %	20.8%	18.8%		16.5%
Adjusted EBITA	3.0	1.8	66.2%	6.8
Adjusted EBITA margin, %	20.8%	19.1%		16.6%
Number of stores	54	43	25.6%	50
of which directly operated	54	43	25.6%	50

October – December 2021

Net sales in Norway increased by 52.3% to EUR 14.6 million (EUR 9.6 million), driven by like-for-like growth of 20.8% in line with the trend exhibited in earlier quarters, and ramp-up of the stores opened during the latest twelve months. The strengthened NOK exchange rate in Q1 FY22 compared to Q1 FY21 had a EUR 1.1 million positive impact on net sales.

EBITA increased by 68.6% and adjusted EBITA by 66.2% to EUR 3.0 million (EUR 1.8 million). This was driven by operating leverage and increased store efficiency, as more stores are reaching the mature phase, or the end of the ramp-up curve and latest vintages are developing faster towards maturity than before. EBITA was somewhat burdened by increasing salary inflation compared year on year. Store efficiency was on a good level and even improved. Adjusted EBITA margin was 20.8% (19.1%).

During Q1, four directly operated store were opened in Norway.

Group functions

The EBITA impact of Group functions was EUR -9.6 million (EUR -7.0 million). Adjusted EBITA was EUR -8.2 million (EUR -6.8 million). The decrease was mainly due to increased headcount in the head office during 2021 and higher costs in the central warehouse driven by higher volumes. Musti Group has focused on sales growth in order to utilize the strong momentum and to develop an ecosystem for pet parents to further increase attractiveness and customer loyalty. Group functions cost in relation to group net sales was in line with the comparison period at 8.1%.

Personnel

At the end of the reporting period on 31 December 2021, the number of personnel was 1,446 (1,244), of whom 626 (576) were employed in Finland, 598 (500) in Sweden and 222 (168) in Norway.

Changes in Group composition

There were no changes in Group composition during October – December 2021.

Changes in Group management

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

Governance

Annual General Meeting

Musti Group plc's Annual General Meeting was held on 27 January 2022 at 3:00 p.m. at the company's headquarters in Helsinki, Finland. Shareholders and their proxy representatives could participate in the Annual General Meeting and exercise shareholder rights only through advance voting and by making counterproposals and presenting questions in advance. It was not possible to participate at the meeting venue in person. The Annual General Meeting was arranged in accordance with an exceptional procedure for the meeting based on the legislative act concerning temporary deviations from the Finnish Companies Act approved by the Finnish Parliament.

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

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

The first capital return instalment of EUR 0.22 per share will be paid to the shareholders who are registered in the shareholders' register of the company maintained by Euroclear Finland Ltd on the record date of the first capital return instalment on 31 January 2022. The first capital return instalment will be paid on 8 February 2022. The second capital return instalment of EUR 0.22 per share will be paid in August 2022 to shareholders who are registered in the shareholders' register of the company maintained by Euroclear Finland Ltd on the record date of the second capital return instalment on 10 August 2022. The second capital return instalment will be paid on 18 August 2022. The Annual General Meeting also authorized the Board of Directors to resolve, if necessary, on a new record date and date of payment for the second instalment of the capital return, should the rules of Euroclear Finland Ltd or statutes applicable to the Finnish book-entry system change or otherwise so require.

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

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

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

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

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

The Annual General Meeting decided that the number of members of the Board of Directors shall be five (5). Jeffrey David, Ingrid Jonasson Blank and Ilkka Laurila were re-elected as members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. In addition, Inka Mero and Johan Dettel were elected as new members of the Board of Directors for a corresponding term of office.

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

Shares and shareholders

Share capital

At the end of the reporting period on 31 December 2021, Musti Group's share capital was EUR 11,001,853.68 and total number of shares outstanding was 33,535,453. The company has one share class. Each share carries one vote and entitles to the same dividend.

Trading of shares

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

The opening price of the share was EUR 30.68 on the first trading day of the first quarter on 1 October 2021. The closing price of the share on the last trading day of the reporting period on 30 December 2021 was EUR 30.96. The highest price of the share during October 2021 – December 2021 was EUR 37.18; the lowest EUR 28.36 and the average closing price was EUR 32.00. Share turnover on Nasdaq Helsinki during October 2021 – December 2021 was approximately 4.58 million shares.

Musti Group's market capitalization was EUR 1.04 billion on 31 December 2021.

Own shares

On 31 December 2021 Musti Group held 244,000 (0) own shares representing 0.73% (0.00%) of the total number of shares and votes. During the reporting period Musti Group did not purchase own shares.

Authorizations of the Board of Directors

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

Own shares can be repurchased only using the unrestricted equity of the company at a price formed in public trading on the date of the repurchase or otherwise at a price determined by the markets. The Board of Directors decides on all other matters related to the repurchase and/or acceptance as pledge of own shares. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase).

This authorization cancelled the authorization given by the Annual General Meeting held on 21 January 2021 to decide on the repurchase the company's own shares and/or to accept the company's own shares as pledge. The authorization is effective until the next Annual General Meeting, however, no longer than until 27 July 2023.

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

The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue).

This authorization cancelled the authorization given by the Annual General Meeting held on 21 January 2021 to decide on the issuance of shares as well as on the issuance of special rights entitling to shares. The authorization is effective until the next Annual General Meeting, however, no longer than until 27 July 2023.

Shareholders and flagging notifications

At the end of the reporting period, the number of registered shareholders was 10,752. The proportion of nominee-registered and foreign shareholders was 74.72% of the company's shares. The 20 largest shareholders registered in the book-entry register maintained by Euroclear Finland Oy held a total of 18.15% of Musti Group's shares and votes at the end of the reporting period.

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

- On 9 December 2021 Musti Group plc received a notification in accordance with Chapter 9, Section 10 of the Finnish Securities Market Act, according to which the total direct and indirect holdings of Ameriprise Financial, Inc. have on 9 December 2021 increased above 5 percent of the Company's shares and votes. According to the notification, the shares are held in portfolios and funds managed on a discretionary basis by Threadneedle Asset Management Limited, and the shares are held through certain nominee companies.

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

Managers' transactions

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

Remuneration schemes

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

Bonus scheme

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

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

Long-term incentives

In May 2020, Musti Group plc's Board decided on two new share-based long-term incentive plans for the management team and key employees. The plans consist of a performance share plan (PSP) as the main structure, and of a restricted share plan (RSP), which is a complementary share plan for special situations. The new share-based compensation schemes were communicated in

a stock exchange release on 7 May 2020. The plans will form a part of Musti Group plc's remuneration programs for its key employees, and the aim of the PSP is to align the objectives of the shareholders and key employees for increasing the value of the Company in the long-term, to commit the key employees to the Company and to offer them competitive incentive schemes that are based on earning and accumulating shares.

The performance share plan consists of three performance periods of three years each 2020-2022, 2021-2023 and 2022-2024. The Board of Directors will decide separately for each performance period the plan participants, performance criteria, and the related targets, as well as the minimum, target, and maximum reward potentially payable based on target attainment. The Restricted Share Plan (RSP) consists of plans on which the vesting period is 12-36 months based on decisions made by the Board of Musti Group plc. The possible rewards are paid partly in Musti Group plc's shares and partly in cash. As of 31 March 2021, there were no participants added to the RSP plan.

In the performance period FY2020-2022, the plan has 11 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 FY2020-2022 is approximately 250,000 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 FY2020-2022 will be paid out during autumn of 2022.

In the performance period FY2021-2023, the plan has 29 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 FY2021-2023 is approximately 130,000 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 FY2021-2023 will be paid out during autumn of 2023.

In the performance period FY2022-2024, 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 FY2022-2024 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 FY2022-2024 will be paid out during autumn of 2024.

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 social responsibility 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 in order to communicate with its stakeholders: pets and their parents, employees and communities. The most important themes under pets and their parents are high-quality and safe products and services as well as satisfied and loyal customers. Under employees, the most important themes are thriving experts and well-being at work, and under communities, working for the common good and openness for new inventions.

Musti Group sets high standards for quality, safety and expertise, putting the welfare of pets, people and the environment first. The company has already taken concrete actions to this end, having been a member of amfori Business Social Compliance Initiative (amfori BSCI) since 2017. The company also expects its suppliers to commit to Musti's requirements on responsible business practices. Following the Musti Group Supplier Code of Conduct and all national laws and regulations is imperative. The company is conducting visits to the supplier sites in Europe, also the BSCI visits the company's supplier sites in high-risk countries. Furthermore, the company has a third-party partner in China who visits and audits the sites in Asia. The company has initiated more systematic processes for supply chain sustainability especially in high-risk countries and in high-risk countries 100 % of our tier one suppliers have been audited.

Musti Group's Non-Financial Information Report for the financial year 2021 was published on 17 December 2021 together with the Financial Statements and the Board of Directors' report and is available at <https://www.mustigroup.com/investors/reports-and-presentations/>.

Risk 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.

Musti Group's risk management and risks related to the company's operations are described in more detail in the Board of Directors' Report published on 17 December 2021 which is available at <https://www.mustigroup.com/investors/reports-andpresentations/>.

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

Significant events after the reporting period

There were no significant events after the reporting period.

Financial calendar

Musti Group's Half-Year Financial Report for October 2021 – March 2022 will be published on 10 May 2022.

Webcast for analysts and media

A live webcast for analysts and media will be arranged on 8 February 2022 at 14:00 EET. The event will be held in English. The report will be presented by CEO David Rönnerg and CFO Toni Rannikko.

The webcast can be followed at <https://mustigroup.videosync.fi/2022-q1-results>.

A recording of the webcast will be available later at the company's website at www.mustigroup.com/investors/reports-and-presentations/.

The telephone conference can be participated by calling:

Finland: +358 981710310
Sweden: +46 856642651
UK: +44 3333000804
US: +1 6319131422

The participants will be asked to provide the following PIN code: 67531446#

Helsinki, 8 February 2022

Board of Directors

The information in this Interim Report is unaudited.

Further information:

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Distribution:

Nasdaq Helsinki
Main media
www.mustigroup.com

Condensed financial information

Condensed consolidated statement of income

EUR thousand	10-12/2021	10-12/2020	10/2020-9/2021
Net sales	101,349	84,299	340,856
Other operating income	638	417	2,270
Share of profit of a joint venture	126	0	30
Materials and services	-53,205	-45,399	-185,239
Employee benefit expenses	-17,912	-14,904	-61,828
Other operating expenses	-12,632	-9,343	-39,147
Depreciation, amortisation and impairment	-8,161	-6,654	-28,565
Operating profit	10,204	8,416	28,377
Financial income and expenses, net	-1,199	1,052	-1,495
Profit before taxes	9,005	9,468	26,882
Income tax expense	-2,172	-1,712	-5,988
Profit/loss for the period	6,833	7,757	20,895
Attributable to:			
Owners of the parent	6,827	7,755	20,872
Non-controlling interest	6	2	23
Earnings per share (EUR) for profit attributable to owners of the parent			
Basic EPS (EUR)	0.20	0.24	0.62
Diluted EPS (EUR)	0.20	0.23	0.62

Consolidated statement of comprehensive income

EUR thousand	10-12/2021	10-12/2020	10/2020-9/2021
Profit/loss for the period	6,833	7,757	20,895
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods:			
Translation differences	-332	1,533	1,138
Other comprehensive income, net of tax	-332	1,533	1,138
Total comprehensive income	6,501	9,290	22,033
Attributable to:			
Owners of the parent	6,495	9,288	22,006
Non-controlling interest	6	2	27

Consolidated statement of financial position

EUR thousand	10-12/2021	10-12/2020	10/2020-9/2021
ASSETS			
Non-current assets			
Goodwill	162,801	149,314	157,831
Other intangible assets	18,449	20,656	18,705
Right-of-use assets	73,190	62,851	71,745
Property, plant and equipment	17,606	12,500	15,759
Investments in joint ventures	1,116	960	990
Deferred tax assets	5,530	7,092	5,008
Other non-current receivables	114	163	109
Total non-current assets	278,807	253,536	270,148
Current assets			
Inventories	52,480	37,562	44,297
Trade and other receivables	11,321	6,971	9,322
Loan receivables	0	10	0
Derivative financial instruments	538	145	484
Income tax receivables	825	189	281
Cash and cash equivalents	14,064	27,502	13,013
Total current assets	79,229	72,377	67,397
TOTAL ASSETS	358,036	325,914	337,545
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11,002	11,002	11,002
Other reserves	154,691	167,412	154,691
Own shares	-6,910	- 1,326	-6,910
Translation differences	643	1,368	975
Retained earnings	4,455	-17,154	-2,891
Total equity attributable to owners of the parent	163,880	161,302	156,867
Equity attributable to non-controlling interest	128	165	110
Total equity	164,008	161,466	156,997
Non-current liabilities			
Loans from credit institutions	54,955	49,803	49,872
Lease liability	57,065	50,706	56,713
Deferred tax liabilities	2,733	2,270	2,684
Other liabilities	0	0	14
Total non-current liabilities	114,754	102,780	109,283
Current liabilities			
Lease liability	20,873	16,842	19,759
Trade and other payables	51,269	40,937	46,827
Derivative financial instruments	269	1,160	441
Income tax liabilities	6,762	2,632	4,257
Provisions	100	97	0

Total current liabilities	79,274	61,668	71,285
Total liabilities	194,028	164,448	180,567
TOTAL EQUITY AND LIABILITIES	358,036	325,914	337,545

Consolidated statement of equity

EUR thousand		Attributable to owners of the parent						
	Share capital	Other reserves	Own shares	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity as 1 Oct 2021	11,002	154,691	-6,910	975	-2,890	156,867	110	153,279
Profit/loss for the period					6,827	6,827	6	6,883
Translation differences				-332		-332	-1	-332
Total comprehensive income				-332	6,827	6,495	5	6,501
Share-based incentive plan					518	518	12	
Equity as 31 Dec 2021	11,002	154,691	-6,910	643	4,455	163,880	128	164,008

EUR thousand		Attributable to owners of the parent						
	Share capital	Other reserves	Own shares	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
Equity as 1 Oct 2020	11,002	167,412	0	-159	-25,132	153,122	157	153,279
Profit/loss for the period					7,755	7,755	2	7,757
Translation differences				1,527		1,527	6	1,533
Total comprehensive income	0	0	0	1,527	7,755	9,282	2	9,284
Acquisition of own shares			-1,326			-1,326		-1,326
Share-based incentive plan					224	224		224
Equity as 31 Dec 2020	11,002	167,412	-1,326	1,368	-17,154	161,302	165	161,467

Consolidated statement of cash flows

EUR thousand	10-12/2021	10-12/2020	10/2020-9/2021
Cash flows from operating activities			
Profit before taxes	9,005	9,468	26,882
Adjustments			
Depreciation, amortisation and impairment	8,161	6,654	28,565
Financial income and expenses, net	1,199	-1,052	1,495
Other adjustments	806	554	1,466
Cash flows before changes in working capital	19,170	15,624	58,409
Change in working capital			
Increase (-) / decrease (+) in trade and other receivables	-1,999	-466	-2,782
Increase (-) / decrease (+) in inventories	-7,971	-1,055	-6,653
Increase (+) / decrease (-) in trade and other payables	4,574	757	5,269
Cash flows from operating activities before financial items and taxes	13,773	14,860	54,243
Income taxes paid	-552	1,037	706
Net cash flow from operating activities	13,221	15,897	54,950
Cash flows from investing activities			
Investments in tangible and intangible assets	-4,658	-3,147	-12,878
Acquisition of subsidiaries and business acquisitions, net of cash acquired	-6,167	-1,277	-10,330
Decrease (+) / increase (-) in non-current receivables	0	182	230
Decrease (+) / increase (-) in loan receivables	0	2	10
Net cash flow from investing activities	-10,825	-4,240	-22,969
Cash flows from financing activities			
Capital returns paid	0	0	-12,720
Dividends paid	0	0	-75
Acquisition of own shares	0	-1,326	-6,910
Proceeds from non-current loans	55,000	0	0
Repayments of non-current loans	-50,000	0	0
Repayments of lease liabilities	-5,099	-3,957	-17,297
Interest and other financial expenses paid	-1,714	-1,555	-5,190
Interest and other finance income received	469	1,077	1,620
Net cash flow from financing activities	-1,345	-5,760	-40,573
Net change in cash and cash equivalents	1,051	5,896	-8,592
Cash and cash equivalents at start of period	13,013	21,606	21,606
Cash and cash equivalents at end of period	14,064	27,502	13,013

Basis of preparation and accounting policies

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

The interim report of 1 October 2021 – 31 December 2021 has been prepared in accordance with the IAS 34 Interim Financial Reporting standard and the accounting principles applied in the financial statements release are the same as in the financial statement.

The figures of the interim report have not been audited.

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

Critical accounting estimates and judgments

An IFRS-compliant interim report requires the Group's management to exercise judgment and make estimates and assumptions that affect the reported amounts of assets and liabilities and other information such as the amounts of income and expense. Although these estimates are based on the management's best knowledge at the time, it is possible that actual results differ from the estimates used in the financial statements release.

Key accounting considerations related to COVID-19

The Group's management has assessed COVID-19 impacts by reviewing the carrying values of the balance sheet items, the review did not indicate need for asset impairments.

Events after the reporting period

No significant events after the reporting period.

Segments

EUR thousand	Finland	Sweden	Norway	Group functions	Group
10/2021-12/2021					
Net sales *	43,817	42,977	14,555	0	101,349
% split of net sales between segments	43%	42%	14%	0%	100%
EBITDA	12,765	10,445	4,031	-8,877	18,364
Adjustments	39	0	0	1,424	1,463
Adjusted EBITDA	12,804	10,445	4,031	-7,453	19,827
Depreciation and impairment of right-of-use assets and tangible assets	-2,398	-2,412	-1,004	-708	-6,522
EBITA	10,367	8,033	3,027	-9,585	11,842
Adjustments	39	0	0	1,424	1,463
Adjusted EBITA	10,406	8,033	3,027	-8,161	13,305
Amortisation and impairment of intangible assets					-1,639
Operating profit					10,204
Financial income and expenses, net					-1,199
Profit before taxes					9,005
Income tax expense					-2,172
Profit/loss for the period					6,833

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

EUR thousand	Finland	Sweden	Norway	Group functions	Group
10/2020-12/2020					
Net sales *	39,073	35,669	9,557	0	84,299
% split of net sales between segments	46%	42%	11%	0%	100%
EBITDA	12,001	7,110	2,511	-6,552	15,070
Adjustments	0	355	26	225	607
Adjusted EBITDA	12,002	7,466	2,537	-6,327	15,677
Depreciation and impairment of right-of-use assets and tangible assets	-2,018	-1,885	-716	-446	-5,064
EBITA	9,984	5,225	1,796	-6,998	10,006
Adjustments	0	355	26	225	607
Adjusted EBITA	9,984	5,581	1,822	-6,773	10,613
Amortisation and impairment of intangible assets					-1,590
Operating profit					8,416
Financial income and expenses, net					1,052
Profit before taxes					9,468
Income tax expense					-1,712
Profit/loss for the period					7,757

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

EUR thousand	Finland	Sweden	Norway	Group functions	Group
10/2020-9/2021					
Net sales *	152,616	147,511	40,730	0	340,856
% split of net sales between segments	45%	43%	12%	0%	100%
EBITDA	44,375	29,729	9,974	-27,135	56,942

Adjustments	48	389	26	1,428	1,892
Adjusted EBITDA	44,424	30,118	10,000	-25,707	58,834
Depreciation and impairment of right-of-use assets and tangible assets	-8,326	-8,376	-3,247	-2,101	-22,049
EBITA	36,050	21,352	6,727	-29,236	34,893
Adjustments	48	389	26	1,428	1,892
Adjusted EBITA	36,098	21,741	6,753	-27,808	36,785
Amortisation and impairment of intangible assets					-6,516
Operating profit					28,377
Financial income and expenses, net					-1,495
Profit before taxes					26,882
Income tax expense					-5,988
Profit/loss for the period					20,895

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

Business combinations and changes in Group composition

During the reporting period Musti Group acquired five pet stores in Sweden as business acquisitions. The total purchase price of the stores was approximately EUR 5.6 million and the resulting goodwill EUR 5.5 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 1.3 million and increased operating profit by EUR 0.2 million for the period October 1, 2021 - December 31, 2021. The effect on the Group's net sales would have been approximately EUR 1.9 million and on the operating profit EUR 0.3 million for the period ended December 31, 2021, if the acquisitions had been consolidated from the beginning of the financial year.

Personnel on average and at the end of the reporting period

Personnel	31 Dec 2021	31 Dec 2020	30 Sep 2021
Personnel on average	1,447	1,228	1,283
Personnel at the end of period	1,446	1,244	1,397

Goodwill, intangible assets and property, plant and equipment

EUR thousand	31 Dec 2021	31 Dec 2020	30 Sep 2021
Acquisition cost at beginning of reporting period	192,294	177,218	177,218
Amortisation and depreciation	-3,110	-2,568	-10,931
Additions	10,195	4,593	23,509
Disposals and closing of stores		0	-124
Exchange differences	-523	3,227	2,621
Acquisition cost at end of reporting period	198,855	182,470	192,294

Leases

Right-of-use assets

EUR thousand	Buildings and structures	Machinery and equipment	Total
31 Dec 2021			
Net book value at 1 Oct 2021	71,225	520	71,145

New contracts	6,934	78	7,013
Contracts terminated prematurely	143	0	143
Revaluations and modifications	-436	-16	-452
Exchange rate differences	-108	-3	-111
Depreciation	-5,073	-75	-5,147
Net book value at 31 Dec 2021	72,685	505	73,190
31 Dec 2020			
Net book value at 1 Oct 2020	61,516	498	62,014
New contracts	2,330	103	2,433
Contracts terminated prematurely	0	0	0
Revaluations and modifications	431	11	442
Exchange rate differences	2,024	24	2,048
Depreciation	-4,036	-50	-4,086
Net book value at 31 Dec 2020	62,264	587	62,851
30 Sep 2021			
Net book value at 1 Oct 2020	61,516	498	62,014
New contracts	13,140	203	13,343
Contracts terminated prematurely	-1,274	-4	-1,278
Revaluations and modifications	13,286	56	13,342
Exchange rate differences	1,925	18	1,943
Depreciation	-17,370	-251	-17,620
Net book value at 30 Sep 2021	71,225	520	71,745

Lease liability

EUR thousand	31 Dec 2021	31 Dec 2020	30 Sep 2021
Lease liability at beginning of reporting period	76,472	66,494	66,494
Net increases	6,572	5,073	27,385
Rent expenses	-5,673	-4,561	-19,679
Interest expense	568	542	2,272
Lease liability at end of reporting period	77,939	67,548	76,472
Non-current lease liability	57,065	50,706	56,713
Current lease liability	20,873	16,842	19,759
Total	77,939	67,548	76,472

Lease contracts in the income statement

EUR thousand	10-12/2021	10-12/2020	10/2020-9/2021
Expenses from short-term rental agreements, leasing agreements with minor value and variable rental costs, that are not included in the lease liability	-231	-682	-1,470
Depreciation of right-of-use assets	-5,147	-3,977	-17,620
Interest expenses from lease liability	-568	-542	-2,272
Total	-5,946	-5,201	-21,362

Financial assets and liabilities and fair value hierarchy

Financial assets

EUR thousand	Financial assets at fair value through profit and loss	Financial assets at fair value through other comprehensive income	Financial assets at amortised cost	Book value	Fair value	Fair value hierarchy
31 Dec 2021						
Non-current assets						
Other non-current assets			114	114	114	Level 2
Total			114	114	114	
Current assets						
Trade and other receivables *)			3,633	3,633	3,633	Level 2
Loan receivables			0	0	0	Level 2
Derivative financial instruments	538			538	538	Level 2
Cash and cash equivalents			14,064	14,064	14,064	Level 2
Total	538		17,698	18,236	18,236	
Financial assets, total	538		17,811	18,349	18,349	
31 Dec 2020						
Non-current assets						
Other non-current assets			163	163	163	Level 2
Total			163	163	163	
Current assets						
Trade and other receivables *)			3,582	3,582	3,582	Level 2
Loan receivables			10	10	10	Level 2
Derivative financial instruments	145			145	145	Level 2
Cash and cash equivalents			27,502	27,502	27,502	Level 2
Total	145		31,093	31,238	31,238	
Financial assets, total	145		31,257	31,401	31,401	
30 Sep 2021						
Non-current assets						
Other non-current assets			109	109	109	Level 2
Total			109	109	109	
Current assets						
Trade and other receivables *)			3,597	3,597	3,597	Level 2
Loan receivables			0	0	0	Level 2
Derivative financial instruments	484			484	484	Level 2
Cash and cash equivalents			13,013	13,013	13,013	Level 2
Total	484		16,611	17,094	17,094	
Financial assets, total	484		16,720	17,204	17,204	

Financial liabilities

EUR thousand	Financial liabilities at fair value through profit and loss	Financial liabilities at fair value through other comprehensive income	Financial liabilities at amortised cost	Book value	Fair value	Fair value hierarchy
31 Dec 2021						
Non-current liabilities						
Loans from credit institutions			54,955	54,955	54,955	Level 2
Lease liability			57,065	57,065	57,065	Level 2
Total			112,020	112,020	112,020	
Current liabilities						
Lease liability			20,873	20,873	20,873	Level 2
Trade and other payables *)			26,283	26,283	26,283	Level 2
Derivative financial instruments	269		0	269	269	Level 2
Total	269		47,156	47,426	47,426	
Financial liabilities, total	269		159,177	159,446	159,446	
31 Dec 2020						
Non-current liabilities						
Loans from credit institutions			49,803	49,803	49,803	Level 2
Lease liability			50,706	50,706	50,706	Level 2
Total			100,510	100,510	100,510	
Current liabilities						
Lease liability			16,842	16,842	16,842	Level 2
Trade and other payables *)			18,383	18,383	18,383	Level 2
Derivative financial instruments	1,160			1,160	1,160	Level 2
Total	1,160		35,225	36,385	36,385	
Financial liabilities, total	1,160		135,734	136,895	136,895	
30 Sep 2021						
Non-current liabilities						
Loans from credit institutions			49,872	49,872	49,872	Level 2
Lease liability			56,513	56,513	56,513	Level 2
Total			106,586	106,586	106,586	
Current liabilities						
Lease liability			19,759	19,759	15,957	Level 2
Trade and other payables *)			23,794	23,794	23,759	Level 2
Derivative financial instruments	441			441	441	Level 2
Total	441		43,553	43,994	43,994	
Financial liabilities, total	441		150,138	150,579	150,579	

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

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

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

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

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

Derivative financial instruments

EUR thousand	Nominal value	Receivables at fair value	Payables at fair value	Net fair value
31 Dec 2021				
Forward exchange contracts	25,259	538	-269	269
Total	25,259	538	-269	269
31 Dec 2020				
Forward exchange contracts	19,529	145	-1,160	-1,016
Total	19,529	145	-1,160	-1,016
30 Sep 2021				
Forward exchange contracts	20,332	484	-441	42
Total	20,332	484	-441	42

Group commitments

EUR thousand	31 Dec 2021	31 Dec 2020	30 Sep 2021
Pledges given on behalf of Group companies and joint ventures			
Guarantees relating to rental payments	4,620	4,006	4,619
Other commitments	128	201	129
Total	4,748	4,207	4,748
Other commitments			
Other guarantees	2,929	3,000	2,929
Lease liabilities for leases not recognised in the balance sheet	4,552	5,300	4,984
Total	7,482	8,300	7,913

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

Contingent liabilities

Musti Group has been subject to a tax audit of Musti Group Oyj, Musti Group Finland Oy and Musti Group Nordic Oy regarding financial years 2018-2020. Musti Group Oyj has in October 2021 received a tax audit report from the Finnish tax authorities. The tax audit report included subsequent taxes and tax increases amounting to a total of EUR 0.9 million, relating to the VAT deductibility of IPO related costs. Tax and increases of EUR 0,9 million paid in November 2021. The company disagrees with the interpretation made in the tax audit. The company is to be reassessed in accordance with the interpretations set out in the tax audit report but, the company will file a claim for adjustment to the Finnish Tax Administration's Assessment Adjustment Board. 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.

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.

Other related party transactions

EUR thousand	31 Dec 2021	31 Dec 2020	30 Sep 2021
Purchases of goods and services	349	791	3,476
Receivables	76	76	76
Payables	153	99	160
Other receivables	150	0	150
Guarantees given on behalf of joint ventures	2,929	3,000	2,929

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

Financial ratios and alternative performance measures

EUR million or as indicated	10-12/2021	10-12/2020	Change %	10/2020-9/2021
Net sales	101.3	84.3	20,2	340.9
Net sales growth, %	20.2%	19.9%		19.9%
LFL sales growth, %	9.2%	13.1%		11.8%
LFL store sales growth, %	6.6%	8.0%		8.8%
Online share of net sales, %	21.5%	21.6%		23.1%
Gross margin, %	47.5%	46.1%		45.7%
EBITDA	18.4	15.1	21,9	56.9
EBITDA margin	18.1%	17.9%		16.7%
Adjusted EBITDA	19.8	15.7	26,5	58.8
Adjusted EBITDA margin, %	19.6%	18.6%		17.3%
EBITA	11.8	10.0	18,3	34.9
EBITA margin	11.7%	11.9%		10.2%
Adjusted EBITA	13.3	10.6	25,4	36.8
Adjusted EBITA margin, %	13.1%	12.6%		10.8%
Operating profit	10.2	8.4	21,2	28.4
Operating profit margin, %	10.1%	10.0%		8.3%
Profit/loss for the period	6.8	7.8		20.9
Earnings per share, basic, EUR	0.20	0.24		0.62
Earnings per share, diluted, EUR	0.20	0.23		0.62
Cash flows from operating activities	12.7	15.9		54.9
Investments in tangible and intangible assets	4.7	3.1		12.9
Net debt	118.6	90.9		113.3
Gearing, %	72.3%	56.3%		72.2%
Net debt / LTM Adjusted EBITDA	1.9	1.8		1.9
Equity ratio, %	45.9%	49.6%		49.6%
Number of loyal customers, thousands	1,340	1,189	12,7	1,297
Number of stores at end of period	320	300	6,7	312
of which directly operated	294	242	21,5	280
Own & Exclusive share, %	53.6%	52.5%		51.0%

EUR million or as indicated	10-12/2021	10-12/2020	Change %	10/2020-9/2021
Finland				
Net sales	43.8	39.1	12.1	152.6
Net sales growth, %	12.1%	12.9%		12.4%
LFL sales growth, %	4.1%	11.8%		10.6%
EBITDA	12.8	12.0	6.4	44.4
EBITDA margin, %	29.1%	30.7%		29.1%
Adjusted EBITDA	12.8	12.0	6.7	44.4
Adjusted EBITDA margin, %	29.2%	30.7%		29.1%
EBITA	10.4	10.0	3.8	36.0
EBITA margin, %	23.7%	25.6%		23.6%
Adjusted EBITA	10.4	10.0	4.2	36.1
Adjusted EBITA margin, %	23.7%	25.6%		23.7%
Number of stores at end of period	139	131	6.1	134
of which directly operated	139	115	20.9	134
Sweden				
Net sales	43.0	35.7	20.5	147.5
Net sales growth, %	20.5%	19.3%		19.7%
LFL sales growth, %	11.6%	9.5%		9.2%
EBITDA	10.4	7.1	46.9	29.7
EBITDA margin, %	24.3%	19.9%		20.2%
Adjusted EBITDA	10.4	7.5	39.9	30.1
Adjusted EBITDA margin, %	24.3%	20.9%		20.4%
EBITA	8.0	5.2	53.7	21.4
EBITA margin, %	18.7%	14.6%		14.5%
Adjusted EBITA	8.0	5.6	43.9	21.7
Adjusted EBITA margin, %	18.7%	15.6%		14.7%
Number of stores at end of period	127	126	0.8	128
of which directly operated	101	84	20.2	96
Norway				
Net sales	14.6	9.6	52.3	40.7
Net sales growth, %	52.3%	64.2%		60.6%
LFL sales growth, %	20.8%	40.4%		30.0%
EBITDA	4.0	2.5	60.5	10.0
EBITDA margin, %	27.7%	26.3%		24.5%
Adjusted EBITDA	4.0	2.5	58.9	10.0
Adjusted EBITDA margin, %	27.7%	26.5%		24.6%
EBITA	3.0	1.8	68.6	6.7
EBITA margin, %	20.8	18.8%		16.5%
Adjusted EBITA	3.0	1.8	66.2	6.8
Adjusted EBITA margin, %	20.8	19.1%		16.6%
Number of stores at end of period	54	43	25.6	50
of which directly operated	54	43	25.6	50

Calculation of financial ratios and alternative performance measures

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

Reconciliation of key performance indicators

EUR million or as indicated	10/2021-12/2021	10/2020-12/2020	10/2020-9/2021
Gross profit			
Net sales	101.3	84.3	340.9
Material and services	-53.2	-45.4	-185.2
Gross profit	48.1	38.9	155.6
Gross margin, %	47.5%	46.1%	45.7%
Earnings before interest, taxes, depreciation and amortisation (EBITDA)			
Operating profit	10.2	8.4	28.4
Depreciation, amortisation and impairment	8.2	6.7	28.6
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	18.4	15.1	56.9
EBITDA margin, %	18.1%	17.9%	16.7%
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)			
Operating profit	10.2	8.4	28.4
Depreciation, amortisation and impairment	8.2	6.7	28.6
Adjustments	1.5	0.6	1.9
Adjusted earnings before interest, taxes, depreciation and amortisation (Adjusted EBITDA)	19.8	15.7	58.8
Adjusted EBITDA margin, %	19.6%	18.6%	17.3%
Adjustments (EBITDA)			
Restructuring related expenses	0.0	0.0	0.0
Acquisition/IPO related expenses	0.0	0.0	0.0
Other items affecting comparability	1.5	0.6	1.9
Adjustments (EBITDA)	1.5	0.6	1.9
Earnings before interest, taxes and amortisation (EBITA)			
Operating profit	10.2	8.4	28.4
Amortisation and impairment of intangible assets	1.6	1.6	6.5
Earnings before interest, taxes and amortisation (EBITA)	11.8	10.0	34.9
EBITA margin, %	11.7%	11.9%	10.2%
Adjusted earnings before interest, taxes and amortisation (Adjusted EBITA)			
Operating profit	10.2	8.4	28.4
Amortisation and impairment of intangible assets	1.6	1.6	6.5
Adjustments total	1.5	0.6	1.9
Adjusted earnings before interest, taxes and amortisation (Adjusted EBITA)	13.3	10.6	36.8
Adjusted EBITA margin, %	13.1%	12.6%	10.8%
Adjustments (Operating profit)			

Restructuring related expenses	0.0	0.0	0.0
Acquisition/IPO related expenses	0.0	0.0	0.0
Other items affecting comparability	1.5	0.6	1.9
Adjustments (Operating profit)	1.5	0.6	1.9
Net debt			
Interest bearing liabilities	132.9	117.4	126.3
Loan receivables	0.0	0.0	0.0
Derivative financial instruments	-0.3	1.0	0.0
Cash and cash equivalents	14.1	27.5	13.0
Net debt	118.6	90.9	113.3
Gearing, %			
Net Debt	118.6	90.9	113.3
Equity	164.0	161.5	157.0
Gearing, %	72.3%	56.3%	72.2%
Net debt/LTM Adjusted EBITDA			
Net debt	118.6	90.9	113.3
LTM adjusted EBITDA	63.0	51.7	58.8
Net debt/LTM Adjusted EBITDA	1.9	1.8	1.9
Equity ratio, %			
Total equity	164.0	161.5	157.0
Total assets	358.0	325.9	337.5
Advances received	0.5	0.4	0.3
Equity ratio, %	45.9%	49.6%	46.5%
LFL sales growth, %			
Net sales	101.3	84.3	340.9
Net sales growth, %	20.2%	19.9%	19.9%
Other growth, %	11.1%	6.8%	8.1%
LFL sales growth, %	9.2%	13.1%	11.8%
LFL store sales growth, %			
Store sales	77.9	62.4	250.1
Store sales total growth, %	24.9%	17.6%	21.1%
Other growth, %	18.3%	9.6%	12.3%
LFL store sales growth, %	6.6%	8.0%	8.8%
Net sales			
Store sales	77.9	62.4	250.1
Online sales	21.8	18.2	78.7
Other sales	1.6	3.7	12.1
Net sales	101.3	84.3	340.9
Online share, %			
Net sales	101.3	84.3	340.9
Online sales	21.8	18.2	78.7

Online share, %	21.5%	21.6%	23.1%
Earnings per share, basic			
Profit/loss for the period	6.8	7.8	20.9
Non-controlling interest	0.0	0.0	0.0
Average number of shares *)	33.6	32.9	33.4
Earnings per share, basic	0.20	0.24	0.62
Earnings per share, diluted			
Profit/loss for the period	6.8	7.8	20.9
Non-controlling interest	0.0	0.0	0.0
Average number of shares *)	33.6	33.2	33.7
Earnings per share, diluted	0.20	0.23	0.62
*) Includes shares from Performance Share Plan (PSP).			