

**Voluntary Public Tender Offer by Flybird Holding Oy
for All Issued and Outstanding Shares in Musti Group Plc**

Flybird Holding Oy (the "**Offeror**") hereby offers to acquire through a voluntary public cash tender offer in accordance with Chapter 11 of the Finnish Securities Markets Act (746/2012, as amended, the "**Finnish Securities Markets Act**") and subject to the terms and conditions of this tender offer document (the "**Tender Offer Document**"), all of the issued and outstanding shares in Musti Group Plc (the "**Company**" or "**Musti**") that are not held by Musti or any of its subsidiaries (the "**Shares**" or, individually, a "**Share**") (the "**Tender Offer**").

The Offeror is a private limited company incorporated under the laws of Finland for the purpose of making the Tender Offer. As at the date of this Tender Offer Document, the Offeror is directly owned by Sonae Holdings, S.A. (a wholly-owned direct subsidiary of Sonae - SGPS, S.A. ("**Sonae**")) and directly and indirectly by Jeffrey David, the Chair of Musti's Board of Directors, Johan Dettel, a member of Musti's Board of Directors and David Rönnerberg, the Chief Executive Officer of Musti (together the "**Consortium**"). It is expected that Sonae Holdings, S.A. will hold approximately 98 per cent, and Jeffrey David, Johan Dettel and David Rönnerberg, through their jointly-owned holding company (to be incorporated), approximately in aggregate 2 per cent of the shares in the Offeror after the completion of the Tender Offer (assuming that the Offeror holds 100 per cent of the Shares in Musti).

Musti is a public limited company incorporated under the laws of Finland with its shares admitted to trading on the official list of Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**").

The Tender Offer was announced by the Offeror on 29 November 2023 (the "**Announcement**") and the Offeror and the Company have on 29 November 2023 entered into a combination agreement (the "**Combination Agreement**") pursuant to which the Offeror is making the Tender Offer. For details, please see "*Summary of the Combination Agreement*".

The Board of Directors of Musti, 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 in its statement issued pursuant to the Finnish Securities Markets Act and the Helsinki Takeover Code (as defined below) that the shareholders of Musti accept the Tender Offer (the "**Recommendation**").

The consideration is EUR 26.00 in cash for each Share validly tendered in the Tender Offer (the "**Offer Price**"), subject to certain adjustments as described in "*Terms and conditions of the Tender Offer – Offer Price*".

The Offer Price represents a premium of approximately (i) 27.1 per cent compared to the closing price of EUR 20.46 of the Shares on Nasdaq Helsinki on 28 November 2023, the last trading day immediately preceding the Announcement; (ii) 39.3 per cent compared to the volume weighted three-month average trading price of EUR 18.66 of the Shares on Nasdaq Helsinki on the last trading day immediately preceding the Announcement; (iii) 40.4 per cent compared to the volume weighted six-month average trading price of EUR 18.51 of the Shares on Nasdaq Helsinki on the last trading day immediately preceding the Announcement and (iv) 49.5 per cent compared to the volume weighted twelve-month average trading price of EUR 17.39 of the Shares on Nasdaq Helsinki on the last trading day immediately preceding the Announcement.

The offer period for the Tender Offer (the "**Offer Period**") will commence on 18 December 2023 at 9:30 (Finnish time) and expire on 5 February 2024 at 16:00 (Finnish time), unless the Offer Period is extended. The Tender Offer is currently expected to be completed during the first quarter of 2024. For details, please see "*Terms and Conditions of the Tender Offer*".

The completion of the Tender Offer is subject to the satisfaction of the conditions described under "*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*" of this Tender Offer Document. The Offeror reserves the right to waive any of the conditions to completion of the Tender Offer. If the Tender Offer is completed and all the Shares validly tendered and not validly withdrawn are transferred to the Offeror, and the Offeror has acquired more than 90 per cent of all the Shares and votes carried by the Shares in Musti, the Offeror will commence compulsory redemption proceedings to redeem the remaining Shares in accordance with Chapter 18 of the Finnish Companies Act (624/2006, as amended, the "**Finnish Companies Act**") as soon as reasonably practicable after the completion of the Tender Offer.

The information on this front page should be read in conjunction with, and is qualified in its entirety by, the more detailed information in this Tender Offer Document, in particular under "*Terms and Conditions of the Tender Offer*".

THE TENDER OFFER IS NOT BEING MADE DIRECTLY OR INDIRECTLY IN ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW AND THIS TENDER OFFER DOCUMENT AND RELATED ACCEPTANCE FORMS ARE NOT AND MAY NOT BE DISTRIBUTED, FORWARDED OR TRANSMITTED INTO OR FROM ANY JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW BY ANY MEANS WHATSOEVER INCLUDING, WITHOUT LIMITATION, MAIL, FACSIMILE TRANSMISSION, E-MAIL OR TELEPHONE. IN PARTICULAR, THE TENDER OFFER IS NOT MADE IN AND THIS TENDER OFFER DOCUMENT MUST UNDER NO CIRCUMSTANCES BE DISTRIBUTED INTO AUSTRALIA, CANADA, THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA ("HONG KONG"), JAPAN, NEW ZEALAND OR SOUTH AFRICA OR ANY OTHER JURISDICTION WHERE PROHIBITED BY APPLICABLE LAW.

Lead Financial Adviser to the Offeror and Sonae



Financial Adviser to the Offeror and Arranger of the Tender Offer outside the United States

Nordea

RESTRICTIONS AND IMPORTANT INFORMATION

This Tender Offer Document has been prepared in compliance with Finnish law, including the Finnish Securities Markets Act, the Decree of the Finnish Ministry of Finance on the Contents and Publication as well as Exceptions Granted from the Contents of a Tender Offer Document as well as Mutual Recognition of a Tender Offer Document Approved in the European Economic Area (1022/2012) and the regulations and guidelines 9/2013 of the Finnish Financial Supervisory Authority (the "**FIN-FSA**") on Takeover Bids and Mandatory Bids (FIVA 10/01.00/2013) (as may be amended or re-enacted from time to time) (the "**FIN-FSA Regulations and Guidelines**"). This Tender Offer Document constitutes a tender offer document as referred to in Chapter 11, Section 11 of the Finnish Securities Markets Act. This Tender Offer Document and the Tender Offer are governed by Finnish law and any disputes arising out of or in connection with this Tender Offer Document and/or the Tender Offer will be exclusively settled by a court of competent jurisdiction in Finland.

The Offeror has undertaken to follow the Helsinki Takeover Code issued by the Finnish Securities Market Association (the "**Helsinki Takeover Code**") as referred to in Chapter 11, Section 28 of the Finnish Securities Markets Act. According to the statement by the Board of Directors of Musti, issued on 13 December 2023 and attached as Annex A to this Tender Offer Document, Musti has also undertaken to follow the Helsinki Takeover Code.

The FIN-FSA has approved a Finnish language version of this Tender Offer Document but the FIN-FSA assumes no responsibility for the accuracy of the information presented therein. The decision number of the approval of the FIN-FSA is FIVA/2023/2228. This is an English language translation of the Finnish language Tender Offer Document. In the event of any discrepancy between the two language versions of this Tender Offer Document, the Finnish language version will prevail.

The Offeror, Sonae and Sonae Holdings, S.A. may, each respectively, acquire, or enter into arrangements to acquire, Shares, or arrange ownership of Shares before, during and/or after the Offer Period (including any extension thereof and any Subsequent Offer Period) in public trading on Nasdaq Helsinki or otherwise (see also the second paragraph under "*Information for Shareholders in the United States*").

The Tender Offer is not being made, and the Shares will not be accepted for purchase from or on behalf of persons, directly or indirectly, in any jurisdiction in which the making or acceptance thereof would not be in compliance with applicable laws or regulations of such jurisdiction or would require any registration, approval or other measures with any regulatory authority not expressly contemplated by this Tender Offer Document. Persons obtaining and/or into whose possession this Tender Offer Document comes are required to take due note and observe all such restrictions and obtain any necessary authorisations, approvals or consents. Neither the Offeror, the Consortium nor any of their respective advisers accepts any liability for any violation by any person of any such restriction. Any person (including, without limitation, custodians, nominees and trustees) who intends to forward this Tender Offer Document or any related document to any jurisdiction outside Finland should carefully read this section "*Restrictions and Important Information*" before taking any action. The distribution of this Tender Offer Document in jurisdictions other than Finland may be restricted by law and, therefore, persons into whose possession this Tender Offer Document comes should inform themselves about and observe such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Tender Offer is not being made, directly or indirectly, in or into Australia, Canada, Hong Kong, Japan, New Zealand or South Africa and this Tender Offer Document and any and all materials related thereto should not be sent in or into Australia, Canada, Hong Kong, Japan, New Zealand or South Africa (including by use of, or by any means or instrumentality, for example, e-mail, post, facsimile transmission, telephone or internet, of interstate or foreign commerce, or any facilities of a national securities exchange), and the Tender Offer cannot be accepted directly or indirectly or by any such use, means or instrumentality, in or from within Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. Accordingly, copies of this Tender Offer Document and any related materials are not being, and must not be, mailed, forwarded, transmitted or otherwise distributed or sent in or into or from Australia, Canada, Hong Kong, Japan, New Zealand or South Africa or, in their capacities as such, to custodians, trustees, agents or nominees holding Shares for Australian, Canadian, Hong Kong, Japanese, New Zealander or South African persons, and persons receiving any such documents (including custodians, nominees and trustees) must not distribute, forward, mail, transmit or send them in, into or from Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. Any person accepting the Tender Offer shall be deemed to represent to the Offeror such person's compliance with these restrictions and any purported acceptance of the Tender Offer that is a direct or indirect consequence of a breach or violation of these restrictions shall be null and void. Shareholders wishing to accept the Tender Offer must not use the mailing system of Australia, Canada, Hong Kong, Japan, New Zealand or South Africa for any purpose directly or indirectly related to acceptance of the Tender Offer. Envelopes containing acceptances must not be post marked in Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. When completing the acceptance, shareholders wishing to accept the Tender Offer must provide an address that is not

located in Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. Shareholders will be deemed to have declined the Tender Offer if they (i) submit an envelope postmarked in Australia, Canada, Hong Kong, Japan, New Zealand or South Africa or (ii) provide an address located in Australia, Canada, Hong Kong, Japan, New Zealand or South Africa. Shareholders will be deemed to have declined the Tender Offer if they do not make the representations and warranties set out in the acceptance.

All financial and other information presented in this Tender Offer Document concerning the Company has been extracted from, and has been prepared exclusively based upon, publicly available information including the audited financial statements as at and for the financial year ended 30 September 2023, stock exchange releases published by the Company, entries in the Finnish trade register, and other publicly available information. Consequently, the Offeror does not accept any responsibility for such information except for the accurate restatement of such information herein.

This Tender Offer Document will be supplemented and updated with any financial statement release, interim report, half-year report or other stock exchange releases published by Musti after the date of this Tender Offer Document only to the extent required by mandatory law. The Offeror will not separately inform any person about the publication of any such financial statement release, interim report, half-year report or other stock exchange releases by Musti.

Goldman Sachs Bank Europe SE ("**Goldman Sachs**"), which is authorised and supervised by the European Central Bank and the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), is acting for Sonae and the Offeror and no one else in connection with the Tender Offer, and will not regard any other person as its client in relation to the Tender Offer and will not be responsible to anyone other than Sonae and the Offeror for providing the protections afforded to clients of Goldman Sachs, or for giving advice in connection with the Tender Offer or any matter referred to herein.

Nordea Bank Abp ("**Nordea**"), which is supervised by the European Central Bank and the FIN-FSA, is acting as financial adviser to the Offeror and arranger of the Tender Offer outside the United States. Nordea is only acting for the Offeror and no one else in connection with the Tender Offer and will not regard any other person as its client in relation to the Tender Offer and will not be responsible to anyone other than the Offeror for providing the protection afforded to clients of Nordea, nor for providing advice in relation to the Tender Offer. For the avoidance of doubt, Nordea is not registered as a broker or dealer in the United States of America and will not be engaging in direct communications relating to the Tender Offer with investors located within the United States of America (whether on a reverse inquiry basis or otherwise).

Jefferies GmbH ("**Jefferies**"), which is authorised and regulated in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht is acting exclusively for Musti and no one else in connection with the Tender Offer, and will not regard any other person (whether or not a recipient of this Tender Offer Document) as its client in relation to the Tender Offer and will not be responsible to anyone other than Musti for providing the protections afforded to their respective clients, nor for providing advice in relation to the Tender Offer or any transaction, matter, or arrangement referred to in this Tender Offer Document to be published in connection with the Tender Offer. Neither Jefferies nor any of its affiliates, nor any of its or their respective directors, officers, employees, agents or representatives, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Jefferies in connection with the matters referred to in this Tender Offer Document.

Information for Shareholders in the United States

The Tender Offer is being made for the issued and outstanding Shares in Musti, which is a public limited company incorporated and admitted to trading on a regulated market in Finland, and is subject to Finnish disclosure and procedural requirements. The Tender Offer will be made to Musti shareholders in the United States in compliance with the applicable U.S. tender offer rules under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"), and otherwise in accordance with the requirements of Finnish law. Accordingly, the Tender Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, the Tender Offer timetable, settlement procedures and timing of payments that are different from those applicable under U.S. domestic tender offer law and practice. The financial information included in this Tender Offer Document has not been prepared in accordance with U.S. GAAP, or derived therefrom, and may therefore differ from, and not be comparable with, financial information of U.S. companies.

In accordance with the laws of Finland, the Offeror and its respective affiliates or brokers (acting as agents for the Offeror or its affiliates, as applicable) may from time to time, and other than pursuant to the Tender Offer, directly or indirectly, purchase, or arrange to purchase outside the United States, Shares in Musti or any securities that are immediately convertible into, exchangeable for or exercisable for such Shares before or during the period in which the Tender Offer remains open for acceptance, to the extent permitted by, and in compliance with, Rule 14e-5 under the U.S. Exchange Act. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. To the extent required in Finland, any information about such purchases will be made public in Finland in the manner

required by Finnish law. To the extent information about such purchases or arrangements to purchase is made public in Finland, such information will be disclosed by means of a press release or other means reasonably calculated to inform U.S. shareholders of Musti of such information. In addition, subject to the applicable laws of Finland and applicable U.S. securities laws, including Rule 14e-5 under the U.S. Exchange Act, the financial advisers to the Offeror or their respective affiliates may also engage in ordinary course trading activities in securities of Musti, which may include purchases or arrangements to purchase such securities.

Neither the U.S. Securities and Exchange Commission ("SEC") nor any U.S. state securities commission has approved or disapproved of the Tender Offer, passed upon the merits or fairness of the Tender Offer, or determined if this Tender Offer Document is accurate or complete. Any representation to the contrary is a criminal offense in the United States.

The Tender Offer, if consummated, may have consequences under U.S. federal income tax and applicable U.S. state and local, as well as non-U.S., tax laws for Musti shareholders. Each Musti shareholder is urged to consult his or her independent professional adviser regarding the tax consequences of the Tender Offer.

It may not be possible for Musti shareholders in the United States to effect service of process within the United States upon Musti, the Offeror, Sonae Holdings, S.A. or any other member of the Consortium, or their respective officers or directors, some or all of which may reside outside the United States, or to enforce against any of them judgments of the United States courts predicated upon the civil liability provisions of the federal securities laws of the United States or other U.S. law. It may not be possible to bring an action against Musti, the Offeror, Sonae Holdings, S.A. any other member of the Consortium or their respective officers or directors (as applicable), in a non-U.S. court for violations of U.S. law, including the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgement. In addition, it may be difficult to enforce in Finland or Portugal original actions, or actions for the enforcement of judgments of U.S. courts, based on the civil liability provisions of the U.S. federal securities laws.

Availability of Documents

The Finnish language version of this Tender Offer Document will be available on the internet at flybird-tenderoffer.com, mustigroup.com/fi/sijoittajat/flybird-ostotarjous and www.nordea.fi/musti-ostotarjous as of 15 December 2023 and the English language translation of the Tender Offer Document will be available on the internet at flybird-tenderoffer.com, mustigroup.com/investors/flybird-tender-offer and www.nordea.fi/musti-offer as of 15 December 2023.

Forward-looking Statements

This Tender Offer Document includes "forward-looking statements", including statements about the expected timing and completion of the Tender Offer, and language indicating trends. Generally, words such as may, should, could, aim, will, would, expect, intend, estimate, anticipate, believe, plan, seek, contemplate, envisage, continue or similar expressions identify forward-looking statements.

These statements are subject to risks, uncertainties, assumptions and other important factors, many of which may be beyond the control of the Offeror and could cause actual results to differ materially from those expressed or implied in these forward-looking statements.

Factors that could cause actual results to differ from such statements include: the occurrence of any event, change or other circumstances that could give rise to the termination of the Tender Offer, the failure to receive, on a timely basis or otherwise, the required approvals by government or regulatory agencies, the risk that a condition to consummating the Tender Offer may not be satisfied, the ability of Musti to retain and hire key personnel and maintain relationships with customers, suppliers and other business partners pending the completion of the Tender Offer, and other factors.

Although the Offeror believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, no assurance can be given that such statements will be fulfilled or prove to be correct, and no representations are made as to the future accuracy and completeness of such statements. The Offeror undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable laws or by any appropriate regulatory authority.

Certain Key Dates

The following timetable sets forth certain key dates relating to the Tender Offer, provided that the Offer Period has not been extended or discontinued in accordance with, and subject to, the terms and conditions of the Tender Offer and applicable laws and regulations:

Event	Date
Announcement of the Tender Offer	29 November 2023

Event	Date
Offer Period commences	18 December 2023
Offer Period expires ⁽¹⁾	5 February 2024 (preliminary)
Announcement of the preliminary result of the Tender Offer	6 February 2024 (preliminary)
Announcement of the final result of the Tender Offer	8 February 2024 (preliminary)
Execution of completion trades with respect to the Shares	22 February 2024 (preliminary)
Payment of the Offer Price ⁽²⁾	22 February 2024 (preliminary)

(1) Unless extended or discontinued in accordance with, and subject to, the terms and conditions of the Tender Offer and applicable laws and regulations; any possible extension to the Offer Period will be announced by way of a stock exchange release as soon as practically possible.

(2) Estimated date. Actual time of receipt for the payment will depend on the schedules of money transactions between financial institutions.

If the necessary regulatory approvals, permits, clearances and consents have not been obtained by the end of the initial Offer Period, the Offeror may extend the Offer Period in order to receive the necessary regulatory approvals. The Offeror will announce, by way of stock exchange releases, any possible extension of the Offer Period as soon as practically possible as well as any other information required to be announced in accordance with applicable laws and regulations.

For further information, please see "*Background and Objectives – Regulatory Approvals*", "*Terms and Conditions of the Tender Offer – Offer Period*" and "*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*".

PARTIES RESPONSIBLE FOR THE TENDER OFFER DOCUMENT

The Offeror

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The Board of Directors of the Offeror

João Pedro Magalhães da Silva Torres Dolores
Jeffrey David

Deputy members:
João Nonell Günther Amaral
Johan Dettel

The Consortium

Sonae Holdings, S.A.

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The Board of Directors of Sonae Holdings, S.A.

Ângelo Gabriel Ribeirinho dos Santos Paupério
Maria Cláudia Teixeira de Azevedo
João Pedro Magalhães da Silva Torres Dolores
João Nonell Günther Amaral

Jeffrey David

Johan Dettel

David Rönnberg

This Tender Offer Document has been prepared by the Offeror pursuant to Chapter 11, Section 11 of the Finnish Securities Markets Act, for the purpose of making the Tender Offer described herein.

The persons responsible for the Tender Offer Document represent that to their best understanding the information contained in this Tender Offer Document is in accordance with the facts and contains no omission likely to affect the assessment of the benefits of the Tender Offer.

All information concerning Musti presented in this Tender Offer Document has been extracted from, and has been prepared exclusively based upon, publicly available information. The Offeror confirms that this information has been accurately reproduced and that as far as the Offeror is aware and is able to ascertain from information published by Musti no facts have been omitted which would render the reproduced information incorrect or misleading.

Helsinki, 15 December 2023

Flybird Holding Oy

ADVISERS TO THE OFFEROR

Financial Adviser to the Offeror and Sonae in connection with the Tender Offer

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BACKGROUND AND OBJECTIVES

Background to the Tender Offer and Offeror's Strategic Plans

As at the date of this Tender Offer Document, the Offeror is directly owned by Sonae Holdings, S.A. (a wholly-owned direct subsidiary of Sonae) and directly and indirectly by Jeffrey David, the Chair of Musti's Board of Directors, Johan Dettel, a member of Musti's Board of Directors, and David Rönnerberg, the Chief Executive Officer of Musti) who have formed a Consortium for the purposes of the Tender Offer. It is expected that Sonae Holdings, S.A. will hold approximately 98 per cent, and Jeffrey David, Johan Dettel and David Rönnerberg, through their jointly-owned holding company (to be incorporated), approximately in aggregate 2 per cent of the shares and votes in the Offeror after the completion of the Tender Offer (assuming that the Offeror holds 100 per cent of the Shares in Musti).

Sonae Holdings, S.A. is owned and controlled by Sonae. Founded in 1959, Sonae is a Portuguese-headquartered, multinational group with market leading¹ positions in its key markets across several sectors, including retail (food and non-food), health, wellness & beauty, real estate, telecom, technology and financial services. Sonae has a long-term view on economic and social value creation, which is pursued through an active portfolio management strategy and a strong social and environmental mindset. Through the strong performance of Sonae's businesses and the respective synergies within its portfolio, Sonae has shown a solid track-record of value creation and financial performance over the years, supported by a stable shareholder structure and several successful longstanding partnerships in its key portfolio companies. In 2022, consolidated group revenues reached EUR 7.7 billion and consolidated EBITDA surpassed EUR 900 million. With a global footprint, Sonae's current portfolio includes leading² companies such as MC, Worten, NOS, Sierra, Bright Pixel, Zeitreel and Universo. Sonae currently holds 1.7 per cent of the Shares and votes in Musti.

Jeffrey David has been a member of the Board of Directors of Musti since 2016 and Chair of the Board of Directors of Musti since 2017. Johan Dettel has been a member of the Board of Directors of Musti between 2014 and 2018 and since 2022. David Rönnerberg has been the Chief Executive Officer of Musti since 2017. Therefore, all the above individuals have exceptional operational experience and know-how both in the pet care and retail sectors as well as in the operations of Musti, which also forms the basis for their inclusion in the Consortium by Sonae. The aggregate holding of the above persons is 2.5 per cent of the Shares and votes in Musti.

Musti is a public limited company incorporated under the laws of Finland with its shares listed on the official list of Nasdaq Helsinki. Musti is the leading Nordic pet care specialist operating in Finland, Sweden and Norway and it employs over 1,500 employees. Musti serves Nordic customers in all channels through store chains Musti ja Mirri, Musti, Arken Zoo and Djurmagazinet, comprising a network totalling 342 stores (as per Musti's financial statements release for the financial year ended 30 September 2023), and through online-first retail brands such as Peten Koiratarvike and Vetzoo. Musti's mission is to make the life of pets and their owners easier, safer and more fun throughout the whole lifespan of the pet.

The Consortium is assured of the stable market position of Musti in the Nordic region and is impressed with Musti's leadership and employees, who have successfully established the Company as the leading Nordic pet retailer and solidified its position as a leader across the full pet retail offering³. The Consortium is particularly appreciative of Musti's own and exclusive product offering and successful omnichannel strategy.

The Consortium intends to leverage Sonae's strong operating know-how, experience of fostering successful retail businesses into leading positions in their respective markets, exemplary track-record of establishing successful partnerships, and a complementary network of relationships and geographical outreach to further expand the operations of Musti. Moreover, through Jeffrey David, Johan Dettel and David Rönnerberg, the Consortium possesses exceptional operational experience, know-how and track-record both in the pet care sector as well as in the operations of Musti ensuring continuity with core values and culture of Musti, also forming the basis for their inclusion in the Consortium by Sonae. The Consortium would provide capital, support and agility for further market share gains in the Nordics and foster Musti in its next growth stage together with the management, employees and other stakeholders of Musti.

Discussions concerning the Tender Offer were commenced on the Consortium's initiative, after which the Offeror was allowed to conduct a due diligence review of Musti in connection with the preparations for the Tender Offer. In parallel with the Offeror's due diligence review, the Consortium, and the non-conflicted members of the Board of Directors of Musti

¹ Sonae management estimate, based on market studies conducted.

² Sonae management estimate.

³ In Finland Musti holds approximately 32 per cent share of the total pet food and products market. In Sweden Musti has approximately 28 per cent market share. In Norway, Musti is holding approximately 16 per cent share of the total pet food and products market. Source: Information published by Musti.

engaged in negotiations, which resulted in the Offer Price of EUR 26.00 per Share, a material increase compared to the first non-binding indicative proposal made by the Consortium. Following due diligence and such negotiations, the Offeror and Musti, on 29 November 2023, entered into the Combination Agreement pursuant to which the Offeror agreed to make the Tender Offer and the Board of Directors of Musti, represented by a quorum comprising the non-conflicted members of the Board of Directors who are not members of the Consortium decided to recommend that the shareholders of Musti accept the Tender Offer. A summary of the Combination Agreement has been provided below under "*Summary of the Combination Agreement*".

After reviewing the Tender Offer and its terms and conditions, as well as other available information, the Board of Directors of Musti, 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 Musti accept the Tender Offer (see "*Statement by the Board of Directors of Musti*" and "*Annex A: Statement by the Board of Directors of Musti*" below). To support its assessment of the Tender Offer, the Board of Directors of Musti has received separate fairness opinions, dated 29 November 2023, by Advium Corporate Finance Ltd. ("**Advium**") and Carnegie Investment Bank AB, Finland Branch ("**Carnegie**"), to the effect that, as of the date of such fairness opinions, the Offer Price to be paid to holders of Shares pursuant to the Tender Offer, was fair from a financial point of view, to such holders of Shares (other than Sonae, Jeffrey David, Johan Dettel and David Rönnerberg, with respect to whom the fairness opinions do not address the fairness of the Offer Price). The fairness opinions were based upon and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the reviews undertaken as more fully described in such fairness opinions. The fairness opinions of Advium and Carnegie were provided for the use and benefit of the Board of Directors of Musti and do not constitute a recommendation as to whether any holders of Shares should tender such Shares in connection with the Tender Offer, how any holders of Shares should act in connection with the Tender Offer or any related matter. The full text of the written fairness opinions of Advium and Carnegie, both dated 29 November 2023, are attached to the statement of the Board of Directors of Musti, which statement is attached to this Tender Offer Document as Annex A.

As at the date of this Tender Offer Document, the Offeror and the Consortium members as well as their affiliates⁴ hold in aggregate 2,274,538 Shares in Musti, representing in aggregate approximately 6.8 per cent of all outstanding Shares and votes in Musti. The Consortium members have committed to transfer or tender all Shares held by them or their affiliates to the Offeror in connection with the Tender Offer pursuant to the agreements entered into among the Consortium members (see also "*Presentation of the Offeror – Contribution of Shares*").

Effects on the Operations and Assets of Musti and on its Management and Employees

The completion of the Tender Offer is not expected to have any immediate material effects on the operations or assets of Musti, the position of Musti's management or employees or the location of its offices. However, the Offeror intends to change the composition of the Board of Directors of Musti after the completion of the Tender Offer.

See also "*Financing of the Tender Offer*" and "*Offeror's Future Plans in Respect of the Shares - Redemption under the Finnish Companies Act*" below.

Effects on the Operations and Assets of the Offeror and on its Management and Employees

Other than as a result of the payment of the Offer Price, the completion of the Tender Offer is not expected to have any immediate material effects on the operations or assets of the Offeror or the Consortium, the position of the Offeror's or the Consortium's management or employees or the location of their offices.

Compliance with the Recommendation Referred to in Chapter 11, Section 28 of the Finnish Securities Markets Act

The Consortium, the Offeror and Musti have undertaken to comply with the Helsinki Takeover Code.

Remuneration and Other Benefits Paid to the Management of Musti on the Basis of the Completion of the Tender Offer

The Offeror has not entered into any agreements regarding any remuneration, compensation or other benefits granted to the management or the members of the Board of Directors of Musti payable in return for the execution of the Combination Agreement and/or for the completion of the Tender Offer.

⁴ Sonae (the parent company of Sonae Holdings, S.A.), Jeffrey David Discretionary Trust (an affiliate of Jeffrey David), Vaser Invest AB and Vaser Fastighets AB (affiliates of Johan Dettel) and Rönnerberg Consulting AB (an affiliate of David Rönnerberg).

Share-based incentive plans of Musti

As at the date of this Tender Offer Document, Musti has two share-based long-term incentive plans valid and in force for the management team and key employees, Performance Share Plan 2020-2024 ("**PSP 2020-2024**") and Performance Share Plan 2023-2027 ("**PSP 2023-2027**") (together the "**Share-Based Incentive Schemes**").

According to the Combination Agreement, the Company has undertaken to settle in cash the reward payment from the performance measure period concerning financial year 2021 to be made in January 2024 in accordance with the Share-Based Incentive Schemes.

According to the Combination Agreement, after the Offeror has on the Result Announcement Date (as defined in "*Terms and Conditions of the Tender Offer - Announcement of the Result of the Tender Offer*" below) publicly confirmed the final results of the Tender Offer, and that it will complete the Tender Offer, provided that the Tender Offer has been validly accepted with respect to the Shares representing, together with any Shares otherwise acquired or held by the Offeror (including the Shares to be contributed by the Consortium), more than ninety (90) per cent of the Shares and voting rights in the Company (calculated in accordance with Chapter 18 Section 1 of the Finnish Companies Act), the Board of Directors of Musti shall resolve to settle in cash all outstanding rewards to be paid under the Share-Based Incentive Schemes prior to and as at the Settlement Date and terminate such Share-Based Incentive Schemes with no further liability or obligation by the Company, in each case, in accordance with the terms and conditions of such Share-Based Incentive Schemes and as determined by the Company's Board of Directors. Such reward payments to settle the outstanding rewards under the Share-Based Incentive Schemes (inclusive of the reward payment to be made in January 2024) shall not, assuming, and calculated on the basis of, the Offer Price of EUR 26.00, exceed EUR 7.0 million in the aggregate, excluding any employer social security costs and other similar costs.

If and to the extent necessary, the Board of Directors of the Company shall pass a resolution or as applicable, after having consulted with the Offeror, propose a resolution to the general meeting of shareholders of the Company after the signing date of the Combination Agreement to allow persons that have obtained outstanding Shares to their book-entry accounts under the Share-Based Incentive Schemes or resolutions on remuneration of Musti's Board of Directors by the general meeting of shareholders of the Company to tender such Shares into the Tender Offer and/or, in case of Consortium members, otherwise contribute Shares to the Offeror, and to remove or waive, as applicable, the transfer restrictions on such Shares under the Share-Based Incentive Schemes. For the avoidance of doubt, the above obligation of the Company is limited to the tender of the Shares to the Tender Offer and/or, in case of Consortium members, otherwise contribute Shares to the Offeror, and the Company shall otherwise maintain, or if not yet applied, apply, the restrictions to be in force so as to limit the above-mentioned persons' ability to tender, sell or otherwise dispose of their Shares to any third party other than the Offeror.

Financing of the Tender Offer

The Offeror has secured commitments for debt and equity financing in sufficient amounts, as required pursuant to Chapter 11, Section 9, Subsection 4 of the Finnish Securities Markets Act. The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the Conditions to Completion are satisfied or waived by the Offeror). The Offeror has received an equity commitment from Sonae, who in turn has arranged adequate own equity as well as debt financing from Caixabank Group and Banco Santander Totta to enable the Offeror to carry out the Tender Offer and any subsequent compulsory redemption proceedings in accordance with Chapter 18 Section 1 of the Finnish Companies Act, and the possible payment of a termination fee by the Offeror.

Sonae's equity commitment to the Offeror, and Sonae's debt financing from Caixabank Group and Banco Santander Totta to Sonae, have been committed on a customary European "certain funds" basis and the debt financing's availability is subject only to the following limited conditions:

- i) no major event of default relating to non-payment, breach of certain obligations or undertakings, major misrepresentation, cross acceleration, certain insolvency proceedings (or certain similar proceedings), unlawfulness or cessation of business, is continuing or would result from drawdown;
- ii) no event of illegality, certain events of change of control or disposal of shares having occurred; and
- iii) the provision of certain customary documentary and commercial conditions precedent each of which is satisfied or within the control of the Offeror or members of the Consortium.

The financing of the Tender Offer is not expected to have any material effects on the operations or obligations of Musti upon the completion of the Tender Offer.

Offeror's Future Plans in Respect of the Shares

Purpose of the Tender Offer

The Offeror's intention is to acquire all the Shares in Musti.

Obligation to Make a Mandatory Tender Offer

According to Chapter 11, Section 19 of the Finnish Securities Markets Act, a shareholder holding more than thirty (30) per cent or fifty (50) per cent of the voting rights attached to shares in a company, the shares of which are subject to trading on a regulated market, is obligated to make a public tender offer (mandatory tender offer) for all the remaining shares and securities issued by the company entitling to shares in the company. However, under the Finnish Securities Markets Act, if the relevant threshold has been exceeded by means of a voluntary public tender offer, the voluntary public tender offer is not required to be followed by a mandatory tender offer provided that the initial voluntary public tender offer has been made for all shares and other securities entitling to shares in the target company. Pursuant to the above exception, the Offeror will not have an obligation to launch a subsequent mandatory offer after the completion of the Tender Offer.

Redemption under the Finnish Companies Act

According to Chapter 18, Section 1 of the Finnish Companies Act, a shareholder holding more than nine-tenths (9/10) of the total number of shares and voting rights in a limited liability company has the right to acquire and, subject to a demand by other shareholders, is also obligated to redeem the shares owned by the other shareholders in the company at a fair price.

After the completion of the Tender Offer, should the Offeror obtain more than ninety (90) per cent of the Shares and voting rights carried by the Shares in Musti, calculated in accordance with Chapter 18, Section 1 of the Finnish Companies Act, the Offeror will initiate compulsory redemption proceedings in accordance with the Finnish Companies Act as soon as reasonably practicable. The compulsory redemption procedure is set forth in more detail in the Finnish Companies Act. Since the Offer Price is subject to further adjustment for the distribution or declaration of any dividends or other distributions, the Offeror intends to request for the redemption price to be similarly reduced if any distribution is paid to the shareholders of Musti prior to the Offeror acquiring the remaining Shares in the compulsory redemption proceedings.

Pursuant to the Finnish Companies Act, a shareholder that holds more than half (1/2) of the shares and voting rights carried by the shares present in a company's general meeting has sufficient voting rights to decide on the appointment of board members and distribution of dividends, and a shareholder that holds more than two-thirds (2/3) of the shares and voting rights carried by the shares present in a company's general meeting has sufficient voting rights to decide upon the merger of a company into another company.

Should the Offeror elect to amend or waive the condition to completion of the Tender Offer that requires the reaching of shareholding of more than ninety (90) per cent of the Shares and voting rights carried by the Shares and then complete the Tender Offer, and should the Offeror's shareholding in Musti be less than ninety (90) per cent of the Shares and voting rights carried by the Shares, it is still possible that Musti could in any event be subject to certain corporate measures and transactions, including for example a merger into another company, the issuance of shares in the Company by way of derogation from the shareholders' pre-emptive subscription rights, a change of domicile to a jurisdiction that allows more flexibility, or amendments to the Company's Articles of Association. However, the Offeror has not taken any resolutions regarding any such measures or transactions. Additionally, as set out in the Combination Agreement, the Offeror and Musti have agreed that after the Offeror has publicly confirmed that it will complete the Tender Offer, the Board of Directors of the Company shall, within five (5) business days of the Result Announcement Date, resolve to convene an extraordinary general meeting of shareholders for the purpose of electing new members to the Board of Directors and to decide on their remuneration. The Offeror shall not be entitled to make proposals to address any other agenda items without the prior written consent of the non-conflicted members of the Board of Directors of the Company. The Company shall prepare the notice to convene such extraordinary general meeting in consultation with the Offeror. All items on the meeting agenda proposed by the Offeror concerning election of new members to the Board of Directors shall be clearly indicated as proposals by the Offeror in the invitation to the meeting and the meeting agenda.

For more information on an amendment to or a waiver of the conditions to completion of the Tender Offer, see "*Summary of the Combination Agreement – Conditions to Completion*" and "*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*".

Delisting from Nasdaq Helsinki

The Offeror's intention is to acquire all the Shares and to apply for the shares in Musti to be delisted from Nasdaq Helsinki as soon as permitted and reasonably practicable under the applicable laws and regulations and the rules of Nasdaq Helsinki.

Statement by the Board of Directors of Musti

After reviewing the Tender Offer and its terms and conditions, as well as other available information, the Board of Directors of Musti, 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 Musti accept the Tender Offer. The Statement of the Board of Directors of Musti in accordance with Chapter 11, Section 13 of the Finnish Securities Markets Act, is attached to this Tender Offer Document as Annex A. To support its assessment of the Tender Offer, the Board of Directors of Musti has received separate fairness opinions, dated 29 November 2023, by Advium and Carnegie, to the effect that, as of the date of such fairness opinions, the Offer Price to be paid to holders of Shares pursuant to the Tender Offer, was fair from a financial point of view, to such holders of Shares (other than Sonae, Jeffrey David, Johan Dettel and David Rönnerberg, with respect to whom the fairness opinions do not address the fairness of the Offer Price). The fairness opinions were based upon and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the reviews undertaken as more fully described in such fairness opinions. The fairness opinions of Advium and Carnegie were provided for the use and benefit of the Board of Directors of Musti and do not constitute a recommendation as to whether any holders of Shares should tender such Shares in connection with the Tender Offer, how any holders of Shares should act in connection with the Tender Offer or any related matter. The full text of the written fairness opinions of Advium and Carnegie, both dated 29 November 2023, are attached to the statement of the Board of Directors of Musti, which statement is attached to this Tender Offer Document as Annex A.

Chair of the Board of Directors of Musti, Jeffrey David, and a member of the Board of Directors of Musti, Johan Dettel, who are part of the Consortium and regarded as persons related to the Offeror as stipulated in Chapter 11, Section 5 of the Finnish Securities Markets Act, have not participated in any consideration or decision-making relating to the Tender Offer in the Board of Directors of Musti, any consideration or decision-making of the implications of the Tender Offer by the Board of Directors of Musti or in any decision-making by the Board of Directors of Musti concerning the Recommendation of the Board of Directors of Musti or the Combination Agreement.

Regulatory Approvals

The Offeror will, as soon as reasonably practicable, make all required submissions, notifications and filings (or draft notifications as appropriate) required to obtain all necessary regulatory approvals, permits, clearances and consents, including without limitation approvals required under applicable foreign direct investment laws, competition clearances, (or, where applicable, the expiry of relevant waiting periods) required under applicable competition laws or other regulatory laws in any jurisdiction for the completion of the Tender Offer, including an anti-trust approval by the European Commission.

Based on currently available information, the Offeror expects to obtain such necessary regulatory approvals, permits, clearances and consents during the Offer Period. The Offeror will use its reasonable efforts to obtain such regulatory approvals. However, the length and outcome of the competition clearance and other regulatory approval processes is not within the control of the Offeror, and there can be no assurances that clearance will be obtained within the estimated timeframe, or at all.

Fees to Advisers

The Offeror and Sonae have appointed Goldman Sachs Bank Europe SE as their lead financial adviser and Krogerus Attorneys Ltd as their lead legal adviser in connection with the Tender Offer. The Offeror has appointed Nordea Bank Abp as its financial adviser and arranger of the Tender Offer outside of the United States and Davis Polk & Wardwell London LLP as U.S. counsel in connection with the Tender Offer. Jeffrey David, Johan Dettel and David Rönnerberg have appointed White & Case LLP as their legal adviser in connection with the Tender Offer. The Offeror expects that the total fees payable to its advisers in connection with the Tender Offer that are dependent on the completion of the Tender Offer will be approximately EUR 10 million. A proportion of such fees may be payable at the discretion of the Consortium.

Governing Law

The Tender Offer and this Tender Offer Document are governed by the laws of Finland and any dispute arising out of or in connection with them will be settled by a court of competent jurisdiction in Finland.

INFORMATION ON THE PRICING OF THE TENDER OFFER

Grounds for Determining the Offer Price

The Tender Offer was announced by the Offeror on 29 November 2023. The Offer Price is EUR 26.00 in cash per each Share validly tendered in the Tender Offer, subject to certain adjustments as described below.

The Offer Price has been determined based on 33,387,887 issued and outstanding Shares. Should the Company change the number of Shares that are issued and outstanding on the date hereof as a result of a new share issue, reclassification, stock split (including a reverse split) or any other similar transaction with dilutive (or in some cases, the opposite) effect, including securities convertible into Shares or equity interests, or should the Company declare or distribute a dividend or otherwise distribute funds or any other assets to its shareholders or if a record date with respect to any of the foregoing occurs prior to the Settlement Date (as defined below) the Offer Price payable by the Offeror shall be adjusted accordingly on a euro-for-euro basis as set out in "*Terms and Conditions of the Tender Offer – Offer Price*".

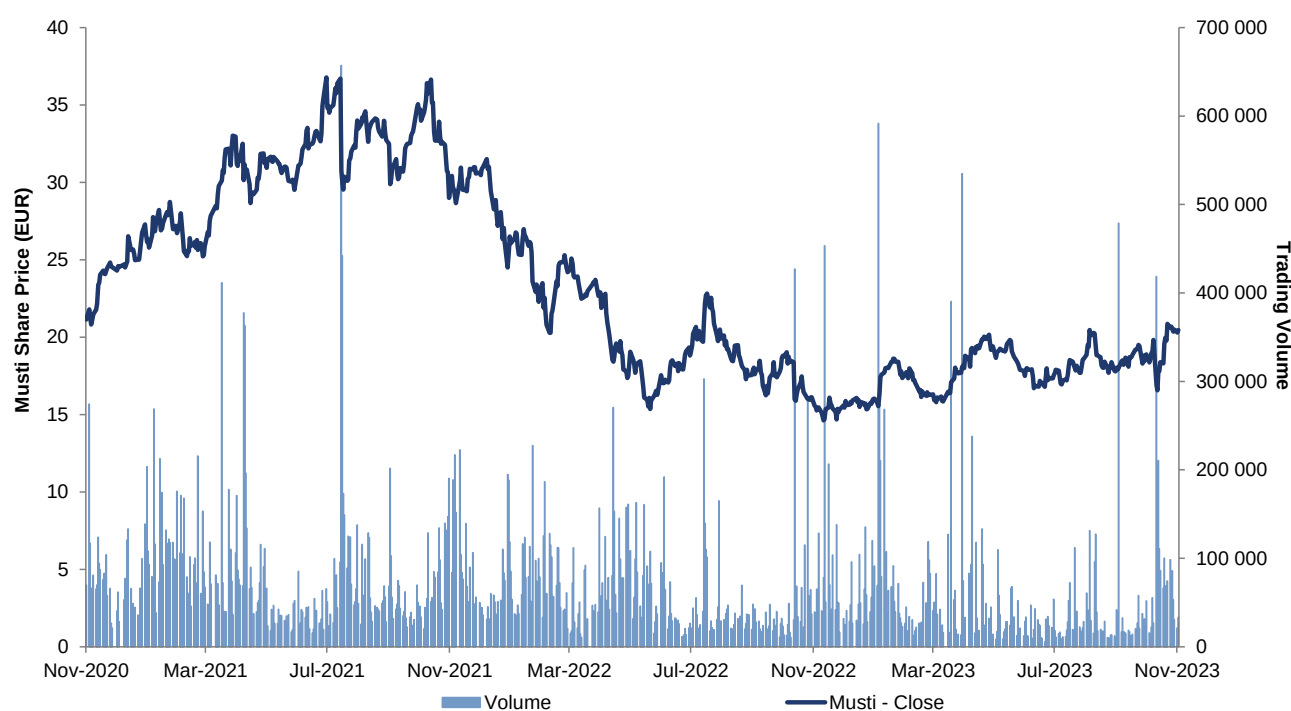
According to Chapter 11, Section 24 of the Finnish Securities Markets Act, the starting point in determining the consideration to be offered in a voluntary tender offer for all shares and other securities entitling their holder to shares in the target company must be the highest price paid for the securities subject to the tender offer by the offeror or by a person related to the offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act within a period of six (6) months preceding the announcement of the tender offer.

Neither the Offeror nor any party related to the Offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act has during the period of six (6) months preceding the Announcement purchased any Shares in Musti in public trading or otherwise. The Offeror has, after the Announcement and until the date of this Offer Document, purchased an aggregate of 861,806 Shares in Musti. The highest price paid in such purchases has been EUR 26.00 per Share.

Trading Prices and Volumes of the Shares

The shares of Musti are listed on the official list of Nasdaq Helsinki under the trading code "MUSTI". The ISIN code of the shares of Musti is FI4000410758.

The following graph sets forth the price development and trading volume of the shares of Musti on Nasdaq Helsinki for the three years preceding the Announcement (i.e., from 28 November 2020 to 28 November 2023)⁵:



⁵ Source: Factset

The following table sets forth quarterly information on the trading volumes and trading prices of the shares of Musti on Nasdaq Helsinki for the periods indicated⁶:

Time period	Closing share price during the period (EUR)			Trading volume during the period	
	Average	High	Low	Shares	EUR
2020					
Fourth quarter (from 28 November 2020)	23.33	24.82	20.82	1,654,863	38,027,182.40
2021					
First quarter	26.43	28.74	24.50	6,070,731	161,559,613.20
Second quarter	30.80	33.02	27.84	4,638,020	142,675,643.74
Third quarter	33.20	36.78	29.54	5,061,034	163,746,425.80
Fourth quarter	32.00	36.64	28.66	4,578,743	144,043,934.70
2022					
First quarter	25.25	31.50	20.28	4,675,796	115,862,219.32
Second quarter	19.59	23.92	15.35	4,473,832	85,175,384.17
Third quarter	19.20	22.82	17.07	2,617,840	51,631,174.67
Fourth quarter	16.61	19.02	14.63	3,752,392	59,920,354.78
2023					
First quarter	16.74	18.61	15.34	4,411,069	73,234,569.75
Second quarter	18.46	20.16	15.85	3,284,196	60,467,896.02
Third quarter	18.00	20.46	16.70	2,298,397	42,107,129.86
Fourth quarter (until 28 November 2023)	19.03	20.86	16.56	2,282,246	42,404,241.28

Offer Price

The Offer Price is EUR 26.00 in cash for each Share validly tendered in the Tender Offer.

The Offer Price represents a premium of approximately:

- 27.1 per cent compared to EUR 20.46, i.e. the closing price of the Musti share on Nasdaq Helsinki on 28 November 2023, the last trading day immediately preceding the Announcement;
- 39.3 per cent compared to EUR 18.66, i.e. the three-month volume-weighted average trading price of the Musti share on Nasdaq Helsinki on the last trading day immediately preceding the Announcement;
- 40.4 per cent compared to EUR 18.51, i.e. the six-month volume-weighted average trading price of the Musti share on Nasdaq Helsinki on the last trading day immediately preceding the Announcement; and
- 49.5 per cent compared to EUR 17.39, i.e. the twelve-month volume-weighted average trading price of the Musti share on Nasdaq Helsinki on the last trading day immediately preceding the Announcement.

Other Public Tender Offers Regarding the Shares

To the knowledge of the Offeror, no public tender offer for the Shares or securities entitling to Shares has been made by any third party during the 12 months preceding the date of this Tender Offer Document.

⁶ Source: Factset

SUMMARY OF THE COMBINATION AGREEMENT

This summary is not an exhaustive presentation of all of the terms and conditions of the Combination Agreement. The summary aims at describing the terms and conditions of the Combination Agreement to the extent that such terms and conditions may materially affect the assessment of the shareholders of the Company of the terms and conditions of the Tender Offer.

Background to the Combination Agreement

The Offeror and the Company have on 29 November 2023 entered into the Combination Agreement pursuant to which the Offeror hereby makes a voluntary recommended public cash tender offer for all the Shares in Musti (the Offeror and Musti hereafter each individually a "**Party**" and together the "**Parties**").

After the completion of the Tender Offer, should the Offeror obtain more than ninety (90) per cent of the Shares and voting rights carried by the Shares in Musti, calculated in accordance with Chapter 18, Section 1 of the Finnish Companies Act, the Offeror will initiate compulsory redemption proceedings in accordance with the Finnish Companies Act as soon as reasonably practicable.

The background to the transaction contemplated under the Combination Agreement has been described in "*Background and Objectives*."

Offer Period and Offer Price

The Offer Period may be extended by the Offeror from time to time in accordance with the Terms and Conditions of the Tender Offer (see "*Terms and Conditions of the Tender Offer – Offer Period*").

The Combination Agreement provides that, the Offeror shall offer to acquire all the Shares validly tendered and not withdrawn for a consideration of EUR 26.00 in cash for each outstanding Share subject to the Terms and Conditions of the Tender Offer. Should the Company change the number of Shares that are issued and outstanding on the date of the Combination Agreement as a result of a new share issue, reclassification, stock split (including a reverse split) or any other similar transaction with dilutive (or in some cases, the opposite) effect, including securities convertible into Shares or equity interests, or should the Company declare or distribute a dividend or otherwise distribute funds or any other assets to its shareholders or if a record date with respect to any of the foregoing occurs prior to the Settlement Date (as defined below), the Offer Price payable by the Offeror shall be adjusted accordingly on a euro-for-euro basis as set out in "*Terms and Conditions of the Tender Offer – Offer Price*").

Conditions to Completion

Under the Combination Agreement, the completion of the Tender Offer shall be subject to the satisfaction or, to the extent permitted by applicable law, waiver by the Offeror of the Conditions to Completion set forth in "*Terms and Conditions of the Tender Offer – Conditions to Completion of the Tender Offer*" on or prior to the Result Announcement Date (as defined below) (excluding any Subsequent Offer Period) in accordance with Chapter 11, Section 18 of the Finnish Securities Markets Act.

Recommendation by the Board of Directors of Musti

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 and unconditionally decided, subject to the terms and conditions of the Combination Agreement and its fiduciary duties under Finnish laws and regulations (including the Helsinki Takeover Code), to recommend that the shareholders of the Company accept the Tender Offer. Under the Combination Agreement, the Board of Directors of the Company has undertaken to issue a formal statement to this effect. The statement of the Board of Directors of the Company containing the Recommendation is included in Annex A to the Offer Document.

The Board of Directors of the Company may, at any time prior to the Settlement Date (as defined in *Terms and Conditions of the Tender Offer – Completion of the Tender Offer*), withdraw, modify, amend, cancel or change the Recommendation, include conditions to or, subject to applicable law, decide not to issue its Recommendation, or take actions contradictory to its earlier Recommendation, but only if:

- a) the Board of Directors of the Company considers in good faith due to materially changed circumstances of which it was not aware on the signing date of the Combination Agreement, after taking advice from reputable external legal counsel(s) and financial advisor(s), that on the basis of its fiduciary duties towards the holders of the Shares under Finnish laws and regulations (including the Helsinki Takeover Code) (such duties referred to as the "**Fiduciary Duties**"), the acceptance of the Tender Offer would no longer be in the best interest of the holders of the Shares;

- b) prior to and as a precondition for withdrawing, modifying, amending, cancelling or changing the Recommendation, including conditions thereto or deciding not to issue the Recommendation, or taking actions contradictory to the earlier Recommendation, the Board of Directors of the Company has (i) promptly notified the Offeror of it contemplating such actions, (ii) in good faith provided the Offeror with reasonable opportunity, during not less than five (5) business days from the date of informing the Offeror of it contemplating a potential withdrawal, modification, amendment, cancellation or change of the Recommendation, potentially including conditions to or deciding not to issue its Recommendation, or potentially taking actions contradictory to its earlier Recommendation, to negotiate with the Board of Directors of the Company in respect of such actions with a view to improving the Terms and Conditions or to take other actions to remedy the circumstances giving rise to such contemplated action with respect to the Recommendation, and (iii) taken such enhanced terms and conditions of the Tender Offer, if any, into consideration when resolving upon such contemplated actions with respect to the Recommendation, including conditions thereto or deciding not to issue the Recommendation, or taking actions contradictory to the earlier Recommendation;

provided, that, if an action described above is connected to a Superior Offer (as defined below), or to a Competing Offer (as defined below) which the Board of Directors of the Company has determined in good faith to constitute a Superior Offer if made public, (i) the Board of Directors has notified the Offeror in accordance with the terms and conditions of the Combination Agreement with reasonably detailed information about the Superior Offer or the Competing Offer, as the case may be, (ii) the Board of Directors of the Company has given the Offeror a reasonable opportunity, during not less than five (5) business days after having received all material information relating to such Competing Offer or Superior Offer, as the case may be, to agree with the Board of Directors of the Company on improving the terms of the Tender Offer as contemplated by in the Combination Agreement, (iii) in case of a Competing Offer, the Company has informed the Offeror that the Board of Directors of the Company has determined that such Competing Offer would, if announced, constitute a Superior Offer, as and if applicable, and (iv) such Competing Offer has been publicly announced such that it becomes a Superior Offer.

The Company has undertaken and shall cause its Subsidiaries (as defined below), officers, directors, employees and representatives (including, for the avoidance of doubt, any investment bankers, legal counsel and other external advisors and representatives) to undertake, as between the signing date of the Combination Agreement and the Settlement Date:

- a) not to, directly or indirectly, actively solicit any inquiries or any proposal or offer that constitutes, or would reasonably be expected to lead to, any Competing Offer or otherwise harm or hinder the completion of the Tender Offer;
- b) not to, upon receipt of a Competing Offer, directly or indirectly, promote the progress of such Competing Offer ("**Promoting Measures**"), unless the Board of Directors of the Company determines in good faith, after taking advice from reputable external legal counsel(s) and financial advisor(s), that Promoting Measures are required in order for the Board of Directors of the Company to comply with its Fiduciary Duties. The Board of Directors of the Company shall not take any Promoting Measures other than those necessary for the fulfilment of the Fiduciary Duties;
- c) to within two (2) business days after receipt of a Competing Offer (i) inform in reasonable detail the Offeror in writing of any Competing Offer (including any material revisions thereto), including a description of the type of the competing offeror (or, if reasonably possible and permitted under the prevailing circumstances, the identity of the competing offeror), the price offered and any other material terms and conditions of such Competing Offer and (ii) in respect of any Competing Offer of which the Company has informed the Offeror, promptly provide the Offeror with a list of any information provided to any third party in relation to any Competing Offer and, subject to applicable laws, regulations and stock exchange rules and the non-disclosure agreement entered into between the Company and the Consortium members, to the extent such information has not been previously provided to the Offeror, with copies of such information;
- d) to provide the Offeror with an opportunity to negotiate with the Board of Directors of the Company about matters arising from the Competing Offer in accordance with the terms and conditions of the Combination Agreement; and
- e) not enter into any binding agreement in respect of a Competing Offer other than a non-disclosure agreement on customary terms unless and until it has complied with its obligations under the terms and conditions of the Combination Agreement.

If a Competing Offer is published or the Offeror is informed in writing about a Competing Offer in accordance with the above terms and conditions of the Combination Agreement, but the Offeror enhances its Tender Offer such that the enhanced Tender Offer, in the reasonable opinion of the Board of Directors of the Company rendered in good faith, after taking advice from reputable external legal counsel(s) and financial advisor(s), is at least equally favourable to the holders

of the Shares as the Competing Offer, the Board of Directors of the Company shall confirm and uphold the Recommendation (as amended based on the enhanced Tender Offer) for the Tender Offer, as enhanced.

A "**Competing Offer**" shall mean a bona fide offer or indication of a serious nature as referred to in the Helsinki Takeover Code of an intent to make an offer received by the Board of Directors of the Company from a third party to acquire all of the Shares pursuant to a tender offer or a merger, or to acquire all or a significant portion of the operations of the Company pursuant to a sale or transfer of all or a significant portion of the assets of the Company.

A "**Superior Offer**" shall mean a bona fide binding written offer publicly announced in accordance with the Finnish Securities Market Act made by a third party to acquire all of the Shares pursuant to a tender offer or a merger, or to acquire all or a significant portion of the operations of the Company pursuant to a sale of all or a significant portion of the assets of the Company, on terms which the Board of Directors of the Company reasonably determines in good faith, after taking advice from reputable external legal counsel(s) and financial advisor(s), to be more beneficial from the financial point of view and in the aggregate assessed as a whole for the holders of the Shares than the Tender Offer, as the same may be modified by the Offeror in accordance with the terms and conditions of the Combination Agreement. In determining whether an offer is more beneficial in all material respects, for the holders of Shares, the Board of Directors of the Company must also take into account all relevant factors, including the terms and conditions of the potential Superior Offer, whether the potential Superior Offer is reasonably capable of being consummated on its terms (taking into account, among other things, all legal, financial, regulatory and other aspects of such proposal and the identity of the person making such proposal as well as the effect irrevocable undertakings would have on the feasibility of such proposal), the amount and type of consideration offered and the availability of financing required for the potential Superior Offer (it being understood that to be considered a Superior Offer, the potential Superior Offer shall be on a "certain funds" basis or otherwise fully financed).

Representations, Warranties, Covenants and Undertakings

The Combination Agreement contains certain customary representations and warranties, such as with respect to the Company's organisation and qualification, authority relative to the Combination Agreement, financial statements, competing transactions, disclosure, shares and securities entitling to shares, compliance with applicable laws and regulations, anti-corruption laws, employee matters, material contracts, litigation and claims, intellectual property and privacy matters, taxes, as well as absence of a Material Adverse Change.

In the Combination Agreement, each of the Parties has given certain undertakings, including in relation to, among other things, using their reasonable efforts to consummate the transactions contemplated in the Combination Agreement, and notifying the other Party of certain events, changes or circumstances.

In the Combination Agreement, the Offeror has given certain undertakings, including in relation to, among other things: (i) obtaining the required approvals, permits, consents, clearances or actions from competition authorities or other regulatory authorities, and cooperating with Musti in relation to the specified approvals; (ii) the preparation and approval of this Tender Offer Document; (iii) compliance with the Helsinki Takeover Code and the FIN-FSA Regulations and Guidelines; and (iv) maintaining Musti's directors' and officers' insurance policies and (v) discharging from liability certain board and management members of Musti and its subsidiaries; and (vi) compliance with securities laws with respect to all jurisdictions in which the Tender Offer is made to holders of Shares, including Finland, the Member States of the European Economic Area and the United States.

In the Combination Agreement, Musti has given certain undertakings, including in relation to, among other things: (i) not actively soliciting Competing Offers; (ii) providing the Offeror access to information; (iii) prior to the completion of the Tender Offer, conducting Musti's business in all material respects in a manner consistent with past practice (as discussed in more detail below); and (iv) the settlement of outstanding rewards under Musti's long-term share-based incentive plans.

The undertakings related to the conduct of Musti's business relate to, among other things, refraining from making or implementing: any material changes to the business, material agreements or corporate structure of Musti and its Subsidiaries that would not be in the ordinary course of business; any merger, acquisition, divestment, minority investment or joint venture (subject to certain exceptions); any new material capital expenditures (subject to certain exceptions); any new material corporate transactions, investments, loans, incurrence of indebtedness (subject to certain exceptions), liens, or other encumbrances on material assets or on shares or other securities, acquisitions or divestments of assets other than may be reasonably required for the operation of the Company and its Subsidiaries in the ordinary course of business; any new agreements or commitments that are not entered into on arms' length terms other than in the ordinary course of business; any new agreements or commitments (subject to certain exceptions) including any "non-compete" or similar undertaking that would restrict the business of the Offeror and its subsidiaries or the Company and its Subsidiaries following the completion of the Tender Offer in any material way, other than in the ordinary course of business, or any change of control provisions which would give the Company's counterparty a right of termination or any other right in connection with the Tender Offer; any change of articles of association or other constituting documents or any material change to the

accounting principles or practices; any commencement, settlement or compromise of any material legal proceedings or of material claims against third parties other than in the ordinary course of business (subject to certain exceptions); any decision, proposal or payment concerning or constituting (1) any change in the number of outstanding Shares in or share capital of the Company or its Subsidiaries, including without limitation by reclassification, recapitalisation, stock split, combination, repurchase, redemption or issuance of any shares or securities exercisable for, convertible into or exchangeable for shares in the Company or in its Subsidiaries, (2) any sale, transfer or other disposal of any shares in the Company or in any of its Subsidiaries that are held or obtained by the Company or any of its Subsidiaries, and/or (3) any grant, allocation, sale, transfer or disposal of any option rights held by the Company or any of its Subsidiaries or of any other shares or securities exercisable for, convertible into or exchangeable for shares in the Company or in any of its Subsidiaries; any new equity or equity-related option programs, grants or awards for the members of the Board of Directors of the Company and/or each of the persons employed by or serving the Company or its Subsidiaries or any material non-mandatory salary or bonus increase or any new or amended retention programs for the members of the Board of Directors of the Company and/or the Company's key employees; in respect of existing bonus, incentive and retentions plans, (1) to transfer, grant or issue any Shares to any person, (2) materially amend the terms and conditions of the plans, (3) include new participants into the plans or grant new awards to existing participants under the plans outside the ordinary course of business, (4) materially increase or decrease the amount of maximum reward for any participant, (5) accelerate any reward payment in any form to any person outside the ordinary course of business other than as contemplated under section *"Background and objectives - Share-based incentive plans of Musti"* or (6) terminate any plan(s) other than as contemplated under section *"Background and objectives - Share-based incentive plans of Musti"*; any action that would have the effect of increasing the liability for taxes of the Company or any of its Subsidiaries, other than in the ordinary course of business; and/or any legally binding agreement or commitment to do any of the foregoing.

Termination

Termination by either party

Either Party may terminate the Combination Agreement with immediate effect at any time prior to the Settlement Date by giving to the other Party a written notice thereof, if at least one of the following events occurs:

- a) a material breach of any of the warranties set out in the Combination Agreement given by the other Party, unless, in each case, such breach has been rectified (if capable of being rectified) by the breaching Party no later than three (3) business days prior to the end date of the initial Offer Period (and as it may be extended from time to time);
- b) the other Party acts in material breach of its undertakings or obligations under the Combination Agreement, unless, in each case, such breach has been rectified (if capable of being rectified) by the breaching Party no later than three (3) business days prior to the end date of the initial Offer Period (and as it may be extended from time to time), provided that the right to terminate the Combination Agreement shall not be available to a Party whose breach of any representation, warranty, undertaking or obligation set forth in the Combination Agreement has been the primary cause of, or resulted in, the other Party's material breach;
- c) a final, non-appealable injunction or other order issued by any court of competent jurisdiction or other final, non-appealable legal restraint or prohibition preventing the completion of the Tender Offer has taken effect after the date of the Combination Agreement and continues to be in effect, provided that the right to terminate the Combination Agreement shall not be available to a Party whose breach of any representation, warranty, undertaking or obligation set forth in the Combination Agreement has been the cause of, or resulted in, such order, restraint or prohibition;
- d) the Tender Offer has not been completed, has lapsed or has been withdrawn as a result of one or several of the Conditions to Completion no longer being reasonably capable of satisfaction for any reason (including due to any fact or circumstance arising that constitutes a Material Adverse Change) and such Condition to Completion or Conditions to Completion not having been waived by the Offeror, provided that the right to terminate the Combination Agreement shall not be available to a Party whose breach of any representation, warranty, undertaking or obligation set forth in the Combination Agreement shall have resulted in any of the Conditions to Completion no longer being reasonably capable of satisfaction; or
- e) the Settlement Date has not occurred by 30 April 2024 or such other later date as agreed by the Parties in writing (the **"Long-Stop Date"**), provided that the right to terminate the Combination Agreement pursuant to this sub-section shall not be available to a Party whose breach of any representation, warranty, undertaking or obligation set forth in the Combination Agreement has been the cause of, or resulted in, the failure of the Settlement Date to occur by such date.

Termination by the Company

The Company may terminate the Combination Agreement with immediate effect at any time prior to the Settlement Date by giving to the Offeror a written notice thereof if at least one of the following events occurs:

- a) the Offeror has not commenced the Tender Offer on or prior to 29 December 2023 or a later date agreed by the Parties, provided, however, that this right to terminate shall not be available to the Company if the failure of the Offeror to commence the Tender Offer is due to the Company's failure to fulfil any material obligation under the Combination Agreement; and provided further that the Offeror shall have the right to postpone such date for up to one (1) additional month by a written notice to the Company in the event that the Offeror reasonably requires such postponement to be able to commence the Tender Offer and the FIN-FSA permits such postponement; or
- b) the Board of Directors of the Company has, having complied with the requirements of the Combination Agreement and its Fiduciary Duties, withdrawn, modified, amended cancelled or changed the Recommendation or decided not to issue the Recommendation.

Termination by the Offeror

The Offeror may terminate the Combination Agreement with immediate effect at any time prior to the Settlement Date by giving the Company a written notice thereof if at least one of the following events occurs:

- a) the Board of Directors of the Company has, for any reason whatsoever, modified, amended or changed the Recommendation to the detriment of the Tender Offer (excluding any technical modification or amendment thereto so long as the Recommendation to accept the Offeror's Tender Offer is upheld) or decided not to issue, withdrawn or cancelled the Recommendation; or
- b) on or after the signing date of the Combination Agreement the Offeror has received information previously undisclosed to it that constitutes a Material Adverse Change.

Once the Offer Period has commenced, the Offeror may only terminate the Combination Agreement so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn if the circumstances which give rise to the right to invoke the relevant termination right have a significant meaning to the Offeror in view of the Tender Offer, as referred to in the FIN-FSA Regulations and Guidelines and the Helsinki Takeover Code.

Consequences of termination or expiration

In case of any termination or expiration of the Combination Agreement, the Offeror is entitled to withdraw the Tender Offer in accordance with applicable Finnish laws and regulations and the Terms and Conditions of the Tender Offer.

Upon termination or expiration, the Combination Agreement shall forthwith become void and there shall be no liability for either Party or any of their officers, directors or employees under the Combination Agreement, and all rights and obligations of each Party hereto shall cease, save for certain provisions specified in the Combination Agreement. However, any termination or expiration shall be without prejudice to any remedies available to the Parties under law for breach of a contractual obligation, it being understood, however, that the non-breaching Party shall be entitled to claim solely direct damages pursuant to the Combination Agreement. Nothing in the Combination Agreement shall, however, limit a Party's liability for fraud or wilful misconduct.

If the Combination Agreement is terminated by the Company in accordance with the above section b) under the "*Termination by the Company*" or by the Offeror in accordance with the above section a) under the "*Termination by the Offeror*", the Company shall reimburse to the Offeror any for its reasonable documented out-of-pocket expenses and costs incurred in connection with the Tender Offer up to a maximum amount of EUR 10 million in aggregate.

If the Combination Agreement is terminated by the Company on the basis of (i) section e) under the "*Termination by either party*" and such failure for the Settlement Date to have occurred by the Long-Stop Date is solely due to the breach of the Offeror to comply with its undertakings and obligations under the Combination Agreement and to consummate the Tender Offer as required, or (ii) the section a) under the "*Termination by the Company*", the Offeror shall reimburse to the Company any of its reasonable documented out-of-pocket expenses and costs incurred in connection with the preparation of the Tender Offer, up to the maximum amount of EUR 10 million in aggregate.

Governing Law and Dispute Resolution

The Combination Agreement shall be governed by and construed in accordance with the substantive laws of Finland.

Any dispute, controversy or claim arising out of or relating to the Combination Agreement, or the breach, termination or validity thereof, shall be finally settled by arbitration in Helsinki, Finland, in accordance with the Arbitration Rules of the Finland Chamber of Commerce. The arbitral tribunal shall be composed of three (3) members, one member to be appointed

by the Offeror, one member to be appointed by the Company and one member, serving as the Chair, to be jointly appointed by the two members so appointed. In the absence of any such appointment and where the Company and the Offeror are unable to agree on a method for the constitution of the arbitral tribunal, the Arbitration Institute shall appoint each missing member of the arbitral tribunal and shall designate one of them to serve as the Chair. The arbitration shall be conducted in the English language.

Each Party may apply to a court of competent jurisdiction for a precautionary measure, temporary procedural remedy, temporary restraining order or preliminary injunction where such relief is necessary to protect its interests pending completion of arbitration proceedings.

TERMS AND CONDITIONS OF THE TENDER OFFER

Object of the Tender Offer

Through a voluntary recommended public cash tender offer in accordance with Chapter 11 of the Finnish Securities Markets Act (746/2012, as amended, the "**Finnish Securities Markets Act**") and other applicable laws and subject to the terms and conditions set forth herein, Flybird Holding Oy (the "**Offeror**"), a private limited company incorporated and existing under the laws of Finland, offers to acquire all of the issued and outstanding shares in Musti Group Plc (the "**Company**" or "**Musti**") that are not held by Musti or its subsidiaries (the "**Shares**" or, individually, a "**Share**") (the "**Tender Offer**"). It is expected that Sonae Holdings, S.A. will hold approximately 98 per cent, and Jeffrey David, Johan Dettel and David Rönnerberg, through their jointly-owned holding company (to be incorporated), approximately in aggregate 2 per cent of the shares in Flybird Holding Oy after the completion of the Tender Offer (assuming that the Offeror holds 100 per cent of the Shares in Musti).

Sonae Holdings, S.A. (a wholly-owned direct subsidiary of Sonae - SGPS, S.A.) together with Jeffrey David, Johan Dettel and David Rönnerberg have formed a consortium (the "**Consortium**") for the purposes of the Tender Offer.

The Offeror and the Company have on 29 November 2023 entered into a combination agreement (the "**Combination Agreement**") pursuant to which the Offeror makes the Tender Offer.

Offer Price

The Tender Offer was announced by the Offeror on 29 November 2023 (the "**Announcement**") with an offer price of EUR 26.00 in cash for each Share validly tendered in the Tender Offer (the "**Offer Price**"), subject to any adjustments as set out below.

The Offer Price has been determined based on 33,387,887 Shares. Should the Company change the number of Shares that are issued and outstanding on the date hereof as a result of a new share issue, reclassification, stock split (including a reverse split) or any other similar transaction with dilutive (or in some cases, the opposite) effect, including securities convertible into Shares or equity interests, or should the Company declare or distribute a dividend or otherwise distribute funds or any other assets to its shareholders, or if a record date with respect to any of the foregoing occurs prior to the Settlement Date (as defined below), the Offer Price payable by the Offeror shall be adjusted accordingly on a euro-for-euro basis.

Any adjustment of the Offer Price pursuant to the above paragraph will be announced by way of a stock exchange release. If the Offer Price is adjusted, the Offer Period will continue for at least ten (10) Finnish banking days (or longer if required by applicable law) following such announcement.

Offer Period

The offer period of the Tender Offer commences on 18 December 2023, at 9:30 (Finnish time) and expires on 5 February 2024, at 16:00 (Finnish time), unless the offer period is extended, or any extended offer period is discontinued as described below (the "**Offer Period**"). The acceptance of the Tender Offer must be received by the relevant account operator, as described below under "*Acceptance Procedure of the Tender Offer*", before the expiration of the Offer Period.

The Offeror may extend the Offer Period (i) at any time until the Conditions to Completion (as defined below) have been satisfied or waived, (ii) with a Subsequent Offer Period in connection with the announcement whereby the Offeror declares the Tender Offer unconditional, as set forth in "*Announcement of the Result of the Tender Offer*" below and/or (iii) in case of any competing tender offer as referred to in Chapter 11, Section 17 of the Finnish Securities Markets Act. The Offeror will announce a possible extension of the Offer Period, including the duration of the extended Offer Period, which shall be at least two (2) weeks, by a stock exchange release on the first (1st) Finnish banking day following the expiration of the initial Offer Period, at the latest. Furthermore, the Offeror will announce any possible further extension of an already extended Offer Period or an extension of a discontinued extended Offer Period on the first (1st) Finnish banking day following the expiration of an already extended Offer Period or a discontinued extended Offer Period, at the latest.

According to Chapter 11, Section 12 of the Finnish Securities Markets Act, the duration of the Offer Period in its entirety may be ten (10) weeks at the maximum. However, if the Conditions to Completion have not been satisfied due to a particular obstacle as referred to in the regulations and guidelines 9/2013 of the Finnish Financial Supervisory Authority (the "**FIN-FSA Regulations and Guidelines**"), such as, for example, pending approval by a competition or foreign-investment regulatory authority, the Offeror may extend the Offer Period beyond ten (10) weeks until such obstacle has been removed and the Offeror has had reasonable time to respond to the situation in question, provided that the business operations of the Company are not hindered for longer than is reasonable, as referred to in Chapter 11, Section 12, Subsection 2 of the

Finnish Securities Markets Act. The Offer Period may also be extended as required under applicable laws and regulations. The expiry date of any extended Offer Period will in such case, unless published in connection with the announcement of the extension of the Offer Period, be published by the Offeror at least two (2) weeks before such expiry. Further, any Subsequent Offer Period may extend beyond ten (10) weeks.

The Offeror may discontinue any extended Offer Period. The Offeror will announce its decision on the discontinuation of any extended Offer Period as soon as possible after such a decision has been made and, in any case, no later than two (2) weeks prior to the expiry of the discontinued extended Offer Period. If the Offeror discontinues an extended Offer Period, the Offer Period will expire at an earlier time on a date announced by the Offeror.

The Offeror reserves the right to extend the Offer Period in connection with the announcement whereby the Offeror declares the Tender Offer unconditional or the announcement of the final result of the Tender Offer as set forth in "*Announcement of the Result of the Tender Offer*" below (such extended Offer Period, the "**Subsequent Offer Period**"). In the event of such Subsequent Offer Period, the Subsequent Offer Period will expire on the date and at the time determined by the Offeror in such an announcement. The expiration of a Subsequent Offer Period will be announced by way of a stock exchange release at least two (2) weeks before the expiration of such Subsequent Offer Period. The Offeror may also extend the Subsequent Offer Period by announcing this through a stock exchange release on the first (1st) Finnish banking day following the initially expected expiration of the Subsequent Offer Period, at the latest.

Conditions to Completion of the Tender Offer

A condition to the completion of the Tender Offer is that the requirements set forth below for the completion of the Tender Offer (the "**Conditions to Completion**") are satisfied on or by the date of the Offeror's announcement of the final result of the Tender Offer in accordance with Chapter 11, Section 18 of the Finnish Securities Markets Act, or, to the extent permitted by applicable law, their satisfaction is waived by the Offeror:

- a) the Tender Offer has been validly accepted with respect to the Shares representing, together with any other Shares otherwise acquired or held by the Offeror (including the Shares to be contributed to the Offeror by the Consortium members) at or prior to the Result Announcement Date (as defined below), more than ninety (90) per cent of the Shares and voting rights in the Company calculated on a fully diluted basis and otherwise in accordance with Chapter 18 Section 1 of the Finnish Companies Act (624/2006, as amended, the "**Finnish Companies Act**");
- b) the receipt of all necessary regulatory approvals, permits, clearances, consents or other actions, including without limitation approvals required under applicable foreign direct investment laws, competition clearances (or, where applicable, the expiry of relevant waiting periods), required under applicable competition laws or other regulatory laws in any relevant jurisdiction for the completion of the Tender Offer, including without limitation from the European Commission (the "**Authority Approvals**"), and that any conditions set out in such approvals, permits, clearances or consents, are reasonably acceptable to the Offeror in that they are not materially adverse to the Offeror or any Consortium member in view of the Tender Offer (whether due to requiring the disposal of any material asset or otherwise) and do not constitute a Material Adverse Change (as defined below);
- c) no fact or circumstance having arisen on or after the signing date of the Combination Agreement that constitutes a Material Adverse Change (as defined below);
- d) the Offeror not, on or after the signing date of the Combination Agreement, having received information previously undisclosed to it that constitutes or results in a Material Adverse Change (as defined below);
- e) no legislation or other regulation having been issued and no court or regulatory authority of competent jurisdiction having given an order or a decision or issued any regulatory action that would wholly or in any material part prevent or postpone the completion of, the Tender Offer;
- f) the Board of Directors of the Company, represented by a quorum comprising the non-conflicted members of the Board of Directors, having issued its Recommendation and the Recommendation remaining in full force and effect and not having been withdrawn, modified, cancelled, or amended (excluding, however, any technical modification or change of the Recommendation required under applicable laws or the Helsinki Takeover Code as a result of a Competing Offer or otherwise so long as the recommendation to accept the Tender Offer is upheld); and
- g) the Combination Agreement not having been terminated and remaining in full force and effect.

The Conditions to Completion set out herein are exhaustive. The Offeror may only invoke any of the Conditions to Completion so as to cause the Tender Offer not to proceed, to lapse or to be withdrawn, if the circumstances which give rise to the right to invoke the relevant Condition to Completion have a significant meaning to the Offeror in view of the Tender Offer, as referred to in the FIN-FSA Regulations and Guidelines and the Helsinki Takeover Code. The Offeror reserves the right on its own initiative (following good faith discussion with the Board of Directors of the Company) to modify, amend or waive, to the extent permitted by applicable law and regulation, any of the Conditions to Completion that have not been satisfied, including with respect to the first Condition to Completion, to consummate the Tender Offer at a

lower acceptance level or otherwise despite the non-satisfaction of some of the Conditions to Completion. Moreover, the Offeror reserves the right to amend the terms and conditions, including the Conditions to Completion, of the Tender Offer in accordance with Chapter 11, Section 15 of the Finnish Securities Markets Act. If all Conditions to Completion (as the same may have been modified or amended) have been satisfied or the Offeror has waived the requirements for the satisfaction of all or some of them no later than on the Result Announcement Date (excluding any Subsequent Offer Period), the Offeror will consummate the Tender Offer in accordance with its terms and conditions after the Result Announcement Date by purchasing the Shares validly tendered in the Tender Offer and paying the Offer Price to the holders of the Shares that have validly accepted the Tender Offer.

"Subsidiaries" means the Company's asset-owning subsidiaries.

"EU Market Abuse Regulation" means Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.

"Disclosed Information" means the information that the Company (directly or through its representatives or advisors, as the case may be) has disclosed to the Offeror, the Consortium members and any of their advisers before the date of the Combination Agreement (i) in the information publicly disclosed by the Company pursuant to the rules of Nasdaq Helsinki, the Finnish Securities Markets Act and the EU Market Abuse Regulation (including any publicly disclosed annual or quarterly reports of the Company), as well as any Company press releases and investor news, or (ii) the information provided by the Company in the virtual data room made available by the Company to the Offeror, the Consortium members and/or any of their advisers by 25 November 2023 at 14:00 (Finnish time), or (iii) in formally scheduled management presentations, management interviews and expert sessions in connection with the Tender Offer.

"Fairly Disclosed" means that a risk, fact matter, occurrence or event is disclosed in the Disclosed Information or in the Combination Agreement in a manner that enables a professional and prudent offeror having completed its review of the Disclosed Information with the support of its professional advisors, acting diligently and with due care to reasonably identify the nature, scope and effects of such risk, fact, matter, occurrence or event so disclosed.

"Material Adverse Change" means:

- a) the Company or any of its Subsidiaries becoming insolvent, subject to administration, bankruptcy or any other equivalent insolvency proceedings or, if any legal proceedings (other than by the Offeror or its affiliates) or corporate resolution is taken by or against any of them in respect of any such proceedings and such action could, individually or in the aggregate, reasonably be expected to result in the commencement of such proceedings, provided, in each case, that such proceedings could reasonably be expected to result in a material adverse change in, or material adverse effect on, the business, assets, liabilities, financial condition or results of operation of the Company and its Subsidiaries, taken as a whole;
- b) any divestment or reorganisation of, or commitment to divest or reorganise, all or any material part of the assets or business of the Company or its Subsidiaries, taken as a whole;
- c) any major continuing disruptions in the financial systems of the United States, the United Kingdom or in any Member State of the European Economic Area, including a suspension of or material limitation in trading in securities generally on Nasdaq Helsinki or a general moratorium on commercial banking activities or the operation of central securities depositories or settlement systems that prevents, other than on a temporary basis, wire transfer payments traffic and/or settlement of transactions in securities in or out of the European Economic Area, the United Kingdom or the United States; and
- d) any other event, condition, circumstance, development, occurrence, change, effect or fact that individually or in the aggregate, has, results in, or would reasonably be expected to have or result in a material adverse effect on the business, assets, liabilities, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole, provided further that none of the following shall be deemed to constitute a material adverse change or a material adverse effect:
 - i) any change in capital market conditions generally or general economic conditions, including with respect to interest rates or currency exchange rates, except to the extent such change or effect has a materially disproportionate effect on the Company relative to other industry participants in jurisdictions in which the Company or any of its Subsidiaries conduct business;
 - ii) any change in geopolitical conditions or any outbreak, escalation or exacerbation of major hostilities or the occurrence of any act of war, blockage, sabotage or terrorism including, but not limited to, the exacerbation of Russia's military actions against Ukraine or the exacerbation of the Israel-Hamas war, in each case involving only other jurisdictions than jurisdictions in which the Company or any of its Subsidiaries conduct business;

- iii) any epidemic, pandemic, hurricane, tornado, flood, earthquake or other natural or man-made disaster occurring or escalating in only other jurisdictions than jurisdictions in which the Company or any of its Subsidiaries conduct business;
- iv) any change in applicable statutes, generally approved accounting principles or IFRS, except to the extent such change has a materially disproportionate effect on the Company relative to other industry participants in jurisdictions in which the Company or any of its Subsidiaries conduct business;
- v) any change in the general conditions of the pet care products and services industries in jurisdictions in which the Company or any of its Subsidiaries conduct business, except to the extent such change has a materially disproportionate effect on the Company relative to other industry participants in jurisdictions where the Company or its subsidiaries conduct business;
- vi) any other change in political, financial, industry, economic or regulatory conditions generally, so long as such change does not have a disproportionate effect on the Company relative to other companies in the same industry in jurisdictions in which the Company or its Subsidiaries conduct business;
- vii) the failure of the Company to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings, net asset value or other financial or operating metrics before, on or after the date of the Combination Agreement, provided that nothing provided in this sub-clause (vii) shall prevent or otherwise affect the determination whether any change or effect underlying such failure has resulted in or contributed to a Material Adverse Change;
- viii) any matters that have been Fairly Disclosed in the Disclosed Information prior to the signing of the Combination Agreement;
- ix) changes in the market price or trading volume of the Shares, provided that nothing in this sub-clause (ix) shall prevent or otherwise affect a determination whether any change or effect underlying such change has resulted in or contributed to a Material Adverse Change;
- x) any change resulting from any actions taken by the Company at the express written request or direction of the Offeror;
- xi) any change attributable to (x) an act or omission carried out or omitted by the Offeror in connection with the Tender Offer or (y) the announcement or completion of the Tender Offer (including the effect of any change of control or similar clauses in contracts entered into by the Company and its Subsidiaries but only to the extent such contracts or clauses have been Fairly Disclosed as part of the Disclosed Information); or
- xii) any change resulting from the product recall of "SMAAK Herkkä kala viljaton" and "SMAAK Viljaton Kana" pet food batches.

"Nasdaq Helsinki" means Nasdaq Helsinki Ltd.

Obligation to Increase the Offer Price and to Pay Compensation

The Offeror, Sonae and Sonae Holdings, S.A., each respectively, reserve the right to acquire Shares before, during and/or after the Offer Period (including any extension thereof) and any Subsequent Offer Period in public trading on Nasdaq Helsinki or otherwise.

Should the Offeror or another party acting in concert with the Offeror in a manner as stipulated in Chapter 11, Section 5 of the Finnish Securities Markets Act acquire Shares after the Announcement and before the expiry of the Offer Period (including any Subsequent Offer Period) at a price higher than the Offer Price, or otherwise on more favourable terms, the Offeror must, in accordance with Chapter 11, Section 25 of the Finnish Securities Markets Act, amend the terms and conditions of the Tender Offer to correspond with the terms and conditions of said acquisition on more favourable terms (the "**Increase Obligation**"). In such case, the Offeror will make public its Increase Obligation without delay and pay, in connection with the completion of the Tender Offer, the difference between the consideration paid in such an acquisition on more favourable terms and the Offer Price paid to those shareholders that have accepted the Tender Offer.

Should the Offeror or another party acting in concert with the Offeror in a manner as stipulated in Chapter 11, Section 5 of the Finnish Securities Markets Act acquire Shares within nine (9) months after the expiration of the Offer Period (including any Subsequent Offer Period) at a price higher than the Offer Price, or otherwise on more favourable terms, the Offeror must, in accordance with Chapter 11, Section 25 of the Finnish Securities Markets Act, pay the difference between the consideration paid in an acquisition on more favourable terms and the Offer Price paid to those shareholders that have accepted the Tender Offer (the "**Compensation Obligation**"). In such case, the Offeror will make public its Compensation Obligation without delay and pay the difference between the consideration paid in such an acquisition on more favourable terms and the Offer Price within one (1) month of the date when the Compensation Obligation arose for those shareholders that have accepted the Tender Offer.

However, according to Chapter 11, Section 25, Subsection 5 of the Finnish Securities Markets Act, the Compensation Obligation will not be triggered in case the payment of a higher price than the Offer Price is based on an arbitral award pursuant to the Finnish Companies Act, provided that the Offeror or any party referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act has not offered to acquire Shares on terms that are more favourable than those of the Tender Offer before or during the arbitral proceedings.

Acceptance Procedure of the Tender Offer

The Tender Offer may be accepted by a shareholder registered during the Offer Period in the shareholders' register of Musti maintained by Euroclear Finland Oy ("**Euroclear Finland**"), with the exception of Musti and its subsidiaries. The Tender Offer must be accepted separately for each book-entry account. A shareholder of Musti submitting an acceptance must have a cash account with a financial institution operating in Finland or abroad (see also "*Terms of Payment and Settlement*" and "*Restrictions and Important Information*"). Shareholders may only accept the Tender Offer unconditionally and for all Shares that are held on the book-entry account mentioned in the acceptance at the time of the execution of the transactions with respect to the Shares of such shareholder. Acceptances submitted during the Offer Period are valid also until the expiration of an extended or discontinued extended Offer Period, if any.

Most Finnish account operators will send a notice regarding the Tender Offer and related instructions to those who are registered as shareholders in the shareholders' register of Musti maintained by Euroclear Finland. Shareholders of Musti who do not receive such instructions from their account operator or asset manager should first contact their account operator or asset manager and can subsequently contact Nordea Bank Abp ("**Nordea**") by sending an email to tender.offers@nordea.com, where such shareholders of Musti can receive information on submitting their acceptance of the Tender Offer. Please note, however, that Nordea will not be engaging in communications relating to the Tender Offer with shareholders located within the United States. Shareholders who are located within the United States may contact their brokers for necessary information.

Those shareholders of Musti whose Shares are nominee-registered, and who wish to accept the Tender Offer, must effect such acceptance in accordance with the instructions given by the custodian of the nominee-registered shareholders. The Offeror will not send an acceptance form, or any other documents related to the Tender Offer to these shareholders of Musti.

If the shares held by a shareholder are pledged or otherwise subject to restrictions that prevent or limit the acceptance, the acceptance of the Tender Offer may require the consent of the pledgee or other beneficiary of a such restriction. If so, acquiring this consent is the responsibility of the relevant shareholder of Musti. Such consent must be delivered in writing to the account operator.

A shareholder of Musti who wishes to accept the Tender Offer must submit the properly completed and duly executed acceptance to the account operator managing the shareholder's book-entry account in accordance with the instructions and within the time period set by the account operator, which may be prior to the expiry of the Offer Period. The Offeror reserves the right to reject or approve, in its sole discretion, any acceptances that have been submitted in an incorrect or incomplete manner.

Any acceptance must be submitted in such a manner that it will be received within the Offer Period (including any extended or discontinued extended Offer Period) taking into account, however, the instructions given by the relevant account operator. In the event of a Subsequent Offer Period, the acceptance must be submitted so that it is received during the Subsequent Offer Period, subject to and in accordance with the instructions of the relevant account operator. The account operator may request the receipt of acceptances prior to the expiration of the Offer Period and/or Subsequent Offer Period. Shareholders of Musti submit acceptances at their own risk. Any acceptance will be considered as submitted only when an account operator has actually received it. The Offeror reserves the right to reject or approve, in its sole discretion, any acceptance submitted outside the Offer Period (or any Subsequent Offer Period, as applicable) or in an incorrect or incomplete manner.

A shareholder who has validly accepted the Tender Offer in accordance with the terms and conditions of the Tender Offer may not sell or otherwise transfer his/her tendered Shares. By accepting the Tender Offer, the shareholders authorise their account operator, Nordea or a party appointed by Nordea to enter into their book-entry account a sales reservation or a restriction on the right of disposal in the manner set out in "*Technical Completion of the Tender Offer*" below after the shareholder has delivered the acceptance with respect to the Shares. Furthermore, the shareholders of Musti that accept the Tender Offer authorise their account operator, Nordea or a party appointed by Nordea to perform necessary entries and undertake any other measures needed for the technical execution of the Tender Offer, and to sell all the shares held by the shareholder of Musti at the time of the execution of trades under the Tender Offer to the Offeror in accordance with the terms and conditions of the Tender Offer. In connection with the completion trades of the Tender Offer or the settlement

thereof, the sales reservation or the restriction on the right of disposal will be removed and the Offer Price will be transferred to the relevant shareholders of Musti.

By accepting the Tender Offer, the accepting shareholder authorises his/her depository participant to disclose the necessary personal data, the number of his/her book-entry account and the details of the acceptance to the parties involved in the order or the execution of the order and settlement of the Shares.

Right of Withdrawal of Acceptance

An acceptance of the Tender Offer may be withdrawn by a shareholder of Musti at any time before the expiration of the Offer Period (including any extended or discontinued extended Offer Period) until the Offeror has announced that all Conditions to Completion have been satisfied or waived by the Offeror, that is, the Offeror has declared the Tender Offer unconditional. After such announcement, the acceptances of the Tender Offer may not be withdrawn, except in the event that a third party announces a competing public tender offer for the Shares before the execution of the completion trades of the Shares as set out under "*Completion of the Tender Offer*" below.

A valid withdrawal of an acceptance of the Tender Offer requires that a withdrawal notification is submitted in writing (and/or in accordance with the instructions set by the account operator) to the account operator to whom the original acceptance was submitted.

For nominee-registered Shares, the shareholders must request the relevant custodian of the nominee-registered shareholder to execute a withdrawal notification.

If a shareholder of Musti validly withdraws an acceptance of the Tender Offer, the sales reservation or the restriction on the right of disposal with respect to Shares on the book-entry account will be removed within three (3) Finnish banking days of the receipt of a withdrawal notification.

A shareholder of Musti who has validly withdrawn its acceptance of the Tender Offer may accept the Tender Offer again during the Offer Period (including any extended or discontinued extended Offer Period) by following the procedure set out under "*Acceptance Procedure of the Tender Offer*" above.

A shareholder of Musti who withdraws its acceptance of the Tender Offer is obligated to pay any fees that the account operator operating the relevant book-entry account, or the custodial nominee of a nominee-registered holding may collect for the withdrawal. In accordance with the FIN-FSA Regulations and Guidelines, if a competing tender offer has been announced during the Offer Period and the completion of the Tender Offer has not taken place, neither the Offeror nor Nordea (in its capacity as arranger) will charge the shareholders for validly withdrawing their acceptance in such a situation.

In the event of a Subsequent Offer Period, the acceptance of the Tender Offer will be binding and cannot be withdrawn, unless otherwise provided under mandatory law.

Technical Completion of the Tender Offer

When an account operator has received the properly completed and duly executed acceptance form or acceptance otherwise approved by the Offeror with respect to the Shares in accordance with the terms and conditions of the Tender Offer, the account operator will enter a sales reservation or a restriction on the right of disposal into the relevant shareholder's book-entry account. In connection with the completion trade of the Tender Offer or the settlement thereof, the sales reservation or the restriction on the right of disposal will be removed and the Offer Price will be paid to the relevant shareholder.

Announcement of the Result of the Tender Offer

The preliminary result of the Tender Offer will be announced by way of a stock exchange release on or about the first (1st) Finnish banking day following the expiration of the Offer Period (including any extended or discontinued extended Offer Period). In connection with the announcement of such preliminary result, it will be announced whether the Tender Offer will be completed subject to the Conditions to Completion being satisfied or waived on the date of the Offeror's final result announcement and whether the Offer Period will be extended. The final result of the Tender Offer will be announced by way of a stock exchange release on or about the third (3rd) Finnish banking day following the expiration of the Offer Period (including any extended or discontinued extended Offer Period) at the latest (the "**Result Announcement Date**"). In connection with the announcement of the final result, the percentage of the Shares that have been validly tendered and accepted in the Tender Offer, and that have not been validly withdrawn, will be confirmed.

In the event of a Subsequent Offer Period, the Offeror will announce by way of a stock exchange release the initial percentage of the Shares validly tendered during the Subsequent Offer Period on or about the first (1st) Finnish banking

day following the expiry of the Subsequent Offer Period and the final percentage on or about the third (3rd) Finnish banking day following the expiry of the Subsequent Offer Period.

Completion of the Tender Offer

The completion trades of the Tender Offer will be executed with respect to all of those Shares of Musti that have been validly accepted, and not validly withdrawn, no later than on the tenth (10th) Finnish banking day following the announcement of the final result of the Tender Offer (the "**Completion Date**"), preliminary expected to be on 22 February 2024. If possible, the completion trades of the Shares will be executed on Nasdaq Helsinki, provided that such execution is allowed under the rules applied to trading on Nasdaq Helsinki. Otherwise, the completion trades will be made outside Nasdaq Helsinki. The completion trades of the Shares will be settled on or about the Completion Date (the "**Settlement Date**"), preliminary expected to be on 22 February 2024.

Terms of Payment and Settlement

The Offer Price will be paid on the Settlement Date to each shareholder of Musti who has validly accepted, and not validly withdrawn, the Tender Offer into the management account of the shareholder's book-entry account. In any case, the Offer Price will not be paid to a bank account situated in Australia, Canada, the Hong Kong Special Administrative Region of the People's Republic of China, Japan, New Zealand or South Africa or any other jurisdiction where the Tender Offer is not being made (see "*Restrictions and Important Information*"). If the management account of a shareholder of Musti is with a different financial institution than the applicable book-entry account, the Offer Price will be paid into such cash account approximately two (2) Finnish banking days later in accordance with the schedule for payment transactions between financial institutions.

In the event of a Subsequent Offer Period, the Offeror will in connection with the announcement thereof announce the terms of payment and settlement for the Shares tendered during the Subsequent Offer Period. The completion trades with respect to Shares validly tendered and accepted in accordance with the terms and conditions of the Tender Offer during the Subsequent Offer Period will, however, be executed within not more than two (2) week intervals.

The Offeror reserves the right to postpone the payment of the Offer Price if payment is prevented or suspended due to a force majeure event, but will immediately effect such payment once the force majeure event preventing or suspending payment is resolved.

If all the Conditions to Completion are not met and the Offeror does not waive such conditions or extend the Offer Period, the Tender Offer will expire, and no consideration will be paid for the tendered Shares.

Transfer of Ownership

Title to the Shares in respect of which the Tender Offer has been validly accepted, and not validly withdrawn, will pass to the Offeror on the Settlement Date against the payment of the Offer Price by the Offeror to the tendering shareholder. In the event of a Subsequent Offer Period, title to the Shares in respect of which the Tender Offer has been validly accepted during a Subsequent Offer Period will pass to the Offeror on the relevant settlement date against the payment of the Offer Price by the Offeror to the tendering shareholder.

Transfer Tax and Other Payments

The Offeror will pay any transfer tax that may be charged in Finland in connection with the sale of the Shares pursuant to the Tender Offer.

Fees charged by account operators, asset managers, nominees or any other person for the release of collateral or the revoking of any other restrictions preventing the sale of the Shares, will be borne by each relevant shareholder of Musti. Each shareholder of Musti is liable for any fees that relate to a withdrawal of an acceptance made by such shareholder.

The Offeror is liable for any other customary costs caused by the registration of entries in the book-entry system required by the Tender Offer, the execution of trades pertaining to the Shares pursuant to the Tender Offer and the payment of the Offer Price.

The receipt of cash pursuant to the Tender Offer by a shareholder may be a taxable transaction for the respective shareholder under applicable tax laws, including those of the country of residency of the shareholder. Any tax liability arising to a shareholder from the receipt of cash pursuant to the Tender Offer will be borne by such shareholder. Each shareholder is urged to consult with an independent professional adviser regarding the tax consequences of accepting the Tender Offer.

Other Matters

This Tender Offer Document and the Tender Offer are governed by Finnish law. Any disputes arising out of or in connection with the Tender Offer will be settled by a court of competent jurisdiction in Finland.

The Offeror reserves the right to amend the terms and conditions of the Tender Offer in accordance with Chapter 11, Section 15 of the Finnish Securities Markets Act. Should the FIN-FSA issue an order regarding an extension of the Offer Period, the Offeror reserves the right to decide upon the withdrawal of the Tender Offer in accordance with Chapter 11, Section 12 of the Finnish Securities Markets Act.

Should a competing tender offer be published by a third party during the Offer Period, the Offeror has the right, as stipulated in Chapter 11, Section 17 of the Finnish Securities Markets Act, to (i) decide upon an extension of the Offer Period; (ii) decide upon an amendment of the terms and conditions of the Tender Offer; and (iii) decide, during the Offer Period, but before the expiration of the competing tender offer, to let the Tender Offer lapse. The Offeror will decide on all other matters related to the Tender Offer, subject to applicable laws and regulations and the provisions of the Combination Agreement.

Other Information

Nordea acts as the arranger in relation to the Tender Offer outside the United States, which means that it performs certain administrative services relating to the Tender Offer. This does not mean that a person who accepts the Tender Offer (the "**Participant**") will be regarded as a customer of Nordea as a result of such acceptance. A Participant will be regarded as a customer only if Nordea has provided advice to the Participant or has otherwise contacted the Participant personally regarding the Tender Offer. If the Participant is not regarded as a customer, the investor protection rules under the Finnish Act on Investment Services (747/2012, as amended) will not apply to the acceptance. This means, among other things, that neither the so-called customer categorisation nor the so-called appropriateness test will be performed with respect to the Tender Offer. Each Participant is therefore responsible for ensuring that it has sufficient experience and knowledge to understand the risks associated with the Tender Offer.

Important Information regarding NID and LEI

According to Directive 2014/65/ EU on markets in financial instruments (MiFID II), all investors must have a global identification code from 3 January 2018, in order to carry out a securities transaction. These requirements require legal entities to apply for registration of a Legal Entity Identifier (LEI) code, and natural persons need to state their NID (National ID or National Client Identifier) when accepting the Tender Offer. Each person's legal status determines whether a LEI code or NID number is required and the book-entry account operator may be prevented from performing the transaction to any person if LEI or NID number is not provided. Legal persons who need to obtain a LEI code can contact the relevant authority or one of the suppliers available on the market. Instructions for the global LEI system can be found on the following website: www.gleif.org/en/about-lei/get-an-lei-find-lei-issuing-organizations. Those who intend to accept the Tender Offer are encouraged to apply for registration of a LEI code (legal persons) or to acquire their NID number (natural persons) well in advance, as this information is required in the acceptance at the time of submission.

Information about Processing of Personal Data

Shareholders who accept the Tender Offer will submit personal data, such as name, address and NID, to Nordea, which is the controller for the processing. Personal data provided to Nordea will be processed in data systems to the extent required to administer the Tender Offer. Personal data obtained from sources other than the customer may also be processed. Personal data may also be processed in the data systems of companies with which Nordea cooperates and it may be disclosed to the Offeror and the members of the Consortium to the extent necessary for administering the Tender Offer. Address details may be obtained by Nordea through an automatic procedure executed by Euroclear Finland. Additional information on processing of personal data by Nordea, including details on how to exercise data subjects' rights, may be found at www.nordea.fi/en/personal/get-help/your-rights-to-personal-data.html and www.nordea.com/en/privacy-policy.

PRESENTATION OF THE OFFEROR

Offeror in Brief

The Offeror is a private limited company (business identity code 3363473-9) incorporated under the laws of Finland. The Offeror is domiciled in Helsinki, Finland, and its registered address is c/o Krogerus Attorneys Ltd, Fabianinkatu 9, FI-00130 Helsinki, Finland. As at the date of this Tender Offer Document, the Offeror is directly owned by Sonae Holdings, S.A. (a wholly-owned direct subsidiary of Sonae) and directly and indirectly by Jeffrey David, the Chair of Musti's Board of Directors, Johan Dettel, a member of Musti's Board of Directors and David Rönnerberg, the Chief Executive Officer of Musti), who have together formed the Consortium for the purposes of the Tender Offer. It is expected that Sonae Holdings, S.A. will hold approximately 98 per cent, and Jeffrey David, Johan Dettel and David Rönnerberg, through their jointly-owned holding company (to be incorporated), approximately in aggregate 2 per cent of the shares in the Offeror after the completion of the Tender Offer (assuming that the Offeror holds 100 per cent of the Shares in Musti).

Persons Related to the Offeror as Stipulated in Chapter 11, Section 5 of the Finnish Securities Markets Act

The parties acting in concert with the Offeror as referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act include Sonae, Sonae Holdings, S.A., Jeffrey David, Johan Dettel and David Rönnerberg and their affiliates.

As at the date of this Tender Offer Document, the Offeror hold 861,806 Shares and votes carried by the Shares in Musti, Sonae holds 566,661 Shares and votes carried by the Shares in Musti, Jeffrey David holds (directly and through his affiliate) 217,136 Shares and votes carried by the Shares in Musti, Johan Dettel holds (directly and through his affiliates) 14,095 Shares and votes carried by the Shares in Musti and David Rönnerberg holds (directly and through his affiliate) 614,750 Shares and votes carried by the Shares in Musti.

Neither the Offeror nor any other party related to the Offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act has purchased any Shares within the six (6) months preceding the Announcement. The Offeror has, after the Announcement and until the date of this Offer Document, purchased an aggregate of 861,806 Shares in Musti. The highest price paid in such purchases has been EUR 26.00 per Share.

The following table sets forth the shareholdings of the Offeror and the entities acting in concert with the Offeror as referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act as at the date of this Tender Offer Document:

Entity	Business Identity Code	Domicile	Number of Shares and votes carried by the Shares in Musti	Percentage of Shares and Votes carried by the Shares in Musti
Flybird Holding Oy	3363473-9	Helsinki, Finland	861,806	2.58
Sonae - SGPS, S.A.	Portuguese registered number 500273170	Maia, Portugal	566,661	1.70
Sonae Holdings, S.A.	Portuguese registered number 506440613	Maia, Portugal	0	0
Jeffrey David			3,451	0.01
Jeffrey David Discretionary Trust			213,685	0.64
Johan Dettel			2,095	0.01
Vaser Invest AB	Swedish registered number 559202-8012	Åre, Sweden	7,000	0.02
Vaser Fastighets AB	Swedish registered number 559106-0214	Lidingö, Sweden	5,000	0.01
David Rönnerberg			535,286	1.60
Rönnerberg Consulting AB	Swedish registered number 556822-3399	Djursholm, Sweden	79,464	0.24
Total			2,274,538	6.81

The Consortium

Sonae Holdings, S.A. and Jeffrey David, Johan Dettel and David Rönnerberg have formed the Consortium for the purposes of the Tender Offer. The Consortium members have agreed the basis for the mutual joint enterprise and entered into agreements concerning the cooperation of the Consortium members in connection with the Tender Offer, the transfer of the Shares held by the Consortium members to the Offeror (as described in "*Contribution of Shares*" below) as well as their rights and obligations in relation to the joint enterprise.

Based on the equity contributions and agreements entered into among the Consortium members, it is expected that Sonae Holdings, S.A. will own 98 per cent, and Jeffrey David, Johan Dettel and David Rönnerberg, through their jointly-owned holding company (to be incorporated), in aggregate 2 per cent of the shares in the Offeror following the completion of the Tender Offer (assuming that the Offeror holds 100 per cent of the Shares in Musti).

The purpose of the Consortium has been to form a joint enterprise to develop Musti's business further and all members of the Consortium have the prerequisites to bear the business risks and to take part in the long-term development of Musti. The Consortium believes that under private ownership, the Company would be in a great position to further expand the operations of Musti due to Sonae's strong operating know-how, experience of fostering successful retail businesses into leading positions in their respective markets, exemplary track-record of establishing successful partnerships, and a complementary network of relationships and geographical outreach. Moreover, through Jeffrey David, Johan Dettel and David Rönnerberg, the Consortium possesses exceptional operational experience, know-how and track-record both in the pet care sector as well as in the operations of Musti ensuring continuity with core values and culture of Musti, and have in the agreement entered into among the Consortium members, agreed to continue working as directors and officers in Musti after the Tender Offer, which forms the basis for their inclusion in the Consortium by Sonae. The Consortium would provide capital, support and agility for further market share gains in the Nordics and foster Musti in its next growth stage together with the management, employees and other stakeholders of Musti.

The Consortium members are pursuing the Tender Offer in accordance with its terms and conditions, including the satisfaction of the Conditions to Completion (see "*Terms and Conditions of the Tender Offer*"). The Conditions to Completion may be waived either subject to the approval of the Consortium members or, in certain cases, at the sole discretion of Sonae Holdings, S.A., for the Tender Offer to be completed. All Consortium members are committed to participate in the Consortium and in Musti business over the long term. The Consortium members have agreed that there will be no liquidity event during the first four (4) years following the completion of the Tender Offer. In addition, the Consortium members have agreed that, subject to certain customary exceptions, the Consortium members shall not be entitled to transfer their shares or other equity securities in the Offeror during a lock-up period of four (4) years. No guaranteed returns on the Consortium members' investment in the Offeror are provided for in the agreements entered into among the Consortium members.

Contribution of Shares

Sonae currently holds 566,661 Shares in Musti and Jeffrey David, Johan Dettel and David Rönnerberg currently hold (directly and through their affiliates) an aggregate 845,981 Shares in Musti. Pursuant to an agreement entered into among the Consortium members, Sonae will tender 566,661 Shares to the Offeror in the Tender Offer at the Offer Price. Pursuant to the aforementioned agreement, Jeffrey David, Johan Dettel and David Rönnerberg directly and through their affiliates will transfer an aggregate of 534,860 Shares to the Offeror in connection with the execution of the Tender Offer (i.e. completion of the Tender Offer) at the Offer Price in exchange for shares in the Offeror (the "**Contribution**"). In connection with the Contribution, Johan Dettel shall purchase a total of 85,905 Shares from David Rönnerberg at the Offer Price, all of which will be transferred to the Offeror in the Contribution (and have been calculated to the aggregate number of Shares to be contributed by Jeffrey David, Johan Dettel and David Rönnerberg). The remaining Shares held by David Rönnerberg and Jeffrey David shall be tendered to the Offeror in the Tender Offer at the Offer Price pursuant to the agreement entered into among the Consortium members to cover certain liquidity needs.

The Contribution shall take place partly by way of a contribution of Shares into the fund for invested unrestricted equity of the Offeror and partly by way of cash re-investments of the Offer Price received into the fund for invested unrestricted equity of the Offeror.

Sonae shall provide the Offeror such amount of financing as is necessary for the Offeror (i) to purchase, upon the completion of the Tender Offer, the Shares held by Sonae or any shareholder of Musti who has accepted the Tender Offer and (ii) to purchase any further Shares, whether by market purchases during the Offer Period or by way of redemption proceedings.

PRESENTATION OF MUSTI

All financial and other information presented in this Tender Offer Document concerning Musti has been extracted from, and has been exclusively based upon, the annual report and audited financial statements published by Musti as at and for the financial year ended 30 September 2023, stock exchange releases published by Musti, entries in the Finnish trade register and other publicly available information. Consequently, the Offeror does not accept responsibility for such information except for the accurate reproduction of such information herein.

General Overview

Musti, founded in 1988, is the leading Nordic pet care specialist operating in Finland, Sweden and Norway. Musti serves Nordic customers in all channels through store chains Musti ja Mirri, Musti, Arken Zoo and Djurmagazinet, comprising a network totalling 342 stores, and through online-first retail brands such as Peten Koiratarvike and Vetzoo. Musti's mission is to make the life of pets and their owners easier, safer and more fun throughout the whole lifespan of the pet. Musti's net sales in the financial year 2023 was EUR 425.7 million, adjusted EBITDA was EUR 73.6 and operating profit was EUR 37.8 million. According to Musti's 2023 financial statements, the net sales are divided by channel, with approximately 75.7 per cent of net sales derived from in-store sales, 23.0 per cent from online sales and 1.3 per cent from other sales channels. At the end of September 2023, the number of personnel of Musti was 1,643.

Musti 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 Finland Musti holds approximately 32 per cent share of the total pet food and products market. In Sweden Musti has approximately 28 per cent market share. In Norway, Musti is holding approximately 16 per cent share of the total pet food and products market. According to Musti's 2023 financial statements, Finland represented approximately 45 per cent of the net sales for the financial year, Sweden represented approximately 40 per cent and Norway approximately 15 per cent.

Musti is a public limited liability company incorporated under the laws of Finland, with its shares listed on the official list of Nasdaq Helsinki under the trading code "MUSTI". The ISIN code of the shares of Musti is FI4000410758. Musti is registered in the Finnish Trade Register under the business identity code 2659161-1. The legal entity identifier (LEI) code of Musti is 743700IE9NQG9YZAI97. The Company is domiciled in Helsinki, Finland, and its registered address is Mäkitorpantie 3 B, FI-00620 Helsinki, Finland.

Shares and Share Capital

As at the date of this Tender Offer Document, the registered share capital of Musti amounts to EUR 11,001,853.68 and the number of issued shares in Musti is 33,535,453, of which 33,387,887 are outstanding Shares and 147,566 are held in treasury. The shares in Musti have no nominal value. The articles of association of Musti do not include provisions on the minimum or maximum amount of share capital.

Musti has one class of shares. The shares in Musti are entered into the Finnish book-entry securities system. Each Share entitles its holder to one vote at each general meeting of shareholders of Musti. All Shares give equal rights to dividends and other distributable funds by Musti. The articles of association of Musti do not include any provisions or restrictions on voting rights that deviate from provisions of the Finnish Companies Act.

Ownership Structure

The following table sets forth the ten largest shareholders of Musti and their ownership of all issued shares and voting rights in Musti according to the shareholders' register maintained by Euroclear Finland Oy ("**Euroclear Finland**") as at 30 November 2023.

Shareholder	Number of Shares	Per cent of Shares and votes
Varma Mutual Pension Insurance Company	2,057,020	6.13
Ilmarinen Mutual Pension Insurance Company	944,988	2.82
Evli Finnish Small Cap Fund	747,000	2.23
Elo Mutual Pension Insurance Company	679,000	2.03
Nordea Finnish Stars Fund	443,758	1.32
Säästöpankki Kotimaa	415,779	1.24
Mandatum Life Insurance Company Limited	383,148	1.14
Säästöpankki Pienyhtiöt	352,846	1.05
Sijoitusrahasto Aktia Capital	313,774	0.94
OP-Finland Small Firms Fund	269,975	0.81

Treasury shares

Pursuant to the knowledge of the Offeror, Musti and its subsidiaries hold as the date of this Tender Offer Document in the aggregate 147,566 treasury shares, representing approximately 0.44 per cent of all the shares and voting rights in Musti. The Tender Offer is not being made of the treasury shares held by Musti or shares held by its subsidiaries.

Stock Options and Other Special Rights Entitling to Shares

Pursuant to the knowledge of the Offeror, Musti has no issued or outstanding stock options or other special rights entitling to shares. However, the annual general meeting of Musti has on 30 January 2023 authorised the Board of Directors of the Company to decide on the issuance of shares and special rights entitling to shares (see "Authorisations" below).

As at the date of this Tender Offer Document, Musti has two share-based long-term incentive plans for the management team and key employees, PSP 2020-2024, and PSP 2023-2027 as described above in "Background and Objectives – Share-based incentive plans of Musti".

Authorisations

Authorisation Regarding the Issuance of Shares

On 30 January 2023, the Annual General Meeting of Musti authorised the Board of Directors of the Company 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 authorisation may not exceed 3,185,000 shares, which corresponds to approximately 9.5 per cent of all of the shares in the Company. The authorisation covers both the issuance of new shares as well as the transfer of treasury shares held by the Company.

The Board of Directors of Musti was authorised to decide 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).

The authorisation is effective until the conclusion of the next Annual General Meeting, however, no longer than until 31 March 2024.

Authorisation Regarding the Repurchase of Own Shares as well as to Accept Them as Pledge

On 30 January 2023, the Annual General Meeting authorised 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 authorisation 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.

Under the authorisation, own shares may 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 of the Company was also authorised to decide 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).

The authorisation is effective until the conclusion of the next Annual General Meeting, however, no longer than until 31 March 2024.

Shareholders' Agreements and Certain Other Agreements

The Offeror is not aware of any shareholders' agreements or other agreements or arrangements concerning the use of voting power or shareholding in Musti or containing information that would materially affect the assessment of the benefits of the Tender Offer.

Board of Directors, Chief Executive Officer and Auditor

In accordance with the provisions of the Finnish Companies Act, the Board of Directors of Musti is responsible for the Company's management and the proper organisation of its operations.

According to the articles of association of Musti, the Board of Directors of the Company shall consist of three to ten (3–10) members. The term of office of members of the Board of Directors begins from the General Meeting deciding on their election and ends at the close of the next Annual General Meeting following their election. The Board of Directors shall elect a Chair from among its members. As at the date of this Tender Offer Document, the Board of Directors consists of the following persons: Jeffrey David (Chair), Ingrid Jonasson Blank (Vice-Chair), Johan Dettel, Inka Mero and Ilkka Laurila.

Pursuant to the Finnish Companies Act, the Chief Executive Officer is appointed by the Board of Directors. As at the date of this Tender Offer Document, the Chief Executive Officer of Musti is David Rönnerberg.

Jeffrey David, Johan Dettel and David Rönnerberg are part of the Consortium formed by Sonae Holdings, S.A. for the purpose of making the Tender Offer.

The auditor of Musti is Ernst & Young Oy, with Johanna Winqvist-Ilkka, Authorised Public Accountant, as the responsible auditor.

Musti's Ownership in the Offeror

Pursuant to the knowledge of the Offeror, Musti does not own any shares or securities entitling to shares in the Offeror or in any party related to the Offeror in the manner referred to in Chapter 11, Section 5 of the Finnish Securities Markets Act.

Financial Information

The audited consolidated financial statements of Musti as at and for the financial year ended 30 September 2023 and the Board of Directors' report as at and for the financial year ended 30 September 2023 are included in this Tender Offer Document (see "*Annex B: Financial Information of Musti*") in the form published by Musti. As at the date of this Tender Offer Document, the said financial statements have not been presented to the annual general meeting of shareholders of Musti.

Future Prospects Published by Musti

The future prospects of Musti have been described in the Board of Directors' report of Musti as at and for the financial year ended 30 September 2023. See "*Annex B: Financial Information of Musti*."

Articles of Association

The articles of association of Musti are included in this Tender Offer Document. See "*Annex C: Articles of Association Musti*".

ANNEX A: STATEMENT BY THE BOARD OF DIRECTORS OF MUSTI

Statement of the Board of Directors of Musti regarding the recommended public tender offer by a consortium comprising Sonae, Jeffrey David, Johan Dettel and David Rönnerberg through Flybird Holding Oy

On 29 November 2023, a consortium comprising Sonae Holdings, S.A. (a subsidiary wholly-owned and controlled by Sonae - SGPS, S.A. ("**Sonae**")) and Jeffrey David, the Chair of Musti Group Plc's Board of Directors, Johan Dettel, a member of Musti Group Plc's Board of Directors, and David Rönnerberg, the Chief Executive Officer of Musti Group Plc, (the "**Consortium**") announced that it will make a recommended voluntary public cash tender offer through Flybird Holding Oy (the "**Offeror**") for all the issued and outstanding shares (the "**Shares**" or, individually, a "**Share**") in Musti Group Plc ("**Musti**" or the "**Company**") (the "**Tender Offer**"). The shareholders of Musti (other than Musti or its subsidiaries) will be offered a cash consideration of EUR 26.00 for each Share validly tendered in the Tender Offer (the "**Offer Price**"), subject to adjustments as set out below.

The Board of Directors of the Company (the "**Musti Board**") has decided to issue the statement below regarding the Tender Offer as required by the Finnish Securities Markets Act (746/2012, as amended, the "**Finnish Securities Markets Act**").

1. Tender Offer in Brief

The Offeror is a private limited company incorporated and existing under the laws of Finland for the purpose of making the Tender Offer. It is expected that Sonae Holdings, S.A. will hold approximately 98 per cent and Jeffrey David, Johan Dettel and David Rönnerberg, through their jointly-owned holding company (to be incorporated), approximately in aggregate 2 per cent of the shares in the Offeror after the completion of the Tender Offer (assuming that the Offeror holds 100 per cent of the Shares in Musti).

The Offeror and Musti have on 29 November 2023 entered into a combination agreement (the "**Combination Agreement**") pursuant to which the Offeror makes the Tender Offer.

As at the date of this statement, Musti has 33,535,453 issued shares, of which 33,387,887 are outstanding and of which 147,566 are held in treasury.

The Offeror, Sonae and Sonae Holdings, S.A., each respectively, have reserved the right to acquire Shares before, during and/or after the offer period (including any extension thereof and any subsequent offer period) in public trading on Nasdaq Helsinki Ltd ("**Nasdaq Helsinki**") or otherwise.

The Offeror expects to publish a tender offer document (the "**Tender Offer Document**") with detailed information on the Tender Offer on or about 15 December 2023.

The Offer Price represents a premium of approximately:

- 27.1 per cent compared to EUR 20.46, i.e. the closing price of the Share on Nasdaq Helsinki on 28 November 2023, the last trading day immediately preceding the announcement of the Tender Offer;
- 39.3 per cent compared to EUR 18.66, i.e. the three-month volume-weighted average trading price of the Share on Nasdaq Helsinki on the last trading day immediately preceding the announcement of the Tender Offer;

- 40.4 per cent compared to EUR 18.51, i.e. the six-month volume-weighted average trading price of the Share on Nasdaq Helsinki on the last trading day immediately preceding the announcement of the Tender Offer; and
- 49.5 per cent compared to EUR 17.39, i.e. the twelve-month volume-weighted average trading price of the Share on Nasdaq Helsinki on the last trading day immediately preceding the announcement of the Tender Offer.

The Tender Offer values Musti's total outstanding equity at approximately EUR 868 million (excluding 147,566 shares held in treasury by Musti).

The Offer Price has been determined based on 33,387,887 issued and outstanding Shares. Should the Company change the number of Shares that are issued and outstanding on the date hereof as a result of a new share issue, reclassification, stock split (including a reverse split) or any other similar transaction with dilutive (or in some cases, the opposite) effect, including securities convertible into shares or equity interests, or should the Company declare or distribute a dividend or otherwise distribute funds or any other assets to its shareholders, or if a record date with respect to any of the foregoing occurs prior to the first settlement date of the completion trades of the Shares, the Offer Price payable by the Offeror shall be adjusted accordingly on a euro-for-euro basis.

The members of the Consortium have committed to contribute or tender all Shares held by them or their affiliates to the Offeror in connection with the Tender Offer. In addition, representatives of Musti and the Consortium have, prior to the announcement of the Tender Offer on 29 November 2023, discussed the Tender Offer confidentially with the Company's major shareholders. Based on information communicated to the Musti Board based on such discussions, several of the Company's major shareholders have expressed that they view the Tender Offer positively.

The completion of the Tender Offer is subject to the satisfaction or waiver by the Offeror of certain customary conditions on or prior to the Offeror's announcement of the final results of the Tender Offer including, among others, that approvals by all necessary competition authorities and other regulatory authorities have been received (or regulatory waiting periods have expired, as the case may be) and the Offeror having gained control of more than 90 per cent of the Shares and votes in Musti on a fully diluted basis.

The Offeror has secured the financing required to finance the Tender Offer at completion in accordance with its terms and conditions, and compulsory redemption proceedings, if any, in accordance with the Finnish Companies Act (624/2006, as amended, the "**Finnish Companies Act**"), and the possible payment of a termination fee by the Offeror.

The offer period under the Tender Offer is expected to commence on or about 18 December 2023. The Offeror reserves the right to extend the offer period from time to time in accordance with, and subject to, the terms and conditions of the Tender Offer and applicable laws and regulations, in order to satisfy the conditions to completion of the Tender Offer, including, among others, the receipt of all necessary regulatory approvals, permits, clearances, consents or other actions, including without limitation approvals required under applicable foreign direct investment laws, competition clearances (or, where applicable, the expiry of relevant waiting periods) required under applicable competition laws or other regulatory laws in any relevant jurisdiction for the completion of the Tender Offer. The Tender Offer is currently expected to be completed during the first quarter of 2024.

The detailed terms and conditions of the Tender Offer as well as instructions on how to accept the Tender Offer will be included in the Tender Offer Document, which the Offeror expects to publish on or about 15 December 2023.

Pursuant to the Combination Agreement, the Musti Board may, at any time prior to the completion of the Tender Offer, withdraw, modify, amend, cancel, or change the recommendation, include conditions to or,

subject to applicable law, decide not to issue its recommendation for the shareholders of the Company to accept the Tender Offer or take actions contradictory to its earlier recommendation but only if the Musti Board considers in good faith due to materially changed circumstances of which it was not aware of on the date of the Combination Agreement, after taking advice from reputable external legal counsel(s) and financial advisor(s), that on the basis of its fiduciary duties towards the holders of the Shares under Finnish laws and regulations (including the Helsinki Takeover Code), the acceptance of the Tender Offer would no longer be in the best interest of the shareholders, and the Musti Board has (i) promptly notified the Offeror of it contemplating such actions, (ii) in good faith provided the Offeror with a reasonable opportunity, during not less than five (5) business days from the date of informing the Offeror of it contemplating such actions, to negotiate with the Musti Board in respect of such actions, with a view to improving the terms and conditions of the Tender Offer or to take other actions to remedy the circumstances giving rise to such contemplated action with respect to the recommendation, and (iii) taken such enhanced terms and conditions of the Tender Offer, if any, into consideration when resolving upon such contemplated actions with respect to the recommendation, including conditions thereto or deciding not to issue the recommendation, or taking actions contradictory to the earlier recommendation. Withdrawing, modifying, amending, cancelling, changing or including conditions to or deciding not to issue its recommendation or taking actions contradictory to its earlier recommendation requires in case of a superior offer or a competing offer which the Musti Board has determined in good faith to constitute a superior offer if made public that (i) the Musti Board has notified the Offeror with reasonably detailed information about the superior offer or the competing offer, (ii) the Musti Board has given the Offeror a reasonable opportunity, during not less than five (5) business days after having received all material information relating to a superior offer or a competing offer, to agree with the Musti Board on improving the terms of the Tender Offer, and (iii) in case of a competing offer, the Company has informed the Offeror that the Musti Board has determined that such competing offer would, if announced, constitute a superior offer, as and if applicable, and (iv) such competing offer has been publicly announced such that it becomes a superior offer.

The Musti Board has seen it fit to agree to the non-solicitation undertaking and the above-mentioned obligations included in the Combination Agreement, based on its assessment of the terms and conditions of the Tender Offer and the positive views of the Tender Offer expressed by the Company's major shareholders, and also considering that the non-solicitation undertaking and the above-mentioned obligations do not prevent the Musti Board from complying with its fiduciary duties under the Finnish Companies Act and the Helsinki Takeover Code e.g. in the event of a competing offer or arrangement.

2. Background for the Statement

Pursuant to the Finnish Securities Markets Act, the Musti Board must prepare a public statement regarding the Tender Offer.

The statement must include a well-founded assessment of the Tender Offer from the perspective of Musti and its shareholders as well as of the strategic plans presented by the Offeror in the Tender Offer Document and their likely effects on the operations of, and employment at, Musti.

For the purposes of issuing this statement, the Offeror has submitted to the Musti Board a draft version of the Finnish language Tender Offer Document in the form in which the Offeror has filed it with the FIN-FSA for approval on 5 December 2023 and certain subsequent amendments thereto (the "**Draft Offer Document**") and its corresponding English language version.

In preparing its statement, the Musti Board has relied on information provided in the Draft Offer Document by the Offeror and certain other information provided by the Offeror and has not independently verified this information. Accordingly, the Musti Board's assessment of the consequences of the Tender Offer on Musti's business and employees, as presented by the Offeror, should be treated with some degree of caution.

3. Assessment Regarding Strategic Plans Presented by the Offeror in the Draft Offer Document and Their Likely Effects on the Operations of, and Employment at, Musti

Information Given by the Offeror in the Offer Announcement and Draft Offer Document

The Musti Board has assessed the Offeror's strategic plans based on the statements made in the Company's and the Offeror's announcement of the Tender Offer published on 29 November 2023 (the "**Offer Announcement**") and the Draft Offer Document.

The Consortium is assured of the stable market position of Musti in the Nordic region and is impressed with Musti's leadership and employees, who have successfully established the Company as the leading Nordic pet retailer and solidified its position as a leader across the full pet retail offering. The Consortium is particularly appreciative of Musti's own and exclusive product offering and successful omnichannel strategy.

The Consortium intends to leverage Sonae's strong operating know-how, experience of fostering successful retail businesses into leading positions in their respective markets and a complementary network of relationships and geographical outreach to further expand the operations of Musti. Moreover, through Jeffrey David, Johan Dettel and David Rönnerberg, the Consortium believes it possesses exceptional operational experience and know-how both in the pet care sector as well as in the operations of Musti ensuring continuity with the core values and culture of Musti, and have in the agreement entered into among the Consortium members, agreed to continue working as directors and officers in Musti after the Tender Offer, which forms the basis for their inclusion in the Consortium by Sonae. The Consortium would provide capital, support and agility for further market share gains in the Nordics and foster Musti in its next growth stage together with the management, employees and other stakeholders of Musti.

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 Musti. However, as is customary, the Offeror intends to change the composition of the Musti Board after the completion of the Tender Offer.

Board Assessment

The Musti Board considers that the information on the Offeror's strategic plans concerning Musti included in the Offer Announcement and Draft Offer Document is of a general nature. However, based on the information presented to Musti and the Musti Board, the Musti Board believes that the completion of the Tender Offer is not expected to have any immediate material effects on Musti's operations or the position of the employees of Musti.

On the date of this statement, the Musti Board has not received any formal statements as to the effects of the Tender Offer to the employment at Musti from Musti's employees.

4. Assessment Regarding Financing Presented by the Offeror in the Draft Offer Document

Information given by the Offeror

The Musti Board has assessed the Offeror's financing based on the statements made in the Tender Offer Announcement and the Draft Offer Document. In addition, the Company's legal adviser Roschier, Attorneys Ltd. has reviewed the Offeror's principal equity and debt financing documents.

Pursuant to the Draft Offer Document, the Offeror has received an equity commitment from Sonae, who in turn has arranged adequate own equity as well as debt financing from CaixaBank Group and Banco Santander Totta to enable the Offeror to carry out the Tender Offer and any subsequent compulsory redemption proceedings in accordance with Chapter 18 Section 1 of the Finnish Companies Act, and the possible payment of a termination fee by the Offeror.

The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the conditions to completion are satisfied or waived by the Offeror).

The Offeror's Representations and Warranties in the Combination Agreement

In the Combination Agreement, the Offeror represents and warrants to Musti that the Offeror has on the date of the Combination Agreement and will have on the completion date secured necessary and

adequate financing, as evidenced in, together, (i) an equity commitment letter from Sonae to the Offeror and (ii) a financing agreement with external debt financiers of Sonae, in each case, delivered in redacted form to the Company prior to the execution of the Combination Agreement, to finance the payment of the aggregate Offer Price for all of the Shares in connection with the Tender Offer and in connection with the subsequent compulsory redemption proceedings and the possible payment of a termination fee by the Offeror pursuant to the Combination Agreement. The Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the conditions to completion are satisfied or waived by the Offeror).

Board Assessment

Based on the information made available by the Offeror to the Company, the Offeror's obligation to complete the Tender Offer is not conditional upon availability of financing (assuming that all the conditions to completion of the Tender Offer are otherwise satisfied or waived by the Offeror). The Musti Board believes that the Offeror has secured necessary and adequate financing in sufficient amounts in the form of cash available under the equity commitment letter and financing agreement with external debt financiers on a customary European "certain funds" basis in order to finance the Tender Offer at completion, compulsory redemption proceedings, if any, in accordance with the requirement set out in Chapter 11, Section 9 of the Finnish Securities Markets Act and the possible payment of a termination fee by the Offeror pursuant to the Combination Agreement.

5. Assessment of the Tender Offer from the Perspective of Musti and its shareholders

When evaluating the Offer, analyzing alternative opportunities available to Musti, and concluding on its statement, the Musti Board has considered several factors, including, but not limited to, Musti's recent financial performance, current position and future prospects, the historical performance of the trading price of Musti's Shares, and the conditions for the Offeror to complete the Tender Offer.

The Musti Board's assessment of continuing the business operations of Musti as an independent company has been based on reasonable future-oriented estimates, which include various uncertainties, whereas the Offer Price and the premium included therein is not subject to any uncertainty other than the fulfillment of the conditions to completion of the Tender Offer.

The Musti Board has previously confidentially investigated strategic opportunities for the Company together with Jefferies GmbH, but none of these opportunities have progressed. The Musti Board has also considered the risks and uncertainties associated with such opportunities in light of the feedback it has received. As at the date of this statement, the Musti Board assesses the likelihood of another offeror launching an alternative offer to be limited.

The Musti Board has received separate fairness opinions from Advium Corporate Finance Ltd. ("**Advium**") and Carnegie Investment Bank AB, Finland Branch ("**Carnegie**"), dated 29 November 2023, to the effect that, as of the date of such fairness opinions, the Offer Price to be paid to holders of Shares pursuant to the Tender Offer, was fair, from a financial point of view, to such holders of Shares (other than Sonae, Jeffrey David, Johan Dettel and David Rönnerberg). The fairness opinions were based upon and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the reviews undertaken as more fully described in such opinions. The complete fairness opinions of Advium and Carnegie are attached as Appendices 1 and 2 to this statement.

The Musti Board believes that the Offer Price is fair to the shareholders based on its assessment of the matters and factors, which the Musti Board has concluded to be material in evaluating the Tender Offer. These matters and factors include, but are not limited to:

- the information and assumptions on the business operations and financial condition of Musti as at the date of this statement and their expected future development, including an assessment of

expected risks and opportunities related to the implementation and execution of Musti's current strategy as an independent company;

- the premium being offered for the Shares;
- the historical trading price of the Shares;
- transaction certainty, and that the conditions of the Tender Offer are reasonable and customary;
- the prevailing circumstances in Musti, including the product recall announced by Musti by way of a press release on 8 November 2023;
- valuation multiples of the Shares compared to the industry multiples before the announcement of the Offer;
- valuations and analysis made and commissioned by the Musti Board as well as discussions with an external financial adviser;
- the positive views of the Tender Offer expressed by the Company's major shareholders; and
- the fairness opinions issued by Advium and Carnegie.

In addition, the Musti Board considers the Offer Price level as well as information on certain major shareholders' positive views of the Tender Offer, as communicated to the Musti Board, to positively affect the ability of the Offeror to successfully complete the Tender Offer.

Following a written request from the Offeror, the Musti Board allowed the Offeror to conduct a due diligence review of the Company in connection with the preparations for the Tender Offer. No inside information has been provided by Musti to the Offeror in connection with the review and the Consortium members' participation in the due diligence has been addressed through customary contractual limitations. In parallel with the Offeror's due diligence review, the Musti Board and its advisers engaged in negotiations with the Consortium, which resulted in the Offer price of EUR 26.00 per Share, a material increase compared to the first non-binding indicative proposal made by the Consortium.

In evaluating the Tender Offer, the Musti Board has taken into account that members of the Musti Board, Jeffrey David and Johan Dettel and the CEO of Musti, David Rönnberg, participate in the Tender Offer as members of the Consortium. Upon receipt of a non-binding indicative proposal from the Consortium, the Musti Board resolved to establish a special ad hoc committee consisting of the non-conflicted members of the Musti Board, Ingrid Jonasson Blank, Ilkka Laurila and Inka Mero to assess the Tender Offer. The members of the ad hoc committee have held 12 formally scheduled meetings up to the issuance of this statement and have communicated actively with each other and the Company's legal and financial advisers also outside formal meetings in order to carefully assess the Tender Offer from the perspective of Musti and its shareholders.

The Musti Board has concluded that Musti would have viable opportunities to develop its business as an independent company for the benefit of Musti and its shareholders. However, taking into consideration the risks and uncertainties associated with such stand-alone approach, particularly the unfavorable macroeconomic development that has been ongoing for some time now and the uncertainty it causes for the short and medium term, the market-specific dynamics in the countries where Musti conducts its business, the possible brand-specific risk associated with Musti's recent product recall as well as the terms and conditions of the Tender Offer included in the Draft Offer Document, the Musti Board has concluded that the Tender Offer is a favorable alternative for the shareholders and that the Offer Price is fair to the shareholders of Musti.

6. Recommendation of the Musti Board

The Musti Board, represented by a quorum comprising the non-conflicted members of the Musti Board who are not members of the Consortium has carefully assessed the Tender Offer and its terms and conditions based on the Draft Offer Document, the fairness opinions issued by Advium and Carnegie, the Tender Offer Announcement, and other available information.

Based on the foregoing, the Musti Board considers that the Tender Offer and the amount of the Offer Price are, under the prevailing circumstances, fair to Musti's shareholders.

Given the above-mentioned viewpoints, the members of the Musti Board that participated in the consideration and decision-making concerning the implications of the Tender Offer and this statement in Musti unanimously recommend that the shareholders of Musti accept the Tender Offer.

Being parties of the Consortium, members of the Musti Board Jeffrey David and Johan Dettel have not participated in any consideration or decision-making concerning the implications of the Tender Offer or this statement.

7. Certain Other Matters

The Musti Board notes that the transaction may, as is common in such processes, involve unforeseeable risks.

The Musti Board notes that the shareholders of Musti should also take into account potential factors related to non-acceptance of the Tender Offer. If the acceptance condition of more than 90 per cent of the Shares and votes is waived, the completion of the Tender Offer would reduce the number of Musti's shareholders and the number of Shares, which would otherwise be traded on Nasdaq Helsinki. Depending on the number of Shares validly tendered in the Offer, this could have an adverse effect on the liquidity and value of the Shares. Furthermore, pursuant to the Finnish Companies Act, a shareholder that holds more than half of the voting rights carried by the shares present in a company's general meeting has sufficient voting rights to decide on, among other things, the appointment of board members and distribution of dividends and a shareholder that holds more than two-thirds of the shares and voting rights carried by the shares present in a company's general meeting has sufficient voting rights to, independently and without cooperation with other shareholders, decide upon certain corporate transactions, including, but not limited to, a merger of the company into another company, an amendment of the articles of association of the company, a change of domicile of the company and an issue of shares in the company in deviation from the shareholders' pre-emptive subscription rights. On the other hand, the price of the Shares may fluctuate prior to and during the acceptance period of the Tender Offer. If the market price of the Shares exceeds the Offer Price, this would make it economically more beneficial for shareholders to sell their Shares in the open market, assuming sufficient liquidity.

Pursuant to Chapter 18 of the Finnish Companies Act, a shareholder that holds more than 90 per cent of all shares and votes in a company has the right to acquire and, subject to a demand by other shareholders, also be obligated to redeem the shares owned by the other shareholders. In such case, the Shares held by shareholders of Musti, who have not accepted the Tender Offer, may be redeemed through redemption proceedings under the Finnish Companies Act in accordance with the conditions set out therein.

Musti and the Offeror have undertaken to comply with the Helsinki Takeover Code referred to in Chapter 11, Section 28 of the Finnish Securities Markets Act.

This statement of the Musti Board does not constitute investment or tax advice, and the Musti Board does not specifically evaluate herein the general price development or the risks relating to the Shares in general. Shareholders must independently decide whether to accept the Offer, and they should take into account all the relevant information available to them, including information presented in the Offer Document and this statement as well as any other factors affecting the value of the Shares.

13 December 2023

Musti has appointed Jefferies GmbH as its financial adviser and Roschier, Attorneys Ltd. as its legal adviser as to Finnish law matters and Cravath, Swaine & Moore LLP as U.S. counsel in connection with the Tender Offer. Hill and Knowlton Finland Oy acts as Musti's communications advisor in the Tender Offer.

The Board of Directors of Musti Group Plc

Appendix 1: Fairness opinion issued by Advium

Appendix 2: Fairness opinion issued by Carnegie

Disclaimer

Jefferies GmbH ("**Jefferies**"), which is authorised and regulated in Germany by the Bundesanstalt für Finanzdienstleistungsaufsicht, is acting exclusively for Musti and no one else in connection with the Tender Offer, and will not regard any other person (whether or not a recipient of this statement) as their respective clients in relation to the Tender Offer and will not be responsible to anyone other than Musti for providing the protections afforded to their respective clients, nor for providing advice in relation to the Tender Offer or any transaction, matter, or arrangement referred to in the Tender Offer Document to be published in connection with the Tender Offer. Neither Jefferies nor any of its affiliates, nor any of its or their respective directors, officers, employees, agents or representatives, owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Jefferies in connection with the matters referred to in this statement.

ADVIVM

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29 November 2023

The Board of Directors
(acting through its non-conflicted members)
Musti Group Plc
Mäkitorpantie 3
00620 Helsinki, Finland

Dear members of the board,

To our understanding, Musti Group Plc ("Musti" or the "Company") and Sonae Holdings, S.A. (a subsidiary wholly-owned and controlled by Sonae SGPS, S.A. ("Sonae")), acting in consortium with Mr. Jeffrey David, Mr. Johan Dettel and Mr. David Rönnberg (together, the "Consortium", acting through Flybird Holding Oy), are considering entering into a combination agreement (the "Combination Agreement") pursuant to which Consortium-owned Flybird Holding Oy will make a voluntary public cash tender offer (the "Offer" or the "Transaction") to purchase all of the issued and outstanding shares in Musti that are not owned by Musti or any of its subsidiaries for a cash consideration of EUR 26.00 per share (the "Offer Price").

Furthermore, we understand that the Combination Agreement includes certain undertakings by Musti regarding the conduct of business of Musti, as well as certain other terms related to the Transaction (the "Principal Terms").

You, the non-conflicted members of the Board of Directors of Musti, have requested the opinion of Advium Corporate Finance Oy ("Advium"), in connection with the Transaction, as to whether the Offer Price is fair from a financial point of view to the shareholders of Musti (other than Sonae, Mr. Jeffrey David, Mr. Johan Dettel and Mr. David Rönnberg).

Advium will receive a fee for its services, including rendering this opinion.

In forming our opinion, we have used customary valuation methods, including:

- i. trading multiple analysis of comparable companies;
- ii. analysis of valuation levels in comparable precedent transactions;
- iii. discounted cash flow analysis;
- iv. reviewed broker recommendations and target prices; and
- v. analyzed completed public takeover offer premia in Finland in comparison to market capitalization.

Advium Corporate Finance Oy | Aleksanterinkatu 19, 00100 Helsinki, Finland | +358 9 6817 8900

Furthermore, we have, among other things:

- i. reviewed certain publicly available historical financial information relating to the Company;
- ii. reviewed certain internal unaudited financial information relating to the Company and its prospects, including financial forecasts prepared by the management, that have not been disclosed to the public, but provided for us for the purposes of our analysis;
- iii. reviewed certain publicly available information regarding the Company, such as research estimates, research analyses and information regarding the underlying markets;
- iv. discussed with, and relied on, statements made by senior management of the Company concerning the business and its prospects;
- v. reviewed current and historic share prices of the Company; and
- vi. conducted other financial analyses and considered other information, as we have deemed necessary or appropriate.

In giving our opinion, we have:

- i. assumed and relied, without independent verification upon the accuracy and completeness of all the information that was publicly available or was furnished to us by or behalf of the Company, or otherwise reviewed by us for the purpose of this opinion, and we have not assumed and we do not assume any responsibility or liability for any such information;
- ii. assumed that the financial forecasts, prepared by the Company, have been reasonably prepared on a basis reflecting the best currently available estimates and judgements of the management of the Company as to the future performance of the Company;
- iii. assumed that all governmental, regulatory or other consents necessary for the Transaction will be obtained without any adverse effect on the Company;
- iv. assumed that the Transaction will be consummated on the received terms and conditions; and
- v. not included any legal and tax effects or transaction costs that may arise as a result of the Transaction, and we have not performed any independent analysis of the situation of individual shareholders of the Company.

We are expressing no opinion herein as to the price at which any securities of the Company trade at any time. It should be understood that our opinion is necessarily based on economic, regulatory, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. Subsequent developments may affect this opinion, which we are under no obligation to update, revise or reaffirm this opinion. Furthermore, we have not been asked to offer any opinion as to the Principal Terms, other than the Offer Price. Our opinion does not constitute an offer by us, or represent a price at which we would be willing to purchase, sell, enter into, assign, terminate or settle any transaction.

We accept no responsibility for the accounting or other data and commercial assumptions on which this opinion is based. Furthermore, our opinion does not address any legal, regulatory, taxation or accounting matters.

Based on and subject to the foregoing, it is our opinion, as of the date hereof, that the Offer Price is fair from a financial point of view to the shareholders of Musti (other than Sonae, Mr. Jeffrey David, Mr. Johan Dettel and Mr. David Rönnerberg).

This letter and the opinion are provided solely for the benefit of the non-conflicted members of the Board of Directors of Musti, in connection with and for the purposes of their consideration of the Transaction. This letter is not on behalf of, and shall not confer rights or remedies upon, may not be relied upon, and does not constitute a recommendation by Advium to, any holder of securities of the Company or any other person to tender his/her shares in exchange of the Offer Price or take any other action in relation to the Transaction.

This letter may not be used for any other purpose, or reproduced, disseminated, published or quoted at any time without our prior written consent, except that (i) a reference to this letter may be included in the release announcing the Transaction and (ii) a copy of this letter may be attached in its entirety to the recommendation of the Board of Directors that will be announced pursuant to the Finnish Securities Market Act and subsequently included in the Tender Offer Document to be prepared in connection with the Transaction.

We accept no responsibility to any person other than the Board of Directors of Musti in relation to the contents of this letter, even if it has been disclosed with our consent.

This letter has been issued in English only. Any dispute arising out of, or relating to, this letter shall be governed by the laws of Finland and shall be subject to the exclusive jurisdiction of the Finnish courts.

Yours faithfully,

Advium Corporate Finance Oy



Eero Ehrnrooth



Private & Confidential

The Board of Directors of Musti Group Plc, represented by a quorum comprising the non-conflicted members of the Board of Directors

Musti Group Plc

Mäkitorpantie 3

00620 Helsinki, Finland

29 November 2023

Ladies and Gentlemen,

Sonae Holdings, S.A. (a subsidiary wholly-owned and controlled by Sonae - SGPS, S.A. ("Sonae")) and Jeffrey David, the Chair of Musti Group Plc's Board of Directors, Johan Dettel, a member of Musti Group Plc's Board of Directors, and David Rönnerberg, the Chief Executive Officer of Musti Group Plc, have formed a consortium (together, the "Consortium", acting through Flybird Holding Oy) for the purpose of making a voluntary public cash tender offer (the "Offer") through the Consortium-owned Flybird Holding Oy (the "Offeror") for all the issued and outstanding shares in Musti Group Plc, a public limited company incorporated and existing under the laws of Finland ("Musti" or the "Company") that are not owned by Musti or any of its subsidiaries (each such ordinary share, a "Share" and each beneficial owner of a Share a "Shareholder").

Pursuant to the terms and conditions of the Offer, as set forth in the combination agreement agreed by and between the Company and the Offeror dated 29 November 2023 (the combination agreement document referred to as the "Combination Agreement"), the Offeror is offering each Shareholder EUR 26.00 in cash for each Share (the "Consideration").

Since Sonae is acting in consortium with two members of the Board of Directors and the Chief Executive Officer of Musti, respectively, they are not independent in relation to the Offeror and therefore these two members of the Board of Directors and the Chief Executive Officer of the Company have not participated in any evaluation or decision-making relating to the Offer by Musti's Board of Directors. The other members of the Board of Directors of Musti, i.e. Mrs. Ingrid Jonasson Blank, Mrs. Inka Mero, and Mr. Ilkka Laurila, have not participated in the making of the Offer and are therefore considered as non-conflicted members of the Board of Directors and have participated in the evaluation and decision-making relating to the Offer by Musti's Board of Directors.

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The non-conflicted members of the Board of Directors of the Company have asked for the opinion of Carnegie Investment Bank AB, Finland Branch ("**Carnegie**") as to whether the Consideration is, in the context of the Offer and from a financial point of view, fair to the Shareholders (others than Sonae, Mr. David, Mr. Dettel and Mr. Rönnerberg).

For the purposes of providing our opinion ("**Fairness Opinion**"), Carnegie has reviewed, among other things, certain publicly available business and financial information relating to the Company, such as annual and interim reports, including the latest Financial Statements Release; certain publicly available financial forecasts relating to the business and financial prospects of the Company prepared by certain research analysts; and certain internal financial projections and related supporting material prepared by the senior management that have not been disclosed to the public, but provided for us for the purposes of our analysis. We have also discussed such projections and past and current business operations, as well as financial condition and future outlook with the senior management of the Company (excluding the Chief Executive Officer); reviewed the historical stock prices and trading volumes of the Shares in the Company; reviewed certain publicly disclosed transactions we believe to be comparable to the Offer; reviewed public information with respect to certain other companies we believe to be comparable to the Company; and performed such other financial reviews and analyses, as we, in our absolute discretion, have deemed appropriate.

When carrying out the analysis Carnegie has applied those valuation methods considered necessary and appropriate for this assessment, including the application of common investment banking analyses, taking into account that Musti is a Nordic pet care company that operates an omnichannel business model to cater for the needs of pets and their parents across Finland, Sweden and Norway.

Carnegie has, with the consent of the Board of Directors of the Company, assumed and relied upon the truth, accuracy and completeness of the information, forecasts, data and financial terms provided or used, has assumed that the same are not misleading, and does not assume or accept any liability or responsibility for any independent verification or checking of such information or any independent valuation or appraisal of any of the assets, operations or liabilities of the Company. With respect to the financial projections, Carnegie has, with the consent of the Board of Directors of the Company, assumed that they have been reasonably prepared on bases reflecting the best available estimates and judgments of the management of the Company as to the future financial performance of the Company at that time, and that no event subsequent to this and undisclosed to Carnegie has had a material effect on them. Carnegie does not assume or accept liability or responsibility for (and expresses no view as to) such projections or the assumptions on which they are based. In preparing this Fairness Opinion, Carnegie has received specific confirmation from senior management of the Company that the assumptions specified above are correct and no information has been withheld from Carnegie that could have influenced the purport of this Fairness Opinion or the assumptions on which it is based.

Furthermore, Carnegie's opinion is necessarily based on financial, economic, monetary, market and other conditions as in effect and reasonably capable of evaluation on, and the information made available to Carnegie or used by it up to, the date hereof. This Fairness Opinion exclusively focuses on the fairness, from a financial point of view, of the Consideration offered to the Shareholders (others than Sonae, Mr. David, Mr.



Dettel and Mr. Rönnerberg) and does not address any other issues such as assessment of the Offeror's rationale (e.g. including expected synergies) for proposing the Offer, or the underlying business decision to recommend the Offer or its commercial merits, which are matters solely for the Board of Directors of the Company. Subsequent developments in the aforementioned conditions may affect this Fairness Opinion and the assumptions made in preparing this Fairness Opinion and Carnegie is not obliged to update, revise or reaffirm this opinion if such conditions change.

In rendering this Fairness Opinion, Carnegie has not provided legal, regulatory, tax, accounting or actuarial advice and accordingly Carnegie does not assume any responsibility or liability in respect thereof. Furthermore, Carnegie has assumed that the Offer will be consummated on the key terms and conditions as set out in the Combination Agreement, without any material changes to, or waiver of, its terms or conditions.

As part of our investment banking activities, Carnegie is continuously engaged in assessing companies and their securities in connection with mergers and take-overs, competing take-over offers and assessments in business-related or other conjunctions. Carnegie has been engaged by the Company to issue a Fairness Opinion and Carnegie will receive a fixed fee for rendering this Fairness Opinion, which is independent of the closing or otherwise of the Offer. Carnegie has previously provided investment banking advice to Musti in conjunction with its Initial Public Offering on Nasdaq Helsinki as a Joint Global Coordinator and Joint Bookrunner in 2020.

Carnegie and other companies in the Carnegie group provide a broad range of financial advisory services related to securities and may as part of the ordinary trading activities from time to time carry out transactions and own securities, for our own account or the accounts of customers, in Musti or companies within the same industry as Musti.

The engagement of Carnegie and the opinion expressed herein are solely for the benefit of the Company's Board of Directors and this Fairness Opinion is therefore only rendered to the Company's Board of Directors in connection with their evaluation of the Offer. This Fairness Opinion does not in any way constitute a recommendation by Carnegie to any Shareholders as to whether such holders should accept or reject the Offer or otherwise act in relation to the Offer. The Fairness Opinion is not on behalf of, and shall not give any right or legal remedy to any Shareholder of Musti or any other person, except from the members of the Board of Directors of Musti, or to be used for any other purpose. This Fairness Opinion may not be relied upon by, nor be disclosed to, in whole or in part, any third party for any purpose whatsoever without Carnegie's prior written consent, except that (i) a reference to this Fairness Opinion may be included in the release announcing the Offer and (ii) a copy of this Fairness Opinion may be attached in its entirety to the statement of the Board of Directors that will be announced pursuant to the Finnish Securities Market Act and subsequently included in the Tender Offer Document to be prepared in connection with the Offer. This Fairness Opinion is issued in the English language and reliance may only be placed on this Fairness Opinion as issued in the English language. If any translations of this Fairness Opinion are delivered, they are provided only for ease of reference, have no legal effect and Carnegie makes no representation as to (and accepts no liability in respect of) the accuracy of any such translation.



This Fairness Opinion and Carnegie's obligations to the non-conflicted members of the Board of Directors of the Company in connection herewith shall be governed by and construed in accordance with the laws of Finland and any claims or disputes arising out of, or in connection with, this letter shall be settled at The Arbitration Institute of the Finland Chamber of Commerce, and the seat of the arbitration shall be Helsinki, Finland. The language of arbitration shall be Finnish or such other language as the parties may agree to in writing. Evidence can be presented in the Finnish or English languages.

Based upon and subject to the foregoing, Carnegie is of the opinion that, as at the date hereof, the Consideration is, from a financial point of view, fair to the Shareholders of Musti (others than Sonae, Mr. David, Mr. Dettel and Mr. Rönnerberg).

Yours sincerely,

Carnegie Investment Bank AB, Finland Branch

ANNEX B: FINANCIAL INFORMATION OF MUSTI



Board of Directors' Report and Financial Statements

2023



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.

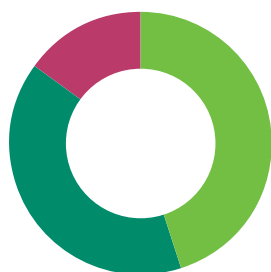
Currency exchange rate changes affected the growth negatively by 8.5%-points. Weakened SEK exchange rate decreased sales by EUR 14.4 million bringing 3.7%-points headwind to growth. Weakened NOK exchange rate decreased sales by EUR 8.2 million bringing 2.1%-points headwind to the growth. Group net sales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

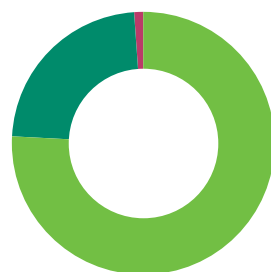
The number of loyal customers increased by 6.1% to 1,543 thousand (1,454 thousand on 30 September 2022). Rolling 12 months average spend per loyal customer was EUR 182.7 as per 30 September 2023 (EUR 181.5 as per 30 September 2022). Excluding the currency exchange rate fluctuations, the development was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

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

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.

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

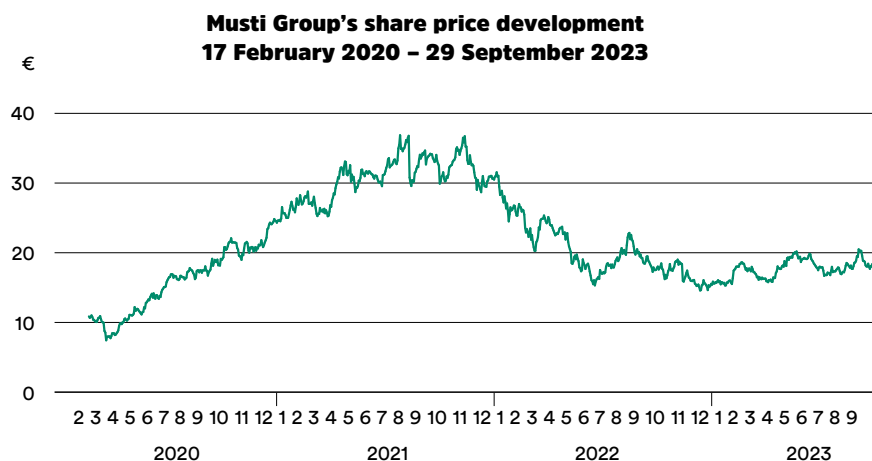
At the end of the reporting period on 30 September 2023, Musti Group's share capital was EUR 11,001,853.68 and total number of shares outstanding was 33,535,453. The company has one share class. Each share carries one vote and entitles to the same dividend.

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.



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 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 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.

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		12,317	-2,959
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 2.4 Share-based payments	IAS 19, IFRS 2
Business combinations	3.1 Business combinations	IFRS 3
Intangible assets	3.2 Intangible assets, 3.3 Group goodwill and impairment testing	IAS 36, IAS 38
Joint ventures	3.4 Investments in joint ventures	IFRS 11
Property, plant and equipment	3.5 Property, plant and equipment	IAS 16, IAS 36
Leases	3.6 Leases	IFRS 16
Inventories	4.1 Inventories	IAS 2
Financial assets and liabilities	5.2 Financial assets and liabilities	IAS 32, IFRS 7, IFRS 9, IFRS 13
Financial risk management	5.1 Financial risk management	IAS 32, IFRS 7, IFRS 9, IFRS 13
Operating leases	5.3 Commitments and contingent liabilities	IAS 37
Equity	5.6 Shareholders' equity	IAS 1
Related party transactions	6.1 Related party transactions	IAS 24
Taxes	6.2 Taxes	IAS 12

1.1 General information

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

The Board of Directors of Musti Group plc has approved the financial statements for publication on 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 Vetzoom 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 in recognized when the customer refunds are used, or they expire. The expected refunds of the loyalty program bonuses are based on historical information. Musti updates the estimate quarterly.

Contractual amounts recorded in balance sheet

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

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

2.2 Other operating income

Accounting principles

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

Other operating income

EUR thousand	1 Oct 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 an 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)	
The table below sets forth the maturity distribution of receivables and provisions for impairment based on credit risk estimates.		30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
	%						
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
EUR thousand	Financial assets at fair value through profit and loss	Financial assets at amortised cost	Book value	Fair value
30 Sep 2022				
Non-current assets				
Other non-current assets		154	154	154
Total		154	154	154
Current assets				
Trade and other receivables		2,660	2,660	2,660
Derivative financial instruments	2,135		2,135	2,135
Cash and cash equivalents		10,054	10,054	10,054
Total	2,135	12,714	14,850	14,850
Financial assets, total	2,135	12,869	15,004	15,004

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	Business acquisitions	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 from 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 from 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 a classified as instruments held for trading and recorded at fair value through profit and loss.

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

7.2 Other operating income

EUR thousand	1 Oct 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

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

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
Valuation of Goodwill <i>We refer to the notes 3.2 and 3.3.</i> 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. Valuation of goodwill is based on management's estimates about the value-in-use calculations of cash generating units. There are a number of underlying assumptions used to determine the value-in-use of cash generating units, including the development of revenue and profitability as well as the discount rate applied on cash flows. The estimated value-in-use of cash generating units may vary significantly when the underlying assumptions change. Changes in the above-mentioned individual assumptions may result in an impairment of goodwill. The valuation of goodwill was a key audit matter because the assessment process includes judgment, and it is based on assumptions relating to market or economic conditions extending to the future and because the amount of goodwill is significant to the financial statements. Valuation of goodwill was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement regarding the valuation of goodwill our audit procedures included among others: • involving EY valuation specialists to assist us in evaluating the methodologies, impairment calculations and underlying assumptions applied by management in impairment testing; • comparing the principles applied by management in the impairment tests to the requirements set in the standard IAS 36 Impairment of assets; • ensuring the mathematical accuracy of the impairment calculations; and • comparing the key assumptions applied by management in the impairment tests to approved budgets and long-term forecasts, information available in external sources, as well as our independently calculated industry averages for example in the case of the weighted average cost of capital used in discounting cashflows. In addition, we compared the outcome of management's impairment test to Musti Group Plc's market capitalization. We also assessed the Group's disclosures in respect of impairment testing.	Revenue Recognition <i>We refer to the Group's accounting policies and the note 2.1.</i> 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. Revenue recognition was a key audit matter due to the high volume of transactions, the management judgement involved in accounting for right of return and loyalty club bonus, and the extensive network of stores. In addition, the Group focuses on revenue as a key performance measure which could create an incentive for revenue to be recognized before the control of goods or services has transferred to the customer. Revenue recognition was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement regarding revenue recognition our audit procedures included among others: • assessing the Group's accounting policies over revenue recognition, including principles relating to right of return accounting and loyalty club bonuses in relation to applicable accounting standards; • testing revenue, product returns, loyalty club bonuses and margins with data analytics; • testing selected samples of sales transactions by comparing them to payments received; • 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. We also assessed the Group's disclosures in respect of revenues.	Valuation of inventories <i>We refer to the Group's accounting policies and the note 4.1.</i> The total value of inventories at the date of the financial statements amounted to 58.4 million euros. Musti Group's inventories are valued at the lower of cost or net realizable value. Inventories are presented net of an impairment loss recognized for obsolete and slow-moving inventories. Valuation of inventories was a key audit matter because the carrying value of inventories is material to the financial statements and because valuation of inventories and the level of allowance for obsolete and slow-moving inventories requires management judgment relating to the future sales of the goods. Valuation of inventories was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).	To address the risk of material misstatement regarding valuation of inventories our audit procedures included among others: • assessing the Group's accounting policies regarding inventories, including compliance with applicable accounting standards; • attending physical stock takings in selected stores and central warehouses in order to, among other things, observe the potential obsolescence of goods; • comparing unit prices of selected inventory items to latest purchase invoices and to sales prices; and • testing slow-moving inventory items as well as exceptional values in inventory accounting with data analytics. We also assessed the Group's disclosures in respect of inventory.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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.

ANNEX C: ARTICLES OF ASSOCIATION OF MUSTI

1 §

The name of the company is Musti Group Oyj and the domicile of the company is Helsinki. The parallel name of the company in English is Musti Group Plc.

2 §

The company's field of business is the wholesale, retail trade and marketing of food and non-food pet products and services, production and development of products as well as franchising. The company may practice its business through subsidiaries and holding companies. In addition, the field of business of the company is to control and own securities, shares, real estates and other property in Finland and abroad either itself or through companies owned by it. The field of business of the company is also to produce administrative, finance and other group services to its group companies and to grant security and guarantees on behalf of its group companies.

3 §

The Board of Directors of the company shall consist of three to ten (3–10) members. The term of office of members of the Board of Directors begins from the General Meeting deciding on their election and ends at the close of the next Annual General Meeting following their election. The Board of Directors shall elect a Chairman from among its members.

4 §

The company may have a Chief Executive Officer. The Board of Directors shall decide on the appointment and dismissal of the Chief Executive Officer.

5 §

The company is represented by two (2) members of the Board of Directors jointly or by a person or persons whom the Board of Directors has granted a right of representation.

6 §

The shares of the company shall belong to the book-entry system after the expiry of the registration period.

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 than 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).

8 §

At the Annual General Meeting the following shall be presented:

- the financial statements, including the consolidated financial statements,
- the annual report, and
- the auditor's report.

After which, the following shall be decided:

- the adoption of the financial statements and consolidated financial statements,
- the use of the profit shown on the balance sheet,
- the discharge from liability for the members of the Board of Directors and the Chief Executive Officer,
- the remuneration of the members of the Board of Directors and of the auditor, and
- the number of members of the Board of Directors.

After which, the following shall be elected:

- the members of the Board of Directors, and
- the auditor.

After which, any other matters possibly contained in the notice of the Meeting shall be handled.

9 §

The company has one (1) auditor that shall be an auditing firm approved by the Finnish Patent and Registration Office. The auditor's term of office begins from the General Meeting deciding on the auditor's election and ends at the close of the next Annual General Meeting following its election.

10 §

Company's financial year ends annually on 30 September.