

# Q3

THIRD QUARTER



**March 1, 2017-May 31, 2017**

**“Strong growth and increased focus on the service offering”**

**Dustin**

# Interim report, March 2017-May 2017

## Third quarter

- Net sales for the quarter rose 13.5 per cent to SEK 2,257 million (1,989).
- Organic growth at fixed exchange rates was 9.2 per cent (3.6).
- The gross margin was 15.1 per cent (15.4).
- Adjusted EBITA increased to SEK 94 million (91).
- EBIT totalled SEK 72 million (75).
- Items affecting comparability amounted to a negative SEK 4 million (neg: 3).
- Profit for the quarter totalled SEK 47 million (49).
- Earnings per share, before and after dilution, including discontinued operations, amounted to SEK 0.62 (0.65).
- Cash flow from operating activities amounted to a negative SEK 23 million (pos: 233).

## September 2016-May 2017

- Net sales for the period rose 10.9 per cent to SEK 7,044 million (6,349).
- Organic growth at fixed exchange rates was 7.5 per cent (2.8).
- The gross margin increased to 15.0 per cent (14.9).
- Adjusted EBITA rose to SEK 334 million (309).
- EBIT increased to SEK 276 million (259).
- Items affecting comparability amounted to a negative SEK 7 million (neg: 5).
- Profit for the period totalled SEK 191 million (200).
- Earnings per share, before and after dilution, including discontinued operations, amounted to SEK 2.50 (2.62).
- Cash flow from operating activities amounted to SEK 227 million (522).
- Net debt in relation to adjusted EBITDA in the past 12-month period was 2.3 (1.8).

## Financial key ratios

All amounts in SEK million, unless otherwise indicated	Q3 16/17	Q3 15/16	Q1-Q3 16/17	Q1-Q3 15/16	Rolling 12 months	Full-year 15/16
Net sales	2,257.4	1,988.9	7,043.8	6,349.0	8,995.6	8,300.8
Organic sales growth (%)	9.2	2.4	7.5	2.5	7.8	4.4
Gross margin (%)	15.1	15.4	15.0	14.9	15.0	15.0
Adjusted EBITA	94.3	91.4	334.2	308.9	414.9	389.6
Adjusted EBITA margin (%)	4.2	4.6	4.7	4.9	4.6	4.7
EBIT	72.0	74.8	275.8	258.8	340.5	323.5
Profit for the period	47.5	49.4	190.6	199.8	215.7	224.9
Earnings per share, including discontinued operations, before and after dilution, (SEK)	0.62	0.65	2.50	2.62	2.83	2.95
Cash flow from operating activities	-22.6	233.4	227.1	522.0	152.3	447.2
Net debt/adjusted EBITDA (multiple)	-	-	-	-	2.3	2.1
Return on equity (%)	-	-	-	-	15.0	15.8

# Strong growth and increased focus on the service offering

**The third quarter was characterised by continued strong sales growth in the B2B segment, particularly within respect to till large companies and public sector customer group. The gross margin declined somewhat, mainly due to a high share of sales under new framework agreements with initially lower profitability. We have also invested in the sales organisation in order to boost the number of active users of our cloud-based subscription services, which had a negative impact on EBIT during the quarter.**

## Continued strong sales growth

Total sales growth in the third quarter amounted to 13.5 per cent, corresponding to organic growth of 9.2 per cent. Growth was strongest in Denmark and Norway, primarily on account of a substantial share of sales under new framework agreements to the large companies and the public sector customer group. Overall sales in the B2B segment rose 10.5 per cent organically. The B2C segment, representing 6 per cent of sales in the quarter, noted negative organic growth of 8.0 per cent.

## New framework agreements weigh on gross margin

The gross margin declined slightly to 15.1 per cent, compared with 15.4 per cent in the year-earlier period. This lower gross margin was attributable to the customer mix, which was impacted by a high share of sales under new framework agreements with initially lower profitability, and to the product mix, which was characterised by a high share of client sales with lower margins. The gross margin in the small and medium-sized business customer group improved slightly, mainly as a result of completed acquisitions and an increased share of more advanced products and services.

## Increased focus on service sales

Adjusted EBITA for the quarter increased 3.2 per cent to SEK 94 million, corresponding to an adjusted EBITA margin of 4.2 per cent (4.6). This weaker margin compared with the year-earlier period was primarily attributable to a lower gross margin. We have also increased our focus on service sales and invested in the sales organisation in order to boost the share of higher margin subscription income in the long term, which had a negative impact on the cost level during the quarter.

Since the start a year ago, we have seen a strong growth in the number of active users of our standardized cloud-based subscription services. At the end of June, we had around 25,000 active users via the Dustin Cloud Platform. Most of these users use only one of our services, and the

aim of our sales initiative is to increase not only the number of users but also the number of services sold per user.

## Positive reception of private label

The launch of our own private label products has been well received by our customers and the share of sales within the launched categories amounts to approximately 25 percent in the quarter. In the coming quarter, additional product categories will be launched and our target is to reach annual sales of SEK 400 million within three years.

## Complementary acquisitions

We intend to continue expanding our portfolio of advanced products and services, and to continuously seek potential acquisition candidates to complement and strengthen our existing operations. During the quarter, we ramped up our acquisition rate and finalised the acquisition of Norway-based Purity IT – which specialises in cloud-based services for backup, storage and disaster recovery – in March.

In April, we acquired Saldab IT, which is based in Malmö, Sweden and offers IT solutions for small and medium-sized businesses. This acquisition will provide us with a better opportunity to serve as the primary partner to our customers when it comes to IT environments in small and medium-sized businesses. We will also be able to sell and deliver the service portfolio we have developed through our previously acquired companies – such as Purity IT, Idenet and Commsec – via Saldab.

## Outlook

Our attractive offering will enable us to continue capturing market shares and strengthen our position in our addressable market with favourable profitability. We are benefiting from wider trends, such as increased online shopping, mobility and demand for cloud services, and expect higher organic sales growth in the current financial year, compared with the year-earlier period. We stand by our medium term target to achieve an adjusted EBITA margin of 5-6 percent, supported by acquisitions and our initiatives on the service side as well as an increasing share of private label products.

Nacka, July 2017

Georgi Ganev, CEO

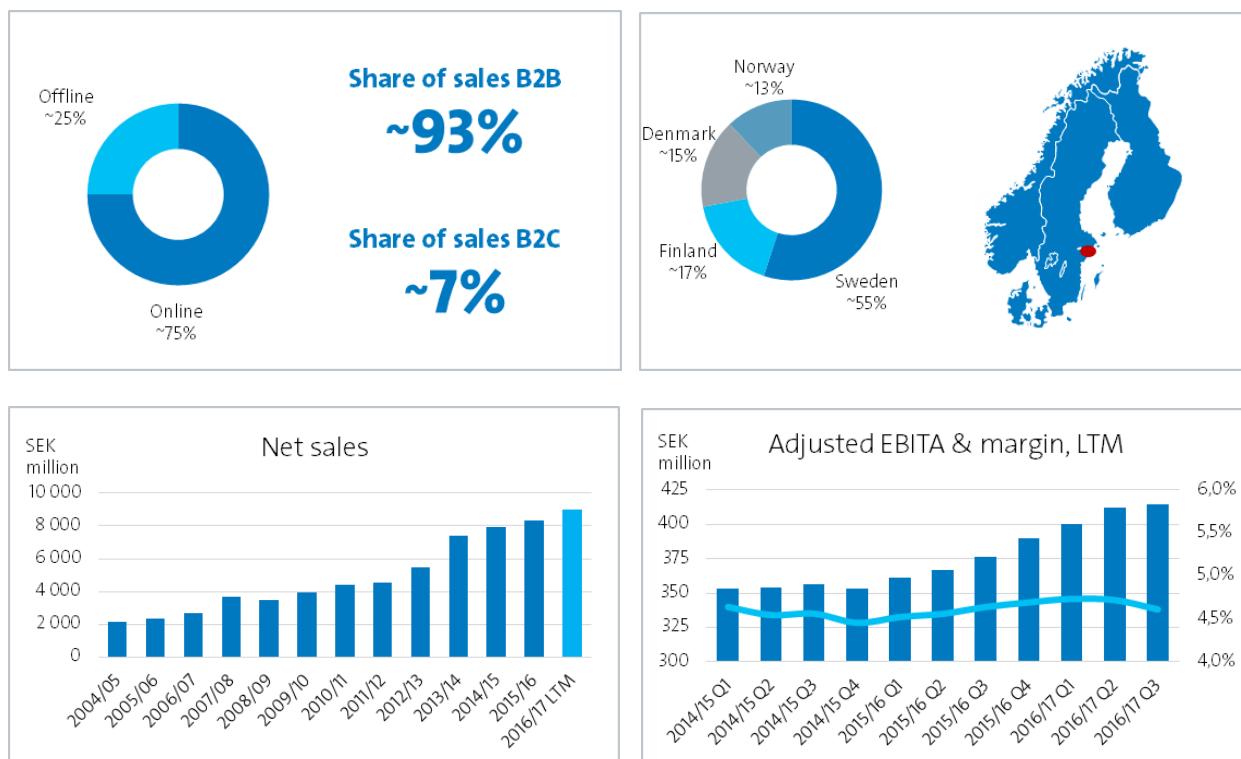
# Dustin in brief

Dustin is one of the leading IT resellers in the Nordic region, offering a broad range of hardware, software and associated services and solutions. We ensure rapid and reliable deliveries through our centralised warehouse and an efficient logistics platform. By adding a high level of IT skills together with competitive prices, we meet the needs of primarily small and medium-sized enterprises, but also large companies, the public sector and the consumer market.

Dustin employs a multichannel model where the majority of sales take place online, supplemented by relationship-based and consultative sales over the telephone or through customer visits. Dustin operates in Sweden, Norway, Denmark and Finland through two business segments, B2B (the corporate market) and B2C (the consumer market). These segments are in turn supported by several scalable and shared central functions, comprising the online platform, purchasing, storage and logistics, pricing, marketing, IT and HR.

Dustin is well positioned in the market where an ever-greater share of sales of products and basic services takes place on online, thanks to its efficient online platform and focus on the SMEs, a group of customers that is more flexible and growing rapidly. We see a rising demand for more advanced services as demands for mobility and accessibility grow. By combining products and services into integrated solutions, and by adding more advanced services through acquisitions, Dustin is continually expanding its customer offering and is able to meet an ever-greater share of its customers' IT needs in accordance with its vision. Our offering encompasses services and solutions in areas such as "Client", "Infrastructure", "Software", "Mobility" and "Print".

Dustin Group AB is a Swedish public limited liability company with its head office in Nacka Strand outside Stockholm. The share was listed in the Mid Cap segment on Nasdaq Stockholm on February 13, 2015.



*Footnote: The distribution between online and offline as well as the geographical distribution between countries refers to fiscal year 2015/16.*

# Financial overview

**Income statement items and cash flows are compared with the year-earlier periods. Balance-sheet items pertain to the position at the end of the period and are compared with the corresponding year-earlier date. The quarter refers to March 2017-May 2017.**

## Third quarter

### Net sales

Net sales for the quarter rose 13.5 per cent to SEK 2,257 million (1,989), with strong sales noted primarily in the large companies and the public sector customer group. Organic growth at fixed exchange rates was 9.2 per cent (3.6).

### Gross profit

During the quarter, gross profit rose SEK 35 million, corresponding to 11.6 per cent, to SEK 341 million (305). The gross margin was 15.1 per cent (15.4), a decrease mainly attributable to a high share of sales to the large companies and the public sector customer group under new framework agreements with initially lower profitability as well as a changed product mix including a high share of client sales during the quarter.

### Adjusted EBITA

Adjusted EBITA for the quarter increased 3.2 per cent to SEK 94 million (91). The adjusted EBITA margin was 4.2 per cent (4.6), a decrease mainly attributable to the lower gross margin as well as well as continued investments in the sales organisation with respect to services during the quarter and our private label products. Furthermore, integration of the recent acquisitions continued to affect the cost of the central functions. Adjusted EBITA includes earnings from discontinued operations, but excludes items affecting comparability, which are specified in Note 4 Items affecting comparability. For a comparison of adjusted EBITA and EBIT, see Note 2 Segments.

### EBIT

EBIT for continuing operations amounted to SEK 72 million (75). EBIT includes items affecting comparability (refer to Note 4 Items affecting comparability), which for the quarter mainly pertained to a positive effect of SEK 22 million from the impairment of a performance-based earn-out for Idenet as well as provisions totalling SEK 18 million related to a legal dispute in Norway.

### Financial items

Financial expenses amounted to SEK 10 million (9), and primarily pertained to borrowing costs totalling SEK 10 million (8) for external financing. Financial expenses in the comparative period included negative currency effects related to external financing totalling SEK 0.4 million. The corresponding currency effects for this quarter were reported in other comprehensive income since the

hedging of net investments in foreign subsidiaries has been applied as of the first quarter of 2016/17.

Financial income amounted to SEK 0.3 million (0.4).

### Tax

The tax expense for the quarter was SEK 14 million (15), corresponding to an effective tax rate for continuing operations of 23.3 per cent, compared with 22.6 per cent in the year-earlier period.

### Profit for the quarter

Profit for the quarter, including discontinued operations, totalled SEK 47 million (49). Discontinued operations had no impact during the quarter (neg: 1.8). Earnings per share, including discontinued operations, amounted to SEK 0.62 (0.65), before and after dilution.

### Cash flow

Cash flow for the quarter was a negative SEK 183 million (pos: 100).

Cash flow from operating activities amounted to a negative SEK 23 million (pos: 233). This was primarily the result of negative changes in working capital of SEK 67 million (pos: 146), mainly due to lower accounts payable at the close of the quarter. The corresponding quarter in the preceding year was impacted positively by high accounts payable at the close of the quarter due to a larger share of purchases from suppliers with more favourable credit terms. For further information regarding working capital, refer to the Net working capital section.

Cash flow from investing activities amounted to a negative SEK 159 million (neg: 122) and mainly pertained to the acquisition of Saldab IT, SEK 82 million, and Purity IT, SEK 40 million. A final earn-out of SEK 27 million attributable to the acquisition of Resolute was also paid during the quarter. Investments in tangible and intangible assets amounted to a negative SEK 10 million (neg: 7), of which a negative SEK 5 million (neg: 5) pertained to IT development.

Cash flow from financing activities amounted to a negative SEK 0.5 million (neg: 11) and pertained to cash flow from changes to financial leasing liabilities during the quarter.

### Significant events in the third quarter

#### Dustin signs framework agreement with Norway-based Statnett

The framework agreement comprises IT products with associated services and solutions focusing on servers, storage and backup. Annual sales are estimated at approximately NOK 150 million and the agreement has a

two-year term, with an option for an additional two-year extension.

### **Acquisition of Purity IT and Saldab IT**

Dustin acquired Norway-based Purity IT AS and Sweden-based Saldab IT AB during the third quarter.

Purity IT specialises in cloud-based services for backup, storage and disaster recovery. Purity IT has annual sales of about NOK 80 million and the company was consolidated as of March 1, 2017.

Saldab IT AB is based in Malmö, Sweden and offers IT solutions for small and medium-sized businesses. Saldab IT has annual sales of approximately SEK 112 million. The company was consolidated as of May 1, 2017.

For more information regarding acquisitions, refer to Note 3 Acquisition of businesses.

### **Judgment in Norwegian dispute**

During the quarter, Sør-Trøndelag District Court in Norway announced its judgment in a dispute between Dustin and Sør-Trøndelag County Municipality. The judgment, which pertains to the interpretation of a contract signed in 2011, was rendered in all material respects in favour of the counterparty. Dustin does not share the court's ruling and intends to appeal the judgment. The estimated earnings effect amounts to approximately SEK 23 million, and Dustin has previously made a provision of SEK 5 million, which means that the impact for the quarter amounts to approximately SEK 18 million.

### **Expanded external financing**

On May 31, 2017, Dustin entered into a new bank agreement pertaining to a credit facility of SEK 400 million. The aim of this expanded credit facility is to secure financing for future acquisitions. The terms of the new credit facility are, in all material respects, in line with the terms of the company's existing primary financing.

### **Nomination Committee**

The members of the Nomination Committee for Dustin's 2016/17 Annual General Meeting were appointed during the quarter. The members include one representative for each of the four largest shareholders as well as the Chairman of Dustin's Board.

Members:

- Caroline Berg, Axel Johnson AB/Axmedia AB, Committee Chairman
- Lennart Francke, Swedbank Robur funds
- Arne Lööw, Fourth Swedish National Pension Fund
- Jan Särlvik, Nordea funds
- Fredrik Cappelen, Chairman of Dustin's Board

### **September 1, 2016-May 31, 2017 period**

#### **Net sales**

Net sales for the period rose 10.9 per cent to SEK 7,044 million (6,349), an increase attributable to strong sales in

the B2B segment. This growth was attributable to both the large companies and public sector customer group and the small and medium-sized business customer group. Organic growth at fixed exchange rates was 7.5 per cent (2.8).

#### **Gross profit**

Gross profit rose SEK 107 million, corresponding to 11.3 per cent, to SEK 1,055 million (948). The gross margin improved by 0.1 percentage points to 15.0 per cent (14.9) due to earlier acquisitions of companies with a larger share of more sophisticated products and services. The period was also affected by a high share of sales under new framework agreements with initially lower profitability, which offset the positive margin trend.

#### **Adjusted EBITA**

Adjusted EBITA for the period rose 8.2 per cent to SEK 334 million (309). The adjusted EBITA margin was 4.7 per cent (4.9) and was affected by continued investments in the service offering and our private label products. Furthermore, integration of the recent acquisitions continued to affect the cost of the central functions. Adjusted EBITA includes earnings from discontinued operations, but excludes items affecting comparability, which are specified in Note 4 Items affecting comparability. For a comparison of adjusted EBITA and EBIT, see Note 2 Segments.

#### **EBIT**

EBIT for continuing operations amounted to SEK 276 million (259). EBIT for the period was adversely impacted by items affecting comparability amounting to a negative SEK 7 million (neg: 5), primarily comprising a positive earnings effect of SEK 22 million from the impairment of a performance-based earn-out for Idenet as well as provisions totalling SEK 18 million related to a legal dispute in Norway. A full summary of items affecting comparability is presented in Note 4 Items affecting comparability.

#### **Financial items**

Financial expenses for the period amounted to SEK 32 million (9), and primarily pertained to borrowing costs totalling SEK 28 million (24) for external financing. In the comparative period, financial expenses included positive currency effects of SEK 18 million attributable to external financing. Effective from the first quarter of 2016/17, these currency effects will be reported in other comprehensive income due to the application of hedging of net investments in foreign subsidiaries. Adjusted for this, financial expenses amounted to SEK 26 million in the comparative period.

Financial income in the period amounted to SEK 1 million (1).

#### **Tax**

The tax expense for the period was SEK 54 million (52), corresponding to an effective tax rate for continuing operations of 22.2 per cent, compared with 20.6 per cent in

the year-earlier period. The lower tax rate in the comparative period is mainly related to increased tax deductions for expenses in previous periods.

### Profit for the period

Profit for the period, including discontinued operations, totalled SEK 191 million (200). Earnings per share, including discontinued operations, amounted to SEK 2.50 (2.62), before and after dilution. Profit for the period in the year-earlier period was impacted by positive currency effects of SEK 18 million attributable to external financing. Adjusted for this, earnings per share amounted to SEK 2.44 for the comparative period.

### Cash flow

Cash flow for the period was a negative SEK 150 million (pos: 259). During the period, dividends were paid to shareholders in the amount of negative SEK 183 million (neg: 129).

Cash flow from operating activities amounted to SEK 227 million (522), with the year-on-year decline mainly attributable to changes in working capital. The change totalled a negative SEK 18 million (pos: 271). The change during the period of negative SEK 18 million mainly pertains to higher accounts payable and an increase in other liabilities, which were partly offset by higher accounts receivable and inventories. The increase in accounts payable and accounts receivable is the result of sales growth.

Cash flow from investing activities amounted to a negative SEK 191 million (pos: 94) and mainly pertained to acquisitions of operations, including a paid contingent consideration totalling a negative SEK 169 million (neg: 139). Acquisitions during the period related to the Norway-based IKT Gruppen, Purity IT and Saldab IT. The paid earn-out was attributable to the acquisition of Resolute. The comparative period was impacted by the divestment of the lease operations for SEK 249 million. Investments in tangible and intangible assets amounted to a negative SEK 22 million (neg: 31), of which negative SEK 14 million (neg: 16) was mainly attributable to costs for IT development. In addition, a negative SEK 11 million was invested in Dustin's price platform during the comparative period.

Cash flow from financing activities was a negative SEK 186 million (neg: 357) and mainly pertained to shareholder dividends of negative SEK 183 million (neg: 129), inward consideration payments of SEK 2 million (4) for warrants and borrowing expenses of negative SEK 3 million (-). The comparative period was primarily impacted by cash flow from the lease portfolio of a negative SEK 180 million, resulting from the settlement of the loan facility for the lease operations in conjunction with the divestment of the operations.

### Net working capital

At the end of the period, net working capital amounted to SEK 35 million (neg: 131). The change compared with the year-earlier period was mainly the result of higher

accounts receivable due to increased sales. The year-on-year increase in inventories was primarily due to higher sales to the large companies and public sector customer group.

SEK million	May 31, 2017	May 31, 2016	Aug 31, 2016
Inventories	297.8	241.3	229.3
Accounts receivable	1,038.8	857.6	877.7
Tax assets, other current receivables, as well as prepaid expenses and accrued income	197.5	154.8	148.2
Accounts payable	-1,063.3	-1,058.9	-912.8
Tax liabilities, other current liabilities and accrued expenses and deferred income	-435.7	-325.5	-310.7
<b>Net working capital</b>	<b>35.0</b>	<b>-130.7</b>	<b>31.6</b>

### Net debt and cash and cash equivalents

At the end of the period, net debt amounted to SEK 997 million (710). In total, cash and cash equivalents amounted to SEK 91 million (334), up SEK 243 million for the period. At the end of the period, there was also an unutilised overdraft facility of SEK 270 million (270) and a new credit facility of SEK 400 million (-).

Net debt in relation to adjusted EBITDA was 2.3 (1.8), measured over the past 12-month period.

SEK million	May 31, 2017	May 31, 2016	Aug 31, 2016
Non-current liabilities	1,085.5	1,043.9	1,066.4
Finance lease liabilities	2.0	-	2.8
Cash and cash equivalents	-90.8	-333.9	-242.9
<b>Net debt</b>	<b>996.7</b>	<b>709.9</b>	<b>826.3</b>

### Employees

The average number of full-time employees during the period was 957, compared with 934 in the year-earlier period.

### Events after the balance-sheet date

#### CEO to leave Dustin

On June 26, Dustin announced that President and CEO Georgi Ganev would be stepping down from his position at the end of the year in order to assume the position of CEO of Kinnevik. The process of recruiting a new CEO began immediately. Georgi Ganev will continue to serve as President and CEO during his six-month notice period.

### **Seasonal variations**

Dustin is impacted by seasonal variations. Each quarter is comparable between years. Sales volumes are normally higher in November and December, and lower during the summer months when sales and marketing activities are less intense. Similar seasonal variations occur in all geographical markets.

### **Parent Company**

Dustin Group AB (Corp. Reg. No. 556703-3062), which is domiciled in Nacka, Sweden, only conducts holding operations. Overall external financing is with the Parent Company.

Net sales amounted to SEK 0.3 million (0.3). The Parent Company posted a loss for the period of SEK 35 million (loss: 13) and the year-on-year change was largely attributable to a negative net currency position of SEK 17 million (pos: 14), of which negative SEK 17 million (pos: 18) was attributable to external financing.

Aside from transactions with subsidiaries, the Parent Company had no related-party transactions.

### **Risks and uncertainties**

Dustin has a structured and Group-wide process to identify, classify, manage and monitor a number of strategic, operative and external risks.

- The strategic risks are normally identified in conjunction with risk discussions connected to a strategic initiative. Risks include acquisition and integration projects and the preparation of profitable and attractive customer offerings.
- The operational risks arise in the business and are identified mainly through process reviews. Risks include the ability to attract and retain customers.
- External risks consist of risks that are outside the direct control of the Group. These risks comprise changes in regulations or altered market conditions.

For a detailed description of the risks that are expected to be particularly significant for the future development of the Group, refer to Dustin's Annual Report 2015/16.

### **Liabilities and related-party transactions**

There were no significant related-party transactions during the current period or comparative period.

### **The share**

The Parent Company's share has been listed on Nasdaq Stockholm since February 13, 2015, and is included in the Mid Cap index. On May 31, 2017, the price was SEK 74.00 per share (61.50), representing a total market capitalisation of SEK 5,637 million (4,685).

At the end of the quarter, the company had a total of 5,290 shareholders (5,689). As of May 31, 2017, the company's three largest shareholders were Axmedia AB (Axel Johnson AB) with 25.0 per cent, Swedbank Robur funds with 11.6 per cent and the Fourth Swedish National Pension Fund with 7.8 per cent. Dustin's shareholder register with the largest shareholders is presented on the company's website.

# Review of business segments

**Dustin's operations are divided into two business areas: B2B and B2C. Within B2B, customers are served through both the online platform and relationship selling. Dustin's sales model has been adapted to meet customer needs as efficiently as possible. In addition to the core B2B segment, Dustin also serves private customers in the B2C**

**business segment. In the B2C segment, customers are only served through the online platform. Through this customer segment, Dustin gains insight into trends and pricing as well as increased sales with limited additional costs.**

## B2B segment

SEK million	Q3	Q3	Change	Q1-Q3	Q1-Q3	Change	Rolling	Full-year	Change
	16/17	15/16	%	16/17	15/16	%	12 months	15/16	%
Net sales	2,125.3	1,847.6	15.0	6,588.2	5,897.1	11.7	8,394.4	7,703.3	9.0
Segment results	176.2	155.6	13.2	565.8	510.0	10.9	716.2	660.3	8.5
Segment margin (%)	8.3	8.4	-	8.6	8.6	-0.7	-	8.6	-

### Net sales

Net sales for the quarter rose 15.0 per cent to SEK 2,125 million (1,848). Organic growth at fixed exchange rates was 10.5 per cent (3.6). This increase was mainly attributable to strong sales to the large companies and public sector customer group due to a higher share of sales under new framework agreements. Denmark and Norway performed particularly well and displayed strong growth. The small and medium-sized business customer group also displayed a strong sales trend, particularly in Sweden.

### Segment results

The segment results for the quarter rose SEK 21 million to SEK 176 million (156). This improved result was due to increased sales and the positive effects derived from previous acquisitions. The segment margin was 8.3 per cent (8.4), a decrease mainly attributable to a high share of sales under new framework agreements with initially low profitability and continued investments in the service offering and our private label products.

## B2C segment

SEK million	Q3	Q3	Change	Q1-Q3	Q1-Q3	Change	Rolling	Full-year	Change
	16/17	15/16	%	16/17	15/16	%	12 months	15/16	%
Net sales	132.0	141.3	-6.5	455.6	451.9	0.8	601.2	597.5	0.6
Segment results	4.9	6.7	-26.3	16.5	16.8	-1.9	22.1	22.4	-1.4
Segment margin (%)	3.7	4.7	-	3.6	3.7	-2.7	-	3.7	-

### Net sales

Net sales for the quarter declined 6.5 per cent to SEK 132 million (141). Organic growth at fixed exchange rates was a negative 8.0 per cent (pos: 2.8). While the quarter was impacted positively by increased sales in Finland, these sales were not sufficient to offset the decline in Sweden, Norway and Denmark.

### Segment results

The segment results for the quarter declined to SEK 4.9 million (6.7) and was adversely affected by lower sales and a slightly weaker gross margin. The segment margin was 3.7 per cent (4.7).

## Central functions

Dustin's central functions hold the key to efficient delivery of the Group's offerings in all markets, the generation of economies of scale and the simplification of the integration of acquired operations.

Costs in the third quarter for central functions amounted to 3.8 per cent (3.6) of sales.

This increase in costs for central functions was attributable to integration of earlier acquisitions where formerly local functions now form part of the central platform and partly to investments within the product organization primarily with regard to private label products. For additional financial data on the segments, refer to Note 2 Segments, and to Segment information by quarter on page 24.

The undersigned certify that this interim report gives a true and fair presentation of the Parent Company's and the Group's operations, financial position and profits and describes the material risks and uncertainties facing the Parent Company and the companies in the Group.

Nacka, July 5, 2017

Georgi Ganev, CEO

In accordance with authorisation by the Board of Directors

## Review report

### **Dustin Group AB, corporate identity number 556703-3062**

#### **Introduction**

We have reviewed the condensed interim report for Dustin Group AB as at May 31, 2017 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

#### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, July 4, 2017

Ernst & Young AB

Jennifer Rock-Baley, Authorised Public Accountant

# Consolidated income statement

SEK million	Note	Q3 16/17	Q3 15/16	Q1-Q3 16/17	Q1-Q3 15/16	Rolling 12 months	Full-year 15/16
<b>Continuing operations:</b>							
Net sales	2	2,257.4	1,988.9	7,043.8	6,349.0	8,995.6	8,300.8
Cost of goods and services sold		-1,916.7	-1,683.5	-5,988.9	-5,401.0	-7,642.7	-7,054.7
<b>Gross profit</b>		<b>340.7</b>	<b>305.4</b>	<b>1,054.9</b>	<b>948.0</b>	<b>1,353.0</b>	<b>1,246.1</b>
Selling and administrative expenses		-262.8	-226.0	-768.6	-681.9	-998.1	-911.5
Items affecting comparability	4	-4.2	-3.4	-6.6	-5.0	-6.6	-5.0
Other operating income		1.1	1.9	4.6	6.0	4.2	5.6
Other operating expenses		-2.8	-3.1	-8.5	-8.3	-11.9	-11.6
<b>EBIT</b>	2	<b>72.0</b>	<b>74.8</b>	<b>275.8</b>	<b>258.8</b>	<b>340.5</b>	<b>323.5</b>
Financial income and other similar income-statement items		0.3	0.4	0.9	0.9	1.5	1.4
Financial expenses and other similar income-statement items		-10.4	-9.0	-31.6	-8.8	-61.0	-38.2
<b>Profit after financial items</b>		<b>61.9</b>	<b>66.2</b>	<b>245.1</b>	<b>250.9</b>	<b>281.0</b>	<b>286.8</b>
Tax attributable to continuing operations		-14.4	-15.0	-54.5	-51.6	-64.9	-62.1
<b>Profit for the period from continuing operations</b>		<b>47.5</b>	<b>51.2</b>	<b>190.6</b>	<b>199.2</b>	<b>216.1</b>	<b>224.7</b>
<b>Discontinued operations:</b>							
Profit for the period from discontinued operations	5	-	-1.8	0.0	0.6	-0.4	0.2
<b>Profit for the period</b>		<b>47.5</b>	<b>49.4</b>	<b>190.6</b>	<b>199.8</b>	<b>215.7</b>	<b>224.9</b>
<b>Other comprehensive income</b>							
Translation differences		-0.4	2.4	16.5	-18.0	37.5	2.9
Change in hedging reserves		1.8	-3.3	-10.5	-2.3	-13.6	-5.4
Tax attributable to change in hedging reserves		-0.4	0.8	2.3	0.6	2.9	1.2
<b>Other comprehensive income (all items that will be transferred to the income statement)</b>		<b>1.0</b>	<b>-0.1</b>	<b>8.4</b>	<b>-19.7</b>	<b>26.8</b>	<b>-1.3</b>
<b>Comprehensive income for the period is attributable in its entirety to Parent Company shareholders</b>		<b>48.4</b>	<b>49.3</b>	<b>199.0</b>	<b>180.1</b>	<b>242.5</b>	<b>223.6</b>
<b>Comprehensive income for the period attributable to Parent Company shareholders arose from:</b>							
Continuing operations		48.4	51.1	199.0	179.5	242.9	223.4
Discontinued operations		0.0	-1.8	0.0	0.6	-0.4	0.2
<b>Total comprehensive income</b>		<b>48.4</b>	<b>49.3</b>	<b>199.0</b>	<b>180.1</b>	<b>242.5</b>	<b>223.6</b>
Earnings for continuing operations per share (SEK)		0.62	0.67	2.50	2.62	2.84	2.95
Earnings for continuing operations per share after dilution (SEK)		0.62	0.67	2.50	2.62	2.84	2.95
Earnings per share, including discontinued operations (SEK)		0.62	0.65	2.50	2.62	2.83	2.95
Earnings per share after dilution including discontinued operations (SEK)		0.62	0.65	2.50	2.62	2.83	2.95

# Condensed consolidated balance sheet

SEK million	Note	May 31, 2017	May 31, 2016	Aug 31, 2016
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill		2,119.3	1,876.6	1,894.7
Other intangible assets attributable to acquisitions		369.6	373.9	364.4
Other intangible assets	6	118.0	113.1	112.2
Tangible assets	6	26.5	22.2	20.3
Deferred tax assets		8.9	10.5	6.5
Other non-current assets		3.0	2.6	2.7
<b>Total non-current assets</b>		<b>2,645.2</b>	<b>2,399.0</b>	<b>2,400.8</b>
<b>Current assets</b>				
Inventories		297.8	241.3	229.3
Accounts receivable		1,038.8	857.6	877.7
Tax assets		5.6	3.6	6.2
Other receivables		4.8	3.1	4.0
Prepaid expenses and accrued income		187.1	148.1	138.0
Cash and cash equivalents		90.8	333.9	242.9
<b>Total current assets</b>		<b>1,624.8</b>	<b>1,587.6</b>	<b>1,498.0</b>
<b>TOTAL ASSETS</b>		<b>4,270.0</b>	<b>3,986.6</b>	<b>3,898.9</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Equity attributable to Parent Company shareholders		1,440.0	1,378.6	1,422.2
<b>Total equity</b>		<b>1,440.0</b>	<b>1,378.6</b>	<b>1,422.2</b>
<b>Non-current liabilities</b>				
Deferred tax and other long-term provisions		126.2	114.0	122.3
Liabilities to credit institutions		1,085.5	1,043.9	1,066.4
Acquisition-related liabilities	7	78.5	26.0	26.0
<b>Total non-current liabilities</b>		<b>1,290.2</b>	<b>1,183.9</b>	<b>1,214.7</b>
<b>Current liabilities</b>				
Accounts payable		1,063.3	1,058.9	912.8
Tax liabilities		54.6	22.5	35.9
Derivative instruments	7	7.2	4.2	9.0
Other current liabilities		109.7	64.6	68.3
Acquisition-related liabilities	7	31.6	35.6	26.6
Accrued expenses and deferred income		273.5	238.4	209.3
<b>Total current liabilities</b>		<b>1,539.9</b>	<b>1,424.2</b>	<b>1,262.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,270.0</b>	<b>3,986.6</b>	<b>3,898.9</b>

# Condensed consolidated statement of changes in equity

SEK million	May 31, 2017	May 31, 2016	Aug 31, 2016
<b>Opening balance, September 1</b>	<b>1,422.2</b>	<b>1,323.7</b>	<b>1,323.7</b>
Profit for the period	190.6	199.8	224.9
<b>Other comprehensive income</b>			
Translation differences	16.5	-18.0	2.9
Change in hedging reserves	-10.5	-2.3	-5.4
Tax attributable to change in hedging reserves	2.3	0.6	1.2
<b>Total other comprehensive income</b>	<b>8.4</b>	<b>-19.7</b>	<b>-1.3</b>
<b>Total comprehensive income</b>	<b>199.0</b>	<b>180.1</b>	<b>223.6</b>
Dividends	-182.8	-129.5	-129.5
Subscription with the support of warrants	1.6	4.3	4.3
<b>Total transactions with shareholders</b>	<b>-181.2</b>	<b>-125.2</b>	<b>-125.2</b>
<b>Closing equity as per the balance-sheet date, attributable to Parent Company shareholders in its entirety</b>	<b>1,440.0</b>	<b>1,378.6</b>	<b>1,422.2</b>

# Consolidated statement of cash flow

SEK million	Note	Q3 16/17	Q3 15/16	Q1-Q3 16/17	Q1-Q3 15/16	Full-year 15/16
<b>Operating activities</b>						
Profit before financial items including operating profit from discontinued operations		72.0	72.5	275.8	259.2	323.9
Adjustment for non-cash items		-1.7	18.6	39.5	52.9	71.6
Interest received		0.3	0.4	0.9	0.9	1.4
Interest paid		-8.0	-7.0	-25.6	-21.6	-26.2
Income tax paid		-18.6	3.0	-45.9	-40.4	-28.9
<b>Cash flow from operating activities before changes in working capital</b>		<b>44.0</b>	<b>87.5</b>	<b>244.7</b>	<b>250.9</b>	<b>341.9</b>
Decrease (+)/increase (-) in inventories		7.5	-5.7	-62.8	-1.0	12.1
Decrease (+)/increase (-) in receivables		84.1	28.5	-148.3	-87.0	-86.4
Decrease (-)/increase (+) in current liabilities		-158.2	123.1	193.5	359.1	179.5
<b>Cash flow from changes in working capital</b>		<b>-66.6</b>	<b>145.9</b>	<b>-17.6</b>	<b>271.1</b>	<b>105.2</b>
<b>Cash flow from operating activities</b>		<b>-22.6</b>	<b>233.4</b>	<b>227.1</b>	<b>522.0</b>	<b>447.2</b>
<b>Investing activities</b>						
Acquisition of intangible assets	6	-6.0	-5.8	-14.5	-27.9	-32.1
Acquisition of tangible assets	6	-3.9	-1.0	-7.3	-3.1	-3.8
Acquisition of operations	3	-122.9	-76.5	-142.7	-100.1	-109.4
Divestment of operations		-	-	-	248.7	248.7
Contingent consideration paid		-26.6	-38.8	-26.6	-38.8	-38.8
Cash flow from leasing operation, financial services		-	-	-	15.1	15.1
<b>Cash flow from investing activities</b>		<b>-159.4</b>	<b>-122.0</b>	<b>-191.2</b>	<b>94.0</b>	<b>79.7</b>
<b>Financing activities</b>						
New share issue		-	-	1.6	4.3	4.3
Repayment of debt		-	-11.6	-	-52.5	-54.4
Dividend		-	-	-182.8	-129.5	-129.5
Paid bank arrangement fees		-	-	-3.3	-	-
Change in financial leasing liability		-0.5	-	-1.2	-	-
Cash flow from leasing portfolio, financial services		-	-	-	-179.7	-179.7
<b>Cash flow from financing activities</b>		<b>-0.5</b>	<b>-11.6</b>	<b>-185.7</b>	<b>-357.4</b>	<b>-359.3</b>
<b>Cash flow for the period</b>		<b>-182.5</b>	<b>99.8</b>	<b>-149.8</b>	<b>258.6</b>	<b>167.5</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>274.0</b>	<b>234.5</b>	<b>242.9</b>	<b>77.8</b>	<b>77.8</b>
Cash flow for the period		-182.5	99.8	-149.8	258.6	167.5
Exchange-rate differences in cash and cash equivalents		-0.7	-0.3	-2.3	-2.5	-2.5
<b>Cash and cash equivalents at the close of the period</b>		<b>90.8</b>	<b>333.9</b>	<b>90.8</b>	<b>333.9</b>	<b>242.9</b>

## Parent company income statement

SEK million	Q3 16/17	Q3 15/16	Q1-Q3 16/17	Q1-Q3 15/16	Rolling 12 months	Full-year 15/16
Net sales	0.1	0.1	0.3	0.3	0.4	0.4
Selling and administrative expenses	-2.4	-0.9	-8.8	-4.9	-10.5	-6.7
Other operating expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT</b>	<b>-2.3</b>	<b>-0.8</b>	<b>-8.5</b>	<b>-4.6</b>	<b>-10.1</b>	<b>-6.3</b>
Financial income and other similar income-statement items	2.5	0.0	17.5	0.3	65.9	48.7
Financial expenses and other similar income-statement items	-9.0	-8.5	-54.3	-11.7	-83.6	-41.0
<b>Profit/Loss after financial items</b>	<b>-8.7</b>	<b>-9.2</b>	<b>-45.3</b>	<b>-16.1</b>	<b>-27.8</b>	<b>1.4</b>
Appropriations	-	-	-	-	196.5	196.5
Tax	1.9	2.0	10.0	3.5	-31.8	-38.3
<b>Profit/Loss for the period</b>	<b>-6.8</b>	<b>-7.2</b>	<b>-35.3</b>	<b>-12.5</b>	<b>136.9</b>	<b>159.6</b>

## Parent company statement of comprehensive income

SEK million	Q3 16/17	Q3 15/16	Q1-Q3 16/17	Q1-Q3 15/16	Rolling 12 months	Full-year 15/16
Profit/Loss for the period	-6.8	-7.2	-35.3	-12.5	136.9	159.6
Other comprehensive income	-	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-6.8</b>	<b>-7.2</b>	<b>-35.3</b>	<b>-12.5</b>	<b>136.9</b>	<b>159.6</b>

# Parent company balance sheet

SEK million	May 31, 2017	May 31, 2016	Aug 31, 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Participations in Group companies	1,211.6	1,221.7	1,221.7
<b>Total non-current assets</b>	<b>1,211.6</b>	<b>1,221.7</b>	<b>1,221.7</b>
<b>Current assets</b>			
Receivables from Group companies	379.9	153.1	460.9
Tax assets	1.2	40.3	-
Prepaid expenses and accrued income	6.3	0.3	10.0
Other receivables	0.2	12.0	-
Cash and bank balances	22.3	146.8	147.4
<b>Total current assets</b>	<b>409.9</b>	<b>352.5</b>	<b>618.3</b>
<b>TOTAL ASSETS</b>	<b>1,621.5</b>	<b>1,574.2</b>	<b>1,839.9</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Restricted equity</b>			
Share capital	380.9	380.9	380.9
<b>Total restricted equity</b>	<b>380.9</b>	<b>380.9</b>	<b>380.9</b>
<b>Non-restricted equity</b>			
Share premium reserve	388.1	388.1	388.1
Retained earnings	-251.5	-228.9	-229.9
Profit/Loss for the year	-35.3	-12.5	159.6
<b>Total non-restricted equity</b>	<b>101.4</b>	<b>146.7</b>	<b>317.9</b>
<b>Total equity</b>	<b>482.3</b>	<b>527.5</b>	<b>698.7</b>
Untaxed reserves	50.6	-	50.6
<b>Non-current liabilities</b>			
Non-current liabilities to credit institutions	1,085.5	1,044.0	1,066.5
<b>Total non-current liabilities</b>	<b>1,085.5</b>	<b>1,044.0</b>	<b>1,066.5</b>
<b>Current liabilities</b>			
Accounts payable	1.2	0.8	0.1
Tax liabilities	-	-	22.2
Other current liabilities	-	-	0.2
Accrued expenses and deferred income	1.9	1.8	1.6
<b>Total current liabilities</b>	<b>3.2</b>	<b>2.6</b>	<b>24.1</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,621.5</b>	<b>1,574.2</b>	<b>1,839.9</b>

# Note 1 Accounting policies

This report has been prepared in accordance with IFRS, applying IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The accounting policies are consistent with those presented in the Group's Annual Report for the 2015/16 financial year.

The Parent Company applies the Swedish Annual Accounts Act, and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities.

None of the changes and interpretations in existing standards that have been applied from the financial year beginning September 1, 2016 had any material impact on the financial statements for the Group or the Parent Company.

A number of new standards, amendments and interpretations of standards are effective for financial years beginning after January 1, 2017. These have not been applied in the preparation of this report. The following amendments are expected to impact Dustin's financial statements:

## **IFRS 9 Financial instruments**

The standard replaces IAS 39 Financial Instruments: Recognition and Measurement. It contains rules for classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. The assessment is that this standard will not impact the recognition of financial instruments, but will primarily affect disclosures and categorisation. The standard is effective for financial years beginning on or after January 1, 2018.

## **IFRS 15 Revenue from Contracts with Customers**

The standard deals with the recognition of revenues from contracts with customer and the sale of certain non-financial assets. The new standard replaces IAS 11 Construction Contracts and IAS 18 Revenue and related interpretations. The standard is to be applied from January 1, 2018. During the financial year, Dustin worked to identify the effects of the standard with respect to revenue recognition and disclosure requirements. This process included a review of existing customer contracts and the establishment of procedures for ensuring compliance with the standard. Dustin has not yet been able to quantify how the new standard's impact on the Group's financial statements.

## **IFRS 16 Leasing**

This standard comes into effect on January 1, 2019 and covers the recognition of lease agreements. Dustin's financial statements will be impacted by this standard and work is currently being carried out to evaluate the effects. Dustin has not yet been able to quantify how the new standard's impact on the Group's financial statements.

This report has been prepared in SEK million, unless otherwise stated. Rounding-off differences may occur in this report.

## **Hedge accounting of net investments**

As of the first quarter of the 2016/17 financial year, hedge accounting according to IAS 39 Financial Instruments: Recognition and Measurement has applied to net investments in foreign subsidiaries. As a consequence of this, currency translation of external loans in foreign currencies will be recognised in other comprehensive income, in the item Change in hedging reserves, instead of being included in financial items in the income statement. The change is prospective and adjustments will not be made retroactively.

## Note 2 Segments

	Q3 16/17	Q3 15/16	Q1-Q3 16/17	Q1-Q3 15/16	Rolling 12 months	Full-year 15/16
All amounts in SEK million, unless otherwise indicated						
<b>Net sales</b>						
B2B	2,125.3	1,847.6	6,588.2	5,897.1	8,394.4	7,703.3
B2C	132.0	141.3	455.6	451.9	601.2	597.5
<b>Total</b>	<b>2,257.3</b>	<b>1,988.9</b>	<b>7,043.8</b>	<b>6,349.0</b>	<b>8,995.6</b>	<b>8,300.8</b>
<b>Segment results</b>						
B2B	176.2	155.6	565.8	510.0	716.2	660.3
B2B, segment margin (%)	8.3	8.4	8.6	8.6	8.5	8.6
B2C	4.9	6.7	16.5	16.8	22.1	22.4
B2C, segment margin (%)	3.7	4.7	3.6	3.7	3.7	3.7
Central functions	-86.8	-70.9	-248.1	-217.9	-323.3	-293.1
Costs for central functions, excluding items affecting comparability in relation to net sales (%)	-3.8	-3.6	-3.5	-3.4	-3.6	-3.5
<b>Adjusted EBITA</b>	<b>94.3</b>	<b>91.4</b>	<b>334.2</b>	<b>308.9</b>	<b>414.9</b>	<b>389.6</b>
<b>Reconciliation with profit after financial items</b>						
Items affecting comparability	-4.2	-3.4	-6.6	-5.0	-6.6	-5.0
Amortisation and impairment of intangible assets	-18.1	-15.5	-51.9	-44.7	-67.8	-60.6
Less: Operating profit attributable to discontinued operations included in segment results for B2B	-	2.3	0.0	-0.4	0.1	-0.4
<b>EBIT, Group</b>	<b>72.0</b>	<b>74.8</b>	<b>275.8</b>	<b>258.8</b>	<b>340.6</b>	<b>323.5</b>
Financial income and other similar income-statement items	0.3	0.4	0.9	0.9	1.5	1.4
Financial expenses and other similar income-statement items	-10.4	-9.0	-31.6	-8.8	-61.0	-38.2
<b>Profit after financial items, Group</b>	<b>61.9</b>	<b>66.2</b>	<b>245.1</b>	<b>250.9</b>	<b>281.0</b>	<b>286.8</b>

# Not 3 Acquisitions of businesses during the quarter

## Acquisition of Purity IT AS

On March 1, 2017, Dustin acquired all of the outstanding shares in the Norway-based company Purity IT AS. Purity IT specialises in cloud-based services for backup, storage and disaster recovery. Following the acquisition, Dustin holds 100 per cent of the total voting rights. The purchase consideration amounted to SEK 108 million, of which SEK 56 million pertained to an expected earn-out.

## Acquisition of Saldab IT AB

On April 1, 2017, Dustin acquired all of the shares in the Sweden-based company Saldab IT AB. Saldab IT AB offers IT solutions for small and medium-sized businesses. Following the acquisition, Dustin holds 100 per cent of the total voting rights. The purchase consideration amounted to SEK 110 million, of which SEK 24 million pertained to an expected earn-out.

Both acquisitions during the quarter are strategically important in terms of complementing Dustin's service offering with respect to more sophisticated products and services.

The total acquisition costs are presented in Note 4 Items affecting comparability.

Fair value of acquired assets and liabilities	Purity IT AS	Saldab IT AB
Intangible assets (excl. goodwill)	19.0	9.0
Tangible assets	5.3	1.9
Inventories	1.9	1.7
Other current assets	16.3	33.4
Cash and cash equivalents	11.6	3.6
Other current liabilities	33.4	30.9
<b>Total identifiable net assets</b>	<b>20.8</b>	<b>18.7</b>
Consolidated goodwill	87.1	91.6
<b>Purchase consideration including estimated contingent earn-out</b>	<b>107.9</b>	<b>110.2</b>
Less:		
Cash and cash equivalents	11.6	3.6
Estimated contingent earn-out	55.9	24.2
<b>Net cash outflow</b>	<b>40.5</b>	<b>82.5</b>

## Note 4 Items affecting comparability

During the quarter, a provision of SEK 18 million was made for the repayment requirement attributable to the judgment in the Group's dispute with a Norwegian customer. For more information, refer to page 6. A new assessment was also made of liabilities attributable to acquisition-related liabilities, which resulted in a positive earnings effect of SEK 22 million. Costs attributable to acquisitions amounted to SEK 8 million during the quarter and mainly pertained to remuneration to consultants and attorneys for financial and legal advisory services in conjunction with acquisitions.

SEK million	Q3	Q3	Q1-Q3	Q1-Q3	Rolling	Full-year
	16/17	15/16	16/17	15/16	12 months	15/16
Acquisition and divestment-related expenses	-8.4	-3.4	-10.8	-5.0	-10.8	-5.0
Change in value of acquisition-related liabilities	22.3	-	22.3	-	22.3	-
Provision for repayment requirement	-18.0	-	-18.0	-	-18.0	-
<b>Total</b>	<b>-4.2</b>	<b>-3.4</b>	<b>-6.6</b>	<b>-5.0</b>	<b>-6.6</b>	<b>-5.0</b>

## Note 5 Discontinued operations

During the first quarter of the preceding financial year, the operation previously reported as Financial Services was divested through a business transfer to an external party. This means the business is defined as a discontinued operation in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. As a result, this part of the operations has been recognised as discontinued operations in the income statement. No transactions took place during the quarter.

SEK million	Q3	Q3	Q1-Q3	Q1-Q3	Rolling	Full-year
	16/17	15/16	16/17	15/16	12 months	15/16
<b>Financial services</b>						
Interest income	-	0.2	-	5.7	0.0	5.7
Interest expense	-	0.0	0.0	-0.4	0.0	-0.4
<b>Net interest income</b>	<b>-</b>	<b>0.1</b>	<b>0.0</b>	<b>5.3</b>	<b>0.0</b>	<b>5.3</b>
Selling and administrative expenses	-	-2.5	-	-6.3	0.0	-6.3
<b>EBIT, financial services</b>	<b>-</b>	<b>-2.3</b>	<b>0.0</b>	<b>-1.0</b>	<b>0.1</b>	<b>-0.9</b>
Capital gains from divestment of operations	-	-	-	1.3	0.0	1.3
Tax	-	0.5	0.0	0.2	-0.4	-0.2
<b>Profit/loss for the period from discontinued operations</b>	<b>-</b>	<b>-1.8</b>	<b>0.0</b>	<b>0.6</b>	<b>-0.4</b>	<b>0.2</b>

## Note 6 Investments

SEK million	Q3	Q3	Q1-Q3	Q1-Q3	Rolling	Full-year
	16/17	15/16	16/17	15/16	12 months	15/16
Capitalised expenditure for IT development (integrated IT-platform and other long term strategic IT-systems)	-5.3	-4.7	-13.8	-16.0	-16.9	-19.1
Other investments in tangible and intangible assets	-4.6	-2.1	-8.0	-15.0	-10.0	-16.9
<b>Total</b>	<b>-9.9</b>	<b>-6.8</b>	<b>-21.8</b>	<b>-31.0</b>	<b>-26.8</b>	<b>-36.0</b>

## Note 7 Financial instruments

Financial instruments measured at fair value consist of derivative instruments and acquisition-related liabilities. As regards other financial items, these essentially match fair value and book value.

### Derivative instruments

Derivative instruments measured at fair value consist of interest-rate derivatives and currency futures. Interest-rate derivatives have been structured as hedges for variable interest on external bank loans. Currency futures pertain to hedging for USD purchases from China. The Group applies hedge accounting for interest-rate derivatives and currency futures. The fair value measurement is Level 2 in accordance with the definition in IFRS 13 Fair Value Measurement. The valuation level is unchanged compared with August 31, 2016.

At May 31, 2017, the fair value of liabilities for derivative instruments was SEK 7 million (4).

During the previous financial year, some parts of former derivatives were repaid prematurely and replaced with new interest-rate derivatives. This was mainly done to achieve greater maturity spreads. The amount was repaid during the third quarter of 2015/16 and totalled SEK 11 million.

### Acquisition-related liabilities

Acquisition-related liabilities pertain to contingent earn-outs. Measurement is carried out on a continuous basis at fair value and changes in value are recognised in profit or loss under Items affecting comparability. If a change in value occurs prior to the preparation of the acquisition analysis and the change is of such a nature that the event arose from the date of acquisition, measurement is carried out via the balance sheet. The fair value is calculated as defined for Level 3 in IFRS 13, meaning according to inputs that are not based on observable market data. The calculation of the contingent earn-out liability is based on the parameters of each acquisition agreement. These parameters are usually linked to the outcome of performance measures taken for up to three years from the date of acquisition. Changes to the balance sheet item are shown in the table below. Acquisitions during the period pertained to the Norway-based companies IKT Gruppen (SEK 28 million) and Purity (SEK 56 million) and the Sweden-based company Saldab (SEK 24 million).

Change in acquisition-related liabilities measured at fair value based on inputs that are not based on observable market data (Level 3)	May 31, 2017	May 31, 2016	Aug 31, 2016
<b>Opening balance</b>	<b>52.6</b>	<b>66.4</b>	<b>66.4</b>
<b>Remeasurements recognised in profit or loss:</b>			
Unrealised remeasurement of contingent earn-out recognised under Items affecting comparability	-22.3	-	-
Discount of contingent earn-out recognised under Financial expenses and other similar income-statement items	0.5	-	-
<b>Remeasurements recognised under other comprehensive income:</b>			
Unrealised exchange-rate differences recognised under Translation differences	-2.1	-1.7	-1.0
<b>Changes recognised via the balance sheet:</b>			
Payment attributable to previous acquisitions	-26.6	-38.8	-38.8
Acquisitions	108.0	35.6	26.0
<b>Closing balance</b>	<b>110.1</b>	<b>61.6</b>	<b>52.6</b>

# Key ratios

All amounts in SEK million, unless otherwise indicated	Q3 16/17	Q3 15/16	Q1-Q3 16/17	Q1-Q3 15/16	Rolling 12 months	Full-year 15/16
<b>Income statement</b>						
Organic sales growth (%)	9.2	2.4	7.5	2.5	7.8	4.4
Gross margin (%)	15.1	15.4	15.0	14.9	15.0	15.0
EBIT	72.0	74.8	275.8	258.8	340.5	323.5
Adjusted EBITDA	97.7	93.6	342.7	317.0	425.9	400.2
Adjusted EBITA	94.3	91.4	334.2	308.9	414.9	389.6
Adjusted EBITA margin (%)	4.2	4.6	4.7	4.9	4.6	4.7
Return on equity (%)	-	-	-	-	15.0	15.8
<b>Balance sheet</b>						
Net working capital	35.0	-130.7	35.0	-130.7	35.0	31.6
Capital employed	191.3	17.8	191.3	17.8	191.3	173.3
Net debt	996.7	709.9	996.7	709.9	996.7	826.3
Net debt/adjusted EBITDA (multiple)	-	-	-	-	2.3	2.1
Maintenance investments	-9.9	-1.2	-13.3	-3.9	-14.1	-4.7
Equity/assets ratio (%)	-	-	-	-	33.7	36.5
<b>Cash flow</b>						
Operating cash flow	21.2	238.3	311.9	584.2	228.4	500.7
Cash flow from operating activities	-22.6	233.4	227.1	522.0	152.3	447.2
<b>Data per share</b>						
Earnings per share, including discontinued operations before dilution (SEK)	0.62	0.65	2.50	2.62	2.83	2.95
Earnings per share, including discontinued operations after dilution (SEK)	0.62	0.65	2.50	2.62	2.83	2.95
Equity per share before dilution (SEK)	18.90	18.10	18.90	18.10	18.90	18.67
Equity per share after dilution (SEK)	18.90	18.10	18.90	18.10	18.90	18.67
Cash flow from operating activities per share before dilution (SEK)	-0.30	3.06	2.98	6.85	2.00	5.87
Cash flow from operating activities per share after dilution (SEK)	-0.30	3.06	2.98	6.85	2.00	5.87
Average number of shares	76,173,115	76,173,115	76,173,115	76,173,115	76,173,115	76,173,115
Average number of shares after dilution	76,389,010	76,173,115	76,328,838	76,173,115	76,300,336	76,173,115
Number of shares issued at end of period	76,173,115	76,173,115	76,173,115	76,173,115	76,173,115	76,173,115

## Alternative performance measures

Dustin applies financial measures that are not defined under IFRS. Dustin believes that these financial measures provide the reader of the interim report with valuable information, and constitute a complement when assessing Dustin's performance. The performance measures that Dustin has chosen to present are relevant in relation to its operations and the company's financial targets for growth, margins and capital structure and in terms of Dustin's dividend policy. The alternative performance measures are not always comparable with those applied by other companies since these companies may have used different calculation methods. Definitions on page 25 present how Dustin defines its performance measures and the purpose of each performance measure. The data presented below is complementary information from which all performance measures can be derived.

	Q3	Q3	Q1-Q3	Q1-Q3	Rolling	Full-year
	16/17	15/16	16/17	15/16	12 months	15/16
All amounts in SEK million, unless otherwise indicated						
<b>Organic growth</b>						
Sales growth (%)	13.5	3.6	10.9	2.8	10.8	4.6
Acquired growth (%)	-2.4	-1.4	-1.4	-1.2	-1.5	-1.2
Currency effects in sales growth (%)	-1.9	1.3	-2.0	1.2	-1.5	1.0
<b>Organic sales growth (%)</b>	<b>9.2</b>	<b>3.6</b>	<b>7.5</b>	<b>2.8</b>	<b>7.8</b>	<b>4.4</b>
<b>Profit before financial items including EBIT for discontinued operations</b>						
EBIT continuing operations	72.0	74.8	275.8	258.8	340.5	323.5
EBIT discontinued operations	-	-2.3	0.0	0.3	0.1	0.4
<b>Total</b>	<b>72.0</b>	<b>72.5</b>	<b>275.8</b>	<b>259.2</b>	<b>340.6</b>	<b>323.9</b>

## Segment information by quarter

All amounts in SEK million, unless otherwise indicated	Q3 16/17	Q2 16/17	Q1 16/17	Q4 15/16	Q3 15/16	Q2 15/16	Q1 15/16	Q4 14/15	Q3 14/15	Q2 14/15
Net sales	2,257.4	2,502.9	2,283.6	1,951.8	1,988.9	2,236.6	2,123.6	1,758.7	1,918.8	2,188.4
Organic sales growth (%)	9.2	8.7	4.4	10.2	3.6	2.4	2.5	5.6	-1.1	7.0
Gross margin (%)	15.1	14.9	14.9	15.3	15.4	14.7	14.8	14.2	14.2	13.8
Adjusted EBITA	94.3	124.1	115.8	80.7	91.4	112.7	104.8	67.3	81.8	107.5
Adjusted EBITA margin (%)	4.2	5.0	5.1	4.1	4.6	5.0	4.9	3.8	4.3	4.9
<b>B2B segment</b>										
Net sales	2,125.3	2,349.9	2113.0	1,806.2	1,847.6	2,069.4	1,980.1	1,620.5	1,779.4	2,012.4
Segment results	176.2	203.1	186.5	150.3	155.6	183.2	171.1	117.5	141.6	170.2
Segment margin (%)	8.3	8.6	8.8	8.3	8.4	8.9	8.6	7.3	8.0	8.5
<b>B2C segment</b>										
Net sales	132.0	153.0	170.6	145.6	141.3	167.2	143.4	138.2	139.4	176.0
Segment results	4.9	5.9	5.5	5.6	6.7	6.0	4.1	4.8	6.2	6.5
Segment margin (%)	3.7	3.9	3.3	3.8	4.7	3.6	2.9	3.4	4.5	3.7
<b>Central functions</b>										
Central functions	-86.8	-84.9	-76.2	-75.2	-70.9	-76.5	-70.4	-55.0	-66.0	-69.2
Percentage of net sales	-3.8	-3.4	-3.3	-3.9	-3.6	-3.4	-3.3	-3.1	-3.4	-3.2

# Definitions

IFRS measures:	Definition/Calculation	
<b>Earnings per share</b>	Net profit/loss in SEK in relation to average number of shares, according to IAS 34.	
<b>Alternative performance measures:</b>		
Alternative performance measures:	Definition/Calculation	Purpose
<b>Return on equity</b>	Net profit for the year in relation to equity at the end of the period.	Dustin believes that this performance measure shows how profitable the company is for its shareholders.
<b>Gross margin</b>	Gross profit in relation to net sales.	Used to measure product and service profitability.
<b>Equity per share</b>	Equity at the end of the period in relation to the number of shares at the end of the period.	Shows Dustin's equity per share.
<b>Acquired growth</b>	Net sales for the relevant period attributable to acquired companies in relation to net sales for the comparable period.	Acquired growth is eliminated in the calculation of organic growth.
<b>Adjusted EBITA</b>	EBIT according to the income statement and EBIT for Financial Services, which is recognised under discontinued operations, before items affecting comparability and amortisation and impairment of intangible assets.	Dustin believes that this performance measure shows the underlying earnings capacity and facilitates comparisons between quarters.
<b>Adjusted EBITDA</b>	EBIT according to the income statement and EBIT for Financial Services, which is recognised under discontinued operations, before items affecting comparability and amortisation/depreciation and impairment of tangible and intangible assets.	Dustin believes that this performance measure shows the underlying earnings capacity and facilitates comparisons between quarters.
<b>Adjusted EBITA margin</b>	Adjusted EBITA in relation to net sales.	This performance measure is used to measure the profitability level of the operations.
<b>Items affecting comparability</b>	Items affecting comparability relate to material income and expense items recognised separately due to the significance of their nature and amounts.	Dustin believes that separate recognition of items affecting comparability increases comparability of EBIT over time.
<b>Cash flow from operating activities</b>	Cash flow from operating activities, after changes in working capital.	Used to show the amount of cash flow generated from operating activities.
<b>Cash flow from operating activities per share</b>	Cash flow from operating activities as a percentage of the average number of shares outstanding.	Used to show the amount of cash flow generated from operating activities per share.
<b>Net working capital</b>	Total current assets less cash and cash equivalents, current financial lease assets and current non-interest-bearing liabilities, at the end of the period.	This measure shows Dustin's efficiency and capital tied up.

<b>Net debt</b>	Current and non-current interest-bearing liabilities, excluding acquisition-related liabilities and shareholder loans, less cash and cash equivalents and receivables from finance leasing, at the end of the period.	This performance measure shows Dustin's total liabilities adjusted for cash and cash equivalents.
<b>Net debt/EBITDA</b>	Net debt in relation to EBITDA.	This performance measure shows the company's ability to pay its debt.
<b>Organic growth</b>	Growth in net sales for the relevant period adjusted for acquired growth and currency effects.	Provides a measure of the growth achieved by Dustin in its own right.
<b>Sales growth</b>	Net sales for the relevant period in relation to net sales for the comparable period.	Used to show the development of net sales.
<b>Operating cash flow</b>	Adjusted EBITDA less maintenance investments plus cash flow from changes in working capital.	Used to show the amount of cash flow generated from operating activities and available for payments in connection with dividends, interest and tax.
<b>EBIT</b>	A measurement of the company's earnings before income tax and financial items.	This measure shows Dustin's profitability from operations.
<b>Equity/assets ratio</b>	Equity at the end of the period in relation to total assets at the end of the period.	Dustin believes that this measure provides accurate view of the company's long-term solvency.
<b>Segment results</b>	The segment's operating profit excluding amortisation/depreciation and items affecting comparability.	Dustin believes that this performance measure shows the earnings capacity of the segment.
<b>Capital employed</b>	Working capital plus total assets, excluding goodwill and other intangible assets attributable to acquisitions, and interest-bearing receivables pertaining to finance leasing, at the end of the period.	Capital employed measures utilisation of capital and efficiency.
<b>Maintenance investments</b>	Investments required to maintain current operations.	Used to calculate operating cash flow.
<b>Currency effects</b>	The difference between net sales in SEK for the comparative period and net sales in local currencies for the comparative period converted to SEK using the average exchange rate for the relevant period.	Currency effects are eliminated in the calculation of organic growth.

## Glossary

<b>Word/Term</b>	<b>Definition/Calculation</b>
<b>B2B</b>	Pertains to all sales to companies and organisations.
<b>B2C</b>	Pertains to all sales to consumers.
<b>Central functions</b>	Includes all non-allocated central expenses, including amortisation and depreciation, and excluding items affecting comparability.

## Vision and Mission

### **Vision**

To be the preferred partner, setting the standard in providing efficient IT.

### **Mission**

To enable customers to focus on their core business.

### **Brand promise**

Dustin solves your IT needs.

## Financial targets

Dustin's Board of Directors has established the following financial targets:

### **Growth**

Dustin's target is to achieve average annual organic growth of 8 per cent over a business cycle. In addition to this, Dustin intends to expand through acquisitions.

### **Margin**

Dustin's target is to increase the adjusted EBITA margin over time and, in the medium-term, to achieve an adjusted EBITA margin of between 5 and 6 per cent.

### **Capital structure**

Dustin's capital structure is to facilitate a high degree of financial flexibility, as well as to provide scope for acquisitions. The company's target is for indebtedness to amount to 2.0 to 3.0 times the adjusted EBITDA for the most recent 12-month period.

## Financial calendar

### **October 18, 2017**

Year-end report for the period September 1, 2016-August 31, 2017, Q4

### **November 17, 2017**

Annual Report for the period September 1, 2016-August 31, 2017

### **December 13, 2017**

Annual General Meeting in Stockholm

### **For more information, please contact:**

#### **Dustin Group AB**

Johan Karlsson, CFO  
johan.karlsson@dustin.se  
+46 (0)708-67 79 97

Fredrik Sätterström, Head of Investor Relations  
fredrik.satterstrom@dustin.se  
+46 (0)705-10 10 22

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