

# Corporate Governance Report

Corporate Governance refers to the decision-making systems through which the owners, directly or indirectly, govern the company. Good corporate governance is a prerequisite for establishing confidence among shareholders, customers and other external stakeholders and is based on the company's strategies, targets and values permeating the entire organisation.

Dustin Group AB ("Dustin") is a Swedish public limited liability company that was listed on Nasdaq Stockholm in February 2015. The Corporate Governance Report is submitted in accordance with the Swedish Corporate Governance Code and the Swedish Annual Accounts Act. The Corporate Governance Report forms part of the Directors' Report and has been reviewed by the company's auditor, Ernst & Young AB, whose report is available as part of the Audit Report.

**Deviation:** According to Rule 2:4 of the Code, a Board member must not be the Chairman of the Nomination Committee.

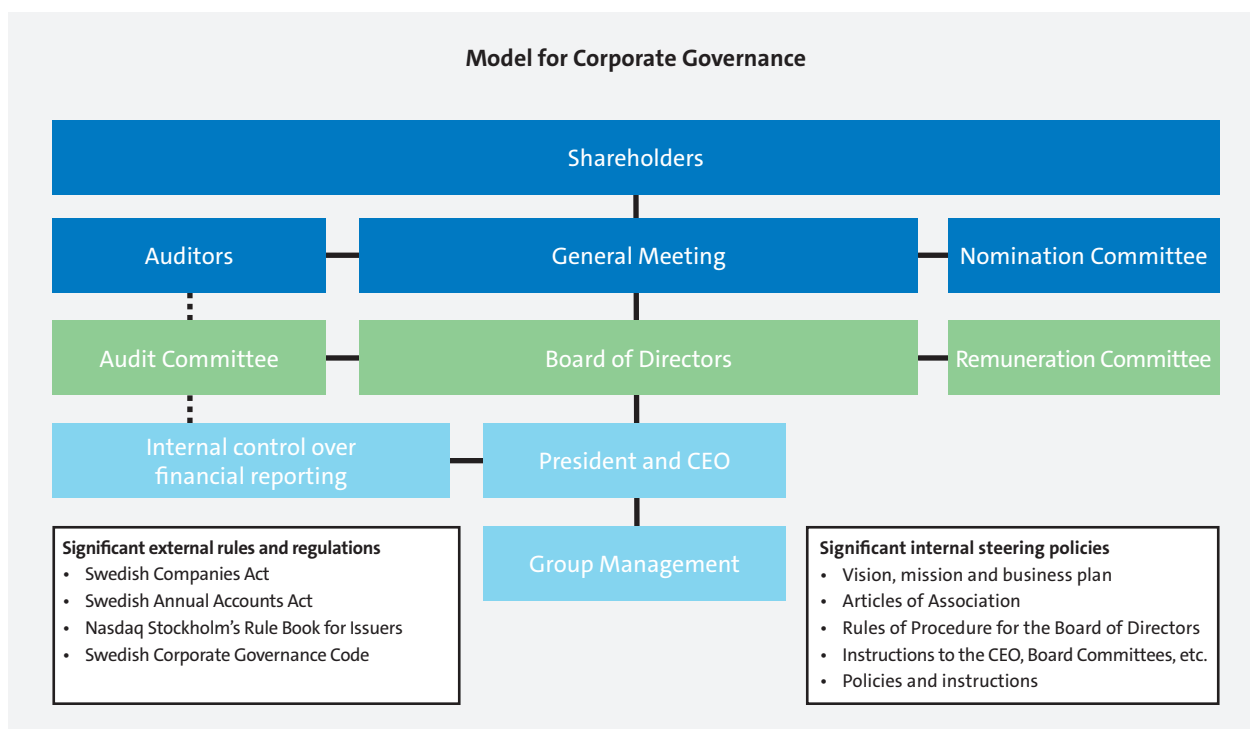
**Explanation:** The deviation, i.e. that Board member Caroline Berg is also Chairman of the Nomination Committee, is natural in view of the ownership structure.

## Swedish Corporate Governance Code

Dustin applies the Swedish Corporate Governance Code (the "Code"). In the 2016/17 financial year, Dustin deviated from the Code on one point:

## Applicable regulations for stock trading

Dustin has violated neither Nasdaq Stockholm's Rule Book for Issuers nor good stock market practice.

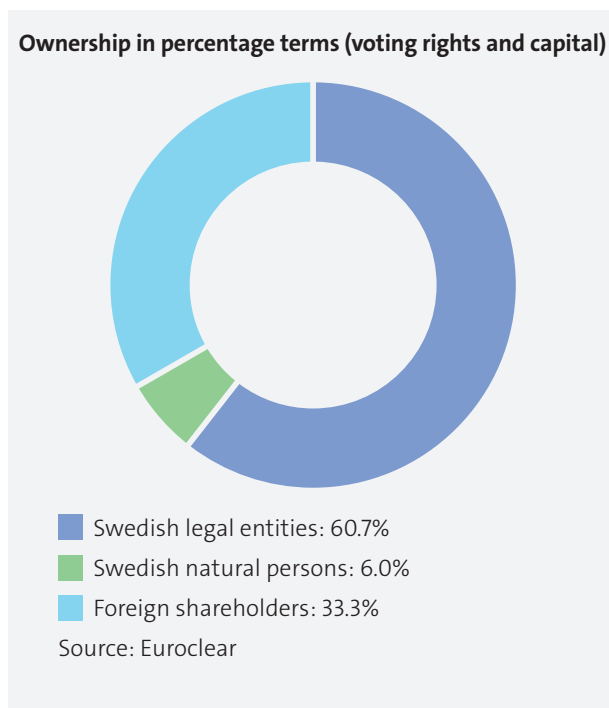


## Shareholders and General Meeting

The General Meeting is Dustin's highest decision-making body, with all shareholders entitled to attend, raise issues for discussion and exercise voting rights. The Annual General Meeting appoints the company's Board of Directors and external auditors and adopts the Annual Report. The Annual General Meeting also resolves on the appointment of the Nomination Committee and the remuneration of Board members, approves policies for remuneration of senior executives and makes decisions regarding dividends and any discharge from liability.

### Shareholders

Dustin's share was listed on Nasdaq Stockholm in 2015. All shares carry equal voting rights and equal entitlement to the company's profits and equity. The number of shareholders was 5,129 (5,822) at the end of the financial year. The company's largest shareholders, representing at least 10 per cent of the share capital each, were Axmedia AB (Axel Johnson AB) with 25.0 per cent and Swedbank Robur Fonder with 11.6 per cent as of August 31, 2017.



### 2015/16 Annual General Meeting

Dustin's Annual General Meeting for the 2015/16 financial year was held on December 13, 2016. 94 shareholders were represented at the meeting, corresponding to 61.1 per cent of the share capital and voting rights. All Board members and the Group's Auditor in Charge were present at the meeting.

The following major decisions were taken at the Annual General Meeting:

- Re-election of Fredrik Cappelen, Johan Fant, Tomas Franzén, Gunnel Duveblad, Mattias Miksche and Maija

Strandberg as Board members and the election of Caroline Berg and Mia Brunell Livfors as new Board members. Fredrik Cappelen was re-elected as Chairman of the Board.

- Re-election of the audit firm Ernst & Young AB as auditor, with Jennifer Rock-Baley as the Auditor in Charge.
- Ratification of 2015/16 Annual Report and resolution to distribute SEK 2.40 per share in dividends. The record date for the dividend was set for December 15, 2016. The dividend was paid out to shareholders on December 20, 2016.
- Granting of discharge from liability for the Board members and CEO.
- Approval of fees to Board members and the auditor.
- Approval of instructions for the Nomination Committee and guidelines for remuneration of senior executives.
- Decision on Dustin's share-related long-term incentive programme for 2017, involving up to 1,159,996 warrants and about 25 people.

The minutes of the Annual General Meeting can be found on [www.dustingroup.com](http://www.dustingroup.com).

### 2016/17 Annual General Meeting

Dustin's Annual General Meeting for the 2016/17 financial year will be held in Stockholm on December 13, 2017. For more information about the next Annual General Meeting, see page 109 and Dustin's website, [www.dustingroup.com](http://www.dustingroup.com).

### Nomination Committee

The Nomination Committee is tasked with submitting, prior to the Annual General Meeting, proposals for the Chairman of the Annual General Meeting, Board members, as well as the Chairman of the Board, remuneration for Board work and Committee work, the election and remuneration of auditors and proposals for the Nomination Committee for the next Annual General Meeting. The Nomination Committee also evaluates the Board's work and assesses its competency.

The Annual General Meeting resolved that, ahead of the 2016/17 Annual General Meeting and in accordance with the Nomination Committee's proposal, the Nomination Committee is to comprise representatives of the four largest shareholders in the company in accordance with the shareholders' register maintained by Euroclear Sweden at March 31, 2017 as well as the Chairman of the Board. The Committee's mandate period extends until such time as a new Committee has been appointed.

Ahead of the 2016/17 Annual General Meeting, Dustin's Nomination Committee comprises the following members:

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

The composition of the Nomination Committee fulfils the requirements of the Code, with the exception of the deviation stated above.

The Nomination Committee has held six meetings to date during the financial year. In addition, discussions and interviews have been held between the meetings. The Chairman of the Board has informed the Nomination Committee of the work of the Board and the Committees and presented the Board's evaluation of its work. Together with the company-specific requirements, this evaluation has formed the basis of the Nomination Committee's work. A report of the Nomination Committee's work will be submitted at the Annual General Meeting. No special remuneration was paid to the members of the Nomination Committee.

The Nomination Committee's proposal and motivation for the proposal to the Board of Directors can be found on [www.dustingroup.com](http://www.dustingroup.com).

### Board of Directors

*The Board of Directors has overall responsibility for the company's organisation and management by continuously following up the operations, ensuring an appropriate organisation, management, guidelines and internal control. The Board of Directors establishes strategies and goals, and*

*makes decisions concerning major investments and operational changes. The Chairman has a leading role and is responsible for ensuring that the Board's work is well organised and performed efficiently.*

Pursuant to the Articles of Association, Dustin's Board of Directors is to comprise a minimum of three and a maximum of ten members with no deputy members. Dustin's Board of Directors currently comprises eight members: Fredrik Cappelen (Chairman), Caroline Berg, Mia Brunell-Livfors, Gunnel Duveblad, Johan Fant, Tomas Franzén, Mattias Miksche and Maija Strandberg. During the 2016/17 financial year, Dustin's Board of Directors fulfilled the Code's requirement stating that the majority of the members elected at the Annual General Meeting must be independent in relation to the company and company management, and that at least two of the members must be independent in relation to the company's major shareholders. The independence of the members of the Board is detailed in the table "Board of Directors during the 2016/17 financial year".

The Board of Directors has adopted rules of procedure that regulate the Board's work methods and assignments, as well as instructions to the CEO, including instructions for financial reporting. The Board has also adopted policies for important parts of the operations, for example, communication and ethics. All policies are evaluated when necessary and at least once per year.

Board of Directors during the 2016/17 financial year

Board members	Elected	Attendance at meetings			Director fees (SEK)	Dependent*
		Board of Directors	Audit Committee	Remuneration Committee		
Fredrik Cappelen (ordförande)	2010	16/16	6/6	2/3	750,000	
Caroline Berg**	2016	13/13		2/2	250,000	■
Mia Brunell-Livfors	2016	13/13			250,000	■
Gunnel Duveblad	2016	16/16			250,000	
Johan Fant	2016	16/16	6/6		250,000	■
Tomas Franzén	2013	14/16		3/3	250,000	
Stefan Linder ***	2006	3/3	2/2	1/1		■
Mattias Miksche	2006	16/16			250,000	
Maija Strandberg	2013	15/16	5/6		250,000	
<b>Summa</b>					<b>2,500,000</b>	

■ = Dependent in relation to major shareholders. No member is to be considered dependent in relation to the company or company management.

\* According to the definition in the Swedish Corporate Governance Code.

\*\* Became a member of the Board at the 2015/16 Annual General Meeting, on December 13, 2016.

\*\*\* Resigned as a member of the Board in connection with the 2015/16 Annual General Meeting, on December 13, 2016.

The Board does not have any specific internal distribution of work except for certain issues being prepared by Committees. Dustin has established an Audit Committee and a Remuneration Committee. The members of the committees are elected annually and the duties are regulated in the instructions established for each committee annually. The committees have a preparatory and administrative role. The issues considered at committee meetings are recorded in minutes and reported at the next Board meeting.

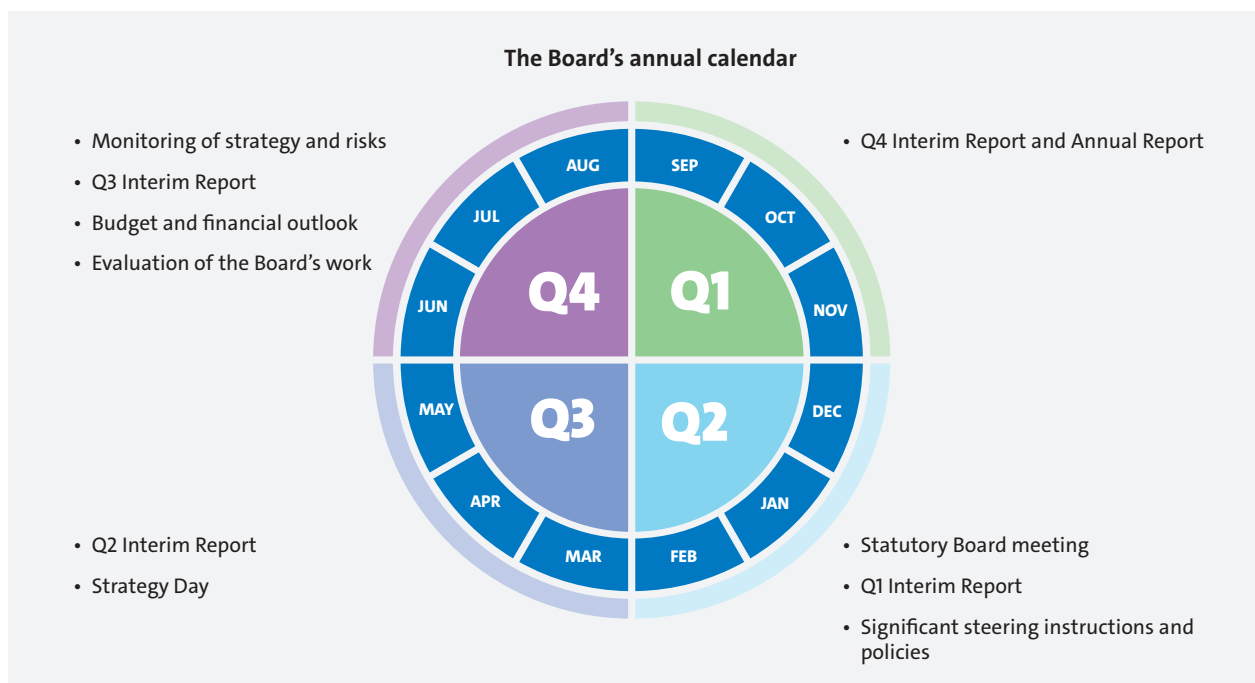
**The work of the Board 2016/17**

During the financial year, a total of 16 Board meetings were held, including statutory, extraordinary and per capsulam. Ordinary Board meetings follow a calendar that is established annually. In addition to the Board meetings,

the Chairman of the Board and the CEO have continuous contact pertaining to the operations. The Board also conducted an evaluation of Group Management together with the external auditors during the financial year.

The company's CEO and CFO are present at all ordinary Board meetings. However, they do not participate in the items on the Board's agenda in which the Board evaluates the CEO, makes decisions about remuneration to the CEO/CFO or meets with the company's auditors to evaluate the management team.

The Board's annual calendar gives a clear overview of the Board's assignments during the year. The calendar is coordinated with the most important processes at the company, such as strategy, budget and risk.



**Evaluation of the Board's work**

The work of the Board of Directors and CEO is evaluated annually through a systematic and structured process. The aim is to prepare a good basis for the Board's own development with respect to work methods and efficiency, as well as provide the Nomination Committee with a basis for the nomination work. The Chairman of the Board is responsible for the evaluation.

For the 2016/17 financial year, the annual evaluation was carried out in survey form followed by reporting and discussion by the Board. The survey focuses on how the Board's work is progressing, as well as the Board's commitment and competence. The results of the evaluation were also presented to the Nomination Committee.

In line with the results of previous years' evaluations, the Board's work is deemed to be progressing well. The members are considered to be making a constructive contribution to both the strategic discussion and the governance of the company. The discussions are seen as open and the dialogue between the Board and management is also perceived to be positive. Providing key employees with more scope to present matters at Board meetings was highlighted as a potential area for improvement.

The Board is also evaluated within the scope of the Nomination Committee's work. The Nomination Committee held meetings with some members of the Board and the CEO in order to put questions to individual members as to how the Board's work is progressing.

### Audit Committee

The main task of the Audit Committee is to ensure the quality of the financial reporting, risk management and efficiency in the company's internal control and regulatory compliance.

The committee currently comprises three members: Johan Fant (Chairman), Fredrik Cappelen and Maija Strandberg. During the 2016/17 financial year, the committee held six meetings, which were recorded in minutes. The company's CFO, external auditors and representatives from specific functions of the organisation were present at all committee meetings.

The work of the Committee focused mainly on monitoring improvements pertaining to financial reporting and financial processes, with a special focus on identifying risks and evaluating the internal control environment, as well as following up the results of the review by external auditors. The review of the company's financial reports, examination of company risks, examination and updating of internal control and the follow-up of reported whistleblowing cases were standing items on the agenda. During the financial year, the Audit Committee also reviewed the annual impairment test of goodwill, evaluated the Group's dividend policy, discussed the audit plans of the external auditors, and evaluated the independence of the auditors.

During the financial year, an auditor procurement process was also conducted for Dustin Group. Four candidates were evaluated with regards to a number of factors as well as fees. Following the evaluation, the Audit Committee proposed to the Nomination Committee to recommend the audit firm Ernst & Young AB and Jennifer Rock-Baley as Auditor in Charge to the Annual General Meeting.

### Remuneration Committee

The main task of the Remuneration Committee is to review and provide recommendations to the Board of Directors pertaining to principles for remuneration of senior executives.

The Committee currently comprises three members: Fredrik Cappelen (Chairman), Caroline Berg and Tomas Franzén. During the 2016/17 financial year, the Committee held three meetings and work pertained primarily to planning for remuneration of the CEO and senior executives, as well as the structure for target formulation, financial goals and the performance management model.

The company's CEO and CFO are present at all Committee meetings. However, they do not participate in the items on the agenda that relate to remuneration of the CEO/CFO.

## Board Committees

### Audit Committee

#### Main tasks

- Monitoring the quality of financial reporting and risk management
- Monitoring the effectiveness of internal control and compliance

#### Members

- Johan Fant (Chairman)
- Fredrik Cappelen
- Maija Strandberg

#### Meetings

Six meetings were held during the financial year

### Remuneration Committee

#### Main tasks

Provide recommendations to the Board regarding remuneration of senior executives (including long-term incentive programmes)

#### Members

- Fredrik Cappelen (Chairman)
- Tomas Franzén
- Caroline Berg

#### Meetings

Three meetings were held during the financial year

### CEO and Group Management

*The CEO is responsible for Dustin's day-to-day management and daily operations. Distribution of work between the Board and CEO is outlined in the rules of procedure for the Board and instructions to the CEO.*

The CEO reports to the Board of Directors and ensures that the Board receives the information required to be able to make well-founded decisions. Pursuant to adopted instructions, the CEO must keep the Board continuously informed about the development of the company's operations, the sales trend, the company's earnings and

financial position, liquidity forecast, important business events, as well as all other events, circumstances or conditions that may be considered material to the company's operations.

Dustin's CEO leads Group Management's work and makes decisions pertaining to the operations in consultation with other senior executives in the Group. At the end of the financial year, Group Management comprised nine individuals with each member holding responsibility for one of the Group's business areas or functions. Group Management meetings were held monthly and otherwise

as necessary. The meetings focus primarily on strategic and operative monitoring and development, as well as performance follow-up. In addition to these meetings, there is close daily cooperation within management. A presentation of the members of Group Management is available under the section "Group Management" on page 63.



#### Auditors

*The auditor reviews the annual accounts for the company and the Group, and conducts a review of the quarterly report for the third quarter. The auditors report on the results of the review of the annual accounts and the review of the Corporate Governance Report, which are presented to the Annual General Meeting.*

At the 2015/16 Annual General Meeting, Ernst & Young AB was re-elected as the audit firm, with Jennifer Rock-Baley as the Auditor in Charge for the period up to the end of the next Annual General Meeting. In addition to her assignment with Dustin, Jennifer Rock-Baley is the Auditor in Charge for DeLaval International AB, Recipharm AB (publ), Reitan Convenience Sweden AB, Skånemejerier AB and Swedfund International AB.

When Ernst & Young AB is engaged to provide services other than the ordinary audit, decisions pertaining to the nature, scope and fees for such work are made by the Audit Committee. Information about fees paid to the auditors for the 2016/17 financial year can be found in Note 6 of the Annual Report.

#### Internal control of the financial reporting

*Dustin's internal control structure is based on the COSO model, whose framework has been adapted to Dustin's operations. The framework consists of the following five components: control environment, risk assessment, control activities, information and communication, and monitoring activities. Based on this framework, areas for development are identified and prioritised for Dustin's internal control work.*

The Board of Directors is responsible for internal control of the financial reporting. The Audit Committee supports the Board by continuously monitoring the financial reporting, any risks that could affect the reporting and the company's internal control environment.

Dustin has an internal control function that aims to support management in providing excellent internal control of the financial reporting. This work focuses on ensuring compliance with guidelines and following up control activities in significant processes relating to the

financial reporting. The Audit Committee is informed about the results of the work conducted by Dustin's internal control function pertaining to risks, control activities and follow-up.

#### Control environment

The control environment forms the basis of the internal control of the financial reporting. The basis of Dustin's control environment consists of the Group's values, policies and instructions. Dustin's Board of Directors has adopted fundamental policy documents such as rules of procedure for the Board and Committees, instructions to the CEO, a code of ethics, a financial management policy and a communication policy. The aim of these control documents is to achieve and maintain a high ethical standard within the Group and to lay the groundwork for excellent internal control.

Dustin has clear guidelines regarding the responsibilities and authorities of different levels and functions within the Group, and communicating this to the entire Group is an important task. An important aspect of Dustin's control environment is the internal control framework. This includes documentation about the most important control activities and those responsible for each activity

#### Risk assessment

Dustin regularly evaluates the risks that affect the internal control of the financial reporting. Measures to manage identified risks are established in connection with the evaluation. Significant risks are discussed by the Board and the Audit Committee to establish measures aiming to ensure excellent internal control of the financial reporting.

#### Control activities

Dustin's control activities are defined in a Group-wide control framework that is divided up into the company's most significant processes. The control activities are designed to manage the risks identified in the risk analysis. Examples of control activities included in the framework are authorised approval of business transactions, accounts reconciliation, analysis of income statement items and documentation of critical processes. Each control has an assigned control owner who continuously evaluates the ability of the control to address the risk and the execution of the control.

#### Information and communication

Dustin's control documents, in the form of policies, instructions and procedures, insofar as they concern the financial reporting, are updated at least once per year and mainly communicated via the intranet. There is also a financial manual on the intranet containing instructions and procedures for financial reporting. The financial

manual is updated continuously based on changes in external requirements or changes in Dustin's operations and processes.

To ensure that external information publication is consistent and of a high quality, an information policy is available describing how external information should be communicated.

**Monitoring activities**

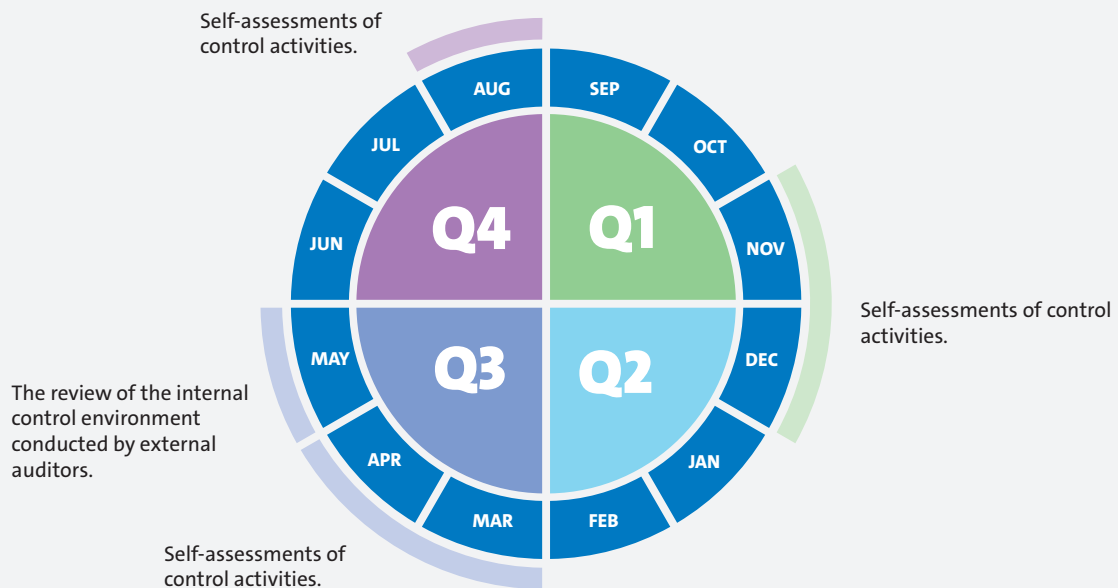
Dustin's internal control function follows up and evaluates the Group's control environment on a continuous basis by way of self-assessments and evaluations by external parties. Any deviations are reported to the control owner responsible for correcting shortcomings and improving the internal control in their area of responsibility.

Internal control developments are reported on a quarterly basis to the Audit Committee. Furthermore, the company's external auditor reports to the Audit Committee the observations from the review and the assessment of the internal control environment.

**Evaluation of a specific review function**

There is currently no specific review function at Dustin (internal audit). The Board has examined the issue and determined that the current monitoring structure and activities conducted within the risk management and internal control frameworks provide a satisfactory basis. The Board evaluates the need for a specific review function annually.

**Monitoring of internal control during the 2016/17 financial year**



### Remuneration of senior executives

*The shareholders resolve on guidelines for remuneration of the CEO and other senior executives at the Annual General Meeting. Remuneration of the CEO and other members of Group Management is thereafter decided by the Board, based on the recommendation of the Remuneration Committee.*

### Remuneration of Group Management

During the 2016/17 financial year, the remuneration of Group Management consisted of a fixed salary, short-term variable remuneration of between 40 and 100 per cent of fixed salary, long-term incentive programmes, pension and other customary benefits. The variable salary was linked to established, individual and measurable financial targets.

During the 2016/17 financial year, the total remuneration of Group Management amounted to SEK 38.8 million and is reported in more detail in Note 7 Number of employees, employee benefits expense and remuneration of senior executives.

### Long-term incentive programme

The Board evaluates on an annual basis whether a long-term incentive programme is to be proposed to the Annual General Meeting or not. Dustin has three outstanding incentive programmes: LTI 2015, LTI 2016 and LTI 2017. None of these programmes include the Board.

The Annual General Meeting on December 13, 2016 resolved to introduce a new incentive programme for senior executives. The programme comprises a total of 1,159,996 warrants, acquired at a market value of approximately SEK 2 million. Dustin has reserved the right to repurchase warrants if the participant's employment or assignment at the company comes to an end or the participant wishes to transfer the warrants.

For further information, see Note 7 Number of employees, employee benefits expense and remuneration of senior executives.

### Board remuneration

Remuneration and fees that were approved by the 2015/16 Annual General Meeting and attendance at meetings during the 2016/17 financial year are described below in the table "The Board of Directors during the 2016/17 financial year" on page 56 and in Note 7 Number of employees, employee benefits expense and remuneration of senior executives. No separate remuneration has been paid for committee work during the financial year. Board members are not entitled to any benefits after their assignments as Board members have come to an end.

### Guidelines for remuneration

The 2015/16 Annual General Meeting resolved to adopt guidelines for remuneration of senior executives within the Dustin Group, consisting of a fixed salary, short-term variable remuneration incentive (STI), which is linked to the achievement of Dustin's financial targets and individual performance targets, and a long-term share-based or share-related incentive programme (LTI), in addition to pension and other benefits. The guidelines can be found on [www.dustingroup.com/sv/ersattning](http://www.dustingroup.com/sv/ersattning).

The 2016/17 Annual General Meeting will decide on the guidelines for remuneration of senior executives. The Board is proposing guidelines whose content is essentially unchanged.

### Deviations from guidelines adopted by the 2015/16 Annual General Meeting

In exceptional circumstances, the Board of Directors may deviate from the guidelines outlined above. In this case, the Board of Directors is obliged to explain the grounds for the deviation at the following Annual General Meeting.

The current guidelines, as approved by the Annual General Meeting on December 13, 2016, have been followed and all approved remuneration was within the stipulated range.





Top row from left: Fredrik Cappelen, Caroline Berg, Mattias Miksche, Gunnel Duveblad  
 Bottom row from left: Johan Fant, Mia Brunell Livfors, Tomas Franzén. Missing in the picture: Maija Strandberg

# Board of Directors

Dustin's Board of Directors comprises eight ordinary members, including the Chairman of the Board, with no deputy members, who are elected for the period until the end of the 2016/17 Annual General Meeting.

## FREDRIK CAPPELEN

Chairman of the Board since 2010.  
**Born:** 1957.

**Education:** MSc in Business and Economics from Uppsala University. Studies in political science at Uppsala University.

**Key competencies:** Fredrik Cappelen brings broad experience of leading newly listed companies and contributes significant retail knowledge as a result of his current and previous assignments as CEO and Board member at retail companies.

**Other current assignments:** Chairman of the Board of Dometic AB, Terveystalo Oy and Transcom AB, and Board member of Securitas AB.

**Previous positions (in recent years):** Chairman of the Board of Byggmax Group AB, Sanitec Oy, Svedbergs i Dalstorp AB, Granngården AB, Munksjö AB, Munksjö Holding AB, CG Holding AB, Carnegie Holding AB and Carnegie Investment Bank AB, Vice Chairman of Munksjö Oy, Board member of Cramo Oy and WPO Service AB as well as President and CEO of Nobia AB.

**Shareholding':** 432,746, through companies.

## CAROLINE BERG

Member of the Board since 2016.  
**Born:** 1968

**Education:** BA in Media and psychology at Middlebury College, US.

**Key competencies:** Caroline Berg has extensive Board experience from both listed and unlisted companies in the retail and service sectors. She is also deeply knowledgeable about retail as well as within communication, sustainable business and HR from her years in the management team at Axel Johnson.

**Other current assignments:** Chairman of the Board of Axel Johnson AB and the Erik and Göran Ennerfelt Fund for International Studies for Young Swedes. Vice Chairman of Nordstjernan. Board member of Axfood, Martin & Servera, Axfast, Axel och Margaret Ax:son Johnson's Foundation and the Stockholm School of Economics' Advisory Board.

## Previous positions (in recent years):

Director of Human Development and Communications and member of the management team of the Axel Johnson Group.

**Shareholding':** –

## MIA BRUNELL LIVFORS

Member of the Board since 2016.  
**Born:** 1965.

**Education:** Business at Stockholm University.

**Key competencies:** Mia Brunell Livfors has many years of experience of working on the board of directors at listed companies. Mia Brunell Livfors contributes to the Board through her experience in retail, e-commerce, telecom and media.

**Other current assignments:** CEO of Axel Johnson AB. Chairman of the Board of Axel Johnson International, Axfood, Kicks, Novax and Åhléns. Board member of Martin & Servera, Stena, Svensk Handel and Efva Attling Stockholm.

**Previous positions (in recent years):** CEO of Kinnevik.

**Shareholding':** –

## GUNNEL DUVEBLAD

Member of the Board since 2016.  
**Born:** 1955

**Education:** Systems Scientist, Umeå University.

**Key competencies:** Gunnel Duveblad contributes extensive board experience through her current and previous board assignments and her valuable expertise in the IT sector, where her positions have included several leading roles at IBM and CEO of EDS Northern Europe.

**Other current assignments:** Chairman of the Board of companies including Team Olivia AB, Global Scanning A/S, Ruter Dam Foundation and HiQ International AB. Board member of companies including PostNord AB and Sweco AB.

**Previous positions (in recent years):** Board member of companies including Anoto Group AB, Aditro Holding AB and SAM Headhunting Group A/S.

**Shareholding':** 2,000

## JOHAN FANT

Member of the Board since 2016.  
**Born:** 1959

**Education:** MSc in Economics from the Stockholm School of Economics.

**Key competencies:** Johan Fant provides broad experience of retail through his Board assignments, including Åhléns, Martin & Servera and Axel Johnson International. Johan also has comprehensive knowledge of financing through his roles as CFO of Axel Johnson and Boliden.

**Other current assignments:** CEO of AltoCumulus AB. Board member of AltoCumulus Asset Management AB, Novax AB and AxFast AB.

**Previous positions (in recent years):** CFO Axel Johnson AB, CFO Boliden AB, Senior Vice President Group Treasurer Electrolux AB, Corporate Controller Ericsson AB and CFO Assa Abloy AB.

**Shareholding':** –

## TOMAS FRANZÉN

Member of the Board since 2013.  
**Born:** 1962

**Education:** MSc in Engineering, Industrial Economy at Linköping University.

**Key competencies:** Tomas Franzén has, through his current role as CEO of Bonnier and previous role as CEO of Com Hem, extensive and broad experience of leading major companies and solid financial knowledge.

**Other current assignments:** President of Bonnier AB.

**Previous positions (in recent years):** CEO and Chairman of the Board of UPC Digital AB and Com Hem Holding AB.

**Shareholding':** 57,686

## MATTIAS MIKSCHÉ

Member of the Board since 2006.  
**Born:** 1968

**Education:** MSc in Economics from the Stockholm School of Economics.

**Key competencies:** Mattias Miksche contributes broad experience in digital business, through his roles as CEO and Board member of Stardoll and Board member of Avanza, Pricerunner and Sportamore.

**Other current assignments:** Chairman of the Board of Glorious Games Group AB (previously Stardoll AB) and SoMarketplaces AB. Board member of Avanza Bank Holding AB, Pricerunner Group AB and EuroFlorist Intressenter AB.

**Previous positions (in recent years):** Board member of Eniro AB and Sportamore AB.

**Shareholding':** 169,188

## MAIJA STRANDBERG

Member of the Board since 2013.  
**Born:** 1969

**Education:** MSc in Economics from Turku School of Economics at Turku University.

**Key competencies:** Maija Strandberg contributes industry experience through her previous role as CEO of ALSO. Maija provides experience from the Finnish business sector through several Board assignments and directorships at Finnish companies.

**Other current assignments:** Executive Vice President and CFO, Uponor Corporation. Board member of Danske Bank Oy and VR Group Oy.

**Previous positions (in recent years):** Vice President Finance of Pulp and Energy Business Line at Valmet Technologies Oy. Board member of Vuoremaa Yhtiöt Oy and FinnSonic Oy. Member of Group Management of ALSO Holding AG, CEO of ALSO Nordic Holding Oy and ALSO Finland Oy.

**Shareholding':** 32,686

<sup>1</sup>Own or related legal and/or physical holdings as of August 31, 2017.



Top row from left: Jens Haviken, Georgi Ganev, Jenny Ring, Johan Karlsson, Rebecca Tallmark, Michael Haagen Petersen, Robert Pap  
Bottom row from left: Caroline Rudbeck, Morten Jakobi Nielsen, Göran Lindö

# Group Management

Dustin's Group Management includes the CEO Georgi Ganev, and an additional nine senior executives with various areas of responsibility.

## GEORGI GANEV

President and CEO. Dustin since 2012.  
**Born:** 1976

**Education:** MSc in Engineering in information technology from Uppsala University.

**Previous assignments:** CMO at Telenor Sweden AB, as well as CEO of Bredbandsbolaget AB.

**Other assignments:** Board member of Tele2 AB.

**Shareholding<sup>2</sup>:** 291,919

**Warrants:** 779,180

## JOHAN KARLSSON

CFO & VP Business Support. Dustin since 2009.  
**Born:** 1965

**Education:** MSc in Business and Economics from the Gothenburg School of Economics.

**Previous assignments:** Regional Finance Director at Tech Data AB, as well as CFO at ACO Hud Nordic AB.

**Shareholding<sup>2</sup>:** 282,734

**Warrants:** 327,341

## CAROLINE RUDBECK

VP Group Communication. Dustin since 2012.  
**Born:** 1981

**Education:** BSc in Media and Communication Studies and a Degree in Business Administration from the University of Stockholm.

**Previous assignments:** Head of Brand Management and CRM Project Manager på Tele2 AB. Marketing Manager at Reklamvision AB.

**Shareholding<sup>2</sup>:** 116,929

**Warrants:** 108,871

## GÖRAN LINDÖ

VP SMB & B2C. Dustin since 2007.  
**Born:** 1973

**Education:** MSc in Engineering in Industrial Economics from Chalmers University of Technology.

**Previous assignments:** Partner and Co-founder of Cordial AB. Consultant at Boston Consulting Group AB.

**Other assignments:** Board member of Boostcom Group AS and Fresks Group AB.

**Shareholding<sup>2</sup>:** 100,000 through companies.

**Warrants:** 92,525

## JENNY RING

VP Operations. Dustin since 2015.  
**Born:** 1978

**Education:** BSc in Business Administration from the University of Stockholm.

**Previous assignments:** Head of Nordic Contact Center & Ecom at Dustin Group AB, Consumer Sales Manager at GE Money Bank AB.

**Shareholding<sup>2</sup>:** –

**Warrants:** 26,363

## JENS HAVIKEN

VP Services & Solutions. Dustin since 2013.  
**Born:** 1966.

**Education:** BSc in Information Technology from Østfold University College.

**Previous assignments:** Director Microsoft Enterprise Services Norway at Microsoft AS. Director at Accenture AS.

**Shareholding<sup>2</sup>:** 39,688 through companies.

**Warrants:** 158,433

## MICHAEL HAAGEN PETERSEN

VP CEP. Dustin since 2008.  
**Born:** 1971

**Education:** BSc in Economics from Aarhus University School of Business and Social Science.

**Previous assignments:** Sales Manager at thy:data A/S. Market Manager at Logica A/S.

**Shareholding<sup>2</sup>:** 179,784

**Warrants:** 217,744

## MORTEN JAKOBI NIELSEN

VP People Development. Dustin since 2004.  
**Born:** 1975

**Education:** BSc in History and Society from Aarhus University.

**Previous assignments:** Executive Assistant at Dustin A/S. Senior team manager at Computerstore A/S.

**Shareholding<sup>2</sup>:** 12,836

**Warrants:** 96,796

## REBECCA TALLMARK

VP Product Marketing. Dustin since 2017.  
**Born:** 1976.

**Education:** BSc in Economics from the Stockholm School of Economics.

**Previous assignments:** Head of Strategy and Business Development at Systembolaget AB, Business Unit Head of Finance and M&A at Axel Johnson International AB and consultant at McKinsey.

**Other assignments:** Board member at Giving Wings Foundation.

**Shareholding<sup>2</sup>:** –

**Warrants:** 217,744

## ROBERT PAP

VP Group Supply Chain. Dustin since 2008.  
**Born:** 1964

**Education:** BSc in Economics from Linköping University.

**Previous assignments:** Managing Director, Spectra Stage & Event Technologies AB. Director Vendor Management, Ingram Micro Nordics. Sales and Marketing Director, Computer 2000 Sweden AB.

**Shareholding<sup>2</sup>:** 80,000

**Warrants:** 155,133

<sup>2</sup>Own or related legal and/or physical holdings as of August 31, 2017.

# Auditor's report

To the general meeting of the shareholders of Dustin Group AB, corporate identity number 556703-3062.

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of Dustin Group AB (publ) for the financial year 2016-09-01 – 2017-08-31. The annual accounts and consolidated accounts of the company are included on pages 44-104 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of August 31, 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of August 31, 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under

those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

### Key Audit Matters

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

### Valuation of goodwill and other intangible assets with indefinite useful life

Goodwill and other intangible assets with an indefinite life represents a significant portion of Dustin Group AB's total assets, totaling SEK 2 328 million as of August 31, 2017. That equals 56% of the group's total assets and 157% of the group's Equity. Goodwill and intangible assets with indefinite life are recorded at historical acquisition value and are annually tested for impairment. An impairment is recorded if the recoverable value of an asset is lower than its carrying value.

The recoverable value of the assets was based on the Company's value in use from future potential and ability to generate cash flows. The Company's assessment of the recoverable value was therefore per August 31, 2017 based on the Company's forecast of future cash flows. The assessment also considers the discount rate to be

used and the annual growth rate after the initial five-year period.

During 2017, the Company has re-allocated goodwill to better reflect the integration of acquired business and the way management monitors the business. A re-allocation of goodwill is based on the relative size of the recoverable values of the previously used cash generating units and therefore requires an estimation of the recoverable values.

As the value of goodwill and other intangible assets with indefinite life in proportion to the total assets are substantial this is a focus area for our audit. In combination with the re-allocation of goodwill which was made during the year and the uncertainty normally present with estimating recoverable values we have assessed valuation of goodwill and other intangible assets with indefinite life as a key audit matter.

Our audit procedures included assessing the Company's process for preparing the impairment test. We evaluated the forecast of future cash flow which the Company base their impairment test on. The forecast was evaluated for reasonability in comparison to our knowledge of the Company's business and historical information as well as the Company's past accuracy in developing forecasts. We have in our audit included our internal valuation specialists for the evaluation of the interest rate and valuation model used. The reasonability of the used rates and long term growth for the individual cash generating units was compared to similar companies. We have also evaluated the method used for re-allocating goodwill to the new allocation of cash generating units and the valuation models the allocation was based on.

Refer to note 1 for accounting principles related to valuation of goodwill and intangible assets with an indefinite life and to note 2 and 13 for the company's description of assumptions used for preparing the impairment test. We have assessed if the disclosed information is suited for the purpose.

#### **Valuation of contingent consideration and purchase price allocation**

During the financial year of 2016/2017, Dustin has completed three acquisitions. All acquisitions include an earn-out which is based on future financial performance of the acquired businesses. In accordance with IFRS 3 the total earn-out combined with the initial price of purchase is reported at fair value per the acquisition date. The estimated total purchase price has a direct impact on the Company's purchase price allocation and the allocation to goodwill. As of August 31, 2017 the total debt related to earn-outs for acquisitions amounted to SEK 109.6 million.

The earn-out is calculated as a multiple based on future financial performance of the acquisitions and Dustin has therefore estimated future earnings of the acquired company. In order to calculate the fair value of the estimated future earn-outs the net present value has been calculated using a discount rate reflecting the related risks. As part of the purchase price allocation the Company has allocated the purchase price to acquired assets including goodwill. This has been done by identifying acquired assets and valuing them at fair value based on applicable valuation methods. The remaining value after allocation to identified assets has been allocated to goodwill.

When estimating the fair value of an earn-out and the fair value of the identifiable acquired assets there is normally a certain degree of uncertainty present. That in combination with the significant financial impact that the estimate has we have assessed the valuation of earn-outs and purchase price allocation to be a key audit matter in our audit.

We have evaluated the Company's forecast of future financial performance of the acquired businesses used by the Company to estimate the fair value. The forecast has been assessed for reasonability by taking in to account previous financial performance of the acquired businesses, the forecast used when calculating the enterprise value, the Company's future plans for developing the acquired business and Dustin's previous ability to prepare accurate forecasts. We have used our valuation specialists to evaluate the Company's discount rate.

Refer to note 1 for the accounting principles regarding valuation of earn-outs and notes 2, 22 and 23 for the Company's description of the assessments made in connection with the valuation of earn-outs and purchase price allocations. We have assessed if the disclosed information is suited for the purpose.

#### **Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-43 and 110-118. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. 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 annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

### **Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material

if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, 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 opinions. 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 the company's internal control relevant to our 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and 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 annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. 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 a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Dusting Group AB (publ) for the period 2016-09-01 – 2017-08-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the

Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

#### Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm with Jennifer Rock-Baley as auditor-in-charge, was appointed auditor of Dustin Group AB by the general meeting of the shareholders on December 13, 2016 and has been the company's auditor since February 13, 2015 (Ernst & Young AB has been appointed auditors since October 2, 2006). Dustin Group AB (publ) has been a company of public interest since February 13, 2015.

Stockholm, November 16, 2017

Ernst & Young AB

Jennifer Rock-Baley  
Authorized Public Accountant