

ANNUAL REPORT 2015/2016

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**THE NORDIC REGION'S LARGEST AND MOST EXPERIENCED PUBLIC TRANSPORT COMPANY**



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## 105 YEARS OF TRADITION – MARKET LEADER IN INNOVATION

Nobina's history dates back to 1911 when the first journey was operated between Tanum and Grebbestad in the Swedish province of Bohuslän. Since then, our progress has been considerable, and under different names – SJ Buss, SBC, Concordia Bus, Esppon Liikene Oy and Swebus – we have developed and established a highly successful business in the form of the current Nobina.

We are not only the Nordic region's most experienced public transport company, we are also, unquestionably, the largest. Our progress has further accelerated over the past ten years, as can clearly be seen in recent years' financial reports. During the period, the current management has implemented a continuous streamlining and quality improvement process that has generated competitive advantages for Nobina in terms of its risk assessment, cost efficiency, utilisation of resources and traffic planning.

Based on solid experience and market know-how, Nobina is continuing its journey towards new goals, with its sights set on industry and market-leading innovation.

**1911** SJ Buss commences operations

**1932** GDG begins large-scale bus and truck operations

**~1990** Market liberalisation in Sweden, Denmark, Norway and Finland opened regional public transport up to tender processes

**1990** Swebus was founded via a merger of GDG and SJ Buss

**1994** First expansion outside Sweden. The Swebus brand starts being used in Finland following an acquisition

**2004** New management team in place

**2005** Refinancing and new capital structure for the Group

**2007** The EU's Regulation on Public Passenger Transport Services by Rail and by Road helps open up the Nordic market even more

**2008** Operations start in Denmark through a contract in Copenhagen

**2009** The Group changes name to Nobina

**2015/2016** The Nobina Group is listed on Nasdaq Stockholm on 18 June 2015. For the third consecutive year, Nobina posts record earnings

# NOBINA IS CONTINUING TO GROW IN ALL MARKETS

## Sweden

Nobina moves forward with its strongest position in Sweden with a market share of 30 per cent. Nobina is represented in some one hundred locations.

### Regional traffic under contract

|                               |   |                                    |                              |
|-------------------------------|---|------------------------------------|------------------------------|
| Net sales, SEK million        | Number of contracts <sup>3</sup>          | Market share <sup>1</sup> of buses | Number of buses <sup>4</sup> |
| <b>5,675</b>                  | <b>70</b>                                 | <b>30%</b>                         | <b>2,477</b>                 |
| Operating profit, SEK million | Contract value <sup>2</sup> , SEK billion |                                    | Number of employees          |
| <b>392</b>                    | <b>30</b>                                 |                                    | <b>5,915</b>                 |

## Denmark

Nobina is continuing to expand in Denmark. Out of six possible clients, Nobina now operates regional traffic for two of them and has a total of eight contracts.

|                               |   |                                    |                              |
|-------------------------------|---|------------------------------------|------------------------------|
| Net sales, SEK million        | Number of contracts <sup>3</sup>          | Market share <sup>1</sup> of buses | Number of buses <sup>4</sup> |
| <b>511</b>                    | <b>8</b>                                  | <b>5%</b>                          | <b>206</b>                   |
| Operating profit, SEK million | Contract value <sup>2</sup> , SEK billion |                                    | Number of employees          |
| <b>8</b>                      | <b>2</b>                                  |                                    | <b>508</b>                   |

## Norway

Nobina has a market share of eight per cent, making it the fifth largest operator in the Norwegian market. The majority of operations are conducted in the Oslo area.

|                               |   |                                    |                              |
|-------------------------------|---|------------------------------------|------------------------------|
| Net sales, SEK million        | Number of contracts <sup>3</sup>          | Market share <sup>1</sup> of buses | Number of buses <sup>4</sup> |
| <b>925</b>                    | <b>10</b>                                 | <b>8%</b>                          | <b>440</b>                   |
| Operating profit, SEK million | Contract value <sup>2</sup> , SEK billion |                                    | Number of employees          |
| <b>20</b>                     | <b>4</b>                                  |                                    | <b>901</b>                   |

## Finland

To date, all of Nobina's 26 traffic contracts are located in the Helsinki area. With other areas starting to open public transport to tenders, the market is expected to grow.

|                               |   |                                    |                              |
|-------------------------------|---|------------------------------------|------------------------------|
| Net sales, SEK million        | Number of contracts <sup>3</sup>          | Market share <sup>1</sup> of buses | Number of buses <sup>4</sup> |
| <b>952</b>                    | <b>26</b>                                 | <b>23%</b>                         | <b>470</b>                   |
| Operating profit, SEK million | Contract value <sup>2</sup> , SEK billion |                                    | Number of employees          |
| <b>69</b>                     | <b>4</b>                                  |                                    | <b>966</b>                   |

## Swebus

Swebus is the largest express bus travel service operator in Sweden. The nationwide route network also has end destinations in Oslo and Copenhagen.

### Interregional traffic under own management

|                               |                          |                                      |                              |
|-------------------------------|--------------------------|--------------------------------------|------------------------------|
| Net sales, SEK million        | Passengers, in thousands | Market share of number of passengers | Number of buses <sup>4</sup> |
| <b>283</b>                    | <b>1,463</b>             | <b>42%</b>                           | <b>46</b>                    |
| Operating profit, SEK million |                          |                                      | Number of employees          |
| <b>7</b>                      |                          |                                      | <b>161</b>                   |

1) The market share of tendered traffic, calculated as the number of buses in all contracts that Nobina has signed, including volumes that will be started in the future for contracts that have already been signed (with a deduction for volumes already operated by Nobina).

2) Total revenue from signed contracts (started and not yet started) excluding extension options, for the period starting 1 March 2016 and continuing for the duration of the contracts. Incentive revenue from started contracts estimated based on actual performance. Incentive revenue from not yet started contracts based on tender pricing subsequent to thorough pricing and risk analysis.

3) Number of traffic contracts with a duration of more than one year and an annual revenue of more than SEK 1 million.

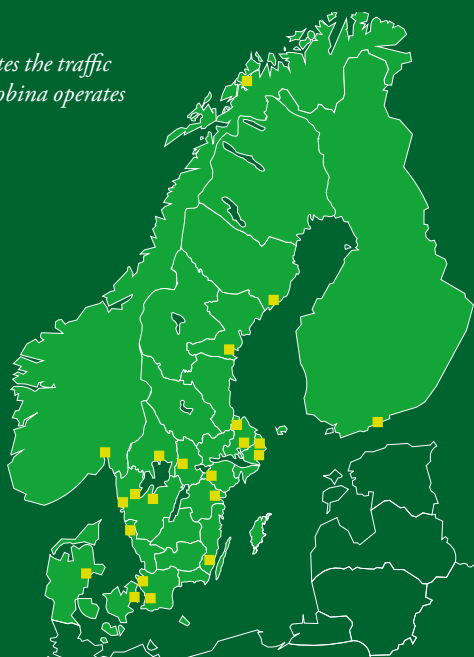
4) Buses operated by Nobina as of 29 February 2016.

# NORDIC REGION'S LEADING PUBLIC TRANSPORT COMPANY

Nobina is firmly established in the Nordic public transport infrastructure. Commanding a market presence in the form of 114 contracts spread over 30 traffic areas in four countries, we are the Nordic region's leading public transport company.

A traffic area can contain one or more contract, depending on the volume of traffic and geographic coverage. Nobina works actively on managing its contract portfolio.

*The map illustrates the traffic area in which Nobina operates contracts.*



## Sweden

- Market leader
- Mature market

## Finland

- Market leader in Helsinki
- Declining number of competitors
- Growing market

## Norway

- Challenger position
- Maturing market
- Growing market

## Denmark

- Challenger position
- Mature market

## Five-year review

| SEK million<br>(unless otherwise stated)            | 2015/2016 before<br>IPO costs | 2015/2016 after<br>IPO costs | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|---|-------------------------------|------------------------------|---------|---------|---------|---------|
| Net sales   | 8,317                         | 8,317                        | 7,549   | 7,269   | 7,212   | 7,050   |
| Operating profit                                    | 462                           | 258                          | 371     | 326     | 246     | 37      |
| Profit/loss before tax                              | 299                           | 2                            | 141     | 87      | -9      | -230    |
| Profit/loss for the year                            | 301                           | 4                            | 94      | 56      | 60      | -230    |
| Cash flow for the year                              | 266                           | 234                          | 141     | 173     | 33      | -120    |
| EBITDA  | 1,083                         | 879                          | 922     | 832     | 725     | 536     |
| EBITDA margin, %                                    | 13.0                          | 10.6                         | 12.2    | 11.4    | 10.1    | 7.6     |
| EBITDAR   | 1,141                         | 937                          | 1,019   | 973     | 927     | 767     |
| EBITDAR margin, %                                   | 13.7                          | 11.3                         | 13.5    | 13.4    | 12.8    | 10.9    |
| Cash and cash equivalents incl.<br>restricted funds | 707                           | 707                          | 568     | 465     | 312     | 260     |
| Of which restricted funds                           | 24                            | 24                           | 115     | 156     | 175     | 153     |
| Equity/assets ratio, %                              | 14.5                          | 14.5                         | 4.7     | 3.8     | 3.1     | Neg     |
| Equity  | 1,110                         | 1,110                        | 310     | 224     | 187     | -43     |
| Net debt  | 4,022                         | 4,022                        | 3,867   | 3,611   | 3,987   | 3,689   |
| Net debt/EBITDA                                     | 3.71                          | 4.58                         | 4.19    | 4.34    | 5.5     | 6.88    |
| Number of buses                                     | 3,703                         | 3,703                        | 3,347   | 3,359   | 3,455   | 3,437   |
| Number of passengers (million)                      | 377                           | 377                          | 345     | 342     | 341     | 341     |
| Number of kilometres (million)                      | 279                           | 279                          | 265     | 270     | 268     | 268     |
| Number of production hours<br>(thousand)            | 9,885                         | 9,885                        | 8,981   | 8,942   | 8,988   | 8,975   |
| Estimated FTEs                                      | 8,461                         | 8,461                        | 7,603   | 7,547   | 7,868   | 7,008   |
| Net sales per bus                                   | 2.25                          | 2.25                         | 2.26    | 2.16    | 2.09    | 2.05    |

# WE ARE AN INTEGRATED PART OF THE STRUCTURE OF SOCIETY

Nobina's assignment is to contribute to a more sustainable and mobile society. We are firmly established in the Nordic public transport infrastructure and integrated into core societal functions. We adopt a long-term approach to our work in close partnership with our clients, increasingly often with an assignment brief aimed at enhancing the quality of the public transport delivered and value for society.

Nobina wants to help realise the plans and ambitions of its clients. Nobina's greatest opportunity for making an impact is prior to and during the tender process, and in the design of contract terms, which form the structure of public transport.

By proactively sharing our specialist expertise, we help our clients to build, strengthen and develop their public transport systems, which creates value for our clients and passengers, advances stakeholder relationships and ultimately strengthens long-term shareholder value.

In Norrtälje, Nobina is a central part of the development of society and works strategically together with the business sector, municipality and other regional partners to develop public transport. Nobina's assignment in Norrtälje is incentive-based, meaning that we are assessed on the value and benefit that we deliver to society. Accordingly, Nobina is involved in such activities as producing a municipal master plan, constructing park-and-ride systems and several other regional societal plans.

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**"OUR STRATEGY REMAINS FIRM: NOBINA DELIVERS CONTRACTED PUBLIC TRANSPORT SERVICES TO SOCIETY TO GENERATE STABLE AND PROFITABLE GROWTH."**

CEO and President  
Ragnar Norbäck

*Read more in the "Statement from the CEO" on page 2*

# WE DELIVER ON OUR COMMUNICATED TARGETS

An intense and highly eventful year has drawn to a close. In 2015/2016, Nobina improved profitability, increased sales and listed the company on the stock exchange – and at the same time won several key contracts.

At Nobina, we endeavour to deliver consistently high value for our clients, our passengers, our employees and, naturally, for our owners. We are proud that as the Nordic region's largest and most experienced public transport company we met the following expectations: any new and extended contracts; continued high passenger satisfaction; excellent results from employee surveys and slightly more than 7,000 new owners.

## AN EVENTFUL 2015/2016

The past year was unusually eventful. Nobina has been a listed company for almost a year now and we are extremely pleased with the positive reception we received. A listing on Nasdaq Stockholm means that we obtain a better credit rating based on higher transparency, something that also increased understanding of the public transport market in the Nordic region, which is highly positive.

2015/2016 was yet another year in which Nobina successfully started several large-scale, resource-intensive traffic starts under previously won contracts. These traffic starts went

according to plan and it is gratifying that Nobina now operates new contracts in Södertörn and Värmland (Sweden), Helsinki (Finland) and in Follo (Norway), involving a total of more than 700 buses. Nobina also won several new contracts primarily in Sweden and Finland during the year, as well as a number of assignments in our other markets. Accordingly, we are continuing to capture market shares and maintaining a high rate of growth throughout the Group. At the same time, public transport in the Nordic region has great potential in the form of improved tender processes and contracts with the right driving forces.




## RESULTS IN LINE WITH PLAN

Nobina intends to continue to grow net sales at a rate that outpaces market growth. However, we will not under any circumstances grow at the expense of our strict profitability requirements. The fact that we have markedly improved our underlying margin before tax to 3.6 per cent (1.9), despite major traffic starts in the past year, is a sign of strength that

## NOBINA'S FINANCIAL TARGETS

The overall goal for Nobina's operations is to generate stable, profitable growth over time. Nobina has adopted the following financial targets:

### Definition:

|  |  | Comments on the outcome for 2015/2016:  |
|--|--|---|
| Nobina will increase net sales at a rate that outpaces market growth   | <p><i>Net sales, SEK million</i></p> <p>2014/2015 <b>7,549</b>  2015/2016 <b>8,317</b></p>          | <i>Sales increased 10 per cent</i>  |
| Nobina will increase profit before tax and achieve an EBT margin in excess of 4.5 per cent in the medium term                  | <p><i>Adjusted EBT margin</i></p> <p>2014/2015 <b>1.9%</b>  2015/2016<sup>1</sup> <b>3.6%</b></p>   | <i>The EBT margin rose from 1.9 per cent to 3.6 per cent excluding IPO costs</i>  |
| Under normal circumstances, Nobina intends to maintain a net debt/equity ratio of between 3.0 and 4.0 in relation to EBITDA    | <p><i>Net debt/equity ratio</i></p> <p>2014/2015 <b>4.2x</b>  2015/2016<sup>2</sup> <b>3.7x</b></p> | <i>The net debt/equity ratio before IPO costs was 3.7x</i>  |
| Nobina has established a dividend policy and expects to distribute not less than 75 per cent of its adjusted profit before tax | <p>2015/2016<br/>Adjusted earnings<br/>SEK 299 million<br/>Dividend SEK 230 million</p>  | <i>The first dividend ever paid by Nobina was SEK 2,60 per share, corresponding to a dividend yield of 7,3 per cent</i> |

1) Adjusted for non-recurring items totalling SEK 297 million 2) EBITDA adjusted for items affecting comparability of SEK 204 million



## "EARNINGS FOR THE FULL YEAR ARE COMPLETELY IN LINE WITH OUR EXPECTATIONS AND OUR COMMUNICATED TARGETS."

our strategy is yielding results. Earnings for the full year 2015/2016 are in line with our expectations and communicated targets. Net sales increased a total of 10.2 per cent to SEK 8.3 billion and adjusted operating profit rose 24.5 per cent, before IPO costs of SEK 204 million to SEK 462 million.

### INVESTING IN OUR OFFERING

At Nobina, we strive to develop and invest in continuously improving our offering. Every year we make investments in our IT systems, our work processes and our physical work environment. Another example is the establishment this year of our own innovation company, Nobina Technology, an initiative that aims to develop technology-based services to strengthen our long-term competitiveness. We have been planning this initiative for a long time and I am therefore very pleased that Nobina succeeded in recruiting talented employees during the year who will work on the development of our highly interesting services.

### FOCUS ON LONG-TERM APPROACH

Nobina's Annual Report analyses the current business climate and market conditions, while looking forward toward the potential long-term development of future public transport

and mobility. To prepare ourselves for the future, we are focusing on delivering according to Nobina's well-established and successful business model. Our strategy remains firm: Nobina delivers contracted public transport services to society in Sweden, Norway, Finland and Denmark to thereby generate stable and profitable growth over time.

Another key element of Nobina's strategy is assuming responsibility. For a long time, Nobina has been highly active in its work on sustainable business development and the operations benefit from the shift towards a more sustainable society. We are the market leader in sustainability and are particularly active in areas in which we have the greatest opportunity to influence. By ensuring that emission levels and energy efficiency are a central part of the tender evaluation criteria, we can contribute to a better environment – even when we do not win the contract. Basically, it is a matter of creating the best possible conditions for conducting sustainable operations.

Finally, I would like to express my deep gratitude to all of the employees in our organisation for their tremendous work. I am proud of the special culture that we have at Nobina, in which employees show genuine commitment and involvement in creating value for the benefit of our clients, passengers and owners.

Stockholm, April 2016

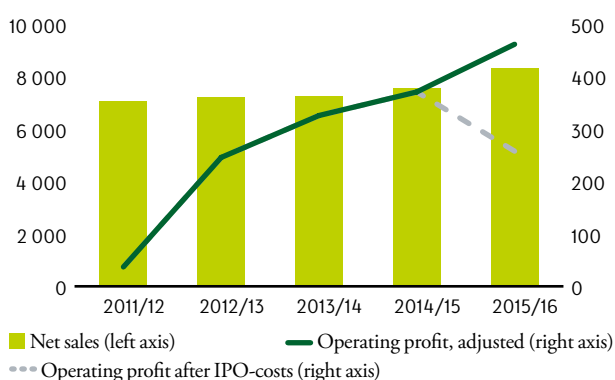
Ragnar Norbäck  
CEO and President

# THE PAST YEAR

## STRONG EARNINGS IN 2015/2016

Nobina presents strong earnings for the full year that are completely in line with expectations and the company's communicated targets. Nobina has thus set a record for net sales and earnings before IPO costs. Underlying operating profit amounted SEK 462 million.

Net sales and operating profit, SEK million



## NOBINA AB LISTED ON NASDAQ STOCKHOLM

Nobina AB was listed on Nasdaq Stockholm on 18 June 2015 with aims including the broadening of the company's Nordic owner base and improving financing terms and conditions.



## NOBINA WINS AWARD FOR LEADING CLIMATE AND ENVIRONMENTAL WORK

A long-term approach and sustainability are core to Nobina's governance of its operations. Nobina won several awards and bonuses for its environmental efforts than ever before in 2015/2016. Nobina Finland was particularly successful in delivering high customer and passenger value combined with low impact on the environment.

## SIGNIFICANT CONTRACT WINS IN STOCKHOLM AND HELSINKI

Nobina strengthened its contract portfolio with several major contract wins during the year, including tenders for SL (Stockholm Public Transport) worth slightly more than SEK 4 billion over the contract term and a traffic contract in Helsinki worth almost SEK 1.4 billion over the term. Nobina also secured an assignment in Norrköping worth almost SEK 400 million during the year.

## NOBINA, A STRATEGIC PARTNER IN THE PRODUCTION OF AN EU STANDARD FOR IT IN VEHICLES

In 2015, Nobina was the first operator in Europe to become a strategic partner in the ITxPT Initiative to support the development and implementation of future standardised IT solutions for public transport. This long-term project began in winter 2015/2016.

## KEY TRAFFIC STARTS IN SWEDEN, NORWAY AND FINLAND

During the summer, Nobina successfully completed large-scale traffic starts of previously won contracts in Stockholm (Sweden), Follo (Norway) and Helsinki (Finland) with a total of more than 400 buses. In December, Nobina Sweden accounted the single largest traffic start of the year, which took place in the County of Värmland with 254 new environmentally friendly buses in service.



# THE YEAR AHEAD

## CONTINUING TO DELIVER ON NOBINA'S FINANCIAL TARGETS

The overall goal for Nobina's operations is to generate stable, profitable growth over time. Accordingly, Nobina will continue to deliver according to the financial targets and the communicated dividend policy in 2016/2017. Nobina aims to:

- Increase net sales at a rate that outpaces market growth
- Achieve an EBT margin in excess of 4.5 per cent in the medium term
- Pay more than 75 per cent of profit before tax for the year in dividends, in line with the dividend policy

## TRAFFIC START UNDER CONTRACTS WON DURING THE YEAR

Contracted traffic will begin during the forthcoming year under the tenders won in 2015, such as in Stockholm, Helsinki and Norrköping. Nobina has already commenced detailed planning, which entails making preparations for taking over large numbers of personnel, premises and depot facilities. Planning will be intensified during the first quarter and will be completed in connection with traffic starting in summer 2016.

## CONSOLIDATING OUR POSITION AS BEST EMPLOYER IN THE INDUSTRY

Nobina needs highly skilled and motivated employees to realise the company's high ambitions. Our aim is to be the most attractive employer in the industry. It is important that we live up to our promise as a value-based organisation with sound leadership and employeeship since new employees usually join the company when we take over contracts that we have won. In 2016/2017, we will continue our important work with core values that will form the foundation for consolidating Nobina's position as the best employer in the industry.



## MANAGEMENT BY OBJECTIVES TO RETAIN LEADING POSITION

Nobina's operations are managed to achieve defined, measurable targets and key figures that have a positive impact on earnings and quality. Our performance is regularly measured according to approved key performance indicators that are continuously monitored. In the year ahead, Nobina will focus on further enhancing passenger satisfaction and achieving a high rating in its important employee surveys. Nobina's aim is also to make a greater contribution to an even more sustainable society and the company is currently the market leader in sustainability.

## INVESTING IN NOBINA'S OFFERING

Nobina makes investments every year in IT systems, the development of work processes and its physical work environment. 2016/2017 will be no exception. During the year, Nobina will continue to develop its strong systems and processes, while investments in the offering will take the form of establishing the operations' own innovation company Nobina Technology. Engaging in continuous dialogue with our clients is also an important component of our business model, which ensures that we can meet and exceed the high expectations of Nobina.

# MOVING FORWARD

## EXPANDED PUBLIC TRANSPORT IN A LESS PUBLIC FORMAT

The benefits to society of a functional public transport system are immense and indisputable. New technology and changed conditions will accelerate already rapid advances and create more opportunities for innovative public transport solutions.

Nobina offers solutions for the fundamental requirement of daily mobility – helping people get to and from work, school or other places they need to go. Our core solution is travelling together. We make sure that daily life runs smoothly by making daily travel easy. We do this with buses.

### VARYING CONDITIONS FOR DIFFERENT TYPES OF TRANSPORT

Travelling together is a prerequisite for modern society to work well, which is why society finances much of the functionality behind public transport. However, how public transport

should be organised is less obvious. The various forms differ in terms of political and legal conditions, technology, production conditions, cost models, operational arrangements and user properties. The differences in infrastructural conditions are also dramatic. Building airports and high-speed railways are gigantic investments that can only generate returns in the very long term and based on their consequential effects. Rail infrastructure is expensive to construct, whereas painting a lane for public transport on an existing road network incurs only a marginal cost. The flexibility of bus traffic is also quite different to that of rail transport. Destinations and routes can easily be

### DO WE SHOW SOLIDARITY IN OUR INDIVIDUALISM?

The Nordic population, particularly Sweden, supports the notion of individual freedom more than any other nationality<sup>1</sup> while at the same time Swedes enjoy doing things with others, of their own free will. The Swedish position is confirmed in national surveys<sup>2</sup> that show that Swedes value health and freedom the most, as well as security, love, justice and friendship. It could be said that Swedes "show solidarity in their individualism." Sweden's deep commitment to the environment and the well-being of future generations are two examples of this. Environmental aspects are becoming increasingly important to daily lifestyle choices, particularly regarding transport solutions and energy preferences. Electric and hybrid cars have really taken off, driven by consumer demand.

1) Inglehart-Welzel cultural map: Prepared each year by the World Values Survey organisation – an international network of social scientists.  
2) SOM Institute in Gothenburg: An impartial survey organisation at the University of Gothenburg.

### DOES SHARING HAPPINESS MEAN DOUBLE THE HAPPINESS?

The modern-day "sharing economy" is making its entry in an increasing number of areas, and will soon be a significant feature of the public transport sector. The fundamental idea behind public transport is essentially the concept of sharing – we share resources in the form of infrastructure and vehicles. Technology is already in place for sharing resources and the offering of services is developing rapidly. Sharing mobility by car has existed for many years in private initiative and commercial car pool solutions, although current solutions are limited to users sharing the pool of vehicles, not the actual journeys made in these vehicles. Large-scale commercial concepts for sharing journeys are not yet in place.

changed according to demand.

For many, the car represents freedom for the individual. This is particularly true in rural areas. In the city, however, a car means congestion, traffic jams, pollution and parking problems. The rapid rate of urbanisation results in car traffic increasing in our large cities, despite efforts to alleviate the problem through congestion charges and other regulations.

### SHARED BENEFIT FOR SOCIETY

Society's cost calculations for public transport are complex. People need to get to work to keep the economy moving and for society to be assured of revenue in the form of a healthy tax base. This provides a strong incentive to subsidise public transport. But there are of course costs, not only for investments. Operating solutions must be cost and time efficient for passengers, us operators and clients. Environmental calculations must be well-founded based on both a short and long-term perspective. Society's healthcare costs are also reduced since fewer people are injured when travelling via public transport than when travelling by themselves.

### FOR SOCIETY AND THE INDIVIDUAL

Large-scale public transport has long been considered the best solution for many of these challenges, and the idea is essentially the right one. Society undoubtedly needs public transport, although excessively large models involve risk. Large-scale operations require standardisation – many parties need

to follow the template to make large-scale operations profitable. This entails the risk of rigid solutions that could otherwise be difficult to adapt to the development of society. Bus solutions are more flexible than rail solutions. Nevertheless, large buses with few passengers are neither resource efficient nor environmentally friendly. The same applies to empty commuter trains or those with low patronage. The excessively large model also encounters difficulties in handling individual requirements – it is easier to plan and deliver in terms of large volumes of public transport customers.

The major and long-term challenge for Nobina and other operators as well as clients in the Nordic public transport sector is identifying solutions that concurrently meet the needs of society and people. This involves joint mobility – how transportation is actually organised – and travelling together – the benefits offered to passengers before, during and after their actual journeys. We will see many new solutions for public transport in the next few years, initiatives that will be driven by society's and people's needs and realised by new technology Nobina does not intend to merely stand on the sidelines and look on.

Nobina has a successful and well-established business model (page 14). However, this outlook deals with the long-term potential development of future public transport and mobility and, accordingly, should not be applied too closely to existing operations based on today's market conditions.

## ARE CLIENTS ONE STEP AHEAD?

In many companies, the organisations responsible for local and regional traffic are not satisfied with old arrangements and are instead seeking out new solutions and taking proactive measures for new ideas to flourish. Examples include free parking for car pools and exemptions from congestion charges. An open mobile platform was launched in Helsinki whereby the same application can be used to gain an overview, book and pay for all forms of passenger transportation – commuter trains, underground trains, trams, buses, car pools and taxis, even city bikes – a total of more than 20 players cooperating to facilitate travelling together. On days on which there is poor air quality, the City of Helsinki pays for travel, meaning that journeys by underground, tram and bus are free.

# THE BORDER BETWEEN TODAY AND TOMORROW

Nobina's overall strategy and planning of operations focuses on improving what the company does in the here and now. Our daily work, ensuring that, every day, more than one million people get to work, school and other activities, is basis of everything that we do.

At the same time, Nobina is preparing for highly changeable mobility developments that will create brand new movement patterns in the long term. Some of the future is certain, but not all. Instead of solely basing work on what has been, Nobina works actively to influence and capitalise on the long-term market trend.

In parallel with such developments, a number of macroeconomic trends are even now affecting Nobina's market conditions.

## TRAVEL BY BUS POPULAR AND INCREASING IN MARKET SHARE

Public and political opinion and attitudes towards publicly financed public transport are becoming increasingly positive, particularly in metropolitan regions and densely populated areas. 28 per cent of the Swedish population regularly uses public transport. The market share of flexible and cost-efficient bus traffic is increasing in line with the development of public transport systems.

## CONTINUED URBANISATION AND EFFICIENCY REQUIREMENTS IN DENSELY POPULATED AREAS

The growing population of the Nordic region and increased urbanisation are persistent trends that are predicted to continue. Accordingly, requirements for future public transport will increase and remain a priority issue for a growing number of regions. The requirements of urban environments for public transport systems will thus benefit from a type of transport that is not based on rails, and is flexible, such as buses.

## PRESENT AND BENEFICIAL ENVIRONMENTAL INSIGHT

Clients, politicians and passengers all have a strong and continuously increasing commitment to the environment. Nobina's business and sustainability efforts are thus aligned in terms of the value associated with getting increasing numbers of people to choose public transport as their mode of travel. The focus on environmental and sustainability issues in tendering and contract processes is increasing. Requirements on vehicle noise levels, minimising idling, fuel type and consideration for the traffic system in general are increasingly common. Requirements are becoming more robust, which benefits Nobina as an industry leader in sustainability.

## DIGITISATION AND TECHNICAL ADVANCES

Accelerated technical advances and continuous digitisation affect the design of public transport vehicles, traffic planning and centralised traffic management. Clients that are willing to invest in regional public transport demand highly efficient, modern vehicles. Continuous business development is thus more important than ever to meet the needs of clients and passengers. The potential for traffic planning is also improving at a rapid rate since modern vehicles can provide operators and clients with real-time information.

# CURRENT MARKET CONDITIONS AND NOBINA'S RESPONSE

Three factors explain the special conditions that exist in the Nordic public transport market. The first is that the market is expected to continue to be politically controlled. The second is that the public transport market will continue to grow, supported by external changes. The third is the balance between two occasionally conflicting customer perspectives: the client benefit and the passenger benefit.

## POLITICAL CONTROL OF THE PUBLIC TRANSPORT MARKET

The political control entails opportunities as well as challenges. As a result of shifts in political majorities, our business conditions can sometimes change drastically. The control can also entail a short-term approach because major changes and quick results are desired at short notice. At the same time, there are several positive aspects, particularly in terms of the politically driven demand for climate-smart public transport solutions. Because politically controlled clients are keen to protect the good reputation of local public transport, there is an increasing focus on procuring sustainable solutions.

## NOBINA'S RESPONSE: WE EMPHASISE A LONG-TERM APPROACH

By emphasising long-term sustainable solutions in every situation, we have excellent opportunities for constructive partnerships with our clients. We appreciate and respect the short-term perspective sometimes associated with political control. We also understand that the conditions for dialogue can vary between different countries, regions or local communities, depending on the political majority. We collaborate with and adapt to our client's interests by maintaining a continuous dialogue and actively influencing the design of contract terms.

## STEADILY GROWING PUBLIC TRANSPORT MARKET

The demand for sustainable public transport solutions is increasing as a result of the population increase and urbanisation. Growing climate awareness is also raising interest in carpooling. Moreover, increasing awareness puts a greater value on the opportunities to live both close to nature and in an eco-friendly manner, which often involves commuting to and from the workplace. But above all, our growing market is about a more connected, mobile and fast-moving society. The public transport market is growing in pace with an increasing need for mobility. When combined with the EU's Regulation on Public Passenger Transport Services by Rail and by Road, this means that a growing share for public transport tender processes is to be expected in our markets within the foreseeable future.

## NOBINA'S RESPONSE: WE WILL GROW PROFITABLY WHILE CONCURRENTLY STRENGTHENING OUR EXPERTISE

The fact that the market is growing is positive for Nobina. Rapid regional or local growth can entail a shift in circumstances within just a few years. This places higher demands on our expertise in the tender process and in terms of designing contract terms, thereby ensuring that we can meet changing demands while retaining profitability. As our expertise improves, we will also become more flexible in order to satisfy more variations within and between client preferences.



## **BOTH CLIENTS AND PASSENGERS MUST BE SATISFIED**

In a changing society, our clients strive to balance passenger needs with budgetary restrictions in the tender processes for public transport systems. As a result, to provide benefits to both society and passengers, the operator needs to be sensitive to needs and flexible. Nobina, or another operator, provides an infrastructure that is not only significant but essential for many people's daily lives. Quite simply, it just has to run – always. Therefore, our task is to ensure that we, within the scope of contract terms, can balance the preferences of the clients, the passengers and other stakeholders in a constructive and profitable manner.

## **NOBINA'S RESPONSE: EVERYONE AGREES ON THE VALUE OF LONG-TERM SOCIETAL BENEFIT**

Through meticulous and long-term efforts to design the contract terms, we can ensure our adaptability in a manner that is profitable for all parties while simultaneously satisfying our clients' requirements. Nobina considers this process to be constructive and valuable, also in those instances where we do not win the tender process. We train our drivers and other employees to continuously improve passenger dialogue with the aim of creating an understanding for any deviations from schedules due to, for instance, road conditions or other circumstances beyond our control.

First and foremost, however, it is a question of advocating within the scope of societal benefit – a perspective that unites both clients and passengers. It is also what makes Nobina's environmental and sustainability initiatives so important, as it strengthens our long-term perspective. Through our long-term influence on contract terms, resource efficiency and lower emissions, we can provide more public transport for the money and thereby create societal benefits through increased mobility.

# NORDIC MARKET LEADER

Nobina is the largest public transport company in the Nordic countries and market leader in a growing market. We have stable revenue from contracts that focus on profitability and high quality in execution.

For several years, Nobina has organised operations to meet current market conditions. At an overall level, three strategic strengths stand out that define the cornerstones of our business model.



# 1. ECONOMIES OF SCALE AND SCOPE

With a market share of 18 per cent, Nobina is the largest public transport company in the Nordic region. With operations in Sweden, Denmark, Finland and Norway, Nobina is the only pan-Nordic market operator. Nobina's experience of the Nordic public transport market means that the company and management have excellent knowledge about local market conditions as well as established relationships with key public transport authorities. Centralised teams can therefore quickly analyse contract terms and conditions and initiate the extensive work with tenders. Nobina's economies of scale include not only advantages in risk analysis and tenders, but also relationships with public transport authorities, where Nobina is considered a safe and stable partner that has high capacity and the ability to deliver.

# 2. OPTIMISED FLEET OF VEHICLES

Our buses, numbering 3,703 in total, are purchased and managed by our wholly owned subsidiary, Nobina Fleet AB. The structure of a Group-wide fleet of vehicles affords us competitive advantages – firstly, through optimising the number of buses and secondly, through centralising expertise concerning the fleet. Every year, Nobina reallocates 10–15 per cent of all buses to new contracts and between countries. In this way, the current fleet of vehicles is used as effectively as possible. It also makes it possible to mix old and new buses when tenders are submitted, which has a positive impact on costs.

The fleet is financed through a structure based on ten-year finance leases with a 10 per cent residual value. The buses are recognised in the balance sheet and depreciated over 14 years. Read more about the structure of vehicle financing in Note 7.

# 3. ACTIVE CONTRACT PORTFOLIO MANAGEMENT

Nobina actively manages its contract portfolio. We identify the right types of contracts, influence contract conditions, perform careful calculations during the tender process and have an efficient management system that ensures delivery quality. All of this optimises the benefits, profitability and contract mix for Nobina.

Another dimension in Nobina's active contract portfolio management is the continuous improvements made in individual contracts. Each contract is regularly evaluated and analysed based on several metrics. Contract comparisons of the latest estimates and actual performance are followed up. We identify irregularities and act quickly to implement selective measures or, when necessary, more comprehensive changes in operations.

# SUCCESSFUL BUSINESS MODEL

Nobina ensures that more than one million individuals get to work, school or other activities each day. We do this by providing contracted public transport services to society.

Nobina's ambition is to generate the most value possible for our clients, passengers, employees and owners. Our successful business model rests on a structured tender process combined with active contract management. The core of our business model comprises five steps that have been further improved in recent years. Nobina's business model is designed to meet today's market conditions, but is also agile and flexible to meet future needs.



## THE BUSINESS MODEL IS BASED ON OUR STAKEHOLDERS' NEEDS

Nobina's operations are based on the needs of our stakeholders. The clients are the most central group. They are the ones who actively set requirements in tender processes and daily operations. Other key stakeholders are the passengers and our owners, who both expect us to give them value for money. By maintaining a continuous dialogue with our clients, foremost,

as well as other stakeholders, Nobina strives to make operations and the tender process itself more transparent, commercial and predictable. By extension, these dialogues will generate more public transport for the money, ultimately benefiting society through increased mobility. This makes the stakeholder dialogue an integral part of the business model.

| STAKEHOLDER | DIALOGUE PATH   | SIGNIFICANT ISSUES  | HOW NOBINA WORKS   |
|-------------|---|---|--|
| Clients     | <ul style="list-style-type: none"> <li>• Industry associations</li> <li>• Business development managers in meetings with clients</li> <li>• Public transport authority survey</li> <li>• Daily operations</li> <li>• Nordic Future<sup>1</sup></li> </ul>               | <ul style="list-style-type: none"> <li>• Cooperation with unions</li> <li>• Favourable employment terms</li> <li>• Transparency and values</li> <li>• Membership of industry associations</li> <li>• Good leadership</li> <li>• Emission levels</li> <li>• Certifications</li> <li>• Requirements on the type of fuel</li> <li>• Noise level requirements</li> <li>• Environmental requirements on chemicals</li> </ul> | <ul style="list-style-type: none"> <li>• Joint projects with clients on such items as new types of vehicles, environmental adaptations and customisations</li> </ul>   |
| Passengers  | <ul style="list-style-type: none"> <li>• Passenger surveys</li> <li>• Focus groups</li> <li>• Social media</li> <li>• Nordic Future<sup>1</sup></li> </ul>  | <ul style="list-style-type: none"> <li>• Punctuality</li> <li>• Value for money</li> <li>• Treatment</li> <li>• Simplicity</li> <li>• Way of driving</li> </ul>   | <ul style="list-style-type: none"> <li>• Conduct and analyse customer surveys, turning them into reports that are published on Nordic Future<sup>1</sup>, for example</li> </ul>   |
| Owners      | <ul style="list-style-type: none"> <li>• Board meetings</li> <li>• AGM</li> <li>• Capital Markets Day</li> <li>• Transparent quarterly reporting</li> <li>• Quarterly investor calls</li> <li>• Annual and sustainability reports</li> <li>• Company website</li> </ul> | <ul style="list-style-type: none"> <li>• Profitability</li> <li>• Resource efficiency</li> <li>• Market development</li> </ul>  | <ul style="list-style-type: none"> <li>• Ethically and in transparent manner</li> </ul>  |
| Politicians | <ul style="list-style-type: none"> <li>• Industry associations</li> <li>• Meetings with politicians</li> <li>• Nordic Future<sup>1</sup></li> </ul>   | <ul style="list-style-type: none"> <li>• Regional growth</li> <li>• Infrastructure in society</li> <li>• Resource-efficient transportation</li> <li>• Societal benefits from public transport</li> <li>• Contract design</li> </ul>   | <ul style="list-style-type: none"> <li>• Active engagement in industry conditions, traffic conditions and societal structure</li> </ul>  |
| Suppliers   | <ul style="list-style-type: none"> <li>• Tender processes</li> <li>• Follow-ups</li> </ul>  | <ul style="list-style-type: none"> <li>• Environmental requirements</li> </ul>  | <ul style="list-style-type: none"> <li>• Set requirements, evaluate and follow up</li> </ul>   |
| Employees   | <ul style="list-style-type: none"> <li>• Employee development dialogues</li> <li>• Employee surveys</li> <li>• Improvement groups</li> <li>• Training</li> </ul>  | <ul style="list-style-type: none"> <li>• Ability to influence work conditions</li> <li>• Well-being</li> <li>• Sick leave</li> </ul>  | <ul style="list-style-type: none"> <li>• EWC<sup>2</sup> establishes business plan and significant changes in operations</li> <li>• Employee responsibility for own goals, assessments and activities</li> <li>• Regular individual feedback on performance</li> <li>• Leadership development</li> </ul> |

1) Nordic Future is an independent online forum launched by Nobina in 2013. The forum is open to anyone, but targets those affected by or interested in public transport. The aim is discussion that will result in more passengers who are dedicated, along with generating new proposals and ideas that will help develop public transport. [www.nordicfuture.com](http://www.nordicfuture.com)

2) European Work Council: an EU requirement for a forum that represents European employees in different industries. Read more on page 26.

## 1. PROSPECTING: IDENTIFICATION OF THE RIGHT CONTRACTS

Nobina has a long-term business model that extends beyond current contract periods and thus places substantial emphasis on good relations with regional decision-makers and public transport authorities. While the Nordic market for public

transport is relatively predictable, there are exceptions. Nobina maps, monitors and analyses public tenders continuously to identify appropriate contracts from a profitability potential and value added for stakeholders.

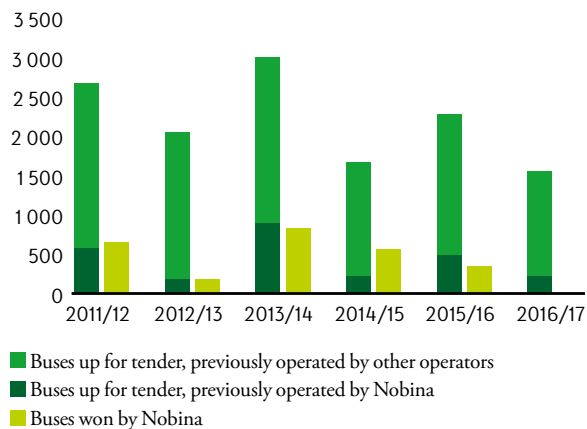
## 2. SELECTION: ACTIVE INFLUENCE AND DIALOGUE ALIGN INTEREST REGARDING CONTRACT STRUCTURE

Every year, Nobina faces a large number of tender processes where regional public transport is subject to competition due to a vast and steadily growing market. Selecting available tender processes is carried out by carefully identifying and prioritising tenders, which is done well before the tenders are announced. In certain instances, preparations begin up to three years before a tender is submitted.

At both local and national levels, there is huge potential for influencing how regional public transport is procured. Nobina maintains continuous dialogue with politicians, clients and industry organisations aimed at showcasing the contract terms that facilitate efficient and safe operations that attract more passengers. The benefits derived by passengers from cost-effective public transport has priority, which strengthens confidence in Nobina as a competent partner that can deliver services based on the various stakeholders' needs.

Nobina decides which tenders to prioritise in the final phase of the selection process. Dedicated tender teams are responsible for preparing Nobina's tenders. The draft tender is sent for referral and quality assured by a central decision-making team that includes Nobina's senior executives.

*Overview of tendering, number of buses*



The number of buses which are up for tender varies from year to year and, therefore, tender wins should be valued over a longer period and not for individual quarters or years.

## 3. TENDER PROCESS: WINNING THE RIGHT CONTRACTS

Nobina must ensure a systematic procedure for the tender process before, during and after the tender has been submitted in order to maintain healthy profitability. To best evaluate the business potential, the tender process begins based on the results of the selection phase. Nobina's management is involved in an extensive risk analysis, which is the basis for the final tender price. This includes both operational and contractual risks, determining the optimal structure for the bus fleet and negotiating third-party agreements regarding leasing depots, for example. Accordingly, all identified risks are

analysed and quantified before a tender is submitted. The project team involves a number of employees who possess a variety of skills and who, during a period of many months, work with preparing and packaging Nobina's tender.

*Percentage of tenders won 2015/2016*

**33%**

## 4. CONTRACT START: EFFICIENT START AND CONTRACT MANAGEMENT IMPROVES STAKEHOLDER BENEFITS

Starting new contracts is an important and relatively complex process. Since Nobina usually takes over former operators' depots, support properties and permanent employees, the takeover requires careful planning. While the actual start of traffic services happens overnight, the start-up phase for new contracts typically stretches over a period of nine to twelve months, and where the planning phases ensures that the right number of buses, with the right specifications, are on site for the transition. Nobina's size and long-standing experience means that this process is both effective and well-established in the organisation.

Costs and revenues are unevenly distributed over the contract term, which affects cash flow and profitability. Initially, costs are high and cash flow is weak primarily because it is necessary to make significant investments in the vehicle fleet and it is difficult to run fully efficient operations right from the very

start. Nobina works actively to even this out and to create contract profitability over time. An important profitability factor is whether the extension option in the contract is utilised, usually after mutual consent, generating Nobina additional cash flow and increasing return on capital.

*Percentage of contracts that have expired in the past three years and where the extension option was used*

# 74%

### NEW EMPLOYEES

Bus drivers normally switch employers regularly as contracts are taken over. The dialogue with new employees is a decisive aspect for a successful traffic start, but also extremely important from a long-term perspective since our drivers are Nobina's representatives. Nobina complies with EU regulations for taking over operations. In addition, considerable resources are invested in discussing and cementing Nobina's values in individual meetings, work procedures and which expectations our new employees can have of Nobina as employer.



## 5. COMPLETION: DELIVERY QUALITY AND COST CONTROL IN OUR CONTRACTS

Nobina strives to deliver a combination of profitability in our operations together with excellent value for clients and passengers. Because most of the costs in contracts that Nobina takes on are variable, cost control is essential at every level. Nobina has initiated a centralised management system (CTL) for traffic planning in many regions, which streamlines and improves

the quality of service. Good traffic planning has thereafter reduced the number of routes with empty seats, expanded the use of eco-fuels and increased the number of passengers per bus, which has improved cost efficiency. Nobina mainly uses two communication systems for traffic planning, Operational Management Systems (OMS) and Hastus.

# CONTINUED JOURNEY TOWARD A SUSTAINABLE SOCIETY

Increasing mobility and lowering environmental impact are key to together achieving a more sustainable society, both locally and globally. Nobina's operations make a substantial contribution by enabling more people to travel in a climate-smart way.

Nobina's business and sustainability efforts are aligned in terms of the value associated with convincing more people to choose public transport. This also means that sustainability is an integrated component of Nobina's business model. By creating economic, environmental and social value for public transport, Nobina contributes to more people opting to travel together. This increases mobility in society, promotes growth, is good for the environment and, over the long run, it encourages geographic and social balance.

**VISION: EVERYONE WANTS TO TRAVEL WITH US**

We are committed and we care about passengers, each other and the society in which we operate. By continuously identifying new ways of utilising our resources as efficiently as possible, we strive to lower our environmental impact while simultaneously reducing our costs and the costs to society.

Our vision is that everyone wants to travel with us and, accordingly, we do our utmost every day to simplify travel by public transport. Because our operations are, to a large extent, publicly financed, it is particularly important that we also clarify just how Nobina takes responsibility. We want to highlight

that by participating in the preliminary work preceding a tender process, we contribute to more effective use of tax-payer money. Nobina is a company that operates according to a set of values and our perspectives cover several dimensions from the clients' resources and climate issues to responsibility for safety, employees and passengers.

**VALUE-GOVERNED, LONG-TERM SUSTAINABILITY**

Nobina's core values and our role in society serve as the platform for our efforts. Our values are characterised by our role in contributing to increased mobility in society:

- We are here for our customers
- We strive for continuous development
- We respect each other
- We safeguard good leadership
- We care about and take active responsibility for the environment and society



## STAKEHOLDER DIALOGUE AND MATERIALITY ANALYSIS: DIALOGUES WITH STAKEHOLDERS DETERMINE WHAT MATTERS

Nobina has a variety of stakeholders, all of whom impact and are impacted by our operations in different ways. Engaging them in a continuous, close and trusting dialogue is paramount for managing their expectations and requirements regarding how we run our operations.

Our aim is that stakeholder dialogues will increase awareness about Nobina's operations and the extent of our influence. Based on our operations, Nobina has identified the following key stakeholders:

- **PUBLIC TRANSPORT AUTHORITIES/CLIENTS**
- **PASSENGERS**
- **OWNERS**
- **POLITICIANS**
- **SUPPLIERS**
- **EMPLOYEES**

An overview of the dialogue with Nobina's key stakeholders and examples of issues addressed during 2015/2016 can be found on page 15.

### PLANNING THE SUPPLY OF PUBLIC TRANSPORT IS PARAMOUNT AND OUR MOST IMPORTANT DIALOGUE

The most significant dialogue for Nobina's operations, and which also provides the greatest opportunities for long-term influence on sustainability issues, comprises the planning process preceding the preparation of the public transport supply plan. Consequently, our clients are a critical stakeholder group. They actively place demands and requirements in new tender processes as well as already contracted operations. We encourage our clients to specify requirements on sustainability to an even greater extent. By maintaining an ongoing dialogue with them, ideally in conjunction with tender processes, Nobina is able to influence the terms of contracts with more focus on sustainability. Over the years, we have also helped make the tender process more transparent, competitive and predictable. Over time, this will help ensure that there is more public transport for the money, ultimately benefiting society through increased mobility.

## IMPACT AND RESPONSIBILITY THROUGHOUT NOBINA'S SUPPLY CHAIN

Nobina's responsibility and opportunities to influence stretch throughout the entire value chain. However, the opportunities we have to influence vary.

### *Economic aspects*

Nobina strives to be a role model for sustainable business. In our industry, a good sustainability agenda is rapidly becoming a prerequisite for long-term profitable business. We help by creating direct economic value for our stakeholders, but also indirectly – to society in general – through our influence in planning the supply of public transport and on contract terms and conditions.

### *Environmental aspects*

Nobina's environmental efforts are an integrated part of our business. The more people who choose to travel with us, the greater is our contribution for a better environment. Nobina can exercise influence and do good in terms of the environment, without necessarily winning all tender processes, through our influence in planning the supply of public transport and on contract terms.

### *Social aspects*

Sensitivity and acting responsibly toward our stakeholders safeguards our reputation as an attractive employer and business partner. This rests on goal-oriented efforts to provide employees with a healthy and safe work environment. Through our influence in planning the supply of public transportation and in contract terms, we can also contribute to a high degree of safety and a good work environment in the industry in general.

**THE MATERIALITY ANALYSIS IDENTIFIES OUR SUSTAINABILITY ASPECTS**

The materiality analysis forms the platform for Nobina’s sustainability agenda by determining which aspects our stakeholders deem it most important that Nobina address. The sustainability aspects reflect our most significant economic, environmental and social impact:

- 1. LONG-TERM IMPACT ON CONTRACT TERMS (ECONOMIC)**
- 2. RESOURCE USE & LOWER EMISSIONS (ENVIRONMENTAL)**
- 3. SAFETY AND WORK ENVIRONMENT (SOCIAL)**
- 4. ATTRACTIVE EMPLOYER (SOCIAL)**

These aspects were identified by studying and analysing our own operation and through ongoing dialogues with our stakeholders. The analysis was based on Nobina’s business strategy, previous stakeholder dialogues and materiality analyses, benchmarking other companies, and proposals from internal and external stakeholders. For all four sustainability aspects, our aim is to contribute within as well as outside our own organisation. In 2016, stakeholder dialogues will lead to a more detailed materiality analysis.

**PLANNING THE SUPPLY OF PUBLIC TRANSPORT PROMOTES ALL ASPECTS**

It is by taking part of drafting contract terms and conditions and the following tender processes that Nobina can fundamentally influence traffic assignments. In turn, this can have positive ramifications for the other aspects, not least in regard to the use of resources and lowering emissions. By ensuring that emission levels and energy efficiency are part of the tender criteria, we can contribute to a better environment – even when we do not win the contract. Basically, it is in our interest to create the best possible conditions for conducting sustainable public transport in communities. By being market leading in sustainability, we benefit when the industry takes a more sustainable direction.

**NOBINA INCREASES MOBILITY IN SOCIETY AND PERSUADES MORE PEOPLE TO TRAVEL IN A CLIMATE-SMART WAY**

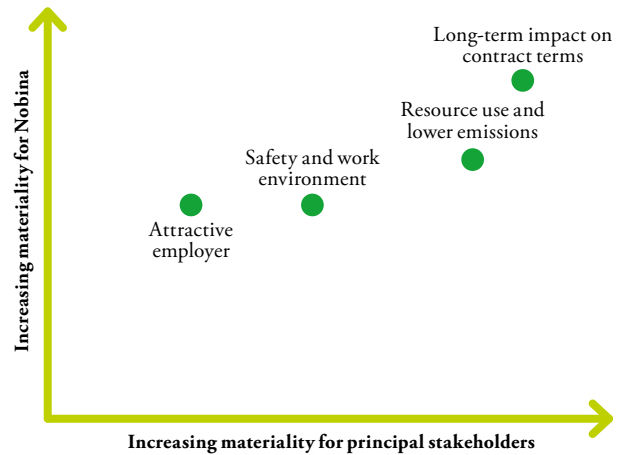
Based on the aim of making a long-term impact on contract terms and conditions, we are using our experience from existing assignments to influence the design of future contracts in conjunction with tender processes. Dialogues and discussions with politicians as well as clients are the primary forums. One important objective is to develop and improve contract terms to make them compatible with overall national policy targets, aimed at increasing mobility in society and persuading more people to travel in a climate-smart way. The national targets are in line with international ambitions.

**SUSTAINABILITY ASPECTS IN DESCENDING ORDER OF RANK ACCORDING TO THE MATERIALITY ANALYSIS**

| Sustainability aspects             | Value creation | Indicator GRI G4 <sup>1</sup> | Internal/external impact |
|------------------------------------|----------------|-------------------------------|--------------------------|
| Long-term impact on contract terms | Economic       | EC1                           | Internal/external        |
| Resource use and lower emissions   | Environmental  | EN3, EN7, EN15, EN19 and EN21 | Internal/external        |
| Safety and work environment        | Social         | LA5 and LA6                   | Internal/external        |
| Attractive employer                | Social         | LA9 and LA11                  | Internal                 |

*1) More information is available on page 33.*

**MATERIAL SUSTAINABILITY ASPECTS FOR PRINCIPAL STAKEHOLDERS AND NOBINA**





## GOVERNANCE: RELIABLE STEERING WITH NOBINA AT THE WHEEL

By consistently improving the management of Nobina's sustainability efforts, we want to ensure that our operations promote the transition to a more sustainable society at every turn. Clear management also helps to cultivate trust in our company and our employees.

### SUSTAINABILITY REPORT STATUS

As of the 2012/2013 financial year, Nobina releases an annual and sustainable report containing sustainability aspects that are based on the Global Reporting Initiative (GRI<sup>1</sup>). The 2015/2016 financial year is the first time Nobina reports in accordance with G4, Core option. The transition will be evaluated during 2016 in order to further advance our sustainability efforts.

### SUSTAINABLE LEADERSHIP PROCESS

Sustainability issues have been integrated in development of the leadership process since 2013. This means that the CEO, Managing Director Sweden, CFO, Senior Legal Counsel, Managing Director Finland, the Head of Business Development and a traffic manager take part in the strategy work for Nobina's development in this area.

### COMPREHENSIVE STRATEGIC BUSINESS MANAGEMENT

Nobina's operations in Sweden, Norway, Finland and Denmark, are organised through subsidiaries, which are comprised of a number of traffic areas. A normal-sized traffic area has approximately 100 buses and 300 drivers, managed by four to five team leaders. They handle contacts and relationships with the drivers. The traffic area is led by a traffic manager to whom the team leaders report. A quality manager is also assigned to a traffic area. A more comprehensive description of Nobina's organisation can be found on pages 32-37.

Long-term and short-term goals are updated each year in the autumn, when the business plan is updated. Subsidiaries and their traffic areas then incorporate these goals into their local business plans and run their businesses in accordance with them. The operational goals are followed up regularly at monthly performance meetings at Group, company and traffic area levels. As part of the business planning process, Nobina's goals and strategies are cemented at the European Work Council<sup>2</sup>, which the subsidiaries' employee representatives attend, once each year.

### REGULATIONS THAT STEER NOBINA'S SUSTAINABILITY EFFORTS

The OECD's Guidelines for Multinational Enterprises are among the guidelines on which Nobina's sustainability agenda is based. There are also a number of external and internal regulatory frameworks.

#### EXTERNAL

- UN's Global Compact
- The OECD's Guidelines for Multinational Enterprises
- Global Reporting Initiatives, G4 Guidelines
- Environmental and Swedish Work Environment legislation
- National safety and vehicle regulations
- The REACH regulation
- ISO 9001, 14001 and 39001

#### INTERNAL

- Guidelines for anti-corruption
- ISO 9001, 14001 and 39001

### FINANCIAL CONTROLS

Ultimate responsibility for financial governance lies with the Board and CEO, and with the CFO by virtue of the CFO's operational responsibility for administration and reporting. Follow-ups and evaluations are performed continuously within the framework of the financial reporting process.

### ENVIRONMENT

The quality and environment managers for each traffic area are responsible for the day-to-day environmental work and have operational responsibility for environmental efforts. They report to the area's traffic manager and are coordinated via the subsidiary's quality and environment manager. The Head of Business Development, who in turn reports to the CEO, is ultimately responsible for ensuring that the Group's environmental governance functions and that there is a long-term plan. Follow-ups and evaluations of operating activities are managed primarily by the traffic area managers. At Nobina, responsibility for the environment is an integrated part of all employees' daily work. Nonetheless, the Board and CEO are ultimately responsible for follow-up and evaluation.

### SAFETY, WORK ENVIRONMENT AND ATTRACTIVE EMPLOYER

Overall responsibility for social sustainability aspects rests with the HR Manager who reports to the CEO. Operational responsibility is allocated between the HR Manager, the subsidiaries' HR managers and the traffic areas' line managers. Follow-up and evaluation, in terms of both safety and work environment as well as attractive employer, is divided between the quality and HR managers, both at company and at Group level. The Board and CEO are ultimately responsible for sustainability efforts concerning social sustainability aspects.

### GROUP-WIDE GOVERNANCE PROCESS

A number of main process teams at Nobina are responsible for preparing Group-wide working procedures. This effort, led by process owners who have been appointed by the Group management, is followed up quarterly. The process teams are based on the main Group-wide processes at Nobina. Process teams are development groups that consist of employees from various parts of the organisation who represent needs in the work flow and who are tasked with developing Group-wide working procedures:

- Management port (five teams)
- Product development • Goods & Services
- Marketing & Sales • Employees
- (four teams) • IT
- Delivery of passenger trans-

1) See page 29.

2) The European Work Council cements the business plan and significant changes in the operations.

| Frequency of process team meetings:  | Goals:   | Follow-up   |
|--------------------------------------|--|---|
| Each team meets four times per year. | Continually improve Nobina's working procedures. Improving performance at the companies. | Four times per year by the Group management. The application of instructions is followed up when each company conducts its audit and this is reported back to local and Group management. |

**QUALITY AUDITORS EVALUATE THE OUTCOME OF THE INSTRUCTIONS**

Nobina's internal auditors visit the traffic areas to follow up and evaluate how the designed procedures are being applied in practice. Feedback is provided to the traffic area manager, who is then responsible for implementing measures where irregularities were identified. The auditors are also responsible for following up the outcome of the instructions and ensuring that the process owners implement necessary changes.

There are five senior auditors and twelve co-auditors in Sweden. In Norway, Finland and Denmark, the audits are conducted by the quality managers.

| Process audits:                      | Goals:                           | Follow-up                                |
|--------------------------------------|----------------------------------|--|
| Once per year for each traffic area. | Continuously improve operations. | The KAMS council, locally and centrally. |

**COACHING PROVIDES SUPPORT**

Nobina has centrally appointed head coaches who are responsible for defining the traffic areas' improvement agenda in collaboration with traffic managers. These coaches lead the work by supporting management, participating in group meetings and following up on performance biannually. The meeting coaches are also appointed for the traffic area, and take over day-to-day coaching activities from the head coaches after the start-up period. However, the centrally appointed head coach is always ultimately responsible for the traffic area.

At the end of the 2015/2016 financial year, there were eight certified head coaches in Sweden, none in Norway, two in Finland and two in Denmark. During the year, 18 people were trained as meeting coaches, and none were trained as head coaches.

| Frequency of improvement group meetings:  | Goals:  | Follow-up   |
|---|---|---|
| Each group meets every other week. A coach participates in every other meeting. | High participation in the traffic area. Improved financial performance. | Locally via the KAMS council and centrally via the Company Business Review. |

All employees have the opportunity to participate in the organisation's development. At the end of the 2015/2016 financial year, improvement efforts were being carried out at 15 traffic areas and at the head office. Compared with last year, this represents an increase by two traffic areas.

**INTEGRATED APPROACH: KAMS**

Nobina takes an integrated approach to quality, the work environment, the environment and safety (referred to by the acronym, KAMS). There is a Nordic KAMS council that is made up of the companies' quality and environmental managers who meet four times per year in order to formulate, communicate and gain support for the goals and procedures. The operational activities are evaluated in regular in-house checks and internal audits.

**WHISTLE-BLOWER PROTECTION**

Since 2012, Nobina is affiliated with the employee-ombudsman channel, MOM, which serves as whistle-blower protection. MOM has been implemented in all countries to provide the employees a safe channel for reporting any situations or activities that they perceive to be inappropriate. During the year, 65 (49) issues were reported to MOM.

**ADDITIONAL FOLLOW-UP OF ACTIVITIES**

Since 2011, the effects of the sustainability agenda are measured in a brand survey. Nobina's intention is to carry out a complete survey every three years. An overall assessment of passenger satisfaction, employee motivation and client satisfaction is performed by conducting in-depth interviews. The latest survey, in 2014, showed that 86 per cent (86) of our passengers agree that it is easy to travel with us, 81 per cent (82) agree that we provide friendly service. The fact that it is easy and friendly to travel with Nobina is also reflected in the survey finding that 77 (75) per cent of our employees feel that we apply our values while carrying out our daily activities.

**ISO CERTIFIED**

In Norway and Finland, Nobina's operations are certified according to the quality and environmental management standards ISO 9001 and ISO 14001. In Denmark, operations are certified according to the ISO 14001 environmental management standard. Since 2009, efforts have been underway in Sweden to obtain ISO certification for all traffic areas. At the end of the 2015/2016 financial year, 9 out of 17 traffic areas in Sweden had obtained ISO certification.

In 2015, parts of the Swedish organisation received certification under the ISO 39001 road traffic safety standard.

*Number of ISO-certified transport areas in Nobina*

|         | 2015/2016 | 2014/2015 | 2013/2014 |
|---------|-----------|-----------|-----------|
| Sweden  | 9         | 9         | 8         |
| Denmark | 4         | 4         | 4         |
| Norway  | 6         | 6         | 6         |
| Finland | 3         | 3         | 3         |

*The head offices are also certified, but excluded from this overview.*

Read more about governance in the Corporate Governance Report on pages 32–45.

## ECONOMIC VALUE CREATION: NOBINA GENERATES VALUE FOR ITS STAKEHOLDERS

Nobina's economic value creation is directly linked to our opportunities to contribute at a social and environmental level. For example, fuel consumption accounts for approximately 15 per cent of our total expenses. When we lower consumption, we generate gains for both the environment and our owners. By successfully increasing the number of passengers, we produce both more transport for the money while simultaneously increasing mobility in society.

We measure our financial accomplishments through a number of long-term and short-term financial targets (see page 2). Our operations lead to value creation that is spread among different stakeholders. The information provided below shows the economic value that Nobina generated and distributed – at Group level – during the last financial year.

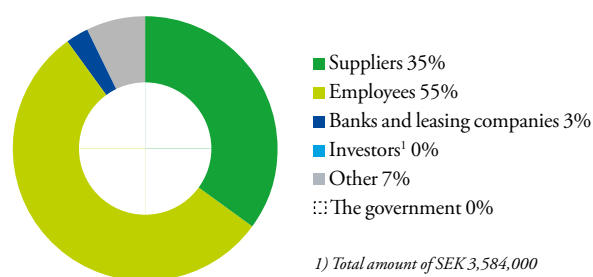
### VALUE GENERATED

Through our participation in tender processes – and the subsequent long-term impact on contract terms – Nobina generates economic value by contributing to greater mobility in society. Our effective use of resources provides more public transport for the money as well as lower emissions.

A key component in Nobina's economic value creation is the consistently high level of quality. Quality initiatives are managed within the framework of an integrated approach together with Work Environment, Environment and Safety (read more about KAMS on pages 22 and 26). Customer satisfaction is another central ingredient in Nobina's financial successes. Both client and passenger satisfaction with our solutions are therefore included in the brand survey that we perform.

More information about our economic value creation is provided in the Administration Report, pages 47–58.

*Distributed financial value by stakeholder, %*



| Amount SEK million                                | Stakeholder       | 2015/2016 | 2014/2015 | 2013/2014 |
|---|-------------------|-----------|-----------|-----------|
| Value generated                                   |                   | 8,317     | 7,549     | 7,269     |
| Revenue – net sales                               | Clients/Customers | 8,317     | 7,549     | 7,269     |
| Subsidies   |                   | 0         | 0         | 0         |
| Value distributed                                 |                   | 8,317     | 7,549     | 7,269     |
| Operating expenses                                |                   | -3,498    | -3,297    | -3,250    |
| Employee benefits and salaries                    | Employees         | -4,561    | -3,881    | -3,693    |
| Payments to sources of finance                    | Banks             | -256      | -230      | -239      |
| Payments to the public sector                     | The government    |           |           |           |
| of which, income tax                              |                   | 0         | 0         | 0         |
| of which, employer's contributions                |                   | -802      | -691      | -639      |
| of which, payroll taxes                           |                   | -28       | -23       | -21       |
| of which, vehicle taxes                           |                   | -25       | -25       | -25       |
| of which, fuel taxes                              |                   | -342      | -378      | -365      |
| of which, comprising total investments in society |                   | -1,197    | -1,117    | -1,050    |
| Retained economic value                           |                   | 4         | 94        | 56        |

## ENVIRONMENTAL VALUE GENERATION: INCREASED MOBILITY AND ENVIRONMENTAL GAINS

Through effective use of resources and lower emissions we contribute to environmental gains for all of society – locally and globally. Furthermore, the environment benefits in the long run, through Nobina taking part in the tender processes and actively influencing the contract terms in the long term.

### CONTINUOUS REDUCTION OF GREENHOUSE GAS EMISSIONS

We are planning to gradually adapt the bus fleet to new requirements in a way that is profitable for us and society. We are pleased to note that carbon dioxide emissions are steadily falling as new contracts replace older ones. New contracts steer the bus fleet toward the use of renewable fuels.

### TAKING AN INTEGRATED APPROACH

Each year, local traffic area management receives half-day training on quality, work environment, environment and safety (see pages 22 and 26), which includes environmental legislation and methods for implementing effective environmental initiatives. In addition, there is a central competence forum that is responsible for issues including ensuring that the organisation is prepared for compliance with new rules and legislation.

### NEW CONTRACTS LEAD TO LOWER EMISSIONS

With increased competition and more stringent requirements in tender processes, particularly in Sweden, requirements are also being placed on the types of vehicles and emission limits. Demands for the use of biogas have become more common while demands for the use of electric buses are still relatively uncommon in the Nordic countries.

### EFFECTIVE RESOURCE MANAGEMENT

A cornerstone of the efforts to increase our competitiveness and lower the environmental impact is to utilise resources as efficiently as possible in all areas of our operations. Nobina continues to prioritise efforts to increase its environmental expertise so that it has good understanding of how all environmental aspects are related. This is achieved, for instance through the environmental training that is part of the drivers' vocational training, which addresses everything from eco-driving to information on how energy, water, detergents and chemicals should be used in conjunction with servicing.



## NOBINA'S MOST IMPORTANT ENVIRONMENTAL GOALS

To better manage our work and prioritise efforts concerning the global climate goal for lower carbon dioxide emissions, Nobina has identified the following goals.

### 1. FROM CAR TO BUS

#### MORE PEOPLE SHARING RESOURCES MEANS FEWER CARS ON THE ROADS AND LOWER CO<sub>2</sub> EMISSIONS.

The more people who choose to travel with us, the better it is for the environment, our economy and society at large. Increasing public transport is the nature of our business and we address that on many levels. In part, revenue models that incorporate varying degrees of incentives enable us to impact the number of passengers, and in part, we cooperate with the clients and local decision-makers within the scope of each individual contract. Furthermore, we contribute via active dialogue with stakeholders, where we advocate public transport, regardless of whether Nobina or another company is the service provider. Creating maximum benefits for passengers who decide to travel with us is a key component. Additionally, it is important to communicate the positive effects of increased travel by bus.

### 2. EMPTY BUSES IN TRAFFIC

#### THE BETTER WE PLAN TRAFFIC, STREAMLINE PRODUCTION AND AVOID RUNNING EMPTY BUSES, THE MORE VALUE WE PROVIDE TO PASSENGERS AND SOCIETY.

Lowering the percentage of empty buses in traffic is an important concept in order to achieve smart traffic planning. The goal is to provide the capacity to meet passengers' needs. Filling the buses with passengers is also key to our ability to lower emissions and conserve our finite resources. One important element is optimising schedules to minimise idle time and empty buses in traffic. Another is planning the shortest possible distance between the bus parking lot and the first stop. The more cooperation and dialogue we have with clients, the greater the possibilities for adapting public transport to passengers' needs while simultaneously minimising the environmental impact.

| Empty buses, % | 2015/2016 | 2014/2015 | 2013/2014 |
|----------------|-----------|-----------|-----------|
| Nobina         | 12.20     | 11.63     | 11.45     |

*Empty buses, calculated as driven kilometres for buses in planned traffic services, not including driving to bus washing facilities/workshops, bus replacements or moving buses between areas.*

Changes in the contract structure mean that the proportion of empty buses is rising.

### 3. LOWER FUEL CONSUMPTION

#### THROUGH ACTIVE RESOURCE MANAGEMENT, LIKE USE OF THE GREEN JOURNEY SOFTWARE, WE PROMOTE CONSERVATIVE DRIVING AND THEREBY LOWER FUEL CONSUMPTION.

There are clear operational goals, as well as financial incentives, for limiting fuel consumption in current contracts. An important tool for Nobina is the Green Journey concept, which involves training drivers to drive in a gentler, more efficient way. The measurement equipment on the buses makes it possible to monitor the driving of an individual driver by registering and evaluating fuel consumption, acceleration and braking. Analyses show that training and follow-up on driving style reduces fuel consumption by 5–7 per cent on average. The Green Journey is currently installed in approximately 2,100 of the approximately 2,700 buses in Nobina's fleet.

| Fuel consumption             | 2015/2016  | 2014/2015  | 2013/2014  |
|------------------------------|------------|------------|------------|
| Diesel, litres               | 51,477,300 | 58,017,620 | 68,719,300 |
| RME, litres                  | 25,746,491 | 14,011,270 | 9,815,636  |
| Biogas, nm <sup>3</sup>      | 20,333,119 | 21,345,189 | 14,784,970 |
| Natural gas, nm <sup>3</sup> | 8,175,745  | 11,105,461 | 9,169,545  |
| Ethanol, litres              | 2,633,418  | 5,258,224  | 5,861,463  |

*nm<sup>3</sup> = normal cubic metres*

### 4. HIGHER SHARE OF RENEWABLE FUEL

#### GHG EMISSIONS ARE REDUCED WHEN THERE IS LESS FOSSIL ENERGY CONSUMED PER PASSENGER-KILOMETRE, I.E. A HIGHER PERCENTAGE OF VEHICLES THAT RUN ON BIOFUEL OR ELECTRICITY.

It is a Swedish political goal to have 90 per cent of the buses in traffic running on renewable fuel by 2020. To reach that goal, traffic companies must adapt bus fleets and increase the share of buses that run on renewable fuel. In the tender documentation from clients, it is standard that fuel types and emission levels are specified, while the other client requirements vary. Nobina estimates that at least half of its bus fleet currently runs on renewable fuel. We are striving to reach the 2020 target is attainable, given the replacement of old contracts by new ones that increasingly specify the use of renewable fuel as a requirement.

| Emissions in relation to km driven             | 2015/2016 | 2014/2015 | 2013/2014 |
|--|-----------|-----------|-----------|
| Fossil carbon dioxide (CO <sub>2</sub> ), g/km | 0.71      | 0.74      | 0.82      |
| Nitrogen oxides (NO <sub>x</sub> ), g/km       | 2.52      | 3.04      | 3.70      |
| Hydrocarbons (HC), g/km                        | 0.15      | 0.15      | 0.17      |
| Particles (PM), g/km                           | 0.02      | 0.02      | 0.02      |

## SOCIAL VALUE CREATION: MOTIVATED EMPLOYEES IS ONE OF OUR COMPETITIVE ADVANTAGES

Our employees are the ones implementing our efforts and they are a source of competitive advantage. With committed, motivated employees who feel that their efforts make a difference, we can ensure an increasing number of more satisfied passengers. Our offering and vision also comes to life through the daily efforts of our employees.

### PASSENGER-CENTRIC EMPLOYEESHIP

A prerequisite to our overall success and profitability is that our employees know what is expected of them. Nobina works with management by objectives so that every employee can act in accordance with the criteria upon which they will be assessed. All employees have individual objectives that are discussed and formulated during employee development dialogues held at least once per year with the employee's immediate manager. This applies to permanent employees as well as hourly-paid employees who frequently work for the company, which is rather unique in this industry. In 2015, 6,798 (5,779) employee development dialogues were held. Skills development is done on a continual basis. Specific training plans are created after each traffic area has identified its training needs.

### EMPLOYEES WHO PREVENT AND AVOID IRREGULARITIES

In 2015, initiatives to increase risk management skills were carried out. Many managers and safety representatives have been trained in risk assessing operations in terms of safety and the work environment. Risk assessments of the operations have been a focus area in conjunction with the Group's annual theme days. Issues addressed have included chemicals management to ensure that chemicals are always managed in the prescribed manner.

The annual theme days are referred to as KAMS days and are part of Nobina's integrated approach to Quality, Work Environment, Environment and Safety (read more on page

### INCREASED DIVERSITY EFFORTS

We want the composition of our workforce to reflect society to the highest extent possible. A key element in these efforts is to strive for greater diversity and a better gender balance. We do this because we believe that employees with different backgrounds and experiences enrich the organisation. We also do it because it is profitable – quite simply, we earn money by making progress on equality in the workplace.

22-23). The methodology is implemented in a three-year phase in which 2015 was the second year. To date, progress has exceeded our expectations. By preventing and avoiding irregularities – thanks to the KAMS methodology – Nobina's operations are carried out in an effective manner that benefits all stakeholders.

### PASSENGER ROUTES ARE OUR WORK ENVIRONMENT

Employees play a leading part in Nobina's passenger-centric corporate culture. Our job is to deliver simple and friendly travel. As an employer, we must ensure that employees are given the right conditions for doing their jobs. It is crucial that employees are motivated, involved and satisfied. The sustainability aspects of safety and work environment are central components in these efforts.

## THE NOBINA ACADEMY

Since 2014, all central training is carried out within the scope of the internal training organisation, the Nobina Academy. Nobina offers three categories of training:

#### 1. Driver training

Consists of the traffic school (e.g. for D category licenses) and training for YKB certification (for professional drivers). All drivers are offered eight hours of YKB training each year.

#### 2. Leadership training

This includes various types of training for employees who exhibit leadership ability. Courses are offered on such topics as leadership, values, communication, and difficult discussions that first-line supervisors and managers of managers must engage in. In total, this training is targeted at slightly more than 300 managers.

#### 3. Role-specific training

This includes training about the work environment and business acumen.

Each traffic area has a designated safety organisation with several safety representatives who perform both periodic and specific safety inspections. They are also involved in the case of accidents or incidents, and perform their own investigations as necessary. The senior safety representative is responsible for initiating and participating in risk analyses of the work environment and in the annual safety days. Local safety organisations maintain close contact with Nobina's central safety and work environment organisation.

The individual employee benefits from a dedicated and healthy workforce as does Nobina in the form of lower costs. Preventive health care efforts and efforts to create a safe work environment are therefore also important from an efficiency perspective.

**GOOD LEADERSHIP PIVOTAL TO A GOOD WORK ENVIRONMENT**

With the goal of being the most attractive employer in the industry, we continually strive to develop and motivate our employees. We feel that the local leadership teams play a decisive role in informing all employees of the traffic area's goals and involving them in the task of realising these goals. We want the best managers in our industry and we strive for a leadership style that is brave and pragmatic, one that involves showcasing excellent performance and recognising behaviour in conflict with our values.

Managerial support functions are available at local levels and in the form of central HR resources that work on developing systems, processes, leadership, procedures and employee skills.

**GOAL: THE MOST ATTRACTIVE EMPLOYER IN THE INDUSTRY**

Nobina competes in a fluctuating, labour-intensive industry, where the skill level of our employees is fundamental to our success. It is important that Nobina is perceived as an attractive employer – one of our sustainability aspects – particularly when recruiting new bus drivers and in tender processes. Much can be gained by making a career as a bus driver even more popular. To meet future needs, we are trying to influence vocational schools and actively promote bus driving careers in nationwide initiatives together with the Swedish Public Employment offices.

The most important part of efforts to be an attractive employee is ensuring that we retain the employees we already have. To retain our leadership talent, Nobina works systematically to achieve an efficient rotation of duties between traffic assignments. Decisions are to be made on a level as close to our passengers as possible, which increases each individual bus driver's opportunities to make an impact over time. For drivers, we aim to create more flexible schedules that take individual needs and preferences into consideration, since this is important to them. Nobina has also centralised staff planning to more effectively optimise personnel resources while providing more standardised services to the traffic areas.

**HIGHER EMPLOYEE COMMITMENT**

At daily operations meetings, we discuss and analyse deviations and problems so that measures can be put in place, improvements implemented and results followed up. How well we succeed in these efforts is reflected in Pulsen, Nobina's employee survey, which is carried out three times per year. The 16 questions are aimed at measuring employee motivation. From the 2015 survey, we could see continued positive trend in terms of participation in the survey in the form of a steadily increasing number of respondents at 68 per cent (64). On six of the 16 questions, ratings reflected a positive level of employee motivation. The in-depth questions will be subjects for our improvement agenda with each traffic area selecting the most relevant question to focus on to boost employee motivation.

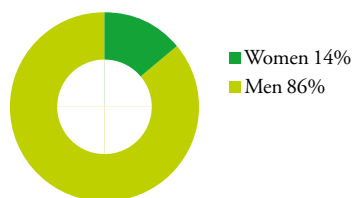
| Metrics                                   | 2015/2016 | 2014/2015 | 2013/2014 |
|---|-----------|-----------|-----------|
| Number of incidents, Group                | 10,733    | 8,208     | 8,153     |
| of which Sweden                           | 7,541     | 5,771     | 5,097     |
| Total cost of damages, SEK million, Group | 103.7     | 96.3      | 100.5     |
| of which Sweden                           | 66.8      | 66.4      | 61.6      |
| Serious incidents, Sweden <sup>1</sup>    | 236       | 273       | 181       |

*1) Serious incidents can be defined as accidents or incidents in a traffic area that are deviations reported further along in the organisation. This information pertains only to Sweden.*

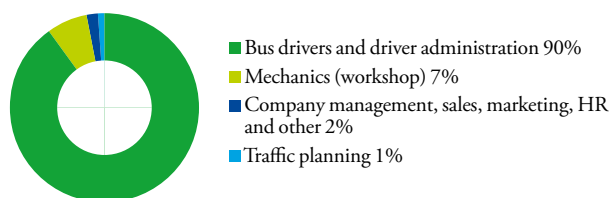
|           | Fire | Threats & violence | Robbery | Environment | Traffic accidents |
|-----------|------|--------------------|---------|-------------|-------------------|
| 2013/2014 | 38   | 65                 | 1       | 1           | 76                |
| 2014/2015 | 42   | 99                 | 2       | 10          | 85                |
| 2015/2016 | 51   | 99                 | 0       | 17          | 69                |

| Nobina, %             | 2015/2016 | 2014/2015 | 2013/2014 |
|-----------------------|-----------|-----------|-----------|
| Short-term sick leave | 1.33      | 1.25      | 1.29      |
| Long-term healthy     | 29.60     | 32.20     | 31.90     |
| Staff turnover        | 5.10      | 4.20      | 6.40      |

*Employees by gender, %*



*Skills, %*



## AWARDS

In 2015/2016, Nobina won a number of awards, mainly for our efforts promoting sustainable and responsible business. Nobina strives to be the industry leader in this area and works actively to promote a more sustainable society.

### NOBINA NORRTÄLJE

At the annual outing arranged by Norrtälje Utveckling AB for businessmen, politicians and executives, a special prize is awarded to the “individual who gone that extra mile for the municipality.” Daniel Brinck, Traffic Manager at Nobina in Norrtälje was awarded the prize with the motivation that “passengers’ customer satisfaction was at a high.” Perceived quality has risen to 88% and passenger numbers have increased 20% since Nobina took over responsibility for public transport in the municipality.



### NOBINA SÖDERTÄLJE

Nobina Södertälje was nominated for the 5112 movement’s prize for democracy and human rights. The motivation was:

*“Nobina Södertälje was nominated for the responsible manner in which they dealt with the issue relating to stone throwing, threats and the unsafe situation this meant for bus drivers. This shows that the company wants to take responsibility for the bus providing a meeting place for all citizens from across society.”*

“Naturally, we are proud to accept this recognition of our efforts,” said acting Traffic Manager Erik Stejjer. “We want to promote increased mobility in our city. It should be safe to travel by bus in Södertälje and our drivers should have a safe work environment. This was our starting point when we began an initiative three years ago to work together with the municipality, the police, associations and SL to solve shared challenges.

“Nobina Södertälje has a continuous dialogue with youth centres in Södertälje, whereby bus drivers describe the consequences vandalism has for residents of Södertälje and drivers. Nobina Södertälje has also driven classes of 13-16 year-olds when on outings and taken the chance to describe a normal day in public transport. These efforts have resulted in a radical decrease in the number of incidents.

“If one saw Nobina as a person, we want to be perceived as a good public-spirited citizen who stands up for our values and for a well-functioning democratic society. It’s that simple,” concludes Erik Stejjer.

### MEMBERSHIP IN TRADE ASSOCIATIONS

Nobina is a member of and participates in several organisations that drive prioritised issues for our industry. It is crucial for Nobina that we and other members receive the support we need from the organisation, and that the trade associations that we participate in, for the long term, contribute to a better society and a healthier industry. Nobina is a member of the following trade associations:

#### Sweden

Sveriges Bussföretag (Association of Swedish bus operators)

Samtrafiken AB

Svenskt Näringsliv (The Confederation of Swedish Enterprise)

Swedish Association of Local Authorities and Regions, Tender Committee

#### Norway

NHO Transport

Næringspolitisk utvalg (Industry terms and conditions)

Forhandlingsutvalget (Salary and employer issues)

#### Finland

Linja-autoliitto ry (LAL) Finnish Bus and Coach Association

Autoliikenteen Työnantajaliitto ry (ALT), Employers’ Federation of Road Transport (ALT)

#### Denmark

Dansk Industri (Confederation of Danish Industry)

Danske Busvognmaend (Association of Danish Bus Operators)



## ABOUT THE SUSTAINABILITY REPORT/GRI G4 INDEX

For the fourth consecutive year, Nobina is reporting its sustainability agenda in accordance with the international reporting standard, Global Reporting Initiative (GRI). In the previous three years, the report has essentially corresponded to the C option under G3. As of the 2015/2016 financial year, Nobina has in line with the GRI regulations transitioned to and essentially complies with the G4 option. The sustainability indicators are reported in the GRI index on pages 29–31

### PRINCIPLES AND LEVELS

Nobina has chosen to report in accordance with the Core option – one of two possible application options in the G4 version. The report is based in all parts on what is deemed material. This is also reflected in selected sustainability indicators. The purpose of the sustainability report is to - in a measurable and comparable manner – present to our stakeholders Nobina's responsibility in terms of sustainable business. The ambition is to, over time, continue to develop our sustainability report in parallel with our other sustainability efforts.

### SCOPE OF THE REPORT

The contents of the report reflect the organisation's most important sustainability aspects and the responsibility Nobina strives to take within that scope. The report pertains to Nobina as a whole, but the emphasis is nevertheless on the Swedish organisation, since it is responsible for the largest share of sales. In addition to the consequences of the transition to G4, sustainability efforts are reported in the same way as previously. Given the above, no information is provided regarding changes, delimitations and measurement methods compared with earlier years.

The current sustainability report is for the 2015/2016 financial year. The reporting cycle is also annual and corresponds with the financial year. The sustainability report is published once per year in conjunction with the annual report.

For more information about Nobina's sustainability agenda and its sustainability report, please contact Annika Kolmert, Head of Business Development at [annika.kolmert@nobina.com](mailto:annika.kolmert@nobina.com).

|                               | Standard disclosures  | Page                    | Comments                                    |
|-------------------------------|---|-------------------------|---|
| <b>Strategy and analysis</b>  |   |                         |   |
| G4-1                          | Statement from the CEO  | 2–3                     |   |
| <b>Organisational profile</b> |   |                         |   |
| G4-3                          | Name of the organisation  | Cover, 47               |   |
| G4-4                          | Primary brands, products and/or services  | Inside cover            |   |
| G4-5                          | Location of the organisation's head office  | 68                      |   |
| G4-6                          | Number of countries where the organisation operates   | Inside cover, 47–48     |   |
| G4-7                          | Nature of ownership and legal form  | 47                      |   |
| G4-8                          | Markets served  | Inside cover, 47–48     |   |
| G4-9                          | Scale of the reporting organisation   | Inside cover            |   |
| G4-10                         | Employee data   | Inside cover, 26–28, 78 |   |
| G4-11                         | Percentage of total employees covered by collective bargaining agreements   | 100 per cent            |   |
| G4-12                         | Description of the organisation's supply chain  | 19, 55                  | Partially reported                          |
| G4-13                         | Significant irregularities or changes during the reporting period regarding the organisation's size, structure, ownership or its supply chain | 2, 4, 29                |   |
| G4-14                         | How the precautionary approach or principle is addressed by the organisation  |                         | The precautionary approach has been applied |
| G4-15                         | List of external charters, principles or other initiatives to which the organisation subscribes or which it endorses                          | 21, 32                  |   |
| G4-16                         | List of memberships of organisations  | 28                      |   |

|   | <b>Standard disclosures</b>   | <b>Page</b>                   | <b>Comments</b>  |
|---|---|-------------------------------|--|
| <b>Identified material aspects and boundaries</b> |   |                               |  |
| G4-17   | List all entities included in the organisation's consolidated financial statements                            | 29                            |  |
| G4-18   | The process for defining the report content and the Aspect Boundaries   | 19–20                         |  |
| G4-19   | Material Aspects identified   | 20                            |  |
| G4-20   | Applicable Aspect Boundary within the organisation for each material Aspect                                   | 20                            |  |
| G4-21   | Applicable Aspect Boundary outside the organisation for each material Aspect                                  | 20                            |  |
| G4-22   | Effect of any restatements of information provided in previous reports, and the reasons for such restatements | 21, 29                        |  |
| G4-23   | Significant changes from previous reporting periods in the Scope and Aspect Boundaries                        |                               | No material changes in the reporting period                      |
| G4-24   | List of stakeholder groups engaged by the organisation  | 19                            |  |
| G4-25   | Basis for identification and selection of stakeholders  | 19                            |  |
| G4-26   | The organisation's approach to stakeholder engagement   | 19                            |  |
| G4-27   | Key topics and concerns for stakeholders and how the organisation has responded                               | 19–20                         |  |
| <b>Report profile</b>                             |   |                               |  |
| G4-28   | Reporting period  | 1 Mar. 2015<br>– 29 Feb. 2016 |  |
| G4-29   | Date of most recent previous report   | 2015-05-06                    |  |
| G4-30   | Reporting cycle   | 29                            |  |
| G4-31   | Contact point for questions regarding the report and its contents   | 29                            |  |
| G4-32   | GRI index   | 29–31                         |  |
| G4-33   | Policy and practices for external assurance   |                               | The Sustainability Report has not been reviewed by a third party |
| <b>Governance</b>                                 |   |                               |  |
| G4-34   | Governance structure for sustainability   | 21–22, 32–37                  |  |
| <b>Ethics and integrity</b>                       |   |                               |  |
| G4-56   | Overriding values and policy documents pertaining to ethics and integrity                                     | 18, 21–22                     |  |

## REPORTING ACCORDING TO G4-DMA

Disclosure on Management Approach (DMA) describes why certain sustainability aspects are identified as material, together with a description of how we govern through external and internal regulatory frameworks including policies and

guidelines, goals and activities, status and the division of responsibility in the organisation. See also detailed references for each category.

|   | Standard disclosures   | Page  | Comments   |
|---|--|-------|--|
| <b>Category Economic</b>                          |  |       |  |
| G4-DMA  | Sustainability governance and follow-up  | 19–21 |  |
| <b>Aspect: Long-term impact on contract terms</b> |  |       |  |
| EC1   | Economic value that has been created and delivered   | 23    |  |
| <b>Category Environment</b>                       |  |       |  |
| G4-DMA  | Sustainability governance and follow-up  | 19–21 |  |
| <b>Aspect: Resource use and lower emissions</b>   |  |       |  |
| EN3   | Energy consumption within the organisation   | 25    |  |
| EN7   | Reductions in energy consumption for products and services   | 25    |  |
| EN15  | Direct greenhouse gas emissions (Scope 1)  | 25    | CO <sub>2</sub> emissions  |
| EN19  | Reduction of greenhouse gas emissions  | 25    | CO <sub>2</sub> emissions  |
| EN21  | Other significant air emissions  | 25    |  |
| <b>Category Social</b>                            |  |       |  |
| G4-DMA  | Sustainability governance and follow-up  | 19–21 |  |
| <b>Aspect: Occupational Health and Safety</b>     |  |       |  |
| LA5   | Percentage of total workforce represented in formal joint management–worker health and safety committees                           | 22    | Partially reported. All employees are included through their representatives in Nobina's monthly KAM councils. |
| LA6   | Type and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities by region and gender | 27    | Partially reported   |
| <b>Aspect: Attractive employer</b>                |  |       |  |
| LA9   | Average hours of training per year per employee  | 26–27 | Partially reported   |
| LA11  | Percentage of employees receiving regular performance and career development reviews   | 26    |  |

# CORPORATE GOVERNANCE REPORT

This report describes corporate governance, management and administration, as well as the manner in which the Board of Directors ensures the quality of the financial statements and its cooperation with the company's independent auditors. The report for the 2015/2016 financial year includes the Board's report on internal controls for financial reporting and operational governance.

## CORPORATE GOVERNANCE AT NOBINA

Nobina's corporate governance focuses on how to govern, manage and control operations with the aim of creating value for the company's shareholders and other stakeholders. Corporate governance aims to create the preconditions for active, responsible corporate bodies, to clarify the allocation of roles and responsibilities and to ensure accurate reporting and information. Both external and internal regulations form the basis of Nobina's corporate governance.

### EXTERNAL REGULATIONS:

- Swedish Companies Act
- Swedish Annual Accounts Act
- Other relevant laws
- Swedish Corporate Governance Code

### INTERNAL REGULATIONS:

- Articles of Association
- The Board's Rules of Procedure
- The Board's instructions for the CEO
- Policies and guidelines

Since 1 July, 2008, all companies whose shares are listed on Nasdaq Stockholm or NGM Equity are required to apply the Swedish Corporate Governance Code (the Code), regardless of their market capitalisation. Nobina is subject to the rules of the Code and has followed them since becoming listed on 18 June, 2015.

#### Articles of Association

The Articles of Association contain no separate provisions pertaining to the appointment or removal of Board members or the amendment of the Articles of Association. The Articles are available in their entirety on Nobina's website at [www.nobina.com](http://www.nobina.com).

#### Annual General Meeting and shareholders

The Annual General Meeting (AGM) is the company's highest governing body. Shareholders exercise their decision-making rights at the AGM on such matters as the composition of the Board of Directors and the election of auditors. The Nomination Committee proposes candidates for selection as Board members, Chairman of the Board and auditors. Resolutions at the AGM are normally passed with a simple majority. In certain cases, however, the Swedish Companies Act stipulates a certain level of attendance to reach a quorum or a special voting majority. Shareholders have the opportunity at the AGM to pose questions about the company and its results for the

preceding year. Representatives of the Board of Directors, the executive management and the auditors are normally present to answer such questions at the AGM.

#### Annual General Meeting 2015

At the AGM on 27 May, 2015, 50.08 per cent of the shares and the voting rights were represented. Representatives of Nobina's Board of Directors and Group management, and the auditor were present.

#### The following resolutions were passed:

The meeting resolved that the Board should comprise six Board members with no deputies and that the company should have one auditor with no deputy. John Allkins, Birgitta Kantola, Graham Oldroyd, Gunnar Reitan, Ragnar Norbäck and Jan Sjöqvist were re-elected as Board members, and Jan Sjöqvist was also re-elected as Chairman of the Board. All of the above were elected for the period until the next AGM. PricewaterhouseCoopers AB was elected as the company's auditors. A fee of SEK 900,000 was approved for the Chairman of the Board and a fee of SEK 450,000 for each of the other Board members, SEK 2,700,000 in total. No fees are paid to Board members employed by the company or by any of its subsidiaries. Fees to the auditors are paid against invoices approved by the Board.

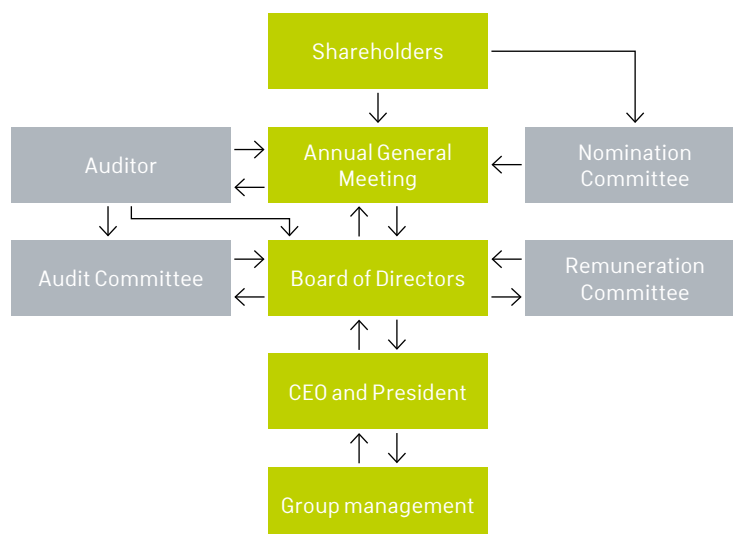
The Parent Company's income statement and balance sheet and the consolidated income statement and balance sheet were adopted for the 2014/2015 fiscal year and the Board members and CEO were discharged from liability.

In accordance with the proposal by the Board and the CEO, it was resolved that the profit for the year of SEK 108,197,506, disposable earnings from previous years totalling SEK 1,764,270,693 and the share premium reserve of SEK 612,407,930 would be appropriated, such that SEK 2,484,876,129 is carried forward. The meeting resolved that no dividend would be paid for the preceding fiscal year.

Furthermore, the principles for appointing a Nomination Committee and the guidelines on remuneration of senior executives were decided in accordance with the submitted proposal.

The Board was authorised to take decisions on new share issues and, in that connection, to disapply shareholders' pre-emption rights, with the aim of offering shares to investors in conjunction with raising capital and/or spreading owner-

## ORGANISATION CHART, NOBINA CORPORATE GOVERNANCE



ship. In line with the Board's proposal, it was then resolved to conduct a new issue of a maximum of 645,396 shares to the company's CEO and President at a subscription price determined in accordance with the applicable agreements. The deadline for subscription to and cash payment for the new shares was set as 30 June, 2015. The reason for deviating from the shareholders' pre-emption rights was because the company has committed to issuing new shares under an incentive programme agreement.

Finally, to arrive at an appropriate number of shares, it was resolved to perform a 1:10 reverse split to consolidate the company's shares. To enable this consolidation, it was also resolved to amend the Articles of Association such that the number of shares should be not less than 60,000,000 and not more than 240,000,000.

### Annual General Meeting 2016

The 2016 AGM will be held on 31 May, 2016. See page 100.

### Nomination Committee

The Nomination Committee is tasked with the preparation and submission of proposals for: the Chairman of the AGM, members of the Board, the Chairman of the Board, directors' fees to the Chairman and each of the members of the Board, as well as any remuneration for Committee work, fees to the company's auditor and, where applicable, proposals regarding the election of auditors. Furthermore, the Nomination Committee prepares and submits proposals to the AGM regarding principles governing the composition of the Nomination Committee.

### Principles governing appointment of the Nomination Committee

The 2015 AGM passed resolutions on the following principles governing the Nomination Committee until the end of next AGM: Nobina will have a Nomination Committee comprising one representative for each of the three largest shareholders in terms of votes and the Chairman of the Board. The names of the members of the Nomination Committee and the shareholders they represent is to be published not later than six months prior to the AGM and be based on shareholding statistics provided by Euroclear Sweden AB as of the last banking day in September 2015. Unless the members of the Nomination Committee agree otherwise, the member representing the largest shareholder, in terms of votes, will be appointed Chairman of the Committee. In the event that a shareholder who has appointed a member is no longer one of the three largest shareholders, in terms of votes, the appointed member is to resign and be replaced by a new member in accordance with the above procedure.

### Nobina's Nomination Committee ahead of the 2016 AGM

| Member         | Representing                               | Shareholding/votes |
|----------------|--|--------------------|
| Jan Sjöqvist   | Chairman of the Board                      | 0.2%               |
| Ralph Herrgott | Sothic Capital                             | 11.8%              |
| Nuno Caetano   | Invesco                                    | 5.8%               |
| Tomas Ehlin    | Fourth Swedish National Pension Fund (AP4) | 5.6%               |

The members of the Committee were appointed based on the ownership structure as of 30 September 2015. The shareholdings are reported as of the same date. The Chairman of the Nomination Committee is Ralph Herrgott, who also represents the largest owner.

| Member elected by the AGM | Year elected | Born | Remuneration, SEK | Number of shares/votes | Independent <sup>1</sup> | Attendance at Board meetings | Attendance at committees |
|---------------------------|--------------|------|-------------------|------------------------|--------------------------|------------------------------|--------------------------|
| Jan Sjöqvist              | 2005         | 1948 | 900,000           | 193,737                | Yes                      | 13 of 13                     | 2 of 2                   |
| Graham Oldroyd            | 2014         | 1961 | 450,000           | 34,375                 | Yes                      | 13 of 13                     | 2 of 2                   |
| Birgitta Kantola          | 2009         | 1948 | 450,000           | 14,578                 | Yes                      | 13 of 13                     | 3 of 3                   |
| Ragnar Norbäck            | 2014         | 1955 | –                 | 722,444                | No                       | 13 of 13                     |                          |
| Gunnar Reitan             | 2012         | 1954 | 450,000           | 16,500                 | Yes                      | 12 of 13                     | 2 of 3                   |
| John Allkins              | 2013         | 1949 | 450,000           | 54,963                 | Yes                      | 13 of 13                     | 3 of 3                   |
| <b>Summa</b>              |              |      | <b>2,700,000</b>  |                        |                          |                              |                          |

1) According to the Code, the member is independent of the Company, its management and major shareholders of the company (i.e. shareholdings that exceed 10 per cent).

## NOBINA'S BOARD OF DIRECTORS

### The Board's responsibility

The Board's work is governed by the Swedish Companies Act, the Articles of Association, the Code and the Rules of Procedure established by the Board annually. Nobina's Board is responsible for the organisation and administration of the company's affairs. Neither during his time on the Board, nor previously, has the CEO participated in meetings where his remuneration was discussed. One of the Board's most important assignments is to secure a long-term strategy, governance, follow-up and control of Nobina's daily operations with the aim of creating value for shareholders, customers, employees and other stakeholders. The Board appoints the CEO, who is also President.

### Composition of the Board of Directors

The Articles of Association state that the Board is to comprise not less than three and not more than ten Board members. The Board is to have an appointed Chairman, who, under Swedish law, may not simultaneously serve as the company's CEO. According to the Code, the Chairman is elected by the AGM. During the 2015/2016 financial year, the Board consisted of six members. John Allkins, Birgitta Kantola, Graham Oldroyd, Gunnar Reitan, Ragnar Norbäck and Jan Sjöqvist were re-elected at the AGM, with the latter re-elected as Chairman of the Board.

All Board members are independent in relation to major shareholders in the company. All Board members, except Ragnar Norbäck, are independent in relation to the company and its management.

### Work performed by the Board during the year

The Board met thirteen times during the financial year. Board meetings are normally convened by notice sent at least one week prior to the meeting. A shorter notice period is permitted, however, if there are special reasons. If the material to be discussed at the Board meeting is available, this is also attached to the notice. Nobina's General Counsel and CFO participate at all Board meetings. Other Nobina employees may occasionally hold presentations at Board meetings. At meetings held during the financial year, the Board dealt with issues including the company's operations, business plan, financial reporting, risk analysis and IPO. The Board evaluates its work once each year by responding to an anonymous survey and the Chairman of the Board presents the survey results to the Board.

### Board meetings during the financial year:

| Date         | Type                       | Items addressed   |
|--------------|----------------------------|---|
| 3 March      | Scheduled                  | Operations, Budget and IPO  |
| 23 April     | Extraordinary              | AGM, Policies and Instructions, and Committees                        |
| 23 April     | Scheduled                  | Operations, Annual Report, Multi-Year Plan, Financial Targets and IPO |
| 10 May       | By letter                  | IPO   |
| 19–24 May    | Extraordinary              | IPO   |
| 2 June       | Extraordinary by telephone | IPO   |
| 14 June      | Extraordinary              | Interim Report and IPO  |
| 17 June      | Extraordinary              | IPO   |
| 17 June      | Extraordinary              | IPO   |
| 25 June      | Scheduled                  | Operations, IPO, Traffic Launch, Strategy and Election of Officers    |
| 29 September | Scheduled                  | Operations, Strategy, Business Plan and Interim Report                |
| 22 October   | Extraordinary by telephone | Strategy and Interim Report   |
| 21 December  | Scheduled                  | Operations, Interim Report, Risk Analysis and Business Plan           |

### The Board's work procedures

The Board has adopted Rules of Procedure governing its operations that describe how work is divided between the Board, its committees and the CEO. The Rules of Procedure are established each year by the Board and apply to the Board members. Instructions for the CEO and for financial reporting are described in the appendices to the Rules of Procedure. The prevailing Rules of Procedure were adopted on 25 June, 2015.

### Remuneration Committee

The Rules of Procedure state that a Remuneration Committee is to be comprised from the Board of Directors. The main tasks of the Remuneration Committee include: (a) preparing questions for the Board regarding the remuneration and other terms of employment of senior executives, (b) monitoring and evaluating the applicable remuneration structures, levels of remuneration and variable remuneration programmes for such senior executives and (c) monitoring and evaluating the results of variable remuneration programmes and how the company complies with the remuneration guidelines adopted by the general meeting.

In accordance with the Code, members of the Remuneration Committee are to be independent in relation to the company. The Remuneration Committee currently has two members: Jan Sjöqvist (Chairman) and Graham Oldroyd, who are both deemed independent in relation to the company and its senior executives. The Remuneration Committee met twice during the financial year.

#### *Audit Committee*

The Rules of Procedure that an Audit Committee is to be comprised from the Board of Directors. Without prejudice to the tasks and areas of responsibility of the Board, the Audit Committee is to: (a) monitor the company's financial reporting, (b) monitor the company's internal controls, internal auditing and risk management based on the company's financial reporting, (c) keep informed about the auditing of the Annual Report and the Group's short and long-term cash flow trends, (d) review and monitor the impartiality and independence of the auditor, with a particular focus on whether the auditor is providing the company with any services other than auditing, and (e) provide support in the preparation of proposals for the general meeting's resolutions regarding the election of auditors.

In accordance with the Code, the Audit Committee comprises three members, the majority of whom are independent in relation to the company and Group management. At least one of the members who is independent in relation to the company and Group management must also be independent in relation to the company's major shareholders and, in accordance with the Swedish Companies Act, have financial reporting or auditing competence.

The Audit Committee currently consists of three members; John Allkins (Chairman), Birgitta Kantola and Gunnar Reitan, who are all deemed to be independent in relation to the company, Group management and the company's major shareholders. The Chairman of the Committee has the requisite financial reporting competence under the Swedish Companies Act. The Audit Committee meets ahead of all Board meetings in connection with the interim reports. The Committee met three times during the financial year.

#### *CEO and Group management*

The CEO is appointed by the Board and is responsible for ensuring that daily operations are conducted in accordance with the Board's guidelines and instructions. Nobina's Group management consists of the CEO, CFO, Director of Human Resources, Head of Investor Relations, Senior Legal Counsel, Head of Business Development and the Managing Director of each subsidiary. From the 2016/2017 financial year, the Head of Investor Relations will be replaced by a Communications Director and Group management will be expanded to include a Head of Central Operational Resources. Group management meets once each month and works in line with all of the company's policies and applicable directives. All material decisions in the daily management of the Group's operations are taken by the CEO following consultation with Group management. The managing director of each operating subsidiary is responsible for collecting information about the development of the

operations and how financial and qualitative targets are achieved. The managing director of each subsidiary is also responsible for compiling this information and reporting to the relevant senior executives and the CEO. The CEO then provides feedback to each of the managing directors who, in turn, are responsible for ensuring the received instructions are implemented.

#### *Auditors*

The shareholders at the AGM elect an external independent auditor for the period until the end of the next AGM. The auditor reports to the shareholders at the company's AGMs. The company is to have not less than one (1) and not more than two (2) auditors with at most two (2) deputies. Authorised public accountants or registered auditing firms are to be appointed as auditors or deputies as appropriate.

The 2015 AGM re-elected PricewaterhouseCoopers AB as Nobina's auditors for the coming year. Authorised Public Accountant, Michael Bengtsson, is the Auditor in Charge. Michael Bengtsson is a member of the Swedish Institute of Authorised Public Accountants (FAR).

The external auditors are responsible for auditing the company's annual report, which consists of consolidated financial statements and accounts, as well as the administration of the Board and CEO. The auditor also conducts a general review of the company's six and nine-monthly interim reports in accordance with the Code. The auditor regularly reports to the Audit Committee, Group management and the local company management teams. At the Board meeting in conjunction with the annual accounts, the auditor presents his conclusions from the review to the entire Board. During the year, the auditors have met the Board without the presence of the CEO. The auditor may only be engaged for consulting services that have been decided and approved in advance by the Audit Committee. The auditor informs the Audit Committee of the annual audit plan, its scope and contents, and presents its conclusions. The Audit Committee is also informed about assignments that were performed in addition to auditing services, compensation for such assignments and other circumstances of importance for assessing the auditors' independence. The audit is carried out in accordance with the Swedish Companies Act, International Standards on Auditing and generally accepted auditing standards in Sweden, which are based on the International Federation of Accountants' (IFAC) international audit standards. Remuneration to auditors has been paid in accordance with Note 6.

#### **REMUNERATION OF MANAGEMENT AND THE BOARD**

##### *Guidelines for remuneration of senior executives*

Senior executives at Nobina include the CEO, CFO, the managing directors of subsidiaries and functions that report directly to the CEO. In order for the company to be able to attract, develop and retain senior executives with the relevant experience and skills, it is important that the company has a competitive remuneration package that is in line with the market for senior executives in different industries. Remuneration to senior executives consists of fixed salary, variable remunera-

tion, pension, other customary benefits and any severance payment. Overall remuneration should reflect the market, be competitive and reflect the employee's performance and responsibilities.

Variable remuneration is based on the individual's performance and the company's performance in relation to predetermined targets. Evaluation of these targets takes place annually. Variable remuneration consists of a cash bonus as determined by the Board.

In the event of termination of employment, senior executives at Nobina are entitled to not more than 12 months' compensation including salary during the notice period. As a basic principle, a six-month mutual termination period applies between the company and the executive. In addition, a maximum of six months' remuneration is payable should employment be terminated by the company.

#### *Pension and terms for the CEO*

The retirement age for the company's CEO is 62. Pension payments by the company are reduced to 90 per cent of salary when retirement takes place at the age of 62–63, 80 per cent of salary when retirement takes place at the age of 63–64 and 70 per cent of salary when retirement takes place at the age of 64–65. Nobina's commitment to the CEO ends at retirement, at the age of 65. Pension expenses comprise defined contribution pensions, for which the premium is equal to 30 per cent of pensionable salary. Pensionable salary refers to basic salary as long as the CEO remains employed by the company. Salary paid upon termination is pensionable.

The CEO has the right to 30 holiday days each year. The CEO is insured for 90 per cent of salary (sick pay) during a maximum of 365 days per calendar year without a qualifying period. In addition to the taxable benefits described above, benefits include health insurance. A certain part of any previously earned bonus is compensated through the allotment of shares.

See Note 8 concerning remuneration of the Board and senior executives.

#### *Incentive programme*

During the financial year, Nobina AB made payments under two incentive programmes, one covering ten senior executives (including the CEO) and the other five Board members (excluding the CEO), after which the incentive programmes were ended. The total cost for both programmes was SEK 172 million (including social security contributions and taxes), whereupon the senior executives received a total amount of SEK 123 million (excluding social security contributions and taxes) and the directors received a total amount of SEK 11 million (excluding social security contributions and taxes). The amount was paid in connection with the IPO, with 75 per cent of the after-tax amount being reinvested via the acquisition of shares in Nobina. The acquired shares are subject to lock-up agreements.

#### *Remuneration of the Board of Directors*

The fees to the Chairman and members of the Board are paid in accordance with the resolutions of the AGM. No remuneration is paid to the Board beyond that approved by the AGM now that the aforementioned incentive programme has been concluded. The CEO receives no directors' fees. Directors' fees paid during the financial year totalled SEK 2.7 million.

#### *Remuneration of auditors*

For the financial year, remuneration to auditors has been paid in accordance with Note 6.

### **INTERNAL CONTROLS CONCERNING FINANCIAL REPORTING**

The CEO and Group management are tasked with managing efforts to prepare reliable financial accounts for external publication in an efficient manner. Reliable financial reporting for Nobina means that:

- accounting policies are appropriate and comply with International Financial Reporting Standards (IFRS) and the Swedish Annual Accounts Act (ÅRL),
- profit and loss accounting is informative and sufficiently detailed, and
- it accurately reflects underlying events and the company's actual earnings, financial position and cash flow with reasonable assurance.

#### *Control environment*

The company's governance is based on a shared, process-oriented management system. The aim is to ensure a company culture that is characterised by integrity and that ethical values are not compromised. The management system includes employees' experience, skills, attitudes, ethical values and perception of how responsibility and authority are distributed within the organisation. The management system illustrates how Nobina works in important areas. The control environment comprises the main operational processes and the associated Group policies and instructions, as well as local instructions. For each main process in Nobina, a process owner is responsible for the process and is responsible for proposing preventative measures, as well as suggestions on how to develop and improve the process. Business leaders are responsible for the implementation of controls, and the follow-up and correction of deficiencies.

#### *Risk assessment*

The risks that arise in operations that could have consequences for the company's financial position are primarily fraud, loss or embezzlement of assets, undue preference in favour of another party at the company's expense and other risks that relate to significant errors in the financial accounts. The valuation of assets, liabilities, revenue and costs or deviations from disclosure requirements are some examples.

Nobina applies the same type of risk assessment for all processes, and assessment is conducted based on the COSO framework. This takes place in three stages and is initiated by



the management's review. The basis for the assessment is a SWOT analysis of Nobina's current status and the management's previous experience. The risks that are deemed to significantly affect financial reporting are categorised as high risks. The risks that receive the opposite assessment are categorised as low risks. In the second stage, high risks in operations are evaluated in conjunction with a survey of sub processes. Process experts are used to conduct an accurate evaluation of all risks in the respective processes.

The work procedure involves the following steps:

- Identifying risks and assigning them to the relevant process stage
- Describing current preventative measures
- Evaluating the probability/impact/risk of discovery
- Calculating risk values
- Proposing improvement measures in cases of high-risk values

This means that the management and the operation could produce differing assessments of a specific risk. A risk assessed to be high by the management could be assessed to be low by the operation and vice versa.

Afterwards, all risk values that were identified during the survey are compiled and presented at a Group management meeting. Based on this decision data, management prioritises the risks with high values and allocates resources to address them. The risks that received low values are archived on a risk list for renewed assessment, at the latest in conjunction with the next year's risk assessment.

Once per year, Nobina's Board reviews the mitigation of risks that have been deemed significant from the risk assessment processes.

#### *Control activities*

Risk assessment provides an opportunity to take preventative measures. High risks are prioritised, resulting in measures to eliminate or reduce them. Controls and control points ensure that preventative measures are followed up in all Nobina companies.

The company has a number of controls for approving and authorising business transactions. Controls are applied in daily operations, as are established accounting principles when preparing the year-end accounts and financial reports for all Group companies. Established routines govern the review and analysis of the financial reports at all levels in the Group, which is important in order to ensure the accuracy of the reports. Governance is carried out by way of established policies and instructions that have been implemented via Group-wide process teams. The teams also decide on important control points to ensure the accuracy of the financial reporting.

Decision channels, authorities and responsibilities at various levels of the organisations are defined in accordance with current policies and instructions, which include an authorisation manual.

#### *Information and communication*

The communication plan ensures that information reaches the appropriate target group. The communication plan shows how the company acts and how deviations are reported and monitored. The person responsible for each main process is responsible for ensuring that information about Group-wide methods reaches the entire organisation. The line organisation holds regular meetings on a function or area basis. New policies and directives are presented at these meetings as part of their introduction. Written communication is primarily made available via the intranet that reaches the relevant target group. This is where all news updates are published, along with information about the management system, Group policy documents and instructions.

#### *Follow-up and monitoring*

Financial risks deemed to be high are primarily followed up within each process. There is an inbuilt control function in the risk management system, which means that the actual operation ensures that functions are handled as planned.

The purpose of following up and monitoring is to ensure a stable control environment at the company and to check that key areas of the operations are applied and followed up. The principle applied at the company is that every process should have control functions that support follow-up activities. Internal operational reviews are a supplementary instrument for ensuring that operations are conducted in line with approved decisions.

Nobina has an outsourced internal audit function. In addition, regular internal operational reviews are conducted by internally trained personnel to ensure that control points are functional and efficient. The results of the internal reviews are reported to both the Board and Group management. Changes in the organisation that may affect the internal controls are assessed each year and reported to the Board.



Jan Sjöqvist

Birgitta Kantola

Gunnar Reitan

**JAN SJÖQVIST**

Chairman of the Board since 2005.

**Year of birth:** 1948

**Other assignments:** Chairman of the Board of Aditro Logistics AB.

**Previous assignments:** President and CEO of NCC. Board Member of SSAB AB, Green Cargo AB, Eltel Networks AB, Lannebo Fonder AB and Stora Enso Oyj.

**Dependence status:** Independent in relation to Nobina, its management and major shareholders.

**Education:** MSc in Business and Economics, University of Gothenburg, School of Business, Economics and Law.

**Shareholding:** 193,737 shares

**BIRGITTA KANTOLA**

Board member since 2009.

**Year of birth:** 1948

**Other assignments:** Skandinaviska Enskilda Banken AB (publ).

**Previous assignments:** Vice President and CFO of the International Finance Corporation (World Bank Group), Washington D.C. 1995–2000. Executive Vice President of the Nordic Investment Bank 1991–1995. Member of a number of Boards of listed companies, including Fortum Oyj, Espoo, Finland, NASDAQ OMX, New York, and Stora Enso Oyj.

**Dependence status:** Independent in relation to Nobina, its management and major shareholders.

**Education:** Master of Laws from University of Helsinki, Econ.Dr.H.C.

**Shareholding:** 14,578 shares

**GUNNAR REITAN**

Board member since 2012.

**Year of birth:** 1954

**Other assignments:** Board member of Bio Energy AS.

**Previous assignments:** Chairman of the Board of Strata Marine & Offshore AS. Over 20 years of international experience from leading positions and Board assignments within the airline, travel, freight, financial, insurance, real estate and oil industries. CFO and Executive Vice President of SAS between 1993 and 2007.

**Dependence status:** Independent in relation to Nobina, its management and major shareholders.

**Education:** MSc. Economics, Trondheim Business School.

**Shareholding:** 16,500 shares



Ragnar Norbäck

John Allkins

Graham Oldroyd

**RAGNAR NORBÄCK**

CEO and President of Nobina AB since 2004. Board member since 2014.

**Year of birth:** 1955

**Other assignments:** Board Member of N3 Group AB. Member of K2 Research Institute. Chairman of the Board of RALT AB.

**Previous assignments:** Examples include: CEO of American Express Corporate Travel Nordic, Volvo Aero Engine Services, Linjebuss Trafik AB, GLAB (Adidas Sweden) and TNT Ipec Sweden.

**Dependence status:** Dependent in relation to Nobina and its management. Independent in relation to its major shareholders.

**Education:** MSc. Engineering.

**Shareholding:** 722,444 shares

**JOHN ALLKINS**

Board member since May 2013.

**Year of birth:** 1949

**Other assignments:** Non-Executive Director (NED) and Chairman of the Audit Committee (C of AC) of Punch Taverns Plc. Board member, C of AC and Senior Independent Director (SID) of Renold Plc, Board member, C of AC and SID of Fairpoint Group Plc.

**Previous assignments:** Previous NED roles with Volex Plc, Linpac Senior Holdings Ltd, Albemarle & Bond Plc, Molins Plc and Intec Telecommunications Plc. Executive Roles; Group Finance Director MyTravel Plc 2003–2007 and CFO of Equant NV 1995–2003.

**Dependence status:** Independent in relation to Nobina, its management and major shareholders.

**Education:** BA (Hons) Business Studies, FCMA.

**Shareholding:** 54,963 shares

**GRAHAM OLDROYD**

Board member since 2014.

**Year of birth:** 1961

**Other assignments:** Non-Executive Director, Chairman of the Audit Committee (C of AC) of Henderson Alternative Strategies Trust Plc (publ.). Board member, Chair of the Remuneration Committee of PHS Plc. Member of the Church Commissioners For England. Senior Adviser, MCF Corporate Finance and Downing LLP. Member of The MBA Advisory Board, Durham University Business School.

**Previous assignments:** Partner at Bridgepoint, 1990–2013, responsible for Bridgepoint's investments in the Nordic region 2000–2009.

**Professional Qualifications:** EurIng, CEng, FIMechE and MCSI, UK

**Dependence status:** Independent in relation to Nobina, its management and major shareholders.

**Education:** MA Engineering, Cambridge University; MBA INSEAD Business School.

**Shareholding:** 34,375 shares



Ragnar Norbäck

Per Skärgård

Jan Bosaeus

Annika Kolmert

Niels Peter Nielsen

Joakim Palmqvist

**RAGNAR NORBÄCK**

CEO and President of Nobina AB since 2004.

**Year of birth:** 1955

**Other assignments:** Board Member of N3 Group AB. Member of K2 Research Institute. Chairman of the Board of RALT AB.

**Previous assignments:** Examples include: CEO of American Express Corporate Travel Nordic, Volvo Aero Engine Services, Linjebuss Trafik AB, GLAB (Adidas Sweden) and TNT Ipec Sweden.

**Education:** MSc. Engineering.

**Shareholding:** 722,444 shares

**PER SKÄRGÅRD**

CFO of Nobina AB since 2004, Vice President of Nobina AB since 2009.

**Year of birth:** 1957

**Previous assignments:** CFO of DHL Nordic AB, Danzas-ASG AB, NETnet International, Helene Curtis Scandinavia, Warner Lambert Scandinavia, Group Controller at AB Pripps Bryggerier and Economic Planner at Länsförsäkringsbolagen. Chairman of the Swedish Association for Graduated Business Administrators (Svenska Civilekonomföreningen).

**Education:** Business administration at Stockholm University.

**Shareholding:** 217,878 shares

**JAN BOSAEUS**

MD at Nobina Sverige AB since 2002.

Vice President of Nobina AB since 2009.

**Year of birth:** 1960

**Other assignments:** Chairman of the Board of Sveriges Bussföretag, Board member of The Swedish Confederation of Transport Enterprises, Alecta's National Board and Deputy Board member of The Confederation of Swedish Enterprise.

**Previous assignments:** Board Member of The Swedish Bus and Coach Confederation, X2 AB and the Confederation of Swed-

ish Enterprise. Working Committee member of The Confederation of Swedish Enterprise. Head of Service at Kalmar LMV Sverige AB.

**Education:** MBA, Arméns Tekniska Officershögskola.

**Shareholding:** 210,913 shares

**ANNIKA KOLMERT**

Head of Business Development since 2013.

**Year of birth:** 1973

**Previous assignments:** Managerial positions, Nobina Sverige since 2005. Reporting Manager of Accounting and Controlling at DHL Express and Financial Controller at Skandia Liv.

**Education:** MSc. Economics.

**Shareholding:** 60,191 shares

**NIELS PETER NIELSEN**

Managing Director at Nobina Danmark A/S since 2011.

**Year of birth:** 1965

**Other assignments:** Board Member of the Federation of Road Transport.

**Previous assignments:** Operations Manager at Nobina Danmark A/S and Arriva A/S, Duty manager Arriva A/S and Head of Operations (Railfreight) DSB (Danish railways)

**Education:** Business Economist.

**Shareholding:** 79,005 shares

**JOAKIM PALMKVIST**

Managing Director at Swebus Express AB since 2006.

**Year of birth:** 1963

**Previous assignments:** CEO of Elgiganten AB, Ticket Resebyråer AB and Synoptik. Deputy Chairman of the Board of Samtrafiken I Sverige AB. Purchasing Manager at ONOFF AB.

**Education:** Business Administration graduate.

**Shareholding:** 115,613 shares



Annika Molander

Martin Pagrotsky

Philipp Engedal

Anna Jonasson

Tom Ward

**ANNIKA MOLANDER**

Communications Director since 2016.

**Year of birth:** 1971

**Previous assignments:** Communications Director at Spendrups, Senior Consultant at Prime PR, Communications Director at Nasdaq OMX Nordic and Communications Director at Global Services, Ericsson.

**Education:** Business administration at Stockholm University.

**Shareholding:** –

**MARTIN PAGROTSKY**

Senior Legal Counsel since 2006.

**Year of birth:** 1974

**Previous assignments:** Member of The Swedish Bar Association, Senior Associate at Vinge Law Firm and Law Clerk at Karlstad Administrative Court.

**Education:** Master of Laws degree.

**Shareholding:** 66,844 shares

**PHILIPP ENGEDAL**

Managing Director at Nobina Norge AS since 2012.

**Year of birth:** 1972

**Other assignments:** Board Member at NHO Transport.

**Previous assignments:** Chief Supply Chain Officer at Dooria AS, Adm. Dir./CEO of Transportsentralen Oslo AS and Supply Chain Director at ICA AB.

**Education:** MBA (Germany).

**Shareholding:** 108,882 shares

**ANNA JONASSON**

Head of Central Operational Resources since 2016.

**Year of birth:** 1970

**Other assignments:** Board member of Stockholm County's Bus and Coach Federation.

**Previous assignments:** Project Manager at EY. Project Manager and Head of Operations at Nobina Sverige since 2005.

**Education:** Economics.

**Shareholding:** –

**TOM WARD**

Managing Director at Nobina Finland since 2004.

**Year of birth:** 1956

**Other assignments:** Board Member of Arbetsgivareförbundet (Employer Association) and Bussförbundet (Coach Federation).

**Previous assignments:** Employed at Huolintakeskus Oy, Scansped Oy and MPS Management Consulting. Head of the Profit Center at Oy Scan-Auto AB.

**Education:** Business and Finance diploma.

**Shareholding:** 112,066 shares

# NOBINA AS AN INVESTMENT

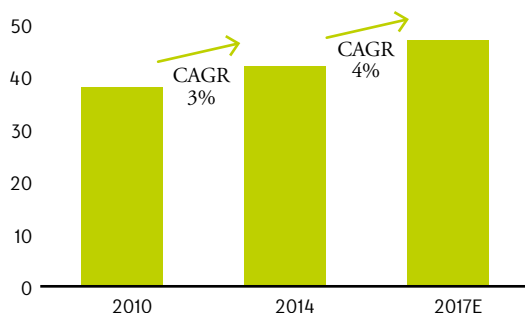
Nobina is the Nordic region's largest and most experienced public transport company. Our expertise in prospecting, the tender process and active management of traffic contracts in combination with long-term delivery quality make us the industry leader.

## STRATEGY FOR CONTINUED GROWTH

Nobina has a target of increasing net sales at a faster pace than market growth. Nobina operates in stable, growing markets in the Nordic countries that have similar conditions in terms of public transport services. A large influx into metropolitan regions, a high degree of environmental awareness and public initiatives to increase public transport are examples of common denominators. Our focus is therefore to win the right contracts in the right traffic areas in these markets and thereby continue our trend of profitable growth.

### Market with stable growth

Nordic public bus transport market (SEK bn)



### Low depending on individual contracts



■ Per cent of net sales 2015/2016

## SELECTIVE TENDER PROCESS FOR GREATER PROFITABILITY

Nobina will increase profit before tax and achieve an EBT margin in excess of 4.5 per cent in the medium term. For Nobina, a natural part of the process involves analysing the prerequisites for healthy profitability in each individual assignment. Therefore, we study the characteristics of the traffic area and how the contract matches in relation to our depots and traffic control centres. For us, it is also important that the right bus is in the right place, particularly from a cost perspective, which is why we also review the possibility of reallocating buses between different traffic areas. Analysis and improvement measures in existing contracts focusing on both revenue and expenses are carried out continuously in combination with ongoing operational improvements. Together, this contributes to making the conditions for healthy profitability in each individual contract as favourable as possible.

We also operate in an industry that is not particularly affected by economic fluctuations and there is political consensus about the tendering methods. Combined with long contract periods, this generates long-term, favourable conditions for analysis.

## NET INDEBTEDNESS

Nobina strives to maintain a net debt/equity ratio of between 3.0 and 4.0 in relation to EBITDA. A higher net debt is often a result of the start of new contracts and the procurement of new buses. As far as possible, Nobina's buses are financed via finance leases and loans, and are therefore recognised as assets and liabilities in the balance sheet. Because no buses are purchased unless new contracts are planned for start-up, the higher indebtedness is a result of Nobina growing via new contracts which, given Nobina's endeavours to only win profitable contracts, will eventually lead to improved profitability. Nobina finances buses over ten years. However, our buses have a useful life of 14 years, which further strengthens our results moving forward.

## DIVIDEND

Nobina's dividend policy stipulates that Nobina, under normal circumstances with consideration to Nobina's cash flow, investment need and general operating conditions, annually will distribute more than 75 per cent of its profit before tax (EBT). For the 2015/2016 financial year, the Board has proposed a dividend of SEK 2.60, corresponding to a dividend yield of 7.3 per cent.

# THE SHARE

Nobina's share was listed on Nasdaq Stockholm's Mid Cap list on 18 June 2015 under the category Industrial goods and services. As per 29 February 2016, the market capitalisation was SEK 3,136 million, compared with SEK 3,004 million at the time of the share's listing on 18 June. A new share issue was carried out in conjunction with the IPO that raised net capital for the company of approximately SEK 801 million. Through the new share issue, the number of shares increased by 25,000,000 to over 88,355,682 shares.

## IPO

On 25 May 2015, the owners announced their intention to list Nobina on Nasdaq Stockholm's main list. The listing was preceded by an initial public offering to subscribe for shares in Nobina. The offering comprised 62 per cent of the shares in Nobina. Interest in the offering among investors was substantial, both in Sweden and abroad, and the offering was fully subscribed. 18 June 2015 was the first trading day.

## SHARE PRICE TREND

Nobina's shares trended favourably during the year. The subscription price was set at SEK 34 per share and the price paid on Nobina's balance-sheet date was SEK 35.50, corresponding to an upturn of 4.4 per cent. Over the same period, the Nasdaq Stockholm declined 6.5 per cent (Stockholm all-share index). The lowest price for the year was noted on 24 September 2015 and was SEK 29.50. The highest price for the year was noted on 5 January 2016 and was SEK 39.10.

## TURNOVER

Total turnover of Nobina's shares on Nasdaq Stockholm from the listing date to the close of the financial year (including those shares sold in conjunction with the listing) was 55 million. This corresponds to a turnover rate of 0.35 per cent compared with 0.24 per cent for Nasdaq Stockholm Mid Cap. On average, 310,777 Nobina shares were traded per day.

## SHAREHOLDERS

As of 29 February 2016, Nobina had 7,008 registered shareholders. The ten largest shareholders control 59 per cent of the capital and votes at year end. The largest shareholder is Sothic Capital, whose holding declined to 11.8 per cent (29.9 per cent when listed) during the year. The proportion of foreign shareholders amounted to 66 per cent of equity and votes and 3 per cent of the shareholders, and the proportion of Swedish shareholders to 34 per cent of equity and votes and 97 per cent of the shareholders on Nobina's balance-sheet date.

## ANALYSTS WHO MONITOR NOBINA

Carnegie, Danske Bank and Pareto.

## SHARE CAPITAL

A new share issue was carried out in conjunction with the listing that raised net capital for the company of approximately SEK 801 million after capital acquisition costs. Through the new share issue, Nobina's share capital increased SEK 800 million from SEK 310 million to SEK 1,110 million and the total number of shares rose 25,000,000 to 88,355,682.

## DIVIDEND POLICY

Under normal circumstances with consideration to Nobina's cash flow, investment need and general operating conditions, Nobina expects to annually distribute more than 75 per cent of its profit before tax (EBT).

## PROPOSED DIVIDEND

The Board proposes a dividend of SEK 2.60 per share for the 2015/2016 financial year, corresponding to a total maximum distribution of SEK 230 million, which is equivalent to a dividend yield of 7.3 per cent based on the share price at the balance-sheet date.

## SHAREHOLDER INFORMATION

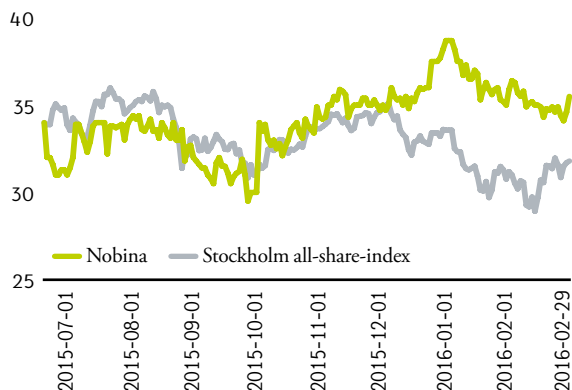
Financial information about Nobina is published on the company's website. Questions can also be sent directly to Nobina. Annual reports, interim reports and other information can be ordered from Nobina's head office, the website, via email or phone.

Website: [www.nobina.com](http://www.nobina.com)

E-mail: [ir@nobina.com](mailto:ir@nobina.com)

Telephone: +46 8 410 65 000

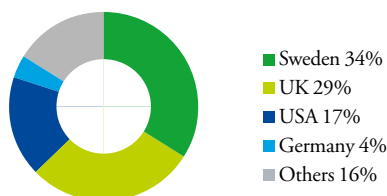
Share price trend



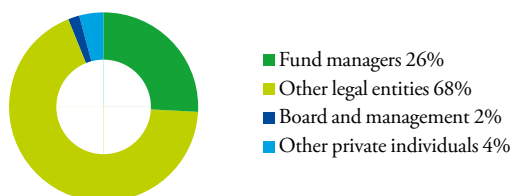
Total shareholders in Nobina

**7,008**

Holdings by country



Holdings by category



Dividend yield

**7.3%**

| Major shareholders              | No. of shares     | Share of capital and votes, % |
|---------------------------------|-------------------|-------------------------------|
| Sothic Capital Management LLP   | 10,426,520        | 11.8                          |
| Invesco Limited                 | 8,522,015         | 9.6                           |
| BlueMountain Capital            | 8,475,266         | 9.6                           |
| Copper Rock Capital Partners    | 4,975,504         | 5.6                           |
| Fjärde AP-Fonden                | 4,688,599         | 5.3                           |
| Tredje AP-Fonden                | 3,724,151         | 4.2                           |
| Evermore Global Advisors Fonder | 3,251,710         | 3.7                           |
| Handelsbanken Fonder            | 3,004,597         | 3.4                           |
| Danske Invest & Danica Pension  | 2,545,155         | 2.9                           |
| Länsförsäkringar Fonder         | 2,276,225         | 2.6                           |
| Others                          | 36,512,810        | 41.4                          |
| <b>Total</b>                    | <b>88,355,682</b> |                               |

**FACTS ABOUT THE SHARE**

**Market:** Nasdaq Stockholm  
**Ticker:** Nobina  
**ISIN Code:** SE0007185418  
**ICB Code:** 2700  
**Highest price in 2015/2016:** 39.10  
**Lowest price in 2015/2016:** 29.50  
**Closing price 2015/2016:** 35.50  
**Market capitalisation at 29 February 2016:** SEK 3,136 million  
**Turnover rate 2015/2016:** 0.35 per cent  
**Number of shares:** 88,355,682



# AUDITOR'S STATEMENT ON THE CORPORATE GOVERNANCE REPORT

To the annual meeting of the shareholders of Nobina AB (publ), corporate identity number 556576-4569

It is the Board of Directors who is responsible for the Corporate Governance Statement for the financial year 1 March 2015 – 29 February 2016 on pages 32–44 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the Corporate Governance Report and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the Corporate Governance Report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the Corporate Governance Report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 26 April 2016

PricewaterhouseCoopers AB

Michael Bengtsson  
*Authorised Public Accountant*



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# ADMINISTRATION REPORT

The Board of Directors and President of Nobina AB (publ), corporate registration number 556576-4569, domiciled in Stockholm, hereby present the annual report and consolidated financial statements for the financial year 1 March 2015 through 29 February 2016.

All items are expressed in SEK million unless otherwise stated. The financial year covered by this annual report ended on 29 February 2016 and is referred to as 2015/2016. The results of the year's operations for the Nobina Group and the Parent Company are presented in the following income statements and balance sheets, cash flow statements, statements of changes in equity and notes.

## OPERATIONS

Nobina AB is engaged in the provision of public bus transport, and the company's business concept to simplify everyday travelling. The scope of the business comprises regional public transport under contract to local authorities in the Nordic region, along with interregional, express bus services under our own brand, primarily in Sweden. Nobina is a Group comprised of wholly owned subsidiaries. In Sweden, operations are conducted through the subsidiaries: Nobina Sverige AB and Swebus Express AB, and in the other Nordic countries, through the subsidiaries: Nobina Norge AS, Nobina Finland Oy Ab and Nobina Danmark A/S. In some cases, the operating companies have subsidiaries for parts of their operations. All activities require operating permits for passenger transport. All subsidiaries hold the required permits.

All intra-Group services, such as IT, accounting, personnel administration, etc. have been organised under one of the subsidiaries, Nobina Europe AB. Nobina AB manages the bus fleet centrally, through the subsidiaries: Nobina Fleet AB incl. subsidiaries in Finland and Norway, Nobina Busco AB incl. subsidiaries in Finland and Norway, Nobina Fleet Danmark Aps, Nobina Fleet Danmark nr 1 Aps, Nobina Fleet Danmark nr 2 Aps, Nobina Fleet Danmark nr 3 Aps, Nobina Fleet Danmark nr 4 Aps and Nobina Fleet Danmark nr 5 Aps. These companies lease buses to the operating companies. In Denmark, all of the companies are owned by one holding com-

pany, Nobina Danmark Holding Aps, which is a subsidiary of Nobina AB. Nobina AB also has a subsidiary, Nobina Technology AB, which works with innovations.

| SEK million     | 2015/2016        |                 | 2014/15 | 2013/14 | 2012/13 | 2011/12 |
|-----------------|------------------|-----------------|---------|---------|---------|---------|
|                 | before IPO costs | after IPO costs |         |         |         |         |
| Net sales       | 8,317            | 8,317           | 7,549   | 7,269   | 7,212   | 7,050   |
| EBITDA          | 1,083            | 879             | 922     | 832     | 725     | 536     |
| EBT             | 299              | 2               | 141     | 87      | -9      | -230    |
| EBT margin, %   | 3.6              | 0.0             | 1.9     | 1.2     | Neg     | Neg     |
| Net debt        | 4,022            | 4,022           | 3,867   | 3,611   | 3,987   | 3,689   |
| Net debt/EBITDA | 3.71             | 4.58            | 4.19    | 4.34    | 5.5     | 6.88    |

## MARKET

Nobina AB is the Nordic region's largest operator of public bus transport and, measured in number of buses, had a market share of 18 per cent of tendered traffic (16 per cent the preceding year) at the end of the financial year. In addition, express bus services under the Swebus brand are conducted in free competition, primarily in Sweden. With approximately 377 million passengers per year, Nobina is one of the ten largest public transport companies in Europe.

In Sweden, Norway, Finland and Denmark, all public transport is operated either under contract allocated through tendering processes or through the award of concessions. In all of the Nordic countries, the trend is moving away from allocating traffic assignments through concessions in favour of tender contracts, which is in line with the applicable EU directives. Moreover, in Finland the allocation of traffic assignments through concessions will become unlawful from 2019. All of the Nobina Group's contracts have been won through tender processes and, accordingly, the Group has no concessions.

| Market share (Number of buses) | Nobina       | Keolis       | Nettbuss     | Arriva       | Transdev   | Tide         | Others       | Total         | Share Tendered (%) |
|--------------------------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|---------------|--------------------|
| Sweden                         | 2,166        | 1,233        | 391          | 692          | 509        | -            | 2,637        | 7,628         | 95%                |
| Norway                         | 439          | -            | 1,956        | -            | -          | 726          | 2,901        | 6,022         | 96%                |
| Finland                        | 427          | -            | -            | -            | 220        | -            | 2,513        | 3,160         | 60%                |
| Denmark                        | 182          | 403          | -            | 820          | -          | 406          | 1,519        | 3,330         | 100%               |
| <b>Total regional traffic</b>  | <b>3,214</b> | <b>1,636</b> | <b>2,347</b> | <b>1,512</b> | <b>729</b> | <b>1,132</b> | <b>9,570</b> | <b>20,140</b> |                    |

| Tenders and traffic changes by country<br>(Number of buses) | Tenders during the period |            |            | Traffic changes during the period |            |
|---|---------------------------|------------|------------|-----------------------------------|------------|
|   | Submitted                 | Won        | Not won    | Started                           | Expired    |
| Sweden  | 603                       | 240        | 363        | 543                               | 226        |
| Norway  | 217                       | 0          | 217        | 76                                | 48         |
| Finland   | 184                       | 107        | 77         | 102                               | 33         |
| Denmark   | 62                        | 0          | 62         | 0                                 | 0          |
| <b>Total regional traffic</b>                               | <b>1,066</b>              | <b>347</b> | <b>719</b> | <b>721</b>                        | <b>307</b> |

#### TENDERING PROCESSES, START-UPS AND COMPLETION OF TRAFFIC DURING THE YEAR

During the financial year, Nobina started transport services comprising 721 buses under new contracts and contracts concluded for 307 buses. This led to increased operations in Sweden, Norway and Finland, while operations in Denmark remained unchanged. Nobina participated in tender processes comprising 1,066 buses of which contracts were won for a total of 347 buses (32.6 per cent) during the financial year. The tenders won were in Sweden and Finland.

#### TRAFFIC STARTS IN THE NEXT 12 MONTHS

In general, the tender outcomes during the financial year have no or limited impact on the scope of operations or on earnings since new contracts often start nine months after allocation, which tends to be in the second half of the year. Nobina will

start traffic under new traffic assignments during the next financial year in accordance with the following table.

#### TRAFFIC COMPLETED IN THE NEXT 12 MONTHS

All traffic contracts have a termination date, when the traffic assignment under the old contract ceases to apply and the assignment is awarded to an operator under a new contract, either the same operator or a new operator. The majority of traffic assignment have options to extend, normally for a period of one to three years through mutual agreement between clients and the operator. Following any optional extension, the traffic assignment comes to a definitive end. Traffic assignments that will be concluded by Nobina during the next financial year are shown in the following table.

#### TRAFFIC STARTING IN THE MARCH 2016–FEBRUARY 2017 PERIOD

|              | Client          | No. of years | Start of service | No. of buses | No. of new buses |
|--------------|-----------------|--------------|------------------|--------------|------------------|
| Denmark      | Movia           | 5            | March 2016       | 8            | 9                |
| Sweden       | Östgötatrafiken | 6            | June 2016        | 27           | 0                |
|              | SL              | 10           | August 2016      | 79           | 45               |
|              | SL              | 8            | August 2016      | 79           | 87               |
|              | Värmlandstrafik | 9            | August 2016      | 7            | 8                |
|              | Skånetrafiken   | 6            | December 2016    | 49           | 7                |
| Finland      | HSL             | 7            | August 2016      | 94           | 41               |
|              | HSL             | 2            | August 2016      | 13           | 2                |
| <b>Total</b> |                 |              |                  | <b>356</b>   | <b>199</b>       |

#### TRAFFIC EXPIRING IN THE MARCH 2016–FEBRUARY 2017 PERIOD

|              | Client          | End of service | No. of buses |
|--------------|-----------------|----------------|--------------|
| Denmark      | Movia           | December 2016  | 6            |
| Sweden       | LT Västerbotten | June 2016      | 54           |
|              | Östgötatrafiken | June 2016      | 34           |
|              | Västtrafik      | June 2016      | 9            |
|              | Värmlandstrafik | July 2016      | 3            |
|              | SL              | August 2016    | 158          |
|              | Skånetrafiken   | September 2016 | 52           |
|              | Skånetrafiken   | December 2016  | 50           |
|              | Stockholmståg   | December 2016  | 8            |
| Finland      | HSL             | August 2016    | 140          |
| <b>Total</b> |                 |                | <b>514</b>   |

**FINANCIAL YEAR**

In 2015/2016, operations continued to post a positive trend:

- Record high net sales were posted due to growth of 10.2 per cent
- Operating profit was SEK 258 million (371) including IPO costs of SEK 204 million. After adjustment for IPO costs, operating profit rose 24.5 per cent to SEK 462 million (371), which represents the highest ever operating profit posted to date.
- Profit before tax was SEK 2 million (141) including IPO and bond redemption costs totalling SEK 297 million. After adjustment for IPO and bond redemption costs, profit before tax was SEK 299 million (141).
- Cash flow for the year improved and totalled SEK 234 million (141), including a negative net impact on liquidity of SEK 32 million from the new share issue, IPO costs and bond redemption. After adjustment for the net impact on liquidity from the new share issue, IPO costs and bond redemption, cash flow amounted to SEK 266 million (141).
- Investments, which primarily pertained to the procurement of buses, totalled SEK 1,671 million (1,040).

**SIGNIFICANT EVENTS DURING THE YEAR**

- On 25 May, Nobina announced its intention to list on Nasdaq Stockholm, which took place on 18 June. The cost of the IPO was SEK 204 million, which was in line with the figures in the prospectus and of which SEK 92 million was charged to operating profit in the first quarter and SEK 112 million to operating profit in the second quarter.
- On 24 May, Nobina's Board adopted the final terms and conditions for an incentive programme in line with the terms of the intended stock exchange listing.
- Nobina's Board adopted the financial targets and dividend policy presented in the IPO prospectus published on 3 June.
- The AGM was held on 27 May, at which the annual accounts for Nobina AB and the Group were approved and the Board re-elected.
- Nobina retained Catharina Elmsäter-Svärd as an adviser on strategic issues.
- On 11 August, the outstanding portion of the bond loan was redeemed in full in accordance with the undertaking in the prospectus, after which the Nobina Group is free from strategic debt. The redemption cost amounted to SEK 93 million.
- The year's traffic starts: Södertörn – Stockholm, Sweden; Follo – Oslo, Norway; Helsinki, Finland and Värmland County, Sweden were all successful.
- Nobina won tenders for a number of new contracts: one contract in Norrköping, Sweden valued at almost SEK 400 million and extending over six years; two contracts in Stockholm, Sweden with a combined value of SEK 4 billion and extending for eight and ten years respectively; several contracts in Helsinki, Finland with a total value of SEK 1.4 billion and extending over seven years as well as an additional contract in Helsinki for 13 buses.

- The Nomination Committee ahead of the AGM on 31 May 2016 was appointed during the third quarter.
- In the fourth quarter, Nobina established the innovation company Nobina Technology AB.

**SIGNIFICANT EVENTS AFTER THE END OF THE FINANCIAL YEAR**

- After the end of the fourth quarter, Nobina AB signed a contract with Västtrafik for public transport in Borås, Sweden with a traffic start in April 2017 for not less than 50 scheduled buses. This was completed following a drawn out appeal process, which was determined by the highest instance in favour of Västtrafik.
- In all tender processes won by Nobina, where quality-based evaluations have been used and where the losing party has appealed, the appeals have been dismissed after adjudication by judicial instances.

**REVENUE AND EARNINGS FOR THE NOBINA GROUP**

Revenue increased SEK 768 million, or 10.2 per cent, from SEK 7,549 million for 2014/2015, to SEK 8,317 million for 2015/2016, driven by growth in regional traffic.

Operating profit declined SEK 113 million, or 30.5 per cent, from SEK 371 million for 2014/2015, to SEK 258 million for 2015/2016, which was attributable firstly to IPO costs affecting comparability of SEK 204 million and secondly to a SEK 86 million earnings improvement from regional traffic. After adjustment for IPO costs affecting comparability, operating profit increased SEK 91 million, or 24.5 per cent, from SEK 371 million for 2014/2015, to SEK 462 million for 2015/2016.

*Fuel, tyres and other consumables*

The costs for fuel, tyres and other consumables increased SEK 49 million, or 3.0 per cent, from SEK 1,655 million for 2014/2015, to SEK 1,704 million for 2015/2016. The rise in costs was mainly driven by increased traffic production as a consequence of growth in the contract portfolio and the transition to more environmentally friendly fuel.

*Other external expenses*

Other external expenses mainly comprise operating leasing expenses, rents, and costs for contracted consultants, auditing, financial, legal services and advertising. Other external expenses increased SEK 82 million, or 7.5 per cent, from SEK 1,091 million for 2014/2015, to SEK 1,173 million for 2015/2016. The rise was mainly attributable to increased traffic production but also included nonrecurring expenses of SEK 32 million for fees pertaining to the IPO.

*Personnel costs*

Personnel costs rose SEK 680 million, or 17.5 per cent, from SEK 3,881 million for 2014/2015, to SEK 4,561 million for 2015/2016. This was primarily due to increased salaries and payroll overheads mainly driven by expanded traffic operations as a consequence of contract portfolio growth and contracted salary increases. Salary increases also included a nonrecurring expense of SEK 172 million for an incentive programme in conjunction with the IPO.

*Research and development expenses*

While Nobina conducts no research operations, it does perform some development activities which do not result in any material expense.

*Capital losses from disposal of non-current assets*

During the year, Nobina divested 368 buses (585) valued at SEK 35 million (41). This resulted in a capital loss of SEK -15 million (-35).

*Depreciation/amortisation and impairment*

Depreciation/amortisation and impairment increased SEK 90 million, or 17.4 per cent, from SEK 516 million for 2014/2015, to SEK 606 million for 2015/2016. Depreciation/amortisation and impairment mainly comprise depreciation on buses but also include depreciation on other vehicles, equipment, tools, fixtures and fittings, and buildings. The increased expense was driven by the expansion in traffic production, which led to a rise in the number of buses and a renewal of the bus fleet related to the start of many new contracts.

*Profit from net financial items*

Interest income and similar profit/loss items declined SEK 5 million, or 62.5 per cent, from SEK 8 million for 2014/2015, to SEK 3 million for 2015/2016.

Interest expense and similar profit/loss items increased SEK 21 million, or 8.8 per cent, from SEK 238 million for 2014/2015, to SEK 259 million for 2015/2016. This increase included items affecting comparability pertaining to the redemption of the bond loan of SEK 93 million, which were charged to 2015/2016.

A nonrecurring SEK 25 million write-down of the remaining allocated financing costs for an earlier bond loan that was redeemed in full in May 2014 negatively impacted net financial items for 2014/2015. Interest on leases decreased SEK 13 million due to improved financing terms and lower interest rates, while interest costs for the bond loan redeemed in 2015/2016 declined SEK 26 million, since this cost was extinguished from 11 August 2015. Nobina's realised and unrealised exchange rate gains amounted to SEK 1 (1) million.

*Tax*

Nobina's income tax comprises the change in estimated deferred tax and amounted to SEK 2 million for 2015/2016, compared with SEK -47 million for 2014/2015. Deferred tax was calculated using the tax rates that have been enacted, or which are expected to apply when the related deferred tax asset is realised or the tax liability is settled. The deferred tax asset that pertains to deductible temporary differences and unutilised loss carryforwards has been reported to the extent that it is expected to be utilised in the foreseeable future, and doing so is deemed probable. Current tax for Nobina amounted to SEK 0 (-1) million, and the change in estimated deferred tax assets and deferred tax liabilities, have impacted profit for the financial year by SEK 1 million (-38).

*Analysis of the Group's performance trend*

The key indicators shown in the following table set out the accumulated outcomes from the preceding year to the current year and pertain to net sales, operating profit before net financial items and taxes (EBIT), and income before tax (EBT). The performance analysis is partially based on qualitative analyses and assessments, and therefore its exactness and completeness cannot be guaranteed.

| SEK million                                 | Revenue | EBIT | EBT  |
|---|---------|------|------|
| Period from 1 March 2014 – 28 February 2015 | 7,549   | 371  | 141  |
| Price and Volume                            | 187     | 136  | 136  |
| Contract migration                          | 555     | -53  | -53  |
| Indexation                                  | 26      | 12   | 12   |
| Operational efficiency                      | -       | -2   | -2   |
| Items affecting comparability               | -       | -204 | -297 |
| Other                                       | -       | -2   | -2   |
| Net financial items                         | -       | -    | 67   |
| Period from 1 March 2015 – 29 February 2016 | 8,317   | 258  | 2    |

**Price and volume**, in existing contracts, positive impacts were made on sales in an amount of SEK 187 million, and on EBIT and EBT of SEK 136 million. These were primarily driven by changes in contracts and rail replacement bus services in Sweden. Finland also posted a positive contribution.

**Contract migration** positively impacted net sales in an amount of SEK 555 million as a consequence of large traffic starts conducted during the year. EBIT and EBT were negatively affected in an amount of SEK -53 million, partly due to start-up costs and partly due to newly started contracts initially having lower profitability than contracts approaching the end of the contract period. In Sweden, Norway and Finland, contract migration comprising the start and conclusion of contracts has been carried out.

**Indexation** had a positive effect of SEK 26 million on net sales and of SEK 12 million on EBIT and EBT, which indicates that indexation has more than covered underlying cost inflation.

**Operational efficiency** covers the efficiency of optimising personnel resources, traffic planning, maintenance, minimising damage and fuel consumption, and posted a slight negative trend of SEK -2 million, which impacted EBIT and EBT. This was mainly attributable to damage and higher maintenance costs for vehicles operated on fossil-free fuels.

**Items affecting comparability** included the IPO transaction costs of SEK -32 million and incentive programme expenses of SEK -172 million, which had an impact on EBIT of SEK -204 million. In addition, costs pertaining to the redemption of the bond loan of SEK -93 million were charged to net financial items, which generated a total impact of SEK -297 million on EBT.

Other impacted the result by an increase of SEK -2 million in charges to EBIT and EBT, primarily attributable to higher operating costs as a consequence of the stock exchange listing.

**Net financial items** improved SEK 67 million excluding items affecting comparability of SEK -93 million that pertained to the redemption of the bond loan, and included a SEK 25 million earnings boost attributable to the write-off of the remaining capitalised financing costs for an earlier bond loan that was redeemed in May 2014 and which was charged to EBT last year. The cost of interest on leases decreased SEK 13 million due to improved financing terms and lower interest rates. In addition, net financial items improved due to a SEK 26 million reduction in interest costs for the bond loan redeemed in 2015/2016, since this cost was extinguished in full from 11 August 2015.

## ANALYSIS OF NET SALES AND EBIT BY OPERATING SEGMENT

### NOBINA SWEDEN

Nobina is the largest operator in Sweden, with a market share of around 30 per cent, measured in number of buses according to the definition, and participated in eight tender processes for Swedish regional traffic and won four of them. At present, Nobina has a presence in more than a hundred locations across the country. The largest clients are in the three major metropolitan areas: Stockholm, Gothenburg and Malmö. The regional traffic contracts differ considerably both in terms of the responsibilities and the commercial terms and conditions. There is an increasing trend toward tender processes that include quality evaluation and an incentive element. The contract terms are developing in an increasingly positive direction and relevant monthly indexing models are the norm.

Revenue from regional traffic in Sweden increased by SEK 537 million, or 10.5 per cent, from SEK 5,138 million for 2014/2015, to SEK 5,675 million for 2015/2016. The main reason for the increase was the start-up of new traffic contracts with larger volumes and sales. These replaced contracts that were concluded during the year. Volume growth under existing contracts also had a positive impact on the sales trend in parallel with the operation of relatively extensive rail replacement bus services.

Operating profit for regional traffic in Sweden increased SEK 19 million, or 5.1 per cent, from SEK 373 million for 2014/2015, to SEK 392 million for 2015/2016. Operating profit was charged with significant negative effects from contract portfolio migration, mainly from the contract in Södertörn, Stockholm. The index trend remained positive.

#### *Significant events during the year in Sweden*

- Participated in eight tender processes.
- Extensive contract migration.
- Successful starts of major new contracts: Södertörn; Region Värmland; Värmland school traffic; etc.
- Higher share of incentives in new contracts.

- All appeals regarding the use of quality evaluations as part of tender processes have been dismissed.
- Nobina won tender processes in Södertälje and Kallhäll in Stockholm, Östergötland and Höganäs/Ekeby in Skåne.
- Development of travel and the route network in Södertörn, Stockholm, which is Nobina's largest contract to date.

### NOBINA DENMARK

The Danish market for regional traffic is divided into five regions and is developing in a positive direction in terms of contract terms, incentive elements and monthly indexing. In total, there are six potential clients. Nobina currently operates regional traffic for two of these. The trend in Denmark is the same as in Sweden, i.e. increasingly moving toward incentive contracts based on higher passenger numbers.

Nobina's Danish operations have grown to a market share of about 5 per cent through the new, larger Copenhagen contract and continued to trend favourably during the year. Nobina operates a total of 11 contracts and, in December 2014, the company started a new contract for traffic in Copenhagen and North Zealand, which replaced an earlier onerous contract for traffic in Copenhagen. Traffic trended favourably in 2015/2016.

Revenue from bus traffic in Denmark rose SEK 116 million, or 29.4 per cent, from SEK 395 million for 2014/2015, to SEK 511 million for 2015/2016. The increase represents the impact of the new, larger Copenhagen contract which replaced the prior, smaller contract in December 2014.

Operating profit increased SEK 23 million from SEK -15 million for 2014/2015, to SEK 8 million for 2015/2016. This was mainly attributable to conclusion of the prior onerous traffic contract in Copenhagen, which concluded in December 2014, and the positive trend following the start of the new, larger Copenhagen traffic contract. All contracts in Denmark performed well in comparison to the targets and operational efficiency is high.

#### *Significant events during the year in Denmark*

- Participated in four tender processes.

### NOBINA NORWAY

The market remains fragmented in Norway and Nobina is the fifth largest operator, with a market share of around eight per cent and eight ongoing traffic assignments, most of which are in the area surrounding Oslo. The proportion of contracts subject to tender processes has increased significantly at the cost of concessions (see Glossary, page 99) for the past few years. The contract terms are relatively undeveloped with the dominant form of production contracts using kilometre payments subject to biannual indexing. The key focus areas in Nobina's Norwegian operations are enhancing operational efficiency and improvements to the challenging Tromsø contract.

Revenue from regional bus traffic in Norway decreased SEK 18 million, or 1.9 per cent, from SEK 943 million for 2014/2015, to SEK 925 million for 2015/2016. The decrease was attributable to a weaker exchange rate for the NOK against the SEK. After adjustment for exchange-rate effects, sales increased 3.8 per cent.

Operating profit increased SEK 22 million from SEK -2 million for 2014/2015, to SEK 20 million for 2015/2016. The rise in earnings was attributable to operational enhancements and the full-year effect of concluding the previous onerous contract in Vestfold in June 2014. The Tromsø traffic contract continues to comprise a burden for Nobina Norway, and there is reason to expect continued negotiations as well as a risk for disputes with Troms Fylkestrafikk.

### *Significant events during the year in Norway*

- Participated in six tender processes.
- Started the Follo contract, which comprises the prior Nobina contracts Ski, Vestby and Nesodden.
- Focus on streamlining measures.
- Continued disputes/negotiations with Troms Fylkestrafikk.

### **NOBINA FINLAND**

Unlike the other Nordic countries, contracts in Finland are tendered for specific routes rather than entire traffic areas. At present, approximately 60 per cent of the market is subject to tender processes with the share increasing as 2019 approaches, when legislation enters force stating that concessions (see Glossary, page 99) will no longer be permitted. The contract terms are relatively undeveloped outside of Helsinki, which applies favourable terms with monthly indexing. Incentive contracts are rare, but they exist to a certain extent in some assignments for the Helsinki region. Nobina's Finnish operations are primarily in the capital region, which is also the largest market for tendered public transport contracts, and where Nobina is the largest public transport service provider. During the year, the loss-making competitor Helb was sold by the City of Helsinki to the privately owned company Koiviston Auto which, moving forward, is expected to lead to Helb applying profitability based pricing to tenders. During the year, Nobina won new contracts for 107 buses, extending for up to seven years, for public transport services in the Helsinki region. To date, no contract has been won outside of Helsinki. Nobina has a total of 30 traffic contracts ongoing and is one of Finland's largest operators with a market share of about 14 per cent.

Revenue from regional bus traffic in Finland increased SEK 140 million, or 17.2 per cent, from SEK 812 million for 2014/2015, to SEK 952 million for 2015/2016. The increase was primarily due to more contracts, the full-year effects from growth and indexation.

Operating profit increased SEK 22 million from SEK 47 million, or 46.8 per cent, for 2014/2015, to SEK 69 million for 2015/2016. Positive effects from environmental bonuses, insurance refunds, improvements in the operation of existing contracts and efficient starts of new contracts are behind the earnings improvement.

### *Significant events during the year in Finland*

- Participated in two tender processes in Helsinki winning both.
- Start of six new contracts.
- The European Commission decided to initiate an investigation into state support of the state-owned company Helb.

- Helb was sold by the City of Helsinki to the privately owned company Koiviston Auto.
- Litigation was initiated against HSL, the PTA in Helsinki, regarding the application of limits to the allocation of won contracts.

### **SWEBUS**

Through Swebus, Nobina is the market leader with almost 50 per cent of express bus journeys in Sweden via an extensive route network, airport bus services and business partners. Cross-border traffic is operated to Copenhagen and Oslo.

About 80 per cent of the tickets are retailed through digital channels. In addition to the above, other ticket sales are through ticket agents, ticket machines and our own sales outlets. On a yearly basis, there are more than 8 million visits to the Swebus website.

Revenue from Swebus's interregional express bus services declined SEK 1 million, or 0.4 per cent, from SEK 284 million for 2014/2015, to SEK 283 million for 2015/2016. This trend included fewer passengers due to lower demand and a reduced offering, but also increased sales of supplementary products, collaborations with business partners and chartered traffic.

Operating profit declined SEK 2 million, or 22.2 per cent, from SEK 9 million for 2014/2015, to SEK 7 million for 2015/2016. Earnings were negatively impacted by fewer passengers due to lower demand and a reduced offering, but also positively affected by increased sales of supplementary products, collaborations with business partners and chartered traffic.

### *Significant events during the year*

- Continued development of supplementary products and collaborations with business partners at Swebus.
- Reduced offering in Swebus's route network.

### **CENTRAL FUNCTIONS AND OTHER ITEMS**

Central functions and other items comprise expenses related to the head office and the results from fleet operations, which manages buses. The net cost (EBIT) declined SEK 7 million, or 17.1 per cent, from SEK -41 million for 2014/2015, to SEK -34 million for 2015/2016. In addition, in 2015/2016, net costs (EBIT) for Central functions and other items were charged with the IPO costs affecting comparability of SEK 204 million, whereupon these instead increased SEK 197 million, from SEK -41 million for 2014/2015, to SEK -238 million for 2015/2016.

### **INVESTMENTS**

Nobina's investments during the year consisted primarily of bus acquisitions. During the year, 600 (288) buses were acquired through finance leases, while 77 (132) other buses were financed via cash or credit. In total, Nobina acquired 677 (573) buses during the year. Cash-financed investments amounted to SEK 84 (127) million and loan-financed investments totalled SEK 109 million (168). Through its subsidiary, Nobina Fleet AB, Nobina entered into finance leases amounting to a cost of SEK 1,478 (745) million. These are classified as non-current assets in the balance sheet. The lease commitment was recognised as a liability in the balance sheet. Depreciation and interest expenses are recognised in profit or loss.



### FINANCING, LIQUIDITY AND VALUATION

Nobina has adopted a strategy of only taking up loans and credit facilities to finance non-current assets. In 2015/2016, Nobina achieved this full redemption of Nobina Europe's remaining bond loan of SEK 550 million on 11 August 2015. For information about repayment of the bonds, please refer to the Stock-exchange listing section below. This redemption programme resulted in an annual decrease in Nobina's financial expenses of SEK 44 million and a reduction of about SEK 26 million for 2015/2016. A nonrecurring expense of SEK 93 million for redemption of the bond loan was charged to 2015/2016. A nonrecurring SEK 25 million write-down of the remaining capitalised financing costs for an earlier bond loan that was redeemed in full in May 2014 negatively impacted net financial items for 2014/2015.

A SEK 850 million new issue of shares was completed in conjunction with the IPO to finance the redemption of the bond loan and listing costs connected with the IPO.

Nobina has bank credit facilities of SEK 150 million, comprised of an overdraft facility of SEK 136 million, of which SEK 0 was utilised as of 29 February 2016, and SEK 14 million in bank guarantees.

Interest expenses from lease financing of buses decreased SEK 13 million over the financial year due to improved financing terms and lower interest rates.

Over the year, cash and cash equivalents increased SEK 230 million, from SEK 453 million at 28 February 2015, to SEK 683 million at 29 February 2016. In addition to liquidity generated by operations, after changes in working capital and investments, SEK 90 million has been made available through the release of restricted bank accounts as a result of an improved credit rating and a charge of SEK 32 million to cash and cash equivalents as part financing of the IPO. The equity/asset ratio was for the parent company 71 (66) per cent.

The methods and assumptions applied by Nobina when calculating fair value for financial instruments is described in Note 31. No transfers were made between any of the valuation levels during the period.

### FINANCIAL TARGETS

Nobina's Board has adopted financial targets for the business operations, which are presented together with outcome below:

- Net sales growth: Nobina has a target of increasing net sales at a faster pace than market growth. Outcome for the financial year was 10.2 per cent (3.9) compared with estimated market growth of about 4 per cent.
- EBT margin: Nobina's target on an annual basis is to achieve an EBT margin in excess of 4.5 per cent in the medium-long term. Outcome for the financial year was 3.6 per cent (1.9), excluding IPO costs.
- Target debt/equity ratio: Under normal circumstances, Nobina intends to maintain a net debt/equity ratio of between 3.0 and 4.0 in relation to EBITDA. The outcome was 3.71 per cent (4.19), excluding IPO costs.

### DIVIDEND POLICY

Under normal circumstances, Nobina expects to distribute annual dividends in excess of 75 per cent of EBT.

### FINANCIAL MANAGEMENT

Since traffic contracts primarily contain given, fixed revenue, in addition to occasional revenue from variable incentives, the offer price becomes critical to profitability in the cases where Nobina wins traffic contracts. In the respective tenders that are submitted to win new traffic contracts in conjunction with tender processes, Nobina sets a yield requirement for capital employed.

When submitting a tender, Nobina simultaneously negotiates binding offers with bus suppliers, including financing, to secure the company's ability to start services if Nobina wins the tender process. A traffic start ties up a substantial amount of capital, which is why Nobina evens out cash flow during the contract period by using finance leases. Delivering a return that meets the yield requirement requires efficient operation, in addition to risk minimisation and negotiations regarding possible traffic changes. This is carried out based on highly developed traffic plans that ensure optimised capacity utilisation of drivers and buses. Operations are carried out based on these plans with the support of several key figures to measure efficiency, such as overtime, sick leave, maintenance cost per kilometre, damage cost per kilometre, fuel consumption cost per kilometre, etc. Efficiency is typically at its lowest in a newly started traffic contract and improves over time, while the value of the invested capital for buses declines over time as the buses age.

### EMPLOYEES

During the period, the average number of employees was 11,747 (11,345) and the number of employees recalculated as FTEs was 8,461 (7,603). In all countries where Nobina AB has operations, collective agreements are applied in accordance with the trade union that represents employees in the industry where each company is active. Between the employee representatives and the company, well-established practices are in place for the way in which working hours, compensation terms, information and cooperation are negotiated and applied. Nobina uses programs focusing on values and employee relations to boost staff motivation at work and thus improve the quality of services to customers.

### ENVIRONMENTAL PERFORMANCE

New buses are equipped with engines of the latest emissions class that produce the lowest possible emissions from combustion. They are equipped with exhaust emission control systems and thus comply with future emissions standards, which are expressed as requirements in traffic contracts. Fossil-free fuels with a carbon-neutral impact in the form of biogas and bio-diesel are becoming increasingly common and, at the same time, electric power is expected to grow in extent over the next few years.

At its fixed facilities, Nobina invests in environmental improvements such as new and enhanced cleaning equipment in the bus-washing facilities. Total emissions are minimised by upgrading engine classes and controlling tyre pressures and wheel alignment, as well as transitioning to renewable fuels. Nobina is working to reduce fuel consumption and new and improved fuel products are continuously evaluated. The Group is required to report some of its activities, such as wash-

ing buses at depots and proprietary workshops, in accordance with the Swedish Environmental Code (SFS 1998:808). These activities impact the environment primarily through the discharge of water from bus-washing facilities. When setting up or shutting down depots, environmental inspections are conducted to determine the company's environmental responsibility and impact. The operating companies perform minor decontamination measures as required. To date, no significant decontamination liability in relation to Nobina's own operations has been established.

#### SEASONALITY

Nobina's operations are affected by seasonality. For regional traffic, operations run according to timetables that are drawn up by the PTAs. These timetables contain a lower traffic volume during weekends and the summer vacation period. Accordingly, sales and earnings are lower during these periods and the effect is more noticeable when longer holidays occur midweek. Capacity utilisation is key to profitability levels in the respective quarters. For regional operations, the third quarter is the strongest due to a higher traffic volumes, a larger number of working days, and high levels of travel activity for the general public, while the second and fourth quarters are weaker due to lower traffic volumes during vacation and public holiday periods and higher costs during the winter.

For interregional express bus services, seasonality has a different pattern. Traffic volume is adjusted in line with demand and the demand for express bus services is greatest during major holidays and the summer vacation period, which means that the second quarter is the strongest quarter.

#### REMUNERATION PRINCIPLES FOR SENIOR EXECUTIVES

These remuneration principles applied for the financial year and are intended to continue to apply moving forward. Remuneration to senior executives is comprised in part of fixed salary, which as a rule is reviewed once per year and should take into consideration the individual's responsibility and performance. The fixed salary must be competitive. Variable remuneration is to be based on the individual's performance and the company's performance in relation to predetermined and established targets. Evaluation of these targets will take place annually. The variable remuneration for the CEO consists of a cash bonus that is decided by the Board. In the event of termination of employment, senior executives in the Nobina Group are entitled to not more than 12 months' compensation. As a basic principle, a six-month mutual termination period applies between the company and the executive. In addition, a maximum of six months' remuneration is payable should employment be terminated by the company. More information about the application of the remuneration principles is available in Note 8.

#### DISPUTES

During the year, Nobina Norge AS had one ongoing dispute pertaining to the contract with Troms Fylkestrafikk for Tromsø amounting to a NOK 17 million claim against Troms Fylkestrafikk. The dispute was referred to be resolved in court and was decided in February 2015, when the claim was dismissed.

The ruling was appealed by Nobina. During the year, Nobina has withdrawn the claim after reaching a settlement with Troms Fylkestrafikk. Litigation was initiated by Nobina Finland Oy Ab against HSL, the PTA in Helsinki, regarding the application of limits to the allocation of won contracts.

#### IPO

Nobina was listed on Nasdaq Stockholm with the first day of trading being 18 June 2015. The introduction price was set at SEK 34 per share. The offering comprised a total of 54,899,606 shares. Of these, 29,899,606 were existing shares offered by Sothic Capital, BlueMountain, Invesco, Anchorage, BlueCrest, Kite Lake, Magnolia, Gladwyne and Ironshield. In addition, 25,000,000 new shares were issued, which raised SEK 850 million gross in funds for Nobina. The surplus allotment option issued by Sothic Capital, Anchorage and Invesco to Carnegie, Danske Bank and Pareto Securities, to acquire up to 6,587,952 additional existing shares in Nobina, was not exercised. After the IPO, Nobina's share capital outstanding now comprises 88,355,682 shares, which resulted in a market capitalisation for Nobina of SEK 3,004 million in conjunction with the IPO. Capital acquisition costs for the IPO, which were recognised directly in equity, amounted to SEK 49 million.

IPO costs which affected earnings are reported in the following table.

| Items affecting comparability (SEK million)                                   | Dec 15–Feb 16 | Mar 15–Feb 16 |
|---|---------------|---------------|
| IPO-related transaction costs   | –             | –32           |
| Incentive programme   | –             | –172          |
| <b>Total items affecting comparability in operating profit for the period</b> | –             | <b>–204</b>   |
| Net financial items   | –             | –93           |
| <b>Items affecting comparability in profit before tax for the period</b>      | –             | <b>–297</b>   |

All IPO costs are recognised centrally in the Group and are not charged to the segments.

The IPO's effect on cash flow is shown in the following table.

| Items affecting comparability in cash flow for the period (SEK million) | Dec 15–Feb 16 | Mar 15–Feb 16 |
|---|---------------|---------------|
| IPO-related transaction costs   | –             | –32           |
| Incentive programme   | –             | –172          |
| <b>Total items affecting comparability in cash flow from operations</b> |               | <b>–204</b>   |
| New share issue   | –             | 850           |
| Capital acquisition costs   | –             | –49           |
| Bond redemption   | –             | –550          |
| Early bond redemption premium   | –             | –79           |
| <b>Total items affecting comparability from financing activities</b>    |               | <b>172</b>    |
| <b>Total items affecting comparability in cash flow for the period</b>  | –             | <b>–32</b>    |

### NOBINA'S SHARE AND OWNERSHIP STRUCTURE

The company is a public limited liability company (corporate registration number 556576-4569, domiciled in Stockholm) and listed on Nasdaq Stockholm. The share is listed in the Mid Cap segment and is held by a total of about 7,000 shareholders. The largest owners are Sothic Capital, Invesco, Blue Mountain Capital, Copper Rock Capital Partners, Third Swedish National Pension Fund, Fourth Swedish National Pension Fund, Evemore Global Advisors, Handelsbanken Fonder and Danske Invest & Danica Pension and that together represent 52.4 per cent of the votes and capital as of 29 February 2016. For further information, see page 36.

### PROVISIONS IN THE ARTICLES OF ASSOCIATION

The Articles of Association contain no separate provisions pertaining to the appointment or removal of Board members or the amendment of the Articles of Association.

### INCENTIVE PROGRAMME

During the second quarter, payment was disbursed under Nobina's two incentive programmes covering ten senior executives (including the CEO) as well as five directors (excluding the CEO), after which the incentive programmes were ended. The total cost for both programmes was SEK 172 million (including salary, social security contributions and taxes), whereupon the senior executives received a total amount of SEK 123 million (excluding social security contributions and taxes) and the directors received a total amount of SEK 11 million (excluding social security contributions and taxes). In connection with the IPO, the amount was distributed to the participants in both programmes, and was thereafter reinvested corresponding to 75 per cent of the disbursed amount (net after tax) by acquiring Nobina shares at the introduction price. The senior executives and directors acquired in total 1,341,277 shares, which increased their share ownership in Nobina from 1.1 per cent to 2.4 per cent. The acquired shares are subject to lock-up agreements.

In addition, in connection with the IPO, Director John Allkins acquired a further 20,588 shares for a total amount of SEK 0.7 million. These shares are also subject to a lock-up agreement.

### SIGNIFICANT AGREEMENTS BETWEEN THE COMPANY AND THE BOARD AND THE CEO

Remuneration to the Board is established at the AGM or at an extraordinary general meeting. No special remuneration is paid if the assignment as Board member is terminated prematurely. In the event of termination of employment by the company, CEO is entitled to salary during the notice period, which amounts to 12 months. With regard to other information on directors' fees, and salaries and remuneration to senior executives, refer to Note 8.

### SIGNIFICANT AGREEMENTS BETWEEN THE COMPANY AND SUPPLIERS

To conduct operations, Nobina's subsidiaries are dependent on certain suppliers, primarily in the vehicle and energy sectors. Purchasing agreements are signed mainly at Group level. Indi-

vidual subsidiaries only enter into agreements with specific local suppliers for diesel supplies. These agreements exist because no functioning retail business exists in the Nordic region for fuels and the subsidiaries are extremely dependent on regular fuel deliveries to conduct reliable traffic. Change of control clauses exist in certain agreements with leasing companies.

### SIGNIFICANT RISKS, UNCERTAINTIES AND RISK MANAGEMENT

The risks that can arise with an impact on the financial reporting pertain to the valuation of assets, liabilities, revenue and costs or deviations from disclosure requirements as well as other risks relating to material errors in the financial accounts. One example could be if the actual economic life of buses did not correspond with the depreciation period. The can also be impacted by fraud, loss or embezzlement of assets, and undue preference in favour of another party at the company's expense.

Nobina applies the same type of risk assessment for all processes, which is based on the COSO framework. This takes place in three stages and is initiated through management's review. The basis for the assessment is a SWOT analysis of Nobina's current status and management's previous experience. The risks that are deemed to significantly affect financial reporting are classified as higher risks. The risks that receive the opposite assessment are classed as lower risks.

In the second stage, higher risks in operations are evaluated in conjunction with a survey of sub-processes. Process experts are engaged to conduct an accurate evaluation of all risks in the respective processes. The work procedure involves the following steps:

- Identifying risks and assigning them to the relevant process stage
- Describing current preventative measures
- Evaluating the probability/ impact/risk of discovery
- Calculating risk values
- Proposing improvement measures in cases of high-risk values

Once per year, Nobina's Board reviews significant risks.

### OPERATIONAL RISKS

*The ability to secure new traffic contracts and extend existing contracts with public transport authorities*

During 2015/2016, Nobina's contracts with PTAs accounted for 96.5 per cent of total net sales. Opportunities to secure new contracts are largely dependent on Nobina's ability to tender with competitive pricing. Pricing is largely dependent on Nobina's ability to increase operational efficiency and realise potential economies of scale. Consequently, competitiveness is closely aligned with efficient management of the bus fleet and existing contracts. A decline in Nobina's competitiveness would affect the ability to win new contracts with PTAs, which in turn could have a considerable negative impact on Nobina's operations, financial position and operating profit.

### *Assumptions and risks associated with tender pricing in the contract tender process*

Every traffic contract is awarded following a formal competitive tender process. If any of Nobina's assumptions for price determination are incorrect, Nobina could secure contracts with low profit margins or contracts that must be performed at a loss. Such contracts can result in a loss in the short term, or throughout the entire duration of the contract. Typically, Nobina enters contracts with PTAs for a period of five to ten years, whereby such factors as price, price index and operational scope are established when signing the contract. There are generally no, or limited, opportunities to renegotiate contract conditions after a contract has been signed. A loss-making contract may thus cause substantial damage to Nobina over time. Signing a contract with a low margin, or a loss-making contract, would have a negative impact on Nobina's revenue and operating profit, which would have a significantly negative impact on the financial position and operating profit. In recent years, incentive contracts have become more prevalent in tendering processes and which, in addition to other risks, also comprise incentives based on the number of passengers who use public transport. With an incentive contract, the service provider becomes more dependent on revenue that is based on passengers' interest in using public transport.

*Ongoing management of terms and conditions, and invoicing*  
Nobina receives requests from PTAs on an ongoing basis for changes in traffic conditions, either in accordance with or outside of the applicable contract terms. It is important, firstly to ensure the adjustment of remuneration in line with the terms for contract amendments and, where the changes are outside of the contract terms, negotiate the adjustment of remuneration. All traffic changes and adjustments of remuneration need to be identified and included in daily invoicing in a secure manner to ensure profitability is maintained in the actual traffic contracts.

*Levels of appropriation to public transport authorities*  
Demand for Nobina's services from PTAs is highly dependent on county budgets, and the funds that are allocated for public transport. A deterioration of county finances could reduce budgets for the PTAs that are responsible for allocating and financing many of Nobina's contracts. This means that the available market could decrease.

### *Access to bus drivers*

The company is highly dependent on access to bus drivers in the countries in which Nobina operates. There are several factors that could lead to Nobina suffering a temporary or long-term shortage of bus drivers, such as competition for qualified drivers in the transport sector or a decline in the number of people who choose to drive buses as a profession.

### *Maintenance costs for buses*

Maintenance costs could rise in the event of a decline in quality for new bus deliveries or increased complexity in the technology applied in the construction and production of buses. This could, in turn, lead to an increase in complaints and compensation claims with individual bus suppliers. Maintenance

costs could also increase if the skills and procedures needed for maintenance are not equal to the technology in and complexity of the buses included in the fleet.

### *New laws and directives, or new interpretations of existing laws and directives*

Nobina's operations are subject to both national and EU laws and directives. Nobina is also subject to national environmental laws and directives. Additional laws and directives, or new interpretations of existing laws and directives, that affect Nobina may be proposed periodically, which could imply additional costs, requirements or restrictions for Nobina's operations. The adoption of such new laws, or new interpretations of existing laws and directives, could have a considerable negative impact on Nobina's operations, financial position or operating profit.

## **FINANCIAL RISKS**

### *Price-adjustment index in Nobina's traffic contracts*

A contract with a PTA compensates Nobina for providing bus services along the routes, and according to the timetables, set out in the contract. The amount of the compensation is adjusted on a regular basis based on a basket of indices aimed at offsetting changes in Nobina's costs during the term of the specific contract. The price-adjustment indices that are used take into consideration the costs for labour, fuel, changes in the consumer price index and other factors. The index weighting in Nobina's contract portfolio may differ from Nobina's actual cost structure, and the index-based price adjustments may not fully offset Nobina's costs. Depending on the specifications in each contract, the index is adjusted on a monthly, quarterly, biannual or annual basis and, in certain cases, applied to future contract periods and not retroactively for the preceding contract period.

### *Fluctuations in fuel supply and price*

Major changes in fuel supply and price could have a significant impact on Nobina's operations, financial position and operating profit. Fuel supply and cost are affected by a variety of factors over which Nobina has little or no control, such as environmental legislation or global, financial and political events. In the event of a fuel shortage due to a disruption in oil imports, reduced production or another reason, Nobina could be affected by higher fuel prices or cutbacks in contracted fuel deliveries. Nobina's fuel costs are also influenced by annual increases in fuel tax, which is partly offset by the price-adjustment index. Nobina also protects itself from fuel-price increases by purchasing commodity options for the portion of the diesel cost not covered by the price-adjustment index. Nobina has not applied hedge accounting for fiscal year 2014/2015 or 2015/2016.

### *Imbalance between depreciation period and economic life of buses*

Nobina applies a depreciation period for buses that is intended to correspond to the actual economic life based on the buses' technical life and usability in the operation's ongoing traffic contracts. The technical life is normally longer than usability under traffic contracts. In the event of a decrease in the period

the buses are usable under traffic contracts, Nobina could be impacted by higher annual depreciation costs or, alternatively, increased capital losses on disposal of older buses.

#### *Exchange-rate fluctuations*

Several of Nobina's operating subsidiaries, including Nobina Norway, Nobina Finland and Nobina Denmark, have functional currencies other than SEK (the Parent Company's functional currency). When Nobina compiles the consolidated financial statements, the Group converts the annual accounts of these operating subsidiaries' into SEK on the balance-sheet date. Accordingly, Nobina's EBIT and financial position are affected by exchange-rate fluctuations between SEK and these currencies: NOK, EUR and DKK. Nobina is also exposed to exchange-rate fluctuations with regard to fuel costs, which are partially mitigated by the price-adjustment index and by Nobina acquiring any commodity options in local currency.

#### *Interest-rate risk*

Nobina is primarily exposed to interest-rate risk through the company's finance and operating leases, which are mainly subject to floating interest rates. Interest rate increases are compensated to some extent through price-adjustment indices comprised of interest-rate and/or consumer price indices.

#### *Liquidity risk*

Liquidity risk is defined as the risk that cash and cash equivalents are not available or that necessary financing cannot be obtained. Nobina has a credit line of SEK 150 million, of which SEK 14 million comprised bank guarantees and SEK 136 million comprised an overdraft facility, of which SEK 0 was utilised as of 29 February 2016. For more information on other financial risks and risk management, refer to Note 30.

#### **OUTLOOK FOR 2016/2017**

Ahead of the 2016/2017 financial year, continued sales growth is expected, firstly from the full-year effect from traffic starts in 2015/2016 and, secondly from customary volume growth and the indexation of existing contracts. Underlying improvements in older contracts will positively impact earnings, however, a negative impact is expected from extensive contract migration and broad rejuvenation of the bus fleet as a consequence of the substantial starts of several new contracts. Tied-up capital will level off through more limited new investments in approximately 200 buses. The company does not provide any forecasts.

#### **PARENT COMPANY**

The Parent Company has ten (ten) employees who participate in the overall management of the Nobina Group, including financial analysis, follow-up and financing.

Net sales for the financial year amounted to SEK 39 million (49) and the pre-tax loss was SEK -627 million (profit: 68). The pre-tax loss for the year was affected by transaction costs of SEK 32 million in connection with the IPO, incentive programme costs of SEK 172 million (in total SEK 204 million), all of which were incurred in the first and second quarters. During the fourth quarter, Nobina AB internally took over all wholly-owned operational companies from the subsidiary

Nobina Europe AB. The takeover has taken place at accounting values. With the takeover, Nobina AB has written down the book value of Nobina Sverige 2 AB, which was previously owned the Nobina Europe group, as a consequence of the spin-off from Nobina Europe AB.

Cash and cash equivalents as well as restricted bank accounts amounted to SEK 0 million (25) at the end of the financial year. Investments in PPE and intangible assets amounted to SEK 0 million (0) for the full year. On 29 February 2016, the Parent Company's equity was SEK 2,928 million (2,713). The equity/assets ratio was 71 per cent (66).

#### **DIVIDEND PROPOSED BY THE BOARD**

The Board of Directors has proposed to the Annual General Meeting a dividend for 2015/2016 of SEK 2.60 per share, which is in line with the dividend policy. The proposed dividend corresponds to a dividend yield of 7.3 per cent based on the share price on 29 February.

#### *Observations of the Board regarding the proposed dividend*

Given the Board's proposed distribution of profits above, the Board is hereby obliged to make the following statement in accordance with Chapter 18 Paragraph 4 of the Swedish Companies Act (2005:551). As set out in the Board's proposed distribution of profits, unappropriated earnings of SEK 2,608,911,291 are at the disposal of the AGM. Provided the 2016 AGM resolves in accordance with the Board's proposed distribution of profits, SEK 2,379,186,518 will be carried forward. Following the proposed distribution, there will still be full coverage for the company's restricted equity. The proposed dividend amounts to 7.9 per cent of the company's equity and 20.7 per cent of the Group's equity. Following the proposed distribution, the company's and the Group's respective equity/assets ratios will amount to 65.1 per cent and 11.5 per cent. Equity has neither increased nor decreased due to the valuation of assets and liabilities in accordance with Chapter 4, paragraph 14 a of the Swedish Annual Accounts Act. The Board has taken into account the company's and the Group's consolidation requirements and liquidity through a comprehensive assessment of the company's and the Group's financial positions and their ability to meet their commitments. The proposed dividend does not compromise the company's ability to make the investments considered necessary. The company's financial position is such that it does not suggest any other assessment than that the company can continue its operations and be expected to meet its obligations in the short and long term. In addition to the assessment of the company's and the Group's consolidation requirements and liquidity, the Board also considered all other known conditions that could have significance for the company's and the Group's financial positions.

Given the above, the assessment of the Board is that the dividend is justifiable with reference to the requirements imposed by the nature, scope, risks and economic conditions on the size of the company's and the Group's equity and equity/assets ratio, and the company's and the Group's consolidation requirements, liquidity and position otherwise.

The Group's and the company's profit and financial position in general are presented in the following income statements, balance sheets, cash flow statements and notes to the accounts.

### PROPOSED APPROPRIATION OF PROFITS (SEK)

#### Funds available for appropriation by the AGM:

|   |                      |
|---|----------------------|
| Share premium reserve                         | 1,335,198,568        |
| Profit brought forward                        | 1,872,466,280        |
| Profit for the year                           | -598,753,557         |
| <b>Total</b>                                  | <b>2,608,911,291</b> |
| Dividend to shareholders (SEK 2,60 per share) | 229,724,773          |
| To be carried forward                         | 2,379,186,518        |
| <b>Total</b>                                  | <b>2,379,186,518</b> |

### NOBINA'S NOMINATION COMMITTEE

In accordance with a resolution adopted at the AGM, Nobina will have a Nomination Committee comprising one representative for each of the three largest shareholders in terms of votes who wish to participate in the Nomination Committee, in addition to the Chairman of the Board.

The members of the Committee have been appointed based on the ownership structure on 30 September 2015, and comprise: Ralph Herrgott (Sothic Capital), Nuno Caetano (Invesco), Tomas Ehlin (Fourth Swedish National Pension Fund) and Chairman of the Board Jan Sjöqvist.

The Nomination Committee is tasked with the preparation and submission of proposals to the 2016 AGM regarding a chairman of the meeting, directors, the Chairman of the Board, directors' fees and any compensation for committee work, auditors and auditor's fees. In addition, the Committee prepares and submits to the AGM proposals regarding principles for the composition of the Nomination Committee.

The AGM will be held at the World Trade Center in Stockholm at 2 p.m. on 31 May 2016.

The Group's and the company's profit and financial position in general are presented in the following statements of income and comprehensive income, balance sheets, cash flow statements and notes to the accounts which form an integral part of this annual report.

# CONSOLIDATED INCOME STATEMENT

| <i>SEK million</i>  | <i>Note</i> | <i>2015-03-01-<br/>2016-02-29</i> | <i>2014-03-01-<br/>2015-02-28</i> |
|---|-------------|-----------------------------------|-----------------------------------|
| <b>Net sales</b>  | 1, 2, 3     | <b>8,317</b>                      | <b>7,549</b>                      |
| <b>OPERATING EXPENSES</b>   |             |                                   |                                   |
| Fuel, tires and other consumables   | 4           | -1,704                            | -1,655                            |
| Other external expenses   | 4, 5, 6, 7  | -1,173                            | -1,091                            |
| Personnel costs   | 4, 5, 8     | -4,561                            | -3,881                            |
| Capital losses from the disposal of non-current assets                                |             | -15                               | -35                               |
| Depreciation/amortisation of intangible and tangible non-current assets               | 9           | -606                              | -516                              |
| <b>Operating profit/loss</b>  | 1, 2        | <b>258</b>                        | <b>371</b>                        |
| <b>Profit from net financial items</b>  |             |                                   |                                   |
| Financial income  | 10          | 3                                 | 8                                 |
| Financial expenses  | 11, 5       | -259                              | -238                              |
| <b>Net financial items</b>  |             | <b>-256</b>                       | <b>-230</b>                       |
| <b>Profit/loss before tax</b>   |             | <b>2</b>                          | <b>141</b>                        |
| Income tax  | 16          | 2                                 | -47                               |
| <b>PROFIT/LOSS FOR THE YEAR</b>   |             | <b>4</b>                          | <b>94</b>                         |
| Profit/loss for the year attributable to Parent Company shareholders                  |             | 4                                 | 94                                |
| Average number of shares before dilution (000s)                                       | 23          | 80,607                            | 63,301                            |
| Average number of shares after dilution (000s)  | 23          | 80,607                            | 63,301                            |
| Earnings per share attributable to Parent Company shareholders, before dilution (SEK) | 23          | 0.04                              | 1.50                              |
| Earnings per share attributable to Parent Company shareholders, after dilution (SEK)  | 23          | 0.04                              | 1.50                              |
| Number of shares outstanding at the end of the period <sup>1</sup>                    | 22          | 88,355,682                        | 63,323,413                        |

<sup>1</sup>) Consolidation of company share, reverse split 1:10, as decided at the General Meeting of 27 May 2015. The number of shares for the preceding year has been adjusted for comparability.

# STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

| <i>SEK million</i>  | <i>Note</i> | <i>2015-03-01-<br/>2016-02-29</i> | <i>2014-03-01-<br/>2015-02-28</i> |
|---|-------------|-----------------------------------|-----------------------------------|
| Profit for the year   |             | 4                                 | 94                                |
| <b>Other comprehensive income</b>   |             |                                   |                                   |
| <b>Items not to be reclassified to profit or loss</b>                       |             |                                   |                                   |
| Revaluation of defined-benefit pension plan                                 | 24          | 6                                 | -19                               |
| Tax on items that will not be reclassified to profit or loss for the period | 16          | 0                                 | 4                                 |
| <b>Items that can later be reclassified to profit or loss</b>               |             |                                   |                                   |
| Exchange-rate differences in foreign operations                             |             | -23                               | 6                                 |
| <b>Other comprehensive income, net after tax</b>                            |             | <b>-17</b>                        | <b>-9</b>                         |
| <b>Comprehensive income for the year</b>                                    |             | <b>-13</b>                        | <b>85</b>                         |
| <b>COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>     |             | <b>-13</b>                        | <b>85</b>                         |

# CONSOLIDATED BALANCE SHEET

| <i>SEK million</i>                         | <i>Note</i> | <i>2016-02-29</i> | <i>2015-02-28</i> |
|--|-------------|-------------------|-------------------|
| <b>ASSETS</b>                              |             |                   |                   |
| <b>Non-current assets</b>                  |             |                   |                   |
| <b>Intangible assets</b>                   |             |                   |                   |
| Goodwill                                   | 12          | 574               | 588               |
| Other intangible assets                    | 12          | 10                | 16                |
| <i>Total intangible assets</i>             |             | <i>584</i>        | <i>604</i>        |
| <b>Property, plant and equipment</b>       |             |                   |                   |
| Costs for leasehold improvements           | 13          | 36                | 21                |
| Equipment, tools, fixtures and fittings    | 13          | 67                | 61                |
| Vehicles                                   | 13          | 5,238             | 4,354             |
| <i>Total property, plant and equipment</i> |             | <i>5,341</i>      | <i>4,436</i>      |
| <b>Financial assets</b>                    |             |                   |                   |
| Deferred tax assets                        | 16          | 121               | 88                |
| Assets for pension commitments             | 24          | 11                | –                 |
| Other non-current receivables              |             | 1                 | –                 |
| <i>Total financial assets</i>              |             | <i>133</i>        | <i>88</i>         |
| <b>Total non-current assets</b>            |             | <b>6,058</b>      | <b>5,128</b>      |
| <b>Current assets</b>                      |             |                   |                   |
| Inventories                                | 18          | 46                | 49                |
| Trade receivables                          | 19          | 535               | 519               |
| Other current receivables                  |             | 40                | 76                |
| Deferred expenses and accrued income       | 20          | 272               | 236               |
| Restricted bank accounts                   | 21          | 24                | 115               |
| Cash and cash equivalents                  | 21          | 683               | 453               |
| <b>Total current assets</b>                |             | <b>1,600</b>      | <b>1,448</b>      |
| <b>TOTAL ASSETS</b>                        | <i>1, 2</i> | <b>7,658</b>      | <b>6,576</b>      |



## CONSOLIDATED BALANCE SHEET, CONT.

| <i>SEK million</i>  | <i>Note</i> | <i>2016-02-29</i> | <i>2015-02-28</i> |
|---|-------------|-------------------|-------------------|
| <b>EQUITY AND LIABILITIES</b>                                   |             |                   |                   |
| Equity  |             |                   |                   |
| Share capital   |             | 318               | 228               |
| Other contributed capital                                       |             | 3,212             | 2,489             |
| Revaluation reserve   |             | 5                 | 28                |
| Retained earnings   |             | -2,425            | -2,435            |
| <b>Total equity attributable to Parent Company shareholders</b> | 22          | <b>1,110</b>      | <b>310</b>        |
| <b>Non-current liabilities</b>                                  |             |                   |                   |
| Borrowing   | 26          | 3,941             | 3,765             |
| Deferred tax liabilities  | 16          | 102               | 82                |
| Provisions for pensions and similar commitments                 | 24          | 36                | 36                |
| Other provisions  | 25          | 37                | 39                |
| <b>Total non-current liabilities</b>                            |             | <b>4,116</b>      | <b>3,922</b>      |
| <b>Current Liabilities</b>                                      |             |                   |                   |
| Accounts payable  |             | 473               | 476               |
| Borrowing   | 26          | 752               | 634               |
| Other current liabilities                                       | 27          | 222               | 174               |
| Accrued expenses and deferred income                            | 28          | 985               | 1,060             |
| <b>Total current liabilities</b>                                |             | <b>2,432</b>      | <b>2,344</b>      |
| <b>Total liabilities</b>  |             | <b>6,548</b>      | <b>6,266</b>      |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>               | 1, 2        | <b>7,658</b>      | <b>6,576</b>      |
| PLEGGED ASSETS AND CONTINGENT LIABILITIES                       | 29          |                   |                   |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <i>SEK million</i>                             | <i>Share capital</i> | <i>Other contributed capital</i> | <i>Translation differences</i> | <i>Profit/loss brought forward</i> | <i>Total equity attributable to Parent Company shareholders</i> |
|--|----------------------|----------------------------------|--------------------------------|------------------------------------|---|
| <b>Opening equity, 1 Mar 2014</b>              | <b>228</b>           | <b>2,488</b>                     | <b>22</b>                      | <b>-2,514</b>                      | <b>224</b>  |
| Profit for the year                            | -                    | -                                | -                              | 94                                 | 94  |
| Other comprehensive income                     | -                    | -                                | 6                              | -15                                | -9  |
| <b>Total comprehensive income for the year</b> | <b>-</b>             | <b>-</b>                         | <b>6</b>                       | <b>79</b>                          | <b>85</b>   |
| <b>Transactions with owners</b>                |                      |                                  |                                |                                    |   |
| Payment of issued shares to senior executives  | -                    | 1                                | -                              | -                                  | 1   |
| <b>Closing equity, 28 Feb 2015</b>             | <b>228</b>           | <b>2,489</b>                     | <b>28</b>                      | <b>-2,435</b>                      | <b>310</b>  |
| Profit for the year                            | -                    | -                                | -                              | 4                                  | 4   |
| Other comprehensive income                     | -                    | -                                | -23                            | 6                                  | -17   |
| Total comprehensive income for the year        | -                    | -                                | -23                            | 10                                 | -13   |
| <b>Transactions with owners</b>                |                      |                                  |                                |                                    |   |
| Payment of issued shares to senior executives  | -                    | 1                                | -                              | -                                  | 1   |
| Payment of newly issued shares                 | 90                   | 760                              | -                              | -                                  | 850   |
| Capital acquisition costs, net after tax       | -                    | -38                              | -                              | -                                  | -38   |
| <b>Closing equity, 29 Feb 2016</b>             | <b>318</b>           | <b>3,212</b>                     | <b>5</b>                       | <b>-2,425</b>                      | <b>1,110</b>  |

*There are no non-controlling interests.*

# CONSOLIDATED CASH FLOW STATEMENT

| <i>SEK million</i>   | <i>Note</i> | <i>2015-03-01-<br/>2016-02-29</i> | <i>2014-03-01-<br/>2015-02-28</i> |
|--|-------------|-----------------------------------|-----------------------------------|
| <b>Cash flow from operations</b>                                   |             |                                   |                                   |
| Profit/loss after financial items                                  |             | 2                                 | 141                               |
| <i>Adjustments for non-cash items</i>                              |             |                                   |                                   |
| – Depreciation/amortisation and impairments                        | 9           | 606                               | 516                               |
| – Capital gain/loss from the disposal of non-current assets        |             | 17                                | 35                                |
| – Unrealised foreign-exchange gains/losses                         |             | –                                 | –6                                |
| – Financial income   | 10          | –7                                | –8                                |
| – Financial expenses   | 5, 11       | 262                               | 209                               |
| – Changes in provisions, pensions, etc.                            |             | –10                               | –11                               |
| – Other items  |             | –4                                | 26                                |
| <b>Cash flow from operations before changes in working capital</b> |             | <b>866</b>                        | <b>902</b>                        |
| <b>Cash flow from changes in working capital</b>                   |             |                                   |                                   |
| Change in inventories  |             | 3                                 | 4                                 |
| Changes in operating receivables                                   |             | –32                               | –142                              |
| Changes in operating liabilities                                   |             | 11                                | 197                               |
| <b>Total changes in working capital</b>                            |             | <b>–18</b>                        | <b>59</b>                         |
| Received interest income   | 10          | 2                                 | 4                                 |
| Tax paid   | 16          | –                                 | –1                                |
| <b>Cash flow from operating activities</b>                         |             | <b>850</b>                        | <b>964</b>                        |
| <b>Cash flow from investing activities</b>                         |             |                                   |                                   |
| Changes in restricted bank accounts                                | 21          | 90                                | 41                                |
| Investments in PPE and intangible assets<br>excl. financial leases | 14          | –193                              | –295                              |
| Disposal of non-current assets                                     |             | 35                                | 41                                |
| <b>Cash flow from investing activities</b>                         |             | <b>–68</b>                        | <b>–213</b>                       |
| <b>Cash flow from financing activities</b>                         |             |                                   |                                   |
| Amortisation of financial lease liability                          | 26          | –628                              | –546                              |
| Redemption of bonds and other external loans                       | 26          | –577                              | –485                              |
| Payment of newly issued shares                                     | 5           | 850                               | –                                 |
| Issue of new shares to senior executives                           | 8, 22       | 1                                 | 1                                 |
| New borrowing, including payment with old bonds                    | 26          | –                                 | 483                               |
| New borrowing, other external loans                                | 14, 26      | 109                               | 168                               |
| Borrowing expenses   | 26          | –                                 | –18                               |
| Capital acquisition costs  | 5           | –49                               | –                                 |
| Interest paid  | 11          | –254                              | –213                              |
| <b>Cash flow from financing activities</b>                         |             | <b>–548</b>                       | <b>–610</b>                       |
| <b>Cash flow for the year</b>                                      |             | <b>234</b>                        | <b>141</b>                        |
| <b>Cash and cash equivalents at the beginning of the year</b>      |             |                                   |                                   |
| Cash flow for the year   |             | 234                               | 141                               |
| Exchange rate difference   |             | –4                                | 3                                 |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>            | <b>21</b>   | <b>683</b>                        | <b>453</b>                        |

## PARENT COMPANY INCOME STATEMENT

| <i>SEK million</i>  | <i>Note</i> | <i>2015-03-01-<br/>2016-02-29</i> | <i>2014-03-01-<br/>2015-02-28</i> |
|---|-------------|-----------------------------------|-----------------------------------|
| <b>Net sales</b>  | 1, 3        | 39                                | 49                                |
| <b>Operating Expenses</b>   |             |                                   |                                   |
| Other external expenses   | 4, 5, 6     | -145                              | -20                               |
| Personnel costs   | 4, 5, 8     | -120                              | -37                               |
| Depreciation/amortisation and impairment of PPE and intangible assets | 9           | -                                 | -                                 |
| <b>Operating profit/loss</b>  | 1, 2        | <b>-226</b>                       | <b>-8</b>                         |
| Profit from participations in Group companies                         | 15          | -344                              | 41                                |
| Financial income  | 10          | 12                                | 37                                |
| Financial expenses  | 11          | -69                               | -2                                |
| <b>Net financial items</b>  |             | <b>-401</b>                       | <b>76</b>                         |
| <b>Profit/loss before tax</b>   |             | <b>-627</b>                       | <b>68</b>                         |
| Income tax  | 16          | 29                                | 40                                |
| <b>PROFIT/LOSS FOR THE YEAR</b>                                       |             | <b>-598</b>                       | <b>108</b>                        |

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

| <i>SEK million</i>  | <i>Note</i> | <i>2015-03-01-<br/>2016-02-29</i> | <i>2014-03-01-<br/>2015-02-28</i> |
|---|-------------|-----------------------------------|-----------------------------------|
| Profit for the year   |             | -598                              | 108                               |
| <b>Other comprehensive income</b>   |             |                                   |                                   |
| <b>Items not to be reclassified to profit or loss</b>                     |             |                                   |                                   |
| Revaluation of net pension obligations                                    | 24          | -                                 | -                                 |
| Tax on items that cannot be reclassified to profit or loss for the period |             | -                                 | -                                 |
| <b>Items that can later be reclassified to profit or loss</b>             |             |                                   |                                   |
| Exchange-rate differences in foreign operations                           |             | -                                 | -                                 |
| <b>Other comprehensive income, net after tax</b>                          |             |                                   | -                                 |
| <b>Comprehensive income for the year</b>                                  |             | <b>-598</b>                       | <b>108</b>                        |

# PARENT COMPANY BALANCE SHEET

| SEK million  | Note | 2016-02-29   | 2015-02-28   |
|--|------|--------------|--------------|
| <b>ASSETS</b>  |      |              |              |
| <b>Non-current assets</b>                              |      |              |              |
| <b>Intangible assets</b>                               |      |              |              |
| Other intangible assets                                | 12   | –            | –            |
| <i>Total intangible assets</i>                         |      | –            | –            |
| <b>Property, plant and equipment</b>                   |      |              |              |
| Equipment, tools, fixtures and fittings                | 13   | –            | –            |
| <i>Total property, plant and equipment</i>             |      | –            | –            |
| <b>Financial assets</b>                                |      |              |              |
| Participations in Group companies                      | 15   | 3,685        | 3,695        |
| Deferred tax assets                                    | 16   | 80           | 40           |
| Receivables from Group companies                       | 17   | 87           | 114          |
| <i>Total financial assets</i>                          |      | 3,852        | 3,849        |
| <b>Total non-current assets</b>                        |      | <b>3,852</b> | <b>3,849</b> |
| <b>Current assets</b>                                  |      |              |              |
| Receivables from Group companies                       |      | 292          | 226          |
| Other current receivables                              |      | 2            | –            |
| Deferred expenses and accrued income                   | 20   | 1            | 8            |
| Restricted bank accounts                               | 21   | –            | 25           |
| Cash and cash equivalents                              | 21   | –            | –            |
| <i>Total current assets</i>                            |      | 295          | 259          |
| <b>TOTAL ASSETS</b>                                    | 1,2  | <b>4,147</b> | <b>4,108</b> |
| <b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>            |      |              |              |
| <b>Shareholders' equity</b>                            |      |              |              |
| Share capital  | 22   | 318          | 228          |
| Statutory reserve                                      |      | 1            | 1            |
| <b>Total restricted shareholders' equity</b>           |      | <b>319</b>   | <b>229</b>   |
| <b>Non-restricted shareholders' equity</b>             |      |              |              |
| Share premium reserve                                  | 22   | 1,336        | 613          |
| Profit brought forward                                 |      | 1,871        | 1,763        |
| Profit for the year                                    |      | –598         | 108          |
| <i>Total non-restricted shareholders' equity</i>       |      | 2,609        | 2,484        |
| <b>Total shareholders' equity</b>                      |      | <b>2,928</b> | <b>2,713</b> |
| <b>Non-current liabilities</b>                         |      |              |              |
| Liabilities to Group companies                         |      | 621          | 1,362        |
| Provisions for pensions and similar commitments        | 24   | 8            | 7            |
| <b>Total non-current liabilities</b>                   |      | <b>629</b>   | <b>1,369</b> |
| <b>Current liabilities</b>                             |      |              |              |
| Accounts payable                                       |      | 4            | 5            |
| Liabilities to Group companies                         |      | 576          | 10           |
| Other current liabilities                              | 27   | 1            | 2            |
| Accrued expenses and deferred income                   | 28   | 9            | 9            |
| <i>Total current liabilities</i>                       |      | 590          | 26           |
| <b>Total liabilities</b>                               |      | <b>1,219</b> | <b>1,395</b> |
| <b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>      | 1,2  | <b>4,147</b> | <b>4,108</b> |
| <b>PLEGGED ASSETS AND CONTINGENT LIABILITIES</b>       |      |              |              |
| Pledged assets   | 29   | 161          | 83           |
| Contingent liabilities                                 |      | 4,539        | 3,984        |
| <b>Total pledged assets and contingent liabilities</b> |      | <b>4,700</b> | <b>4,067</b> |

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| <i>SEK million</i>                            | <i>Share capital</i> | <i>Statutory reserve</i> | <i>Share premium reserve</i> | <i>Retained earnings</i> | <i>Profit/loss for the year</i> | <i>Total equity</i> |
|---|----------------------|--------------------------|------------------------------|--------------------------|---------------------------------|---------------------|
| <b>Opening equity, 1 Mar 2014</b>             | <b>228</b>           | <b>1</b>                 | <b>612</b>                   | <b>1,712</b>             | <b>51</b>                       | <b>2,604</b>        |
| Profit for the year                           | –                    | –                        | –                            | –                        | 108                             | 108                 |
| Other comprehensive income                    | –                    | –                        | –                            | –                        | –                               | –                   |
| Total comprehensive income                    | –                    | –                        | –                            | –                        | 108                             | 108                 |
| <b>Transactions with owners</b>               |                      |                          |                              |                          |                                 |                     |
| Payment of issued shares to senior executives | –                    | –                        | 1                            | –                        | –                               | 1                   |
| Transfer of the preceding year's profit/loss  | –                    | –                        | –                            | 51                       | –51                             | –                   |
| <b>Total transactions with owners</b>         | <b>–</b>             | <b>–</b>                 | <b>1</b>                     | <b>51</b>                | <b>–51</b>                      | <b>1</b>            |
| <b>Closing equity, 28 Feb 2015</b>            | <b>228</b>           | <b>1</b>                 | <b>613</b>                   | <b>1,763</b>             | <b>108</b>                      | <b>2,713</b>        |
| Profit for the year                           | –                    | –                        | –                            | –                        | –598                            | –598                |
| Other comprehensive income                    | –                    | –                        | –                            | –                        | –                               | –                   |
| Total comprehensive income                    | –                    | –                        | –                            | –                        | –598                            | –598                |
| <b>Transactions with owners</b>               |                      |                          |                              |                          |                                 |                     |
| Payment of issued shares to senior executives | –                    | –                        | 1                            | –                        | –                               | 1                   |
| Payment of newly issued shares                | 90                   | –                        | 760                          | –                        | –                               | 850                 |
| Capital acquisition costs, net after tax      | –                    | –                        | –38                          | –                        | –                               | –38                 |
| Transfer of the preceding year's profit/loss  | –                    | –                        | –                            | 108                      | –108                            | –                   |
| <b>Total transactions with owners</b>         | <b>90</b>            | <b>–</b>                 | <b>723</b>                   | <b>108</b>               | <b>–108</b>                     | <b>813</b>          |
| <b>Closing equity, 29 Feb 2016</b>            | <b>318</b>           | <b>1</b>                 | <b>1,336</b>                 | <b>1,871</b>             | <b>–598</b>                     | <b>2,928</b>        |

# PARENT COMPANY CASH FLOW STATEMENT

| <i>SEK million</i>   | <i>Note</i> | <i>2015-03-01-<br/>2016-02-29</i> | <i>2014-03-01-<br/>2015-02-28</i> |
|--|-------------|-----------------------------------|-----------------------------------|
| <b>Cash flow from operating activities</b>                                   |             |                                   |                                   |
| Profit/loss after financial items  |             | -627                              | 68                                |
| <i>Adjustments for non-cash items</i>  |             |                                   |                                   |
| - Depreciation/amortisation  | 9           | -                                 | -                                 |
| - Capital gain/loss from the disposal of non-current assets                  |             | -                                 | -                                 |
| - Financial income and dividends   | 10          | 332                               | -78                               |
| - Financial expenses   | 11          | 68                                | 2                                 |
| - Unrealised exchange gain/losses  |             | 1                                 | -3                                |
| - Other items  |             | 277                               | 1                                 |
| <b>Cash flow from operating activities before changes in working capital</b> |             | <b>51</b>                         | <b>-10</b>                        |
| <b>Cash flow from changes in working capital</b>                             |             |                                   |                                   |
| Changes in operating receivables   |             | -420                              | 4                                 |
| Changes in operating liabilities   |             | 586                               | -16                               |
| <b>Total changes in working capital</b>                                      |             | <b>166</b>                        | <b>-12</b>                        |
| Received interest income   | 10          | 18                                | 3                                 |
| <b>Cash flow from operating activities</b>                                   |             | <b>235</b>                        | <b>-19</b>                        |
| <b>Cash flow from investing activities</b>                                   |             |                                   |                                   |
| Changes in restricted bank accounts  | 21          | 25                                | 27                                |
| Acquisition of subsidiary  | 15          | -3,463                            | -3                                |
| Transfer of net assets   |             | -                                 | 29                                |
| Investments in PPE <sup>1</sup> and intangible assets                        | 14          | -                                 | -                                 |
| Disposal of non-current assets   |             | -                                 | -                                 |
| <b>Cash flow from investing activities</b>                                   |             | <b>-3,438</b>                     | <b>53</b>                         |
| <b>Cash flow from financing activities</b>                                   |             |                                   |                                   |
| Group dividends received   | 15          | 3,017                             | -                                 |
| Group contributions received   | 15          | 23                                | 18                                |
| Payment of newly issued shares   | 5           | 850                               | -                                 |
| Issue of new shares to senior executives                                     | 8, 22       | 1                                 | 1                                 |
| Repayment of loans to Group companies  |             | -596                              | -47                               |
| Capital acquisition costs  | 5           | -49                               | -                                 |
| Interest paid  | 11          | -43                               | -7                                |
| <b>Cash flow from financing activities</b>                                   |             | <b>3,203</b>                      | <b>-35</b>                        |
| <b>Cash flow for the year</b>  |             | <b>0</b>                          | <b>-1</b>                         |
| <b>Cash and cash equivalents at the beginning of the year</b>                |             | <b>0</b>                          | <b>1</b>                          |
| Cash flow for the year   |             | 0                                 | -1                                |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                      | 21          | <b>0</b>                          | <b>0</b>                          |

# NOTES

## NOTE 01 Company information and accounting policies

### COMPANY INFORMATION

Nobina AB is a public company (CIN 556576-4569, domiciled in Stockholm) and is noted at Nasdaq Stockholm, Mid Cap, sector Industry. Nobina AB is the ultimate Parent Company of the Nobina Group (Nobina). The address of the head office is Armégatan 38, SE-171 71 Solna, Sweden.

Nobina AB's operations, which are conducted through subsidiaries, consist of the provision of scheduled bus services under contract to public transport authorities in Sweden, Norway, Denmark and Finland. In addition to contracted bus services, Nobina also offers express bus services throughout most of Sweden. Nobina AB is a holding company whose primary asset comprises its investments in its subsidiaries. The income statement and balance sheet of the Parent Company and the consolidated income statement and balance sheet were approved for publication according to a Board decision on 26 April 2016. The income statement and balance sheet of the Parent Company and the statement of comprehensive income and consolidated balance sheet will be subject to adoption by the Annual General Meeting on 31 May 2016, in Stockholm.

### APPLICABLE REGULATIONS

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and the application of RFR 1 "Supplementary Accounting Rules for Groups," associated interpretations issued by the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. The recommendation should be applied by legal entities whose securities, at the end of the reporting period, are listed on a Swedish exchange or an authorised marketplace. Furthermore, the applicable IFRS disclosure requirement rules and amendments should be specified given the provisions in the Swedish Annual Accounts Act. The annual report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 "Accounting for Legal Entities", as well as statements issued by the Swedish Financial Reporting Board. The Parent Company applies the same accounting policies as the Group except for in those cases specified below under "Accounting policies of the Parent Company." The differences that exist are due to the limitations on applying IFRS in the Parent Company due to the Swedish Annual Accounts Act (ÅRL) and, in certain cases, taxation purposes.

### BASIS FOR VALUATION IN THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

Assets and liabilities are recognised at historical cost, except for certain financial assets and liabilities, which are measured at fair value or historical cost.

### TRANSACTIONS TO BE ELIMINATED ON CONSOLIDATION

All intra-Group receivables and liabilities, income, expenses or unrealised gains or losses arising on intra-Group transactions are eliminated in their entirety when preparing the consolidated financial statements.

### TRANSACTIONS IN FOREIGN CURRENCY

Transactions in foreign currencies are translated to the functional currency at the rate of exchange in effect on the transaction date. The functional currency is the currency of the primary economic environments in which the Group conducts its operations. Monetary assets and liabilities in foreign currency are translated to the functional currency at the closing day rate. Exchange gains/losses arising on translation are recognised in profit and loss. For the financial statements of subsidiaries with a functional currency other than SEK, all balance sheet items are translated at the closing day rate of exchange. Income statement items are translated at the average rate during the year.

### FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The functional currency of the Parent Company is Swedish kronor (SEK), which is also the presentation currency of the Parent Company and the Group. The financial statements are thus presented in SEK. All amounts are rounded off to the nearest million, unless otherwise stated.

### ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

When preparing the financial statements, company management and the Board of Directors must make assessments that affect the recognised amounts of assets, liabilities and income and expenses and thus associated information about contingent items. These assessments are based on historical experience and the various assumptions that management and the Board deem reasonable under the circumstances at hand. Thus, drawn conclusions form the basis for decisions regarding the carrying amounts of assets and liabilities, in cases where these cannot be determined with certainty based on information from other sources. The actual outcome may differ from these assessments if other assumptions are made or other circumstances are at hand, with a

significant impact on Nobina's earnings and financial position. Certain assumptions about the future and certain estimates and assessments on the balance-sheet date are particularly significant for the measurement of assets and liabilities in the balance sheet. The risk of changes in carrying amounts during the coming year due to a possible need for changes in assumptions and estimates is considered to lie primarily in the following areas:

#### Impairment of goodwill

The carrying amount of goodwill is tested for impairment annually and otherwise, whenever circumstances or events indicate that the carrying amount of an asset may not be recoverable. In determining the recoverable value of cash-generating units for assessment of whether goodwill is impaired, several assumptions about future conditions and estimates have been made. Forecasts for future cash flow are based on the best possible assessments of future income and operating expenses, which in turn are based on historical trends, general market conditions and other available information. The forecasts are prepared for each operating unit and are based on each company's profit/loss before amortisation/depreciation, including leasing costs. The present value of cash flow forecasts is calculated by applying a reasonable discount rate for the capital plus a reasonable risk premium at the valuation date, see Note 12.

#### Excess vehicles (buses)

Before deemed as excess vehicle, a number of assumptions are made about future alternatives for relocation. If vehicle deemed as excess, estimates are made about future resale value. Vehicles deemed as excess by management were impaired to fair value, see Note 13.

#### Useful life for vehicles (buses)

When assessing whether the useful life of standard vehicles (buses) is the same as the actual useful life, a number of assumptions are made about future conditions.

Group management is of the opinion that the useful life corresponds to the average contract term, 8 years, which can be extended for another 6 years, i.e. a total of 14 years.

#### Tax assets

In assessing whether to measure previously accumulated loss carryforwards, refer to Note 16, Group management has decided to report a portion of the Group's current loss carryforwards. Deferred tax has been calculated using tax rates that have been enacted, or are expected to apply when the related



deferred tax asset is realised or the tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised. Most of the loss carryforwards are attributable to countries with a long, or unlimited period of use. The deferred tax asset that pertains to deductible temporary differences and unused tax losses has been reported to the extent that it is expected to be utilised in the foreseeable future, and doing so is deemed probable.

#### **Provisions for onerous contracts**

The Group makes provisions for onerous contracts, where the contractual income is not sufficient to cover the direct and apportionable expenses for fulfilment of the contractual obligations. Several assumptions have been made about future conditions and estimates of variables. See Note 25.

#### **Provisions for pensions and similar commitments**

The most significant assumptions that management must make in connection with actuarial estimates of pension commitments and pension costs concern the discount rate, expected rate of return on plan assets, expected rate of salary increases and future rate of pension increases.

The discount rate reflects the interest rate at which the pension commitments could be paid in full. The interest rate used to discount pension commitments is to be determined by referring to the market-based return on first-class mortgage bonds at the end of the reporting period. The expected annual return on plan assets reflects the expected annual return on existing investments. The plan assets comprise mainly interest-bearing securities and shares. The expected rate of salary increases reflects expected future salary increases as a composite effect of inflation and seniority. The assessment is based on historical information concerning salary increases and on the expected future rate of inflation. The future rate of pension increases is assessed on the basis of the current age distribution of employees and expected personnel turnover.

#### **NEW ACCOUNTING POLICIES**

##### **New and revised standards 2015/2016**

No new or revised standards applied in 2015/2016 had any significant impact on the Nobina Group's financial position or results.

#### **NEW STANDARDS AND INTERPRETATIONS NOT YET IN FORCE**

Standards and interpretations not yet in force have not been applied for 2015/2016 as follows.

- IFRS 15 is the new standard for revenue recognition. Revenue is recognised when the customer gains control over the sold good or service. A customer has control over a good or service when the customer can direct the use of and obtain substantially all of the remaining benefits from the asset. IFRS 15 is effective as of 2018.

- IFRS 9 Financial Instruments. This standard is one part of a complete revision to the current standard, IAS 39. The standard reduces the number of valuation categories for financial assets. As a result the main categories are reported at cost (amortised cost) or fair value through profit or loss. This first part of the standard will be expanded with new requirements for impairment of financial assets measured at amortised cost, hedge accounting and offsetting in the balance sheet. IFRS 9 is to be applied to fiscal years beginning on or after 1 January 2018.

- IFRS 16 is the new standard for lease recognition. The standard entails changes, primarily for the lessee. The operating lease concept will be replaced by a right-of-use asset and a lease liability recognised for the majority of the lease contracts. IFRS 16 applies from 1 January 2019, but has not yet been adopted by the EU.

During the financial year, the management has started the work with identifying, categorising and analysing contracts with PTAs in accordance with IFRS 15. Management has not yet made any detailed analysis of the effects from implementation of IFRS 15. With regard to IFRS 16, the majority of the Nobina Group's leases are recognised as finance leases and, accordingly, a smaller proportion of the Group's remaining operating leases (buses) and rents will be subject to IFRS 16. For more information about the Group's operating leases (buses), refer to Note 7 and Other operating leases (rents), Note 7.

#### **SIGNIFICANT ACCOUNTING POLICIES**

##### **CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements comprise all companies in which Nobina AB directly or indirectly has more than 50% of the votes or otherwise has a controlling influence. Subsidiaries are all companies (including structured companies) that the Group is able to control. The Group controls a company when exposed to, or when it has a right to variable returns from its holdings in the company and when it is able to affect the return via its influence over the company. Subsidiaries are consolidated as of the date when the Group obtains control. Subsidiaries are de-consolidated as of the date when the Group no longer has control. Consolidated financial statements are prepared using the acquisition method. This means that acquired subsidiaries' assets and liabilities are recognised at fair values according to an acquisition analysis, prepared on acquisition date. If the cost for shares in the subsidiary and any holdings without a controlling influence (non-controlling interest) exceeds the fair value of the company's identifiable net assets according to the acquisition analysis, the difference will represent consolidated goodwill, which will be tested for impairment. For every acquisition, it is determined whether holdings with a non-controlling interest will be valued at fair value or the proportional share of the acquired operation's

net assets. All acquisition-related costs are expensed. Only income arising after the acquisition date is included in the consolidated shareholders' equity. Income from the company that was acquired during the year is included in the consolidated financial statements from the date of acquisition. Companies divested during the year are included in the consolidated income statement with income and expenses for the period up to the date of divestment.

#### **SEGMENT REPORTING**

Nobina conducts regional and interregional traffic between selected cities (Express traffic). Regional traffic is operated in large parts of Sweden and in metropolitan areas in Finland, Denmark and Norway. The largest portion of revenue is derived from contracts with public transport authorities representing the various counties. In nearly all cases, public transport authorities receive ticket revenue and contract companies receive a fixed amount as payment for the contracted services.

Interregional traffic is conducted by Swebus Express (Swebus), which operates certain predetermined routes throughout Sweden. Revenue is generated by the sale of tickets to passengers. Some of the companies also conduct chartered traffic, mainly by using vehicles and personnel during periods when these are not occupied in regular traffic operations.

The Group's operations are reported and managed in a manner consistent with the internal reporting, see Note 2, which is provided to the CEO.

The accounting policies for the reporting segments are the same as those used in the consolidated financial statements. Nobina evaluates operations in each operating segment based on the operating profit for each reporting operating segment, and normally recognises sales and transfers between operating segments on a third-party basis, meaning at market prices.

#### **Central functions**

Costs for group-wide support functions such as IT, systems administration and legal services, etc., are allocated to the operating segments and countries according to their degree of utilisation. General administrative expenses from Nobina AB (head office) and other costs that arise at the central level and are attributable to the entire company are not included in the earnings of the operating segments, including items affecting comparability attributable to the IPO, see Note 5. The head office consists of the Group management team, financial administration, controls, analyses and holding companies. The operating assets included in each operating segment include all operating assets that are used in the business activities, primarily intangible assets, PPE (Property, plant and equipment), inventories and accounts receivables. Most of these assets are directly attributable to the respective operating segment. The operating liabilities included in each operating segment include all operating liabilities

that are used, accrued expenses and deferred income. Most of these liabilities are directly attributable to the respective operating segment. Estimated deferred tax and external and internal loans are not included in the operating segments' capital employed.

### REVENUE RECOGNITION

Most of Nobina's income consists of remuneration for scheduled bus traffic and is attributable to contracts with public transport authorities that run for a term of five to ten years, with an extension option. Regardless of the payment stream for operations under a contract, Nobina reports its revenues when the services have been provided and can be measured at the fair value of the consideration that has been, or will be received.

### Production contracts

Most of the contracts are of the production-contract type, in which compensation is based exclusively on the number of kilometres or hours driven and is entirely unrelated to the number of passengers. The amount of compensation is often tied to certain cost indices in order to compensate the traffic companies for cost increases during the term of the contract. The compensation is adjusted during the term of the contract due to changes in these indices. Nobina adjusts its revenues during the contract period according to the agreed indexation formula.

### Incentive contracts

Some of Nobina's contracts with its client public transport authorities are designed so that all or part of the compensation is based on the number of passengers. These are called incentive contracts. Revenue from these contracts is recognised on the date that the passenger travels with Nobina.

Revenue from ticket sales is passed on directly to clients and does not accrue to Nobina.

### Interregional traffic

Revenue from interregional traffic consists of ticket revenues from the passengers. For interregional traffic, revenue is recognised on the date that the passenger travels with Nobina.

### Leases, fuel sales and maintenance services

Revenue from leases, fuel sales and maintenance services is recognised when the goods are delivered and the services performed.

### Short-term leasing of buses (lessors)

In cases where revenue is obtained through operating leases, it is distributed evenly over the term of the lease.

All revenue is recognised excluding value added tax.

### EXPENSES

The Group's operating expenses pertain primarily to fuel, tires, operating lease costs for vehicles, personnel costs, which include salaries, social security costs, pensions, costs for temporary bus drivers, and depreciation costs for vehicles under finance leases and owned vehicles.

### Leasing

In the consolidated financial statements, leasing is classified as either financial leasing or operating leasing.

Most of Nobina's leasing is classified as financial leasing, see Note 7. In a finance lease, the main financial risks and benefits are transferred to the lessee. If this is not the case, the agreement is considered to be an operating lease. Finance leases are recognised as non-current assets in the balance sheet and the corresponding leasing commitment is recognised as a liability. Assets and liabilities at the beginning of a leasing agreement are measured at the lower of fair value and the present value of future lease payments. Assets held under finance leases are depreciated on a straight-line basis over their estimated useful lives in accordance with the principles used for similar asset groups. The useful life periods do not follow the payment periods in the lease contracts, since the company considers that the benefits from the leased vehicles extend longer than the related financial obligation. Finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability to produce a constant periodic rate of interest on the remaining balance of the liability. In the income statement, the leasing expenses are recognised as depreciation and interest expenses.

For operating leases, no assets or liabilities are recognised in the balance sheet. In the income statement, leasing expenses are recognised on a straight-line basis over the term of the lease.

### Depreciation/amortisation

Depreciation/amortisation of property, plant and equipment and intangible assets is based on the historic cost and estimated useful lives of different groups of non-current assets. Depreciation/amortisation takes place on a straight-line basis over the useful life of the assets to an estimated residual value. For assets acquired during the year, depreciation/amortisation is calculated from the acquisition date.

### Applied useful lives

| Other intangible assets        |  |  |
|--------------------------------|--|--|
|                                | Software development                             | max 3 years                                      |
| Computers                      |  | 3 years  |
| Office equipment and furniture |  | 5 years  |
| Vehicles                       | Standard buses,                                  | 14 years   |
|                                | Long-distance buses,                             | 10 years   |
|                                | Special buses, according to individual valuation |  |
| Remodelling of leased premises |  | 5 years, but not exceeding the term of the lease |

### FINANCIAL INCOME AND EXPENSES

Financial income and expenses consist of financial income on bank funds, funded pension assets and receivables, interest expense on loans, interest expense on vehicles under a finance lease, the interest portion of pension liability, plus realised and unrealised gains and losses attributable to financing. Interest income and interest expense are recognised in the period in which they arise.

### INCOME TAXES

The Group's income taxes consist of current tax and deferred tax. Income taxes are reported in the income statement, unless the underlying transaction is reported directly in equity or other comprehensive income. In such cases, the related tax effect is also recognised directly in equity or in other comprehensive income. Current tax refers to taxable profit and loss for the year. Deferred tax is calculated based on the temporary differences between the carrying amount and taxable values of assets and liabilities, as well as tax on the consolidated tax loss carryforwards. Deferred tax is calculated according to the applicable tax rate in each country. Deferred tax assets are recognised only to the extent that it is probable that they can be utilised against future taxable profits. Tax laws in Sweden and Finland permit provisions to special reserves and funds which constitute temporary differences. Within specified limits, this enables companies to retain profits in the company without immediate taxation of these profits. The untaxed reserves are not subject to taxation until they are dissolved. However, during years when the operations make a loss, the untaxed reserves can be utilised to cover losses without giving rise to any taxation. In the consolidated balance sheet, untaxed reserves for the individual companies are allocated between shareholders' equity and deferred tax liabilities. In the income statement, deferred tax is recognised as tax attributable to the change in untaxed reserves for the year.

### INTANGIBLE AND TANGIBLE NON-CURRENT ASSETS

#### Goodwill

After initial recognition, goodwill is measured at cost, less deductions for any accumulated impairments. Goodwill is not amortised, but is tested annually, or more often if there are indications of a decrease in value. Impairment losses are never reversed. For the purpose of testing impairment requirements, goodwill is allocated to the Group's cash-generating units, which are the same as those used in the segment accounting. Recoverable amounts are determined based on calculations of the value in use. The recoverable amount is the highest of value in use and net realisable value. These calculations are based on an internal assessment of the next five years with various growth rates per segment area. Anticipated future cash flows in accordance with these assessments constitute the grounds for the calculation. Working capital changes and investment requirements have hereby been taken into account. If such an analysis indicates that the carrying amount is higher than the recoverable

amount, which is the highest of fair value and value in use, the difference between the carrying amount of goodwill and the recoverable amount will be recorded as an impairment loss. The value in use is measured as the anticipated future discounted cash flow generated by the asset.

#### **Other intangible and tangible non-current assets**

Other intangible assets and items of property, plant and equipment are recognised at historical cost less amortisation/depreciation and any impairment losses. Cost consists of the purchase price as well as costs directly attributable to bringing and installing the asset to working condition for its intended use. Any discounts or bonuses are deducted from the cost amount. Other intangible assets consist primarily of externally capitalised development costs, which are mostly software. Proprietary software and software maintenance are expensed as incurred. An item of property, plant and equipment is recognised as an asset when the cost can be calculated in a reliable manner and when, based on available information, it is probable that the future financial benefits connected with ownership will accrue to the company. An item of property, plant and equipment is recognised at the time of delivery, as stated on the invoice or packing slip. The carrying amounts of non-current assets are regularly tested for impairment. If, on the date of the year-end report, there is an indication that a non-current asset has declined in value, a calculation is made of the asset's net realisable value and value in use. The net realisable value consists of the price that is estimated to be received in the event of disposal of the asset less selling expenses. A write-down requirement is considered to exist when the present value of the future cash flow from these assets falls below their carrying amount. The impairment amount consists of the difference between the higher of the value in use or net realisable value and the carrying amount. For non-current assets that will be divested, the potential impairment amount is calculated as the difference between the estimated sales revenue less associated costs and the asset's carrying amount.

#### **INVENTORIES**

Inventories include spare parts purchased mainly for the repair of the company's own or rented buses as well as stocks of fuel. Inventories are stated at the lower of cost and fair value, on a first in, first out basis. The necessary provisions are made for obsolescence, partly on a case-by-case basis and partly through collective assessment.

#### **FINANCIAL ASSETS AND LIABILITIES AND OTHER FINANCIAL INSTRUMENTS**

Financial instruments are initially recognised at cost, corresponding to fair value including transaction costs for all financial instruments aside from those in the category of financial assets measured at fair value through profit or loss. Subsequent to initial recognition, the

accounting treatment of financial liabilities depends on how they are classified, as described below.

A financial asset or liability is recognised in the balance sheet when the company initially becomes party to the contractual provisions of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been issued. Financial liabilities are recognised when the counterparty has performed and there is contractual obligation to pay, even if no invoice has been received. Accounts payable are recognised when an invoice has been received.

A financial asset is derecognised from the balance sheet when the company's rights under the agreement are realised, expire or the company has relinquished control of the asset. The same applies to a part of a financial asset. A financial liability is derecognised from the balance sheet when the obligation specified in the agreement is discharged or otherwise extinguished. The same applies to a part of a financial liability. On each reporting date, the Group assesses whether there is objective evidence of impairment for a financial asset or group of financial assets. The Group has not applied hedge accounting for the 2015/16 or 2014/15 fiscal years.

#### **Financial assets and liabilities measured at fair value through profit and loss**

Assets and liabilities in this category consist of derivatives measured at fair value with fair value changes recognised through profit or loss. Fair values are based on prices listed in an active market, corresponding to IFRS Level 1.

#### **Loan and accounts receivable**

Receivables are recognised at the amount in which they are expected to be received after deduction of doubtful debts, which are assessed individually. When the expected maturity is short, the receivable is recognised at nominal value without discounting. Impairment losses on receivables are recognised in operating expenses.

#### **Restricted bank accounts**

Restricted bank accounts comprise deposits for bank guarantees and leasing contracts. Bank guarantees have been furnished as security for Nobina Norge AS and Nobina Danmark A/S's traffic contract commitments, Nobina Sverige AB and Swibus Express AB's commitments under the Swedish Travel Guarantee Act, and Nobina Sverige AB obligations in respect of electricity purchases. Nobina Norway also has restricted bank accounts for tax payments.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of demand deposits at banks.

#### **Other financial liabilities**

Liabilities are classed as other financial liabilities, which means that they are initially recognised at the amount received less transaction costs. Fees paid on long-term borrowings are expensed over the term of the loan.

After the acquisition date, liabilities are measured at amortised cost using the effective interest method. Accounts payable are classified as other financial liabilities. Accounts payable have a short expected maturity and are measured at nominal value without discounting.

#### **Impairment of financial assets**

Any impairment requirements of financial assets in the categories of held-to-maturity investments and loans and receivables measured at amortised cost are calculated as the present value of future cash flows discounted at the effective rate in force on initial recognition of the asset. Assets with a time to maturity of less than one year are not discounted. Impairment of held-to-maturity investments and loans and receivables recognised at amortised cost are reversed if a later increase in the recoverable amount can be objectively attributed to an event occurring after the date of the impairment loss.

#### **OTHER PROVISIONS AND PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS**

A provision is recognised in the balance sheet when the Group has a current legal or informal obligation that has arisen as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount can be estimated reliably. When the timing effect of payment is significant, provisions are measured at discounted present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

#### **Termination remuneration**

A provision is only recognised if the company is demonstrably committed to terminate an employment contract before the normal retirement date. In the event of termination, the company draws up a detailed plan that, at a minimum, states the place of work, as well as the amount of compensation for each employee and the time of the plan's implementation.

#### **Onerous contracts**

A large share of the revenues is attributable to contracts with public transport authorities where the contracts extend for between five and eight years. The contractual terms commonly stipulate that the revenues shall be adjusted upwards in accordance with set indexes, either consumer price indexes or various producer price indexes. Due to changed conditions and because the costs increase more than the revenues, the contracts can become loss or onerous contracts, which is when the remaining contracted revenues are not enough to cover the costs attributable to the contracts to fulfil the contractual commitment. A provision for future losses is then made in the period that management identifies the contract as an onerous contract. The loss is estimated by including direct and indirect costs attributable to the contract, including depreciation of buses used to fulfil the commitment. The provision is made at the public transport authority level

if there is a natural connection between the various contracts. In a tender process, tenders can be submitted for multiple contracts, where some are profitable and others entail a loss, but the transaction as such provides a surplus.

### **Third-party obligations**

Provisions are made for damages that occurred to the Group's own vehicles that have not complied with traffic safety or contract requirements or against third parties. The provision must cover future obligations to third parties.

### **Environmental obligations**

Provisions are made for existing and future environmental obligations on leased land and facilities that are, or have been, used in operations.

### **Employee remuneration**

Current employee remuneration is calculated without discounting and recognised as an expense when the related services were rendered.

### **Pensions**

The Group has both defined-contribution and defined-benefit pension plans. The pension liabilities pertain to defined-benefit pensions, calculated annually in accordance with IAS 19 with assistance from an independent actuary. In the defined-contribution pension plans, Nobina pays a fixed contribution according to plan and has no further obligation to pay post employment contributions. Under the defined benefit for Nobina Norge AS and Nobina Europe AB, benefits are paid to former employees on the basis of final salary and years of service. The Group bears the risk of ensuring that the contractual benefits are paid.

Pension obligations for most of the Swedish operations are covered by a multi-employer, defined-benefit pension plan. The plan is insured in the mutual insurance company Alecta. The Group has not had access to sufficient information to report its proportional share of the defined-benefit obligation and of the plan assets and expenses. The plan is therefore recognised as a defined-contribution plan, which means that premiums paid are recognised as a personnel expense. In the Swedish operations, there is also a defined-benefit pension plan that is funded. Alecta's consolidation level as of 31 December 2015 amounts to 153 (144) per cent. The Group's obligations pertaining to other defined-benefit plans are determined separately for each plan according to the Projected Unit Credit Method. This means that the obligation is calculated as the present value of expected future pension payments. The obligation calculated accordingly is compared with the fair value of the plan assets that secure the obligation. The difference is recognised as a liability/asset with respect to accrued actuarial gains/losses. The calculation of the future payments is based on actuarial assumptions

for life expectancy, future salary increases, employee turnover and other factors that influence the choice of discount rate.

### **EARNINGS PER SHARE**

Earnings per share before dilution are calculated by taking the net profit attributable to Parent Company shareholders and dividing it by the average number of outstanding shares. Earnings per share after dilution is calculated by dividing the net profit attributable to the Parent Company's shareholders by an adjusted average number of outstanding shares, if potential ordinary shares may give rise to dilution.

### **EQUITY ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS**

Equity attributable to Parent Company shareholders comprises share capital, other contributed capital, revaluation reserve and retained earnings. Share capital comprises the legally registered share capital in Nobina AB. Other contributed capital comprises contributions made by shareholders in the form of share premiums paid on new issues of shares. Dividends are proposed by the Board in accordance with the stipulations of the Swedish Companies Act and adopted by the AGM.

### **CASH FLOW**

The cash flow statement has been prepared based on profit and loss and other changes between the opening and closing balances in the balance sheet, taking into account translation differences. The cash flow statement was prepared according to the indirect method. The recognised cash flow consists of transactions that generate deposits and payments. Cash and cash equivalents in the cash flow statement include cash in hand, driver cash and bank funds excluding restricted bank accounts. Items that do not affect the cash flow include provisions, depreciation/amortisation and unrealised exchange-rate differences, since they are not cash-based items. Realised profits and losses in connection with the divestment of assets are eliminated since the cash effect of divesting non-current assets is recognised separately under cash flow from investing activities. Interest paid, such as the interest portion on vehicles under a finance lease and interest on external short and long-term borrowings, is reported in the cash flow from financing activities, while payments received for interest revenue are reported in the cash flow from operating activities.

### **PARENT COMPANY ACCOUNTING POLICIES**

The financial statements for the Parent Company, Nobina AB, were prepared in accordance with the Annual Accounts Act, other Swedish legislation and recommendation RFR 2 "Accounting for Legal Entities". Any deviations that arise between the Parent Company and the Group's policies are due to limitations in the ability to apply IFRS in the Parent Company due to the Swedish Annual Account Act and, in some cases, tax reasons.

### **Group contribution for legal entities**

In accordance with RFR 2 and IAS 27, Group contributions that Nobina AB receives from subsidiaries are recognised as financial income, and Group contributions that Nobina AB pays to subsidiaries are recognised as participations in subsidiaries, in the same way as shareholders' contributions. Group contributions that are paid by, or received from, another company in the same Group are basically a method for reducing the Group's taxable income. Sometimes a Group contribution can also be placed on a par with a type of capital transfer between companies in the same Group, depending on the purpose.

### **Shares in subsidiaries**

Participations in subsidiaries are recognised in the Parent Company according to the cost method. All dividends from subsidiaries are recognised in the Parent Company income statement. In particular circumstances, such a dividend may indicate that the value of the shares has fallen and that an impairment test should therefore be carried out.

### **Pensions**

Pension obligations are valued in accordance with the Swedish Pension Obligations Vesting Act.

**NOTE 02** *Nobina's operating segments*

| <i>2015/2016</i>  | <i>Nobina<br/>Sweden</i> | <i>Nobina<br/>Denmark</i> | <i>Nobina<br/>Norway</i> | <i>Nobina<br/>Finland</i> | <i>Elimi-<br/>nation<sup>1</sup></i> | <i>Total<br/>Regional<br/>traffic<br/>Swebus<sup>2</sup></i> | <i>Total<br/>Interre-<br/>gional<br/>traffic</i> | <i>Central<br/>functions and<br/>other items<sup>3</sup></i> | <i>Elimi-<br/>nation</i> | <i>Total</i> |        |
|---|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------------------|--|--|--|--------------------------|--------------|--------|
| Revenue   | 5,675                    | 511                       | 925                      | 952                       | –                                    | 8,063  | 283  | 283  | 10                       | –39          | 8,317  |
| Operating profit/loss                                     | 392                      | 8                         | 20                       | 69                        | –                                    | 489  | 7  | 7  | –238                     | –            | 258    |
| EBIT (%)  | 6.9                      | 1.6                       | 2.1                      | 7.3                       | –                                    | 6.1  | 2.4  | 2.4  | –                        | –            | 3.1    |
| Net financial items                                       | –99                      | –8                        | –29                      | –18                       | –                                    | –154   | –3   | –3   | –99                      | –            | –256   |
| Income tax  | –                        | –                         | –                        | –                         | –                                    | –  | –  | –  | 2                        | –            | 2      |
| Profit for the year                                       | 293                      | 0                         | –9                       | 51                        | –                                    | 335  | 5  | 5  | –336                     | –            | 4      |
| EBT (%)   | 5.2                      | 0                         | –0.9                     | 5.4                       | –                                    | 4.1  | 1.8  | 1.8  | –                        | –            | 0.0    |
| Of which operating lease expenses                         | –54                      | –3                        | –                        | –1                        | –                                    | –58  | –  | –  | –                        | –            | –58    |
| Amortisation and impairments                              | –400                     | –29                       | –66                      | –61                       | –                                    | –556   | –14  | –14  | –36                      | –            | –606   |
| Of which depreciation of assets held under finance leases | –376                     | –8                        | –61                      | –55                       | –                                    | –500   | –12  | –12  | –                        | –            | –512   |
| EBITDAR (%)   | 15.5                     | 9.3                       | 9.9                      | 15.1                      | –                                    | 14.4   | 8.0  | 8.0  | –                        | –            | 11.3   |
| Total assets  | 4,757                    | 317                       | 884                      | 744                       | –                                    | 6,702  | 88   | 88   | 868                      | –            | 7,658  |
| Of which intangible assets, goodwill                      | 383                      | –                         | 117                      | 29                        | –                                    | 529  | 45   | 45   | –                        | –            | 574    |
| Of which assets held under finance leases                 | 3,731                    | 75                        | 523                      | 558                       | –                                    | 4,887  | 30   | 30   | –                        | –            | 4,917  |
| Investments in PPE and financial assets for the year      | 1,321                    | 17                        | 177                      | 143                       | –                                    | 1,658  | 1  | 1  | 12                       | –            | 1,671  |
| Total liabilities   | 4,535                    | 300                       | 781                      | 674                       | –                                    | 6,290  | 75   | 75   | 183                      | –            | 6,548  |
| Of which finance lease liabilities                        | 3,398                    | 67                        | 470                      | 479                       | –                                    | 4,414  | 37   | 37   | –                        | –            | 4,451  |
| Average number of employees                               | 8,484                    | 638                       | 1,194                    | 1,142                     | –                                    | 11,458   | 169  | 169  | 120                      | –            | 11,747 |
| Number of employees translated to FTEs                    | 5,805                    | 508                       | 901                      | 966                       | –                                    | 8,180  | 161  | 161  | 120                      | –            | 8,461  |

| <i>2014/2015</i>  | <i>Nobina<br/>Sweden</i> | <i>Nobina<br/>Denmark</i> | <i>Nobina<br/>Norway</i> | <i>Nobina<br/>Finland</i> | <i>Elimi-<br/>nation<sup>1</sup></i> | <i>Total<br/>Regional<br/>traffic<br/>Swebus<sup>2</sup></i> | <i>Total<br/>Interre-<br/>gional<br/>traffic</i> | <i>Central<br/>functions and<br/>other items<sup>3</sup></i> | <i>Elimi-<br/>nation</i> | <i>Total</i> |        |
|---|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------------------|--|--|--|--------------------------|--------------|--------|
| Revenue   | 5,138                    | 395                       | 943                      | 812                       | –22                                  | 7,266  | 284  | 283  | 49                       | –49          | 7,549  |
| Operating profit/loss                                     | 373                      | –15                       | –2                       | 47                        | –                                    | 403  | 9  | 9  | –41                      | –            | 371    |
| EBIT (%)  | 7.3                      | –3.7                      | –0.0                     | 5.8                       | –                                    | 5.5  | 3.1  | 3.1  | –                        | –            | 4.9    |
| Net financial items                                       | –93                      | –3                        | –31                      | –14                       | –                                    | –141   | –2   | –2   | –87                      | –            | –230   |
| Income tax  | –                        | –                         | –                        | –                         | –                                    | –  | –  | –  | –47                      | –            | –47    |
| Profit for the year                                       | 280                      | –18                       | –33                      | 33                        | –                                    | 262  | 7  | 7  | –175                     | –            | 94     |
| EBT (%)   | 5.4                      | –4.5                      | –3.4                     | 4.1                       | –                                    | 3.6  | 2.5  | 2.5  | –                        | –            | 1.2    |
| Of which operating lease expenses                         | –67                      | –22                       | –2                       | –6                        | –                                    | –97  | –  | –  | –                        | –            | –97    |
| Amortisation and impairments                              | –346                     | –16                       | –76                      | –50                       | –                                    | –488   | –16  | –16  | –12                      | –            | –516   |
| Of which depreciation of assets held under finance leases | –306                     | –10                       | –67                      | –46                       | –                                    | –429   | –15  | –15  | –                        | –            | –444   |
| EBITDAR (%)   | 15.3                     | 5.8                       | 8.1                      | 12.7                      | –                                    | 13.6   | 8.8  | 8.8  | –                        | –            | 13.5   |
| Total assets  | 3,864                    | 344                       | 914                      | 634                       | –                                    | 5,756  | 124  | 124  | 696                      | –            | 6,576  |
| Of which intangible assets, goodwill                      | 383                      | –                         | 131                      | 29                        | –                                    | 543  | 45   | 45   | –                        | –            | 588    |
| Of which assets held under finance leases                 | 2,825                    | 100                       | 604                      | 479                       | –                                    | 4,008  | 60   | 60   | –                        | –            | 4,068  |
| Investments in PPE and financial assets for the year      | 750                      | 170                       | 29                       | 70                        | –                                    | 1,019  | –  | –  | 21                       | –            | 1,040  |
| Total liabilities   | 3,701                    | 356                       | 807                      | 593                       | –                                    | 5,457  | 97   | 97   | 712                      | –            | 6,266  |
| Of which finance lease liabilities                        | 2,577                    | 92                        | 551                      | 421                       | –                                    | 3,641  | 58   | 58   | –                        | –            | 3,699  |
| Average number of employees                               | 8,181                    | 531                       | 1,245                    | 1,036                     | –                                    | 10,993   | 342  | 342  | 10                       | –            | 11,345 |
| Number of employees translated to FTEs                    | 5,408                    | 356                       | 820                      | 838                       | –                                    | 7,422  | 171  | 171  | 10                       | –            | 7,603  |

1) Elimination between different segments.

2) The majority of Swebus's operations is attributable to Sweden.

3) Central functions consist of Nobina's central administration, the Group's financial net income and the Group's income taxes.

**NOTE 03** Net sales

Net sales include other operating income, which primarily consists of revenue from leasing, the sale of fuel and diesel and revenue from workshop services to external customers. Sales to two (two) major cli-

ents in the Nobina Sweden segment represent 33 per cent (31) of Nobina's sales and in the Nobina Finland segment, sales to one (one) major client represent 11 per cent (11) of Nobina's sales.

|   | Group                     |                           | Parent Company            |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| <i>Distribution of net sales, SEK million</i> |                           |                           |                           |                           |
| Revenue Regional and Interregional traffic    | 8,312                     | 7,542                     | –                         | –                         |
| Leasing, workshop services and sale of diesel | 5                         | 7                         | –                         | –                         |
| Sales to Group companies                      | –                         | –                         | 39                        | 49                        |
| <b>Total net sales</b>                        | <b>8,317</b>              | <b>7,549</b>              | <b>39</b>                 | <b>49</b>                 |

**NOTE 04** Operating expenses

|   | Group                     |                           | Parent Company            |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| <i>SEK million</i>                      |                           |                           |                           |                           |
| Fuel                                    | 1,090                     | 1,084                     | –                         | –                         |
| Spare parts                             | 204                       | 187                       | –                         | –                         |
| Tires and other consumables             | 410                       | 384                       | –                         | –                         |
| <b>Total fuel and other consumables</b> | <b>1,704</b>              | <b>1,655</b>              | <b>–</b>                  | <b>–</b>                  |
| Leasing expenses                        | 58                        | 97                        | –                         | –                         |
| Other external expenses                 | 1,115                     | 994                       | 145                       | 20                        |
| <b>Total other expenses</b>             | <b>1,173</b>              | <b>1,091</b>              | <b>145</b>                | <b>20</b>                 |
| Salary expenses                         | 3,435                     | 2,955                     | 89                        | 24                        |
| Employer's contributions                | 802                       | 691                       | 26                        | 7                         |
| Pension expenses                        | 262                       | 187                       | 5                         | 6                         |
| Other personnel costs                   | 62                        | 48                        | –                         | –                         |
| <b>Total personnel costs</b>            | <b>4,561</b>              | <b>3,881</b>              | <b>120</b>                | <b>37</b>                 |

**NOTE 05** Items affecting comparability

|  | Group                     |                           | Parent Company            |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| <i>Items affecting comparability in profit for the year, SEK million</i> |                           |                           |                           |                           |
| IPO-related transaction costs  | 32                        | –                         | 32                        | –                         |
| <b>Total items affecting comparability in other external expenses</b>    | <b>32</b>                 | <b>–</b>                  | <b>32</b>                 | <b>–</b>                  |
| Incentive programme  |                           |                           |                           |                           |
| Payroll expenses   | 134                       | –                         | 134                       | –                         |
| Employer's contributions   | 38                        | –                         | 38                        | –                         |
| <b>Total items affecting comparability in personnel costs</b>            | <b>172</b>                | <b>–</b>                  | <b>172</b>                | <b>–</b>                  |
| <b>Total items affecting comparability in EBIT</b>                       | <b>204</b>                | <b>–</b>                  | <b>204</b>                | <b>–</b>                  |
| Net financial items  |                           |                           |                           |                           |
| Early bond redemption premium costs                                      | 79                        | –                         | –                         | –                         |
| Costs for previously allocated financial expenses                        | 14                        | –                         | –                         | –                         |
| <b>Total items affecting comparability in net financial items</b>        | <b>93</b>                 | <b>–</b>                  | <b>–</b>                  | <b>–</b>                  |
| <b>Total items affecting comparability in EBT for the year</b>           | <b>297</b>                | <b>–</b>                  | <b>204</b>                | <b>–</b>                  |

Note 5 cont.

|   | Group                     |                           | Parent Company            |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| <b>Items affecting comparability in cash flow for the year, SEK million</b>                               |                           |                           |                           |                           |
| IPO-related transaction costs   | -32                       | -                         | -32                       | -                         |
| Payroll expenses  | -134                      | -                         | -134                      | -                         |
| Employer's contributions  | -38                       | -                         | -38                       | -                         |
| <b>Total items affecting comparability in cash flow from operations before changes in working capital</b> | <b>-204</b>               | <b>-</b>                  | <b>-204</b>               | <b>-</b>                  |
| Payment of newly issued shares  | 850                       | -                         | 850                       | -                         |
| Capital acquisition costs   | -49                       | -                         | -49                       | -                         |
| Bond redemption   | -550                      | -                         | -                         | -                         |
| Early bond redemption premium   | -79                       | -                         | -                         | -                         |
| <b>Total items affecting comparability from cash flow from financing activities</b>                       | <b>172</b>                | <b>-</b>                  | <b>801</b>                | <b>-</b>                  |
| <b>Items affecting comparability in cash flow for the year</b>  | <b>-32</b>                | <b>-</b>                  | <b>597</b>                | <b>-</b>                  |

**NOTE 06** Remuneration of auditors

|  | Group                     |                           | Parent Company            |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| <b>Fees and compensation to auditors, SEK thousand</b>   |                           |                           |                           |                           |
| PWC  |                           |                           |                           |                           |
| Audit assignment   | 2,480                     | 2,430                     | 745                       | 540                       |
| Audit-related activities in addition to audit assignment<br>(Pertains mainly to fees for work performed related to the IPO and the review of the prospectus) | 3,279                     | -                         | 3,222                     | -                         |
| Tax advisory services  | -                         | -                         | -                         | -                         |
| Other services   | 186                       | 200                       | -                         | -                         |
| <b>Total</b>   | <b>5,945</b>              | <b>2,630</b>              | <b>3,967</b>              | <b>540</b>                |

**NOTE 07** Leasing**FINANCE LEASES BUSES**

|  | Group         |               |
|--|---------------|---------------|
|  | 2016-02-29    | 2015-02-28    |
| <b>Assets held under finance leases, SEK million</b> |               |               |
| Cost   |               |               |
| Opening balance                                      | 6,099         | 5,495         |
| New contracts signed during the year                 | 1,478         | 745           |
| Sales for the year                                   | -127          | -199          |
| Exchange rate difference                             | -100          | 58            |
| <b>Closing cost</b>                                  | <b>7,350</b>  | <b>6,099</b>  |
| Accumulated amortisation                             |               |               |
| Opening accumulated amortisation                     | -2,031        | -1,684        |
| Amortisation for the year                            | -512          | -444          |
| Sales for the year                                   | 81            | 112           |
| Exchange rate difference                             | 29            | -15           |
| <b>Closing accumulated amortisation</b>              | <b>-2,433</b> | <b>-2,031</b> |
| <b>Residual value according to plan</b>              | <b>4,917</b>  | <b>4,068</b>  |

During the year, the Group entered into finance lease agreements for SEK 1,478 million (745) via the subsidiary, Nobina Fleet AB. Assets held under finance leases are depreciated in accordance with the same depreciation principles as owned assets. The grounds for how the company's fees are established are based on the lease terms. The leasing expenses are normally based on either straight-line amortisa-

tion or an annuity payment with variable amortisation over time. The proportion of straight-line amortisation amounts to approximately 46 per cent. Nobina's standard contracts have a duration of more than 10 years at 10 per cent residual value. Interest expense is calculated as the contract interest rate on the outstanding liability at all times. The contract interest rate normally comprises a variable base interest rate such as STIBOR with the addition of a fixed margin. Nobina is liable for the remaining residual value at the end of the agreement. No substantial secondary leasing of leased buses took place during the fiscal year.

|  | Group        |              |
|--|--------------|--------------|
|  | 2016-02-29   | 2015-02-28   |
| <b>Assets held under finance leases per segment, SEK million</b> |              |              |
| Nobina Sweden  | 3,731        | 2,825        |
| Nobina Denmark   | 75           | 100          |
| Nobina Norway  | 523          | 604          |
| Nobina Finland   | 558          | 479          |
| <b>Total Regional traffic</b>                                    | <b>4,887</b> | <b>4,008</b> |
| Swebus   | 30           | 60           |
| <b>Total Interregional traffic</b>                               | <b>30</b>    | <b>60</b>    |
| <b>Total assets held under finance leases</b>                    | <b>4,917</b> | <b>4,068</b> |

Note 7 cont.

| <i>Finance lease liabilities per segment, SEK million</i> | <i>Group</i>      |                   |
|---|-------------------|-------------------|
|   | <i>2016-02-29</i> | <i>2015-02-28</i> |
| Nobina Sweden   | 3,398             | 2,577             |
| Nobina Denmark  | 67                | 92                |
| Nobina Norway   | 470               | 551               |
| Nobina Finland  | 479               | 421               |
| <b>Total Regional traffic</b>                             | <b>4,414</b>      | <b>3,641</b>      |
| Swebus  | 37                | 58                |
| <b>Total Interregional traffic</b>                        | <b>37</b>         | <b>58</b>         |
| <b>Total Finance lease liabilities</b>                    | <b>4,451</b>      | <b>3,699</b>      |

| <i>Leasing fees for finance leases per segment, SEK million</i> | <i>Group</i>                      |                                   |
|---|-----------------------------------|-----------------------------------|
|   | <i>2015-03-01<br/>-2016-02-29</i> | <i>2014-03-01<br/>-2015-02-28</i> |
| Nobina Sweden   | 543                               | 471                               |
| Nobina Denmark  | 13                                | 16                                |
| Nobina Norway   | 99                                | 111                               |
| Nobina Finland  | 85                                | 73                                |
| <b>Total Regional traffic</b>                                   | <b>740</b>                        | <b>671</b>                        |
| Swebus  | 19                                | 19                                |
| <b>Total Interregional traffic</b>                              | <b>19</b>                         | <b>19</b>                         |
| <b>Total Financial leasing fees</b>                             | <b>759</b>                        | <b>690</b>                        |

| <i>Depreciation of assets held under finance leases per segment, SEK million</i> | <i>Group</i>                      |                                   |
|--|-----------------------------------|-----------------------------------|
|  | <i>2015-03-01<br/>-2016-02-29</i> | <i>2014-03-01<br/>-2015-02-28</i> |
| Nobina Sweden  | 376                               | 306                               |
| Nobina Denmark   | 8                                 | 10                                |
| Nobina Norway  | 61                                | 67                                |
| Nobina Finland   | 55                                | 46                                |
| <b>Total Regional traffic</b>  | <b>500</b>                        | <b>429</b>                        |
| Swebus   | 12                                | 15                                |
| <b>Total Interregional traffic</b>   | <b>12</b>                         | <b>15</b>                         |
| <b>Total Depreciation of assets held under finance leases</b>                    | <b>512</b>                        | <b>444</b>                        |

| <i>Interest expenses for finance lease liabilities per segment, SEK million</i> | <i>Group</i>                      |                                   |
|---|-----------------------------------|-----------------------------------|
|   | <i>2015-03-01<br/>-2016-02-29</i> | <i>2014-03-01<br/>-2015-02-28</i> |
| Nobina Sweden   | 88                                | 93                                |
| Nobina Denmark  | 2                                 | 4                                 |
| Nobina Norway   | 24                                | 30                                |
| Nobina Finland  | 15                                | 14                                |
| <b>Total Regional traffic</b>   | <b>129</b>                        | <b>141</b>                        |
| Swebus  | 2                                 | 3                                 |
| <b>Total Interregional traffic</b>  | <b>2</b>                          | <b>3</b>                          |
| <b>Total Interest expenses for finance lease liabilities</b>                    | <b>131</b>                        | <b>144</b>                        |

**Present value of future minimum leasing fees for finance leases grouped by maturity date**

| <i>Expected maturity 2016-03-01 and later</i> | <i>Q1</i> | <i>Q2</i> | <i>Q3</i> | <i>Q4</i> | <i>2017/18</i> | <i>2018/19</i> | <i>2019/20</i> | <i>Later</i> | <i>Total</i> |
|---|-----------|-----------|-----------|-----------|----------------|----------------|----------------|--------------|--------------|
| Future minimum leasing fees                   | 214       | 231       | 203       | 314       | 707            | 717            | 689            | 1,865        | 4,940        |
| Present value of future minimum leasing fees  | 213       | 228       | 199       | 305       | 678            | 668            | 626            | 1,543        | 4,460        |

| <i>Expected maturity 2015-03-01 and later</i> | <i>Q1</i> | <i>Q2</i> | <i>Q3</i> | <i>Q4</i> | <i>2016/17</i> | <i>2017/18</i> | <i>2018/19</i> | <i>Later</i> | <i>Total</i> |
|---|-----------|-----------|-----------|-----------|----------------|----------------|----------------|--------------|--------------|
| Future minimum leasing fees                   | 199       | 270       | 186       | 168       | 859            | 522            | 536            | 1,398        | 4,138        |
| Present value of future minimum leasing fees  | 198       | 265       | 182       | 163       | 812            | 480            | 476            | 1,114        | 3,690        |

| <i>Future minimum leasing fees for finance lease liabilities and their present value, SEK million</i> | <i>Group</i>      |                   |
|---|-------------------|-------------------|
|   | <i>2016-02-29</i> | <i>2015-02-28</i> |
| Total future minimum leasing fees   | 4,940             | 4,138             |
| Less interest charge  | -480              | -448              |
| <b>Present value of future minimum leasing fees</b>   | <b>4,460</b>      | <b>3,690</b>      |

**OPERATING LEASES BUSES**

| <i>Operating leases (vehicles), SEK million</i> | <i>Group</i>                      |                                   |
|---|-----------------------------------|-----------------------------------|
|   | <i>2015-03-01<br/>-2016-02-29</i> | <i>2014-03-01<br/>-2015-02-28</i> |
| Fees for operating leases for the year          | 58                                | 97                                |
| Number of operating leases                      | 399                               | 480                               |

| <i>Future minimum leasing fees for non-cancellable operating leases, SEK million</i> | <i>Group</i>      |                   |
|--|-------------------|-------------------|
|  | <i>2016-02-29</i> | <i>2015-02-28</i> |
| Total future minimum leasing fees  | 184               | 285               |
| Less interest charge   | -8                | -17               |
| <b>Present value of future minimum leasing fees</b>                                  | <b>176</b>        | <b>268</b>        |

The grounds for how variable fees are established based on the lease terms. The leasing expenses are normally based on either straight-line amortisation or an annuity payment with variable amortisation over time. The proportion of contracts with annuity payments is approximately 95 per cent of the operating contracts. The durations of the operating contracts are divided into blocks where the first one is usually five years with a residual value of approximately 40 per cent and then extensions of up to seven years, with residual values down to 0 per cent. Interest expense is calculated as the contract interest rate on the outstanding liability at all times. The contract interest rate normally comprises a variable base interest rate such as STIBOR or EURIBOR with the addition of a fixed margin. At the end of the contracts, the buses are returned to the lessor. The lessor is responsible for the residual value. No substantial secondary leasing of leased buses took place during the fiscal year.

| <i>Operating lease expenses per segment, SEK million</i> | <i>Group</i>                      |                                   |
|--|-----------------------------------|-----------------------------------|
|  | <i>2015-03-01<br/>-2016-02-29</i> | <i>2014-03-01<br/>-2015-02-28</i> |
| Nobina Sweden  | 45                                | 67                                |
| Nobina Denmark   | 7                                 | 22                                |
| Nobina Norway  | -                                 | 2                                 |
| Nobina Finland   | 6                                 | 6                                 |
| <b>Total Regional traffic</b>                            | <b>58</b>                         | <b>97</b>                         |
| Swebus   | -                                 | -                                 |
| <b>Total Interregional traffic</b>                       | <b>-</b>                          | <b>-</b>                          |
| <b>Total Operational leasing expenses</b>                | <b>58</b>                         | <b>97</b>                         |



Note 7 cont.

|  | Group                     |                           |   | Group                     |                           |
|--|---------------------------|---------------------------|---|---------------------------|---------------------------|
|  | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |   | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| <b>Nominal value of future minimum leasing fees per segment, SEK million</b> |                           |                           | <b>Present value of future minimum leasing fees for operating leases per segment, SEK million</b> |                           |                           |
| Nobina Sweden  | 177                       | 273                       | Nobina Sweden   | 169                       | 256                       |
| Nobina Denmark   | -                         | -                         | Nobina Denmark  | -                         | -                         |
| Nobina Norway  | -                         | -                         | Nobina Norway   | -                         | -                         |
| Nobina Finland   | 7                         | 12                        | Nobina Finland  | 7                         | 12                        |
| <b>Total Regional traffic</b>  | <b>184</b>                | <b>285</b>                | <b>Total Regional traffic</b>   | <b>176</b>                | <b>268</b>                |
| Swebus   | -                         | -                         | Swebus  | -                         | -                         |
| <b>Total Interregional traffic</b>   | <b>-</b>                  | <b>-</b>                  | <b>Total Interregional traffic</b>  | <b>-</b>                  | <b>-</b>                  |
| <b>Total Nominal value of future minimum leasing fees</b>                    | <b>184</b>                | <b>285</b>                | <b>Total Present value of future minimum leasing fees for operating leases</b>                    | <b>176</b>                | <b>268</b>                |

**Present value of future minimum leasing fees for operating leases grouped by maturity date**

| <b>Expected maturity 2015-03-01 and later</b> | Q1 | Q2 | Q3 | Q4 | 2017/18 | 2018/19 | 2019/20 | Later | Total |
|---|----|----|----|----|---------|---------|---------|-------|-------|
| Future minimum leasing fees                   | 9  | 9  | 8  | 8  | 27      | 21      | 19      | 83    | 184   |
| Present value of future minimum leasing fees  | 9  | 9  | 8  | 8  | 27      | 21      | 18      | 76    | 176   |
| <b>Expected maturity 2014-03-01 and later</b> | Q1 | Q2 | Q3 | Q4 | 2016/17 | 2017/18 | 2018/19 | Later | Total |
| Future minimum leasing fees                   | 13 | 12 | 12 | 12 | 46      | 35      | 29      | 126   | 285   |
| Present value of future minimum leasing fees  | 13 | 12 | 12 | 12 | 44      | 34      | 28      | 113   | 268   |

**OTHER OPERATING LEASES – GROUP**

Paid and future rents in accordance with non-cancellable agreements where obligations exceed one year.

| <b>SEK million</b>                                   | 2015-03-01-<br>2016-02-29 | 2016/17    | 2017/18    | 2018/19    | Later      | Total        |
|--|---------------------------|------------|------------|------------|------------|--------------|
| Property rents                                       | 195                       | 204        | 190        | 186        | 672        | 1,447        |
| Leases for vehicles excluding buses                  | 12                        | 12         | 10         | 8          | 1          | 43           |
| Other operating leases                               | 15                        | 24         | 24         | 24         | 25         | 112          |
| <b>Total Nominal value of other operating leases</b> | <b>222</b>                | <b>240</b> | <b>224</b> | <b>218</b> | <b>698</b> | <b>1,602</b> |
| <b>SEK million</b>                                   | 2014-03-01-<br>2015-02-28 | 2015/16    | 2016/17    | 2017/18    | Later      | Total        |
| Property rents                                       | 183                       | 197        | 182        | 160        | 180        | 902          |
| Leases for vehicles excluding buses                  | 10                        | 9          | 8          | 2          | -          | 29           |
| Other operating leases                               | -                         | -          | -          | -          | -          | -            |
| <b>Total Nominal value of other operating leases</b> | <b>193</b>                | <b>206</b> | <b>190</b> | <b>162</b> | <b>180</b> | <b>931</b>   |

**NOTE 08** Personnel

|  | Group                     |                           | Parent Company            |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| <b>Number of employees</b>             |                           |                           |                           |                           |
| Average number of employees            | 11,747                    | 11,345                    | 10                        | 10                        |
| of whom men                            | 10,135                    | 9,732                     | 7                         | 7                         |
| of whom women                          | 1,612                     | 1,613                     | 3                         | 3                         |
| Number of employees translated to FTEs | 8,461                     | 7,603                     | 10                        | 10                        |
| Sweden                                 | 8,773                     | 8,533                     | 10                        | 10                        |
| of whom men                            | 7,400                     | 7,160                     | 7                         | 7                         |
| of whom women                          | 1,373                     | 1,373                     | 3                         | 3                         |
| Number of employees translated to FTEs | 6,086                     | 5,589                     | 10                        | 10                        |
| Denmark                                | 638                       | 531                       | -                         | -                         |
| of whom men                            | 561                       | 446                       | -                         | -                         |
| of whom women                          | 77                        | 85                        | -                         | -                         |
| Number of employees translated to FTEs | 508                       | 356                       | -                         | -                         |
| Norway                                 | 1,194                     | 1,245                     | -                         | -                         |
| of whom men                            | 1,089                     | 1,143                     | -                         | -                         |
| of whom women                          | 105                       | 102                       | -                         | -                         |
| Number of employees translated to FTEs | 901                       | 820                       | -                         | -                         |
| Finland                                | 1,142                     | 1,036                     | -                         | -                         |
| of whom men                            | 1,085                     | 983                       | -                         | -                         |
| of whom women                          | 57                        | 53                        | -                         | -                         |
| Number of employees translated to FTEs | 966                       | 838                       | -                         | -                         |

**PERSONNEL COSTS**

|                                   | Group<br>2015-03-01-2016-02-29  |                   |                        | Group<br>2014-03-01-2015-02-28  |                   |                        |
|-----------------------------------|---------------------------------|-------------------|------------------------|---------------------------------|-------------------|------------------------|
|                                   | Salaries and other remuneration | Payroll overheads | Of which pension costs | Salaries and other remuneration | Payroll overheads | Of which pension costs |
| Parent Company                    | 89                              | 31                | 4                      | 24                              | 13                | 6                      |
| Subsidiaries in Sweden            | 2,180                           | 800               | 127                    | 1,926                           | 655               | 77                     |
| <b>Total Sweden</b>               | <b>2,269</b>                    | <b>831</b>        | <b>131</b>             | <b>1,950</b>                    | <b>668</b>        | <b>83</b>              |
| Foreign subsidiaries              |                                 |                   |                        |                                 |                   |                        |
| Denmark                           | 282                             | 43                | 26                     | 213                             | 34                | 20                     |
| Norway                            | 421                             | 83                | 22                     | 428                             | 91                | 20                     |
| Finland                           | 463                             | 107               | 83                     | 364                             | 85                | 64                     |
| <b>Total foreign subsidiaries</b> | <b>1,166</b>                    | <b>233</b>        | <b>131</b>             | <b>1,005</b>                    | <b>210</b>        | <b>104</b>             |
| <b>Total Group</b>                | <b>3,435</b>                    | <b>1,064</b>      | <b>262</b>             | <b>2,955</b>                    | <b>878</b>        | <b>187</b>             |

|                                   | Group<br>2015-03-01-2016-02-29 |  |                 | Group<br>2014-03-01-2015-02-28 |  |                 |
|-----------------------------------|--------------------------------|--|-----------------|--------------------------------|--|-----------------|
|                                   | Group's senior executives      | Of which bonus payments and similar remuneration | Other employees | Group's senior executives      | Of which bonus payments and similar remuneration | Other employees |
| Parent Company                    | 77                             | 67   | 12              | 13                             | 6  | 11              |
| Subsidiaries in Sweden            | 57                             | 46   | 2,123           | 12                             | 3  | 1,914           |
| <b>Total Sweden</b>               | <b>134</b>                     | <b>113</b>                                       | <b>2,135</b>    | <b>25</b>                      | <b>9</b>   | <b>1,925</b>    |
| Foreign subsidiaries              |                                |  |                 |                                |  |                 |
| Denmark                           | 10                             | 9  | 272             | 2                              | -  | 211             |
| Norway                            | 11                             | 10   | 410             | 2                              | -  | 426             |
| Finland                           | 13                             | 11   | 450             | 3                              | 1  | 361             |
| <b>Total foreign subsidiaries</b> | <b>34</b>                      | <b>30</b>  | <b>1,132</b>    | <b>7</b>                       | <b>1</b>   | <b>998</b>      |
| <b>Total Group</b>                | <b>168</b>                     | <b>143</b>                                       | <b>3,267</b>    | <b>32</b>                      | <b>10</b>  | <b>2,923</b>    |

Note 8 cont.

#### Remuneration to the Chairman of the Board and other Board members

Remuneration to the Chairman and other members of the Board is paid according to the decision of the Annual General Meeting. No remuneration is paid to the Board beyond that approved by the Annual General Meeting. The CEO receives no Board fees. During the year, Nobina AB paid pension benefits to former Board members equal to SEK 0.0 million (0.0). This is because the Board members are entitled to lifelong remuneration from the company. Two previous members from Group management are entitled to lifelong remuneration from the company, which amounted to SEK 11 million (12) at the balance-sheet date.

#### Incentive program

During the year, Nobina AB made payments under two incentive programmes covering ten senior executives (including the CEO) as well as five directors (excluding the CEO), after which the incentive programmes were ended. The total cost for both programmes was SEK 172 million (including salary, social security contributions and taxes), of which the senior executives received a total amount of SEK 123 million (excluding social security contributions and taxes) and the directors received a total amount of SEK 11 million (excluding social security contributions and taxes). In connection with the IPO, the amount was distributed to the participants in both programmes, and was thereafter reinvested corresponding to 75 per cent of the disbursed amount (net after tax) by acquiring Nobina shares at the introduction price. The senior executives and directors acquired in total 1,341,277 shares, which increased their share ownership in Nobina from 1.1 per cent to 2.4 per cent. The acquired shares are subject to lock-up agreements. In addition, in connection with the IPO, Director John Allkins acquired a further 20,588 shares for a total amount of SEK 0.7 million. These shares are also subject to a lock-up agreement. The allocation per participant is calculated as multiples of the individuals' annual salary. Following this, the Group has no ongoing incentive or share-based programmes.

#### SHARE HOLDINGS OF THE BOARD AND SENIOR EXECUTIVES

| Number of shares              | Group            |                |
|-------------------------------|------------------|----------------|
|                               | 2016-02-29       | 2015-02-28     |
| <b>Board Chairman</b>         |                  |                |
| Jan Sjöqvist                  | 193,737          | 165,958        |
| <b>Board members</b>          |                  |                |
| Graham Oldroyd                | 34,375           | –              |
| Birgitta Kantola              | 14,578           | –              |
| Gunnar Reitan                 | 16,500           | –              |
| John Allkins                  | 54,963           | –              |
| <b>Senior executives</b>      |                  |                |
| Ragnar Norbäck                | 722,444          | 319,010        |
| Per Skärgård                  | 217,878          | 90,757         |
| Jan Bosaeus                   | 210,913          | 66,015         |
| Joakim Palmqvist              | 115,613          | 21,160         |
| Tom Ward                      | 112,066          | 20,947         |
| Phillipp Engedal              | 108,882          | –              |
| Niels Peter Nielsen           | 79,005           | –              |
| Martin Pagrotsky              | 66,844           | 4,233          |
| Annika Kolmert                | 60,191           | 167            |
| Peter Hagert                  | 74,396           | –              |
| <b>Total number of shares</b> | <b>2,082,385</b> | <b>688,247</b> |

1) Share consolidation, reverse split 1:10, as decided at the General Meeting of 27 May 2015. The number of shares for the preceding year has been adjusted for comparability.

#### REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES

Senior executives in Nobina include the CEO, CFO, Managing Directors of subsidiaries and positions reporting directly to the CEO. The total remuneration to the CEO and other senior executives includes fixed salaries, short and long-term variable remuneration, pensions and other benefits. In the event of termination of employment, senior executives in Nobina are entitled to not more than 12 months' compensation. As a

basic principle, a six-month mutual termination period applies between the company and the executive. In addition, a maximum of six months of remuneration is payable should employment be terminated by the company. For the CEO and certain other senior executives employed in Sweden, a supplemental pension plan is applied corresponding to the ITP plan.

#### Variable remuneration to the CEO

In addition to fixed remuneration, the CEO is entitled to a special bonus. Variable remuneration shall be based on the individual's performance and the company's performance in relation to predetermined and established goals. Evaluation of these goals will take place annually. Variable remuneration consists of a cash bonus as determined by the Board and is capped at 100 per cent of fixed annual salary. During the year, prior equity-based remuneration to the CEO was cash settled. In addition to the stated remuneration to the CEO, there is also an accrued share-based payment of SEK 3.9 (4.5) million, which has not yet been paid.

#### Variable remuneration to other senior executives

In addition to fixed remuneration, other senior executives are entitled to a separate bonus. Variable remuneration is based on the individual's performance and the company's performance in relation to predetermined and established targets. Evaluation of these targets takes place annually. Variable remuneration is capped at 60 per cent of fixed annual salary for managing directors of subsidiaries and is capped at 30 per cent of fixed annual salary for senior executives.

#### Pension terms for the CEO

The retirement age for the CEO is 62 years in the Parent Company. Pension expenses for the company amount to 90 per cent of salary when retirement takes place at the age of 62–63, 80 per cent of salary when retirement takes place at the age of 63–64 and 70 per cent of salary when retirement takes place at the age of 64–65. Nobina's commitment to the CEO ends at retirement, at the age of 65. Provision for pension in accordance with the above pension terms for the CEO amounts to SEK 8 million (7). In addition, there are ongoing pension expenses comprising defined contribution pensions, for which the premium is equal to 30 per cent of pensionable salary. For the CEO, the defined-contribution pension expense amount to SEK 1.3 million (1.3). Pensionable salary comprises basic salary as long as the CEO remains in the company's employment. Termination salary is pensionable.

#### Pension terms for other senior executives

Pension expenses comprise defined-contribution pensions, for which the premium is capped at 30 per cent of pensionable salary. In some cases, endowment insurance has been used with senior executives when the level of the pension form promised by the company has exceeded the amounts permitted under the Income Tax Act.

#### Sick pay for the CEO

The CEO is insured up to 90 per cent of salary for a maximum of 365 days per calendar year, with no qualifying days.

#### Other employment benefits of the CEO

In addition to the taxable benefits described above, benefits include health insurance and holdings of shares in Nobina AB.

#### Vacation for the CEO and other senior executives

The CEO and other senior executives are entitled to 30 vacation days per year.

#### CEO AND VICE PRESIDENTS

Senior executives (Group management) in the Parent Company are the CEO, the CFO who is also a Vice President of the Group and the Managing Director of Nobina Sverige AB who is also a Vice President of the Group.

Note 8 cont.

**REMUNERATION OF SENIOR EXECUTIVES, 1 MAR 2015 – 29 FEB 2016**

|   |      | Basic salary/<br>Year directors' fees | Variable remuneration | Incentive programme/IPO | Pension expenses | Other remuneration | Total        |
|---|------|---------------------------------------|-----------------------|-------------------------|------------------|--------------------|--------------|
| Jan Sjöqvist (Chairman)                         | 2015 | 0.9                                   | –                     | 2.8                     | –                | –                  | 3.7          |
| Graham Oldroyd (Director)                       | 2015 | 0.5                                   | –                     | 2.8                     | –                | –                  | 3.3          |
| Birgitta Kantola (Director)                     | 2015 | 0.5                                   | –                     | 1.4                     | –                | –                  | 1.9          |
| Gunnar Reitan (Director)                        | 2015 | 0.5                                   | –                     | 1.4                     | –                | –                  | 1.9          |
| John Allkins (Director)                         | 2015 | 0.5                                   | –                     | 2.8                     | –                | –                  | 3.3          |
| Ragnar Norbäck, CEO                             | 2015 | 4.9                                   | 3.4                   | 37.9                    | 1.3              | –                  | 47.5         |
| Other senior executives, 10 people <sup>1</sup> | 2015 | 17.2                                  | 5.2                   | 56.7                    | 4.8              | 1.8                | 116,0        |
| <b>Total 2015</b>                               |      | <b>25.0</b>                           | <b>8.6</b>            | <b>134.2</b>            | <b>8.0</b>       | <b>1.8</b>         | <b>177.6</b> |

<sup>1</sup>) Pertains to Joakim Palmqvist, Annika Kolmert, Peter Hagert (until 29 February 2016 when he left the management team), Martin Pagrotsky, Niels Peter Nielsen, Tom Ward, Philipp Engerdahl, Anna Jonasson (from 1 March 2016 when she joined the management team), Stina Thorman, Per Skärgård and Jan Bosaeus.

**REMUNERATION OF SENIOR EXECUTIVES, 1 MAR 2014 – 28 FEB 2015**

|  |      | Basic salary/<br>Year directors' fees | Variable remuneration | Incentive programme/IPO | Pension expenses | Other remuneration | Total       |
|--|------|---------------------------------------|-----------------------|-------------------------|------------------|--------------------|-------------|
| Jan Sjöqvist (Chairman)                        | 2014 | 0.9                                   | –                     | –                       | –                | –                  | 0.9         |
| Graham Oldroyd (Director)                      | 2014 | 0.5                                   | –                     | –                       | –                | –                  | 0.5         |
| Birgitta Kantola (Director)                    | 2014 | 0.5                                   | –                     | –                       | –                | –                  | 0.5         |
| Gunnar Reitan (Director)                       | 2014 | 0.5                                   | –                     | –                       | –                | –                  | 0.5         |
| John Allkins (Director)                        | 2014 | 0.5                                   | –                     | –                       | –                | –                  | 0.5         |
| Ragnar Norbäck, CEO                            | 2014 | 4.9                                   | 5.3                   | –                       | 1.3              | –                  | 11.5        |
| Other senior executives, 9 people <sup>1</sup> | 2014 | 14,5                                  | 4,8                   | –                       | 4,8              | –                  | 24,1        |
| <b>Total 2014</b>                              |      | <b>22.3</b>                           | <b>10.1</b>           | <b>0.0</b>              | <b>6.1</b>       | <b>0.0</b>         | <b>38.5</b> |

<sup>1</sup>) Pertains to Joakim Palmqvist, Annika Kolmert, Peter Hagert, Martin Pagrotsky, Niels Peter Nielsen, Tom Ward, Philipp Engerdahl, Per Skärgård and Jan Bosaeus.

|  | Group<br>29 Feb 2016 |             | Group<br>28 Feb 2016 |             |
|--|----------------------|-------------|----------------------|-------------|
|  | Number               | Of whom men | Number               | Of whom men |
| <b>Board members and senior executives</b> |                      |             |                      |             |
| Board incl. CEO                            | 6                    | 83%         | 6                    | 83%         |
| Other senior executives                    | 10                   | 80%         | 9                    | 89%         |

**NOTE 09 Depreciation/amortisation and impairment of PPE and intangible assets**

| SEK million                                      | Group                     |                           | Parent Company            |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| Goodwill   | –                         | –                         | –                         | –                         |
| Other intangible assets                          | 7                         | 8                         | –                         | –                         |
| Costs for improvements on third-party properties | 5                         | 5                         | –                         | –                         |
| Equipment, tools, fixtures and fittings          | 23                        | 17                        | –                         | –                         |
| Vehicles   | 571                       | 486                       | –                         | –                         |
| <b>Total</b>                                     | <b>606</b>                | <b>516</b>                | <b>–</b>                  | <b>–</b>                  |

Impairment losses for the year on available-for-sale buses belong to these segments: Nobina Sweden SEK 5 million (3), Nobina Finland SEK 0 million (0), Nobina Denmark SEK 0 million (0) and Nobina Norway SEK 0 million (2).

**NOTE 10** Interest income and similar profit/loss items

| SEK million                          | Group                     |                           | Parent Company            |                           |
|--------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                                      | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| Financial income                     | 3                         | 5                         | –                         | –                         |
| Interest income                      | –                         | 3                         | –                         | –                         |
| Interest income from Group companies | –                         | –                         | 12                        | 37                        |
| <b>Total</b>                         | <b>3</b>                  | <b>8</b>                  | <b>12</b>                 | <b>37</b>                 |

The Group earns interest on its bank deposits according to an interest rate based on the bank's daily investment interest rates. Of the above interest income and similar profit/loss items, SEK 2 million (4) was received during the year.

**NOTE 11** Interest expenses and similar profit/loss items

| SEK million  | Group                     |                           | Parent Company            |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| Interest expense, finance leases                   | -131                      | -144                      | –                         | –                         |
| Amortisation of bond loan and other external loans | -125                      | -89                       | –                         | –                         |
| Other financial expenses                           | -4                        | -6                        | –                         | –                         |
| Interest expenses to Group companies               | –                         | –                         | -69                       | -2                        |
| Realised and unrealised exchange gains/losses, net | 1                         | 1                         | –                         | –                         |
| <b>Total</b>                                       | <b>-259</b>               | <b>-238</b>               | <b>-69</b>                | <b>-2</b>                 |

Paid interest expenses amounted to SEK -254 million (-213). The interest expenses pertain to liabilities that have been recognised at amortised cost.

**NOTE 12** Intangible assets

| Distribution of goodwill per segment,<br>SEK million | Group      |            |
|--|------------|------------|
|  | 2016-02-29 | 2015-02-28 |
| Nobina Sweden  | 383        | 383        |
| Nobina Denmark                                       | –          | –          |
| Nobina Norway <sup>1</sup>                           | 117        | 131        |
| Nobina Finland                                       | 29         | 29         |
| <b>Total Regional traffic</b>                        | <b>529</b> | <b>543</b> |
| Swebus   | 45         | 45         |
| <b>Total Interregional traffic</b>                   | <b>45</b>  | <b>45</b>  |
| <b>Total Group goodwill</b>                          | <b>574</b> | <b>588</b> |

1) The change in Nobina Norway's goodwill was due to a change in exchange rates.

Group management has carried out the usual test of goodwill for impairment. In the assessment of cash-generating units' recoverable amount (used for the assessment of any impairment requirement of goodwill), several assumptions of future conditions and estimates of variables were made to forecast future cash flows. Carrying amounts obtained on testing for impairment requirements are defined as operating segment capital, which excludes cash and bank balances,

restricted bank accounts, intra-Group receivables and payables, and external loans (bonds) and effects from financial leases, see Note 1. The company's cash flows are based on operating earnings, with the addition of the results of operating and finance lease expenses. Finance lease expenses include interest costs and repayments. Head office expenses are excluded from the company's operating profit. Forecasts for future cash flows are based on the best possible assessments of future revenue and operating expenses, which in turn are based on the company's business plans, historical trends, general market conditions and other available information. The management's assessment is that the value in use based on internal business plans (five years) provides a more accurate picture of Nobina and a more long-term valuation compared with the market capitalisation, which in some instances, can be lower than the fair values derived from internal business plans. The discounted cash-flow value, given an explicit five-year forecast period and the derived terminal value, are based on each company's earnings before amortisation, which affects the units' existing and future market shares. The growth rate was calculated separately for each business area over a five-year period. Thereafter, the growth rate was estimated at zero per cent (zero). The cash flow forecasts are calculated at present value with a yield requirement, WACC, of 7.0 (7.5) per cent before tax.

Note 12 cont.

|   | 2016-02-28    |               |                |        | 2015-02-28    |               |                |        |
|---|---------------|---------------|----------------|--------|---------------|---------------|----------------|--------|
|   | Nobina Sweden | Nobina Norway | Nobina Finland | Swebus | Nobina Sweden | Nobina Norway | Nobina Finland | Swebus |
| Sales growth over 5-year period   | 5.0%          | 7.9%          | 4.2%           | 3.1%   | 4.3%          | 4.6%          | 5.5%           | 4.4%   |
| Discount rate before tax for present value calculation of the estimated future cash flows | 7.0%          | 7.0%          | 7.0%           | 7.0%   | 7.5%          | 7.5%          | 7.5%           | 7.5%   |

There is an adequate margin between the value-in-use and carrying amount. Management assesses that the impact of reasonable, potential changes in forecast profit margins, sales growth and discount rate, would not impact the recoverable amount such that it is reduced to a value that is lower than the carrying amount.

| <i>Other intangible assets (pertain primarily to internal software development), SEK million</i> | Group      |            | Parent Company |            |
|--|------------|------------|----------------|------------|
|  | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| <i>Cost</i>  |            |            |                |            |
| Opening cost   | 57         | 54         | –              | 52         |
| Procurement  | 1          | 5          | –              | –          |
| Sales/disposals  | –36        | –2         | –              | –52        |
| <b>Closing cost</b>  | <b>22</b>  | <b>57</b>  | <b>–</b>       | <b>–</b>   |
| <i>Accumulated amortisation</i>  |            |            |                |            |
| Opening accumulated amortisation   | –41        | –35        | –              | –34        |
| Sales/disposals  | –7         | –8         | –              | –          |
| Amortisation for the year  | 36         | 2          | –              | 34         |
| <b>Closing accumulated amortisation</b>  | <b>–12</b> | <b>–41</b> | <b>–</b>       | <b>–</b>   |
| <b>Residual value according to plan</b>  | <b>10</b>  | <b>16</b>  | <b>–</b>       | <b>–</b>   |

### NOTE 13 Property, plant and equipment

| <i>Costs for leasehold improvements, SEK million</i> | Group      |            | Parent Company |            |
|--|------------|------------|----------------|------------|
|  | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| <i>Cost</i>  |            |            |                |            |
| Opening cost   | 40         | 37         | –              | –          |
| Procurement  | 17         | 9          | –              | –          |
| Sales/disposals                                      | –4         | –6         | –              | –          |
| Reclassification                                     | 3          | –          | –              | –          |
| Translation difference                               | –2         | –          | –              | –          |
| <b>Closing cost</b>                                  | <b>54</b>  | <b>40</b>  | <b>–</b>       | <b>–</b>   |
| <i>Accumulated amortisation</i>                      |            |            |                |            |
| Opening accumulated amortisation                     | –19        | –20        | –              | –          |
| Amortisation for the year                            | –5         | –5         | –              | –          |
| Sales/disposals                                      | 5          | 6          | –              | –          |
| Reclassification                                     | 1          | –          | –              | –          |
| <b>Closing accumulated amortisation</b>              | <b>–18</b> | <b>–19</b> | <b>–</b>       | <b>–</b>   |
| <b>Residual value according to plan</b>              | <b>36</b>  | <b>21</b>  | <b>–</b>       | <b>–</b>   |

| <i>Equipment, tools, fixtures and fittings, SEK million</i> | Group      |            | Parent Company |            |
|---|------------|------------|----------------|------------|
|   | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| <i>Cost</i>   |            |            |                |            |
| Opening cost  | 167        | 160        | –              | 40         |
| Procurement   | 36         | 46         | –              | –          |
| Sales/disposals   | –19        | –40        | –              | –40        |
| Reclassification  | –3         | –          | –              | –          |
| Translation difference                                      | –2         | 1          | –              | –          |
| <b>Closing cost</b>   | <b>179</b> | <b>167</b> | <b>–</b>       | <b>–</b>   |

Note 13 cont.

| <i>Equipment, tools, fixtures and fittings, SEK million</i> | <i>Group</i>      |                   | <i>Parent Company</i> |                   |
|---|-------------------|-------------------|-----------------------|-------------------|
|   | <i>2016-02-29</i> | <i>2015-02-28</i> | <i>2016-02-29</i>     | <i>2015-02-28</i> |
| <i>Accumulated amortisation</i>                             |                   |                   |                       |                   |
| Opening accumulated amortisation                            | -106              | -128              | -                     | -36               |
| Sales/disposals   | 18                | 40                | -                     | 36                |
| Amortisation for the year                                   | -22               | -17               | -                     | -                 |
| Reclassification  | -2                | -                 | -                     | -                 |
| Translation difference                                      | -                 | -1                | -                     | -                 |
| <b><i>Closing accumulated amortisation</i></b>              | <b>-112</b>       | <b>-106</b>       | <b>-</b>              | <b>-</b>          |
| <b><i>Residual value according to plan</i></b>              | <b>67</b>         | <b>61</b>         | <b>-</b>              | <b>-</b>          |

| <i>Vehicles, SEK million</i>                   | <i>Group</i>      |                   | <i>Parent Company</i> |                   |
|--|-------------------|-------------------|-----------------------|-------------------|
|  | <i>2016-02-29</i> | <i>2015-02-28</i> | <i>2016-02-29</i>     | <i>2015-02-28</i> |
| <i>Cost</i>                                    |                   |                   |                       |                   |
| Opening cost                                   | 6,558             | 5,918             | -                     | -                 |
| Procurement                                    | 1,617             | 980               | -                     | -                 |
| Sales/disposals                                | -241              | -405              | -                     | -                 |
| Reclassification                               | 1                 | -                 | -                     | -                 |
| Translation difference                         | -109              | 65                | -                     | -                 |
| <b><i>Closing cost</i></b>                     | <b>7,826</b>      | <b>6,558</b>      | <b>-</b>              | <b>-</b>          |
| <i>Accumulated amortisation</i>                |                   |                   |                       |                   |
| Opening accumulated amortisation               | -2,194            | -1,949            | -                     | -                 |
| Sales/disposals                                | 145               | 254               | -                     | -                 |
| Amortisation for the year                      | -566              | -481              | -                     | -                 |
| Translation difference                         | 32                | -18               | -                     | -                 |
| <b><i>Closing accumulated amortisation</i></b> | <b>-2,583</b>     | <b>-2,194</b>     | <b>-</b>              | <b>-</b>          |
| <i>Accumulated impairment</i>                  |                   |                   |                       |                   |
| Opening accumulated impairment                 | -10               | -19               | -                     | -                 |
| Sales/disposals                                | 10                | 14                | -                     | -                 |
| Impairment for the year                        | -5                | -5                | -                     | -                 |
| <b><i>Closing accumulated impairment</i></b>   | <b>-5</b>         | <b>-10</b>        | <b>-</b>              | <b>-</b>          |
| <b><i>Residual value according to plan</i></b> | <b>5,238</b>      | <b>4,354</b>      | <b>-</b>              | <b>-</b>          |

Financial leasing is included in the aforementioned amounts, see Note 7, and impairment of available-for-sale buses, see Note 9. Impairment pertains to buses where the net realisable value is less than the carrying amount, see Note 1, Excess vehicles (buses).

## NOTE 14 Net investments for the year

| <i>Investments</i>                         | <i>Group</i>                     |                                  | <i>Parent Company</i>            |                                  |
|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
|  | <i>2015-03-01<br/>2016-02-29</i> | <i>2014-03-01<br/>2015-02-28</i> | <i>2015-03-01<br/>2016-02-29</i> | <i>2014-03-01<br/>2015-02-28</i> |
| Other intangible assets                    | -1                               | -5                               | -                                | -                                |
| Costs for leasehold improvements           | -17                              | -9                               | -                                | -                                |
| Equipment, tools, fixtures and fittings    | -36                              | -46                              | -                                | -                                |
| Vehicles                                   | -1,617                           | -980                             | -                                | -                                |
| (of which financial leasing agreements)    | (-1,478)                         | (-745)                           | -                                | -                                |
| <b><i>Total investments</i></b>            | <b>-1671</b>                     | <b>-1,040</b>                    | <b>-</b>                         | <b>-</b>                         |
| Lease-financed vehicles                    | 1,478                            | 745                              | -                                | -                                |
| <b><i>Total investments</i></b>            | <b>-193</b>                      | <b>-295</b>                      | <b>-</b>                         | <b>-</b>                         |
| Of which loan-financed investments         | 109                              | 168                              | -                                | -                                |
| <b><i>Net investments for the year</i></b> | <b>-84</b>                       | <b>-127</b>                      | <b>-</b>                         | <b>-</b>                         |

**NOTE 15** Participations in Group companies

| SEK million   | Parent Company |              | Profit from participations in Group companies, SEK million              | Parent Company            |                           |
|---|----------------|--------------|---|---------------------------|---------------------------|
|   | 2016-02-29     | 2015-02-28   |   | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| <i>Participations in Group companies</i>                              |                |              |   |                           |                           |
| Opening balance   | 3,695          | 2,388        | Nobina Sverige AB, Group contribution                                   | 269                       | 50                        |
| Intra-Group purchase of Nobina Busco AB                               | 5              | –            | Nobina Busco AB, impairment of capital infusion and Group contribution  | –10                       | –                         |
| Intra-Group purchase of Nobina Sverige AB                             | 2,620          | –            | Nobina Fleet AB, impairment of capital infusion and Group contribution  | –98                       | –                         |
| Intra-Group purchase of Nobina Sverige 2 AB                           | –              | –            | Nobina Europe AB, dividends received                                    | 3,017                     | –                         |
| Intra-Group purchase of Swebus Express AB                             | 118            | –            | Nobina Fleet AB, impairment of capital infusion and Group contribution  | –3,516                    | –                         |
| Intra-Group purchase of Nobina Finland Oy Ab                          | 318            | –            | Nobina Sverige 2 AB, dividends received and Group contribution          | 4                         | 1,928                     |
| Intra-Group purchase of Nobina Norge AS                               | 195            | –            | Nobina Sverige 2 AB, impairment of shares after dividend received       | –                         | –1,937                    |
| Intra-Group purchase of Nobina Danmark Holding ApS                    | 207            | –            | Nobina Danmark Holding ApS, impairment of shares and Group contribution | –15                       | –                         |
| Capital infusion Nobina Busco AB                                      | 8              | –            | Swebus Express AB, Group contribution                                   | 5                         | –                         |
| Capital infusion Nobina Fleet AB                                      | 10             | –            | <b>Total</b>  | <b>–344</b>               | <b>41</b>                 |
| Impairment of capital infusion Nobina Busco AB                        | –8             | –            |   |                           |                           |
| Impairment of capital infusion Nobina Fleet AB                        | –25            | –            |   |                           |                           |
| Nobina Europe AB, impairment of shares after dividend received        | –3,458         | –            |   |                           |                           |
| Intra-Group sale of Nobina Sverige 2 AB                               | –              | –2,351       |   |                           |                           |
| Intra-Group purchase of Nobina Europe Group                           | –              | 3,658        |   |                           |                           |
| <b>Closing, carrying amounts of participations in Group companies</b> | <b>3,685</b>   | <b>3,695</b> |   |                           |                           |

During the year, Nobina AB conducted an intra-Group purchase of all directly owned Group companies from Nobina Europe AB. The transfer was carried out at book value and, thereafter, Nobina AB wrote down the book value of Nobina Europe AB due to the distribution. The share of votes is the same as the share of ownership.

| SEK million                                  | Corporate registration number | Business              | Equity | Number of shares | Profit/loss for the year | Value of ownership share (%) | Share capital | Book value 29 Feb 2016 |
|--|-------------------------------|-----------------------|--------|------------------|--------------------------|------------------------------|---------------|------------------------|
| <i>Subsidiaries of Nobina Fleet AB:</i>      |                               |                       |        |                  |                          |                              |               |                        |
| Nobina Fleet AB (Stockholm)                  | 556031-1812                   | Holding of buses      | 20     | 70,000           | –73                      | 100                          | 7             | 22                     |
| Nobina Busco AB (Stockholm)                  | 556583-0527                   | Holding of buses      | 5      | 1,000            | –2                       | 100                          | 0             | 5                      |
| Nobina Technology AB (Stockholm)             | 556210-1500                   | Technology advances   | 0      | 2,500            | 0                        | 100                          | 0             | –                      |
| Nobina Europe AB (Stockholm)                 | 556031-8569                   | Service company       | 218    | 160,000          | 2,966                    | 100                          | 16            | 200                    |
| Karlstadsbuss AB (Stockholm)                 | 556051-2039                   | Ongoing merger        | 4      | 3,000            | 0                        | 100                          | 3             | –                      |
| Nobina Sverige 2 AB (Stockholm)              | 556028-1122                   | Dormant company       | 0      | 300              | 0                        | 100                          | 0             | –                      |
| <i>Swedish commercial companies</i>          |                               |                       |        |                  |                          |                              |               |                        |
| Swebus Express AB (Stockholm)                | 556358-3276                   | Interregional traffic | 7      | 5,000            | 0                        | 100                          | 5             | 118                    |
| Nobina Sverige AB (Stockholm)                | 556057-0128                   | Regional traffic      | 474    | 3,000            | 113                      | 100                          | 0             | 2,620                  |
| <i>Subsidiaries of Nobina Sverige AB:</i>    |                               |                       |        |                  |                          |                              |               |                        |
| Nobina Spår AB (Stockholm)                   | 556416-2419                   | Dormant company       | 1      | 1,000            | 0                        | 100                          | 0             | –                      |
| <i>Foreign commercial subsidiaries</i>       |                               |                       |        |                  |                          |                              |               |                        |
| Nobina Finland Oy Ab (Helsinki)              | 0505988-8                     | Regional traffic      | 137    | 2,000            | 22                       | 100                          | 30            | 318                    |
| <i>Subsidiaries of Nobina Finland Oy Ab:</i> |                               |                       |        |                  |                          |                              |               |                        |
| Nobina Finland West Oy Ab (Helsinki)         | 2175179-4                     | Regional traffic      | 20     | 2,600            | 16                       | 100                          | 0             | –                      |
| Nobina Finland South Oy Ab (Helsinki)        | 2175178-6                     | Regional traffic      | 11     | 2,600            | 7                        | 100                          | 0             | –                      |
| Nobina Finland East Oy Ab (Helsinki)         | 2175186-6                     | Regional traffic      | 0      | 2,600            | 0                        | 100                          | 0             | –                      |
| Nobina Norge AS (Oslo)                       | 915768237                     | Regional traffic      | 27     | 4,268            | –10                      | 100                          | 46            | 195                    |
| Nobina Danmark Holding ApS (Glostrup)        | 36078480                      | Holding company       | 9      | 100              | 0                        | 100                          | 0             | 207                    |



Note 15 cont.

| SEK million  | Corporate registration number | Business         | Equity | Number of shares | Profit/loss for the year | Value of ownership share (%) | Share capital | Book value 29 Feb 2016 |
|--|-------------------------------|------------------|--------|------------------|--------------------------|------------------------------|---------------|------------------------|
| <i>Subsidiaries of Nobina Danmark Holding ApS:</i> |                               |                  |        |                  |                          |                              |               |                        |
| Nobina Danmark A/S (Glostrup)                      | 29513376                      | Regional traffic | 17     | 10,001           | -4                       | 100                          | 1             |                        |
| Nobina Fleet Danmark ApS (Glostrup)                | 31586429                      | Holding of buses | 0      | 1,250            | -6                       | 100                          | 0             |                        |
| <i>Subsidiaries of Nobina Fleet Danmark ApS:</i>   |                               |                  |        |                  |                          |                              |               |                        |
| Nobina Fleet Danmark No 1 ApS (Glostrup)           | 36077719                      | Holding of buses | 0      | 100              | -1                       | 100                          | 0             |                        |
| Nobina Fleet Danmark No 2 ApS (Glostrup)           | 36089482                      | Holding of buses | 0      | 100              | 0                        | 100                          | 0             |                        |
| Nobina Fleet Danmark No 3 ApS (Glostrup)           | 36089490                      | Holding of buses | 0      | 100              | 0                        | 100                          | 0             |                        |
| Nobina Fleet Danmark No 4 ApS (Glostrup)           | 36558598                      | Holding of buses | 0      | 100              | 0                        | 100                          | 0             |                        |
| Nobina Fleet Danmark No 5 ApS (Glostrup)           | 37422983                      | Holding of buses | 0      | 100              | 0                        | 100                          | 0             |                        |
| <b>Total</b>                                       |                               |                  |        |                  |                          |                              |               | <b>3,685</b>           |

**NOTE 16** Taxes

| SEK million                                       | Group                     |                           | Parent Company            |                           |
|---|---------------------------|---------------------------|---------------------------|---------------------------|
|   | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| Current tax on profit for the year                | -                         | -                         | -                         | -                         |
| Adjustments to previous years' tax                | -                         | -1                        | -                         | -                         |
| <b>Total current tax</b>                          | -                         | -1                        | -                         | -                         |
| <i>Deferred tax</i>                               |                           |                           |                           |                           |
| Recognition of prior, unrecognised deferred taxes | 1                         | -                         | -                         | -                         |
| The periods change through profit or loss         | 1                         | -46                       | 29                        | 40                        |
| Change in comprehensive income for the period     | -                         | 4                         | -                         | -                         |
| <b>Total deferred tax</b>                         | <b>2</b>                  | <b>-42</b>                | <b>29</b>                 | <b>40</b>                 |
| <b>Total income tax</b>                           | <b>2</b>                  | <b>-43</b>                | <b>29</b>                 | <b>40</b>                 |

The corporate tax rate in Norway is 25 per cent, in Denmark 23.5 per cent, in Finland 20 per cent and in Sweden 22 per cent. The Group's tax expense amounted to SEK 2 million (47), which was 100 per cent (33.3) of profit for the year. Furthermore, deferred tax of SEK 11 million was transferred to other contributed capital and pertained to tax on capital acquisition costs of SEK 49 million. Current tax amounted to SEK 0 million (1).

| Tax assets and tax liabilities   | Group      |            | Parent Company |            |
|--|------------|------------|----------------|------------|
|  | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| <i>Deferred tax assets, gross</i>  |            |            |                |            |
| Postponed depreciation/amortisation, impairment and adjustments to fair value, other PPE | 8          | 8          | -              | -          |
| Postponed expenses for provisions  | 2          | 2          | -              | -          |
| Doubtful debts   | -          | -          | -              | -          |
| Other deferred tax assets attributable to pensions                                       | 4          | 5          | -              | -          |
| Tax loss carryforwards   | 475        | 447        | 80             | 40         |
| <b>Total</b>   | <b>489</b> | <b>462</b> | <b>80</b>      | <b>40</b>  |
| Deduction for unrecognised, deferred tax assets  | -368       | -374       | -              | -          |
| <b>Total deferred tax assets</b>   | <b>121</b> | <b>88</b>  | <b>80</b>      | <b>40</b>  |
| <i>Deferred tax assets, net</i>  |            |            |                |            |
| Opening carrying amount  | 88         | 113        | 40             | -          |
| The period's change through profit or loss of prior unrecognised deferred taxes          | 1          | -          | -              | 40         |
| The period's change in contributed capital   | 11         | -          | 11             | -          |
| The period's change through profit or loss   | 21         | -25        | 29             | -          |
| <b>Closing carrying amount, net</b>  | <b>121</b> | <b>88</b>  | <b>80</b>      | <b>40</b>  |

Note 16 cont.

|   | Group       |            | Parent Company |            |
|---|-------------|------------|----------------|------------|
|   | 2016-02-29  | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| <b>Tax assets and tax liabilities</b>   |             |            |                |            |
| <i>Deferred tax liabilities, gross</i>  |             |            |                |            |
| Faster rate of depreciation/amortisation and adjustments to fair value, other PPE | -102        | -82        | -              | -          |
| <b>Total deferred tax liabilities</b>   | <b>-102</b> | <b>-82</b> | <b>-</b>       | <b>-</b>   |
| <i>Deferred tax liabilities, net</i>  |             |            |                |            |
| Opening carrying amount   | -82         | -65        | -              | -          |
| The period's change through profit or loss  | -20         | -17        | -              | -          |
| Reserved offset of tax liabilities/assets, other reclassification                 | -           | -          | -              | -          |
| <b>Closing carrying amount, net</b>   | <b>-102</b> | <b>-82</b> | <b>-</b>       | <b>-</b>   |
| <b>Total net tax assets and tax liabilities</b>                                   | <b>19</b>   | <b>6</b>   | <b>80</b>      | <b>40</b>  |
| <b>Net increase (+)/net decrease (-) of tax assets/liabilities</b>                | <b>13</b>   | <b>-42</b> | <b>40</b>      | <b>40</b>  |

|   | Group      |            | Parent Company |            |
|---|------------|------------|----------------|------------|
|   | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| <b>Non-recognised, deferred tax assets, SEK million</b>               |            |            |                |            |
| Opening non-recognised amount   | 374        | 374        | -              | 58         |
| Utilisation/addition of previously non-capitalised loss carryforwards | 3          | -6         | -              | -4         |
| Group contributions   | -          | -          | -              | -11        |
| Non-taxable revenue and non-deductible expenses                       | -          | 1          | -              | -          |
| Other temporary differences   | -          | -6         | -              | -2         |
| Reclassifications from previous years                                 | -          | 6          | -              | -1         |
| Change in applicable tax rates  | -          | -          | -              | -          |
| Change for the period, recognised through profit or loss              | -          | -          | -              | -40        |
| Exchange-rate differences   | -9         | 5          | -              | -          |
| <b>Total deferred non-recognised tax assets</b>                       | <b>368</b> | <b>374</b> | <b>-</b>       | <b>-</b>   |
| Offset of deferred tax liabilities                                    | -          | -          | -              | -          |
| <b>Total deferred non-recognised tax assets</b>                       | <b>368</b> | <b>374</b> | <b>-</b>       | <b>-</b>   |

|  | Group       |             | Parent Company |            |
|--|-------------|-------------|----------------|------------|
|  | 2016-02-29  | 2015-02-28  | 2016-02-29     | 2015-02-28 |
| <b>Expected maturity of both recognised and unrecognised tax loss carryforwards, SEK million</b> |             |             |                |            |
| 2016/17  | -           | 4           | -              | -          |
| 2017/18  | -           | 18          | -              | -          |
| 2018/19  | -           | -           | -              | -          |
| 2019/20  | -           | 9           | -              | -          |
| 2020/21  | 2           | 11          | -              | -          |
| 2021/22  | 7           | 14          | -              | -          |
| Unlimited  | 2088        | 1975        | 365            | 180        |
| <b>Total</b>   | <b>2097</b> | <b>2031</b> | <b>365</b>     | <b>180</b> |

|  | Group      |            | Parent Company |            |
|--|------------|------------|----------------|------------|
|  | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| <b>Deferred, net, tax loss carryforwards by country, SEK million</b> |            |            |                |            |
| Sweden   | 119        | 82         | 80             | 40         |
| Denmark  | -          | -          | -              | -          |
| Norway   | -          | -          | -              | -          |
| Finland  | 2          | 6          | -              | -          |
| <b>Total deferred tax loss carryforwards, recognised</b>             | <b>121</b> | <b>88</b>  | <b>80</b>      | <b>40</b>  |

The Group's tax expense amounts to 22 per cent of its profit before tax. The difference between the reported tax expense and expected tax expense is explained below. The Group has not recognised any deferred tax assets for Nobina Denmark and Nobina Norway, since the business plans moving forward (five years) for each country are assessed as having proven capacity to generate sufficient taxable surpluses to be offset against previous tax loss carryforwards.

Note 16 cont.

|  | Group                     |                           | Parent Company            |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 | 2015-03-01<br>-2016-02-29 | 2014-03-01<br>-2015-02-28 |
| Profit/loss before tax   | 2                         | 141                       | -627                      | 68                        |
| Average income tax (22%)   | 0                         | -31                       | 138                       | -15                       |
| Tax effect of:   |                           |                           |                           |                           |
| Non-taxable revenue and non-deductible expenses  | 0                         | 1                         | -                         | 0                         |
| Other temporary differences  | 1                         | 3                         | -108                      | -2                        |
| Temporary differences in deferred tax assets   | -1                        | 0                         | -                         | 0                         |
| Reclassifications from previous years  | 4                         | 0                         | -1                        | -1                        |
| Utilisation loss carry forward, for which tax not previously reported  | 1                         | 0                         | -                         | 0                         |
| The deficit in 2014/2015 closing has been capitalised by a legal entity, but this has no impact on the Group | -                         | 0                         | -                         | 58                        |
| Unrecognised loss carryforwards  | -3                        | -20                       | -                         | 0                         |
| <b>Total</b>   | <b>2</b>                  | <b>-47</b>                | <b>29</b>                 | <b>40</b>                 |
| Effective income tax (%)   | 100.0                     | 33.3                      | 4.6                       | -58.8                     |

**NOTE 17** Receivables from Group companies

| SEK million            | Group      |            | Parent Company |            |
|------------------------|------------|------------|----------------|------------|
|                        | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| Opening balance        | -          | -          | 114            | 434        |
| Change for the year    | -          | -          | -27            | -320       |
| <b>Closing balance</b> | <b>-</b>   | <b>-</b>   | <b>87</b>      | <b>114</b> |

**NOTE 18** Inventories

| SEK million  | Group      |            | Parent Company |            |
|--------------|------------|------------|----------------|------------|
|              | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| Spare parts  | 29         | 29         | -              | -          |
| Fuel         | 17         | 20         | -              | -          |
| <b>Total</b> | <b>46</b>  | <b>49</b>  | <b>-</b>       | <b>-</b>   |

Spare parts includes material purchased, primarily for the repair of Nobina's or leased vehicles. The year's purchases of spare parts and fuel are recognised at cost. The year's consumption of spare parts and fuel is detailed in Note 4. No obsolescence write-downs were carried out.

**NOTE 19** Accounts receivable

| SEK million                  | Group      |            | Parent Company |            |
|------------------------------|------------|------------|----------------|------------|
|                              | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| Trade receivables            | 537        | 523        | –              | –          |
| Provision for doubtful debts | –2         | –4         | –              | –          |
| <b>Total</b>                 | <b>535</b> | <b>519</b> | <b>–</b>       | <b>–</b>   |

| Accounts receivable aging analysis, SEK million | Accounts receivable 2016-02-29 | Not due during reporting period | Fall due within <30 days after the due date | Fall due within 31–60 days after the due date | Fall due within 61–90 days after the due date | Fall due within 91–120 days after the due date | Fall due more than 120 days after the due date |
|---|--------------------------------|---------------------------------|---|---|---|--|--|
| Trade receivables                               | 537                            | 504                             | 22  | 9   | 0   | 0  | 2  |

| Accounts receivable aging analysis, SEK million | Accounts receivable 2015-02-28 | Not due during reporting period | Fall due within <30 days after the due date | Fall due within 31–60 days after the due date | Fall due within 61–90 days after the due date | Fall due within 91–120 days after the due date | Fall due more than 120 days after the due date |
|---|--------------------------------|---------------------------------|---|---|---|--|--|
| Trade receivables                               | 523                            | 489                             | 23  | 2   | 1   | 0  | 8  |

| Provision for doubtful debts, SEK million | Group      |            |
|---|------------|------------|
|   | 2016-02-29 | 2015-02-28 |
| Opening balance                           | –4         | –9         |
| Reversals for the year                    | 2          | 4          |
| Loan losses                               | 1          | 1          |
| Provisions for the year                   | –1         | –          |
| <b>Total closing balance</b>              | <b>–2</b>  | <b>–4</b>  |

Provisions for doubtful debts are based on an individual assessment of the risk of loss per contract or customer.

**NOTE 20** Prepaid expenses and accrued income

| SEK million              | Group      |            | Parent Company |            |
|--------------------------|------------|------------|----------------|------------|
|                          | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| Accrued transport income | 150        | 115        | –              | –          |
| Other prepaid expenses   | 122        | 121        | 1              | 8          |
| <b>Total</b>             | <b>272</b> | <b>236</b> | <b>1</b>       | <b>8</b>   |

Accrued transport income primarily pertains to earned, but not yet invoiced compensation for transport services rendered.

**NOTE 21** Cash and cash equivalents and restricted bank accounts

| SEK million               | Group      |            | Parent Company |            |
|---------------------------|------------|------------|----------------|------------|
|                           | 2016-02-28 | 2015-02-28 | 2016-02-28     | 2015-02-28 |
| Restricted bank accounts  | 24         | 115        | –              | 25         |
| Cash and cash equivalents | 683        | 453        | –              | –          |

The item cash and cash equivalents recognises holdings in the company's accounts, including the Group account, in which Nobina Europe AB is the account principal. Restricted bank accounts mainly pertain to collateral for Nobina Fleet AB's leasing contracts and for Nobina Sverige AB's and Swebus Express AB's commitments under the Swedish Travel Guarantees Act, and Nobina Sverige AB's undertakings in

respect of electricity purchases. During the financial year, funds deposited as collateral for bank guarantees were released due to Nobina's improved capital structure and financial position. Nobina Norway also had restricted bank accounts related to tax payments in the preceding year, which were replaced by unsecured guarantees in February 2016.

**NOTE 22** Equity**Share capital**

According to the Articles of Association for Nobina AB, share capital must be at least SEK 100,000,000 and at most SEK 400,000,000. According to the Articles of Association, the number of shares in the company must be at least 60,000,000 and at most 240,000,000. The company's shares consists of ordinary shares, which entitle the holder to one vote per share, each with a quotient value of SEK 3.60.

| <i>Reconciliation of number of shares 2015-02-28</i> | <i>Ordinary shares</i> |
|--|------------------------|
| Opening balance                                      | 632,611,285            |
| New issue of shares to senior executives             | 622,840                |
| <b>Closing balance</b>                               | <b>633,234,125</b>     |

| <i>Reconciliation of number of shares 2016-02-29</i> | <i>Ordinary shares</i> |
|--|------------------------|
| Opening balance                                      | 633,234,125            |
| New issue of shares to senior executives             | 322,698                |
| <b>Closing balance</b>                               | <b>633,556,823</b>     |

Consolidation of company share, reverse split 1:10, as decided at the General Meeting of 27 May.

| <i>Reconciliation of number of shares 2016-02-29</i> | <i>Ordinary shares</i> |
|--|------------------------|
| Opening balance at 27 May 2015                       | 63,355,682             |
| New share issue                                      | 25,000,000             |
| <b>Closing balance</b>                               | <b>88,355,682</b>      |

As of 29 February 2016, no treasury shares were held by Nobina or its subsidiaries.

**Translation differences**

The translation reserve includes all foreign exchange differences that arise in the translation of financial statements from foreign operations including changes regarding the translation of goodwill in local currency.

**Dividend**

Dividends are proposed by the Board in accordance with the stipulations of the Swedish Companies Act and adopted by the Annual General Meeting. Dividends are recognised in the Parent Company as a reduction of non-restricted shareholders' equity until the date on which a payment is made to shareholders.

**CAPITAL MANAGEMENT**

The aim of the Group's capital management is to secure Nobina's financial stability, manage financial risks and ensure the Group's short and long-term capital requirements. Nobina defines capital as shareholders' equity in the same way that it is recognised in the balance sheet. The company's aim is to create a gain for shareholders by increasing the value of assets under management. There are no external capital requirements besides those stipulated by the Swedish Companies Act.

**NOTE 23** Earnings per share

|  | <i>Group</i>                      |                                   |
|--|-----------------------------------|-----------------------------------|
|  | <i>2015-03-01<br/>-2016-02-29</i> | <i>2014-03-01<br/>-2015-02-28</i> |
| Average number of ordinary shares during the period (000s) | 80,607                            | 63,301                            |
| Recognised profit/loss (SEK million)                       | 4                                 | 94                                |
| Earnings (SEK million)                                     | 4                                 | 94                                |
| <b>Earnings per share (SEK) before and after dilution</b>  | <b>0.04</b>                       | <b>1.50</b>                       |

Earnings per share are calculated by dividing profit for the year by the average number of ordinary shares. A share consolidation, reverse split 1:10, as decided at the General Meeting of 27 May 2015, was carried out during the year. Earnings per share have been adjusted for comparability.

**NOTE 24** Provisions for pensions and similar commitments

| <i>Commitments and pension expenses</i>               | <i>Group</i>      |                   | <i>Parent Company</i> |                   |
|---|-------------------|-------------------|-----------------------|-------------------|
|   | <i>2016-02-29</i> | <i>2015-02-28</i> | <i>2016-02-29</i>     | <i>2015-02-28</i> |
| Present value of pension commitments                  | 141               | 154               | 8                     | 7                 |
| Fair value of plan assets                             | -116              | -118              | -                     | -                 |
| Net provisions (+)/assets (-) for pension commitments | 25                | 36                | 8                     | 7                 |
| Of which recognised as provisions                     | 36                | 36                | 8                     | 7                 |
| Of which recognised as assets                         | 11                | -                 | -                     | -                 |

Note 24 cont.

**Pension expenses are included in personnel costs and comprise the following:**

| SEK million  | Group      |            | Parent Company |            |
|--|------------|------------|----------------|------------|
|  | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| Cost pertaining to services rendered during the current period | 2          | 1          | 1              | 2          |
| Interest expense   | 3          | 5          | –              | –          |
| Expected return on plan assets                                 | –2         | –5         | –              | –          |
| Deductions from pension obligations due to changes in terms    | –1         | –4         | –              | –          |
| Social security contributions                                  | –          | 3          | –              | –          |
| <b>Pension expenses, net</b>                                   | <b>2</b>   | <b>0</b>   | <b>1</b>       | <b>2</b>   |

#### Significant actuarial assumptions

The actuarial calculation of pension commitments and pension expenses is based on the following significant assumptions, stated as the weighted mean values for the various pension plans.

For each country, the discount rate is based on the estimated discount rate on the yield of mortgage bonds and NKS. With a change in the discount rate of + 1 per cent, the impact on the pension obligation is SEK -10 million (-12); with a change in the discount rate of -1 per cent, the impact on the pension obligation is SEK 12 million (14).

The annual rate of salary increases reflects expected future salary increases as a combined effect of inflation and seniority. The future rate of pension increases reflects the expected percentage of employees, by age group, who will leave the company through natural attrition. Change in the rate of salary increases when calculating pension

obligations does not have a significant impact on Nobina's information.

The expected average remaining term of service is estimated based on the employees' current age distribution and the expected employee turnover rate. The change in the average service commitment of 1 year affects the pension obligation by an amount of SEK 4 million (3) and for a change of -1 year, the corresponding amount is SEK -4 million (-3).

Indexation of pension benefits reflects the inflationary rate in each country, Norway and Sweden.

Nobina's pension expenses excluding actuarial losses (gains), which are recognised in consolidated comprehensive income, amounted to SEK 262 million (187), of which SEK 2 million (0) pertains to defined-benefit plans. The Group's pension plans are described in more detail in Note 1, Company information and accounting policies.

#### The key actuarial assumptions used in calculation of the pension liability were as follows:

|                                   | 2016-02-29 |        | 2015-02-28 |        |
|-----------------------------------|------------|--------|------------|--------|
|                                   | Sweden     | Norway | Sweden     | Norway |
| Discount rate                     | 1.8%       | 2.3%   | 2.8%       | 4.0%   |
| Expected rate of salary increases | 1.5%       | 2.8%   | 1.5%       | 3.8%   |
| Future rate of pension increases  | 1.5%       | 2.8%   | 1.5%       | 3.5%   |

#### Present value of pension commitments:

| SEK million  | Group      |            | Parent Company |            |
|--|------------|------------|----------------|------------|
|  | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| Opening balance  | 154        | 147        | 7              | 5          |
| Benefits earned during the year  | 2          | 1          | 1              | 2          |
| Increases and decreases in pension obligations due to changes in pension terms | 11         | –4         | –              | –          |
| Interest expenses  | 3          | 5          | –              | –          |
| Benefits paid  | –12        | –14        | –              | –          |
| Actuarial gains (-)/losses(+)  | –4         | 14         | –              | –          |
| Social security contributions  | –1         | 3          | –              | –          |
| Exchange-rate differences  | –12        | 2          | –              | –          |
| <b>Total at year-end</b>   | <b>141</b> | <b>154</b> | <b>8</b>       | <b>7</b>   |

#### Fair value of plan assets:

| SEK million  | Group      |            |
|--|------------|------------|
|  | 2016-02-29 | 2015-02-28 |
| Opening balance  | 118        | 124        |
| Expected return on plan assets   | 2          | 5          |
| Increases and decreases in pension obligations due to changes in pension terms | 13         | –          |
| Funds contributed by employer  | 1          | 2          |
| Funds paid   | –9         | –11        |
| Actuarial gains (+)/losses (-)   | 2          | –4         |
| Exchange-rate differences  | –11        | 2          |
| <b>Total at year-end</b>   | <b>116</b> | <b>118</b> |

Note 24 cont.

| <b>Net assets/provisions for pension commitments</b><br><i>SEK million</i>    | <b>Group</b> |            | <b>Parent Company</b> |            |
|---|--------------|------------|-----------------------|------------|
|   | 2016-02-29   | 2015-02-28 | 2016-02-29            | 2015-02-28 |
| Opening balance   | 36           | 23         | 7                     | 5          |
| Benefits paid   | -5           | -14        | -                     | -          |
| Deductions from pension obligations due to changes in pension terms           | -            | -4         | -                     | -          |
| Funds contributed by employer   | 2            | -1         | 1                     | 2          |
| Funds paid  | -            | 11         | -                     | -          |
| Actuarial losses/gains (net)  | -6           | 18         | -                     | -          |
| Social security contributions   | -1           | 3          | -                     | -          |
| Exchange-rate differences   | -1           | -          | -                     | -          |
| <b>Closing balance, net assets (-)/provisions (+) for pension commitments</b> | <b>25</b>    | <b>36</b>  | <b>8</b>              | <b>7</b>   |

**ALLOCATION OF PLAN ASSETS**

| <b>Actual market value of plan assets on the balance-sheet date:</b><br><i>SEK million</i> | <b>Group</b> |            |            |            |
|--|--------------|------------|------------|------------|
|  | 2016-02-29   | %          | 2015-02-28 | %          |
| Interest-bearing securities, cash and cash equivalents                                     | 106          | 91         | 106        | 89         |
| Shares and other investments   | 10           | 9          | 12         | 11         |
| <b>Total</b>   | <b>116</b>   | <b>100</b> | <b>118</b> | <b>100</b> |

| <b>Allocation of plan assets and pension obligations per segment, SEK million</b> | <b>Group</b>       |            |                            |            |
|---|--------------------|------------|----------------------------|------------|
|   | <b>Plan assets</b> |            | <b>Pension obligations</b> |            |
|   | 2016-02-29         | 2015-02-28 | 2016-02-29                 | 2015-02-28 |
| Nobina Sweden   | 22                 | 11         | 47                         | 39         |
| Nobina Denmark  | -                  | -          | -                          | -          |
| Nobina Norway   | 94                 | 107        | 94                         | 115        |
| Nobina Finland  | -                  | -          | -                          | -          |
| <b>Total plan assets</b>  | <b>116</b>         | <b>118</b> | <b>141</b>                 | <b>154</b> |

The pension liabilities are secured through credit insurance. Given the applied actuarial assumptions, Nobina expects the following paid benefits over the next five-year period.

| <b>Future payments, SEK million</b> | <b>Group</b> |         |         |         |         |       |
|-------------------------------------|--------------|---------|---------|---------|---------|-------|
|                                     | 2016/17      | 2017/18 | 2018/19 | 2019/20 | 2020/21 | Later |
| Expected net paid benefits          | 5            | 6       | 8       | 7       | 6       | 24    |

**NOTE 25 Other provisions**

| <b>Other provisions, SEK million<sup>1</sup></b>   | <b>Group</b> |            | <b>Provision for damage to vehicles and third parties, SEK million</b> | <b>Group</b> |            |
|--|--------------|------------|--|--------------|------------|
|  | 2016-02-29   | 2015-02-28 |  | 2016-02-29   | 2015-02-28 |
| Provision for onerous contracts                    | -            | -          | Opening balance  | 29           | 27         |
| Provision for damage to vehicles and third-parties | 27           | 29         | Reversals for the year   | -6           | -          |
| Provision for environmental commitments            | 10           | 10         | Provisions for the year  | 4            | 2          |
| <b>Total</b>                                       | <b>37</b>    | <b>39</b>  | Exchange difference  | -            | -          |
|  |              |            | <b>Closing balance</b>   | <b>27</b>    | <b>29</b>  |

<sup>1</sup>) It is therefore not possible to provide detailed information on the timing of outflows from provisions.

| <b>Provision for onerous contracts, SEK million</b> | <b>Group</b> |            | <b>Provision for environmental commitments for leased land and facilities, SEK million</b> | <b>Group</b> |            |
|---|--------------|------------|--|--------------|------------|
|   | 2016-02-29   | 2015-02-28 |  | 2016-02-29   | 2015-02-28 |
| Opening balance                                     | -            | 1          | Opening balance  | 10           | 10         |
| Reversals for the year                              | -            | -1         | Reversals for the year   | -            | -          |
| Provisions for the year                             | -            | -          | Provisions for the year  | -            | -          |
| <b>Closing balance</b>                              | <b>-</b>     | <b>-</b>   | <b>Closing balance</b>   | <b>10</b>    | <b>10</b>  |

**NOTE 26** Borrowing – bond loan and other liabilities

| Maturity <sup>1</sup>  | Group<br>2016-02-29                      |                            | Group<br>2015-02-28                      |                            |
|--|--|----------------------------|--|----------------------------|
|  | Bond loan<br>and other<br>external loans | Finance<br>lease liability | Bond loan<br>and other<br>external loans | Finance<br>lease liability |
| 2015/16  | –  | –                          | 24                                       | 808                        |
| 2016/17  | 32                                       | 720                        | 24                                       | 812                        |
| 2017/18  | 33                                       | 638                        | 23                                       | 480                        |
| 2018/19  | 33                                       | 600                        | 23                                       | 476                        |
| 2019/20  | 30                                       | 486                        | 569                                      | –                          |
| 2020/21  | 27                                       | 357                        | –  | –                          |
| Later  | 87                                       | 1,650                      | 53                                       | 1,123                      |
|  | <b>242</b>                               | <b>4,451</b>               | <b>716</b>                               | <b>3,699</b>               |
| Accrual of financial expenses  | –  | –                          | –16                                      | –                          |
| <b>Total liability</b>   | <b>242</b>                               | <b>4,451</b>               | <b>700</b>                               | <b>3,699</b>               |
| Of which short-term repayment by instalment of portion of the Group's borrowings | 32                                       | 720                        | 24                                       | 610                        |
| Of which long-term portion   | 210                                      | 3,731                      | 676                                      | 3,089                      |
| <b>Total liability</b>   | <b>242</b>                               | <b>4,451</b>               | <b>700</b>                               | <b>3,699</b>               |

1) The maturity date does not include interest or the agreed residual value.

| Loan currency                                   | Group<br>2015-03-01–2016-02-29 |                       |                              | Group<br>2014-03-01–2015-02-28 |                       |                              |
|---|--------------------------------|-----------------------|------------------------------|--------------------------------|-----------------------|------------------------------|
|   | Nominal<br>amount              | Amount<br>SEK million | Interest<br>weighted average | Nominal<br>amount              | Amount<br>SEK million | Interest<br>weighted average |
| Corporate bonds and other external loans in SEK | 8                              | 8                     | 1.8                          | –                              | 560                   | 8.7                          |
| Other external loans in NOK                     | 71                             | 70                    | 6.8                          | –                              | –                     | –                            |
| Other external loans in DKK                     | 131                            | 164                   | 3.0                          | 124                            | 156                   | 4.3                          |
| Financial lease liabilities in SEK              | 3,435                          | 3,435                 | 2.8                          | 2,635                          | 2,635                 | 3.8                          |
| Finance lease liability in EUR                  | 51                             | 479                   | 3.2                          | 45                             | 421                   | 3.4                          |
| Finance lease liability in NOK                  | 479                            | 470                   | 4.8                          | 503                            | 551                   | 5.0                          |
| Finance lease liability in DKK                  | 53                             | 67                    | 2.9                          | 73                             | 92                    | 3.8                          |
| <b>Total loan liability</b>                     |                                | <b>4,693</b>          |                              |                                | <b>4,415</b>          |                              |

All liabilities outstanding are attributable to the financing of buses and equipment used in operations. At 29 February 2016, there were no bond loans outstanding, since the previous SEK 550 million bond loan was redeemed in full in August 2015. Borrowing costs in conjunction

with raising a loan are expensed over the term of a loan, unless the loan is redeemed early, in which case the capitalised cost is expensed in its entirety.

| The year's change in borrowing in terms of bond loans and other liabilities | Bond loan and other loans  |                            | Financial borrowings       |                            |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
|   | 1 Mar 2015–<br>29 Feb 2016 | 1 Mar 2014–<br>28 Feb 2015 | 1 Mar 2015–<br>29 Feb 2016 | 1 Mar 2014–<br>28 Feb 2015 |
| Opening balance   | 716                        | 552                        | 3,699                      | 3,523                      |
| The year's new borrowing  | 109                        | 651                        | 1,478                      | 745                        |
| The year's repayments   | –577                       | –485                       | –628                       | –546                       |
| The year's early redemption of financial borrowings on the sale of buses    | –                          | –                          | –36                        | –60                        |
| Translation difference  | –6                         | –2                         | –62                        | 37                         |
| <b>Closing balance</b>  | <b>242</b>                 | <b>716</b>                 | <b>4,451</b>               | <b>3,699</b>               |



**NOTE 27** Other current liabilities

| SEK million                | Group      |            | Parent Company |            |
|----------------------------|------------|------------|----------------|------------|
|                            | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| Employee withholding taxes | 161        | 102        | 1              | 2          |
| Other current liabilities  | 61         | 72         | –              | –          |
| <b>Total</b>               | <b>222</b> | <b>174</b> | <b>1</b>       | <b>2</b>   |

**NOTE 28** Accrued expenses and deferred income

| SEK million                   | Group      |             | Parent Company |            |
|-------------------------------|------------|-------------|----------------|------------|
|                               | 2016-02-29 | 2015-02-28  | 2016-02-29     | 2015-02-28 |
| Deferred income               | 221        | 295         | –              | –          |
| Accrued salaries              | 414        | 366         | 7              | 5          |
| Other accrued personnel costs | 130        | 166         | 1              | 2          |
| Accrued interest expense      | –          | 13          | –              | –          |
| Other accrued expenses        | 220        | 220         | 1              | 2          |
| <b>Total</b>                  | <b>985</b> | <b>1060</b> | <b>9</b>       | <b>9</b>   |

**NOTE 29** Pledged assets and contingent liabilities

| SEK million  | Group      |              | Parent Company |              |
|--|------------|--------------|----------------|--------------|
|  | 2016-02-29 | 2015-02-28   | 2016-02-29     | 2015-02-28   |
| <i>Pledged assets for bond loans</i>                           |            |              |                |              |
| Pledged assets pertaining to shares/net assets in subsidiaries | –          | 899          | –              | –            |
| Other pledged assets   | –          | –            | –              | –            |
| Chattel mortgage   | –          | –            | –              | –            |
| <i>Other pledged assets</i>                                    |            |              |                |              |
| Other pledged assets   | 173        | 265          | 161            | 83           |
| <i>Contingent liabilities</i>                                  |            |              |                |              |
| Guarantee of lease obligations and other obligations           | –          | –            | 4 539          | 3 984        |
| <b>Total</b>   | <b>173</b> | <b>1 164</b> | <b>4 700</b>   | <b>4 067</b> |

In addition to pledged Parent Company guarantees to lessors, Nobina AB has also pledged a Parent Company guarantee for the purchase of diesel for Nobina Norge AS through UnoX and Statoil, for a total of NOK 35.5 million. Nobina AB has also pledged counter guarantees for the guarantees issued by Atradius in favour of the Norwegian and Danish public transport authorities, and the Norwegian tax authorities

amounting to a maximum of EUR 20 million, as well as the unlimited Parent Company guarantee to SL pertaining to the E23 (Södertörn) and Södertälje on behalf of Nobina Sverige AB. Nobina Sverige AB has issued a floating charge of SEK 150 million as security for a credit facility in the same amount at Danske Bank.

| In conjunction with issuing the corporate bond the following shares in subsidiaries have been pledged: | Group      |            | Parent Company |            |
|--|------------|------------|----------------|------------|
|  | 2016-02-29 | 2015-02-28 | 2016-02-29     | 2015-02-28 |
| Shares in Nobina Sverige AB  | –          | 621        | –              | –          |
| Shares in Swebus Express AB  | –          | 10         | –              | –          |
| Shares in Nobina Finland Oy Ab   | –          | 87         | –              | –          |
| Shares in Nobina Busco AB  | –          | –          | –              | –          |
| Shares in Nobina Norge AS  | –          | 169        | –              | –          |
| Shares in Nobina Danmark A/S   | –          | 12         | –              | –          |
| Shares in Nobina Spår AB   | –          | –          | –              | –          |
| Shares in Nobina Europe AB   | –          | –          | –              | –          |
| <b>Total</b>   | <b>–</b>   | <b>899</b> | <b>–</b>       | <b>–</b>   |

**NOTE 30** *Financial risks and risk management*

All risk management is handled centrally in accordance with a finance policy established by the Board of Directors. Nobina uses derivative instruments when needed, as part of its financial risk management to limit currency, interest rate and diesel price exposure. At 29 February 2016, the company had outstanding derivative instruments through Nordpool. During the year, the company had outstanding electricity derivatives, but no diesel, interest rate or currency derivatives.

Nobina is mainly exposed to the following financial risks:

- Liquidity risk
- Interest rate risk
- Refinancing risk
- Credit and counterparty risk
- Currency risk
- Raw material risk
- Indexation risk

**LIQUIDITY RISK**

Liquidity risk is defined as the risk that cash and cash equivalents are not available or that financing cannot be obtained when required. Nobina has a working capital facility expiring on 31 December 2016. The credit facility is of a 364 days nature, when it may be extended by the bank after credit approval. Available credit facility was SEK 136 million as of 29 February, 2016.

**HEDGING POLICY**

The company's hedging policy is designed to ensure predictability and reduce volatility in liquidity and operating expenses in a cost-efficient manner. The hedging policy states that the company may enter into hedge contracts for fuel, currency and interest rate exposure.

**INTEREST RATE RISK**

Interest rate risk refers to the risk that fluctuations in market interest rates will negatively affect the Group's net interest income. The rate at which interest rate fluctuations affect net interest income depends on the fixed interest period of the loans. The Group is primarily exposed to interest rate risk through the company's finance and operating leases since the leasing fees are based on a variable market rate of interest. An increase in the variable interest rate by 1 percentage point would increase the Group's interest expense by approximately SEK 47 million before the effect of index compensation. Interest rate risk is partially compensated by the inflation component of revenue indexation in the traffic contracts, and there is also an interest component in the index basket of some traffic contracts.

**Refinancing risk**

No refinancing risk exists for Nobina's bus financing, since the lease contracts and the loans are both for ten years and Nobina intends to purchase the buses when the lease contracts expire. New tender submissions always include offers for available bus financing through banks, finance companies or the vehicle suppliers' finance companies.

**Credit and counterparty risk**

The Group's financial transactions give rise to credit risks in relation to financial counterparties. Nobina's finance policy states that credit risk shall be limited by only accepting counterparties with high credit ratings and through established limits. Commercial credit risks are limited in that the Group has a diversified client base with high credit ratings, primarily comprising municipal and county council-owned public transport authorities. Provisions have been made for accounts receivable deemed to be doubtful and this has had an impact of SEK -2 million (-4) on operating profit/loss.

**PARENT COMPANY LIQUIDITY MANAGEMENT**

Nobina AB's liquidity management is carried out using internal payables and receivables with the companies in the Group. Nobina AB is part of the Group account structure, where Nobina Europe AB is the principal account holder.

**CURRENCY RISK**

Currency exposure arises in connection with payment flows in foreign currency (transaction exposure) and with the translation of foreign subsidiaries' income statements and balance sheets to SEK (translation exposure). The Group's finance policy states that currency exposure may be hedged.

The subsidiaries receive all revenues and pay all major expenses in local currency, including payments under lease agreements, which are entered centrally, on behalf of the subsidiaries, but in local currency.

The Group is also exposed to exchange rate fluctuations through its purchases of diesel, which is traded in the international commodities markets in USD. This currency risk can be hedged by entering into diesel derivatives in local currency. See also the section, Raw materials risk.

Translation exposure – Nobina AB's and Nobina Europe AB's currency exposure on translation of foreign subsidiaries is normally not hedged. The exchange-rate difference in foreign subsidiaries recognised in comprehensive income was SEK -23 million (6) for the year. A weakening/ strengthening of the SEK by 10 per cent when translating the income statements of foreign subsidiaries would affect the Group's profit after financial items by approximately SEK 5 million.

**RAW MATERIALS RISK**

The Group is exposed to fluctuations in the prices of raw materials through its purchases of fuel. The raw material price accounts for less than half of the total diesel price and the remainder pertains to taxes, transports and refinement. For regional traffic, the Group is compensated for changes in the price of diesel fuel via a revenue index in its traffic agreements. The index baskets are relatively well matched with the Group's costs. But, due to the delay in index regulation, there is a certain negative impact on earnings when costs increase. An imbalance can also arise between costs incurred under a contract and indexed compensation if the index does not reflect actual cost conditions. For example, this can occur if the index is based on the diesel price trend, while the contract requires the buses to be run on another fuel, such as RME. This risk is limited through careful risk evaluation in the tender process. The company had no outstanding diesel derivatives as of 29 February 2016.

**INDEXATION RISK**

The contractual agreements include cost compensation in accordance with agreed indices (which normally include inflation, salary and fuel, as well as occasionally additional components such as interest). Because these indices do not follow cost trends in the industry to 100 per cent, there is a risk that full compensation for cost increases is not received, since the industry's costs can rise faster than the index compensation received from clients. Additionally, there is a certain delay in revenue compensation, which leads to a negative result effect when costs increase. The opposite is valid for decreasing costs.

**NOTE 31** Financial instruments

| GROUP   | Fair value hierarchy | Carrying amount |              |
|---|----------------------|-----------------|--------------|
|   |                      | 2016-02-29      | 2015-02-28   |
| <b>Financial assets, SEK million</b>  |                      |                 |              |
| <i>Loan and accounts receivable</i>   |                      |                 |              |
| Non-current receivables   |                      | 1               | –            |
| Trade receivables   |                      | 535             | 519          |
| Other current receivables   |                      | 40              | 76           |
| Restricted cash and cash equivalents  |                      | 24              | 115          |
| Cash and cash equivalents   |                      | 683             | 453          |
| Financial assets measured at fair value through profit and loss   | 2                    | –               | –            |
| Electricity derivatives. Fair value is determined in accordance with prices listed on an active market, which corresponds to Level 1 in IFRS 7. | 1                    | –               | –            |
| <b>Total Group</b>  |                      | <b>1,283</b>    | <b>1,163</b> |

| GROUP  | Fair value hierarchy | Carrying amount |              |
|--|----------------------|-----------------|--------------|
|  |                      | 2016-02-29      | 2015-02-28   |
| <b>Financial liabilities, SEK million</b>                            |                      |                 |              |
| <i>Other financial liabilities</i>                                   |                      |                 |              |
| Interest-bearing liabilities, loans                                  |                      | 4,729           | 4,416        |
| Accounts payable   |                      | 473             | 476          |
| Other current liabilities  |                      | 222             | 174          |
| Financial liabilities measured at fair value through profit and loss | 2                    | –               | –            |
| <b>Total Group</b>   |                      | <b>5,424</b>    | <b>5,066</b> |

Non-adjusted official market quotes on active markets for identical assets and liabilities (level 1).

Observable data for the assets or the liabilities, other than market quotes included in level 1, either directly according to market quotes or indirectly derived from market quotes (level 2).

Data for the assets or the liabilities that is not based on official market quotes (level 3).

| PARENT COMPANY  | Fair value hierarchy | Carrying amount |            |
|---|----------------------|-----------------|------------|
|   |                      | 2016-02-29      | 2015-02-28 |
| <b>Financial assets, SEK million</b>                            |                      |                 |            |
| <i>Loan and accounts receivable</i>                             |                      |                 |            |
| Receivables from Group companies, interest-bearing              |                      | 379             | 340        |
| Other current receivables                                       |                      | 2               | –          |
| Restricted cash and cash equivalents                            |                      | –               | 25         |
| Cash and cash equivalents                                       |                      | –               | –          |
| Financial assets measured at fair value through profit and loss | 2                    | –               | –          |
| <b>Total Group</b>  |                      | <b>381</b>      | <b>365</b> |

| PARENT COMPANY   | Fair value hierarchy | Carrying amount |              |
|--|----------------------|-----------------|--------------|
|  |                      | 2016-02-29      | 2015-02-28   |
| <b>Financial liabilities, SEK million</b>                            |                      |                 |              |
| <i>Other financial liabilities</i>                                   |                      |                 |              |
| Liabilities to Group companies, interest-bearing                     |                      | 1,197           | 1,372        |
| Accounts payable   |                      | 4               | 5            |
| Other current liabilities  |                      | 1               | 2            |
| Financial liabilities measured at fair value through profit and loss | 2                    | –               | –            |
| <b>Total Group</b>   |                      | <b>1,202</b>    | <b>1,379</b> |

**FAIR VALUE**

The carrying amounts of financial assets and liabilities essentially correspond to their fair values. The fair values of finance lease liabilities are calculated using floating interest rates with an unchanged credit margin, which means that the carrying amounts of the liabilities correspond to their fair value.

**NOTE 32** *Related party transactions*

The largest shareholders in Nobina AB are Sothic Capital, Invesco and Blue Mountain Capital.

A member of Nobina AB's Board has been nominated by Sothic Capital. Internal services in the Nobina Group are sold and purchased on the

basis of current price lists and terms for non-related parties. Agreements for services with intra-group companies are met on a cost-plus basis, plus a 3–5 per cent profit margin.

|   | <b>Group</b>                      |                                   | <b>Parent Company</b>             |                                   |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|   | <b>2015-03-01<br/>-2016-02-29</b> | <b>2014-03-01<br/>-2015-02-28</b> | <b>2015-03-01<br/>-2016-02-29</b> | <b>2014-03-01<br/>-2015-02-28</b> |
| <b>Related party transactions</b>                   |                                   |                                   |                                   |                                   |
| Sales of services to intra-Group companies          | –                                 | –                                 | 39                                | 49                                |
| Purchase of services from intra-Group companies     | –                                 | –                                 | –95                               | –7                                |
| Personnel costs                                     |                                   |                                   |                                   |                                   |
| Board of Directors                                  | –14                               | –3                                | –14                               | –3                                |
| Senior executives                                   | –155                              | –31                               | –63                               | –13                               |
| Pension expenses                                    | –8                                | –6                                | –2                                | –2                                |
| Social security contributions                       | –48                               | –9                                | –21                               | –4                                |
| <b>Total related party transactions</b>             | <b>–225</b>                       | <b>–49</b>                        | <b>–156</b>                       | <b>–22</b>                        |
| Profit from participations in intra-Group companies | –                                 | –                                 | –344                              | 41                                |
| Interest income from intra-Group companies          | –                                 | –                                 | 12                                | 37                                |
| Interest expenses to intra-Group companies          | –                                 | –                                 | –69                               | –2                                |
| Interest expenses to bond-holders                   | –98                               | –52                               | –                                 | –                                 |

|  | <b>Group</b>      |                   | <b>Parent Company</b> |                   |
|--|-------------------|-------------------|-----------------------|-------------------|
|  | <b>2016-02-29</b> | <b>2015-02-28</b> | <b>2016-02-29</b>     | <b>2015-02-28</b> |
| <b>Related party transactions</b>      |                   |                   |                       |                   |
| Receivables from intra-Group companies | –                 | –                 | 379                   | 340               |
| Liabilities to intra-Group companies   | –                 | –                 | –1,197                | –1,372            |
| Pension provision CEO                  | –8                | –7                | –8                    | –7                |
| Bond loans                             | –                 | –550              | –                     | –                 |

**NOTE 33** *Exchange rates*

|                       | <b>Average</b>                    |                                   | <b>Balance-sheet date</b> |                   |
|-----------------------|-----------------------------------|-----------------------------------|---------------------------|-------------------|
|                       | <b>2015-03-01<br/>-2016-02-29</b> | <b>2014-03-01<br/>-2015-02-28</b> | <b>2016-02-29</b>         | <b>2015-02-28</b> |
| <b>Exchange rates</b> |                                   |                                   |                           |                   |
| EUR                   | 9.337                             | 9.197                             | 9.334                     | 9.383             |
| NOK                   | 1.030                             | 1.092                             | 0.982                     | 1.097             |
| DKK                   | 1.251                             | 1.234                             | 1.251                     | 1.257             |

## STOCKHOLM, 26 APRIL 2016

The Board of Directors and the CEO give their assurances that the Annual Report was prepared in accordance with Swedish GAAP and that the consolidated financial statements were prepared in accordance with international accounting standards, IFRS, as adopted by the EU ordinance of July 19, 2002 concerning the application of international accounting standards, and that they provide a fair view of the development of the Parent Company's and the Group's position and earnings, and

that the Administration Report gives a fair impression of the development of the Parent Company's and the Group's operations, position and earnings, while also describing the significant risks and uncertainties facing the companies included in the Group.

The Annual General Meeting on 31 May 2016 will resolve on the adoption of the Parent Company's and the Group's income statements and balance sheets.

Jan Sjöqvist  
*Chairman of the Board*

John Allkins  
*Board member*

Birgitta Kantola  
*Board member*

Graham Oldroyd  
*Board member*

Gunnar Reitan  
*Board member*

Ragnar Norbäck  
*CEO and Board member*

Our auditors' report was issued on, 26 April 2016

PricewaterhouseCoopers AB

Michael Bengtsson  
*Authorised Public Accountant*

## AUDITOR'S REPORT

To the annual meeting of the shareholders of Nobina AB (publ), corporate identity number 556576-4569

### REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of Nobina AB (publ) for the financial year 2015-03-01 – 2016-02-29. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 46–97.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the CEO are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the CEO 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.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

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

### OPINIONS

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 29 February 2016 and of its financial performance and its cash flows 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 29 February 2016 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as

adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Nobina AB (publ) for the year the financial year 2015-03-01 – 2016-02-29.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

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.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors or the CEO has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

### OPINIONS

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

Stockholm 26 April 2016

PricewaterhouseCoopers AB

Michael Bengtsson  
*Authorised Public Accountant*

## GLOSSARY

**Airport transfers** – Trips that enable connections to and from airports.

**Bid** – A traffic company's offer in a tendering process.

**Change prices** – How much compensation changes per bus hour or kilometres within the framework of the free volume in a contract.

**City transport** – Transport in a densely populated area.

**Client** – Nobina's client being the contractual counterpart for tendered traffic contracts, also called a PTA.

**Concession** – Allocated right to uphold a monopoly in a geographic area and which comprises all rights to provide public transport. In Sweden, since the public transport authority reform in the 1980s, the state allocates concessions to clients (municipalities and county councils), which in turn provide public transport services through contracts with traffic companies. These contracts are tendered in accordance with the Swedish Public Tendering Act.

**Concessions contract** – A form of contract between a traffic company and a client (municipality/county council) that was typical prior to the public transport authority reform and which, in parts, continues for a transitional period. Under these con-

tracts, the traffic company undertakes all aspects of the transport assignment, including the sale of services to passengers.

**EURO 1–EURO 6, EEV** – Various generations of emission classes for diesel engines.

**Express route** – A longer route on main roads that provides faster transport through several counties without several stops.

**Free volume** – The client's (PTA's) right to change the production volume within the framework of the contract.

**Incentive contract** – Normally a production contract that contains, to a larger or smaller degree, a compensation component that is variable and depends on the number of passengers.

**Interregional transport** – Nobina's segment for transport services conducted completely on its own merits without restrictions or subsidies from authorities.

**Indexation** – Adjustment of the contract-based remuneration in accordance with a basket of weighted and predetermined indexes intended to represent important cost elements for the traffic companies, such as salaries, fuel and maintenance, and which occurs at predetermined intervals.

**Local transport** – Transport in connection with densely populated areas.

**Production contract** – A contract in which the traffic company's revenues comprise fixed remuneration for production costs based on a predetermined production, with route network, timetable and a number of other requirements as the base. Compensation is based on the number of hours, kilometres, buses or a combination of these.

**Public transport** – Transport services provided for the public in which people travel together.

**Public Transport Authority (PTA)** – A municipality or county council allocated concessions by the government to provide public transport through public tendering of services from traffic companies.

**Public transport authority reform** – In conjunction with the public transport authority reform in the 1980s, the government took over the right to allocate concessions from the municipalities and county councils. Previously, municipalities and county councils allocated concessions to traffic companies; today, the state allocates concessions to municipalities and county councils (clients), which in turn sign contracts with traffic companies for the provision of

public transport services. These contracts are tendered in accordance with the Public Tendering Act.

**Regional traffic** – Nobina's segment for transport services tendered from a public client.

**Regional transport** – Transport outside and between built-up areas in a county.

**Seat kilometres** – Measure of the service provided. The number of seats in a bus multiplied by the bus's driving distance in kilometres.

**Subcontractor** – A party assigned by the traffic company to assist in the provision of transport services.

**Traffic company** – A company that provides transport services in accordance with a given contract with a client.

**Traffic contract** – A publicly tendered contract for the provision of transport services between a traffic company and a client. The duration of the contract is typically five to ten years, with the option of extending for an additional one or two years. It is based on either a production or an incentive contract.

**Traffic planning** – Planning of use of resources (vehicle and driver) to conduct transport services in the most efficient manner possible in accordance with the traffic assignment.

## DEFINITIONS

**Average number of employees** – The number of hours paid divided by normal working hours for a full-time employee.

**Degree of utilisation** – Number of sold passenger kilometres divided by driven kilometres.

**Earnings per share** – Profit for the year adjusted for dividends on preference shares divided by the average weighted number of ordinary shares.

**Earnings per share after full dilution** – Profit for the year adjusted for dividends of preference

shares and potential ordinary shares divided by the average number of ordinary shares.

**EBIT** – Operating profit before net financial items and taxes.

**EBITDA** – Operating profit before net financial items, tax, depreciation, amortisation, earnings from sale of fixed assets.

**EBITDA-margin** – EBITDA in relation to net sales.

**EBITDAR** – Operating profit before net financial items, tax, depreciation, amortisation, earnings from sale of fixed assets

and operating leasing expenses for buses.

**EBITDAR-margin** – EBITDAR in relation to net sales.

**EBT** – Income before tax.

**Equity/assets ratio** – Shareholders' equity as a percentage of total assets at the end of the fiscal year.

**Net debt/EBITDA** – Interest-bearing liabilities (external loans, pension liabilities and financial lease liabilities) after deducting cash and cash equivalents and restricted bank accounts in rela-

tion to the rolling 12-month average EBITDA.

**Net investments** – Acquisition cost of investments in fixed assets less sales value of divested fixed assets.

**Reallocation Rate** – Buses allocated to a new contract during the year/Total number of buses.

**Renewal Rate** – All won tenders/All own announced tenders.

**Retention Rate** – Defended tenders/Own announced tenders

**Yield** – Revenue per driven kilometre.

# ANNUAL GENERAL MEETING OF NOBINA AB

The Annual General Meeting of Nobina AB (publ) (“Nobina” or the “Company”) will be held on 31 May 2016 at 2:00 p.m. CET at Nobina’s offices, Armégatan 38, Solna, Sweden.

## RIGHT TO ATTEND THE MEETING

Shareholders who wish to attend the Meeting must be registered in the share register maintained by Euroclear Sweden AB on 25 May 2016.

Shareholders must also notify Nobina of their intention to participate by mail to Nobina AB (publ), Armégatan 38, SE-171 71 Solna, Sweden, by fax + 46 (0)8 546 300 55 or by e-mail to [hanna.lekas@nobina.com](mailto:hanna.lekas@nobina.com), no later than on 25 May 2016. The notification should include the shareholder’s name, personal identification number/corporate registration number (or similar), address and daytime telephone number, as well as, if applicable, details of representatives, proxies and advisors.

## NOMINEE-REGISTERED SHARES

Shareholders whose shares are registered in the name of a nominee must temporarily re-register their shares in their own name in the share register maintained by Euroclear Sweden AB in order to be entitled to attend the Meeting. Such registration must be effected no later than on 25 May 2016. Shareholders must, therefore, instruct their nominees well in advance thereof.

## FINANCIAL INFORMATION 2016/2017

Annual General Meeting 31 May 2016  
Interim report for Q1 (1 March–31 May) 30 June 2016  
Interim report for Q2 (1 June–31 August) 28 September 2016  
Interim report for Q3 (1 September–30 November) 20 December 2016  
Year-end report 2016/2017 26 April 2017

## IR CONTACTS

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