



**>> Join us on our  
journey toward the  
sustainable society**

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# The year in brief

- Net sales amounted to SEK 8,858 million, an increase by 6.5 per cent
- Operating profit amounted to SEK 494 million, an increase of 19 per cent compared with adjusted earnings in the preceding year
- Earnings before tax amounted to SEK 355 million (2)
- Profit after tax amounted to SEK 518 million (4)
- Earnings per share amounted to SEK 5.86 (0.04)
- Proposed dividend of SEK 3.10 (2.60)

<b>Key ratios</b>			
SEK million	2016/2017	2015/2016 before IPO costs	2015/2016 after IPO costs
Net sales	8,858	8,317	8,317
Operating profit (EBIT)	494	462	258
Profit before tax (EBT)	355	299	2
Profit for the year	518	301	4
Cash flow for the year	114	266	234
Equity/assets ratio, %	17.9	3.9	14.5
Shareholders' equity	1,421	298	1,110
Net debt	3,753	4,572	4,022
Average number of employees	12,495	11,747	11,747

**+6.5%**  
**sales growth**

## Significant events



### Another strong year

We can look back on another successful year. In 2016/2017, new records were set for sales and results and the Board of Directors proposes an increase in our dividend by 19 per cent.



### Focus on innovation

As market leader, we are helping to shape future public transport systems. One example is the launch of supplementary products for all buses, products that attract more people to travel by public transport and that increase customer satisfaction. Read more on pages 26–27.



### Increasing digitisation

Accelerating developments in technology and digitisation affect both the design of public transport vehicles and traffic planning and traffic management. Read more on pages 8–9.



### The Green Journey

Our Green Journey concept creates a better situation for both our passengers and the environment. In 2016/2017 alone, 24 per cent of our drivers completed Green Journey training. Read more on pages 28, 30 and 34–35.

# THIS IS NOBINA

Nobina is the Nordic region's largest and most experienced public transport company with a focus on bus transport. Our expertise in prospecting, tendering and active management of public transport contracts, in combination with long-term delivery quality, make us the industry leader in terms of profitability, development and initiatives promoting a healthier industry. We ensure that about one million people arrive at work, school or other activities every day by delivering contracted public transport services in Sweden, Denmark, Norway and Finland. In addition, we offer interregional transport services under the Swebus brand in the Swedish market. Our success creates a better society in the form of increased mobility, reduced environmental impact and lower cost to society.

## Our vision

**Everyone wants to travel with us**

## Our business concept

**Simplify everyday travelling**

## Our strengths

**Ensure profitable contracts**

**Delivery in line with contract terms and agreed supplementary services**

**Optimising the fleet of vehicles**

**Minimising risks**

Bus transport for tomorrow is created by committed employees who feel that their efforts make a difference. Our ambition to increase the use of public transport will be achieved together with our clients and partners, by creating the best possible customer value. We can then live up to our business concept: Simplify everyday travelling.

## Nobina's values

Our operations are built on trust and individual communication, between passengers and the bus driver, in the workshop and in contract negotiations. Our daily actions should be characterised by respect and courtesy, clear communication, responsiveness and tolerance. Five common values clarify our attitude to our operating environment and to each other.

### Our customers' needs are our reason for being

We are sensitive to the needs of our customers and show customers courtesy and respect. We keep our promises, develop affordable solutions and make life easier for our customers.

### In all we do, we strive to develop

We achieve targets and deliver results. We are resource-efficient and deliver at least the promised quality. We work using management by objectives and systematic follow-up.

### We foster solid leadership

We have defined requirements for our managers and employees. We put the interests of our clients and the company ahead of our own.

### We respect each other

We safeguard the equal value of all human beings and treat each other with courtesy and respect. Together, we create a secure and creative working climate.

### We care

We take an active responsibility for the environment and society. We promote health and personal development. We are committed and care about each other, our customers and the world around us.



**Sweden****6,332**

SEK million net sales

**71%**

share of Nobina's net sales

**Denmark****535**

SEK million net sales

**6%**

share of Nobina's net sales

**Norway****974**

SEK million net sales

**11%**

share of Nobina's net sales

**Finland****1,044**

SEK million net sales

**12%**

share of Nobina's net sales

**The route to a more sustainable and mobile society**

Nobina works to create safe, convenient and environmentally-friendly journeys that contribute to both an increase in mobility for our passengers and a better work environment for our drivers. Later in the report, we write more about some of the initiatives we worked with over the past year to achieve this.



The safe journey  
 >> page 10



The smart journey  
 >> page 18



The green journey  
 >> page 34

# NOBINA'S MARKETS

**With a market presence in the form of about 100 contracts with public transport authorities, spread over 30 traffic areas in four countries, Nobina is the Nordic region's leading public transport company with a focus on bus transport. Our bus fleet comprises approximately 3,600 buses and about 307 million passengers board our buses every year.**

Sales in the market for public bus transport services are estimated at SEK 45 billion, with regional traffic accounting for almost 90 per cent of this figure. In all of the Nordic markets, an average of half of the cost of the regional public transport authority is financed through the budgets of regional public administrations. The other half is directly from passengers through ticket revenues. Nobina operates in the market for regional bus services in the Nordics and interregional express

		Sweden	Denmark
Market	Total value of market, SEK	<b>21 billion</b>	<b>8 billion</b>
	Summary of 2016/2017	Traffic start-ups in Södertälje and Kallhäll; Norrtälje extended by two years. Several positive results for quality bonus. Contracts won in Skåne and Västernorrland, as well as new bus-for-rail contracts. Increased pace of development, with such factors as electric buses, greater use of app tickets and mobile services. Focus on travel of the future.	Contract in Randers extended by two years. Award for passenger satisfaction in Copenhagen. Greater efficiency in operations.
	Market characteristics	Regional traffic contracts differ considerably both in terms of the responsibilities and commercial terms and conditions. There is an increasing trend toward tender processes that include quality evaluation and contracts with an incentive element.	The market for regional traffic is divided into five regions, with six clients, and is developing in a positive direction in terms of contract terms, incentives and monthly indexing. The trend is moving toward contracts based on an increase in passenger numbers.
	Market growth/market maturity	Mature market demonstrating low but stable growth.	Mature market demonstrating low but stable growth.
Nobina	Market share	<b>29%</b>	<b>5%</b>
	Market position	We are Sweden's largest public transport company with a market share of about 29 per cent and represented in some one hundred locations. The largest clients are in SL, Västtrafik and Skånetrafiken. We are the market leader in express bus services with almost 50 per cent of journeys in Sweden via an extensive line network, airport bus services and partnerships.	Challenger position. We currently operate regional traffic in seven contracts for two clients in total. Our position is particularly strong in Copenhagen.
	Contract value/duration	64 contracts/8.8 years on average	7 contracts/6.6 years on average
	Main competitors	Arriva (UK), Keolis (Fra), Nettbuss (Nor), Transdev (Fra). Swebus's main competitor is Nettbuss Express.	Arriva (UK), Keolis (Fra), Tide (Nor), Umove (Den).
	Focus on sustainability	Public transport expansion remains a priority. The development includes a greater focus on green fuels and partnerships to create an infrastructure in expanding cities to contribute to increased mobility. Express bus services absorb demand where train services are insufficient. It is a niche market and characterised by low prices and flexibility in terms of departures and destinations.	Sustainability investments are mainly being made in Copenhagen, and include plans to build a light-rail system to facilitate travel in the city. The focus on flexible mobility solutions is greater than in other Nordic countries. New technology is in demand, where combinations of modes of transport and information technology for passengers is high on the agenda.

bus services in Sweden where there is free competition and pricing is without public subsidies.

Regional tendered public transport has shown favourable growth in recent years and is expected to continue to grow moving forward, in line with a political will to increase the use of public transport and as more people choose to travel by bus. There is also a trend in all countries to include more quality

criteria as part of the tender process, and towards better compensation models where incentives are based on the number of passengers and the quality experienced by the customers. Models only using compensation to operators for kilometres driven and indexation compensation a few times per year are less common. We have seen this from clients operating in densely populated and rapidly growing areas, where there is a move towards contracts with balanced

terms for operators that enable the delivery of high-quality public transport.

Society is increasingly interested in investing in public transport, particularly in areas with a high population density, such as metropolitan areas where well-developed public transport is important for mobility in society. In addition, public transport is high on the agenda for local politicians as it becomes a more important requirement for building a sustainable society.

## Norway

# 9 billion

Invited to carry out two-year test programme with electric articulated buses on behalf of the public transport authority Ruter in Oslo. Positive development for bonuses linked to travel and passenger satisfaction. Nobina won a contract in Oslo (route 25) and lost one in Sunnhordland.

The trend for contracts with more balanced terms and conditions is positive. In the major cities, the trend is for us to be compensated to a greater degree than previously for hours, number of kilometers and buses.

The market is under slow development, but with favourable long-term growth prospects.

# 7%

Challenger position. We are currently Norway's fifth largest operator, with most of our traffic assignments in the Oslo area.

8 contracts/8.1 years on average

Nettbuss (Nor), Tide (Nor), Unibuss (Nor), Torghatten (Nor), Boreal (Nor), Norgebuss (Nor).

Over the next few years, there are plans in Norway for substantial investments in biogas, where both supply and infrastructure is expected to expand across the country. The Public Transport Authority, Ruter, is working together with the City of Oslo to restrict car traffic in the city centre within the next few years. The aim is to make public transport more attractive and to reduce climate emissions in Oslo by 95 per cent by 2030. There are also projects with a bus rapid transit system and electric power in Trondheim.

## Finland

# 7 billion

Contract for an additional 27 buses in Helsinki. Highly positive figures in customer satisfaction surveys. Positive influence from extra traffic resulting from the delay in extending the Helsinki metro.

Unlike other Nordic countries, contracts in Finland are often tendered for specific routes rather than entire traffic areas. 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 the Helsinki region. At present, 60 per cent of the market is tendered, but new legislation, to be introduced in 2019, will mean concessions are no longer permitted.

Market under development. With other regions outside Helsinki opening public transport to tenders, the market is expected to show favourable growth in the future.

# 23%

Our operations are concentrated to the Helsinki region where we are the largest public transport company and thus also one of the country's major players. This position represents a favourable starting point to enable us to continue increasing the share of traffic in an expanding market outside the capital city region.

25 contracts/6.2 years on average

Transdev (Fra), Koiviston Auto (Fin), Pohjolan Likkene (Fin).

As with Denmark, there are investments to increase mobility in the capital region. A new metro in Helsinki is expected to be completed in 2017. The availability of bus transport has gradually increased since 2010, which together with low prices has given rise to an increase in passenger numbers. In the Helsinki region, green procurement occurs, by which operators can obtain additional remuneration for switching to green fuels.

## Statement from the CEO

# WE DELIVER ON OUR PROMISES

**Nobina's journey of success is continuing. In 2016/2017, new records were set for turnover and results, and with a high level of expertise and strong finances, the opportunities now exist to continue capturing market share, to expand into new areas and at the same time, contribute to the development of the public transport system of the future.**

Public transport is on the threshold of an exciting future. The swift development of passenger choices is of particular interest. Based on new technology, digitalisation and the need for increased mobility, we are now seeing transport solutions — that were regarded as nearly impossible only a few years ago — now starting to become reality. Autonomous vehicles, indoor bus stops, new forms of travel subscriptions for getting from door to door and smart sensors for personal passenger information are just a few examples of innovations.

As the leading public transport company in the Nordic region, Nobina is involved in driving this development. One aspect of our involvement is through our innovation company, Nobina Technology. The investments in new technology-based services in recent years have attracted a large amount of attention from politicians, clients and other cooperative partners, and comprise everything from new IT platforms and information solutions to self-driving buses. I can see that Nobina Technology is becoming an increasingly important discussion partner for our clients in the quest to identify solutions to future challenges. With Nobina Technology, we don't just talk about the possibilities that exist, we test and invest in them. Of greatest importance are the lessons learned, and sometimes daring to fail, for Nobina's and society's best.

### Enhanced opportunities

The innovation initiatives are possible by way of Nobina's strong financial position,

which is a result of the discipline and focused strategy on which we have based the development of our business for a long time. We are now in a situation in which we have a favourable outlook for continuing Nobina's growth. For example, I see possibilities for contributing to the consolidation in the market. I also see that Nobina has a greater ability than previously to help society assume responsibility for its infrastructure investments. We have the expertise and can offer services that add value in the form of increased mobility in expanding cities.

A good example is Skånetrafiken and its Malmöexpressen bus concept, a venture in collaboration with the City of Malmö, which has resulted in a sharp increase in travel through the deployment of larger buses, higher average speeds, increased frequencies and a dedicated traffic lane. Several similar ventures are in the pipeline in Malmö and in other cities with a need for improved infrastructure. Another opportunity for Nobina is to add other modes of transport, a sort of product expansion, to further strengthen our offering. Finally, one of Nobina's strategic strengths is the company's size, which enables economies of scale between different countries and traffic areas. Although the

growth potential remains favourable in the Nordic region, Nobina can capitalise on its size and also grow in completely new markets in the long term.

### We achieved our financial targets

We can look back on another successful year in terms of achieving the financial targets we established prior to the IPO in 2015. We are growing faster than the market, by 10 per cent in 2015/2016 and 6.5 per cent in 2016/2017, and our target of 4.5 per cent pre-tax profit margin is within reach. Higher net sales, combined with a higher margin, mean that we can also increase the dividend. It is proposed that 77 per cent of profit before tax be distributed for the financial year, which is higher than our target and indicates continued optimism. The reason things are going so well for Nobina is easy. We simply do what we have said and what we say we will do. This plan is currently in a calmer phase in terms of new contracts due to the existing young contract portfolio.

### Important cooperation

Well-functioning cooperation with our client is a requirement for continued successful performance. Today, the vast majority of

**>> We can look back on another successful year in terms of achieving the financial targets we established prior to the IPO in 2015.**





» **The public transport industry is facing an exciting period of growth owing to digitisation and urbanisation trends and a steadily increasing focus on environmental and sustainability issues. Nobina, with its market leading position in the Nordic region, is at the forefront of these developments. I look forward to leading work into the future together with Nobina's experienced employees," says Magnus Rosén.**

our clients are satisfied and in 2016/2017, we set customer satisfaction records among the passengers in several of our contracts, including on Själland, in Vänersborg and in Oslo. At the same time, the dialogue between municipalities and PTA's needs to be intensified in order to create the optimal public transport in the cities. The municipalities can see the needs that exist, but have to pay for a service over which they have no control. The PTA's can have a broader agenda and a different budget. This requires comprehensive solutions to take account of both parties' needs and Nobina has a key role to play in the design of these. In Norrtälje, for example, Nobina cooperates strategically with the municipality, the business sector, SL and other regional players to develop the provision of public transport. As a leading public transport company, Nobina will continue to increase its cooperation with various players, in terms of technology development and also the possibility of developing public transport during the term of a contract. Cooperation is the only way for us to be involved and meet many of the challenges facing society.

#### **Long-term responsibility**

Developing solutions for the public transport system of the future implies the assumption of long-term responsibility for sustainable development of society. To me, sustainability and assumption of responsibility are always a combination of social, environmental and financial value creation. In 2016/2017, we continued our cooperation

with Arbetsförmedlingen, the Swedish job centre, to assist recently arrived immigrants and the long-term unemployed into work with us. Within the framework of our environmental work, we have trained 120 managers in advanced sustainability, we have continued to reduce fuel consumption, for example, through use of our Green Journey concept, while the percentage of our fleet of vehicles that runs on fossil-free fuel has risen. The most important point of all is that we contribute to increasing the number of people who leave their cars at home and take the bus instead. At the same time, we are increasing financial value creation, including greater investments in development. In the past year, we have invested SEK 35 million in development, including new technology, which will ensure Nobina's long-term profitability.

Nobina is on the threshold of an exciting and bright future. I look forward to following this, but no longer as the company's CEO. After 13 substantive years, I am now handing over the responsibility to Magnus Rosén to take Nobina into a new phase. I wish him and the other members of management the best of luck and at the same time, I want to take the opportunity to thank all of our valued employees for their commitment to Nobina's development.

Stockholm, April 2017

Ragnar Norbäck  
*President and CEO*



**Magnus Rosén will take over as Nobina's new President and CEO on 1 June 2017**

**Born:** 1962

**In brief:** Magnus Rosén's most recent role was as senior advisor for the investment firm Nordstjernan and is a member of the boards of Bonava and Llentab. He was previously CEO of Ramirent PLC and held leading positions within BE Group and Cramo. Magnus has a Master of Business Administration from the Stockholm School of Economics.

**Taking up his duties at Nobina:** Employment began on 1 April and he takes up the position as President and CEO on 1 June.

# FORCES DRIVING GROWTH

## Global megatrends...

### 1 Urbanisation and population growth

The strong urbanisation trend around the world is continuing. By 2050, the number of residents in cities worldwide is expected to increase by 40 per cent; from 50 per cent (2010) to 70 per cent<sup>1)</sup>. The Nordic region is experiencing the highest population growth and the fastest urbanisation in Europe, a trend that is forecast to continue. The strong urbanisation trend also means cities will become denser, which will lead to a reduction in space for both residents and transport.



### 2 Increased environmental awareness

Environmental awareness is on the increase around the world and in all fields. There are strong incentives for politicians and other decision-makers to focus even more on solutions that create a better climate and increased comfort in society. Investments in infrastructure and technical advances go hand in hand with the establishment of new, ambitious climate targets at both a national level and for individual large cities.



### 3 Digitisation and technical advances

Accelerated technical advances and continuous digitisation affect all areas of society and are increasing every year. Lower costs for new technology and a growing share of connected households and individuals worldwide are enabling this development. Digitisation can increase efficiency in various processes such as information accessibility for passengers and the analysis and development of needs and solutions for mobility in society. This is expected to lead to a growth in a sharing economy in many areas, such as accommodation, transport and other everyday services.



1) Source: OECD; Environmental Outlook to 2050.

## ...create clear needs on our markets.

### **Steadily growing public transport market**

The strong urbanisation means demands on the future public transport system will increase and remain a prioritised issue for a growing number of regions. The need for efficient public transport systems in urban environments will thus benefit flexible, non-track-based modes of transport, such as buses. Growing climate awareness is also raising interest in carpooling. But above all, our growing market is a result of a more connected, mobile and fast-moving society.

### **Present and beneficial environmental insights**

Clients, politicians and passengers all have a strong and continuously increasing commitment to the environment. Consequently, 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.

### **Greater focus on innovation**

Accelerating developments in technology and digitisation affect both the design of public transport vehicles and traffic planning and traffic management. Clients that are willing to invest in regional public transport demand new services and solutions as well as highly efficient, modern vehicles. Investments by public transport companies in innovation are increasingly important to meet the needs of clients and passengers.

### **Satisfied clients and passengers**

In a changing society, clients strive to balance passenger needs with available financing in the tendering process for public transport systems. Public transport companies therefore need to be sensitive to needs and flexible to provide benefits to both society and passengers, at the same time. Accordingly, the task for public transport companies is, within the scope of contract terms, to balance wishes from clients, passengers and other stakeholders in a constructive and profitable manner.

## We meet these demands through...

### **...profitable growth and by strengthening expertise.**

The fact that the market is growing is positive for Nobina. Rapid regional and local development involves changes to conditions in the near future. This not only places higher demands on our expertise in the tender process and in terms of the dialogue drawing up contract terms. It also makes demands on greater expertise in terms of developing more efficient public transport systems and of information accessibility. This ensures that we can meet changing demands while retaining profitability. As our expertise improves, we will also become more flexible to satisfy more variations within and between client preferences.

### **...taking responsibility as market leader.**

Market leadership creates opportunities to influence industry trends. A major operator with business activities in many different geographical areas and with different market conditions acquires a lot of knowledge, which is an important contribution to the development of mobility in society. By emphasising long-term sustainable solutions in every situation, we have excellent opportunities for constructive partnerships with our clients to develop public transport. We also have the insight that conditions for dialogue can vary between countries, regions or local communities, depending on the political majority, local expertise and experiences from previous transport solutions and contract terms. We collaborate with our clients and increase the community of interest by engaging them in a continuous dialogue and actively influencing the design of recommended contract terms.

### **...focusing on societal benefits.**

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. At a local level we train our drivers and other employees to constantly improve passenger dialogue with the ambition to create 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.

### **...remaining at the forefront.**

In a forward-looking market, with many wishes and stakeholders, it is important to continuously invest in developing the business and participating in various activities. Nobina is a major stakeholder and promotes partnerships with both research institutions and clients about public transport solutions for the future. Through our own business company, Nobina Technology, we test various ideas at an early stage and then evaluate and decide on these.



# THE SAFE JOURNEY

**>> A safe and secure journey includes both the road transport itself and a feeling of security in the bus and when alighting or boarding the bus.**





**N**obina works actively to create security in public transport. To achieve as favourable a result as possible, we interact with other important public services. In Södertälje, for example, we have had a close dialogue for many years with the municipality, the police, and associations aimed at creating a safe environment on board our buses. Our drivers visit schools and youth clubs and explain what vandalism and threats can mean to both drivers and other passengers.

Our efforts have produced positive results and the number of incidents has fallen substantially. Collaboration has produced similar clear results in other traffic areas with similar problems, such as in Vänersborg and Skaraborg. Work in these areas is now used as a good example in the Group for how

collaboration can contribute to improving security in public transport.

At the same time, emergency situations can always occur. To manage this in the best possible way, we have created an organisation of colleague supporters which takes action when there is an accident. Colleague supporters are volunteers within Nobina, from every traffic area, and have a role to support their colleagues following an accident, threats or violence. Operations Control phones colleague supporters who then accompany the affected employee home, to a hospital, or offer support in other ways. The Nobina Academy has a special course for the role as colleague supporter and includes strategies for various situations and disseminates important expertise in the area.



# STRATEGY

**Nobina is market leader in an expanding Nordic public transport market and has stable revenue from contracts that focus on profitability and high quality in execution. A broad contract portfolio, an increasing contribution from new services and cost-efficient operations are essential for continuing profitable growth. At an overall level, four strategic strengths stand out that constitute our success factors.**

With 17 per cent market share, Nobina is the largest public transport company in the Nordic region and the only player with operations in Sweden, Denmark, Norway and Finland. Our experience of the Nordic public transport market provides us with excellent knowledge of local market conditions and established relationships with key public transport authorities. Our tender teams can quickly analyse contract terms and begin tendering work in a timely manner.

Our economies of scale in expertise and size of bus fleet are not only advantages in

risk analysis and tenders, but also relationships with public transport authorities, where we are considered a safe and stable partner with high capacity and the ability to deliver.

Our extensive contract portfolio must consist of contracts that generate both healthy profitability and growth potential. Prospecting efforts are still substantial, in that all new competitive contracts in the market are carefully analysed. Today, we are also focusing more on active prospecting of contracts that includes incentives.

## 1 Ensuring profitable contracts

We pursue an active contract management to ensure that all of our contracts are profitable. This comprises the following elements:

- A review of the entire homogenous publically tendered Nordic market. This includes contracts and clients established by each operator and when these contracts end and are subject to tendering again.
- A dialogue with clients about contract conditions is conducted before these are published as bidding documents. We identify the right contracts to tender for when the tendering process starts.
- Careful verification takes place of the conditions and risks as a basis for tender calculations and pricing for the transport solution requested. Ambiguities and imbalanced terms result in a higher tender price to ensure that contracts remain profitable. Conversely, clear and precise contract conditions, balanced terms and low risk result in a lower tender price, which can be expected to lead to lower costs for society and a higher delivery quality.
- There is no reason to win contracts for strategic reasons, which would otherwise be a reason to reduce the tender price. This only means we may be obliged to operate an unprofitable contract until the contract expires, as the contracts are non-cancellable.

## 2 Delivery in line with contract terms and agreed supplementary services

We have an efficient management system that ensures delivery quality. Our active contract portfolio management includes continuous improvements made in individual contracts. Each contract is regularly evaluated using several metrics. Comparisons are made between estimates and the actual performance. If a deviation is found, we act quickly using selective measures or through larger changes in operations to guarantee quality and efficiency in the delivery. Usually clients need to supplement or change the contracted transport solution. It is always important to analyse the impact of any desired amendments and to negotiate a reasonable adjustment in compensation, to avoid the risk of undermining the continued viability of the contract. There are often also reasons for us as an operator to suggest to the client certain amendments to the transport terms, which include adjustments in compensation, to better serve the needs of passengers.



### 3 Optimised fleet of vehicles

Our buses, numbering about 3,600 in total, are purchased and managed by our wholly owned subsidiary, Nobina Fleet AB. A Group-wide fleet of vehicles affords us competitive advantages as we can optimise the buses at our disposal and centralise expertise about these. Every year, Nobina reallocates 10–15 per cent of buses between contracts, and even between countries, which means the fleet of vehicles is utilised as efficiently as possible and that the expected service life is guaranteed. Each purchased bus must serve at least two contracts during its 14-year service life as contracts are up to ten years long. The structure 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 ten-year finance leases but are depreciated over 14 years. Read more about the structure of vehicle financing in Note 7 on page 84.

### 4 Minimise risks

It is important to assume that each contract we win is a temporary operation that runs until the contract ends. Accordingly, all resources needed for the individual contract are always organised to coincide with the duration of the agreement in terms of contract and commitment period. For example, no properties are owned but all depots linked to traffic for a specific contract are contracted, so that they are cancellable as the contract nears its termination date. We are therefore not obliged to win the individual contract again when it is up for tender next time, to ensure the use of a depot or other costly resource that is tied to the area covered by the contract. By maintaining this independence, we can consider tenders and always price these on completely rational grounds.

# Successful business model

**Our business model is based on a structured tender process in combination with active contract management and comprises five clear stages. The Group's sustainability agenda is an integrated and natural part of the business model.**

## Selective tender process

### 1 **Prospecting: Identification of appropriate contracts**

We have a long-term business strategy that extends beyond current contract periods and thus places substantial emphasis on good relations with regional decision-makers and public transport authorities. We map, monitor and analyse public tenders continuously to identify appropriate contracts in terms of profitability potential and value creation for stakeholders. Identifying the right contract is key if we are to achieve the overall financial targets for the business.

**>> Solid expertise in combination with the size of the company provide us with the capacity to tender for more contracts than our competitors, which in turn puts us in a better position to continue to win more of the right types of contract.**

### 2 **Selection: Active influence and dialogue**

Every year, we take part in a large number of tender processes where regional public transport is subject to competition. Selecting available tenders 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. Contract design plays a crucial role in determining how well the tendered public transport solution will work. We maintain continual dialogue with politicians, clients and industry organisations to highlight the contract terms that enable efficient and safe operations and that attract more passengers. Balanced contract terms are essential to combine good delivery with profitability, which ensures benefits to society.

## Active contract management

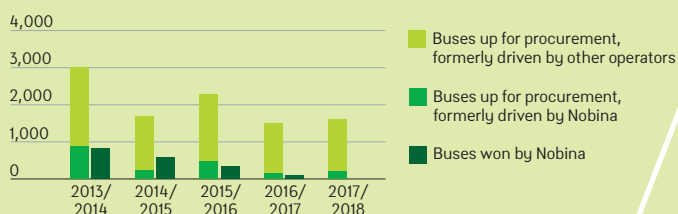
### 4 **Contract start: Efficient start-up and contract management**

When a tender is successful and a contract signed with the client, the preparatory process can begin ahead of the start-up of traffic services. Since we often take over depots, support properties and employees from the previous public transport company, the takeover requires careful planning. Furthermore, the new contract always entails major traffic changes. Even if the actual start up of traffic services is achieved overnight, the start up phase typically stretches over a period of nine to twelve months. The planning phase 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.

Continuous improvement work with each contract begins when traffic services start up and does not end until the contract period has terminated. Each contract is evaluated and analysed continually and when necessary we act to manage extensive changes in operations. Another critical aspect of our improvement efforts is a successful implementation and delivery to the society that opens up for valuable contract extensions.

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

**Tender overview, number of buses**



### 3 Tender process: Winning the right contracts

There is a great deal of variation in the design, terms and conditions for regionally tendered traffic contracts. After the initial prospecting and selection process, a comprehensive risk analysis begins, which is used as a basis for the final tender price. This includes both operational and contractual risks, determining the best 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 successful tenders submitted in 2016/17**

**15%**

### 5 Completion: Delivery quality and cost control

The start-up of traffic services is one important component. However, without efficient traffic planning on a daily basis, a contract quickly risks becoming unprofitable. We strive to deliver excellent value for clients and passengers together with profitable operations. We adapt to the aims of our client for the duration of the contract, but combine this with safe and efficient operations. Because most of the contractual costs are variable, cost control is important at every level. We achieve this through our efficient overall management system, continuous follow-up on the profitability of each contract, careful traffic planning and long-term financing and utilisation of our fleet of vehicles. We work with a centralised management system for traffic planning, which streamlines and improves the quality of service. Good traffic planning reduces the number of routes with empty seats, expands the use of eco-fuels and increases the number of passengers per bus, which systematically improves cost efficiency.

**» The business model helps us to meet both our financial and sustainability targets.**

**Read more on the next page**

# The financial equation

Contract lengths vary between clients in different countries and the contract portfolio had an average length of 8.2 years at the end of the financial year. The average contract length (weighted by the number of buses) was 3.7 years, i.e. a somewhat young contract portfolio, which reflects that the volume of new contracts in recent years has exceeded the volume of terminated contracts. Our bus fleet was also its youngest ever, with an average age of 5.6 years at the end of the financial year. Clients often demand the

latest emissions standards and technology when awarding contracts, which results in a relatively large share of new buses. This reduces the average age of the bus fleet and the balance sheet grows.

Nobina regularly reports its contract revenue based on deliveries. Costs and revenues are unevenly distributed over the contract period. Initially, the 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. Considering the current low average contract length and fleet age, it follows that cash flow and profitability will gradually strengthen in the next few years. This is due to a rising average age of the contract portfolio and the fleet of vehicles.

One important profitability factor is whether the extension option in the contract is exercised, usually after mutual consent, which provides Nobina with additional cash flow and increases return on capital.

## Financial development during a contract cycle

### Stable revenue

Contracts won in a tender process to operate public transport services for a PTA run for long periods of time, generally between five and ten years, including the usual extension period. We strive to maintain a good balance between younger and older contracts in our portfolio, as revenue and expenses are unevenly distributed over the contract duration.

### Capital intensive business

New contracts are generally capital intensive as clients always demand the latest generation of technological solutions, emissions requirements and energy/fuel assumptions as part

of tender conditions. This means that most of Nobina's new buses are purchased in conjunction with the start of new contracts. As the contract period progresses, the economic value of the capital declines and thereby also the capital costs, which are at their lowest at the end of the contract period. Carefully considered, long-term financing also plays an important role in our ability to achieve our profitability goals. We typically first study institutional financing options, as they offer greater flexibility in the choice of bus compared with financing via a bus manufacturer, unless this option is more advantageous.

### Efficiency and costs

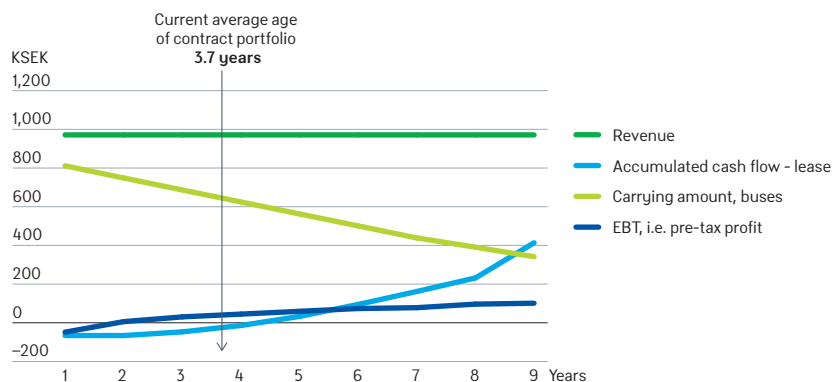
More resources are always needed in the form of drivers, buses and traffic management to guarantee a high-quality transport delivery from the outset. We can then gradually increase efficiency in resource use during the entire contract period while maintaining delivery quality. All this means that relative resource costs are lowest at the end of the contract period.

### Earnings trend

Contracts are always only slightly profitable or loss-making at the start of a contract and more profitable towards the end. As a result, migration between contracts that end and new contracts that start and the current average age of the contract portfolio play a key role in the Group's visible profitability for an individual year.

### Cash flow and capital

Our buses are a significant item in the balance sheet and fixed costs. At the start of new contracts, a significant number of new buses are often purchased, which results in a substantial rise in both fixed asset capital and lease liability and a rise in the balance sheet and the debt/equity ratio. As the contract portfolio ages, total assets and indebtedness decrease again. A large amount of capital is tied up when starting up services. Because of this, we prefer leasing arrangements for buses, as this evens out cash flow over the contract period.

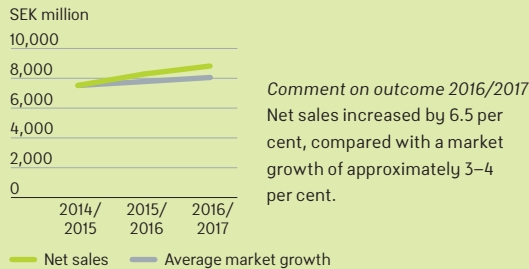




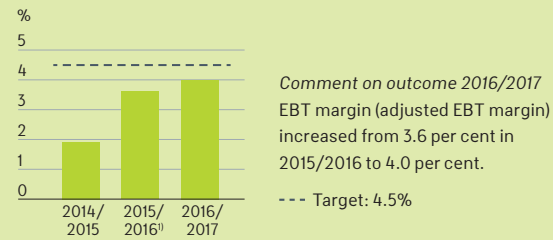
## Financial targets

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

**Net sales are to increase at a faster rate than the market**

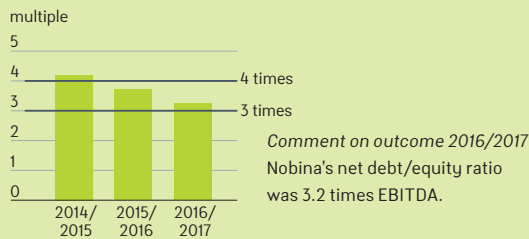


**EBT margin is to be at least 4.5 per cent in the medium term**



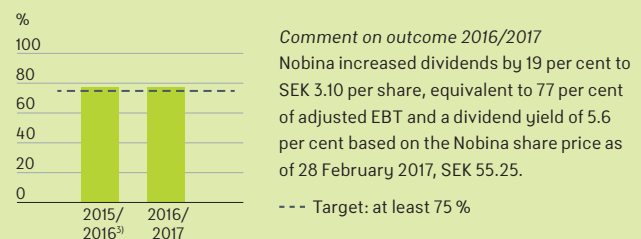
1) Adjusted for items affecting comparability of a total of SEK 297 million.

**Net debt/equity ratio<sup>2)</sup> is to be kept within 3 to 4 times EBITDA**



2) Net debt/equity ratio is defined as net debt/EBITDA.

**At least 75 per cent of adjusted EBT is to be distributed to shareholders**



3) Adjusted for IPO costs.

## Sustainability targets

**Achieve customer satisfaction of at least 80 per cent in our traffic areas**

80%

*Comment on outcome 2016/2017*  
Customer satisfaction is measured through our own on-board surveys conducted twice per year on a selection of routes. Our clients also measure customer satisfaction in our traffic areas. The outcomes from both measurement methods show a stable, high level of customer satisfaction with the public transport that we offer.

**Fewer than four cases of personal injury on a transport network that corresponds to 100 laps of the Earth**

<0.03

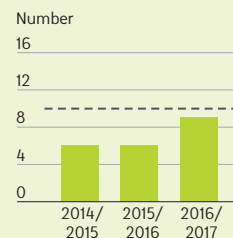
*Comment on outcome 2016/2017*  
Training and continuous information for drivers and traffic managers have contributed to us steadily reducing the number of personal injuries in traffic.

**Nobina will be a prioritised partner for our stakeholders by contributing to increased mobility in a sustainable society**

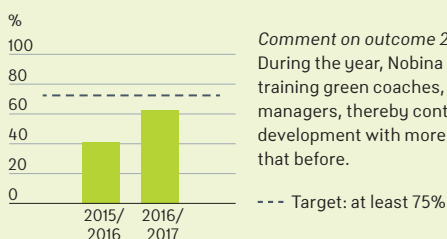
85%

*Comment on outcome 2016/2017*  
By considering the assessments of several stakeholder groups regarding how we deliver and act as a party in society, we can demonstrate how well we achieve our target of increased mobility. The outcome for the year is on a similar level to that of the preceding year.

**At least 10 out of 16 questions in Pulsen will achieve values that highlight good employee motivation**



**At least 75 per cent of all drivers at Nobina are to be green drivers<sup>4)</sup>**



4) The standardised measurements began in 2015.



# THE SMART JOURNEY

» Efficient public transport can play a crucial role for people in planning their everyday lives.



In a society where public transportation is increasingly important, Nobina is, as the leading public transport company, at the forefront in finding the best and smartest solutions. But our public transport efforts are already highly important in helping our passengers with their everyday travel. Each day, we transport about one million people in our 3,600 buses in cities and rural areas across the Nordic region. Our focus therefore includes the development of future travel services including digital tools and several different modes of transport to quickly and efficiently transfer people from one place to another.

Bicycles, various types of car pools and autonomous vehicles are just a few compo-

nents that can complement the actual core of the transport solution, i.e. the bus.

We can see that our work is appreciated. According to our own surveys, 82 per cent of passengers are satisfied with their journeys, and in some areas where we have been given an even greater responsibility to design the travel solution, satisfaction levels are even higher. One example is Skaraborg, where 96 per cent are satisfied, according to Västtrafik's own on-board survey. We can see that 98 per cent feel safe on board buses, which is largely due to the drivers' treatment and safe way of driving, which are also rated highly. Having confidence in our transport solutions, quite simply, helps you to plan your everyday lives.



# SUSTAINABLE VALUE CREATION

**Nobina contributes to creating a sustainable society. As more people use public transport, conditions are improved for both economic growth and increased mobility in society, at the same time as environmental impact is reduced. In this way, we create value for all of our stakeholders.**

We want to be a role model for sustainable business and our sustainability agenda is an integrated part of our business model. By creating economic, environmental and social value in our public transport solutions, we contribute to more people opting to travel together. Public transport also contributes to reducing environmental impact and has a positive affect on urban development by improving infrastructure.

## **Nobina takes responsibility**

We are committed and we care about clients, passengers, each other and the society in which we operate. We also continuously look for new ways to use our resources as

efficiently as possible. This enables us to reduce both environmental impact and costs for us and for society. Since our operations are, to a large extent, publicly financed, it is particularly important that we also communicate how we take responsibility. By participating in the preliminary work preceding a tender process, we contribute to more effective use of tax-payer money.

## **Our Values**

Our vision is that everyone wants to travel with us. Toward this end, we do our utmost every day to simplify travel by public transport. Nobina is a value-based company whose perspective spans multiple dimensions: from

client resources and climate issues to responsibility for safety, employees and passengers. 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:

- Our customers' needs are our reason for being
- In all we do, we strive to develop
- We foster solid leadership
- We respect each other
- We care

## **Successful bus-for-rail services**

Nobina has long-standing experience of successfully offering alternative services. Our bus-for-rail offering is a carefully prepared service, where our central traffic management resources, available 24 hours a day, are utilised to efficiently provide both scheduled bus-for-rail services and as a rapid response to railway disruption. Today, we offer our bus-for-rail solution in all Nordic countries and this part of our operations has the potential to expand further in the future and thereby contribute to increased mobility for public transport passengers.



# Active dialogue with stakeholders

**We strive to maintain a continuous and close dialogue with stakeholders to both meet our stakeholders and to understand their needs. The planning of public transport provision is paramount in these efforts and our most important form of dialogue.**

Nobina is surrounded by stakeholders, all of whom impact and are impacted by our operations, both from a financial perspective and from a sustainability perspective.

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, we have identified the following key stakeholders:

- Clients
- Passengers
- Owners
- Politicians
- Suppliers
- Employees
- Media

An overview of the dialogue with Nobina's key stakeholders and examples of issues addressed during the 2016/2017 financial year can be found on the next page.

## **Significant potential to influence planning of the supply of public transport**

The ongoing dialogue that has the greatest impact on operations – and also provides the greatest opportunities for long-term progress on sustainability issues – is the public planning process preceding the preparation of the public transport supply plan for a region. Consequently, our clients are a very important stakeholder group.

By ensuring that emission levels and energy efficiency are part of the tendering criteria, we can contribute to a better environment – even when we do not win the contract. Over the years, we have helped to make the tender process more transparent, competitive and predictable. It is in our interest to create the best possible conditions for conducting sustainable public transport in communities.



## **Membership of trade associations**

Nobina is a member and participates in a number of organisations to drive prioritised issues. It is important that the trade associations where we are active contribute in the long term to a sustainable society and a healthier industry. Nobina is a member of the following trade associations:

### **Sweden**

- The Association of Swedish Bus Operators (Sveriges Bussföretag)
- Samtrafiken AB
- The Confederation of Swedish Enterprise (Svenskt Näringsliv)
- Swedish Association of Local Authorities and Regions, Tender Committee

### **Norway**

- NHO Transport

### **Finland**

- The Finnish Bus and Coach Association (Linja-autoliitto ry, LAL)
- The Employers' Federation of Road Transport (Autoliikenteen Työnantajaliitto ry, ALT)

### **Denmark**

- The Confederation of Danish Industry (Dansk Industri)
- The Association of Danish Bus Operators (Danske Busvognmaend)





### Nobina’s material sustainability aspects

	Value creation	Related aspects in Global Reporting Initiatives' framework*
Long-term impact on contract terms	Economic	Economic performance
Resource use and lower emissions	Environmental	Energy, Emissions
Occupational health and safety	Social	Occupational health and safety
Attractive employer	Social	Training and education

\* See pages 38–39 for the GRI index and selected indicators.

#### Measure stakeholder experiences

Since 2011, the experience our stakeholders have of Nobina’s operations and sustainability agenda is measured in a brand survey. Nobina’s intention is to carry out the survey every three years. An overall assessment of passenger satisfaction, employee motivation and client satisfaction is arrived at by conducting in-depth interviews. The latest survey<sup>1)</sup>, in 2016/2017, showed that 85 per cent (86) of our passengers agree that it is easy to travel with us, 81 per cent (81) 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 74 (73) per cent of our employees feel that we apply our values while carrying out our daily activities. In addition, a customer satisfaction survey is conducted among our passengers twice per year in the form of on-board polls. During the year, satisfaction has increased from 80 to 82 per cent.

#### Material sustainability aspects

The results of the stakeholder dialogues, together with our business model and strat-

egy, form core elements in the materiality analysis we conduct to define our material sustainability aspects. In 2016/2017, a more detailed materiality analysis was conducted among senior executives and managers at Nobina. It confirmed Nobina’s previously selected sustainability aspects. The sustainability aspects reflect our most significant economic, environmental and social impact. For all four sustainability aspects, our aim is to contribute within as well as outside our own business.

1) In 2016/2017, Nobina adjusted the calculation method for its brand survey to achieve a more consistent result. Figures from the 2014 survey have been recalculated to enable a comparison.

## Stakeholder dialogues 2016/2017

Stakeholder	Dialogue forums	Significant issues for stakeholder	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 trade 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 via Nordic Future<sup>1)</sup></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>• Nobina's 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>• Action plan and reports</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>• Make demands, evaluate and follow up</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Performance appraisals</li> <li>• Employee surveys</li> <li>• Improvement groups</li> <li>• Training</li> <li>• Intranet</li> </ul>	<ul style="list-style-type: none"> <li>• Safe workplace</li> <li>• Ability to influence work conditions</li> <li>• Well-being</li> <li>• Sick leave</li> </ul>	<ul style="list-style-type: none"> <li>• The European Work Council<sup>2)</sup> establishes business plans and important changes in operations</li> <li>• Employee responsibility for own goals, assessment and activities</li> <li>• Regular individual feedback on performance</li> <li>• Leadership development</li> </ul>
Media	<ul style="list-style-type: none"> <li>• Press releases</li> <li>• Interviews</li> <li>• Nobina's website</li> </ul>	<ul style="list-style-type: none"> <li>• Correct facts/statements</li> <li>• Punctuality and regularity</li> <li>• Knowledge creation within public transport</li> </ul>	<ul style="list-style-type: none"> <li>• Increase awareness of Nobina and the industry among journalists</li> <li>• Communication platform</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 that the discussion will result in more engaged passengers, will generate new proposals and ideas that will help develop public transport. [www.nordicfuture.com](http://www.nordicfuture.com)

2) The European Work Council is a Group-trade union collaboration that assembles employer representatives from the various subsidiaries and provides them with an insight into the Group's work. Read more on page 36.

# Economic value creation

**As market leader in public transport in the Nordic region, we create value for our stakeholders through profitable growth and the development of new, sustainable solutions. Value creation is founded on a continuous dialogue with stakeholders in combination with an analysis of the forces that impact our market.**

Our aim is to generate the best possible value for stakeholders. We measure our financial accomplishments through a number of long-term and short-term financial targets (see more on page 17), but our economic value creation also has a direct link to opportunities to contribute socially and environmentally. Stakeholders comprise shareholders and the financial market, customers – which include both clients and passengers, suppliers, employees and society at large. A continuous and close dialogue with various stakeholder groups provides an important foundation that allows us to continue to create value for both them and the Group.

Customer satisfaction is a key ingredient in Nobina's success. We regularly conduct market and customer satisfaction surveys to better understand the needs and preferences of our customers. By proactively sharing our specialist expertise, we help our clients to build, strengthen and develop their public transport systems.

## **Society**

Nobina is firmly established in the Nordic public transport infrastructure and integrated into core societal functions. We have a long-term approach to our work in close partnership with our clients to enhance the quality of the public transport service and benefits to society we provide. Through solutions that increase travel, we produce more transport for the money while simultaneously increasing mobility in society. Our focus on effective use of resources and lower emissions also contributes to environmental gains for all of society – locally and globally.

## **Passengers**

We are sensitive to the needs and challenges facing our passengers every day and work together with clients to create the most efficient solutions in each traffic area. Traveling by bus with us should be experienced as safe, simple, affordable and something to be trusted. Our work ensuring that about a million people get to work, school and other activities every day, is the basis of everything we do.

## **Clients**

Through our offering, clients can provide a good infrastructure, which contributes towards an attractive and modern local community. Value for stakeholders is achieved through management by objectives and a systematic follow-up of our contracts. Together with the development of new solutions and services, this leads to satisfied passengers.

In partnership with our clients and other social players, we plan and develop new solutions that strengthen the role of public transport in society and thereby the position of our client.

## **Shareholders and the financial market**

Nobina has more than 15,000 shareholders. Nobina is positioned as a yield company rather than a growth company, i.e. shareholders can expect high dividends rather than high growth. For the 2016/2017 fiscal year, the total return on the Nobina share, including a dividend of SEK 3.10, was 66 per cent. Since its stock market listing on 18 June 2015, Nobina has generated a total return of 85 per cent to its shareholders. To create long-term and stable financing of the bus fleet, we have a close and constructive dialogue with various financiers in Sweden and internationally. At the end of the fiscal year, 92 per cent of the bus fleet was financed through financial leasing.

## **Suppliers**

Developing a sustainable and competitive purchasing system is an important issue for us. Our supplier relationships are based on good purchasing conditions taking into account people, the environment and economy as well as good delivery practices with follow-up and evaluation. In addition to

**>> We aim to create value for passengers by simplifying everyday travel and thereby attracting more passengers.**

economic value, we contribute to the development of products and services and improved processes through partnerships with our suppliers.

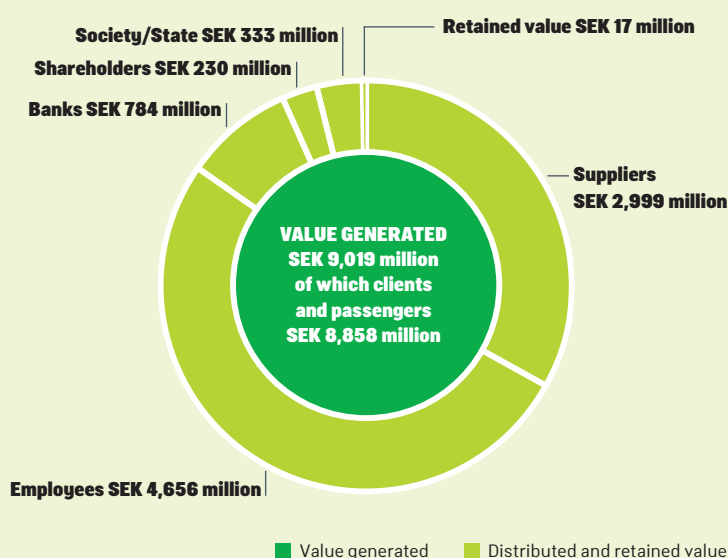
### Employees

With the goal of being the most attractive employer in the industry, we continually strive to develop and create opportunities to increase motivation among our employees. Leadership is a key to success; we see a strong connection between good leadership and profitability. Together with create a secure and creative working climate that stimulates initiatives and suggestions for improvements.

We offer competitive employment terms, excellent opportunities for skills development and a pleasant and stimulating work environment. As one of few public transport companies in the Nordic region to offer its own training of drivers, we also contribute to strengthening the labour market for drivers in the industry.

How well we succeed in these efforts to motivate our employees is reflected in Pulsen, Nobina's employee survey, which is carried out three times per year. For 2016/2017, the surveys showed a continued positive trend. Questions included in the survey provide a basis for our ongoing dialogue with all employee groups.

## Distributed financial value by stakeholder



Nobina's operations result in the creation and distribution of value to various stakeholders. The information provided below shows the economic value generated and distributed at Group level during the past fiscal year.

### Generated and distributed value

Amount SEK million	Stakeholder	2016/2017	2015/2016	2014/2015
Revenue – net sales	Clients/ passengers	8,858	8,317	7,549
Other revenue <sup>1)</sup>	–	161	38	49
<b>Total value generated</b>		<b>9,019</b>	<b>8,355</b>	<b>7,598</b>
Operating expenses	Suppliers	–2,999	–2,703	–2,637
Salaries and remuneration to employees including employer's contributions	Employees	–4,656	–4,561	–3,881
Payments to financiers	Banks	–784	–1,358	–611
Payments to financiers	Shareholders	–230	802	1
Payments to the public sector – excise tax	State/society	–333	–367	–403
<b>Total value distributed<sup>2)</sup></b>		<b>–9,002</b>	<b>–8,179</b>	<b>–7,532</b>
<b>Retained economic value</b>		<b>17</b>	<b>176</b>	<b>66</b>

1) Includes the disposal of non-current assets (buses) and financial income.

2) Includes payments of taxes and social charges to society totalling SEK 1,168 million F.Y for 2016/2017, SEK 1,197 million for F.Y 2015/2016 and SEK 1,117 for F.Y 2014/2015.



# VALUE CREATION THROUGH INNOVATION

We see that global driving forces, such as digitisation, urbanisation and the sharing economy will form the markets for many years to come. Even if we are strong as market leader, it is important that we continually exploit various opportunities for the future to take an active role in creating this future and in this way to contribute to the creation of greater value for both Nobina and our stakeholders. With a continuous focus on innovation, we are an important partner in the work to form the public transport system of the future in the Nordic region.



## Hackaway for future travel

Nobina Technology, together with Drive Sweden, Ericsson and TrafikLab, held a hackaway for 40 developers at a secret location in January 2017. The theme was future travel and the winners – Max Schedin, Poyan Nabati and Tobias Ahlin in Team Ridepulse with its iOS-app “Share” as in vehicle sharing – will represent Sweden in the global hack during the Global Public Transport Summit in Montreal in May.

## Nobina Technology

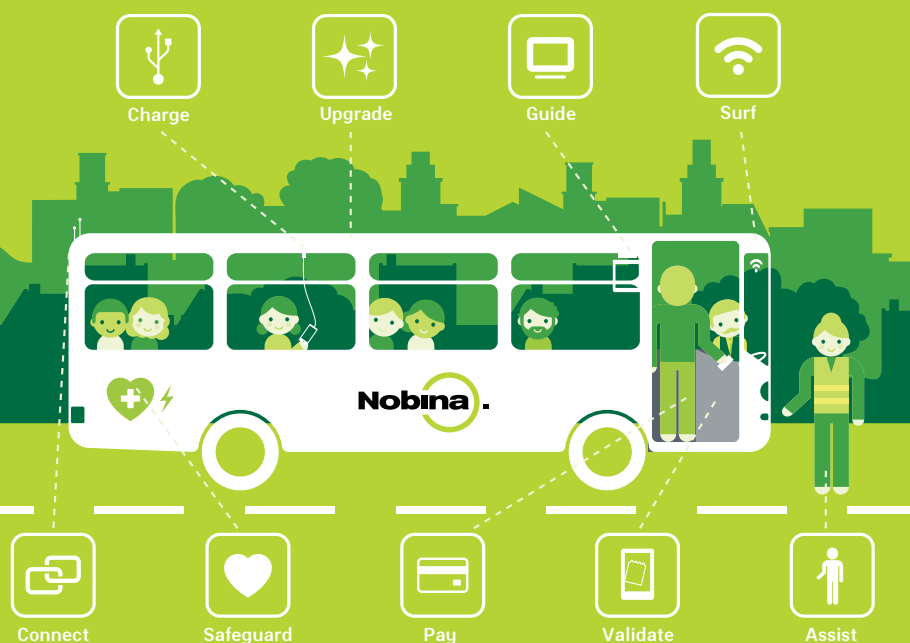
Nobina Technology is an independent unit within Nobina that carries out experiments, collaborates with experienced professionals in the industry through various partnerships and develops new methods to benefit from opportunities for sharing mobility. One of our focus areas is vehicle IT, to study how we can use technology to offer better transport solutions. This includes everything from IT platforms and related services, such as infotainment solutions on board buses – which actively help passengers catch connecting services – to increasing the understanding of how we can use technology to develop autonomous vehicles.



## Autonomous buses

In April 2016, autonomous buses operating for the first time on Swedish soil, during the Kista Mobility Week. In a joint venture between Nobina Technology, Ericsson and Drive Sweden, more than 3,300 test runs were conducted for interested passengers. This was the world premiere for Ericsson's 5G technology, which controlled the buses. More pilot projects are being prepared for 2017.





### Infotainment for a better journey

Our infotainment solutions help customers with their everyday travel and create a sense of security in public transport. But infotainment has the potential to be used for so much more. To offer passengers "something extra" to make their everyday life more fun and easier.

### Guides – a sense of security

Our offering with attendants in the public transport services provides a personal and humane touch. We meet the passengers where they are regardless of whether it concerns temporary traffic diversions or marketing.

» **We have operated electric buses in Sweden since 2006 and have 12 electric buses in operation today, which makes Nobina the most experienced electric bus operator in the Nordic region.**

### Electric buses take over in Oslo

Nobina Norway has been invited to carry out a two-year test programme with electric articulated buses on behalf of the public transport authority Ruter in Oslo. The programme starts in November 2017. The test will use the busiest bus route in Norway. The main roll-out of the silent and fossil-free buses is scheduled to start in 2020, with the goal that 60 per cent of all buses in the Oslo area will be electric-powered by 2025.

### Greater passenger satisfaction in electric buses

The goal is that all bus traffic in Skåne is to be fossil-free by 2018 and as part of this process a full-scale pilot project is being run in Ängelholm by Nobina, Skånetrafiken and Ängelholm Municipality. Since January 2016, five buses, which is most of Ängelholm's city transport, is being run on 100 per cent green electric power. This is unique in Sweden. It is not only the environment that prefers electric buses. According to a customer survey by Skånetrafiken, the bus experience has improved; in particular, passengers experienced an improvement in the quality of the overall journey.

## THINK TRAM, DRIVE BUS

MalmöExpressen is a joint venture between Nobina, the City of Malmö and Skånetrafiken to offer passengers an easier, faster and more comfortable journey on a route that links large areas of the city. The focus is to make Malmö a more sustainable city. The 24-metre, spacious buses are gas-hybrid buses that use a combination of biogas and rechargeable batteries. During the rush hour, buses run more frequently which means the timetable is less important as there will always be a new bus. The buses have their own bus lane for long stretches and signal priority at some junctions. Boarding and alighting uses all of the doors, and "payment" is made using a bus card/ticket machine inside the bus, without involving the driver. Since the buses were introduced on route 5 in summer 2014, travel has increased by 2.1 million people.



### Res i STHLM

New user-friendly technology is an important tool to make public transport more attractive. Our Res i STHLM app is the popular journey planner in Stockholm, with more than 400,000 searches every day. The development of the app's functionality is entirely driven by the passengers' wishes, such as a desire to know which metro exit offers the shortest route.

# Environmental value creation

**The more people that choose to travel with public transport, the better it is for the environment and society at large. To reduce Nobina's environmental impact we work actively in optimising our fleet of vehicles, traffic planning and driving, which has a positive impact on both fuel consumption and emissions.**

## **Considerable environmental benefits from public transport**

Increased mobility together with a lower environmental impact are essential if we are together to achieve a more sustainable society – both locally and globally. Increasing public transport is the nature of our business and we work with that mission on several levels. In part, compensation 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.

## **Nobina's environmental governance**

Our most material sustainability aspects in the field of the environment are our fuel consumption and the resulting air emissions. We pursue systematic environmental work and 22 of the 30 traffic areas are certified in accordance with ISO 14001. Read more on page 36.

Daily environmental work is conducted by the local manager for quality, work environment, environment and safety (the KAMS manager) for each traffic area. They report to the area's traffic manager and are coordinated via the subsidiary's KAMS manager, for the best possible dissemination of knowledge and exchange of experience. The director for strategy and sustainability is responsible for environmental governance and development in the area and who reports to the CEO. The ultimate responsibility for Nobina's environmental impact is with the Board of Directors and CEO.

## **Reducing fuel consumption with the Green Journey**

There are clear operational goals, as well as financial incentives, for limiting fuel consumption in ongoing contracts. An important tool for Nobina is the Green Journey concept, where drivers are taught to drive in a gentler and more efficient way. Measurement equipment on the bus is used to monitor the driving style of individual drivers. This is achieved by registering and evaluating 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 2,700 of the approximately 3,600 buses in Nobina's fleet. 24 per cent of our drivers have completed Green Journey training in 2016/17 alone. Read more about the Green Journey on pages 34–35.

## **Optimising traffic planning**

We endeavour to continually improve traffic planning in order to satisfy passenger needs in the best possible way at the same time as reducing consumption and emissions. Optimising timetables, by minimising idle time, and avoiding empty runs are important elements. Another is working out the lowest possible distance between the bus parking lot and the first stop. This is achieved, for example, in collaboration and in dialogue with clients and increases opportunities to adapt public transport to passenger needs. During the year, driving with empty runs<sup>1)</sup> increased to 12.87 (12.20) per cent because of changes to contract terms.

## **Renewable fuel**

One Swedish political goal is to have 90 per cent of the buses in traffic running on renewable fuel by 2020. In other Nordic countries, there are regional initiatives to increase the percentage, for example that all buses in Oslo are to run on renewable fuel by 2020. To achieve these targets, traffic companies must adapt the bus fleet and increase the proportion of renewable fuel. In tender documentation from clients, it is standard that fuel types and emission levels are specified. Other client requirements vary. We estimate that most of our fleet of vehicles currently runs on renewable fuel. We consider the 2020 targets are attainable, given the replacement of old contracts by new ones that increasingly specify the use of renewable fuel.

We are monitoring developments and are active in testing and selecting new types of fuel. In recent years, our consumption of fossil fuels has decreased in favour of renewable fuels, such as RME, biogas and electricity.

## **Progress for electricity**

A growing number of clients are calling for electric buses as part of public transport solutions. Nobina has more than ten years of experience in driving electric buses and is positive towards this trend. During the year, several electric bus projects have started, including those in Oslo and Ängelholm. We have also strengthened our organisation with expertise in electrification.

City transport with low speeds and short distances between stops in densely built

1) Empty runs, 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.



## Emission decreases by bus

During a journey between Stockholm and Gothenburg, a car emits 100 kg of carbon dioxide, while a bus emits 500 kg of carbon dioxide on the same route<sup>1)</sup>. On average, 1.2 passengers travel in each car<sup>1)</sup>. This makes a bus more climate-smart already with more than six passengers. A bus also has the capacity for many more passengers.

To transport 50 people you would need 42 cars, which in total emit 4,200 kg of carbon dioxide. If passengers chose to travel by bus instead, their climate footprint would be reduced by 3,700 kg of carbon dioxide, or 88 per cent.



**4,200 kg CO<sub>2</sub>**



**500 kg CO<sub>2</sub>**

1) Average number of people per car according to Trafikanalys/SCB.  
Source: Utsläppsrätt.se



areas is optimal for electric power. However, electric buses require an encroachment on existing infrastructure, such as charging stations. Most transport systems are adapted to conventional buses and both timetables and driving schedules may, therefore, require some changes.

### Reduction in carbon dioxide emissions

With increased competition and more stringent tendering requirements, demands are being made on the types of vehicles and on limiting emissions. New buses are always equipped with engines of the latest emissions class that meet future emission standards.

The main impact on emission levels follows the transfer to renewable fuel. We are planning to gradually adapt the bus fleet to new requirements in traffic contracts in a way that is profitable for us and society. We note that carbon dioxide emissions are steadily falling as new contracts replace older ones. Nobina's carbon dioxide emissions per driven kilometer declined by 29 per cent during the year as a result of a larger share of renewable fuel and our concept for green driving – The Green Journey.

### Environmental performance at depots

A degree of environmental impact also occurs at the depots we use. The depots impact the environment primarily through the discharge of water from bus-washing facilities. At our depots, we are investing in environmental improvements with new and enhanced water-treatment equipment in the bus-washing facilities. When setting up or shutting down depots, environmental inspections are conducted to determine Nobina's environmental responsibility and impact. Additionally, water tests are regularly taken to ensure that we do not exceed applicable requirements for emissions to water.

### Fuel consumption, total

	2016/2017	Change, %	2015/2016	2014/2015
<b>Non renewable fuel</b>				
Diesel, litres	34,822,359	–32	51,477,300	58,017,620
Natural gas, nm <sup>3</sup>	7,194,202	–12	8,175,745	11,105,461
<b>Renewable fuel</b>				
RME, litres	27,907,805	+8	25,746,491	14,011,270
HVO, litres	20,541,290	—	—	—
Biogas <sup>2)</sup> , nm <sup>3</sup>	16,657,414	–18	20,333,119	21,345,189
Ethanol, litres	778,618	–70	2,633,418	5,258,224
Electricity, kWh <sup>1)</sup>	72,260	—	—	—

1) Electricity from renewable sources.

2) Norway has no complete report on the consumption of biogas for 2016/2017.

### Emissions<sup>1)</sup>, in relation to km driven

	2016/2017	Change, %	2015/16	2014/15
Fossil carbon dioxide (CO <sub>2</sub> ), g/km	0.51	–29	0.71	0.74
Nitrogen oxides (NO <sub>x</sub> ), g/km	2.17	–14	2.52	3.04
Hydrocarbons (HC), g/km	0.14	–6	0.15	0.15
Particles (PM), g/km	0.02	—	0.02	0.02

1) Based on guidelines from the Swedish Public Transport Association for calculating emissions.

**>> We note that carbon dioxide emissions are steadily falling as new contracts replace older ones.**

# Social value creation

**It is extremely important that Nobina offers an attractive and safe work place that also provides passengers with a secure and attractive journey. Our offering and our vision – “Everyone wants to travel with us” – comes to life through our employees in their daily contact with passengers.**

## Attractive employer

Nobina competes in a fluctuating, labour-intensive industry, where it is important to both motivate our employees and to attract new talent. There is a need to increase respect for the driving profession and to ensure the availability of drivers in society. The Association of Swedish Bus Operators estimates that the industry needs to recruit 4,200 drivers between 2016 and 2018, and in Norway NHO estimates a need to recruit 1,000 drivers per year until 2030, primarily due to retirement. Initiatives to strengthen Nobina's employer brand are taking place both at Group and company level and in the traffic areas. Overall responsibility for the employer brand rests with the HR director who reports to the CEO. The operational activities and follow-up and evaluation are shared between the HR director, the subsidiaries' HR directors and the traffic areas' line managers. The Board and CEO have the ultimate responsibility.

## Recruitment of drivers

It is particularly important that Nobina is perceived as an attractive employer, particularly when recruiting new drivers and in tender processes. When we acquire contracts from industry colleagues, we offer drivers an opening to also transfer to us. Before starting work at Nobina, they are invited to take part in an introduction where managers and employees go through the company's values, working methods and routines.

For ongoing contracts, our traffic areas recruit drivers and depot personnel as needs arise or in conjunction with changes in the operations. In traffic areas, recruitment is

carried out independently, but when necessary Nobina's central HR department is used.

The recruitment process for drivers uses a structured procedure that is also used Group-wide. Since 2014, everyone applying for work as a driver with us must complete a personality form and complete a proficiency test, which includes an ability to multitask and a test of reaction times. The personality form is compared with Nobina's driver profile. A high level of service, pleasant reception, risk assessment and an ability to work well under pressure are important qualities for the job.

In Sweden, we also offer training for new employees that lack a bus driving license and YKB certification (for professional drivers) through our internal training organisation, The Nobina Academy.

## Good leadership

With the goal of being the most attractive employer in our industry, we continuously strive to strengthen leadership within Nobina. We want to attract and retain the best managers in our sector and we strive for a leadership style that is brave and pragmatic, that believes it is as important to give praise for excellent performance as it is to point out behaviour that is in conflict with our values. All drivers have a team leader who works to integrate Nobina's values into daily operations and to develop their employees, such as through regular feedback and annual performance appraisals. Employees are also given the opportunity to contribute further to the development of the business by taking part in Nobina's improvement agenda. Read more on page 37.

## Clear goals are communicated in performance appraisals

A prerequisite to our overall success and profitability is that our employees know what is expected of them. We work with clear target management so that every employee is able to act in accordance with the criteria upon which they will be assessed. All employees have individual objectives that are discussed and formulated during performance appraisals with the employee's immediate manager. This applies to permanent employees as well as hourly-paid employees who work for the company frequently, which is rather unique in this industry. We believe it is important that feedback is given at least once per month between manager and employee and that performance appraisals are held at least once per year. In 2016/2017, 7,052 (6,798) performance appraisals took place.

## Training and development

Our success is based on continuous work to maintain a supply of expertise, which is why there are regular initiatives within the organisation to develop skills. Specific training plans are created after each traffic area has identified its training needs. Since 2014, all central training is carried out within the scope of the Nobina Academy. In 2016/2017, each employee has, on average, had 32.25 hours of training.

We encourage our employees to seek new challenges within the Group. All positions are advertised internally to offer employees an opportunity to take the next step within the organisation if they so wish. Drivers who are interested in developing within



## Employees

	2016/2017	2015/2016	2014/2015
Staff turnover, %	4.9	5.1	4.2
Short-term sick leave <sup>1)</sup> , %	1.35	1.33	1.25
Long-term healthy <sup>2)</sup> , %	28.9	29.6	32.2

1) Absence due to sickness 1-5 days.

2) Employees with no absence due to sickness over the past 12 months. Does not include salaried personnel in Norway, Finland and Denmark because of limitations in Nobina's HR system.

## Number of employees and gender distribution by region

28 February 2017	Men	Women	Percentage of women, %	Total
Sweden	6,711	1,206	15	7,917
Norway	1,142	112	9	1,254
Denmark	539	86	14	625
Finland	1,161	64	5	1,225
<b>Total, Group</b>	<b>9,553</b>	<b>1,468</b>	<b>13</b>	<b>11,021</b>

## Number of employees and gender distribution by function

28 February 2017	Men	Women	Percentage of women, %	Total
Bus drivers and driver administration	8,575	1,252	13	9,827
Mechanics (workshop)	784	96	11	880
Company management, sales, marketing, HR and other	146	102	41	248
Traffic planning	48	18	27	66
<b>Total, Group</b>	<b>9,553</b>	<b>1,468</b>	<b>13</b>	<b>11,021</b>

## Employee by employment type

28 February 2017	Men	Women	Total
Permanent employees <sup>1)</sup> , %	75	77	76
Fixed-term employees, %	25	23	24

1) Of Nobina's permanent employees, 88 per cent work full-time and 12 per cent part-time.

## Health and safety

	2016/2017	2015/2016	2014/2015
Number of vehicle damage incidents, Group	12,084	10,733	8,208
of which Sweden	8,640	7,541	5,771
Total cost of damages, Group, SEK million	111.0	103.7	96.3
of which Sweden	66.5	66.8	66.4
Serious incidents <sup>1)</sup>	222	236	273
of which			
Fire	33	51	42
Threats & violence	65	99	99
Robbery	3	0	2
Environment	13	17	10
Traffic accidents	108	69	85

1) A serious incident can be defined as an accident or incident in a traffic area that consists of a deviation that is reported further within the organisation. In 2016/2017, the entire Group is included, excluding Finland. Figures for previous years include only Sweden.

Nobina may be offered to apply for a job as instructor on YKB training courses, supervisors for new drivers or for the Green Journey. Some drivers also move on to become traffic operators or team leaders.

For employees with a managerial position, regular leadership courses are held through the Nobina Academy in areas including leadership, coaching, safety, environment and work environment.

## Diversity and equality

The bus industry is characterised by diversity among its employees. At Nobina, we actively work to promote diversity and unlock the expertise of all our employees regardless of gender, sexual orientation, transgender identity or expression, ethnicity, age, religion or other belief. There are several driving forces behind work with diversity and equality. In addition to fairness considerations, it gives us a broader recruitment base and strengthens our employer brand, which ultimately can lead to greater profitability.

In recent years, we have carried out exercises and workshops in leadership groups, traffic management groups, traffic areas, among colleague supporters and other groups to increase awareness of diversity, equality and anti-discrimination legislation.

## Positive results from employee surveys

The level of our success in creating an attractive work place is reflected in Pulsen, Nobina's employee survey. The survey contains 16 questions and is conducted three times per year with five to six questions at a time. The questions aim to measure motivation among employees and offer them an opportunity to present anonymous feedback about their work conditions. Our aim is that 10 of the 16 questions should achieve a value that reflects good employee motivation. In 2016/2017, we achieved a value that reflects good employee motivation for nine of the 16 questions compared with six questions in the preceding year. This follows goal-oriented efforts to strengthen motivation among employees. Participation in Pulsen has also risen in recent years. During 2016/2017, 74 (68) per cent of employees took part in the survey.

### A safe workplace offers a secure journey

We drive about one million passengers to their destinations every day. The journey must be secure for both the driver and passengers and safety is therefore a central part of our sustainability agenda. Each traffic area has a designated safety organisation with several safety representatives who perform both periodic and targeted 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 participates in the annual safety days. The local safety organisations remain in close contact with Nobina's central safety and work environment organisation.

### Reported irregularities

Serious incidents, vehicle damage and the cost of damages are continually followed-up in an internal reporting system. Operational responsibility, follow-up and evaluation of the work environment and safety is conducted by the local KAMS<sup>1)</sup> organisation and continually followed-up by the KAMS council at traffic area level. Irregularities are also reported at company level each month in the KAMS council for Group management. The Board and CEO are ultimately responsible for work environment and safety.

During the year, the number of incidents of vehicle damage in the Group increased by 7 per cent and the total cost of damages amounted to SEK 111 (104) million. The increase is in part a result of changes to follow-up routines with lower tolerance levels. The most common types of vehicle damage are paint and body damage which have a limited impact on journeys.

We look seriously upon the trend of incidents involving threats and violence towards our drivers. Most of these incidents are linked to ticket validation on entering the vehicle. In order to prepare drivers for risk situations, we have included courses about threats and violence in the introduction course. This is also included as part of the drivers' vocational training.

We collaborate with the Swedish National Council for Crime Prevention (Brå) in a number of traffic areas. In 2016/2017, we have also initiated a dialogue, together with an industry colleague, with Brå in Sweden at a national level. We also have a network of colleague supporters in the traffic areas. Read more on pages 10–11.

Individual employees and operations benefit 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. Short-term sick leave increased to 1.35 (1.33) days during the year.



## The Nobina Academy

Nobina offers three categories of training within the Nobina Academy:

### 1 Driver training

Consists of the traffic school (including 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

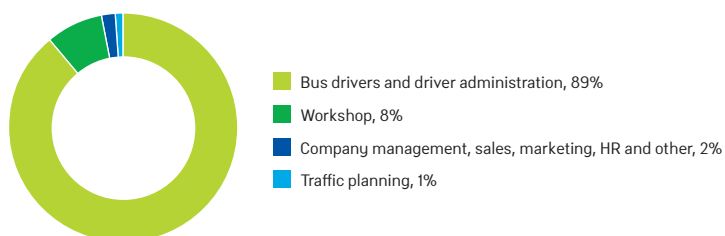
This includes various types of training for employees who exhibit leadership ability. Courses are offered in areas including leadership, values, communication, difficult discussions for first line managers and managers higher up in the organisation. In total, this training is targeted at slightly more than 300 managers.

### 3 Role-specific training

This includes training about the work environment and business acumen.

1) Quality, Work environment, Environment and Safety. Read more on pages 36–37.

Employees by category, %



## Work for us

Are you interested in working at Nobina? Read more here:  
[nobina.com/en/career](http://nobina.com/en/career)



# THE GREEN JOURNEY

» The Green Journey helps us to achieve lower fuel consumption, lower emissions, fewer accidents, improved comfort for passengers and in particular a work environment with less stress and greater commitment.





**N**obina is continuously developing concepts that strengthen commitment to the company and contribute towards a better situation for both our passengers and the environment. The Green Journey is one such concept. It means that our drivers are given the pre-requisites to drive as carefully as possible, in order to contribute to a better environment and a favourable travel experience.

The concept includes technical equipment on board the bus, software, driver training, practical training and individual support from an environmental coach together with follow-up from the driver's line manager. In 2016/2017, almost 2,500 were trained to become Green Journey drivers and 28 of

our 30 traffic areas now have drivers who have completed the training. Approximately 75 drivers were also trained to become environmental coaches responsible for the training and coaching.

With the Green Journey, Nobina has a tool that unites a large percentage of our employees who can see in real-time the impact of their way of driving. It has been positively received and in addition to the feeling of contributing to a better climate, many drivers experience both less stress and better contact with their line manager. In 2017/2018, work will continue to implement the Green Journey, with the goal of contributing to a positive trend in key areas.

# Governance of the sustainability agenda

**By using an integrated approach to sustainability issues, we create the prerequisites to create economic, social and environmental values in the best possible way.**

## **Comprehensive strategic business management**

Nobina's operations – in Sweden, Norway, Finland and Denmark – are organised via subsidiaries, which in turn have a distributed responsibility for delivery in a number of traffic areas. In a normal-sized traffic area there is a traffic area group comprising four or five team leaders who are responsible for about 300 drivers who provide the service using about 100 buses. The team leaders give regular feedback to drivers and ensure that opportunities for development are in line with our values. The traffic area is led by a traffic manager to whom the team leaders report. A KAMS manager is also assigned to a traffic area, tasked with safeguarding operational requirements stated by important stakeholders. These could include requirements from clients and passengers, employee requirements, environmental requirements and legal and contractual requirements. A more exhaustive description of Nobina's organisation and corporate governance can be found on pages 43–52.

## **Sustainable management process**

Sustainability issues are conducted both as part of Nobina's development process

and its operating activities. Through the management process's development work new questions are identified and converted into methods that the entire Group can benefit from. Work in the Group council captures deviations from requirements made on operations.

In the autumn every year, in conjunction with work on the business plan at Group level, long and short-term goals are updated, including the sustainability target. Subsidiaries and their traffic areas then incorporate the goals into their own local business plans, to run their businesses in accordance with them. The operational goals are followed up regularly within the scope of monthly performance meetings at Group, company and traffic area levels.

As part of the business planning process, Nobina's goals and strategies are cemented once per year at meetings between members of Group management and the European Work Council. The Council is a Group-trade union collaboration that assembles employer representatives from the various subsidiaries and provides them with an insight into the Group's work.

During the year, regular, minuted, local meetings are held with trade union representatives at traffic area level.

## **Integrated approach towards sustainability issues**

We take an integrated approach to quality, work environment, the environment and safety (referred to by the acronym, KAMS). There is a Nordic KAMS forum that is made up of the subsidiaries' quality, environmental and safety managers. This meets four times per year in order to formulate, communicate and gain support for the goals and promote the implementation of procedures. The operational activities are evaluated through regular in-house checks and internal audits.

Each year, a theme day is held within the Group, when we analyse the business from the perspective of quality, work environment, environment and safety. These theme days are in the form of a dialogue with traffic areas and are coordinated by Nobina's internal auditors which then disseminate good examples within the rest of the organisation. Irregularities are avoided by using a preventative working procedure, due to the KAMS method.

## **Number of Nobina's traffic areas certified in accordance with ISO 14001**

	2016/2017	2015/2016	2014/2015
Sweden <sup>1)</sup>	9 of 17	9 of 17	9 of 17
Denmark	4 of 4	4 of 4	4 of 4
Norway <sup>1)</sup>	6 of 6	6 of 6	6 of 6
Finland <sup>1)</sup>	3 of 3	3 of 3	3 of 3
<b>Total</b>	<b>22 of 30</b>	<b>22 of 30</b>	<b>22 of 30</b>

1) Also certified in accordance with the ISO 9001 quality standard.

## **Certified quality and environmental work**

We take responsibility for quality and environmental work and strive for continuous improvement. To systematise our efforts and to strengthen our competitiveness, large sections of our operations are certified in accordance with the ISO 9001 quality certificate and the ISO 14001 environmental certificate. All head offices are certified according to ISO 9001 and ISO 14001. Since 2009, work has been ongoing in Sweden to certify all traffic areas in accordance with ISO 14001. The Skaraborg traffic area was certified in 2015 in line with the ISO 39001 traffic safety certificate.



In 2016/2017, the local establishment of the sustainability agenda has been strengthened in Sweden and KAMS managers are now found locally in all traffic areas in Sweden. The changes have led to an increased focus on these issues and strengthen our sustainability agenda.

#### **Audits to evaluate the sustainability agenda**

Nobina's sustainability auditors visit the traffic areas every second year to follow up and evaluate how the working procedures for quality, work environment, environment and safety are being applied in practice. The aim is to continually improve operations. Feedback is provided to the traffic area manager, who is then responsible for implementing measures where shortcomings are identified. The sustainability auditors are also responsible for following up the outcome of the jointly-agreed working procedures. They ensure that process owners implement any necessary changes. The sustainability audits are followed up in the management's KAMS councils in subsidiaries and at Group level.

#### **Make demands on suppliers**

We make high demands on our suppliers. In addition to environmental demands made by clients in the tender process, such as emissions class, type of fuel and compliance with the bus industry's environmental standards, we have our own specifications for suppliers. It is based on the UN's Global Compact principles and also includes environmental certification in accordance with ISO 14001 or an equivalent environmental management system.

We follow up sustainability aspects within the framework of supplier evaluation. Over the past year, we also began work to classify our strategic suppliers from a sustainability perspective. In 2016, a sustainability audit was carried out by an external auditor at four of our main suppliers. No irregularities were identified and the sustainability audits were positively received by the suppliers.

#### **Participation in a continuous drive for improvement**

Decisions are to be made at Nobina on a level as close as possible to our passengers, which increases each individual bus driver's opportunities to make an impact. All employees can be part of the improvement agenda for the business. The improvement agenda aims to utilise the commitment, energy and expertise from more employees to drive Nobina's development and strengthen our competitiveness.

Work is organised into improvement groups. A traffic area starting improvement work normally begins with four to six improvement groups. Each group comprises six to ten members who meet every second week. A coach participates in every other meeting to support the methodology. Nobina has Group-appointed head coaches who are responsible for defining the traffic areas' improvement agenda and moving work forward together with the manager for each traffic area. Meeting coaches are then appointed in each traffic area. These take over day-to-day coaching activities from the head coaches after the start-up period. However, the head coach is always ultimately responsible for the traffic area.

At the end of the 2016/2017 financial year, systematic improvement efforts were being carried out in 17 (15) of 30 traffic areas and in 3 support functions at the head office. At the end of the 2015/2016 financial year, there were 18 (12) certified head coaches. During the financial year, 2 (18) employees were trained as meeting coaches. 6 (0) employees were trained as head coaches during the year. The improvement agenda is followed up by the KAMS councils in subsidiaries and at Group level.

The improvement agenda is a successful work procedure and has resulted in advances including improved encounters with passengers, higher quality and better work environment. For example, satisfaction among passengers increased from 86 per cent to 96 per cent in Skaraborg in Sweden.

### **Regulations that govern Nobina's sustainability agenda**

Our sustainability agenda is based on external guidelines, legislation and certifications and internal values and guidelines.

#### **External**

- UN's Global Compact
- The OECD's Guidelines for Multinational Enterprises
- Environmental and work environment legislation
- National safety and vehicle regulations
- The REACH regulation
- ISO 9001, 14001 and 39001
- Global Reporting Initiatives (GRI) G4 Guidelines

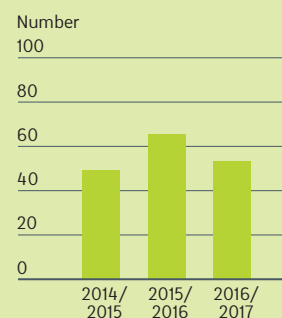
#### **Internal**

- Nobina's values
- Guidelines for anti-corruption
- Specifications for suppliers

### **Whistle-blower protection**

Our employees are free to report any irregularities through an employee representative (MOM), a function outside the company. This offers a safe channel and guarantees whistle-blower protection. MOM has been introduced at all subsidiaries. During the year, 53 (65) MOM cases were reported.

#### **Employee representative cases**



# GRI index

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G4-19	Material aspects identified	22	
G4-20	Applicable aspect boundary within the organisation for each material aspect	22	
G4-21	Applicable aspect boundary outside the organisation for each material aspect	22	
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements	–	G4-EC1 has been adjusted to better align with the GRI guidelines.
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	21	
G4-25	Basis for identification and selection of stakeholders	21	
G4-26	The organisation's approach to stakeholder engagement	21–23	
G4-27	Key topics and concerns for stakeholders and how the organisation has responded	23	
<b>REPORT PROFILE</b>			
G4-28	Reporting period	–	1 March 2016 – 28 Feb 2017
G4-29	Date of most recent previous report	–	10 May 2016
G4-30	Reporting cycle	39	
G4-31	Contact point for questions regarding the report or its contents	39	
G4-32	GRI index	38–39	
G4-33	Policy and practices for external assurance	39	
<b>GOVERNANCE</b>			
G4-34	Governance structure for sustainability	36–37, 43–44	
<b>ETHICS AND INTEGRITY</b>			
G4-56	Overriding values and policy documents pertaining to ethics and integrity	2, 20, 31–32, 36–37	

## Specific standard disclosures

		Page	Comments
ECONOMIC PERFORMANCE			
Material issue for Nobina: Long-term impact on contract terms			
Related GRI Aspect: Economic performance			
G4-DMA	Disclosures on management approach	24–25, 61	
G4-EC1	Direct economic value generated and distributed	24–25	
ENVIRONMENTAL PERFORMANCE			
Material issue for Nobina: Resource use and lower emissions			
Related GRI Aspect: Energy			
G4-DMA	Disclosures on management approach	28–30	Partially reported. Fuel is the type of energy with the greatest impact on Nobina’s energy consumption.
G4-EN3	Energy consumption within the organisation	30	
G4-EN7	Reductions in energy requirements of products and services	30	
Related GRI Aspect: Air emissions			
G4-DMA	Disclosures on management approach	28–30	Partially reported. Nobina reports greenhouse gas emissions from fuel combustion.
G4-EN15	Direct greenhouse gas emissions (Scope 1)	30	
G4-EN19	Reduction of greenhouse gas emissions	30	
G4-EN21	NO <sub>x</sub> , SO <sub>x</sub> and other significant air emissions	30	
SOCIAL PERFORMANCE			
Material issue for Nobina: Occupational Health and Safety			
Related GRI Aspect: Occupational health and safety			
G4-DMA	Disclosures on management approach	32–33	Partially reported. Nobina does not report the accident rate for employees. Work developing a system for follow-up is underway.
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees	36–37	
G4-LA6	Accident rate, occupational diseases, lost days, absenteeism and number of work-related fatalities by region and gender	32–33	
Material issue for Nobina: Attractive employer			
Related GRI Aspect: Training and education			
G4-DMA	Disclosures on management approach	31	
G4-LA9	Average hours of training per year per employee	31	
G4-LA11	Percentage of employees receiving regular performance and career development reviews	31	

### About the sustainability report

For the fifth consecutive year, we are reporting our sustainability efforts in accordance with the international reporting standard, Global Reporting Initiative (GRI). Since 2015/2016 financial year, Nobina reports in accordance with GRI G4 and we consider the sustainability report complies with the requirements for GRI G4 Core. The report has not been externally audited. The current sustainability report is for the 2016/2017 financial year. The reporting cycle is one year and follows the financial year. The

sustainability report is published in conjunction with the annual report. The ambition is, over time, to continue to develop our sustainability report in parallel with our other sustainability efforts.

The purpose of Nobina's sustainability report is – in a measurable and comparable manner – to present to our stakeholders Nobina's responsibility in terms of sustainable business. The contents of the report reflect the organisation's most important sustainability aspects and the responsibility Nobina strives for within this framework. There have been

no changes regarding delimitations and measurement methods compared with earlier years. 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.

For more information about Nobina's sustainability agenda and its sustainability report, please contact Annika Kolmert, Director Strategy & Sustainability at [annika.kolmert@nobina.com](mailto:annika.kolmert@nobina.com).



# THE SHARE

**Nobina's share is listed on Nasdaq Stockholm's Mid Cap list under the category Industrial goods and services. For the 2016/2017 fiscal year, total yield on the Nobina share amounted to 66 per cent and market capitalisation was SEK 4,882 million as of 28 February 2017.**

## Share price trend

Nobina's shares trended favourably during the year. The last traded price on Nobina's balance-sheet date was SEK 55.25, which is equivalent to an increase of 56 per cent during the fiscal year. Total yield, which is the share price trend including reinvested dividends, amounted to 66 per cent. This compares with the SIX Return Index (SIXRX), which during the same period increased by 21 per cent. The lowest price for the Nobina share for the year was noted on 4 March 2016 and was SEK 35.20. The highest price for the year was noted on 31 October 2016 and was SEK 60.50.

## Turnover

Total turnover of Nobina shares on Nasdaq Stockholm was 86 million for the fiscal year. This corresponds to a turnover rate of 0.39 per cent compared with 0.23 per cent for the Nasdaq Stockholm Mid Cap segment. On average, 339,421 Nobina shares were traded per day.

## Shareholders

The number of shareholders more than doubled to 15,082 (7,008). The ten largest shareholders controlled 42.4 per cent of the capital and votes at the end of the fiscal year. Invesco and Franklin Templeton were the largest shareholders in Nobina at the end of the fiscal year. The proportion of foreign shareholders amounted to 57.9 per cent of capital and votes, and 1.8 per cent of the number of shareholders. The proportion of Swedish shareholders amounted to 42.1 per cent of capital and votes, and 98.2 per cent of the number of shareholders.

## Analysts who monitor Nobina

Carnegie, Danske Bank and Pareto.

## Equity

Nobina's equity amounts to SEK 1,421 million (1,110) allocated to 88,355,682 shares.

## Proposed dividend

The Board proposes a dividend of SEK 3.10 per share for the 2016/2017 fiscal year, corresponding to a total distribution of SEK 274 million, which is equivalent to a dividend yield of 5.6 per cent based on the share price on the balance-sheet date, 28 February.

## 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 telephone. Website: [www.nobina.com](http://www.nobina.com)  
E-mail: [ir@nobina.com](mailto:ir@nobina.com)  
Telephone: +46 (0)8-410 65 000

## Facts about the share

**Market:** Nasdaq Stockholm

**Ticker:** Nobina

**ISIN Code:** SE0007185418

**ICB Code:** 2700

**Highest price in 2016/2017:** 60.50

**Lowest price in 2016/2017:** 35.20

**Closing price 2016/2017:** 55.25

**Market capitalisation as per 28 February 2017:** SEK 4,882 million

**Turnover rate 2016/2017:** 0.39 per cent

**Number of shares:** 88,355,682

**Number of shareholders:** 15,082

## IR contact

Mattias Gelinder, Head of Treasury and IR

Tel: +46 (0)8-410 65 402

[mattias.gelinder@nobina.com](mailto:mattias.gelinder@nobina.com)





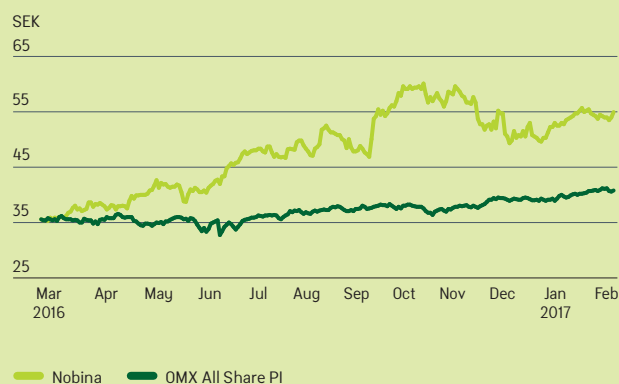
# 5.6%

## dividend yield

Total yield since listing



Share price trend 2016/2017



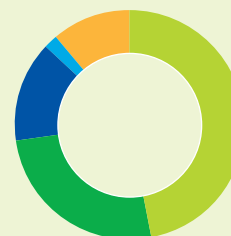
# 15,082

## total number of shareholders in Nobina

Main shareholders

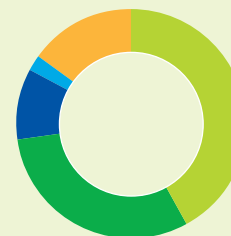
	Number of shares	Share of capital and votes, %
Invesco	6,154,222	7.0
Franklin Templeton	4,578,633	5.2
Swedbank Robur Fonder	4,289,453	4.9
JP Morgan Asset Management	4,159,384	4.7
Öhman Fonder	3,875,841	4.4
Danske Invest Fonder	3,786,413	4.3
Bluemountain Capital	2,849,297	3.2
Copper Rock Capital Partners	2,828,557	3.2
Evermore Global Advisors, LLC	2,480,477	2.8
Artemis	2,373,668	2.7
Other	50,979,737	57.6
<b>Total</b>	<b>88,355,682</b>	<b>100</b>

Ownership by category



Foreign institutional owners, 47%  
 Swedish institutional owners, 26%  
 Swedish private persons, 14%  
 Board and management, 2%  
 Other owners, 11%

Ownership by country



Sweden, 42%  
 USA, 31%  
 UK, 10%  
 Others, 15%

# 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 aims to grow net sales at a rate faster than the market. Nobina operates in stable, expanding markets in the Nordic countries, which have similar conditions in terms of public transport services. The markets are distinguished by a large influx into metropolitan regions, a high degree of environmental awareness and public initiatives to increase the use of public transport. Our focus is to win the right contracts in the right traffic areas to continue our profitable growth.

## Selective tender process for greater profitability

Nobina is to increase profit before tax and achieve an EBT margin in excess of 4.5 per cent in the medium term. We analyse the conditions for good profitability in each individual assignment. We study the characteristics of the traffic area and how the contract matches in relation to our depots and traffic management centres. It is also

important that the right bus is in the right location, 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. 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.

## Stable net indebtedness

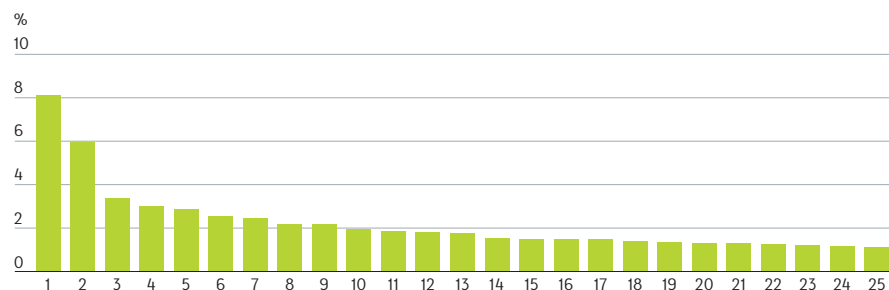
Nobina strives to maintain a net debt/equity ratio of between 3.0 and 4.0 in relation to EBITDA. A higher net debt is often a result of the start of new contracts and the procurement of new buses. Nobina's buses are mainly financed through financial leases and loans, and are therefore recognised as assets

and liabilities in the balance sheet. Because most buses are purchased when new contracts are planned for start-up, the higher indebtedness is a result of Nobina growing via new contracts which, given our endeavour to only win profitable contracts, will eventually lead to improved profitability. Nobina finances buses over ten years. However, the useful life of our buses is 14 years which will further strengthen our results.

## Dividend

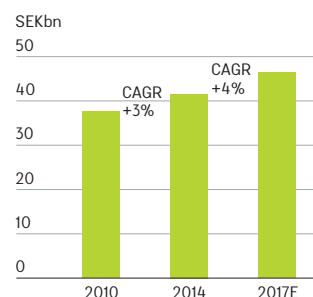
Nobina's dividend policy stipulates that Nobina, under normal circumstances with consideration of cash flow, investment need and general operating conditions, annually will distribute more than 75 per cent of its profit before tax (EBT). For the 2016/2017 fiscal year, the Board has proposed a dividend of SEK 274 million, equivalent to 77 per cent of earnings before tax (EBT). Per share, dividends amount to SEK 3.10 and a dividend yield of 5.6 per cent as per 28 February 2017.

## Low dependency on individual contracts, per cent of net sales in 2016/2017



## Market with stable growth

Nordic public transport market



# CORPORATE GOVERNANCE REPORT

**This report describes Nobina's 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 2016/2017 fiscal year includes the Board's report on internal controls for financial reporting and operational governance.**

## Corporate governance at Nobina

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. It 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.

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. The Code is based on the principle of comply or explain and is available on the website for the Swedish Corporate Governance Board:

[www.corporategovernanceboard.se](http://www.corporategovernanceboard.se). Nobina has no irregularities to report from the Code.

## 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 of Association are available in their entirety on Nobina's website; [www.nobina.com](http://www.nobina.com).

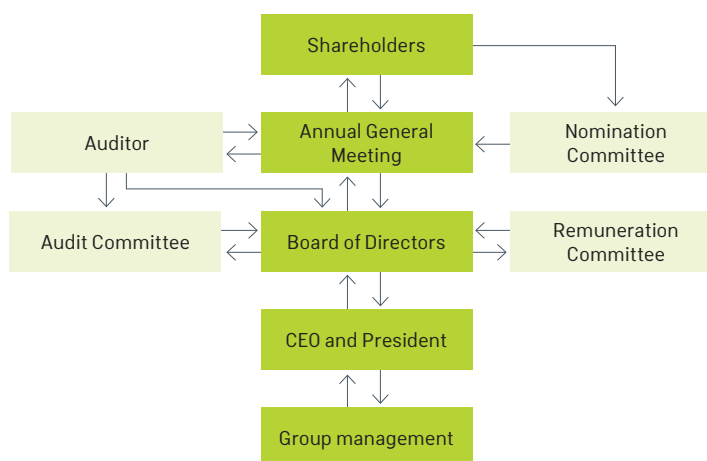
## External regulations

- Swedish Companies Act
- Swedish Annual Accounts Act
- Regulations for issuers, Nasdaq Stockholm
- 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, instructions and guidelines

## Organisation of Nobina's Corporate Governance



### **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.

No shareholder represents a shareholding larger than 10 per cent, in terms of votes, for all shares in the company and there are no limitations on how many votes each shareholder can give at the AGM.

### **Annual General Meeting 2016**

At the AGM on 31 May 2016, 37.1 per cent of shares and 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, Ragnar

Norbäck and Jan Sjöqvist were re-elected as Board members, and the latter was re-elected as Chairman of the Board. Axel Hjärne was elected as a new Board member to replace Gunnar Reitan. All were elected for the period of time 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 shall be paid against invoices approved by the Board.

The income statement and balance sheet and the consolidated income statement and balance sheet were adopted for the 2015/2016 financial year and the Board members and CEO were discharged from liability.

In accordance with the Board's proposal, it was resolved that the SEK 598,753,557 loss for the year be transferred to retained earnings. In addition, disposable earnings from previous years totalled SEK 1,872,466,280 and the share premium reserve of SEK 1,335,198,568. The meeting resolved to pay a dividend to shareholders of SEK 229,724,773 (SEK 2.60 per share) for the preceding fiscal year. Consequently, SEK 2,379,186,518 is carried forward to the next 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.

### **Annual General Meeting 2017**

The 2017 AGM will be held on 31 May 2017. See page 113.

### **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 2016 AGM resolved on the following principles for 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 2016. Provided the members of the Nomination Committee do not agree otherwise, the member representing the largest shareholder, in terms of votes, shall be appointed chairman of the Nomination 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 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 duties 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 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 shall be elected by the AGM. During the 2016/2017 financial year, the Board comprised six members. John Allkins, Birgitta Kantola, Graham Oldroyd, Axel Hjärne, Ragnar Norbäck and Jan Sjöqvist, and the latter was re-elected as Chairman of the Board at the AGM.

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 six times during the financial year. Board meetings are normally convened by notice being 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 Senior Legal Counsel, who is also Board secretary, and the CFO participate in all Board meetings. Other Nobina employees have some-

times held presentations during Board meetings. At meetings held during the fiscal year, the Board dealt with issues including the company's operations, risk analysis, strategy, financial reporting and business plan. The Board evaluates its work once each year by responding to an anonymous survey. The Chairman of the Board presents the survey results to the Board. In addition, the Board evaluates the company's CEO and his work during at least one meeting each year. No member of group management is present at this meeting.

### 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. Directives for the CEO and for financial reporting are described in appendices to the formal work procedures. The prevailing formal work procedures were adopted on 31 May 2016.

### Remuneration Committee

The Rules of Procedure state that a Remuneration Committee is to be appointed 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.

## Nobina's Nomination Committee ahead of the 2017 AGM

Member	Representing	Shareholding/votes
Jan Sjöqvist	Chairman of the Board	0.2%
Pehr-Olof Malmström	Danske Capital	4.7%
Nuno Caetano	Invesco Limited	7.2%
Peter Lundkvist	Third Swedish National Pension Fund (AP3)	3.1%

The members of the Committee were appointed based on the ownership structure as of 30 September 2016. The shareholdings are reported as of the same date. Chairman of the Nomination Committee is Nuno Caetano.

# Board of Directors



	<b>Jan Sjöqvist</b> , Chairman	<b>Ragnar Norbäck</b> , CEO and President	<b>John Allkins</b>
Born	1948	1955	1949
Elected	2005	2014	2013
Other assignments:	Board of Aditro Logistics AB.	Board Member of N3 Group AB. Member of the K2 Research Institute.	Board member and Chairman of the Audit Committee of Punch Plc, Renold plc and Fairpoint plc.
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.	CEO of American Express Corporate Travel Nordic, Volvo Aero Engine Services, Linjebuss Trafik AB, GLAB (Adidas Sweden) and TNT Ipec Sweden.	Board member of Volex Plc, Linpac Senior Holdings Ltd, Albemarle & Bond Plc, Molins Plc and Intec Telecommunications Plc. Executive Roles; Group Finance Director MyTravel Plc and CFO of Equant NV.
Dependence status:	Independent in relation to Nobina, its management and major shareholders.	Dependent in relation to Nobina and its management. Independent in relation to its major shareholders.	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.	CMSc. Engineering from Chalmers in Gothenburg.	BA (Hons) Business Studies, FCMA.
Number of shares/votes	193,737	700,000	54,963
Total remuneration in 2016, SEK	900,000	—	450,000
Attendance at Board meetings	6 of 6	6 of 6	5 of 6
Attendance at remuneration committee meetings	4 of 4		
Attendance at audit committee meetings			4 of 4



Axel Hjärne	Birgitta Kantola	Graham Oldroyd
1964	1948	1961
2016 <sup>1)</sup>	2009	2014
Board member of PRIMA Barn- och vuxenpsykiatri Stockholm AB.	Board member of Skandinaviska Enskilda Banken AB (publ).	Chairman of the Board of Ideal Standard International NV. Board member of Henderson Alternative Strategies Trust Plc (publ.) and of PHS Group Investments Ltd and member of the Church Commissioners For England.
CEO of Eltel Group AB, CEO of Eltel Networks Sweden, Board member of Proffice, Executive Vice President of Bravida Group, CEO of ABB Contracting, various leading positions at ABB, various positions in sales and marketing for EUROCC.	Executive Vice President and CFO, International Finance Corporation (the World Bank Group), Washington D.C. Executive Vice President of Nordic Investment Bank. Board member of several listed companies, including Fortum Abp, NASDAQ OMX New York and Stora Enso Oyj.	Partner at Bridgepoint, responsible for Bridgepoint's investments in the Nordic region. Professional Qualifications: EurIng, CEng, FIMechE and MCSI, UK
Independent in relation to Nobina, its management and major shareholders.	Independent in relation to Nobina, its management and major shareholders.	Independent in relation to Nobina, its management and major shareholders.
Master's degree in industrial economy from Linköping University of Technology.	Master of Law from University of Helsinki, Econ.Dr.H.C.	MA Engineering, Cambridge University; MBA INSEAD Business School.
20,000	14,578	34,375
337,500	450,000	450,000
6 of 6	6 of 6	6 of 6
		4 of 4
4 of 4	4 of 4	

1) Axel Hjärne was elected by the 2016 AGM as a new Board member to replace Gunnar Reitan.

### Board meetings during the financial year

Date	Type of meeting	Matters addressed
24 February	Scheduled	Operations, Budget, Multi-Year Plan, Board Evaluation
26 April	Scheduled	Operations, Interim Report, Annual Report, AGM
31 May	Scheduled	Election of Officers, Committees
29 June	Scheduled	Operations, Interim Report, Strategy
27 September	Scheduled	Operations, Interim Report, Strategy, Business Plan
19 December	Scheduled	Operations, Interim Report, Risk Analysis and Business Plan

# Group management



	<b>Ragnar Norbäck</b>	<b>Magnus Rosén</b>	<b>Per Skärgård</b>	<b>Jan Bosaeus</b>	<b>Annika Kolmert</b>	<b>Niels Peter Nielsen</b>
Title	CEO and President of Nobina AB since 2004. Steps down as CEO and President on 31 May 2017	Incoming CEO and President of Nobina AB from 1 June 2017	CFO of Nobina AB since 2004, Vice President of Nobina AB since 2009	Managing Director of Nobina Sverige AB since 2002. Vice President of Nobina AB since 2009	Director Strategy & Sustainability <sup>1)</sup> since 2013	Managing Director at Nobina Danmark A/S since 2011
Born	1955	1962	1957	1960	1973	1965
Other assignments:	Board Member of N3 Group AB. Member of K2 Research Institute.	Board member of Bonava and Llentab.		Chairman of the Board of the Swedish Bus and Coach Federation, Board member of the Swedish Confederation of Transport Enterprises, Alecta's National Board and Deputy Board member of The Confederation of Swedish Enterprise.		Board member of the Federation of Road Transport. Board member of DKT (Dansk Kollektiv Trafik).
Previous assignments	CEO of American Express Corporate Travel Nordic, Volvo Aero Engine Services, Linjebuss Trafik AB, GLAB (Adidas Sweden) and TNT Ipec Sweden.	Senior advisor at Nordstjernan. CEO and President of Ramirent Oyj. CEO of Cramo BE Group Sverige AB and Cramo Sverige AB. Service market manager BT Svenska AB and Managing Director of BT Hysystem AB.	CFO of DHL Nordic AB, Danzas-ASG AB, NETnet International, Helene Curtis Scandinavia, Warner Lambert Scandinavia. Group Controller AB Pripps Bryggerier. Economic Planner of Länsförsäkringsbolagen. Chairman of the Swedish Association for Graduated Business Administrators (Svenska Civilekonomföreningen).	Board member of the Swedish Bus and Coach Confederation, X2 AB and the Confederation of Swedish Enterprise. Working Committee member of the Confederation of Swedish Enterprise. Head of Service of Kalmar LMV Sverige AB.	Managerial positions, Nobina since 2005. Reporting Manager of Accounting and Controlling for DHL Express and Financial Controller of Skandia Liv.	Operations Manager Nobina Denmark and Arriva A/S. Head of operations (Rail-freight) DSB (Danish railways).
Education	CMSc. Engineering from Chalmers in Gothenburg.	Master of Business Administration from the Stockholm School of Economics.	Business administration at Stockholm University	Business Administration graduate, Arméns Tekniska Officershögskola	MSc. Economics	Business Economist
Number of shares/votes	700,000	—	217,878	210,913	60,191	79,005





Joakim Palmqvist	Annika Molander	Martin Pagrotsky	Jan Volsdal	Anna Jonasson	Tom Ward
Managing Director at Swebus Express AB since 2006	Communications Director since 2016	Senior Legal Counsel and Chief Compliance Officer <sup>1)</sup> since 2006	Managing Director <sup>2)</sup> of Nobina Norge AS since March 2017	Director HR & Operational Resources <sup>3)</sup> since 2016	Managing Director of Nobina Finland since 2004
1963	1971	1974	1975	1970	1956
				Board member of Stockholm County's Bus and Coach Federation.	Board member of Arbetsgivareförbund (Employer Association) and Bussförbundet (Coach Federation).
CEO of Elgiganten AB, Ticket Resebyraer AB and Synoptik. Deputy Chairman of the Board of Samtrafiken i Sverige AB. Purchasing Manager for ONOFF AB.	Communications Director at Spendrups, Senior Consultant at Prime PR. Communications Director at Nasdaq OMX Nordic and Global Services, Ericsson.	Member of the Swedish Bar Association. Senior Associate at Vinge Law Firm. Law Clerk at Karlstad Administrative Court.	CEO of Bring Cargo AS, various managerial positions for Bring and Posten Norway. Factory Director Farris, Ringnes AS/Carlsberg. Planning Manager, Ringnes AS.	Project Manager for EY. Project Manager and Head of Operations of Nobina Sweden since 2005.	Employed at Huolintakeskus Oy, Scansped. Oy and MPS Management Consulting. Head of the Profit Center at Oy Scan-Auto AB.
Business Administration graduate	Business administration at Stockholm University	Master of Law degree	MSc. Engineering	Economics	Business and Finance diploma
115,613	—	66,844	—	—	112,066

1) Professional titles are being revised, but the areas of responsibility remain the same.

2) Philipp Engedal was Managing Director until December 2016. Until Jan Volsdal assumed his position, Jon Hovde was Acting Managing Director.

3) Adjusting title and appointed responsible for HR during the fiscal year.

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 held four meetings during the financial year.

#### **Audit Committee**

The Rules of Procedure state that an Audit Committee is to be appointed 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.

The Audit Committee currently has three members; John Allkins (Chairman), Birgitta Kantola and Axel Hjärne, which are all deemed independent in relation to the company, Group management and the company's main 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 held four meetings 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, Managing Directors for subsidiaries, CFO, Director for HR & Operational Resources, Communications Director, Senior Legal Counsel & Chief Compliance Officer and Director for Strategy & Sustainability. 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 thereafter reverts 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. Authorized public accountants or registered auditing firms shall be appointed as auditors or deputies as appropriate.

The 2016 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 must conduct 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 of auditors has been paid in accordance with Note 6.

## Remuneration of management and Board of Directors

### 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 remuneration, 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 CEO. Shorter termination periods than six months may be permitted for other executives. An additional six months' remuneration is payable for CEOs 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 retire-

ment 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 days of holiday 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.

### 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 fiscal year, remuneration of 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
- 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 controls are based on a common and 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 signifi-

cant 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. This is based on COSO, which is an internationally accepted framework for internal control for financial reporting. This takes place in three stages and is initiated by the management's review. The basis for the assessment is a status analysis of Nobina's current situation 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. Refer to the Administration Report for more information.

#### **Control activities**

Risk assessment provides an opportunity to take preventative measures. High risks are prioritised, resulting in measures to eliminate or reduce them. Controls, instructions and governance 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.

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. It shows how the company acts and how deviations are reported and monitored. The process owner for each main process is to ensure that information about Group-wide methods reaches the entire organisation.

Nobina has a line organisation that regularly holds management meetings. These management meetings also include special KAMS councils, where new policies and instructions are presented. The KAMS method within Nobina focuses on how the organisation can work in a structured way with Quality, Work Environment, Environment and Safety. For more information, see pages 36–37. Following the presentation, a decision is taken on implementation within each of the concerned operations. Written communication is primarily made available via the intranets that reaches the relevant target groups. This is where news is regularly updated, and where information about the components of the management system, Group policy documents and instructions is accessible and searchable.

#### **Follow-up and monitoring**

The control of financial risks that are deemed to be high is primarily followed up within each process.

The purpose of following up and monitoring is to ensure a stable control environment at Nobina 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 audits and internal control reviews are a supplementary instrument for ensuring that operations are conducted in line with approved decisions.

Nobina uses external resources in its internal audit function. In addition regular internal control reviews are conducted by skilled Group personnel. The results of internal audits and internal control reviews are reported to the AC and Board as well as Group Management. Changes in the organisation that may affect the internal controls are assessed each year and reported to the Board.

# Auditor's report on the Corporate Governance Statement

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

## Assignment of responsibilities

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2016-03-01–2017-02-28 on pages 43–52 and that it has been prepared in accordance with the Annual Accounts Act.

## The focus and scope

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 *The*

*auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement 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. We believe that the examination has provided us with sufficient basis for our opinions.

## Opinion

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, 28 April 2017  
PricewaterhouseCoopers AB

Michael Bengtsson  
*Authorized Public Accountant*





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# ADMINISTRATION REPORT

**The Board of Directors and CEO 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 2016 through 28 February 2017.**

All items are expressed in SEK million unless otherwise stated. The financial year covered by this annual report ended on 28 February 2017 and is referred to as 2016/2017. 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 is to simplify everyday travelling. The scope of the business comprises regional public transport under contract to local authorities in the Nordic region, along with inter-regional, 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 Denmark 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 conducts centralised management of its bus fleet 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, Nobina Fleet Danmark nr 5 ApS and Nobina Fleet Danmark nr 6 ApS. These companies lease buses to the operating companies. In Denmark, all of the companies are owned by one holding company, Nobina Danmark Holding ApS, which is a subsidiary of Nobina AB. Nobina AB also has a subsidiary, Nobina Technology AB, which works with innovations in public transport.

## Market share

Number of buses	Nobina	Keolis	Nettbuss	Arriva	Transdev	Tide	Others	Total	Share Tendered (%)
Sweden	2,157	1,300	444	692	563	0	2,631	7,787	95
Norway	399	0	1,966	0	0	732	2,993	6,090	98
Finland	444	0	0	0	121	0	2,595	3,160	60
Denmark	180	413	0	854	0	406	1,477	3,330	99
<b>Total regional traffic</b>	<b>3,180</b>	<b>1,713</b>	<b>2,410</b>	<b>1,546</b>	<b>684</b>	<b>1,138</b>	<b>9,696</b>	<b>20,367</b>	

SEK million	2016/ 2017	2015/2016 before IPO costs	2015/2016 after IPO costs	2014/ 2015	2013/ 2014	2012/ 2013
Net sales	8,858	8,317	8,317	7,549	7,269	7,212
EBITDA	1,161	1,083	879	922	832	725
Earnings before tax (EBT)	355	299	2	141	87	-9
EBT margin (%)	4.0	3.6	0.0	1.9	1.2	Neg
Net debt	3,753	4,572	4,022	3,867	3,611	3,987
Net debt/EBITDA	3.23	3.71	4.58	4.19	4.34	5.53

## 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 17 per cent of tendered traffic (18 per cent the preceding year) at the end of the fiscal year. In addition, interregional express bus services under the Swebus brand are conducted in free competition, primarily in Sweden. With approximately 307 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 remaining 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. This trend 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 public tender processes and, accordingly, the Group has no concessions.

### Tendering processes, start-up and completion of traffic during the year

During the financial year, Nobina started transport services comprising 357 buses under new contracts. During the financial year, contracts were concluded for 505 buses. This led to increased operations in Denmark, unchanged operations in Norway and reduced operations in Sweden and Finland. Nobina participated in tender processes for 646 buses during the financial year, of which contracts were won for a total of 94 buses (14.6 per cent). The tenders won were in Sweden, Finland and Norway.

### Traffic starts in the next twelve 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 to be concluded 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 assignments 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.

### Tenders and traffic changes by country

Number of buses	Tenders during the period			Traffic changes during the period the period	
	Submitted	Won	Not won	Started	Expired
Sweden	216	46	170	242	359
Norway	201	21	180	0	0
Finland	69	27	42	107	140
Denmark	160	0	160	8	6
<b>Total traffic</b>	<b>646</b>	<b>94</b>	<b>552</b>	<b>357</b>	<b>505</b>

### Traffic starting in the March 2017-February 2018 period

	Clients	No. of years	Start of service	Number of buses	No. of new buses
Sweden	Västtrafik	8	April 2017	58	38
	Skånetrafiken	4	December 2017	42	12
Norway	Ruter	3	April 2017	21	24
Finland	HSL	7	August 2017	8	7
	HSL	2	August 2017	19	0
<b>Total traffic</b>				<b>148</b>	<b>81</b>

### Traffic concluded in the March 2017-February 2018 period

	Clients	End of service	Number of buses
Sweden	Kalmar LT	August 2017	78
Norway	Skyss	June 2017	44
Finland	HSL	August 2017	16
<b>Total traffic</b>			<b>138</b>

### Fiscal year

In 2016/2017, operations continued to post a positive trend:

- Record high net sales were posted due to growth of 6.5 per cent.
- Operating profit amounted SEK 494 million (258), the preceding year included IPO costs of SEK 204 million. After adjustment for IPO costs, operating profit rose 6.9 per cent to SEK 494 million (462), which represents the highest ever operating profit posted to date.
- Profit before tax was SEK 355 million (2) including IPO and bond redemption costs totalling SEK 297 million. After adjustment for IPO and bond redemption costs, profit before tax for the preceding year was SEK 299 million.
- Cash flow for the year improved and totalled SEK 114 million (234), including a dividend payment of SEK 230 million and a negative net impact on liquidity of SEK 32 million for the preceding year 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 for the preceding year amounted to SEK 266 million.
- Investments, which primarily pertained to the procurement of buses, totalled SEK 844 million (1,671).

### Significant events during the year

- Nobina upgraded by Standard and Poor's from "BB-" to "BB".
- 2015/2016 Annual General Meeting held on 31 May in Stockholm.
- Nobina held Capital Markets Day on 1 June 2016. It confirmed the financial targets adopted ahead of the IPO in 2015 remain firm.
- Nobina's first dividend was paid, SEK 2.60 per share, on 8 June 2016.
- Well-executed traffic starts in Sweden and Finland.
- Nobina won a tender in Oslo, comprising 21 buses, valued at SEK 150 million over a three-year contract period.
- Nobina won a tender in Lund Väster, comprising 45 buses, valued at SEK 400 million over a four-year contract period.
- The share of Nobina's total bus fleet that runs on renewable fuel increased from 50 per cent to 55 per cent, and to 75 per cent in Sweden.
- CEO Ragnar Norbäck announced that he will retire in 2017.
- Nobina was awarded a contract for bus-for-rail services for commuter trains in the Stockholm region for MTR.
- Nobina's contract for bus traffic in Norrtälje was extended for two years until June 2021.
- Magnus Rosén was appointed new President and CEO for Nobina. Magnus was employed on 1 April and will take up his duties as CEO on 1 June.

- Nobina won a tender in Helsinki for an additional 27 buses valued at SEK 260 million and was awarded a SEK 1 million environmental bonus in Finland.
- Nobina has been invited to carry out a two-year test programme with electric articulated buses on behalf of Ruter, the PTA in Oslo.
- Nobina signed an agreement with Tågkompaniet for bus-for-rail services for railway traffic in six counties in northern and central Sweden and has expanded its bus-for-rail contract with MTR to also include its metro traffic.

### Significant events after the end of the fiscal year

- The Board of Directors has proposed a dividend of SEK 3.10 (2.60) per share for payment in June 2017, which is a 19 per cent increase compared with the preceding year.

### Revenue and profit for the Nobina Group

Revenue increased by SEK 541 million, or 6.5 per cent, from SEK 8,317 million for 2015/2016, to SEK 8,858 million for 2016/2017, driven by growth in regional traffic.

Operating profit increased by SEK 236 million, or 91.5 per cent, from SEK 258 million in 2015/2016, to SEK 494 million in 2016/2017. The preceding year was impacted by items affecting comparability for IPO costs amounting to SEK 204 million. Operating profit, adjusted for items affecting comparability for IPO costs for the preceding year, increased by SEK 32 million, or 6.9 per cent, from SEK 462 million in 2015/2016, till SEK 494 million in 2016/2017. Swedish operations accounted for most of the improvement in operating profit, with SEK 20 million.

### Fuel, tyres and other consumables

Costs for fuel, tyres and other consumables decreased by SEK 67 million, or 3.9 per cent, from SEK 1,704 million in 2015/2016 to SEK 1,637 million in 2016/2017. The reduction in costs is in part a result of Nobina's focus on green driving as well as changes to traffic production.

### 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 by SEK 231 million, or 19.7 per cent, from SEK 1,173 million in 2015/2016 to SEK 1,404 million in 2016/2017. The cost increase is primarily from higher costs for auditors and consultants. The preceding year also included nonrecurring expenses of SEK 32 million for fees related to the IPO in 2015.

### Personnel costs

Personnel costs increased by SEK 95 million, or 2.1 per cent, from SEK 4,561 million for 2015/2016 to SEK 4,656 million for the 2016/2017 fiscal year. This was mainly due to increased salaries and payroll overheads driven by rising contractual salary increases. Personnel costs for the preceding year also included nonrecurring expenses of SEK 172 million for an incentive programme in conjunction with the IPO.

### Development expenses

Nobina conducts no research operations but development operations within public transport, primarily within Nobina Technology, which has gone from intangible in previous years to SEK 35 million in 2016/2017.

### Capital losses from the disposal of non-current assets

During the year, Nobina divested 596 buses (368) valued at SEK 160 million (35). The divestment resulted in a capital loss of SEK –14 million (–15).

### Depreciation/amortisation and impairment

Depreciation/amortisation and impairment increased by SEK 47 million, or 7.8 per cent, from SEK 606 million in the 2015/2016 fiscal year, to SEK 653 million in the 2016/2017 fiscal year. Depreciation/amortisation and impairment mainly comprise depreciation on buses but also include depreciation on other vehicles, equipment, tools, fixtures and fittings, and buildings. The cost increase was driven by a rise in capital tied-up in non-current assets with a young fleet of vehicles consisting of more expensive vehicles linked to the start-up of several new contracts, partly during the year and partly during the preceding year.

### Profit from net financial items

Interest income and similar profit/loss items decreased SEK 2 million, or 66.7 per cent, from SEK 3 million in 2015/2016, to SEK 1 million in 2016/2017.

Interest expense and similar profit/loss items decreased SEK 119 million, or 45.9 per cent, from SEK 259 million in 2015/2016, to SEK 140 million in 2016/2017. This decrease included items affecting comparability pertaining to the redemption of the bond loan of SEK 93 million, which were charged to 2015/2016, and to lower interest expenses from lease financing of buses.

Interest on leases decreased SEK 3 million due to improved financing terms and lower interest rates, while interest costs for the bond loan redeemed in 2015/2016 declined SEK 22 million, since this cost was extinguished from 11 August 2015. Nobina's realised and unrealised exchange rate gains and losses amounted to SEK 3 million (1).

### Income tax

Nobina's income tax comprises the change in estimated deferred tax and amounted to SEK 163 million in 2016/2017, compared with SEK 2 million in 2015/2016. 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 million (0), and the change of assessed deferred tax assets and deferred tax liabilities, have impacted profit for the financial year by SEK –82 million (1).

### 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 2015			
–29 February 2016	8,317	258	2
Price and Volume	220	49	49
Contract migration	232	52	52
Indexation	89	38	38
Operational efficiency	–	–60	–60
Other	–	–47	–47
Items affecting comparability	–	204	297
Net financial items	–	–	24
Period from 1 March 2017			
–28 February 2017	8,858	494	355

**Price and volume**, in current contracts, positive impacts were made on sales in an amount of SEK 220 million, and on EBIT and EBT of SEK 49 million. These were primarily driven by changes in contracts and rail replacement bus services in Sweden and Finland.

**Contract migration** positively impacted net sales in an amount of SEK 232 million as a consequence of large traffic starts conducted during the year. Operating profit before tax was positively impacted by SEK 52 million, due to contracts started in 2015/2016 had a rapidly positive earnings trend. In Sweden, Finland and Denmark, contract migration comprising the start and conclusion of contracts was carried out during the year.



**Indexation** had a positive effect of SEK 89 million on net sales and SEK 38 million on EBT, which indicates that indexation has more than covered underlying cost inflation.

**Operational efficiency** covers the efficiency of personnel resources, traffic planning, maintenance, minimising damage and fuel consumption, and posted a negative trend of SEK –60 million. This was primarily driven by rising costs from lower personnel efficiency in Sweden, bus maintenance, which includes costs related to supplier complaints, greater use of technology and from vehicle optimisation.

**Other** resulted in an increase in costs of SEK –47 million in charges to EBIT and EBT, and include property-related expenses and IT-related costs.

**Items affecting comparability** include the IPO transaction costs from the preceding year 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.

**Net financial items** improved by SEK 117 million, profit for the year was positively influenced by lower interest rates for bus financing and by the lack of interest expenses for bond loans that were charged to the preceding year's profit and that the preceding year included expenses for the redemption of bond loans of SEK 93 million.

## Analysis of net sales and EBIT by operating segment

### Nobina Sweden

Nobina is the largest operator in Sweden, with a market share of around 29 per cent, measured in the number of tendered buses, and participated in five tender processes for Swedish regional traffic and won two 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 contracts with an incentive element. The contract terms are developing in a more positive direction and relevant monthly indexing models are the norm.

Revenue from regional traffic in Sweden increased by SEK 383 million, or 6.7 per cent, from SEK 5,675 million in 2015/2016, to SEK 6,058 million in 2016/2017. The increase reflected the start-up of new traffic contracts and the full-year effect of major new contracts started in the preceding 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 by SEK 20 million, or 5.1 per cent, from SEK 392 million in 2015/2016 to SEK 412 million in 2016/2017. Operating profit was charged with significant negative effects from contract portfolio migration and the positive performance for contracts started in Värmland and Södertörn in 2015/2016. The index trend remained positive.

### Significant events during the year in Sweden

- Participated in five tender processes, winning two of these.
- Successful start-ups of new contracts: Kallhäll, Södertälje, Höganäs/Ekeby etc.
- Higher share of incentives in new contracts.
- Lawsuit filed against Länsstrafiken Örebro for faulty gas quality.
- Successful tendering process in Lund Väster and route 10 Västernorrland.
- Continuing 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 and incentive elements. Monthly indexing of revenue is standard. 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 business has about 5 per cent of market share. The contract for Copenhagen continued to move in a positive direction during the year. A new structure for vehicle financing with more advantageous VAT conditions was established during the year. Nobina operates a total of seven contracts. Traffic trended favourably in 2016/2017.

Revenue from bus services in Denmark increased by SEK 24 million, or 4.7 per cent, from SEK 511 million in 2015/2016 to SEK 535 million in 2016/2017.

Operating profit improved by SEK 11 million from SEK 8 million in 2015/2016 to SEK 19 million in 2016/2017. The main reason for the positive trend is the traffic contract in Copenhagen and the establishment of the new vehicle financing structure. 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 seven tendering processes.

### **Nobina Norway**

The market remains fragmented in Norway and Nobina is the fifth largest operator, with a market share of around seven per cent and eight ongoing traffic assignments, most of which are in the area surrounding Oslo. In recent years, the proportion of contracts subject to tender processes has increased significantly at the cost of concessions (see Glossary on page 112) and is now accounts for about 98 per cent of the market. The contract terms are relatively undeveloped with the dominant form of production contracts using kilometre payments subject to biannual indexing. Some improvements towards more balanced contract terms have been observed in more recent tenders. The key focus areas in Nobina's Norwegian operations are enhancing operational efficiency and improvements to the Tromsø contract.

Revenue from regional bus services in Norway increased by SEK 49 million, or 5.3 per cent, from SEK 925 million for the 2015/2016 fiscal year to SEK 974 million for the 2016/2017 fiscal year. The increase is explained by the full-year effect of new contracts started in 2015/2016 in the Follo area near Oslo.

Operating profit was unchanged from SEK 20 million in 2015/2016 to SEK 20 million in 2016/2017. The earning trend was the result of operational enhancements and the full-year effect of the new contracts in the Follo area near Oslo, which was negated by unfavourable indexation. The Tromsø traffic contract remains a challenge 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 four tender processes, winning one.
- Developed the Follo contract, which includes the areas of Ski, Vestby and Nesodden.
- Focus on streamlining measures.
- Continued disputes/negotiations with Troms Fylkestrafikk.

### **Nobina Finland**

Unlike the other Nordic countries, contracts in Helsinki are often tendered for specific routes rather than entire traffic areas, which is more common in the rest of Finland. At present, 60 per cent of the market is subject to tender with the share increasing as 2019 approaches, when legislation enters force stating that concessions (see Glossary on page 112) 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 exist to a certain extent in the Helsinki region's contract with bonuses for customer satisfaction and there are also green tenders where operators can receive extra compensation if they change to green fuels. 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, Nobina won new contracts for 27 buses, extending for up to seven years, for public transport services in the Helsinki region. Nobina has a total of 25 traffic contracts ongoing and is one of Finland's largest operators with a market share of about 23 per cent.

Revenue from regional bus services in Finland increased by SEK 92 million, or 9.7 per cent, from SEK 952 million for the 2015/2016 fiscal year to SEK 1,044 million for the 2016/2017 fiscal year. This increase was largely a result of the full-year effect of growth, indexation and a weaker exchange rate for the SEK against the EUR which has a positive impact on the translation of SEK.

Operating profit increased by SEK 4 million, or 5.8 per cent, from SEK 69 million in 2015/2016, to SEK 73 million in 2016/2017. Positive effects from environmental bonuses, and improvements in the operation of existing contracts are behind the earnings improvement.

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

- Participated in four tender processes in Helsinki, winning two.
- Start-up of two new contracts
- More operators are now active in Helsinki.
- Litigation against HSL, the PTA in Helsinki, regarding the application of limits to the allocation of won contracts and changes to depot locations.

### **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.

Approximately 80 per cent of the tickets are retailed through digital channels. In addition to the above, tickets are also sold through ticket agents, ticket machines and our own sales outlets.

Revenue from Swebus's interregional express bus services declined by SEK 9 million, or 3.2 per cent, from SEK 283 million in 2015/2016, to SEK 274 million in 2016/2017. This trend included fewer passengers due to lower demand and a reduced offering, but also a slight increase in sales of supplementary products, collaborations with business partners and chartered traffic.

Operating profit declined SEK 4 million, or 57.1 per cent, from SEK 7 million in 2015/2016 to SEK 3 million in 2016/2017. Earnings were negatively impacted by fewer passengers due to lower demand and a reduced offering.

### **Significant events during the year for Swebus**

- 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) for these declined SEK 205 million, or 86.1 per cent, from SEK –238 million in 2016/2017 to SEK –33 million in 2016/2017. 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 costs for Central functions excluding IPO costs affecting comparability instead decreased SEK 1 million, from SEK –34 million in 2015/2016, to SEK –33 million in 2016/2017.

### Investments

Nobina's investments during the year consisted primarily of bus acquisitions. 224 (600) buses were acquired through finance leases, while 89 (77) buses were financed via cash or credit. In total, Nobina acquired 457 (677) buses during the year. In addition, 89 buses in Denmark were refinanced with a transition from leasing to loan financing. Cash-financed investments amounted to SEK 226 million (84) and loan-financed investments totalled SEK 64 million (109). The cash-financed investments consisted primarily of buying-out buses from expiring leasing agreements. Through its subsidiary, Nobina Fleet AB, Nobina entered into finance leases amounting to an acquisition cost of SEK 554 million (1,478). 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. During the 2016/2017 financial year, Nobina has not signed any loan and credit agreements beyond those recognised for financing buses. In the 2015/2016 financial year, Nobina Europe redeemed its remaining bond loan of SEK 550 million on 11 August 2015. 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 the 2015/2016 financial year.

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 28 February 2017, and SEK 14 million in bank guarantees.

Over the year, cash and cash equivalents increased SEK 121 million, from SEK 683 million at 29 February 2016, to SEK 804 million at 28 February 2017. In addition to liquidity generated by operations, after changes in working capital and investments, SEK 24 million has been made available through the release of restricted bank accounts as a result of an improved credit rating. The equity/assets ratio for the Group was 17.9 (14.5) and for the Parent Company 58.9 (70.6) 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 fiscal year was 6.5 per cent (10.2) 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 4.0 per cent (3.6), 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 3.2 per cent (3.7), 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 minimization 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 12,495 (11,747) and the number of employees recalculated as FTEs was 8,889 (8,461). 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 biodiesel 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 washing 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 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 CEO. For other executives a shorter period than six months may be permitted. 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

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 and also during the year litigation regarding a less favourable depot location. During the year, Nobina Sweden initiated litigation against Länstrafiken Örebro regarding faulty gas quality.

## 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 Note 5. 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 Note 5.

### **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 15,000 shareholders. The ten largest owners are Invesco, Franklin Templeton, Swedbank Robur Fonder, JP Morgan Asset Management, Öhman Fonder, Danske Invest Fonder, Blue Mountain Capital, Copper Rock Capital Partners, Evermore Global Advisors and Artemis and that together represent 42.4 per cent of the votes and capital as of 28 February 2017. For further information, see page 41.

### **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**

In conjunction with Nobina's IPO on 18 June 2015, two incentive programmes were implemented covering ten senior executives (including the CEO) as well as five Board members (excluding the CEO), after which the incentive programmes were ended. The senior executives and Board members acquired a total of 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 no longer subject to lock-up agreements. At present, there are no incentive programmes that include elements of share ownership.

### **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, the 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. Individual 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 company may also be affected 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 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.

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 the 2016/2017 financial year, Nobina's contracts with PTAs accounted for most of its 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. These types of contracts offer 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 the quality of 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. 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.

### **Prospects for 2017/2018**

Ahead of the 2017/2018 financial year, continued sales growth is expected, firstly from the full-year effect from traffic starts in

2016/2017 and, secondly from customary volume growth and the indexation of existing contracts. Earnings will be positively impacted by underlying improvements in older contracts that are expected to exceed the negative impact of contract migration from contracts that expire to new contracts starting up. The substantially renewed bus fleet, which is the result of extensive start-ups of new contracts in recent years, is expected to successively age over the coming year. Altogether, the profit margin for profit before tax is expected to move in a positive direction closer to the 4.5 per cent target. Tied-up capital is expected to decrease through limited new investment in the about 100 new buses, of which 80 are linked to newly started contracts. The company does not provide any forecasts.

### Parent Company

The Parent Company has eleven (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, which were comprised entirely of internal services, amounted to SEK 44 million (39) and profit/loss before tax to SEK 246 million (–627). The pre-tax loss for the preceding year was affected by transaction costs of SEK 32 million in connection with the IPO and incentive programme costs of SEK 172 million, in total SEK 204 million. During the third quarter, Nobina AB took over the Group's cash pool from the subsidiary Nobina Europe AB. Cash and cash equivalents as well as restricted bank accounts amounted to SEK 796 million (0) at the end of the fiscal year. Investments in PPE and intangible assets amounted to SEK 0 million (0) for the full year. Shareholders' equity for the Parent Company amounted to SEK 2,889 million (2,928) as of 28 February 2017. The equity/assets ratio was 71 (66) per cent.

### Dividend proposed by the Board

The Board of Directors has proposed to the Annual General Meeting a dividend for 2016/2017 of SEK 3.10 (2.60) per share, which is in line with the dividend policy. The proposed dividend corresponds to a dividend yield of 5.6 per cent based on the share price of SEK 55.25 on 28 February 2017.

### 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 2,570,323,120 are at the disposal of the

AGM. Provided the 2017 AGM resolves in accordance with the Board's proposed distribution of profits, SEK 2,296,420,506 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 10.7 per cent of the company's equity and 19.3 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 56.5 per cent and 14.9 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 Annual General Meeting:

Share premium reserve	1,335,198,568
Profit brought forward	1,043,987,950
Profit for the year	191,136,602
<b>Total</b>	<b>2,570,323,120</b>
Dividend to shareholders (SEK 3.10 per share)	–273,902,614
To be carried forward	2,296,420,506
<b>Total</b>	<b>2,296,420,506</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 were appointed based on the ownership structure as of 30 September 2016, and comprise: Nuno Caetano, Invesco Limited, Pehr-Olof Malmström, Danske Bank, Peter Lundkvist, Third Swedish National Pension Fund (AP3) and Chairman of the Board Jan Sjöqvist.

The Nomination Committee is tasked with the preparation and submission of proposals to the 2017 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 2017.

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

	Note	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
<b>Net sales</b>	1, 2, 3	<b>8,858</b>	<b>8,317</b>
<b>Operating expenses</b>			
Fuel, tires and other consumables	4	–1,637	–1,704
Other external expenses	4, 5, 6, 7	–1,404	–1,173
Personnel costs	4, 5, 8	–4,656	–4,561
Capital losses from the disposal of non-current assets		–14	–15
Depreciation/amortisation of intangible and tangible non-current assets	9	–653	–606
<b>Operating profit</b>	1, 2	<b>494</b>	<b>258</b>
<b>Profit from net financial items</b>			
Financial income	10	1	3
Financial expenses	5, 11	–140	–259
<b>Net financial items</b>		<b>–139</b>	<b>–256</b>
<b>Profit before tax</b>		<b>355</b>	<b>2</b>
Income tax	16	163	2
<b>PROFIT FOR THE YEAR</b>		<b>518</b>	<b>4</b>
<b>Profit for the year attributable to Parent Company shareholders</b>		<b>518</b>	<b>4</b>
Average number of shares before dilution (000s)	23	88,356	80,607
Average number of shares after dilution (000s)	23	88,356	80,607
Earnings per share attributable to Parent Company shareholders, before dilution (SEK)	23	5.86	0.04
Earnings per share attributable to Parent Company shareholders, after dilution (SEK)	23	5.86	0.04
Number of shares outstanding at year-end (thousands)	22	88,356	88,356

## Statement of consolidated comprehensive income

	Note	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Profit/loss for the year		518	4
<b>Other comprehensive income</b>			
<b>Items not to be reclassified to profit or loss</b>			
Revaluation of defined-benefit pension plan	24	0	6
Tax on items that will not be reclassified to profit or loss for the period	16	0	0
<b>Items that can later be reclassified to profit or loss</b>			
Exchange-rate differences in foreign operations		23	–23
<b>Other comprehensive income, net after tax</b>		<b>23</b>	<b>–17</b>
<b>Comprehensive income for the year</b>		<b>541</b>	<b>–13</b>
<b>COMPREHENSIVE INCOME ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS</b>		<b>541</b>	<b>–13</b>

# Consolidated balance sheet

	Note	28 Feb 2017	29 Feb 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Goodwill	12	586	574
Other intangible assets	12	4	10
<b>Total intangible assets</b>		<b>590</b>	<b>584</b>
<b>Property, plant and equipment</b>			
Costs for leasehold improvements	13	34	36
Equipment, tools, fixtures and fittings	13	72	67
Vehicles	13	5,178	5,238
<b>Total property, plant and equipment</b>		<b>5,284</b>	<b>5,341</b>
<b>Financial assets</b>			
Deferred tax assets	16	306	121
Assets for pension commitments	24	20	11
Other non-current receivables		1	1
<b>Total financial assets</b>		<b>327</b>	<b>133</b>
<b>Total non-current assets</b>		<b>6,201</b>	<b>6,058</b>
<b>Current assets</b>			
Inventories	18	48	46
Trade receivables	19	495	535
Other current receivables		81	40
Deferred expenses and accrued income	20	328	272
Restricted bank accounts	21	0	24
Cash and cash equivalents	21	804	683
<b>Total current assets</b>		<b>1,756</b>	<b>1,600</b>
<b>TOTAL ASSETS</b>	1, 2	<b>7,957</b>	<b>7,658</b>



## Consolidated balance sheet, cont.

	Note	28 Feb 2017	29 Feb 2016
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		318	318
Other contributed capital		3,212	3,212
Translation differences		28	5
Profit/loss brought forward		-2,137	-2,425
<b>Total equity attributable to Parent Company shareholders</b>	22	<b>1,421</b>	<b>1,110</b>
<b>Non-current liabilities</b>			
Borrowing	26	3,832	3,941
Deferred tax liabilities	16	124	102
Provisions for pensions and similar commitments	24	46	36
Other provisions	25	56	37
<b>Total non-current liabilities</b>		<b>4,058</b>	<b>4,116</b>
<b>Current liabilities</b>			
Accounts payable		569	473
Borrowing	26	679	752
Other current liabilities	27	215	222
Accrued expenses and deferred income	28	1,015	985
<b>Total current liabilities</b>		<b>2,478</b>	<b>2,432</b>
<b>Total liabilities</b>	2	<b>6,536</b>	<b>6,548</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1	<b>7,957</b>	<b>7,658</b>
<b>PLEDGED ASSETS AND CONTINGENT LIABILITIES</b>			
	29		

## Consolidated statement of changes in equity

	Share capital	Other contributed capital	Translation differences	Profit/loss brought forward	Total equity attributable to Parent Company shareholders
<b>Opening equity, 28 Feb 2015</b>	<b>228</b>	<b>2,489</b>	<b>28</b>	<b>-2,435</b>	<b>310</b>
Profit/loss for the year	-	-	-	4	4
Other comprehensive income	-	-	-23	6	-17
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-23</b>	<b>10</b>	<b>-13</b>
<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>
Profit/loss for the year	-	-	-	518	518
Other comprehensive income	-	-	23	-	23
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>518</b>	<b>541</b>
<b>Transactions with owners</b>					
Dividend	-	-	-	-230	-230
<b>Closing equity, 28 Feb 2017</b>	<b>318</b>	<b>3,212</b>	<b>28</b>	<b>-2,137</b>	<b>1,421</b>

There are no non-controlling interests.

## Consolidated cash flow statement

	Note	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
<b>Cash flow from operating activities</b>			
Profit after financial items		355	2
Adjustments for non-cash items			
– Depreciation/amortisation and impairment	9	653	606
– Capital gain/loss from the disposal of non-current assets		14	17
– Unrealised exchange gain/losses		–3	–
– Financial income	10	–3	–7
– Financial expenses	5, 11	145	262
– Changes in provisions, pensions, etc.		19	–10
– Other items		–1	–4
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,179</b>	<b>866</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		–2	3
Changes in operating receivables		–41	–32
Changes in operating liabilities		97	11
<b>Total changes in working capital</b>		<b>54</b>	<b>–18</b>
Received interest income	10	1	2
Tax paid	16	–	–
<b>Cash flow from operating activities</b>		<b>1,234</b>	<b>850</b>
<b>Cash flow from investing activities</b>			
Changes in restricted bank accounts	21	24	90
Investments in PPE1 and intangible assets excl. financial leasing	14	–290	–193
Disposal of non-current assets		160	35
<b>Cash flow from investing activities</b>		<b>–106</b>	<b>–68</b>
<b>Cash flow from financing activities</b>			
Repayment by installment of financial lease liability	26	–667	–628
Repayment by installment of bond loan and other external loans	26	–39	–577
Payment of newly issued shares	5	–	850
Issue of new shares to senior executives	8, 22	–	1
New borrowing, other external loans	14, 26	64	109
Capital acquisition costs	5	–	–49
Interest paid	11	–142	–254
Dividend		–230	–
<b>Cash flow from financing activities</b>		<b>–1,014</b>	<b>–548</b>
<b>Cash flow for the year</b>		<b>114</b>	<b>234</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>683</b>	<b>453</b>
Cash flow for the year		114	234
Exchange rate difference		7	–4
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	21	<b>804</b>	<b>683</b>

## Parent Company income statement

	Note	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
<b>Net sales</b>	1, 3	<b>44</b>	<b>39</b>
<b>Operating expenses</b>			
Other external expenses	4, 5, 6	–22	–145
Personnel costs	4, 5, 8	–43	–120
Depreciation/amortisation of intangible and tangible non-current assets		–	–
<b>Operating profit</b>	1, 2	<b>–21</b>	<b>–226</b>
Profit from participations in Group companies	15	277	–344
Financial income	10	6	12
Financial expenses	11	–16	–69
<b>Net financial items</b>		<b>267</b>	<b>–401</b>
<b>Profit before tax</b>		<b>246</b>	<b>–627</b>
Income tax	16	–55	29
<b>PROFIT/LOSS FOR THE YEAR</b>		<b>191</b>	<b>–598</b>

## Parent Company statement of comprehensive income

	Note	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Profit/loss for the year		191	–598
<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	16	–	–
<b>Other comprehensive income, net after tax</b>		<b>–</b>	<b>–</b>
<b>Comprehensive income/loss for the year</b>		<b>191</b>	<b>–598</b>

## Parent Company balance sheet

	Note	28 Feb 2017	29 Feb 2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Financial assets</b>			
Participations in Group companies	15	3,685	3,685
Deferred tax assets	16	25	80
Receivables from Group companies	17	–	87
<b>Total financial assets</b>		<b>3,710</b>	<b>3,852</b>
<b>Total non-current assets</b>		<b>3,710</b>	<b>3,852</b>
<b>Current assets</b>			
Receivables from Group companies	21	398	292
Other current receivables		–	2
Deferred expenses and accrued income	20	1	1
Cash and cash equivalents	21	796	–
<b>Total current assets</b>		<b>1,195</b>	<b>295</b>
<b>TOTAL ASSETS</b>	1, 2	<b>4,905</b>	<b>4,147</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		318	318
Statutory reserve		1	1
<b>Total restricted shareholders' equity</b>	22	<b>319</b>	<b>319</b>
<b>Non-restricted shareholders' equity</b>			
Share premium reserve		1,336	1,336
Profit brought forward		1,043	1,871
Profit/loss for the year		191	–598
<b>Total non-restricted shareholders' equity</b>		<b>2,570</b>	<b>2,609</b>
<b>Total shareholders' equity</b>	22	<b>2,889</b>	<b>2,928</b>
<b>Non-current liabilities</b>			
Liabilities to Group companies		–	621
Provisions for pensions and similar commitments	24	10	8
<b>Total non-current liabilities</b>		<b>10</b>	<b>629</b>
<b>Current liabilities</b>			
Accounts payable		1	4
Liabilities to Group companies	21	1,991	576
Other current liabilities	27	1	1
Accrued expenses and deferred income	28	13	9
<b>Total current liabilities</b>		<b>2,006</b>	<b>590</b>
<b>Total liabilities</b>		<b>2,016</b>	<b>1,219</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	1	<b>4,905</b>	<b>4,147</b>
<b>PLEDGED ASSETS AND CONTINGENT LIABILITIES</b>			
Pledged assets		224	161
Contingent liabilities		4,511	4,539
<b>Total pledged assets and contingent liabilities</b>	29	<b>4,735</b>	<b>4,700</b>



## Parent Company statement of changes in equity

	Share capital	Statutory reserve	Share premium reserve	Profit brought forward	Profit for the year	Total share-holders' equity
<b>Opening equity, 1 March 2015</b>	<b>228</b>	<b>1</b>	<b>613</b>	<b>1,763</b>	<b>108</b>	<b>2,713</b>
Profit/loss for the year	–	–	–	–	–598	–598
Other comprehensive income	–	–	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–598</b>	<b>–598</b>
<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>
Profit/loss for the year	–	–	–	–	191	191
Other comprehensive income	–	–	–	–	–	–
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>191</b>	<b>191</b>
<b>Transactions with owners</b>						
Dividend	–	–	–	–230	–	–230
Transfer of the preceding year's profit/loss	–	–	–	–598	598	–
<b>Total transactions with owners</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–828</b>	<b>598</b>	<b>–230</b>
<b>Closing equity, 28 Feb 2017</b>	<b>318</b>	<b>1</b>	<b>1,336</b>	<b>1,043</b>	<b>191</b>	<b>2,889</b>

## Parent Company cash flow statement

	Note	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
<b>Cash flow from operating activities</b>			
Profit/loss after financial items		246	–627
Adjustments for non-cash items			
– Financial income and dividends	10, 15	–283	332
– Financial expenses	11	16	68
– Unrealised exchange gain/losses		–	1
– Other items		2	277
<b>Cash flow from operating activities before changes in working capital</b>		<b>–19</b>	<b>51</b>
<b>Cash flow from changes in working capital</b>			
Changes in operating receivables		2	–420
Changes in operating liabilities		2	586
<b>Total changes in working capital</b>		<b>4</b>	<b>166</b>
Received interest income	10	12	18
<b>Cash flow from operating activities</b>		<b>–3</b>	<b>235</b>
<b>Cash flow from investing activities</b>			
Changes in restricted bank accounts	21	–	25
Acquisition of subsidiary	15	–	–3,463
<b>Cash flow from investing activities</b>		<b>–</b>	<b>–3,438</b>
<b>Cash flow from financing activities</b>			
Group dividends received	15	–	3,017
Group contribution received	15	131	23
Payment of newly issued shares	5	–	850
Issue of new shares to senior executives	8, 22	–	1
Repayment of loans from Group companies		–1,022	–596
Capital acquisition costs	5	–	–49
Takeover of receivable, cash pool	21	–481	–
Takeover of liability, cash pool	21	1,048	–
Takeover of cash pool	21	–567	–
Takeover of loans from Group companies		1,963	–
Interest paid	11	–43	–43
Dividend		–230	–
<b>Cash flow from financing activities</b>		<b>799</b>	<b>3,203</b>
<b>Cash flow for the year</b>		<b>796</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>0</b>	<b>0</b>
Cash flow for the year		796	0
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	21	<b>796</b>	<b>0</b>

## NOTE 1 COMPANY INFORMATION AND ACCOUNTING POLICIES

### Company information

Nobina AB is a public company (CIN 5565764569, 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 27 April 2017. 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 2017, in Stockholm. If no currency is presented, amounts are shown in millions of SEK (MSEK) or another specified currency and pertain to the period 1 March–28 February the following year for items related to income and cash flow statements and to 28 February for items related to financial position.

### 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" and with 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 result from the limitations on applying IFRS in the Parent Company due to the Swedish Annual Accounts Act and, in certain cases, taxation purposes.

Compiling financial statements in compliance with IFRS requires the use of important estimates for accounting purposes. It is also necessary for management to make judgments in the application of the company's accounting policies and principles for survival. The section "Judgments and estimates in the financial statements" includes those areas that are subject to a high degree of judgment or those areas where assumptions and estimates are of major significance to the consolidated financial statements.

### Basis for valuation of 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 or 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.

### 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:

### Revenue accounting

Revenue accounting is based on the applicable contract terms and conditions. Negotiations are conducted continually regarding amended delivery and remuneration in certain contracts. Occasionally, the negotiations lead to material changes in remuneration. As soon as a level for amendment can be regarded as certain based on the current negotiating status, this is reflected in revenue accounting. Retroactive amendment is also often applied.

### 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 of future cash flows are based on the best possible assessments of future revenue, which can be impacted by factors such as future changes in the terms and conditions applicable to traffic contracts, and the trend in operating expenses, which in turn are based on historical information, general market conditions and other available information. The forecasts are prepared on the basis of the Group's segments and are based on each company's profit/loss before amortisation/depreciation, including leasing costs for vehicle (buses). 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 of 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.

Note 1 cont.

### 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 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.

### 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 mainly comprise interest-bearing securities. 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 2016/2017

As of the second quarter of 2016/2017, Nobina applies the new ESMA guidelines for APMs (alternative performance measures). The Group is of the opinion that the performance measures on pages 110-111 provide valuable and significant information for investors and company management, since they facilitate an evaluation of the company's performance. Financial non-IFRS measures are subject to limitations as analytical tools and should not be regarded either isolated or as replacements for financial measures prepared pursuant to IFRS. Financial non-IFRS measures are reported in order to improve the investors' valuation of the company's results from operations and position. No other new or revised standards applied in 2016/2017 have had any significant impact on the Nobina Group's financial position or results.

#### New standards and interpretations not yet in force

The following standards and interpretations, which are not yet in force, have not been applied for 2016/2017.

- 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 it is possible to direct the use of and obtain substantially all of the remaining benefits from the asset. IFRS 15 applies from 1 January 2018 or later.
- 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 financial years beginning on or after 1 January 2018. The introduction of IFRS 9 is not expected to result in any major effects on the Nobina Group's income statement and balance sheet.

- IFRS 16 is the new standard for lease recognition. The standard entails changes, primarily for the lessee. The operating lease concept will instead 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.

The purpose of IFRS 15 is to replace all current regulations with new joint regulations for revenue recognition. During the financial year, the Nobina Group continued its work on identifying, categorising and analysing customer contracts in accordance with IFRS 15. Also during the year, the Nobina Group conducted internal workshops, featuring complementary insourced external IFRS expertise, to interpret and identify performance assumptions. The predominant portion of Nobina's revenue consists of remuneration for scheduled contracted public transport services to society that extend over a term of five to ten years, with an extension option. Nobina delivers most of the services in tendered traffic, which have been defined as a series of integrated services constituting the combined performance over time, whereby the customer (public transport authority) can benefit from the services at each point in time, such as a day or a week. The right from the viewpoint of the public transport authority to increase and reduce traffic volume above and beyond the base level is included in current traffic contracts and does not provide any material benefit to the public transport authority, which is why all services are recognised as an undertaking for the Nobina Group. The same principle also applies to revenue corrections, whereby "penalties" are charged to the Nobina Group, in cases where it receives payment from the public transport authority, in connection with, for example, cancelled journeys. The Nobina Group's payment formats for contracted traffic can be either production contracts or incentive contracts. A description of the payment formats is included in today's contracts for tendered traffic, while coach hire and other revenue is not subject to any legally binding contracts between parties (signed by both parties). The agreement between the parties for coach hire and other contracts is currently covered by an accepted tender or invoiced amounts in conjunction with performance of the services by the Nobina Group. The same applies to passenger revenue (Swebus Express), whereby the parties' rights and obligations are accepted via an implemented cash transaction (ticket purchase) also in conjunction with performance of the service. Other revenue for the Nobina Group includes revenue from rents, sales of fuel and maintenance services. IFRS 15 stipulates expanded disclosure requirements for annual and interim reports; for example, disclosures must be provided concerning a division of revenue among categories, etc., showing the type, amounts, timing and uncertainties concerning the revenue and the impact of economic factors on cash flow. In its analysis, the Nobina Group has identified that the currently available information for revenue recognition pursuant to IFRS 15 is sufficient to facilitate the expanded disclosure requirements for annual and interim reports. In its analysis, the Nobina Group has quantified the expected effects of IFRS 15 and found certain minor non-material classification errors between recognised revenue and expenses which, however, will not affect the Group's recognised operating profit. The Nobina Group intends to implement IFRS 15 for the financial year beginning in March 2018 (2018/2019), with complete retroactive application of the 2017/2018 financial year, subject to adjustments of all periods presented. During the next financial year, the Nobina Group will evaluate the total impact of IFRS 15 on the consolidated financial statements.

The new IFRS 16 standard removes the classification of leases between operating and finance lease undertakings, as required in IAS 17. Pursuant to the new model, all leases entail that the lessee is granted control over an asset when the lease commences and, assuming that payments are made over time, to also receive financing. The lease period is defined as the non-terminable period plus the extension period that the lessee can be expected with reasonable probability to utilise. The new standard features a control model and minor relief rules (non-material leases), during which it is to be possible to establish the leases covered by IFRS 16. The lessee is to recognise assets and liabilities for all leases with contractual

Note 1 cont.

terms exceeding 12 months and, when the underlying asset is of considerable value, recognise depreciation of leased assets and interest expenses on leasing liabilities in profit or loss. Nobina recognises most of its leases (buses) as finance leases (assets and liabilities in the balance sheet) in the consolidated financial statements, whereby a smaller proportion of the Group's remaining operating leases (buses), see Note 7, rents and property accessories, will be subject to IFRS 16. The impact of IFRS 16 is estimated to affect the Nobina Group's total assets by some SEK 2,000 million, which will negatively impact the Group's equity/assets ratio by 3–4 percentage points. Further inquiries will be required to calculate the impact on the consolidated income statement – i.e. from today recognising operating leasing expenses in operating profit to instead reclassifying them as depreciation and interest expenses. Prospective application is permissible if IFRS 15 is applied simultaneously. For companies active in the EU, IFRS 16 cannot be applied until the standard has been approved by the EU and it is currently unclear when this will occur. On initial application of IFRS 16, companies can choose full retroactive application or a variant that is combined with relief rules; i.e. the previous assessment that a contract constitutes a lease outstanding at the start of the initial year when IFRS 16 is applied.

## **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 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 contracted public transport services to society in most parts of Sweden and in metropolitan areas of Denmark, Norway and Finland, as well as interregional traffic (Swebus Express) between selected cities. The largest portion of the Nobina Group's 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.

Swebus Express (Swebus) 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 segment based on the operating result 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 segment encompass all operating assets that are used in the business activities, primarily intangible assets, PPE (Property, plant and equipment), financial lease assets (buses), inventories and accounts receivables. Most of these assets are directly attributable to the respective operating segment. The operating liabilities included in each operating segment encompass all operating liabilities that are used, accrued expenses and deferred income, as well as financial lease liabilities (buses) utilised by the respective segment. 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. Since the value of the extension option does not provide any special benefit to either the public transport authority or the company, the option is not assigned any value in the overall measurement of the contract value. Utilisation of the extension option is to be regarded as a new traffic contract based on the existing structure. 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. Contracts between an operator and a public transport authority include the parties' commercial terms and conditions are specified, such as who is responsible for operating the traffic, service interruptions, reduced or expanded traffic volume and the extension option. The Nobina Group delivers most of the services in tendered traffic, which are to be regarded as a series of integrated services constituting the combined performance over time, whereby the customer can benefit from the services at each point in time, such as a day or a week. The right for the public transport authority to increase and reduce traffic volume above and beyond the base volume is included in the traffic contracts and does not provide any material benefit to the public transport authority, which is why all revenue is recognised as an undertaking for the operator.

### **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**

Nobina's contracts can also be structured 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.

### **Variable increments**

In certain cases, the Nobina Group's traffic contracts also include variable increments for estimated and received quality and performance compensation for completed traffic production. These are estimated based on the most probable outcome amount following reconciliation between the Nobina Group and the public transport authority.



Note 1 cont.

### Coach hire

In addition to contracted public transport, Nobina also conducts contracted needs-governed traffic, what we designate coach hire. This traffic complements Nobina's other operations. The point of departure is that most of Nobina's traffic contracts includes scope for freely using the vehicles encompassed by the traffic contract, subject to certain limitations, for commercial traffic, whereby the revenue will derive from a client who is either a private individual or a company. Coach hire is not a feature of the contracted public transport contract. Revenue is recognised on the day when Nobina performs the traffic assignment.

### Swebus Expresstrafik

Revenue from Swebus Express consists of ticket revenues from the passengers. Revenue is recognised on the day when the passenger travels with Nobina.

### Other revenue

Revenue from leases, fuel sales and maintenance services is recognised when the goods are delivered and the services performed. In cases where revenue is obtained through short-term coach hire, it is distributed evenly over the term of the contract.

### 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.

### Development costs

Nobina does not engage in any research and development that generates any material tangible assets. Some development activities are conducted, although these have not resulted in any material expense.

### Items affecting comparability

Items affecting comparability include IPO transaction costs, costs for incentive programmes and costs for redeeming bond loans issued during 2015/2016.

### 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
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Computers	3 years
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Office equipment and furniture	5 years
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#### Vehicles

Standard buses	14 years
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Long-distance buses	10 years
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Special buses	Individual valuation
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Remodelling of leased premises	5 years, but not exceeding the term of the lease
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### Financial income and expenses

Financial income and expenses consist of interest 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 affect is also recognised directly in equity or in other comprehensive income. Current tax refers to taxable profit or 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. Deferred tax assets and tax liabilities are recognised net when there is a legal right to offset current tax assets against current tax liabilities and the deferred taxes refer to the same tax object and the same authority.

### PPE and intangible 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

Note 1 cont.

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 PPE and intangible 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. An impairment 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 and liabilities measured at fair value through profit or loss. 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 2016/17 or 2015/16 fiscal years.

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

#### **Delineation between current and non-current items**

Financial assets and liabilities with a maturity that exceeds one year after the close of the reporting period are recognised as non-current. Other financial assets and liabilities are recognised as current. Financial assets or liabilities are derecognised from the balance sheet in accordance with settlement date accounting method.

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

Receivables are recognised at the amount in which they are expected to be received after deduction for 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**

In the preceding year, restricted bank accounts pertained to a deposit for Swebus Express AB's commitments under the Swedish Travel Guarantees Act, and to Nobina Sverige AB's undertakings in respect of electricity purchases.

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

Cash and cash equivalents consist of demand deposits at banks. Utilised overdraft facilities are recognised in the balance sheet as part of the item current interest-bearing liabilities. During the year, Nobina AB took over the Group's cash pool from the subsidiary Nobina Europe AB. Receivables and liabilities within the Group's cash pool are recognised as current receivables and liabilities from/to Nobina AB.

#### **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 contingent items**

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 pretax discount rate that reflects current market assessments of the time value of money.

#### **Termination remuneration**

A provision is recognised if the Group has decided to implement a major operational change, whereby the company is demonstrably committed to terminate a number of employment contracts 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

Note 1 cont.

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 fulfill 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 fulfill 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 plan for 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 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 2016 was 148 (153) percent. 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. The net value of return on assets and interest expenses for pension liabilities are reported in financial income or expenses. Payroll tax attributable to actuarial gains and losses is weighted into the calculation of actuarial gains and losses.

### Contingent liabilities

A contingent liability is recognised when there is a possible commitment deriving from an occurred event whose existence can only be confirmed if one or more uncertain future events that are not fully within the control of the company occur or when there is a commitment that has not been recognised as a liability or entered as a provision because it is not certain that an outflow of resources will be required.

### 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, translation differences and losses brought forward. 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 or 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 recognised separately since the cash effect of divesting non-current assets is recognised under cash flow from investing activities. Interest paid, such as the interest increment of vehicles under a finance lease and interest on external short and long-term borrowings, is recognised under items from financing activities, while payments received for interest income are recognised in 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 2 NOBINA'S OPERATING SEGMENTS

2016/2017	Nobina Sweden	Nobina Denmark	Nobina Norway	Nobina Finland	Swebus <sup>1)</sup>	Central functions and other items <sup>2)</sup>	Elimination within the Group	Total
Revenue	6,058	535	974	1,044	274	16	-43	8,858
Operating profit	412	19	20	73	3	-33	-	494
EBIT (%)	6.8	3.6	2.0	7.0	0.1	-	-	5.6
Net financial items	-96	-7	-27	-18	-2	11	-	-139
Income tax	1	-	-	-2	-	164	-	163
Profit/loss for the year	316	12	-7	55	0	142	-	518
EBT (%)	5.2	2.2	-0.7	5.3	-	-	-	5.8
Of which operational leasing expenses	-41	-7	-	-1	-5	-	-	-54
Amortisation and impairments	-440	-31	-69	-72	-10	-31	-	-653
Of which depreciation of assets held under finance leases	-415	-5	-60	-67	-6	-	-	-553
EBITDAR (%)	14.7	10.7	9.1	13.9	6.6	-	-	13.7
Total assets	4,599	334	897	859	116	1,152	-	7,957
Of which intangible assets, goodwill	383	0	129	29	45	-	-	586
Of which assets held under finance leases	3,520	29	511	664	55	-	-	4,779
Investments in PPE and financial assets for the year	594	66	10	168	-	6	-	844
Total liabilities	4,356	303	771	784	93	229	-	6,536
Of which, financial liabilities	3,158	225	508	565	55	-	-	4,511
Average number of employees	8,869	697	1,219	1,244	325	141	-	12,495
Number of employees translated to FTEs	6,108	539	935	1,021	158	128	-	8,889

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

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

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

**NOTE 3 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 clients in the

Nobina Sweden segment represent 34 (33) percent of Nobina's sales and in the Nobina Finland segment, sales to one (one) major client represent 11 (11) percent of Nobina's sales.

	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Revenue Regional and Interregional traffic	8,851	8,312	–	–
Leasing, workshop services and sale of diesel	7	5	–	–
Sales to Group companies	–	–	44	39
<b>Total net sales</b>	<b>8,858</b>	<b>8,317</b>	<b>44</b>	<b>39</b>

**NOTE 4 OPERATING EXPENSES**

	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Fuel	1,072	1,090	–	–
Spare parts	203	204	–	–
Tires and other consumables	362	410	–	–
<b>Total fuel and other consumables</b>	<b>1,637</b>	<b>1,704</b>	<b>–</b>	<b>–</b>
Leasing expenses	53	58	–	–
Other external expenses	1,351	1,115	22	145
<b>Total other expenses</b>	<b>1,404</b>	<b>1,173</b>	<b>22</b>	<b>145</b>
Payroll expenses	3,469	3,435	24	89
Employer's contributions	805	802	7	26
Pension expenses	282	262	10	5
Other personnel costs	100	62	2	–
<b>Total personnel costs</b>	<b>4,656</b>	<b>4,561</b>	<b>43</b>	<b>120</b>

**NOTE 5 ITEMS AFFECTING COMPARABILITY**

	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Items affecting comparability in profit or loss for the year				
IPO-related transaction costs	–	32	–	32
<b>Total items affecting comparability in other external expenses</b>	<b>–</b>	<b>32</b>	<b>–</b>	<b>32</b>
Incentive programme				
Payroll expenses	–	134	–	134
Employer's contributions	–	38	–	38
<b>Total items affecting comparability in personnel costs</b>	<b>–</b>	<b>172</b>	<b>–</b>	<b>172</b>
<b>Total items affecting comparability in EBIT</b>	<b>–</b>	<b>204</b>	<b>–</b>	<b>204</b>
Net financial items				
Early bond redemption costs	–	79	–	–
Costs for previously allocated financial expenses	–	14	–	–
<b>Total items affecting comparability in net financial items</b>	<b>–</b>	<b>93</b>	<b>–</b>	<b>–</b>
<b>Total items affecting comparability in EBT for the year</b>	<b>–</b>	<b>297</b>	<b>–</b>	<b>204</b>



Note 5 cont.

Items affecting comparability in cash flow for the year	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
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>–</b>	<b>–204</b>	<b>–</b>	<b>–204</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>–</b>	<b>172</b>	<b>–</b>	<b>801</b>
<b>Items affecting comparability in cash flow for the year</b>	<b>–</b>	<b>–32</b>	<b>–</b>	<b>597</b>

## NOTE 6 REMUNERATION OF AUDITORS

Fees and compensation to auditors, SEK thousand	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
PwC				
Audit assignment	2,791	2,480	803	745
Audit-related activities in addition to audit assignment. (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	70	186	–	–
<b>Total</b>	<b>2,861</b>	<b>5,945</b>	<b>803</b>	<b>3,967</b>

## NOTE 7 LEASING

### Finance leases buses

Assets held under finance leases	Group	
	28 Feb 2017	29 Feb 2016
Cost		
Opening balance	7,350	6,099
New contracts signed during the year	554	1,478
Sales for the year	–620	–127
Exchange rate difference	108	–100
<b>Closing cost</b>	<b>7,392</b>	<b>7,350</b>
Accumulated amortisation		
Opening accumulated amortisation	–2,433	–2,031
Amortisation for the year	–553	–512
Sales for the year	409	81
Exchange rate difference	–36	29
<b>Closing accumulated amortisation</b>	<b>–2,613</b>	<b>–2,433</b>
<b>Residual value according to plan</b>	<b>4,779</b>	<b>4,917</b>

During the year, the Group entered into finance lease agreements for SEK 554 (1,478) million 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 amortisation or an annuity payment with variable amortisation over time. The proportion of straight-line amortisation amounts to approximately 46 percent. Nobina's standard contracts have a duration of more than 10 years at 10 percent 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 financial year.

Finance leases per segment	Group	
	28 Feb 2017	29 Feb 2016
Nobina Sweden	3,520	3,731
Nobina Denmark	29	75
Nobina Norway	511	523
Nobina Finland	664	558
Swebus	55	30
<b>Total assets held under finance leases</b>	<b>4,779</b>	<b>4,917</b>

Note 7 cont.

Finance lease liability per segment	Group	
	28 Feb 2017	29 Feb 2016
Nobina Sweden	3,152	3,398
Nobina Denmark	20	67
Nobina Norway	439	470
Nobina Finland	565	479
Swebus	55	37
<b>Total finance lease liabilities</b>	<b>4,231</b>	<b>4,451</b>

Financial leasing fees per segment	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Nobina Sweden	582	543
Nobina Denmark	6	13
Nobina Norway	95	99
Nobina Finland	100	85
Swebus	12	19
<b>Total financial lease fees</b>	<b>795</b>	<b>759</b>

Depreciation of assets held under finance leases per segment	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Nobina Sweden	415	376
Nobina Denmark	5	8
Nobina Norway	60	61
Nobina Finland	67	55
Swebus	6	12
<b>Total depreciation/amortisation of assets held under finance leases</b>	<b>553</b>	<b>512</b>

Interest expenses for finance lease liabilities per segment	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Nobina Sweden	89	88
Nobina Denmark	1	2
Nobina Norway	21	24
Nobina Finland	15	15
Swebus	2	2
<b>Total interest expenses for finance lease liabilities</b>	<b>128</b>	<b>131</b>

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

Expected maturity 1 Mar 2017 and later	Q1	Q2	Q3	Q4	2017/2018	2018/2019	2019/2020	Later	Total
Future minimum leasing fees	197	202	193	187	780	770	555	1,783	4,667
Present value of future minimum leasing fees	196	200	190	182	747	719	501	1,497	4,232

Expected maturity 1 Mar 2016 and later	Q1	Q2	Q3	Q4	2016/2017	2017/2018	2018/2019	Later	Total
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

Future minimum leasing fees for finance lease liabilities and their present value	Group	
	28 Feb 2017	29 Feb 2016
Total future minimum leasing fees	4,667	4,940
Less interest charge	–435	–480
<b>Present value of future minimum leasing fees</b>	<b>4,232</b>	<b>4,460</b>

### Operating leases – buses

Operating leases (vehicles)	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Fees for operating leases for the year	54	58
Number of operating leases	321	399

Future minimum leasing fees for non-cancellable operating leases	Group	
	28 Feb 2017	29 Feb 2016
Total future minimum leasing fees	174	184
Less interest charge	–8	–8
<b>Present value of future minimum leasing fees</b>	<b>166</b>	<b>176</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 percent 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 percent and then extensions of up to seven years, with residual values down to 0 percent. 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 financial year.

Note 7 cont.

Operational leasing expenses per segment	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Nobina Sweden	41	45
Nobina Denmark	7	7
Nobina Norway	–	–
Nobina Finland	1	6
Swebus	5	–
<b>Total operational leasing expenses</b>	<b>54</b>	<b>58</b>

Nominal value of future minimum leasing fees per segment	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Nobina Sweden	148	177
Nobina Denmark	–	–
Nobina Norway	–	–
Nobina Finland	–	7
Swebus	26	–
<b>Total nominal value of future minimum leasing fees</b>	<b>174</b>	<b>184</b>

Present value of future minimum leasing fees for operating leases per segment	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Nobina Sweden	141	169
Nobina Denmark	–	–
Nobina Norway	–	–
Nobina Finland	–	7
Swebus	25	–
<b>Total present value of future minimum leasing fees for operating leases</b>	<b>166</b>	<b>176</b>

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

Expected maturity 1 Mar 2017 and later	Q1	Q2	Q3	Q4	2018/2019	2019/2020	2020/2021	Later	Total
Future minimum leasing fees	10	9	7	7	28	27	22	64	174
Present value of future minimum leasing fees	10	9	7	7	28	27	21	57	166

Expected maturity 1 Mar 2016 and later	Q1	Q2	Q3	Q4	2017/2018	2018/2019	2019/2020	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

#### Other operating leases – Group

	1 Mar 2016 –28 Feb 2017	2017/2018	2018/2019	2019/2020	Later	Total
Property rents	207	220	206	188	613	1,434
Leases for vehicles excluding buses	12	12	10	7	2	43
Other operating leases	19	23	22	21	54	139
<b>Total nominal value of other operating leases</b>	<b>238</b>	<b>255</b>	<b>238</b>	<b>216</b>	<b>669</b>	<b>1,616</b>

	1 Mar 2015 –29 Feb 2016	2016/2017	2017/2018	2018/2019	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>

**NOTE 8 PERSONNEL**

	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Number of employees				
Average number of employees	12,495	11,747	12	10
of whom men	10,766	10,135	8	7
of whom women	1,729	1,612	4	3
<b>Number of employees translated to FTEs</b>	<b>8,889</b>	<b>8,461</b>	<b>11</b>	<b>10</b>
Sweden	9,335	8,773	12	10
of whom men	7,966	7,400	8	7
of whom women	1,389	1,373	4	3
<b>Number of employees translated to FTEs</b>	<b>6,394</b>	<b>6,086</b>	<b>11</b>	<b>10</b>
Denmark	697	638	–	–
of whom men	602	561	–	–
of whom women	95	77	–	–
<b>Number of employees translated to FTEs</b>	<b>539</b>	<b>508</b>	<b>–</b>	<b>–</b>
Norway	1,219	1,194	–	–
of whom men	1,036	1,089	–	–
of whom women	183	105	–	–
<b>Number of employees translated to FTEs</b>	<b>935</b>	<b>901</b>	<b>–</b>	<b>–</b>
Finland	1,244	1,142	–	–
of whom men	1,162	1,085	–	–
of whom women	62	57	–	–
<b>Number of employees translated to FTEs</b>	<b>1,021</b>	<b>966</b>	<b>–</b>	<b>–</b>

**Personnel costs**

	Group 1 Mar 2016–28 Feb 2017			Group 1 Mar 2015–29 Feb 2016		
	Salaries and other remuneration	Payroll overheads	Of which pension costs	Salaries and other remuneration	Payroll overheads	Of which pension costs
Salaries and other remuneration						
Parent Company	24	17	10	89	31	4
Subsidiaries in Sweden	2,232	833	137	2,180	800	127
<b>Total Sweden</b>	<b>2,256</b>	<b>850</b>	<b>147</b>	<b>2,269</b>	<b>831</b>	<b>131</b>
Foreign subsidiaries						
Denmark	291	36	27	282	43	26
Norway	428	86	21	421	83	22
Finland	494	115	87	463	107	83
<b>Total foreign subsidiaries</b>	<b>1,213</b>	<b>237</b>	<b>135</b>	<b>1,166</b>	<b>233</b>	<b>131</b>
<b>Total Group</b>	<b>3,469</b>	<b>1,087</b>	<b>282</b>	<b>3,435</b>	<b>1,064</b>	<b>262</b>

	Group 1 Mar 2016–28 Feb 2017			Group 1 Mar 2015–29 Feb 2016		
	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
Distribution of salaries and other remuneration by country and between the Group's senior executives and other employees						
Parent Company	14	5	10	77	67	12
Subsidiaries in Sweden	16	4	2,216	57	46	2,123
<b>Total Sweden</b>	<b>30</b>	<b>9</b>	<b>2,226</b>	<b>134</b>	<b>113</b>	<b>2,135</b>
Foreign subsidiaries						
Denmark	3	0	288	10	9	272
Norway	2	0	426	11	10	410
Finland	3	1	491	13	11	450
<b>Total foreign subsidiaries</b>	<b>8</b>	<b>1</b>	<b>1,205</b>	<b>34</b>	<b>30</b>	<b>1,132</b>
<b>Total Group</b>	<b>38</b>	<b>10</b>	<b>3,431</b>	<b>168</b>	<b>143</b>	<b>3,267</b>

Note 8 cont.

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

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 directors' fees. During the year, Nobina AB paid pension benefits to former Directors equal to SEK 0.0 million (0.0), in which the Directors are entitled to lifelong remuneration from the company. Two previous members of Group management are entitled to lifelong remuneration from the company, which amounted to SEK 10 million (12) at the balance-sheet date.

### Incentive programme

During the preceding 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), whereupon the senior executives received a total amount of SEK 123 million (excluding social security contributions and taxes), of which 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 percent of the disbursed amount (net after tax) by acquiring Nobina shares at the introduction price. The senior executives and directors acquired a total of 1,341,277 shares, which increased their share ownership in Nobina from 1.1 percent to 2.4 percent. The acquired shares were previously subject to lock-up agreements. In addition, Director John Allkins acquired a further 20,588 shares in connection with the IPO, 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.

### Shareholdings of Directors and senior executives

Number of shares	Group	
	28 Feb 2017	29 Feb 2016
<b>Chairman of the Board</b>		
Jan Sjöqvist	193,737	193,737
<b>Directors</b>		
Graham Oldroyd	34,375	34,375
Birgitta Kantola	14,578	14,578
Gunnar Reitan	–	16,500
John Allkins	54,963	54,963
Axel Hjärne	20,000	–
<b>Senior executives</b>		
Ragnar Norbäck	700,000	722,444
Per Skärgård	217,878	217,878
Jan Bosaeus	210,913	210,913
Joakim Palmqvist	115,613	115,613
Tom Ward	112,066	112,066
Philipp Engedal	108,882	108,882
Niels Peter Nielsen	79,005	79,005
Martin Pagrotsky	66,844	66,844
Annika Kolmert	60,191	60,191
Annika Molander	–	–
Anna Jonasson	–	–
Peter Hagert	–	74,396
Magnus Rosén	–	–
<b>Total number of shares</b>	<b>1,989,045</b>	<b>2,082,385</b>

### 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 CEO. Shorter termination periods than six months may be permitted for other executives. In addition, a maximum of six months' 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 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 and is capped at 100 percent of fixed annual salary. During the preceding year, prior equity-based remuneration to the CEO was cash settled. In addition to the stated remuneration of the CEO, there is also an accrued share-based payment of SEK 1.5 (3.9) 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 percent of fixed annual salary for managing directors of subsidiaries and is capped at 30 percent of fixed annual salary for senior executives.

### Pension terms for the CEO

The retirement age for the CEO of the Parent Company is 62 years. Pension expenses for the company amount to 90 percent of salary when retirement takes place at the age of 62–63, 80 percent of salary when retirement takes place at the age of 63–64 and 70 percent 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 10 million (8). In addition, there are ongoing pension expenses comprising defined contribution pensions, for which the premium is equal to 30 percent of pensionable salary. For the CEO, the defined-contribution pension expense amounted to SEK 1.4 (1.3) million. Pensionable salary comprises basic salary as long as the CEO remains in the company's employment. Salary paid upon termination is pensionable.

### Pension terms for other senior executives

Pension expenses comprise defined-contribution pensions for the Chief Executive Officer, the CFO, who is also Vice President of the Group, and the Managing Director of Nobina Sverige AB, who is also Vice President, 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. For other senior executives employed in Sweden, a supplemental pension plan corresponding to the ITP plan is applied.

### Sick pay for the CEO

The CEO is insured up to 90 percent 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.



Note 8 cont.

#### 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.

#### Recognition of remuneration of senior executives, 1 Mar 2016–28 Feb 2017

	Year	Basic salary/ Directors' fees	Variable remuneration	Incentive programme/ IPO	Pension expenses	Other remuneration	Total
Jan Sjöqvist (Chairman)	2016	0.9	–	–	–	–	0.9
Graham Oldroyd (Director)	2016	0.5	–	–	–	–	0.5
Birgitta Kantola (Director)	2016	0.5	–	–	–	–	0.5
Gunnar Reitan (up to 31 May 2016)	2016	0.1	–	–	–	–	0.1
Axel Hjärne (Director)	2016	0.4	–	–	–	–	0.4
John Allkins (Director)	2016	0.5	–	–	–	–	0.5
Ragnar Norbäck, CEO (Director)	2016	5.1	4.4	–	1.4	–	10.9
Other senior executives, 10 people <sup>1)</sup>	2016	20.2	5.9	–	5.7	–	31.8
<b>Total 2016–2017</b>		<b>28.2</b>	<b>10.3</b>	<b>–</b>	<b>7.1</b>	<b>–</b>	<b>45.6</b>

1) Pertains to Joakim Palmqvist, Annika Kolmert, Martin Pagrotsky, Niels Peter Nielsen, Tom Ward, Philipp Engerdah (until 31 Dec 2016), Anna Jonasson, Annika Molander (as of 4 Apr 2016 when she joined the management team) Per Skärgård and Jan Bosaeus.

#### Recognition of remuneration of senior executives, 1 Mar 2015–29 Feb 2016

	Year	Basic salary/ 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 (Director)	2015	4.9	3.4	37.9	1.3	–	47.5
Other senior executives, 10 people <sup>1)</sup>	2015	17.2	5.2	85.1	6.7	1.8	116.0
<b>Total 2015–2016</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>

1) 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 Engerdah, Anna Jonasson (from 1 March 2016 when she joined the management team, Stina Thorman (until 31 Mar 2016), Per Skärgård and Jan Bosaeus.

Directors and senior executives	Group 28 Feb 2017		Group 29 Feb 2016	
	Number	Of whom, men	Number	Of whom, men
Board incl. CEO	6	83%	6	83%
Other senior executives	10	70%	10	80%

#### NOTE 9 DEPRECIATION/AMORTISATION AND IMPAIRMENT OF PPE AND INTANGIBLE ASSETS

	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Goodwill	–	–
Other intangible assets	7	7
Costs for leasehold improvements	6	5
Equipment, tools, fixtures and fittings	26	23
Vehicles	614	571
<b>Total</b>	<b>653</b>	<b>606</b>

Impairment losses for the year on available-for-sale buses belong to these segments: Nobina Sweden SEK 4 million (5), Nobina Finland SEK 0 million (0), Nobina Denmark SEK 0 million (0) and Nobina Norway SEK 0 million (0).

## NOTE 10 INTEREST INCOME AND SIMILAR PROFIT ITEMS

	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Financial income	–	3	–	–
Interest income	1	–	–	–
Interest income from Group companies	–	–	6	12
<b>Total</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>12</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 items, SEK 1 (2) million was received during the year.

## NOTE 11 INTEREST EXPENSES AND SIMILAR LOSS ITEMS

	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Interest expense, finance leases	–128	–131	–	–
Amortisation of bond loan and other external loans	–10	–125	–1	–
Other financial expenses	–5	–4	–1	–
Interest expenses to Group companies	–	–	–14	–69
Realised and unrealised exchange gains/losses, net	3	1	–	–
<b>Total</b>	<b>–140</b>	<b>–259</b>	<b>–16</b>	<b>–69</b>

Paid interest expenses amounted to SEK 142 million (expense: 254). The interest expenses pertain to liabilities that have been recognised at amortised cost.

## NOTE 12 INTANGIBLE ASSETS

Distribution of goodwill by segment	Group	
	28 Feb 2017	29 Feb 2016
Nobina Sweden	383	383
Nobina Denmark	–	–
Nobina Norway <sup>1</sup>	129	117
Nobina Finland	29	29
Swebus	45	45
<b>Total Group goodwill</b>	<b>586</b>	<b>574</b>

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

Group management has performed the customary impairment testing of goodwill. 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 in order to forecast future cash flows. Carrying amounts obtained from impairment testing are defined as operating segment capital, which does not include cash and bank balances, restricted bank accounts, intra-

Group receivables and payables, and external loans and effects from financial leases, see Note 1. The company's cash flows are based on operating earnings, with the addition 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 income 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 income 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 percent (zero). The cash flow forecasts are calculated at present value with a yield requirement, WACC, of 7.0 (7.0) percent before tax.

	28 Feb 2017				29 Feb 2016			
	Nobina Sweden	Nobina Norway	Nobina Finland	Swebus	Nobina Sweden	Nobina Norway	Nobina Finland	Swebus
Sales growth over five-year period	7.3%	4.1%	2.5%	2.8%	5.0%	7.9%	4.2%	3.1%
Discount rate before tax for present value calculation of estimated future cash flows	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

Note 12 cont.

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.

Other intangible assets	Group	
	28 Feb 2017	29 Feb 2016
Cost		
Opening cost	22	57
Procurement	1	1
Sales/disposals	–	–36
<b>Closing cost</b>	<b>23</b>	<b>22</b>
Accumulated amortisation		
Opening accumulated amortisation	–12	–41
Amortisation for the year	–7	–7
Sales/disposals	–	36
<b>Closing accumulated amortisation</b>	<b>–19</b>	<b>–12</b>
<b>Residual value according to plan</b>	<b>4</b>	<b>10</b>

### NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Costs for leasehold improvements	Group	
	28 Feb 2017	29 Feb 2016
Cost		
Opening cost	54	40
Procurement	3	17
Sales/disposals	–1	–4
Reclassification	–	3
Translation difference	1	–2
<b>Closing cost</b>	<b>57</b>	<b>54</b>
Accumulated amortisation		
Opening accumulated amortisation	–18	–19
Amortisation for the year	–6	–5
Sales/disposals	1	5
Reclassification	–	1
<b>Closing accumulated amortisation</b>	<b>–23</b>	<b>–18</b>
<b>Residual value according to plan</b>	<b>34</b>	<b>36</b>

Equipment, tools, fixtures and fittings	Group	
	28 Feb 2017	29 Feb 2016
Cost		
Opening cost	179	167
Procurement	29	36
Sales/disposals	–14	–19
Reclassification	–	–3
Translation difference	3	–2
<b>Closing cost</b>	<b>197</b>	<b>179</b>
Accumulated amortisation		
Opening accumulated amortisation	–112	–106
Sales/disposals	14	18
Amortisation for the year	–26	–22
Reclassification	–	–2
Translation difference	–1	–
<b>Closing accumulated amortisation</b>	<b>–125</b>	<b>–112</b>
<b>Residual value according to plan</b>	<b>72</b>	<b>67</b>

Note 13 cont.

Vehicles	Group	
	28 Feb 2017	29 Feb 2016
Cost		
Opening cost	7,826	6,558
Procurement	811	1,617
Sales/disposals	-811	-241
Reclassification	-	1
Translation difference	128	-109
<b>Closing cost</b>	<b>7,954</b>	<b>7,826</b>
Accumulated amortisation		
Opening accumulated amortisation	-2,583	-2,194
Sales/disposals	462	145
Amortisation for the year	-611	-566
Translation difference	-40	32
<b>Closing accumulated amortisation</b>	<b>-2,772</b>	<b>-2,583</b>
Accumulated impairment		
Opening accumulated impairment	-5	-10
Sales/disposals	5	10
Impairment for the year	-4	-5
<b>Closing accumulated impairment</b>	<b>-4</b>	<b>-5</b>
<b>Residual value according to plan</b>	<b>5,178</b>	<b>5,238</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 realizable value is less than the carrying amount, see Note 1, Excess vehicles (buses).

#### NOTE 14 NET INVESTMENTS FOR THE YEAR

Investments	Group	
	1 Mar 2016 -28 Feb 2017	1 Mar 2015 -29 Feb 2016
Other intangible assets	-1	-1
Costs for leasehold improvements	-3	-17
Equipment, tools, fixtures and fittings	-29	-36
Vehicles	-811	-1,617
<b>Total investments</b>	<b>-844</b>	<b>-1671</b>
Lease-financed vehicles	554	1,478
<b>Non-lease-financed investments</b>	<b>-290</b>	<b>-193</b>
Of which loan-financed investments	64	109
<b>Total cash investment for the year</b>	<b>-226</b>	<b>-84</b>

#### NOTE 15 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	28 Feb 2017	29 Feb 2016
Participations in Group companies		
Opening balance	3,685	3,695
Intra-Group purchase of Nobina Busco AB	-	5
Intra-Group purchase of Nobina Sverige AB	-	2,620
Intra-Group purchase of Nobina Sverige 2 AB	-	0
Intra-Group purchase of Swebus Express AB	-	118
Intra-Group purchase of Nobina Finland Oy	-	318
Intra-Group purchase of Nobina Norge AS	-	195
Intra-Group purchase of Nobina Danmark Holding ApS	-	207
Capital infusion Nobina Busco AB	-	8
Capital infusion Nobina Fleet AB	41	10
Capital infusion Swebus Express AB	0	-
Impairment of capital infusion Nobina Busco AB	-	-8
Impairment of capital infusion Nobina Fleet AB	-41	-25
Impairment of capital infusion Swebus Express AB	0	-
Nobina Europe AB, impairment of shares after dividend received	-	-3,458
Intra-Group sale of Nobina Sverige 2 AB	-	0
Intra-Group purchase of Nobina Europe Group	-	0
<b>Closing, carrying amounts of participations in Group companies</b>	<b>3,685</b>	<b>3,685</b>
Profit from participations in Group companies, SEK million		
Nobina Sverige AB, Group contribution	307	269
Nobina Busco AB, Group contribution/impairment of capital infusion and Group contribution	0	-10
Nobina Fleet AB, impairment of capital infusion and Group contribution	-41	-98
Nobina Europe AB, Group contribution/dividends received	11	3,017
Nobina Europe AB, impairment of shares after dividend received and Group contribution	-	-3,516
Nobina Sverige 2 AB, dividends received and Group contribution	-	4
Nobina Sverige 2 AB, impairment of shares after dividend received	-	-
Nobina Danmark Holding ApS, impairment of shares and Group contribution	-	-15
Nobina Technology AB, Group contribution received	0	-
Swebus Express AB, impairment/Group contribution	0	5
<b>Total</b>	<b>277</b>	<b>-344</b>

Note 15 cont.

During the preceding 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 impaired the carrying amount of Nobina Europe AB due to the distribution. The share of votes is the same as the share of ownership.

	Corporate registration number	Business	Share- holders' equity	Number of shares	Profit for the year	Value of ownership share (%)	Share capital	Carrying amount, 28 Feb 2017
<i>Subsidiaries of Nobina AB:</i>								
Nobina Fleet AB (Stockholm)	556031-1812	Holding of buses	31	70,000	7	100	7	22
Nobina Busco AB (Stockholm)	556583-0527	Holding of buses	14	1,000	9	100	0	5
Nobina Technology AB (Stockholm)	556210-1500	Technology advances	0	2,500	0	100	0	0
Nobina Europe AB (Stockholm)	556031-8569	Service company	215	160,000	-3	100	16	200
Nobina Sverige 2 AB (Stockholm)	556028-1122	Dormant company	0	300	0	100	0	0
<b>Swedish commercial companies</b>								
Swebus Express AB (Stockholm)	556358-3276	Interregional traffic	8	5,000	-1	100	0	118
Nobina Sverige AB (Stockholm)	556057-0128	Regional traffic	471	3,000	-3	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	
<b>Foreign commercial subsidiaries</b>								
Nobina Finland Oy Ab (Helsinki)	0505988-8	Regional traffic	140	2,000	0	100	30	318
<i>Subsidiaries of Nobina Finland Oy Ab:</i>								
Nobina Finland West Oy (Helsinki)	2175179-4	Regional traffic	32	2,600	12	100	0	
Nobina Finland South Oy (Helsinki)	2175178-6	Regional traffic	20	2,600	9	100	0	
Nobina Finland East Oy (Helsinki)	2175186-6	Regional traffic	4	2,600	3	100	0	
Nobina Norge AS (Oslo)	915768237	Regional traffic	19	4,268	-10	100	46	195
Nobina Danmark Holding ApS (Glostrup)	36078480	Holding company	9	100	0	100	0	207
<i>Subsidiaries of Nobina Danmark Holding ApS:</i>								
Nobina Danmark A/S (Glostrup)	29513376	Regional traffic	26	10,001	9	100	0	
Nobina Fleet Danmark ApS (Glostrup)	31586429	Holding of buses	-2	1,250	-2	100	0	
<i>Subsidiaries of Nobina Fleet Danmark ApS:</i>								
Nobina Fleet Danmark No 1 ApS (Glostrup)	36077719	Holding of buses	0	100	0	100	0	
Nobina Fleet Danmark No 2 ApS (Glostrup)	36089482	Holding of buses	1	100	1	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	
Nobina Fleet Danmark No 6 ApS (Glostrup)	38127543	Holding of buses	0	100	0	100	0	
<b>Total</b>								<b>3,685</b>



## NOTE 16 TAXES

	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Current tax on profit for the year	–	–	–	–
Adjustments to previous years' tax	–	–	–	–
<b>Total current tax</b>	–	–	–	–
Deferred tax				
Recognition of prior, unrecognised deferred taxes	245	1	–	–
The periods change through profit or loss	–82	1	–55	29
Change in comprehensive income for the period	–	–	–	–
<b>Total deferred tax</b>	<b>163</b>	<b>2</b>	<b>–55</b>	<b>29</b>
<b>Total income tax</b>	<b>163</b>	<b>2</b>	<b>–55</b>	<b>29</b>

The corporate tax rate in Norway is 27 percent, in Denmark 23.5 percent, in Finland 20 percent and in Sweden 22 percent. The Group's tax expense amounted to a positive SEK 163 million (+2), which was 45.9 percent (100.0) of profit for the year. Current tax amounted to SEK 0 million (0).

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Tax assets and tax liabilities				
Deferred tax assets, gross				
Postponed depreciation/amortisation, impairment and adjustments to fair value, other PPE	10	8	–	–
Postponed expenses for provisions	2	2	–	–
Doubtful debts	–	–	–	–
Other deferred tax assets attributable to pensions	5	4	–	–
Tax loss carryforwards	437	475	25	80
<b>Total</b>	<b>454</b>	<b>489</b>	<b>25</b>	<b>80</b>
Deduction for unrecognised, deferred tax assets	–148	–368	–	–
<b>Total deferred tax assets</b>	<b>306</b>	<b>121</b>	<b>25</b>	<b>80</b>
Deferred tax assets, net				
Opening carrying amount	121	88	80	40
The period's change through profit or loss of prior unrecognised deferred taxes	245	1	–	–
The periods change in contributed capital	–	11	–	11
The periods change through profit or loss	–60	21	–55	29
<b>Closing carrying amount, net</b>	<b>306</b>	<b>121</b>	<b>25</b>	<b>80</b>
Deferred tax liabilities, gross				
Faster rate of depreciation/amortisation and adjustments to fair value, other PPE	–124	–102	–	–
<b>Total deferred tax liabilities</b>	<b>–124</b>	<b>–102</b>	<b>–</b>	<b>–</b>
Deferred tax liabilities, net				
Opening carrying amount	–102	–82	–	–
The periods change through profit or loss	–22	–20	–	–
Reserved offset of tax liabilities/assets, other reclassification	–	–	–	–
<b>Closing carrying amount, net</b>	<b>–124</b>	<b>–102</b>	<b>–</b>	<b>–</b>
<b>Total net tax assets and tax liabilities</b>	<b>182</b>	<b>19</b>	<b>25</b>	<b>80</b>
<b>Net increase (+)/net decrease (–) of tax assets/liabilities</b>	<b>163</b>	<b>13</b>	<b>–55</b>	<b>40</b>

Note 16 cont.

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Non-recognised, deferred tax assets				
Opening non-recognised amount	368	374	–	–
Addition of previously non-capitalised loss carryforwards	5	3	–	–
Change in applicable tax rates	8	–	–	–
Change for the period, recognised through profit or loss	–245	–	–	–
Exchange-rate differences	12	–9	–	–
<b>Total deferred non-recognised tax assets</b>	<b>148</b>	<b>368</b>	<b>–</b>	<b>–</b>
Offset of deferred tax liabilities	–	–	–	–
<b>Total deferred non-recognised tax assets</b>	<b>148</b>	<b>368</b>	<b>–</b>	<b>–</b>

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Expected maturity of both recognised and unrecognised tax loss carryforwards				
2017/18	–	–	–	–
2018/19	–	–	–	–
2019/20	–	–	–	–
2020/21	–	2	–	–
2021/22	–	7	–	–
Unlimited	1,877	2,088	115	365
<b>Total</b>	<b>1,877</b>	<b>2,097</b>	<b>115</b>	<b>365</b>

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Deferred, net, tax loss carryforwards by country				
Sweden	293	119	25	80
Denmark	13	–	–	–
Norway	–	–	–	–
Finland	–	2	–	–
<b>Total deferred tax loss carryforwards, recognised</b>	<b>306</b>	<b>121</b>	<b>25</b>	<b>80</b>

The Group's theoretical tax expense amounts to 22 percent 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 Norway, since the business plan moving forward (five years) is not currently assessed as having a proven ability to generate sufficient taxable surpluses to be offset against previous tax loss carryforwards.

	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Profit/loss before tax	355	2	246	–627
Average income tax rates (22 percent)	–78	0	–54	138
Tax effect of:				
Non-taxable revenue and non-deductible expenses	–1	0	–1	–
Other temporary differences	2	1	–	–108
Temporary differences in deferred tax assets	–	–1	–	–
Reclassifications from previous years	–	4	–	–1
Capitalisation of loss carryforward, not previously reported	245	1	–	–
Unrecognised loss carryforwards	–5	–3	–	–
<b>Total</b>	<b>163</b>	<b>2</b>	<b>–55</b>	<b>29</b>
Effective income tax rate (%)	–45.9%	100.0%	–22.4%	4.6%

**NOTE 17 RECEIVABLES FROM GROUP COMPANIES**

	Parent Company	
	28 Feb 2017	29 Feb 2016
Opening balance	87	114
Change for the year	-87	-27
<b>Closing cost</b>	<b>0</b>	<b>87</b>

**NOTE 18 INVENTORIES**

	Group	
	28 Feb 2017	29 Feb 2016
Spare parts	26	29
Fuel	22	17
<b>Total</b>	<b>48</b>	<b>46</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. There were no impairments for obsolescence

**NOTE 19 ACCOUNTS RECEIVABLE**

	Group	
	28 Feb 2017	29 Feb 2016
Trade receivables	496	537
Provision for doubtful debts	-1	-2
<b>Total</b>	<b>495</b>	<b>535</b>

Accounts receivable aging analysis, SEK million	Accounts receivable 28 Feb 2017	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	496	482	6	-	4	-	4

Accounts receivable aging analysis, SEK million	Trade receivables 29 Feb 2016	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

	Group	
	28 Feb 2017	29 Feb 2016
Provision for doubtful debts		
Opening balance	-2	-4
Reversals for the year	2	2
Loan losses	0	1
Provisions for the year	-1	-1
<b>Total closing balance</b>	<b>-1</b>	<b>-2</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**

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Accrued transport income	211	150	-	-
Other prepaid expenses	117	122	1	1
<b>Total</b>	<b>328</b>	<b>272</b>	<b>1</b>	<b>1</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**

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Restricted bank accounts	–	24	–	–
Cash and cash equivalents	804	683	796	–

The item cash and cash equivalents recognises holdings in the company's accounts, including the Group account. During the year, Nobina AB took over the Group's cash pool from the subsidiary Nobina Europe AB. Nobina AB has receivables from Group companies, via the Group's cash pool, amounting to SEK 79 million and liabilities of SEK 1,949 million, which are recognised as a component of Nobina AB's receivables from Group companies, an amount of SEK 398 million, and liabilities to Group companies, an amount of SEK 1,991 million. Receivables and liabilities within the Group's cash pool are recognised as current transactions with subsidiaries.

Restricted bank accounts in the preceding year mainly pertained 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**

Reconciliation of number of shares 29 Feb 2016	Ordinary shares
Opening balance as per 27 May 2015 <sup>1)</sup>	63,355,682
New share issue	25,000,000
Ordinary shares	<b>88,355,682</b>
Reconciliation of number of shares 28 Feb 2017	
	Ordinary shares
Opening balance	88,355,682
<b>Closing balance</b>	<b>88,355,682</b>

1) Consolidation of the Nobina share, reverse split 1:10, as resolved by the General Meeting of 27 May 2015, has been recalculated to facilitate comparability. As of 28 February 2017, 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 not recognised in the Parent Company as a reduction of non-restricted shareholders' equity until the date on which 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 hedge 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 generate a profit for shareholders by increasing the value of assets under management. There are no external capital requirements apart from those stipulated by the Swedish Companies Act.

**NOTE 23 EARNINGS PER SHARE**

	Group	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Average number of ordinary shares during the period (000s)	88,356	80,607
Recognised profit (SEK million)	518	4
Earnings (SEK million)	518	4
<b>Earnings per share (SEK) before and after dilution</b>	<b>5.86</b>	<b>0.04</b>

Earnings per share are calculated by dividing profit for the year by the average number of ordinary shares.

## NOTE 24 PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Commitments and pension expenses				
Present value of pension commitments	-46	-141	-10	-8
Fair value of plan assets	20	116	-	-
Net provisions (+)/assets (-) for pension commitments	-26	-25	-10	-8
Of which recognised as provisions	-46	-36	-10	-8
Of which recognised as assets	20	11	-	-

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Pension expenses are included in personnel costs and comprise the following:				
Cost pertaining to services rendered during the current period	1	2	1	1
Interest expense	1	3	-	-
Expected return on plan assets	-	-2	-	-
Deductions from pension obligations due to changes in terms	2	-1	-	-
Social security contributions	-	-	-	-
<b>Pension expenses, net</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>1</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. As per 30 April 2016, Nobina Norway settled its outstanding pension liability and subsequently switched to a defined-contribution pension plan.

The discount rate is based on the estimated discount rate on the yield of mortgage bonds in Sweden. An increase in the discount rate of + 1 percent would impact the pension obligation by a negative SEK 2 million (10), while a decrease of 1 percent would have a positive impact of SEK 2 million (12).

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 turn-over rate. Indexation of pension benefits reflects the rate of inflation in Sweden. Nobina's pension expense, not including actuarial gains (losses), which are recognised in the statement of consolidated comprehensive income, amounted to SEK 282 (262) million, of which defined benefit plans account for SEK 4 (2) million. The Group's pension plans are described in more detail in Note 1, Company information and accounting policies.

	28 Feb 2017		29 Feb 2016	
	Sweden	Norway	Sweden	Norway
The key actuarial assumptions used in calculating the pension liability were as follows:				
Discount rate	1.2%	-	1.8%	2.3%
Expected rate of salary increases	2.0%	-	1.5%	2.8%
Future rate of pension increases	1.7%	-	1.5%	2.8%

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Present value of pension commitments				
Opening balance	-141	-154	-8	-7
Benefits vested during the year	-1	-2	-1	-1
Deductions and additional deductions from pension obligations due to changes in pension terms	97	-11	-	-
Interest expenses	-1	-3	-	-
Benefits paid	5	12	-	-
Actuarial gains (-)/losses (+)	-	4	-1	-
Social security contributions	-	1	-	-
Exchange-rate differences	-5	12	-	-
<b>Total at year-end</b>	<b>-46</b>	<b>-141</b>	<b>-10</b>	<b>-8</b>

Note 24 cont.

Fair value of plan assets	Group	
	28 Feb 2017	29 Feb 2016
Opening balance	116	118
Expected return on plan assets	–	2
Deductions and additional pension obligations due to changes in pension terms	–99	13
Funds contributed by employer	1	1
Funds paid	–3	–9
Actuarial gains (+)/losses (–)	–	2
Exchange-rate differences	5	–11
<b>Total at year-end</b>	<b>20</b>	<b>116</b>

Net assets/provisions for pension commitments	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Opening balance	–25	–36	–8	–7
Benefits paid	2	5	–	–
Deductions from pension obligations due to changes in pension terms	–2	–	–	–
Funds contributed by employer	–1	–2	–1	–1
Funds paid	–	–	–	–
Actuarial losses/gains (net)	–	6	–1	–
Social security contributions	–	1	–	–
Exchange-rate differences	–	1	–	–
<b>Closing balance, net assets (–)/provisions (+) for pension commitments</b>	<b>–26</b>	<b>–25</b>	<b>–10</b>	<b>–8</b>

Actual market value of plan assets on the balance-sheet date	Group		Group	
	28 Feb 2017	%	29 Feb 2016	%
Interest-bearing securities, cash and cash equivalents	20	100%	106	91
Shares and other investments	–	–	10	9
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>116</b>	<b>100</b>

Allocation of plan assets and pension obligations per segment	Group			
	Plan assets		Pension obligations	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Nobina Sweden	20	22	46	47
Nobina Denmark	–	–	–	–
Nobina Norway	–	94	–	94
Nobina Finland	–	–	–	–
<b>Total plan assets</b>	<b>20</b>	<b>116</b>	<b>46</b>	<b>141</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.

Future net payments	Group					
	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	Later
Expected net paid benefits	4	7	6	4	2	7



## NOTE 25 OTHER PROVISIONS

Other provisions <sup>1)</sup>	Group	
	28 Feb 2017	29 Feb 2016
Provision for onerous contracts	–	–
Provision for damage to vehicles and third-parties	46	27
Provision for environmental commitments	10	10
<b>Total</b>	<b>56</b>	<b>37</b>

1) It is therefore not possible to provide detailed information on the timing of out-flows from provisions.

	Group	
	28 Feb 2017	29 Feb 2016
Provision for onerous contracts	–	–
Opening balance	–	–
Reversals for the year	–	–
Provisions for the year	–	–
<b>Closing balance</b>	<b>–</b>	<b>–</b>

Provision for damage to vehicles and third-parties	Group	
	28 Feb 2017	29 Feb 2016
Opening balance	27	29
Reversals for the year	–27	–6
Provisions for the year	46	4
Exchange difference	0	–
<b>Closing balance</b>	<b>46</b>	<b>27</b>

Provision for environmental commitments for leased land and facilities	Group	
	28 Feb 2017	29 Feb 2016
Opening balance	10	10
Reversals for the year	–	–
Provisions for the year	–	–
<b>Closing balance</b>	<b>10</b>	<b>10</b>

## NOTE 26 BORROWING – BOND LOAN AND OTHER LIABILITIES

Maturity <sup>1)</sup>	Group 28 Feb 2017			Group 29 Feb 2016		
	Bond loan and other external loans	Finance lease liability	Total	Bond loan and other external loans	Finance lease liability	Total
2016/17	–	–	–	32	720	752
2017/18	42	637	679	33	638	671
2018/19	43	608	651	33	600	633
2019/20	40	503	543	30	486	516
2020/21	36	426	462	27	357	384
2021/22	25	413	438	–	–	–
Later	94	1,644	1,738	87	1,650	1,737
	<b>280</b>	<b>4,231</b>	<b>4,511</b>	<b>242</b>	<b>4,451</b>	<b>4,693</b>
Of which short-term repayment by installment of portion of the Group's borrowings	42	637	679	32	720	752
Of which long-term portion	238	3,594	3,832	210	3,731	3,941
<b>Total liability</b>	<b>280</b>	<b>4,231</b>	<b>4,511</b>	<b>242</b>	<b>4,451</b>	<b>4,693</b>

1) The maturity date does not include interest or the agreed residual value.

Loan currency	Group 1 Mar 2016–28 Feb 2017			Group 1 Mar 2015–29 Feb 2016		
	Nominal amount	Amount SEK million	Interest, weighted average (%)	Nominal amount	Amount SEK million	Interest, weighted average (%)
Corporate bonds and other external loans in SEK	6	6	1.5	8	8	1.8
Other external loans in NOK	64	69	4.8	71	70	6.8
Other external loans in DKK	159	205	1.5	131	164	3.0
Financial lease liabilities in SEK	3,200	3,200	2.8	3,435	3,435	2.8
Finance lease liability in EUR	59	572	2.8	51	479	3.2
Finance lease liability in NOK	406	439	4.5	479	470	4.8
Finance lease liability in DKK	16	20	2.9	53	67	2.9
<b>Total loan liability</b>		<b>4,511</b>			<b>4,693</b>	

All liabilities outstanding are attributable to the financing of buses and equipment used in operations.

Note 26 cont.

	Bond loan and other loans		Financial borrowings	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
The year's change in borrowing in terms of bond loans and other liabilities				
Opening balance	242	716	4,451	3,699
The year's new borrowing	64	109	554	1,478
The year's repayments	–39	–577	–667	–628
The year's early redemption of financial borrowings on the sale of buses	–	–	–172	–36
Translation difference	13	–6	49	–62
<b>Closing balance</b>	<b>280</b>	<b>242</b>	<b>4,215</b>	<b>4,451</b>

**NOTE 27 OTHER NON-CURRENT LIABILITIES**

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Employee withholding taxes	162	161	1	1
Other current liabilities	53	61	–	–
<b>Total</b>	<b>215</b>	<b>222</b>	<b>1</b>	<b>1</b>

**NOTE 28 ACCRUED EXPENSES AND DEFERRED INCOME**

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Deferred income	247	221	–	–
Accrued salaries	426	414	7	7
Other accrued personnel costs	140	130	4	1
Accrued interest expense	0	–	–	–
Other accrued expenses	202	220	2	1
<b>Total</b>	<b>1,015</b>	<b>985</b>	<b>13</b>	<b>9</b>

**NOTE 29 PLEDGED ASSETS AND CONTINGENT LIABILITIES**

	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Pledged assets				
Chattel mortgage	150	150	–	–
Other pledged assets				
Other pledged assets	–	23	224	161
Contingent liabilities				
Guarantee of lease obligations and other obligations	–	–	4,511	4,539
<b>Total</b>	<b>150</b>	<b>173</b>	<b>4,735</b>	<b>4,700</b>

Nobina AB has pledged Parent Company guarantees to lessors, and has also provided a Parent Company guarantee for purchases of diesel for Nobina Norge AS through UnoX Energi AS for a total of NOK 35.5 (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 19 (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 (150) million as collateral for a credit facility in the same amount at Danske Bank.

## 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. During the year, the company had outstanding diesel derivatives, but no electricity, interest rate or currency derivatives. Nobina is mainly exposed to the following financial risks:

- Liquidity risk
- Interest risk
- Refinancing risk
- Credit and counterparty risk
- Currency risk
- Raw material risk
- Indexation risk
- Residual value 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 each year. The credit facility is of a 364 days nature, when it is generally extended by the bank after credit approval. Available credit facility was SEK 150 million as of 28 February 2017.

### 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, which is part of the Finance Policy, states that the company may enter into hedge contracts for fuel, currency and interest rate exposure.

### Interest 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 financing agreements, which is generally 90 days. The Group is primarily exposed to interest rate risk through the company's finance and operating leases, and through loans for bus financing, since these financing agreements are based on a variable market rate of interest plus a fixed interest rate margin. An increase in the variable interest rate by 1 percentage point would increase the Group's interest expense by approximately SEK 45 million before the effect of index compensation. At present, the interest rate is negative in certain markets, such as Sweden, while a number of financing agreements market rate floor of zero percent. As a result, an increase in interest expense will not impact consolidated profit until the market interest rate becomes positive. Interest rate risk is partially compensated by the inflation component of revenue indexation in the traffic contracts, and also via a specific interest rate 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. For more information on the maturity structure, refer to Notes 7 and 26.

### 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 a negative impact of SEK 1 million (neg: 2) on operating profit/loss.

### Parent Company liquidity management

Nobina AB conducts its liquidity management via intra-Group receivables, liabilities and the Group's cash pool, which was taken over from the subsidiary Nobina Europe AB during the year. Nobina AB is the account principal for the Group cash pool.

### 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.

Nobina 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 (neg: 23) for the year. A weakening/ strengthening of the SEK by 10 percent when translating the income statements of foreign subsidiaries would affect the Group's profit after financial items by approximately SEK 5 million.

### Raw material risk

The Group is exposed to fluctuations in the prices of raw materials through its purchases of fuel, whereby the price trend is usually based on the trend in oil prices in the global market. 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. In certain cases, the index may be 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. However, Nobina hedges its purchase prices by purchasing commodity options corresponding to the portion of the diesel cost not covered by indexes, such as time lags in revenue indexation. In July, Nobina entered into a diesel cap for the Norwegian subsidiary for 500 metric tons per month for the period July 2016 through February 2017, which pertained to 95 percent of consumption. The strike price for the cap was NOK 4,228 per metric ton. The constituent cap did not result in any payment to Nobina during the period. The company had no outstanding diesel derivatives as per 28 February 2017.

### Indexation risk

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 indexes that are used encompass the trend in labour costs, fuel prices, the consumer price index and, in certain contracts, other elements, such as interest rates. The index weighting in Nobina's contract portfolio may differ from Nobi-

Note 30 cont.

na's actual cost structure, and the index-based price adjustments may not fully offset Nobina's costs. The index baskets used in traffic contracts are relatively well matched to the structure of fixed costs. Depending on the specifications in each contract, index adjustment occurs following a certain time lag on a monthly, quarterly, biannual or annual basis and applies to future contract periods and not retroactively for the preceding contract period. This has a negative effect on profit when costs rise and a positive effect on profit when costs decline during the period of time lags.

### Residual value risk

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 normally exceeds usability under traffic contracts. Should the period when the buses are usable under traffic contracts decrease, Nobina could be impacted by higher annual depreciation costs or, alternatively, increased capital losses on disposal of older buses.

## NOTE 31 FINANCIAL INSTRUMENTS

Group		Carrying amount	
Financial assets	Fair value hierarchy	28 Feb 2017	29 Feb 2016
Loan and accounts receivable			
Non-current receivables		1	1
Trade receivables		495	535
Other current receivables		81	40
Restricted cash and cash equivalents		0	24
Cash and cash equivalents		804	683
Financial assets measured at fair value through profit or 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>1,381</b>	<b>1,283</b>

Group		Carrying amount	
Financial expenses	Fair value hierarchy	28 Feb 2017	29 Feb 2016
Other financial liabilities			
Interest-bearing liabilities, loans		4,557	4,729
Accounts payable		569	473
Other current liabilities		215	222
Financial liabilities measured at fair value through profit or loss	2	–	–
<b>Total Group</b>		<b>5,341</b>	<b>5,424</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		Carrying amount	
Financial assets	Fair value hierarchy	28 Feb 2017	29 Feb 2016
Loan and accounts receivable			
Receivables from Group companies, interest-bearing		398	379
Other current receivables		1	2
Cash and cash equivalents		796	–
Financial assets measured at fair value through profit or loss	2	–	–
<b>Total Group</b>		<b>1,195</b>	<b>381</b>

Parent Company		Carrying amount	
Financial liabilities	Fair value hierarchy	28 Feb 2017	29 Feb 2016
Other financial liabilities			
Liabilities to Group companies, interest-bearing		1,990	1,197
Accounts payable		1	4
Other current liabilities		1	1
Financial liabilities measured at fair value through profit or loss	2	–	–
<b>Total Group</b>		<b>1,992</b>	<b>1,202</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 Invesco, Frank Templeton and Bluebay Capita; for further information, refer to the section the "Nobina share". 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 percent profit margin.

Related party transactions	Group		Parent Company	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
Sales of services to intra-Group companies	–	–	44	39
Purchase of services from intra-Group companies	–	–	–7	–95
Personnel costs				
Board of Directors	–3	–14	–3	–14
Senior executives	–34	–155	–20	–63
Pension expenses	–7	–8	–3	–2
Social security contributions	–12	–48	–6	–21
<b>Total related party transactions</b>	<b>–56</b>	<b>–225</b>	<b>5</b>	<b>–156</b>
Profit from participations in intra-Group companies	–	–	277	–344
Interest income from intra-Group companies	–	–	6	12
Interest expenses to intra-Group companies	–	–	–16	–69
Interest expenses to bond-holders	–	–98	–	–

Related party transactions	Group		Parent Company	
	28 Feb 2017	29 Feb 2016	28 Feb 2017	29 Feb 2016
Receivables from intra-Group companies	–	–	398	379
Liabilities to intra-Group companies	–	–	–1,990	–1,197
Pension provision CEO	–10	–8	–10	–8
Bond loans	–	–	–	–

## NOTE 33 EXCHANGE RATES

Exchange rates	Average		Closing day	
	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016	1 Mar 2016 –28 Feb 2017	1 Mar 2015 –29 Feb 2016
EUR	9.491	9.337	9.570	9.334
NOK	1.033	1.030	1.079	0.982
DKK	1.275	1.251	1.287	1.251

## Signatures of the Board of Directors

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 2017 will resolve on the adoption of the Parent Company's and the Group's income statements and balance sheets.

Stockholm, 27 April 2017

Jan Sjöqvist  
*Chairman of the Board*

John Allkins  
*Director*

Birgitta Kantola  
*Director*

Graham Oldroyd  
*Director*

Axel Hjärne  
*Director*

Ragnar Norbäck  
*CEO and Board member*

Our auditors' report was issued on, 28 April 2017

PricewaterhouseCoopers AB

Michael Bengtsson  
*Authorised Public Accountant*



## Auditor's report

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

### Report on the annual accounts and consolidated accounts

#### Opinions

We have audited the annual accounts and consolidated accounts of Nobina AB (publ) for the financial year March 1, 2016 to February 28, 2017. The annual accounts and consolidated accounts of the company are included on pages 55–105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of February 28, 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of February 28, 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

#### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### Our audit approach

##### Audit scope

Nobina AB is engaged in the provision of public bus transport and operates in the Nordic countries through wholly owned subsidiaries. The administration within the group is to a large extent allocated to a shared service center. This also apply to the bus fleet which consists of around 3600 busses which are accounted for in the balance sheet. Nobina's customer contracts are awarded through public tenders, the contractual party is the Public Transportation Authority ("PTA") (counterparty in the respective commune/county) and the agreements run over a period of up to ten years. The bus fleet and the contract portfolio are areas of focus within our audit of Nobina.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial

statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates. Our audit consist of these main activities:

- Planning activities and related
- Audit of managements administration, internal control and routines and procedures
- Limited review of the Nobina Q2-report
- Audit procedures needed to issue this audit opinion on the annual report of the parent company and the group. In connection to this we also performed the examinations needed to issue our statement over the compliance to senior management remuneration guidelines.

#### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

#### Key audit matters

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

## Key audit matter

### Completeness, cut-off and valuation of revenue

*The accounting of revenues are described in note 1 Company information and accounting principles. Risk management are described in the Management administrative report on page 63–64 and in note 30 Financial risks and risk management.*

The volume of revenue from individual PTA-agreements is significant. The agreements are often unique in their structure due to lack of a common practice in the business. Agreements can also be complex. Combined with a unique structure this leads to difficulties to develop uniform invoicing procedures for the contracts why the revenue accounting is calculated and invoiced manually. Changes in traffic conditions can lead to change in Nobinas remuneration. If the changes are made outside of the stipulated contractual terms this may lead to a negotiation regarding the remuneration. The accounting of revenues based on PTA-negotiations are partly based on estimates.

Manual routines, compared to automatic, increase the risk for errors and estimates increase the subjective nature of the accounting which in turn also lead to a higher risk for accounting errors. Due to this this is a key audit matter.

### Valuation of the bus fleet

*The accounting related to the bus fleet is described in note 1 Company information and accounting principles and in note 7 Leasing. Risk management is described in the Management Administration report on page 63–64 and in note 30 Financial risks and risk management.*

The value of Nobinas bus fleet amounts to about 5,2 billion which is about 65% of the total assets of the Group. The depreciation period for the buses is assessed in order to, in the extent possible, be in line with the fair actual lifetime of the asset. The actual lifetime is based on the technical lifetime and the possibility to use the asset in the contracts. In the event that the time which the buses can be used in the contracts are reduced this can lead to increased cost of depreciation or higher realization losses. Due to the size of these balance sheet items this is a key audit matter in our audit.

## How our audit addressed the Key audit matter

The main activities performed in our audit are:

- Through data analysis we have examined revenue, accounts receivable and ingoing payment transaction to assess that the accounting of these follow the expected transaction flow
- Walk-through procedures have been performed of the use of standardize templates, routines and procedures for revenue calculations and invoicing
- Sample testing of invoicing versus PTA-agreements, calculations and index adjustments
- Examination of the monthly production and/or number of verified paying passengers reports versus invoicing
- Discussions with management to understand their assessments and estimations of ongoing negotiations revenue.

Assumptions supporting the accounting of revenues which involve elements of negotiations are assessed to be within reasonable intervals. No significant matters have been reported to the audit committee as a result of our procedures.

The main activities performed in our audit are:

- Sample testing of registered lease contracts in order to verify ingoing data in the company's lease calculation
- Taking part of Nobinas documented assessment regarding the bus fleet and it's depreciation periods
- Examination of ingoing data to the assessment of depreciation period against Nobinas operational system and performed our own spot check calculations of the accounted figures.

These procedures have not resulted in significant issues being reported to the audit committee.

## Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–54 and 109–113. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

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

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

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

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

### **Auditor's responsibility**

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions**

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nobina AB (publ) for the financial year March 1, 2016 to February 28, 2017 and the proposed appropriations of the company's profit or loss.

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

#### **Basis for Opinions**

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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

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

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

### **Auditor's responsibility**

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: [www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf). This description is part of the auditor's report.

Stockholm the 28 April 2017  
PricewaterhouseCoopers AB

Michael Bengtsson  
*Authorized Public Accountant*

## Multi-year overview

SEK million (unless otherwise stated)	2016/2017	2015/2016 before IPO costs	2015/2016 after IPO costs	2014/2015	2013/2014	2012/2013
Net sales	8,858	8,317	8,317	7,549	7,269	7,212
Operating profit	494	462	258	371	326	246
Profit/loss before tax	355	299	2	141	87	-9
Profit for the year	518	301	4	94	56	60
Cash flow for the year	114	266	234	141	173	33
EBITDA	1,161	1,083	879	922	832	725
EBITDA margin, %	13.1	13.0	10.6	12.2	11.4	10.1
EBITDAR	1,215	1,141	937	1,019	973	927
EBITDAR margin, %	13.7	13.7	11.3	13.5	13.4	12.8
Cash and cash equivalents incl. restricted funds	804	707	707	568	465	312
Of which restricted funds	0	24	24	115	156	175
Equity/assets ratio, %	17.9	14.5	14.5	4.7	3.8	3.1
Equity	1,421	1,110	1,110	310	224	187
Net debt	3,753	4,022	4,022	3,867	3,611	3,987
Net debt/EBITDA	3.23	3.71	4.58	4.19	4.34	5.5
Number of buses	3,564	3,703	3,703	3,347	3,359	3,455
Estimated number of passengers (million)	307	277	277	245	242	242
Number of production kilometres (million)	293	279	279	265	270	268
Number of production hours (thousand)	11,241	9,885	9,885	8,981	8,942	8,988
Estimated FTEs	8,889	8,461	8,461	7,603	7,547	7,868
Net sales per bus	2.49	2.25	2.25	2.26	2.16	2.09

# Information on performance measures

## Definitions

### Alternative performance measures

As of the second quarter, Nobina applies the new ESMA guidelines for APMs (alternative performance measures). The company is of the opinion that the performance measures provide valuable and significant information for investors and company management, since they facilitate an evaluation of the company's performance. Financial

non-IFRS measures are subject to limitations as analytical tools and should not be regarded as isolated or as replacements for financial measures prepared pursuant to IFRS. Financial non-IFRS measures are reported in order to improve the investors' valuation of the company's results from operations and position. The financial non-IFRS measures presented in this report can differ from similar measures used by other companies.

Key ratios	Description
Adjusted items	Adjusted items that affect comparability that are of an extraordinary nature and that do not pertain to the periods concerned or that are non-recurring. IPO-related transaction costs have been excluded from adjusted items.
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
EBIDAR	Operating profit before net financial items, tax, depreciation, amortisation, earnings from sale of fixed assets and operating leasing expenses for buses.
EBITDA margin	EBIDAR in relation to net sales.
Interest-bearing liabilities	Interest-bearing non-current and current liabilities (external loans, pension liabilities and financial lease liabilities)
Net debt	Interest-bearing non-current and current liabilities (external loans, pension liabilities and financial lease liabilities) after deducting cash and cash equivalents and restricted bank balances
Net debt/EBITDA	Interest-bearing non-current and current liabilities (external loans, pension liabilities and financial lease liabilities) after deducting cash and cash equivalents and restricted bank accounts in relation to EBITDA during four sequential quarters
Renewal rate	All won tenders/All own announced tenders.
Retention rate	Defended tenders/Own announced tenders
Average number of employees (FTEs)	The number of hours paid divided by normal working hours for a full-time employee
Cash investments	Cost of investments in non-current assets less sales loan-financed investments
Reallocation rate	Number of buses allocated to a new contract during the year/Total number of buses
Earnings per share	Profit for the year divided by average number of shares
Earnings per share after full dilution	Profit for the year divided by average number of shares after full dilution
Shareholders' equity per ordinary share	Shareholders' equity per ordinary share as per the balance-sheet date
Dividend yield	Dividend in relation to the company's share price as per the balance-sheet date
Equity/assets ratio	Equity in relation to total assets at the end of the financial year
Yield	Revenue per driven kilometre
Contract length	A publicly tendered contract concluded for the provision of transport services between a client and a public transport company. 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.
Production hours	Number of hours produced as part of a contract
Production kilometres	Total number of kilometres produced as part of a contract
Number of buses	The number of buses that are owned on finance or operating leases or rented on a short-term basis at the end of the year

**Verification of alternative performance measures**

	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Key performance indicators, Nobina (SEK million, except as otherwise indicated)	Mar 16–Feb 17	Mar 15–Feb 16	Mar 14–Feb 15	Mar 13–Feb 14	Mar 12–Feb 13
<b>EBITDA and EBITDAR</b>					
Operating profit	494	258	371	326	246
Capital losses from the disposal of non-current assets	14	15	35	15	15
Depreciation/amortisation of intangible and tangible non-current assets	653	606	516	491	464
<b>Total EBITDA</b>	<b>1,161</b>	<b>879</b>	<b>922</b>	<b>832</b>	<b>725</b>
Fees for operating leases for the year	54	58	97	141	202
<b>Total EBITDAR</b>	<b>1,215</b>	<b>937</b>	<b>1,019</b>	<b>973</b>	<b>927</b>
<b>Adjusted EBITDA and EBITDAR (adjusted results are based on information from Note 5):</b>					
Adjusted operating profit	494	462	371	326	246
Capital losses from the disposal of non-current assets	14	15	35	15	15
Depreciation/amortisation of intangible and tangible non-current assets	653	606	516	491	464
<b>Total adjusted EBITDA</b>	<b>1,161</b>	<b>1,083</b>	<b>922</b>	<b>832</b>	<b>725</b>
Fees for operating leases for the year	54	58	97	141	202
<b>Total adjusted EBITDAR</b>	<b>1,215</b>	<b>1,141</b>	<b>1,019</b>	<b>973</b>	<b>927</b>
<b>Interest-bearing liabilities:</b>					
Non-current borrowing	3,832	3,941	3,765	3,483	3,800
Pension liability	46	36	36	28	30
Current borrowing	679	752	634	565	496
<b>Total interest-bearing liabilities</b>	<b>4,557</b>	<b>4,729</b>	<b>4,435</b>	<b>4,076</b>	<b>4,326</b>
Cash	–804	–683	–453	–309	–137
Restricted bank accounts	–	–24	–115	–156	–175
<b>Total net debt</b>	<b>3,753</b>	<b>4,022</b>	<b>3,867</b>	<b>3,611</b>	<b>4,014</b>
<b>Net debt/EBITDA</b>	<b>3.23</b>	<b>4.58</b>	<b>4.19</b>	<b>4.34</b>	<b>5.53</b>
<b>Net debt/adjusted EBITDA</b>	<b>3.23</b>	<b>3.71</b>	<b>4.19</b>	<b>4.34</b>	<b>5.53</b>



# Glossary

**Airport transfers** – Trips that enable connections to and from airports.

**Change prices** – How much compensation changes per bus hour or kilometres within the framework of the contract volume.

**City transport** – Transport in a densely populated area.

**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 procurements are carried out in accordance with Swedish public procurement acts.

**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 contracts, the traffic company undertakes all aspects of the transport assignment, including the sale of services to passengers.

**Contract volume** – The client's (PTA's) right to change the production volume within the framework of the contract.

**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.

**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.

**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.

**Interregional transport** – Nobina's segment for transport services conducted completely on own merits without restrictions or subsidies from authorities.

**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 in accordance with predetermined production, a 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 procurements are carried out in accordance with Swedish public procurement acts.

**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.

**Tender** – A traffic company's offer in a tendering process.

**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.

# Annual General Meeting of Nobina AB

The Annual General Meeting of Nobina AB (publ) will be held on 31 May 2017 at 2:00 p.m. CET at the World Trade Center, Stockholm, 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 24 May 2017.

Shareholders must also notify Nobina of their intention to participate by mail to Nobina AB (publ), Armégatan 38, SE-171 71 Solna, Sweden or by e-mail to [nobinaagm@nobina.com](mailto:nobinaagm@nobina.com), no later than on 25 May 2017. 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 24 May 2017. Shareholders must, therefore, instruct their nominees well in advance of this date.

## Financial information 2017/2018

Annual General Meeting	31 May 2017
Interim report, first quarter (1 March–31 May)	30 June 2017
Interim report, second quarter (1 June–31 August)	28 September 2017
Interim report, third quarter (1 September–30 November)	21 December 2017
Year-end report 2017/2018	6 April 2018

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Solberg • Photography: Tomas Harrysson, Johan Töpel,  
Nobina's archive, etc. • Print: Billes Tryckeri

Nobina is the largest public transport company in the Nordic region, with more than 12,000 employees, 3,600 buses and sales of nearly SEK 9 billion. Every day, Nobina ensures that nearly a million people get to work, school and other activities. Together with our clients and passengers, we contribute to increased mobility, reduced environmental impact and lower costs to society.

## Addresses

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